

## **SPILLCON 2004**

### **OPENING ADDRESS BY GERRY HUESTON, President BP Australia Ltd on behalf of the Australian Institute of Petroleum**

It gives me great pleasure to add my welcome to you all today. The Australian Institute of Petroleum, through its subsidiary the Australian Marine Oil Spill Centre AMOSC, is proud to be a co-sponsor of Spillcon 2004, together with the Australian Maritime Safety Authority AMSA.

The theme for the conference is Partnerships in Practice. The oil industry has long recognised the benefits that a partnership approach between Government and industry can bring to delivering the best possible environmental outcomes in any area of our business.

Environment protection is a top priority for the industry. Spills or leaks of crude oil and petroleum products pose a serious risk to the environment. We only have to look at the effects of the pollution caused by the sinking of the crude carrier Prestige to the beaches and fishing grounds of Spain and France to understand this.

However, the reality of this risk must be balanced against the benefits of using oil. Oil is one of the key drivers of the Australian economy.

The production of oil and gas in Australia is valued at over \$15 billion per year, and delivers over 2 per cent of GDP. Oil products fuel the transport sector, an essential component of the economy given the geographically dispersed nature of our economy. Transport accounts for 41 per cent of final energy consumption, and the demand for transport energy is forecast to grow at about 2.4 per cent a year. Petroleum products also underpin Australia's substantial mining and farming industries.

The recent Federal Government Energy Statement '*Securing Australia's Energy Future*' made it clear that the transport sector will continue its heavy reliance on petroleum fuels into the future. The Statement emphasised the importance of ensuring a framework that delivers reliable supplies of competitively priced petroleum products, in a way that meets broader environmental and social objectives.

Consequently exploration for and production of crude oil must continue, and we must expect that movements of crude oil and petroleum products will grow. Exports of crude oil will continue. Crude oil will continue to be transported around the coast to the refineries in Western Australia and the eastern States.

In addition, refineries will continue to import substantial amounts of feedstock to optimize their production slates. Imports and sea distribution of petroleum products will increase. AIP expects imports of petroleum products to increase significantly in the years to 2010.

Any production or transport of crude oil and petroleum products carries with it a risk of unplanned discharge to the environment. This risk is well recognized in all our operations.

The Australian oil industry is committed to safe and environmentally sound practice in its operations. The industry has programs in place to minimise the risk of environmental harm - whether this is by spill, leakage, discharge or emission - in all areas of its operations.

These measures fall into two broad categories. Firstly, we continue to establish and upgrade programs and standards that aim to prevent or minimise the risk of spills, leakages etc. However, we also recognise there will always be a residual risk of a leakage or spill. We therefore must have programs and capacity to respond to incidents and to clean up contamination.

We also recognize that it is not just the operational risk that needs to be managed. We now have the added risks that terrorists might target oil installations – production facilities, tankers, refineries, terminals or depots. An attack on any one of these could lead to major spills or discharges. While I will not address security issues directly today, I will say that the industry and individual companies are working closely with governments on measures to reduce the risk.

There are two aspects of risk management that I wish to briefly highlight today.

### **Managing the Risks of Spills at the Production Stage**

Over 90 per cent of the Australian production of crude oil comes from off-shore production.

The companies involved in offshore exploration and production facilities take a rigorous approach to minimise the risk of oil spills. Every offshore petroleum production activity has an Oil Spill Contingency Plan, which is regularly updated and submitted to Government for approval. The plans have to demonstrate that the operations have the resources, management structure and skills for the prevention, containment and clean up of oil spills.

The plans are integrated into National, State, local and other industry contingency plans.

Companies' oil spill response capabilities are maintained by regular AMOSC training, simulation and real-time exercises, review and updating.

While there is no legislative requirement to produce similar plans for on-shore operations, it is common practice to do so.

The upstream petroleum industry encourages, throughout its entire workforce, a culture of reporting of any incident that has health, safety, or environmental implications. Incidents are investigated, and the findings shared through the industry to prevent the occurrence of similar incidents, and to further improve the industry's performance.

## **Managing the Risks of Spills during Transport by Sea**

The industry recognises that all movements of crude oil and petroleum products must be done in an environmentally sound manner that minimizes the risk of spills that could contaminate marine and inland waters, groundwater and soil.

For movements by tanker, this means that:

- the vessels must be sound;
- the crews must operate them safely and efficiently;
- loading and discharge procedures must be safe; and
- security measures must be in place.

Individual companies have the responsibility of ensuring that the vessels they use to transport crude oil and petroleum products are sound and properly crewed and operated.

AIP shares AMSA's concerns regarding the potential additional risks imposed by sub-standard vessels. AIP believes that single hull oil tankers, properly managed and in sound condition, do not of themselves create undue risk. Such vessels have operated safely in Australian waters for many years. However, it is likely that the more rigorous inspection programs established in Europe in response to the sinking of the Prestige could force the older single-hulled tankers out of the European trade.

The Asia-Pacific market offers an attractive alternative market for these vessels. We should note, too, that the expected increase in imports of petroleum products into Australia will lead to new parties being involved in shipping into Australia.

We fully support the AMSA initiative to upgrade its inspection regime for all single-hull oil tankers visiting Australian ports.

With regard to loading and discharge, AIP and its member companies have a long-established industry accreditation program for shore officers, the AIP Ship-Shore Accreditation Program. This program incorporates the development of standards and industry operating procedures outlined in an AIP Code of Practice, a training program for individual company shore officers leading to accreditation as an industry shore-officer, and supporting documentation. The aim is to ensure the availability of experienced skilled shore officers to oversee loading and unloading of crude oil and petroleum products at all Australian ports.

## **Oil Spill Response**

The Australian oil industry's risk management strategies have been paying real dividends. We have very few oil spill incidents despite the growing movement of oil and products around the Australian coast.

In spite of this achievement we recognise there is and will always be the risk of a marine spill occurring. Many of you will be aware that the industry established the Australian Marine Oil Spill Centre in 1991 for this reason, and we continue to refine and upgrade its response capability.

AMOSC is financed by ten participating AIP member companies. Together, these companies account for the vast majority of oil and gas production, offshore pipeline, terminal operations and tanker movements around the Australian coast.

AMOSC acts both as a source of supply of equipment to respond to a spill, and as a source of trained manpower and expertise.

AMOSC manages a major equipment stockpile, located in Geelong, and able to respond 24 hours a day to a spill anywhere around the Australian coast. In addition, response equipment owned by individual member companies can also be accessed through AMOSC, under a voluntary mutual aid arrangement.

Most importantly, the AMOSC operations are fully integrated into the *National Plan to Combat Pollution of the Sea by Oil*. The National plan is managed by AMSA for the Federal, State and Northern Territory governments and the oil and shipping industries.

### **Concluding Remarks**

This brings me back to the importance of a partnership approach to oil spill prevention and response. We believe that Australia has the best marine oil spill prevention and response capability that could be realistically achieved.

Industry has played a major part in establishing a system that provides the best chance of preventing a spill, and in the event of a spill, of minimizing the environmental impact.

It is the partnership efforts of AMSA, the National Plan, AMOSC and the actions of individual companies that provide this effective outcome. This is not just the combining of resources of equipment and of scarce skilled personnel. It is also the combination of regulation and complementary voluntary industry action. Perhaps most importantly of all, it is the true consultative approach for the development of policy and regulation, through the representation of the industry on all the AMSA Management Committees.

This to me is the importance of the partnership. It has provided a first class marine oil spill response capacity, integrated into a complementary prevention framework.

Spillcon 2004 provides an ideal opportunity to explore the risks and solutions in greater detail and so further enhance the national and regional response capability. I wish you well in your deliberations.

Thank you.