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Highlights

Highlights of [GAO-07-1085](#), a report to congressional committees

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.

The Coast Guard and Maritime Transportation Act of 2006 directed GAO to examine spills that cost the responsible party and the Fund at least \$1 million. This report answers three questions: (1) How many major spills (i.e., \$1 million or more) 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? GAO’s work to address these objectives included analyzing oil spill costs data, interviewing federal, state, and private-sector officials, and reviewing Coast Guard files from selected spills.

What GAO Recommends

GAO recommends 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 changes in inflation, as appropriate.

DHS officials generally agreed with the contents and agreed with the recommendations in this report.

www.gao.gov/cgi-bin/getrpt?GAO-07-1085.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan Fleming at (202) 512-4431 or flemings@gao.gov.

MARITIME TRANSPORTATION

Major Oil Spills Occur Infrequently, but Risks to the Federal Oil Spill Fund Remain

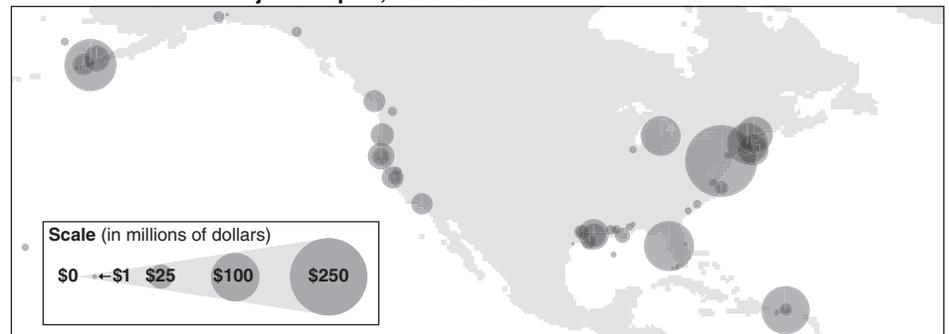
What GAO Found

On the basis of cost information collected from a variety of sources, GAO estimates that 51 spills with costs above \$1 million have occurred since 1990 and that responsible parties and the federal Oil Spill Liability Trust Fund (Fund) have spent between about \$860 million and \$1.1 billion for oil spill removal costs and compensation for damages (e.g., lost profits and natural resource damages). Responsible parties paid between about 72 percent and 78 percent of these costs; the Fund has paid the remainder. Since removal costs and damage claims may stretch out over many years, the costs of the spills could rise. The 51 spills, which constitute about 2 percent of all vessel spills since 1990, varied greatly from year to year in number and cost.

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. Each spill’s cost reflects a unique mix of these factors.

To date, the Fund has been able to cover costs from major spills that responsible parties have not paid, but risks remain. Specifically, the Coast Guard and Maritime Transportation Act of 2006 increased liability limits, but GAO’s analysis shows the new limit for tank barges remains low relative to the average cost of such spills. Since 1990, the Oil Pollution Act 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.