
The Washington Post

JUNE 29, 2010

Oil industry cleanup organization swamped by BP spill

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For the past two decades, companies that produce and transport oil have channeled tens of millions of dollars a year into an organization they set up to provide cleanup equipment and personnel if a catastrophic offshore spill were ever to hit the United States.

But when that spill occurred two months ago, it soon swamped the Marine Spill Response Corp.

MSRC “has never had to deal with anything even remotely this large and chaotic,” said Kieran Suckling, executive director of the Center for Biological Diversity, which is suing BP for damages under the Clean Water Act.

MSRC officials say they expect to be in the spotlight as Congress investigates whether the industry and the nation should have been better prepared for a disaster on the scale of the one playing out in the Gulf of Mexico. Congress also is likely to look into whether the tax-exempt company’s equipment -- much of it two decades old -- is up to the current challenge, as wells move farther out to sea and deeper below the ocean.

“Should the industry’s capacity have been greater than it is? That’s a fair question,” said Steve Benz, MSRC president and a former BP executive. He stressed that the U.S. Coast Guard set benchmarks for how much equipment and manpower large



Oily waves come ashore in Orange Beach, Ala., Wednesday, June 30, 2010. Heavy seas from Tropical Storm Alex helped push more oil from the Deepwater Horizon disaster towards the Florida and Alabama coasts. (Dave Martin / AP)

oil-recovery companies should have. Also, he said, any standing operation would have difficulty immediately capturing the volume of oil gushing from the Gulf well.

“If this happened again, should we already have in place 20,000 people and 1,000 boats?” Benz asked. “You can’t build a firehouse that big and have it make any reasonable economic sense. You need to prevent the fire in the first place.”

Congress has been here before. Twenty years ago, after the Exxon Valdez dumped millions of gallons of oil into Prince William Sound, lawmakers angrily reacted -- much as they have today -- by vowing to ensure that such devastation would never happen again. Congress passed the Oil Pollution Act of 1990, requiring companies transporting

oil over water to have ready access to clean-up equipment adequate for the worst possible spill. Big oil companies banded together to form MSRC.

Far from the coast, the nonprofit is run out of nondescript offices in Herndon, Va., sharing a building with a credit union and a title company. The company, which calls itself the nation’s largest oil spill recovery organization, remained low-profile while growing to more than \$100 million in assets. Its resources include 400 employees and 15 large oil-recovery ships dubbed “Big Blues” and positioned in the lower 48 states and Hawaii. It and its contractors have responded to 700 spills, none approaching the magnitude of the Deepwater Horizon blowout.

State and regional officials familiar

with MSRC's past work say it does a good job handling more contained environmental challenges. But now MSRC finds itself leading the charge in a much different battle.

"There is no asset MSRC has that is designed to collect oil 5,000 feet under the seas," said Brett G. Drewry, chief executive of the industry-backed organization that funds MSRC.

That fact did not stop BP and other companies from citing MSRC, alone or alongside for-profit cleanup companies, as their first responder for massive spills. Oil companies, Congress and regulators point to MSRC as evidence of lessons learned from Valdez. Suckling said safeguarding the coasts should not be left to private industry.

"It seems to me there is a real significant conflict of interest here," he said. "When you are dealing with an issue that has such enormous stakes for public health and safety, it should be in the government's hands."

In most spills, recovery efforts capture only between 10 and 15 percent of the leaked oil, according to several state and industry experts.

Rep. Lynn Woolsey (D-Calif.), wants to increase funding for federal research into spills. "The fact that we didn't have the technologies in place to prevent and respond to these kinds of disasters before we allowed drilling 5,000 feet underwater is totally unacceptable," Woolsey said.

MSRC sprang from a cost calculation by big oil. The companies decided that, rather than each buying its own armada of skimmers, it would be cheaper and more efficient to work together.

In 1990, they formed the non-profit Marine Preservation Association and based it in Scottsdale, Ariz. MPA, in turn, funded the creation and operations of MSRC.

The structure was designed to shield oil companies from liability, in case MSRC was later found responsible for damages related to a skimming operation, according to officials at both organizations.

By joining MPA, oil companies gain the right to enter service agreements with MSRC, said Judith Roos, an MSRC spokeswoman. If a spill occurs, companies then pay MSRC for individual cleanup services.

At its inception, MSRC commissioned 15 specialty ships, each 210 feet long with temporary storage for 4,000 barrels of recovered oil. Today, the corporation's annual operating budget is about \$80 million.

For most spills it has handled, MSRC has been the primary or only responder, cleaning up the mess on its own or through its contractors. But the BP blowout has required much greater resources.

Within hours of the explosion, MSRC dispatched four skimmers; they arrived while the fire was still burning. MSRC is providing the largest number of skimming vessels in the off-shore fleet, Benz said. Specific figures are unclear, but Benz said that "well over half" of the oily water recovered offshore has been collected by MSRC and its contractors.

Onsite today in the gulf are 10 Big Blues. Two more, now in California, should arrive soon. (MSRC's remaining three vessels will remain elsewhere in case of unrelated spills.)

The Big Blues skim oil from the surface through an umbilical hose that vacuums oily water and empties it into the ship's storage tanks or a barge alongside.

The company has three ocean-going barges onsite, each capable of holding about 40,000 barrels, and 25 shallow-water barges. It also has deployed an

assortment of smaller, fast-response boats and has its C-130 cargo plane in Louisiana to spread dispersant. At the disaster's peak, MSRC said it had 7,000 people working in the gulf. The number dropped as volunteers and other organizations arrived.

When MSRC was formed, the oil companies envisioned it as uniquely poised to clean up catastrophic spills. But over time, a competing approach arose.

Seacor Holdings, based in Fort Lauderdale, saw a business opportunity in the post-Valdez cleanup standards. It formed the for-profit National Response Corp., and set out to provide many of the same services as MSRC at lower prices. While MSRC had a dedicated fleet, NRC retrofitted a handful of ships and contracted with commercial shippers for access to their fleets in an emergency.

Before long, some MSRC customers were moving to NRC. MSRC cut costs, including research into better ways to recover spilled oil.

"That was much to the detriment of the organization," said David McLain, a former MSRC consultant.

Today, NRC has eight ships it owns recovering oil for BP, and has secured more than 100 other vessels for the operation. It remains to be seen, however, whether the for-profit company is better prepared to deal with a deepwater spill.

"All of us who do oil spills will be looking for the lessons learned here," said Stephen Edinger, who works on oil recovery issues for the state of California. That reexamination likely will include MSRC itself, according to oil industry consultant Robert Peterson.

"The industry will rethink the MSRC's ability to respond," he said, "and I expect increased investment and increased response capability."