Tim Wadsworth and Jamie Stovin-Bradford
ITOPF

Cost of oil spills – an international regime perspective

Oil spills pose significant ecological, social, and economic consequences. The response to a spill and the effects of pollution damage can give rise to potentially high costs. The financial risk of an oil spill is consequently of immense interest to policymakers and the organisations involved in funding, providing compensation, and determining risk and liability. Recent oil spills with complex liabilities have highlighted the need for comprehensive compensation frameworks within the global shipping industry, prompting growing attention to the financial implications of such incidents.

This paper builds on a previous review of publicly available data on the costs of past oil spills. Within that study, several potential elements that could influence spill-related costs were identified. One such factor was the relevant compensation regime under which the spill occurs. Given all cases in that study were ’92 Fund cases, this study looks to explore other incidents with other compensation regimes. This study will focus on the U.S. Oil Pollution Act of 1990 (OPA 90) and the International Convention on Civil Liability for Oil Pollution Damage (CLC), examining whether the perceived differences in cost under these regimes remain true in practice. Through a direct comparison of these two frameworks, this research aims to provide a clearer understanding of how compensation structures impact overall spill costs.

This paper will provide a brief overview of the financial aspects of oil spills, focussing on the variability of costs and the complexities involved in estimating the economic consequences. By examining case studies such as the EXXON VALDEZ and PRESTIGE, the paper will present a number of incidents under both regimes to illustrate the variety of costs associated with the different legislations.

Each case within the dataset will be analysed graphically to identify any correlations between spill costs and other factors such as spill size or vessel gross tonnage, all while comparing the two regimes. This high-level comparative analysis will then, through case studies, look to explore the impact of the admissibility of various costs, especially environmental damage payments, which are admissible under OPA 90 but would not be considered so under CLC. The study will also explore the effect of time limits for submitting cost claims and whether these constraints influence the overall financial impacts of spills. Further differences such as the cargoes that qualify for compensation under the different regimes will be explored. Furthermore, the application of liability limits under each regime will be examined to determine whether these limits contribute to any observed variation in total spill costs. By investigating these factors, the paper seeks to offer a more data-driven perspective on the true financial impact of oil spills.

By investigating these factors, the paper seeks to offer a more data-driven perspective on the true financial impact of oil spills. The conclusion will summarise the main findings of the paper before recommending the next steps in research, such as looking further into the different types of vessels or oil spilt.