

BP 'fell short' on pipeline, execs admit

Malone calls operating failures 'unacceptable'; execs grilled over breakdown at Prudhoe Bay

By Aaron Smith

CNN

September 7, 2006

BP's top U.S. executives told lawmakers Thursday that the company stumbled by failing to prevent a major Alaskan pipeline from getting crippled by corrosion.

"BP's operating failures are unacceptable," BP America Chairman Bob Malone told members of a House panel. "They have fallen short of what the American people expect of BP and they have fallen short of what we expect of ourselves."

Malone appeared with BP (down \$0.97 to \$65.96) executives before a House of subcommittee to respond to problems that federal investigators have found with the company's Prudhoe Bay facility in Alaska.

"I deeply regret this situation occurring on my watch," said Steve Marshall, president of BP exploration in Alaska.

Marshall said that pipeline spills earlier this year had been cleaned up without lasting environmental damage. Marshall also said BP would increase "pigging" with a pipeline analysis device to try and prevent further problems, and was investigating the source of corrosion that

precipitated the spill.

Pigging is when a mechanical device is run through a pipeline to clean it, or to test for corrosion.

Company executives expressed regret for the maintenance failures and promised to make things right through increased maintenance, the replacement of 16 miles of pipeline, the hiring of outside advisors, and continued appearances before congressional committees.

The hearing began with a browbeating from Rep. Joe Barton of Texas, chairman of the House Energy and Commerce Committee.

"Years of neglecting to inspect the most important oil-gathering pipeline in this country is not acceptable," the Republican told the hearing held by the committee's investigations and oversight panel.

If BP, "one of the world's most successful oil companies," is incapable of conducting basic maintenance on the walls of the some of the country's most important oil pipelines, then regulators should "let somebody else do it," Barton said.

Rep. Jan Schakowsky (D-Illinois) said it was "truly beyond comprehension" that a profitable company like BP would fail to maintain the infrastructure that was the basis for its earnings, adopting a "see-no-evil approach to Prudhoe Bay operations."

"If the company spent as much on maintenance as it does on advertising and lobbying for tax cuts, none of us would have to be here today," said Schakowsky.

Focusing on BP's slogan of "Beyond Petroleum," Rep. Ed Markey (D-Mass.) said, "BP stands for a company with bloated profits that failed to fix bad pipelines."

Prudhoe Bay is of major importance to the United States, generating 400,000 barrels of oil a day, or about 8 percent of the country's domestic oil production, when it's fully operating. BP cut production at the field in half in August after inspections revealed severe corrosion.

Members of the subcommittee lambasted the company for failing to send a vehicle through any of its pipelines to look for internal corrosion more recently than 1992. Subcommittee members contrasted BP's lack of maintenance with the Trans-Alaska pipeline, where such inspections are conducted every three years.

The company was also criticized for presenting itself, through advertising, as environmentally friendly, while failing to prevent damaging oil spills.

The scolding was not restricted to BP. Rep. Diana DeGette (D-Colorado), a member of the committee, criticized the government for not doing more to prevent the problem. "Only after a crisis happens do we jump to fix a problem," DeGette said.

London-based BP is also being investigated for a pipeline spill in March, and for allegedly manipulating energy prices in 2004. In addition, 15 workers were killed by an explosion at a BP refinery in March.

The testimony comes after oil prices touched a five-month low in early trading and hovered just above \$67 a barrel.

Thursday's hearings were monitored via Webcast in New York. Hearings are to continue on Friday, when BP executives are to testify before the Senate Energy and Natural Resources Committee.