

Spillcon 2019

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Session 1.4 – Theme - (prevention) Where are the risks?’

Duration about 20 minutes

Speech by:

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CHECK AGAINST DELIVERY

Cameron, thanks for the introduction.

It's a real pleasure to be here speaking at my first Spillcon Conference. ...

In fact, it is my first official address as APPEA Chief Executive and so it is encouraging to see so many APPEA members represented here today.

May I start by acknowledging the Traditional Owners of the land on which we meet today the Whadjuk (*pron: Wah-Juck*) people of the Noongar (*pron: Noong-R*) nation.

I recognise their continuing connection to country; and I pay my respects to their elders' past, present and emerging.

Introduction

Now the theme for this session is about prevention, with the key question being 'what are the risks?'

But before I tackle to the topic – which is enormous and complex, let me indulge you with some background, firstly about me and then risk management.

As some of you may have heard me explain this morning, I'm relatively new to the oil and gas sector.

I joined APPEA in April this year after returning to Australia from a couple of years in Europe and before that, almost a decade in Singapore.

I come from agriculture, where for the last 25 years I have been the quintessential BBQ conversation stopper – because I have been defending the not inconsequential issues GMOs and pesticides, conventional versus organics, multinational corporations versus local smallholder farmers and child labour versus farm labour in villages and farms around the world.

And believe it or not, while the subject of the issues and the framework of risk might be different, there's many parallels and synergies between oil and gas and agriculture.

And there's plenty of relevance in terms of risk. Because regardless of where one might work, managing risk is about understanding hazard, mitigating these and managing perception or public outrage.

In the 1980's, one of the world's leading thinkers on risk, Dr Peter Sandman, established the notion that risk is a function of hazard and outrage ... to reflect a growing body of research indicating that people assess risks according to metrics other than their technical seriousness: factors such as trust, control, voluntariness, dread, and familiarity (now widely called "the outrage factors") are as important as mortality or morbidity in what we mean by risk.

Combine this with my own notion that reputation is a function of performance and perception ... and they are all linked, in terms of what creates risk and in terms of how it is managed.

And risk in our industry and the industry from which I came cannot be removed ... but it can be managed.

I say this because I've spent a great deal of time dealing with those "oh sh_t moments" ... exploding chemical factories, seemingly carcinogenic compounds, GMO contaminated supply chains and the seed salesman who never returned home because he was killed on his moped in Karnataka while selling our products.

The principles are the same –

It is about understanding at every level the importance of safety, risk mitigation and the paramount objectives of ensuring every worker goes home safely at the end of the day and that companies can protect their reputation and in so doing preserve their economic, environmental and social license to operate.

So, if you will permit me, based on my experience and overlaying that with a crash course in the oil and gas industry over recent months, I will touch on some of the key issues and recent trends around risk, safety and prevention today.

I will also reflect on some personal experiences to highlight how risk and reputation management, along with strong engagement and clear communication, can significantly reduce risks and create opportunity.

Risk vs opportunity

From an operational point of view, the oil and gas industry's risk profiles are relatively well-known.

We have operationalised risk mitigation to a point where systems-based control measures are ingrained into our core business on a daily basis.

But what other risks and threats are out there, and which are central to the future success of our industry? Especially in terms of our reputation, which I will come to.

As an industry, can we reframe the question of risk to instead consider what and where are the opportunities?

And how can APPEA help?

APPEA's perspective

As many of you know, APPEA is the peak national body representing Australia's upstream oil and gas exploration and production industry.

We have a dynamic membership with more than 60 full member companies; and over 140 associate members.

Our membership represents 98 per cent of Australia's oil and gas production.

We aim to secure the regulatory and commercial conditions to help our members operate safely, sustainably and profitably.

Our vision is to achieve a growing internationally competitive Australian oil and gas industry – one which makes a vital and sustained contribution to the nation's economy.

To do this, we engage with governments, policy makers, regulators and the community to do all we can to maintain access to the nation's oil and gas resources.

Without question, Australia's oil and gas industry has a strong commitment to high environmental standards and minimising environmental impacts.

While it's impossible to eliminate all risks. It's incumbent on industry to focus on low likelihood; high consequence for major accident events.

That's why all APPEA's member companies aspire to:

- identify risks and implement strategies for reducing environmental impacts

- collaborate with each other by sharing information and by developing and implementing environmental research and management programs; and
- inform the community and regulators about what the industry is doing to understand, minimise and manage environmental risks.

Our environmental performance is a key factor in how the oil and gas industry is judged and what its capacity for future growth will be.

We work with stakeholders to raise their understanding and confidence in the oil and gas industry, by engaging, sharing information and hosting industry events.

We seek to provide foresight and insight on the issues that will shape our collective future.

It is a critical point because it goes to the heart of our industry in terms of social responsibility, accountability and risk management.

And having come from Europe and developing Asia – both hotbeds of social development, environmental activism and global focus, I can tell you that achieving economic license to operate is no longer sufficient.

We must also achieve environmental and social LTO and to do this we must be world class at managing all types of risk, not just the ones that can be managed through engineering ingenuity.

Industry value and contribution

Of course, coming from agriculture, which is a lifeblood industry, I am delighted to now represent another essential sector – oil and gas.

This industry's operations underpin the nation's economic growth, jobs, energy security, exports and high living standards.

The value of Australia's resources and energy exports is forecast to increase to a record \$278 billion in 2018-19 largely due, to growing LNG exports.

In 2018-19, Australia's LNG export earnings are forecast to reach \$50 billion, an \$18 billion increase over the previous year – and the largest increase of any commodity.

And while there are many onshore sites across the country producing energy for domestic and international markets, most of Australia's oil and gas production comes from offshore fields, especially here in WA.

So, the nation's economic growth, prosperity and energy supply largely depend on the continuing development of offshore oil and gas projects.

And as part of that future it is crucial that we also promote the understanding that LNG exports also have regional and global environmental benefits.

According to government estimates, Australian LNG exports are reducing emissions by at least 130 million tonnes in customer nations – the equivalent to almost a quarter of Australia's annual emissions.

Oil spill response (non-industry specific)

Now I am certainly not an expert on oil spill management, but I do understand that oil spill response requires significant amounts of information to allow decision-makers and responders to do the best job possible.

Tragic experiences, both here and internationally, have raised the public's expectation that responders can, and will, clean up spills successfully and quickly.

So, let's reflect on Australia's history in this area.

The data shows incidents are exceptionally rare in Australia – only seven well blowouts over 50 years, with just one in the last 30 years.

Between 1965 and 1971, there were five offshore well blowouts in Australian waters – almost one a year.

But 13 years passed before another offshore blowout – at the Flounder field in 1984.

Another 25 years passed without incident before the Montara blowout in August 2009.

During those 25 years, about one and a half thousand wells were drilled in Australia.

So, putting this into context, major incidents are becoming rarer, which is reassuring.

But, every day, we live with the possibility that an unexpected accident could occur.

So, we cannot afford to be complacent because complacency, lack of diligence and lack of process can cripple you.

When I joined my previous employer in 2008, we were being fined \$1 million a week as a result of an unauthorised GM variety or event as it is called, entering the supply chain in Japan. It took almost two years of intense lobbying, the redesign of our supply chain and product commercialisation processes and me individually meeting with more than 150 Japanese MPs to have these fines lifted.

And as a result of commercialising a variety of GM corn in the United States and having it turn up in China before being approved there, my previous employer was credited with the resultant complete ban on US exports of corn to China, the global corn price dropping by several dollars a bushel and the company ultimately settling with several thousand plaintiffs in the US for a then industry record of \$1.51 billion.

Being intimately involved at the China end in managing this meant I had not a bad day, but several bad years ...

It is therefore reassuring that I see our industry is much better than this. Australia has in place a comprehensive regulatory regime for the offshore petroleum industry to support efficient and effective environmental management and oil spill response.

Now, historically, the management of Australian maritime environmental emergencies, more specifically marine oil spill response, has been met through the National Plan administered by the Australian Maritime Safety Authority.

The National Plan for Maritime Environmental Emergencies is one of the ways Australia meets its international obligations to protect and preserve our marine environment.

It is also supplemented by arrangements such as the Global Response Network which is made up of Australian and international Oil Spill Response Organisations.

And in the unlikely event of an oil or gas incident in Australia, access to international resources is coordinated by petroleum titleholders and Australian Marine Oil Spill Centre.

And where there is a maritime environmental emergency, the Maritime Safety Authority through the Marine Oil Spill Centre, coordinates international resources on behalf of the State and Territory jurisdictions.

This framework should give us great confidence.

Offshore petroleum regulation

Now of course, the Montara and Macondo offshore petroleum incidents – which captured international headlines – highlight the need for the international offshore petroleum industry to create the capability for timely and effective responses to uncontrolled petroleum releases.

Prior to the Montara well-head incident in 2009, petroleum operators demonstrated capacity and preparedness for a marine pollution event through the development of Oil Spill Contingency Plans, approved by the relevant regulatory agency.

But in a positive development following these large-scale and very visible incidents, NOPSEMA – the National Offshore Petroleum Safety and Environmental Management Authority – was established in 2012 as the regulator for the offshore petroleum industry.

Creating NOPSEMA as THE independent statutory agency, equipped with adequate powers and given the responsibility to ‘cover the field’, has been a vital reform for this industry.

Collaboration and engagement

I have already touched on the importance of collaboration and engagement.

For APPEA and its members, NOPSEMA is one of our most important stakeholders.

As an industry, we are acutely aware of the need to demonstrate our good environmental and safety performance – and this must be done in close collaboration with NOPSEMA.

We understand community support for the oil and gas industry relies on public confidence in operating standards and the manner in which the industry is regulated.

So, it is very positive that since 2017, NOPSEMA has worked towards increasing community confidence in the offshore petroleum regulatory regime, through stakeholder consultation and transparency initiatives. We have welcomed this move.

In April this year, we also welcomed the development of new regulations to facilitate improved transparency of environment plans. The amendments involve the publication of all environment plans and introduce a thirty-day public comment period for seismic surveys and exploratory drilling.

Put simply, the oil and gas industry are and indeed must be, 100 per cent committed to listening and responding to the community’s questions and concerns.

We should not be and are not against strong regulation in our industry. Good regulation is vital to reducing risk and increasing community acceptance. What we are against is uncertainty and unpredictable sovereign risk.

So, it is important to acknowledge that the industry has also supported regulatory changes and has acted to lift industry-wide standards.

We have focused on our capacity and driven collaborative efforts to respond to an incident.

And Australian and international experts have examined all stages of Australia's oil spill preparedness and response.

Since the Montara and Macondo incidents, the industry funded Australian Marine Oil Spill Centre has reviewed its preparedness and response equipment and strategies.

The Centre has significantly increased its capacity to deal with an offshore spill – both in terms of staffing and equipment.

And APPEA and the Centre have worked with the international oil and gas industry to ensure Australia has access to the world's best well incident prevention and response capability.

And we will continue to work with all our primary stakeholders and the wider community to build understanding of the benefits and impacts of offshore petroleum activities for all Australians.

It is imperative to recognise the important responsibility we all have to develop the nation's resources safely, responsibly and sustainably.

In Australia, the term 'social license' is often invoked in debates about onshore gas developments – usually by activists who claim that industry has lost that license.

We also understand that similar 'social license' concerns exist for the offshore petroleum industry.

I know too well that if one's responsibilities for achieving social license and community acceptance are taken lightly, they can have serious consequences and flow-on effects to how we operate.

Under my recent leadership, APPEA has already ramped up its activities to correct activists' misinformation to enhance the public, government and community's understanding of the industry.

And if you have not already done so, I urge you to take a look at the APPEA sponsored website, Energy Information Australia which is designed to address this challenge head on.

Being visible, taking on the activists, addressing misinformation and having the debate is a critical step forward for the sector.

Having an opportunity to speak up, clearly and confidently about the robustness of our regulatory frameworks and the industry's collaborative efforts for oil spill preparedness and response is fundamental for our future.

By no means should we shy away from broadening the conversation and expanding our engagement with stakeholders, including from non-traditional areas.

Great Australian Bight

So, before I close it would be a little disingenuous if I did not mention the proposal for drilling in the Great Australian Bight which has turned the lens squarely onto our industry and its ability to manage a major incident.

We've seen activists on surfboards, boats and on beaches more than 1000 kilometres away from the Bight seeking its protection, with much of the debate driven by emotive arguments and claims.

But make no mistake, for these groups and the many that might be influenced by them, these arguments are real, substantive and a genuine threat to how we operate unless we can manage the risk and address the perception.

Put simply, there is a real risk that the Great Australian Bight becomes in ENGO terms the next polar bear.

ENGOS are constantly looking for that next 'polar bear' – their modus operandi is to focus on issues that are complex and not well understood by the average person, that lend themselves to iconic imagery, that have an international or world flavour and that can be expressed emotionally against a rational argument.

There is absolutely no coincidence in the Bight being identified as an issue for the ENGOS to coalesce around.

Importantly also, outside of the industry there will be few if any people that make the distinction between onshore and offshore – and so this is a whole of industry issue and it will potentially affect all of us in terms of how we are perceived and possibly regulated in the future.

But we must avoid getting frustrated or angry at these views and groups or decrying that they just don't understand.

Quite simply, they do not need to, and *their* perception *is our* reality.

And when that perception is in here (heart) it can be difficult to shift with facts and figures; we must do more show and tell. We need to accept the risk, consistently tell the story to a wide audience, manage the risk and be prepared to have the conversation ... time and time again.

Conclusion

Such issues, like so much in risk management, underscore the importance of collaboration, engagement and effective communication to reduce risks for our industry.

It's encouraging that we continue to see unprecedented collaboration across all parts of our sector to lift industry performance, accountability and standards.

So, while we can never entirely eliminate the risk of an incident we can, and are, successfully making this risk more and more remote.

It is this collective effort and commitment for which we, as the industry's peak body, are both most committed to ... and thankful for.

Thank you.