

Failures of California's first plan to stop offshore oil drilling cast shadow over new efforts

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Offshore oil derricks dotting the California coastline continue pumping despite a history of catastrophic spills and vows from generations of

politicians to send them to the scrapheap. They've even survived a modest attempt by state officials more than a decade ago to offer incentives to oil companies that chose to abandon their costly operations.

Now, the failure of California's "Rigs to Reefs" program, an effort to transform oil platforms into underwater artificial reefs, stands as a cautionary tale to those who have called for a drilling ban after thousands of gallons of crude washed ashore in Orange County in October.

"The question that we've been grappling with is how do we minimize risks to taxpayers and maximize the speed with which we can get these things gone," said state Sen. Bob Hertzberg, D-Van Nuys. "No one wants to deal with the oil companies, but the reality of the situation is you're gonna have to create a structure that works for everybody. Otherwise, we're going to continually be in this situation and there will be another spill."

Fed by concerns from some environmental advocates and a skepticism about the motives of California's billion-dollar oil industry, the Rigs to Reefs program that passed in 2010 was so complicated by political compromise that the permitting process became almost unworkable, Hertzberg said.

Not a single oil company has applied in the history of the program, according to the State Lands Commission, which has jurisdiction over state waters.

For years, Hertzberg made unsuccessful attempts to streamline the program, which was crafted by former Democratic Assembly Speaker John A. Pérez and signed into law by Republican Gov. Arnold Schwarzenegger in 2010. Hertzberg said he hasn't decided whether he'll try again to revive the Rigs to Reefs program in 2022, saying he'll have to see whether the idea has any support in the Legislature.

"If there's anything positive out of this oil spill it's possibly to reignite this conversation ... we all realize these oil platforms need to be decommissioned and come out," Garry Brown, president of the clean water advocacy group Orange County Coastkeeper, said during a hearing with state lawmakers on the Orange County oil spill this month. Brown supported the Rigs to Reef law.

"Oil companies want a clear path to compliance," he said. "They're operating in many cases at a loss, but it's cheaper to operate at a loss than it is to face millions for decommissioning."

In the meantime, there are calls to eliminate offshore drilling altogether.

Just days after a submerged oil pipeline spilled an estimated 25,000 gallons into the ocean off Huntington Beach in October, state Sen. Dave Min, D-Irvine, promised to introduce a bill in 2022 to end all drilling in California state waters, including under existing leases.

"We think we can do this. We know that big oil will come after us when we have a bill with everything they've got," Min said. "But enough is enough. I don't want to be back having this conversation in two years or five years or 10 years when we've had another major oil spill."

But Min, a former business law professor at the University of California, Irvine, acknowledges that the "politics will be tricky."

California has no authority over the 23 oil platforms in federal waters, which generally are marked by a three-mile buffer from the coast. Since offshore oil facilities in state waters have existing leases, shutting them down under the state's eminent domain powers could cost taxpayers hundreds of millions of dollars, if not more.

Min said he is exploring ways to avoid having the state absorb the cost of

decommissioning the platforms, such as legislation that would require oil companies to pay those costs upfront.

The cost of decommissioning oil platforms in federal waters off California, including capping the wells, removing the platforms and clearing away the contaminated waste and debris on the ocean floor, would total more than \$1.6 billion, according to a 2020 report conducted on behalf of the U.S. Bureau of Safety and Environmental Enforcement.

But that estimate could be low, particularly if compared with a current decommissioning project in state waters off the coast of Santa Barbara County.

The state of California took control of Platform Holly in 2017 after its operator, Venoco, filed for bankruptcy and ceased operations, giving state authorities just days to hire a crew to maintain the rig and ensure it didn't unleash any health or environmental hazards. Holly is one of four oil platforms in state waters, which extend three miles from the coast.

Jennifer Lucchesi, executive director of the State Lands Commission, told state lawmakers that the original operator of Holly, Exxon Mobil Corp., is responsible for plugging all the wells and removing the platform in its entirety. The company has estimated the cost to be \$350 million, though that was before the pandemic, so the price has likely increased, she said.

The state, however, is responsible for picking up a quarter of the cost, which is expected to run at least \$132 million. Combined, the cost for removing that single oil platform is fast approaching half a billion dollars.

Lucchesi, who testified at two recent legislative hearings on the Orange County oil spill, said the State Lands Commission currently oversees 11

oil and gas leases in state waters, which were issued between 1938 and 1968. Those leases have no end date and will continue as long as it is "economical" for the oil companies to continue production, she said.

At the hearings, Hertzberg, Min and others expressed concern that the current operators of those offshore facilities may abandon the platforms once the oil deposits are gone. If they do, and then file for bankruptcy protection, state taxpayers may have to pay the cost of removing the rigs.

That very scenario is playing out off the coast of Ventura County, where the state faces what could be an extremely expensive cleanup of Rincon Island, an artificial, 2.3-acre island built in the 1950s by the Atlantic Richfield Co., known as ARCO.

In 2016, the leaseholder of the oil production facility, Rincon Island Limited Partnership, filed for bankruptcy while facing regulatory action by the state for posing a significant risk to the environment from an uncontrolled oil spill.

A spokesperson for the State Lands Commission said there is no estimate for the total cost of the cleanup.

To qualify for California's Rigs to Reefs program, oil companies must prove that partially removing the oil platforms would provide a benefit to the marine environment, including sea life. The top of the structures, some of which stretch more than 1,000 feet down to the seafloor, must be removed down to 85 feet below the surface to allow for ships to pass overhead.

Oil companies would remain responsible for capping all of their wells.

Doing so can save oil companies millions of dollars, offering the incentive to cease offshore oil production that may be on the wane. That

program, available to operators in state and federal waters, remains active though it hasn't been used.

The financial benefits under the 2010 program are on a sliding scale, and the savings realized by converting an oil rig to a reef, rather than removing it entirely, are split with the state. Initially, a company could have pocketed 45% of those savings, with the state receiving 55%—most of which would be dedicated to ocean preservation efforts. The percentages change as time passes, with oil operators receiving less of a benefit. Until 2023, oil operators would receive 35%, and after that 20%.

The federal government has a similar Rigs to Reefs program, created in 1984, that runs in coordination with states that rim the Gulf of Mexico. Under that program, oil companies are allowed to dump the remains of [oil platforms](#) in designated "reef zones" in the gulf, providing a habitat for sea life and a benefit to recreational anglers and the commercial seafood industry.

The California program is different, however, since the lower portion of oil rigs converted to reefs would remain in place and the tops of the platforms would be hauled ashore for disposal.

Linda Krop, chief counsel of the Environmental Defense Center in Santa Barbara, questioned whether the California program would provide much benefit to sea life, particularly for creatures that thrive near the water's surface, because the platforms would be chopped off 85 feet below sea level.

Krop also expressed concern that oil companies would not do an adequate job of cleaning up pollution and damage to the seafloor. In the past, oil companies decommissioning platforms off California's coast have left mounds of contaminated debris on the ocean floor that

included pipes, heavy metals and toxins, she said.

Richard Charter of the Ocean Foundation, a group that advocates for the protection of ocean environments, said [oil companies](#) should not be allowed to skirt their responsibility to clean up their own messes.

All oil producers, when they sign a lease, promise to remove their derricks and restore the ocean floor to its natural state. After extracting millions of dollars of oil from state or federal lands, he said, why should they be let off the hook?

"In California, all we're asking the oil industry to do is what they promised to do, which is remove the rig, restore the seabed and make us whole, and do it in a way that's safe," Charter said. "You can't be leaving a ticking time bomb of partially decommissioned rigs off the coast of California when the original companies already hauled away a huge amount of money. Rigs to Reefs is simply giving them a gift of taxpayer dollars."

Though relics of California's booming oil industry, the offshore platforms have endured because of generous leases granted by the state and federal governments during an era when oil was seen as a coveted engine to economic prosperity.

Char Miller, professor of environmental analysis at Pomona College, said momentum to curtail oil production and transition toward an economy driven by renewable, carbon-free energy is growing. But it won't happen overnight, and it's doubtful that offshore oil will disappear as fast as people may want, he said.

"Petroleum's days are numbered," Miller said. "But the reality is that human beings at the moment are willing to accept the climate change that's happening already so that we can keep driving our cars. What we

need are more and more people to say: 'You know what, this balancing act is no longer effective.'"

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