STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 03/25)

Fiscal Year	Business Unit Number	Department
2026-27	3360	California Energy Commission

Hyperion Budget Request Name	Relevant Program or Subprogram
3360-014-BCP-2026-GB	2385028 – Demand Analysis

Budget Request Title
Petroleum Market and Supply Research

Budget Request Summary
The California Energy Commission (CEC) requests $1,697,000 ongoing for 7.0 positions and contract resources from the Energy Resources Program Account (ERPA) to implement Chapter 1, Statutes of 2024 (AB X2-1), which requires the CEC to assess how refiners' fuel, feedstock, and blending component inventories affect transportation fuel prices and authorizes regulations mandating minimum inventory levels.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A	Click or tap here to enter text.

Does this BCP contain information technology (IT) components? ☒ Yes ☐ No *If yes, departmental Chief Information Officer must sign.*	Department CIO Tisha Wong (Acting, CIO)	Date 12/17/2025

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. Click or tap here to enter text.
Approval Date: Click or tap to enter a date.
Project Approval Document: Click or tap here to enter text.
Total Project Cost: Click or tap here to enter text.

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By	Date
Aleecia Gutierrez	12/17/2025	Damien Mimnaugh	12/17/2025
Department Director	**Date**	**Agency Secretary**	**Date**
Drew Bohan	12/17/2025	Amanda Martin for Secretary Crowfoot	12/17/2025

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology

Principal Program Budget Analyst	Date submitted to the Legislature
Erin Carson	1/9/2026

A. Problem Statement

Chapter 1, Statutes of 2023 (SB X1-2) and AB X2-1 bring robust data transparency that requires significant analysis and compliance work and authorizes the Commission to implement resupply and minimum inventory programs to ensure the resilience and reliability of the California petroleum markets for consumers, communities, and workers.

Both pieces of legislation have added additional responsibilities for the CEC. Since AB X2-1, the CEC has faced new requirements to assess how petroleum refiners' inventories of fuel, feedstocks, and blending components influence transportation fuel prices in California. The legislation granted the CEC authority to develop regulations mandating minimum inventory levels for refiners.

To comply with AB X2-1, the CEC must revise existing regulations, develop requirements for refinery minimum supplies during refinery maintenance, and enforce civil penalties for violations. Staff must collect and analyze extensive industry data, forecast fuel demand and supply, monitor spot market trends, and evaluate market conditions. Additional responsibilities include tracking crude oil and petroleum product imports, ensuring adequate marine infrastructure, hosting public workshops, and producing detailed legislative reports on program effectiveness and strategies to boost gasoline supply. Meeting these mandates will require significant new resources to sustain the CEC's role in safeguarding California's fuel market stability.

Consider health and safety when developing regulations regarding the timing of turnaround and maintenance.

- The bill requires those regulations to protect the health and safety of employees, local communities, and the public, and to include criteria that are required to be met before a refinery commences a turnaround or maintenance event, as provided.

Develop regulations and impose requirements for refiners to maintain minimum inventories.

- The bill requires the CEC, in consultation with the Independent Consumer Fuels Advisory Committee (ICFAC), to consider the effects of refiners' inventories of fuel and feedstocks and blending components on the price of transportation fuels.
- The bill authorizes the CEC to develop regulations under emergency rulemaking authorities, to impose requirements for refiners operating in the state to maintain minimum inventories of refined transportation fuels that meet California specifications, including feedstocks and blending components.
    - Regulations developed must provide:
        - A process for establishing minimum inventory levels specified for each refiner or each refining region, and for each fuel or blending component type.
        - A process for maximizing the use of existing storage infrastructure.
        - A process for waiving, if appropriate, minimum inventory requirements for a small refinery.
        - A process for adjusting, if appropriate, minimum inventory requirements for one or more refiners based on region, season, refinery size and storage capacity, and changes in regional or statewide supply and demand.
        - Market conditions under which a refiner would be permitted or required to draw down its inventories below an established level and requirements for the rebuilding of those drawn-down inventories, including a metric or threshold based on market conditions that would automatically require a refiner to draw down inventories and provide that fuel to the market.
    - Regulations developed will require new data reporting from refiners and new analysis from staff to meet the requirements above.

    - Regulations developed under emergency rulemaking authority would need to go through the regular regulation rulemaking process before expiration of emergency regulations.

- The CEC is prohibited from developing requirements that would necessitate construction of new storage infrastructure.
    - The CEC must consider the following:
        - Whether it is likely that the minimum levels of inventories of refined transportation fuels will lead to greater supply than would exist without minimum inventory requirements.
        - Whether it is likely that the minimum inventories of refined transportation fuels will lead to lower average retail prices on an annual basis than would exist without the minimum levels of inventories, and whether it is likely that the minimum levels of inventories will reduce the severity of retail price volatility.
        - Whether easing supply chain inefficiencies or constraints would lead to greater supply than requirements to establish minimum levels of inventories of refined transportation fuels.
        - Whether it is likely that supply gains achieved through the adoption of the minimum inventories of refined transportation fuels will be offset by actions of market participants that are not subject to these regulations and thereby have the effect of reducing supply in the market.
- The bill authorizes the CEC to seek injunctive or remedial relief, and an administrative civil penalty to enforce compliance with minimum inventory regulations.

Adds a new annual reporting requirement.

- The bill requires the CEC to submit a report annually to legislature that includes:
    - A reevaluation of the effectiveness of the regulation, including whether the regulation continues to meet the cost effectiveness described above, and
    - An update on the factors identified above regarding the implemented regulation.

Expands the scope of the Transportation Fuels Assessment.

- The bill requires the CEC to:
    - Evaluate California's future petroleum product and crude oil import needs.
    - Identify steps that can be taken to ensure marine infrastructure and port facilities are adequate to accommodate the efficient movement of petroleum products to meet those needs
    - Evaluate ways to maximize use of existing infrastructure and minimize cumulative pollution burdens
    - Evaluate the effects on supplies of transportation fuels of state regulations that the CEC identifies may be causing supply constraints,
    - Consider alternative compliance pathways to mitigate potential impacts on supply.

Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY-1	PY
Authorized Expenditures	9,511	14,601	18,251	23,272	19,775
Actual Expenditures	9,511	13,930	8,075	16,673	16,291
Revenues	NA	NA	NA	NA	NA
Authorized Positions	111.7	106.9	106.9	123.9	114.9
Filled Positions	96.9	96.9	88.0	97.2	103.5
Vacancies	14.8	10.0	18.9	26.7	11.4

**Amounts are for 2385028 – Demand Analysis from budget galleys and FTE counts are for the division from Salaries and Wages Supplements.*

B. Justification

CEC Fiscal Impact for AB X2-1

Additional responsibilities are required of the CEC to implement AB X2-1, including a more detailed understanding of the economics of the refining industry and operational and financial drivers of their businesses.

The CEC requires additional resources to develop the regulatory programs, coordinate work products and preliminary decisions through the ICFAC, coordinate with other state agencies, and prepare reports for the Governor and Legislature. The positions described below will allow the CEC to define price spike thresholds related to inventories, assess the impacts of resupply and minimum inventory requirements, and determine resupply and minimum inventory requirements for refineries.

- **Program and Project Supervisor (1.0)**
  Provide strategic planning and oversight. Supervise, direct, review, and support the work of expanded staff. Coordinate with leadership and staff to implement technical strategy for advanced economic analysis of the petroleum industry. The work is highly technical and requires management of a team handling business sensitive information. Work with staff and Chief Counsel's Office to ensure CEC regulatory needs are met. Engage with regulated industry to track compliance and maintain situational awareness of the industry. The role also includes regular engagement with senior executives in the petroleum industry.

- **Research Specialist IV (1.0)**

  Lead efforts to analyze why California's transportation fuel costs exceed national prices and advance modeling to support the state's decarbonization goals. Oversee analytical studies on the cost impacts of legislative mandates like SB X1-2 and AB X2-1. Direct the development of new, advanced economic modeling methodologies to understand the financial drivers for refinery operations.

- **Research Data Specialist III (3.0)**
  Refine, clarify, and develop regulations, including regulations on the timing of maintenance, minimum inventories process, and to maximize petroleum product storage. Evaluate market conditions, resupply plans, impact of minimum inventories,

and market participant behaviors on supply and prices of transportation fuels. Develop a report to Legislature on solutions to increase the supply of gasoline and an annual evaluation of the effectiveness of AB X2-1.

- **Research Data Specialist II (1.0), Energy Analyst (1.0)**
  Data intake, processing, analysis, and follow-up with data reporters to ensure compliance with requirements. Write queries for standardized report generation. Develop additional reporting on spot market transactions, including a public website that releases data like Oil Price Information Services' West Coast Report.

- **Contract Funds**
  Ongoing support from existing contractors is needed. These external consultants are experts in the operation of refineries and related fuel markets. Successful regulation design relies on this expertise that is not present in the state workforce.

C. Departmentwide and Statewide Considerations

Ensuring California's transition away from petroleum fuels in a safe and affordable way, while maintaining an adequate supply of fuels for California's drivers will require the state to consider several ways to reach the state's goal of a clean transportation future. The CEC, in conjunction with other state agencies, have worked in the past to identify transition plans, fuel reserves, and emerging technologies. To support the state's planning of a clean transportation fuels future, more assessments are needed to enable the CEC to model different scenarios and inform decisionmakers on the most cost-effective approach while ensuring adequate supply and avoiding price spikes. This bill will enable the state to set safeguards to reduce price-gouging by refiners.

D. Outcomes and Accountability

If this request is approved, funding will be quickly invested to bring on permanent staff to support emergency regulation development for minimum inventories, including considerations for health and safety. The state will benefit from this by quickly getting regulations into place to ensure adequate supply of transportation fuels, avoid price spikes, and set safeguards to reduce price-gouging by refiners.

The CEC would be staffed to begin the regular rulemaking process to revise, refine, and make permanent the regulations adopted under emergency rulemaking process.

The CEC would also engage the new staff to provide input and support on the annual report to legislature on the effectiveness of the regulations.

The CEC would begin assessing and incorporating California's future petroleum product and crude oil import needs for incorporation into the 2027 and future Transportation Fuels Assessments. The assessments will also identify ways to ensure adequacy of marine infrastructure and evaluate ways to maximize use of existing infrastructure and evaluate the effects of regulations on supplies of transportation fuels.

Projected Outcomes

The new resources will conduct the following activities over the next two years.

- Hold AB X2-1 Implementation Workshop, including regulatory proposals
- Issue first data request
- Adopt and implement new emergency regulations
- Implement new data processing and analysis

These outcomes are projected following the approval of resources in this BCP:

- Complete first report to legislature on the effectiveness of the regulations
- Integrate the expanded scope of AB X2-1 in the Transportation Fuels Assessment
- Complete assessment and report on production enhancement strategies

E. Implementation Plan

The CEC, working in conjunction with other state agencies identified in AB X2-1, has started planning for implementation of the requested funds so that they can be utilized as soon as possible.

Year	Activities
Year 1	Hire positions, begin an emergency rulemaking process for resupply strategies and to set minimum inventories. Begin collecting and analyzing new data. Initiate contracts for assessment work. Prepare reports on the effectiveness of the regulations and assessment of production enhancement strategies.
Year 2	Begin a regular rulemaking process. Continue collecting and analyzing data for minimum inventories and resupply strategies. Prepare the second annual report on the effectiveness of the regulations.
Year 3+	Update and run program as directed by the legislature. Prepare third annual report on the effectiveness of the regulations. Prepare the second Transportation Fuels Assessment under the expanded scope requirements.

F. Supplemental Information (If Applicable)

Organizational charts and workload analysis are available upon request.

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Petroleum Market and Supply Research

BR Name: 3360-014-BCP-2026-GB

Budget Request Summary

Personal Services

Personal Services	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
Positions - Permanent	0.0	7.0	7.0	7.0	7.0	7.0
Total Positions	**0.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**
Salaries and Wages Earnings - Permanent	0	822	822	822	822	822
Total Salaries and Wages	**$0**	**$822**	**$822**	**$822**	**$822**	**$822**
Total Staff Benefits	0	414	414	414	414	414
Total Personal Services	**$0**	**$1,236**	**$1,236**	**$1,236**	**$1,236**	**$1,236**

Operating Expenses and Equipment

Operating Expenses and Equipment	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
5301 - General Expense	0	161	161	161	161	161
5340 - Consulting and Professional Services - External	0	300	300	300	300	300
Total Operating Expenses and Equipment	**$0**	**$461**	**$461**	**$461**	**$461**	**$461**

Total Budget Request

Total Budget Request	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
Total Budget Request	**$0**	**$1,697**	**$1,697**	**$1,697**	**$1,697**	**$1,697**

Fund Summary

Fund Source

Fund Source	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
State Operations - 0465 - Energy Resources Programs Account	0	1,697	1,697	1,697	1,697	1,697
Total State Operations Expenditures	**$0**	**$1,697**	**$1,697**	**$1,697**	**$1,697**	**$1,697**
Total All Funds	**$0**	**$1,697**	**$1,697**	**$1,697**	**$1,697**	**$1,697**

Program Summary

Program Funding

Program Funding	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
2385028 - Demand Analysis	0	1,697	1,697	1,697	1,697	1,697
Total All Programs	**$0**	**$1,697**	**$1,697**	**$1,697**	**$1,697**	**$1,697**

Personal Services Details

Positions

Positions	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
3504 - Program & Proj Supvr (Eff. 07-01-2026)	0.0	1.0	1.0	1.0	1.0	1.0
5758 - Research Data Spec II (Eff. 07-01-2026)	0.0	1.0	1.0	1.0	1.0	1.0
5770 - Research Data Spec III (Eff. 07-01-2026)	0.0	3.0	3.0	3.0	3.0	3.0
5837 - Energy Analyst (Eff. 07-01-2026)	0.0	1.0	1.0	1.0	1.0	1.0
7859 - Research Spec IV -Various Studies (Eff. 07-01-2026)	0.0	1.0	1.0	1.0	1.0	1.0
Total Positions	**0.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**

Salaries and Wages

Salaries and Wages	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
3504 - Program & Proj Supvr (Eff. 07-01-2026)	0	165	165	165	165	165
5758 - Research Data Spec II (Eff. 07-01-2026)	0	100	100	100	100	100
5770 - Research Data Spec III (Eff. 07-01-2026)	0	330	330	330	330	330
5837 - Energy Analyst (Eff. 07-01-2026)	0	62	62	62	62	62
7859 - Research Spec IV -Various Studies (Eff. 07-01-2026)	0	165	165	165	165	165
Total Salaries and Wages	**$0**	**$822**	**$822**	**$822**	**$822**	**$822**

Staff Benefits

Staff Benefits	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
5150350 - Health Insurance	0	135	135	135	135	135
5150500 - OASDI	0	63	63	63	63	63
5150600 - Retirement - General	0	216	216	216	216	216
Total Staff Benefits	**$0**	**$414**	**$414**	**$414**	**$414**	**$414**

Total Personal Services

Total Personal Services	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
Total Personal Services	**$0**	**$1,236**	**$1,236**	**$1,236**	**$1,236**	**$1,236**