

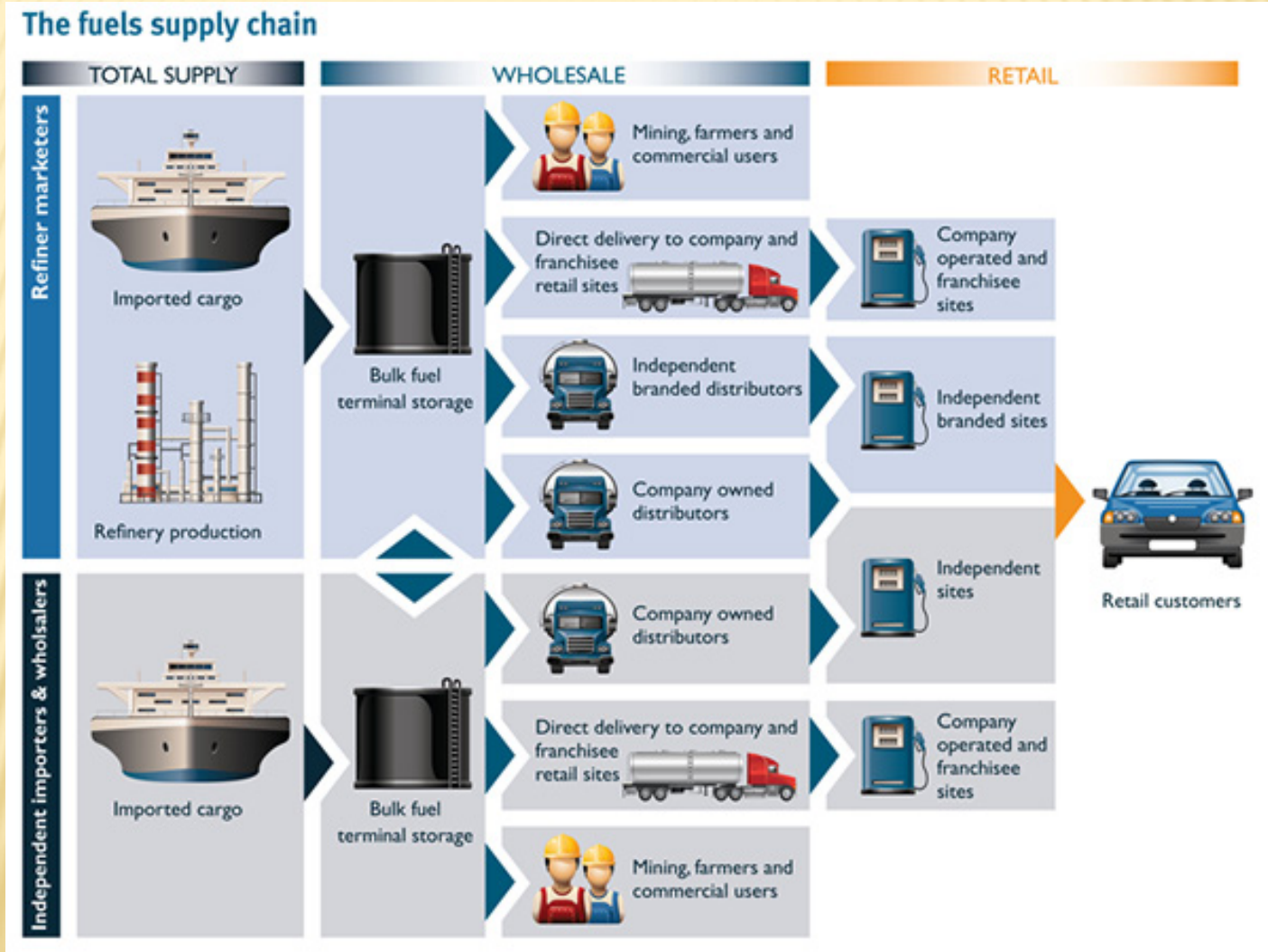
**CIOMA COMMENTS:
JOINT HEARING OF SENATE TRANSPORTATION
& HOUSING AND ENERGY, UTILITIES &
COMMUNICATION COMMITTEES**

*Up Like a Rocket, Down Like a Feather
The State of California's Gasoline Market*

March 24, 2015

CIOMA COMMENTS ON RECENT PRICE SPIKE

Who
we
are



CIOMA COMMENTS ON RECENT PRICE SPIKE

What Happened

- Refinery problems
- Switchover to summer fuel
- Full inclusion of Fuels Under the Cap assessment

This is happened before and will happen again – primary reason: State's unique fuel recipes.

Likelihood for increased volatility with aggressive GHG fuel requirements.

CIOMA COMMENTS ON RECENT PRICE SPIKE

Impacts to Fuel Marketers:

- Loss of margin on upswing; typically losing money on gallons sold during front face of the spike. Buying on replacement cost.
- So, need to recoup losses on back side of the spike

This is reason for “rockets and feathers”

- May have access to gallons decreased in unbranded market due to allocations.
- Credit problems if the upswing is swift and steep.

CIOMA COMMENTS ON RECENT PRICE SPIKE

Some suggestions

- When spikes occur on “shoulders” of winter-summer/summer-winter fuel changes, Governor has ability to relax changeover dates and formulations. This allows flexibility at refineries in fuel manufacture, and comingling in distribution system. Sends a market signal as well.
 - This helped in the October 2012 price spike when Governor Brown stepped in.

CIOMA COMMENTS ON RECENT PRICE SPIKE

Some More Suggestions

- Urge California Congressional delegation to back federal Commodities & Futures Trading Commission (CFTF) funding and adoption of reform regulations, providing more transparency and “earnest money” in energy (including oil and fuels) commodities trading.
 - Backfill losses that occurred as a result of “Enron legislation”

CIOMA COMMENTS ON RECENT PRICE SPIKE

Some More Suggestions

- Require careful monitoring of GHG fuel-related regulations and their impacts, especially Low Carbon Fuel Standard. Possibly every-six-month reports on availability of low carbon-index (CI) fuels and status of LCFS credit market, especially warnings if LCFS credits are becoming scarce and/or are subject to volatility.

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