

THIRD READING

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Bill No: SB 1259  
Author: Blakespear (D) and Gonzalez (D), et al.  
Amended: 5/14/26  
Vote: 21

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SENATE ENVIRONMENTAL QUALITY COMMITTEE: 4-1, 4/8/26  
AYES: Blakespear, Allen, Gonzalez, Menjivar  
NOES: Valladares  
NO VOTE RECORDED: Dahle, Hurtado

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26  
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab  
NOES: Seyarto, Dahle

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**SUBJECT:** Refineries: decommissioning and remediation: cost estimates

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

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**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).

**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), and 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 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. (Health and Safety Code (HSC) § 25360.1 et seq.)
- 3) 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 Board. (Water Code (WC) § 13000 et seq.)
- 4) 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)
- 5) 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)

This bill:

- 1) Requires the State Water Board to develop an overview of the methods, costs, and timelines of soil and groundwater remediation that have been employed at refineries that have undergone decommissioning and remediation.
- 2) 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, 2028.
- 3) Requires the report prepared by refiners to be governed by specified principles, methods, and assumptions and 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.
- 4) Requires the estimated methods, costs, and timelines of soil and groundwater remediation in the report to be reasonably consistent with the overview and requires the State Water Board to consider specified factors in determining the consistency of the report.
- 5) Requires the State Water Board, in consultation with the applicable Regional Water Board, to review the draft report for completeness and reasonableness and make a specified determination no later than six months following the submission of the draft report.
- 6) Requires a refiner to assert claims that the draft report contains a trade secret and the State Water Board to provide the refiner with a decision denying the claim, granting it in part or entirety with factual and legal bases within 30 days.
- 7) Requires the refinery to revise the draft report to address any deficiencies within 60 days if the State Water Board determines that the draft report does not comply with specified requirements.
- 8) Requires the State Water Board to make the draft report available on its website for public comment for at least 45 days with an addendum describing the basis of any trade secrets redacted.
- 9) Authorizes a person to seek judicial review of the State Water Board's decision on trade secret claims and decisions in a specified manner.

- 10) Authorizes the State Water Board to require further revisions to the draft report after the public comment period before the report is deemed final.
- 11) Requires the final report to be made available on the State Water Board's website with an addendum describing the basis of any trade secrets redacted.
- 12) Precludes the draft and final reports prepared by the refiners from limiting the scope of decommissioning and remediation and liabilities associated.
- 13) Requires refiners to present to the State Water Board annual updates to their reports incorporating any new information.
- 14) 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.
- 15) 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.
- 16) Requires a refiner that has given notice to shut down between January 1, 2024, and December 30, 2027, but has not fully completed shutdown as of November 1, 2025, to present its report no later than March 31, 2028.
- 17) Requires the State Water Board to publish a report assessing the total decommissioning and remediation liabilities for refineries in the state in consultation with the CEC and no later than one year after receiving the reports from refiners.

## **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. Due to circumstances both within and outside of the state's control, California should prepare proactively for future refinery closures.<sup>1</sup> The period between the familiar, stable petroleum-based energy system and the yet-unseen, stable clean energy of the future is described in academic literature as the "mid-transition"

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

phase.<sup>2</sup> 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.<sup>3</sup>

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,<sup>4</sup> and the closure of the Valero Benecia Refinery in April 2026.<sup>5</sup> 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.<sup>3</sup>

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 develop standards for decommissioning and site remediation of refineries, and utilizing disclosure frameworks, such as asset retirement obligations.<sup>3</sup> This is particularly relevant as affected oil and gas companies may seek—and have already sought—redevelopment opportunities.

2. *Contamination at refineries.* Because many refineries pre-date landmark environmental laws, such as CWA, they are likely to sit atop of legacy contamination from accidents, spills, and settling emissions.<sup>6,7</sup> During the early and mid-20<sup>th</sup> century, it was considered a common industry practice to dump and bury toxic waste on-site.<sup>8</sup> Crude oil processing and other refining activities can lead to the formation and release of hazardous substances including heavy metals, hydrocarbons, polycyclic aromatic hydrocarbons (PAHs), and methyl tert-butyl ether (MTBE).<sup>6,9</sup> These substances contaminate the soil and groundwater beneath the refinery, and depending on the circumstance, in the surrounding areas.<sup>9</sup>

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

<sup>3</sup> Gunda, S. (2025). [Letter to Governor Newsom.](#)

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

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

<sup>6</sup> Alexander, A. (2025). [Before the Last Drop: Lessons from the Phillips 66 Los Angeles Refinery Closure.](#)

<sup>7</sup> Dey, S., et. al. (2024). [Environmental Petroleum Waste: Pollution, Toxicity, Sustainable Remediation.](#)

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

<sup>9</sup> Mol, J.J.W. (1999). [An analysis of the remediation of oil contaminated refinery sites.](#)

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.<sup>10,11,12</sup> Serious health effects can result from the various types of exposure, including but not limited to adverse neurological, carcinogenic, respiratory and developmental impacts.<sup>7,11</sup>

3. *Regulatory frameworks for site remediation.* DTSC and the State and Regional Water Boards have the authority to oversee site remediation. The Water Boards lead oversight when contamination threatens a water of the state, 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 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 designated Regional Water Boards as the primary oversight agencies for corrective action taking place at refineries at the time.<sup>13</sup>

The Water Boards have broad authority in requiring cleanup or abatement of pollution from any entity that has created or threatens to create a condition of pollution or nuisance that impacts a water of the state. Upon finding contamination, Regional Water Boards can order the responsible party to conduct cleanup and abatement activities. The Regional Water Boards select the highest level of remediation that also considers technical feasibility and cost-effective methods in accordance with Resolution No. 68-16 and 92-49.<sup>14,15</sup> The extent of cleanup also depends on the site's intended use following remediation.

4. *Disclosing liabilities.* The U.S. Securities and Exchange Commission requires public disclosure of publicly traded companies' assets and liabilities 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

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<sup>10</sup> Turczynowicz, L., et. al. (2012). [Health Risk Assessment and Vapor Intrusion: A Review and Australian Perspective.](#)

<sup>11</sup> Fei-Baffoe, B., et. al. (2024). [Contamination of groundwater by petroleum hydrocarbons: Impact of fuel stations in residential areas.](#)

<sup>12</sup> Ma, J., et. al. (2020). [Vapor Intrusion Investigations and Decision-Making: A Critical Review.](#)

<sup>13</sup> State Water Resources Control Board. (2018). [SB 1082 Framework.](#)

<sup>14</sup> State Water Resources Control Board. (2018). [Site Cleanup Program \(SCP\) – Resolution No. 92-49.](#)

<sup>15</sup> State Water Resources Control Board. (1968). [Resolution No. 68-16.](#)

Codification (ASC) 410-20. ASC 410-20 applies to legal obligations associated with the retirement of long-lived assets and may include any costs associated with decommissioning infrastructure and environmental remediation liabilities that result from normal operations.<sup>16</sup>

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.<sup>17</sup> 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.<sup>17,18</sup> Even with disclosure, many companies underestimate the costs associated with decommissioning or do not account for costs associated with environmental remediation liabilities.<sup>19</sup> Without 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.<sup>19</sup>

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. After Exide was ordered to withdraw its permit and cease operations in 2015, the company filed for bankruptcy and was released from its obligations to clean up contamination, leaving the responsibility to clean up the area to the state.<sup>20</sup> 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

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<sup>16</sup> Ernst & Young LLP. (2025). [Financial reporting developments, A Comprehensive Guide: Asset Retirement Obligations](#).

<sup>17</sup> Carbon Tracker Initiative. (2024). [Off the record: Accounting loophole leaves billions in decommissioning obligations unaccounted for](#).

<sup>18</sup> Deloitte. (2026). [Industry Considerations Related to Asset Retirement Obligations and Environmental Obligations: Oil and Gas](#).

<sup>19</sup> TAO Energy Consulting. (2025). [Oil Asset Retirement Obligation Guide 2025 – ARO](#).

<sup>20</sup> Department of Toxic Substances Control. (2026). [Exide Bankruptcy Settlement](#).

post-closure, a knowledge gap on potentially significant liabilities exists for currently operating refineries. 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.<sup>6</sup> Stakeholders engaged in past closures have repeatedly identified a need for a greater understanding of liabilities in advance of anticipated closures.<sup>21</sup>

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.”

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, “Unknown but likely significant ongoing costs, possibly in the hundreds of thousands of dollars or up to \$1 - \$2 million annually (General Fund), for the State Water Board to develop an overview of past methods, costs, and timelines in cases of refinery closures, 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 would likely have one-time contracting costs relating to creation of the mandated report.”

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<sup>21</sup> Bluegreen Alliance. (2025). California Contra Costa Refinery Transition Partnership Report and Policy Recommendations.

**SUPPORT:** (Verified 5/14/2026)

Asian Pacific Environmental Network (co-source)  
California Environmental Justice Alliance (co-source)  
Communities for a Better Environment (co-source)  
350 Bay Area Action  
Aapi Force  
Ahri Center, a Project of Tides Center  
Alliance of Californians for Community Empowerment Action  
Amazon Watch  
Apen Action  
Benicians for a Safe and Healthy Community  
Biofuelwatch  
California Environmental Voters  
California Green New Deal Coalition  
California Healthy Nail Salon Collaborative  
California Nurses for Environmental Health and Justice  
California Work & Family Coalition  
CAUSE  
Ceja Action  
Center on Race, Poverty & the Environment  
Central Coast Alliance United for a Sustainable Economy  
Cleaneearth4kids.org  
Climate Health Now Action Fund  
Coalition for Clean Air  
Communities United for Restorative Youth Justice  
Consumer Attorneys of California  
Consumer Watchdog  
Courage California  
Earthjustice  
Environmental Health Coalition  
Esperanza Community Housing  
Fractracker Alliance  
Fund Her  
Good Neighbor Steering Committee of Benicia  
Healthy Martinez  
Indivisible Ca: Statestrong  
Leadership Counsel for Justice and Accountability  
Long Beach Forward  
Natural Resources Defense Council  
Physicians for Social Responsibility - Los Angeles

Poder  
Sandiego350  
Scope  
Scope LA  
Sierra Club California  
Social 350 Climate Action  
Stand-la Coalition (stand Together Against Neighborhood Drilling – Los Angeles)  
Stand.earth  
Sunflower Alliance  
The Climate Center  
The Greenlining Institute  
The Unidos Network  
Torrance Refinery Action Alliance  
Union of Concerned Scientists

**OPPOSITION:** (Verified 5/14/2026)

California Chamber of Commerce  
California Council for Environmental & Economic Balance  
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

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\*\*\*\* **END** \*\*\*\*