



Opinion: Gas sticker shock shows need for fuel reform in California

By Stuart Waldman

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California is about to reach an all-time record - the highest price for a gallon of gasoline ever recorded. This is not a record we want to break, but as long as unrestrained state regulations, rules, laws, and taxes impact our fuel supplies, we are on track to do just that.

This painful price spike that has established our state's average gas price as the highest in the nation is claimed to be a result of a "perfect storm" of circumstances -- refinery and pipeline problems, coupled with a shortage of special California "seasonal" gas supplies.

As prices begin to decline ever-so-slightly, Californians recognize that the likelihood of much higher fuel costs remain high. California drivers must demand state lawmakers reassess the fuel supply regulations and ease the pressure on consumers and businesses by suspending the rules regulating our supply.

The latest gas price spike pushed our average cost per gallon beyond that of Hawaii, an island, which produces no fuel of its own and must ship in every drop it uses. The California Air Resources Board (CARB) has turned California into a "fuel island" by requiring the state's refineries to produce one fuel blend for summer and one for winter. When the refineries switch from producing one blend to the other, shortages can happen. As production is further reduced by refinery problems, the shortages become a crisis, and prices skyrocket. Our unique gas blends are unavailable elsewhere in the country, therefore, supplies cannot be imported from outside the state during such shortages.

This risk was not considered when CARB imposed this absurd mandate on our refineries. In 1996, the San Jose Mercury reported that CARB's fuel blend mandate would raise gas prices by "as much as 31 cents a gallon." The recent price jump in the state was 47 cents per gallon, bringing California to a full 84 cents per gallon higher than the national average.

The report went on to state that the required fuel blends would make California "almost a separate market for gas" and warned that the state was "walking a fine line" with "nowhere else to turn for additional supplies in the event of refinery problems."

The Valley Industry and Commerce Association (VICA) urges the state government to take swift action to ease the pain of struggling Californians and re-evaluate these regulations. Regulators and legislators have gone too far with this ridiculous regulation and must weigh the enormous cost on consumers, businesses and the struggling job market.

It is clear, however, that our state bureaucrats feel there is no urgency in this matter. When presented with a modest proposal to let the sale of winter blend fuel to begin a couple of weeks early to ease the

latest crisis, a CARB spokesman replied that CARB would "evaluate" the request but that "it is quite a process." This is not a promising statement at a time when millions of Californians are struggling to fuel their vehicles. VICA commends Gov. Jerry Brown for finally stepping in and directing CARB to take the necessary steps to allow for earlier use of winter fuel.

The governor's effort may help relieve the short-term problem, but CARB's ongoing implementation of AB 32 greenhouse gas regulations and the new Low Carbon Fuel Standards virtually ensure further disruption of our fuel markets in years to come. A recent issue brief by Fueling California indicated that given the concerns about fuel cost, supply, and feasibility of implementation, many fuel stakeholders believe that it is necessary and timely for California to reconsider whether this policy and its implementation schedule is the correct path for California.

Add all of this to the almost continuous pressure from some elected officials to increase gas taxes beyond the current 58.3 cents per gallon (a figure which is second highest in the nation), and the future for struggling Californians is truly bleak.

At a time when the state economy is fragile, it is unconscionable for our political leaders to stand by as the prices for an essential living expense skyrocket to unaffordable rates. It is time to carefully consider whether we are on the right course for California's economy, its business climate, and its citizens. The evidence seems to show that, regardless of intentions, the current direction puts us on the rocks.

Stuart Waldman is president of the Valley Industry and Commerce Association (VICA). VICA is a business advocacy organization that represents employers throughout the Los Angeles County region at the local, state and federal levels of government.

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