



**BIG
OIL,**
the Environmentalists, and a
Crisis Management Paradox

By Tony Munoz

On February 18, 1968 at 3:18 p.m., a huge fireball erupted, sending a geyser of white and yellow flames fifty feet into the sky as the Atlantic Richfield Company (ARCO) struck oil on the barren plains of the Alaskan North Slope. It had been a long journey of exploration and dry wells, but on that day in 1968 the drill team knew this discovery would forever change the American oil industry. Since World War II, the federal government and American oil companies had aggressively searched for crude oil in Alaska, but none had been found until that day.

In 1958, the Brooks Range and the North Slope were hotbeds of exploration and drilling. From 1963 to 1967, the oil industry spent

Bay, with its millions of barrels of oil per day, promised America independence from the Middle East.

In 1969, the U.S. oil industry was filled with excitement as ARCO, Humble (now Exxon) and British Petroleum filed petitions with the Bureau of Land Management in Anchorage for the "rights of passage" to construct roads and build a pipeline system that would be known as the "Trans Alaska Pipeline System" (TAPS). However, the Alaskan natives, who had previously filed lawsuits claiming rights to the territories, along with three environmental groups, filed injunctions in federal and state courts to stop the oil companies from obtaining their construction permits.

victory with the enactment of the National Environmental Policy Act of 1969 (NEPA), which was signed into law by President Nixon on January 1, 1970.

When the oil industry filed for North Slope construction permits, the Friends of the Earth, the Wilderness Society and the Environmental Defense Fund hired lawyers. These lawyers filed lawsuits against TAPS based upon NEPA and the Mineral Leasing Act of 1920, which restricted private businesses from acquiring a right of passage over federal lands for commercial endeavors.

In 1970, environmentalism was a fresh political movement, where crowds of tee-shirted and blue-jeaned enthusiasts proclaimed their unity of vision for cleaner water, cleaner air and programs to save endangered species. Their chants stirred the consciousness of a nation, and their assembled masses demanded industrialists stop wasting and polluting the country's natural resources.

Randall Blank, a young student at Columbia and future CEO of SEACOR Environmental Services, attended the first "Earth Day" on April 22, 1970 in New York City. The first Earth Day also brought more than 20 million people to nearly 2,000 American colleges, universities and cities to protest in favor of environmental reform.

When oil was discovered on the North Slope of Alaska, the TAPS consortium began reviewing its options to transport the crude from Prudhoe Bay. It considered an all-land route that would involve building a pipeline through the Canadian territories, but this idea was dropped because it required the Canadian government to provide a right of passage. Since the Alaskan oil was to be used solely by the United States, there was little chance of that happening.

The federal government and TAPS considered the Prudhoe Bay to Valdez pipeline as the best option to avoid damage to the Alaskan landscape because of its shorter route. However, the TAPS marine leg gave environmental groups the most cause for concern because it required very large tankers to transport large amounts of crude oil through some of the world's most beautiful and natural waterways. Faced with the impending reality that the marine route would be approved, the environmental lobby demanded that the tanker fleet be constructed with "double bottoms."

In 1973, the U.S. Coast Guard gave advance notice of its proposed rulemaking that all tankers built after 1976 would be required to have double hulls. There were 66 written responses, mostly from oil concerns,



ARCO Alaska tanker.

approximately \$125 million exploring the region without significant results. In 1967, ARCO was the last oil company left exploring the Alaskan fields, and its oil strike at Prudhoe Bay No. 1 had the world abuzz. However, the magnitude of the Alaskan discovery would only really hit home when ARCO struck oil again at the Sag River State No. 1 site, just seven miles south of Prudhoe Bay.

Prudhoe Bay was the world's largest oil discovery in over 40 years. Experts calculated there could be as much as 30 to 40 billion barrels in the new fields: enough supply for at least 20 years. In the lower 48 states, almost two-thirds of the 573,000 oil wells were averaging only three to six barrels a day. Prudhoe

For the first time in American history, the stage had been set for a monumental battle between industrialists and environmentalists over domestic energy, national security and environmental protection. The debate would soon divide the nation and split the U.S. Congress. However, the newly-elected president, Richard M. Nixon, was on "Big Oil's" side, and he had just appointed another drilling advocate, former Alaskan Governor Walter J. Hickel, to be Secretary of the Interior.

During the 1960s, the American public had pressured Congress to initiate a series of environmental laws to protect natural resources from industrial waste and toxins. Environmentalists had also won a strategic and significant



Exxon Valdez oil spill.

which claimed that the U.S. fleet would be at a distinct disadvantage because this would increase the cost of Alaskan crude versus foreign oil on the international markets.

Big Oil claimed the best way for dealing with a potential oil spill was through preventive measures, such as upgrading bridge management, upgrading navigational equipment, providing comprehensive training programs, mandating licensing for all seamen, and ongoing training of all tanker personnel. This, the companies believed, would have a far greater impact on environmental protection than the construction of double-hulled tankers.

enormous momentum. On October 16, the Organization of Petroleum Exporting Countries (OPEC) raised oil prices 70 percent and cut back production five percent. On December 22, OPEC raised crude oil prices another 130 percent to protest U.S. military assistance to Israel. On November 16, 1973, against the backdrop of the OPEC embargo, President Nixon signed the Trans-Alaska Pipeline Authorization Act. The Alyeska Pipeline Service Company was now free to build its pipeline. Never before had an industrial project come under such intense governmental and environmental scrutiny.

of the greatest industrial projects in the modern world, and it would take three years and \$7 billion to complete it. America had been held hostage once before by OPEC, and the flow of North Slope crude oil was essential to becoming economically independent. Since 1967, it had been a long, arduous journey for the oil industry, but Big Oil had overcome overwhelming political, social and environmental obstacles to gain access to the rich fields of the Arctic tundra. However, the next obstacle would forever change the American oil industry.

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Additionally, after the Intergovernmental Marine Consultative Organization's (IMCO) International Conference on Marine Pollution in 1973, which reasoned that double hulls would have little effect on marine pollution, the U.S. Coast Guard withdrew its proposal requiring mandatory double hulls. After the balance of power shifted in favor of the TAPS project, environmentalists filed their final petitions in the U.S. Court of Appeals.

During this time, the eight oil companies that made up the Trans Alaska Pipeline Service disbanded the consortium because it was too convoluted and unorganized to meet the new legal challenges while simultaneously coordinating the mega-pipeline project. Instead, they formed the Alyeska Pipeline Service Company, which still offered each company representation regarding legal issues but also established a management team solely focused on building and managing the pipeline system.

In 1973, with the advent of the Arab Oil Embargo, the Alyeska Pipeline project gained

The Greatest Industrial Endeavor in History

The 800-mile Prudhoe Bay to Valdez pipeline and marine terminal was the single largest privately-financed project in history. Before the legal setbacks, the pipeline could have been built for \$700 million, but the delays now had the project's estimated cost at \$7 billion.

The Prudhoe Bay oil field has 320,000 acres and about 130 wells that produce approximately two million barrels of crude per day. Over 50 companies participated in the pipeline's development, and more than 20,000 men and women worked on the construction of the pipeline during peak periods. They constructed over 200 modular buildings consisting of residences, flow stations, gas injection and compressor stations, a fuel gas station and a major power plant. They built bridges, highways and airplane landing strips and laid pipe through 800 miles of some of the most rugged terrain in the world.

Building the Trans Alaska Pipeline was one

Requiem in Prince William Sound – the Exxon Valdez

Alaskan crude oil became a reality for the United States on July 29, 1979, when the tanker *ARCO Alaska* sailed from Port Valdez with the first shipment of North Slope crude. In the 10 years preceding 1989, the Alyeska Pipeline Service Company transported a total of 6.83 billion barrels of crude oil shipped in 8,858 tanker loads without a major incident or accident. However, on March 24, 1989, the political landscape was permanently altered.

The day before, the supertanker *Exxon Valdez* sat at its berth loading its eleven cargo tanks with 1,264,155 barrels, or 53,094,510 gallons, of Alaskan crude. When the giant vessel, which was 987 feet long and 166 feet wide, finished loading its cargo, its keel sat five stories below the water line. At approximately 2035 hours on March 23, tugboats pulled the tanker off its berth, and the ship began its journey to Long Beach, California.

The tanker sailed through the Valdez Narrows, an established one-way vessel traffic scheme. When the ship cleared Potato Point, the bridge radioed the Coast Guard Center in Port Valdez announcing its new course of 219 degrees, indicating it was entering the Valdez Arm and Prince William Sound. On the bridge were Captain Joseph Hazelwood, 3rd Mate Gregory Cousins and Alaskan State Pilot Captain Edward Murphy.

During the spring, the Columbia Glacier shed huge icebergs that often found their way into the shipping lanes. The *Exxon Valdez* requested an "ice report" from the Coast Guard and was informed that an earlier ship, *ARCO Juneau*, had been diverted into the inbound lane due to ice flows in the area. The Coast Guard also asked to be kept apprised as the *Valdez* made its passage towards Naked Island, south of the glacier.

At approximately 2325 hours, the ship notified Port Valdez that State Pilot Murphy had disembarked and it was "hooking up to sea speed." Within five minutes the ship radioed the Coast Guard that there were too many

his ship had "fetched up hard aground and, apparently, we're leaking oil and will be here for awhile."

At Bligh Reef, which was named after the notorious Captain Bligh of the *HMS Bounty*, who had sailed Prince William Sound more than a century before, the *Exxon Valdez* lay creaking and groaning in the misty dark as oil gushed profusely out of its hull and into the pristine waters of the sound. The reef's sharp rocks had crumpled and ripped through eight of the ship's 11 cargo tanks and three of the seven segregated ballast tanks. Of the 53,094,510 gallons of crude being transported by the ship, it is estimated that 10,100,000 gallons spilled into the sound, killing everything in their path.

A Failure to Respond

When the emergency call went into the Alyeska Marine Terminal, Chuck O'Donnell, the top executive in Valdez, was asleep. He simply dispatched a subordinate and went back to bed. Additionally, the emergency response equipment supposed to be in a state of readiness lay either under the snow or in a drydock awaiting repair. When it

lated a "likely spill" would be in the 1,000 to 2,000-barrel range and that a catastrophic spill in the range of 200,000 barrels would happen only once in 241 years. Based on the Alaskan pipeline's projected lifespan of 30 years, Alyeska felt comfortable using the 2,000 barrel scenario in its contingency plan. In fact, in January of 1989, just two months before the *Valdez* spill, the tanker *Thompson Pass* had a 1,700-barrel spill due to a crack in its hull, which fit nicely into the "likely" range.

While Coast Guard, state and federal officials put the blame on Alyeska for its lack of emergency response preparedness, they were just as responsible because they had all previously approved the contingency plan. As the oil continued to wash up on the beaches, the cold water, winds, and currents turned the nearly foot-deep crude into an emulsified "chocolate mousse," which clogged vacuum skimmers and slowed the cleanup to a virtual crawl. By the end of the third day, only 50,000 gallons had been recovered.

As the oil spill flowed unimpeded throughout Prince William Sound, the authorities tried to set it on fire by throwing bags of napalm into the slick and igniting them, but the thick



An oiled white-winged scoter struggles on the beach at Green Island.

ice floes along the western shore and that the outbound lanes were too dangerous. The bridge requested a new course heading of 200 degrees and stated it was reducing its speed to 12 knots to wind its way through the ice. The Coast Guard confirmed all these actions.

Over the next five minutes the tanker went off course too far on the "port side" and was now heading 180 degrees due south. At approximately 2355 hours, the lookout advised the bridge that Bligh Reef's buoy light was off the starboard and not the port side as it should have been. The bridge changed course to 240 degrees, but it was too late and the vessel rammed the reef at 10 knots.

Captain Hazelwood, who had not been on the bridge, appeared immediately and took command. There is great dispute about his immediate actions, but during testimony it was said that he tried to move the tanker off the reef. However, at 0028 hours on March 24, 1989, Hazelwood radioed the Coast Guard that

finally was loaded onto a response vessel 12 hours later, it was discovered that it was the wrong equipment. Instead of barrier booms to contain the spill, crews had loaded emergency pumps to transfer the oil off the tanker into smaller vessels.

Precious hours were lost as the crew reloaded the barge. It would ultimately take 14 hours before the first vessel would arrive on the scene, and 35 hours before the first booms encircled the ship. Unlike an ocean spill, where the winds and currents can shift the direction of an offshore spill or break it into small patches which can minimize shoreline damage, the *Exxon Valdez* spill sat hemmed in by the beaches, islands and fjords, unable to escape, and it soon became a pool of death and destruction. What became evident in the overwhelming ecological disaster was Alyeska's inadequate and unorganized emergency response plan.

Alyeska had based its "1987 Spill Response Plan" on a consultant's study, which calcu-

"mousse" would not burn. In warmer climates, crude oil tends to break down very quickly because of chemical and bacterial actions, but in the frigid temperatures of Alaskan waters decomposition is inhibited. The authorities soon realized that they had a calamity on their hands; they were totally helpless in cleaning up the spill.

In the days following the accident, Exxon began using a chemical dispersant named Corexit, which was manufactured by one of its divisions. This detergent-type chemical is sprayed on an oil slick by low-flying aircraft and forms a chemical link between the molecules of water and oil. The dispersant breaks the oil into small patches or balls that drop several feet into the water and are literally dispersed. However, dispersants compound the toxicity of the water, which is already polluted with crude oil substances such as benzene, toluene and xylene. In short order, this toxic cocktail kills the phytoplankton, which is food for zooplankton, which is eaten by fish and

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other organisms that become food for marine birds and mammals and, eventually, the entire food chain becomes poisoned.

Within days of the spill, the winds increased to around 30 knots and began moving the oil towards Naked, Green and Montague Islands. During the next few weeks, the oil reached Barren and Chugach Islands, over 550 miles away, and eventually fouled 1,500 miles of shoreline. It also spread to five national wildlife refuges and three national parks. After four months, the Alaskan Department of Environmental Conservation estimated that teams gathering dead animals had only processed five percent of the oiled area. A fleet of small vessels brought in more than 500,000 birds from 90 different species, 4,500 sea otters, 14 killer whales and 300 bald eagles. However, biologists estimate that the number of dead animals was more likely three times the amount found, not including salmon, her- ring, clams and mussels.

Exxon's contract company, Veco, owned by Bill Allen, hired approximately 10,000 laborers at \$16.67 per hour plus room and board to wash down the beaches. Biologists and environmentalists protested that the boiling



concentration of wildlife, was now being polluted and poisoned by its careless caretakers.

Environmentalists and the media made certain that Americans understood that the devastation could have been prevented had there been adequate governmental oversight and a proper emergency response system.

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In 1986, Lawrence G. Rawl became Chairman of Exxon after 37 years with the company. Suspicious of the media, he strongly disliked journalists and acted accordingly. However, during the first week of the spill, he was simply following corporate counsel's



hot water sprayed by high-pressure hoses was simply washing the oil out of sight and in the process killing the microorganisms and sensitive marine ecosystem along the shores. Weeks after the beaches had been cleaned, inspectors found pools of oil under rocks and just a few inches below the sand.

This remote part of the nation, with its towering snow-capped mountains, rugged coastlines, dense forest and North America's richest

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A Crisis Management Fiasco

Many corporations have faced crisis management situations under the bright spotlight of the media, but few have come to exemplify failure as Exxon did in dealing with the Exxon Valdez spill. While images of thousands of dead animals, birds and fish, and of toxic oil pollution flowing throughout Prince William Sound were being beamed around the world, the company refused to communicate with the media for more than a week.

During the first days, the public outcry was pure outrage because the emergency response was nonexistent as the oil spread into a 12-square-mile slick. Then bad weather struck, making containment impossible, and still there was no official word from Exxon. To most Americans, Exxon appeared indifferent to the environmental disaster, and its perceived arrogance incensed them. When Frank Iarossi, the President of Exxon Shipping, did speak to the media in Valdez, he said, "The cleanup is not proceeding well. Believe me, that is an under-

advice to avoid the media for fear that going on record could prove to be a legal liability. Finally he did go on television, watched by millions of angry Americans across the nation, and was asked about the latest plans for the cleanup. Apparently he had not read them and coolly replied, "It is not the role of a chairman of a large worldwide corporation to read every technical plan." His arrogance was blatant, and Exxon's catastrophe was complete.

The Exxon Valdez is considered America's greatest environmental disaster, but on a list of the world's largest spills, the Alaskan spill only ranks thirtieth. In fact, in 1978 the Amoco Cadiz spilled 70 million gallons off the coast of France (an amount more than six times larger than the Exxon Valdez spill), and there have been 21 even larger tanker spills. When asked about the preparedness and response to the Exxon Valdez incident, Secretary of Transportation Samuel K. Skinner said on a scale of one to 10, the response was a "zero."

MarEx