

Oil Spill Cost and Reimbursement Factsheet

The Obama Administration is committed to holding responsible parties accountable for all eligible costs associated with the BP Deepwater Horizon Oil Spill (Oil Spill). To date, the Administration has sent six bills to BP and other responsible parties (Transocean, MOEX, and Andarko) for oil removal costs, of which the first five have been reimbursed in full by BP. The Administration will continue to identify and document costs that are related to the Oil Spill in order to ensure appropriate stewardship and accounting of these expenses, maintain accountability to taxpayers, and support current and prospective claims for reimbursement under the Oil Pollution Act of 1990 and other laws. We will continue to bill responsible parties as appropriate.

This factsheet describes:

- Examples of oil spill-related costs that Federal agencies may be incurring;
- How Federal agencies have paid for oil spill-related expenses, to date;
- The extent of responsible party reimbursement, to-date; and
- Evolving efforts to pursue further reimbursement.

Examples of oil spill-related costs that Federal agencies may be incurring

- Cost of work, services, and materials procured under contract for purposes related to the Oil Spill;
- Costs that reflect agency activities to mitigate the impacts of the Oil Spill. For example, these costs may include mobilization of resources to coordinate benefit issuance and the dissemination of public information;
- Costs associated with temporary Federal agency personnel assigned to work on the Oil Spill;
- Costs associated with condition monitoring and assessment (for example, hiring additional personnel to do public health monitoring);
- Transportation equipment (including but not limited to boats/cutters, aircrafts, and vehicles);
- Travel expenses and per diem, including a wide range of costs incurred while on travel.^[1]
- Office supplies, equipment, and capital and/or maintenance costs for new or expanded field sites;
- Cost of materials, equipment, and supplies related to clean-up;
- Shipping costs and materials;
- Salaries and overtime for full-time personnel assigned to work on the Oil Spill (including administrative personnel, and D.C.- and field-based program officers).

^[1] For more information, see the GSA travel regulations:

http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_OVERVIEW&contentId=14161

How Federal agencies have paid for oil spill-related expenses, to-date

Funds spent to-date mainly come from either the “emergency fund” within the Oil Spill Liability Trust Fund (OSLTF) or from agencies’ individual appropriations.

Costs paid out of the Oil Spill Liability Trust Fund (OSLTF)¹

A subset of the OSLTF called the **Emergency Fund** is available to pay for pollution removal activities, as well as the initiation of natural resource damage assessments. The Federal On-Scene Coordinator (FOSC), who oversees oil spill response efforts, approves removal activities to be paid for out of the fund. The FOSC is a representative of the lead Federal agency for the response. The U.S. Coast Guard (USCG) plays this role in marine oil spills.

If other Federal, state, local, or tribal agencies assist the FOSC with removal activities, they can sign an agreement called a Pollution Removal Funding Authorization (PRFA)² which provides funding of those removal activities out of the OSLTF. The PRFA specifies which removal activities will be reimbursed, and establishes a dollar limit—or “ceiling.” The agencies subsequently obligate funds against that ceiling, and are reimbursed from the OSLTF Emergency Fund.

Costs paid out of agency appropriations

Unless approved through reimbursable agreements with the FOSC, as described above, agencies’ oil spill-related expenses generally come out of their base appropriations. A limited number of agencies recently received supplemental appropriations through H.R. 4899, making emergency supplemental appropriations for FY2010, to pay for certain spill-related activities (e.g., economic recovery assistance, responding to impacts on fisheries, food safety monitoring, and a scientific study of the effects of dispersants).

The extent of responsible party reimbursement, to date

Responsible parties in connection with an oil spill from an offshore facility are financially responsible for all removal costs associated with the oil spill which could include such items as payment to cleanup contractors, equipment used in removal operations (generally at established standard rates or lease costs), testing to identify the type and source of oil, disposal of recovered oil and oily debris, and preparation of associated cost documentation.³

¹ The Oil Spill Liability Trust Fund (OSLTF) is a fund established to pay removal costs and damages resulting from oil spills or substantial threats of oil spills to navigable waters of the United States and as a source of appropriations to various Federal agencies responsible to administer and enforce provisions of the Oil Pollution Act of 1990 and the Federal Water Pollution Control Act. The fund use for oil removal costs and damages is administered by the U.S. Coast Guard’s National Pollution Funds Center (NPFC). For more information about the OSLTF, see: www.uscg.mil/npfc/docs/PDFs/OSLTF_Funding_for_Oil_Spills.pdf

² When a military entity signs a comparable reimbursable agreement, it is referred to as a Military Interdepartmental Purchase Request (MIPR). Removal costs that can be covered by a PRFA or MIPR are defined by Federal Water Pollution Control Act section 311(a), 33 USC 1321(a).

³ www.uscg.mil/npfc/docs/PDFs/OSLTF_Funding_for_Oil_Spills.pdf

To date, the Administration has sent six bills to responsible parties for the costs of removal operations relating to the BP Deepwater Horizon Oil Spill. These bills correspond to costs approved by the FOSC – and the subsequent payments are deposited into the OSLTF. The first five bills have been paid in full by BP, totaling \$389.9 million, and a sixth was sent on September 8. The bills are summarized below:

Bill number	Date sent	Amount	Status
1	5/27/2010	\$1.8 million	paid
2	6/3/2010	\$69.09 million	paid
3	6/21/2010	\$51.4 million	paid
4	7/13/2010	\$99.7 million	paid
5	8/10/2010	\$167.9 million	paid
6	9/08/2010	\$128.5 million	pending

The bills cover three main categories of costs:

- **USCG Direct Costs:** Examples of direct costs include the purchase and rental of response and personal protective equipment, the cost of contract services, telecommunications costs, and travel orders. Direct costs are captured by the USCG accounting system and are charged directly against the Oil Spill Liability Trust Fund.
- **USCG Indirect Costs:** These are the costs of USCG assets operating in support of the response, including aircraft, cutters, boats, vehicles and people. The amount charged is based on standard rates for use of USCG assets, supported by documentation and validation for the amount of time each asset was working on the response.⁴
- **Other Agency and State Costs:** The bills also cover other Federal agency and State costs that are captured through reimbursable agreements established between the FOSC and the partner agency. The partner agency must provide cost documentation to support reimbursement for actual expenses incurred under the terms of the agreement. For billing purposes, the responsible parties are invoiced 75% of the obligated cost for these reimbursable agreements. The invoices do not include the full amount of obligations because the actual expenditures will likely vary from these projections as the scope of work is modified over time. Future invoices will account for the full costs based on actual expenses incurred.

Some examples of activities covered by reimbursable agreements include:

⁴ Standard hourly rates are defined in Commandant Instruction 7301.1, which can be found at: http://www.uscg.mil/directives/ci/7000-7999/CI_7310_1L.PDF.

- Federal agency operation of ships, aircraft and boats; scientific determination of clean-up needs; deployed personnel; and other expenses;
- National Guard Bureau support for deployed personnel, activation and deployment of National Guard from LA, MS, AL and FL, and for other expenses;
- State support for removal operations, scientific determination of clean-up needs, and other expenses.

Evolving efforts to pursue further reimbursement

The Federal Government is evaluating reimbursement for costs other than oil removal costs covered in the bills described above. To that end, the Office of Management and Budget (OMB) issued guidance on July 1, 2010, establishing guidelines for Federal agencies to use when identifying and documenting costs related to the Oil Spill.⁵ This will assist the Department of Justice (DOJ) – in consultation with the Coast Guard and other agencies – in determining where further reimbursement should be pursued.

⁵ http://www.whitehouse.gov/omb/memoranda_default/