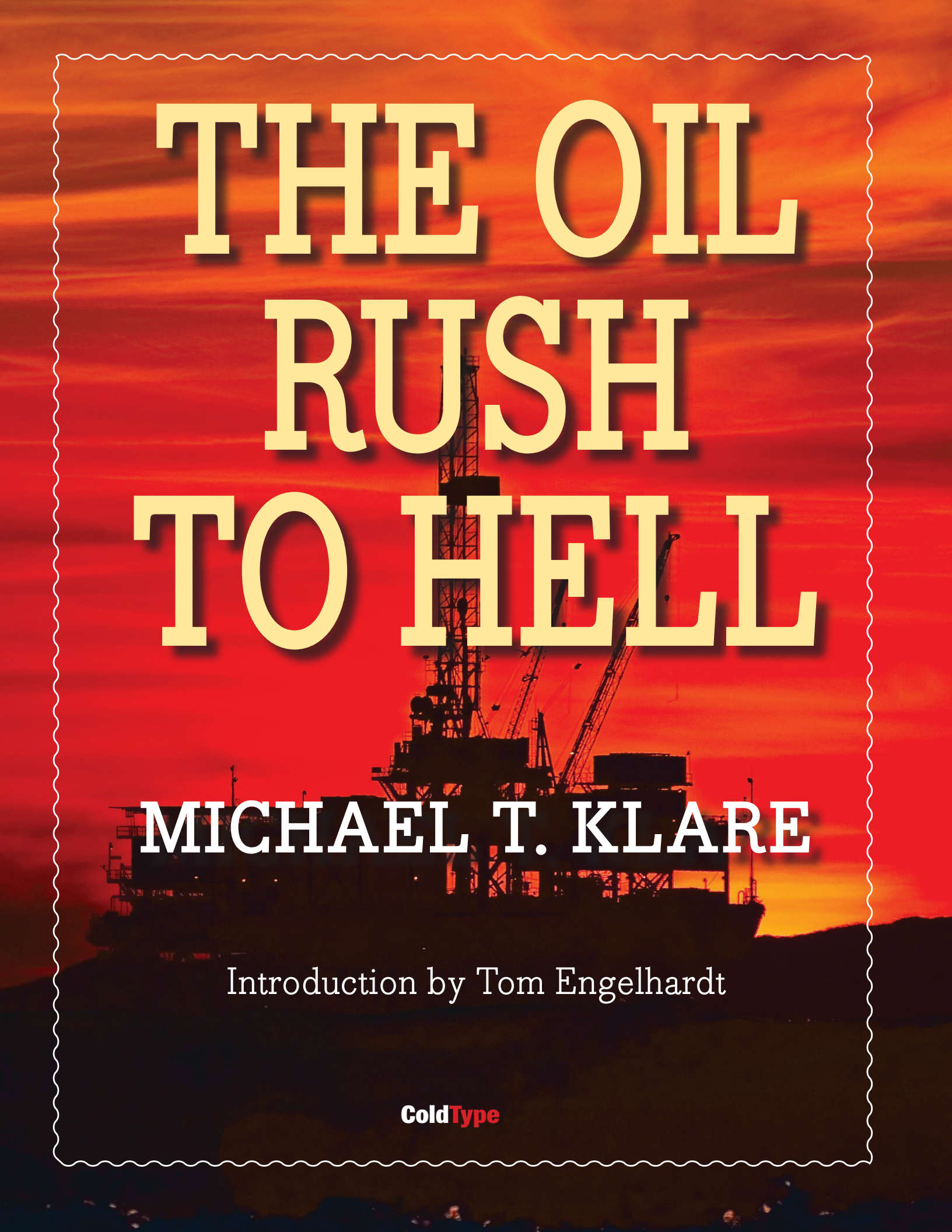

THE OIL RUSH TO HELL

MICHAEL T. KLARE

Introduction by Tom Engelhardt

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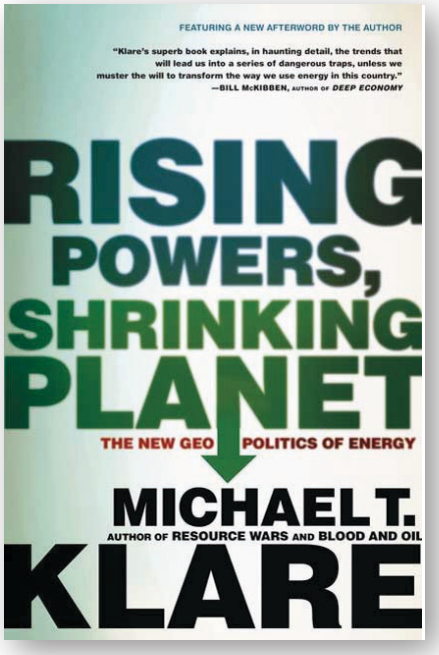

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His latest book is **Rising Powers, Shrinking Planet: The New geopolitics of Energy,** published by Henry Halt (US $16 Trade Paperback)

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INTRODUCTION
BY **TOM ENGELHARDT**

It took President Obama 24 days to finally get publicly angry and "rip" into BP and its partners for the catastrophic oil leak in the Gulf of Mexico. What was he waiting for? The pattern has been obvious enough: however bad you thought it was, or anyone said it was at any given moment, it's worse (and will get worse yet). Just take the numbers.

In the first days after the Deepwater Horizon oil rig exploded on April 20th, reports from the Coast Guard and BP indicated that no oil was leaking into the Gulf from the damaged well. Then, the oil giant reported that, actually, about 1,000 barrels a day were coming out of it. Almost immediately the federal government raised that figure to 5,000 barrels, which remained the generally accepted estimate until, under pressure, BP finally released a dramatic 30-second clip of the actual leak at the wellhead. By then, according to ABC News, both the company and the White House had had access to the video for three weeks and obviously knew that the gold-standard estimate was wrong by a country mile. Since then, estimates by scientists viewing the video clip (who have been prevented by BP from visiting the site itself, looking at more material, or taking more accurate measurements), run from 25,000 barrels to a staggering 70,000 barrels a day or more up to, that is, 3.4 million gallons of oil daily, which would mean an Exxon Valdez-sized spill every few days.

The BP disaster in the Gulf may prove historic in the worst sense especially since much of its damage still remains out of sight, hidden below the surface of the Gulf's waters in what already are gigantic plumes of oil in the water going down 4,000 feet that threaten to rob Gulf waters of oxygen and create vast dead zones in areas previously rich in sea life. Simply put, this is scary stuff, environmental damage on a scale we don't normally contemplate. And it's probably just a start, given that whatever news story comes next only seems to have more of the same, including the fact that the Obama administration's Interior Department followed in the infamous footsteps of the Bush administration. In 2009, it "exempted BP's calamitous Gulf of Mexico drilling operation from a detailed environmental impact analysis." (And, of course, mere weeks before the explosion, the president was urging yet more deep-water off-shore drilling and reassuring Americans that it wasn't terribly dangerous, while less than two weeks before its oil rig blew, BP was vigorously lobbying to expand its exemptions.)

Michael Klare, author of the invaluable *Rising Powers, Shrinking Planet: The New Geopolitics of Energy,* has been warning for years that the easy oil and natural gas energy reserves on Planet Earth are quickly disappearing and that we're entering a "tough oil" era. Thanks to the depletion of other crucial natural resources as well, the century to come is likely to prove more extreme in many ways, including the climate. BP has given us an unfortunate taste of that extremity. And that's at only 5,000 feet below the waves. What will happen when BP starts drilling down 35,000 feet under the Gulf for the giant oil reserves it's dubbed Tiber, located some 250 miles southeast of Houston, and something goes wrong? Hold your hats. Simply put, this is the path to hell. When will an "angry" president really mobilize the government to deal with this disaster (and the others to come)?

MICHAEL T. KLARE

Yes, the oil spewing up from the floor of the Gulf of Mexico in staggering quantities could prove one of the great ecological disasters of human history. Think of it, though, as just the prelude to the Age of Tough Oil, a time of ever increasing reliance on problematic, hard-to-reach energy sources. Make no mistake: we're entering the danger zone. And brace yourself, the fate of the planet could be at stake.

It may never be possible to pin down the precise cause of the massive explosion that destroyed the Deepwater Horizon drilling rig on April 20th, killing 11 of its 126 workers. Possible culprits include a faulty cement plug in the undersea oil bore and a disabled cutoff device known as a blow-out preventer. Inadequate governmental oversight of safety procedures undoubtedly also contributed to the disaster, which may have been set off by a combination of defective equipment and human error. But whether or not the immediate trigger of the explosion is ever fully determined, there can be no mistaking the underlying cause: a government-backed corporate drive to exploit oil and natural gas reserves in extreme environments under increasingly hazardous operating conditions.

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The New Oil Rush and Its Dangers

The United States entered the hydrocarbon era with one of the world's largest pools of oil and natural gas. The exploitation of these valuable and versatile commodities has long contributed to the nation's wealth and power, as well as to the profitability of giant energy firms like BP and Exxon. In the process, however, most of our easily accessible onshore oil and gas reservoirs have been depleted, leaving only less accessible reserves in offshore areas, Alaska, and the melting Arctic. To ensure a continued supply of hydrocarbons and the continued prosperity of the giant energy companies successive administrations have promoted the exploitation of these extreme energy options with a striking disregard for the resulting dangers. By their very nature,

such efforts involve an ever increasing risk of human and environmental catastrophe something that has been far too little acknowledged.

The hunt for oil and gas has always entailed a certain amount of risk. After all, most energy reserves are trapped deep below the Earth's surface by overlying rock formations. When punctured by oil drills, these are likely to erupt in an explosive release of hydrocarbons, the well-known "gusher" effect. In the swashbuckling early days of the oil industry, this phenomenon familiar to us from movies like *There Will Be Blood* often caused human and environmental injury. Over the years, however, the oil companies became far more adept at anticipating such events and preventing harm to workers or the surrounding countryside.

Now, in the rush to develop hard-to-reach reserves in Alaska, the Arctic, and deep-offshore waters, we're returning to a particularly dangerous version of those early swashbuckling days. As energy companies encounter fresh and unexpected hazards, their existing technologies largely developed in more benign environments often prove incapable of responding adequately to the new challenges. And when disasters occur, as is increasingly likely, the resulting environmental damage is sure to prove exponentially more devastating than anything experienced in the industrial annals of the nineteenth and early twentieth centuries.

The Deepwater Horizon operation was characteristic of this trend. BP, the company which leased the rig and was overseeing the drilling effort, has for some years been in a rush to extract oil from ever greater depths in the Gulf of Mexico. The well in question, known as Mississippi Canyon 252, was located in 5,000 feet of water, some 50 miles south of the Louisiana

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coastline; the well bore itself extended another 13,000 feet into the earth. At depths this great, all work on the ocean floor has to be performed by remotely-controlled robotic devices overseen by technicians on the rig. There was little margin for error to begin with, and no tolerance for the corner-cutting, penny-pinching, and lax oversight that appears to have characterized the Deepwater Horizon operation. Once predictable problems did arise, it was, of course, impossible to send human troubleshooters one mile beneath the ocean's surface to assess the situation and devise a solution.

Drilling in Alaska and the Arctic poses, if anything, even more perilous challenges, given the extreme environmental and climatic conditions to be dealt with. Any drilling rigs deployed offshore in, say, Alaska's Beaufort or Chukchi Seas must be hardened to withstand collisions with floating sea ice, a perennial danger, and capable of withstanding extreme temperatures and powerful storms. In addition, in such hard-to-reach locations, BP-style oil spills, whether at sea or on land, will be even more difficult to deal with than in the Gulf. In any such situation, an uncontrolled oil flow is likely to prove lethal to many species, endangered or otherwise, which have little tolerance for environmental hazards.

The major energy firms insist that they have adopted ironclad safeguards against such perils, but the disaster in the Gulf has already made mockery of such claims, as does history. In 2006, for instance, a poorly-maintained pipeline at a BP facility ruptured, spewing 267,000 gallons of crude oil over Alaska's North Slope in an area frequented by migrating caribou. (Because the spill occurred in winter, no caribou were present at the time and it was possible to scoop up the oil from

surrounding snow banks; had it occurred in summer, the risk to the Caribou herds would have been substantial.)

If It's Oil, It's Okay

Despite obvious hazards and dangers, as well as inadequate safety practices, a succession of administrations, including Barack Obama's, have backed corporate strategies strongly favoring the exploitation of oil and gas reservoirs in the deep waters of the Gulf of Mexico and other environmentally sensitive areas.

On the government's side, this outlook was first fully articulated in the National Energy Policy (NEP) adopted by President George W. Bush on May 17, 2001. Led by former Halliburton CEO Vice President Dick Cheney, the framers of the policy warned that the United States was becoming ever more dependent on imported energy, thereby endangering national security. They called for increased reliance on domestic energy sources, especially oil and natural gas. "A primary goal of the National Energy Policy is to add supply from diverse sources," the document declared. "This means domestic oil, gas, and coal."

As the NEP made clear, however, the United States was running out of conventional, easily tapped reservoirs of oil and natural gas located on land or in shallow coastal waters. "U.S. oil production is expected to decline over the next two decades, [while] demand for natural gas will most likely continue to outpace domestic production," the document noted. The only solution, it claimed, would be to increase exploitation of unconventional energy reserves oil and gas found in deep offshore areas of the Gulf of Mexico, the Outer Continental Shelf, Alaska, and the American Arctic, as well as in complex geological formations such as shale

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oil and gas. "Producing oil and gas from geologically challenging areas *while protecting* the environment is important to Americans and to the future of our nation's energy security," the policy affirmed. (The phrase in italics was evidently added by the White House to counter charges painfully accurate, as it turned out that the administration was unmindful of the environmental consequences of its energy policies.)

First and foremost among the NEP's recommendations was the development of the pristine Arctic National Wildlife Refuge, a proposal that generated intense media interest and produced widespread opposition from environmentalists. Equally significant, however, was its call for increased exploration and drilling in the deep waters of the Gulf, as well as the Beaufort and Chukchi Seas off northern Alaska.

While drilling in the Arctic National Wildlife Refuge was, in the end, blocked by Congress, an oil rush to exploit the other areas proceeded with little governmental opposition. In fact, as has now become evident, the government's deeply corrupted regulatory arm, the Minerals Management Service (MMS), has for years facilitated the awarding of leases for exploration and drilling in the Gulf of Mexico while systematically ignoring environmental regulations and concerns. Common practice during the Bush years, this was not altered when Barack Obama took over the presidency. Indeed, he gave his own stamp of approval to a potentially massive increase in offshore drilling when on March 30th three weeks before the Deepwater Horizon disaster he announced that vast areas of the Atlantic, the eastern Gulf of Mexico, and Alaskan waters would be opened to oil and gas drilling for the first time.

In addition to accelerating the development of the Gulf of Mexico, while overruling government scientists and other officials who warned of the dangers, the MMS also approved offshore drilling in the Chukchi and Beaufort Seas. This happened despite strong opposition from environmentalists and native peoples who fear a risk to whales and other endangered species crucial to their way of life. In October, for example, the MMS gave Shell Oil preliminary approval to conduct exploratory drilling on two offshore blocks in the Beaufort Sea. Opponents of the plan have warned that any oil spills produced by such activities would pose a severe threat to endangered animals, but these concerns were, as usual, ignored. (On April 30th, 10 days after the Gulf explosion, final approval of the plan was suddenly ordered withheld by President Obama, pending a review of offshore drilling activities.)

A BP Hall of Shame

The major energy firms have their own compelling reasons for a growing involvement in the exploitation of extreme energy options. Each year, to prevent the value of their shares from falling, these companies must replace the oil extracted from their existing reservoirs with new reserves. Most of the oil and gas basins in their traditional areas of supply have, however, been depleted, while many promising fields in the Middle East, Latin America, and the former Soviet Union are now under the exclusive control of state-owned national oil companies like Saudi Aramco, Mexico's Pemex, and Venezuela's PdVSA.

This leaves the private firms, widely known as international oil companies (IOCs), with ever fewer areas in which to replenish their supplies. They are now deeply involved in an ongoing oil rush in sub-Saharan Africa, where most countries still allow some participation by IOCs, but there they face dauntingly stiff competition from Chinese companies and other state-backed companies. The only areas where they still have a virtually free hand are the Arctic, the Gulf of Mexico, the North Atlantic, and the North Sea. Not surprisingly, this is where they are concentrating their efforts, whatever the dangers to us or to the planet.

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Take BP. Originally known as the Anglo-Persian Oil Company (later the Anglo-Iranian Oil Company, still later British Petroleum), BP got its start in southwestern Iran, where it once enjoyed a monopoly on the production of crude petroleum. In 1951, its Iranian holdings were nationalized by the democratic government of Mohammed Mossadeq.

The company returned to Iran in 1953, following a U.S.-backed coup that put the Shah in power, and was finally expelled again in 1979 following the Islamic Revolution. The company still retains a significant foothold in oil-rich but unstable Nigeria, a former British colony, and in Azerbaijan. However, since its takeover of Amoco (once the Standard Oil Company of Indiana) in 1998, BP has concentrated its energies on the exploitation of Alaskan reserves and tough-oil locations in the deep waters of the Gulf of Mexico and off the African coast.

“Operating at the Energy Frontiers” is the title of BP's Annual Review for 2009, which proudly began: “BP operates at the frontiers of the energy industry. From deep beneath the ocean to complex refining environments, from remote tropical islands to next-generation biofuels a revitalized BP is driving greater efficiency, sustained momentum and business growth.”

Within this mandate, moreover, the

Gulf of Mexico held center stage. "BP is the leading operator in the Gulf of Mexico," the review asserted. "We are the biggest producer, the leading resource holder and have the largest exploration acreage position… With new discoveries, successful start-ups, efficient operations, and a strong portfolio of new projects, we are exceptionally well placed to sustain our success in the deepwater Gulf of Mexico over the long run."

Clearly, BP's top executives believed that a rapid ramp-up in production in the Gulf was essential to the company's long-term financial health (and indeed, only days after the Deepwater Horizon explosion, the company announced that it had made $6.1 billion in profits in the first quarter of 2010 alone). To what degree BP's corporate culture contributed to the Deepwater Horizon accident has yet to be determined. There is, however, some indication that the company was in an unseemly rush to complete the cementing of the Mississippi Canyon 252 well, a procedure that would cap it until the company was ready to undertake commercial extraction of the oil stored below. It could then have moved the rig, rented from Transocean Ltd. at $500,000 per day, to another prospective drill site in search of yet more oil.

While BP may prove to be the principal villain in this case, other large energy firms egged on by the government and state officials are engaged in similar reckless drives to extract oil and natural gas from extreme environmental locations

While BP may prove to be the principal villain in this case, other large energy firms egged on by the government and state officials are engaged in similar reckless drives to extract oil and natural gas from extreme environmental locations. These companies and their government backers insist that, with proper precautions, it is safe to operate in these conditions, but the Deepwater Horizon incident shows that the more extreme the environment, the more unlikely such statements will prove accurate.

The Deepwater Horizon explosion, we assuredly will be told, was an unfortunate fluke: a confluence of improper management and faulty equipment. With tightened oversight, it will be said, such accidents can be averted and so it will be safe to go back into the deep waters again and drill for oil a mile or more beneath the ocean's surface.

Don't believe it. While poor oversight and faulty equipment may have played a critical role in BP's catastrophe in the Gulf, the ultimate source of the disaster is big oil's compulsive drive to compensate for the decline in its conventional oil reserves by seeking supplies in inherently hazardous areas risks be damned.

So long as this compulsion prevails, more such disasters will follow. Bet on it.

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