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ENERGY & ENVIRONMENT

U.S. Agrees to Allow BP Back Into Gulf Waters to Seek Oil

By CLIFFORD KRAUSS MARCH 13, 2014

HOUSTON — Four years after the Deepwater Horizon rig explosion, BP is being welcomed back to seek new oil leases in the Gulf of Mexico.

An agreement on Thursday with the Environmental Protection Agency lifts a 2012 ban that was imposed after the agency concluded that BP had not fully corrected problems that led to the well blowout in 2010 that killed 11 rig workers, spilled millions of gallons of oil and contaminated hundreds of miles of beaches.

BP had sued to have the suspension lifted, and now the agreement will mean hundreds of millions of dollars of new business for the company. But even more important, oil analysts said, it signifies an important step in the company's recovery from the accident, which has been costly to its finances and reputation.

"After a lengthy negotiation, BP is pleased to have reached this resolution, which we believe to be fair and reasonable," said John Mingé, chairman and president of BP America. "Today's agreement will allow

America's largest energy investor to compete again for federal contracts and leases."

That prospect elicited sharp criticism from environmental groups. "It's kind of outrageous to allow BP to expand their drilling presence here in the gulf," said Raleigh Hoke, a spokesman for the Gulf Restoration Network, based in New Orleans.

Under the agreement, BP will be allowed to bid for new leases as early as next Wednesday, but only as long as the company passes muster on ethics, corporate governance and safety procedures outlined by the agency. There will be risk assessments, a code of conduct for officers, guidance for employees and "zero tolerance" for retaliation against employees or contractors who raise safety concerns.

An independent auditor approved by the E.P.A. will conduct an annual review and report on BP's compliance with the new standards. The agency said in a statement that it would also have the authority to take corrective action "in the event the agreement is breached."

"This is a fair agreement that requires BP to improve its practices in order to meet the terms we've outlined together," said Craig E. Hooks, the E.P.A.'s assistant administrator of administration and resources.

Fadel Gheit, an oil company analyst at Oppenheimer & Company, said it was "a moral victory for BP." He added: "It will be the best news BP has gotten since the accident. BP has to get back into the hunt in order for them to score."

Critics of the agreement noted that nearly four years after the spill, the cleanup has not been completed. Oil still washes up in places, particularly during storms, as happened in October with Tropical Storm Karen.

"They still haven't really made it right when it comes to the gulf," Mr. Hoke said.

Public Citizen, a consumer activist group, also expressed outrage, saying in a statement that the settlement "lets a corporate felon and repeat offender off the hook for its crimes against people and the environment."

The accident continues to mire the company in lawsuits and court

hearings. BP settled criminal charges with the Justice Department two years ago for \$4.5 billion in penalties, but the oil company faces billions of dollars more in costs from a federal civil trial in New Orleans to determine how much it will be required to pay in Clean Water Act fines.

The company is also arguing that a separate settlement it made with businesses and individuals who suffered losses because of the accident has been misinterpreted. But a federal appeals court ruled this month that the company would have to abide by its agreement and pay some businesses for economic damages without their having to prove the damages were caused directly by the spill.

BP initially estimated that the costs of the settlement would run to \$7.8 billion, but it now says the cost could rise well above that.

BP, which employs 2,300 people in the Gulf of Mexico, continues to explore on leases in the gulf from before the 2010 accident. At the end of 2013, the company had 10 drilling rigs in the deep waters of the gulf, and it reported a significant new discovery 300 miles southwest of New Orleans. BP said last year that it intended to invest at least \$4 billion on average in the gulf each year for the next decade.

Oil production in the gulf remains below records set in 2009, and the industry continues to recover from a yearlong drilling moratorium that the federal government set after the spill. But several large oil companies, including Chevron and Royal Dutch Shell, are flocking back to the gulf. There were only about a dozen rigs working in the gulf three months after the disaster, and that increased to more than 60 by the end of last year.

When the E.P.A. issued the original ban, it cited BP for "lack of business integrity" because of its role in the accident and said the suspension would remain until the company could provide sufficient evidence that it met federal business standards.

The ban prohibited BP from selling fuel to the Pentagon and prevented the company from expanding its oil and gas production to new leases in the gulf, a major center of its worldwide operations. The company's older leases make BP one of the most important oil and gas

producers in the United States.

BP's suit, filed last year in federal court in Texas, said that the ban was unjustified and that the agency had neglected to consider safety improvements the company had made.

David M. Uhlmann, a University of Michigan law professor and former chief of the Justice Department's environmental crimes section, said it was not unusual for corporate monitors to be appointed any time a corporation was convicted of criminal activity, especially in environmental cases. "What is unusual is BP was suspended from government contracting for such a long time," he added.

Senator Mary L. Landrieu, the Louisiana Democrat in a tough race for re-election, hailed the settlement, although she added that E.P.A. should never have enacted the ban in the first place.

"The good news is that BP will now be able to participate in next week's lease sale that will bring much-needed revenue to Louisiana and other oil-producing states along the Gulf Coast, as well as boost business for the region's small and independent service and supply companies," she said in a statement.

Campbell Robertson contributed reporting from New Orleans.

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