December 5, 2022

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814
Leg.unit@gov.ca.gov

The Honorable Anthony Rendon, Assembly Speaker
1021 O Street, Suite 8330
Sacramento, CA 95814
Assemblymember.rendon@assembly.ca.gov

The Honorable Toni Atkins, Senate pro Tempore
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senator.atkins@senate.ca.gov

Dear Governor Newsom, Assembly Speaker Rendon, and Senate pro Tempore Atkins,

We support a windfall profits cap that limits how much oil refiners can make in profits per gallon of gasoline they refine. California's four big oil refiners more than doubled their average profit of the last 20 years from California during the recent gasoline price spikes.

Reports to investors show oil refiners in California made an average of 32 cents per gallon refining gasoline over the last two decades. This year they more than doubled that margin to make 69 cents per gallon in profit. The four refiners that report quarterly profits – Valero, PBF, Phillips 66, and Marathon – made an average of 86 cents per gallon in profit during the second quarter and 73 cents per gallon during the third quarter. Until this year, none of the four oil refiners have made profits that have exceeded 50 cents per gallon.

Setting a windfall profits cap on refining gasoline at a reasonable upper limit, such as 50 cents per gallon, will save consumers billions of dollars in overcharges.

The "gouge gap" between the average price per gallon at the pump in California and what consumers pay in the rest of the United States approached $3 this fall. This is not all a function of pent-up demand from the pandemic, the war in Ukraine, or OPEC decisions. It's a consequence of five big oil refiners in California who make 97% of the gasoline and have intentionally restricted supply to artificially drive-up prices. Thus, a windfall profit cap is sorely needed to bring California gas prices under control.

The oil industry claims that the gouge gap is due to California's environmental taxes and fees, but that simply is not true. Those taxes and fees make up at most 69 cents per gallon of gas:

Added CA Costs From Environmental Regulation And Taxes

Added state taxes = 25 cents
(Average state tax is 29 cents/ CA taxes are 54 cents)
Low carbon fuel standard = 16 cents
Cap and trade = 26 cents
Underground storage = 2 cents

Difference = 69 cents

Other countries, particularly throughout Europe, have not been shy about imposing windfall profit taxes on energy companies to raise billions of dollars to help society's most vulnerable. It is time for California to do the same and create a model for the nation.

Oil refiners are taking advantage of California consumers because they can. In the first three quarters of 2022, California's five biggest refiners—Chevron, Marathon, PBF Energy Phillips 66 and Valero—raked in $67.6 billion in profits, nearly quadruple the same period in the prior year. We support a windfall profits cap to rein in refiners' unconscionable price-gouging.

Sincerely,

Robert Weissman
Public Citizen

Jamie Court
Consumer Watchdog

Nancy Peverini
Consumer Attorneys of California

Jenn Engstrom
CALPIRG and CALPIRG Education Fund

Rosemary Shahan
Consumers for Auto Reliability and Safety

Robert Fellmeth
Consumer Protection Policy Center