

Responses to Frequently Asked Questions

Aliso Canyon Litigation Mitigation Settlement

What is the Aliso Canyon litigation settlement?

The California Air Resources Board (CARB) along with the California Attorney General's Office (AGO), the City of Los Angeles (City), and the County of Los Angeles (County) announced on August 8, 2018, a \$119.5 million settlement with the Southern California Gas Company (SoCalGas) over a massive natural gas leak from a ruptured well at its Aliso Canyon Natural Gas Storage Facility in Porter Ranch, California. Discovered on October 23, 2015, the leak caused natural gas to flow into the air for several months, releasing up to 109,000 metric tons of methane into the environment before the well was sealed in February 2016. The settlement is subject to approval by the Los Angeles Superior Court, and, if approved, will resolve all claims alleged in these lawsuits.

What is the Mitigation Agreement?

The Mitigation Agreement is part of the settlement and outlines the terms and conditions governing SoCalGas's obligation to cause full mitigation of the Aliso Canyon methane leak. Under the Mitigation Agreement, SoCalGas will pay \$26.5 million to cause the construction of dairy digester projects in California that will reduce at least 109,000 metric tons of methane emissions. The agreement also describes monitoring, verification, and reporting of methane mitigation and backstops to ensure mitigation occurs, including the availability of an additional \$7.6 million to fund additional mitigation projects.

The Mitigation Agreement aligns with the Governor's January 6, 2016, Proclamation¹ and CARB's Aliso Canyon Climate Impacts Mitigation Program (Mitigation Program)².

What are the next steps to finalize the settlement and the Mitigation Agreement?

As required by the Consent Decree, between August 8 and September 12, 2018, CARB will accept public comment on the Mitigation Agreement through its website.³ Also as required by the Consent Decree, before October 8, 2018, CARB will submit a summary of public comments to the court and CARB, the City, the County, and the AGO will request entry of the settlement.

Why is full methane mitigation of the Aliso Canyon natural gas leak important?

The Aliso Canyon natural gas leak emitted a significant amount of methane into the atmosphere. Methane is a potent greenhouse gas (GHG) with nearly 84 times the heat-trapping power of carbon dioxide over a 20 year period. The emissions from the Aliso Canyon methane leak will contribute to global warming and its detrimental consequences for the environment,

¹ Governor Brown Issues Order on Aliso Canyon Gas Leak, Jan. 2016, available at <https://www.gov.ca.gov/2016/01/06/news19264/>

² Aliso Canyon Methane Leak Climate Impacts Mitigation Program, Mar. 2016, available at https://www.arb.ca.gov/research/aliso_canyon/arb_aliso_canyon_methane_leak_climate_impacts_mitigation_program.pdf

³ Interested parties may submit comments to CARB through its public docket website, available at <https://www.arb.ca.gov/lispub/comm/bclist.php>

problems that California has recognized and rallied to address. In particular, CARB developed a Short-Lived Climate Pollutant (SLCP) Strategy in response to Senate Bill (SB) 605 (Stats. 2014, Lara) to identify measures to reduce short-lived, yet potent GHG's such as methane to curb the significant climate forcing impact of these "super-pollutants."⁴ By 2017, CARB had begun implementation of the SLCP Strategy in accordance with SB 1383 (Stats. 2016, Lara). SB 1383 set SLCP reduction targets, namely 40% of 2013 methane emissions by 2030; SB 32 set a GHG reduction target of 40% reduction of 1990 GHG emissions by 2030 (Stats. 2016, Pavley). Dairy manure is responsible for 25 percent of California's methane emissions and the SLCP Strategy identifies that various actions at dairy farms, including operation of dairy digesters, can result in significant, near-term reductions in methane emissions. Fully implementing the SLCP Strategy is a core mechanism for CARB's comprehensive climate change program to meet SB 1383 and SB 32 goals.

The Aliso Canyon methane leak exacerbates rather than alleviates climate change and threatens the accomplishment of California's GHG and SLCP reduction goals. Reducing at least an equivalent amount of methane released by the leak will constitute full mitigation and alleviate the harm caused by the leak.

How much methane must SoCalGas reduce to cause full mitigation?

CARB staff determined 109,000 metric tons of methane is the amount of emission reductions needed for full mitigation of the climate impacts of the Aliso Canyon natural gas leak.⁵

How will mitigation be achieved?

SoCalGas will pay \$26.5 million to an account to be directed as loans to California Bioenergy (CalBio) to build 12 dairy digester projects, three conditioning facilities, and pipelines to connect the digesters to the conditioning facilities and common carrier pipelines system. SoCalGas selected CalBio to build the projects. The digesters will capture uncollected manure methane as biogas, which will be upgraded to biomethane pipeline standards at the conditioning facilities, and then injected into the common carrier pipeline for use as transportation fuel in California. These projects will reduce at least 109,000 metric tons of methane emissions within a ten year period, starting from the project's date of operation, and produce biomethane that will displace fossil fuels in transportation without adversely impacting air quality.

How will the mitigation investments be administered? Will SoCalGas have a role?

During the mitigation project construction phase, SoCalGas will be the Administrator for the investments. This means SoCalGas will be responsible for relevant administration tasks regarding the loans such as ensuring the developer complies with obligations under the loan agreement, such as meeting construction deadlines.

SoCalGas will be responsible for ensuring sufficient projects are in operation that are projected to mitigate at least 109,000 metric tons of methane over a ten year period. Once CARB certifies that has occurred, SoCalGas will appoint a successor administrator, subject to CARB's

⁴ Short-Lived Climate Pollutant Reduction Strategy, Mar. 2017, available at <https://www.arb.ca.gov/cc/shortlived/shortlived.htm>

⁵Determination of Total Methane Emissions from the Aliso Canyon Natural Gas Leak Incident, Oct. 2016, available at https://www.arb.ca.gov/research/aliso_canyon/aliso_canyon_methane_emissions-arb_final.pdf

approval, who will oversee the mitigation loan repayments and any other relevant administration tasks during the mitigation project operation phase. Once CARB verifies that at least 109,000 metric tons of methane emissions have been achieved, and the mitigation projects have fully paid back the loans, mitigation will be complete and the successor Administrator's role will end. The use of the mitigation repayments is described on page 4 of this document.

How will the mitigation be quantified and monitored over time?

As projects come into operation, CARB will review documentation confirming that each project has become operational and will review quantification methodologies to identify how much methane is reduced at each project. Once CARB certifies that all projects are in operation and projected to achieve 109,000 metric tons of methane reductions over the ten year mitigation period, CARB will certify to the court that SoCalGas has achieved its Mitigation Obligation and the mitigation projects operation phase will begin. During the operation phase, CARB will conduct ongoing monitoring and annual verification of methane emissions reductions at each mitigation project to ensure mitigation is progressing as intended. This will include the digester operator submitting annual reports developed by a CARB-accredited verifier to verify the annual methane emissions reductions at each project. CARB will provide mitigation implementation updates on its website. CARB will take steps to ensure mitigation is implemented and achieved as planned, for more detail see page 4 of this document.

When will full mitigation be achieved?

The Mitigation Projects are expected to be constructed and in operation by 2021 with full mitigation achieved within ten years by 2031.

Will the projects receive any governmental benefits as a result of selection as a Mitigation Project?

The mitigation projects and their owners are subject to all existing statutes, regulations, and rules, including local permitting and environmental review. The projects will not receive any exemptions, special consideration, or expedited review as a result of their status as a mitigation project.

How much biomethane will be produced and what will it be used for?

An estimated 6,617,492 MMBTu of biomethane will be produced by the projects during the ten year mitigation period. This biomethane will be injected into the common carrier pipeline system and is expected to be sold for use as transportation fuel in California. As a result, this biomethane when used in large trucks will displace about 47 million gallons of diesel fuel in California by 2031.

How much of the loans will be repaid and how will the loan repayments be used?

The \$26.5 million in loans will be repaid in full, with interest, and ultimately re-invested to support additional emissions reductions and other local projects to the benefit of residents of Porter Ranch and residents of the South Coast Air Basin. Every project will repay the entire loan investment with interest over the ten-year period that mitigation is achieved. SoCalGas will not receive any repayment of the \$26.5 million and interest. The Mitigation Account will collect the repayments and ultimately direct the monies to two separate public funds, as described in the

next two paragraphs. The expectation is that the repayments will be partially directed to these funds around 2026, and fully directed to these funds once mitigation is achieved by 2031.

Up to \$26.5 million will be directed to the Aliso Canyon Recovery Account located in the State Treasury, created by SB 801 (Stats. 2017, Stern). This Treasury account may be appropriated by the Legislature for purposes of mitigating impacts on local air quality, public health, and ratepayers resulting from the well failure at Aliso Canyon, including evaluation of any negative effects on public health.

Up to \$10 million will be directed to the Aliso Canyon Supplemental Environmental Projects Fund located in the Attorney General's Office and created by the Aliso Canyon litigation settlement. This \$10 million in the Fund may be directed to projects that cause criteria air pollutant, toxic air contaminant, or GHG emissions reductions in the South Coast Air Basin, as specified in the SoCalGas SEP Agreement, Appendix D to the Consent Decree.

What backstops are in place to ensure mitigation occurs?

First, SoCalGas is required to ensure all projects are in operation and projected, in sum, to achieve full mitigation of 109,000 metric tons of methane. SoCalGas is required to add mitigation projects if the existing projects cannot reach the 109,000 metric ton threshold. SoCalGas is paying for mitigation and ensuring all projects are in operation and able to achieve mitigation.

Second, the projects must be in operation by 2024 to have their full emissions reductions count towards mitigation, therefore there is motivation to ensure projects are operating and operating effectively at the earliest possible date.

Third, \$7.6 million will be available to fund additional mitigation projects if CARB identifies that mitigation is not being achieved on the expected timelines.

Fourth, and relatedly, there is a process in place for selecting additional mitigation projects. During the construction phase, SoCalGas will either select to fund pre-approved dairy projects or will propose additional mitigation projects, subject to CARB's approval. During the operation phase, the Administrator will enable a public solicitation to occur, through which projects that meet the eligibility criteria may propose to be selected for loan investment to cause methane emissions reductions that will achieve full mitigation.

Fifth, there are verification, monitoring, and reporting requirements during mitigation implementation and CARB will identify what, if any, measures should be taken to ensure full mitigation is achieved.

Sixth, CARB will have authority to direct the Administrator of the investments to take action as authorized by the loan agreements if mitigation-related requirements are not met.

Why was this type of mitigation project selected? What process did CARB use to develop the Mitigation Agreement?

CARB agreed to this form of mitigation by following principles set in the Governor's Proclamation and CARB's Mitigation Program. Governor Brown's Proclamation called for SoCalGas to pay for a mitigation program developed by CARB that causes full mitigation, is limited to projects in California, and prioritizes projects that reduce SLCP's.

Using these principles, CARB staff began developing a Mitigation Program that identified the objectives and mandatory project criteria to guide selection of projects that would achieve the Proclamation's requirements and complement further existing state efforts to reduce SLCP's in California. CARB staff presented its initial perspective on these issues in a presentation to the CARB Board Members in February 2016, which included a public comment opportunity. CARB staff then released a draft Mitigation Program for public comment. Considering the comments received, CARB released a final Mitigation Program on March 31, 2016.

The Mitigation Agreement meets the Governor's Proclamation's requirements and the Mitigation Program's objectives and mandatory criteria as follows:

- The projects all occur within the State.
- The projects address the global warming impacts of the Aliso Canyon leak by reducing the SLCP methane and the reductions will be in an amount at least equal to that emitted during the leak.
- The projects complement existing and anticipated efforts of California to combat global warming, reduce air pollution, and protect public health, safety, and the environment.
- The mitigation involves specific obligations to be taken by SoCalGas that are readily verifiable.
- The mitigation will yield real, verifiable, and permanent GHG emission reductions that are additional to those that would be achieved under a conservative "business as usual" scenario, including actions that SoCalGas already is taking, will otherwise be legally obligated to undertake, or voluntarily agreed to prior to the natural gas leak at Aliso Canyon.
- The process for developing the selected mitigation has facilitated participation by stakeholders and the mitigation implementation will allow for ongoing monitoring, verification, and timely updates of program implementation and progress.
- The mitigation will catalyze substantial additional reductions in emissions of SLCP and other GHG emissions over the near-and long term.
- The mitigation will generate significant environmental, economic, and public health co-benefits, including those associated with reduced reliance on fossil fuels through displacing diesel and non-renewable natural gas used by trucks.
- The mitigation will confer co-benefits upon disadvantaged communities and communities impacted by the leak, and offer community engagement in program implementation.

When will the names of the Mitigation Projects be known?

Seven days after the settlement is submitted to the court and after the dairies have received notice, the mitigation project sites will be made available on CARB's website.