

DOCKETED

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First Meeting of the Independent Consumer Fuels Advisory Committee

November 21, 2024



Housekeeping

- Meeting is being recorded. 
- Comments are welcome at the end of the presentation.
- Zoom:
 - Use the “raise hand” feature. 
- Zoom/phone participants, when called upon:
 - Your microphone will be opened.
 - Unmute your line. 
 - Spell your name and provide your affiliation for the record before beginning your comment.



Agenda

- **Welcome & Overview of ICFAC Origin**
 - Drew Bohan, CEC Executive Director
- **Opening Remarks**
 - Siva Gunda, CEC Vice Chair
 - Tai Milder, DPMO Director
- **Introductions of ICFAC Members**
- **Selection of ICFAC Chair and Vice Chair**
- **Review of Roles and Responsibilities**
 - Aleecia Gutierrez, Energy Assessments Division



Agenda (Continued)

- **CEC's Petroleum Work**
 - Jeremy Smith, Energy Assessments Division
- **New Assembly Bill X2-1 Workflows**
 - Jeremy Smith, Energy Assessments Division
- **Committee Discussion**
- **Public Comment**
- **Closing Remarks and Adjourn**



Benefit to Californians



Protect Californians from price gouging.



Increase transparency of the petroleum industry and market.



Receive expert advice and insight into fuels market instabilities and issues.



ICFAC Origin

SB X1-2 implementation activities:

- Reporting
- Assessment
- Oversight
- Investigations

Independent Consumer Fuels Advisory Committee (ICFAC)

- Weighs the costs and benefits of implementation activities





Opening Comments





Introductions of ICFAC Members



Martha Dina Argüello



Michael Jorgenson



Neale Mahoney



Deborah Meeks



Norman Rogers



Astrid Zuniga



Ameer Raval



Antonio Sanchez

 Governor
Appointee

 Speaker of the
Assembly Appointee

 Senate Rules
Committee Appointee



Selection of ICFAC Chair

- The ICFAC Chair will preside over the ICFAC meetings and be responsible for:
 - Orderly conduct of meetings
 - Timely and thorough discussion of agenda items



Review of ICFAC Roles and Responsibilities

Aleecia Gutierrez, Director, Energy Assessments Division



Roles and Responsibilities

Provide expert knowledge and advise on:

- Petroleum market trends
- Impacts of price changes
- Other market issues
- Maximum margin and penalty
- Transportation Fuels Assessment
- Transportation Fuels Transition Plan
- Market power dynamics





Role of ICFAC Members

- Members are not considered consultants under the Political Reform Act as that term is defined in the regulation:
 - Not authorized to make decisions, enter contracts, negotiate, or otherwise act on behalf of the CEC
 - Not serving in the capacity of staff
 - Not designated in the CEC's conflict of interest code.



Bagley-Keene Open Meeting Act (BKOMA)

- Requires meetings to be conducted openly, with opportunity for public participation.
- **ICFAC meetings are subject to BKOMA.**
 - A "meeting" is any congregation of a majority
- **Serial meetings prohibited.**
 - BKOMA expressly prohibits the use of direct communication to develop concurrence



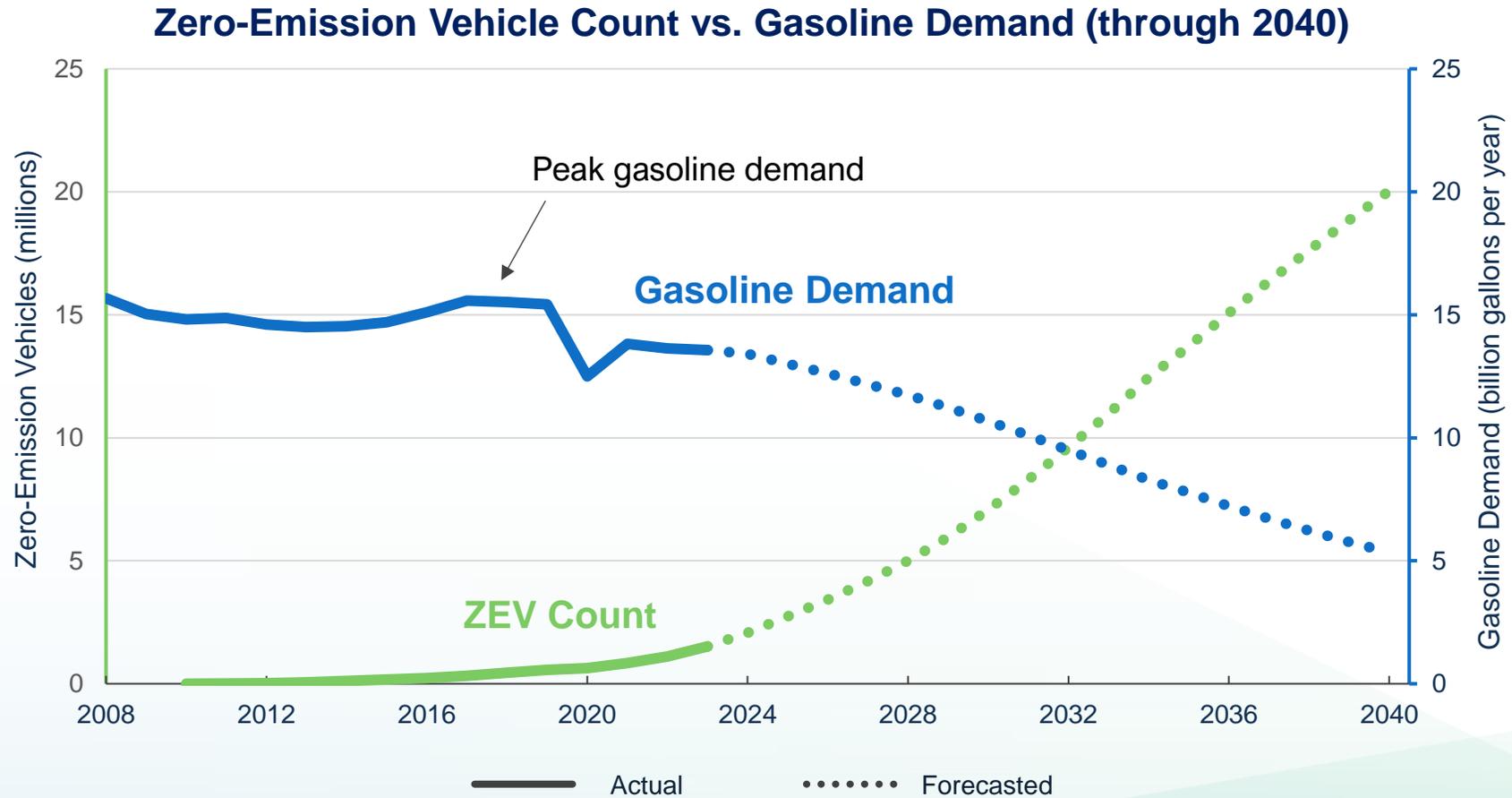


CEC's Petroleum Work

Jeremy Smith, Deputy Director, Energy Assessments Division



Towards a Zero-Emission Future



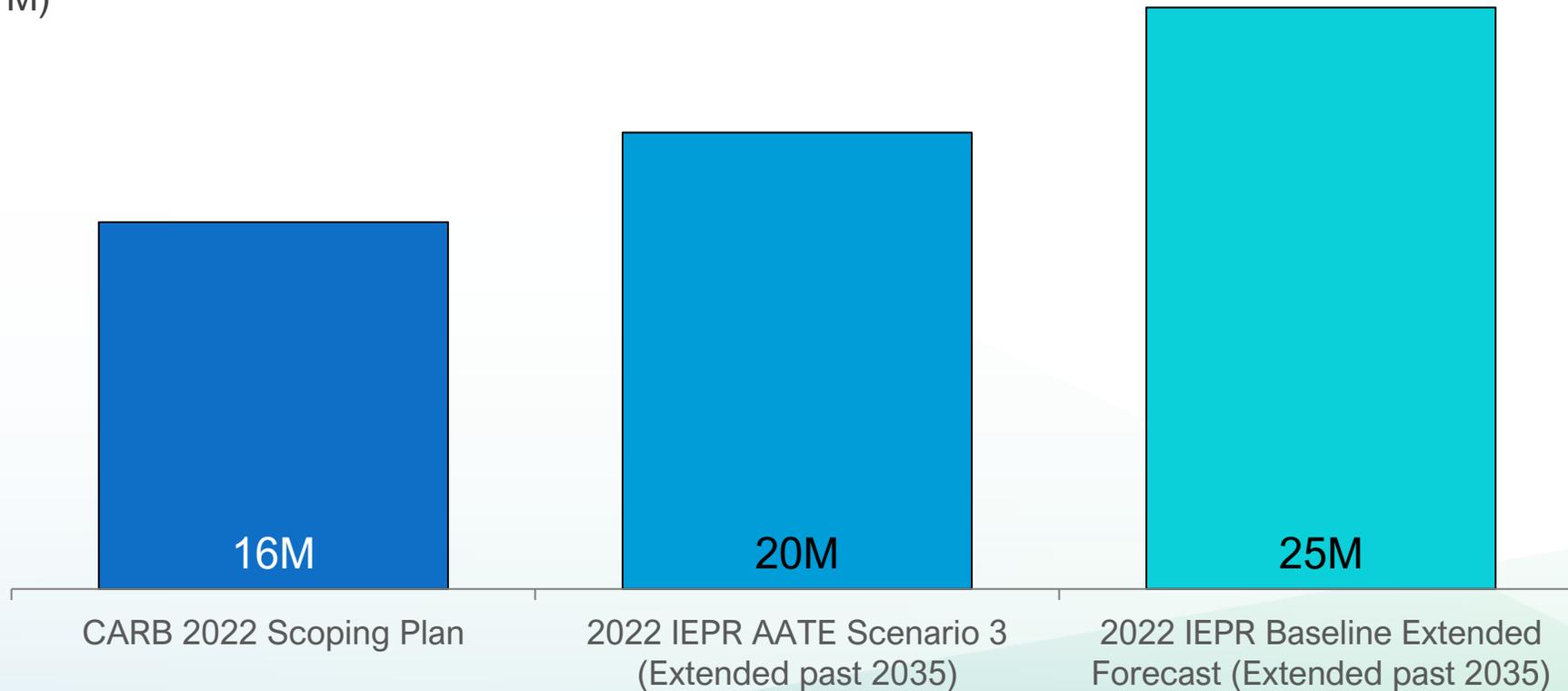
Sources: 2023 Integrated Energy Policy Report, DMV, Tax and Fee Administration



Fuel Needed for Decades

2035 Light-Duty Combustion Vehicles on the Road

2022 DMV
Population
(27M)





California's Fuel Flows

Supply

Crude oil (local)	373
Crude oil (imports)	1,074
CARB gasoline	796
Non-CARB gasoline	108
Gasoline (imports)	77

Demand

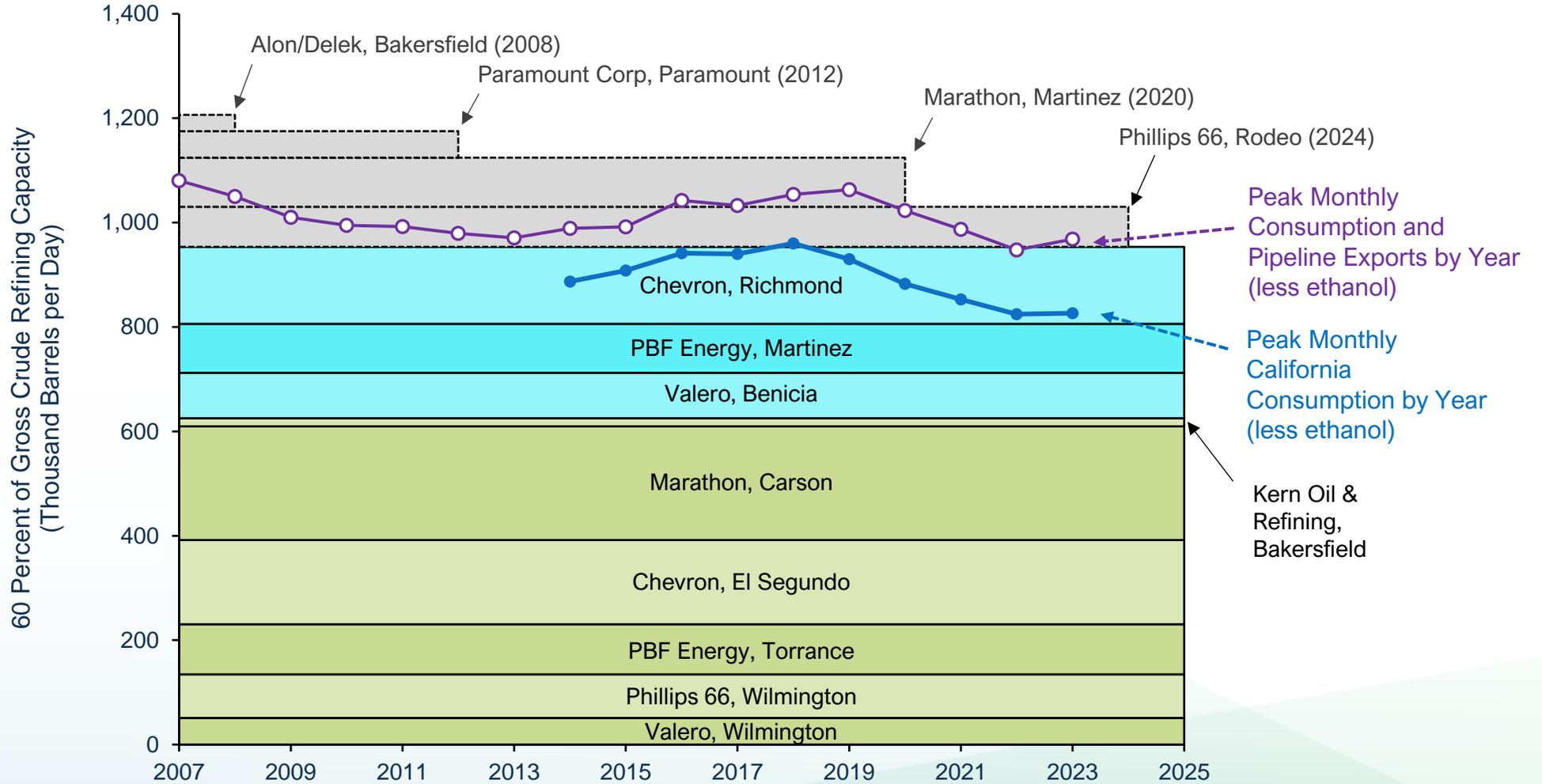
CARB gasoline	880
Nevada gasoline	61
Arizona gasoline	53
Gasoline (exports)	16

(Amounts shown in thousands of barrels per day)





Estimated Gasoline Refinery Capacity

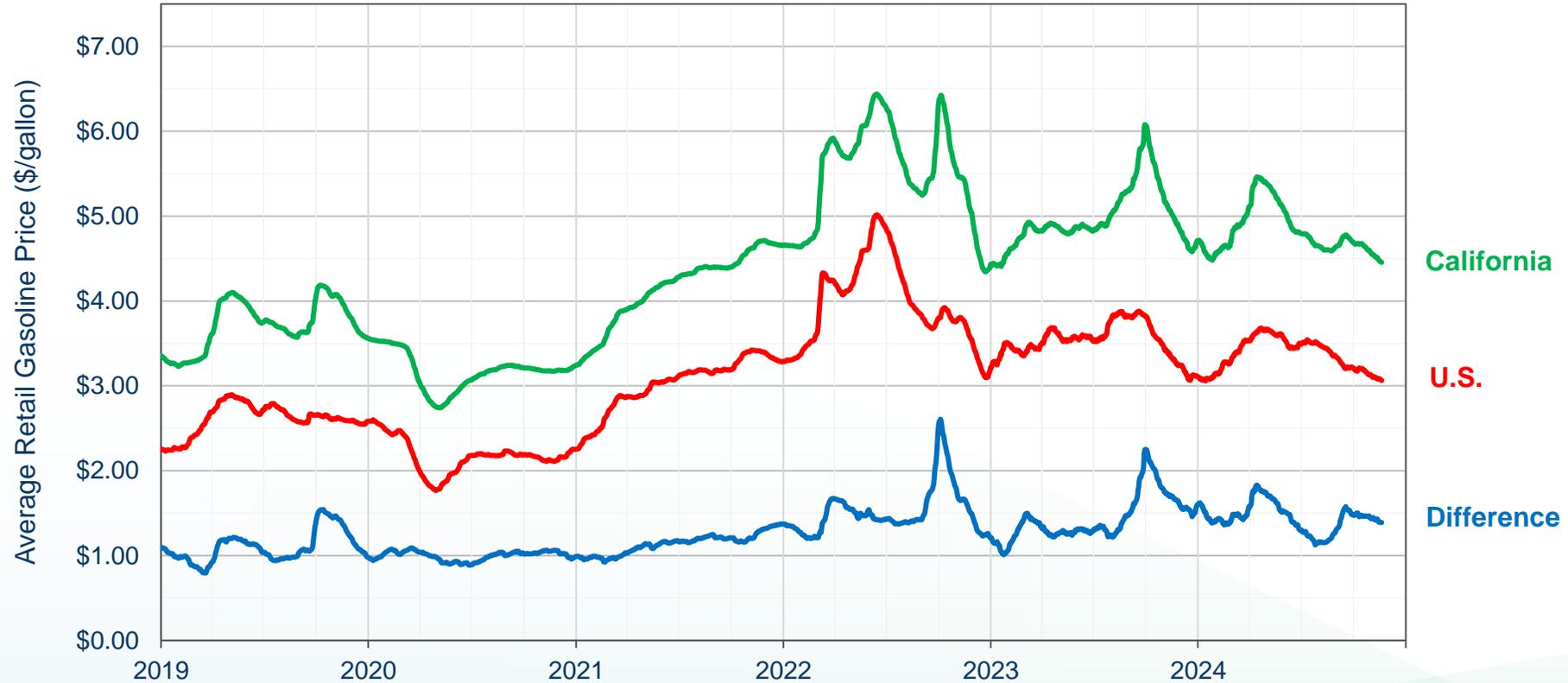


Source: CEC Staff, CDTFA



Gasoline Prices: CA vs. U.S. Average

California vs. U.S. Average Retail Gasoline Price (2019-Current)

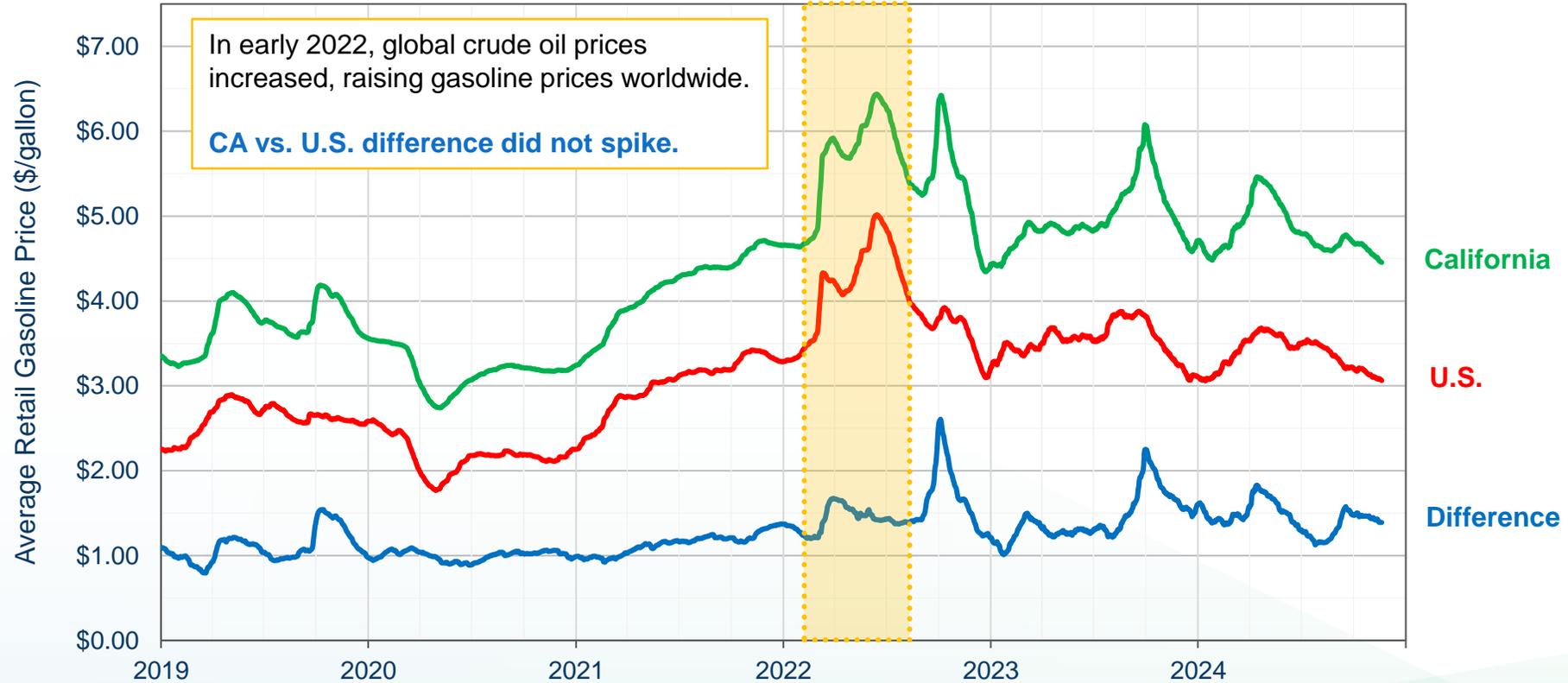


Source: CEC Analysis of OPIS data



Gasoline Prices: CA vs. U.S. Average

California vs. U.S. Average Retail Gasoline Price (2019-Current)

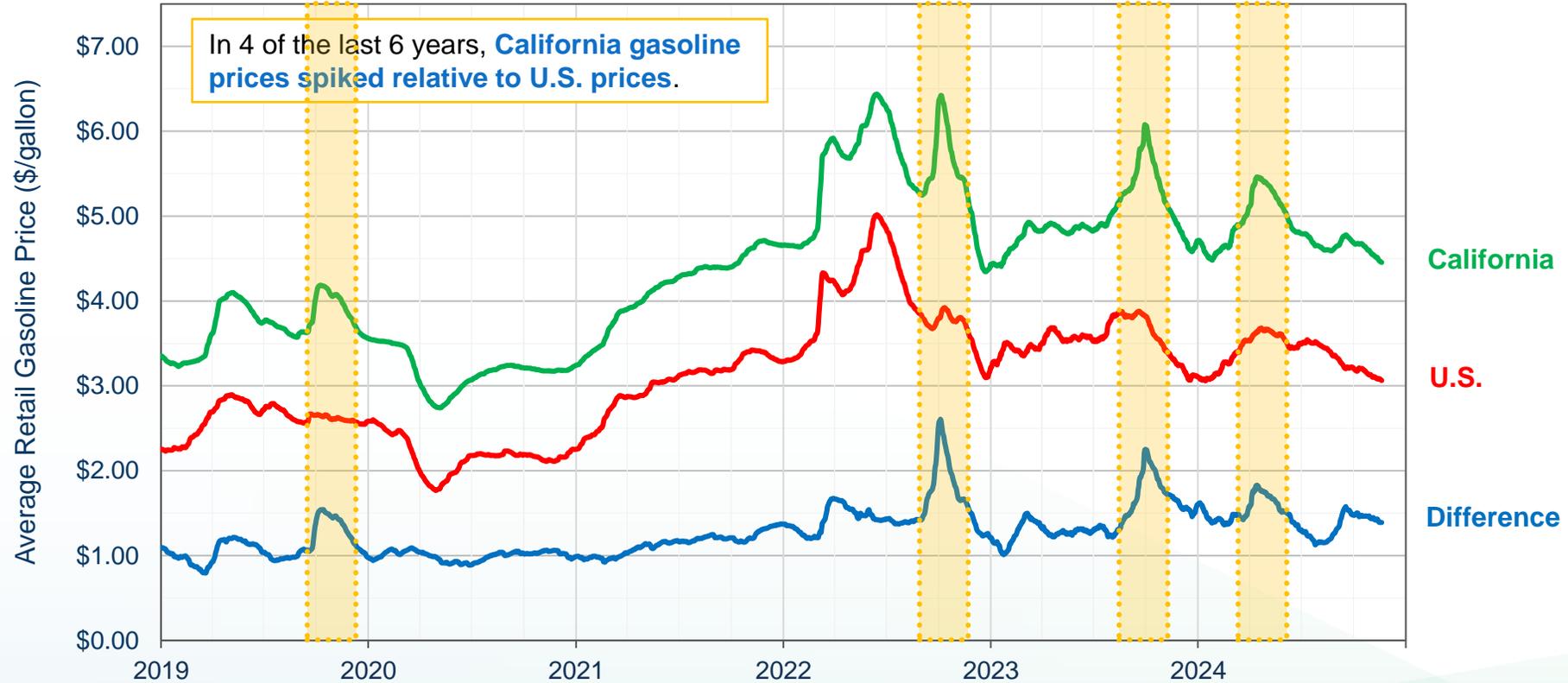


Source: CEC Analysis of OPIS data



Gasoline Prices: CA vs. U.S. Average

California vs. U.S. Average Retail Gasoline Price (2019-Current)

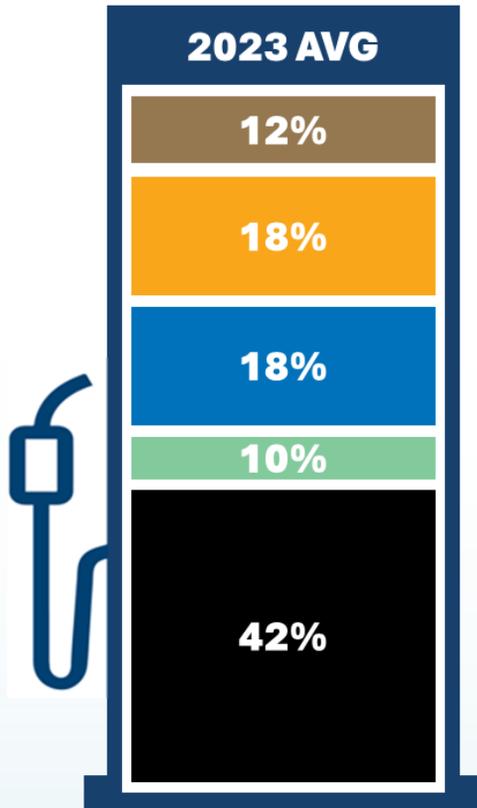


Source: CEC Analysis of OPIS data



Breakdown of CA Gasoline Prices

California Gas Price



CEC analysis of EIA data.

RETAIL MARGIN

Retail prices rise and fall with the **wholesale price of gasoline** (up like a rocket, down like a feather).

REFINER MARGIN

Refiner margins are linked to the **spot market price**, which as we've seen is based on **California supply conditions**.

TAXES AND FEES

Percentage-wise, taxes and fees have **remained the same**.

ENVIRONMENTAL PROGRAMS

Percentage-wise, environmental programs costs have **remained the same**.

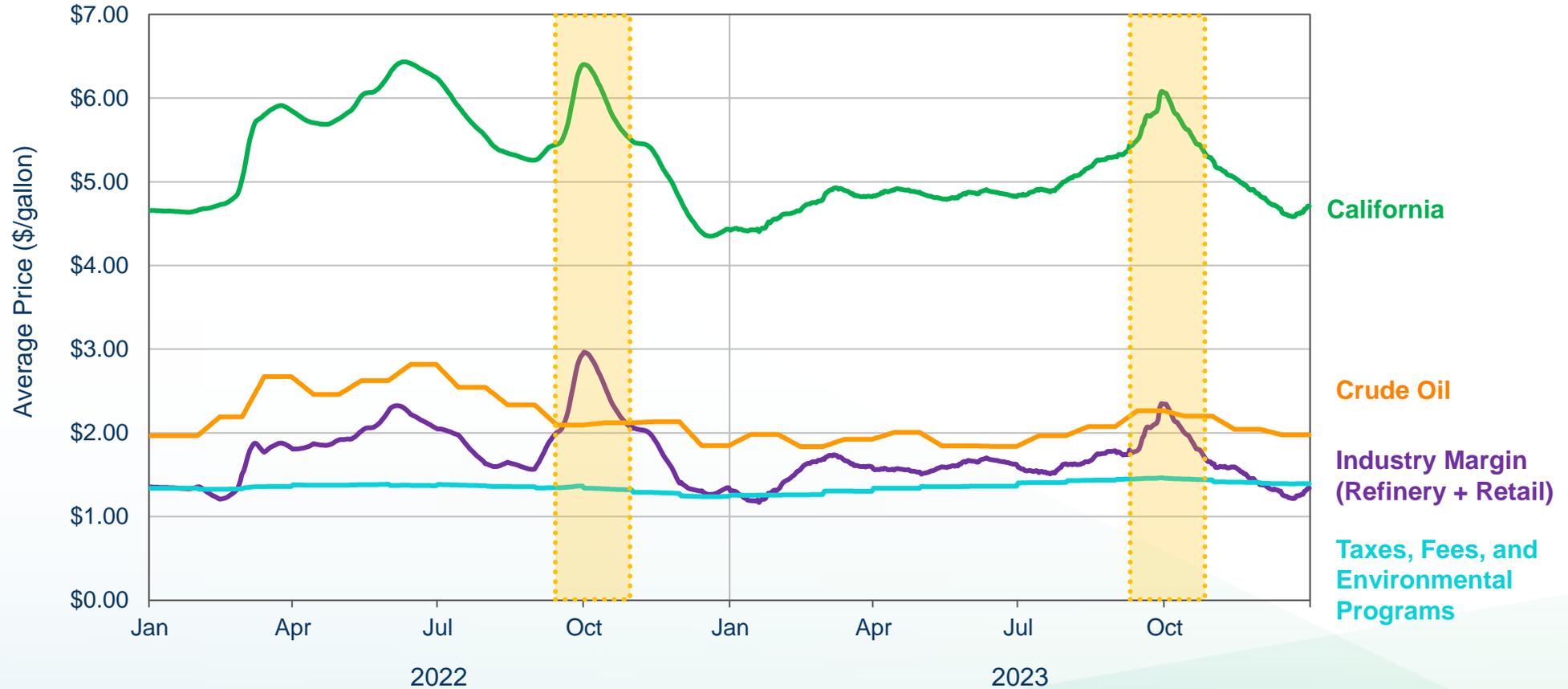
CRUDE OIL

Crude oil price is **indexed internationally** and is set outside of conditions in California.



Breakdown of CA Gasoline Prices

California Gasoline Cost Breakdown (2022-2023)



Source: CEC Analysis of OPIS data



Observations and Challenges

- **Price spikes** have occurred in California 4 of the last 6 years.
- **Lack of transparency** in the transportation fuels market.
- **No market incentive** to mitigate price spikes.
- **Less gasoline supply** as refineries close or convert to renewable fuels.
- **Decreasing competition** in the refining sector.
- **Increased reliance on marine imports** which takes weeks to arrive.



SB X1-2 Implementation Activities



**Data Collection &
Monitoring**



**Market Oversight
Analysis**



**Transportation Fuels
Assessment**



**Refinery
Maintenance
Monitoring**



**Refining Margin
Establishment and
Penalty Determination**



**Fuels Transition Plan
(w/ CARB)**



Data Collection & Monitoring



Crude oil Producers and Transporters



Petroleum Refiners



Petroleum Importers and Exporters



Petroleum Product Marketers, Storers, and Transporters



Fuel Retailers

Production

Exports

Maintenance

Sales

Inventory

Costs

Imports

Profits



Data Collection & Monitoring

Requirements

Collect new data from petroleum industry.

Analyze data to inform:

- Refiner max margin + penalty
- Market oversight
- Minimum inventory/resupply

Increase transparency through reporting.

Progress

Nine new data streams

- Spot market, marine imports, refinery maintenance, refiner margins, etc.

17,000+ data submissions processed and analyzed.

Refiner Margins (monthly) and **Gasoline Price Breakdown** (weekly) webpages



California-Specific Market Dynamics

SUPPLY



Gasoline Inventories



Refinery Production



Marine Imports

DEMAND



Gasoline Demand

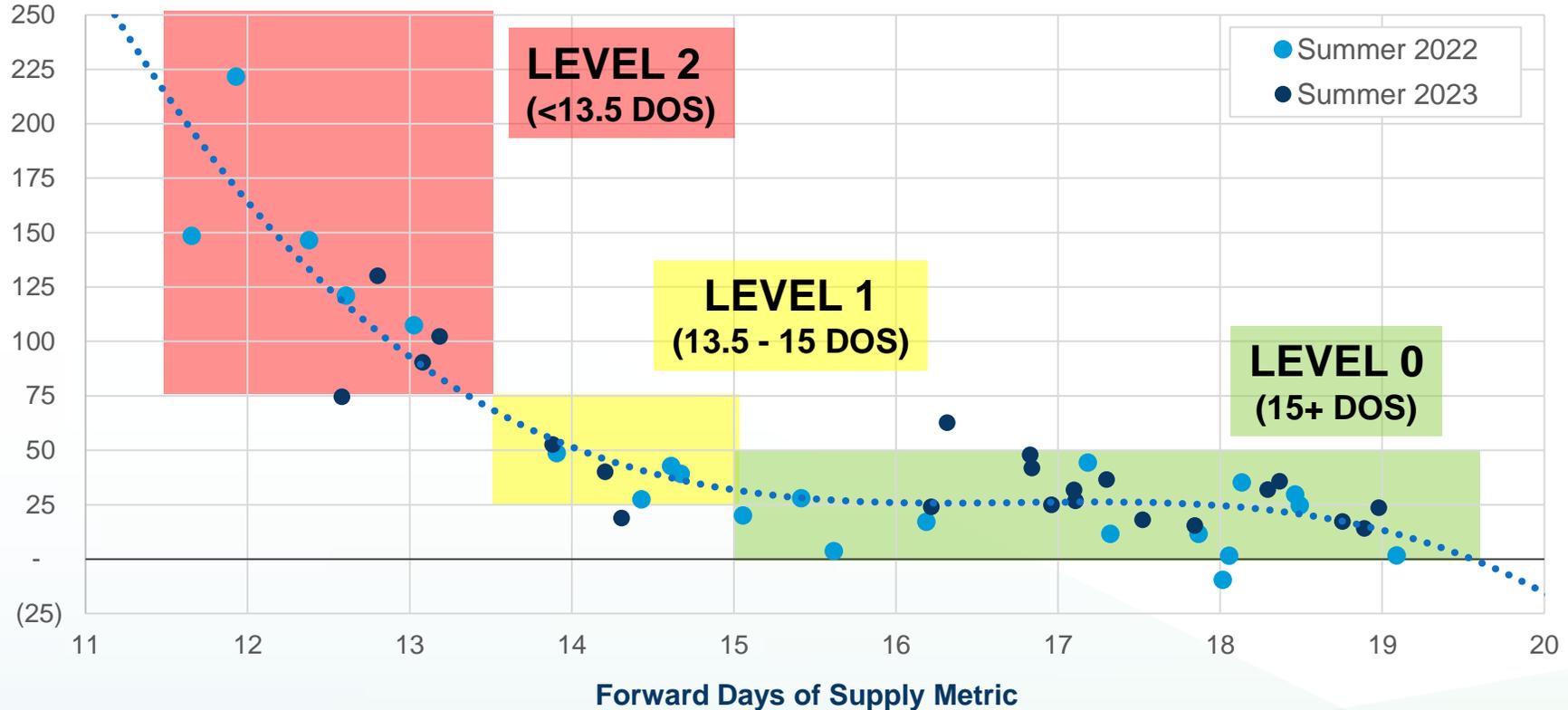


Establishing Price Risk Levels

...Price spreads increase

LA/SF CARBOB Spot Avg. minus NYMEX
(CPG, 2024\$)

Summer 2022 and 2023 Price Spread vs. Days of Supply (DOS)



As Days of Supply fall...

Policy Options



Storage

- State-supported storage
- Storage requirements



Fuel Blends

- Fuel Blends: 15% Ethanol
- Regional Blends
- Non-CARBOB Blends



Highly Complex

- Gas Price Stabilization Fund
- Public utility model
- State ownership



Imports

- Resupply Compensation
- Railcar Replenishment
- State-managed imports



Demand Strategies

- Enhanced ZEV Access
- VMT Reduction Strategies
- Fuel Conservation

Progress



May 16, 2023

Workshop on fuel demand scenarios and assessment framework



August 17, 2023

Workshop to confirm demand scenarios, price spike policy and mitigation options



May 3, 2024

Workshop to present draft report



August 1, 2024

Final report published



Fuels Transition Plan (CEC/CARB)



Requirements

CEC and CARB must develop and submit a Transportation Fuels Transition Plan.

This plan will discuss how to ensure that the supply of transportation fuels is affordable, reliable, equitable and adequate to meet the demand described in the 2022 Scoping Plan.

Progress



Host Joint-Agency Kick-Off Workshop

May 3, 2024



Meet with working group members to discuss the plan

Meeting 1: Price spike mitigation

Meeting 2: Supply/demand planning

Meeting 3: Workforce transition



Submit plan (with CARB)



New Assembly Bill X2-1 Workflows

Jeremy Smith, Deputy Director, Energy Assessments Division



AB X2-1 Implementation Activities



**Refinery
Maintenance
Requirements**
(e.g., resupply)



**Minimum Inventory
Requirements**



**Noncompliance
Penalties**



**Transportation Fuels
Assessment 2.0**



**Report Each Year
After Regulation
Adoption**



Refinery Maintenance Requirements - Resupply



- Consider ways to manage turnarounds and maintenance
- Develop regulations to protect health and safety of employees, local communities, the public and to ensure adequate resupply plans
- Ensure that lost production due to maintenance event does not adversely affect the market



Source: Pexels



Minimum Inventory Requirements



- Consider the effects of refiners' inventories on the price of fuels
- Develop requirements for refiners to maintain minimum inventories of fuels including feedstocks and blending components
- Must protect health and safety
- Benefits must outweigh the costs



Source: Pexels

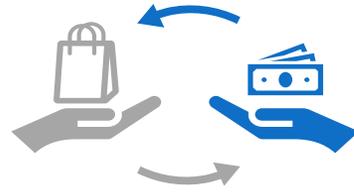


Noncompliance Penalties

- Requires the CEC to notify refiners of failure to comply with resupply or minimum inventory requirements
- Continued noncompliance is subject to a penalty of not less than \$100,000, and not more than \$1,000,000, per day



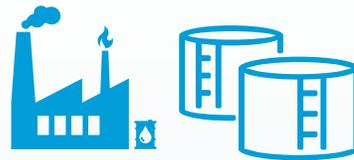
Transportation Fuels Assessment 2.0



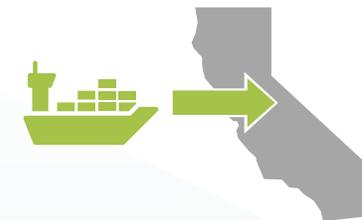
Demand



Supply



Infrastructure



Imports



Annual Report



New Annual Report

- An evaluation of the effectiveness of adopted minimum inventory regulations
 - Cost effectiveness of the regulations
 - An update on the benefits to consumers



Source: Pexels



Next Steps

- Gather ICFAC input on future meeting topics
- ICFAC Second Meeting in early 2025
- Continued engagement with interested parties



Committee Discussion





Written Comments

Please submit written comments to:

- Docket No. 23-ICFAC-01
- Due by 5:00 PM on December 12, 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





Thank You!

Please reach out with questions to ICFAC@energy.ca.gov.

Drew Bohan

Executive Director

California Energy Commission

Aleecia Gutierrez

Director

Energy Assessments Division