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Gasoline Prices Surge in California, Retreat in Rest of the Country

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Multiple choice quiz. Why are gasoline prices in California soaring while declining in much of the country? A) California uses a special blend of gasoline for environmental reasons that limits the quantity and costs; B) maintenance shutdowns are felt more acutely in California's smaller, self-contained refinery network; C) demand is up; D) there is a shortage of crude oil; E) oligarchs are gouging gullible consumers; F) all of the above.

Persian Gulf Inc., a management consulting company in Escondido that owns a 76 gas station, is guessing "E" and filed a lawsuit in San Diego County Superior Court seeking class-action status and a chance to prove its case, according to *Courthouse News Service*. The suit names as defendants: Alon USA Energy, BP West Coast Products, Chevron USA, ConocoPhillips, Equilon Enterprises, Shell Oil, ExxonMobil Refining & Supply, Kern Oil & Refining Co; Tesoro Refining & Marketing Co., and Valero Energy Corp.

The complaint says, "For years Californians have seen tremendous spikes in gasoline prices, seemingly untethered to normal market forces of supply and demand."

The lawsuit cites a spike in 2012 when supply was high, demand was low and inventories were increasing, yet the price of gasoline still rose. [A report](#) (pdf) at the time by McCullough Research likened the "suspicious" market behavior to a "roughly similar" oil bubble in 2008.

Gasoline prices have been edging up for days in the state and are expected to soar 50 cents a gallon in Southern California this week. Bay Area prices could rise 30 cents. GasBuddy.com attributes the spike to "a convergence of fuel supply problems."

There is, however, a worldwide glut of oil and the price of crude is about half what it was a year ago. The average price of gasoline dropped 2 cents nationally to \$2.83 over the past two weeks.

The lawsuit is covering very old ground. A [report](#) in 2000 from Attorney General Bill Lockyer explained spiking back then in very familiar terms.

“West Coast refiners maintain lower inventory levels relative to consumption than refiners in the rest of the United States [and] there have been several refinery outages,” he wrote. “California’s gasoline market remains more concentrated and less competitive than the key refining areas east of the Rocky Mountains that supply the rest of the United States. Seven oil companies now control 98 percent of California’s refining capacity, and market 90 percent of the gasoline they refine through their own retail networks.”

Countless reports since have noted incongruities in the California market but no serious effort has ever been made to do anything about it. During the last price spike, earlier in the year, lawmakers sought to discuss with oil executives the 80-cent-a-gallon price differential between California and the rest of the country but were politely rebuffed.

Consumer Watchdog suggested the lawmakers subpoena the executives and [ask them](#) (pdf) why refineries don’t divulge real-time information about outages, why are their inventories so low (lower than in other states) and why don’t they plan to increase supply when they see a spike coming.

The nonprofit organization released [a report](#) (pdf) a couple weeks ago that found the price spread between what independent gas stations and branded stations (like Chevron) charge was 30 cents, 10 times the normal 3-cent difference. The Lundberg Survey said the spread nationally was 5 cents. “Industry insiders have told Consumer Watchdog that this is an unprecedented pricing strategy to keep California gasoline prices artificially high.”

The group wants the California attorney general to appoint an independent prosecutor who could subpoena records and gather information that the [California Energy Commission](#) (CEC) does not presently have access to, including “gasoline transactions, profit margins, inventory at gasoline terminals and refinery maintenance schedules.”

You’ve got to start somewhere.

-Ken Broder

To Learn More:

[GasBuddy Petitions Gov. Brown for Temporary Waiver of California’s Fuel Requirements](#) (by Gregg Laskoski, GasBuddy)

[Price-Gouging Conspiracy in SoCal Oil Crunch, Class Says](#) (Courthouse News Service)

[California Gas Prices to Soar This Week](#) (by Gary Richards, San Jose Mercury News)

[Southern California Motorists Could See Gasoline Prices Soar by 30 Cents Per Gallon](#) (by Kevin Smith, San Gabriel Valley Tribune)

[Southern California Gasoline Prices Could Top \\$4 a Gallon](#) (by Ivan Penn, Los Angeles Times)

[Californians Overcharged \\$4.5 Billion for Gasoline “Gouging Gap” Since Price Spike Began; Gas Prices Set to Climb Even More](#) (by Jamie Court, Consumer Watchdog)

[California Oligopoly Gasoline Price-Spiking: Same as It Ever Was](#) (by Ken Broder, AllGov California)

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