

***Agriculture & Ecology Committee***

***2SSB 5909***

***Brief Description:*** *Revising financial responsibility requirements for vessels.*

***Sponsors:*** *By Senate Committee on Ways & Means (originally sponsored by Senators Fraser, Regala, Spanel and Thibaudeau).*

***Brief Summary of Second Substitute Bill***

- *Increases the financial responsibility requirements for barges, tank vessels, cargo vessels, and passenger vessels traveling in Washington waters according to a set schedule.*
- *Authorizes the Department of Ecology to lower the financial responsibility requirement based on the quantity and type of cargo a vessel can carry.*
- *Waives the financial responsibility requirement for tank vessels, cargo vessels, and passenger vessels who can prove their membership in an international protection and indemnity mutual organization.*
- *Authorizes the financial responsibility for vessels to pay for, in addition to current its present uses, the removal of hazardous substances, penalties and fines, and the removal of shipwrecks and debris.*
- *Requires the Department of Ecology to set the financial responsibility for onshore and offshore facilities by rule and contract with an independent economic analyst to find the adequate level of responsibility for facilities.*
- *Makes it unlawful for vessels not meeting the financial responsibility requirements to enter Washington waters except when there is a risk of injury to the crew or passengers.*

***Hearing Date:*** *3/30/01*

***Staff:*** *Jason Callahan (786-7117).*

**Background:**

*The state has the authority to impose liability or financial responsibility requirements with respect to the discharge of oil that is in excess of federal requirements. Financial responsibility requirements are used to ensure that vessels that transport petroleum products, as cargo or fuel, into the state's waters have the ability to pay for any damages that may result from a spill. The requirements are also used to pay for damages resulting from onshore or offshore facilities. The financial responsibility imposed on vessels may be used to pay for the removal of oil, natural resource damages, and for "necessary expenses."*

*The North Puget Sound Oil Spill Risk Management Panel was formed through an agreement with the U.S. Coast Guard and the Department of Ecology. The panel focused their attention on risk reduction measures for the North Puget Sound region. One recommendation of the panel was that the state should review the current standards for imposition of liability or other spill response requirements related to the discharge or substantial threat of discharge of oil.*

**Summary of Bill:**

*The financial responsibility requirement for various vessels is raised. Specifically:*

- 1) Barges: Financial responsibility is raised from the greater of \$1 million or \$150 dollars per gross ton to the greater of \$5 million or \$300 per gross ton. The director of the Department of Ecology (DOE) has the discretion to establish a lower standard of financial responsibility for barges transporting three hundred gross tons or less of hazardous substances. Any lower standard of responsibility must be based on the quantity and type of cargo the barge is capable of carrying.*
- 2) Tank vessels carrying oil as cargo: Financial responsibility will be raised from \$500 million to \$750 million after January 1, 2002, and to \$1 billion dollars after January 1, 2004. Tank vessels that are adequately covered as members of an international protection and indemnity mutual organization are still not required to purchase further insurance.*
- 3) Cargo and passenger vessels: Financial responsibility for these vessels is dependant on the number of oil barrels being carried. Vessels carrying between: 1-10 barrels are responsible for \$2 million; 11-50 barrels are responsible for \$5 million; 51-500 barrels are responsible for \$10 million; 501-1000 barrels are responsible for \$20 million; 1001-6500 barrels are responsible for \$20 million for the first 1000 barrels and \$5 million for each additional one thousand barrels; and over 6500 barrels are responsible for \$300 million in financial responsibility. Cargo and passenger vessel owners are not required to carry additional financial responsibility if they are members of an international protection and indemnity mutual organization.*

*Documentation of financial responsibility must demonstrate the ability to cover the actual costs of civil penalties and fines and the removal of shipwrecks and ship debris. This is in addition to the current requirements that the financial responsibility cover the costs of the*

*removal of the oil spill, natural resource damage, and for necessary expenses related to the spill.*

*It is unlawful for any vessel to enter Washington waters without meeting these financial responsibility requirements. Vessels failing to secure the necessary financial responsibility will only be allowed access to the state's waters if it is necessary to avoid injury to the crew or the passengers.*

*The DOE is required to review these financial responsibility requirements and make recommendations to the legislature regarding their sufficiency every five years, beginning in 2005. The DOE must also contract with an independent economic analyst regarding the adequate levels of financial responsibility for onshore and offshore facilities. This analysis must be completed by September 1, 2002.*

*\$133,698 is appropriated from the state toxics control account in 2002, and \$335,686 is appropriated in 2003, for the implementation of this act.*

***Appropriation:*** *None.*

***Fiscal Note:*** *Not Requested.*

***Effective Date:*** *Ninety days after adjournment of session in which bill is passed.*