



To: House Committee on Natural Resources Republican Members
From: Subcommittee on Energy and Mineral Resources Republican Staff;
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Date: October 14, 2021
Subject: Oversight Hearing: *“Impacts of Abandoned Offshore Oil and Gas Infrastructure and the Need for Stronger Federal Oversight”*

The Subcommittee on Energy and Mineral Resources will hold an oversight hearing titled, *“Impacts of Abandoned Offshore Oil and Gas Infrastructure and the Need for Stronger Federal Oversight”* on Thursday, October 14, 2021, at 12:00pm. This is a hybrid hearing with both virtual and in-person options for Member attendance.

I. KEY MESSAGES

- Offshore oil and gas production is an invaluable industry to the United States, providing not only domestic energy security, but hundreds of thousands of jobs and millions in state and federal revenues.
- There are also major environmental and ecological benefits to offshore production, such as funding for the Land and Water Conservation Fund and local conservation efforts. Offshore infrastructure also provides a vast supply of artificial reefs, allowing for rich marine life to flourish in a variety of new locations. In many circumstances, removing these facilities after decommissioning would destroy existing marine habitat.
- In discussions of decommissioning offshore infrastructure, one topic of consideration is that of financial assurance for operators. Any proposals to reform financial assurance requirements should ensure adequate protection for the US taxpayers without adding undue burden to operators.

II. WITNESSES

- **Dr. Greg Stunz**, Endowed Chair for Fisheries and Ocean Health and Professor of Marine Biology, Harte Research Institute for Gulf of Mexico Studies, Texas A&M University Corpus Christi
- **Dr. Donald Boesch**, Professor, University of Maryland Center for Environmental Science

- **Robert Schuwerk**, Executive Director of North America, Carbon Tracker
- **Jacqueline Savitz**, Chief Policy Officer for North America, Oceana

III. BACKGROUND

At the beginning of each Congress, the Government Accountability Office (GAO) publishes a “high-risk list” of federal programs deemed at high risk of fraud, waste, or abuse, or otherwise in need of improvement. Offshore Oil and Gas Oversight was added to this list in 2017, with GAO noting environmental and safety concerns and the related need for increased oversight. The program was subsequently removed from the list in 2021, with GAO citing more than 180 actions the Bureau of Safety and Environmental Enforcement (BSEE) took to improve oversight of offshore oil and gas.¹ Much of the work to remove the program from the high-risk list was led by Scott Angelle, Former Director of BSEE.²

The Government Accountability Office (GAO) released a report in March 2021 titled “Offshore Oil and Gas: Updated Regulations Needed to Improve Pipeline Oversight and Decommissioning.”³ According to GAO, approximately 40,000 miles of oil and gas pipelines have been installed on the OCS since the 1940s, with approximately 8,600 miles of offshore pipelines active today.⁴ Since the 1960s, over 97 percent – about 18,000 miles – of pipelines were left on the Gulf of Mexico seafloor, rather than being removed following decommissioning. However, the difficulty and expense of removing inactive infrastructure that likely now support rich ecology risks more harm than good to the overall marine environment.

Viable Uses of Decommissioned Offshore Infrastructure: Offshore oil platforms provide habitat to a vibrant collection of marine life. BSEE’s Rigs to Reefs program⁵ sustains these ecosystems by converting decommissioned offshore rigs into reefs. Soon after an offshore rig is constructed, marine life begins to collect on the stationary rig jacket. Within six months, the underwater structure hosts a vibrant community including invertebrates, fish, sea turtles, and mammals.⁶ As the average life cycle of an offshore rig in the Gulf of Mexico spans several decades, these structures become an integral part of the offshore environment. Both oil and gas operators and coastal fishing communities have long been aware of the bountiful marine ecosystem off these rigs and have strongly supported the mission of the Rigs to Reefs program. Reusing decommissioned offshore infrastructure in this manner is a positive, viable way to address the challenges of decommissioning offshore rigs.

There are also new, alternative uses of decommissioned platforms. Proposals have included reusing offshore infrastructure for a variety of purposes including marine monitoring, energy and environmental research, scientific education and training, and offshore aquaculture operations.⁷

¹ Government Accountability Office. High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas. March 2, 2021. <https://www.gao.gov/products/gao-21-119sp>

² Energy Workforce and Technology Council. Offshore Oil and Gas Oversight Removed from GAO High Risk List. March 17, 2021. <https://energyworkforce.org/archives/offshore-oil-and-gas-oversight-removed-from-gao-high-risk-list/>

³ <https://www.gao.gov/products/gao-21-293>

⁴ *Id.*

⁵ <https://www.bsee.gov/what-we-do/environmental-compliance/environmental-programs/rigs-to-reefs>

⁶ “Rigs to Reefs” <http://www.api.org/oil-and-natural-gas/environment/clean-water/oil-spill-prevention-and-response/rigs-to-reefs>

⁷ <https://www.gulfoffshoreresearch.com/>



Financial Assurance: In September of 2020, the Bureau of Ocean Energy Management (BOEM) issued a proposed rule intended to clarify and streamline financial assurance requirements for offshore oil and gas operators.⁸ As this rule has not yet been finalized, the Biden Administration may seek to finalize the proposed rule or issue a new proposed rule and call for public comment.

Since 2017, BOEM has required supplemental financial assurance for all sole liability properties with owners that BOEM determines to be financially weak. BOEM defines sole liability properties as those where only one owner is liable for the lease or grant obligations. If the single owner defaults, there is an increased risk that the government will have to pay for the decommissioning costs. In August of 2021, BOEM issued a Notice to Stakeholders explaining that the agency will broaden its efforts to include supplemental financial assurance for certain high-risk, non-sole liability properties. Specifically, the agency will require supplemental financial assurance for non-sole properties that are inactive, where the production end of life is fewer than five years or have damaged infrastructure. BOEM is prioritizing non-sole properties that are owned by companies that are not financially strong and that have no co-owners or predecessors who are financially strong.⁹

California Oil Spill: On Saturday, Oct. 2, 2021, Beta Operating Company, LLC, a subsidiary of Amplify Energy, reported a spill approximately 10 miles southwest of Newport Beach, California, from a pipeline which transports oil onshore from four offshore platforms in federal waters.

The maximum potential discharge of oil from the leak is approximately 131,000 gallons but the exact amount discharged is unknown.¹⁰ The affected pipeline has been secured, and, on October 5th, divers validated Remotely Operated Vehicle (ROV) footage showing no indications of further oil release at the potential source of the leak. Diver reports and ROV footage show that a 4,000-foot section of the 17.7-mile-long pipeline was displaced with a lateral movement of approximately 105 feet and had a 13-inch split, running parallel to the pipe.

The cause has not yet been identified, although the Administration stated in a briefing to Congressional staff on October 8, 2021 that there is a “high-likelihood” that the spill was caused by an anchor striking and dragging the pipeline. The USCG is leading the investigation into the cause of the incident along with support from BSEE and the Pipeline and Hazardous Materials Safety Administration (PHMSA).

Under the National Contingency Plan, US Coast Guard serves as the Federal On-Scene Coordinator for this incident and has stood up a United Command for the response. The Unified Command has employed skimming, booming and shoreline cleanup operations, as well as aerial overflights for plume delineation.

⁸ Bureau of Ocean Energy Management. Trump Administration Proposes to Clarify and Streamline Financial Assurance Requirements for Offshore Oil and Gas Industry. September 17, 2020. <https://www.boem.gov/trump-administration-proposes-clarify-and-streamline-financial-assurance>

⁹ Bureau of Ocean Energy Management. August 18, 2021. BOEM Expands Financial Assurance Efforts.

¹⁰ White House Briefing to Congressional staff. October 8, 2021.

According to a statement released from BSEE, the pipeline is regulated according to the terms of a January 1999 Memorandum of Agreement (MOA) with responsibilities shared between BSEE, the Pipeline and Hazardous Materials Safety Administration, the California State Lands Commission, the California State Fire Marshal, and the California Department of Conservation.

Under the terms of the MOA, the operator is required to conduct an internal inspection of the pipeline every two years, with reports submitted to BSEE within 60 days upon completion. The Beta pipeline's last internal inspection occurred in October 2019. BSEE also conducts annual comprehensive inspections, and unannounced inspections of all platforms in federal waters offshore California every two months. There are no outstanding concerns from any BSEE conducted inspections of this particular pipeline.

On Monday, October 4th, PHMSA issued a Corrective Action Order (CAO) to Beta Offshore regarding the pipeline failure, requiring the pipeline to be shut down until certain measures are completed including comprehensive reviews of in-line inspection results for the pipeline, mechanical and metallurgical testing of the failed section of the pipe, and a Root Cause Failure Analysis facilitated by an independent third party.¹¹

Relevant Democrat Bills: The following two bills were discussed at a legislative hearing in this Subcommittee on May 13, 2021. While these bills have already been considered in Committee, the concepts behind them will likely be discussed at this hearing given the recent California oil spill. While the cause of the oil spill remains unconfirmed, preliminary reporting suggests that the leak was caused by an anchor striking and dragging the pipeline.¹² If that was indeed the cause, it is highly unlikely that the provisions in the following bills would have made a difference in preventing the spill.

H.R. 570 (McEachin): This bill requires oil and gas operators to report to the Secretary of the Interior any "critical system" failures at offshore facilities within 30 days of the failure. While this bill attempts to prevent disasters such as the Deepwater Horizon incident from reoccurring, it ignores the new practices developed by the industry to avoid such incidents in the future and is in some cases duplicative of existing regulatory requirements under BSEE. The bill has the potential to overload regulators with bureaucratic reports, potentially distracting them from the critical elements of their mission.

H.R. 2643 (Brownley): This bill directs BOEM and BSEE to: finalize regulations for the inspection of offshore pipelines by third parties and installation of leak detection systems on offshore pipelines; study the environmental risks associated with decommissioning oil and gas pipelines; and assess new fees on offshore pipeline operators. This bill would be unnecessarily burdensome to offshore pipeline owners by establishing arbitrary fees and includes duplicative regulatory requirements.

¹¹ U.S. Department of Transportation. Pipeline and Hazardous Materials Safety Administration. Corrective Action Order. October 4, 2021. [Beta Offshore CAO.10.04.2021.pdf \(dot.gov\)](#)

¹² Richards, Heather. "Coast Guard probes anchor strike scenario in offshore oil spill." Politico. October 7, 2021. <https://subscriber.politicopro.com/article/eenews/2021/10/07/coast-guard-probes-anchor-strike-scenario-in-offshore-oil-spill-281714>