

SENATE THIRD READING

SB 1322 (Allen)

As Amended May 4, 2022

Majority vote

SUMMARY

Requires the State Energy Resources Conservation and Development Commission (CEC) to publicly report specified pricing data from each oil refinery operating in the state.

Major Provisions

- 1) Requires, within seven calendar days of the end of each month, the operator of each refinery operating in the state that produces gasoline to submit a report for the refinery information on the volume of crude oil refined into gasoline in the prior calendar month; the average price paid for each barrel of crude oil that is refined into gasoline in the prior calendar month; and, gross and net refining margin per barrel of gasoline sold in the prior calendar month.
- 2) Requires, within 14 calendar days of the end of each month, CEC to post on its internet website the data reported pursuant to this section for the prior calendar month in aggregate.
- 3) Extends CEC's existing enforcement authority and civil penalties for false and delinquent data submissions to the reporting required by this bill.

COMMENTS

The cost of a gallon of gasoline is tethered to a number of different variables, including state and federal taxes, various fees, imbedded costs of doing business, and profit margins.

A 2019 CEC report found growth of the average retail margin in California has exceeded growth of the national margin, especially since 2012. From 2004 to 2010, the average retail margin in California was either equivalent to or below the national margin. From 2015 to 2017, however, the California retail margin increased to an average of 19 cents greater than the national margin.

The Petroleum Industry Information Reporting Act (PIIRA), which the Legislature enacted in 1980, requires qualifying petroleum industry companies to submit weekly, monthly, and annual data to the CEC. Analysis of data collected under PIIRA is an important part of CEC's responsibility to create a thorough understanding of the operations of the petroleum industry in California. Businesses that ship, receive, store, process and sell crude oil and petroleum products in California file PIIRA reports. PIIRA has confidentiality protections for refinery data collected by CEC, but they are very restrictive and limit the extent to which information covered by this bill can be publicly reported. The only way to get public reporting for info under PIIRA is to mandate public reporting or exempt it from PIIRA's confidentiality requirements.

In addition to PIIRA, SB 1322 requires the operator of each refinery that produces gasoline to submit a report to CEC on the volume of crude oil refined into gasoline in the prior calendar month; the average price paid for each barrel of crude oil that is refined into gasoline in the prior calendar month; and, the gross and net refining margin per barrel of gasoline sold in the prior calendar month. The CEC would then post that data on its website.

As defined by this bill, an oil refiners' gross refining margin is the difference between the weighted average price of the finished unleaded regular, mid-grade, and premium gasoline sold by a refiner in the state and the average price of crude oil used by the refinery to produce the gasoline. An oil refiner's net refining margin is the gross refining margin minus the refinery's fixed operational costs. The difference between those two accounts for an oil refiner's profit margin, thus the price of gasoline being charged to consumers.

According to the Author

SB 1322 focused on what happens to oil once it arrives at a California refinery. Whether that oil is domestic or foreign, whether it comes from Bakersfield or overseas – evidence suggests the price by the time it arrives as gasoline in our tanks is significantly higher than it should be.

Some factors causing gas prices to spiral to record highs are beyond our control. But finding out who is pocketing the billions in extra costs Californians have paid for gas is a mystery we can solve.

The California Oil Refinery Cost Disclosure Act will provide the public with data to help illuminate who is adding a mystery gas surcharge that continues to cost drivers billions more than neighboring states, seven years after the Torrance refinery explosion that first caused gas prices to spike.

Arguments in Support

Consumer Watchdog, sponsor of the bill, states that "SB 1322 will allow Californians to finally know how much the big five oil refiners in the state are profiting from each gallon of gasoline they sell. California oil refiners continue to basely blame environmental costs for their own profiteering ... SB 1322 will force the oil refiners to open their books and report the same information they report in other parts of the country."

Arguments in Opposition

If data is shared refinery by refinery, the Western States Petroleum Association (WSPA) is concerned that competitors will have access to each other's data, which could hurt competition and influence consumer prices. WSPA argues it is for this reason that PIIRA requires the data be kept confidential. WSPA also notes that almost all refiners in California are publicly traded companies that report extensive financial information on a quarterly and annual basis as required by the Securities Exchange Commission, thereby suggesting SB 1322 is unnecessary.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, this bill would result in minor and absorbable costs to CEC.

VOTES

SENATE FLOOR: 22-4-14

YES: Allen, Atkins, Becker, Cortese, Dodd, Durazo, Eggman, Gonzalez, Hueso, Kamlager, Laird, Leyva, Limón, McGuire, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener

NO: Dahle, Jones, Nielsen, Wilk

ABS, ABST OR NV: Archuleta, Bates, Borgeas, Bradford, Caballero, Glazer, Grove, Hertzberg, Hurtado, Melendez, Min, Newman, Ochoa Bogh, Pan

ASM NATURAL RESOURCES: 8-3-0

YES: Luz Rivas, Friedman, Cristina Garcia, McCarty, Muratsuchi, Stone, Wood, Bennett

NO: Flora, Mathis, Seyarto

ASM APPROPRIATIONS: 11-4-1

YES: Holden, Bryan, Calderon, Carrillo, Mike Fong, Gabriel, Levine, Quirk, Robert Rivas, Akilah Weber, Wilson

NO: Bigelow, Megan Dahle, Davies, Fong

ABS, ABST OR NV: Eduardo Garcia

UPDATED

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CONSULTANT: Paige Brokaw / NAT. RES. / (916) 319-2092

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