Oil platforms off Huntington Beach
(from Greenspace, LA Times)

Earlier this week, Cara noted that the tentative state budget agreement struck between California Gov. Schwarzenegger and legislative leaders included permission for new oil drilling in the state's waters off Santa Barbara, despite the fact that the State Lands Commission, the body responsible for issuing oil leases, had rejected the proposal in January. Cara also noted that the drilling plan was not yet a done deal.

That turns out to be the story. California has not approved any new offshore drilling since the 1969 Santa Barbara oil spill. And it's not going to change that this year. The California Legislative Assembly voted today to approve the negotiated plan with two important exceptions — it rejected the drilling proposal and another to take about $1 billion in transportation funds from local governments. Both houses of the state legislature have now adjourned for three weeks. It appears that the governor will sign the budget bills with these modifications, although he's apparently in no hurry to do so.

The new offshore oil leases would only have brought in about $100 million per year, not chump change to us ordinary folks, but peanuts in the context of a $26 billion budget deficit. Real money could have been raised by imposing an oil severance tax on every barrel of oil produced in California. As Michael Hitzik reported here in the LA Times, California remains the only one of 22 major oil producing states without such a tax. Alaska's is at 25%, and no one thinks that they are unfriendly to oil interests. A tax at that level would generate something like $4 billion annually for California at current oil prices, without imposing any new environmental risk.

In other words, if we want money from oil production, there's a much better way to get it than allowing new off-shore drilling. That's something to remember next year, when it's only too likely that we'll see a repeat of this argument (and many others).