

CHECK AGAINST DELIVERY

Launch of Disastrous Decisions: the human and organisational causes of the Gulf of Mexico blowout Wednesday 21 November 2012

Introduction

Thank you. I am very pleased to join Minister Ferguson and all of you in congratulating Andrew Hopkins on his latest publication.

Not only is his book, “Disastrous Decisions”, further evidence that Andrew is a prolific author, it also demonstrates the relevance of his expertise as a sociologist and work in accident investigation, to the offshore industry, government and regulators alike.

While not wishing to detract from the contribution of “Disastrous Decisions” to our understanding of why and how offshore accidents happen, I cannot help but reflect that the book also signals we still have much to learn. Or worse, that we’re not heeding the lessons of the past.

The BP Macondo blowout in the Gulf of Mexico continues to dominate debate about safety of the industry, risk mitigation and regulation the world over.

And rightly so.

The fire and explosions on the Deepwater Horizon claimed the lives of eleven offshore workers and left a painful legacy for their loved ones, friends and fellow crew. The loss of containment has impacted the coastline, ecosystems, communities and livelihoods.

And now, the unprecedented financial and criminal penalties stemming from the blowout are placing offshore safety in the headlines once again.

As the head of Australia’s regulator for offshore safety, well integrity and environmental management, I am committed to regulating and working together with industry so that we all do everything that we can to avoid an offshore accident of the scale and horror of Macondo.

But I am also aware that one should never say never.

There are limits to what effective regulation of offshore activities can achieve. As “Disastrous Decisions” notes, “Major accidents occur as a result of decisions by people...” but importantly – “people at many organisational levels.” (pg 8)

As a qualified engineer who started her career in drilling, I found the observations about the design and decision-making processes involved in the Macondo case chilling in their insight. No doubt, this aspect of Andrew’s book resonated for many fellow engineers and ‘office-based decision-makers’ who join us here tonight.

Design and inherent safety

NOPSEMA has highlighted to industry the common causal factors associated with drilling accidents and loss of well integrity in the areas of:

- Decision-making;
- managing change;
- situational awareness;
- communication; and
- contractor management.

As “Dangerous Decisions” illustrates, experience shows – unfortunately, time and again – these failures cut across the organisational spectrum, from board room to boot room.

So the question for both industry and regulators alike is how to foster a culture that ‘embraces inherent safety’ That is, one that avoids or limits the hazard **at the source**, rather than relying on ‘add-on’ safety features or management systems and procedures to control hazards.

The deaths of two workers during drilling-related activities on the Stena Clyde MODU in the Bass Strait in August this year is a stark reminder of the risks offshore work continues to pose to health and safety, human lives (and the environment).

So what can we do to prevent accidents that claim the lives of offshore workers and wreak environmental havoc?

As “Disastrous Decisions” documents, risk assessments prior to drilling the Macondo well placed commercial considerations over safety – or left safety entirely by the wayside – with horrific results.

I don’t raise this with the intention of making examples of the engineers among us tonight – but the point is, if these reflections make you feel uncomfortable, then perhaps there’s good reason to change your approach. And there’s an opportunity to get support from managers for a better approach.

Getting the combination right

Of course, it’s not just a matter of **what we do** (or don’t do), but **when**. And that brings me to the important interface for the regulator in engaging with industry on the nature of offshore projects into the future.

Applying inherent safety principles effectively is linked to timing. There are great opportunities to improve how we manage risk as we witness the changing facility landscape in offshore projects in Australia: that is, bigger, more complex and further away. (FLNG is a good example.) This means:

- recognition that, for inherent safety principles to be effective, they must be applied from the earliest stages of the life of a facility;
- commitment and leadership from the outset;
- ensuring all decisions - starting with concept evaluation and continuing through into operations and ultimately decommissioning – include consideration of inherent safety.

With this changing facility scene are challenges for operators and the regulator alike:

- ensuring the optimal safety outcomes for the offshore workforce
- managing regulatory risk and
- ensuring the regulator can independently challenge an operator’s proposals at an appropriate stage of development.

These have all tested the provisions of the existing offshore petroleum safety regime. With these challenges in mind, NOPSEMA is working with Minister Ferguson’s Department to consider legislative provisions for a design notification scheme, similar to that operating in the UK.

Safety case regimes and NOPSEMA

I am pleased to see Australia rate a mention in “Disastrous Decision”s in relation to desirable regulatory regimes, relative to the prescriptive regime in place in the US at the time of the Macondo blowout. In his book, Andrew identifies the four essential elements to an effective safety case regime, such as the one NOPSEMA administers:

- a risk-based regulatory framework
- a requirement to make the case for safety to the regulator
- a competent and independent regulator
- and an operator general duty of care.

The Government response to the Montara Commission of Inquiry reinforced these elements of Australia’s objective-based regulation, which means:

- the operator of an offshore facility is responsible for the safe and effective operation of the petroleum facility
- there is an onus on the industry to ensure and demonstrate to regulators that the risks of an incident are reduced to ‘as low as reasonably practicable’ (ALARP)
- it is not self-regulation by industry, as the industry must demonstrate to regulators that it has reduced the risks of an incident to ALARP.

To boil down the regulatory model to the essential questions of NOPSEMA for industry, that means:

During assessment – NOPSEMA asks “Have you done enough?”

During inspection – NOPSEMA asks “Are you doing what you said you would do?”

During investigations – NOPSEMA asks “What wasn’t done? What can we learn?”

For enforcement – We will take action to secure compliance

In performing these functions, NOPSEMA is committed to being independent, professional and showing respect for due process. I would like to emphasise the importance of independence for any effective regulatory regime.

It means NOPSEMA can direct its resources appropriately in support of its vision of a safe and environmentally responsible Australian offshore industry.

Many congratulations to Andrew for contributing so meaningfully to the latest discourse on the challenges and opportunities for realising this goal.