

SENATE RULES COMMITTEE
Office of Senate Floor Analyses
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SB 788

THIRD READING

Bill No: SB 788
Author: McGuire (D), et al.
Amended: 6/2/15
Vote: 21

SENATE NATURAL RES. & WATER COMMITTEE: 7-1, 4/28/15
AYES: Pavley, Allen, Hertzberg, Hueso, Jackson, Monning, Wolk
NOES: Stone
NO VOTE RECORDED: Vidak

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/28/15
AYES: Lara, Beall, Hill, Leyva, Mendoza
NOES: Bates, Nielsen

SUBJECT: California Coastal Protection Act of 2015

SOURCE: Author

DIGEST: This bill deletes the exception to the California Coastal Sanctuary Act that allows for a new oil and gas lease if such a lease is in the state's interest and the state's oil and gas deposits are being drained from adjacent federal lands.

ANALYSIS:

Existing federal law under the federal Outer Continental Shelf Lands Act (43 U.S.C. §1337(g)(2)), provides that California is entitled to 27% of the federal royalty for production from oil and gas wells within three nautical miles of the state/federal boundary. The state may also receive additional royalties. For example, under separate agreement, the state's royalty share in the federal well known to drain the state's Tranquillon Ridge field (described below) is 50% as it is within 500 feet of the state/federal boundary. There is no current federal law, ongoing federal appropriations moratoria or executive order banning new oil and gas leasing off of California. There are 43 existing active leases under the federal Outer Continental Shelf Lands Act in federal waters offshore California.

Existing state law:

- 1) Provides and has provided the State Lands Commission (commission) exclusive jurisdiction over the leasing of offshore state lands for oil and gas production since 1938. According to the commission, it issued over fifty offshore oil and gas leases between 1938 and 1968. In general, lease terms provide for the leases to remain in effect so long as oil and gas production continues in paying or commercial quantities.
- 2) Extends, through the California Coastal Sanctuary Act of 1994 (act) (Public Resources Code (PRC) §§6240 *et seq.*) the California coastal sanctuary which removed the authority of the commission to issue new oil and gas leases for unleased tide and submerged lands underlying the Pacific Ocean with limited exceptions. The Legislature had, beginning in 1921 and repeatedly since, passed laws that excluded offshore areas of the state from oil and gas leasing. Legislative findings stated that “offshore oil and gas production in certain areas of state waters poses an unacceptably high risk of damage and disruption to the marine environment of the state.” (PRC §6241).
- 3) Allows, pursuant to PRC §6244, the commission to consider issuing a new oil and gas lease if the commission determines that (1) state oil and gas resources are being drained by production on adjacent federal lands, and (2) the lease is in the state’s interest.
- 4) Specifies state-level marine protected areas under the Marine Life Protection Act (Fish and Game Code §§2850 *et seq.*) are designed to protect or conserve marine life and habitat. In and around the Santa Barbara Channel there are a variety of protected federal and state marine areas, including the Channel Islands National Marine Sanctuary and several protected locations near the Tranquillon Ridge field.

This bill:

- 1) Deletes the exception to the act that allows for a new oil and gas lease if such a lease is in the state’s best interest and the state’s oil and gas deposits are being drained from adjacent federal lands.
- 2) Makes numerous uncodified legislative findings to support the removal of this exception.

Comments

Deliberate government actions have foregone offshore oil and gas revenue. As noted herein, the policy of various levels of state government over many years has been to purposefully limit or seek to limit oil and gas revenue to the state from offshore sources in both state and federal waters.

The Tranquillon Ridge oil field. There is one known offshore oil field that meets the existing criteria established by PRC §6244 – the Tranquillon Ridge field located to the west of Points Pedernales and Arguello in Santa Barbara County. Studies have shown that production from federal platform Irene is draining the hydrocarbon resources in the state’s portion of this oil and gas field. Reservoir pressure on the state side is also being reduced, which may ultimately decrease the recoverable hydrocarbon reserves from the field. The amount of economically recoverable oil in the state’s portion of the Tranquillon Ridge field is uncertain, and a recent estimate places it in the range of 40 to 150 million barrels.

Development of the state portion of Tranquillon Ridge was first proposed in 1999. In 2008, the Santa Barbara Board of Supervisors approved a highly controversial subsequent proposal which utilized drilling into state waters from a federal platform. However, the commission voted in January 2009 against issuing a new oil and gas lease pursuant to the exception to the act provided by PRC §6244. Additionally there has been at least one proposal made to access the state portion of Tranquillon Ridge field by slant or extended reach drilling from Vandenberg Air Force Base. If certain criteria are met, the military may allow non-military activities on its property. Recently a potential on-base site was identified. (See the Senate Natural Resources and Water Committee analysis for further information.)

It remains unknown, but possible, that other oil and gas pools in state waters within the coastal sanctuary extend into federal waters and could potentially meet the PRC §6244 criteria to be considered for a new state oil and gas lease. No definitive information is available, however.

The commission’s leasing history and related activities. The commission has not issued any new oil and gas leases since the January 1969 oil spill in Santa Barbara where a well blowout from one of the federal platforms resulted in a spill of approximately 80,000 – 100,000 barrels of crude oil. This spill oiled two hundred square miles of ocean and thirty-five miles of state coastline, and killed thousands of animals. In addition, the commission has repeatedly passed resolutions in recent years opposed to the resumption or expansion of federal offshore oil development

and production. According to the commission, the risks associated with oil development and potential spills were too high and both could negatively affect fishing, tourism, and environmental, recreational, economic, scenic and other values.

Federal offshore leasing plans. There are no locations offshore California in the current five-year federal leasing schedule/plan, and none are proposed for the 2017 – 2022 federal leasing schedule/plan. Last year, the Governors of Oregon, California and Washington wrote a joint letter to the federal government opposing new oil and gas leasing in federal waters off the entire West Coast for the 2017 – 2022 period.

The act contains additional exceptions to the coastal sanctuary. In the event of certain presidential and gubernatorial findings and actions related to an energy shortage, and legislative action, new oil and gas leasing in state waters could occur.

Existing offshore leases can have new drilling. Both state and federal regulators continue to approve new oil and gas well drilling permits in existing active state and federal offshore oil and gas leases.

Online petition support. The author's office reports over 15,000 individuals signed an on-line petition in support of this bill.

Recent related legislation

SB 1096 (Jackson, 2014) would have removed the provision in the act allowing new state oil and gas leasing in the event federal activity was draining a state field. This bill failed on the Assembly floor.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, this bill has unknown costs, estimated between \$48 million and \$173 million per year based on a per barrel oil price of \$50, to the General Fund for forgone offshore oil lease revenue that could have been received if the State Lands Commission entered into a lease off the Vandenberg Air Force Base into the Tranquillon Ridge. The variability in the estimated cost depends on the royalty rate, life of the project, and the price of oil.

SUPPORT: (Verified 5/29/15)

Audobon California
Azul
Black Surfers Collective
Brightline Defense Project
California Coastal Protection Network
California Coastkeeper Alliance
California League of Conservation Voters
California Sea Urchin Commission
California Sportfishing League
California Trout
Center for Biological Diversity
Center for Climate Protection
Clean Water Action
Coast Seafoods Company
Coastal Environmental Rights Foundation
Community Environmental Council
Defenders of Wildlife
Environmental Action Committee of West Marin
Environmental Defense Center
Environmental Defense Fund
Environment California
Doreen Farr, Supervisor, Santa Barbara County Board of Supervisors
Fishing Vessel Corregidor
Get Oil Out!
Golden Gate Salmon Association
Greater Santa Barbara Lodging and Restaurant Association
Habematolel Pomo of Upper Lake
Heal the Bay
Hog Island Oyster Company, Inc.
Humboldt Bay, Harbor, Recreation, and Conservation District
Humboldt Baykeeper
The Karuk Tribe
Kayak Zak's
Land Trust of Santa Cruz County
The League of Women Voters of California
Mad River Alliance
National Parks Conservation Association
Natural Resources Defense Council
Northcoast Environmental Center
Ocean Conservancy

Ocean Outfall Group
Pacific Coast Federation of Fishermen's Associations
Planning and Conservation League
City of Santa Monica
Santa Ynez Valley Alliance
Sherwood Valley Band of Pomo Indians
Sierra Club California
Smith River Rancheria
Southern California Trawlers Association
Surfrider Foundation
The Trust for Public Land
Union of Concerned Scientists
Wildcoast
The Wildlands Conservancy
2 individuals

OPPOSITION: (Verified 5/29/15)

California Chamber of Commerce
California Independent Petroleum Association
California Manufacturers & Technology Association
Western States Petroleum Association

ARGUMENTS IN SUPPORT: According to the author, “California’s coast is extraordinarily diverse. Its natural splendor attracts over 150 million visitors annually from all around the world seeking to witness its unparalleled beauty. [...] Coastal communities contributed \$40 billion annually to the state’s economy and provide nearly half a million important jobs.” The author further notes the multi-billion dollar annual revenue from commercial fisheries, ocean-dependent tourism and recreational fishing.

“In 1969, Santa Barbara experienced one of the nation’s worst oil spills. [...] As a result, California has taken a position to intentionally forgo any revenue from new offshore oil development due to the unacceptably high risk, and has instead focused on developing clean renewable energy.” The author characterizes PRC §6244 as a “loophole” in the act and continues “... the [act] and the Marine Life Protection Act have conflicting mandates, which allow for offshore drilling in areas that were subsequently designated to protect and conserve marine life.”

“Protecting our coastal resources, which act as a major economic engine, benefits all Californians and will help the state achieve its greenhouse gas reduction targets

and the Governor's vision of reducing petroleum use by up to 50 percent. SB 788 repeals PRC 6244 to ensure that the [act] and the Marine Life Protection Act are able to provide their intended protections.”

The Pacific Coast Federation of Fishermen's Associations adds, “[s]ustainable seafood production and the family fishing way of life are threatened by the presence of offshore oil facilities in California's coastal waters. Unfortunately, that destruction lasts long after removal of surface oil [in the event of an oil spill]. The National Oceanic and Atmospheric Administration recently stated that the effects of the [Deepwater Horizon] spill are likely to last ‘generations.’ PCFFA stands vigorously opposed to any infrastructure projects that could literally suck the ocean's wealth into a few corporate coffers at the expense of marine life, productive fisheries, and our cultural heritage.”

ARGUMENTS IN OPPOSITION: Writing in opposition, the Western States Petroleum Association characterizes PRC §6244 as a “narrow exemption in the best interest of the state” to the act and further states that “if the [commission] makes a finding [...] that drainage of state resources is occurring from oil and gas operations in federal waters and that the loss of valuable state resources is occurring and will continue to occur, the [commission] may enter into a lease for the development of those resources in state waters if it determines that it is in the state's best interest. Additionally, any state tideland oil and gas lease granted by the [commission] under these federal drainage conditions must be formally approved by multiple government agencies, including 1) land use permitting by local government, and 2) coastal plan amendment by the California Coastal Commission. At each step, detailed environmental review must be conducted by the relevant agencies, which include extensive public review and comment. SB 788 would not impact the ongoing drainage of state resources from oil and gas operations in federal lands. Instead SB 788 would only prohibit the state from capturing oil and gas resources that otherwise will continue to be drained by adjacent wells outside of the state's purview.”

Prepared by: Katharine Moore / N.R. & W. / (916) 651-4116
6/2/15 18:36:03

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