



AMERICAN PETROLEUM INSTITUTE



OFFSHORE OPERATORS COMMITTEE



America's Offshore Energy Industry



April 8, 2016

The Honorable Howard Shelanski  
Administrator  
Office of Information and Regulatory Affairs  
Office of Management and Budget  
725 17<sup>th</sup> Street, NW  
Washington, DC 20503

Re: BSEE Blowout Preventer Systems and Well Control Rule

Via email

Dear Administrator Shelanski:

The American Petroleum Institute (API), the International Association of Drilling Contractors (IADC), the Independent Petroleum Association of America (IPAA), the National Ocean Industries Association (NOIA), the Offshore Operators Committee (OOC), the Petroleum Equipment & Services Association (PESA), and the US Oil and Gas Association appreciate the opportunity on March 21, 2016, to meet with representatives from OIRA and other federal agencies regarding the proposed rule from the Bureau of Safety and Environmental Enforcement (BSEE) addressing offshore Blowout Preventer Systems and Well Control. We felt that the discussion was productive, and we hope that the government representatives in attendance found the information useful in their work to improve this important rule.

As we expressed at the meeting, we strongly believe that offshore operations must be conducted safely and that this rule must enhance the protection of human life and the environment. We continue to have significant concerns, however, that the rule as proposed may have unintended

negative consequences for safety and the environment, as well as for the nation's economy. Our foremost concern is that the proposed rule may decrease safety and increase risk. Fortunately, we believe that there is still an opportunity for the rule to be revised to improve offshore safety.

We ask that OIRA, as the central authority for the review of federal regulations, play a critical role in ensuring that these serious consequences are properly considered and addressed. In particular, we are concerned that a number of procedural requirements have not been met with respect to this rule, and we urge OIRA to ensure that these requirements are met.

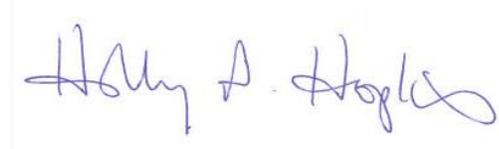
First, we are concerned about BSEE's decision to deviate from or not fully incorporate multiple API standards, including API Standard 53 and API Bulletin 92L without providing supporting justification. Comments show that deviations from API 53 would add complexity and stresses to equipment that could reduce its reliability; and deviations from API 65-2 would increase risks of compromised cement jobs and lost circulation. These API standards were developed through a rigorous voluntary consensus process that included participation by BSEE. Through the National Technology Transfer and Advancement Act, Congress has required that federal agencies use voluntary consensus standards like these and consult with consensus standards bodies about the use of those standards. Deviations from these standards are allowed in only limited situations, and, to the extent an agency deviates it must explain why in a report to the National Institute of Standards and Technology and OMB. In addition, OMB Circular A-119 requires that an agency explain in the Notice of Proposed Rulemaking why it chose not to use the voluntary consensus standard to provide stakeholders an opportunity to review and comment on the reasons given. BSEE has not satisfied these requirements. OMB should ensure that BSEE meets these requirements.

We also have significant concerns about BSEE's evaluation of potential alternatives to the rule. BSEE recognized that the rule is an "economically significant regulatory action" under Executive Order 12866. For such actions, Executive Order 12866 requires federal agencies to prepare an analysis "of potentially effective and reasonably feasible alternatives to the planned regulation . . . and an explanation why the planned regulatory action is preferable to the identified potential alternatives." The analysis of the alternatives presented in the preamble to the proposed rule is inappropriately limited and, accordingly, BSEE should be required to conduct a more robust alternatives analysis.

Finally, we also have significant concerns about BSEE's evaluation of the potential economic effects of the proposed rule. For economically significant regulatory actions, Executive Order 12866 also requires assessments of the costs and benefits of such action. BSEE's assessment, however, drastically understates the proposal's costs while overstating its benefits. While BSEE estimated the 10-year incremental cost of the rule at approximately \$883 million, an analysis by Quest Offshore and Blade Energy Partners estimates cumulative 10-year costs at approximately \$32 billion. BSEE also concluded that the rule is not a "significant energy action" under Executive Order 13211 and therefore did not prepare a statement regarding its adverse effects on the nation's energy supply. This conclusion appears to be incorrect considering the potential for this rule to severely restrict offshore development, one of the nation's most important sources of energy.

Ultimately, a regulatory action of this significance requires high scrutiny, and to that end we ask you to ensure that all required procedural requirements are met. We again ask that you ensure that this rule improves offshore safety while also promoting our energy and economic security.

Sincerely,



Holly Hopkins, API



Alan Spackman, IADC



Daniel Naatz, IPAA



Randall Luthi, NOIA



Evan Zimmerman, OOC



Leslie Beyer, PESA



Alby Modiano, US Oil and Gas Association

cc: Director Brian Salerno, Bureau of Safety and Environmental Enforcement