

“I CANNOT SEE THAT ANY OTHER FORM OF ORGANISATION WOULD STAND A BETTER CHANCE”

I’ve been thinking a lot during the last month about the fact that 50-some years ago, the United States overthrew the democratically-elected government in Iran because the country nationalized BP’s assets in the country. Take this FT interview with the Chairman of BP, Carl-Henric Svanberg, that Yves Smith linked to.

As Yves points out, Svanberg discusses its relationship with the United States (remember—the country that overthrew a government for BP) as mutually beneficial, or perhaps mutually dependent, and certainly equal.

He said: “The US is a big and important market for BP, and BP is also a big and important company for the US, with its contribution to drilling and oil and gas production. So the position goes both ways.

“This is not the first time something has gone wrong in this industry, but the industry has moved on. Of course our reputation will be tarnished, but let’s wait and see how we do with plugging the well and cleaning up the spill.”

Yves points out that BP “was far from the only major oil company that does deep water drilling.” And that’s undoubtedly true. But it’s worth recalling a few details I pointed out in this post. BP has a significant share—perhaps a third—of the deepwater drilling in the Gulf and is involved in several of the most ambitious projects in terms of depth and complexity. BP also does significantly more deepwater drilling

than its competitors (see slide 30)—more than Exxon and Mobil combined; Shell is a distant second to BP. Not that that should make the US subservient to BP; ultimately Shell or Exxon or Andarko (which has a stake in the Macondo well) should be able to come in and take over this well. But BP is the company that is most pushing the limits of deepwater drilling at the moment, and because of that has the ability to best exploit the oil reserves in the deepwater Gulf.

So to the extent that the US feels a strategic need to develop some US sources of oil—and frankly, to the extent that the US feels a need to develop a non-nationalized source of oil anywhere in the world—the Gulf is going to be a part of that. Apparently, 4 US locations are in the top 20 sources of non-nationalized sources of oil.

For example, once reserves that are entirely owned by governments are removed from the analysis, of the 104 remaining fiscal regimes ranked by Wood Mackenzie that allow some participation by international oil companies and that have remaining oil and gas reserves, the deep water U.S. Gulf of Mexico ranked 18th highest in terms of remaining oil and gas reserves. Three other U.S. regions were ranked in the top 18 in terms of reserves. These were the U.S. Rocky Mountains (8th), Alaska (14th), and U.S. Gulf Coast (15th), but these regions are not uniquely covered by the federal fiscal regimes, as state and private resource owners may also exist.

Of course, the reason we need to retain sources of oil not owned by national governments is to prevent countries like Venezuela and Iran from attaining too much power to use their oil as a weapon. (And to ensure that if, say, Israel decided to launch a war against Iran, there would be sufficient supply in our control for us to join in the belligerence.)

So while BP is not irreplaceable, the drilling it does in the Gulf does play a key role in the US strategy for maintaining its global hegemony. That doesn't mean that's the way it should be. But that's the way it is.

Now, Svanberg actually goes on to consider whether or not a corporation is the proper "form of organization" to respond to a crisis like this.

He also rejected calls for the US government to take direct control of the clean-up operation.

"While the well is still leaking, it is natural for people to be frustrated that efforts to cap it have failed," he said.

"I am positive we have all the resources needed to tackle it, working along with competitor companies, scientific experts and others, and I cannot see that any other form of organisation would stand a better chance. We think we have what is needed to do it, and we will see it through."

Frankly, Svanberg is right about a lot of this. The US government is amply prepared to run wars in multiple countries, but it is totally unprepared to respond to predictable environmental disaster at home. As Thad Allen said on Sunday, our technological expertise doesn't extend to monitoring deepwater wells.

ALLEN: I don't think it's an issue of control. What makes this an unprecedented anomalous event is access to the discharge site is controlled by the technology that was used for the drilling, which is owned by the private sector.

They have the eyes and ears that are down there. They are necessarily the modality by which this is going to get solved. Our responsibility is to

conduct proper oversight to make sure they do that. And with the top kill that will be coming up later on this week, that's exactly what is happening.

That doesn't mean that BP has all the scientific expertise it needs and it's clear from the Corexit dispute that BP isn't working with the right competitor companies. But it has more of the oil-specific technology needed for a response like this than the Coast Guard does, and because it has that technology it controls access to the disaster site.

I'm most fascinated, though, by Svanberg's assumption that the question is about the proper "form of organization" to respond to this disaster. Setting aside the way he fails to consider the big question of conflict of interest a corporation has—the way that BP may serve other agenda, like limiting its financial liability and hiding the more visual aspects of the spill, than the US or another large entity might have. But Svanberg seems to be arguing that a corporation, as an organization, is as appropriate an entity to respond to a disaster of this scale as the most powerful country in the world.

And our government seems to agree with Svanberg on that point.

Fifty-some years ago, the UK recruited America's help to overthrow the government of Iran to protect BP's stake in that country because that was seen as the appropriate role for government by those mid-century Anglo-American Masters of the Universe. Now, we're at that point where our government and BP appear to agree that it is the appropriate role of the corporation that caused a massive disaster to take charge of cleaning up that disaster. There are real reasons for that—to make sure that BP, rather than the government, retains liability for anything that goes wrong during cleanup, and because our country has a myopic view of national security which means it doesn't have technology to

environmentally protect the country that it does
to make war on other countries.

But it's also a testament to the ongoing
troubled relationship between corporations and
government.