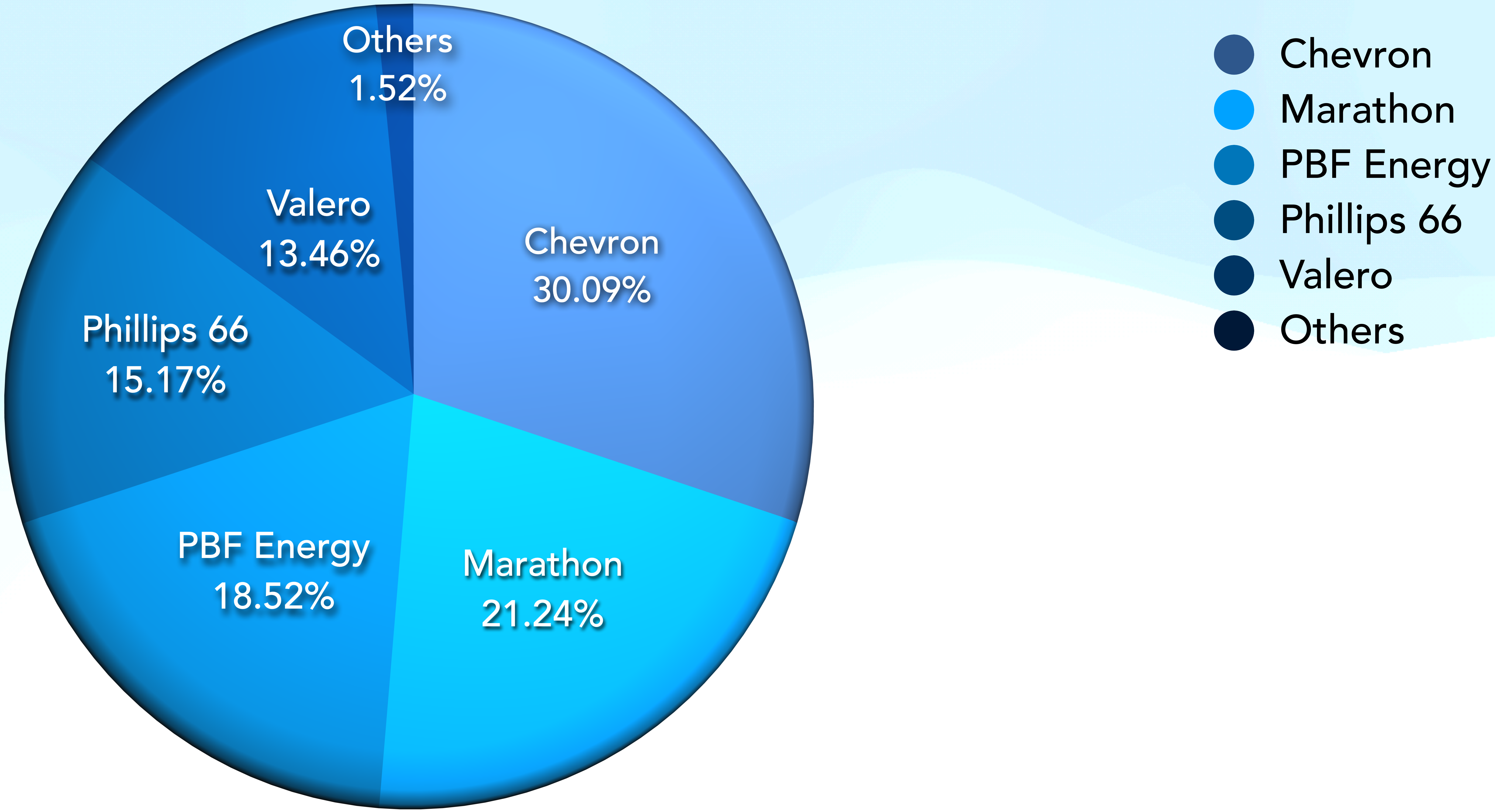
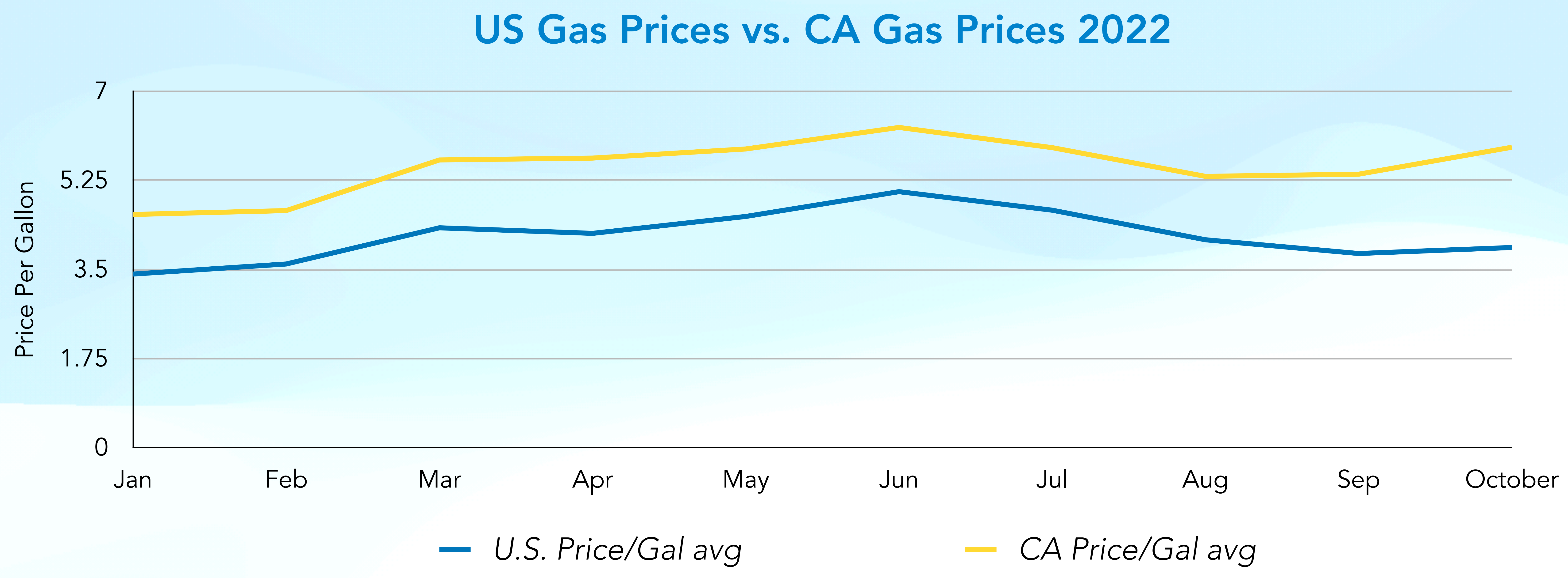
5 Oil Refiners Make 98% of Gasoline in California



Source: California Energy Commission

California Gas Prices Were As Much As $2.60 greater than US Gas Prices — Despite Taxes and Environmental Rules Adding Only About 69 cents Per Gallon

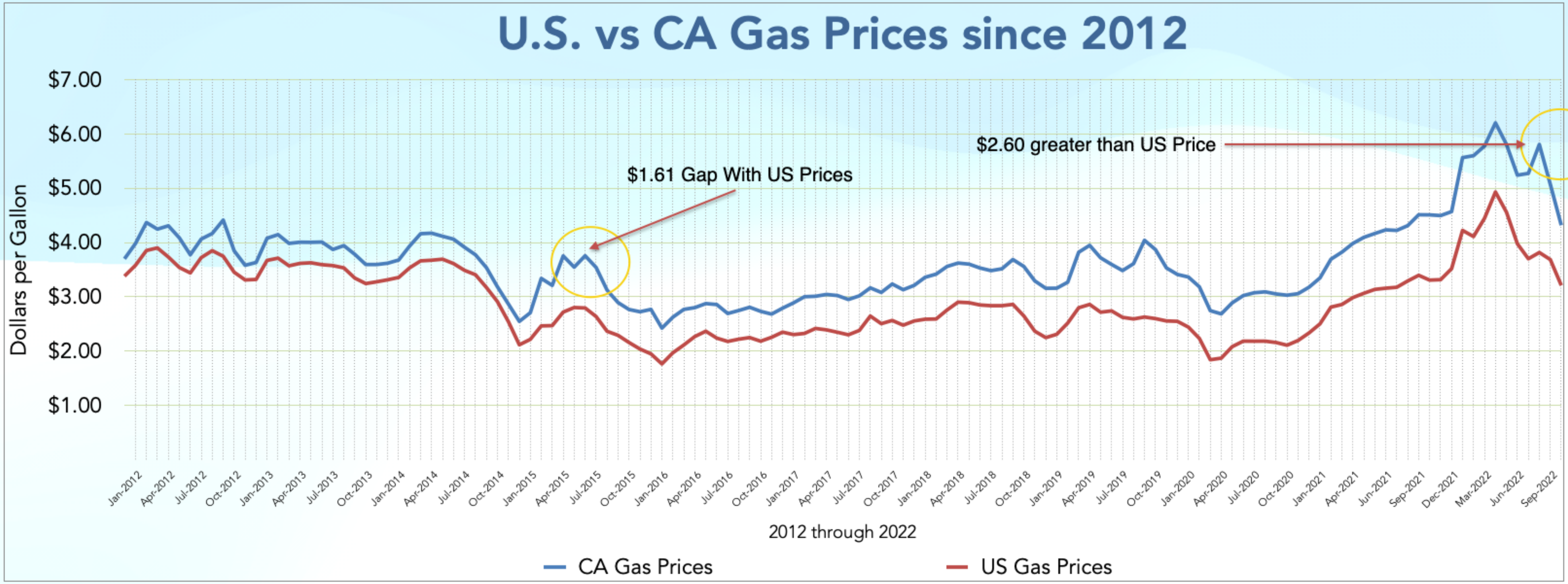


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	October
U.S. Price/Gal avg	3.413	3.611	4.322	4.213	4.545	5.032	4.668	4.087	3.817	3.935
CA Price/Gal avg	4.584	4.660	5.655	5.692	5.871	6.294	5.897	5.333	5.375	5.905

<u>Added CA Costs From Environmental Regulation And Taxes</u>

Added state taxes = 25 cents
(Average state tax is 29 cents/ CA taxes are 54 cents)
Low carbon fuel standard = 16 cents
Cap and trade = 26 cents
Underground storage = 2 cents
Difference = 69 cents

Since 2015, California gasoline prices have consistently been about $1 more per gallon more than US gasoline but reached an all-time high of $2.60 more in October. Previously, the greatest delta with US gas prices was $1.61 more following the Exxon Torrance refinery explosion in 2015.



When Gas Prices Spike, Low Income Workers Feel It The Most

- At $4 per gallon, 9% of an annual minimum wage salary is spent on gas.
- At $5 per gallon, 11% of an annual minimum wage salary is spent on gas.
- At $6 per gallon, 13% of an annual minimum wage salary is spent on gas.

**—The average CA driver drives 14,434 miles a year* (Car and Driver)*. That equals 577 gallons of gas per year. The average CA minimum wage worker makes $26,512 after state and federal taxes.*

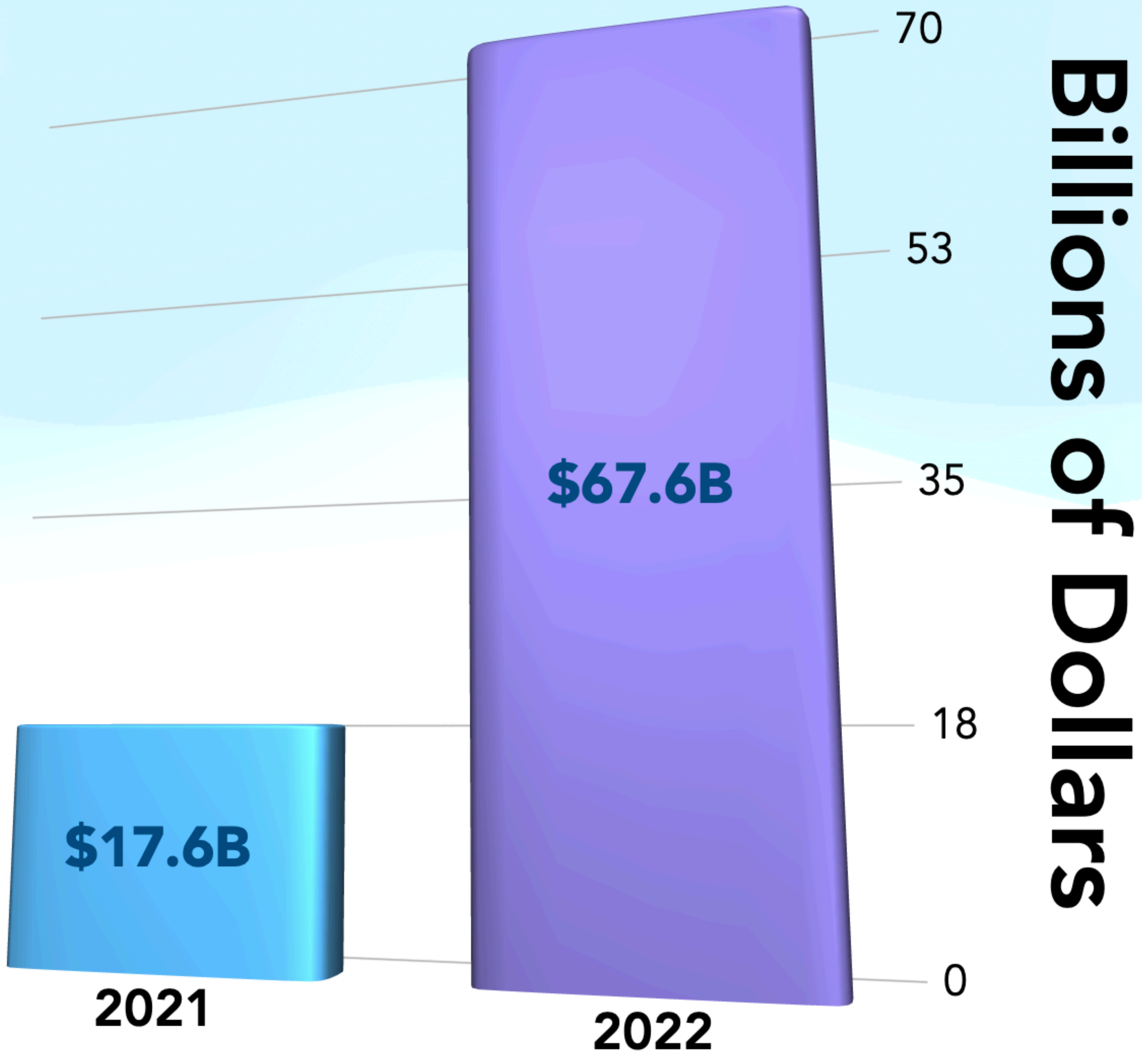
Big 5 oil refiners posted profits of $67.6 billion in the first nine months of 2022 — nearly quadruple the $17.6 billion posted for the same period in 2021.

TOTAL PROFITS FOR FIRST NINE MONTHS 2022:

$67.6 BILLION

TOTAL PROFITS FOR FIRST NINE MONTHS 2021:

$17.6 BILLION



Q1-Q3 Profits in Billions

Refiner Profit Per Gallon By Year (CA/West)

From Data Provided By Oil Refiners To Their Investors

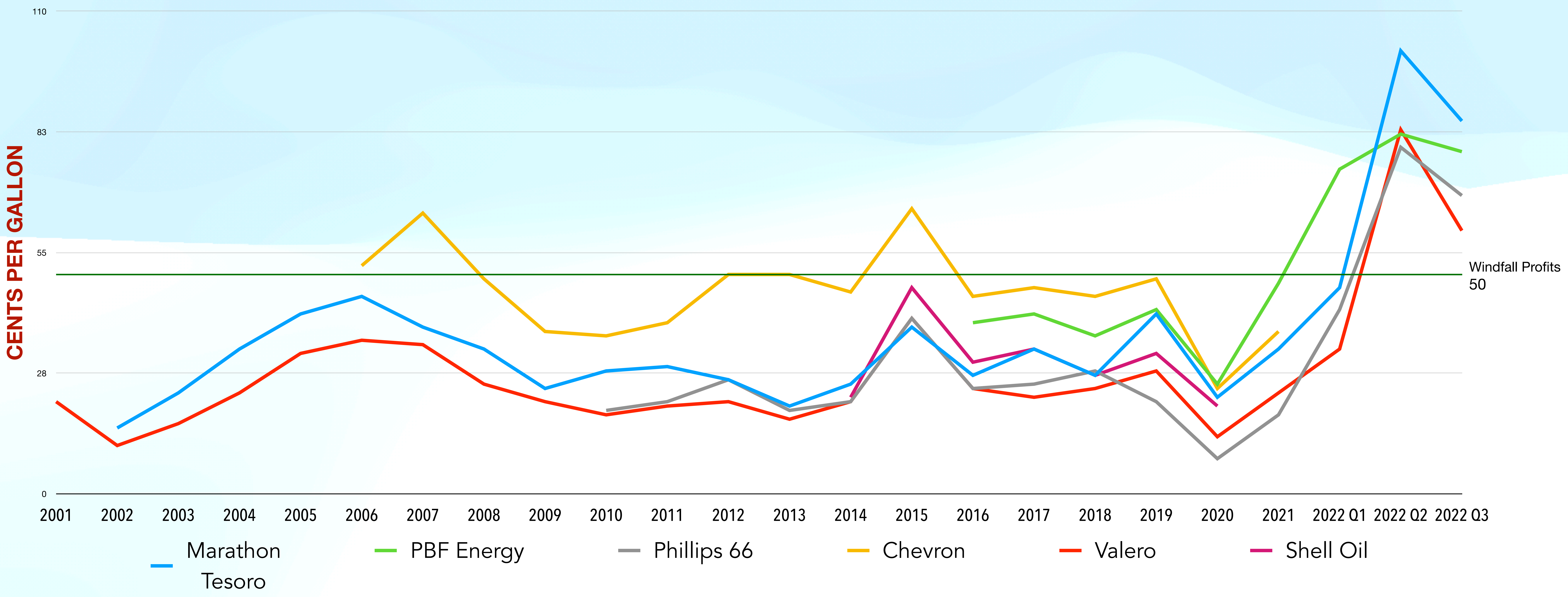
Year	Chevron (Chevron Texaco Until 2005)	Marathon / Tesoro	PBF Energy	Phillips 66	Valero	Shell Oil
2022 4th Q	70 Cents	68 Cents	41 Cents	40 Cents	36 Cents	
2022 3rd Q	95 Cents	85 Cents	78 Cents	68 Cents	60 Cents	
2022 2nd Q	$1.12	$1.01	82 Cents	79 Cents	83 Cents	N/A
2022 1st Q	63 Cents	47 Cents	30 Cents	42 Cents	33 Cents	N/A
2021	37 Cents	33 Cents	22 Cents	18 Cents	23 Cents	N/A
2020	24 Cents	22 Cents	8 Cents	8 Cents	13 Cents	20 cents
2019	49 Cents	41 Cents	32 Cents	21 Cents	28 Cents	32 cents
2018	45 Cents	27 Cents	36 Cents	28 Cents	24 Cents	27 cents
2017	47 Cents	33 Cents	41 Cents	25 Cents	22 Cents	33 cents
2016	45 Cents	27 Cents	39 Cents	24 Cents	24 Cents	30 cents
2015	65 Cents	38 Cents	N/A	40 Cents	40 Cents	47 cents
2014	46 Cents	25 Cents	N/A	21 Cents	21 Cents	22 cents
2013	50 Cents	20 Cents	N/A	19 Cents	17 Cents	N/A
2012	50 Cents	26 Cents	N/A	26 Cents	21 Cents	N/A
2011	39 Cents	29 Cents	N/A	21 Cents	20 Cents	N/A
2010	36 Cents	28 Cents	N/A	19 Cents	18 Cents	N/A
2009	37 Cents	24 Cents	N/A	N/A	21 Cents	N/A
2008	49 Cents	33 Cents	N/A	N/A	25 Cents	N/A
2007	64 Cents	38 Cents	N/A	N/A	34 Cents	N/A
2006	52 Cents	45 Cents	N/A	N/A	35 Cents	N/A
2005	N/A	41 Cents	N/A	N/A	32 Cents	N/A
2004	N/A	33 Cents	N/A	N/A	23 Cents	N/A
2003	N/A	23 Cents	N/A	N/A	16 Cents	N/A
2002	N/A	15 Cents	N/A	N/A	11 Cents	N/A
2001	N/A	N/A	N/A	N/A	21 Cents	N/A
AVG	46 Cents	30 cents	39 cents	22 cents	23 cents	30 cents

32 cents average 2001 - 2021

California Saw Windfall Profits Never Recorded By Oil Refiners

$3.1 Billion In 2022 Windfall Profits, if Cap Set at 50 cents per gallon

Profits Per Gallon, 2001-2022



Data Reported By Refiners To Their Investors Shows CA Oil Refiners More Than Doubled Their Profit Margins In 2022

Average Profit Margin 2001 – 2021: **32 cents per gallon**

2022 Profit Margin: **66 cents per gallon**

2022 Margins

Q4 51 cents/gallon

Q3 77 cents/gallon

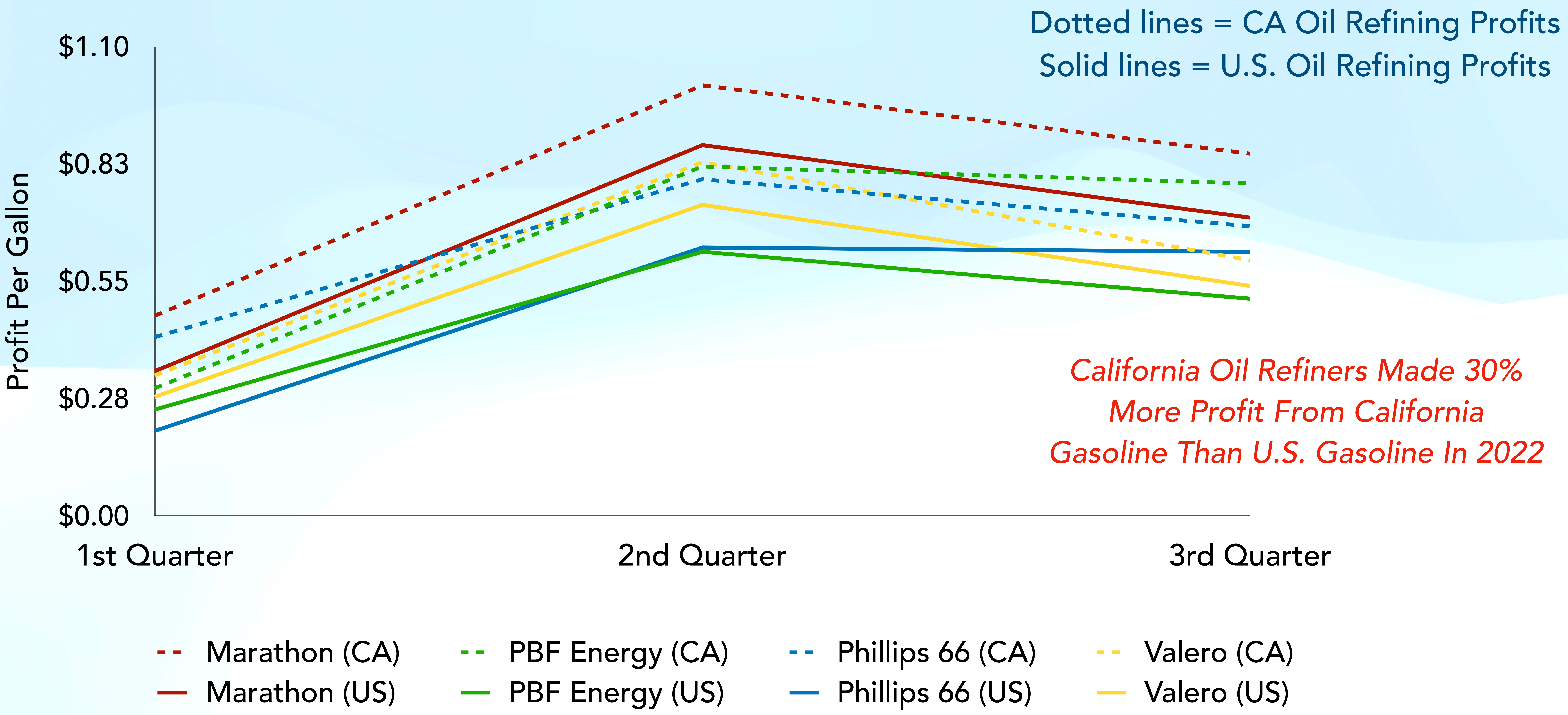
Q2 91 cents/gallon

Q1 42 cents/gallon

Oil Refiners Make 30% More Profit From West Coast/California

3RD Q 2022 Profits Per Gallon By Region	West Coast	Gulf Coast	Mid-Continent	East Coast	World	Average (excluding WC)	Percentage of CA profits greater than other regions				% Profits Higher in CA
							Gulf Coast	Mid-Continent	East Coast	World	
Chevron	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	
Marathon	$ 0.85	$ 0.65	$ 0.74	N/A	N/A	$ 0.70	29%	16%	N/A	N/A	22%
PBF Energy	$ 0.78	$ 0.49	$ 0.55	$ 0.48	N/A	$ 0.51	57%	45%	59%	N/A	54%
Phillips 66	$ 0.68	$ 0.50	$ 0.90	$ 0.45		$ 0.62	29%	-35%	37%		10%
Valero	$ 0.60	$ 0.47	$ 0.52	N/A	$ 0.57	$ 0.53	25%	15%	N/A	6%	13%
2ND Q 2022 Profits Per Gallon											
Chevron	N/A	N/A	N/A	N/A	N/A						
Marathon	$ 1.01	$ 0.85	$ 0.89	N/A	N/A	$ 0.87	18%	14%	N/A	N/A	16%
PBF Energy	$ 0.82	$ 0.59	$ 0.72	$ 0.72	N/A	$ 0.68	37%	16%	16%	N/A	21%
Phillips 66	$ 0.79	$ 0.59	$ 0.63	N/A	$ 0.67	$ 0.63	32%	25%	N/A	19%	25%
Valero	$ 0.83	$ 0.67	$ 0.71	N/A	$ 0.80	$ 0.73	22%	16%	N/A	4%	14%
1ST Q 2022 Profits Per Gallon											
Chevron	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	
Marathon	$ 0.47	$ 0.38	$ 0.29	N/A	N/A	$ 0.34	26%	53%	N/A	N/A	40%
PBF Energy	$ 0.30	$ 0.28	$ 0.20	$ 0.26	N/A	$ 0.25	8%	40%	16%	N/A	22%
Phillips 66	$ 0.42	$ 0.18	$ 0.18	N/A	$ 0.25	$ 0.20	120%	120%	N/A	85%	107%
Valero	$ 0.33	$ 0.31	$ 0.24	N/A	$ 0.30	$ 0.28	7%	32%	N/A	11%	16%
											30%

CA Profit/Gallon v U.S. Profit/Gallon



Rebates from 2022 For 4 of 5 Refiners

If Windfall Profits Capped At 50 cents/gallon

2022 2nd Q profits per gallon

	Profits $	% of Market	Gallons Sold	Excess Profit	Rebate
Marathon	1.01	0.21	735,000,000	0.51	$374,850,000.00
PBF	0.82	0.18	630,000,000	0.32	$113,400,000.00
Phillips 66	0.79	0.15	525,000,000	0.29	$152,250,000.00
Valero	0.83	0.14	490,000,000	0.33	$161,700,000.00
Q2 Windfall					$802,200,000.00

86 cents average in 2nd Q '22

2022 3rd Q profits per gallon

	Profits $	% of Market	Gallons Sold	Excess Profit	Rebate
Marathon	0.85	0.21	735,000,000	0.35	$257,250,000.00
Valero	0.60	0.14	490,000,000	0.1038	$50,862,000.00
PBF	0.74	0.18	630,000,000	0.24	$441,000,000.00
Phillips 66	0.68	0.15	525,000,000	0.18	$94,500,000.00
Q3 Windfall					$843,612,000.00

73 cents average in 3rd Q '22

2022 4th Q profits per gallon

	Profits $	% of Market	Gallons Sold	Excess Profit	Rebate
Marathon	0.68	0.21	735,000,000	0.18	$132,300,000.00

68 cents average in 4th Q '22

Q4 Windfall	$132,300,000.00
Q3 Windfall	$843,612,000.00
Q2 Windfall	$802,200,000.00
Rebate Owed	$1,778,112,000.00

WHY DO CALIFORNIANS NEED A WINDFALL PROFITS REBATE?

OIL REFINERS MADE 30% MORE PROFIT IN CA THAN ANYWHERE ELSE IN 2022

MARATHON®

OWES $764 MILLION REFUND

PBF Energy®

OWES $555 MILLION REFUND

PHILLIPS 66®

OWES $246.7 MILLION REFUND

VALERO

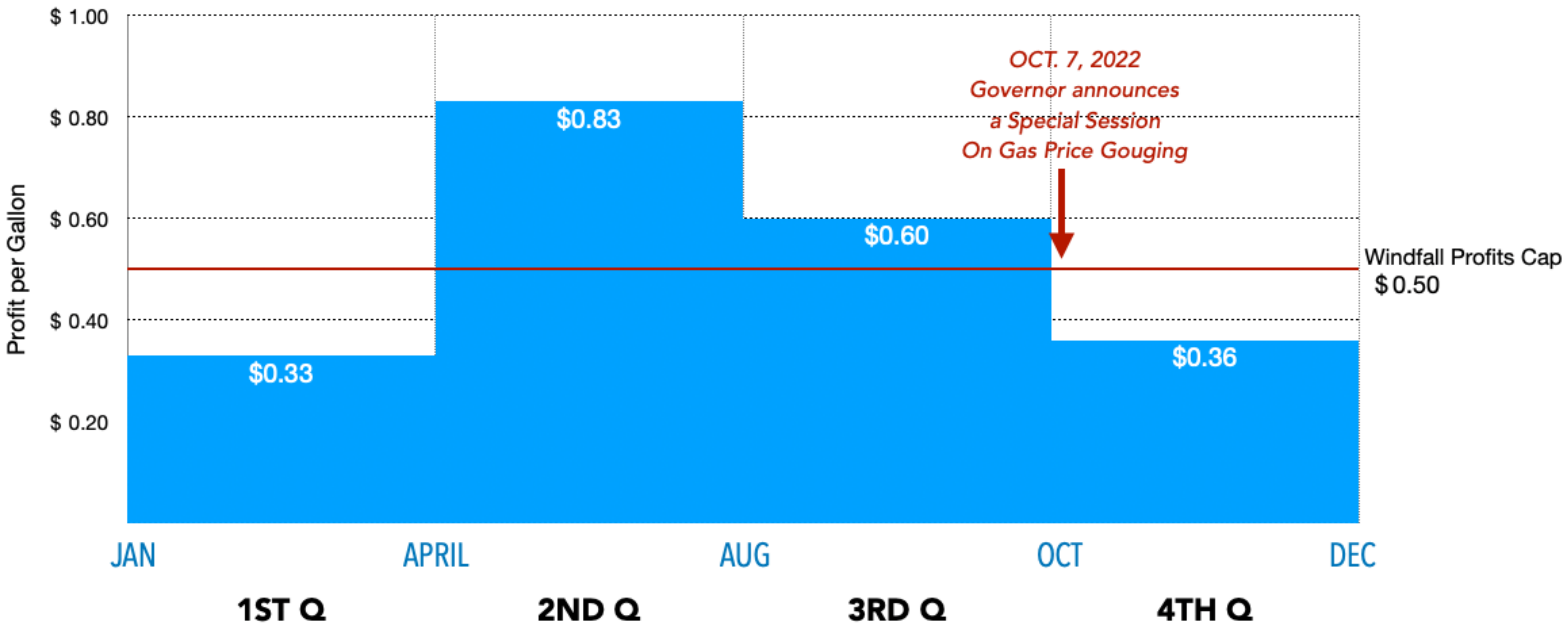
OWES $212 MILLION REFUND

SOURCE: CONSUMERWATCHDOG.ORG

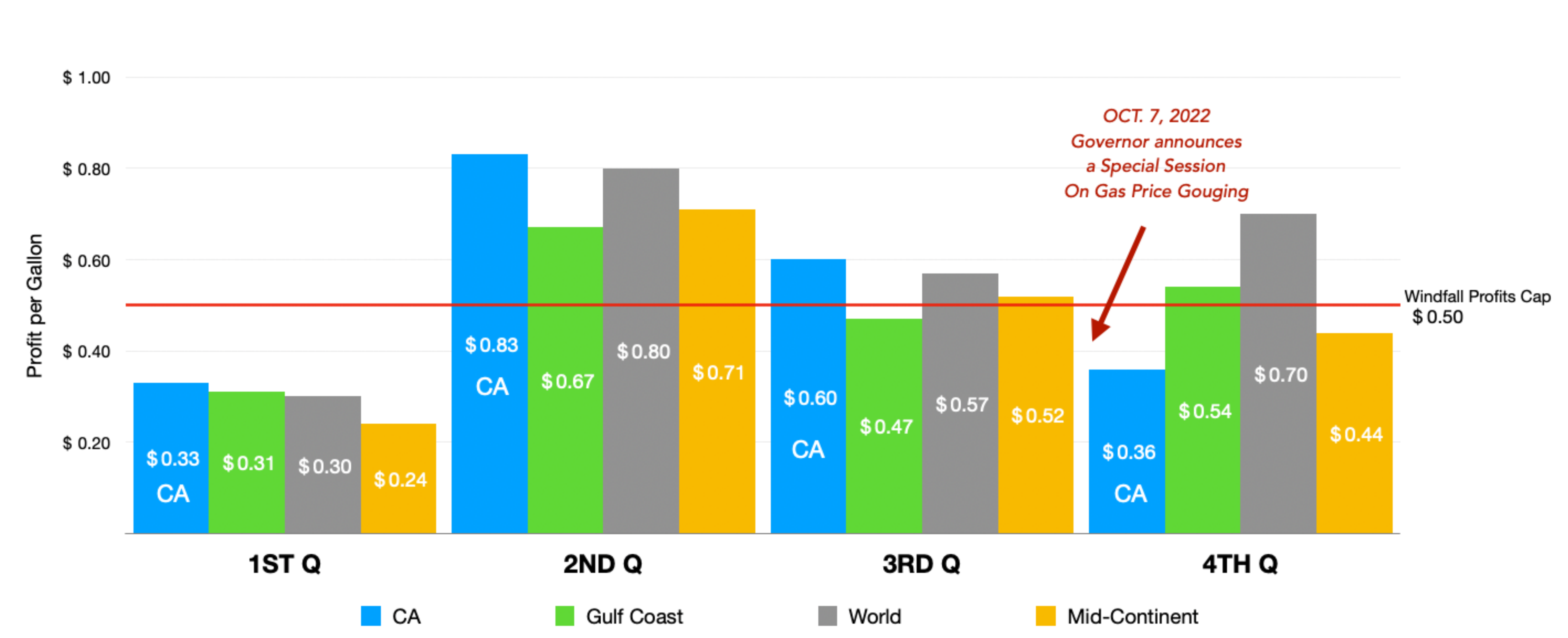
Why A Price Gouging Penalty?

- ☑ Creates price consistency
- ☑ Deters profiteering
- ☑ Creates a fair playing field
- ☑ Prevents oil refiners from using their pricing power to undermine environmental laws

After Governor Newsom Announces Special Session on Price Gouging, Valero CA Refining Margins Returns To Historical Norm In CA

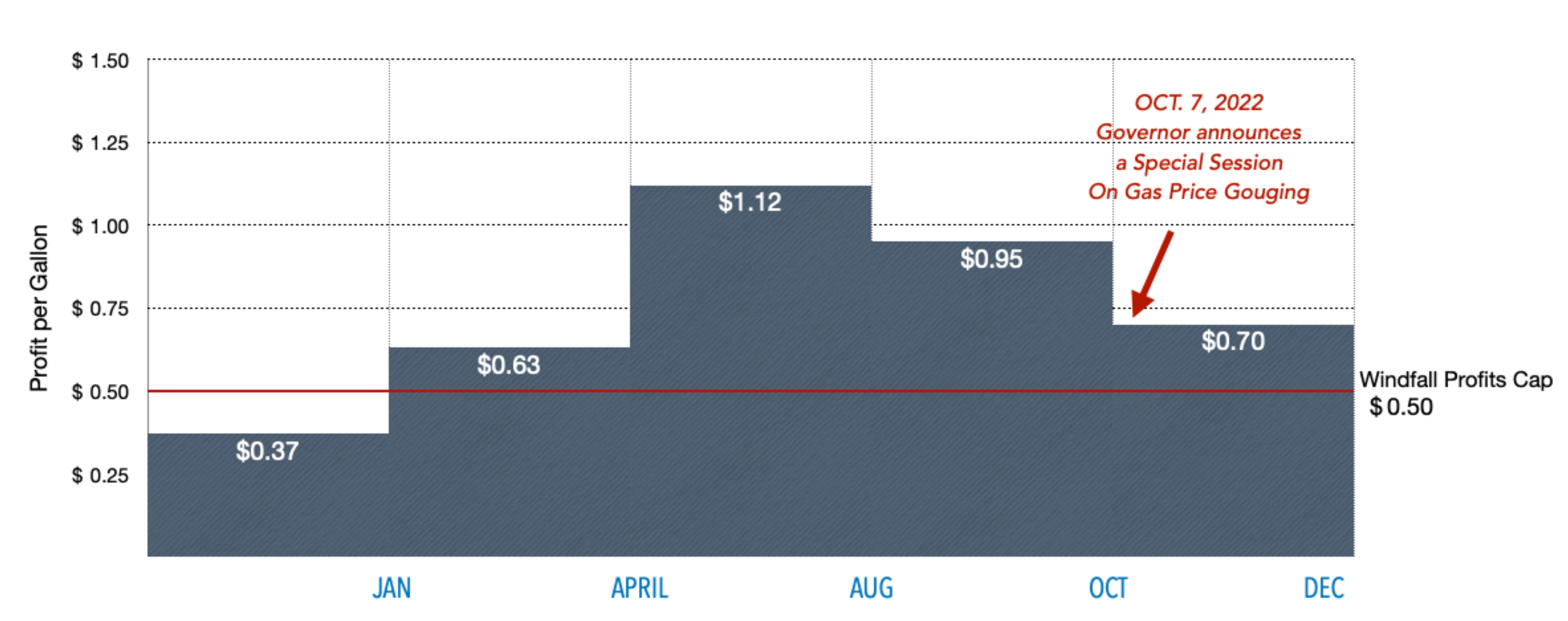


After Governor Announces Special Session, Valero CA Refining Margins Lower Compare to Other Regions, Despite Being Higher The Rest of 2022



PBF Margins Moderate after Governor Announcement of Special Session

Chevron Makes Record 85 Cents Per Gallon Profit Off West Coast Refining In 2022



Chevron

Chevron Windfall Profit Rebate 2022

$1.4 Billion

More Than 4 Billion
Gallons of Gas at
35 Cents Per Gallon

Total Estimated Price Gouging Penalty

$3.1 Billion

Executives And Insiders At CA Big 5 Oil Refiners Cashed Out $590 Million in Company Stock During 2022

Chevron Executives and Directors: **$150 Million**

PBF Energy Executives: **$12 Million**
1 PBF Insider, Slim Family (Own 10% of Stock): **$350 Million**

Marathon Executives and Director: **$48 Million**

Valero Executives and Directors: **$24 Million**

Phillips 66 Executives: **$4.8 Million**

A Precedent

In 1988, Prop 103 imposed a “reasonable rate of return” standard on insurance companies

Insurers threatened to leave the state, but never did….

- CA has the 2nd Most Competitive Auto Insurance Market World
- Cost of liability insurance decreased by 5.7% in California while increasing by 58 .5% nationwide

— Consumer Federation of America Feb 2019

Wednesday, January 31, 1990 ● San Jose Mercury News

State News

Major car insurers say they won't leave California

"I think the issue is not whether the insurance companies leave the state but whether we throw them out."

— Prop. 103 co-author Harvey Rosenfield

By Ed Pope
Mercury News Consumer Writer

Eight of the 10 largest auto insurers in California said Tuesday they have no intention of abandoning the $12 billion California market despite a Supreme Court ruling that has cleared the way for disgruntled firms to pull out.

In fact, several executives said the ruling could enhance competition in the Golden State, because it will make it easier for firms to come and go.

The eight who said they will stay insure more than 8 million automobiles, two-thirds of the insured passenger vehicles in the state.

"We're not leaving the state," said Jerry Clemans, a spokesman for the Farmers Insurance Group, the state's second-largest. "We've been here over 60 years, and we intend to stay."

Added Thomas R. Brown, chairman of the board of California Casualty, "Any company that has a significant market share in California will not choose to leave. They'll do their best to find a way to survive."

But Joe Annotti, executive director of Independent Insurance Agents and Brokers of California, said that while he does not expect "a stampede to the exits," the insurance climate in California will not get better until "we get no-fault insurance or fast-track arbitration, more auto-safety measures and tougher anti-fraud provisions."

Other companies who said they are staying included State Farm — which, with 3 million policies, is by far the largest; California State Automobile Association; 20th Century; Mid-Century (a Farmers subsidiary); Mercury Casualty; and State Farm Fire & Casualty (a subsidiary). Allstate and USAA insurance companies could not be reached for comment.

Some — such as CSAA, Mercury and California Casualty — have little choice but to stay, since virtually all their business is in California.

On Monday, the state Supreme Court delivered a victory to the industry, ruling in a case involving several Travelers subsidiaries that insurers may withdraw from the state. The decision was part of the continuing legal battle over the rate-cutting Proposition 103, passed by voters in November 1988.

The state Department of Insurance had said Travelers could not pull out without providing continuous coverage for its policyholders, and Travelers sued.

The immediate impact of the decision is minuscule because the Travelers group — which includes four companies — has only 18,000 policyholders. Only two other companies, Central Mutual Insurance Co. and a subsidiary, have asked to withdraw from the state. Together, they have fewer than 3,000 auto policyholders.

The Department of Insurance said that 90 percent of those dumped by the two groups will be able to get insurance with the company of their choice under a provision of Proposition 103 that guarantees coverage to good drivers (no more than one moving violation in the past three years).

Currently, more than 400 companies in the state offer auto insurance.

James Holmes, an attorney for the department, said Insurance Commissioner Roxani Gillespie is still studying the lengthy ruling and has not decided whether to appeal.

But, contrary to initial interpretations, the Supreme Court ruling requires companies leaving the state to find another insurer to take over their policies, Holmes said. However, the company that accepts the policies does not have to renew them when they expire.

The ruling emphasized that companies that withdraw "burn their bridges," according to Holmes, and cannot write other lines of insurance in the state. The effect of that ruling may be moot because most large insurance firms have several subsidiaries in California and those subsidiaries can continue to write other lines, such as homeowners, health, life and the like.

Not everyone was sanguine about the decision.

Jack Murgia, Northern California spokesman for Voter Revolt, the consumer group that put Proposition 103 on the ballot, said the court "just handed the industry a very big club. Giving them the power to cancel any line (of coverage) gives them a lot of room to maneuver."

He said the test will come when the department finishes drawing up rules for future rate regulation and the companies have hearings on their individual rate plans.

"That's when they can pull out the club," Murgia said.

Harvey Rosenfield, co-author of Proposition 103, said the issue soon may be even more cut and dried. His group will try to put a constitutional amendment on the ballot that would create an auto insurance monopoly run by the state.

"I think the issue is not whether the insurance companies leave the state but whether we throw them out," Rosenfield said.

"The multi-billion dollar California insurance market is the world's largest. As long as the economics remain lucrative, insurers of one company or another will remain to enjoy them."

SAN DIEGO TRIBUNE WEDNESDAY, JANUARY 31, 1990

Empty threats are bad policy

THE STATE Supreme Court on Monday affirmed the right of insurers to abandon California without providing policyholders with renewable backup coverage. It was a major victory for an industry that likes to use such Draconian threats to keep reformers chastened. But even with the court's approval, the industry isn't likely to decamp, leaving California motorists uncovered. The court ruling is more symbol than substance.

Although the court decided that voters can't use Proposition 103 to hold a reluctant industry hostage, money still can. Big money. The multibillion-dollar California insurance market is the world's largest. As long as the economics remain lucrative, insurers of one company or another will remain to enjoy them.

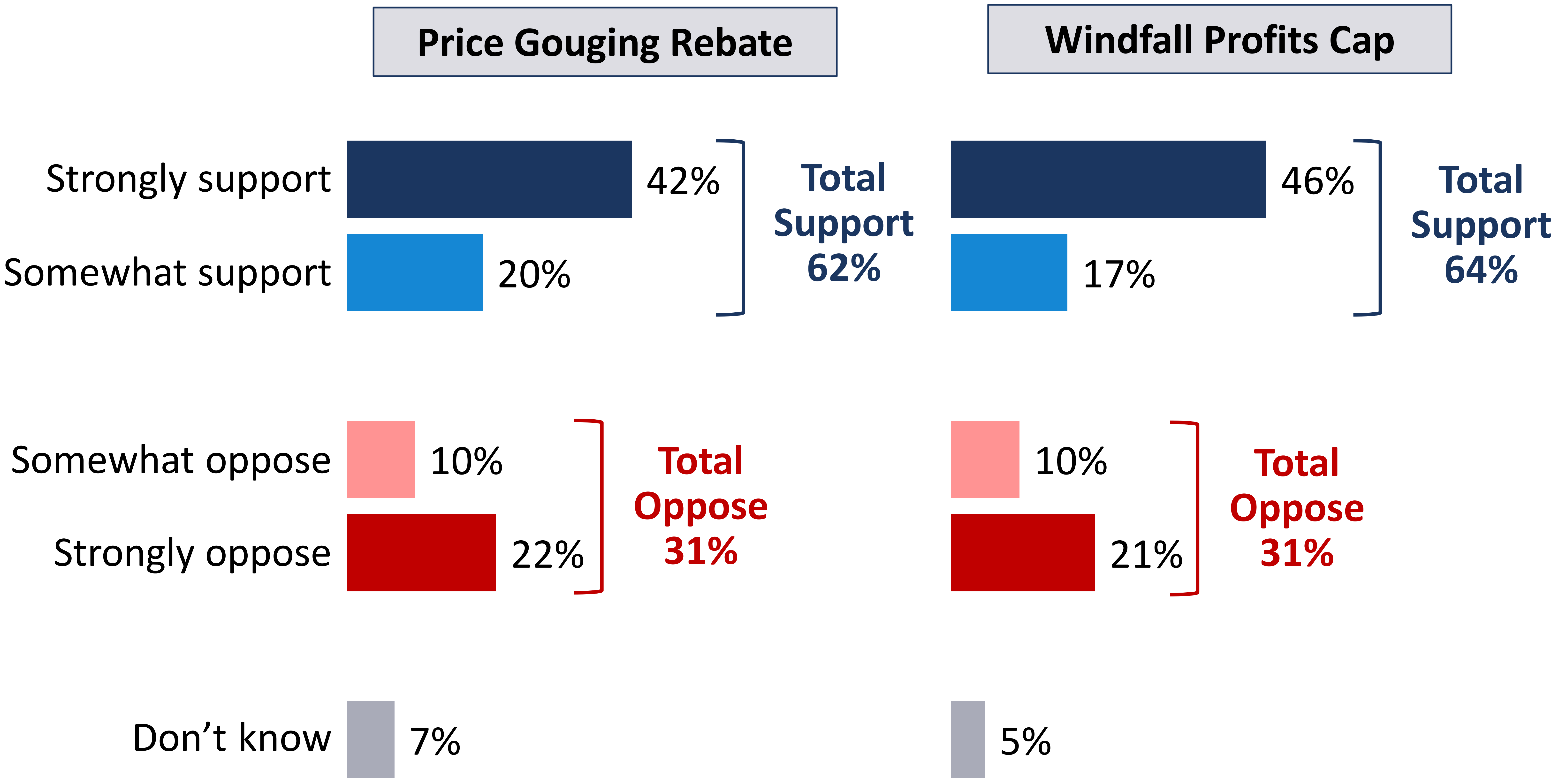
The challenge is to keep the California market economically attractive without gouging consumers. Just where to strike that balance is the subject of continuing hearings by Roxani Gillespie, state insurance commissioner. The new ruling is likely to have an impact on her deliberations.

Gillespie's task is to establish a "fair rate of return" for an industry accustomed to setting its own prices. Emboldened by the court's decision, insurers likely will return to the bargaining process intent on leveraging movement their way. But the commissioner and consumer groups involved in the process must not be bullied.

Virtually every auto insurer in the state threatened to quit the California market immediately after 103's passage in 1988. Anticipating that possibility, however remote, 103 authorizes the establishment of a joint underwriting authority if the commissioner finds that insurers have "substantially withdrawn" from the market. That authorization assures that some form of insurance will be available to motorists regardless of the whims of private industry.

So far, only a handful of insurers have followed through on threats to leave, but abandoned policyholders have had little trouble finding a different company to insure them. There is no reason to think that situation will change as long as the reform process remains fair to insurers and consumers alike. Insurers uncomfortable with the fair and open reforms of 103 are free to leave. They will not be missed.

More than six in ten voters back this proposal regardless of the terminology, and twice as many “strongly” support it as “strongly” oppose.



FM3 RESEARCH

*Q4. Based on this description, would you support or oppose the state of California establishing (**ASK SPLIT SAMPLE A:** “a price gouging rebate”) (**ASK SPLIT SAMPLE B ONLY:** “a windfall profits cap”) on oil refineries in California when the price of gasoline reaches an abnormally high level?*