Funding Mechanism

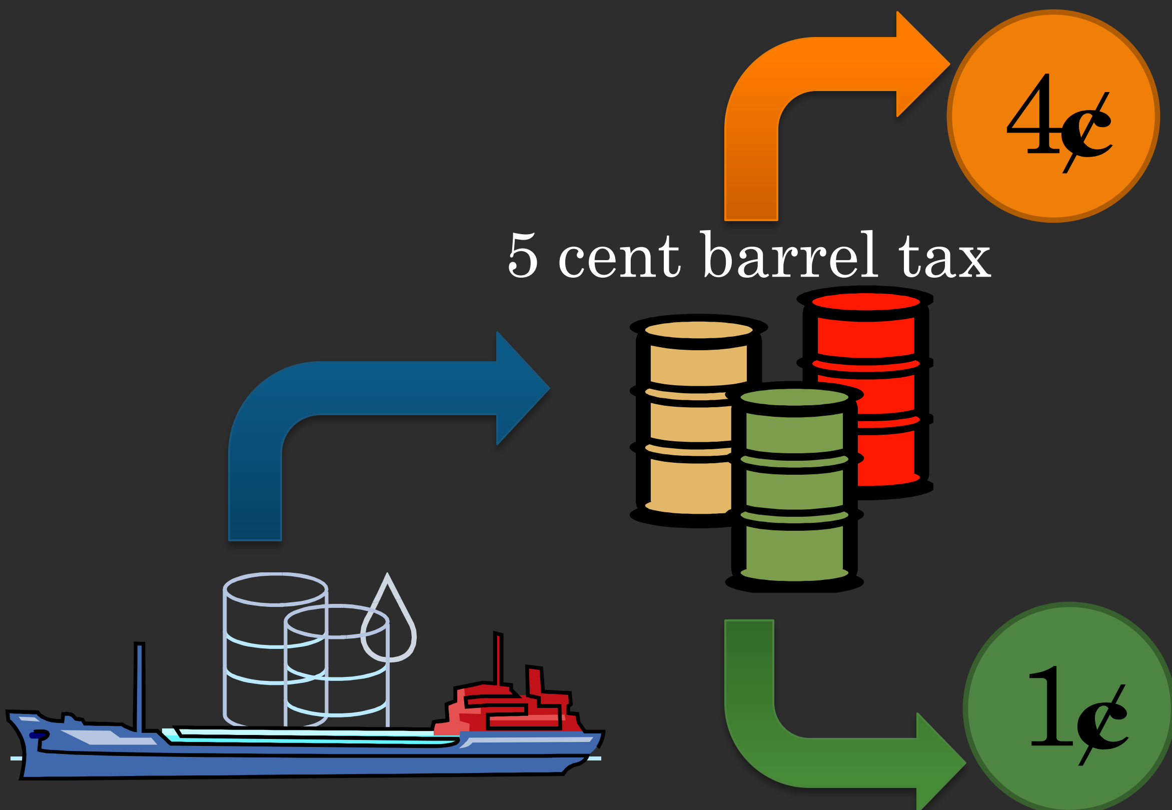
British Columbia Spill Preparedness and Response Symposium

Presented by Dale Jensen
Program Manager
WA State Dept of Ecology
Spill Prevention, Preparedness & Response Program

History of the Funding for Oil Spill Program

- In the wake of the 1988 *Nestucca* fuel barge spill in Washington and the catastrophic 1989 *Exxon Valdez* tanker spill in Alaska, the 1991 Washington Legislature created two dedicated accounts to fund the Department of Ecology's oil spill prevention, preparedness, and response activities.

Oil Spill Administrative Tax



Oil Spill Prevention Account (OSPA)

Funds routine oil spill prevention and preparedness work.

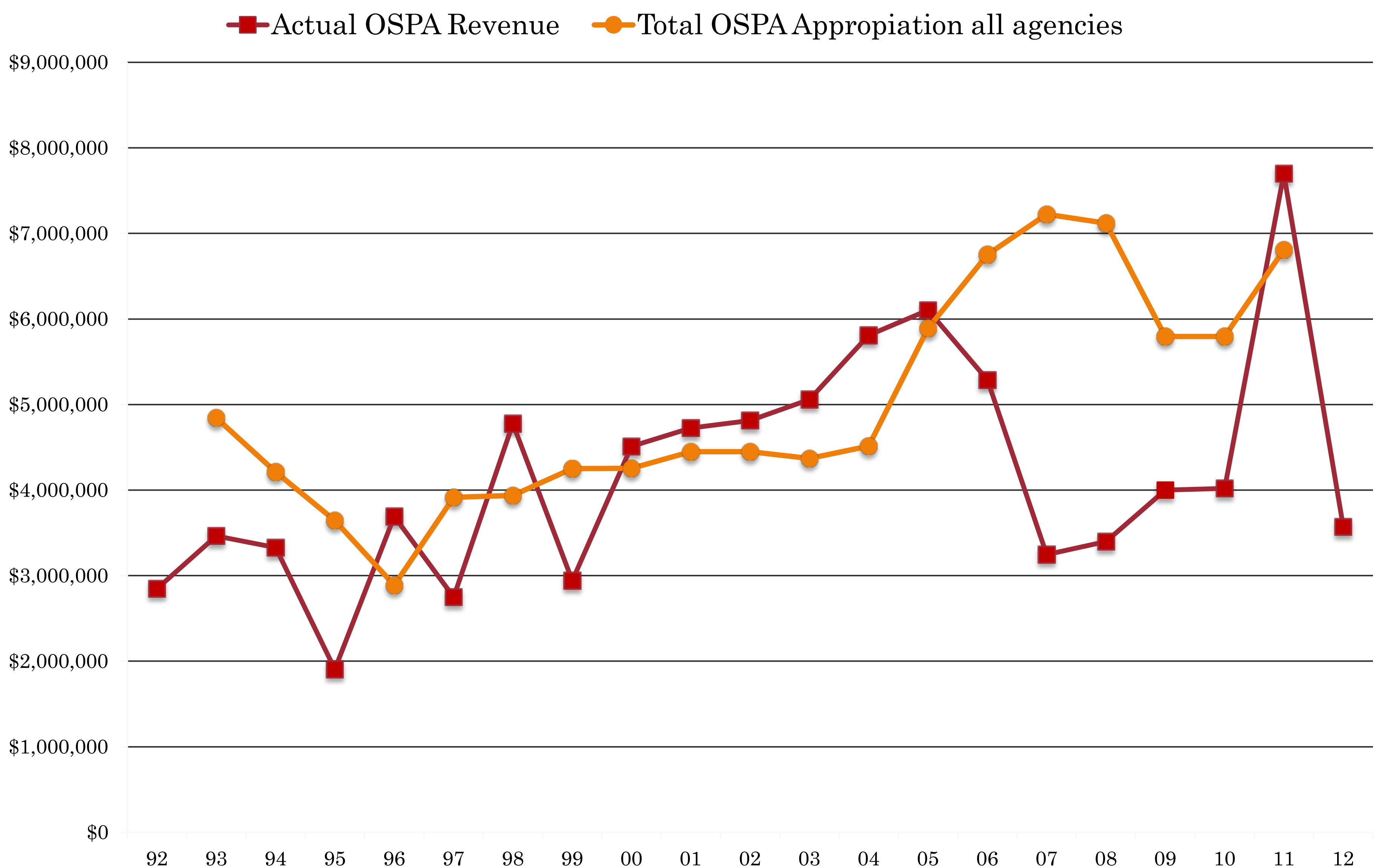
Oil Spill Response Account (OSRA)

This account pays for oil spill response and cleanup when state costs exceed $50,000.

Use for Oil Spill Prevention Account

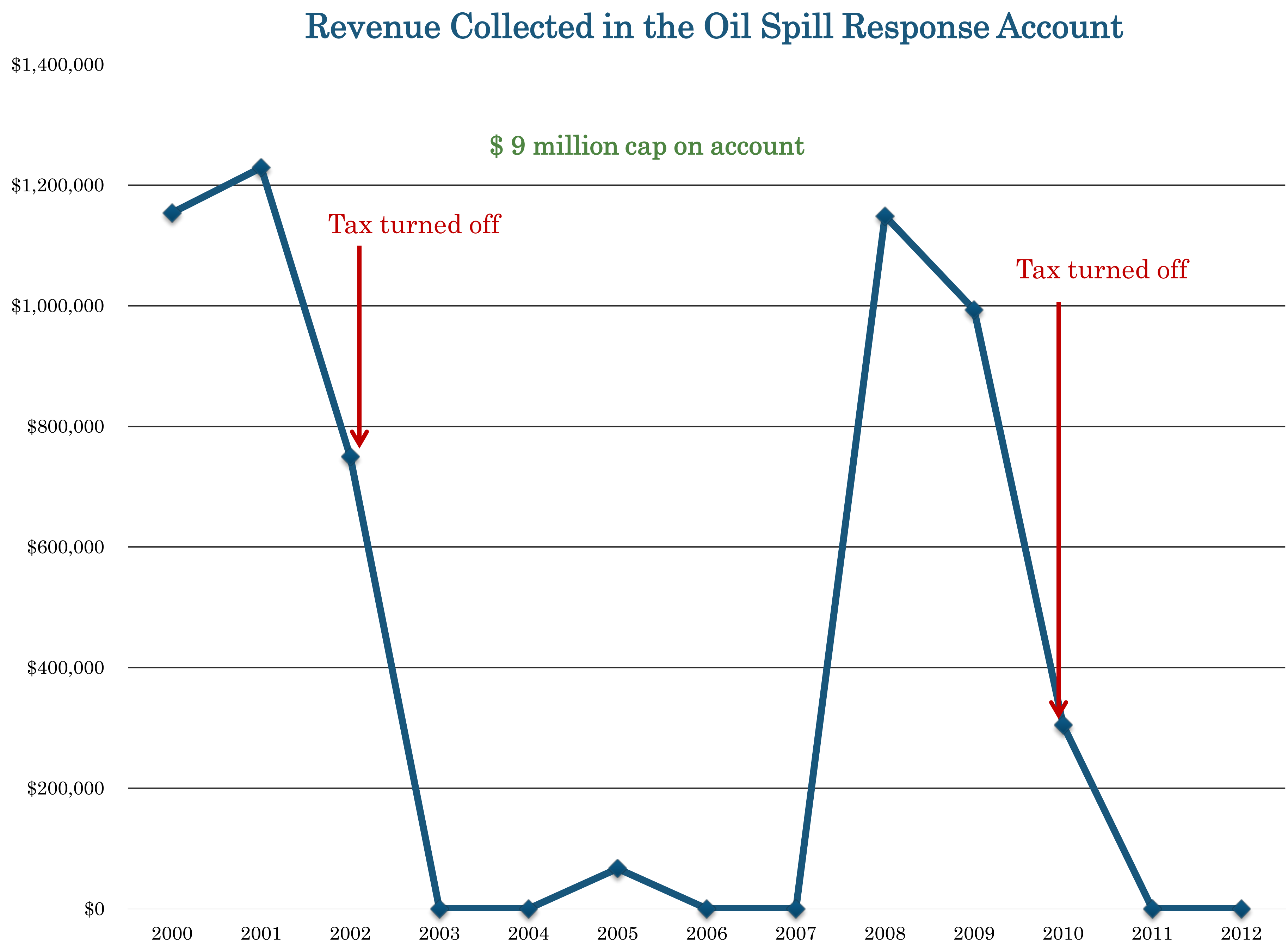
- Facility and vessel inspections
- Oil transfer monitoring
- Contingency plan reviews
- Spill readiness drills
- Natural resource damages assessment on spills to water

History of Oil Spill Prevention Account Appropriations and Revenue



Use for Oil Spill Response Account

- Has a cap of $9 million
- Used exclusively for costs associated with responses to oil spills to water that are likely to exceed $50,000
- Ecology uses the OSRA to pay for:
  - Natural resource damage assessments (NRDA)
  - Response costs including containment, clean up and disposal costs, wildlife rescue, contracts, and equipment costs during large oil spill incidents
- Ecology seeks reimbursement for all response costs from the oil spiller.
- All state response costs that are recovered (excluding penalties or NRDA assessments) are deposited back into the OSRA


Revenue Collected in the Oil Spill Response Account
$ 9 million cap on account
Tax turned off
Tax turned off
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
2000
2001
2002
2003
2004
2005
2006
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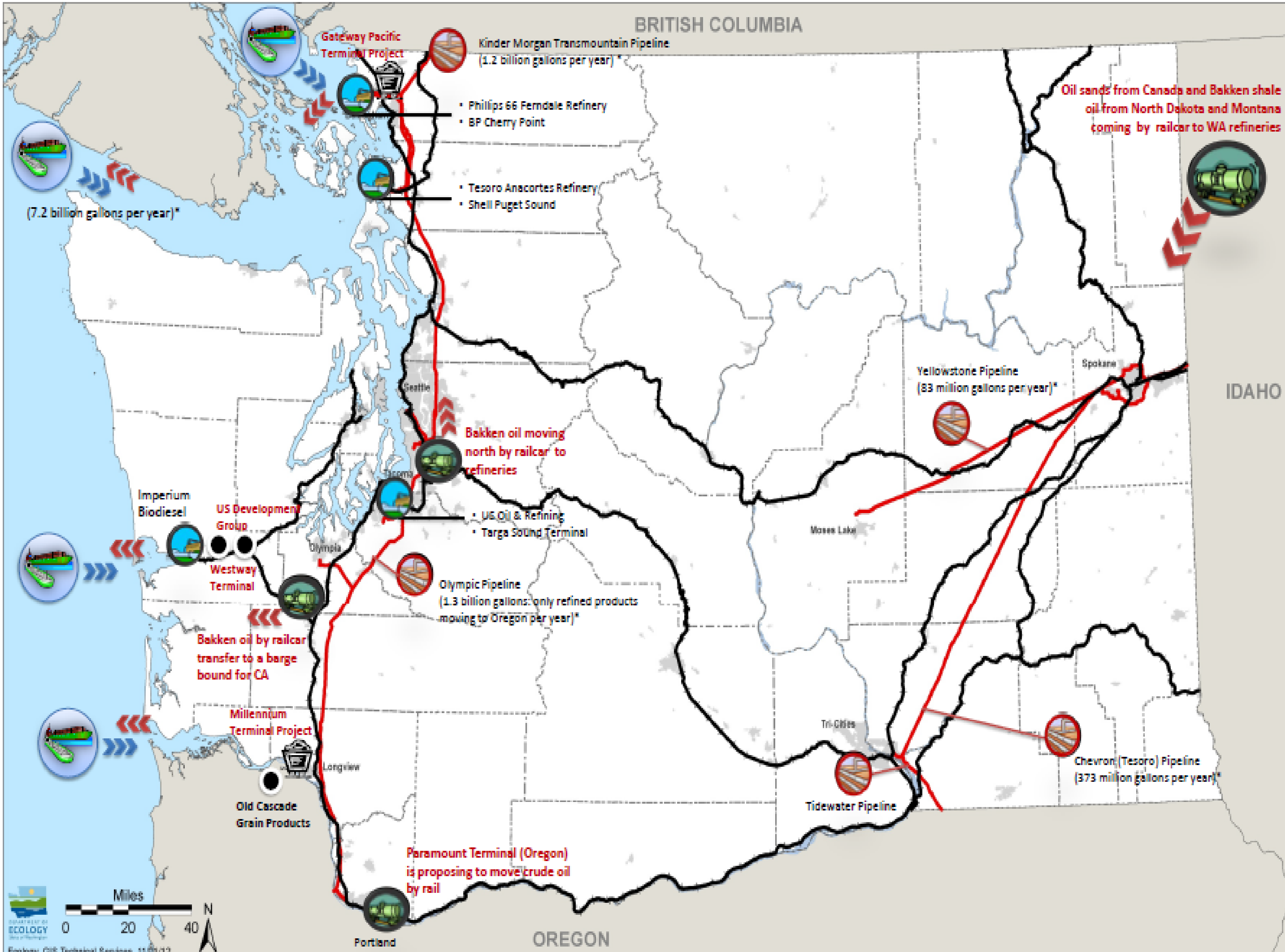
2012



BRITISH COLUMBIA
Gateway Pacific Terminal Project
Kinder Morgan Transmountain Pipeline (1.2 billion gallons per year) *
Phillips 66 Ferndale Refinery
BP Cherry Point
Oil sands from Canada and Bakken shale oil from North Dakota and Montana coming by railcar to WA refineries
Tesoro Anacortes Refinery
Shell Puget Sound
(7.2 billion gallons per year)*
Seattle
Spokane
IDAHO
Yellowstone Pipeline (83 million gallons per year)*
Bakken oil moving north by railcar to refineries
Tacoma
Imperium Biodiesel
US Development Group
US Oil & Refining
Targa Sound Terminal
Moses Lake
Olympia
Westway Terminal
Olympic Pipeline (1.3 billion gallons; only refined products moving to Oregon per year)*
Bakken oil by railcar transfer to a barge bound for CA
Millennium Terminal Project
Tri-Cities
Longview
Chevron (Tesoro) Pipeline (373 million gallons per year)*
Tidewater Pipeline
Old Cascade Grain Products
Paramount Terminal (Oregon) is proposing to move crude oil by rail
Miles
0 20 40
N
ECOLOGY
Portland
OREGON
Ecology, GIS Technical Services, 11/21/12

Implication of Change in Oil Movement

- Potential decline in revenue to support Spills Program work
  - Crude coming into our refineries by ship are taxed
  - Crude coming by rail and pipeline are not taxed
- Lack of prevention and response preparedness planning mainly as a result of regulatory authority for rail
- Oil property characteristics mainly an issue with "sinking" oil which poses challenges for safety of responders and current response cleanup technology
- Gaps in incident response framework between rail companies and the state adopted incident command system

Challenges of this Model

- Tax is a volume-based commodity tax unaffected by the price of oil. Therefore revenues have not increased with the price of oil
- Tax does not have a mechanism to adjust for inflation
- Tax has never been adequate to cover program costs
- Tax does not reflect equitability amongst industry sectors
- Tax structure is not flexible to adjust to changing risk picture

Thank you.

Dale Jensen
dale.jensen@ecy.wa.gov
360-407-7450