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CFCA Comment Letter - Informational Proceeding on Petroleum Supply Stabilization

See attached file for CFCA's Comments

Additional submitted attachment is included below.

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California Energy Commission
Docket Unit
Docket No. 25-OIIP-02
715 P Street, MS-4
Sacramento, CA 95814

RE: [Docket No. 25-OIIP-02] Informational Proceeding on Petroleum Supply Stabilization

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 and emergency vehicles, school district bus fleets, construction firms, marinas, public and private transit companies, hospital emergency generators, trucking fleets, independent fuel retailers, and California agriculture, among many others.

CFCA appreciates the opportunity to provide feedback on the ongoing discussion under Docket Number 25-OIIP-02. California faces serious structural barriers to stabilizing fuel supply, many of which are the direct result of state-specific regulatory requirements. If decision-makers are serious about preventing future price spikes, refinery outages, and worsening dependence on costly imports, then reforms must focus on pragmatic solutions that address the real drivers of volatility.

SUSPEND SUMMER BLEND REQUIREMENTS

The problem is not merely episodic: despite everything we know about supply fragility, the State continues reinforcing California's isolation as a "fuel island." Importing more finished gasoline has repeatedly been proposed, but it is costly, complex, and risky: the state already imports more than 60 % of its crude oil inputs (63.5 % in 2024) to its refineries (with only ~23.3 % sourced in-state). Bringing fuel in from Washington does little to fill the gap, and alternatives like freight from Alaska or the Gulf Coast are burdened by the Jones Act and high shipping costs. Among the few countries that can produce California-compliant fuel, many are in Asia or the Middle East, and even under optimal conditions, transit takes 18 to 34 days — a delay that magnifies volatility. Given shipping delays, weather, geopolitical tensions, and port constraints, relying on imports alone is setting up California for more instability, not less.

Under these conditions, **permanently eliminating summer blend requirements is a critical reform**. Seasonal obligations force refineries to switch between low-RVP summer blends and higher-RVP winter

blends twice a year. Such mandatory retooling constrains supply, raises the risk of disruptions, and adds cost burdens. The CEC itself has found that cleaner gasoline mandates account for about 19.6 % of California's price premium relative to the national average (a figure from historical CEC modeling) — a structural drag on affordability. Even during transitional periods in 2022–2023, California retail gasoline prices surged above $6.00 per gallon, while the national average remained around $4.00 (reflecting the supply pressure from blend constraints). Lastly, because few outside refineries can produce California's specific blend, and because import lead times are long, the state remains highly vulnerable to outages. Removing the summer blend requirement would greatly increase supply flexibility, reduce "energy island" risk, and help smooth price fluctuations.

PROMOTE FLEXIBLE FUEL STANDARDS IN EMERGENCIES

While eliminating seasonal mandates addresses structural rigidity, additional flexibility is essential during acute disruptions. California's CARBOB-only standard prevents us from accepting fuel from out-of-state sources even when regional supply stress exists. Temporary regulatory relief, allowing blending adjustments or acceptance of non-CARBOB fuel in declared emergencies, would prevent short-term supply shocks from cascading into significant price spikes. Historically, such interventions in other states have prevented price jumps per gallon in short order. California should adopt similar contingency mechanisms to protect consumers and critical services.

SUPPORT INCENTIVES FOR LOWER-CARBON LIQUID OPTIONS

Another pillar of supply resilience is enabling and scaling renewable fuels via incentives that carry both emissions and economic benefits. Ethanol blends and renewable diesel are proven technologies that already reduce greenhouse gas emissions while offering consumer cost savings. A peer-reviewed study by economists at UC Berkeley and the U.S. Naval Academy estimated that allowing E15 could save California drivers $0.20 per gallon, which translates into $2.7 billion annually statewide. In 2025, many consumers who used E15 during summer waiver windows saw average savings of 10–30 cents per gallon; in some locations, the discount was over $1 compared to E10. E85 delivers similar savings, often reducing costs by $1.00 or more per gallon compared to E10, and in 2023 alone, it saved Californians nearly $99 million at the pump. Biodiesel and renewable diesel blends also remain competitive with conventional diesel and can reduce lifecycle GHG emissions by up to 80 %.

Additionally, modern corn ethanol reduces lifecycle emissions by 40-50 %, and lab testing (e.g., UC Riverside 2022) suggests switching from E10 to E15 can reduce particulate matter by 18 %, carbon monoxide by 17 %, hydrocarbons by 5–8 %, and nitrogen oxides by 3 %. For Renewable diesel, operating as a "drop-in" fuel option means no modifications are needed at stations or vehicles, which lowers capital burden for small businesses.

On the energy security front, nearly all ethanol consumed by U.S. motorists is domestically produced, reducing dependence on foreign oil. In 2024, U.S.-produced ethanol displaced about 630 million barrels of imported crude, and ethanol now comprises about 10.5 % of U.S. gasoline supply (up from 2.8 % in 2005). The ethanol industry supports over 300,000 jobs and contributed more than $50 billion to U.S. GDP in 2024, while purchasing more than 5.5 billion bushels of corn—nearly one-third of U.S. corn demand. Similar potential lies ahead for California.

These figures underscore why state incentives—such as blender tax credits, grants for pumps and storage infrastructure, and cost-sharing programs—are both justified and urgent. **The federal Biodiesel and Renewable Diesel Blender's Tax Credit**, set at $1.00 per gallon, has been the single most effective policy in scaling renewable diesel and biodiesel adoption nationwide. By providing a dollar-for-dollar credit for every gallon blended, it has directly narrowed or eliminated the price gap between petroleum diesel and renewable alternatives. This incentive ensured that fleets, retailers, and consumers could access lower-carbon liquid fuels at no additional cost—often at a discount—while giving blenders and retailers the financial certainty to invest in new infrastructure and expand supply.

The results are clear. Following the implementation of the federal blender's credit, renewable diesel use in California surged, helping the state displace hundreds of millions of gallons of petroleum diesel annually under the Low Carbon Fuel Standard. With renewable diesel blends consistently priced at or below conventional diesel after the credit, adoption expanded far faster than if the market had been left to absorb higher costs on its own. Small businesses in particular benefited: without the $1/gallon support, many independent fuel marketers could not have justified the capital expenditures required for tanks, pumps, and blending systems required for biodiesel (B20) blends.

Replicating this proven model at the state level would drive similar results in the gasoline market. Just as the biodiesel and renewable diesel credit unlocked widespread adoption in the diesel pool, a California-specific blender's tax credit could accelerate access to lower-cost, lower-carbon liquid fuel alternatives. By lowering retailer risk and consumer costs, the state would not only stabilize supply and diversify fuel options, but also achieve measurable reductions in both pump prices and emissions.

EXPAND FLEX-FUEL VEHICLE (FFV) ADOPTION

Furthermore, expanding the vehicle base capable of using renewable fuels, particularly E85, strengthens long-run system resilience. Currently, FFVs represent fewer than 7 % of California's light-duty fleet, limiting demand for E85 and reducing flexibility in fuel choices. CARB-certified after-market conversion kits would allow many more drivers to adopt E85 or higher ethanol blends. More FFVs on the road would reduce reliance on CARBOB during supply stress, smooth demand fluctuations, and contribute to climate goals without waiting for complete fleet turnover. For these reasons, it is critical that the CEC collaborate with CARB to expedite approval of these conversion kits and make them available to consumers as soon as possible.

STREAMLINE PERMITTING FOR REFINERY MAINTENANCE OR EXPANSION

Finally, in parallel with demand-side reforms, supply resilience depends heavily on keeping refineries operating reliably. Streamlining permitting for routine maintenance and short-term expansions is essential to minimize unplanned outages and volatility, as refinery downtime is among the most direct causes of supply shortfalls. One additional hazard is that regulatory mandates—such as minimum inventory requirements—may paradoxically discourage timely maintenance to avoid penalties. In practice, maintenance intervals have slipped from every 2–3 years to 4–5 years in some cases, raising the probability of equipment failure and compromising worker and community safety.

A streamlined permitting regime would enable planned turnarounds to occur more frequently and on schedule, ensuring maintenance is predictable, safe, and timely. This approach would safeguard workers

and nearby communities, maintain supply continuity, and reduce the risk that deferred maintenance triggers the next major price spike.

CONCLUSION

California's petroleum supply chain faces structural barriers that directly harm consumers, small businesses, and frontline communities. Permanently eliminating summer blend requirements, supporting renewable liquid fuels with state incentives, providing emergency blending flexibility, streamlining refinery permitting while protecting worker safety, and expanding flex-fuel vehicle adoption represent practical, data-driven solutions to stabilize supply and prevent price spikes.

CFCA stands ready to assist the CEC in refining and implementing these policies in a way that supports small and mid-sized businesses and the families they serve.

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

Sincerely,

Alessandra Magnasco
Sr. Director, Government Affairs