

# Oil Drillers Mislead With Advertising Claims That Decreased CA Crude Oil Production Policies Lead To High Gas Prices, says Consumer Watchdog



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**Consumer Watchdog →**  
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LOS ANGELES, Dec. 19, 2023 /PRNewswire/ -- In a barrage of deceptive Facebook and television advertisements, oil drillers, masquerading as "Californians for Energy Independence," are falsely claiming limiting oil drilling in California will raise prices at the pump.

Californians for Energy Independence (CEI) has run ads on Facebook and cable channels in Sacramento, Fresno and San Diego blaming state policies for limiting local production and raising gas prices in an apparent effort to sway lawmakers.



Consumer Watchdog pointed to experts and evidence that show decreased local oil production has no impact on California gas prices. Crude oil prices are set on a global market. Moreover, California's in-state oil production has been decreasing since its peak in 1985, according to the California Geologic Energy Management Division, and has little to no impact on world crude prices.

The group created a Consumer Alert video warning the public about the phony ads.

"Limiting oil drilling in California has about as much impact on California gasoline prices as it does the price of tea in China," said economist Robert McCullough of McCullough Research. "Crude oil prices are set on a world market that the level of California crude oil production does not impact."

McCullough pointed out, "Since California produces a declining share of the rapidly growing world supply of oil, minor variations in its supply do not affect world prices. While the U.S. is the world's largest oil producer (20%), California is only 3% of U.S. production -- 3% of 20% is less than 6/10ths of one percent of the world supply."

UC Berkeley economist Severin Borenstein has said even if oil is slightly cheaper to produce in-state, the price is still set at a rate competitive with product from overseas. "Consumers will not benefit from more oil production in the state and they will not be hurt by less oil production in California," Borenstein said.

In a 2023 blog post, Borenstein wrote: "While some crude is produced in California, the marginal source (which is what sets the market price) comes from elsewhere. Once crude is on a tanker, the price doesn't differ much whether it is being delivered to Japan, France, China, India, New York, or California..." He cited his own co-authored 1997 academic study to that effect.

"The difference between domestic and imported crude prices doesn't register at the gas pump, but if you really want to put a number on it, US West Coast refiners' monthly crude oil acquisition costs averaged about a penny per gallon cheaper for imported crude last year," said independent consultant Greg Karras.

"The main determinant of gasoline prices has nothing to do with decreased local production of crude oil," said Consumer Advocate Liza Tucker. "Instead, the world price of crude oil is the yardstick determining the price of oil in California and California's long-declining production has no impact on world crude prices."

Today only one quarter of annual oil supply to California refineries comes from in-state production because so many wells are spent, according to the California Energy Commission. "Regardless of permit activity, new wells aren't being drilled at accelerated rates, and those new permits are tapping into fields that have little resources left to give under normal economic situations," said Lindsay Buckley, a CEC spokeswoman.

## **Phony Front Groups**

The oil industry claims not to be behind the ad campaign but the group "Californians for Energy Independence" sponsoring the advertising running on Facebook and cable TV channels was presented at the Washington Research Council as being "activated" by the


Western States Petroleum Association (WSPA) to "contribute" to its advocacy goals in a 2014 internal presentation first made public by Businessweek. (see page 5: <https://consumerwatchdog.org/resources/OilIndustryManipulationReport.pdf> )

The group is one of a host of groups created to protect WSPA's interests, according to the presentation. In the 2014 WSPA presentation, the litany of groups are broken out as designed to protect either "upstream" (crude harvesting) or "downstream" (refining) operations. Californians for Energy Independence (CEI) is labeled as a part of the "upstream" propaganda campaign. So is another group running ads, listed under "downstream" and called Californians For Affordable & Reliable Energy.

Catherine Reheis-Boyd, President and CEO of WSPA, is listed as a "principal officer," president and director at CEI, based on a 2021 IRS document, according to E&E News. The California Independent Petroleum Association's CEO Rock Zierman is also listed as CEI director on IRS paperwork. Chevron is a major giver to CEI dating back to 2019, according to its lobbying disclosure filings at the Secretary of State Office. Chevron donated \$3.6 million to the group in 2023, according to its filing at the Secretary of State Office. Aera Energy is also a big giver. It donated \$1 million in 2023, according to its filing.

CEI and Californians for Affordable and Reliable Energy (CARE) have spent a combined \$4.3 million to run ads on TV and Facebook this year to influence policy, according to data provided by AdImpact to E&E. One CARE Facebook ad blames "a growing list of state-mandated programs and requirements that have rapidly increased energy costs compared to the rest of the nation—driving up costs on everyone and everything."

CEI paid consultants Winner & Mandabach Campaigns \$4 million in the first quarter of 2023 and another \$2.86 million in the third quarter of 2023, according to filings with the Secretary of State Office. Winner & Mandabach is reportedly a consultant to the oil-industry backed referendum campaign to overturn California's new law establishing a 3,200-foot setback between drilling operations and sensitive receptors from schools to hospitals and homes.

Steven Lucas, an attorney with the law and lobbying firm Nielsen Merksamer, is the committee treasurer of the ballot committee. The ballot committee has paid Nielsen Merksamer \$332,000 for services during 2022 and 2023, according to committee lobbying 

disclosure forms. Lucas is also the registered legal agent signing state lobbying disclosure forms for CEI, CARE, WSPA (a Nielsen Merksamer lobbying client), Aera Energy and the California Business Roundtable.

"By hiding behind CEI, the oil companies hide their identities from the public and are running a shadow political campaign," said Jamie Court, president of Consumer Watchdog. "The public needs to know when they see these ads that they are 100% by the Chevrons, for the Shells and of the Exxons."

CARE paid \$3.15 million to political strategy and communications firm Applied Paradigms and another \$263,000 to Unearth Campaigns, a digital campaign and ballot initiative consultancy, in the first quarter of 2023. The filing said lobbying activity concerned "general issues regarding gasoline cost education, SBX 1-2: the legislature." SBX 1-2 is a landmark law allowing the California Energy Commission to set a price gouging penalty on refiners ripping Californians off at the pump.

CARE members include WSPA, the California Independent Oil Marketers Association, and the California Business Roundtable, according to the Natural Resources Defense Council. Chevron is a member.

According to its third quarter filing at the Secretary of State Office, the California Business Roundtable paid CARE \$2.1 million and paid Unearth Campaigns \$336,000 since January 1, 2023. WSPA also paid Unearth Campaigns \$62,500 in the third quarter of 2023, according to its filing with the Secretary of State.

"It's the old Business Roundtable dodge," said Court. "Oil companies pay the Business Roundtable, the Roundtable pays a group and washes the oil industry money clean. It's happened over the years with insurance companies and others. Only because this isn't express advocacy for a ballot initiative can the dodge work."

SOURCE Consumer Watchdog



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