

UWTSD: Business Ethics Management



BP Deepwater Horizon Macondo Well 2010 Judith Doyle P148719



For the Business Ethics Management scandal, I chose the BP Deepwater Horizon explosion, as it illustrates the complexity of modern business in a self-regulating industry, with Global companies including BP, Transocean, Halliburton, Anadarko, having staff on the rig with differing responsibilities such as deepwater drilling; petrochemicals exploration support, drilling fluids and mud engineering as well as support services. There are both operating investors and non- operating investors, such as MOEX 25% M-I Swaco 10% (35%) project ownership. All answered to different managers, some on rig and some on land hundreds of miles away, a communications risk in an emergency.

WHAT HAPPENED?



20 April 2010:

Explosion, fire, rig sank 36 hours later

11 deaths and 17 serious injuries out of 126 workers

What happened? There was a large explosion and fire; the rig burned and sank after three days; and oil flowed for 87 days. Sadly, the families heard the news first from media reports and secondly and later from BP, who did not at the time have an active crisis management plan. The deaths are 10% of the workforce: 1 would be unacceptable: it is a tragedy that the bodies of the eleven men were never recovered from the site. The rescued workers were forced to sign "silence" waivers before they landed ashore and went to hospital for treatment or saw their families.

BP Safety Policies

- *“Everything we do depends on the safety of our operations, our workforce and the communities around us”.*
- *“We strive to create and maintain a safe operating culture, putting safety front and centre of everything we do”*



BP were main lessees of the drilling project at the well, therefore the primary safety responsibility lay with them. They are currently in the process of updating their “oil spill preparedness and response” and hope to have this completed by the end of 2016; they updated in 2012 as a result of the event and emphasise how they worked “closely with federal, state and local government officials” and “tested the ability to maintain a cohesive response”

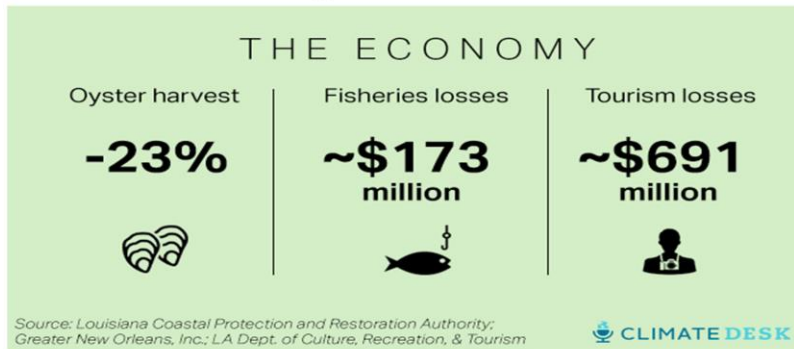
Immediate aftermath...

- **Human cost** of deaths and injuries
- **Environmental impact:** pollution of natural resources, sea and wildlife – seabirds and fish, plants
- Capping of well and clean up of rig area
- **Economic impact** Loss of businesses in Gulf of Mexico, fishing, tourism

www.npr.org

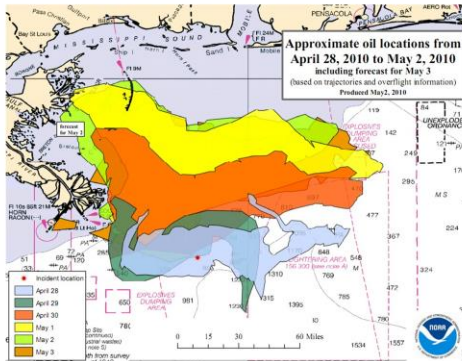
Who was responsible for the explosion, fire, deaths and injuries? In a multi layered operation this was not initially clear. If this wasn't clear, no wonder there were delays and problems with taking responsibility for compensation for deaths and injuries, clean up operations and capping the well, and dealing with the environmental impact. The first mention on BP's website said there was a fire and they would support Halliburton in their work, two days later. The situation was compounded by no national regulations, state regulations and self-regulations only. Only the Clean Water Act applied nationally.

The resulting effect on the area...



The impact is not just financial, and impacting solely on major companies. There was a huge adverse impact on the physical environment along the coasts of the Gulf states of Louisiana, Mississippi and Alabama, where families working in fishing and tourism, and small businesses, lost their livelihoods. The area was still recovering from the devastating effects of Hurricane Katrina five years earlier in 2005: (Left picture credit: ramblings-fran.blogspot.co.uk/2010_06_01_archive.html): Many blogs created as community effort because the residents felt no one in big business was listening or cared. On these there are distressing images of wildlife, and bereaved families at an empty grave. The use of the oil dispersant Corexit was the world's largest, and it has unknown long term toxicity affecting reproduction and allegedly cancer causing.

BP Accident Report September 2010



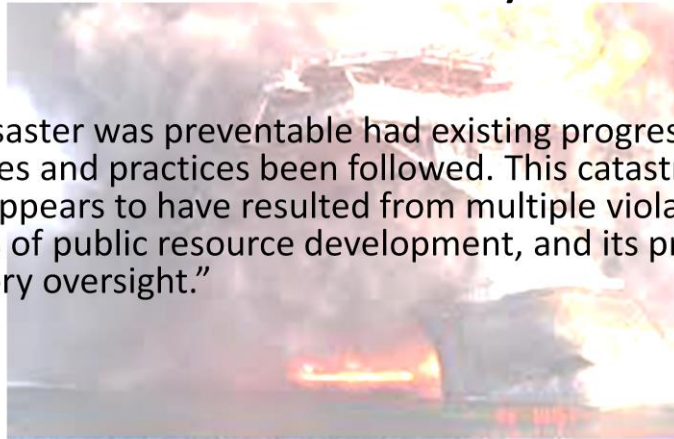
- Report looked at factual evidence and process of what happened
- Did not look at ethical issues around what went wrong

Blamed multiple failures by different organisations ,
eight key factors identified

Issued six months after the explosion, BP's report looked primarily at the technological failures which led to the explosion; it also stated the Transocean rig crew did not recognise the pressure test failure and the influx of gas, until it was too late. There was no mention of the power loss which led to the geopositioning of the dynamically positioned rig being lost; this was a major factor in the well losing oil and not being capped. Further explanations of these failures and BP's response will be analysed in the report.

Deepwater Horizon Study Group

"This disaster was preventable had existing progressive guidelines and practices been followed. This catastrophic failure appears to have resulted from multiple violations of the laws of public resource development, and its proper regulatory oversight."



**Final Report on the Investigation of the
Macondo Well Blowout**

Deepwater Horizon Study Group
March 1, 2011



Amongst many other groups issuing reports are the Deepwater Horizon Study Group, a world wide collaborative partnership of 55 experts from the Centre for Catastrophic Risk Management with expertise in petrochemicals, testing, offshore drilling, offshore risk and deepwater working; they concluded that whilst one failure alone in the process would not have led to the catastrophe, the combination of factors which led to the explosion was preventable and should not have happened.

Three areas of legal claims against BP:

- **Criminal** for the deaths and injuries
- **Civil (tort)** for damages and responsibilities
- **Natural Resource** damages under Clean Water Act

Media coverage of these varied in stance

Wall Street Journal: concerned with value of companies

The Guardian: focused on environmental and human cost

Financial Times: focused on the share prices

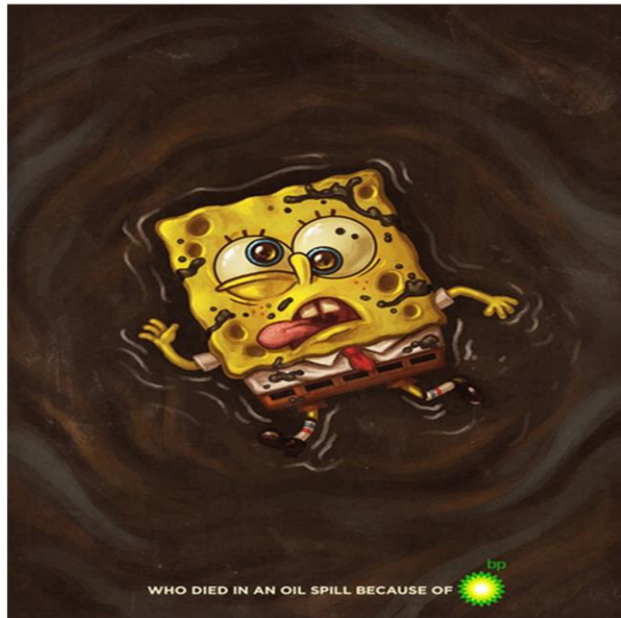
Local press (NOLA, Picayune Times): Updates on legal cases, fundraisers, clean up operations

Scientific American: long term environmental impacts



On the legal front, in the three areas of claim, there are two main types, emergency hardship payments and long term settlements. Claims have been made against the managers and senior officers at BP, Transocean and Halliburton and whilst it appears that there were times when the nature of the event made it difficult to present detailed or accurate information to the public, the lack of a coherent response, allegations of lying, exploitation and fraud seemed to be an evasive response. If a search of Halliburton website is made, there is no mention of Deepwater Horizon. Further legal issues will be expanded on in the report. Differing media highlights differing aspects of the event, financial, technological, environmental, and legal progress.

Emotive coverage on social media



<https://www.emaze.com/@AFCZFOOT/Oil-Spill>

As well as the serious analytical reporting, highly emotive coverage occurs using cartoon characters in a subjective point of view that illustrates the severity of the situation, as did political cartoons of the 18th century. Appearing to be aimed at children but aimed at adults, such subjective visual posters and models are appearing across the Gulf States.

What makes this a scandal?



All of these!

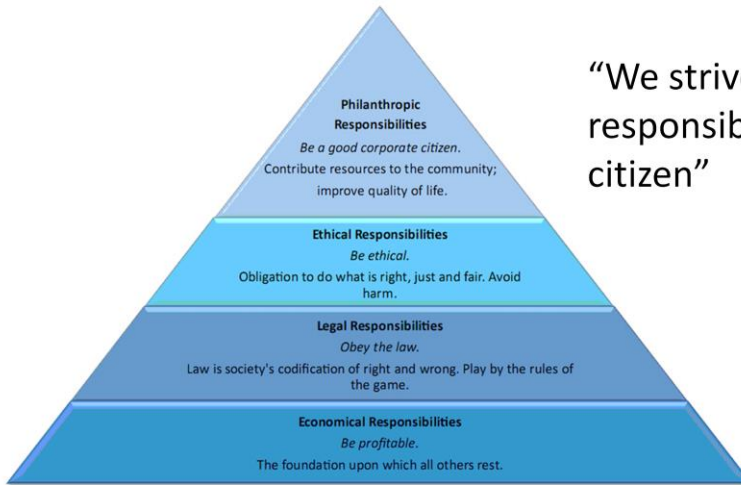
One would be enough as unethical and not industry best practice

- Legal team made survivors sign waivers before they were allowed to see family or land on shore
- Lying to congress about amount of oil leaking
- Warnings of mud and gas in the pipe bore ignored
- Deleting data relating to tests on mechanical elements
- Using less centralisers than recommended
- Concrete failure – wrong type, untested at depth, “too expensive”
- Halliburton blame BP; BP blame Halliburton
- Deleting text and voicemail messages about BPs response to the spill

Everything. BP didn't appear to have a ready to roll media response – disaster management should be a priority, but no public face appeared even to say the basics. All companies blamed each other and there was a discrepancy in money set aside for Clean Water Act reparation and the amounts the companies were fined. All had set aside millions of dollars less, and queried the independent reports which stated the severity of the impact on Gulf Coast businesses and tourism.

Corporate Social Responsibility

Peter Mather, BP Head of UK *"We balance our responsibilities to our employees, shareholders and the communities in which we operate."*



"We strive to be... a responsible corporate citizen"

Yet compared with this, BP are a founder member of the World Bank Development Partnership and operate to an apparently philanthropic level of CSR, funding life skills and partnership working in South America, and health and literacy in Indonesia. In the UK they partner the National Opera House, the British Museum, and the National Portrait Gallery giving £7.5m over 5 years. Actors in the Royal Shakespeare Company made a high profile objection in the autumn when Mark Rylance said BP are not philanthropic and not ethical, and withdrew from acting with the RSC whilst BP sponsorship was in place. In Carroll's pyramid, whilst all elements are valid, BP appear to be philanthropic although using Petrick and Quinn's model, with irresponsible responsiveness.

In the greater picture...



BP publish data for environmental, health and safety, greenhouse gases. Their webpage allows anyone to view figures and appears to be transparent and accessible. The results allow a user to build comparison between the data, but onscreen are limited to two elements. The data does show a fairly consistent fall in spills and fatalities since 1999 but for an event such as happened where deaths occur, this remains an area to be addressed. The amount of oil spilled does not correlate to the number of spills, as media reports show, with a lesser number of spills with a larger volume. If you try to add the volume to the number to compare, there is a data error message! If compared separately the scale on the graphs is different and creates an impression that the volume is less.

BP stakeholders and communications channels

Employees & families	Internal media communications; meetings, surveys,
Sub-contractors	Contracts, meetings, media communications
Customers and suppliers	meetings, contracts, media communications
Media	Press releases, conferences, interviews and social media
Shareholders	Annual and financial reports, meetings,
Government, National and Local (State)	Advocacy and lobbying; consultation meetings
Industry	Collaborative projects
NGOs and INGOs	CSR and associated communications
Local communities	Consultations and meetings, communications by media and social media

There is a wide variety of stakeholders, both internal and external: communications means vary for all groups: communications through regular reports and meetings occur, CSR with a wide range of outreach projects is given prominence, a new code of conduct was published 2014. The primary objective is to remain profit maximising, but there is an increasing message in the communications relating to citizenship and sustainability, and green energy. Whilst the outward face is ethical and open towards employees, media reports suggest otherwise: a Taylorist attitude to production management.

The way forward: legal, governance, technical, environmental and human

- Changes to national and state regulation
- Changes to company codes and response protocols
- Changes to guidance on whistleblowing
- Technical changes to ensure no procedure can be overridden
- Better tests on technical items at depth and pressure

There are still ongoing legal cases that will take years to evaluate evidence and conclude with a judgement.

The current position is that there are hundreds of legal cases and claims still sub-judice and are of such complexity that they will take years to resolve. As stated previously, there are aspects of the scandal that will be looked at in the report, basically three areas: environmental impact and lies; technical failures and why; the legal process and lies, bullying and bribery.

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References include academic sources (books and journals) for theory; websites for legislation and regulation, organisation reports and policies; online news reports. Some webpages have been removed although the links come up when searched for possibly due to legal issues. That ends the presentation, thank you.