

California Energy Price Data for September 2022

Below are the monthly updates from the most current September 2022 fuel price data (GasBuddy.com) and July 2022 electricity and natural gas price data (US Energy Information Administration). To view additional data and analysis related to the California economy, visit our website at <https://centerforjobs.org/>.

The September results show rising fuel prices in California and a few other states similarly experiencing refinery and supply problems, while dropping in the rest of the country as crude oil prices subsided. Overall, average gasoline prices rose 7.4% over the month in California while dropping 5.8% in the other states.

This pattern has continued into October, with the latest data from [CSAA](#) for October 10 showing the average price for regular in California at \$6.330 and the US average at \$3.919.

While these price spikes are adding to the current inflationary environment in the state, they are not a unique occurrence. They are the by-product of the policies and regulations the state has chosen to impose on the production of fuels for use in the state.

- By imposing periodically changing formulation requirements on California-compliant fuels, California's regulations essentially have maintained the state as a fuel island. Californians consume essentially only what is produced in the state or blended from what limited imported components are available. The state's refineries consequently are operated near their full capacity, and spot shortages occur when unintended problems arise, most often during the biannual changeovers between the winter and summer formulation requirements.
- The national fuel formulation requirements periodically have caught up to California and adopted its specifications. Rather than allow the state's supply to rejoin the national market, California instead has continued to revise its standards and wall off potential supply relief when it is needed such as during the current supply shortfalls.
- The current supply problems arose during a period when several refineries were already down for scheduled maintenance and then became worse as additional facilities required unplanned maintenance during the current formulation transition. Six of the state's 10 refineries have been reported to be [under maintenance](#).
- Similar [recent refinery issues](#) in the Great Lakes and Plains states produced similar supply and consequent price issues in those states, but the price increases were moderated by the ability to tap into national supplies. Even if the more costly California formulations were produced elsewhere in the US, the ability to move supplies would be restricted by the lack of product pipelines into the state and the relatively small size both in numbers and capacity of Jones Act tankers.
- While the September results show a high price premium for California compared to the other states, it is not the highest the state has experienced due to its policies and regulations. While we generally compare California to the rest of the states in order to net out the bias from California's significantly

higher costs, that data series only begins in 2017. Using instead the longer period available for US prices, the September results produced the third highest monthly premium against the US average price since 2000. The current price spikes consequently are not an isolated event. They have happened repeatedly as the result of the state's policy and regulatory framework for fuels. Rather than address this core risk under its regulatory model, the state continues to disregard the outcomes, frequently calling for investigations but never modifying its rules in response to what has been repeatedly identified as the core sources of the supply and price risks.

- These supply and price risks have also become more likely over time. Based on Energy Commission tracking, the high cost of producing compliant fuels and the more general increasing cost of operating in California have seen the state's refinery capacity for California-compliant gasoline dropping 13.3% between 2016 and 2021, going from 14 refineries with a capacity of 2.0 million barrels of crude oil per day to 10 refineries with 1.7 million barrels per day. Note that the Energy Commission rule-of-thumb indicates that about 50% of crude oil use goes into producing gasoline.
- Combining refinery closures with continually expanding regulatory barriers, gasoline supply has become more constrained. Gasoline demand has not. Using the [Department of Tax and Fee Administration](#) data, net gasoline sales in pre-pandemic 2019 were only 2.8% below those in pre-Great Recession 2007. While demand reductions are likely as sales of electric vehicles increase, the historical results instead indicate overall demand has gone down only in response to economic downturns. The state's policies affecting supply have yet to take note of this fact.
- And under current state policies, these supply and price risks are likely to intensify even further going forward. As directed by the governor's [Executive Order N-79-20](#) and as reflected in the [Draft Scoping Plan](#), current state policy is not to address the existing supply constraints—as evidenced by repeated events over the past two decades—but make them more likely by phasing out the currently limited refinery capacity on an arbitrary schedule.

In the current circumstances, the primary policy response has been a proposal from the governor to impose a [windfall profit tax](#), proceeds of which would then be used to provide some sort of partial relief from the current price increases. In doing so, the policy approach again relies on maintaining current policies and regulations in spite of their obvious and repeated costs. Instead of solutions addressing the core sources of a cost problem—in this case, the well documented effects on supply—the approach again relies on compensation for the costs, which by its nature is likely to continue a band-aid result that fails to address all who have been affected and that is effective only as long as the revenues flow in as expected.

The prior history of similar windfall taxes shows them to be less than effective, often adding to price pressures, reducing investments and thereby dampening longer term supply additions, and often falling short of their intended revenue goals. Because of these problems, Jimmy Carter's 1980 windfall profits tax was repealed in 1988. Of the six EU member countries that have implemented [comparable taxes](#) on electricity providers, Spain already has enacted amendments in response to implementation problems, and Italy's has generated only 18% of its expected revenues. France in turn [rejected](#) the proposed tax outright.

More critically, the proposal only deals with the current, temporary price situation and does nothing to resolve the core issues permanently either in the case of gasoline or more broadly on the soaring costs of energy now being imposed on Californians through the state's energy policies. As tracked by this report, California's energy costs are rising well above national averages across the board. They are rising because of the policies and regulations the state has put into place and will rise further as the result of current proposals to increase these costs further.

The average price of gasoline in California has gone from 35% higher than the average in the other states in 2018, to 45% higher in the subsequent 4 years as the cost of providing fuels has risen in response to additional regulations, taxes and fees including highest-in-the-nation gasoline taxes, and overall rising costs of doing business in the state. The average residential electricity price has grown 42% since 2018 in the latest US Energy Information Administration data for July, and is now the highest among the contiguous states. Similarly, residential natural gas rates have grown 53% on an annualized basis in this period to become the 5th highest among the contiguous states. Just taking one portion of these costs, the state regulations now require households to pay \$9.9 billion a year more for their electricity compared to the average rates in the other states. Businesses in the state are paying \$14.6 billion more. This cost gap is rising, but there are no proposals on the table to reverse this trend or even take these costs into account as the state continues its current regulatory drive.

The current gasoline price spikes are temporary and as in the past will moderate both as refinery capacity comes back online and in response to the governor’s action to allow production of lower-cost winter formulation fuel a month early. This price easing will be offset somewhat by the recent decision by OPEC+ to boost crude prices by reducing production by 2 million barrels a day and the lack of any meaningful counter-balancing policy shifts to boost domestic production. The effects of the OPEC+ action, however, will depend more on whether and the extent to which a renewed global recession is on the horizon.

But these results will be seen in the price of gasoline. Costs relative to the other states will remain high, both for fuels and other forms of household and business energy as the result of deliberate state policies and actions. The cost gap will continue to rise as the state proceeds with its regulatory agenda without full consideration of these effects.

Inflation Remains at Highest Level Since 1982

7.7%

Annual Increase in
California CPI

For the 12 months ending July, the California CPI rose 7.7%, easing from 8.3% in June. In the same period, the US CPI rose 8.5%, edging down from 9.1% in June. Looking at the period prior to 2022, California’s rate was again the highest since June 1982. California’s rate has been tracking somewhat below the national number primarily due to the Bay Area and to a lesser extent the Los Angeles components, where housing cost increases have been moderated relative to the national level by population outflows.

California vs. Rest of US Fuel Price Gap at 60.0% Premium

\$2.15

Price Per Gallon
Above Average for Rest of
US (CA Average)

The September average price per gallon of regular gasoline in California rose 40 cents from August to \$5.73. The California premium above the average for the US other than California (\$3.58) rose to \$2.15, a 60.0% difference.

1st

Ranked by Price

In May, California again had the highest gasoline price among the states and DC. Californians paid \$2.61 a gallon more than consumers in Mississippi, the state with the lowest price.

California vs. US Diesel Price

\$1.46

Price Per Gallon
Above Average for Rest of
US (CA Average)

The September average price per gallon of diesel in California rose 4 cents from August to \$6.31. The California premium above the average for the US other than California (\$4.84) rose to \$1.46, a 30.2% difference.

1st

Ranked by Price

In September, California again had the highest diesel price among the states and DC.

Range Between Highest and Lowest Prices by Region

\$2.29

Price Per Gallon
Above Average for Rest of
US (CA Average)

The cost premium above the US (other than California) average price for regular gasoline ranged from \$2.03 in the Central Valley Region (average September price of \$5.61), to \$2.29 in Central Coast Region (average September price of \$5.87).

Highest/Lowest Fuel Prices by Legislative District

September 2022: Average Price (\$ per gallon) of Regular Gasoline	
Legislator	Highest \$ Per Gallon
CD 02 (Huffman-D)	\$6.00
CD 33 (Lieu-D)	\$5.96
CD 12 (Pelosi-D)	\$5.96
CD 14 (Speier-D)	\$5.95
CD 18 (Eshoo-D)	\$5.89
SD 13 (Becker-D)	\$5.97
SD 26 (Allen-D)	\$5.94
SD 02 (McGuire-D)	\$5.94
SD 11 (Wiener-D)	\$5.92
SD 17 (Laird-D)	\$5.86
AD 50 (Bloom-D)	\$6.03
AD 02 (Wood-D)	\$6.00
AD 24 (Berman-D)	\$5.97
AD 22 (Mullin-D)	\$5.96
AD 17 (Haney-D)	\$5.95

September 2022: Average Price (\$ per gallon) of Regular Gasoline	
Legislator	Lowest \$ Per Gallon
CD 22 (Vacant)	\$5.60
CD 35 (Torres-D)	\$5.60
CD 51 (Vargas-D)	\$5.58
CD 16 (Costa-D)	\$5.58
CD 10 (Harder-D)	\$5.57
SD 31 (Roth-D)	\$5.60
SD 40 (Hueso-D)	\$5.59
SD 05 (Talamantes Eggman-D)	\$5.59
SD 14 (Hurtado-D)	\$5.57
SD 04 (Nielsen-R)	\$5.56
AD 23 (Patterson-R)	\$5.58
AD 60 (Cervantes-D)	\$5.58
AD 42 (Mayes-I)	\$5.57
AD 56 (Garcia-D)	\$5.54
AD 03 (Gallagher-R)	\$5.52

California Residential Electricity Price

82.3%

Above Average for
Rest of US

California average Residential Price for the 12 months ended July 2022 was 24.90 cents/kWh, 82.3% higher than the US average of 13.66 cents/kWh for all states other than California. California's residential prices again were the highest among the contiguous states.

California Residential Electric Bill

21st

Ranked by Cost

For the 12 months ended July 2022, the average annual residential electricity bill in California was \$1,583, or 59.3% higher (\$589) than the comparable bill in 2010 (the year the AB 32 implementation began with the Early Action items). In this same period, the average US (less CA) electricity bill for all the other states grew only 14.9% (\$204).

In 2010, California had the 9th lowest residential electricity bill in the nation. In the latest data, it again had the 21st highest. Residential bills, however, vary widely by region, with the estimated annual household usage in the recently released data for 2020 as much as 78% higher in the interior regions compared to the milder climate coastal areas, and substantially higher when comparing across counties.

\$9.9b

Premium Above
Average for Rest of
US Price

For the 12 months ended July 2022, California's higher electricity prices translated into Residential ratepayers paying \$9.9 billion more than the average ratepayers elsewhere in the US using the same amount of energy. Compared to the lowest rate state, California households paid \$12.9 billion more.

California Commercial Electricity Price

84.4%

Above Average for
Rest of US

California's average Commercial Price for the 12 months ended July 2022 was 20.04 cents/kWh, 84.4% higher than the US average of 11.06 cents/kWh for all states other than California. California's commercial prices again were the highest among the contiguous states.

California Industrial Electricity Price

118.2%

Above Average for
Rest of US

California's average Industrial Price for the 12 months ended July 2022 was 16.19 cents/kWh, 118.2% higher than the US average of 7.42 cents/kWh for all states other than California. California's industrial prices again were the 3rd highest among the contiguous states.

\$14.6b

Premium Above Average
for Rest of US Price

For the 12 months ended July 2022, California's higher electricity prices translated into Commercial & Industrial ratepayers paying \$14.6 billion more than ratepayers elsewhere in the US using the same amount of energy. Compared to the lowest rate states, Commercial & Industrial ratepayers paid \$18.7 billion more.

California Natural Gas Prices

Entries in the table reflect revisions to the data beginning in January 2020, and show average prices (\$ per thousand cubic feet, 12-month moving average) for the 12 months ended July 2022 and changes from the previous 12-month period for each end user. In the revised data for July, California was the 5th highest among the contiguous states for residential rates and 4th highest for commercial and industrial rates.

	<i>Residential</i>	<i>Commercial</i>	<i>Industrial</i>
CA, July 2022	\$18.81	\$14.53	\$11.96
CA, July 2021	\$15.07	\$10.72	\$8.37
Change	24.8%	35.5%	42.9%
Rest of US, July 2022	\$13.55	\$10.26	\$6.62
Rest of US, July 2021	\$10.75	\$7.74	\$4.03
Change	26.0%	32.6%	64.3%
CA premium over Rest of US, July 2022	38.8%	41.6%	80.7%
CA premium over Rest of US, July 2021	40.2%	38.5%	107.7%