

US Oil Pollution California -

Increased criminal penalties for oil spill related offences

Dear Members:

Executive Summary

Members are advised that new fines will be applicable in California from 1st January 2021 for ship sourced oil pollution damage in Californian State waters.

For Members trading to California, these legislative changes will result in:

- 1) A doubling of certain existing fines up to a maximum of US\$1,000,000 for each violation, with each day or partial day of a violation being considered a separate violation, and
- 2) The courts being empowered to impose a new additional fine of up to US\$1,000 per gallon of oil spilled in excess of 1,000 gallons

In each case a fine may be imposed if the violator knowingly caused, or reasonably should have known that their actions would lead to, an oil spill into Californian State waters.

Background

On 24th September 2020, the Governor of California signed Californian Assembly Bill (AB) 3214 into law and that will provide for such increased penalties and fines by means of amendments to California's Lempert-Keene-Seastrand Oil Spill Prevention and Response Act (the "Act"). Under the current Act, such civil and criminal penalties can be imposed under various statutes, with Government Code §8670.3 defining liable persons ("violator") as an individual, trust, firm, joint stock company, or corporation, including, but not limited to, a government corporation, partnership, and association, and thereby including shipowners, operators and Masters amongst other parties involved in the transportation chain.

The original draft Assembly Bill set out to:

- (1) Increase the level of Californian State certification of financial responsibility (COFR) - that a tank or non-tank vessel operating in Californian waters must demonstrate in order to cover damages caused by an oil spill – from US\$1 billion to US\$2 billion for tank vessels and US\$300 million to US\$600 million for non-tank vessels,
- (2) Double the existing level of certain criminal fines that shall be imposed in the event of an oil spill, and
- (3) Empower the courts to impose an additional criminal fine of up to US\$10,000 per gallon of oil spilt.

In each case, the liability would be determined on the basis that the violator knowingly caused, or reasonably should have known that their actions would lead to, an oil spill in Californian State waters. Under California law, the phrase, "reasonably should have known," has been equated with a simple negligence standard.

Members will be aware that the International Group Clubs do not issue the Federal or State COFRs that tank and non-tank vessels are required to obtain in order to trade to the US, but that the IG Clubs provide cover for oil pollution damage of up to US\$1 billion per ship per incident (and which covers third party claims as well

as fines where they fall under the Club Rules) that is needed in order to obtain a COFR.

A person convicted of violating any of the above prohibited acts shall be subjected to a fine of not less than US\$10,000 and not more than US\$1,000,000 for each violation with each day or partial day of a violation being considered a separate violation. (Members should note, as mentioned above, that there are various existing civil and criminal fines which may be imposed in addition to those that are the subject of this circular).

The legislation further provides that “the court may also impose upon a person convicted of violating subdivision (a) (i.e. paragraphs 1 thru 4 above), a fine of up to one thousand dollars (US\$1,000) per gallon spilled in excess of 1,000 gallons of oil.” .

In relation to paragraphs 1, 2 and 4 above, these fines may only apply where conduct is intentional. However, paragraph 3 refers not only to knowing conduct, but also to ‘...a person who should have reasonably known...’ such that under California law a shipowner might be exposed to fines for violation of this provision even in the event of simple negligence on their part.

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