



Photo: Associated Press

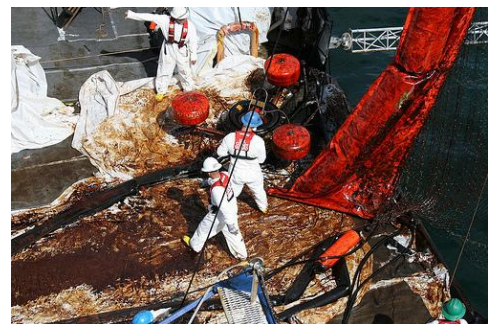
The late April explosion and sinking of the BP Deepwater Horizon oil rig 50 miles off the coast of Louisiana brought into sharp focus the human and environmental risks of offshore oil drilling. This disaster has exposed a system in which industry is allowed to cut corners on safety and environmental protection. The technology available to drill for oil in deep water has far outpaced the ability to respond to a spill. Government oversight to ensure safety and effective spill response has been extremely lax. In the aftermath of this catastrophe, it is clear that the federal system for deciding where, when and how to drill offshore needs substantial reform. It is time to plug the leaks in our nation's offshore drilling laws.

To address these shortcomings, the Pew Environment Group proposes the following reforms:

- **Restructure and reform federal oversight** of offshore oil development to ensure safety and environmental protection.
- **Amend the Outer Continental Shelf Lands Act (OCSLA)**, which governs offshore oil and gas leasing and development to allow activity only where and when it is proven to be safe and will not harm ocean and coastal resources and communities.
- **Amend the Oil Pollution Act of 1990 (OPA 90)**, which governs oil spill contingency planning and response, to require proven capability to timely and effectively respond to and clean-up even the worst case spill. Eliminate liability limits to ensure that the full cost of economic and environmental damages is recovered.
- **Suspend current deepwater drilling and proposed Arctic exploration** as well as all new oil leasing, exploration and production until new safety and environmental standards are adopted through legislation or regulation.



Deepwater Horizon rig on fire.
Photo: U.S. Coast Guard



Coast Guard Cutter Aspen conducts skimming operations. Photo: U.S. Coast Guard

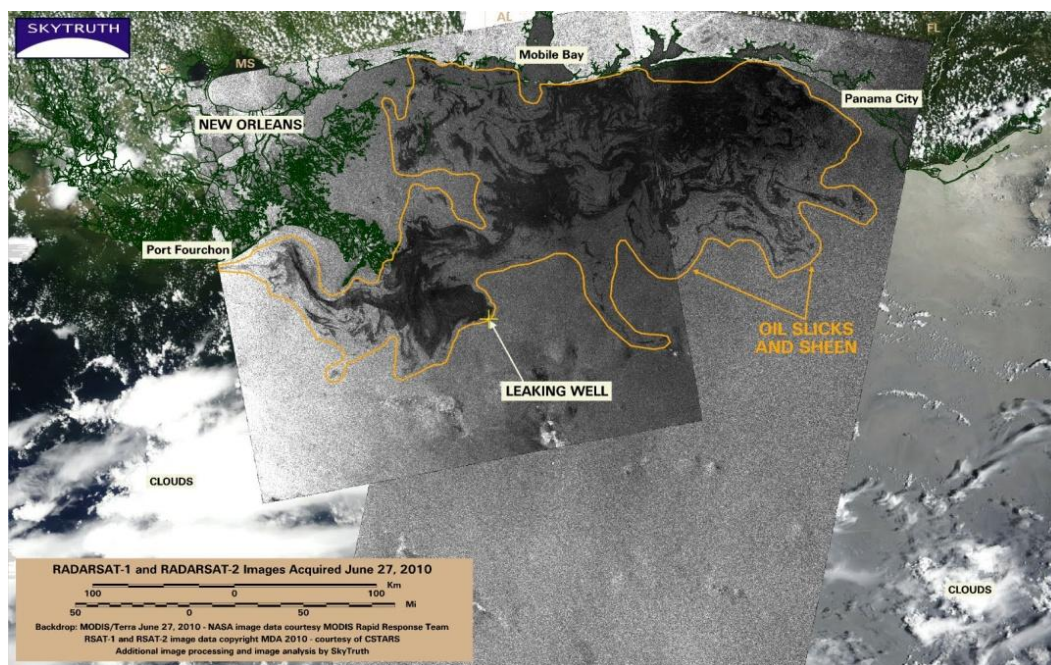
Restructure and reform federal oversight of offshore oil development.

For years, oversight by the Minerals Management Service (MMS) has been inadequate. There is an urgent need to restructure and reform the federal agency that administers oil and gas activities on the Outer Continental Shelf (OCS).

On May 19th, 2010, Interior Secretary Salazar separated and reassigned responsibilities within MMS to address inherent conflicts. Under the new structure, revenue collection, development approval and enforcement are separate entities within the newly formed Bureau of Ocean Management, Regulation and Enforcement (BOEM).

The reforms proposed by Secretary Salazar represent a step in the right direction but are not sufficient. The laws need to be revised to ensure that the newly formed BOEM works with other agencies—such as the National Oceanic and Atmospheric Administration (NOAA), the U.S. Coast Guard, U.S. Fish and Wildlife Service and the Environmental Protection Agency—to ensure that planning and oil and gas activity approvals prioritize protection of ocean ecosystems and coastal communities.

Importantly, it will not be enough to change the administrative structure of MMS. Congress must revise the laws and regulations governing oil and gas activity and spill response preparedness. Management of offshore oil and gas development is deeply flawed, from the five-year planning process through production. As the Interior Department makes the transition to a new approach, Congress must assert its oversight responsibilities by passing significant reforms of the Outer Continental Shelf Lands Act (OCSLA) and the Oil Pollution Act (OPA).



Satellite imagery of the spill extent as of June 27th, 2010. Photo: SkyTruth

Amend the Outer Continental Shelf Lands Act (OCSLA)



Controlled burn in the Gulf of Mexico. Photo: Mass Communication Specialist 2nd Class Justin Stumberg, U.S. Navy

Congress has not enacted significant amendments to OCSLA since 1978. In the decades that have passed, advancements in technology have allowed extraction of oil and gas from ever-deeper waters and more extreme environments, but the regulation, of environmental reviews, and spill prevention and response technology have not kept pace.

Congress should make clear that OCS leasing, exploration and development should not be authorized unless strong safety and environmental standards are adopted that will prevent major catastrophes like the BP Deep Water Horizon.

- **Decisions regarding offshore oil and gas activities should reflect the value of the multiple uses and resources of marine and coastal environments:**
 - OCS activities should occur in a manner that minimizes harm to marine and coastal resources.
 - Leasing and permit decisions must be based on enforceable standards that ensure protection of marine and coastal resources.
 - There should be permanently appropriated, dedicated funding for ocean, coastal and Great Lakes conservation and management through an Oceans Trust Fund supported by 10% of OCS revenues.

- **Decisions regarding leasing, exploration and development should include full environmental review and include agencies with expertise in marine and coastal resources and safety and spill response.**
 - Leasing and development should occur only if decisions are based on the best scientific information provided by all relevant government agencies with expertise in marine and coastal resources.
 - Environmental analyses should be prepared in consultation with agencies with expertise in resources and safety, including NOAA, USFWS, EPA and USCG.
 - Full environmental review must apply to each stage of leasing and development. Categorical exclusions should be eliminated and sufficient time provided to conduct environmental reviews.

- **Offshore oil and gas leasing, exploration and development should occur *only* where and when it is proven to be safe and will not harm valuable resources.**
 - Lease sales should be smaller to allow for adequate assessments of the impacts of oil and gas activities.
 - Leasing should be prohibited in areas defined by scientists as important ecological areas (IEAs).

- Leasing should be prohibited in areas where spill response capability is inadequate.
- Environmental baseline data (marine species, weather, water, wind, ocean chemistry, etc.) and adequate reviews must be conducted before leasing occurs.
- Industry should be required to use the best available technology that is proven to work in applicable conditions, and should be required to routinely test equipment and improve safety.
- Oil spill inspectors must be well trained and should provide around-the-clock operational safety monitoring on drill rigs.

Revise the Oil Pollution Act of 1990 (OPA 90)

In response to the 1989 Exxon Valdez disaster, Congress passed the Oil Pollution Act which established the Oil Spill Liability Trust Fund as well as improved regulations for oil tankers. Still, OPA 90 focused mainly on potential tanker accidents, not oil rig blowouts. Pew recommends that:

- **Spill response planning should include federal agencies with the responsibility to respond to spills and include citizen oversight.**
 - The agencies with responsibility for responding to and cleaning up spills – the US Coast Guard and NOAA – should be given authority to define, review and approve response plans.
 - Citizens in affected coastal communities should have meaningful input in oil and gas development decisions and spill response preparedness through RCACs.
- **Spill response should be *fast, safe and effective*.**
 - Industry should be required to demonstrate *before* exploration or production drilling begins that it has the capability to quickly and effectively stop and clean up an oil spill.
 - Industry should be required to demonstrate that it can clean-up a worst-case spill.
 - On-water spill drills should be conducted at least annually for offshore facilities.
- **Adequate financial resources should be readily available to address the full effects of oil spills.**
 - There should be no cap on the liability of any company that is engaged in oil and gas exploration and development activities.
 - Increased funding from the oil spill liability trust fund should be dedicated to ensure there are adequate incentives and research and demonstration for continuous improvement in spill prevention and response technology.
 - A long-term marine and environmental research program in the Gulf of Mexico should be established to assess the long-term, comprehensive oil spill impacts and ensure the data is made accessible and available to government as well as non-governmental entities and the general public.

Contact:

Marilyn Heiman | 206.905.4796 | mheiman@pewtrusts.org
 Eleanor Huffines | 202.540.6369 | ehuffines@pewtrusts.org
 Chris Mann | 202.552.2035 | cmann@pewtrusts.org
 Karen Steuer | 202.887.8818 | ksteuer@pewtrusts.org