

ASEA: 28 Months Increasing O&G Safety in the Gulf of Mexico

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Year 2013 marked a profound milestone for the O&G sector in Mexico. A Constitutional change was approved by the majority of Congress in order to allow - after 75 years of State monopoly - private investment on hydrocarbons related activities.

This deep structural change known as the “Energy Reform” came along with a new institutional arrangement thought to prepare Mexico for a new era of open energy markets under an improved regime of operational standards.

The National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector (ASEA in Spanish) was created as part of the new array that came with the Reform. The Agency started operations on March 2015, with the broad mandate of regulating, licensing and supervising, in terms of industrial and operational safety and environmental protection, not only the upstream industry, but also every activity and facility part of the hydrocarbons value chain, all the way down to the service stations for fuel retailing.

The challenge was everything but minor. Resources were limited and the timeframe for successful implementation of the reform was rather ambitious. Therefore, on an early stage our focus was to think out of the box of traditional institutions to design an agency capable to cope with this scenario.

ASEA’s blue prints envisaged a robust institutional architecture, founded on well-defined processes (planning, regulating, authorizing and supervising) together with a strategy to attract and manage talented professionals. Most importantly, a risk-oriented regulatory model encompassing five pillars was developed observing international best practices:

- Regulated entities are obliged to implement Safety and Environmental Management Systems (SEMS) that must consider the risks inherent to operations throughout their lifecycle;
- Operators must comply with insurance requirements adequate to every type of operation. Mandatory coverage must include civil and environmental liability in addition to a well control policy based on industry’s international practice;
- ASEA’s technical regulation favors a performance-based approach rather than prescriptive practices;
- Risk based inspection supported by third parties; and
- Corrective enforcement approach that privileges compliance and development of a safety culture over fines and penalties.

Twenty-eight months after its kick off, ASEA can be declared up and running. More than 30 instruments aimed to close regulatory gaps across every segment of the hydrocarbons value chain have been released; more than 17,000 applications have been submitted for review without significant bottlenecks from the regulator; and roughly 1,350 inspections have been conducted.

Particularly for the upstream sector, four regulatory pieces were published in time for providing certainty to the bidding rounds carried out by the National Hydrocarbons Commission:

- Safety and Environmental Management Systems, May 13, 2016;

- Minimum insurance requirements, June 23, 2016;
- Comprehensive ruling for conventional E&P on-shore, offshore and deep water operations, December 9, 2016;
- Ruling for unconventional E&P, March 16, 2017.

Moreover, the Energy Reform has had unparalleled success in the upstream sector. Four tenders within the first bidding round have yielded 39 contracts signed with 48 companies from 14 countries. The first tender within Round 2, resulted in 10 assigned blocks out of 15 offered in shallow waters, adding a few new participant countries to the existing list. More tenders are expected to take place within Round 2 in 2017.

This success will translate into a significant increase in the number of operators in the Gulf of Mexico, a justifiable reason for drawing attention to emergency preparedness and response equipment and planning. The above mentioned SEMS and Insurance guidelines include provisions for both topics. Operators are responsible for demonstrating direct or indirect possession of sufficient technical, physical and human capacity, as well as the equipment necessary to respond to a loss of well control incident.

As of today, self-owned capacity and affiliation to international service providers have been the benchmark at this starting point. However, as soon as time passes and contractual times come to a different point, new alternatives such as a potential market for national service providers may arise. ASEA is ready and eager to support new formulas, based on known international practice, which may contribute to increase safety conditions in the Gulf of Mexico.

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