



Clean Energy Jobs^{and} Oil Company Accountability Act

Improvements in Oil and Gas Development on the Outer Continental Shelf

Background

The Deepwater Horizon oil spill and historical corruption issues within the Department of Ocean Energy (known previously as the Minerals Management Service) demonstrate the need to make major improvements to oil and gas drilling on the Outer Continental Shelf (OCS). In an effort to repair the way that our nation's offshore oil and gas activities are managed, Senator Bingaman introduced the Outer Continental Shelf Management Reform Act (**S. 3516**) and was joined by Senators Dorgan, Stabenow, and Murkowski. The legislation was subsequently reported unanimously by the Energy and Natural Resources Committee on June 30, 2010.

Importance and Need

Before the Deepwater Horizon oil spill, the Inspector General at the Department of Interior had issued reports about employee corruption and faulty management of the taxpayer's oil and gas resources. These reports detailed activities between government employees and the oil and gas industry which included:

- Acceptance of gifts and gratuities with prodigious frequency;
- Drug and alcohol abuse;
- Sexual relationships;
- Inappropriate outside employment activities; and
- Poorly written contracts that may cost the taxpayer billions of dollars.

Legislation

The Clean Energy Jobs and Oil Company Accountability Act would help to address some of those deficiencies by making structural reforms within the Department of Interior by:

- Balancing Agency Mission – Clarifies that the Department of the Interior's responsibility in managing the Outer Continental Shelf is to balance its multiple

values and resources – to permit appropriate energy and other economic development and to focus equally on protection of human health and safety and the marine and coastal environment. Reforms its leasing and planning authority to protect that balance.

- Replaces the Minerals Management Service with Revised and Independent Agency Structure – Requires that the revenue and royalty collection activities of the Department be independent and separate from its OCS leasing, environmental protection, and safety functions. Requires that the heads of each office with responsibility for the OCS be confirmed by the Senate, in keeping with the high level of responsibility they will undertake.
- Financial Security Requirements and Penalties for Violations – Takes steps to ensure that the requirements for financial responsibility for operators on the OCS are adequate so that operators can cover the damages they may cause; increases the civil and criminal penalty amounts and requires that they automatically be increased every year to keep pace with inflation.
- Limits Lease Sales to Those Operators Who Have Good Track Record – Provides that no operator may bid on a lease sale unless the Secretary finds that the company is fully meeting its safety, environmental, and due diligence responsibilities on any current operations, and has met all its legal obligations for any damages caused in any prior accident.
- Increases the Government's Safety and Environmental Research and Technical Capacity – Establishes independent program for environmental and technical safety research within the Department, and requires that they be a part of all planning and rulemaking. Requires that the expertise of other interested federal agencies be publicly considered by Interior during the planning process. Allows a limited number of exemptions from certain civil service pay rates to hire employees with extremely high levels of scientific or technical expertise.
- Increases Safety Requirements – Requires that technical “best practices”, systems analysis, risk assessment, and an evidentiary safety case, as well as detailed plans for responding to loss of well control and cleanup be required for every operator. Requires redundancy in systems including blow out preventers. Imposes additional requirements for permitting deepwater wells. Requires training and adequate experience levels for offshore personnel. Requires participation of new independent technical research component of the Department. Cost-benefit analysis for best practices is eliminated, and safety comes first.
- Increases Capacity for Environmental Review – Eliminates arbitrary and too-short time deadlines for processing applications, to allow agency to do necessary environmental analyses. Requires collaboration and public consideration of expertise of other agencies with oceans and wildlife data and information, as well

as consultation with new independent environmental research component of the Department of the Interior.

- Establishes Accident Investigation and Data Sharing Requirements – For all accidents including minor problems, they must be reported, investigated, and information provided in a common data base available to all operators. This will allow operators to learn from others' mistakes and the agency to spot problems and solve them before they cause significant harm.
- Establishes Independent Science Advisory Board – Establishes an OCS Safety and Environmental Advisory Board to provide the Secretary with scientific and technical advice on safe and environmentally sound energy development activities. The Board members are chosen in consultation with the National Academies of Science and Engineering.
- National Transportation Safety Board Available to Investigate Major Accidents – Permits the independent NTSB to investigate major accidents at the Secretary's request, providing expertise and independence not available to the Secretary today.
- Increases Quality and Quantity of Inspections and Pays for Them – Imposes an inspection fee on industry so that the agency can hire more and better qualified inspectors to oversee rig operations. Requires – for the first time by statute -- a minimum number of scheduled and unscheduled inspections.
- Research and Development – Revises relevant R&D programs to provide funding without further appropriations for research in key areas that have been neglected in the past, including oil spill response and well control technologies.
- Provides a Fair Return to the Taxpayer for Energy Resources – Requires more rigorous review of royalty rates over time, and requires analyses of the costs to industry of offshore operation in the US as compared to other governments.