



The Canadian Association of Oilwell Drilling Contractors (CAODC):

Transportation of Dangerous Goods (TDG) Strategy

The CAODC is a trade association representing upstream Canadian petroleum drilling contractors — land-based and offshore, service rig contractors and associate companies. Its member companies, work together in an attempt to ensure that this sector is the world's most efficient, well trained and best equipped. The Association works on behalf of its membership in government and public areas and is responsible for developing standard procedures for member companies.

The drilling and service rig industry in Canada is very unique in that the equipment, vehicles, and processes are very specialized. As operations extend across Canada, they tend to fall under various regulations and legislation that was never intended for this industry. In many regards these regulatory hurdles pose serious operational and economic challenges for the industry, while providing no additional safety or other public policy benefits. Specifically, issues regarding TDG have become so cumbersome, that, as representatives of this industry, we bring them to your attention.

Industry equipment is built for specific purposes revolving around oil and gas drilling and well servicing operations. As such they are not highway transportation vehicles, nor are they used for such purposes. In fact, the drilling and well servicing units spend 95% or more of their time on a well-site, and off of public roads. Even when these vehicles do travel between locations, they do not transport any significant amounts of fluids that would qualify as dangerous goods, rather, units travel with only residual amounts of dangerous goods plus sufficient fuel to power the rigs once they reach the next well-site. They do not travel back to any *home base* but rather are self-sufficient units that continue from one well-site to the next.

However, in Canada, drilling and well servicing units fall under TDG regulations which treat all drilling and well servicing rigs as if they were commercial haulers, transporting dangerous goods across the country. To comply with these regulations, Canada's drilling and service rig fleet must operate with Permits of Equivalent Levels of Safety (PELS) or shut down operations — as purpose built units simply cannot be engineered and constructed to the specifications required of highway transportation vehicles. As such, each unit (of a fleet of over 1700 rigs, plus support vehicles) must carry four federal PELS (two permits expired in August 2003 and have yet to be renewed) and one Alberta permit.

While this is onerous, even these permits are not sufficient to satisfy compliance and allow industry to continue operations.

In light of the fact that the purpose of these PELs is to try to accommodate the drilling and well servicing industry with respect to TDG regulations, and through this recognize the unique aspects of the industry, the CAODC has begun the process of investigating additional options regarding the Transportation of Dangerous Goods.

The most significant *land-based* drilling and well servicing activity occurs in North America. The rest of the world's exploration activity rests largely on *offshore* exploration activity, or in areas of the world unencumbered by unsuitable and extraneous legislation (i.e., the Persian Gulf, Libya), as there is an explicit understanding that land-based drilling is very unique and specialized. In fact, a recognition for this has already been established as precedent in the United States by the US Department of Transportation, Code of Federal Regulations, Title 49, Volume 2, Part 173, Section 173.5A, which provides a notwithstanding clause to oilfield service vehicles from dangerous goods regulations. While still being held to high standards (no leaks, spills), the CAODC believes that moving toward an alternate solution from current TDG legislation in Canada would level the playing field, remove unintentional regulations, and improve the efficiency and compliance of the entire drilling and service rig sector.

In order to move forward, the CAODC is beginning to search for alternatives to present to Transport Canada that would demonstrate an equivalency to current legislative requirements. Over the coming months, the CAODC will conduct a complete analysis of member companies operations through an intensive hazard assessment. Also, the Association would like to approach the Canadian Standards Association (CSA) Technical Committee on Highway Tanks and Portable Tanks for TDG for the determination of need in developing a tank standard that would be proportionate to the degree of risk associated with drilling and servicing operations (Risk Group III – Minor Danger). This process would aim to reduce the economic and operational burden for the drilling and servicing industries operating in Canada.

Finally, with the CSA Technical Committee's determination of need, an extensive hazard assessment, the development of a visual inspection program and the development of a Code of Practice, the CAODC aims to develop a Recommended Practice (RP) that could become a due diligence equivalent to the current TDG legislative requirements for the upstream petroleum industry in Canada.