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Recommendations for a Sustainable Funding Mechanism

March 25 – 27, 2013

BC Ministry of Environment
Spill Preparedness and Response Symposium

pwc

Presentation Overview

- Who we are
- 2008 Report
- Review Considerations & Coverage
- Summary Report Findings
- Recommendations
- Closing Remarks

About PricewaterhouseCoopers

- PwC is one of the largest knowledge based businesses in the world, bringing global resources to our clients, while working locally to bring the appropriate knowledge and experience to our Clients
- We have a Public Sector Centre of Excellence based in Ottawa with experienced government and practical expertise throughout our 25 office locations across the country.
- Our Fund Management and Program Delivery practice has a dedicated team of specialists with experience and **knowledge in program design, delivery and evaluation** that is specific to BC and that has been exported to other provinces and internationally

2008 PwC Report

Entitled “*Recommendations for a Sustainable Funding Mechanism to Support BC Ministry of Environment Environmental Emergency Program*”
– PwC completed initial review in March, 2008

- PwC was engaged by the MoE to evaluate available information on existing funding mechanisms supporting activities to prevent, prepare for, respond to, recover from, and remediate spills of petroleum hydrocarbons and hazardous materials
- Identify current BC legislation and capacity for spill prevention, response and recovery for industry sectors that produce, store or transport substantive volumes of hydrocarbons and other hazardous materials in the province
- PwC was to define and characterize options for the creation of a funding model to support a sustainable mechanism that addresses any current deficiencies within BC
- Currently doing follow-up work to “refresh” specified sections of this report – to be completed by March 31st, 2013

2008 Review Considerations

The RFP asked: “*Consider that if a fund is developed , it could support activities such as (but not limited to)*”:

- Creation of a terrestrial spill response cooperative;
- Provision of grants to First Nations and Local Government for spill prevention, preparedness, response equipment and training;
- Creation of a British Columbia Spill Fund for use in response and recovery to spills;
- Provision of additional resources for the Environmental Emergencies Program to meet its mandate;
- Establishment and maintenance an oiled wildlife response capability and capacity for the province;
- Support for research and development activities related to hazardous material spills; and,
- Undertaking additional hazardous material spills prevention and preparedness activities.

2008 Jurisdictional Review (Coverage)

Our review considered information available from internet web sites (where possible, in corroboration with program staff), information reports provided by the MoE EEP, and information provided through interviews with the various program staff.

Government Spill Prevention and Response Programs

Canada	United States	Alaska	Hawaii
Washington	Oregon	California	Ontario
Norway*	Australia*		

Industry-supported Response Organizations

Western Canada Spill Services	Oiled Wildlife Society of BC	Western Canada Marine Response Corporation / Burrard Clean	Norwegian Clean Seas Organization (NOFO)*
Alaska Chadux Corp	Cook Inlet Spill Response & Prevention	Southeast Alaska Petroleum Resource Organization	Alaska Clean Seas
Washington State Maritime Co-op	Islands' Oil Spill Association	Marine Spill Response Corporation	Eastern Canada Response Corporation*

State-level Preparedness and Response Funds

Alaska - Oil and Hazardous Substances Release Prevention and Response Fund

FY2012	Levy	Revenue	Expenses	Balance
Response	\$0.01/ barrel	\$1.5M	\$1.5M	\$49.5M
Prevention	\$0.04/ barrel	\$4.3M	\$4.3M	

Washington- Spill Prevention, Preparedness and Response Program

FY2012	Levy	Revenue	Expenses	Balance
Response	\$0.01/ barrel	\$1.1M	\$7.4M	<\$8M
Prevention	\$0.04/ barrel	\$3.0M	\$12.8M	

Oregon - Emergency Response and Preparedness program

Marine Spill Prevention Fund

- Levy on vessels ranging from \$70-1,200/trip, \$26/day for dredges
- Annual fee for petroleum handling facilities \$5900

Hazardous Substances Remedial Action Fund

- \$30/tonne on waste

Highway Spill Fund

- \$4.75 per load of petroleum withdrawn from bulk facility

California – Office of Spill Prevention and Response

FY2012	Levy	Revenue	Expenses	Balance
Response	\$0.25/ barrel	Levy not in effect?		\$12.4M
Prevention	\$0.065/ barrel Vessel fee \$650 – \$3,250	\$38.6M	\$29.8M	\$11.6M



2008 Summary Report Findings

PwC found “...similarities [amongst jurisdictions] in funding mechanisms and prevention and response programs, including levies or fees paid by industry to support government programs and to ensure sufficient funding was available for spill response where cost recovery from the responsible party was not possible.”

In BC, we noted:

- Funding to support government prevention and preparedness activities was generally lacking for both marine and terrestrial spills;
- There were no funding mechanisms, initiatives or organizations involved in prevention and preparedness for marine spills of non-persistent oils and hazardous materials;
- There was no consistent and dedicated funding mechanism to support government activities related to spill prevention, preparedness and response for the terrestrial environment; and,
- Existing legislation did not establish liability for longer-term recovery or restoration of natural resources damaged or destroyed by a hazardous materials release.

Report Recommendations – Funding Mechanisms

PwC made six recommendations (each may be considered in isolation, or in combination with another) for funding mechanisms to address apparent or potential deficiencies in BC and to support the initiatives of the MoE

1. Introduction of an additional bulk oil levy on movement of oil in coastal waters to support MoE EEP initiatives related to preparedness, prevention, remediation/restoration, and oil wildlife response capabilities;

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2. Introduction of a levy on terrestrial production and movement of hazardous materials, including hydrocarbons to support a terrestrial emergency spill response and prevention program;
3. Increasing enforcement of environmental law, and expanding the mandates of the existing BC Sustainable Environment Fund that is supported by revenue generated through environmental penalties, fines and cost recovery settlements;

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4. Introducing registration fees to facilities producing, storing and transporting oil or hazardous materials on land;

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5. Broadening the mandate of the Oil and Gas Commission's Orphan Site Reclamation fund to include a terrestrial hydrocarbon spill response fund to cover costs associated with a land based oil spill; and

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6. Broadening financial guarantee requirements in the BC EMA and Canada's Marine Liability Act to ensure responsible parties were capable of covering costs associated with recovery and remediation in the event of a spill.

Contingencies

PwC 's recommendations to the MoE for these funding mechanisms were contingent on the government considering assessments of the following

- Adequacy of the current capacity to enforce existing environmental law;
- Capacity of existing industry supported response organizations;
- Determining whether existing limits to liability and/or international, national spill response funds are adequate given the likely extent of damages should a spill occur; and,
- Ability of existing Federal and Provincial environmental funding mechanisms to pay for restoration and preparedness activities (“avoid duplication”).

Closing Presentation Remarks

From our review, we provide the following comments for consideration

- Reduce regulatory burden by standardizing & amalgamating, recognizing that industry should have OHS & Environmental management systems in place for spill preparedness and response as part of their operations ... Any [new] requirements should avoid unnecessary additional work and costs
- Include all parties contributing to the risk and seek their contribution to the costs of preparedness; accountable for response, remediation and reclamation
- Consider utilizing [and/or complimenting] existing programs and organizations where the objectives of the program are met; make effective and efficient
- Preventing spills is the “real answer”; but increasing overall spill response capacity / reducing response time and costs should be the “benefit” of such a fund
- Consider “other” jurisdictions – best practices, review issues and implement a mechanism that brings the best together, but build a model that is “BC”

Closing Remarks (cont'd)

And, to conclude, consider....

- Develop a stand alone funding mechanism (two funds – preparedness and response) – separate from government’s operational need; establish a steering committee; involve industry
- Develop a suite of eligible activities under the “preparedness” fund. Consider funding community/First Nation equipment caches; training; and planning. Consider research/technology projects, support innovation; inventory updates, etc
- “Insurance” model – baseline for all fund contributors; consider level/risk of activity; consider level of oversight required; reduce or increase payments (levies) annually based on “past performance”
- Our review focused on what exists in 2008 in BC; BC needs to now consider a “gap analysis” to determine what currently exists and what is needed; determine an adequate fee/levy structure (utilize outside third party) for the province

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