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November 15, 2022

Honorable David Hochschild
Chair, California Energy Commission
1516 9th Street
Sacramento, CA 95814
Via email: David.Hochschild@energy.ca.gov

Subject: *Response to Your Invitation - CEC Hearing, November 29, 2022*

Dear Chair Hochschild,

PBF Energy Inc. (PBF) appreciates the California Energy Commission's (CEC) invitation to be a panelist for the "*Information Hearing on California Gasoline Price Spikes, Refinery Operations and Transitioning to a Clean Transportation Fuels Future.*"

However, the politicization of this issue by Governor Newsom, heightened by the misleading information he released and commented on related to our 3Q22 earnings, precludes us from participating in this hearing. For the record, we formally met with members of the governor's senior staff twice in 1Q22 to discuss our concerns about potential near-term gasoline supply shortages and spoke with them after that several other times. Our input is summarized in the attached letter to his staff.

Additionally, because PBF is an independent, merchant refiner and this is an industry-related hearing, we have asked Western States Petroleum Association (WSPA) to participate on the panel on our behalf. They represent the entire oil sector and are well-suited to address the range of topics expected to be covered during the hearing.

Please contact Catherine Reheis-Boyd (copied), WSPA President and CEO, to coordinate their participation. We plan to actively participate in this process by providing written comments related to the hearing.

Sincerely,

A handwritten signature in black ink that reads "Paul Davis". The signature is written in a cursive, slightly slanted style.

Paul Davis
SVP, Supply, Trading & Optimization

cc: Mr. Drew Bohan, CEC drew.bohan@energy.ca.gov
Ms. Noemi Gallardo, CEC noemi.gallardo@energy.ca.gov
Ms. Cathy Reheis-Boyd, WSPA creheis@wspa.org



April 25, 2022

Letter submitted via email

Wade Crowfoot

Secretary, California Natural Resources Agency

Lauren Sanchez

Senior Climate Advisor, Office of California Governor Gavin Newsom

Subject: Near-Term Gasoline Supply Shortages

Dear Secretary Crowfoot and Ms. Sanchez,

PBF Energy Inc. (PBF) appreciates the robust discussions we have had regarding our perspective on near-term gasoline supply shortages. The purpose of this letter is to provide additional information on the topics discussed during our March 22nd meeting:

- 1) Heightened evidence of near-term gasoline shortages
- 2) The need for a “Fuels Transition” plan (not the Scoping Plan) to prevent premature refinery closures

California Faces a Considerable Gasoline Shortage

By 2023, California could lose nearly 20% of its 2019 gasoline production from instate refineries, while gasoline demand is only expected to shrink by 8%¹, leaving the state with a gasoline supply challenge. The primary factors driving reductions in California’s gasoline production are:

- 1) Marathon ceasing production at its Martinez Refinery in 2020
- 2) Phillips 66 plans to cease CARB gasoline production at its Rodeo Refinery
- 3) Federal ban on Russian petroleum imports related to the Russia-Ukraine war will soon cause feedstock shortages for instate refiners, forcing reduced production

The Marathon Martinez refinery closure in 2020 left California even shorter on gasoline supply and more reliant on imports, a situation that will worsen in 2023 when Phillips 66 permanently shuts its Santa Maria facility and converts its Rodeo Refinery to renewable diesel production, ceasing CARB gasoline production. As a result, California is conservatively forecasted to experience a daily gasoline shortage of nearly 3,000,000 gallons by 2023².

¹ These percentage calculations are based on data found on page 28 of the Stillwater Analysis that PBF Energy sent to the Newsom Administration on March 22, 2022, as well as on PBF’s opinion of the effects that a ban on Russian petroleum imports could have on CA gasoline production

² See PBF’s information submittal sent to the Newsom Administration on March 22, 2022, titled, “Follow-Up Response: ‘Growing Concerns for California’s Economy’ Newsom Administration Staff.”

In addition, the state is expected to lose incremental gasoline production by Summer 2022 due to the federal ban on Russian crude oil and vacuum gas oil (VGO) imports. VGO is a critical, intermediate feedstock used by in-state refineries to produce additional CARB gasoline, diesel, and jet fuel. We had previously projected California's gasoline shortage potentially reaching crisis levels by 2025. However, there is now a possibility of a crisis even sooner, given the likely further losses of in-state fuel production this summer due to the ban on Russian feedstocks, which is likely to extend beyond 2022.

The extended ban could occur concurrently with unexpected, premature refinery closure(s) caused by investment uncertainty. This latter threat is a real possibility due to negative investment signals from the state related to its aspirational environmental goals (e.g., Internal Combustion Engine Ban, Carbon Neutrality by 2035/2045, etc.) coupled with the absence of a detailed plan to achieve these goals. This potential for further loss of gasoline production could significantly impact California's economy, as outlined in PBF's information submittal to the Newsom Administration on January 27, 2022, "*Growing Concerns for California's Economy.*"

Scoping Plan: A Conceptual Roadmap Versus a Data-Driven Fuels Transition Plan

PBF has analyzed the E3 presentation, "*CARB Draft Scoping Plan: AB32 Source Emissions Initial Modeling Results.*" We understand the intention of E3's Scoping Plan modeling is to lay out a technology deployment timeline at a high-level focused on scope and scale that would be required to achieve California's GHG reduction targets and goal to achieve carbon neutrality by 2045. In our view, E3's modeling fails to consider the potential for fuel shortages, consumer acceptance of the state's favored technologies, and potential barriers to technology implementation. The modeling also lacks details on how the state will manage fuel supply and demand dynamics in the interim.

For example, E3's modeling shows that in-state fuel supply will decline harmoniously with demand while leaving out substantive details as to how this ideal balance will be struck. A significant decrease in fuel demand is also projected across E3's four Scoping Plan Alternative Scenarios. Given the modeling results, capital-intensity of the refining industry, and the general need to invest in five-year turnaround cycles, in-state refiners could decide to cease investing in California far sooner than the state might have thought, and in an entirely different pattern than the seamless transition the modeling assumes.

This begs the question as to whether the state has considered, funded, or reviewed an independent forecast of California's transportation fuel supply/demand dynamics through 2035/2045? Without a specific planning basis, the state puts its residents, businesses, and other government entities at a distinct disadvantage, and should therefore engage a qualified firm to provide a real-world

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analysis of California's fuel strategy relative to the potential for additional instate refinery closures, as well as the impact of the anticipated shortfall in Russian feedstocks.

Ultimately, PBF views E3's Scoping Plan modeling as a conceptual roadmap, rather than a data-driven fuels transition plan that both government and refiners can agree to as alleviating investment uncertainty or ensuring adequate supplies of fuels given the state's actions to date. However, if the state intends the Scoping Plan to serve as California's fuels transition plan, then the state's energy policy leaders need to be aware that E3's modeled Scoping Plan Alternative Scenarios send extremely negative investment signals to the refining industry and could lead to additional refinery closures much sooner than the state may think.

In closing, PBF appreciates our on-going, constructive dialogue on these important topics. We are committed to continuing the conversation in hopes of providing the state with information to assist in its evaluation of these critical issues.

Sincerely,

A handwritten signature in black ink that reads "Paul Davis". The signature is written in a cursive, flowing style.

Paul Davis
SVP, Supply, Trading & Optimization
Email: Paul.Davis@pbfenergy.com Ph: 973.476.2641