

DOCKETED

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AB X2-1 Pre-Rulemaking Workshop

Refinery Resupply Planning

March 5, 2025



Housekeeping

- Meeting is being recorded.
- Attendees may participate today by:
 - Making comments during the public comment period.
 - Submitting written comments to docket **25-PIRA-01**, due by **5 p.m., March 17**.



Purpose of Today's Workshop

- Discuss the refinery resupply planning draft regulations.
- Preview the draft approach to collecting resupply plan information.
- Receive public feedback on the draft regulations.



Agenda

1. Opening Comments

2. Review of Proposed Resupply Framework

Presenter: Jeremy Smith, Deputy Director, Energy Assessments Division

3. Comment from the Division of Petroleum Market Oversight

Presenter: Dr. Gigi Moreno, Chief Economist, DPMO

4. Public Comments



Vision of the Proposed Regulations

- Worker and community safety is paramount.
- The analysis that informed these draft regulations, and any future iterations, is ongoing.
- Additional data collected, future market structure changes, and the implementation of other policy tools may justify further refinement.
- If a refinery resupply rule is adopted in 2025, the CEC believes a flexible implementation approach and continued collaboration with all key players is vital to its success.



Opening Comments



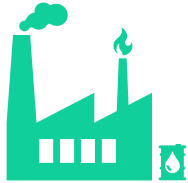
Review of the Proposed Resupply Framework

Jeremy Smith
Deputy Director, Energy Assessments Division



AB X2-1 Implementation Activities

Today's Topic



**Refinery
Maintenance
Requirements**
(e.g., resupply)



**Minimum Inventory
Requirements**



**Noncompliance
Penalties**



**Transportation Fuels
Assessment 2.0**



**Report Each Year
After Regulation
Adoption**



AB X2-1 Resupply Requirements

AB X2-1 authorizes the CEC to establish requirements governing the timing of turnaround and maintenance in consultation with Labor and Workforce Development Agency, labor, and industry stakeholders. Any rules must:

- Protect the health and safety of employees, communities, and public.
- Include resupply planning and reporting requirements for planned maintenance to minimize impact of production loss on fuel prices.
- Not impact refinery workers' authority to perform emergency shutdown.
- Not impact refinery health and safety rules.



Previous Workshops

February 25, 2025

- Session 1: AB X2-1 Pre-Rulemaking Workshop on Refinery Resupply Planning
<https://www.energy.ca.gov/event/workshop/2025-02/session-1-ab-x2-1-pre-rulemaking-workshop-refinery-resupply-planning-and>
- Session 2: Second Meeting of the Independent Consumer Fuels Advisory Committee
<https://www.energy.ca.gov/event/meeting/2025-02/session-2-ab-x2-1-pre-rulemaking-workshop-refinery-resupply-planning-and>



Resupply Framework



1. Minimum Production Loss to Trigger Resupply



2. Resupply Amount and Qualifying Sources



3. Applicable Period for Resupply Rule



4. Resupply Plan Reporting Intervals



5. Exemption Pathways



Draft Regulatory Language



Proposed Definitions

§ 3400. Definitions

- “Event”
- “Lost gasoline production”
- “Refinery Maintenance and Turnaround Supply Plan” (“Plan”)
- “Resupply”
- “Seasonal specification”



Applicable Events

§ 3401. Refinery Maintenance Scheduling

- Proposed rules would apply to planned maintenance or turnaround events that:
 - Occur in part or in whole between **September 1, 2025 through October 31, 2025**
 - Are anticipated to result in lost CA specification gasoline production during that time equal to or greater than either:
 - **20,000 barrels per day for 21 days, or**
 - **More than 450,000 barrels total**



Resupply Amount and Source

§ 3401. Refinery Maintenance Scheduling (cont.)

- Refiners must submit a Refinery Maintenance and Turnaround Supply Plan **at least 120 days prior** to the event that demonstrates:
 - Resupply volume equal to or greater than **85% of the lost gasoline production**, where each **import barrel will count as 1.3 barrels** of resupply.
 - How purchase or storage of gasoline blendstocks or blending components will result in an equivalent amount of finished gasoline.
 - The product will be available to the market at the same rate had the event not occurred.
 - Actions that minimize impacts to gasoline supply in the CA market (e.g., not obtaining resupply via spot market purchases).



Resupply Plan Approval

§ 3401. Refinery Maintenance Scheduling (cont.)

- The CEC Executive Director will review Refinery Maintenance and Turnaround Supply Plans.
 - If a Plan is missing any information necessary to meet the requirements, the refiner will be notified within:
 - 14 days for initial reports (submitted at least 120 days before an event)
 - 7 days for revised reports
 - Final decision to approve or deny the plan will be provided within 30 days of receiving a complete Plan.
 - A denial may trigger civil penalties but does not prohibit a refiner from undertaking planned or unplanned maintenance.



Rule Exemptions

§ 3401. Refinery Maintenance Scheduling (cont.)

- These proposed rules would not apply to:
 - Events that commence earlier than 120 days after the effective date of the regulations.
 - Refineries with crude oil refining capacity less than 30,000 barrels per day.



Request for Exemption

§ 3402. Request for Exemption

- Refiners may request an exemption if meeting the requirements would result in negative impacts that outweigh the benefits.
- Exemptions must be submitted at least 60 days prior to the event.



Request for Exemption

§ 3402. Request for Exemption (cont.)

- The CEC Executive Director will review exemption requests.
 - May request additional information within 7 days
 - Approve or deny, in whole or in part, the exemption request within 30 days once all necessary information has been provided.
 - May require alternative resupply requirements as appropriate.



Request for Exemption

§ 3402. Request for Exemption (cont.)

- Exemptions will be granted upon finding one or more of the following:
 - CA gasoline consumers would not be harmed by insufficient resupply.
 - Demand for CA gasoline will be lower and the production loss from the event is already accounted for.
 - Extraordinary market conditions prevent securement of resupply.
 - Compliance is impossible due to infrastructure limitations.
 - The benefits are outweighed by the impacts to the market.
 - Compliance would endanger the health and safety of employees, local communities, or the public.



Noncompliance Penalties

§ 3403. Civil Penalties

- If a refiner fails to provide the necessary information, the CEC may take action as authorized by law.
- A refiner may be subject to a civil penalty if it fails to perform resupply as specified in an approved plan without first obtaining an exemption.



Resupply Plan Reporting



SB X1-2 Rulemaking Processes

Description	Rulemaking Process
Majority of PIIRA data collection Analysis and reporting requirements Confidentiality requirements Enforcement authority Timing of turnaround and maintenance rules	Emergency regulation
Refinery maintenance activity reporting	APA exempt. CEC may adopt guidelines.



Maintenance Guidelines (2nd Ed.)

3.1 Planned Refinery Maintenance Report

- Informational Requirements
 - Report inventories at the refinery and held at other merchant bulk terminals under lease agreements between the refiner and the terminal owner/operator.
 - Estimated build of inventory levels of gasoline and gasoline blending components.



Maintenance Guidelines (2nd Ed.)

3.2 Unplanned Refinery Maintenance Report

- Informational Requirements
 - Report inventories at the refinery and held at other merchant bulk terminals under lease agreements between the refiner and the terminal owner/operator.



Maintenance Guidelines (2nd Ed.)

3.3 Refinery Maintenance and Turnaround Resupply Plan

- Reporting Period
 - If the Commission adopts the second edition guidelines, Refinery Maintenance and Turnaround Resupply Plans (resupply plan) will need to be completed for all planned events.
 - The initial resupply plan will need to be submitted at least 120 days before any planned maintenance or turnaround.
 - If the planned maintenance or turnaround is identified less than 120 days prior to the scheduled event, refiners shall submit the initial report within two business days of discovering the need for the event.



Maintenance Guidelines (2nd Ed.)

3.3 Refinery Maintenance and Turnaround Resupply Plan

- Reporting Period (cont.)
 - A revised resupply plan must be submitted no less than 60 days before any planned maintenance or turnaround.
 - A final report must be submitted no later than 30 days after the event is over.



Maintenance Guidelines (2nd Ed.)

3.3 Refinery Maintenance and Turnaround Resupply Plan

- Informational Requirements
 - Event ID
 - Total Fuel Impact
 - Resupply Obtained Through Purchases (volume, date, product type, source, delivery method, delivery date, delivery location)
 - Resupply Secured Through Inventory Builds (volume, product type, storage location, start and end dates of inventory build)
 - Explanation if there is no resupply



Summary of Resupply Framework



1. Minimum Production Loss Trigger

20,000 barrels per day for 21 days or 450,000 barrels total



2. Resupply Amount

85% of lost gasoline production



3. Applicable Period

For planned maintenance events occurring (wholly or in part) between September 1, 2025 and October 31, 2025



4. Reporting Intervals

120 days before planned event
Revised reports no less than 60 days before event
No later than 30 days after event



5. Exemption Pathways

Exemptions will be granted to ensure flexible implementation and avoid unintended consequences.



Thank you

Jeremy Smith
Deputy Director, Energy Assessments Division



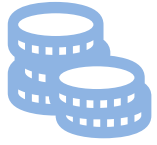
**DIVISION OF PETROLEUM
MARKET OVERSIGHT**

Considerations for Responsible Resupply Planning

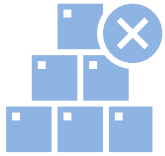
Dr. Gigi Moreno, Ph.D.

Chief Economist, Division of Petroleum Market Oversight

Status Quo: Misaligned Incentives



Firms (including refiners) maximize profits, not reliability and price stability. Refinery maintenance reduces supply, thereby tending to increase prices and profits.



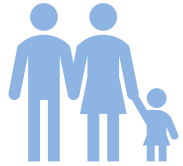
Increased profits from price spikes reduce incentives to build up inventories, bring in imports, and buffer the system. Market power enables this.



Result: Supply shocks lead to price spikes when resupply is limited and inventories are inadequate for reliability and price stability.

Responsible Resupply Planning

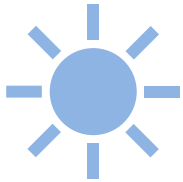
Collaborative approach with industry responsibility



Worker and community safety are paramount



Accountability through reporting, oversight, deterrence, and if needed, penalties



Transparency through robust reporting requirements



Flexibility for refiners to reach key resupply or inventory criteria



Simplicity and predictability, and iterate to improve as needed



Resilience and reliability for California's transitioning transportation fuels market



Written Comments

Submit written comments to:

- Docket No. **25-PIIRA-01**
- Due by **5:00 PM** on **Monday, March 17.**



Thank you