



MAYOR REX RICHARDSON

August 29, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: Support for SB 1425 (Gonzalez) – Oil revenue: oil trust fund

Dear Governor Newsom,

On behalf of the City of Long Beach (City), I urge your signature on SB 1425, which would increase the state's monthly contribution toward its share of liability to decommission oil and gas operations in the Wilmington Oil Field in Long Beach.

Both the City and state have received significant revenues from oil extraction in the Wilmington Oil Field, and the cost of abandoning these wells is apportioned based on net profit interest between stakeholders. When oil operations cease, oil wells and facilities must be appropriately decommissioned, remediated, and abandoned to maintain environmental standards required by law. The state's liability is estimated at nearly \$1 billion, while the City's liability is estimated at around \$150 million. The City began accelerating the amount it reserves annually to fully fund its abandonment liability by 2035, ten years before the 2045 deadline to phase out oil and gas extraction in California originally directed by Governor Newsom, but the state still needs to substantially increase its savings to meet its remaining liability.

For years, the City has advocated for the State to save more for its abandonment liability. In 2022, we successfully advocated for legislation that lifted the cap on the state's Oil Trust Fund saving, which was previously capped at \$300 million. Now, the state reserves \$2 million per month from state oil revenues in an Oil Trust Fund to cover its liability, with the remaining state liability shortfall estimated at \$700 million. At this rate of monthly savings, the state's shortfall will be fully met around the year 2050 – five years after the Governor's original goal to end oil production by 2045. SB 1425 will require the California State Controller to deposit the total monthly profits, up to \$5 million or 50 percent of remaining oil revenue, whichever is greater, that the state receives from the Long Beach Unit (LBU) and West Wilmington oil operations into the existing Oil Trust Fund. This will help meet the state's share of abandonment liability.

The City supports policies, legislation, and funding that expedite state savings for its abandonment liability in the Wilmington Oil Field. SB 1425 is an important first step to address the state's liability. If the state does not expedite its abandonment reserve, whatever outstanding liability remains after production operations end in the LBU will have to come from taxpayers through the state's General Fund. I look forward to continuing to work with state leadership to ensure that Long Beach maintains a secure financial future as the City reduces its dependence on oil production revenues. Additional state support and resources are needed to help the City pursue sustainable alternative revenue opportunities through the [Grow Long Beach Initiative](#), support an equitable workforce transition for the hundreds of impacted oil industry workers, and ensure the City is not forced to cut core services and jobs as a result of lost revenues.

For these reasons, the City requests your signature on SB 1425.

Sincerely,

A handwritten signature in black ink, appearing to read "Rex Richardson", with a long horizontal line extending to the right.

Mayor Rex Richardson
City of Long Beach

cc: The Honorable Lena Gonzalez, State Senate, 33rd District
The Honorable Mike Gipson, State Assembly, 65th District
The Honorable Josh Lowenthal, State Assembly, 69th District