

Testimony
Senate Committee on Commerce
Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard
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Good afternoon Chairman Begich, Ranking Member Snowe, and members of the subcommittee.

I am Erik Milito, upstream director at the American Petroleum Institute. API has more than 470 member companies, which represent all sectors of America's oil and natural gas industry. Our industry supports 9.2 million American jobs, including 170,000 in the Gulf of Mexico related to the offshore development business. It also provides most of the energy we need to power our economy and way of life, and delivers more than \$86 million a day in revenue to the federal government.

It's now been more than a year since the tragic Macondo well accident. We cannot forget that the industry and the nation lost 11 workers that day, and our thoughts and prayers continue to go out to the families of those workers. To be certain, the incident has provided us with a sobering reminder that we must maintain a laser focus on safety as the priority in operations.

Immediately after the accident, the industry formed task forces to examine every aspect of offshore safety systems, including equipment, operating practices, sub-seal well control, and spill response. Due to the leadership and work of the industry, we now have enhanced capabilities in each of the key areas: prevention, capping and containment, and spill response.

As an industry, we recognize that the most effective oil spill response is to prevent it from ever happening in the first place. Therefore, a great deal of attention has always been placed on prevention. The recommendations developed by the industry task forces formed the basis of some of the regulations on prevention that we now see. These include requirements for maintaining multiple barriers during well construction, implementation of various new testing requirements during drilling operations, and adoption of API Recommended

Practice 65 Part 2, which focuses on zone isolation in wells and preventing and controlling flows in cementing operations. In addition, the industry is currently developing API Recommended Practice 96, which will help improve deepwater well design and installation practices, and Bulletin 97, a joint effort of API and the International Association of Drilling Contractors, intended to help link the safety system of the drilling contractor with the safety system of the lease operator.

Representatives of the Bureau of Ocean Energy Management, Regulations and Enforcement participate in the development of our standards, and about 100 are referenced in the BOEMRE regulations.

Also, the industry is putting the final pieces in place on its new Center for Offshore Safety, which we will have up and running later in the year. The center will focus on the development and implementation of safety and environmental management systems in deepwater operations, drawing on the collective knowledge and experience of the industry and promoting use of the best safety practices.

Should an incident occur, preparedness becomes a key factor in determining the effectiveness of a response. In the post-Macondo world, the industry has invested significant resources in the development of a capping and containment solution to stop the blowout at its source. These efforts, which include the Marine Well Containment Company and the Helix Well Containment Group, will ensure the industry can quickly cap and contain a leaking well.

In terms of spill response, the actions taken following the Macondo incident effectively minimized the impact to the environment and ecosystem. The spill itself was unprecedented, but with close to 50,000 people, about 9,700 vessels, 13.5 million feet of boom, 125 planes, and several rigs so was the response. A substantial contingent continues to be on scene to remediate any potential affected areas. While preliminary reports have shown that the impacts to the shoreline, seafood and vitality of the area are significantly less than what was anticipated, the long-term impacts will continue to be monitored and studied.

Moving forward, industry has committed to review the entire spill response system, identify any potential gaps and address where necessary. We have initiated this review on issues such as dispersants, in-situ burning, and mechanical

recovery. This review effort involves both U.S. and international stakeholders; it is open to the entire industry; it covers both Gulf and Alaska activities, and it seeks government input in the program.

Great strides have been made to enhance the industry's capability to prevent an incident from happening, to cap and contain a leaking well, and to respond to a spill, and we're committed to building on this progress. But we are also prepared to safely and fully resume operations in the Gulf, Alaska and other areas. The government needs to issue leases, and approve and permit projects, without unreasonable delay. If permitting moves forward at a reasonable pace for projects in the Gulf, then we can put 190,000 more people to work, safely bring more of the Gulf's vitally needed energy to America's consumers, and deliver many billions of dollars in additional revenue to our federal treasury.

Thank you. That concludes my statement.