Oil Spills, Tourism Impact, Economic Costs and Corporate Responsibility

Atul Sheel

Follow this and additional works at: https://scholarworks.umass.edu/jhfm

Recommended Citation
Available at: https://scholarworks.umass.edu/jhfm/vol17/iss2/1
The recent Macondo oil well disaster in Gulf of Mexico claimed eleven lives of rig workers and led to a sunken oil rig close to the Louisiana coast. Within a few months, the Gulf oil spill has grown inexorably. Government agencies estimate that oil from this spill has spread over 572 miles (920km) of gulf coast from the Florida Keys to Brownsville, Texas, with 328 miles of Louisiana's 397-mile coast seriously affected. There is no doubt that British Petroleum's current Gulf oil spill has damaged the coastal environment as well as the fishing and tourism industries of five US states, namely Florida, Alabama, Mississippi, Louisiana and Texas. Experts predict significant costs accruing from this offshore disaster, and the issue of corporate responsibility of oil well owners has become a debated issue. In addition to nearly $12 billion direct costs of plugging the well and another $17 billion penalties per Clean Water Act and Oil Pollution Act (OPA), British Petroleum, the owner of the well, is also expected to be held liable for lost economic activity, lost federal, state and local taxes and damage to the environment. The annual revenue of the tourist and fishing industries in the four worst affected states, Alabama, Louisiana, Mississippi and Florida, is between $15 billion and $30 billion. Loss from tourism alone is expected at around $22.7 billion over three years, according to a recent study conducted by Oxford Economics USA. These estimates do not include the long term damage inflicted by contaminated oil upon animal life and ecosystems. History has repeated itself again, and the need to learn from our past mistakes seems obvious.
In many ways, BP’s current Gulf oil spill resembles the 1989 Exxon Valdez disaster that damaged Prince William Sound in Alaska. The over 11 million gallons of crude oil spilt into Alaska’s Prince William Sound eventually contaminated almost 1300 miles of shoreline, costing Exxon as much as $7 billion in terms of cleanup costs, fines/penalties, and claim settlements. Even after accepting responsibility and assuring the world of fair compensation, Exxon contested damages, appealed court decisions several times and still hasn’t paid its dues in full as of today. Thousands of the original plaintiffs from the Exxon Valdez disaster have died while waiting for their compensation as Exxon fought them in court. What is more interesting is the fact that even after twenty one years, more than 16000 gallons of coastal oil contamination still remains in Alaska per its coastal authorities. Even though Exxon accepted corporate responsibility for its negligence and consequent damages, in retrospect, it fell significantly short of doing its fair share.
Twenty one years later, a similar situation has arisen. As the current Gulf oil spill saga unfolds with severe damage to coastal environment and the fishing and tourism industries of five US states, British Petroleum has generously announced that it will waive the $75 million OPA cap for economic loss, and will honor all legitimate financial claims. The billion dollar question, however, is whether BP will fulfill its promise. The unsettled dues, irreparable environmental damage and serious economic costs associated with past oil spills such as the Alaskan Exxon Valdez often makes us wonder how well corporate responsibility is practiced today.