SENATE RULES COMMITTEE
Office of Senate Floor Analyses
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UNFINISHED BUSINESS

Bill No: SB 237
Author: Grayson (D), Hurtado (D), McNerney (D), Richardson (D) and Wilson (D), et al.
Amended: 9/10/25
Vote: 21

SENATE JUDICIARY COMMITTEE: 12-0, 5/6/25
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Valladares

SENATE FLOOR: 34-0, 5/15/25 (Consent)
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Pérez, Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Alvarado-Gil, Cervantes, Grove, Padilla, Reyes, Rubio

ASSEMBLY FLOOR: 59-4 , 9/13/25 – Roll call not available.

SUBJECT: Oil spill prevention: gasoline specifications: suspension: California Environmental Quality Act: exemptions: County of Kern: transportation fuels assessment: coastal resources

SOURCE: Author

DIGEST: This bill contains a number of provisions that seek to safely and responsibly increase in-state oil production (such as through testing of previously-idled pipelines, greater disclosure of financial assurances, and resolving ongoing litigation in favor of easier approval of drilling permits in Kern County), while also soliciting additional information to mitigate rising fuel costs (such as by relaxing California gasoline standards) and assess medium- to long-term strategies in line with recent work from the California Energy Commission (CEC).

Assembly Amendments of 9/10/25 rewrote the bill entirely.

ANALYSIS:

Existing law:

1) Establishes the CEC tasks it with monitoring, analyzing, and making recommendations on statewide trends in the energy sector, including fuel supply and demand. (Public Resources Code §25200 et. seq.)

2) Establishes California Geologic Energy Management Division (CalGEM) for the purposes of overseeing the drilling, operation, maintenance, and removal of oil and gas wells. (Public Resources Code §3000 et. seq.)

3) Requires the Office of the State Fire Marshal (OSFM) to adopt hazardous liquid pipeline safety regulations that comply with federal law regarding hazardous liquid pipeline safety. (Government Code §51010 et. seq.)

4) Establishes the Office of Oil Spill Prevention and Response (OSPR) in the California Department of Fish and Wildlife as the state's principal regulator for oil spill prevention and response. (Government Code (GOV) §§8574.1 *et seq.*, GOV §§8670.1 *et seq.*, Public Resources Code §§8750 *et seq.*).

5) Institutes the California Environmental Quality Act (CEQA), which requires lead agencies with the principal responsibility for carrying out or approving a project to prepare a negative declaration (ND), mitigated negative declaration (MND), or environmental impact report (EIR) for the project, unless the project is exempt from CEQA. (Public Resources Code (PRC) §21000 et seq.). (CEQA Guidelines §15064(a)(1), (f)(1))

6) Establishes and defines a Program EIR (PEIR) in the CEQA guidelines as an EIR which may be prepared for a series of actions that can be characterized as one large project and are related either:
   a) Geographically;
   b) As logical parts in the chain of contemplated actions;
   c) In connection with issuance of rules, regulations, plans, or other general criteria to govern the conduct of a continuing program; or
   d) As individual activities carried out under the same authorizing statutory or regulatory authority and having generally similar environmental effects which can be mitigated in similar ways. (California Code of Regulations CEQA Guidelines § 15168)

This bill:

1) Makes findings and declarations regarding, among other things, California's mid-transition phase of the energy transition.

2) Requires the OSPR to solicit feedback on and periodically update its worst case scenario spill volumes.

3) Requires the OSPR to list, among other things, all applications for certificates of financial responsibility, and to revise worst case scenario spill volumes, and operators' assurance of financial responsibility in case of a spill.

4) Requires pipelines of a certain size that have been out of service for more than five years (which would notably include certain pipelines serving the Sable Corporation's Santa Ynez Unit), to meet specific testing requirements.

5) Permits the Governor to, under certain circumstances and with specified considerations, suspend the requirement "summer blend" gasoline in order to protect against "extraordinary gasoline price increases," among other things.

6) Deems the Kern County Second Supplemental Recirculated Environmental Impact Report (SCH2013081079; the SSREIR), including all appendices (SSREIR, March 2025), until January 1, 2036, sufficient for full compliance with CEQA.

7) Directs CEC to, as part of the next Transportation Fuels Assessment, evaluate the cost and supply impacts of gasoline that is not "California reformulated gasoline blendstock for oxygenate blending" (CARBOB), and, among other things, potentially make various recommendations regarding how such non-CARBOB gasoline could benefit California.

8) Requires CEC to, on or before March 31, 2026, submit an assessment to the Legislature that evaluates certain information in the June 2025 letter to Governor Newsom from CEC Vice Chair Siva Gunda.

9) Requires oil produced offshore by new, expanded, or reactivated operations (of the same types of pipelines covered by #4 above) to be transported once

onshore by pipelines using the best available technology, as defined, and certain projects require a new Coastal Development Permit.

Background

Declining domestic oil production may impact in-state oil pipelines. California's reliance on crude oil has steadily declined since the 1980s; however, oil consumption recently increased from pandemic lows in 2020. Despite this rebound, California's in-state production of petroleum remains low and California largely relies on imports for its petroleum supplies. Several refineries maintain existing petroleum supplies by using pipelines to in-state oil fields. However, as supply from those fields decreases, the economic viability of those pipelines sharply declines. Some of the policies advanced by this bill (namely restoring the pipelines for offshore oil production in Sable's Santa Ynez Unit and the Kern County SSREIR being deemed approved) appear to address this problem by increasing in-state oil production.

a) *Tests for moving oil safely via pipelines.* To prevent accidents and spills, state and federal regulations require pipeline operators to conduct hydrostatic pressure tests to ensure the integrity of their pipelines.

b) *Financial assurances in the case of oil spills.* Because the threat of an oil spill is never zero, OSPR issues Certificate of Financial Responsibility to facilities, vessels, and pipelines that are required to have a California Oil Spill Contingency Plan, following submittal of an application and proof that the applicant has the financial resources to cover the cost of response for a "worst-case scenario" spill.

Kern County oil and gas ordinance's iterative EIRs. In 2013, Kern County began the process of amending its zoning ordinance addressing local permitting for oil and gas exploration, development and production. For the last ten years, the County has gone back and forth in litigation as plaintiffs challenged the ordinance and the drilling permitted under it. Courts have at different times and to various degrees sided with one side or the other, and the original EIR has been revisited in supplemental EIRs (SEIR). As of 2025, the most recent iteration of the EIR, the Second Supplemental Recirculated EIR (SSREIR), faces legal challenge.

Energy Commission Recommendations for the mid transition. On June 27, 2025, the Vice Chair of the energy commission submitted a letter to the Governor outlining the CEC's recommendation's on changes to state policy to ensure "adequate transportation fuels supply during this pivotal time in our state's clean energy transition." The letter recommended pursuit of three concurrent strategies, briefly:

c) Stabilize fuel supply through imports of refined fuels and maintaining in-state refining capacity;
d) Provide sufficient confidence to industry to invest in maintaining reliable and safe infrastructure operations to meet demand; and
e) Develop and execute a holistic transportation fuels transition strategy.

Comments

Purpose of Bill. According to the author, "California faces an affordability crisis on a number of fronts, most notably when it comes to the cost of fuel. This affects all of us—both directly and indirectly—whether it be at the gas pump, where Californians pay some of the prices in the country, or in the form of higher prices for goods and services, which are also affected by the higher costs of energy to produce and deliver. As was noted in a June 27, 2025 report by California Energy Commission Vice-Chair, Siva Gunda, "If a lack of proactive management during this phase of the transition leads to rising energy prices and less reliable fuel supplies, that instability could erode support for continued decarbonization." SB 273 seeks to answers this call for proactive management."

Preventing oil spills from pipelines. On May 19, 2015 an offshore pipeline ruptured, spilling over 140,000 gallons of heavy crude oil along the Gaviota coast at Refugio Beach in Santa Barbara County. Sable announced they were restarting oil production in the Santa Ynez unit (in federal waters) on May 15, 2025, and restarting the use of those two pipelines. Sable has not replaced, but has rather made repairs to the pipelines. Some of the provisions of SB 237 are intended to address concerns surrounding the safety of restarting use of the repaired pipelines by requiring testing of the pipelines' durability.

Updating financial assurances for oil spills. There is no requirement that the regulations governing worst-case spills be regularly updated, and as such, they have not been. The marine facility reasonable "worst-case spill" volume calculations were established in regulation in 1993 using methods aligned with federal worst-case discharge calculations, and there have only been minor and infrequent updates since then. SB 237 would require more disclosure about and decadal updates of the certificates of financial responsibility.

Ending the Kern Oil and Gas Ordinance litigation, with some guardrails. SB 237 'puts the lid' on any further revisions to or legal objections against Kern County's zoning ordinance focused on oil and gas (except purely typographical fixes). SB 237 also specifies that the zoning ordinance SSREIR is sufficient to meet the requirements of CEQA for compliant projects, meaning that no further, project-specific EIR's for a given oil well are required so long as the new wells fit in the four corners of the existing SSREIR. However, SB 237 could prevent appropriate mitigations measures or other environmental considerations from being applied to drilling projects that are atypical, use emerging technology or technology not considered the SSREIR, or are otherwise not considered in the SSREIR.

To help address some of these concerns, SB 237 adds some environmental guardrails to the application of the SSREIR, briefly:

a) It sets a cap for drilling in Kern County at 2,000 new oil wells, a 26% reduction in total planned wells per year compared to the original estimate in Kern County's oil and gas ordinance EIR. (However, this can be waived under certain CEC findings);
b) It contains a ten-year sunset on the provisions that specify that the SSREIR is sufficient, complete, and not subject to lawsuits for new drilling (However, the SSREIR itself would remain in effect after the sunset);
c) It specifies that CalGEM, rather than Kern County, must be the lead agency in a health protection zone, presumably making it harder to drill new wells in those zone (although not impossible).

Maintaining capacity to stabilize fuel supply. Several of this bill's provisions appear to follow recommendations in CEC Vice Chair Gunda's June letter, and would be expected to boost in-state production, which would be expected to support California's refinery capacity, which would be expected to help keep refineries operating in state.

Using more tools in the toolbox to manage gas prices. Parts of SB 237 contemplate changes to California's fuel blend to reduce fuel prices. Summer blend gasoline in California contributes less to smog, but is more expensive. California's unique gasoline blendstock, CARBOB, was formulated to help meet California's nation-leading air pollution challenges. However, it also means that fuel in neighboring states cannot be used in California. Both of these measures could be expected to reduce fuel prices, at the cost of increased air pollution. However, these do not address the long-term challenges the state faces in larger-scale decarbonization across all sectors of the economy.

Navigating the mid-transition. Whether through the intentional phase-down of fossil fuels in California, shifting global market dynamics, the costs associated with repair and maintenance, or a combination of all of the above and more, it is clearly becoming more and more difficult to profitably operate fossil fuel infrastructure in California. How do we embrace and deploy clean technologies while they are more expensive than the fossil fuel alternatives? How do we maintain the fossil fuel supply we need as it becomes less lucrative and less feasible to do so?

We are in a period described by academics as the "mid-transition". As described in a recent review:

> "Many aspects of transition will be felt, and shaped, directly by individuals because of our direct interactions with energy systems. Even rare missteps are likely to have significant and potentially system design relevant impacts on perception, political support, and implementation. Comparisons of the new system to the old system are likely to rest on experience of a world less affected by climate change, such that concerns about lower reliability, higher costs, and other challenges might be perceived as inherent to zero-carbon systems, versus energy systems facing consequences of climate change and longterm underinvestment."[1]

California's economy today relies on an immense volume of fossil fuels (by some accounts as much as 84% of our total energy today)[2]. In turn, extracting, transporting, refining, distributing, and using those fossil fuels relies on an immense network of infrastructure owned by a number of private companies and operated by tens of thousands of skilled workers. Those private companies rely on certainty about the profitability of their investments. What happens when—not if—it is no longer profitable to operate fossil fuel infrastructure in California? What—if not profit—would compel private companies to continue maintaining and operating their infrastructure? How can California keep its economy afloat and its people thriving in the crucial period between when fossil fuels stop being profitable, and when they stop being needed?

Pursuant to SBX1-2, the California Energy Commission produced a Transportation

[1] Grubert and Hastings-Simon, 2022. Designing the mid-transition: A review of medium-term challenges for coordinated decarbonization in the United States. WIRES Climate Change, Vol 13, Issue 3.
[2] California State Profile & Energy Estimates. U.S. Energy Information Administration. **https://www.eia.gov/state/?sid=CA**

Fuels Assessment, which has begun to wrestle with some of these questions. One of several possible solutions under consideration is state ownership of refineries, in which, “The State of California would purchase and own refineries in the State to manage the supply and price of gasoline.” However, doing so would be extremely costly and represent a significant departure from how this industry has operated in California to date. As the Legislature considers this bill and other proposals to assuage or mitigate the very real tensions of the mid-transition, it is worth also contemplating solutions on the longer time horizon as well.

There is no clear best way to transition the world’s fourth largest economy off of fossil fuels. California is leading the way and charting a path to navigate this transition. This monumental task will have consequences, both expected and unforeseen. Nevertheless, the Legislature should evaluate the information and options available and take action before GHG emissions continue unabated, fossil fuel infrastructure falls into disrepair (with potentially catastrophic results), and communities surrounding this infrastructure continue to face air pollution and economic uncertainty alike.

Vice Chair Gunda’s June letter described the importance of a holistic strategy for a managed transition away from fossil fuels, alongside more pressing and immediate matters. Boosting in-state production today, as SB 237 proposes to do, to keep critical infrastructure online is a reasonable response to less-than-ideal circumstances. But what lessons can be learned? What could California begin doing now to make the next refinery to announce its closure *less* disruptive to California’s well-being, not more? What information is needed about California’s refineries (both their operations and the financial liabilities associated with their site remediation) to better equip California to handle the next stage of this transition? Although SB 237 does not answer these questions, it helps get information that might. These continue to be questions the Legislature should consider, lest we find ourselves blindsided by the next nigh-inevitable refinery closure.

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

SUPPORT: (Verified 9/13/25)

350 Humboldt
Associated Builders and Contractors of California
Berry Petroleum Company, LLC
California Business Roundtable
California Independent Petroleum Association

California Resources Corporation and Subsidiaries
California State Association of Electrical Workers
California State Pipe Trades Council
City of Bakersfield
Climate Action California
County of Kern

OPPOSITION: (Verified 9/13/25)

Asian Pacific Environmental Network Action
California Coastal Protection Network
California Environmental Justice Alliance Action
California Environmental Voters
Campaign for a Safe and Healthy California
Ceja Action
Center for Biological Diversity
Center on Race, Poverty & the Environment
Central California Environmental Justic Network
Central California Environmental Justice Network
Clean Water Action
Climate First: Replacing Oil & Gas
Communities for a Better Environment
Consumer Watchdog
Earthjustice
Leadership Council for Justice and Accountability
Natural Resources Defense Council
Natural Resources Defense Council
Physicians for Social Responsibility - Los Angeles
Sierra Club
Sierra Club California
The Climate Center

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