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*“Status of Response Capability and Readiness for Oil Spills
in Foreign Outer Continental Shelf Waters Adjacent to US Waters”*

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Written Testimony

Thank you Mr. Chairman and members of the committee, for the privilege and honor to be here today testifying and sharing with you what I consider to be an issue of national security.

My name is Jorge Piñon, I am a Visiting Research Fellow with Florida International University, Latin American and Caribbean Center’s Cuban Research Institute. I am also the former president of Amoco Oil de Mexico and president of Amoco Oil Latin America.

For the United States, Mexico, and Cuba, the Gulf of Mexico represents the greatest potential source of significant new discoveries of oil and natural gas in the years ahead; underscoring how critical and strategic the region is for their respective energy security interests.

These resources will come from increasingly challenging geologic and environmental settings in deep and ultra-deep water and at depths below the sea floor not thought possible a few decades ago.

The development of technology to find and to produce oil and natural gas in these challenging settings has made these resources available, however as the risks associated with pursuing their development have raised concerns for the environment that challenge industry and regulatory agencies to ensure they are prepared to manage their development effectively and safely. (Groat 2011)

There are four key elements of success for the development of hydrocarbon resources; capital, technology, operational know-how, and last and most important, and what I believe is the subject matter of this hearing, stewardship.

Stewardship is the principle by which we operate not only for the economic benefit of the enterprise, but also the commitment to meet human needs while preserving the environment. These are the

regulations, standards, and behaviors whose objective is the safe and environmentally responsible development of the resources.

Mexico, Cuba and The Bahamas are in the process of implementing the most advanced and up to date drilling regulations and standards; but do they have the resources, capabilities, assets, personnel, and experience to enforce them? Can these countries' regulatory agencies appropriately police the operators? These are issues for debate.

What are the roles and responsibilities of the oil companies operating in the region relatively to safety and oil spill prevention and clean up? Do the operating oil companies who are going to undertake the drilling and physical development of the resources have the values, culture, and economic interests to follow the set rules, standards and regulations of the host country?

There is only one, publicly traded, non-state oil company operating in the Gulf of Mexico region outside of the United States and that is Spain's Repsol; all others are state owned national oil companies over whom our sphere of influence is limited or non-existent, and over which the question of sovereign immunity is to be considered.

And then there is the issue of transboundary compensation for oil pollution damages, the role of international oil pollution liability conventions, cost recovery issues when one country is providing most of the incident's spill response and clean-up assets and resources. Just the issue of identifying "responsible party or parties" could result in complex legal disputes in international law.

Are the channels of communication in place to share lessons learned and best practices for the benefit and protection of our common economic and environmental interests? Not only with other regulatory agencies, but most importantly with the private and state oil companies which are going to execute the projects. These are questions that need to be answered.

While respecting each country's sovereignty we must put aside cultural, political, and nationalistic differences - not an easy task - and work together toward a set of common standards and regulations, as well as regional emergency planning and response cooperation agreements.

As a result of the 1979 Pemex Ixtoc well blow-out, which impacted the South Texas coast line, the United States and Mexico signed in 1980 the MEXUS Plan. This agreement of cooperation set protocols to follow in case of an oil spill which would pose a threat to the waters of both countries.

A similar environmental agreement exists between the United States and Canada; the 1986 Canada-United States Joint Marine Pollution Contingency Plan, covering the shared maritime borders along the Great Lakes, Atlantic and Pacific coasts, and the Beaufort Sea.

Today, the Deepwater Horizon incident and the resulting catastrophic oil spill, demonstrates the urgency in developing a similar policy of environmental cooperation between the United States,

Mexico, Cuba and The Bahamas; as these countries embark in developing their respective deepwater hydrocarbon resources.

The consequences from an accidental oil spill demands proactive joint planning by all three countries and the United States in order to minimize or avoid such a disaster. This planning should be done in a spirit of cooperation, and not confrontation.

These risks and challenges are what give purpose to what Dr. Lee Hunt, president of the International Association of Drilling Contractors calls a “One Gulf” policy of working together for the development of collective standards, regulations, and solutions to the risks associated with deepwater drilling.

Thank you Mr. Chairman.

Jorge R. Piñón began his thirty year career in the energy sector when he joined Shell Oil Company. He was president and CEO of Transworld Oil USA prior to joining Amoco Corporation in 1991 as president of Amoco Corporate Development Company Latin America. In this position Mr. Piñón represented the business development and joint venture efforts in the region between Amoco Corporation and state oil companies.

In 1994 he was transferred to the downstream oil sector to serve as president of Amoco Oil de México and president of Amoco Oil Latin America, based in Mexico City. After the 1999 merger between Amoco and BP, Mr. Piñón was transferred to Madrid, Spain, to manage BP Europe’s western Mediterranean petroleum supply and logistics operations. He retired from BP in 2003.

In 1997, when vice-president and member of the board of directors of the American Chamber of Commerce of Mexico -AMCHAM-, Mr. Piñón received the “Yiacatecutli” award for distinguished service in the promotion of U.S.-Mexico business relations.

Mr. Piñón is today an international energy consultant, as well as a visiting research fellow with Florida International University’s Latin American and Caribbean Center - Cuban Research Institute. With international experience in emerging markets and a network of senior energy contacts in Latin America, he is an independent analyst of regional energy issues, as well as the politics of oil and natural gas in Latin America.

He is also recognized as an expert on Cuba’s energy sector, as well as on the island’s future economic transition challenges and opportunities. He is an advisor and a member of the Cuba task forces at The Brookings Institution and The Council of the Americas, and a member of the board of directors of the Association for the Study of the Cuban Economy -ASCE-; and a co-author of Cuba’s Energy Future: Strategic Approaches to Cooperation (Brookings, 2010), a monograph addressing the major challenges facing Cuba’s access to energy resources that are environmentally sustainable and sufficient to meet the nation’s revitalization and development goals.

Mr. Piñón holds a degree in Economics and a certificate in Latin American Studies from the University of Florida.