

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

SB 1337 (Richardson) – As Amended April 13, 2026

SENATE VOTE: 32-0

SUBJECT: Interagency Working Group on Transportation Fuels Transition Strategy

SUMMARY: Establishes an Interagency Working Group on Transportation Fuels Transition Strategy led by the California Energy Commission (CEC) with membership from other state agencies and local entities to address transportation fuels policy and coordination. Specifically, **this bill:**

- 1) Establishes an Interagency Working Group on Transportation Fuels Transition Strategy led by the CEC and consists of the California Environmental Protection Agency (CalEPA), the California Natural Resources Agency (CRNA), the Transportation Agency, the California Air Resources Board (CARB), the State Water Resources Control Board, the Department of Industrial Relations, the State Lands Commission, relevant air districts, local governments, airports, and ports.
- 2) Requires the Interagency Working Group to:
 - a) Develop priority policies and programs informed by the Transportation Fuels Transition Plan and the SB 237 Assessment, pursuant to Public Resources Code §§ 25371.3 and 25371.4, respectively.
 - b) Strengthen coordination and communication regarding policies and regulations across state, regional, and local authorities, communities, and stakeholders to inform transportation fuels policy development and implementation, including developing recommendations for policies and programs that ensure a successfully managed transportation fuels sector.
 - c) Provides that the coordination includes opportunities for partnership between the Governor's office, state agencies, boards, commissions, offices, the Independent Consumer Fuels Advisory Committee (ICFAC), and the Legislature, to align regulations and permitting processes across all levels of government that could best support achievement of state policy goals.
- 3) Requires the Interagency Working Group to annually convene at least one public meeting, which may be combined with a meeting of the ICFAC

EXISTING LAW:

- 1) Establishes the State Energy Resources Conservation and Development Commission, also known as the CEC, consisting of five members appointed by the Governor, and specifies the duties of the CEC. Requires the CEC to assess trends in energy consumption and analyze the social, economic, and environmental consequences of these trends. (Public Resources Code § 25200 *et seq.*)

- 2) Establishes the Petroleum Industry Information Reporting Act of 1980 (PIIRA), which requires oil refiners and marketers to submit specified data to the CEC and requires the CEC to analyze these data to identify trends in demand and supply for petroleum, including factors influencing gasoline price changes; and also requires retail transportation fueling stations to report specified information about their sales of gasoline, diesel, and other fuels to the CEC. (Public Resources Code § 25350 et. seq.)
- 3) Establishes the Division of Petroleum Market Oversight (DPMO) within the CEC to provide independent oversight and analysis of the transportation fuels market for the protection of consumers by identifying market design flaws, market power abuses, and any other manner by which market participants act to harm competition or act contrary to the best interests of the consumers in the state. (Public Resources Code § 25372 et seq.)
- 4) Establishes the ICFAC consisting of six members appointed by the Governor and one member appointed each by the Assembly Speaker and the Senate Committee on Rules. The ICFAC is charged with providing input to the CEC on the development of the triennial transportation fuels assessment and the effects of refiners' inventories of fuel and feedstocks and blending components on the price of transportation fuels. (Public Resources Code §§ 25373, 25354.4, 25371)
- 5) Requires the CEC to submit an analysis every three years assessing the transportation fuels market in California, known as the Transportation Fuels Assessment. (Public Resources Code §§ 25371-25371.3).
- 6) Requires the CEC and CARB, by December 31, 2024, to prepare a Transportation Fuels Transition Plan that includes a discussion of how to ensure that the supply of petroleum and alternative transportation fuels is affordable, reliable, equitable, and adequate to meet the demand for transportation fuels. Requires the report to be prepared in consultation with the state's fuel producers and refiners and a multistakeholder, multiagency workgroup, including CalEPA and CRNA, convened by the CEC and CARB to identify mechanisms to plan for and monitor progress toward the state's reliable, safe, equitable, and affordable transition away from petroleum fuels in line with declining instate petroleum demand. (Public Resources Code § 25371.3)
- 7) Requires the CEC, the California Public Utilities Commission (CPUC), and, in coordination with the California Independent System Operator (CAISO), to review and update the memorandum of understanding between these three entities every five years. (Public Resources Code § 25308)

FISCAL EFFECT: According to the Senate Committee on Appropriations, this bill will result in approximately \$235,000 in ongoing, annual costs to the CEC; and \$250,000 in ongoing, annual costs to the State Water Board to implement. The State Lands Commission and CARB anticipate any costs to participate in the working group would be minor and absorbable.

BACKGROUND:

How California's Fuel Market Differs from the Rest of the Nation – California's fuel market operates with underlying conditions that distinguish it from most other states. As outlined in past

background papers from this committee,¹ the state can imprecisely be considered a fuel island. There are no pipeline inflows of finished gasoline; the pipelines connecting California to Arizona and Nevada move product outward, not in; and rail has not emerged as a viable alternative at any significant scale. The only practical avenue for outside supply is marine imports, which take three to six weeks to arrive from facilities capable of producing California-specification fuel.² That specification – California Reformulated Blendstock for Oxygenate Blending, or CARBOB – is unique among the states. This poses the second underlying constraint: gasoline meeting the standards of any neighboring state cannot substitute for California supply, and out-of-state CARBOB production is limited to a small number of refineries worldwide.³ The third constraint is market structure. Petroleum refining is a high fixed-cost industry with significant barriers to entry. California's in-state refining has historically been concentrated among a small number of large producers. As the 2024 Transportation Fuels Assessment (TFA) noted, "the risk of market power appears to be more pronounced than in other states."⁴

In October 2024, Phillips 66 announced a planned closure of its Wilmington refinery by year's end 2025.⁵ And in April 2025, Valero announced the planned closure of its Benicia refinery by April 2026.⁶ These conversions and closures are not unique to the state, as nationally consolidation and closures are occurring.⁷ However, the immediate impact in California is the real potential for significant supply constraints and likely price increases.

As of May 2026, seven refineries produce CARBOB in California, making an already concentrated market more so. To the committee's knowledge, infrastructure has not kept pace with these closures: dock facilities likely need upgrades; storage capacity may be lacking; and there is no known plan to build either at the needed scale. Little concerted planning has been undertaken to expand California's import capacity, and local governments have been reluctant to embrace the transition – unsurprisingly, given the tax revenue and jobs that terminal operations do not adequately cover compared to what the refinery provided.⁸

SB 237 (Grayson, Chapter 118, Statutes of 2025) Assessment – Among its provisions, SB 237 required the CEC to submit an assessment to the Legislature and the Governor that evaluates the recommendations and strategies put forward by Commissioner Gunda in a June 27, 2025, letter. The bill also required the assessment to “offer recommendations to the Legislature and the Governor on potential changes to working group authorities or structures, including on

¹ Among others, see May 5, 2026 hearing, “Fueling Uncertainty: Assessing California’s Petroleum Supply Resilience and Strategic Planning,” https://autl.assembly.ca.gov/system/files/2026-05/05.05.2026_petroleum-background.pdf and May 28, 2025 hearing, “Outlook for California’s Transportation Fuels Sector,” https://autl.assembly.ca.gov/system/files/2025-05/05.28_petroleum-oversight-hearing-background.pdf

² Pg. 15, Gee and Berliner and Wong. 2024 TFA, *Ibid.*

³ Pg. 10 and 15, Gee and Berliner and Wong. 2024 TFA, *Ibid.*

⁴ Pg. 7, Gee and Berliner and Wong. 2024 TFA, *Ibid.*

⁵ Phillips 66 news release; “Phillips 66 provides notice of its plan to cease operations at Los Angeles-area refinery;” October 16, 2024; <https://investor.phillips66.com/financial-information/news-releases/news-release-details/2024/Phillips-66-provides-notice-of-its-plan-to-cess-operations-at-Los-Angeles-area-refinery/default.aspx>.

⁶ Matthew Green; “Potential Valero Refinery Closure Leaves Benicia, State Officials Scrambling for Alternatives;” *KQED*; April 26, 2025; <https://www.kqed.org/news/12037668/potential-valero-refinery-closure-leaves-benicia-state-officials-scrambling-to-pick-up-pieces>

⁷ Such as LyondellBasell in Texas, Phillips 66 Alliance Refinery in Louisiana, and PBF Energy refinery in Paulsboro, New Jersey.

⁸ Julie Small, *KQED*, *Ibid.*

permitting changes and reforms, which may include one-stop-shop permitting, to support the state's reliable, equitable, safe, and affordable transition away from petroleum fuels.”

On May 1, 2026, the CEC submitted the *Draft SB 237 Assessment* to the Legislature and public.⁹ In response to the directive on potential working group authorities and structures, the *Draft SB 237 Assessment* recommends formalizing voluntary interagency coordination, citing the Vice Chair's June 2025 letter proposal for a CEC-led interagency workgroup (with the State Lands Commission, air districts, local governments, and ports) and pointing to precedents like the Desert Renewable Energy Action Team, the CPUC's Tracking Energy Development task force, and the Federal Permitting Improvement Steering Council which started as voluntary coordination and was only later codified into statute once it proved its value. The *Draft SB 237 Assessment* argues, citing collaborative-governance research, that this approach delivers the Legislature's goals (faster permitting, clearer communication, fewer bottlenecks) while preserving local agencies' specialized expertise and community accountability, and notes the state is already building this through the Petroleum Strategy Task Force, a dedicated infrastructure/permitting subgroup, with recurring CEC-CARB-air district coordination.

COMMENTS:

- 1) *Author's Statement.* According to the author, “California’s pioneering climate and air quality policies are critical to protecting our communities’ health, which has led to a rapid evolution of California’s petroleum market. As the need for petroleum based fuels continues, volatility of the international petroleum market has introduced uncertainty to the petroleum industry that impacts consumers, the workforce, and fence-line communities. SB 1337 will help manage this transition of the State by creating a working group established by the State Energy Resources Conservation and Development Commission to strengthen coordination, establish clear lines of communication, and propose partnership opportunities to advance strategically advanced solutions to align regulations and permitting processes.”
- 2) *Purpose of Bill.* This bill attempts to address recommendations on changes to working group authorities from the CEC’s *Draft SB 237 Assessment*, including permitting changes and reform. This bill proposes the creation of an interagency working group, led by the CEC, and including CalEPA, CRNA, the State Lands Commission, other relevant agencies, relevant air districts, local governments, airports, and ports. The working group would help manage and inform the transition of the state’s transportation fuels, including recommendations on permitting reforms. However, the *Draft SB 237 Assessment* recommendations, alongside existing working group authorities, indicate an alternate approach than the one put forward by this bill may be warranted.
- 3) *Existing Taskforces and Working Groups.* Existing refinery and petroleum fuels coordination bodies already cover much of the ground put forward by this bill. The ICFAC, created by SB X1-2 (Skinner, Chapter 1, Statutes of 2023-24 First Extraordinary Session) and modified by AB X2-1 (Hart, Chapter 1, Statutes of 2023-24 Second Extraordinary Session), meets at least annually and advises the CEC on the triennial fuels assessment and on how refiner inventories and blending affect prices. ICFAC’s eight members (six gubernatorial, one each from the Assembly Speaker and Senate Rules

⁹ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=269793>

Committee) are required to include representation from the fuels industry, consumers, labor, environmental justice, and antitrust expertise. The Petroleum Strategy Task Force, convened in 2025 by the CNRA and CalEPA secretaries, meets roughly monthly and brings together a wide swath of state agencies (CNRA, CalEPA, CEC, DPMO, CARB, State Water Board, State Lands Commission, Department of Industrial Relations, Department of Conservation, the State Fire Marshal, and others) to assess the state's progress and risks in managing the long-term decline in petroleum supply and demand, and already has a dedicated subgroup on petroleum infrastructure and permitting. Separately, the CalEPA Interagency Refinery Taskforce, formed after the 2012 Richmond refinery fire, focuses on refinery safety, emergency response, enforcement coordination, and community outreach, with membership drawn from agencies (excluding the CEC), local air districts, and local fire departments. Given that the Petroleum Strategy Task Force's infrastructure/permitting subgroup and the Interagency Refinery Taskforce already address coordination on petroleum infrastructure, permitting, and refinery oversight, a new working group established by the bill could overlap substantially with these existing structures.

- 4) *An Alternate Approach.* The recently released *Draft SB 237 Assessment's* recommendation for a multilayered, largely voluntary, and less formalized structure for interagency and permitting coordination may not align with the more formalized approach proposed in this bill. The *Draft SB 237 Assessment's* review of collaborative governance research and precedent, as mentioned above, suggests that a new, formally mandated working group risks producing compliance without genuine engagement, and may not deliver better outcomes than the voluntary coordination already underway through the Petroleum Strategy Task Force and its infrastructure/permitting subgroup. As an alternative to creating another mandated body, *the committee recommends directing the CEC to develop memoranda of understanding (MOU) with local governments and air districts with jurisdiction over refineries.* An MOU could capture the substantive benefits the bill seeks — clearer lines of communication, shared timetables, and faster identification of bottlenecks — while preserving the flexibility, existing expertise, and community relationships that a new statutory working group could disrupt, and without the lag of standing up new structures, appointments, and procedures. Such an approach is not without legislative precedent, such as the codification of the existing CEC-CPUC-CAISO MOU on transmission and resource planning,¹⁰ or requiring the Office of Emergency Services to enter MOUs with the Los Angeles Organizing Committees and Safety Command to prepare for the 2028 Olympic and Paralympic Games.¹¹

- 5) *Related Legislation.*

SB 1245 (Stern) shifts the CEC's triennial transportation fuels assessment and DPMO's annual market oversight report deadlines from January 1 to July 1, directs the CEC to implement – not just recommend – its alternative gasoline specifications strategy considering both fees and conditions, and requires the 2027 DPMO report to analyze the branded versus unbranded price differential and import market competition barriers. Status: set for hearing in this committee on June 24, 2026.

¹⁰ Public Resources Code § 25308

¹¹ Government Code §§ 8591.5-8591.7

SB 1259 (Blakespear) requires oil refiners, no later than December 31, 2028, to submit to the State Water Resources Control Board a draft retirement plan setting forth information concerning decommissioning and site remediation for every refinery it owns, operates, or controls. Status: set for hearing in this committee on July 1, 2026.

6) *Prior Legislation.*

SB 237 (Grayson), among its provisions, required the CEC to submit an assessment to the Legislature and the Governor that evaluates the recommendations and strategies put forward by Commissioner Gunda in the letter dated June 27, 2025. This *Draft 237 Assessment* was submitted to the Legislature on May 1, 2026. Status: Chapter 118, Statutes of 2025.

AB X2-1 (Hart) made changes to, and expanded on, SBX1-2 related to transportation fuels, including changes to the Independent Consumer Fuels Advisory Committee. Status: Chapter 1, Statutes of 2023-24 Second Extraordinary Session.

SB X1-2 (Skinner) proposed several policies to address gasoline supply and pricing, including authorizing the CEC to establish a maximum gross gasoline refining margin and penalty on gasoline sold by refiners in the state. The bill also established a new independent division at the CEC, the DPMO, to provide independent oversight and analysis of the transportation fuels markets and established the ICFAC at the CEC. Status: Chapter 1, Statutes of 2023-24 First Extraordinary Session.

SB 319 (McGuire), among its other provisions, codified the existing MOU between the CPUC, CEC, and CAISO and required the entities to update it as necessary every 5 years. Status: Chapter 390, Statutes of 2023.

AB 1649 (Muratsuchi) requires the CalEPA, in consultation with specified federal state and local agencies, to examine ways to improve safety through enhanced oversight of refineries and to strengthen emergency preparedness in anticipation of future refinery incidents. Status: Chapter 590, Statutes of 2017.

REGISTERED SUPPORT / OPPOSITION:

Support

Bay Area Council
California Hispanic Chamber of Commerce
California Hispanic Chambers of Commerce
California Multicultural Business Alliance
Central Valley Yemen Association
East Bay Leadership Council
Garden Grove Chamber of Commerce
Greater Concord Chamber of Commerce
Harbor Association of Industry and Commerce (HAIC)
Hispanic 100
Hispanic Chambers of Commerce of San Francisco
Latin American & Caribbean Business Chamber
Latin Business Association

Los Angeles County Business Federation (BIZ-FED)
Orange County Hispanic Chamber of Commerce
Redondo Beach Chamber of Commerce
San Pablo Economic Development Corporation
San Pedro Chamber of Commerce
South Bay Association of Chambers of Commerce
Torrance Area Chamber of Commerce
Western States Petroleum Association
Wilmington Chamber of Commerce

Opposition

None on file.

Analysis Prepared by: Laura Shybut / U. & E. / (916) 319-2083