The greening of black gold: towards international environmental alignment in the petroleum industry
van de Wateringen, S.L.

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British Petroleum: Imbalanced Alignment and International Mergers

The history of British Petroleum (BP) starts in 1905, with concessions to explore for oil in Persia. During the oil crisis of the 1970s and the nationalisation of BP's assets, BP's hydrocarbons under the North Sea and under the permafrost in Atlanta turned out to be crucial to its survival. This dependence on specific fields meant that BP diversified into nutrition and minerals in the 1970s. By the end of the 1980s, BP had refocused on hydrocarbons. In the meantime, the company had changed from a state into a public company; the government sold its remaining 31.5% of shares in October 1987. As a result, BP's number of shareholders doubled to around 600,000. In 1989, a campaign was launched to introduce a stronger corporate identity, featuring a restyled BP shield with an emphasis on the colour green.

In the period 1990-2002, BP internationalised into the former Soviet Union, again restyled its brand logo, and took a position in the climate change debate. Furthermore, BP merged with two American companies. In August 1998, BP announced its intention to merge with Amoco, previously known as the Standard Oil Company of Indiana (see Box 9A). According to BP, it was the world's largest industrial merger ever.

**Box 9A. BP's merging partners: Amoco**

Amoco was formed by John D. Rockefeller in 1889 and was independent from the Standard Oil Trust from 1911 onwards. The advent of the automobile stimulated its growth: Amoco sold kerosene and gasoline; in 1911, as much as 88% of the sales of the MidWest. Global expansion started in 1948, with an exploration office in Canada. Refining capacity was doubled in the 1940s and 1950s, and the system was modernised during the 1970s and 1980s. In the late 1980s and early 1990s, exploration activity was intensified and Amoco grew to become a global petroleum and chemicals enterprise with operations in more than 30 countries. Amoco claimed to be the first company to introduce lead-free gasoline and has been investing in solar technology for over 20 years; it claimed to be a leader in the reduction of emissions. This enhanced Amoco's attractiveness as a partner for newly opened areas such as the Caspian Sea and Russia (BP website, 2003).

Subsequently, in 2000, BP acquired ARCO (see Box 9B). By 2002, BP employed more than 100,000 people and operated in more than 100 countries (BP, 2002:1). It is one of the most internationalised companies in the sample, but has not experienced an environ-

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97 In 1970, BP discovered the first major commercial find in the UK sector (the Forties field); earlier, in 1969, it had made a major oil discovery in Prudhoe Bay on Alaska's North Slope. To handle the BP owned part of the biggest oilfield in the USA, the company signed an agreement with the American Standard Oil of Ohio. In return, BP acquired 25% of Standards equity, a share that would rise to a majority holding in 1978 (BP website, 2003). At its peak, the Forties field produced the equivalent of one quarter of the UK's daily oil requirement (half a million barrels a day) (BP website, 2003).

98 Other major events in 1987 were the purchase of Britoil (the UK-based oil E&P company) and the formation of BP America (a combination of the acquisition of the remaining shares of Standard Oil of Ohio and BP's existing operations).
mental incident comparable to Shell’s Brent Spar. However, the company did profile itself extensively as an environmental leader. The question is how and why this strategy was chosen, and how and whether it was embedded in the organisational structure of the company.

**Box 9B. BP’s merging partners: ARCO**

In 2000, BP Amoco merged with Atlantic Richfield Company, founded on 1 July 1866. Starting as a shipping and storage company in Pennsylvania, the company acquired a fleet of oil tankers, built a network of pipelines and established a system of service stations throughout the Eastern part of the US. On 3 January 1966, Atlantic Refining merged with Richfield Oil Corporation (founded in 1905), which provided the new Atlantic Richfield Company with Alaskan leases and an exploration programme in Prudhoe Bay, Alaska where they struck oil in 1968 (together with partner Exxon): the biggest oil strike in the Western Hemisphere ever. As a consequence, ARCO expanded its refining and marketing capacity on the West Coast. In the 1970s, the company moved its headquarters to the West Coast. In 1990, ARCO was the first oil company to market a clean-burning reformulated (premium) gasoline: In June 1996, California mandated state wide use of a version of ARCO’s EC-X formulation as CARB Phase II gasoline.

By the end of the 1990s, ARCO’s focus is on the Western part of the US; its four core production areas are Venezuela, the North Sea, Indonesia and Alaska. Its coal assets and the majority interest in the ARCO chemical company were sold and divested with the acquisition in 1998 (BP website, 2003). Regional opposition on the distribution of its Alaskan assets (the combined group would own 75% of Alaska’s petroleum industry; control 70% of the production on the North Slope; 72% of the Trans Alaska pipeline) (Corzine and Suzman, 1999) was solved with ARCO divesting assets to Phillips.

**9.1 Strategy and structure**

Over the years, BP has been the absolute top scorer (81.3%) for degree of internationalisation while Amoco and ARCO were both low internationalisers; they did not participate in the sector trend to internationalise. However, according to Buchan (2002), BP was not geographically diversified until it merged. Until then, it had relied mainly on the North Sea and Alaska. Output was raised by acquisitions of Britoil and Sohio in the US, but diversity was brought by the purchases of Amoco, ARCO and Burmah Castrol. Another significant characteristic of BP is its particularly low vertical integration (23%) for 2002. According to BP, the decade is characterised by deregulation, fragmentation at the operating level, volatile prices and margins, and increasingly open and competitive markets, while consolidation swept through the industry with many high profile mergers and acquisitions (BP website, March 2003). As a result, BP’s tone had changed by 2002 (2002:1): [We] “face a time of uncertainty, tensions in international relations, reduced stock market prices, unpredictable economic outlook. Public expectations of the behaviour of corporations grow ever stronger.” While the company’s strategy is primarily focused on upstream, the company missed its E&P production target (2.9% versus 5.5%). Further, it was reorganising its portfolio of plants. An overview of BP’s strategic focus for its different divisions is shown in Table 9-1.
Table 9-1 BP: divisions and focus 1990-2002

<table>
<thead>
<tr>
<th>Upstream</th>
<th>Downstream</th>
<th>Chemicals</th>
<th>Gas, Power, Renewables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target at technical frontier</td>
<td>To continue building the brand</td>
<td>Focus on three areas: petrochemicals and polymers; acetyl and nitriles; and specialty products. Complemented by an increasing investment in South East Asia</td>
<td></td>
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<tr>
<td>regions &amp; continue to expand gas business worldwide; claims for leadership: horizontal drilling and hydraulic fracturing; remote sensing and specific screening system to target expensive drilling more accurately.</td>
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<tr>
<td>1990</td>
<td></td>
<td>Focus on Asia; aim to continue the European competitive position, while for chemicals, margins were &quot;excellent&quot;</td>
<td></td>
</tr>
<tr>
<td>Development and application of new technology (drilling with precision, extract greater volumes and in deep water)</td>
<td>To build on an upgraded refinery portfolio. In the previous year, margins dropped by 21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td>Focus on seven core products for which BP has leading technologies and market positions</td>
<td></td>
</tr>
<tr>
<td>New profit centres:</td>
<td></td>
<td>Renamed 'Gas and Power'; after transfer of 'Renewables &amp; Alternative Fuels'</td>
<td></td>
</tr>
<tr>
<td>1. Gulf of Mexico</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Trinidad</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3. Angola</td>
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<td></td>
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<tr>
<td>4. Azerbaijan</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5. Asia Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Russia</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual reports.

In the meantime, BP consequently drew attention to its aim of being a leader and to the importance of reputation. In 1990, BP formulated its aim to make BP the most successful oil company of the 1990s and beyond. Success in achieving this vision would be measured by performance results, but also by the intention: "to be the company the best people want to join, suppliers want to do business with, highly regarded by communities in which BP operates" (BP, 1990:2). In 1995, BP repeated this statement on the importance of relationships: "Our reputation as a good partner in the countries in which we operate is crucial" (BP, 1995a:12), and targeted the continuous development of its organisation and management processes (BP, 1995a). In 1998, Browne again restated BP's aspirations: "We want to be number one or two in everything we do" (Corzine, 1998b).

In its organisational structure, BP can be characterised as decentralised. Both Amoco and ARCO were more centralised in organisational structure. In combination, this led to a decentralisation pattern after the mergers. In the period 1990-2002, BP slimmed its corporate staff (BP, 1990) and decentralised to 'encourage personal initiative and creativity' (BP, 1995a:11). New regional offices were placed in Brussels and Singapore (April 1991), while opportunities in Eastern Europe and USSR were examined (BP, 1990). According to its CEO (Buchan and Buck, 2002a), BP was characterised by the absence of the matrix structure; the dual responsibility of managers to both regional and sectoral bosses was considered too complex and to spawn too many committees. Three tiers were found in BP's management structure: 10 group executives; 33 group vice-presidents who supervised business streams, functions and regions, and in the third tier, the 98 directors of the business units.

99 A significant cooperation with Statoil was announced in 1990. The aim is to jointly explore in China, USSR, Vietnam and West Africa, and to jointly use new and existing infrastructure for gas transportation for the UK and continental Europe. The drive to contain costs is fundamental in the strategy.
BP’s majority owned affiliates were the most decentralised in the sector, for both 1990 and 2002. The European trend to decentralise was contrasted with the developments for ARCO and Amoco both of which were more centralised than BP. The combination in a merger led to the automatic reinforcement of the decentralisation. For the minority-affiliates, BP and ARCO showed a stable pattern over 1990-1995. BP was relatively decentralised; ARCO was more centralised and slightly increased in centralisation. Amoco had an in-between position in the sector; it increased its centralisation degree over 1990-1995. Notwithstanding these results, one interviewee stated that BP had: “A hierarchical demand of control; there are clear guidelines and directions from the centre, within that there is quite a lot of room to operate.” Another interviewee added that BP is more decentralised than other companies because business units have accountability for performance delivery. He confirmed the increase in decentralisation compared with 1990: “We didn’t have as many business units nor the American assets [at the time].” Again another interviewee even pointed out that 45% of BP’s assets base and employees are now in the US, while the incorporation in the UK still drives the framework for corporate conduct. According to this interviewee, the regulatory environments were mainly driving the company. Further, the factual dominance of English as the main language made it more difficult to get the message across to the Chinese and South American regions. However, with regard to structure of ownership, both Amoco and ARCO hardly operated in minority ownerships, while BP increased its share of minority-owned affiliates over the years 1990-1995: the ratio climbed from 0.28 to 0.34. This is close to the average ratio of the sample (0.31 and 0.35, respectively).

With the merger, Amoco and ARCO had to adapt to BP’s style of targeting and planning: in executive numbers BP dominated, a third of their people came from Amoco and only one person from ARCO. According to Pratt (2000:287), the extremely decentralized organizational structure was held together by a highly performance oriented system of management evaluation; which former Amoco employees found more demanding and unrelenting and, sometimes, a reason to pull away. The acquisitions brought economies of scale plus a higher ranking within the sector ranking; savings were attained by the reduction of unit costs and expansion, e.g. to Iran, where BP began. According to Browne, the acquisitions have given BP ‘the physical scale to present itself to governments as fully capable of taking on bigger projects and a bigger share of them’ and ‘Dimensionally – in output – we are smaller than Shell or ExxonMobil but today we are valued the same as Shell’ (as quoted in Buchan, 2002).

9.2 Reputation issues

In March 1999, ARCO’s CEO stated that the company “had embarked on the last days of the Age of Oil” in his address of the conference of Cambridge Energy Research Associates. However, according to BP (2001), renewable sources of energy could on present conditions not even begin to substitute for oil: mass production is needed to lower production costs. Although BP has had a solar division for more than 20 years, oil and gas have remained the company’s core businesses. While Amoco experienced the catastrophe of Amoco Cadiz in 1978, BP did not experience a catalyst event of this size. How-

100 Most of the jobs lost were Amoco’s. The first announcement made concerned 6,000 positions, which climbed to 20,000 within a year. According to the FT, for ARCO, almost all jobs went accompanied by good deals (Financial Times, 1 August 2002).
ever, it has met with several other large issues. Examples are the Baku-Tbilisi-Ceyhan (BTC) pipeline (see Box 9C) and the drilling and safety incidents in Alaska (Box 9D). Table 9-2 gives an overview of other controversial operations.

**Box 9C. The Baku-Tbilisi-Ceyhan (BTC) pipeline project**

An 11-member consortium led by BP is planning to build two - 1760 km - pipelines (one oil, one gas) from terminals in Baku near the Caspian Sea, from Azerbaijan to Georgia and Turkey. Important other participating companies in the project are Statoil, ENI, Unocal, Total and Conoco-Philips. According to BP, the project is one of the most challenging the company has ever undertaken (BP, 2002a). The company acknowledged the controversial status of the project; therefore it invested in a special website, consultations, as well as a series of formal environmental and social impact assessments, in order to ensure all concerns were identified (BP, 2002b). Amnesty International (AI) is accusing the consortium led by BP of putting “chilling pressure” on the Turkish government to skim on human rights in the construction of the pipeline (Boulton, 2003), also because of certain features in the legal framework (AI, 2003): Turkey is bound to pay the consortium compensation for any changes in the law or other actions that will disturb the economic equilibrium of the project. According to Amnesty, Turkey’s ability to improve its human rights record is endangered by the possibility of punitive costs for those affected by the pipeline; the legal framework restricts the remedies for people damaged; they cannot refer to the domestic level of Turkish law. Other problems mentioned in the report are compulsory acquisition of land, suppression of legitimate protest, the right of the state to intervene on health and safety conditions. Amnesty considers the monitoring system and other measures proposed by the consortium insufficient assurance (AI, 2003). Campaigners stated that support of the World Bank would effectively mean that it gives low value to democracy and human rights. Other comments included insufficient consultation and compensation for locals by the consortium plus discussion on the routing of the pipeline in relation to environmental and security aspects (FT, 28 October 2003). By July 2004, the construction was temporarily interrupted because Georgia found that BP could not guarantee specific environmental protection measures.

**Box 9D. Safety issues and drilling in Alaska**

**Drilling for Oil and Gas in the Arctic National Wildlife Refuge (ANWR)**

In January 2000, shareholders announced that they would table a resolution at BP Amoco’s Annual Meeting in April to call for BPAmoco to cancel its Northstar project in the Arctic Ocean and stop lobbying to open up the ANWR to drilling. The resolution demanded that the investment capital freed should be moved to BP Solarex to increase the scale of production and lower the cost of solar power. The shareholder group consisted of SANE BP (Greenpeace, the US Public Interest Research Group, and socially-responsible investors in US and the UK), and Trillium Asset Management Corporation of Boston (US$600 million in client assets). Together they hold 120,000 shares. Trillium stated: “Unfortunately, we have not seen any real signs of BP Amoco actually acting on this green vision” (ENS, 26 January 2000). According to observers, the vote was a warning that environmental concerns are climbing the ladder. In April 2001, shareholders again submitted a resolution to reconsider drilling in the Arctic. In January 2002, shareholder and environmental groups coordinated by the WorldWildlifeFund (WWF) have tabled another Annual Meeting resolution calling on BP to justify sensitive exploration in commercial terms and produce a report on the “reputational risks” of continued next page
Box 9C. The Baku-Tbilisi-Ceyhan (BTC) pipeline project (continued)

operating in environmentally sensitive areas especially the ANWR. According to the Financial Times, WWF stated: "BP cannot afford to rest on its green credentials and must disclose how it decides whether or not to drill for oil in the most sensitive areas of the world" (Jones, 2002b). Of the shareholders present, 11% supported the resolution. The BP board opposed the proposal, stating that is already examines those risks. In April 2002, The US Senate rejected the proposal to drill in the Arctic. In November 2002, BP pulled out of the group lobbying for drilling in the Arctic but would consider drilling if lawmakers give it green light. The decision came at a time when ANWR stood a good chance of being opened because the Republicans won control of the Senate in a recent election (McNulty, 2002).

Safety incidents and oil spills

A range of incidents in Alaska damaged BP’s record and resulted in a loss of green credentials. In its 2001 environmental report, BP (2001) reported two incidents in Alaska: an oil spill and an upgrade of safety systems. With regard to the safety systems, the company reported a review of maintenance and operating procedures; the need for assessment of isolation and emergency shutdown valves; the installation of new fire and gas detection systems; and an increase in the level of pipe corrosion monitoring. According to BP (2001:4), the oil spill was caused by a saboteur who shot a hole in the trans-Alaskan pipeline, causing one of the worst spills in the history of the pipeline.

According to McNulty (2003a), BP has been on probation in the area since 2000, after pleading guilty to one felony count of knowingly failing to immediately report the release of hazardous wastes. The company was fined a maximum of US$500,000 and ordered a national environment management system to be set up. A US judge on the federal level had begun to require unrestricted access to verify compliance because of a well blast in August 2002, in which an operator was seriously injured and because of the death of a contract welder in another incident, BP’s safety record had already come under fire in January 2002. A seven-week review of assets in Prudhoe Bay uncovered a serious maintenance backlog on safety-critical equipment (Jones, 2002a). After the fatalities mentioned, BP stated that it deeply regretted the harm they had caused. The company admitted that it had been criticised by media and socially-responsible investors and reported that the Alaskan government had announced the tightening of regulations. According to BP, "thorough investigations of these incidents were shared with staff and also made public" (BP, 2002b:4).

In May 2003, McNulty subsequently reported that BP workers were charging BP with violating its probation by breaching state regulations on operating free flowing wells and mounting a cover-up of a well blast that occurred in August. BP rejected the assertions but was fined over the incident for failing to provide a safe workplace (McNulty, 2003b). In the same month, two spills at a caribou crossing (a pipeline which has been buried to enable animals to cross) adversely affected BP’s record in Alaska again (Financial Times, 30 May 2003). Following the incidents in Alaska, several organisations (Henderson Global Investors, 2003, Dresdner Kleinwort Wasserstein, 2003) sold their investments in BP or warned their investors. Subsequently, in January 2004, BP was criticised by EPA for its mishandling of oil spills in Alaska (McNulty, 2004).
Table 9-2 BP: Examples of controversial operations

<table>
<thead>
<tr>
<th>Country</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burma &amp; Papua New Guinea</td>
<td>Allegation that BP has been involved in an arms deal and spying operations to protect the 800 km pipeline from BP's Casanare fields to the Caribbean coast. ELN guerrillas wanted to keep foreign multinationals from taking home the revenues of the field for which BP would need protection from the army (Tomorrow Essentials, November 1998). BP's security contractors were alleged to have provided lethal training to the police (Financial Times, 1 August 2002). Investigation by Colombian authorities (but carried out at BP's request) exonerated the company. According to the FT, BP said it has no choice but to rely on support from Colombia's army for security. Critics said the company should have been more alert to the risk that its security needs could contribute to human rights violations. Since these incidents and the consequent dialogue with NGOs, criticism has diminished (Financial Times, 1 August 2002).</td>
</tr>
<tr>
<td>Colombia-1</td>
<td>Allegation that BP has been involved in an arms deal and spying operations to protect the 800 km pipeline from BP's Casanare fields to the Caribbean coast. ELN guerrillas wanted to keep foreign multinationals from taking home the revenues of the field for which BP would need protection from the army (Tomorrow Essentials, November 1998). BP's security contractors were alleged to have provided lethal training to the police (Financial Times, 1 August 2002). Investigation by Colombian authorities (but carried out at BP's request) exonerated the company. According to the FT, BP said it has no choice but to rely on support from Colombia's army for security. Critics said the company should have been more alert to the risk that its security needs could contribute to human rights violations. Since these incidents and the consequent dialogue with NGOs, criticism has diminished (Financial Times, 1 August 2002).</td>
</tr>
<tr>
<td>Colombia-2</td>
<td>Court case of compensation for a group of Colombian farmers who suffered alleged damage caused by pipelines. This case was also brought up at the annual meeting 2001 (Buchan, 2002b). Buchan (2002a) states that the addition of the Colombian lawyers to other more regular activists will reinforce the meeting's image as a forum to air grievances about the many countries in which the UK-based company operates. BP itself reported the quantity of its investment in Colombia, the tremendous change the oil discovery brought in its wake (for example, a population growth of 45% between 1985-1997; and revenues of nearly $900 million between 1993 and 2002), security issues and social developments (BP, 2002b:21). According to BP, security efforts have been focused on building an increasingly open relationship with the army and the police; the agreement for the protection of oil installations is considered a key step in this process. BP also stated that it had developed initiatives to strengthen the judiciary and rule of the law as well as programmes to promote understanding human rights issues and conflict resolution (BP, 2002b).</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Corruption: BP has said it will not pay the military or policy or pay bribes to carry out their duties. BP's position means backing a community-based security policy but &quot;some believe that BP's attempt to deny the military a slice of the Tanguh project is bravery bordering on foolishness&quot; (Johnston, 2003). BP stated that it wanted to be part of the community instead of being protected by the military from it: &quot;By (paying protection money) we have a much greater risk to our reputation, and that loss in reputation (would be) much bigger than the specific assets we have on the ground&quot; (Johnston, 2003).</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Controversial venture where exploration in the Orinoco delta threatens to disturb the indigenous Warao people.</td>
</tr>
<tr>
<td>Tibet &amp; Sudan</td>
<td>BP's stake in Petrochina. According to campaigners of the Free Tibet Campaign and the Society for Threatened Peoples (<a href="http://www.gfbv.de">www.gfbv.de</a>), Petrochina is funding the exploitation of Tibet by China and financing projects in war-torn Sudan as well. BP's investment would support that (Corporate Watch, June 2000; Planet Ark, April 2001, 2002). A shareholder resolution on withdrawal from Petrochina was not supported by the Board (BP, 2002d:6). &quot;BP has no management role in Petrochina and no operations in the areas referenced in the statement accompanying resolution 17 as presenting human rights and environmental concerns&quot;; the Board wants to maintain its 2.2 shareholder interest to further long-term business interests in China.</td>
</tr>
</tbody>
</table>

Just listing these events is sufficient to demonstrate the multiplicity and complexities of the projects. In 2000, the controversy surrounding the company's operation was further emphasised when BP launched its new brand. At that moment, it had been 12 years since BP refurnished its brand image\textsuperscript{101} and 20 years since Amoco had its last makeover. The new 2000 logo, which replaced the green-and-yellow shield, was meant to represent the ancient Greek sun god Helios who brought power and light to the earth. But according to

\textsuperscript{101} During 1990, service stations worldwide were re-imaged and unified under the BP brand (e.g. 7,400 stations outside the US); in the US, the whole network displayed the BP brand by the end of 1991(BP, 1990). Amoco and ARCO would remain separate retail brands at petrol stations in the US.
Corzine (2000b), the new slogan left open-ended what the company was becoming. Critics predicted that the strategy to adopt the mantle of most progressive energy company could backfire, and indeed it did. Inside BP, the logo with the "exploding sunflower motif" would have been described as a "pansy", not exactly the symbol for the macho oil industry and internal unrest ranged from traditional elements to internal advocates of radical change. Buchan (2001a) noted: "The slogan drew derision from other oil companies and excited embarrassing hopes from world environmental groups that BP was going out of the hydrocarbons business". Critical NGOs reformulated the ‘Beyond Petroleum’ slogan into: “Beyond Pompous, Beyond Protest, Beyond Pretension, Beyond Preposterous, Beyond Platitudes, Beyond Posturing, Beyond Presumptuous, Beyond Propaganda...Beyond Belief” (Bruno, 2000).

Table 9-3 BP Beyond Petroleum advertisement

<table>
<thead>
<tr>
<th>BP</th>
<th>Amoco</th>
<th>ARCO</th>
<th>Castrol</th>
</tr>
</thead>
<tbody>
<tr>
<td>It means a new company able to offer</td>
<td>Global energy solutions</td>
<td>It means the retail presence to serve</td>
<td>10 million customers a day</td>
</tr>
<tr>
<td>It means a company that makes petrol</td>
<td>And diesel that produce lower emissions</td>
<td>It means the world’s leading producer of solar power</td>
<td></td>
</tr>
<tr>
<td>Beyond what people expect</td>
<td>Beyond what people expect</td>
<td>Beyond what people expect</td>
<td></td>
</tr>
<tr>
<td>Today, 100,000 employees in 100 countries</td>
<td>Join together to form a new company</td>
<td>Called BP: Tomorrow we begin building a new brand of progress for the world</td>
<td></td>
</tr>
</tbody>
</table>


BP’s explanation was that the company was not leaving oil (Buchan, 2001a): “Merely, that we are taking a broad vision – not a tunnel vision of the energy business”; “Beyond Petroleum just means we are giving up the old mindset, the old thinking that oil companies had to be dirty, secretive and arrogant”. Another BP spokesman was quoted in the New York Times (Banerjee and Kapner, 2001): “Many people have misinterpreted ‘Beyond Petroleum’, BP had wanted to convey that its purchases of Amoco and ARCO increased its production of natural gas”. In the end, the discussion peaked at the Annual Meeting 2001, where a resolution called for the company to set a timetable for its exit from fossil fuels. The debate led the company to admit that the slogan ‘Beyond Petroleum’ did not actually mean that BP would abandon oil and gas. 5% of the votes supported the call to make the company publish a report by the end of 2001 outlining how it will make the transition from fossil fuels to renewable energy. Directors opposed the measure saying it was tantamount to demanding BP give up its main business (PlanetArk, 20 April 2001).

Overall, several interviewees emphasised the importance of having a good reputation and the existence of a common sector effect:

— "It is essential to have the licence to operate. [Yes], we could choose to do the minimum. But that is not our philosophy of the company’s people. [The sector] is very competitive and [environmental issues] a trend in society. The reputation of the sector is bad, we demonstrate our role and the possibilities."
— "It also relates to the difficulty for the public to distinguish between different companies."
— "Reputation is only as good as your sector’s reputation is."
— "You never know whether you are there [have attained a good reputation]."
Some interviewees admitted that they found the general public too critical. However, they also stated that the public was entitled to remain sceptical until BP’s performance would be without these kinds of negative impacts for a period of time. However, one interviewee noted: "From the customer side of business, we don’t see that many signs that customers want to pay a premium price because of products that are considered to be environmentally responsible". One interviewee fiercely objected to the criticism of BP: “There are many people who have a commentary on what BP stands for, but there are just as many greater opinions which are very supportive of the direction we have been taking." And indeed, in reputation surveys, BP performs well:

— In 2000, BP was complimented for: its commitment to productivity; the corporate transformation through a clear and ambitious acquisition strategy; the adoption of a positive attitude towards environmental issues; and the cultivation of talented management (Corzine, 2000c). Other strengths mentioned were management efficiency and the ability to integrate North American and European management cultures; an aggressive commitment to increase productivity; an ability to judge pay-out levels of high-risk ventures; and the choice to take a leading position on environmental issues, notwithstanding the debate on the new slogan ‘Beyond Petroleum’ (Corzine, 2000c).

— In 2001, BP was again voted top of the league by the media and NGOs in the FT’s survey, despite the discussion on BP’s new slogan and logo. According to Buchan (2001b), this meant that the campaign and Browne’s speech had paid off.

The achievement is generally attributed to Lord Browne, who has shown critical awareness concerning the importance for his company to be trusted on several occasions (Browne, 2001, 2002):

— In 2001, Browne stated that companies and NGOs needed to find a "framework of mutual understanding...to overcome the adversarial nature of some of the current debates.". In his opinion, “Business cannot afford to fall into the trap of seeing NGOs as automatic enemies”. However, not all NGOs can be taken into consideration: “Others [NGOs] are fluid, free of structure and unaccountable – campaigning groups whose objective is to raise consciousness rather than to find a solution. The activities of this minority get undue attention, cut off real debate and not only damage companies but also harm genuine and responsible NGOs”.

— In 2002, Browne adds that the large size of companies creates concern “particularly when there are failures of corporate responsibility. Those failures are the exception but they cast a long shadow.” Thus, behaviour in performance and application of skills are the ways to increase confidence: “When society faces challenges we have to provide answers – not excuses and denials.”

In its reports and on its website, BP has also started to open up on the complexities of issues and regularly reports fatalities and performance incidents. In HSE reports, the company referred to its position in complicated circumstances, by means of location reports and/or the identification of certain issues in its reports, sometimes by external stakeholders. This is an indicator of the transparency BP aims to give its audience.

One of the contributing factors to the good reputation of BP may be the seemingly considerable respect with which it is approaching its stakeholders. In its reports, BP has regularly been giving attention to stakeholder groups and pointing out the informal and

102 To keep track of HSE and security incidents, BP reports having a management tool called Tr@ction, a global database (available in six languages) which employees and sometimes contractors can use to track actions arising from investigations and audits. It will be BP’s primary system for recording safety and oil spills from January 2004 (BP website, March 2003).
formal meetings and contacts it has with stakeholder groups of different kinds. For example, the company (BP Amoco, 1998b:14) stated: "We recognise that understanding the expectations of our stakeholders is a crucial part of taking decisions about the way we operate and the innovations we make". In its 1997 report, BP (1997:7) included a similar text and also referred to an action of Greenpeace, who had "despite our efforts" sought to disrupt BP's drilling programme in the Atlantic, west of Shetland; dialogue was continued after the settlement of this dispute, according to BP. However, Amoco had a slightly different position on the recognition of the interest of stakeholder groups. It did mention stakeholder involvement but referred to topics such as: exchange of information on the basis of regulatory advocacy efforts; required reporting under diverse regulatory mandates; industry associations' membership, through voluntary initiatives, such as the Chemical Manufacturers Association's Responsible Care programme and by support for private organisations for environmental performance and nature conservation. Furthermore, these kinds of activities were of a different nature than entering into a dialogue with stakeholder groups as BP and its competitors claimed to do. However, the response of interviewees showed that BP was still examining whether and where to work with NGOs and how to do that, in order to define the objective of the development of a mutual understanding:

— "It is not one audience."
— "It is a complex relationship, e.g. collaboration with WWF on environmental education, but on other facets they are beating us up."
— "BP always had a consultation programme and wants to be transparent but ... how far can you take that to show that you are respecting people's influence?"

Within the industry, BP's actions were observed with a critical eye. Several non-BP but industry-related interviewees, working in the sector as professionals, expressed doubts about BP's environmental performance in relation to its campaigning. NGOs, on the other hand, criticised BP's actions in many locations, in particular BP's involvement in the BCT pipeline project. In the need of new territory, BP might be taking a chance on the risks associated. In the meantime, the company is engaging in stakeholder dialogue while trying to define the limits to that involvement. Its reputation is on close watch; interviewees underlined the necessity of "BP not to compromise itself": "Reputation is what it is all about."

9.3 Environmental strategy

Code of conduct
At least since the merger in 1998, BP has had a code of conduct. Together with ENI, it has been one of the two European companies which do not give attention to sustainable development in their code of conduct. With regard to environmental issues, the code stated that it aimed to 'work towards goals of no accidents, no harm to people and no damage to the environment'. As was the case with the majority of the codes, enforcement of the code was not addressed: 'everybody is responsible' and 'careless breaches will be treated as serious disciplinary matters'.

Environmental policy
Besides the code of conduct, Amoco, ARCO and BP have had an environmental policy for years (see Annex IV). Amoco issued its first version in December 1982; BP mentioned the launch of a new HSE policy in November 1990; the date of first issue is unknown.
ARCO reports in internal documentation that it issued its first environmental policy in 1972 (ARCO, no date;b). In 1998, BP set out its new policy commitments including ethical conduct, employees, relationships and HSE performance. In the analysis, pre- and post-merger policies were compared (Table 9-4).

Table 9-4 BP’s environmental policies: content analysis

<table>
<thead>
<tr>
<th></th>
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</tr>
<tr>
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<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Notes: * Amoco-1995 is the same version as 1991; 19xx** date of issue unknown, but an earlier version than 1998.

The most important changes are the inclusion of references to a management system (by Amoco and ARCO); the inclusion of somewhat more specificity on kind of environmental impact (by Amoco) and the inclusion of the sustainable development concept (by Amoco). The rest of the changes are in scope (from ‘employees and users’ to ‘people’ for Amoco) or in the extension to health and safety issues. Examples of extensions in scope for BP are: 1) the addition of “health, safety and security of everyone who works for us” as being critical to the success of the businesses; and 2) the change of consultation from customers, neighbours and public interest groups to “those who work with us”.

According to Pratt (2000:255) the 1990s version of Amoco’s policy was an “important symbolic departure” from its earlier versions because the commitment to leadership “sought to demonstrate that environmental entrepreneurship by a responsible company could help transform regulatory policy in America”. This legislative focus also turned up in other aspects of Amoco’s environmental strategy. In addition, the comparison of the three companies showed relatively large differences between their ‘one-page’ policies:

- BP scored consistently on more items but did not refer to a management system as the US companies’ policies did; BP referred to standards of the industry in general. After the merger, BP did not copy references to systematic management of environmental issues from the other companies’ policies.

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103 In 2002, a fifth element was added: control and finance.
104 When it turned out that BP had kept its policy almost the same for 1995-2002, the 1994-issue of its policy was added as well.
105 Amoco renamed its 1997-policy to "safety, health, and environmental issues" (SHE) to emphasise the priority of safety issues in operations.
- The reference of both American companies to regulation seems congruent with the liability driven style of the US context. However, BP is the only company in the sector that does not refer to regulation in its policy; this means that regional differences are not the explanatory factor in this case.

- BP is also the only company of the three which refers to the existence of broad targets: “No damage”. However, the kind of environmental impact to which the policy applies remains largely unspecified; BP mentions reducing waste, emissions and discharge, while Amoco’s policy is even less specific referring to “preventing pollution and conserving energy and other natural resources”. ARCO only refers to the vague, general aim of minimisation of environmental impact.

- In addition, BP is the only company that refers to its business context in the policy (interpreted as the cooperation with suppliers and contractors). ARCO does mention contractors, but only in the context of their health and safety protection, and not in the wider context of the development of environmental practices.

- References to reputation, stakeholder consultation, and leadership are made by, respectively, Amoco (“a lack of trust”), BP (names: customers, neighbours and public interest groups) and both of these companies (Amoco, 1995: “compare favourably with industry leaders”; Amoco 1997: “becoming preferred”; BP: “raise of standards in the industry”). ARCO does not mention these elements.

- Two last specific differences relate to Amoco’s reference to sustainable development although without naming the actual word (1997), and ARCO’s low score for its policy: 2 out of 10 items, while the other companies score on at least double that amount of items.

Many interviewees perceived that environmental policies and guidelines are burdening the companies’ operations; there seemed to be general agreement that this is the consequence of the step-by-step evolution of the field. One interviewee mentioned that this is a reason to reduce the number of corporate initiatives and make the link between environment and the business agenda more clear. Another interviewee added that there is no alternative: “You cannot continue to operate like that, it is the direction we travel in.” However, according to another interviewee, it was a challenge to keep environmental principles consistent across the whole company with all its levels; size was probably what matters most, in addition to the choice for a certain profile.

Environmental strategy: focus and change

The policy “Getting HSE right” was group regulation for HSE issues, which built on the code of conduct (“What we stand for”). Within the divisions, the policy was further implemented into a set of expectations. All requirements together form a pyramid (see Figure 9-1); it is unclear to what degree the character of the requirements is mandatory. According to an interviewee, the expectations were not about 100% achievement, at least not for E&P: “It was about driving people’s behaviour and people’s performance, to something significantly different. And it did result in a step change for us definitely.”
BP, Amoco and ARCO are all early reporters, publishing their first external environmental report in, respectively, 1994, 1992 and 1995; in 1990, all of them report on environmental issues in their annual reports. According to Pratt (2000), Amoco's adherence to the PERI guidelines in its report was a response to societal demands — as a way to form its own principles instead of signing up to the Valdez Principles on public disclosure and responsible behaviour as formulated by CERES. According to an interviewee, BP's early reporting can be explained by its involvement in Alaska, which made BP closer to the ExxonValdez accident [and the US institutional context] than other European companies. According to this interviewee, BP's history of involvement in many parts of the world (with its assets being nationalised) might also have increased the company's awareness of the need to be involved with various governments and external stakeholders. In its reporting, the company itself presented the development as an eight-year period, evolving “from paper-based through data-intensive environmental HSE reporting, to parallel environmental and social reporting, to Internet-based financial, environmental and social performance reporting” (IPIECA, 2000:5).

Overall, BP has taken a compatibility perspective on environmental issues: both goals are increasingly presented as complementary. With the aim of industry leadership, BP first changed to a business context perspective and more cautious positioning and then repositioned itself as a leader in HSE performance, building on HSE for long term profitability. Illustrations of those changes in BP's strategic positioning vis-à-vis environmental issues are the following:

- In 1990, BP wanted to be an industry leader in the field of HSE protection: In E&P, it stated it wanted to devote a significant (but unspecified) proportion of spending to this issue. In chemicals, BP (1990a:22) also took a pro-active posture by aiming for higher standards stating that: “The development of several environmentally-beneficial products and the adoption of an 'open-door' policy with the public is very much part of our response to the 'green' challenge of the 1990s”; The company reported that the recovery and recycling of plastics has become part of the business strategy within chemicals.

- In 1995, BP again acknowledged the business context in its environmental strategy: “We do not believe our environmental costs will differ significantly from those of other companies in similar positions or that our competitive position will be adversely affected as a result.” (1995:24) HSE performance was mentioned as a part of general performance but the company is more cautious: “On each of the relevant measures our HSE performance has improved, but we recognise there is still much more to do, and constant determination is essential” (BP, 1995a:8).

The Coalition for Environmentally Responsible Economies included representatives of large investment funds and environmentalist groups.
In 1996, the caution expanded to: "It won’t be easy, but I am confident that our staff have the dedication and skills needed to meet the challenge of delivering our HSE-commitment in 1997 and beyond" (BP, 1996:1).

In 1997, BP repositioned itself to leadership status and claimed that the sector of industry is capable of creating change, both creative and positive. BP positioned itself as a leader, especially with respect to climate change (BP, 1997).

In 1998, this position is strengthened to include the possibility of zero-impact of industry activity. Financial and environmental performance are believed to be mutually reinforcing and essential for success: "There is no trade-off" (BPAmoco, 1998a:3). In its report, BP included independent comments of the international consultancy ERM Social Strategies on case studies of Alaska, China, Egypt, and South Africa (BPAmoco, 1998a).

In 2001, BP restated its equal commitment to goals of environmental and financial performance. The comments from external stakeholders are more ambitious, for example, including an NGO such as Environmental Defense (BP, 2001a).

In 2002, attention for major issues became included (climate change, working in challenging conditions, water management, global workforce building, biodiversity, and dealing with conflict) in addition to, again, location reports (BP, 2002b). The importance of improvements in environmental performance for long-term performance of the company were underlined: ‘Our long-term performance is linked to our success in managing these challenges and our commitment to investment for the future’ (BP, 2002a:4).

Interviewees related the main change of the period to the "ongoing conversation nowadays" and to "environment as business value":

"The company is moving incrementally to where it would like to be: “We have actually taken that next step in the journey ....to do that and still sustain the business... That is the critical achievement..., that we don’t do it at cost for the company but that it is complementary to our business."

"At the start, HSE focused virtually exclusively on the operations and was considered to be largely a cost, a constraint not introduced to produce business benefits but more from an ethical drive to do them [incorporate them into decision making]. Now [these benefits are] at the core and a differentiating device, i.e. how to portray ourself. From operations to core value, it pervades all activities – marketing, business development, etc: green as brand value."

However, several interviewees mentioned that BP does not perform to its full capability:

"Does a lot but could do a lot more."

"There is a gap, we should have more challenges to some of the decisions, e.g. zero emissions package demonstration of it, alignment in JV."

Another interviewee declared that according to [unspecified] stakeholders, BP is distinctive in more than climate change alone, i.e. also in biodiversity issues and reporting. To this end, the aspect of HSE communications was taken up as a project in 2003, to encourage professional communication from and across the group: “80% of HSE group activities is communication”. According to the project leader, the multi-year activity centred on five aspects (sharing the safety experience; articulating the environmental strategy; articulating health strategy; providing assurance and monitoring; simplifying of standards):
There is a misunderstanding in BP that the environmental strategy concerns climate change, whereas it is in fact wider than that; "Every year there is an expectation that every business unit gives assurance that they are compliant. We want to make clear what that means; to find a more effective way, there is a sense that it has been somewhat ad-hoc"; in addition, "There is a sense that we are not clear enough on standards, what is expected on operations sites, we need to be more clear on that". The distinctions in BP's environmental strategy would then be around four parts, "This will be group strategy": 1) Environmental excellence: Addressing local impact in addition to global impact of operations; 2) Acknowledgement of environmental impact of products (particularly applies to clean fuel): "One of the challenges of environmental management"; 3) The forging of partnerships: "Together we can do more"; and 4) Identify areas where we wish to be leading.

In the period 1990-2002, BP has had a continuous struggle with the choice for leadership and the discussion about the compatibility between environmental issues and its economic goals. The company's choice to take a position on climate change is an example of an affirmative choice for both. In contrast to the expectations of the general public, the brand representation change in 2000 was not focused on environmental issues specifically. As an interviewee stated: [It was] 'really just a means [to create] an identity for the company because of our heritage and wanting to bring them all together, in which being green was seen to be one of the attributes. But there are also three other attributes: performance, [being] progressive and [being] innovative, they are equally important in the representation of our brand'.

For BP's merging partners, the focus in the period has been different. ARCO mainly concentrated on product requirements (e.g. alternative fuels) to make profit from environmental regulation such as the Clean Air Act. Its focus on the change of the products was extraordinary; at the time, most companies directed their skills towards the process of production and accompanying technologies. Another deviation of ARCO was the absence of attention for stakeholders. Amoco, in contrast, had the experience of a catalyst event by its ownership of tanker Amoco Cadiz. This resulted in a completely different development. As confirmed by Amoco's CEO in 1990, "lingering memories of such accidents as Amoco Cadiz ...are the strongest reasons for our commitment" to achieve a good environmental record (Pratt, 2000:263). By 1990, environmental issues had already been included in a broader concept of corporate responsibility: (Pratt, 2000:263). In the 1990s, the company regarded EHS issues as strategic goals; it focused on technical excellence to become a leader in the field (Pratt, 2000). In 1995, Amoco decided to publish both the financial and the environmental reports at the same time in order to illustrate the complementariness of their results.

Climate change
From 1997 onwards, Browne sought to distance BP from the rest of the industry on the subject of climate change. Only two years in office and the youngest CEO in BP's history, Browne was the first in the industry to announce action. According to Browne (1997:3), a ban on the use of fossil fuels would be unsustainable because this would collide with the realities of economic growth. Furthermore, such a step would be seen as discriminatory – above all, in the developing world and the hard part in reduction of emissions was yet to come: "It would be unwise and potentially dangerous to ignore the mounting concern"; "It falls to us to begin to take precautionary action now." Some other companies, such as Statoil, also supported climate change policies from the beginning, but BP drew extra at-
tention. As an interviewee stated: "It was a leadership thing to do, to step out, clearly create our position. We say we want to be progressive in the environmental agenda and that was certainly one of its commitments. We saw it as an opportunity."

According to Buchan and Buck (2002b), industry colleagues accused Browne of 'leaving the church' by pronouncing that climate change was for real. Responses to BP's initiatives were positive on the part of NGOs, but also hesitant: BP had yet to put its words into practice. In 1999, BP piloted an internal emissions trading system; it was adopted across the whole company in January 2000. External accounting and environmental specialists for emissions verified the process for trading (BPAmoco, 1998). First external emissions trading within the UK system was reported in April 2002 (BP, 2002c).

In 2002, Browne presented a sequel speech and stated that the science and the reality of the risks were much clearer, as well as the costs of taking precautionary action. However, those were lower than many feared, which made climate change a manageable problem for BP (Browne, 2002:5): "Our aspiration is to sustain the reduction in emissions we have made. And by doing that to contribute to the world's long term goal of stabilisation. That means...to go beyond petroleum. Not by abandoning oil and gas but by improving the ways in which it is used and produced. The help of others, partners, academic community, governments is needed to reach that goal."

As early as October 1998, BP announced that it was cooperating with General Motors, Monsanto and the World Resources Institute on 'Safe Climate Sound Business', a pro-climate change action lobby group. In a March 2002 press release, BP stated that it had reached its climate change goals (a 10% reduction from the 1990 level by 2010), eight years early at no net cost. The target now was to contain net emissions at current levels over the next decade (despite plans to grow by 5.5% a year) (BP press release, 2002) through a combination of energy efficiency, flaring reductions, and lower-carbon products (BP, 1990).

According to BP, climate change action is now taken at all points in the chain, from emissions to consumption of the product: "Our best approach until new technologies are economically and widely available is therefore to supply energy based on less carbon-intensive fuels and to promote more efficient energy" (BP website, 2003). Solutions are sought in five main areas: 1. Reducing climate impact of operations and products; 2. Promoting flexible market instruments (e.g. emissions reduction joint implementation, project-based credits); 3. Working with others to accelerate new energy technologies; 4. Participating in the policy process; and 5. Investing in research (in, amongst other things, the separation and storage of carbon).

The positions of merging partners ARCO and Amoco from BP's. On the one hand, ARCO (1998:11) acknowledged the climate issue almost as early as BP: 'Although scientific debate continues, it is plausible that harmful alteration of the global climate may result from increasing concentrations of greenhouse gases in the atmosphere'. ARCO listed the actions it took (including emissions inventory, cleaner energy development, energy efficiency measures) but also stated that solutions should be rational and scientific research unbiased (ARCO, 1998). On the other hand, Amoco was one of the early members of the Global Climate Coalition, opposing the Kyoto Protocol and, likewise, adopting the strategic posture of most American companies. In its environmental reports, Amoco did not give

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109 In the same speech, Browne confirmed that BP would stop giving political donations as of April 2002. According to BP, the majority of the donations were a legacy of Amoco and ARCO acquisitions, for which donations were an accepted way of political lobbying.
any attention to climate change issues. Amoco’s withdrawal from the Global Climate Coa-
limit suggested that the BP view prevailed after the merger.

Sustainable development
BP’s position on sustainable development over the years is less obvious than its position
on climate change. Supportive of the goals of sustainable development since their adop-
tion at the Rio conference in 1992 (BP, 1996) and a signatory of the ICC business char-
ter for sustainable development and member of WBCSD, the company changed the
status of sustainable development from an innovative concept to normal proceedings:
“Sustainable development has been described in terms of the triple bottom line [....] – we
report each year on our performance in these areas through the annual report, HSE facts
and BP in the community” (BP, 1996:5). In 2000, the phrasing was somewhat softened
when BP stated that “financial, social and environmental performance are inseparable”
(2000:4); BP now approached ‘sustainable development both as an ethical imperative
and a business opportunity, recognising that there are limits to what we can and should
do’ (BP, 2000:8). In the interviews, the concept of sustainable development was never
mentioned unless explicitly asked for. This may be a coincidence but one interviewee
stated: “A convenient basket term, what that embraces, we do in pieces.” Another inter-
viewee stated that the business itself is unsustainable because it is not renewable, which
is an opinion heard more frequently across companies. According to Perceval
(2003:117), Shell integrated sustainable development thinking more deeply into its struc-
tures, systems and processes than BP, which had a predominantly risk management view
of sustainable development: “BP avoids potential damage that may result from emphasis-
ing sustainable development thinking at the expense of business value”. In Perceval’s
opinion, the actual role of stakeholders in BP’s process was confused, which confirms the
findings here, while Shell had a specific commitment. Furthermore, BP’s primary responsi-
bility was to its shareholders and sustainable development was only considered to be im-
portant in the non-financial process, while at Shell it was perceived as fundamental to
overall business strategy. Perceval (2003) also reported that contact information provided
by BP on its website proved to be wrong in four out of ten randomly picked locations,
which casts doubts on the true extent of transparency.

9.4 Environmental structure

Focusing on environmental structure, all three of the companies developed their EMS in
1997. The companies use different abbreviations (Amoco and ARCO use EHS; BP uses
HSE); those are copied in the text. As Table 9-5 shows, the cycle of the systems is similar
and familiar, but their specificity varies.
### Table 9-5 BP: Environmental management systems and standards

<table>
<thead>
<tr>
<th>Name of EMS</th>
<th>Standard</th>
<th>Contents of EMS</th>
<th>Cycle</th>
<th>Specifications</th>
<th>Other information</th>
</tr>
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<tbody>
<tr>
<td>Amoco</td>
<td>Amoco Inter-national Standard of Care (ISOC)</td>
<td>Business planning elements; Business performance elements; Measurement and assessment; Performance improvement elements</td>
<td>Plan; Perform; Assess; Improve</td>
<td>13</td>
<td>‘Supported by an extensive set of management tools’</td>
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<tr>
<td>ARCO</td>
<td>Operating Excellence Systems – OES Framework (10 elements)</td>
<td>Leadership, commitment &amp; involvement; Risk management; Personnel and training; Design and construction; Operations; Management of change; Third-party services; Incident investigation; Emergency preparedness; OES- framework assessment</td>
<td>Plan; Do; Measure; Check; Correct</td>
<td>48 (15*)</td>
<td>System builds on Standards, Procedures and Processes and establishes a self-assessment mechanism</td>
</tr>
<tr>
<td>BP</td>
<td>Getting HSE Right (13 elements)</td>
<td>Leadership and accountability; Risk assessment and management; People training and behaviours; Working with contractors and others; Facilities design and construction; Operations and maintenance; Management and change; Information and documentation; Customers and products; Community and stakeholder awareness; Crisis and emergency management; Incidents analysis and prevention; Assessment, assurance and improvement</td>
<td>Plan Perform Measure Improve cycle</td>
<td>91 (3*)</td>
<td>Business units undertake risk assessments within the HSE framework, and develop risk mgt programmes. Those are translated into local mgt systems involving processes, procedures &amp; rules influencing behaviour.</td>
</tr>
</tbody>
</table>

Notes: * ARCO defines the ‘systems in place requirement’ as having the following elements: ‘scope and objectives; procedures; responsible and accountable resources; verification and measurement; feedback mechanism’.  

* 218
Amoco
The environmental structure of Amoco developed relatively early: it started in 1970. Subsequently, the Environmental Conservation and Toxicology department (1979) was renamed Environmental Affairs and Safety in 1982. The end of the 1980s brought decentralisation of the environmental function to the operating companies and the creation of a VP in 1987: an evolving environmental culture had begun even before the 1990s (Hoffman, 1997:99-128). At the beginning of the 1990s, direction of the EHS programmes was provided by the EHS Council, the EHS Committee and the EHS Committee of the Board, all with different responsibilities (Amoco, 1992):

- The EHS Council coordinated the implementation of the policy. It was chaired by the vice president of EHS (reporting to a vice chairman) and consisted of senior EHS management of the parent company and the operating companies;
- The EHS Committee reviewed and endorsed significant recommendations of the Council. It was comprised of senior operating company personnel. The EHS Board Committee provided further oversight of the Council and the EHS programmes. Installed in 1990, it reviewed and kept the full board of directors informed of: EHS policies and standards; structure and results of program and process review managed by the EHS department; programs and results for safety, spill response, crisis management, air quality, waste management, waste minimisation, and product stewardship; processes for identification and remediation of contaminated sites;
- The EHS Committee of the Board was chaired by an outside director and had a majority of outside directors.

In 1995, a shared services organisation seems to have replaced the EHS Committee; according to Pratt, the reorganisation occurred in 1993 when all services were streamlined (Pratt, 2000). It worked in partnership with Amoco’s 17 business groups (Amoco, 1995:i):

"The organisational change has transformed the process used to integrate EHS into the business. It has resulted in frequent application of management system approaches to EHS activities.” Worldwide, 450 fulltime professionals distributed over the regions, work in those shared services (Amoco, 1995). The organisation also managed the audit programme; this was previously performed by the EHS department. Implementation of the policy was still coordinated by the vice president of EHS, but was reported to the senior vice president of shared services, and not to the vice chairman (Amoco, 1995). In 1997, the EHS Board Committee met four times (Amoco, 1997).

The corporate EMS (‘ASE’-system: ‘Achieving Safety Excellence’) developed on top of this existing structure, by internal benchmarking of the SHE-MS developed by its subsidiary in Canada during 1996 (Amoco, 1996). This illustrates the possibilities for independent action of subsidiaries or business units versus corporate initiatives. In 1997, Amoco remodelled the ASE system to ASHEE: ‘Achieving Safety, Health and Environmental Excellence’ management system. The system was applicable to any Amoco location in the world; it had 13 specific requirements and adhered to an internal standard, which applied the minimum of ISOC.

ARCO
ARCO’s EMS was also a sequel to EH&S reviews, the EH&S policy, and EH&S principles developed in the 1990s or before (ARCO, 1999). It was named Operating Excel-

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The Greening of Black Gold

cience Systems, developed during 1996 and endorsed by top management in 1997. In the OES-framework, each operating unit was to manage its own system and full compliance was expected to take 2 to 5 years. An increase of motivation seems to be the background of the system: in its internal presentations, ARCO underlined that the system was not a corporate initiative but was developed by operations. Further, it would not replace existing procedures, and would not be "going away". Its aim was to: "establish clear expectations, organise existing practices, define the concept of operational excellence, allow innovation by operating units, promote continuous improvement, establish a self-assessment mechanism". ARCO explicitly stated that progress is the most important consideration and that there were no deadlines. The framework was not meant to replace existing systems, which were useful and successful. Strong emphasis was placed on legal and regulatory compliance. Flexibility in achieving compliance was up to the facility, operating company or unit (ARCO, n.d.:a). According to ARCO management, the system was needed to improve efficiency, enhance innovation, clarify accountability, lower costs, provide guidance for changing organisations, enhance reputation, and minimise future liabilities (ARCO, n.d.:b). A table on the corporate-wide status of the ARCO system in April 1999 showed that of 16 ARCO-international upstream operations, 25% had a draft guidance document, 44% needed a guidance document, 25% needed help working in line with the guidance document and only 6% (n=1) had a management approved guidance document (ARCO, 1999:9).

BP

In 1997, BP distributed the manual "Getting HSE Right" to its employees. Before the introduction of "Getting HSE Right", BP had a system defined by commitment and management expectations; further development was up to the business units 'based on their risk exposure, good practice and specific circumstances' (BP, 1996:5). "Getting HSE Right" changed this to a more structured approach. The manual included the BP HSE Management System Framework and the HSE Expectations adopted by all BP managers. The core of the strategy was the implementation of the 13 points of the Operations Integrity Assurance System, under which the system is run (BP, 1997). These points outlined the requirements for the management of: safety and accident prevention; plant and equipment integrity; pollution prevention; energy conservation; personal, occupational and environmental health; personal/physical security; product stewardship; and sustainable management (BPAmoco, 1999). The framework was used to drive the development of complete management systems by the business units (BPAmoco, 1999:1):

— "These encompass the complete spectrum of health, safety and environmental risk management including personal security, technical /operational integrity of facilities and equipment, and product stewardship. They are the boundaries within which all managers must operate."

— "Business unit leaders must communicate the HSE expectations to their teams and are accountable for delivery of HSE performance. Each business unit shall have documented systems in place to meet the expectations, including justification where necessary, [and] why certain expectations are not applicable to that business unit."

Similar to the previous system, control in "Getting HSE Right" remained with the business units; existing processes were considered sufficient as long as conformity with the system could be demonstrated. Although BP Amoco stated that it had drawn the best of the systems after the merger, it was difficult to see exactly what changes were made from this perspective of analysis. In 2003, BP introduced the HSE Advisors' Programme to support
Comparing the systems

According to internal documents, the BP and ARCO EMS were comparable in their key processes: delivering EHS assurance; behaviour; HSE risk management; crisis and emergency management; major incident and high potential incident reporting; incident investigation guidelines; HSE performance targets; HSE reporting requirements; joint ventures and other operational relationships; HSE reporting definitions; health management; and the HSE toolbox. However, according to ARCO’s internal documentation (1999), the “Getting HSE Right”-BP system was: not clearly defined; had a narrow EH&S focus instead of a broad concept of operational excellence; was prescriptive instead of flexible expectations; and may have had difficulties in achieving continuous improvement due to the lack of a systematic approach.

In 1998, the company referred to the impact of its decentralised structure on environmental management: ‘BP Amoco has 126 business units operating around the world. Each reports directly to a member of one of the executive committees in London. With such a flat structure, effective management systems and assurance processes are critical to HSE performance’ (BPAmoco, 1998b:2). The similarity between both BP’s and ARCO’s system and their history of development seemed to be the approach to decentralise responsibilities and commitment. ARCO especially showed an effort to convince operating companies of the value of the system by pointing out that numerous operating people had been involved in its development. The same applies to Amoco where the corporate system was built in line with the Amoco Canada system, and not modelled by corporate level alone. One interviewee confirmed this decentralised approach when discussing the main changes in the EMS. He stated that, in 1990, environmental issues were not something they thought was a globally important issue that needed to be handled in a systematic way, and at the corporate level: “It was very much for businesses and sites to do as they saw fit”. Another interviewee was amazed how basic the system was at first, and how little regulation there was in some [European] countries. BP was a very flat organisation and left “space to do things, [there was] very little in terms of process”. Since 1997, this had changed a lot, as several interviewees stated. However, another interviewee said that BP has had internal reporting on environmental issues since the 1980s.

The mergers impacted the environmental structure as well. Some interviewees pointed out that thinking and operating in the companies was quite different; the consequences of the merger were still observed and employees were still aware of their former company. The exact content of those differences were hard to grasp, interviewees said: “America meets Europe” and “We still have Amoco and BP people.” Another interviewee confirmed that BP took a less prescriptive approach than Amoco. However, consensus on the effect of the merger did not emerge, as illustrated by interviewee statements (see Table 9-6):
Table 9-6 The effects of the merger on environmental management

<table>
<thead>
<tr>
<th>Disruption or at least change:</th>
<th>Change was not that large</th>
</tr>
</thead>
<tbody>
<tr>
<td>• &quot;A lot of disruption in general terms. BP's environmental system was fairly closely aligned with the business process; it meant almost a pause or a stop, to explain our approach again.&quot;</td>
<td>• &quot;It went very well.&quot;</td>
</tr>
<tr>
<td>• &quot;It will take more years to come out as one set of rules; it takes time to get data, to start getting up.&quot;</td>
<td>• &quot;Amoco gave higher priority to safety than to environment; more impact on safety.&quot;</td>
</tr>
<tr>
<td>• &quot;It impacted greatly.&quot;</td>
<td>• &quot;[The merger] gives more opportunities to improve: BP's goals and aspirations about climate change. Amoco's process going beyond that.&quot;</td>
</tr>
<tr>
<td>• &quot;The danger is that ad hoc comments are becoming strategy; that is not sufficient. Unification of the strategy is work in progress; some areas are well defined (greenhouse gases), others are not mature yet (product stewardship, water).&quot;</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interviews with BP employees

Another reason why the merger changed the engagement in environmental management was the increase in size: global consistency is more difficult without control from the corporate level. However, businesses still had to make their own interpretations. As one interviewee remarked: "What tends to happen is that goals get to be translated [when going down] to the people who hold the contracts." The commitment, stimulated by the Helios Awards for employee/team achievements, and the policies and standards are the other aspects in this perspective. Another interviewee remarked that "You don't need a big centralized staff in order to be pro-active"; in BP, the HSE role is to support the actual delivery in the businesses. In this perspective, it remained unclear whether the environmental impact assessment (EIA) is a mandatory element of the EMS; the interviews showed that the procedure for the EIA is driven by the regulatory context and had not yet been defined precisely, although the EIA itself was part of the company process to evaluate the investments. In 2001, BP (2001) reported that environmental and social impact assessments (ESIA) were substantial exercises involving many months of scientific research, field studies and dialogue with local and national organisations (local communities, regulators and NGOs).

International standards
BP uses ISO 14001 as its main standard (though business units can also decide to use EMAS). According to the interviewees, the establishment of ISO was primarily driven by the public eye in order to recognise the setting of targets. ISO's benefits were considered to be its rigour, its structured approach plus planning in advance instead of being reactive:

— If it is used properly it can be well integrated into the business management system, then it is complementary and not an add-on'.

Throughout the company internally, the choice for ISO got a mixed reception; some sites already had EMAS and had to be convinced of the benefits of ISO as yet just another system. Heritage facilities of Amoco and ARCO met with 'a new way of thinking', according to an interviewee, and had to be taken to 'the same lines', to really establish the benefits of ISO. However, several interviewees indicated that the main concern with ISO was how to use it more effectively to actually improve performance at the group level. In this regard, an interviewee pointed out that demonstrating continuous improvement is important internally as well, in order to maintain confidence in the system.

In 1997, BP set the target for all of its 47 major sites to be certified as meeting ISO 14001 by 2000. In 1998, the number of main sites had almost tripled to 139; the
target was still to certify all major sites but the year 2000 was no longer mentioned. The figures below show that the 1997 target had still not been met by 2002. Verified environmental statements of the certified operations were shown on the website.

Table 9-7 BP & ISO-certification of major sites

<table>
<thead>
<tr>
<th>Year</th>
<th>Sites</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>30 sites*</td>
<td>1997 target was still to certify all major sites but the year 2000 was no longer mentioned.</td>
</tr>
<tr>
<td>2000</td>
<td>43% (60 of 139)</td>
<td>Differences per division: Chemicals 58%, E&amp;P: 35%</td>
</tr>
<tr>
<td>2001</td>
<td>73%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>92%</td>
<td></td>
</tr>
</tbody>
</table>

*In 1998, 12 sites had EMAS certification. Source: Environmental reports.

In the interviews, BP employees did not agree on the effect of joint ventures on environmental standards: the statements in Table 9-8 illustrate this diversity.

Table 9-8 BP interviewees & opinions on the effect of JV on environmental standards

<table>
<thead>
<tr>
<th>Positive?</th>
<th>Negative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;The pressure to improve performance is felt by all members of the industry&quot;</td>
<td>&quot;The primary thing is that if a company takes a fundamental position, it has no effect if a company is determined to do this. The secondary thing is when you have only 5% interest; the third thing is that complexity can be used as an excuse.&quot;</td>
</tr>
<tr>
<td>&quot;In China, it is a pragmatic conversation. Once they realise that they end up working in a better environment but it is not easy though the business case can be made quite powerful.&quot;</td>
<td>&quot;In Russia, it is a major embarking: 50% ownership. We will have to set the standards and we do know that there are many problems. JVs, they are different but not as much an obstacle as people believe they are.&quot;</td>
</tr>
<tr>
<td>&quot;We have managed to influence partners in JVs quite significantly. On the other side, we have big debates on investments because some of our partners don't agree with our environmental position... but we have demonstrated... some of the values this may bring.&quot;</td>
<td>&quot;In Russia, it goes to the fundamentals.&quot;</td>
</tr>
<tr>
<td>&quot;It was a business decision that [the Algerian state company Sonatrach] together with us will be the first BP EP project to re-inject CO2. That did not come from corporate, it came from the business decision that they would invest this amount of money. For Sonatrach, it is major breakthrough, Algeria does not have any Kyoto commitments yet.&quot;</td>
<td>&quot;It is difficult when you get outvoted by your partners, when you get outvoted what you have to do is you just have to slowly work your way around through the operations to improve things. As you know we have a different stance to Exxon, and where Exxon is partner we do have difficult discussions, unless economic benefit is shown they won't support it. Because that is their stance; everything comes down to the bottom line.&quot;</td>
</tr>
<tr>
<td>&quot;It makes the industry move more cohesively than you would find in one company who is operating completely independently. In E&amp;P, there are lot of JVs and everything is done in partnership so everybody tend to be doing more or less the same thing.&quot;</td>
<td>&quot;It obviously makes it more difficult... our policy is to always try to influence partners. It is one of the difficulties we are facing.&quot;</td>
</tr>
<tr>
<td>&quot;HSE people doing EIAs are on permanent loan to the M&amp;A group.&quot;</td>
<td>&quot;What we stand for is a powerful document, it is a blank cheque. It puts pressure on you out front to set the boundaries of the operations.&quot;</td>
</tr>
<tr>
<td>&quot;Insurance funds are asking questions.&quot;</td>
<td>&quot;[We ask ourselves] whether we believe we can make it better, then we accept the time frame to do that, is it still okay then is the question.&quot;</td>
</tr>
</tbody>
</table>

Source: Interviews with BP employees

Environmental performance reporting

Turning now to environmental performance reporting as the next element of structure, annual reports and environmental reports of the three companies have been examined (see Annex VI). In the annual reports, the information changed from 'words only' to richer data in later years. Both American companies did not provide figures of improvement over the
years, with the exception of some percentages for emissions. BP noted cost pressures for exploration arising from: the aim to improve safety and environmental performance; the need to maintain ageing facilities; and also higher charges from suppliers. According to BP (1990a), those all posed a challenge to profitability. In 1995, BP stated that its performance had notably improved but that 'there is still much more for us to do' (BP, 1995b:1). By 2003, BP stated it was collecting data on a number of parameters, including discharges to water, waste and air emissions as well as oil spills 'on specific events'. However, this focus was not apparent in the presentation of BP's external report.

Nevertheless, a trend for richer data is observed in the HSE reports. In 2003, on its website, BP even presented HSE data charting tools with which one can download raw data. Here BP stated that it requested data from its 190 operations, although it is unclear whether all of these operations responded positively to the request. BP was the only company of the three, which stated it had expanded the scope of reporting to all major BP operations. BP benchmarked both reporting and its performance data in several groups in order to discuss best practices and system procedures; from 1995 until the merger, BP even gave a complete overview of regional and site breakdown of the data. However, the company again struggled with the way it wanted to present data. One interviewee confirmed this:

— "One of the concerns is when to produce the data, it is not clear how stakeholders understand the data: disclosure is not the same as transparency, graphs do not tell the story."

— "Emissions and discharges were the issues at the beginning of the 1990s, access to energy and freshwater are more difficult issues to tackle in a sustainable way."

From 1995 onwards, the company focused on four HSE indicators (two of which are environmental: hydrocarbon emissions to air and discharges to water), but frequently mentioned that it needed to have much more data. In addition, amongst other things, data on oil spills and energy conservation are mentioned. This makes BP's presentation seemingly more structured than that of Amoco and ARCO. Over the years, the company mostly refrained from setting performance targets as it did in 1996 (BP, 1996:5):

— Achieve year-on-year continuous improvement by reducing the sums of overall air, water and waste emissions per unit of production from our operations;

— Reduce annual hydrocarbon emissions by 165,000 tonnes by 2001 (50% of the 1995-level);

— Gain external verification of EMS at sites having the potential to cause significant impacts on major sites by 2000.

According to BP, the diversity and transparency of its management system challenged everyone to improve HSE performance continuously. It also mentioned an HSE toolbox on the intranet containing good operations practices knowledge and audit protocols; HSE targets were included in performance contracts of all line managers (BP, 1997) at all levels both for individuals and teams. A part of the remuneration of managing directors and senior managers was determined by BP HSE performance:

— "HSE targets are included in performance contracts at all levels, both for individuals and for teams. A part of the remuneration of our managing directors and senior managers is determined by BP's HSE performance" (BP, 1996:5)

— "Accountability for managing our social and environmental impact is written into business managers individual contracts. These contain specific objectives and firm deadlines for delivery during the year' (BP, 2002a:20).
However, the exact way this works and a single answer concerning the exact formula for calculating remuneration in relation to environmental issues were not given in the interviews; some of the environmental aspects would be mandatory and, at the group level, the HSE VP would set the standard for remuneration after confirmation by his superior:

— "It goes all the way down to the lower levels."

— "The executive level apply that plus some extra and cascade it down, that way the group performance aspects form the back bone of the system."

— "It depends on the appropriateness of the targets for the individual"; "In the pure sense, possibly a small percentage but I think you have to look at the importance we place on operating within our policy framework."

Another interviewee added that the actual workings of remuneration require a lot of judgment: "If people are in line with the intent of the standards and achieve the targets, then we are comfortable. We tend to find occasionally that to achieve targets, some policies were sacrificed... so we try to discourage that by eliminating non-conformance in the standard area. But, if you look at the remuneration and the aspects of HSE and financial performance, it is an integrated package."

With regard to the consistency of the data, BP (1998b:2) that “HSE performance is measured with a range of parameters relevant to local risks and regulatory requirements, as well as metrics defined across the BP Amoco group to compare and benchmark performance.” However, it is unclear whether this is a change from previous measurement techniques. One of the interviewees explained that several boundaries are associated with data collection: events boundaries; continuous bases operational control boundaries; management control boundaries (they count 100%); equity share boundaries (count for their part), and the product side. He also underlined that the biggest impact lays in the products and not in the facilities.

In its first merger report (BPAmoco, 1998b:1), the company stated that aggregation of the data from Amoco and BP was impossible due to inconsistencies in definitions: within BP and Amoco more than 75 separate metrics were found, “many with slightly different definitions, a few exactly the same and others significantly different”. Aggregation of the data could therefore not be justified and harmonisation of data is on the agenda for 1999. One of the interviewees stated that the group has reporting guidelines that define what the 190 reporting units have to report; this process would have begun in 1991 and became more sophisticated over time. Data inconsistencies were ‘absolutely a problem’; but the misstatement is less than 5% by now [2003]. Further difficulty lay in the different attitudes companies had vis-à-vis environmental standards, and in the complications of ownership. As an interviewee stated: “Financial ownership versus the need to feel responsibility for the environment; dilemma to own the oil, but not the gas, but own the flare.” At least since 1992, Amoco used to apply the International Standard of Care (ISOC) which set minimum standards for seven categories (environment, risk management, product stewardship, occupational exposure, protective equipment, employee and vehicle safety). Environmental items in these categories were waste management, groundwater, spill prevention and response and product stewardship. Groundwater was programme guided, product stewardship is subject to performance requirement, and spill prevention and response were controlled by a combination. At least from 1995 onwards, additional environmental items with programme guidance were surface water and air quality (Amoco, 1995). According to Amoco, in many locations the standards were beyond regulatory compliance (Amoco, 1992).
In the style of reporting, the first post-merger year of 1999 represented a change. The company still reported on the items, previously selected by BP. However, it did no longer mention targets and referred the reader to a continuously updated report on its website for further information. In the 2000 report, BP reported on biodiversity for the first time, although it stated that it had worked on conservation for many years (BP, 2000). In 2001 and 2002, the attention for the issue was maintained (BP, 2001a; 2002a).

The reports for both 2001 and 2002 are interpreted as the result of a repositioning with an eye on stakeholder dialogue. In 2001, performance results were discussed in words only; without mentioning targets or comparisons. The intention seemed to be that the website should be visited to get those data. However, in 2002, comparisons on the basis of actual figures were shown again. In this report, BP acknowledged that its performance was criticised by both the media and socially responsible investors. Probably to show its awareness, the company summarised a list of achievements and challenges (BP, 2002b).

Monitoring and verification
According to interviewees, BP regularly updated the monitoring of projects through an internal website and had an overall review every six months of both policies and procedures. BP and Amoco each gave attention to HSE audits in their 1990 annual reports. A review of the monitoring procedures of the three companies resulted in the table below (Table 9-9). Amoco initiated a compliance review function in 1982 when it centralised its corporate environmental department. According to Hoffman (1997), the driving force behind that unit was the elevation of environmental responsibilities to upper management levels. In 1993, it was succeeded by the “Program and Process Review”. According to Hoffman (1997:102;129) “a more sophisticated and internally directed auditing effort” in which environmental considerations were part of a weighted risk factor. The change meant going from mere compliance to the management of issues.
### Table 9-9 BP’s audit system

<table>
<thead>
<tr>
<th></th>
<th>Amoco</th>
<th>ARCO</th>
<th>BP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>gramme</strong></td>
<td>cies and standards, management systems</td>
<td>‘when env. was a major risk’; in EMS, compliance audits but ‘it did not ma-</td>
<td>assessments (5)</td>
</tr>
<tr>
<td></td>
<td>- 1992: Programme reengineered to incorporate management system</td>
<td>ture enough to have a real pattern.’ (4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>approach to ensure continued improvement rather than point-in-time</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>problem solving</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Detailed written protocols and procedures to ensure compre-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>hensive and consistent reviews (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Application</strong></td>
<td>- 1992 Facilities are targeted for review on basis of their size,</td>
<td>No information</td>
<td>assurance Formal audits are carried</td>
</tr>
<tr>
<td></td>
<td>complexity and potential risk; since 1988 joint ventures and non-US</td>
<td></td>
<td>out regularly by internal and exter-</td>
</tr>
<tr>
<td></td>
<td>facilities included (1),</td>
<td></td>
<td>nal specialists (6)</td>
</tr>
<tr>
<td></td>
<td>- 1995 risk ranking system, higher ranked sites visited more</td>
<td></td>
<td>2001: assurance audits, busi-</td>
</tr>
<tr>
<td></td>
<td>frequently (2)</td>
<td></td>
<td>ness unit peer reviews &amp; annual</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>internal self-assessments and external</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>assessment every three years (7)</td>
</tr>
<tr>
<td><strong>Visits</strong></td>
<td>- 1992 Approximately 30 reviews each year (1); reports includes</td>
<td>Tried to make them every three years (4)</td>
<td>Assurance mgmt system periodic-</td>
</tr>
<tr>
<td></td>
<td>numbers on distributions among business units and on compliance</td>
<td></td>
<td>ally to provide a review of key internal</td>
</tr>
<tr>
<td></td>
<td>measures</td>
<td></td>
<td>controls</td>
</tr>
<tr>
<td></td>
<td>- 1995: between 20-30 assessments each year (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- 1997: nearly 20 assessments each year (3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Team</strong></td>
<td>- 1992 teams of 4-14 EHS profs. led by full time EHS auditors from</td>
<td>No information</td>
<td>No information</td>
</tr>
<tr>
<td></td>
<td>central staff plus independent team members from a pool of &gt; 200</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>specialists. Periodic training/courses for both internal and exter-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>nal specialists (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- 1995: up to 16 people per team (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Follow up</strong></td>
<td>- 1992 Reporting to mgmt responsible &amp; specified levels higher mgt</td>
<td>No information</td>
<td>No information</td>
</tr>
<tr>
<td></td>
<td>plus annual report to BoD (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External</strong></td>
<td>- 1995 gov. inspections by federal, state and local agencies; because</td>
<td>No information</td>
<td>Sept 1995 first audit by Her Maj-</td>
</tr>
<tr>
<td></td>
<td>of ISO for half of major operations (2) (number of citations also re-</td>
<td></td>
<td>esty’s Inspect-torate of Pollution at</td>
</tr>
<tr>
<td></td>
<td>ported in several reports)</td>
<td></td>
<td>Hull-site, BP major chem. plant (8).</td>
</tr>
</tbody>
</table>

Sources: (1) Amoco, 1992; (2) Amoco, 1995; (3) Amoco, 1997; (4) interviews with company representatives; (5) BP, 1996; (6) BPAmoco, 1998a; (7) BP, 2001a/b; (8) BP, 1995b.

For BP, the system developed from regular assurance provided to senior managers and the board of directors (BP, 1996) to a comprehensive system of internal control in 2001 (BP, 2001a). In 1998, BP (1998:2) stated:

— *Each business unit leader provides assurance to the group’s senior management that the HSE management systems are working effectively in his or her business unit. This is*
an ongoing process that involves conversations about HSE risk management, analysis of incidents that may have occurred, performance reporting and analysis of trends and discussion of audit results. The process is summarised by every business unit in an annual HSE report. These reports may also be subject to audit, through an internal HSE assurance audit system. BP Amoco’s board of directors, through its ethics and environment assurance committee, reviews the HSE management system in the organisation annually and receives assurance that the system is effective. The board has responsibility for the HSE policy which it reviews in the light of the assurance received."

The internal document “Getting HSE right, A guide for BP managers” referred to assurance audits, business unit peer reviews and annual internal self-assessments as well as external assessment every three years (BP, 2001b). But the document did not tell whether these actions were already happening in a mandatory fashion and/or need to be implemented in the future.

However, over the years, BP has verified its environmental reports. In the first issues, the recommendation of the verifying party focused on systems improvement and target setting; site visits were not made in 1994. In the verifications, the auditors emphasised that formal rules for verification are non-existent. The company gave extraordinary attention to internal compliance and included external sources, as a form of stakeholder dialogue. This last aspect possibly confirms BP’s struggle with monitoring of compliance and living up to expectations; the potential ambition for a higher performance cannot be read from the actual statement.

9.5 Conclusions

Because of the merger of three companies in two institutional environments, BP is a rather complicated case. In contrast to Shell, pre-merger BP did not experience a catalyst event. However, Amoco, one of the merging partners, encountered one in the late 1970s. This stimulated Amoco in its early action with regard to environmental issues. It issued an environmental policy as early as 1982, and, with the rise of societal concern and institutional demands, it continuously tried to show an active corporate posture to underline the sector’s capacity for self-regulation. ARCO, a much smaller company, did not aim at this kind of leadership, but successfully aimed for commercial gain by means of environmental innovation of its products. As an early reporter, BP also undertook environmental action rather early, a position it claimed was stimulated by its international experience in the US context. Over the years, BP started to show hesitation in its claim for environmental leadership, but with the merger, the company confirmed these intentions, especially by its position on the subject of climate change. However, the further contents of its environmental strategy remained somewhat non-transparent, although the development of its management systems and the trend for richer data in performance reporting did alleviate some of this perceived inadequacy.

The absence of a catalyst did not prevent BP from taking environmental action. Due to its presence in the American context, the company started early on with environmental management. In the late 1990s, the company saw an opportunity to profile itself on climate issues – this seemed to be stimulated by its high exposure in relation to its level of internationalisation. For Amoco, a combination of a catalyst event as well as this institutional driver is observed. ARCO approached environmental issues from a more technical, competitive advantage perspective. According to BP, its own highly decentralised struc-
ture demanded an independent and decentralised development of its system. But by 2002, the consistency of its environmental principles across specific structures of ownership had resulted in a wide variety of opinions, illustrating further complexity; the nature and frequency of the implementation of monitoring systems remained relatively non-transparent. Further, the effect of the merger is complicating the unification of approaches and its external exposure. In addition, the occurrence of discussions on BP’s operations in a wide variety of locations put BP’s reputation at stake. The question is not whether, but when one of these incidents will turn into a larger publicised event to really put the company on the environmental map.

In light of the above, BP’s environmental alignment can be characterised as somewhat imbalanced; it was considered liable to merger effects and less well-functioning public relations; these hinder the promulgation of a single, strong message. Figure 9-2 shows that the three companies had different starting positions. ARCO started on the crossroads of the figure: due to its competitive, technical focus, it combines an intermediate policy commitment and implementation approach. Amoco had a liability-driven active implementation with a high commitment, while pre-merger BP is positioned slightly under ARCO. However, post-merger BP is positioned in the fourth quadrant. Its order of alignment is characterised as ‘on the brink of second-order fit’. The company is not completely transparent; therefore, it cannot leave the first order of alignment, ‘simple consistency’ behind. An increase in transparency and a more clearly structured and expanded environmental strategy might help to solve this problem. However, the question even arises whether, in some instances, the first level of alignment is reached at all: the thunderbolt-sign in the figure indicates BP’s fragility in its operations. A multiplicity of examples of controversial operations and problems attached to them, e.g. the operations in Russia, stood out in the examination. With regard to the direction of the alignment relationship, BP presents a combination as well – this time as a result of its merger process: strategy execution with a cost focus for former ARCO; technology transformation for former Amoco; and potentially, competitive potential for BP itself, at least as far as its climate position is concerned.

Figure 9-2 BP’s position in the corporate greening model

Source: Adjusted from Winn and Angell, 2000. For Notes, see Chapter four, section 4.4.2.