
SENATE COMMITTEE ON FUEL SUPPLY AND PRICE SPIKES

Senator Steven Bradford, Chair

2023 - 2024 2nd Ext.

Bill No:	ABX2 1	Hearing Date:	10/7/2024
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Urgency:	No	Fiscal:	Yes
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SUBJECT: Energy: transportation fuels: inventories: turnaround and maintenance

DIGEST: This bill makes additional changes to and expands on SBX1-2 (Skinner, Chapter 1, Statutes of the 2023-2024 First Extraordinary Session) related to transportation fuels. Specifically, this bill authorizes the California Energy Commission (CEC) to increase transportation fuel supply through various actions, including by authorizing the CEC to develop requirements on refiners to maintain resupply plans to cover production loss during maintenance events and to maintain minimum levels of supply inventories. The bill also includes other related provisions.

ANALYSIS:

Existing law:

- 1) Requires the CEC, in consultation with the Labor and Workforce Development Agency and labor and industry stakeholders, to consider ways to manage necessary refinery turnarounds and maintenance that would protect the health and safety of employees and the public, and minimize the impacts of maintenance-related production losses on fuel prices. Authorizes the CEC, by regulation, to impose requirements governing the timing of turnaround and maintenance. (Public Resources Code §25354.2)
- 2) Requires the CEC, on or before January 1, 2024, and every three years thereafter, to submit an SBX1-2 Transportation Fuels Assessment (Assessment) to the Governor and the Legislature that, among other things, identifies methods to ensure a reliable supply of affordable and safe transportation fuels in California. (Public Resources Code §25371)
- 3) Establishes, pursuant to SBX1-2, beginning on June 26, 2023, the Independent Consumer Fuels Advisory Committee (ICFAC) within the CEC to advise the CEC and the Division of Petroleum Market Oversight (DPMO) within the CEC. Prescribes the composition of the eight-member ICFAC to include six specified

members appointed by the Governor (including a member representing labor), one member appointed by the Speaker of the Assembly, and one member appointed by the Senate Committee on Rules. Prohibits a member of the ICFAC from having been employed by, contracted with, or received direct compensation from, a company that produces, refines, distributes, trades in, markets, or sells any petroleum product in the preceding 12 months, except as provided. Specifies that the schedule of meetings of the ICFAC is to be prescribed by the CEC. (Public Resources Code §25373)

- 4) Establishes the Department of Industrial Relations (DIR) within the Labor and Workforce Development Agency and designates DIR to be responsible for administering the state plan for the development and enforcement of occupational safety and health standards relating to issues covered by corresponding standards promulgated under the federal Occupational Safety and Health Act of 1970 (Public Law 91-596). Requires the state plan to be consistent with the provisions of state law governing occupational safety and health, including, but not limited to, Chapter 6 (commencing with Section 140) and Chapter 6.5 (commencing with Section 148) of Division 1, and Division 5 (commencing with Section 6300), of the Labor Code. (Labor Code §50 *et seq.*)
- 5) Establishes the California Refinery and Chemical Plant Worker Safety Act of 1990 which states the intent of the Legislature that the Occupational Safety and Health Standards Board and the Division of Occupational Health and Safety (Cal/OSHA) within the DIR promote worker safety through implementation of training and process safety management practices in petroleum refineries and chemical plants and other facilities deemed appropriate. Defines “process safety management” to mean the application of management programs, which are not limited to engineering guidelines, when dealing with the risks associated with handling or working near hazardous chemicals. Process safety management is intended to prevent or minimize the consequences of catastrophic releases of acutely hazardous, flammable, or explosive chemicals. (Labor Code §7850 *et seq.*)
- 6) Requires every petroleum refinery employer to provide to the Cal/OSHA a full schedule of planned turnarounds for all affected units for the following calendar year, and defines the schedule submitted to be treated as a “trade secret.” Defines “turnaround” to mean a planned, periodic shutdown, total or partial, of a refinery process unit or plant to perform maintenance, overhaul, and repair operations and to inspect, test, and replace process materials and equipment. (Labor Code §§7872, 7873)

This bill:

- 1) Expressly requires the refinery turnaround regulations authorized by SBX1-2 to include:
 - a) a provision establishing that the health and safety of employees and the public are the primary consideration and that any harm to employees and local communities from changes to the timing of turnaround or maintenance is to be minimized, and
 - b) criteria that are required to be met before a refinery commences a turnaround or maintenance event, including, demonstrating to the satisfaction of the executive director of the CEC that a refiner has made resupply plans for other arrangements sufficient to ensure that the loss of production during the turnaround or maintenance event does not adversely affect the California transportation fuels market.
- 2) Requires the CEC, in consultation with the ICFAC, to consider the effects of refiners' inventories of fuel and feedstocks and blending components on the price of transportation fuels in California. Authorizes the CEC, by regulation, to develop and impose requirements for refiners operating in the state to maintain minimum levels of inventories of refined transportation fuels meeting California specifications, including any feedstocks and blending components.
 - a) Requires the regulations adopted by the CEC to provide for a multitude of considerations, adjustments, requirements, including:
 - i) A process to for establishing minimum inventory levels for each refiner or refining region, defined as the two in-state regions of concentrated refineries (San Francisco Bay Area and the Los Angeles Area).
 - ii) A process for maximizing the use of existing storage infrastructure, a recognition that the health and safety of employees and local communities are the primary consideration.
 - iii) A process for adjusting or waiving minimum inventory requirements (as specified), market conditions under which a refiner would be permitted or required to draw down its inventories.
 - b) Prohibits the CEC from adopting a regulation unless it finds that the likely benefits to consumers from avoiding price volatility outweigh the potential costs to consumers. Requires the CEC to consider specific factors in making that determination, including whether it is likely that the minimum levels of inventories of refined transportation fuels will lead to lower average retail

- prices on an annual basis than would exist without the minimum level of inventories.
- c) Provides that the CEC may consider a market-based compliance mechanism for refiners to maintain a minimum inventory at a regional level.
 - d) Prohibits the CEC from applying a minimum inventory requirement to a refiner in a manner that would be met only by the construction of additional storage infrastructure, as determined by the CEC.
 - e) Requires the CEC to submit a report to the Legislature one year after the adoption of the regulation, and each year thereafter, that includes an evaluation of the effectiveness of the regulation, including whether the regulation continues to meet the cost-effectiveness test.
 - f) Repeals these provisions on January 1, 2033.
- 3) Imposes an administrative civil penalty on a refiner or person who fails to comply with regulations adopted pursuant to the minimum inventory requirements authority of not less than \$100,000 and not more than \$1 million, per day for each day that the noncompliance occurs. Authorizes the CEC to seek any form of injunctive or remedial relief to enforce compliance with those regulations, as provided. Repeals these provisions on January 1, 2033 for the regulations authorized as noted above in paragraph (4), but remains operative for those regulations authorized under paragraph (3).
- 4) Expands the information required to be disclosed to the Speaker of the Assembly, the Senate Committee on Rules, and the relevant policy committees to also include provided under contract entered into the emergency regulations pursuant to Public Resources Code §25367 and the information shared with the ICFAC pursuant to Public Resource Code §25373.
- 5) Provides that any regulation, guideline, other standard adopted, or decision rendered, by the CEC under Chapter 4.5 Petroleum Supply and Pricing, also known as the Petroleum Industry Information Reporting Act of 1980 (PIIRA), is not a project for purposes of the California Environmental Quality Act (CEQA). Makes explicit that projects undertaken pursuant to a regulation, guideline, other standard or decision adopted (including the minimum inventories regulation) are not exempt from CEQA. Expressly states that the subdivision is declaratory of existing law and applies to all regulations, guidelines, other standards adopted, or decisions rendered, under this chapter before or after the effective date of this subdivision.
- 6) Requires that the CEC's SBX1-2 Assessment, beginning with the first Assessment submitted after the effective date of the bill, also include both an

evaluation of California's future petroleum product and crude oil import needs and identified steps that can be taken to ensure that marine infrastructure and port facilities will be adequate to accommodate the efficient movement of petroleum products to meet those needs and to evaluate ways to maximize use of existing infrastructure and minimize cumulative pollution burdens, and an evaluation of the effects on supplies of transportation fuels of state regulations that the CEC identifies may be causing supply constraints, or for which the CEC believes alternative compliance pathways should be considered by state agencies to mitigate potential impacts on supply.

- 7) Provides that the director of the DPMO is a "head of a department" and may undertake investigations in the manner prescribed in Article 2 (commencing with §11180) of Chapter 2 of Part 1 of Division 3 of Title 2 of the Government Code. Authorizes the DPMO to confidentially refer violations to the Attorney General.
- 8) Specifies that the prohibition for participating on the ICFAC does not exclude a representative of a labor organization whose membership consists of, in whole or in part, individuals employed by a company that produces, refines, distributes, trades in, markets, or sells any petroleum product.
- 9) Requires the ICFAC to meet no less than annually, instead of exclusively as prescribed by the CEC.

Background

- 1) *California gasoline fuels market is isolated.* California's gasoline fuels market is geographically isolated from other locations in the U.S. that produce refined fuel products. As of March 2024, California has nine refineries that refine crude oil into gasoline fuel that meets state requirements; the majority are located in and around the South Bay region in the Los Angeles Basin, a few in the East Bay region of the Bay Area, and the smallest by volume produced is located in Bakersfield. The state's refineries process over 1.6 million barrels of crude oil per day. In 2021, 88 percent of gasoline production was used in-state and 12 percent was exported. These refiners produce transportation fuels that meet the specially formulated gasoline to meet California's air quality standards mandated by the California Air Resources Board (CARB), known as California Reformulated Gasoline Blendstock for Oxygenate Blending (CARBOB) gasoline. The number of refineries has been decreasing as some have shuttered and others have transitioned to producing alternative fuels. The CEC has noted that as demand for gasoline declines due to the state's adoption of zero-emission vehicles, more refineries may close or convert to renewable fuels, as a

result, supply conditions may increase baseline prices and add to price spike risk.

- 2) *Unexpected disruptions and refinery facility outages can result in reduced supply and price increases.* California has no ability to deliver gasoline into the state via pipelines, as the existing pipelines only deliver gasoline and other refined fuels out of the state. As a result of California's isolated gasoline fuels market, unexpected and unplanned disruptions on the system, including unplanned and planned refinery outages, can impact the supply, which often affects price. This was the situation after the unexpected outage at the then-Exxon Mobil Torrance Refinery in February 2015 due to an explosion of the facility that resulted in an extended outage. Gasoline prices were immediately affected, as prices increased within a week of the outage.
- 3) *Extraordinary session and passage of legislation.* In late 2022, in response to spikes in the retail price of gasoline, Governor Newsom called the Legislature into an extraordinary session to consider ways to address the gasoline price spike. The Legislature, in turn, approved SBX1-2 (Skinner), which among its many provisions, required petroleum refiners to notify the CEC, under specified timelines, of any planned, unplanned or turnaround scheduled maintenance. SBX1-2 also directed the CEC, in consultation with the Labor and Workforce Development Agency and labor and industry stakeholders, to consider ways to manage necessary refinery turnarounds and maintenance that would protect the health and safety of employees and the public and authorized the CEC to regulate the timing of turnaround and maintenance.
- 4) *DPMO sends letters regarding gasoline price increases.* In September 2023, DPMO Director Tai Milder sent letters to the Governor and Legislature providing an interim update. The letter noted that the average price for gasoline was \$5.78 per gallon, 25 cents higher than the previous week, and 52 cents higher than the previous month. DPMO cited three reasons for the higher gasoline prices: (1) an increase in global crude oil prices; (2) refinery maintenance events causing decreases in supply that "refiners did not adequately prepare for by increasing inventories and imports; and (3) an unusual spot market transaction on September 15, 2023 that has had an outsized impact on gas prices, causing prices to jump \$0.50 per gallon. Director Milder suggested the situation highlighted "several market flaws that make California gasoline prices vulnerable to price spikes." These include: spot market volatility and its outsized impacts on prices, lack of spot market liquidity, inadequate inventories, of gasoline and blend stocks, and refinery undersupply during maintenance.

- 5) *Governor Newsom responds to DPMO letter.* On September 27, 2023, Governor Newsom directed DPMO to identify “initial proposals” of potential spot market reforms. In addition, Governor Newsom, as he had the previous year, directed the CARB to allow for an early transition to winter-blend gasoline in order to quickly increase fuel supply in the market. In January 31, 2024, DPMO sent a letter to the Governor outlining two policy options that can improve how California’s spot market functions and help protect consumers. Specifically, DPMO recommended near-term options: (1) publishing a California spot market report and (2) establishing minimum inventory and resupply obligations on refiners. The CEC moved forward with adopting new spot market reporting requirements, utilizing the authority in SBX1-2, including utilizing emergency regulations. On March 26, 2024, the California Fuels and Convenience Alliance (CFCA) filed a lawsuit against the CEC for failing to observe the requirements of CEQA and the California Administrative Procedures Act (APA) and other provisions of California law. The lawsuit remains active. With regards to establishing minimum inventory and resupply obligations, the CEC held a public workshop in August to discuss the issue.

Comments

- 1) *Fuel supply inventory reserves.* This bill explicitly authorizes the CEC to require refineries to maintain minimum fuel supplies during refinery turnarounds and maintenance outages. SBX1-2 authorized the CEC to develop regulations on the timing of refinery turnarounds and maintenance developed through consultations with the Labor and Workforce Development Agency and labor and industry stakeholders. This bill would require criteria that are required to be met before a refinery begins a turnaround or maintenance event, and explicitly states a criteria can be a requirement that the refinery has demonstrated resupply plans or other arrangements sufficient to ensure the loss of production during the event does not adversely affect the state’s transportation fuels market.
- 2) *CEC discussing resupply and supply reserves.* The CEC has hosted public workshops to discuss options for resupply or supply reserves during refinery turnarounds and maintenance events. Both CEC staff and DPMO have suggested that some level of resupply or supply inventory reserves may help reduce price spikes during refinery turnarounds, with DPMO noting that recent price spikes have been at times of refinery outages. At the August workshop, the CEC staff suggested a 15-day supply may be a helpful timeframe for days of storage that could stave off price spikes. In 2000, then-Attorney General Lockyer, convening with a taskforce of experts, had similar recommendation in a May 2000 preliminary staff report, *Report on Gasoline Pricing in California*,

which also sought to address gasoline price spikes. That report suggested a state reserve or some on-hand inventory (perhaps including stored at facilities owned by electric utilities) may be helpful. However, the efforts to establish a state reserve of fuel supply never gained enough traction and in a 2003 report in response to legislation requiring an assessment of this option, the CEC recommended against such an approach due to several unintended consequences, including raising the costs to consumers of eliminating lower-than-average prices. However, the concept of additional gasoline inventories has continued to be raised in policy discussions over the years, particularly when gasoline prices increase.

- 3) *CEC SBX1-2 Transportation Fuels Assessment.* More recently, the CEC Transportation Fuels Assessment required by SBX1-2, and recently finalized in August, provides several preliminary options to ensure a reliable supply of affordable and safe transportation fuels in California, including a preliminary scope of requiring supply inventories. In considering storage options, including stock minimums and state run reserves, the Assessment noted these options are likely to require large investments or other spending for infrastructure construction or leasing. With regards to stock minimums for refiners and terminals, the Assessment suggests that contingency reserves of gasoline fuel at refiners could mitigate short-term price spikes by providing a quickly available supply reserve.
- 4) *Concerns about impacts to fuels market.* The Assessment also acknowledges challenges with requiring contingency reserves during refinery turnarounds and maintenance events, including many raised by the industry opposition to this bill. These include the potential to artificially create shortages in downstream markets, increase average prices for refiners to maintain storage, and the need to develop a process or program to orchestrate the use of the volumes held in reserve. Additionally, the Assessment notes that downstream impacts could impact spot market prices in uncertain ways, although a market equilibrium may likely emerge at a higher price level. This bill attempts to mitigate some of these concerns (while also acknowledging these risks) by prohibiting the CEC from adopting a regulation to require refiners to maintain minimum levels of inventories of refined transportation fuels, including feedstocks, unless the CEC finds that the likely benefits to consumers from avoiding price volatility outweigh the potential costs, among other considerations and requirements. Nonetheless, the concerns about potentially increasing overall costs for gasoline, even as temporary price spikes and volatility may be reduced, are important considerations for the Legislature to consider in whether to explicitly authorize CEC regulation to require inventory contingency reserves.

- 5) *Available existing storage?* In testimony at recent Assembly hearings and public workshops, the CEC has stated their analysis finds there is available storage capacity within the existing storage infrastructure of refinery operations in the aggregate to provide for the resupply or minimum inventory requirements to help reduce the likelihood of future price spikes. However, the CEC and DPMO have noted the need for continued analysis on an individual refinery level to assess how a regulation to require minimum inventories and resupply plans during refinery turnarounds and maintenance events would occur. DPMO explicitly testified to the need for this legislation to ensure the participation of refineries in this endeavor. The opponents of this bill, including the Western States Petroleum Association, raise concerns that the CEC and DPMO analysis does not fully consider the many variables associated with existing storage capacity, including the number of other owners and operators, beyond refineries, that participate in the petroleum market and own storage. The provide an analysis by the Brattle Group that further notes the complicated nature of the petroleum system and the challenges of requiring minimum inventories due to the complicated gasoline supply system and the cycling of the fuel, including the important role of marine terminals. The opponents raise concerns that an aggregate amount of capacity may not be indicative of actual available capacity at refineries or consider the complicated system of cycling fuel and feedstocks to supply the market. In this regard, the bill attempts to address these concerns by requiring the CEC to make specific determinations and include specific considerations prior to adopting regulations, including regarding available existing storage capacity at refineries and the effects on overall gasoline prices. However, given the CEC's analysis would be conducted as part of the regulation authorized by this statute, the opposition remains opposed.
- 6) *Worker safety.* SBX1-2 requires petroleum refiners to notify the CEC, under specified timelines, of any planned, unplanned or turnaround scheduled maintenance. SBX1-2 also directed the CEC, in consultation with the Labor and Workforce Development Agency and labor and industry stakeholders, to consider ways to manage necessary refinery turnarounds and maintenance that would protect the health and safety of employees and the public and authorized the CEC to regulate the timing of turnaround and maintenance. This bill attempts to further address worker safety; however, numerous public comments, including from those representing workers at refineries, have raised concerns that the language is not strong enough to ensure the safety of workers and local communities.
- 7) *Advisory committee.* It's been over a year since SBX1-2 has been chaptered into law, soon after, the Assembly and the Senate each made their respective

appointment to the ICFAC. However, the Governor has not made the appointments of the six remaining members. As such, the ICFAC has not been convened or provided input into the development of the any of the assessments or regulations stemming from SBX1-2. This bill would individuals representing unions who represent members employed by a company that produces or refines petroleum would not be considered a conflict-of-interest to prohibit participation in the advisory committee. Given that the committee has yet to meet, even as the CEC and DPMO have proceeded to develop reports and regulations authorized by SBX1-2, the bill would require the ICFAC to meet at least annually.

- 8) *CEQA language.* As noted above, in March, the CFCFA filed a lawsuit against the CEC for failing to observe the requirements of CEQA and the APA and other provisions of California law in proposing to adopt spot market reporting requirements. Presumably, the CEQA language proposed in this bill is an attempt to make explicit that the agency is protected against CEQA-related litigation for regulations related to PIIRA statutes, including those authorized in SBX1-2 and this bill, which includes the proposed spot market reporting requirements currently subject of litigation.
- 9) *Amendments proposed* ([Attached Link](#)). The following amendments have been negotiated by Senate and Assembly leadership and the Governor's Office, they are proposed for this bill as reflected in RN 2422991 and characterized below:
 - a. *Clarification that the regulations must protect the health and safety of employees, local communities, and the public.*
 - b. *Strengthening and clarification of worker safety protections, including reference to existing law regarding process safety management, California Occupational Safety and Health Standards, and worker protections in the Health and Safety Code, which shall be unaffected, and not compromised, by the authorized regulations in this bill.*
 - c. *Clarification of the ability of the CEC to waive minimum inventory requirements for small refineries, specifically referencing the federal definition under Section 80.2 of Title 40 of the Code of Federal Regulations, as currently in effect, which provides that a small refiner is one where the average aggregate daily crude oil throughput does not exceed 75,000 barrels.*
 - d. *Clarifications concerning the authority to authorize trading of the use of compliance mechanisms for each refinery that is tradeable between or within each refining region to meet the minimum inventory requirements and deletes reference to authorizing "a market-based compliance mechanism."*

- e. Clarification that a member on the ICFAC representing labor is from a labor organization with experience in refinery operations.*
- f. Additional clarifying amendments.*

Prior/Related Legislation

SBX1-2 (Skinner, Chapter 1, Statutes of 2023-24 First Extraordinary Session) included 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.

SB 842 (Bradford, 2023) would have required the CEC to also consult with the DIR, in addition to the Labor and Workforce Development Agency, when considering ways to manage necessary refinery turnarounds and maintenance. Would have required the CEC, for any adopted regulations regarding scheduling or rescheduling of maintenance, to consult with labor and industry stakeholders and aim to avoid any adverse impacts to the safety of employees and surrounding communities, labor and equipment availability, other market impacts, and cost. The bill was vetoed.

SB 1322 (Allen, Chapter 374, Statutes of 2022) required the CEC to collect specified pricing data from each oil refinery operating in the state.

SB 448 (Leno, 2013) would have required the CEC to collect and analyze specific information regarding petroleum pricing, establish the Motor Vehicle Fuel Market Advisory Committee to provide subject matter expertise on fuel pricing, and include specified recommendations regarding its findings, including an analysis of potential market manipulation in the Integrated Energy Policy Report. The bill was vetoed.

AB 2076 (Shelley, Chapter 936, Statutes of 2000) required the CEC, by January 31, 2002, to examine the feasibility of operating a strategic fuel reserve to insulate California consumers and businesses from substantial short-term price increases arising from refinery outages and other similar interruptions.

SB 1444 (Holmdahl, Chapter 1055, Statutes of 1980) established the PIIRA which requires specified monthly and annual reporting requirements for certain members of the petroleum industry and quarterly and annual reporting of the CEC. The bill includes confidentiality protections for the data submitted so as to prevent unfair competitive disadvantage.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

Governor Gavin Newsom, State of California (co-source)
Attorney General Rob Bonta, State of California (co-source)
Supervisor Vicente Sarmiento, Orange County District 2
350 Bay Area Action
Action Asian Pacific Environmental Network
Active San Gabriel Valley
California Environmental Justice Alliance
California Nurses Association
Campaign for A Safe and Healthy California
Center for Biological Diversity
Center for Community Action and Environmental Justice
Center on Race, Poverty & the Environment
City of West Hollywood
Communities for A Better Environment
Consumer Watchdog
Environmental Working Group
Labor Network for Sustainability
National Nurses United
Natural Resources Defense Council
Physicians for Social Responsibility - Los Angeles
Physicians for Social Responsibility - San Francisco Bay Area Chapter
Service Employees International Union California
The Climate Center
Union of Concerned Scientists
United Food and Commercial Workers, Western States Council

OPPOSITION:

Bay Area Council
California Business Properties Association
California Independent Petroleum Association
California Manufacturers & Technology Association
Central Valley Business Federation
Chamber of Commerce: Garden Grove, Greater Bakersfield, Greater Conejo
Valley, Kern County Hispanic, Long Beach Area, Los Angeles Area, Port
Hueneme, Redondo Beach, South Bay Association, South County, Torrance,
and Wilmington
Coastal Energy Alliance
Council of Business & Industrial West Contra Costa

County of Kern
East Bay EDA
East Bay Leadership Council
Harbor Association of Industry & Commerce
Industrial Association of Contra Costa County
Inland Empire Economic Partnership
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths,
Forgers and Helpers
Kern Citizens for Energy
Kern County Economic Development Corporation
Kern County Taxpayers Association
Los Angeles County Business Federation
Orange County Business Council
PTS Advance
SAGE
San Gabriel Valley Economic Partnership
State Building & Construction Trades Council of California
Valley Industry & Commerce Association
VC CoLAB
Ventura County Taxpayers Association
West Ventura County Business Alliance
Western States Petroleum Association

ARGUMENTS IN SUPPORT: A coalition of environmental organizations, including the Asian Pacific Environmental Network, Natural Resources Defense Council, and Communities for a Better Environment state:

The oil industry has a long history of taking advantage of Californians through toxic oil drilling near schools, polluting communities through refining, and exporting oil and gas products outside of California, all while making billions by profit spiking at the expense of hardworking Californians. This measure will continue supporting the authority of the CEC to counter industry market manipulation and price spikes by maintaining minimum gasoline inventories. Many of our organizations have engaged throughout the valuable SBX1-2 implementation process at the California Energy Commission (CEC) and strongly support a regulatory framework that protects frontline communities as well as all Californians, holds refineries accountable for unnecessary price spikes, and continues to support a transition away from fossil fuels.

ARGUMENTS IN OPPOSITION: The California Fuels and Convenience Alliance contends “the bill could lead to unintended consequences that would

destabilize the fuel market, impose undue financial burdens on consumers, and exacerbate existing infrastructure and regulatory challenges.” They express concerns that requirements to maintain minimum contingency reserves could impact downstream fuel supplies, as refiners may be compelled to withhold stocks that would otherwise be distributed to meet market demand. Additionally, they argue that these requirements would increase refiners’ operational costs to develop and maintain storage capacities which would then be passed along in the supply chain.

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