

BP to take \$10 billion tax write-off for cleanup

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BP on Tuesday announced its intention to take \$10 billion in US tax write-offs related to the cost for response and cleanup of the Gulf oil catastrophe.

The oil giant penciled in losses of \$32.2 billion for its second quarter earnings statement. These include \$2.9 billion for its response so far and \$29.3 billion in future estimated costs that the company says will cover all further damages associated with the spill.

BP will be able to write off \$10 billion in US taxes based on the claimed loss. It will also be able to write off an undetermined amount from taxes owed to the United Kingdom, where it is based.

Included in the future costs is the \$20 billion BP must provide to the Independent Claims Facility escrow fund established by the Obama administration. It has yet to provide the fund with any money, “claims czar” Kenneth Feinberg admitted this week.

The \$20 billion for the claims facility—“neither a floor nor a ceiling” according to the White House—is to be paid by BP in installments for the next four years.

Analysts anticipate that the company will easily outstrip what it pays into the claims facility through the sale of assets from its global empire. Also on Tuesday BP announced plans to sell \$30 billion in assets over the next 18 months, including the \$7 billion sale to Texas firm Apache Corporation of 2 percent of its global oil and gas production.

BP’s estimate that its remaining costs for the disaster will be \$29 billion is significant, analysts say, because it indicates that the firm has determined that its fine per barrel stipulated by the US Clean Water Act will be the minimum possible: \$1,100 per barrel.

If the federal government determines that BP was “grossly negligent” in causing the accident, on the other hand, the Clean Water Act stipulates a fine of \$4,300 per barrel. This larger assessment would likely result in an additional \$10 billion in liabilities for BP.

On top of this, a finding of negligence might open the

floodgate for a raft of further costs, including through litigation.

BP’s latest moves make clear the purpose of Obama’s \$20 billion escrow fund. The claims facility scheme was in reality dictated by the corporation to the White House as a means of defending its long-term viability by fending off lawsuits and prejudicing judges against those turned down by Feinberg.

Feinberg has spelled out that only a relative handful will be able to realize compensation from the fund, and he has traveled up and down the Gulf Coast urging residents not to sue BP.

In testimony last week before the US House, Feinberg ruled out assistance to those suffering mental health problems as a result of the spill, in spite of warnings from public health experts that such conditions will likely be widespread in the Gulf and among cleanup workers.

“If you start compensating purely mental anguish without a physical injury—anxiety, stress—we’ll be getting millions of claims from people watching television,” Feinberg said, with evident contempt for those who have seen their lives wiped out. “You have to draw the line somewhere. I think it would be highly unlikely that we would compensate mental damage, alleged damage, without a signature physical injury as well.”

Feinberg also hinted that those who emerge with chronic conditions years from now may also be barred from lawsuits if they accept a claims payout now, calling it “the toughest of all” questions he must resolve.

Also not eligible for compensation, according to Feinberg, are tourism industry and real estate losses caused by the “perception” of damage but not actual oil, and fishermen who operated on a cash basis. Feinberg has also declared that the pay of cleanup workers will be counted against whatever claim they

might realize.

In fact \$20 billion, even if it is realized, is a pittance compared to the economic, ecological, and public health disaster caused by the spill. A new study carried out by Oxford Economics, a British consulting firm, estimates that the Gulf coast will lose \$22.7 billion in tourism revenue alone over the next three years.



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