Protecting the Ocean and Taxpayers by Strengthening Standards for

OFFSHORE OIL AND GAS DECOMMISSIONING

Ocean Conservancy®

KEY TAKEAWAYS

- To protect the ocean, its ecosystems, and the communities that rely on them, a complete transition away from harmful fossil fuels is needed.
- This transition must include the responsible cleanup of all offshore oil and gas facilities, a process called decommissioning.
- Decommissioning requires permanently plugging offshore wells and properly dismantling and disposing of structures such as platforms, pipelines, and other equipment.
- The oil and gas industry is evading its obligation to decommission nonproductive offshore infrastructure, with more than 75% of idle or end-of-life oil wells and platforms in the Gulf of Mexico overdue for decommissioning as of June 2023.
- Idle infrastructure in the ocean is a growing risk to the environment and wildlife, and a growing risk to taxpayers if the government is forced to pay cleanup costs.
- The regulatory system that governs oil and gas decommissioning in U.S. federal waters is weak and lacks the oversight and enforcement tools needed to hold offshore oil and gas operators accountable.
- Targeted policy changes and better government oversight can ensure that oil and gas companies meet their obligation to promptly and properly clean up offshore facilities and equipment that have reached the end of their useful life.

Introduction

Climate change is the single most urgent and existential threat to the health of the ocean. Climate change is making the ocean hotter; increasing the acidity of its waters; decreasing seasonal sea ice; and contributing to destructive storms, sea level rise, and coastal erosion. These changes are taking a toll on marine life—from coral reefs in the tropics to marine mammals in the Arctic—as well as harming people who live and work in coastal communities.

To protect the ocean, its marine ecosystems, and the people who depend on them, we must address the root cause of climate change: fossil fuels. The combustion of fossil fuels is responsible for the overwhelming majority of human-caused greenhouse gas emissions in the atmosphere,[1] with the ocean absorbing about 90% of the heat caused by these emissions.[2] The is the world's top producer of one of these fossil fuels: oil.[3] Roughly 15% of U.S. oil production comes from offshore operations in federal waters,[4] and 97% of all federal offshore oil production comes from the Gulf of Mexico.[5]

To address climate change, it is time to transition away from harmful fossil fuels—including offshore oil—and toward renewable power from wind, solar, and other clean energy sources.

The transition away from harmful fossil fuels requires a comprehensive effort. To begin, the U.S. must stop new offshore oil and gas lease sales, because once a lease is sold and starts producing oil or gas, operations can endure for decades into the future. Additionally, the federal government must oversee a managed phaseout of the more than 12 million acres of existing federal offshore leases and must do away with subsidies that prop up the fossil fuel industry.

Finally, the federal government must oversee an effective cleanup of all end-of-life offshore facilities and equipment, a process known as decommissioning. The government must ensure that oil and gas operators decommission their offshore equipment in a thorough and responsible manner, and that they pay the full cost of doing so.

Presently, oversight and enforcement of offshore decommissioning in U.S. waters is weak, and oil companies often fail to meet their obligations to clean up their offshore infrastructure. Offshore oil and gas operators regularly leave unused oil wells unplugged, miss cleanup deadlines, and leave old pipelines on the bottom of the ocean. In some cases, offshore oil companies fall into financial trouble and are unable to cover the costs of decommissioning, leaving taxpayers to pay cleanup costs. Government regulators are complicit in these failures due to a combination of anemic oversight, poor enforcement, and inadequate regulatory tools. This dysfunctional cycle leaves oil and gas infrastructure in the ocean—often with limited maintenance—for too long, posing risks to the environment and people. To achieve a successful transition to clean ocean energy, we need to ensure that offshore oil operators are held accountable for cleaning up after themselves.

Ocean Conservancy supports a transition to 100% clean ocean energy by the year 2050. Now is the time to phase out risky and dirty offshore oil and gas drilling and replace it with responsibly developed clean, renewable energy. Making the transition to clean ocean energy will help protect the ocean and its ecosystems from many of the future impacts of climate change.

Ocean Conservancy is boldly leading efforts to change course on offshore oil and gas drilling and support clean ocean energy. Through targeted policy changes and better government oversight, we can ensure that oil and gas companies are held responsible for phasing out their offshore operations as we simultaneously ramp up responsible renewable energy.

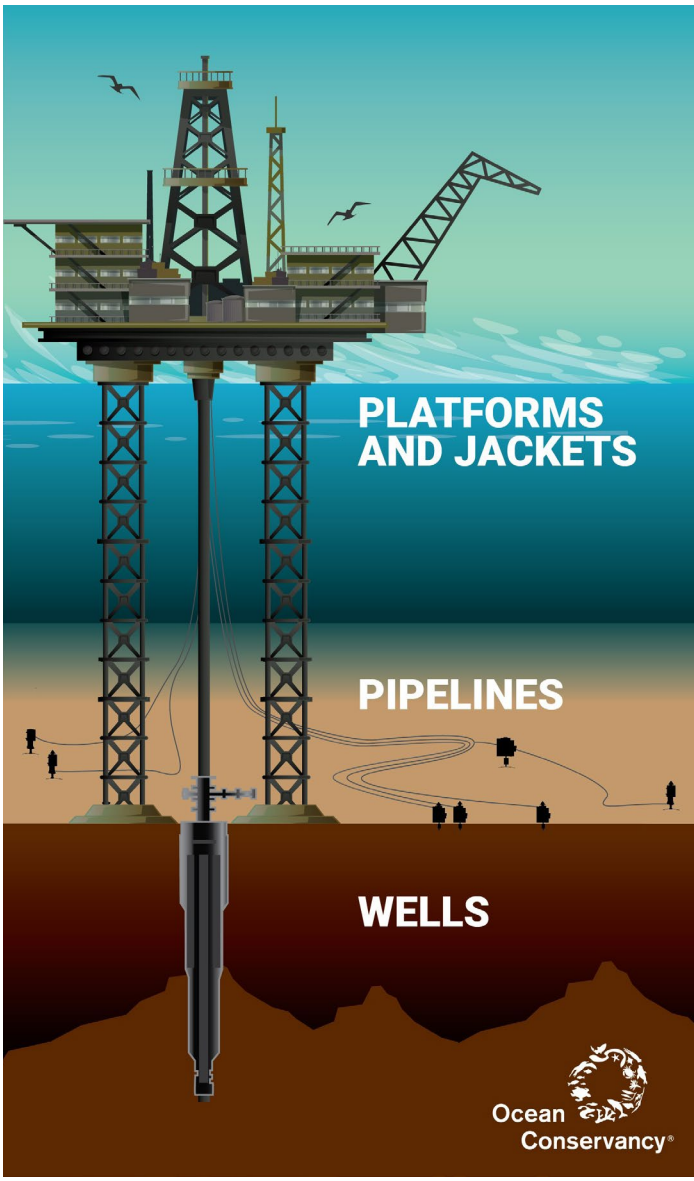
What is Decommissioning?

When offshore oil and gas infrastructure reaches the end of its productive life, operators must "decommission" that infrastructure. The decommissioning process includes permanently plugging offshore wells and properly dismantling and disposing of structures such as platforms, pipelines, and other equipment.[6] More specifically:

Platforms and Jackets: Offshore oil platforms consist of "topside" structures—the operational facilities located above the ocean's surface—as well as supporting substructures from the water's surface down to the seafloor.[7] In most cases, owners must remove platforms from the water at the end of their useful life.[8] In some cases, owners can obtain authorization to topple a platform's subsea supports or leave them partially in place for conversion to another use, such as an artificial reef.[9]

Pipelines: Subsea pipelines connect various production and processing facilities and carry oil, gas, and other products from one location to another. When a pipeline is no longer used for operations, it must be decommissioned.[12] Generally, regulations require owners to remove inactive pipelines from the ocean floor.[13] However, most operators take advantage of a regulatory exception that allows them to simply leave pipelines on the seafloor.[14]

Wells: Wells are holes that penetrate the seafloor and underlying geology, providing access to oil and gas deposits. Oil rigs can drill wells more than 10,000 feet below the surface of the ocean and to depths greater than 28,000 feet below the seafloor.[10] When these wells stop producing oil, companies must permanently seal them, usually with multiple cement barriers.[11]



Decommissioning is required by law. All oil and gas companies that acquire a federal lease on the Outer Continental Shelf (OCS) in U.S. waters take on an obligation to decommission any infrastructure they build or use on that lease, and to pay the cost of removing that infrastructure. Decommissioning liabilities are a type of "asset retirement obligation," and they are part of the legal agreement oil companies make with the federal government.[15]

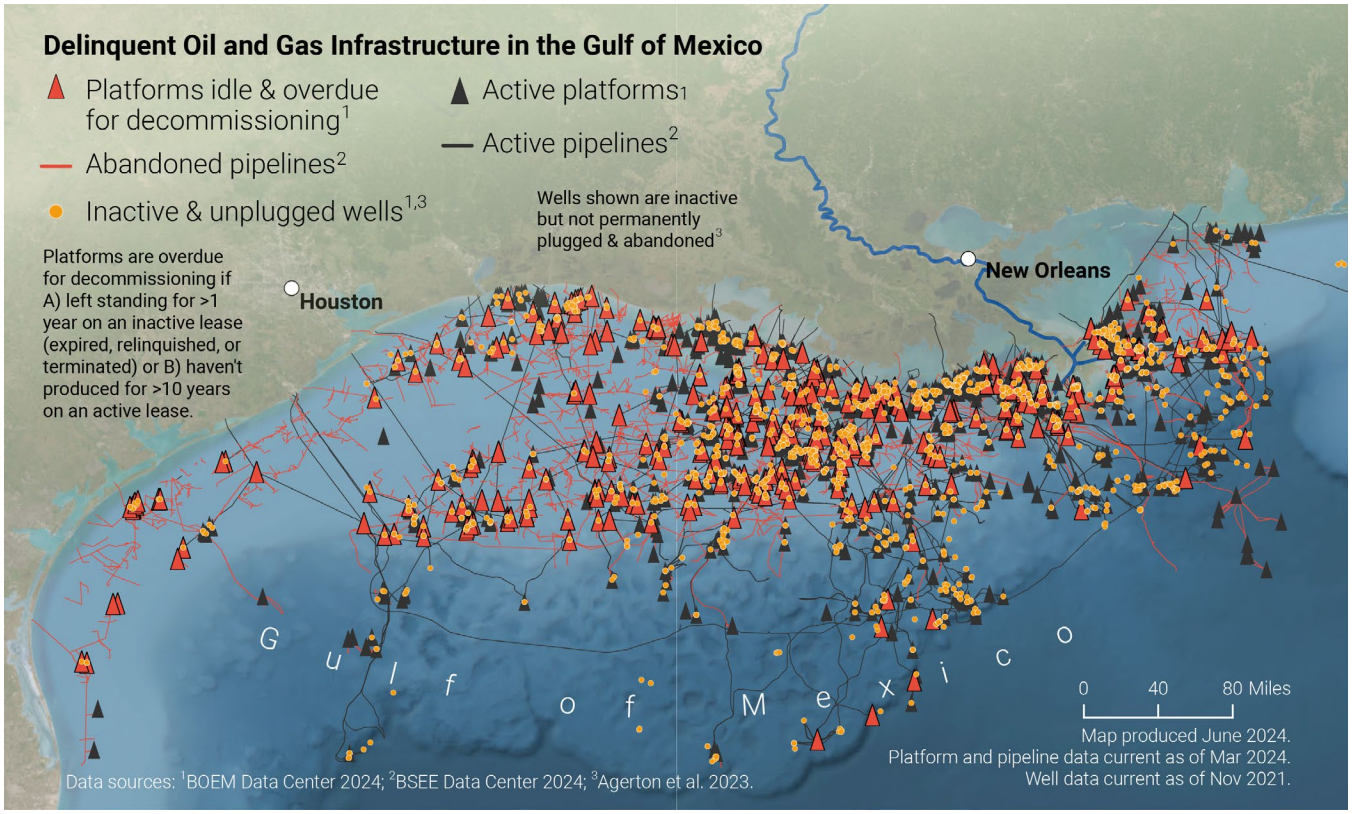
Offshore Decommissioning is a Growing and Expensive Issue in the Gulf of Mexico

While offshore oil and gas drilling has taken place in other regions of the United States, the Gulf of Mexico is home to the vast majority of U.S. offshore oil operations. Offshore oil production in the Gulf of Mexico dates back more than 80 years. In that time, operators have drilled more than 55,000 wells in the seafloor and have built more than 7,000 structures in the water.[16]

While many of the wells have been plugged and many of the structures have been removed over time, an enormous amount of unproductive infrastructure remains—and the backlog is likely to grow as offshore lessees continue to defer cleanup operations and miss decommissioning deadlines.

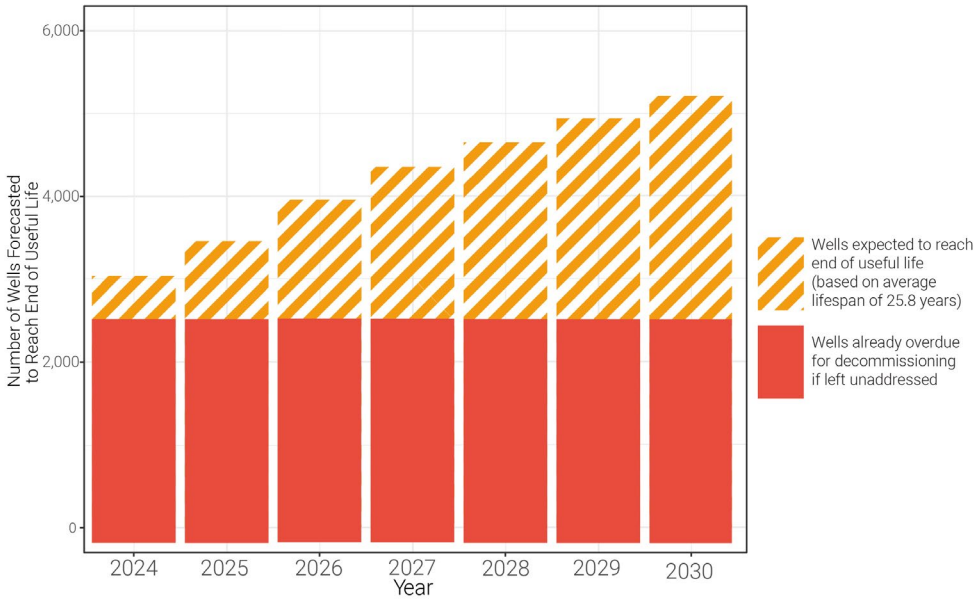
A 2024 report from the Governmental Accountability Office (GAO)—an independent, nonpartisan agency—found that as of June 2023, the federal waters of the Gulf of Mexico contained roughly 8,000 wells and about 1,600 oil and gas platforms. Of these, a total of about 2,700 wells and 500 platforms were overdue for decommissioning and considered delinquent (Figure 1).[17]

Figure 1



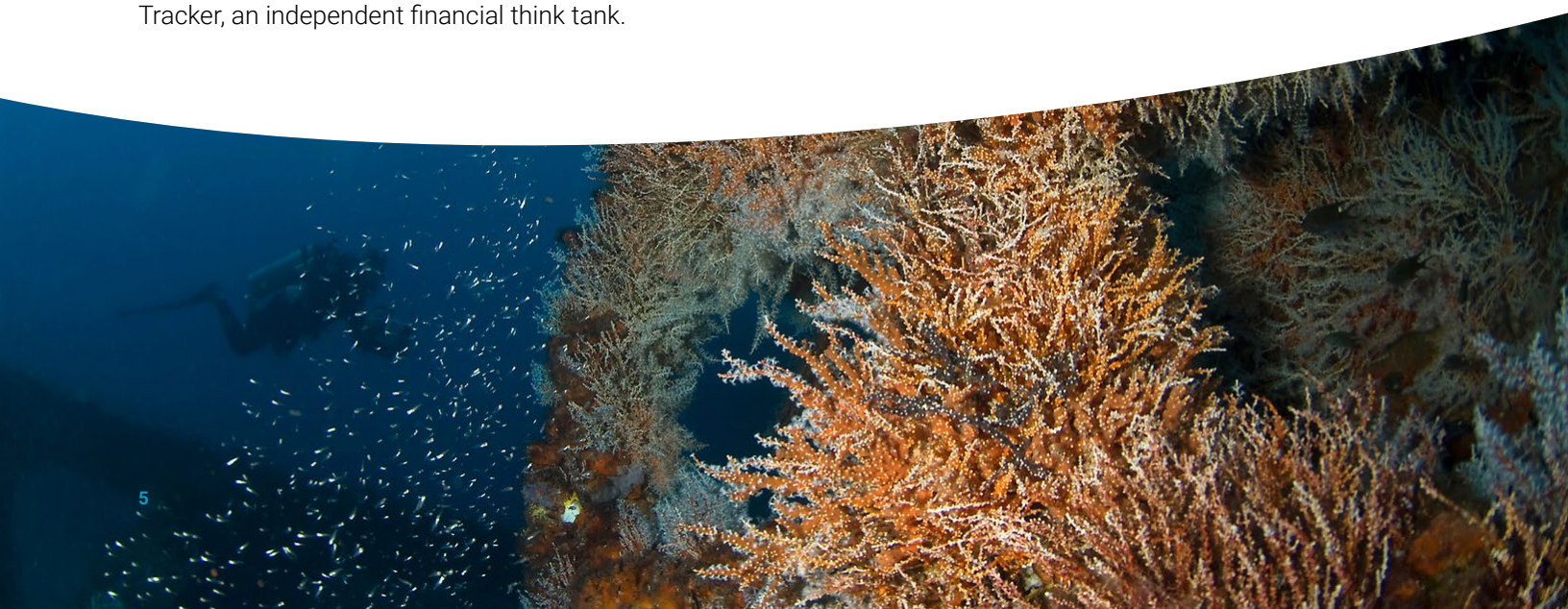
In addition to this backlog, the GAO found that almost half of the remaining active wells "are approaching or past the end of their useful life."[18] These numbers are expected to increase as the U.S. shifts to more renewable energy sources and as older, shallow-water wells continue to decline in productivity and profitability.[19] In fact, an Ocean Conservancy analysis found that if the challenges with decommissioning policy are not fixed and the backlog is not addressed, by 2030 the amount of overdue wells in need of decommissioning could nearly double, ballooning to more than 5,000 wells (Figure 2).[20]

Figure 2



Several analyses have been conducted to estimate the costs of decommissioning offshore oil infrastructure in the Gulf of Mexico. The GAO observed that the total decommissioning costs for all wells and platforms (both active and defunct) in federal waters would likely range from $40 billion to $70 billion.[21] A separate 2022 academic analysis estimated that it would cost more than $40 billion to decommission just the wells—not the platforms or pipelines—in federal waters in the Gulf of Mexico.[22]

Many oil wells in the Gulf of Mexico are located in the relatively shallow waters of the continental shelf. When production revenues from shallow water wells no longer exceed operating costs, the wells are usually abandoned, and the platforms are slated for removal or decommissioning.[23] Most of these shallow-water wells were initially developed years ago by large, well-resourced oil companies ("majors" or "supermajors"). However, many of the wells have since been sold to smaller independent operators who in turn may have sold the wells to even smaller companies.[24] As a result, older shallow-water wells and associated infrastructure are often owned by relatively small companies that lack the financial resources of major oil companies.[25] These shallow-water wells "are increasingly marginal in value, raising the risk that they will be abandoned by their current operators"[26] according to Carbon Tracker, an independent financial think tank.



Oil wells in deeper waters—greater than 1,000 feet of water—present their own challenges. While deepwater wells are generally newer than their shallow-water counterparts, they are also bigger, deeper, and more complex than shallow-water wells.[27] As a result, when these wells reach the end of their useful lives, they will be more costly to decommission than shallow-water wells. The average cost to decommission a deepwater well is $24 million, compared to $660,000 to decommission a shallow-water well in federal waters.[28] With more than 1,600 active deepwater wells in the Gulf of Mexico, decommissioning costs for these wells alone is projected to exceed $34 billion.[29] That does not include the cost of decommissioning deepwater platforms and other associated infrastructure.

The disposal of subsea pipelines is another piece of the decommissioning puzzle. Although federal rules generally require oil companies to remove pipelines from the seafloor, the rules contain an exception that allows companies to seek authorization to leave their pipelines on the seafloor if specific criteria are met. Oil and gas companies have taken full advantage of this exception. As of 2021, they had left nearly 18,000 miles of discarded pipeline sitting on the bottom of the ocean.[30] The cost to remove these pipelines has not been estimated, but is likely to have similar extremely high costs.

DECOMMISSIONING AS AN ECONOMIC OPPORTUNITY

While addressing offshore oil and gas decommissioning issues presents significant challenges, it also creates opportunities. As traditional oil and gas sector jobs decline,[31] decommissioning may offer job opportunities for displaced oil and gas workers and other skilled workers. A 2022 study estimated that decommissioning offshore wells in federal and state shallow waters of the Gulf of Mexico "would require 5,265 jobs per year … including direct workers, contractors, and suppliers" and more broadly would be associated with more than 10,500 jobs per year across the economy as a whole.[32] Another analysis that considered onshore as well as offshore oilfield work characterized decommissioning and pipeline removal—including offshore decommissioning—as an opportunity for "significant and long-term oil and gas related employment."[33]

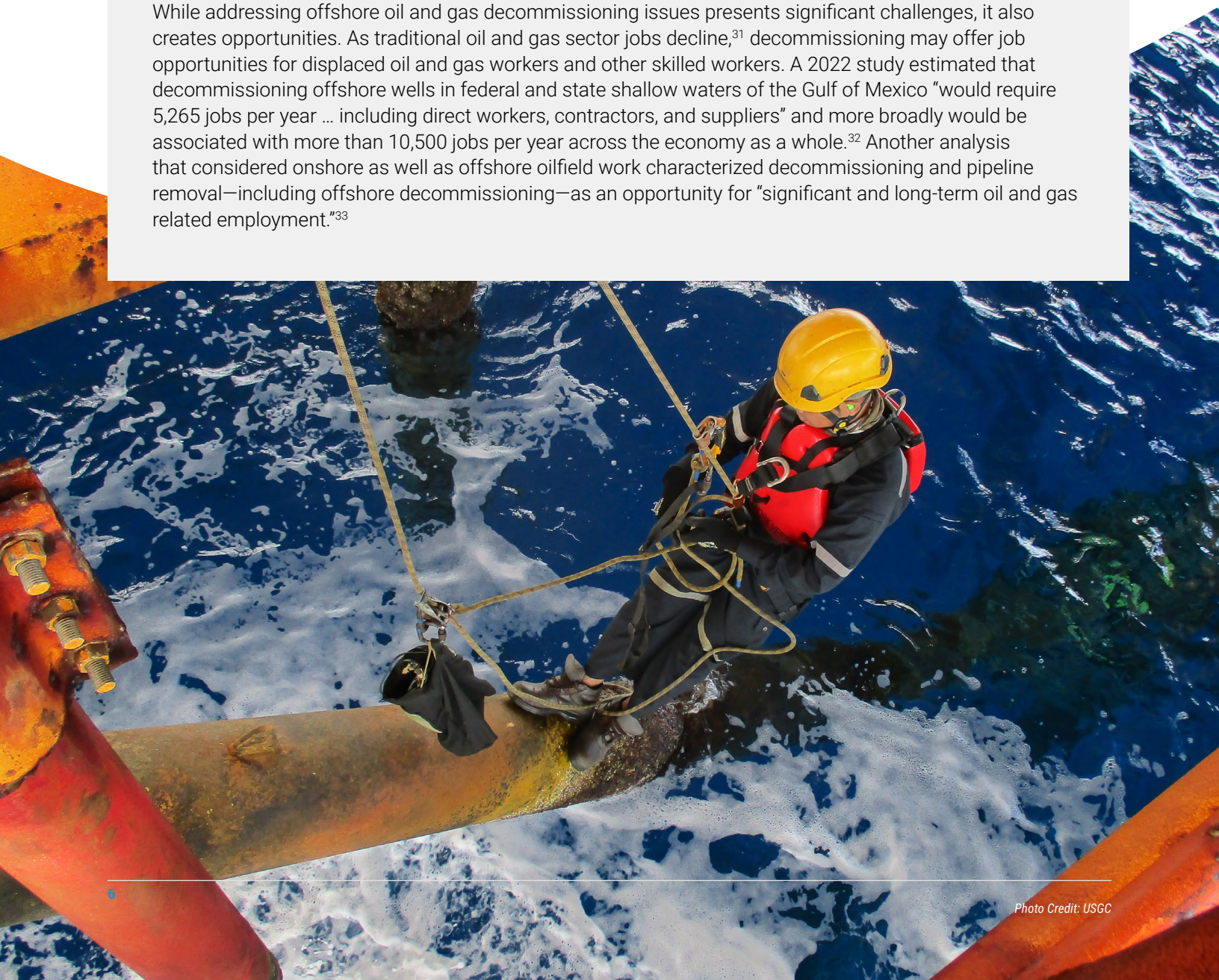


Photo Credit: USGC

Increasing Risks From Failure to Decommission Offshore Oil and Gas Infrastructure

Aside from costs, failure to decommission offshore oil and gas infrastructure on time and in compliance with requirements poses safety, environmental, and financial risks.

SAFETY RISKS

When offshore oil structures are left idle and unused, the structures can degrade and become safety risks to employees and regulators who visit the site. Unmaintained materials and structures can deteriorate or fail, causing injury to personnel. For instance, workers or site inspectors can fall through eroded walkways or handrails.[34] Failure to maintain these structures can be so severe that they can restrict access to the structure's platform, requiring expensive repairs and contributing to additional delays in decommissioning operations.[35] Poorly maintained offshore oil platforms can pose a hazard to other ocean users, as well. For instance, if a platform lacks properly functioning lighting, it can become a navigational hazard to ships operating in the area.[36]

FINANCIAL RISKS

Decommissioning delays or noncompliance with decommissioning requirements can signal or create financial risks to the U.S. government and taxpayers. When an offshore oil operator fails to meet decommissioning deadlines, it can be a sign that the operator will not or cannot meet its financial obligations and that the government, via taxpayer dollars, may have to pay for decommissioning.[37]

From 2009 to January 2024, 37 offshore oil and gas operators filed for bankruptcy, including some operators with billions of dollars in decommissioning liabilities.[38] Some bankruptcies have "resulted in companies being unable to cover their decommissioning liabilities, leading to orphaned wells and idle infrastructure."[39] When a current lease-holder is unwilling or unable to pay decommissioning costs, federal regulators can, under a system known as "joint and several liability,"[40] require any or all co-owners or previous lease-holders to pay the decommissioning costs for that infrastructure.[41] For big oil companies with operations in the Gulf of Mexico, these "contingent liabilities" could amount to two to six times the amount of their direct decommissioning liabilities.[42] Oil companies often do not report these contingent liabilities on their balance sheets.[43]

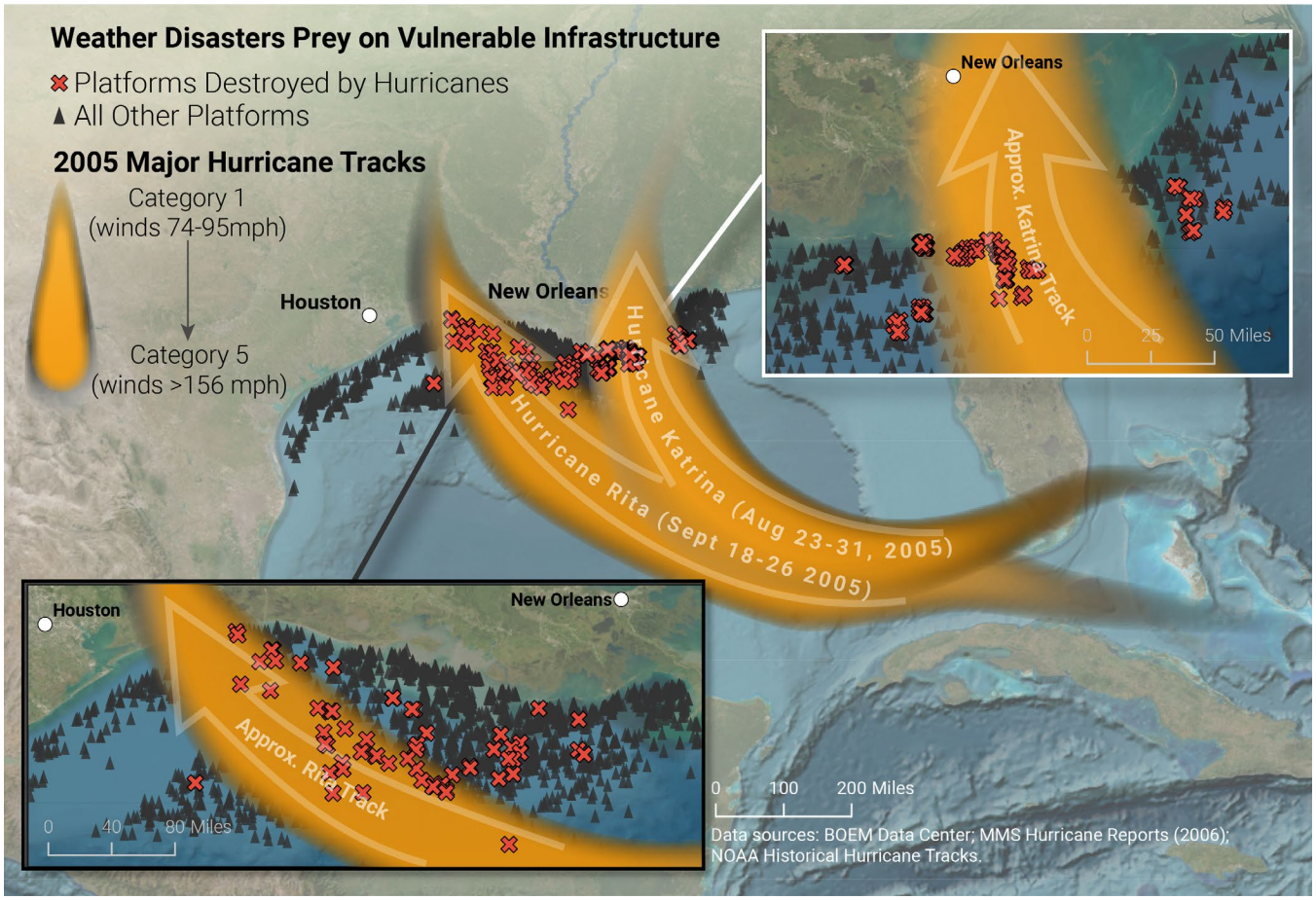
So far, most post-bankruptcy decommissioning liabilities in federal waters have been met by co-owners, previous owners, or new owners. But in some instances, the government has had to use taxpayer dollars to pay the costs of cleaning up after delinquent oil companies.[44] This could be a sign of things to come, and federal regulators have warned that "previously low losses to the government are not a reliable indicator for future losses."[45] Some observers have voiced concern and doubt about the strength of federal "joint and several liability" regulations and the government's ability to force previous lease-holders to pay decommissioning costs as more offshore oil and gas facilities reach the end of their productive lives.[46]

ENVIRONMENTAL RISKS

Idle oil and gas infrastructure in the Gulf of Mexico can become a source of pollution. Unmaintained structures are vulnerable to deterioration and decay that can cause tanks or pipelines to fail, leading to oil spills.[47] Platforms can release corroded metal into the water, causing chronic pollution.[48] Offshore wells that are unplugged or improperly plugged can also become a source of pollution.[49] Methane emitted from temporarily abandoned platforms or leaky shallow-water wells could be significant sources of greenhouse gas emissions.[50]

Deteriorated idle infrastructure can be weaker than active, maintained platforms, making them more vulnerable to hurricanes and other major weather events, which have been increasing in frequency and intensity due to climate change.[51] The Gulf of Mexico is subject to powerful hurricanes that can destroy equipment such as oil storage tanks, move subsea pipelines, or even topple entire platforms.[52] Any of these events can trigger oil spills, either directly from the damaged equipment or via impacts to connecting or adjacent facilities.[53] For example, in 2021, Hurricane Ida damaged active as well as abandoned oil and gas infrastructure.[54] In the wake of the storm, oil slicks appeared on the water and the Coast Guard evaluated more than 1,500 pollution reports.[55] Similarly, in 2005, hurricanes Katrina and Rita destroyed 113 offshore platforms, damaged more than 450 pipelines, and led to six oil spills, each of 1,000 barrels or more.[56] In 2004, a Gulf of Mexico hurricane triggered a subsea mudslide that destroyed an active oil production platform and initiated the ongoing 2004 Taylor Energy oil spill, which to date is the longest-running oil spill in U.S. history.[57] While oil spills from idle or unused oil and gas infrastructure are unlikely to discharge high volumes of material, even small amounts of oil are toxic to marine organisms—from plankton to marine mammals—and can cause adverse impacts to their health or their ability to reproduce.[58]

Figure 3



Regulation, Oversight and Enforcement of Decommissioning are Weak and Ineffective

The federal government oversees decommissioning of oil and gas facilities on the OCS, but federal oversight and enforcement are plagued by widespread and substantial shortcomings.

FAILURE TO ENFORCE DECOMMISSIONING DEADLINES FOR WELLS AND PLATFORMS LOCATED ON EXPIRED LEASES

Once a federal offshore oil and gas lease has expired (or has been relinquished or terminated), the lease-holder or operator has one year to decommission any wells and platforms on that lease.[59] Even though offshore oil operators know of this regulatory mandate from the moment they sign a lease, a recent GAO analysis that considered Gulf of Mexico leases that ended between 2010 to 2022 found that offshore operators failed to meet the one-year deadline for more than 40% of wells and more than 50% of platforms.[60]

The GAO also found operator noncompliance with decommissioning deadlines has accumulated over time to create a substantial backlog. As of June 2023, "more than 1,700 end-of-lease wells and nearly 400 end-of-lease platforms in the Gulf of Mexico were overdue for decommissioning" and considered delinquent.[61] The backlog of overdue infrastructure accounts for 75% of all end-of-lease wells and platforms due for decommissioning.[62] Of the 1,700 delinquent wells, the GAO found that more than 700 had not even been temporarily plugged to prevent leaks.[63]

The federal agency tasked with overseeing end-of-lease decommissioning—the Bureau of Safety and Environmental Enforcement (BSEE)—has been ineffective at enforcing compliance from operators. When an operator misses a decommissioning deadline for end-of-lease infrastructure, BSEE may issue a citation to the operator.[64] Unfortunately, operators largely ignore these citations.[65] In theory, BSEE can employ tougher sanctions against noncompliant owners and operators, such as imposing civil penalties, ordering operators to suspend operations, or disqualifying operators.[66] In practice, the agency rarely pursues these penalties.[67] BSEE's reluctance to impose sanctions stems in part from government concerns that compelling compliance with mandatory decommissioning deadlines will force operators into bankruptcy.[68]

Additionally, BSEE's decommissioning regulations for wells are incomplete and inadequate. They contain no requirement for operators to monitor and report on the structural integrity of well plugs over time. In the absence of ongoing monitoring and reporting requirements, there is little chance that BSEE will be effective in discovering leaking wells or ordering lessees to go back and re-plug wells whose plugs have deteriorated.

LACK OF REGULATIONS AND WEAK GUIDANCE FOR IDLE WELLS AND PLATFORMS LOCATED ON ACTIVE LEASES

In addition to the mandate to decommission offshore oil and gas infrastructure on *expired* leases, operators are also required to decommission equipment located on *active* leases when that equipment is "no longer useful for operations."[69] However, BSEE has neither developed nor issued formal rules to establish deadlines and parameters for decommissioning idle wells and platforms on active offshore oil and gas leases.[70]

Presently, BSEE relies on a guidance document called a "Notice to Lessees," or "NTL." The NTL sets forth deadlines by which operators should decommission infrastructure on active leases, but the NTL is not a formal agency regulation.[71] BSEE itself has expressed concern about its ability to enforce any deadlines on active leases, given that the deadlines in the NTL are not codified in regulation.[72] A 2019 report from the Department of the Interior's Office of Inspector General noted a concern by BSEE managers that enforcing decommissioning regulations on active leases would push operators into bankruptcy.[73] The report stated that BSEE's Gulf of Mexico staff "did not believe that BSEE had the authority to enforce decommissioning regulations" despite BSEE's role as an enforcement agency.[74]

Even if BSEE's Gulf of Mexico staff had full faith in their enforcement authority and pursued that authority rigorously, the decommissioning deadlines set forth in BSEE's guidance document are unacceptably weak. For instance, BSEE does not consider a platform on an active lease to be "no longer useful for operations" until the structure has been sitting unused for five years.[75] After that, an operator has up to an additional five years to decommission the platform.[76] In total, a platform on an active lease can be idle for 10 years before it becomes overdue for decommissioning under existing BSEE guidance. The guidance governing decommissioning for wells on active leases is also ineffective. A well on an active lease can be idle for eight years before it becomes overdue for decommissioning.[77]

BSEE has been unwilling or unable to enforce operators to comply with even these generous deadlines. On active leases in the Gulf of Mexico, more than 1,000 idle wells and more than 100 idle platforms were overdue for decommissioning and considered delinquent as of June 2023.[78] More than 800 of those wells had not produced oil in at least ten years, and nearly 600 had not even been temporarily plugged.[79]

Some operators avoid decommissioning requirements and costs by asserting that their idle equipment may be valuable for future use, a loophole allowed under BSEE guidance.[80] However, research has shown, that "[i]n federal waters, after five years of no reported production, inactive wells have less than a 4% chance of re-entering production in the future."[81]

GAPS AND LOOPHOLES IN REGULATIONS GOVERNING DECOMMISSIONING OF SUBSEA PIPELINES

Under current BSEE regulations, subsea pipelines that are no longer in use are considered "obstructions."[82] The general requirements for pipeline decommissioning require operators to "clear the seafloor of all obstructions."[83] However, the regulations contain an exception: if BSEE staff determine a pipeline will not interfere with other uses and will not have adverse environmental impacts, operators may "decommission a pipeline in place"—i.e., clear the inside of the pipeline, secure its ends, and leave it on the seafloor.[84]

This exception has grown to swallow the rule. In a 2021 report, the GAO found that BSEE had allowed offshore lessees and operators to leave more than 97% of disused pipelines on the ocean floor.[85] As of 2021, the GAO calculated that operators had left nearly 18,000 miles of disused pipeline at the bottom of the Gulf of Mexico.[86] Given that BSEE has not changed its regulations or practices since that report, this number has likely grown.[87]

If a decommissioned-in-place pipeline eventually becomes an obstruction, BSEE can—in theory—require the removal of that pipeline.[88] However, there is no funding mandate for removal, and BSEE's efforts to require pipeline removal in these cases have been "largely unsuccessful."[89]

In addition to the regulatory exception that allows oil companies to leave discarded pipelines on the seafloor, BSEE's pipeline decommissioning regulations suffer from other flaws, as well. For instance, existing regulations do not specify any deadlines by which operators must complete the pipeline decommissioning process. Nor do regulations require operators to verify that decommissioned pipeline sites are clear of obstructions (something that is required when decommissioning wells and platforms).[90] Similarly, BSEE regulations do not require operators to monitor and report on decommissioned-in-place pipelines, nor does BSEE itself monitor decommissioned-in-place pipelines.[91] Given BSEE's minimal oversight and enforcement of pipeline decommissioning requirements, there is little data on the extent to which the industry is complying with—or flouting—agency regulations on subsea pipeline decommissioning.[92]

ONGOING WEAKNESS IN REGULATIONS GOVERNING SUPPLEMENTAL FINANCIAL ASSURANCE

BSEE is not the only federal agency with regulatory authority over the decommissioning of offshore oil and gas facilities. The Bureau of Ocean Energy Management (BOEM) is, among other duties, responsible for ensuring oil and gas companies that obtain leases have the financial capacity to meet their decommissioning obligations. Under this authority, BOEM requires OCS oil and gas lessees to provide "supplemental financial assurance" to ensure they can faithfully cover the cost of decommissioning their offshore infrastructure.

In practice, BOEM waives supplemental financial assurance requirements when lease owners pass a financial strength test. As a result, the GAO found that as of June 2023, federal regulators "had collected supplemental bonds to cover less than 9% of estimated decommissioning costs," or about $3.5 billion, despite $40 billion to $70 billion in predicted decommissioning costs.[93] If offshore oil and gas lessees are unable or unwilling to meet their decommissioning obligations—which is a real risk, given the significant gap between the total amount held in bonds and the total expected decommissioning costs—the U.S. government could be left to foot the bill. In fact, this scenario is already unfolding. In fiscal year 2024, BSEE requested $30 million from Congress to decommission orphaned offshore infrastructure in the Gulf of Mexico.[94] In other words, U.S. taxpayers are paying to clean up after offshore oil and gas operators.

In 2024, BOEM finalized an updated rule intended to strengthen supplemental financial assurance requirements.[95] BOEM estimates that the new rule will require offshore operators to provide a total of an additional $6.9 billion in supplemental financial assurance.[96] However, even under the new rule, many offshore oil and gas companies are still exempt from the requirement to provide supplemental financial assurance, which means that supplemental financial assurances held by the government will still fall tens of billions of dollars short of projected offshore decommissioning liabilities.[97]

INADEQUATE OR NONEXISTENT QUALIFICATION STANDARDS FOR OFFSHORE OPERATORS

Federal regulations allow BOEM and BSEE to disqualify from future operations offshore oil and gas companies whose performance—including their decommissioning performance—is unacceptable.[98] However, the agencies do not actively exercise this authority. In a 2021 report, the Department of the Interior admitted that "companies with poor environmental, safety, or reclamation histories are still allowed to bid for [offshore oil and gas] leases or acquire them from other companies."[99] The 2024 GAO report reached a similar conclusion, confirming that BOEM and BSEE have never disqualified an operator solely because it failed to meet its decommissioning obligations.[100]

Even if regulators did disqualify an offshore lessee for failure to meet decommissioning obligations, an operator could simply requalify because existing regulations astoundingly do not allow the government to deny a new qualification "regardless of the operator's performance history."[101]

In 2021, the Department of the Interior claimed that BOEM would address these shortcomings by the agency developing a "fitness to operate" standard that would "establish criteria that companies would need to meet in order to operate on the U.S. OCS."[102] More recently, BOEM officials told the GAO that BOEM and BSEE were coordinating to develop new "operator fitness criteria."[103] However, in its 2024 report, the GAO observed that the effort has yielded "limited progress," in part due to "uncertainty about how to develop and operationalize such criteria."[104] As a result, operators with poor performance records—including those who flout decommissioning requirements—can continue to hold their existing OCS leases and even obtain new ones.[105]

LACK OF TRANSPARENCY ON DECOMMISSIONING ACTIVITIES

One broader concern about the decommissioning of offshore oil and gas infrastructure relates to transparency and public accountability. To its credit, BSEE maintains an "Offshore Infrastructure Dashboard" online intended to provide user-friendly basic information about oil platforms and other structures in federal waters.[106] BOEM and BSEE also maintain a full data center that allows users to download and independently aggregate information on federal offshore leases, wells, platforms, and pipelines.[107] While these resources provide access to valuable information about decommissioning operations, they do not present the whole picture. The dashboard, for instance, only provides data about platforms and structures; the dashboard does not provide data about offshore wells or pipelines. While the data center provides public access to a broader suite of information, the data's complexity combined with incomplete explanations of terminology hinder many from being able to use it. Similarly, the agencies provide only limited information on offshore enforcement actions via either the dashboard or the data center.[108] Overall, the lack of easily accessible information makes it difficult for the public to monitor offshore oil and gas decommissioning and enforcement activities.

Policy Recommendations

The system that governs the decommissioning of oil and gas infrastructure in federal waters creates risks to the ocean and U.S. taxpayers. This system is leading to a growing backlog of disused wells and platforms and a Gulf of Mexico seafloor littered with thousands of miles of discarded pipelines. Government enforcement efforts are feeble and regulatory tools are weak.

Going forward, this already-failing system will come under even more strain. Offshore decommissioning activity will need to grow to keep pace as an increasing number of shallow-water wells reach the end of their productive lives. Additionally, as the climate crisis accelerates the transition toward renewable energy and away from fossil fuels, offshore oil and gas operators will need to shift their focus—and their finances—from drilling and production to the responsible cleanup of thousands of wells and platforms.

Addressing the challenges associated with offshore oil and gas decommissioning with targeted policy changes can set the stage for success in the long-term. Ocean Conservancy recommends the following actions:

Strengthen oversight and enforcement for the decommissioning of wells and platforms located on expired, terminated, or relinquished leases: Working in conjunction with operators that have a backlog of offshore facilities that are past-due for decommissioning, BSEE should develop mandatory decommissioning plans. Under those plans, operators should be required to clear their decommissioning backlog within a set timeframe (e.g., five years). At the same time, BSEE must more effectively enforce decommissioning deadlines moving forward for offshore wells and platforms located on expired, terminated, or relinquished leases. Because the agency's use of citations has proven ineffective, BSEE must increase its use of more severe sanctions, including civil penalties, suspensions of operations, operator disqualifications, and closing the loophole on requalification. To the extent that there is uncertainty about the enforceability of BSEE sanctions, the agency should issue clarifying guidance or—if necessary—promulgate new or revised regulations. Ultimately, BSEE must ensure it has viable and effective methods to force operator compliance with decommissioning deadlines. BSEE should also update its regulations to require operators to monitor and report on the integrity of decommissioned wells to ensure the ongoing structural integrity of well plugs.

All of the above will require a substantial increase in BSEE staff time and resources dedicated to decommissioning, which Congress should fund through the annual appropriations process. Finally, BSEE should not allow concerns about possible financial impacts to operators to impede its enforcement of decommissioning deadlines. If offshore oil companies are in such a precarious financial position that they cannot meet their mandatory decommissioning obligations, they have no business operating in federal waters. The failure to enforce decommissioning deadlines now will only exacerbate the problem.

Strengthen oversight and enforcement for the decommissioning of idle wells and platforms located on active leases: BSEE's deadlines for decommissioning idle wells and platforms located on active leases exist only in policy guidance, not in regulation. BSEE should promulgate regulations to codify its decommissioning deadlines for infrastructure on active leases. While doing so, BSEE should shorten the deadlines to ensure idle wells and platforms are cleaned up promptly. For instance, BSEE should consider any well and platform that has been inactive for two years to be "no longer useful for operations." After that, BSEE should require lessees to decommission those wells and platforms within one year, just as it does for infrastructure on expired leases. In addition, BSEE should be much more restrictive in granting decommissioning waivers for potential future use of wells or platforms; BSEE must not allow operators to defer decommissioning costs based on the pretense of future use. In cases where BSEE does grant a future use waiver, the agency should require operators to provide supplemental financial assurance that will cover the full cost of decommissioning. As noted above, BSEE should increase its use of sanctions such as civil penalties, suspensions, and disqualifications to compel compliance with decommissioning deadlines.

Strengthen decommissioning requirements for subsea pipelines: BSEE should revise its regulations to remove or substantially restrict existing language that allows the agency to approve "decommissioning in place" for subsea pipelines. When a pipeline no longer serves a useful purpose, BSEE should require its owner to remove it from the seabed. The agency should permit decommissioning in place only in rare circumstances. In those rare cases, BSEE should require operators to monitor the condition and location of the pipeline over time to ensure it remains secure, and the agency also should require operators to pay a fee to offset the ongoing impact of the discarded pipeline.

BSEE should also make greater use of its regulatory authority to require the removal of previously discarded pipeline that constitutes an obstruction, especially when the discarded pipeline interferes with alternative ocean uses or poses a hazard. In addition, BSEE should develop and codify stringent deadlines for pipeline decommissioning to ensure operators remove disused pipeline in a timely fashion. These deadlines could be congruent with new and more stringent deadlines for well and platform decommissioning recommended above. BSEE should also require operators to perform site clearance activities for pipelines, just as it does for wells, platforms, and other facilities. In addition, BSEE should step up its observation, inspection, and verification of pipeline decommissioning so that the agency is not as reliant on self-reporting by operators.

Strengthen requirements for supplemental financial assurance: BOEM, as of April 2024, updated and strengthened its regulations on supplemental financial assurance. If the agency revisits these regulations, it should do away with financial strength thresholds, via its financial strength test, and instead require all lessees or operators to provide supplemental financial assurance in an amount sufficient to cover the full cost of decommissioning.[109] BOEM should also consider implementing a system that would require each lessee to establish a dedicated account, into which the lessee would invest funds sufficient to satisfy estimated decommissioning obligations.[110] Under such a system, if a lessee made an upfront payment in the full amount, the lessee could forego any bonding requirements. Otherwise, a lessee would make regular payments into the dedicated decommissioning account while also providing a bond sufficient to cover the difference between the amount in the dedicated account and the estimated decommissioning costs. In the event of a default, BSEE would receive the funds in the decommissioning account. Otherwise, the funds would be available to the lessee to pay decommissioning costs when lease operations conclude. Ultimately, BOEM should do everything in its power to reduce U.S. taxpayer exposure to decommissioning liabilities. Taxpayers should never have to pay to clean up the messes made by offshore oil companies.

Develop and implement enforceable qualification standards of offshore operators: BOEM and BSEE should move forward with their plans to establish "fitness to operate" standards that ensure lessees and operators are qualified to conduct business on federal offshore oil and gas leases. These standards should consider past compliance with federal regulations, agency guidance, and lease and permit terms—including those that concern safety, environmental protection, decommissioning, and site reclamation. Qualification standards should also consider the financial health of lessees and operators. BOEM and BSEE should undertake a formal rulemaking process to codify fitness to operate standards and ensure the standards are enforceable. In doing so, the agencies must ensure they can disqualify existing or potential lessees or operators that fail to meet fitness to operate standards.

Remedy the lack of transparency with respect to decommissioning data: BOEM and BSEE should increase their commitments to transparency and data sharing with respect to offshore oil and gas decommissioning operations. In general, BOEM and BSEE should strive to make publicly available data as accessible and understandable as possible. To that end, BSEE should expand its existing "Offshore Infrastructure Dashboard" to incorporate information about wells and pipelines, including details on status and ownership. The dashboard could also add more details about the disposition of structures, including the reuse of platforms (such as how they are being reused, and by whom) and rigs-to-reefs status (including whether structures been left in place or removed to a designated area). In addition, the dashboard could disclose estimated and final costs for decommissioning activities. Ideally, BSEE's dashboard would also allow users to download aggregate information that could be tracked over time. BOEM's data center offers some of these capabilities but is difficult to use. BOEM could advance transparency and public access to data by improving the user-friendliness of the data center, including by offering more extensive explanations of the terminology it uses to describe OCS oil and gas operations. BOEM and BSEE should also expand the dashboard and data center to include expanded information about civil penalties, as well as other agency enforcement actions such as information on citations, incidents or notices of noncompliance, suspensions, and disqualifications.

Photo Credit: Cheryl Gerber

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Consider opportunities for congressional action: The previous policy recommendations focus on solutions that can be implemented by executive branch agencies, such as BSEE and BOEM. However, it is also possible for Congress to pass legislation to strengthen government oversight and enforcement of offshore oil and gas decommissioning activities.

For example, the GAO has suggested that Congress "consider implementing an oversight mechanism—such as requiring annual reporting on the status of decommissioning enforcement efforts and associated liabilities."[111] In July 2024, U.S. Representatives Katie Porter and Tim Kennedy followed up on the GAO's suggestion by introducing the Plug Offshore Wells Act (POW Act), which would require a yearly "public report on the decommissioning of offshore oil and gas wells, platforms, and pipelines."[112]

In addition, Congress could also go further and pass legislation mandating any of the policy solutions discussed above. For instance, Congress could pass legislation to:

- Require shorter decommissioning deadlines for idle wells and platforms on active leases;
- Prohibit the use of decommissioning-in-place for subsea pipelines;
- Create stronger enforcement mechanisms to compel operator compliance with decommissioning regulations; and
- Create more stringent supplemental financial assurance requirements than the regulations that BOEM finalized in 2024.

Congress can also pass legislation to achieve outcomes that are arguably beyond the existing authority of administrative agencies. It could, for example, create a trust fund to pay for the decommissioning of orphaned wells and infrastructure, paid for by fees imposed on oil and gas operators. Congress could also set up programs to facilitate job training for offshore oil and gas workers who are interested in transitioning to offshore decommissioning work or work on offshore renewable energy projects.

Conclusion

To protect the ocean, marine ecosystems, and the people who depend on them, we must address the root cause of climate change. This means we must phase out fossil fuels—including dirty and dangerous offshore oil and gas operations—as part of a responsible, rapid, and just transition to 100% clean ocean energy.

Proper and timely decommissioning of offshore wells, platforms, and pipelines is a critical part of the energy transition, but the existing regulatory system is not working. If the energy transition is going to be successful, we must act now to improve government oversight and enforcement, strengthen policy and regulations, and ensure offshore oil and gas operators are held accountable for cleaning up the equipment they use to develop and produce oil and gas.

To learn more about this and other clean ocean energy solutions, visit **cleanoceanenergy.org**.

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77 U.S. Department of the Interior, Bureau of Safety and Environmental Enforcement. (2018, December 11). *NTL No. 2018-G03: Notice to lessees and operators of federal oil and gas leases and pipeline right-of-way holders in the outer continental shelf, Gulf of Mexico OCS region: Idle iron decommissioning guidance for wells and platforms* (pp. 2–3, providing that wells on active leases can be idle for five years before they are considered "no longer useful for operations," and allowing up to an addition three years for decommissioning).

78 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 19). Retrieved from https://www.gao.gov/assets/gao-24-106229.pdf

79 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 19). Retrieved from https://www.gao.gov/assets/gao-24-106229.pdf

80 See, e.g., *When do I have to remove platforms and other facilities?*, 30 C.F.R. § 250.1725(a) (2024.) https://www.ecfr.gov/current/title-30/section-250.1725; see also Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 19, note 41, observing that the Bureau of Safety and Environmental Enforcement granted "potential future use" exceptions for about 60 wells and 30 platforms). Retrieved from https://www.gao.gov/assets/gao-24-106229.pdf

81 Agerton, M., Narra, S., Snyder, B., & Upton, Jr., G. B. (2023, May 8). *Financial liabilities and environmental implications of unplugged wells for Gulf of Mexico and coastal waters*. Nature Energy 8, 536–547. Retrieved from https://www.nature.com/articles/s41560-023-01248-1 (p. 542).

82 *What do the terms "decommissioning," "obstructions," "facility," and "predecessor" mean in this subpart?*, 30 C.F.R. § 250.1700(b) (2004). https://www.ecfr.gov/current/title-30/section-250.1700

83 *What are the general requirements for decommissioning?*, 30 C.F.R. § 250.1703(e) (2024). https://www.ecfr.gov/current/title-30/section-250.1703

84 *When may I decommission a pipeline in place?*, 30 C.F.R. § 250.1750 (2024). https://www.ecfr.gov/current/title-30/section-250.1750

85 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p.12). Retrieved from https://www.gao.gov/products/gao-21-293

86 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p.12). Retrieved from https://www.gao.gov/products/gao-21-293

87 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 1). Retrieved from https://www.gao.gov/assets/gao-24-106229.pdf

88 *When must I remove a pipeline decommissioned in place?*, 30 C.F.R. § 250.1754 (2024). https://www.ecfr.gov/current/title-30/section-250.1754

89 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (pp. 21-22). Retrieved from https://www.gao.gov/products/gao-21-293

90 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p. 20). Retrieved from https://www.gao.gov/products/gao-21-2932021

91 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p. 21). Retrieved from https://www.gao.gov/products/gao-21-2932021

92 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p. 19). Retrieved from https://www.gao.gov/products/gao-21-2932021

93 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p. 26). Retrieved from https://www.gao.gov/products/gao-21-2932021

94 Government Accountability Office. (2021, March 19). *Offshore oil and gas, Updated regulations needed to improve pipeline oversight and decommissioning* (p. 27, note 56). Retrieved from https://www.gao.gov/products/gao-21-2932021

95 Ocean Energy Management Bureau. (2024, April 24). *Risk Management and Financial Assurance for OCS Lease and Grant Obligations*, 89 Fed. Reg. 31,544. Retrieved from https://www.federalregister.gov/documents/2024/04/24/2024-08309/risk-management-and-financial-assurance-for-ocs-lease-and-grant-obligations

96 Ocean Energy Management Bureau, . (2024, April 24). *Risk Management and Financial Assurance for OCS Lease and Grant Obligations*, 89 Fed. Reg. 31,544 (Apr. 24, 2024). Retrieved from https://www.federalregister.gov/documents/2024/04/24/2024-08309/risk-management-and-financial-assurance-for-ocs-lease-and-grant-obligations

97 Ocean Energy Management Bureau, . (2024, April 24). *Risk Management and Financial Assurance for OCS Lease and Grant Obligations*, 89 Fed. Reg. 31,545 (noting lessees will not have to provide supplemental financial assurance if they meet certain conditions); and 89 Fed. Reg. 31,548 (noting that waiving supplemental bond requirements has resulted in a coverage gap of nearly $40 billion). Retrieved from https://www.federalregister.gov/documents/2024/04/24/2024-08309/risk-management-and-financial-assurance-for-ocs-lease-and-grant-obligations

98 *How will BSEE enforce accrued decommissioning obligations against predecessors?*, 30 C.F.R. § 250.1708(b(2024). https://www.ecfr.gov/current/title-30/section-250.1708; *What will BSEE do if my operating performance is unacceptable?*, 250.135 (2024). https://www.ecfr.gov/current/title-30/section-250.135; *How will BSEE determine if my operating performance is unacceptable?*, 30 C.F.R. §§ 250.136 (2024). https://www.ecfr.gov/current/title-30/section-250.136; *What will BOEM do if my operating performance is unacceptable?*, 30 C.F.R. § 550.135 (2024). https://www.ecfr.gov/current/title-30/section-550.135and *How will BOEM determine if my performance is unacceptable?*. 30 C.F.R. § 550.136 (2024). https://www.ecfr.gov/current/title-30/section-550.136

99 Department of the Interior. (2021, November). *Report on the federal oil and gas leasing program: Prepared in response to executive order 14008* (p. 12). Retrieved from https://www.doi.gov/sites/doi.gov/files/report-on-the-federal-oil-and-gas-leasing-program-doi-eo-14008.pdf

100 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 31). Retrieved from https://www.gao.gov/products/gao-24-106229 OR https://www.gao.gov/assets/gao-24-106229.pdf

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102 Department of the Interior (2021, November). *Report on the federal oil and gas leasing program: Prepared in response to executive order 14008* (p. 12). Retrieved from https://www.doi.gov/sites/doi.gov/files/report-on-the-federal-oil-and-gas-leasing-program-doi-eo-14008.pdf

103 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 32). Retrieved from https://www.gao.gov/products/gao-24-106229 OR https://www.gao.gov/assets/gao-24-106229.pdf

104 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 32). Retrieved from https://www.gao.gov/products/gao-24-106229 OR https://www.gao.gov/assets/gao-24-106229.pdf

105 Government Accountability Office. (2024, January 25). *Offshore oil and gas, Interior needs to improve decommissioning enforcement and mitigate related risks* (p. 33). Retrieved from https://www.gao.gov/products/gao-24-106229 OR https://www.gao.gov/assets/gao-24-106229.pdf2024 GAO Report at 32.

106 Bureau of Safety and Environmental Enforcement. (n.d.). *Offshore Infrastructure Dashboard. Retrieved from https://www.bsee.gov/offshore-infrastructure-dashboard* (describing the dashboard as a "tool to identify oil and gas platforms eligible for the Rigs-to-Reefs program").

107 See *Bureau of Ocean Energy Management.* (n.d.). BOEM Data Center. Retrieved from https://www.data.boem.gov

108 The Bureau of Safety and Environmental Enforcement's website provides some access to information about civil penalties. See *Bureau of Safety and Environmental Enforcement*. (n.d.). Civil Penalties Program. Retrieved from https://www.bsee.gov/what-we-do/safety-enforcement/civil-penalties-program These publicly available data could be expanded upon and included in the agencies' dashboard or data center.

109 The Bureau of Ocean Energy Management should also strengthen the supplemental financial assurance requirements by using the Bureau of Safety and Environmental Enforcement's P90 cost probabilities instead of its P70 probabilities.

110 For a more robust description of this recommendation, see Biven, M. M. (2022, October). *Comments on proposed program for the national outer continental shelf oil and gas leasing program (national OCS program) for years 2023-2028* True Transition. Retrieved from https://www.regulations.gov/comment/BOEM-2022-0031-6387

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112 H.R. 9168, 118th Congress (2024). See also Rep. Katie Porter. (2024, July 25). *Rep. Porter introduces bill to hold big oil accountable for cleaning up offshore wells* [Press release]. Retrieved from https://porter.house.gov/news/documentsingle.aspx?DocumentID=661