



October 18, 2022

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814
Leg.unit@gov.ca.gov

The Honorable Anthony Rendon, Assembly Speaker
1021 O Street, Suite 8330
Sacramento, CA 95814
Assemblymember.rendon@assembly.ca.gov

The Honorable Toni Atkins, Senate pro Tempore
1021 O Street, Suite 8518
Sacramento, CA 95814
senator.atkins@senate.ca.gov

Re: Calling a Special Session of The Legislature To Establish A Refiner Windfall Profit Cap

Dear Governor Newsom, Assembly Speaker Rendon, and Senate pro Tempore Atkins,

Consumer Watchdog and our allies in the fight for a fossil free California support Governor Newsom's call for lawmakers to pass a windfall profit tax on the five biggest refiners in the state in a special session. We thank Governor Newsom for rightly standing up for Californians who are being taken advantage at the gas pump by a cartel of oil refiners who are making windfall profits at their expense.

As you know, California gas prices at the pump have reached stratospheric levels approaching \$7 a gallon in some places. Only the legislature can answer the Governor's call with a windfall profits tax that takes back the unreasonable profits oil refiners have been making off Californians' pain at the pump.

Consumer Watchdog research shows that the "gouge gap" between the average price per gallon at the pump in California and what consumers pay in the rest of the United States is approaching \$3. This is not all a function of pent-up demand from the pandemic, the war in Ukraine, and OPEC decisions. It's a consequence of five big oil refiners in California who make 97% of the gasoline and have intentionally restricted supply to artificially drive-up prices. Thus, a windfall profit tax is sorely needed to bring California gas prices under control.

In the second quarter of 2022, California's five biggest refiners—Chevron, Marathon, PBF Energy Phillips 66 and Valero—raked in \$26 billion in profits, virtually doubling profits from the year before. In June, California's gouge gap with U.S prices was \$1.25 per gallon and today it is more than twice that. Second quarter 2022 profits reported by the refiners for the Western region were three to ten times higher than they were the same quarter of 2021. They were also higher than in any other region reported. [Read a review of investor profit reports here.](#)

At the end of the month, when these refiners begin issuing third quarter results, we expect to see still greater profits because production costs have not risen. The oil industry claims that the gouge gap is due to California's environmental taxes and fees, but that simply is not true. As Consumer Watchdog's report, [Taxing Oil Refiners' Windfall Profits: How To Get Back What Californians Overpay At The Pump](#), explains, those taxes and fees make up at most 69 cents per gallon of gas:

Added CA Costs From Environmental Regulation And Taxes

Added state taxes = 25 cents

(Average state tax is 29 cents/ CA taxes are 54 cents)

Low carbon fuel standard = 16 cents

Cap and trade = 26 cents

Underground storage = 2 cents

Difference = 69 cents

Other countries, particularly throughout Europe, have not been shy about imposing windfall profit taxes on energy companies to raise billions of dollars to help society's most vulnerable, as our report documents. It is time for California to do the same.

Now that the California Oil Refinery Cost Disclosure Act, SB 1322 (Allen) is law, refiners will start reporting their profits per gallon of gas monthly in 2023. It's time to take back unreasonable levels of profits.

Legislative leaders must now follow through with a sensible and straightforward law to tax the unconscionable profits that refiners are reaping, not because of any ingenuity or hard work on their part, but because they are able to take advantage of hard-working consumers simply by gouging.

We stand ready to support you on the path to building a future beyond fossil fuels for California.

Sincerely,

Liza Tucker
Consumer Advocate
Consumer Watchdog

Chirag Gunvantbhai Bhakta
California Director
Food & Water Watch
Food & Water Action

Collin Rees
Senior Campaigner
Oil Change International & Oil Change U.S.

Woody Hastings
Fossil Fuel Phase Out Manager
The Climate Center

Matt Nelson
Executive Director
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Teresa Bui
State Climate Policy Director
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Caroline Henderson
Senior California Climate Campaigner
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