

# IADC government affairs keeps eye on initiatives

**FOLLOWING AN IMPRESSIVE** victory at the US International Trade Commission (ITC) last year, IADC members faced renewed threats to drill pipe supplies.

The first challenge was President Bush's instigation of a "Section 201" action late last year to determine if any rise in steel imports resulted in consequent serious damage to the domestic steel industry. This action was aimed at placating politicians from steel making states. It could have slashed imports of oil country tubular goods (OCTG) to the US, including drill pipe.



Brian T Petty

IADC, along with the dominant US drill pipe fabricator, Grant Prideco, made common cause to argue for an exclusion for drill pipe components from the 201 investigation.

IADC and Grant Prideco executives testified jointly before the ITC that any restrictions on the quality and supply of drill pipe or its components – principally "green tube" and tool joints – used by the US contract drilling industry would be inconsistent with the President's own national energy policy.

The executives also testified that in many cases drill pipe components are not economically or efficiently produced domestically.

The ITC ruled in favor of IADC and Grant Prideco's position insofar as green tube was concerned. However, the essential tool joints weren't categorically excluded because they are considered part of another group of steel products as determined by the US Department of Commerce.

IADC and Grant Prideco continued to press their case at the Department of Commerce and the USTR. Victory was achieved here as well with the President announcing that tool joints should be excluded from any import restrictions.

Immediately after losing this battle, a majority of US manufacturers of casing, tubulars, line pipe and drill pipe launched an "anti-dumping" case arguing that imported OCTG, including drill pipe, was being unfairly subsidized. (Drill pipe represents just 1% of the total category.)

While Grant Prideco in the past had been a party to similar "anti-dumping" cases, this time around the company declined to join the case, and actively opposed it along with IADC. This stunning reversal certainly hurt the case, and the ITC ultimately rejected it altogether.

These actions and involvement by IADC made an enormous difference, especially to land contractors who usually do not source drill pipe from abroad. The effort helped alleviate drill pipe shortages and delivery delays, as well as minimize costs and move international markets toward a more level playing field.

## OCEAN POLICY

President Bush appointed members to the Commission on Ocean Policy created by Congress in the Oceans Act of 2000. The recommendations to the President that the Commission is charged with developing will likely govern the US OCS for the next 20 years.

Only two oil industry representatives serve on the panel, and IADC was pleased that both are drilling contractors: Larry Dickerson, President & COO of **Diamond Offshore Drilling Inc.**, and **Paul Kelly** of **Rowan Companies**. The Commission held its first meeting in late 2001 and has continued regional around the country meetings on a monthly basis.

The key oilpatch hearing took place in New Orleans in March where Commission members heard **Transocean** Chairman and CEO **Mike Talbert** lay out the arguments for expanding access to offshore hydrocarbon resources. He took particular aim at the application of the federal Coastal Zone Management Act, which has come to be used as a means of thwarting offshore development, although its original purpose was to provide for balanced, multiple use approaches to offshore resources. The Commission

will hold its final meeting in Washington, D.C. at the end of the year and it will then prepare recommendations to the President and Congress for changes in regulatory policies. The recommendations could include legislation to improve the management of US offshore resources, including oil and gas.

IADC was very disappointed in President Bush's decision to deny production permits for the Destin Dome area offshore Florida's panhandle, especially as the work of the Commission has not concluded.

The dilemma the Commission faces in making reasoned recommendations to Congress and the Administration is that raw politics intrude on the sound science considerations that should drive policy on offshore E&P.

In the Destin Dome case, the President forfeited a substantial natural gas reservoir in an attempt to shore up his brother Jeb's reelection campaign as Florida's Governor.

Nevertheless, the drilling contractors on the Commission have done a superb job of drawing out evidence of the offshore oil and gas industry's superlative environmental and safety records. It's hoped that the basis for the Commission's recommendations will drive better decisions than exhibited in regard to Florida's offshore resources.

## OPEN MARKETS

The pursuit of free trade and open markets has long been a cornerstone of IADC philosophy. IADC President **Dr Lee Hunt** and IADC Senior Vice President Brian Petty met in Houston with the Indian Minister of Petroleum & Natural Gas to press the case for India's support of energy services liberalization before the World Trade Organization (WTO). India is a leader in the developing world, and its active endorsement could persuade a host of other countries to adopt the same view.

Mr Petty co-chairs the Energy Services Coalition comprised of 60 organizations supporting liberalizing trade in energy services among the 144 members of the WTO. The coalition includes major international operators BP, ChevronTexaco, Conoco, ExxonMobil and Marathon

Oil. Formed in mid-1999, the governments of the US, EU, Canada, Japan, Chile, Norway, Venezuela and Cuba have since endorsed its goals.

If negotiations at the WTO in Geneva are successful, drilling contractors will find it much easier to mobilize their equipment and personnel around the world, and enjoy more transparency and above-board procurement practices. Also, impediments in the administration of customs regimes are also likely to be removed, with more certainty and less caprice involved in the levying of duties by local customs officials.

The US government formally offered its proposals for liberalizing energy services this past summer. As reported in the *London Financial Times*, the US position is that "for the first time (the US) wants to see other countries open their markets to foreign energy trading companies, transmission service providers, and oil and gas drillers. All facets of the energy markets, except generation plants and the ownership of energy resources, should be open to competition."

## **WORKING TIME DIRECTIVE**

Since the issue first developed in the early 1990s, IADC has taken a leadership role in the implementation of the European Union's (EU) Working Time Directive as it applies to both offshore and onshore oil and gas activities.

IADC achieved early success in preserving routine operations for onshore oil and gas activities, but the offshore sector was excluded pending further study. At the end of a very long process, the EU issued its directive for the offshore workplace and mandated that it be implemented in member states by late 2003.

IADC has been particularly active in guiding the process in the UK, which represents approximately 80% of North Sea oil and gas production. The UK model could affect the laws in other coastal EU states.

Working closely with the North Sea Chapter, Mr Petty has been lobbying the UK government to produce legislation that affords the offshore industry as much flexibility as it now enjoys. The UK Government directed that a joint industry-labor workgroup meet over the

course of several months to arrive, if possible, at a consensus view on a number of issues presented by the Working Time Directive.

IADC was an active participant in that process and the net recommendation from both sides produced agreement on some issues but not on the question of the reference period and annual leave items.

The offshore industry is arguing for the standard 52-week reference period while the trade unions are seeking a 26-week reference period. Moreover, the unions are arguing for an additional four weeks annual leave. These issues will ultimately be settled by the UK Department of Trade and Industry, which must make recommendations for legislation in Parliament by early 2003.

IADC will remain closely engaged in that process before and during the time for public comment on the Government's proposal.

Similarly, IADC is working with the Danish Shipowners' Association and IADC member companies in Denmark to achieve a compatible result in that country.

## **US SECURITY**

Immediately after the September 11, 2001, attacks on the Pentagon and World Trade Center, the oil and gas industry was called upon by the Department of Energy to develop plans for "hardening" security for the nation's oil and gas energy infrastructure. IADC is intimately involved in the homeland security effort and committed to ensuring that our members' assets and employees receive the protection they deserve.

At the same time, however, IADC will work to ensure that federal initiatives safeguarding "homeland security" don't unduly restrict the operations and movement of drilling rigs, and that federal authorities understand critical distinctions between exploration and production facilities.

IADC serves on the new Gulf Safety Committee, formed to assist the Commander, 8th Coast Guard District by regularly convening all Gulf of Mexico stakeholders to focus on maritime security issues. The US Coast Guard expects

to be charged with developing regulations to ensure that offshore installations are adequately protected from threats posed by terrorist organizations.

The Minerals Management Service and the Coast Guard will be working closely together to assess the vulnerabilities and risks involved in protecting offshore oil and gas assets. IADC is actively engaged with both agencies to provide information and to achieve federally mandated regulations that address President Bush's goals in providing homeland security while preserving operational flexibility in drilling operations.

IADC was also brought into the American Petroleum Institute's Security Task Force. The task force focused initially on cyber networks' vulnerability. It quickly expanded into physical assets such as offshore installations. The group has held frequent meetings and conference calls with the Federal Bureau of Investigation to share information about potential threats. The task force also made recommendations for anti-terrorism legislation affecting oil and gas facilities.

IADC pointed out several enhancements to a proposed Department of Transportation rulemaking on shipment of hazardous materials. IADC observed that requiring vehicles to carry a copy of their registration certificate, as DOT proposes, is not an effective security tool.

Certificates are issued with minimal background checks and are easily forged. IADC suggested that only originals be carried and that certificates be designed to defeat counterfeiting or alteration. IADC also explained that a proposal to supply an originating street address for shipments is impractical for mobile drilling rigs, especially offshore units.

IADC further commented on risk assessment, tiered planning, threat reporting and other issues.

IADC actively participated in developing API's "Security Guidelines for Oil and Natural Gas Production Operations", published in March. ■