



FROM THE OFFICE OF SENATE MAJORITY LEADER

**LENA A. GONZALEZ**

SENATOR 33<sup>RD</sup> SENATE DISTRICT

## **SB 1425 (Gonzalez) Long Beach Oil Cleanup Fund**

### **SUMMARY**

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Senate Bill (SB) 1425 will require the state of California to save more each month to more adequately and responsibly reduce the State's share of unfunded liability to plug and abandon the long-running oil extraction operations in the City of Long Beach.

### **EXISTING LAW**

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Existing law establishes the California State Lands Commission (commission) to manage, among other things, the state's public trust lands—including tide- and submerged lands.

Chapter 138, First Extraordinary Session, 1964, established the revenue-sharing agreement between the City of Long Beach and the State of California for the profits derived from the oil extracted from the tide- and submerged lands located in the City. In sum, the state receives a share of the net profits from the City's oil and gas operations in these lands that would otherwise go to the city as grantee of the lands. The net profits are generally, with the specified exception of the Oil Trust Fund, deposited in the state's General Fund.

Further, existing law and various litigated agreements provide for the decommissioning liability of these oil operations. In general, the state's share of liability associated with the plugging and abandonment of oil and gas wells, the decommissioning and removal of related equipment and facilities, and any necessary remediation is apportioned based on its net profit interest. According to the commission, the state retains a large majority of the total abandonment liability.

SB 71 (Budget, Chapter 81, Statutes of 2005) established the Oil Trust Fund which appropriates revenue from oil sales to the commission to eventually pay for the State's share of the abandonment liability. This fund was capped at \$300 million.

Assembly Bill (AB) 353 (O'Donnell, Chapter 516, Statutes of 2022) raised the \$300 million cap on the Oil Trust Fund, after the Fund had reached the cap in 2014, and resumed the monthly transfer of \$2 million, or 50% of profits, whichever is less, to the Fund.

### **BACKGROUND/PROBLEM**

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In 1911, the State granted in trust to the City of Long Beach control over its tidelands, including the mineral interests. In 1932, the Wilmington oil field, one of the largest in the United States, was discovered and the City began oil development and extraction operations. The portions of the Wilmington oil field underlying the City of Long Beach include the THUMS (Texaco, Humble, Unocal, Mobil, and Shell) oil islands (the offshore portion of the field known as the Long Beach Unit) and the Tidelands (West Wilmington field).

The City and the State have each received a share of the revenues from the Wilmington oil field, and through decades of contracts and lawsuits, the proportion of profit sharing, and associated liability for cleanup, of these wells has been adjudicated.

Since 2004, the State has earned \$5.75 billion dollars in profit from these oil and gas operations. The State's share of liability associated with the plugging and abandonment

of these oil and gas wells is apportioned based on this net profit interest.

The costs to abandon these operations are substantial, and are currently estimated at over \$1 billion. However, the State is currently only depositing \$2 million per month into the Oil Trust Fund. At this rate, the State's share of the liability will not be fully funded until 2050, five years later than Governor Newsom's directive to the California Air Resources Board to phase out oil production statewide<sup>1</sup>, and 15 years after the City of Long Beach has planned to meet its cost share of the liability.<sup>2</sup> Without legislative intervention and with the anticipated expedited timeline to phase out oil production, plugging and abandoning these hazardous sites will ultimately leave California taxpayers on the hook.

Each year, the estimated cost to safely abandon these oil operations increases. Therefore, it is vital that the State increase the rate of revenue that it sets aside from these wells and saves for their eventual decommissioning. Saving for abandonment by reserving production revenues will ultimately minimize the fiscal impact of the State's liability.

## **SOLUTION**

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SB 1425 will increase the State's required monthly contribution toward its share of the liability for the decommissioning of oil and gas operations in the City of Long Beach. Specifically, this bill requires the California State Controller to deposit \$5 million or 50% of monthly profits, whichever is more, that the State receives from the Long Beach Unit and West Wilmington oil operations into the existing Oil Trust Fund.

## **SUPPORT**

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City of Long Beach  
Center for Biological Diversity  
Lieutenant Governor Eleni Kounalakis  
California State Lands Commission

## **CONTACT**

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<sup>1</sup> <https://www.gov.ca.gov/2021/04/23/governor-newsom-takes-action-to-phase-out-oil-extraction-in-california/>

<sup>2</sup> <https://www.longbeach.gov/globalassets/city-manager/media-library/documents/memos-to-the-mayor-tabbed-file-list-folders/2021/october-25--2021---reducing-reliance-on-city-revenue-from-oil-production>