Date of Hearing: July 9, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 613 (Stern) – As Amended June 30, 2025

SENATE VOTE: 37-0

SUBJECT: Methane emissions: petroleum and natural gas producing low methane emissions

SUMMARY: This bill requires state agencies to prioritize strategies to reduce methane emissions from imported petroleum and natural gas and requires the California Air Resources Board (CARB) to encourage procurement of certified natural gas producing low methane emissions. Specifically, **this bill**:

1) Requires state agencies to prioritize strategies to reduce methane emissions, including emissions from imported petroleum and natural gas, where feasible and cost effective.

2) Defines "measure, monitor, report, and verify" or "MMRV" as a framework used for the systematic measuring of emissions, including the documentation and verification of the accuracy of the reported data.

3) Authorizes CARB, the CPUC, and other relevant agencies to apply approved MMRV protocols to existing programs to reduce methane emissions, including emissions from imported petroleum and natural gas procured by utilities and other large gas users, and authorizes use of any relevant data and standards.

4) Requires CARB to encourage natural gas procurement on behalf of the state to shift to certified natural gas producing low methane emissions, as verified by MMRV, where feasible, cost effective, and in the best interests of ratepayers as determined by the CPUC.

5) States the intent of the Legislature that state agencies follow a loading order for use of natural gas that prioritizes efficiency and demand reduction, followed by use of renewable resources, then by use of clean fossil resources certified to have low methane emissions via approved MMRV protocols.

6) States that this bill does not require any new or additional petroleum and natural gas utility procurement or promote expanded use of petroleum and natural gas from fossil resources and that it is not intended to interfere with state efforts to reduce the use of petroleum and natural gas or increase the production and use of renewable gas.

EXISTING LAW:

1) Requires CARB to use the best available science to quantify and annually report on its website the amount of greenhouse gas (GHG) emissions resulting from loss or release of natural gas during all processes associated with production, processing, and transport of natural gas imported from out-of-state sources. (Health & Safety Code (HSC) § 39607)

2) Requires CARB to consult with specified entities to gather information for purposes of carrying out life-cycle GHG emissions analyses of natural gas imports. (HSC § 39607)

3) Requires the CPUC, in consultation with CARB, to minimize natural gas leaks from CPUC-regulated gas pipeline facilities, to provide for the development of metrics to quantify the volume of emissions from leaking gas pipeline facilities, and to evaluate and track leaks geographically and over time. (Public Utilities Code § 975)

4) Requires all state agencies to consider and implement strategies to reduce their GHG emissions. (HSC § 38592)

5) Establishes a "loading order" requiring each of the state's gas corporations to first meet its unmet resource needs through all available natural gas efficiency and demand reduction resources that are cost effective, reliable, and feasible. (Public Utilities Code § 454.56)

FISCAL EFFECT: According to the Senate Appropriations Committee, unknown but likely significant ongoing costs (Cost of Implementation Account) for CARB to implement the provisions of this bill.

CONSUMER COST IMPACTS: Unknown, but the cost of CPUC activities related to MMRV could be recovered in energy customer rates.

BACKGROUND:

Climate Impact of Methane Emissions – Methane is the principal component of natural gas and is also produced biologically under anaerobic conditions in ruminant animals and solid waste facilities. Methane is termed a Short-Lived Climate Pollutant (SLCP) because it has a much shorter lifetime in the atmosphere than carbon dioxide, but has a much higher global warming potential. According to the United Nations Environment Programme, methane is more than 80 times more effective than carbon dioxide in trapping heat in the atmosphere over a 20-year period. SLCPs, including methane, are responsible for 30-40% of global warming to date.

Methane from oil and gas production and distribution is a growing source of emissions in many countries, including the United States, due to increased exploration and use of natural gas for energy. Natural gas is primarily methane. It can be burned for energy or used as a chemical feedstock. Nearly 45% of the natural gas burned in California is used for electricity generation, and much of the remainder is consumed in the residential (21%), industrial (25%), and commercial (9%) sectors. California continues to depend upon out-of-state imports for nearly 90% of its natural gas supply[1].

Regardless of the end uses, making natural gas ready for use relies on extensive processing and transportation. These steps are categorized as either "upstream" (exploration and production), "midstream" (processing, compressing, and transporting the gas), or "downstream" (distribution to industrial, residential, or commercial customers). The term "fugitive emissions" is used to refer to unintended emissions at any step in this process. Notably, many of these fugitive

[1] Supply and Demand of Natural Gas in California, CEC. https://www.energy.ca.gov/data-reports/energy-almanac/californias-natural-gas-market/supply-and-demand-natural-gas-california

emissions are not necessarily at the "point of production" of the natural gas. Overall, the majority of methane emissions from natural gas occur in the mid- and upstream processes.

Efforts to Reduce Methane Emissions – Identifying and addressing points of methane leakage along the natural gas supply chain is a pressing issue. However, identifying fugitive methane emissions is technologically challenging. Minimizing methane's release is important to mitigate climate change and save producers money. The International Energy Agency (IEA) has stated that there is a huge opportunity to cut methane emissions from the energy sector. The IEA estimates that more than 70% of current emissions from oil and gas operations are already technically feasible to prevent, and around 45% could typically be avoided at no net cost because the value of the captured gas is higher than the cost of the abatement measure.

With natural gas drawing increasing scrutiny for its emissions footprint, the industry has responded with a cleaned-up version of its traditional product, known as certified gas. While a universally accepted definition has yet to emerge, broadly this term refers to gas that has been verified by an independent third party to have been produced in a manner consistent with certain environmental, social, and governance standards. Methane emissions are a key performance metric for certified gas, with an emphasis on monitoring and measurement.

Through the Inflation Reduction Act, the US Environmental Protection Agency planned to invest more than $1 billion in financial and technical assistance to monitor, measure, quantify and reduce methane emissions from the oil and gas sector. This would have strengthened methane mitigation efforts nationally, but those programs and funding have been rolled back under the Trump Administration.

COMMENTS:

1) *Author's Statement*. According to the author: "California imports about 90% of its natural gas from other states and countries, and imports about 50% of our oil from Iraq, Saudi Arabia, Ecuador, Brazil, Guyana, and Canada. We are still amongst the largest users of fossil petroleum and fossil gas in the whole world. It is important to reduce methane emissions, including emissions from imported petroleum and natural gas. This bill will encourage natural gas procurement to shift to low-leakage natural gas where feasible, cost effective, and in the best interests of ratepayers. State agencies can utilizing existing state reporting and data collection efforts such as the world-leading state satellite tracking efforts to reduce emissions and send market signals."

2) *MMRV as a form of certification.* An earlier version of this bill required CARB to establish a certification program for petroleum and natural gas producing low methane emissions. That mandate was deleted in amendments by the Senate Appropriations Committee, leaving instead a provision that CARB "shall encourage" natural gas procurement with low methane emissions and that CARB, the CPUC and other agencies "may assess" existing programs to reduce methane emissions using all relevant sources and standards. Recent author's amendments authorize these agencies to "apply approved MMRV protocols to existing programs," although the bill is silent on who should approve MMRV protocols. These amendments also state legislative intent that state agencies follow a loading order prioritizing natural gas use (after efficiency and demand reduction) of "clean fossil resources certified to have low methane emissions via approved [MMRV] protocols," with no further definition of "certified" in this context.

Thus, the introduction of the MMRV framework, combined with intent language, appears to push toward use of MMRV as a form of certification but without clarity on whether CARB, the CPUC, or some other entity approve the MMRV protocols to be applied. On the other hand, the bill conditions CARB's obligation to encourage a shift to certified natural gas, "as verified by MMRV, where feasible, cost effective and in the best interests of ratepayers as determined by the [CPUC]." This seems to envision a larger role for the CPUC, rather than CARB, in verification of whether natural gas is certified.

3) *Prior Legislation.*

SB 781 (Stern 2023) would have required state agencies to prioritize strategies to reduce methane emissions, including emissions from imported natural gas, where feasible and cost effective and required CARB, no later than December 31, 2024, to establish a certification standard for natural gas producing low methane emissions. Status: held in Assembly Appropriations Committee.

4) *Double Referral.* This bill was heard and approved July 7 by the Assembly Committee on Natural Resources.

REGISTERED SUPPORT / OPPOSITION:

Support

Purewest Energy, LLC

Support If Amended

Environmental Defense Fund
Rocky Mountain Institute (RMI)

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