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## DIVISION OF PETROLEUM MARKET OVERSIGHT



February 14, 2025

The Honorable Gavin Newsom  
Governor  
1021 O Street, Suite 9000  
Sacramento, CA 95814

The Honorable Mike McGuire  
Senate President pro Tempore  
1021 O Street, Suite 8518  
Sacramento, CA 95814

The Honorable Robert Rivas  
Speaker of the Assembly  
1021 O Street, Suite 8330  
Sacramento, CA 95814

### **Re: California Gasoline Market Update and Consumer Advisory**

Dear Governor Newsom, President pro Tempore McGuire, and Speaker Rivas:

The Division of Petroleum Market Oversight (DPMO) is providing this California Gasoline Market Update and Consumer Advisory pursuant to the market oversight function described in the California Gas Price Gouging and Transparency Law, Senate Bill X1-2 (Skinner, 2023, Statutes of 2023-2024 First Extraordinary Session) (SBX1-2). DPMO is an independent division of the California Energy Commission (CEC), the state's primary energy policy and planning agency.

On Saturday, February 1, 2025, a large fire broke out at the PBF Energy refinery in Martinez, California. As a result of the fire, the refinery halted gasoline production. Since this incident, gasoline prices on the San Francisco and Los Angeles spot markets have increased considerably. Retail gasoline prices in California have increased by an average of \$0.38 per gallon since the event and may increase further.<sup>1</sup>

### **California's New Market Transparency and Policy Tools**

SBX1-2 has given the CEC and DPMO critical insight into ongoing market conditions. Under SBX1-2, refiners must notify the CEC of all planned and unplanned maintenance events. Refiners and other market participants must

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<sup>1</sup> Retail prices are from OPIS and AAA.

also report all spot market transactions to the CEC, regardless of whether those transactions were voluntarily reported to the Oil Price Information Service (OPIS). As a result, CEC and DPMO staff can monitor the market in real time, assess the impact of refinery outages, and engage with specific market participants as needed. CEC and DPMO staff also analyzed new data to establish the relationship between planned and unplanned refinery outages, spot market price spikes, and retail price spikes.<sup>2</sup>

Last year, the Governor and Legislature enacted Assembly Bill X2-1 (Hart and Aguiar-Curry, 2024, Statutes of 2023-2024 Second Extraordinary Session) (ABX2-1). The law, which went into effect on January 13, 2025, authorizes the CEC to impose resupply and minimum inventory requirements on refiners through a data-driven regulatory process. The CEC has quickly begun implementing that bill, with the initial development of regulations set to start this month, and DPMO is providing advice and recommendations. The CEC and DPMO are also developing a public spot market report to bring additional transparency to the market.

### **Refinery Incident and Market Update**

The Martinez refinery processes about 156,400 barrels of crude oil per day, or about 9.64 percent of in-state crude oil refining capacity.<sup>3</sup> The CEC, along with other state agencies with jurisdiction over workplace safety and safe refinery operations, has been in contact with the refiner since the day of the February 1 incident. At this stage, it is unclear when the refinery will be back online. On a February 13 earnings call, PBF Energy executives indicated that the incident occurred as refinery workers were preparing for a planned maintenance event.<sup>4</sup> The California Division of Occupational Safety and Health (Cal/OSHA) lifted the order to preserve at the incident site on February 13, allowing the damage assessment to begin. Safety of workers and the neighboring community must

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<sup>2</sup> See DPMO, "Core Options for Reforming the California Gasoline Spot Market" (Jan. 31, 2024), <https://efiling.energy.ca.gov/GetDocument.aspx?fn=254283>, and "A Seller's Market: The Challenge of Market Concentration and Price Spikes," Presentation before the Assembly Petroleum and Gasoline Supply Committee (Sept. 19, 2024), <https://www.assembly.ca.gov/media/assembly-petroleum-and-gasoline-supply-committee-20240919>.

<sup>3</sup> CEC, "California's Oil Refineries" (Last updated Oct. 2024), <https://www.energy.ca.gov/data-reports/energy-almanac/californias-petroleum-market/californias-oil-refineries>.

<sup>4</sup> PBF Energy investor guidance indicated that a 55-to-65-day turnaround was planned at the Martinez refinery during the first half of 2025. See PBF Energy, "PBF Energy 2025 Guidance Information" (Jan. 2025), [https://s203.q4cdn.com/958165813/files/doc\\_presentations/2025/20250103\\_PBF-2025-Guidance\\_vF.pdf](https://s203.q4cdn.com/958165813/files/doc_presentations/2025/20250103_PBF-2025-Guidance_vF.pdf).

## California Gasoline Market Update and Consumer Advisory

come first, and the process of assessing damage and undertaking repairs will take time and care.

Between January 31, the day before the Martinez refinery incident, and February 13, California regular gasoline prices on the San Francisco spot market have increased from \$2.28 per gallon (\$0.22 per gallon above NYMEX RBOB) to \$2.87 per gallon (\$0.76 per gallon above NYMEX RBOB). During the same period, California regular gasoline prices on the Los Angeles spot market have increased from \$2.41 per gallon (\$0.35 per gallon above NYMEX RBOB) to \$2.57 per gallon (\$0.46 per gallon above NYMEX RBOB). These spot market prices are already translating into retail price increases. Since January 31, retail gasoline prices have increased by \$0.42 per gallon in Northern California and \$0.27 per gallon in Southern California.

Crude oil and environmental program costs do not explain these price increases. Alaska North Slope crude oil prices (the typical benchmark crude for the West Coast) have decreased by about \$0.02 per gallon since the refinery incident. Cap-at-the-Rack and LCFS credit prices have also decreased by less than a penny per gallon, and recent amendments to the LCFS regulation have not yet taken effect. Federal and state taxes and fees are unchanged. The possibility of federal tariffs is causing some uncertainty in the crude oil market and could have an impact on West Coast crude oil costs in the future.

### **Consumer Advisory**

In previous years, reduced market supply because of refinery outages have allowed unaffected firms to charge significantly higher prices for gasoline across the board without any apparent increase in input costs or operating expenses.<sup>5</sup> This has come at a significant cost for Californians. For example, DPMO has estimated that higher industry margins during the fall 2023 price spike cost California consumers \$2.2 billion.<sup>6</sup>

DPMO is actively monitoring the market to ensure that participants act responsibly to avoid these opportunistic price increases. This includes seeking out-of-state sources of resupply, including foreign imports of refined gasoline, to

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<sup>5</sup> See DPMO, "California Gasoline Market Update and Consumer Advisory" (Sept. 13, 2025), at p. 4 ("There is ample precedent for this concern. The California Gas Price Gouging and Transparency Law found that the 2022 gas price spike was 'due in significant part to opportunistic price gouging by oil companies.' In May 2024, DPMO reported that preliminary refiner margin data for August, September, and October 2022 was consistent with the Legislature's findings in SBX1-2"), [https://www.energy.ca.gov/sites/default/files/2024-09/DPMO\\_Market\\_Update\\_and\\_Consumer\\_Advisory\\_ada\\_09-13-24.pdf](https://www.energy.ca.gov/sites/default/files/2024-09/DPMO_Market_Update_and_Consumer_Advisory_ada_09-13-24.pdf).

<sup>6</sup> DPMO, "Conceptual Frameworks for Resupply and Minimum Inventory Requirements" (Aug. 22, 2024), CEC Workshop on Gasoline Supply Reliability, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=258640>.

alleviate unnecessary pressure on the spot market while local production is constrained. As CEC considers rules pursuant to ABX2-1 governing resupply requirements and minimum inventory requirements, and as DPMO provides advice and recommendations on those rules, market participants have an opportunity to show good faith and demonstrate their commitment to serving California consumers while earning a fair profit.

DPMO continues to encourage Californians to shop around for less expensive gasoline, especially generic or "unbranded" gasoline. While branded gasoline (including TOP TIER™ gasoline) is usually more expensive, there is no public evidence confirming that branded gasoline outperforms generic gasoline in California.<sup>7</sup> In fact, all gasoline sold in California must meet stringent Air Resources Board (CARB) performance requirements, which include limits on pollutants and the requirement to include an effective detergent or cleaning additive.<sup>8</sup>

### **Conclusion**

DPMO is engaging with CEC, other state agencies, and industry participants at various levels of the market to limit the potential negative impact on consumers flowing from both planned and unplanned maintenance on refineries in California. DPMO and CEC continue to monitor additional variables that impact gasoline prices, including potential import tariffs, other planned and unplanned refinery outages, weather events, and trends in the national futures market. DPMO continues to actively monitor spot market trades, scrutinize industry activity, and deter and detect any potential misconduct. We look forward to working with you to protect Californians.

Sincerely,



Tai Milder  
Director  
Division of Petroleum Market Oversight

CC: Members, Senate Committee on Energy, Utilities, and Communications  
Members, Assembly Committee on Utilities and Energy Members  
David Hochschild, Chair, California Energy Commission

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<sup>7</sup> CEC, "Additional Analysis on Gasoline Prices in California" (Oct. 21, 2019), at pp. 8-9, [https://www.energy.ca.gov/sites/default/files/2019-11/Gas\\_Price\\_Report.pdf](https://www.energy.ca.gov/sites/default/files/2019-11/Gas_Price_Report.pdf).

<sup>8</sup> CARB, "California Reformulated Gasoline," <https://ww2.arb.ca.gov/our-work/programs/fuels-enforcement-program/california-reformulated-gasoline>.

## California Gasoline Market Update and Consumer Advisory

Siva Gunda, Vice Chair, California Energy Commission  
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