
THIRD READING

Bill No: SB 1337
Author: Richardson (D)
Amended: 4/13/26
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 15-0, 4/7/26
AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Becker, Caballero, Gonzalez,
Hurtado, McNERNEY, Reyes, Richardson, Rubio, Stern, Strickland, Wahab
NO VOTE RECORDED: Dahle, Grove

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Interagency Working Group on Transportation Fuels Transition
Strategy

SOURCE: Author

DIGEST: This bill establishes an Interagency Working Group on Transportation Fuels Transition Strategy led by the California Energy Commission (CEC) with membership from other state agencies and local entities to address transportation fuels policy and coordination.

ANALYSIS:

Existing law:

- 1) Establishes the State Energy Resources Conservation and Development Commission, also known as the 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 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.*)
- 3) 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)
- 4) Requires the CEC and the California Air Resources Board (CARB), by December 31, 2024, to prepare a Transportation Fuels Transition Plan that includes 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 transportation fuels. 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. (Public Resources Code §25371.3)

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 Working Group on Transportation Fuels Transition Strategy led by the CEC and consists of CalEPA, CRNA, the State Lands Commission, CARB, other agencies and relevant air districts, local governments, airports, and ports.

- 3) Requires the Interagency Working Group to:
 - a) Develop priority policies and programs informed by the Transportation Fuels Transition Plan and the SB 237 Assessment, pursuant to Public Resources Code §§25371.3 and 25371.4, respectively.
 - b) Strengthen coordination and communication regarding policies and regulations across state, regional, and local authorities, communities, and stakeholders to inform transportation fuels policy development and implementation, including developing recommendations for policies and programs that ensure a successfully managed transportation fuels sector.
 - c) Provides that the coordination includes opportunities for partnership between the Governor's office, state agencies, boards, commissions, offices, the ICFAC, and, as necessary, the Legislature, to align regulations and permitting processes across all levels of government that could best support achievement of state policy goals.
- 4) Requires the Interagency Working Group to annually convene at least one public meeting, which may be combined with a meeting of the ICFAC.

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, especially California's unique gasoline blend.

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 Commissioner Siva Gunda, directing him to "redouble the State's efforts to work closely with refiners on short- and long-term planning, ...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...” 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, CEC Commissioner Gunda sent a response to the Governor outlining recommendations, including:

- 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.”

Comments

Need for this bill. According to the author, this bill was drafted with the intent to address recommendations on changes to working group authorities anticipated from the assessment required by SB 237, including permitting changes and reform, as noted in Commissioner Gunda’s response to the Governor. This bill proposes the creation of an interagency working group, led by the CEC, and including CalEPA, CRNA, the State Lands Commission, other relevant agencies, relevant air districts, local governments, airports, and ports. The working group would help manage and inform the transition of the state’s transportation fuels, including recommendations on permitting reforms.

Refinery and petroleum fuels related work groups and taskforces. There exist some related work groups and task forces concerning refineries and petroleum fuels. These include:

- The ICFAC established by the first special session bill, SB 2 X1 (Skinner, Chapter 1, Statutes of 2023-24 First Extraordinary Session) and modified by AB 1 X2 (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 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, including related business operations of the transportation fuels market, 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 and established in 2025. 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 then-Governor Brown after the August 2012 Richmond Oil Refinery fire. The Taskforce is tasked with addressing 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).

Hot off the press! CEC Commissioner Gunda issues Draft SB 237 Assessment recommends multi-layered voluntary approach to interagency coordination. On May 1st, CEC Vice-Chair Gunda issued a *Draft SB 237 Assessment* which includes a pathway recommendation regarding government coordination models and the Legislature's interest in permitting reform for key petroleum infrastructure, including consideration of one-stop-shop permitting models. The *Draft SB 237 Assessment* notes that the scope of petroleum-related infrastructure is broad and includes wells and associated production facilities, pipelines, storage tanks, refineries, and terminals whose construction, operation, modifications, and decommissioning are regulated and permitted by numerous federal, state, regional, and local authorities with specialized expertise. As a result, the *Draft SB 237 Assessment* recommends a multilayered approach that leverages existing expertise and protects agencies' existing mandates through a voluntary process that enables flexibility and the ability to respond quickly. Specifically, the coordination would continue the efforts of the recently created Petroleum Strategy Task Force, convened by CNRA and CalEPA, for coordination among state agencies with jurisdictions that touch on petroleum fuels. Additionally, the recommendations include continuing a subgroup of the Petroleum Strategy Task Force to focus on permitting petroleum infrastructure; continuing coordination among CARB, local air districts, and the CEC regarding a focused group on refineries; and continuing the CEC's engagement with relevant local governments on specific petroleum assets. The *Draft SB 237 Assessment* is scheduled to be considered for adoption by the CEC at the July 8th business meeting.

Revisiting proposal for new interagency working group given the recommendations in the recently released Draft SB 237 Assessment. The recently released *Draft SB 237 Assessment's* recommendation for a multilayered, largely voluntary, and less formalized structure for interagency and permitting coordination may not align with the more formalized approach proposed in this bill. As this bill proceeds, the author and Legislature may wish to consider whether the proposed Interagency Working Group as envisioned by this bill may need to be restructured. Additionally, the author and Legislature may wish to reassess the role of the CEC in convening a new interagency working group and instead consider the current roles of CNRA and CalEPA, as the conveners of the Petroleum Strategy Task Force, as each house critical agencies and departments that regulate portions of the State's petroleum infrastructure. The CEC oversees energy demand forecasting and has some petroleum pricing and supply regulatory authority from the special session bills, however, it generally does not have permitting authorities for petroleum-related facilities and infrastructure as these are handled by other state agencies and local entities with extensive expertise and public processes.

Prior/Related Legislation

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

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

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 1 X2 (Hart, Chapter 1, Statutes of 2023-24 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 2 X1 (Skinner, Chapter 1, Statutes of 2023-24 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, Statutes 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

According to the Senate Appropriations Committee:

- 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.

SUPPORT: (Verified 5/14/26)

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

Long Beach Area Chamber of Commerce

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: (Verified 5/14/26)

None received

ARGUMENTS IN SUPPORT: According to the State Building and Construction Trades Council of California:

This bill seeks to coordinate agencies, air boards, the governor's office, commissions, ports, and the legislature to work together on public policy development and implementation to better protect the public from escalating fuel costs by ensuring that in-state resources are best leveraged and protected from premature closure or constriction. In turn, this type of coordination could protect the thousands of workers we represent in the oil and gas industry who depend on California's public agencies, officers, and elected officials to protect their livelihoods and cost of living. SB 1337 is a first step to ending a polarizing political conflict that has led to the premature closure of several of California's refineries, resulting in the loss of thousands of high-paid union careers and causing an escalation in the cost of fuel for every California family.

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