

**STATEMENT OF LARS HERBST
REGIONAL DIRECTOR
GULF OF MEXICO REGION
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT
UNITED STATES DEPARTMENT OF THE INTERIOR**

**HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE,
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION**

**MIAMI FIELD HEARING ON OFFSHORE DRILLING
IN THE BAHAMAS AND CUBA: THE U.S. COAST GUARD'S OIL SPILL
READINESS & RESPONSE PLANNING**

January 30, 2012

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to participate in today's hearing. I am the Regional Director of the Gulf of Mexico Region for the Bureau of Safety and Environmental Enforcement (BSEE), the agency responsible for enforcing safety and environmental standards regarding oil and gas exploration, development, and production activities on the United States Outer Continental Shelf. I would like to share with you information on the actions taken to ensure, within our ability to do so, that oil and gas operations in neighboring waters outside of United States jurisdiction are undertaken in a safe and environmentally responsible manner consistent with international and industry standards.

As you know, the 2010 *Deepwater Horizon* blowout and oil spill prompted the most aggressive and comprehensive reforms to offshore oil and gas regulation and oversight in U.S. history. Our new standards and other reforms are designed to promote safety and protection of ocean environments and coastlines in the exploration, development and production of U.S. offshore mineral resources.

The Department of the Interior (DOI) and BSEE take an active approach to identify and to become involved in international initiatives that promote better integration of safety and environmental concerns into offshore development decision making. This approach includes sharing lessons learned and best practices for safety and environmental standards; participating in technical and information exchanges with our international regulatory counterparts; and providing technical advice to the U.S. Department of State, other relevant U.S. agencies, and countries seeking to be part of the next generation of oil and gas producers.

This international engagement is in addition to our continued coordination with key agencies across the Federal government, including the Department of State, United States Coast Guard (USCG), the Environmental Protection Agency (EPA), and the National Oceanic and Atmospheric Administration (NOAA), among others. In addition, we engage in ongoing communications with the offshore industry, and the oil spill response and blowout containment companies.

In particular, DOI and BSEE are working closely with other Federal agencies to address the potential threat of an oil spill in neighboring parts of the Gulf of Mexico that could affect U.S. waters, shorelines and resources. Several countries on or near the Gulf of Mexico are expected to proceed with offshore drilling in their exclusive economic zones (EEZ) in the near future. For example, the Spanish oil and gas company Repsol YPF, Cuba, S.A. (Repsol) will soon begin to drill offshore wells in Cuba's EEZ using a newly constructed mobile offshore drilling unit (MODU), the *Scarabeo 9*. We also expect additional offshore drilling activity in the EEZs of the Bahamas and Jamaica, and continuing offshore activity in Mexico's EEZ.

The Department of the Interior, through BSEE, is actively engaged in U.S. Government efforts to promote drilling safety measures to prevent oil spills. These activities include cooperating with our regulatory agency counterparts in the region, including Mexico, through bilateral and multilateral mechanisms to develop common safety and response standards, and communicating with Repsol to encourage its compliance with U.S. drilling safety and related environmental standards.

Engagement with Repsol

While BSEE does not have oversight authority over Repsol's activities in Cuba EEZ, beginning in February of 2011 at Repsol's request, we entered into discussions concerning Repsol's potential activity in the Cuba EEZ and its plans related to drilling and well control. In our numerous communications with Repsol, we have made clear that we expect Repsol to adhere to industry and international environmental, health, and safety standards and to have adequate prevention, mitigation, and remediation systems in place in the event of an incident. Subsequently, Repsol officials have stated publicly that in carrying out its exploratory drilling plans in Cuban waters, it will voluntarily adhere to U.S. regulations and the highest industry standards.

Repsol offered U.S. agencies an opportunity to board the *Scarabeo 9* rig that it will be operating in Cuban waters, which BSEE and the U.S. Coast Guard accepted. On January 9, 2012, experts from BSEE conducted a review of the *Scarabeo 9*, off the coast of Trinidad and Tobago. While aboard the *Scarabeo 9*, BSEE officials examined the rig's vessel construction, drilling equipment, and safety systems, including the blowout preventer (BOP), in anticipation of Repsol's scheduled drilling operations in Cuba's EEZ in the coming months. Based on information shared by Repsol, BSEE was able to use its well containment screening tool to conclude the well could be safely capped using existing methods.

The review was designed to familiarize ourselves with the rig and provide guidance to Repsol on how to ensure that its safety measures meet U.S. standards. The review was consistent with U.S. regulatory efforts to minimize the potential for a major oil spill that would hurt U.S. economic and environmental interests. The review evaluated the vessel for consistency with both applicable international safety standards and U.S. standards for drilling units operating in the Outer Continental Shelf of the United States.

The review's work scope involved a comprehensive pressure and function testing of the BOP, focused discussions with rig personnel and a walk-through of the rig that included key visual observations and the physical testing of devices.

As noted earlier, BSEE does not exercise oversight over the *Scarabeo 9* or its intended operations in the Cuban EEZ. Accordingly, our review does not confer any form of certification or endorsement under U.S. or international law. While our review of the rig was not as exhaustive as our review of a rig operated in the U.S. OCS would be, BSEE officials found the vessel and the drilling safety equipment, including the BOP, to be generally consistent with the existing international and U.S. standards by which Repsol has pledged to abide. We will remain in communication with Repsol as it moves forward with its activities to provide any further guidance it may seek.

International Initiatives

In anticipation of an increase in drilling activities in the Caribbean Basin and the Gulf of Mexico, the United States is participating in multilateral discussions with the Bahamas, Cuba, Jamaica and Mexico on a broad range of issues, including drilling safety related to prevention of an accident, and oil spill preparedness and response such as subsea containment were a spill or subsea blowout to occur. A series of multilateral meetings are being conducted under the auspices of the International Maritime Organization. The most recent meeting was hosted by the Bahamas in early December. The next multilateral meeting is scheduled to begin tomorrow in Curacao.

I had the opportunity to be one of BSEE's representatives at the most recent multilateral discussion. All of the countries' delegates were highly engaged in constructive discussions regarding preventive regulatory frameworks, safety standards for mobile offshore drilling units, and best practices in oil spill prevention and containment. Our goal is to increase regional cooperation and joint planning for oil spill prevention, preparedness, and response measures for offshore units with the goal of minimizing pollution of marine and coastal environments. I expect that this week's seminar will continue these positive interactions, and provide BSEE personnel the opportunity to share further lessons learned and recommendations. In addition, BSEE and its predecessor agencies have been collaborating with officials from all levels of the Mexican government since the late 1990s on issues related to the safe and responsible development of oil and gas resources in the Gulf of Mexico. This cooperation has increased substantially in the aftermath of Deepwater Horizon and after the creation of the National Hydrocarbons Commission (CNH), the Mexican agency responsible for regulating offshore drilling safety.

BSEE and CNH are working towards a set of common safety and environmental standards through a series of bilateral technical workshops. Following a workshop held this summer at BSEE's Gulf of Mexico regional office, the U.S. and Mexico developed an action plan to define subject areas where the creation of common standards would be appropriate.

In summary, DOI and BSEE view ongoing bilateral and multilateral engagement with our

foreign counterparts in areas of shared interest and concern as an essential component for the protection of U.S. environmental and economic interests, and an effort that can be mutually beneficial.

Thank you and I look forward to your questions.