

BP shuts Alaska pipeline after leak

- BP shares fall 2.5% and oil prices rise on news
- Pipe carries 12% of America's oil output
- Leak could push up petrol prices for motorists

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A group of motorcyclists ride past the Trans-Alaska pipeline system, operated by BP Photograph: Al Grillo/AP

BP shares slid nearly 2.5% this morning after closure of a major Alaskan pipeline that carries around 12% of America's oil output.

The Trans-Alaska pipeline system, which transports oil from the Prudhoe Bay field, was closed on Saturday following the discovery of a leak. The incident is expected to drive up oil prices, and could mean motorists face even higher costs at the pumps.

Prudhoe Bay is America's largest oil reserve. BP is the largest shareholder in the company which runs the Trans-Alaska pipeline, called Alyeska Pipeline Service.

The leak occurred at a pumping station at Alaska's North Slope, and forced 95% of oil

production at the site to be cut off.

A BP spokesman based in America described the leak as "a significant event" and it is not clear how long it will take to restart production.

Prudhoe Bay will typically produce 630,000 barrels of oil each day – equivalent to around 40% of the UK's daily consumption.

The price of a barrel of US crude oil rose by almost 1% to \$89.92 this morning, as traders reacted to the unexpected drop in supplies.

BP was the biggest faller in the FTSE 100 when trading began, with shares dropping as much as 12p to 480.7p. This eroded some of the recovery since the Deepwater Horizon disaster last April, which sent BP's shares tumbling from 650p to 296p. The cost of insuring BP's debt against default also rose by over 10%, according to Gavan Nolan at Markit.

Prudhoe Bay is a major resource for BP, with the company planning to build a new pipeline to tap Alaska's gas reserves.

BP Pipelines owns nearly 47% of Alyeska, with ConocoPhillips Transportation owning 28%, ExxonMobil Pipeline owning 20%, and smaller shareholders controlling the remainder.

There have not been any reports of environmental damage because of the leak. Alyeska said yesterday that around 10 barrels of oil had been recovered from the basement of a booster pump room, and that around one barrel of oil remained.

However, the incident is likely to put the oil industry's safety record under renewed scrutiny, just nine months after the Gulf of Mexico disaster. Bob Dudley, who replaced Tony Hayward as chief executive, announced the creation of a new safety unit last September with the powers to audit the company's operations around the globe.

A BP spokesman declined to comment on the leak this morning, referring inquiries to Alyeska. Its president Tom Barrett said: "Our goal is to engineer and implement a solution so that we can safely return the pipeline to service as quickly as possible."

Last summer, Alyeska was accused of putting safety at risk by cutting maintainance and safety budgets. Kevin Hostler, the company's chief executive who had previously worked for BP for 27 years, was criticised by congressman Bart Stupak, a member of the US House Energy and Commerce Committee which investigated the allegations. Hostler

subsequently retired from Alyeska.

In March 2006, 267,000 gallons of thick crude oil spilled over Prudhoe Bay after a section of the pipe sprang a leak. BP subsequently shut down 57 oil wells in Alaska to mend various small leakages.

The Trans-Alaska system was completed in 1977. The 48-inch diameter steel pipeline runs for 800 miles, carrying "hot oil" from northern Alaska to the port of Valdez. The pipeline is either buried underground or lifted above the surface to prevent the permafrost melting. Oil experts have warned that temporarily closing the pipeline is a tricky procedure, as BP must ensure that the lines do not freeze once the flow of oil stops.

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