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Adequacy of the Regulatory Oversight
of the Trans-Alaska Pipeline and Terminal

Statement of
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Before the
Subcommittee on Water, Power and
Offshore Energy Resources
Committee on Interior and Insular Affairs
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our work to date on the adequacy of regulatory oversight efforts intended to ensure the safe operation and maintenance of the Trans-Alaska Pipeline System (TAPS). This ongoing work, being done at your request, will result in a written report to you later this year.

The grounding of the Exxon Valdez and other spills in the last year have riveted the nation's attention and concern on lowering the risks of transporting crude oil. While tanker transport has received the most attention, concern has also been expressed about the safety of the pipelines that transport oil across the nation and the terminals that serve as storage and operations centers for loading the oil into tankers. Of particular concern, and the focus of this hearing, is the safety of the 800 miles of the Trans-Alaska pipeline and the terminal at Valdez, Alaska.

At this point in our review, we have observed the following:

- While several federal and state agencies have the authority to regulate TAPS, the pipeline has not received the systematic, comprehensive oversight needed to ensure compliance with operational safety, emergency response, and environmental requirements. This is of particular concern because of recent disclosures by the pipeline operator that TAPS is experiencing significant corrosion problems.
- The Exxon Valdez accident and subsequent concern about oil spill preparedness have increased the frequency of federal and state oversight of TAPS. In addition, efforts are underway to improve agency coordination and cooperation. These efforts show promise if organized and staffed appropriately.

PERSPECTIVE

The pipeline runs from Alaska's North Slope to the port of Valdez, crossing three major mountain passes and over 800 rivers and streams, and has to endure Alaska's often severe weather. TAPS supplies about 25 percent of the nation's crude oil production, delivering almost 2 million barrels to the Valdez terminal each day. Since it began operations in 1977, the pipeline has transported over 7 billion barrels of oil with only three major spills.¹ None of these spills occurred in the last 10 years. A break in the pipeline, however, could potentially spill tens of thousands of barrels of crude oil into Alaska's rivers and streams before the flow of oil could be stopped. This is alarming not only because of the harm it would do to Alaska's pristine environment, but also because of the effect it could have on the domestic supply of oil and the nation's balance of payments if the pipeline had to be shut down for more than a few days.

REGULATORY OVERSIGHT OF TAPS HAS BEEN LIMITED

Responsibility for preventing, detecting, and responding to pipeline spills rests primarily with the Alyeska Pipeline Service Company (Alyeska), the agent for the seven companies that own the oil transported by TAPS. This includes the day-to-day operation, maintenance, and repair of the system. The federal and state governments' roles are those of safety regulators, overseeing Alyeska's activities to ensure compliance with federal and state requirements.

Oversight of pipeline operational safety requires a disciplined approach, including clear and enforceable

¹The Department of Transportation defines a major spill as one involving over 100,000 gallons.

requirements; detailed guidance on monitoring, follow-up, and enforcement procedures; adequate numbers of well-trained staff; and clear lines of authority among the oversight agencies. We have found that such an approach does not exist for the regulatory oversight of TAPS and that both the federal and state governments were caught off guard by the results of recent Alyeska inspections showing that corrosion is affecting sections of the pipeline and threatening its structural integrity.

Monitoring and oversight of the pipeline are diffused among several government agencies. The Department of the Interior's Branch of Pipeline Monitoring within the Bureau of Land Management (BLM) is charged with enforcing the federal right-of-way agreement which serves as a contract between the federal government and Alyeska. The agreement, specific to TAPS, covers almost all aspects of the pipeline and gives BLM broad authorities over operational safety, contingency planning, and environmental compliance. In accordance with the Hazardous Liquid Pipeline Safety Act of 1979, the Department of Transportation's (DOT) Office of Pipeline Safety (OPS) is responsible for overseeing the operational safety of all interstate pipelines and some intrastate pipelines, including TAPS.²

The state of Alaska's Department of Natural Resources, under a state right-of-way agreement, has responsibilities similar to those of BLM for state-owned land. The state's Department of Environmental Conservation is responsible for enforcing hazardous waste and air and water quality laws along the pipeline as well as at the terminal.

²DOT may delegate responsibility for inspecting intrastate pipelines to individual states. Alaska has chosen not to develop such a program and, as such, DOT retains responsibility for pipelines in Alaska.

Despite these similar and sometimes overlapping responsibilities, oversight of the pipeline has been limited. Alaska's Department of Natural Resources and OPS have both been restrained by a lack of resources. The Department of Natural Resources has had one person assigned to overseeing the pipeline and has conducted only a few limited inspections. Similarly, OPS has only 3 pipeline-engineering specialists to cover 12 states, including Alaska. None of these inspectors were devoted exclusively to TAPS. OPS inspected only small sections of TAPS on three separate occasions from 1984 through 1988. Because of limited resources, both agencies have relied heavily on BLM to monitor the pipeline's operations. Although the federal right-of-way agreement requires Alyeska to reimburse BLM for all its oversight costs, including salaries, travel, and equipment, BLM currently has only two inspectors. When assessing Alyeska's engineering practices and data, BLM relies on Alyeska to identify problems. BLM officials told us that they have not increased the number of inspectors over the years because no major integrity or environmental problems were discovered with TAPS.

The current identification of pipeline corrosion raises several questions about the adequacy of prevention and detection measures and oversight by federal and state regulators. BLM, OPS, the Department of Natural Resources, and Alyeska have been aware of deficiencies in the systems that were designed to prevent corrosion, including coating and taping, since the pipeline was constructed. These agencies knew that during the laying of the pipeline, there were instances when the protective coating and taping were damaged. They have also known that Alyeska was experiencing difficulty with its corrosion detection devices, and thus, did not have a clear picture if or where corrosion was occurring. However, the regulatory agencies have not required increased monitoring for corrosion, and have not independently assessed the corrosion detection data, instead relying on Alyeska's

judgment. This inattention has now resulted in a scramble to determine the extent, severity, and cause of the corrosion problem.

In addition, while BLM has overall responsibility for contingency planning, it has not required actual or simulated tests of Alyeska's emergency response capability. For example, the BLM-approved oil spill contingency plan requires Alyeska to conduct annual full-scale field exercises to ensure overall readiness to locate and contain an oil spill. While Alyeska conducts annual drills to locate simulated oil spills, BLM has not required Alyeska to test its response capabilities by mobilizing and deploying its containment equipment. Thus, Alyeska's ability to mobilize equipment and contain a spill remains unknown.

REGULATORY OVERSIGHT AT VALDEZ TERMINAL ALSO HAS BEEN LIMITED

Oversight of the Valdez terminal also has been limited. The Environmental Protection Agency (EPA) and Alaska's Department of Environmental Conservation have clear regulatory authority over some aspects of the terminal's operations. However, both agencies have limited resources, and, as a result, the terminal has not been inspected on a regular basis. Visits to the terminal have occurred only when a problem was indicated.

According to BLM, it has not monitored the terminal operations because the terminal is on state and private land. BLM does, however, monitor the communications and operations control center for the pipeline, which is located at the terminal. Similarly, OPS inspectors said they are uncertain of their jurisdiction at the terminal and have no regulations covering terminal operations. Because of this fragmented oversight of the terminal, no regulatory agency has assumed full responsibility for the structural integrity of the 18 oil storage tanks at the terminal that collectively hold up to 9 million barrels of oil.

SOME ACTIONS TAKEN,
BUT LEADERSHIP NEEDED

The Exxon Valdez spill generated a flurry of activity intended to improve oil spill prevention as well as TAPS oversight and coordination. For example, after the spill, OPS initiated its first comprehensive linewide inspection of the pipeline, and BLM and Alaska's Department of Natural Resources conducted a comprehensive inspection of Alyeska's oil spill containment equipment. All of these inspections raised concerns, including (1) the adequacy of procedures used to prevent corrosion and to repair certain corroded sections of the pipeline and (2) the adequacy of Alyeska's oil spill emergency response capability.

Alyeska, BLM, and the Department of Natural Resources have formed a joint committee to review pipeline oil spill contingency plans. The review will include an oil spill risk analysis which will be used to analyze personnel, training, and equipment needs for spill response preparedness. We have been told that the results of this review will be used to update contingency plans and to incorporate the latest oil spill response technology.

The regulatory agencies are also planning to increase their monitoring, staffing, and expertise. BLM has identified the need for two corrosion engineers, the state's Department of Natural Resources has established an office to monitor the pipeline, and OPS is planning to assign one of its inspectors full time to monitor pipelines in Alaska.

BLM is also pursuing a new joint oversight office composed of all the federal and state agencies with statutory authority over the pipeline. This combined entity is intended to provide better oversight and coordination as well as shared expertise among the agencies involved; however, participation is voluntary.

Our review of the adequacy of regulatory oversight efforts intended to ensure the safe operation and maintenance of the pipeline is still ongoing. While we are not in the position to make recommendations at this time, there are some observations we would like to share with you.

-- We agree with BLM that a unified approach to oversight is needed to ensure the safe operation and maintenance of TAPS. However, we do not believe that voluntary cooperation will provide a long-term solution; a unified approach may be short-lived as disagreements arise that cannot be resolved and resources are siphoned off for other competing priorities. We also believe that designated leadership is needed for areas such as prevention, detection, and spill response.

-- Expanding prevention measures may require more up-front costs. However, these costs could well be less in the long run and more effective than the costs of mitigating the environmental impacts of a major oil spill or the disruption of 25 percent of the nation's domestic oil production. In this regard, it may be in the best interest of all to secure a consistent and stable funding source to ensure adequate oversight and resources and to consider requiring Alyeska to reimburse all reasonable oversight costs similar to what it is now required to do for BLM.

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In summary, Mr. Chairman, we see increased and coordinated regulatory oversight as a major component of an effective operational safety and emergency response strategy for TAPS.

This concludes my prepared remarks, Mr. Chairman. I will be pleased to answer any questions you or other members of the Subcommittee may have at this time.