



Clean Energy Jobs^{and} Oil Company Accountability Act

The *Oil Pollution Act* and Liability Limits

Background

In March 1989, the Exxon-Valdez ran aground spilling 11 million gallons of crude oil into Prince William Sound. In August 1990, Congress responded by passing the *Oil Pollution Act*, which included the requirement that oil tankers operate with double hulls, the establishment of an oil pollution research and development program, and set the total liability cost for the responsible party of an oil spill from an offshore facility at \$75 million per incident plus the costs of removal.

The oil spill has revealed the inadequacy of the \$75 million liability cap on economic damages. The disaster in the Gulf of Mexico has already resulted in significant economic damages to a wide range of Gulf Coast businesses and those damages are expected to continue into at least the near future.

Importance

Updating the liability limits in the *Oil Pollution Act* is warranted because, without changes the responsible party for any future offshore spill will only have to legally pay for \$75 million in economic damages, even if the economic damages total in the billions. Without changes, the taxpayer could end up being responsible for compensating the businesses or other claimants that were impacted by any future spill.

Legislation

The Clean Energy Jobs and Oil Company Accountability Act responds to the inadequacy of the liability limits in the *Oil Pollution Act* by:

- Making the responsible party associated with an oil spill at an offshore facility liable for all of the damages the oil spill causes, as defined by Section 1002 of the *Oil Pollution Act*; and
- Making this change effective as of April 15, 2010.