**BP Has Problems Protecting Its Stakeholders**

1. Who are the stakeholders involved in this case?
2. How did BP answer to their claims?

In 2009 a U.S. judge finally approved British Petroleum’s (BP) plea agreement to pay $50 million—the largest U.S. criminal environmental fine ever—after pleading guilty to charges stemming from a 2005 explosion that killed 15 workers and injured 180 workers at BP’s Texas City oil refinery, the third largest in the United States, situated 40 miles from Houston. The explosion was the third largest ever in the United States and the fifth largest globally.

“We deeply regret the harm that was caused by this terrible tragedy. We take very seriously the commitments we’ve made as part of the plea agreement,” said BP spokesman Daren Beaudo. An investigation revealed that the 2005 explosion occurred because BP had relaxed safety procedures at its Texas City refinery to reduce operating costs. The U.S. Occupational Health and Safety Association (OSHA) decided the 2005 explosion was caused by defective pressure relief systems and by poor safety management programs. Consequently, in 2007 OSHA issued its largest fine up to that date, $21 million, against BP for the lapses that led to the refinery explosion because BP sacrificed safety at the refinery to cut costs. The judgment also required the U.S. unit of London-based BP to serve three years on probation while the company tried to solve more than 500 serious safety violations that had been discovered during the investigation.

Beyond the formal fines, however, BP faced hundreds of lawsuits stemming from the explosion from workers and their families and the people and organizations that had been affected by the blast, which was felt miles from the refinery. It is estimated that BP spent over $2 billion to settle these claims, most of which were settled privately outside the courts. After paying so much in legal costs and fines, and given the bad publicity it experienced globally, you might think a company like BP would immediately move to improve its safety procedures. However, while it paid these costs, it also earned $21 billion in profit during the same year; so how did its top management respond?

Not in a highly responsive way. In 2009 OSHA issued a new record $87 million fine against the oil giant for failing to correct the safety violations identified after the 2005 explosion. The 2007 agreement between BP and OSHA included a detailed list of ways in which BP should improve safety procedures at the plant—something its managers vowed to do. But a six-month inspection revealed hundreds of violations of the 2007 agreement to repair hazards at the refinery, and OSHA decided BP had failed to live up to the terms of its commitment to protect employees and that another catastrophe was possible because BP had a major safety problem in the “culture” of this refinery.

BP responded strongly to these accusations, arguing that it had spent hundreds of millions of dollars to correct the safety problems. BP also said that after it reviewed safety procedures at its four U.S. refineries and found that its Cherry Point refinery had the best process safety culture, the head of that refinery had been promoted to oversee better implementation of process safety across BP’s U.S. operations. In 2007, however, another serious incident occurred when 10 workers claimed they were injured when a toxic substance was released at the Texas City plant, which BP denied. (A jury subsequently decided in favor of these workers, who were awarded over $200 million in punitive damages in 2009.)

In any event, BP’s board of directors decided to move quickly; they fired the CEO and many other top managers and appointed a new CEO, who was instructed to make global refinery safety a key organizational priority. The board also decided to make a substantial portion of the future stock bonuses for the CEO and other top managers dependent on BP’s future safety record. And the board committed over $5 billion to improving safety across the company’s global operations.

BP’s new approach seem to be working as no more refinery accidents occurred. Then in April 2010 the Deepwater Horizon oil-drilling platform that BP had leased from its U.S.-based owner Transocean exploded, killing 11 employees, and the fractured oil pipe began to release millions of barrels of oil in to the Gulf of Mexico. Despite all of BP’s attempts to use its expertise to stop the oil gushing from the pipe a mile below the sea, oil continued to flow into the gulf until the pipe was finally declared “effectively dead” on September 19, 2010. By the summer of 2011 the disaster had cost BP almost $50 billion and it was suing both Transocean and Halliburton, the rig’s concrete contractor, for many billions, claiming that they were the parties mainly responsible for the rig’s explosion. Litigation is expected to go on for years.