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DIVISION OF PETROLEUM MARKET OVERSIGHT



September 16, 2025

The Honorable Gavin Newsom
Governor
1021 O Street, Suite 9000
Sacramento, CA 95814

The Honorable Mike McGuire
Senate President pro Tempore
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Robert Rivas
Speaker of the Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

Re: California Gasoline Market Update and Consumer Advisory

Dear Governor Newsom, President pro Tempore McGuire, and Speaker Rivas:

The Division of Petroleum Market Oversight (DPMO) is providing this California Gasoline Market Update pursuant to its oversight function described in the California Gas Price Gouging and Transparency Law, Senate Bill X1-2 (Skinner, 2023, Statutes of 2023-2024 First Extraordinary Session) (SBX1-2). DPMO is an independent division of the California Energy Commission (CEC). This Market Update provides additional transparency for consumers, policy makers, and market participants as we look ahead through the end of 2025.

Following the PBF Energy Martinez refinery incident on February 1, retail gasoline prices in California increased but did not spike, despite significant volatility in the spot markets where wholesale gasoline is traded.¹ High import levels of gasoline and blending components kept prices relatively stable during the spring and summer. Looking ahead, we expect in-state refinery production to be reduced in the coming months, largely because of planned and unplanned maintenance. This necessitates advance planning by market participants (including responsibly resupplying lost production and building adequate inventories) to keep prices stable.

¹ DPMO, "California Gasoline Market Update and Consumer Advisory" (Feb. 14, 2025), <https://efiling.energy.ca.gov/GetDocument.aspx?tn=261778&DocumentContentId=98245>.

Spring and Summer 2025 Market Conditions

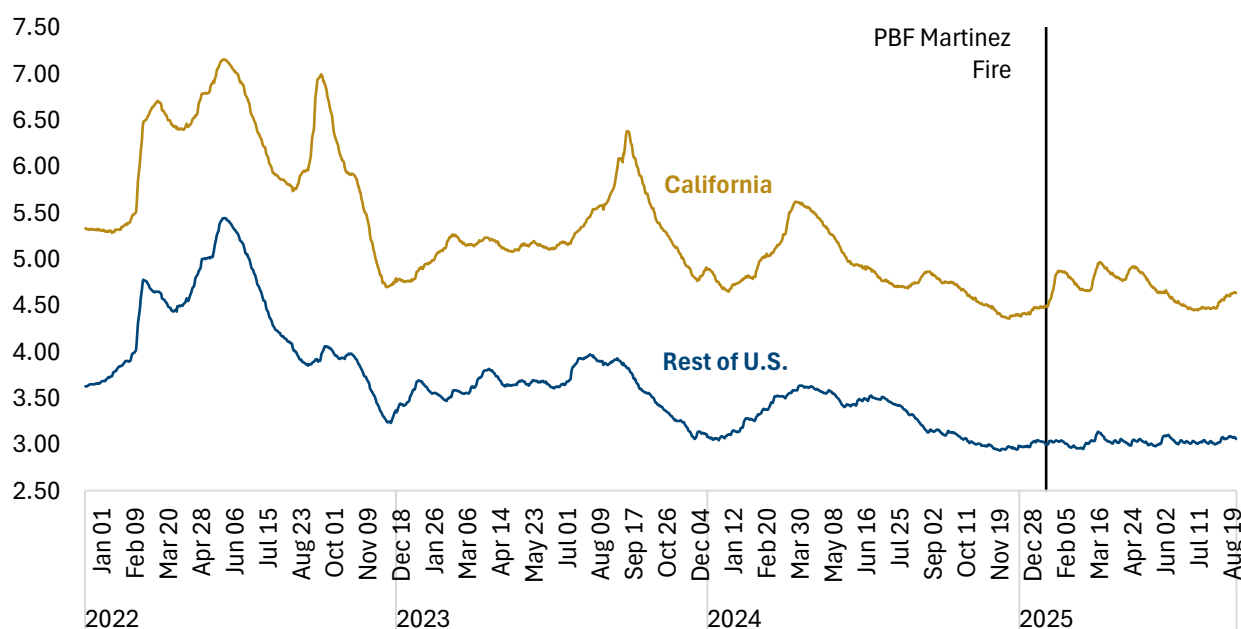
On February 1, 2025, a large fire broke out at the PBF Energy refinery in Martinez, California. The refinery halted gasoline production in the aftermath of the incident and has since partially restarted. According to its most recent earnings call, PBF Energy anticipates a full restart of the refinery by the end of the year.²

While retail gasoline prices increased in subsequent weeks, we did not experience a major statewide price spike like those seen in previous years. California retail gasoline prices peaked at an average of \$4.97 in April 2025, far lower than prices seen during the fall 2022, fall 2023, and spring 2024 price spikes.³ See Exhibit 1.

Exhibit 1. California Retail Gasoline Prices Have Been Lower and More Stable in 2025 Than in Previous Years

Daily Retail Gasoline Prices in California and Rest of U.S., 2025\$/gal

Jan. 1, 2022 - Sept. 12, 2025



Notes: DPMO analysis of OPIS Retail Prices as of Sept. 12, 2025.

Retail price increases in spring 2025 were associated with three significant run-ups on the Northern and Southern California spot markets, where wholesale gasoline is traded. The Northern California spot market saw the most price volatility (as this is the region of the impacted Martinez refinery). According to the Oil Price Information Service (OPIS), the Northern California spot market peaked at \$1.11 over the New York Mercantile Exchange (NYMEX) on May 8,

² PBF Energy, 2025 Q2 Earnings Call (July 31, 2025).

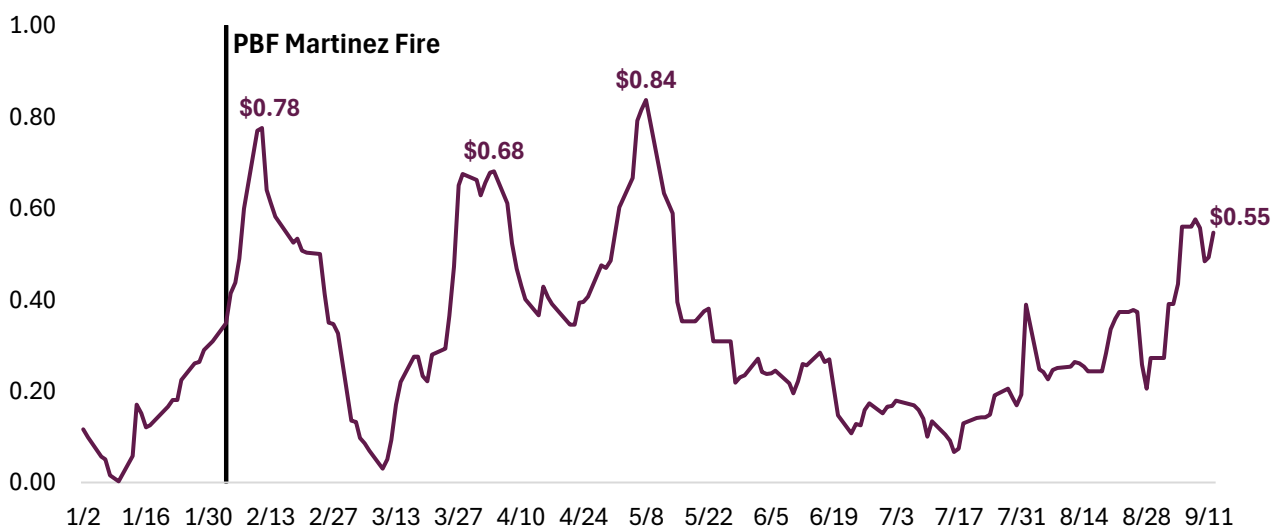
³ All prices are in constant dollars 2025 based on Bureau of Labor Statistics Consumer Price Index less Energy, Series CUSR0000SA0LE, <https://data.bls.gov/cgi-bin/srgate>. Applies to all figures.

2025, and the Southern California spot market peaked at \$0.62 over the NYMEX on March 28, 2025. Spot market prices decreased and stabilized in June and July.⁴ See Exhibit 2.

Exhibit 2. California Spot Market Experienced Three Separate Run-Ups Between February and June 2025

2025 Average California-NYMEX Spot Price Differential, 2025\$/gallon

Jan 2, 2025 - Sep 12, 2025



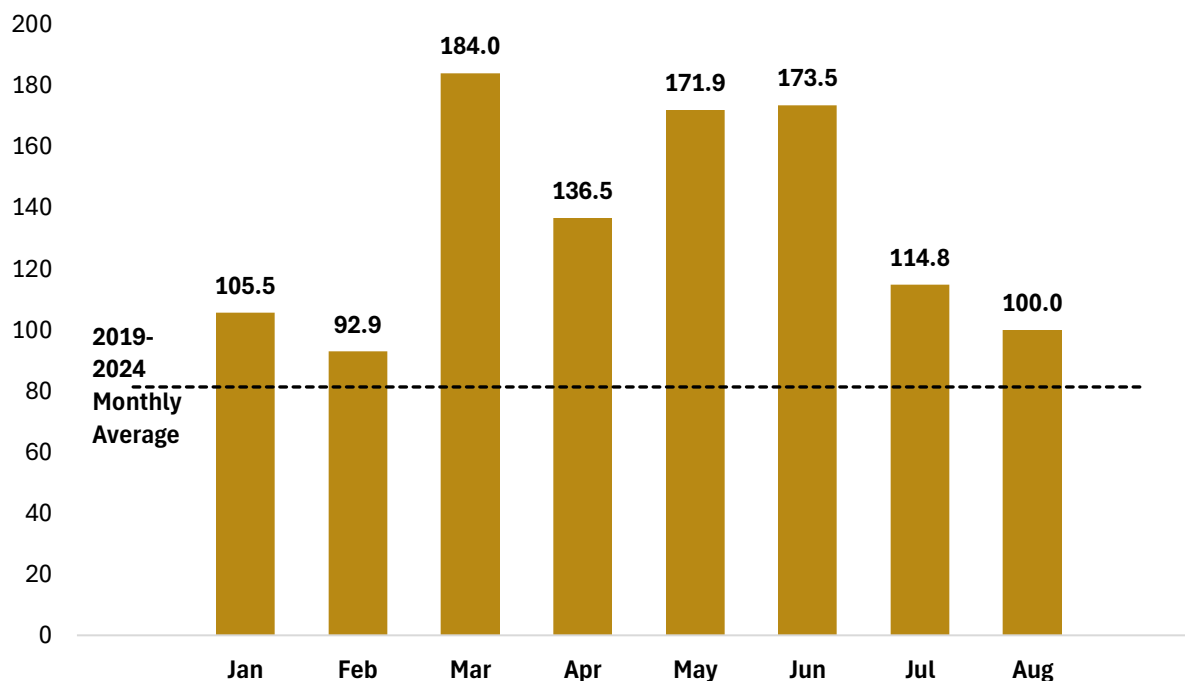
Notes: DPMO analysis of spot prices from OPIS.

It appears that strong gasoline and blending component imports have played a critical role in keeping wholesale and retail prices stable through the spring and summer. According to CEC and U.S. Energy Information Administration (EIA) data, California received 18 million barrels of gasoline and blending component imports (averaging 150,000 barrels per day) between February and May 2025, peaking at 5.7 million barrels (184,000 barrels per day) in March 2025. See Exhibit 3.

⁴ However, the spot price run-ups do not account for the full unexplained difference between retail gasoline prices in California and the rest of the U.S. after accounting for taxes, fees, and environmental programs. This unexplained difference – often referred to as the “mystery gasoline surcharge” – averaged \$0.59 per gallon between February and May (when spot prices surged repeatedly) but only decreased by 27 percent to \$0.43 per gallon between June and July (when spot prices dropped to just \$0.13 above NYMEX – an 88 percent drop relative to the May peak). This suggests that potential causes for elevated retail prices are also occurring downstream of the spot market.

Exhibit 3. California Received High Levels of Gasoline and Blending Component Imports in Spring and Summer 2025

Monthly Imports, Thousands of Barrels per Day



Notes: Imports data for January-June are from CEC M700 and EIA Form 814. Data for July-August are projections from CEC EBR 700, which may underestimate imports due to incomplete reporting. All data include imports of gasoline and blending components.

Late Summer and Fall 2025 Market Conditions

Based on multiple sources, it appears that there will be production shortfalls from in-state refiners in the coming months because of planned and unplanned maintenance. This is also the time of year when California has been more vulnerable to retail gasoline price spikes.

Recent market activity suggests that gasoline market participants have awareness of these events. According to OPIS's West Coast report, Los Angeles spot market forward pricing above NYMEX is elevated for October and November delivery. These reports of elevated forward pricing are corroborated by the CEC's spot market transactions reports, which show similarly elevated pricing across California's two physical spot markets.

California's late summer and fall 2025 gasoline import needs are consistent with the level of imports received in previous months. West Coast gasoline and

blending component inventories are also relatively healthy.⁵ However, price stability will depend on market participants' continued advance preparation through maintaining adequate inventories, ordering sufficient cargoes, and avoiding reactive spot market behavior. As part of its oversight function, DPMO will engage with individual market participants to reinforce this message.

In fall 2022 and fall 2023, spot market prices experienced extreme volatility and unprecedented retail price spikes, necessitating an early switch to winter blend gasoline. These extraordinary measures were not necessary in 2024, in part because market participants maintained higher inventories, brought in more imports, and avoided reactive spot market actions. Given these positive trends, DPMO anticipates the gasoline specification will switch to winter blend as normally scheduled.

Enforcement Bulletin

As DPMO has previously identified, California's spot market is uniquely vulnerable to potential manipulation because it can be thinly traded and is reliant on voluntary reporting to price reporting agencies like OPIS.⁶ DPMO monitors the spot market each trading day to detect and deter misconduct and proactively engages with market participants to encourage responsible behavior. Market participants that make purchases on the spot market that drive up the market price unnecessarily (e.g., while holding long positions) will face scrutiny from DPMO, particularly if that market participant also sells in spot-market-linked transactions and would profit from spot market price increases.⁷

Consumer Advisory

DPMO continues to encourage Californians to shop around for less expensive gasoline, especially "unbranded" or generic gasoline. While branded gasoline can be significantly more expensive than unbranded gasoline, DPMO is not aware of public evidence confirming that branded gasoline outperforms

⁵ See EIA, "West Coast (PADD 5) Stocks," https://www.eia.gov/dnav/pet/pet_stoc_wstk_dcu_r50_w.htm.

⁶ See DPMO, "Core Options for Reforming the California Gasoline Spot Market" (Jan. 31, 2024), <https://efiling.energy.ca.gov/GetDocument.aspx?tn=254283>, and "A Seller's Market: The Challenge of Market Concentration and Price Spikes," Presentation before the Assembly Petroleum and Gasoline Supply Committee (Sept. 19, 2024), <https://www.assembly.ca.gov/media/assembly-petroleum-and-gasoline-supply-committee-20240919>.

⁷ In May 2020, the Attorney General sued two international trading companies for manipulating the California spot market during the 2015 price spike. According to the allegations, the trading firms reported trades to OPIS thereby moving up the spot market price to inflate the value of other contracts pegged to the OPIS-reported price. See Complaint, *The People of the State of California v. Vitol Inc., et al.*, No. CGC-20-584456 (S.F. Super. Ct.).

unbranded or generic gasoline in California.⁸ Consumers can be confident in shopping around because all gasoline sold in California must meet stringent Air Resources Board standards, which are the strongest in the nation and require an effective detergent or cleaning additive to protect engine performance.⁹

Conclusion

DPMO is committed to working with you, the CEC, the Attorney General's Office, and other state agencies to navigate this mid-transition phase, when it will be critical to make the import process more efficient, eliminate bottlenecks, and facilitate competition to protect consumers and prevent price spikes.¹⁰ Should you have any questions about this Market Update or about our market oversight work, please contact us at DPMO@energy.ca.gov.

Sincerely,



Tai S. Milder
Director
Division of Petroleum Market Oversight

CC: Members, Senate Committee on Energy, Utilities, and Communications
Members, Assembly Committee on Utilities and Energy Members
David Hochschild, Chair, California Energy Commission
Siva Gunda, Vice Chair, California Energy Commission

⁸ CEC, "Additional Analysis on Gasoline Prices in California" (Oct. 21, 2019), at pp. 8-9, https://www.energy.ca.gov/sites/default/files/2019-11/Gas_Price_Report.pdf.

⁹ CARB, "California Reformulated Gasoline," <https://ww2.arb.ca.gov/our-work/programs/fuels-enforcement-program/california-reformulated-gasoline>.

¹⁰ CEC Vice Chair Siva Gunda, Response to Governor Newsom (June 27, 2025), https://www.energy.ca.gov/sites/default/files/2025-07/CEC%27s_Response_to_Governor_Newsom%27s_Letter_June-27-2025_ada.pdf.