BP seeks to limit liabilities in “truce” with White House

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12 June 2010

Next week BP CEO Tony Hayward and chairman Carl-Henric Svanberg will meet with President Obama in the White House. The meeting will be aimed at forging an agreement between BP and the adminsitration to limit potential liabilities in return for a temporary delay of a scheduled dividend payment to investors.

The British government and top investors in BP have been increasingly concerned about the fall in the company’s share values—40 percent since the April 20 explosion. Speaking on behalf of British finance capital, British Prime Minister David Cameron told Svanberg on Friday that he was commited to ensuring that “BP continues to be a financially strong and stable company.” Cameron is due to speak to Obama on Saturday.

The reaction from the British government and BP is in response to Obama’s attempts to buy time and contain mounting popular outrage and a political crisis created by the enviromental catastrophe in the Gulf of Mexico.

Earlier in the week, the administration said that it would require BP to pay for workers laid off as a result of a temporary moratorium on new offshore oil drilling. This has raised concerns among investors that the floodgates could open for tens of thousands of claims from others impacted by the spill, including scores of small businessmen and Gulf residents.

At the meeting next week, the *Financial Times* reports that BP will seek a “truce” with the White House by promising it will keep cash on hand to pay “all legitimate claims” resulting from the spill—estimated by analysts at between $5 billion and $40 billion. This is in fact far less than the actual damage caused, which will number in the hundreds of billions of dollars at the very least. BP will demand White House support in its rejection of claims from laid-off workers in return.

Obama is also under pressure from the oil industry and Wall Street to end the moratorium. Responding to this pressure, Interior Secretary Ken Salazar insisted that the moratorium was a “pause” button, not a “stop” button, and that it would be quickly lifted. The oil industry and its political allies are cynically using the plight of unemployed workers to bolster their demand for an end to the moratorium.

The *Financial Times* speculates that Obama might be willing to support BP in exchange for a delay in the second-quarter dividend payout set to be announced July 27, which could be as much as $10 billion. Obama is fearful that such a gratuitous payment could lead to an explosion of popular anger.

Even here, however, Obama has been careful not to challenge the prerogative of BP, insisting that it has the legal right to make the dividend payment.

The *Financial Times* reports that several leading BP investors have said that a delay or deferral of the dividend would be a “sensible move”. “BP told leading investors that the company had the cash to fund the dividend long-term, but there might be a gap for a couple of quarters for political response.”

The US media has treated the meeting as though it will provide Obama a chance to upbraid the BP executives over their response to the oil spill. But it may well be Obama who is called to heel in the White House meeting, according to the British financial press.

“The BP chiefs will suggest to Mr. Obama that the rhetoric from the White House and other parts of the administration is destabilising markets and damaging

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US investors, who hold 40 percent of its shares," the *Times* writes. "The BP executives will tell the administration that the company can afford to pay an already announced first quarter dividend as well as meet its bill for coping with the Gulf of Mexico spill."

In this calculation it has history on its side. In the wake of the 1989 Valdez oil spill, Exxon was able to whittle down its damages from over $5 billion in initial awards to just over $500 million.

There can be no doubt that Obama is looking for some sort of agreement as well. His various nods to popular discontent—including suggestions of a criminal investigation earlier this month that has since been dropped from public dicsussion—have been aimed at preventing an independent political expression of growing anti-corporate sentiment in the US.

Any "truce" will be on the backs of the those devastated by the crisis. This is because all sides in the discussion—the Obama adminstiration as much as BP—start from the premise that the BP and the oil industry as a whole must remain under the control of private investors, whose money-mad drive for profit created the disaster and has dictated every step of the response.

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