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BEFORE THE SUBCOMMITTEE ON INTERIOR, ENVIRONMENT, AND RELATED AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS
ON THE 2020 PRESIDENT'S BUDGET REQUEST
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Chair McCollum, Ranking Member Joyce, and Members of the Subcommittee, I am pleased to join you today to discuss the President's Fiscal Year (FY) 2020 budget request for the Bureau of Safety and Environmental Enforcement (BSEE), a bureau of the Department of the Interior. We welcome the Subcommittee's interest in our efforts to promote offshore safety and environmental protection. It is our firm belief that our Nation's demand for the energy resources it needs today should be met by a supply that is developed safely, sustainably, and domestically.

As the Administration works to support and promote sustained domestic energy exploration and production, the BSEE is taking the necessary steps to foster safe and responsible offshore energy operations in order to secure reliable energy production for America's future. BSEE's strategic goals reflect the Bureau's commitment to safety, environmental stewardship, energy security, organizational agility, people, transparency, and engagement.

BSEE actively promotes the safe, and environmentally-sustainable exploration, development, and production of America's offshore energy resources through a program of appropriate standards and regulations, efficient permitting, robust inspections, effective compliance monitoring and enforcement, rigorous technical assessments, and thorough incident investigations. BSEE's budget fully supports the President's America-First Offshore Energy Strategy by ensuring that development of the Nation's vast offshore energy resources is conducted in a safe and environmentally-sustainable manner.

In recent years America has seen ever increasing levels of production offshore, with calendar year (CY) 2017 surpassing previous records by more than 18 million barrels. Approximately 50 percent of the total offshore oil and natural gas production in 2017 came from just 11 facilities, all in deepwater.¹ Despite these increased levels of production, the number of injuries and incidents offshore have shown steady decreases, realized through a new era of management and a focus on safety performance and environmental stewardship.

In 2018, offshore oil production increased to approximately 644 million barrels, representing 16 percent of total U.S. crude oil production. The vast majority of that production – 99 percent – occurred in the Gulf of Mexico. It should be noted, however, that offshore production occurs in

¹ 1,000 feet of water depth or greater.

two distinct sections – shallow water and deepwater. In CY 2018, 89 percent of all OCS production occurred in deepwater, a substantial increase from the year 2000 when deepwater production accounted for 50 percent of all OCS production. Development in the shallow water areas of the Gulf of Mexico OCS, first drilled in 1947, is mature and is experiencing drastic reductions in the number of wells drilled and resources produced. As a result, this portion of the Gulf of Mexico continues to see significant infrastructure removal that BSEE is also responsible for managing.

The transition from shallow water to deepwater development also presents challenges to BSEE. As development moves into deeper waters, the size, complexity, and distance from shore of facilities increases while the overall number of facilities predominantly responsible for offshore production decreases. Ten years ago, 37 facilities produced 50 percent of the total Gulf of Mexico production. However, in 2017, 50 percent of Gulf of Mexico production came from only 11 facilities.

STRATEGIC GOALS

As the Administration works to support and promote domestic energy production, BSEE is taking the necessary steps to foster safe and responsible offshore oil and gas operations in order to secure reliable energy production for America’s future. BSEE’s strategic goals reflect the Bureau’s commitment to safety, environmental stewardship, energy security, organizational agility, people, transparency, and engagement.

Ensuring safe and environmentally-sustainable energy exploration and production remain central to BSEE’s mission. To continue to fulfill its mission and advance American energy security, it is important for BSEE to prepare for, and adapt and respond to, changes in the industry throughout the lifecycle of offshore energy development. BSEE is committed to the continual advancement of the effectiveness of its inspection program, enhancing its permitting processes around greater quality assurance and consistency, reforming overly burdensome regulations, and ensuring high levels of preparedness in the event of oil spills. BSEE must also prepare for new challenges presented to the agency through the increase in deepwater and ultra-deepwater facilities; increased interest in exploration in frontier areas such as the Arctic; and the assumption of a new role in the safety and environmental sustainability of offshore renewable energy.

During FY 2018 BSEE developed and implemented its 2019-2022 Strategic Plan and identified several “Director’s Change Management” Action Plan initiatives that have and will guide the Bureau. The action plan initiatives are focused on creating an organization that has strong and smart programs and processes moving forward. A few of the specific initiatives include incorporating a risk-based inspections (RBI) protocol in the BSEE inspection strategy; implementing a quality assurance/quality control permitting system while evaluating the

permitting processes and time frames to ensure efficient use of resources; and addressing recommendations from the Government Accountability Office (GAO), the Office of Inspector General (OIG), and other outside organizations. The plan initiatives provide a systematic approach to the achievement of the FY 2019-2022 Strategic Plan goals.

FY 2020 BUDGET OVERVIEW

The 2020 budget request for BSEE is \$200.5 million, including \$129.9 million in current appropriations and \$70.6 million in offsetting collections from rental receipts, cost recoveries, and inspection fees. The total FY 2020 estimate of \$70.6 million in offsetting collections assumes an increase of \$3.0 million from the FY 2019 CR Baseline level for rental receipts and a \$286,000 decrease for inspection fee collections. Total funding assumes the cancellation of \$5.0 million in prior year balances.

The 2020 request enables BSEE to continue to enhance oversight, regulatory, and research capabilities on the OCS by building and sustaining staff capacity. Outreach and dialogue with stakeholders from academia, industry, non-governmental organizations, and other governmental agencies enhances the knowledge base of technical personnel related to innovative technologies, appropriate regulatory application, real-time monitoring capabilities, and risk-based decision making for safety and environmental enforcement.

To better reflect offshore activity, in FY 2020, BSEE is proposing the addition of an inspection fee for non-rig units, which it has proposed for each of the preceding three budget years. When Congress initially authorized BSEE to collect inspection fees as part of the FY 2010 appropriations bill, most well operation activities were conducted by “drilling rigs”. As the industry has changed, BSEE has seen the increased use of “non-rig” units (e.g., coil tubing, wireline, snubbing, and hydraulic workover units) as a lower cost alternative for work once conducted only by “drilling rigs”. Specifically, the operations of these “non-rig” units have increased from 23 “non-rig” units in October 2012 to 64 “non-rig” units in October 2018. As a result of the increased use of “non-rig” units, the number of “non-rig” inspections has increased significantly between FY 2014 and FY 2018.

To better align inspection activity with the collection of facility inspection fees, in FY 2020 BSEE is also proposing language that would allow for the quarterly billing of facility inspection fees, as opposed to the annual collection process now used. BSEE believes this proposal will provide for a more equitable administration of the Bureau’s collections.

FY 2020 BUREAU PRIORITIES

The proposed 2020 budget request will support the following Bureau priorities:

Risk-Based Inspections

The 2020 request includes a \$5.5 million program increase so BSEE can further expand its Risk-Based Inspection (RBI) program in order to focus inspection resources on higher-risk facilities; enhancing the monitoring of facility and operational risk profiles; ensuring companies are adequately assessing risks; and developing the means for the continued improvement in risk management offshore to improve safety.

Improving Inspection Program Efficiency

BSEE is committed to ensuring its inspection program operates at the highest level of effectiveness, while continuously exploring ways to increase the overall efficiency of the program. Implementation of BSEE's revised inspection strategy approach began in FY 2019, with the roll out of a tiered approach to ensure that the Bureau meets its requirements, fulfills regional and national priorities, and uses its workforce effectively. Additionally, during 2018 BSEE increased the physical inspection time offshore through our eRecords initiative. This initiative has led to an approximately 6.1 percent increase in physical inspection time offshore, resulting in an increase in the number of inspections in 2018 by five percent over the same period from 2016.² Implementation of the refined inspection strategy reduces overall costs and allows BSEE's inspectors to conduct a more efficient, thorough, and critical physical inspection of components ensuring the safety of personnel and the protection of the environment. BSEE will continue to refine its inspection strategies to better reflect the actual risks and phases of development on the OCS, thereby improving overall safety oversight while reducing any unintended impediments to the development of America's offshore oil and gas resources.

Enhancing Capacity, Ensuring Accountability, and Assessing Risk

BSEE will also continue strengthening its mission capacity and ensuring accountability through ongoing implementation of key management tools. In FY 2018 and FY 2019, BSEE revised its Enterprise Risk Management framework to better integrate management initiatives such as internal control reviews, program evaluations, audits, risk assessments, policy and procedure compliance, and a formal vital statistics and performance measures program.

² Observed increases described when comparing inspection activity levels from CY 2016 and CY 2018 for the period encompassing April 1 to December 31 of each year.

Enhanced integration of these initiatives supports stronger communication and decision making within the Bureau. This effort was complemented by another FY 2019 activity in which BSEE continued its annual review of internal policies and procedures, building on the findings from its FY 2018 review, and expanding to better track training, compliance, and accessibility of these policies and procedures. In FY 2020, BSEE will have a mature policy program that emphasizes consistency, accuracy, and accountability. Also in FY 2019, BSEE is building out its program evaluation capacity to include expanded reviews of core high-risk functions in the BSEE regions, as well as undertaking a review of the Bureau's overall strategic risks. BSEE will expand on these evaluation efforts in FY 2020 to ensure continued mission support and accountability.

Domestic and International Engagement

Through FY 2019 and continuing into FY 2020, BSEE will continue to enhance its collaborative efforts both domestically and internationally. BSEE engages regularly with its international counterparts in order to promote the safe and environmentally-responsible development of offshore energy resources globally. BSEE has established itself as a leader in international cooperation, actively participating in multilateral forums such as the International Regulators Forum; the Arctic Offshore Regulators Forum; the International Offshore Petroleum Environment Regulators group; and the Arctic Council bodies, such as the Emergency Prevention, Preparedness, and Response Working Group. BSEE's roles in preparedness activities at the international scale span work in both temperate and Arctic waters. The Bureau is taking a leadership role to better understand the viabilities of traditional oil spill cleanup strategies in different environments. Additionally, BSEE places a priority on maintaining strong bilateral relationships with a number of international partners.

In addition to the priorities outlined above, I would like to highlight the following BSEE programmatic initiatives and improvements:

- BSEE is implementing a quality assurance and quality control system for its permitting program to evaluate the consistency of its permitting processes as well as the time requirements and efficiency of the review process.
- BSEE has evaluated opportunities to increase ethics education across the Bureau and is implementing methods to improve ethics and integrity programming.
- BSEE has either drafted or updated 170 internal governance documents over the last two years to ensure we are meeting our responsibilities to promote safety and protect the environment.

- BSEE has begun preparations for its role with regard to offshore renewable energy including: engagement with the Occupational Health and Safety Administration (OSHA) on the designation of BSEE as the primary regulatory and enforcement agency for offshore wind workplace safety and health; and, identifying regulatory improvements and guidance to clarify requirements and alleviate burdens on offshore wind developers.
- BSEE has obtained commitments from operators to participate in the Bureau's voluntary offshore near-miss and equipment failure reporting system known as SafeOCS. Operators signing written agreements to submit reports now account for over 85% of offshore production – a significant increase from the 4 percent rate of participation at the start of CY 2017.
- In order to continue to advance its mission, BSEE is establishing an Evaluation Branch to expand the Bureau's capacity for evaluating how we implement our core functional areas at the regional and district levels.
- BSEE continuously evaluates the employee training needed and provided for all of its employees. With respect to its inspection staff, BSEE has hired a contractor to assess training needs and assist the Bureau in the implementation of an inspector certification program.
- BSEE is developing a proprietary application for smartphones to be used by the public to crowdsource the reporting of offshore oil sheens. The mobile application is expected to have the ability to accept anonymous reports of surface sheens that include photographs, GPS coordinates, and time of submission for any identified hydrocarbon or chemical release.
- Contractors represent 80% of the industry's offshore workforce. To ensure that BSEE is able to communicate important safety alerts to the entire offshore workforce, BSEE is developing a direct text message service for offshore oil and gas workers to alert them to newly published safety alerts and bulletins. Workers will have the opportunity to opt into the service in 2019.

CONCLUSION

The achievements and improvements described herein represent important milestones in BSEE's efforts to promote offshore safety, and to protect life, property, and the environment. These efforts have led to improvements in offshore performance demonstrated by the decrease in offshore incidents we observed in FY 2018. However, despite these achievements, activity on the OCS still poses significant challenges to safety and environmental protection. Deepwater

operations are not only expected to grow in number, but also in complexity. This will increase both the number of hours and technical capabilities required to conduct our oversight operations. Decommissioning of offshore facilities also represents a new challenge to the Bureau and a new set of safety and environmental risks to address.

In closing, the BSEE FY 2020 Request will continue to support the safe and environmentally sustainable production of energy from our Nation's offshore resources. I thank the Committee for inviting me to appear today. I would be pleased to answer any questions.