Consumer Watchdog

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Assembly Speaker Toni Atkins
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RE: Refinery Shutdowns and Possible Gas Price Manipulation

Dear Governor Brown, Attorney General Harris, Senate President pro Tem de León, and Assembly Speaker Atkins,

Ten days ago, we urged an investigation of Tesoro's possible price manipulation in shutting down its Martinez refinery for the sake of "safety" during a nationwide steelworkers' strike. Exxon has now announced the shutdown of its Torrance refinery due to what it claims is a mechanical problem. These two refineries together represent 16.5 percent of the state's total refining capacity—now offline.

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, on-site 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.

The timing of these shutdowns cannot be chalked up to coincidence or the need, right this minute, to begin manufacturing California's special summer blend of gasoline. Unfortunately, California refineries have a history of trying to manipulate gas prices by restricting supply. Whistleblower documents we received from the 1990s show deliberate attempts by major refineries and the American Petroleum Institute to reduce refinery capacity nationally and in California.

As the state's energy crisis taught us years ago, California cannot take anything for granted. As energy companies were manipulating the market and Consumer Watchdog called for on-site inspectors, California officials deferred to industry. That turned out to be a costly decision for all Californians.

Later evidence indeed showed that energy companies had created artificial shortages to drive up the price and manipulate the market. The similarities between the energy crisis and today's gas industry are striking. On-site inspectors could have uncovered the manipulation then, and very well could uncover the same now.

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 Equalization and the Energy Almanac, California retains only 10 to 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 shut down by refineries and an investigation of possible price manipulation are essential to verify the oil industry's claims and protect the public.

Sincerely,

Liza Tucker
Consumer Advocates

Cody Rosenfield