

Attachment A

Modified Assessment of CRMF Fees for the Point Pedernales Project (PPP) for 2023-2027

Five-Year Assessment Summary. The Coastal Resources Mitigation Fund (CRMF) Guidelines identify a process by which the CRMF mitigation fees are assessed at five-year intervals. CRMF is designed to mitigate the impacts of offshore oil development in four categories: coastal aesthetics, coastal tourism, coastal recreation and environmentally sensitive coastal resources. The original environmental review of the Point Pedernales Project (PPP) identified a number of significant impacts in these four categories, with payment of CRMF fees as partly mitigating these impacts. When assessing CRMF fees, staff assigns impact points with values of 0-5 per year in each of the four impact categories. A value of 1 represents a low impact and a value of 5 signifies a high impact. The CRMF Guidelines that were adopted in 1988 identified that each impact point had a \$20,000 value, with CPI adjustments every five years to reflect current dollars. Staff multiplies the number of impact points by the \$20,000 value in current dollars to determine an oil company's annual contribution to CRMF. The revised CPI-adjusted dollar value for the latest reassessment is \$53,100 per CRMF point.

Previously-Approved 2023-2027 Reassessment. On December 6, 2022, the Board of Supervisors approved the 2023-2027 five-year reassessment for the Point Arguello Unit, Santa Ynez Unit and Point Pedernales Project (see Table 1).

Table 1: Previously-Approved Annual CRMF Fees for 2023-2027*

PROJECT	2023	2024	2025	2026	2027
Point Arguello Unit	\$159,300	\$159,300	\$159,300	\$159,300	\$159,300
Santa Ynez Unit	\$132,750	\$132,750	\$132,750	\$132,750	\$132,750
Point Pedernales	\$238,950	\$238,950	\$238,950	\$238,950	\$238,950
CRMF Fees Per Year	\$531,000	\$531,000	\$531,000	\$531,000	\$531,000

* Assessed at \$53,100 per point, pursuant to CRMF Guidelines to reflect "1988 dollars".

However, on January 1, 2023 Phillips 66 stopped taking oil deliveries and shut in the Line 300 pipeline system. This pipeline shut in affected production at the PPP and caused Freeport-McMoRan's (FMO&G) to shut down PPP. Phillips 66 is not planning on reactivating the pipeline system. Subsequently, FMO&G has removed all oil from PPP's platform and pipelines. As such, many of the CRMF potential impacts associated with PPP will not occur in 2023 as predicted in the 2023-2027 five-year reassessment.

PPP Modified CRMF Assessment for 2023-2027. FMO&G stopped producing oil at Platform Irene on December 26, 2022 due to the shutdown of the Phillips 66 pipeline on January 1, 2023. Following the production shut down, FMO&G:

- Cleaned and shut in PPP's offshore/onshore pipeline. Two cleaning devices, called pigs, were shipped in PPP's oil pipeline with a corrosion inhibitor/diesel pill between them. The pigs were shipped using biocide-treated seawater, and after the pigs were received at the Lompoc oil and gas plant the line was shut-in at both ends and remains filled with treated seawater.
- Drained all hydrocarbons and depressurized all production systems and piping at PPP's platform.
- Secured PPP's platform wells, disabling active oil flow. Each well is equipped with at least three barriers to flow, including block valves. Certain wells are also equipped with a subsurface safety valve, creating a fourth barrier on the wells so equipped. The wells with subsurface safety valves will be tested every six months to meet the U.S. Department of Interior's Bureau of Safety and Environmental Enforcement regulations.
- Is regularly reading pressure gauges and recording the pressure of each of the wells at the platform.

Many of PPP's CRMF impacts are associated with the risk of an oil spill. With these protections at the platform, the likelihood of an oil spill is extremely small. Therefore, for CRMF assessment purposes, staff does not consider PPP to have any measurable risk of an oil spill. It is unknown when PPP will begin producing oil again. When oil production resumes, fees associated with oil spill impacts will be applied on a prorated basis for the months producing oil.

Below are descriptions of PPP's remaining impacts, associated points and staff's recommendations for the modified assessment and Table 2 summarizes the impact points.

Coastal Tourism Impacts: There have never been coastal tourism impacts associated with PPP and zero points represents this. For the modified assessment, staff recommends zero points remain.

Coastal Aesthetics Impacts: In the 2023-2027 reassessment, a half point represents the visual impacts of the platform and the electrical substation at Surf Beach. The non-operational PPP does not affect the aesthetics of platform and electrical substation. For the modified assessment, staff recommends the half point remains.

Coastal Environmentally Sensitive Impacts: In the past reassessments, including the 2023-2027 reassessment, three points represent 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. However, given PPP's current hydrocarbon-free status, including protections at the platform wells, the likelihood of an oil spill is extremely small.

Therefore, for CRMF assessment purposes, staff does not consider PPP to have any measurable risk of an oil spill. Staff recommends the points for this impact be reduced from three points to zero points for 2023-2027.

Coastal Recreational Impacts: In the last few reassessments, including the 2023-2027 reassessment, one point reflects the significant and unavoidable impacts of an oil spill on recreational fishing. As noted in the impact discussion above, given PPP’s current hydrocarbon-free status, the likelihood of an oil spill is extremely small. Therefore, for CRMF reassessment purposes, staff does not consider PPP to have any measurable risk of an oil spill. Staff recommends the impact point for this impact be reduced from one point to zero points.

Table 2: PPP’s Previously-Approved and Modified CRMF 2023-2027 Assessment

Impact Category	Previously-Approved 2023-2027 Impact Points	Modified 2023-2027 Impact Points
Coastal Tourism	0	0
Coastal Aesthetics	0.5	0.5
Environmentally Sensitive Coastal Resources	3	0
Coastal Recreation	1	0
Total Impact Points	4.5	0.5

As stated above, it is unknown when PPP will begin producing oil again. If and when PPP is able to produce oil again, the impact points from the 2023-2027 reassessment that was approved by the Board on December 6, 2022 will be reapplied. If production occurs mid-year, staff would prorate the fees based on the number of months in secured mode and production mode.

Table 3 below shows the modified annual CRMF fees for 2023-2027 for the Point Arguello Unit, Santa Ynez Unit and Point Pedernales Project.

Table 3: Modified Annual CRMF Fees for 2023-2027*

PROJECT	2023	2024	2025	2026	2027
Point Arguello Unit	\$159,300	\$159,300	\$159,300	\$159,300	\$159,300
Santa Ynez Unit	\$132,750	\$132,750	\$132,750	\$132,750	\$132,750
Point Pedernales	\$26,550	\$26,550	\$26,550	\$26,550	\$26,550
CRMF Fees Per Year	\$318,600	\$318,600	\$318,600	\$318,600	\$318,600

* Assessed at \$53,100 per point, pursuant to CRMF Guidelines to reflect “1988 dollars”.