

**Testimony of David Miller, Standards Director
American Petroleum Institute
Before the Subcommittee on Energy and the Environment
Of the House Science, Space and Technology Committee
April 6, 2011**

Good afternoon, Chairman Harris, Ranking Member Miller and members of the subcommittee. Thank you for the opportunity to address offshore drilling safety and response technology.

My name is David Miller. I am the standards director for the American Petroleum Institute. API has more than 470 member companies that represent all sectors of America's oil and natural gas industry. Our industry supports 9.2 million American jobs – including 170,000 in the Gulf of Mexico related to the offshore development business – and provides most of the energy America needs.

First, even though it's been almost a year since the tragic accident in the Gulf, it is important that we remember the families who lost loved ones, the workers who were injured, and all of our neighbors in the Gulf who were affected by it. Their losses were profound and they remind us every single day that the work we do to improve safety in our operations is extremely important.

Our industry's top priority is to provide energy in a safe, technologically sound and environmentally responsible manner. We therefore take seriously our responsibility to work in cooperation with government to develop practices and equipment that improve the operational and regulatory process across the board.

As further proof of our commitment, API has been the leader for nearly nine decades in developing voluntary industry standards that promote reliability and safety through proven engineering practices. API's Standards Program is accredited by the American National Standards Institute (ANSI), the authority on U.S. standards, and the same organization that accredits programs at several national laboratories. API's standards are developed through a collaborative effort with industry experts, as well as the best and brightest technical experts from

government, academia and other stakeholders. API undergoes regular third-party program audits to ensure compliance with ANSI's *Essential Requirements* for standards development.

API maintains more than 600 standards – recommended practices, specifications, codes, technical publications, reports and studies – that cover all aspects of the industry, including 270 focused on exploration and production activities. The standards are normally reviewed every five years to ensure they remain current, but some are reviewed more frequently, based on need. The committees that develop and maintain these standards represent API's largest program, with 4,800 volunteers working on 380 committees and task groups. API corporate membership is not a requirement to serve API's technical standards committees.

API's standards are frequently referenced in federal regulations because they are recognized to be industry best practices. BOEMRE, for example, currently references 80 API standards in its offshore regulations and has recently proposed an additional 12 API standards be incorporated into their regulations. Overall, nearly 100 API standards are referenced in more than 270 citations by government agencies, including the USEPA, the Department of Transportation and OSHA, in addition to BOEMRE. And, as part of our commitment to program transparency, last year API made the decision to provide all of our safety and incorporated-by-reference standards available for free on-line. One-hundred sixty API standards are now posted on API's website and have been viewed by close to 5,000 individuals since last fall.

We are using incident investigation findings to continue to improve the technologies and practices to achieve safe and environmentally sound operations. As part of this process, we are working to develop new API standards and revisions of existing API standards, where necessary, to raise the bar of performance to a higher level. We have already published a new standard on isolating potential flow zones during well construction, which has been incorporated by BOEMRE into its offshore regulations. We plan to complete work later this year on two new API standards – one on deepwater well design and one on well construction interface, which will provide a systematic way for the

offshore operator and the drilling contractor to ensure that their respective safety programs are fully aligned. We are also working to update the API standards on blow-out preventer design, manufacture and operations.

In addition, API's Board of Directors just last month approved the formation of the industry Center for Offshore Safety, with the mission to promote the highest level of safety for offshore operations through an effective program that addresses management practices, communication, and teamwork. This program's foundation will be API's recommended practice on safety and environmental management programs, the API standard most recently cited by BOEMRE.

Regarding permitting delays, the recently lifted moratorium and subsequent safety regulations led to some confusion and concern in the industry. For example, the interim final drilling safety rule, published in October of last year, contained text that summarily changed all 14,000 "should" statements to "must" requirements in the 80 referenced API standards. This action vitiated the standards development process by ignoring the recommendations of the some 4,800 technical experts who labored over the years to develop performance-based standards that allow for a variety of options to ensure the most appropriate engineering choice is made. And while DOI did provide a clarification, it wasn't until just last week. In the meantime, industry felt it had no choice but to consider how it could possibly be in compliance with requirements that were often contradictory and potentially unsafe. This uncertainty has added unnecessary delay in developing exploration plans and application for permits to drill as industry was forced to consider the requirement to request up to 14,000 departures simply to be in compliance with the standards that its and the government technical experts had developed.

In fact, API provided extensive comments to DOI as part of its White House-mandated regulatory review. One item of significant import is compliance with the Outer Continental Shelf Lands Act Amendments of 1978, in which Congress declared that "the outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs." By statute, the lessee is entitled to timely and fair consideration of

submitted plan and permit requests, and exploration plans and application for permits to drill must be acted upon within 30 calendar days of submittal. DOI should work to meet this statutory requirement.

Permitting delays and the moratorium have already led to a loss of 300,000 barrels a day in oil production since May 2010, according to the EIA's Short Term Energy Outlook, and the jobs loss is no less disturbing. Dr. Joseph Mason of Louisiana State University, who recently testified before the House Subcommittee on Energy and Power noted in a follow-up interview that:

“We are already, however, pushing above the administration's estimate of 20,000 jobs nationally for the deepwater de facto and de jure moratoria.”

We look forward to providing constructive input as this committee, the Congress and the administration consider changes to existing policy. Industry is ready to return to work, Mr. Chairman and Ranking Member, and seeks clarity and certainty in the permitting process.

This concludes my statement, Mr. Chairman. I welcome questions from you and your colleagues. Thank you.

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