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**CALIFORNIA
ENERGY COMMISSION**



September 30, 2022

Don Gilstrap
6001 Bollinger Canyon Road, H 2276
San Ramon, CA 94583
dgilstrap@chevron.com

Steve Konig
1215 K Street, Suite 1570
Sacramento, CA 95814
smkonig@marathonpetroleum.com

Dan Sinks
3760 Kilroy Airport Way, Suite 640
Long Beach, CA 90806
dan.sinks@pbfenergy.com

Tiffany Roberts
1201 K Street, Suite 1930
Sacramento, CA 95814
Tiffany.k.roberts@p66.com

Scott Folwarkow
1215 K Street, 17th Floor
Sacramento, CA 95814
Scott.folwarkow@valero.com

Dear refinery executives:

I am writing regarding the sudden and unprecedented increase in prices at the pump this past week in California. As you know, crude oil prices are down and industry profits are up, yet gas prices have increased by a record \$0.84 per gallon in 10 days in California — a \$2.50 difference compared to U.S. prices. This degree of divergence from national prices hasn't happened before, regardless of planned or unplanned refinery maintenance, and no explanation has been provided. The oil industry owes Californians answers.

The increase California consumers and businesses were hit with over the past 10 days is unacceptable and has unfairly widened the differential between average California and U.S. gasoline prices. This dramatic jump in California gasoline prices occurred despite crude oil prices dropping nearly \$10 per barrel below the

average price in August 2022 — a savings your industry is not currently passing on to consumers at the pump. During this same period, despite multiple requests, your industry also has not provided an adequate and transparent explanation for this price spike, which is causing real economic hardship to millions of Californians.

The Energy Commission is aware of an unplanned refinery outage earlier this month that had a minor and temporary impact on supply from that facility. We also are aware of an uptick in planned maintenance over the past two weeks. However, according to our experts and outside experts we consulted, those events alone do not adequately explain the significant increase in retail prices in California. Historically, refineries have planned ahead to maximize inventories prior to planned maintenance activities to avoid price shocks. But this year, refineries have allowed gasoline inventories to drop over the past several weeks to below the bottom of the seasonal five-year high-low band.

The industry's lower-than-normal stockpiles of gasoline appear to be a contributing factor to a tightening gasoline market that has increased gasoline prices sharply over the past 10 days.

Today, September 30, the Governor directed the California Air Resources Board to immediately take whatever steps are necessary to allow for an early transition to winter-blend gasoline to be manufactured, imported, distributed, and sold in California.

To address the concerns of the consumers and businesses we serve, the Energy Commission requests responses to the following questions by October 3, 2022:

1. Why have gasoline prices risen so dramatically in the past 10 days despite a sharp downturn in global crude prices, no significant unplanned refinery outages in the state, and no increases in state taxes or fees?
2. If logistics or other obstacles have contributed to the price increases, what measures could the State of California take to address them without sacrificing environmental or public safety concerns?
3. Why did refiners allow inventory levels to drop when they have known for months, or in some cases years, that planned maintenance would occur at this time?

California Gasoline Price Spike
September 30, 2022

In addition to your responses to these questions, please provide any additional plans you have to increase inventories and other measures directed at reducing the cost of gasoline to Californians.

Thank you.

Sincerely,



David Hochschild
Chair

cc: Governor Gavin Newsom
Secretary Wade Crowfoot, Natural Resources Agency
The Honorable Anthony Rendon, Speaker of the Assembly
Assemblymember.rendon@assembly.ca.gov
The Honorable Toni Atkins, Senate President Pro Tempore
Senator.atkins@senate.ca.gov
The Honorable Jacquie Irwin, Chair, Select Committee on Gasoline
Supply and Pricing
Assemblymember.irwin@assembly.ca.gov
Marie Liu, Policy Consultant, Assembly Speaker's Office
Marie.liu@asm.ca.gov
Chase Hopkins, Policy Consultant, Assembly Speaker's Office
Chase.hopkins@asm.ca.gov
Kip Lipper, Chief Policy Advisor, Office of the Senate President Pro
Tempore
Kip.lipper@sen.ca.gov