WSPA

Catherine Reheis-Boyd
President and CEO

June 22, 2022

The Honorable Anthony Rendon
Speaker of the California State Assembly
State Capitol Annex, Room 8330
Sacramento, CA 95814

Dear Speaker Rendon:

Californians are undoubtedly facing unprecedented economic and affordability challenges today in every facet of their daily lives, including higher grocery, energy, and housing costs. The impact of these challenges are being felt most by middle- and lower-income Californians who can least afford the acceleration of California's energy policies. Western States Petroleum Association (WSPA) and its member companies recognize these extraordinary times and stand ready to work with policymakers on realistic energy policy solutions and the role our industry must play to provide cleaner, affordable energy California families and businesses need now and for decades to come.

This affordability crisis should be a wakeup call for all policymakers, including Governor Gavin Newsom, the California State Legislature, and at the local level. The policy decisions Governor Newsom and the legislature have made and continue to make have a direct impact on the cost of fuel for California families and businesses. Over the last several years, you and your colleagues have promoted energy legislation, executive orders, and regulations that have directly added and continue to add to the cost of fuel for your constituents.

Over the years, our industry has undergone numerous investigations by multiple Attorneys General and none of them resulted in any allegations of wrongdoing. It's now time for this legislature and Governor Newsom to start taking responsibility for their own decisions. While California may be leading with its policy ambitions, it has not been without significant cost to the entire California economy. The policies you have pursued, that continue contributing to increased California fuel costs include:

> **Banning Internal Combustion Engine –** the California Air Resources Board (CARB) is currently developing rules through its Advanced Clean Cars II rulemaking to implement the Governor's unrealistic executive order, banning the internal combustion engine (ICE) by 2035. The market implications for this action are severe and the higher costs will be most felt by the middle- and lower-income Californians. A recent analysis by Stillwater Associates found that CARB's rulemaking will result in operators of ICE vehicles having to travel farther to reach fueling sites, and pay considerably more to cover the additional costs of supply that are likely on the order of $0.35 per gallon in 2035 and $0.90 per gallon in 2050.[1] In addition, legislative and regulatory policies continue to jeopardize the state's refining capacity, which can lead to shortages of fuel and higher costs.
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> **Eliminating In-State Oil Production –** California continues to pursue an aggressive agenda to ban all in state production of fossil fuels, while at the same time, demand in the state continues to grow.[1] Through his executive orders, Governor Newsom has instituted a de facto ban on oil production by refusing to issue new permits for oil production and banning the use of hydraulic fracturing. CARB is proposing to prematurely eliminate in-state production through its draft Scoping Plan. California Geologic Energy Management Division (CalGEM) is undertaking a rulemaking on oil and gas setbacks that will eliminate a large portion of the state's production. An analysis by Capital Matrix Consulting found that these policies will potentially increase the cost of producing gasoline by between $1.00 and $2.00 per gallon.[2] The State Assembly is currently debating Senate Bill 1314 (Limón), a measure that would even ban production of some of the least carbon intensive crude in the world.

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[1] Stillwater Associates, *Possible Market Implications of California's Efforts to Ban ICE, February 2022*

[2] Capitol Matrix Consulting, *Impacts of SB 467 and Other Restrictive Oil Production Policies on Jobs and Retail Prices,* March 2021

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Increasing Cap & Trade Costs – Today, California's unique cap-and-trade climate program adds 25 cents to every gallon of gas made in California.[3] While this industry has worked hard to ensure there are appropriate cost containment mechanisms in place, the legislature continues to propose policies that remove consumer protections and seek to arbitrarily drive up program costs. Seemingly oblivious to the current economic environment, Senate Bill 1391 (Kamlager) and Assembly Bill 2793 (Muratsuchi) seek to change the cap-and-trade program to increase the cost of carbon. CARB and the Legislative Analyst's Office have found that every $10 increase to the cost of carbon equals roughly a 09 cents per gallon increase to the cost of fuel.[4] As CARB also moves to adopt its ICE ban rulemaking, Stillwater estimates the costs added to fuels by cap-and-trade will be 85 cents per gallon in 2031 and $1.75 per gallon by 2050.[5]

Increasing Low Carbon Fuel Standard Costs – Low Carbon Fuel Standard (LCFS) is another program unique to California, which currently adds an additional 16 cents to the cost of every gallon of fuel made in California.[3] As CARB continues its rulemaking to ban the internal combustion engine, Stillwater Associates has found that the rulemaking will likely add costs of about 60 cents in 2035 and $1.42 per gallon in 2050.[5]

Limiting Retail Fueling Sites – As a result of state and local policy decisions, California drivers have fewer convenient choices for gasoline stations. California has half the number of gasoline stations per licensed driver than the rest of the county.[5] As the state moves towards banning the internal combustion engine, this issue will continue to be exacerbated, with the number of fueling sites decreasing by 50% by 2035 and over 80% by 2050.[5] This will only result in even more Californians who can't readily afford electric vehicles to drive further and pay more to fuel their vehicles.

It's important for all policymakers, including legislators and the Governor, to understand that their actions directly impact the cost of fuel and the affordability challenges their constituents are facing today. We encourage the Governor and the legislature to focus their efforts on removing the policy hurdles being imposed on the energy industry so we can focus on providing energy to all Californians. Technology bans, mandates, and limiting affordable options for Californians is not leadership. Rather, the state should work to clean, diversify, and incentivize competition for consumers across our entire transportation fuels portfolio to lower costs for all Californians.

It's time to show true leadership by embracing and working with the oil and gas industry on innovative technologies to meet California's liquid fuel demand in an affordable and responsible manner. WSPA and its member companies stand ready to get to work.

Sincerely,

cc: The Honorable Gavin Newsom, Governor, State of California
Members of the California State Senate and Assembly
Board Members, California Air Resources Board
Commissioners, California Energy Commission

[3] California Energy Commission, OPIS West Coast Spot Market Report

[4] CARB, *Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation SRIA*, September 2018

[5] Stillwater Associates, *Possible Market Implications of California's Efforts to Ban ICE*, February 2022