



4310-MR-P

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

30 CFR Part 553

[Docket ID: BOEM–2017–0048; MMAA104000]

RIN 1010–AD98

Oil Spill Financial Responsibility Adjustment of the Limit of Liability for Offshore Facilities

AGENCY: Bureau of Ocean Energy Management, Interior.

ACTION: Final rule.

SUMMARY: The Bureau of Ocean Energy Management is issuing this final rule to adjust the offshore facility limit of liability for damages under the Oil Pollution Act of 1990 (OPA) to reflect the increase in the Consumer Price Index (CPI) since 2013. This rule increases the OPA offshore facility limit of liability for damages from \$133.65 million to \$137.6595 million.

DATES: This rule is effective on [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Questions regarding the inflation adjustment methodology or amount should be directed to Mr. Martin Heinze, Economics Division, BOEM, at martin.heinze@boem.gov or at 703-787-1141. Questions regarding the timing of this adjustment or the applicability of the regulations should be directed to Deanna Meyer-Pietruszka, Chief, Office of Policy, Regulation and Analysis, Bureau of Ocean Energy Management (BOEM), at deanna.meyer-pietruszka@boem.gov or at (202) 208-6352.

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I. Background

The OPA established a comprehensive regime for addressing the consequences of oil spills, ranging from spill response to compensation for damages to injured parties. Under Title I of the OPA, the responsible parties for any vessel or facility, including any offshore facility that discharges or poses a substantial threat of discharge of oil into or upon navigable waters, adjoining shorelines, or the exclusive economic zone, are liable for the removal costs and damages that result from such discharge or threat of discharge, as specified in 33 U.S.C. 2702(a) and (b). Under 33 U.S.C. 2704(a), however, the total liability of each responsible party is

limited, subject to certain exceptions specified in 33 U.S.C. 2704(c). In 1990, the OPA provided that responsible parties for an offshore facility incident were liable for “the total of all removal costs plus \$75,000,000.” (33 U.S.C. 2704(a)(3)).

To prevent the real value of the OPA limits of liability from declining over time as a result of inflation, and shifting the financial risk of oil spill incidents to the Oil Spill Liability Trust Fund (OSLTF), the OPA requires that the President adjust the limits of liability "not less than every three years," by regulation, to reflect significant increases in the CPI. (33 U.S.C. 2704(d)(4)). This mandate, in place since 1990, preserves the deterrent effect and “polluter pays” principle embodied in OPA.

BOEM last adjusted for inflation the OPA offshore facility limit of liability for damages on December 12, 2014 (79 FR 73832). That 2014 rule updated the offshore facility limit of liability based on the Consumer Price Index All Urban Consumer (CPI-U) using the 2013 annual average CPI-U. The Bureau of Labor Statistics (BLS) has published the 2016 annual average CPI-U, which BOEM is using to calculate this three-year inflation adjustment for the offshore facility limit of liability.

BOEM is promulgating this rule pursuant to the provisions of Title I of OPA, Executive Order (E.O.) 12777, as amended, and BOEM regulations at 30 CFR part 553, subpart G—Limit of Liability for Offshore Facilities. A proposed rule is unnecessary, and BOEM thus has good cause for issuing this final rule under 5 U.S.C. 553(b), because the adjustment in the limit of liability is mandated by statute, the methodology for determining the amount is defined in BOEM’s regulations, and those regulations at §§ 553.703(b)(4) and 553.704 provide that inflation adjustments to the offshore facilities limit of liability will be implemented through final rulemaking. The legislative and regulatory history for OPA limit of liability inflation

adjustments can be found in the rulemaking preamble for the last inflation adjustment at 79 FR 73832.

II. Calculation of the 2017 Adjustment

The methodology for calculating the offshore facilities limit of liability inflation adjustment is provided in § 553.703.

Section 553.703(b)(2) requires that, not later than every three years from the year the limit of liability was last adjusted for inflation, BOEM will evaluate whether the cumulative percent change in the annual CPI since that year has reached a significance threshold of three percent or greater. BOEM's regulations specify Annual CPI-U as the appropriate mechanism by which to measure CPI. The limit of liability was last adjusted using the 2013 Annual CPI-U and BOEM has determined that the cumulative percent change in the Annual CPI-U since 2013 exceeds three percent. Therefore, as required by BOEM's regulations, BOEM must increase the offshore limit of liability for damages in § 553.702 by an amount equal to the cumulative percent change in the Annual CPI-U from the year the limit was last adjusted by regulation.

The formula for calculating a cumulative percent change in the Annual CPI-U provided in § 553.703(a) is as follows: the percent change in the Annual CPI-U = [(Annual CPI-U for Current Period – Annual CPI-U for Previous Period) ÷ Annual CPI-U for Previous Period] × 100. Using the BLS Annual CPI-U index numbers for 2013 and 2016, the calculation is: $(240.007 - 232.957) \div 232.957 = 0.03026$. Multiplying $\times 100$ yields a cumulative percent change of 3.026 percent. Section 553.703(a) requires the cumulative percent change value to be rounded to one decimal place, resulting in a value of 3.0 percent.

Under § 553.703(c), BOEM calculates the adjustment to the offshore facilities limit of liability for inflation using the following formula: New limit of liability = Previous limit of liability + (Previous limit of liability × the decimal equivalent of the percent change in the

Annual CPI-U), rounded to the closest \$100. The calculation is: \$133.65 million + (\$133.65 million × 0.03) = \$137.6595 million.

Therefore, BOEM is revising the regulations at § 553.702 to increase the limit of liability under OPA for a responsible party for any offshore facility, including any offshore pipeline, to the total of all removal costs plus \$137.6595 million for damages with respect to each incident.

Further information regarding the CPI and the methodology used by the BLS to develop the CPI is available at: https://www.bls.gov/cpi/cpi_dr.htm#2017.

III. Effective Date

BOEM's regulations, at § 553.704, provide for a 90-day delay in the effective date of the adjustment to the limit of liability. Section 553.704 also provides that BOEM may, as part of a rule amending § 553.702, specify a different amount of time between the publication of the rule in the *Federal Register* and the effective date of that rule. The adjustment in the limit of liability is mandated by statute and the methodology for determining the amount of the update is defined in BOEM's regulations. Given that § 553.704 specifically allows other than a 90-day delay in effective date to be announced in this rule amending § 553.702, BOEM has determined that a 30-day delay in effective date is appropriate.

IV. Procedural Requirements

A. Regulatory Planning and Review (E.O. 12866, 13563 and 13771)

E.O. 12866 provides that the Office of Information and Regulatory Affairs (OIRA) in the Office of Management and Budget (OMB) will review all significant rules. OIRA has determined that this rule is not significant.

This rule is an update to the offshore facility limit of liability under the OPA. It is neither a new regulation, nor does it increase the regulatory burden on regulated entities. This final rule

simply maintains the value of the limit of liability set by the OPA in 1990 by updating the limit of liability for three years of inflation as required by the OPA at 33 U.S.C. 2704(d)(4).

E.O. 13563 reaffirms the principles of E.O. 12866 while calling for improvements in the nation's regulatory system to reduce uncertainty and to promote predictability and the use of the best, most innovative, and least burdensome tools for achieving regulatory ends. E.O. 13563 directs agencies to consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public where these approaches are relevant, feasible, and consistent with regulatory objectives. The OPA statutory mandate does not give BOEM the discretion to reduce burdens or maintain freedom of choice.

E.O. 13771 of January 30, 2017, directs Federal agencies to reduce the regulatory burden on regulated entities and control regulatory costs. The E.O., however, applies only to significant regulatory actions, as defined in Section 3(f) of E.O. 12866. This rulemaking does not meet the definition for a significant regulatory action; thus, E.O. 13771 does not apply to this rulemaking.

B. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) requires an agency to prepare a regulatory flexibility analysis for all rules unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. The RFA applies only to rules for which an agency is required to first publish a proposed rule (see 5 U.S.C. 603(a) and 604(a)). Thus, the RFA does not apply to this rulemaking.

C. Small Business Regulatory Enforcement Fairness Act

This rule is not a major rule under 5 U.S.C. 804(2), the Small Business Regulatory Enforcement Fairness Act.

Implementation of this rule will not:

- (a) have an annual effect on the economy of \$100 million or more;
- (b) cause a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or
- (c) result in significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of U.S.-based enterprises to compete with foreign-based enterprises.

D. Unfunded Mandates Reform Act

This rule does not impose an unfunded mandate on State, local, or tribal governments, or the private sector of more than \$100 million per year. This rule does not have a significant or unique effect on state, local, or tribal governments or the private sector. A statement containing the information required by the Unfunded Mandates Reform Act (2 U.S.C. 1531 *et seq.*) is not required.

E. Takings (E.O. 12630)

This rule does not effect a taking of private property or otherwise have takings implications under E.O. 12630. Therefore, a takings implication assessment is not required.

F. Federalism (E.O. 13132)

Under the criteria in section 1 of E.O. 13132, this rule does not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement. Therefore, a federalism summary impact statement is not required.

G. Civil Justice Reform (E.O. 12988)

This rule complies with the requirements of E.O. 12988. Specifically, this rule:

(a) Meets the criteria of section 3(a) requiring that all regulations be reviewed to eliminate errors and ambiguity and be written to minimize litigation; and

(b) Meets the criteria of section 3(b)(2) requiring that all regulations be written in clear language and contain clear legal standards.

H. Consultation with Indian Tribes (E.O. 13175 and Departmental Policy)

E.O. 13175 provides that tribal consultation is not necessary for regulations required by statute. Because this rule simply implements a statutory mandate, tribal consultation is not required by this Executive Order.

The Department of the Interior continually strives to strengthen its government-to-government relationship with Indian tribes through a commitment to consultation with Indian tribes and recognizes their right to self-governance and tribal sovereignty. BOEM is also respectful of its responsibilities for consultation with corporations established pursuant to the Alaska Native Claims Settlement Act, 43 U.S.C. 1601 *et seq.* (ANCSA).

BOEM has evaluated this rule under the consultation policy of the Department of the Interior in Chapters 4 and 5 of Series 512 of the Departmental Manual and has determined that this rule has no substantial direct effects on any Tribe or ANCSA Corporation, as defined in 512 DM 4.3 to include, among others, Federally-recognized Alaska Native tribes. On the basis of this evaluation, BOEM has determined that consultation is not necessary to comply with any DOI policy.

I. Paperwork Reduction Act

This rule does not contain information collection requirements, and a submission to the OMB under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) is not required. We may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a currently valid OMB control number.

J. National Environmental Policy Act

A detailed environmental analysis under the National Environmental Policy Act of 1969 (NEPA) is not required if the rule is covered by a categorical exclusion (*see* 43 CFR 46.205). This final rule meets the criteria set forth at 43 CFR 46.210(i) for a Departmental Categorical Exclusion in that this final rule is “. . . of an administrative, financial, legal, technical, or procedural nature . . .” We have also determined that the rule does not involve any of the extraordinary circumstances listed in 43 CFR 46.215 that would require further analysis under NEPA.

K. Effects on the Energy Supply (E.O. 13211)

This rule is not a significant energy action under the definition in E.O. 13211. Therefore, a Statement of Energy Effects is not required.

List of Subjects in 30 CFR Part 553

Administrative practice and procedure, Continental shelf, Financial responsibility, Liability, Limit of liability, Oil and gas exploration, Oil pollution, Oil spill, Outer Continental Shelf, Penalties, Pipelines, Rights-of-way, Reporting and recordkeeping requirements, Surety bonds, Treasury securities.

Dated: January 9, 2018.

Joseph R. Balash,
Assistant Secretary - Land and Minerals Management.

For the reasons stated in the preamble, BOEM amends 30 CFR part 553 as follows:

PART 553—OIL SPILL FINANCIAL RESPONSIBILITY FOR OFFSHORE FACILITIES

1. The authority citation for part 553 continues to read as follows:

Authority: 33 U.S.C. 2704, 2716; E.O. 12777, as amended.

2. Revise § 553.702 to read as follows:

§ 553.702 What limit of liability applies to my offshore facility?

Except as provided in 33 U.S.C. 2704(c), the limit of liability under OPA for a responsible party for any offshore facility, including any offshore pipeline, is the total of all removal costs plus \$137.6595 million for damages with respect to each incident.

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