

Date of Hearing: June 13, 2022

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Luz Rivas, Chair

SB 1319 (Grove) – As Amended May 2, 2022

SENATE VOTE: 35-0

SUBJECT: Oil imports: air quality emissions data.

SUMMARY: Requires the California Air Resources Board (ARB) to calculate and put on its website the greenhouse gas emissions (GHGs) associated with the transportation of crude oil into and within the state, and requires the Geologic Energy Management Division in the Department of Conservation (CalGEM) to link to that information, as provided, among other things.

EXISTING LAW:

- 1) Requires, pursuant to the California Global Warming Solutions Act (AB 32, Nuñez, Chapter 488, Statutes of 2006), ARB to adopt a statewide GHG emissions limit equivalent to 1990 levels by 2020 and to adopt rules and regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions.
- 2) Codifies, pursuant to SB 32 (Pavley, Chapter 249, Statutes of 2016), the GHG emissions reductions target of at least 40% below 1990 levels by 2030 contained in Governor Brown's Executive Order B-30-15.
- 3) Requires, pursuant to the Petroleum Industry Information Reporting Act of 1980, refiners to report monthly to the State Energy Resources Conservation and Development Commission (CEC), for each of their refineries, specified information, including the origin of petroleum receipts and the source of imports of finished petroleum products.
- 4) Imposes various limitations on the emissions of air contaminants for the control of air pollution from vehicular and nonvehicular sources. Existing law requires ARB to post on its internet website information on air quality conditions and trends statewide and to develop and conduct a program of monitoring airborne fine particles smaller than 2.5 microns in diameter (PM 2.5).
- 5) Establishes CalGEM to regulate the drilling, operation, maintenance, and abandonment of oil and gas wells in the state.

THIS BILL:

- 1) States the intent of the Legislature that the CEC monitor foreign countries that export oil to California and identify on its internet website which of those countries have demonstrated human rights abuses, as documented by the United States Department of State or by human rights organizations, and which of those countries have lower environmental standards for the production of oil than California.

- 2) Requires ARB to annually produce an assessment of the GHGs associated with the transportation of oil in California. Requires the assessment to be made available on ARB's website. Requires the assessment to include all of the following:
 - a) An estimate of the GHGs associated with the transportation of oil in this state for oil imported into the state during the previous year broken down by the country of origin;
 - b) An estimate of the GHGs associated with the transportation of oil in this state for oil produced within the state during the previous year;
 - c) A description of the methodology and assumptions used to produce the assessment; and,
 - d) A citation or link to the data used to produce the assessment.
- 3) Requires the CEC to annually provide data collected to ARB for the purposes of the assessment required.
- 4) Requires CalGEM to provide a link on its website to air quality emissions data associated with the transportation of oil imported into the state.

FISCAL EFFECT: According to the Senate Appropriations Committee, enactment of this bill would result in negligible state costs.

COMMENTS:

1) **Author's statement:**

SB 1319 simply asks whether California should be importing its oil from countries that do not share our values on human rights and environmental standards. The bill expresses the intent of the Legislature that the California Energy Commission report on the human rights records and environmental standards of the countries that we buy oil from. The measure would also require the Air Resources Board to report on its website the amount of particulate matter released into the air from tanker ship emissions from oil imported into the state. The bill is a recognition that California should not be importing oil from countries that do not share our California values. We can produce the oil we [use], and keep the jobs and revenues inside our Golden State while protecting our environment.

- 2) **California's climate goals.** With the adoption of AB 32, California has aggressively adopted GHG reduction targets to reduce the state's portfolio of climate emissions and facilitate emissions reductions across virtually every sector and region. But the impacts of climate change are still happening. Extreme heat, rising sea levels, ongoing drought, flooding, wildfires, and vectors have had direct impacts on public health, infrastructure, people's livelihoods, and local economies. The need to further reduce GHGs to spare the most significant impacts of climate change are critical to managing our resources and species' survival.

The recent Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) summarizes the latest scientific consensus on climate change. It finds that atmospheric concentrations of carbon dioxide have increased by 50% since the industrial

revolution and continue to increase at a rate of two parts per million each year. By the 2030s, and no later than 2040, the world will exceed 1.5°C warming. In order to remain below 1.5°C, global net anthropogenic carbon (GHG) emissions need to reach net zero by 2050.

- 3) **California’s oil demand.** California is the 7th largest producer in the United States. California is the largest consumer of jet fuel and second-largest consumer of gasoline among the 50 states.

In 2021, California produced 151 million barrels of oil; imported 78 million barrels from Alaska (15% of the state’s total oil); and, imported more than 294 million barrels from foreign counties (56.2% of the state’s total oil use).

According to CEC data cited in ARB’s Draft Scoping Plan for 2022, the total oil extracted in California peaked at 402 million barrels in 1986, and has decreased by an average of 6 million barrels per year. This steadily decreasing production of crude in California is expected to continue as the state’s oil fields deplete.

A University of California, Santa Barbara, report estimated that under business-as-usual conditions, California oil field production would decrease to 97 million barrels in 2045. The business-as-usual model assumed no additional regulations limiting oil extraction in California. To meet energy demands, California is exponentially investing in renewable energy sources [such as renewable electricity (solar, wind) and hydrogen] that partially, and hopefully one day fully, displace the need for oil consumption.

- 4) **California’s oil imports.** According to the CEC, as of April 6, 2021, California imported oil from the following foreign countries:

<u>Country</u>	<u>Thousands of Barrels</u>	<u>% of Import</u>
Ecuador	52,563	17.69%
Saudi Arabia	48,781	16.42%
Iraq	46,963	15.8%
Brazil	23,852	8.03%
Guyana	23,741	7.99%
Colombia	18,845	6.34%
Russian	18,347	6.17%
Mexico	11,724	3.95%
Brazil	9,621	4.20%
Brunei	9,160	3.08%
Other	43,184	14.53%

Compared to 2019 (pre-pandemic) imports, when California imported more than 342 million barrels of oil, we’ve had a 13% decrease in foreign imports, but the amounts are still staggering.

Approximately 99% of crude imports into California are delivered by marine transportation. The remaining imports are transported by rail. (There are no pipelines that bring crude oil into California from out of state.) The GHGs associated with both oil tanker and rail are significant. It is estimated that 109 million metric tons of GHG emissions were driven by the transportation of global crude oil in 2018, approximately 8% of the total GHG emissions

from the international shipping industry for that year. Researchers from Carnegie Mellon University and the University of Pittsburgh have found that the air pollution and GHG impacts of shipping crude by rail are nearly twice as large as those for oil pipelines.

The California Independent Petroleum Association (CIPA) argues that California's independent oil and natural gas producers are currently at a competitive disadvantage compared to imported crude oil. Foreign crude is exempt from California's strictest-in-the-world climate mitigation regulations that are applied to oil and natural gas extraction in California. The organization states that, as the climate crisis is a global one, reducing in-state production in favor of foreign production, worsens the climate crisis and is counter-productive to California's climate goals.

- 5) **War in Ukraine.** Since Russia invaded Ukraine in February, oil prices have skyrocketed. The United States and other Western nations introduced financial sanctions that made it difficult to clear Russian oil transactions through Western banks. Russian oil normally accounts for about 10% of global oil supply. It's still being traded, but not to the same degree, resulting in a gap in supply, increases demand – and prices – for gas.

According to AAA, crude topped \$130 a barrel in early March, and the price of a gallon of gas increased 25-cents in just one week, with the national average reaching \$4.86 as of Monday, June 6. In California, the statewide average is already \$6.34. According to GasBuddy, Schlafer's Auto Repair in Mendocino is selling regular gas for \$9.60 for a gallon—the most expensive gas in the country.

It is worth noting that some California oil refiners reported profits from the first quarter of 2022 that are more than twice as high as those reported by the same refiners in other regions and as much as five times greater than in the first quarter of 2021. PBF Energy reports its crack spreads – the difference between the price of the crude oil it processes and petroleum products it sells – from both of its refineries in California on a quarterly basis. For the first quarter of 2022, PBF Energy's profits from its Los Angeles refinery grew to \$32.84 per barrel from \$15.75 per barrel in the first quarter of 2021. With 42 gallons in a barrel of gasoline, this means that PBF made about 78 cents per gallon on the gasoline it sold in Los Angeles from January 1 thru March 31st. That compares to 37 cents per gallon profits in Los Angeles in Q1 2021.

- 6) **Human rights abuses.** SB 1319 states the intent of the Legislature for the CEC to monitor foreign countries that export oil to California and identify which of those countries have demonstrated human rights abuses, as documented by the United States Department of State or by human rights organizations, and which of those countries have lower environmental standards for the production of oil than California.

CIPA notes that currently, the majority of California's imports come directly from the Amazon Rainforest in Ecuador, arguing, "California should not be complicit in the destruction of the Amazon Rainforest when all of that oil could come from inside California, produced by responsible, accountable, and highly regulated California oil companies." Scientists say the rainforest is vital to curbing climate change because of the vast amount of GHG the forest absorbs, so razing it to produce oil is worsening the climate crisis exponentially.

The second largest exporter of oil into California is Saudi Arabia, a country which shares almost none of California's cultural values and has a track record of habitual and horrendous human rights abuses, particularly targeted at the LGBTQIA+ community.

While human rights abuses don't have a direct nexus to climate change or GHG reduction policy goals, the two can go hand in hand when considering the reasons for reducing imports from foreign countries that have different values than California when it comes to protecting the environment and its people. Counties that have less rigorous environmental regulations around oil extraction and refinement are creating human rights violations by putting humans in greater jeopardy of environmental pollution related to oil *and* climate change.

- 7) **This bill.** SB 1319 would require ARB to produce an assessment of the GHGs associated with the transportation of oil in California using data from CEC, and require CalGEM to report on its website the amount of particulate matter (PM) released into the air from tanker ship emissions from oil imported into the state.

The ARB does not currently track air quality emissions specifically for the transportation of oil from tankers to California. This bill, however, will give ARB access to petroleum industry information reporting (PIIRA) data from CEC to get more granularity for tankers that import oil so that ARB can tease out with other data sources we use for emission inventory development to calculate the emissions related to oil transportation.

- 8) **Related legislation.** AB 2257 (Boerner Horvath) requires the States Lands Commission to develop a cost study that measures the fiscal impact of a voluntary buy-out of any lease interests remaining, in actively producing state offshore oil and gas leases in state waters.

REGISTERED SUPPORT / OPPOSITION:

Support

Associated Builders and Contractors of California
California Independent Petroleum Association

Opposition

None on file.

Analysis Prepared by: Paige Brokaw / NAT. RES. /