



December 10, 2025

Vice Chair Siva Gunda
California Energy Commission
715 P Street
Sacramento, CA 95814

Re: Immediate State Action Required to Prevent Refinery Collapse, Pipeline Failure, and Severe Fuel-Market Instability

Vice Chair Gunda:

On behalf of the California Independent Petroleum Association (CIPA) and the thousands of in-state workers who keep California's energy system functioning, I write to follow up on our last meeting of October 21, 2025, where we discussed challenges facing the liquid fuels market in California. Since then, the environment has greatly deteriorated, and we are urging the Energy Commission to take immediate action regarding the most urgent threat to the state's fuel market: the dismantling of the Valero Benicia refinery and the idling of the San Pablo Bay Pipeline. This development, if allowed to proceed, will trigger cascading damage across the state's refining, pipeline, and production sectors.

In this letter, we respectfully request the CEC take the following actions:

- **Avert the dismantling of the Valero Benicia refinery.**
- **Stabilize the San Pablo Bay (SPB) Pipeline.**
- **Allow routine maintenance within Health Protection Zones (HPZs)** to preserve existing production and prevent declines caused by SB 1137's unintended restrictions.
- **Amend AB 1167** to restore the ability to transact oil and gas assets through alternative compliance structures that mirror those mandated by AB 1057.
- **Clarify that California does not have a legal ban on well stimulation treatments (WST)** and allow SB 4's rigorous regulatory program to function as intended.
- **Prevent local bans on existing oil production**, as counties such as Los Angeles and Santa Barbara consider bans that would devastate local production.

Your prior work has acknowledged the importance of maintaining safe, reliable, and affordable transportation fuels for California's 39 million residents. Today, we face a moment in which the loss of a single refinery—because of the fragile condition of the state's infrastructure—risks destabilizing the entire system. This is not hyperbole; it is the conclusion supported by data from the California Energy Commission, independent academic studies, and the warnings coming directly from refinery operators, pipeline managers, and producers.

Refining Capacity Crumbling

California has gone from more than forty refineries in the 1980s to just nine today, with two additional closures, Phillips 66 and Valero, already announced. By 2026, California will have lost nearly one-fifth of its remaining refining capacity, reducing in-state gasoline production by more than 6.2 million gallons per day. The academic study “*California’s Oil and Gasoline Conundrum: A Blueprint to Address California’s Gasoline Insecurity, High Prices, and Avert More Pipeline & Refinery Closures*” authored by Michael A. Mische of the University of Southern California, James W. Rector of University of California, Berkeley, and Joseph B. Silvi of the University of California, Berkeley, confirms that refinery capacity has already fallen 21 percent since 2023 and finds that the loss of Valero Benicia, a major Bay Area refinery producing CARB-compliant gasoline, will deepen the state’s dependence on imports and further destabilize the market.

California’s refinery system is not only essential for fuel supply and affordability; it is essential for maintaining competitive markets. Allowing additional refinery closures increases concentration among the remaining facilities and elevates risks of price volatility resulting from a smaller number of operators bearing the entire responsibility for meeting statewide demand. The presence of multiple refineries creates competition in both crude purchasing and wholesale fuel markets, prevents regional monopolies, and provides necessary redundancy when outages occur. Once a refinery closes, however, the competitive landscape shrinks permanently. The dismantling of the Valero Benicia facility would leave Northern California with dangerously limited in-state refining options, increasing market power among the few refineries left and exposing consumers to higher prices and reduced supply flexibility.

Demand Has Not Gone Down

Californians still consume approximately 1.8 million barrels of petroleum per day, which is higher today than in 2014 despite significant EV adoption incentives. Under CARB’s own 2045 carbon-neutrality modeling the state will still require 400,000 barrels per day of crude oil to manufacture the more than 6,000 petroleum-based products essential to daily life, including transformer oil which is necessary for the electric grid to operate. Even in the state’s envisioned clean-energy future, these refineries remain essential.

Pipeline Infrastructure is at Risk

The consequences of the Valero closure extend beyond refining itself. The San Pablo Bay (SPB) Pipeline, operated by COREnergy/Crimson Midstream, is the last remaining northbound crude line carrying Kern County production to Bay Area refineries. The line is already under severe economic stress due to reduced volumes caused by previous refinery closures and regulatory policies that have caused declines in state-wide oil production. Crimson’s filings show the pipeline operating at multi-million-dollar monthly losses and is at imminent risk of permanent shutdown absent tariff adjustments already pending before the CPUC. The pipeline became officially idle as of December 1, 2025.

This is the only pipeline feeding Northern California refineries. If it ceases operating, the state will be forced to rely entirely on shipping crude by truck, train, or tanker, methods that are dramatically more costly and far more carbon-intensive than pipeline delivery. According to the

Silvi–Rector–Mische study, the northbound system requires a minimum throughput of roughly 90,000 barrels per day for operational viability. The loss of the Valero refinery alone would collapse throughput below that threshold, effectively dooming the line. Without the pipeline, Northern California’s refineries cannot receive Kern County crude, and without refineries, the pipeline has no purpose. The loss of one ensures the loss of the other, and the combined loss would create a statewide fuel-supply crisis.

Recent work by the Division of Petroleum Market Oversight underscores this systemwide fragility. Its report, intended to clarify the so-called “mystery surcharge,” ultimately confirms that there is no mystery at all. California’s fuel premium is the direct result of decades of state policies that have made production, refining, and transportation more costly and, in some cases, nearly impossible. Every imported barrel carries a \$5–\$7 shipping premium, which Californians pay only because the state has rendered in-state production politically and economically untenable.

The closure of the SPB Pipeline also leaves only two significant in-state pipelines to transport California production to refineries, the PBF Torrance and Plains 2000 pipelines. A disruption to either of these two remaining lines, which has occurred in the recent past, would leave California producers without access to transport produced crude to market, further depressing California oil and gas production.

Progress Made, But State Policies Will Hamper In-State Production

Thanks to your leadership, SB 237 passed this year, which may, over time, increase production in Kern County. But that increase will likely be delayed due to several headwinds producers are facing. Producers may not drill the number of new wells anticipated under SB 237 due to several factors. First, global oil prices are low. This is not a factor the state controls. However, there are other factors for which the state is entirely responsible. For example, when pipeline capacity is uncertain or unavailable, producers are forced to truck crude at costs ranging from \$10 to \$12 per barrel, which is unsustainable for many fields in the San Joaquin Valley. These transportation costs, combined with the steep market discount applied to California crude when refineries and pipelines are constrained, make capital-intensive new drilling far less viable. Without reliable in-state refinery demand and assured pipeline access, SB 237’s projected production increases will fall short of expectations. Refineries are closing and pipelines are being idled due to state and local regulations that make operating in that sector riskier than companies are willing to bear. And in-state crude production, which refiners consistently list as needed for their survival, is being hampered by state developed regulations including precluding maintenance within Health Protection Zones, an illegal ban on well stimulation, a broken asset acquisition bonding scheme, and local governments banning safe, duly-permitted, local production.

Maintenance within HPZs Needed

24% of current production is within Health Protection Zones (HPZs) created under SB 1137 from 2022. SB 1137 was explained by proponents as a bill to “stop drilling new oil wells in neighborhoods, but allow current production to continue.” But the bill went far beyond preventing new wells from being drilled. Inside HPZ’s, operators cannot get simple, routine permits to maintain their existing oil wells and production. This is causing a more rapid decrease in production inside HPZ’s statewide and begs for a legislative fix to allow for regular well

maintenance to ensure oil wells inside HPZ's are operated efficiently and can provide local crude to local refineries, rather than increasing foreign imports.

Ironically, the refinery in Kern County that provides 80 percent of California's transformer oil powering the state's electrical grid, and the oil field feeding that refinery, are entirely within a Health Protection Zone. As those oil wells decline in production due to the overzealous nature of SB 1137, the state could become exposed to shortages of transformer oil, a product manufactured in only four refineries in America and which allows the state's electrical grid to function without catching fire.

With respect to HPZs, it is critical that the State's policies recognize the distinction between new drilling and routine well maintenance on existing, fully permitted facilities. The overwhelming majority of activity that SB 1137 currently prevents is not new development, but ongoing maintenance essential to maintaining current production within historic oil fields. SB 1137 requires every facility within an HPZ to operate under comprehensive monitoring plans, including continuous emissions monitoring and rigorous reporting standards overseen by local air districts and CalGEM. These monitoring systems, combined with conditional use permits backed by full CEQA analyses, ensure that maintenance activities can occur with no increased risk to public health or air quality.

Bonding for Acquisitions Needs Reform, as the Governor has Pointed Out Himself

Additionally, AB 1167 from 2023 was signed by the Governor with a signing message wherein he stated that the bill needs additional work, saying, "...increasing the financial assurances required for oil and gas well transfers also potentially creates risk of current oil and gas well operators deserting these hazardous wells. I look forward to working with the Legislature to enact legislation to make any necessary revisions to address this risk and otherwise align this law with programs that the Department of Conversation's Geologic Energy Management Division is already developing to address orphaned and abandoned wells." (emphasis added)

The Governor was prophetic in his concerns about the bill being implemented without further amendments. As CalGEM can attest to, in 2024 and 2025, for the first time in the history of California, no oil assets were transacted. Only two complete acquisitions of entire companies, which are exempt from the provisions of AB 1167, have occurred. No industry can thrive without the ability for companies to sell noncore assets when necessary. By transferring assets that are not a priority for one company to another company that has capital to invest in those assets, both companies end up stronger financially, production is enhanced, and the state is protected from the risk of idle well desertion. By simply allowing the same compliance mechanisms that exist in AB 1057 to be available for AB 1167 compliance, the deficiency the Governor identified can be solved.

The State is Not on Track to Meet its Production Goal

The study referenced above concludes that California needs to add at least 33,500 barrels of new production each year just to reach the CEC's stated stabilization requirement of 125 million annual barrels. SB 237 may eventually add approximately 10,000 barrels per day per year, but the state is still losing production at a rate of roughly 18,000 barrels per day annually, meaning that even with SB 237, production will continue to decline.

The State's Illegal Ban on Well Stimulation Needs to be Lifted

The above-mentioned production declines do not factor in the Governor's Executive Order banning Well Stimulation Treatment (WST), which is a practice only conducted in Kern County. CIPA spent a great deal of time working with the Brown Administration and the legislature mapping out a thorough roadmap and regulatory structure under SB 4 to ensure WST in California was conducted to the highest standards of environmental health and safety. In fact, when legally challenged by the Center for Biological Diversity (CBD), California's Attorney General at the time, former Vice President Kamala Harris, denied CBD's petition and stated in a letter dated March 30, 2015, that, "California's regulation of well stimulation operations is rooted in science and sound public policy [SB 4; 2013-2014]." The letter to CBD clearly stated that, "The petition, under the auspices of the Administrative Procedures Act, is factually inaccurate, legally flawed, and therefore denied." If California is serious about "unleashing Kern County, it is time to allow Kern County operators to use all legal and safe means to access existing minerals.

In June 2015, Lawrence Livermore National Laboratory (LLNL) published the report *Recommendations on Model Criteria for Groundwater Sampling, Testing, and Monitoring of Oil and Gas Development in California* (LLNL-TR-669645), prepared pursuant to California's SB 4 framework. The study sets forth a rigorous, risk-based approach under which well stimulation treatment (WST) can be done safely.

In July 2019, Governor Gavin Newsom publicly acknowledged that he lacked legal authority, on his own, to impose a statewide moratorium on well-stimulation practices ([ABC7 San Francisco](#)). Yet in April 2021 he reversed course. In a formal executive action, he directed state regulators to halt the issuance of new fracking permits by 2024, effectively initiating a de facto ban on new well stimulation activities in California ([Governor of California](#)). This illegal ban is now subject to litigation.

Refinery, Pipeline, and Production Closures will Result in Higher Gas Prices

Refinery closures do not merely remove refining capacity, they undermine the upstream economic basis for production itself, and they reduce pipeline throughput below operational levels. The study warns that if both refining capacity and pipeline infrastructure erode together, California could see routine fuel-price fluctuations exceeding \$10 to \$12 per gallon during disruptions or global instability. Meanwhile, gasoline demand remains effectively flat, decreasing at less than 1 percent per year since 2001, while jet-fuel demand has increased 31 percent since 2015. Declining supply alongside stable demand is a recipe for persistent price escalation.

For these reasons, it is essential that the State prevent the dismantling of the Valero refinery. Once a refinery dismantlement begins, it is irreversible; the facility cannot be restarted, and California permanently loses a critical component of its energy system. The State must explore ways to encourage continued refinery operations during this critical period as it grapples with permanent solutions that make refining in California predictable and profitable.

Parallel to preserving the refinery, the State should act to stabilize the SPB pipeline. The Silvi-Rector-Mische study suggests that a temporary operating support mechanism of approximately

\$25 million annually could keep the pipeline viable—a cost that translates to roughly 0.036 cents per gallon statewide. CPUC approval of pending tariff adjustments, prevention of premature shutdown, and coordinated planning with producers and refiners would ensure that Northern California retains access to in-state crude. Losing the pipeline would force producers to shut in wells, damage reservoirs, destroy jobs, and eliminate a critical component of California’s energy security.

Local Bans Threaten Existing Production

The academic studies also emphasize that California must expand in-state production beyond Kern County if it hopes to maintain a functional energy system. The study identifies significant opportunities in the Los Angeles Basin and Santa Barbara Channel for rapid, low-carbon-intensity production that could come online faster and more economically than drilling in Kern County. These areas are among the most environmentally regulated in the world and produce crude with some of the lowest carbon intensity anywhere.

As you counsel the Governor on a path forward, please be aware that AB 3233 (Addis), which was passed and signed in 2024, granted local governments the ability to regulate oil production more strictly than the State of California, and some local jurisdictions are using the law as an excuse to completely ban duly permitted oil production. Currently, the Counties of Los Angeles and Santa Barbara and the City of Los Angeles are contemplating utilizing AB 3233 to ban all oil production within their counties, which would be a disaster for California’s refineries and would further decimate California in-state oil production. Allowing local governments to ban existing oil production that they themselves duly permitted is ill-advised and illegal.

Refinery Shutdowns Threaten National Security and Energy Price Stability

California is home to over 40 military installations that depend on in-state sources of refined products to fuel their fleets. As California considers becoming even more dependent on foreign sources of crude oil and refined products, it will be putting its energy and national security in the hands of foreign entities, several of which are adversaries of the United States. For example, in 2024, California imported most of its jet fuel from China. To make matters worse, California may be importing jet and gasoline fuels produced from Iranian and Venezuelan crude oils; thus, California consumers will be financing rogue regimes and drug cartels. If sourced from India, California may be importing jet and gasoline fuels produced from Russian crude, thus financing Russia’s war against Ukraine.

There are Environmental Consequences to Dependence on Foreign Oil and Refined Fuels

California’s leaders have built their climate strategy around an intense fixation on onshore stationary and mobile emission sources, yet display a stunning blind spot when it comes to the very same sources offshore. **Supertankers delivering foreign crude ARE offshore oil.** But unlike in-state sources, they are exempt from nearly all California rules and regulations when it comes to the environment, labor practices, taxation, and human rights. Regulators and elected officials have called for ending California-regulated offshore oil production and preventing barging from federal platforms but have ignored the explosive growth of offshore mobile sources caused by the supertankers that fill California’s crowded ports due to state policies.

The South Coast Air Quality Management District warned as early as 2019 that port-related shipping, including oil tankers, was on track to become the **single largest source of air pollution in the Los Angeles Basin**, [a finding highlighted by Los Angeles Times](#), yet the focus has been on ending production from stationary sources while ignoring the explosion of supertanker traffic into our crowded ports. Imported foreign oil is the dirtiest, most carbon-intensive, and least accountable foreign oil to satisfy California's daily demand of roughly 1.8 million barrels per day. Only oil produced in California, under the state's GHG cap and trade program is California carbon compliant. Foreign oil is completely exempt.

Greenhouse gases are a global issue. When California replaces in-state sources of crude that operate under California's strict environmental rules with exempt foreign crude, state leaders are directly causing the increase of global GHG emissions.

Summary

In sum, if the Valero Benicia refinery closes and is dismantled, the consequences will be immediate and irreversible. The SPB pipeline will lose economic viability within months; Northern California will lose its last major in-state gasoline producer; dependence on imported crude and refined products will surge; and the state will face rising emissions, increasing port pollution, permanent job losses, and a level of price volatility that Californians have never experienced. Yet none of these outcomes are inevitable. The State can still intervene, and the Energy Commission is uniquely positioned—together with the CPUC, CalGEM, the Department of Finance, and the Governor's Office, and the federal government—to chart a path that preserves the refinery, protects the pipeline, restores regulatory certainty, and strengthens California's energy security during the mid-transition period.

CIPA stands ready to assist in developing a coordinated stabilization package that achieves these goals. We deeply appreciate your leadership and your ongoing engagement in these issues, and we look forward to working closely with you to ensure that California maintains both energy reliability and environmental integrity in the years ahead.

Respectfully,



Rock Zierman
Chief Executive Officer
California Independent Petroleum Association (CIPA)