

SENATE RULES COMMITTEE

AB 2503

Office of Senate Floor Analyses

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THIRD READING

Bill No: AB 2503

Author: John A. Perez (D)

Amended: 8/20/10 in Senate

Vote: 21

SENATE NATURAL RES. & WATER COMMITTEE: 9-0, 6/29/10

AYES: Pavley, Cogdill, Hollingsworth, Huff, Kehoe, Lowenthal, Padilla,
Simitian, Wolk

SENATE APPROPRIATIONS COMMITTEE: 10-1, 8/12/10

AYES: Kehoe, Ashburn, Alquist, Corbett, Emmerson, Leno, Price, Walters,
Wolk, Wyland

NOES: Yee

ASSEMBLY FLOOR: 73-0, 6/2/10 - See last page for vote

SUBJECT: Ocean resources: marine resources and preservation

SOURCE: Author

DIGEST: This bill establishes a program to allow for the partial removal of existing off-shore oil platforms. Any cost savings realized from partial removal would be split between the state and the platform owner. This bill specifies that any state proceeds would largely be provided to a new endowment corporation and would be used for various ocean-related purposes.

Senate Floor Amendments of 8/20/10 (1) designate the Resources Agency as the lead agency for the purposes of the California Environmental Quality Act instead of the State Lands Commission, (2) modify the way startup costs shall be paid for the decommissioning program, and (3) clarify how the state

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will be indemnified for liability assumed when taking ownership of a decommissioned offshore oil structure.

ANALYSIS: Under current state and federal law, as well as leases authorized by the state and federal government, owners of offshore oil platforms are required to fully remove platforms at the end of their lease term. There are 27 oil platforms off the California coast (four are in state waters and 23 are in federal waters). Federal law allows for partial removal of oil platforms, provided that certain conditions are met, including the enactment of a law allowing for partial removal in the adjacent state.

This bill establishes a program under which an offshore oil platform owner is allowed to partially remove a platform, leaving behind some of the underwater structure for marine habitat.

A platform owner could (voluntarily) apply to the Department of Fish and Game (DFG) for permission to partially decommission an oil platform. The applicant would be responsible for reimbursing the state for costs incurred reviewing the application and taking other actions under the bill. The Ocean Protection Council would determine whether partial removal of a platform would provide a net environmental benefit. The State Lands Commission would be responsible for determining the cost savings associated with partial removal of an oil platform, as opposed to full removal.

DFG would be authorized to approve partial removal of an oil platform if (1) partial removal conforms to all existing state and federal laws, (2) partial removal would result in a net environmental benefit, (3) the cost savings from partial removal have been determined, (4) the platform owner has agreed to provide sufficient funds to cover state regulatory costs, (5) the platform owner has agreed to provide funding sufficient to manage the remaining structure, (6) the platform owner has indemnified the state from any liability associated with the structure, and (7) the platform owner has received all required permits.

In order for DFG to provide final approval for partial removal, the applicant must provide a portion of the cost savings to the state. Before 2017, the applicant must provide the state 55 percent of the cost savings, from 2017 to 2023, the state share is 65 percent, and after 2023, the state share is 80 percent.

The state share of the cost savings is to be apportioned as follows: 85 percent shall be transferred to an endowment corporation created under the bill; 10 percent is to be deposited in the General Fund; two percent shall be deposited in a special fund and used for coastal protection activities; two percent shall be deposited into the Fish and Game Preservation Fund for expenditure; and one percent shall be deposited with the board of supervisors of the county immediately adjacent to the location of the facility.

This bill creates the California Endowment for Marine Preservation as a public benefit corporation. The Endowment is governed by a board made up of the Secretary for Natural Resources, the Secretary for Environmental Protection, one member appointed by each of the Governor, the Senate Rules Committee, and the Speaker of the Assembly. The Endowment would directly receive 85 percent of the state's share of any cost savings from a partial removal of an offshore oil platform. The Endowment is directed to hold those funds in trust as an endowment and generally to only use interest earnings from the endowment to fund a variety of activities related to the protection of the marine environment.

This bill requires the Endowment to report annually to the Governor and the Legislature on its activities and makes the Endowment subject to audit by the Bureau of State Audits.

This bill requires the State Coastal Conservancy, upon DFG's final approval of the first application to create and update, as specified, an advisory spending plan for cost savings deposited in the Endowment. The Conservancy will be required to submit a copy of the spending plan and all updates to the Legislature, and the Board of Directors of the California Endowment for Marine Preservation.

This bill allows a partial decommissioning of an offshore oil rig under specific conditions. This bill allows the first applicant to be reimbursed for paying the startup costs of the artificial rig program, should their partial decommissioning application be accepted. This bill clarifies that the applicant must provide an insurance policy, cash settlement, or other similar mechanism in the indemnification agreement to assure that the state's liability would be covered in perpetuity.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

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<u>Major Provisions</u>	<u>Fiscal Impact (in thousands)</u>			<u>Fund</u>
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	
Fish and Game review	\$750	\$1,700	\$1,700	Special*
State Lands Commission review	\$450	\$450	\$1,900	General**
Revenues from cost savings	Unknown revenues, potentially in the tens or hundreds of millions in future years			Various

* Fish and Game Preservation Fund. Ultimately offset with fees.

** Ultimately offset with fees

SUPPORT: (Verified 8/23/10)

Audubon California
 California League of Conservation Voters
 Monterey Bay Aquarium
 Ocean Conservancy
 Oceana
 The Nature Conservancy
 United Anglers of Southern California

OPPOSITION: (Verified 8/23/10)

Environmental Defense Center
 Sierra Club California

ASSEMBLY FLOOR:

AYES: Adams, Ammiano, Anderson, Arambula, Bass, Beall, Bill Berryhill, Blakeslee, Block, Blumenfield, Bradford, Brownley, Buchanan, Caballero, Charles Calderon, Carter, Chesbro, Conway, Cook, Coto, Davis, De La Torre, De Leon, DeVore, Emmerson, Eng, Evans, Feuer, Fletcher, Fuentes, Fuller, Furutani, Gaines, Galgiani, Garrick, Gilmore, Hagman, Hall, Harkey, Hayashi, Hernandez, Hill, Huber, Huffman, Jeffries, Jones, Knight, Logue, Bonnie Lowenthal, Ma, Mendoza, Miller, Monning, Nestande, Niello, Nielsen, Norby, V. Manuel Perez,

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Portantino, Ruskin, Salas, Saldana, Silva, Skinner, Smyth, Solorio,
Swanson, Torlakson, Torres, Torrico, Tran, Villines, John A. Perez
NO VOTE RECORDED: Tom Berryhill, Fong, Lieu, Nava, Audra
Strickland, Yamada, Vacancy

CTW:mw 8/23/10 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

**** **END** ****