

Key EH&S Trends in the U.S. Oil & Gas Industry or How Your Life is Going To Change

Presented By:
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Topics

- Introduction
- Perfect storm
- Key trends
- Actions you can take

Introduction

- We observed a number of events that indicated changed regulatory environment and public attitudes
- Conducted numerous interviews and background research from coast to coast
- Confirmed and refined our observations with industry peers

Overview

- “Perfect Storm” may drive significant change for the industry
- Legislative/regulatory changes
- Enforcement
- Public/community issues

Perfect Storm

- New administration
 - 42 "significant" EPA regulations in 18 months
 - Significant changes at OSHA
- Congressional action
 - 16 pieces of legislation pending as of July
- State initiatives
 - TCEQ oil and gas air permitting changes
- Public/community challenges
 - Increased pressure from NGO's and/or citizen groups
 - Local governments
- Recent industry incidents

Regulatory Changes

- All agencies are involved
 - USEPA, OSHA, States, BOEMRE (MMS)
- Key regulatory changes
 - Green house gas monitoring/GHG permitting
 - Offshore-drilling operations
 - TCEQ oil and gas air permitting

Enforcement Priorities

- USEPA Oil & Gas Initiative
 - Well known playbook from previous initiatives
 - Refining, sulfuric acid, glass making
 - Demonstrated track record of vigorous enforcement
- USEPA Air Toxics initiative
- State agencies
 - TCEQ assessed \$769,000 in September 2010 fines

Recent Industry Enforcement

Criminal Cases

- Swamp Angel Energy – Two individuals plead out to felon charges
- Nami Resources Company – Company pleads guilty

Civil Cases

- ExxonMobil
- ConocoPhillips
- Anadarko
- Citation
- Merit & Shell
- Aspen
- EOG
- Cabot Oil and Gas

True Cost of Enforcement

- EPA fine: \$180K
- Admin/Legal: \$100K
- Corrective action:
 - Catalytic oxidizers: \$200K
 - Low bleed valves: \$320K
- Total: \$800K
 - Four times the actual fine

GHG Monitoring/Cap & Trade

- New reporting requirements proposed to be effective January 1, 2011
 - Work required prior to effective date
- SEC GHG disclosure requirements effective February 2010
- Cap and trade legislation appears to be dead for this Congress

New Technology Driven Regulatory Issues

- Hydraulic fracturing
 - Federal legislation
 - State legislation and municipal regulation
 - EPA Hydraulic Fracturing Study
 - Congressional investigation
 - SEC disclosure/shareholder resolutions
- Air toxics
 - Optical remote sensing, e.g., IR cameras, TDLS

What Can You Do?

- Each situation is unique
- Everyone needs a strategy
 - What is your enforcement exposure?
 - What is your desired risk profile?
 - Where is the low-hanging fruit?
 - 80-20 rule
 - What is the timeline to achieve your desired risk profile?

What Can You Do?

- General suggestions
 - Regulatory registry
 - Compliance calendar
 - Can be automated
 - Compliance assessments/audits
 - Consult legal counsel
 - Training
 - Prepare staff for enforcement inspections
 - Don't forget your contractors

Sample Regulatory Registry (Abridged)

Reg. Cite.	Reg. Language	What is required?	Applicable/Comply	How?
98.1 Purpose and scope.	(a) This part establishes mandatory greenhouse gas (GHG) reporting requirements for owners and operators of certain facilities that directly emit GHG . . .	If we own or operate any of these sources we must report GHG emissions	Y/Y	A GHG data collection and reporting system has been put in place.
§ 98.230 Definition of the source category.	(a) This source category consists of the following: (1) Offshore petroleum and natural gas production, etc.	If we own or operate any of these sources we must report GHG emissions	Y/Y	A GHG data collection and reporting system has been put in place.
§ 98.231 Reporting threshold.	(a) You must report GHG emissions from petroleum and natural gas systems if your facility as defined in § 98.230 meets the requirements of § 98.2(a)(2).	If we own or operate any of these sources we must report GHG emissions	Y/Y	A GHG data collection and reporting system has been put in place.

Conclusions

- Changes are coming – ready or not
- Non-Management (reacting) of these issues will affect your ability to operate
- Proactive actions may enhance your competitive position
 - “Preferred operator”

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