

Oil self-regulates around globe

May 20 2010, By KARL RITTER and IAN MacDOUGALL , Associated Press Writers



In this April 22, 2010 file photo obtained by The Associated Press shows the Deepwater Horizon oil platform burning following a massive explosion in the Gulf of Mexico. The federal agency responsible for ensuring that the Deepwater Horizon was operating safely before it exploded last month fell well short of its own policy that the rig be inspected at least once per month, an Associated Press investigation shows. In fact, the agency's inspection frequency on the Deepwater Horizon fell dramatically over the past five years, according to federal Minerals Management Service records. The rig blew up April 20, killing 11 people before sinking and triggering a massive oil spill in the Gulf of Mexico. (AP Photo, File)
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(AP) -- The U.S. government is not alone in ceding responsibility to the oil industry for the design of key safety features on offshore rigs, a trend coming under scrutiny worldwide following the deadly blowout in the Gulf of Mexico.

Across the globe, industry-driven regulation is the norm, not the exception - and critics are calling for a re-examination of a system that puts crucial safety decisions into the hands of corporations motivated by profit.

An Associated Press investigation shows other nations harvesting [oil](#) and gas from offshore fields, including Britain, Norway, Australia and Canada, have moved in the same direction: Governments set the general safety standards that must be met, but leave it to rig operators to work out the details.

The shift away from more heavy-handed regulation started about two decades ago and was based on the notion that oil companies best know the risks of offshore operations - and how to minimize them.

But the Deepwater Horizon explosion on April 20 and another platform incident in the Timor Sea off Australia last year have raised concerns that Big Oil has been given too much leeway to police itself.

"Safety is a combination of regulation and compliance and both clearly need to be reviewed and tightened across industry everywhere in light of these respective blowouts," said Gilly Llewellyn of the World Wildlife Fund.

While the cause of the latest disaster remains unclear, U.S. lawmakers and President Barack Obama have vowed to reform the federal agency that oversees the offshore industry. Congressional hearings have revealed a lack of regulation covering safety aspects from cement casing surrounding well pipes to blowout preventers, the undersea safety mechanism that failed on the Deepwater Horizon.

The absence of detailed regulation is not unique to the U.S., officials said.

"When it comes down to it, this kind of drilling is done in the same way more or less everywhere," said Per Holand, a Norwegian expert on offshore blowouts.

He added that some practices and standards are stricter outside the U.S. For example, Norway requires an acoustic backup system to trigger the blowout preventer remotely with sound pulses if the regular switch fails.

"That's also true in Brazil and off the east coast of Canada," Holand said, adding acoustic triggers are not widely used on American rigs. It's unclear whether such a device would have made a difference in the April 20 incident.

Another difference is that Britain, Norway and Australia have separate agencies overseeing the revenue and safety aspects of the oil industry to avoid conflict of interest. In the U.S. the federal Minerals Management Service oversees both, something White House officials have vowed to change following the [Gulf of Mexico](#) blowout.

However, the practice of letting industry select the best safety measures is widespread. The system is referred to as "performance-based" in some countries and "goal-oriented" or "goal-setting" in others.

It comes down to granting flexibility for oil companies to select the best technology and practices to ensure safety on their offshore installations, as long as they meet the regulator's minimum standards.

"Generally, goal-setting allows you to make improvements as technology develops without having to change the legislation," said Robert Wine, a spokesman for BP PLC, the company that owns the ruptured well that is releasing millions of gallons of oil into the Gulf of Mexico. "So it makes it a more flexible way of improving standards, improving performance."

Britain's offshore regulations require the operator to make sure that a well is built and maintained to ensure that there are no spills and that health and safety risks to workers "are as low as is reasonably practicable."

It also requires the operator to ensure that suitable control equipment, including blowout preventers, is provided to protect against accidents, but doesn't get into details.

Norway has a similar system, focusing on the integrity of the company's overall safety plans, rather than specifics.

"Our supervisory activity is not to inspect the steel or the hardware. It's to inspect how the companies inspect themselves," said Ole-Johan Faret, a spokesman for Norway's Petroleum Safety Authority.

The Nordic country had a more prescriptive approach 20 years ago, with very specific regulations, he said.

"This part has to be this thick and that long and made of this kind of material," Faret said. "We realized that the industry developed so fast that (such stringent) regulations were a setback to the development of safety standards. It would take a lot of time to change regulations."

Britain moved away from prescriptive government regulations after a 1988 fire on the Piper Alpha platform in the North Sea killed 167 workers. It also moved oversight of safety for the offshore oil and gas industry from the Department of Energy to the Health and Safety Executive, or HSE.

Canada last year changed its Oil and Gas Operations Act to make it less prescriptive and more goal-oriented, National Energy Board spokeswoman Sarah Kiley said.

Australia also uses a "performance-based" system in which operators must submit plans detailing its safeguards for approval. The offshore regulator then conducts inspections and audits to verify that operators are adhering to their commitments.

Industry and government officials say the current system is working, though they concede the explosion in the Gulf of Mexico may prompt reviews.

"We will continue to monitor the Deepwater Horizon incident to see if there are any lessons that can be learned and applied to the UK offshore industry," said Steve Walker, who heads the offshore division at Britain's HSE.

The situation is different in Mexico and Venezuela where foreign oil companies work under tight government control.

Mexico's state oil monopoly Pemex has struggled with [safety](#) issues related to pipelines and a shallow-water platform disaster in 2007 that killed 21 workers. But it has little exposure to the dangers of deep-water drilling because Pemex lacks technology to explore untapped resources in the Gulf of Mexico.

In Nigeria, where oil majors like Royal Dutch Shell PLC and others explore the oil-rich Niger Delta, regulators often fall back on international standards set by engineering and trade groups as a yardstick. They also at times ask that [oil companies](#) take "reasonable" steps to ensure oil doesn't leak out into the environment.

Enforcement is another matter, as Nigeria's government remains encumbered by a system of institutionalized graft that has given it the reputation of being one of the world's most corrupt nations.

Moving back to more prescriptive rules is not necessarily the answer, said Clifford Jones, an offshore engineering expert at the University of Aberdeen. He noted that there have been relatively few serious accidents in recent years.

"Tragic though the recent event has been, it's 22 years since Piper Alpha," Jones said. "And I think if the numbers were processed in a risk analysis, that would be a fairly impressive record."

Still, the Deepwater Horizon incident has raised could-it-happen-here concerns outside the U.S.

Brazil's National Petroleum Agency requested that all companies operating in Brazilian waters send information on the control systems used in their wells and to re-evaluate their emergency plans.

The Norwegian [Oil Industry](#) Association launched a study comparing the rules in Norway and the U.S. and the results are expected in a few weeks, said Jan Krokeide.

"I'm sure there's going to be a lot of lessons learned," Krokeide said.

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Citation: Oil self-regulates around globe (2010, May 20) retrieved 19 April 2024 from <https://phys.org/news/2010-05-oil-self-regulates-globe.html>

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