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OCS POLICY COMMITTEE PASSES RECOMMENDATIONS
ON OIL POLLUTION ACT FINANCIAL RESPONSIBILITY
REQUIREMENTS (#50033)

The Outer Continental Shelf (OCS) Policy Committee yesterday voted to accept the report of a Subcommittee established to recommend ways to implement the financial responsibility requirement of the Oil Pollution Act of 1990 and pass the recommendations on to the Secretary of the Interior.

Minerals Management Service (MMS) Director Cynthia Quarterman said MMS was grateful to the Subcommittee for the time and efforts spent on this very difficult issue. "MMS is pleased with the diverse interests represented. We wanted to ensure that all affected parties were represented in developing rules and regulations that affect them," she said.

OCS Policy Committee Chairman Paul Kelly said the majority of the Subcommittee agreed that it would be unreasonable for MMS to adopt regulations that would be needed to comply with the legal opinion issued by the Interior Department's Solicitor last November. "To do so," he said, "would apply the \$150 million Oil Spill Financial Responsibility (OSFR) requirement over an unnecessarily large universe of facilities and impose potentially severe financial burdens on parties responsible for thousands of facilities that pose little oil spill risk."

The Subcommittee found that the geographic scope of jurisdiction implied in OPA is too broad, and noted that, unlike the current law, facilities located seaward of the coastline have been traditionally considered "offshore facilities." They also found that the amount of OSFR should not exceed \$150 million and should be proportional to the oil spill risk posed by the facility. In addition, they found that offshore facilities that do not represent an oil spill risk should be exempted, and that additional mechanisms for qualifying as a self-insurer are needed to ensure that the costs of demonstrating OSFR do not cause serious economic harm to responsible parties.

Kelly noted that the Subcommittee initially focused on the ability of MMS to incorporate the Subcommittee findings into OSFR

regulations. It subsequently decided that new legislation would be required to implement two of the recommendations as follows:

--Jurisdiction. The Subcommittee recommends that the Secretary of the Interior resolve the issue of the OSFR jurisdiction by seeking legislation limiting the application of OSFR to offshore facilities located seaward of the coastline as defined in the Submerged Lands Act.

--Amount. The Subcommittee recommends that the Secretary of Interior resolve the issue of amount by seeking legislation which permits the Secretary to establish the amount of OSFR using an assessment of a facility's oil pollution risk.

The Subcommittee made two additional recommendations that would not require new legislation but would require new regulations as follows:

--Exemption. The Subcommittee recommends that the Secretary of the Interior seek to administratively resolve the issue of exemptions to OSFR for offshore facilities.

--Insurance. The Subcommittee recommends that the Secretary of the Interior explore a range of options for demonstrating OSFR through self-insurance.

The 13-member Subcommittee was established in response to a request in November by Bob Armstrong, Assistant Secretary for Land and Minerals Management. Chairman Paul Kelly, Vice President of Rowan Companies, Inc., appointed members representing a broad spectrum of interests, which would be potentially affected by the requirements of OPA '90. Robert Jordan, Director of the Delaware Geological Survey, agreed to serve as Chair of the Subcommittee. A majority of the subcommittee voted to make the recommendations outlined above.

MMS is the federal agency responsible for implementing OSFR requirements for offshore facilities. MMS manages the nation's natural gas, oil and other mineral resources on the OCS, and collects and disburses about \$4 billion yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

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Passes Recommendations on Oil Pollution Act Financial
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