ENERGY DOMINANCE OFFSHORE

A VIEW FROM THE NEXUS OF POLITICS, REGULATION, OPERATORS & TECHNOLOGY

BY EVAN H. ZIMMERMAN
DISCLAIMER

THE VIEWS EXPRESSED WITHIN THIS PRESENTATION ARE OF THE PRESENTER AND NOT OF THE OFFSHORE OPERATORS COMMITTEE, VRYHOF GROUP OR ANY OTHER ENTITY. ALL INFORMATION CONTAINED WITHIN THIS PRESENTATION WERE OBTAINED THROUGH THE PUBLIC DOMAIN.
OFFSHORE ENERGY

FACTORS IN PLAY

• HOW DO THEY INFLUENCE ACTIVITY?
• HOW DO THEY IMPACT INVESTMENT?
• WHAT DOES THIS MEAN FOR US?
POLITICS
“ENERGY DOMINANCE”
POLITICS: “ENERGY DOMINANCE”

• Revise/Streamline Regulations

• Sell Surplus to the World

• Jobs, Revenue, Economy Boost, etc.

• All Forms of Energy (onshore & offshore)

• “Making America Great Again”, “Winning”, etc.
"If only everyone could be like the Scandinavians, this would all be easy."

—PRESIDENT BARACK OBAMA
“Today, Norway ranks as the second-wealthiest country in the world in monetary value, with the largest capital reserve per capita of any nation.”

“Export revenues from oil and gas have risen to almost 50% of total exports and constitute more than 20% of the GDP.”

—WIKIPEDIA
1. Saudi Arabia: US$136.2 billion (20.1% of total crude oil exports)
2. Russia: $73.7 billion (10.9%)
3. Iraq: $46.3 billion (6.8%)
4. Canada: $39.5 billion (5.8%)
5. United Arab Emirates: $38.9 billion (5.7%)
6. Kuwait: $30.7 billion (4.5%)
7. Iran: $29.1 billion (4.3%)
8. Nigeria: $27 billion (4%)
9. Angola: $25.2 billion (3.7%)
10. Norway: $22.6 billion (3.3%)
20. United States: $8.3 billion (1.2%)
OBSERVATIONS

• Last Administration
  • Discourage hydrocarbons
  • Encourage renewables

• Current Administration
  • Economy focused
  • All energy
Don’t expect any political statement to be based on technical or scientific fact or reason.

Political Policy does impact regulator priorities.

DOI leadership is well qualified and informed from all sides.

Regulatory reform is aimed at actually achieving the original safety intent.
REGULATION

"BECAUSE I SAID SO"
• SOME IMPACTFUL REGULATIONS 100-YEARS OLD (JUNE 5, 1920 JONES ACT)
• RULE MAKING INVOLVES POLITICS
• RULE MAKING IS A LENGTHY PROCESS
• EXAMPLE: PRODUCTION SAFETY RULE COMMENTS (742)

DIR. Angelle -
We are concerned with the rollback of safety regulations related to offshore drilling operations and the potential for accidents like Deep Horizon.

Thank you,
Seth Angelle

DIR. Scott Angelle
1849 C. Street NW
Wash DC 20240
REGULATIONS

1. Many regs are not 100% accurate in the way they are worded to achieve the technical intent.

2. Subject Matter Experts (SMEs both Industry and Regulators) work everyday to achieve the actual intent.

3. The general public typically does not understand the technical impact of the detailed regulatory language.
OPERATORS

• “Responsible Party”

• Large, Small, Integrated, Focused, Public & Private

• Accidents are not cheap, all operators want to operate safely

• Market determines commodity price
  • Onshore effect (fast ROI)
  • Offshore trends (long production life, now life extensions)

• Dependance on the rest of the industry
COLLABORATION VS. COMPETITION

- SAFETY IS NOT A COMPETITIVE SPACE
  - OOC SEMS SUBCOMMITTEE
  - CENTER FOR OFFSHORE SAFETY
  - IADC
  - API
  - NOIA & OTHERS

- LIMITED RESOURCES (HUMAN & CAPITAL)
  - ISSUE DEFINITION
  - BEST PRACTICES
  - RESEARCH

- EFFICIENCY
  - APPLICATION OF TECHNOLOGY
  - FOCUSED TALENT
  - EFFECTIVE MANAGEMENT SYSTEMS
FINANCIAL ASSURANCE

EXAMPLE THAT WILL AFFECT US ALL
BANKRUPTCIES & SOLE LIABILITIES

- Initial Development
- Asset Transfers & Bonding
- Secondary Development
- Market Conditions
- BOEM / DOI Action
DECISION IMPACT

- **Most Integrated Majors / Large Operators**
  - “Boomerang assets”
  - Capital / resource draw away from other projects
  - Predecessor liability value impact
- **Most Independents / Smaller Operators**
  - Bonding requirements
  - Capital / resource draw away from other projects
  - Affect on economic point
  - Capital / resource draw for decommissioning
TECHNOLOGY & DEVELOPMENT

• Market Benefits
  • Safety & Cost Efficiencies
  • Expanding Frontiers (the Deepwater revolution, terminals / LNG)
  • Solving the Operator’s Challenges

• Real World Issues
  • Regulations can impede adoption of new technology
  • Market conditions can limit capital for technology trials / development
  • Uncertainty can prolong the process to acceptance
WHAT TECHNOLOGY IS NEEDED?

- OOC DeepStar (research topics)
- OOC Workgroups (website)
- Watch the regulations
- Be a part of the conversation
  - Listen for issues (needing solution)
  - Let your solution be known
- Know the drivers
THE CONVERSATION

- OOC DeepStar Offshore Symposium - May 4th
- OOC General Meeting - June 6 & 7
- AWCC JIP Information Sessions - May 8 & 9
- www.theooc.org
CLOSING THOUGHTS

• Be proud of what our industry does - national security, economic machine, spark innovation, connecting the world

• Educate your community on the offshore energy industry - Speak out about the things you do that make the world better

• Recruit the best and brightest - We must continue to evolve

• We are explorers, record setters, innovators - what we do as an industry is extremely important & full of significant accomplishment
“In the End, we will remember not the words of our enemies, but the silence of our friends.”

—DR. MARTIN LUTHER KING JR.