

BP Blowout

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Abstract

In 2010 a BP oil rig named Deepwater Horizon suffered a catastrophic failure, killing 11 workers and leaking oil into the Gulf of Mexico for months on end. The Gulf Coast locals and rig employees suffered first in the aftermath of the event. Among competing interests of profitability and safety the public, the company, and the regulating bodies of government were forced to confront the reality of the environmental disaster. BP would end up paying billions in damages for the episode. This article briefly explores the many ways that this disaster encouraged change.

Keywords

BP, catastrophe, oil rig, deep ocean rig, Gulf of Mexico, coastline, marine life-animals & plants, employment, depression, government regulation, values, disaster managements costs

Identify the Problem

In 2010 a BP oil rig named Deepwater Horizon suffered a catastrophic failure, killing 11 workers and leaking oil into the Gulf of Mexico for

months on end. BP would end up paying over \$60 billion in damages for the episode, but some would say that it was not enough for the effect that various stakeholders went through.

Arguments

On April 20, 2010, BP's oil rig, Deepwater Horizon, exploded and sank (Deepwater Horizon – BP Gulf of Mexico Oil Spill, 2020). Over an 87-day period, around 4 million barrels of oil flowed freely into the Gulf of Mexico before they were able to cap the well (Deepwater Horizon – BP Gulf of Mexico Oil Spill, 2020). 11 people died in the initial explosion and many of the remaining 115 suffered injuries (Jacobs, 2018). On December 15, 2010, the United States filed the first of many complaints against BP Exploration and Production Inc. as well as several other defendants that they felt were also responsible (Deepwater Horizon – BP Gulf of Mexico Oil Spill, 2020). BP eventually pleaded guilty to 14 counts of illegal conduct, leading up to the explosion (Summary of Criminal Prosecutions, 2021). According to the Attorney General, they were sentenced to \$4 billion in crimes and penalties, which was the largest criminal resolution in United States history (Summary of Criminal Prosecutions, 2021). This money was used to support local communities in their clean-up efforts (Summary of Criminal Prosecutions, 2021). Some of their crimes included felony manslaughter, environmental crimes and obstruction of congress (Summary of Criminal Prosecutions, 2021).

As the oil flowed freely, it covered an area of 43,300 square miles, affecting five states and 1,300 miles of coastline (Jacobs, 2018). It was also found on 400 miles of the ocean floor (Jacobs, 2018). 100,000 birds, 65,000 turtles and many dolphins and other marine life were killed because of the oil spill (Jacobs, 2018). Around 1,000 dolphins died in the months directly following the oil spill and they are still not out of danger (Meiners, 2020). Ten years after the spill, dolphins are still being affected. In the area closest to the spill, dolphin pregnancies are only successful 20% of the time, compared to other areas that have an 83% success rate for pregnancies (Meiners, 2020). Coral is another area that

has been harmed by the oil spill. Before the spill. Coral was very healthy, plentiful and growing at a good rate. Over half of the coral in this area was damaged by the spill and after ten years, has still not made a full recovery (Meiners, 2020). This led to violations of the Clean Water Act and the Migratory Bird Treaty Act (Summary of Criminal Prosecutions, 2021).

Many human lives were affected because of the BP oil spill. 126 people were on the Deepwater Horizon when it exploded. 11 of them died and many others were injured (Jacobs, 2018). They were not the only human lives affected. Many people who relied on the Gulf for their livelihood, were suddenly out of work. Tourists stopped coming and businesses were closed. Thousands of other people worked hard for months, trying to clean up the oil from the water and coast lines. Baldwin County, Alabama and Franklin County, Florida were two of the hardest hit areas (Weir, 2014). Depression and anxiety became a huge health crisis in these areas. For the first year after the spill, somewhere between one-third and one-half of all residents in this area were diagnosed as clinically depressed (Weir, 2014). After two years, the depression rate dropped to 20% and after three years, it finally returned to normal rates (Weir, 2014). Physical health was also affected and those who helped clean up the oil were the hardest hit. Seven years after the disaster, increased white blood cell counts, hemoglobin, hematocrit, APS, AST, and ALT, and their platelet and BUN levels were decreased (D'Andrea & Reddy, 2018). 91% of them developed chronic rhinosinusitis and 45% had reactive airway dysfunction syndrome (D'Andrea & Reddy, 2018).

The Deepwater Horizon disaster hurt many people financially as well. Not only did people lose their jobs and businesses, but many stockholders were hurt as well. On the other hand, patient investors made a bundle. Two months after the oil spill, BP's stock was trading at a rate 56% less than the day of the explosion (Hulbert, 2015). Many investors panicked and pulled their money out of BP's stock, causing them to lose a lot of money (Hulbert, 2015). The investors who were patient and did

not pull out, eventually got back to pre-disaster rates, but it took four years (Hulbert, 2015). Some investors chose to buy BP stock while it was at its lowest, and they were the ones who ended up making large amounts of money off of the disaster (Hulbert, 2015). BP caused the disaster, but they took a big hit too. In total, BP spent \$66 billion in fines and restitution to make up for their mistakes (Jacobs, 2018).

Conclusion

The multinational petroleum corporation BP decimated flourishing life in the Gulf of Mexico by leaking 4 million barrels worth of oil into the ocean due to the explosion of BP's oil rig Deepwater Horizon. The spillage punctured an everlasting staple into the human and animal ecosystem whose livelihood depended on the environmental nature of the Gulf of Mexico. Causing an onslaught of complaining stakeholders, BP was forced to make regulations. "Last year, BP vowed to cut back on fossil fuel output and increase spending on renewables." (Hurst 2021). The newly enforced regulation reduced the pollution that BP was creating and cut back greenhouse gas emissions by 16% last year (Hurst 2021). In 2016, "BP proposed mandatory standards for oil well infrastructure and more frequent monitoring and repairs of equipment" (Milman 2016) in hopes to regulate and prevent another Deepwater disaster. Shareholder Tony Hayward was the CEO of BP and was seen as an unsympathetic individual who immediately apologized through commercials only to fix the company's image, instead of trying to fix the oil spill. Though he was the villain, Hayward agreed to pay all fines. This was not enough! No money will ever be able to cover the damage BP initiated for the people and animals that relied on the Gulf of Mexico to survive financially and physically. Regulation, laws, and penalties can only cover so much of the damage that was done and can only regulate caution and control for potential oil spills.

Recommendation

After reviewing BP's disaster, several stakeholders were severely affected. In our opinion, the penalties they paid and the criminal charges charged against them were not enough. It is hard to assign a dollar amount on the negative impact the oil spill had on the community and

the environment, because while some could be followed, others were indirectly impacted.

The loss of human lives should be the number one thing that any company should try to prevent. In this case, 11 lives were lost. We recommend that BP does contingency planning for employees. Although we would not like to see another disaster, all employees have the right to safety. We also would emphasize the importance of accountability and doing due diligence. According to court records, BP was found negligent after it declared a negative pressure test. Multiple leaders were aware, but failed to stop operations immediately. BP should have continuous training on decision making for leaders and engineers, to prevent another event of this magnitude.

However, we must acknowledge the lack of oversight from the U.S. government. For that reason, we recommend that strict regulation in this industry be put in place. After the Deepwater Horizon explosion, “an Investigations and Review Unit was instituted to root out problems within the regulatory agencies and target companies that aim to game the system (Regulatory reforms)”. The Bureau of Ocean Energy Management, implemented a recusal policy for employees to deal with real and perceived conflicts of interest. Our hope is that regulation continues throughout the future of administration.

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