As the covid-19 crisis threatens a global recession and sharply cuts travel demand, compounding the damage caused by the oil price war between Saudi Arabia and Russia, US and international oil prices are hitting historic lows, driving turmoil throughout the industry and threatening a rash of bankruptcies, stranded projects, and job losses. These recent developments are only accelerating long-building trends in the US oil and gas sector (and shale producers in particular), whose recent growth was largely fueled by debt and stable global prices that their own high production rates undermined.

While the immediate response to and economic fallout from this public health crisis should and will occupy most policymakers' attention in the coming months, they should not lose sight of the need to align government stimulus and looming economic realignments with global climate and environmental needs.

The Trump Administration, however, has proposed ill-advised steps to bail out the sector, including direct federal assistance in the form of large purchases for the Strategic Petroleum Reserve. As House Democrats and numerous commentators have compellingly argued, such a bailout could amount to a massive climate mistake with limited positive impact on jobs.

But others are calling upon leaders to use this economic moment as the starting point for a number of green policies, such as including low-carbon infrastructure spending in federal stimulus packages. Some have proposed nationalizing the oil and gas sector as means to manage a phase-out of the industry that protects workers while efficiently promoting low-carbon replacement technologies, a transition that the market (and the lurching, debt-laden industry itself) will not manage alone on a smooth timeline, much less one that manages greenhouse gas emissions at climate-appropriate levels.

With emissions from producing, refining, and burning oil (primarily in internal combustion engine vehicles) and gas (primarily in power-generation, industrial settings, and commercial and residential buildings) generating the lion's share of global greenhouse gas emissions—including nearly two thirds of the US total and an even greater portion of the California total—effectively and efficiently phasing out the sector may be a matter of climate survival. With the industry facing a highly uncertain price environment and long-term instability, it is likely that a large portion of domestic fossil fuel revenue and jobs may not return on any reliable timeline—suggesting that this could be a valuable moment to craft a managed phase-out through proactive, intelligent policy decisions that prioritize

environmental goals and offer a just transition for workers over a planned timeframe.

Elected leaders and scientific experts have called on state leadership to begin phasing out oil and gas production in the state. California cannot drive or even spur a global phase-out on its own—even as the world's fifth-largest economy and the nation's seventh-ranking oil producer, our state has limited ability to move global fossil fuel markets, and measures like nationalizing industry are outside state authority. However, California state leaders can take a number of steps to model how other jurisdictions—including our federal government—can begin to structure and manage oil and gas phase-outs, setting an example for forward-looking national and international leaders seeking to begin this necessary policy transition. A well-structured California phase-out template could be particularly useful for US states that are heavily reliant on oil and gas revenue and jobs and suffer the most in market shocks such as this.

As part of an ongoing law and policy research initiative, CLEE has identified a number of initial actions—to be detailed in a forthcoming report—that California policymakers could take to begin a phase-out. The report will provide an overview of how California's state and local governments authorize and regulate oil and gas wells, who holds the authority to increase regulation or limit operations altogether, and what steps may be needed to enhance that authority. It will then discuss a range of measures to facilitate a statewide phase-out.

As we will discuss in the report, these measures would require a mix of legislative and regulatory actions, and they would have a range of effects: some would discourage production at the least efficient and highest-risk oil wells, while others would protect public health in communities near wells. The immediate climate benefits of these actions might be limited—production might not decrease significantly, and even if it did other states and countries could simply increase production to satisfy global demand. But state leaders could begin to implement these measures to start developing a policy playbook for positive action building out of the current crisis.