October 8, 2025

To: Commissioners California Energy Commission
Fr: Jamie Court and Liza Tucker
Re: Comments On Proceeding Covering Minimum Inventory and Resupply

Californians may have dodged a bullet with the October 2nd fire at the Chevron El Segundo refinery because it does not appear that gasoline refining was affected. The scare is the best reason to develop minimum inventory and resupply regulations **A**s **S**oon **A**s **P**ossible!

Californians are currently left defenseless against gasoline price spikes because there are no rules to force oil refiners to resupply the lost fuel after a refinery outage or to maintain minimum inventories, despite Governor Newsom calling a special session in 2024 to enact resupply and minimum inventory rules.

The Governor signed the law about one year ago, yet the Commission hasn't drafted a rule and is slow walking the process. If it was urgent enough to call a special session, it should have been urgent enough to fast track the regulation implementing the special session law, ABX2-1.

State research has shown that when the days of supply fall below 15 days, that's when gasoline prices spike and oil refiner profits spike too. The fact that there are no regulations to guarantee a minimum number of days of supply, or to require refiners to have resupply plans when their refineries go down, has left Californians without adequate protections against the price spikes that can ensue from this type of fire.

A simple rule requiring minimum inventories as a cushion for when refineries go down, and requiring resupply obligations when refineries catch on fire, should not have been hard to develop.

This Commission's research has shown refinery disasters and planned turnarounds just in the last decade have spiked or raised California gasoline prices at the pump, causing consumers harm. The ExxonMobil Torrance explosion in 2015 spiked gas prices up to $1.50 more than the rest of the nation in Southern California. Last year, the CEC and DPMO reported that a 2023 spike cost consumers more than $2 billion over 105 days partially because refineries went offline for scheduled and unplanned maintenance without a plan to backfill supplies.

The CEC already has all the data it needs. The data has been developed in extensive legislative hearings in the Assembly and the Senate on gas prices, refinery inventory and resupply during an extraordinary session last year on AB X2-1, and in public workshops.

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6330 San Vicente Blvd. Suite 250 Los Angeles, CA 90048
Tel: 310-392-0522 • Fax: 310-392-8874
www.ConsumerWatchdog.org

More than a year ago, a DPMO presentation in a gasoline supply reliability workshop, featured an International Energy Agency slide showing that numerous countries have requirements on how much inventory must be held by refineries. The same slide was shown in a September 24 workshop last month. The practice is commonplace.

In 2021, Australia passed a law assigning a minimum stockholding obligation to refineries of 27 days of gasoline and jet fuel and 32 days of diesel. The specifics are outlined here. Other countries such as France, the UK, and South Korea also have similar obligations, according to research by Consumer Watchdog.

Your experts, economist Dr. Gigi Moreno and program manager for the fuels analysis branch Mr. Max Solanki have explained another choke point—how much inventory refiners currently hold and when those levels threaten price spikes. In the September 24 workshop, a chart showed the relationship between supply held and price increases. Mr. Solanki called 11-13 days of supply a "red zone" where price spreads are the highest, while the "yellow zone" of 13.5 days to 15 days of supply is still tight but slightly more stable. The "green zone" of 15 to 20 days of supply calms markets (and prices).

In testimony to the Senate Standing Committee on AB X1-2 during the 2nd extraordinary session, on October 8, 2024, CEC Vice Chair Siva Gunda stated that that when 15 days of supply exist, price spikes don't happen. The biggest inventory dip came in 2022 when inventory fell to 12.5 days of supply, touching off price increases. New rules could require gasoline refiners keep on hand only up to a maximum of a few more days' worth of supply, Siva said. The Vice Chair estimated it would cost refiners about $20 million to $25 million to maintain enough supply to avert $1 billion to $2 billion worth of additional consumer costs at the pump, a no-brainer.

The average profits of the four refiners controlling 90% of California's gasoline market came to $25 billion in 2024. Surely, requiring them to spend up to one tenth of one percent of their profits on additional supplies in exchange for the money they make off California consumers would not hurt them or increase gas costs at the pump.

In addition, as Dr. Gigi Moreno found, there would be no need to build additional storage for these supplies. A chart shown in the September 24 workshop pinpointed that between 2019 and 2024, the average annual utilization rate of refinery storage capacity is 57% with utilization rates varying monthly between 55% and 61%. There is plenty of space to store additional inventory without including storage capacity at merchant storage terminals or other off-refinery storage sites, according to Moreno. Her presentation stated, "We can support AB X2-1 by using existing storage."

The oil industry has made many misleading arguments as to why this proceeding is unnecessary. This includes that gasoline supply shortages during turnarounds send market signals to import more gasoline and self-correct; that there is not enough storage capacity to maintain mandated inventory levels and that the mandates could create supply shortages instead, increase costs and lead to higher gas prices. In fact, the CEC's own data shows that this is not the case. Markets self-correct only at the expense of consumers that have been shown to have to pay billions extra at the pump when several refineries at once undertake maintenance. The only people to profit are shareholders. In fact, the cost to avoid big price spikes would be minimal -- between $20 million and $25 million to avoid one or two billion extra dollars paid at the pump, according to CEC Vice Chair Siva Gunda. Such a drop in the bucket for refiners would not be felt in rising gas prices. At the September 24 workshop, Dr. Gigi Moreno showed that there is plenty of existing storage capacity—in fact up to 40% is frequently not utilized. There is no need to build extra storage to accommodate minimum storage requirements.