



Department of Justice



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BP EXPLORATION ALASKA TO PAY \$25 MILLION PENALTY FOR ALASKAN NORTH SLOPE OIL SPILL

WASHINGTON – BP Exploration Alaska, Inc. (BP Alaska) will pay a \$25 million civil penalty and carry out a system-wide pipeline integrity management program as part of a settlement for spilling more than 5,000 barrels of crude oil from the company’s pipelines on the North Slope of Alaska in 2006, the U.S. Department of Justice, the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Transportation’s (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) announced today. The penalty is the largest per-barrel penalty to date for an oil spill.

“This penalty should serve as a wake-up call to all pipeline operators that they will be held accountable for the safety of their operations and their compliance with the Clean Water Act, the Clean Air Act and the pipeline safety laws,” said Ignacia S. Moreno, Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice. “Companies like BP Alaska must understand that they can no longer afford to ignore, neglect or postpone the proper monitoring and maintenance of their pipelines. This agreement will help prevent future environmental disasters and protect the fragile ecosystem of Alaska’s North Slope.”

“This penalty is a stern reminder to pipeline operators to follow orders issued by PHMSA or risk a federal civil lawsuit and steep fines,” said PHMSA Administrator Cynthia L. Quarterman. “Also, it is a warning that operators must know, test and maintain their pipelines or risk harming people and the environment and having to spend, as in this instance, hundreds of millions of dollars replacing those pipelines.”

“Today’s settlement with BP Alaska imposes a tough penalty and requires the company to take action to prevent future pipeline oil spills on the Alaska North Slope,” said Cynthia Giles, Assistant Administrator for EPA’s Office of Enforcement and Compliance Assurance. “The Clean Water Act gives the U.S. authority to assess higher penalties when oil spills are the result of gross negligence, and this case sends a message that we intend to use that authority and to insist that BP Alaska and other companies act responsibly to prevent pipeline oil spills.”

“BP Alaska admits that it cut corners and failed to do what was required to adequately maintain its pipelines,” said Karen Loeffler, U.S. Attorney for the District of Alaska. “The penalty reflects the seriousness of the conduct. The consent decree is important to ensure that BP Alaska implements changes that will prevent spills like this in the future. The Department of Justice and the United States Attorney's office for the District of Alaska are committed to strong enforcement of our environmental laws.”

In March 2006, BP Alaska spilled approximately 5,054 barrels of crude oil on the North Slope in Alaska. A second spill occurred in August 2006, spilling approximately 24 barrels of crude oil. Investigators from EPA and PHMSA determined that the spills were a result of BP Alaska’s failure to properly inspect and maintain the pipeline to prevent corrosion. PHMSA issued a Corrective Action Order (CAO) to BP Alaska that addressed the pipeline’s risks and ordered pipeline repair or replacement. When BP Alaska did not fully comply with the terms of the corrective action, PHMSA referred the case to the Department of Justice. Today’s settlement also addresses Clean Air Act violations arising out of BP Alaska’s improper asbestos removal along the pipeline in the aftermath of the spill.

Today’s settlement requires BP Alaska to develop a system-wide program to manage pipeline integrity for the company’s 1600 miles of pipeline on the North Slope based on PHMSA’s integrity management program. The program will address corrosion and other threats to these oil pipelines and require regular inspections and adherence to a risk-based assessment system. The program will cost an estimated \$60 million over three years and is in addition to the approximately \$200 million BP Alaska has already spent replacing the lines that leaked on the North Slope.

Of the \$25 million penalty, \$20.05 million will be deposited in the Oil Spill Liability Trust Fund established under the Clean Water Act. The remainder, \$4.95 million, will be paid to the U.S. Treasury. The funds paid to the Oil Spill Liability Trust Fund will be used to finance federal response activities and provide compensation for damages sustained from future discharges or threatened discharges of oil into water or adjoining shorelines. Oil spills are known to cause both immediate and long-term harm to human health and ecosystems, including the suffocation of wildlife and the contamination of nesting habitats.

In 2007, BP Alaska pleaded guilty to one misdemeanor violation of the Clean Water Act for the March 2006 spill and was sentenced to three years probation, ordered to pay a \$20 million criminal penalty, including a \$12 million fine, \$4 million to the National Fish and Wildlife Foundation to support research and activities on the North Slope and pay \$4 million in restitution to the state of Alaska.

The consent decree, which is subject to a 30-day public comment period and final court approval, is available at: www.justice.gov/enrd/

More information on the settlement:
www.epa.gov/compliance/resources/cases/civil/cwa/bpnorthslope.html

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