



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: CEO
Department No.: 012
For Agenda Of: August 19, 2014
Placement: Departmental
Estimated Tme: 30 minutes
Continued Item: N/A
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Legislative Program Committee, 568-3400
Director(s)
Contact Info: Terri Nisich, Assistant County Executive Officer, 568-3400
SUBJECT: Potential Advocacy Position on Legislation: Senate Bill 1096 (Jackson) Marine Protection in the California Coastal Sanctuary Act and State Lands Commission

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

Option 1

- a. Take no position on Senate Bill 1096 (Jackson) Marine Protection in the California Coastal Sanctuary Act and State Lands Commission;
- b. Find that the proposed actions do not constitute a "Project" within the meaning of California Environmental Quality Act, pursuant to 14 CCR 15378(b)(2), as it consists of general policy and procedure making.

Option 2

- a. Take an advocacy position (support, watch or oppose) on Senate Bill 1096 (Jackson) Marine Protection in the California Coastal Sanctuary Act and State Lands Commission;
- b. Direct staff to forward, and authorize the Chair to sign, a letter stating the Board's decision to the legislative author, members of the legislature including, but not limited to, the county legislative delegation, appropriate committee chairs and the Governor; and,
- c. Find that the proposed actions do not constitute a "Project" within the meaning of California Environmental Quality Act, pursuant to 14 CCR 15378(b)(2), as it consists of general policy and procedure making.

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Summary Text:

This item is on the agenda for the Board of Supervisors to consider taking action on SB 1096 (Jackson). On August 4, 2014, the Legislative Program Committee directed staff to bring SB 1096 (Jackson) to the Board of Supervisors for consideration. The Legislative Program Committee is not recommending a position on this legislation and has requested that the Board of Supervisors consider taking an advocacy position or taking no position and communicating that position to the bill's author, members of the legislature including, but not limited to, the County legislative delegation, appropriate committee chairs and the Governor.

Background:

The California Coastal Sanctuary Act established in 1994 (AB2444) placed the entire California Coast from Mexico to the Oregon Border in a permanent sanctuary, except for the existing offshore oil and gas leases in effect in January of 1995 in Santa Barbara, Ventura, Los Angeles, Orange Counties and waters in the Sacramento Delta. This exception no longer applied if the lease was deeded or otherwise reverted to the State. AB 2444 also repealed the existing provision of law that authorized the State Lands Commission (SLC) to lease offshore lands under certain conditions to prevent state oil and gas from being drained by wells on adjacent lands and instead recast the provision to limit its application to leases in which state resources are drained from adjacent "federal lands". SB 1096 introduced by Senator Hannah-Beth Jackson would delete the provision allowing the State Lands Commission to enter into leases for the extraction of oil or gas from State owned tide and submerged lands in the California Coastal Sanctuary if the SLC determines the oil and gas deposits are being drained by producing wells or from adjacent lands and the lease is in the best interest of the State.

According to the Assembly Committee on Appropriations Bill Analysis, there are 11 total fields with an estimated 600 million barrels of oil that cross the state-federal boundary. Of those 11, 5 have existing federal infrastructure. Of those 5 one has confirmed drainage (Tranquillon Ridge from Platform Irene) and two with potential drainage (Rocky Point and Jalama). Under the existing law only Tranquillon Ridge could be leased. This bill repeals that ability to be leased.

Additionally, in 2009, SLC considered a proposal by Plains Exploration and Production, Inc. (PXP) to approve an offshore oil and gas lease that would have involved the Tranquillon Ridge oil and gas field located within the State's jurisdiction off the Santa Barbara County coast. The County approved the project in 2008 on appeal to the Board of Supervisors. The project proposal called for up to 17 wells from Platform Irene (approximately four and a half miles off the coast in federal waters) to be drilled into two new state leases, with all the drilling and production to cease on or before December 31, 2022. According to the SLC staff report, total production from this project would have been in the range of 40 to 90 million barrels of oil. The produced oil and gas would have been piped onshore through an existing pipeline to be processed at the Lompoc Oil and Gas Plant and shipped to a refinery. SLC considered this proposal because an independent study showed that an existing well (Well A-28) drilled from Platform Irene drains a relatively low amount of natural gas from the state side of the Tranquillon Ridge field. SLC ultimately rejected the lease proposal concluding that it was not in the best interest of the state. After SLC rejected the Platform Irene-Tranquillon Ridge lease proposal, there were several failed legislative attempts to bypass the Commission's offshore oil and gas leasing authority: AB 1536 (Blakeslee, 2009), ABX4 23 (DeVore, 2009), AB 2719 (DeVore, 2010), and Governor Schwarzenegger's 2010-11 Proposed Budget. In 2013, Freeport McMoRan acquired PXP and that same

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year chose not to renew the county issued Tranquillon Ridge development permit which has now expired.

At that time, the SLC was processing the Platform Irene-Tranquillon Ridge lease application, a different party, Sunset Exploration, submitted an offshore lease application that proposed to drill into Tranquillon Ridge from the Vandenberg Air Force Base lands. SLC did not consider this proposal viable due to the lack of the surface owner's (U.S. Air Force) approval for a surface location for the project. However, the U.S. Air Force may be seriously considering allowing the base to be used for the drilling project. For these reasons, Sunset Exploration opposes this bill.

Support and Opposition. This bill is supported by a broad coalition of environmental and coastal protection organizations who argue this bill closes the final loophole allowing new offshore drilling leases. It is opposed by business and taxpayer organizations, and oil companies and associations who argue that if state resources are being impacted by federally approved leases then the state should be compensated. Opponents also express concern regarding the potential loss of revenue from approximately \$95 million to \$345 million per year for 30 to 35 years if the SLC otherwise entered into a lease on Tranquillon Ridge. The variability of loss of revenue depends on the royalty life and the per barrel rate. Should the lease occur, Santa Barbara County per existing legislation could receive 1% of the actual revenue derived or approximately \$950,000 to \$3,450,000 annually.

Special Instructions: N/A

Attachments:

Attachment A – SB1096 Legislative Language

CC: