SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Benjamin Allen, Chair
2025 - 2026 Regular

Bill No:	SB 1337	**Hearing Date:**	4/7/2026
Author:	Richardson		
Version:	2/20/2026 Introduced		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Transportation fuels: interagency working group

DIGEST: This bill establishes an interagency workgroup led by the California Energy Commission to address transportation fuels policy and coordination.

ANALYSIS:

Existing law:

1) Establishes the State Energy Resources Conservation and Development Commission, also known as the California Energy Commission (CEC), consisting of five members appointed by the Governor, and specifies the duties of the CEC. Requires the CEC to assess trends in energy consumption and analyze the social, economic, and environmental consequences of these trends. (Public Resources Code §25200 *et seq.*)

2) Establishes the Petroleum Industry Information Reporting Act of 1980 (PIIRA). (Public Resources Code §25350 *et seq*.)

3) Establishes the Division of Petroleum Market Oversight (DPMO) to provide independent oversight and analysis of the transportation fuels market for the protection of consumers by identifying market design flaws, market power abuses, and any other manner by which market participants act to harm competition or act contrary to the best interests of the consumers in the state. (Public Resources Code §25372 *et seq*.)

4) Requires the director of DPMO, when requested, to appear before the appropriate policy committees of the Legislature to provide an update on the division's performance as compared to its objectives, the status of competition in the transportation fuels markets, and other information the committees request. (Public Resources Code §25372.3)

5) Establishes the Independent Consumer Fuels Advisory Committee (ICFAC) consisting of six members appointed by the Governor and one member appointed each by the Assembly Speaker and the Senate Committee on Rules. The ICFAC is charged with providing input to the CEC on the development of the triennial transportation fuels assessment and the effects of refiners' inventories of fuel and feedstocks and blending components on the price of transportation fuels. (Public Resources Code §§25373, 25354.4, 25371)

6) Requires the CEC and the California Air Resources Board (CARB), by December 31, 2024, to take into account findings of the assessment conducted under Section 25371 and prepare a Transportation Fuels Transition Plan. Requires the report to include, at a minimum, a discussion of how to ensure that the supply of petroleum and alternative transportation fuels is affordable, reliable, equitable, and adequate to meet the demand for those transportation fuels described in the most current scoping plan approved by CARB under Section 38561 of the Health and Safety Code. Requires the report to be prepared in consultation with the state's fuel producers and refiners and a multistakeholder, multiagency workgroup, including the California Environmental Protection Agency (CalEPA) and the California Natural Resources Agency (CRNA), convened by the CEC and the CARB to identify mechanisms to plan for and monitor progress toward the state's reliable, safe, equitable, and affordable transition away from petroleum fuels in line with declining instate petroleum demand. Requires the DPMO to provide input to and otherwise support other divisions of the CEC in preparation of the plan. (Public Resources Code §25371.3)

7) Requires CalEPA, in consultation with specified federal state and local agencies, to examine ways to improve public and worker safety through enhanced oversight of refineries and to strengthen emergency preparedness in anticipation of any future refinery incident, and to facilitate coordination among these agencies to protect the public, fence line communities, and refinery workers from risks associated with refinery operations throughout the state. (Public Resources Code §71275)

This bill:

1) Makes several findings and declarations concerning the volatility of the petroleum fuels market, the abrupt loss of refinery capacity and increased need for imported fuels, the importance of California's climate policies, and the need for a holistic view of the petroleum value chain and to establish solutions that protect consumers.

2) Establishes an interagency workgroup led by the CEC and consisting of the State Lands Commission, relevant air districts, local governments, airports, and ports, to:

   a) Strengthen coordination and establish clear lines of communication to prioritize critical energy policies and regulations across state, regional, and local authorities, communities, and stakeholders.
   b) Implement a suite of policies and programs that ensure a successfully managed transportation fuels sector.
   c) Develop and execute a holistic transportation fuels strategy.
   d) Propose opportunities for partnership between the Governor's office, state agencies, boards, commissions, offices, and other entities, as necessary, and the Legislature in order to advance solutions to strategically align regulations and permitting processes across all levels of government that could best support achievement of state policy goals from the June 27, 2025 letter from the CEC to the Governor.

Background

Petroleum fuels market. The state's petroleum fuels market is experiencing incredible market and policy shifts. California's policies to support clean air and tackle climate change are accelerating the adoption of fuel-efficient conventional vehicles and zero-emission vehicles which is leading to a decline in demand for petroleum-based fuels. Global market conditions, including the recent war in Iran, affect the availability and price for petroleum-based fuels. Many refineries across the globe, including in California, have shuttered operations. For the state, the recent closures of a declining number of refineries from several dozen forty years ago, to less than 10 today, has raised concerns about the continued availability of refined fuels, including gasoline.

Governor Newsom sends letter to CEC Commissioner Gunda. On the heels of two years with consecutive special sessions to address gasoline price spikes and supply, Governor Newsom sent a letter on April 21, 2025 to his appointee, CEC Vice Chair Commissioner Siva Gunda, directing him to "redouble the State's efforts to work closely with refiners on short- and long-term planning, including through high-level, immediate engagement, to help ensure that Californians continue to have access to a safe, affordable, and reliable supply of transportation fuels, and that refiners continue to see the value in serving the California market, even as demand for fossil fuels continues its gradual decline over the coming decades." The Governor also directed Commissioner Gunda to recommend, by July 1, 2025, any changes in the State's approach that are needed to ensure adequate supply during this transition.

On June 27, 2025, Commissioner Gunda sent a response to the Governor outlining recommendations to ensure Californians have access to safe, affordable, and reliable transportation fuels and that petroleum refiners continue to see value in serving the California market. Specifically, Commissioner Gunda recommended:

1. Stabilize fuel supply through imports of refined fuels and maintaining in-state refining capacity.
2. Provide sufficient confidence to industry to invest in maintaining reliable and safe infrastructure operations to meet demand.
3. Develop and execute a holistic transportation fuels transition strategy.

SB 237 (Grayson, Chapter 118, Statutes of 2025). Among its provisions, SB 237 required the CEC to submit an assessment to the Legislature and the Governor that evaluates the recommendations and strategies put forward by Commissioner Gunda in the June 27, 2025 letter. The bill also required the assessment to:

> "offer recommendations to the Legislature and the Governor on potential changes to working group authorities or structures, including on permitting changes and reforms, which may include one-stop-shop permitting, to support the state's reliable, equitable, safe, and affordable transition away from petroleum fuels."

As of the date of this bill analysis, the assessment is pending.

Comments

Need for this bill. This bill is intended to address recommendations that may stem from the assessment required by SB 237 which includes recommendations on changes to working group authorities. These may include permitting changes and reforms. In anticipation of the SB 237 assessment, this bill proposes the creation of a working group, led by the CEC, and including the State Lands Commission, relevant air districts, local governments, airports, and ports. The goals of the working group would be to help manage and inform the transition of the state's transportation fuels.

Related work groups and taskforces. There exist some related, though not specifically conflicting or overlapping, work groups and task forces concerning refineries. These include:

- The ICFAC established by the first special session bill, SB X1-2 (Skinner, Chapter 1, Statutes of 2023-24 First Extraordinary Session) and modified by AB X2-1 (Hart, Chapter 1, Statutes of the Second Extraordinary Session) required the CEC to convene the advisory committee at least once annually. The ICFAC is charged with providing input to the CEC and DPMO on the development of the triennial transportation fuels assessment and the effects of refiners' inventories of fuel and feedstocks and blending components on the price of transportation fuels. The membership of the committee, pursuant to the statutes, consists of eight members, with six appointed by the Governor and one each by the Assembly Speaker and the Senate Rules Committee. Statute also requires the Governor's appointees to represent or have specific backgrounds: a member who holds an academic appointment and has knowledge of economics or business operations of the transportation fuels market; a member representing the California petroleum fuels industry; a member representing consumers; a member representing a labor organization with experience in refinery operations; a member with expertise in community, environmental, or environmental justice issues; and a member with expertise in antitrust law.

- The Petroleum Strategy Task Force, referenced in the Governor's and Commissioner Gunda's letters. The Petroleum Strategy Task Force is a cross-agency effort convened by CNRA Secretary Wade Crowfoot and CalEPA Secretary Yana Garcia. The Task Force is evaluating the State's progress and risks in managing an energy transition in which supply and in-state demand for petroleum products are both decreasing over the next 20 years. According to staff from the CNRA, the Task Force meets on a roughly monthly basis to coordinate on topics related to petroleum fuels and the transition of fuel. The membership includes the CNRA, CalEPA, California State Transportation Agency, Governor's Office of Business (GO-Biz), the CEC, DPMO, CARB, State Water Board, State Lands Commission, Department of Industrial Relations, Department of Conservation, Office of Spill Prevention and Response, Office of the State Fire Marshal, and California Department of Tax and Fee Administration. A subgroup of the Task Force focuses specifically on petroleum infrastructure and permitting – including import and distribution infrastructure needs as in-state refining capacity declines.

- The CalEPA Interagency Refinery Taskforce was established by Governor Brown after the August 2012 Richmond Oil Refinery fire. The Taskforce is meant to address safety and prevention, emergency preparedness and response, enforcement coordination, and community outreach. Members include several agencies (though not the CEC), local air districts, and Certified Unified Program Agencies (generally local fire departments).

- According to staff at the CNRA, the CEC and CNRA also have a recurring coordination venue with the local air districts who regulate air and toxic emissions from refineries.

- CNRA staff also shared that the CEC has also been engaging with relevant local governments on specific petroleum assets and infrastructure projects, especially those relevant to fuel supply stability, and is in the process of developing a coordination structure to bring together a broader group of state and local agencies.

DPMO. In addition to the above workgroups, taskforces, and convenings, the first special session statute also established the DPMO within the CEC, as an independent watchdog agency overseeing the oil and gasoline industry. As an independent division of the CEC, DPMO is responsible for oversight, investigations, economic analysis, and policy recommendations regarding the transportation fuels market. DPMO also provides input into the Fuels Assessment and the long-awaited CEC and CARB authored Fuels Transition Plan required by the statutes.

Need for amendments. In order to account for the anticipated release of both the SB 237 assessment and the SB X1-2 Fuels Transition Plan (required by December 31, 2024), as well as, the existing task forces and work groups, *the author and committee may wish to amend this bill to:*

- *Include membership from CRNA, CalEPA, and other relevant agencies.*
- *Clarify that priority policies and programs should be informed by the Fuels Transition Plan and the SB 237 assessment.*
- *Add a reference to potential partnerships with the existing Independent Consumer Fuels Advisory Committee.*
- *Delete reference to the development of a holistic transportation fuels strategy.*
- *Require the CEC to provide the public with an opportunity to provide comment, including at a public meeting.*
- *Additional clarifying changes.*

Prior/Related Legislation

SB 1259 (Blakespear) of 2026, includes provisions concerning required reporting of decommissioning and site mitigation for refineries. The bill is pending in the Senate Environmental Quality Committee.

SB 1245 (Stern) of 2026, requires DPMO's annual report to be due by July 1 each year. The bill is pending referral in the Senate Rules Committee.

SB 237 (Grayson, Chapter 118, Statutes of 2025), among its provisions, required the CEC to submit an assessment to the Legislature and the Governor that evaluates the recommendations and strategies put forward by Commissioner Gunda in the letter dated June 27, 2025.

AB X2-1 (Hart, Chapter 1, Statutes of 2023-2024 Second Extraordinary Session) made changes to, and expanded on, SBX1-2 related to transportation fuels, including changes to the Independent Consumer Fuels Advisory Committee.

SB X1-2 (Skinner, Chapter 1, Statutes of the 2023-204 First Extraordinary Session) proposed several policies to address gasoline supply and pricing, including authorizing the CEC to establish a maximum gross gasoline refining margin and penalty on gasoline sold by refiners in the state. The bill also established a new independent division at the CEC, the DPMO, to provide independent oversight and analysis of the transportation fuels markets and established the ICFAC at the CEC.

AB 1649 (Muratsuchi, Chapter 590, Statues of 2017) required the CalEPA in consultation with specified federal state and local agencies to examine ways to improve safety through enhanced oversight of refineries and to strengthen emergency preparedness in anticipation of future refinery incidents.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

Bay Area Council
California Hispanic Chambers of Commerce
California Multicultural Business Alliance
Central Valley Yemen Association
East Bay Leadership Council
Garden Grove Chamber of Commerce
Greater Concord Chamber of Commerce

Harbor Association of Industry and Commerce
Hispanic 100
Hispanic Chambers of Commerce of San Francisco
Latin American and Caribbean Business Chamber of Commerce
Latin Business Association
Orange County Hispanic Chamber of Commerce
Redondo Beach Chamber of Commerce
San Pablo Economic Development Corporation
San Pedro Chamber of Commerce
South Bay Association of Chambers of Commerce
State Building & Construction Trades Council of California
Torrance Area Chamber of Commerce
Western States Petroleum Association
Wilmington Chamber of Commerce

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

> California's pioneering climate and air quality policies are critical to protecting our communities' health, which has led to a rapid evolution of California's petroleum market. Decreasing demand, economic factors, and the volatility of the international petroleum market has introduced uncertainty to the petroleum industry that impacts consumers, the workforce, and fence-line communities. SB 1337 will help manage this transition of the State by creating a working group established by the State Energy Resources Conservation and Development Commission to strengthen coordination, establish clear lines of communication, and propose partnership opportunities to advance strategically advanced solutions to align regulations and permitting processes.

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