

**Testimony of Erik Milito, Upstream Director
American Petroleum Institute
Before the Subcommittee on Energy and Mineral Resources
Of the House Committee on Natural Resources
June 17, 2010**

Good morning Chairman Costa, Ranking Member Lamborn, and members of the subcommittee. Thank you for the opportunity to address the regulation of the offshore oil and natural gas industry.

My name is Erik Milito. I am the upstream director for the American Petroleum Institute. API has about 400 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 – and provides most of the energy we need to power our economy and our way of life.

First, our thoughts and prayers go out to the families who lost loved ones, to the workers who were injured, and to all of our neighbors in the Gulf who are affected by this unprecedented and tragic accident. The people of the oil and gas industry understand our responsibility to find out what happened and why, and to work in cooperation with the government to come up with practice and equipment for improving the operational and regulatory process across the board.

Our industry's top priority has always been to provide energy in a safe, technologically sound and environmentally responsible manner. This incident is a sobering reminder to remain focused on efforts to continuously improve operations so that we can safely and reliably provide Americans with the energy they need. We support the government's review of the systems that we have in place and will take the necessary steps to prevent accidents like this from occurring again.

We understand the Administration's desire to restructure the agency overseeing the offshore activity and we are ready to work with MMS or other agencies under whatever system is put in place. We believe that the ultimate goal should be three-fold:

- To ensure that operations are conducted in a safe and environmentally responsible manner;
- To ensure that the oil and natural gas required to meet the nation's energy needs continue to be available for safe and reliable production; and
- To ensure that Americans receive fair value for these critical resources.

API supports thorough environmental analysis and welcomes government scrutiny and oversight of our operations. We support a robust inspection and enforcement program for offshore operations. However, we must ensure the regulatory bodies have the staffing, resources and processes in place to effectively and efficiently perform these functions.

We believe a constructive, cooperative relationship between government and industry is critical to promoting safe offshore operations, while maintaining a strong offshore oil and gas program. Both are vitally important to producing the oil and natural gas American consumers need – and providing the energy and jobs crucial to the economy of the Gulf region and the nation. Our goal is to understand the causes of this incident – and correct them.

We understand the concerns many people have about offshore drilling in the wake of this incident. That is why we are committed to meeting the public’s expectations for safe and reliable production of our nation’s critical energy needs. Access to affordable energy impacts every sector of our economy, every state in our nation and every American family.

We appreciate the opportunity to address the existing regulatory process affecting oil and natural gas development. To be clear, oil and natural gas operators on the Outer Continental Shelf are subject to significant federal regulatory requirements. As Secretary Salazar testified last month, the offshore oil and natural gas industry “is a very highly regulated industry.” For example, there are 27 statutory authorities that apply to OCS oil and natural gas operations, 88 Code of Federal Regulations parts that implement these statutory authorities, and 24 significant approvals and permits that apply.

Furthermore, API and the industry, through the standards setting process, develop the technologies, best practices, and programs needed to help ensure that workplace safety and environmental stewardship are at the forefront of the offshore oil and gas development process.

Since 1924, API has developed industry standards and practices that promote reliability and safety through the use of proven engineering practices. The API standards program is accredited by the American National Standards Institute (ANSI), the authority on U.S. standard setting. It undergoes regular program audits to ensure it meets ANSI’s essential requirements of openness, balance, consensus and due process.

API standards are developed through a collaborative effort among industry experts, technical experts from government, and other interested stakeholders. The industry has helped create more than 500 standards, including some 240 exploration and production standards that address offshore operations. Seventy-eight of these standards are referenced in Minerals Management Service regulations.

As a result of the regulatory framework, industry standards, and individual company safety programs, offshore oil and natural gas development has been safely conducted for nearly 60 years in the Gulf of Mexico. Within that time, more than 42,000 wells have been drilled, including more than 2,000 deepwater wells. But despite those safe operations, we know we must now focus on making sure this kind of accident will never happen again.

The industry is committed to a goal of zero fatalities, zero injuries and zero incidents, and the industry has already taken steps to improve safety and environmental performance in the aftermath of the Gulf incident.

In fact, we have already assembled the world's leading experts to conduct a top-to-bottom review of offshore drilling procedures, from operations to emergency response. And our industry is providing data and expertise to the federal government to stop the flow of oil, clean up the environment, understand the causes and correct them. Two industry task forces that are addressing both short- and long-term issues related to offshore equipment and offshore operating practices delivered recommendations to the Interior Department last month.

While the task forces are not involved in the review of the incident, they did bring together industry experts to identify best practices in offshore drilling equipment and operations. Without the benefit of the final root-cause analysis of the incident, the task forces looked at current industry practices in an effort to immediately move industry standards to a higher level of safety and operational performance. The final report from the Interior Department, dated May 27, 2010 and submitted to the President, incorporated much of the input provided by the task forces.

And, just last week, the industry announced the creation of two additional task forces. API, along with other energy trade associations, has assembled experts to review oil spill and blowout response capabilities. One task force will focus on stopping and containing an oil leak at the wellhead, and one task force will focus on oil spill response at the surface and shoreline.

API's commitment to learn from this experience and to make offshore oil and natural gas exploration and production safer continues. In the long-term, we intend to use any findings from the incident investigations to continue to improve the technologies and practices to achieve safe and environmentally sound operations. As part of this process, we will continue to develop new API standards and revise and adapt existing API standards to raise the bar of performance to a higher level.

As Congress considers these important issues, thoughtful consideration must be given to harmonize the need to protect our environment and the taxpayers, while allowing us to safely and reliably provide the energy our nation relies on for our economic and energy security. The Department of Energy projects that we will need much oil and natural gas to fuel our economy for decades to come. We have the opportunity to develop those resources here at home, and we have the ability to do it in a safe and responsible manner. The responsible path forward is to ensure that any discussion of legislative or regulatory action recognizes the important role energy plays in fostering job growth and energy security. Those goals – job growth and energy security - can and should be met through responsible domestic oil and gas development. We look forward to providing constructive input as this committee, the Congress and the Administration move forward with policy proposals.

This concludes my statement, Mr. Chairman. I welcome questions from you and your colleagues. Thank you.

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