

## Earnings report caps off week of mixed news for Chevron



Part of Chevron's expansive Richmond refinery. (Photo by Rachel Waldholz)

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The announcement this week of the approximately \$11 million in losses Chevron has sustained in fines and claims related to the August 6 Richmond refinery fire was dwarfed by Friday's announcement

of its fourth-quarter earnings. Although Chevron's total earning for the entire year fell by three percent in 2012, the corporation brought in \$7.2 billion in the final three months of the year, a 41 percent increase from the same period of the previous year.

News of its earnings ended a mixed week for the oil giant locally.

On Monday, a letter sent by Steve Wildman, the process safety management and operational manager at Chevron's Richmond refinery, to the county's health services department showed that as of January 21, Chevron had paid approximately \$10 million in compensation for claims stemming from the refinery fire last August. The letter, which was accompanied by a 30-day report updating the county on Chevron's own investigation of the fire, said that the money went to pay hospitals, compensate people with what the letter called "valid claims" among the 23,900 filed, and for governmental agencies in Richmond and West Contra Costa County.

"[Chevron] had previously stated that, since its investigation was ongoing, we were unable to identify or summarize all measures to prevent recurrence," Wildman wrote. "This update provides that, while the investigation is still not complete, the refinery has begun to develop and implement the following corrective actions based on preliminary observations from the investigation team." Those actions include: inspecting piping that is susceptible to high-temperature sulfidation corrosion, improving safety procedures and reviewing policies to make

sure the necessary information “is considered when evaluating leaks and addressing whether to shut down or continue operation of equipment.”

The letter also acknowledged that Chevron refinery is still undergoing an investigation, which is being performed by the U.S. Chemical Safety Board and other governmental agencies. The U.S. Chemical Safety Board is expected to release the findings from their investigation sometime in February.

On Wednesday, the state’s Division of Occupational Safety & Health (Cal/OSHA) cited Chevron for 25 violations relating to the August 6 fire, with penalties totaling close to \$1 million. Twenty-three of the violations were handed out “due to the realistic possibility of worker injuries and deaths in the fire.”

For example, Cal/OSHA’s report said Chevron violated rules by allowing “workers to enter hazardous incident zones without proper personal protective equipment,” and that the company “did not implement its own emergency procedures to shut down the Crude Unit where the leak occurred, and exposed workers to harm by directing them to remove insulation.”

According to Cal/OSHA Chief Ellen Widess, the penalty was the highest allowed under state law, and it was also the highest penalty in Cal/OHSA’s history.

Of the violations handed out by Cal/OSHA, eleven were categorized as “willful” because the agency’s investigation found that Chevron “did not take reasonable actions to eliminate refinery conditions it knew posed hazards to employees, and because it intentionally and knowingly failed to comply with state and safety standards.”

Sean Comey, a Chevron spokesperson, wrote in an email that Chevron does not agree with Cal/OHSA’s decision.

“Chevron takes our commitment to safe operations seriously. Although we acknowledge that we failed to live up to our own expectations in this incident, we do not agree with several of the Cal/OSHA findings and its characterization of some of the alleged violations as ‘willful.’ Chevron intends to appeal,” he wrote.

Chevron has 15 working days from the receipt of the citation to appeal Cal/OSHA’s decision.

The week ended with Friday’s announcement of Chevron’s net income report. Chevron’s \$26.2 billion in earnings for 2012 dwarfed the \$11 million the company will lose in fines and health claims relating to the fire.

In the release announcing the earnings, Chevron's chairman and CEO John Watson stated he was happy with his company's performance. "Chevron delivered another very strong year in 2012," he wrote. "Strong cash flows allowed us to invest aggressively in our major capital projects and to acquire several important, new resource opportunities."

But the release acknowledged that the refinery fire had a direct affect on Chevron's crude oil production in last year's fourth quarter; the August fire was cited as the primary reason for Chevron's decrease in oil production by 61,000 barrels of oil a day.

As news about Chevron rolled out throughout the week, city officials continued to debate what must be done in response to the fire.

On Tuesday, in her State of the City address, Mayor Gayle McLaughlin addressed "the horrendous experience" of the August refinery fire. "We remain very concerned about the health and safety risk that this major refinery poses to our residents and to the greater Bay Area," McLaughlin said. "We are also very concerned that Chevron be held totally accountable for the damage they have imparted on us, which includes the health impact, the impact to land and property and the impact to our city's image."

McLaughlin continued, "Chevron has imparted a great harm to our community by way of their pollution, their accidents, and frankly their impact on our elections and democracy, for decades."

In response to the comments from the mayor, Councilmember Nat Bates sent out a statement that was quoted in the West County Times. Bates wrote of the mayor's speech: "While she blamed Chevron for the fire and their involvement in the political election process, she failed to mention the many contributions Chevron provides to the city and community at large. The fire was an accident that occurred and we need to move past that point and make sure the plant is reconstructed with the best technology and safety features possible to prevent it from ever happening again."

For Andres Soto, a community organizer for Communities for a Better Environment, the news of citations and fines levied by Cal/OSHA validated "what community organizations and labor have been saying about Chevron, that despite their rhetoric about safety, it is running their refinery to the point of failure."

Soto continued, "Even in the maximum amount of fines under the law, a million dollars is not enough of a deterrent to change their behavior."