

STATEMENT OF SENATOR JOHN MCCAIN, RANKING MEMBER

**SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICES AND
INTERNATIONAL SECURITY**

**COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS**

“The Gulf of Mexico Oil Spill: Ensuring a Financially Responsible Recovery”

June 16, 2010

Senator Carper, thank you for holding this hearing today. We are all outraged and saddened by the Deepwater Horizon rig explosion that killed 11 people and spewed millions of gallons of oil into the Gulf of Mexico. This tragic event has led to the worst environmental disaster in U.S. history. We are now at day 58, and oil continues to leak from the well that has yet to be fully contained.

This catastrophe is wreaking havoc not only on marine life and the environment, but it is also causing tremendous economic damage to residents and businesses in the Gulf States. Despite the devastating losses and damage already suffered, the full impact of this disaster is yet to be realized. It will be some time before the entirety of the damage – economic, environmental and other – can be assessed.

As of June 14th, BP estimated that the cost of the oil spill had reached \$1.6 billion, including the cost of the spill response, containment, relief well drilling, grants to Gulf states, claims paid, and federal costs. The company’s CEO, Tony Hayward, has publicly assured the federal government and the American people that BP will fully meet its obligations from the spill and pay all legitimate claims, even if aggregate claims exceed the \$75 million legal liability limit.

Despite the federal government's lackluster response at the outset of the oil spill, it has incurred substantial costs in recovery and response operations. Since the Deepwater Horizon explosion, the federal government has sent two invoices totaling nearly \$71 million for reimbursement to responsible parties. Another invoice of approximately \$50 million is expected to be issued imminently.

This horrific disaster should provide many lessons for the Administration and Congress, including a reminder that the Jones Act should be repealed. Within a week of the explosion, 13 countries, including several European nations, offered assistance from vessels and crews with experience in removing oil spill debris. However, the Jones Act, a protectionist law passed in the 1920s, prevents foreign-flagged vessels from operating and transporting merchandise between points abroad and the United States. The Administration may grant a waiver to any vessel, just as the previous Administration did during Hurricane Katrina, so the international community could assist in recovery efforts, but has not done so.

There are other concerns associated with the Administration's response. For example, U.S. Attorney General Eric Holder also made an unprecedented announcement two weeks ago that the Department of Justice has opened criminal and civil investigations on the Gulf of Mexico oil spill. However, if a civil settlement results from the investigations, the settlement charges may receive favorable tax treatment depending on how the settlement is drafted. Effectively, the federal government and the American taxpayers could indirectly pick up a portion of the tab for the responsible parties' mess. Absolutely unacceptable.

Mr. Chairman, BP failed to prevent this catastrophic disaster from occurring while the Minerals Management Service failed to exercise robust enforcement of safety standards. We cannot allow the costs of their failures to be placed on the backs of American taxpayers. I look forward to hearing from our witnesses today on how we can ensure a financially responsible recovery.