

AMENDED IN ASSEMBLY MARCH 4, 2025

CALIFORNIA LEGISLATURE—2025—26 REGULAR SESSION

ASSEMBLY BILL

No. 406

Introduced by Assembly Member Bennett

February 4, 2025

An act to amend Section 25371 of the Public Resources Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 406, as amended, Bennett. Energy: transportation fuels assessment.

Existing law requires the State Energy Resources Conservation and Development Commission, on or before January 1, 2024, and every 3 years thereafter, to submit an assessment related to transportation fuels to the Legislature, as specified.

This bill would *require the commission, beginning with the first assessment submitted after January 1, 2025, to propose recommendations for implementing solutions to mitigate any impacts described in the assessment, and would authorize the commission to request information from the State Air Resources Board, the Geologic Energy Management Division, and other relevant state agencies in preparing the recommendations and the assessment. The bill would require those entities to collaborate with the commission and to provide information deemed necessary by the commission to complete the assessment. deems necessary.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 25371 of the Public Resources Code is
2 amended to read:

3 25371. (a) (1) Notwithstanding Section 10231.5 of the
4 Government Code, on or before January 1, 2024, and every three
5 years thereafter, the commission shall submit an assessment to the
6 Legislature, in accordance with Section 9795 of the Government
7 Code, and to the Governor that does all of the following:

8 (A) Identifies methods to ensure a reliable supply of affordable
9 and safe transportation fuels in California. The assessment shall
10 include estimates for the level of transportation fuels at the state
11 level, and, to the extent feasible, at regional and local levels, and
12 individual refineries if relevant, that should be held in reserve by
13 refiners to prevent gasoline price spikes. The assessment shall
14 consider all factors causing price fluctuations in retail gasoline
15 prices when recommending adequate reserve levels. The
16 commission shall consider all relevant evidence from any
17 reasonably available source, including, but not limited to,
18 information about imports, by amount, source, if known, and data
19 received by the commission pursuant to existing laws, economic
20 and business experts, and information from any local, state, and
21 federal agencies. The commission shall transmit to the Legislature,
22 in accordance with Section 9795 of the Government Code, any
23 proposals it deems appropriate for mandatory reserve levels and
24 the terms of a program to implement reserve levels.

25 (B) Evaluates the price of transportation fuels, including branded
26 and unbranded retail prices, alternate formulations of gasoline with
27 lower carbon impact, and other products suitable for production
28 from refineries in California. This evaluation shall consider the
29 market demand for these products at 3-, 7-, 10-, and 20-year
30 intervals from the date of the assessment and shall rely on the most
31 recent transportation forecasting and assessment activities
32 conducted pursuant to Section 25304. This evaluation shall include
33 both of the following:

34 (i) An examination of whether branded fuel additives have any
35 impact, and, if so, how much, on fuel efficiency and vehicle
36 emissions.

1 (ii) An assessment of the presence and availability of retail
2 outlets, including monitoring changes in availability of retail outlets
3 that contribute to increasing retail prices in local and regional areas.

4 (C) Considers different levels of supply conditions and assesses
5 the impact of potential refinery closures in California.

6 (D) Includes an analysis of the impacts on production of refinery
7 planned maintenance, unplanned maintenance, and turnaround.
8 The assessment shall evaluate ways to manage necessary
9 maintenance among the various facilities that would protect the
10 health and safety of employees and the public, and minimize the
11 impact of maintenance-related production losses. Notwithstanding
12 any other law, the Department of Industrial Relations and Division
13 of Occupational Safety and Health shall disclose to the commission,
14 upon request, any information the department and division have
15 received under Section 7872 of the Labor Code to ensure all aspects
16 of refinery safety are incorporated into the assessment. All
17 information designated confidential shall be treated as confidential
18 by the commission.

19 (E) Evaluates the utility and feasibility of alternative methods
20 to maintain adequate supplies of transportation fuels, including
21 delivery alternatives for fuel and components of refined fuel, such
22 as delivery by rail, a publicly maintained strategic fuel reserve,
23 and other solutions beyond the activities of refineries and petroleum
24 market participants.

25 (F) Proposes solutions to mitigate any impacts described in the
26 assessment. The solutions shall include an assessment of the
27 employment impacts and the cost and cost-effectiveness of any
28 proposal, including cost impacts to all impacted sectors, both public
29 and private. The assessment shall include recommendations and
30 alternatives.

31 (G) Beginning with the first assessment submitted after ~~the~~
32 ~~effective date of this subparagraph,~~ *January 13, 2025*, evaluates
33 California's future petroleum product and crude oil import needs
34 and identifies steps that can be taken to ensure that marine
35 infrastructure and port facilities will be adequate to accommodate
36 the efficient movement of petroleum products to meet those needs.
37 In preparing the evaluation pursuant to this subparagraph, the
38 commission shall consult with the ports in California at which
39 petroleum and refined transportation fuels are imported, tanker
40 terminal operators at California ports, the State Lands Commission,

1 the California Coastal Commission, and the San Francisco Bay
2 Conservation and Development Commission and evaluate ways
3 to maximize the use of existing infrastructure and minimize
4 cumulative pollution burdens.

5 (H) Beginning with the first assessment submitted after ~~the~~
6 ~~effective date of this subparagraph,~~ *January 13, 2025*, evaluates
7 the effects of state regulations on supplies of transportation fuels
8 that the commission identifies may be causing supply constraints,
9 or for which the commission believes alternative compliance
10 pathways should be considered by state agencies to mitigate
11 potential impacts on supply.

12 (2) The first assessment shall include the evaluation of oil and
13 gas extraction and refining that the State Air Resources Board
14 outlined in the most recent update to the scoping plan prepared
15 pursuant to Section 38561 of the Health and Safety Code.

16 *(b) Beginning with the first assessment submitted after January*
17 *1, 2025, the commission shall propose recommendations for*
18 *implementing solutions to mitigate any impacts described in the*
19 *assessment. In preparing the recommendations and assessment*
20 *required by subdivision (a), the commission may request*
21 *information from the State Air Resources Board, the Geologic*
22 *Energy Management Division, or other relevant state agencies,*
23 *and those entities shall provide any information the commission*
24 *deems necessary.*

25 ~~(b)~~

26 (c) The assessment shall be separate from the report submitted
27 pursuant to Section 25302 and shall be developed in a public
28 process. The assessment shall be available to the public within the
29 proceeding docket and shall be approved by a vote of the
30 commission at its business meeting.

31 ~~(c)~~

32 (d) The commission may enter into contracts to perform the
33 assessment required by subdivision (a) and the contracts shall not
34 require the review, consent, or approval of the Department of
35 General Services or any other state department or agency and do
36 not need to comply with requirements under the State Contracting
37 Manual or the Public Contract Code.

38 ~~(d)~~

1 (e) The Division of Petroleum Market Oversight shall provide
2 input to and otherwise support other divisions of the commission
3 in preparation of the assessment required by subdivision (a).

4 (e)

5 (f) The Independent Consumer Fuels Advisory Committee
6 established pursuant to Section 25373 shall provide input to the
7 commission in preparation of the assessment required by
8 subdivision (a).

9 ~~SECTION 1. Section 25371 of the Public Resources Code, as~~
10 ~~amended by Section 7 of Chapter 1 of the 2023-24 Second~~
11 ~~Extraordinary Session, is amended to read:~~

12 ~~25371. (a) (1) Notwithstanding Section 10231.5 of the~~
13 ~~Government Code, on or before January 1, 2024, and every three~~
14 ~~years thereafter, the commission shall submit an assessment to the~~
15 ~~Legislature, in accordance with Section 9795 of the Government~~
16 ~~Code, and to the Governor that does all of the following:~~

17 ~~(A) Identifies methods to ensure a reliable supply of affordable~~
18 ~~and safe transportation fuels in California. The assessment shall~~
19 ~~include estimates for the level of transportation fuels at the state~~
20 ~~level, and, to the extent feasible, at regional and local levels, and~~
21 ~~individual refineries if relevant, that should be held in reserve by~~
22 ~~refiners to prevent gasoline price spikes. The assessment shall~~
23 ~~consider all factors causing price fluctuations in retail gasoline~~
24 ~~prices when recommending adequate reserve levels. The~~
25 ~~commission shall consider all relevant evidence from any~~
26 ~~reasonably available source, including, but not limited to,~~
27 ~~information about imports, by amount, source, if known, and data~~
28 ~~received by the commission pursuant to existing laws, economic~~
29 ~~and business experts, and information from any local, state, and~~
30 ~~federal agencies. The commission shall transmit to the Legislature,~~
31 ~~in accordance with Section 9795 of the Government Code, any~~
32 ~~proposals it deems appropriate for mandatory reserve levels and~~
33 ~~the terms of a program to implement reserve levels.~~

34 ~~(B) Evaluates the price of transportation fuels, including branded~~
35 ~~and unbranded retail prices, alternate formulations of gasoline with~~
36 ~~lower carbon impact, and other products suitable for production~~
37 ~~from refineries in California. This evaluation shall consider the~~
38 ~~market demand for these products at 3-, 7-, 10-, and 20-year~~
39 ~~intervals from the date of the assessment and shall rely on the most~~
40 ~~recent transportation forecasting and assessment activities~~

1 conducted pursuant to Section 25304. This evaluation shall include
2 both of the following:

3 (i) ~~An examination of whether branded fuel additives have any~~
4 ~~impact, and, if so, how much, on fuel efficiency and vehicle~~
5 ~~emissions.~~

6 (ii) ~~An assessment of the presence and availability of retail~~
7 ~~outlets, including monitoring changes in availability of retail outlets~~
8 ~~that contribute to increasing retail prices in local and regional areas.~~

9 (C) ~~Considers different levels of supply conditions and assesses~~
10 ~~the impact of potential refinery closures in California.~~

11 (D) ~~Includes an analysis of the impacts on production of refinery~~
12 ~~planned maintenance, unplanned maintenance, and turnaround.~~
13 ~~The assessment shall evaluate ways to manage necessary~~
14 ~~maintenance among the various facilities that would protect the~~
15 ~~health and safety of employees and the public, and minimize the~~
16 ~~impact of maintenance-related production losses. Notwithstanding~~
17 ~~any other law, the Department of Industrial Relations and Division~~
18 ~~of Occupational Safety and Health shall disclose to the commission,~~
19 ~~upon request, any information the department and division have~~
20 ~~received under Section 7872 of the Labor Code to ensure all aspects~~
21 ~~of refinery safety are incorporated into the assessment. All~~
22 ~~information designated confidential shall be treated as confidential~~
23 ~~by the commission.~~

24 (E) ~~Evaluates the utility and feasibility of alternative methods~~
25 ~~to maintain adequate supplies of transportation fuels, including~~
26 ~~delivery alternatives for fuel and components of refined fuel, such~~
27 ~~as delivery by rail, a publicly maintained strategic fuel reserve,~~
28 ~~and other solutions beyond the activities of refineries and petroleum~~
29 ~~market participants.~~

30 (F) ~~Proposes solutions to mitigate any impacts described in the~~
31 ~~assessment. The solutions shall include an assessment of the~~
32 ~~employment impacts and the cost and cost-effectiveness of any~~
33 ~~proposal, including cost impacts to all impacted sectors, both public~~
34 ~~and private. The assessment shall include recommendations and~~
35 ~~alternatives.~~

36 (G) ~~Beginning with the first assessment submitted after January~~
37 ~~13, 2025, evaluates California's future petroleum product and~~
38 ~~crude oil import needs and identifies steps that can be taken to~~
39 ~~ensure that marine infrastructure and port facilities will be adequate~~
40 ~~to accommodate the efficient movement of petroleum products to~~

1 meet those needs. In preparing the evaluation pursuant to this
2 subparagraph, the commission shall consult with the ports in
3 California at which petroleum and refined transportation fuels are
4 imported, tanker terminal operators at California ports, the State
5 Lands Commission, the California Coastal Commission, and the
6 San Francisco Bay Conservation and Development Commission
7 and evaluate ways to maximize the use of existing infrastructure
8 and minimize cumulative pollution burdens.

9 (H) Beginning with the first assessment submitted after January
10 13, 2025, evaluates the effects of state regulations on supplies of
11 transportation fuels that the commission identifies may be causing
12 supply constraints, or for which the commission believes alternative
13 compliance pathways should be considered by state agencies to
14 mitigate potential impacts on supply.

15 (2) The first assessment shall include the evaluation of oil and
16 gas extraction and refining that the State Air Resources Board
17 outlined in the most recent update to the scoping plan prepared
18 pursuant to Section 38561 of the Health and Safety Code.

19 (b) In preparing the assessment required by subdivision (a), the
20 commission may request information from the State Air Resources
21 Board, the Geologic Energy Management Division, or other
22 relevant state agencies and those entities shall collaborate with the
23 commission and provide any information the commission deems
24 necessary to complete the assessment.

25 (e) The assessment shall be separate from the report submitted
26 pursuant to Section 25302 and shall be developed in a public
27 process. The assessment shall be available to the public within the
28 proceeding docket and shall be approved by a vote of the
29 commission at its business meeting.

30 (d) The commission may enter into contracts to perform the
31 assessment required by subdivision (a) and the contracts shall not
32 require the review, consent, or approval of the Department of
33 General Services or any other state department or agency and do
34 not need to comply with requirements under the State Contracting
35 Manual or the Public Contract Code.

36 (e) The Division of Petroleum Market Oversight shall provide
37 input to and otherwise support other divisions of the commission
38 in preparation of the assessment required by subdivision (a).

39 (f) The Independent Consumer Fuels Advisory Committee
40 established pursuant to Section 25373 shall provide input to the

- 1 ~~commission in preparation of the assessment required by~~
- 2 ~~subdivision (a):~~

O