SENATE THIRD READING
SB 613 (Stern)
As Amended June 30, 2025
Majority vote

SUMMARY

Requires state agencies to prioritize strategies to reduce methane emissions from imported petroleum and natural gas and requires the Air Resources Board (ARB) to encourage procurement of certified natural gas producing low methane emissions, as specified.

Major Provisions

1) 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.

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

3) Authorizes ARB, the Public Utilities Commission (PUC), 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.

4) Requires ARB 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 PUC.

5) Provides that these requirements shall not be construed to require any new or additional petroleum and natural gas utility procurement or to promote the expanded use of petroleum and natural gas from fossil resources and 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.

6) Makes related findings.

COMMENTS

Methane is the principal component of natural gas. It 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.

Atmospheric methane concentrations have been increasing as a result of human activities related to agriculture, fossil fuel extraction and distribution, and waste generation and processing. Methane gas 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 on out-of-state imports for nearly 90% of its natural gas supply.

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 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.

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. Given the strong warming effects of methane in the atmosphere, minimizing its release is important to mitigate climate change. Given the value of supplying natural gas to end users, minimizing its release can benefit suppliers' bottom line and much of the methane emission mitigation work can actually 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.

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.

Arguments in Support
According to PureWest Energy, reducing methane emissions from petroleum and natural gas production is one of the most cost effective climate strategies available, because avoided

methane emissions equates to additional gas that is captured and sold. Accordingly, best practices related to minimizing methane emissions and MMRV are widely – but not universally – deployed in the market today. Now is the time to for the state to take steps to ensure continued progress in utilizing best practices to reduce methane emissions from these sources. Senate Bill 613 includes important and practical steps to reduce methane emissions and utilize the cleanest fuels available.

Arguments in Opposition
None received.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

1) PUC estimates ongoing annual staffing and contracting costs of approximately $674,000 (PUC Utilities Reimbursement Account) to implement this bill, including coordinating with ARB to encourage natural gas procurement on behalf of the state to shift to certified natural gas producing low methane emissions, as provided. PUC cautions that changes to gas procurement, such as strongly favoring certified gas, could impact the gas market and create artificial scarcity, with unpredictable impacts on ratepayers.

   PUC further contends it would need to interpret how to apply a loading order to gas, establish procurement systems and cost controls in line with that loading order, and determine how to apply the loading order to Core Transport Agents, who provide an alternative gas procurement option for residential and small commercial customers and are mostly unregulated. The committee notes the loading order provision is in the uncodified findings and declarations section of the bill.

2) The Department of General Services (DGS) manages a natural gas services (NGS) program, which procures natural gas for various state and local government agencies. As of May 2025, the NGS program's monthly use of natural gas was about 17.6 million therms at $0.29 per therm, equating to approximately $5.1 million per month or about $61 million a year (these figures do not reflect the total gas consumption of each participating agency in the NGS program). DGS notes that, depending on the cost and availability of MMRV-approved low methane gas (compared to the least expensive natural gas available to DGS), this bill may result in higher state costs, potentially in the millions of dollars annually (General Fund and special funds). It is not clear to the committee how the "where feasible, cost effective, and in the best interests of ratepayers" language in the bill will help inform state agencies' procurement and purchasing decisions.

3) ARB anticipates minor and absorbable costs as a result of this bill. ARB notes it is already working, through multiple regulations and programs, to reduce emissions from imported petroleum and natural gas where feasible and cost-effective – which is generally aligned with the intent of this bill.

The Department of Finance is opposed to this bill because "it creates General Fund and special fund cost pressures for state agencies to procure certified natural gas producing low methane emissions."

VOTES

SENATE FLOOR: 37-0-3
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Alvarado-Gil, Choi, Reyes

ASM NATURAL RESOURCES: 11-1-2
YES: Bryan, Alanis, Connolly, Flora, Haney, Kalra, Muratsuchi, Pellerin, Schultz, Wicks, Zbur
NO: Ellis
ABS, ABST OR NV: Garcia, Hoover

ASM UTILITIES AND ENERGY: 15-2-1
YES: Petrie-Norris, Boerner, Calderon, Chen, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Wallis, Zbur
NO: Patterson, Davies
ABS, ABST OR NV: Ta

ASM APPROPRIATIONS: 11-3-1
YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache
NO: Sanchez, Dixon, Tangipa
ABS, ABST OR NV: Ta

UPDATED

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