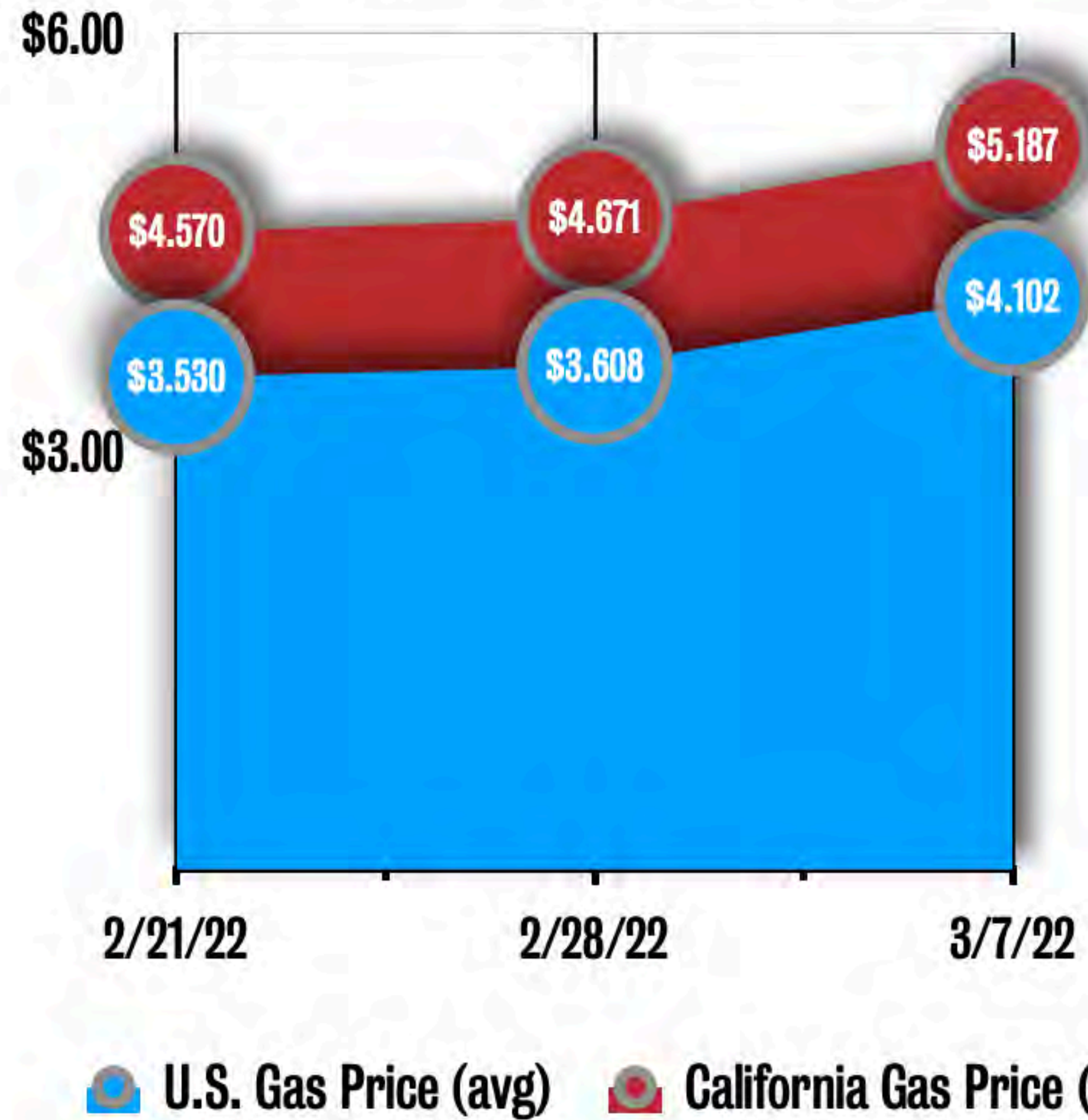
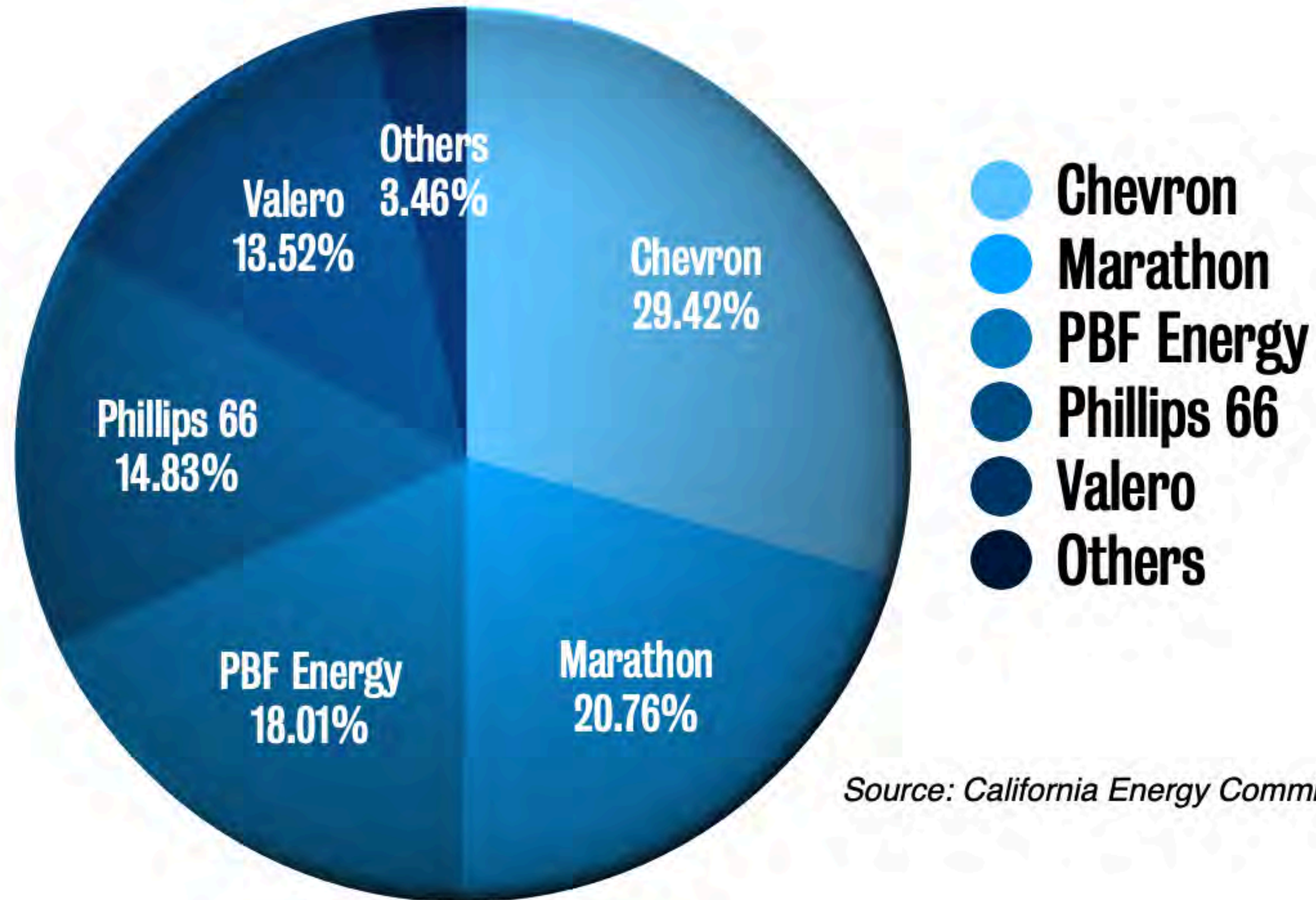


# GAS PRICES: California vs. U.S. Average



# Top 5 Oil Refiners Control 96% of Gasoline In California



Source: California Energy Commission



OFFICE OF THE GOVERNOR

October 21, 2019

Attorney General Xavier Becerra  
Attorney General's Office  
California Department of Justice  
Sacramento, CA 94244

Dear Attorney General Becerra,

The enclosed report by the California Energy Commission (CEC) suggests big oil companies are misleading and overcharging customers, leading to Californians paying as much as 30 cents per gallon more than residents of other states.

This report, which I directed the CEC to complete, underscores the importance of investigating oil company and retailer practices behind the so-called mystery surcharge incorporated in the price of gasoline in California, including the possibility of price fixing or other anti-competitive practices.

Simply stated, name-brand gas retail outlets in California are charging more for a gallon of gas compared to their unbranded, hypermart competitors. And gas retail outlets in California are charging more than in other states. A significant portion of the higher prices is attributable to charges by name brands – this far exceeds national trends.

There is no identifiable evidence to justify these premium prices. The CEC makes it clear that it was not able to obtain any evidence that gasoline sold by less expensive, unbranded retail outlets is in any way inferior to the product sold by name-brand outlets. The mystery surcharge adds up, especially for cost-conscious, working families. If oil companies are engaging in false advertising or price fixing, then legal action should be taken to protect the public.

Based on the enclosed report, I request your office open an investigation into whether false advertising or price fixing are occurring and contributing to the mystery surcharge imposed on Californians. In the course of the investigation,

## **Additional Analysis on Gasoline Prices in California**

California Energy Commission

October 21, 2019

### **Executive Summary**

In 2018, Californians paid an average of 30 cents more per gallon of gasoline at higher-priced retail outlets such as 76, Chevron, and Shell, than the average American paid for gasoline in other states. This is equivalent to an extra \$4.50 to fill up a 15-gallon gasoline tank.

Although name-brand retail gasoline outlets represent that they sell higher-quality gasoline than lower-priced outlets, given the high standards of all gasoline in California there is no apparent difference in the quality of gasoline at retail outlets in the state. The name-brand stations, therefore, are charging higher prices for what appears to be the same product. The CEC received no response from the name-brand retailers in response to a request for information to support their product claims. This is an issue the California Department of Justice is well equipped to investigate.

### **Conclusion**

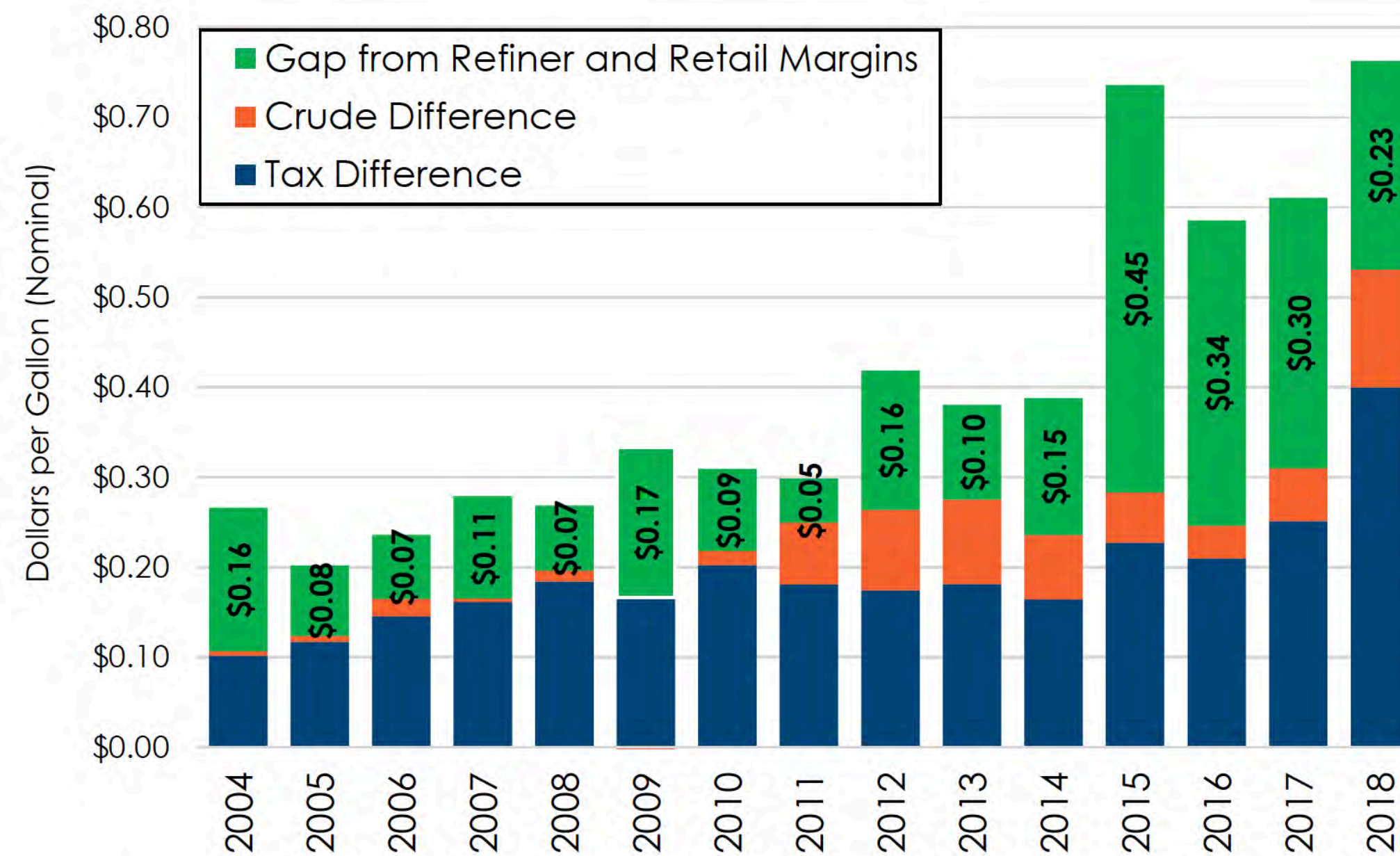
CEC staff concluded that the primary cause of the residual price increase is simply that California's retail gasoline outlets are charging higher prices than those in other states. While all California retailers have increased their retail 10 margins above the national average, brands such as 76, Chevron, and Shell have increased those margins far beyond their competitors.

The price of gasoline in California is unregulated and companies can charge prices based on what consumers are willing to pay. However, if competitors fix prices or employ false advertising practices, this may be unlawful. Additional investigation is necessary to determine whether either has occurred.

The CEC lacks the expertise to determine whether such behavior occurred. The California Department of Justice is well equipped to investigate possible price fixing or false advertising.

# 2019: Energy Commission Finds Total Tax Difference Between US and CA is 40 cents Per Gallon, Including Cap and Trade and Low Carbon Fuel Standard

Figure 1: Annual Gasoline Price Gap Between California and the United States from 2004 to 2018



Source: CEC analysis of Energy Information Agency (EIA) and American Petroleum Institute (API) information (tax and crude oil differences are between the U.S. and California)

<sup>1</sup> Tax differences between California and the national average include environmental program costs from the Low Carbon Fuel Standard and Cap-and-Trade Program.

<sup>2</sup>The California refiner margin has Cap-and-Trade Program costs removed and the retail margin has Low Carbon Fuel Standard costs removed.

## Additional Cost of CA Taxes & Environmental Costs Per Gallon 2022

17 cents/gallon	State gas tax is 51 cents vs 34 cents national average
24 cents/gallon	Cap and trade program
13 cents/gallon	Low carbon fuel standard
54 cents/gallon	<b>TOTAL ADDED TAXES AND ENVIRONMENTAL COSTS</b>

## Difference Between CA and US Gas Prices on 3/7

CA	\$5.19
US	\$4.10
Difference	<b>\$1.09</b>

## **California Energy Commission Findings**

**“the primary cause of the residual price increase is simply that California’s retail gasoline outlets are charging higher prices than those in other states...”**

“The overall California increase in retail margins, above that experienced by the rest of the U.S. has resulted in California gasoline consumers paying an estimated additional \$1.5 billion in 2018 and \$11.6 billion over the last five years.”

October 2019

SOURCE: [https://www.energy.ca.gov/sites/default/files/2019-11/Gas\\_Price\\_Report.pdf](https://www.energy.ca.gov/sites/default/files/2019-11/Gas_Price_Report.pdf)