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# RSIS COMMENTARIES

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## **Beyond Petroleum: Limits of Risk Management**

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*The cost of the BP oil leak in the Gulf of Mexico has now surpassed the US\$3bn mark. That may prove to be a drop in the ocean compared to what will come if governments, businesses and civil-society groups the world over fail to learn one of its key lessons.*

### **Paper Plans**

ACCORDING TO BP, the cost of containing, cleaning up after, correcting and compensating for, the Deepwater Horizon oil platform explosion in April had – by early July – exceeded US\$3bn, with almost 45,000 people working on the response.

Various interested parties and activists have used this episode to make impassioned assertions about what it is held to suggest about contemporary society – a supposed addiction to oil, human hubris with respect to the environment, and so on. But one of the more salutary lessons revealed through the US House of Representatives subcommittee hearings into the spill appears to have made little impact in policy circles thus far. After all, how could a company the size of BP have failed to plan for such an emergency? The answer is that they did. But there is an enormous gulf between planning and effective action. It is a gulf that is growing in society today, and one that policymakers everywhere ought to pay particular attention to.

The Subcommittee on Energy and Environment grilled the chief executives – not just of BP, but of the five largest oil companies – about their drilling safety and regulatory standards and procedures in the wake of the Gulf of Mexico disaster. What they inadvertently exposed was how many risk management documents today – along with impact analyses, mission statements, codes of practice, and values statements – are just that, documents. They bear little relation to the capabilities and actualities of how companies would respond to a real problem.

To be fair to BP and the other oil companies, this is not a problem restricted to their industry, or even to large corporations in general. The gulf between compliance and capability affects businesses and governments everywhere. Risk management has become a ritual – undertaken in order ‘*to be seen*’ to be concerned about possible problems – rather than with a view to building up real capacity for dealing with them.

### **Withdrawal Not an Option**

The demand emanating from certain quarters -- that society should refrain from dangerous ventures lest they lead to unexpected problems – is often phrased in the apparently reasonable language of the need for precaution. But it is one that actually precludes the possibility of learning and developing new tools to deal with the unexpected. As most people recognise, it is only through making mistakes that we ever learn our limitations and are able to move forwards. Risk management itself then – when taken too far – is in danger of precluding this very possibility of learning and thereby advancing our capacities and capabilities.

While some may view deep sea drilling as a step too far for society, they should note that it also displays remarkable human ingenuity. Whatever the lessons learnt from this particular episode – more effective safety valves, technology for skimming the ocean etc... – these will be of benefit to the industry, other industries, and society for some time to come – until the next unexpected emergency impacts upon us.

In the meantime however, we could all do with learning one of this incident’s fundamental lessons, and examining to what extent policies are just statements of intent rather than genuine assessments of capability. What is quite clear from the BP case is that such documents are produced in an increasingly perfunctory and ritual manner. They are rarely, if ever, inspected or put to the test – a test, the real response to which could only come from taking actual risks and handling genuine problems on a regular basis – not by avoiding them.

### **Policy as Performance**

There is of course, little inherently wrong with planning for the worst and modeling possible outcomes. A cursory look across the policy arena today reveals many government departments – as well as companies – doing just that.

But the danger – revealed through this episode – is the possibility of a performative, ritual aspect to this approach. BP – along with three of the other large oil companies – had included a declaration to protect walruses in their emergency-response plans. This, no doubt, was included specifically to assuage and pander to the concerns of environmentalists, despite the fact that walruses – along with seals and sea-lions that were also mentioned – do not inhabit the Gulf of Mexico.

This should not be seen as a form of dishonesty on the part of BP, but rather as a by-product of a culture that prioritises risk management over learning lessons through taking risks, and that fetishises the production of documents over the delivery of material goods and benefits. Of course, if BP had focused on delivering its core product, rather than self-consciously re-branding itself ‘Beyond Petroleum’ in 2001, then it may have had rather more engineers than marketing experts to hand to deal with the problem.

### **Lessons for Policy-Making**

All government agencies and businesses today will recognise the danger of image increasingly dominating over insight. Style appears to trump substance at every turn. Generals and armies too have fallen when they invested more in media management than getting on with the job and delivering.

Public life more broadly is in danger of being turned into a series of empty rituals as documents outlining the need for ‘*transparency*’, ‘*best-practice*’, ‘*dialogue*’, and an assorted range of other fashionable phrases and buzz-words, appear from every quarter -- often encouraged by civil society groups that demand a lot from others but deliver little of their own.

The real lesson from this disaster is one which not just large corporations, but governments and civil society groups the world over would do well to learn: It is actual, operational action in the real world that teaches us how to deal with emergencies, while models, plans and procedures can often become a way to hide behind the failure to really deliver.

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