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STATE OF CALIFORNIA
STATE ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

IN THE MATTER OF:

**PETROLEUM SUPPLY
STABILIZATION**

Docket No.: 25-OIIP-02

**ORDER INSTITUTING
INFORMATIONAL PROCEEDING**

I. BACKGROUND

Prompted by successful decarbonization strategies, California's transportation sector has entered a pivotal mid-transition phase. This is a period characterized by declining but still substantial demand for incumbent petroleum-based fuels paired with rapidly scaling alternative fuel systems. During the mid-transition phase, the State must stabilize near-term vulnerabilities of the entire transportation system and implement a comprehensive strategy to support a successful transition to a low-carbon future.

Pursuant to the Petroleum Industry Information Reporting Act (PIIRA) of 1980 (Public Resources Code, § 25350 et seq.), the California Energy Commission (CEC) is responsible for developing a complete and thorough understanding of the petroleum industry for the benefit of all Californians. In August 2024, Governor Gavin Newsom convened a special legislative session focused on spikes in gas pricing throughout the state. On October 14, 2024, Governor Newsom signed Assembly Bill X2-1 (Stats. 2024, 2nd Ex. Sess. 2023-2024, ch. 1), expanding the CEC's role in consumer protection by permitting the CEC to adopt regulations that would require refineries operating in the state to maintain minimum levels of inventories of refined transportation fuels, but only if the CEC determines that the likely benefits to consumers outweigh potential costs. AB X2-1 also permits the CEC to adopt regulations requiring refineries to resupply the market to avoid the impact of a refinery's loss of production during turnaround or maintenance events. Such regulations must, however, protect the health and safety of employees, local communities, and the public.

The CEC is opening this informational proceeding to evaluate potential strategies and tools to stabilize petroleum supply during the mid-transition. Topics considered in this proceeding may include, but are not limited to, minimum inventory requirements for refined transportation fuels and refinery maintenance resupply planning requirements.

While the CEC has previously held workshops to explore such requirements, additional efforts are necessary to fully examine the potential fuel supply reliability and consumer protection benefits, as well as the potential unintended consequences or challenges associated with these and other strategies.

This informational proceeding is intended to provide a structured and transparent forum to collect data, solicit stakeholder input, and build a comprehensive public record to inform future regulatory considerations. By initiating an informational proceeding rather than a rulemaking at this time, the CEC seeks to proactively promote broad engagement and objective analysis without presupposing a regulatory outcome. This approach aligns with the requirements of AB X2-1 to conduct the necessary research on benefits and potential costs prior to adopting any regulations.

II. AUTHORITY AND ASSIGNMENT OF LEAD COMMISSIONER

Under Public Resources Code section 25210 and California Code of Regulations, Title 20, sections 1220(b) and 1222(b), informational proceedings allow the CEC to hold hearings and take other actions to gather and assess information needed to assist it in formulating policies. The information gathered in these proceedings may be used to inform future state policy actions including, but not limited to, whether and how the CEC implements the permissive regulatory authority granted to it by AB X2-1.

Through these proceedings, the CEC may use public and confidential information collected under Public Resources Code Sections 25320, 25354, 25355 as well as any public data and reports that it determines will assist its analysis. Together, the above provisions of law give the CEC authority to collect the information necessary to analyze the impacts on the California transportation fuels market of strategies to manage petroleum supply during the mid-transition phase, including both minimum inventory and resupply plan requirements.

Vice Chair Siva Gunda shall be the Lead Commissioner for this informational proceeding.

III. NATURE AND PURPOSE OF THIS PROCEEDING

Through this Order Instituting Informational Proceeding (OIIP), the CEC seeks to collect information and perspectives on the advantages and disadvantages of potential strategies to stabilize the supply of transportation fuels in California during the mid-transition phase. This informational proceeding shall gather information and perspectives on, but not be limited to: (1) establishing minimum inventory requirements for refined transportation fuels, including any feedstocks and blending components for those fuels and (2) adopting a requirement that refineries adequately plan for resupplying the market to compensate for their lost production in connection with a turnaround or maintenance event.

Pursuant to AB X2-1, the CEC may only adopt regulations requiring refineries to

maintain minimum inventories of refined transportation fuels if such regulations “protect the health and safety of employees, local communities, and the public.” If adopted, these regulations, through PRC Section 25354.4(b), must include processes for establishing minimum inventory levels; maximizing the use of existing storage infrastructure; waiving and adjusting requirements; and must account for market conditions in which a refiner may be permitted to draw down on its inventories.

Notably, PRC Section 25354.4(c) prohibits the CEC from adopting any regulations on minimum inventories unless the CEC determines that the “likely benefits to consumers from avoiding price volatility outweigh the potential costs to consumers.” In making this determination, the CEC must consider the following:

- (1) Whether it is likely that the minimum levels of inventories of refined transportation fuels will lead to greater supply in the California transportation fuels market than would exist without the minimum levels of inventories.
- (2) Whether it is likely that the minimum levels of inventories of refined transportation fuels will lead to lower average retail prices on an annual basis than would exist without the minimum levels of inventories, and whether it is likely that the minimum levels of inventories will reduce the severity of retail price volatility.
- (3) Whether easing of supply chain inefficiencies or constraints would lead to greater supply in the California transportation fuels market than requirements to establish minimum levels of inventories of refined transportation fuels.
- (4) Whether it is likely that supply gains achieved through the adoption of the minimum levels of inventories of refined transportation fuels will be offset by actions of market participants not subject to these regulations and thereby have the effect of reducing supply in the market.

In addition to addressing minimum inventories, this informational proceeding will provide a forum for the CEC to gather necessary information to consider the risks and benefits of requiring in-state refineries to plan for resupply before commencing a maintenance or turnaround event. Under AB X2-1, the CEC, in consultation with the Labor and Workforce Development Agency and labor and industry stakeholders, must consider ways to manage refinery maintenance and turnarounds that protect health and safety of employees, local communities, and the public while also minimizing the impact of maintenance-related production losses on fuel prices. To do so, PRC Section 25354.2 permits the CEC to adopt regulations that require refiners to demonstrate to the satisfaction of the Executive Director that the refiner has made resupply plans or other arrangements to ensure that a loss of production during a maintenance or turnaround event does not negatively impact the California transportation fuels market. Such regulations must protect the health and safety of employees, local communities, and the public.

In addition to minimum inventory and resupply planning, this informational proceeding will draw on the following authorities:

1. Public Resources Code section 25216, which directs the CEC to conduct research on “topics related to energy supply, demand, public safety, ecology, and conservation which are of particular statewide importance.”
2. Public Resources Code section 25356(a), which directs the CEC to gather, analyze, and interpret “information relating to the supply and price of petroleum products” with particular emphasis on, among other topics, the following:
 - a. The nature, cause, and extent of any petroleum or petroleum products shortage or condition affecting supply; and
 - b. The economic and environmental impacts of any petroleum and petroleum product shortage or condition affecting supply; and
 - c. The emerging trends relating to supply, demand, and conservation of petroleum and petroleum products.
3. Public Resources Code section 25356(b), which requires the CEC to “analyze the impacts of state and federal policies and regulations upon the supply and pricing of petroleum products.”
4. The 2024 Transportation Fuels Assessment, which calls for detailed industry data collection to facilitate transparency and well-informed public policy.

This informational proceeding seeks to establish a record of stakeholder input from multiple perspectives, including those of consumer advocates, California Native American tribes, environmental justice and environmental groups, labor, industry, academia, and the public. CEC staff will use the input received through the informational proceeding to develop recommendations for policy tools, including both the minimum inventory and resupply requirements noted herein.

This proceeding may include extensive stakeholder engagement, including workshops, working groups, and outreach to communities and community-based organizations who cannot easily participate in regulatory proceedings. This informational proceeding will facilitate information exchange with interested stakeholders. Therefore, pursuant to the authority and powers described above, the Lead Commissioner may require the presence and participation of such persons in this informational proceeding pursuant to this Order and any future orders consistent with the nature and purpose of this informational proceeding. The CEC may also launch phases within the informational proceeding to further focus the proceeding’s scope and to address new or emerging issues.

IV. HEARINGS AND WORKSHOPS

The Lead Commissioner will issue notices at least 14 days before the first hearing and 10 days in advance of any subsequent hearings and workshops and will identify at that time when written comments or testimony will be due, as well as the manner of the filing. Public comment will be allowed at all workshops and hearings. The CEC will hold the first hearing in this proceeding on September 24, 2025 from 9 a.m. - 12 p.m. This hearing is currently planned as a virtual workshop. Additional details will be included in

the public notice. The CEC may hold additional hearings in this proceeding as necessary.

V. PUBLIC PARTICIPATION

The CEC encourages public participation in this proceeding. Any person participating in a hearing or workshop shall be afforded a reasonable opportunity to make comments. Petitions to intervene are not necessary.

To foster public participation in this proceeding, the Executive Director, in conjunction with the Public Advisor, shall ensure that information regarding this order and notices of hearings and workshops are distributed to all interested persons via the list serve and posted on the CEC website. To stay informed about this proceeding and receive documents and notices of upcoming workshops and hearings as they are filed, interested persons may subscribe to [the proceeding list serve \(Transportation Energy > SB X1-2/ABX2-1 Implementation\)](https://www.energy.ca.gov/listservers/index_cms.html), which can be accessed at: https://www.energy.ca.gov/listservers/index_cms.html. The list serve emails notifications and direct links when documents and notices are filed in the proceeding docket.

For additional information about how to participate in this proceeding, please contact the CEC's Office of the Public Advisor, Energy Equity, and Tribal Affairs at (916) 957-7910, or via email at publicadvisor@energy.ca.gov. Media questions should be directed to the CEC's Media Office by email at mediaoffice@energy.ca.gov.

VI. CONCLUSION AND ORDER

The CEC therefore institutes an informational proceeding to accomplish the purposes specified above, designates Vice Chair Siva Gunda as Lead Commissioner of this proceeding, and directs the Executive Director and staff to collect and evaluate the information needed under guidance of the Lead Commissioner.

IT IS SO ORDERED.

VII. CERTIFICATION

The undersigned Secretariat to the CEC does hereby certify that the foregoing is a full, true, and correct copy of an order duly and regularly adopted at a meeting of the CEC held on August 13, 2025.

AYE: Hochschild, Gunda, McAllister, Skinner

NAY: NONE

ABSENT: Gallardo

ABSTAIN: NONE

Dated: August 14, 2025

SIGNED BY:

Kim Todd
Secretariat