SENATE COMMITTEE ON ENVIRONMENTAL QUALITY
Senator Blakespear, Chair
2025 - 2026 Regular

Bill No:	SB 237		
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Urgency:	No	**Fiscal:**	Yes
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SUBJECT: Oil spill prevention: gasoline specifications: suspension: California Environmental Quality Act: exemptions: County of Kern: transportation fuels assessment: coastal resources

DIGEST: This bill contains a number of provisions that seek to safely and responsibly increase in-state oil production (such as through testing of previously-idled pipelines, greater disclosure of financial assurances, and resolving ongoing litigation in favor of easier approval of drilling permits in Kern County), while also soliciting additional information to mitigate rising fuel costs (such as by relaxing California gasoline standards) and assess medium- to long-term strategies in line with recent work from the California Energy Commission (CEC).

ANALYSIS:

Existing law:

1) Establishes the CEC as a five-member commission within the Natural Resources Agency and tasks the CEC with monitoring, analyzing, and making recommendations on statewide trends in the energy sector, including fuel supply and demand. (Public Resources Code §25200 et. seq.)

2) Establishes California Geologic Energy Management Division (CalGEM) for the purposes of overseeing the drilling, operation, maintenance, and removal of oil and gas wells. Existing law specifies the duties of CalGEM regarding authorization of oil and gas exploration within California. (Public Resources Code §3000 et. seq.)

3) Requires the Office of the State Fire Marshal (OSFM) to adopt hazardous liquid pipeline safety regulations that comply with federal law regarding hazardous liquid pipeline safety. Establishes certain recordkeeping and reporting requirements for hazardous liquid pipeline operators. (Government Code §51010 et. seq.)

4) Establishes the Office of Oil Spill Prevention and Response (OSPR) in the California Department of Fish and Wildlife as the state's principal regulator for oil spill prevention and response pursuant to the Lempert-Keene-Seastrand Oil Spill Prevention and Response Act (Act) (Government Code (GOV) §§8574.1 *et seq.*, GOV §§8670.1 *et seq.*, Public Resources Code §§8750 *et seq.*).

5) Institutes CEQA, which requires lead agencies with the principal responsibility for carrying out or approving a project to prepare a negative declaration (ND), mitigated negative declaration (MND), or environmental impact report (EIR) for the project, unless the project is exempt from CEQA. (Public Resources Code (PRC) §21000 et seq.). If a project may have a significant effect on the environment, the lead agency must prepare a draft EIR. (CEQA Guidelines §15064(a)(1), (f)(1))

6) Establishes and defines a Program EIR (PEIR) in the CEQA guidelines as an EIR which may be prepared for a series of actions that can be characterized as one large project and are related either:
   a) Geographically;
   b) As logical parts in the chain of contemplated actions;
   c) In connection with issuance of rules, regulations, plans, or other general criteria to govern the conduct of a continuing program; or
   d) As individual activities carried out under the same authorizing statutory or regulatory authority and having generally similar environmental effects which can be mitigated in similar ways. (C.C.R. CEQA Guidelines § 15168)

This bill, very briefly:

1) Makes findings and declarations regarding, among other things, California's mid-transition phase in which the state must simultaneously continue supporting the rapid expansion of a zero-emission and low-carbon transportation system while actively retiring the incumbent fossil fuel-based systems.

2) Requires the OSPR to solicit feedback on and periodically update its worst case scenario spill volumes, and make necessary conforming changes to regulations through rulemakings.

3) Requires the OSPR to list, among other things, all applications for certificates of financial responsibility, and to revise with public input worst case scenario spill volumes, and operators' assurance of financial responsibility in case of a spill.

4) Requires pipelines of a certain size that have been out of service for more than five years (which would notably include certain pipelines serving the Sable Offshore Corporation's Santa Ynez Unit), to meet specific hydrostatic testing requirements in order to assess pipeline safety and durability.

5) Permits the Governor to, under certain circumstances and with specified considerations, suspend the requirement for lower Reid vapor pressure (i.e. "summer blend") gasoline in order to protect against "extraordinary gasoline price increases," among other things.

6) Deems the Kern County Second Supplemental Recirculated Environmental Impact Report (SCH2013081079; the SSREIR), including all appendices (SSREIR, March 2025), until January 1, 2036, sufficient for full compliance with CEQA. In addition to setting this precedent, the bill states that:
   a) No further environmental review is required pursuant to CEQA for the adoption of the Revisions to Title 19 - Kern County Zoning Ordinance Code - 2025 (A), Focused on Oil and Gas Local Permitting, as enacted as of January 1, 2026;
   b) *Projects* that satisfy the requirements the SSREIR, and that are approved by the County of Kern under that ordinance are deemed sufficient for full compliance with CEQA.
   c) The SSEIR shall fully meet the responsible agency's obligations under this division and shall not be subject to challenge on the grounds that the project has had substantial changes or new information, as specified in PRC 21166)
   d) For any causes of action and claims, including pending ones, the existing SSREIR is sufficient (the SSREIR will thus not be subject to ongoing or future litigation).
   e) Projects that rely on the SSREIR will not be approved in health protection zones established by SB 1137 (Gonzalez, Chapter 365, Statutes of 2022);
   f) CalGEM will be the lead agency for projects to drill or rework an oil or gas well within health protection zones;
   g) No more than 2,000 notices to drill new wells that rely on the SSREIR will be approved (unless the CEC formally finds that doing so would be necessary to maintain at least 25% of supply to refineries coming from in-state crude oil).

7) Directs CEC to, as part of the next Transportation Fuels Assessment, evaluate the cost and supply impacts of gasoline that is not "California reformulated gasoline blendstock for oxygenate blending" (CARBOB), and, among other things, potentially make various recommendations regarding how such non-

CARBOB gasoline could benefit California and minimize costs and environmental harms.

8) Requires CEC to, on or before March 31, 2026, submit an assessment to the Legislature that evaluates certain information in the June 2025 letter to Governor Newsom from CEC Vice Chair Siva Gunda.

9) Requires oil produced offshore by new or expanded operations (of the same types of pipelines covered by #4 above) to be transported once onshore by pipelines using the best available technology, as defined, and expands the definition of "Expanded oil extraction" to include reactivation of a facility idled, inactive, or out of service for more than five years among other changes.
   a) Specifies that a new Coastal Development Permit is need for expanded oil extraction operations including reactivation or a facility that has been out of service for more than five years.

Background

1) *Declining domestic oil production may impact in-state oil pipelines*. California's reliance on crude oil has steadily declined since the 1980s; however, oil consumption recently increased from pandemic lows in 2020. Despite this rebound, California's in-state production of petroleum remains low and California largely relies on imports for its petroleum supplies. In 2021, Governor Newsom directed CalGEM to cease issuing permits for fracking in 2024 and ordering CARB to explore pathways to end in-state oil extraction by 2045. The end of in-state oil extraction would require remaining refineries to rely entirely on imported oil.

   Several refineries maintain existing petroleum supplies by using pipelines to in-state oil fields. However, as supply from those fields decreases, the economic viability of those pipelines sharply declines. When the flow of petroleum through a pipeline drops below a certain threshold, the pipeline operator may decide not to transport the low volume of oil, which can result in pipeline shutdowns and reduced refining capacity. While refineries may be able to import additional barrels to maintain refinery operations, the impacts and costs associated with procuring large new oil imports through shipping is unclear.

   Some of the policies advanced by this bill (namely restoring the pipelines for offshore oil production in Sable's Santa Ynez Unit and the Kern County SSREIR being deemed approved) appear to address this problem by increasing in-state oil production. The specific details surrounding those proposals are not necessarily this committee's jurisdiction, and are described briefly for completeness.

a) *Tests for moving oil safely via pipelines.* According to the State Fire Marshall, California is home to more than 5,600 miles of hazardous liquid pipelines that transport crude oil, refined products (e.g., gasoline, diesel, jet fuel) and highly volatile liquids around the state from production facilities to refineries and ultimately to market. These pipelines operate at high pressures. Should they fail, they would pose a threat to the residents of California, property, and the environment. To prevent accidents and spills, state and federal regulations require pipeline operators to conduct hydrostatic pressure tests to ensure the integrity of their pipelines. The specific details of those hydrotests dictate how confident the pipeline's operator can be in the pipeline's environmental, health, and safety protections. The more intense the test (whether through higher pressures or longer high-pressure times) the more certain an operator can be that the pipeline will hold during the course of normal operations.

b) *Financial assurances in the case of oil spills.* Because the threat of an oil spill is never zero, OSPR issues Certificate of Financial Responsibility to facilities, vessels, and pipelines that are required to have a California Oil Spill Contingency Plan, following submittal of an application and proof that the applicant has the financial resources to cover the cost of response for a "worst-case scenario" spill.

   There are numerous methods available to an owner or operator of an oil facility to demonstrate financial responsibility including insurance, self-insurance, guaranty, a letter of credit, surety bonds, Protection and Indemnity Club membership, a combination of methods, or even other methods deemed acceptable to OSPR. In order to maintain a Certificate of Financial Responsibility, the applicant is required to annually provide evidence of renewed certificate.

2) *Kern County oil and gas ordinance's iterative EIRs.* In 2013, Kern County began the process of amending its zoning ordinance addressing local permitting for oil and gas exploration, development and production. At that time, the county had 43,568 active oil and gas wells of various types and 15,863 inactive wells. The EIR for this oil and gas drilling ordinance projected 2,697 new producing oil and gas wells would be drilled annually from 2013 through 2040, and 2,221 old wells would be capped and abandoned each year.

The goals of the new ordinance included creating an effective, streamlined ministerial (not subject to CEQA or other processes that are reserved for discretionary choices by public agencies) regulatory and permitting process. This would streamline environmental review, but also standardize industry-wide practices and ultimately lead to increasing oil and gas exploration and production in the County.

Between November 2015, when the Kern County Board of Supervisors approved the amendments to the Kern County Oil and Gas Production Zoning Ordinance and today, the County has gone back and forth in litigation as plaintiffs challenged the ordinance and the drilling permitted under it. Over the 10 intervening years, courts have at different times and to various degrees sided with one side or the other, and the original EIR has been revisited in supplemental EIRs (SEIR). As of 2025, the most recent iteration of the EIR, the Second Supplemental Recirculated EIR (SSREIR), which is intended to is provide analysis to address the outstanding CEQA issues found by a recent Appellate Court decision and provide compliance for CEQA for the reconsideration by the Planning Commission and Board of Supervisors of the Zoning Ordinance revisions focused on oil and gas local permitting, faces legal challenge.

3) *Energy Commission Recommendations for the mid transition*. On June 27, 2025, the Vice Chair of the energy commission submitted a letter to the Governor outlining the CEC's recommendation's on changes to state policy to ensure "adequate transportation fuels supply during this pivotal time in our state's clean energy transition." The letter recommended pursuit of three concurrent strategies, briefly:
   a) Stabilize fuel supply through imports of refined fuels and maintaining in-state refining capacity;
      i) Support necessary import of refined fuel products (such as California-specific gasoline) by addressing regulatory and permitting issues that limit import capacity;
      ii) Retain in-state petroleum refining capacity where possible to maintain resilience of the transportation fuels system;
   b) Provide sufficient confidence to industry to invest in maintaining reliable and safe infrastructure operations to meet demand;
      i) Stabilize in-state crude oil production and distribution to bolster supply for California refineries and support the petroleum fuels system;
      ii) Implement near-term statutory and regulatory changes that improve investment confidence while advancing state policy goals;

iii) Strengthen coordination across state, regional, and local authorities, communities, and stakeholders to inform policy implementation;

c) Develop and execute a holistic transportation fuels transition strategy; and

i) Implement a suite of policies and programs to ensure environmental, public health, labor, economic, and consumer protections for a successfully managed transportation fuels transition.

Comments

1) *Purpose of Bill.* According to the author, “California faces an affordability crisis on a number of fronts, most notably when it comes to the cost of fuel. This affects all of us—both directly and indirectly—whether it be at the gas pump, where Californians pay some of the prices in the country, or in the form of higher prices for goods and services, which are also affected by the higher costs of energy to produce and deliver. As was noted in a June 27, 2025 report by California Energy Commission Vice-Chair, Siva Gunda, “If a lack of proactive management during this phase of the transition leads to rising energy prices and less reliable fuel supplies, that instability could erode support for continued decarbonization.” SB 273 seeks to answers this call for proactive management.”

2) *Preventing oil spills from pipelines.* On May 19, 2015 an offshore pipeline ruptured, spilling over 140,000 gallons of heavy crude oil along the Gaviota coast at Refugio Beach in Santa Barbara County. The main oil spill stretched over nine miles of California coastline and tar balls associated with the spill were found, as far south as Los Angeles County. Shoreline and beaches were affected by the spill and nesting areas for protected species were also affected. Hundreds of birds and mammals, in addition to a large number of marine invertebrates, were known to be impacted by the spill and most died. A 23 mile by six-mile area was closed to fishing for over one month and beaches were closed, including over the Memorial Day weekend, resulting in economic losses.

   A subsequent investigation found that the direct cause of the leak was external corrosion on the pipeline. The original owner at first planned to replace the pipes, but ultimately chose to sell them to Exxon instead in 2022. Exxon in turn entered into an agreement to sell the pipelines and other oil production infrastructure to Sable Offshore Corporation (Sable) in 2024. Sable announced they were restarting oil production in the Santa Ynez unit (in federal waters) on May 15, 2025, and restarting the use of those two pipelines. Sable has not replaced, but has rather made repairs to the pipelines.

Some of the provisions of SB 237 are intended to address concerns surrounding the safety of restarting use of the repaired pipelines by requiring testing of the pipelines' durability. The bill stipulates the specific parameters of the hydrostatic testing that must be done, and while they are not the most protective possible conditions (i.e. testing at a higher pressure or for longer would prove the pipelines even safer), the bill does make an important change to require hydrostatic testing that will show the pipelines are not expected to cause another spill when they come back online after being in disuse for five years.

3) *Updating financial assurances for oil spills.* There is no requirement that the regulations governing worst-case spills be regularly updated, and as such, they have not been. The marine facility reasonable "worst-case spill" volume calculations were established in regulation in 1993 using methods aligned with federal worst-case discharge calculations, and there have only been minor and infrequent updates since then.

   SB 237 would require more disclosure about and decadal updates of the certificates of financial responsibility, while not setting in statute what those financial responsibilities should be: it also specifically includes public input on this process. This represents another effort to assure the affected communities that in the unlikely event of a spill, a responsible company more reliably would have the resources necessary to clean it up.

4) *Ending the Kern Oil and Gas Ordinance litigation, with some guardrails.* SB 237 'puts the lid' on any further revisions to or legal objections against Kern County's zoning ordinance focused on oil and gas (except purely typographical fixes). SB 237 also specifies that the zoning ordinance SSREIR is sufficient to meet the requirements of CEQA for compliant projects, meaning that no further, project-specific EIR's for a given oil well are required so long as the new wellss fit in the four corners of the existing SSREIR.

   The SSREIR does not necessarily contain sufficient information to address all the project-specific environmental concerns and mitigations measures that can emerge on a case-by-case (or well-by-well) basis. As a result, SB 237 could prevent appropriate mitigations measures or other environmental considerations from being applied to drilling projects that are atypical, use emerging technology or technology not considered the SSREIR, or are otherwise not considered in the SSREIR.

   Making the SSREIR iron clad includes finding that the SSREIR is not subject to challenge on the grounds that the project has had substantial changes or new information has come to light since the environmental review was completed.

While it is not likely to come up often, the new information caveat, which is part of existing law, creates a sensible response to the unusual situation where new information, such as discovery of tribal cultural resources or seismic activity in an area, might require further reconsideration of the project, including considering new mitigation measures to resolve the problem. SB 237 removes this adaptation option for the SSREIR.

To help address these concerns, SB 237 adds some environmental guardrails to the application of the SSREIR, briefly:

a) It sets a cap for drilling in Kern County at 2,000 new oil wells, a 26% reduction in total planned wells per year compared to the original estimate in Kern County's oil and gas ordinance EIR. (However, this can be waived if the State Energy Resources Conservation and Development Commission deems that more wells are needed meeting certain criteria);
b) It contains a ten-year sunset on the provisions that specify that the SSREIR is sufficient, complete, and not subject to lawsuits for new drilling (However, the SSREIR itself would remain in effect after the sunset, and so drilling may continue to be done without project- specific CEQA even after this sunset);
c) It specifies that CalGEM, rather than Kern County, must be the lead agency in a health protection zone, presumably making it harder to drill new wells in those zone (although not impossible).

5) *Maintaining capacity to stabilize fuel supply*. As called for in CEC Vice Chair Gunda's June letter, "we recommend that the State take action to achieve targeted stabilization of crude oil production in California to supply in-state refineries while ensuring that production is consistent with critical health and environmental protections." Several of this bill's provisions appear to do that, and would be expected to boost in-state production, which would be expected to support California's refinery capacity, which would be expected to help keep refineries operating in state.

6) *Using more tools in the toolbox to manage gas prices*. The provisions of SB 237 that would contemplate changes to California's fuel blend take largely short- to medium- term efforts to reduce fuel prices.

   Summer blend gasoline in California has lower evaporative emissions (which helps prevent smog formation during the warmer months), but is more expensive. Giving the Governor the authority to make the switch to the cheaper winter blend sooner is something that has been done before to reduce summer gas prices, but doing so does contribute to ozone and smog formation.

California's unique gasoline blendstock, CARBOB, was formulated to help meet California's nation-leading air pollution challenges. However, it also means that fuel that is suitable for use in neighboring states cannot be used in California. By reducing the market of blendstocks California can buy, this may be increasing the price California pays for gasoline. Again, although the CARBOB formulation is more expensive than the alternative, it also contributes less to pollution. Under SB 237, the CEC and CARB would consider the tradeoffs involved in potentially relaxing California's CARBOB requirements.

Both of these measures could be expected to reduce fuel prices, at the cost of increased air pollution. These are decisions that should not be taken lightly, but the Legislature has shown a keen interest in considering all options available to help manage the costs of transportation fuels in California. However, these do not address the long-term challenges the state faces in larger-scale decarbonization across all sectors of the economy.

7) *Navigating the mid-transition.* Whether through the intentional phase-down of fossil fuels in California, shifting global market dynamics, the costs associated with repair and maintenance, or a combination of all of the above and more, it is clearly becoming more and more difficult to profitably operate fossil fuel infrastructure in California.

The California of several decades past is familiar; oil and gas provided an unprecedented abundance of inexpensive energy across all aspects of our lives. The California of several decades in the future is unknown but alluring; given trends in clean energy and decarbonized technologies, we have reason to hope for an abundance of inexpensive energy (provided without pollution) across all aspects of our lives as well. However, the daunting present reality we face is much less clear; what do this and the next decade hold for California? How do we embrace and deploy clean technologies while they are more expensive than the fossil fuel alternatives? How do we maintain the fossil fuel supply we need as it becomes less lucrative and less feasible to do so?

We are in a period described by academics as the "mid-transition". As described in a recent review:

> "Many aspects of transition will be felt, and shaped, directly by individuals because of our direct interactions with energy systems. Even rare missteps are likely to have significant and potentially system design relevant impacts on perception, political support, and implementation. Comparisons of the new system to the old system are likely to rest on experience of a world less

> affected by climate change, such that concerns about lower reliability, higher costs, and other challenges might be perceived as inherent to zero-carbon systems, versus energy systems facing consequences of climate change and longterm underinvestment."[1]

California's economy today relies on an immense volume of fossil fuels (by some accounts as much as 84% of our total energy today)[2]. In turn, extracting, transporting, refining, distributing, and using those fossil fuels relies on an immense network of infrastructure owned by a number of private companies and operated by tens of thousands of skilled workers. Those private companies rely on certainty about the profitability of their investments. What happens when—not if—it is no longer profitable to operate fossil fuel infrastructure in California? What—if not profit—would compel private companies to continue maintaining and operating their infrastructure? How can California keep its economy afloat and its people thriving in the crucial period between when fossil fuels stop being profitable, and when they stop being needed?

Pursuant to SBX1-2, the California Energy Commission produced a Transportation Fuels Assessment, which has begun to wrestle with some of these questions. One of several possible solutions under consideration is state ownership of refineries, in which, "The State of California would purchase and own refineries in the State to manage the supply and price of gasoline." However, doing so would be extremely costly and represent a significant departure from how this industry has operated in California to date. As the Legislature considers this bill and other proposals to assuage or mitigate the very real tensions of the mid-transition, it is worth also contemplating solutions on the longer time horizon as well.

There is no clear best way to transition the world's fourth largest economy off of fossil fuels. California is leading the way and charting a path to navigate this transition. This monumental task will have consequences, both expected and unforeseen. Nevertheless, the Legislature should evaluate the information and options available and take action before GHG emissions continue unabated, fossil fuel infrastructure falls into disrepair (with potentially catastrophic results), and communities surrounding this infrastructure continue to face air pollution and economic uncertainty alike.

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[1] Grubert and Hastings-Simon, 2022. Designing the mid-transition: A review of medium-term challenges for coordinated decarbonization in the United States. WIRES Climate Change, Vol 13, Issue 3.

[2] California State Profile & Energy Estimates. U.S. Energy Information Administration. https://www.eia.gov/state/?sid=CA

Vice Chair Gunda's June letter described the importance of a holistic strategy for a managed transition away from fossil fuels, alongside more pressing and immediate matters. Boosting in-state production today, as SB 237 proposes to do, to keep critical infrastructure online is a reasonable response to less-than-ideal circumstances. But what lessons can be learned? What could California begin doing now to make the inevitable next refinery to announces its closure *less* disruptive to California's well-being, not more? What information is needed about California's refineries (both their operations and the financial liabilities associated with their site remediation) to better equip California to handle the next stage of this transition? Although SB 237 does not answer these questions, it helps get information that might. These continue to be questions the Legislature should consider, lest we find ourselves blindsided by the next nigh-inevitable refinery closure.

SOURCE: Author

SUPPORT:

Associated Builders and Contractors of California
Berry Petroleum Company, LLC

OPPOSITION:

Asian Pacific Environmental Network Action
California Environmental Justice Alliance (CEJA) Action
California Environmental Voters
Campaign for a Safe and Healthy California
Center for Biological Diversity
Center on Race, Poverty & the Environment
Central California Environmental Justic Network (CCEJN)
Clean Water Action
Climate First: Replacing Oil & Gas (CFROG)
Communities for a Better Environment
Earthjustice
Leadership Council for Justice and Accountability
Physicians for Social Responsibility - Los Angeles

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