

**STATEMENT OF BRIAN SALERNO  
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UNITED STATES DEPARTMENT OF THE INTERIOR  
BEFORE THE  
COMMITTEE ON NATURAL RESOURCES  
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES  
U.S. HOUSE OF REPRESENTATIVES  
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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2016 Budget request for the Bureau of Safety and Environmental Enforcement (BSEE) in the Department of the Interior (2016 BSEE Request).

As the Administration works to expand domestic energy production through President Obama's "All of the Above" strategy, BSEE is taking the necessary steps to provide effective oversight of oil and gas development on the U.S. Outer Continental Shelf (OCS), promoting compliance with Federal regulations, and leading the offshore oil and gas industry toward a culture of safety and environmental protection.

The OCS continues to serve as a significant source of energy for the Nation. In calendar year 2014, OCS leases in California, Alaska, and the Gulf of Mexico provided 528 million barrels of oil and 1.3 trillion cubic feet of natural gas, accounting for more than 16 percent of the Nation's oil production and about 5 percent of domestic natural gas production.

The 2016 BSEE Request fully supports the President's strategy by ensuring that development of the Nation's vast offshore energy resources is conducted in a safe and environmentally responsible manner. Funds will be used to recruit expert engineers, inspectors, scientists, and oil spill planning and prevention specialists and to support the development of strong scientific information and the timely and thorough review of permits.

In 2016, BSEE will continue its efforts to build a robust culture of safety, with a strong focus on risk reduction. The Bureau seeks to ensure that every decision and every action will be taken with the workers and the environment in mind and that risks to both are appropriately balanced and mitigated. The Bureau will bolster its capacity for analyzing data gained through incident reporting requirements, near-miss reporting, and real-time monitoring. The Bureau will also continue to work with industry to better understand their safety processes, so that BSEE can mitigate and reduce risk. Through these initiatives and others, the Bureau will continue to ensure that offshore development occurs in a safe and environmentally responsible way.

As Director, I have stressed the importance of four key principles that guide the work BSEE does for the American public: clarity, consistency, predictability, and accountability. These principles are what every citizen, as well as the regulated community, has the right to expect from their government, and they provide the standard by which performance will be measured. During FY

2015, BSEE began an effort to strengthen internal controls and to better track and demonstrate results for mission-critical operations.

The 2016 BSEE Request includes an increase of \$1.7 million to support the evaluation of new and emerging technologies and to develop associated safety and oversight protocols through the Engineering Technology Assessment Center, which provides a Bureau-wide focal point for emerging technology evaluation. The increased funding will add depth and capacity to BSEE, so that as industry continues to innovate and develop new capabilities, BSEE will be able to keep pace. The 2016 BSEE Request also includes a program increase of \$750,000 for the Renewable Energy Inspection Program. This funding will support the timely development of regulations, inspection guidelines, procedures, and criteria for inspections of offshore renewable energy facilities so that the appropriate regulatory structure will be in place to ensure the safety of these facilities as well as to protect the environment.

## **FY 2016 BUDGET HIGHLIGHTS**

The 2016 BSEE Request is \$204.7 million, including \$82.5 million in current appropriations and \$122.2 million in offsetting collections from rental receipts, cost recoveries, and inspection fees. This is a net increase of \$46,000 above the 2015 enacted level, including an increase of \$1.4 million in current appropriations and a \$1.4 million decrease in offsetting collections. The total 2016 estimate of \$122.2 million in offsetting collections reflects a decrease of \$1.0 million from the 2015 estimate for rental receipts, a decrease of \$359,000 from the 2015 estimate for cost recoveries, and no change for inspection fee collections. The BSEE estimates staffing will total 881 full time equivalents (FTE) in 2016, including 756 direct FTE and 125 reimbursable FTE to provide shared services Department-wide, which are fully reimbursed from other accounts.

The BSEE receives funding through the Offshore Safety and Environmental Enforcement (OSEE) and Oil Spill Research (OSR) appropriations. The OSEE appropriation is partially offset by a portion of OCS rental receipts, cost recovery fees, and inspection fees. The OSR appropriation is funded by receipts from the Oil Spill Liability Trust Fund.

The 2016 BSEE Request proposes merging the BSEE's Environmental Enforcement Program (EEP), which was previously funded through a separate Environmental Enforcement Activity, into the Operations, Safety and Regulation Activity. The BSEE EEP is an integral part of the Bureau's overall increased safety initiative. Similar to the offshore (safety) inspection program, the EEP assures that industry is adopting an overall and comprehensive approach to environmental protection measures. Combining the EEP into the BSEE Operations, Safety and Regulation Activity will allow for better identification of regulatory needs for enhanced environmental compliance and closer coordination between the EEP and the newly established Safety and Environmental Management Systems (SEMS) program. The merger will also allow better management and oversight of all of the compliance and inspection programs in BSEE. It will enhance the effective use of inspection personnel and support resources (helicopters) by allowing for the maximum coordination of inspection and other compliance activities. This proposed consolidation is the next important step in adding clarity, consistency, and efficiency to the Bureau's compliance programs.

The 2016 BSEE Request in the OSEE account funds the following activities:

- The ***Operations, Safety and Regulation*** Activity funds: environmental and safety compliance activities related to issuing permits associated with plans; inspections; monitoring industry compliance with mitigation and other environmental requirements through office and field inspections; OCS permit application reviews; inspections of OCS facilities including critical high-risk activities; offshore operator oil spill planning and preparedness compliance; incident investigations; civil penalties; operator training and audit programs; annual operator performance reviews; verification of oil and gas production levels to help ensure the public receives a fair return; and the Emerging Technologies Program.
- The ***Administrative Operations*** Activity funds: general administration and ethics programs; equal employment opportunity services; emergency management; finance; human resources; procurement; and information management. The BSEE also provides administrative services, such as human resources, procurement, and finance to BOEM and other entities within the Department.
- The ***Executive Direction*** Activity funds: Bureau-wide leadership, direction, management, coordination, communications strategies, and outreach. It includes functions such as budget, congressional and public affairs, and policy and analysis. The Office of the Director and key management positions in the Regional Director's Offices are also funded within this activity.

The budget for BSEE in the OSR account funds oil spill research, the Ohmsett facility, as well as oil spill response preparedness and planning activities.

## **ASSESSING AND MANAGING RISK**

Risk management is an integral component of a safety culture. It is the lens through which BSEE views the interaction between technology, processes, and the human element. It also forms the foundation for how BSEE regulates and enforces standards. Risk management provides the basic framework through which BSEE approaches safety on the OCS. To better assess and manage risk, the Bureau has strengthened both its regulations and programs in the following areas:

### **Environmental Preparedness**

This includes preparedness for a blowout and worst-case discharge from an uncontrolled release. Additionally, BSEE conducts annual table top exercises to test how quickly an operator can mobilize vessels, capping stacks, and specialized equipment needed to cap a well. The Bureau also worked with the U.S. Coast Guard to include new Incident Command System functions within the Coast Guard Incident Management Handbook and the development of specific job aids to assist both the Federal government and private responders in understanding and incorporating these new functions into their oil spill response plans.

## **Well Design**

The Bureau proposed a drilling safety rule that requires operators applying for a drilling permit to meet new standards for well design, casing, and cementing. The Bureau is in the process of finalizing a proposed production safety systems rule that will provide the first updates to regulations for production safety systems since the late 1980s.

## **Well Control**

New rules have been put in place to strengthen requirements for blowout preventer (BOP) maintenance and testing. Additionally, BSEE expects to publish a comprehensive proposed rule in 2015 that will address a myriad of systems and processes, including BOPs, involved in well control operations. This proposed rule is intended to account for all aspects of well control operations, which will reduce risks that could lead to the technical and operational failures such as those that resulted in the loss of well control and explosion aboard the Deepwater Horizon.

## **Safety Culture**

The SEMS program is the cornerstone of BSEE's hybrid regulatory approach, which combines prescriptive and performance based rules. The goal is for the SEMS program to encourage the offshore oil and gas industry to adopt an approach to safety that looks beyond baseline compliance with regulations towards a safety culture that promotes continuous improvement in safety and environmental performance. The SEMS program is meant to be a tool through which companies actively manage and improve safety performance related to human behavior, organizational structure, leadership, standards, processes, and procedures – not simply a compilation of required documentation.

## **Arctic Exploration**

As part of the Administration's commitment to developing America's domestic energy resources safely, the Department of the Interior has proposed regulations to help ensure that any future exploration in the Arctic is done responsibly and subject to strong and proven operational standards. The proposed regulations support the Administration's coordinated and deliberative approach to the Arctic by requiring specialized practices for conducting exploratory drilling operations in the unique and challenging environment. Using a combination of performance-based and prescriptive standards, the proposed regulations codify and further develop current Arctic-specific operational standards that seek to ensure that operators take the necessary steps to plan through all phases of offshore exploration in the Arctic, including mobilization, drilling, maritime transport and emergency response, and conduct safe drilling operations while in theater.

## **Research and Collaboration**

The newly established Offshore Energy Safety Institute (OESI) provides an independent forum for dialogue, shared learning, and cooperative research among academia, government, industry, and other stakeholders. The OESI is a neutral ground for the exploration of issues of offshore risk that are of common concern to industry and regulators. Although OESI was established by BSEE, it is not an extension of the Bureau. The BSEE operates as one of many participants, with others coming from industry and academia. Additionally, BSEE also participates in the Interagency Coordinating Committee on Oil Pollution Research (ICOPR), which provides a forum for research collaboration that looks at oil spill prevention, preparedness, and response.

The ICCOPR, which is comprised of staff from Federal agencies and is a congressionally-mandated body, provides a venue in which agencies share their latest research, regulations, and policies; explore opportunities for collaboration on research; and, identify emerging issues that need national attention. BSEE is also leveraging the resources of our interagency partners and working with others to conduct important research related to new and emerging technologies as well as operations in frontier areas to further our efforts to reduce risks across all offshore operations. The BSEE also conducts important oil spill response research, much of which is conducted at the Ohmsett facility. Ohmsett is the state-of-the-art, premier testing facility for offshore response technology and a world-class training site for oil spill response personnel. It provides the Bureau, as well as other facility users, a unique training environment that simulates real-world conditions in a safe and contained environment.

### **Technology Assessment**

The Engineering Technology Assessment Center (ETAC or Center) will strengthen BSEE's ability to assess novel and emerging technologies by keeping pace with an increasingly complex industry. Through the Center, the Bureau will work more closely with Original Equipment Manufacturers and participate more fully with standards-setting bodies such as the American Petroleum Institute (API). The Center will serve as the primary liaison between BSEE and the OESI, and BSEE anticipates that the Federal staff engineers from the Center will work with OESI on joint industry projects. The ETAC will not replace the regulatory processes already in place at the regional level. Permit reviews and Deepwater Operations Plans will remain a function of our regional and district offices.

### **Data Collection and Sharing**

The BSEE and the Bureau of Transportation Statistics (BTS) signed an interagency agreement (IAA) in November 2013, to develop the Voluntary Confidential Near-Miss Reporting System for use on the OCS. The Voluntary Confidential Near-Miss Reporting System, which will be managed by BTS, has the potential to help prevent catastrophic incidents that endanger lives and the environment. The trend information that will be received and shared will be broadly beneficial to all who take safety seriously.

### **Conclusion**

These achievements represent important milestones in BSEE's efforts to promote offshore safety, and to protect life, property, and the environment. As planned, the Bureau continues to define and implement reforms and to hire the personnel needed to ensure the safe and responsible development of our Nation's offshore energy resources.

In closing, the 2016 BSEE Request will continue to support domestic energy production from the Nation's offshore resources, while balancing the benefits of this production with risks posed to the environment and the safety of the offshore workforce. I thank the Committee for inviting me to appear today. I would be pleased to answer any questions.