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Highlights

Highlights of GAO-08-357T, a testimony to the Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard, Committee on Commerce, Science, and Transportation, U.S. Senate

MARITIME TRANSPORTATION

Major Oil Spills Occur Infrequently, but Risks Remain

Why GAO Did This Study

When oil spills occur in U.S. waters, federal law places primary liability on the vessel owner or operator—that is, the responsible party—up to a statutory limit. As a supplement to this "polluter pays" approach, a federal Oil Spill Liability Trust Fund administered by the Coast Guard pays for costs when a responsible party does not or cannot pay.

This testimony is based on GAO's September 2007 report on oil spill costs and select program updates on the recent San Francisco spill. Specifically, it answers three questions: (1) How many major spills (i.e., at least $1 million) have occurred since 1990, and what is their total cost? (2) What factors affect the cost of spills? and (3) What are the implications of major oil spills for the Oil Spill Liability Trust Fund?

What GAO Recommends

In our September 2007 report, we recommended that that the Coast Guard (1) determine whether and how liability limits should be changed, by vessel type, and make recommendations about these changes to the Congress and (2) adjust the limits of liability for vessels every 3 years to reflect significant changes in inflation, as appropriate. The Department of Homeland Security, including the Coast Guard, generally agreed with these recommendations.

To view the full product, including the scope and methodology, click on GAO-08-357T. For more information, contact Susan Fleming at (202) 512-2834 or flemings@gao.gov.

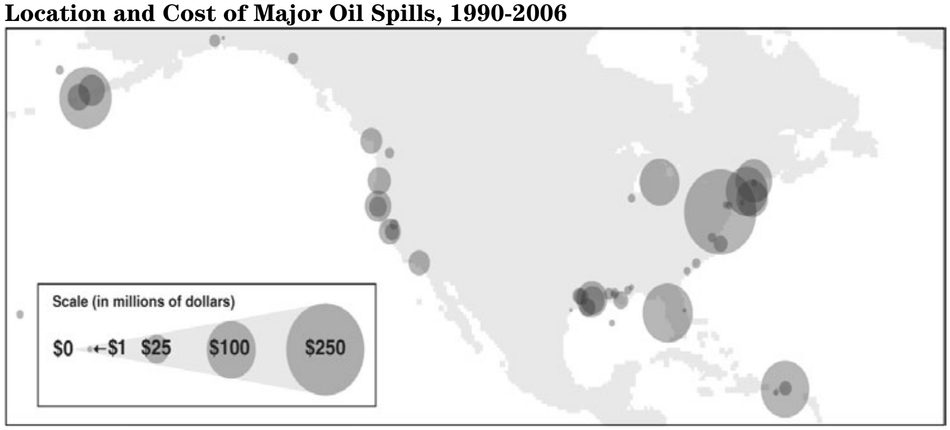
What GAO Found

On the basis of cost information collected from a variety of sources, GAO estimates that 51 spills with costs of at least $1 million have occurred from 1990 to 2006 and that responsible parties and the federal Oil Spill Liability Trust Fund (Fund) have spent between $860 million and $1.1 billion for oil spill removal costs and compensation for damages (e.g., lost profits and natural resource damages). Since removal costs and damage claims may stretch out over many years, the costs of the spills could rise. The 51 spills varied greatly from year to year in number and cost. All vessel types were involved with the 51 major spills GAO identified, with cargo/freight vessels and tank barges involved with 30 of the 51 spills.

According to industry and agency officials, three main factors affect the cost of spills: a spill's location, the time of year, and the type of oil spilled. Spills that occur in remote areas, for example, can increase costs involved in mobilizing responders and equipment. Similarly, a spill occurring during tourist or fishing season might produce substantial compensation claims, while a spill occurring during another time of year may not be as costly. The type of oil affects costs in various ways: fuels like gasoline or diesel fuel may dissipate quickly but are extremely toxic to fish and plants, while crude oil is less toxic but harder to clean up. The total costs of the recent San Francisco oil spill are unknown, but these identified factors are likely to influence the costs.

To date, the Fund has been able to cover costs from major spills that responsible parties have not paid, but risks remain. Specifically, GAO's analysis shows that the new 2006 limits of liability for tank barges remain low relative to the average cost of such spills. Since 1990, the Oil Pollution Act (OPA) required that liability limits be adjusted above the limits set forth in statute for significant increases in inflation, but such changes have never been made. Not making such adjustments between 1990 and 2006 potentially shifted an estimated $39 million in costs from responsible parties to the Fund.

Location and Cost of Major Oil Spills, 1990-2006



Source: GAO.