
SENATE COMMITTEE ON ENVIRONMENTAL QUALITY

Senator Blakespear, Chair

2025 - 2026 Regular

Bill No: SB 1259
Author: Blakespear
Version: 2/19/2026
Urgency: No
Consultant: Taylor McKie

Hearing Date: 4/8/2026
Fiscal: Yes

SUBJECT: Refineries: decommissioning and remediation: cost estimates

DIGEST: This bill requires refiners to report information concerning decommissioning and site remediation for refineries to the State Water Resources Control Board (State Water Board) and the California Energy Commission (CEC) in accordance with specified guidelines.

ANALYSIS:

Existing federal law:

- 1) Establishes the federal Clean Water Act (CWA) to regulate discharges of pollutants into the waters of the United States and to regulate quality standards for surface waters. (33 United States Code (USC) § 1251 et seq.)
- 2) Establishes Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 to provide a Federal “Superfund” to clean up uncontrolled or abandoned hazardous waste sites as well as accidents, spills, and other emergency releases of pollutants and contaminants into the environment. Provides the United States Environmental Protection Agency (US EPA) with the authority to seek out those parties responsible for any release and assure their cooperation in the cleanup. (42 USC § 9601 et seq.)
- 3) Establishes, under the Securities Exchange Act of 1934 and subsequent amendments, requirements for publicly traded companies to submit specified information to the U.S. Securities and Exchange Commission (SEC) pertaining to numerous topics, including but not limited to business operations, risk factors, properties, and discussion and analysis of financial conditions. (17 Code of Federal Regulations (CFR) § 240 et seq.)

Existing state law:

- 1) Establishes the State Energy Resources Conservation and Development Commission, also known as the California Energy Commission (CEC),

consisting of five members appointed by the governor, and specifies the duties of the CEC. Requires the CEC to assess trends in energy consumption and analyze the social, economic, and environmental consequences of these trends. (Public Resources Code (PRC) § 25200 et seq.)

- 2) Establishes the Petroleum Industry Information Reporting Act of 1980 (PIIRA) to, among other things, support the State's efforts to maintain a complete and thorough understanding of the operations of the petroleum industry at all times and ensure consumers of petroleum products have adequate and economic supplies of fuel. (PRC §§ 25350 et seq.)
- 3) Requires major oil producers, refiners, marketers, oil transporters, and oil storers to submit certain information including fuel volumes, business costs, and revenues to the CEC, as provided. (PRC § 25354)
- 4) Establishes the Department of Toxic Substances Control (DTSC) to protect California against threats to public health and degradation to the environment and to restore properties degraded by past environmental contamination, and requires DTSC to regulate management of hazardous wastes, clean up existing contamination, and prevent pollution by working with businesses to reduce their hazardous waste and use of toxic materials. (Health and Safety Code (HSC) § 25360.1 et seq.)
- 5) Establishes the Porter-Cologne Water Quality Control Act (Porter-Cologne), which prohibits the discharge of pollutants to surface waters unless the discharger obtains a permit from the State Water Resources Control Board (State Water Board). (Water Code (WC) § 13000 et seq.)
- 6) Authorizes a Regional Water Board, in establishing or reviewing any water quality control plan or waste discharge requirements, or in connection with any action relating to any plan or requirement, to investigate the quality of any waters of the state within its region. (WC § 13267)
- 7) Requires a person who has caused or permitted, causes or permits, or threatens to cause or permit any waste to be discharged into the waters of the state, and creates, or threatens to create, a condition of pollution or nuisance to clean up the waste or abate the effects of the waste, upon order of a Regional Water Board. (WC § 13304)
- 8) Authorizes the California Environmental Protection Agency to certify Unified Program Agencies (CUPA) to carry out environmental programs on behalf of the state, including programs related to the regulation of hazardous waste generators and onsite hazardous waste treatment, and the regulation of

petroleum underground storage tanks. (HSC § 25404 - 25404.9)

- 9) Establishes, pursuant to SB 1082 (Calderon, Chapter 418, Statutes of 1993), a framework to address the overlapping jurisdictions of DTSC and the State and Regional Water Boards. (HSC § 25204.6)

This bill:

- 1) Requires the CEC to incorporate the information in the reports prepared by refiners and approved by the State Water Board to continue developing a comprehensive transportation fuels strategy.
- 2) Requires the CEC to publish a report assessing the total decommissioning and remediation liabilities for refineries in the state within one year of receiving the reports prepared by refiners that does all of the following:
 - a) Protect confidential business information or other information subject to the Petroleum Industry Information Reporting Act;
 - b) Include consideration of the existing financial assurances that operating refineries are subject to;
 - c) Assess the risk of existing financial assurance mechanisms being inadequate to cover decommissioning and remediation costs; and
 - d) Include coordination with state and local agencies as necessary.
- 3) Authorizes the CEC to enter into contracts to perform the report assessing the total decommissioning and remediation liabilities for refineries in the state.
- 4) Requires every refiner to submit to the State Water Board a draft report with information concerning decommissioning and site remediation for every refinery it owns, operates, or controls no later than December 31, 2027.
- 5) Requires the report prepared by refiners to include specified information including all of the following:
 - a) A plan for decommissioning the refinery including specified information, cost estimates, and applicable financial assurance laws; and
 - b) A description of site remediation measures including specified information, cost estimates, and applicable financial assurance laws.
- 6) Requires the development and presentation of the draft report prepared by refiners to be governed by specified principles, methods, and assumptions, including, but not limited to, consultation with regulatory agencies, reasoning for cost estimations or approximations, projected estimates for multiple closure dates, and analyses of decommissioning and remediation alternatives.

- 7) Requires the State Water Board to initiate a 45-day public comment period following receipt of the draft report prepared by refiners and hold at least one public hearing concerning the draft report.
- 8) Requires the State Water Board to review and comment on the draft report prepared by refiners in consultation with specified regulatory agencies and order any changes to the draft report.
- 9) Requires the refiner to submit the final report within 60 days of receiving the State Water Board's comments and authorizes the State Water Board to extend the revision period and reject the final report.
- 10) Requires the final report prepared by refiners to be made publicly available, unless the refiner successfully claims that the report contains a trade secret and specifies the process for claims on trade secrets.
- 11) Precludes the draft and final reports prepared by the refiners from limiting the scope of decommissioning and remediation and liabilities associated.
- 12) Requires refiners to present to the State Water Board annual updates to their reports incorporating any new information.
- 13) Requires a refiner that has given notice of intent to shut down, shut down, or sold a refinery that will result in its shut down on or before December 31, 2027, to submit a draft report within 30 days of that announcement.
- 14) Requires a refiner that gives notice of intent to shut down a refinery that will result in its shut down after December 31, 2027, to present an update of its report within 30 days of that announcement.
- 15) Requires a refiner that has given notice to shut down between January 1, 2024, and January 1, 2027, but has not fully completed shutdown as of November 1, 2025, to present its report no later than March 31, 2027.
- 16) Requires the State Water Board, in consultation with specified regulatory agencies, to develop default technology-based guidelines for estimation of the methods, costs, and timelines associated with soil and groundwater remediation at refinery sites.
- 17) Requires the guidelines prepared by the State Water Board to consider potential ranges of levels of remediation, alternative cleanup technologies, and probabilistic and other methodologies for generating cost estimates.
- 18) Requires the State Water Board to provide a copy of each report received by the refiners to the CEC.

Background

1. *Refinery closures amidst the mid-transition.* California has been a leading producer and refiner of petroleum through much of the state's history. Given the vital necessity (and legal mandate) to decarbonize the state's economy, California's petroleum usage in the future is expected to decline significantly. A recent policy brief from researchers at the Stanford Climate & Energy Policy Program assessed the numerous factors at play today in California's petroleum industry and offered a sobering conclusion: "California's refining sector is in decline and refineries will likely continue to close in the future, with significant consequences for surrounding communities."

The Stanford brief describes five key factors contributing to this prognosis: "(1) the depletion of California's crude oil fields and a corresponding decrease in the economic viability of in-state crude oil production, (2) declining in-state gasoline sales, (3) declining in-state fossil diesel consumption, (4) ongoing national and global consolidation of the oil industry, and (5) increased availability of imported finished fossil fuel products." Due to circumstances both within and outside of the state's control, California should prepare proactively for future closures.¹

The period between the familiar, stable petroleum-based energy system of the past and the yet-unseen, stable clean energy of the future is described in academic literature as the "mid-transition" phase.² This period is characterized by significant, potentially-disruptive changes to the incumbent fossil fuel system, which California has tangibly experienced and responded to with recent refinery closures.³

There have been two recent announcements of such closures: the closure of the Phillips 66 twin refinery complex in Wilmington and Carson in December 2025,⁴ and the closure of the Valero Benecia Refinery in April 2026.⁵

Sudden exits of petroleum industries from the state raises uncertainties in the implications for the associated refining infrastructure and the land on which it sits. There could be significantly negative impacts on local governments,

¹ Hersbach, T.J.P., et. al. (2026). [The Writing on the Wall: Why California Refineries are Closing.](#)

² Grubert, E. and Hastings-Simon, S. (2022). [Designing the mid-transition: A review of medium-term challenges for coordinated decarbonization in the United States.](#)

³ Gunda, S. (2025). [Letter to Governor Newsom.](#)

⁴ Phillips 66. (2025). [Phillips 66 provides update on Los Angeles Refinery operations.](#)

⁵ Valero. (2025). [Valero Announces Notice to the California Energy Commission Regarding its Benecia, California, Refinery.](#)

public health, affordability, and environmental protection if such a transition is managed haphazardly.³

A June 2025 letter from CEC Vice Chair Siva Gunda to Governor Newsom (2025 Letter) outlined near and medium-term actions that must be part of a holistic transition strategy, which included a recommendation to identify challenges, opportunities, and strategies for the future of land affected by the transition and implementing policies accordingly.³ Some of opportunities and strategies expressed in the 2025 Letter included developing standards for decommissioning refinery infrastructure and site remediation of legacy contamination, and utilizing disclosure frameworks such as asset retirement obligations. This is particularly relevant as affected oil and gas companies may seek—and have already sought—redevelopment opportunities.

Part of the twin refinery complex owned by Phillips 66 is anticipated to become a new complex filled with warehouses, shops, supermarkets, restaurants, and community spaces, including green spaces and playgrounds.⁶ The redevelopment will occur after extensive site remediation overseen by the Los Angeles Regional Water Control Board, and the future development of this site indicates potential and appetite for similar endeavors as the mid-transition ramps up.

2. *Contamination at refineries.* Because many refineries pre-date landmark environmental laws, such as RCRA and CWA, they are likely to sit atop of legacy contamination from accidents and spills, to settling emissions from normal operations.^{7,8} During the early and mid-20th century, it was considered a common industry practice to dump and bury toxic waste on-site, leading to further contamination.⁹ With anticipated closures, there is a risk that refineries may also neglect best-practice maintenance and create additional operational risks that could exacerbate contamination. Crude oil processing and other refining activities can lead to the formation and release of hazardous substances including heavy metals such as arsenic and mercury, hydrocarbons such as benzene, ethylbenzene, toluene, and xylene (BTEX), polycyclic aromatic hydrocarbons (PAHs), and methyl tert-butyl ether (MTBE).^{7,10} Per- and polyfluoroalkyl substances (PFAS) contamination may also likely occur, as firefighting agents used to mitigate fires experienced at petroleum refineries

⁶ Vincent, R. (2025). [This is what could replace the Phillips 66 oil refinery in Wilmington.](#)

⁷ Alexander, A. (2025). [Before the Last Drop: Lessons from the Phillips 66 Los Angeles Refinery Closure.](#)

⁸ Dey, S., et. al. (2024). [Environmental Petroleum Waste: Pollution, Toxicity, Sustainable Remediation.](#)

⁹ Los Angeles Regional Water Board. (1994). [Unocal Los Angeles Refinery – Cleanup and Abatement Order \(File No. 85-8\).](#)

¹⁰ Mol, J.J.W. (1999). [An analysis of the remediation of oil contaminated refinery sites.](#)

historically contain these substances.¹¹ These substances contaminate the soil and groundwater beneath the refinery, and depending on the circumstance, in the surrounding areas.¹⁰

There are various types of hydrocarbons, with different properties and densities, which allow them to migrate through soil and groundwater media in multiple ways. The movement of lighter hydrocarbons can be more difficult to predict or may remain trapped at the subsurface of groundwater, whereas denser hydrocarbons may sink below the water table.¹² Because some refineries are at relatively lower elevations and near the coast, sea level rise could exacerbate the extent of contamination because of interactions with the water table.⁷

Human exposure to these toxic substances can occur by consumption if contamination migrates to drinking water aquifers through groundwater, inhalation through vapor intrusion from contaminated soil and groundwater, and dermal contact with contaminated soil or groundwater.^{13,14,15} Serious health effects can result from the various types of exposure, including but not limited to adverse neurological, carcinogenic, respiratory and developmental impacts.^{8,14}

The movement of these toxic substances and associated exposure risks complicate remediation strategies, as remediation schemes must be designed specifically for each contaminated site and depends on the type and extent of contamination.¹² Remediation may involve a combination of techniques including, but not limited to, pump-and-treat (pumping groundwater up through extraction well and treating before discharging), in-situ biodegradation, phytoremediation, soil washing, air stripping, soil vapor extraction, excavation, and containment.^{12,16} Complete remediation of a site can take several years depending on the remediation techniques and the scale of contamination, which for refineries that span hundreds of acres situated above a groundwater basin could implicate the remediation of billions of gallons of groundwater.¹²

3. *Regulatory frameworks for site remediation.* DTSC and the State and Regional Water Boards have the authority to oversee site remediation. The Water Boards

¹¹ Wang, L., et. al. (2025). [Emerging Pollutants as Chemical Additives in the Petroleum Industry: A Review of Functional Uses, Environmental Challenges and Sustainable Control Strategies.](#)

¹² Khaitan, S. (2005). [Remediation of Sites Contaminated by Oil Refinery Operations.](#)

¹³ Turczynowicz, L., et. al. (2012). [Health Risk Assessment and Vapor Intrusion: A Review and Australian Perspective.](#)

¹⁴ Fei-Baffoe, B., et. al. (2024). [Contamination of groundwater by petroleum hydrocarbons: Impact of fuel stations in residential areas.](#)

¹⁵ Ma, J., et. al. (2020). [Vapor Intrusion Investigations and Decision-Making: A Critical Review.](#)

¹⁶ Galaska, E.G., et. al. (2018). [Biological Treatment of Groundwater, Soils, and Soil Vapors Contaminated with Petroleum Hydrocarbons.](#)

lead oversight when contamination threatens a water of the state, which includes surface water and groundwater, whereas DTSC leads oversight when contamination poses a direct risk to human health. With many of California's refineries located above groundwater basins, the Water Boards would serve as the lead agency in the remediation of those sites and DTSC, or their local CUPA delegation, would lead the closure of waste management units, such as storage tanks or ponds. A precedent has also been set by the SB 1082 Framework (Calderon, 1993), which addressed the overlapping jurisdiction of DTSC and the Water Boards. The framework designated the Regional Water Boards as the primary oversight agencies for any corrective action taking place at refineries at the time.¹⁷

The Water Boards have broad authority in requiring cleanup or abatement of pollution from any person or entity that has created or threatens to create a condition of pollution or nuisance that impacts a water of the state. In accordance with Resolution No. 92-49, Policies and Procedures for Investigation and Cleanup and Abatement of Discharges under Water Code Section 13304, Regional Water Boards can require investigation of potential discharges of waste based on evidence that implicates refineries, such as industry-wide operational practices that historically lead to discharges or historical documentation (or lack thereof) of waste management activities or previous possible or known discharges.¹⁸

Upon finding contamination, Regional Water Boards can order the responsible party to create workplans that detail cleanup and abatement activities and submit progress reports. The Regional Water Boards select the highest level of remediation that the responsible entity is required to achieve in accordance with Resolution No. 68-16, that also considers technical feasibility and cost-effective methods in accordance with Resolution 92-49.^{18,19} The extent of cleanup and abatement may also depend on the intended use of the site following remediation.

For contamination associated with the operations of a refinery, the Regional Water Boards may not require investigation or cleanup and abatement prior to its closure, unless the investigation or any remedial actions are associated with a known or uncovered incident that led to contamination. The Regional Water Boards possess the authority to require investigation of contamination due to historical events, normal operations, or industry practices, but absent any specific direction or incident, may not use these enforcement tools until a

¹⁷ State Water Resources Control Board. (2018). [SB 1082 Framework](#).

¹⁸ State Water Resources Control Board. (2018). [Site Cleanup Program \(SCP\) – Resolution No. 92-49](#).

¹⁹ State Water Resources Control Board. (1968). [Resolution No. 68-16](#).

refinery's closure and the site is proposed for another use. The costs associated with environmental remediation may not be uncovered until that time.

4. *Disclosing liabilities.* The U.S. Securities and Exchange Commission requires public disclosure of publicly traded companies' assets and liabilities, as well as certain financial considerations as part of their routine disclosures, most notably in the annual 10-K report. As part of this reporting process, the business is expected to provide an estimate of its associated Asset Retirement Obligation (ARO).

Accounting standards for ARO disclosure have been established by the Financial Accounting Standards Board under Accounting Standards Codification (ASC) 410-20. ASC 410-20 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operations of the asset.²⁰ This may include any costs associated with decommissioning infrastructure and environmental remediation liabilities that result from the normal operations of an asset.²⁰

Typically, AROs should be recognized at the time the obligation is incurred, which includes throughout the duration of the asset's operation. Often, companies that estimate and disclose AROs involve a finite amount of resources or have estimated lifetimes, thus a retirement date can be estimated. Examples of this include oil and gas wells that are pulling finite resources from the ground or nuclear power plants that have estimated operating lifespans.²¹

Companies that own refineries are also subject to AROs, however, since refining assets are not treated as having finite lives with estimated retirement dates, costs associated with retirement are not immediately disclosed.^{21,22} Even with disclosure, many companies underestimate the costs associated with decommissioning or do not account for costs associated with environmental remediation liabilities.²³ understanding the full scope of liabilities, companies are at risk of overstating asset values, which could lead to severe financial shocks and potential insolvency upon retirement.²³

²⁰ Ernst & Young LLP. (2025). [Financial reporting developments, A Comprehensive Guide: Asset Retirement Obligations.](#)

²¹ Carbon Tracker Initiative. (2024). [Off the record: Accounting loophole leaves billions in decommissioning obligations unaccounted for.](#)

²² Deloitte. (2026). [Industry Considerations Related to Asset Retirement Obligations and Environmental Obligations: Oil and Gas.](#)

²³ TAO Energy Consulting. (2025). [Oil Asset Retirement Obligation Guide 2025 – ARO.](#)

With insolvency, there is a risk that costs can fall on the state and impact local communities. These risks can be somewhat prepared for and minimized through proactive regulatory action, but some risk remains. For example, Exide Technologies owned a facility in Vernon that recycled lead-acid batteries and its operations resulted in the dispersion and deposition of lead, contaminating the soil of the surrounding residential areas. Since as early as 2002, Exide faced corrective action orders from DTSC to investigate and clean up, which continued until the facility was ordered to withdraw its permit and cease operations in 2015. Ahead of the Vernon facility's closure, Exide Technologies' June 2014 10-K submission to the SEC, reported total assets of \$1.97 billion, as well as \$52.9 million in "retirement obligations" which were listed alongside other liabilities as being "subject to compromise" and to be resolved as part of ongoing Chapter 11 bankruptcy proceedings.²⁴

Following a federal bankruptcy court proceeding in 2020, Exide was released from its obligations to clean up contamination, leaving the responsibility to clean up the area to the state.²⁵ To date, the state has invested nearly \$1 billion in residential clean up to protect the public health of the local community.

While existing authorities provide for accountability and will likely require refineries to remediate legacy contamination associated with their operations post-closure, a knowledge gap on potentially significant liabilities exists for currently operating refineries. Given the anticipated trajectory towards fewer fossil fuels being produced and used in the state, the notion that refineries will operate indefinitely is unrealistic and closure or conversion of their assets becomes increasingly likely as alternative energy infrastructure scales.

Recent announcements of recent refinery closures have been sudden, and have occurred without a full understanding of the liabilities, which can present challenges around planning efforts for communities and agencies.⁷ Stakeholders engaged in past closures have repeatedly identified a need for a greater understanding of liabilities in advance of anticipated closures.²⁶ Their recommendations state that doing so will allow for the state, industries, local governments and impacted communities to prepare for potential future refinery closures and manage any associated costs strategically and effectively.

²⁴ U.S. Securities and Exchange Commission. (2014). [Form 10-Q – Exide Technologies](#).

²⁵ Department of Toxic Substances Control. (2026). [Exide Bankruptcy Settlement](#).

²⁶ Bluegreen Alliance. (2025). [California Contra Costa Refinery Transition Partnership Report and Policy Recommendations](#).

This bill would ensure transparency of decommissioning and remediation related liabilities for refineries by requiring refineries to report estimated costs based on guidelines established by the State Water Board.

Comments

- 1) *Purpose of Bill.* According to the author, “Refineries are unique among major energy infrastructure because they are not required to meaningfully disclose or plan for cleanup costs until closure is imminent. Other energy sectors, such as nuclear, wind, and solar, are required to plan, set aside funds and submit advanced disclosures to the U.S. Securities and Exchange Commission for eventual closing of infrastructure.

Due to forces at play globally and in California, we must plan for a future with fewer refineries in our state. We need to know the potential timelines and costs for refinery cleanups long before refineries close, so communities affected and the State can be ready and prepared to transition.

SB 1259 is a commonsense transparency measure that requires refineries to proactively and collaboratively share information with the State to help us plan for the future of the land refineries sit upon today.”

- 2) *Contamination uncertainties.* Effectively remediating a contaminated site, especially with a refinery, involves comprehensively testing and evaluating the levels of contamination in the impacted soil and groundwater. The extent of contamination is best obtained during and after the decommissioning of a refinery, as removing equipment can reveal a fuller picture of the contamination.

The reports required by SB 1259 from refiners are to include detailed cost estimates for both decommissioning and remediation. Obtaining these estimates while a refinery is still operating may be challenging and could result in inaccurate costs for remediation.

Additionally, contaminated sites are typically remediated at a level considered appropriate for the anticipated land use and potential risks for exposure. A site remediated for residential use would be remediated at a much higher level, thus much more costly than a site intended for use that would lead to less direct exposure. And no two sites are the same. Cleanup levels must be calculated for each site through risk assessments, which take into account the type and extent of contamination, potential receptors, migration pathways, and their fate in the

environment. Thus, providing a range of estimated remediation levels and associated costs is valuable, if not essential.

The guidelines developed by the State Water Board for the refiners to prepare their reports do consider potential ranges of levels of remediation, which will allow for more insight into the liabilities associated with different potential land uses. However, it is important to acknowledge that the entire site, spanning hundreds of acres, may not be considered for the same levels of remediation or land use in the future. Thus, refiners could also report ranges for their cost estimates associated with different levels of site remediation. *The author may wish to direct refiners to include estimated cost ranges associated with varying levels of remediation in their reporting requirements.*

- 3) *Consultation considerations.* This bill requires each refiner to consult with the State Water Board during the development of their draft reports. There is also a rigorous evaluation process by the State Water Board as each report undergoes approval, including a 45-day public comment period and public hearing following the submission of each report, a six-month review and comment period following the submission of each report, and a revision period for refiners within 60 days following the State Water Board's comment period. There are nine oil refineries in California, including those that recently announced closure, so the State Water Board would have to repeat this process at least nine times, but with different considerations as each site is different. It will be important to understand the current and future resources and staffing for the State Water Board to conduct this work in a timely manner and it would be worth considering extending the timelines, delegating workloads to Regional Water Boards, or eliminating aspects of the review process if the author may choose to prioritize prompt reporting. *The author may wish to consider extending the State Water Board's review and comment period to at least one year and/or expanding authority to review the draft reports to the Regional Water Boards.*

For the refineries that have already announced closure, their draft reports are due by March 31, 2027, three months after this bill would go into effect. The refineries are required to develop their draft reports in accordance with the guidelines developed by the State Water Board, and this initial deadline would force refineries to prepare their draft reports without the required guidelines. For the remaining refiners, they would need to prepare their reports by December 31, 2027, or within 30 days of an announcement of shut down if announced before this date. This also puts these refiners at risk of preparing their draft reports without the required guidelines, depending on how long the State Water Board needs to complete the guidelines. Additionally, the State

Water Board is likely to contract out for the development of any guideline associated with decommissioning since that falls outside of their jurisdiction. The need to contract will take more time. In order to ensure refiners have sufficient time to complete their draft reports with the required guidelines, *the author and committee may wish to establish a reasonable deadline for the State Water Board to complete the guidelines and a subsequent deadline for refineries to complete their draft reports.*

Staff recommend establishing an initial deadline but encourage the author to continue engaging with the State Water Board on an appropriate date, acknowledging the potential need to contract and the associated workloads.

- 4) *Striking the right balance.* Assessing AROs for refineries—as for any asset—inherently involves a degree of uncertainty, and even the most thorough assessment still only results in an estimated range of potential costs and outcomes. Thus, there are necessary trade-offs that must be weighed. Is it more important to the state’s interests that the cost estimates are accurate, or timely? Given that the reported information is intended to support the CEC in their development of a much-needed comprehensive transportation fuels transition strategy, time seems to be of the essence. So, to the extent that refiners are able to provide a ballpark estimate relatively quickly, that may be more valuable to the state than a much more accurate estimate that takes more time to develop. However, the estimate must be reasonable, or else it will not benefit the state, no matter how timely.

To address this, these cost estimates, along with the other reporting requirements, are proposed to be reviewed by the State Water Board. It will be important to strike the right balance between ensuring the accuracy of reported cost estimates and implementation burdens associated with significant review. SB 1259 directs the State Water Board to “review and comment on the draft report... and order any changes to the draft report that the board deems necessary and advisable.” With the uncertainty associated with remediation cost estimates for currently operating refineries and without verification mechanisms, the State Water Board will not be able to guarantee accuracy. However, there may still be value in having refiners’ reports reviewed by the regulator for completeness, consistency, and feasibility, if not more. *Going forward, the author may wish to consider narrowing the State Water Board’s role in reviewing refiners’ reports, and may consider delegating some or all of the review responsibilities to the appropriate Regional Water Board.*

- 5) *The cost of unknown costs.* The provisions of this bill would require refiners to investigate and estimate costs associated with decommissioning and

remediation. Refiners will likely need to contract out this work to environmental professionals and consult with the relevant regulatory agencies, which has the potential to create additional costs on these entities. This comes at a sensitive time as there is a desire to stabilize in-state production and refining and there exists uncertainty around international oil imports, both with implications for affordability. As such, any potential for added costs to refiners merits careful consideration.

Some groups opposed to this bill argue that the reporting requirements described in SB 1259 duplicate existing requirements or are redundant. And indeed, there is evidence that refiners are already undertaking some of the work contemplated in the bill without additional legislation. For example, when Phillips 66 announced in October 2024 their intent to close the Los Angeles Refinery, the announcement acknowledged that the company was already engaged with two real estate development the evaluate the future use of the sites.²⁷ Moreover, Phillips 66's 2024 10-K stated that, "During the year ended December 31, 2024, our asset retirement balance increased \$234 million. This increase was primarily due to new obligations of \$205 million associated with the expected cessation of operations at the Los Angeles Refinery in the fourth quarter of 2025".²⁸ The increase in ARO was only explained insofar as Phillips 66 reported that the increase was "...mainly reflecting our change in the estimated timing of spending for asbestos abatement and decommissioning of assets at the Los Angeles Refinery. The asset retirement obligations recorded require significant judgment and are subject to changes in the underlying assumptions."²⁸ For planning and redevelopment purposes, local governments and communities would benefit from an early understanding of what cleanup work will be done over what time horizon, and if that information can be provided without additional resources, then it should be. *The author may wish to consider how the reports required by SB 1259 could make use of existing data and estimates generated by or available to refiners, in order to avoid duplicating past or ongoing efforts to estimate decommissioning and remediation costs.*

There are also arguments that these costs are unnecessarily burdensome to the refiners, but it is also important to consider the potential costs of not understanding the liabilities associated with decommissioning and remediation ahead of closure. Refineries do not typically disclose any estimate of asset retirement obligations until after they announce their intent to close, and delaying or obfuscating a full understanding of liabilities could result in overstating asset values and severe financial shocks to the impacted company.²³

²⁷ Phillips 66. (2024). [Phillips 66 provides notice of its plan to cease operations at Los Angeles-area refinery.](#)

²⁸ U.S. Securities and Exchange Commission. (2024). [Form 10-K – Phillips 66.](#)

There may also be economic and public health costs to the state and local governments and local communities without adequate planning in the case of insolvency. Beyond that, refineries provide major financial support to their host communities in the form of taxes, employment, and indirect economic effects, so anything that would prevent or delay returning former refinery sites to productive re-use has real costs to the community as well.

It is clear that California (like much of the world) is in the middle of a major fuel and energy transition. That will have real, tangible consequences for California's petroleum refineries and the communities in which they are embedded. The committee is faced with weighing several difficult policy questions. Is it more costly to make refiners bear the costs to determine and disclose their liabilities to inform a smooth energy transition, or to maintain the status quo at the risk of unknown costs to the state and impacted communities? Are the existing practices that allow refiners to develop post-closure cost liability estimates and engage with developers without transparency working well enough? How can California pursue concurrent efforts to keep refineries open as long as they remain necessary, while also proactively helping communities plan for the future? These questions do not have easy answers, but they must be answered, nonetheless.

- 6) *Committee amendments. Staff recommends the committee adopt the bolded amendment contained in comment 3 above.*

DOUBLE REFERRAL:

If this measure is approved by the Senate Environmental Quality Committee, the do pass motion must include the action to re-refer the bill to the Senate Energy, Utilities, and Communications Committee.

Related/Prior Legislation

SOURCE: Asian Pacific Environmental Network
California Environmental Justice Alliance
Communities for a Better Environment

SUPPORT:

350 Bay Area Action
Aapi Force
Alliance of Californians for Community Empowerment (ACCE) Action
Asian Pacific Environmental Network Action

Biofuelwatch
Ceja Action
Central Coast Alliance United for a Sustainable Economy
Climate Health Now Action Fund
Communities for a Better Environment
Communities United for Restorative Youth Justice (CURYJ)
Courage California
Earthjustice
Healthy Martinez
Indivisible Ca: Statestrong
Long Beach Forward
Physicians for Social Responsibility - Los Angeles
Poder
Scope LA
Sunflower Alliance
The Climate Center
Torrance Refinery Action Alliance
1 Individual

OPPOSITION:

California Chamber of Commerce
California Council for Environmental & Economic Balance (CCEEB)
California State Council of Laborers
District Council of Iron Workers of the State of California and Vicinity
Los Angeles / Orange Counties Building and Construction Trades Council
State Building & Construction Trades Council of California
Western States Petroleum Association

-- END --