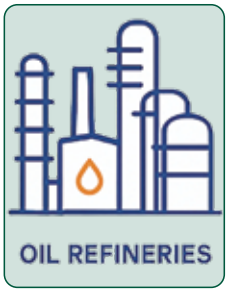
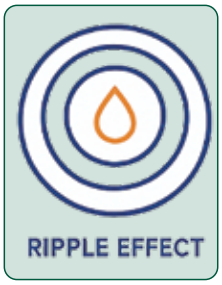
WPMA Chief Executive Officer (CEO) Gene Inglesby

WESTERN STATES BRACE *for Fuel Price Surge Amid California Refinery Closures*

Two Major California Oil Refineries are slated to shut down operations in the coming months, raising alarms across the Western United States about the impact on fuel prices and supply chain reliability. The Phillips 66 Wilmington refinery in the Los Angeles area is expected to close by late 2025, with the Valero Benicia refinery in Northern California following by early 2026. Together, these facilities represent roughly 17–21% of California's instate refining capacity.
(Source: *U.S. Energy Information Administration*)



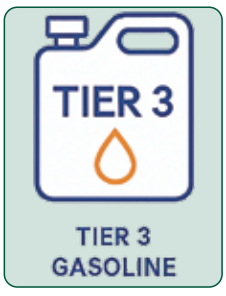


The ripple effects are expected to be felt well beyond California. States across the West — including Arizona and Nevada — are heavily dependent on California refineries for a steady supply of gasoline, diesel, and jet fuel. With California's isolated fuel market and limited pipeline infrastructure, any decrease in production can cause price spikes and logistical strain throughout the region.

The University of Southern California Marshall School of Business estimates prices could surge as high as $8.43 per gallon if the closures proceed without new capacity or supply alternatives (Sources: *USC Marshall via SR40*).

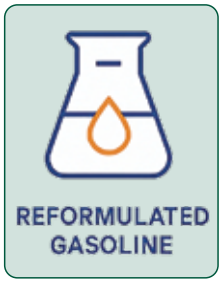
Why These Closures Are Happening

These planned refinery shutdowns are driven primarily by California's stringent environmental regulations, especially under the Low Carbon Fuel Standard (LCFS), evolving emissions targets, and upgraded fuel storage rules. In 2024, SB 237 was introduced by a group of Democratic senators led by Bay Area moderate Sen. Tim Grayson, with seven co-sponsors. The bill aims to cap carbon prices and revise gasoline regulations, amending prior property-transfer legislation. Crucially, it mandates the California Energy Commission (CEC) and California Air Resources Board (CARB) to investigate a unified Western gasoline standard, potentially replacing California's costlier Reformulated Gasoline (RFG) blend. This move recognizes the diverse fuel formulations already in use across Western states and the need for a common approach that balances environmental benefits with economic viability.



In recent years, refineries in Utah have focused on producing cleaner-burning fuels, primarily **Tier 3 gasoline**, which features significantly lower sulfur content than older fuel formulations and helps reduce harmful emissions. As of January 2023, four of Utah's five refineries were producing Tier 3 gasoline, including Chevron and Marathon's Salt Lake Refineries (which both

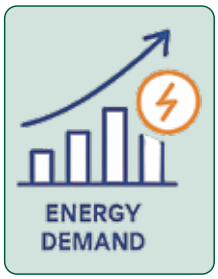
WESTERN STATES BRACE *for Fuel Price Surge Amid California Refinery Closures* *continued*



began Tier 3 production in 2019) and HF Sinclair, which produced gasoline below Tier 3 sulfur limits by 2021. Silver Eagle has long produced low-sulfur gasoline. While these fuels don't match California's specialized **California Reformulated Gasoline (CaRFG)** standards, the region's Tier 3 production illustrates an existing foundation for a potential unified Western fuel standard — offering a compromise between California's strict requirements and broader regional realities.

U.S. Refining Landscape

The United States currently has 132 operating oil refineries with a combined processing capacity of approximately 18.4 million barrels per day (Source: *U.S. Energy Information Administration*). From a 42-gallon barrel of crude oil, refineries typically produce about 19-20 gallons of motor gasoline and 11-13 gallons of distillate fuel (mostly diesel fuel), along with 3-4 gallons of jet fuel.



Refineries are primarily clustered along the Gulf Coast, particularly in Texas and Louisiana, which host the nation's largest refining centers. The largest refinery in the United States is the **Marathon Galveston Bay Refinery** in Texas City, Texas, with a capacity of approximately 631,000 barrels per day. Some of the oldest continuously operating refineries include the Chevron Richmond Refinery in California (operational since 1902) and the Phillips 66 Ferndale Refinery in Washington (since 1954).

While the U.S. is now a **net exporter of petroleum products**, the refining sector still imports nearly 40% of its crude oil feedstock. That's because most U.S. production consists of **light crude**, whereas many American refineries, especially older Gulf Coast facilities, were originally designed to process **heavier crude**. Re-tooling these refineries to efficiently handle U.S. shale oil would require **massive capital investments** and could take **years to implement**, which is why imported crude still plays a key role in U.S. refining operations — even as domestic production breaks records.

Why Not Just Build More Refineries?

With U.S. oil production surging — projected to reach **13.4 million barrels per day in 2025** — many wonder why refinery capacity isn't keeping pace. The answer is complex and rooted in economics, permitting challenges, and long-term demand uncertainty. (Source: *U.S. Energy Information Administration*)

Building a new full-scale refinery is an expensive and time-consuming endeavor, often costing upwards of **$10 billion** and taking **7 to 10 years** to permit and construct. In the current policy environment, particularly with tightening emissions standards and climate-related financial risks, few investors are willing to take that gamble. Most major energy companies instead focus on expanding existing facilities or converting aging refineries into renewable diesel or biofuel plants.

The last large-scale refinery built in the U.S. was **Marathon's Garyville, Louisiana refinery in 1977**. Since then, no comparable facility has come online. While smaller specialty or modular refineries have been added in recent decades, total national capacity has plateaued or declined, especially after pandemic-era closures.

Conclusion

As the Western U.S. prepares for these closures, the region faces a critical inflection point: how to reconcile environmental ambition with the real-world demands of energy production and consumption.