



Opening Statement of Chairman Edolphus Towns

House Committee on Oversight and Government Reform

July 22, 2010

“Offshore Drilling: Will Interior's Reforms Change Its History of Failed Oversight?”

Good morning and thank you all for being here.

The Interior Department is responsible for the regulation and oversight of offshore oil drilling. The magnitude of the *Deepwater Horizon* oil spill, the inadequacy of British Petroleum’s (BP) emergency response, and reports that BP may have failed to adopt adequate “blowout” control measures, raise very serious questions about the effectiveness of Interior's oversight of offshore oil drilling.

Unfortunately, the BP oil spill followed a long history of regulatory and ethical failures at the Interior Department and its Minerals Management Service (MMS), the once-obscure agency created by former Secretary of the Interior James Watt in 1982.

The *Deepwater Horizon* disaster has now exposed what appears to be continuing, major problems at MMS.

Over the last decade, MMS has essentially permitted the oil industry to police itself.

For example, in 2000, MMS issued an alert requiring oil companies to have a backup system to activate “blowout preventers,” one of the components that failed, contributed to the *Deepwater Horizon* explosion, and exacerbated the size of the oil spill. But MMS officials decided to let oil industry executives determine how they wanted to comply with this requirement.

In other words, BP and the other oil companies were essentially on the honor system. The *Deepwater Horizon* disaster suggests this might not be the most effective approach to ensuring safe offshore drilling.

Regulatory failures at MMS were made worse by the rapid growth of offshore oil drilling in the Gulf. Over the last two decades, the number of offshore oil rigs in the Gulf of Mexico has expanded dramatically, and extended further offshore into much deeper waters. Yet at the same time, MMS remained relatively small, had trouble recruiting qualified engineers and inspectors, and could not keep up.

Though drilling has expanded in the Gulf by tenfold, the number of inspectors has only grown by 13 percent. The result: fewer than 60 inspectors are currently responsible for conducting over 18,000 inspections annually.

Moreover, the agency was born with a built-in conflict of interest. When MMS was created, it was given the dueling responsibilities of promoting drilling and collecting royalty payments on the one hand, while also issuing and enforcing environmental and safety regulations on the other.

It seems as though it was only a matter of time before these conflicting responsibilities would lead to the disaster we are seeing now.

In short, it was a tug-of-war between drilling and safety. As the *BP* disaster illustrates, safety found itself on the losing side of this struggle.

Unfortunately, regulatory failures have been accompanied by ethical failures.

In 2008, the Interior Department's Inspector General found a "culture of ethical failure" within MMS's royalty-in-kind program. The IG's investigation revealed that, over a four year period, senior employees within MMS improperly accepted gifts and engaged in sex and drug abuse with oil company employees.

Unfortunately, this was not an isolated incident.

Just last month, the IG released another report which found that inspectors improperly accepted gifts from oil companies. Additionally, at least one employee simultaneously conducted inspections of an oil company's operations while negotiating employment with the very same company.

In addition, in a series of reports, GAO found that flaws in royalty collection have resulted in millions of dollars in lost revenue.

We can and must do a better job overseeing offshore oil and gas activities.

Today, we will hear directly from Secretary Salazar and Mr. Bromwich about how exactly they plan to implement the reorganization and increase oversight and accountability at MMS.

Before we begin, however, I want to make one final observation.

While the Interior Department is responsible for regulating the oil industry and they have been taking a lot of heat for that, it doesn't change the fact that BP was responsible for the safety of its oil well and BP was responsible responding to the oil spill. And it is BP that is ultimately responsible for the entire cleanup costs, as well as the job losses and lost income resulting from the spill.

I am committed to ensuring that BP lives up to its responsibilities.

Thank you.

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