



MAYOR REX RICHARDSON

June 3, 2024

Malia M. Cohen, Chair
California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento CA 95825

RE: Support for SB 1425 (Gonzalez) – Oil revenue: oil trust fund

Dear Chair Cohen,

On behalf of the City of Long Beach (City), I write in support of SB 1425, which would increase the state's monthly contribution toward its share of liability to decommission oil and gas operations in the Wilmington Oil Field in Long Beach.

Both the City and state have received significant revenues from oil extraction in the Wilmington Oil Field, and the cost of abandoning these wells is apportioned based on net profit interest between stakeholders. When oil operations cease, oil wells and facilities must be appropriately decommissioned, remediated, and abandoned to maintain environmental standards required by law. The state's liability is estimated at nearly \$1 billion, while the City's liability is estimated at around \$150 million. The City began accelerating the amount it reserves annually to fully fund its abandonment liability by 2035, ten years before the 2045 deadline to phase out oil and gas extraction in California originally directed by Governor Newsom, but the state still needs to substantially increase its savings to meet its remaining liability.

For years, the City has advocated for the State to save more for its abandonment liability. In 2022, we successfully advocated for legislation that lifted the cap on the state's Oil Trust Fund saving, which was previously capped at \$300 million. Now, the state reserves \$2 million per month from state oil revenues in an Oil Trust Fund to cover its liability, with the remaining state liability shortfall estimated at \$700 million. At this rate of monthly savings, the state's shortfall will be fully met around the year 2050 – five years after the Governor's original goal to end oil production by 2045. SB 1425 will require the California State Controller to deposit the total monthly profits, up to \$5 million or 50 percent of remaining oil revenue, whichever is greater, that the state receives from the Long Beach Unit (LBU) and West Wilmington oil operations into the existing Oil Trust Fund. This will help meet the state's share of abandonment liability.

The City supports policies, legislation, and funding that expedite state savings for its abandonment liability in the Wilmington Oil Field. SB 1425 is an important first step to address the state's liability. If the state does not expedite its abandonment reserve, whatever outstanding liability remains after production operations end in the LBU will have to come from taxpayers through the state's General Fund. I look forward to continuing to work with state leadership to ensure that Long Beach maintains a secure financial future as the City reduces its dependence on oil production revenues. Additional state support and resources are needed to help the City pursue sustainable alternative revenue opportunities through the [Grow Long Beach Initiative](#), support an equitable workforce transition for the hundreds of impacted oil industry workers, and ensure the City is not forced to cut core services and jobs as a result of lost revenues.

I respectfully request the State Lands Commission to support SB 1425. Thank you for your consideration of this critical legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Rex Richardson", with a long horizontal line extending to the right.

Mayor Rex Richardson
City of Long Beach

California State Senate

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SENATE MAJORITY LEADER

June 5, 2024

The Honorable Malia M Cohen, Chair
California State Lands Commission
100 Howe Avenue,
Suite 100 South
Sacramento, CA 95825

Subject: SUPPORT for item 78 at the June 7, 2024 State Lands Commission Meeting

Dear Chair Cohen:

I am writing to request the State Lands Commission adopt a support position on SB 1425 (Gonzalez) at the June 7th meeting. This bill will increase the rate the State saves for the eventual abandonment of oil operations in the West Wilmington and Long Beach Unit.

As the staff analysis notes, the City of Long Beach and the State have engaged in a unique profit-sharing agreement for revenue from oil drilling in Long Beach for decades. The State's share of liability associated with the plugging and abandonment of these oil and gas wells is apportioned based on the net profit interest. Currently, the State holds the majority of the liability for the end of life of these wells, as the primary recipient of profits. The liability is an estimated \$1 billion, with roughly \$700 million of that unfunded.

Each year, the estimated cost to abandon these oil operations increases. Therefore, it is vital that the State significantly reduce its unfunded liability by accelerating 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 on the State and allow for the responsible decommissioning of these wells.

For these reasons, I urge a support position on SB 1425. Please do not hesitate to contact Aurora Schunemann in my office at aurora.schunemann@sen.ca.gov or (916) 651-4033 with any questions about the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Lena".

Lena Gonzalez
Senator, 33rd District