# Proposed Oil & Gas Framework

Community Services Department

Planning & Development Department

# PRESENTATION OUTLINE

- Introduction
- Background & Overview
- Phase I Drilling Prohibition
- Phase II Phaseout
- Engagement & Outreach
- Additional Considerations
- Fiscal Impacts
- Recommended Actions

# BACKGROUND

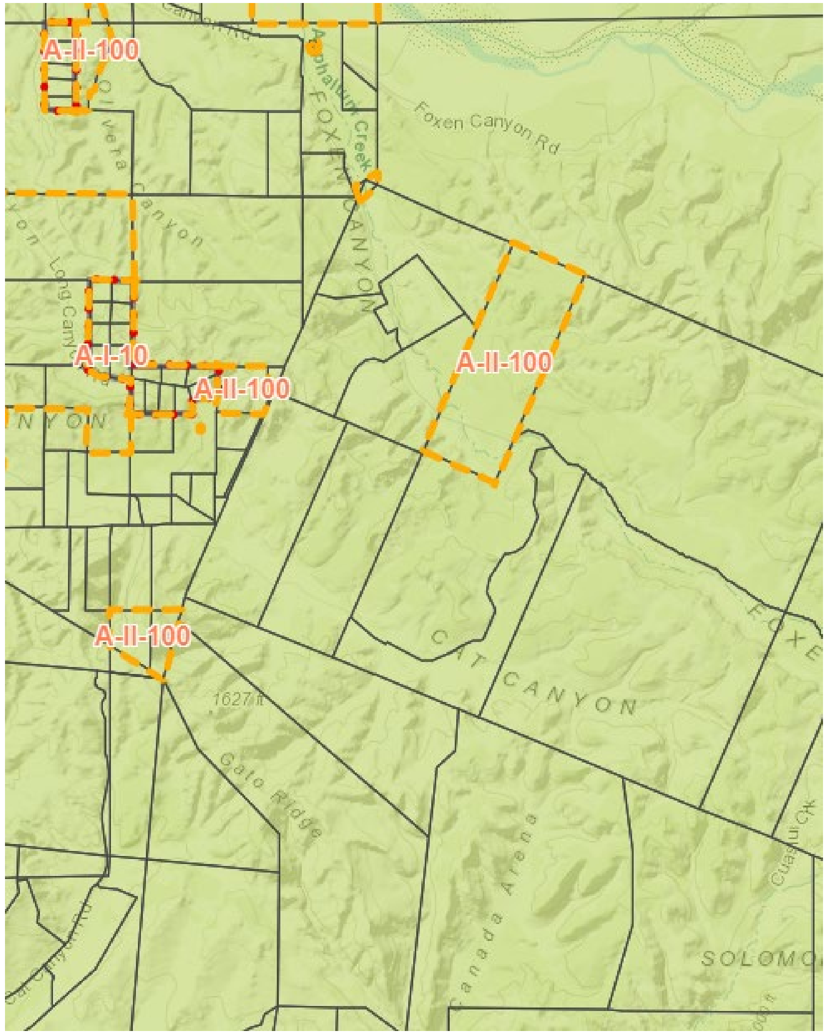
- Aug 2024, Board adopted 2030 Climate Action Plan and directed staff to identify viable measures to reduce emissions from oil and gas operations.
- Sept 2024, Governor Newsom signed:
  - AB 3233 authorizing the ability of local jurisdictions to limit or prohibit oil and gas operations or development; and
  - AB 1866 requiring oil operators to submit Idle Well Management Plans or to pay a fee.

# BACKGROUND

- May 2025, Board directed staff to:
  - Develop a framework;
  - Prohibit new oil and gas operations and phase out existing operations;
  - Re-examine current long-range work plan priorities;
  - Provide cost estimates and timelines for an amortization study and an Environmental Impact Report;
  - Outline steps and resources for development of an Ordinance; and
  - Estimate overall project scope.
- Sept 2025, Board directed staff to provide a report on number, location, and condition of orphaned and idle oil and gas wells, along with any current plans for their abandonment

# PHASE I: PROHIBIT NEW WELLS

- Review provisions in Land Use Development Codes
- Draft amendments for public review and hearings
- Satisfy CEQA
- Estimated at approximately six months
- P&D would defer work on non-essential projects or projects that are not time sensitive



# PHASE II PHASEOUT

- Spring 2026, issue RFP to retain consultant to conduct amortization study
- Based on results of study, prepare ordinance that establishes a phaseout period
- Retain consultant to prepare a programmatic environmental impact report (PEIR), estimated at three years
- PEIR is dependent on funding, to be determined as part of FY 2026-27 budget deliberations

## What is Amortization?

Amortization occurs when income from an investment offsets acquisition and operating costs, capital expenditures and provides a return on investment generally realized by public companies in this industry sector.

# OUTREACH & ENGAGEMENT

- Consultation with oil companies
  - Request information and solicit comments on amortization study
- General public outreach
  - Workshops, meetings and presentations upon request to general public and other stakeholders
- Regulatory agencies

# ADDITIONAL CONSIDERATIONS

- Operators and State financially responsible for plugging and abandoning wells
- To implement the phaseout ordinance, staff and financial resources will be needed
- During preparation of phase out documents, prepare an implementation and compliance plan to assure compliance with requirements stemming from Phase II, including:
    - Database to track well amortization and abandonment
    - Communication and coordination with operators and regulatory agencies
    - Monitor, track, and report of phaseout progress
- Up to one dedicated FTE would be needed

# FISCAL IMPACTS

- On June 17, 2025, the Board allocated $250,000 from the Sustainability Initiatives Fund to Community Services. Staff recommend use to fund amortization study.
- Staff estimates a cost of up to $500,000 for the environmental review. Funding decision to occur in context of FY 2026-27 budget deliberations

# RECOMMENDED ACTIONS

a) Authorize staff to initiate work on developing an ordinance to prohibit onshore drilling of new oil and gas wells and to initiate work on preparing a Request for Proposals to undertake an amortization study to determine an appropriate period to phaseout existing onshore oil and gas extraction operations; and

b) Direct Planning & Development Department staff to add this project to the Long-Range Planning Annual Work Program for FY 2025-2026, and adjust work on other projects, as necessary; and

c) Provide additional direction to staff regarding the framework and/or approach; and

d) Determine that the proposed actions are not a project pursuant to California Environmental Quality Act Guidelines (CEQA Guidelines) Section 15060(c)(2).