(1 of 2) Chalam Tubati
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DATA-DRIVEN FACT SHEET

The Real Financial Burden of California's Cap-and-Trade

Oil & Gas Industry Margins, Market Power Findings, and Regulatory Enforcement Delays

1. CALIFORNIA GASOLINE REFINING MARGINS

According to monthly data collected by the California Energy Commission (CEC) under SB 1322, state refining margins are structurally elevated. The Division of Petroleum Market Oversight (DPMO) authoritative historical gross series tracks a major post-2015 structural shift:

YEAR / CONTEXT	GROSS MARGIN
2013 (Cap-and-trade begins)	**$0.42** / gal
2015 (Torrance refinery outage gap)	**$0.71** / gal
2016 (Post-outage adjustment)	**$0.45** / gal
2019 (Pre-pandemic benchmark norm)	**$0.50** / gal
2022 (Record profits & price spike)	**~$1.00** / gal
2023 (Highest annual average on record)	**$1.01** / gal
2024 (Post-boom downward normalization)	**$0.70** / gal

> *Key Insight: Even the post-boom decline to $0.70 per gallon in 2024 remains more than double the long-term historical baseline average of $0.32 per gallon.*

2. MARKET POWER & MANIPULATION

The DPMO's formal evaluations indicate that anti-competitive behavior and extreme industry alignment—rather than climate compliance costs—dictate the severe pricing dynamics observed across the state:

- **The Branded Disparity:** Branded gas networks extracted a massive **$0.72/gallon premium** over unbranded retail operations since 2015, driven by integrated refiner market control.
- **Refinery Consolidation:** Four major firms control 90% of current in-state refining capacity. Following the planned exits of Phillips 66 (Los Angeles) and Valero (Benicia), these 4 survivors will lock down **98% of total capacity**.
- **The SB X1-2 Delay:** In August 2025, the CEC delayed enforcing the refinery profit margin cap for 5 years out of concern over sudden plant closures. No gouging penalties have been levied.

BY THE NUMBERS

MARKET STRUCTURAL GAUGES

$59B — **Mystery Surcharge:** Cumulative overcharges extracted from state consumers between 2015 and 2024.

+$0.35 — **U.S. Margin Gap:** Amount California gross margins averaged above the rest of the nation since 2015.

98% — **Capacity Lock:** Near-total control by just four refining conglomerates post-2026 closures.

CONSUMER PUMP IMPACT

$0.25 — **Cap-and-Trade:** Added directly to pump prices by the program per Legislative Analyst's Office (LAO) data.

$0.17 — **LCFS Costs:** Per-gallon addition dictated by Low Carbon Fuel Standard mandates.

$0.612 — **State Excise Tax:** High fixed rate effective via CDTFA Notice L-978.

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Consumer Pass-Through Mechanics, Public Resource Allocations, and Corporate Cross-Subsidies

3. COST PASS-THROUGH MECHANICS

Empirical data indicates that environmental compliance fees are completely externalized by fossil fuel operators. The **$0.25/gallon** cap-and-trade compliance cost is added entirely to retail prices at the pump, rather than being deducted from corporate refining margins.

Gasoline allowance sales flow into the state's Greenhouse Gas Reduction Fund (GGRF). This structure places an asymmetrical fiscal burden on low-income, rural, and car-dependent communities that have minimal access to public transportation alternatives.

4. COUNTERVAILING STATE ASSISTANCE

While the energy industry publicizes regulatory policies as restrictive operational stressors, state transactional ledgers reveal immense offsetting public resource flows and corporate shields:

- **Free Allocation Share:** CARB provides substantial free allowances to block "emissions leakage." The petroleum sector claims **61% to 72% of all industrial free allowances**—surpassing every other state industry sector.
- **The 2024 Handout:** In 2024 alone, the industry received 25,284,110 free allowances, handing them a public gift value of roughly **$890 million** based on market settlement prices.
- **The LCFS Circularity:** Over $22 billion in LCFS credits have been issued since 2013, with 80% ($17.7B) flowing to combustion-based biofuel producers. Major integrated oil entities leverage this as an internal subsidy channel by operating as both credit generators and primary purchasers.

BY THE NUMBERS (CONT.)

STATE SUPPORT CHANNELS

$7-9B — **Free Allowances:** Cumulative asset value handed to the oil and gas sector from 2013 to 2024.

$17.7B — **Biofuel Credits:** Share of LCFS market capital directed heavily toward combustion biofuel systems.

FOREGONE PUBLIC REVENUE

$1.5B+ — **Severance Tax Gap:** Annual loss; CA is the only top oil state charging no extraction severance fees.

$4.1B — **Water's-Edge:** Comprehensive 2024-25 corporate state tax shield benefiting multinationals.

SYNTHESIS

Regulatory data fundamentally dismantles the argument that climate caps form an unmanageable drag. High pricing power allows easy cost exportation to fuel items, while billions in public allowance handouts and circular biofuel subsidies insulate integrated corporate bottom lines.