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*Comment Received From: Arizona Petroleum Marketers Association
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SBX1-2 Implementation Minimum Inventories and Resupply Requirements

Additional submitted attachment is included below.



September 10, 2024

Comment Title: SBX1-2 Implementation: Minimum Inventories and Resupply Requirements
Docket Number 23-SB-02

California Energy Commission
715 P Street
Sacramento, CA 95814

Dear Members of the California Energy Commission,

I am writing on behalf of the Arizona Petroleum Marketers Association (APMA) to express our deep concerns regarding the proposed plan that mandates refiners to maintain a minimum reserve of fuel within California. While we understand that the intent behind the proposal is to enhance fuel security for California, we believe it poses significant risks to neighboring states like Arizona.

Arizona has no in-state refineries and the bulk of transportation fuels come into the state via pipelines from the east (Texas and New Mexico) and west (California). California's refinery operations export critical supplies of diesel fuel, gasoline, and jet fuel to Arizona – tens of thousands of barrels per day.

Supply Restrictions Impacting Arizona

Should the refiner minimum inventory plan be adopted, California refiners may be compelled to retain larger stocks of fuel to meet these mandates. Arizona relies heavily on fuel supplies from California refineries, particularly during periods of peak demand. If refiners are required to prioritize California's reserve requirements, it could lead to reduced fuel shipments to Arizona, creating supply shortages and potentially leading to fuel scarcity in our state. This could severely impact the availability of fuel in Arizona, causing widespread disruption.

Increased Fuel Costs in Arizona

Additionally, the imposition of minimum reserve mandates would likely result in increased operational costs for refiners, which would inevitably be passed down the supply chain. This means that Arizona consumers could face higher fuel prices as a direct consequence of this regulation. Furthermore, the reduced market flexibility caused by these reserve requirements could lead to price volatility, making fuel in Arizona both more expensive and less predictable.

Disruption of Regional Fuel Markets

Arizona and California are integral parts of a closely interconnected fuel supply network. Policies that restrict fuel availability in one state have effects across the region. By artificially constraining the supply of fuel within California, the minimum inventory proposal risks destabilizing the entire regional market, with Arizona bearing a disproportionate share of these adverse consequences.

September 10, 2024
APMA Opposition to SBX1-2 Implementation

For these reasons, the Arizona Petroleum Marketers Association respectfully urges the California Energy Commission to reconsider the minimum fuel reserves regulation proposal. While we support efforts to ensure fuel availability, we believe that this approach could have unintended and harmful impacts on the broader regional fuel market, particularly for states like Arizona that depend on fuel supplies from California.

APMA dates back to 1967; it was founded to serve the common regulatory, legislative and educational needs of businesses engaged in the distribution of wholesale fuel, retail fuel and lube oils. APMA represents over 125 member companies, including suppliers, owners and operators of over 1,000 fueling facilities in Arizona.

Thank you for considering our concerns. We hope to continue working collaboratively to find solutions that protect the interests of all states involved.

Best Regards,

A handwritten signature in blue ink that reads "Amanda Gray". The signature is written in a cursive, flowing style.

Amanda Gray
APMA Executive Director