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**HOUSE NATURAL RESOURCES COMMITTEE,
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES**

**HEARING ON NORTH AMERICAN OFFSHORE ENERGY:
MEXICO AND CANADA BOUNDARY TREATIES AND NEW DRILLING BY
CUBA AND BAHAMAS**

November 2, 2011

Mr. Chairman and Members of the Committee,

I am pleased to be here today to discuss oil and gas exploration in North American waters that border the United States Outer Continental Shelf (OCS). As Director of the Bureau of Safety and Environmental Enforcement, the agency in charge of enforcing safety and environmental regulations on the U.S. OCS, I would like to share with you information on the actions we have taken to ensure that oil and gas operations in neighboring waters are done in as safe and environmentally responsible manner as possible, and to ensure that the U.S. responds appropriately to protect U.S. interests in the event of a spill originating in foreign waters that may affect adjacent U.S. waters and shorelines.

As you know, the blowout and oil spill from the Macondo well last year prompted the most aggressive and comprehensive reforms to offshore oil and gas regulation and oversight in U.S. history. Our new standards and other reforms are designed to ensure that the exploration and development of oil and gas resources in U.S. waters proceeds safely and with appropriate protections for ocean environments and our coastlines.

Because the risks to U.S. waters and shores posed by offshore drilling are not limited to the activities on the U.S. OCS, the Department of the Interior (DOI) and my agency have taken steps to improve drilling standards and practices, as well as oil spill response preparedness, for operations in foreign waters that could have an impact our coastline. DOI and the Bureau of Safety and Environmental Enforcement (BSEE) are engaged with the key agencies across the federal government – including the State Department, United States Coast Guard (USCG), Environmental Protection Agency (EPA), National Oceanic and Atmospheric Administration (NOAA) and others – as well as with industry, oil spill response and blowout containment companies, and our international counterparts in the Gulf of Mexico, in the Arctic and along our maritime boundaries with Canada.

Status of Response Capability and Readiness in the Gulf of Mexico

DOI and BSEE are working closely with other federal agencies to address the threat of an oil spill in neighboring parts of the Gulf of Mexico that could affect U.S. waters, shores

and interests. Several other countries on or near the Gulf of Mexico are expected to proceed with offshore drilling in their exclusive economic zones (EEZ) in the near future. As you know, the Spanish oil company Repsol has announced its intent to drill offshore wells in Cuba's waters using a newly constructed mobile offshore drilling unit (MODU), the Scarabeo 9. In the near future, there also likely will be offshore drilling activity in the EEZs of the Bahamas and Jamaica and continuing offshore activity in Mexico's EEZ, including possible activity along the U.S.-Mexico maritime boundary pursuant to a transboundary agreement between the two countries, which is currently under negotiation. Formal negotiations of the agreement, which would advance the shared commitment of Presidents Obama and Calderon to promote the safe, efficient and equitable development of transboundary hydrocarbon reservoirs, began in August 2011. Multiple rounds of negotiations have followed, and the parties hope to have a final agreement by the end of the year.

The U.S. government is taking steps to protect U.S. waters and environmental and economic resources by promoting drilling safety to prevent spills in the first place and by preparing response contingencies in the event of a spill. These activities include: (1) communicating with Repsol to encourage its compliance with U.S. safety and environmental standards; (2) cooperating with our regulatory agency counterparts in the region, including Mexico, through bilateral and multilateral mechanisms to develop common safety standards; and (3) taking steps to ensure that U.S. resources are available to respond to a spill.

1. Engagement with Repsol

While BSEE does not have regulatory authority over Repsol's activities in Cuba, beginning in February of this year, Repsol has voluntarily provided us information regarding its plans related to drilling and oil spill response. In our numerous communications with Repsol, we have made clear that we expect it to adhere to industry and international environmental, health, and safety standards and to have adequate prevention, mitigation, and remediation systems in place in the event of an incident. Repsol officials have stated publicly that in carrying out its exploratory drilling plans in Cuban waters, it will adhere to U.S. regulations and the highest industry standards. Repsol has offered U.S. agencies an opportunity to board the Scarabeo 9 rig that Repsol intends to use in Cuban waters to inspect the vessel and drilling equipment and to review relevant documentation. Given the proximity of drilling to U.S. waters, and considering the serious consequences a major oil spill would have on our economic and environmental interests, we have welcomed the opportunity to gather information on the rig's operation, technology, and safety equipment. BSEE and the Coast Guard are coordinating a joint visit to the Scarabeo 9 that will occur shortly before the rig is scheduled to enter Cuban waters.

In addition to keeping BSEE regularly informed of its plans, Repsol has expressed a desire to keep U.S. regulators and spill response planners apprised of its oil spill preparedness activities offshore Cuba. Along with other U.S. representatives, BSEE has already witnessed a table-top spill response exercise held at the Repsol office in Trinidad.

During the exercise, Repsol's spill management team mobilized to respond to a hypothetical spill and demonstrated response equipment deployment capabilities. Repsol has subsequently invited BSEE and Coast Guard officials to observe another emergency drill to be conducted in Trinidad related to contingency planning for the drilling.

2. Regional Drilling Safety Initiatives in the Gulf of Mexico

In addition to our communications with Repsol and in parallel with the negotiations of a transboundary agreement, BSEE has been engaged with our regulatory counterparts in the Gulf of Mexico in an effort to harmonize drilling safety standards in the region. BSEE and its predecessor agencies have been collaborating with officials from all levels of the Mexican government since the late 1990s on issues related to the safe and responsible development of oil and gas resources in the Gulf of Mexico. This cooperation has increased substantially in the aftermath of Deepwater Horizon and after the creation of the National Hydrocarbons Commission (CNH), the Mexican agency responsible for regulating offshore drilling safety on Mexico's continental shelf.

BSEE and CNH are working towards a set of common safety and environmental standards through a series of technical workshops. Following a workshop held this summer in BSEE's Gulf of Mexico regional office, the U.S. and Mexico developed an action plan to define subject areas where the creation of common standards would be appropriate. CNH officials will be returning to BSEE's offices in the near future for a technical exchange about BSEE's Worst Case Discharge analysis.

In addition to this ongoing cooperation, Secretary of the Interior Ken Salazar and I traveled to Mexico for a series of meetings with Mexican officials to discuss the development of common safety and environmental standards for offshore oil and gas exploration and development in the Gulf of Mexico.

3. Spill Response and Preparedness

The U.S. government will immediately use all appropriate resources and authorities to conduct response operations in the event an oil spill from activities in Cuban waters or from activities in other states in the region that threaten U.S. waters or its coastline. The Administration has engaged state and local governments and private parties that might be affected by such a spill to ensure awareness and mutual cooperation and the adequacy of five different existing Area Contingency Plans covering Florida where models predict varying probabilities of U.S. shoreline impacts should a spill occur at the planned exploratory drilling locations in Cuban waters. BSEE staff is also engaged with District Seven USCG staff out of Miami in the development of an International Offshore Drilling Response Plan and will be participating in an upcoming workshop to validate the plan. We will continue with active support of these efforts to ensure that appropriate plans and resources are in place to respond in a rapid and effective manner to an oil spill that reaches U.S. waters.

As part of this planning for possible oil spills from deepwater drilling off of Cuba,

NOAA, in cooperation with the Bureau of Ocean Energy Management (BOEM), has run sophisticated trajectory models to identify potential landfall areas along the U.S. coasts. Using worst case discharge data provided by Repsol, coupled with computer model results, the USCG is working with Area Committees in the areas that potentially could be affected by such a spill to enhance Area Contingency Plans - an effort that requires local and state participation in the development of protection strategies and establishing priorities for threatened resources.

The U.S. is also taking measures to ensure that the appropriate private industry parties are able to respond quickly in the event of an oil spill in Cuban waters. The Department of Commerce and the Treasury Department have a long-standing practice of providing licenses to address environmental contingencies in Cuban waters. The Department of Commerce's Bureau of Industry and Security (BIS) has issued a number of licenses for post-incident oil spill containment and cleanup items for use by U.S. companies in Cuban waters. These items include booms, skimmers, dispersants, pumps and other equipment and supplies necessary to minimize environmental damage in the event of a spill. Several such applications are currently under review by BIS, including applications for a subsea well containment system and related equipment, such as remotely operated submersible vehicles and subsea construction, dive support, and well intervention vessels. In consultation with the Department of State, the Treasury Department can issue licenses to U.S. entities to prepare for and to operate in the event of an oil spill. The Treasury Department has been issuing such licenses for over a decade, including licenses for environmental response, maritime salvage, and spill prevention activities.

Finally, BSEE is working closely with other federal agencies on a number of regional initiatives with countries in the region, including Mexico, Cuba, the Bahamas and Jamaica. For example, planning is underway for a Regional Oil Pollution Preparedness, Response and Cooperation Seminar to Focus on Developing National Plans for Marine Pollution Preparedness and Response Related to Offshore Units and Regional Cooperation. This seminar, which is sponsored and conducted by the International Maritime Organization, will take place in the Bahamas later this year and officials from the Bahamas, Cuba, Mexico, Jamaica and the United States have been invited to participate. The seminar will provide a valuable opportunity for participating countries to learn about other nations' plans for emergency well control and oil spill response, which will help us improve our own response planning for upcoming offshore drilling expected in the EEZs of participating states. We believe a multilateral approach that involves all parties in the region contemplating drilling activities that could affect the United States is the most effective means of safeguarding our interests. We therefore intend to continue to vigorously pursue continued multilateral engagements in the Gulf of Mexico.

Status of Response Capability and Readiness in the Arctic and with Canada

In addition to our activities in the Gulf of Mexico, DOI and BSEE are also engaged in a number of multilateral and bilateral initiatives for oil spill preparedness and response in the Arctic and with Canada.

1. Arctic Council

The U.S. is a member of the Arctic Council Ministerial Meeting, which is a high-level forum of eight nations – Canada, Russia, Norway, Denmark, Iceland, the United States, Sweden and Finland – and their indigenous peoples.

The Arctic Council's meeting in Nuuk, Greenland this past May led to the creation of two important initiatives to address oil spill prevention, preparedness and response in the Arctic. The first of these is the Oil Spill Preparedness and Response Task Force, of which BSEE is a member and which intends to develop an international instrument on oil pollution preparedness and response in the Arctic. The Task Force met in Oslo, Norway last week. In addition, BSEE is participating in the Arctic Council Emergency Prevention, Preparedness and Response working group, which is developing recommendations on best practices in oil spill prevention. The results of both initiatives will be presented at the next Ministerial Meeting of the Arctic Council in the spring of 2013.

2. Bilateral Cooperation with Canada

BSEE also participates in a number of bilateral initiatives with Canada related to oil spill preparedness and response. BSEE's Technology Assessment and Research Program has collaborated with Canada in over 35 joint research and development projects, many of which relate to improving oil spill response and preparedness. For example, the Bureau is collaborating with Canada's Department of the Environment on a number of joint oil spill response research projects focusing on remote sensing and measurement of spilled oil; chemical treating agents; the properties and behavior of spilled oil; testing and evaluation of oil spill absorbents; cleaning up oil from shorelines; mechanical containment and cleanup of spilled oil; and examining matters relating to dispersant use. Another project has involved collaboration with Canada's Department of Fisheries and Oceans on a study of dispersants.

BSEE's predecessor agencies also initiated and conducted two meetings of the US-Canada Northern Oil and Gas Research Forum (Forum). The first Forum took place in October 2008 in Anchorage, followed by a second Forum in December 2010 in Calgary. The forums focused on technical, engineering, and scientific research concerning offshore drilling safety, oil spill prevention and management, ice engineering and transportation issues, as well as the environmental effects of oil and gas exploration and development in the Arctic. These multidisciplinary conferences brought together participants from government, industry, academia, indigenous groups, and non-governmental organizations to discuss research issues of relevance to the management of oil and gas activities.

BSEE has also cooperated in joint projects with the Canadian Coast Guard at the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT), which is the U.S. oil spill response and renewable energy test facility located in New Jersey. One project evaluated remote sensing equipment to detect spilled oil; another evaluated the oil containment performance of five different types of fire-resistant booms. We will continue

this engagement under the leadership of BSEE's Oil Spill Response Division. Finally, BSEE will participate in the annual Arctic and Marine Oil Spill Program (AMOP) Technical Seminar with Canada. The Seminar was created in 1978 by Canada's environmental ministry to improve the knowledge base and technology for combating Arctic and marine oil spills. Since then, it has been a useful forum for cooperation and information exchange, providing BSEE with the opportunity to engage researchers from other countries who have similar Arctic response interests, learn about emerging technologies and scientific discoveries, inform attendees of findings from BSEE-funded research, and identify research gaps and needs. In the last AMOP seminar conducted in October 2011, the program included discussions on the use of Ohmsett for research related to biofuel spill response and dispersant operational research conducted at Ohmsett over the last ten years, evidencing the contributions that BSEE has and will continue to make to improving oil spill response.

BSEE is also on the Executive and Planning Committees of the International Oil Spill Conference, which is held every three years – the most recent Conference was held in mid-2011. The conference focuses on new technologies and hosts exhibitors and participants from around the globe.

As you can tell from this description of the activities of DOI and BSEE, we view engagement with our foreign counterparts in areas of shared interest and concern as a central part of protecting U.S. environmental and economic interests.

Thank you and I look forward to your questions.