



Highlights of [GAO-07-763](#), a report to the Honorable James M. Inhofe, Ranking Member, Committee on Environment and Public Works, U.S. Senate

Why GAO Did This Study

Oil in aboveground tanks can leak into soil and nearby water, threatening human health and wildlife. To prevent certain oil spills, the Environmental Protection Agency (EPA) issued the Spill Prevention, Control, and Countermeasure (SPCC) rule in 1973. EPA estimated that, in 2005, about 571,000 facilities were regulated under this rule. When finalizing amendments to the rule in 2002 and 2006 to both strengthen the rule and reduce industry burden, EPA analyzed the amendments' potential impacts and concluded that the amendments were economically justified.

As requested, GAO assessed the reasonableness of EPA's economic analyses of the 2002 and 2006 SPCC amendments, using Office of Management and Budget (OMB) guidelines for federal agencies in determining regulatory impacts, among other criteria, and discussed EPA's analyses with EPA officials.

What GAO Recommends

GAO recommends that EPA improve its analysis of future changes to the SPCC rule by more closely following OMB guidance. In commenting on a draft of this report, EPA generally agreed with this recommendation and stated that, consistent with it, the agency will continue gathering data to improve its understanding of the regulated universe and oil spill risks and to address uncertainty and quantify benefits.

www.gao.gov/cgi-bin/getrpt?GAO-07-763.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John B. Stephenson at (202) 512-3841 or stephensonj@gao.gov.

ABOVEGROUND OIL STORAGE TANKS

Observations on EPA's Economic Analyses of Amendments to the Spill Prevention, Control, and Countermeasure Rule

What GAO Found

EPA's economic analysis of the 2002 SPCC amendments had several limitations that reduced its usefulness for assessing the amendments' benefits and costs. In particular, EPA did not include in its analysis a number of the elements recommended by OMB guidelines for assessing regulatory impacts. For example, EPA did not assess the uncertainty of key assumptions and data. In the analysis, EPA assumed that certain facilities were already complying with at least some of the rule's provisions and, as a result, they would not incur any additional compliance costs because of the amendments. However, the extent of facility compliance with the rule was highly uncertain. EPA did not analyze the effects of alternative rates of industry compliance on the estimated costs and benefits of the revised rule and, therefore, potentially misstated these amounts. Furthermore, EPA's 2002 analysis was limited in that it

- did not analyze alternatives to the amendments, such as alternative lead times for industry to comply or alternative levels of stringency;
- did not present the compliance costs that EPA expects facilities to incur or save in the second and subsequent years under the amendments in comparable present value terms (through discounting); and
- provided only limited general information on the amendments' potential benefits in reducing the risk of an oil spill and its potential effects on human health and the environment.

EPA's economic analysis of the 2006 amendments addressed several of the limitations of its 2002 analysis, but it also had some limitations that made it less useful than it could have been for assessing the amendments' costs and benefits. For example, EPA's 2006 analysis assessed the potential effect of industry noncompliance on the estimated costs (or cost savings) and estimated the present value of costs (or cost savings) associated with different alternatives for burden reduction. Nevertheless, as with the 2002 analysis, EPA did not estimate the potential benefits of the 2006 amendments, such as the extent to which they would affect the risk of an oil spill and public health and welfare and the environment. In addition, EPA did not have available nationally representative samples for its analysis; therefore, its estimates of the number of facilities that would be affected by the 2006 amendments may not be accurate. In particular, for one category of facilities, EPA based its estimates of the number of facilities on data available from eight states. Because facilities in these states may not have been representative of facilities nationwide, EPA's use of these data in its analysis could have introduced bias into its estimates of the number of facilities and costs for this amendment. EPA acknowledged that its analysis of the 2006 amendments was not a full accounting of all social benefits and costs but stated that the results were based on the best available information given time and resource constraints.