

OFFSHORE DISASTER:

Economic Impacts of the BP Deepwater Horizon Oil Spill

The economic costs of the British Petroleum (BP) Deepwater Horizon Oil Spill could easily exceed \$1 billion dollars according to recent news reports, and will hit the coastline industries, such as Louisiana's oyster and shrimp industry, the hardest. Tourism along the Gulf Coast will also suffer as visitors who normally flock to the coast for recreation, fishing, swimming and boating will be deterred by cleanup efforts and beach closures. For those who live and work on the coast, the impact will be most severe, as coastal fisheries are the lifeblood of these communities.

Clean Energy Makes Economic Sense

BP Deepwater Horizon vs. Clean Energy

When the true costs associated with the BP Deepwater Horizon disaster are tallied, the spill could end up costing BP and taxpayers billions. When we compare the costs of offshore drilling to the cost of developing a clean energy future, it becomes clear that fossil fuel development and the environmental damage it causes far outweigh the costs of clean, renewable energy development. For example, the American Wind Energy Association (AWEA) states that wind power development can cost around \$2 million per megawatt (MW) of generating capacity installed. And new electric vehicles that can run on renewable energy are entering the market and cost in the range of \$30,000–40,000. If we compare that to the estimated costs of the BP Deepwater Horizon disaster cleanup we find:

- BP Deepwater Horizon disaster cleanup costs are estimated to cost \$6 million per day. Investments in wind power at that rate would result in 3MW of new wind capacity each day, which is enough to power up to 900 homes. This same amount of money could buy 180 Nissan Leafs or 150 Chevrolet Volts, either of which could run on renewable energy instead of oil. The use of 180 Leafs instead of average gasoline cars would reduce the need for 27,000 barrels of oil during their combined lifetimes — or the same amount of oil spilled by BP Deepwater Horizon into the Gulf in just five days.
- Exxon paid an estimated \$8.8 billion in total cleanup and damage costs after the Exxon Valdez oil spill. If the BP Deepwater Horizon disaster results in similar damages, that would equal 4.4GW of installed wind capacity — enough to power 1.3 million homes, or the entire state of Mississippi. Damages of \$8.8 billion could also buy 270,000 Nissan Leafs, which would eliminate the need for 40 million barrels of oil over their combined lifetime.
- Some experts predict that damages from the BP Deepwater Horizon disaster could be as much as \$12 billion. These costs are equal to 6GW of installed wind capacity, enough to power 1.8 million homes (more than the entire states of Louisiana and Mississippi combined). \$12 billion is enough to purchase 370,000 Nissan Leafs, which would eliminate the need for 55 million barrels of oil over their lifetime.



BP'S COST SAVING MEASURES

BP could have installed a remote shut-off device, a safety feature that is required in Brazil and Norway to prevent catastrophic spills like the Deepwater Horizon disaster. In fact, the U.S. Minerals Management Service (MMS) considered mandating the use of remote switches since at least 2000, but the oil industry lobbied against it, and in 2003 MMS stated, “[remote] systems are not recommended because they tend to be very costly.” In fact, just last year BP lobbied U.S. policymakers to forgo requiring additional safety and security requirements for offshore drilling projects.

The estimated cost of a remote shut-off device is \$500,000. To put this number in perspective, BP held a multi-year lease on the Deepwater Horizon oil rig for \$181 million per year, or roughly \$500,000 per day. In addition, during the first quarter of 2010, BP made \$6 billion in profit and spent \$3.5 million on lobbying that same quarter.

GULF COAST FISHING AND TOURISM

The oil spill will put the billions of dollars generated from commercial fishing and beach tourism along the Gulf Coast at risk if crude oil leaking from the Deepwater Horizon oil well makes landfall. Significant quantities of oil reaching land might force closures of oyster beds and shrimp operations, which generate about \$962 million in annual retail sales in Louisiana.

In addition to lost tourism revenues, the BP oil spill could threaten oysters, menhaden and other marsh-dwelling fish, shrimp, and blue crab. Louisiana's coastline is home to some of the most productive oyster farms in the country. Oyster farms are particularly sensitive to oil pollution because oysters are filter feeders, and likely to ingest oil particles and chemical dispersants. Similarly, coastal marshes are critical habitat for Louisiana shrimp and blue crab — both staples of the seafood industry.



THE SOLUTIONS

The BP Deepwater Disaster and other catastrophes like it are predictable outcomes of our reliance on fossil fuels. We must change course. Congress must act now to:

- Put stricter regulations in place for the coal and oil industries to make them safer and more accountable for the damage they do
- Place a ban on new offshore drilling
- Pass legislation that jumpstarts a clean energy revolution in the U.S.

WHAT YOU CAN DO

Help prevent another disaster by taking action to stop offshore drilling. The “drill, baby, drill” slogan of fossil fuel proponents must be replaced with the demand for clean energy. Visit <http://www.greenpeace.org/usa/news/gulf-oil-spill> today and tell your member of Congress to support a clean energy future.