

City of Santa Barbara
Mayor and Council Offices

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CITY ADMINISTRATOR'S OFFICE
SANTA BARBARA

Memorandum

DATE: September 02, 2009

TO: Jim Armstrong, City Administrator

FROM: Councilmember Das Williams
Councilmember Helene Schneider

SUBJECT: Letter Opposing New Federal Offshore Oil Drilling

Pursuant to Council Resolution 05-073 regarding the Conduct of City Council Meetings, we request that an item be placed on the September 15, 2009 Santa Barbara City Council Agenda regarding drafting a letter that states the City of Santa Barbara's support of the current federal off-shore oil moratorium.

- Summary of Information to be Presented and Background Information

A proposal to draft a letter from the Council of the City of Santa Barbara that opposes any new federal offshore oil and gas leasing off the Santa Barbara coastline in response to the Minerals Management Service's Draft 2010-2015 Oil and Gas Leasing Program. Please refer to the attached document for language details.

- Statement of Specific Action

Councilmembers Williams and Schneider request that Council authorize staff to compose a letter opposing any expansion of federal offshore oil and gas leasing off the Santa Barbara coastline and send it to:

Mr. Renee, Chief of the Leasing Division of the Minerals Management Service
Governor Arnold Schwarzenegger, State of California
U.S. Senator Diane Feinstein, California
U.S. Senator Barbara Boxer, California
U.S. House of Representatives Member Lois Capps, Santa Barbara
Ellen Aronson, Regional Manager, Minerals Management Service, Pacific OCS Region
Brian Baird, Assistant Secretary, California Resources Agency
Alison Dettmer, Manager – Energy and Ocean Resources, California Coastal Commission

- Statement of the Reasons Why it is Appropriate and Within the Jurisdiction of the Council to Consider this Subject Matter and to Take the Requested Action

This is appropriate and within the jurisdiction of the Council because the City has already adopted opposition to new offshore oil and gas leasing off the Santa Barbara coastline in its legislative platform. It is furthermore time sensitive as the comment deadline for the Minerals Management Service's Draft 2010-215 Oil and Gas Leasing Program is 9/21/09.



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Planning &
Development
Department No.: 053
For Agenda Of: September 1, 2009
Placement: Departmental
Estimated Time: 1 hour
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department
Director(s) Dianne Black, 568-2086 *Dianne M. Black*
Contact Info: Doug Anthony, 568-2046
SUBJECT: Overview of Offshore Oil & Gas Development; Draft Proposed Five-Year Outer Continental Shelf Leasing Program; Minerals Management Service Rulemaking

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: No

Recommended Actions:

That the Board of Supervisors:

- a) Receive an overview of offshore oil and gas development from the Energy Division (Attachment A);
- b) Authorize the Chair to execute a comment letter, opposing the draft Five-Year Outer Continental Shelf Leasing Program proposed by the U.S. Department of the Interior (Attachment B); and
- c) Authorize the Chair to execute a comment letter, supporting rulemaking proposed by the Minerals Management Service that seeks to require all offshore operators to implement a Safety and Environmental Management System (Attachment C).

Summary Text:

Overview of Offshore Oil/Gas Leasing and Development

Earlier this year, Supervisor Carbajal requested the Energy Division to provide the Board with an overview of oil and gas development offshore Santa Barbara County. Staff timed the overview to coincide with the following events:

- (1) The recent conclusion of litigation involving 36 undeveloped oil and gas leases offshore Santa Barbara County,
- (2) Consideration of comments on the next five-year leasing program (due 9-21-09), and
- (3) Consideration of comments on recently proposed regulations due 9-15-09).

The overview, included as Attachment A, provides a brief historical perspective, summarizes recently proposed projects, and identifies forthcoming policy considerations. Staff proposes to return at a later date with a report focused on offshore oil/gas safety.

Five-Year Outer Continental Shelf Leasing Program

The Outer Continental Shelf Lands Act (OCSLA) requires the U.S. Department of the Interior (DOI) to prepare a leasing program every five years. These programs are charged with identifying the size, location and timing of oil and gas leasing on the nation's outer continental shelf that best meets the nation's energy needs. The 2007-2012 leasing program in effect today does not identify any leasing activity in the Pacific Outer Continental Shelf (OCS) Region.

Last year, DOI commenced preparation of the next 5-year leasing program two years ahead of schedule. After soliciting initial public comment, DOI circulated a proposed draft program – <http://www.mms.gov/5-year/2010-2015New5-YearHome.htm> -- that includes four areas offshore California for consideration of new oil/gas leases: (1) the Point Arena Basin offshore Fort Bragg, (2) the Santa Maria Basin offshore Santa Barbara and San Luis Obispo Counties, (3) the Santa Barbara Channel offshore Santa Barbara and Ventura Counties, and (4) the Oceanside/Capistrano Basins offshore San Diego County (see Figure 1 on the following page). These offshore areas were selected because they are known to have potential hydrocarbon resources. The program preliminarily schedules a lease sale offshore Santa Barbara County in 2012.

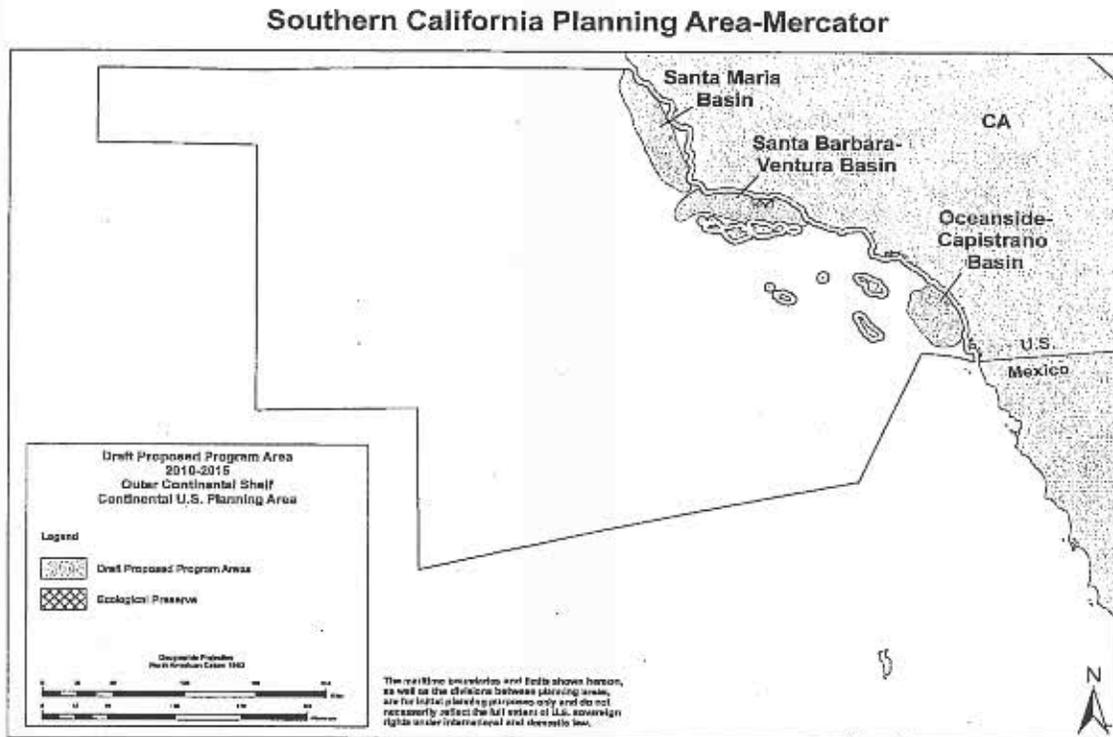
DOI views the draft proposed program as providing a basis for conducting further research and analysis to inform its decisions on future offshore leasing. Comments on the proposed draft program, and the scope of the associated Environmental Impact Statement, must be submitted by September 21, 2009. DOI provides additional opportunities for public comment at key milestones during preparation of the leasing program, which is routinely accompanied by an Environmental Impact Statement (EIS).

This draft leasing program follows the termination of a Congressional leasing moratorium that restricted where offshore leasing could occur, as well as termination of a Presidential Executive Order that placed certain OCS planning areas, including those offshore California, off limits to new oil and gas leasing.¹ It will also represent the first five-year leasing program since adoption of the Energy Policy Act of 2005, which authorizes DOI to issue OCS leases for the development of alternative energy. Consequently, DOI plans to expand the scope of this leasing program beyond the traditional focus on oil and gas to consider potential interaction between any prospective oil and gas projects and any potential alternative energy projects, especially wind-energy projects. The draft proposed program considers any planning for alternative energy offshore Santa Barbara County to be tentative at this time. Initial, limited interest

¹ Former President George H.W. Bush first imposed the Presidential Executive Order in 1990. He withdrew areas offshore Florida and California from leasing in response to a study by the National Research Council, concluding that environmental information for OCS decisions in those areas was inadequate. Former President Clinton extended that withdrawal through mid-2012; however, former President George W. Bush rescinded the Executive Order last year.

expressed by prospective developers focused on the existing power cable that connects the PG&E grid with Platform Irene.

Figure 1: Proposed Leasing in the Southern California Planning Area



Earlier this year, the Santa Barbara County Board of Supervisors adopted a Resolution that opposes new oil and gas leasing offshore Santa Barbara County. The draft comment letter (Attachment B) includes the previously adopted Resolution. The recommended comment letter also includes comments on the scope of the EIS (Exhibit B) in case DOI continues to include the Santa Barbara Channel and Santa Maria Basin in its leasing program.

The comment letter raises two points in response to specific questions posed in the draft proposed program, regarding leasing offshore Santa Barbara County. First, DOI asks if mandatory unitization should be required offshore California to reduce the number of facilities required to development offshore resources. Unitization combines two or more leases into a single unit, assigns a single operator to produce all leases within the unit, and prevents the expiration of non-producing leases within the unit so long as at one lease is producing or in process to begin production.

Staff recommends that any unitization be limited to single fields; unitization of multiple fields and leases allows leases to remain inactive far beyond their original lease term, rather than expiring, as has happened previously offshore Santa Barbara County. Although unitization can serve to limit the number of potential facilities necessary to develop multiple leases, this objective is best achieved by limiting the number of tracts offered for leasing in the first place, as opposed to the mass offshore leasing approach of the past. The current area proposed for lease sale offshore the County far exceeds this region's capacity to accommodate it without massive industrialization in offshore and onshore areas, and potentially, renewed demand for marine tankering.

Second, the draft proposed program includes leasing in the Ecological Preserve offshore the City of Santa Barbara and the unincorporated area of Montecito, with the provision that access to such leases would only be available from structures situated outside the preserve. Staff recommends the Board specifically oppose leasing within the preserve for three primary reasons:

1. This approach further reduces or eliminates imposition of a buffer zone between the preserve and potential new oil/gas development, thereby further risking the unique ecology of the preserve
2. The platforms currently located in proximity to the preserve – Platforms A, B, C, Hillhouse, Henry, Houchin, and Hogan – are relatively old, being installed between 1967 and 1979, and were not sized or designed to accommodate for directional-reach drilling technology, which came along in the late 1980s and 1990s.
3. The preserve fronts one of the County's most productive tourist locations. Allowing for any leasing in this area disregards the adverse effects that could occur with oil development so close to the area.

Proposed Regulations by the Minerals Management Service

The Minerals Management Service (MMS) has proposed regulations to require all offshore platform operators to establish a Safety and Environmental Management System (SEMS). SEMS would consist of four elements: (1) Hazards Analysis, (2) Management of Change, (3) Operating Procedures, and (4) Mechanical Integrity. The recommended regulations are based on investigations of previous accidents that equipment failure is rarely the primary cause, largely due to technological improvements. However, the investigation concludes that, in most cases, accidents and oil spills can be traced to human error and/or organizational failures.

The investigations appear consistent with incidents over the last two decades offshore Santa Barbara County where primary causes often relate to human error. The investigations would also appear to resolve debate about the safety of offshore oil and gas development. Technological advances have improved safety; however, operations remain susceptible to incidents caused by human error.

Staff recommends that the Board support the proposed SEMS, and encourage the MMS to develop performance measures to evaluate the effectiveness of SEMS, with results published periodically for public review. Attachment C contains a draft comment letter on the proposed regulations for the Board's consideration; the rulemaking is contained in Attachment D.

Background:

Historically, 10 lease sales have occurred offshore California between 1963 and 1984, resulting in 369 leases. Approximately 200 of these leases were situated offshore the tri-county region of Ventura, Santa Barbara, and San Luis Obispo. Today, 46 remain offshore Santa Barbara and Ventura Counties, seven of which will be terminated shortly, due to settlement of litigation. See Attachment A for more information.

Fiscal and Facilities Impacts:

Budgeted: Yes **Fiscal Analysis:**

New OCS oil and gas leasing and development would generate revenues for the federal government in the form of lease-sale receipts, annual rent on inactive leases, and royalty on production from active leases. However, the County would not receive a direct share of these revenues, under current law. In April of this year, the U.S. Senate rejected a proposal to expand revenue-sharing with adjacent states, and possibly with local jurisdictions, by a vote of 36-61. A press release issued after the vote from the Chair of the Senate's Energy & Natural Resources Committee, Senator Jeff Bingaman, noted that any new OCS revenue sharing must be revenue neutral, starting last fall (i.e., offset with increased taxes or reductions in entitlement programs. Senators from Mississippi and Alaska are still pursuing some form of revenue-sharing.

Any new OCS tracts leased within three miles of state waters would result in a 27% sharing of revenues with the State of California under current law, including bonuses (i.e., amount an oil company bid for the lease), rent, and royalties on any potential production. No such revenue sharing would occur for tracts leased beyond three miles of state waters. State waters extend three miles seaward of the mean-high tide.

Potential revenue paid directly to the County from new OCS leasing offshore Santa Barbara County would occur by way of property- tax assessments on any new infrastructural constructed and operated to support new offshore development, or any extension in the life of existing infrastructure. It would be premature to attempt any projection of potential assessments, since the volume of potential oil and gas remains unknown and current reserve estimates for the entire Southern California Planning Area, which extends San Luis Obispo County to the U.S.-Mexican border, are not broken down to sub-regions.

Expenditures for staff to prepare the overview of offshore oil/gas development is budgeted on page D-320 of the FY-09/10 draft budget book in line-item Permitting and Compliance (program 5010), under "Use of Funds Summary." Expenditures to review and prepare responses to the five-year leasing program and proposed rulemaking appear in line-item Long Range Planning (program 5080).

Special Instructions:

Return executed comment letters to Doug Anthony for electronic submittal.

Attachments:

- A. Overview of Oil and Gas Development Offshore Santa Barbara County
- B. Draft Comments on the Federal Five-Year Leasing Program
- C. Draft Comments on Proposed Regulations by the MMS
- D. Proposed Safety and Environmental Management System Rulemaking

Authored by:

Doug Anthony and John Day