

IADC government affairs work aids trade, access

THE GLOBAL PRESENCE of IADC members, coupled with IADC's philosophy of free trade, gives the Association a position of leadership on international issues that is unique among energy industry associations.

For example, IADC has taken an active role in efforts to promote negotiation of energy services in the **World Trade Organization's** services negotiations.

Important IADC government affairs efforts and successes during the past year include:

- Continued support of free trade agreements, including those with Australia, Chile and Viet Nam;
- Leadership in ending anti-dumping duties on drill pipe from Argentina and Mexico, increasing the ability of manufacturers to meet heavy demand;
- A key role in forging an agreement on the terms under which the Working Time Directive in the European Union will be extended to "Other Work At Sea" and the other "excluded sectors" that represents a substantial victory for the Association's Work Time Work Group. The effort achieved a 12-month reference period allowing maximum flexibility and the equivalent of existing offshore work time arrangements. IADC is now involved as the EU member states implement the measure;
- Comments offered on behalf of IADC and the Domestic Petroleum Council at a **US Environmental Protection Agency** hearing outlined concerns about the goal, complexity and regulatory responsibility involved in a proposed EPA study of the environmental risks of hydraulic fracturing;
- Leadership on international tax matters in Indonesia and Kazakhstan;
- An appeals court ruling that the value of airline tickets furnished to move personnel on a rotating basis is not subject to withholding for US income tax purposes, a favorable decision for many offshore and onshore rig workers.

The profile of IADC members in offshore oil and gas matters was further raised by the recent appointment of **Paul L**

Kelly, IADC Government Affairs Committee Chairman, and **Larry Dickerson**, IADC Secretary-Treasurer to the **US Commission on Ocean Policy**, established by the Oceans Act of 2000.

Mr Kelly is Senior Vice President, **Rowan Companies Inc**; Mr Dickerson is President and COO, **Diamond Offshore Drilling Inc**.

They will be the sole representatives of

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the offshore energy industry on the Commission, which includes fishing, scientific and environmental representatives, among others.

ENERGY SERVICES

Eliminating barriers to trade and the movement of goods is critical to the long-term success of IADC members. It is a goal that IADC members and staff have long worked diligently to reach.

IADC's high profile on trade issues allows it to lead important efforts and achieve significant results.

Efforts to end federal anti-dumping laws on drill pipe as strong drilling activity strained supplies paid off with a substantial victory for IADC members.

The **International Trade Commission** voted in June to terminate the 5-year old anti-dumping duties levied against drill pipe from Argentina and Mexico.

Although duties remain on Japanese

pipe and other oil country tubular goods, two countries are now free to add capacity and competition for the US drilling market.

IADC demonstrated its commitment to trade issues in 1999 when it became a founding member of the Energy Services Coalition. **Brian T Petty**, IADC Senior Vice President-Government Affairs, currently serves as Coalition co-chairman.

Several issues face US service industries involved in shaping the US negotiating agenda.

IADC's position, said Mr Petty, is that "the energy services sector has developed to the point where it can benefit most—and deliver the greatest benefits in return—from a system of global commitments that ensure the broadest possible market access and a pro-competitive regulatory environment."

IADC seeks a level playing field for energy services. Through members in the US, India, Denmark, France, and Germany and through the North Africa and Southern Arabian Peninsula Chapters, IADC is developing a common, multinational position for the oilfield services industry.

Mr Petty recently made presentations urging the liberalization of trade in energy services to representatives of the **Russian Ministry of Economics and Trade**; the Vice Premier of Kazakhstan; the WTO meeting on trade in services in Geneva; **US Department of Commerce**; and **US Trade Representative**.

Presentations were also made to other government and business groups.

IADC leadership in improving energy services trade among the 140 members of the WTO is an example of the Association's sophistication in helping facilitate rig and oilfield service equipment and personnel moves, as well as requiring open and transparent regimes for contract bidding.

IADC also maintained its active role in the Consumer Industry Trade Action Coalition (CITAC), which last year supported efforts to give US consuming industries a greater voice in trade cases that seek to limit imports.

ERGO RULE STILL POSSIBLE

Legislation repealing the ergonomics standard published by the **US Occupational Safety and Health Administration** in November 2000 was signed 20 March, 2001 by President **Bush**.

“Repeal was a significant victory for drilling contractors,” said Mr Petty. IADC vigorously opposed the bill because it would have been a heavy burden for drilling contractors, but provide little safety and health benefit.

William P Hedrick, Rowan Companies Inc and Chairman, IADC Ergonomics Subcommittee, was instrumental in crafting IADC’s response to the proposed regulations and testified effectively before OSHA.

“The ramifications of (OSHA’s) ergonomics rule ... will be dramatic, costly and burdensome to the oil and gas service sector and offer little, if any benefit to the work force,” wrote Mr Hedrick and **Al Hicks**, Chairman of the AESC Ergonomics Committee in the 23 February edition of the Houston Business Journal.

Though the onerous ergonomics rule was repealed, the issue still requires attention.

Inspectors can cite companies under the General Duty Clause, Section 5(a)(1) of the Occupational Safety and Health Act. And there is still interest in Congress in devising some sort of rule “relating to ergonomics.”

At a **US Department of Labor** forum in July, Labor Secretary **Elaine Chao** said she plans to move “expeditiously on ergonomics.” The Department has already met with 45 stakeholder groups, including IADC, to get their views.

The Department plans to consider a number of ways to deal with ergonomics, including “one-size-fits-all” and more focused approaches.

Industry representatives at the forum expressed concern about the difficulty of defining an “ergonomics injury” and determining its “work relatedness.”

Also on the horizon are changes in OSHA reporting and record keeping rules. The changes, issued early in 2001 to reflect the new ergonomics rule, were due to become effective 1 Jan 2002. Now that the ergonomics rule has been

repealed, the fate of the changes is uncertain.

If they are allowed to stand, IADC will help members prepare to comply with the new rules.

ACCESS ISSUES

A key goal of the Bush Administration energy plan was to increase access to US resources. The plan recommended a review of the petroleum potential of all federal lands, as well as exploration on the Arctic National Wildlife Refuge (ANWR).

In early August, the US House of Representatives approved a bill that included many of the elements of the President’s plan, including ANWR development. An amendment was added to the bill that limits the area used for oil and gas operations on ANWR to 2,000 acres.

The bill, especially its provisions for increased access to federal lands and for exploration on ANWR, was expected to face strong opposition in the US Senate when Congress resumed in September.

Much of the US offshore action—both operationally and politically—is still centered in the Gulf of Mexico. Special effort was put forth by IADC members to encourage access to US offshore resources to help meet growing oil and gas demand.

IADC Vice Chairman **C Stedman Garber Jr, Santa Fe International Corp**, took a lead role in urging the federal government to proceed with Outer Continental Shelf Lease Sale 181 in the Eastern Gulf of Mexico.

Mr Garber discussed the sale during a meeting on energy policy with US Vice President **Dick Cheney**, discussed policy at the cabinet level, and addressed a press conference at the Offshore Technology Conference in Houston, calling the sale vital to meeting US energy demand.

Paul L Kelly, Rowan Companies Inc, IADC Government Affairs Committee Chairman, testified at hearings in Florida, emphasizing the ability of today’s vessel and drilling technology to protect the environment in the sale area.

The proposed sale brought expected opposition, including that of Florida Gov **Jeb Bush**, the President’s brother.

In the end, the **US Minerals Management Service** scaled back the size of the acreage offered from the proposed 5.9 million acres to 1.5 million acres.

While the final result was disappointing for industry, IADC’s work, along with the efforts of other organizations, helped retain a vital area for development.

The sale, scheduled for 5 Dec, will offer new drilling territory that the **US Department of Interior** estimates contains 1.25 tcf of natural gas and 185 million bbl of oil.

Also in the Gulf of Mexico, the US-Mexico Continental Shelf Boundary Treaty became effective, promising more opportunity to develop oil and gas resources. Enactment of the Treaty was a long-standing IADC goal.

“This will provide opportunity for more deepwater exploration, which is now a key driver of Gulf of Mexico activity,” said Mr Petty.

Under the Maritime Boundary Treaty ratified by the US in 1997, two areas—gaps—beyond the 200-mile exclusive economic zones were unresolved. Negotiations began to establish the maritime boundary within this Western Gap, a 5,092 square nautical mile area more than 200 miles from either country’s border.

The Western Gap Treaty will add about 1.6 million acres to US jurisdiction. In a buffer zone 1.4 miles wide on each side of the boundary, there will be a 10-year moratorium on commercial oil and gas exploitation. Exploration to gather information will be permitted.

A step forward on land access was made when the Bush Administration repealed the “road ban” rules that restricted exploration on an area the **US Department of Energy** said could hold 11 tcf of natural gas.

Reflecting suggestions by The Public Lands Cooperating Associations Forum, founded by IADC and other trade groups, the **US Bureau of Land Management** recommended changes in proposed Onshore Oil and Gas regulations that will expedite applications for permits to drill. BLM agreed to reference API measurement standards, a move recommended by industry.

The changes promise to “clear the brush” for drilling permits. ■