AB-2257 State lands: oil and gas leases: cost study. (2021-2022)

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Assembly Bill No. 2257

CHAPTER 692

An act to add Section 6880 to the Public Resources Code, relating to state lands.

[Approved by Governor September 28, 2022. Filed with Secretary of State September 28, 2022.]

LEGISLATIVE COUNCIL'S DIGEST

AB 2257, Boerner Horvath. State lands: oil and gas leases: cost study.

Existing law establishes the State Lands Commission in the Natural Resources Agency. Existing law authorizes the commission to lease tide and submerged lands and beds of navigable rivers and lakes for purposes of the extraction of oil and gas, as provided. Existing law prohibits a state agency or state officer from entering into any new lease for the extraction of oil or gas from the California Coastal Sanctuary, except as provided.

This bill would, contingent upon an appropriation of funds by the Legislature for this purpose, require the commission to develop, on or before December 31, 2024, a cost study that evaluates the fiscal impact of a voluntary relinquishment of any lease interests in actively producing state offshore oil and gas leases in state waters, as provided. The bill would require the commission, on or before December 31, 2023, to hold at least one public hearing related to the cost study, as provided. The bill would require the commission, on or before December 31, 2023, to submit a status update on the cost study to the Governor and the Legislature, as provided. The bill would require the commission, on or before December 31, 2024, to submit the cost study to the Governor and the Legislature, as provided. The bill would require the commission to make the cost study available on its internet website.

Vote: majority   Appropriation: no   Fiscal Committee: yes   Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) The climate crisis is an existential threat and the need to reduce greenhouse gas emissions grows more urgent each passing day.

(b) The global temperature for January 2022 was the sixth highest for January in the 143-year National Oceanic and Atmospheric Administration record, which dates back to 1880. According to the National Centers for Environmental Information’s Global Annual Temperature Rankings Outlook, there is a greater than 99-percent chance that the year 2022 will rank among the 10 warmest years on record.

(c) The amount of future warming the Earth will experience depends on how much carbon dioxide and other greenhouse gases are emitted in coming decades. Today, burning fossil fuels and clearing forests add about 11 billion metric tons of carbon to the atmosphere each year.

(d) The United Nations' Intergovernmental Panel on Climate Change has found that emissions from fossil fuels are the dominant cause of climate change. In 2018, 89 percent of global carbon dioxide emissions came from fossil fuels and industry. Oil, a fossil fuel that releases carbon dioxide and other greenhouse gas emissions when burned, exacerbates the impacts of climate change and releases pollutants that lead to early death, heart attacks, respiratory disorders, stroke, asthma, and absenteeism at school and work.

(e) The State of California, the fifth largest economy in the world, is aggressively pursuing various options to reduce greenhouse gas emissions and decelerate the impacts of climate change by building on and accelerating successful approaches to carbon reduction by transitioning to a clean energy economy, drastically reducing the use of fossil fuels, achieving carbon neutrality by 2045 or sooner, and significantly cleaning the state's air, especially in disadvantaged communities disproportionately burdened by persistent pollution.

(f) While advances in clean energy development are enabling California to transition from fossil fuels to clean energy, California will require much deeper greenhouse gas emissions reductions to reach its 2030 target of 40 percent below 1990 levels, and carbon neutrality no later than 2045, or sooner.

(g) Although California banned new offshore oil and gas leases through the California Coastal Sanctuary Act of 1994 (Chapter 3.4 (commencing with Section 6240) of Part 1 of Division 6 of the Public Resources Code), there are 11 actively producing offshore oil and gas leases in state waters. These leases lack end dates and can continue to operate indefinitely, as long as it is economically feasible to continue to produce oil and gas and the lessee is in compliance with all lease terms.

(h) In October 2021, an underwater pipeline operated by Amplify Energy Corp. ruptured, spilling nearly 25,000 gallons of oil into the Pacific Ocean and causing beach and fisheries closures, oiling wildlife, damaging the environment, and harming the regional and state coastal economies.

(i) California's coastal economy annually employs 12.3 million people, earning a total of almost $883.5 billion and equating to over $2 trillion in gross domestic product.

(j) The risk of an oil spill, and the economic and environmental catastrophe that could follow, coupled with the fact that fossil fuels exacerbate climate change, call for California to seek out ways to quicken the end of offshore oil and gas development.

(k) A cost study that assesses the potential fiscal impact of a voluntary relinquishment of the state's last actively producing offshore oil and gas leases will provide the knowledge necessary for informed decisionmaking and practical solutions to end offshore oil and gas development, which, from a climate change, environmental, and public health perspective, is vital.

(l) A cost study that assesses the potential fiscal impact of a voluntary relinquishment of the remaining offshore oil and gas lease interests is consistent with California's role as a global leader in climate protection.

SEC. 2. Section 6880 is added to the Public Resources Code, immediately following Section 6879, to read:

6880. (a) Contingent upon an appropriation of funds by the Legislature for this purpose, the commission shall develop, on or before December 31, 2024, a cost study that evaluates the fiscal impact of a voluntary relinquishment of any lease interests in actively producing state offshore oil and gas leases in state waters.

(b) The cost study shall consider at least all of the following factors:

(1) Expected duration of oil production at the time of leasing.

(2) State revenues received to date.

(3) Expected remaining life of the reservoir based on proven reserves.

(4) Reasonably anticipated unrealized lessee revenues and profits.

(5) Reasonably anticipated unrealized state revenues.

(6) Lessees' decommissioning and restoration costs.

(c) (1) On or before December 31, 2023, the commission shall hold at least one public hearing at a properly noticed public commission meeting to discuss the cost study described in this section.

(2) After the hearing described in paragraph (1), on or before December 31, 2023, the commission shall provide a status update on the cost study to the Governor and the Legislature. The status update shall include, but not be limited to, all of the following:

(A) A proposed outline of the cost study elements.

(B) Identified data gaps.

(C) Preliminary analysis, conclusions, and recommendations.

(D) Any public comments received by the commission.

(d) (1) On or before December 31, 2024, the commission shall submit the cost study prepared pursuant to this section, including recommendations to advance the end of offshore oil and gas development consistent with the legislative findings and declarations of Section 1 of Assembly Bill 2257 of the 2021–22 Regular Session, to the Governor and the Legislature.

(2) The commission shall make the cost study available on its internet website.

(e) (1) The cost study submitted to the Legislature pursuant to paragraph (1) of subdivision (d) and the status update submitted to the Legislature pursuant to paragraph (2) of subdivision (c) shall be submitted in compliance with Section 9795 of the Government Code.

(2) (A) Pursuant to Section 10231.5 of the Government Code, the requirement to submit a report imposed pursuant to paragraph (1) of subdivision (d) shall become inoperative on December 31, 2028.

(B) Pursuant to Section 10231.5 of the Government Code, the requirement to submit a report imposed pursuant to paragraph (2) of subdivision (c) shall become inoperative on December 31, 2027.