
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Josh Becker, Chair
2025 - 2026 Regular**

Bill No:	SB 613	Hearing Date:	4/21/2025
Author:	Stern		
Version:	2/20/2025	Introduced	
Urgency:	No	Fiscal:	Yes
Consultant:	Sarah Smith		

SUBJECT: Methane emissions: petroleum and natural gas producing low methane emissions

DIGEST: This bill requires the California Air Resources Board (CARB) to establish a certification standard for petroleum and natural gas producing low methane emissions by December 31, 2026. This bill also requires CARB to encourage petroleum and natural gas procurements made on behalf of the state to shift to certified petroleum and natural gas producing low methane emissions, as specified.

ANALYSIS:

Existing law:

- 1) Requires each gas corporation to develop a plan for the safe operation and management of its pipeline system. Existing law specifies components that must be included in this plan, including leak detection monitoring, reporting, and mitigation. Existing law requires gas corporations to submit these plans to the California Public Utilities Commission (CPUC) for review, approval, modification, or rejection, and implement an approved plan. (Public Utilities Code §961)
- 2) Requires the CPUC to adopt rules and procedures for the management and operation of intrastate gas pipelines to minimize leaks and reduce emissions of natural gas to advance the state's emissions reduction goals. Existing law specifies goals these rules and procedures must achieve, including, but not limited to the following:
 - a) Evaluate the operations, maintenance, and repair practices of intrastate gas pipelines to determine whether existing practices are effective at reducing methane leaks and promoting public safety.
 - b) Establish protocols and procedures for quantifying the emissions leaking from gas pipelines, evaluating and tracking those leaks, and incorporating

- fugitive emissions data into state emission tracking systems, including CARB's inventory of greenhouse gas (GHG) emissions.
- c) Require owners of intrastate gas pipelines to report gas leak rates to the CPUC and CARB as specified. (Public Utilities Code §975)
 - 3) Requires gas corporations to incorporate the rules, procedures, best practices, and repair standards for limiting fugitive emissions into gas pipeline safety plans filed with the CPUC. (Public Utilities Code §975)
 - 4) Requires state agencies to consider and implement strategies to reduce their GHG emissions. (Health and Safety Code §38592)
 - 5) Requires CARB to develop an inventory of sources of air pollution within the air basins of the state and monitor the air quality in collaboration with local air districts. Existing law also requires CARB to establish and periodically review criteria for designating an air basin attainment or nonattainment for any state ambient air quality standard. Existing law requires CARB to annually quantify and report on GHG emissions resulting from the production, processing, and transporting of natural gas imported into the state. (Health and Safety Code §39607)

This bill:

- 1) Requires all state agencies to prioritize strategies to reduce methane emissions, including emissions from imported petroleum and natural gas, where feasible and cost effective.
- 2) Requires CARB, CPUC, and other agencies to consider programs and changes to existing programs to reduce methane emissions, including methane emissions from imported petroleum and natural gas procured by utilities and other large gas users.
- 3) Requires CARB to establish a certification standard by December 31, 2026, for petroleum and natural gas producing low methane emissions. Requires CARB to consider existing third-party certification standards when adopting its own standards.
- 4) Requires CARB to encourage petroleum and natural gas procurement conducted on the state's behalf to shift to certified low methane petroleum and natural gas, where feasible, cost effective, and in the best interests of ratepayers as determined by the CPUC.

- 5) Clarifies that encouragement to shift existing procurements to certified low methane petroleum and natural gas shall not be construed to require any new or additional petroleum or natural gas utility procurement or promote the expanded use of fossil fuels.
- 6) Requires CARB to in to incorporate information from utilities and large gas users regarding contracts for petroleum and natural gas certified as having a methane emissions intensity of less than .2% across the petroleum and natural gas supply chain, as specified.
- 7) Requires CARB to quantify and annually publish, starting January 1, 2026, an estimate of GHG reductions associated with the use of petroleum and natural gas certified to have a methane emissions intensity of less than .2% across the gas and petroleum supply chain, as specified.

Background

Smooth criminal: quantifying fugitive emissions remains elusive. California's natural gas supply is transported over thousands of miles of pipelines, which vary in age and condition. This infrastructure includes small leaks gradually emitting natural gas slowly over long periods of time. These leaks are known as "fugitive emissions," and quantifying these emissions has long posed challenges for creating a full inventory of California's emissions from the power sector. In 2014, the Legislature passed SB 1371 (Leno, Chapter 525, Statutes of 2014), which required gas corporations to file reports on methane leaks from the natural gas pipeline system, and it required the CPUC to adopt rules and procedures to reduce methane emissions from the natural gas system. In response to SB 1371, the CPUC opened a proceeding (R.15-01-008) to address gas leak abatement. As part of the first phase of this proceeding, the CPUC adopted a decision (D.17-06-015). This decision established annual reporting requirements to track methane emissions from natural gas facilities, compliance plans, 26 mandatory best practices for leak prevention and mitigation, and created a cost recovery mechanism for implementing those best practices. Since the adoption of these best practices, the CPUC has conducted a second phase of rulemaking to limit cost-recovery for gas corporations that fail to reduce methane emissions 20% below their 2015 baseline level of emissions.

This bill requires CARB to incorporate utilities' information about natural gas sourced from certified low-methane sources into existing estimates of emissions associated with the natural gas system. While the certification standard developed pursuant to this bill may help encourage natural gas processing facilities to save upstream emissions, the cost of upgrading national and in-state pipelines may limit

the degree to which these emissions can be limited from the pipeline system. It is also unclear whether a low-methane natural gas certification can help achieve meaningful methane reductions from the natural gas sector beyond those achieved through the CPUC's gas leak abatement proceeding.

Natural gas certifications focus on process improvements to prevent leaks. A number of organizations have developed a variety of certification standards to encourage natural gas emissions reductions. These standards have been variously known as "low-carbon," "green," or "responsibly sourced" natural gas. These standards generally encompass a variety of process improvements to prevent, detect, and mitigate leaks. Measures may include installing advanced leak detection monitors or establishing more tightly controlled monitoring protocols for natural gas facilities. This bill would require CARB to develop a certification standard or adopt an existing certification standard for "low-methane" natural gas.

Effectiveness of certification may depend on voluntary compliance from out-of-state and international parties. California relies heavily on natural gas imported from other states and Canada; less than 10% of the state's natural gas supply comes from in-state resources. As a result, fully transitioning California's gas supply to certified low-methane natural gas would require upstream segments of the North American gas supply system to adopt stricter leak prevention systems, which would require substantial investments in natural gas infrastructure. Within the natural gas supply chain, certification standards may be most easily adopted upstream from natural gas transmission pipelines. These upstream facilities include gas wellheads at the point of extraction, the gas gathering systems transporting gas from wells to processing facilities, and the processing facilities. However, the upstream facilities for most of California's natural gas supply exist out-of-state and internationally. This bill could encourage in-state entities to procure natural gas from those facilities that are certified; however, California lacks authority to require out-of-state facilities, including the transmission pipeline system, to adopt certification standards or more strict leak abatement systems.

In addition to relying on natural gas from out-of-state sources, California is also reliant on imports for crude oil, which is processed into CARB-compliant gasoline and other fuels in California refineries. While much of California's natural gas is imported from other states through pipelines, over 75% of California's crude oil supplies are shipped and trucked into the state from international sources. California's reliance on imported fuel sources implies that the effectiveness of any certification standard created under this bill will largely depend on the extent to which oil and gas facilities outside of California and the United States adopt mechanisms to limit emissions that make this certification feasible and meaningful.

Conflating petroleum and natural gas? This bill requires CARB to establish a certification process for petroleum and natural gas producing low methane emissions. While petroleum and natural gas are both fossil fuels produced by the oil and gas sector, they are also distinct fuels with different facilities, import processes, and retail frameworks. Several provisions of this bill appear to conflate natural gas procurements conducted by utilities with imports of crude oil for petroleum refineries. For example, this bill requires the CARB to collect data on utilities' contracts for natural gas and petroleum and utilities' use of best practices to minimize emissions from natural gas and petroleum supplying California. This bill also may require the CPUC to assess the extent to which certified low-methane natural gas and petroleum procurements are in the best interests of electric and natural gas ratepayers. Since electric and natural gas utilities do not import or process crude oil for petroleum and the CPUC has no authority to assess ratepayer interests related to crude oil imports, it is unclear that CARB can collect any petroleum data from investor-owned utilities or that the CPUC can assess ratepayer interests regarding crude oil for petroleum refining.

Refineries generally purchase petroleum as a feedstock for refining into fuels, including diesel and gasoline. This bill does not expressly require refineries to report data to CARB regarding emissions. It is not clear that legislation is necessary to ensure that CARB includes refiners' emissions in its annual inventory. Under existing law, refinery emissions are already monitored by and reported to CARB. Additionally, the Legislature passed SB 253 (Weiner, Chapter 382, Statutes of 2023) to require all companies doing business in the state with revenues over \$1 billion to publicly report their GHG emissions, as specified by CARB. Under the bill, these reports will include these businesses' scope 3 emissions, which include upstream supply chain emissions such as emissions from oil extraction and transportation. CARB is in the process of rulemaking to implement SB 253, and most major oil and gas businesses doing business in California will be subject to the bill's reporting requirements.

Need for amendments. As currently drafted, this bill assigns duties to CARB and the CPUC to collect data, encourage procurements, and assess ratepayer interests related to utility procurements of petroleum. It is not clear that these duties are feasible because gas and electric utilities do not procure petroleum on behalf of the state. Additionally, this bill requires CARB to publish a specified estimate by January 1, 2026, on the GHG emissions reduction associated with petroleum and gas that have a methane emissions intensity of less than .2% across their respective supply chains. It is unclear that CARB can publish an estimate required by this bill on the same day that this bill would take effect. ***For these reasons, the author and committee may wish to amend this bill to do the following:***

- *Delete references to petroleum in provisions of the bill related to data collected from utilities, utility procurements, and ratepayer assessments.*
- *Move the deadline for the GHG reduction estimate required by this bill from January 1, 2026, to January 1, 2027.*

Dual referral. This bill passed out of the Senate Environmental Quality Committee on April 2, 2025 with a vote of 6-1.

Prior/Related Legislation

SB 13 (Grove) of the current legislative session, requires CARB to report specified information regarding air quality and oil refinery impacts associated with imported crude oil. The bill is pending in the Senate Appropriations Committee.

SB 781 (Stern) of 2023, contained provisions substantially similar to this bill regarding natural gas producing low methane emissions; however, the bill did not contain provisions regarding petroleum. The bill died in the Assembly Appropriations Committee.

AB 2195 (Chau, Chapter 371, Statutes of 2018) required CARB to quantify and annually publish the amount of GHG emissions resulting from the loss or release of uncombusted natural gas to the atmosphere and emissions from natural gas flares during all processes associated with the production, processing, and transporting of natural gas imported into the state.

AB 1496 (Thurmond, Chapter 604, Statutes of 2015) required CARB to work with air districts to measure high-emission methane hot spots and consult with federal and state agencies and other appropriate stakeholders to develop a life-cycle analysis of GHG emissions from natural gas produced and imported into the state.

SB 1371 (Leno, Chapter 525, Statutes of 2014) required gas corporations to file reports on methane leaks from the natural gas pipeline system and required the CPUC to adopt rules and procedures to reduce methane emissions from the natural gas system.

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

SUPPORT:

Sierra Club California

OPPOSITION:

Western States Petroleum Association, unless amended

ARGUMENTS IN SUPPORT: According to the author:

The importance of high-quality, verifiable data has never been more important when it comes to energy. Accurate data from the state's fossil methane and petroleum sector can help reducing emissions of potent short-lived climate pollutants that are both powerful climate forces and harmful air pollutants. Accurate data is gleaned with sensors, more advanced leak detection, and facility-based strategies that lead to tangible results: reduced leaks and excess emissions from the state's fossil fuel energy systems. Even while we focus on transitioning away from fossil fuels, we can, and should focus on minimizing the impacts of our ongoing fossil fuel use, including methane emissions from imported natural gas and petroleum.

ARGUMENTS IN OPPOSITION: The Western States Petroleum Association (WSPA) opposes this bill unless it is amended to require a specified study on consumer costs, supply chain impacts, and data availability instead of mandating the development of a certification standard. WSPA also proposes to delay the implementation of the bill's remaining provisions until the Legislature has had an opportunity to evaluate this study. In opposition, WSPA states: "WSPA remains committed to reducing methane emissions and supporting a transition to lower-carbon energy. However, as currently drafted, SB 613 imposes requirements that may unintentionally disrupt California's energy supply chain, increase energy costs, and undermine grid reliability."

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