Maintaining future effective preparedness against oil spills

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As we enter the second financial and calendar year where the price of oil hovers below USD$40 per barrel, the challenge of maintaining effective preparedness to respond to oil spills looms over the petroleum industry who needs the specialists to respond and the spill response organisations and contractors that underpin the industry's licences to operate. But as response organisations, we have all been through the lean times when historically, the 5 years after a major oil spill has been the time when motivations to maintain interest and maintain support of our contractors and organisations typically wanes. However competition for the preparedness funding is also shared with the regulatory and compliance regimes. I it is interesting to note the results of a 2015 Deloitte report (*Get out of your own way; Unleashing productivity)* which identified the cost of meeting legislation in Australia (in all sectors) conservatively totalled AUD$250B/year with the oil and gas sector being hit reasonably hard in the compliance basket. The report identifies that saving 10% of this $250B would equate to 1.6% of national income. Australia embarked on a reform of sorts designed to eliminate duplication and streamline the rule makers and compliance sector in 2014. The oil and gas sector has received some streamlining but there are still areas where the right form of government streamlining could achieve efficiencies at the right end of the scale and reduce the stress loadings on the response side of the industry that is so often required to find financial efficiencies in hard times.

As the Australian industry's Oil Spill Response Organisation (OSRO), AMOSC AMOSC has asked 4 questions of itself in the last 12 months to provide its members the best support it can within these exacting times;

1. So what is different in this situation?
2. Do we have the ability to maintain effective preparedness against oil spills?
3. Can history over the last 30 years provide some of the answers?
4. What can be made more efficient and maximise cost benefit?

For a number of years, OSRO's have been at the front and centre of 'feast or famine' – when just after major spill responses, large amounts of investment and motivation have been injected into the spill response organisations to build the capacity of these organisations to best respond to the last oil spill. AMOSC most recently experienced this investment just after the Montara spill and the Australian regime successfully addressed the offshore spill response issues generated by both Montara and Macondo. Similar to the global experience, this investment amounted to greater training and education for companies, greater exercising and planned preparedness, mutual aid, more trained and experienced personnel available for spill response, and a wider capability including oiled wildlife and subsea interventions. The investment was mainly provided by the upstream exploration and production sector with the downstream sector maintaining their consistent levels of support and funding (Question 1). However and arguably, prior to this 5 year period, the spill response capability in Australia was always built to respond to shipping based responses. So in reviewing history, the original OPRC model has been sufficient to build the initial preparedness and response models, with the recent investment enabling greater capability and capacity to be built up in Australia (Question 3). This capability and capacity is however designed for crude or petroleum product (Group II-V) response – Australia will need to look at the needs for gas preparedness/response as the type of petroleum exploration/production changes. This currently sits outside of the OPRC 90 intention (Article 2 Defn 1) of addressing oil spill preparedness and response and perhaps questions the limited scope of the OPRC 90 being just for oil spill preparedness and response.

Observation 1; During the last 5 years, the upstream industry has been building capacity in spill preparedness and response – the drop in oil prices has affected the ability to keep funding this capacity building and the challenge is to keep the current capacity building within cost efficiency and reasonable. The original architects of spill response came from the shipping industry, so this 'recent' investment by the upstream industry has been a welcome injection of support to continue building capacity for spill response.

The second AMOSC question of whether we are able to maintain effective preparedness for spill response can be considered as offshore response and then coastal/shipping based response needs. While the 2 sectors are reasonably closely linked, the availability of funding from either has been seesawing at any given point in time. For example, the frequency and tonnage of petroleum products carried around the Australian coast has increased in the last 5 years and positioned the

downstream industry well in terms of the current oil prices. This positioning has coincided with the expansion in capability that the industry has made in preparedness for the offshore sector. The expansion has benefitted both the upstream and downstream sectors and provided extra contingency capability that was previously lacking. But the key to maintaining this extra capability is financial investment – with enhanced services, extra funding is needed. So to free up the funding, some consolidation of services is required due to the current low prices of crude. For a while now, Australia has depended on equitable funding of strategic projects such as aerial dispersant (where industry and government equally fund a 24/7 capability) and collective industry funding of projects like trajectory modelling. (Question 4) More recently the petroleum industry in Australia has been very interested in collectively funding projects/capability such as;

- Joint exercising – to prove the overall industry activation and response arrangements
- Scientific monitoring
- Air quality monitoring
- Water quality monitoring
- Communications in remote areas
- Labour response on shoreline
- Subsurface trajectory monitoring
- Remote environmental sensing

With the value proposition being collective funding and therefore reduced individual funding, the counter-proposition is to re-invest some of the saved expenditure into current maintenance of preparedness and also the future preparedness for a changing sector.

Observation 2; efficiencies gained through collective funding of shared resources needs to be reinjected into current and future preparedness. This needs to be agreed with all parties prior to sharing resources

In addressing the question of *'maintaining future effectiveness',* the Australian emphasis will be on '*funding current and future preparedness'* noting several factors. These factors include the current oil prices, increase in downstream shipping activity, relative change in crude production to gas production and for the OSRO to continue meeting industry's needs. This requires funding and support in order to maintain meeting industry's needs. The simple analysis of how many full time personnel (less than 100) are involved with spill preparedness and response in Australia becomes very revealing. Yet the risk of spills has not diminished. Global

teams do not replace regional/national teams – there is resistance in outsourcing when government considers spills of national significance. Homogenous capability is typically required in Australia to support the risk of spills. So the argument returns to finding efficiencies in the competition for the funding and support arrangements for spill preparedness. This argument will become more prevalent over 2016 and until the price of oil returns to a more profitable level.

In January 2014, AMOSC asked the PAJ Symposium "*The quantum of change over the last 4 years and since the 2 spill incidents of Montara and Macondo re-invigorated energy around response and preparedness issues to marine oil spills. The familiar question arises; how long will this motivation and energy last?*"

Compelled by the reduction of the price of crude, we are now seeking assurance that investment by the oil and gas sector will remain funding of spill preparedness and response. In some ways and by reviewing recent history, we find that the initial creation of the spill preparedness and response sector 30 years ago has been adequately 'topped' up by the upstream sector over the last 5 years. So the current thrust in Australia is to achieve collective savings to free up capital for re-use within the preparedness