

## Spills Program

January 2015

# Proposed Legislation: Spillers demonstrate financial ability to pay for major oil spills

## The Issue

The United States operates on the premise the ‘polluter pays’ for oil spills, and sets a potential liability limit for the spiller.

Both the federal government and Washington State have laws and rules that require oil handlers and owners to provide proof of their financial ability to pay for cleanup and removal of oil spills, restoration of damaged natural resources, and other expenses related to spill responses.

Washington has unlimited liability, allowing the state to recover cleanup costs and natural resource damages beyond the federal limit. In Washington, financial responsibility is based on the type of vessel and the total capacity for storing product.

Washington State does not currently have a certification program and relies on the US Coast Guard, California, Alaska, and Oregon to certify vessels for financial responsibility. Ecology also does not have a program in place to verify that onshore facilities, railroads, and mobile facilities have the ability to pay for the costs of a worst case spill.

Without independent verification, vessels, onshore facilities, railroads, and mobile facilities may transport oil through Washington without adequate financial responsibility. These responsible parties may not be able to pay for the costs of a worst case spill and Washington State would bear the cleanup costs.

## Solution

Washington needs a program to independently verify that vessels and facilities (including railroads and mobile facilities) are able to pay for the costs of potential oil spills. The program would help ensure that the costs of spills from oil transported through the state would not be borne by the citizens of Washington.

## WHY IT MATTERS

Vessels and facilities transporting oil in bulk through Washington must be able to pay for the costs associated with a worst case spill.

A financial responsibility certification program would help prove that all oil handlers and owners have adequate insurance coverage to cover the expenses of potential catastrophic oil spills.

Currently no such program exists. Washington State taxpayers may have to incur the costs of a major spill if transporters do not need to show they can afford to pay for it.

## Contact

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## Ecology's Spills Website

[ecy.wa.gov/programs/spills/spills.html](http://ecy.wa.gov/programs/spills/spills.html)

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# Oil Spill Financial Responsibility

## Proposed Legislation

Create a financial responsibility certification program that provides adequate insurance coverage for worst case spills:

- Ecology would write rules to establish the financial responsibility calculation for facilities, which has not been done before now.
- The program would review existing forms of financial responsibility including evidence of insurance, surety bonds, qualification as a self-insurer, guaranty, letter of credit, certificate of deposits, and Protection and Indemnity Club membership. All vessels and facilities transporting or transferring oil in Washington State would be required to participate in a review.
- The program would determine levels of financial responsibility adequate to cover the costs of worst case spills.

## How the Proposal Benefits Washington

The financial responsibility certificate program would help ensure that the costs of potential spills from oil transported or transferred through Washington State are covered by the vessel or facility responsible for the oil.

Washington State citizens should not have to pay for the costs of spills that are damaging to the economic and environmental vitality of the state. This measure would place the liability in the appropriate hands and aligns with the United State's premise for the 'polluter pays.'

## More information

To find out more about Washington's Spills Prevention, Preparedness and Response Program visit Ecology's Webpage at [ecy.wa.gov/programs/spills/spills/html](http://ecy.wa.gov/programs/spills/spills/html).

