CHAPTER 6

BP (1903): THE FIRST EXPLOITATION COMPANY

Oil is the trouble, of course. Detestable stuff!

Gertrude Bell, Baghdad, 1921

For the British oil was a long-distance industry which acquired from the beginning an association with national survival and diplomacy, and oil soon seemed part of the empire itself . . . The companies seemed possessed of a special mystique, both to the producing and consuming countries. Their supranational expertise was beyond the ability of national governments. Their incomes were greater than those of most countries where they operated, their fleets of tankers had more tonnage than any navy, they owned and administered whole cities in the desert. In dealing with oil they were virtually self-sufficient, invulnerable to the laws of supply and demand, and to the vagaries of the stock markets, controlling all the functions of their business and selling oil from one subsidiary to another.

Anthony Sampson, The Seven Sisters, 1975

The meek shall inherit the earth, but not its mineral rights.

J. Paul Getty, oil baron

Cash, conflict and climate change

In their beginning was our end. Oil barrels transported by plodding horse and cart. Homes filled with sickly, sweet
smoke from the kerosene used for heating and lighting. It takes an effort of imagination to visualize the world in which the oil industry emerged.

Yet, from this lumbering, dirty beginning, oil came to provide the modern world with the equivalent in energy of the work of 22 billion slaves.¹ The global economy is now said to be ‘drunk on oil’, just as a consensus is growing that a peak and decline in its global production is imminent.

From transport to agriculture and even your toothbrush, almost everything you use or touch during the day somehow or other depends on it. Talk of intoxication could not be more appropriate as the world now contemplates the serious effect of withdrawal. Climate change and the peak and long-term decline of oil production are challenging our hydrocarbon addiction. There is, of course, another more attractive reason why people talk of being drunk on the stuff. The way oil is measured by the ‘barrel’ stems from the earliest days of the industry, when it was collected in old whisky barrels.

The firm that was to become BP was a relatively late starter. By the time it got going, the industry in the USA had already undergone one lifecycle. America had nearly a half-share of global oil production, and one company, Standard Oil, controlled 85 per cent of that before it was broken up in a wave of anti-trust regulation in 1911. Some Russian oilfields, such as the one in Baku (in Azerbaijan), had already peaked by 1901 and were declining.

BP began as ‘simply a personal initiative for profit’. It was the project of William Knox D’Arcy, a man who made a vast fortune from financing the Mount Morgan gold-mining company in Australia.² Any visitor who had the misfortune to stumble across Mount Morgan towards the end of the nineteenth century would see that it was a fortune built on the foundations of pollution, devastated
landscape, disease, appalling working conditions and the dispossession of Aboriginal people.³

None of which, of course, disturbed the self-confident and satisfied demeanour of D’Arcy.

After leaving Australia and returning to England in 1889, D’Arcy remained chairman of the mining company’s board. By 1900, he had a home in Grosvenor Square, a country mansion, wallpaper designed by the socialist craftsman and writer William Morris (wealthy clients were an irony that often stalked Morris’ politics), a shooting retreat and, according even to BP’s own historical account, ‘led the self-indulgent life of a rich gentleman’.⁴ Yes, D’Arcy was wealthy, but not, he thought, wealthy enough. He wanted more, and oil was the big new thing.

He heard about the potential for oil discoveries in Persia through a chain of establishment contacts. These led him to Britain’s former Persian minister, who helped with local introductions. D’Arcy then sent Alfred Marriott, the young cousin of one of his financial advisors, to Persia to negotiate on his behalf. In 1901, within five weeks of Marriott arriving, D’Arcy had a deal to speculate for oil.

Many of the profound future faultlines in the geopolitics of oil were already visible in this original deal. First, D’Arcy overcame complaints and competition surrounding his negotiations by promising ‘generous investment’ in Persia, a promise which never materialized. Second, the deal was arranged only after he also provided a substantial slush fund to his Persian contact and fixer, General Antoine Kitagbi, to cover his own ‘expenses’ and to use for bribing officials.⁵

The ‘First Exploitation Company’

On 28 May 1901, D’Arcy began several years of nervous,
hopeful expectation for his geological gamble to pay off. His close companions during the wait were his substantial but gradually ebbing wealth, and his own greed.

Mozaffar ad-Din Shah Qajar, the Shah of the Persian Empire, had given him ‘a special and exclusive privilege to search for, obtain, exploit, develop, render suitable for trade, carry away and sell natural gas, petroleum, asphalt and ozokerite’. More generous still, this ‘privilege’, which in the world of mining is called a ‘concession’, had been given for a period of sixty years and covered almost the whole of Persia, all except for a few northern provinces. In the event, it was to last until 1932.

The cost to wealthy William for these handsome terms was a £20,000 down-payment (between £2 million and £15 million in current values, depending on the method of calculation) and the same again worth of shares. Just 16 per cent of net profits were to go to the Persian government. The actual method for calculating this already low figure would prove to be a future source of friction.

These were not the only seeds of later Middle Eastern upheaval to be planted in the name of oil in the early years of the twentieth century. In 1917, for example, during the First World War, Britain captured territory in Mesopotamia (see below), redrew some boundaries and created Iraq. When the British government then oversaw contracts to explore for and extract oil, not only were the terms once again favourable to the oil companies, but the concessions were to last until the year 2000.

From the outset, D’Arcy’s terms did not receive general approval. Before he promised money to lever open the nation’s natural wealth, Persia had been on the receiving
end of numerous concessions bought by colonial powers. One after another, French, Belgian, Russian and Austrian deals, to develop everything from transport infrastructure to factories and public utilities, failed to bring benefits. Many Persians were understandably suspicious.

It was even worse at the local level. When George Reynolds, a self-taught geologist appointed by D’Arcy, arrived in Chiah Surkh to begin prospecting, he found that the local landowners, no respecters of the Shah or the remote elite of the government, had no idea that their mineral rights as local landowners, at least in the eyes of the company and government, were non-existent. They demanded what to them must have seemed quite legitimate additional payments. The Shah had, in any case, as yet received none of the promised initial payment from D’Arcy. This was to be delivered only when a company was formed to exploit a successful discovery. Shortly before the deadline to pay the Shah or see the deal expire, positive indications of oil finally led D’Arcy to form a business. It began life in 1903, and he gave it the remarkably honest title of the First Exploitation Company.

Anthony Sampson, chronicler of the oil industry at the peak of its monopolistic, global influence, describes Reynolds as among a tiny handful of the ‘great pioneers of oil’. He was a ‘tough loner’, awkward, touchy and had a problem with authority. Reynolds’ team were mostly European and Canadian. The only Persian nationals were mercenaries hired to keep disgruntled local people away.

From the beginning, company workers were said to have an ‘enclave mentality’. They lived in surroundings from which Persians themselves were excluded. That, and the involvement of the British government, meant that the ‘activities of the company were frequently suspected by the Persians’.
The problem of the company’s attitude and management approach endured. In the early 1920s, by which time it had become known as the Anglo-Persian Oil Company (APOC), it attempted to squeeze more production from the Persian oilfields and pushed its refinery at Abadan too hard. This led to strikes over pay and conditions by the local and migrant workforce, and to a crippling fire that slashed production.

On this occasion, as on many others, the British government, courtesy of the British taxpayer, supported the company. Although the public held no shares in the company until 1922, by then the fate of the company had already become enmeshed in issues of conflict and national security for reasons rooted in a power struggle within the Royal Navy in the run-up to the First World War.

A wave of oil

D’Arcy’s money had found oil. Now he had to find a market for it and that brought an unexpected obstacle. At the time, one of the most common uses for oil was to refine kerosene for heating homes and buildings. But Persian oil, it turned out, had a strong smell of sulphur that could not be removed by refining. Where could D’Arcy find a client for his smelly oil?

BP’s great European competitor was founded by Marcus Samuel, the son of a trader who dealt in handcrafted shell gifts. He was aided by financial backing from the Rothschild banking family. He was zealous to compete with the mighty Standard Oil, and so developed the first ships considered safe enough to take the ocean shortcut from the east, passing through the relatively new Suez Canal.

The first ship in 1892 was called the Murex (a type of shell) and was followed by the Conch and the Clam.
before D’Arcy came on the scene, Samuel lobbied Winston Churchill to persuade the navy to switch to fuel oil which, he argued, provided a military advantage, needing less storage space, and which delivered faster ships with better acceleration.

Naval interest in using fuel oil rather than coal had dimmed as Europe’s imperial powers, Britain and Germany in particular, jockeyed for position in the first decade of the twentieth century. But that was set to change. The future of the navy played a huge role in the unconcealed imperial arms race with Germany. Churchill, who had become convinced by Samuel’s arguments, said that oil gave ‘more intense forms of war power’. The threat of German armament, and a joint lobby from Churchill and Admiral Sir John Fisher, triumphed over institutional resistance to change. In 1912 the naval hierarchies were won over to the new fuel source. However, the switch to oil was set to make British security reliant on guaranteeing foreign oil supplies. (Something that is true today because, since 2004, Britain is once again incapable of meeting its energy needs domestically following the decline of North Sea oil – a story we will come to later.)

Before then, the future of Anglo-Persian had been far from certain. It was small, lacked markets and faced bigger, more established competition. The other potential supplier of fuel oil to British ships was Royal Dutch Shell, the company with whom BP (as it would become known) would be locked in a strange combination of fighting and dancing for much of the century. Royal Dutch Shell, some twenty years earlier, had begun the lobby for the British Navy to turn to oil.

Anglo-Persian’s managing director, Charles Greenway, adroitly used the security threat of Shell, as a ‘foreign company’, to push for state backing for his company. He
lobbied the government for financial support in the same year, 1912, that the navy switched to oil. He played the card of ‘strategic interests’ and got his way. Churchill, in the Admiralty, decided he could not ‘be sure of Shell’. An agreement was made guaranteeing that if oil-powered naval vessels were built, D’Arcy’s company would meet around 40 per cent of the ships’ fuel needs.

Rather than just striking a deal with Anglo-Persian, however, Churchill concluded that we ‘must become the owners, or at any rate the controllers, at the source of at least a proportion of the supply of natural oil which we require’. The government subsequently bought 51 per cent of the company in 1913 and determined that it, and its directors, should remain British. Two directors with the right of veto were directly appointed by government.10

Revving ever louder at the heart of the brewing conflict with Germany was the increasingly popular internal combustion engine. The industries of all the key combatant countries were redirected from peacetime production to the manufacture of tanks, armoured personnel and military vehicles, and the new terror from the skies – the aeroplane. In Britain, one of the other eminent corporations, Rover, was just one of many to develop new factories and retool existing ones to supply the war. From having just 250 planes in 1915, by the end of the war British factories had made 55,000.

Switching the British fleet’s fuel source proved a great success. Oil was easier to use and more efficient. It led to one of the war’s most famous statements when Lord Curzon quipped that ‘The allied cause had floated to victory on a wave of oil.’ But it was a victory for the company too. Both it and the government had reason to be pleased with their relationship.

Britain gained further advantage when, instead of
capturing new oilfields for itself, in late 1918 it sabotaged oilfields in Romania that Germany, running desperately short of fuel, was relying upon. Hence, while oil literally fuelled the unimaginable destruction of the First World War, its lack of availability to Germany may have finally helped to bring the deadlocked conflict to an end.

By the end of the First World War, the company had supplied the military with 7 million barrels of fuel oil and the navy was buying 500,000 tonnes a year for its fleet. The war depended on the supply of oil, and Anglo-Persian may not have survived to become BP without the conflict. Supplying the navy was, even according to the official history, a ‘crucial factor in the survival of the Company’. Without it, Anglo-Persian could easily have been absorbed by Royal Dutch Shell before it was fully weaned as a major corporation.

Oil not only fuelled and spread the war over a greater area, and into the skies, it also introduced new targets with lasting significance for the modern world.

It was not a happy accident in 1917 that left Britain in control of Mesopotamian territory. It was design. The draw was, in fact, the area’s oil-producing potential. Britain made the hostile capture and occupation of Baghdad a military objective, and blasted control of the city from the Turkish army. This was also an effective means of placing any potential supplies beyond the reach of the German military, on whose side Turkey fought. When Britain ran short of oil it had, up until then, needed to turn to the USA.

Britain’s national interest soon became Anglo-Persian’s profit. It took several years to negotiate, but by 1925 the company had nearly a 50 per cent stake in a joint venture whose concession covered most of what was by then Iraq, organized under the umbrella of the Turkish Petroleum
Company. Later, after the 1928 Red Line Agreement, pressure from the USA reduced the company’s share in the concession by half, but still left it with the rights to a quarter of Iraq’s oil, which was a quarter more than that enjoyed by the people of Iraq.

It is striking how place names recur in modern conflicts. Nearly a century on, the same names walk off the page like the solemn chant of a war report on the television news: Baghdad, Basra, Kirkuk . . . Not only was the war the making of Anglo-Persian, it also, half accidentally, provided its future public identity.

Up until the war, there were two dominant petrol distributors in the UK. One was the British subsidiary of Standard Oil, the other owned by the German Europäische Petroleum-Union. During the war the latter, along with many other German-owned businesses, was expropriated by the government. In 1914, it had a staff of 3,000 people and over one-third of the UK market. This gave Charles Greenway a unique opportunity to acquire a ready-made distribution company.

The German company that Greenway bought had been called British Petroleum to market itself to the British population. The purchase was one step towards his plan to build a fully self-contained corporation, ‘engaged in every sector of the oil industry from the wellhead to the consumer’. The company now had captive production and a guaranteed market with military protection and military clients.

Greenway went on to be chairman of the company for thirteen years. Conservative and stuffy, he needed to be nothing else according to Anthony Sampson. Greenway was satirized in Upton Sinclair’s novel *Oil* (1927) as the character, ‘Old Spats and Monocle’. Deservedly, it would seem. Much later, in 1930, when Baron Greenway was seventy-four and in the more symbolic role of president, he
said that BP’s achievement as a growing company had not ‘been equalled by any other concern in the history of the world’. It was a style of self-effacing humility that became typical of the company.

At that time, history did seem to be moving in the company’s direction. BP’s growth was shadowed by rising demand for the vehicles which needed its petrol products. As Chapter 5 on Rover shows, the mass market for cars was exploding, largely metaphorically. Improvements in engine design were, in fact, dramatically improving the performance of cars, but in doing so, higher-octane, and literally more explosive, fuel was called for.

In 1931, the company was able to advertise that the petrol it was selling in the UK called ‘BP Plus’ (using the brand acquired in 1914 from the German company) contained ‘a little something others haven’t got’. Putting the chemical \((\text{CH}_3\text{CH}_2)_4\text{Pb}\) into their petrol must have seemed like a good idea at the time. BP cannot have envisaged that, decades later, campaigners would work tirelessly to have what was a toxic lead compound removed from petrol. Back then, the company was so proud that it even renamed the product ‘BP Ethyl’ to make the content, tetraethyl lead, more obvious.

However, within three years of Greenway’s boast, the company was thrown into upheaval. Economic depression following the Wall Street crash of 1929 would see the company’s profits cut in half. In response, the company’s payments to its Persian hosts were slashed. In Tehran, the new shah Reza Shah Pahlavi responded by tearing up the company’s production agreement.

Mistrust dating back to their earliest dealings haunted negotiations. A few years earlier the Persian government had discovered that it was being underpaid royalties as a result of some creative accounting by the company. Before
that, it had been asked to agree to new terms that would have reduced its oil income to less than a third of its previous level.

Persia changed its name to Iran in 1935. Following suit, the company became Anglo-Iranian, although its future looked very shaky by then. But war had made the company and soon it was to save them again.

The second wave

In the two decades after the end of the First World War, the massively increased mechanization of conflict would make oil even more vital in the Second World War. The company’s strategic importance was similarly raised as it became central to the logistics of the war effort. Sometimes its role was straightforward and sometimes less so.

It helped, for example, in the development of high-octane aircraft fuel. Technically difficult, it had to work out how to refine Iran’s typically heavy crude oil. But, by the end of the war and after a major refit, the company’s Iranian refinery at Abadan was producing 20,000 barrels a day. Even American planes were flying on the company’s fuel. Production from small facilities in Britain also increased four-fold compared to pre-war levels.

Company staff worked closely with the Petroleum War Department. Some were seconded to the mundane tasks of making petrol cans and running storage depots, but others got to work on projects with intriguing canine code words. There was, for example, PLUTO – the ‘pipeline under the ocean’, a supply line to France designed to support the invasion in 1944, involving Marks & Spencer clan, Simon Marks. Then there was FIDO – ‘Fog Investigation Dispersal Operations’, which involved working out how to clear airfields.
Over the course of the war, the company saw forty-four of its tankers sunk, nearly half of the fleet, but profits soared too, from £7.4 million in 1939 to £23.4 million in 1945. To prevent war profiteering, however, the government introduced a special tax on excess profits that removed any surplus relative to 1939 levels.

Both official and company relations with Iran were, as ever, complex. The country declared itself neutral in the conflict, but its interests were entangled with the progress of war. Because domestic consumption in Britain plummeted due to the wartime fuel conservation measures, and shipping was a much more precarious activity, royalty payments from the company fell. To ease the important strategic relationship, the British government agreed to pay Iran compensation.

The British then went a considerable step further. In 1942, the Allies invaded Iran to pre-empt and ward off any similar invasion by Germany. Iraq had been reoccupied for the same reason in 1941.

One other key development during this period was the massive growth of petroleum production in Kuwait and Saudi Arabia in 1938. Also, in 1942, the Allies ended Italy’s thirty-year rule of Libya. And, being on the winning side did, of course, help the company’s prospects.

Anglo-Iranian successfully spread itself across a shattered Europe now busily rebuilding itself. Perhaps this is an historical example of what the author Naomi Klein refers to as the ‘shock doctrine’ in her 2007 book of that name: the process by which capitalist enterprise profits and grows from disasters. The company invested in refineries in France, Germany and Italy. The sale of its products grew from Switzerland to Greece, Scandinavia and New Zealand.

After the war, Saudi oil became strategically important in the implementation of the Marshall Plan to rebuild
Europe. But in 1948, the Red Line Agreement governing exploration in the Middle East, in place since 1927, began to break down. The companies that grouped together in the new, emerging regime became known as the ‘Seven Sisters’. Close collusion between the major oil companies has been a consistent feature of their history. BP and Shell, for example, shared a joint petrol marketing operation in the UK between 1932 and 1976. But this was an unprecedentedly powerful group comprising Standard Oil, BP, Shell, Socony, Texaco, Socal and Gulf.

Then, just as power and control seemed to have settled into the cosy, shared laps of the Seven Sisters, trouble was brewing. In the years since the Red Line Agreement, the global economy had become dramatically more oil-addicted. Rather than the possession of oil being a geological curiosity that foreigners were welcome to sweat to extract, finding land marked with the tell-tale ‘burning pillars’ was like stumbling across a river bed scattered with gold.

Then, as now, Venezuela put the spark into the politics of oil. The original concessions enjoyed by the Sisters were negotiated to give outrageously one-sided benefits to the companies. But in 1948, the same year that the Red Line Agreement broke down, Venezuela set a precedent. The new split for companies benefiting from its natural resources was not going to be 16:84 in favour of the company, it was going to be 50:50. Faced with full-scale expropriation if they did not agree, the companies went along with it.

From the point of view of other producing countries, Venezuela’s action delivered the ‘threat of a good example’. The next year, Saudi Arabia wanted the same deal; Kuwait, which had been providing BP with oil since 1938 and Iraq since the decade before, soon followed.
This was when Anglo-Iranian – still puffed up with colonial arrogance – made a nearly fatal error. The Iranian government saw no reason why it should not also receive a 50:50 deal, but the company, under William Fraser, rebuffed it. Fraser was later described by government minister Kenneth Younger as a man of ‘thoroughly second-rate intelligence and personality’. Fraser’s insensitivity to the politics of the region had, he wrote, ‘all the contempt of a Glasgow accountant for anything which cannot be shown on a balance sheet’. Britain’s pretensions to continued imperial power, supported by its infamously serpentine diplomacy, were weakening. It was the beginning of decades of decolonization.

Trouble for Britain in the Middle East meant trouble for the company, too. It came in the form of the son of a rich Iranian land-owning family who became chairman of a government committee set up to assess oil policy. Mohammad Mossadegh was colourful, some thought bizarre, too openly emotional for British tastes and, as a result, he was seriously underestimated.¹⁴ His committee concluded that BP’s concession failed to protect Iran’s interests. Saudi Arabia’s 50:50 deal with Aramco gave a background of inescapable provocation, something Fraser failed either to understand or act upon.

General Haj Ali Razmara, Iran’s prime minister at the time, had been negotiating new terms with Anglo-Iranian, but the so-called Supplemental Oil Agreement offered by the company fell short of what many nationalists wanted: something at least as good as the Saudi deal, or full repudiation of the concession.

Mossadegh publicly called for nationalization of the industry in February 1951. The following month, Razmara,
who had been prime minister for less than a year, was assassinated. Within weeks, the parliament voted to expropriate the company’s assets. And, after a brief, conciliatory attempt by the Shah to appoint a different prime minister, in April Mossadegh became prime minister himself. The speed of the turnaround in the company’s fortunes was bewildering. But, more than that, it suggested that Britain’s authority in the world could evaporate just as quickly.

Anthony Sampson points out the awkward predicament the Labour government found itself in. Britain had itself just nationalized a swathe of industries. Why shouldn’t another sovereign nation do the same? How far would the country go in the name of one of its eminent corporations? In another echo of more recent geopolitical events, part of the problem had been bad intelligence. The government was dependent on the company, but under Fraser it did not see the problem coming. Even when it did, the flow of information about events was poor.

The belligerence of Fraser infected the foreign secretary, Herbert Morrison. Sabres were rattled and warships patrolled. But there were also voices of caution, such as that of Lord Mountbatten who oversaw the end of empire in India. A different strategy to military intervention emerged.

With the support of the other six Sisters, Anglo-Iranian managed to stage a boycott against Iranian oil. Of course, it also had Britain’s imperial might behind it, too. Not every corporation can call directly on a state’s military aircraft to scare away threats to its economic interests. On one occasion, the Rose Mary, a tanker sailing under Panama’s flag, did take on oil from the Abadan refinery, but it was intercepted by planes from the RAF, forced into a British-controlled harbour in Aden and its cargo taken.

In circumstances that were later to repeat themselves, what saved the company was the lack of a unified regional
stance towards the oil companies and the fact that there were so-called ‘swing producers’. That is to say that if, for whatever reason, production by one important producer was cut off, there was another to turn to. The company poured money into expanding production in countries such as Kuwait. At a time of plenty of global capacity, Iran found that the world could turn its back on it with relative impunity.

Two years passed, Mossadegh was still in power, but international isolation was breeding internal instability. In the meantime, Anglo-Iranian had been renamed as the British Petroleum Company. Mossadegh wrote to the US president complaining that ‘his country was being ruined by the political intrigue of the British government and BP’.

From the beginning of the crisis, the question of direct military intervention had been open for many in the British establishment, as had the idea of sponsoring a coup. But in the end, Britain preferred to get someone else to do its dirty work. While Mossadegh pleaded in one American ear, the British whispered in the other. Some in Britain found the whole business distasteful.

The government demurred from anything other than perpetuating the boycott, hoping that internal forces would correct the situation in its favour. Then a dark twist of historical unity intervened. In April 1953, Anthony Eden, the foreign secretary who refused to instigate a coup, fell ill. His position was taken over by the man that the company owed its very existence to, the prime minister, Winston Churchill. His period of office, though brief, was long enough to approve a CIA-organized and -funded coup in Iran.

It was overseen by an American CIA operative with the exotic and unlikely name of Kermit Roosevelt, Jr, the grandson of Theodore Roosevelt. His parents were not
to know, of course, that the age of television would later make his first name famous not for deeds of international subterfuge, but for a green hand puppet, shaped like a frog.

In over 1,700 pages of the official BP company history, the coup itself, on which turned the company’s fortunes, is described in just two sentences. One of them merely mentions that the events can be read about elsewhere. It is as if there is something tasteless, unnecessary, un-British even, in dwelling upon the ultimate, brutal means by which business objectives are met.

A different, earlier history of the company, published in 1959 and written more in the style of a *Boy’s Own* adventure, is more direct. The title of a chapter describing the events – ‘Honour is Served’ – neatly summarizes the British view of the outcome. Mossadegh’s assessment of what the company had done in Persia is there, too. Shortly before being deposed he said it was ‘sheer looting, not business’.

Seeking to rebuild relations with Iran in the aftermath, the British government again found the delicate diplomatic skills of BP’s head, Sir William Fraser, in its way. Fraser wanted to be in charge of negotiations, but government cabinet member Harold Macmillan thought it would be a disaster, suggesting instead that Fraser be kicked upstairs. ‘Why don’t we make him a peer and be done with him?’ said Macmillan. The company was, in general, being treated more warily by the government.

The western powers’ successful coup in Iran had wider ramifications. The CIA was thought to be so emboldened by its Iranian success that it gave it the confidence to undermine and overthrow many more foreign powers. Over coming decades, from Central America and the Caribbean, to Africa and Asia, governments that were not aligned with American interests would feel the CIA’s breath, hot with Middle Eastern triumph, heavy on their necks.
the hot breath shortly preceded a blade slipped between their ribs or their car mysteriously exploding.

Neither the British, nor the Americans of course, were to get things entirely their own way. On the contrary, the foundations of division and mistrust had been laid strongly enough to last for generations. During the coup, the Shah had fled the country, returning only when western cash and agents had removed the prime minister he hated. For this, he would remain tainted in the eyes of many in the region and, ultimately, be consigned to die in exile after being deposed.

BP faced repercussions too. Even bluff Sir William Fraser saw that, in the face of local resentment, BP would not be able to keep exclusive rights over Iranian oil. Britain could no longer engineer the appropriate regional security to continue its operations without American support. The result, though, was also to make BP broaden the horizons of its own corporate ambitions. Seeing assets that it considered its own suddenly appropriated was a shock. Diversifying supply would now become its key goal. The brutal economics of oil would be brought to more parts of the world to shore up BP’s corporate security.

Some problems were still decades away, but another was just around the corner. It would be judged by history as the last serious attempt by Britain to express itself as a genuine colonial power. The judgement passed would be one of failure and humiliation. It involved the chief artery of the global oil industry, the Suez Canal.

‘You had it, Madam’

For Britain, the Suez Canal crisis would be a perfect example of emergent consequences. It was a reminder about
why you should be careful about what you wish for, in case it comes to pass.

In the midst of Iran’s turmoil, a pan-Arab revolutionary rose, Gamal Abdel Nasser. In 1952, Nasser was part of a revolt that deposed Egypt’s constitutional monarchy and established a republic. Before long, he would become the country’s president. Nasser understood that Egypt’s lack of actual oil reserves was heavily compensated for by the strategic importance of the Suez Canal, which lay in Egyptian territory. For Britain, the canal was symbolic.

The canal had been an economic and military artery to the British Empire’s eastern colonies for decades. To the chagrin of the British, it had been built by a private French company. However, Britain had gained a large, minority stake in the canal six years after its 1869 opening, when Egypt’s ruler was insolvent and sold his shares. Queen Victoria was given the good news by the prime minister, Benjamin Disraeli, in a short note that announced: ‘You have it, Madam.’19 By the 1950s India was newly free of its colonial yoke, but the Suez Canal still carried an air of unrelinquished imperial identity. Even more, though, access to oil had replaced the administrative concerns of formal empire as a focus for Britain’s interest in the region.

Two-thirds of Europe’s oil came through the canal by 1955 and two-thirds of all the shipping passing through was carrying petroleum.20 Empires and monarchs had fallen, but something new, valuable, dark and liquid was on the throne.

Nasser might have been a full-blown revolutionary, inspired by Mossadegh and with a vision for an Arab renaissance, but he was also mindful of what had happened to Mossadegh. Furthermore, he was an astute, populist politician and a diplomat. Britain had a major military presence in Suez, but as part of a regional political realignment it
had agreed to a managed withdrawal. Nasser knew he had to stand up to the British enough to pursue his pan-Arab agenda and draw popular support, but not so much that it provoked a combined hostile response from Britain, France and the USA.

Working in his favour was the fact that both the old and new world powers he had to face were not of one mind. Even the chairman of the Suez Canal Company conceded that the Americans thought the current arrangement carried a musty, nineteenth-century odour that still drifted through the open shutters of a fading colonial period. Foreign control of the Suez Canal was a symbolic affront to Nasser’s Egypt. The economics of the canal also echoed the unbalanced concessions of the oil companies. Shareholders in Britain enjoyed the lion’s share of the earnings from the tolls paid to use the canal.

The original sin of the unbalanced Persian concession came back to haunt the British. When they argued that the canal was a vital part of their regional oil complex, Nasser pointed out that while it was now common practice for oil-producing countries to get half of the profits from their oil, Egypt got nothing like that from the tolls paid in the canal.

However, instead of better terms for the use of its sovereign land, Egypt was fobbed off with a World Bank loan to build a dam at Aswan. Even then, Cold War politics intervened. Nasser sought to capitalize on emerging superpower rivalries and bought arms from the Warsaw Pact countries. The result was an American backlash that saw the dam loan cancelled.

On 26 July 1956, Nasser gave a speech that referred repeatedly, and not in friendly terms, to the original French builder of the canal, Ferdinand de Lesseps. Like a trick lifted from an implausible spy novel, the name was
the codeword for his army to take control of the canal. Syria also cut the oil pipeline that ran from Iraq to the Mediterranean. Ships would now have to travel thousands of miles further to reach Europe. In four months, BP’s homebound supplies dropped by 140 million barrels.21

Britain and France were incandescent. They strained at the leash of their relationship with the USA for a military response, but America did not want a destabilizing war. There was a domestic election looming and President Dwight D. Eisenhower was running for re-election as an international peacemaker. Both Britain and France overlooked or misunderstood the circumstances and position of their key ally.

Britain’s logistical skill in organizing a hostile response was soon to look as amateurish as its attempts at diplomatic sophistry. It was determined to use force to keep control of its regional oil interests, but found itself suddenly short of transport for its troops and tanks.

Moving house in the 1970s, you may well have relied on a Pickfords removal van. Friendly staff would let a family’s children sit in the front in the van, as exciting to them as being allowed into a pilot’s cabin. Tremendous fun for a child, perhaps, and the epitome of the rhythm of English suburban life. It should have rung a warning when, desperate to move tanks to the region to prepare for a hostile assault on a foreign country, the army had to ring up Pickfords and ask for help. If that was not bad enough, it also had to requisition tourist ocean liners at the height of the holiday season to move troops.22

An account of the Suez crisis by Hugh Thomas puts the rather desperate fumbling into context: ‘Ever since Churchill converted the Navy to the use of oil, British politicians have seemed to have had a feeling about oil supplies comparable to the fear of castration.’23
There is an inverse political correctness in the scorn poured on conspiracy theories. But here was a text-book example, recorded in some detail for history. Together the British and French persuaded Israel to play a round of the great game. Israel was to begin a war of aggression by invading Sinai. The benefits to Israel were the strengthening of one of its borders and the chance to destabilize Egypt, considered an enemy and a hostile state. Then, playing innocent, Britain and France would intervene as ‘peacemakers’, separating the warring parties, and take control of the canal to protect vital infrastructure from a conflict that could overflow. It was a drama of supreme self-delusion of the type excelled at by empires in their dotage. To think either that this version of events would be accepted as true, or that it would be tolerated by the USA and the rest of the international community, was implausible. Of course, blinded by fear for their shrinking colonial cojones, they went ahead. The rest is a well-trodden history of national humiliation for Britain and the destruction of political careers.

The ripples from the stone dropped by Mossadegh in the great pond of oil that Britain considered its own continued to radiate outwards. The Hashemite king in Iraq owed his throne to the British who had installed him but, inspired by Nasser, members of the Iraqi army turned against him. A swathe of the royal family was executed in the 1958 revolution, and the prime minister, whose sentiments were also pro-western, was hanged. In place of the compromised monarchy, an unstable republic was created.

Iraq Petroleum was the composite company that had been born out of the Red Line Agreement. BP was a senior partner and it comprised most of the other oil majors in the region. The crucial exception, of course, was Iraq itself, which the companies had conspired to exclude from
a share of ownership. In tune with the times, the new government now agitated for a better deal. In spite of the violent upheaval, the events ‘passed all but unmentioned in the annual statement to shareholders’.24 Sooner or later, the attitude of BP and its sister companies was bound to lead to a more organized reaction.

In 1959, BP ‘unilaterally’ cut the price of oil by 10 per cent and seriously upset the exporting countries which were seeking, and beginning to expect, improved terms. Following similar action by Standard Oil, it set in train moves that would lead to the formation of a producers’ cartel that would stand up to the oil companies. The major producers were gathered together by Saudi Arabia and Venezuela in 1960. OPEC (the Organization of Petroleum Exporting Countries) was born.

Initially, its influence was limited because, compared to global demand, there was a glut of supply. But by 1970, things had changed. The USA was approaching its domestic production peak and decline, just as demand at home was rocketing. OPEC began to flex its muscles when Libya demanded an improvement on the 50:50 deal. If the companies refused, Libya said its oilfields would be nationalized. Once again there was a domino effect, with other producers following suit with similar claims. The companies had to agree. But ultimately giving ground did nothing to prevent a wave of nationalizations. From Saudi Arabia to Iraq and Iran the companies progressively lost direct control of their oil supplies.

Global reach

During the crisis years, BP dramatically increased its oil extraction from Kuwait, Qatar and Iraq. This, along with large cash reserves, meant that – in spite of a few lean
years – the company was already making record profits again by 1954.

BP looked for oil in Malta, Papua New Guinea and Australia – turning full circle to the land whose mineral wealth had financed the birth of the company. It looked in Alaska, the Caribbean and the Rocky Mountains, with little success. It had more luck in Nigeria, where a joint exploration with Shell led to a discovery in 1956. It found oil, too, in the waters off Abu Dhabi. Alongside other majors such as Standard Oil, it discovered large reserves of high-quality crude oil that needed little refining beneath the sands of Libya.

The company’s total production was booming. From 0.75 million barrels a day in 1954, by 1960 the figure had leapt to 1.5 million, and nearly 4 million a decade later.

BP’s production – its ‘upstream’ side – grew so fast that it struggled to find a market for all that oil. Ironically, the answer to this challenge would create another seemingly intractable problem that is still with us today.

To diversify, BP moved into the petrochemical business. The seeds to this had been planted soon after the Second World War with the foundation in 1947 of British Petroleum Chemicals. By the 1960s, it had bought out Mobil’s plastics division and was running a major chemicals plant at Grangemouth, along with a joint operation with controversial German chemical giant Bayer. In Britain, as a chemical company BP was second in size only to ICI. It was the birth of the age of plastic.

The living world is often described as the biosphere. Like a plastic cuckoo in nature’s nest, a new technosphere made of substances that could not occur naturally started to grow. With the creation and rapid spread of hydrocarbon products reaching into every imaginable aspect of
our lives, a slow shift of balance began. The result? Drains blocked with plastic bags, birds strangled by the lattice packaging that holds packs of beer together, oceans decorated with the floating indestructible plastic detritus of voracious consumer societies and more and more carbon released into the atmosphere.

As much as its use for transport, the less obvious products of the oil industry defined the second half of the twentieth century. Oil allowed humanity to defy gravity, literally in the case of kerosene to fuel passenger aircraft, and metaphorically in the way that petrochemicals underlie the fertilizers and pesticides that fed the hi-tech agricultural green revolution.

Things that we never knew we needed suddenly became necessities of life: the plastic bag, disposable pens, disposable cups, disposable razors, disposable everything. Of course, once thrown out, the waste from the new convenience-driven plastic society may have been out of sight, but it was filling ever larger landfill sites with rubbish, and the increased use of fossil fuels was causing long-term environmental changes.

Great historic shifts often seem to turn around seemingly prosaic pivots. On one level, the consumer society, with all its comforts, distractions and destructiveness, was called into being because of over-capacity and surplus oil production during just a couple of decades in the post-war period.

The science of global warming now tells us that climate change is the astonishingly expensive price that we have to pay for a little economic convenience. According to James Hansen of NASA's Goddard Institute, that price means we are on the brink of losing the climate in which civilization emerged – just to solve one mining industry’s mundane problem of over-production.
Regional reaction

The path to an oil-fuelled consumer nirvana has never been smooth. For BP, the geopolitics of oil would lurch first one way and then another, like a badly loaded ship adrift in high seas.

From the escalation of regional tensions marked by the Israeli–Arab war of 1967 to the twin OPEC oil crises of the 1970s, oil continued to lubricate a succession of economic and political upheavals. Through these unpredictable waters, BP sailed its corporate ship, watchful for anything that might cause it to founder or, more specifically, lose money.

The 1967 war led to most major producers blocking shipments to anyone considered a ‘friend of Israel’, which included both the UK and the USA. The Suez Canal itself was made impassable by the scuttling of ships.

Getting supplies to Europe now meant much longer sea trips around the southern tip of South Africa, the euphemistically named Cape of Good Hope (given its notoriously perilous nature, Cape of Cross Your Fingers and Hope would have been more appropriate). It also meant a high demand for spare, available tankers.

BP was offered an initially expensive but ultimately good-value exclusive deal from a man whose name was to become synonymous with shipping and extreme wealth – Aristotle Onassis. It was offered his entire fleet for hire and was given just a few hours to accept on a take-it-or-leave-it basis. BP took the deal, making Onassis a lot of money, but allowing BP to keep meeting demand for its oil. In 1971, the recently self-installed Libyan leader, Muammar al-Gaddafi, unilaterally set new, higher terms for the price the company had to pay the country for its oil. Around the same time, British troops were withdrawn from the Gulf for the first time in decades.
Two years later, in 1973, OPEC representatives sat in conference rooms in Vienna negotiating new prices with the oil majors, while Egypt again waged war with Israel. BP had been prepared to accept a rise of 45 cents per barrel, but across the table the Gulf producers wanted $3. Against the backdrop of the conflict, within months the price of a barrel went from $3 to $11.75 and, for the first time, consumers in the West realized their state of hostile dependency on an acronym – OPEC. From then on, the term was just as likely to be heard in arguments in the pub as it was in the boardrooms of Europe’s elite.

Queues at the petrol pumps, energy blackouts and unemployment: the fortunes of the oil companies’ home countries were now being hit as hard as they were. The opposite was true of the oil producers: in just five years from 1972 to 1977, their annual income rose six-fold to $140 billion. The crisis would repeat itself with variations in 1979. And, long-term, unforeseen consequences would flow from the glut of petro-dollars in the global economy. They would leave whole countries virtually bankrupt and banking systems on the verge of collapse.

However, the conditions for successful exploration by BP were improved by a change in international law that allowed countries to exert sovereign rights over much expanded territorial waters. Then an unexpected windfall was set to rescue the fortunes of BP and soften the impact of losing direct control over much of the Middle East’s natural resource base.

BP found oil much closer to home. It turned out that the North Sea harboured a lot more than fish and Norse sagas. Beneath its floor were large reservoirs of crude oil. Not as much as was to be found in Saudi Arabia, Iran and Iraq, but enough to produce ridiculous riches for a
generation, and pay for the social and economic fall-out as inequality rose dramatically in a country in the grip of a political free-market experiment under the Conservative government of Margaret Thatcher.

To begin with, things had not looked so good. Like a worse echo of the long-frustrated search for oil that began its existence, BP had looked for oil in the UK for decades, finding little of significance. The discovery of large gas fields under the North Sea, an indication of what the geology harboured, was greeted with near euphoria. The bubble soon burst, however, when safety lapses – a recurring theme in the life of the company – led to the collapse of the Sea Gem exploration platform during a storm, resulting in mass fatalities.

The actual discovery of the Forties oilfield in the North Sea appears to have been triggered by an almost Monty Pythonesque fit of pique on the part of a company executive. BP had a new exploration platform called the Sea Quest under contract to another oil firm. It was drilling undersea in a place called McNutt’s Half Dome. Harry Warman of BP thought this was a waste of time, and he also thought the location had a silly name, so the platform was relocated, and BP got lucky. The Forties field was found.

Oil was already produced on the British mainland, but in small amounts – just half a million barrels in the whole of 1959. When the pipe from BP’s new Forties field was opened in November 1975, the company expected it to carry half a million barrels a day.25

It must have seemed liked the dawn of a new age. In reality, it was an industry set to live fast and die young. Just over two decades later, in 1999, UK oil production peaked and began to decline at the rate of around 7 per cent per year.26
Beyond petroleum, or stuck in it?

At the turn of the millennium, BP tried to become much more than just a company that made a great deal of money by helping to liquidate the planet’s natural resources. It did what any self-conscious public figure concerned about the effects of ageing does – it went for a makeover.

It aimed high – at least it did if you believe the hyperbole of its advertising agency. In a short orgy of self-congratulation, Ogilvy Public Relations Worldwide describe how ‘the newly rebranded, global BP sought to position itself as transcending the oil sector, delivering top line growth while remaining innovative, progressive, environmentally responsible and performance-driven’. The initials ‘BP’ would no longer stand for British Petroleum, but ‘Beyond Petroleum’.

Exactly how far beyond was left sufficiently vague. To drive home the new identity, no tooth-aching management cliche was left unturned. Brand champions wielded ‘leadership communications, toolkits, chat room promotions, CEO satellite broadcasts, town hall meetings and celebrations’. Everything was brought to bear to convince both BP’s own staff and the outside world that here was a company truly looking to re-engineer itself for a changed world.

A decade later, however, the world would still be tapping its fingers, waiting for that new company to emerge. It started well. BP was, according to the ads, variously ‘looking to a greener future’, going to ‘think outside the barrel’ (you can almost hear the mirth in the boardroom when that one came up) and ‘develop a diversified portfolio’. Then, under the influence of chief executive John Browne and in the hunt for a genuine energy mix including a host of renewable energy sources, it said it would search ‘from the earth to the sun, and everything in between’. 
But, like a concrete roof on thin bamboo supports, the hype was not going to stay up for long. And, in fact, the commitment to change looked about as thin as the paper that the ‘Beyond Petroleum’ adverts were printed on.

In 2004, BP was directly responsible for 82 million tonnes of greenhouse gases (CO₂ equivalent) entering the atmosphere from its production cycle, and a further 1,376 million tonnes from the use of products it sold. Together, this meant that 6 per cent of global greenhouse gas emissions from fossil fuel use could be traced back to this one company.

Using conventional accounting, the liquidation of our fossil-fuel inheritance is seen as a benefit to the economy. Natural commodities are treated as free income; no value is put on the depreciation of natural assets in the way in which a business, when doing its accounts, would have to account for depleted stock and depreciating assets. But the picture changes when a more comprehensive spreadsheet is used that subtracts environmental damage.

A rule of thumb used by the UK Treasury to estimate the damage caused by burning fossil fuels applied a cost of £20 per tonne of CO₂. An assessment of BP’s performance in 2006, for example, when it announced an annual profit of £11 billion, would mean the subtraction of a carbon damage bill of £1.64 billion from its final profits for direct emissions, and a further £27.5 billion for the emissions created by its products. Together, this would produce a total environmental cost of just over £29 billion (not far short of all government revenue from fossil fuels), making the company effectively bankrupt.

The sensitivity of such figures might explain an extraordinary change in the way that BP calculated the scale of emissions linked to its business when new data were published in 2006. Applying a new methodology to account
for the emissions stemming from its direct operational emissions, and the products it sells, had the effect of more than halving the total.

Perhaps the sheer scale of related emissions was deemed incompatible with the company’s aggressively marketed new green image. Yet its pattern of investments around the same time into research and development showed that the absolute focus on its core oil business was not set to change. In 2005, only around 5 per cent of its investment went into what it termed ‘alternative energy’ (a definition in which BP included some fossil fuel, gas-powered generation). On the other hand, over 70 per cent of its capital investment went towards finding even more oil and gas.31

A cursory reading of the information that the company made available to potential investors in 2006 showed that for BP the aim of its search beyond petroleum was, in fact, to find a lot more petroleum: ‘Our main activities are the exploration and production of crude oil and natural gas; refining, marketing, supply and transportation; and the manufacture and marketing of petrochemicals.’32 The year is important, because if there had indeed been any meaningful commitment of management and serious resources to changing corporate direction, it should have showed by then. Instead, rather than ‘transcending the oil sector’, and ‘thinking outside the barrel’, BP seemed to be languishing at its bottom, scraping.

So focused was the corporation’s search to secure the carbon ‘fix’ needed to supply an oil-addicted economy, it seems that things like safety, the environment and other people’s livelihoods were not allowed to stand in the way. Let’s take a single month in summer 2006 as an example.

In July, BP was forced to pay a reported £3 million in compensation and legal costs to Colombian farmers left destitute by the building of a major oil pipeline through
their land. Lawyers representing the farmers, Leigh Day & Co., accused BP of failing to compensate farmers for damage reaching back to 1995 and of gaining advantage from terror tactics employed by others to guard the pipeline. There was also a background to the story because BP had strong links in Colombia, for example in exploiting the Cusiana-Cupiagua oilfield. Oil revenues in Colombia funded the country’s internal conflict and, in turn, companies had to pay to protect their commercial operations.33

Shortly after the embarrassment of being forced to pay compensation, in the same month BP faced more fines and legal repercussions after having to shut its huge Alaska Prudhoe Bay oilfield. A corroded pipe had led to a massive oil spill. The news caused world oil prices to hit another record high and the chief executive of BP America, Bob Malone, had to grovel. ‘We regret that it is necessary to take this action and we apologize to the nation and the State of Alaska for the adverse impacts it will cause,’ he said in a public statement.34 What hurt BP especially was that, only the previous year, another safety failure led to a massive explosion at its Texas City refinery, killing fifteen workers and injuring more.35

Yet, in spite of the apparent remorse, a far worse safety failure was yet to come. In April 2010, BP experienced possibly its greatest public setback. An explosion on the Deepwater Horizon, an oil rig in the Gulf of Mexico forty miles from the Louisiana coast, caused one of the largest pollution events of recent times. For weeks, anywhere between 5,000 and 100,000 (estimates varied enormously) barrels of oil a day poured into the Gulf. In addition eleven people working on the platform were killed. BP had leased the rig from another company, but whatever excuses it may have had, this built on a previous record of serious safety failures at plants. Within weeks of the disaster, BP’s shares
lost billions in value. A combination of meeting compensation claims, changed regulation, damage to reputation and immediate costs were estimated to produce at least £23 billion bill to the company.\textsuperscript{36}

BP was not alone in its attempts to create a reality through advertising and a deliberate policy of reputation management that was at odds with real life. Where it led others followed, egregiously.

Another oil company, Shell, went so far that its creative efforts earned it a rebuke from the Advertising Standards Authority (ASA). The company’s advertising concentrated on renewable energy to such a degree that a casual observer might think that Shell was, in fact, principally a renewable energy company. Its adverts invoked flower power, literally, as petals spewed from smoke stacks.

The ASA condemned Shell for creating the impression that all its carbon dioxide emissions were recycled to help grow plants in greenhouses, something which was true for only a fraction of 1 per cent of the emissions from its direct plant operations. Later, the ASA again ruled against a Shell advert which claimed that its exploitation of Canadian oil sands, one of the most polluting and least efficient forms of fossil fuel, was part of its ‘sustainable’ approach to meeting energy demands.

However, Shell’s experience did not deter BP’s doubly creative approach to advertising.

In 2008, BP’s advertising again strongly focused on its commitment to a genuinely diversified energy supply, with slogans like ‘the best way out of the energy fix is an energy mix’. This time, the claim drew the attention of the environmental group Greenpeace, which had obtained a copy of a presentation given by Tony Hayward, BP’s new CEO who had replaced John Browne. It revealed, according to Greenpeace, that ‘the company allocated 93% ($20bn)
of its total investment fund for 2008 for the development and extraction of oil, gas and other fossil fuels. In contrast, solar power (a technology which analysts say is on the brink of a new technological breakthrough) was set to receive just 1.39% ($0.3bn).’ The company’s own greenhouse gas emissions at that stage were ‘roughly equivalent’ to the whole of Portugal. In response, the campaigners decided to award BP an ‘Emerald Paintbrush’ in honour of its ‘greenwash’.

By 2009, BP had not so much gone beyond petroleum as willingly fallen back into its sticky embrace. In a world more aware than ever of the problems of climate change, and the imminent peak and decline of global oil production, BP almost literally ‘shut up shop’ on its ambitions for alternative energy sources.

In June 2009, it closed the London HQ of BP Alternative Energy, its renewables operation. The division’s boss, BP’s most senior female executive, resigned. The company’s rate of investment in renewables plummeted in the same year. BP pulled out of virtually all wind-power initiatives everywhere outside the USA (ironically given that the UK, BP’s host nation, has the largest wind energy resources in Europe), closed solar plants in the USA and Spain, and cancelled plans for two power stations that were to be built with carbon capture and storage fitted.

In September of the same year, the company celebrated a return to its core business, with the discovery of a large oilfield in the now badly polluted Gulf of Mexico. Some old-fashioned oil controversy flared that month, too, after the early release from prison of a Libyan (who at the time of release was near to death with cancer) convicted of bombing a passenger aircraft. The suspicion was that this had in some way been linked to the promise of new oil concessions in Libya that would involve BP.
In the irony-free world of big business, BP’s former boss, John Browne, called on the government to oblige banks under public control to invest in renewable energy. For one of the banks which was at the heart of the financial collapse of 2007 and 2008, such a move would be equivalent to a radical religious conversion: the Royal Bank of Scotland formerly advertised itself as the ‘Oil and Gas Bank’ and was Europe’s largest banking investor in the fossil fuel sector.

Yet BP’s back-to-basics approach to its own industry is more than fraught. According to the Financial Times: ‘An integrated oil company such as BP makes its living by extracting resources and bringing them to market. Both parts of that business are becoming more difficult.’

It is faced with one problem which, it could be argued, is transitory (though equally it could be argued as a long-term issue). Demand is down in rich countries because of the financial crisis that began in 2007 and the ensuing recession. Where developing country markets are concerned there is little relief, as their doors do not swing open to the company so easily. So much, then, for the prospect of sales.

The other problem affecting BP’s production side is not transitory at all. It is a geological inevitability. It just gets harder and harder to find oil and to get it out of the ground. As the Financial Times put it: ‘Of the six countries suffering the steepest falls in oil output last year (2008), BP is active in three: the US, the UK and Russia.’

Of finance and empire

BP’s tale tells a story of the evolution of twentieth-century capitalism. It started out as money-making exercise. Everything in its path was bent to that primary
purpose: conflict, international relations, the environment and communities. A century later, that primary purpose is intact and the world, including the gradual loss of an atmosphere that makes civilization possible, still bends to its will.

Of course, in between times, the internal culture of the company has reflected broader social changes. Sometimes it has been more patrician and caring to its staff, at others it has emulated the brutal, amoral austerity of Anglo-Saxon economics. Through it all, though, the single bottom line – to make money – has remained unaltered.

James Marriott, a long-term observer of the industry, argues that, fundamentally, major oil companies such as BP and Shell are banks. They are about making and moving money around.

The oil industry is dominant in modern financial markets. Ironically, as awareness of climate change grows, more money floods into the shares of fossil fuel companies. That represents at least one significant difference from oil’s early days when it had great difficulty getting access to the capital markets. Big finance in the second half of the nineteenth century was dug deeply into coal-mining. It took about half a century to get finance out of coal and into oil. Now oil is king and it is the upstart renewable energy companies that have struggled to attract finance.

So, how will we achieve the transfer of capital to develop a new energy source, especially as this time we have much less than fifty years in which to do it?

Marriott questions the extent to which a corporation such as BP either mirrors or forms the capital markets of its times. How does it determine successive phases of capitalism? To begin with, the company was an example of purely speculative capital investment to exploit another country’s natural resource. In the 1950s and 1960s, it represented
more ‘welfare capital’. BP was half state-owned, and the corporation paid for the children of staff to go to school and university. It was a paternalistic model.

During the International Monetary Fund (IMF) crisis of the mid-1970s, the fate of the company got caught up in the broader shift towards financial deregulation. The Chancellor of the Exchequer Denis Healey was forced to go to the IMF for help. Terms set by the fund included a swathe of public-spending cuts and for the government to begin selling off its stake in BP. This the government did progressively, selling tranches right up to John Major’s term as chancellor.

Today, we have a company with weak pension provision, the support once given to the families of workers is now gone and the once popular social clubs are largely forgotten.

The shift from speculative to welfare to finance-driven capitalism may interest corporate historians, but BP’s importance goes much further. It lies in the deeper continuity of a corporation that, from its outset, has existed to make money by liquidating – in a few generations – an unrepeatable natural asset that took something approaching 200 million years to accumulate. That the consequence of doing so has been to potentially trigger catastrophic global warming is an inconvenient truth yet to make an impression on BP’s core business model. Worse still, society has allowed corporations to operate in this way, directly undermining its own long-term interests.

For all the talk of a balanced energy portfolio that embraces renewables, ‘expro’ – the exploration and the production of oil – remains the heart and soul of the corporation, as revealed by its intention to expand the exploitation of tar sands, one of the dirtiest forms of oil reserves.

If society’s challenge now is to phase out fossil fuels,
what will that mean for the future of BP and capitalism more generally? If, indeed, they have one in a world where environmental realities place impossible obstacles in the way of the ever-expanding capitalist process of money pushing the increasing production and consumption of commodities, in order to produce more money, a process which repeats and furthers itself in an endless upward spiral.

After money-making, the other great continuity has been a relationship between the oil corporation and the ‘imperial’ state. D’Arcy’s view was that, given the uncertainties of early prospecting and the market, making money required concessions on massively preferential terms. In order to do that, he needed state backing.

From Persia to Nigeria (which in the 1930s was a British colony that gave BP and Shell a concession covering the whole country) to modern Iraq, the company pursued a basically imperial model. BP’s Persian concession had been huge, around twice the size of France, and highly economically advantageous.

As a logical extension of the imperial model, the industry has also enjoyed an intimate connection with the military. The armed forces have been part of the production system and also one of its most important customers. It was a single military contract with the Royal Navy, after all, that brought BP into being, and war played a significant part in the company’s growth. The British Army came to protect its production facilities in Persia from attack by angry local Bedouin people. Lieutenant Arnold Wilson, one of the soldiers on that mission, later became a resident director of the company. Today, the US military is the largest single-entity consumer of oil and, in times of crisis, large shares of oil production are earmarked for the prosecution of conflict.
‘If, today, you were to make a list of the places around the world where BP extracts oil, and then make another list of the locations of senior company executives who find that they need armed security, you would find a remarkable correlation between the two,’ says Marriott. Oil is an industry that conducts its business through armed security and exists by military means.

More than any of the other corporations in this book, the story of BP overlaps and underpins the most recent flowering of advanced industrialized society. But it also contains the seeds of its, and potentially our own, downfall. The extraordinary growth in humanity’s material production, consumption and its sheer size over the last century would not have happened without oil. Now it is both running out and destroying the particular climate we have relied on. It is a paradox, yet, instead of adapting and changing course, BP is more committed than ever to its core business of extracting oil. In doing so, it can only, ultimately, put itself out of business. We can only hope that it does not do the same to the rest of us.