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California Energy Commission

Overview and Key Takeaways from the November 29, 2022, Commissioner Hearing on California Gasoline Price Spikes, Refinery Operations, and Transitioning to a Clean Transportation Fuels Future

Amanda Bourdet, Branch Manager

January 20, 2023



- Hearing Purpose
- Staff Presentations
- Panel Discussion
- Public Comments
- Next Steps



Hearing Purpose

- 2022 Price Spikes
- California's High Prices
- Mitigation Strategies
- Transportation Fuels Transition Study
- Industry Expert Panel



Trends and CA Prices and Trends

- High prices due to:
 - Taxes
 - Production costs
 - Environmental costs
 - Isolated market
 - Importing crude oil
 - Premium brand retail margins
- Demand declining due to EVs and remote work



Gasoline Price Spikes



Gas prices rise for a variety of reasons:



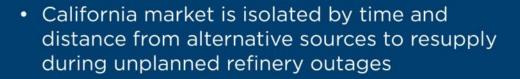
Geopolitical Issues



Isolated Market and Localized refinery issues



Rise in Seasonal Demand





Shift From Winter to Summer Gas Recipe Price spikes in California can last longer than other places because it takes longer to resupply and at a higher cost





Data Transparency

- Need more data to understand outages, inventories, and impacts
 - Maintenance schedules, changes/delays, and unplanned outages
 - Refinery production during outages to compare impact on prices





Transportation Fuels Transition Study

- Scenarios showing increase of ZEVs shows dramatic decrease in gasoline demand.
- Declining demand does not mean a decline in gasoline prices.
- Goal of study is to set a path for a reliable, safe, equitable, and affordable transition away from petroleum.
 - Consider equity to make sure no one is unduly burdened
 - Consider policies addressing price volatility, access to alternatives
 - Need more data and work with partner agencies to determine the right scenarios on how gasoline demand may vary
 - Study should be ready by early 2024



Panel Discussion - Prices

On California's High Gasoline Prices

"The (price) differential, it's coming downstream. It's coming in the marketing distribution and retailing sectors. Refiners continue to play a huge role there. They own some of the downstream stations, and they have tremendous control over the pricing for most of the other branded downstream stations."

Severin Borenstein, UC Berkely Haas School of Business, Energy Institute at Haas

On the 2022 Gasoline Price Spikes

"The price spike here is a transitory thing caused by a combination of maintenance and other war-related issues."

David Hackett, Stillwater Associates



Panel Discussion - Profits

On Refiner's Record Profits

"There's no question that there was huge windfall profits for the five big oil refiners this year, if you look at their total profits, they went up by four times."

Jamie Court, Consumer Watchdog

On the Transition Study

"We've really got to dive in to study and look at it seriously and figure out how we can reduce cost and increase resiliency in a tight market, or we will continue to struggle with this cost issue."

Catherine Reheis-Boyd, WSPA



Panel Discussion - Equity

On Consumer Impacts and Inequity

"The very fact that we are having this hearing is a reminder of the need to rapidly transition away from fossil fuels and envision a transportation sector that reduces climate impacts and health damaging air pollution; provides energy, security and resilience; and is affordable for those currently burdened by our existing system and accessible for those who face barriers to adopting cleaner fuels."

Elena Krieger, PSE Healthy Energy



Public Comments

- Opposition to proposed price gouging penalty legislation
- Support of refiner penalties for excess profits, California's environmental policies, increasing CEC's authority to gather data, and developing a transition study.
- PBF Energy and WSPA submitted letters:
 - Why the refiners didn't attend the hearing
 - Why gasoline prices spiked in 2022
 - Policy implications to prices and supply
 - Potential solutions and how to approach the transition study



Next Steps

- Special Legislative Session December 5, 2022, introducing price gouging penalty bill
 - Bill will be further developed in 2023
 - Language includes penalty, additional data for refiners to report, and outlining the transition study
- SB 1322 went into effect January 1, 2023
 - Requires refiners to submit more data to the CEC on their profits and inventories
 - Requires the CEC to publish aggregated data for more transparency of refiner operations



Thank You!