



DEEPWATER HORIZON: A CRISIS COMMUNICATIONS FAILURE

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ON APRIL 20, 2010...

- BP Oil rig “Deepwater Horizon”
- 11 workers killed
- **Unfixable damage** to the Gulf of Mexico ecosystem
- **87 days**, the well released oil and natural gas into the Gulf, spilling **134 million gallons** before it was capped on July 15, 2010
- One year later, BP was still perceived by Americans as one of the companies with the **worst corporate reputation**

DEEPWATER HORIZON: IN BRIEF





BP failed in two of the most crucial parts of crisis communications: its **messaging** and its **leadership**.

BP did not have a **Crisis Communications Plan**.

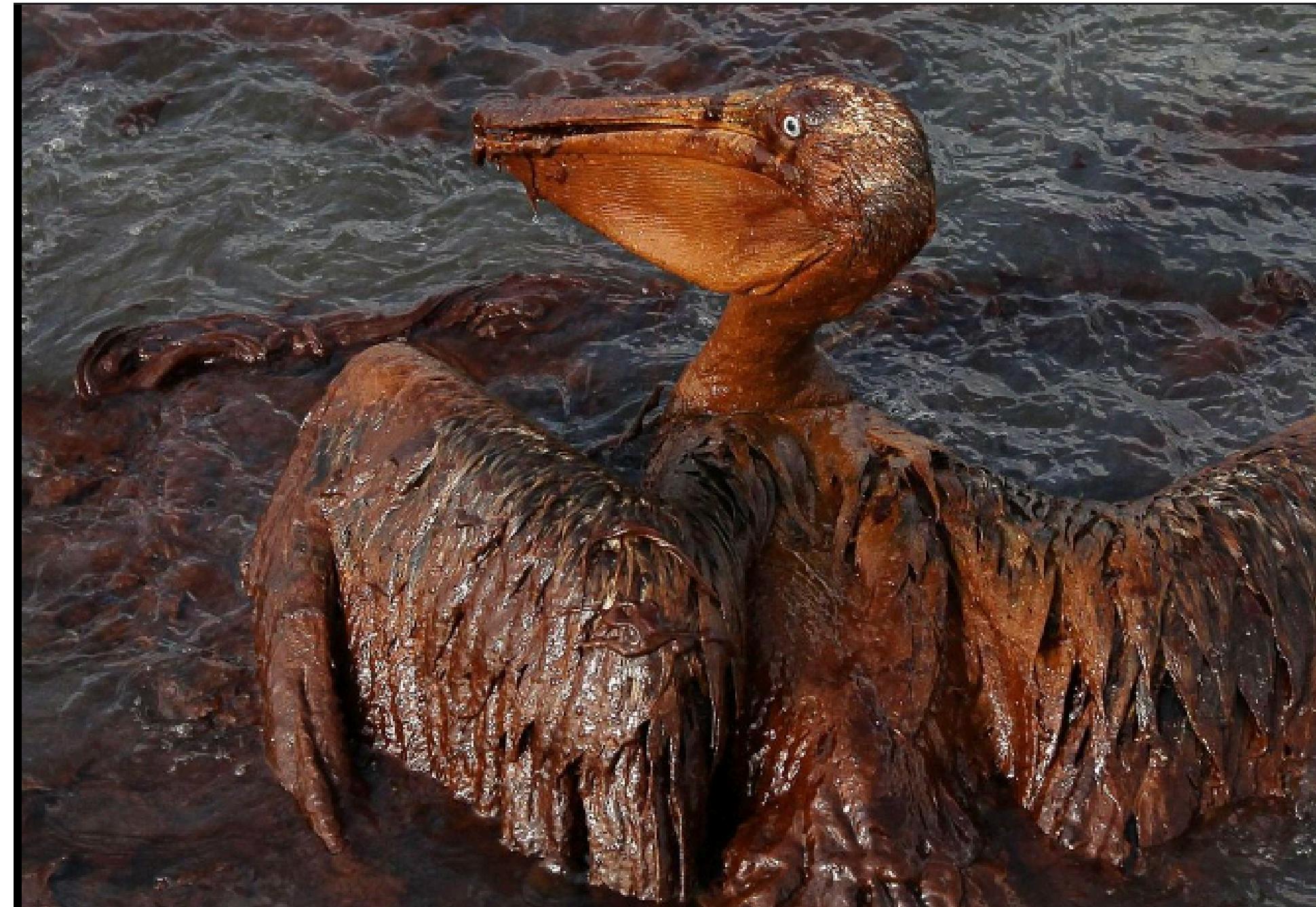
THE CRISIS: BACKGROUND OF D.H. DISASTER

- BP leased the Deepwater Horizon drilling rig in the Gulf of Mexico from **TransOcean**.
 - Considered a state-of-the-art rig.
- **Halliburton** contracted out skilled personnel to BP to help run the rig.
- Halliburton's method for capping the wells was **unstable** and they told BP this, yet BP drilled **anyway**.
- September of 2009, a report said the rig's blowout preventer was **overdue** for safety checks.
 - The U.S. government was **not supervising** the behavior of the rigs in the Gulf.
- On April 20, 2010 at around 9:56 pm the lights began to flicker aboard the rig.



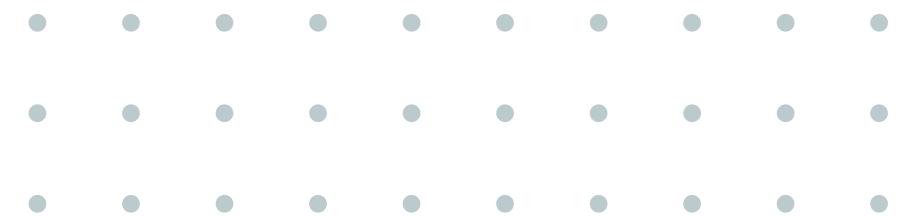
THE CRISIS: ENVIRONMENTAL CONSEQUENCES

- Considered one of the **largest environmental disasters** in history.
 - Due to the way oil spreads and the amount of it being released in the spill, restoring the environment was not possible.
- The earth still has yet to recover from 14 years later... According to BP, 1,000 barrels of oil per day were gushing into the Gulf from the sinking of Deepwater Horizon.
 - **In reality**, the US government reported it was 60,000 barrels of oil a day, spilling for 87 days.
- In Louisiana, Governor Jindal announced White House approval to build five large offshore berms with sand to shield the state's **fragile coastline**.
- U.S. Coast Guard said BP was directed to **pay** for the project



THE CRISIS: HUMAN IMPACT

- 11 people died, 90 injured
- Oil-coated fish, birds, and other animals made it **more difficult for businesses** in communities along the Gulf Coast to survive due to the dip in tourism
- Those impacted felt they were **left behind**
- Film was created

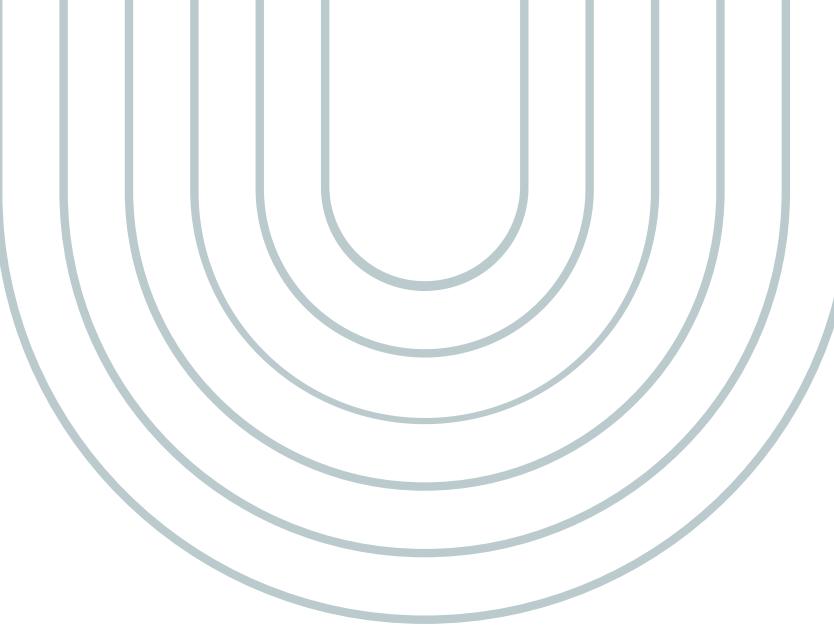


BP BEFORE THE CRISIS

bp

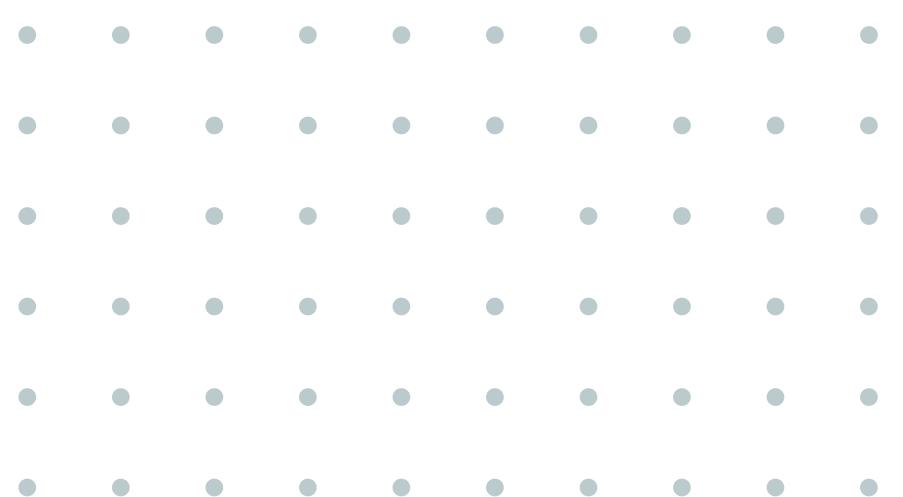


- BP's brand reputation was fairly good
 - Did a large PR campaign to become "**Beyond Petroleum**"
 - BP brand awareness was 67% between 2000 and 2007
 - image was considered environmentally friendly in comparison with companies operating in the oil sector (according to a 2007 customer survey)
- Plagued by a history of **safety negligence**
 - Accidents in 2005 and 2006 with death tolls
- BP was cited in 1991 by the EPA as the **most polluting company in the US** based on toxic release data



BP'S INITIAL RESPONSE

- BP's initial response was weak at best.
 - Prior to Deepwater Horizon's disaster, the company actually cut PR costs.
- At the start of the disaster, BP did not have a Crisis Response Team
 - CEO Tony Hayward: "making it up day to day"
- **Slow** to express concern, compassion and full apology to victims
- Took four days to report the well was still leaking



A DEVELOPING STRATEGY

- Goal: gather as much **information** as you can
 - In BP's case... they were scrambling
- Bad Strategy 1: Pass the buck
- Bad Strategy 2: Take your time
 - Told the public they were getting the work done in ads six weeks after the disaster occurred
 - Time was not of the essence
- Bad Strategy 3: Downplay
 - Hayward: "The Gulf of Mexico is a very big ocean and the volume of oil we are putting into is tiny in relation to the total body of water"
(The Guardian, May 13, 2010.)

THE MEDIA

- Dawn Dish-soap commercial
- Mainstream media devoted **38%** of its coverage to the spill between May 24–30, according to the Pew Research Center's Project for Excellence in Journalism.
- BP spent nearly \$1 Million a month on advertising and purchasing search terms in order to direct internet users' searches about the Gulf oil spill to the BP site where clean-up efforts are exposed.
 - Attempts at controlling the narrative and flow of information

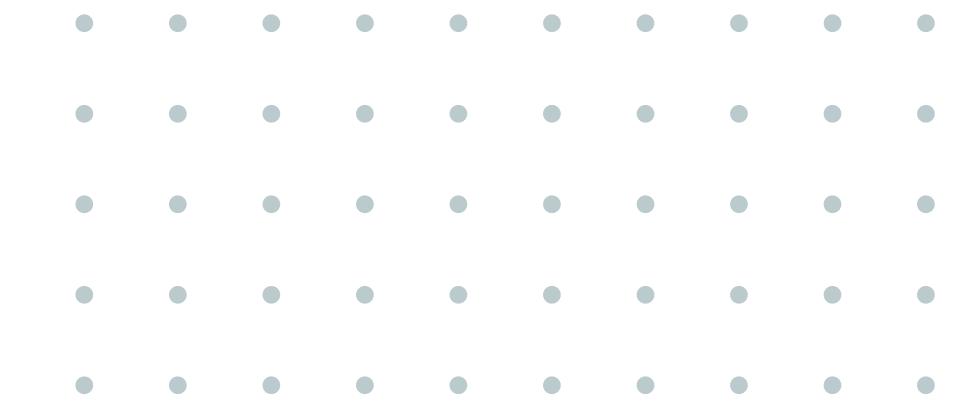




THE STRATEGY: “WE'RE SORRY”

“I DON'T THINK YOU DO CARE.
I THINK YOU CARE ABOUT
YOUR IMAGE, YOU DON'T
CARE ABOUT US.” -
OIL WORKER ON CBS NEWS,
JUNE 2010

THE NEW STRATEGY:



- BP eventually released a 30-minute investigative video report into the disaster that was posted on YouTube in September of 2010.
 - YouTube comments even mention the report's **lack of transparency** and ownership about ignoring Halliburton's warnings.
- Included a clause in workers' contracts **prohibiting** them and their deckhands from making news releases public statements
- The apologies were not cutting it.
- Launched a print ads campaign in US newspapers that were criticized by stakeholders for **wasting** money, time and effort.

LEADERSHIP

- **Blame was passed** between BP and its contracting partners
 - There was confusion between Transocean, Coast Guard, the rig salvage company and other organizations involved as to who is responsible in conducting the firefighting operations
- There was a huge **knowledge gap** between leadership and workers
- Hayward was announced to be **replaced** as CEO at the end of July, 2010 after meeting with major stakeholders in the Middle East and President Obama.

ROLE OF THE GOVERNMENT

- The U.S. government does not regulate Gulf drilling very well.
 - created huge problems for President Obama
- Congressional hearings were called a "ridiculous spectacle," by President Obama
- Originally delayed his reaction, blamed BP fully, and faced "his own hurricane Katrina"
 - Issued an apology for missteps during a May 27 press conference. The next day, he visited the Gulf.
- The administration imposed a four-and-a-half-month moratorium on deepwater drilling after the oil spill. That gave way to a longer spell when regulators grappled with stricter rules and allowed little drilling to take place

STAKEHOLDERS

- Families of the victims and residents of the Gulf Coast felt like **no one cared** about them
- “One of the big challenges in the Gulf spill was understanding that, from a human standpoint, people were going to **suffer** if you didn’t prioritize the environmental impacts. But if you look at where all the power was, it was on the side of reopening the Gulf to the oil industry as quickly as possible,” director of the U.S. Geological Survey in 2010
- Transparency with stakeholders is a huge priority of a CCP – BP **failed**.



THE EVENTUAL CLEAN-UP

- Eventually, the well was sealed with a 75 ton cap on July 15.
 - A relief well was also built
 - BP had tried a lot of methods along the way since they did not have a plan.
- One year after the accident, BP published a sustainability report.
 - At the beginning, in the CEO letter, Bob Dudley acknowledged that the company was sorry for what happened
 - emphasized **safety**
- The Gulf of Mexico will never fully recover from the oil spill.



CONSEQUENCES FOR BP

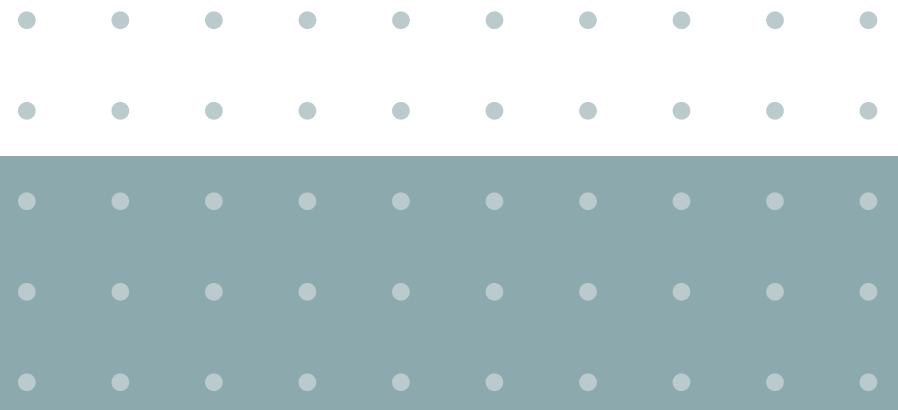
- Lost one-third of its market value, or about **\$67 billion**
- BP was forced to sell off millions in assets to pay the fines and lawsuits resulting from the explosion of the Deepwater Horizon
- **50%** of its market capitalization was lost by early July 2010
- Launched lawsuit against Halliburton and Transocean and is sought at least \$40 billion.
 - considers maintenance by Transocean was inadequate
 - claims Halliburton was responsible for cementing or sealing off the well

THE IMPACT OF DEEPWATER HORIZON AND BP'S FAILURE

- In a speech, President Obama said it is time for the United States to embrace a clean energy future because of the inherent risks of drilling deep into the earth for oil.
 - "The catastrophe unfolding in the Gulf right now may prove to be a result of human error -- or corporations taking dangerous short-cuts that compromised safety."
- Commercial fishing, shrimping and oyster harvests were shut down for weeks along much of the Gulf Coast (a \$6.5 billion seafood industry).
- BP transformed itself to be more compact after selling off large assets
 - BP reached an agreement with the Obama administration to set up a \$20 billion fund for damages, fines and coastal science research
 - CEO Dudley figured the administration would want to keep BP around to pay for all that, allowing BP to live another after another catastrophe

LESSONS IN CRISIS COMMS

- Management matters
 - communications for both internal and external matters need leadership
 - Hayward should have focused his public statements on the tragedy of the people who died, and all the serious environmental impacts of the Deepwater Horizon incident caused
- Honesty matters
 - accountability
 - retain credibility
- Action matters
 - be vigilant



CONCLUSION

The most important lesson to learn
from the disaster is that a Crisis
Communications Plan is cheaper than a
crisis.



SOURCES

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