

DOCKETED	
Docket Number:	23-OIIP-01
Project Title:	Order Instituting Informational Proceeding on Maximum Gross Gasoline Refining Margin and Penalty
TN #:	255639
Document Title:	Presentation - SB X1-2 Workshop Refining Margin Establishment and Penalty Determination
Description:	CEC - Presentation for SB X1-2 Maximum Gross Gasoline Refining Margin and Penalty Structure Workshop - 04/11/2024
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Organization:	California Energy Commission
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Docketed Date:	4/11/2024



SB X1-2 Workshop: Refining Margin Establishment and Penalty Determination

April 11, 2024



Agenda

- Welcome and Background
- Opening Comments from the Dias
- Staff Presentations
 - Jeremy Smith, Energy Assessments Division
 - Gigi Moreno, Division of Petroleum Market Oversight
 - Comments from the Dias
- Presentations
 - Dave Hackett, Stillwater Associates
 - Tom O'Connor, ICF
 - Comments from the Dias
- Public Comments
- Closing Remarks & Adjourn



SB X1-2 Implementation Activities



Data Collection &
Monitoring



Market Manipulation
Analysis



Transportation Fuels
Assessment

Today's Topic



Refinery Maintenance
Monitoring



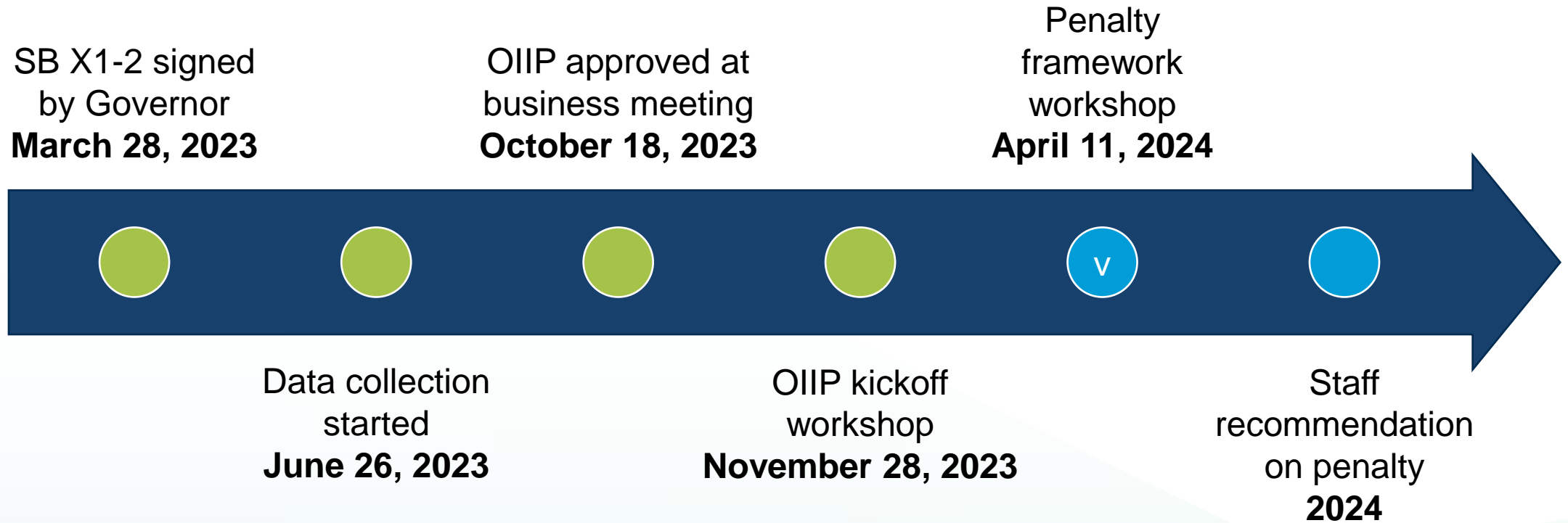
Refining Margin
Establishment and Penalty
Determination



Fuels Transition Plan
(w/ CARB)



SB X1-2 Margin and Penalty Timeline





Opening Comments from the Dais



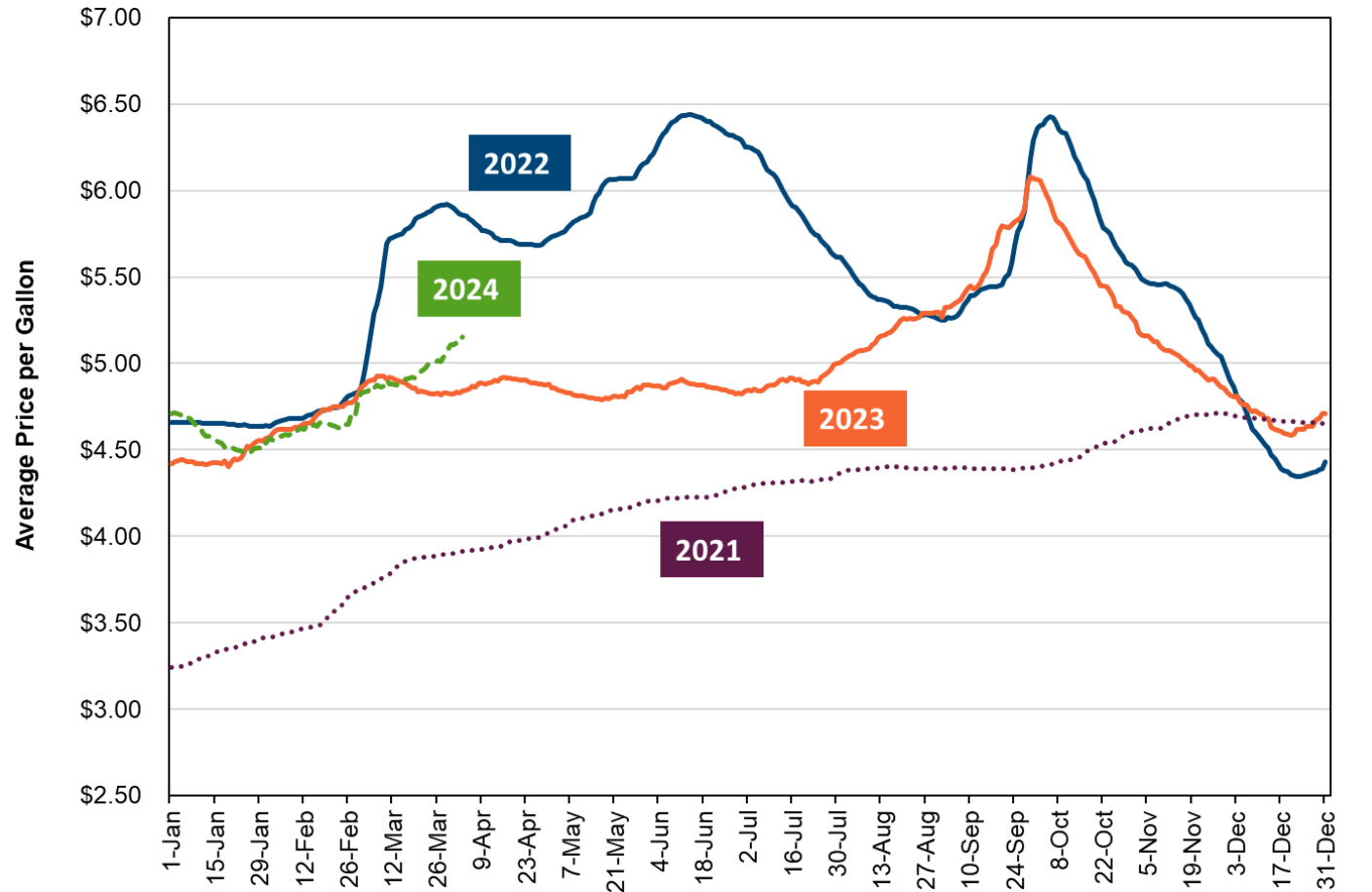
Staff Presentation

Jeremy Smith, Deputy Director
Energy Assessments Division



California Retail Gasoline Prices

California Gasoline Prices Compared 2021, 2022, 2023, and 2024



Source: CEC

- **September 30, 2022**
 - Governor's announcement of early transition to winter blend.
- **September 27, 2023**
 - Governor's letter to CARB and CEC.



Why Explore a Penalty?

- Protect consumers from price hikes.
- Stop market manipulation when the market is reasonably balanced.
- Protect low-income families.



Photo by Dawn McDonald on [Unsplash](#).



Refiner Margin Establishment

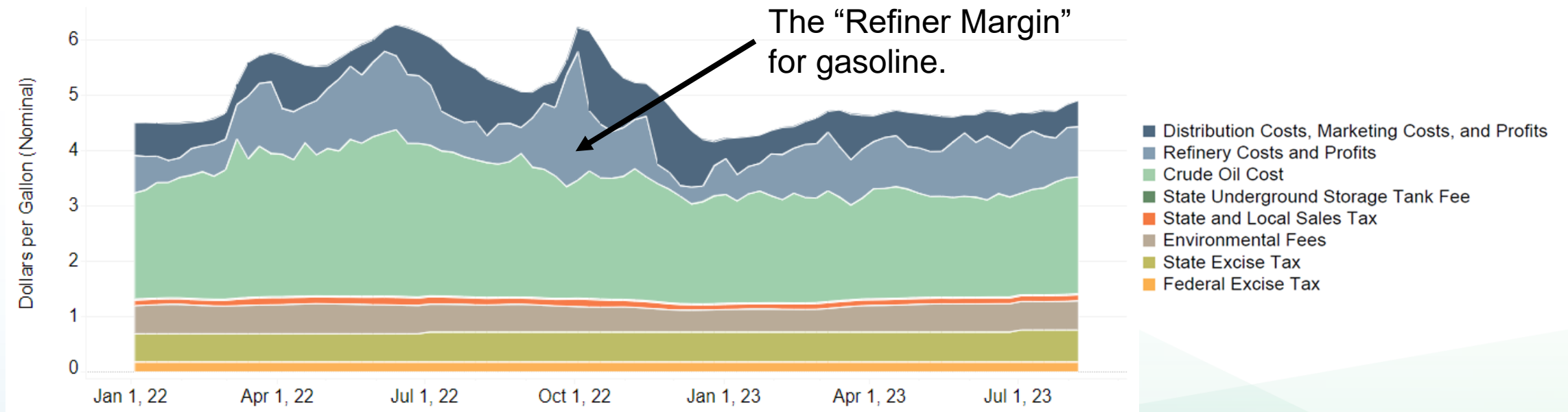
PRC 25355.5

- The CEC may set maximum gross gasoline refining margin and penalty if consumer benefits exceed costs.
- The CEC must consider penalty's impact on:
 - Supply/demand challenges
 - Average prices at the pump
 - Other factors



Refiner Margin Establishment

Refiner Margin = Rack Price – Crude Oil Cost and Imported Refined Gasoline – Environmental Cost

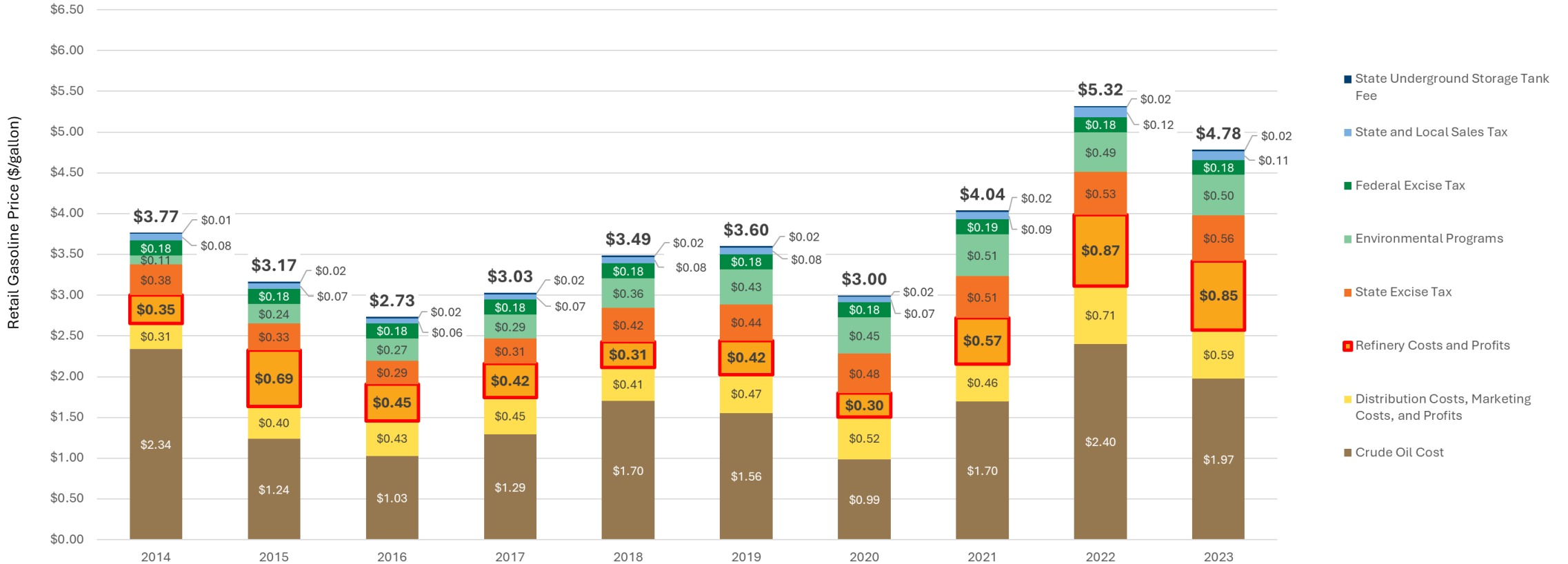


Source: CEC analysis of OPIS, CDTFA, and Alaska Department of Revenue data



Breakdown of California Gas Prices

Annual Average California Gas Price Breakdown

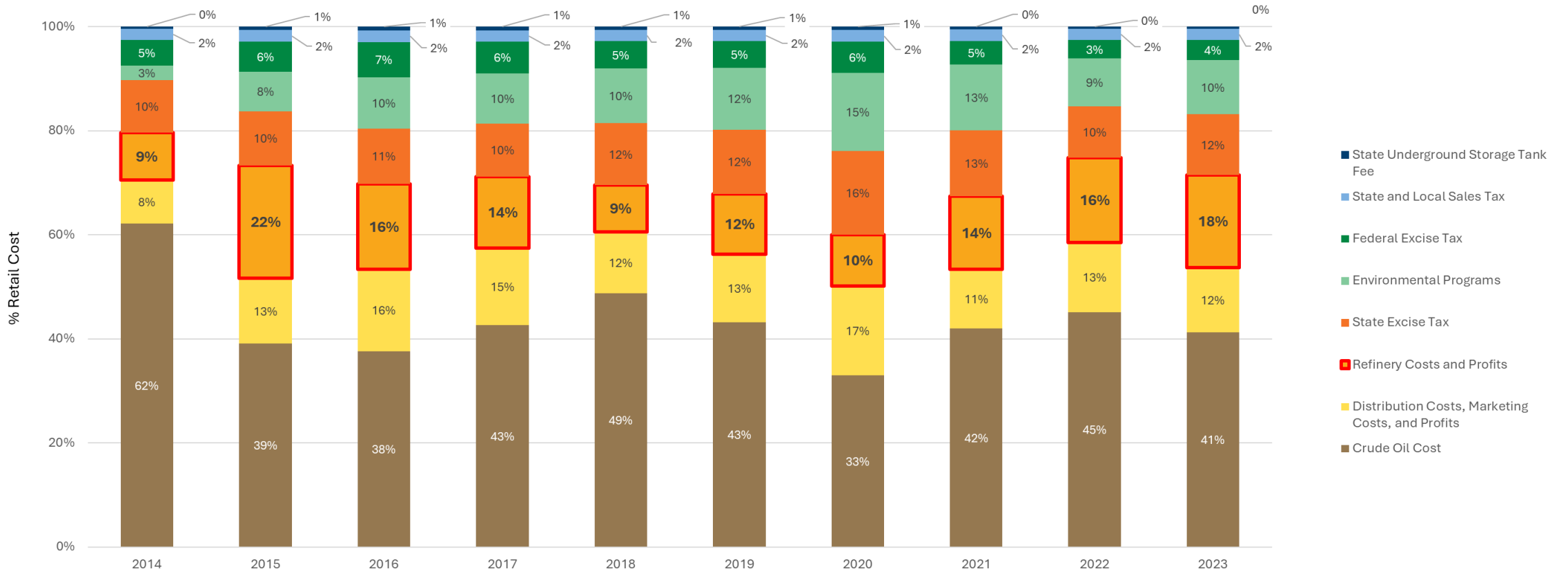


Data Sources: EIA, OPIS, CDTFA, and Alaska Department of Revenue



Breakdown of California Gas Prices

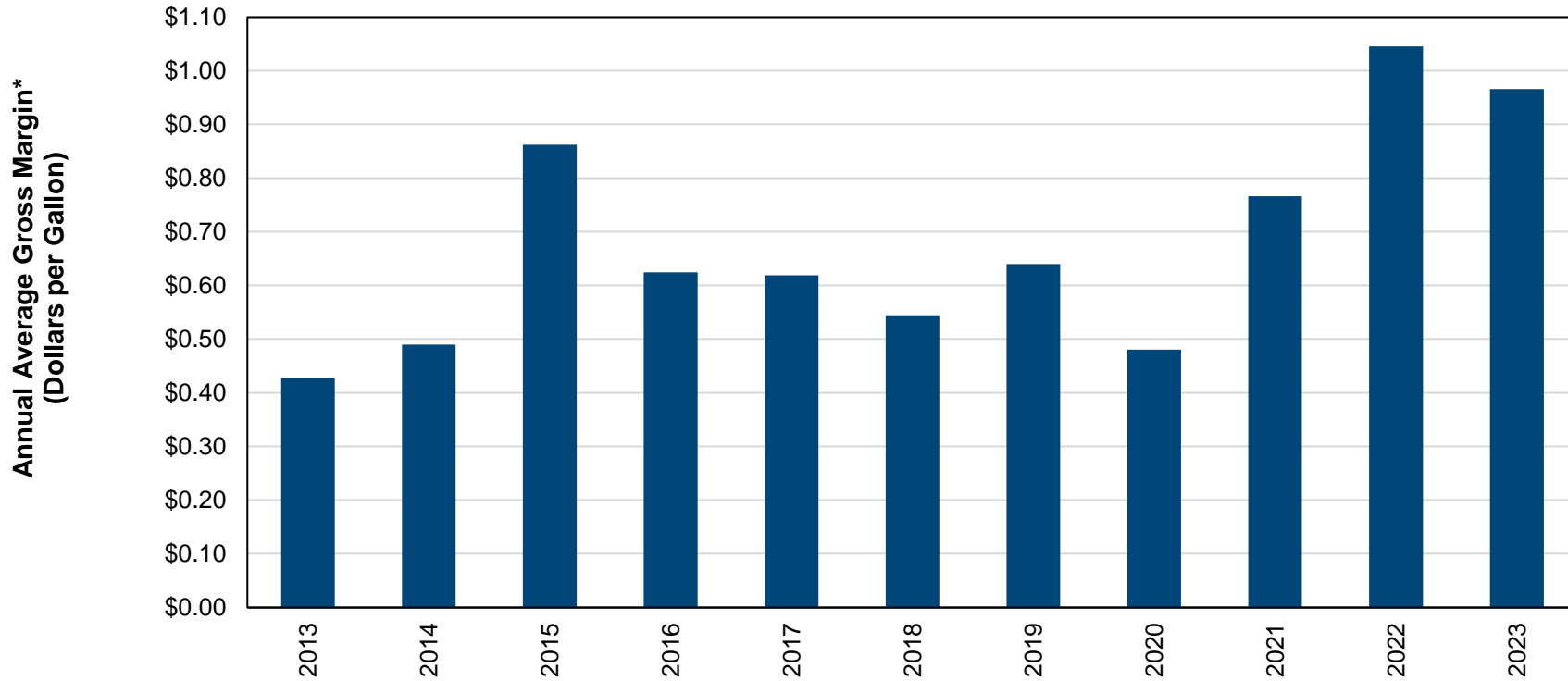
Annual Average California Gas Price Breakdown



Data Sources: EIA, OPIS, CDTFA, and Alaska Department of Revenue



Refinery Costs & Profits (M1322)



Source: CEC analysis of M1322 data

*Based on data reported to the CEC by California Refiners

*Average not weighted by volume.



Data Insights

- CEC analysis of OPIS and Alaska Department of Revenue data notes (1999 to current):
 - Highest weekly refinery margin was October 3, 2022 at **\$2.34 per gallon**
 - Weekly branded refinery margins have exceeded \$1.00 per gallon 44 times, **19 of those times in 2022**
 - Highest annual refinery margin was 2022 at \$0.87 per gallon
- M1332 Data notes (2013 to current):
 - Highest annual gross margin in 2022, **\$1.05 per gallon**
 - Last 10 years: average gross margin \$0.68 per gallon



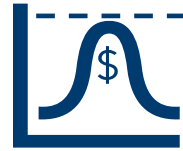
Request for Information



General Comments



Pros and Cons



Maximum Margin



Determining Max Value



Periodically Change Max Value



Supply and Demand Impacts



Consumer Protection



Low-Income & Disadvantaged Communities



Case-by-Case Exemptions



Penalty Structure



3-Tier Percentages



Consumer Benefits



Periodically Change Penalty Value



Evaluating Criteria



Encourage Appropriate Market Behaviors



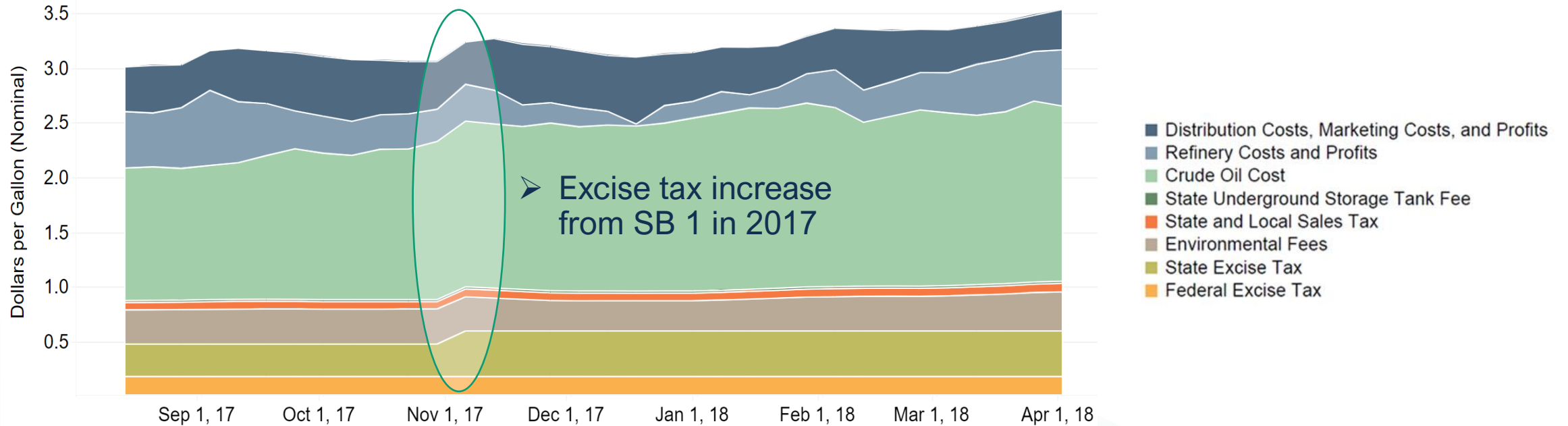
Scoring Process



Greatest Consumer Benefits



Penalty Passed on to Consumers?





Not All Companies are the Same



products and services

we produce safe, reliable fuel products for people around the world

our brands



Chevron

We've been committed to advance innovation, technology and high-quality care for your car.



Texaco

After more than a century, we've never stopped delivering high fuel performance you can trust.



Caltex

Around the world, Caltex strives to meet its customers' needs without compromise.

Chevron product service page: <https://www.chevron.com/operations/products-services>



PBF Energy Inc. owns and operates logistics assets associated with each of its refineries.

PBF sells a variety of finished petroleum-based products including gasoline and gasoline blendstocks, heating oil, ultra-low sulfur diesel fuel, kerosene and aviation jet fuel. In addition, our refineries produce lube oils, heavy fuel oils, liquefied petroleum gas, asphalt, sulfur and petcoke. These products are marketed to customers in the United States and abroad through an extensive network of dealers and wholesalers – **PBF does not have company owned, operated or branded outlets.**

PBF utilizes marine vessels, pipelines, trucks and rail to link its refineries with suppliers and customers. PBF fully cooperates with all United States Government Agencies, including the Departments of Customs, Immigration and Homeland Security.

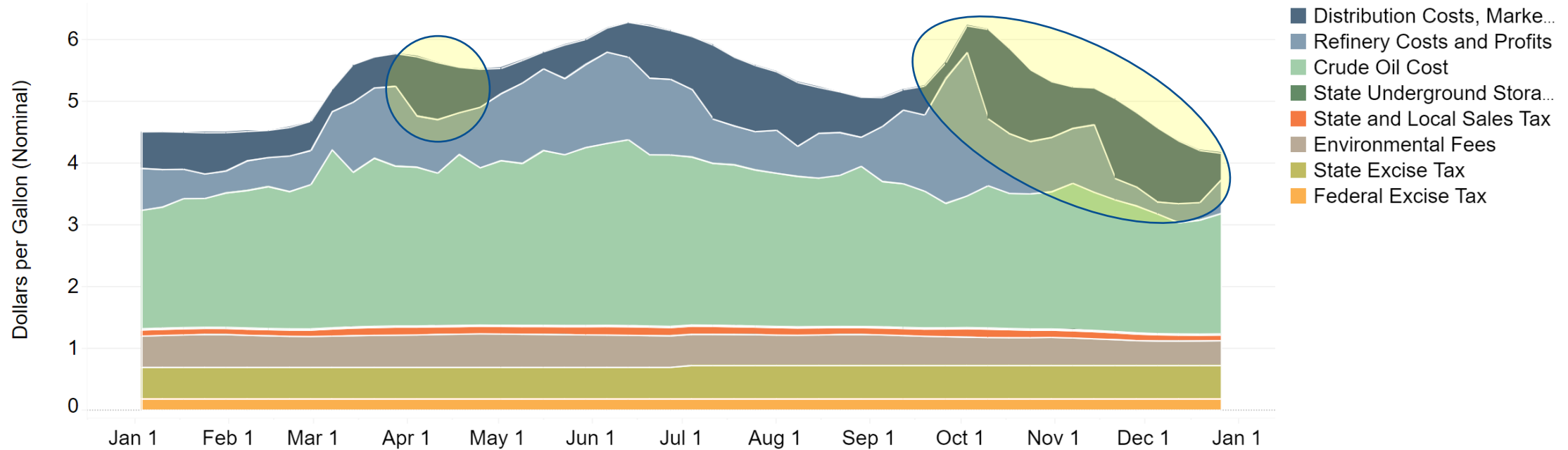


PBF logistics page: <https://www.pbfenergy.com/logistics/>



“Up like a Rocket / Down like a Feather”

California Gasoline Price Breakdown and Margins



Source: CEC Margin Dashboard

- While refinery margins can go up quickly, effects linger in retail margins
- This “affect” can be seen in 2022 at several locations



Request for Information: How to Submit

- Use e-commenting system at docket 23-OIIP-01 by 5:00PM on May 3, 2024.
- Email: docket@energy.ca.gov
 - Include subject line:
“23-OIIP-01: RFI Maximum Gross Refining Margin and Penalty”
- **Respondents to this RFI should not include any proprietary or confidential information.**



Comments from the Dais



Staff Presentation

Gigi Moreno, Ph.D., Chief Economist
Division of Petroleum Market Oversight



Comments from the Dais



Presentation

Dave Hackett, Chairman
Stillwater Associates



Presentation

Tom O'Connor, Senior Director – Energy Markets
ICF



Comments from the Dais



Feedback Welcome

Submit written comments to:

- **Docket No. 23-OIIP-01**
- **Due by 5:00 PM on April 25, 2024.**



Public Comments

Zoom:

- Use the “raise hand” feature.

Telephone:

- Dial *9 to raise your hand.
- Dial *6 to mute/unmute your phone line. You may also use the mute feature on your phone.

Zoom/phone participants, when called upon:

- Your microphone will be opened.
- Unmute your line.
- State and spell your name for the record, and then begin speaking.

Limited to one representative per organization.

Three-Minute Timer





Closing Remarks