



## The Price of Gas

Edited from various sources by Clairia Lloyd

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Consumer Watchdog has said that the spot price of gas has leapt a dime overnight as the group had predicted in the wake of two refinery shutdowns impacting 16% of the state's refining capacity. Two letters have been written to state officials by Consumer Advocate Liza Tucker discussing this and highlights are shown below.

### **Steelworkers' strike, refinery capacity, and price of gas**

The first letter was written to the Attorney General Kamala Harris, Senior Assistant Attorney General Kathleen Foote and Robert B. Weisenmiller, Chair of the California Energy Commission on February 6.

"We write to draw your attention to suspicious refinery behaviour. As steelworkers began a nationwide strike at nine refineries at the beginning of this week, Tesoro announced that its Martinez refinery was in the midst of planned maintenance work and that it had decided to fully shutdown the plant. This decision takes offline 8% of the state's progressing capacity.

"This is an inopportune time for Tesoro to be shutting down a refinery. WE ask that you investigate immediately the reasons for this unnecessary decision in order to rule out a concerted refinery effort to drive up the price of gasoline in California. We understand that refineries must get ready to produce California's special summer blend of gasoline. But it makes little sense to shut the plant down entirely right now, in the midst of a national strike the likes of which we haven't seen in 30 years, unless it is a measure being taken by Tesoro to intentionally affect the price of gasoline."

"The spot price of California's special blend of gasoline has already jumped up almost 20 cents a gallon in a week. The US Energy Information Administration reports that the spot price of California's gasoline in Los Angeles rose from US\$1.47 a gallon on January 26 to US\$1.66 as of February 2. Give the sharp drop in production that will be compounded by the absence of Tesoro's Martinez production, prices are bound to keep rising while stockpiles begin to shrink.

"Unfortunately, we have a record of California refineries trying to restrict supply to drive up prices. Whistleblower documents from the 1990s show deliberate attempts by major refineries and the American Petroleum Institute to reduce refinery capacity nationally and in California. In 2004, we had to fight Shell to prevent it from shuttering its Bakersfield refinery, and succeeded in forcing the oil company to sell the refinery instead. And in 2007, we found that refiners' discretionary refinery production drop, caused a spike in gasoline prices rivalling the price effects of Hurricane Katrina two years earlier."

“We ask that you prevent our refineries from taking advantage of this nationwide steelworkers’ strike to manipulate the price of gasoline by restricting its supply.”

### **Refinery shutdowns and possible gas price manipulation**

The second letter was written to Governor Jerry Brown, Attorney General Kamala Harris, Senior Assistant Attorney General Kathleen Foote, Senate President pro Tempore Kevin de Leon and Assembly Speaker Toni Atkins on February 18.

“We write now to request that independent inspectors be sent immediately to both refineries to ascertain if they are telling the truth. We also urgently need legislation ensuring independent, onsite refinery investigations whenever a shutdown occurs in order to assure the public that outages are justified.

“These concurrent closures will hit consumers hard at the pump. In fact, in California gas prices are rising faster than they are in the rest of the country. In the wake of Tesoro’s Martinez shutdown, gas prices have jumped 27 cents per gallon since February 6. The US average has jumped only a dime a gallon.

“Taking capacity offline in California is especially disconcerting because of the relatively low days of supply refineries in California keep on hand. According to data from the Board of Equalisation and the Energy Almanac, California retains only 10 – 12 days of supply, around half the national average of 24 days of supply. The low supply kept on hand means even hiccups in refining can have a large impact on prices at the pump.

“We ask that you collectively hold these companies accountable. Immediate inspections of the two plants shutdown by refineries and an investigation of possible price manipulation are essential to verify the oil industry’s claims and protect the public.”