



Assembly Utilities and Energy Informational Hearing

Siva Gunda, Vice Chair, California Energy Commission

March 22, 2023

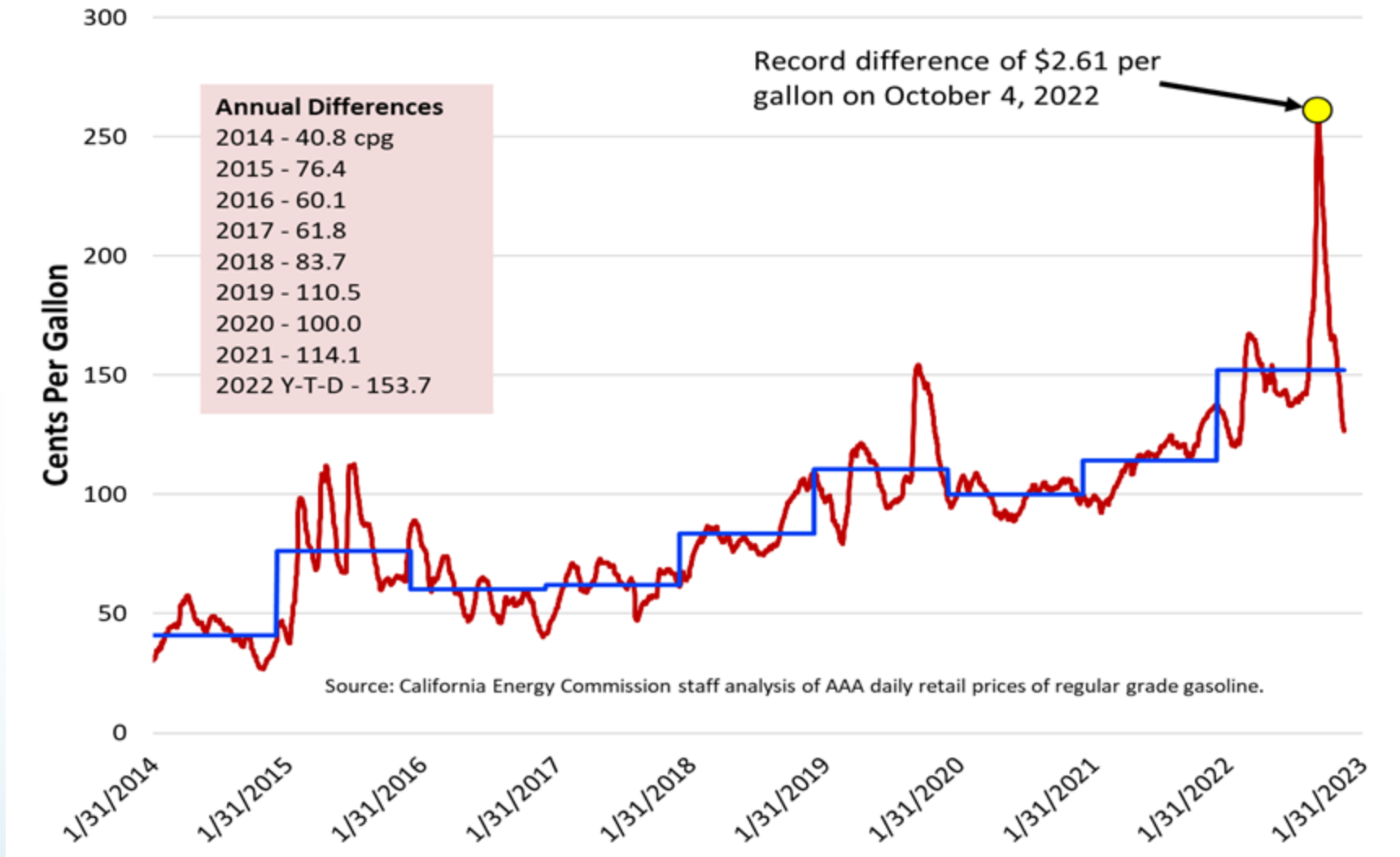


California and U.S. Retail Prices



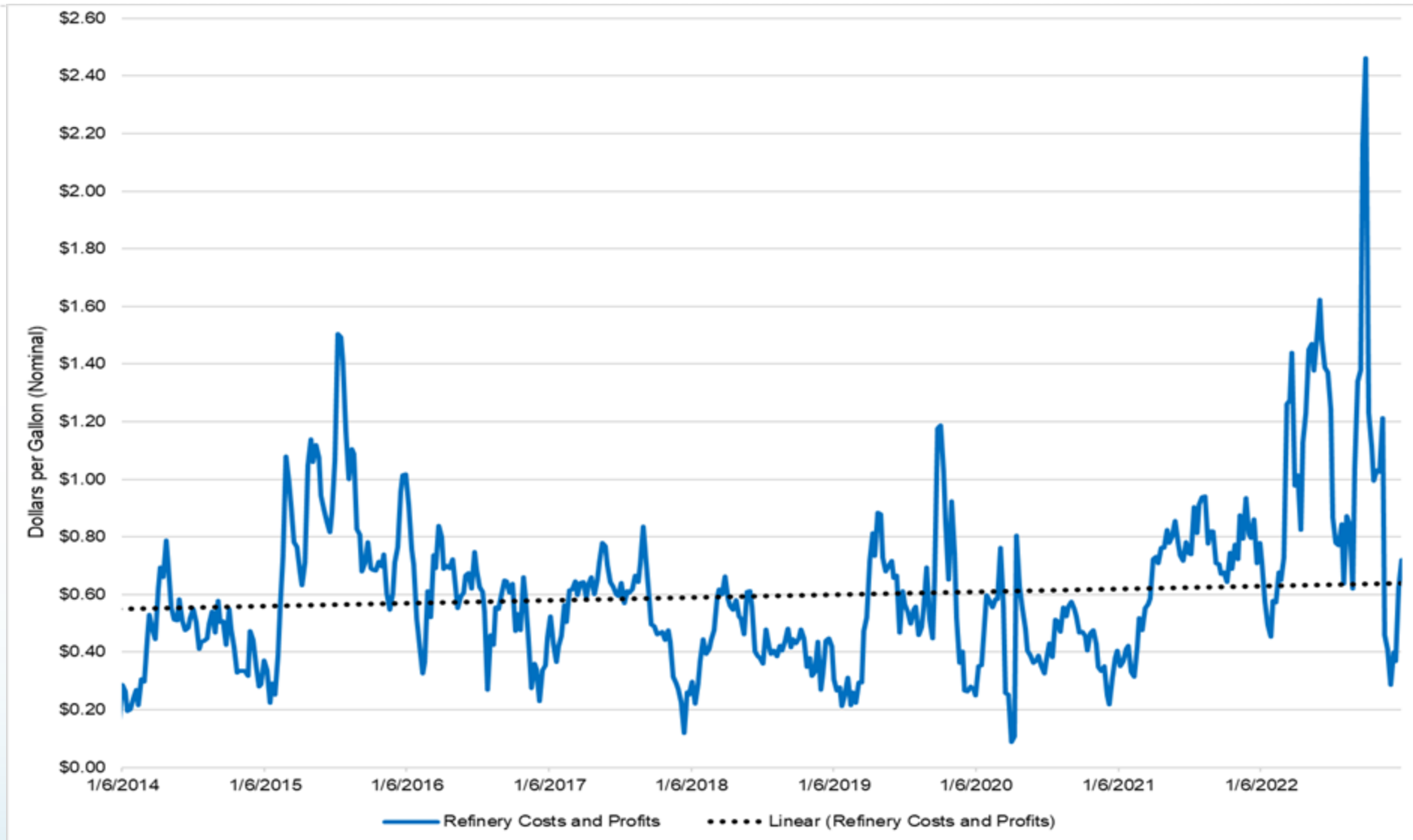


California Less U.S. Retail Gasoline Price





Weekly Refinery Margin History



BREAKDOWN OF CALIFORNIA GASOLINE PRICES





California Gasoline Consumption

Californians Consumed

13.82 Billion Gallons
of finished gasoline in 2021

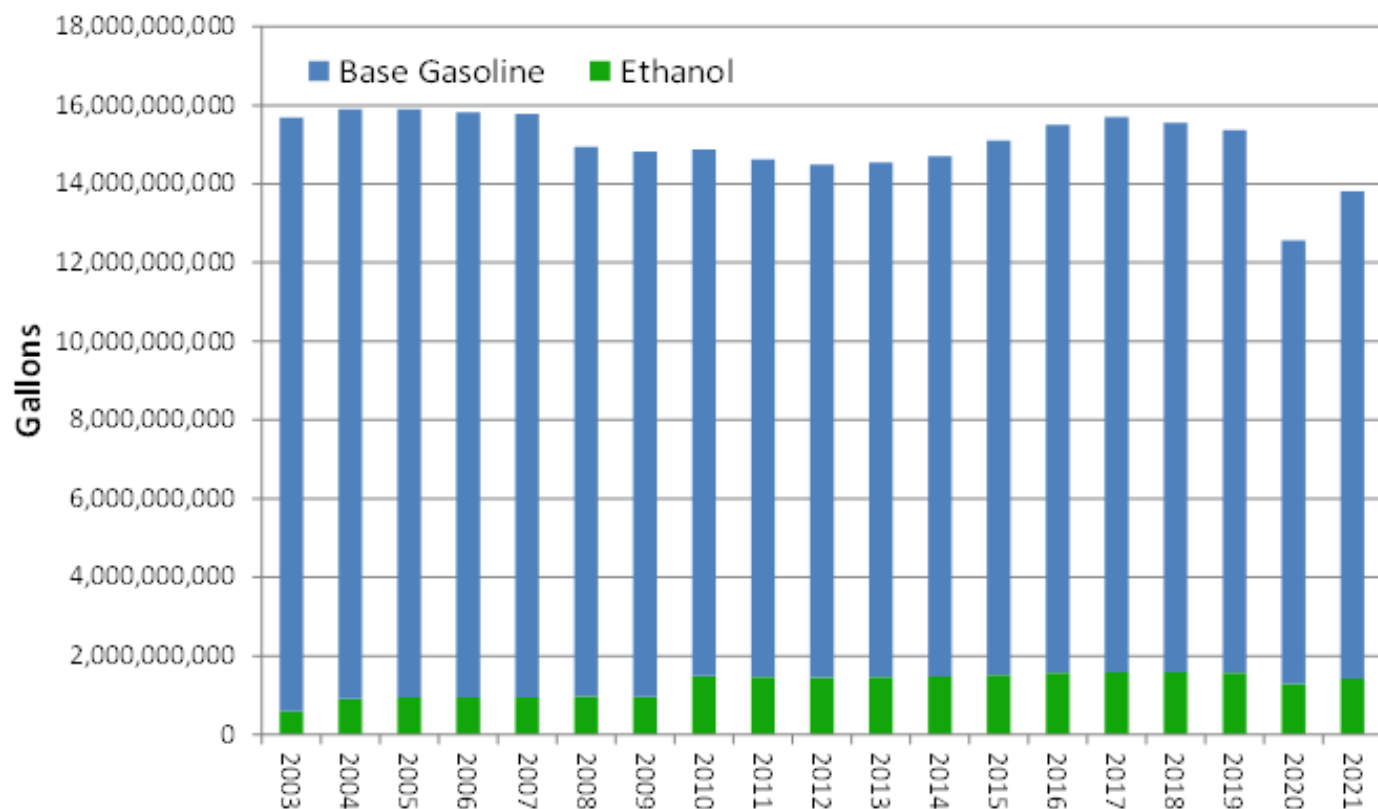
Demand for Base Gasoline

12.4 Billion Gallons
during 2021 (declining since 2017)

Demand for Ethanol

1.4 Billion Gallons
during 2021 (about 10%)

California Gasoline & Ethanol Demand 2003 - 2021



Consumption estimates for 2022: 13.8 billion gallons of finished gasoline, based on year-to-date totals and preliminary refinery production numbers





Need for State Action

- Lack of refining industry transparency
- Decreasing competition in the refining sector
- No market incentive to mitigate price spikes
 - Industry agrees future spikes are inevitable
 - Industry does not disagree that price spikes yield large profits
 - Industry has no strategy to protect consumers
- Risk that, absent careful management, an imbalanced transition away from petroleum fuels could lead to price spikes and inadequate supply



PIIRA and SB 1322

PIIRA

- The Petroleum Industry Information Reporting Act of 1980 authorized CEC to collect and report in the aggregate:
 - Petroleum supply information, including volumes and costs, through the entire lifecycle, from post-crude extraction to dispensing finished gasoline at retail stations

SB 1322

- Beginning 2023, refiners are to report to the CEC:
 - Actual refiner crude oil costs
 - Actual refiner wholesale California specification gasoline transaction revenue
 - Estimated costs for Low Carbon Fuels Standard and Cap & Trade
- CEC received the first instance of reporting from the refineries in March and posted aggregated and anonymized information publicly per the requirements of SB 1322



Governor's Transparency Proposal

- Penalty and Enforcement Authority

Data Collection and Monitoring

Independent Oversight and Investigation

Assess, Recommend, and Plan



Penalty and Enforcement Authority

- Authorizes CEC to formulate a penalty, backed by experts and information following a threshold determination of whether the benefits to consumers outweigh the risks.
- CEC authority for public rulemaking process to:
 - Set maximum gross gasoline refining margin
 - Impose and enforce penalties for refiners exceeding margin
 - Hear requests for case-by-case exceptions



Data Collection and Monitoring

- Refinery maintenance information and events
 - Upcoming planned maintenance and estimated decreased supply into market
 - Impacts to production due to unplanned outages
- Spot market transactions
 - Disclose spot market activity with insight into supply stressors, market responses, and participants behavior
 - Provide insight into market behavior to inform on market manipulation
- Inventory holdings by type of market participant
 - Refiners who have contractual supply obligations
 - Traders who do not have supply obligations but can sell to those who do, especially after unplanned outages
 - Insight into behavior showing who is acting to decrease upward pressure on prices



Independent Oversight and Investigation

- **New Division of Petroleum Market Monitoring**
 - Within CEC, independently reports to Governor
 - Provides oversight and analysis
 - Exercises subpoena power
 - Refers matters and evidence to Attorney General
- **New Independent Consumer Fuels Advisory Committee**
 - Appointees from academia, consumers, labor, industry, environmental justice, antitrust enforcement, and public
 - Provides analysis, guidance, and recommendation



Assess, Recommend, and Plan

- Submit annual review of the price of gasoline in California and the impact on state revenues (CEC and CDTFA)
- Conduct annual findings and report on recommendations for improvements to market performance (Division of Petroleum Market Monitoring)
- Submit a Transportation Fuels Transition Plan to ensure a reliable and affordable transition away from petroleum (CEC and CARB)
- Submit an assessment, every three years, identifying methods to ensure a reliable supply of affordable and safe transportation fuels in California (CEC)



Thank You!

