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Proceedings of the 1994 API Tanker Conference

Image—A Global Maritime Mission

THE INN AT SPANISH BAY
PEBBLE BEACH, CALIFORNIA
JUNE 19–22, 1994

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Manufacturing, Distribution and Marketing Department

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Ronald L. Jones
Vice President

FOREWORD

It is my pleasure to forward this copy of the Proceedings of the 1994 Tanker Conference. I hope this compilation of participant's remarks will be useful to you.

The papers represent the express opinions of the authors. The American Petroleum Institute assures neither the accuracy nor the reliability of the data contained in them. Questions about the technical content of the papers should be directed to the authors.

If you have any recommendations for improving the Conference or suggestions for specific topics, please direct them to Bob Sullivan at the above address.

The next Tanker Conference will be held June 23-26, 1996, The Westin Resort, Hilton Head Island, South Carolina. I hope to see you there.

Ronald L. Jones

August 1994

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Stephen Anderson	Cascade General
Charles Anderson	Haight Gardner
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Robert Bouchard	Bouchard Transportation Co.
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OPENING REMARKS
JERRY ASPLAND, CHAIRMAN
API GENERAL COMMITTEE ON MARINE TRANSPORTATION
API TANKER CONFERENCE
JUNE 19 - 23, 1994

(Point Paper Attached)

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API TANKER CONFERENCE
Pebble Beach, California
June 19 - 23, 1994

Remarks by

Jerry A. Aspland

- GENERAL REVIEW

Government
- HOW PEOPLE LOOK AT US
- GOVERNMENT
- THERE ARE CHANGES

Business & the marine industry
- STUDIES ON QUALITY
- NEW FINANCING
- PORT STATE CONTROL
- PUBLIC PERCEPTION
- AIR POLLUTION

Technical
- GPS (SIMULATION)
- TANKER INSPECTION
- STRUCTURAL MONITORING

Human
- MARITIME TRAINING - SIMULATOR
- HUMAN BEHAVIOR
- TEAMWORK
- IMAGE

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GENERAL COMMENTS

- CHANGE IN OUR INDUSTRY IS IN THE AIR
- INTERESTING THAT WE HAVE NO ACTIVE SHIP EMPLOYEES ON THE PROGRAM
  - CAPTAIN IN OUR OFFICE
- ROLES
  - OIL COMPANIES
  - INDEPENDENTS
  - BROKERS
  - MANUFACTURERS
  - LEGAL INDUSTRY
  - ASSOCIATIONS

Maritime Forum

- HUMAN FACTORS - WHAT IS IT?
- QUALITY - WHAT IS IT?
- PUBLIC IMAGE
  - STEP OUT "TANKERS IN TROUBLE"
  - REFER PEOPLE TO ME
- PROFIT
  - NO MONEY SINCE EARLY 1980'S
  - HOW LONG DOES IT TAKE TO ADJUST
- PARTNERSHIPS
  - LOCALS
  - STATE
  - FEDERAL

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- LEADERSHIP
  - BELIEVE WE'RE BEGINNING THE UPWARD
- IN CLOSING I CHALLENGE EACH OF YOU TO PICK ONE UPWARD SUBJECT OR IDEA NO MATTER HOW BIG OR SMALL; DEVELOP IT AND IMPLEMENT IT.

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Public Perceptions of the Petroleum Industry and Petroleum Products

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THE COMMON PROBLEM:

"OFF-OIL"

"ANTI-AUTO"

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"We're now talking about an oil-free future as opposed to just raising the issue of global warming. Nuclear testing was the issue for the first 20 years of Greenpeace and I think oil will be for the next 20....We won't take second best for a solution. We set our sights high and have proven that it can be very successful....The oil industry is a sunset industry. It can't go on because of global warming. Any logical, scientific analysis not based on making a buck says that oil has to go, fossil fuels have to go."

Paul Gilding, executive director,
Greenpeace International

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"If the environmental revolution succeeds, it will be based on a shift away from fossil fuels. We eventually have to phase out fossil fuels -- in contrast to the industrial revolution, which was based on a shift to fossil fuels."

Lester Brown, president,
Worldwatch Institute

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"The auto is the vehicle that is taking modern society down the road to ruin. It burns (incompletely) too much gasoline, chokes streets and highways worldwide, and makes it virtually impossible for many urban areas to come into compliance with smog standards that are already too weak to adequately protect public health....A gasping, coughing gridlock has been brought to the world by the infernal internal combustion engine."

Kennedy Maize, Consumer
Energy Council of America

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"It ought to be possible to establish a coordinated global program to accomplish the strategic goal of completely eliminating the internal combustion engine over, say, a 25-year period."

Vice President Albert Gore, Jr.

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CAMBRIDGE REPORTS/ RESEARCH INTERNATIONAL

1993

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POSITIVE SHIFTS IN INDUSTRY RATINGS 1990-1993

In a wide range of areas, consumers' perceptions of the oil industry are significantly more positive

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Petroleum Industry Favorability

	very/somewhat favorable
November 1990	31%
February 1991	46%
March 1993	56%
July 1993	59%

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Petroleum Industry Credibility

	very/somewhat believable
November 1990	32%
February 1991	37%
March 1993	52%
July 1993	49%

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Industry Favorability

	very/somewhat favorable
U.S. industry in general	75%
Oil industry	59%
Electric utility industry	71%
Chemical industry	44%
Automobile industry	70%
Plastics industry	69%

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Industry Credibility

	very/somewhat believable
U.S. industry in general	68%
Oil industry	49%
Electric utility industry	66%
Chemical industry	43%
Automobile industry	63%
Plastics industry	64%

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The Key Perceptions

Credibility:

Operational Safety

Contributor to U.S. economy

Manipulates and exploits

Stewardship for future energy

Favorability:

Operational Safety

Stewardship for future energy

Contributor to U.S. economy

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Contributor to U.S. Economy

- Provides energy that is affordable to all Americans
- Helps the U.S. maintain a desirable standard of living
- Makes the U.S. economy healthy
- Provides products that are essential to our day-to-day lives
- Offers quality goods and services to consumers at reasonable prices
- Pays its fair share of taxes
- Is managed by people you can trust to be sensitive to consumers' needs and desires
- Is ethical in its business practices

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Operational Safety

- Is taking effective action to prevent oil spills from offshore drilling platforms
- Has developed action plans to ensure quick response to tanker oil spills
- Compared to other industries, pays its fair share toward the clean-up of environmental pollution
- Has a good safety record in operating its refineries and other facilities

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Stewardship for Future Energy

- Is developing environmentally acceptable energy sources for the future
- Provides energy sources that I would like to see used in the future
- Is developing alternative forms of energy
- Helps consumers and businesses find ways to conserve energy
- Provides leadership for the country on energy policy issues
- Provides energy sources we won't run out of

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Stewardship for Future Energy (Continued)

- Cares about your community
- Is seriously concerned about protecting the environment
- Cares about the things I care about
- Uses advanced technology
- Helps the U.S. to be independent of foreign sources of energy
- Operates in an environmentally clean manner
- Is competently managed

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Reasons for Concern

- *The positive change may be soft*
- *Consumer perceptions of oil have turned sharply negative*

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Positive Changes May Be Soft

	March 1993	November 1990
Favorability		
Very favorable	12%	6%
Somewhat favorable	44%	25%
Somewhat unfavorable	23%	31%
Very unfavorable	13%	33%
Believability		
Very believable	4%	3%
Somewhat believable	48%	29%
Somewhat unbelievable	31%	36%
Very unbelievable	13%	30%

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A Sharp Negative Turn in Views of Oil

	March 1993	November 1990	Gap
Are not a threat to people's health	14%	27%	-13
Are safe from terrorists' abuse	14%	26%	-12
Make the U.S. economy healthy	24%	36%	-12
Are environmentally clean	12%	22%	-10
Are an energy source we won't run out of	20%	29%	-9

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What do you think is the major advantage of oil as an energy source? (Open-ended question)

Availability	17%	Cleaner	2%
Low cost	13%	Safe	1%
No advantages	12%	Good for U.S. economy	1%
Necessary	8%	Familiarity	1%
Need oil for cars	7%	Efficient	1%
Heating	5%	Easy to transport	1%
Provides jobs	2%	Other	1%
Oil-based products	2%	Don't know	24%
Convenience	2%		

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What do you think is the major disadvantage of oil as an energy source? (Open-ended question)

Air pollution	26%	No disadvantages	4%
Nonrenewable resource	13%	Ozone layer	1%
Oil import dependency	11%	Waste products	1%
Oil spills	8%	Dangerous	1%
Environmental impact	8%	Other	1%
High cost	8%	Don't know	13%
Dirty	5%		

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Statements about oil and the country's use of oil

	Agree-Disagree
The government should enact policies that reduce our use of oil to try to improve environmental quality and help combat environmental problems like global warming	76%-22%
We should increase taxes on oil to encourage use of energy sources other than oil	39%-58%
The government should focus on increasing economic growth and creating jobs, not on trying to reduce our use of oil	75%-22%
The marketplace, not the government, should determine which energy sources the country uses	69%-26%
The government should set air quality requirements that fuels must meet, rather than mandating which specific fuels must be used	85%-11%

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Thinking about all the advantages and disadvantages of using oil and oil-based products, do you think the benefits outweigh the risks or do you think the risks outweigh the benefits?

Benefits outweigh the risks	55%
Risks outweigh the benefits	35%
Both about equal	5%
Don't know	6%

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Currently, oil and oil-based products account for about 41% of the total energy used in the United States. Do you think we should increase our use of oil and oil-based products a lot, a moderate amount, keep our use of oil about the same, reduce our use of oil a moderate amount, or reduce our use of oil a lot?

Increase use of oil a lot	2%
Increase use of oil a moderate amount	7%
Keep use of oil about the same	18%
Reduce use of oil a moderate amount	46%
Reduce use of oil a lot	25%
Don't know	2%

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Reasons why people might support the country's continued reliance on oil:

	Agree-Disagree
Oil has been and will remain vital to meeting U.S. energy and economic needs	84%-15%
Oil has played a central role in the growth of the U.S. economy over the past half century	93%-4%
Oil is the source of hundreds of products that we use in everyday life, such as house paint, upholstery, and permanent press clothing	90%-5%
Drastically reducing oil use in the United States will cost jobs and put many companies out of business	65%-31%

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Additional reasons why people might support the country's continued reliance on oil:

	Agree-Disagree
Because oil is a low-cost and versatile fuel, U.S. businesses are more competitive and can create more jobs	58%-35%
The oil industry uses the most advanced technologies to find and produce oil without environmental harm	51%-38%
Only a very small amount -- about one-thousandth of one percent -- of oil gets spilled from offshore operations	38%-43%
The United States has abundant supplies of oil that have yet to be produced	63%-26%

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Petroleum industry initiatives receiving highest ratings in terms of contribution to U.S. society:

Work with the automobile industry in a joint effort to develop environmentally cleaner cars and cleaner fuels	75% (20%)
Develop safer ways to dispose of hazardous waste produced while manufacturing oil-based products	73% (17%)
Set up an oil spill response organization to combat large oil spills in U.S. waters	71% (15%)
Work to make the U.S. less dependent on foreign oil	67% (18%)
Fund research on new energy sources	64% (11%)

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Petroleum industry initiatives receiving highest rating in terms of contribution to U.S. society (cont.):

Develop alternative forms of energy	64% (14%)
Test all personnel on oil company vessels for drugs and alcohol to help prevent accidents	63% (24%)
Develop new oil-based products that have minimal impact on the environment	62% (19%)
Work to reduce toxic air emissions from oil industry facilities	61% (14%)
Reduce the environmental threat that industry operations may pose to groundwater supplies	61% (10%)
Reroute oil tanker traffic to avoid environmentally sensitive areas	54% (16%)

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Quick Response to Tanker Oil Spills

Using a scale from 1 to 7, how well do you think this statement describes the U.S. oil industry?

The oil industry has developed action plans to ensure quick response to tanker oil spills:

1. 12% (does not describe at all)
2. 12%
3. 15%
4. 15%
5. 19%
6. 14%
7. 11% (describes extremely well)

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STEP Program Components

- Updating and revision of API standards
- Adoption of voluntary industry management practices
- Specific industry programs, like the Marine Spill Response Corporation; auto/oil joint research on cleaner engines and cleaner fuels; and used oil collection
- Dialogue sessions with environmentalists and community leaders
- Annual reports documenting industry's environmental performance

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CEO Advisory Committee

Lee Raymond (Exxon), Chairman

Al DeCrane (Texaco), Constituencies/Grassroots
Larry Fuller (Amoco), Media/Advertising
Vic Beghini (Marathon), Government Relations
Lou Noto (Mobil), Analytical Research

Ken Derr (Chevron), ex-officio as API's chairman
Dino Nicandros (Conoco), ex-officio as chairman of API's Public Policy Committee

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Longer Term Communications Program

- Negative Perceptions of Oil and Oil Products
- Alternative Fuel Mandates
- Mobility Restrictions
- Environmental Regulatory Reform
- Global Climate Change

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	Communications	Economic Research
1993 Budget	$400,000	$200,000
1994 Budget	$5 million	$700,000
1995 Budget	$4.5 million	$600,000

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Remarks by John C. Gore
Vice President, Government Relations
BP America
to the
API Tanker Conference
June 20, 1994

Good morning. Over the next three days you are going to be hearing from speakers on such esoteric topics as "Capitalizing on Human Behavior Strengths for Risk Reduction" and "Application for Differentially corrected GPS." I'm going to talk about what's going on in Washington. I guess I'm the comic relief.

Which is difficult, because what's going on right now in your Nation's capital isn't that amusing. Washington DC is a difficult environment at the moment. With Democrats in control of both the White House and Congress, gridlock has been broken. Traffic is moving, but it is slow and dangerous out there. President Clinton seems to have a vision of where he wants to drive the country, but he's having a very difficult time getting there. Politicians are widely held in disrepute-- they know it, and they're nervous. There is fear and uncertainty as to what the electorate wants, and how they might vote in the Fall. The voters want "results" but are deeply divided over what Government should do to achieve them.

Then there is the attitude and aptitude of the Clinton Administration itself. Considering the players and the possibilities--Al Gore, Katie McGinty, Carol Browner, Bruce Babbitt--it is notable that our industry is <u>not</u> being singled out for punishment. In fact,

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