

SB 448 (LENO)

MOTOR VEHICLE FUEL PRICE MANIPULATION & VOLATILITY PREVENTION

This bill: SB 448 requires the California Energy Commission (CEC) take the following steps to protect the gasoline and diesel market from manipulation and volatility:

- Analyze data the CEC already collects, as well as establish a volunteer expert committee that will assist the CEC detect and deter fuel market price manipulation; identify data the CEC doesn't collect that may be helpful for detecting market manipulation in the future and provide the list to the legislature
- Consult with the Air Resources Board and other relevant state and federal agencies to complete a one-time report to the Legislature on further recommendations to limit price volatility and increase of gasoline and diesel prices in California.

Supporters:

Consumer protection organizations
National environmental non-profits
Social justice advocacy organizations
Organized Labor

Fact Sheet Prepared: August 21, 2013



Background/Problem: Consumers of fuel in California are faced with two major problems. The price of fuel in the market is highly variable, and the average price for gasoline and diesel is far above the rest of the country. This impacts all Californians, and especially those citizens with less discretionary income. Reasons for high prices and price volatility are varied and complex, but include high aggregate demand, limited production, and market power being exercised by a limited number of fuel producers.

New environmental programs like AB 32 and AB 118 are aimed at diversifying the fuel mix with less expensive, lower carbon choices. However, the longevity of these policies may be impacted if producers are able to cast doubt by artificially sending prices upwards at the same time implementation occurs.

Currently, there is no consistent method in place to determine whether illegal market behavior is ongoing.

Existing Law: Federal and state laws prohibit forms of market manipulation and seek to prevent acts, practices, or courses of business that defraud customers. On the face of it, these laws would seem to protect California fuel consumers - they do not. Industry data is too opaque, agencies have too little resources, and governmental expertise is too lacking to fully accomplish the job - meaning there is a void to be filled to judge business practices in California and implement existing laws.

The CEC collects a wealth of data on the motor vehicle fuel market. However, the lack of regulatory standards or personnel needed to evaluate this data means that knowing whether current behavior is illegal is a practical impossibility.

Existing law has also set the state on a path toward fuel diversification - which will lead to long term cost and carbon reduction. SB 448 helps protect those laws from being undermined by fuel price manipulation.

HIGH OIL PRICES PUMP UP CONCERN

July 29, 2013

“Gas prices rise and fall for many reasons, but one dangerous constant is that here in California, in particular, large oil companies are increasingly consolidated, reducing competition and generating concerns that consumers have ever-fewer defense.”

THE HUFFINGTON POST

TOP NEWS AND OPINION

THE PRICE OF OIL IS RIGGED

August 5, 2013

“How do I know the price of oil is rigged? I don't, and that is the problem. There is no transparency whatsoever in the trading of oil on the commodity exchanges...and yet there is no meaningful oversight.”

San Francisco Chronicle

BILL TO FIGHT GAS-PRICE MANIPULATION

May 23, 2013

“SB 448 would create a clear process to look for price manipulation and require the California Energy Commission to consult with state and federal agencies to create statewide recommendations aimed at combatting high and volatile fuel prices...California's need for new legislation is clear.”



MAY AND OCTOBER 2012 GASOLINE PRICE SPIKES ON THE WEST COAST

November 15, 2012

“An exhaustive review of California refinery emissions data reveals inconsistencies between when refineries were producing petroleum products and publicly reported maintenance shutdowns...”

The New York Times

INQUIRY ON POTENTIAL OIL PRICE MANIPULATION INTENSIFIES

May 15, 2013

“Consumers and companies are heavily reliant on the market, which affects a range of things, from the price at the pump to the cost of an airline ticket to supermarket bills...And authorities are worried that oil companies may be distorting prices.”



RETAIL GASOLINE PRICES AND FUNDAMENTALS

July 2, 2013

"This report reviews the recent shift in the gasoline market in California. A careful review of the limited information available indicates that a relatively minor plant problem at ExxonMobil's Torrance refinery was to blame for the almost instantaneous increase in wholesale prices in October 2012. ... raises the question of collusion."