

CREF 2018-2022 Reassessment

The Coastal Resource Enhancement Fund (CREF) is designed to mitigate impacts in four categories: coastal aesthetics, coastal tourism, coastal recreation and environmentally sensitive coastal resources. The original environmental review of Freeport-McMoRan's (FMO&G) Point Arguello Project (PAP), ExxonMobil's Santa Ynez Unit (SYU), and FMO&G's Point Pedernales Project (PPP) identified a number of significant impacts in these four categories, with payment of CREF fees as partial mitigation. When assessing CREF fees, staff assigns impact points with values of 0-5 in each of the four impact categories. A value of 1 represents a low impact; a value of 5 signifies a high impact. Adopted in 1988, the CREF Guidelines identified that each impact point had a \$20,000 value. In addition, the CREF Guidelines identify a process by which the CREF impacts and mitigation fees are reassessed at five-year intervals. Every five years, staff reassess impact points and multiplies the number of impact points by the \$20,000 value in current dollars, based on the Consumer Price Index (CPI), to determine an oil company's annual contribution to CREF. The revised CPI-adjusted dollar value for the 2018-2022 period is \$41,800 per CREF point.

This 2018-2022 reassessment marks the seventh five-year reassessment. In summary, the first assessment (1988-1992) assessed the projects mainly on construction-related impacts. The second reassessment (1993-1997) moved into the operational phase; however, that reassessment still dealt with construction-related impacts that had carried over into the second assessment (e.g., restoration). The third reassessment (1998-2002) mostly assessed the operational phase. The fourth through sixth reassessments (2003-2007, 2008-2012, and 2013-2017) were mostly a status quo of the operational phase with slight cumulative impact reductions. The 2013-2017 reassessment was augmented with a mid-year 2015-2017 reassessment when both PAP and SYU ceased operations in 2015 due to the shutdown of the Plain's All American Pipeline. The Board did not reassess PPP in this mid-year reassessment since it was not affected by the Plain's pipeline shutdown.

Following is the 2018-2022 reassessment for the three remaining oil and gas projects:

Santa Ynez Unit

Below are descriptions of SYU's remaining impacts and staff's recommendations for the 2018-2022 reassessment. Table 1 contains the CREF fees associated with the new reassessment.

Coastal Aesthetics Impacts: In the 2013-2017 and 2015-2017 reassessments, two points (2.0) represented the aesthetic impact of the platforms. For the 2018-2022 reassessment, staff recommends that the 2.0 points remain. Even though SYU is not operating, there still remains the facility's aesthetic impact. There are no anticipated changes in the five-year cycle to potentially affect this reassessment.

Coastal Tourism and Coastal Recreation Impacts: In the 2013-2017 reassessment, one and a quarter points (1.25) represented the cumulatively significant and unavoidable impacts of an oil

spill during the operational phase for each of these two impact categories. In the 2015-2017 reassessment, these two impact categories were reduced down to zero points for the years 2016-2017 since SYU was purged of oil, its platforms' wells secured with block valves, and the wells' piping at the platforms disabled to eliminate any active flow from the wells. With these protections, the likelihood of an oil spill is extremely rare.

Plains Pipeline submitted an application in August 2017 to replace Plain's pipeline with a new pipeline. However, it is difficult to predict when the new pipeline would be operating and, subsequently, when SYU would resume production. For this five-year cycle reassessment, staff assumes that SYU will not be operating and recommends zero points for these two impact categories during the five-year period, representing no risk of an oil spill (similar to years 2016 and 2017). If SYU returns to operations within the five-year period, staff will conduct a mid-cycle reassessment, which would be similar to the 2015 assessment of 1.25 points.

ExxonMobil submitted an application in September of 2017 to start up operations and truck oil from SYU until a new Plain's pipeline is constructed. If ExxonMobil is successful in permitting an interim trucking program that support production of SYU, additional coastal impacts associated with trucking may be assessed during a mid-cycle reassessment.

Coastal Environmentally Sensitive Impacts: There are two impacts associated with this category:

- (a) In the 2013-2017 and 2015-2017 reassessments, a half point (0.5) represented the fairly constant industrialization of the Gaviota Coast (i.e., degradation of environmentally sensitive coastal resources from all types of development). The last reassessments both stated that once the restoration of the Ellwood Marine Terminal (EMT) site is completed and signed off, the cumulative degradation of environmentally sensitive coastal resources may be reduced. The EMT site has not been restored as of yet and is not anticipated to be completed by the end of 2022. For the 2018-2022 reassessment, staff recommends that the half point remain for this first impact in this category. If ExxonMobil is successful in permitting an interim trucking program that support production of SYU, staff may conduct a mid-cycle reassessment and additional coastal impacts associated with trucking would be assessed.
- (b) In the 2013-2017 reassessment, one point (1.0) represented the cumulatively significant impact from a major oil spill. In the 2015-2017 reassessment, this impact was reduced down to zero points for the years 2016-2017 since SYU was purged of oil, its platforms' wells secured with block valves, and the wells' piping at the platforms disabled to eliminate any active flow from the wells. As noted above, staff assumes that SYU will not be operating during the five-year period and recommends zero points for this impact from 2018 to 2022, representing no risk of an oil spill (similar to years 2016 and 2017). If SYU returns to operations within the five-year period, staff would conduct a mid-cycle reassessment. The

reassessment would be similar to the 2015 assessment of 1.0 point. If ExxonMobil is successful with an interim trucking program that supports production of SYU, additional coastal impacts associated with trucking may be assessed.

In summary, for SYU’s two coastal environmentally sensitive impacts, staff recommends 0.5 CREF points be reassessed for 2018 – 2022.

**Table 1: Santa Ynez Unit Project
CREF Assessments for 2018 - 2022 Cycle**

	2018	2019	2020	2021	2022
Aesthetics	2	2	2	2	2
Tourism	0	0	0	0	0
Recreation	0	0	0	0	0
Environ Sens. Res.	0.5	0.5	0.5	0.5	0.5
Total Points	2.5	2.5	2.5	2.5	2.5
Value Per Point	\$41,800	\$41,800	\$41,800	\$41,800	\$41,800
CREF Fees/Year	\$104,500	\$104,500	\$104,500	\$104,500	\$104,500

Point Arguello Project

Below are descriptions of PAP’s remaining impacts and staff’s recommendations for the 2018-2022 reassessment. Table 2 contains the CREF fees associated with the new reassessment.

Coastal Tourism Impacts: In the 2013-2017 and 2015-2017 reassessments, zero points reflect that the cumulatively significant but mitigable tourism impacts have been mitigated to an insignificant level. For the 2018-2022 reassessment, staff recommends zero points remain. There are no anticipated changes in the five-year cycle to potentially affect this reassessment.

Coastal Aesthetics Impacts: In the 2013-2017 and 2015-2017 reassessments, two and a half points (2.5) represented the following impacts:

- (a) The project-specific and cumulatively significant and unavoidable impacts on ocean views due to three platforms; and
- (b) the project-specific and significant impact of the onshore facility.

For the 2018-2022 reassessment, staff recommends the 2.5 points remain. Even though PAP is not operating, there still remain the facility's aesthetic impacts. There are no anticipated changes in the five-year cycle to potentially affect this reassessment.

Coastal Environmentally Sensitive Impacts: There are two impacts associated with this category:

(a) In the 2013-2017 and 2015-2017 reassessments, a quarter point (0.25) represented the project-specific ongoing bank erosion at one remaining creek crossing (Middlewood Creek) along the pipeline corridor. For the 2018-2022 reassessment, staff recommends the 0.25 point remain. In 2016, FMO&G reported that there are 15 feet of exposure for the 24-inch oil pipeline and 7 feet of exposure for the 20-inch gas line. The pipelines are still exposed and no restoration of the creek channel has occurred. FMO&G is monitoring the erosion. It is anticipated that no restoration will occur until the pipelines are abandoned; therefore, no restoration for Middlewood Creek throughout the 2018-2022 reassessment period.

(b) In the 2013-2017 reassessment, one and three quarter points (1.75) represented the project-specific and cumulatively significant potential of an oil spill. In the 2015-2017 reassessment, this impact was reduced down to zero points for the years 2016-2017 since PAP was purged of oil, its platforms' wells secured with block valves, and the wells' piping at the platforms disabled to eliminate any active flow from the wells. With these protections, the likelihood of an oil spill is extremely rare.

Plains Pipeline submitted an application in August 2017 to replace the pipeline with a new pipeline. However, it is difficult to predict when the line would be operating and, subsequently, when PAP would resume production. For this five-year cycle reassessment, staff assumes that PAP will not be operating and recommends zero points for this impact from 2018 to 2022, representing no risk of an oil spill (similar to years 2016 and 2017). If PAP returns to operations within the five-year period, staff would conduct a mid-cycle reassessment, which would be similar to the 2015 assessment of 1.75 points.

In summary, for PAP's two coastal environmentally sensitive impacts, staff recommends 0.25 CREF point be reassessed for 2018–2022.

Coastal Recreational Impacts: There are two impacts associated with this category:

(a) In the 2013-2017 reassessment, one and a half (1.5) points represented project-specific and cumulatively significant impacts to Jalama Beach due to the presence of offshore platforms. In the 2015-2017 reassessment, the points were reduced to zero for 2016 and 2017 when the risk of an oil spill was reduced due to the facility being purged of oil and the platforms secured. As noted in the coastal environmentally sensitive impacts section above, staff is assuming that PAP will not be operating 2018 through 2022 and recommends zero points. If

PAP returns to operations within the five-year period, staff would conduct a mid-cycle reassessment, which would be similar to the 2015 assessment of 1.5 points.

(b) In the 2013-2017 and 2015-2017 reassessments, a half point (0.5) represented a project-specific and cumulatively significant decline of shoreline recreational experience due to industrial development. In the near future, there will be some changes to the cumulative industrial development along the Gaviota Coast once the Gaviota Marine Terminal (GMT) and the Ellwood Marine Terminal (EMT) sites are fully abandoned and restored. GMT demolition and soil remediation is underway currently. It is anticipated that restoration of the GMT site would be completely restored by 2024. It is uncertain when demolition and reclamation will begin with EMT but it is not anticipated that EMT will be fully restored within this five-year cycle. Because full restoration of both GMT and EMT would not occur in this five-year cycle, staff recommends 0.5 point for all five years (2018-2022) for this impact.

In summary, considering the two impacts associated with this category, staff recommends 0.5 point for the years 2018 through 2022.

**Table 2: Point Arguello Project
CREF Assessments for 2018 - 2022 Cycle**

	2018	2019	2020	2021	2022
Tourism	0	0	0	0	0
Aesthetics	2.5	2.5	2.5	2.5	2.5
Environ. Sens. Res.	0.25	0.25	0.25	0.25	0.25
Recreation	0.5	0.5	0.5	0.5	0.5
Total Points	3.25	3.25	3.25	3.25	3.25
Value Per Point	\$41,800	\$41,800	\$41,800	\$41,800	\$41,800
CREF Fees/Year	\$135,850	\$135,850	\$135,850	\$135,850	\$135,850

Point Pedernales Project

Below are descriptions of PAP’s remaining impacts and staff’s recommendations for the 2018-2022 reassessment. Table 3 contains the CREF fees associated with the new reassessment.

Coastal Tourism Impacts: There have never been coastal tourism impacts associated with PPP and zero points represents this no impact. For the 2018-2022 reassessment, staff recommends

zero points remain. There are no anticipated changes in the five-year cycle to potentially affect this assessment.

Coastal Aesthetics Impacts: In the 2013-2017 reassessment, one point (1.0) represented the visual impacts of the platform and the substation. The County had stated that it would reduce this category by a half point (0.5) if and when the electrical substation is screened by trees. Still, the trees are not fully screening the substation, therefore, for the 2018-2022 reassessment, staff recommends the 1.0 point remains. As stated in past reassessments, a 0.5 point reduction can apply the year following confirmation by Energy & Minerals Division that the trees are screening the electrical substation from direct view.

Coastal Environmentally Sensitive Impacts: In the 2013-2017 reassessment, three points (3.0) represented the risk of an oil spill to subtidal ecology, sea birds, and marine mammals. If offshore spills reach the coastline, there could be impacts to vegetation, wildlife and aquatic habitats and biota. Particularly noted is the potentially significant impact to the sea otter colony approximately one-mile southeast of Purisima Point, approximately 22 miles from Platform Irene and 17 miles from the oil pipeline. The sea otter population off the coast from Monterey to Santa Barbara has been increasing; the 3-year average is 3,272 total (up approximately 16% from the 2013 reassessment). The local colony of sea otters remains significant because it represents the southernmost permanent establishment of sea otters off the California coast, and it is the most vulnerable to oil spills of all marine mammals off this coast. For the 2018-2022 reassessment, there appears to be no changes to the potential impacts, therefore, staff recommends retaining the 3.0 points for the next five years.

Coastal Recreational Impacts: In the 2013-2017 reassessment, one point (1.0) reflects the significant and unavoidable impacts of an oil spill on recreational fishing. There appear to be no changes to the potential impacts, therefore, for the 2018-2022 reassessment, staff recommends retaining the 1.0 point for the next five years.

**Table 3: Point Pedernales Project
CREF Assessments for 2018 - 2022 Cycle**

	2018	2019	2020	2021	2022
Tourism	0	0	0	0	0
Aesthetics	1	1	1	1	1
Environ. Sens. Res.	3	3	3	3	3
Recreation	1	1	1	1	1
Total Points	5	5	5	5	5
Value Per Point*	\$41,800	\$41,800	\$41,800	\$41,800	\$41,800
CREF Fees/Year	\$209,000	\$209,000	\$209,000	\$209,000	\$209,000

* Assessed at \$41,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.