

119<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**S.** \_\_\_\_\_

To amend the Outer Continental Shelf Lands Act to establish fitness to operate standards and decommissioning escrow accounts for offshore oil and gas operators, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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Mr. SCHIFF introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Outer Continental Shelf Lands Act to establish fitness to operate standards and decommissioning escrow accounts for offshore oil and gas operators, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Offshore Leasing  
5 Standards and Accountability Act of 2026”.

1 **SEC. 2. FITNESS TO OPERATE STANDARDS FOR OIL AND**  
2 **GAS OPERATORS ON THE OUTER CONTI-**  
3 **NENTAL SHELF.**

4 (a) IN GENERAL.—The Outer Continental Shelf  
5 Lands Act (43 U.S.C. 1331 et seq.) is amended by adding  
6 at the end the following:

7 **“SEC. 34. FITNESS TO OPERATE STANDARDS FOR OFF-**  
8 **SHORE OIL AND GAS ACTIVITIES.**

9 “(a) REQUIREMENT FOR APPROVALS.—Beginning on  
10 the date on which the Secretary issues or revises regula-  
11 tions under subsection (b)(5), the Secretary may not issue,  
12 extend the term of, or approve the transfer of a lease,  
13 easement, or right-of-way for oil or gas exploration, devel-  
14 opment, or production on the outer Continental Shelf with  
15 respect to a recipient responsible party unless the recipient  
16 responsible party is certified as fit to operate in accord-  
17 ance with subsection (b).

18 “(b) CERTIFICATION OF FITNESS TO OPERATE.—

19 “(1) IN GENERAL.—The Secretary shall certify  
20 a recipient responsible party as fit to operate based  
21 on—

22 “(A) the past compliance of the recipient  
23 responsible party, and any covered entity of the  
24 recipient responsible party, with Federal, State,  
25 and local environmental and safety laws and  
26 regulations, including deadlines and require-



1 (as applicable) the date on which the re-  
2 quest for certification was made or the  
3 date on which the Secretary makes an as-  
4 sessment under paragraph (4)(B);

5 “(ii) the recipient responsible party,  
6 and any covered entity of the recipient re-  
7 sponsible party, are not in violation of this  
8 Act or any other Federal, State, or local  
9 environmental or safety law or regulation,  
10 including with respect to any overdue de-  
11 commissioning orders for oil and gas infra-  
12 structure located on the outer Continental  
13 Shelf;

14 “(iii) the recipient responsible party,  
15 and any covered entity of the recipient re-  
16 sponsible party, took timely and effective  
17 corrective actions to address any worker  
18 safety incidents, oil spills, or other unau-  
19 thorized pollutant discharges, and infra-  
20 structure failures or disruptions disclosed  
21 under paragraph (B)(iv);

22 “(iv) the recipient responsible party,  
23 and any covered entity of the recipient re-  
24 sponsible party, do not owe any rentals,

1 royalties, or other fees for any Federal or  
2 State lease, easement, or right-of-way;

3 “(v) a Federal or State authority did  
4 not reduce the rate for royalties on oil or  
5 gas produced under any Federal or State  
6 lease held by the recipient responsible  
7 party, or any covered entity of the recipi-  
8 ent responsible party, during the period of  
9 10 years ending on (as applicable) the date  
10 on which the request for certification was  
11 made or the date on which the Secretary  
12 makes an assessment under paragraph  
13 (4)(B);

14 “(vi) the recipient responsible party,  
15 and any parent company of the recipient  
16 responsible party, possess an investment  
17 grade credit rating from a nationally rec-  
18 ognized statistical rating organization, as  
19 such term is defined in section 3(a)(62) of  
20 the Securities Exchange Act of 1934;

21 “(vii) the recipient responsible party,  
22 and any parent company of the recipient  
23 responsible party, have not filed a petition  
24 for bankruptcy under title 11, United  
25 States Code, during the period of 10 years

1 ending on (as applicable) the date on  
2 which the request for certification was  
3 made or the date on which the Secretary  
4 makes an assessment under paragraph  
5 (4)(B); and

6 “(viii) the recipient responsible party,  
7 and any covered entity of the recipient re-  
8 sponsible party, have sufficient financial  
9 capacity to—

10 “(I) fulfill all current and pro-  
11 jected decommissioning liabilities, in-  
12 cluding demonstration that the liabil-  
13 ities disclosed under subparagraph  
14 (B)(i)(I) are fully collateralized or  
15 otherwise financially secured;

16 “(II) implement and maintain  
17 up-to-date risk mitigation tech-  
18 nologies, environmental protection  
19 measures, and worker safety meas-  
20 ures, including the use of effective  
21 blow-out preventer systems and well-  
22 control processes pursuant to the re-  
23 quirements specified in section  
24 250.730 of title 30, Code of Federal

1 Regulations (or any successor regula-  
2 tions); and

3 “(III) support a sufficient  
4 amount of staff needed for mainte-  
5 nance and oversight of oil and gas in-  
6 frastructure on the outer Continental  
7 Shelf in accordance with environ-  
8 mental, health, and safety require-  
9 ments; and

10 “(B) provides to the Secretary a disclosure  
11 of—

12 “(i) current and projected decommis-  
13 sioning liabilities of the recipient respon-  
14 sible party, and any covered entity of the  
15 recipient responsible party, related to all  
16 leases, easements, and rights-of-way ad-  
17 ministered by a Federal or State authority,  
18 including—

19 “(I) domestic and global oil and  
20 gas decommissioning liabilities; and

21 “(II) the value of decommis-  
22 sioning obligations relative to the  
23 proven value of oil and gas reserves of  
24 the areas subject to such leases, ease-  
25 ments, and rights-of-way;

1           “(ii) past results of inspections of oil  
2           and gas infrastructure operated by the re-  
3           cipient responsible party and any covered  
4           entity of the recipient responsible party;

5           “(iii) the number, length of owner-  
6           ship, and decommissioning status of each  
7           non-producing oil and gas well located on  
8           an area subject to a State or Federal oil  
9           and gas lease held by the recipient respon-  
10          sible party or any covered entity of the re-  
11          cipient responsible party; and

12          “(iv) the number of worker safety in-  
13          cidents, oil spills or other unauthorized  
14          pollutant discharges, and infrastructure  
15          failures or disruptions that have occurred  
16          on areas subject to State and Federal oil  
17          and gas leases held by the recipient re-  
18          sponsible party, or any covered entity of  
19          the recipient responsible party, during the  
20          period of 15 years ending on (as applica-  
21          ble) the date on which the request for cer-  
22          tification was made or the date on which  
23          the Secretary makes an assessment under  
24          paragraph (4)(B).

1           “(3) INITIAL REQUEST FOR CERTIFICATION.—A  
2 recipient responsible party may request to be cer-  
3 tified as fit to operate pursuant to the process estab-  
4 lished by regulation under paragraph (5).

5           “(4) MAINTENANCE OF CERTIFICATION.—

6           “(A) REQUIREMENT.—A certification that  
7 the holder of a lease, easement, or right-of-way  
8 for oil or gas exploration, development, or pro-  
9 duction on the outer Continental Shelf issued,  
10 extended, or transferred after the date on which  
11 the Secretary issues or revises regulations  
12 under paragraph (5) is fit to operate shall be  
13 maintained in accordance with subparagraph  
14 (B).

15           “(B) ANNUAL COMPLIANCE  
16 VERIFICATION.—

17           “(i) IN GENERAL.—The Secretary  
18 shall annually assess whether each holder  
19 of a lease, easement, or right-of-way de-  
20 scribed in subparagraph (A) remains in  
21 compliance with standards established pur-  
22 suant to paragraph (5).

23           “(ii) SUSPENSION OF CERTIFI-  
24 CATION.—If the Secretary determines  
25 under subparagraph (A) that a holder of a

1 lease, easement, or right-of-way described  
2 in subparagraph (A) is not in compliance  
3 with the standards established pursuant to  
4 paragraph (5), the Secretary shall suspend  
5 the certification and impose one or more of  
6 the following penalties until such holder  
7 complies with such standards:

8 “(I) Suspend the applicable lease,  
9 easement, or right-of-way pursuant to  
10 section 5(a)(1).

11 “(II) Issue fines or other civil  
12 penalties.

13 “(III) Require supplemental fi-  
14 nancial assurance in an amount equal  
15 to the total expected cost of decom-  
16 missioning.

17 “(IV) Issue an order to the hold-  
18 er of the lease, easement, or right-of-  
19 way to commence decommissioning,  
20 including a requirement that such en-  
21 tity develop and submit a decommis-  
22 sioning plan pursuant to section  
23 250.1704 of title 30, Code of Federal  
24 Regulations (or successor regulations)  
25 for approval by the Secretary, and

1                   issue a notice to any previous holders  
2                   of the lease, easement, or right-of-way  
3                   to commence joint and several liability  
4                   proceedings.

5                   “(5) REGULATIONS.—Not later than 1 year  
6                   after the date of enactment of this section, the Sec-  
7                   retary shall issue or revise regulations to—

8                   “(A) establish standards which the Sec-  
9                   retary shall use to determine whether to certify  
10                  a recipient responsible party as fit to operate;

11                  “(B) establish a process for recipient re-  
12                  sponsible parties to request such certification;  
13                  and

14                  “(C) carry out any other requirements of  
15                  this section.

16                  “(c) REPORT TO CONGRESS.—Not later than 1 year  
17                  after the Secretary issues or revises regulations under sub-  
18                  section (b)(5), and annually thereafter, the Secretary shall  
19                  submit to Congress a report that includes—

20                  “(1) a summary of the most recent assessments  
21                  made under subsection (b)(4)(B), including a list  
22                  of—

23                  “(A) each person that holds an active or  
24                  inactive lease, easement, or right-of-way for oil  
25                  or gas exploration, development, or production

1 on the outer Continental Shelf that failed to  
2 meet any of the standards established pursuant  
3 to subsection (b)(5);

4 “(B) the specific standards for which the  
5 person is or was non-compliant, disaggregated  
6 by—

7 “(i) person; and

8 “(ii) lease, easement, and right-of-  
9 way; and

10 “(C) enforcement actions taken by the De-  
11 partment of the Interior against each person  
12 identified under subparagraph (A);

13 “(2) decommissioning cost estimates for each  
14 lease, easement, and right-of-way for oil or gas ex-  
15 ploration, development, or production on the outer  
16 Continental Shelf, as calculated by the Secretary  
17 pursuant to section 5(k)(2), and any modifications  
18 to such estimates since the previous report; and

19 “(3) the amount of funds currently held in each  
20 decommissioning escrow accounts established pursu-  
21 ant to section 5(k).

22 “(d) AUTHORIZATION OF APPROPRIATIONS.—There  
23 is authorized to be appropriated to the Secretary  
24 \$30,000,000 for each of fiscal years 2027 through 2031  
25 to carry out the requirements of this section.

1 “(e) DEFINITIONS.—In this section:

2 “(1) COVERED ENTITY.—The term ‘covered en-  
3 tity’, with respect to a recipient responsible party,  
4 means—

5 “(A) any parent company of the recipient  
6 responsible party;

7 “(B) any subsidiary company of the recipi-  
8 ent responsible party;

9 “(C) any entity that the recipient respon-  
10 sible party enters into a contract with to con-  
11 struct, develop, or operate a facility on the  
12 outer Continental Shelf; and

13 “(D) any entity that—

14 “(i) shares officers, directors, or key  
15 managerial personnel with any entity speci-  
16 fied in subparagraph (A) or (B); or

17 “(ii) is a predecessor to any entity  
18 specified in subparagraph (A) or (B).

19 “(2) DECOMMISSIONING.—The term ‘decommis-  
20 sioning’, with respect to oil and gas infrastructure  
21 on the outer Continental Shelf, means—

22 “(A) ending oil and gas operations;

23 “(B) permanently plugging all wells;

1           “(C) monitoring the efficacy of activities to  
2           end such operations, including monitoring the  
3           safety and soundness of plugged wells; and

4           “(D) returning the area subject to the  
5           lease, easement, or right-of-way to a condition  
6           that meets the environmental reclamation re-  
7           quirements of the Department of the Interior  
8           and any other Federal agency that has jurisdic-  
9           tion over such operations.

10          “(3) PARENT COMPANY.—The term ‘parent  
11          company’ means a company that directly or indi-  
12          rectly controls another company.

13          “(4) RECIPIENT RESPONSIBLE PARTY.—The  
14          term ‘recipient responsible party’ means a person  
15          seeking the issuance, extension, or transfer of a  
16          lease, easement, or right-of-way for oil or gas explo-  
17          ration, development, or production on the outer Con-  
18          tinental Shelf.

19          “(5) SUBSIDIARY COMPANY.—The term ‘sub-  
20          sidiary company’—

21                 “(A) means any company that is owned or  
22                 controlled directly or indirectly by another com-  
23                 pany; and

24                 “(B) includes any subsidiary of the com-  
25                 pany that is so owned or controlled.”.

1 (b) CONFORMING AMENDMENT.—Section 5(b) of the  
2 Outer Continental Shelf Lands Act (43 U.S.C. 1334(b))  
3 is amended by inserting “, including the regulations issued  
4 or revised under section 34 relating to fitness to operate”  
5 after “regulations issued under this Act”.

6 **SEC. 3. DECOMMISSIONING ESCROW ACCOUNTS.**

7 Section 5 of the Outer Continental Shelf Lands Act  
8 (43 U.S.C. 1334) is amended by adding at the end the  
9 following:

10 “(k) ESCROW ACCOUNT FOR DECOMMISSIONING LI-  
11 ABILITY.—

12 “(1) IN GENERAL.—The holder of an oil and  
13 gas lease shall, in accordance with this subsection,  
14 make payments to an interest-bearing escrow ac-  
15 count, established and administered by the Sec-  
16 retary, in order to fully meet the total cost of decom-  
17 missioning the oil and gas infrastructure located on  
18 the area subject to the lease.

19 “(2) DECOMMISSIONING COST ESTIMATE.—

20 “(A) IN GENERAL.—For each oil and gas  
21 lease, the Secretary, or an independent third-  
22 party entity designated by the Secretary, shall  
23 calculate and periodically update a probabilistic  
24 estimate of the total cost of decommissioning  
25 existing and proposed oil and gas infrastruc-

1           ture, including platforms, wells, and pipelines,  
2           located on the area subject to such lease.

3           “(B) INITIAL ESTIMATE.—The Secretary,  
4           or the independent third-party, shall calculate  
5           an initial estimate of the total costs described  
6           in subparagraph (A) prior to the issuance of a  
7           new lease.

8           “(C) REEVALUATION AND UPDATES.—The  
9           Secretary, or the independent third-party, shall  
10          reevaluate and, if necessary, update the esti-  
11          mate of the total costs described in subpara-  
12          graph (A) at a minimum—

13                 “(i) not less frequently than once  
14                 every 2 years, to reflect any changes in  
15                 such total costs;

16                 “(ii) prior to the approval of a devel-  
17                 opment and production plan pursuant to  
18                 section 25;

19                 “(iii) prior to the end of the schedule  
20                 for payments established under paragraph  
21                 (3); and

22                 “(iv) following the disbursement of funds  
23                 from the escrow accounts for a use ap-  
24                 proved under paragraph (4).

25          “(3) PAYMENT SCHEDULE.—

1           “(A) IN GENERAL.—The Secretary shall  
2           establish a mandatory schedule for payments  
3           required by paragraph (1).

4           “(B) DEADLINES TO ESTABLISH SCHED-  
5           ULES.—

6                   “(i) NEW LEASES.—With respect to  
7                   the issuance, extension, or transfer of an  
8                   oil and gas lease after the date of enact-  
9                   ment of this subsection, the Secretary shall  
10                  establish the schedule for payments prior  
11                  to such issuance, extension, or transfer.

12                   “(ii) EXISTING LEASES.—With re-  
13                   spect to any lease in effect as of the date  
14                   of enactment of this subsection, the Sec-  
15                   retary shall establish the schedule for pay-  
16                   ments by not later than 1 year after such  
17                   date of enactment.

18           “(C) MINIMUM PAYMENTS BY 5 YEARS.—  
19           Each schedule of payments established under  
20           subparagraph (A) shall provide that the total  
21           amount of payments made to the escrow ac-  
22           count by the date that is 5 years after the  
23           schedule is established be not less than the total  
24           decommissioning costs for all oil and gas infra-

1 structure located on the area of the applicable  
2 lease.

3 “(D) INITIAL PAYMENTS.—No lease may  
4 be issued, and no development and production  
5 plan may be approved under section 25, unless  
6 the recipient responsible party or leaseholder  
7 makes a payment to the escrow account in an  
8 amount equal to the greater of—

9 “(i) 25 percent of the average cost to  
10 decommission oil and gas infrastructure lo-  
11 cated on a typical lease at similar depths;  
12 and

13 “(ii) 25 percent of the total decom-  
14 missioning costs for all oil and gas infra-  
15 structure proposed to be installed on the  
16 area subject to the lease pursuant to the  
17 plan.

18 “(E) LEASE EXTENSIONS AND TRANS-  
19 FERS.—

20 “(i) MISSED PAYMENTS.—The Sec-  
21 retary may not extend the term of, or ap-  
22 prove the transfer of, a lease if the holder  
23 of the lease owes any outstanding pay-  
24 ments to the escrow account.

1                   “(ii) ADOPTION OF PAYMENT SCHED-  
2                   ULE.—The Secretary may not approve the  
3                   transfer of a lease unless the recipient re-  
4                   sponsible party agrees to adopt the sched-  
5                   ule for payments established for the lease.

6                   “(F) ADJUSTMENTS.—The Secretary shall  
7                   adjust a schedule for payments established  
8                   under subparagraph (A) to reflect any update  
9                   to the applicable cost estimate under paragraph  
10                  (2)(C).

11                  “(G) SUPPLEMENTAL FINANCIAL ASSUR-  
12                  ANCES.—If the combined amount of the funds  
13                  in an escrow account for a lease and any sup-  
14                  plemental financial assurances provided by the  
15                  holder of the lease exceeds the total decommis-  
16                  sioning cost estimate calculated by the Sec-  
17                  retary pursuant to paragraph (2), the Secretary  
18                  shall correspondingly reduce the supplemental  
19                  financial assurances required until the com-  
20                  bined figure is equivalent to the decommis-  
21                  sioning cost estimate.

22                  “(H) INTEREST.—Any interest paid on  
23                  funds in an escrow account established under  
24                  paragraph (1) shall become part of the prin-  
25                  cipal funds in the account.

1           “(I) AMOUNTS FROM JOINT AND SEVERAL  
2           LIABILITY.—All funds accrued from previous  
3           holders of an oil and gas lease as a result of  
4           joint and several liability for the purposes of de-  
5           commissioning shall be deposited into the cor-  
6           responding escrow account.

7           “(J) RETURN OF REMAINING FUNDS  
8           AFTER DECOMMISSIONING.—After decommis-  
9           sioning is complete, any funds remaining in an  
10          escrow account for a lease established under  
11          paragraph (1) shall be returned to any parties  
12          that made payments to the escrow account, ex-  
13          cluding any amounts deposited pursuant to sub-  
14          paragraph (I), based on the proportion of the  
15          payments made by the respective party.

16          “(4) USE OF FUNDS.—

17                 “(A) IN GENERAL.—The holder of a lease  
18                 may only use funds in an escrow account estab-  
19                 lished under paragraph (1)—

20                         “(i) for the purposes of decommis-  
21                         sioning the oil and gas infrastructure lo-  
22                         cated on the area subject to the lease; and

23                         “(ii) if the use is approved by the Sec-  
24                         retary.

1           “(B) NO USE AS COLLATERAL.—No person  
2           may commit funds held in an escrow account  
3           established under paragraph (1) as collateral.

4           “(5) PENALTIES.—If the required payments  
5           into an escrow account established under paragraph  
6           (1) are delinquent by more than 60 days, the Sec-  
7           retary shall—

8           “(A) raise the royalty rate for the applica-  
9           ble lease at a rate sufficient to recover the de-  
10          linquent amount within 6 months and deposit  
11          the recovered amount into the applicable escrow  
12          account established under paragraph (1); or

13          “(B) suspend the lease, pursuant to sec-  
14          tion 5(a)(2), until the holder of the lease pro-  
15          vides the delinquent amount.

16          “(6) DEFINITIONS.—In this subsection, the  
17          terms ‘decommissioning’, ‘parent company’, and ‘re-  
18          cipient responsible party’ have the meanings given  
19          such terms, respectively, in section 34.”.

20 **SEC. 4. RESTRICTION ON TEMPORARY ABANDONMENT OF**  
21 **WELLS.**

22          Section 5 of the Outer Continental Shelf Lands Act  
23 (43 U.S.C. 1334) is amended by adding at the end the  
24 following:

1           “(1) RESTRICTION ON TEMPORARY ABANDONMENT  
2 OF WELLS.—

3           “(1) IN GENERAL.—The Secretary—

4                   “(A) may not approve the placement of an  
5 oil well in temporary abandonment status for a  
6 period longer than 3 years; and

7                   “(B) may only approve such placement  
8 after submission and validation of an accom-  
9 panying economic analysis verifying the poten-  
10 tial for temporary abandonment to improve  
11 operational stability of the oil well or mitigate  
12 environmental impacts of operating the oil well.

13           “(2) EXTENSION.—Notwithstanding paragraph  
14 (1)(A), the Secretary may, on a one-time basis for  
15 an oil well, extend the maximum period the oil well  
16 may be placed in temporary abandonment status to  
17 5 years if the Secretary determines such extension  
18 is necessary to ensure operational stability or envi-  
19 ronmental safety.”.