

DOCKETED

Docket Number:	23-SB-02
Project Title:	SB 2 Implementation
TN #:	250175
Document Title:	Presentation - SB 2 Implementation Workshop
Description:	SB 2 Implementation Workshop Presentation
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Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	5/16/2023 3:15:30 PM
Docketed Date:	5/16/2023



California Energy Commission

Senate Bill 2 Implementation Workshop

May 16, 2023



SB 2 Purpose (signed March 26, 2023)

“From August to October of 2022, Californians experienced some of the highest gasoline prices ever recorded in the state, even though the price of crude oil declined, state taxes and fees remained unchanged, and gasoline prices did not increase outside the western United States.”



SB 2 Implementation Activities

- Data Collection & Monitoring
- Refining Margin Establishment Determination
- Penalty & Enforcement
- Fuels Assessment
- Fuels Transition Plan
- Refinery Maintenance Monitoring



Ensuring Robust Stakeholder Engagement

- Stakeholder working groups could include representatives from:
 - Industry
 - Environmental Justice, etc.
- Frequency and structure to be determined



Interagency Coordination

California Air Resources Board (CARB)

- Triennial Assessment will embody CARB's scoping plan as a fuel demand scenario; due January 1, 2024
- Transition Study will be a joint effort with CARB; due December 31, 2024

California Dept of Tax and Fee Administration (CDTFA)

- Annual Report to Legislature – due March 1, 2024



Data Collection & Monitoring

Costs vs. Profits

Informs the question of whether a refiner margin should be set

Market Analysis

Informs the question of whether there is market manipulation

Maintenance

Provides insights on timing of planned outages

Other Data

Provides additional insight

Public Process – Outreach, and possibly guidelines or expedited rulemakings



Costs vs. Profits

Data Requirement

Revenue minus Costs = Profits

1. Operational cost to produce gasoline
PRC 25355 (b)(8)
2. Net gasoline profit margin PRC 25355 (b)(9)



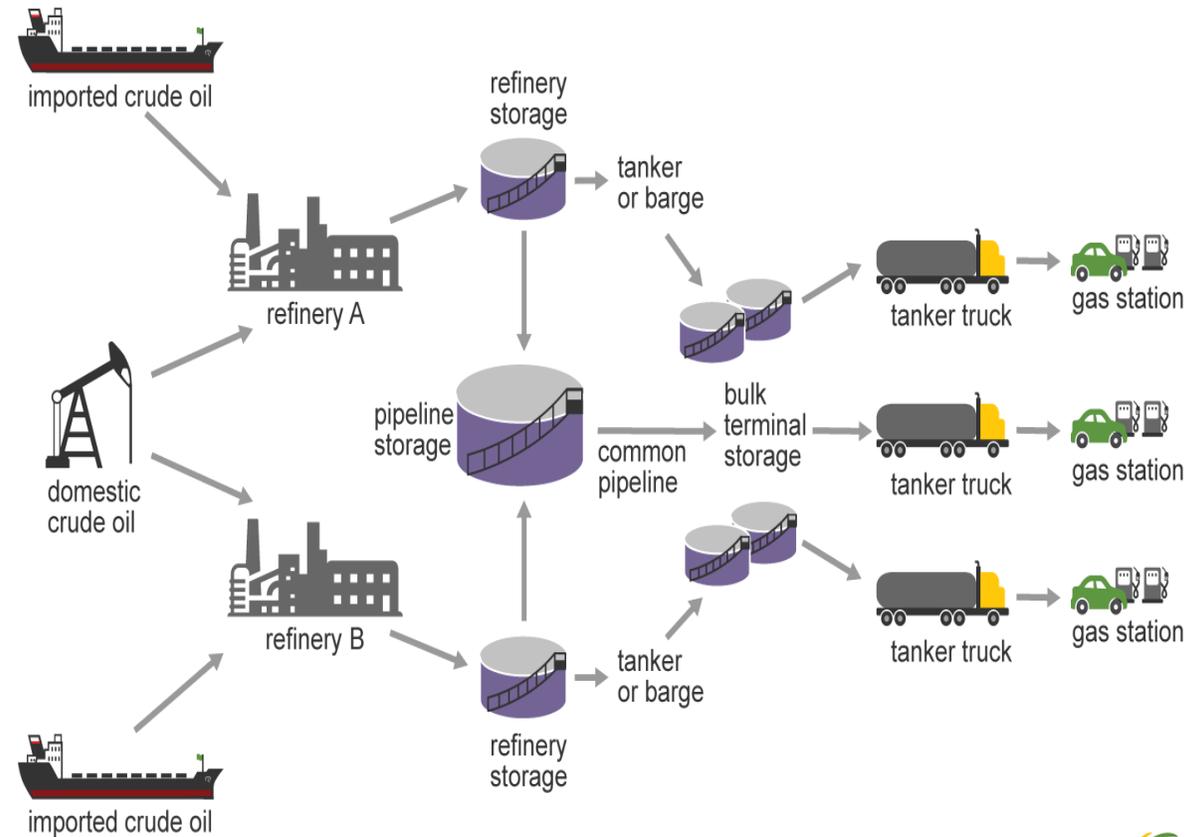


Market Analysis

Data Requirement

1. Spot Market data (PRC 25354(I))
2. System Contracts data (PRC 25354(i)(2)(F))
3. Firm Ownership (PRC 25354(b)(7))
4. Prices for Product Imports and Production Inputs (PRC 25354(a))

Flow of crude oil and gasoline to your local gas station



Source: U.S. Energy Information Administration





Refinery Maintenance

Data Requirement

1. Maintenance Schedules (PRC 25354(m))
2. Unplanned Emergency Events (PRC 25354(m)(4))
3. Planned Production Levels (PRC 25354(o))
4. Permanent Shutdown Notification (PRC 25354(p))

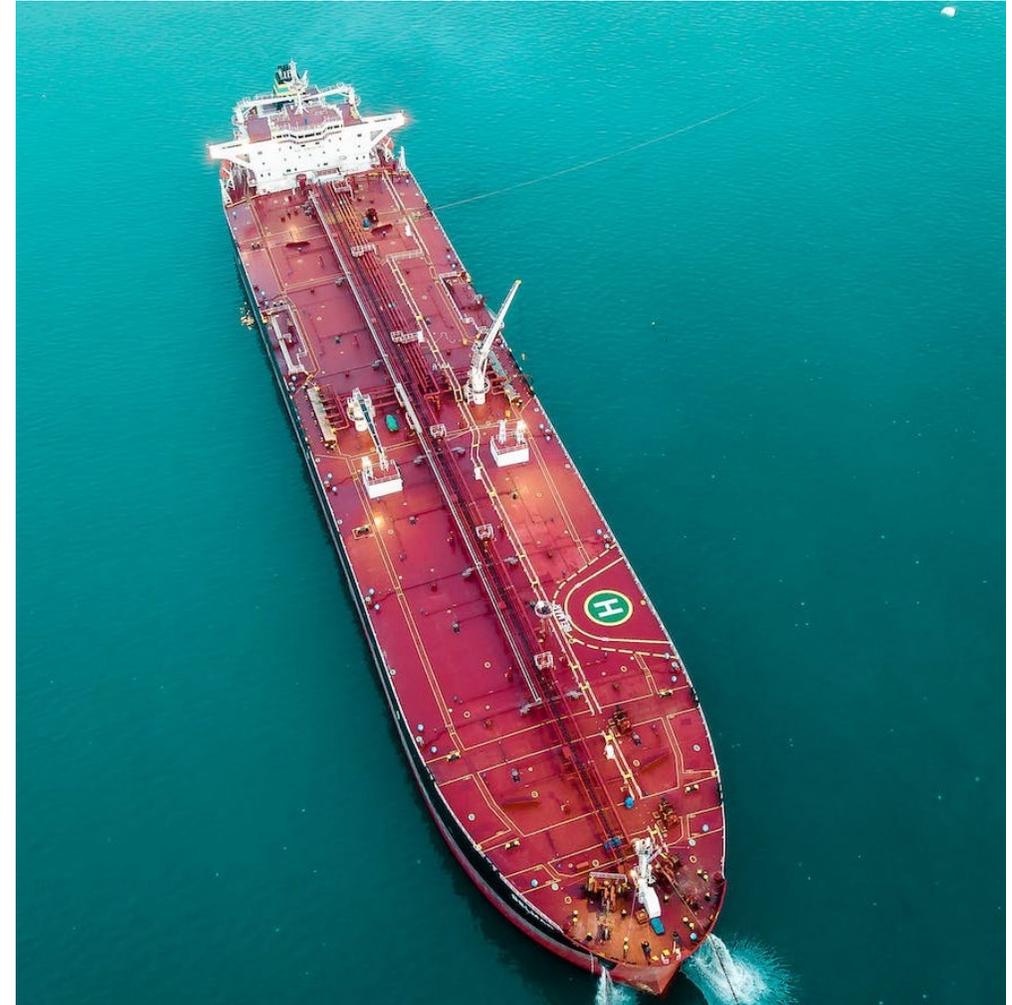




Other Data

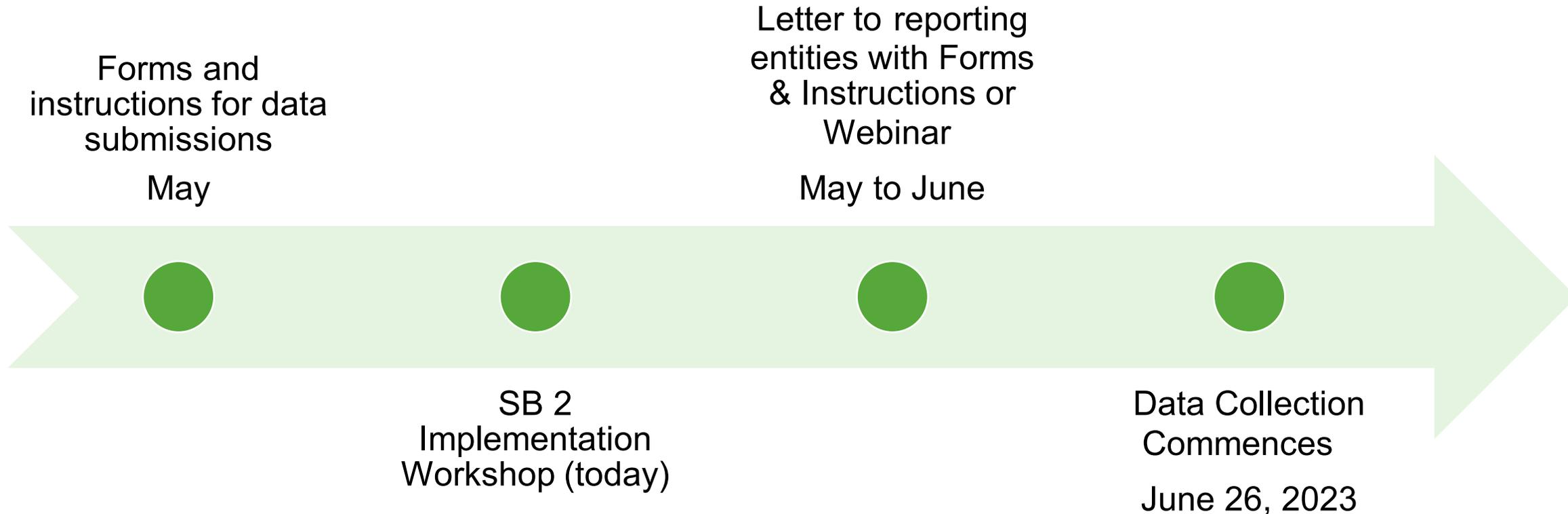
Data Requirement

1. 96-hour import notice
(PRC 25354(j))
2. Infrastructure capacity (P
RC 25354(b)(2)(4)(5))





Data Collection & Monitoring Timeline





Data Submission Portal

A new cloud-native website for electronic data submission

- Modern web interface
- Consistent user experience
- Secure cloud infrastructure
- End-to-end encryption and encryption at rest



Public Comments

**Public Comments can also be submitted to
the Docket: 23-SB-02**



Public Comments

Zoom:

- Use the “raise hand” feature

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Zoom/phone participants, when called upon:

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Limited to 1 representative per organization.

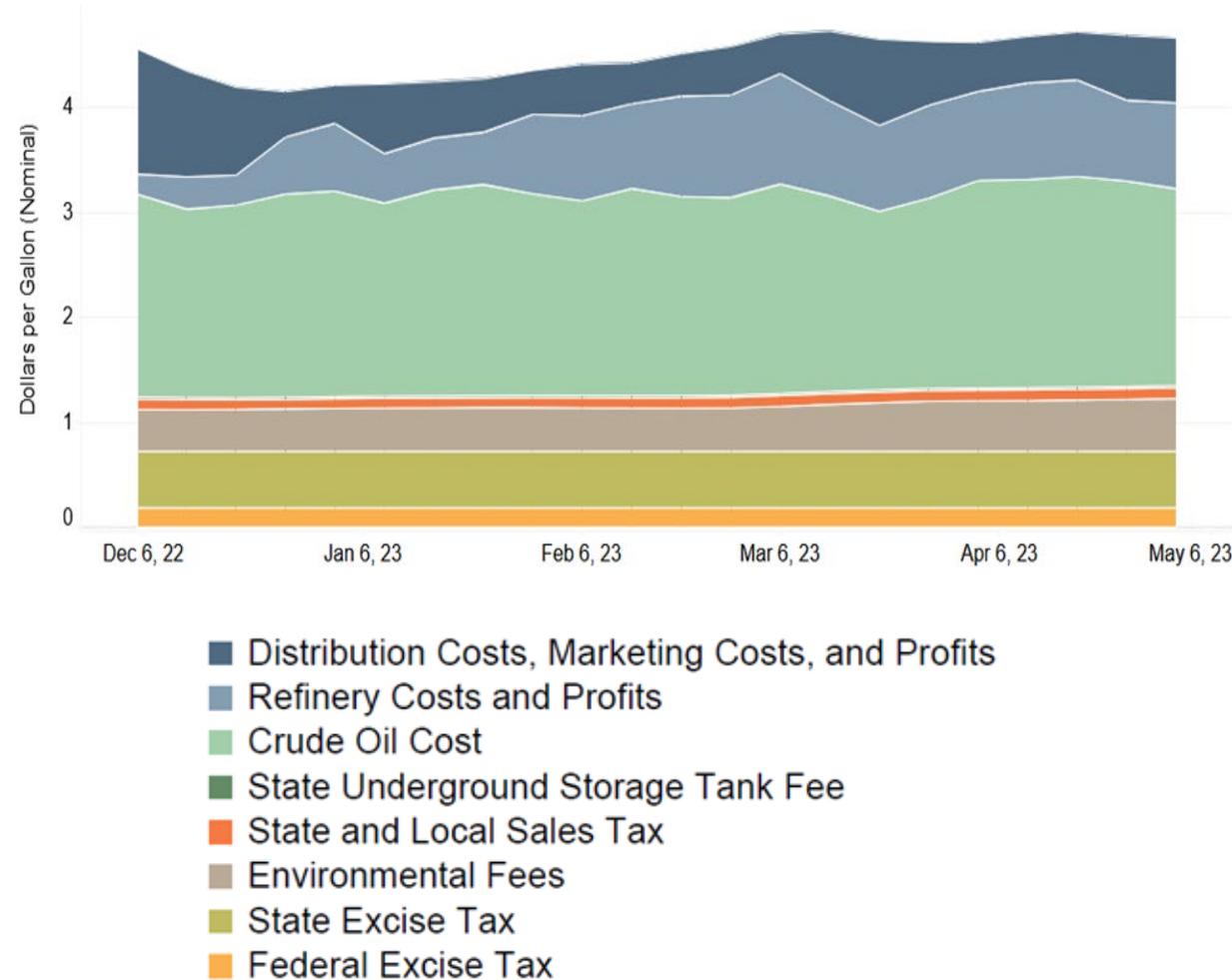
3-Minute Timer





Margin Establishment Determination (PRC 25355.5)

- The CEC may set maximum gross gasoline refining margin and penalty **IF:**
 - Consumer benefits exceed costs
- The CEC consider penalty's impact on:
 - Supply/demand challenges
 - Average prices at the pump





Penalty & Enforcement

- Penalties are calculated based on margin
- Penalties are tiered
- Exemptions may be granted
- Penalties go into Price Gouging Penalty Fund
- State audit to begin in 2032



Division of Petroleum Market Oversight

- Led by a director appointed by the Governor
- Provides independent market oversight and analysis
- Advises the Governor and the CEC on fuels pricing and decarbonization
- Will have access to all PIIRA information



Independent Committee

Independent Consumer Fuels Advisory Committee

Eight members total

Six appointed by Governor:

- Academic representative
 - Industry representative
 - Consumer representative
 - Labor representative
 - Community, environmental, or environmental justice representative
 - Antitrust law representative
- One appointed by the Speaker of the Assembly
 - One appointed by the Senate Committee on Rules

**Petroleum Market
Advisory Committee
Final Report**

**December 2014 to
November 2016**

Prepared for: California Energy Commission
Prepared by: Petroleum Market Advisory Committee

California Energy Commission
Edmund G. Brown Jr., Governor

September 2017 | CEC-200-2017-007



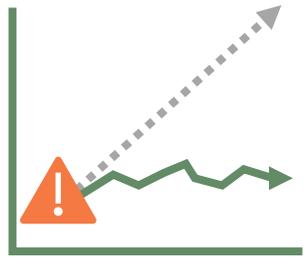


Annual Report

- CEC and CDTFA to prepare
 - Reviews gasoline prices and impact on state revenues
- CDTFA may request additional information
 - Penalties up to \$10,000 per day for non-compliance
- Attorney General may request any information collected



Assessment Goal: Reliable, Affordable, Safe Supply of Transportation Fuels



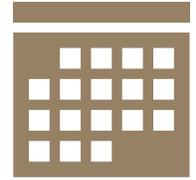
Price Spike Risk Management



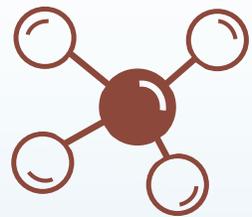
Refinery Dynamics



Branded and unbranded fuels



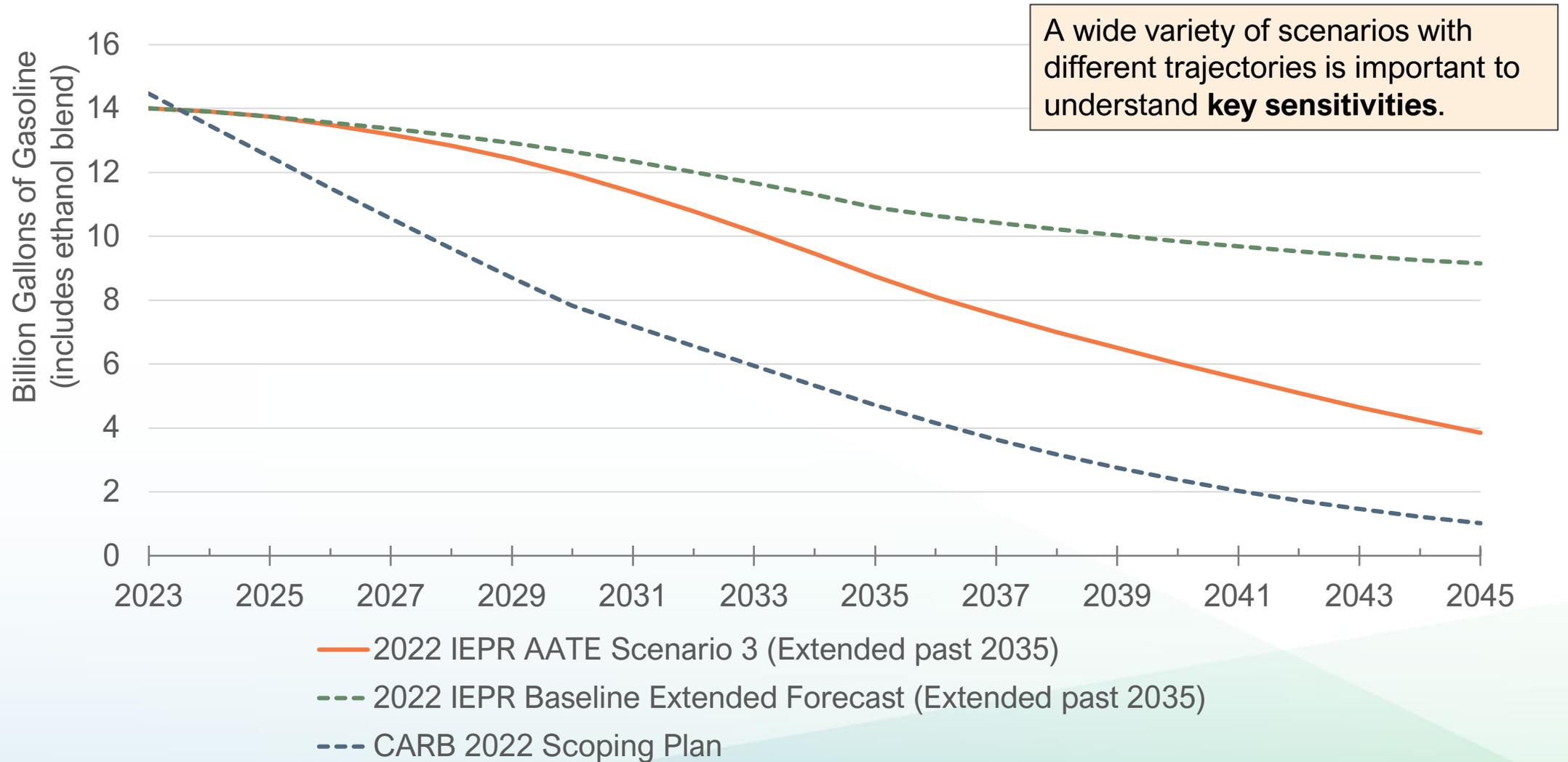
Multiple interval considerations for demand:
3-year
7-year
10-year
20-year



Fuel additives

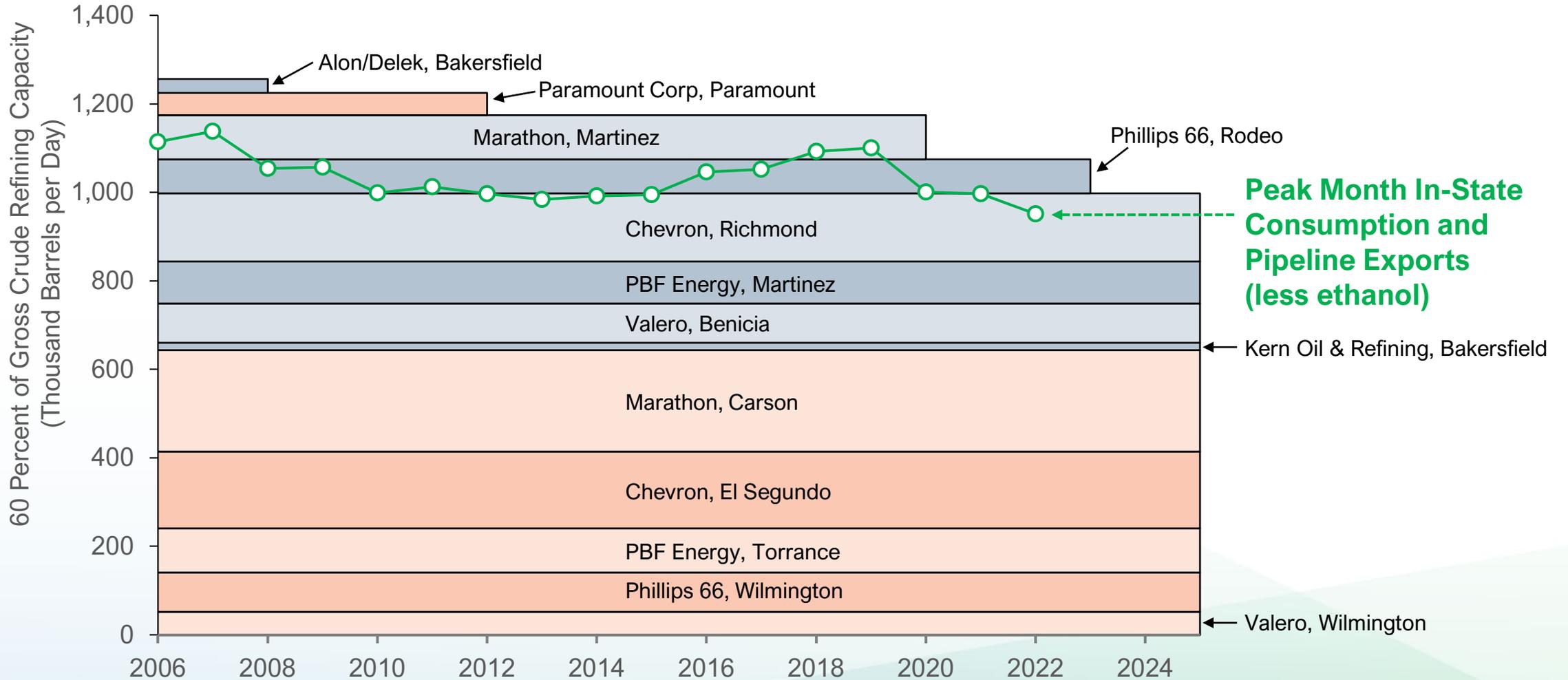


Possible Gasoline Demand Scenarios





Estimated Gasoline Refinery Capacity





Transportation Fuels Transition Plan



- Managed by the CEC and CARB
- Incorporates findings of the assessment
- Aims to ensure adequate fuel supply for Californians
- Requires consultation with fuel producers and a workgroup
- Future joint workshop with CEC and CARB
- Due: December 31, 2024



Considerations for Public Comment

Public Comment is welcome on the Assessment and Transition Plan

- Gasoline demand scenarios
- Market dynamics to focus on
- Policy options to consider



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Thank You!

