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## Who Will Guarantee the Safety of Off-shore Oil and Gas Facilities?

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In 1979, following the accident at Three Mile Island a special commission appointed by President Jimmy Carter recommended that the nuclear power industry take responsibility for setting industry-wide safety standards and ensuring safe operations at all nuclear facilities in the United States. This led to the creation of the Institute for Nuclear Power Operations (INPO), a not-for-profit organization supported by the nuclear industry, but with an accountable board of directors. INPO conducts evaluations of all nuclear power plants every 18 - 24 months. Each evaluation generates a rating of 1 - 5. Any plant with 4 or 5 ratings has a relatively short time to make the necessary safety improvements, or it stands its liability insurance (without which it would have to shut down). INPO trains and accredits the managers of all licensed nuclear facilities in the United States. It undertakes independent evaluations of any "events" and makes sure that its findings are circulated quickly throughout the industry so that the same mistakes are not made again. INPO provides assistance to individual plant operators when they are not sure how to handle particular problems. An adverse INPO finding usually leads to a rapid turnover in corporate leadership. We need something similar, now, to guarantee the safety of off-shore oil and gas exploration and production.

The Nuclear Regulatory Commission oversees licensing. And a variety of other federal and state agencies still have regulatory oversight over various aspects of nuclear power plant operations, but the existence of INPO means three things: (1) the industry, rather than individual companies, are responsible for policing all facilities on a regular basis -- the leaders have an interest in bringing the laggards along; (2) industry operators have no excuses when they are out of compliance -- there is no way to blame regulators who don't understand their problems; and (3) the Boards of Directors of individual companies, when confronted by low INPO ratings, have no choice but to take action if they want to stay in business. While INPO does not publicize its ratings, it is almost impossible for the owners of individual facilities to keep these assessments secret. The top managers of several companies have been swept out in response to low INPO ratings. The system works. There hasn't been another accident since Three Mile Island.

While I might normally argue for a more diversified INPO Board of Directors (i.e. with university or appropriately qualified NGO members), the INPO Board seems to be getting the job done. The Board is made up of the most highly recognized business leaders. They have every incentive to make sure

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that we never have another off-shore accident again -- their individual reputations and their company reputations are on the line. An INPO-like system for Off-shore Oil and Gas would make sure that appropriated trained people were managing each site, tough safety and risk management standards reflecting best practices were in place, constant surveillance of all facilities was always underway, complete transparency at site was assured, and serious penalties were in place that the whole industry rather than individual operators were obliged to enforce. A new risk management system like this would not infringe on the role of regulatory agencies that must still take the lead in licensing. In my view, the existence of a parallel industry-wide oversight effort would make the regulators' job easier, not harder.

In the current BP disaster, it sounds like federal regulators felt they didn't have the expertise to second-guess the plant operator with regard to when and how to test the safety equipment. Or, in the worst case, the regulators were intimidated by industry leaders or subjected to back-door political pressure from the states that depend on oil and gas revenue. In either case, the creation of an INPO-like organization to oversee the safety of off-shore oil and gas facilities would eliminate the prospect of case-by-case manipulation of standards or delays caused by funding short-falls at the federal level or any kind of political pressure.

Whatever the costs are of setting appropriate safety standards, training (and re-training) all the facility operators, inspecting every facility on an annual basis, and undertaking independent analyses of all accidents or near-accidents, they would be borne by industry. Facility owners would have no choice but to pay attention to the INPO-like rankings they receive every year, and stockholders would demand that their Boards of Directors respond. It is important, of course, that share holders keep their Boards' feet to the fire. Perhaps we need national legislation to ensure that all licensed off-shore facilities have adequate liability insurance. Then, the insurance industry could be put on notice that they must cancel the policies of any facility that doesn't maintain a 4 or 5 rating, or does not raise a low rating quickly enough.

The risk management system in place for off-shore oil and gas facilities is more or less the same as it was when the Santa Barbara oil spill occurred decades ago. Let's not wait for another national commission to investigate the details. Let's create an INPO-type system to guarantee the safety of oil and gas exploration and operations right now.