



## **La Fonction de Gestionnaire chez BP**

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*Published in:*

Revue Internationale De Cas En Gestion

*Publication date:*

2013

*Document Version*

Begutachtete Fassung (Peer reviewed)

[Link to publication](#)

*Citation for published version (APA):*

Lüdeke-Freund, F., & Zvezdov, D. (2013). La Fonction de Gestionnaire chez BP: Prise de Décision et responsabilités en haute mer. *Revue Internationale De Cas En Gestion*, 11(2).  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2239577](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2239577)

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# The Manager's Job at BP: Decision Making and Responsibilities on the High Seas<sup>1</sup>

Teaching case prepared by

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*Note: Authors' personal draft version as of October 2012. This version © Florian Lüdeke-Freund and Dimitar Zvezdov.*

*Final version published by the **International Journal of Case Studies in Management**. Teaching notes as well as the final case version (both in English and French) can be obtained from the journal website: [http://www.hec.ca/en/case\\_centre/index.html](http://www.hec.ca/en/case_centre/index.html)*

*Please cite as Lüdeke-Freund, F. & Zvezdov, D. (2013): The Manager's Job at BP: Decision Making and Responsibilities on the High Seas, International Journal of Case Studies in Management, Vol. 11, No. 2, 1-32.*

## Summary

The case takes a look at the recent history of the oil major BP. It contains two storylines: Part A is about the Gulf of Mexico oil spill of 2010, its physical and financial consequences, and how it was perceived by the public, especially political representatives. The first section provides comprehensive information on the oil spill and the preceding explosion on the drilling rig *Deepwater Horizon*. This event in particular and BP's safety performance in general were treated in numerous U.S. Congress hearings, to which also BP's CEO Tony Hayward was summoned. Two sections on "The Hearing", which are based on original protocols, illustrate Hayward's inability (or unwillingness) to answer crucial questions on safety and risk management and decision making at BP. Additionally, Part B provides further background information on the company. Three sections present milestones between 2000 and 2009, with a focus on the "beyond petroleum" campaign. Readers learn of BP as a complex business group that tried to re-define itself after one century of corporate history. Former CEO Lord Browne gave BP the "beyond petroleum" identity and in his term BP Alternative Energy was founded. But he left the company because of a private scandal. Despite this re-branding and improved business performance, Tony Hayward, Lord Browne's successor, was exposed to fierce critique and accused of greenwashing.

## Keywords

teaching case, case study, British Petroleum, BP, Tony Hayward, John Browne, oil and gas industry, Gulf of Mexico, Deepwater Horizon, oil spill, renewable energy, sustainability, environment, beyond petroleum, management, corporate responsibility, decision making, strategic management, business model, greenwashing, corporate social responsibility, CSR

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<sup>1</sup> The factual information presented in this teaching case is entirely based on publicly available documents and sources as referenced. The case is narrated as if it were recollected by the fictive character of Steve, Tony Hayward's executive assistant, during a yacht race two days after the U.S. Congress hearing on the Deepwater Horizon oil spill. By "executive assistant" we refer to a company officer who is authorized to make higher management level decisions and possesses a higher degree of business acumen. The italicized text depicts Steve's contemplations and is used to distinguish *the fictive case setting* from factual case information.

*“No business can be without risk.  
Indeed it is by taking strategic and commercial risks that we earn a return.”*

*– Peter Sutherland, BP Chairman 1997-2009*

## **Introduction: Undesired Attention**

“Neither the sunglasses nor the baseball cap are able to conceal his identity. Why is Tony attending this yacht race while the press is chasing him?” Steve, executive assistant of BP CEO Dr. Anthony Bryan Hayward, was upset by the media attention around BP and his boss. He had come to the Isle of Wight (U.K.) to watch the J.P. Morgan Asset Management Round the Island Race in which Tony Hayward was participating (BBC News, 2010b). This was on June 19, 2010; two days after his boss had to attend a critical U.S. Congress hearing. Steve’s mind still struggled to accept the catastrophe that had happened in the Gulf of Mexico two months earlier, resulting in the largest oil spill in American history (Washington Post, 2010b). Steve’s job was to support Tony Hayward in dealing with this demanding situation. He sat in the spectators’ lounge, watched the yacht race and tried to appraise the consequences both for BP and its CEO.

Trying to figure out where the story had begun, Steve thought back of the year 2000 when Tony Hayward’s predecessor, Lord John Browne, launched a \$200 million campaign on rebranding “British Petroleum” to “beyond petroleum”. This was supposed to be a sign of commitment that BP’s business was not restricted to extracting and marketing oil and gas, but was developing further to supply energy for the future.

Steve wondered what had happened since BP had gone “beyond petroleum” under the company’s former CEO. In May 2007, Lord Browne retired and Tony Hayward took over, declaring the intention to support the company’s greening strategy. Even more so: he emphasized the importance of “safe and responsible operations” (BP, 2008b). So what had gone wrong in these three years that the event of April 20, 2010 could not be foreseen or prevented? What was it that drew so much attention to this single event and exposed the company and its CEO to the harshest critique? Why was Tony Hayward the victim of all this criticism, for he was the last person who wanted this catastrophe to happen?

“There must have been something,” Steve thought. He remembered Tony Hayward’s second annual general meeting speech in April 2009. He had addressed the most critical issues for the company, he had been on the way to improving the company’s performance, in particular in terms of safe and responsible operations.

Steve’s thoughts sprang to what had happened two days earlier, on June 17, 2010, as his boss stood in front of the U.S. Congress in a hearing. Numerous questions were asked. Among others stood up questions of responsibility, questions of what had changed in BP regarding safety. Steve recalled a few situations in which Tony Hayward seemed unable – or unwilling – to provide satisfactory answers. Was there something he did not want to reveal? Did he know something the ongoing investigations had not brought up so far?

Steve’s mind was not at ease: so many questions in his head and so few answers. The ongoing media scolding was telling him there must be something to think over again. Steve could not help but lean back and think of what had happened in the past eventful months and years...

## **PART A: The Gulf of Mexico Oil Spill (2010)**

*Steve was unable to concentrate on the yacht race thinking of what had happened at BP. The company's focus had been on the exploration and production (E&P) business, leading to increasingly demanding oil and gas projects. These were BP's cash cows. Had the management board recognized that high profits are inextricably linked to high risks? Great losses occurred after the oil spill, both in monetary and reputational terms. But was the oil spill as disastrous as presented by the media? Did BP lose that much money and stakeholder trust? Steve recalled the details of the accident and tried to figure out the consequences for the company.*

### **A.1: April 20, 2010: The Oil Spill**

On April 20, 2010 the news of an accident that had just happened in the Gulf of Mexico spread quickly. An explosion was reported to have set the \$560 million oil drilling rig *Deepwater Horizon* on fire. Up to 15 crew members were missing. The severity of the fire resulted in two-day extinguishing operations that ended with the sinking of the rig. Environmental damage was believed to be minimal, due to the fact that *Deepwater Horizon* was an exploration rig (Appendix 1) and not a production rig.

Six days after the accident the search and rescue operations were suspended. The attention was drawn to the oil escaping the drilling; an oil film was becoming visible and spreading. The amount leaking was assumed to be about 1,000 barrels per day. BP officials kept affirming they were working on containing the leak.

Ten days after the accident, in which 11 employees lost their lives and 17 were injured, oil was still leaking. Meanwhile the estimation of the leakage had grown to 5,000 barrels per day, with the state departments of Health and Hospitals and Environmental Quality reporting "the strong odour blanketing much of coastal Louisiana and the metro New Orleans area is 'possibly' the result of the massive oil spill in the Gulf of Mexico." (Nola.com, 2010)

A week after the accident, BP announced its plan to contain the leak by deploying an underwater dome. Another week later the dome was built and its installation was about to start. BP did not announce any backup plan for the case the dome would not work, although many critics pointed out that domes had never been used this deep before (e.g., Scientific American, 2010). On May 8, 2010, the operation was cancelled due to unexpected technical difficulties and a new solution needed to be developed. After this attempt had failed, BP announced that stopping the leak may take longer than anticipated.

By May 10, 2010 BP had been unable to contain the leak, explaining the difficulties with the tough working conditions in this depth. Company officials revealed that stopping the leak may take a bit longer than initially anticipated. After the unsuccessful attempt to seal the leak, a less optimistic forecast was made: it may take months to stop the leak. A few days after the June hearing before the U.S. Congress an internal document leaked, revealing that the actual amount escaping into the Gulf of Mexico was estimated to be 100,000 barrels per day (4.2 million gallons or nearly 16 million litres). This revelation led to further criticism of BP's communication policy.

The estimates of the total volume of crude oil released into the Gulf during the 105-day period between April 20 and August 3 varied widely. Official U.S. government statements estimated a total of about 4.9 million barrels (Washington Post, 2010b), qualifying the spill as the worst in U.S. history (Appendix 2). Nearly 2 million gallons of controversial oil dispersants were spread to combat the

negative effects of the thin oil film that emerged on the water surface. As a result, local people lost traditional sources of income, such as fishing and tourism, threatening their economic survival. About 18,900 individuals and 7,400 businesses submitted claims in the first week after the accident. Payments of up to \$25,000 were authorized immediately, most of which going to fishermen, shrimpers and oyster harvesters. Larger claims were negotiated on a case-by-case basis. Two hundred claims reviewers were working 24 hours a day, seven days a week (Alabama Live, 2010).

Environmental organisations harshly criticised the government for failing to react adequately to this situation. A highly controversial Obama administration ban on deepwater drilling in U.S. waters was enacted, putting on hold drilling new wells for several months. The U.S. House of Representatives discussed a bill to ban underperforming, oil-spilling companies from drilling in U.S. waters (Upstream, 2010).

The extent to which the numerous stakeholders were impacted also affected BP's financial performance. Upset shareholders rushed to sell shares, halving their price in just eight weeks (Appendix 3, Figure 1). Other than the distrust of shareholders, the loss of reputation precipitated in a rating drop from A++ to A. Standard & Poor's reasoned this action with the unknown amount of liabilities coming.

In addition to income compensations totalling some \$84 million (as of June 4, 2010), a \$20 billion trust fund was set up to compensate oil spill victims and recover the natural state of the environment. A fine between \$1,100 and \$4,300 for each barrel of crude oil that was released into the Gulf was discussed, depending on whether the government investigation proved that BP acted negligently or not. A fine of anywhere from \$5.4 to \$21 billion was threatening the financial integrity of the company.

Apart from being unable to stop the leak immediately, BP was also criticised for insufficient communication efforts during and after the accident. This had a major impact not only on BP, but also on competitors who accused BP of not having complied with established procedures. BP and its subcontractors, Transocean and Halliburton, expressed disagreement on the cause of the accident and the responsibility for it. Thus, while the oil was still making its way out into the Gulf of Mexico, representatives of BP, Transocean and Halliburton were summoned to provide an explanation of the events that lead to the accident.

During a hearing in May 2010, Lamar McKay, chairman of BP America, focused on a critical safety device, the 450-tonne blowout preventer that was supposed to shut off oil spills on the ocean ground in case of a well blowout. But it failed to operate. During his testimony, McKay pointed out that the blowout preventer "was to be the fail-safe in case of an accident" (CBC News, 2010), underlining that it was owned by Swiss-based Transocean Ltd. – as was *Deepwater Horizon* itself. Furthermore, he tried to distance BP from the accident by pointing out the fact that only seven out of the 126 people on the drilling rig were BP employees.

For Transocean's CEO Steven Newman the facts looked different: "Offshore oil and gas production projects begin and end with the operator, in this case BP." (ibid.) His testimony revealed that it was BP who prepared the drilling plan and was in charge when the drilling concluded and the crew was preparing to cap the well 5,000 feet beneath the sea. Newman involved Halliburton Inc. in the hearing to support his view. Subcontractor Halliburton had been delegated to encase the well pipe in cement before plugging it – a process "in accordance with the requirements" in BP's drilling plan (ibid.).

On July 20, 2010, while attempts to seal the leak were still in progress, another event caught the attention of media. A picture of BP's crisis centre that appeared on BP's official crisis management

website was reported to have been retouched. As soon as the public attention was drawn to this case, BP took down the picture from its web site and apologized (Washington Post, 2010a). This happened shortly after BP had promised transparency in a bid to regain the public's trust.

Tony Hayward met severe criticism from the media and the public. During a visit to Louisiana on May 30, 2010 he apologized for the situation, reassuring that “[t]here’s nobody who wants this over more than I do. I want my life back.” (Management Today, 2010) Particularly the last statement gained a lot of attention and put locals as well as most of the Americans into a rage.

*Steve was aware that the way BP presented itself and how the media dealt with the accident were likely to determine the total damage for the company. Tony Hayward was the one to have the right answers as he had always promoted three priorities at BP: safety, people and performance. “Safety is our number one priority and in 2007 our overall safety record continued to improve. Over the last eight years our safety performance according to the standard industry measure has improved threefold and is now among the best in our industry.” (BP 2008b, p. 1) Yet, it seemed that the public attention was focused on one reproach: a lack of responsibility. In a congress hearing that was part of the oil spill investigations, Steve’s boss had to face this and further charges personally.*

## **A.2: June 17, 2010: The Hearing**

Almost two months had elapsed since the accident had happened and BP was still working on stopping the leak. The company was also working on remediating the damages done to ecosystems and the local economy. Despite the extent of the spill and its impacts on environment and society, neither the external nor internal investigations had been able to clearly point out who was to take the responsibility for the event. This fact together with Tony Hayward’s statement “I would like my life back” unleashed public dissatisfaction (The Times, 2010), so on June 17 Tony Hayward testified before the Oversight and Investigation Subcommittee with the aim of giving answers to the American people.

The hearing lasted nearly eight long hours, particularly long for Tony Hayward, who was met with a serious tone and confronted with the same comments and questions over and over (BBC News, 2010a). The opening statement by Henry A. Waxman, Chairman of the Committee on Energy and Commerce, directly confronted Tony Hayward:

Waxman: Deepwater drilling is inherently dangerous. As the entire country now knows, an uncontrolled blowout can kill rig workers and cause an environmental disaster. We wanted to know whether you were briefed about the risks and were monitoring the safety of the drilling operation. We could find no evidence that you paid any attention to the tremendous risks BP was taking. We have reviewed 30,000 pages of documents from BP, including your e-mails. There is not a single e-mail or document that shows you paid even the slightest attention to the dangers at this well.

Several questions – or rather remarks – were emphasized by the congressmen. Expectedly, Tony Hayward’s promise to focus on safe and reliable operations was addressed on several occasions. Yet, BP’s list of accidents did not mirror safety and reliability as number one priority (Appendix 4). Thus, the measures taken by BP before and after the accident were questioned. Particularly eager to receive answers to his questions was Congressman Bartholomew Stupak of the Democrat Party, also chairing the Federal Subcommittee on Oversight and Investigation:

Stupak: What changes have you made since April 20th, when the BP Deepwater Horizon exploded? What changes were made then?

Hayward: Based on what we know so far, we have made changes with respect to the testing and evaluation of blowout preventers. We've made changes with respect to ensuring that people who are likely to be dealing with well control are up to date and fully validated for well control procedures. And as we learn more about what happened here, we will continue to make changes.

Stupak: [...] when I heard about the explosion in the Gulf, the immediate company that popped in my brain was BP. [...] I wasn't surprised when we heard about the explosion in the Gulf and BP was part of it [...] the last number of years, from Texas City [...] and BP's own 2007 report on the Management Accountability Project, in which it stated there was a culture that evolved over the years that seemed to ignore risk, tolerate noncompliance and accept incompetence [...]

Hayward: Since I've been the CEO of this company, I have focused on safe, reliable operations. I've set the tone from the top by making it very clear to everyone in BP that safe, reliable operations are our number one priority [...] In the last three years, we've invested more than \$14 billion in plant integrity. We've engaged in a systemic change at BP over the last three years. We have begun to change the culture [...] We've changed, significantly, the processes that we use to manage our operations. And most importantly, perhaps, we've made safe, reliable operations the core of the company. It is a thing that I talk about every time I talk internally and every time I talk externally about BP. I'm not denying that there isn't more to do, but we have made dramatic changes in the people we have in our organisation, the skills and capabilities they have. We've invested heavily into that.

Stupak: Sure.

Congresswoman Janice Schakowsky, democrat and member of the Committee on Energy and Commerce, stressed on the fact that BP's safety performance was not up to standard compared to the other oil majors:

Schakowsky: A report published by the Center for Public Integrity found that between June 2007 and February 2010, BP received a total of 862 citations from the Occupational Safety and Health Administration. Of those, a staggering 760 were classified as being egregious and wilful, compared with 8 at the 2 oil companies tied for second place.

Although the hearing was focused on investigating the oil spill of April 20, 2010, BP's record of environmental and safety performance was also drawn into the discussion:

Stupak: You cut corners to save money and time. And as the chief executive officer of BP, as I stated in my opening, you called for a leaner decision-making process, you called for fewer people in the decision-making process. You stated individuals need to be accountable for risk and to manage risk. Therefore, did BP's leadership manage their risk in this well? Did you manage the risk properly?

Hayward: There is no doubt that I have focused on safe, reliable operations. We've made major changes in everything we do over the last three years. We changed people [...]

Stupak: But then what happened here?

Apparently offended by Tony Hayward's reluctant responses, the republican Marsha Blackburn joined the questioning. The main issue she brought up was the extent to which Tony Hayward was in charge of making decisions beyond the context of the event of April 20, 2010:

Blackburn: And, indeed, Mr. Hayward, we are a little bit frustrated with hearing you say you were not a party to certain decisions, or were not in that chain of command, or that you can't comment because of ongoing investigations. So, I'm going to try a little bit different tact, because I do want to get some answers and get some of these questions answered.

I want to go back to the safety issues. I mentioned that in the opening statement to you [...] I'm familiar with people working off shore, if you will. And what I would like to know from you, have you been briefed on the safety issues and the safety concerns? And then, if you were a part of the decision-making process on what would be considered the best operating practices, were you a part of the chain of command? And what is the chain of command for dispute resolution when there's a difference about how to approach safety? Go ahead. I would love your response.

Hayward: Well, I clearly am the ultimate in the chain of command. But as I've said, I wasn't involved in the decision-making on the day.

Blackburn: OK. Let's do this then – if you were not involved in the decision-making of how safety is approached on these rigs and platforms, would you submit to us in writing for the record a description of what that chain of command is and what the process is when there's a difference of opinion on how you approach rig safety? Would you be willing to submit that? And I will ask you and your team to submit that for the record.

In addition, since becoming CEO, have you been briefed on the significant safety incidents that have occurred in BP's explorations, Alaskan production facilities, over the past year? Have you been briefed?

Hayward: I have discussed those issues at the Group Operating Risk Committee.

Blackburn: As a result of these briefings, did you authorize any changes to BP policies and practices for dealing with the safety?

Hayward: We took actions in Alaska to change both the organisation and some of the processes.

Blackburn: Thank you.

In summary, even though the systems had been improved, a major accident had happened. At the same time, neither the internal nor the external investigations had been able to point out whose decision – or series of decisions – had led to the worst case scenario. Thus, inevitably, Tony Hayward was accused of not being sufficiently involved in operations. His reaction to the questions raised by Congressman Michael Burgess:

Hayward: With respect, sir, we drill hundreds of wells a year all around the world.

Burgess: Yes, I know, that's what's scaring me right now. Did you have a technical expert who was advising you there on this well? Because we've heard from other people that there were problems. It was a bad well. It was a dangerous well. Gas kicks and the mud was



not degasified or whatever the procedure was. So did you have a technical expert advising you?

Hayward: I had no prior knowledge or involvement in the drilling of this well. None whatsoever.

Burgess: Well, then who was? If you're the CEO of the company. If I'm a shareholder of BP, which I'm not, but if I am, how can I then have comfort that the CEO knows what's going on as far as safety on the rigs? Or is it true that it's just all about profit?

Hayward: Well, there was a drilling team providing oversight of this well.

Dissatisfied with the evasiveness of Tony Hayward's answers, the chairman of the hearing, democrat Henry Waxman, raised his voice bringing together the critique of the previous interrogators in regards to the way decisions were made in general and the decisions that lead to the oil spill of April 20, 2010:

Waxman: It appears to me that BP knowingly risked well failure to save a few million dollars. And you were drilling 18,000 feet below the sea. If you made mistakes, the consequences of those would be catastrophic. And in fact have turned out to be catastrophic. I – don't you feel any sense of responsibility for these decisions?

Hayward: I feel a great sense of responsibility for the accident. We need to allow... [interrupted by Waxman]

Waxman: How about for the decisions that made the accident more likely?

Hayward: We need to determine what were the crucial decisions and... [again interrupted by Waxman]

*"...and what were these crucial decisions?" Steve asked himself. He remembered that there had been central questions concerning management decisions before and after the oil spill which his boss was unable to answer.*

### **A.3: June 17, 2010: The Hearing (continued)**

One of the areas where Tony Hayward was unable to provide satisfactory answers was the situation and decisions that directly led to the event of April 20, 2010. Michael Burgess, republican congressman, tried to find out how procedures had been affected around and after the accident:

Burgess: Are you changing your procedures of those wells as a result of things that you have encountered in your investigation?

Hayward: I apologise, sir. As we learn from our investigation, we will make appropriate changes, as I have already indicated.

Burgess: [...] is there any way to find out that, in fact, that cement went where you intended it to do, and that rod didn't, in fact, get off to one side or the other?

Hayward: I wasn't part of the decision making process on this well. I have looked at the material... [interrupted by Burgess]

Congressman Bart Stupak tried to remain on the issue addressed by Michael Burgess, confronting Tony Hayward in a louder voice:

Stupak: Yes. That's not the question I asked you. Was there a procedure that could have been followed that would have actually given that information?

Hayward: I can't answer that question. I am not a cement engineer, I am afraid [...] I had no prior knowledge or involvement in the drilling of this well, none whatsoever.

The hearing inevitably questioned the general decision-making process at BP both in general and in particular with regard to the drilling operations on other wells. Henry Waxman, member of the U.S. House Energy Subcommittee on Energy and Environment and chairman of the hearing, expressed criticism as to how decisions that lead to the event were made. He also expressed his anxiety of Tony Hayward's lack of co-operation.

Waxman: How do you respond to their criticism? Did BP make a – a fundamental misjudgement in selecting a single string of casing?

Hayward: I wasn't involved in any of that decision making.

Waxman: Now, you said that BP is supposed to be focused like a laser on safety. Yet BP apparently overruled the warnings of its own engineers and chose the more dangerous option. How can you explain that decision by BP? Why were the safety recommendations of your own engineers ignored?

Hayward: I wasn't involved in any of the decision making. It's clear that there was some discussion amongst the engineering team, and an engineering judgment was taken.

Waxman: How can you explain this decision where you ignore – not you, yourself, but people who work for you who should have known that it was your directive to be a laser on safety. How could they have ignored these warnings from people right within your company?

Hayward: I am not prepared to draw conclusions about this accident until such time as the investigation is concluded.

Waxman: This is an investigation. That is what this committee is doing. It is an investigatory committee. And we expect you to cooperate with us. Are you failing to cooperate with other investigators as well? Because they are going to have a hard time reaching conclusions if you stonewall them, which is what we seem to be getting today.

Hayward: I am not stonewalling. I simply was not involved in the decision making process. I have looked at the documents. And until the investigations are complete, both yours and others... [interrupted by Waxman]

Waxman: That is somebody else's conclusion. What is your conclusion?

Hayward: I haven't drawn a conclusion, Mr. Chairman.

John Dingell, democrat and previously chair of the Committee on Energy and Commerce also asked questions, Tony Hayward did not answer:

Dingell: Mr. Hayward, you had two choices, using single casing or tieback. The risks are substantial associated with single casing, which is what BP chose. Please answer yes or no. Can you assure us, under oath, that that was not a decision made to save time and money?

Hayward: I wasn't part of that decision making process. I was not part of that decision making process. So I cannot possibly know the basis on which that decision was taken.

Tony Hayward failed to provide satisfactory answers to further organizational questions related to the drilling accident and the decisions made with regard to them:

Hayward: I was not involved in that decision, so it is impossible for me to answer that question [...] My understanding from what I have read – again I was not involved in the decision making – is that [...] That was a decision I was not a party to [...] I was not involved in that decision [...] I was not involved or aware of any of the decisions around this well as it was being drilled [...] I am not sure exactly who made the decision [...] I wasn't familiar with any of the decisions or any of the documents surrounding this well prior or during the drilling of the well [...] I wasn't party to any of the decision-making around this well in the time it was being drilled. And, therefore, I am not in a position to make a judgment about whether the decisions taken were the right ones or the wrong ones.

Tony Hayward attempted to explain that decisions were made which did not require his involvement. The democrat Michael Ross tried to figure out additional details on the event that lead to the oil spill. Having heard of Tony Hayward's limited involvement in the decision making on Deepwater Horizon, Michael Ross inquired about the decision making process:

Hayward: [...] there was a discussion taking place amongst the drilling engineering team responsible for this well. And that is how the decision and the judgments were taken.

Ross: So would you call that a bottom-up decision or a top-down decision?

Hayward: I would say it was a decision taken by the right experts with the right technical knowledge to make the decision.

Tony Hayward's "evasive" answers provoked Bart Stupak's reaction, who expected concrete answers to concrete questions:

Stupak: You made decisions, whether to do a casing or the string with the tie-back, which everyone said the-tie back would have been safer; the lockdown sleeves; centralizers, instead of doing 21 as was recommended, you only do 6. That defies the safety emphasis; does it not?

[...] But you are CEO of this company. You said you were here to answer the questions of the American people. You were an exploration manager, exploration manager with BP. You were the director of BP's exploration. You were vice president of BP's exploration and production. You hold a PhD from the University of Edinburgh.

Based on our May 12 hearing, the May 25 memo, our June 14 letter to you, based on all those facts, are you trying to tell me you have not reached a conclusion that BP really cut corners here?

Hayward: I think it's too early to reach conclusions, with respect, Mr. Chairman. The investigations are ongoing.

The congressmen were not content with Tony Hayward's responses. Not because he was not telling them what they wanted to hear, but because he was not telling them much:

Stupak:           However, I think it is fair to say that Members are frustrated because the answers we have heard time and time again are phrases like 'I wasn't involved in that decision,' 'I don't know,' 'I can't recall,' 'we need to wait for the results of the investigation.' And we had really hoped, by giving you information and the June 14th letter, you would be better prepared to answer our questions.

I think the evasiveness of your answers only serve to increase the frustration, not decrease the frustration, not just of Members of Congress but of that of the American people.

*Still seated in the spectators' lounge after the yachts had crossed the finish line, Steve felt unable to gasp the extent of the damage incurred to BP and its CEO. As the closing words of Chairman Waxman kept reviving in his head, Steve felt that the hardest time for the CEO was still to come...*

Waxman:           [...] I'm just amazed at this testimony. Mr. Hayward, you're not taking responsibility! You're kicking the can down the road and acting as if you have nothing to do with this company and nothing to do with the decisions.

## **PART B: From "British Petroleum" to "Beyond Petroleum" (2000-2009)**

*The yacht race was over and Steve prepared for his way home. He was tired, thinking back and forth of the Deepwater Horizon oil spill in the Gulf of Mexico in April 2010 and the critical U.S. Congress hearing two months later. He was wondering whether BP's efforts towards becoming a modern and responsible oil major did not live up to the expectations of the public. In recent times BP had gone "beyond petroleum". Tony Hayward had carried on this course. Moreover, his term had been clearly dedicated to tackling safety issues. But then he was criticized for selling off the alternative energy agenda and applying a broad and somehow vague notion of responsibility. "People must have forgotten," Steve thought, "that BP was once leading the oil industry to more responsibility for issues such as climate change and sustainable energy."*

### **B.1: July 24, 2000: Beyond Petroleum**

On May 19, 1997 Lord John Browne, back then CEO of BP, gave a speech at Stanford University in which he spoke about actions his company was taking to address environmental issues in a responsible manner (cf. Browne, 2000). In this speech, Lord Browne recognised climate change as an urgent challenge for society in general and companies such as BP in particular. In his view, "[t]he time to consider the policy dimensions of climate change is not when the link between greenhouse gases and climate change is conclusively proven, but when the possibility cannot be discounted and is taken seriously by the society of which we are a part." (ibid., p. 49) He also pointed to scientific error margins and uncertainties as to whether and how human activities contribute to climate change. Despite these uncertainties, he argued, there was a tipping point at which action must be taken: "We at BP have reached that point [...] We must now focus on what can and what should be done, not because we can be certain climate change is happening, but because the possibility can't be ignored. If we are all to take responsibility for the future of our planet, then it falls to us to begin to take precautionary action now." (ibid.)

The oil major had identified four fields of precautionary action which Lord Browne introduced as an expression of BP's corporate responsibility for the decades ahead: The first was controlling and monitoring the company's greenhouse gas (GHG) emissions, including measures to increase efficiency of processes and products. From 2005 to 2009 annual GHG emissions from production processes decreased from 78 to 65 million tons of CO<sub>2</sub>-equivalents (Appendix 5). Concerning product-use related emissions, i.e., emissions on the customer side, BP reported 554 million tons of carbon dioxide emissions in 2009 (570 million tonnes in 2005; BP, 2010d, p. 6). The second approach was increasing the level of support given to scientific work. The third was transferring BP's knowledge and technologies directly through cooperation and joint implementation projects. Especially in its biofuels business BP collaborated with smaller energy companies as well as with actors from related sectors (e.g., from the Brazilian sugar cane industry), international bodies such as the UN's Food and Agriculture Organisation, academic institutions and local NGOs (cf. BP, 2008d).

The fourth field of precautionary action was the development of alternative energies which meanwhile became a separate business unit, BP Alternative Energy. Lord Browne's vision for alternative energies was that these would develop to become an additional energy source complementing fossil fuels. For him, it was "a reasonable assumption that the technology of alternative energy supplies will also continue to move forward. One or more of those alternatives will take a greater share of the energy market as we go into the next century. But let me be clear. That alternative is not instead of oil and gas; it is additional." (ibid., p. 52) According to Lord Browne, non-fossil energies' market success was a question of time and BP would – as in its oil and gas core businesses – work at "the frontier of commercial viability" to bring forward alternative technologies (ibid.). Therefore, amongst other activities, BP had established its solar branch BP Solar International Inc., formerly BP Solarex Inc., back in 1973 (BP, 2010e). This subsidiary was specialised in solar photovoltaic (electricity from solar radiation) and sold its 10 millionth solar panel in 2009, leading to a worldwide installed capacity of BP modules of more than 1.2 GW (BP, 2010d, p. 17; BP, 2010e).

BP Solar was part of BP Alternative Energy, a subsidiary that was officially formed in 2005 to tie BP's alternative energy activities into one strategic unit (cf. BP, 2005b). It comprised four areas: wind, biofuels, solar and carbon capture and storage (Appendix 6), and was promoted as a central aspect of BP's corporate responsibility (cf. BP, 2010f).

BP's alternative energy activities and efforts to form a modern energy company were actively promoted during the "beyond petroleum" rebranding, before BP Alternative Energy was set up. The rebranding campaign started in 2000 and was supported by the communications agency Landor Associates (cf. BP, 2000; Roth, 2008; Landor Associates, 2010). According to BP and its communications agency, the rebranding was on the one hand a landmark after a \$120 billion series of mergers and acquisitions which changed the face of the BP group and strengthened its position amongst the world's super oil majors. These activities included the acquisitions of Amoco, ARCO and Burmah Castrol (cf. BP, 2000; Roth, 2008). On the other hand the rebranding was meant to express BP's new understanding of the role a major oil company plays in the 21st century (Appendix 7). The updated BP logo, "a fresh new symbol depicting a vibrant sunburst of green, white and yellow" (BP, 2000), was inspired by Helios, the ancient Greek God of Sun, and was chosen to symbolize BP as a corporation made of diverse parts contributing to one entity and as a new type of multinational oil company being dedicated to a modern set of goals: "Better people, better products, beyond petroleum."

In a press release dated July 24, 2000 BP announced that "the new logo is intended to exemplify dynamic energy – in all its forms, from oil and gas to solar [...] In line with its commitment to environmental improvement and its major investment in solar, BP's new sites will be partly powered

by energy from the sun, through solar panels forming the transparent canopy above the pumps.” (BP, 2000) This press release also mentioned the costs for rebranding: \$7 million were spent for researching and preparing the new brand, including legal and copyright verification and protection. Follow-up costs were estimated \$100 million annually to support the company-wide brand change and for additional advertising. A full-scale advertising campaign followed the announcement of BP’s new corporate identity (Appendix 7, Figure 4).

The rebranding campaign did not go without facing some criticism. CorpWatch, a San Francisco based organisation supporting non-profit investigative research and journalism, commented on the company’s plan to become an environmental leader through providing future energies. According to its commentary “BP: Beyond Petroleum or Beyond Preposterous?” the company’s rebranding campaign was very close to greenwashing, as its expenses for advertising exceeded those for environmental actions (CorpWatch, 2000). For CorpWatch “beyond petroleum” was window dressing rather than concrete action. The organisation claimed that “BP’s re-branding as the ‘Beyond Petroleum’ company was perhaps the ultimate co-optation of environmentalists’ language and message.” (ibid.) Moreover, CorpWatch also used figures to explain why BP’s approach is preposterous: “BP’s claim to be ‘the largest producer of solar energy in the world’ is a little more serious. But being #1 for BP is so easy. It was achieved by spending \$45 million to buy the Solarex solar energy corporation. That’s a tiny fraction of the \$26.5 billion it spent to buy ARCO in order to increase BP’s production capacity for ... oil. BP will spend \$5 billion over five years for oil exploration in Alaska alone.” (ibid.) Reproaches like these were to be heard from various critical observers. For example, Greenpeace U.K. awarded BP the “Emerald Paintbrush” award for greenwashing for its “beyond petroleum” campaign (Greenpeace, 2008).

*“What a hard start for Tony,” Steve thought. Meanwhile he had left the Isle of Wight and was on his way home. His boss had been accused of greenwashing in his first year as BP’s CEO. But to him, Tony Hayward, an “unassuming and modest” person (NPR, 2010), had been the right person to set the course and steer BP through white water. He closed competitive gaps with competitors, strengthened the core businesses’ performance and got through the economic crisis without wounds. Was not Lord Browne, “the Sun King of the oil industry” (The Guardian, 2007), the one who exposed BP to new, latent risks – in terms of reputation? Was not his attempt to build a new corporate identity fraught with risk, based on public misinterpretation and mistrust, which struck the company in difficult situations – such as the Gulf of Mexico oil spill aftermath?*

## **B.2: May 1, 2007: Lord Browne Retires**

Lord Browne resigned after a private affair and was afterwards troubling to come to terms with his time at BP: “For some time, I looked at my career with BP with distaste and dissatisfaction,” he recalled. “It was hard to take a balanced view of that era.” (Telegraph, 2010) Nevertheless, the “beyond” metaphor appeared to be a meaningful concept for Lord Browne, as he entitled his autobiography “Beyond business”. So, what was his intention when he decided to reposition the multinational oil major seven years earlier? (See Appendix 8 for further information on Lord Browne himself.)

Media and analysts recognized several goals and challenges related to the rebranding campaign (Healy and Griffin, 2004). One central goal was the integration of the newly built group (cf. Roth, 2008; see Chapter “Beyond Petroleum”). Further goals included increasing BP’s public policy leverage and shareholder value, and improving the company’s standing with key investors and security analysts through enhanced reputation, both in terms of how the company’s past performance and future

prospects are perceived (cf. Healy and Griffin, 2004). The goals of BP's rebranding were thus aligned with the overall objectives of building corporate reputation, though this step also included risks such as a negative public opinion and suspicion (ibid.). Lord Browne was willing to take these risks even if the new corporate identity was likely to become subject to (foreseeable) public discussions throughout the forthcoming years.

It seemed like Lord Browne succeeded in building up a new corporate identity. But in 2007, after his twelve year term was over, BP went beyond him: "The career of one of the titans of British industry came to a dramatic end yesterday when Lord Browne quit as chief executive of BP after lying to a court about his relationship with another man." (The Guardian, 2007) That's how The Guardian opened its article about the end of Lord Browne's career at BP. A career that was inseparably linked to the forming of the "new BP" in the late 1990s and its new corporate identity "beyond petroleum" (cf. Healy and Griffin, 2004).

In 2006 and 2007 Lord Browne took court action on several occasions to prevent Associated Newspapers from disclosing information on his private life, including his relationship with Jeff Chevalier between 2002 and 2006. This affair included diverse personal allegations against the CEO, including using company resources to Chevalier's benefit and tax evasion for a flat in Venice. He sought an injunction against publishing these and further private details – which he firmly denied. In the end, he lost the case because of a "white lie" he had told the judges about how he and Chevalier had met (The Guardian, 2007). In consequence, Browne immediately quit his position as BP's CEO, lost a leaving package worth up to about \$20 million, and on May 1, 2007 Tony Hayward was appointed CEO of Europe's largest oil company.

In economic terms, Tony Hayward's first year as CEO was a record-breaking year (BP, 2009a): in 2008, net cash from operating activities was \$38.1 billion (2007: \$24.7 billion), of which \$22.8 billion were re-invested (see also Appendix 10). Replacement cost profit – an important profit measure in the oil industry – went up by 39%, from \$18.4 billion in 2007 to \$25.6 billion. Dividends per share grew by 30% from \$0.42 to \$0.55.

Backed by these results, Tony Hayward described the way ahead in his second annual general meeting speech in April 2009. Main topics in his speech were increasing safety through focussing on processes, enhancing the company's potential through extensive recruitment efforts, and strengthening performance through restoring revenues and reducing organizational slack and complexities. In the only paragraph on BP's Alternative Energy business, Tony Hayward mainly referred to biofuel investments: "And finally, in Biofuels, we started production from our joint venture in Brazil. This is the largest single investment in Brazilian biofuels by an international oil company. Despite the economic downturn, we believe that a disciplined approach to Alternative Energy continues to offer good opportunities." (BP 2009b, p. 4) Compared to his strategic announcements in his first speech after taking over from Lord Browne, when BP Alternative Energy was described as an explicit element of the company's overall strategy (BP, 2008b), little was to be found on the strategic role of BP Alternative Energy in Tony Hayward's second speech. Nevertheless, Lord Browne's "beyond petroleum" approach was institutionalized in an \$8 billion investment program for BP Alternative Energy (BP, 2010d).

*Steve had to concentrate on the traffic but he was deep in thought, trying to recall the annual general meeting (AGM) 2009 at the ExCel centre in London where he listened to his boss' second AGM speech. He thought of the extensive resources that had been spent on different alternative energy technologies. About \$4 billion were spent on alternative energy projects between 2005 and 2009. After all, that was more than most market leaders from the renewable energy industry were able to invest.*

*While Steve was contemplating on the company's engagement to go "beyond petroleum", something confused him. Despite BP's widely visible activities, such as building up BP Alternative Energy in 2005 and investing several hundred million dollars per year in low-carbon technologies, the company and its agents had often been criticized for their unconvincing environmental commitment. Steve wondered why.*

### **B.3: April 16, 2009: Back to Petroleum?**

On April 16, 2009 Tony Hayward gave his second AGM speech as BP's CEO. With regard to safety issues he affirmed "[t]he number of major incidents involving process safety has continued to decrease and our personal accident and injury track record continues to improve." (BP, 2009b, p. 2) Besides responsibility through safety and reliability, the speech focused on restoring revenues, reducing corporate complexities and cost structures.

The speech provoked scepticism about the apparently little commitment to environmental issues. On May 11, 2009 BBC News headlined an article "BP brings 'green era' to a close" and the subtitle read "environmental groups have accused BP of dropping its pledge to be green and replacing it with a commitment to be 'responsible'." (BBC News, 2009) Obviously, some critics were not convinced by BP's commitment as presented by Tony Hayward (Appendix 9).

In its article, BBC News quoted Charlie Kronick, Senior Climate Change Adviser at Greenpeace, and the human rights organisation TAPOL. The former accused BP of trying to sell its alternative energy businesses because of insufficient profitability (e.g., Greenpeace, 2009; Washington Post, 2009), and the latter referred to social and environmental problems in West Papua, South-East Asia, caused by the Tangguh LNG project (TAPOL, 2008). For TAPOL and dozens of signatories, BP was not willing to provide for an external long-term monitoring of social and environmental effects of the project and did not take into consideration the consequences for resettled villagers and landowners. One could argue that NGOs such as Greenpeace and TAPOL were the usual suspects to blame multinational corporations for disregarding social and environmental issues. Interestingly, also business experts like Rita Clifton, CEO of Interbrand, expressed scepticism as to whether BP would be able to handle the "double-edged sword" of high-profile green promotions (Appendix 9).

Nevertheless, David Nicholas, BP spokesman, confirmed that the company was still committed to what had started as "beyond petroleum" nine years ago: "The change represents an evolution and expansion of green as a brand value rather than a replacement [...] The new brand value, 'Responsible', encompasses BP's original aspirations towards the environment, in addition to other key areas such as safety and social welfare [...] Our aspirations remain absolutely unchanged: no accidents, no harm to people and no damage to the environment." (BBC News, 2009) One year later, on April 15, 2010, BP's CEO addressed and confirmed these issues directly in his third AGM 2010 speech (BP, 2010d). While in 2009 the core topics were the reformatory efforts to increase operating efficiency and safety with its "number one priority of safe and reliable operations" (BP, 2009b, p. 2), the AGM 2010 speech highlighted issues such as energy efficiency, low-carbon policies and alternative energies (BP, 2010b). Was this speech meant to be a renewed step "beyond petroleum", following the group management's approach of a "more focused and disciplined" alternative energy business? Or was it just a response to the criticism BP was faced with in 2009? These questions were rendered elusive as five days after this speech the attention was drawn to the Deepwater Horizon catastrophe.



Thus, it remained unclear whether BP brought the “green era” to a close and went “back to petroleum”, as BBC News and further external stakeholders claimed, or whether the company was still committed, as e.g. BP’s CEO and spokesman insisted. In its sustainability report 2009, BP described the activities of BP Alternative Energy in which \$4 billion had been invested since 2005. But critics, such as Greenpeace, accused BP of greenwashing, claiming these activities were mere public relations (e.g., Greenpeace 2008). Business figures might help answering the more general question whether BP went through a “green era”. Figures of capital expenditure and investments are used by both BP and its critics to communicate the company’s actual efforts to move towards a low-carbon energy supply (Appendices 10 and 11).

BP’s annual capex for the years 2000 to 2009 was \$19.4 billion on average (\$193.6 billion in total) (Appendix 10). Assessing the actual investments in BP Alternative Energy cannot be done in a straightforward manner since detailed figures are not publicly available. Greenpeace, for years boldly opposing BP, published investment figures for the year 2008 in an anti-advertisement headlined “Energy mix or PR fix?” (Appendix 11, Figure 6). The campaign aimed to highlight the fact that the investments in renewable energies totalled approximately 7% of total investments. For Greenpeace this was a reason enough to interpret BP as “back to petroleum”.

The “beyond petroleum” promotion was thus constantly accompanied by this kind of media scolding from diverse sources (such as news agencies and NGOs, e.g., CorpWatch, 2000; Greenpeace, 2008; BBC News, 2009). This observation made Shanta Barley, environment reporter at BBC Bloom, think about the BP perspective on these conflicts: “But is it any wonder that BP is reverting to its old habits, given the scepticism with which campaigners greet the green shoots of green thinking in the senior management of oil companies? When confronted with the prospect of sneering green groups, it could well be that any oil company toying with the idea of experimenting with green initiatives – beyond the near term interests of their shareholders – will think twice.” (BBC News, 2009)

Maybe BP tried not to revert to old habits, but rather to answer with responsibility through safety and reliability. For Tony Hayward and the group management, safe and reliable operations were the number one priority. Critics, however, interpreted this as a strategic move to end the green era and replace it with a broad and fuzzy notion of corporate responsibility. Ultimately, it is open whether “responsible” can be seen as an extension of “green”, and whether BP had to extend its interpretation of corporate responsibility to react not only to environmental problems, which visibly entered the company’s agenda in the late 1990s, but also as a reaction to accidents such as the Texas City refinery explosion or the Gulf of Mexico oil spill.

*Steve arrived at home. He remained seated in his car as he came to the crucial point which connected both the Deepwater Horizon and the “beyond petroleum” trouble: public perception of BP’s efforts to act responsibly towards society and the natural environment must have been completely distorted – no matter whether a single event or a complex long-term strategy is concerned. BP, as any oil major, was caught in a paradox situation between delivering products and services that everybody needed, and being the usual suspect and projection surface for green NGOs and other stakeholder groups. Steve knew that developing an improved crisis management strategy for his boss would be the challenge of his career. He left the car, anticipating that he would not get a lot of sleep this night.*

## Appendix 1

### Deepwater Horizon Oil Drilling Rig

#### **Economic facts:**

- Value: \$560 million (replacement cost and wreckage removal)
- \$530,000 daily lease and additional 500,000 operation costs per day
- Owned and operated by Transocean
- Under lease to BP from March 2008 to September 2013
- Production casing installed and cemented by Halliburton Energy Services

#### **Physical facts:**

- Type: ultra-deepwater, dynamically positioned, semi-submersible offshore oil drilling rig
- In operation since 2001
- Size: 396 by 256 ft (121 by 78 m)
- Operation: 120 people
- BP leased the rig for exploratory drilling
- Operates in waters up to 8,000 feet (2,400 m) deep and drills down to 30,000 feet (9,100 m)

Source: Transocean, 2010

## **Appendix 2**

### **Effects of the Oil Spill on the Environment**

“Microbes that ingest oil deplete oxygen from the sea, creating ‘dead zones’ for fishes [sic]. This, realistically, is a tale of doom as some species like the Bluefin tuna spawn in the Gulf region and the ‘dead zone’ could lead to their extinction. The gulf may already have many of these dead zones, and many more new ones created with every drop of oil added.

The breeding grounds of birds are compromised. Onshore, oil evaporates leaving behind tar which is either washed away or is subjected to microbial action. But on marshy surface, the oil gets locked down and sinks below. Here, the microbial action is slow and the land takes a long time, at times even decades, to recover.

The coating of oil on birds makes the feathers heavy, decreasing their ability to fly, so they sink or drown. Also birds try to clean themselves of the oil, thus ingesting the poison.

Many birds and seal pups also die to hypothermia as the insulating capacity of feathers and woolly fur (lanugo) is reduced, respectively. Oil also damages the eyes of marine mammals causing ulcer or conjunctivitis, even blindness resulting in death. It also decreases the thickness of egg shells, and causes organ failure in birds with the oil entering the lungs and liver of animals.

Feeding and spawning areas of fishes are damaged and the spill could poison the food chain starting from plankton. Small fishes may take in the oil droplets laced with dispersants and transfer the poison to higher animals in the food chain. Further, dispersants not only kill coral reef but affects their re-growth too.

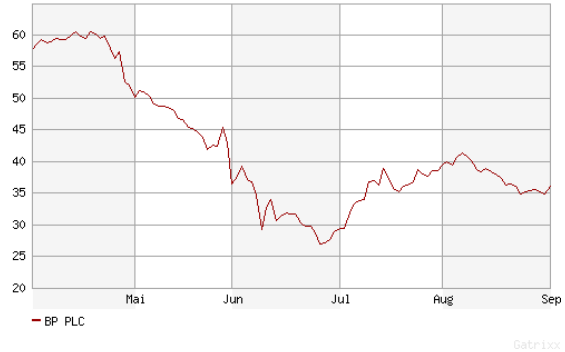
Prolonged exposure to crude oil and the dispersants also pose significant danger to public health. The tiny air borne particles from the crude oil pollutes the air, and cause people to fall sick with headache nausea, sore eyes and neurological diseases in the long term.”

Source: Oil-price.net, 2010

### Appendix 3

## BP share price development between April 1, 2010 and September 1, 2010

- Standard & Poor's rating dropped from A++ to A: reason: unknown amount of liabilities coming
- \$20 billion recovery in a trust for the recovery of the natural state of the environment
- June 4, 2010: Loss of income compensation totals about \$84 million
- Share price dropped from GBP 6.1 on April 20, 2010 to GBP 2.6 on June 23, 2010



**Figure 1:** BP share price development between April and September 2010

Source: Bloomberg

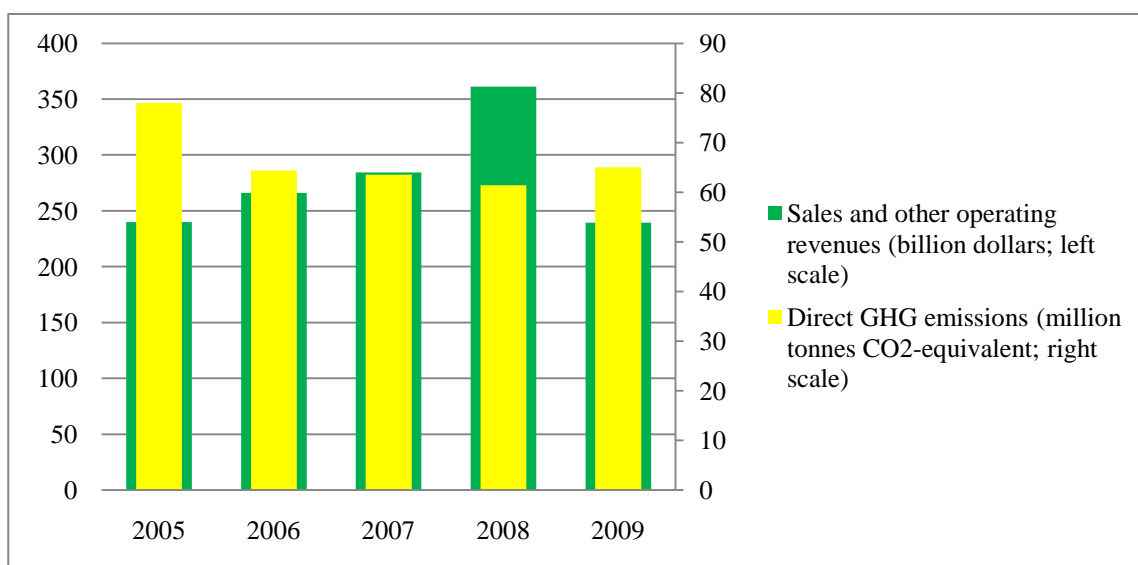
## Appendix 4

### An Excerpt of BP's List of Environmental and Health and Safety Violations 2004 – 2010 (Source: treehugger.com, 2010<sup>2</sup>)

April 2010	\$3 million	OSHA fine for 42 <b>wilful</b> safety violations at one of its refineries in Ohio.
March 2010	\$2.4 million	Health & Safety violations in Ohio refinery in April 2006.
October 2009	\$87.43 million \$21.36 million	<b>Wilful negligence</b> that led to the deaths of 15 workers and injured 170 others in a March 2005 refinery explosion in Texas (largest fines in OSHA history). The U.S. Chemical Safety & Hazard Investigation Board concluded in 2007 that “[t]he Texas City disaster was caused by <b>organisational and safety deficiencies at all levels of the BP Corporation</b> . Warning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it.”
February 2009	\$12 million	Civil penalty for “noncompliance with a 2001 consent decree and Clean Air Act regulations requiring strict controls on benzene [...] generated during petroleum refining” at BPs Texas City refinery.
November 2007		The EPA cited BP for numerous Clean Air Act violations at its Whiting facility, and amended this notice of violation in October 2008. In June 2009, the EPA revived additional allegations of Clean Air Act violations at the same refinery.
October 2007	\$50 million & pled guilty	<b>Felony violation</b> of the Clean Air Act. Three years of probation for the Texas City refinery explosion.
October 2007	\$785,662	Multiple emergency <b>Planning and Community Right-to-Know Act</b> violations.
October 2007	\$6,350	Fine for <b>failing to perform</b> adequate corrosion protection <b>inspections</b> at three underground gasoline storage tanks.
October 2007	\$20 million	BP pled guilty to one misdemeanour of the Clean Water Act and agreed to serve three year probation, for spilling 200,000 gallons of crude oil onto the Alaskan tundra in March 2006.
June 2007	\$869,150	The Michigan Department of Environmental Quality fined BP for leaking underground gasoline storage tanks.
October 2006	\$900,000	Civil penalty for <b>producing and distributing gasoline that failed to meet Clean Air Act standards</b> .
October 2006	\$25,000	Minerals Management Service fine since “operations were not performed in a safe and workmanlike manner.”
September 2006	\$130,625	Texas Commission on Environmental Quality fine for unlawful releases of harmful pollutants at its Texas City refinery.
August 2005	\$28,360	Civil penalty for violating EPA's <b>gasoline detergent additive regulations</b> .
June 2005	\$115,138	Civil penalty for <b>violations</b> of the Clean Water Act, Safe Drinking Water Act and Oil Pollution Act.
May 2005	\$58,687	Fine to settle allegations it violated the Clean Air Act at its Whiting, Indiana refinery.
March 2005	\$25 million \$6 million	The South Coast Air Quality Management District forced BP to pay penalty and past emissions fees for air quality rule violations at BP's Carson refinery.
July 2004	\$190,000	Penalty to the Minerals Management Service for <b>safety violations that resulted in a fire</b>
February 2004	\$25,000	The Minerals Management Service fined BP because “[t]he Rig's <b>Gas Detection System was bypassed</b> with ongoing drilling operations being conducted.”

<sup>2</sup> See also <http://mrzine.monthlyreview.org/2010/slocum060510.html>. Retrieved on October 26, 2010.

## Appendix 5 BP in Facts and Figures



**Figure 2:** BP's annual revenues and direct GHG emissions, 2005-2009

BP is a multinational corporation with one hundred years of history being built on big numbers. According to Fortune's Global 500 ranking 2009 (CNN, 2010), BP is the world's fourth biggest company by revenue. Following Wal-Mart (\$408 billion) and competitors Royal Dutch Shell (\$285 billion) and Exxon Mobil (\$285 billion).

In 2009, third party sales and other operating revenues in the main business fields were \$25 billion from exploration and production (E&P), \$212 billion from refining and marketing (R&M), and \$2 billion from other businesses, leading to total revenues of \$239 billion (Figure 2). The corresponding business activities caused 65 million tons of GHG emissions, compared to 78 million tons at \$240 billion revenue in 2005.

The average crude oil production was 2.5 million barrels per day in 2009 – i.e. 398 million litres (one barrel equals 159 litres). BP's refineries had a daily throughput of 2.3 million barrels crude oil and a total daily sales volume of 5.9 million barrels refined oil products. Moreover, 8.5 million cubic feet of natural gas were produced, every day.

In 2009, 80,300 employees worked for BP, receiving about \$12 billion of benefits (including wages, salaries, share-based payments and pensions). Moreover, the company paid more than \$10 billion dividends to shareholders. Royalties and taxes to governments made approximately another \$10 billion.

Source: BP, 2008a, 2010a, 2010d

## Appendix 6

### The core of BP Alternative Energy's Activities

#### Wind power

“Since 2005 we have built our wind power business in the U.S. from zero to a gross generating capacity of more than 1,200 megawatts (MW), enough to provide electricity for a city the size of Washington DC. We have a further 1,000 MW of capacity in an advanced stage of development [...]

We have also moved into full commercial operation of phase one of the Titan facility in South Dakota, which has the potential to grow to more than 5,000 MW and be the biggest wind farm worldwide [...]



#### Solar power

“BP has been providing solar power for more than 35 years and shipped its 10 millionth module in 2009. The business is constantly evolving and today our focus is on increasing our competitiveness [...]

Our solar module sales were 203 MW in 2009, primarily in markets such as Germany and the U.S. where uptake is encouraged by policy-makers. We are also participating in emerging solar markets such as China, Italy and several countries in the Middle East [...]



#### CCS\* and hydrogen power

“We have three of the world's most advanced CCS projects in our portfolio – two of which involve plans to use CCS to create hydrogen, from which low-carbon electricity can be generated. At our joint-venture project at the In Salah gas field in Algeria, we have been capturing, injecting and storing up to one million tonnes of CO<sub>2</sub> per year since 2004.

In Abu Dhabi, we are working [...] on plans for a 400 MW natural-gas-based hydrogen power plant designed to capture up to 1.7 million tonnes of CO<sub>2</sub> each year [...]

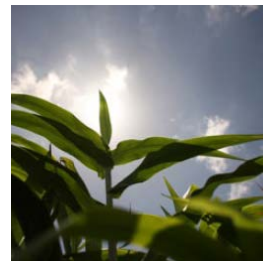


#### Biofuels

“Biofuels is a natural sector for BP. Along with our understanding of the transport fuels business, conversion technologies and delivering projects at scale, we have partnered [...]

We focus on feedstocks that are not needed for food and that create biofuels with net greenhouse gas emissions that are significantly lower than those of conventional fuels [...]

We have committed more than \$1.5 billion to biofuels operations and research since 2006 [...]



\* CCS stands for “carbon capture and storage” which is an approach to capture CO<sub>2</sub> emissions from power plants or other facilities and processes and to store these emissions below the surface.

Source: BP, 2010d, pp. 16-19; pictures taken from BP, 2010e, pp. 8, 14

## Appendix 7

### From “British Petroleum” to “Beyond Petroleum”

#### 1. One century of change

BP has always been a dynamic and changing company: From its beginning in Persia in 1908, as the Anglo-Persian Oil Company was founded on “first oil”, through the first big mergers and acquisitions and the introduction of the “BP-shield” in the 1920s, which lasted for 80 years (Figure 3), through the Alaska oil-pipeline in 1969, then largest engineering project in American history, to the rebranding in 2000. Changing from “British Petroleum” to “beyond petroleum” was intended to be more than just another logo redesign (Figure 4). It was meant to express the oil major’s fundamentally renewed corporate identity (cf. Roth, 2008).



Figure 3: Development of BP logo through one hundred years of business

#### 2. “Beyond petroleum” advertisements

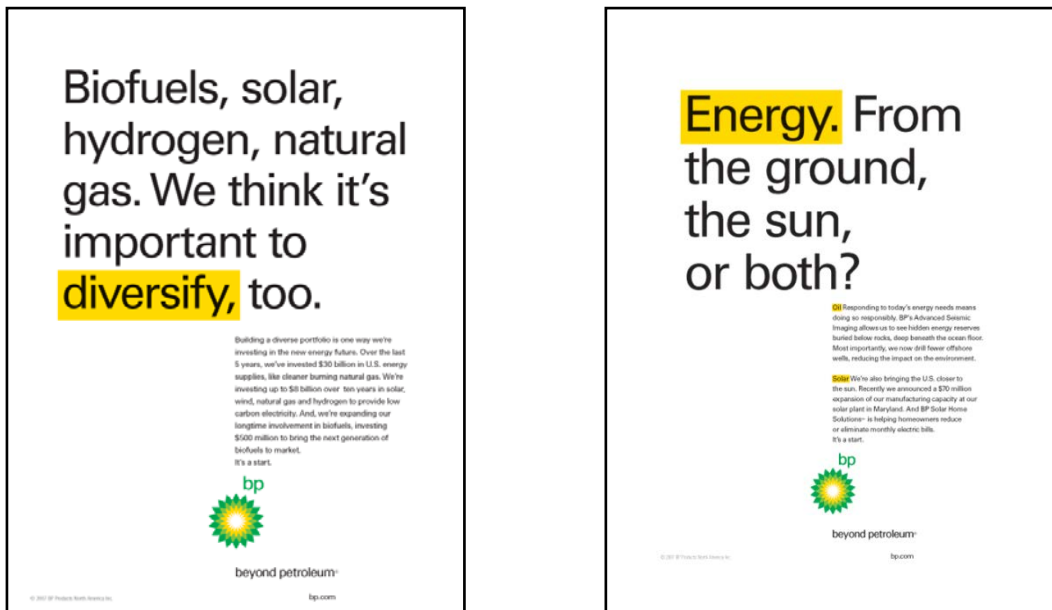


Figure 4: BP Alternative energy advertisements including the “beyond petroleum” logo

Source: BP, 2010g



## **Appendix 8**

### **Lord Browne – Oil Man and Honoured Business Leader**

#### **A company man...**

Edmund John Philip Browne, Baron Browne of Madingley holds a degree in Physics from Cambridge University and an M.S. in Business from Stanford. He joined BP in 1966 as a university apprentice and held a variety of exploration and production posts from 1969 to 1983. Before becoming BP's CEO in 1995, he was Group Treasurer and Chief Executive of BP Finance International (1984), Executive Vice-President and Chief Financial Officer of the Standard Oil Company (1986). He also was CEO of Standard Oil Production Company (1987) before he became Managing Director and CEO of BP Exploration (1989). Finally, he joined the board of BP as a Managing Director and in 1995 he was appointed CEO.

#### **...and an honoured business leader**

John Browne was knighted in 1998 during the Queen's birthday honours and was made a Life Peer in 2001. Moreover, Lord Browne was given various awards, including:

- Prince Philip Medal by the Royal Academy of Engineering (1999)
- Ernest C. Arbuckle Award by the Stanford Business School Alumni Association (2001)
- Gold Medal by the Institute of Management and The Society of Petroleum Engineers Public Service Award (2002)
- Institution of Chemical Engineers Commemorative Medal (2003)
- World Petroleum Congress Dewhurst Award (2005)
- Dwight D. Eisenhower Leadership Award from the Business Council for International Understanding (2005)
- Voted "Most Admired CEO" by Management Today in 1999, 2000, 2001 and 2002

Source: Commission on Growth and Development, 2010

## **Appendix 9**

### **Excerpt from “BP Brings ‘Green Era’ to a Close”**

“The oil giant was widely recognised as the first oil company to both acknowledge and tackle climate change. Also, its in-house carbon trading scheme – built with a little help from an unlikely ally, the U.S.-based Environmental Defense Fund – was among the first of its kind. However, a change of chief executive has led to an apparent change of policy. In April, CEO Tony Hayward announced that safety was the company’s ‘number one priority’ [...]

Some environmental groups saw this as an attempt to move away from ‘green’ as a brand value, which was introduced by Mr Hayward’s predecessor, Lord Browne. Greenpeace said the oil giant had a lot to gain by dropping its promise to be green. ... ‘Now that BP is blissfully released from its pledge to invest in clean energy, it has a carte blanche to sell off its unprofitable green energy arm,’ he told the BBC [...]

BP’s environmental credentials suffered a further setback in 2008 when the company announced its intention of withdrawing financial support for a scheme that monitored mangroves next to a liquefied natural gas (LNG) plant it was constructing in Papua, South-East Asia. ‘Withdrawal of BP’s support for the monitoring process goes against all the green rhetoric that is so prominent in BP’s public relations and marketing exercises,’ campaigners at TAPOL, Down to Earth and a number of other human rights organisations wrote in a letter to BP CEO Tony Hayward [...]

Britain’s green energy sector flourished, as Lord Browne’s shining for solar power went head-to-head with rival oil giant Shell’s investment in wind projects. Both oil titans lavished huge quantities of money on slick green advertising campaigns. But Rita Clifton, chief executive of brand specialists Interbrand, said high-profile promotions could be a double-edged sword. ‘You can’t promise in an advert what you aren’t delivering on a day-to-day basis and not expect a backlash,’ she told the BBC.”

Source: BBC News, 2009

## Appendix 10

### Capital Expenditure\* and Acquisitions in \$ Million

By business	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exploration and Production	6,383	8,861	9,699	15,370	11,193	10,237	13,118	13,906	22,227	14,896
Refining and Marketing	8,693	2,415	7,753	3,080	3,014	2,860	3,144	5,586	6,634	4,114
Petrochemicals	1,585	1,926	823	775	2,289	(c)	(c)	(c)	(c)	(c)
Gas, Power and Renewables	336 <sup>(a)</sup>	492	408	441	538	235	688	874	(c)	(c)
Other businesses and corporate	30,616 <sup>(b)</sup>	430	428	346	215	817	281	275	1,839	1,299
<i>Sum</i>	<i>47,613</i>	<i>14,124</i>	<i>19,111</i>	<i>20,012</i>	<i>17,249</i>	<i>14,149</i>	<i>17,231</i>	<i>20,641</i>	<i>30,700</i>	<i>20,309</i>

<sup>(a)</sup> only Gas and Power, not including Renewables

<sup>(b)</sup> including acquisition of ARCO (\$27,506 million)

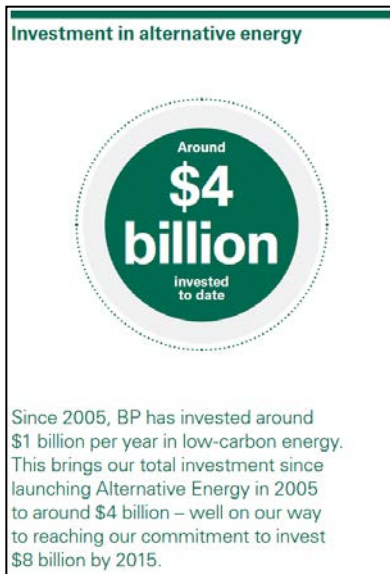
<sup>(c)</sup> not reported separately; Gas, Power and Renewables partly subsumed under “other businesses”

\* Capital expenditure (capex) comprises, amongst others, expenditures for buying or adding to fixed physical assets such as plants, property or industrial equipment. It stands for expenses to create future benefits beyond the current financial year and thus includes investments in different business fields. In comparison, BP’s total capex for 2006 was \$17.2 billion, while \$13.1 billion were spent for E&P, \$3.1 billion for R&M and \$0.7 billion for Gas, Power and Renewables (4% of total capex).

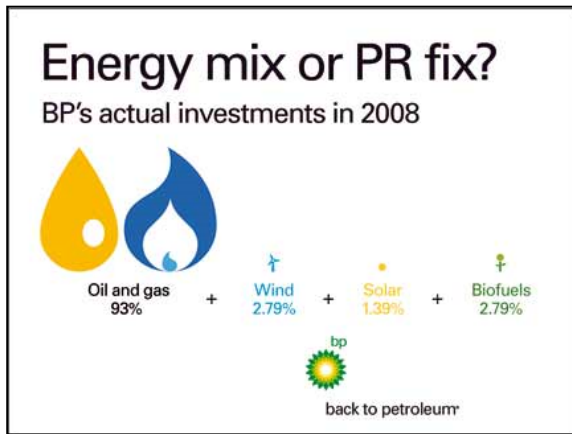
Source: BP, 2002, 2003, 2005a, 2007, 2009a, 2010a

## Appendix 11

### Two Ways of Promoting Renewables Investments



**Figure 5:** BP promotes investments in low-carbon energy (BP, 2010d)



**Figure 6:** Greenpeace reproaches BP with greenwashing – “back to petroleum” (Greenpeace, 2008)

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