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BP's U.S. Future Teeters as CEO, Lawmakers Clash (Update2)

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(Updates with Moody's downgrade in seventh paragraph. See [{SPILL <GO>}](#) for more on the oil spill.)

By Joe Carroll and Jessica Resnick-Ault

June 18 (Bloomberg) -- BP Plc Chief Executive Officer Tony Hayward's failure to set safety standards to prevent the Gulf of Mexico oil spill may cost the company control over U.S. oil fields, refineries and pipelines that account for more than one-third of its sales, lawmakers and analysts said.

Less than 24 hours after Hayward met President Barack Obama's demand to set aside \$20 billion to clean up and compensate victims of the worst oil spill in U.S. history, lawmakers yesterday accused the BP CEO of "stonewalling." Hayward appeared before a House committee probing the cause of the April 20 offshore rig explosion that killed 11 workers.

Citing a five-year string of accidents and deadly disasters at BP-operated facilities, Representative Bart Stupak suggested the poor safety record could justify banning the London-based company from doing business in the U.S.

"Setting up the fund was a nice pro-active approach by BP, but in reality it's going to take a decade for them to recover and regain public trust in this country," said Jonathan Dison of Bender Consulting, a risk management and strategy firm that has advised BP, Chevron Corp. and Royal Dutch Shell Plc.

At risk is BP's standing as the biggest producer in the U.S., built up after spending \$100 billion buying Amoco Corp. and Atlantic Richfield Co.

Shares Gain

BP rose as much as 5.5 percent in London trading before paring gains to trade 2.1 percent higher at 356.40 pence as of 12:50 p.m. local time. The shares have lost 44 percent of their value since the April 20 explosion and fire aboard the Deepwater Horizon rig.

BP's senior unsecured ratings were cut three levels to A2, the sixth-highest investment grade, from Aa2 by Moody's Investors Service today, which warned that further downgrades are possible.

The cost of credit-default swaps protecting BP's debt against default for one year fell 7 basis points to 624 basis points, prices from CMA DataVision in London show.

Congressman Stupak didn't elaborate on how BP could be banned from operating in the U.S. and whether such authority rests with Congress, the administration, or regulatory agencies.

Scrutiny of BP's operations in the U.S. intensified after a fire killed 15 workers at its Texas refinery in 2005, and will increase further following the rig disaster, said John Bresland, chairman of the U.S. Chemical Safety and Hazard Investigation Board.

The board added an investigation into the cause of the rig disaster to a list of federal probes into BP, Bresland said in an interview yesterday. The probe was requested by Representative Henry Waxman, a California Democrat.

New Investigation

"Our investigation will look at 2 years before the incident, a year before it, the day before, what happened on that day, up to the time the explosion took place," Bresland said.

BP was cited for 760 safety violations in the past half decade by the U.S. Occupational Safety and Health Administration, compared with eight each for ConocoPhillips and Sunoco Inc., two for Citgo Petroleum Corp. and one for Exxon Mobil Corp., Representative John Sullivan, an Oklahoma Republican, said during yesterday's hearing.

Inspections of the company's five U.S. plants after the Texas refinery fire resulted in a fine of \$21 million by the Occupational Safety and Health Administration for safety violations. Last year, discovery of more violations resulted in BP being slapped with a record fine of \$87.4 million.

'Extremely Frustrated'

In his testimony yesterday, Hayward not only failed to convince lawmakers he was committed to making BP safer, he may have deepened suspicion of the company by repeatedly pleading ignorance to events that took place under his command, said Matt Eventoff, a partner at New Jersey communications firm, Princeton Public Speaking.

"Mr. Hayward's comments today, saying 'I don't know' 66 times, evaporated any feeling of responsibility," Eventoff said. "Any goodwill that the company bought back yesterday eroded today with his testimony."

Questioned by the panel about BP practices that may have led to the disaster, Hayward said it was too early in the investigation to know the cause.

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Stupak, a Michigan Democrat, told Hayward he and other committee members were "extremely frustrated with your lack of candor and inability to answer questions." Waxman described the CEO's responses as "stonewalling."

"I'm not stonewalling," Hayward responded. According to a transcript of his testimony, Hayward said at least 23 times he was not involved in decisions.

'Laser-like Focus'

After taking over from John Browne in May 2007, Hayward, now 53, pledged to apply a "laser-like focus" to improving safety at the company, declaring it one of his three top priorities along with people and performance.

In Nov. 2007 he said that BP already was making "great progress" on safety. He simplified BP's corporate structure and cut several thousand jobs.

This year, at a March 2 presentation to analysts, Hayward focused on financial performance.

"Our direction is clear: the unrelenting pursuit of competitive leadership in respect of cash costs, capital efficiency and margin quality," he said.

BP is the biggest crude and gas producer in the Gulf of Mexico. The company has amassed about 500 deep-water exploration leases in the Gulf.

BP has spent about \$1.6 billion on containing and cleaning up the spill so far. The company's spending for cleanup and liabilities may reach \$40 billion, Standard Chartered Plc estimated last week.

The yield premium investors demand to hold BP's 500 million pounds of 4 percent bonds due 2014 decreased 1 basis point to 359 basis points, according to HSBC Holdings Plc prices on Bloomberg. The spread on the company's 1 billion euros of 2016 notes tightened 6 basis points to 531 basis points.

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