United States House of Representatives
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Tony Hayward
Chief Executive, BP plc
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Chairman Stupak, Ranking Member Burgess, members of the Subcommittee. I am Tony Hayward, Chief Executive of BP plc.

The explosion and fire aboard the Deepwater Horizon and the resulting oil spill in the Gulf of Mexico never should have happened — and I am deeply sorry that they did. None of us yet knows why it happened. But whatever the cause, we at BP will do what we can to make certain that an incident like this does not happen again.

Since April 20, I have spent a great deal of my time in the Gulf Coast region and in the incident command center in Houston, and let there be no mistake – I understand how serious this situation is. This is a tragedy: people lost their lives; others were injured; and the Gulf Coast environment and communities are suffering. This is unacceptable, I understand that, and let me be very clear: I fully grasp the terrible reality of the situation.

When I learned that eleven men had lost their lives in the explosion and fire on the Deepwater Horizon, I was personally devastated. Three weeks ago, I attended a memorial service for those men, and it was a shattering moment. I want to offer my sincere condolences to their friends and families – I can only imagine their sorrow.

My sadness has only grown as the disaster continues. I want to speak directly to the people who live and work in the Gulf region: I know that this incident has profoundly impacted lives and caused turmoil, and I deeply regret that. Indeed, this is personal for us at BP. Many of our 23,000 U.S. employees live and work in the Gulf Coast region. For decades, the people of the Gulf Coast states have extended their hospitality to us and to the companies like Arco and Amoco that are now part of BP. We have always strived to be a good neighbor. We have worked to hire employees and contractors, and to buy many of our supplies, locally.

[1] The data described throughout this testimony is accurate to the best of my knowledge as of 7am, June 16, 2010, when this testimony was prepared. The information that we have continues to develop as our response to this incident continues.

I want to acknowledge the questions that you and the public are rightly asking. How could this happen? How damaging is the spill to the environment? Why is it taking so long to stop the flow of oil and gas into the Gulf?

And questions are being asked about energy policy more broadly: Can we as a society explore for oil and gas in safer and more reliable ways? What is the appropriate regulatory framework for the industry?

We don't yet have answers to all these important questions. But I hear the concerns, fears, frustrations – and anger – being voiced across the country. I understand it, and I know that these sentiments will continue until the leak is stopped, and until we prove through our actions that we will do the right thing. Our actions will mean more than words, and we know that, in the end, we will be judged by the quality of our response. Until this happens, no words will be satisfying.

Nonetheless, I am here today because I have a responsibility to the American people to do my best to explain what BP has done, is doing, and will do in the future to respond to this terrible incident. And while we can't undo these tragic events, I give you my word that we will do the right thing. We will not rest until the well is under control, and we will meet all our obligations to clean up the spill and address its environmental and economic impacts.

From the moment I learned of the explosion and fire, I committed the global resources of BP to the response efforts. To be sure, neither I nor the company is perfect. But we are unwavering in our commitment to fulfill all our responsibilities. We are a strong company, and nothing is being spared. We are going to do everything in our power to address fully the economic and environmental consequences of this spill and to ensure that we use the lessons learned from this incident to make energy exploration and production safer and more reliable for everyone.

A Coordinated Effort

We have been committed to responding to these tragic events and coordinating with the federal government from the beginning. On April 21, the Administration began holding meetings and regular calls with me and other members of BP's leadership to discuss BP's response effort, as well as federal oversight and support.

Even before the Deepwater Horizon sank on the morning of April 22, a Unified Command structure was established, as provided by federal regulations. Currently led by the National Incident Commander, Admiral Thad Allen, the Unified Command provides a structure for BP's work with the Coast Guard, the

Minerals Management Service and Transocean, among others. We are grateful for the leadership of President Obama, members of his cabinet, the state governors and local officials.

As the scope of the unfolding disaster became more apparent, we reached out to additional scientists and engineers from our partners and competitors in the energy industry, as well as engineering firms, academia, government and the military.

Among the resources that have been made available:

- Drilling and technical experts who are helping determine solutions to stopping the spill and mitigating its impact, including specialists in the areas of subsea wells, environmental science and emergency response;

- Technical advice on blowout preventers, dispersant application, well construction and containment options;

- Additional facilities to serve as staging areas for equipment and responders, more remotely operated vehicles (ROVs) for deep underwater work, barges, support vessels and additional aircraft, as well as training and working space for the Unified Command.

Working under the umbrella of the Unified Command, BP's team of operational and technical experts is coordinating with many federal, state, and local governmental entities and private sector organizations. These include the Departments of Interior, Homeland Security, Energy, and Defense, the National Oceanic and Atmospheric Administration (NOAA), US Fish & Wildlife Service (USFW), National Marine Fisheries Service (NMFS), EPA, OSHA, Gulf Coast state environmental and wildlife agencies, the Marine Spill Response Corporation (MSRC) (an oil spill response organization), as well as numerous state, city, parish and county agencies.

Some of the best minds and the deepest expertise are being brought to bear. With the possible exception of the space program in the 1960s, it is difficult to imagine the gathering of a larger, more technically proficient team in one place in peacetime. And including BP, industry and government resources, more than 27,000 personnel are now engaged in the response in various activities such as booming, skimming, surveying, clean-up operations, wildlife protection and rehabilitation and claims support. In addition, we are helping to train and organize the more than 19,000 citizen volunteers who have come forward to offer their services. The outpouring of support from government, industry, businesses and private citizens has truly been both humbling and inspiring.

What We Are Doing

Our efforts in response to this incident are focused on two critical goals:

- Successfully stopping the flow of oil; and
- Minimizing the environmental and economic impacts from the oil spill.

These are without a doubt complex and challenging tasks. While we have had to overcome hurdles, we are doing everything we can to respond as quickly and effectively as we can.

From the beginning, we have been committed to a transparent response. We know the public wants as much information as possible about this unprecedented event, and we continue to do our best to provide it so the public can understand the incident and its impacts.

Subsea efforts to secure the well

Our first priority is to stop the flow of oil and secure the well.

We are currently drilling two relief wells, which we believe represents the ultimate solution to stopping the flow of oil and gas from the well. The first relief well is currently at a depth of 15,226 feet, and the second relief well is currently at 9,778 feet.

Separately, the goal has been to minimize or stop the flow of oil and gas before the relief wells are completed. From the beginning, we have implemented a multifaceted strategy, featuring a range of technological approaches. Our efforts to stop the well from the seabed included a number of interventions to the failed BOP, and the 'top kill' procedure. We understand the public's frustration that these approaches did not stop the flow of oil. We, too, were disappointed.

Although we were not able to stop the well at the seabed, our efforts to contain the oil and gas have been more successful. While our first attempt with a Containment Dome was not successful due to gas hydrate formation, we learned lessons that have underpinned subsequent successes. Specifically, we first deployed a Riser Insertion Tube Tool that overcame these gas hydrate problems and captured more than 2,000 barrels per day for ten days. On June 3, we replaced this with the Lower Marine Riser Package Cap, which had increased our collection to about 15,000 barrels per day.

On Wednesday morning, we were in the early stages of increasing oil and gas collection through our next containment step, the Q4000 Direct Connect. It

utilizes much of the subsea 'top kill' equipment and takes oil directly from the failed BOP to the Q4000 on the surface. We expect to optimize collection over the next few days to levels well above what was previously accomplished.

It is important to keep in mind that these techniques have never before been attempted 5,000 feet under water. On the seabed, we have made unprecedented use of ROVs for a variety of tasks, including working on the BOP, positioning riser cutting devices and slings, connecting hoses, positioning containment devices and providing extensive surveying and monitoring. We cannot guarantee the outcome of these operations, but we are working around the clock with the best experts from government and industry.

We continue to do more to increase our operational flexibility and collection capability. This includes securing vessels with greater processing and storage capacity, adding shuttle tankers for transporting oil, procuring spares of critical equipment, installing permanent riser systems, and replacing the containment cap with a more secure system. We will not rest with our containment efforts until the well is permanently killed. I know it feels like this all takes a long time but we are compressing operations that normally take months into days.

In addition to these containment operations, and with the approval of the Unified Command and in conjunction with the EPA, we continue injecting dispersant subsea using ROVs. Dispersant acts by separating the oil into small droplets that can break down more easily through natural processes before they reach the surface. Use of dispersant subsea reduces the amount of oil traveling to the surface, which, in turn, reduces the amount of spray dispersant required at the surface. In addition, dispersant use at the source requires approximately one quarter of the amount of dispersant that would be necessary for use on the surface. Sonar testing and aerial photographs show encouraging results.

There has been a lot of discussion about the use of dispersants. On June 4, a federal panel of experts studying this issue recommended continued use of dispersants after analyzing potential risks and benefits for the environment. The dispersant we are using – Corexit – is on the National Contingency Plan Product Schedule, which is maintained by the EPA. We will continue to work closely with the EPA to try to identify alternative dispersants and to monitor the situation closely. We will only use dispersants in ways approved by the Unified Command, supported by the EPA and other relevant agencies.

Clean up Efforts

BP is a "responsible party" under the Oil Pollution Act. This means that federal law requires BP, as one of the working interest owners of Mississippi Canyon 252, to pay to clean up the spill and to compensate for the economic and

environmental impacts of the spill. Let me be clear: BP has accepted this responsibility and will fulfill this obligation. We have spent nearly $1.5 billion so far, and we will not stop until the job is done.

It is important to understand that this "responsible party" designation is distinct from an assessment of legal liability for the actions that led to the spill. Investigations into the causes of the incident are ongoing, and issues of liability will be sorted out separately when the facts are clear and all the evidence is available. The focus now is on ensuring that cleanup, and compensation for those harmed by the spill, are carried out as quickly as possible.

Our cleanup efforts are focused on two fronts: in the open water and at the shoreline.

• On the water

On the open water, more than 4,200 response vessels are in use, including skimmers, storage barges, tugs, and other vessels. The Hoss barge, the world's largest skimming vessel, has been onsite since April 25. In addition, there are 49 deepwater skimming vessels, which includes ten 210-foot MSRC Oil Responder Class Vessels, which each have the capacity to collect, separate, and store 4,000 barrels of oily water mix. To date, over 400,000 barrels of oily water mix have been recovered.

As part of our response efforts, over 2,000 "Vessels of Opportunity", independent vessel owners throughout the Gulf Coast are using their boats in a variety of oil recovery activities, including towing and deploying booms, supporting skimming and burn operations, finding and recovering tar balls and transporting general supplies and personnel.

Also on the open water, with the Coast Guard's approval, we are attacking the spill area with EPA-approved biodegradable dispersants, which are being applied from both planes and boats.

• Actions to protect the shoreline

Near the shoreline, we are implementing oil spill response contingency plans to protect sensitive areas. According to the Coast Guard, the result is the most massive shoreline protection effort ever mounted.

To support rapid response, we have made available a total of $175 million to Louisiana, Mississippi, Alabama, and Florida, as well as $70 million to assist these states in tourism promotion efforts.

To date, we have deployed over 2.5 million feet of containment boom and over 3.0 million feet of sorbent boom in an effort to contain the spill and protect the coastal shoreline. The Department of Defense is helping to airlift boom to wherever it is currently needed across the Gulf coast.

Highly mobile, shallow draft skimmers are also staged along the coast ready to attack the oil where it approaches the shoreline.

Wildlife clean-up stations have been mobilized, and pre-impact baseline assessment and beach clean-up has been completed in many locations, Shoreline cleanup assessment teams (SCAT) are being deployed to affected areas to assess the type and quantity of oiling, so the most effective cleaning strategies can be rapidly applied

Our largest single project commitment to date is to fund the $360 million cost of six berms in the Louisiana barrier islands project. On June 7, we announced that we will make an immediate payment of $60 million to the state of Louisiana to allow the state to begin work on the project immediately. BP will make five additional $60 million payments when the Coastal Protection and Restoration Authority of Louisiana certifies that the project has satisfied 20%, 40%, 60%, 80% and then 100% completion milestones. The entire $360 million will be funded by the completion of the project.

In addition, BP is committing up to $500 million to an open research program studying the impact of the Deepwater Horizon incident, and the associated response, on the marine and shoreline environment of the Gulf of Mexico. The program will investigate the impacts of the oil, dispersed oil, and dispersant on the ecosystems of the Gulf of Mexico and coastal States.

Communication, community outreach, & engaging volunteers

We are also working hard to keep the public and government officials around the country informed of what is happening. We are regularly briefing federal, state, and local officials, and we are holding town hall sessions to keep affected communities informed.

BP is also supporting volunteer efforts related to shoreline clean-up. We have partnered with existing volunteer organizations in each of the states to ensure efficient registration and deployment of volunteers to the areas where they can help most.

Untrained volunteers are not being used for any work involving contact or handling of oil, tar balls, or other hydrocarbon materials. This work is being carried out by trained personnel. In some cases, volunteers who receive more

intensive training on the safe handling of hazardous materials and vessel operation for laying boom can become contract employees (Qualified Community Responders).

There are twenty-five BP community-outreach sites engaging, training, and preparing volunteers in Alabama, Florida, Louisiana and Mississippi. A phone line has also been established for potential volunteers to register their interest in assisting the response effort.

Coping with economic impacts

We recognize that beyond the environmental impacts there are also economic impacts on many of the people who rely on the Gulf for their livelihood. BP will pay all necessary cleanup costs and all legitimate claims for other losses and damages caused by the spill.

The BP claims process is integral to our commitment to do the right thing. To date, BP has already paid out over $90 million on the more than 56,000 claims that have been submitted. While the initial focus has been on individuals, we are now moving funds on an expedited basis to business owners with nearly $16 million to be paid out this week to businesses alone.

To ensure the process is as fair and transparent as possible, an independent mediator will be appointed to provide an independent judgment in cases in which BP and a claimant are in disagreement. The mediator will be fully independent of BP, and claimants who disagree with the mediator's judgment will retain all rights under the Oil Pollution Act of 1990 either to seek reimbursement from the Oil Spill Liability Trust Fund or to file a claim in court.

Thirty-two walk-in claims offices are open in Alabama, Florida, Louisiana and Mississippi. Our call center is operating 24 hours a day, seven days a week. We also have in place an on-line claims filing system. Nearly 700 people are assigned to handle the claims, including almost 600 experienced claims adjusters working in the impacted communities. Claim forms can be filled out in English, Spanish or Vietnamese, and Spanish and Vietnamese translators are available in many offices.

We are striving to be efficient and fair and we look for guidance to the established laws, regulations and other information provided by the US Coast Guard, which oversees the process.

We will continue adding people, offices and resources as necessary.

Investigating what happened

The question we all want answered is "What caused this tragic accident"?

A full answer to this and other questions must await the outcome of multiple investigations now underway, including a joint investigation by the Departments of Homeland Security and Interior (Marine Board) and an internal investigation by BP itself.

Our internal investigation was launched on April 21, 2010 and is being conducted by BP's Head of Group Safety and Operations.

The investigation team's work thus far suggests that this accident was brought about by the apparent failure of a number of processes, systems and equipment. While the team's work is not done, it appears that there were multiple control mechanisms — procedures and equipment — in place that should have prevented this accident or reduced the impact of the spill. The investigation is focused on the following seven mechanisms:

1. The cement that seals the reservoir from the well;
2. The casing system, which seals the well bore;
3. The pressure tests to confirm the well is sealed;
4. The execution of procedures to detect and control hydrocarbons in the well, including the use of the blowout preventer (BOP) and the maintenance of that BOP;
5. The BOP Emergency Disconnect System, which can be activated by pushing a button at multiple locations on the rig;
6. The automatic closure of the BOP after its connection is lost with the rig; and;
7. Features in the BOP to allow ROVs to close the BOP and thereby seal the well at the seabed after a blowout.

I understand people want a simple answer about why this happened and who is to blame. The truth, however, is that this is a complex accident, caused by an unprecedented combination of failures. A number of companies are involved, including BP, and it is simply too early to understand the cause. There is still extensive work to do.

Lessons learned

There are events that occurred on April 20 that were not foreseen by me or BP, but which we need to address in the future as lessons learned from this terrible tragedy. With ongoing investigations into the incident and continuing efforts to secure the well, we are in the early stages of trying to learn from this incident.

But, as I see it, there are already lessons to be learned, and I wanted to share two of them with you today.

Lesson 1: Based on the events of April 20 and thereafter, we need to be better prepared for a subsea disaster. It is clear that our industry needs to significantly improve our ability to quickly address deep-sea accidents of this type and magnitude.

The industry has made significant strides in preparedness measures before, and we will do so again. Following the Exxon Valdez oil spill, the industry recognized the need to enhance its capacity to address oil spills. The result was the MSRC, an independent, nonprofit company which maintains a significant inventory of vessels, equipment and trained personnel, complemented by a large contractor work force. The work of MSRC and other contractors has been central to the surface spill response efforts in the Gulf.

But based on the events of April 20 and thereafter, it is clear that this is not enough. We now need to develop a similar capability for dealing with large undersea spills. We have no doubt that others in the industry will join us in efforts to develop this capability.

Lesson 2: Based on what happened on April 20, we now know we need better safety technology. We in the industry have long relied on the blowout preventer as the principal piece of safety equipment. Yet, on this occasion it apparently failed, with disastrous consequences. We must use this incident as a case study to avoid a similar failure in the future.

Since the April 20 explosion and fire, BP has been carefully evaluating the subsea blow-out preventers used in all our drilling operations worldwide, including the testing and maintenance procedures of the drilling contractors using the devices. We will participate in industry-wide efforts to improve the safety and reliability of subsea blowout preventers and deep water drilling practices. And we will work closely with other interested parties as we do so.

Conclusion

We understand the seriousness of the situation. We know the world is watching us. No one will forget the 11 men who lost their lives in the explosion on the Deepwater Horizon. We hear and understand the concerns, frustrations, and fears that have been and will continue to be voiced. I understand that only actions and results, and not mere words, ultimately can give you the confidence you seek. We will be, and deserve to be, judged by our response.

I give my pledge as leader of BP that we will not rest until we stop this well, mitigate the environmental impact of the spill and address economic claims in a responsible manner. No resource available to this company will be spared. We and the entire industry will learn from this terrible event and emerge from it stronger, smarter and safer.