

Background on Ecology’s Spills Program and funding

Ecology protects Washington through prevention and preparedness work across all three modes of oil transportation — vessel, rail and pipeline.

Since the 2005 Legislature directed Ecology to set a zero-spills goal, the agency has reached significant milestones. This is reflected in one of the lowest spill rates in the nation (according to U.S. Coast Guard data), and a drill program that is a model for other states.

To continue success, stable revenue is needed. It is essential to pass Ecology’s funding approach to provide ongoing oil spill prevention and preparedness for Washington’s communities, environment and economy.



Vendovi drill, 2016

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Special accommodations: To request ADA accommodation for disabilities, or printed materials in a format for the visually impaired, call Ecology’s Spills Program at (360) 407-7455 or visit www.ecy.wa.gov/accessibility.html. Persons with impaired hearing may call Washington Relay Service at 711. Persons with speech disability may call TTY at (877) 833-6341.

1-9-2017

SPILLS PROGRAM FUNDING



GRP deployment drill, Port Angeles, WA

WHY IT MATTERS

Each year, vessels, railroads and pipelines transport 450 million barrels* of oil over and along Washington waters and sensitive inland ecosystems. Every barrel poses a significant risk.

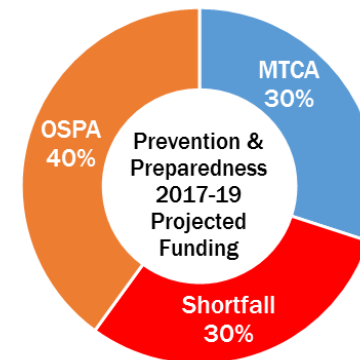
The June 2016 Mosier, OR train derailment is another reminder of the risk associated with spills from all three modes of transportation entering our state—pipeline, rail, and vessel.

The risks associated with all modes of oil transportation and handling require a robust state program (prevention, preparedness and response) to protect our communities, environment and economy.

* 1 barrel = 42 gallons

The Spills Program is inadequately funded

Historically, the Spills Program’s work was funded mainly through the oil spill prevention account (OSPA). Over time, the OSPA revenue has not kept pace with legislatively-directed work. The gap has been increasingly made up by the Model Toxics Control Act (MTCA) accounts, which are also experiencing historic shortfalls.



The OSPA portion of the barrel tax rate of 4¢ has not changed since 1997. That, combined with other factors, has resulted in a nearly \$4 million shortfall for the 2017-2019 biennium that will grow over time.

Ecology’s solution: 2.5¢ barrel tax increase

Ecology recommends increasing the oil spill administration tax portion (funds the oil spill prevention account) of the barrel tax from 4¢ to 6.5¢. Passing this tax increase would sustain prevention and preparedness work, and provide a solution to the nearly \$4 million oil spill prevention account shortfall in the 2017-2019 biennium.

COST AT THE PUMP

1/10 OF 1¢ PER GALLON

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One-time fund transfer inadequate for ongoing work

In April 2015, the Legislature passed the Oil Transportation Safety Act, which put additional pressure on the oil spill prevention account (OSPA). The Act assigned a one-time fund transfer to Ecology, the Military Department and Department of Fish and Wildlife for ongoing work with risks created by oil trains. In spite of the one-time monies, the mandate added costs to an already inadequately funded program.

The Act also expanded the barrel tax that funds OSPA (4¢/barrel) to include crude oil transported by rail. The expansion offset the decreasing revenue from vessels, but did not increase overall revenue for the account.

The proposed solution will help sustain the Spills Program inspections, planning and drills that enhance public safety, promote environmental protection and sustain commerce.

VALUE & VOLUME OF OIL MOVED STATEWIDE

in billions (B) of dollars using an estimated average annual volume in millions of barrels (Mb), and an estimated market value of \$50 per barrel¹

Each year, oil spill prevention and preparedness work covers about 450 million barrels of oil transported statewide, with a tax base on just 89 million of those barrels.

TOTAL OIL MOVEMENT

Prevention and preparedness work covers all of those 450 million barrels of oil moved in the state, including non-taxed oil movement and the oil exported receiving the tax credit.

VALUE & VOLUME OF ALL IMPORTED BARRELS

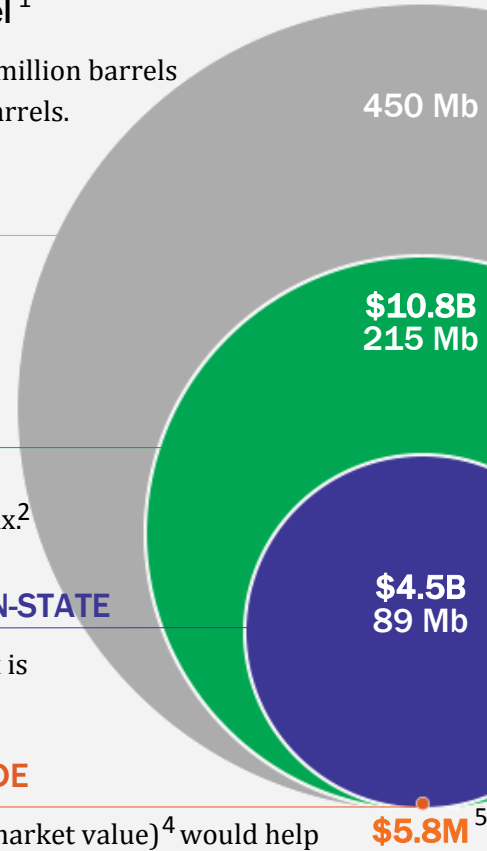
Industry imports nearly 215 Mb of oil each year, at an estimated market value of \$11 billion. Of that volume, 47 Mb are not subject to the barrel tax.²

VALUE & VOLUME OF TAXED IMPORTED BARRELS STAYING IN-STATE

After the export credit is applied on oil moving out of state, the barrel tax is applied to the 89 Mb staying in-state.³

FUNDING WORK TO COVER MOVEMENT OF 450 Mb STATEWIDE

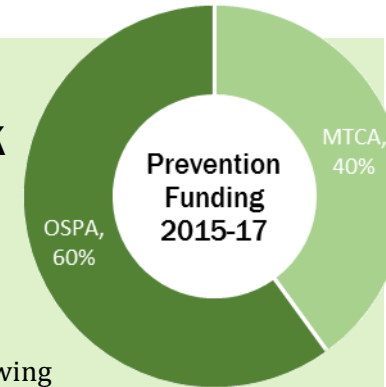
After a 2.5¢/barrel tax increase, \$5.8 million (0.13% of estimated \$4.5B market value)⁴ would help fund oil spill prevention and preparedness work that covers the movement of 450Mb of oil statewide.



1. Average barrel price on Nov. 30, 2016 (http://oilprice.com/commodity-price-charts?1&page=chart&sym=CL*1, http://oilprice.com/commodity-price-charts?1&page=chart&sym=CB*1)
 2. Oil moved by pipeline is not subject to the barrel tax. The barrel tax applies only to oil moved by vessel and railroad.
 3. Oil received from vessel or rail that stays in-state is subject to the barrel tax. Oil received from vessel or rail that leaves the state receives an export tax credit.
 4. Prevention and preparedness work covers all oil movement, but only the 89Mb moved by vessel and rail and staying in-state generates funds.
 5. This revenue estimate is based on the current 89Mb that is paying into the tax as of December 2016. The Department of Revenue estimate for fiscal note Z0086.3 and the November 2016 forecast totals \$5.1M a year is based on 80Mb. Ecology and Department of Revenue has added a 10 percent contingency into the Z0086.3 revenue estimate and the forecast in case revenue doesn't come in as expected. Future revenue forecasts will be updated as more data becomes available.

PREVENTION WORK AT RISK

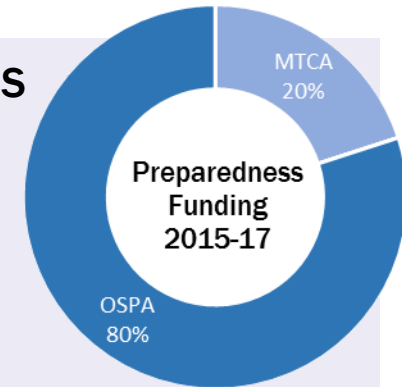
The Prevention Section works with the regulated community and others to prevent spills through the following services:



- Prioritizing and inspecting high risk commercial vessels to ensure compliance with accepted industry standards.
- Reviewing and approving oil handling facility operations manuals, prevention plans, response plans, and training and certification programs for compliance with state standards, and inspecting oil handling facilities for compliance with regulations.
- Monitoring oil transfers for compliance with regulations and best practices, affirming pre-booming requirements are met to maximize recovery of potential operational spills.
- Reviewing and approving tank vessel oil spill prevention plans for voluntary compliance with state Best Achievable Protection (BAP) standards and/or Exceptional Compliance Program (ECOPRO) standards.
- Providing technical assistance to facilities and vessels, including lessons learned and accepted best practices.
- Investigating spills to identify lessons learned and develop prevention activities to help reduce incident reoccurrence.
- Conducting vessel and rail traffic risk assessments to evaluate their management and safety to prevent accidents and oil spills.

PREPAREDNESS WORK AT RISK

The Preparedness Section works to ensure that Washington is prepared to promptly respond to oil spills and minimize injuries from incidents, and that communities have opportunities to contribute to plans, through the following services:



- Approving oil spill contingency plans and ensuring that communities will be restored after spills occur.
- Working with industry, governments and communities to design drills testing the effectiveness of each plan, and documenting lessons learned that will be used to improve plans.
- Approving applications from response contractors, verifying that cleanup equipment is staged strategically and maintained in good working condition.
- Developing geographic response plans, or response tactics, in consultation with natural resource experts and communities.
- Engaging state, federal, local and tribal partners in the Northwest Area Plan, containing state policies on response procedures, use of dispersants, in-situ burning and other critical areas that protect our communities and economy.