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Transparency in fuel pricing long overdue

By **Robert McCullough** | 08/22/13 12:00 AM PST

It's no secret Californians pay some of the highest gas prices in the nation. And even though consumers and the economy have just gotten over last year's historic gas prices, another spike seems to be knocking on our door. For more than 20 years I have focused on creating efficient energy markets – ranging from helping the prosecution of Enron executives to working on market manipulation issues across the U.S. and Canada. Over the past 18 months California gasoline prices have spiked repeatedly – with little relationship to world oil prices, or supply and demand.

Major oil companies are quick to point the finger at things that are out of their control. Unrest in far-off governments or unexpected refinery shutdowns are common scapegoats. Environmental regulations that keep them from polluting the air and water, for example, are also common themes. The truth of it though, these are just convenient excuses that hide other, potentially sinister, reasons.

For example, the Western States Petroleum Association (WSPA) blamed last year's May price spike on a fire at BP's Cherry Point facility. They also blamed October's spike on a Chevron fire and a power outage at ExxonMobil. Both explanations fail on many grounds – not just the obvious question why price spikes were delayed months after the suggested causes. However, what's clear is that during these times, California had an increasing gasoline surplus – which doesn't line up with an alleged supply shortage big oil claims. In addition, if a decline in production were to blame for high prices, prices would have jumped immediately after the outages, rather than two- to three-months later as actually occurred.

In the mid 2000's, I was hired to perform an analysis after the California energy crisis, looking at energy companies who were bilking California consumers out of billions of dollars. In that case, a few major companies controlled a vast amount of energy coming into California, and traders colluded with each other to run up prices. When these traders were ready, they flipped the switch on schemes with names like "Ricochet" and "Black Widow," and California suffered.

Right now, gas markets look pretty similar to the energy markets of 10 years ago, with a few oil majors controlling a vast supply, and prices looking out of line from where you might expect them. In 2012, seven companies controlled 94 percent of all gas sales in California. And now that BP has sold its California refinery to Tesoro, just two companies, Chevron and Tesoro, will be making more than half of the fuel produced in California.

Organizations like WSPA continue to push back against compelling research that points to potential gas price manipulation. When gas prices spike up towards five dollars this Labor Day, think twice about why.

We require price transparency – open information – in other energy markets like electricity and natural gas. It is time that we applied the same rules to gasoline.
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Ed's Note: Robert McCullough is a Principal at McCullough Research, specializing in oil and gas markets analysis, and an Adjunct Professor of Economics at Portland State University.