



**BOARD OF SUPERVISORS
AGENDA LETTER**

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Submitted on:
(COB Stamp)

Department Name: Planning and Development
Department No.: 053
Agenda Date: February 25, 2025
Placement: Departmental
Estimated Time: 2 hours
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Lisa Plowman, Director, Planning & Development (805) 568-2086
Contact Info: Errin Briggs, Deputy Director, EMC Division (805) 568-2047
SUBJECT: Hearing to consider the appeals of the Planning Commission Approval of the Sable Offshore Corporation’s Change of Owner, Operator, and Guarantor for the Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System Final Development Plan Permits. Third, Fourth, and First Supervisorial Districts

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Deny the appeals, Case Nos. 24APL-00025 and 24APL-00026;
- b) Make the required finding for approval of the Sable Offshore Corporation’s Change of Owner, Operator, and Guarantor for the respective Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System Final Development Plan Permits, including California Environmental Quality Act (CEQA) findings (Attachment A);
- c) Determine the requests are not a “project” that is subject to environmental review under CEQA Guidelines Section 15378(b)(5), finding that the actions consist of administrative activities of government that will not result in direct or indirect changes to the environment (Attachment C); and
- d) Grant *de novo* approval of the Change of Owner, Operator, and Guarantor for the respective Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System Final Development Plan Permits as detailed in this Board Letter and subject to the Conditions of Approval (Attachments B-1, B-2, and B-3).

Summary Text:

This Board Agenda Letter details the issues and staff responses for the appeals of the Planning Commission's October 30, 2024 approval of the Sable Offshore Corporation's (Sable) Change of Owner, Operator, and Guarantor applications for the onshore Santa Ynez Unit (SYU) facilities, the Pacific Offshore Pipeline Company (POPCO) Gas Plant, and the Las Flores Pipeline System Final Development Plan Permits. The three facilities are existing, operationally interrelated oil and gas facilities, permitted to operate under previously-issued County Final Development Plan Permits and Coastal Development Permits.

On February 14, 2024, Sable acquired the SYU from ExxonMobil Corporation, as well as POPCO and Pacific Pipeline Company, the owners of the Gas Plant and the Las Flores Pipeline System, respectively. On March 14, 2024, Sable submitted applications to Planning and Development for the following:

- A Change of Owner, Operator and Guarantor of the onshore SYU facilities permit, No. 87-DP-32cz (RV06), from ExxonMobil Corporation to Sable;
- A Change of Operator and Guarantor of the POPCO Gas Plant permit, No. 93-FDP-015 (AM03), from ExxonMobil Corporation to Sable; and
- A Change of Operator and Guarantor of the Las Flores Pipeline System permit, No. 88-DPF-033 (RV01)z, 88-CP-60 (RV01)(88-DPF-25cz;85-DP-66cz; 83-DP-25cz), from ExxonMobil Pipeline Company to Sable (Operator), and ExxonMobil Corporation to Sable (Guarantor).

The onshore SYU facilities and POPCO Gas Plant are County-permitted facilities that treat crude oil and natural gas from offshore Platforms Hondo, Harmony, and Heritage in the Santa Barbara Channel. The County's permitting jurisdiction is limited to the onshore SYU facilities, and does not include the offshore platforms or offshore infrastructure, unless specifically described in the Final Development Plan Permit. When operating, oil produced from the SYU is transported via the common-carrier Las Flores Pipeline System (formerly known as the Plains All American Pipeline), a County-permitted pipeline system. These permit transfer requests are to transfer existing County permits to a new Owner, Operator, and/or Guarantor pursuant to County Code Chapter 25B, and not for the actual transfer of the underlying assets themselves.

Chapter 25B governs the process to transfer County permits for certain oil and gas facilities (herein referred to as a 25B Permit Amendment). Applications were processed by Planning and Development and acted on by the Planning Commission in accordance with Chapter 25B-8(C). On October 30, 2024, the Planning Commission approved the above-listed 25B Permit Amendments after considering the Staff Report and hearing the Applicant's testimony and public comments. The Planning Commission found the 25B Permit Amendments to be exempt from the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines Section 15378(b)(5), and consistent with Chapter 25B findings that require facility fees to be paid, financial guarantees to be updated to reflect the new party, permit conditions to be accepted, copies of the most recent County-conducted safety audits to be provided, permit compliance to be met as of the date of application completeness, compliance plans to be submitted with updated emergency contact information, transitional plans to be submitted, emergency response drills to be conducted, and operator capability to be demonstrated.

Following the Planning Commission's approval, the Center for Biological Diversity together with the Wishtoyo Foundation, as well as the Environmental Defense Center together with Get Oil Out! and the Santa Barbara County Action Network filed appeals of the decision. The appeals are now before the Board of Supervisors for consideration.

The record for these permit transfer requests is provided in this Board Letter and attachments, as well as in the Set Hearing Board Letter dated February 4, 2025 and attachments, and incorporated herein by reference. The February 4, 2025 Set Hearing Board Letter includes the appeal letters, the Planning Commission Action Letter, the Planning Commission Staff Report, the public comment record, the Facilitation Report, and additional details regarding the background of the permit transfer requests. An analysis of the applications in relation to the required findings of Chapter 25B are detailed in the Planning Commission Staff Report dated October 22, 2024, included in the February 4, 2025 Set Hearing Board Letter. This Board Letter details the appeal issues and provides staff responses, as well as provides Findings for Approval and Conditions of Approval for the 25B Permit Amendment requests (Attachments A and B, respectively). A CEQA Notice of Exemption is included in Attachment C.

Background:

Appeal Issues and Staff Responses

The following issues have been summarized from the appeal letters (Attachment A to the February 4, 2025 Set Hearing Board Letter). The appeal issues and staff's responses have been organized based on the Chapter 25B finding categories below.

Financial Guarantees: Sec. 25B-9 (a)(2) and 25B-9(e)(1) Director Findings, and Sec. 25B-10 (a)(2) Planning Commission Findings

1. *Appeal Issue #1. Sable has not been issued final Certificates of Financial Responsibility for the SYU facilities, and the County must also require that final Certificates be submitted for the Las Flores Pipeline System.*

The appellants state that Sable must be issued final Certificates of Financial Responsibility from the California Department of Fish and Wildlife's Office of Spill Prevention and Response for the facilities in order to meet Chapter 25B's financial guarantee findings. The appellant recognizes that only the SYU Permit requires Certificates of Financial Responsibility to be submitted; however, the appellant claims that the County must amend the Las Flores Pipeline Permit to also require certificates for the pipeline system because the permit is being transferred from a "financially strong company" to a "weaker one". The appellant also states that although Certificates of Financial Responsibility for both the SYU and the Las Flores Pipeline System were issued to Sable, they are not final because the worst-case spill volumes demonstrated for the documents are based on draft oil spill contingency plans that the Office of Spill Prevention and Response is reviewing, but has not yet approved. The appellants state that therefore, the Certificates of Financial Responsibility cannot be considered final, and County Chapter 25B findings 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2) cannot be made.

Staff Response:

Findings 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2) require that all insurance, bonds, and other instruments of financial responsibility necessary to comply with County permits and County ordinance have been updated to reflect the new Owner, Guarantor, and Operator. As described in the Planning Commission Staff Report dated October 22, 2024, only the SYU Permit requires the permittee to submit financial responsibility documents, as outlined in Condition XI-2.w *Responsibility for Oil Spill Clean-Up and Resource Restoration*. Condition XI-2.w requires the permittee to provide the County with a copy of its Certificate of Financial Responsibility related to the SYU's offshore operations to demonstrate financial responsibility in the case of an oil spill or upset event. The Office of Spill Prevention and Response issued Sable a Certificate of Financial Responsibility No. 2-2623-00-00 for the SYU offshore operations on October 3, 2024, which required Sable to demonstrate \$101 million dollars in financial responsibility per Title 14 of the California Code of Regulations, Subdivision 4 Section 790-797. Sable submitted a copy of the certificate to the County as part of their 25B Permit Amendment application (Attachment H to the October 22, 2024 Planning Commission Staff Report), meeting Chapter 25B requirements to update financial documents to reflect the new Owner, Guarantor, and Operator, and meeting permit requirements to submit a copy of the certificate to Planning and Development. Therefore, staff maintains that findings 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2) related to Certificates of Financial Responsibility can be made.

Neither the POPCO Gas Plant nor the Las Flores Pipeline System permits have conditions that require the permittee to submit financial responsibility documents. Therefore, Sable is not required to submit financial documents for the gas plant or pipeline system as part of the 25B Permit Amendment process. Further, the County cannot amend the Las Flores Pipeline permit to require financial responsibility documents where they are not already required. The appellant cites that the County is allowed to impose additional financial conditions on permits for facilities that are transferred from "financially strong" companies to "weaker" ones per the County's *Guidelines to Implement Chapter 25B*. However, the document the appellants cite is a draft internal document dated June 2002, which was obtained through a public records request and is not included as part of the adopted Chapter 25B ordinance, or any other County code. Only the findings outlined in Chapter 25B need to be met in order to approve the permit transfers.

The appellants statement that the Office of Spill Prevention and Response first needs to approve an oil spill contingency plan before they can issue a Certificate of Financial Responsibility is incorrect. The Office of Spill Prevention and Response issues these certificates to facilities, vessels, and pipelines after they have provided an application and proof that they have the financial resources to cover the costs of response for a "worst-case scenario" spill. Planning and Development staff confirmed with the Office of Spill Prevention and Response that the approval of a Certificate of Financial Responsibility is dependent on demonstrated financial responsibility, and not the status of an associated oil spill contingency plan. The Office of Spill Prevention and Response stated that issued certificates may be updated based on approved oil spill contingency plans; however, certificate issuance is not dependent on oil spill plan approval. The status of Sable's oil spill contingency plans under review by the Office of Spill Prevention and Response is detailed in Appeal Issue #6.

Outside of the County 25B Permit Amendment process, and for information-only, Sable provided the County with copies of their issued Certificates of Financial Responsibility for the Las Flores Pipeline System in October 2024 (Nos. 2-2624-00-001 and 4-2624-00-001), to show that they also have state-required financial documents for the pipeline system (Attachment H to the October 22, 2024 Planning Commission Staff Report).

2. Appeal Issue #2. Sable has not posted decommissioning performance bonds for the facilities as required under the County Permits and California law.

The appellants state that Sable has not posted decommissioning bonds required for the facilities under the County Permits, or under California Public Resources Code Sections 3202(a) and 3205.8(a)(1). The appellants state that because these bonds have not been posted, County Chapter 25B findings 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2) cannot be made.

Staff Response:

As described in the Planning Commission Staff Report dated October 22, 2024, facility decommissioning bonds are to be posted to the County immediately following the permanent shut down of the facilities (see SYU Condition XIX-1, POPCO Condition Q-2, and Las Flores Pipeline Condition O-1). Under the SYU and Las Flores Pipeline permits, following the permanent shutdown of the facilities, the permittee shall either post a performance bond or continue to pay property taxes until site restoration is complete, as determined by the County. Under the POPCO permit, following the permanent shutdown of the facility, the permittee shall post a performance bond in an amount determined by the County. Decommissioning bonds were not required to be posted as part of the original project approvals, and no decommissioning bonds have been required to date. Therefore, staff maintains that findings 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2) related to decommissioning bonds can be made.

Regarding bonding requirements under California Public Resources Code Sections 3202(a) and 3205.8(a)(1), these are state-required bonding activities that are overseen through the California Department of Conservation's Geologic Energy Management Division. The County has no jurisdiction over bonding requirements from other regulatory agencies, and they are not required for the 25B Permit Amendment process.

3. Appeal Issue #3. Sable does not have the financial capability to cover a worst-case oil spill from the facilities.

The appellant states that Sable does not have enough capital or insurance to sufficiently address a worst-case oil spill from the facilities. The appellants state that a spill from the Las Flores Pipeline System alone could cost upwards of \$750 million dollars in cleanup, fines, and penalties (similar to 2015 Refugio oil spill), which is more than Sable's current capital and liability insurance amounts. The appellant also states that the Certificates of Insurance provided by the Applicant are inadequate as they do not provide the full policy details.

Staff Response:

Each facility permit is conditioned to state that the permittee shall be liable for any potential oil spill, gas leak, or other upset scenario (see SYU Condition XI-2.w, POPCO Condition A-12, and Las Flores Pipeline Condition A-12). However, as described in Appeal Issue #1, only the SYU Permit

requires the permittee to submit financial responsibility documents to demonstrate financial capability in the case of an upset event. Because there are no similar requirements in the POPCO Gas Plant or Las Flores Pipeline System permits, no instruments of financial responsibility are required to be submitted for those facilities. Sable provided a copy of their Certificate of Financial Responsibility for the SYU offshore facilities, meeting the required findings of 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2) (see Appeal Issue #1).

The SYU permit also requires that the permittee provide copies of their Certificates of Insurance to produce evidence of sufficient financial responsibility for the clean-up of oil spills (see SYU Condition XI-2.w), but only for operators and users of marine terminals within the County. All language within the SYU permit concerning the construction and operation of the former Las Flores Canyon Consolidated Marine Terminal was previously maintained for the permit record; however, conditions relating to the marine terminal were extinguished on April 1, 1994. Therefore, because the marine terminal is no longer applicable, the requirement for the permittee to provide a Copy of their Insurance Certificates is not applicable and is not required for the 25B Permit Amendment.

Outside of the 25B Permit Amendment process and for information-only, Sable provided the County with copies of their Certificate of Property Insurance and their Certificate of Liability Insurance for the SYU offshore operations (Attachment G to the October 22, 2024 Planning Commission Staff Report) to show they have insurance in place.

4. Appeal Issue #4. The County cannot rely on its permits or regulatory codes to require that Sable be responsible for the cleanup and remediation of any spills, or for facility decommissioning costs.

The appellant states that if Sable cannot pay for cleanup and remediation costs of an oil spill, or cannot pay for its final abandonment obligations (e.g. if Sable went bankrupt or has insufficient funds), the County and its taxpayers would be left with the costs of these obligations, as companies dispute liability for these events even under state and federal law.

Staff Response:

Approval of the Change of Owner, Operator, and Guarantor is limited to the County's ability to make the required findings outlined in Chapter 25B. As discussed in Appeal Issues # 1-3, staff maintains that all required financial capability findings can be made.

As described in Appeal Issues #2 -3, the Final Development Plan permits outline both the permittee's abandonment and risk of upset liability responsibilities. In addition, Chapter 25B-4(i) states that the permittee is liable for the proper abandonment of the facilities, and that the immediately preceding owner/operator shall be responsible if the current permittee is not financially capable. Per Chapter 25B-13 *Enforcement*, any permittee who fails to comply with the provisions of Chapter 25B would be subject to administrative fines and penalties, as well as civil and/or criminal penalties. In addition, the County's Land Use and Development Code Section 35.56 *Oil/Gas Land Uses – Abandonment and Removal Procedures*, and Coastal Zoning Ordinance Article II Section 35-170 *Abandonment of Certain Oil/Gas Land Uses* govern the process for the

final abandonment of these facilities. At final abandonment, the permittee would follow the procedures outlined in County code to further mitigate any risk of default on demolition and reclamation obligations.

Outside of the County's 25B Permit Amendment process, and for information-only, there are multiple other protections in place for oil spill and abandonment liabilities related to the facilities. Some include, but are not limited to the following:

- The Purchase and Sale Agreement between ExxonMobil Corporation and Sable outlines that at (or prior to) restart, Sable shall provide ExxonMobil with a \$350 million-dollar performance bond for ExxonMobil to use if Sable defaults on any facility abandonment obligations. After January 1, 2026, Sable shall increase the bond to \$500 million-dollars, and ExxonMobil and Sable shall review the bond every three years thereafter to revise the amount as needed (see Sable's Securities and Exchange Commission filing, *Proxy Soliciting Materials (revised)*, dated January 16, 2024¹).
- For offshore decommissioning, the Bureau of Ocean Energy Management's April 2024 Final Rule (*Risk Management and Financial Assurance for OCS and Lease Grant Obligations*) strengthens financial assurance requirements for leaseholders in order to protect American taxpayers from covering costs that should be borne by the oil and gas industry².
- The Oil Pollution Act of 1990 and California's Lempert-Keene-Seastrand Oil Spill Prevention and Response Act require strict liability on the owners or transporters of oil for removal costs and damages caused by an oil spill. If a polluter is deemed liable for an oil spill, they must reimburse all expenses to regulators. If the polluter cannot be found liable, or if they reach their limit of liability, the Oil Spill Liability Trust Fund is available to cover costs³.

Compliance with Existing Requirements: Sec. 25B-10 (a)(5) Planning Commission Findings

5. *Appeal Issue #5. Sable is not in compliance with their Las Flores Pipeline permit which requires effective cathodic protection.*

The appellant states that the Las Flores Pipeline System remains vulnerable to corrosion due to pipeline insulation that limits the effectiveness of the cathodic protection system. Because of this insulation, and because of the 2015 oil spill, the pipeline's cathodic protection system cannot be considered effective, and Sable cannot be considered in compliance with Final Development Plan Permit Condition No. A-7, Substantial Conformity, and the County's Chapter 25B finding 25B-10(a)(5) cannot be made.

Staff Response:

Finding 25B-10(a)(5) requires that the current operator is in compliance with all requirements of the permit as of the date the 25B Permit Amendment application is deemed complete. As described in the Planning Commission Staff Report dated October 22, 2024, staff determined that the permittee was in compliance with all requirements of the Las Flores Pipeline System permit,

¹ Information available online at: [Sable Offshore Corp. - Financials - SEC Filings](#)

² Information available online at: <https://www.boem.gov/oil-gas-energy/risk-management/financial-assurance-requirements-offshore-oil-and-gas-industry#:~:text=On%20April%2015%2C%202024%2C%20the,published%20on%20April%2024%2C%202024.>

³ Information available online at: https://www.uscg.mil/Mariners/National-Pollution-Funds-Center/About_NPFC/osltf/

and no County notice of violation, or notice of violation from another agency, had been issued for the pipeline system as of the date the application was deemed complete on July 30, 2024.

The Las Flores Pipeline System permit does not contain any specific conditions related to cathodic protection. Permit Condition A-7 states that the procedures, operating techniques, design, equipment, and other elements of the original project description that received environmental analysis are incorporated as permit conditions, and shall be required elements of the project. The project description outlined in the 1984 Draft Environmental Impact Report / Environmental Impact Statement (DEIR/EIS) (ERT 1984)⁴ prepared for the pipeline project states that *“the entire pipeline would be protected from corrosion with cathodic protection systems consisting of groundbeds and rectifiers. The number and location of these systems would be based on tests of pipeline-to-soil potential after construction. Corrosion protection test stations would be installed at least every 10 miles to test the performance of the cathodic protection system. These stations, which are about the size of a parking meter, would be within the ROW”* (DEIR/EIS Section 2.2.1.1, pg. 2-5). The DEIR/EIS also states that *“a protective coating of overlapping layers of 20-mil vinyl tape would be applied [to the pipeline]. Areas to be insulated would receive 1.5 inches of insulation with a vinyl outer wrap...applied at several field coating yards...”* (DEIR/EIS Section 2.2.2.6, pg. 2-22).

The cathodic protection system was installed as part of original pipeline construction, and uses Impressed Current Cathodic Protection consisting of rectifiers, groundbed anodes, and critical bonds. A total of 143 test stations are located along the approximately 122-mile pipeline, which equates to at least one station every mile (depending on location), and meets the DEIR/EIS described system placement of one at least every 10 miles. Monitoring and inspection of the cathodic protection system is required under the Code of Federal Regulations Title 49 Part 195 *Transportation of Hazardous Liquids by Pipeline*, and includes weekly, bi-monthly, and annual monitoring to test the system’s effectiveness. Areas of the pipeline are also thermally insulated in a layer of protective coating as outlined in the DEIR/EIS, which increases the potential for the risk of pipeline corrosion. The DEIR/EIS does not state that the pipeline would be fully protected from oil spills, as the potential for oil spills was determined to be a Significant and Unavoidable Impact in the DEIR/EIS even with the required project description elements and adopted avoidance and minimization measures (see the DEIR/EIS Summary Section pg. S-4 through S-14). Therefore, staff maintains that the permittee is in compliance with their project description regarding the cathodic protection system, and that finding 25B-10 (a)(5) can be made.

Outside of the County’s 25B Permit Amendment process and for information only, the Office of the State Fire Marshal granted State Waivers to Sable in December 2024, which are orders that modify compliance with regulatory requirements when an operator demonstrates that alternative measures are consistent with pipeline safety. The State Waivers were granted in order to manage the pipeline system’s risk of corrosion under insulation in accordance with Title 49 of the U.S. Code, Section 60105, and Title 49 of the Code of Federal Regulations, Part 195⁵. Under the State Waivers, Sable is required to comply with approximately 68 conditions related to

⁴ Available online at: <https://cosantabarbara.box.com/s/vi0hwxxg1abbkk0eqozq6864h126ayab>

⁵ Available online at: <https://osfm.fire.ca.gov/what-we-do/pipeline-safety-and-cupa/pathways-for-restarting-pipelines>

pipeline operations, testing, inspections, analysis and integrity management, and recordkeeping and reporting to address corrosion under insulation.

Compliance Plans: Sec. 25B-10 (a)(6) Planning Commission Findings

6. Appeal Issue #6. Sable has not submitted approved oil spill contingency plans for the facilities.

The appellants state that Sable has not submitted adequate or approved oil spill contingency plans for the facilities. The appellants state that because plans have not been approved by the Office of Spill Prevention and Response, County Chapter 25B finding 25B-10(a)(6) cannot be made.

Staff Response:

Finding 25B-10(a)(6) requires that the current facility owner and proposed operator have updated existing compliance plans to reflect the emergency contact information pertaining to the new operator. As described in the Planning Commission Staff Report dated October 22, 2024, staff confirmed that at minimum, Sable submitted all required compliance plans for the facilities with new emergency contact information, including the facility-specific oil spill contingency plans titled the *Pacific Region Oil Spill Response Plan* for the SYU offshore facilities, the *Emergency Response Plan* for the SYU onshore facilities and POPCO Gas Plant, and the *Integrated Contingency Plan* for the Las Flores Pipeline System, meeting the requirements of finding 25B-10(a)(6). Chapter 25B does not require that updated compliance plans be approved by the Office of Spill Prevention and Response, or by other non-County regulators.

For permit compliance, the individual Final Development Plan permits state that the facilities shall have spill contingency plans in place prior to initial start-up and/or initial permit issuance (see SYU Conditions XI-2.c. and XI-2.e., POPCO Condition P-3, and Las Flores Pipeline Condition P-5). These plans were originally reviewed by the County as part of the original permit approvals, meeting the compliance requirements required by findings 25B-9 (a)(5) and 25B-10 (a)(5). These compliance plans are considered “living documents” that are routinely updated based on local, state, and federal requirements.

Outside of the Chapter 25B Permit Amendment process, and for information-only, the *Pacific Region Oil Spill Response Plan* for the SYU offshore operations was first submitted to the Bureau of Safety and Environmental Enforcement on May 21, 2024, and to the Office of Spill Prevention and Response on June 7, 2024 (Plan No. CA-00-7239). The Bureau of Safety and Environmental Enforcement approved the plan on June 27, 2024. The Office of Spill Prevention and Response conducted separate reviews of the plan, and most recently required Sable to submit a revised plan by December 22, 2024 to include additional information on potential oil discharges and potential spills that may occur after mitigating controls have been implemented. Sable provided a revised plan by the required deadline, and is currently waiting on final approval. The *Integrated Contingency Plan* for the Las Flores Pipeline System was first submitted to the Office of Spill Prevention and Response on April 9, 2024 (Plan No. CA-00-7217). The Office of Spill Prevention and Response conducted reviews of the plan, and most recently required Sable and Pacific Pipeline Company to submit a revised plan by January 16, 2025 to include the identification of hazards associated with existing pipeline operations, to create a hazard summary section, and to

update pipeline spill trajectory information. Sable and Pacific Pipeline Company provided a revised plan on January 9, 2025, and is current waiting on final approval. The plans become effective upon submittal, and Sable and Pacific Pipeline Company are mandated to follow the most current version of the plans (i.e. the December 2024 version for Plan No. CA-00-7239 and the January 2025 version for Plan No. CA-00-7217, or any updated versions) if there is a spill pursuant to Title 14 of the California Code of Regulations, Section 820.1.

Operator Capability: Sec. 25B-10 (a)(9) Planning Commission Findings

7. *Appeal Issue #7. Sable has not demonstrated that they have the financial resources necessary to operate the facilities, as they may run out of capital prior to restart.*

The appellants state that Sable may run out of capital prior to restart as described in their Securities and Exchange Commission filings, demonstrating that they do not have the financial resources necessary to operate the facilities, and therefore County Chapter 25B finding 25B-10(a)(9) cannot be made.

Staff Response:

Finding 25B-10(a)(9) requires that the proposed operator has the skills, training, and resources necessary to operate the facility in compliance with County permits and County code, and has demonstrated the ability to comply with facility compliance plans. This finding is focused on the operator's technical skills and safety records, rather than their financial resource capabilities, which are outlined in separate findings 25B-9(a)(2), 25B-9(e)(1), and 25B-10(a)(2), and discussed under Appeal Issues # 1-3. As described in the Planning Commission Staff Report dated October 22, 2024, Sable's applications are consistent with the requirements of finding 25B-10(a)(9) regarding the operator's technical capabilities, staffing, safety, and incident records; therefore, staff maintains that finding 25B-10(a)(9) can be made.

Though not required for finding 25B-10(a)(9) and for information-only, as described in the Planning Commission Staff Report dated October 22, 2024, Sable states that it has sufficient capital to maintain operations, complete necessary repairs, and obtain regulatory approvals to restart production under its current cash balances. According to Sable's updated Securities and Exchange Commission filings dated November 2024, Sable has an unrestricted cash balance of approximately \$362.9 million dollars (Form 8-K, dated November 14, 2024). Sable states that the restart of production may occur in the first quarter of 2025, with projected capital expenditures of approximately \$125 million dollars at startup (Form 8-K, dated November 18, 2024), which would leave Sable approximately \$237.9 million dollars at restart. Once production restarts, Sable will increase their existing cash margins based on production and oil sales.

8. *Appeal Issue #8. Sable has been issued Notices of Violation from state-regulators regarding the Las Flores Pipeline System, demonstrating that they cannot operate the facilities in compliance with required permits, rules, and regulations.*

The appellants state that because state regulators have issued Notices of Violation to Sable for carrying out unpermitted construction on the Las Flores Pipeline System, Sable now has a record of non-compliance, and the County's Chapter 25B finding 25B-10(a)(9) cannot be made.

Staff Response:

Finding 25B-10(a)(9) requires that the proposed operator has the skills, training, and resources necessary to operate the facilities in compliance with County permits and County codes, and that the proposed operator does not reflect a record of non-compliant or unsafe operations that are systemic in nature and related to major incidents for similar facilities to those being considered for operatorship. Major incidents are defined by Chapter 25B as an oil spill of 50 barrels or more that escapes spill containment and enters the environment, one or more fatalities or serious injuries that require significant medical intervention to members of the public who were situated outside of the facility's premises when the incident occurred, evacuation of people outside the boundaries of the facilities from which the release occurred, or a fire that spread offsite. As described in Appeal Issue #5, as of the date the 25B Permit Amendment applications were deemed complete (July 30, 2024), the permittee was in compliance with all requirements of the Final Development Plan permits, and no notice of violation had been issued for any facility, meeting the compliance requirements of Chapter 25B. Regarding the proposed operator's safety records for similar facilities, as described in the October 22, 2024 Planning Commission Staff Report, Sable does not currently own or operate other facilities; however, Sable's executive management team did formerly own and operate similar facilities prior to Sable being formed, including Platform Irene and the associated Lompoc Oil & Gas Plant and Point Pedernales Pipelines, and Platforms Harvest, Hidalgo, Hermosa and the associated Gaviota Oil & Gas Plant and Point Arguello Pipelines in Santa Barbara County. Sable's executive management team also owned and operated similar oil and gas facilities and pipelines in the Permian and Delaware Basins in Texas. No major incidents occurred during the executive management team's operation of those facilities. Therefore, staff maintains that finding 25B-10(a)(9) can be made.

Outside of the Chapter 25B Permit Amendment process, and for information-only, following the February 14, 2024 acquisition of the SYU, POPCO, and Pacific Pipeline Company, Sable began to implement various state and federally-required directives to enhance safety measures on the Las Flores Pipeline System, including installing additional safety valves per the Office of the State Fire Marshal's Coastal Best Available Technology requirements, and conducting pipeline anomaly inspection and repairs under operation and maintenance requirements. Between September and December of 2024, certain state regulators, including the California Coastal Commission, the Central Coast Regional Water Quality Control Board, and the California Department of Fish and Wildlife, issued Sable notices of potential violations related to the above pipeline work. Planning and Development received copies of the Coastal Commission's and Water Board's letters, which direct Sable to submit Coastal Development Permit applications to the County of Santa Barbara and/or the Coastal Commission to authorize the anomaly inspection and repair work, and to enroll in a Water Board General Permit by January 13, 2025, respectively. In response to the Coastal Commission, the County understands that Sable and the Coastal Commission are in ongoing communications regarding the requirements to authorize the pipeline work. In response to the Water Board, Sable issued a letter stating that work is exempt from Water Board permit requirements, as it qualifies as routine maintenance for linear underground projects, and has requested that the Water Board withdraw their notice. Chapter 25B does not require that the

permittee be in compliance with non-County permits and regulations to approve the permit transfers.

Other Appeal Issues

9. Appeal Issue #9. The project is not exempt from CEQA.

The appellant claims that the permit transfers are subject to the California Environmental Quality Act, and that full environmental review should be conducted both for the permit transfers and for the restart of the facilities.

Staff Response:

CEQA Guidelines Section 15378(b)(5) specifically exempts “organizational or administrative activities of governments that will not result in direct or indirect physical changes to the environment” from environmental review. Processing the Chapter 25B Permit Amendment requests is an administrative action that would not result in any direct or indirect physical changes to the environment. No physical changes to the facilities, or modifications to facility operations would occur under this process; the actions are for the administrative transfer of County permits to a new Owner, Guarantor, and Operator only. Further, the County has historically considered all previously processed 25B Permit Amendments to not constitute as a “project”, including the 2005 and 2012 Change of Owner of the Sisquoc and Point Pedernales Pipelines, the 2014 Change of Owner and Guarantor of the Point Arguello and Point Pedernales Pipelines, and the 2023 Change of Owner, Operator, and Guarantor of the Las Flores Pipeline System. Therefore, staff maintains that the proposed actions are not subject to CEQA, as they do not constitute a “project”, as defined by CEQA Guidelines Section 15378(a).

Restart of the facilities is not a part of the Chapter 25B Permit Amendment process, nor would the transfer of permits facilitate restart. The three existing facilities are already permitted to operate under each issued Final Development Plan permit. Environmental review for the construction and operation of the facilities was previously conducted under facility-specific environmental documents, which were adopted during the original approval of the projects. Because the Chapter 25B Permit Amendments do not include any proposed physical changes to the facilities or modifications to the facility operations, no additional environmental review is required.

10. Appeal Issue #10. Restarting the Las Flores Pipeline System could result in a spill every year, and a rupture every four years, leading to an oil spill twice the size of the 2015 Refugio Oil Spill. Therefore, it would be irresponsible for the County to approve the permit transfers.

The appellants claim that according to the Administrative Draft EIR/EIS prepared for the former L901/903 Replacement Pipeline Project, spill and ruptures from operating the existing pipeline could occur every year to every four years, even with the installation of additional safety valves. The appellant claims that Sable intends to restart all facilities without correcting the issues that lead to the 2015 Refugio Oil Spill, and is seeking the State Waivers to operate the Las Flores Pipeline despite these issues.

Staff Response:

Approval of the Change of Owner, Operator, and Guarantor is limited to the County's ability to make the required findings outlined in Chapter 25B, which require facility fees to be paid, financial guarantees to be updated to reflect the new party, permit conditions to be accepted, copies of the most recent County-conducted safety audits to be provided, permit compliance to be met as of the date of application completeness, compliance plans to be submitted with updated emergency contact information, transitional plans to be submitted, emergency response drills to be conducted, and operator capability to be demonstrated. As discussed in this Board Letter and in the Planning Commission Staff Report dated October 22, 2024, staff maintains that all findings can be made.

Outside of the 25B Permit Amendment process, and for information only, the pipeline spill data the appellants cite is based on the Preliminary Administrative Draft EIR/EIS prepared for the now-withdrawn pipeline replacement project. The document was an internal working draft being prepared by the County's consultant in March of 2022, before it was finalized and reviewed by the County and circulated for public comment. Preliminary Administrative Draft documents are not typically released to the public, as they contain incomplete information still under development; however, the document was obtained by the appellant through a public records request. The document's draft spill data estimated that in a worst-case scenario, the existing pipeline could leak (a small, controlled release) every year, and rupture (a sudden large-scale break) every four years. The document clearly states that this data was estimated based on average national pipeline failure rates and adjusted to reflect a five-times increase in failure frequencies for pipelines that are not equipped with cathodic protection. In reality, the Las Flores Pipeline System is equipped with a cathodic protection system, and is subject to various state and federal safety requirements to avoid or minimize the effects of an oil spill. Sable is required to meet all pipeline safety conditions prior to restart, including those outlined in a federal Consent Decree, Office of the State Fire Marshal State Waivers and Coastal Best Available Technology regulations, among others. The County has no role or responsibility in overseeing or determining pipeline safety restart requirements.

11. Appeal Issue #11. Under the terms of the original permits, the County must require new or revised development plans, conditional use permits, and coastal development permits.

The appellant claims that the County must require new or revised permits for the facilities due to completed, underway, and planned modifications to the SYU facilities and Las Flores Pipeline System. Specifically, the appellant claims that restart of the pipeline system, the obtainment of State Waivers, and the installation of new safety valves on the pipeline are all modifications that would trigger the need for a new or revised Final Development Plan permit. Additionally, the appellant claims that upgrades, changes and repairs to the processing facilities, as well as plans for new drilling, acid well stimulation, extended reach drilling, and carbon storage at the SYU are also modifications that would require a new or revised permit.

Staff Response:

The Chapter 25B Permit Amendment process is separate from the County's Chapter 35 Zoning Code which governs the post-approval permitting process. A new or revised permit is not required

under Chapter 25B, as no physical changes to the facilities, or modifications to the facility operations which are under the County's permitting jurisdiction are proposed. The actions before the Board under these appeals are for the administrative transfer of County permits to a new Owner, Guarantor, and Operator only.

The facility permits do state that any new development, or modification of any procedures, operating techniques, or design specifications would not be permitted without a determination of substantial conformance with the approved development plans, or would require a new or modified permit (see SYU Condition 1-9, POPCO Condition A-7, and Las Flores Pipeline Condition A-7). However, any proposed new development or modifications to existing development would be processed under Chapter 35 of the County's Zoning Code, and not through the Chapter 25B Permit Amendment process. Under Chapter 35, none of the issues raised on appeal would require a substantial conformity determination, or new or revised permit from the County due to the following:

- As described under Appeal Issue #9, operation of the facilities was previously approved under the existing Final Development Plan permits. Restarting the facilities would be a continuation of already permitted operations, and would not require permit modifications.
- For the Las Flores Pipeline System, due to a 1988 Settlement Agreement between the County and one of the pipeline's predecessors, Celeron/All American, the County does not have the jurisdiction to regulate any aspect of the design, construction, or operation of the pipeline that is already covered under the Code of Federal Regulations Title 49 Part 195. The Settlement Agreement runs with the pipeline and any subsequent owners/operators. The Office of the State Fire Marshal is the regulatory authority responsible for the implementation of Title 49 Part 195 requirements. If any pipeline modifications triggering the County's permitting authority are required, they would be processed under Chapter 35 of the Zoning Code.
- For the onshore SYU facilities, there are no currently proposed modifications to the facility that would trigger the need for a County permit revision. Any future planned modifications or new development within the County's permitting authority would be subject to the standard post-approval permit process under Chapter 35 of the Zoning Code.

12. Appeal Issue #12. The County failed to ensure that the Las Flores Pipeline Restart Plans meet essential safety standards and comply with governing laws.

The appellants state that the County failed to ensure that the Las Flores Pipeline Restart Plans meet essential safety standards and comply with state and federal laws, even if these plans don't fall within the jurisdiction of the County's review.

Staff Response:

As described in this Board Letter, restart of the facilities is not a part of the Chapter 25B Permit Amendment process, nor would the transfer of permits enable restart. The three existing facilities are already permitted to operate under each issued Final Development Plan permit, and may restart production and transportation upon meeting local, state, and federal safety requirements outside of the County's Chapter 25B Permit Amendment process. Chapter 25B requires that the

acting Owner/Operator/Guarantor be in compliance with County-issued permits, ordinances, and regulations to approve County permit transfers.

Facility safety and restart activities are subject to significant regulatory oversight by various regulators outside of the County's jurisdiction. The Office of the State Fire Marshal is responsible for reviewing and approving the Las Flores Pipeline restart plans; the County has no jurisdiction over these plans.

For County compliance and oversight, during normal operations, the onshore SYU facilities and the POPCO Gas Plant are subject to annual safety audits under their respective Safety, Inspection, Maintenance and Quality Assurance Programs (see SYU Condition XI-2.a, and POPCO Condition P-2), which are overseen through the County's Systems Safety & Reliability Review Committee. Operations are also subject to other County compliance requirements through the Fire Department, Environmental Health's Certified Unified Program Agency, and the Air Pollution Control District, among others. Similarly, during normal operations, the Las Flores Pipeline System is subject to safety oversight through its Safety, Inspection, Maintenance and Quality Assurance Program (see Las Flores Pipeline Condition P-2), as well as compliance through other County departments.

13. Appeal Issue #13. The Planning Commission hearing was not fair and impartial, it lacked transparency, and it did not adhere to public process requirements.

The appellant states that Planning and Development did not provide key documents to the public or the Planning Commission, such as all the original development permits for the Las Flores Pipeline System, Sable's full insurance policies, fully-audited financial statements, or any findings the Office of Spill Prevention and Response made when issuing the Certificates of Financial Responsibility.

Staff Response:

As described in the Planning Commission Staff Report dated October 22, 2024, the 25B Permit Amendment requests followed all standard public noticing procedures in accordance with the County's Land Use Development Code Section 35.106.020 and Coastal Zoning Ordinance Section 35-181. Planning and Development staff maintains that they provided all relevant documents to make the necessary findings required by Chapter 25B, including the following:

- The Final Development Plan permits for all three facilities were included in Attachment B to the Planning Commission Staff Report dated October 22, 2024, with proposed changes clearly marked in underline and strikeout format. For the Las Flores Pipeline System, the project has an existing Final Development Plan permit, as well as individual Coastal Development Permits and Land Use Permits related to the original pipeline construction. Only the Final Development Plan permit was edited and included, as it acts as the main 'umbrella' permit for construction, operation, and abandonment of the pipeline system. The individual Coastal Development and Land Use Permits are limited to the original construction of the pipeline, and did not requiring editing. Per the appellant's requests, Planning and Development provided copies of all available County permits, including the original Coastal Development and Land Use Permits for the Las Flores Pipeline System to the Environmental Defense Center

on December 12, 2024 and January 7, 2025, and to the Center for Biological Diversity on January 7, 2025.

- The Applicant's Certificates of Insurance for the SYU offshore facilities were included as Attachment G to the Planning Commission Staff Report dated October 22, 2024. A discussion of the Certificates of Insurance in relation to required findings of Chapter 25B are discussed under Appeal Issue #3.
- The Applicant's financial statements as presented in their Securities and Exchange Commission filings and a discussion of how these statements relate to the required findings of Chapter 25B are discussed under Appeal Issue #7.
- A copy of the Certificate of Financial Responsibility for the SYU offshore facilities was included as Attachment H to the Planning Commission Staff Report dated October 22, 2024. A discussion of the certificate in relation to the required findings of Chapter 25B are discussed under Appeal Issue #1.

Findings and Conditions:

The Findings are included as Attachment A, and demonstrates that the applicant meets the findings of Chapter 25B that requires facility fees to be paid, financial guarantees to be updated to reflect the new party, permit conditions to be accepted, copies of the most recent County-conducted safety audits to be provided, permit compliance to be met as of the date of application completeness, compliance plans to be submitted with updated emergency contact information, transitional plans to be submitted, emergency response drills to be conducted, and operator capability to be demonstrated. Conditions of Approval for each Final Development Plan permit are included as Attachments B1 – B3. In accordance with Chapter 25B-7, conditions were revised to remove and replace the former permittee with Sable where appropriate. The term "permittee" was used for conditions that have already been satisfied (such as those relating to the construction of the facilities) in order to maintain the complete record of the permits.

Fiscal and Facilities Impacts:

Budgeted: Yes

The costs to process the appeals were borne by the Applicant through the payment of processing fees. Funding for these requests are budgeted in the Planning and Development's Permitting Budget Program on Page 317 of the County of Santa Barbara Fiscal Year 2024-25 Adopted Budget.

Special Instructions:

The Planning and Development Department will satisfy all noticing requirements. The Clerk of the Board shall forward the minute order to Planning and Development Department Hearing Support staff, to the attention of David Villalobos (dvillalo@countyofsb.org).

Attachments:

Attachment A – Findings

Attachment B – Conditions of Approval

- B-1. SYU FDP Permit No. 87-DP-32cz (RV06)
- B-2. POPCO Gas Plant FDP Permit No. 93-FDP-015 (AM03)
- B-3. Las Flores Pipeline System FDP Permit No. 88-DPF-033 (RV01)z, 88-CP-60 (RV01)(88-DPF-25cz;85-DP-66cz; 83-DP-25cz)

Attachment C – CEQA Notice of Exemption

Authored by:

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