BP Profit Drops 79 Percent Due to Settlement

DANICA KIRKA,Associated Press

LONDON (AP) — Oil and gas giant BP's profit fell nearly 80 percent in the fourth quarter in results released Tuesday, dragged down by payouts related to the Gulf of Mexico oil spill.

BP said that net profit fell to $1.62 billion in the quarter ending on Dec. 31, down from $7.69 billion in the same period the year before. BP took a loss of $3.85 billion for its settlement of all federal criminal charges with the U.S. government. Underlying replacement cost profit for the period, which strips out the changes in the value of inventories, was down 20 percent on the same period last year at $3.98 billion.

The company's settlement with the U.S. Justice Department shut the book on the criminal probe of BP's role in the Deepwater Horizon disaster and Gulf oil spill, but civil claims remain. The London-based oil giant could pay billions more in damages for the 2010 spill.

Nevertheless, the results surpassed analysts' predictions, and BP said that its downstream activities — refining and sale of petroleum products — earned a record amount for the year. Chief Executive Officer Bob Dudley said in a statement that the result "lays a solid foundation for growth into the long term."

"We will continue to see the impact of this reshaping work in our reported results in 2013," Dudley said. "By 2014, I expect the underlying financial momentum to be strongly evident."

The company has racked up more than $24 billion in spill-related expenses and has estimated it will pay a total of $42 billion to fully resolve its liability for the disaster in the Gulf of Mexico. At a court hearing last month, U.S. District Judge Sarah Vance described the criminal settlement is "just punishment" for BP — though it could have paid far more and remained in business.

U.S. government investigations have blamed the disaster on cost-cutting and time-saving decisions BP and its partners made on the project. Some 200 million gallons of oil spilled, much of it ending up in the Gulf and the shoreline of several states.

Until all claims are settled, analysts remain unconvinced about the future, Richard Hunter, Head of Equities at Hargreaves Lansdown Stockbrokers.

"BP made much progress during the full year, yet it is still far from being out of the woods," he said in a statement.

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