

BP settles for \$4.5 billion in federal criminal charges

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Oil conglomerate BP will pay only \$4.5 billion towards all federal criminal claims relating to the 2010 Gulf oil rig explosion which killed eleven workers and leaked 4.9 million barrels of crude oil into the Gulf of Mexico. The settlement was announced by the US Justice Department in a press conference on Thursday.

BP also pleaded guilty to the manslaughter of the eleven workers that were killed in the explosion, obstruction of Congress and two other misdemeanors.

Included in the deal is \$2.4 billion for the National Fish and Wildlife Foundation for the cleanup of the Gulf Coast, \$1.3 billion in criminal fines, \$525 million to the Securities and Exchange Commission and \$350 million to the National Academy of Sciences to establish a 30-year endowment to study the Gulf ecosystem. The SEC accused BP of misleading investors by giving false accounts of how much crude oil was spilling into the Gulf.

This is the extent of the “historic”—as Attorney General Eric Holder called them—criminal fines that BP will pay for destroying large parts of the Gulf ecosystem, one of the greatest environmental disasters in US history. The total damage to the entire Gulf region has not been estimated, but is easily in the trillions of dollars. There is also no account of the long-term impact of the spill, both economically and environmentally.

All that is “historic” about the fines of BP is that it signals to the entire oil industry that the penalty for criminally wrecking the environment is less than the profits of a single quarter—in other words, the cost of doing business.

The case of the Justice Department does not include any indictments of top executives at BP. In the pursuit of profits and cost-cutting, the company engaged in reckless behavior and ignored safety warnings, with the

collusion of government regulators.

The response to the paltry amount BP will pay in criminal charges was celebratory. BP chairman Carl-Henri Svanberg stated, “We believe this resolution is in the best interest of BP and its shareholders.” The New York Stock Exchange concurred with this assessment as BP’s stock rose \$0.14 the day of the announcement.

To the extent that anyone is being charged with criminal conduct, the US government and BP are doing their best to find scapegoats. They have selected Donald Vidrine and Robert Kaluza, the drilling managers of Deepwater Horizon at the time of the explosion, to be charged with 11 counts of negligent manslaughter (with the possibility of ten years in prison per count) each. This is in addition to former BP engineer Kurt Mix who was charged with obstruction of justice in April for deleting text messages showing that BP executives were aware of the dangers on Deepwater Horizon prior to April 20.

The only person that will be held accountable within BP for the systematic lying and falsification about this immense social crime will be David Rainey. He is the former vice president of Gulf of Mexico production, and he is only being charged with obstruction of Congress.

Beyond these few people, there is a chance that others will be charged, but the Obama administration's level of involvement in protecting BP has makes it highly unlikely that any top executives will be held accountable.

From the beginning, the Obama administration bent over backwards to protect BP and the oil industry in general. They demanded that BP set up an escrow fund of only \$20 billion to compensate the entire Gulf Coast, of which less than half has been distributed. BP was allowed to charter fleets of boats that were forced to sit

in the harbor rather than assess the extent of the oil spill. Independent investigators were turned away by the US Coast Guard, acting on behalf of BP.

In addition, BP has been allowed to resume operations in the Gulf—indeed, to expand them. It has seven operational rigs in the area and plans to make two more operational in 2013.

Exploration into Arctic drilling is also well underway by BP and other companies, including Shell Oil. In the aftermath of the BP spill, nothing has been done to improve environmental safety. In all cases, every effort is being made to sustain and increase the profitability of BP and the oil industry as a whole.

The continued safety problems involving oil drilling were highlighted Friday, the day after the BP settlement was announced, when an explosion on a production rig in the Gulf of Mexico injured 11 workers. Two are still missing.

The settlement also does nothing to address the civil charges against BP. In fact, BP has issued statements to the effect that it will use the criminal settlement to minimize what it must pay out in civil penalties. Svanberg stated, “It removes two significant legal risks and allows us to vigorously defend the company against the remaining civil claims.”

The highest fine that could be levied against BP would be by the US government under the Clean Water Act on a charge of “gross negligence.” This means that BP acted with “wanton and reckless conduct.” Such a charge would result in BP paying \$4,300 per barrel, or a total of approximately \$20 billion. The lesser charge of “negligence” would result in a fine of approximately \$5 billion.

Past charges against BP are summed up in a potential settlement that was reached in March of \$7.8 billion to nearly 100,000 fishermen and small businesses in the Gulf region, based on the destruction of their livelihoods. The plaintiffs in this case were forced to take such a small sum, \$78,000 each, to avoid years of litigation. The final dispensation is still being weighed by a US district judge.

The highest estimate for how much BP will eventually pay in civil suits is \$90 billion. However, this requires the company to be sanctioned for every possible violation—including federal and state sanctions under the Natural Resource Damages Act, and assorted civil, securities and state economic loss claims, an

unlikely scenario.

In any event, BP will only ever pay a fraction of what is needed to restore the Gulf of Mexico, even as the company makes billions in profits.



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