

Staff Report 24

APPLICANT:

California Resources Production Corporation

PROPOSED ACTION:

Issuance of a General Lease – Right-of-Way Use.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Sacramento River, adjacent to Assessor's Parcel Numbers 0090-210-010 and 158-0050-001, near Rio Vista, Solano and Sacramento Counties (as shown in Figure 1).

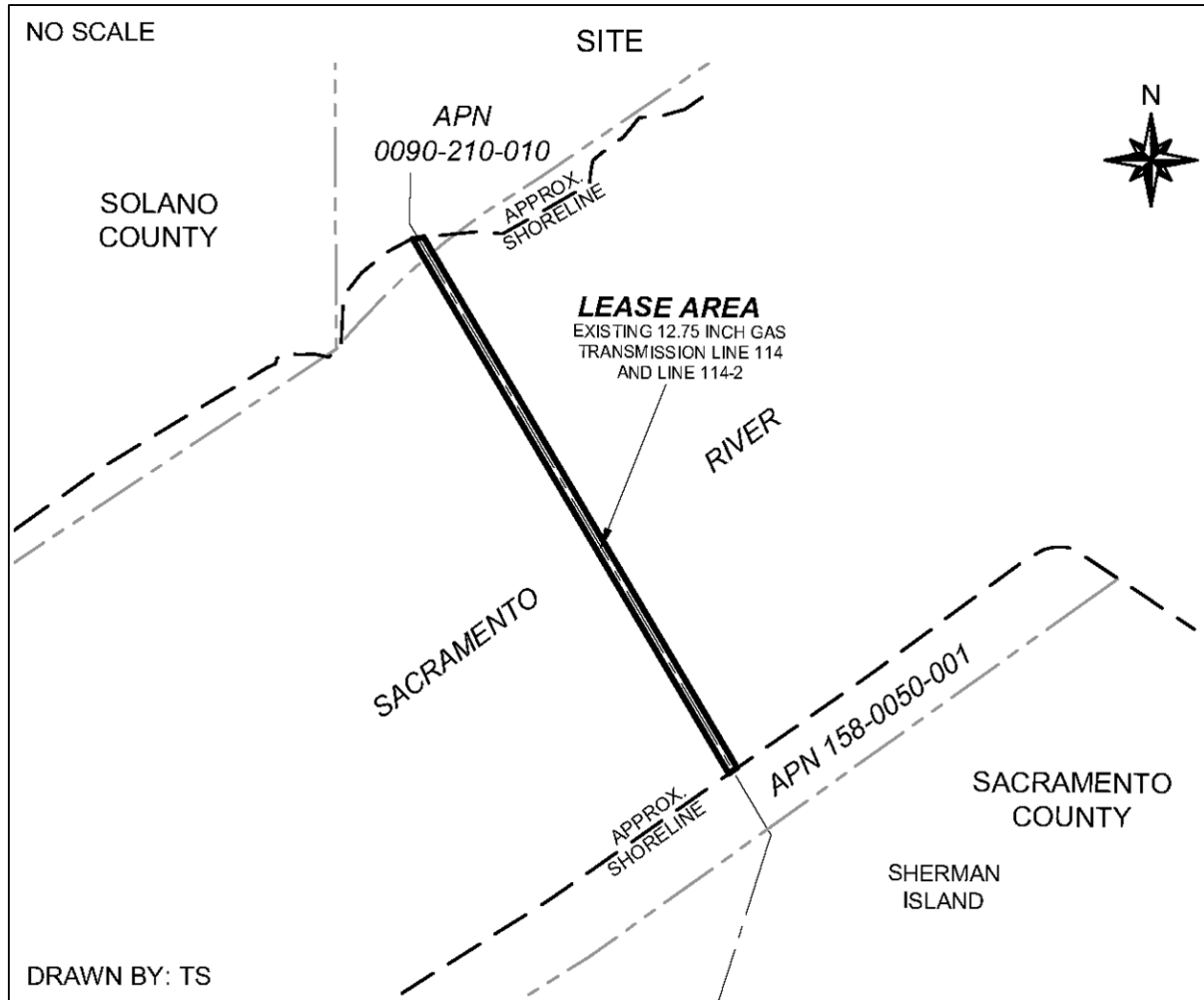
Figure 1. Location



AUTHORIZED USE:

Use of two existing 12.75-inch-diameter natural gas pipelines (as shown in Figure 2).

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

20 years, beginning February 25, 2025.

CONSIDERATION:

\$3,884 per year, with an annual Consumer Price Index adjustment and the State reserves the right to fix a different rent periodically during the lease term, as provided for in the lease.

SPECIFIC LEASE PROVISIONS:

- Insurance: General liability insurance in an amount no less than \$50,000,000 per occurrence.
- Bond or other surety in the amount of \$1,000,000, with the Lessee required to provide a detailed cost estimate for the full removal of the authorized improvements, prepared by a qualified third-party contractor and in compliance with the California Environmental Quality Act (CEQA) and any State and Federal permits and approvals by February 25, 2026, for consideration for adjustment of the surety by the Commission.
- Lessee shall perform inspections of the pipelines as stated in Section 2, Special Provisions, of the lease and shall provide to Lessor results of the inspections including a report, findings, and recommended repairs as specified in the Lease.
- Lessee shall maintain a minimum of five feet depth of cover over the pipelines at all times and is required to submit annual burial survey assessments to confirm the depth of cover.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6301, 6501.1, and 6503; California Code of Regulations, title 2, sections 2000 and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

The Applicant is applying for a General Lease – Right-of-Way Use, for the use of two existing pipelines, Line 114 and Line 114-2. These natural gas pipelines are located in the Sacramento River, adjacent to each other and Assessor's Parcel Numbers 0090-210-010 and 158-0050-001 in Solano and Sacramento Counties, respectively. The pipelines are currently authorized under Lease No. PRC 5438-B to Pacific Gas and Electric Company (PG&E), along with several other natural gas pipelines throughout California. Application number A4694 from PG&E for a partial lease quitclaim deed and amendment of their lease to remove Line 114 and Line 114-2 as authorized improvements under their lease is also under consideration at this Commission meeting.

The Applicant, California Resources Production Corporation, plans to purchase Line 114 and Line 114-2 from PG&E to increase natural gas production at their Rio Vista

Gas Field. The additional pipeline capacity will be used to transport gas from the west side of the river to a new PG&E interconnect on the east side of the river. The Applicant also plans to submit an application in the future to acquire additional lines from PG&E in Three Mile Slough.

Approximately 3,046 linear feet of the pipelines cross through the Commission's jurisdiction. According to a 2017 survey, the pipelines were buried at a minimum of five feet below the riverbed. The proposed lease requires that the pipelines maintain a minimum cover of 5 feet and supply annual burial depth surveys to verify. The pipelines do not presently impede surface use or interfere with Public Trust needs and values at this location, at this time. The existing pipelines do not significantly alter the land, and the lease does not alienate the State's fee simple interest or permanently impact public rights. The lease is limited to a 20-year term and does not grant the lessee exclusive rights to the lease premises. Upon termination of the lease, the lessee may be required to remove any improvements and restore the lease premises to their original condition.

Furthermore, the lease requires that the lessee insure the lease premises and provide a bond or other surety for the faithful performance of the lease obligations in the amount of \$1,000,000. The proposed lease requires the lessee to provide a detailed removal cost estimate for the full removal of the authorized improvements prepared by a qualified third-party contractor by February 25, 2026. If Lessor approves the estimated removal cost, the Lessee must provide Lessor with the revised surety bond based on that amount within 60 days of Lessor's approval. The lease also requires the payment of annual rent to compensate the people of the State for the occupation of the public land involved.

CLIMATE CHANGE:

Climate change impacts, including sea level rise, more frequent and intense storm events, and increased flooding and erosion, affect both open coastal areas and inland waterways in California. The natural gas pipelines are located under the Sacramento River, in a tidally influenced site vulnerable to flooding at current sea levels and at a higher risk of flood exposure given projected scenarios of sea level rise.

The California Ocean Protection Council updated the *State of California Sea-Level Rise Guidance* in 2018 to provide a synthesis of the best available science on sea level rise projections and rates. Commission staff evaluated the "high emissions," "medium-high risk aversion" scenario to apply a conservative approach based on

both current emission trajectories and the lease location and structures. The San Francisco tide gauge was used for the projected sea level rise scenario for the region as listed in Table 1.

Table 1. Projected Sea Level Rise for San Francisco

Year	Projection (feet)
2030	0.8
2040	1.3
2050	1.9
2100	6.9

Source: Table 13, [State of California Sea-Level Rise Guidance: 2018 Update](#)

Note: Projections are with respect to a 1991 to 2009 baseline.

Sea level rise could increase the Sacramento River's inundation levels within the lease area. In addition, as stated in the [Safeguarding California Plan: 2018 Update](#) (California Natural Resources Agency 2018), climate change is projected to increase the frequency and severity of natural disasters related to flooding, fire, drought, extreme heat, and storms (especially when coupled with sea level rise). In rivers and tidally influenced waterways, more frequent and powerful storms can result in increased flooding conditions and damage from storm-created debris as well as decreased bank stability and structure. Conversely, climate change induced droughts could decrease river levels and flow for extended periods of time. Climate change and sea level rise will further influence riverine areas by changing erosion and sedimentation rates. Flooding and storm flow, as well as runoff, will likely increase scour and decrease bank stability at a faster rate.

California is in the midst of the climate crisis, caused in large part by carbon emissions from the production of fossil fuels and their subsequent use. According to the [State's Fourth Climate Change Assessment](#) (Governor's Office of Planning and Research 2018), climate change is making extreme conditions in California more frequent and severe. For example, there were 4.2 million acres of land burned in wildfires in California in 2020, more than the previous four years combined, and 2022 was the driest year on record ([CAL FIRE, in 2021 SB 100 Joint Agency Report, California Energy Commission; National Integrated Drought Information System 2022](#)). Average annual temperatures are on the rise in California, and if greenhouse gas emissions are not lowered substantially, air temperatures could increase by an average of 5.8°F by 2050 and 8.8°F by 2100 ([California Natural Resources Agency 2022](#)). These impacts endanger natural resources and public health.

The most effective way to prevent the worst impacts of the climate crisis is to reduce greenhouse gas emissions by transitioning the state's energy portfolio from fossil fuels to renewable, non-emitting sources such as solar, wind, and geothermal. Senate Bill (SB) 1020 (Laird, 2022) requires that at least 90 percent of California's retail sales of electricity come from renewable, zero-carbon sources by 2035, 95 percent by 2040, and 100 percent by 2045. The State is already on its way, securing over 39 percent of its energy from renewable sources in 2022, and over 21 percent from zero-carbon sources, for a combined 61 percent of total retail sales ([California Energy Commission](#), 2024). The primary action to achieve these targets is to eliminate the use and physical presence of fossil fuels in the state, including natural gas¹. The proposed lease would expire before the 100 percent renewable, zero-carbon sources requirement date of 2045.

Methane leaks are the most common emission from the transportation of natural gas through pipelines. Methane is the primary contributor to the formation of ground-level ozone, a hazardous air pollutant and greenhouse gas. It is also a major driver of global warming – it is 80 times more potent at warming the planet than carbon dioxide.

In addition to atmospheric impacts, methane is highly flammable. The lease premises is located in Sacramento and Solano Counties in open lands with moderate to low vegetation fuels. The Applicant acknowledges the contribution of fugitive pipeline emissions to climate change and wildland fire risk. Regular pipeline inspections, as required by State and federal law and in compliance with the terms of the lease, will reduce the potential for methane leaks and associated atmospheric impacts.

Based on the 2017 survey, the gas pipelines are buried a minimum of five feet under the bed of the river. Therefore, they are not likely to be affected by flooding or storm conditions that may occur within the lease area given future projected scenarios of climate change. The subject lease will require monitoring for potential

¹ There are many additional ongoing and planned actions that have to co-occur in order to achieve these goals and reduce harms to the people and natural resources of California. These include increasing energy efficiency, transforming the electrical grid to have more load flexibility, decarbonizing buildings, and electrifying the transportation sector. Learn more in the [2021 SB100 Joint Agency Summary Report](#).

exposure and vulnerabilities of the pipeline for hazards (among other required inspections).

Regular maintenance, as referenced in the lease, may reduce the likelihood of severe structural degradation or dislodgement. Pursuant to the proposed lease, the Applicant acknowledges that the lease premises and adjacent upland are located in an area that may be subject to the effects of climate change, including sea level rise.

CONCLUSION:

For all the reasons above, staff believe the issuance of this lease will not substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the proposed lease; and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of a lease is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. The lessee has no right to a new lease or renewal of any previous lease.
2. This action is consistent with the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
3. Application number A4694 from PG&E for a partial lease quitclaim deed and amendment of their lease to remove Line 114 and Line 114-2 as authorized improvements under their lease is also under consideration at this Commission meeting
4. Staff recommend that the Commission find that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 2, section 2905, subdivision (a)(2).

Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15061 and California Code of Regulations, title 2, section 2905.

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, title 2, section 2905, subdivision (a)(2).

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed lease will not substantially impair the public rights to navigation and fishing or substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the lease; and is in the best interests of the State.

AUTHORIZATION:

Authorize issuance of a General Lease – Right-of-Way Use to the Applicant beginning February 25, 2025, for a term of 20 years, for the use of two existing 12.75-inch-diameter natural gas pipelines in the Sacramento River, as described in Exhibit A and as shown on Exhibit B (for reference purposes only), attached and by this reference made a part hereof; rent in the amount of \$3,884 per year, with an annual Consumer Price Index adjustment; liability insurance in an amount no less than \$50,000,000 per occurrence; and bond or other surety in the amount of no less than \$1,000,000.