

Analysis of the gulf of mexico oil spill



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The world witnessed the largest oil spill in its history in April 2010 in the Gulf of Mexico. The explosion occurred in an oil well of British Petroleum and it is estimated that almost 4.9 billion barrels of oil was leaked to the Atlantic Ocean during the first three months since the incident. The oil spill had devastating effects on the economy and environment of America and the company had to face severe criticism from across the world community.

Macro-environmental factors affecting BP

Political Environment

British Petroleum has held back its dividend payout to its prime stakeholders as they had been under pressure from the United States government regarding the oil spill that had occurred in the Gulf of Mexico. The company had agreed to sell of 30 billion worth of assets to pay off its clean-up bills. The company will resume its prime stakeholder dividend payout at 7 cents/share. British Petroleum is looking forward to sell two of its key refineries in the United States.

United States have threatened to replace BP from the project to seal the exploded well in the deepwater horizon. Obama acknowledged that the Gulf of Mexico contributes a major of its domestic production; he added that offshore oil drilling can be pursued only with an assurance that devastating incidents like the British Petroleum oil spill will not occur in future.

Economic Environment

British Petroleum oil spill has resulted in huge loss in terms of Share price fall and it is estimated to be around \$25 bn. Out of this huge amount almost 15 bn is account under facilitating hygienic water supply for the needy people

around. To understand the size of amount brought in it is essential to look at what exactly the global online giant Google makes annually (\$20 bn). Apart from this an additional cost is likely to incur, BP will be forced to spend an approx amount of \$300 mn to cap the pill and one more thing this does not count the cleanup cost. This would be equivalent to cost of buying fuel to drive a SUV around the globe for 60, 237 times

British Petroleum has seen a value erosion of £8 billion following the announcement made by the president himself that the company has to pay the cleanup costs of the massive oil spill. The company saw a fall of 11 % since the blast. British Petroleum has ended with a loss of \$4. 9bn (£3. 1bn) during 2010, this is for the first time the company is incurring loss since 1992.

Social Environment

British Petroleum was condemned for not being a socially responsible. Pax World, who is considered to be a smart investor, sold out its 8, 000 shares of British Petroleum to show its response toward the disaster. Many other investors already sold their shares even before the oil spill because they were sure that the company is not following proper safety regulations as well as social responsibility. After the spill large number of shareholders especially corporate investors sold off their shares as holding back their shares in BP would affect their image also.

Thousands of people who lived along the coastline lost their livelihoods due to the spill. Death of aquatic life left the fishermen families with no earnings. Similarly many people who worked in sea food industries also lost their jobs.

The spill also causes severe health issues among the people who are associated with removing the chemical dispersants. The most prominent issue is that it causes internal hemorrhage which results in gradual death. This way the oil spill can also prove fatal for human beings.

Technological Environment

The oil spill made the company to come up with many technological innovations that could help it to solve or at least neutralize some of the effects. The company invented a number of devices for stopping the oil flow. The capping stack was the most prominent device which served this purpose.

BP developed a radio repeater system which extends from Florida Panhandle to Louisiana. This system is useful for workers within the network to communicate among themselves and solve the queries quickly. This will improve the efficiency of problem handling system thereby reducing the chances of error. The company also designed specialized tools that are capable of working beneath water surface even at a depth of 5000 feet.

Many un-experimented techniques were used after the oil spill. The Macondo prospect tried to shear the damaged riser pipes which had inch-thick walls even at depth of 50, 000 feet.

Environmental Effects

The most devastating effect of the oil spill was on the environment. The company heard severe criticism for the ecological impacts of the oil spill. The environment of Gulf of Mexico was completely damaged from the spill. Tons of species are being affected by the spill out of which ten are in the verge of

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extinction. Some of them include dolphins, pelicans, planktons, oysters etc. Since oysters and shrimps form an important part of the sea food industry, the spill in large way affects the American sea food market also.

The American state of Louisiana which is nearest to the oil well is the most affected by the incident. As per the state officials, around 400 km long coastline of Louisiana is polluted by the oil leaked from the oil wells. In the first six weeks after the explosion, around 491 birds, 227 turtles and 27 mammals, including dolphins, have been found dead along the US Gulf coast. Most of them in this list were already in the endangered species list. Since most of the sea animals belong to the primary level of food chain, any effect on them would affect the complete food chain. This way it could bring genetic effects even to human beings.

The undersea aquatic life is not the only area which is being affected. The oil leaked from the wells washed up the coastal wetlands which were already facing devastation from the overdevelopment, pollution and remaining effects of hurricane Katrina.

Strategic Decisions for Future

British Petroleum had to devise a strategic plan that would help them to solve the issues that were caused by the oil spill as well as increase the company image.

As a part of this process, the company will have to introduce a number of strategies in different areas. The first strategy must be in sealing the oil well and preventing any further leak. The cleaning up of the oil slick must also be done perfectly so that critics cannot come up with any more blames. The

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company had already performed well sealing in a good way and as per BP officials; this issue was tackled by July 2010. BP also must take extra care in order to avoid any such issue in the future because even a small error would put all the pain taken till now in vain.

The greatest concern after the oil spill was on the effect it had on environment. It is a herculean task for the company to solve the effects on environment as many of them are irreparable. But as a part of the process, the company must focus on different areas related to environment that were severely affected. The beaches and the shorelines that were besieged by oil must be cleaned as an initial step since public can witness the condition of these places. So any flaw in their cleaning would bring in wide spread criticism from the public. Similarly measures must be taken to reduce the damage caused to environment, wildlife as well as ecological system.

The claims and complaints of people who were directly or indirectly affected by the oil spill must also be dealt with. This will be quite helpful in reducing the public anger towards the company. The investors will also be satisfied by this measure.

The livelihoods of many people like the fishermen and those who worked in the sea food factories were lost due to the spill. The company must take measures to restore their lives back by providing them with employment opportunities or other means of living. These ways the company must come closer to the society and rebuild their image. Entering into social initiatives would keep up their name as a socially responsible company which will bring in more investors also.

Marketing plan to recover from the disaster and to regain people confidence

It is essential that the company pursue a more customer centric marketing plan because company need restore it brand value. British Petroleum response toward the environmental issue comes to a point just below fatuous. It is time to go beyond and find an alternative solution to the environmental issues faced by the British Petroleum

Sharing Concern

British Petroleum's Chief Executives are making frequent media appearances not to show his individual apprehension but to convey the message that the company is actively responding to the environmental issue. It will help the company to portrait itself to be more cautiously responding to the environmental issue. The company understands the impact of tragic shock on customers and that on high priority

Casualty aid

The company had taken measure to support the families of the despaired and injured. Financial aids are in place for the people who lost their job because of this disaster. It takes leadership in encouraging other companies in the same sector to flow new safety measures and policies to avoid further incidents like this. BP should also create more employment opportunity to help the local residents who relied on marine sources to earn their daily bread.

Restoring the loss

British Petroleum should join hand with NFWF (National Fish and Wild Life Foundation) by providing assistance to preserve the species mostly affected by the oil spill in the deepwater incident and because of this incident some of these species like shorebirds, water fowls, marsh birds, sea turtles and other marine vertebrates living at this part of ocean got merely extinct. Taking this point into consideration, British Petroleum should liaison with marine and wild life conservative organizations to replenish the lost population of those marine species. The company should also appreciate other external bodies and volunteers who wish to be a part of this restoration program.

Combined Effort

BP should take steps to make customer aware, through there retail outlets to the extent of company's efforts in restoration from the environmental disaster and encourage the customer to share their valuable feedback in developing new safety procedures or to promote the willing customers to render their share of inputs in mitigating the time involved to restore things back to their normal state.

Online Measures

An online discussion on this matter will give everyone around the world to talk about their opinion into it. While creating an online blog or community on this issue asking for valuable suggestion would definitely bring up some serious feed back from people related to this field and also of the general public. When public gets aware of the fact that BP is using such a polite way to ask for suggestions from even a common man, there is a mere chance of regaining the goodwill of the general public.

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Forming Research foundation

Bp could exploit this situation to bring in more industrial support, and corroborate with other organization in the same field and with the government to device custom made solutions which could fit in with the situational requirements. BP could bring up a research foundation mostly oriented to solve future incidents like the one happened in the Gulf of Mexico, the best solutions can be shared with the government authorities and the environmental regulators to bring up new safety norms which can be put into action in the near future.

Recovery strategy

British Petroleum is now in a midst of a critical situation where it is losing its brand value in terms of market share and people support. It has made a severe impact on its macro environment, so it needs to deal with all economical, social, political and technological failures. Hence one single solution cannot address all these issues and an open strategy need to be adopted that provides custom solutions to every aspect of its macro environment. Thus it should be an integrated approach that adds more value to it at each point of recovery attempt. Here is some recovery methodology which could be implemented by the British Petroleum:

Safety measures:

BP needs to come up with better safety techniques that could prevent future incidents like this. They could spend more money on procuring good quality equipments and proper equipments maintenance. They could also develop a way to improve communication by creating better response team, who shall be trained for generating a quick reaction to any future adversities, by

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mitigating the impact of a huge event like what has occurred in the Gulf of Mexico.

Eco friendly Drilling Techniques and waste disposal

BP needs to do a bit research in developing a Eco Friendly Drilling Methods (EFDM) that address:

Least impacting drilling technology that reduces the mark of drilling activities

Less heavier driller rigs that has low carbon emission system

On-Spot waste disposal techniques

The prime goal behind this initiative would be to recognize, build and test inventive technologies which could eliminate the environmental effects on oil and gas which could result adversely on sensitive environmental locations. BP can look forward in building its global tie-ups in developing partnership programs that enable technology transfer and develop fresh attempt that would deals with environmental worries.

Highly trained and qualified professionals

BP needs to recruit better trained and highly skilled professional who are capable to handle adverse situations effectively and efficiently. The advantage of employing trained ones could help in detecting the problem prone areas in the earlier stages so that preventive measures could be adopted.

Charitable initiatives

Oil spill has destroyed the goodwill holdings and company should do the needful to restore it in a very short duration to avoid further loss. The focus should be placed on more social engagements that would keep the brand close to public. More charitable endeavors need to given priority to calm down the agitated groups that raise voice against and tamper the recovery moves that the company undertakes.

Celebrity endorsement and ad campaigns

Company could also use media to have celebrity endorsements and creative ad campaign to keep the customer focus on to the final product quality. More importance should be given toward product differentiation and product placement.

Tourism and Seafood Promotion

Oil spill has impact the lively hood of the local fisherman community and the regional tourism adversely. Hence it the added responsibility of the company to restore everything back in place. Either they should make necessary arrangement to compensate the loss or make provisions to boost the morale and join hand with the people in bringing things back to normal. Company could initiate adventure sports activities/organize international seafood festival that stands out with high quality tested seafood's.