CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 17, 2008

S. 2700
A bill to amend the Oil Pollution Act of 1990 to double the liability limits for single-hull tankers and tank barges for 2009

As ordered reported by the Senate Committee on Environment and Public Works on May 21, 2008

SUMMARY

S. 2700 would amend the Oil Pollution Act of 1990 (OPA) to raise the statutory limits on liability that owners or operators of single-hull tanker vessels face when an oil spill occurs. The bill would double the liability limits for spills that occur during the 2009 calendar year and essentially eliminate such limits for spills that occur after 2009.

CBO estimates that enacting higher limits would reduce direct spending from the Oil Spill Liability Trust Fund (OSLTF) by $3 million over the 2009-2013 period and by $6 million over the 2009-2018 period. Enacting S. 2700 would not affect revenues or spending subject to appropriation.

S. 2700 contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2700 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CHANGES IN DIRECT SPENDING										
Estimated Budget Authority	*	*	-1	-1	-1	-1	-1	-1	*	*
Estimated Outlays	*	*	-1	-1	-1	-1	-1	-1	*	*

Note: * = reduction in direct spending of less than $500,000.

BASIS OF ESTIMATE

S. 2700 would raise existing limits on the liability of owners or operators of single-hull tanker vessels that are responsible for oil spills into U.S. navigable waters. Under existing law, specified liability limits determine the total amount that a responsible party must pay to clean up an oil spill and to compensate third parties for damages. If the costs of a spill exceed those limits, the federal government generally pays any remaining costs and claims from the OSLTF. Current liability limits for single-hull tanker vessels generally vary with the size of the vessel. For example, the liability limit for single-hull tanker vessels that weigh less than 3,000 gross tons is the greater of $3,000 per ton or $6 million per spill, whereas the liability limit for single-hull tanker vessels that weigh more than 3,000 gross tons is the greater of $3,000 per ton or $22 million per spill.

Under S. 2700, the per-ton liability limit for single-hull tank vessels would be raised from $3,000 to $6,000 for spills that occur in 2009 (the per-spill limits would not change). For spills occurring after 2009, no limit is specified by the bill; instead, the limit would be established at the maximum allowable amount that is consistent with the due process requirements of the fifth amendment of the Constitution. CBO assumes that this provision would essentially eliminate any limit of liability for spills occurring after 2009 from single-hull tank vessels.

The savings to the federal government associated with raising (and subsequently eliminating) liability limits for single-hull tanker vessels is uncertain because significant oil spills are relatively rare and cannot be predicted. In fact, since the implementation of OPA in 1991, liability limits have been applied only five times for spills from single-hull vessels. In total, those spills have accounted for about $262 million—around 60 percent of the $409 million that has been spent from the OSLTF through 2007. Morever, spills from single-hull vessels could be even rarer in the future because OPA requires that the use of such vessels be phased out by 2015. At present, total tonnage carried by single-hull tankers is roughly 115 million tons, an 84 percent decline from the 1998 level.

Raising the liability limits would reduce federal costs for spills from single-hull vessels that occur during the 2009-2014 period, after which we expect that the use of such vessels will be phased out. CBO estimates that, starting in 2009, enacting S. 2007 would reduce direct spending from the OCLTF until all anticipated claims on single-hull vessels have been paid. Based on the cost of previous spills from such vessels (adjusted for the decline in the amount of fuel likely to be carried by such tankers in the future), CBO estimates that the bill would reduce spending by $500,000 in each of fiscal years 2009 and 2010 and by $1 million in each of fiscal years 2011 through 2016. Savings would be lower in 2009 and 2010 because some claims for spills that occur in those years would be paid in later years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2700 contains no intergovernmental or private sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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