UNFINISHED BUSINESS

Bill No: SB 1337
Author: Richardson (D)
Amended: 8/13/26
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

SENATE FLOOR: 32-0, 5/22/26
AYES: Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Allen, Alvarado-Gil, Becker, Hurtado, Jones, Niello, Padilla, Stern

ASSEMBLY FLOOR: 77-0, 8/27/26 - See last page for vote

SUBJECT: State Energy Resources Conservation and Development Commission: air districts and local governments: transportation fuels refining facilities: memoranda of understanding

SOURCE: Author

DIGEST: This bill requires the California Energy Commission (CEC), on or before January 31, 2029, to seek to enter into a memoranda of understanding (MOU) with relevant air districts and local governments with transportation fuels refining facilities within their jurisdictions, as identified by the CEC, to enable the

further coordination that is needed to support management of the transportation fuels sector.

Assembly Amendments replace the language previously in the bill to create an interagency working group and instead requires the CEC to enter into an MOU with relevant air districts and local governments.

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 state's pioneering climate policies, the uncertainty of the petroleum industry that impacts consumers, the risks of sudden loss of refinery capacity, and the CEC's continued engagement with stakeholders to a develop a holistic view of the petroleum value chain and to develop solutions that best protect consumers.

2) Requires the CEC, on or before January 31, 2029, to seek to enter into a memoranda of understanding with relevant air districts and local governments with transportation fuels refining facilities within their jurisdictions, as identified by the CEC, to enable the further coordination that is needed to support management of the transportation fuels sector and to ensure the transportation fuels sector is successfully managed and maintains environmental, public health, labor, economic, and consumer protections.

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:

a) Stabilize fuel supply through imports of refined fuels and maintaining in-state refining capacity.
b) Provide sufficient confidence to industry to invest in maintaining reliable and safe infrastructure operations to meet demand.
c) 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.

Refinery and petroleum fuels related work groups and taskforces. There exist 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. Additionally, the Petroleum Strategy Task Force, referenced in the Governor’s and Commissioner Gunda’s letters which 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. 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. Lastly, 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 a future business meeting.

Bill intends to reflect Draft SB 237 Assessment's recommendation. This bill is intended to reflect the Draft SB 237 Assessment's recommendation for a multilayered, largely voluntary, and less formalized structure for interagency and

permitting coordination, particularly between the CEC and local air districts and jurisdictions. The approach is similar to the MOU on energy policy coordination between the state's energy agencies and the California Independent System Operator which was subsequently codified by SB 319 (McGuire, Chapter 390, Statutes of 2022) or requiring the Office of Emergency Services to enter MOUs with the Los Angeles Organizing Committees and Safety Command to prepare for the 2028 Olympic and Paralympic Games.

Related/Prior Legislation

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

SB 1245 (Stern, 2026) would have required DPMO's annual report to be due by July 1 each year. The bill was later amended to authorize the CARB to grant variances from gasoline specifications and require specified reporting of gasoline and then held by the Assembly Appropriations 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 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 Assembly Appropriations Committee:

- This bill would require significant ongoing administrative and analytical work of the CEC to develop MOUs and work with relevant air districts. The CEC estimates these costs at $220,000 annually ongoing for one specialist ($185,000) and supporting contracts ($35,000) (Energy Resource Program Account (ERPA) Fund) to lead and coordinate the MOU process, conduct policy and regulatory work, engage partner agencies, develop MOU language, and prepare related briefings and work products. The CEC contends the specialist's work would continue after signing of the MOUs, to manage, update, implement and monitor the work, and work products, of the air districts.
- The CEC warns that the ERPA Fund, it's main funding source, faces a structural deficit.

SUPPORT: (Verified 8/17/26)

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 8/17/26)

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.

ASSEMBLY FLOOR: 77-0, 8/27/26
AYES: Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Addis, McKinnor

Prepared by: Nidia Bautista / E., U. & C. / (916) 651-4107
11/6/26 11:35:33

****** END ******