Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 542 (Limón) – As Amended May 23, 2025

Policy Committee:	Natural Resources	Vote:	8 - 3
	Emergency Management		5 - 2

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill prohibits the restart of certain existing oil pipelines unless specified conditions are met and makes related requirements.

Specifically, this bill, among other things:

1) Prohibits, in order to reduce the risk of an oil spill upon returning to service, every existing oil pipeline that has not been in use for five or more years from being restarted without passing a spike hydrostatic testing program performed in segments to ensure every elevation point will be tested, with a minimum test pressure between 100% and 110% of the specific minimum yield strength for a 30-minute spike test, immediately followed by a pressure test in accordance with specified federal regulations.

2) Requires, for an oil pipeline subject to the testing described above, a public notice and comment process before the OSPR administrator issues a COFR, as specified.

3) Requires, commencing January 15, 2026, and at least once every 10 years thereafter, the OSPR administrator to review and revise the formulas for calculating reasonable worst-case spills and the financial assurances necessary to respond to an oil spill to reflect the best available information through a notice and comment rulemaking procedure.

FISCAL EFFECT:

OSPR estimates ongoing annual General Fund costs of approximately $1.3 million to hire four pipeline safety engineers to implement the pipeline hydrostatic testing requirements. OSPR does not oversee the construction, operation, maintenance, testing, or safety of pipelines. OSPR contends the hydrostatic testing requirement would be an entirely new responsibility for the office.

In addition, OSPR anticipates it would need about $125,000 every 10 years starting in fiscal year (FY) 2035-36 to commission an oil spill response cost study. Reviewing and revising, at least every 10 years, the formulas for calculating reasonable worst-case spill volumes and COFR amounts required by owners or operators of facilities would likely require OSPR to undertake a rulemaking, subject to the Administrative Procedures Act.

Finally, OSPR will likely incur costs of an unknown, but potentially significant, amount to implement the bill's public notice and comment requirement. OSPR notes it is not clear how it would evaluate, respond to, or incorporate comments provided by the public, while maintaining

established timeframes for approval of a COFR, which is necessary before OSPR approves an oil spill contingency plan. OSPR asserts it does not maintain a team of economic experts that could reliably assess the validity and relevance of comments regarding a company's financial health, anticipated market trends, or other potential topics, or respond to each comment, potentially resulting in comments not being equally considered. This requirement in the bill may require OSPR to contract with an economist to evaluate public comments.

COMMENTS:

1) **Purpose.** According to the author:

> There has been an extensive and unfortunate history of disastrous oil spills along the Central and Southern California coasts. Even with technological advancements and expansion of spill response capabilities, damaging spills cause millions of dollars in damage, severely impact the economies of local communities, and kill innumerable animal life. SB 542 strengthens current statute to help reduce the risk of an oil spill by requiring a public process prior to the issuance of a COFR for oil pipelines and require, prior to the restart of any pipeline that has not been in use for five or more years, a comprehensive hydro test to in addition to any other in-line pipeline tests.

2) **Background.** ***Hydrostatic Testing.*** According to the State Fire Marshal (SFM), California is home to more than 5,600 miles of hazardous liquid pipelines that transport crude oil, refined products, and highly volatile liquids around the state from production facilities to refineries and ultimately to market. These pipelines operate at high pressures. Should they fail, they would pose a threat to the residents of California, property, and the environment. To prevent accidents and spills, state and federal regulations require pipeline operators to conduct hydrostatic pressure tests to ensure the integrity of their pipelines.

   Under current state law, operators are required to pressure test each hazardous liquid pipeline by an independent third-party approved by the SFM at least once every five years, once every two years for high-risk pipelines, and once per year for buried pipelines without cathodic protection. Testing results are submitted to the SFM for review and concurrence. Tests are randomly witnessed by SFM pipeline safety engineers to verify compliance with the SFM pressure testing requirements.

   According to the author's office, most pipelines that transport hazardous liquids are built to operate at a hoop stress level that's about 72% of the pipeline's specified minimum yield strength (SMYS). When the pipeline is hydrotested at 100% SMYS, the pressure simulates normal operating conditions—about 72% of SMYS operating pressure. If the pipeline is hydrotested at 110% SMYS, that is equivalent to an operating pressure at around 80% SMYS, which raises the pressure above normal operating levels. This increased pressure enables the detection of any existing corrosion or leaks. However, pressure beyond 110% SMYS could damage the pipeline. Therefore, this bill requires the hydrostatic testing program, for oil pipelines that are inactive for at least five years, to have a minimum test pressure between 100% and 110% of the SMYS for a 30-minute spike test.

Financial Assurances and Worst-case Scenarios. Oil spill prevention and response to leaking pipelines is under OSPR's jurisdiction and existing law requires that pipeline operators prepare oil spill contingency plans, as specified. Existing law requires an operator of a vessel or facilities to obtain a COFR to transport oil that, when spilled, may threaten the waters of the state. The COFR is a demonstration of the ability of the operator to pay for any potential environmental damage resulting from a spill, and is determined based upon a "worst-case spill." There is no requirement that SMF regularly update the regulations governing worst-case spills; for this reason, such regulations, and related standards, have not changed for many years. For example, SMF established inland facility reasonable worst-case spill calculation methodologies in 2019, and those methodologies have not changed since.

3) **Support and Opposition.** Writing in support, a coalition of environmental organizations note oil spills have caused profound and lasting damage to California's coastal communities, economy, and environment. The coalition writes:

> SB 542 addresses these concerns and helps to prevent oil leaks and spills by requiring idle oil pipelines to undergo rigorous tests before a restart. Additionally, the bill creates a transparent and updated framework to determine operator financial responsibility in the event of an oil spill, to enable holding responsible parties accountable and to fairly and more accurately calculate the true costs of cleanup and restoration.

The Western States Petroleum Association (WSPA), writing in opposition, notes that the State Fire Marshal "holds the appropriate certification from [the Pipeline and Hazardous Materials Safety Administration] to regulate intrastate pipelines" and flags concerns that "adding a public process for proving financial assurance is overly broad as it will apply not only to pipelines, it would also apply to tank vessels and marine terminals." WSPA further writes that restarting a pipeline idle for over five years is a "rare" event and that "coordinating a hydro test in an emergency would be time consuming and require multiple resources that may be difficult to mobilize on such short notice. An exemption for emergencies may help maintain business continuity during such an unplanned event."

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