

In-State Production Ban Could Increase Gas Prices \$2.33 per Gallon

New Study Reports the Devastating Economic and Environmental Effects of a Petroleum Ban in California

Californians Cannot Afford an In-State Production Ban

“Consumers could face increases of up to \$2.33 per gallon.”¹

An in-state oil production ban would present significant hurdles for both oil companies to provide reliable, affordable fuel to 40 million Californians and consumers could face much larger price increases and potential product shortages and disruptions.

A recent study determined that in the short term, increased cost at the pump could be \$0.60 per gallon if refiner were able to replace approximately three-quarters of the gap through new investments. It could be as high as \$2.33 per gallon if refiners were unable to replace any of the 85-million-barrel annual shortfall.

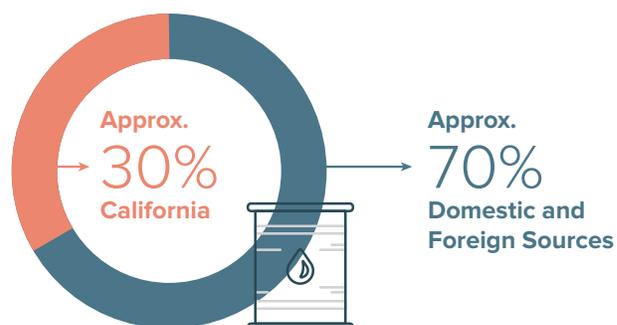
Petroleum Shortfall and Corresponding Gasoline Price Increases in California (in barrels)*

Price Elasticity of Demand	\$22M	\$43M	\$64M	\$85M
	Per Gallon Price Increase to Close Gap			
Short Term (0.2)	\$0.60	\$1.18	\$1.76	\$2.33
Long Term (0.60)	\$0.20	\$0.39	\$0.59	\$0.78

* Assumes that shortfall is distributed proportionately across product types

Domestic supplies cannot replace California oil production

California is the third largest consumer of petroleum products on the planet. Only 30% of that petroleum is produced in state.



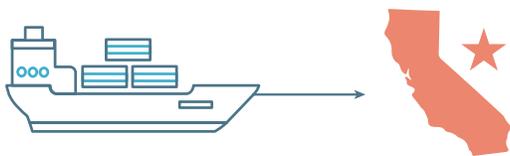
1 Impact of a Statewide Oil Production Ban on Downstream Petroleum Markets, Capitol Matrix Consulting, August 2019

An oil production ban would have potentially major implications on transportation fuel markets and California's economy

In addition to its devastating impacts on thousands of workers, their families and governmental revenue associated with the oil extraction industries, an oil production ban could have potentially major implications for downstream transportation fuel markets and California's overall economy.

California's Markets for Both Crude Oil and Refined Petroleum are Isolated from the Rest of the Nation.

- No pipeline infrastructure
- High cost, limited capacity and public resistance to rail shipments
- Only a few refineries around the world can also blend petroleum to California's incredibly high fuel standards and it takes up to three weeks to travel to California.



~21 DAYS

- Insufficient tanker and port infrastructure
- Lack of storage capacity and limited number of ships with international competition

It's NOT feasible to import more oil to meet California's tremendous energy needs. Here's why:

- California would need to quickly shift to 100% reliance on foreign-sourced crude oil and/or refined product to make up the difference but the infrastructure for this increased supply doesn't exist.
- No two refineries are alike. Each is built to handle a very precise "crude diet"—the mix of different crude grades that a refinery is capable of processing. It's not feasible to change the crude slate at California's petroleum refineries.
- Relying on foreign oil sources increases vulnerability to foreign supply, supply distributions, and volatile market conditions, as well as significant challenges in managing long supply chains for a large proportion of crude oil inputs.
- Replacement of roughly half the crude oil currently supplied by California producers would require significant capital expenditures for port expansions, additional tankage and pipelines, and refinery reconfigurations, costing multiple billions of dollars. And what's the likelihood of regulators granting permits with or without years of CEQA related lawsuits?

Conclusion

California's leaders can protect hard-working families, consumers and our global environment by promoting in-state production under the world's most stringent safety, labor, and environmental standards.