



Australian Government

INTERNATIONAL OFFSHORE PETROLEUM REGULATORS AND OPERATORS SUMMIT

International Offshore Petroleum Regulators and Operators Summit

Perth, Australia 10-11 August 2011

Summit Outcomes Statement and Australia's Action Plan

Globally, offshore petroleum exploration and development are critical to meeting the continued increase in the world's energy demands. The International Energy Agency has forecast that the role of oil in meeting those demands will continue to grow. Today, offshore petroleum production accounts for thirty per cent of the world's total oil supply.

The International Offshore Petroleum Regulators and Operators Summit (the Summit) held on 10 and 11 August 2011 and sponsored by the Australian Government, brought together leading policy makers, regulators, operators, industry professionals and academics to share critical lessons learnt and applied, since the 2009 Montara incident in Australia and the 2010 Macondo incident in the Gulf of Mexico.

Summit participants recognised that both the Montara and Macondo incidents have been catalysts for major change in the regulation and operations of the offshore petroleum industry.

A common theme across presentations was the degree to which, regionally and internationally, these incidents have challenged the community's confidence in the operations of the offshore petroleum industry and raised questions regarding the ability of governments and regulators to approve, monitor and enforce operations that meet the twin goals of protecting human health and safety and preserving the marine environment. The global response has been to review offshore petroleum legislation and processes relating to prevention and response.

Over the course of the Summit delegates provided accounts of these reviews and complementary actions instigated in a range of jurisdictions and an update on the status of work to implement change.

cooperation. commitment. prevention.



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Of particular value was the opportunity to compare not only the responses across various jurisdictions and companies but also progress on the implementation of these measures but also to identify areas of common challenge in this process and potential solutions to overcome them.

Governments, regulators and the offshore petroleum industry, under the Summit themes of strong leadership, cooperation, commitment and prevention, shared learnings on the measures required to achieve the twin goals of protecting human health and safety and preserving the marine environment in global offshore waters.

This Statement summarises the progress made to date and sets a platform for continued international action by governments, regulators and industry to improve safety, integrity and environmental outcomes.

Government

The Summit confirmed that the Australian Government's final response to the Report of the Montara Commission of Inquiry represented a good illustration of the developing international consensus on the 4 themes under which regulation of the offshore petroleum industry should evolve.

These four themes are: Regulatory Regime, Regulator Operating Practices, Response Arrangements and Environmental Management. In addition, the Australian Government also undertook a focused pro-active approach to encouraging needed improvements in the operating practices of the offshore petroleum industry.

Such an approach should lead to improved robustness in the regulatory framework, give operational direction to the offshore petroleum industry and provide veracity to the compliance and monitoring activities that are undertaken.



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Particular examples of the application of this approach are provided by the Australian Government's response to the Montara incident including:

- Strengthening the “polluter pays” principle by adding a guarantee in legislation that all costs of responding to a hydrocarbon spill, including scientific monitoring and other damages to the offshore and broader environment will be met in full by the polluter.
- Strengthening the objective-based regulatory regime by clarifying the framework for engagement between regulators and the offshore petroleum industry in responding to any future offshore petroleum incident.
- Enhancing the environmental assessment processes by applying additional rigour to the approvals process for offshore petroleum activities in Australian waters.

A key reform being implemented by the Australian Government is the establishment of a single national regulator for offshore petroleum, mineral and greenhouse gas storage activities.

One regulator - the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) - will be responsible for well integrity, safety and environmental regulation in Australian waters, while a second - the National Offshore Petroleum Titles Administrator (NOPTA) - will administer titles and data relating to offshore petroleum, minerals and greenhouse gas storage activities in Australian waters.

The United States, like Australia, established an independent Presidential Commission of Inquiry to examine the facts and circumstances concerning the causes of the Macondo incident, and is sharing the findings and lessons in international fora such as this Summit, and the United States Ministerial Forum, which met on 14 April 2011. The report of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling has been a valuable tool for all those seeking to learn from this incident and was a point of reference in many of the Summit's presentations.



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The American Government has implemented fundamental changes to the way offshore petroleum activities in the United States are regulated through the establishment of the Bureau of Ocean Energy Management, Regulation and Enforcement, as an independent safety and environment enforcement entity, which is supported by new oil spill response legislation for increased inspections of offshore platforms and enforcement activities.

The United Kingdom, whose regime like Australia's is established on objective-based principles, reflecting on the Montara and Macando incidents implemented increased well control assessments and commenced a parliamentary review of its offshore regulatory regime. The Parliamentary Select Committee into Deepwater Drilling - Implications of the Gulf of Mexico Oil Spill, like Australia's Montara Commission of Inquiry, determined that the UK legislative framework is "fit for purpose" with high regulatory standards, exemplified by the safety case regime, with robust oil spill response procedures. The Committee also found that the regime is rightly focussed on prevention, followed by containment and then clean-up.

In Europe, pressure is increasing for greater clarity regarding financial liability and the need for increased transparency and consistency in the regulatory regime for approvals, monitoring and compliance enforcement of offshore petroleum activities. Consistent with this theme, the European Commission has indicated that it envisages comprehensive legislation across the European Union on oil platforms aimed at ensuring the highest safety standards in the world, with further activity underway for such legislative reform to be announced in 2011.

Similar themes are also being discussed across Asia. In particular, Indonesia provided a valuable contribution to Summit proceedings by highlighting areas of international law requiring further clarification. Of note, their suggestion that there should be concrete measures to establish an agreed form of international instrument that appropriately regulates liability for transboundary pollution.

The Summit reinforced the need for a global commitment by governments, regulators and the offshore petroleum industry to actively work together to ensure that the economic benefits and energy security, provided by offshore petroleum exploration and development, do not come at the expense of the protection of human health and safety or the marine environment.



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This commitment will assure the community of the ability of governments and regulators to effectively regulate the offshore petroleum industry and the determination of the offshore petroleum industry to maintain its ongoing social licence to operate.

The Summit recognised the critical importance of Governments continuing to engage and collaborate internationally and regionally, through international bodies such as the G20 and the International Maritime Organisation, on all issues connected with offshore petroleum regulation including on response preparedness, capability and trans-boundary issues.

Regulator

The Summit reaffirmed the critical role of an independent well-resourced regulator to challenge industry to be rigorous in its operational practices, prevention and mitigation techniques. It confirmed the importance of a performance-based approach to regulation.

The Summit noted that, independence, in discharging regulatory responsibilities, depends upon:

- Institutional independence:
 - Operational decisions relevant to the regulator’s specific legislative functions should not be subject to direct controls
- Adequate resources:
 - Sufficient funding
 - Competent and experienced professional staff
 - Clear processes and strong leadership

and that regulatory decision-making must be based on the evidence available at the time and consistent with the requirements set out in law.

Industry

The Summit recognized that the safety, health and environmental performance of the oil and gas industry has been the subject of intense scrutiny following the Montara and Macondo incidents.

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The offshore petroleum industry, both as individual companies and collectively, recognised that it must be rigorous in its oil field practices and spill prevention and mitigation techniques while at all times recognising that its highest priority was ensuring that incidents such as Macondo and Montara do not occur at all.

Internationally, the industry has been working together to improve well incident prevention, intervention and response capability.

The Summit noted that in May 2011 the Global Industry Response Group (GIRG) which was established under the auspices of the International Association of Oil and Gas Producers released its recommendations relating to prevention, intervention and response, the overriding conclusion of which was that investment in improving prevention procedures, behaviour and equipment will produce the best outcomes in terms of reducing the likelihood and impact of well incidents, supported however, by investment in preparedness and response capability.

The UK industry led, Oil Spill Prevention and Response Advisory Group (OSPRAG) amongst other activities underway, has established a well containment and capping solution for offshore petroleum activities on the United Kingdom Continental Shelf with construction having commenced on this solution.

In the Gulf of Mexico for example, the Marine Well Containment Company (MWCC) is a not-for-profit, stand-alone organization committed to improving capabilities for containing an underwater well control incident in the Gulf of Mexico. The MWCC is part of multiple industry efforts to improve prevention, well intervention and spill response.

An interim containment system is now available for use in the U.S. Gulf of Mexico. The interim containment system significantly exceeds previous Gulf containment capabilities. MWCC owns and maintains the system.

MWCC is also currently developing an expanded containment system compatible with a wide range of well designs and equipment, oil and natural gas flow rates and weather conditions. ExxonMobil is leading the construction of this billion-dollar expanded containment system, which will be available in 2012.



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The Summit noted that in Australia, the offshore petroleum industry, building on the GIRG outcomes has:

- conducted forensic analyses of processes and practices in relation to well design, integrity and operations;
- reviewed oil spill response capacities and preparedness, and blowout contingency plans;
- conducted detailed analyses of all critical rig equipment and verified preventive maintenance requirements and integrity assessments; and
- entered into a Mutual Aid Memorandum of Understanding, putting in place a framework for deploying and sharing equipment and personnel in responding to a significant offshore petroleum incident.

Conclusion

The International Offshore Petroleum Regulators and Operators Summit has reinforced the commitment of governments, regulators and the industry to take meaningful steps to avoid incidents like Montara and Macondo in the future and that ongoing significant and sustained effort is required by governments, regulators and industry to ensure that the twin goals of protecting human health and safety and preserving the marine environment in global offshore waters continue to be met.

The Summit recognised that this objective will only be achieved by continuous improvement where governments, regulators and industry work together to promote ongoing improvement in skills development, competence and a culture of compliance.

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Australia's Action Plan

The Government will:

- Implement its response to the *Report of the Montara Commission of Inquiry* delivering its commitment to improving the protection of human health and safety and the marine environment to ensure that Australia's offshore petroleum industry is the best and safest in the world and is able to contribute to Australia's ongoing energy security and economic prosperity;
- Ensure that Australia's objective based legislative regime continues to encourage offshore petroleum titleholders to strive for improved performance; and
- Ensure that the regulator has sufficient resources and powers to effectively regulate the industry.

The Offshore Petroleum Regulator will:

- Be independent, objective and transparent in its engagement with the offshore petroleum industry, to promote and secure compliance with the refocused regulatory regime;
- Maintain a critical mass of competent, skilled and experienced staff with the ability, through the application of rigorous assessment, inspection and audit processes, to provide independent assurance that risks are properly controlled by industry; and
- Continuously strive to improve its regulatory systems and practices through dialogue and information exchange with industry, governments and other regulators, both domestically and internationally.

The Industry will:

- Provide leadership and accountability for the achievement of strategic safety priorities in the areas of:
 - safety culture and leadership, process safety and asset integrity, emergency management, fatigue, skills and competence, contractor engagement, and sharing lessons and good practice;
- Meet government and community expectations with respect to its social licence to operate; and
- Design and build an Australian capping and containment solution in partnership with the international industry and integrated into an international, regional and local capping response strategy that incorporates regional and local capability.