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Comment on draft TFTP and SB 237 Assessment

Additional submitted attachment is included below.

July 7, 2026

David Hochschild, Chair, and Commissioners
California Energy Commission
715 P Street
Sacramento, CA 95814

Comments on the May 1, 2026 Draft Transportation Fuels Transition Plan (TFTP)
and
Draft SB 237 Assessment

Dear Chair Hochschild and Commissioners:

Climate Action California (CAC) is a volunteer-based organization with over 11,000 supporters. We advocate for pragmatic, science-based solutions to the climate crisis. Our dedicated volunteers, with decades of experience researching and analyzing transportation and energy issues, lead our advocacy on local and statewide policy.

We are grateful to the California Energy Commission (CEC) for the series of conversations you have held over the course of the past several years—with legislators, labor unions, environmental groups, public health officials, fossil fuel companies, and other stakeholders—about the state's ongoing transition from internal combustion engine vehicles (ICEVs) to zero-emission vehicles (ZEVs). The Draft Transportation Fuels Transition Plan (TFTP) and SB 237 Assessment elaborate upon the CEC's 2024 Transportation Fuels Assessment (TFA) and Vice Chair Gunda's June 27, 2025, letter to Governor Newsom. These recent documents thoroughly discuss potential strategies to minimize the negative impacts of in-state refinery closures on workers and consumers.

Still, the documents refrain from recommending or ranking any specific strategies that California *should* pursue.

As the agency continues to learn more about how California's gasoline suppliers operate and how they respond to regulations, geopolitical conflicts, refinery outages, and other shocks, the CEC—working in collaboration with the legislature and other agencies—must commit to an actionable plan to manage this transition going forward. Without clear direction from the CEC, legislators will be susceptible to lobbying and misinformation from special interests who want a transportation fuel transition that benefits competing agendas, rather than a plan that benefits all Californians.

California Policies that predate and inform the TFTP

California has long had three intertwined goals relating to our transportation fuels. For decades, we have sought to reduce:

- air pollution:
- greenhouse gas emissions; and
- petroleum dependence.

To accomplish those three goals, the State of California has invested billions and created entire programs, departments, and boards. Private industry, civil society organizations and individual Californians have invested time and capital toward achieving them. One reason California is the nation's leader in clean energy and EV manufacturing jobs is that investors relied on the programs and policies developed to implement them.

In 1975, the Legislature instructed CARB to clean our air "and to systematically attack the serious problem caused by motor vehicles, which is the major source of air pollution in many areas of the state."[1] Legislation specifically authorized vehicle emission standards and fuels specifications. The Legislature called out petroleum specifically, declaring that "[d]ependence on petroleum-based fuels in motor vehicles not only contributes to substantial degradation of air quality and risk to public health, but also impedes the state's progress toward the petroleum use reduction goal…."[2]

The Legislature later empowered CARB to lead our efforts to reduce greenhouse gas emissions in a manner that "complements the state's effort to improve air quality."[3] Increasingly ambitious statutory greenhouse gas emission reduction targets followed, implemented in part by ambitious zero-emission vehicle targets.

The Legislature had more to say about petroleum. In the Public Resources Code provisions that serve as CEC's charter, the Legislature declared that petroleum fuels threaten energy security, damage public health, and drive global warming.[4]

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[1] Cal. Health & Saf. Code §39003.

[2] Cal. Health & Saf. Code §§43000 et seq (quoting §43000 subd. (e)).

[3] Cal. Health & Saf. Code §38501 subd. (h).

[4] The full text of section 25000.5 subd. (a) and (b) is worth reading:

(a) The Legislature finds and declares that overdependence on the production, marketing, and consumption of petroleum-based fuels as an energy resource in the transportation sector is a threat to the energy security of the state due to continuing market and supply uncertainties. In addition, petroleum use as an energy resource contributes substantially to the following public health and environmental problems: air pollution, acid rain, global warming, and the degradation of California's marine environment and fisheries.

(b) Therefore, it is the policy of this state to fully evaluate the economic and environmental costs of petroleum use, and the economic and environmental costs of other transportation fuels, including the costs and values of environmental impacts, and to establish a state transportation energy policy that results in the least environmental and economic cost to the state. In pursuing the "least environmental and economic cost" strategy, it is the policy of the state to exploit all practicable and cost-effective conservation and improvements in the efficiency of energy use and distribution, and to achieve energy security, diversity of supply sources, and competitiveness of transportation energy markets based on the least environmental and economic cost.

The Legislature asked CEC to periodically assess (in its Integrated Energy Policy Report) alternative transportation energy scenarios "in the context of least environmental and economic costs."[5] In a similar vein, the Legislature instructed that the first Transportation Fuels Assessment include CARB's evaluation of oil and gas extraction and refining in the scoping plan.[6]

What does the 2022 Scoping Plan say?

Because CEC's fuels assessments must consider the role of petroleum assigned under CARB's scoping plan, we note that the 2022 Scoping Plan calls for phasing down petroleum refining while investing "in efforts to deploy zero emissions technologies."[7]

We strongly agree with the SB 237 Assessment's explicit statement that "managing this transition well is not slowing progress, but rather is the strategy most likely to advance California's clean energy future." We also applaud the document's repeated acknowledgement that California's preexisting policies "are working and have begun to reshape the state's energy system".[8] Similarly: "Stabilization should not be confused with preservation." (Ibid, p. 9.) And: "expeditiously reducing fossil fuel dependency is necessary to meet the state's statutory GHG emission targets and public health goals."[9] We hold those truths to be self-evident.

The Question

What strategy best advances California's three longstanding policies – see the three bullets above – given CEC's overarching mission to develop a transportation fuels strategy "based on the least environmental and economic cost"[10] ?

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[5] Cal. Pub. Res. Code sections 25302, 25304, subd. (f) requires the CEC to regularly evaluate "alternative transportation energy scenarios, in the context of least environmental and economic costs, to examine potential effects of alternative fuels usage, vehicle efficiency improvements, and shifts in transportation modes on public health and safety, the economy, resources, the environment, and energy security."

[6] Cal. Pub. Res. Code sec. 25371, subd. (a)(2).

[7] The 2022 Scoping Plan states, in pertinent part:

> To achieve California's air quality and climate goals, we must end our dependence on petroleum. This will not happen overnight. ... To avoid leakage, as called for in AB 32, and to meet that remaining demand for petroleum fuel, a complete phaseout of oil and gas extraction and refining is not possible by 2045. This Scoping Plan assumes a phasedown in both oil and gas extraction as well as petroleum refining in line with the reduction in demand for in-state on-road petroleum fuel demand. Since the transportation sector is the largest source of GHG emissions and harmful local air pollution, *we must continue to research and invest in efforts to deploy zero emissions technologies* and clean fuels, and to reduce VMT. (p. 100, emphasis added)

[8] SB 237 Assessment, p.4. See also TFTP p. 28 ("California's policies to transition automotive technologies and fuels and promote alternative modes of transportation collectively reduce demand for gasoline and diesel.")

[9] SB 237 Assessment, p. 30.

[10] Cal. Pub. Res. Code sec. 25371, subd. (a)(2).

The Answer

The laws of thermodynamics provide the answer: Electric vehicles.

Engineers, air pollution experts, health experts, physicists, climate experts, economists, and California's leading policy thinkers have lined up behind EVs. Electric motors are roughly three times more energy efficient than internal combustion engines. EVs have lower life cycle emissions, even when powered by coal-fired electricity.[11] EVs are already cheaper to own than ICE vehicles. The public health savings – in both dollars and lives -- are immense.

Comments on the TFTP

We urge the Commission to reorganize the TFTP around adoption of ZEVs, and reducing demand for fossil fuels, as the transition's top priorities. Additionally, the TFTP must address supply bottlenecks, and include strategies leading to real price competition. Gasoline's high price in California is one of our state's most consequential economic issues: it places severe financial strain on our state's lowest-income households and undermines public support for our state's ambitious climate goals.[12] It is therefore important that any transition plan stabilize gasoline prices in both the short and long-term, amid declining in-state refining capacity.

1. REDUCE DEMAND FOR PETROLEUM

The draft TFTP's Chapter 4 fails to rank or prioritize the many strategies outlined. We suggest that the fossil demand reduction strategies, which will *accelerate* the transition while making fuel cheaper for Californians immediately, should come first and foremost. The faster we electrify transportation, the briefer the discomfort for those who do not or cannot readily embrace the change to cleaner, cheaper transportation fuels such as electricity. As EVs scale up, the capital costs will continue to drop, as we have already seen with batteries and finished EVs.

We must keep these goals top of mind at every turn: reduce air pollution, reduce GHG emissions, and reduce our petroleum dependence. We have followed that course since before 1975. Stay the course.

2. ELIMINATE SUPPLY BOTTLENECKS

a. Facilitate Imports

The draft TFTP thoroughly chronicles the price effects caused by a variety of refiner choices and accidents in recent years. Price gyrations caused by supply

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[11] https://www.epa.gov/greenvehicles/electric-vehicle-myths#Myth1

[12] According to the CEC and CDTFA's 2025 Review of the Price of Gasoline in California and Related Effect on State Revenues Joint Agency Report, environmental regulations only add $0.53 per gallon to the retail price of gasoline in California, and the remainder of the "price premium" between California and other states is attributable to California's isolated market and other unique market conditions. Nevertheless, the backlash to the state's high gasoline prices often targets climate regulations, as demonstrated by the recent momentum behind CARB's proposal to release 118 million metric tons of free emissions allowances under the Cap and Invest program.

interruptions should be avoided where possible. California refineries have closed in the recent past and will continue to close under every scoping plan scenario. Drops in production when a refinery goes offline can be temporarily matched with increased imports (while the declining demand catches up).

We endorse the draft TFTP's suggestion to identify and eliminate import barriers. This would dampen price gyrations and enhance competition within the concentrated California refining market. The faster—and cheaper—it is to import refined gasoline products into California and to deliver those products to retail gas stations, the more competitive the distribution sector will be. As the gap between in-state refining output and California's gasoline demand continues to widen, we urge the CEC—working in collaboration with the legislature and other agencies—to identify the most significant logistical and financial import obstacles and to work to eliminate them.

One way to expand potential gasoline supply is to allow refiners to make or import fuel that meets federal standards. (Some California refiners already make "federal fuel "for sale in neighboring states.) As the 2024 Transportation Fuels Assessment suggests, "Create a fee-based non-CARBOB allowance program that can be activated during a price spike or in response to a reasonable expectation of one. Revenue from fees would be used for air quality improvement strategies in non-attainment regions or other EJ communities."[13]

Federal fuel burns almost as cleanly as CARBOB. The environmental disadvantage comes primarily when using federal fuel in pre-2004 vehicles.[14] Such excess emissions could be eliminated if fuel sellers paid a variance fee, and those fee revenues were used to retire older, gross polluting vehicles. That variance fee process already exists. The governing legislation directs that variance fees go into the High Polluter Repair or Removal Account.[15] Variances were originally developed to benefit refiners working to meet the reformulated gasoline specifications that became effective in 1996.[16]

Changing fuel specifications on a more permanent basis would require a full rulemaking process under the Administrative Procedures Act, a special multi-media evaluation applicable to fuel specifications, and possibly review and litigation under CEQA. Accordingly, the federal-fuel-plus-variance approach is especially attractive.

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[13] Commissioner's Report - Transportation Fuels Assessment (August 2024). This policy approach was also discussed as part of 2015 the Petroleum Market Advisory Committee docket (Borenstein, Bushnell, and Lewis, 2004. "Market Power in California's Gasoline Market"). More recently, the Union of Concerned Scientists published some pertinent analyses demonstrating the concept's possible environmental benefits. See *Klein and Martin, "Fuel flexibility + cleaner cars," Working Paper,* March 2026; https://files.ucs.org/2026/fuel-flexibility-mitigation.pdf.

[14] Pre-2004 gasoline cars and trucks make up just 10% of vehicle miles traveled statewide, but they account for 69% of NOx, 56% of VOC, 43% of PM2.5, and 49% of toxics emissions from the passenger fleet. *Klein and Martin, supra*, pp. 9-10.

[15] *See* Health & Saf. Code sec. 43013.2 and Cal. Code Regs., tit. 13, sec. 2271.

[16] *See* CARB Bd. Resolution 96-3 and Staff Statement of Reasons (1996)

b. Accelerate Infrastructure

The state should eliminate redundant or incongruent local and state approval processes create a streamlined "one-stop" review process for all new marine import infrastructure.

The Western Gateway pipeline, when completed, should be a vital asset that would expand the state's gasoline import capacity and make the state's gasoline supply less susceptible to refinery outages or other supply chain stocks. State and local government should minimize construction time and costs for intrastate work. the work.

c. Ethanol

E15 must be a temporary solution to reduce fuel prices; it will not reduce the climate impacts associated with California's transportation sector. Because it is highly unlikely that either CARB or the US Department of Agriculture will eliminate ethanol subsidies in the near-term future, we reluctantly accept that the CEC should act within the current policy parameters to expand consumers' access to these cheaper fuel blends.

d. No need to encourage in-state crude oil production

California cannot reduce crude oil prices by producing more. Prices are set on a world market disproportionately controlled by OPEC and by state-owned enterprises that can produce relatively free-flowing, easily extracted crude. (In contrast, crude oil in California tends to be unusually viscous, thus energy intensive and polluting to extract.) We reject the argument that if we don't produce crude in California, someone else will do it elsewhere but with fewer environmental restrictions. That is merely a rationalization routinely offered by the owners of California crude reserves. We should not join in a race to the bottom.

We recognize that certain refineries are tuned for and physically connected to heavy Kern County crudes. That reflects highly profitable business decisions made long ago. Those investments paid off handsomely. Now, we are in a new carbon-constrained era. Like horse-drawn carriages, those assets are obsolete. Further investment is futile.

3. FOSTER GASOLINE PRICE COMPETITION

Since it was established by the legislature through SB X1-2 (2023), the Department of Petroleum Market Oversight (DPMO) has helped the state and the public gain a much more detailed understanding of the different factors that influence the retail price of gasoline in California. DPMO'S legal team closely monitors transactions of California's gasoline producers, refiners, and retailers for evidence of anti-competitive business practices. DPMO has identified unusual spot market transactions that have inflated retail gasoline prices, and potential collusion between branded gas stations owned by the same entities. Further, their research suggests that California's gasoline retailers may be using artificial intelligence algorithms to set their prices at the pump. CEC should maintain full staffing levels at DPMO so that the department can continue to examine and publicize the industry's practices and, when necessary, take legal action to protect consumers from potential illegal price-gouging tactics. Each anti-competitive practice that the DPMO eliminates will push the refining, distribution, and retail margins of gasoline closer towards their marginal cost.

4. BE REALISTIC ABOUT REFINERY ECONOMICS

Neither the draft TFTP nor the SB 237 Assessment states plainly that California's fuel refiners and retailers are privately owned, for-profit, immensely profitable enterprises. They are not charities. They are neither invested in nor responsible for California's overall success. Their headquarters are not even in California.

The oil companies' job is to maximize shareholder returns, not to "serve the California market." They don't sell fuel from California refineries to neighboring states to benefit Californians. Likewise, there can only be one motive—increased profits—for gouging California drivers during refinery outages. Their executives, attorneys, and lobbyists have predictably and consistently pushed back in the courts, the Legislature and our agencies against many significant regulations intended to protect Californians' health, our environment, or the climate. While law abiding for the most part, we note that there have been some stunning exceptions.[17]

Against this backdrop, in a state long committed to eliminating petroleum, it is peculiar for the draft TFTP to consider "investment confidence" as a goal or subgoal or even a mere consideration *while we plan to eliminate petroleum fuels*. It is a peculiar phrase because California could readily enhance petroleum "investment confidence" simply by reversing course: we could decide to increase air pollution, increase GHG emissions and increase our dependence on petroleum. To the extent "investment confidence" is a consideration, we already know exactly what to do.

It also strikes us as odd to consider what regulatory signals might encourage capitalist, multinational corporations to "serve the California market." As corporate enterprises, our refiners are neither angels nor demons. Their primary concern has always been to maximize shareholder returns. The fact that refiners and importers continue to sell in California belies their constant threats to leave the state if we are not sufficiently gentle in regulatory matters. Several refiners consistently make *far more money per gallon in California* than they could anywhere else. They would have left California already if their legion MBAs had determined that it made economic sense to do so.

To the CEC's credit, the SB 237 Assessment peeks outside the box at ideas like state ownership and public utility status for refineries. While we admire the intellectual bravery, we nevertheless shudder at the notion of the state investing in refineries for three reasons.

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[17] Before they were discovered, Valero rained benzene, toluene, ethylbenzene and xylene over Benicia residents *for fifteen years while lying to regulators* about the leaky refinery they subsequently closed. Chevron operated at Richmond despite repeated warnings about extremely dangerous conditions before the 2012 fire that sent so many to Bay Area hospitals.

First, there would be an overwhelming information asymmetry were the state to negotiate with brilliantly managed multinational enterprises with more than a century of refining experience. Likely the sector's least efficient, most contaminated properties would be the first offered for sale. Second, as petroleum fuel demand continues to decline, refineries are quite obviously a poor investment. And third, putting refinery ownership in the hands of the state, which also has the power to increase or decrease demand, creates an obvious conflict.

The fact that refiners set gasoline prices – from a position of market power – has the potential to hurt consumers and terrify elected officials. Despite scare tactics, our agencies must continue to fulfill the Legislature's long-term goals.

We must ***stay the course*****:** cleaner air, reduced GHG emissions and secure, and war-proof energy sources such as the sun.

Conclusion

The CEC has fulfilled the legislature's instruction to study supply and price fluctuations in the transportation fuel markets. Those fluctuations have caused real economic injury, and could result in reversing or slowing the vital progress California wants to make addressing air pollution, climate change, and insulating our economy and citizens from worldwide petroleum price spikes over which we have never had control.

Our comments above are primarily meant to underscore *the reasons why* CEC, CARB, the Legislature and Governor undertook the analyses and transition planning called for by SB 237 and earlier legislation. Those reasons boil down to a conclusion California reached in prior decades: we need to stop using petroleum transportation fuels. We underscore that basic truth because it makes plain that electrifying transportation should be our first, second and third priority.

We appreciate the opportunity to comment on the draft documents. It is gratifying to see the nuanced thought that CEC and CARB have shared to date.

Now we must act.

Sincerely,

Will Brieger
State Strategies LLC
For Climate Action California