

**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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Chairman Lamborn, Ranking Member Lowenthal, and members of the Subcommittee, thank you for the opportunity to appear here today to discuss the proposed regulations for exploratory drilling on the U.S. Arctic Outer Continental Shelf (OCS).

On February 20th of this year, the Department of the Interior released proposed regulations to ensure that future exploratory drilling activities on the U.S. Arctic OCS are done safely and responsibly, subject to strong and proven operational standards. Domestic oil and gas production has grown yearly, with domestic oil production currently higher than any time in over a decade and natural gas production at its highest level ever. According to the Department of the Interior's latest assessment, there are approximately 21.5 billion barrels of technically recoverable oil and about 93.5 trillion cubic feet of technically recoverable natural gas in the Beaufort Sea and Chukchi Sea Planning Areas combined.

While the development of our domestic energy resources rather than reliance on foreign oil has benefits for our economy, jobs, and enhanced global energy security, the Administration is committed to ensuring that exploration and development are conducted responsibly and subject to the highest safety and environmental standards. The Arctic has significant oil and gas potential as well as beautiful marine and coastal areas, and Alaskan Native communities that depend on subsistence resources for their way of life.

This region is not like the other areas of the OCS where we have offshore drilling operations, where conditions and infrastructure can support nearly year-round operations. Operations in the Arctic present challenging conditions, without a developed support

infrastructure. There is not the same level of logistical support in the Beaufort Sea and Chukchi Sea Planning Areas because they are incredibly remote and undeveloped.

The Arctic has a unique environment that requires special sensitivity and attention to all aspects of operations, from monitoring for ice in the water to examining what could happen to any potential fluid discharges in these cold waters. The requirements for emergency preparedness are different to those in the lower 48. In the Arctic, it is imperative to ensure there is enough time left in the season to conduct emergency operations, should they be needed, before the water freezes over and it becomes difficult or impossible to respond to a well control event.

Moreover, we must be respectful of the Native communities and their reliance on subsistence hunting. These Arctic conditions require a careful, coordinated approach to offshore operations to ensure the environment is not adversely affected by resource development. These communities are acutely sensitive to any alterations to the ocean that they refer to as their “garden” to provide food and sustenance. I heard these concerns directly from Native communities during a visit to Barrow in March, shortly after the proposed Arctic Standards rule was made available for public comment. Their concerns were heard and the United States’ leadership as Chair of the Arctic Council as of this year affirms our commitment to coordination and safe exploration by industry.

The proposed regulations are consistent with the Administration’s thoughtful and balanced approach to oil and gas exploration, and take into account the unique, challenging and unpredictable characteristics of the Arctic environment. They address the operational challenges of geographic remoteness, extreme weather, sea ice and lack of infrastructure. They also require specialized practices for conducting drilling and related operations, and establish a proactive approach to offshore safety.

More specifically, the proposed regulations codify requirements that will ensure that all Arctic offshore operators and their contractors are appropriately prepared for Arctic conditions. They would require operators to develop an integrated operations plan that

details all phases of the exploration program for purposes of advance planning and risk assessment. With an emphasis on safe and responsible exploration, the proposed rule also would require operators to submit region-specific oil spill response plans, have prompt access to source control and containment equipment, and have available a separate relief rig to timely drill a relief well if necessary in the event of a blowout. The proposed rule continues to allow for technological innovation, as long as the operator can demonstrate that the level of its safety and environmental performance satisfies the standards set forth in the proposed rule.

The proposed rule has been informed by a series of public meetings and outreach with stakeholders, industry, the State of Alaska, Alaska Native Tribes, Alaska Native Corporations and North Slope communities. It will continue to be informed by the public comments we have received since the rule was proposed. Due to the high level of interest in this proposed rule, we extended the public comment period an additional 30 days. The comment period closed on May 27th, and we are now in the process of going through the more than 100,000 comments.

Although we have not yet fully reviewed every comment, I would like to share with the committee the general nature of the comments. Amongst the general public, the comments have been resoundingly either against this rule or supportive of the proposed rule to the extent that drilling in the Arctic is to be allowed. Within those communities that will be directly affected by oil and gas development, there is both support and opposition to drilling activity on the Alaska OCS. These comments are telling us that industry will be operating in an environment where there is very little tolerance for error. Given the risks, industry must be expected to operate to the highest safety standards in the Arctic.

While the comments we have received from the general public have been opposed to drilling in the Arctic, the industry comments have been in the other direction, generally stating that the proposed rule is too restrictive and expensive, and will deter companies from investing in the Arctic.

There are a few specific criticisms of the rule I would like to address. Many of the industry comments have cited the same season relief well requirement as too much of a burden on industry, and have cited the National Petroleum Council (NPC) report as evidence. They have specifically mentioned Canada's policy, which also requires a same season relief well. The NPC report implies that Canada is considering changing its policy. At this time, that is not the case. In fact, following a review of all components of drilling in the Arctic, Canada recently affirmed the same season relief well requirement, although Canada remains open to proven alternative technologies to meet this standard of care.

We also received comments that an alternative well kill system has been developed that would be just as effective as a relief well. If this technology exists, we have not seen it. This type of technology has never been deployed on the U.S. Outer Continental Shelf. If it has been developed, we would be very interested in examining it, and we would work with the Ocean Energy Safety Institute to review its effectiveness. If effective, it may be suitable for deployment throughout the OCS, not just in the Arctic. However, the Arctic is not the place where we want to rely on uncertain technology as a substitute for a relief well. The absence of readily available back-up, coupled with the potential environmental damage, requires a very cautious approach. Technology used in the Arctic should be proven.

We also received comments suggesting we should allow industry to use subsea shut-in devices to leave a well secured over the winter, in lieu of a traditional plug in the well. This is another area where we need much more research to establish equivalency. Subsea shut-in devices have been widely used in the Gulf of Mexico to temporarily secure a well, but at this time we are not aware of data demonstrating how they would perform for nine months, in Arctic conditions, in ice covered water.

The proposed limit on well operations during the shoulder season is another proposed requirement that industry and the NPC report are opposed to. This provision ensures that

time is built into the end of the drilling season when operators are unable to drill into hydrocarbon bearing zones. This minimizes the risk of a blowout occurring, to allow for time to kill the well, should an incident occur. While this does shorten the season for certain types of operations, it ensures there is appropriate time to respond to an oil spill before the water is frozen over. Allowing a spill to flow uncontrolled for nine months or more would be devastating to the environment, to the Alaska Natives who depend on subsistence resources, and to the public's willingness to allow any future activity in the Arctic.

This is just a sampling of the comments we have received. We will continue to review and consider every comment we have received. The Arctic is a critical component of our nation's energy portfolio, and Interior will continue to work with industry, stakeholders, tribes and international partners to develop technologies, systems and processes that reduce risk and provide rigorous safeguards for Alaska's coastal communities and sensitive Arctic marine environment.

This concludes my formal statement, and now I am happy to answer any questions you have about this proposed rule.