Richard Ivey School of Business
The University of Western Ontario

IVEY

9B08M002

BRITISH PETROLEUM (PLC) AND JOHN BROWNE: A CULTURE OF RISK BEYOND PETROLEUM (A)[1]

Trevor Hunter wrote this case under the supervision of Professor Murray Bryant solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

In April 2007, the board of British Petroleum (BP) faced a difficult decision. A month earlier, two independent reports (the first commissioned by BP and chaired by former American Secretary of State James Baker; the second commissioned by the U.S. Chemical Safety and Hazard Investigation Board) were released investigating an explosion in 2005 at a refinery in Texas City in the United States that killed 15 people and injured more than 180. After exhaustive investigations, the reports identified a history of poorly regulated safety measures in the plant and risk management, the blame for which seemed to focus on the firm‘s group chief executive, Lord John Browne.

After the Baker report was released, the company attempted to mitigate the damage in its 2006 annual review:

Importantly, the panel did not conclude that BP intentionally withheld resources on any safety-related assets or projects for budgetary or cost reasons. The panel interviewed hundreds of employees in the course of its work and observed that it had seen no information to suggest that anyone – from BP‘s board members to its hourly paid workers – acted in anything other than good faith.[2]

In fact, there had been other independent reports, one in 2004 and then again three months after the 2007 Baker report, that were less forgiving of BP‘s ―culture of safety." The 2007 report from the U.S. Chemical Safety and Hazard Investigation Board suggested that safety in the company‘s facilities had been compromised in favour of profits, cost savings or lack of management supervision.

The Texas City disaster was caused by organizational and safety deficiencies at all levels of the BP Corporation. Warning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it.[3]

These reports were just the most recent of many concerns hurting the reputation and performance of the world‘s second-largest super major oil company and leading to a drop in share price from US$70.41 on January 17, 2006, to US$63.28 on January 16, 2007.[4] As well, the public release of this information had destroyed nearly US$39 billion of market capitalization since August 2006.[5] (Exhibit 1 presents a comparison of the stock performance of the world‘s super-major oil companies). During this period, the price of crude oil had risen nearly 20 per cent.[6]

In January 12, 2007, Browne announced that he would retire from BP. This was somewhat of a shock to the board and the investment community because his retirement date was roughly 18 months before his mandatory retirement date[7], and, in the past, he had campaigned to remain in his post past the retirement date. Others were concerned that his successor may not yet be fully prepared to step into the top job. What was also a shock was the announcement of the over US$50 million severance package Browne was set to receive upon retiring. Many wondered how the board could award him such a large package after

such poor performance over recent years.

Browne had been credited with saving and taking BP to new heights and was one of the most respected business leaders in the United Kingdom. At the same time, however, it was clear that in recent months the firm‘s performance had suffered significantly. More and more evidence pointed to systemic problems within BP that had been allowed to grow during his tenure, creating the culture of risk in which the BP board now found itself reducing shareholder confidence and risking lives and the firm‘s reputation. It was up to the board to decide what to do next.

BRITISH PETROLEUM

British Petroleum plc, (BP) was founded in 1908 as the Anglo-Persian Oil Company and was started with a single well in a remote area of Persia after nearly eight years of searching. From this humble beginning, in less than half a century, the firm grew to be the largest in the United Kingdom and one of the largest in the world, employing over 100,000 people in over 100 countries.8 (Exhibit 2 presents selected financial information for the year ending 2006, and Exhibit 3 presents the biographies of the BP board, as published in the 2006 Annual Report.)

The petroleum industry, while lucrative due to insatiable global demand, was also one that involved enormous risks. The days of cheap, easily accessed oil appeared to be over and what remained was often located in areas that were politically and socially unstable. Huge amounts of capital were required to find oil, refine it and then deliver it to the many end users. Risk also stemmed from the fact that although the timing was up for debate, no one doubted that, eventually, either through the development of new technology to replace petroleum or through a simple lack of product, a company that was focused only on oil would go out of business. To that end, BP tried to protect itself by attempting to stave off the loss of product by spending billions on exploration for new reserves and on the downstream technology of refining and distribution to control the entire value chain. At the same time, BP also tried to diversify into new energy generation technologies.

BP‘s business was divided into three segments9: oil exploration and production; oil refining and marketing; and gas, power and renewables.

Oil Exploration and Production

In 2007, BP was actively exploring for oil in 26 countries around the world, which over the years had provided the firm with proven reserves of 18.5 billion barrels of oil and gas equivalents leading to daily production of roughly four million barrels per day. BP had plans to start 24 more major projects by 2009, which would provide additional reserves of over 3.7 billion barrels with an additional production of 850,000 barrels per day.

Oil Refining and Marketing

Oil refining and marketing took the crude oil BP pumped from the ground and turned it into various products like gasoline, kerosene and motor oil, products which were then sold to consumers either through the firm‘s own distribution network of over 25,000 gas stations or to other sellers. Oil refining was a technically complex and highly capital-intensive activity. In 2006, BP owned outright or was part owner of 18 refineries processing the equivalent of 2.8 million barrels a day.

Petroleum could also be refined into chemicals known as acetyls that were used in numerous consumer products. A statement from the firm indicated the acetyls‘ pervasiveness:

Our acetic acid can be found in jars of pickles. Our acetyls feedstock is used to make Viagra. We invented the purified teraphthalate acid (PTA), used in both clothes and polyethylene terephthalate (PET) bottles for water and soft drinks (and we recycle many of those bottles into fleece pullovers). We are proud to have a world-class PTA business. We also make paraxylene (PX), the raw material for PTA.10

Gas, Power and Renewables

As one of the leading oil producers for most of the 20th century, BP, in more recent years, had attempted to reposition itself. The slogan —BP: Beyond petroleum had been coined to present BP as a company that was preparing for a world that was past its dependence on petroleum. In 2005, BP Alternative Energy was launched to consolidate the company‘s low-carbon

energy initiatives. By 2006, BP claimed to be a world leader in power generation from solar, wind and gas-fired power plants, with plans for additional investment and research into hydrogen power generation.

JOHN BROWNE

John Browne, The Lord Browne of Madingley, became chief executive officer of BP in 1995 at the age of 45. He was knighted in 1998 and was made a life peer in the British House of Lords in 2001. By all accounts, Browne was one of the most successful CEOs in the firm‘s history, credited with turning BP into one of the largest and most successful energy companies in the world. Browne became known for his willingness to take risks and to pursue big deals and, under his leadership, in 1998, the acquisition of American oil company Amoco was engineered. The deal was worth more than US$60 billion, an amount that literally doubled the firm‘s sales and reserves. In 2003, BP created a joint venture with Russian oil giant Yukos, providing the firm with 50 per cent access to reserves of over 44 billion barrels of oil or oil equivalent and additional production of about 1.2 million barrels a day, at a cost of US$6.8 billion and the associated risk of operating in the Russian business environment.11

By many accounts, Browne was a well-respected business person who, while being one of the most powerful business executives in the United Kingdom, was also very private; little was known about his personal life. He was reputed to be a close friend of then British Prime Minister Tony Blair.

Along with turning the firm around, Browne was credited with setting the vision for BP as one that would focus on life beyond petroleum. That slogan meant more than merely planning to become an energy company rather than a petroleum company; it meant BP was a firm that cared about the environment and the safety of its employees more than it cared about oil and profits. Blair had appointed him to the U.K.‘s Sustainable Development Commission. The commission described itself as:

The Government‘s independent watchdog on sustainable development, reporting to the Prime Minister, the First Ministers of Scotland and Wales and the First Minister and Deputy First Minister of Northern Ireland. Through advocacy, advice and appraisal, we help put sustainable development at the heart of Government policy.12

The firm took great pains to provide evidence of its focus on the environment and safety in numerous reports and websites, and it undertook investments and made contributions to environmental groups. Codes of conduct for employees covering numerous activities — including safety and the environment, policies on corporate governance and statements about social responsibility — were all crafted under Browne‘s watch. The webpage on the BP corporate website entitled ―Responsible Operations" had links to topics like ―"Health and Safety," ―"Management and Compliance," ―"Environment," ―"Compliance and Ethics" and ―"Our People."

A CULTURE OF RISK: THE TEXAS CITY REFINERY EXPLOSION

Having been involved in the process of refining crude oil for over 70 years, the Texas City Oil Refinery, the third largest refinery in the United States, had long since paid for its initial investment. The facility came to be a BP asset with the 1999 acquisition of Amoco, and although the explosion on March 23, 2005, which killed 15 people and injured more than 180, was the worst in company history, it was by no means the first accident at the facility.

Described as ―being held together by little more than Band-Aids and superglue" by Don Parus, the refinery‘s director,13 there had been 23 fatalities in the previous 30 years. Since 2002, when Parus took over operations at the plant, there had also been an average of one fire a week, ranging from 50 to 80 a year.14 Parus is quoted as wondering why his staff actually came to work: ―killing somebody every 18 months seems to be acceptable at this site . . . why would people take the risk, based on the risk of not going home?"15

In 2004, an independent Texas consulting firm called Telos Group was contracted by the Texas City refinery director to assess the safety culture of the plant. In its report, Telos exposed numerous pieces of evidence to suggest that safety at the refinery was being compromised as repairs or servicing were not effectively completed in attempts to save money or when workers simply were unable to follow the safety procedures. A report in the Financial Times mentions ―broken alarms, thinned pipe, chunks of concrete falling, bolts dropping 60 feet, and staff being overcome with fumes"16 as well as ―numerous workers at

the plant complaining of pressure not to report injuries and safety violations."[17]

The Telos report suggested that although there seemed to be a willingness on the part of the refinery's management team to maintain a safe working environment, desire and reality may have been two different things. Exhibit 4 provides excerpts from the Telos Report. The consultants concluded that there seemed to be an ingrained culture of risk at the refinery, which would require a great deal of effort to change, and that, in the past, after an accident, efforts to make changes started out strong but faded as management's attention drifted back to profits and efficiency.

Many still too easily see a future where it all slides back to _the way it was before the incidents,' and so people _pray and hope that this will not pass' . . . we were told many stories about times that left the distinct impression that margins could beat out safety as long as they were good enough . . . _here we are today and they still haven't kept promises that make our people out there feel safe'. . . _Soon becomes never around here' mentioned one person in the refinery, pointing to successive postponements; starting with fixing it _soon (meanwhile we put a clamp on it), which then becomes next week, which becomes next month, which becomes next turnaround, which becomes never.'[18]

In apparent support of this statement, a few months after the March 2005 explosion, there were two additional explosions causing over US$ 32 million in property damage, and then, in 2006, another worker was killed on the job.

The 2007 U.S. Chemical Safety and Hazard Investigation Board (CSHIB) report, which examined the explosion and BP's safety culture in general, revealed that after the 1999 acquisition of Amoco, rather than making much-needed safety improvements, BP ordered a 25 per cent cut in fixed costs at all its refineries. The report went on to condemn the firm by suggesting:

The combination of cost-cutting, production pressures and failure to invest caused a progressive deterioration of safety at the refinery. Beginning in 2002, BP commissioned a series of audits and studies that revealed serious safety problems at the Texas City refinery, including a lack of necessary preventative maintenance and training. These audits and studies were shared with BP executives in London and were provided to at least one member of the executive board. BP's response was too little and too late. Some additional investments were made, but they did not address the core problems in Texas City. In 2004, BP executives challenged their refineries to cut yet another 25 per cent from their budgets for the following year.[19]

These comments echoed the findings of the Baker report. This report, which BP had stated was very supportive of their safety culture, could be interpreted differently than BP's own interpretation. Exhibit 5 presents excerpts from the report's Executive Summary entitled ―Corporate Safety Culture." Clearly there were differences of opinion between the firm and the independent observers with respect to the depth of BP's culture of safety. Despite the difference of opinion, since the explosion, BP had paid out about US$2 billion in terms of compensation payouts and lawsuits.[20]

CONCLUSION

With Browne's impending resignation, there was undeniable evidence of big problems throughout the organization with regard to safety and the firm's reputation. As a result, BP's lack of public credibility affected the already-stated strategy and goals of the firm. The board knew that changes needed to take place from the top down. The obvious question: Where to begin?

Exhibit 1

SUPER MAJOR OIL COMPANY'S STOCK PERFORMANCE COMPARISON – 1 YEAR RETURN

Source: Bloomberg, accessed January 23, 2008

Exhibit 2

GROUP INCOME STATEMENT – 2006
For the year ended 31 December ($ million)

	2006	2005	2004
Sales and other operating revenues	265,906	239,792	192,024
Earnings from jointly controlled entities - after interest and tax	3,553	3,083	1,818
Earnings from associates - after interest and tax	442	460	462
Interest and other revenue	701	613	615
Total revenues	270,602	243,948	194,919
Gains on sale of businesses and fixed assets	3,714	1,538	1,685
Total revenues and other income	274,316	245,486	196,604
Purchases	187,183	163,026	128,055
Production and manufacturing expenses	23,793	21,092	17,330
Production and similar taxes	3,621	3,010	2,149
Depreciation, depletion and amortization	9,128	8,771	8,529
Impairment and loses on sale of businesses and fixed assets	549	468	1,390
Exploration expenses	1,045	684	637
Distribution and administration expenses	14,447	13,706	12,768
Fair value (gain) loss on embedded derivatives	-608	2,047	--
Profit before interest and taxation from continuing operations	35,158	32,682	25,746
Finance costs	718	616	440
Other finance (income) costs	-202	145	340
Profit before taxation from continuing operations	34,642	31,921	24,966
Taxation	12,331	9,473	7,082
Profit from continuing operations	22,311	22,448	17,884
Profit (loss) from Innovene operations	-25	184	-622
Profit for the year	22,286	22,632	17,262
Attributable to			
BP shareholders	22,000	22,341	17,075
Minority interests	286	291	187
	22,286	22,632	17,262
Earnings per share - cents			
Profit for the year attributable to BP shareholders			
Basic	109.84	105.74	78.24
Diluted	109	104.52	76.87

Source: BP Annual Review 2006

Exhibit 3

BP BOARD OF DIRECTORS PRIOR AT THE PUBLICATION OF THE 2006 ANNUAL REVIEW

1. The Lord Browne of Madingley, FRS, FREng

Group Chief Executive

John Browne (59) joined BP in 1966 and subsequently held a variety of exploration and production and finance posts in the US, UK and Canada. He was appointed an executive director in 1991 and group chief executive in 1995. He will retire as group chief executive at the end of July 2007. He is a non-executive director of Goldman Sachs Group Inc. He was knighted in 1998 and made a life peer in 2001.

2. Dr A B Hayward

Group Chief Executive designate

Tony Hayward (49) joined BP in 1982. He held a series of roles in exploration and production, becoming a director of exploration and production in 1997. In 2000, he was made group treasurer, and an executive vice president in 2002. He was chief executive officer of exploration and production between 2002 and 1 February 2007, becoming an executive director in 2003. He has been appointed to succeed Lord Browne as group chief executive following Lord Browne‘s retirement in July. Dr Hayward is a non-executive director of Corus Group plc.

3. Dr D C Allen

Group Chief of Staff

David Allen (52) joined BP in 1978 and subsequently undertook a number of corporate and exploration and production roles in London and New York. He moved to BP‘s corporate planning function in 1986, becoming group vice president in 1999. He was appointed executive vice president and group chief of staff in 2000 and an executive director of BP in 2003. He is a director of BP Pension Trustees Limited.

4. I C Conn

Group Executive Officer, Strategic Resources

Iain Conn (44) joined BP in 1986. Following a variety of roles in oil trading, commercial refining, retail and commercial marketing operations, and exploration and production, in 2000 he became group vice president of BP‘s refining and marketing business. From 2002 to 2004, he was chief executive of petrochemicals. He was appointed group executive officer with a range of regional and functional responsibilities and an executive director in 2004. He is a non-executive director of Rolls-Royce Group plc.

5. Dr B E Grote

Chief Financial Officer

Byron Grote (58) joined BP in 1987 following the acquisition of The Standard Oil Company of Ohio, where he had worked since 1979. He became group treasurer in 1992 and in 1994 regional chief executive in Latin America. In 1999, he was appointed an executive vice president of exploration and production, and chief executive of chemicals in 2000. He was appointed an executive director of BP in 2000 and chief financial officer in 2002. He is a nonexecutive director of Unilever NV and Unilever PLC.

6. A G Inglis

Chief Executive, Exploration and Production

Andy Inglis (47) joined BP in 1980, working on various North Sea projects. Following a series of commercial roles in

exploration, in 1996 he became chief of staff, exploration and production. From 1997 until 1999, he was responsible for leading BP‘s activities in the deepwater Gulf of Mexico. In 1999, he was appointed vice president of BP‘s US western gas business unit. In 2004, he became executive vice president and deputy chief executive of exploration and production. He was appointed chief executive of BP‘s exploration and production business and an executive director on 1 February 2007.

7. J A Manzoni

Chief Executive, Refining and Marketing

John Manzoni (47) joined BP in 1983. He became group vice president for European marketing in 1999 and BP regional president for the eastern US in 2000. In 2001, he became an executive vice president and chief executive for gas and power. He was appointed chief executive of refining and marketing in 2002 and an executive director of BP in 2003. He is a non-executive director of SABMiller plc.

8. P D Sutherland

KCMG Chairman

Peter Sutherland (60) rejoined BP‘s board in 1995, having been a non-executive director from 1990 to 1993, and was appointed chairman in 1997. He is non-executive chairman of Goldman Sachs International and a non-executive director of Investor AB and The Royal Bank of Scotland Group.

Chairman of the chairman‘s and the nomination committees

9. Sir Ian Prosser

Deputy Chairman

Sir Ian (63) joined BP‘s board in 1997 and was appointed non-executive deputy chairman in 1999. He is the senior non-executive director. He retired as chairman of InterContinental Hotels Group PLC, previously Bass PLC, in 2003. He is the senior independent non-executive director of GlaxoSmithKline plc and a non-executive director of the Sara Lee Corporation. He was previously on the boards of The Boots Company PLC and Lloyds TSB PLC. Member of the chairman‘s, the nomination and the remuneration committees and chairman of the audit committee

10. J H Bryan

John Bryan (70) joined BP‘s board in 1998, having previously been a director of Amoco. He serves on the boards of General Motors Corporation and Goldman Sachs Group Inc. He retired as the chairman of Sara Lee Corporation in 2001. He is chairman of Millennium Park Inc. in Chicago. Member of the chairman‘s, the audit and the remuneration committees

11. A Burgmans

Antony Burgmans (60) joined BP‘s board in 2004. He was appointed to the board of Unilever in 1991. In 1999, he became chairman of Unilever NV and vice chairman of Unilever PLC. He was appointed chairman of Unilever NV and Unilever PLC in 2005. He is also a member of the supervisory board of Akzo Nobel NV. Member of the chairman‘s and the safety, ethics and environment assurance committees

12. Sir William Castell, LVO

Sir William (59) joined BP‘s board in July 2006. From 1990 to 2004, he was chief executive of Amersham plc and subsequently president and chief executive officer of GE Healthcare. He was appointed as a vice chairman of the board of GE in 2004, stepping down from this post in 2006 when he became chairman of the Wellcome Trust. He remains a non-executive director of GE and is a trustee of London‘s Natural History Museum. Member of the chairman‘s, the audit and the safety, ethics and environment assurance committees

13. 13 E B Davis, Jr

Erroll B Davis, Jr (62) joined BP‘s board in 1998, having previously been a director of Amoco. He was chairman and chief executive officer of Alliant Energy, relinquishing this dual appointment in 2005. He continued as chairman of Alliant Energy until February 2006, leaving to become chancellor of the University System of Georgia. He is a non-executive director of PPG Industries, Union Pacific Corporation and the US Olympic Committee. Member of the chairman‘s, the audit and the remuneration committees

14. D J Flint, CBE

Douglas Flint (51) joined BP‘s board in 2005. He trained as a chartered accountant and became a partner at KPMG in 1988. In 1995, he was appointed group finance director of HSBC Holdings plc. He was chairman of the Financial Reporting Council‘s review of the Turnbull Guidance on Internal Control. Between 2001 and 2004, he served on the Accounting Standards Board and the Standards Advisory Council of the International Accounting Standards Board. Member of the chairman‘s and the audit committees

15. Dr D S Julius, CBE

DeAnne Julius (57) joined BP‘s board in 2001. She began her career as a project economist with the World Bank in Washington. From 1986 until 1997, she held a succession of posts, including chief economist at British Airways and Royal Dutch Shell Group. From 1997 to 2001, she was an independent member of the Monetary Policy Committee of the Bank of England. She is chairman of the Royal Institute of International Affairs and a non-executive director of Lloyds TSB Group PLC, Roche Holdings SA and Serco Group plc. Member of the chairman‘s and the nomination committees and chairman of the remuneration committee

16. Sir Tom McKillop

Sir Tom (63) joined BP‘s board in 2004. Sir Tom was chief executive of AstraZeneca PLC from the merger of Astra AB and Zeneca Group PLC in 1999 until December 2005. He was a non-executive director of Lloyds TSB Group PLC until 2004 and is chairman of the Royal Bank of Scotland Group. Member of the chairman‘s, the remuneration and the safety, ethics and environment assurance committees

17. Dr W E Massey

Walter Massey (68) joined BP‘s board in 1998, having previously been a director of Amoco. He is president of Morehouse College, a non-executive director of Bank of America and McDonald‘s Corporation and a member of President Bush‘s Council of Advisors on Science and Technology.

Member of the chairman‘s and the nomination committees and chairman of the safety, ethics and environment assurance committee

Changes to the board

Michael Wilson resigned as a director on 28 February 2006 and Michael Miles retired as a director on 20 April 2006. Sir William Castell was appointed a non-executive director on 20 July 2006 and Andy Inglis was appointed an executive director on 1 February 2007.

Source: BP Annual Review 2006.

Exhibit 4

EXCERPTS FROM THE TELOS REPORT, 2004

Don Parus is mentioned by the overwhelming majority of those interviewed and surveyed as genuine in his commitment to people and safety, while oftentimes, in the same breath, they question if everyone on the leadership team is on board with

Don.

The lack of leadership and management visibility, (―except when something goes wrong‖) communication, and conversation around protection coupled with site history and a natural focus on production causes a significant priority for production over protection at Texas City.

Maintenance underinvestment over the years has significantly altered the listening for management‘s safety commitment and diminishes production‘s relationship to safe practices for routing assignments (thinning pipe, inconsistent asbestos abatement practices, corrosion under insulation). In addition, when asked what area concerned people the most in terms of safety performance — or where the next injury was likely to occur — turnaround maintenance was at the top of the list. Many added that this was likely due to the requirement of clustering them all together and thus not being able to select contractors by their safety performance.

Few levels of the organization are exempt from the ―scarcity of time‖ syndrome that tends to reinforce a culture of acting on priorities versus a culture of acting from values and strategies. From a protection perspective, the quantity and competence of managers and supervisors is questionable given the cultural work needed at Texas City. The prevalent view of procedures as ―unworkable‖ at the production level contributes to the culture of individual interpretation of protection requirements and tolerance for variation from accepted safe practices. Many, many people pointed out to us that in several cases they knew personally, these were good people who could not make sense of the procedure as written, and were trying to the best of their ability to understand the intent of the procedure and comply with that.

Source: Telos Perspective and Recommendations, The Telos Group, 2004.

Exhibit 5

EXCERPTS FROM THE BAKER REPORT

Process safety leadership. The Panel believes that leadership from the top of the company, starting with the Board and going down, is essential. In the Panel‘s opinion, it is imperative that BP‘s leadership set the process safety ―tone at the top‖ of the organization and establish appropriate expectations regarding process safety performance. Based on its review, the Panel believes that BP has not provided effective process safety leadership and has not adequately established process safety as a core value across all its five U.S. refineries. While BP has an aspirational goal of ―no accidents, no harm to people," BP has not provided effective leadership in making certain its management and U.S. refining workforce understand what is expected of them regarding process safety performance. BP has emphasized personal safety in recent years and has achieved significant improvement in personal safety performance, but BP did not emphasize process safety. BP mistakenly interpreted improving personal injury rates as an indication of acceptable process safety performance at its U.S. refineries. BP‘s reliance on this data, combined with an inadequate process safety understanding, created a false sense of confidence that BP was properly addressing process safety risks.

Incorporation of process safety into management decision-making. The Panel also found that BP did not effectively incorporate process safety into management decision-making. BP tended to have a short-term focus, and its decentralized management system and entrepreneurial culture have delegated substantial discretion to U.S. refinery plant managers without clearly defining process safety expectations, responsibilities, or accountabilities. In addition, while accountability is a core concept in BP‘s Management Framework for driving desired conduct, BP has not demonstrated that it has effectively held executive management and refining line managers and supervisors, both at the corporate level and at the refinery level, accountable for process safety performance at its five U.S. refineries. It appears to the Panel that BP now recognizes the need to provide clearer process safety expectations.

Process safety cultures at BP’s U.S. refineries. BP has not instilled a common, unifying process safety culture among its U.S. refineries. Each refinery has its own separate and distinct process safety culture. While some refineries are far more effective than others in promoting process safety, significant process safety culture issues exist at all five U.S. refineries, not just Texas City. Although the five refineries do not share a unified process safety culture, each exhibits some similar weaknesses. The Panel found instances of a lack of operating discipline, toleration of serious deviations from safe operating practices, and apparent complacency toward serious process safety risks at each refinery.

Source: The Report of the BP U.S. Refineries Independent Safety Review Panel, 2007.

---

1 This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of British Petroleum or any of its employees.

2 Group Executive's Letter to Shareholders, BP Annual Review 2006.

3 U.S. Chemical Safety and Hazard Investigation Board: Investigation Report, Report No. 2005-04-I-TX, Refinery Explosion and Fire, March 20, 2007, p. 18.

4 Yahoo Finance interactive stock charts.

5 Heather Timmons, "BP Chief Will Retire Ahead of Schedule," International Herald Tribune, January 12, 2007.

6 http://www.opec.org/home/basket.aspx, accessed December, 2007.

7 BP required its senior managers to retire upon reaching the age 60.

8 BP Corporate website: http://www.bp.com/sectiongenericarticle.do?categoryId=14&contentId=2002063 , accessed September 2007.

9 Information for this section comes from the "About Us" section of the BP corporate website, accessed September 2007.

10 http://www.bp.com/sectiongenericarticle.do?categoryId=9008810&contentId=7016413 , accessed September 2007.

11 TNK-BP joint venture announcement webcast, accessed from BP website: http://www.bp.com/sectiongenericarticle.do?categoryId=2010203&contentId=2014547 , accessed September 2007.

12 The Sustainable Development Commission website: http://www.sd-commission.org.uk/pages/aboutus.html – accessed September 2007.

13 Andrew Clark and Terry Macalister, Guardian News and Media Limited, December 8, 2006.

14 Ibid.

15 Ibid.

16 Sheila McNulty, "Faults at BP led to one of the worst US industrial disasters," Financial Times, December 18, 2006.

17 Ibid.

18 Telos Perspective and Recommendations, The Telos Group, 2004, p. 10.

19 U.S. Chemical Safety and Hazard Investigation Board Press Release, March 20, 2007.

20 Porretto, washingtonpost.com, Jan. 16, 2007.

British Petroleum (PLC) and John Browne: A Culture of Risk Beyond Petroleum (A)

Master Notes

Enter notes here
