SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1259 (Blakespear) - Refineries: decommissioning and remediation: cost estimates

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Urgency: No
Hearing Date: May 11, 2026

Policy Vote: E.Q. 4 - 1
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would require refiners to report information concerning refinery decommissioning and site remediation to the State Water Resources Control Board (State Water Board) and California Energy Commission (CEC) in accordance with specified guidelines.

Fiscal Impact:
- The State Water Board anticipates ongoing costs of $1.75 million in the first year and $2.5 million annually thereafter (General Fund) to develop guidelines for soil and groundwater remediation at refinery sites, track and review draft reports and annual updates from refiners, conduct and compile public comments, assess trade secret claims, and conduct any possible enforcement actions. In addition, the State Water Board anticipates one-time contracting costs of approximately $1 million (General Fund) for outside expertise in the development of guidelines and creation of the mandated report.
- The CEC anticipates any costs would be minor and absorbable.

Background: 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. Since 2014, onshore oil production in California has decreased by 42%, and production from gas wells has dropped even further.

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." Due to circumstances both within and outside of the state's control, California should prepare proactively for future closures.

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, and the closure of the Valero Benecia Refinery in April 2026.

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

Decommissioning. Decommissioning is a process that involves ending production, dealing with the extractive infrastructure, cleaning up the site, and managing its possible futures. Wells must be properly decommissioned by plugging the drill site and dismantling the well.

Decommissioning is expensive, and costs can be higher if the wells are remote or in delicate terrain, or if the wells have been idle or abandoned for a long time. The cost of decommissioning a single well is estimated at $68,000, but it can rise to as much as $391,000. The California Council on Science and Technology further estimated that the total cost of plugging all active and idle wells in the state is $9 billion, with $500 million needed to plug just the wells most likely to soon be decommissioned. Additionally, operators must pay an annual fee of US$150 for each well that has been idle for 3-8 years increasing to US$300 for each well idle for more than eight years and US$1,500 for wells that have remained idle for more than 20 years.

The abandonment of wells has been ongoing ever since the first oil well in California was drilled in 1865. Nonetheless, the decommissioning process has only recently become more standardized but there remain thousands of idle and orphaned wells in California. Historically the state imposed on each operator a different bond in exchange for their operating license. These bonds are like a decommissioning fund the state can use to plug each well; but the CCST estimates that "in almost all cases these [bonds] are substantially lower than the predicted costs". Moreover, if the operator goes bankrupt, the state is liable.

Recent fuels transition reports discuss future of land. As required by SBX1-2 (Skinner, Chapter 1, Statutes of 2023) and SB 237 (Grayson, Chapter 118, Statutes of 2025), drafts of two reports recently released by the CEC and CARB attempt to chart a path for a "transportation fuel transition strategy" and to "evaluate the recommendations and strategies put forward" by the June 27, 2025 letter from CEC Vice Chair Gunda. Both of these reports, broadly, provide some detail and direction for the concept of "Bucket Three" or "Proactive Transition Governance" to advance a holistic transition plan. Both reports touch on refinery decommissioning and post-closure liability and land-use.

The Draft Transportation Fuel Transition Plan (TFTP) from CARB and CEC discusses environmental considerations briefly. It states, "It is critical to understand the extent to which refinery and refinery-adjacent lands are already polluted, as well as the current regulatory requirements around facility decommissioning and clean-up. It is equally critical to work to prevent these toxic lands from being abandoned or inadequately remediated, which would lead to impacts on land and water quality and the community's ability to reuse the lands for future purposes."

The Draft SB 237 Assessment discusses the topic in greater depth. In the section titled "Future of Impacted Land", the Assessment states,

> "As California and the rest of the world move toward the clean energy future, more retirements of petroleum assets are expected. Regardless of when those come, the state has interest in seeing the land impacted by petroleum industrial activity be responsibly remediated and repurposed. If this is done in a way that protects public health and the environment, diversifies local economies, and supports local governments, it could be a generational opportunity to uplift some

> of California's most pollution-burdened communities. An understanding of existing regulatory authorities, site assessments, cleanup cost and duration estimates, and applicable financial commitments would help support processes to realize the opportunities for the future of land affected by the transition."

Most germane to SB 1259, the Assessment states, "The state, host communities, and investors would benefit from more transparency into the liability a company bears for decommissioning and remediation of a refinery or other major petroleum infrastructure site and how that is calculated. This transparency would help local communities start planning effectively, investors allocate capital wisely, and the state evaluate California's petroleum industries' financial situation accurately."

Proposed Law: This bill would require refiners to report information concerning refinery decommissioning and site remediation in accordance with specified guidelines. It would also require the State Water Board, no later than one year after receiving the reports, to publish a report assessing the total decommissioning and remediation liabilities for refineries in the state.

Specifically, it would:

1. Require that every refiner submit a report to the State Water Board with information concerning decommissioning and site remediation for each refinery it owns, operates, or controls.
    a. Require refiners, no later than December 31, 2027, to submit a draft report.
        i. Require that its development and presentation of the draft report 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.
        ii. Require a 45-day public comment period following its receipt.
        iii. Hold at least one public hearing concerning it.
        iv. Require that the State Water Board review and comment on it and, in consultation with specified regulatory agencies, order any changes as necessary.
    b. Require the refiner to submit the final report within 60 days of receiving the State Water Board's comments.
        i. Authorize the State Water Board to extend the revision period and reject the final report.
        ii. Require that the final report prepared be made publicly available, unless the refiner successfully claims that it contains a trade secret.
            1. Specify the claims process for trade secrets.

2. Preclude the draft and final reports from limiting the scope of decommissioning and remediation and liabilities associated.

3. Require refiners to present to the State Water Board annual updates to their reports incorporating any new information.

4. Require 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:

    a. Submit a draft report within 30 days of that announcement.

    b. Present an update of its report within 30 days of that announcement.

5. Require 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.

6. Require 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.

    a. Require that the guidelines consider potential ranges of levels of remediation, alternative cleanup technologies, and probabilistic and other methodologies for generating cost estimates.

7. Require the Water Board, in consultation with the CEC and no later than one year after receiving the refiner reports, to publish a report assessing the total decommissioning and remediation liabilities for refineries in the state, as specified.

Related Legislation:

SBX1-2 (Skinner, Chapter 1, Statutes of 2023) and SB 237 (Grayson, Chapter 118, Statutes of 2025) required two reports, drafts of which, recently released by the CEC and CARB, attempt to chart a path for a “transportation fuel transition strategy” and to “evaluate the recommendations and strategies put forward” by the June 27, 2025 letter from CEC Vice Chair Gunda

Staff Comments:

Several sources of funds for decommissioning do exist, but the total falls far short of the money required. Oil and gas companies have provided $106 million in financial assurance for onshore wells, less than one percent of their overall closure and clean-up costs. An estimated $265 million in state and federal taxpayer money has been allocated to pay for costs inherited from defunct oil companies. Taxpayers are on the hook for much more than industry has set aside, and the remaining unfunded liability is dozens of times larger than these existing funds.

A recent analysis commissioned by Carbon Tracker Initiative, a financial think tank that studies how the transition away from fossil fuels impacts markets and the economy, used California regulators’ draft methodology for calculating the costs associated with plugging oil and gas wells and decommissioning them along with related infrastructure.

It found that plugging wells, dismantling surface infrastructure and decontaminating polluted drill sites would cost at least $13.2 billion, based on publicly available data. Adding in factors with slightly more uncertainty, like inflation rates and the price of decommissioning miles of pipeline, could bring the total cleanup bill for California's onshore oil and gas industry to $21.5 billion.

Meanwhile, according to the assessment, California oil and gas production will earn about $6.3 billion in future profits over the remaining course of operations. Compounding the problem, the industry has set aside only about $106 million that state regulators can use for cleanup when a company liquidates or otherwise walks away from its responsibilities. That amount equals less than 1% of the estimated cost.

The state will likely have to cover much of the difference to ensure wells are plugged and not left to leak brine, toxic chemicals and climate-warming methane. Understanding the total decommissioning and remediating liabilities of California refiners could be critical for state and local governments to plan and prepare for negative impacts and a significant cost burden. Details made available pursuant to SB 1295 would be incredibly valuable as a tool for the state and local communities in efforts to mitigate the extensive costs and serious risks to people and the environment posed by refinery closure, decommissioning, and abandonment.

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