

BP claims czar: \$10 billion “more than enough” to compensate oil spill victims

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Kenneth Feinberg, the “independent claims czar” overseeing payouts to compensate victims of the BP oil spill, says that about half of the \$20 billion fund set up by the oil giant and the Obama administration will be adequate to compensate victims of the Gulf oil spill.

Speaking on Bloomberg Television Tuesday, Feinberg said, “It remains to be seen, but I would hope that half that money would be more than enough to pay all the claims.” He said that BP had so far paid out only around \$2.7 billion in compensation to about 170,000 people.

Shares on UK-listed BP soared to a six-month high Tuesday on the news of Feinberg’s statements, adding as much as £5.1 billion (US\$7.9 billion) to the company’s market share.

Feinberg’s statements make clear that the Independent Claims Facility (ICF), set up by the Obama administration with the approval of BP executives, is well on its way to achieving its goal: to deny as many claims as possible and protect BP’s profits. Feinberg’s firm receives \$850,000 a month from BP to administer the claims facility, a powerful incentive to tailor the claims program to the oil company’s interests.

The well blowout aboard the Deepwater Horizon drilling rig April 20 claimed 11 lives and set into motion the largest oil spill disaster in US history, destroying miles of coastline in the Gulf of Mexico, causing widespread damage to wildlife and the environment, and spelling disaster for the region’s economy.

From the beginning, BP, with the collusion of the Obama administration, had no intention of adequately compensating fishermen, the local tourism industry and other individuals and businesses for their massive losses as a result of the disaster. While the \$20 billion

fund was grossly inadequate from the start, it is now clear that even this sum will not be forthcoming.

According to its own figures, the ICF has received about 468,000 claims. This means that only a little more than a third of those seeking compensation have received any money whatsoever from the fund. According to Feinberg, those who have been denied payment have lacked “sufficient documentation” to warrant payment. However, this did not stop Feinberg from cynically commenting Tuesday that he “will bend over backwards to pay claims.”

Most of the \$2.7 billion has been paid in the last four months in the form of temporary, emergency payments to claimants. More than 30,000 payments, totaling about \$140 million, have come as a result of the “quick fix” option announced by Feinberg last month. While touted as a response to criticisms that the claims process was moving too slowly, the main function of the “quick fix” is to get individuals and businesses to waive their rights to sue BP and other companies involved in the spill.

Under this option, if they have already received a previous emergency payment, within two weeks individuals can receive a \$5,000 check; businesses can get a \$25,000 check. To qualify, they must waive their rights to sue BP and the other companies. Under conditions where some eight months after the disaster individuals are struggling economically to stay afloat, these payments amount to blackmail to protect BP from future lawsuits.

From the outset, Feinberg made it clear that a large segment of those affected by the oil spill would not be entitled to compensation. Among these were fisherman who operated on a cash basis and tourism businesses and homeowners deemed—by BP—as “not directly affected” by the oil spill. As it is widely known that

much of the fishing industry in the Gulf operates as part of what is known as the “informal economy,” shrimpers and other fisherman were destined from the start to be denied compensation.

Dan Ward of Florosa, Florida, owner of Gulf Coast Tire and Automotive, is representative of the thousands of people whose claims are now being denied. Ward told the *Northwest Florida Daily News* that more than 25 percent of his summer business comes from tourists, and he had lost about \$52,000 last summer.

After receiving \$5,000 for each of the months of June, July and August, since then he has received nothing, despite filing the appropriate paperwork and visiting the local claims office eight times over a three-month period. On December 10, he received notification that his claim had been denied, but was provided no explanation.

“The frustrating part about it is they won’t give you any information,” Ward said. “They won’t tell you who is handling your claim. You can’t talk to a live individual. They just kept me in limbo for three months, total, and finally they said my claim was denied. I want to know why the claim was denied.”

Feinberg’s statements indicate that more oil spill victims can expect to meet a fate similar to that of Dan Ward. His remarks also came just days before the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling issued a preliminary portion of its findings.

In a 48-page chapter released to the media on Thursday, the presidential commission stated, “Most of the mistakes and oversights at Macondo [oil well] can be traced back to a single overarching failure—a failure of management. Better management by BP, Halliburton, and Transocean would almost certainly have prevented the blow-out.”

On the question of liability, the report states, “BP, its partners...and its key contractors (particularly Halliburton and Transocean) face potential liability for the billions more necessary to restore natural resources harmed by the spill.” But because the report faults the companies as a group, rather than pinning the blame exclusively on BP, it may bode well for BP management in fighting liability suits.

Richard Griffith, analyst at Evolution, commented, “This supports our view that a gross negligence case against BP looks hard to prove and could ultimately

reduce BP’s liabilities.” A legal finding that BP acted with “gross negligence” could potentially greatly increase the penalties it would have to pay in civil actions now under way.

The full report from the presidential commission on the Gulf oil spill is due to be released January 11.



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