

**Opening Statement of Rep. Edward J. Markey
Natural Resources Full Committee Oversight Hearing
October 27, 2011**

The focus of today's hearing is to examine the compensation fund set up for the residents of the Gulf Coast who were harmed by the BP spill. However, before we address that question, I think it would be instructive to consider what doesn't work when it comes to compensating people affected by an oil spill.

In 1989, the Exxon Valdez ran aground in Prince William Sound off of Alaska. The ruptured, single-hull tanker belched up to 750,000 barrels of oil into the frigid waters, killing wildlife and harming the fishing industry.

For the citizens of Alaska who lived near the spill, the event itself was just the first part of an ongoing nightmare. Commercial fishing businesses shuttered. Recreation and tourism dollars were lost.

Exxon, meanwhile, immediately entered into a position of aggressive litigation, rather than financial mitigation for the people affected.

Exxon fought the initial \$5 billion judgment by Alaska's courts for years all the way to the United States Supreme Court. In 2008 – nearly two decades after the spill -- the Supreme Court finally held Exxon accountable for about \$500 million in punitive damages to the victims and an additional \$500 million of interest on those damages. The litigation went on for so long that nearly twenty percent of the 32,000 victims seeking compensation had passed away before that final ruling against Exxon.

And to top it all off, the first credit default swap ever created stemmed out of the Exxon Valdez spill. JP Morgan Chase bankers created the now-infamous financial mechanism to hedge their own liability after staking nearly \$5 billion in credit to Exxon to cover the company's potential payouts. Subsequent credit default swaps went on to play a critical role in igniting the financial crisis of 2008.

Now, let's take a look at the BP compensation fund.

Within two months of the start of the spill, President Obama secured a commitment from BP to set aside \$20 billion to begin immediately compensating the American people and businesses affected by the spill.

Ken Feinberg, who managed the victim funds following the 9-11 attacks and the Virginia Tech shootings, was asked to take charge of the fund. He was given complete independence to run it.

By late August of last year, Mr. Feinberg and his team were accepting claims, and soon paying for lost wages and other economic impacts.

Through this fund, people were compensated in timeframes closer to days rather than decades.

The Exxon Valdez led to the invention of the credit default swap. But it is Ken Feinberg who should be given due credit for the work he has done with compensating the victims of the BP spill.

After all, there were some who said last year that the creation of this fund amounted to “Chicago-style shakedown politics.”

But at a pivotal time in our nation’s history, when an oil rig sank to the bottom of the ocean, and oil washed up on our shores, this fund kept families and businesses afloat.

More than 200,000 residents and businesses have been paid roughly \$5.5 billion dollars thus far. Thousands of new claims are still coming in every week as people see their neighbors being made whole. I have been quite critical of BP for many things associated with this spill, but here I believe the company did the right thing.

Finally, I’d like to thank the Chairman for promptly scheduling the additional day of testimony that I and my fellow Democratic Members on the committee requested on the BP spill and the government’s Joint Investigative Team report. The Minority has requested that the Committee invite the CEOs of the companies involved in the Deepwater Horizon disaster -- BP, Halliburton, Transocean and Cameron. It is imperative that we receive testimony from the top executives at these companies as this Committee evaluates the findings and recommendations in the government’s report. I look forward to working with you, Mr. Chairman, to ensure that this Committee can hear this important testimony from these witnesses.

And with that, I yield back.