BP Suspended From New U.S. Gov't Contracts

Josh Lederman, Associated Press

WASHINGTON (AP) — The Obama administration put a temporary stop to new federal contracts with British oil company BP on Wednesday, citing the company's "lack of business integrity" and criminal proceedings stemming from the Deepwater Horizon disaster in 2010.

The action by the Environmental Protection Agency bars BP and its affiliates from new government contracts for an indefinite period, but won't affect existing contracts.

In a further blow to the company, BP will be disqualified from winning new leases to drill for oil or gas on taxpayer-owned land until the suspension is lifted. The federal government planned a sale Wednesday of more than 20 million acres of offshore land in the Gulf of Mexico. BP was not eligible for that sale, the Interior Department said. An EPA official said BP was not informed about the suspension until Wednesday morning.

In London, BP sought to minimize the effects of the suspension, and said it has been informed by EPA that an agreement to resolve the dispute is in the works. Highlighting its investments in the U.S. economy, BP said it employs 23,000 American workers and has invested more in the U.S. than any other oil and gas company.

"The company has made significant enhancements since the accident," BP said in a statement, noting its efforts to adopt new drilling standards and to reorganize its operations in response to the spill.

The EPA said the suspension was standard practice when a criminal case raises responsibility questions about a company. The suspension came the same day two BP rig supervisors and a former executive were scheduled to be arraigned on criminal charges stemming from the deadly explosion and the company's response to the resulting oil spill in the Gulf of Mexico.

"EPA is taking this action due to BP's lack of business integrity as demonstrated by the company's conduct with regard to the Deepwater Horizon blowout, explosion, oil spill, and response," the agency said in a statement.

BP announced earlier this month that it will plead guilty to manslaughter, obstruction of Congress and other charges and will pay a record $4.5 billion in penalties to resolve a Justice Department investigation of the disaster. Attorneys and a federal judge will meet in December to discuss a plea date.

"When someone recklessly crashes a car, their license and keys are taken away," said Rep. Ed Markey, the top Democrat on the House Natural Resources Committee

and a frequent critic of BP. "The wreckage of BP's recklessness is still sitting at the bottom of the ocean," the Massachusetts Democrat said, "and this kind of time out is an appropriate element of the suite of criminal, civil and economic punishments that BP should pay for their disaster."

The suspension marked yet another obstacle for a company that has struggled to revive its tarnished image in the U.S. and abroad after the 2010 explosion that killed 11 workers and led to the largest oil spill in U.S. history.

BP has been a major supplier of energy to the U.S. military, and in 2012 sold more than $1 billion of mostly fuel products to the Defense Department and other U.S. agencies, including the General Services Administration and the Labor Department. Christine Tiscareno, an analyst at with S&P Capital IQ in London, said being ineligible for new contracts won't dramatically affect the company because BP signed a round of contracts in February that won't be affected.

The much greater impact, analysts said, will be if the suspension drags on and BP misses out on leasing new public lands to drill.

"How big this is depends on how long it lasts," said Phil Weiss, an analyst at Argus Research. "It's a negative that they can't participate in (today's sale), but it's not a big concern. If it happens two times, or three times, or ten times, it's a much bigger concern."

An EPA official said Wednesday that the plea agreement includes a provision for how BP can satisfy the concerns that stand in the way of the suspension being lifted. That order, if the court accepts it during sentencing, would give BP 60 days to address the conditions that led to violations. If the government approves the plan, it becomes part of BP's criminal probation.

But the suspension could still remain in effect while civil claims against BP move forward, said the EPA official, who spoke on condition of anonymity to discuss terms of the agreement. In addition to the criminal proceedings, BP faces huge civil claims covering the billions of dollars in civil penalties the U.S. government and the Gulf states are seeking from it because of environmental damage.

A trial in the civil case is scheduled for early next year. Attorney General Eric Holder and the states have vowed to press their case and BP has vowed to fight it. However, negotiations have been under way in an effort to reach a settlement. At the time of the criminal settlement, Holder said the government intended to show in the upcoming civil case that BP was grossly negligent in causing the spill.

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