

U.S. Coast Guard Blasts Transocean for Serious Safety Violations in Gulf Spill

Friday, April 29, 2011

Originally published on GLG Research website on April 29, 2011.

- **Analysis by: Roger Marzulla**
- **Analysis of: Coast Guard Report Says Transocean Safety Flaws Contributed to Explosion | www.nationaljournal.com**
- **Source: www.glggroup.com Summary:**

The U.S. Coast Guard has issued a scathing report blasting Transocean for, among other things, “serious safety management system failures” and a “poor safety culture.” The report, which is the end result of a joint accident investigation by the Coast Guard and the Bureau of Ocean Energy Management, Regulation and Enforcement, also found that certain RIG personnel decisions, including the failure to properly notify crew members about the burgeoning emergency, exacerbated the situation.

Analysis:

Last week we saw BP, p.l.c. unleash a blockbuster lawsuit in federal district court in New Orleans, seeking an estimated \$80 billion in damages against Transocean Ltd., the owner and operator of the ill-fated Deepwater Horizon rig, Cameron International Corporation, the manufacturer of the failed blowout preventer, and Halliburton, the contractor that injected the concrete plug that failed to hold back the blowout. The suit alleges gross negligence on the part of Transocean and Cameron, and fraud and concealment by Halliburton. This suit made abundantly clear that BP has no intention of solely bearing the estimated \$40 billion cost of what many now refer to as the greatest environmental disaster in U.S. history.

So, BP’s cheer could be heard clear across the ocean when, on April 22, 2011, the United States Coast Guard issued a scathing 288-page report blasting Transocean for, among other things, “serious safety management system failures” and a “poor safety culture.” The report, which is the end result of a joint accident investigation by the Coast Guard and the Bureau of Ocean Energy Management, Regulation and Enforcement, also found that certain rig personnel decisions, including the failure to properly notify crew members about the burgeoning emergency, “may have affected the explosions or their impact.”

BP is certainly thrilled by the Coast Guard’s findings, which bolster the petroleum giant’s claims of “gross negligence and willful misconduct” on the part of Transocean. Transocean, however, cannot afford to be found grossly negligent in the BP lawsuit, for such a ruling would not only eliminate the \$75 million cap on Transocean’s Oil Pollution Act liability, but would also increase Transocean’s potential Clean Water Act maximum penalties from \$1,100 to \$4,300 per barrel of oil released into the Gulf—not to mention the elimination of many indemnification rights in the BP/Transocean contract.

The Coast Guard report itself may not be admissible in that case, but the evidence it contains almost certainly will make its way into the litigation.