Any effort to limit California offshore oil could be costly to taxpayers

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An ambitious legislative effort to shut down three offshore oil rigs along the Orange County coast, where beaches and fragile wetlands were soiled after a major spill in October, could be hobbled by concerns over the eventual cost to California taxpayers.

The complexities of removing even a handful of oil platforms off California shores were the focus of a hearing Tuesday in Sacramento, a reminder of why the state's billion-dollar oil industry has remained resilient for generations—even in an era when prominent California Democrats are aggressively pushing for a transition to a renewable-energy-based economy that reduces oil and gas consumption and production.

Senate Bill 953, a proposal that cleared its first hurdle Tuesday, would allow the State Lands Commission to terminate offshore oil leases by the end of 2024 if purchase agreements with oil companies cannot be negotiated beforehand. The bill would affect only three operating offshore oil platforms in state waters along the Orange County coast. The 23 oil platforms in federal waters, which are farther off the coast, would not be affected.

Though both oil producers and California's powerful trade unions oppose the bill, concerns expressed by some Democrats about the state's potential financial liability pose one of the greatest obstacles to the measure. Although the legislation passed the Senate Natural Resources and Water Committee, several Democrats said the measure's fate may rest heavily on the price tag, which has yet to be determined.

"Money's not printed on trees," said state Sen. Bob Hertzberg, D-Van Nuys. "So you're saying we're going to take this money out of foster care or we're going to take it out of money that we need to build housing for homeless? We in government have an obligation, as we spend tax dollars, to balance this."

State Sen. Dave Min, D-Irvine, the author of the bill, said SB 953 still faces "perilous hazards" as it winds through the Legislature. But he remains hopeful that as negotiations with the oil industry, environmental leaders and union representatives continue, the bill's prospects will brighten.

Min filed the legislation after an October oil spill off Huntington Beach dumped an estimated 25,000 gallons into the ocean. Investigators suspect it was caused by a cargo ship anchor snagging a 17-mile-long pipeline that runs from an oil platform in federal waters to the Port of Long Beach.

"I think it's clear that the risks posed by offshore drilling are not justified by their benefits. Offshore oil production in both federal and state waters in California accounts for less than 0.3% of annual production in the United States," Min told the committee Tuesday. "At the same time, these offshore rigs threaten a vibrant California coastal economy that generates $44 billion a year in economic activity and employs over a half-million Californians."

Victoria Rome of the Natural Resources Defense Council told lawmakers that the only way to avoid catastrophic oil spills off the California coastline is to transition off fossil fuels.

If signed into law, Min's bill would require the State Lands Commission to conduct an amortization study of the three oil and gas leases in state waters. The study would include an estimate of the expected revenue from the leases and the expected costs the oil companies face in decommissioning the oil rigs—a requirement in the existing leases—including removing all structures, plugging wells and restoring the ocean floor.

For example, Min said, state officials estimate that one of the platforms off the Orange County coast would cost $92 million to decommission. If the oil company's revenue from that lease were estimated to be $100 million, the state would be required to pay the company $8 million and also be responsible for the cost of removing the oil platform.

Hertzberg and other lawmakers specifically mentioned the costs that have arisen in the decommissioning of Platform Holly off the Santa Barbara coast, expressing concern that the state may end up in a similar predicament with the oil rigs off Orange County. The state of California took control of Platform Holly in 2017 after its operator, Venoco, filed for bankruptcy and ceased operations.

Jennifer Lucchesi, executive director of the State Lands Commission, in January 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. The state, however, is responsible for picking up a quarter of the tab, which is expected to run at least $132 million.

Sean Wallentine of the California Independent Petroleum Assn. told lawmakers the organization opposes the bill "in its current form" because of a provision that allows the state to terminate a lease if a settlement cannot be negotiated. That could be considered a legal "taking" by the state, since the oil leases in question were legally obtained, and the matter could turn into an expensive battle in court.

Chris Hannan, executive secretary of the Los Angeles/Orange Counties Building and Construction Trades Council, also testified in opposition. Hannan said reducing oil production in California would lead to more oil being shipped in via tanker, which also poses environmental risks.

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