

**Revised – As Amended RN2321551**

## SENATE THIRD READING

SB 842 (Jones)

As Introduced February 17, 2023

2/3 vote

**SUMMARY**

Modifies requirements on the California Energy Commission (CEC)'s development of regulations governing oil and gasoline refinery turnaround and maintenance that were established under Senate Bill X1-2 (Skinner, Chapter 1, Statutes of 2023).

**Major Provisions**

- 1) Requires the CEC to consult with the Department of Industrial Relations in considering ways to manage necessary refinery turnarounds and maintenance, and to do so in accordance with the process safety management standards adopted pursuant to existing statute.
- 2) Clarifies that the CEC must consult with labor and industry stakeholders for any adopted regulations regarding scheduling or rescheduling maintenance, and the CEC must aim to avoid adverse impacts to the safety of employees and surrounding communities, labor and equipment availability, other market impacts, and cost.
- 3) Specifies that no CEC regulations or action may excuse compliance with the workforce and wage requirements of stationary sources in existing statute.

**COMMENTS**

California's finished gasoline market is like an island. California has 11 refineries that refine crude oil into gasoline fuel; the majority are located in and around the South Bay region in the Los Angeles Basin, some in the East Bay region of the Bay Area, and the smallest by volume produced in Bakersfield. These refiners produce transportation fuels, including the specially formulated gasoline that meets California's air quality standards, known as California Reformulated Gasoline Blendstock for Oxygenate Blending (CARBOB) gasoline. The CARBOB specifications are unique to California; therefore, gasoline used in neighboring states generally does not meet CARBOB specification and cannot be used as a substitute source of our supply. The state's refineries process over 1.6 million barrels of crude oil per day for use in California (88%) or export (to other states as well as internationally, 12% combined). In addition to being isolated through the exclusive use of CARBOB, California's gasoline fuels market is geographically isolated from other locations in the U.S. that produce refined fuel products.

The relatively small number of California refineries makes our system vulnerable to unexpected disruptions. As a result, refinery outages can more dramatically impact our supply and pricing. This was the case after the unexpected outage in February 2015 at the then-Exxon Mobil Torrance Refinery which was due to an explosion at the facility. The extended shutdown of the Torrance refinery, in combination with an earlier shutdown at the Tesoro Golden Eagle refinery, took 17.5% of California oil processing capacity offline, severely constraining gasoline supply. Gasoline prices were immediately affected, jumping substantially within days of the explosion and subsequent shutdown.

When local supplies are insufficient to meet demand in the state, as was the case in 2015, prices can be impacted dramatically. This is especially true when unplanned refinery outages occur, or a backlog of planned maintenance compounds for multiple refiners in the state simultaneously. Ensuring the state tracks such maintenance operations and develops strategies to maintain adequate supply during outages is important to minimize gasoline price volatility.

As a result, during the Extraordinary Session called by Governor Newsom in December 2022, maintenance operations at refineries were subject to scrutiny. The Legislature passed SBX1-2 (Skinner, Chapter 1, Statutes of 2023) adding detailed reporting requirements on refiners to notify the CEC, under specified timelines, of any planned, unplanned, or turnaround scheduled maintenance (Public Resources Code § 25354 (m)). The statute additionally authorizes the CEC to regulate—in consultation with the Labor and Workforce Development Agency, labor, and industry stakeholders—the timing of turnaround and maintenance, if such a regulation can protect worker and public health and safety while also minimizing the risk of maintenance-driven supply shortages or price shocks. (Public Resources Code § 25354.2)

This bill amends provisions of the statute enacted during the Extraordinary Session related to the CEC’s development of regulations governing oil and gasoline refinery turnaround and maintenance. Specifically, the bill requires the CEC to also consult with the Department of Industrial Relations, and to consider the existing statutory process safety management standards when evaluating ways to manage refinery maintenance. Moreover, this bill clarifies that the CEC must consult with labor and industry stakeholders for any adopted regulations regarding scheduling or rescheduling maintenance, and adds impacts the CEC must aim to avoid in developing their regulations. Such adjustments to the CEC’s refinery maintenance regulatory authority were discussed by the refinery operators during hearings in the Extraordinary Session. They raised myriad health, safety, and cost concerns with the CEC regulating refinery maintenance. This bill does not revoke the CEC’s authority to regulate refinery maintenance, but does add additional considerations and process for such regulatory development.

### **According to the Author**

According to the author, “during the special session earlier this year, the legislature approved and the Governor signed, SBX1-2 by Senator Skinner, related to California’s gasoline supply and pricing issues. During the hearing of SB X1-2 before the Senate Energy, Utilities and Communications Committee, which I Chair, I expressed concern about a provision in the bill that granted the CEC the authority to consider ways to manage necessary refinery turnarounds and maintenance that would minimize the impact of maintenance related production losses on fuel prices. While the bill required consultation with the Labor and Workforce Development Agency and labor and industry stakeholders, it did not require consultation with the Department of Industrial Relations.

SB 842 would add the Department of Industrial Relations to the list of agencies that should be consulted to ensure that years of process safety management are considered. SB 842 would also add that for any regulations adopted by the CEC regarding scheduling or rescheduling of maintenance of refineries, the commission shall consult with labor and industry stakeholder and aim to avoid any adverse impact to the safety of employees and surrounding communities, labor, equipment availability, other market impacts, and cost.”

**Arguments in Support**

The entirety of this bill was deleted and replaced with new policy. Any position letters on file do not reflect the version of the bill as amended.

**Arguments in Opposition**

The entirety of this bill was deleted and replaced with new policy. Any position letters on file do not reflect the version of the bill as amended.

**FISCAL COMMENTS**

Unknown. This bill is tagged fiscal. However it was recently amended to remove all previous contents, so the cost to the state of this new policy is unclear.

**VOTES****SENATE FLOOR: 40-0-0**

**YES:** Allen, Alvarado-Gil, Archuleta, Ashby, Atkins, Becker, Blakespear, Bradford, Caballero, Cortese, Dahle, Dodd, Durazo, Eggman, Glazer, Gonzalez, Grove, Hurtado, Jones, Laird, Limón, McGuire, Menjivar, Min, Newman, Nguyen, Niello, Ochoa Bogh, Padilla, Portantino, Roth, Rubio, Seyarto, Skinner, Smallwood-Cuevas, Stern, Umberg, Wahab, Wiener, Wilk

**ASM HUMAN SERVICES: 8-0-0**

**YES:** Jackson, Alanis, Arambula, Bonta, Juan Carrillo, Calderon, Garcia, Lackey

**ASM APPROPRIATIONS: 16-0-0**

**YES:** Holden, Megan Dahle, Bryan, Calderon, Wendy Carrillo, Dixon, Mike Fong, Hart, Lowenthal, Mathis, Papan, Pellerin, Sanchez, Soria, Weber, Wilson

**UPDATED**

VERSION: February 17, 2023

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