



Written by [Rebecca Terrell](#) on June 2, 2010

Federal Backlash in Gulf Oil Spill

As crude oil continues to gush into the Gulf of Mexico following an explosion on the Deepwater Horizon rig, BP faces an uncertain future. The London-based oil company which operated the rig has seen its shares plummet by 36 percent since the April 20 accident, according to Bloomberg Businessweek. The article quoted investment analysts noting this \$58 billion loss could make the company a prime target for takeover. Forecasters predict efforts to plug the leak may continue through the end of 2010 due to complications from weather and the depth of the well, and costs of the recovery could exceed the company's 2009 profits.



Federal investigations might also harm BP's prospects. President Obama yesterday [announced](#) former Senator Bob Graham of Florida and former EPA Administrator Bill Reilly will co-chair a new [National Commission](#) to investigate causes of the accident and "determine what reforms are needed" to avoid similar catastrophe in the future. The announcement came the same day Attorney General Eric Holder told reporters at a [press conference](#) in New Orleans the U.S. Department of Justice (DOJ) is conducting both civil and criminal investigations into the matter. Bloomberg reports BP may face as much as \$40 billion in costs stemming from these investigations and resulting lawsuits.

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Meanwhile, containment and clean-up efforts continue. In a [press release](#) issued last week, the president made it clear that all recovery efforts are under federal control. "... from the moment this disaster began, the federal government has been in charge," he said. "[W]e will hold them fully accountable ... But make no mistake: BP is operating at our direction." Obama described the project as the largest in U.S. history, involving 20,000 workers and 1,700 vessels. He has authorized more than 17,000 National Guard members to assist in the Gulf states and promises to "triple the manpower" in areas where oil threatens to hit shore. The Senate passed a supplemental appropriations bill last week that includes \$94 million toward operations related to the oil spill.

Some experts are critical of government involvement in recovery efforts. "The best thing government can do is to stay out of the way, let the companies take the lead and render assistance if requested. Having a bunch of bureaucrats meddling in this is a recipe for another Katrina," said Dr. Walter Starck, an Australian oceanographer and marine biologist. "All the phony righteousness and hand wringing is disgusting. Either get over it and leave the industry to deal with it or decide to live with less oil and all that this would mean."

Indeed, federal intervention is curtailing domestic drilling and affecting more oil companies than BP alone. Obama has ordered a six-month moratorium on new oil and gas wells in the Outer Continental Shelf as well as new operating standards for current projects. He has canceled or suspended drilling



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leases and permits in the Gulf and off the coasts of Virginia and Alaska. Jack Gerard, CEO of the [American Petroleum Institute](#), criticized these measures as a "moratorium on economic growth and job creation." He said, "Additional moves to curtail domestic production by postponing exploration and development off the coasts of Alaska and Virginia, as well as areas in the gulf, have the potential to significantly erode our energy and economic security."

Lisa Murkowski of Alaska, ranking Republican on the Senate Energy and Natural Resources Committee, also [voiced concerns](#). She said the delay in offshore exploration Obama imposed could prove fatal to Shell Oil Company's operations in her state. "[If] it means that existing permits are allowed to lapse — effectively killing Shell's participation in Alaska — that's not acceptable to me or Alaska," she said. "We need to be able to tell Shell that this one-year delay isn't in reality a life sentence."

Murkowski has reason to be concerned, as Senator Robert Menendez (D-N.J.) told *Congressional Quarterly* Obama's moratorium "should be the first in a series of steps that take us to a new policy on drilling." Predictably, the president is already attempting to parlay the situation in the Gulf into an urgent call for carbon rationing and "renewable energy" subsidies contained in a [cap-and-trade bill](#) proposed by Senators John Kerry (D-Mass.) and Joe Lieberman (I-Conn.) "This disaster should serve as a wake-up call that it's time to move forward on this legislation," Obama said.

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