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## CFCA's comments regarding General Rulemaking Proceeding for Developing Regulations, Guidelines, and Policies for Implementing SB

*Additional submitted attachment is included below.*

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California Energy Commission
Docket Unit
Docket No. 23-OIR-03
715 P Street, MS-4
Sacramento, CA 95814

**RE: [Docket No. 23-OIR-03] General Rulemaking Proceeding for Developing Regulations, Guidelines, and Policies for Implementing SB X1-2 and SB 1322**

The California Fuels and Convenience Alliance (CFCA) represents about 300 members, including nearly 90% of all the independent petroleum marketers in the state and more than half of the state's 12,000 convenience retailers. Our members are small, family- and minority-owned businesses that provide services to nearly every family in California. Additionally, CFCA members fuel local governments, law enforcement, city and county fire departments, ambulances/emergency vehicles, school district bus fleets, construction firms, marinas, public and private transit companies, hospital emergency generators, trucking fleets, independent fuel retailers (small chains and mom-and-pop gas stations), and California agriculture, among many others.

CFCA appreciates the opportunity to provide feedback on the ongoing regulatory process under Docket Number 23-OIR-03. But we must be blunt: moving forward with regulations that have already contributed to the closure of two refineries and triggered a broader fuel supply crisis—on top of everything else businesses are already navigating—would not only be misguided, it would be disingenuous to the small businesses and working families that keep California's economy functioning. These regulations are not happening in a vacuum, and the cumulative effect is actively destabilizing the very communities and industries they're supposedly designed to protect.

**GAS PRICES ARE RISING IN CALIFORNIA, EVEN AS NATIONAL PRICES FALL**

Since the passage of SBX1-2 and ABX2-1, California gas prices have gone up by roughly 1–6%. During that same time, national gas prices have dropped by 11–14%. It's a glaring sign that these laws have not achieved their stated goal of stabilizing prices. If anything, they've made the situation worse. There's a clear mismatch between the intent of these policies and the actual results Californians are seeing at the pump.

On top of that, refinery closures are having a massive ripple effect across the region. Multiple studies estimate that these closures will cause gas prices to rise between 25% and 75%, or anywhere from $1.20

to $2.00 per gallon. That affects every industry in California and puts additional strain on our already overburdened supply chain. The price gap between California and the rest of the country could grow to more than $2.50 per gallon—and possibly higher—if national prices continue to decline while California's climb. And this isn't just a California issue. Nevada and Arizona are heavily dependent on our supply. This isn't just poor policy, it's a threat to regional fuel stability.

**EVEN THE STATE KNOWS THESE RULES AREN'T WORKING**

The California Energy Commission and the Governor have both acknowledged that the current set of rules is burdensome and contributed to the refinery shutdowns. That raises an obvious question: if the rules are hurting working families and small businesses, and even the State admits these policies are part of the problem—why double down? Why continue with regulations that deliver minimal benefit and create enormous harm? At some point, the State must recognize that more rules for the sake of virtue signaling does not equate smart policy.

Let's also remember why these special sessions were called in the first place: to respond to alleged "price gouging" by the fuel industry. That accusation didn't hold water then, and it still doesn't now. The California Center for Jobs and the Economy released a full report disproving that claim. And going back even further, both the 2000 report and 2004 reports from the Attorney General made it clear that the real drivers of high prices are structural: limited refining capacity, low inventory, few alternative sources of supply (because California fuel is uniquely regulated), and the state's high fuel taxes.

The CEC itself laid it out in May 2019. Here's what the report found: 19.6% of the difference comes from cleaner gasoline production, 27.5% from higher fuel taxes, 15.8% from Cap & Trade, 14.8% from the Low Carbon Fuel Standard, 10.3% from our fuel-island status (including refinery outages), and 11.9% from other factors. These percentages have only gone up in recent years as the regulations have become even stricter, especially the LCFS. And let's not forget—when the CEC explained "What Drives California's Gasoline Prices" on its website in September 2022, price gouging wasn't even mentioned. The report pointed to global crude markets, our cleaner blend requirements, taxes, and environmental program costs. That's what the data says. The narrative of industry manipulation just isn't backed by fact.

**OUR FUEL ISLAND PROBLEM IS GETTING WORSE**

Despite everything we know, the State keeps pushing California further into isolation. Importing more finished gasoline has been floated as a solution, but it's costly, complicated, and risky. California already relies on imports for more than 75% of its gasoline. Bringing it in from Washington won't fill the supply gap. Freight from Alaska or the Gulf Coast? Expensive as a result of the century-old Jones Act. And the handful of countries that even produce California-compliant fuel—mostly in the Middle East and East Asia—introduce a whole new set of geopolitical and logistical risks. Even in the best-case scenario, it takes 18 to 34 days to get fuel from South Korea or India. Weather delays, shipping constraints, and international instability only add to the uncertainty. If the plan is to rely on imports, we're setting ourselves up for more volatility, not less.

Finally, turning to the issue of the new reporting requirements established under SBX1-2 and ABX2-1: each successive mandate appears only to compound confusion and administrative burden, while offering minimal—if any—tangible benefit to the public or to the transparency of the market. Businesses are drowning in reporting obligations that are poorly conceived and poorly explained. They're stuck filling out duplicative paperwork day after day, month after month, instead of focusing on their actual duty: providing an essential service to the many industries that rely on them. From agriculture to emergency response, manufacturing to freight—the ripple effect of this regulatory overreach hits everyone.

**CONCLUSION: THE DATA IS CLEAR—THESE RULES AREN'T WORKING**

We're not asking the Commission to abandon its goals. We share the vision of a cleaner, more sustainable California that is also affordable for working families. But it's time to take a serious look at what these regulations have actually accomplished—and what they've made worse. Continuing with this approach will only yield the same outcomes: fewer refineries, more imports, higher prices, and more harm to the small businesses and families trying to make it work in this State.

Remember: the goal is affordable and clean energy for California. And small businesses across the state are already doing their part—meeting the demands of the LCFS, investing in renewable fuels like E85, hydrogen, biodiesel, and renewable diesel. It's on the back of those efforts that California will reach its goals—not through more reporting mandates, and not through policies that ignore economic reality.

CFCA appreciates the opportunity to provide input and looks forward to collaborating with the CEC on addressing California's current and future fuel supply challenges, while ensuring that regulatory compliance does not place undue burdens on small and mid-sized businesses and working families.

If you have any questions, please contact Alessandra Magnasco at alessandra@cfca.energy.

Sincerely,

Alessandra Magnasco
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