



# Bob Dudley at the Chief Executives' Club of Boston

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Title: **group chief executive**  
Speech date: **6 May 2010**  
Venue: **Chief Executives' Club of Boston**

## Introduction

Thank you very much Eric for those very kind words of introduction.

Ladies and Gentlemen, distinguished guests, it is a great privilege to be with you today here today in Boston and to be able to represent BP on behalf of Tony Hayward, our Group CEO.

Tony had committed many months ago to be here to address the critical connection between policy and the provision of abundant, secure and sustainable energy, and he very much wanted to be here. Events have overtaken us.

I spoke with him this morning from Louisiana where he is personally overseeing BP's engineering efforts and the response to the oil spill caused when the Deepwater Horizon rig exploded and sank, releasing the oil from a well she was drilling.

While I will talk about our energy future and the importance of policy, it feels somewhat secondary to the real-time events unfolding in the Gulf of Mexico.

It is difficult to overstate how deeply this incident has affected all of us at BP.

And somewhat overlooked, I feel, in the media focus now on the waters of the Gulf is the human dimensions of this tragedy. It is something that we are still absorbing. Of the 126 people on the rig, eleven men lost their lives and 3 were seriously injured in the explosion. Our thoughts and prayers are with the injured and with the families and friends of those souls who are not with us today.

We feel an enormous sense of sadness and loss.

Over the last few days, I've seen the response first hand to the ongoing challenges in the Gulf States and talked with people on the front line.

The initial shock and sadness caused by the incident has been replaced by a deep and steadfast resolve to do all we can to stop the leak, contain the spill and minimize the damage suffered by the environment and the people of the Gulf Coast.

BP is part of a response team that includes the US Coast Guard, the Interior Department and numerous federal, state and local government agencies.

We are grateful for the involvement of the President and members of his cabinet and for the help, the direction and the resources they have provided, as well as the Governors, state agencies and local communities of Mississippi, Alabama, Louisiana and Florida.

Our very best people are working to shut down the well and to contain and clean up the spill. We have committed the full global resources of BP to this effort.



Everyone understands the enormity of what lies ahead.

Everyone is working to deliver an effective response – at the wellhead, on the water and at the shoreline.

Everyone will be on the job... until the job is done.

## What has happened on the Transocean rig?

If I may, a little more context, since this event is live and so important. At the time of the explosion, the Deepwater Horizon drilling rig had been working for BP for almost nine years. She had drilled some of the most challenging wells in the deepwater arena, including last year's Tiber well: the deepest oil and gas discovery well in the world. The rig had handled some of the industry's greatest technical challenges, and her safety record had been excellent and had recently won awards.

Multiple investigations of this incident are now underway. We have promised our full cooperation to the Coast Guard and the MMS, the lead federal agencies, as we undertake our own comprehensive internal inquiry. There will be many hearings in Washington.

Investigations take time, of course, in order to ensure that the root cause of the failure is fully understood. A key question is: "Why did the primary safety equipment – the BOP, or Blowout Preventer – fail?"

If it had functioned as designed, oil would not now be flowing into the Gulf of Mexico.

A BOP is something that sits on top of the wellhead during drilling operations. It contains multiple valves which are designed to automatically slam shut if there is a loss of well control at the surface. By manually triggering the BOP, the drilling crew can also prevent undesired fluid flow, thus regaining control of the well. Or, if any connection is lost with the surface, the Blowout Preventer is designed to slam shut in a fail safe mode.

A Blowout Preventer is used on every oil and gas well drilled in the world today – onshore and offshore.

These mechanisms are regularly inspected and tested. If they don't pass the test, drilling operations are made safe and the system is replaced or repaired and retested.

BOPs are designed to be fail-safe. This Blowout Preventer was not. It failed to close, or to close completely.

We must learn why as part of the effort to prevent this ever happening again – ever – anywhere.

## What is BP and the government doing about it?

As you can imagine, this is a hugely challenging period. We are intensely determined to minimize the environmental impact on the Gulf Coast, where BP and its heritage companies have been part of the community for nearly a century.

I myself grew up in Mississippi and as a boy swam and fished on the beaches and islands in the gulf. It is very personal.

BP has taken financial responsibility for the spill response and we are working with the Coast Guard, and at the state and community level to fight the spill on three broad fronts:

- fighting to control the oil at the seabed,
- fighting to tackle the oil offshore, and
- fighting to protect the shoreline.



No one will rest until this job is done. BP and experts from across the industry are working around the clock in a command center in Houston on three concurrent approaches to stop the leak and secure the well on the seabed:

- First, 10 remote operated vehicles, or ROV's, are deployed in 5,000 feet of water to continue work to activate the valves on the Blowout Preventer;
- Second, we have engineered and constructed a large containment chamber to place atop the main leak and conduct the flow from the chamber to the surface with a long rising pipe. This was loaded on a vessel yesterday and is enroute today to the site. It will be lowered, weather permitting, and made operational in the coming week. This is in 5,000 feet of water, what some people describe as 'inner space'.
- And on the third front, we have two drilling rigs in place and began, on May 2, to drill the first relief well to 18,000 feet - designed to intersect and permanently secure the leaking well.

At the same time that we are working to stop the well at the seabed, we are deploying the largest oil spill response in history, anywhere, in the form of planes and ships to disperse or to contain and collect oil at sea. As of today, there is one unconfirmed report of oil on a small offshore island. The objective of the battle plan is to avoid or minimize the amount of oil that reaches the coast.

I think it is difficult to fully appreciate the scale of the effort from the images you see on television, but just to give you some sense of the effort, I can tell you that we have deployed:

- 35 aircraft – fixed wing and helicopters – are deployed to support the response effort, including a Hercules C130, flying hourly dispersant spraying sorties;
- 270 response vessels are being used including skimmers, tugs, barges, and recovery vessels. 40 vessels of 100 ft or longer (of which fifteen are 210-foot specially built Oil Spill Response Vessels)
- More than 650 fishing boats from the local communities.

Between surface and seabed targets, we've applied a quarter of a million gallons of dispersant. If you have seen the Dawn dish soap commercials, dispersant is something like dish soap that breaks apart the oil allowing it to degrade, especially in warmer waters. The response vessels have deployed 780,000 feet of protective boom – over a hundred and forty miles of it now containing the spill and protecting the shoreline – with another 1.4 million feet currently available for deployment. Factories are capable of producing 200,000 feet a day now.

Ten staging areas have been established to protect sensitive shorelines in:

- Gulfport, Pascagoula and Biloxi, Mississippi;
- Pensacola and Panama City, Florida;
- Port Fourchon, Port Sulphur, Shell Beach and Venice, Louisiana, and
- Dauphin, Alabama.

Quite simply, BP has made available the global resources of the company to this crisis from the outset. Support and help have poured in from everywhere. The engineering capability of the energy industry is being focused on this problem. As I mentioned, our Houston office is filled with expertise: our own, and that of over 100 other companies spanning the industry, including oil companies such as ExxonMobil, Chevron, Shell and ConocoPhillips, as well as our suppliers and of course, the expertise of the government. The Coast Guard has been fully engaged from the night of the explosion.

The federal government is represented by:

- The Department of Homeland Security; The Departments of the Interior; The Departments of Defence and Commerce, and the Environmental Protection Agency;
- The Minerals Management Service; the US Navy; the US Coast Guard; the National Guard; OSHA; and
- The National Oceanic and Atmospheric Administration; US Fish and Wildlife Service; National Marine Fisheries Service



The state and parish or county governments of:

- Louisiana, Mississippi, Alabama and Florida.

And now more than 4,000 local volunteers from coastal communities have received training.

This huge response is being coordinated through a Unified Command in the town of Robert, Louisiana, led by the United States Coast Guard.

The entire community has pitched in to help us deliver the most effective response possible. We are most grateful for all the support that we have been shown; and quite frankly I find it humbling.

BP understands that the spill may have an impact on people's day-to-day lives. We'll do our very best to make sure that fishermen and business owners don't lose their livelihoods because of the spill; don't miss a house payment or a boat payment because of what has happened. We will meet our obligations for valid claims.

We know that we will be judged by the quality of our response and we are determined to succeed. Together with the government, our industry and the community, we will get this job done.

## Policy

While it is difficult for me to divert from the here-and-now, I will step back from this unfolding drama.

The Gulf of Mexico provides about a quarter of US domestic oil and gas production. It is one of the world's most significant energy producing basins. It is a resource that America does need. There are 3,500 producing platforms in the gulf, with many more thousands of wells linked to tens of thousands of jobs.

That is why, once the clean up is done, the investigation is complete and the lessons learned and spread around the globe from this activity occurring the frontiers of human effort, we will consider the trade-offs of exploring for new sources of domestic energy in the frontiers of deep water. Such debates have occurred in the evolution of many industries and of different geographies.

Our industry has produced billions of barrels of oil in the last 30 years from the Gulf of Mexico. Equipment that operates in the Gulf has and can again operate safely and reliably. The failure of processes, systems and / or equipment must not and need not be tolerated. There is no doubt that this event will change the offshore industry forever even though it is too early to know what those changes will be.

I do not think it is an exaggeration to say that, for now, America's economy, security and standard of living today are linked to domestic oil and gas production. Reducing our energy production, absent a concurrent reduction in consumption, would simply shift jobs and petro-dollars off-shore and place millions of additional barrels per day into tanker ships that must traverse the world's oceans.

At the same time, the challenge of creating a lower-carbon economy is still very much before us. The policy decisions that are taken today can either progress or impede the move toward cleaner energy. BP is proud of the role we have played in encouraging the move toward a lower-carbon energy future. We have invested billions and continue to make significant investments in wind, solar and biofuels. We also believe strongly that we need to make increased use of abundant, domestic sources of cleaner-burning natural gas, in addition to the alternatives such as solar, wind and biofuels. Natural gas, on average has 55% less CO<sub>2</sub> emissions than coal.

BP estimates that world energy demand will soar by 45 percent over the next 20 years. That's the equivalent of adding today's United States more than twice over to global demand. China and India will each likely double their consumption of energy by 2030. The competition of energy supplies will remain intense as world population grows and more people strive for an improved standard of living, which is only natural.



The International Energy Agency estimates that around \$1 trillion per year will need to be invested every single year during that time if we are going to have a chance of meeting that level of demand.

Alternative forms of energy hold great promise, there is no doubt. There is also a need for straight talk about the near-term. Today alternative energy sources meet about 1½ percent of global energy demand. We think it could grow 10-fold over the next 20 years. That will supply less than 10% of the global demand.

Scaling them up to the point where they can begin making a significant contribution to world energy demand is a project that will span decades. We need to go fast but keep in mind the reality, I think, that it will be evolutionary rather than revolutionary.

Energy, like many industries has the issue of NIMBY (not in my back yard), or as one of my industry colleagues described a project once – it is a BANANA project – build absolutely nothing anywhere near anything. These are part of the complex debates that we will always have.

We also believe that the potential benefits of increased energy efficiency, simply using less, have yet to be fully explored. Both into our own social behaviors of simply consuming less, or for example, building it in to our infrastructure, such as into new more efficient building materials. And for emission controls, technologies such as carbon capture and storage might become commercially feasible within a decade.

The energy portfolio of the future will include all of these sources and technologies, including more nuclear and even hydropower around the globe. But it will also very much include fossil fuels such as coal and petroleum. These fuel sources are so dominant in the power industry and transport sectors and in the fabric of the world's infrastructures and employment of people that reducing our dependence on them can be nothing other than a long-term project.

And BP still firmly believes that the best way to move this process along and tackle man-made climate change is by putting a price on carbon. A price reflecting tightening constraints on carbon would both drive energy conservation and make lower carbon energy choices more cost competitive.

This is the basic energy policy challenge that the world faces today. And we will still be facing it once the final clean-up in the Gulf is finally complete.

We at BP intend on playing our part - by working with vehicle manufacturers on advanced engine technology, by providing better and cleaner transport fuels including biofuels, and by bringing to market newly-abundant reserves of American natural gas.

With the right policy framework, we can bring to bear the right combination of resources, investment and ingenuity to meet this energy challenge. And crafting a policy to unleash that combination is the most useful contribution America can make to a sustainable energy future.

## Conclusion

But before we can look to the future, we must make it through today, and tomorrow and the next day and every day until the job of spill response is complete.

Again, I can assure you that we won't rest until it's done, and I ask for your thoughtful reflection about the efforts as you watch the story unfold.

Thank you for your attention and for the opportunity to meet with you today.

With your permission Eric, I would be happy to address any questions from the room.