

BP and the Unmitigated Disaster

By Alan Caruba

The Gulf of Mexico could turn into a giant dead zone if some means cannot be found to staunch the flow of oil and toxic gases emerging from the damaged well beneath the Deepwater Horizon. Industry insiders who understand the engineering of wells are beginning to speak openly among themselves of an unmitigated disaster.

It is essential to understand that the oil business is like no other. Oil companies that drill too many dry holes go out of business. Oil is too often in places run by despots and gangsters that would make Hollywood villains seem tame by comparison. Oil companies must deal with them even at the risk they will renege on their promises; something they do a lot.

The oil business depends on technology that attempts to give geologists an idea of what is hidden way below the surface of the land or water. It often means having to team up with your competitors to finance an operation such as building a pipeline so both can move their crude oil to refineries.

Beyond that, oil companies do not set the price of oil. OPEC does not set the price of oil. Traders do that and they do it 24/7. You can lose money by not having enough oil and you can lose money from having too much oil that has to be stored until the price improves.

With the exception of a tanker spill in the 1980s, among the major oil companies ExxonMobil has an extraordinary record of safety. Its company ethos is such that decisions are made only after serious consideration and its emphasis has always been on managing to achieve the best results with the least amount of risk, primarily by paying attention to good practices. Its management is not flashy and does not seek the spotlight.

In contrast, British Petroleum has always been about risk and about cutting corners. Prior to CEO Tony Hayward who was pushed aside by its board of directors after two months of saying the wrong thing at the wrong time during the Deepwater Horizon disaster, BP was largely a reflection of John Browne, an egotist who was driven to build the company through mergers and buy-outs. His interest in the engineering and technological aspects of the business was minimal.



As Tom Bowers, the author of “Oil: Money, Politics and Power in the 21st Century”, put it, Browne’s “mantra of ‘more for less’ to boost BP’s share price was a poisoned chalice.”

The result was that BP routinely paid multi-million dollar fines for breaking U.S. environmental and safety laws, including admitting to outright fraud. No other oil company has a comparable record of safety violations. In two separate incidents prior to the Gulf oil rig explosion, 30 BP workers had been killed and more than 200 were seriously injured.

By skimping on safety a Texas City refinery explosion not only dealt a blow to BP’s reputation, but the estimated minimum cost in lost profits and compensation was calculated to be \$4 billion. BP had decided to save money by not insuring the facility against the possibility of such an accident. By extension, it increased the public’s distrust of the oil industry.

In an article about its safety record, it was noted that Occupational Safety and Health Administration statistics showed that BP “ran up 760 ‘egregious, willful’ safety violations,” while Sunoco and Conoco-Phillips each had eight, Citgo had two and ExxonMobil had only one such citation.

Oil companies run their own trading operations and BP ran afoul of the law when it conspired to manipulate the propane gas market, ripping off \$53 million from consumers who depended on it to heat their homes.

BP through its lobbyists and corporate representatives worked to influence Congress and reportedly played “a major role in drafting the Kerry-Lieberman bill”, the Cap-and-Trade Act currently waiting for a vote in the Senate. It is based on blatantly false “global warming science” and is a tax on energy use.

Under the leadership of John Browne, BP more than any other oil company, actively sought to re-brand itself from being an oil company to being an advocate for the environment, using an advertising motto, “Beyond petroleum” and supporting the fraudulent “global warming” hoax. With Browne at the helm, he promised that BP would invest \$1 billion in solar energy by 2010 and invest \$8 billion in alternative energies over ten years.

It did not, apparently, invest in the kind of engineering and inspection of rig construction that might have prevented the explosion on the Deepwater Horizon. The event and previous explosions at its refineries were the result of years of an internal BP philosophy that focused on profits before safety. Whether it was accident prone refineries or corrosion in the Alaska pipeline, BP cut corners.

Even when Browne reached the mandatory retirement age of 60 in 2008, he did everything in his power to avoid it. He had run out of support in the company he had built through his quest to be among the largest, if not the largest, oil company in the world. By then, however, it was too late to save BP from what, in hindsight, was an inevitable disaster.

Suffice it to say that everything that could go wrong following the Deepwater Horizon explosion has gone wrong. The oil industry has never been faced with an engineering failure of this magnitude.

For the creatures of the Gulf, it is an ecological disaster of biblical proportions. For the coastal states affected, it is an economic disaster that will rapidly eat through the \$20 billion BP has pledged to set aside for remediation over the next five years. The losses to the nation as a whole are probably incalculable at this point.

Industry insiders believe that neither BP, nor the Obama administration, are telling the public the truth, nor the full ramifications of what will occur if the blowout preventer, all 450 tons of it, literally tips over deep below the waters of the Gulf.

“It won’t be long after that the entire system fails,” predicted a writer in Oil Drum.com. “BP must be aware of this. They are mapping the sea floor sonically and that is not a mere exercise. Our government must be aware too, but they are just not telling us.”

It is essential to keep in mind that this is a BP problem. It is not something for which the entire oil industry should be blamed. America runs on oil and, if the politicians will just get out of the way, we shall have it.

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