

Transocean settles for \$1.4 billion in criminal and civil charges

Bryan Dyne
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Transocean Deepwater Inc. has settled for only \$1.4 billion towards all criminal and civil claims relating to the company's Deepwater Horizon oil rig explosion in 2010, which leaked 4.9 million barrels of crude oil into the Gulf of Mexico and killed eleven workers. The settlement was announced by the Department of Justice on Thursday.

The settlement, which must still be approved by US District Judge Carl Barbier, precludes other criminal fines that would have arisen if Transocean went to trial in New Orleans over the spill, which was set to begin February 25. Furthermore, the settlement will not require Transocean to plead guilty to any crime relating to the deaths of the eleven workers killed on the oil rig, in contrast to BP, which pleaded guilty to eleven counts of manslaughter.

The deal consists of criminal penalties and fines of \$400 million. \$150 million of the criminal settlement goes towards restoring the habitats in the Gulf of Mexico that were affected by the spill and a further \$150 million will go towards oil spill prevention and response research in the Gulf. The criminal penalties are from a charge of "negligence" against Transocean by the Justice Department. The more serious charge of "gross negligence," defined as "wanton and reckless conduct," was not levied.

The civil settlement is \$1 billion in civil penalties for violations of the Clean Water Act. \$800 million of that will be directed by the RESTORE Act of 2012 and will be used to fund environmental and economic projects for Gulf states. The civil resolution also reserves the claims for natural resource damages and clean-up costs.

Much has been said about the record amount of civil penalties that Transocean is required to pay, more than BP settled for last November. Attorney General Eric Holder called the settlement "significant" and claimed

that it is "justice for the human, environmental, and economic devastation wrought by the Deepwater Horizon disaster."

However, as with the \$4.5 billion BP settlement, Transocean is being required to pay a paltry amount, over the course of five years, for its part in the 2010 explosion. It pales in comparison to the estimated worth of the Gulf region of more than \$1 trillion, ignoring long-term environmental and economic effects. Transocean's fund for claims from individuals and business for damages relating to the spill is only \$2 billion.

The "justice" that is being meted out is merely a further signal by the Obama administration to oil drilling companies that the fines imposed for an oil spill, no matter how damaging, are not punitive but merely the cost of doing business.

The response of the market to Transocean's settlement was favorable. The shares of Transocean Ltd. rose 6.4 percent Thursday and rose again Friday, by 5.3 percent, closing at \$51.82.

The current settlement by Transocean does not include charges against any Transocean officials. In fact, the settlement places the blame on the crew of the Deepwater Horizon. The settlement states that Transocean's crew "were negligent in failing fully to investigate clear indications that the Macondo well was not secure and that oil and gas were flowing into the well."

This statement is designed to shield and absolve Transocean and BP of any responsibility for the explosion. It ignores the mass of reports that surfaced in the weeks and months after the explosion that the actions of Transocean and BP were directed towards making up cost overruns caused by delays in drilling, which drove the companies to ignore safety concerns

around the backlog of necessary maintenance for the oil rig and to attempt to cap the Macondo well with substandard materials.

There were also reports that revealed that BP had advance warning of the explosion, but chose to continue operations to avoid another \$500,000 per day rental fee on the rig. Another report indicated that the Deepwater Horizon was drilling for oil at 25,000 feet below the seabed, 5,000 feet deeper than allowed by its permit.

Placing the responsibility for the explosion on the Transocean crew also allows the US government, particularly the Minerals Management Service (since renamed the Bureau of Ocean Energy), to avoid any responsibility. From January 2005 to April 2010, there were sixteen fewer inspections of the Deepwater Horizon than there should have been. Inspections from 2010 had data “whited out” without explanation.

Such actions coincide with the policy of the Bush and Obama administrations, which have both done their utmost to protect the oil industry from civil and criminal suits. BP’s fund for compensation for the entire Gulf coast was only \$20 billion. BP has been doing its best to avoid paying even that amount.

In addition, the Obama administration has allowed oil drilling to expand. BP has seven operational oil rigs in the Gulf of Mexico and plans to bring two more operational this year. Shell Oil’s Arctic drilling efforts are ongoing despite a series of accidents over the last year, including the most recent, in which one of its oil rigs ran aground in the Gulf of Alaska.

The next significant settlement dealing with the 2010 spill will most likely involve the full scope of the civil penalties facing BP. A trial is set for February 25. The company faces civil suits for a maximum of \$90 billion for the estimated 4.9 million barrels of crude oil that spilled into the gulf. A settlement is possible before this date.



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