

Critical Energy Infrastructure (CEI) Hub

Ensuring Financial Responsibility and Risk Mitigation for Critical Energy Infrastructure

July 29, 2024



BACKGROUND

The Critical Energy Infrastructure (CEI) Hub stores over 90% of Oregon’s liquid fuel used in Oregon, like gasoline and diesel. The hub was built on fill soil atop of former wetlands along the banks of the Willamette River in the middle of the last century. The Hub’s outdated infrastructure poses a significant risk due to the potential for hazardous material spills during an earthquake. The site’s vulnerability, coupled with its proximity to Portland’s densely populated city center and the Willamette and Columbia Rivers, has raised substantial concerns within the surrounding community and throughout the state. In response, Multnomah County and the City of Portland commissioned a seismic risk analysis to assess the potential impacts of an earthquake on the Hub. Findings from this analysis estimate that a Cascadia Subduction Zone (CSZ) earthquake could result in over \$2.6 billion in damages (in 2021 dollars) and pose disastrous consequences for the region’s health and safety.

PROBLEM

Existing state and federal regulations do not adequately address the financial risks associated with a potential worst-case spill at the CEI Hub. A new state program, the Fuel Tank Seismic Stability Program requires CEI hub facilities to assess and mitigate risk from earthquakes. The risk mitigation does not include financial assurance to pay for potential damages leaving tax payers on the hook for costs related to cleanup, remediation, and restoration.

A PROACTIVE SOLUTION

TOXIC RELEASE FINANCIAL RESPONSIBILITY POLICY

The purpose of the proposed ordinance is to protect the environmental and public health in Multnomah County by holding CEI Hub facilities’ owners financially accountable for any spills or releases of oil, fuel, or hazardous substances.



KEY PROVISIONS OF THE POLICY

Applicability: The ordinance applies to facilities storing over 2 million gallons of oil, liquid fuels, or hazardous materials.

Financial Responsibility: Owners/operators must demonstrate financial ability to cover costs and damages from a worst-case spill and future decommissioning/remediation.

Facilities subject to the proposed ordinance must demonstrate financial responsibility in an amount determined to be sufficient to cover the costs and damages of a worst-case spill or release. Financial responsibility amounts are calculated based on storage capacity and whether a DEQ-approved risk mitigation plan is in place. This includes the costs of cleanup at the facility if it ceases operation, whichever is greater.

To demonstrate financial responsibility, the owner or operator of a facility must submit proof to the County no later than 18 months after the adoption of the Chapter. The statement of proof must include:

- The financial assurance mechanism(s) used to demonstrate financial responsibility;
- Proof that the mechanism(s) provide the minimum amount of coverage required;
- The facility's total maximum capacity to store, hold, and/or transfer oil or hazardous material;
- An itemized accounting of estimated decommissioning and remediation costs; and other information as deemed necessary by the County.

Owners or operators must also submit an updated statement of proof every three years or as specified by the County. If at any point the owner or operator is unable to demonstrate sufficient financial responsibility, they must notify the County within 30 days.

Enforcement: The ordinance grants the County enforcement authority, including penalties for non-compliance.

The proposed ordinance offers substantial benefits that protect the community and the environment while promoting responsible practices by facility owners and operators. By ensuring that funds are readily available for spill response and cleanup, the ordinance safeguards public health and the environment. Moreover, it incentivizes owners and operators to proactively implement safeguards and enhance the resiliency of their facilities, further reducing the risk of incidents. Additionally, the ordinance shifts liability to the facility owners and operators, who are directly responsible for the potential hazards. Importantly, this ordinance complements existing regulations by addressing critical gaps in financial responsibility coverage. In doing so, it creates a more comprehensive and robust framework for managing the risks associated with fossil fuels as we continue to pursue proactive solutions that address environmental and health hazards and protect the lives in our community.