

# Chairman Dingell at the Subcommittee on Oversight and Investigations Hearing on "2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?"

Statement of Rep. John D. Dingell, Chairman

Committee on Energy and Commerce

## SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

HEARING ON "2006 PRUDHOE BAY SHUTDOWN: WILL RECENT REGULATORY CHANGES AND BP MANAGEMENT REFORMS PREVENT FUTURE FAILURES?"  
May 16, 2007

Mr. Chairman, today's hearing was supposed to be a simple follow-up to last September's hearing that concerned the shutdown of the Prudhoe Bay field.

As this Committee was preparing for today's hearing, however, a number of documents were recently "discovered" by British Petroleum (BP) and turned over to us. They clearly shed new light on the causes of the Prudhoe Bay failures and raise questions about the testimony of BP officials who appeared last year.

They suggest that cost-cutting drove many key management decisions in the Prudhoe Bay field and dovetail with a number of reports that surfaced since last year's hearings that also raise serious concerns about BP management. One study conducted by the Chemical Safety Board found that severe cost-cutting contributed to the refinery explosion in Texas City that killed fifteen people.

These new documents and reports strongly suggest that BP field managers were asked to consider trimming key activities related to halting or mitigating corrosion to meet very tight safety and maintenance budgets. For example, we recently found an e-mail that discusses corrosion inhibitor and how it would prevent corrosion in the "produced water" lines. It reads, in part, that:

"&hellip;Due to budgetary constraints, the decision has been made to discontinue the &hellip;inhibitor &hellip;currently being injected at &hellip;Gathering Center 2 and &hellip;Gathering Center 3. The &hellip;bulk tank should run out within the next two days and it will not be refilled&hellip;."

What is particularly interesting is a follow-up e-mail that suggests that BP staff were aware that this would increase corrosion. The e-mail reads as follows:

&ldquo;FYI- We have conducted the field "trial" of the [Produced Water] inhibition chemical and found it to be very successful at cleaning up the&hellip; system and arresting corrosion activity. Unfortunately, we did not budget a full year's chemical expense&hellip; We are now at a point where the original monies for this program are used up, so we will be shutting it down until year's end.... In the meantime, the [Produced Water] system may be subject to increased corrosion activity and fouling...&rdquo;

Mr. Chairman, these e-mails are quoted because they capture the essence of what went wrong with Prudhoe Bay &ndash;- workers were often forced to forego safety measures to save money and ultimately increase BP&rsquo;s profits. Other e-mails that we recently uncovered refer to stopping or halting other key corrosion inspection programs &ndash;- including smart pigging, looking for corrosion under the insulation that covers (and thus hides) the pipe, and digging up key road crossings where corrosion can be a significant problem. These are all key activities in running a safe field. Yet these programs, in many cases, appear to have been halted or cut due for budgetary reasons.

This is the core of what we have learned about the way British Petroleum managed Prudhoe Bay. Until BP truly acknowledges the role cost-cutting and budget pressure played in creating this mess, I fear other &ldquo;Prudhoe Bay&rdquo; problems may be occurring at other BP facilities throughout the United States.

At a time when oil and gas prices are again squeezing consumers, it is critical that we keep a vigilant eye on how these precious resources are managed. As the largest oil field in North America, oversight of Prudhoe Bay&rsquo;s management is a wise investment of the Subcommittee's time and attention. I look forward to today's testimony.

- 30 -

Contact: Jodi Seth or Alec Gerlach 202-225-5735

Prepared by the Committee on Energy and Commerce

2125 Rayburn House Office Building, Washington, DC 20515