



BP's Deepwater Oil Spill - An Update on Collection, Evaluating The President's Speech and Open Thread

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In this post, I will be giving you my thoughts about Tuesday evening's Presidential speech, but first, let me give you my usual update on the oil collection process.

The secondary collection system, using the Q4000 has now been activated to help collect the growing volumes of oil generated from the oil spill at the Deepwater Horizon site in the Gulf of Mexico. There was also a small fire, yesterday, due to a lighting strike, that shut down collection for a short while.

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The current status is thus

For the last 12 hours on June 15th (noon to midnight), approximately 4,830 barrels of oil were collected and 14.6 million cubic feet of natural gas were flared.

- On June 15th, a total of approximately 10,440 barrels of oil were collected and 25.1 million cubic feet of natural gas were flared.
- Oil collection volumes were lower on June 15th due to the direct lightening strike on the Enterprise.
- Total oil collected since the LMRP Cap containment system was implemented is approximately 160,400 barrels.
- Collection commenced on the Q4000 at ~9:50pm with hydrocarbons reaching surface at ~1am on the 16th. We expect to optimize collection over the next few days.

The President has now given his Oval Office Address to the Nation on the Oil Spill, and I will update this as the news of his discussions with BP officials goes on. But the speech itself is worth examining. The most critical part of the spill is to get the leak stopped. It was the first significant topic of the speech, but this is what he said:

Because there has never been a leak this size at this depth, stopping it has tested the

limits of human technology. That's why just after the rig sank, I assembled a team of our nation's best scientists and engineers to tackle this challenge -- a team led by Dr. Steven Chu, a Nobel Prize-winning physicist and our nation's Secretary of Energy. Scientists at our national labs and experts from academia and other oil companies have also provided ideas and advice.

As a result of these efforts, we've directed BP to mobilize additional equipment and technology. And in the coming weeks and days, these efforts should capture up to 90 percent of the oil leaking out of the well. This is until the company finishes drilling a relief well later in the summer that's expected to stop the leak completely.

So the recommendations of the “nation’s best” is “do better?” or “do more?” To which BP has responded by bringing in more collection equipment, but has not changed their current response to sealing the leak – which is basically to rely on the relief wells. (Although I did hear some stories that it was the “expert” team and Dr. Chu that told BP to stop the Top Kill attempts). But that was all the coverage that the most critical part of the speech provided.

The problem, of course, is that the problem is not solved until the leak is closed. Thus the “X days of the Gulf Crisis” that is the mantra of the main stream media will likely continue until X reaches about a hundred, and by then, barring some further catastrophe (and I’m not ruling one out) the public may be rather tired of the story. The clean-up is vital, dealing with the compensation for those who have lost wages will become interesting.

BP have just agreed to set up [a fund of \\$20 billion](#) to recompense those who have lost jobs and livelihoods. They have also suspended their dividend for the rest of this year. But the Administration gave BP some years to create the fund, so that the company does not get wiped out. They also agreed to create a \$100 million fund for those in the oil patch who have lost work because of the moratorium on drilling.

It gets them off the hook, but I am very dubious that it will accelerate payments to individuals and companies. While BP had the responsibility, they had to hire the accountants, clerks, and administrators to oversee the distribution. These folks had to have rules, which had to be written, and paperwork documentation of claims had to be established. Getting that done as fast as it was is something that private industry, with the right incentives, can largely achieve.

But if the whole process, or significant parts of it, have now to be redone with a different set of rules to be established, then BP can now claim no responsibility, and it will be the Administration which starts to get targeted as payments continue to be delayed.

Bureaucracies take time to build, and once established are hard to get around. That is not going to change for those who need a check in the next week or so to pay the mortgage, or feed the kids. With apparently 14 different agencies involved in the clean-up, getting all the permissions for particularly innovative approaches had already required some creative thinking, and may require much more if, for example, advanced skimming tools are to be used within a meaningful time-frame. Again, based on current performance, I am becoming more cynical as to success, as the Administration claims more authority over what is, and is going to be done.

The other half of the speech dealt with the need to accelerate the change to alternate fuels. This is a site that is seriously concerned over the coming shortages of fossil fuels, and oil in particular. So encouraging the development of alternatives is something that needs to be done. Did it need to be in this speech? That is a political issue I don't want to address. But there were not a lot of specifics

Others wonder why the energy industry only spends a fraction of what the high-tech industry does on research and development -- and want to rapidly boost our investments in such research and development.

Well the federal agency that used to support such R&D was the U.S. Bureau of Mines, in the Department of Interior. It was one of the few agencies that the Federal Government (in the Clinton Administration) has ever closed. So maybe this isn't just an industry problem?

So at the end of the day, there are no specific new steps to move forward with. We will see what Congress brings forth.



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