PERSPECTIVE ON
GOVERNOR GAVIN NEWSOM'S
VALERO PRESS RELEASE
"FACTS, DATA & REALITY"
OF JANUARY 6, 2026
Key Points to Consider
January 9, 2026

1. General Impressions

a. In its 1/6/26 statement,[1] Valero merely reconfirmed its intentions to cease fuels production in April 2026 as per its April 2025 notice to the CEC and shareholders.[2]
b. Valero's commitment to fulfill contractual supply obligations by importing gasoline is geared towards *"the near term"* with no specific details or stated intentions for the longer term.
c. Rather than a new revelation, Valero had previously announced plans to import gasoline, which is consistent with analysts' sentiments.[3]
d. The Governor failed to mention the loss of jobs and city revenues because of Valero's voluntary exit.
e. The Governor failed to discuss/disclose some important information and data:
    i. The critical question is which countries will Valero source imported gasoline from in the future, and will delivery be consistent?
    ii. Sources and Options
        a. India: 40% of India's crude oil is imported from Russia, with some suspicions of Iranian oil, as well.
            1. The U.S. has imposed sanctions on Russia, Iran, and India.
        b. China: The largest consumer of Russian crude oil also consumes over 90% of Iranian crude production.
        c. Venezuela to U.S. refineries: Shipping from Gulf Coast plants directly to CA will require Jones Act compliant vessels...there are less than 60 Jones Act compliant tankers and all are chartered.
        d. Venezuela to U.S. and CA: Venezuela to Gulf Coast to the Bahamas to California: Shipping will be on foreign-flagged vessels, with additives blended in the Bahamas and then shipped through the Panama Canal.
    iii. Questions
        a. How many barrels a day will Valero source? (Enough to satisfy contractual obligations?)
        b. How will Valero transport imported gasoline to Benecia?

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[1] https://www.beniciarefinery.com/update-on-benicia-refinery

[2] https://investorvalero.com/news/news-details/2025/Valero-Announces-Notice-to-the-California-Energy-Commission-Regarding-its-Benicia-California-Refinery/default.aspx#:~:text=Forward%2Dlooking%20statements%20in%20this,strategy%2C%20operations%20and%20financial%20performance.

[3] https://investor.phillips66.com/financial-information/news-releases/news-release-details/2024/Phillips-66-provides-notice-of-its-plan-to-cease-operations-at-Los-Angeles-area-refinery/default.aspx

c. What incremental costs differential will CA pay for imported gasoline?
d. What will the total, incremental cost of GHG emissions be from Valero's importation of gasoline?

iv. What will Valero's post-shutdown storage capacity be for gasoline and where will the tanks be located? (They already rent tanks in the area that are unassociated with the refinery)

v. Has the CEC determined the environmental impact of additional tanker vessels and traffic on the SF Bay and Water District?

f. Notably, the Governor failed to fully explain that Valero will be suspending operations in February to conduct state-required inspections, perform maintenance, and begin shutting down refining process units.

g. Notably, the Governor never mentioned that Valero's stated intention is to finish refining its current inventory of crude oil, rather than adding to crude oil inventory.

h. Notably, the Governor was silent on the added costs to CA consumers from importing gasoline into to the state.

i. In 2025, Valero wrote off $1.1 billion of refinery assets in California, which includes both Benicia and its Wilmington Refinery in Los Angeles County.

2. Industry Engagement & Collaboration

a. *"California is doing the actual work—collaborating with industry…"*[4]

b. CA policies and over-regulations have created the current situation.

c. Governor Newsom has been demonizing the oil industry for years:

i. *"They are lining their pockets by ripping off Californians"*[5]

ii. *"Big Oil has been lying and gouging Californians."*[6]

iii. *"…California families were fleeced at the pump…"*[7]

iv. ***"They've been screwing you for years and years and years. There's no other way to put it."***[8]

3. Global demand for oil is declining.

a. False.

b. Global oil demand and consumption increased to 203 million barrels a day in 2025 and is expected to continue to increase through 2050.[9]

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[4] https://www.gov.ca.gov/2026/01/06/governor-newsoms-statement-on-valeros-benicia-refinery-update/

[5] https://www.tiktok.com/@gavinnewsom/video/7162391751972408622

[6] https://www.gov.ca.gov/2022/12/05/governor-newsom-unveils-price-gouging-penalty-on-big-oils-excessive-profits-to-protect-californians-from-being-ripped-off/

[7] https://www.gov.ca.gov/2023/01/31/big-oil-made-record-2022-profits-while-fleecing-california-families/

[8] https://calmatters.org/newsletter/california-gas-prices-newsom-oil-industry/

[9] https://www.eia.gov/outlooks/steo/

c. Goldman Sachs expects oil demand to increase to 113 million barrels a day by 2040, or almost 10%.[10]

4. California gasoline prices have been declining.

a. True…but the drop has is unrelated to Gavin Newsom's policies or actions.
   i. CA is the beneficiary of Pres. Trump's energy policies that are increasing global crude oil production, which is lowering the price of gasoline.
   ii. There is a "glut" of crude oil in the global market, which is placing downward pressure on gasoline prices.
   iii. There has been some moderation in gasoline consumption in CA, particularly in December due, in part, to severe weather.
   iv. Ironically, while the cost of oil and gasoline prices across the U.S. fell in 2025, CA's regulatory costs, which contribute to retail pump prices, increased.

b. Since Pres. Trump took office in January 2025, crude prices have fallen by 20-22%.

c. Crude oil is the largest cost component of prices paid at the pump.

d. Since January 2025,
   i. Avg. U.S. prices have fallen
   ii. Avg. CA prices have fallen but not as much as the overall U.S.
   iii. U.S. imports of foreign oil have decreased
   iv. CA imports of foreign oil have increased
   v. CA was consistently among the top three states in gasoline prices, competing with Hawaii and Washington state

e. CA imports of foreign-sourced gasoline hit a 20-year high in late 2025.

f. Prices increases during 2022 are largely attributed to factors such as:
   i. A 41% increase in Brent crude prices over 2021 ($71 to $100 barrel).
   ii. Elasticity of supply chains and labor, including crude oil and refinery production recovering from Covid shutdowns.
   iii. Timing of consumer demand coming off CA's over 400-day lockdown from 3/19/20 to 6/15/21.

g. The 2023 price spikes in CA are attributed to several factors, including but limited to:
   i. Refinery capacity constraint issues.
   ii. Accelerated demand for gasoline…with consumption increasing from ~11 billion gallons annually in 2022, to 13.6 b/g/a in 2023 …a 24% YOY bump.
   iii. Reductions in global crude production associated with OPEC+ nations, and the Russia-Ukraine war, which halted US imports of gas oils.
   iv. Lower refinery production associated with unplanned maintenance and weather.

h. Since historical high prices for gasoline during the Biden Administration:

[10] https://www.bloomberg.com/news/articles/2025-11-14/goldman-follows-iea-with-revised-bullish-outlook-on-oil-demand

i. U.S. average gasoline prices have fallen: 44%.[11]
ii. CA average gasoline prices have fallen: 34%.[12] *(Where is the Mystery Surcharge?)*

5. Effect of SB 237 on Crude Oil Supplies and Consumer Prices

a. True…SB 237 represents a first step towards increasing crude oil production in CA.
b. SB 237 is insufficient by itself.
c. Doubtful that 2,000 wells will be drilled in any year due to state laws and regulations.
d. Current low crude prices are a disincentive to drilling and producing oil in Kern County. Crude oil prices are expected to decline further in 2026 to a target of $50 a barrel, thus reducing the attractiveness for new wells and production from new wells in Kern County.
e. The high cost of operating and living in CA are detrimental to attracting equipment, labor, and investment from other states that reward crude production.
f. Realistically, SB 237 could contribute around 10,700 barrels per day to CA in-state production within the next year or two.
g. In contrast, offshore production could be more than 50,000 barrels per day within one month or so if the appropriate permits were granted.[13]
h. While CA is trying to prohibit offshore production due to climate change and environmental concerns, it relies on imports of crude from Brazil where more than 95% of crude oil is produced offshore.

6. Effect of AB X 2-1 and SB X1-2 on Crude Oil Supplies and Consumer Prices

a. The state lacks or has not fully disclosed to the public data supporting its claim that AB X 2-1 has or has had any significant positive influence on lowering CA gasoline prices.
    i. Within days of Governor Newsom signing AB X 2-1 into law, Phillips 66 announced it would cease Los Angeles refinery operations.[14]
    ii. Within 180-days of Governor Newsom signing AB X 2-1, Valero announced their intent to cease refinery operations in Benecia, CA.[15]
    iii. Ironically, an economic consequence of implementing minimum inventory requirements for gasoline that apparently has eluded the Governor and CEC is that requiring refiners to withhold product to meet regulatory

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[11] https://gasprices.aaa.com/?state=CA

[12] https://gasprices.aaa.com/?state=CA

[13] Estimate based on Sable Offshore statements.

[14] https://investor.phillips66.com/financial-information/news-releases/news-release-details/2024/Phillips-66-provides-notice-of-its-plan-to-cease-operations-at-Los-Angeles-area-refinery/default.aspx

[15] https://investorvalero.com/news/news-details/2025/Valero-Announces-Notice-to-the-California-Energy-Commission-Regarding-its-Benicia-California-Refinery/default.aspx

requirements keeps fuel off the market, thereby placing more pressure on supplies, and resulting in price increases to the consumer…throughout the year.

iv. Neither the CEC nor Governor's office have provided the public with consumer price estimates associated with the costs of AB X 2-1 compliance. The amount of consumer price increase is contingent on factors such as:
   1) Maximum number of days refiners will be required to retain inventor.
   2) Octane ratings and number of gallons stored.
   3) Cost of crude.
   4) Refining costs.
   5) Capital and infrastructure costs.
   6) Gasoline's short shelf-life requires constant turnover and tank flushing, which, in turn, contribute to higher prices.

b. The state lacks or has not fully disclosed to the public quantitative or statistical data supporting its claim that that SB X1-2 has or has had a significant positive influence on lowering CA fuel prices.
   i. SB X1-2 did create the DPMO which provides basic data and spreadsheets but featuring often incomplete data.
   ii. Despite having received billions of wholesale transaction records since June 2023, DPMO been unable to prove the Governor's unsupported claim of industry "price gouging"
   iii. DPMO only offers basic Economic 101 concepts such as "industry concentration" as potential arguments in favor of price gouging, which is again unproven, while omitting that CA laws, regulations, and policies have driven refiners to exit the state.
      a. "I've sat here for hours, and you haven't proved price gouging." (Senator Brain Dahle)
   iv. SB X1-2, also endows the CEC to arbitrarily set maximum profits for refineries and to assess financial penalties on profits which it, on its discretion, deems excessive.
      a. *"If California refiners are making so much money, why are they leaving?"* (Assemblymember Petrie-Norris)

7.* Myth 1: *"Refinery Idling or closures are unique to California,"* and *" that Cali shares the closures with the rest of the states/world."

a. False.
b. Refineries in CA are closing and exiting due to the higher operating costs in comparison to other U.S. refiners, declining margins, increasing regulatory costs, and a punitive regulatory and enforcement environment.
c. Refinery are closing, more precisely, there is a consolidation of refining operations globally.
   i. International companies are more likely to close or sell to independent operators that specialize in refining.
   ii. Less sophisticated refiners are being permanently shut down because the cost of modernization is elevated

iii. Refineries are adjusting to changes in demand, consumption, and emissions requirements.
iv. Refineries are finding it more difficult to maintain, yet alone, improve profits.
v. Refineries are extremely capital intensive and require hundreds of millions of dollars annually to maintain reliable operations.

d. The Governor failed to fully cite the article that he relied upon in acknowledging that:
   i. Economics are driving shareholder owned and operated refineries to allocate their capital to higher and better uses.
   ii. Shareholder owned refiners are consolidating to lower operating cost areas because regulatory compliance adds to refinery costs.
   iii. Integrated refineries with petrochemical capabilities are better positioned for survival.
e. State-owned refineries, such as those in China, India, and Russia are surviving and will survive as they are essential to the owner nation's economy and national security. Note, CA secures gasoline from privately-owned refineries.

8. **Myth 2: *"California's energy policies threaten military fuel supplies and readiness."***
   a. Yes. "*California is the national security risk."*[16] (Interior Sec. Doug Birgum)
   b. CA policies also threaten the economies of Nevada and Arizona, which are reliant on CA refineries and import terminals for gasoline and jet fuels. (See letter to Newsom)
   c. Amazingly, Governor Newsom concedes the point by admitting that CA's ability to support U.S. national security and force readiness is predicated on "Reliable alternatives- including imports…ensuring continued access to necessary fuels." ("Hello, China? May we please buy jet fuel to defend Tiawan?")
   d. California is securing both gasoline and jet fuel from foreign sources such as India, China and South Korea.
      i. India receives up to 40% of its oil from Russia, both of which are sanctioned by the U.S.
      ii. South Korea receives oil from various sources including Saudi Arabia and ironically, the U.S.
      iii. China imports oil from the U.S., Iran, Russia and up until Saturday, Venezuela.
   e. By consuming gasoline produced by India and China, CA is supporting and financially contributing to nations (Russia & China) that have interest's contradictory to the U.S.
   f. The Governor fails to disclose that China is:
      i. The world's largest emitter of GHG emissions
      ii. The world's largest importer of crude oil
      iii. The world's largest consumer of coal.[17]

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[16] https://www.yahoo.com/news/articles/trump-official-warns-california-oil-045900103.html

[17] https://www.hrw.org/world-report/2025/country-chapters/china

iv. Ranks #91 out 100 in the Freedom House Freedom Index.[18]

g. The Governor fails to disclose that Russia ranks #88 out of 100 in the Freedom House Freedom Index.[19]

9. **Myth 3:** ***"California's clean energy transition weakens energy security and makes the state less reliable."***

a. The Governor's answer is unresponsive to the myth and fails to address the central tenet.

b. The Governor fails to discuss how CA policies have contributed to the:
   i. Highest gasoline prices in the U.S.
   ii. During 2025, while the price of crude oil fell, CA regulatory costs such as the state excise tax and cap and trade costs, increased.
   iii. CA gas prices today are 51% higher than the national average.[20]
   iv. Loss of refineries…CA had over 40 in the early 1980s, today the count is 7.
   v. Loss of refinery, oil production, and associated jobs.
   vi. Loss of in-state crude production.
   vii. Loss of royalties to the state and local communities.
      i. The loss of Valero represents 20% of Benecia's revenues.
   viii. More than 20% loss in in-state refining capacity,
   ix. Incremental GHG emissions associated with expanded use of ocean-going tankers.
   x. Increased supply chain vulnerability.
   xi. Abdication of CA's authority and policy over pricing, quality, terms and conditions, environmental impacts, and worker rights to foreign refiners and governments.

c. The Governor goes to great lengths to celebrate that CA set records for EV sales in 2025 but failed to account for the reason for the late 2025 spike in sales and subsequent expectations for 2026 and beyond.[21]
   i. The Governor is correct…2025 was a record year for EV sales… however…
   ii. Of course, sales spiked…sales spiked not only in CA but across the U.S. in advance of the repeal of exorbitant taxpayer subsidies on the purchase of EVs.
   iii. After relatively rapid early adoption, EV sales have settled to reflect historical adoption rates and behaviors for new technologies.
   iv. Based on 2024 U.S. Dept. of Energy data, EV registrations in CA represent 4.1% of the total 37.5 million registered vehicles,[22] which is

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[18] https://freedomhouse.org/country/china/freedom-world/2024

[19] https://freedomhouse.org/country/russia

[20] https://gasprices.aaa.com/?state=CA

[21] https://www.gov.ca.gov/2025/10/13/record-breaking-quarter-california-reaches-historic-high-in-zev-sales/#:~:text="The%20work%20and%20investments%20by,re%20busy%20building%20the%20future."

[22] https://afdc.energy.gov/vehicle-registration

woefully short of California Air Resources Board (CARB) and the California Energy Commission original projections for 2026.[23]

1. For perspective, DoE data indicates that gasoline and diesel-powered vehicles comprise 85.5% of CA's total light duty 2024 registrations.

v. After October 1, 2025, EV adoption rates and EV sales in California and across the U.S. have significantly slowed with inventories of unsold EVs growing on dealers' lots after the removal of taxpayer subsidies on October 1, 2025.

1. Nationally, EV sales are expected to decline by at least 3.6% over 2025 historical highs.[24]

vi. CEC is projecting a 540 to 1,260% increase in EVs by 2050.

1. CEC has not provided any visibility or explanations as to their data, assumptions, planning and forecasting methods for adoption rates.

d. ***"The upfront cost of electric vehicles are projected to reach parity with conventional vehicles in just a matter of years…"***[25] (Gov. Newsom 2020)

i. Correct…EV prices have come down…as expected. However, the Governor neglected the realities of the EV market.

1. EV prices range from the upper $20,000s to over $150,000 per vehicle.
2. In 2015, the average Kelley Blue Book (KBB) EV transaction price was $36,063, without incentives and subsidies[26] as compared to the average KBB transaction price of a gasoline car at $33,500.[27]
3. For 2024, the U.S. average KBB transaction price for an EV increased by 55% to around $55,544, without incentives over 2015 average prices,[28] [29] while the average KBB transaction price for a gasoline car was $49,740.[30]
4. Some factors to consider:
   a. The actual price differential between an EV compared to a gasoline car remained relative the same.

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[23] https://afdc.energy.gov/vehicle-registration

[24] https://news.dealershipguy.com/p/u-s-new-car-sales-poised-to-dip-slightly-in-2026-forecast-2025-12-23

[25] https://www.gov.ca.gov/2020/09/23/governor-newsom-announces-california-will-phase-out-gasoline-powered-cars-drastically-reduce-demand-for-fossil-fuel-in-californias-fight-against-climate-change/

[26] https://mediaroom.kbb.com/record-new-car-transaction-prices-reported-december-2015#:~:text=5%2C%202016%20/PRNewswire/%20%2D%2D%20The%20analysts%20at,United%20States%20was%20$34%2C428%20in%20December%202015.

[27] https://mediaroom.kbb.com/new-car-transaction-prices-continue-climb-up-july-2015#:~:text=IRVINE%2C%20Calif.%2C%20Aug.,%2C%20Rogue%20and%20Sentra%20models.%22

[28] https://www.kbb.com/car-advice/how-much-electric-car-cost/#:~:text=According%20to%20the%20latest%20data,%2Dtime%20high%20of%209.9%25.

[29] https://www.coxautoinc.com/insights-hub/december-2024-atp-report/#:~:text=Electric%20Vehicle%20Prices%20Moved%20Higher,record%20for%20volume%20and%20share.

[30] https://www.kbb.com/car-advice/yes-you-can-afford-vehicle/#:~:text=What%20Is%20the%20Average%20Price,deal%2C%20including%20on%20electric%20cars

b. Nationally, EV sales for October 2025 dropped by 58% and are anticipated to remain relatively lethargic.
c. Nationally, EV sales plummeted by 50% in December 2025.[31]
d. EVs depreciate at faster rates and to lower values than gasoline cars thereby negating some of the avoided operating costs.
    1. In general, based on a 2024 study of over 2,500 different models, after 100,000 miles, EV lose 50% of their value, while ICE (gasoline) cars lose 40%.[32]
    2. The same study indicated that EVs depreciate at $0.27 a mile, while ICE cars depreciate at $.0.11 a mile.[33]
    3. Note…depreciation varies considerably.

e. After massive losses, Ford, GM, and Stellantis have announced investments cutbacks on EV and battery production losses
    1. Ford has incurred cumulative losses of approximately **$35.1 billion** on its electric vehicle (EV) initiatives.
    2. Neither GM nor Stellantis publicize their losses, which have been estimated to be in the billions.
f. Bloomberg is predicting a slowdown or contraction in EV sales for 2026.[34]

10. Myth: ***"In 2023, California was powered by two-thirds clean energy."***

a. True but the Governor fails to elaborate on the consequences of clean energy.
b. CA is the most heavily reliant of all 50-states on electricity generated in other states.
c. CA is the largest importer of electricity generated from other states.
d. For 2024, fossil fuels still represented 40% of CA electrical generation.[35]
e. CA residential utility rates compared to (January 2026):
    i. National average per KWh: $0.1607[36]
    ii. CA average pr KWh: $0.3063[37]
    iii. Hawaii is highest at: $0.4184.[38]
    iv. Idaho is the lowest at: $0.1171.[39]

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[31] https://www.autonews.com/retail/sales/an-dec-us-auto-sales-0102/

[32] https://thundersaidenergy.com/downloads/vehicle-costs-cars-suvs-hybrids-evs-and-hydrogen/.

[33] https://thundersaidenergy.com/downloads/vehicle-costs-cars-suvs-hybrids-evs-and-hydrogen/.

[34] https://www.bloomberg.com/news/articles/2026-01-06/ford-tesla-byd-face-ev-winter-in-2026-as-sector-s-growth-cools

[35] CEC

[36] https://poweroutage.us/electricity-rates

[37] https://poweroutage.us/electricity-rates

[38] https://poweroutage.us/electricity-rates

[39] https://poweroutage.us/electricity-rates

f. CA rates are:
    i. Almost 2x higher than Arizona & the national average
    ii. 2.25x higher than Nevada.
    iii. “2024, average electricity bills:
        a. California average was $186, (29% higher than the average U.S.)
        b. U.S. average residential bill was $144.”[40]
    iv. Average electricity price increases:
        a. U.S. prices have increased about 2% per year since 2002.[41]
        b. California prices have increased around 7.7% per year since 2002.[42]

11. “California is reducing dependence on foreign crude and strengthening energy security … in America.”

a. CA is the most dependent of all 50-states on foreign crude oil imports.
b. CA is the most heavily regulated than all 50-states to produce crude oil and refinery operations.
c. CA refinery costs are, on average, 128% higher than the overall U.S.[43]
d. Since 1982, CA foreign crude imports have increased 865%.[44]
e. CA remits payments to foreign suppliers of around $60 million a day for crude oil.
f. CA primary sources of crude oil include Iraq, Brazil, Ecuador, and Saudi Arabia.
g. For 2025, CA imported 65 to 67% of its oil from foreign countries.[45]
h. CA in-state crude oil has fallen by 35% since Gavin Newsom took office in 2019.[46]
i. Oil imports from foreign sources have increased by 10% since the Covid low in 2021.
j. The state's dependence on oil is further exacerbated by the fact it imports more than 90% of its natural gas and 76% of its crude oil, making it uniquely vulnerable to global market volatility and geopolitical instability

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[40] https://www.solarreviews.com/blog/average-electric-bill-in-california#:~:text=Changes%20in%20the%20cost%20of%20electricity%20over%20time,-The%20average%20rate&text=The%20reasons%20for%20these%20high,upkeep%20of%20the%20electric%20grid.

[41] https://www.solarreviews.com/blog/average-electric-bill-in-california#:~:text=Changes%20in%20the%20cost%20of%20electricity%20over%20time,-The%20average%20rate&text=The%20reasons%20for%20these%20high,upkeep%20of%20the%20electric%20grid.

[42] https://www.solarreviews.com/blog/average-electric-bill-in-california#:~:text=Changes%20in%20the%20cost%20of%20electricity%20over%20time,-The%20average%20rate&text=The%20reasons%20for%20these%20high,upkeep%20of%20the%20electric%20grid.

[43] https://autl.assembly.ca.gov/system/files/2024-05/cdtfa_cec-joint-report-2024-gasoline-revenue-report_0.pdf

[44] https://www.energy.ca.gov/data-reports/energy-almanac/californias-petroleum-market/annual-oil-supply-sources-california

[45] Estimated using CEC data.

[46] https://www.energy.ca.gov/data-reports/energy-almanac/californias-petroleum-market/annual-oil-supply-sources-california