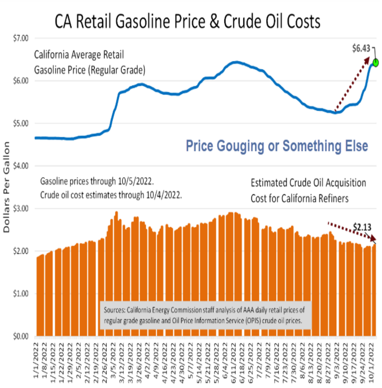

California Accuses Valero of Oil Price Gouging, Valero's Response is Amusing

Description

California Energy Commission Goes After Valero

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> Chart by California Energy Commission, annotations by Mish
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Please note CEC Chair David Hochschild Responds to Recent Gasoline Price Spikes.

> "As I expressed in my letter to the oil industry last week, the recent sudden increases in prices at the pump are unacceptable and place an undue high burden on California families and businesses. Over the course of 10 days, oil companies increased gas prices by a record 86 cents per gallon. At the end of August, crude oil prices were roughly $100 per barrel, and the average gas price in California was $5.06. Now, even though the price of oil has decreased to $90 per barrel, today the average gas price at the pump has surged to $6.43.
>
> "The oil industry's lobbying group argued that gas prices increased because of drilling permitting issues, which is misleading. The reality is 40% of the oil industry's approved permits in California are still valid but have not yet been used, and the price increase is occurring at the refining stage of gas production, not the oil extraction stage. And it does not explain the sudden gap between national and California prices.
>
> "In September 2019, five refineries experienced unplanned maintenance issues, and California was faced with several refinery outages. The price spike was a mere 34 cents — a fraction of what Californians have been paying over the past week. Even the 2015 explosion at the ExxonMobil refinery in Torrance caused a price increase of only 46 cents per gallon, and the California Department of Justice deemed this price shock to be exacerbated by illegal price-fixing. So, refinery maintenance alone — especially prescheduled maintenance — cannot explain a sudden $1.54 increase in what refineries charge for every gallon of gas Californians buy.

Breakdown of California Gasoline Prices

Gasoline Breakdown Chart by California Energy Commission

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Gasoline Breakdown Chart by California Energy Commission

The CEC demanded a response in one day and Valero delivered.

Valero's Response

Please consider **Valero Response Letter to Chair Hochschild**

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Expect a CPI Energy Surge in October Due to Rising Gasoline Prices

California Accuses Valero of Oil Price Gouging, Valero's Response is Amusing

Valero Synopsis

- Ironically, on the same day we received the Commission's letter, a federal judge in a 103-page reasoned order, following review of thousands of pages of documents and hours of depositions and discovery, yet again threw out another case alleging price conspiracies by the fuel industry finding no basis for the allegations.
- As to why inventories may be low, we believe it is because post-COVID demand is growing and supply is limited. We have been endeavoring to keep our refineries at full production and no one has produced more low carbon renewable fuel for the California market than Valero.
- With a very short supply market, inventories are pulled down to satisfy the demand. In fact, the Commission would not want to see refiners holding inventories in a tight market.

- California is the most expensive operating environment in the country and a very hostile regulatory environment for refining.
- California policy makers have knowingly adopted policies with the expressed intent of eliminating the refinery sector. California requires refiners to pay very high carbon cap and trade fees and burdened gasoline with cost of the low carbon fuel standards.
- California regulators have mandated a unique blend of gasoline that is not readily available outside of the West Coast.
- California is largely isolated from fuel markets of the central and eastern United States. California has imposed some the most aggressive, and thus expensive and limiting, environmental regulatory requirements in the world.

Biden Threatens Export Controls

Meanwhile, Biden's energy administration meets with the big oil refiners and threatens them with fuel export limits as the price of gasoline surges higher.

by Mish

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