CITY OF LONG BEACH

Office of the City Manager
411 West Ocean Boulevard, 10th Floor Long Beach, CA90802
(562) 570-6711 FAX (562) 570-7650

September 2, 2022

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: Concerns Related to the Impacts of Senate Bill 1137 (Gonzalez and Limón)—Oil and Gas Operations

Dear Governor Newsom,

I write to express the City of Long Beach's substantial concerns related to the impacts of Senate Bill 1137 (Gonzalez and Limón). The City fully supports the intent of the legislation to advance health equity and mitigate the impacts of climate change, and Long Beach has been a leader in this field. However, SB 1137 will have significant impacts on the City's ability to safely manage the environmental risk of subsidence; reserve funding for oil well abandonment; and fund climate, health, and youth programs in Long Beach. Long Beach knows that oil is not in our long-term future, but any transition requires meticulous planning, funding of environmental responsibilities, and recognition of legal commitments entered into by previous legislative bodies.

<u>Approximately Half of the Long Beach Unit Likely Affected</u>

SB 1137's setback for oil and gas wells within 3,200 feet of sensitive receptors is much more expansive than what the Legislature and CalGEM have previously proposed. City staff estimate that at least half of the Long Beach Unit could be directly impacted. For wells within this greatly expanded setback distance, the bill would eliminate any opportunity to repair or maintain existing well operations, redrill wells within existing surface locations, and potentially even limit the City's ability to address subsidence through injection wells.

<u>Long Beach Already Planning for a Potential 2035 End Date</u>

In line with the legislation's intent, the City is currently planning for a phase-out of oil and gas extraction activities as early as 2035, by funding an aggressive abandonment program. The City's proposed FY 23 budget includes funding to study the legal and contractual obligations, financial liabilities, and other consequences of this transition. SB 1137 will significantly expedite the City's current timeline, thereby undermining the City's and the State's efforts to fully fund abandonment and the environmental responsibilities owed by the oil field itself. Significant changes to this timeline will burden taxpayers with the responsibility to abandon the wells, rather than appropriately placing that burden on the oil field.

<u>Environmental Liability Underfunded – Proposal Transfers Responsibility to Taxpayers</u>

The City's abandonment liability is estimated between $140-180 million, and we have reserved roughly 45 percent of the lower amount or $60 million. The State also has an abandonment liability upwards of $1 billion but have only reserved $300 million, far behind the City's efforts. This year with oil prices at historic highs, the City has initiated an increase of 25 percent more to save for the City's abandonment liability costs by 2035. However, by ending oil production well before we can reserve the full abandonment liability, the City and State would have to identify alternative resources to fill the gap, in the hundreds of millions of dollars, burdening taxpayers rather than the oil field to fund this responsibility.

Significant Local and State Revenue Impacts Projected

Oil revenues are dependent on the price of oil and the amount of oil extracted at any given time. At elevated oil prices over the past year, it is estimated that the State will net approximately $140 million in this fiscal year. For FY 23, the City anticipates nearly $20 million in oil revenues from the Tidelands and another $8 million from the Uplands, with nearly $9 million of those revenues reserved for abandonment. These funds are essential to support capital improvement projects for the City.

Proposal Would Reduce Funding for Equity, Youth Programs, Public Health and Public Safety

Furthermore, through citizen-passed initiatives, the City allocates additional oil revenues to public safety, climate action, youth programs, and public health—all of which will be negatively impacted by the severe decline in revenues due to SB 1137. In FY 23 alone, $2.7 million will support public safety and another $1.24 million will fund climate action and environmental programs, public health equity, and children and youth services. The legislation will directly undermine the City's ability to fund these vital programs, leading to large reductions in these critical areas.

Future Environmental Risk Not Considered

The proposal not only poses fiscal impacts to the City and State but also environmental risks. Well after oil extraction ends, the City has a responsibility to manage the issue of subsidence. The legislation does not clearly allow for activities such as the drilling of injection wells to prevent subsidence, which would be detrimental to the health and safety of surrounding communities. Moreover, the proposal would hamper our ability to continue the wetlands habitat restoration project in the Los Cerritos wetlands.

A Thoughtful Long-Term Approach is Needed

The State just engaged in a thoughtful effort to phase out the use of gas automobiles by 2035, creating time for the industry and local economies to adapt. The same thoughtful, long-term approach should be used to consider the economic, environmental, and legal aspects to oil production in California. We urge you to consider the magnitude of this legislation, and take the time to fully understand the issue, weigh the legal and environmental commitments, and address the issues outlined above.

If you have any questions about the impacts of this legislation on the City's efforts to save for abandonment, manage the issue of subsidence, or fund critical community programs and capital projects, please do not hesitate to contact Tyler Bonanno-Curley, Manager of Government Affairs, at Tyler.Curley@longbeach.gov or 562-570-5715.

Sincerely,

THOMAS B. MODICA
City Manager