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Comments on Gasoline Supply Reliability Workshop [Docket #23-SB-02]

Additional submitted attachment is included below.



Andy Walz
President, Americas Products

August 30, 2024

California Energy Commission
Docket Unit, MS-4 [Docket No. 23-SB-02]
715 P Street
Sacramento, California 95814

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Comments on Gasoline Supply Reliability Workshop [Docket #23-SB-02]

We want to add our voice to the dialogue around SB 950 and the Gasoline Supply Reliability Workshop held on August 22, 2024. We agree with the California Energy Commission's (CEC) assessment: SB 950 will continue to raise prices for California consumers and have knock-on price impacts for Arizona and Nevada consumers. Unfortunately, this is where our agreement ends. This bill risks the safety of refinery operations, the orderly functioning of markets and would leave industry and labor experts without a voice in key policies.

This bill creates safety risks by giving the CEC, an unelected body with no refining experience or expertise, unbridled authority over details of maintenance and compliance work. Refinery turnarounds involve safety and compliance activities that are already heavily state regulated. Misguided CEC demands prioritizing arbitrary inventory mandates will conflict with safety, compliance, or state requirements. At best, the bill could result in safe refinery shutdowns which could impact reliability and supply. At worst, the bill could result in refinery incidents.

This is another example of political decision-making ignoring market realities and consumer needs. The policies proposed by the CEC/DPMO during on August 22 do not show that forcing refiners to hold government-mandated inventory would stop price spikes in California's unique marketplace. The CEC and the Division of Petroleum Market Oversight (DPMO) appear to rely on cherry-picked reports, presentations, and visuals to suit their narrative. Chevron has actively engaged with and cautioned the CEC/DPMO about the negative consumer effects, such as higher gasoline prices and volatility. CEC/DPMO has ignored our concerns; they are not interested in the views of others with energy expertise. SB 950, which the CEC/DPMO support, removes industry and labor voices from the proposed "Expert Advisory Committee," resulting in a committee of "experts" without experts.

The physical, operational and cost burdens to sustain unnecessary inventory are also a concern. Building just one new storage tank can take a decade and cost \$35 million. These costs would likely be passed onto the consumer. And given the current regulatory regime, with constraints on permits and a gasoline vehicle sales ban, there is no opportunity to recover capital invested to build additional tanks, which could be the "last straw" for the state's energy market investors.

Mandating refinery inventory reserves in California will likely cause supply challenges in states dependent on California's refineries, such as Arizona and Nevada. Whether supply is limited or not, there will be an additional burden on drivers in those states raising potential constitutional issues with the legislation.

We see this all for what it is: more government policies that will increase gasoline prices, with politicians then attempting to shift the blame to refiners. We urge the Governor's Office, the State Legislature, the CEC/DPMO to take a step back and communicate and collaborate with industry instead of rushing to impose regulations driven by political considerations and without transparency or accountability.

California policymakers continue to risk making the state "uninvestable," which erodes energy infrastructure and increases consumer costs. Without investment in the critical energy infrastructure that allows California consumers to live their daily lives, these products will, most certainly, become more expensive and unreliable. We urge our consumers to contact their representatives to ask them about the costs of any new or amended policy. Everyone deserves to know how California policies are making the state more unaffordable.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Walz", with a stylized flourish extending to the right.

Andy Walz
President, Americas Products