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BP Spill Victims Face Economic Fallout Two Years Later

By Allen Johnson Jr., Laurel Calkins and Margaret Cronin Fisk - Feb 23, 2012

Louisiana oysterman Terrance M. Shelley was struggling to keep up with demand by New Orleans restaurants before [BP Plc \(BP/\)](#)'s Macondo well blew out in April 2010, crippling the processing plant he opened six months earlier.

"Demand was exploding" until then, said Shelley, 60, whose family has 18,000 acres of oyster reefs.

The state closed the reefs because of contamination from the [Gulf of Mexico](#) spill. Shelley's business dried up as customers and wholesalers shunned Gulf seafood.

Shelley is among thousands of coastal residents, business people and property owners who will be affected by a trial starting Feb. 27 in New Orleans federal court to determine who must compensate spill victims. The spill spewed more than 4.1 million barrels of crude over 87 days into the Gulf, whose \$3 billion fishing industry provides one-third of all seafood consumed in the U.S., the plaintiffs said in court papers.

At the peak of the disaster, in June 2010, 40 percent of Gulf waters were closed to commercial and recreational fishing, according to the [National Oceanic and Atmospheric Administration](#), or NOAA.

Gulf Coast seafood restaurants took the brunt of the disruption, which cut supply chains and chased away customers afraid of contamination. The blow fell hardest on [Louisiana](#), much of which a panel of judges said in 2010 was closest to the "geographic and psychological center of gravity" of the spill.

Oyster Market 'Destroyed'

"They destroyed the [labor force](#)," Shelley said in a Feb. 12 interview, referring to BP and other companies involved in the spill. "They destroyed the quality of the oysters, and they destroyed the market for Louisiana oysters."

With his year-round work force down to 14 from a pre-spill 35 and operating only two days a week, Shelley estimated his losses may reach \$20 million by 2017, the year his family's oyster leases are projected to recover fully.

BP, as the well's owner, is legally responsible for the damages under the law, which it acknowledged in court papers. The London-based company has sued its contractors claiming they share the blame and should share the costs.

The primary contractors include [Transocean Ltd. \(RIG\)](#), owner of the Deepwater Horizon drilling rig that exploded; [Halliburton Co. \(HAL\)](#), which provided well-completion services; and [Cameron International Corp. \(CAM\)](#), supplier of the rig's blowout-prevention equipment.

Tom Mueller, a spokesman for BP, said in an e-mail that the energy company has paid more than \$8 billion to individuals, businesses and governments and spent \$14 billion on "the operational response" to the spill.

Shoreline Cleanup

"Of the 635 miles of shoreline that required active clean up after the spill, only a few miles remain to be cleaned," he said. "We acknowledged our role in the accident, responded to the spill, and committed to pay all legitimate claims."

"The court has already affirmed that BP is responsible for the economic damages caused by the spill, including all of the compensation that is owed to individuals," [Brian Kennedy](#), a Transocean spokesman, said in an e-mail. A spokeswoman for Cameron International who refused to identify herself, declined to comment. Beverly Stafford, a spokeswoman for Houston-based Halliburton, declined to comment.

Darren Chifici, co-owner of two Deanie's Seafood restaurants in the [New Orleans](#) area, said his costs for some species have begun to level off after jumping sharply immediately after the spill.

Peeled Shrimp

Prices for peeled Louisiana shrimp shot up 50 percent and are still rising, he said, with the local delicacy remaining "in very short supply."

"The smaller shrimp are basically nonexistent," Chifici said. "The only thing I can attribute it to is the stock has been killed off, possibly by the [oil spill](#)."

Coastal fisheries have been battered by hurricanes and spring floods, and the oil spill is among the suspected causes for the shortfall of shrimp, said Ewell Smith, head of Louisiana's seafood marketing board, a quasi-state agency whose members are appointed by the governor.

"The Alaska herring industry took a hit after the [Exxon \(XOM\)](#) Valdez accident," Smith said of that 1989 oil spill. "Alaska shrimp is just starting to come back."

Shrimpers and consumers alike will get a better idea of the future of Louisiana shrimp when the season reopens this spring, he said. Demand is down for fresh oysters to make Thanksgiving Day stuffing, Chifici added.

"I don't sell nearly the amount of gallons of oysters that I used to," he said.

"No Way"

Geoff Morrell, a BP spokesman, asserted in an e-mail that shrimp "prices and supply continue to fall within historic ranges."

"No way," said Harlon Pearce, chairman of the Louisiana Seafood Promotion & Marketing Board, in response to Morrell's comment. Pearce, appointed by the governor, said he has been in the seafood retail business for 40 years. "Our fishermen are getting higher prices than they have gotten historically because of short supply since the spill," he said today in an interview.

In some cases, Louisiana shrimpers have to go almost to the Texas state line to catch shrimp that have historically been caught in the fishing community near the [Mississippi](#) River Delta, Pearce said.

"The volumes are down and the prices are definitely up" since the spill, he said. "Prices for peeled shrimp are 50 percent higher than what they were pre-spill and they are still climbing because of lack of supply."

He said once the shrimping season opens in April and May, "hopefully we will see prices start to come down."

Oyster Beds

Louisiana oyster beds were damaged by oil pollution and a diversion of fresh water aimed at pushing oil out of marshlands, Christine Patrick, a spokeswoman for NOAA, said yesterday in a phone interview.

About 40 percent of federal waters in the [Gulf of Mexico](#) were closed to fishing in July 2010, at the height of the spill, said Patrick, whose agency oversees fishing in waters from three to 200 miles offshore. The Gulf is now entirely open, she said.

“The commercial fishing industry is recovering,” BP’s Mueller said.

The U.S. [Food and Drug Administration](#) said last month that a study conducted by the agency, along with BP, the U.S. Environmental Protection Agency and other federal regulators, found the spill hadn’t impaired the safety of the gulf’s seafood. Researchers found oil pollutants “below the levels which would raise a health concern,” [Michael Taylor](#), FDA deputy commission, said in a report on the agency’s website.

Tourism

Tourism is the largest non-governmental sector of the Gulf Coast economy in Mississippi, where “significant portions” of the state’s 62-mile beachfront were closed for months in 2010 as the oil washed ashore, according to a Mississippi State University study.

Some resorts, hotels and casinos saw business plummet because of canceled conventions and beach vacations.

The tourists were partly replaced by cleanup workers, insurance adjusters, engineers and others responding to the disaster, according to casino attorney Michael F. Cavanaugh of Biloxi, Mississippi. He said that 4,000 to 6,000 relief workers helped cushion the blow.

A tourism industry study of the spill’s impact on the beaches of the [Florida](#) Panhandle reported “striking” cancellations among hotels, condos and seasonal rental homes immediately after the accident.

Rebounding Industry

The industry is rebounding, according to Jon Ervin, a spokesman for Visit South Walton, a tourism council authorized by Walton County to represent 15 beach neighborhoods with rental properties and tourist attractions in northwest Florida.

Sales are 50 percent higher than in comparable months last year, he said, crediting \$30 million in marketing money BP provided for Panhandle tourism.

Mueller, the BP spokesman, said the company “has committed \$179 million to the Gulf States for tourism promotion and another \$82 million for seafood testing and marketing.”

The New Orleans [Convention & Visitors Bureau](#) received \$5 million of \$15 million in tourism-marketing money BP gave Louisiana to counteract negative publicity from the spill, according to Kelly Schulz, a bureau spokeswoman.

The city advertised the fact the spill was 100 miles from its popular French Quarter. New Orleans tourism in 2010 had its best year since [Hurricane Katrina](#) devastated the area in 2005, Schultz said.

Marketing Counterpunch

The marketing counterpunch helped attract 8.3 million travelers in the latter half of 2010, Schulz said, helping to produce an estimated economic benefit of \$5.3 billion for the city that year.

In December, BP started a nationwide [TV campaign](#) designed to lure vacationers back to Gulf tourist destinations. They show clean beaches and people in the water.

That image rankles Cathy Norman, manager of 35,000 acres of beachfront and marshlands near Port Fourchon, Louisiana, she said. Norman is battling BP in court over the restoration of property marred first by oil and then by efforts to contain it.

BP rutted nine miles of fragile shoreline with earth-moving equipment and altered erosion patterns with sandbag dams and sheet-metal pilings intended to keep oil out of the marshes, according to papers Norman filed in court. The coastal ecosystem is both a marine-life nursery and critical physical barrier protecting Louisiana's "underbelly" from hurricane storm surges, according to court papers.

Oil-Soaked Sand

BP removed hundreds of thousands of cubic yards of oil-soaked sand from the property and never replaced it, hastening erosion that may weaken Louisiana's storm defenses, Norman said.

BP has stopped cleanup work on parts of the tract, which is held in trust for New Orleans and a variety of charitable causes, she said in court filings. Giant "tarballs" and [oil deposits](#) more than 100 feet long still wash ashore, she said.

Tropical Storm Lee in September uncovered buried oil deposits more than 18 inches thick, according to Norman's filing, which the company hasn't answered.

Norman said at one point she chased away a video-production unit BP brought to her property to film beach cleanup crews that the company sent just for the day.

“I wish I knew the figure they spent on those ads,” Norman said in an interview. “I imagine that would satisfy quite a few claims.” she said.

BP is “manipulating the system and the media, and doing what they can to declare this thing over,” she said.

BP’s Mueller declined to comment on Norman’s statements.

Death Claims

Some Transocean rig workers and their families haven’t yet settled injury and death claims resulting from the Deepwater Horizon explosion.

BP’s “make it right” campaign ads also offend Buddy Trahan, he said in an interview. Trahan, a Transocean regional supervisor who was visiting the rig on an executive tour at the time of the blowout, barely survived the blast, he said.

“I see those BP billboards everywhere I go,” Trahan said.

No one from BP has contacted him about the accident and he doubts they will, said Trahan. His employer kept paying his salary and apologized for his shattered knee and severe burns, he said.

Trahan sued BP in September 2010. The company hasn’t filed an answer after the case was put on hold. The lawsuit was folded into the litigation before U.S. District Judge [Carl Barbier](#) in next week’s trial. On Feb. 21 he asked that the case be sent to a state court for speedier processing.

“They saw me bleeding nearly to death, right in front of their eyes,” Trahan said in an interview, referring to two BP executives he met at the event and who evacuated the rig in the lifeboat with him.

No Attempt

“I’d like to see them again, look them in the eye and ask where are their hearts,” Trahan said. “It’s been nearly two years and they’ve made no attempt to help me. How can I forgive that?”

The amount of damage payments to individuals won’t be part of next week’s trial. Barbier’s rulings and allocation of blame for the disaster will determine who must answer to the victims.

He ruled yesterday that BP and [Anadarko Petroleum Corp. \(APC\)](#), which owned 25 percent of the Macondo well, are liable for [Clean Water Act](#) violations, allowing the U.S. to seek fines of as much as \$1,100 per barrel of oil spilled.

BP and The Woodlands, Texas-based Anadarko are responsible by law for polluting the water because they owned the well, the judge said. The ruling allows the government to seek fines without having to prove the issue of liability at trial.

Clean Water Act

Vernier, Switzerland-based Transocean can't be held liable for Clean Water Act violations yet, Barbier wrote in the ruling. The issue must be determined at trial, he said.

"With businesses that were harmed by the spill, the people who are just out money -- they can be made whole," said Lance Lubel, Trahan's lawyer. "With the injury and death cases, money may be all there is to make it right, but it is a poor substitute because those people will never be put back together again."

The case is In Re: Oil Spill by the Oil Rig Deepwater Horizon in the Gulf of Mexico on April 20, 2010, 2:10-md-02179, U.S. District Court, Eastern District of Louisiana (New Orleans).

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