Deepwater Horizon Oil Spill: Highlighted Activities

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February 23, 2012
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Summary

In the wake of the explosion of the Deepwater Horizon offshore drilling rig in the Gulf of Mexico on April 20, 2010, the federal government, state governments, and responsible parties faced an unprecedented challenge. An oil discharge continued for 84 days, resulting in the largest oil spill in U.S. waters—estimated at approximately 206 million gallons (4.9 million barrels). In recent financial statements, BP estimated the combined oil spill costs—cleanup, natural resource and economic damages, penalties, and other obligations—at approximately $41 billion.

Response activities, led by the U.S. Coast Guard, continue but have diminished substantially. The natural resources damage assessment (NRDA) process, conducted by federal and state trustees, is ongoing, now in its restoration planning phase. The Gulf Coast Claims Facility (GCCF), funded by BP, continues to award claims to affected parties: it has awarded almost $6 billion in compensation for economic losses resulting from the oil spill.

Members in the 112th Congress continue to express concerns regarding various oil spill-related policy matters. However, oil spill-related legislative activity in the 112th Congress has diminished compared to the 111th Congress.

The House passed H.R. 3408 (the PIONEERS Act) on February 15, 2012; the act would create a Gulf Coast Restoration Trust Fund in the U.S. Treasury, financed by 80% of any Deepwater Horizon-related penalties, settlements, and fines under Clean Water Act (CWA) Section 311. The Trust Fund would be used to “restore the ecosystems and economy of the Gulf Coast region.” Unlike similar legislative proposals (e.g., S. 1400, which the Senate Committee on Environment and Public Works reported on December 11, 2011), the monies in the Trust Fund would not be immediately available, but would require further congressional action to appropriate the funds.

Proposals that seek to encourage offshore oil exploration and development have seen more legislative action than oil spill-related proposals. Congress enacted one bill with provisions that arguably encourage OCS development. On December 23, 2011, Congress enacted P.L. 112-74 (the Consolidated Appropriations Act, 2012). Among other provisions, this act (§432) transfers air emission regulatory authority in the OCS off Alaska’s north coast from the U.S. Environmental Protection Agency (EPA) to the Department of the Interior (DOI). The primary difference between the EPA and DOI programs is rooted in their different statutory authorities, which have different objectives—air quality versus offshore energy development. The two regulatory programs reflect these underlying differences.

In addition, the House has passed several bills intended to encourage oil and gas development on the OCS. The Senate has not reported analogous legislation.

In 2011 the Secretary of the Department of the Interior (DOI) initiated a series of reforms aimed at replacing the former regulatory agency, the Minerals Management Service (MMS). Secretary Salazar redefined the responsibilities previously performed by MMS and reassigned the functions of the offshore energy program among three separate organizations: the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE), and the Office of Natural Resources Revenue (ONRR). BOEM and BSEE are charged with managing procedures for leases and operations, ONRR for revenue management.
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Introduction

In the wake of the explosion of the Deepwater Horizon offshore drilling rig on April 20, 2010, the federal government, state governments, and responsible parties faced an unprecedented challenge in the Gulf of Mexico. Never before had a subsea drilling system discharge of this magnitude, or an oil spill of this size—estimated at approximately 206 million gallons (4.9 million barrels)—occurred in U.S. waters.1

In many respects, the incident was unprecedented, testing the response capabilities of the federal government, state governments, and private industry; and the legal framework of liability and compensation. Both the response (i.e., cleanup) and compensation process continue today.

This report provides a summary update of selected issues related to the 2010 Deepwater Horizon oil spill:

- Oil Spill Response
- Compensations and Claims
- NRDA and Gulf Coast Restoration
- Congressional Activity
- Executive Branch Activities
- Independent Inquiries

More detailed analysis of these issues, as well as other issues (e.g., OCS moratoria), is addressed in other CRS products. The final section includes a list of CRS reports that discuss various aspects of the Deepwater Horizon incident as well as related background information.

Oil Spill Response

The uncontrolled discharge from the Deepwater Horizon continued for approximately 84 days until, following several attempts, responders gained control of the release on July 15, 2010. Response activities continue to date but have diminished substantially compared to the height of operations:

- During the summer of 2010, response personnel levels rose to 47,000; response vessel numbers approached 7,000.
- As of December 2011, approximately 1,000 response personnel remain in the Gulf region.2

1 An estimated 17% of this oil did not enter the Gulf environment, but was directly recovered from the wellhead by BP. See the Federal Interagency Solutions Group, Oil Budget Calculator Science and Engineering Team, Oil Budget Calculator: Deepwater Horizon-Technical Documentation, November 2010. See also CRS Report R41531, Deepwater Horizon Oil Spill: The Fate of the Oil, by Jonathan L. Ramseur.

According to NOAA shoreline survey data, the maximum extent of shoreline oiling involved almost 1,100 miles of shoreline. As of October 2011, that figure has decreased to 481 miles.3

On November 23, 2010, the federal government released a peer-reviewed publication that provided an oil budget estimate (i.e., an estimate of what happened to the oil). At the time of these calculations, a portion of the oil had been effectively removed from the Gulf environment through human interaction. However, a greater portion remained, in some form, in the Gulf.4

It is debatable whether the fate of the remaining oil will ever be established conclusively. Multiple challenges hinder this objective, and as time progresses, determining the fate of the oil will likely become more difficult. Researchers are continuing to study and publish results addressing various aspects of the spill.5

Compensation and Claims

As an identified responsible party (others may also be legally responsible),6 BP is liable for cleanup costs, natural resource damages, and various economic damages.7 The total costs of the 2010 Gulf spill are projected to dwarf those of the 1989 Exxon Valdez oil spill.8 In its recent financial statements, BP estimated the combined oil spill costs—cleanup, natural resource and economic damages, potential Clean Water Act (CWA) penalties, and other obligations—to be approximately $41 billion. This estimate includes payments made to date as well as projected future payments, such as claims. However, BP acknowledges the difficulty in estimating some costs and does not include these costs in its projection. Therefore, this estimate is subject to considerable uncertainty.9

3 Data from personal communication (October 3, 2011) with NOAA Office of Response and Restoration officials.
4 For more information, see CRS Report R41531, Deepwater Horizon Oil Spill: The Fate of the Oil, by Jonathan L. Ramseur.
5 For example, some recent results suggest that microbial organisms played a substantial role through biodegradation. See, e.g., David Valentine et al, “Dynamic autoinoculation and the microbial ecology of a deep water hydrocarbon irruption,” Proceedings of the National Academy of Sciences, January 2012; Bethanie Edwards et al., “Rapid Microbial Respiration of Oil from the Deepwater Horizon Spill in Offshore Surface Waters of the Gulf of Mexico,” Environmental Research Letters, Vol. 6, August 2011.
6 For the purpose of this report, BP is discussed as if it is the sole responsible party—a key term in the existing liability and compensation framework. However, other parties are involved. The Department of Justice named 9 defendants in a civil suit filed December 15, 2010. See Press Release at http://www.justice.gov/opa/pr/2010/December/10-ag-1442.html.
7 Oil Pollution Act, 33 U.S.C. 2702 (discussed below).
8 The Exxon Valdez was a U.S.-flagged tanker that grounded in Prince William Sound, AK, in March 1989 spilling approximately 11 million gallons of oil. The oil spill sparked regional and nation-wide interest in oil spill prevention, response, clean-up, and liability. In association with the 1989 oil spill, Exxon paid approximately $4.9 billion. Payments were made voluntarily and pursuant to several different legal proceedings at different times over approximately 20 years.
9 As stated by BP,

The total amounts that will ultimately be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any determination of BP’s negligence), the outcome of litigation, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP.

(continued...)
In the early months of the spill, the issue of liability limits received considerable attention. As a responsible party of an offshore facility, BP is liable for “all removal costs plus $75 million” for natural resource damages and specified economic damages. However, liability limits are not guaranteed but are conditional. Regardless, BP has awarded claims to individuals and businesses far exceeding its (conditional) liability limit of $75 million. The Obama Administration and BP jointly announced on June 16, 2010, the creation of the Gulf Coast Claims Facility (GCCF), an independent claims facility administered by Kenneth Feinberg, to process claims for individuals and businesses. Although the GCCF has awarded approximately $6 billion (as of February 17, 2012), it has received considerable attention, with some raising questions about its effectiveness in compensating injured parties. The GCCF will continue to accept claims until it closes its operations on August 22, 2013.

Some parties have sought compensation through litigation. Many of these lawsuits have been consolidated into a case before the United States District Court in New Orleans. According to court documents, over 100,000 private claims of “non-governmental economic loss and property damages” comprise one part of this case; other parts include government claims.

NRDA and Gulf Coast Restoration

When a spill occurs, natural resource trustees conduct a natural resource damage assessment (NRDA) to determine the extent of the harm. Trustees may include officials from federal agencies designated by the President, state agencies designated by the relevant governor, and representatives from tribal and foreign governments. The trustees’ work occurs in three steps: a Pre-assessment Phase, the Restoration Planning Phase, and the Restoration Implementation Phase. Natural resource damages are compensatory, not punitive. Collected damages cannot be placed into the general treasury revenues of the federal or state government, but must be used to restore or replace lost resources.

The Deepwater Horizon NRDA process is progressing as trustees have moved from a pre-assessment phase to a restoration planning phase.

(...continued)


10 OPA §1004 (33 U.S.C. §2704).

11 First, the liability limits do not apply to situations involving acts of gross negligence or willful misconduct. Second, liability limits do not apply if the violation of a federal safety, construction, or operating requirement proximately caused the spill. Third, parties must report the incident and cooperate with response officials to maintain their liability caps. See OPA Section 1004 (33 U.S.C. §2704).

12 See http://www.gulfcoastclaimsfacility.com/.

13 For more information, see CRS Report R41679, Liability and Compensation Issues Raised by the 2010 Gulf Oil Spill, by Jonathan L. Ramseur.


15 For further information, the Court’s website provides documents related to the case, http://www.laed.uscourts.gov/OilSpill/OilSpill.htm.

16 For more information, see CRS Report R41972, The 2010 Deepwater Horizon Oil Spill: Natural Resource Damage Assessment Under the Oil Pollution Act, by James V. DeBergh.
On April 21, 2011, the trustees for the Deepwater Horizon oil spill announced that BP has agreed to provide $1 billion toward early restoration projects in the Gulf of Mexico to address injuries to natural resources caused by the spill. “Early Restoration” projects may be developed prior to the completion of the injury assessment to achieve restoration faster. NOAA published a draft plan (seeking public comments) of early restoration projects in December 2011.17

The Deepwater Horizon oil spill raised issues regarding restoration of natural resources in the spill’s path and the region at large. On June 15, 2010, the Administration committed to developing a long-term Gulf of Mexico restoration plan for post-spill recovery needs as well as long-term restoration. In contrast to the environmental damages addressed by NRDA, the Administration’s plan would address a broader array of restoration needs,18 many of which predate the oil spill.19

To fund restoration efforts, and, in some cases, economic projects, in the Gulf region, several bills would redirect20 potential CWA Deepwater Horizon penalties into a newly created trust fund. Unless specifically directed otherwise, the Miscellaneous Receipts Act (31 U.S.C. §3302(b)) provides that all court or administratively imposed penalties are paid to the general fund of the U.S. Department of the Treasury. The underlying statutory provisions of the Oil Spill Liability Trust Fund (OSLTF) override this general provision by transferring civil judicial penalties under CWA Section 311 (among others)21 into the OSLTF.22

The potential CWA civil penalties could be substantial: the National Commission report included a range of $4.5 billion to $21.5 billion for possible penalty revenue.23 However, the civil penalties could be below this range, because the “EPA Administrator, the Secretary [of Homeland Security], or the court, as the case may” must consider several factors when assessing the penalty amounts.24 On December 15, 2010, the U.S. Department of Justice (DOJ) initiated a civil proceeding against BP and other defendants related to the Deepwater Horizon incident. One of the issues in this case relates to the CWA civil penalties.

17 For more up-to-date information, see http://www.gulfspillrestoration.noaa.gov/.
18 See the Obama Administration’s America’s Gulf Coast: A Long Term Recovery Plan after the Deepwater Horizon Oil Spill (sometimes referred to as the “Mabus Report”), September 2010.
19 See CRS Report R41640, The Deepwater Horizon Oil Spill and the Gulf of Mexico Fishing Industry, by Harold F. Upton.
20 Existing law directs these penalties to the Oil Spill Liability Trust Fund. See CRS Report R41679, Liability and Compensation Issues Raised by the 2010 Gulf Oil Spill, by Jonathan L. Ramseur.
21 26 U.S.C. §9509(b)(8) states “any penalty paid pursuant to section 311 of the Federal Water Pollution Control Act, section 309(c) of such Act (as a result of violations of such section 311), the Deepwater Port Act of 1974, or section 207 of the Trans-Alaska Pipeline Authorization Act.”
22 The relationship between trust funds, such as the OSLTF, and the general treasury is complex. For more information, see GAO, Federal Trust and Other Earmarked Funds: Answers to Frequently Asked Questions, January 2001.
23 The low end of this range is achieved by multiplying 4.1 million barrels (amount of discharge after removing the 17% directly captured by BP) by $1,100/ barrel. The upper end of range is achieved by multiplying 4.9 million barrels (total discharge amount) by the maximum penalty of $4,300/barrel, which presumes a determination of either gross negligence or willful misconduct.
24 As listed in CWA §311(b)(8), these include the seriousness of the violation or violations, the economic benefit to the violator, if any, resulting from the violation, the degree of culpability involved, any other penalty for the same incident, any history of prior violations, the nature, extent, and degree of success of any efforts of the violator to minimize or mitigate the effects of the discharge, the economic impact of the penalty on the violator, and any other matters as justice may require.
Congressional Activity

Although interest has arguably diminished in the 112th Congress (relative to interest in the 111th Congress—see text box below), some Members continue to express concerns regarding various oil spill-related policy matters.

The House passed H.R. 3408 (the PIONEERS Act) on February 15, 2012; the act would create a Gulf Coast Restoration Trust Fund in the U.S. Treasury, financed by 80% of any Deepwater Horizon-related penalties, settlements, and fines under Clean Water Act (CWA) Section 311. Compared to similar bills, the text is relatively brief, stating that the Trust Fund would be used to “restore the ecosystems and economy of the Gulf Coast region.” Unlike similar legislative proposals (e.g., S. 1400, discussed below), the monies in the Trust Fund would not be immediately available, but would require further congressional action to appropriate the funds.

The Senate Committee on Environment and Public Works reported S. 1400 (the RESTORE Act) on December 11, 2011. This bill would distribute (without further appropriation) potential CWA penalties from the incident to Gulf states and a restoration council to support various objectives, including restoration projects and economic development in the Gulf states.

At least four committees in both the House and the Senate have held hearings on issues associated with the Deepwater Horizon oil spill in the 112th Congress. Several of these hearings dealt with recommendations made by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, which issued its final report in January 2011.25 At least 30 proposals have been introduced that would address various oil spill-related issues.26 Some of the bills are similar (if not identical) to proposals from the 111th Congress. Other bills reflect recommendations by the Commission in its January 2011 final report.27

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Activity in the 111th Congress28

During the immediate aftermath of the oil spill, Senate and House committees in the 111th Congress held more than 60 hearings on a variety of issues. Members introduced more than 150 legislative proposals related to oil spill matters. The 111th Congress enacted three of these proposals into law (P.L. 111-191, P.L. 111-212, and P.L. 111-281). Provisions in these laws generally concerned short-term matters that will not have a lasting impact on oil spill governance. However, H.R. 3619, the Coast Guard Authorization Act for Fiscal Years 2010 and 2011, which the President signed October 15, 2010 (P.L. 111-281), includes more substantial changes. In addition to the enacted legislation, the House in the 111th Congress passed several bills, including H.R. 3534 (the Consolidated Land, Energy, and Aquatic Resources Act, or CLEAR Act), that included multiple oil spill provisions. The Senate had comparable bills on its legislative calendar, but did not vote on their passage.

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In contrast, proposals that seek to encourage offshore oil exploration and development have seen more legislative action. Congress enacted one bill with provisions that arguably encourage OCS development. On December 23, 2011, Congress enacted P.L. 112-74 (Consolidated Appropriations Act, 2012). Among other provisions, this act (§432) transfers air emission regulatory authority in the OCS off Alaska’s north coast from the U.S. Environmental Protection Agency (EPA) to the Department of the Interior (DOI). The primary difference between the EPA and DOI programs is rooted in their different statutory authorities, which have different objectives—air quality versus offshore energy development. The two regulatory programs reflect these underlying differences.

In addition, the House passed several bills that encourage oil and gas development on the OCS: for example, H.R. 1230, H.R. 1229, H.R. 1231, and H.R. 2021. The Senate has not reported analogous legislation.

Executive Branch Activity

The Administration’s response involves multiple agencies. As this spill occurred in the coastal zone, an on-scene coordinator (OSC) from the U.S. Coast Guard directed and coordinated the on-site activities of federal, state, local, and private entities (e.g., BP). The OSC continues to coordinate activities in the region. This framework of multiple parties working together under the leadership of the federal government is referred to as the Unified Command. Upon classifying the event as a spill of national significance, Secretary of Homeland Security Napolitano appointed retired Coast Guard Admiral Thad Allen as National Incident Commander, a role that dissolved in October 2010.

Prior to the oil spill, the Department of the Interior (DOI) and congressional investigations had identified a number of management shortcomings, ethical lapses among personnel, and conflicts of interest in the former Minerals Management Service (MMS). Such concerns had been raised in oversight hearings and in reports, including one from the DOI inspector general. On May 19, 2010, the Secretary of the Department of the Interior (DOI) replaced the Minerals Management Service (MMS) with the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). On October 1, 2011, DOI divided BOEMRE into three separate entities: the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE), and the Office of Natural Resources Revenue (ONRR).

The DOI agencies have issued several regulatory and policy changes related to offshore activities, including an interim final rule on drilling procedures, and notices to lessees (NTLs) on worst-case discharges and spill containment measures.30

After observing the Deepwater Horizon response operations in the Gulf, many questioned the ability of industry and the federal government to prevent or respond to a significant blowout at substantial water depths. DOI agencies issued two notices to lessees (NTLs) to address some of these issues through policy guidance.31 In addition, two industry groups—the Marine Well

29 For more information, see CRS Report R41485, Reorganization of the Minerals Management Service in the Aftermath of the Deepwater Horizon Oil Spill, by Henry B. Hogue.
30 For more details, see http://www.boem.gov/reforms.htm.
31 The NTLs are available at http://www.boem.gov/reforms.htm.
Containment Company (MWCC)\textsuperscript{32} and Helix Well Containment Group (HWGC)\textsuperscript{33}—pooled resources to develop subsea containment technology that could be used by operators on the OCS.

**Independent Inquiries**

Several investigations and commissions—both federal and private—were initiated to examine issues surrounding the *Deepwater Horizon* incident. These include the following (listed in order of report publication date):

- National Incident Commander’s Report: final report released October 2010.\textsuperscript{34}
- U.S. Coast Guard’s Incident Specific Preparedness Review: final report released January 2011.\textsuperscript{35}
- The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling: final report—*The Gulf Disaster and the Future of Offshore Drilling*—submitted to the President on January 12, 2011.\textsuperscript{36}
- On Scene Coordinator Report: released September 2011.\textsuperscript{39}
- National Academy of Engineering: final report—*Macondo Well–Deepwater Horizon Blowout: Lessons for Improving Offshore Drilling Safety*—issued December 2011.\textsuperscript{40}
- U.S. Chemical Safety and Hazard Investigation Board: report forthcoming.\textsuperscript{41}

Several committee hearings have considered the findings of some of these reports, particularly the National Commission’s final report.

\textsuperscript{32} See http://marinewellcontainment.com/about.php.
\textsuperscript{33} See http://www.helixesg.com/HFRS/.
\textsuperscript{34} See http://www.nrt.org
\textsuperscript{36} See http://www.oilspillcommission.gov/.
\textsuperscript{37} For cover letter, see http://www.boemre.gov/pdfs/maps/JointMemo092011.pdf; Volume I available at https://homeport.uscg.mil.
\textsuperscript{38} See http://www.boemre.gov/pdfs/maps/DWHFINAL.pdf.
\textsuperscript{39} See https://homeport.uscg.mil.
\textsuperscript{40} See http://www.nae.edu/default.aspx?id=19649.
\textsuperscript{41} See http://www.csb.gov/investigations.
CRS Reports for Further Reading

**Legislation**


**2010 Deepwater Horizon Oil Spill**


CRS Report R41531, *Deepwater Horizon Oil Spill: The Fate of the Oil*, by Jonathan L. Ramseur.


CRS Report R41320, *Deepwater Horizon Oil Spill Disaster: Risk, Recovery, and Insurance Implications*, by Rawle O. King.


**Background**


CRS Report R41370, *Federal Civil and Criminal Penalties Possibly Applicable to Parties Responsible for the Gulf of Mexico Oil Spill*, by Robert Meltz.

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CRS Report RS22022, *Disaster Unemployment Assistance (DUA)*, by Julie M. Whittaker.


CRS Report R41132, *Outer Continental Shelf Moratoria on Oil and Gas Development*, by Curry L. Hagerty.

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