The BP Oil Spill: One Year Later

College Station, September 19 – The Mosbacher Institute brought together an expert panel to discuss the ecological and commercial consequences of the massive spill in the Gulf of Mexico following the now-infamous explosion on the BP Deepwater Horizon drilling platform at the Macondo oil well last year. The panel spoke to an audience of some 70 faculty and students at the Bush School of Government and Public Service.

The panel consisted of Professor Piers Chapman, Head of Oceanography at Texas A&M University; Mr. Joe B. Foster, founder and former CEO of Newfield Exploration Co. and current Chairman of TPH Partners LLC., and Professor James M. (Jim) Griffin, Director of the Mosbacher Institute, Bush School and specialist in the economics of energy policy.

Providing a starting point for the discussion, Jim Griffin reminded the audience that the oil spill that began on April 20, 2010 is the largest in the history of the U.S. petroleum industry. The explosion on the platform killed eleven workers and injured seventeen others. The ensuing spill lasted for 87 days before it was finally stopped. According to government estimates, the flow rate was initially 62,000 barrels per day for a cumulative release of 4.9 million barrels of crude oil. Of this amount, BP was able to recover 16.33 percent of the oil.

Griffin then highlighted the importance of the Gulf of Mexico, a large and valuable contributor to the total oil reserves in the United States. Of equal significance is the fact that most of the Gulf production comes from outer continental or deepwater wells.

Meanwhile, noted Griffin, the economic and legal consequences of the spill to the British oil group have been severe. To date, BP has paid over $5 billion to 204,434 claimants and faces charges for millions of dollars from Halliburton, not to mention another 160 class action lawsuits.

Following on these remarks, Mr. Foster discussed the Macondo incident from the industry perspective. Foster, who has a long and distinguished career in the energy industry, lamented the spill incident. The Texas Business Hall of Famer and A&M University engineering graduate explained how the blowout preventers should have worked on that April day. In the Deepwater Horizon well, however, high pressures formed a kink in the drill pipes, which along with other factors prevented the system from functioning properly, and caused the blowout.

Foster judged that new regulations adopted by the government after the spill are reasonable. Although they will raise the costs of operating in deep waters, he noted, the new rules are positive if they can prevent future spills. The Drilling Safety Rule provides specifics for the appropriate cementing, casing and drilling fluid procedures in an effort to increase and maintain wellbore integrity while drilling.
key to averting future oil catastrophes is to make some design changes in subsea blowout preventers to better handle the kind of situation that arose on the Deepwater Horizon.

Foster also gave credit to the major and independent oil and gas companies for their efforts to comply with the new regulations and design action plans in case of future oil spills. As for BP itself: after the company’s dismal operations performance leading up to the accident, he graded BP’s post-spill response as a 9 on a 1-10 scale. “BP has done an outstanding job dealing with the disaster and taking care of the people,” Foster said.

Finally, Professor Piers Chapman, TAMU Oceanography, reviewed the consequences of the BP spill for the environment. He began by saying that while the spill was serious, the five million barrels of oil released is only a very small portion of the total U.S. oil consumption in a day.

Chapman, a marine chemist with experience in South Africa, the U.K. and in the United States, said that spilled oil follows many different pathways through air, sea surface or water column. Therefore, much of the oil is either evaporated or biodegraded by pelagic and benthic organisms.

The effects on wildlife can be classified in two main categories: toxicity and smothering. The toxicity effects can be lethal or sublethal. In other words, poisoning can either kill organisms outright, or lead to deformities, particularly in embryos and young, that are often fatal, or affect the organism’s immune system. Oil spills can also affect spawning behavior. According to Chapman, the direct economic losses from commercial fisheries alone total at least $247 million; of more importance perhaps is the long-term effect on the fishing communities.

Chapman, a coastal restoration science expert, is confident that shrimp, oyster and crab stocks will recover in a few years, while the most affected species is likely to be Bluefin tuna. Some of the effects on these organisms are long-term and difficult to analyze. It is likely that the 2010 class of Bluefin tuna was decimated because tuna normally spawn along the shelf break from April to July, exactly where and when the spill occurred. While the number of stranded dolphins was considerably higher during 2010 than in other years, the causes of these strandings are still subject to investigation.

In regard to the marshes along the coastline, Chapman claimed, “they will eventually recover if left alone.” On the other hand, “the long-term damage to the underwater reefs is still unclear.”

At the end of the discussion, the panel took a few questions from the audience. When asked about future production from the Gulf, Mr. Foster estimated that it will be back to normal in three years and that the industry is prepared to handle government regulation effectively. Mr. Foster concluded his remarks by saying that “the likelihood of another similar oil spill in the future is very low.”

The Mosbacher Institute for Trade, Economics, and Public Policy was founded in October 2009 upon the request of President George H.W. Bush to honor Robert A. Mosbacher, Sr., who served as U.S. Secretary of Commerce from 1989 to 1992. The Mosbacher Institute (MI) produces policy-relevant research and education to meet the most pressing economic challenges confronting the U.S. and world economies.

###