

BP EFFECT

By Rob Antle



Gulf oil disaster raises 'what if' fears in Nfld. offshore



The images were as grimly spectacular as they were disturbing: an offshore drilling rig engulfed in a roiling fire, smoke spewing skyward, as a convoy of nearby ships sprayed blasts of water in a vain effort to douse the flames.

The consequences were immediately devastating. Eleven people died in the April 20 explosion on the Gulf of Mexico. But the tragedy didn't end there. By independent estimates, between 12,000 and 19,000 barrels of oil have been spewing into the waters of the Gulf every day. As days turned to weeks (and threatened to turn into months) frantic BP officials searched for a solution.

A containment dome placed over the leak didn't work. Neither did the so-called "top kill" method of pumping mud into the breach. Likewise for the "junk shot", an attempt to gum it up with, well, junk, including golf balls, plastic tubing and similar debris. Other ideas (including nylon booms filled with human hair) were proposed to soak up spilled oil.

An increasingly-exasperated U.S. President Barack Obama first froze new offshore drilling leases, then extended that moratorium for six months. He also suspended action on 33 deep-water exploratory wells being drilled in the Gulf of Mexico, and expressed sympathy for those affected by the disaster. "Every day I see this leak continue I am angry and frustrated as well," Obama said in late May.

A wall painted with protest messages against British Petroleum (BP) and U.S. President Barack Obama. REUTERS/Jason Reed

The doomed rig, with the vaguely sci-fi-sounding name Deepwater Horizon, will now take its place at the head of the environmental rogues' gallery formerly led by 1989's Exxon Valdez.

The Gulf of Mexico, where the disaster occurred, is thousands of kilometres from the Newfoundland offshore. But the ripples of the Deepwater Horizon catastrophe rapidly spread north. It resulted in political reassurances and debate in both Ottawa and St. John's, concerns from environmentalists, and action from the regulator overseeing the east coast industry.

All of the talk boiled down to a few simple questions. Is deepwater drilling safe? Could there be a sequel to what happened in the Gulf of Mexico, this time off Newfoundland? What is being done to prevent that? And what happens if the worst-case scenario comes to pass?

In a St. John's conference room, Max Ruelokke is experiencing his own version of Meet The Press. Ironically enough, this is the same room

that is home for an ongoing inquiry into the safety of helicopters used to shuttle workers offshore. Seventeen people died when Cougar Flight 491 plunged into the North Atlantic last year.

It's June 2, Day 44 of the spill crisis in the Gulf of Mexico. Ruelokke is here in his capacity as chairman and CEO of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB). The C-NLOPB is the joint federal-provincial agency that regulates the province's offshore. Today is the first, and likely only, time Ruelokke will be available to speak with the media on safety issues.


Ruelokke is just back from a trip to the Orphan Basin, 427 kilometres north-east of St. John's, where the Stena Carron is drilling the deepest offshore well in Canadian history. Lona O-55 is 2,600 metres below the surface — nearly twice as deep as the Gulf well that continues to thwart engineers' best efforts.

In an unkind twist of fate, the Lona O-55 exploration well was scheduled to

be spudded in early May. Ordinarily, the event would have gone largely unnoticed, except perhaps to industry watchers and those who read deep into the business section of the newspaper. Then the Deepwater Horizon exploded, and the Lona O-55 suddenly had a Broadway-grade spotlight thrown on it.

Safety, says Ruelokke, is the number one priority on the drilling ship. To illustrate the point, he recalls a meeting he had with workers in the Stena Carron's drillers' cabin just days earlier. Their counterparts on the Deepwater Horizon were killed.

The Newfoundland workers "are very confident that they are not in an unsafe position and won't be put into one," Ruelokke says. He notes that any worker aboard the ship is empowered to halt any piece of work, even on the basis of a gut feeling. Operations aren't restarted until the issue is dealt with, and there are no repercussions for the worker. "I have to say the safety culture is outstanding," Ruelokke says of the Stena Carron.



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He stresses that what happened in the Gulf would never be allowed to happen in Newfoundland. To explain, Ruelokke outlines the differences in safety precautions between the Deepwater Horizon and Stena Carron. He cautions that his understanding of what caused the blowout and subsequent explosion in the Gulf is based on anecdotal evidence. But his understanding is that workers, as they prepared to abandon the Gulf well, pumped cement to replace the primary barrier with a concrete plug. However, the concrete was not given enough time to set, meaning the primary barrier could fail. It did.

“We believe the things that were done in the Gulf of Mexico were not in compliance with the existing regulations, and... probably not even in compliance with good oilfield practice,” Ruelokke says.

In Newfoundland, he notes, operators are required to maintain a two-barrier system. And the Stena Carron has three back-up fail-safes to trigger the blowout



Training is an integral part of the Canadian Coast Guard's Environmental Response Program. The Canadian Coast Guard Ship Sir Wilfred Grenfell is seen here conducting single side sweep operations near St. John's, Newfoundland. Credit: Dept. of Fisheries and Oceans

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preventer and cap the well in case of emergency, something that didn't happen in the Gulf, with devastating consequences. "There's never been a blowout or loss of control here," Ruelokke stresses.

Even so, the board did tighten oversight over the Stena Carron in the wake of the

Gulf incident. On May 20, the C-NLOPB announced a series of measures, including more frequent audits and inspections, along with an "operations time-out" prior to penetrating any targets. That "time-out" will allow for a review of safety measures.

Chevron Canada, which is drilling Lona O-55, declined interview requests.

"What I can tell you is that Chevron's focus for the Orphan Basin drilling program continues to be on ensuring safe and incident-free operations and protection of the environment," Chevron

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spokesman Tim Murphy said in an emailed message.

Previously, company officials indicated they hired a third-party consultant to assess the Stena Carron's blowout preventer.

"We've done a full inspection and testing of the blowout system, and all of the functions of that," Mark MacLeod, Atlantic Canada manager for Chevron, told the St. John's *Telegram* in early May. "Everything is good to go. We're very confident that we're ready to drill this well safely."

When the regulator subsequently imposed tighter oversights on drilling, Chevron officials said they were co-operating fully.

Meanwhile, back at the C-NLOPB's media briefing, Ruelokke says those aboard the Stena Carron are keenly aware of the microscope they are now under. "They are very conscious of the focus of the world that's on them, but are equally confident in the fact that we would never allow such a thing to happen. Our policies, procedures, training and equipment are such that it will not happen."

That opinion is not shared by everyone.

Stephen Hazell is a lawyer for Ecojustice, the environmental lobby group formerly known as Sierra Legal Defence Fund. Hazell says regulators like the C-NLOPB have structural problems. He charges that the board has the mandate to facilitate development of the offshore, while simultaneously overseeing environmental and safety issues. The attitude, according to Hazell, is "drill baby drill, but don't break any environmental or other laws."

Hazell is not buoyed by Ruelokke's reassurances. "To say that it couldn't happen here, I just think is the foolishness that really only engineers can give."

Hazell invokes the spectre of another Newfoundland oilfield disaster, the sinking of the drill rig Ocean Ranger in 1982 with the loss of 84 lives, as proof that the worst can, and has, happened. (The Ocean Ranger sank before the C-NLOPB came into existence.)

"Has everybody forgotten the Ocean Ranger already?" Hazell asks. "A cata-

strophic accident involving a drilling rig, and yes, maybe lessons have been learned, and yes there was a Royal Commission, but the idea that we could have catastrophic failures in the offshore drilling industry, we have some very recent experience of that in Newfoundland and Labrador."

While Hazell sounds warnings about oversight, previous academic studies have accused the C-NLOPB of a lack of transparency on environmental issues such as oil spills at Newfoundland's three producing platforms. Gail Fraser of York University's faculty of environmental studies and Joanne Ellis of the St. John's-based Crydium Group highlighted those concerns in a 2009 paper.

Fraser and Ellis sought five data sets from the C-NLOPB related to environmental monitoring data in the offshore industry. Among the information they requested was the frequency of oil sheens, and environmental effects monitoring plans for oil spills. The Board denied all five of their requests.

The researchers concluded that "citizens


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“One of the questions that keeps coming up with respect to environmental protection of the offshore (is) we have what’s called a self-reporting system. There is, effectively, no independent environmental monitoring of the effects of what happens to birds, and the seabed, what’s going into the water, what the consequences of it are.”

Jack Harris, Member of Parliament, St. John's East

participating in the assessment of future offshore oil and gas developments need to be aware of lack of transparency of the environmental management in Nfld. and understand that they may be excluded

from fully understanding the realized environmental impacts of the offshore oil and gas industry.”

That concern has expanded to the political realm. The House of Commons

natural resources committee has begun studying deepwater drilling, with a focus on the Arctic but also an eye on Newfoundland. The responsibility for drilling safety in general, and deepwater drilling specifically, is squarely on the shoulders of the oil companies and regulators, according to Jack Harris.

“They’re the ones who have to establish to Canadians that it is safe, that what happened in the Gulf of Mexico cannot happen in these circumstances, and what measures are being taken to prevent that,” says Harris, a St. John’s MP who serves as deputy energy critic for the federal New Democrats.

He suggests that there needs to be more transparency surrounding environmental concerns. “One of the questions that keeps coming up with respect to environmental protection of the offshore (is) we have what’s called a self-reporting system,” Harris says. “There is, effectively, no independent environmental monitoring of the effects of what happens to birds, and the seabed, what’s going into the water, what the consequences of it are.”

While there have been no major incidents to date, the possibilities could be catastrophic. “It’s one of these situations where the risk may be low, but the consequences are high,” Harris notes.

In early May, Prime Minister Stephen Harper gave assurances that what happened in the Gulf could not happen in Canada. “It truly is horrific, an environmental nightmare,” Harper said in the House of Commons. “The behaviour of the companies involved was completely unacceptable. Fortunately, we have much stricter rules in Canada to prevent such a disaster.”

The same day Harper made those comments, Newfoundland and Labrador Premier Danny Williams pledged to “adopt the best practices in the world.” The Province commissioned master mariner and industry veteran Mark Turner to assess offshore oil spill prevention and response.

Despite the soothing words, the days and weeks following the Gulf tragedy



saw critical media reports pop up like spring dandelions. The stories questioned recent regulatory changes that moved the Newfoundland offshore to a goal-oriented approach for safety and oversight, rather than a prescriptive one where the regulator outlines conditions that must be met. They also noted the length of time it would take to move a rig to the Orphan Basin to drill a relief well in case of emergency: at least 11 days. And a *Report on Business* story described “shortcomings” with blowout preventers in deep water, claiming Chevron is aware of the issue and working to address the problem.

Ruelokke, meanwhile, downplays the regulatory change, which came into effect at the beginning of the year. The C-NLOPB now reviews safety-related aspects of work, and authorizes activity if it is satisfied. There is no longer any checklist of things that must be done. “But the centre of gravity, so to speak, is shifted where it belongs, back onto the back of the operator to maintain a safe environment,” Ruelokke says.

As for transparency, he says the board is hamstrung by a section of the Atlantic Accord act that prevents the C-NLOPB from releasing certain information. He hints that the board may lobby the government to make changes. “We have no issue with transparency. We work within the legislation we have.”

Ruelokke acknowledges the realities of drilling in deep water have put technology to the test. The struggles to contain the Gulf spill are proof of that. “The board’s focus is, and always has been, and will continue to be, on prevention.” No spill, no need for a cleanup; It’s that simple.

The level of oversight off Newfoundland, he notes, is significantly higher than in the Gulf of Mexico. Just look at the numbers, Ruelokke says. There are 4,000 installations in the Gulf overseen by 600 workers with the U.S. regulator, the now-disgraced Minerals Management Service. By contrast, 70 people at the C-NLOPB provide oversight to just six installations. “We have much more ability to put people at sites than they have just because of the numbers.”

The board is considering other changes, such as increasing the maximum financial guarantees for which companies are liable. The current limit is \$350-million. (BP had reportedly spent

more than \$1-billion in the Gulf as of early June.)

And prevention is vital, because oil companies acknowledge that the oil spill genie is difficult to put back in the bottle once released.

In 2005 filings with the C-NLOPB, Chevron acknowledged that a blowout was the “main concern” from a safety, environmental and economic perspective in the Orphan Basin. “Physical recovery of spilled oil off the coast of Newfoundland will be extremely diffi-

cult and inefficient for large blowout spills,” the Chevron report notes. “There are two main reasons for this. First, the generally rough sea conditions mean that containment and recovery techniques are frequently not effective. Second, the wide slicks that result from subsea blowouts mean that only a portion of the slick can be intercepted.”

Chevron did assure that none of 14,600 slicks modeled for two locations in the area reached the shores of Newfoundland and Labrador.

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A Remotely Operated Vehicle (ROV) similar to the one above can be used to detect submerged oil. Credit: Ocean Eye/LLC and National Oceanic and Atmospheric Administration/Department of Commerce

Further complicating matters is the importance of oil to the province's newly-minted "have" status. The sudden prosperity is almost entirely thanks to the burgeoning offshore. The three producing projects are expected to pump 30 cents of every loonie going into the provincial treasury this year.

Environmental concerns aside, any talk of halting exploration would almost certainly send shivers down the spine of any provincial politician looking at the public ledger book. Oil resources are finite; the potential for new discoveries is the lifeblood that will keep the industry going.

Premier Danny Williams underscored that point in the provincial legislature in early June, when questioned by the opposition about the ability to drill relief wells in the Orphan Basin. "If in fact we demand at this point in time that additional rigs be put on site, the cost will probably not double but they will increase dramatically and we will probably end up terminating any

further exploration in the Orphan Basin out of deep water," Williams said. "I think the trade off for that, if we take the billions of dollars that could be lost, would the loss in social benefits and social programs for the province."

As the calendar page turned from May to June, the desperation in the Gulf of Mexico became more palpable, the search for solutions more desperate. The Hollywood director James Cameron, of Titanic fame, offered his technical expertise, and reportedly called BP "morons" after being rebuffed. A criminal investigation was launched into the spill. Finally, BP found some measure of success with a type of containment cap that helped vacuum up large volumes of oil.

Meanwhile, keen sets of eyes continue to watch the Gulf experience. "Safety is paramount," the C-NLOPB's Ruelokke says of Newfoundland's regulatory set-up. The Deepwater Horizon is the epic example of what happens when it is not. | **NRM**

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