
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1337 (Richardson) - Interagency Working Group on Transportation Fuels Transition Strategy

Version: April 13, 2026

Urgency: No

Hearing Date: April 27, 2026

Policy Vote: E., U. & C. 15 - 0

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would establish the Interagency Working Group on Transportation Fuels Transition Strategy led by the California Energy Commission (CEC) to address transportation fuels policy and coordination.

Fiscal Impact:

- The CEC estimates ongoing costs of about \$235,000 annually (Energy Resources Program Account [ERPA] or General Fund) to lead and coordinate the interagency workgroup, conduct analysis, engage partner agencies and stakeholders, provide facilitation and administrative coordination, and prepare recommendations, briefings, and other related work products.
- The State Water Board estimates ongoing costs of \$250,000 annually (General Fund) for staff to participate in the Interagency Working Group on Transportation Fuels Transition Strategy, assist in developing policies and recommendations to support the transition away from petroleum fuels while meeting the demand for transportation fuels and energy, and to participate in annual public meetings.
- The State Lands Commission and the California Air Resources Board anticipate any costs would be minor and absorbable.
- Unknown but likely minor costs for other state entities participating in the interagency workgroup.

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.

Proposed Law: This bill would:

1. Make 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. Establish the Interagency Working Group on Transportation Fuels Transition Strategy, to be led by the CEC, and consisting of:
 - a. The California Environmental Protection Agency
 - b. The Natural Resources Agency
 - c. The Transportation Agency
 - d. The State Air Resources Board

- e. The State Water Resources Control Board
 - f. The Department of Industrial Relations
 - g. The State Lands Commission
 - h. Relevant air districts
 - i. Local governments
 - j. Airports
 - k. Ports
 - l. Local agencies
3. Require the Interagency Working Group on Transportation Fuels Transition Strategy to do both of the following:
 - a. Develop priority policies and programs informed by the Transportation Fuels Transition Plan, as provided.
 - b. Strengthen coordination and communication regarding policies and regulations across state, regional, and local authorities, communities, and stakeholders.
 - i. Develop recommendations, as needed, for policies and programs that ensure a successfully managed transportation fuels sector.
 - ii. 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.
 4. Require the CEC to annually convene at least one public meeting of the Interagency Working Group on Transportation Fuels Transition Strategy to provide members of the public with information and to receive information and comments from the public, as provided.

Related Legislation:

SB 1259 (Blakespear) of 2026, includes provisions concerning required reporting of decommissioning and site mitigation for refineries.

SB 1245 (Stern) of 2026, would require DPMO's annual report to be due by July 1 each year.

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.

-- END --