DOCKETED	
Docket Number:	23-SB-02
Project Title:	SB X1-2 Implementation
TN #:	256375
Document Title:	Community Energy reSource and Stand.earth Comments - No Regrets Fuel Storage Option in Transportation Fuels Assessment
Description:	N/A
Filer:	System
Organization:	Community Energy reSource and Stand.earth
Submitter Role:	Public
Submission Date:	5/14/2024 3:57:03 PM
Docketed Date:	5/14/2024

Comment Received From: Community Energy reSource and Stand.earth
Submitted On: 5/14/2024
Docket Number: 23-SB-02

No Regrets Fuel Storage Option in Transportation Fuels Assessment

Additional submitted attachment is included below.

COMMUNITY ENERGY reSOURCE

STAND .earth

9 May 2024

Siva Gunda, Vice Chair
California Energy Commission
715 P Street
Sacramento, CA 95814

Comment Regarding Docket No. 23-OIR-02, SB X1-2 Implementation, Draft Transportation Fuels Assessment: 'No Regrets' Fuel Storage Option

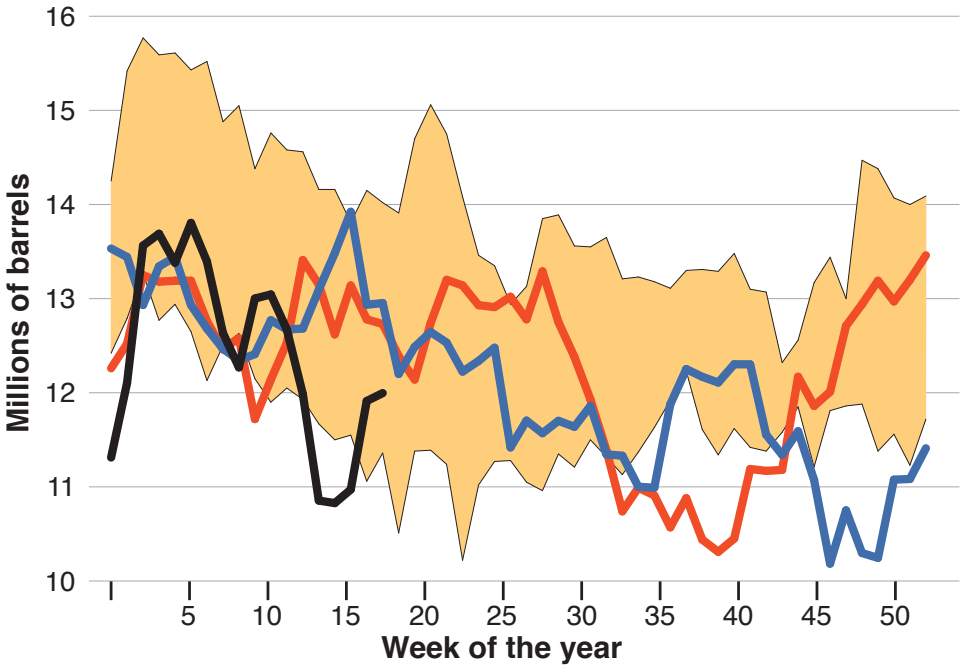
Dear Commissioner Gunda,

We appreciate the Commission's good work to begin a deep look into the challenges and opportunities of our energy transition in your Draft Transportation Fuels Assessment ("draft"). As you know, we previously commented in conditional support for the gasoline inventory standard proposed in Director Milder's 31 January 2024 letter. See this docket at TN #254959, 3/11/2024. Here we suggest adding to your draft analysis an iterative approach to such a fuel storage standard. We plan to comment on other aspects of the draft by separate letter.

The draft explains that fuel storage "adds resiliency to the fuel supply system by offering a buffer that can be drawn down during supply disruptions" and suggests that "when storage levels of gasoline decline, the risk of price spikes increases." Thus, requiring a minimum level of in-state storage "could increase fuel stocks statewide and assist in mitigating or avoiding gasoline price spikes." It further discusses evidence that low fuel stocks were a factor in autumn gas price spikes during each of the past two years. The draft also cautions that reacting to this short-term seasonal storage need by building further expanded petroleum storage infrastructure would pose a "stranded assets risk" given "the long-term expected decline in gasoline demand." We agree with these findings.

Inventory regulation appears urgent. Stocks dipped below historic lows again last month. See chart, next page. This came as one refinery switched from gasoline to more fossil gas hydrogen-intensive biomass diesel production, while another resisted public calls for timely maintenance of its gasoline production, raising risks for toxic spills, fires, explosions, and extended outages. Meanwhile refiners statewide still export more fuel than they import.

Rather than leaving fuel inventory unregulated until details of future supply and demand can be forecast five or ten years out, we recommend considering an iterative, 'no regrets' approach.



Tracking gasoline inventory at California refineries.
Total gasoline including blending components; data from CEC "Fuel Watch."

2024 (weekly data reported to date)
2022 (Autumn price spike) **2023 (Autumn price spike)**
Pre-Covid historic (2015–2019) Range

For example, a storage standard for gasoline and blendstocks could be set now that specifies stock levels within the historic seasonal range during times when price spikes did not occur. Any noncompliance with the minimum seasonal storage levels could be addressed via your separate price spike penalties provisions. This interim standard could be revised based on future changes in gasoline supply, demand, and resiliency.

Crucially, this protection need not rely on expanding existing petroleum infrastructure assets. Stocks within the range shown by tan shading in the chart were in existing storage, and absent crude price spikes, recent gas price spikes appear limited to periods when stocks fell below that historic range (compare the tan shading with the blue and red curves around weeks 32–40).

Relatively little fuel need be held to meet such an inventory standard. For example, the statewide inventory build needed to keep stocks within the historic range shown in the chart since January 2022 represents only three percent of annual gasoline exports. Indeed, it represents less than half the *increase* in pipeline export from California to Arizona that appears to have displaced some of the gasoline piped to Arizona from Gulf Coast refineries since 2019. Alternatively, this inventory build volume could be produced and stored as CARB gasoline if the capacity utilization rate of statewide refineries, which currently appears quite low, increased by an annual average of less than 0.5 percent.

Such a ‘no regrets’ early action may provide a more effective gasoline storage cushion against price spikes, support safer refinery maintenance practices, avoid further expansion of soon-to-be-stranded oil assets, and preserve flexibility to adjust course as the transition from petroleum gathers pace. We hope you will include an assessment of this concept in your revised Transportation Fuels Assessment report.

Respectfully submitted,

Greg Karras
Community Energy reSource
gkarrasconsulting@gmail.com

Nathan Taft
Stand.earth
nathan@stand.earth