



The Demise of BP?

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It was about six weeks ago that the man I work for walked into my office and asked what was happening in the world of energy. “This oil leak in the Gulf of Mexico”, I told him, “is going to be a monumental disaster.” He hadn’t heard about it yet, but my views on it at the time were 1). They weren’t going to have an easy time getting the leak stopped; 2). It would drastically shift the debate on offshore drilling.

I published [an essay on the spill](#) shortly after it happened in which I predicted that this would be a death blow for deepwater drilling in the U.S. Only time will tell on that one, but it has clearly changed the debate drastically. No longer can drilling proponents point to decades of safe operation. No more can they reassure people that something like this can’t happen. And in that case, what are the chances that new areas off the coasts of Virginia, Florida, or California are going to be opened up to drilling? Slim to none.

[The latest news](#) per the Wall Street Journal is that “*the Obama administration announced a six-month moratorium on all offshore drilling and canceled exploration lease sales in the Gulf of Mexico and off the Virginia coast.*” (That moratorium is on deepwater projects; a [temporary ban on shallow-water projects has expired](#). **Update 06/03/09:** The moratorium has been extended to include [all new drilling in the Gulf of Mexico](#) according to a Minerals Management Service, e-mail obtained by the AP).

And frankly, as someone who has argued that the U.S. needs to invest in more offshore drilling lest we face oil shortages and increasing dependence on other countries for our energy, I can’t make that argument in light of this sort of disaster. We may *need* drilling, but we also need our coastlines. If the choice is to deal with oil shortages or risk a disaster off the coast of Florida, I am going to vote to live with shortages.

I know that when the shortages occur, we will probably try to drill anywhere and everywhere out of desperation. I believe I understand what the consequences of shortages may look like – hence my support for expanded drilling. But this disaster has convinced me that we have exceeded the depths at which we can safely drill and extract oil. There will always be human error, and there will always be companies willing to take shortcuts. When the consequences are potentially severe, you have to play it safe.

But that’s a digression from the title of this article. When the [BP disaster in Texas City occurred in 2005](#) – killing 15 people and doing a great deal of damage – it was a serious blow to the company’s image. They had carefully crafted the image of a company – now rebranded Beyond Petroleum from British Petroleum – that was moving away from oil. They deeply cared about the environment and were moving the company in a new, greener direction.

Then the explosion happened and the world was focused on BP the oil company. While it wasn't a death blow for the company, their carefully crafted image vanished in the eyes of many people. For many, they were simply an oil company trying to convince people they were something beyond that.

With the latest disaster – which many have already categorized as the worst environmental disaster in U.S. history – BP's image has likely taken a death blow. Sure, ExxonMobil survived [the Valdez disaster](#), but it was a stain on their corporate image that will last forever. But unlike BP, ExxonMobil never pretended to be anything other than an oil company. Still, ExxonMobil since then has been viewed by many as the epitome of the greedy, dirty oil company.

The situation that has constantly come to my mind is the [Bhopal disaster](#) and the subsequent fallout. For those who are unfamiliar, in 1984 an accident at a [Union Carbide](#) plant in Bhopal, India wrought terrible destruction on the population there. The official immediate death toll was 2,259, but it has been estimated that ultimately more than 15,000 people died as a result of the incident.

As a result of this tragedy, Union Carbide's reputation was destroyed. They would forever be viewed by many as a company with lax safety standards who put profits ahead of lives. They continued to function as an independent company for a number of years as the inevitable lawsuits played out, but this former component of the Dow Jones Industrial Average was ultimately swallowed up by the [Dow Chemical Company](#).

It is hard for me to envision a different fate for BP. While the nature of these incidents is certainly different (I don't mean to imply that the oil spill is comparable to thousands of people dead in India), BP will now forever be viewed as the worst kind of corporate polluter. That is simply reality. Many people will make it a point to never buy BP products again. Investors who bought into the rebranding – and hung around after Texas City – may have had their fill. There can be no rebranding in the aftermath of this.

[BP's stock](#) has been pummeled in the aftermath of the disaster, and now [a criminal probe has been launched](#). The witch hunt is on, and it promises to keep BP in the hot seat for a very long time. We will be bombarded with anti-BP news for years to come.

In any case, the name BP will not disappear overnight. BP's refineries, oil rigs, and chemical plants will continue to operate. Union Carbide's lawsuits took years to work their way through the courts before Dow bought them out. I think the same will hold true for BP. And although BP has long been a source of pride with many Brits, I can only wonder now if in the future we will refer to them as "BP, a subsidiary of ExxonMobil."



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