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Cost of Doing Business: BP's \$730 million in fines/settlements + 2 criminal convictions

by Tyson Slocum

BP is a London-based oil company with the worst safety and environmental record of any oil company operating in America. In just the last few years, BP has pled guilty to two crimes and paid over \$730 million in fines and settlements to the US government, state governments and civil lawsuit judgements for environmental crimes, willful neglect of worker safety rules, and penalties for manipulating energy markets.

WORKER SAFETY – \$215 million in penalties/settlements

- BP paid the two largest fines in OSHA history – \$87.43 million and \$21.36 million – for willful negligence that led to the deaths of 15 workers and injured 170 others in a March 2005 refinery explosion in Texas.

- In September 2005, OSHA cited BP for 296 “Egregious Willful Violations” and other violations associated with the explosion, fining BP \$21.36 million and entering into a settlement agreement under which BP agreed to corrective actions to eliminate hazards similar to those that caused the explosion. In October 2009, OSHA determined that BP was in non-compliance with the settlement agreement, finding 270 “notifications of failure to abate” and 439 new willful violations, resulting in the \$87.43 million fine. The U.S. Chemical Safety & Hazard Investigation Board concluded in 2007 that “The Texas City disaster was caused by organizational and safety deficiencies at all levels of the BP Corporation.

Warning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it.” This followed an August 2004 OSHA fine against BP for \$63,000 for violations at the same facility. In December 2009, a Texas jury returned a \$100 million award against BP on behalf of workers injured in 2007 at the Texas City refinery while making repairs after the 2005 blast.

- Just last month, BP paid \$3 million fine to OSHA for 42 willful safety violations at one of its refineries in Ohio. This follows a \$2.4 million fine BP paid for safety & health violations at this refinery in April 2006.

- In September 2001, OSHA fined BP \$141,000 after an explosion killed 3 workers at BP's Clanton Road facility.

- In October 2007, the Minerals Management Service fined BP \$41,000 for various safety violations.

- In October 2006, the Minerals Management Service fined BP \$25,000 because “operations were not performed in a safe and workmanlike manner. While making an assessment of the unsafe conditions on the platform that needed repairing, the construction crew did not barricade a 3’4” x 3’4” opening in the stairway landing. Later, one of the crew members was injured when he fell through the open hole approximately 20’ and into the Gulf of Mexico.”

- In July 2004, BP paid a \$190,000 penalty to MMS for safety violations that resulted in a fire. In February

2004, MMS fined BP \$25,000 because “The Rig’s Gas Detection System was bypassed with ongoing drilling operations being conducted.” In November 2003, MMS fined BP \$25,000 for violations that resulted in an oil rig crane falling into the Gulf of Mexico. In July 2003, MMS fined BP \$20,000 because a subsurface safety valve was “blocked out of service.” In January 2003, BP was fined \$70,000 by MMS for a faulty fire water system. Also that month, BP was fined \$80,000 by MMS for bypassing “Relays for the Pressure Safety High/Low for four producing wells.” In January 2002, MMS fined BP \$20,000 for a safety violation. In May 2002, MMS fined BP \$23,000 for a workplace safety violation that resulted in a worker having his hand injured from an electrical shock. In September 2002, MMS fined BP \$39,000 for missing 13 monthly tests of an “oil low level sensor.” In February 2001, MMS fined BP \$20,000 for workplace violations resulting in serious injury to an employee.

ENVIRONMENTAL VIOLATIONS – \$153 million in penalties/settlements, plus a guilty plea to an environmental felony and one criminal misdemeanor.

- In October 2007, BP agreed to pay a \$50 million fine and plead guilty to a felony violation of the Clean Air Act and will serve three years of probation for the Texas City refinery explosion. Additionally, the EPA required BP to pay \$785,662 to resolve Emergency Planning and Community Right-to-Know Act violations at its Texas City refinery in March 2009. In 2006, the

Texas Commission on Environmental Quality fined BP \$130,625 for unlawful releases of harmful pollutants at its Texas City refinery.

- In October 2007, BP plead guilty to one misdemeanor of the Clean Water Act, agreed to serve three years probation, pay \$4 million to the National Fish and Wildlife Foundation to support research and activities on the North Slope, pay \$4 million in restitution to the State of Alaska and a \$12 million fine for spilling 200,000 gallons of crude oil onto the Alaskan tundra in March 2006. Investigators determined the leak was caused by a build up of sediment in the pipe, and that BP failed to properly inspect or clean the pipeline, which is required by law to prevent pipeline corrosion. The investigation revealed that in 2004, the company became aware of increased corrosion in the pipeline. In March 2009, the Department of Justice filed a civil lawsuit against BP for failing “to comply in a timely manner with a Corrective Action Order” involving this oil spill.

- In May 2002, the Alaska Department of Environmental Conservation required BP to pay a \$150,000 fine for pipeline leaks.

- In February 2009, BP paid a \$12 million civil penalty for “noncompliance with a 2001 consent decree and Clean Air Act regulations requiring strict controls on benzene . . . generated during petroleum refining” at BPs Texas City refinery.

- In March 2005, the South Coast Air Quality Management District forced BP to pay a \$25 million penalty and \$6 million in past emissions fees for air quality rule violations at BPs Carson refinery.

- In October 2006, BP paid a civil penalty of \$900,000 for producing and distributing gasoline that failed to meet Clean Air Act standards.

- In October 2007, BP paid a \$6,350 fine for failing to perform adequate corrosion protection inspections at three

underground gasoline storage tanks. In June 2007, the Michigan Department of Environmental Quality fined BP \$869,150 for leaking underground gasoline storage tanks.

- In May 2005, BP paid a \$58,687 fine to settle allegations it violated the Clean Air Act at its Whiting, Indiana refinery, and paid an additional \$13,203 fine in December 2006 for an illegal release of anhydrous ammonia at this same Indiana refinery. In November 2007, the EPA cited BP for numerous Clean Air Act violations at its Whiting facility, and amended this notice of violation in October 2008. In June 2009, the EPA revived additional allegations of Clean Air Act violations at the same refinery.

- In June 2005, BP paid a civil penalty of \$115,138 for violations of the Clean Water Act, Safe Drinking Water Act and Oil Pollution Act on the Lander and Winkelman Dome Oil Fields in Fremont County, Wyoming within the boundaries of the Wind River Indian Reservation of the Eastern Shoshone and Northern Arapaho Tribes.

- In August 2005, BP paid a civil penalty of \$28,360 for violating EPA’s gasoline detergent additive regulations.

- In February 2000, BP paid \$22 million to settle criminal and civil charges arising from illegally discharged waste oil and hazardous substances at the company’s North Slope drilling operations. BP was also placed on 5-year probation and was required “to establish a nationwide environmental management system designed to prevent future violations.”

- In February 1995, BP paid \$3.9 million to settle charges related to a tanker accident that spilled 400,000 gallons of oil into California’s coastal waters.

- In March 1999, BP paid \$1.75 million to settle allegations it violated the Clean Air Act at its Toledo, Ohio refinery.

- In January 2001, BP paid \$10 million to resolve allegations it violated the

Clean Air Act at 8 of its refineries.

- BP was one of several oil companies found to have contaminated drinking water with MTBE. The companies collectively were required to pay \$423,963,564.67 in March 2008. It is unknown what share of this settlement BP was required to pay.

PRICE-GOUGING CONSUMERS/ TAXPAYERS: \$363 million in penalties/settlements

- In October 2007, BP paid \$303 million to settle allegations it manipulated the US propane market. The feds might still be investigating BPs broader role in manipulating crude oil markets: in a filing with the Securities and Exchange Commission on August 9, 2007, BP revealed that “The US Commodity Futures Trading Commission and the US Department of Justice are currently investigating various aspects of BP’s commodity trading activities, including crude oil trading and storage activities, in the US since 1999.”

- In two separate actions, the Federal Energy Regulatory Commission fined BP a total of \$21 million for manipulating the California electricity market, Enron-style.

- In October 2007, FERC ordered BP to pay a \$7 million civil penalty for engaging in anti-competitive practices with its operation of natural gas pipelines.

- In April 2000, the Department of Justice forced BP to pay \$32 million “to resolve claims under the False Claims Act and administrative claims that the corporation underpaid royalties due for oil produced on federal and Indian leases since 1988.”

- BP legally escaped paying \$172,508,633 in royalties to US taxpayers on leases it operates in the Gulf of Mexico.

- In July 1997, BP’s oil traders were found to have colluded with two other firms to fix the price of commissions.