STATEMENT OF SENATOR JOHN MCCAIN, RANKING MEMBER

SUBOCMMITTEE 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 Part II"

July 22, 2010

Senator Carper, thank you for holding a second hearing on the financial impact of the Gulf oil spill. The effects of the Deepwater Horizon oil rig explosion have been devastating, and the ensuing oil spill has wreaked havoc on the lives of millions of Americans.

Fortunately, progress has been made since our first oil spill hearing in June. Just last week, Gulf Coast residents and businesses were given a glimmer of hope when an experimental cap appeared to stop the flow of oil. If the cap can prevent more spillage until a permanent relief well is completed next month, we may be able to focus 100 percent of our resources to the cleanup and restoration of the Gulf Coast.

BP has publicly stated that it will pay for all claims related to the spill, but the question remains whether the $20 billion escrow fund will be enough. As of yesterday, BP has paid out $226 million in claims to residents and businesses along the Gulf Coast. Additionally, it has reimbursed the federal government $122.3 million and will pay another $99.7 million shortly. To date, BP's total costs for the oil spill have reached over $4 billion. Some analysts estimate that the total costs of this environmental disaster could reach as high as $60 billion.

The federal government has also designated Anadarko and MOEX, financial partners in the blown-out well with BP, as responsible parties obligated to pay response and recovery costs and related claims. Despite receiving joint interest bills from BP for their share of the oil spill costs, Anadarko and MOEX have yet to contribute financially. Anadarko's June 18, 2010 press release states "*BP's behavior and actions likely represent gross negligence or willful misconduct and thus affect the obligations of the parties under the operating agreement.*" Meanwhile, MOEX also deferred payment to BP until its own independent review of the incident is complete.

The reluctance of these two parties to proactively take financial responsibility gives me significant pause. While they may have legitimate claims against BP, they are still financially liable under federal law for cleanup costs and damages. Whatever the outcome of Anadarko and MOEX's dispute with BP, I would like assurances from each of the CEOs present today that the American taxpayer will not be left with the responsibility of paying for cleanup costs and damages related to this disastrous incident.

I also look forward to hearing from Kenneth Feinberg, who was appointed to oversee the $20 billion escrow fund, on how he plans to execute a seamless transition from the existing BP claims process to the one set up at his Gulf Coast Claims Facility. Also, I am interested in how he plans to address many of the challenges faced by BP, including payment policy, communications with claimants, public outreach, and data transparency.

Mr. Chairman, thank you again. I look forward to hearing from our witnesses today on how we can ensure a financially responsible recovery.