



# **Senate Energy, Utilities and Communications – Informational Hearing**

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# Current Roles in Petroleum Market



## CEC

- Collect, analyze and post petroleum fuels data
- Track imports and exports of petroleum products for emergency planning and supply adequacy evaluations
- Conduct in-depth examinations of significant gasoline price spikes
- Assess petroleum fuels supply and price, and plan for a reliable, safe, equitable, and affordable transition away from petroleum

## CDTFA

- Industry participants file with CDTFA
  - Importers, refiners, terminal rack operators, position holders, suppliers, gas station operators
  - Motor Vehicle Fuel Tax, Sales and Use Tax, Underground Storage Tank Maintenance Fee, Oil Spill Prevention and Administration Fee
- CDTFA authority to examine books and records

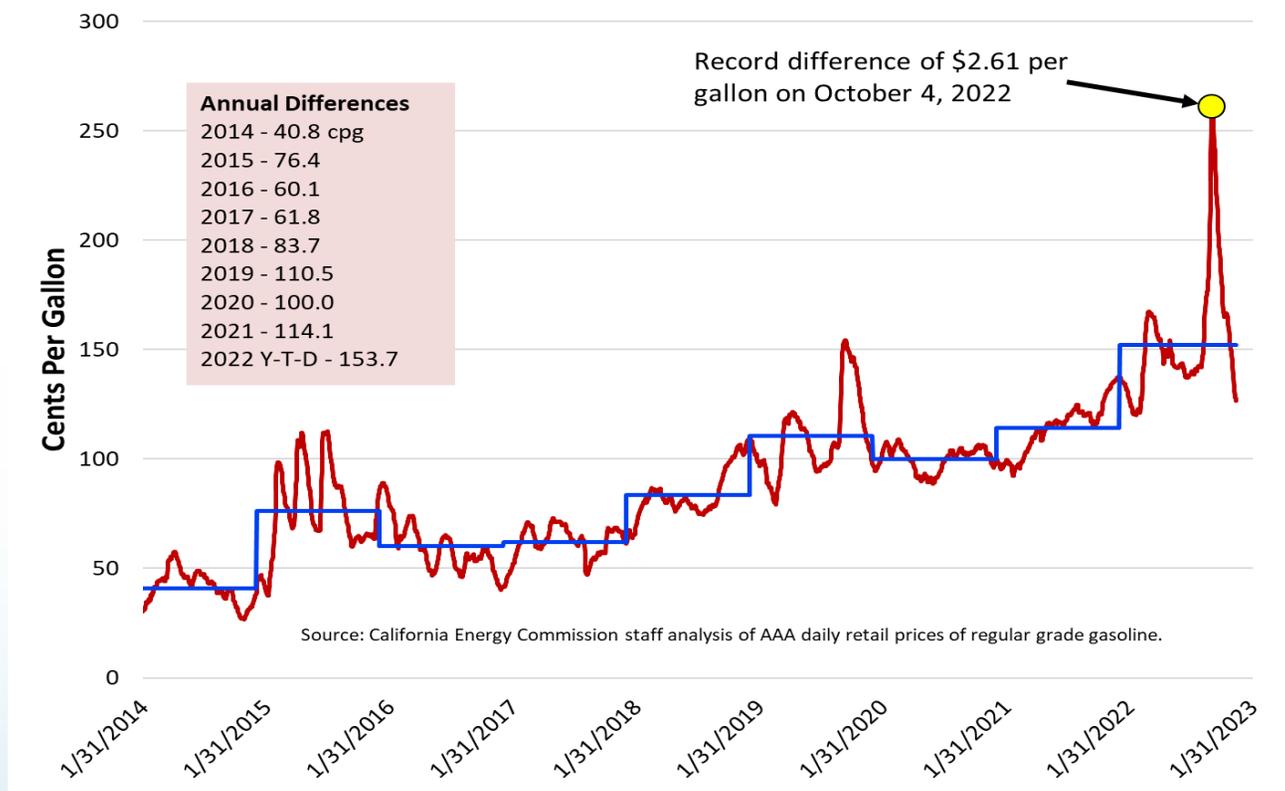


# California and U.S. Retail Prices





# California Less U.S. Retail Gasoline Price



# BREAKDOWN OF CALIFORNIA GASOLINE PRICES

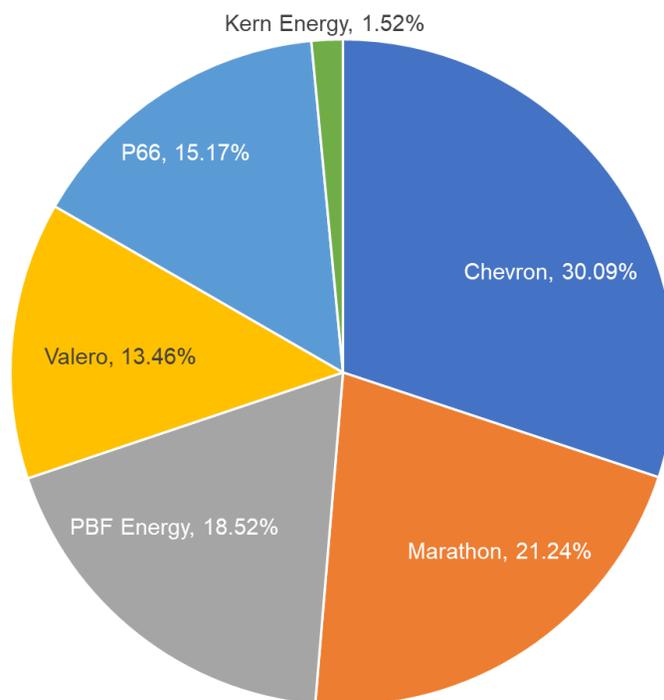




# CA Refining Market



Crude Oil Processing Capacity, Gasoline Producing Refineries Only





# California Gasoline Product Movements



## Gasoline production in 2021

- 88 percent of production used in California
- 12 percent exported
  - 3 percent went to Arizona
  - 5 percent went to Nevada
  - 4 percent went to other destinations



# California Gasoline Consumption

## Californians Consumed

**13.82 Billion Gallons**  
of finished gasoline in 2021

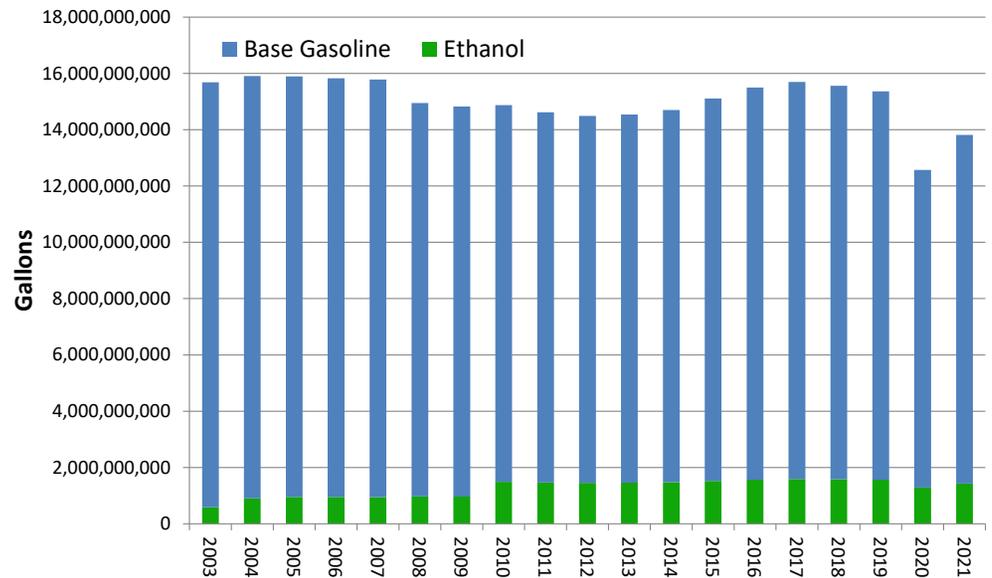
## Demand for Base Gasoline

**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

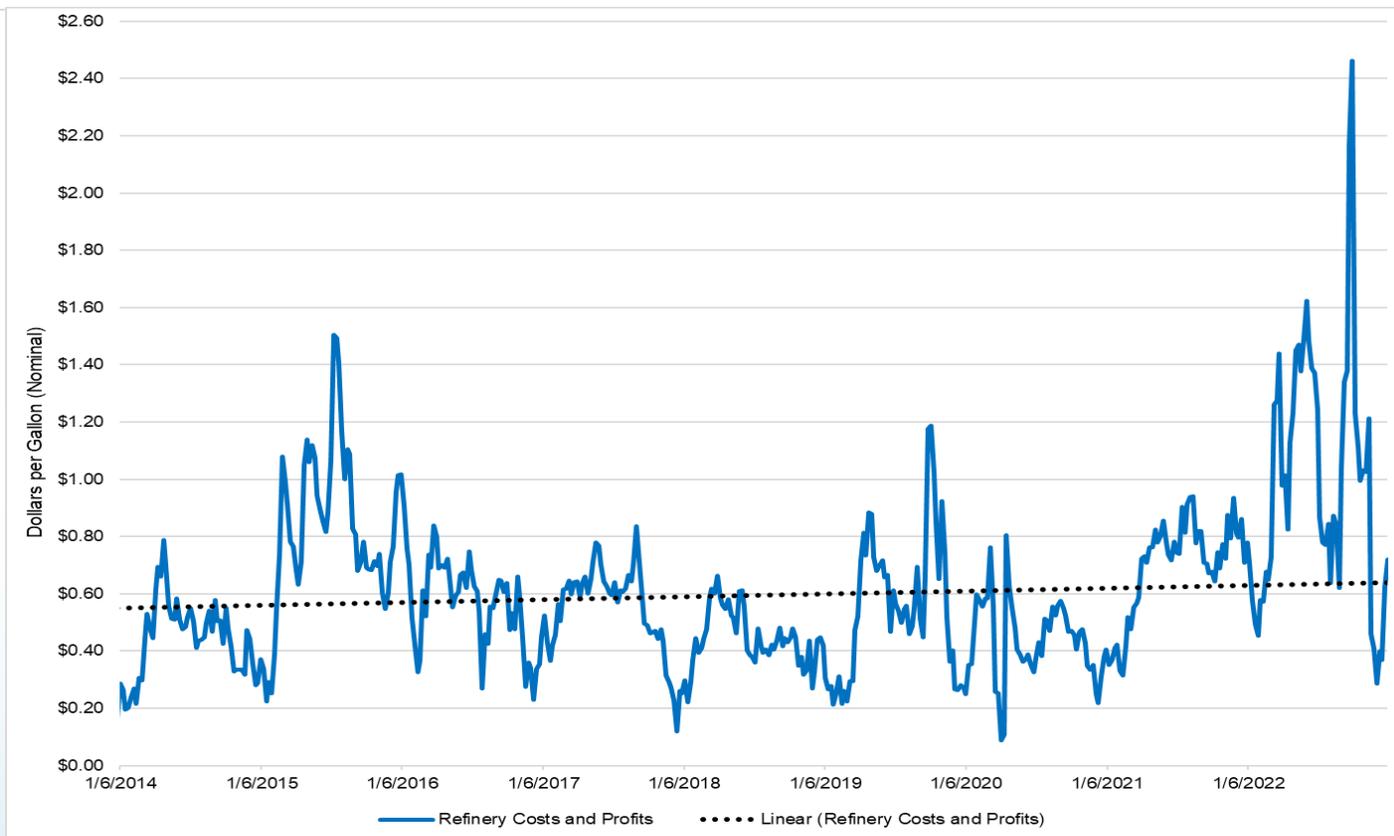
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- Lack of refining industry transparency
- Assess and plan for the transition away from petroleum fuels, focusing on mitigating price spikes and ensuring adequate supply
- Decreasing competition in the refining sector
- No market incentive to mitigate 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

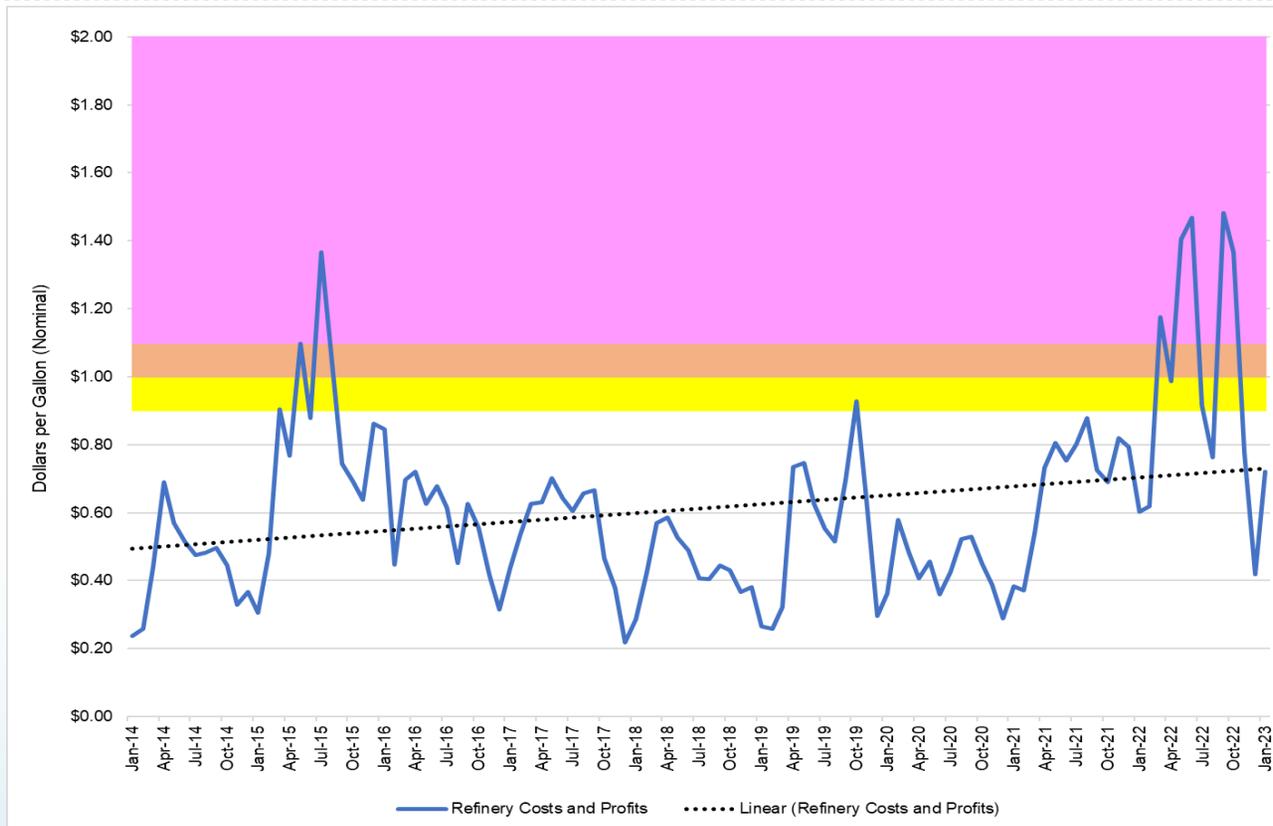


# Weekly Refinery Margin History





# Monthly Refinery Margin History





# Governor's Transparency Proposal

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- Reporting
- Assessment
- Oversight
- Investigation



## PIIRA and 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



# Reporting



## Governor's Proposal – CEC to collect:

- **Refinery maintenance information and events**
  - Upcoming planned maintenance and estimated decreased supply into market
  - Quantification of lost gasoline and diesel production from unplanned outages close to real time (within 48 hours of event)
- **Spot market transactions**
  - Proposal to disclose spot market activity, by party and amount, to give insight into supply stressors, market responses, and participants behavior
    - Additional data will provide insight into granular market actors as well as broad market behavior to inform whether an entity was manipulating the market
  - OPIS posts daily spot prices – no parties disclosed
- **Inventory holdings by type of market participant**
  - CEC currently receives total inventory data from third parties
  - Proposed new data will show:
    - Refiners who have contractual supply obligations
    - Traders who do not have supply obligations but can sell to those who do, especially after unplanned outages
  - Gives CEC insight into observing behavior showing who is acting to decrease upward pressure on prices



# Assessment

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## Goals

- Reliable, safe, equitable, and affordable transition away from petroleum
- Tools the state can utilize to assure a managed transition plan

## Considerations

- Price and demand scenarios
- Time horizons (for example, 3 years, 10 years, 20+ years)
- Equity
- Policies to address price volatility (for example, winter blend, tankers)
- Policies to increase access to alternatives



# Oversight

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- Establish an independent advisory committee of fuels market experts, consumers, and labor to provide the Governor, Administration, and Legislature with independent evaluation and recommendations



# Investigation



- CDTFA and CEC to study gasoline distribution and retail pricing
- Industry participants already file with CDTFA
  - Importers, refiners, terminal rack operators, position holders, suppliers, gas station operators
  - Motor Vehicle Fuel Tax, Sales and Use Tax, Underground Storage Tank Maintenance Fee, Oil Spill Prevention and Administration Fee
  - Returns provide no insight into profit or supplier contracts
- CDTFA and CEC to investigate and report on factors impacting gas prices
- CDTFA authority to examine books and records

# BREAKDOWN OF CALIFORNIA GASOLINE PRICES

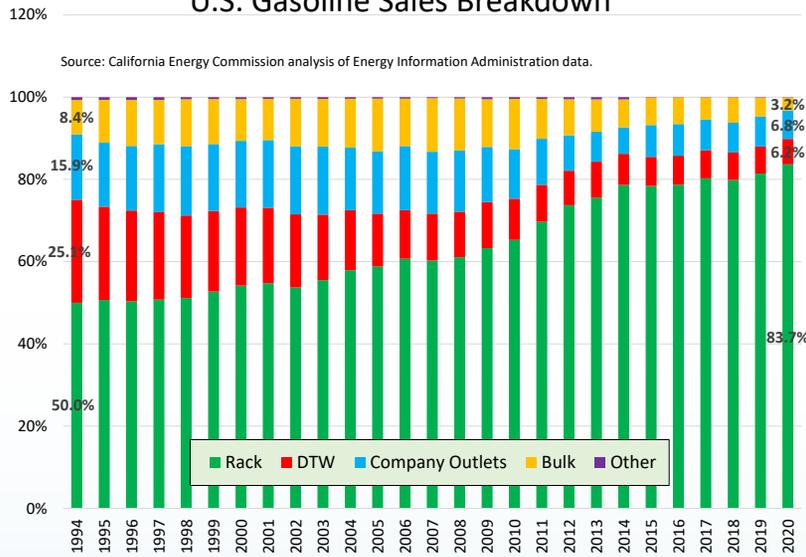




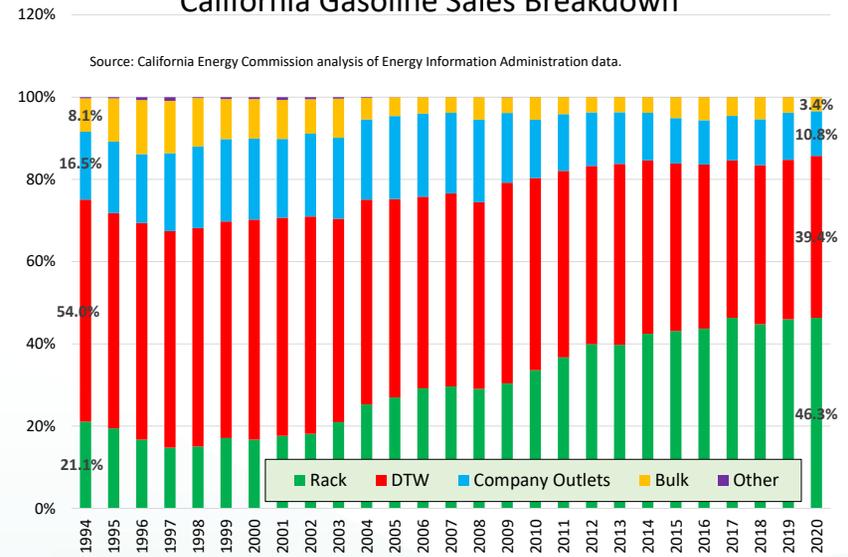
# Gasoline Supplier and Retail Pricing



## U.S. Gasoline Sales Breakdown



## California Gasoline Sales Breakdown





**Thank You!**

