



January 2024

OFFSHORE OIL AND GAS

Interior Needs to Improve Decommissioning Enforcement and Mitigate Related Risks

Why GAO Did This Study

Since the 1940s, the offshore oil and gas industry has installed more than 55,000 wells and 7,000 platforms on the outer continental shelf, mostly in the Gulf of Mexico. Interior is responsible for enforcing requirements for industry operators to safely decommission this infrastructure at the end of its useful life within deadlines set by regulations.

Delayed decommissioning increases environmental, safety, and financial risks. Over time, infrastructure becomes increasingly vulnerable to damage and deterioration from storms and corrosion, which can topple platforms, cause oil spills, and make decommissioning more expensive and dangerous. The federal government may become liable for these costs if industry defaults on its obligations.

GAO was asked to review Interior's oversight of offshore decommissioning. This report examines Interior's effectiveness in (1) enforcing decommissioning deadlines and (2) assuring industry capacity to meet them. GAO reviewed decommissioning regulations, procedures, guidance, and data; interviewed agency officials; and obtained perspectives from industry and environmental groups.

What GAO Recommends

GAO is making four recommendations to Interior to strengthen BSEE and BOEM's decommissioning oversight and enforcement. Congress also may want to consider providing oversight by establishing a reporting mechanism or direction by clarifying how Interior should balance statutory priorities for offshore decommissioning.

View [GAO-24-106229](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

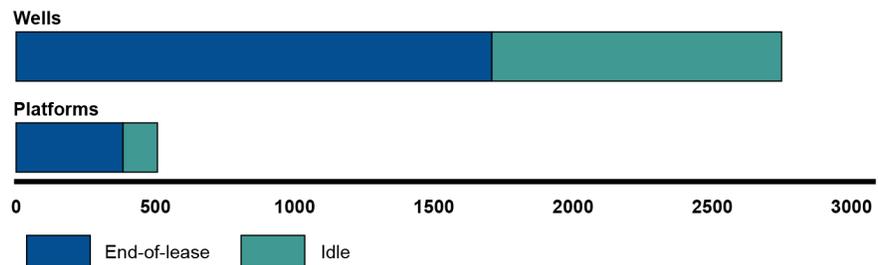
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Interior Needs to Improve Decommissioning Enforcement and Mitigate Related Risks

What GAO Found

The Department of the Interior's Bureau of Safety and Environmental Enforcement (BSEE) does not effectively ensure that industry operators meet decommissioning deadlines for offshore wells and platforms at the end of their useful lives. BSEE's administrative enforcement tools and its use of them are ineffective at incentivizing noncompliant operators—for example, citations for regulatory violations and orders to comply are essentially warnings. BSEE rarely takes more punitive actions such as issuing civil penalty fines, which can take years, or disqualifying operators, which has unclear trigger criteria. Long-standing uncertainties in the enforceability of some deadlines also undermine BSEE's effectiveness for idle infrastructure on active leases and end-of-lease infrastructure in the Pacific. These enforcement issues have contributed to widespread decommissioning delays that have grown into a substantial backlog. For example, for Gulf leases that ended in 2010 through 2022, operators missed BSEE's 1-year decommissioning deadline for more than 40 percent of wells and 50 percent of platforms—many of which still have not been decommissioned. Over 75 percent of end-of-lease and idle infrastructure in the Gulf was overdue under BSEE's deadlines as of June 2023—over 2,700 wells and 500 platforms.

End-of-Lease and Idle Offshore Wells and Platforms Overdue for Decommissioning in the Gulf of Mexico



Source: GAO analysis of Bureau of Safety and Environmental Enforcement data and documentation as of June 2023. | GAO-24-106229

Moreover, Interior's Bureau of Ocean Energy Management (BOEM) does not effectively assure that operators have the financial and technical capacity to meet decommissioning obligations in advance of potential delays, bankruptcies, or other defaults. Specifically, BOEM held about \$3.5 billion in supplemental bonds to cover between \$40 billion and \$70 billion in total estimated decommissioning costs as of June 2023. As a result, the federal government remains exposed to billions of dollars in financial risks from decommissioning liabilities if operators do not meet their obligations. BOEM has been working for over a decade on proposals to better address these risks but has not finalized changes in its approach. Additionally, BOEM has limited operator qualification standards that do not address decommissioning capacity or consider any past issues with meeting these obligations safely and timely.

Interior could better enforce decommissioning deadlines and mitigate the safety, environmental, and financial risks that unmet decommissioning obligations pose by ensuring BSEE and BOEM prioritize completing planned actions. Additionally, given the extended duration and magnitude of these issues and insufficient progress in Interior's efforts to address them, congressional oversight or direction may be warranted to better limit the growing scale of related risks.

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Abbreviations

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| BOEM | Bureau of Ocean Energy Management |
| BSEE | Bureau of Safety and Environmental Enforcement |

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January 25, 2024

The Honorable Raúl M. Grijalva
Ranking Member
Committee on Natural Resources
House of Representatives

The Honorable Mike Levin
House of Representatives

The Honorable Katie Porter
House of Representatives

Since the 1940s, the offshore oil and gas industry has drilled more than 55,000 wells and installed more than 7,000 platforms in federally managed waters on the outer continental shelf,¹ nearly all of which have been in the Gulf of Mexico. When this infrastructure reaches the end of its useful life, industry operators are required to decommission it according to the terms of their federal lease and U.S. Department of the Interior regulations under the authority of the Outer Continental Shelf Lands Act.²

Decommissioning is the process of ending oil and gas operations, plugging wells, dismantling and disposing of platforms, and returning the seafloor to pre-lease conditions. This is generally required within 1 year of the end of a lease or when it becomes unsafe, obsolete, or otherwise no longer useful for operations (e.g., idle for several years or destroyed by a storm). Nearly half of the approximately 8,000 wells and 1,600 platforms remaining offshore are approaching or past the end of their useful life, according to Interior.

¹The outer continental shelf refers to the portion of submerged lands of the North American continental edge that is seaward of the territorial jurisdiction of all 50 states but within U.S. jurisdiction and control, generally extending seaward from 3 geographical miles off the coastline to at least 200 nautical miles.

²Pub. L. No. 83-212, 67 Stat. 462 (1953) (codified as amended at 43 U.S.C. §§ 1331-1356c). These regulations were also issued under the authority of other statutes. For the purposes of this report, unless otherwise specified, we use “operator” to refer to any industry entity that accrues and holds the obligation to decommission offshore infrastructure (i.e., liable parties), including but not limited to lessees, sublessees, or assignees, or other operating or lease ownership rights holders. This term also generally includes predecessors, although we distinguish where appropriate in this report between current operators and predecessors.

As this infrastructure ages, it can degrade from corrosion and become more vulnerable to damage and destruction, such as from hurricanes that may be increasingly frequent and intense, which can cause oil spills and make decommissioning more expensive and dangerous. Decommissioning delays can increase or signal the risk that operators will default on their obligations and that the government may ultimately bear those obligations. According to Interior, 37 offshore oil and gas operators have filed for bankruptcy since 2009. The two Interior bureaus responsible for oversight of offshore oil and gas activities—the Bureau of Safety and Environmental Enforcement (BSEE) and the Bureau of Ocean Energy Management (BOEM)—have reported that they expect offshore bankruptcies will continue to increase.³ The unknown outcome of a significant ongoing bankruptcy filed in May 2023 and any future cases creates substantial uncertainty, and potentially enormous financial risks to the federal government from decommissioning liabilities, as we reported in December 2015.⁴ Decommissioning can cost tens of millions of dollars per lease in shallow water and upwards of hundreds of millions of dollars per lease in deep water, depending on the number of wells and types of structures present, according to Interior estimates.⁵

³Interior initiated several policy reforms intended to strengthen its offshore oversight in response to the 2010 *Deepwater Horizon* incident, in which a drilling rig exploded in the Gulf of Mexico and resulted in 11 deaths, serious injuries, and the largest marine oil spill in the history of the United States. This included reorganizing the agency responsible for overseeing offshore oil and gas activities into BSEE and BOEM, which conduct their oversight primarily under the authority of the Outer Continental Shelf Lands Act, codified as amended at 43 U.S.C. §§ 1331-1356c, and delegated by Interior. For the purposes of this report, “BSEE” and “BOEM” includes both the present-day bureaus and their predecessor agencies, the Bureau of Ocean Energy Management, Regulation, and Enforcement and the Minerals Management Service. Interior’s Office of Natural Resources Revenue is another agency with offshore oversight responsibilities, but its role is outside the scope of this report.

⁴In May 2023, Cox Oil Offshore LLC and several related entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The lead case is *In Re: MLCJR LLC, Cox Oil Offshore LLC, et al.*, No: 4:23-BK-90324 (Bankr. S.D.Tex.). In December 2015, we found that Interior’s financial assurance procedures for decommissioning liabilities posed billions of dollars in financial risks to the federal government. Interior concurred with the seven recommendations we made, and we closed them as implemented when it took actions to address them. However, Interior did not complete its plan to finalize financial assurance regulations and later rescinded the revised procedures it had issued in 2016. GAO, *Offshore Oil and Gas Resources: Actions Needed to Better Protect Against Billions of Dollars in Federal Exposure to Decommissioning Liabilities*, GAO-16-40 (Washington, D.C.: Dec. 18, 2015).

⁵For the purposes of this report, we consider deep water to be any depth greater than 1,000 feet.

You asked us to review Interior’s oversight of the decommissioning of offshore oil and gas infrastructure. This report examines Interior’s effectiveness in (1) enforcing regulations concerning timely decommissioning deadlines for offshore oil and gas infrastructure through BSEE and (2) assuring industry capacity to meet decommissioning obligations for that infrastructure through BOEM.⁶

To assess Interior’s effectiveness in enforcing decommissioning deadlines for wells and platforms in the Gulf of Mexico and Pacific Regions of the outer continental shelf through BSEE, we reviewed laws, regulations, implementing guidance, policies, procedures, budget justifications, and other documentation related to the bureau’s decommissioning deadlines as well as tools and practices for enforcing them. We also collected and analyzed BSEE data on leases that ended in 2010 through 2022 and on all end-of-lease and idle wells and platforms that came due at any time and had not been decommissioned as of June 2023.⁷ We used these data to identify (1) industry operators’ timeliness in complying with the decommissioning deadlines for wells and platforms on leases that had ended and for idle wells and platforms on active leases, as well as (2) the effectiveness of enforcement actions BSEE took in response to noncompliance.

To assess Interior’s effectiveness in assuring industry capacity to meet decommissioning obligations through BOEM, we reviewed laws, regulations, implementing guidance, policies, procedures, budget justifications, and other documentation related to the bureau’s responsibilities and practices to collect financial assurances and ensure companies are qualified to operate on the outer continental shelf. We also collected and analyzed BOEM and BSEE data to identify (1) the amount

⁶We did not include Interior’s oversight of pipeline decommissioning in our scope because we recently reported on it. Specifically, in March 2021, we found that BSEE had allowed the offshore oil and gas industry to leave 97 percent of pipelines on the seafloor when no longer in use and recommended that BSEE update pipeline regulations to address long-standing environmental and safety issues. Interior concurred with our recommendation but had not completed actions to address it as of January 2024. GAO, *Offshore Oil and Gas: Updated Regulations Needed to Improve Pipeline Oversight and Decommissioning*, [GAO-21-293](#) (Washington, D.C.: Mar. 19, 2021). We focused this review on the Gulf of Mexico and Pacific Regions because they contain nearly all of the wells ever drilled and platforms ever installed on the outer continental shelf.

⁷We assessed the reliability of BSEE’s data by (1) performing electronic testing, (2) reviewing existing documentation about these data and the system that produced them, and (3) discussing BSEE’s methods for collecting and managing these data with knowledgeable bureau officials. We determined that the data were sufficiently reliable for the purposes of this report.

of financial assurances collected as supplemental bonds and (2) estimated costs for outstanding decommissioning liabilities.⁸ Additionally, we compared BOEM documentation on the need to establish fitness criteria for qualification against bureau actions to do so.

For both objectives, we interviewed BSEE and BOEM officials responsible for various aspects of decommissioning oversight to understand the processes they manage and obtain their perspectives on challenges they face in doing so.⁹ We also interviewed officials from Interior's Office of the Solicitor to discuss their role in supporting BSEE and BOEM activities.¹⁰ Additionally, we obtained the perspectives of two offshore oil and gas industry trade associations and one environmental policy organization about decommissioning practices and Interior's role in overseeing them. We selected these groups because of their interests related to offshore decommissioning.¹¹ Their views are not generalizable, and we did not use them to form the basis of our findings.

We conducted this performance audit from August 2022 to January 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁸We assessed the reliability of BOEM and BSEE's data by reviewing existing data documentation and discussing methods for collecting and managing these data with knowledgeable officials. We determined that these data were sufficiently reliable for the purposes of this report.

⁹These officials represented the bureaus' headquarters, Gulf of Mexico Region, and Pacific Region offices. BSEE and BOEM's headquarters offices are responsible for setting national program policy, and their regional offices are responsible for implementing oversight of oil and gas operations in the Gulf of Mexico, Pacific, and Alaska Regions.

¹⁰The Office of the Solicitor provides legal counsel, advice, representation, and other services to the Department of the Interior, ensuring that components of the department carry out their responsibilities in accordance with the law.

¹¹The National Ocean Industries Association advocates for the policy interests of the offshore energy industry. The Offshore Operators Committee is the primary technical advocate for the offshore energy industry on issues such as safety, regulation, exploration, development, and production on the outer continental shelf. Oceana advocates for policies that protect and restore the world's oceans. We contacted four additional stakeholder organizations with interests related to offshore decommissioning but did not receive responses.

Background

Federal Oversight of Offshore Oil and Gas Operations

Interior is responsible for overseeing the development of oil and gas resources located under 2.5 billion acres across all regions of the outer continental shelf. Interior carries out oversight of offshore oil and gas operations on federal leases through BSEE and BOEM, primarily under the authority of the Outer Continental Shelf Lands Act.¹² The act establishes policies for the Secretary of the Interior to balance in this oversight, including providing for safety, protection of the environment, development of resources, and conservation of natural resources, while also requiring a fair return.¹³

In November 2021, Interior prepared a report on the federal oil and gas leasing program in response to Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*, that acknowledged ongoing issues with Interior's approach to offshore oversight through BSEE and BOEM.¹⁴ Interior identified several areas overdue for further reform and specific recommendations such as ensuring operators have the financial and technical capacity to comply with all applicable laws and regulations, including requirements to safely and timely decommission offshore infrastructure.

Under Interior regulations implemented by BOEM and BSEE, operators are jointly and severally liable for meeting decommissioning requirements on a given lease as the obligations accrue and until each obligation is met. That is, operators are responsible for decommissioning infrastructure they installed or that predated their lease rights even if they transfer their lease to other operators that subsequently do not meet those decommissioning obligations. Operators are not liable for infrastructure installed after they transfer their lease rights.

BSEE and BOEM manage different aspects of offshore oversight and have developed regulations and guidance governing offshore oil and gas operations, including specific requirements for timely decommissioning of wells and platforms at the end of their useful life and for financial

¹²Codified as amended at 43 U.S.C. §§ 1331-1356c.

¹³See 43 U.S.C. §§ 1332, 1344(a).

¹⁴Department of the Interior, *Report on the Federal Oil and Gas Leasing Program, Prepared in Response to Executive Order 14008* (November 2021).

assurances to help cover decommissioning costs if needed.¹⁵ BSEE's mission is to promote safety, protect the environment, and conserve resources offshore through regulatory oversight and enforcement. BOEM's mission is to manage development of energy and mineral resources on the outer continental shelf in an environmentally and economically responsible way.

BSEE. As the bureau responsible for oversight of offshore oil and gas operations, BSEE establishes and enforces requirements for decommissioning. Under BSEE's decommissioning regulations and supplemental guidance, operators must generally plug all wells and remove all wellheads and casings to at least 15 feet below the seafloor,¹⁶ remove all platforms,¹⁷ and clear the seafloor of any debris when infrastructure is no longer useful for production or other operations.¹⁸

According to BSEE regulations and clarifying guidance, decommissioning generally must be completed within 1 year after a lease ends, or as soon as feasible but no later than within 3 to 5 years of infrastructure on an

¹⁵30 C.F.R. Part 250 Subpart Q, Part 556 Subpart I.

¹⁶Well plugs are designed to isolate hydrocarbons, protect freshwater aquifers, and prevent migration of fluids within the well or to the seafloor.

¹⁷Under certain circumstances, a platform may remain in place or be moved to a different seafloor location for the creation of an artificial reef; this is known as reefing-in-place or towing-to-site. "Rigs-to-Reefs" is a cooperation program among coastal states, BSEE, BOEM, and other federal agencies that involves decommissioning platform jackets by turning them into artificial reefs rather than removing them. Since 1985, BSEE has supported and encouraged the reuse of obsolete oil and gas platform jackets as artificial reef material and will grant a departure from removal requirements and applicable lease obligations provided that (1) the structure becomes part of a state reef program that complies with the National Artificial Reef Plan; (2) the state agency acquires a permit from the U.S. Army Corps of Engineers and accepts title and liability for the reefed structure once removal/reefing operations are concluded; (3) the operator satisfies any U.S. Coast Guard navigational requirements for the structure; and (4) the reefing proposal complies with BSEE engineering and environmental reviewing standards. According to BSEE, as of June 2023, 634 platform jackets previously installed on the outer continental shelf had been reefed in the Gulf of Mexico.

¹⁸BSEE can authorize an alternate removal depth for infrastructure if (1) it would not become an obstruction to other users of the seafloor or area, and geotechnical and other information operators provide demonstrate that erosional processes capable of exposing the obstructions are not expected; (2) the situation requires the use of divers and that seafloor sediment stability poses safety concerns; or (3) the water depth is greater than 1,000 feet for wellheads and casings or 800 meters for platforms and other facilities.

active lease becoming idle or being destroyed.¹⁹ Operators may request BSEE approval to postpone decommissioning beyond these deadlines in some cases—for example, to reduce decommissioning costs through economies of scale and scheduling; to use the infrastructure for an alternate use; if otherwise idle infrastructure has future utility; or if the decommissioning project is particularly complex.

If an operator does not decommission its wells or platforms within prescribed deadlines, BSEE can employ regulatory enforcement tools to compel compliance. Specifically, BSEE can issue:

- orders to an operator—or all operators with joint and several liability for that infrastructure—to meet those obligations;
- citations—known as incidents of noncompliance—for regulatory violations;
- civil penalty fines; and
- directed suspension of operations.

Additionally, BSEE can refer operators to BOEM for potential disqualification from conducting offshore operations.²⁰

BOEM. As the agency responsible for managing offshore leasing policy and programs, BOEM sets qualification standards for companies to operate on the outer continental shelf and makes disqualification

¹⁹30 C.F.R. Part 250 Subpart Q. Department of the Interior, Bureau of Safety and Environmental Enforcement, Gulf of Mexico OCS Region, *Notice to Lessees and Operators of Federal Oil and Gas Leases and Pipeline Right-of-Way Holders in the Outer Continental Shelf, Gulf of Mexico OCS Region*, NTL No. 2018-G03 (Dec. 11, 2018). BSEE guidance generally defines intact infrastructure as idle if it has not been used for oil and gas production or other operations for 5 years.

²⁰Operators may file an appeal in response to BSEE enforcement decisions or orders to the Interior Board of Land Appeals. This board is an independent review body that exercises the delegated authority of the Secretary of the Interior to issue final decisions for the department, deciding appeals from bureau decisions, including those involving the use and disposition of mineral and energy resources on the outer continental shelf, among other areas under Interior's jurisdiction.

decisions in response to unacceptable performance.²¹ BOEM supports BSEE's enforcement of decommissioning requirements by maintaining records of current and predecessor operators who are jointly and severally liable for decommissioning and monitoring current operators' financial capacity to meet their obligations. Under Interior regulations, BOEM may require an operator to provide a supplemental bond that covers the estimated costs of decommissioning if it determines that additional security is necessary to ensure compliance with lease obligations.²² If liable operators fail to complete decommissioning obligations as required, the federal government can use the supplemental bond to cover decommissioning costs.

**Safety, Environmental,
and Financial Risks
Associated with
Decommissioning Delays**

Delays in decommissioning unused infrastructure can create potentially serious safety, environmental, and financial risks.²³

Safety risks. Unused infrastructure can deteriorate from extended exposure to the marine environment—especially if it is not properly maintained—increasing safety risks to personnel and making it more susceptible to structural failure. For example, platform deterioration over time increases the risk to personnel from dropped objects or falls through degraded walkways or over degraded handrails. Such safety risks can inhibit access to a platform and require significant investments in repairs prior to conducting decommissioning—which can further extend delays (see fig. 1). Unused infrastructure also can pose a collision hazard for boats and ships, particularly if its navigational aid lights are nonfunctional.²⁴

²¹Under BOEM regulations, in order to bid on, own, hold, or operate an offshore lease in federally managed waters, an entity must be a legal entity under U.S. law (e.g., American national, corporation, partnership, limited liability company, or trust) and obtain a qualification number from BOEM. 30 C.F.R. §§ 556.400–556.402. In determining if operating performance is unacceptable, BOEM is to consider, individually or collectively, incidents of noncompliance, civil penalties, failure to adhere to lease obligations, or any other relevant factors.

²²BOEM also requires general bonds to cover lease obligations. Operators may appeal demands for supplemental bonds to the Interior Board of Land Appeals.

²³Delayed decommissioning can also preclude other uses of the outer continental shelf, such as access to significant sediment resources, commercial fishing and trawling, and the future development of renewable energy sources.

²⁴Ship collisions with platforms can damage or destroy the ships and platforms and risk personnel injury or death.

Figure 1: Corrosion on Platform Hogan in the Pacific Region



Source: Bureau of Safety and Environmental Enforcement. | GAO-24-106229

Environmental risks. Infrastructure deterioration from delayed decommissioning can increase the risk of oil spills or ongoing pollution into the marine environment. Oil can be toxic to organisms—including plankton, invertebrates, fish, birds, and sea mammals—and can cause a wide array of adverse effects, such as reduced growth, disease, impaired reproduction, impaired physiological health, and mortality.²⁵ Deterioration can increase the risk of oil spills through loss of integrity for tanks and pipelines where oil is stored or through structural failure—such as from a highly corroded platform toppling during a hurricane—potentially causing spills from the connecting wells or damaging neighboring and potentially active infrastructure. It can also lead to ongoing pollution from the deposition of corroded metal into offshore waters. Unplugged or poorly plugged wells also provide potential conduits for hydrocarbons or drilling fluids to migrate into the marine environment, though the extent of such

²⁵For example, see National Academies of Sciences, Engineering, and Medicine, *Oil in the Sea IV: Inputs, Fates, and Effects* (Washington, D.C.: 2022).

leakage to date is unknown.²⁶ To address this uncertainty, BOEM issued a contract in September 2022 to study the effects of abandoned offshore oil and gas wells on water and air quality.

Financial risks. Delays in decommissioning or defaults on decommissioning obligations can create significant financial risk to the federal government, as we previously reported in December 2015.²⁷ If operators default on their decommissioning obligations—for example, as a result of bankruptcy—and there are no other current or predecessor operators liable and financially capable, this “orphaned” infrastructure can become the federal government’s responsibility to decommission.²⁸ Furthermore, if BOEM has not required—or the operators have not provided—sufficient financial assurance, public funds may be the only option to cover the decommissioning costs.

Safety, environmental, and financial risks compound as the passage of time increases the vulnerability to, and likelihood of, exposure to hurricanes or other natural events, such as mudslides, geologic activity, and shifting sand shoals. Waves generated by large hurricanes in the Gulf of Mexico—which may be increasingly frequent and intense—can damage or destroy offshore oil and gas infrastructure.²⁹ Not only do these waves apply direct forces on structures, they can also generate significant pressures on the ocean floor in shallow water (up to about 400 feet) that can trigger mudslides, which can damage or destroy structures and cause leaks from associated wells (see fig. 2).

For example, in 2004, a mudslide caused by a hurricane destroyed an oil platform and 25 associated wells, resulting in the longest-running oil spill in U.S. history, according to Interior documentation. Storm-damaged or toppled structures present a greater risk to safety and require difficult and

²⁶Some wells are equipped with downhole safety valves, but leakage can still occur, especially for orphaned wells where the downhole valves may not be routinely tested and verified.

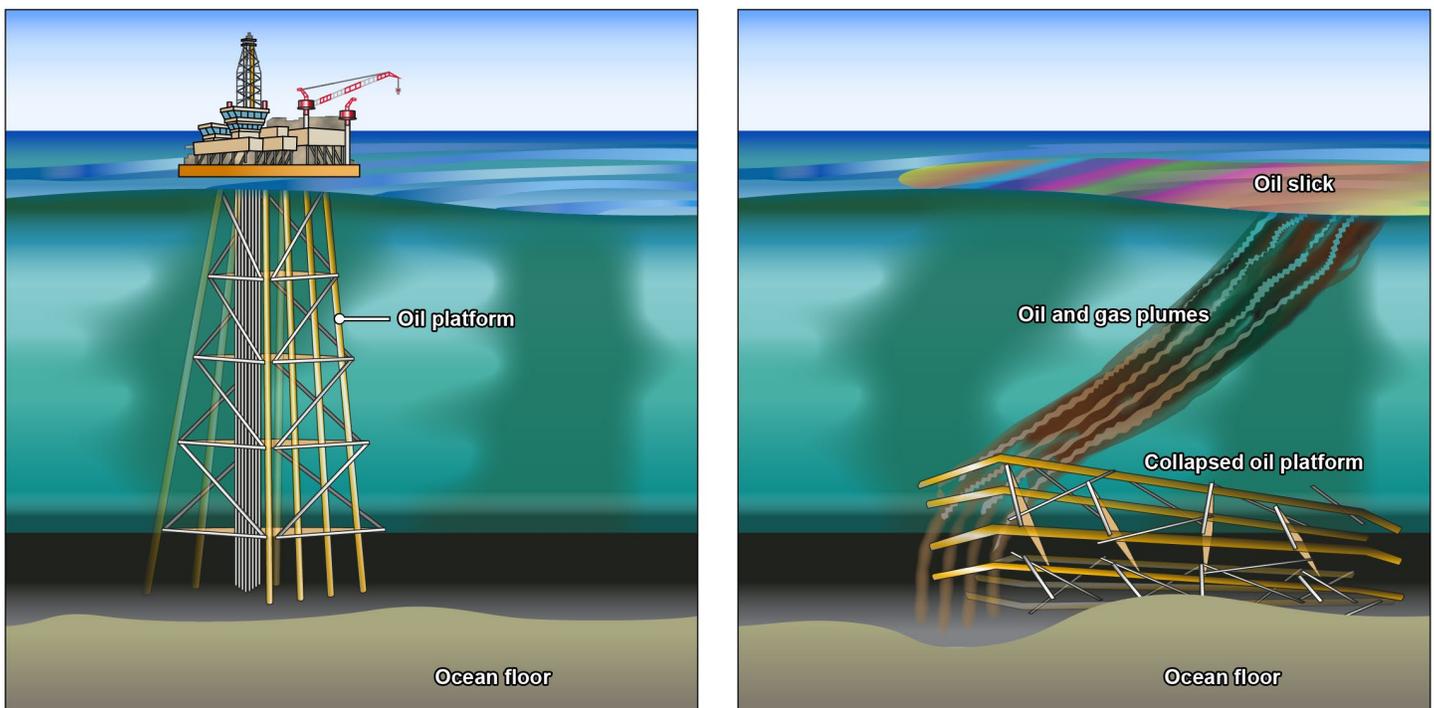
²⁷[GAO-16-40](#).

²⁸If certain leases or infrastructure have only one liable party—there are no other current or predecessor operators—the associated decommissioning obligations are referred to as sole liability.

²⁹In 2005, Hurricanes Katrina and Rita destroyed 116 structures and significantly damaged another 163 structures in the Gulf of Mexico, according to Interior documentation.

time-consuming salvage work.³⁰ According to Interior documentation, decommissioning a storm-damaged structure may cost 15 times or more than an undamaged structure, and the federal government could bear these amplified decommissioning costs if operators do not meet their decommissioning obligations.

Figure 2: Potential Effects of Topped Platform and Leaking Wells



Source: GAO. | GAO-24-106229

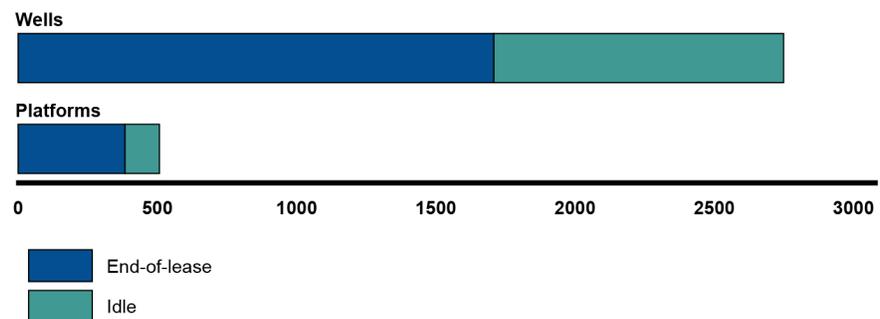
³⁰After preliminary salvage work that can take weeks, divers cut and remove structural components while crane assemblies remove the components and place them on a barge for transport and disposal. When working in areas with strong currents and unconsolidated material, cofferdams (i.e., watertight enclosures) are often constructed on the seabed to prevent material from slumping back in on the dive crews and equipment.

BSEE Does Not Effectively Enforce Decommissioning Deadlines for Offshore Oil and Gas Infrastructure, Contributing to Widespread Delays

BSEE does not effectively enforce the deadlines set by regulations and guidance for operators to decommission offshore oil and gas infrastructure, which has contributed to widespread delays and a substantial backlog of wells and platforms awaiting decommissioning. For example, as of June 2023, more than 75 percent of end-of-lease and idle infrastructure in the Gulf of Mexico was overdue according to BSEE’s deadlines—more than 2,700 wells and 500 platforms (see fig. 3).

BSEE’s enforcement tools—and its implementation of them—have not effectively compelled operator compliance with the 1-year regulatory decommissioning deadline for end-of-lease infrastructure in the Gulf. In addition, we found that long-standing uncertainties about the enforceability of BSEE’s decommissioning deadlines for idle infrastructure on active leases in the Gulf and for end-of-lease infrastructure in the Pacific led to decommissioning delays. While BSEE has recognized the need to update and strengthen its oversight of decommissioning activities, the bureau has not completed planned actions that would meaningfully address weaknesses in its enforcement approach.

Figure 3: End-of-Lease and Idle Offshore Wells and Platforms Overdue for Decommissioning in the Gulf of Mexico



Source: GAO analysis of Bureau of Safety and Environmental Enforcement (BSEE) data and documentation as of June 2023. | GAO-24-106229

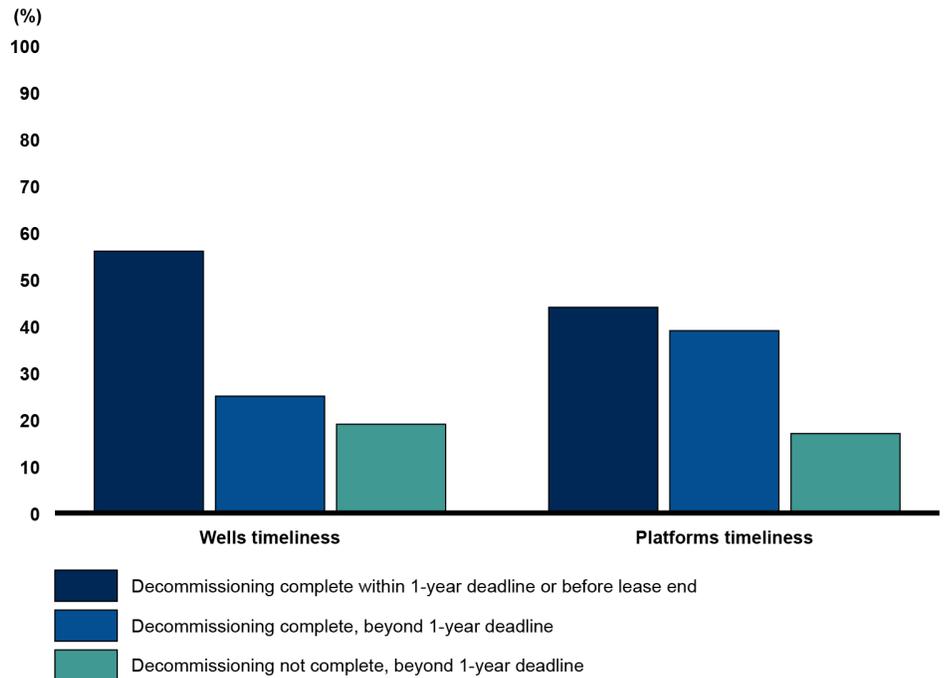
Note: This includes wells and platforms that have exceeded BSEE’s end-of-lease or idle decommissioning deadlines, that BSEE has not approved for future use or other exception, and that BSEE considers delinquent. Nearly 3,600 wells and more than 600 platforms were due to be decommissioned as of June 2023—either because the leases they are on had ended or because they had become idle—out of about 8,000 wells and 1,600 platforms in total remaining offshore in the Gulf of Mexico. About 700 wells and 23 platforms also remain offshore in the Pacific.

BSEE’s Enforcement Does Not Effectively Compel Industry Compliance with Regulatory Decommissioning Deadlines for End-of-Lease Infrastructure

BSEE’s enforcement tools and its implementation of them have not effectively compelled industry compliance with the regulatory requirement to decommission wells and platforms within 1 year of a lease’s end. As a result, decommissioning was delayed for thousands of wells and platforms, and a significant backlog has yet to be decommissioned.

End-of-lease delays. Specifically, for Gulf of Mexico leases that ended in 2010 through 2022, industry operators missed BSEE’s deadline to decommission within 1 year for more than 40 percent of wells (about 4,700 of 10,600) and 50 percent of platforms (about 1,300 of 2,300), according to our analysis of BSEE data. Of these, nearly 2,000 wells (19 percent) and 400 platforms (17 percent) remained to be decommissioned as of June 2023. (See fig. 4.)

Figure 4: End-of-Lease Decommissioning Timeliness for Oil and Gas Infrastructure in the Gulf of Mexico on Leases that Ended in 2010–2022



Source: GAO analysis of Bureau of Safety and Environmental Enforcement (BSEE) data and documentation as of June 2023. | GAO-24-106229

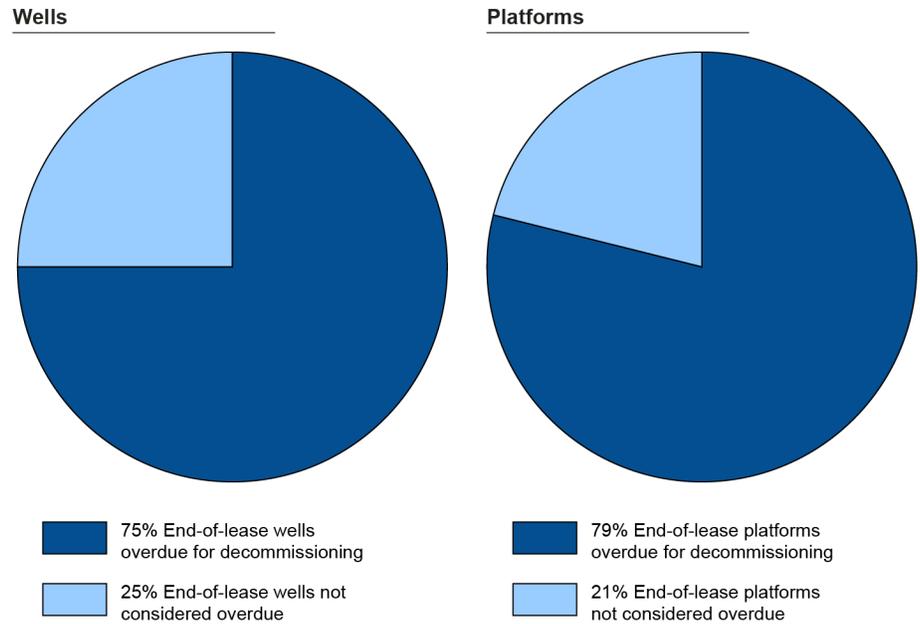
Note: This figure shows timeliness relative to the 1-year regulatory decommissioning deadline—some wells and platforms on leases that ended in 2010 through 2022 may have received BSEE approval to extend this deadline, but BSEE data do not track decommissioning timeliness over time. These timeliness rates exclude wells and platforms on leases that ended in 2022 that had not been decommissioned and were not yet overdue as of June 2023, according to BSEE’s 1-year regulatory deadline for decommissioning end-of-lease infrastructure.

End-of-lease backlog. Over time, operator delays have accumulated a significant backlog of end-of-lease infrastructure overdue for decommissioning. For leases that ended in any year, our analysis of BSEE data found that more than 1,700 end-of-lease wells and nearly 400 end-of-lease platforms in the Gulf of Mexico were overdue for decommissioning as of June 2023 and considered delinquent by BSEE.³¹ This backlog of overdue infrastructure represents more than 75 percent of the almost 2,300 wells and 500 platforms due for decommissioning because their leases ended. (See fig. 5.)

Within the backlog of 1,700 overdue end-of-lease wells, we found that operators had not temporarily plugged more than 700 as of June 2023—meaning, they had not taken interim steps to install long-term barriers to prevent leaks before decommissioning. Moreover, some of the backlog had been overdue for extended periods of time—nearly 1,300 of the 1,700 wells and more than 300 of the 400 platforms are on leases that ended more than 2 years prior. The safety, environmental, and financial risks that this overdue infrastructure poses continue to grow over time as it goes without decommissioning for years beyond the end of its useful life.

³¹Overdue end-of-lease backlog counts reflect wells and platforms on leases that ended more than 1 year prior to June 2023 and that BSEE has not approved for future use or other exception to the 1-year regulatory deadline.

Figure 5: End-of-Lease Offshore Wells and Platforms Overdue for Decommissioning in the Gulf of Mexico



Source: GAO analysis of Bureau of Safety and Environmental Enforcement (BSEE) data and documentation as of June 2023. | GAO-24-106229

Note: Overdue end-of-lease backlog counts reflect wells and platforms on leases that ended more than 1 year prior to June 2023 and that BSEE has not approved for future use or other exception to the 1-year regulatory deadline.

While BSEE has regulations, guidance, and enforcement tools to define decommissioning expectations for end-of-lease infrastructure and compel compliance by operators, we found that BSEE’s enforcement contributed to widespread decommissioning delays and the resulting backlog. Per its regulations and guidance, BSEE generally expects operators to complete decommissioning throughout the life of a lease, as infrastructure becomes no longer useful for operations, and take actions to meet decommissioning deadlines on their own initiative. To encourage compliance, BSEE procedure in the Gulf is to remind current operators of their regulatory obligation to decommission within 1 year of the end of a lease, and to copy predecessor operators on this notice. If operators do not decommission within the 1-year deadline and do not have BSEE approval to delay decommissioning, BSEE can employ a suite of escalatory enforcement tools to compel compliance, including administrative tools, civil penalties, suspension of operations, and disqualification, as the following sections describe.

Administrative enforcement tools. BSEE procedures in the Gulf define a process for using its administrative enforcement tools—citations for regulatory violations and orders to decommission—in instances where operators fail to decommission within 1 year of the end of a lease. Specifically, if current operators do not meet decommissioning requirements within the 1-year deadline, BSEE procedure is to issue a citation to the current operators to document the failure to perform, as well as an order to all liable parties—including current and predecessor operators—to decommission within a specific period of time. If the parties do not perform decommissioning within the time provided, BSEE procedure is to issue another citation with another deadline to all parties along with a threat of civil penalty for failure to correct.³²

BSEE officials told us that their administrative tools are not effective at compelling operator compliance with decommissioning deadlines. They said their tools do not provide the coercive power to incentivize uncooperative operators because the citations and orders are essentially warnings and unlikely to motivate operators unwilling or unable to meet their regulatory obligations. BSEE data support this conclusion. Operators had not taken action to decommission the backlog of approximately 1,700 wells and 400 platforms overdue for decommissioning on ended leases, though the bureau had issued citations or orders for approximately 94 percent of these wells and 96 percent of these platforms as of June 2023.

BSEE's implementation of these tools also limits their effectiveness. BSEE's process for issuing citations and orders can extend for years before it considers more severe enforcement actions. Additionally, Interior's data systems do not readily track the status and contact information for predecessors, which can inhibit BSEE's ability to disseminate citations and orders in a timely manner.³³ Agency officials

³²In April 2023, BSEE finalized a rule that formalized predecessor operators' obligations upon receiving decommissioning orders for infrastructure on ended leases—to begin maintenance and monitoring, designate a decommissioning operator, and submit a decommissioning plan within set time frames. 88 Fed. Reg. 23569 (April 18, 2023). Specifically, predecessors will be required to (1) begin maintenance and monitoring within 30 days, (2) designate an operator for decommissioning within 90 days, and (3) submit a decommissioning plan within 150 days. BSEE had previously initiated a procedure in 2021 to issue citations and orders to all liable current and predecessor operators as soon as the 1-year lease term decommissioning deadline passed. According to BSEE documentation, the new rule is a codification of long-standing practice that will provide greater clarity but not substantively change expectations.

³³BSEE officials told us that determining which parties—assuming they still exist or have active operations in the region—will assume responsibility for which task is time consuming and contributes to additional delays.

told us these delays can be further exacerbated by operators that employ intentional delay tactics—such as by proposing an alternative use of platforms to BSEE but never submitting the plans to do so. These delays contribute to the growing backlog of wells and platforms awaiting decommissioning.

Civil penalties. If liable parties do not perform decommissioning in response to BSEE’s administrative enforcement tools, BSEE procedure is to pursue civil penalties (i.e., fines) for all parties. However, in practice, the bureau rarely pursues civil penalties for operators that do not meet decommissioning requirements, according to our analysis of BSEE data. In the Gulf of Mexico Region, BSEE had open civil penalty referrals for less than 2 percent of wells (32 of about 1,700) and platforms (six of nearly 400) that were overdue for decommissioning on ended leases as of June 2023.

BSEE officials explained that their reluctance to pursue civil penalties stems in part from concerns about whether inducing financial harm against an operator is an effective approach to compel decommissioning. They expressed reservations about taking actions—such as issuing civil penalties—that might strain the financial resources of operators to the point of pushing them into bankruptcy.³⁴ In such situations, if an operator has sole liability for decommissioning—that is, there are no other liable parties for BSEE to pursue—the government could become liable for decommissioning costs if the operator files for bankruptcy.³⁵

Additionally, BSEE officials told us that the time required to prepare and arbitrate civil penalty cases can disincentivize their use as a tool to compel near-term decommissioning. Such civil penalty cases can take years to prepare and arbitrate, especially if the operator appeals the fines to the Interior Board of Land Appeals.³⁶ These civil penalty delays,

³⁴BSEE has also declined to pursue civil penalties for overdue facilities in response to BOEM requests.

³⁵In instances in which BSEE becomes responsible for such “orphaned” infrastructure, the bureau has struggled to contract for its removal, even when it has secured funding from Congress. According to BSEE officials, the bureau had attempted to contract for decommissioning services since 2020 but only recently established a contract for initial inspections and operations to make platforms safe and for well testing and plugging.

³⁶The Interior Board of Land Appeals cannot resolve every appeal that is filed each fiscal year and consistently has a backlog of appeals from previous years, according to its annual report for fiscal year 2022. For example, the board had 460 pending cases at the end of fiscal year 2022, including dozens of active cases filed several years prior.

combined with initial use of administrative enforcement tools that can extend for years, can create a substantial lag time between the occurrence of a violation and civil penalty payment, if any, thereby diminishing the penalty's effectiveness as a tool to compel decommissioning, timely or otherwise.³⁷

Suspension of operations. BSEE's regulations allow the bureau to direct operators to suspend operations if the operator does not comply with a law, regulation, order, or provision of a lease or permit. However, BSEE officials told us they have never taken such action against operators specifically for failure to meet decommissioning requirements, and they are reluctant to do so. Similar to concerns about the potential effect of civil penalties on financially struggling operators, BSEE officials told us that suspending operations could hinder operator cash flow and further reduce the likelihood that operators will meet their decommissioning obligations. Additionally, BSEE officials said their reluctance to suspend operations in response to failure to decommission is furthered by concerns about the enforceability of such actions.

Operator disqualification. BSEE's regulations allow it to refer an operator to BOEM for disqualification if BSEE determines an operator's performance is unacceptable.³⁸ In these instances, BOEM's regulations allow it to then disapprove or revoke (i.e., disqualify) an operator from being the designated operator on a single platform or on multiple platforms.³⁹ However, BSEE's regulations do not contain specific criteria for the level of performance that would warrant a referral for disqualification, and BSEE officials confirmed the bureau has not established specific criteria in policy to guide this determination. As a result, BSEE has very rarely referred operators with poor environmental or safety performance records for disqualification, and never solely for but once in part due to failure to meet decommissioning obligations, according to BOEM and BSEE officials.⁴⁰

³⁷BSEE officials also noted that civil penalties are deposited in the U.S. Treasury rather than used to fund the decommissioning of overdue infrastructure.

³⁸30 C.F.R. § 250.135.

³⁹30 C.F.R. § 550.135.

⁴⁰BOEM officials told us that BOEM and BSEE together are actively exploring processes for addressing operator fitness issues.

BSEE Has Not Addressed Long-Standing Uncertainties About the Enforceability of Idle and Pacific Decommissioning Deadlines

BSEE has not addressed long-standing uncertainties about the enforceability of its decommissioning deadlines for infrastructure that is idle or located in the Pacific Region. Specifically, BSEE continues to face challenges with enforcing decommissioning deadlines for idle infrastructure on active leases in the Gulf of Mexico in large part because the deadlines are specified in guidance but not defined in the bureau's regulations. Likewise, BSEE does not view its regulatory end-of-lease deadlines as reasonable to enforce in the Pacific Region because of concerns about the complexity and practicality of decommissioning infrastructure in that region within a single year.

Idle infrastructure in the Gulf of Mexico. BSEE has recognized the safety, environmental, and financial risks posed by idle infrastructure on active leases since the early 2000s, but its actions to address them have not induced industry compliance with BSEE deadlines. Specifically, more than 1,000 idle wells and 100 idle platforms remained overdue for decommissioning in the Gulf of Mexico and were considered delinquent by BSEE, as of June 2023.⁴¹ This represents 80 percent of all idle wells and 69 percent of idle platforms due to be decommissioned, according to BSEE's idle infrastructure guidance. Moreover, much of this infrastructure had been idle for extended periods of time—more than 800 of the 1,000 overdue idle wells had not produced in more than 10 years. Almost 600 of the 1,000 overdue idle wells had not been temporarily plugged, meaning that operators had not taken interim steps to install long-term barriers to leakage. As previously discussed, the safety, environmental, and financial risks of such idle infrastructure accrue over time.

In 2008, BSEE found that a significant number of idle wells and platforms existed on active leases in the Gulf of Mexico and determined that they posed a potential threat to the outer continental shelf environment as well as a potential financial liability to the government if destroyed or damaged, such as by hurricanes.⁴² In response, in 2010, BSEE issued guidance that specified deadlines for decommissioning. At the time, BSEE regulations did not have specific idle infrastructure deadlines but

⁴¹In addition to the overdue idle infrastructure, BSEE authorized operators to forgo decommissioning on about 60 wells and 30 platforms due to their potential future use that would otherwise be considered overdue in the Gulf.

⁴²In 2005, a pair of hurricanes destroyed or damaged nearly 300 platforms in the Gulf of Mexico.

stated that such infrastructure should be decommissioned when “no longer useful for operations.”⁴³

BSEE’s 2010 guidance directed operators to decommission idle infrastructure within certain deadlines primarily relative to the last date they were used (e.g., to produce oil or gas)—generally, 8 years for wells and 10 years for platforms—unless BSEE approved them for future use. However, BSEE officials told us that this guidance was of limited effectiveness in reducing the backlog of idle infrastructure awaiting decommissioning. According to officials, this was in part because BSEE’s standard administrative enforcement tool is a citation designed for infractions of requirements defined in regulations rather than in guidance.

Recognizing that its 2010 guidance was insufficient, BSEE issued clarifying guidance in 2018 that reaffirmed the idle infrastructure decommissioning deadlines in its 2010 guidance and added language specifying how it would enforce them. The updated guidance states that failure to comply with idle infrastructure decommissioning deadlines may result in BSEE issuing an order to decommission. BSEE officials explained to us that if the bureau issues an order to decommission but an operator does not comply, BSEE can issue a citation for failure to comply with the order and began doing so in some cases in 2019. However, BSEE officials told us that they remain concerned about the enforceability of the decommissioning deadlines, which remain undefined in the bureau’s regulations. More than 5 years after BSEE updated its guidance, industry noncompliance with BSEE’s idle infrastructure deadlines persists.

End-of-lease infrastructure in the Pacific. BSEE officials said they do not consider the bureau’s 1-year regulatory deadline for decommissioning on ended leases as reasonable to enforce in the Pacific Region due to long-recognized challenges with the complexity and practicality of doing so.⁴⁴ In 1999, an Interagency Decommissioning Working Group composed of Interior and other federal, state, and local government agencies issued an action plan for addressing offshore oil and gas

⁴³BSEE also may order an operator to plug a well “if it poses a hazard to safety or the environment” or “is not useful for lease operations” and not capable of production in “paying quantities.”

⁴⁴BSEE’s guidance on deadlines for decommissioning idle infrastructure does not address the Pacific Region, but according to BSEE officials the region initiated annual future utility reviews for idle wells after its issuance. All existing platforms in the Pacific Region are off the coast of Southern California.

decommissioning challenges in the Pacific Region that cited the timely removal of platforms as a high priority. However, more than 20 years later, no platforms have been removed, and the eight platforms on leases that have ended are past the 1-year deadline. BSEE officials told us that the expected time frames for the removal of these eight platforms—the first of which came due in 2019—is highly uncertain. Operators submitted initial platform removal applications for five of the eight platforms, but none have submitted final removal applications, and according to BSEE officials it is unknown when they will do so given unresolved logistical issues.⁴⁵

BSEE officials told us that the 1-year regulatory deadline for decommissioning platforms on ended leases is not practical in the Pacific. Specifically, they said that compared to decommissioning operations in the Gulf of Mexico, the 23 platforms in the Pacific are very large, complex structures that will require unique, specialized, and expensive decommissioning equipment not readily available in the region. For example, two of these platforms are in more than 1,000 feet of water and weigh more than 50,000 tons. Additionally, these platforms' close proximity to a densely populated coastline and the interests of state and local governments further increases the complexity and coordination required to assess and approve decommissioning operations, compared to those in the Gulf of Mexico, according to BSEE officials.

Until decommissioning challenges for the Pacific platforms are resolved, BSEE officials told us their goals are to ensure that operators monitor and maintain—or rehabilitate—these platforms and prioritize well decommissioning.⁴⁶ In October 2023, BSEE published a final Programmatic Environmental Impact Statement for the decommissioning

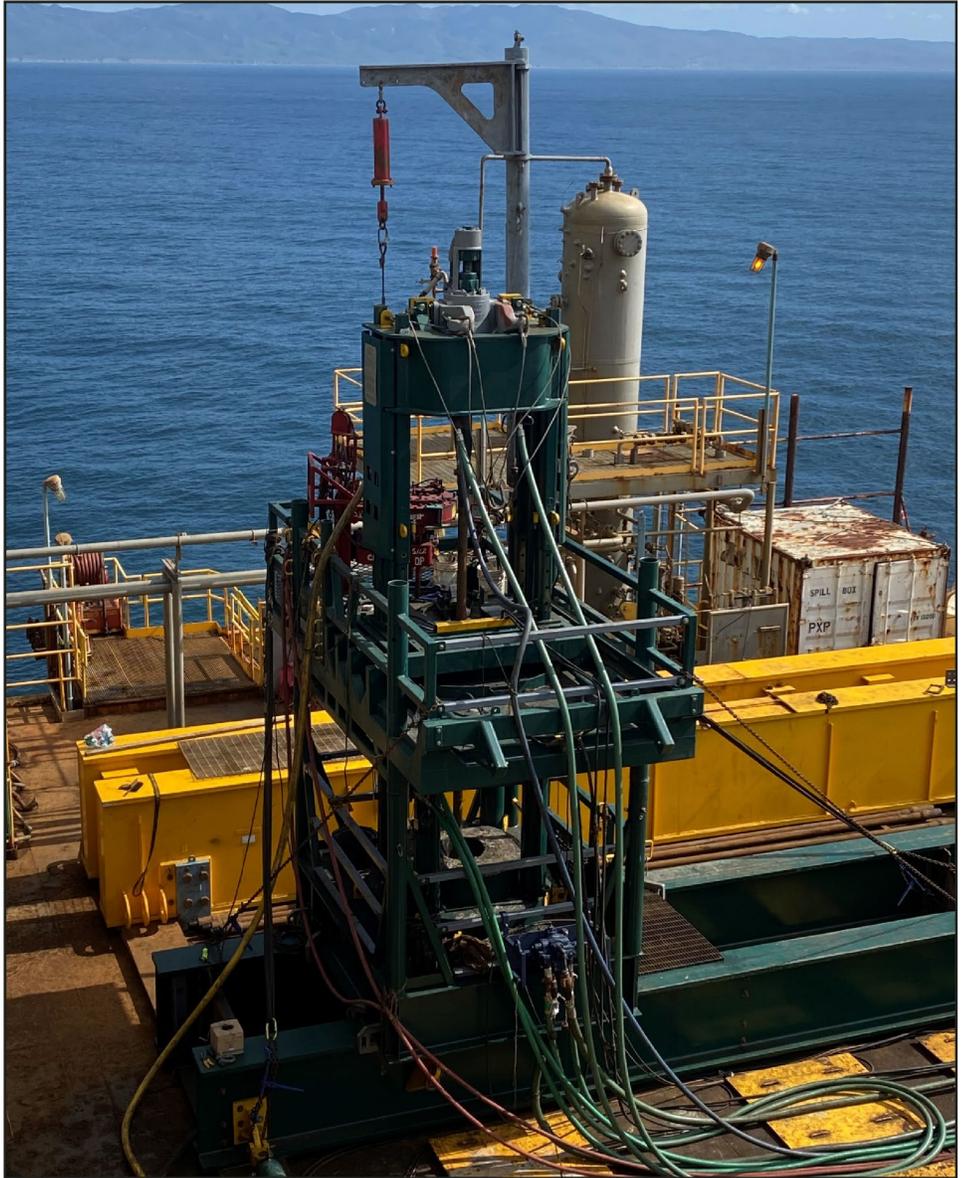
⁴⁵Department of the Interior, Bureau of Safety and Environmental Enforcement, *Programmatic Environmental Impact Statement for Oil and Gas Decommissioning Activities on the Pacific Outer Continental Shelf* (October 2023). According to BSEE officials, the initial platform removal application is pending for one additional platform.

⁴⁶Two of the eight platforms due for decommissioning in the Pacific—platforms Hogan and Houchin—have posed serious safety, environmental, and financial risks, including poor safety compliance records, severe corrosion, and ongoing disputes about who will assume decommissioning liabilities for the platforms and their associated wells, according to BSEE officials and documentation. According to BSEE, these platforms are currently being attended, monitored, and maintained as part of an agreement between BSEE, BOEM, Interior's Office of the Solicitor, and the three predecessor operators pending a decision from the Interior Board of Land Appeals on the predecessors' appeal. BSEE estimates that approximately \$5 million of the estimated costs to decommission 21 orphaned sidetrack wells associated with these platforms are uncovered by financial assurances.

of these platforms.⁴⁷ As of June 2023, operators had decommissioned nearly 100 wells that were used for production, leaving about another 100 wells to be permanently plugged. (See fig. 6 for a photo of well plugging operations in the Pacific.)

⁴⁷88 Fed. Reg. 73870 (Oct. 27, 2023). BSEE published a Record of Decision in December 2023 that selected complete removal and disposal as the preferred decommissioning option for all platforms, associated pipelines, and other facilities offshore Southern California in the Pacific Region. See 88 Fed. Reg. 86378 (Dec. 13, 2023).

Figure 6: Offshore Well Plugging Operations in the Pacific Region



Source: Bureau of Safety and Environmental Enforcement. | GAO-24-106229

BSEE Has Not Completed Planned Actions to Strengthen Its Oversight and Enforcement

BSEE has recognized the importance and urgency of strengthening its decommissioning oversight and enforcement capacity, but the bureau's limited actions have not addressed key weaknesses and it has not completed other planned actions. Specifically, BSEE's most recent strategic plan highlights the need to implement a proactive approach to reducing safety and environmental risks that identifies and addresses gaps in the bureau's regulations and implementing guidance, more effectively influences industry performance, and uses all available tools to improve decommissioning oversight.⁴⁸ Moreover, in its budget justifications since fiscal year 2020, BSEE has repeatedly documented the importance and urgency of strengthening its decommissioning oversight capacity, as the bureau anticipates an increase in its workload due to accelerating trends in the volume of shallow water infrastructure in the Gulf of Mexico coming due for decommissioning.

Further, senior BSEE officials told us they recognize the need to explore more proactive strategies to induce compliance before infrastructure becomes overdue for decommissioning and to minimize further growth of the backlog. Regional BSEE officials acknowledged the need for more effective enforcement tools and procedures—particularly for historically noncompliant or financially risky operators—and clarity on when and how they can and should apply enforcement tools in coordination with BOEM, as well as actionable data to support their timely use.

Consistent with our recommendations in 2015, BSEE documented procedures for identifying, tracking, and enforcing deadlines for end-of-lease and idle infrastructure in the Gulf of Mexico and updated guidance on decommissioning for idle infrastructure.⁴⁹ In 2023, BSEE updated its regulations to clarify how it will reach out to all responsible parties—including predecessors—when infrastructure becomes overdue for decommissioning. BSEE officials told us they are considering additional actions—including further updates to decommissioning regulations—but have not made progress beyond publishing notices in the regulatory agenda and outlining broad strategic goals and objectives in a new strategic plan.⁵⁰

⁴⁸BSEE 2023–2026 Strategic Plan.

⁴⁹GAO-16-40.

⁵⁰BSEE first published notice that it intended to update subpart Q decommissioning regulations—including on idle iron—in the fall 2021 regulatory agenda. BSEE 2023–2026 Strategic Plan.

However, these actions do not represent the development of a more proactive approach or strengthen BSEE's oversight capabilities to sufficiently address long-standing, widespread industry noncompliance with decommissioning deadlines, as the bureau has called for in its strategic plan and budget justifications. Likewise, BSEE's limited actions do not address the key weaknesses in its approach to enforcement that we identified with the effectiveness and implementation of its enforcement tools. In addition, BSEE officials continue to express uncertainty about their authority to enforce certain decommissioning deadlines, consistent with findings by Interior's Office of Inspector General in 2019.⁵¹

By assessing options for a more effective approach and taking actions to address the weaknesses that we, Interior, and BSEE have identified, BSEE would strengthen its ability to enforce decommissioning deadlines, reduce the significant backlog of overdue oil and gas infrastructure offshore, and mitigate the accruing safety, environmental, and financial risks that it poses.

In addition to BSEE taking actions at the bureau level to improve offshore infrastructure decommissioning enforcement, an opportunity exists for Congress to further mitigate the risks that decommissioning liabilities pose. Specifically, since 2008, BSEE has repeatedly documented the need to strengthen its decommissioning oversight capacity given growing concerns about potential operator defaults and the volume of infrastructure coming due for decommissioning. However, the bureau's repeated attempts to do so have proven insufficient, and BSEE continues to struggle to effectively compel uncooperative operators to meet their decommissioning obligations.

A reporting mechanism—such as required annual reporting on the status of operator compliance with decommissioning deadlines—or additional direction on how BSEE should balance various priorities outlined by the Outer Continental Shelf Lands Act, including safety, environmental protection, development of resources, conservation of resources, and a fair return to the U.S. government, could facilitate timely and informed discussions about the risks that decommissioning liabilities pose and spur decisions about how to further mitigate them.⁵²

⁵¹Department of the Interior, Office of Inspector General, *The Bureau of Safety and Environmental Enforcement's Decommissioning Program* (Mar. 26, 2019).

⁵²See 43 U.S.C. §§ 1332, 1344(a).

BOEM Does Not Effectively Assure Decommissioning Capacity for Offshore Oil and Gas Operators, Exposing the Federal Government to Significant Risks

BOEM does not effectively assure offshore oil and gas operators' financial capacity to meet their obligations to decommission wells and platforms, leaving the federal government exposed to significant financial risk. In particular, the amount of financial assurance BOEM holds as supplemental bonds covers a small portion of estimated decommissioning costs, with at least \$36.5 billion in uncovered liabilities if operators do not meet their decommissioning obligations. Interior and BOEM began efforts to revise BOEM's financial assurance approach more than a decade ago and have since repeatedly proposed, but not finalized, various changes to regulations and guidance—most recently proposing regulatory changes in June 2023. Furthermore, BOEM's standards for qualifying offshore operators are minimal, and BOEM has made limited progress in developing new standards that address operators' financial and technical capacity to safely decommission wells and platforms within BSEE's deadlines.⁵³

BOEM's Financial Assurance Approach Continues to Pose Billions of Dollars in Federal Financial Risks from Decommissioning Liabilities

BOEM can require supplemental bonds from offshore operators as financial assurance to help cover decommissioning costs if they do not fulfill their obligations. However, BOEM's financial assurance procedures allow it to waive supplemental bonding requirements for a given lease if at least one operator passes a financial strength test. In 2015, we reported that implementation of these procedures posed financial risks to the federal government—resulting in \$33 billion in uncovered decommissioning liabilities due to waived bonding requirements.⁵⁴

This approach continues to pose risks. As of June 2023, BOEM had collected supplemental bonds for less than 9 percent of estimated decommissioning costs. Specifically, BOEM held about \$3.5 billion in supplemental bonds as of June 2023 to cover between \$40 billion and \$70 billion in total estimated decommissioning costs for all the wells and platforms remaining in federal offshore waters, according to BOEM data. As a result, the federal government faces at least \$36.5 billion in uncovered decommissioning liabilities if operators fail to meet their decommissioning obligations.

⁵³Under BOEM regulations, in order to bid on, own, hold, or operate an offshore lease in federally managed waters, an entity must be a legal entity under U.S. law (e.g., American national, corporation, partnership, limited liability company, or trust) and obtain a qualification number from BOEM. 30 C.F.R. §§ 556.400–556.402.

⁵⁴[GAO-16-40](#).

Meanwhile, BOEM and BSEE have repeatedly raised financial risks posed by operator bankruptcies as a growing concern—to the bureaus and the taxpayer—in their budget justifications over the last decade. Since BOEM began proposing updates to its financial assurance regulations in 2009, 37 offshore oil and gas operators have filed for bankruptcy, some of which had sole liability or unbonded decommissioning liabilities.

For example, one of the largest offshore operators in the Gulf—Fieldwood Energy, LLC—and several affiliates filed for bankruptcy in 2018 and again in 2020, with billions of dollars in decommissioning liabilities in question.⁵⁵ Many of these liabilities are expected to be met by predecessor operators, coworking interest owners, or one of the entities created in Fieldwood’s reorganization under a settlement agreement reached with Interior in August 2021. However, these cases also resulted in orphaned offshore wells with decommissioning liabilities not fully covered by supplemental bonds that may have to be decommissioned with public funds.⁵⁶ Most recently, another offshore operator with an extensive portfolio of wells and platforms filed for bankruptcy in May 2023.⁵⁷

⁵⁵In August 2020, Fieldwood Energy, LLC, and several related entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The lead case is *In Re: Fieldwood Energy LLC, et al.*, No: 4:20-BK-33948 (Bankr. S.D.Tex.). The court issued an order confirming a reorganization plan in June 2021 that took effect in August 2021, but these cases were ongoing as of January 2024. Prior to this, Fieldwood Energy, LLC and several related entities filed petitions for Chapter 11 relief on Feb. 15, 2018, where the lead case was *In Re: Fieldwood Energy LLC, Dynamic Offshore Resources NS LLC, et al.*, No: 4:18-BK-30648 (Bankr. S.D.Tex.). These cases were closed pursuant to a final decree entered June 25, 2018.

⁵⁶BSEE requested \$30 million from Congress in fiscal year 2024 to help fund service contracts to decommission orphaned infrastructure in the Gulf of Mexico. According to BSEE officials, the bureau had been working to award a contract to decommission 15 orphaned wells and nine orphaned platforms in the Gulf since 2020 but struggled to do so. As of July 2023, BSEE awarded its first two 5-year decommissioning services contracts and planned to first use the contracted services to gather information on the condition of these wells and to make the associated platforms safe.

⁵⁷In May 2023, Cox Oil Offshore LLC and several related entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The lead case is *In Re: MLCJR LLC, Cox Oil Offshore LLC, et al.*, No: 4:23-BK-90324 (Bankr. S.D.Tex.). As of January 2024, these cases were ongoing.

Interior and BOEM Have Repeatedly Proposed but Not Finalized Regulatory Changes to Address Ongoing Financial Assurance Concerns

Interior and BOEM began efforts to revise the bureau's financial assurance approach more than a decade ago and have since repeatedly proposed, but not finalized, various changes to regulations and guidance.⁵⁸ We recommended in 2015 that BOEM complete plans to revise its financial assurance procedures, including the use of alternative measures of financial strength.⁵⁹ In response, Interior planned to revise its financial assurance procedures to address ongoing concerns but did not complete actions to do so, as we testified in May 2017, and has relied on interim procedures since then pending decisions about how and when to make further updates to regulations and guidance.⁶⁰ Most recently, Interior further proposed updates to its financial assurance regulations in June 2023 that are intended to address unresolved concerns with BOEM's financial risk management approach, including how BOEM identifies and prioritizes supplemental financial assurance needs.⁶¹

⁵⁸Interior proposed updates to its financial assurance regulations in 2009, 74 Fed. Reg. 25177 (May 27, 2009), but the bonding portion was never finalized. Interior initiated a separate rulemaking that addressed bonding in 2014, 79 Fed. Reg. 49027 (Aug. 19, 2014), but this rule was later withdrawn. In 2016, BOEM issued guidance that would have required additional supplemental bonding based on an assessment of operators' ability to meet their decommissioning obligations, including for sole liability properties; however, BOEM never fully implemented these procedures and later rescinded the guidance, BOEM NTL No. 2016-N01 (eff. Sept. 12, 2016; rescinded February 2020). In 2020, BOEM proposed a joint rule with BSEE that addressed bonding, 85 Fed. Reg. 65904 (Oct. 16, 2020), but did not finalize its portion and instead proposed alternative updates as a separate rule in June 2023, 88 Fed. Reg. 42136 (June 29, 2023). The last substantive update to bonding and financial assurance requirements for oil and gas leases was in 1997, 62 Fed. Reg. 27948 (May 22, 1997), according to BOEM's June 2023 proposed rulemaking.

⁵⁹[GAO-16-40](#).

⁶⁰GAO, *Offshore Oil and Gas Resources: Information on Infrastructure Decommissioning and Federal Financial Risk*, [GAO-17-642T](#) (Washington, D.C.: May 17, 2017). BOEM delayed implementation of NTL No. 2016-N01 in January 2017 and later rescinded it after we closed our recommendation based on its issuance. Pending implementation of further updates, BOEM has relied on interim procedures that focus on collecting supplemental bonds for what it considers to pose the highest risks—sole liability or otherwise high-risk infrastructure (e.g., inactive, approaching end of production life, or damaged) that is owned by financially risky lessees. BOEM characterizes these procedures as partial implementation of the rescinded BOEM NTL. No. 2016-N01. However, BOEM did not fully implement its interim procedures, as the bureau continued to hold bonds collected under pre-2017 procedures. BOEM estimates that it would hold even less in supplemental bonds—about \$460 million—if it fully implemented the interim procedures and released these bonds.

⁶¹Department of the Interior/Bureau of Ocean Energy Management, "Risk Management and Financial Assurance for OCS Lease and Grant Obligations—Notice of proposed rulemaking," 88 Fed. Reg. 42136 (June 29, 2023).

The proposed rule would update BOEM’s procedures to rely on two criteria—instead of the five criteria previously used—to determine whether BOEM should collect supplemental financial assurance: (1) credit rating for current operator (or any co-lessees) or (2) value of proven reserves remaining on the lease.⁶² BOEM stated in the 2023 proposed rule that it concluded credit ratings are a more reliable indicator of financial capacity and willingness to meet financial obligations than the previous measures of financial strength used by BOEM.⁶³

One of the five criteria BOEM would no longer use under the proposed rule is demonstrated reliability, as shown by record of compliance with laws, regulations, and lease terms, among other factors. BOEM’s June 2023 regulatory analysis concluded this criterion is not a good predictive indicator of default on decommissioning obligations. However, BOEM and BSEE officials we spoke with told us that poor compliance records—such as safety and maintenance issues or delayed decommissioning obligations—can be an indicator of potential decommissioning noncompliance or financial stress.

BOEM also proposed other changes in June 2023 that may reduce financial risks posed by offshore decommissioning liabilities if implemented. For example, recognizing that the estimated cost of decommissioning greatly exceeds the amount of financial assurance for many platforms, BOEM proposed that it may disapprove any new partial or full operating rights transfers for leases unless and until the new operator is in compliance with regulations and orders, including BOEM demands for financial assurance. Additionally, BOEM proposed a new requirement for any company appealing a supplemental financial assurance demand to post an appeals bond in the amount of supplemental financial assurance demanded, pending resolution of the

⁶²Specifically, if a current lessee (e.g., the designated operator) or co-lessee has an investment grade credit rating or equivalent, or if a lease has proved reserves with a value of at least three times the estimated decommissioning cost, then no supplemental financial assurance would be required. In any other case, supplemental financial assurance could be required by BOEM. Predecessors would continue to be jointly and severally liable for decommissioning, but the proposed rule would not allow BOEM to rely on the financial strength of predecessors when determining whether supplemental bonding should be required, as was proposed in 2020 (85 Fed. Reg. 65904 (Oct. 16, 2020)).

⁶³We previously found that the use of financial strength tests in lieu of bonds poses financial risks to the federal government, but that some measures of financial strength are better than others to provide an accurate indication of an operator’s financial capacity to pay for future decommissioning obligations. See [GAO-16-40](#).

appeal. This appeals bond could be released if the appeal is successful or be converted into a supplemental bond to cover decommissioning costs if the appeal is unsuccessful. BOEM states in the proposed rulemaking that under the current regulations, BOEM has no (1) ability to collect supplemental financial assurance pending an Interior Board of Land Appeals decision on an appealed demand to do so—which can take several years—or (2) financial assurance to rely on if the appealing operator declares bankruptcy before its appeal is resolved.

Interior and BOEM have acknowledged that offshore bankruptcies and associated financial risks demonstrate the need to update financial assurance regulations. BOEM's most recent strategic framework reiterates its intention to finalize updates to financial assurance regulations.⁶⁴ In its prior strategic framework, BOEM highlighted the need to ensure offshore operators have sufficient financial resources to meet their decommissioning obligations, and BOEM's budget justifications have repeatedly raised concerns about the need to better manage financial risks since fiscal year 2015.⁶⁵ Interior reported in November 2021 that current regulations do not sufficiently facilitate BOEM efforts to proactively limit financial risks in advance of potential bankruptcies.⁶⁶ BOEM reiterated in June 2023 that its existing regulations do not adequately protect the federal government from potentially uncovered decommissioning liabilities, especially during periods of low oil and gas prices, which can cause financial stress for offshore operators.⁶⁷

If BOEM finalizes and implements the updated rule as proposed in June 2023, the bureau estimates that total supplemental bonding to cover offshore decommissioning liabilities would increase by about \$9.2 billion. As of January 2024, BOEM was reviewing public comments on the proposed rule, and it remains unknown if, when, and how BOEM will finalize and implement the proposed changes in response to feedback from industry and other stakeholders. Past efforts to finalize such changes have stalled due in part to delayed Interior and BOEM analyses

⁶⁴Bureau of Ocean Energy Management, *Strategic Framework: Stewardship of U.S. Outer Continental Shelf Energy, Mineral, and Geological Resources (2024–2028)*.

⁶⁵Bureau of Ocean Energy Management, *Strategic Framework: Stewardship of U.S. Outer Continental Shelf Energy and Mineral Resources* [publication date not listed]. According to BOEM officials, this strategic framework was released in 2015 or 2016.

⁶⁶Department of the Interior, *Report on the Federal Oil and Gas Leasing Program*.

⁶⁷Department of the Interior, *Risk Management, Financial Assurance, and Loss Prevention Initial Regulatory Impact Analysis, RIN: 1010-AE14* (June 2023).

and decisions about how to proceed based on differences in priorities and risk tolerance. This is a complex effort with many different and sometimes contradictory perspectives, which BOEM should continue to consider carefully as it reviews public comments on its proposed rule. By completing actions to further develop, finalize, and implement updated regulations and implementing guidance that address known limitations, BOEM would be better positioned to mitigate the federal government's fiscal exposure in the face of bankruptcy proceedings with uncertain outcomes or other default scenarios where BSEE orders other liable parties to fulfill decommissioning obligations.

BOEM's Qualification Standards Do Not Address Operators' Capacity to Decommission

BOEM's limited qualification standards and unclear disqualification criteria for offshore operators do not address operators' technical or financial capacity to meet decommissioning obligations. As described earlier, BSEE's regulations allow it to refer an operator to BOEM for disqualification if BSEE determines an operator's performance is unacceptable. BOEM's regulations state that the bureau is to consider, individually or collectively, incidents of noncompliance, civil penalties, failure to adhere to lease obligations, or any other relevant factors. BOEM's regulations allow it to then disapprove or revoke (i.e., disqualify) that operator from being the designated operator on either a single platform or on multiple platforms. However, BOEM's regulations do not contain specific criteria for the level of performance that would warrant a decision to disqualify, and BOEM officials confirmed the bureau has not established specific criteria in policy to guide this determination. As a result of its unclear trigger criteria, BOEM has very rarely disqualified operators with poor environmental or safety performance records and never solely for failure to meet decommissioning obligations, according to BOEM and BSEE officials.

BOEM officials told us that even if an operator is disqualified, the operator may requalify under the same or a different name because BOEM does not have the authority to deny a new qualification under its current regulations, regardless of the operator's performance history. Specifically, BOEM's current standards for qualifying as an operator are minimal and do not address capacity to comply with offshore regulations, including requirements to safely decommission wells and platforms within BSEE's deadlines. To qualify, an operator is only required to (1) be a legal entity

under U.S. law and (2) obtain a qualification number from BOEM.⁶⁸ As a result, operators with poor environmental, safety, or decommissioning performance histories may continue to hold leases or acquire them from other operators, according to a November 2021 Interior report.⁶⁹

In its report, Interior proposed recommendations and plans to ensure operators have the financial and technical capacity to comply with all applicable laws and regulations, among other goals. Specifically, Interior’s report stated that BOEM planned to develop a “fitness to operate” standard that would establish criteria for qualifying operators and evaluate how to apply such a standard to potential new operators or current operators seeking to gain additional properties. According to Interior, requiring operators to meet fitness to operate standards would help ensure they can meet their safety, environmental, and financial responsibilities.

BOEM officials told us that BOEM and BSEE are coordinating to develop operator fitness criteria, and BOEM posted in the fall 2023 regulatory agenda a target of September 2024 for publication of a proposed rule. However, BOEM has made limited progress toward developing new criteria for determining whether offshore operators with poor performance records—including those related to meeting decommissioning obligations—can continue to operate federal leases.⁷⁰ This limited progress is in part due to competing priorities, such as updating BOEM’s financial assurance regulations, managing bankruptcy cases, and uncertainty about how to develop and operationalize such criteria.

⁶⁸Under BOEM regulations, in order to bid on, own, hold, or operate an offshore lease in federally managed waters, an entity must (1) be a legal entity under U.S. law (e.g., American national, corporation, partnership, limited liability company, or trust) and (2) obtain a qualification number from BOEM. 30 C.F.R. §§ 556.400–556.402. Lessees are required to designate an operator unless they are the only lessee and only person conducting lease operations. *Id.* § 550.143(a). To do so, they submit a BOEM form that includes the name of the qualified company to be named as the designated operator. Department of the Interior, Bureau of Ocean Energy Management, Gulf of Mexico Regional Office, *Notice to Lessees and Operators of Federal Oil and Gas, and Sulphur Leases in the Gulf of Mexico Outer Continental Shelf: Designation of Operator of an OCS Oil and Gas or Sulphur Lease*, NTL-2014-G02 (reissued June 19, 2020).

⁶⁹Department of the Interior, *Report on the Federal Oil and Gas Leasing Program*.

⁷⁰Furthermore, as described earlier, BOEM proposed in June 2023 to remove past compliance records as potential criteria when making decisions about when to require offshore operators to provide supplemental bonds to limit risks posed by decommissioning liabilities.

Without the authority to link disqualification, qualification, and fitness to operate under current regulations, BOEM officials told us that they cannot deny a new qualification to historically noncompliant operators. As a result, poor-performing operators will continue to be allowed to acquire new leases and risk future noncompliance. By completing plans to develop and implement a qualification standard or other procedures for considering performance history and decommissioning capacity, BOEM will be better positioned to proactively ensure operators have the financial and technical capacity to meet future decommissioning obligations and have better assurance that they will do so safely and within BSEE's deadlines.

In addition to BOEM taking actions at the bureau level to improve financial assurance and operator capacity issues, an opportunity exists for Congress to further mitigate the risks that offshore decommissioning liabilities pose. Specifically, BOEM began efforts to update its financial assurance regulations in 2009 and has repeatedly documented the need to strengthen its management of risks related to decommissioning liabilities given growing concerns about offshore operator bankruptcies. However, the bureau's repeated efforts to do so have proven insufficient, and BOEM continues to struggle to finalize and implement changes that will limit financial risks by assuring operator capacity to meet decommissioning obligations.

A reporting mechanism—such as required annual reporting on the status of bonding coverage for decommissioning liabilities—or additional direction on how BOEM should balance various priorities outlined by the Outer Continental Shelf Lands Act, including safety, environmental protection, development of resources, conservation of resources, and a fair return to the U.S. government, could facilitate timely and informed discussions about the risks posed by decommissioning liabilities and spur decisions about how to further mitigate them.⁷¹

⁷¹See 43 U.S.C. §§ 1332, 1344(a).

Conclusions

Deferred or unmet decommissioning obligations pose significant safety, environmental, and financial risks that accrue over time. The extent to which these risks will be realized is unknown, and many operators have been able to meet their obligations. Nevertheless, the significant backlog of offshore infrastructure overdue for decommissioning coupled with tens of billions of dollars in potentially uncovered decommissioning liabilities warrant immediate prioritization and corrective action as part of Interior's responsibility to oversee offshore oil and gas activities in a safe and environmentally and financially responsible way.

Interior and its two responsible bureaus—BSEE and BOEM—have acknowledged the need to address decommissioning issues and taken some limited actions, implemented interim procedures, and proposed regulatory changes as they determine how and when to complete further actions. However, neither bureau has completed planned actions to address long-standing issues—including (1) effectiveness of enforcement tools, (2) enforceability of certain deadlines, (3) supplemental bonding levels, and (4) operator standards. Interior could better protect against the risks that decommissioning liabilities pose by ensuring BSEE and BOEM prioritize completing actions to address these long-standing weaknesses in their respective approaches to overseeing and enforcing decommissioning deadlines and providing reasonable assurance that offshore operators can and will meet these requirements.

In addition to bureau-level actions, an opportunity exists for Congress to further mitigate the risks that offshore decommissioning liabilities pose. BSEE and BOEM's repeated efforts to address these issues have proved insufficient, and additional congressional direction or oversight may be warranted given the long-standing nature of these issues, the scale of the financial risk involved, and the need to limit growing risks before they are realized. Congress could facilitate timely and informed discussions about the risks that decommissioning liabilities pose and spur decisions about how to further mitigate them by implementing a reporting mechanism or providing additional direction on how to balance the goals outlined by the Outer Continental Shelf Lands Act.⁷²

⁷²See 43 U.S.C. §§ 1332, 1344(a).

Matter for Congressional Consideration

To the extent that Congress wants to further encourage Interior to manage risks posed by decommissioning liabilities, it should consider implementing an oversight mechanism—such as requiring annual reporting on the status of decommissioning enforcement efforts and associated liabilities—or providing additional direction to Interior on how to balance the goals outlined by the Outer Continental Shelf Lands Act as it makes decisions about decommissioning oversight and enforcement priorities. (Matter 1)

Recommendations for Executive Action

We are making four recommendations to Interior:

The Secretary of the Interior should direct the BSEE Director to strengthen BSEE’s approach to proactively overseeing and enforcing decommissioning deadlines, including by (1) assessing the effectiveness of enforcement tools to incentivize compliance and data and practices supporting their timely use, and (2) identifying and implementing regulatory or policy changes as needed in consultation with BOEM, such as by providing clear timelines or other trigger criteria for use of existing enforcement tools and identifying additional enforcement tools. (Recommendation 1)

The Secretary of the Interior should ensure the BSEE Director completes planned actions to identify, propose, finalize, and fully implement changes to decommissioning regulations and guidance, including by (1) clarifying decommissioning criteria and deadlines for idle infrastructure in all regions and for end-of-lease infrastructure in the Pacific Region, and (2) addressing any other identified limitations. (Recommendation 2)

The Secretary of the Interior should ensure the BOEM Director completes planned actions to further develop, finalize, and fully implement changes to financial assurance regulations and procedures that reduce financial risks, including by (1) requiring higher levels of supplemental bonding, and (2) addressing other known weaknesses. (Recommendation 3)

The Secretary of the Interior should ensure the BOEM Director completes planned actions to assess and revise qualification procedures to address decommissioning capacity and compliance history in consultation with BSEE, such as through qualification and disqualification criteria or fitness to operate standards. (Recommendation 4)

Agency Comments

We provided a draft of this report to the Department of the Interior. In its written comments, reproduced in appendix I, Interior generally agreed with our findings and concurred with our recommendations. Interior also provided technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees and the Secretary of the Interior, and other interested parties. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or ruscof@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.

A handwritten signature in black ink that reads "Frank Rusco". The signature is written in a cursive style and extends across the width of the page with a long horizontal stroke at the end.

Frank Rusco
Director, Natural Resources and Environment

Appendix I: Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Mr. Frank Rusco
Director
Natural Resources and Environment
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Rusco:

Thank you for providing the Department of the Interior (DOI or Department) the opportunity to review and comment on the Government Accountability Office (GAO) report titled *Interior Needs to Improve Decommissioning Enforcement and Mitigate Related Risks* (GAO-24-106229). We appreciate GAO's review and feedback. The Department generally agrees with the report findings and concurs with the recommendations directed to the Bureau of Safety and Environmental Enforcement (BSEE) and the Bureau of Ocean Energy Management (BOEM).

Recommendation 1: The Secretary of the Interior should direct the BSEE Director to strengthen BSEE's approach to proactively overseeing and enforcing decommissioning deadlines, including by (1) assessing the effectiveness of enforcement tools to incentivize compliance and data and practices supporting their timely use, and (2) identifying and implementing regulatory or policy changes as needed in consultation with BOEM, such as by providing clear timelines or other trigger criteria for use of existing enforcement tools and identifying additional enforcement tools.

Response: Concur. The Secretary concurs with this recommendation. BSEE has taken steps to improve decommissioning enforcement and mitigate risks. These steps include issuing guidelines that specify idle iron decommissioning timelines in the Gulf of Mexico Region and implementing an annual future utility review policy in the Pacific Region. Additionally, BSEE is enhancing its system for maintaining decommissioning cost data and estimates, idle iron program information, and terminated lease decommissioning enforcement actions. Activities such as these will advance BSEE's efforts to proactively oversee and enforce decommissioning deadlines. BSEE is further assessing available tools to continue to strengthen its approach.

Recommendation 2: The Secretary of the Interior should ensure the BSEE Director completes planned actions to identify, propose, finalize, and fully implement changes to decommissioning regulations and guidance, including by (1) clarifying decommissioning criteria and deadlines for idle infrastructure in all regions and for end-of-lease infrastructure in the Pacific, and (2) addressing any other identified limitations.

Appendix I: Comments from the Department of the Interior

Response: Concur. The Secretary concurs with this recommendation. BSEE recognizes the challenges to ensuring timely decommissioning under the current regulations and guidance. BSEE is tackling this challenge through a new decommissioning rulemaking (1014-AA53), which has been included on its regulatory agenda, and is establishing a new team to lead that effort. BSEE will examine the GAO findings and recommendations to inform the scope of the rule.

Recommendation 3: The Secretary of the Interior should ensure the BOEM Director completes planned actions to further develop, finalize, and fully implement changes to financial assurance regulations and procedures that reduce financial risks, including by (1) requiring higher levels of supplemental bonding, and (2) addressing other known weaknesses.

Response: Concur. The Secretary concurs with this recommendation. In June 2023, BOEM published the proposed rule entitled “Risk Management and Financial Assurance for OCS Lease and Grant Obligations.” As provided in the preamble, BOEM proposed this rulemaking to “clarify and simplify its financial assurance requirements and to provide greater protection to taxpayers” (88 FR 42142). BOEM is carefully considering the more than 2,000 comments that it received on the proposed rule and expects to publish the final rule in 2024.

Recommendation 4: The Secretary of the Interior should ensure the BOEM Director completes planned actions to assess and revise qualification procedures to address decommissioning capacity and compliance history in consultation with BSEE, such as through qualification and disqualification criteria or fitness to operate standards.

Response: Concur. The Secretary concurs with the recommendation. BOEM is coordinating with BSEE to develop a new fitness-to-operate standard, as outlined in DOI’s “Report on the Federal Oil and Gas Leasing Program” prepared in response to Executive Order 14008. The standard would enhance the current regulatory framework and establish robust measures for safety, environmental, and financial responsibilities.

DOI has taken steps to provide greater taxpayer protection against oil and gas decommissioning liability. Additional general and technical comments are provided in the enclosure. If you have any questions concerning this response, please contact Chanielle Williams, BSEE audit liaison officer, at chanielle.williams@bsee.gov or 202-322-7605 or Andrea Nygren, BOEM audit liaison officer at andrea.nygren@boem.gov or 202-208-4343.

Sincerely,

Steven H.
Feldgus

 Digitally signed by Steven
H. Feldgus
Date: 2023.12.29
10:12:56 -05'00'

Steven H. Feldgus
Deputy Assistant Secretary
Land and Minerals Management

Enclosure

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Frank Rusco, (202) 512-3841 or ruscof@gao.gov

Staff Acknowledgments

In addition to the contact named above, Christine Kehr (Assistant Director), Elise Vaughan Winfrey (Analyst-in-Charge), Adrian Apodaca, Wil Gerard, Cindy Gilbert, Gwen Kirby, Dan Royer, and Matthew Tabbert made significant contributions to this report.

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