

A Day Early and a Dollar Ahead – Unpacking BOEM’s Revised Financial Assurance Rule for Offshore Operations

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Historically, offshore oil and gas companies with operations in the United States have been providing base financial assurance in the form of surety bonds, decommissioning accounts or other guarantees to the Bureau of Ocean Energy Management (BOEM)—the agency within the Department of the Interior (DOI) responsible for managing the development of the nation’s offshore resources—to ensure performance of decommissioning obligations. The regulatorily prescribed amount of such assurance is based on the level of activity occurring on a specific lease or in an area.

Level of Activity	Lease-Specific Amount
No approved operational activity	\$50,000
Exploration Plan	\$200,000
Development Production Plan	\$500,000

Level of Activity	Area-Wide Amount
No approved operational activity	\$300,000
Exploration Plan	\$1,000,000
Development Production Plan	\$3,000,000
Pipeline – Right-of-Way	\$300,000
<i>[Effective June 24th] Right-of-Use and Easement</i>	\$500,000

BOEM is amending its risk management and financial assurance regulations and recently released a final **Risk Management and Financial Assurance for OCS Lease and Grant Obligations** rule, which will go into effect on June 24, 2024 and affect current and future offshore lessees, right-of-use and easement (RUE) grant holders and pipeline right-of-way (ROW) grant holders. The rule finalizes these amendments that are intended, in part, to update existing regulations to address the increasing costs of facility decommissioning and other financial risks associated with the Outer Continental Shelf (OCS) development. The amendments are also expected to increase the total amount of financial assurance required from OCS lessees and grant holders. This alert provides a summary of the key provisions included in this final rule.

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