California Center for Jobs & the Economy

California Business Roundtable

Economic and Consumer Impacts of SB 982 (Wiener)

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Executive Summary

California is already facing significant affordability challenges, driven by high housing costs, rising energy prices, and increasing insurance premiums. SB 982 would add a new and substantial layer of cost and uncertainty to this environment. While framed as a mechanism to recover climate-related damages, the proposal would operate in practice as a broad, litigation-driven cost increase that would be passed through to consumers, businesses, and households across the state.

The measure would authorize large-scale financial claims tied to climate-attributed damages, including those related to wildfire losses and insurance costs. However, because the bill establishes a relatively low threshold for causation—requiring only that climate change be a "substantial factor" in an event—it creates expansive and unpredictable liability exposure. This uncertainty would be reflected quickly in higher costs, as markets adjust to the increased financial and legal risks associated with operating in California.

Key Findings

- **Significant cost increases for consumers:**
  SB 982 will increase fuel costs by an estimated 40–61 cents per gallon for gasoline and even more for diesel, driving up prices across the economy.
- **Higher household cost of living:**
  California households will pay an average of about $480 more per year, with impacts felt across fuel, goods, services, and government costs.
- **Compounding effect on already rising energy costs:**
  When combined with existing state policies, gasoline prices could rise from about $4.63 per gallon in 2025 to over $6 by 2029 and $8+ by 2038.
- **Increased uncertainty in the insurance market:**
  SB 982 introduces significant ambiguity around future liabilities, making it more difficult for insurers to accurately price risk and plan for long-term exposure.
- **Challenges to rate adequacy:**
  Existing rate structures may not fully account for the scale and timing of potential liabilities, particularly given retroactive claims and extended legal timelines.
- **Delayed resolution of claims:**
  Litigation and appeals processes could take years, forcing insurers to operate under prolonged uncertainty while still being required to set rates and maintain solvency.
- **Upward pressure on premiums:**
- Higher uncertainty and risk exposure would be reflected in higher insurance costs for consumers, even before any claims are resolved.
- **Economic and job impacts:**
  The proposed language is estimated to reduce employment by over 30,000 jobs annually and lower statewide economic output, reflecting the broader cost burden on businesses and consumers.
- **Reduced state and local tax revenue:**
  SB 982 would reduce the state GDP by $4.6 billion annually, and reduce government revenue by $1.16 billion annually.

- **Billions in potential claims:**
  In current dollars, potential claims are estimated at $31 billion for the retroactive period of 5 years and an additional $29 billion annually in the 10 years after.
- **Hidden "tax" structure with broad impacts:**
  The costs created by SB 982 will function like a never-ending statewide tax on energy and economic activity, but one determined through litigation rather than public policy decisions.

Cost of Living Impacts

The primary effect of SB 982 would be to increase the cost of living for California households. Energy costs are a foundational input across the economy, and increases in fuel prices do not remain isolated. Instead, they cascade through supply chains, raising the cost of food, housing, transportation, utilities, and everyday goods and services.

The analysis finds that households would experience both direct and indirect cost increases. Directly, families would pay more for gasoline and other fuels. Indirectly, they would face higher prices as businesses pass through increased transportation, litigation, and production costs. These effects are broad-based and ongoing, rather than temporary.

On average, households are estimated to pay approximately $480 more per year as a result of these combined effects. While higher-income households would see larger absolute increases, lower- and middle-income families would bear a disproportionate burden relative to their income, as energy-related costs make up a larger share of their budgets.

These impacts would compound existing affordability challenges. California already has some of the highest energy costs in the nation, and SB 982 would add to a growing set of cost drivers, further reducing disposable income and forcing households to cut back on other spending.

Gasoline and Energy Price Impacts

SB 982 would function as a sustained cost increase on energy—effectively operating like a new tax determined through litigation rather than legislation. The report estimates that gasoline prices would increase by approximately 40 cents per gallon initially, rising to more than 60 cents per gallon over time. Diesel prices, which are critical to goods movement and supply chains, would increase even more.

These increases would not occur in isolation. When combined with other state policies, gasoline prices could rise from an average of $4.63 per gallon in 2025 to more than $6 per gallon by 2029 and exceed $8 per gallon by 2038. Similar pressures would apply to diesel and jet fuel, amplifying cost increases across freight, travel, and logistics sectors.

California's fuel market structure magnifies these impacts. The state operates as a relatively isolated market, with limited pipeline connections and unique fuel standards that constrain supply flexibility. At the same time, in-state refining capacity is declining and reliance on imports is increasing. In this environment, additional costs imposed through SB 982 are unlikely to be absorbed by producers and instead would be passed through directly to consumers.

The policy also introduces additional legal and financial risks that could further discourage investment in fuel production and distribution. Over time, this could tighten supply conditions

and increase price volatility, exposing consumers to both higher average prices and greater fluctuations during periods of disruption.

However, SB 982 would not exist in isolation. It would exist amid state policies and regulations that have already created the highest gasoline prices in the nation, led to refinery closures, reduced in-state refining capacity, increased reliance on oil imports, and made California uniquely vulnerable to international and domestic market instability.

Not only would these compounding factors further drive up the cost of gasoline, SB 982 would add additional pressure on in-state fuels production, potentially leading to additional refinery closures, further increasing our reliance on oil imports, and bring more instability and higher costs to California's gasoline and diesel markets.

Impacts on California's Insurance Market

SB 982 would intersect with California's insurance market at a particularly fragile moment, introducing a new layer of uncertainty that could further destabilize an already strained system. Rather than providing clarity or predictability, the proposal would create significant ambiguity around future costs, liability exposure, and how those costs would ultimately be recovered—factors that are central to how insurance markets function.

At the core of the issue is timing and uncertainty. Claims pursued under SB 982 would likely take years to resolve through the legal system, including extended litigation and appeals. During this period, insurers and reinsurers would be required to price risk without knowing the ultimate scale, timing, or allocation of potential liabilities. This creates a fundamental challenge for rate-setting, which depends on the ability to reasonably estimate future losses.

In this environment, the adequacy of current rate structures becomes a central concern. If insurers are unable to fully account for the potential exposure created by SB 982—particularly given the open-ended nature of claims and the possibility of retroactive liability—rates approved under existing regulatory frameworks may no longer be sufficient to cover expected losses. This mismatch between regulated rates and emerging risk exposure would place additional financial strain on insurers operating in the state.

The likely market response to this uncertainty is not limited to higher premiums. Insurers may also respond by tightening underwriting standards, reducing the number of policies written, or further limiting coverage in higher-risk areas. In some cases, companies may determine that the level of uncertainty and potential exposure makes continued participation in certain markets untenable.

These dynamics would place additional pressure on the California FAIR Plan, which is already expanding as traditional coverage options become less available. As more policies migrate to the FAIR Plan, its exposure to large-scale losses increases, raising the risk of additional assessments, higher premiums, and greater financial volatility within the system. SB 982 would amplify these pressures by linking FAIR Plan losses and policyholder costs to large-scale and uncertain litigation outcomes.

For consumers, the result is likely to be a combination of higher premiums, reduced availability of coverage, and greater reliance on the FAIR Plan. Importantly, these effects would occur well before any litigation is resolved, as insurers adjust to the uncertainty created by the proposal.

Over time, this could further erode the availability and affordability of property insurance in California, particularly in higher-risk regions.

Jobs and Economic Impacts

The cost increases associated with SB 982 would extend beyond households into the broader economy. As businesses face higher fuel and operating costs, they are likely to adjust by raising prices, reducing costs, or scaling back operations.

The analysis estimates that these pressures would result in the loss of approximately 30,400 jobs annually, along with a reduction in labor income of about $2.4 billion. These impacts are driven largely by reduced household spending, as higher costs of living leave less income available for other goods and services.

Energy-intensive and trade-exposed industries—including manufacturing, agriculture, logistics, and tourism—would be particularly affected. These sectors already face higher operating costs in California compared to other states, and additional cost pressures would further reduce their competitiveness, potentially leading to reduced investment or relocation of economic activity.

The broader economic effects include an estimated reduction in state GDP of $4.6 billion and a decline in total economic output of more than $7 billion annually. These impacts would also reduce government revenues by more than $1 billion per year, creating additional fiscal pressures at the state and local level.

Conclusion

SB 982 would introduce a significant new cost driver into California's economy at a time when affordability is already a major concern. By increasing energy prices, amplifying pressures on the insurance market, and raising costs for businesses and households, the proposal would make it more expensive to live and work in the state.

These impacts would not be isolated or temporary. They would be ongoing, broad-based, and compounded by existing policies, affecting household budgets, economic growth, and the availability of essential services like insurance.

In this context, SB 982 risks accelerating existing challenges rather than addressing them—placing additional strain on consumers, weakening economic competitiveness, and further destabilizing critical systems such as the state's insurance market.

Summary

- SB 982 (Weiner) would authorize the Attorney General to file civil actions against oil companies and related wholesalers for: (1) recovery of losses suffered by the California FAIR Plan Association from climate-attributable damage and (2) recovery of costs to insurance policyholders from a past climate disaster. The bill provides for a broad scope of potential claims related to crude oil fossil fuel products. Unlike previous proposals, the bill does not require the Attorney General to quantify the extent to which climate change was responsible for the cited damages, only to show that climate change was somehow related to the weather at the time the damage took place.

- Based on the limited information available from the Fair Plan and more substantial data from the Insurance Commissioner, the analysis quantifies the potential damage claims under the bill for: (1) retroactive claims for the period 2021-2025 including current estimates for the 2025 Los Angeles County fires, and (2) projected costs for 2026-2034. Costs considered include those related to the FAIR Plan, residential and limited commercial (Fair Plan only) policyholders, legal fees, and punitive costs including disgorgement calculated on the retroactive claims.

- In current dollars, potential claims are estimated at $31.1 billion for the retroactive period and average an additional $2.9 billion annually in the 10 years after.

- As a sustained charge, these costs would function as a carbon tax on fuels in the state. The total costs are translated into per gallon terms assuming: (1) retroactive claim awards are bonded over 10 years, (2) fuel sales continue along recent trends, (3) cases are concluded and payments begin in 2029, and (4) applicable sales tax is included in the results. Under these assumptions, gasoline would increase by 40 cents a gallon in 2029 to 61 cents in 2038, diesel by 45 cents to 67, and jet fuel by 42 cents to 64 cents.

- These additional costs would not occur in isolation, but would add to current price increases already under way due to state actions. Using gasoline as the example and as reported in our monthly Energy Price reports, total taxes and fees incorporated into the pump price averaged $1.45 a gallon in 2025, or 31% of the total price. The proposed SB 982 tax alone would raise this cost to $1.85 to $2.06 a gallon, or the equivalent of 36% to 39% of the total price.

- Other state taxes and fees are scheduled to rise as well. As detailed in the report: (1) state excise tax is estimated to increase by another 8 cents in 2029 to 31 cents in 2038 compared to the 2025 average, (2) the “Cap and Invest” component would increase by 27 cents to 74 cents under the currently proposed Air Board regulations, and (3) LCFS costs would increase by 66 cents to $2.14 as the current banked credits are exhausted.

- Combined and assuming production and distribution costs remain constant, SB 982 along with these other tax and fee increases would raise the price of regular gasoline from its 2025 average of $4.63 a gallon, to $6.07 a gallon in 2029 and $8.40 a gallon in 2038.

- Similar price increases will affect diesel and jet fuel as well, but with more substantial increases in the case of diesel.

- The IMPLAN Forward Linkages application is used to allocate the total costs between businesses and final demand sectors, and estimate the portion that will ultimately be paid by households. Including both direct and indirect effects, businesses including local government enterprises will see average increased annual costs (2026 constant dollars) of $3.441 billion as the affected fuels are used in their operations and by their suppliers. The final demand sectors—households, government agencies (except enterprises), and domestic and foreign exports—will see an increase of $4.122 billion as they buy fuels as well. Total cost increase combining both components is $7.563 billion annually.

- While a portion will be absorbed by capital and paid through domestic and foreign exports, households will pay most of these costs as they buy higher cost fuel and higher cost goods and services from the affected businesses, and as government agencies pass on their costs through higher taxes and fees. Households would pay an average $480 ($2026) annually per household, ranging from $190 annually for households earning less than $15,000 a year to $820 for those earning over $200,000.

- While IMPLAN does not break out the expected average annual household impact of $480 by any demographic other than household income, an indication can be seen through the American Community Survey data on means of transportation to work. Using this data as a proxy, Latinos are 16% more reliant on single vehicles—both single occupied and carpooled—than non-Latino Whites and have the second lowest incidence of using public transportation as an alternative.

- While shifting to electric vehicles remains an option to avoid higher gasoline prices, the most recent survey reported that only 7.6% of EV owners in California were Latino in 2025, while 83.5% were White and 12.8% Asian-PI. Working from home is another substitution option, but as indicated in American Community Survey data, Latinos had the lowest incidence of this option, working from home at a rate only 39% that of non-Latino Whites.

- The impact on household costs of living would result in induced effects on the state economy. Again using IMPLAN, employment is estimated to fall by 30,400 annually; labor income (wages and benefits) by $2.4 billion; state GDP by $4.6 billion; and total state output by $7.1 billion. All dollar amounts are constant 2026 dollars.

- Breaking down the 30,400 annual employment loss by occupation, just under half (49%) would be in lower skilled jobs requiring a high school diploma or less.

- These economic impacts translate into an annual loss of $1.116 billion ($2026) in government revenues, including an annual loss of $524 million to the state and local governments.

- These estimates are conservative and are based on available data. Factors that are likely to lead to higher numbers than shown include the following:

    ✓ The bill primarily addresses losses to the FAIR Plan, and consequently only losses due to wildfire are included in the analysis. All billion dollar disasters in California

averaged $8.1 billion annually in the period 1980-2024, compared to wildfires of less than half at $3.2 billion ($2026 in both cases). Including disasters of other types other than earthquakes from this period would increase the estimates in this analysis further.

- ✓ Commercial policies are only addressed in the calculations related to the FAIR Plan. No data is available to estimate effects coming from the broader market.

- ✓ The analysis concentrates on impacts to transportation fuels. The definition of fossil fuel products, however, is broad enough to capture a wide number of other refinery products.

- ✓ The retroactive claim estimates are limited by the availability of Fair Plan financial data. With more complete access to the FAIR Plan records along with related materials discussed in this report, the initial retroactive claims do not have to be limited to 5 years and likely would include those related to the Camp Fire and others in 2018.

- ✓ The analysis assumes that only profits generated within the state are subject to disgorgement. However, the global climate change set as the trigger for any claims by definition stems from global factors. Under this reading, global profits are likely fair game under the proposed language, at least at the trial court level, and would substantially increase punitive damages beyond the 1:1 assumed in the analysis. Similarly, the number of responsible parties could be broadened.

- ✓ The estimates do not include any related to property improvements required to obtain or maintain insurance coverage as allowed under the proposed language as no data is available.

- Other impacts addressed but not quantitatively assessed in the report include the following:

  - ✓ California already is on track to lose 23% of its refinery capacity between 2019 and 2026. The remaining facilities are insufficient to meet demand in California along with Nevada and portions of Arizona. As a result, fuel and fuel blending stock imports have already grown to 15% of total demand, making California more vulnerable to price and supply effects than other states in the current conditions. This situation, however, only foreshadows the potential effects on the state economy if additional refinery capacity is shut down due to the costs and increased legal risks under the proposed legislation, especially when combined with the additional operating costs already on track due to state policy on LCFS, Cap and Investment, and fuel excise taxes.

  - ✓ As quantified in a recent paper, just one standard deviation increase in legal risk (litigation risk along with increased regulatory or enforcement risk) is associated with a 3-7% reduction in investment in the following year. The paper also shows that firms with elevated legal risk are significantly less likely to issue debt to respond to funding deficits. California's fuel supply sector is already facing substantial disinvestments. Increased legal risk such as represented by the proposed legislation likely will lead to deteriorating investment in what remains.

- ✓ The analysis addresses SB 982 in isolation, but this legislation would only add to the ever expanding list of climate related lawsuits being pursued globally by various government and activist groups, including the state of California. Extending back to 2015, none of this litigation has yet to succeed, but success under the terms of the proposed legislation could bring back life to some of these other cost claims. The expanding body of this litigation, however, has current economic costs as detailed in a recent report from American Council for Capital Formation, including cost and consequent availability of domestic energy supplies, undermining energy security as currently being experienced by import-reliant California in the current conditions, and increased litigation risk premiums lowering stock returns and thereby affecting households directly through retirement and regular accounts and indirectly through pension fund holdings.

- ✓ The proposed language would increase business operating costs within the state by at least an estimated $3.441 billion annually. Considered in isolation, this amount likely would have minimal effect on firm behavior, but these additional costs would combine with costs of doing business that are far higher than in other states. The effects of these costs are already being reflected in lower investments and job levels affecting several of the state's core centers. California went from 10.4% of the nation's manufacturing jobs in 2018 to 9.7% in 2025. Middle-class wage Trade Cluster jobs went from 11.7% in 2018 to 11.1% in 2024. Construction jobs—representing investment levels—went from 11.6% to 10.6%. Agricultural production went from 12.9% in 2018 to 11.8% in 2024. Tourism will also be affected through yet more additional costs especially through the cost of jet fuel. California's high operating costs are already affecting job levels. Rather than improving competitiveness, this legislation continues in the wrong direction.

Background

Proposed Legislation

SB 982 (Weiner) as introduced would:

- Authorize the Attorney General to file civil actions against responsible parties for: (1) recovery of losses suffered by the California FAIR Plan Association from climate-attributable damage including the cost of claims resulting from a climate disaster, recovery of assessments imposed on member insurers, and funds borrowed (plus interest) from the California Infrastructure and Development Bank and (2) recovery of costs to insurance policyholders from a past climate disaster including property improvements required to obtain or maintain insurance coverage, increases in insurance premiums, higher cost of coverage through a nonadmitted insurer, insurer withdrawal from the market, reduction in coverage availability, or cessation on issuance of new residential property insurance policies.

- The bill provides for a broad scope of potential claims, including climate-attributable damage as above, restitution, disgorgement, court costs, litigation expense, reasonable attorney's fees, and "any other relief that the court or jury deems proper." Responsible parties would be strictly liable for any successful claims.

- Any lawsuits under this legislation do not affect the ability of the state or its subdivisions to pursue other pending or future climate-related actions either civilly or criminally.

- Climate-attributable damage means "harm occurring in this state to real or personal property, tangible assets, or economic interests connected to a climate disaster." A climate disaster in turn is defined as "an extreme weather event, including a wildfire, heatwave, drought, windstorm, hurricane, flood, tornado, or other storm, provided that climate change was a substantial factor in the event's frequency, severity, location, timing, or extent."

- Responsible parties are defined as companies and affiliated entities with an aggregate market capitalization or worldwide annual revenue of at least $500 million, do or did business in California, and have been or are engaged in the extraction, production, manufacture, or sale at wholesale of fossil fuel products. Responsible parties do not include the state and tribal governments or their political subdivisions despite the fact the state and some local governments have received substantial royalties from—and in some instances acted as de facto or actual partners in—oil operations.

- Fossil fuel products includes: crude petroleum oil and all other hydrocarbons, regardless of gravity, that are produced at the wellhead in liquid form by ordinary production methods, including natural, manufactured, mixed, and byproduct hydrocarbon gas, refined crude oil, crude tops, topped crude, processed crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, fuel oil, treated crude oil, residuum, gas oil, casinghead gasoline, natural gas gasoline, kerosene, benzine, wash oil, waste oil, blended gasoline, lubricating oil, and blends or mixtures of oil with one or more liquid products or byproducts derived from oil or gas.

California FAIR Plan

California FAIR Plan Association is a nonprofit fire insurance pool organized under state law to act as an insurer of last resort. All basic property insurers licensed in California are members, with members participating in profits, losses, and expenses in proportion to their business in the state.

The organization has been criticized for the lack of published information on its operations and finances.[1] The Insurance Commissioner is backing legislation (AB 1680, Calderon) that among other things would impose new transparency requirements.[2] Currently, two financial reports covering 4 years are available on the FAIR website for use in the analysis for this report.

The FAIR Plan has grown to cover 3.7% of all residential policies in the state in 2023.

Residential Policies

Source: Department of Insurance

	Voluntary Market	FAIR Plan	DIC	FAIR Share
2015	8,357,624	141,391	14,384	1.7%
2016	8,443,088	141,192	16,644	1.6%
2017	8,488,851	140,312	17,694	1.6%
2018	8,526,338	140,447	19,794	1.6%
2019	8,642,265	189,790	21,532	2.1%
2020	8,580,231	222,091	104,139	2.5%
2021	8,605,653	246,807	132,556	2.7%
2022	8,512,683	275,131	159,362	3.1%
2023	8,300,730	324,954	207,728	3.7%

FAIR coverage continues to focus on the residential market, but commercial policies have begun rising in recent years. Using the trends since their growth inflection points, the number of residential policies is growing at an average annual rate of 40% and commercial policies at 47% since 2023. The average premium for residential has been growing at 6% a year and commercial at 20% since 2022. The FAIR Plan has submitted a rate hike request averaging 36% for 2026,[3] although the Department has typically approved rates well below the requested amount.

FAIR Plan policies provide fire coverage. As shown in the table above, DIC (difference in conditions) policies to cover other risks have been rising as well and add to the total cost for homeowners and businesses turning to the FAIR Plan.

[1] CBS News, California FAIR Plan Secrets: Why the State's Insurer of Last Resort is So Secretive, updated June 9, 2025.

[2] Bill Introduced to "Transform" the California FAIR Plan, Insurance Journal, February 2, 2026.

[3] California FAIR Plan Asks State for Major Increase for Home Insurance Coverage, Sacramento Bee, October 2, 2025.

FAIR Plan Policies by Type

Source: California FAIR Plan Association; as of September each year

	2019	2020	2021	2022	2023	2024	2025
Policies							
Residential	154,494	202,897	234,277	264,012	320,581	451,799	625,033
Commercial	4,601	5,010	2,846	7,315	9,694	13,101	20,954
Total Premiums ($ million)							
Residential			$423.9	$610.5	$798.4	$1,222.7	$1,714.5
Commercial			$20.8	$43.9	$70.2	$123.9	$218.1
Average Premium							
Residential			$1,810	$2,310	$2,490	$2,710	$2,740
Commercial			$7,310	$5,990	$7,240	$9,460	$10,410

Losses incurred by the FAIR Plan are covered by only a portion of the association's assets and member assessments. The remainder is paid through reinsurance under a current 8-tier allocation.[4] The costs of this reinsurance are incorporated into the premiums paid by the policyholders. These costs also include a requirement that for a portion of the tiers, the association must pay a reinstatement premium in the event that an entire tier is exhausted.

FAIR Plan Reinsurance Tiers

Source: FAIR Plan Association

Loss Amount (up to)	Reinsurance Pays	CFP / Industry Pays
$1,250,000,000	-	$1,250,000,000
$1,650,000,000	$400,000,000	$1,250,000,000
$2,200,000,000	$950,000,000	$1,250,000,000
$3,000,000,000	$1,590,000,000	$1,410,000,000
$3,900,000,000	$2,184,630,000	$1,715,370,000
$4,900,000,000	$2,501,530,000	$2,398,470,000
$6,000,000,000	$2,935,600,000	$3,064,400,000
$7,100,000,000	$3,456,637,000	$3,643,363,000

FAIR Plan losses from the available financial statements are shown in the following table. In 2025, the amount of damage claims increased substantially as the result of the Pacific Palisades and Eaton Fires in Los Angeles County. As of the end of May 2025,[5] FAIR expects its total loss from claims related to these fires to be close to $4 billion after accounting for reinsurance. In addition, FAIR was subject to a $375 million reinsurance reinstatement premium in 2025 after exhausting several of the reinsurance tiers.

As a result of these costs, the Insurance Commissioner approved[6] a $1 billion assessment to restore the association's asset balance, half of which will be recoverable through rate

[4] Victoria Roach, California FAIR Plan Update, Assembly Insurance Committee, May 28, 2025.
[5] Ibid.
[6] California Insurance Commissioner, Order No. 2025-1 Approving the California FAIR Plan Association's request to Issue Assessment, February 11, 2025.

surcharges in the voluntary market. Those surcharges, however, are currently being litigated. Assessments have been issued 3 times in the past: $150 million in 1993 after fires in Altadena and Malibu and related to the Northridge Earthquake, $60 million in 1994 and $50 million in 1995.[7]

FAIR Plan Losses, $ million

Source: FAIR Plan Association, as of September each year

	2021	2022	2023	2024
Losses & Loss Adjustments	$196.6	$131.3	$131.5	$142.3
Reinsurance	$202.8	$299.1	$299.1	$424.5

While estimates have varied, a more recent one puts total insurance losses related to these fires at $40 billion,[8] consistent with but somewhat lower than the $45 billion estimated by a UCLA Anderson Forecast report.[9] In large part due to these losses, another recent report expects California rates to increase by 16% in 2026. [10]

Prior to 2025, the most damaging wildfire in California was the Camp Fire in 2018. Other years are highly variable in having events near this scale

SB 824 Wildfire Risk Data, Claims/Losses

Source: Department of Insurance; $ billion

	Non-Catastrophic	Catastrophic
2018	$1.126	$7.981
2019	$1.100	$0.328
2020	$1.393	$2.490
2021	$1.430	$0.677
2022	$1.767	$0.107
2023	$1.420	$0.035

The data in the table covers both property and personal property claims and both fire and smoke damage. Beginning with 2021, any claim stemming from an area covered by a disaster declaration from the governor is treated as “catastrophic” while the prior years are based on standard industry classifications.

[7] Victoria Roach, California FAIR Plan Update, Assembly Insurance Committee, May 28, 2025.
[8] Reinsurance News, Major Insurance and Reinsurance Industry Loss Events, accessed March 20, 2026.
[9] UCLA Anderson Forecast, Economic Impact of the Los Angeles Wildfires, updated March 3, 2025.
[10] Insurify.com, Insurify Projects Home Insurance Rates Will Rise for the 5th Consecutive Year, after a 12% Increase in 2025, accessed March 20, 2026.

Policyholders

Total written premiums in California by applicable policy type are shown in the following table.

Written Premiums
Source: Department of Insurance

	2019	2020	2021	2022	2023
Written Premiums ($ billion)					
Condominium Unit Owners	$0.56	$0.59	$0.65	$0.74	$0.85
Dwelling-Fire (Owner-Occupied)	$0.30	$0.39	$0.52	$0.68	$0.88
Dwelling-Fire (Tenant-Occupied)	$0.96	$1.05	$1.15	$1.36	$1.50
Homeowners Multi-Peril	$7.45	$8.10	$9.09	$10.13	$11.14
Mobile Homes	$0.20	$0.21	$0.24	$0.27	$0.31
Average Premium					
Condominium Unit Owners	$563	$584	$638	$704	$801
Dwelling-Fire (Owner-Occupied)	$753	$947	$1,262	$1,445	$1,636
Dwelling-Fire (Tenant-Occupied)	$587	$623	$679	$839	$901
Homeowners Multi-Peril	$1,248	$1,312	$1,459	$1,619	$1,788
Mobile Homes	$700	$748	$834	$903	$1,056

Responsible Parties

Potential responsible parties could cover a large array of companies, including a number that sold any amount of crude oil or crude oil products into the California market over the last several years. And as California expands its dependence on imports and imported product, the potential pool continues to expand although in practice the risk of liability such as would be imposed under this legislation likely would further restrict the state's access to these global supplies. The potential pool is further subject to expansion as the result of prior acquisitions, both company assets and attendant liability under this measure.

For the purposes of the analysis, the potential analysis is limited to the primary companies currently operating in the state and which operated during the analysis period.

Attribution Studies

The proposed language conditions potential claims on extreme weather events where climate change can be attributable as a substantial factor. While this approach avoids the methodological challenges of previous similar proposals in calculating all costs related to climate change, it still requires some level of analysis to show that climate change was somehow a factor behind a specific weather event.

As discussed in the SB 222 (Weiner & Muratsuchi)[11] report completed last year on similar legislation, an attribution practice has developed in recent years to support litigation such as

[11] Center for Jobs & the Economy, Consumer & Fiscal Impacts of SB 222, February 2025.

proposed in the bill, including creation of various nonprofits such as World Weather Attribution[12] and the recently formed Climate and Society Center[13] at UC Berkeley.

But just because the practice is developing, it by no means indicates that the underlying science is settled. For instance, one study[14] concluded that anthropogenic factors increased rainfall during the 2013 Boulder, CO floods by 30%. Another using different methods[15] found no evidence climate change played a role at all.

More broadly, a recent meta-analysis[16] assessing 69 estimates contained in 39 studies of total climate change costs illustrates just how widely individual studies can vary. The summary chart from the Tol paper below illustrates these conclusions, with the solid line showing the mean decline in GDP estimated in the various studies at different temperature change points and the dotted lines showing the confidence interval within which the expected results likely lie. For studies estimating the costs associated with a 3-degree rise, the economic costs averaged a 3.6% drop in GDP, but ranged from a 0.7% loss to a 9.2% loss. The confidence interval around those estimates ranged even higher, ranging from a loss of around 11% to a gain of over 4%.

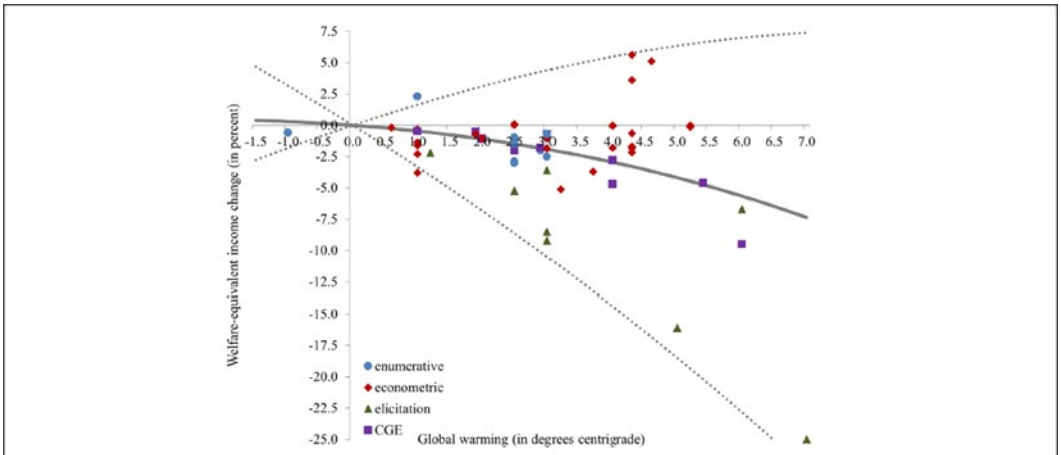


Fig. 1. The impact of climate change since pre-industrial times on global welfare according to comparative static studies. Primary estimates are shown as dots. The central, solid line is the Bayesian model average, the dashed lines the central estimate plus or minus twice the estimated standard deviation.

Source: Tol 2024

The bill skirts these pitfalls by requiring the Attorney General to somehow demonstrate that climate change was only a "substantial factor" in an extreme weather event, basically establishing a "fair argument with numbers" standard rather than the more rigorous standards usually applied in a civil case.

The potential range of prior weather events that could be used to back damage claims is shown in National Centers for Environmental Information reports, which previously tracked billion-dollar

[12] https://www.worldweatherattribution.org.
[13] https://irle.berkeley.edu/publications/commentary/introducing-the-climate-and-society-center/.
[14] Pardeep Pall, et all, Diagnosing Conditional Anthropogenic Contributions to Heavy Colorado Rainfall in September 2013, 17 Weather & Climate Extremes 1 (2017), https://doi.org/10.1016/j.wace.2017.03.004.
[15] Martin Hoerling, et al., Northeast Colorado Extreme Rains Interpreted in a Climate Change Context, 95 Bull. Am. Meteorological Society S1, S15 (2014), https://perma.cc/6BLT-BXTZ.
[16] Richard SJ Tol, A Meta-Analysis of the Total Economic Impact of Climate Change, Elsevier, February 2024.

(inflation adjusted) disasters in the US.[17] This information is now being updated by Climate Central. Between 1980 and 2024, California experienced 46 such events, ranging from a low of no qualifying disasters in 1986, 1994, and 2024, to a high of $46.7 billion ($2026) in 2012. In the period 1990-2024, wildfires resulted in average annual damages of $4.1 billion ($2026). The only California entry shown by Climate Central for 2025 is the Los Angeles fires. The NOAA background states that while climate change has been a factor in the listed events, "increases in population and material wealth over the last several decades are an important factor for higher damage potential. These trends are further complicated by the fact that many population centers and infrastructure exist in vulnerable areas like coasts, river floodplains and the wildland urban interface, while building codes are often insufficient in reducing damage from extreme events."

[17] NOAA National Centers for Environmental Information, Billion-Dollar Weather and Climate Disasters, accessed March 23, 2026.

Assumptions

General Assumptions

The analysis is based on claims that could be pursued under the terms of the proposed legislation. These are not necessarily the claims that would be awarded by the courts, which could be lower or higher for a variety of reasons. Similarly, terms of any subsequent lawsuit could vary as well, depending on the number of responsible parties being sued, the extent of any retroactive claims, estimates coming from hired consultants, and the extent to which such lawsuits aim high with the expectation that final decisions will be lower. Using the legislation's terms at face value, however, provides an objective base for the estimates.

Due to the lack of more extended operating data from FAIR Plan, the analysis assumes retroactive claims covering 2021-2025. Additional retroactive claims are likely, especially for those related to wildfires in 2020 and the Camp Fire and others in 2018. This portion of the estimates, therefore, should be treated as a lower cost estimate.

Cost components are then broken out separately for expected annual costs and those related to the 2025 Los Angeles fires, with the first grouping used to project costs forward for 10 years.

Retroactive claims are assumed to be bonded over a 10-year period. While any claims brought under this legislation likely would take years to reach a final disposition through the courts, the analysis assumes these payments would begin in 2029. Annual projections are used to estimate the additional costs that could be incurred in future years regardless of when actual additional cases are concluded.

Some of the analysis draws on more detailed background presented in the similar report done last year for SB 222.

California FAIR Plan

The bill would provide for claims arising from at least four components related to the FAIR Plan:

- Cost of claims arising from a climate disaster applies an extremely low standard of causation. A climate disaster is defined as any extreme weather where climate change was a substantial factor, without any definition of what constitutes "substantial." Claims under this component do not have to demonstrate the portion of claims related to climate change; just that climate change somehow influenced the weather when the damage occurred. The applicable 2025 costs are taken as the estimates above. The 2021 disaster-related costs are estimated as the difference with the inflation adjusted average for 2022 and 2023 from the FAIR Plan Losses table above.

- Annual disaster estimates in the extended period use the expected annual cost of $4.0 billion for wildfires from the 1980-2024 NOAA data. This number, however, covers all economic damages. Insured losses are estimated at 40% of the total, based on estimates by UCLA Anderson Forecast for the 2025 Los Angeles fires. FAIR Plan costs are portioned based on the current Los Angeles estimates.

- Recovery of assessments is set at $1 billion for the current assessment, and assumes no further assessments will be made related to the 2025 Los Angeles fires.

- No costs are included for loans, as this funding option was just authorized under last year's AB 226 (Alvarez and Calderon).

- Other related costs include the 2025 reinsurance reinstatement premium and the annual cost increase for reinsurance above the rate of inflation. The cost increase for reinsurance above the rate of inflation is assumed to increase 10% annually in the extended period.

Insurance Policyholders

Cost components related to the allowable claims on behalf of policyholders:

- The factors included in the proposed language in essence define the conditions under which persons secure insurance from the FAIR Plan. Costs related to FAIR Plan residential policies are calculated as the difference with the average costs for all applicable policies from the Department data. Fair Plan commercial costs are estimated using this approach as well based on the FAIR Plan average cost ratio. The residential results include an estimate for DIC policies based on general conclusions in various web articles that these policies add 20-40% to a FAIR Plan coverage, or an average of 30%.

  Average FAIR Plan premium costs are projected out using the average annual growth rates since 2022. The average cost of all policies is projected out assuming a constant relationship between FAIR Plan and the market total.

- Increases in insurance premiums for all policyholders are calculated based on the difference in annual average policy costs from the Department's data. This data is only available for residential policies and does not include commercial. The total is then adjusted using the assertion from the proposed language that 50% of rate increases are related to climate-related wildfire risk. Rate increases after 2025 are based on the average premium as above combined with an annual increase of 0.8% in the number of housing units derived from Department of Finance estimates.

- No data is available on reduction in coverage availability. For the purposes of the analysis, the estimates assume that 90% of total damages is covered in the claims data, with the remainder remaining with the policyholder as the result of deductibles, policy limitations, and rejected claims. This ratio is applied to the estimated insured disaster losses.

- The estimates do not include any related to property improvements required to obtain or maintain insurance coverage as no data is available.

Other Claims

Potential additional cost claims include the following:

- No additional estimates are included for restitution beyond the factors included above.

- Potential disgorgement claims are more difficult to estimate. While these claims arguably could cover global profits earned by the responsible parties due to the fact that global climate change by definition has global causes, these claims are more likely to center on profits earned in the state. Without access to company state tax returns, determining profits at this level is somewhat difficult. A ballpark estimate instead was constructed by looking at the 10-k filings for the set of responsible parties for the year 2021-2025, and allocating the reported earnings to California using various factors including regional and product line breakdowns for some of the companies. The results from this approach would only be ballpark figures that do not necessarily reflect the higher operating costs in California. For example, Valero reports refinery results by region. The West Coast numbers are negative in every year except 2022. Similarly, Phillips 66 likely had negative earnings in the state in 2025 as the result of writing down the Los Angeles refinery. Entities are designated responsible parties under the proposed language based on oil-related wholesale operations as an endpoint, while this estimation process captures profits from any related retail, natural gas, and other product line operations as well.

  The results in any case turned out lower than an estimate of punitive damages as below. Because punitive damages are likely to include any disgorgement costs, this higher estimate encompassing both damage claim categories was instead used in the analysis.

- Court costs and litigation expense will depend on the extent to which the Attorney General uses outside counsel, consultants, and various nonprofit groups to develop and pursue the claims. For the analysis, these costs use the SB 222 report assumption of 2% of the previous cost total.

- Other relief is likely to include punitive damages at least for the retroactive claims. While this category of claims is not common for civil cases, the fact-free assertions in the proposed language essentially tracks with what would be required to pursue punitive claims under Civil Code 3294. As detailed in our analysis on last year's SB 222, punitive damages are estimated at 1:1 for the compensatory damages estimated above, incorporating any disgorgement claims as well. As discussed in that report, punitive damages of up to 4:1 are generally considered the constitutional limit, but an analysis of prior related cases indicates the 1:1 standard is more likely to be applicable. This component is applied only to the first round/rounds of any potential litigation.

Impact Assessment

Effect on Fuel Prices

The results of the previous calculations are presented in the following table. As indicated, retroactive claims for the years 2021-2025 would total $31.1 billion under the terms of the bill, and an average of an additional $2.9 billion in claims annually over the subsequent 10-year period. To indicate the potential effect on California fuel prices, the retroactive claims are assumed to be bonded[18] over 10 years, with initial repayments beginning in 2029 after the assumed final case disposition. Claims covering subsequent years—either through separate suits or amendment of an initial suit—are assumed to have a 3-year delay as well, although a shorter time frame is more likely if appeals on any initial suits are decided in the state's favor. As indicated previously, retroactive claims could be correspondingly higher if additional years are pursued. Total payments after 2035 would depend on the extent that additional claims in future years would be pursued as well or covered under any potential settlement agreements.

Calculated Damage Claims

Source: See Text; current billion dollars

	Calculated Damages	Disgorgement/Punitive	Legal Fees	Total
2021	$0.93	$0.93	$0.02	$1.88
2022	1.14	1.14	0.02	2.30
2023	1.08	1.08	0.02	2.18
2024	1.33	1.33	0.03	2.68
2025	10.94	10.94	0.22	22.10
Total Retroactive				$31.14
2026	$1.94		$0.04	$1.98
2027	2.10		0.04	2.14
2028	2.29		0.05	2.34
2029	2.49		0.05	2.54
2030	2.70		0.05	2.75
2031	2.91		0.06	2.97
2032	3.14		0.06	3.20
2033	3.38		0.07	3.44
2034	3.63		0.07	3.70
2035	3.90		0.08	3.98
Average, 2026-				$2.90

As with other proposals of this type, any resulting lawsuit awards would constitute a climate tax, with the amount of that tax determined by the courts rather than the legislature or an administrative agency. As such and as a continuing charge, this tax would act like any other currently imposed on fuels in the state, increasing the costs of production and consequently passed on to customers.

[18] The allocations assume the current 5.3% corporate bond rate. However, successful litigation exposure at this scale likely would undermine the credit ratings for the target companies.

A facile reading of economic theory would suggest that the tax or at least a portion of it would be absorbed by the seller rather than passed on to customers. In a functioning market economy, price increases at this scale would presumably otherwise attract other entrants into the market, increasing supply and exerting compensating downward pressures on prices.

But California's fuel markets are not fully functioning. The physical barriers to entry are extremely high due to the absence of both crude and product pipelines connecting to the broader US market, the lack of Jones Act eligible tankers, port constraints from both infrastructure capacity and increasing regulatory restrictions, and the practical impossibility of permitting a new refinery or even expanding an existing one. Regulatory and tax barriers further isolate the state from global markets due to its unique and changing formulation regulations along with a growing body of related taxes and fees. The question is not whether this additional tax would be passed on. It would have to be in order for current market participants to be able to continue operating in the state. The question is more will they remain while others have already left, with the state's refinery capacity currently set to drop 23% between 2019 and 2026. Would other suppliers step in through imports considering the substantial litigation risk they would incur under the terms of this bill or similar legislation as has been introduced in recent years.

Annual Costs Affecting Fuel Prices

Source: See Text; current billion dollars first three columns; per gallon includes sales tax

	Retroactive, Bonded ($b)	Subsequent Claims ($b)	Total ($b)	Gasoline per gallon	Diesel per gallon	Jet Fuel per gallon
2029	$4.09	$1.98	$6.07	$0.40	$0.45	$0.42
2030	4.09	2.14	6.24	$0.42	$0.47	$0.44
2031	4.09	2.34	6.43	$0.44	$0.49	$0.46
2032	4.09	2.54	6.63	$0.46	$0.51	$0.48
2033	4.09	2.75	6.84	$0.48	$0.53	$0.51
2034	4.09	2.97	7.06	$0.50	$0.56	$0.53
2035	4.09	3.20	7.29	$0.53	$0.58	$0.55
2036	4.09	3.44	7.53	$0.55	$0.61	$0.58
2037	4.09	3.70	7.79	$0.58	$0.64	$0.61
2038	4.09	3.98	8.07	$0.61	$0.67	$0.64

The costs from the previous table are allocated by transportation fuel based on gallons reported in the Department of Tax & Fee Administration taxable sales reports. Using the recent inflection point in 2021, sales of each fuel are projected across the analysis period using the average annual change in sales. The total costs are then allocated according to their share of projected sales in each year. Including the sales tax charge to reflect the effects at the pump, the proposed language would result in additional carbon tax on all three fuels ranging from an estimated 40 cents a gallon in 2029 to 61 cents in 2038 for gasoline, 45 cents to 67 cents for diesel, and 42 cents to 64 cents for jet fuel.

To put this charge in perspective:

- As reported in our monthly Energy Price reports, total taxes and fees incorporated into the pump price for regular gasoline averaged $1.45 a gallon in 2025, or 31% of the total price.

- The SB 982 tax alone would raise this cost to $1.85 to $2.06 a gallon, or the equivalent of 36% to 39% of the total price.

These costs would not appear in isolation. State actions are already increasing the tax and fee portion in the price of fuel paid by customers:

- Based on the inflation assumptions, annual increases in the state fuel taxes would increase this charge by another 8 cents in 2029 to 31 cents in 2038 compared to the 2025 average.

- Assuming credits begin trading at 80% of maximum price as the banked credits are exhausted in the 2030-31 period,[19] the low carbon fuel standard (LCFS) charges under last year's amendments would increase by another 66 cents to $2.14.

- Scaling based on the average allowance price (standard projection) from a recent analysis of the Air Board's proposed regulations,[20] the "cap and investment" component under the Air Board's proposed regulations would increase by 27 cents to 74 cents.

- Combined and assuming production and distribution costs remain constant, SB 982 along with these other tax and fee increases would raise the price of regular gasoline from its 2025 average of $4.63 a gallon, to $6.07 a gallon in 2029 and $8.40 a gallon in 2038.

- Similar price increases will affect diesel and jet fuel as well, but with more substantial increases in the case of diesel.

Economic & Fiscal Impacts

Because they are a sustained cost rather than temporary, the analysis assumes these costs would then be passed on to customers as would any other such tax or fee as is currently done with the Cap and Trade fee and the LCFS costs currently passed on in the price paid for gasoline and diesel and other energy sources in the state. These higher costs are paid directly as sales to consumers or indirectly as sales to businesses and government agencies are incorporated into higher prices/reduced labor payments for their goods and services as well.

Only a portion of any such tax/fee is ultimately passed on in this manner to households as consumers in California. Some part is absorbed by capital, although the potential scale and sustained nature of these new costs makes this shift far less likely. Another part is generally exportable to other states and countries through travel/tourism and exports of goods, although again the potentially large price effects are more likely to reduce this component and the associated business activity due to a serious loss in competitiveness for these markets.

The portion remaining in California and ultimately paid by households was estimated using IMPLAN's new Forward Linkages application that tracks the effects of price increase through the economy. The analysis was done through the following steps:

[19] California Center for Jobs & the Economy, California Energy Price Data for July 2025.
[20] Capitol Matrix Consulting, Impact of Proposed Cap-and-Invest Regulations on California Refiners, undated.

- The analysis uses the average per gallon price impact (less sales tax) over the analysis period assumed to be imposed at the refinery level. Base refinery prices were estimated using the IMPLAN margins applied to the average retail prices. The modeled price increase is a weighted average using 2024 fuel sales as reported by the Department of Tax & Fee Administration.

- The IMPLAN model reports results for all refined products. The fuel portion was then estimated again using the Department's fuel sales data and the calculated producer prices compared to total output in the IMPLAN model. The resulting impacts were again normalized to actual sales using the model results adjusted with a direct calculation from fuel sales and the cost increment.

Average Annual Cost Increase of Fuels, 2029-2038

Source: IMPLAN Forward Linkages analysis; 2026 billion dollars

Cost Increases Paid by Industries	
Direct	$2.357
Indirect	1.084
Total	$3.441
Other Cost Increases	$4.122
Total Cost Increase to Fuels	$7.563

As shown in the results, the higher costs incurred by businesses within the state—both private businesses and government enterprises—comes in two components. The direct costs occur as the employers use fuel directly in their operations, while the indirect costs come from fuel use by their suppliers. The result is an average $3.441 billion ($2026) tax on businesses in the state over the modeled 10-year period, an additional $4.122 billion cost increase to final demand—including households, government agencies (except enterprises), and domestic and foreign exports—and a total tax increase of $7.563 billion.

Average Annual Costs to Households

Source: IMPLAN Forward Linkages analysis;$2026

Average, All Households	$480.00
Households LT$15k	$190.00
Households $15-30k	$230.00
Households $30-40k	$280.00
Households $40-50k	$300.00
Households $50-70k	$350.00
Households $70-100k	$410.00
Households $100-150k	$500.00
Households $150-200k	$610.00
Households GT$200k	$820.00

How much that will eventually be paid by households is then estimated by allocating the costs in the table based on the final demand distribution in the IMPLAN model. The resulting direct and

indirect business costs by industry were allocated by final demand, with the petroleum refinery distribution modified to reflect that the cost increment applies only to in-state sales. For the purposes of calculating the full impact to households: (1) the portion assigned to domestic and foreign exports, capital, and inventories is treated as the "leakage" portion of the tax incidence, (2) portion paid by the federal government is assumed to be subsumed by additions to the federal deficit, (3) state and local government costs are assumed to be ultimately paid by households through higher taxes and fees, and (4) portion paid by households is included directly. The results, as shown in the table, average $480 ($2026) annually per household, ranging from $190 annually for households earning less than $15,000 a year to $820 for those earning over $200,000.

Because these are ongoing costs rather than a temporary blip in fuel costs, households are more likely to respond by reducing other spending. The IMPLAN model was again to estimate the economic effects of total reductions in household spending.

These results are shown in the following table. Employment is estimated to fall by 30,400 annually; labor income (wages and benefits) by $2.4 billion; state GDP by $4.6 billion; and total state output by $7.1 billion. All effects are induced impacts stemming from the strain on household spending.

Economic Impacts of SB 982

Source: IMPLAN analysis, $2026 induced impacts

Employment	-30,400
Labor Income ($b)	-$2.372
State GDP ($b)	-$4.557
Output ($b)	-$7.056

Fiscal impacts are also estimated using IMPLAN. The economic impacts from the previous table translate into an annual loss of $1.116 billion ($2026) in government revenues, including an annual loss of $524 million to the state and local governments.

Fiscal Impacts of SB 982

Source: IMPLAN analysis, $2026 billion induced impacts

Local Government	-$0.229
State Government	-0.295
Federal Government	-0.591
Total	-$1.116

These effects, however, could be reduced by a number of factors, including the extent counterbalancing economic activity would be generated by any of the damage awards being spent in the state:

- Households, businesses, and government agencies presumably would share in at least a portion of the damage awards. The extent to which these payments would cover the expected income reductions would of course depend on the ability to distribute

payments to every household and business in the state and accurately match their estimated costs.

- Income redistributions of this type have high transaction costs. Administrative costs can reduce funds available for compensation in the 5-10% or more range. As reflected in the Volkswagen settlement discussed in the SB 222 report, large portions of class action suits especially punitive damages in environmental cases do not go directly to victim compensation. A substantial portion instead goes to agency-directed expenditures and to NGOs for activities that may or may not occur in the state and provide off-setting economic activity.

  In another example, a portion of the state's households receive compensation for the higher Cap and Trade related costs embedded in electricity and other energy prices in the state. These payments are through utility bills, cover only a small if any portion of what each household pays, and are only provided to some customers of the investor-owned utilities. Administrative costs take a bite when the Cap and Trade fee is imposed and collected, and another bite when the limited refunds are distributed. The bulk is retained for state government spending on programs with few to no direct effects reducing the costs of living in California, including continued payments that barely keep pace with the cost overruns announced annually for High Speed Rail.

- Timing is a factor. Higher prices are likely to occur more rapidly, while compensation payments will be delayed by eligibility determinations, processing, and intervals between damage payments, claim submissions, and compensation disbursements. Households and businesses will still need to buy fuels and goods and services produced using fuels even as prices rise. Compensation payments are likely to come after the fact.

- Fraud is another aspect that would reduce effective household compensation. The Employment Development Department admitted[21] to an 11% fraud rate in the expanded unemployment insurance payments during the pandemic. EDD's estimate is based on $20 billion in fraudulent payments. Later estimates put the total much higher at $30 billion and above, or a fraud rate of over 16%. The extent of fraud diverting state expenditures on hospice care has yet to be fully determined. With fraud inducements at a similar scale, any compensation scheme is likely to encounter this type of diversion as well.

- Substitution is likely to occur particularly in face of price increases at this level. Households, however, will still face up to equivalent higher costs as they switch from fossil-fuel vehicles to higher priced electric versions along with electricity costs that continue to rise due to other state and local policies. In the substitution process, households and employers may instead trade one source of cost inflation for another.

- At least a portion of legal fee awards will remain within the state economy to the extent they are earned by California firms. The risk-reward balance under SB 982, however, is more than likely to spark interest in firms and nonprofits located in other states.

[21] Employment Development Department, Employment Development Department Issues Unemployment Insurance Program Updates, news release, October 7, 2022.

- Price increases at this scale will also affect business competitiveness. Businesses ceasing or pulling back on operations in the state as a result are likely to produce other negative household income effects that conversely would offset some or all of any potential spending effects coming from the damage award proceeds.

On the other side, subsequent claims under this proposed language could be substantially larger due to the following factors:

- The bill primarily addresses losses to the FAIR Plan, and consequently only losses due to wildfire are included in the analysis. All billion dollar disasters in California averaged $8.1 billion annually in the period 1980-2024, compared to wildfires of less than half at $3.2 billion ($2026 in both cases). Including disasters of other types would increase the estimates in this analysis further.

- Commercial policies are only addressed in the calculations related to the FAIR Plan. No data is available to estimate effects coming from the broader market.

- The analysis concentrates on impacts to transportation fuels. The definition of fossil fuel products, however, is broad enough to capture a wide number of other refinery products including chemicals and a broad range of intermediate inputs into consumer and industrial products.

- The retroactive claim estimates are limited by the availability of data. With more complete access to the FAIR Plan records along with related materials discussed in this report, the initial retroactive claims do not have to be limited to 5 years. Claims extending over a longer period would result in much higher estimates than what is shown.

- The subsequent claims analysis assumes refineries and wholesalers remain in the California market. This is not the only possible outcome. The state's growing costs—both directly through taxes and fees and indirectly through state and local regulation—have steadily raised operating costs to the point that the state's refinery capacity currently is on track to drop 23% between 2019 and 2026, while imports of fuels and fuel blending agents have risen to about 15% of the state's consumption. As the other cost factors such as LCFS and Cap and Trade also continue to rise, the operating feasibility of the remaining refineries remains in doubt. The premium required to keep replacement supply coming into the state as increased imports—assuming the required port facilities could be developed—may in fact have to be much higher to compensate for the risk factors engendered in this and similar proposals.

- The analysis assumes that only profits generated within the state are subject to disgorgement. But as discussed previously, the global climate change set as the trigger for any claims by definition stems from global factors. Under this reading, global profits are likely fair game under the proposed language, at least at the trial court level, and would substantially increase punitive damages beyond the 1:1 assumed in the analysis. Such higher claims would be specifically authorized under the proposed language and would no longer require a nexus with the factors listed under Civil Code 3294.

- The estimates do not include any related to property improvements required to obtain or maintain insurance coverage as no data is available.

Economic Impact Demographics

Breaking down the 30,400 annual employment loss by occupation, just under half (49%) would be in lower skilled jobs requiring a high school diploma or less.

Economic Impacts by Occupation
Source: IMPLAN analysis

Total Jobs Loss	30,400
Occupation by Education Required	
Less than High School Diploma	12.4%
High School Diploma or GED	36.7%
Post-Secondary Certificate	9.7%
AA or Some College	16.6%
BA or above	24.6%

While IMPLAN does not break out the expected average annual household impact of $480 by any demographic other than household income, an indication can be seen through the American Community Survey data on means of transportation to work. Using this data as a proxy, Latinos are 16% more reliant on single vehicles—both single occupied and carpooled—than non-Latino Whites and have the second lowest incidence of using public transportation as an alternative.

Means of Transportation to Work by Ethnicity/Race
Source: American Community Survey microdata, 2024, analyzed through IPUMS.org

	Single vehicle	Public Transportation	Worked at Home	Other
Total	77.7%	3.6%	14.1%	4.6%
Latino	84.2%	3.7%	7.8%	4.3%
White, NL	72.5%	2.4%	20.2%	5.0%
Asian-PI, NL	74.9%	4.9%	16.0%	4.2%
African-American, NL	74.9%	6.7%	13.6%	4.8%
Other, NL	73.0%	3.6%	17.8%	5.6%

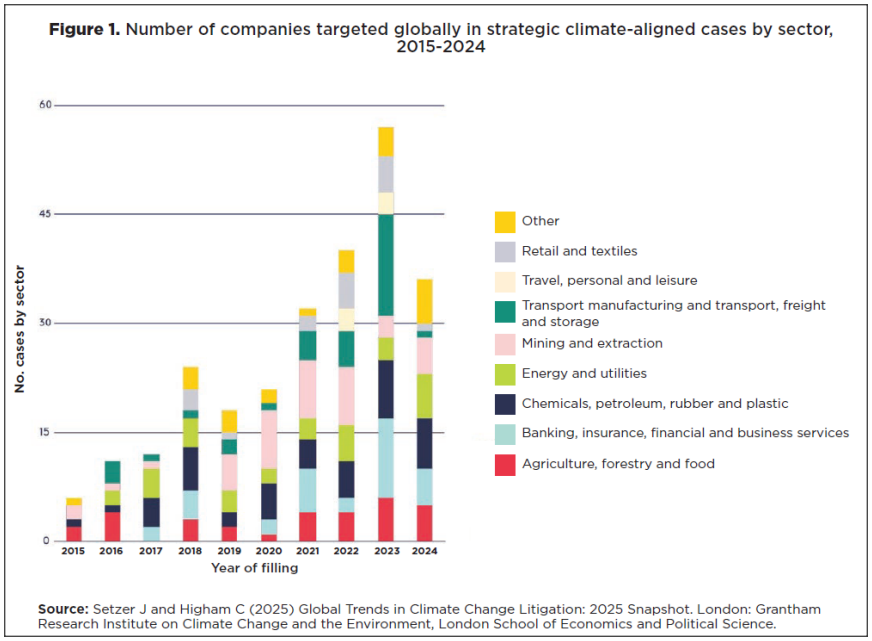
While shifting to electric vehicles remains an option to avoid higher gasoline prices, the most recent survey[22] reported that only 7.6% of EV owners in California were Latino in 2025, while 83.5% were White and 12.8% Asian-PI. Working from home is another substitution option, but as indicated in the table, Latinos had the lowest incidence of this option, working from home at a rate only 39% that of non-Latino Whites.

Other Impacts

- Getting in Line. The analysis addresses SB 982 in isolation, but this legislation would put the state into a lengthening litigation line of lawsuits being pursued globally by

[22] Plug In America, EV Drivers in California, September 2025.

various governments and activist groups, including the state of California,[23] to impose carbon taxes through the courts rather than through legislative bodies. As indicated in a recent report,[24] the number of such lawsuits continues to grow, with none of them yet to be successful. This growing body of litigation, however, still carries current economic costs including the cost and consequent availability of domestic energy supplies, undermining energy security as currently being experienced by import-reliant California in the current conditions, and increased litigation risk premiums lowering stock returns and thereby affecting households directly through retirement and regular accounts and indirectly through pension fund holdings.



Source: Reported in American Council for Capital Formation, March 2026

- Increased Legal Risk Premium. Another recent paper[25] quantified the effect of increased legal risk—encompassing litigation risk along with increased regulatory or enforcement risk—on firm investments and consequently longer term supply. The results indicate that just a one standard deviation increase in legal risk is associated with a 3-7% reduction in investment in the following year. The paper also shows that firms with elevated legal risk are significantly less likely to issue debt to respond to funding deficits. California's fuel supply sector is already facing substantial disinvestments. Increased legal risk such as represented by the proposed legislation likely will lead to deteriorating investment in what remains.

- Fuels Supply. As indicated previously, California already is on track to lose 23% of its refinery capacity between 2019 and 2026. The remaining facilities are insufficient to meet demand in California along with Nevada and portions of Arizona. As a result, fuel

[23] Civitas Institute, University of Texas at Austin, How Climate Litigation Imposes Back Door Carbon Taxes, November 6, 2025.
[24] American Council for Capital Formation, Litigation as Policy: The Economic Consequences of Modern Lawfare, March 2026.
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and fuel blending stock imports have already grown to 15% of total demand, making California more vulnerable to price and supply effects than other states in the current conditions. This situation, however, only foreshadows the potential effects on the state economy if additional refinery capacity is shut down due to the costs and increased legal risks under the proposed legislation, especially when combined with the additional operating costs already on track due to state policy on LCFS, Cap and Investment, and fuel excise taxes.

- Competitiveness and Jobs. The proposed language would increase business operating costs within the state by at least an estimated $3.441 billion annually. Considered in isolation, this amount likely would have minimal effect on firm behavior, but these additional costs would combine with costs of doing business that are far higher than in other states. The effects of these costs are already being reflected in lower investments and job levels affecting several of the state's core centers. California went from 10.4% of the nation's manufacturing jobs in 2018 to 9.7% in 2025. Middle-class wage Trade Cluster jobs went from 11.7% in 2018 to 11.1% in 2024. Construction jobs—representing investment levels—went from 11.6% to 10.6%. Agricultural production went from 12.9% in 2018 to 11.8% in 2024. Tourism will also be affected through yet more additional costs especially through the cost of jet fuel. California's high operating costs are already affecting job levels. Rather than improving competitiveness, this legislation continues in the wrong direction.