

ENVIRONMENTAL ALERT

CALIFORNIA ATTORNEY GENERAL AND CONOCOPHILLIPS REACH SETTLEMENT AGREEMENT FOR “GROUND BREAKING” GREENHOUSE GAS REDUCTION PLAN



California Attorney General Edmund G. “Jerry” Brown Jr. recently announced a settlement agreement with ConocoPhillips for an “unprecedented global warming reduction plan” to offset the greenhouse gases (GHG) resulting from the oil giant’s proposed expansion of a refinery at its Rodeo facility in Contra Costa County, California.

In May 2005 ConocoPhillips proposed the Clean Fuels Expansion Project to produce cleaner-burning gasoline and diesel fuels from heavy gas oil that is already being produced at the Rodeo facility. The Project includes a hydrogen plant to produce steam and electricity, as well as hydrogen, for use in these refinery processes. It is estimated that, without importing any additional crude oil to the refinery, the Project would enable the refinery to increase the supply of cleaner-burning fuels into the California market by approximately 1 million gallons per day.

Increased production of cleaner-burning fuels is now mandated by the California Air Resources Board (CARB) and the U.S. Environmental Protection Agency. In 2006 Gov. Arnold Schwarzenegger signed AB 32, the landmark California Global Warming Solutions Act that commits California to reduce GHG emissions to 1990 levels by 2020 and requires CARB to adopt regulations by 2012 to accomplish this. To achieve the 2020 target, California must reduce current emissions by at least 25 percent.

Under the California Environmental Quality Act, Contra Costa County had prepared an Environmental Impact Report (EIR) for its proposed Clean Fuels Expansion Project, and accepted and responded to public comments. Upon completing the Final EIR, the county concluded that it had adequately addressed the Project’s GHG emissions as well as associated issues of climate change, and that further EIR discussion relating to GHGs would be speculative. On May 8, 2007, the County Planning Commission certified the Final EIR and approved the Project.

Subsequently, on May 18, 2007, Attorney General Brown appealed the Planning Commission’s approval of the Project to the Contra Costa County board of supervisors, on the grounds that the EIR had failed to adequately address and mitigate the GHG emissions and associated climate

change impacts of the Project. Now, Attorney General Brown has agreed to withdraw the state's appeal based on the significant GHG emission offsets agreed to by ConocoPhillips in the September 11, 2007, settlement's breakthrough GHG Reduction Plan.

According to the County's EIR, the Project is expected to result in 1.25 million metric tons of carbon dioxide (CO₂) emissions, mostly attributable to the hydrogen plant. Initially, the hydrogen plant is estimated to emit approximately 500,000 metric tons of CO₂ per year. Pursuant to the settlement agreement's GHG Reduction Plan, ConocoPhillips will take the following actions as part of its efforts to offset these emissions:

- conduct a facility-wide energy efficiency audit of its Rodeo refinery to identify possible energy efficiency measures
- complete a GHG emissions audit of all its California refineries to identify emission sources and potential reduction opportunities
- fund a \$7 million Bay Area Air Quality Management District carbon offset program
- fund \$200,000 of the Audubon Society's efforts to restore the San Pablo Bay wetlands to offset the Project's GHG emissions by increasing the sequestration of carbon
- fund \$2.8 million of the California Wildfire ReLeaf's reforestation and/or conservation projects, which are estimated to sequester 1.5 million metric tons of CO₂ over the lifespan of the trees
- permanently surrender its operating permit for its Santa Maria refinery calcining plant, which is estimated to emit 70,000 metric tons of CO₂ annually, and
- offset any CO₂ emissions in excess of 500,000 metric tons per year from the Rodeo facility hydrogen plant, if it increases its use of hydrogen, until AB 32 implementation regulations are adopted.

Notably, the attorney general's settlement agreement with ConocoPhillips comes on the heels of another recent landmark settlement with San Bernardino County in connection with the county's general plan update, which established a GHG reduction plan to identify sources of emissions and set reduction targets for the county. These important developments reflect a growing movement to fight global warming at the local level. These developments also signal opportunities for companies interested in being proactive that the potential exists for working cooperatively with the state of California.

CONTACT INFORMATION

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