

One year since the BP oil spill: A colossal failure of the “free market”

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This second installment in a four-part WSWS series marking the first anniversary of the BP Gulf oil disaster focuses on the role of deregulation in creating conditions for the Deepwater Horizon oil rig blowout. See also, “One year since the BP oil spill: Covering up a catastrophe.”

An overwhelming body of evidence from investigative hearings, media reports, and Deepwater Horizon rig workers demonstrates that the April 20 explosion and subsequent oil spill was a direct product of the negligence and cost-cutting of BP. In the months, days and hours leading up to the disaster, the energy giant ignored numerous warnings that a blowout was likely so that it could hurry its Macondo well into production.

This blatant disregard for workers’ and environmental safety was possible only due to the near total absence of government regulation. BP and rig operator Transocean could trample over safety concerns in the knowledge that there would be no consequences from the federal agency with primary jurisdiction over deep-sea oil drilling, the Minerals Management Service (MMS) of the US Department of the Interior.

The BP Gulf oil blowout was, in short, a consequence of capitalism—and, in particular, systematic deregulation and promotion of the “free market” as the sole arbiter of industrial practices.

Since the late 1970s, successive Democratic and Republican administrations have worked to remove virtually all legal limitations on the pursuit of corporate profit. Major corporations have been left to supervise their own safety, environmental, and ethics practices.

Deregulation has produced disaster after disaster in recent years. In April 2010, an explosion at West Virginia’s Upper Big Branch mine killed 29, the deadliest US mine disaster in decades. The Mine Health and Safety Administration had failed to enforce safety regulations. There have been repeated recalls of poisoned and spoiled food from plants that went uninspected by the Food and Drug Administration. This year has seen a deterioration of conditions in the air travel industry, ostensibly overseen by the Federal Aviation Authority, including overworked air traffic controllers falling asleep on the job and planes literally falling apart in air.

Perhaps most significantly, the financial implosion of late 2008 caused by Wall Street’s swindling and double-dealing was green-lighted by several federal regulatory authorities, including the Securities and Exchange Commission.

Rather than calling for new regulation of industry in response to these and other disasters, the Obama administration has done just the opposite. On January 18 of this year, Obama issued an executive order calling for a comprehensive review of all federal regulation. The aim was not to address the breakdowns and conflicts of interest that have created the catastrophes, but to establish a regulation “only upon a reasoned determination that its benefits justify its costs” for “affected stakeholders

in the private sector.”

Deregulation and the BP blowout

By the time of the Deepwater Horizon blowout, the MMS had long since established its primary purpose as a vendor of offshore oil drilling rights to large multinationals, the fifth most significant source of revenue for the federal government.

The revolving-door between industry and the MMS and the money involved combined to create a particularly corrupt agency. This came to a head in 2008 when an inspector general’s report revealed that MMS agents regularly engaged in inappropriate relations with oil industry figures, such as accepting forms of payment that included drugs and sex.

The notion, promoted in liberal circles, that Obama could serve as some sort of antidote to “Big Oil” and its sway over government was false. While the oil industry as a whole has tended to favor Republicans, BP employees handed over \$71,000 to Barack Obama in the 2008 elections—more than to any other candidate. BP has also given millions to leading Democrats to lobby on its behalf, among them John and Tony Podesta, former Democratic Senator Tom Daschle, and Leon Panetta, now Obama’s CIA director.

In fact nothing changed. Obama not only continued, but deepened, Bush’s policy of expanding deep sea oil drilling. Only three weeks before the blowout on the Deepwater Horizon, Obama issued his own “Five-Year Program” for offshore and deep-sea drilling. The proposal called for opening up areas for drilling stretching from Delaware to Florida on the Atlantic Coast as well as along Florida’s Gulf Coast.

In April 2009, the Obama administration went to court to overturn an order blocking the continuation in the Gulf of the Bush administration’s “Outer Continental Shelf Oil and Gas Leasing Program, 2007-2012.” In response to a suit brought by the Center for Biological Diversity against the Bush administration, the Washington DC federal court of appeals ruled that expanded deep-sea drilling violated the Outer Continental Shelf Lands Act (OCSLA) because it failed to adequately analyze the “relative environmental sensitivity” of impacted areas.

The Obama administration’s secretary of the interior, Ken Salazar, a close friend of the oil companies, successfully appealed the ruling. He argued that the Center for Biological Diversity had “not identified any injury arising from the mere existence of these [drilling] leases, nor from further exploration and development activity on the Gulf of Mexico leases.” Salazar further stated that exploration had already begun, and that “attempting to restore the status quo ante would therefore be extraordinarily difficult.” The petition went on to note the substantial amounts of money that oil firms had already wagered on the exploitation of the deposits.

In July 2009, the court tentatively approved Salazar's petition, with the proviso that the MMS produce an environmental impact study for deep-sea oil drilling in the Gulf. The study was never completed.

The same month, the Obama administration granted BP a "categorical exemption" from producing a legally required environmental impact study and approved its exploration plan for "site 206," the future location of the Macondo well.

"Salazar approved BP's exploration plan without any environmental analysis on April 6, 2009, knowing that the lease could get struck down by an active lawsuit," said Kieran Suckling of the Center for Biological Diversity. "When it was struck down 11 days later, he went back to court to get the BP exploration drilling (and other areas) removed from the vacature. His success in this legal maneuver allowed BP's exploration drilling to take place, resulting in the April 20, 2010 catastrophic disaster."

The Department of the Interior's work on behalf of BP to expedite production at the Macondo well continued until the day of the explosion. A *Wall Street Journal* investigative report revealed that in the week before the disaster, BP requested and received regulatory approval to make three changes in its drilling plans within the space of 24 hours. One of these was approved by the MMS within five minutes of submission. All three requests had to do with BP using a single pipe casing, presumably to save time, rather than the industry "gold standard" of double casing, according to experts. The changes very likely contributed to the disaster.

Buildup to the disaster

The Deepwater Horizon was an exploratory rig, not a producer of oil. The explosion took place during the well-capping process, in which the state-of-the-art semi-submersible oil platform was to leave the well so a production rig could come on-line to begin extracting oil.

The Deepwater Horizon cost BP about \$1.5 million per day to lease from Transocean. Of more concern to BP was moving the rig on to explore new sites and to get the Macondo well into active production. A large well, the Macondo was, in theory, capable of producing tens of millions of dollars worth of crude per day.

There had been evidence before the explosion that the Macondo was a problem well, or "nightmare well" as rig workers called it. In three months of drilling the exploratory well, the Deepwater Horizon had four "well control events," with fluid and gas coming up the riser pipe connecting the rig to the well.

Evidence of such difficulties should have caused extra precaution on the part of BP and rig operator Transocean, or even the abandonment of the site. Instead, BP repeatedly cut corners and chose cheaper, but less safe, methods and equipment.

* BP chose to use a well casing design that left few barriers against the potential eruption of gas. This was despite an internal review prepared in mid-April that warned that such a design would leave the seal assembly on the wellhead as the "only barrier" in the event of cement failure—and even though an internal BP study had predicted cement failure. "Cement simulations indicate it is unlikely to be a successful cement job due to formation breakdown," a report found days before the blast.

The House Energy and Commerce subcommittee that investigated the disaster concluded that "BP chose the more risky casing option, apparently because the liner option would have cost \$7-10 million more and taken longer."

* BP used far fewer centralizers—devices that keep the pipe centered to prevent gas from escaping during the cementing process—than industry standards called for. If the tubing is placed incorrectly, experts say it is

difficult or impossible to properly replace mud at the time of well capping, increasing the chances of blowout.

"Industry specifications said they should use 21 centralizers, but they only used 6," the House committee noted. "They had another 15 ready to ship out there; they may have even flown them out to the rig. BP just sent them back."

Halliburton, the cementing contractor aboard the rig, warned BP the well could have a "SEVERE gas flow problem" if only 6 centralizers were used. In an email written April 16, four days before the explosion, a BP official involved in the decision-making wrote, "It will take 10 hours to install [the extra centralizers] . . . I do not like this." Another BP official acknowledged the risks related to using few centralizers, but concluded, "who cares, it's done, end of story, will probably be fine."

*BP failed to do a final check, known as a cement bond log, on the well's cement casing, even though the crew that was supposed to do the procedure had been flown onto the rig to conduct the test. The testing crew left less than 12 hours before the blowout occurred. An independent expert consulted by the committee called this decision "horribly negligent."

The negligence continued right on up to the explosion. On the day of the disaster, BP disregarded several "kicks" of oil and natural gas coming up the riser pipe. Then, five hours before the blast, the rig crew found unusually low pressure inside the riser pipe, "suggesting there were leaks" in one part of the blowout preventer, according to the House subcommittee.

Two hours before the explosion, a test that involved reducing the well's pressure revealed three times more fluid than previously expected. In a follow-up test, the crew found abnormally high pressure on the "kill line," one of the pipes connecting the rig to the blowout preventer on the ocean bottom. Though this was an "indicator of a very large abnormality," BP concluded it was "satisfied" and that the test was "successful," according to the committee's findings.

In these final two hours, one survivor said the "well continued to flow and spurted," even though no drilling was going on. This abnormality coupled with the failed tests should have halted well-capping and initiated an emergency response. Instead, BP proceeded to replace heavy drilling mud inside the well—which was keeping the well pressure in check—with seawater.

Within an hour of the explosion, readings indicated that this seawater was moving up the riser. Eighteen minutes before the explosion, the rig's pump stopped working. At this point the crew tried to activate the blowout preventer (BOP), a five-story tall structure located on the ocean floor that is designed to seal the well in the event of a blowout.

The BOP, manufactured by Houston-based Cameron International, failed catastrophically. Powerful shear rams designed to slice through the pipes and cut off the flow of oil did not operate because hydraulic fluid did not reach the BOP.

BP and the Obama administration have claimed that the failure of the BOP was unforeseeable. In fact, numerous studies conducted by independent companies and the US government as well as BP and Transocean had revealed significant problems with blowout preventers in general and the equipment at the Deepwater Horizon rig in particular.

Analyzing oil trade information on BOPs, the *New York Times* observed that failures of BOPs were "common knowledge in the drilling industry." In one study, a Norwegian company, Det Norske Veritas, found that blowout preventers have a failure rate of 45 percent.

Another study, authorized by the MMS, found 117 cases of BOP failures in just 83 wells, and concluded that "all subsea BOP stacks used for deepwater drilling should be equipped with two blind-shear rams," in case one of them fails. The MMS refused to act on the information.

Specific concerns were repeatedly raised about the BOP on the Deepwater Horizon rig.

An internal Transocean document from 2001 found the BOP had 260 “failure modes” that could prevent proper functioning in an emergency. In addition to faulty hydraulics, the BOP also had a dead battery and shear rams that could not possibly cut through connecting joints in the piping—which comprise 10 percent of the pipes’ surface area.

All of this was made possible by the MMS, whose inspections involved rig personnel attesting that all equipment worked and that safety procedures were being followed. In a May 2010 inspector general’s report, it was revealed that over a period of two years MMS agents allowed oil industry employees to pencil in answers on regulatory checklists. The MMS then went over these with ink pens.

Yet even this toothless inspection regime was not always followed. The MMS, according to its own policy, was required to visit the Deepwater Horizon once per month. The MMS failed to do so, and in fact was incapable of providing a clear statement of how many times its agents did visit the rig. This is unsurprising given that the agency had only 50 inspectors to monitor the many thousands of drilling operations in the Gulf of Mexico.

The aftermath of the explosion

In spite of the catastrophe created by deregulation and the free market, the Obama administration responded to the disaster by insisting that only BP, the party primarily responsible for the blowout, could manage the response. In other words, the same disastrous policy that led to the disaster—the subordination of all considerations to profit—would determine the response.

One particularly revealing example of the total subservience of government regulators to the corporations involved BP’s use of the chemical dispersant Corexit 9500 to break up the oil slick on the ocean’s surface. Corexit’s producer, Nalco, refused to reveal what was in the highly toxic product, claiming this was a “trade secret.”

On May 19, the Environmental Protection Agency (EPA) gave BP 72 hours to stop spraying the chemical until more data comparisons could be run against other—and by the EPA’s own data—less toxic and more effective dispersants.

BP simply flouted the injunction, and EPA head Lisa Jackson quickly shifted to defending the oil firm, accusing those angered by the White House back-down of “Monday-morning quarterbacking.”

In another abortive effort to appear to be “tough” with BP and the oil industry, the Obama administration imposed a moratorium on deep-sea oil drilling in May 2010. This limited moratorium, presented as a “ban” by the media, in fact applied to a relative handful of exploratory sites.

Nonetheless, the oil industry and its most loyal political spokesmen, including Democratic Senator Mary Landrieu of Louisiana, responded with a high profile campaign declaring that the moratorium—and not the oil spill—would destroy the regional economy. In October 2010, Obama lifted it completely, and has since handed out ten permits for deep-sea drilling sites.

The moratorium and Obama’s attempts to appear “angry and frustrated” were for public consumption. During the first two months of the disaster, the administration issued 10 new drilling permits to BP and about 200 new offshore drilling permits overall—including three that were given the same “categorical exception” from environmental impact statements granted to BP for the Macondo well.

Almost nothing has changed. The MMS has done some desk reshuffling and been given a new name, the Bureau of Ocean Energy, Management and Regulation (BOEMR.) One of its first acts was to discontinue announcements informing the public when it grants new deep-sea drilling

permits. The number of inspectors working the Gulf oil industry, 50, remains unchanged.

Congressional Democrats never followed through on promises to raise the ludicrously low \$75 million liability cap on corporations responsible for oil spills, and with Republican control of the House, the matter is no longer up for consideration.

To be continued



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