

CALIFORNIA

Texas oil company fined \$18 million for unapproved work along California coast



A California Coastal Commission hearing in Santa Barbara drew hundreds Thursday. (Michael Owen Baker / For The Times)

By Grace Toohey Staff Writer

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SANTA BARBARA, Calif. — In an action cheered by state environmentalists, the California Coastal Commission has voted to fine a Texas-based oil firm \$18 million for failing to obtain necessary permits and reviews in <u>its controversial push to revive</u> oil production off the Gaviota Coast.

After hours of public comment Thursday, the commission found that Sable Offshore Corp. has for months <u>violated the California Coastal Act</u> by repairing and upgrading oil pipelines near Santa Barbara without commission approval.

In addition to the \$18-million fine, commissioners ordered the company to halt all pipeline development and restore lands where environmental damage has occurred.

"The Coastal Act is the law, the law ... put in place by a vote of the people," Commissioner Meaghan Harmon said. "Sable's refusal, in a very real sense, is a subversion of the will of the people of the state of California."



Sable Offshore Corp. oil platform "Harmony" off the coast of Refugio State Beach. (Michael Owen Baker / For The Times)

The decision marks a significant escalation in the showdown between coastal authorities and Sable officials, who claim the commission has overstepped its authority. The action also comes at a time when the Trump administration is <u>actively</u> <u>encouraging oil and gas production</u> in stark contrast to California's <u>clean-energy and</u> <u>climate-focused goals</u>.



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Sable <u>insists</u> that it has already obtained necessary work approval from the County of Santa Barbara, and that commission approval was necessary only when the pipeline infrastructure was first proposed decades ago.

It wasn't immediately clear how the Houston-based company would respond to the commission's action.

"Sable is considering all options regarding its compliance with these orders," read a prepared statement from Steve Rusch, Sable's vice president of environmental and governmental affairs. "We respectfully have the right to disagree with the Commission's decision and to seek independent clarification."



Carpinteria resident Jessica Norris holds a sign in an overflow room during the California Coastal Commission hearing. (Michael Owen Baker / For The Times)

Ultimately, the matter may be end up in court. In February, Sable sued the Coastal Commission claiming it lacks the authority to oversee its work.

On Thursday, Rusch called the commission's demands part of an "arbitrary permitting process," and said the company had worked with Coastal Commission staff for months in attempt to address their concerns. Still, Rusch said his company is "dedicated to restarting project operations in a safe and efficient manner."

Commissioners voted unanimously to issue the cease-and-desist order — which would stop work until Sable obtained commission approval — as well as the order to restore damaged lands. However, the commission voted 9 to 2 in favor of the fine the largest it has ever levied. The hearing drew hundreds of people, including Sable employees and supporters and scores of environmental activists, many wearing "Don't Enable Sable" T-shirts.

"We're at a critical crossroads," said Maureen Ellenberger, chair of the Sierra Club's Santa Barbara and Ventura chapter. "In the 1970s, Californians fought to protect our coastal zone -50 years later we're still fighting. The California coast shouldn't be for sale."



Santa Barbara Middle School students wait in line to speak during a California Coastal Commission hearing to consider sanctions for the Texas-based oil company trying to restart drilling on Santa Barbara's coast. (Michael Owen Baker / For The Times)

At one point, a stream of 20 Santa Barbara Middle School students testified back-toback, a few barely reaching the microphone. "None of us should be here right now we should all be at school, but we are here because we care," said 14-year-old Ethan Maday, a ninth-grader who helped organize his classmates' trip to the commission hearing.

Santa Barbara has long been an environmentally conscious community, due in part to a history of <u>major oil spills</u> in the area. The largest spill, <u>which occurred in 1969</u>, released an estimated 3 million gallons of oil and inspired multiple environmental protection laws.

Sable hopes to reactivate the so-called Santa Ynez Unit, a collection of three offshore oil platforms in federal waters. The Hondo, Harmony and Heritage platforms are all connected to the Las Flores pipeline system and associated processing facility.

It was that network of oil lines that suffered a massive spill in 2015, when the Santa Ynez unit was owned by another company. That spill occurred when a corroded pipeline ruptured and released an estimated 140,000 gallons of crude near Refugio State Beach. Sable's current work is intended to repair and upgrade those lines.



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At Thursday's hearing, Sable supporters insisted the upgrades would make the pipeline network more reliable than ever.

Mai Lindsey, a contractor who works on Sable's leak detection system, said she found it "unfair" how the commission was asserting itself in their work.

"Are you in your lane for enforcing this?" Lindsey asked.

She said people need to understand that focusing on previous spills is no longer relevant, given how technology in her industry has drastically changed: "We learn

and we improve," she said.



Sable Offshore Corp. vice president of regulatory and environmental affairs, Steve Rusch, walks from the podium after speaking to the California Coastal Commission. (Michael Owen Baker/For The Times)

Steve Balkcom, a contractor for Sable who lives in Orange County, said he's worked on pipelines for four decades and he has no doubt that this one will be among the safest. He chalked up the controversy to a "not in my backyard" attitude.

"I know the pipeline can be safe," Balkcom said.

Sable has argued that it can could proceed with its corrosion repair work under the pipeline's original permits from the 1980s. The company contends such permits are still relevant because its work is only repairing and maintaining an existing pipeline, not constructing new infrastructure.

The Coastal Commission rejected that idea Thursday. Showing several photos of Sable's ongoing pipeline work, Lisa Haage, the commission's chief of enforcement, called Sable's work "extensive in both its scale and the resources impacted."

Commission staff have also argued the current work is far from identical from original permits, noting that <u>recent requirements from the state fire marshal</u> mandate new standards to respond to corrosive tendencies on the pipeline.

"Not only did they do work in sensitive habitats and without sufficient environmental protections and during times that sensitive species were at risk, but they also refused to comply with orders issued to them to address those issues," Haage said at the hearing.

In a <u>statement of defense</u>, however, Sable said this project will "meet more stringent environmental and safety requirements than any other pipeline in the state."



Attorney DJ Moore defends Sable Offshore Corp. at a California Coastal Commission hearing. (Michael Owen Baker/For The Times)

The company estimates that when the Santa Ynez Unit is fully online, it could produce an estimated 28,000 barrels of oil a day, according to an <u>investor</u> <u>presentation</u>, while also generating \$5 million a year in new taxes for the county and an additional 300 jobs. Sable <u>anticipates</u> restarting offshore oil production in the second quarter this year, but the company acknowledges that some regulatory and oversight hurdles remain.

Most notably, its restart plan must still be approved by the <u>state fire marshal</u>, though several other parts are under review by <u>other state agencies</u>, including state parks and the State Water Resources Control Board.

Commissioners on Thursday were grateful for the community input, including from Sable employees, whom Harmon called "hard-working people" not responsible or at fault for the Coastal Act violations.

"Coastal development permits make work safe," Harmon said. "They make work safer not just for our environment ... they make work safer for the people who are doing the job."

She urged Sable to work cooperatively with the commission.

"We can have good, well-paying jobs and we can protect and preserve our coast," Harmon said.

But some environmentalists said Thursday's findings should further call into question Sable's larger project.

"How can we trust this company to operate responsibly, safely, or in compliance with any regulations or laws?" Alex Katz, executive director of the Santa Barbara-based Environmental Defense Center, said in a statement. "California can't afford another disaster on our coast."

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