

# Increasing the flexibility of California's gasoline market

Jeremy I. Martin, Ph.D.

Director of Fuels Policy

Clean Transportation Program

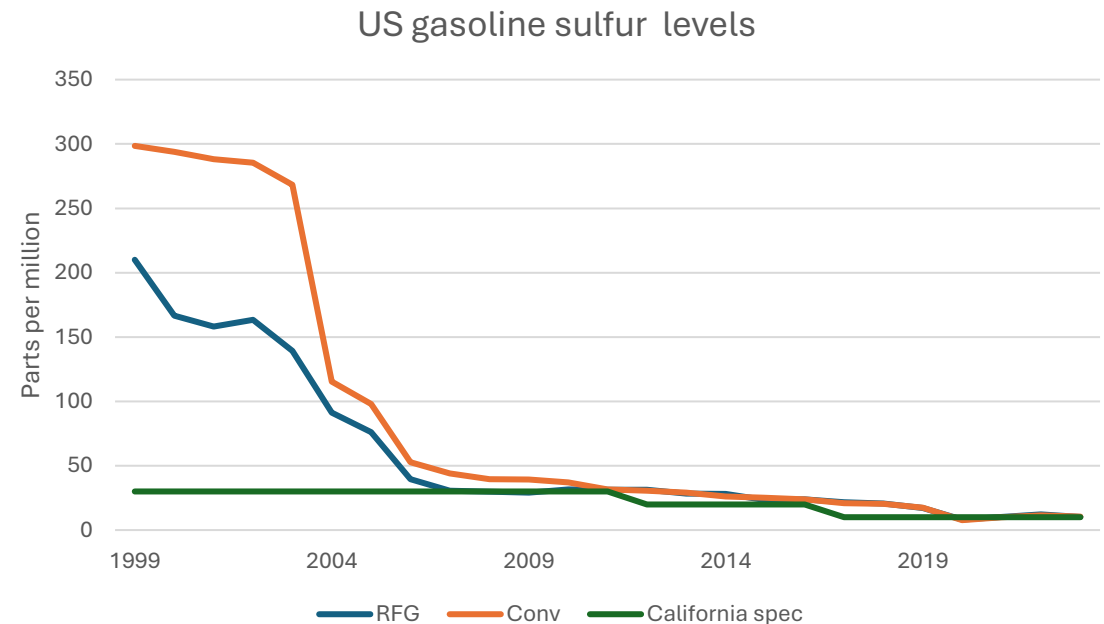
Union of Concerned Scientists

# California's gasoline market has concentrated market power and inflexible supply

- California's market has extremely concentrated market power
  - In 2024 five companies controlled 98 percent of California gasoline refining capacity, pending refinery closures will increase concentration
- California has no excess refining capacity, is increasingly dependent on imports
  - California's unique CA-RFG3 gasoline specification makes it more time consuming to import fuel
  - During supply disruptions, delayed resupply means price spikes
  - Flexibility to use available gasoline could accelerate resupply

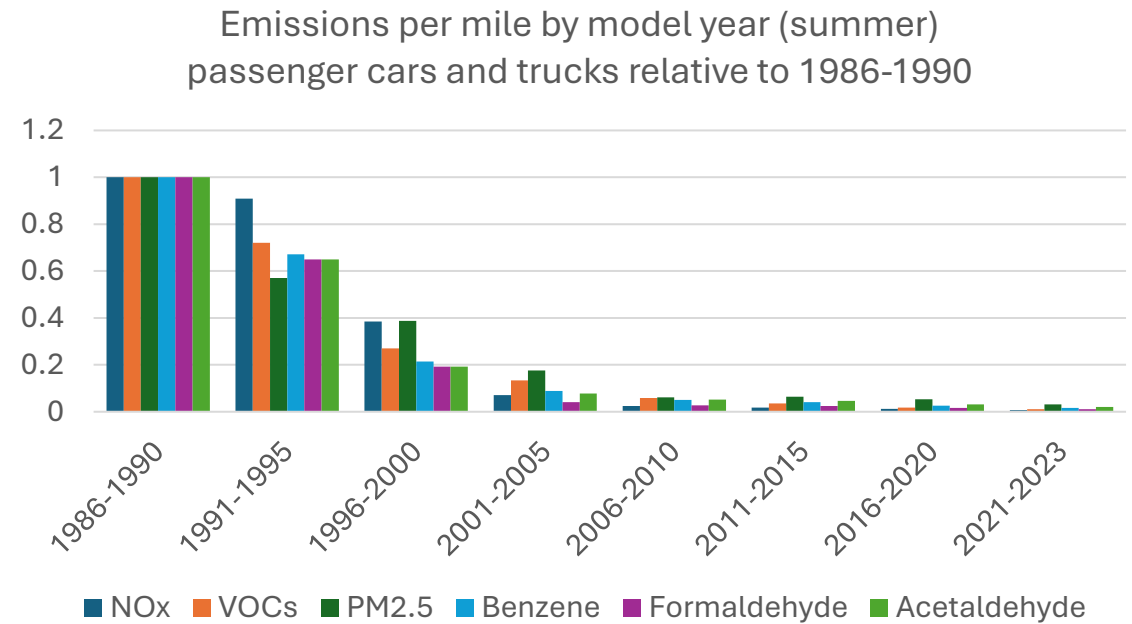
# California's unique gasoline regulations

- California gasoline regulations in the late 1990s were much stricter than US regulations
- Tight specs on sulfur and other fuel properties reduced pollution and enabled advanced emissions controls on modern cars
- US gasoline regulations are now much closer to California



# Modern cars are much cleaner

- Modern cars are much cleaner than older cars.
- A disproportionate share of tailpipe pollution comes from pre-2004 cars
- Helping drivers of old cars upgrade to EVs effectively mitigates pollution from changes in fuel properties.



# Conclusion

- To address supply constraints, California should allow use of US spec gasoline
- A voluntary program with a mitigation fee used to
  1. Replace old cars with EVs
  2. Protect public health benefits
  3. keep California refiners competitive
- Longer term: Modernize California gasoline specifications