

# Staff Report 32

## LESSEE/ASSIGNOR:

California Resources Production Corporation

## APPLICANT/ASSIGNEE:

California Resources Pipeline Company, LLC

## PROPOSED ACTION:

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

## AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Old River, at Union Island, near Tracy, Contra Costa and San Joaquin Counties (as shown in Figure 1).

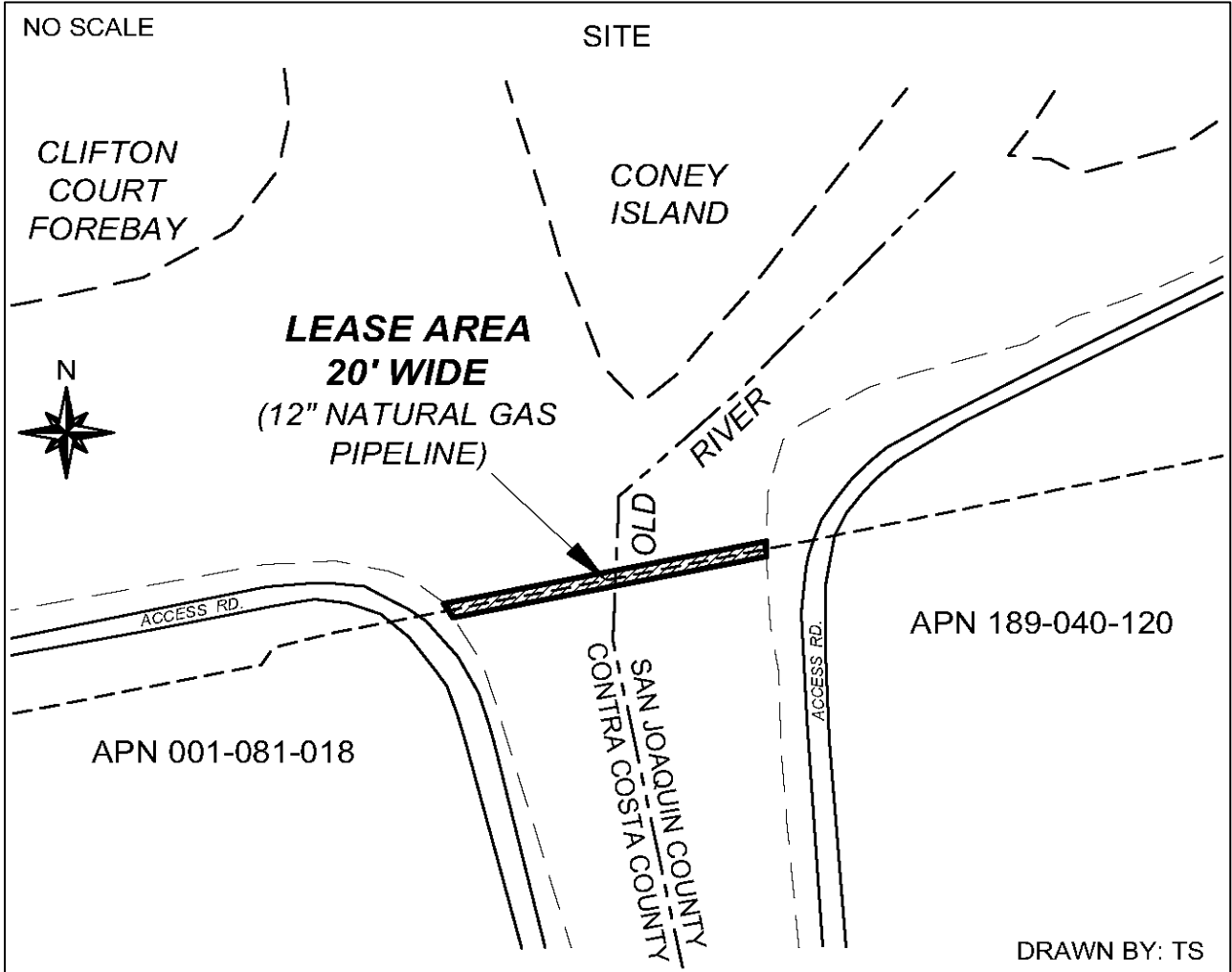
Figure 1. Location



**AUTHORIZED USE:**

Continued use and operation of an existing 12-inch-diameter steel natural gas pipeline (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 December 5, 2023.

**CONSIDERATION:**

\$1,271 per year, with an annual Consumer Price Index adjustment; the State reserving the right to set a different rent periodically as provided for in the lease.

**SPECIFIC LEASE PROVISIONS:**

- Liability insurance in an amount no less than \$5,000,000 per occurrence.
- Surety bond or other security in the amount of \$1,000,000.
- Lessee shall conduct a burial depth survey of the 12-inch-diameter steel natural gas pipeline. The first shall be completed no later than June 30, 2026, and subsequent surveys at least once every five years thereafter. Lessee shall submit Lessor copies of the survey results within 60 days of the survey completion.
- Lessee shall provide Lessor copies of all periodic inspection results of the cathodic protection system operation, including pipe to soil potential surveys of the pipeline, and reports/test results of all future inspections or integrity monitoring tests including but not limited to inline/internal inspections or pressure tests conducted on the pipeline.
- Lessee agrees and acknowledges that the hazards associated with climate change may require additional maintenance or protection strategies regarding the improvements on the lease premises.

**STAFF ANALYSIS AND RECOMMENDATION:**

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**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:**

On December 5, 2023, the Commission authorized a General Lease – Right-of-Way Use to the Lessee for the continued use and operation of an existing 12-inch-diameter steel natural gas pipeline ([Item 20](#)). The lease will expire on December 4, 2043.

On September 26, 2024, Lessee entered into a limited liability company agreement with the Applicant. The Applicant is a wholly-owned subsidiary of the Lessee. Commission staff was not made aware of the agreement until the assignment application was submitted. The Applicant is now applying for an assignment of the lease for the continued use and operation of an existing 12-inch-diameter steel natural gas pipeline.

Approval of this lease assignment will not result in a change in the use of, or impacts to, Public Trust resources at this location, at this time, and for the remaining term of the lease. For these reasons, staff recommends finding that approval of this assignment is in the best interest of the State.

## **CLIMATE CHANGE:**

### **INTRODUCTION:**

The climate crisis is caused primarily by greenhouse gas emissions from the production and use of fossil fuels. In particular, the production and use of oil and gas, including natural gas, diesel, and gasoline, accounted for 78 percent of California's emissions in 2021 across all sectors.<sup>1</sup> Each year, global atmospheric concentrations of carbon dioxide and methane continue to rise to levels higher than any point in human history ([National Oceanic and Atmospheric Administration, 2024](#)). The impacts are affecting California's coastal and inland waterways now. Likely impacts to the lease premises include, but are not limited to, sea level rise, saltwater intrusion, prolonged drought, extreme heat, and changes to the intensity and timing of precipitation events. These impacts can exacerbate natural hydrological processes such as erosion, scour, and sedimentation. These impacts may affect the lease premises in the Old River subject to the assignment of lease.

### **DATA & PROJECTIONS:**

Water levels in tidally-influenced rivers will rise as sea levels rise. The California Ocean Protection Council updated the [State of California Sea Level Rise Guidance](#) in 2024 to provide a synthesis of the best available science on sea level rise projections and rates for multiple emissions scenarios. Commission staff evaluated the intermediate scenarios due to the lower vulnerability and likelihood of exposure of the pipeline to the impacts of sea level rise, due to its burial depth. The Alameda tide gauge was used for the projected sea level rise scenario for the region, as listed in Table 1.

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<sup>1</sup> Based on all emissions from California Air Resources Board's [California GHG Inventory By Scoping Plan Category 2023 Edition: 2000 to 2021](#) with 'Sector & Activity Details' that list petroleum products and activities, including but not limited to natural gas, gasoline, crude oil, diesel, jet fuel, oil and gas production and processing, and petroleum refining.

**Table 1. Projected Sea Level Rise for Alameda**

Year	Intermediate Scenarios (feet)
2040	0.4
2050	0.6
2070	1.2
2100	2.8

Source: Table 7, State of California Sea Level Rise Guidance: 2024 Update

Note: Projections are with respect to a 2000 baseline.

In addition to rising seas, warmer temperatures have led California and the Southwest region of the United States to experience a megadrought from 2000 to 2022, measured as the driest 22 years in the past 1200 years, and more megadroughts are projected through the end of the century ([Fifth National Climate Change Assessment: Southwest Region, 2023](#)). The impacts of climate change are having negative consequences on human health, biodiversity, food and water security, property loss, and critical infrastructure ([Fifth National Climate Change Assessment: Southwest Region, 2023](#)). For example, between 2015 and 2021, California endured 15 of its 20 most destructive wildfires ever recorded, resulting in 42 thousand destroyed structures and 154 lives lost ([CAL FIRE, 2024](#)). Devastating impacts such as these are projected to worsen as the climate continues to warm. If greenhouse gas emissions are not lowered substantially, air temperatures in California could increase 4.4 to 5.8 degrees Fahrenheit by 2050 and 5.6 to 8.8 degrees Fahrenheit by 2100 ([California's Fourth Climate Change Assessment Statewide Summary Report, 2018](#)).

**ANALYSIS:**

The most effective way to prevent the worst impacts of the climate crisis is to reduce greenhouse gas emissions by minimizing the use of fossil fuels, including natural gas, and transitioning the state’s energy portfolio to renewable and zero carbon sources such as solar, wind, and geothermal. [Senate Bill 1020](#) (Laird, 2022) requires that at least 90 percent of California’s retail electricity come from renewable and zero-carbon sources by 2035, 95 percent by 2040, and 100 percent by 2045. The State is already on its way, securing 43 percent of its energy from renewable sources in 2023, and 24 percent from other zero carbon sources, for a combined 67 percent of retail electricity ([California Energy Commission, 2025](#)). The proposed lease would expire before the 100 percent renewable, zero-carbon sources requirement date of 2045.

The lease premises are likely to experience more extreme conditions over the lease term than in the past, due to climate change. Changes to the timing and amount of runoff from the higher elevations of the watershed, stronger storm surge, and rising water levels will result in higher flood risks. Bank stability may be compromised due to increased channel erosion and undercutting from more intense precipitation and floods. The 12-inch-diameter pipeline is buried at least five feet under the Old River, and therefore the likelihood it will be exposed to the majority of climate impacts during the lease term is low.

The lease is a 20-year General Lease – Right-of-Way Use that began on December 5, 2023, and may be subject to the climate change effects and projected sea level rise scenarios provided above. Regular maintenance, as referenced in the lease, may reduce the likelihood of severe structural degradation and dislodgement. Further climate change impact analyses on the leased facilities would be assessed if a new lease is considered in 2043 and would be based on projected climate change and sea level rise scenarios at that time.

**CONCLUSION:**

Assignment of this lease will not result in a change in the use of or impacts to Public Trust resources and is in the best interests of the State.

**OTHER PERTINENT INFORMATION:**

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1. Approval or denial of the application 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 a trustee of the State's Public Trust lands as authorized by law.
2. The Applicant/Assignee meets the legal qualifications to hold the lease and staff has not discovered any information that would provide a basis for withholding the assignment. Upon expiration or prior termination of the lease, neither the assignor nor the assignee has any right to a new lease or to renewal of any previous lease.
3. This action is consistent with the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
4. Assignment of lease is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

## **RECOMMENDED ACTION:**

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It is recommended that the Commission:

### **PUBLIC TRUST AND STATE'S BEST INTERESTS:**

Find that the proposed assignment of the lease will not substantially interfere with Public Trust needs and values at this location, at this time, and for the remaining term of the lease; and is in the best interests of the State.

### **AUTHORIZATION:**

Authorize the assignment of Lease 7493, a General Lease – Right-of-Way Use from Lessee to Applicant, effective June 23, 2026.