

Remarks  
International Oil and Ice Conference  
October 10, 2007

Good morning. I am Randall Luthi, Director of the Minerals Management Service. I am pleased to be speaking to you today about the importance of the Arctic to the world. As the regulatory agency providing oversight to the offshore oil and gas industry, we are pleased to be a sponsor of this conference, and we are looking forward to the presentations on how oil spill response has been managed in cold climates around the world.

I want to begin this discussion with a note about the importance of the Arctic to our nation's energy security. I have a few slides I'd like to share with you that demonstrate the expected increase in energy consumption and demand over the next decades:

**Show Slides Here**

Given these trends, it is imperative that domestic exploration and production continue, and this region has a significant role to play. We just held what turned out to be the second largest lease sale in history in the Central Gulf of Mexico – with more than two point nine billion dollars in high bids received. But, production from those leases alone will not match the expected growth in demand.

We all know that interest in the Arctic is intensifying worldwide. Reports indicate the region may hold up to 25 percent of the world's remaining oil and gas reserves. Additionally, Dr. Lawson Brigham will discuss at this evening's dinner the possibility of new shipping lanes opening, which can decrease the amount of time it takes to transport goods from one side of the world to the other.

The Arctic environment is both spectacular and harsh, and is also home to people whose cultures, livelihood, and subsistence depend on the continued good health of the region. That is why we at MMS believe strongly that it is essential that any consideration of energy exploration and development includes these factors. It's equally vital that the most thorough research be conducted to minimize the potential impact of such activities.

The Minerals Management Service has funded more than 300 million dollars in research in the Arctic.

In fact, we just initiated a project to identify methods to reduce lateral noise propagation from seismic exploration vessels that we expect to complete in December of next year. We are also studying the bowhead and Right whales, and have recently completed studies on the impact of offshore activities on coastal animal and human inhabitants.

Along the lines of mitigating environmental risk, one of our main goals is to prevent spills before they occur. Nationwide, that record has been excellent. For the nearly 100

wells drilled offshore Alaska, we have had no spills of crude oil and minimal amounts of oil products. As you know, drilling technology has improved immensely through the years enabling companies to operate in extreme conditions in a very safe manner.

In addition to our technical and environmental review of each proposed activity, the MMS maintains a strong inspection program. In the Arctic, MMS inspectors maintain a 24-7 presence during critical operations to provide on the spot review of any proposed activity to ensure it complies with MMS regulations. The MMS also requires that an operator maintain a well-trained workforce for their operations.

Regardless of our excellent record and reviews, we also need a robust capability to clean up spills in varying weather conditions. A critical component of our mission is to ensure that oil and gas operators have oil spill response plans and equipment as well as and the resources to respond to any discharge from their facilities -- as mandated by the Oil Pollution Act of 1990. Each operator must provide an oil spill response plan for varying conditions that identifies actions to be taken should a spill occur, equipment and personnel necessary to carry out the response, plans to predict and track oil movement given the environment, methods to protect sensitive environments, and personnel training and spill response drill planning.

The MMS, often in coordination with the Coast Guard, the State of Alaska, and other agencies, conducts announced – and unannounced – oil spill response drills to ensure operators can successfully execute their response plan provisions. MMS also has the responsibility of ensuring that operators have sufficient financial resources available to fund the response program.

And that again brings us to this conference. MMS is one of few agencies that conduct research to improve oil spill response in all environments where OCS operations occur. Under the Technology Assessment and Research Program, MMS funds research projects in areas such as oil behavior, mechanical containment, chemical treating, remote sensing and *in situ* burning. Some of the presentations provided over the next two days will present the results from MMS-funded research that involves ice in cold climates.

We are proud to be co-sponsors of this workshop and we greatly appreciate your participation in this important discussion.

A recent Time Magazine article, “Fight for the Top of the World,” detailed the anticipated geophysical and political effects of melting Arctic ice. The article raised many tough questions about ownership and the environmental implications of increased shipping, and importantly for us, increased energy exploration, but it made it very clear that countries around the world are not necessarily waiting for the answers before staking their claims.

So, as oil and gas exploration around the world continues to expand into the Arctic, we must work hard to answer those questions to ensure we protect the resources and the

environment for those who live there and for future generations. Gatherings like this will help us do that by establishing the goals and priorities for oil spill research and the development of new technologies. Working together, I know we can safely develop the resources of the Arctic.