

# **WELL STIMULATION TREATMENT PERMITTING PHASE-OUT REGULATIONS**

## **FINAL STATEMENT OF REASONS**

### **UPDATE OF INITIAL STATEMENT OF REASONS**

As authorized by Government Code section 11346.9, subdivision (d), the Department of Conservation's (Department) Geologic Energy Management Division (CalGEM) hereby incorporates the Initial Statement of Reasons (ISOR) prepared in this matter. As no changes were made to the proposed regulation text during the rulemaking period, the ISOR's stated bases for the necessity of the proposed regulations continue to apply to the regulations as adopted.

### **Documents Relied Upon - Errata**

The following reference errors made in the Documents Relied Upon section in the Initial Statement of Reasons are corrected here:

- The Item listed in the Initial Statement of Reasons as "Stephens, Michael J., David Shimabukuro, Janice Gillespie, & Will Chang. 2019. "Groundwater salinity and the effects of produced water disposal in the Lost Hills-Belridge oil fields, Kern County, California." Environmental Geosciences 26(3). was sorted in the Documents Relied upon Binders under author "Gillespie" and can be found under tab #51 in those Binders.
- Item listed as "Williams, B&M. Genest. 2017. Economic and revenue impacts of a statewide oil production ban in California. Capitol Matrix Consulting," was incorrectly titled in the Initial Statement of Reasons. The correct title for this item is "Economic and Tax Revenue Impacts of Oil Production in Ventura County", December 2017. See item #112 in documents relied upon binders.

### **PUBLIC ENGAGEMENT IN SUPPORT OF THE RULEMAKING**

In February 2024, the Department initiated the formal rulemaking process for the proposed regulations. A public comment period on the originally proposed

regulations was held from February 9, 2024, through March 27, 2024, pursuant to the Notice of Proposed Action mailed to interested parties and duly published in the California Regulatory Notice Register on February 9, 2024 (Register 2024, No. 6-Z (February 9, 2024)). During that public comment period, one virtual hearing was conducted on March 26, 2024.

## **LOCAL MANDATE DETERMINATION**

The adoption of this rulemaking does not impose a mandate on local agencies or school districts.

## **STANDARDIZED REGULATORY IMPACT ASSESSMENT**

The Department has determined that this rulemaking action is a major regulation and has completed a Standardized Regulatory Impact Assessment (SRIA) for this rulemaking, which has been provided to the Department of Finance (DOF) for review and comment. The SRIA, DOF's comments on the SRIA, and the Division's response to DOF's comments are attached to the Initial Statement of Reasons for this rulemaking action, and those documents are hereby incorporated by reference into this document.

## **DETERMINATION REGARDING ALTERNATIVES CONSIDERED**

In the course of reviewing comments on the proposed regulations, CalGEM considered various alternative approaches and suggestions. The Department has determined that no alternative to the final text of the regulations would be more effective at carrying out the purpose for which the regulations are proposed, as effective and less burdensome to affected private persons than the adopted regulations, or more cost effective to affected private persons and equally effective in implementing relevant statutory policy or other provisions of law. This determination is based in part upon the SRIA completed for this rulemaking action and the statements of benefits in the Notice of Proposed Rulemaking Action. Following is further supporting information for this determination and the Department's reasons for rejecting alternatives that were proposed and considered, including alternatives that might lessen the adverse economic impact on small businesses:

- The Department considered, but rejected, various requests from proponents of this rulemaking for additional prohibitions and undertakings, including:
  - Adopting a regulation halting all permits for oil and gas extraction.
  - Adopting a regulation prohibiting various enhanced oil recovery methods, in particular cyclic steam and steam flooding.
  - Adopting a regulation prohibiting the transportation of gas via interstate pipeline if the gas was produced from a well that was hydraulically fractured.
  - Adopting a regulation prohibiting oil pumps that are less than 100 feet from a residential or public facility.
  - Supporting sustainable and responsible domestic energy production by taking action to promote wind, solar, and other alternative green technologies.
  - Replacing oil and gas with nuclear power plants.
  - Closing the Aliso Canyon underground gas storage facility.

None of the suggested additional prohibitions or undertakings are within the scope of the present rulemaking, which is focused on the regulation of well stimulation treatment (WST). It is not the purpose of the rulemaking to end oil and gas production in California. Establishing a new regulatory regime to phase out other production operations, including cyclic steaming, is outside the scope of this rulemaking action. Other environmental initiatives and undertakings suggested are also outside the scope of this rulemaking action.

- The Department considered, but rejected, continuing to process and issue WST permits, but with stricter review processes and additional regulatory controls. CalGEM rejected this alternative because continuing to process and issue WST permits would not be as effective in carrying out the purposes of the regulation to prevent damage to life, health, property, and natural resources, and to protect public health, public safety, and

environmental quality, given the increasingly urgent climate effects of fossil-fuel production and the continuing impacts of climate change and hydraulic fracturing on public health and natural resources. Even though WST is highly regulated in California, available evidence indicates that environmental and public health impacts remain.

- CalGEM considered but rejected a five-year extension of the deadline for ending WST permits, and other approaches to phasing this rule in over a longer period of time. Such extensions would offer the industry more time to make productivity compensating investments before losing the yield benefits of WST. CalGEM rejected this alternative because the five-year delay would not be as effective in carrying out the purposes of the regulation to prevent damage to life, health, property, and natural resources, and to protect public health, public safety, and environmental quality, given the increasingly urgent climate effects of fossil-fuel production and the continuing impacts of climate change and hydraulic fracturing on public health and natural resources. The proposed regulation will serve to implement with clear regulatory certainty CalGEM's statewide policy decision to wind down the use of WST as a routine practice for hydrocarbon extraction without undue compliance cost or a continuation of avoidable public health impacts.

## **SUMMARY OF AND RESPONSE TO PUBLIC COMMENTS RECEIVED**

Public comment summary and response for the initial public comment period held from February 9 through March 27, 2024, can be found under Tab M in the rulemaking file. This separate document is hereby incorporated by reference into this document.