



May 5, 2020

The Honorable Monique Limon
State Assembly, District 37
State Capitol, Room 6031
Sacramento, CA 95814

RE: AB 3214 (LIMON)- OIL SPILL PENALTIES - OPPOSE

Dear Assemblymember Limon,

The Western States Petroleum Association (WSPA), a non-profit trade association representing members that account for the bulk of petroleum exploration, production, refining, transportation, and marketing has taken an oppose position on your AB 3214, which would modify the financial assurance requirements for tank and non-tank vessels, double existing penalties relative to oil spill events, and provide courts broad discretion to add additional penalties in association with oil spills.

Existing law requires tanker vessels servicing California to demonstrate \$1 billion in financial assurance. This level of financial assurance demonstration aligns with international standards. Financial assurance requirements for shipping companies that transport crude oil and oil related products are typically satisfied through a \$1 billion property and indemnity (P&I) policy for pollution, which is the maximum policy currently available on the global market.

As amended May 4th, 2020, AB 3214 would increase the financial assurance requirements for tanker vessels from \$1 billion to \$2 billion, thus exceeding any property and indemnity (P&I) policy for pollution that is available anywhere on the global insurance market. Based on the lack of market availability for a \$2 billion policy, most tanker vessels would prospectively be precluded from servicing the California market, thus potentially triggering massive transportation fuel shortages throughout the state. Today, nearly 70 percent of state's crude oil demand is imported by tanker vessel.

AB 3214 would create a California-specific standard in a global transportation system that may result in the isolation of California's refineries. Tanker vessels unable to meet AB 3214's requirements will simply elect to supply non-California refiners. To mitigate against transportation fuel shortages, California refiners would need to significantly increase the amount of crude oil imported by tanker truck and rail to offset the loss of crude oil supplied by tanker vessels unable to service the state's refineries.

AB 3214 would also double existing penalties and provide courts broad discretion to add additional penalties up to \$10,000 per gallon spilled. While WSPA is open to working with you to adopt reasonable revisions to the current minimum and maximum thresholds for knowing violations related to oil spills, the increased penalties proposed in the amendments are excessive and unprecedented in any jurisdiction with significant maritime activity.



While WSPA must oppose your AB 3214 as amended May 4th, 2020 , we would appreciate and welcome the opportunity to work with you on amendments that recognize the reality of the global market for financial securities and on a more measured revision of the penalties for knowing violations related to oil spills.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shant Apekian".

Shant Apekian

Vice-President, California Policy and Strategic Affairs

cc: The Honorable Laura Friedman, Chair, Assembly Natural Resources Committee
The Honorable Heath Flora, Vice-Chair, Assembly Natural Resources Committee
Members, Assembly Natural Resources Committee
Michael Jarred, Senior Consultant, Assembly Natural Resources Committee
Kirstin Kolpitzke, Assembly Republican Caucus