CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 21, 2016

H.R. 1684
Foreign Oil Spill Protection Act of 2016

As ordered reported by the House Committee on Transportation and Infrastructure on March 2, 2016

SUMMARY

H.R. 1684 would expose owners and operators of oil production facilities located offshore and outside of the United States to liability for cleanup costs and damages from oil spills. Under the bill, such foreign entities could be held responsible for oil spills that originate outside U.S. waters if they threaten or cause damage in the United States. Those entities also could be penalized under the Federal Water Pollution Control Act (Clean Water Act), the Deepwater Port Act, and the Trans-Alaska Pipeline Authorization Act.

Because H.R. 1684 would expand the number of entities that are subject to U.S. laws, the federal government might recover additional costs and collect additional penalties under the legislation. CBO estimates that enacting H.R.1684 would increase recoveries to the Oil Spill Liability Trust Fund (OSLTF) by $7 million over the 2017-2026 period. Those recoveries are recorded as reductions in direct spending. CBO estimates that the bill also would increase revenues from penalty collections by $5 million over that period. The estimated amounts reflect CBO's assessment of the low likelihood that a significant oil spill originating outside the United States would occur over the next decade and the small probability that responsible entities would be identified from whom the federal government could collect recoveries and penalties.

Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply. CBO estimates that enacting H.R. 1684 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 1684 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 1684 are shown in the following table. Those effects fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
DECREASES IN DIRECT SPENDING												
Oil Spill Cost Recoveries												
Estimated Budget Authority	*	*	*	-1	-1	-1	-1	-1	-1	-1	-2	-7
Estimated Outlays	*	*	*	-1	-1	-1	-1	-1	-1	-1	-2	-7
INCREASES IN REVENUES[a]												
Civil Penalties	*	*	*	*	*	*	*	1	1	2	1	5
NET DECREASE IN THE DEFICIT												
Impact on Deficit	*	*	*	-1	-1	-1	-1	-2	-2	-3	-3	-12

Notes: * = between -$500,000 and $500,000; components may not sum to totals because of rounding.

BASIS OF ESTIMATE

Under current law, entities responsible for oil spills in U.S. waters are liable for cleanup costs, damages, and penalties. H.R. 1684 would expand the definition of responsible parties under the Oil Pollution Act of 1990 (OPA) to include owners and operators of production facilities operating offshore in foreign waters. As a result, those entities could be liable for oil spills that originate outside the boundaries of the United States' exclusive economic zone but threaten or cause damage inside those boundaries.

Because H.R. 1684 would increase the number of entities that could be liable for damages and subject to penalties under U.S. laws, the bill could enhance the ability of the United States to recover cleanup costs and collect damages from foreign entities. However, the effect the bill would have on recoveries and penalties is uncertain. Any increase in recoveries or penalties would depend on the scale of foreign oil production near the United States, the size of future oil spills caused by foreign entities, and whether those entities have a legal connection with the United States.

Changes In Direct Spending

According to the U.S. Coast Guard (USCG), enacting H.R. 1684 could bolster—relative to existing means of recovery under international agreements—the ability of the United States to recover costs related to oil spills and to collect damages from foreign entities that own or operate offshore facilities. There have been no oil spills caused by foreign entities outside of U.S. waters for which the United States has attempted recovery since OPA was enacted in 1990. While CBO expects that enacting H.R. 1684 could increase recoveries if foreign entities responsible for a spill conduct business in, or have a connection with, the United States, the legislation would probably have little effect on the government's ability to recover from entities that do not conduct business in the United States.

Given those uncertainties about the federal government's ability to recover costs from foreign entities, as well as uncertainties about the size and likelihood of oil spills in the future, CBO calculated a range of possible outcomes and estimates that enacting H.R. 1684 would increase recoveries to the OSLTF by roughly one percent per year above the amounts CBO projects will be collected under current law. (That estimate includes the very small chance of a major oil spill near U.S. waters that could result in hundreds of millions of dollars in damages and cleanup costs as well as the higher probability of smaller spills.) Those recoveries, which are treated as reductions in direct spending, would total $7 million over the 2017-2026 period, CBO estimates.

Changes In Revenues

Because H.R. 1684 would potentially expand the number of entities that are subject to penalties from oil spills under existing U.S. laws, such as the Clean Water Act, the federal government could collect additional penalties under the bill. Based in part on information provided by the USCG, CBO estimates that enacting H.R. 1684 would result in $5 million in additional penalty collections, which are revenues, over the 2017-2026 period, largely in the second half of the 10-year period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in direct spending and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1684, as ordered by the House Committee on Transportation and Infrastructure on March 2, 2016

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
	NET DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	0	0	-1	-1	-1	-1	-2	-2	-3	-3	-12
Memorandum:													
Changes in Outlays	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-2	-7
Changes in Revenues	0	0	0	0	0	0	0	0	1	1	2	1	5

Notes: Components may not sum to totals because of rounding.

INCREASE IN LONG-TERM DEFICIT AND DIRECT SPENDING

CBO estimates that enacting H.R. 1684 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1684 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Jon Sperl
Federal Revenues: Peter Huether
Impact on State, Local, and Tribal Governments: Jon Sperl
Impact on the Private Sector: Amy Petz

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis