



**California Energy Commission
August 29, 2025 Business Meeting
Backup Materials for Maximum Gross Gasoline Refining Margin and Penalty
Implementation Timeline (Docket No. 23-OIIP-01)**

The following backup materials for the above-referenced agenda item are available as described below:

1. Proposed Resolution, attached below.
2. [SB X1-2 and AB X2-1 Implementation: Maximum Gross Gasoline Refining Margin and Penalty](https://efiling.energy.ca.gov/GetDocument.aspx?tn=265814&DocumentContentId=102669), available at Docket No. 23-OIIP-01, TN 265814 at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=265814&DocumentContentId=102669>.

For the complete record, please visit at Docket No. [23-OIIP-01](https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-OIIP-01) at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-OIIP-01>.

To stay informed about this rulemaking and receive documents as they are filed, please subscribe to the [SB X1-2/AB X2-1 Implementation](https://www.energy.ca.gov/proceeding/senate-bill-x1-2-implementation) Topic, which can be accessed here: <https://www.energy.ca.gov/proceeding/senate-bill-x1-2-implementation>. The Topic sends out email notifications and direct links when documents are filed in the proceeding docket.

STATE OF CALIFORNIA
STATE ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

Resolution Regarding Implementation Timeline of SB X1-2 Maximum Gross Gasoline Refining Margin

WHEREAS, Senate Bill (SB) X1-2 (Stats. 2023, 1st Ex. Sess. 2023, ch.1) expanded the authority of the California Energy Commission (CEC) to gather and analyze information about the petroleum industry and, among other changes, to enhance consumer protections, added section 25355.5 in Chapter 4.5 of Division 15 of the Public Resources Code; and

WHEREAS, through Public Resources Code section 25355.5, the Legislature delegated to the CEC the authority to carefully study the merits of a maximum gross gasoline refining margin (GGRM) and a penalty for refiners that exceed it; and

WHEREAS, to ensure maximum consumer protections and prevent unintended consequences, the Legislature required that the CEC must first find, after careful consideration of multiple perspectives, that “the likely benefits to consumers outweigh the potential costs to consumers” before it may adopt a maximum GGRM and penalty; and

WHEREAS, on October 18, 2023, the CEC opened an Informational Proceeding (Docket No. 23-OIIP-01) to investigate the benefits and potential costs to customers of a maximum GGRM; and

WHEREAS, on November 28, 2023, April 11, 2024, and September 12, 2024, the CEC held public workshops to present analysis, discuss benefits and risks, and receive stakeholder feedback, including detailed presentations and written comments, on the maximum GGRM; and

WHEREAS, on April 21, 2025, Governor Gavin Newsom sent a letter to CEC Vice Chair Siva Gunda soliciting recommendations on changes to state policy to ensure that Californians have access to safe, affordable, and reliable transportation fuels and that petroleum refiners continue to see value in serving the California market, even as in-state demand for petroleum-based fuels declines over the coming decades; and

WHEREAS, on June 27, 2025, Vice Chair Siva Gunda replied to the Governor’s letter and recommended, based on engagement with diverse stakeholders and synthesis of robust data and discussions, that the CEC approach implementation of the regulatory tools authorized by SB X1-2 and AB X2-1 holistically and prudently to maximize consumer benefit and avoid unintended consequences; and

WHEREAS, Vice Chair Gunda recognized in his June 27 letter to the Governor that additional analytical work by the CEC is necessary before establishing a maximum GGRM or imposing any penalty for exceeding it, and recommended that the CEC prioritize exploration of a sector-wide managed transition strategy and return to its evaluation of a potential maximum GGRM and penalty after a reasonable period of time; and

WHEREAS, further study is needed prior to imposing a regulatory intervention of this degree to avoid the unintended consequences that can result from improperly calibrated policies, including reduced industry investment in critical infrastructure, increased risk of outages, and accelerated petroleum refiner exits from the California market that would reduce already limited in-state refining capacity; and

WHEREAS, at this time, CEC staff assess that they have not made sufficient findings to conclude whether or not the benefits to California consumers of establishing a maximum GGRM and penalty would outweigh the potential costs; and

WHEREAS, fulfilling the legislative intent of SB X1-2 to fully evaluate the potential impacts of a maximum GGRM and penalty and enhance consumer protections without creating unintended consequences would require significant additional investment of time and resources on the part of not only the CEC, but also each of the multitude of stakeholders whose input would be vital to any final determination; and

WHEREAS, California's refining sector remains consistently sensitive to maintenance-based outages and other supply disruptions; and

WHEREAS, major refinery maintenance activities are typically governed by a five-year turnaround cycle requiring long-term planning and coordination of equipment, labor, supply chains, and regulatory compliance; and

WHEREAS, prompted by successful decarbonization strategies, California's transportation sector has entered a pivotal mid-transition phase characterized by declining but still substantial demand for incumbent petroleum-based fuels paired with rapidly scaling alternative fuel systems. During the mid-transition phase, the state must stabilize near-term vulnerabilities of the entire transportation system and implement a comprehensive strategy to support a successful transition; and

WHEREAS, current analysis suggests that California faces the prospect of a continued reduction of in-state petroleum refining capacity that outpaces demand decline for petroleum-based fuels as well as closures of other critical parts of the state's petroleum-based fuel supply chain; and

WHEREAS, two California refineries recently announced their potential closures, citing long-term uncertainty in the market, among other factors. These closures will further consolidate the petroleum fuels market, increasing the risk of supply disruptions and price volatility; and

WHEREAS, accommodating at least one complete refinery maintenance and turnaround cycle would enable refinery operators to responsibly align operations with safety, environmental, and economic imperatives, after which the CEC should return to its evaluation of a potential maximum GGRM and penalty; and

WHEREAS, in August 2025, and in light of the foregoing, CEC staff filed a report in Docket Nos. 23-OIR-03 and 23-OIP-01 recommending, consistent with the June 27, 2025 letter, that the CEC deprioritize implementing rules for a maximum GGRM and penalty while the state continues to develop and implement a sector-wide managed transition strategy; and

WHEREAS, on August 13, 2025, the CEC instituted an informational proceeding to further explore strategies and tools, including minimum inventory and resupply planning requirements for refiners, to stabilize petroleum supply during the California transportation sector's mid-transition phase; and

WHEREAS, the CEC sees value in continuing to assess, potentially beyond this initial period during which CEC will prioritize exploration of a sector-wide managed transition strategy, and in collaboration with stakeholders, other measures to ensure a safe, affordable, and reliable supply of transportation fuels in the coming decades as California continues its energy transition.

THEREFORE, BE IT RESOLVED, that the CEC will not take further action on a maximum GGRM and penalty for at least five years from the date of this resolution while the state continues to develop and implement a sector-wide managed transition strategy.

FURTHER BE IT RESOLVED, that if the CEC adopts a maximum GGRM and penalty at any point before 2035, then upon receiving a request from a refiner for an exemption pursuant to Public Resources Code section 25355.5(m), the CEC will consider a showing of any of the following to be good cause that would be the basis for an exemption under that provision: (1) the refiner made significant investments in gasoline producing units (e.g. fluid catalytic cracking, hydrocracker, naphtha, etc.) at a California refinery between January 1, 2026 and December 31, 2030, or (2) other factors that the CEC would ordinarily consider in determining whether there is good cause for an exemption.

FURTHER BE IT RESOLVED, that this resolution does not expand or restrict the CEC's discretionary authority to set a maximum GGRM and penalty or take other action under Public Resources Code section 25355.5. This resolution is an exercise of the CEC's discretion based on current circumstances; the CEC reserves the right to revise or rescind this resolution and to implement Public Resources Code section 25355.5. The CEC will continue to collect and analyze information to assess a maximum GGRM and penalty over the length of the period during which the CEC deprioritizes implementing rules for a maximum GGRM and penalty.

CERTIFICATION

The undersigned Secretariat to the CEC does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the CEC held on August 29, 2025.

AYE:

NAY:

ABSENT:

ABSTAIN:

Dated:

Kim Todd
Secretariat