



OFFICE OF THE GOVERNOR

September 27, 2023

Liane Randolph, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95812

David Hochschild, Chair
Tai Milder, Director, Division of Petroleum Market Oversight
California Energy Commission
715 P Street
Sacramento, CA 95814

Chair Randolph, Chair Hochschild, and Director Milder:

California is experiencing dramatic spikes in the price consumers must pay to fuel their gas-powered vehicles. While the circumstances behind these spikes are being reviewed by the California Energy Commission and the newly created Division of Petroleum Market Oversight, gas prices in the State are approaching last year's record highs. Because of the way the California market for refined petroleum products has structured itself, with pricing based on a volatile and illiquid spot market, there is significant risk that prices will remain high absent an influx of supply to restart competitive transactions on the spot market. If prices do remain at these levels, it may cause unacceptable cost impacts for consumers and small businesses, significant economic disruption, and serious harm to public safety and welfare.

California refiners are required to produce a summer-blend gasoline through October in most areas of the State. After October 31, a winter-blend gasoline is allowed. Due to the composition of the gasoline, refiners can produce more of the winter-blend than the summer-blend, and refiners have already begun producing and storing winter-blend gasoline.

In light of the price spikes, we should not wait until the end of the month to start distributing or to ramp up production of our winter-blend gasoline. Allowing refiners to make an early transition to winter-blend gasoline could quickly increase fuel supply and provide critical liquidity on the spot market, and act as a much-needed safety valve. Accordingly, I am directing that the Air Resources Board immediately take whatever steps are necessary to allow for an early transition to winter-blend gasoline to be manufactured, imported, distributed, and sold in California.

Such temporary solutions cannot be and are not, however, a long-term fix to volatile gasoline prices that spike far out of proportion to expected fluctuations based on supply and demand—a pattern we have seen emerge last September and this September. Accordingly, I am also directing the Division of Petroleum Market Oversight to report to me, by January 1, 2024, initial proposals for reforming the spot market in California to protect Californians from the market-distorting behavior between refiners and traders that the current structure of that market may allow.

I am additionally directing the California Energy Commission to immediately begin the regulatory processes provided for in section 25355.5 of the Public Resources Code, concerning the potential imposition of a penalty for exceeding a maximum gross refining margin, and provided for in section 25354.2 of the Public Resources code, concerning the timing of refinery turnarounds and maintenance to protect the health and safety of employees and the public while minimizing the impact of maintenance-related production losses on fuel prices. Additionally, California has already set ambitious goals to transition away from gas-burning vehicles and equipment, with new sales of such vehicles prohibited beginning in 2035, and we are ahead of schedule in meeting that goal, while investing billions in infrastructure and other programs to support the transition. I am directing my staff to assess whether further steps can be taken to accelerate that work, particularly in communities most impacted by pollution from gasoline emissions.

Sincerely,



Gavin Newsom
Governor of California