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## Government Policy, Not Hurricanes, Main Contributor to High California Gas Prices

BY KERRY JACKSON

Gasoline prices spiked more sharply in some states after deadly storms in Texas and Florida than at any time since Hurricane Katrina in 2005. But in California, steep fuel prices are an everyday event.

The average gallon of gasoline cost \$3.02 in California in August, 64 cents more than the U.S. average, according to the California Business Roundtable, which compiled the figures using U.S. Energy Information Agency and gasbuddy.com data. Only in Hawaii is gasoline more expensive.

The story remains the same with diesel fuel, which powers much of the state's shipping sector. At \$2.96 a gallon, it is 36 cents higher than the national average, and, again, second only to Hawaii.

These are the prices in the state that's third in the nation in proved crude reserves with roughly 2.3 billion barrels, where more oil and natural gas are produced than in any state that's not named Texas or Alaska.

Fuel prices are high, in part, because California imposes heavy taxes. Total sales taxes and fees add more than 38 cents to a gallon of gasoline and 40 cents to a gallon of diesel. The Tax Foundation and Experian say that "average California households spend over \$1,000 per year on fuel taxes."

But those numbers are just a start. A \$52 billion fuel tax hike to pay for repairs to the state's crumbling infrastructure is coming.

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Starting Nov. 1, the excise tax on gasoline will jump 12 cents a gallon; diesel will increase 20 cents a gallon.

Three strict environmental policies compound the burden of this excessive tax bite.

First, rules mandating unique fuel blends are in place to force emissions to meet the state's strict air standards. While Congress fixed reformulated gasoline blends with the 1990 Clean Air Act amendments, California has its own set of reformulated gasoline rules. The California Air Resources Board estimates that processing crude to make fuel that meets the state's standards adds another 5 cents to 15 cents to each gallon.

Yet given technological improvements in automobiles over the last three decades, the expensive blends might make no improvements at all to air quality. Nearly two decades ago, Eric Stork, who ran the Environmental Protection Agency's Mobile Source Air Pollution Control Program from 1970 until 1978, told the New York Times that at one time, requiring reformulated gasoline was an effective policy. But for cars made after 1983, it is "obsolete and pointless."

The second factor driving costs higher is California's cap-and-trade policy, which adds 11 cents to each gallon of gasoline and 13 cents to a gallon of diesel, according to the Legislative Analyst's Office. Max Pyziur, director of downstream projects at the Energy Policy Research Foundation, said that cap-and-trade adds \$2 billion a year to gasoline and diesel costs.

Costs are further increased by the state's low-carbon fuel standard. It was set by a 2006 law which requires petroleum-based fuel producers to cut their products' carbon intensity 10 percent by 2020. Pyziur says this adds 11 cents to a gallon of gasoline, and expects "costs will likely continue to increase."

When these costs are totaled, it turns out that "California drivers are paying nearly \$5 billion more in transportation fuel costs than would be required under national standards," says Pyziur. And his estimate doesn't include state gasoline taxes, state regulatory costs or diesel taxes.

No one will argue that clean air isn't important. But is the "California Premium," the gap between what we pay for transportation fuels and the national average, worth it? It can be argued that two costly programs, the low-carbon standard and cap-and-trade, are of no value, because no matter what California lawmakers do, their policies will have no impact on the climate. The third policy, the reformulating mandate, might be simply useless. Yet all three remain and policymakers continued to add future costs when they extended the 2006 California Global Warming Solutions Act last year.

It's unlikely these policies have ever been subjected to an independent cost-benefit analysis. All should be. If there are legitimate reasons for fuel prices to be so high, then we have to live with them. But we shouldn't have to live them with just because lawmakers say we do.

*Kerry Jackson is a fellow with the Center for California Reform at the Pacific Research Institute.*