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Oil exploration and extraction - risks, liability and regulation

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

**SPEECH BY COMMISSIONER OETTINGER AT THE EUROPEAN
PARLIAMENT PLENARY SESSION**

Strasbourg, 7 July 2010

Mr President, honourable Members of the European Parliament, ladies and gentlemen,

This is the second time in less than two months that I speak to you about the potential risks linked with offshore oil exploration and extraction. When I first addressed this Plenary in May, I had just convened the representatives of major companies with offshore oil production activities in Europe. I asked them to provide responses to a questionnaire scrutinizing their safety policies. We will review both applicable standards and procedures in order to identify possible weaknesses at a meeting next week. I have proposed to your environment committee to come and discuss the results with you the very next day (15 July). In parallel, the various Commission services concerned have been looking into the existing legislation.

The interim results of Commission's review show that offshore safety is covered by a number of complex legislative acts. However the problem is not so much the number of legislation. The key question is: do all these pieces of legislation provide a complete enough coverage for risk management and prevention as well as post-damage follow-up? The answer is not straightforward. This is why I have been working closely with my most concerned colleagues, Commissioners Georgieva, Damanaki and Potočník. The idea is to make sure that we cover all the stages in the process: from prevention to response and liability issues. In this sense, Commissioner Damanaki, who will address you next, will further refer to the maritime aspects of the challenge we're facing, notably how we can turn the terrible accident in the Gulf of Mexico into an opportunity for literally "untapped waters" so far, such as the potential for renewable ocean energy.

No matter what regulatory regime is in place and how well supervised, it is the industry, the individual companies which are the first in line. They must take the issue of safety as absolute concern because they are aware that they bear full responsibility. They must maintain a 100% "safety first" policy from their side. Safety is non negotiable. In terms of operational and labour force safety, we have ascertained that the standards and principles set in European legislation provide for a high level of prevention. On the question of liability, "polluter pays" is the underlying principle of our environmental liability system. Overall, legislation applicable in Europe built on it serves us well, addressing a wide range of risks and challenges associated with this kind of industrial activity. However, we have also seen that there is scope for improvement. Existing legislation could be made clearer and up to date. Be assured that, if proven necessary, we will not hesitate to come with legislative initiatives in the coming months.

This is the reason why I also called a meeting with the national regulatory and supervisory authorities next week 14 July. Together with Commissioners Potočník and Damanaki, we will be discussing concrete steps to improve safety. Operational matters as well as regulatory issues will be examined. On the latter, I would like to be certain that EU's standards are set at the highest possible level in order to maintain the most stringent regime in the world. Similarly, I want to get the assurance that controls are effective. In this respect, I would not hesitate to propose a European framework for "controlling the controllers" if need be.

I also appreciate the discussions that we have had so far with you on the subject, as they have been useful contributions to best assess the potential problems of the offshore industry, on which we need to focus.

Mid-July I am going to Washington where I will have the opportunity to discuss the latest developments on the Deepwater Horizon oil spill with the administration and the legislator. I believe that such dialogue is important in order to ensure that international standards are strengthened.

It is clear that in order to have a complete assessment of the situation we need to know what the exact causes of the oil spill in the Gulf of Mexico were. Meanwhile, however, and until the exact causes are known, the precautionary principle should prevail. In this respect, any authority in the world (not only in the US or in Europe) would be advised to implement a precautionary approach.

Finally, I would like to outline the five critical points where action is needed to maintain Europe's safety and environmental credentials. This concerns prevention, remedies and liability:

1. Immediate action: utmost caution must be exercised for the moment with respect to new drillings. As said, given the current circumstances, any responsible Government would at present practically freeze new permits for drilling with extreme parameters and conditions. This can mean de facto a moratorium on new drills until the causes of the accident are known and corrective measures are taken for such frontier operations as the ones carried out by the Deepwater Horizon. Governments need to make sure that the industry launches all possible measures to further improve safety and enhance disaster prevention levels to meet the highest possible standards also in extreme climatic or geophysical conditions. While specific measures linked to technologies used may meaningfully come only after the causes of the current accident have been fully investigated, immediate and precautionary steps towards reinforcing the level of prevention and preparedness can and must be taken already now. Emergency plans must be reviewed and strengthened on the basis of best practice. Authorization procedures must require demonstrations of the capacity of the operator to deal with critical events in the particular conditions of the given operation. Equally, a demonstration of the financial strength necessary to assume full responsibility for damage caused is needed. We have to see what best instruments can be used in that regard, whether insurance obligations, a special European fund or some other adequately robust solution.
2. Reinforce existing level of prevention not only through robust authorization regimes but also thorough checks and controls. The traditional division of labour between national authorities and the European level is no longer good enough. We need a new model that helps to foster synergies, strengthens effective mutual cooperation, and that establishes a 'Control the controllers' system. We must increase transparency about the safety performance of the industry and the vigilance of public authorities supervising the industry. Citizens have the right to know and to have access to all pertinent information. Transparency is a strong ally in ensuring maximum compliance and precaution.
3. Complete the "stress test" on existing legislation. Complete without delays our analysis of existing legislation and applicable standards to identify possible weaknesses/gaps/room for improvement. Our legislative framework should guarantee the highest level of safety against the best industry practices and an unequivocal liability regime. For the latter, we see room for improvement in several areas, including potentially the consolidation of the territorial applicability of the existing environmental legislation and its extension to more fully cover the issues of biodiversity and secondary damage. Depending on what exact weaknesses are identified in the final analysis, we will not hesitate to make corresponding legislative proposals, either amending existing legislation or proposing specific legislation for off-shore activities.

4. We will consider how control and disaster intervention mechanisms can be enhanced at European level. Work is currently underway to further strengthen the overall EU disaster response capacity including assistance provided through the Monitoring and Information Center in the European Commission. The European Maritime Safety Agency EMSA in Lisbon, can already meaningfully intervene in case of oil spills from such facilities. Preventive responsibilities on the other hand, such as inspection and verification activities, require capacities and competencies entirely different from those available at EMSA now. We should well reflect where and how to develop such capacities, including the question whether separate or not for land based or sea based drilling.
5. Join forces with our partners to strengthen existing international and regional standards. This should not only cover our neighbours, but all countries, since such environmental disasters should simply not happen, whatever the region in the world.

The Commission will come up with concrete proposals in the next months. Meanwhile, as I said, I am ready to come and meet the ENVI Committee to take stock of the situation after the meeting next week with the industry and the national regulators.

Mr President, honourable Members of the European Parliament ladies and gentlemen, the Parliament and the Commission are well placed to work together in realising these objectives. We have shown, for example on maritime safety, what can be achieved when, on the basis of a solid factual analysis, there is political will. We have to continue with our joint efforts to making sure that safety offshore is not an option but a firm condition.