Risk, Response and Reputation – new views on old challenges

Chris Morris – General Secretary, IPIECA

[Slide 1] Good Morning Ladies and Gentlemen, and I have to start by thanking the Petroleum Association of Japan not only for their kind invitation to speak in front of you today, but also for making such efficient arrangements to get me from the airport to the podium in record time this morning; it is sobering to think that just a few hours ago I was flying above the city.

[Slide 2] This speed at which our lives operate today is relevant to my remarks this morning because while better communication and more efficient transport of both human and material resources to where they are needed has become the norm, so too has the spread of information and disinformation: it is often said that 'a lie can travel halfway round the world in the time it takes for the truth to get its trousers on'. This in itself means that we have to take extra care to protect our reputation as an industry and I will be giving my thoughts on that in a moment.

I want to start by introducing those of you who are not familiar with IPIECA to what we do [Slide 3]. Our membership accounts for approximately 60% of all oil produced and comprise of National and Multinational oil and gas companies and trade associations. The London secretariat is small - we are 8 in number - and focus in on a number of global environmental and social issues, as you can see listed. To work the issues we have working groups, made up from the membership - and I am reassured that looking around the hall I see a fair number of those who sit on the IPIECA oil spill working group

[Slide 4] As you can see we have a good representation from industry around the world as well as a wide range of associations. These range from PAJ here in Japan, API in the United States, AIP in Australia, and SAPIA in South Africa. The roundel shows the various logos of organisations that also contribute to our OSWG. In particular, it shows just how international we are and the fact that we have a wide range of expertise bringing knowledge and experience to the group.

So where does the group concentrate its efforts? [Slide 5]. Well, the message has been pretty consistent for a number of years and is essentially threefold:

- We aim to promote sustainable contingency planning in coastal regions around the world, whilst promoting the concept of Net Environmental Benefit Analysis, or NEBA;
- We encourage the use of the Tiered Response concept and I will discuss this in greater detail later, and
- We work with the IMO, ITOPF, the IOPC funds, and our contacts in-country to help national authorities understand the benefits of ratification of the international conventions, principally the Oil Pollution Preparedness, Response, and Cooperation Convention, the 1992 Civil Liability Convention, and the 1992 Fund Convention.

We communicate this message through the Global Initiative – which is IPIECA's joint outreach program with the IMO, which brings together the main international groups to promote effective planning & cooperation. All this is backed up by our 'Report Series', along with networking at conferences and workshops world-wide

[Slide 6] Our collaboration with the IMO and such organisations as ITOPF, started in the mid 90's with a series of staged seminars around the world. These enabled

industry and government to come together and live a large spill scenario and witness an effective 'road- show' as to how effective contingency planning might develop. The culmination of this initiative was the 'Working Together' video or CD that has been widely used to spread the message.

Turning to today's presentation, let me congratulate the organisers on lining up an interesting series of speakers for this year's symposium. I note that we have several speakers scheduled to speak about dispersants, and those of you who were at last year's symposium will remember that Bill Lerch from ExxonMobil made several key points on dispersant use. From IPIECA's perspective, the use of Net Environmental Benefit Analysis or 'NEBA' means that we must always consider the use of all available options in response to an oil spill, which should include the use of dispersants where appropriate. [Slide 7]. Certainly, we should exercise caution when it comes to the approval of dispersants for use in near-shore areas, but the test methods used to gain approval must reflect the use of the dispersant in 'real-life' conditions.

I have some personal experience of the efficacy of dispersants from my time as crisis preparedness manager at Texaco, when confronted with the 'Sea Empress' incident [Slide 8] where some seventy two and a half thousand tonnes of crude were released into the waters off Milford Haven in Wales. While some oil did wash up on the coastline, the use of dispersants prevented a disaster becoming an utter catastrophe. Of particular interest and relevance to the Japanese situation, dispersants shortened the time that was required for the mariculture industry to begin functioning again, and had a significant effect in reducing damage claims. When one looks at the time between the initial spill in February, and the reopening of the beaches at Easter time, you begin to see the power of this approach.

Most of what I have to say today refers to actions and events that take place after the oil is in the water, but it is gratifying to note that the one area which is now gaining some attention, is that of prevention.

While we must never relax our vigilance on the response side, IPIECA's view is that we should continue to focus our attention on proactive measures – including prevention. The theme of this symposium is "New Dimensions in Oil Spill Response after the Prestige", and that is very appropriate for IPIECA, because following discussions at a recent IPIECA board meeting, IPIECA has initiated actions to strengthen cross-communication between the various industry secretariats, such as OCIMF, ITOPF, and OGP, with a view to ensuring that we as an industry are doing everything we can to prevent a repeat of the Prestige incident, and that to the greatest extent possible, the reputation of the industry is protected. At a recent workshop at the IMO in London, the Director of the IMO Technical Cooperation Division, Mr. David T. Edwards, invited industry to come forward with suitable partnership proposals to be funded jointly with IMO, and we are actively working with IMO and other stakeholders (such as the secretariats mentioned just now, as well as INTERTANKO, the ICS, and the P&I Clubs) to produce a document clarifying our responsibilities to the public and regulators alike.

Before moving on, let me put in an advertisement for the IPIECA 'report series' which includes volumes specifically relating to both dispersants and to NEBA. These reports [Slide 9] have all been translated in French, Spanish, and Russian, and several of them have been translated by PAJ into Japanese. IPIECA encourages this process and we are of course ready to support you any way we can: we have found that the easily readable report series, when translated into local languages can be highly effective in persuading local regulators to take action on a particular topic.

For 2004, we have several new IPIECA oil spill reports coming out, and I will be mentioning these during the course of my presentation.

[Slide 10] I want to take this opportunity to remind ourselves about what is really important in oil spill response and how, ultimately, Risk, Response Strategies, and Reputation are intimately linked.

It is widely accepted that those countries and companies that have a properly developed contingency plan are better prepared to deal with an oil spill emergency than those that do not. The potential benefits of contingency planning include:

[Slide 11]

- More effective and efficient response to an incident by using and developing appropriate response strategies with the aim of reducing ecological, economic and amenity damage and subsequent compensation claims
- Clear reaffirmation of business/governmental environmental priorities
- Improving the public and media understanding of industry's efforts to be a positive force in the protection of the environment.

Amongst other things, this means getting the right resources to the right place in the shortest possible time, but having said that, the majority of us in this room accept, I believe, that mounting an effective response to an oil spill is not just about equipment.

We can all recount situations where there were warehouses stuffed full of equipment but insufficient resources or planning to deploy them in a logical and effective manner. Equally, many of us know that we can still get everything right, but despite our best efforts the oil can still come ashore. When that happens, the efforts that we have put into the response count for very little in the eyes of the public and the regulators.

Because of this we need to ensure that we put in place communications designed not only to keep all stakeholders informed, but also protect our reputation at every stage of the spill. In fact, I would go so far as to argue that until we as oil spill response practitioners can accept that risk to reputation should be considered alongside risk to the environment and business and commercial risk, our response strategies are incomplete.

As we prepare our contingency plans therefore – and I am pleased to see that the IPIECA volume on Contingency Planning has also been translated into Japanese [Slide 12] – we need to ensure, as companies, that [Slide 13]:

- We adopt a risk-based approach to identifying the maximum credible and most likely case scenarios

- The contingency plans we adopt, whether corporate, national, or regional are based on the tiered response concept

- We have measures in place to communicate to stakeholders and affected communities and to protect our reputation

- That the plans are integrated with those who share the risk and who will participate in the response such as national authorities and other industry partners

National authorities in particular have a critical role to play in reducing risk, by ensuring both that local legislative arrangements facilitate the application of best practice in oil spill response, but also that after the spill, the parties disadvantaged by the spill have the ability to claim compensation under the comprehensive arrangements that have been put in place for that purpose.

It is with concern therefore that we look at some countries with a history of shipping casualties and find that they have not yet been able to ratify the most fundamental of the Oil Pollution Preparedness, Response and Cooperation Convention, the OPRC. [Slide 14]
In the wake of global concerns over Oil Pollution in the late 1980s, the IMO's Marine Environment Protection committee developed this Convention to provide a framework for international cooperation for combating major oil pollution incidents, taking into account the experience gained within existing regional arrangements dealing with these matters.

Likewise, there is financial relief available to those who have suffered as a result of an Oil Spill if their country has ratified either or both of the 1992 Civil Liability or Fund Conventions, yet many countries still have not ratified these conventions. In the past one could have understood to some extent the reluctance of some small states to ratify the Fund Convention, the costs of which are borne by oil receivers, however it is unclear why the 1992 CLC – to which there is no cost attached in ratification – has not been ratified when the benefits are potentially so great. Unfortunately, failure to ratify at least the 1992 CLC can cause problems for all parties in the event of a major spill since there will be great uncertainty over the availability of funds to pay for prompt clean-up and to compensate victims such as fishermen.

The situation under recent revisions to the funds makes their ratification potentially even more attractive, and I look forward to a presentation from the fund during this symposium, which will clarify the details of the new arrangements.

In this regard, I am pleased to say that ITOPF and IPIECA have updated their Compensation guide, [Slide 15] and there are a few advance copies here should you be interested.

While many states have ratified these conventions, we need to redouble our efforts to work with governments in our sphere of influence to convince them of the benefits of ratification, and the fact that these systems are ultimately for their own financial benefit and protection. Of course, states such as Japan and the United Kingdom have fully ratified these conventions, however we should not underestimate our ability to encourage this process, particularly when these countries are on the receiving end of bilateral aid - in the form of oil spill response equipment and training – from our respective governments.

We have a responsibility, wherever we go, to go that extra mile (or Kilometre if you wish!) to impress upon authorities the need to ratify these conventions. The usefulness of these oil spill assistance and compensation agreements is not limited to those brokered by the IMO: there are local and regional equivalents such as Bonn Agreement that work exceptionally well and I can speak from first hand experience from the Sea Empress spill when the international support that we asked for was given promptly and to great effect.

I explained at the beginning that one of IPIECA's central beliefs stems from a Risk - Based approach to the management of oil spills, and that has led us over the years to firmly support the tiered response concept. [Slide 16]. The tiered response

concept avoids unnecessary and inappropriate proliferation of oil spill response resources. Above all, the flexibility of the tiered response approach should meet any given spill risk in a suitable and cost effective manner. A new dimension is however appearing inasmuch as when we look at the types of spill we encounter today compared to 20 years ago we notice that there appears to have been a dramatic increase in the proportion of significant chemical spills. [Slide 17]

Traditional oil spill response regimes do not cover chemical spills in marine environments; marine chemical emergencies differ from oil spills because there is a much larger variety of chemicals being transported and the consequences are more unpredictable, because most airborne remote sensing systems, as they exist, are not sufficiently reliable to detect chemicals floating on the sea, and while models on drift and dispersion of chemicals at sea are available, the consensus is that they are not yet reliable enough to be used in support of the decision-maker in actual incidents.

A marine chemical spill poses potentially severe dangers both for the natural environment as well as responders; the consequences may be far more severe than an oil spill. This has been acknowledged by the IMO in the development of the HNS convention and of the HNS protocol to the OPRC convention, however uptake of both of these has been poor, and at this time neither has come into force. However, hopefully this will change: many of you will know that at the end of last year the UK published its formal public consultation paper on the national implementation of the HNS Convention, and subject to a successful outcome of this consultation and the approval of our Parliament, the intention is to ratify the HNS convention during 2004.

The consultation document initiates the first part a two-stage consultation process. The document just issued sets out the proposal that the UK should now ratify, and the principles to be applied in the national regulations to implement the Convention into UK law. These follow the 'model' agreed at Ottawa and endorsed at the IMO Legal committee. The second stage will be undertaken early this year and will focus on the proposed national regulations and the proposed UK reporting system to meet specific treaty obligations. This is a positive step, however in most countries, even relatively well-developed ones, there has been little progress in establishing a marine chemical response capability. The situation is not helped by poor coordination of the knowledge base and a lack of an acknowledged authoritative publication that translates the scientific theory into practical advice that can be used by a responder.

IPIECA has therefore been working with the IMO and other stakeholders such as CEFIC and ITOPF in a partnership approach to formulating guidelines on marine chemical spills under the IMO Technical Cooperation Division partnership initiative. This is a long-term project but we hope to have some interim results by 2005.

I have mentioned Risk, Response, and Ratification as several of the 'R's that we feel are important to Oil Spill Response efforts – but I would like to give you some more 'R's' to consider:

[Slide 18]

Restraint ! This symposium will take on board the lessons of the Prestige, and it is the Prestige – and of course the Erika before it – that has driven much of the recent thinking and legislation in Europe. However I would like to point to another phenomenon that was also in evidence in the Prestige incident, and that is the occasional political intervention that hinders an effective response. I am not here talking about the cross boundary issues that arise which limit the availability of equipment and personnel – we have all seen a number of these high profile cases

over the last ten years. What I am referring to is the fact that in many ways, we have become the victims of our own success.

We have over the years – helped by an ever more vocal community and NGO lobby – elevated oil spill issues and the importance of integrated national disaster management and planning to a point where it has attracted political attention. When this happens, decisions start to be made on the basis of short-term political expediency instead of on training, experience and professionalism. If there is a lesson to be taken from this, it is that we need to include these 'higher-level' stakeholders in our network of contacts; we need to educate up the command chain as well as down!

[Slide 19]
Responsibility! We have a responsibility to not only to ensure that our contingency planning and Oil Spill Response network is in place but that it integrates, interfaces and is supported by others. Our plans should extend not only to dealing with the oil on the water and washed up on the shoreline, but also to those other aspects of oil spill response that perhaps aren't always considered 'our business'. One such example of this is the need to put in place contingency plans for oiled wildlife response.

Now I am not suggesting that we set ourselves up as oiled wildlife experts, but I put it to you that it is certainly our job to assist those who are. Again, it is part and parcel of integrating every aspect of our response with the stakeholders around us who can make a difference. When we looked at the systems and standards in place for oiled wildlife we found that there was a divergence of attitudes and opinions within the fragmented wildlife responder community.

Again, as in the case of response to chemical spills, there is a poor coordination of the available knowledge and a lack of an authoritative statement on good practice that is widely available to responders. Again, IPIECA has bought its unique ability to marshal divergent forces to bear and is sponsoring, along with other oil industry members, a project to assemble experts in oiled wildlife contingency planning, which will include, amongst others, representatives from the Sea Alarm Foundation, the International Fund for Animal Welfare and the International Bird Rescue Center. The resulting output from this meeting will include yet another publication in the IPIECA report series.

[Slide 20]
Another 'R' is Reasonableness!
We all have guidelines as to what a 'reasonable' response entails and for IPIECA, we support that it is reasonable to apply the principle of NEBA. But who judges what is reasonable? Whether it is the regulators or the public they are more likely to accept your assertion of what is reasonable, if they trust you, and trust the assertions you are making. Which brings me to my final 'R' of the day because in my view, part of establishing that trust is building a good Reputation!

[Slide 21]
Reputation! There is an increasing trend to assume that Reputation is something that can be 'shaped' or 'managed'. While it is true that our Public Relations people can highlight the many good things we do, as opposed to the very few unfortunate bad things that can occasionally happen, I can assure you – true reputation is something that can only be earned, and it is one of those qualities that takes years to earn and only moments to destroy.

As a sector, we are not remembered for this……..

[Slide 22 build]

more often it is this…….

In my comments today, I have ranged from Risk to Reputation, and if there was one slide that I wanted you to take away from the last half an hour, it is this, that while all our strategies should in the first instance be based on Risk – where, if you like we can get the biggest 'bang for the buck' or in oil spill response terms, engender the greatest protection for the resources we apply, in all of our dealings we need to:

[Slide 23]

- Encourage Ratification of the appropriate conventions
- Ensure our Response strategies are integrated, socially Responsible, cost effective, use sound science and are defendable and Reasonable
- Forge links that give governments confidence in our abilities as oil spill response professionals, so that they can exercise Restraint in a national emergency, and ultimately:

- Preserve or Enhance our Reputation.

Leaving you with that thought, I would once again like to thank the Petroleum Association of Japan for inviting me here, and wish you fruitful deliberations over the next two days.