

STATEMENT BY MAX RUELOKKE P.ENG, CHAIR AND CEO

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Mr. Chairman and members of the Committee, it is a pleasure to be here today and to have this opportunity to talk to you about offshore emergency response in the Newfoundland and Labrador Offshore Area.

When we talk about emergency response, we really need to take a broad view of what an emergency is. An emergency response plan will typically list ten or more types of occurrences that will be classified as emergencies, all of which will require response. Many of them will present far greater hazards to human safety than will an oil spill. Emergency response plans are designed around an Operator's requirement to respond to all types of emergencies which occur on or immediately adjacent to their facilities.

Operators would activate the same emergency response plan for a blowout as the Operators involved did for the Cougar helicopter crash in 2009. At that crash, you should know that the first responders to the crash were a fixed wing aircraft and two helicopters, all under contract to the Operators, not Department of National Defense Search and Rescue helicopters. This certainly demonstrated that we have a very robust emergency response capability in our offshore area!

There has been a lot of media attention about the environmental and economic consequences resulting from the Macondo blowout - and rightly so. However, it is very important for everyone to remember that the first

thing that happened when this tragedy occurred is that eleven people died and seventeen more were injured. This fact appears to have been lost in much of the on-going media coverage about the Macondo incident. This fact has not been lost on regulators. Safety is, and always will be, paramount in all decisions taken by the Board.

When assessing a drilling application, we are essentially looking for three things: (i) does the Operator have the appropriate equipment to do the job safely? (ii) are personnel adequately trained to do the job? and (iii) are the necessary procedures in place for safe operations? Prior to issuing the Operations Authorization a number of statutory obligations must have been met, including those of the *Canadian Environmental Assessment Act* as well as the *Atlantic Accord Implementation Act*, Transport Canada and the independent third party Certifying Authority. They must file a Safety Plan, an Environmental Protection Plan and a Contingency Plan that includes an Oil Spill Response Plan. In addition, they must submit documentation respecting financial responsibility, and finally, they must provide a Declaration of Fitness, attesting that the equipment and facilities to be used during their program are fit for purpose, the operating procedures relating to them are appropriate, the personnel employed are qualified and competent, and the installation meets all necessary Canadian standards. Only after all of this documentation is presented to, and approved by the Board, may an Operator proceed with the activity.

Drilling and well control are critical aspects of offshore operations and are addressed extensively in the regulatory framework. This involves a review of the Operator's well planning and technical capabilities in respect of well and casing design, well control matters, kick prevention and detection,

establishment of severe weather operating limits, a review of emergency disconnect requirements and an assessment of the relief well drilling arrangements. Emphasis is also placed on ensuring that personnel have the requisite training in well control and blowout prevention. A review is conducted to ensure suitable redundancy of the blowout preventer (BOP) activation and control systems, in the event of any situation that could result in a disconnect from the well.

Oversight of these matters is achieved in a systematic manner through the Board's Safety Assessment System, which includes a review of the Operator's safety management system and confirmation that the Operator has identified the hazards and the measures to be put in place to reduce the risk from these hazards to a level that is "as low as reasonably practicable".

Although we have a robust regulatory regime and we exercise substantial oversight of offshore activity, accidents can, and will, happen. Therefore, it is important to have plans in place to address the impacts of incidents when they occur. Operators provide the C-NLOPB with a Contingency Plan that includes an Oil Spill Response Plan. The Board's safety and environment professionals review these plans for each project.

Response plans include details on how relief wells could be drilled if necessary. What the response plans *have* not included to date is any detail on sub-sea containment of a blowout. As we saw from the Macondo activity, it was containment that ended the blowout, before the relief well was completed. We are currently watching keenly the development of new containment capability by the "Marine Well Containment Company", formed in July by ExxonMobil, Chevron, Shell and ConocoPhillips (joined

recently by BP). They have committed over \$1 B US to develop advanced containment capability – equipment and specially trained personnel – to combat any future subsea blowouts or other loss of containment in the Gulf of Mexico. We, and I suspect, other regulators in other offshore regimes, are examining ways to ensure that a similar (or the same) capability would be made available to deal with any blowouts in our offshore area.

Oil Spill Response Plans describe a three tier system. Tier 1 spill response involves activation of on-board spill response equipment, sufficient to address small scale spills (less than 100 bbls). If the equipment on site is insufficient, the Operator will move to a Tier 2 response which involves mobilizing equipment located in St. John's, available to the Operators through the East Coast Spill Response Corporation (ECRC), and typically capable of dealing with spills of up to 100,000 bbls. If the equipment available on-board and through the ECRC is insufficient, the response moves to Tier 3, which means that Operators have to acquire response equipment elsewhere in Canada or internationally, much of which can be mobilized to NL within 24 hours.

Each Operator exercises their emergency response plan quarterly and collectively, the Operators conduct a field exercise each year, which involves the deployment of spill response equipment.

The question that has been on everyone's mind, particularly since the Macondo incident, is whether we are ready for a large scale release of hydrocarbons into the environment as a result of offshore oil and gas activity, in the event such an unfortunate incident should occur. For some people, the concept of readiness implies that companies be able to recover

most or all of the oil released into the environment. This is simply not currently achievable. We do expect that the Macondo tragedy will result in considerable additional research and development into improved spill response capability.

The reality is that oil spills in the marine environment are addressed through several processes, both natural and mechanical. The North Atlantic Ocean is a harsh environment, and recovery of oil from the ocean is very difficult even in the best of weather conditions. However, the biggest threat to marine mammals and birds is oil slicks. Therefore, emergency response measures also consider the value of oil dispersal as a means of minimizing impacts. At this time, we do not sanction the use of chemical dispersants as an oil spill response measure, but we will review this in light of the Macondo experience, in consultation with experts in Environment Canada and Fisheries and Oceans.

If there were a major spill on the Grand Banks, environmental assessments done for the projects include detailed modeling of the potential fate of a spill at locations in the Newfoundland and Labrador Offshore Area. Using 40 years of weather data, these models indicate that even if a large spill were to occur, it would be unlikely that oil would approach the Newfoundland and Labrador shoreline. The impacts of a spill occurring this far from the Canadian coastline nevertheless would be serious and require immediate response, but it would be a situation substantially different from what we saw in the Gulf of Mexico.

I would like to make just a few more quick points in closing.

Production of oil from our offshore area started in 1997. As of the end of March 2010, nearly 1.2 billion bbls of oil have been produced and 1,100 bbls of crude have been spilled – less than 1 barrel per 1 million produced. In the Gulf of Mexico, prior to the Macondo tragedy, for every 1 million bbls. Produced, 13 bbls had been spilled (and that figure includes only spills greater than 50 barrels!). There have been no blowouts in our offshore area. Obviously we would prefer to have no injuries or spills, but we believe that the record for our offshore area is quite respectable.

In the wake of the Macondo incident, the C-NLOPB, like all regulators, is keeping an eye on lessons learned that will help us to improve our performance as regulators and to improve the performance of those we regulate. We are confident in our robust safety and environmental protection regime, but we are always open to ways in which it can be improved.

Thank you, and I look forward to your questions!