State's first-time deal for $10 million to offset oil refinery emissions

Jane Kay, Chronicle Environment Writer

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In the first deal of its kind involving a U.S. oil company, ConocoPhillips has agreed to pay $10 million to offset greenhouse gas emissions from a planned expansion of its refinery in Contra Costa County, California Attorney General **Jerry Brown** announced Tuesday.

Most of the oil company money would be spent on projects that include restoration of Bay Area wetlands and the planting of trees in California to help the state meet its goal of reducing emissions 25 percent by 2020.

Brown said Tuesday he is seeking similar measures from Chevron Corp., which wants to build new processing plants at its Richmond refinery, the largest in the region.

"ConocoPhillips is the first oil company in America to offset greenhouse gases from refinery expansion," **Brown** said in an interview after his announcement.

The refiner agreed to pay $10 million for projects that would curb greenhouse gases in an attempt to compensate for releasing an additional 500,000 tons of carbon dioxide a year when the expansion at its Rodeo facility is completed in 2009.

Under the agreement:

-- $7 million would be used to start a fund for financing projects to cut carbon dioxide in the Bay Area. The fund would be operated under guidelines to be developed by the Bay Area Air Quality Management District in consultation with the attorney general's office.

-- $2.8 million would be spent to grow trees in mature forests that absorb carbon dioxide.

-- $200,000 would help restore wetlands on San Pablo Bay.

-- 70,000 tons of greenhouse gas emissions would be eliminated from a ConocoPhillips facility in Santa Maria (Santa Barbara County).

Mark Hughes, a ConocoPhillips spokesman, said the corporation was pleased with the agreement and the prospect of reducing the gases.

"Now our clean-fuels project is going to move forward," he said.

Under the agreement, projects to offset emissions could be changed if both parties believe the strategies, such as planting trees, are not effective in reducing the culprit gases.

Last year, California passed a landmark global warming law, AB32, that requires businesses and other entities to reduce carbon dioxide and five other gases that are linked to a rise over the past century in ocean and atmospheric temperatures.

ConocoPhillips applied to Contra Costa County two years ago for a land-use permit that would allow it to build a hydrogen plant and expand its hydro-cracker as a way to remove sulfur from heavy marine bunker fuel to produce gasoline.

The expansion would have the effect of adding more than 1 million tons a year of carbon dioxide to the plant's emissions when it is fully operating. Now, the plant emits about 1.9 million tons a year. The construction would also add additional amounts of nitrogen oxides, sulfur dioxide, soot and other pollutants.

Brown, a leader on environmental issues when he was California's governor from 1975 to 1983, recently has testified before the U.S. Environmental Protection Agency and Congress on behalf of the state's right to move aggressively to

combat global warming.

Last week, he met in Los Angeles with ConocoPhillips' president of U.S. refining, Larry Ziemba, to complete the deal, which had been discussed for weeks by the staffs of the oil company and **Brown**'s office.

Brown told Ziemba that the refiner would have to reduce the emissions eventually under AB32. "Why not do it initially? We offered a practical solution," **Brown** said.

The attorney general got involved in the case when his office responded to the Contra Costa County Planning Commission under the California Environmental Policy Act. State attorneys sent comments on the project's environmental report, recommending that county staff demand more mitigations for greenhouse gases that would be emitted by ConocoPhillips.

Despite the state's objections, county supervisors approved the land-use permit in May, which their staff had recommended for approval. But **Brown** appealed their decision, saying Tuesday that "we objected to the adequacy of the environmental impact report."

His attorneys began negotiating with officials for the refinery, the third largest in the United States. When the deal was announced Tuesday, the state removed its appeal.

The county's Board of Supervisors is expected to hear the refiner's request for the land-use permit again on Sept. 25.

Two environmental groups, the Center for Biological Diversity and Communities for A Better Environment, are appealing the expansion plan. They want the county to better analyze such pollution as mercury and selenium from the proposed new processes, which they say will use dirty, cheap crude.

"We think that the AG did a good thing about part of the pollution," said Greg Karras, senior scientist at Communities for A Better Environment. "But people in Rodeo, Crockett and Pinole are most immediately at risk from pollution from the proposed shift to a vastly dirtier feed stock" from San Joaquin Valley and foreign crude.

Contra Costa Community Development Director Dennis Barry said he was glad that the state had dropped its appeal and will recommend that supervisors deny the environmental groups' appeal.

Meanwhile, the city of Richmond is reviewing Chevron's request to build a hydrogen plant that would replace its current plant. The same environmental groups are concerned about additional pollutants that would be sent into low-income neighborhoods bordering the refinery.

Brown's office has been in touch with Richmond and Chevron officials about addressing the effects of greenhouse gases at the plant.

In addition, **Brown** has submitted comments on Chevron's draft environmental review, Chevron spokeswoman Camille Priselac said.

"Chevron is working to respond to the comments," Priselac said. She wouldn't say whether emissions would increase under the planned construction in Richmond, saying "we're trying to understand the emissions for the project."

E-mail Jane Kay at jkay@sfchronicle.com.