

California State Senate

SENATE MINORITY LEADER BRIAN W. JONES

FORTIETH SENATE DISTRICT



May 6, 2025

The Honorable Gavin Newsom

Governor of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: Refinery Closures and California's Fuel Supply

Dear Governor Newsom,

I am writing to express deep concern about the announced closures of the Phillips 66 refinery in Los Angeles by the end of 2025 and the Valero refinery in Benicia by April 2026. These two facilities produce approximately 20% of California's in-state gasoline supply. Their loss poses serious risks to fuel prices, job stability, and the state's long-term energy security. We must act swiftly to avoid a future where supply falls short and families across the state are left paying the price.

Rising Fuel Costs

According to USC Professor Michael Mische, **gas prices in California could rise by as much as 75% by April 2026**. His projections estimate up to a 33.6% increase between April 2025 and the end of 2025—from \$4.816 per gallon to between \$6.045 and \$6.433—following the planned closure of the Phillips 66 refinery.

After the expected closure of the Valero refinery, prices could rise further to between \$7.348 and \$8.435 per gallon by the end of 2026, representing a total potential increase of up to 75%. These estimates are based on current crude oil prices and could vary depending on future market conditions.

Statewide gasoline production could fall from 34.46 million gallons per day in 2023 to just 27.24 million gallons by the end of 2026. This drop in supply, paired with higher transportation costs from importing refined fuels, will be directly felt at the pump by every Californian, and indirectly through higher costs for goods and services across the economy.

Impact on Jobs and Local Economies

The closures also threaten hundreds of good-paying, union, and trade jobs that support working families and local economies. Phillips 66 employs 600 workers and 300 contractors, while Valero supports 400 more. With the commonly accepted job multiplier for the industry at 2.3, the loss of these 1,300 direct jobs could ultimately result in the loss of nearly 3,000 jobs statewide.

Additional layoffs have already been announced by other operators in the state. These are skilled jobs that are difficult to replace, and their loss will hit many communities and families hard.

Energy Reliability and Emissions

With these refineries offline, California will become more dependent on fuel from out-of-state or overseas. The California Energy Commission is exploring options to import fuel from Washington State and other regions, but it is unclear whether those sources can fully meet demand. Transporting gasoline from outside California is more expensive, takes more time, and generates significantly more greenhouse gas emissions than refining fuel locally under the state's strict environmental standards.

National and Regional Implications

The impact of these refinery closures will extend beyond California's borders. California refineries not only supply the state's own fuel needs, but also provide gasoline and jet fuel to neighboring states such as Nevada and Arizona, both of which are heavily reliant on California-based production. A decline in in-state fuel production may lead to higher travel costs, reduced tourism, and increased fuel prices in neighboring states, contributing to broader regional inflation. These facilities also produce aviation and diesel fuels for U.S. military forces operating in the region. Reductions in fuel supplies to military installations could also risk undermining operational readiness and national security.

Time to Act

In your April 23, 2025 letter to the California Energy Commission (CEC), you noted that California will continue to have "a market where demand for gasoline will still exist for years to come." Given this fact, we must ensure that the gasoline supply remains affordable, reliable, and safe. **There is no safer and more environmentally responsible place to refine oil than California.**

While I understand the state's environmental goals, the cumulative impact of recent policies has made it increasingly difficult for refineries to remain operational. Specifically, policies such as SBX1-2, ABX2-1, and recent changes to the Low Carbon Fuel Standard are placing increasing pressure on operations, accelerating closures, and increasing gas prices.

Your recent letter asked the CEC to provide recommendations by July 1 on how "refiners can profitably operate in California." But we do not have the luxury of time to wait for another report while closures proceed and prices climb. Rather than relying on a lengthy bureaucratic process, I strongly urge you to work directly with California's fuel producers and find immediate solutions that prevent further closures and ensure long-term energy stability. A few ideas worth exploring could include investment tax credits, and temporary or permanent relief from certain taxes and regulations.

I stand ready to work with you and your team to find meaningful solutions. I respectfully request a response outlining your plan to address this crisis and identifying any opportunities where my office can assist. Thank you for your leadership and for your attention to this critical issue.

Sincerely,



Brian W. Jones
Senate Minority Leader
40th Senate District