Emergency Management and the Polluter Pay Principle

If a pipeline spill occurs, who covers the cost?

Simply put, the companies are responsible for paying all the costs arising from spills on their pipelines, without limit, when the spill is their fault. The Canada Energy Regulator (CER) enforces the polluter-pay principle, which protects the public from having to pay for clean-up. When a spill occurs, the CER requires all necessary measures to be taken to make the pipeline safe, clean up the spill and remediate the environment, regardless of the cost to the company.

Companies are also required to compensate those who have sustained damage. If someone isn't satisfied with the compensation provided by the company, they can seek compensation under negotiation processes that are made available, or sue the company in court. The CER can also order companies to pay other parties, such as municipalities, indigenous governing bodies, or landowners.

What if the spill isn't the company's fault?

Companies are still held responsible for costs even if a spill isn't their fault. There are "absolute liability" rules in place, which make major oil pipeline companies liable for all costs and damages up to $1 billion, regardless of fault. This liability limit, irrespective of fault, is unique to Canada. The CER can also order a company to pay other parties, even if it exceeds the absolute liability limit.

What kind of costs does the company have to pay?

The types of costs that companies are responsible for in the event of a spill include response costs by governments or people, damages or loss caused to other parties, and environmental damages. Environmental damages include the "non-use" value of public resources. This means companies are held accountable for damage to resources that don't necessarily have commercial value and may never or seldom be used, such as damages to remote public park land.

How does the CER make sure that companies can actually pay?

The CER requires companies to maintain sufficient financial resources to pay for a spill. Companies operating major oil pipelines are required to demonstrate a minimum $1 billion of financial resources, or more if the CER decides it to be necessary. This can include cash reserves, insurance, bonds, letters of credit and guarantees. The CER also requires a certain amount of that money to be readily available, so that immediate response and clean-up costs can be covered right away.

What happens if the company goes bankrupt and can't pay?

If a company is unable to pay the costs to clean-up a spill, the CER can assume control of the spill response. The CER can then access money that can be recovered from the industry

How does the CER ensure spills don't happen in the first place?

The CER relies on a proactive approach to incident prevention by setting clear expectations for industry. We evaluate project proposals, monitor compliance and enforce rules. Compliance activities include inspections and audits, related to security, public safety and environmental protection.

Important things for you to know:

- The CER enforces the polluter pay principle, which protects the public from paying for clean-up of any potential pipeline spill.
- If a spill occurs, the CER requires all necessary measures to be taken to make the pipeline safe, clean up the spill and remediate the environment, regardless of the cost to the company.
- Proactive compliance monitoring and audits to enforce the rules help the CER ensure pipeline spills don't happen in the first place.

Where to go for more information

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