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Comment of 22 groups on gas price storage cushion for safe refinery transitions

Additional submitted attachment is included below.

Community Energy reSource
Stand.earth
Natural Resources Defense Council
The Climate Center
Consumer Watchdog
California Interfaith Power & Light
SoCal 350 Climate Action
Récolte Energy
350 Bay Area
Peninsula Interfaith Climate Action
Healthy Martinez: Refinery Accountability Group
Green Party Contra Costa County Council
Interfaith Climate Action Network of Contra Costa County
Fresh Air Vallejo
Contra Costa MoveOn
Biofuelwatch
Santa Cruz Climate Action Network
Good Neighbor Steering Committee of Benicia
350 Contra Costa Action
Rodeo Citizens Association
Bay Area-System Change not Climate Change
Sunflower Alliance

BY ELECTRONIC MAIL

March 11 2024

Siva Gunda, Vice Chair
California Energy Commission

Tai S. Milder, Director
Division of Petroleum Market Oversight

Copy: Governor Newsom
Interested organizations and individuals

**Support for Imposing Minimum Inventory and Resupply Requirements for Refiners;
Comment Regarding Docket No. 23-OIR-03, Notice of Hybrid Workshop Re SB X1-2 and
SB 1322 Pre-Rulemaking, and Docket No. 23-SB-02, SB X1-2 Implementation**

Dear Commissioner Gunda and Director Milder,

We write to express conditional support for the gasoline inventory standard proposed in Director Milder's 31 January 2024 letter (Docket # 23-SB-02, TN # 254283). We strongly support requiring refiners to store enough of the fuel they refine here so that they will not cause future gas price spikes during refinery outages, planned or otherwise. However, the inventory standard can and must be implemented without expanding oil infrastructure, as part of our transition away from oil for our climate, safety and health. These necessary conditions are feasible to achieve as outlined below.

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Oil companies have caused millions of Californians economic hardship by repeatedly spiking gasoline prices. As Director Milder and Commission staff have reported, low gasoline inventory (stock) levels were a causal factor in the autumn gas price spikes of 2022 and 2023.¹ The fuel stocks were abnormally low despite refinery overproduction that far exceeded California demand.

Gasoline production by refineries in California consistently exceeds in-state demand for gasoline by rolling twelve-month volumes in the hundreds of millions of gallons—and the refiners export that gasoline to other states and nations.² The fuel volume needed to keep existing gasoline and gasoline blend-stock storage capacities full, and thereby prevent unnecessary price spikes, is small compared with the volume of this ongoing overproduction and export. Better balancing fuel exports with imports could keep inventory full as well.

Refiners here have ample existing capacity to make and store gasoline to meet the California market without unexpected price fluctuations based on product availability. Instead, they are choosing to export our fuel inventory cushion and thereby contributing to unnecessary gas price spikes that take money away from our communities and give it to further entrenched fossil fuel interests. In addition to export choices, refineries choose when to shut down for maintenance—“turnaround.” With no minimum stockpile requirements, turnaround timing combined with product export can make the state highly vulnerable to external disruptions as well as unplanned outages at exactly the wrong times.

We are especially concerned about the resultant potential for health and safety impacts.

On both sides of the refinery fence lines, “unplanned outage” is a euphemism for toxic spills, explosions and fires. For example, an August 2012 fire at Chevron’s Richmond Refinery sent 15,000 people to hospital emergency rooms and shuttered the refinery’s crude distillation for eight months.³ Chevron caused the incident in part by deferring needed refinery maintenance, an industry-wide problem exacerbated by perceived incentives to avoid downtime when gasoline inventory is deemed tight. Requirements to keep fuel inventory full could help to prevent serious process safety incidents and long outages by supporting more frequent refinery maintenance.

Similarly, “overproduction” translates to excess pollution that worsens disparately severe impacts in low-income communities of color and has enormous health costs. A co-benefits analysis of technology pathways to California’s climate goals found the pathway that minimizes fuel combustion could avoid 9,600–14,600 air pollution-related deaths, avoiding health costs estimated to range from 87 billion to 131 billion dollars.⁴

¹ See also *Refiners exported inventory in run up to record gas price spike*; Community Energy reSource, available at <https://www.energy-re-source.com/latest>

² Refinery production, import-export, and fuel demand data discussed here are from the California Energy Commission (CEC) <https://www.energy.ca.gov/data-reports/reports/weekly-fuels-watch>; <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?doctnumber=23-OIR-03> (at TN#253287); and Dept. of Tax and Fee Admin., <https://www.cdtfa.ca.gov/taxes-and-fees/spftrpts.htm> (Motor Vehicle Fuel 10 Year Reports).

³ Chevron Interim Investigation Report; US Chemical Safety Board; www.csb.gov/chevron-richmond-refinery-fire/

⁴ Zhao et al., 2019. Air Quality and Health Cobenefits of Different Deep Decarbonization Pathways in California. *Environ. Sci. Technol.* 53(12): 7163–7171. <https://pubs.acs.org/doi/10.1021/acs.est.9b02385>

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But transportation fuel prices, too, argue for integrating the new fuel inventory standard into the larger transition plan. The proposed inventory and spot market measures will help but cannot solve the problem alone. Global crude oil prices and price volatility could impact California fuel prices until we burn much less oil. In the end, our transition away from oil is our most effective gas price containment measure. The inventory standard can and should aid the transition.

Respectfully submitted,

Greg Karras
Community Energy reSource

Matt Krogh, Campaign Director
Stand.earth

Ann Alexander, Senior Attorney
Natural Resources Defense Council

Woody Hastings, Phase Out Polluting Fuels Program Manager
The Climate Center

Liza Tucker, Consumer Advocate
Consumer Watchdog

Gregory Stevens, Northern California Director
California Interfaith Power & Light

Jack Eidt, Co-Founder
SoCal 350 Climate Action

Gopal Shanker, President
Récolte Energy

Laura Neish, Executive Director
350 Bay Area

Rani Fischer
Peninsula Interfaith Climate Action

Heidi Taylor
Healthy Martinez: Refinery Accountability Group

Tim Laidman, Council Member
Green Party Contra Costa County Council

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Jan Warren, Chair
Interfaith Climate Action Network of Contra Costa County

Liat Meitzenheimer, President
Fresh Air Vallejo

Sheilah Fish,
Contra Costa MoveOn

Gary Hughes, Americas Program Coordinator
Biofuelwatch

Pauline Seales, Organizer
Santa Cruz Climate Action Network

Kathy Kerridge, Board Member
Good Neighbor Steering Committee of Benicia

Valerie Ventre-Hutton, Legislative Analyst
350 Contra Costa Action

Janet Callaghan, President
Rodeo Citizens Association

David F. Gassman, co-convenor
Bay Area-System Change not Climate Change

Shoshana Wechsler
Sunflower Alliance

Juli Dickey, Susan Worden, Mike Moore
Concerned citizens