



# Fuel Tank Financial Responsibility

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# FUEL TANK FINANCIAL RESPONSIBILITY

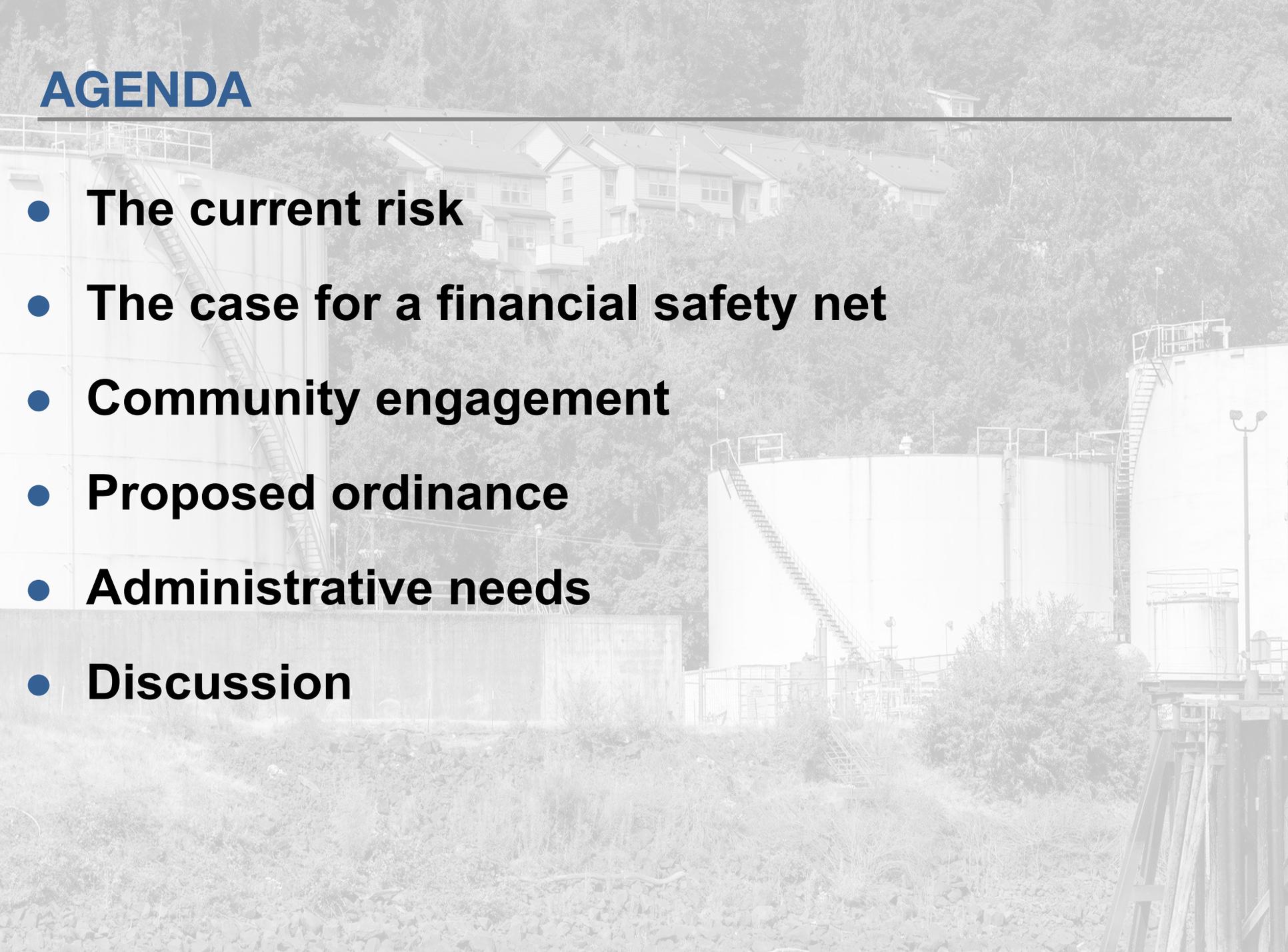
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SECURING A SAFER FUTURE

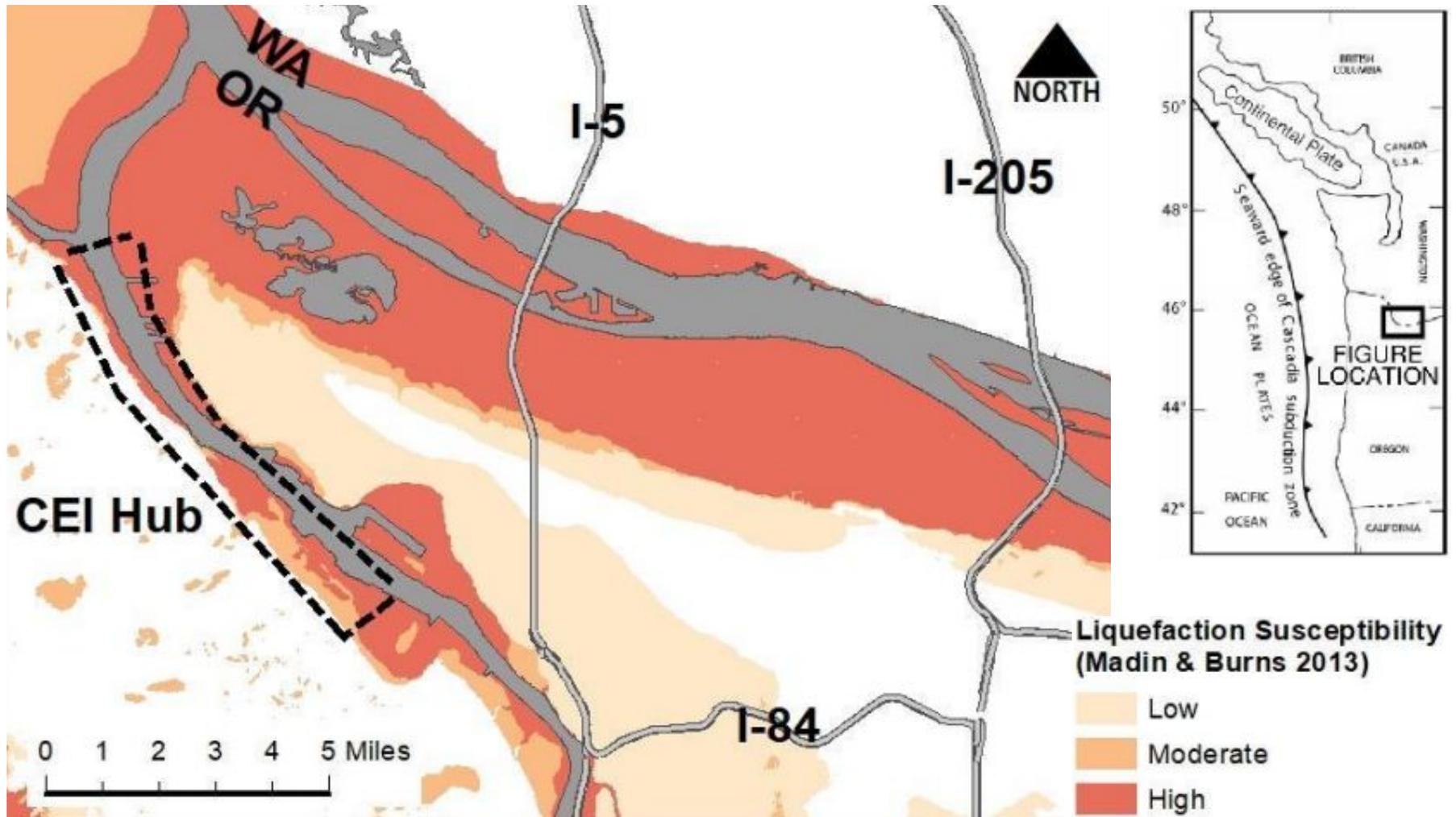


# AGENDA

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- **The current risk**
  - **The case for a financial safety net**
  - **Community engagement**
  - **Proposed ordinance**
  - **Administrative needs**
  - **Discussion**
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- The background image shows a water treatment facility with several large, cylindrical storage tanks. A residential building is visible on a hillside in the background. The foreground is a rocky, grassy area. The image is overlaid with a semi-transparent white box containing the agenda text.

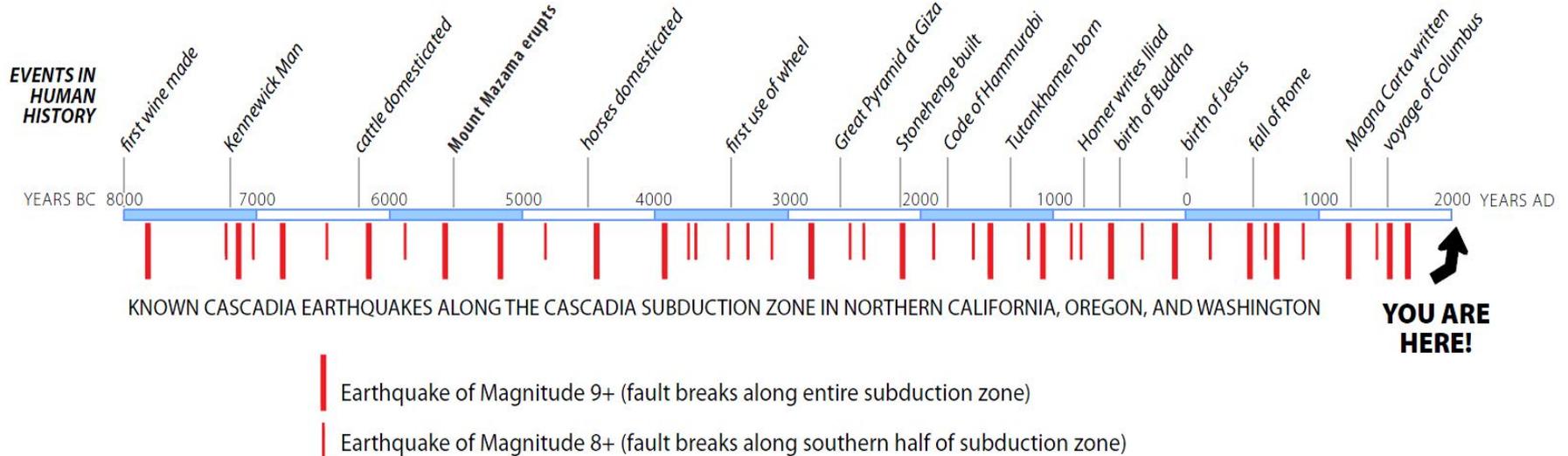
# NOT A BAD LOCATION – THE WORST LOCATION



Location of the CEI Hub and liquefaction susceptibility estimated by Madin & Burns (2013).

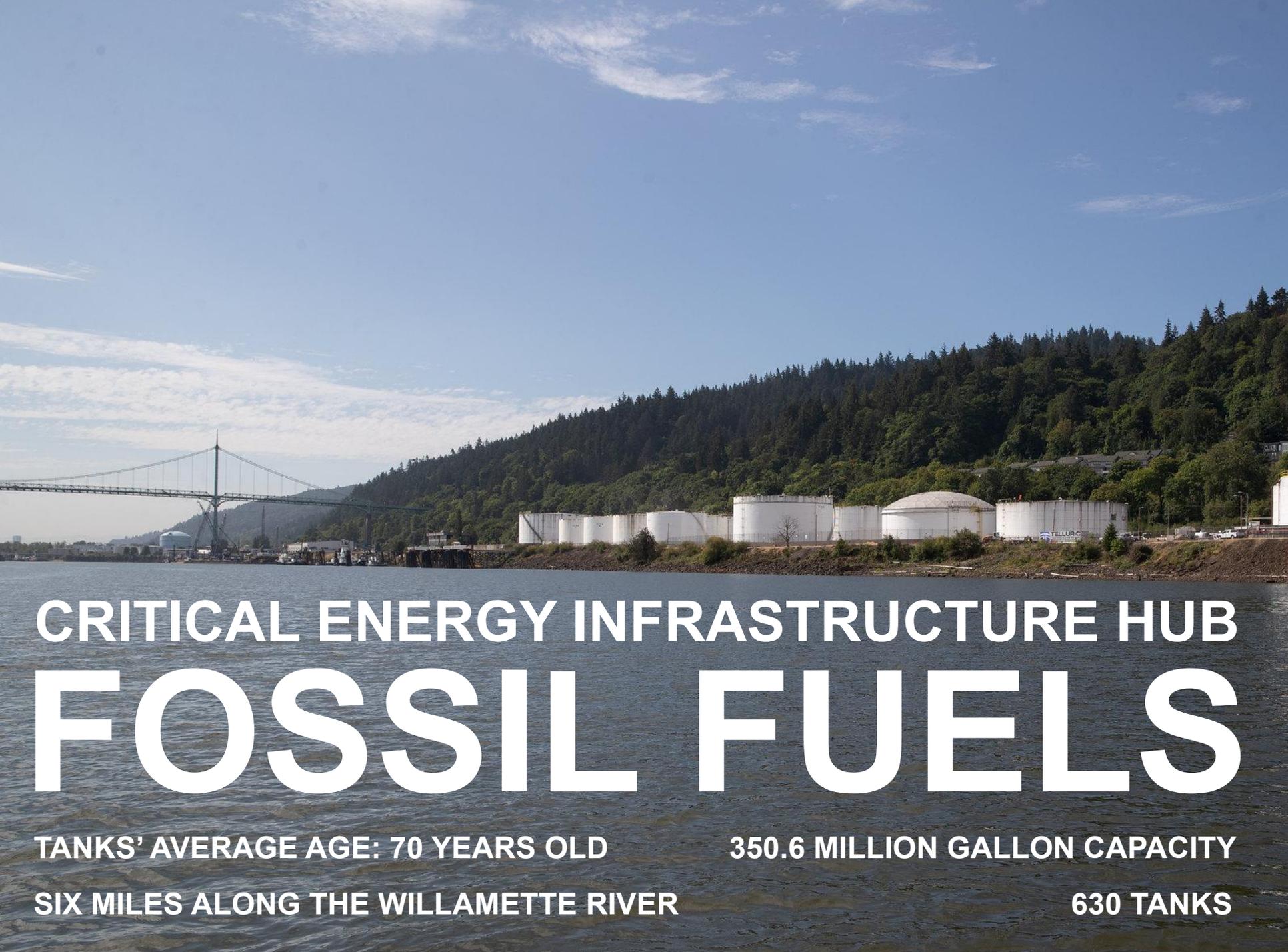
# NOT IF, BUT WHEN

## CASCADIA EARTHQUAKE TIME LINE



The average time between Cascadia events is 230 years.

The last earthquake was 324 years ago.



# CRITICAL ENERGY INFRASTRUCTURE HUB

# FOSSIL FUELS

TANKS' AVERAGE AGE: 70 YEARS OLD

350.6 MILLION GALLON CAPACITY

SIX MILES ALONG THE WILLAMETTE RIVER

630 TANKS



**COSTS MAY EXCEED \$2 BILLION**  
**LOSS OF LIFE**  
**SOME THINGS CAN NEVER BE REPLACED**

**LOSS OF REVENUE**

**EARTHQUAKE RECOVERY CHALLENGES**

**EQUIPMENT REPLACEMENT**



FUEL RELEASED INTO THE AIR, GROUND, AND WATER

# HEALTH HAZARD

THREATS TO HUMAN LIFE, PHYSICAL STRUCTURES, NATURAL RESOURCES

EXPLOSIONS & FIRES

# THE HIGH COST OF UNPREPAREDNESS

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Photo: [FEMA/Bob McMillan](#). Aftermath of Hurricane Katrina: Chalmette, LA. Oil from the Murphy Refinery and flood muck covers residential streets of Chalmette.

# THE CASE FOR A FINANCIAL SAFETY NET

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**Exxon Valdez**

\$2.5 billion settlement

**Taylor Energy**

\$432 million settlement

**Amplify**

\$5.2 million settlement

**Deepwater Horizon**

\$20.8 billion settlement



Photo: [U.S. Coast Guard](#). The *Deepwater Horizon* mobile offshore drilling unit (MODU) was performing drilling operations when a series of events led to an explosion and fire that tragically took 11 lives and injured 16 other personnel.

# THE CASE FOR A FINANCIAL SAFETY NET



Top left: Photo courtesy of [Massachusetts Department of Environmental Protection](#).

Top right, bottom left, bottom right: Photo courtesy of the [Exxon Valdez Oil Spill Trustee Council](#)

# FEDERAL & STATE OIL SPILL REGULATIONS

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## Oil Pollution Act of 1990 Requirements

- Facility must have Oil Spill Response Plan (OSRP)
- Establishes Oil Spill Liability Trust Fund (OSLTF)
- Holds responsible party liable

## Oregon DEQ Oil Spill Preparedness Program

- Charges fee which fund DEQ Response program
- Grants authority to Oregon Department of Fish and Wildlife to conduct Natural Resource Damage Assessment for purposes of assessing damages to natural resources
- Sets no limits on liability



# REGULATORY GAPS

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- Liability limits and gaps
- Failure to assume responsibility
- Cascadia quake: Unprecedented disaster, unprecedented need



Photo courtesy of [Tim](#). Liquefaction in Christchurch, New Zealand following earthquakes in 2010 and 2011.

# COMMUNITY ENGAGEMENT

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# COMMUNITY ENGAGEMENT

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# COMMUNITY ENGAGEMENT

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# COMMUNITY ENGAGEMENT



# POLICY GOALS OF FINANCIAL RESPONSIBILITY

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- Incentivize compliance with Fuel Tank Seismic Stability Program
- Minimize financial risk to taxpayers
- Internalize cleanup costs for facility owners/operators





# FUEL TANK FINANCIAL RESPONSIBILITY POLICY OVERVIEW

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“Economic efficiency dictates that operators at the CEI Hub should fully internalize the probability of a spill and its potential costs into operations.”

# TIMELINE

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**October 2019**

Resolution in support  
of Oil Tank Financial  
Responsibility

**February 2022**

HB 1567 is adopted

**June 2024**

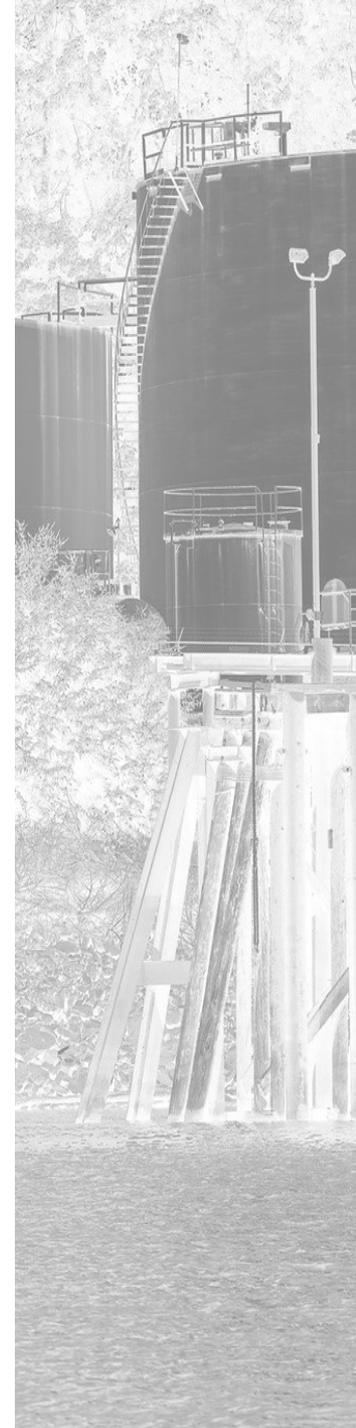
Seismic assessment  
deadline

**February 2022**

Impacts of Fuel Releases  
from the CEI Hub report  
released

**September 2023**

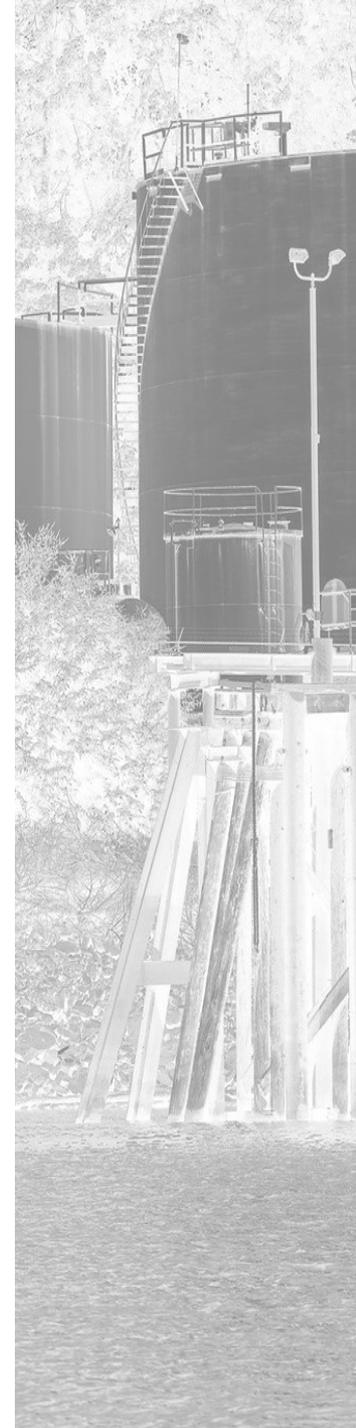
Fuel Tank Seismic Stability  
Program adopted



# OR DEQ FUEL TANK SEISMIC STABILITY PROGRAM

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- Applies to facilities with 2 million gallons of storage capacity or more.
- Requires seismic retrofits
- Establishes three part process
  - Seismic assessment
  - Risk Mitigation Plan
  - Final Risk Mitigation Plan completion report
- 10 year timeline for completion of Risk Mitigation Plan



# COVERED ENTITIES

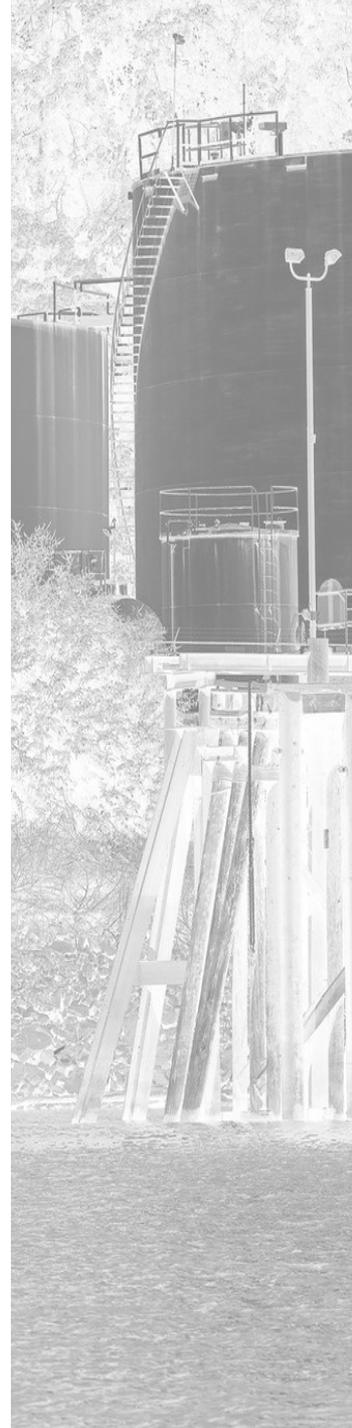
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## Which entities must demonstrate financial responsibility?

- Owners/operators of facilities that:
  - Store fuel or other hazardous materials
  - Have a storage capacity of at least 2 million gallons
- 13 facilities in Multnomah County

## Who is exempt?

- Public entities
- Facilities with less than 2 million gallon of storage capacity



# FINANCIAL RESPONSIBILITY CALCULATION METHODOLOGY

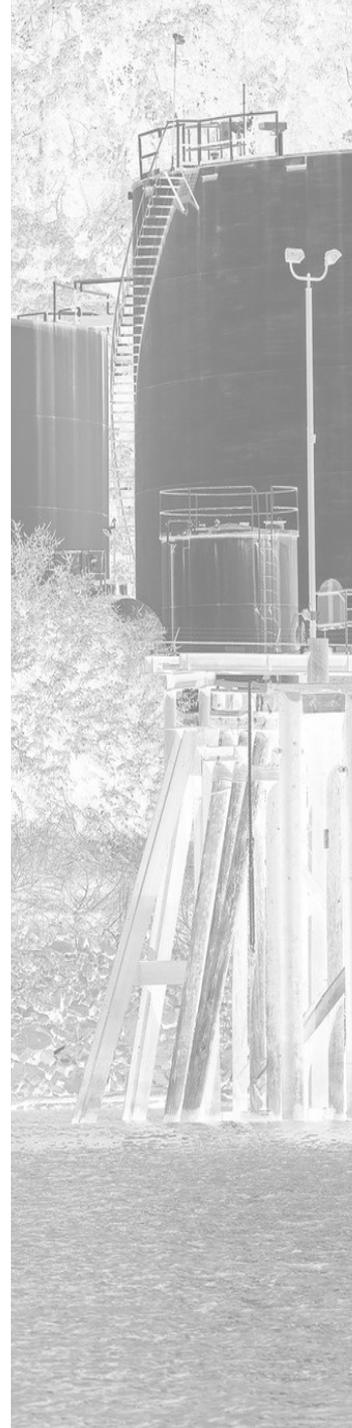
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The amount of financial responsibility coverage depends on:

- DEQ risk mitigation plan implementation status, and
- Total storage capacity

## Example

- Pre-Risk Mitigation Plan Implementation  
 $450,000 \text{ BBL} \times \$350 / \text{BBL} = \$157,500,000$
- Post-Risk Mitigation Plan Implementation  
 $450,000 \text{ BBL} \times \$50 = \$22,500,000$



# DEMONSTRATION OF FINANCIAL RESPONSIBILITY

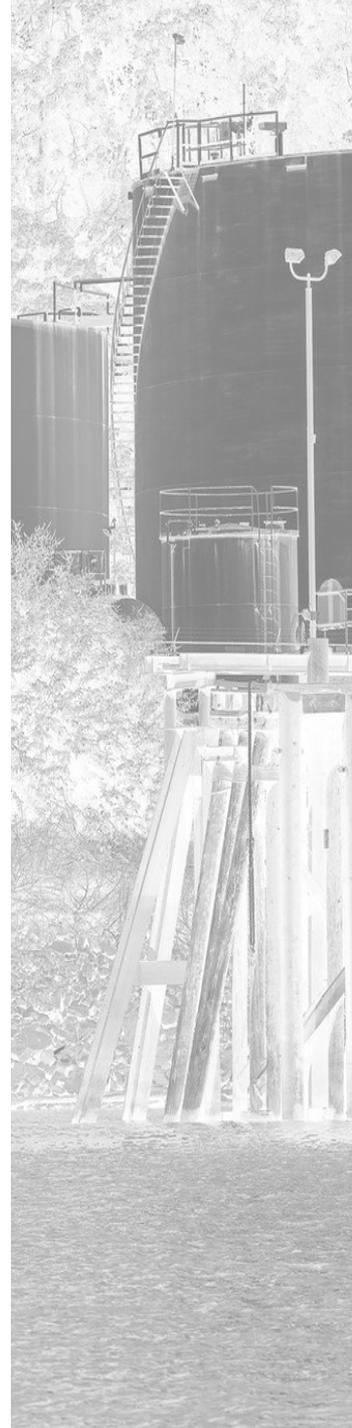
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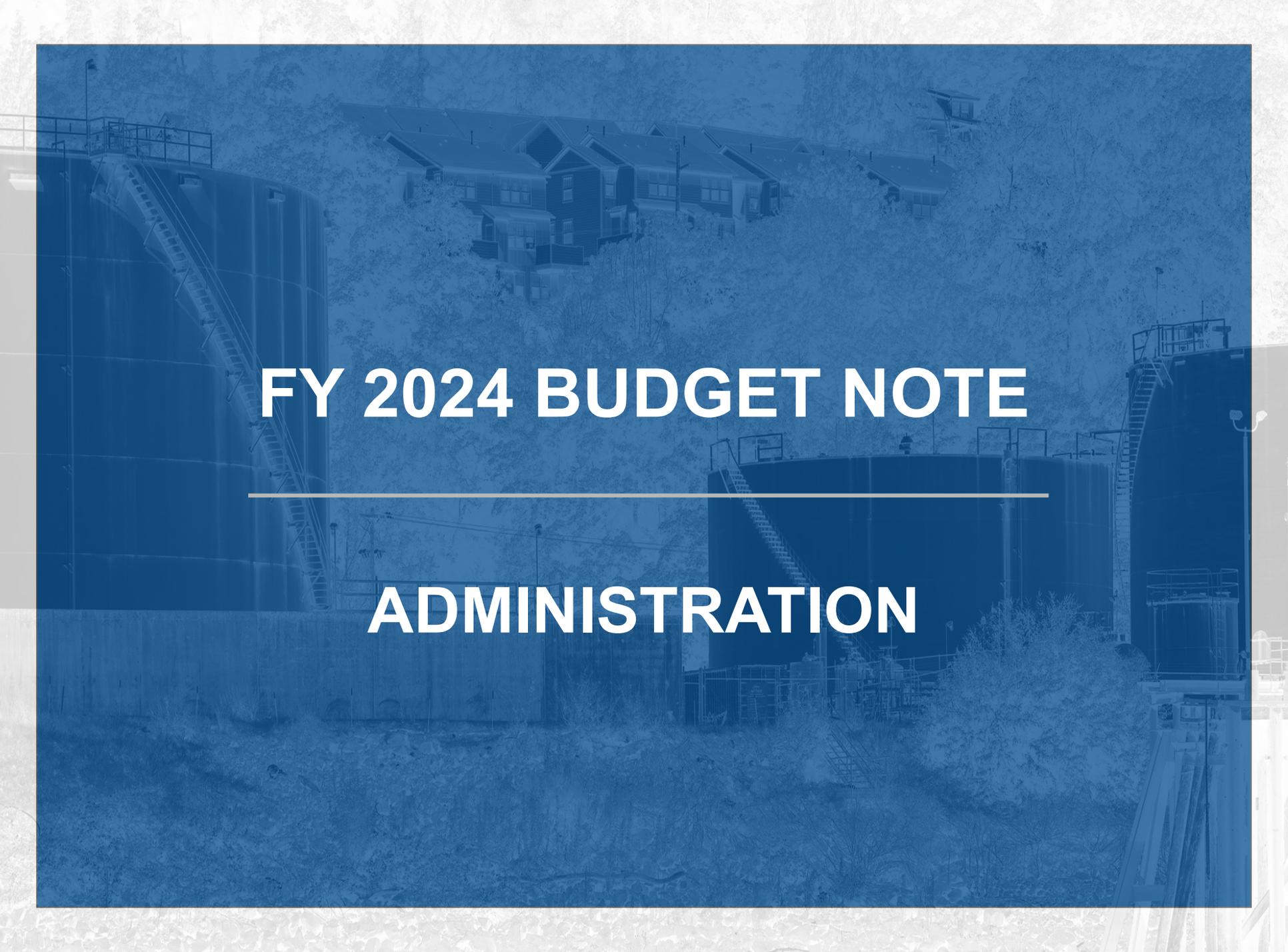
## Demonstration of Financial Responsibility

- Show financial capability to cover costs of damages from a worst-case spill
- Requires insurance, trust, bond, letter of credit, or some combination

## Damages

- Cost of cleanup, response, and recovery
- Prioritize public costs, natural resource damage, and impact on tribal resources





# **FY 2024 BUDGET NOTE**

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## **ADMINISTRATION**

# PROGRAM ADMINISTRATION

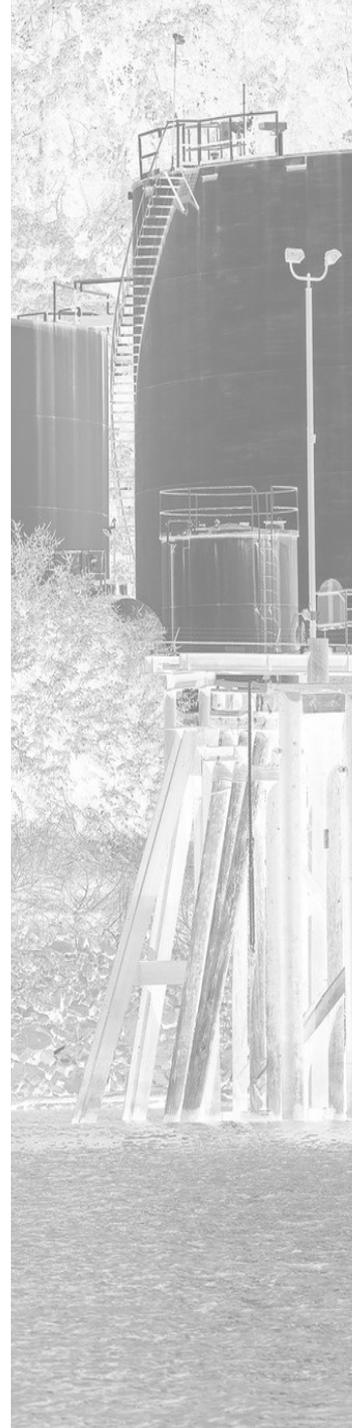
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## Office of Sustainability leads program implementation

- Establish administrative rules and standardized compliance forms (estimated 18 month rule development timeline)
- Ensure compliance
- Enforcement

## Estimated implementation expenditures

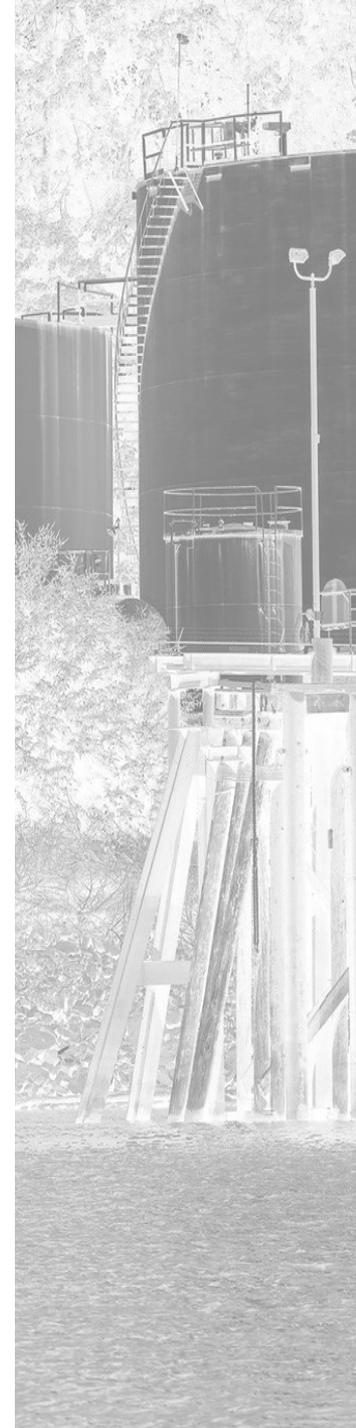
- 1 FTE
- Supplies, Services, Travel, and Training



# PROGRAM FEE RECOVERY OPTIONS

	Annual Facility Fee				
	Program Cost	Fee Recovery 25%	Fee Recovery 50%	Fee Recovery 75%	Fee Recovery 100%
<b>1 FTE</b>	\$209,500	\$4,029	\$8,058	\$12,087	\$16,115

Assumes 1.00 FTE Program Specialist Senior & Ancillary Expenses; 13 regulated facilities.



A blue-tinted photograph of an industrial facility. In the foreground, there are several large, cylindrical storage tanks with external ladders and walkways. In the background, a multi-story building with a complex roofline is situated on a hillside. The word "DISCUSSION" is overlaid in the center in a bold, white, sans-serif font.

# DISCUSSION