



National Commission on the
BP DEEPWATER HORIZON OIL SPILL
AND OFFSHORE DRILLING

SENATOR BOB GRAHAM REMARKS

This past May, President Obama created our commission and asked it to determine the causes of the *Deepwater Horizon* disaster, evaluate the response, and advise the nation about how future energy exploration should take place responsibly. Today, we release our final report. I am very pleased that it was completed on time, under budget, and that it contains no dissents.

We began our effort six months ago with a trip down to the Gulf. From the outset we have been committed to hearing from as many voices as possible, with a dedication to following the facts wherever they may lead. We wish to recognize the extraordinary work the Commission's staff—scientists, lawyers, engineers, policy analysts, and more—performed, under demanding deadlines, to make our inquiries broad, deep, and effective; and we especially highlight the leadership contributions of Richard Lazarus, executive director, and Fred Bartlit, chief counsel. Together, they have fulfilled an extraordinary public service.

I will give a brief overview of what our investigation found and what the Commission has determined it means for government policy. I will then turn things over to my co-chair, Bill Reilly, who will address the implications for industry practice and the future of offshore drilling.

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The oil and gas off our shores is an American asset. The American government is not just the regulator of offshore oil, although that is a vitally important role. It is also the steward for the American people of this asset. In a real sense we are the landlord and have an obligation to respond when the public trust has been abused.

The *Deepwater Horizon* disaster did not have to happen. It was both preventable and foreseeable. That fact alone makes the loss of the eleven lives, the serious injuries to others on the rig, and the ensuing damage and suffering created by the blowout all the more tragic. That it did happen is the result of a shared failure that was years in the making.

Over the past 20 years, the rapid move into ever deeper waters produced rich new finds of oil and gas, generating abundant revenue for private companies and the federal Treasury. Industry was justifiably proud of its technological advances, achievements that have earned comparisons with the U.S. space program. Government could point to the decades that had passed without a major oil spill in our coastal waters. We had mastered the offshore drilling challenge. Or so it seemed.

This string of apparent successes, however, masked the dramatic increase in risk that accompanied the move to deep water. The wells were deeper and the geologic formations less well understood. The consequences of a blowout were more severe. In essence, we were rolling the dice offshore. On April 20, 2010 our luck ran out.

Our investigation found significant errors and misjudgments by three major oil drilling companies—BP, Halliburton, and Transocean—that led to the disaster. These errors and misjudgments, described in detail during our Chief Counsel's presentation in November, ranged from failures to properly interpret

warning signals and the results of key tests to flaws in late-stage design decisions. Taken together, we have concluded these mistakes amount to a significant failure of management.

It's important to emphasize these errors, mistakes, and management failures were not the product of a single, rogue company, but instead reveal both failures and inadequate safety procedures by several key industry players that have a large presence in offshore oil and gas drilling throughout the world.

How could such a situation come to pass? How could it be that such questionable practices could take place when the stakes were so high? I am sad to say it occurred, in part, because our government let it happen. Federal government oversight utterly failed to provide an acceptable level of protection for those on the rig and for the Americans who call the Gulf their home.

Our regulators were overmatched. The Department of the Interior lacked the in-house expertise to enforce existing regulations and was unable to overcome persistent industry resistance to strong, meaningful safety regulation. As Ronald Reagan put it, the key is to "Trust but verify." With offshore drilling we have relied too much on trust and not enough on verification.

Industry must rise to the challenge of providing a new and stronger commitment to safety. My colleague Bill Reilly will talk about concrete steps that we feel the industry needs to take in the wake of this disaster. But industry change alone will not suffice.

One of the most disappointing things that I learned over the course of our investigation is that we lag behind other countries in how we regulate offshore drilling. That is unacceptable. Americans rightly expect their government to be an example for the rest of the world, not a laggard.

Our approach was flawed in a very fundamental way. The same agency was given two distinct and often competing missions: to maximize revenues to the government, which encouraged the rapid expansion of offshore leasing and drilling, while at the same time overseeing its safety. It was therefore quick to grant permits and slow to enforce regulations. The reforms initiated by Secretary Salazar and being implemented so ably by BOEMRE Director Michael Bromwich go part of the way to addressing this flaw, but we need to do more.

Therefore, we recommend that Congress and the Administration create an independent safety agency within the Department of the Interior with enforcement authority to oversee all aspects of offshore drilling safety. The American people should have complete confidence that those who are in charge of the safety of offshore drilling are not compromised in any way.

We also recommend bringing our offshore drilling regulations into the 21st century. It is not asking too much to expect our approach to be the most advanced in the world. We need new, tougher standards, ones that, at a minimum, are at least as stringent as those found in other nations like Norway and the United Kingdom. The fact that those nations are able to sustain thriving oil production operations counters any argument that effective regulation and a healthy oil and gas industry can't coexist.

The second piece of this modernized approach is the addition of a “risk-based” regulatory orientation that requires all offshore drilling companies to demonstrate they have thoroughly evaluated all of the risks associated with drilling a *particular* well. This simple change will make industry accountable and move them away from a “compliance-only” mentality. It’s been tried successfully elsewhere; we should do it here.

Our investigation also demonstrated that science has not been given a sufficient seat at the table. Actually, that’s understating matters. It’s been virtually shut out. We need broader consultations with the people of who have the expertise—scientists and experts at the Coast Guard and NOAA, for example—before we allow leasing and exploration to move forward. There was no meaningful consideration for the environmental risks with drilling at the Macondo site. That is shocking and cannot be allowed to happen again. We also need more scientific and technical research on the issues crucial to exploration and drilling. In the course of our hearings, we learned that the March 2010 decision to expand areas open for drilling was made without appropriate scientific input about the potentials consequences of the expansion.

Offshore drilling provides the second largest single source of revenue to the federal government outside of income taxes. It is amazing that we are not able to adequately fund the oversight of something so lucrative. The revenue model for funding a first-class regulatory, inspection and technical capability should be through fees assessed on the regulated industry as is the case with the Nuclear Regulatory Commission and the Office of Pipeline Safety, among others. Adequate and predictable funding for regulatory oversight is essential for these reforms to be effective and to meet the challenges of ensuring offshore safety and environmental protection—precisely what Congress envisioned when the offshore leasing laws were originally enacted.

I will conclude my remarks by making a simple and obvious point that is often forgotten when we talk about offshore drilling: these resources belong to all of us. They belong to the American people. It is our government’s responsibility to ensure that their exploration and extraction occurs in a way that is beneficial to the country. Drilling offshore is a privilege to be earned, not simply a right to be exercised by private corporations. The American people have a say in how it is carried out and whether they want it done safely and effectively. Our recommendations offer a path to that end.

Much has changed in the months since the Macondo blow-out. We have learned a great deal about how to contain spills deep under the water’s surface. Industry has a new appreciation for the risks associated with offshore drilling. And the federal government has initiated significant reforms in how it oversees it. The Commission applauds these developments. But they are not enough.

Drilling offshore is inherently risky and we will never reduce the risk to zero. But as a nation we can take concrete steps that will dramatically reduce the chances of another Macondo. The Commission believes these steps are vitally necessary. This issue is so important—it requires a bold and aggressive response. Without such a response, we will continue to place the safety of workers, the environment, the economy, and the Gulf region at unacceptable risk. If dramatic steps are not taken, I’m afraid at some point in the coming years another failure will occur, and we will wonder why Congress, the Administration, and industry stood by and did nothing. The people of the Gulf who have suffered so much deserve to know what their government and the industry are going to do.