U.S. to Demand BP Fund

Unusual Account Would Take Some Reimbursement Decisions From Oil Giant

The Obama administration, facing growing public anger over the Gulf of Mexico oil spill, plans to ask BP PLC to establish an independently administered fund for reimbursing victims—in effect, taking some of the compensation decisions out of the company's hands.

The calls came as BP said over the weekend it was now collecting about 15,000 barrels of oil a day at the site, due to a special cap installed over the leaking pipe. U.S. officials upped their leak estimate last week to as much as 40,000 barrels a day, although on Sunday, Coast Guard Admiral Thad Allen said they believe the leak was closer to 35,000 barrels a day.

White House officials on Sunday said they wanted BP to put "substantial" funds into an escrow account to cover claims by Gulf Coast businesses and residents affected by the spill.

President Barack Obama plans to bring up the idea at a White House meeting Wednesday with top BP executives, including Chairman Carl-Henric Svanberg.

The call was echoed by congressional leaders and state officials. In a June 10 letter to BP released on Sunday, Senate Ma-

By Amy Schatz

AND GUY CHAZAN

iority Leader Harry Reid (D., Nev.) and other Democrats asked BP to establish a $20 billion account, administered by an independent trustee, that would be used to pay the damages and clean-up costs associated with the spill. Florida Governor Charlie Crist and other officials in the Gulf Coast region joined the chorus.

It remained unclear how any such funds would be supervised, in particular who would oversee the compensation decisions. Administration officials on Sunday didn't comment on the size of the escrow account they will seek, or on where money might come from. Nor did officials detail the legal status of the proposal.

Such a fund would provide a measure of security, proponents argue, for people concerned BP might file for bankruptcy protection or otherwise stop paying.

Please turn to page A4

The Gulf Spill

- Biloxi's empty beaches... A4
- Trans-Alaska Pipeline's future is shaky... A4
- Inside BP's crisis center... A5
- Adm. Allen at the helm... A5
- Chevron calls moratorium on gulf drilling unnecessary... B1
U.S. to Demand BP Fund

Continued from Page One

claims at some point in the future. It also has the potential to give the government or its designers control of distributing a significant pool of relief money.

A BP spokesman said Sunday the company expects to discuss the escrow account proposal with President Obama on Wednesday. "We're preparing our response and we want to respond constructively," he said.

While not opposed to the idea of the fund, BP objects to the implication that if it isn't required to set money aside, it might try to avoid paying it in full, according to a person familiar with the company's position. BP insists it has the financial muscle to settle the final bill for the clean-up, as well as pay to its dividend.

Legal experts struggled to come up with a precedent for such a move. Examples of government-run funds exist, but they differ from the proposal facing BP.

In the early 1980s the government passed Superfund legislation that would create a fund to pay for the cleanup of hazardous waste dump sites.

Through the law, the Environmental Protection Agency can compel the polluter to clean up the site or pay for it through the Superfund and sue for reimbursement.

Around the same time, the first of about 40 trust funds were set up with court approval by Johns Manville Corp. and later other companies with asbestos liability to alleviate some of the problems of lengthy asbestos-related litigation. But their creation stemmed from bankruptcy proceedings for Johns Manville. The trusts now oversee about $20 billion in assets, a sum that has nearly tripled since 2005, consultants say.

Typically, corporations fund such victims accounts to settle class action lawsuits, although there have been a few examples of legislatively mandated funds such as the 9/11 victims fund, according to Howard Erica, a law professor at Fordham University. "If the idea is to get BP to do this voluntarily, the question is what's in it for them? Is there some liability protection in it for them?" Mr. Erica said.

Over the weekend, U.S. officials told BP to devise a more effective plan for containing the oil that has been gushing from its deepwater well since April 20. They also demanded the company put more ships and other resources in the Gulf in case of additional equipment failures.

BP said it would respond to the Coast Guard by the U.S.-set deadline to lay out a more-aggressive plan, but declined to comment further.

Last week, Mr. Obama suggested BP suspend its second-quarter dividend payout so the company could pay claims by Gulf Coast residents. Many Americans say the company shouldn't be rewarding shareholders while oil continues to spill into the Gulf and wash onto U.S. shores.

On Saturday, Mr. Obama spoke with British Prime Minister David Cameron during a 30-minute phone call that attempted to lessen tensions on both sides of the Atlantic over the oil leak.

BP has proposed installing new systems to collect more oil spilling from the site, however the most effective of those systems—which could collect an estimated 40,000 to 50,000 barrels a day—wouldn't be completed until mid-July.

The escrow-fund and other demands come as anger continues to grow in the U.S. over the failure by BP and U.S. officials alike to stop the leak, which has started to wash ashore, killing wildlife and threatening the livelihoods of residents in coastal states.

BP's directors were expected to discuss the idea of a clean-up fund in London at their weekly board meeting on Monday. It will be one of the options that they will be asked to look at ahead of the White House meeting. People familiar with BP said that the company understood any such account wouldn't include money originally earmarked for dividend payments.

Other options under consideration include cutting or deferring the company's second-quarter dividend, or paying it in scrip—a kind of I.O.U.—as a way of easing the pressure on the company from the Obama administration.

Last month, BP said it was appointing an independent mediator to review and assist with claims, a step which it says shows it understands the need for external oversight. "It's important that there's a set of rules that allow people to have confidence in the claims process," said a person familiar with the company.

In Alabama, frustration about cleanup and containment efforts mounted Sunday as oil washed up on stretches of white beaches for a second straight day and threatened inlets.

Authorities ramped up efforts to limit the damage but struggled in big tourist towns such as Orange Beach and Gulf Shores, where oil that was alternately thick and gooey or fine like ground-up coffee gathered in the surf and spread across the sand. "It's disgusting. They ought to have the military out here," said Becky Sutton, 63, an Orange Beach resident, as she stood on one beach that had turned brown at the water's edge.

Tourists typically spend more than $1.5 billion along the state's coast between Memorial Day and Labor Day.

Authorities said more than 1,900 workers were deployed to help clean up the state's beaches Sunday, up from about 1,200 a few days ago. BP is paying for the clean-up efforts through private contractors.

-Dionne Searcey, Andrew Morse, Mike Esterl and Perry Stein contributed to this article.