



**CALIFORNIA
ENERGY COMMISSION**



**CALIFORNIA
NATURAL
RESOURCES
AGENCY**

California Energy Commission

STAFF REPORT

Transportation Fuels Assessment

**Policy Options for a Reliable Supply of
Affordable and Safe Transportation Fuels in
California**

August 2024 | CEC-200-2024-003-SF

Policy Options Targeting the Supply of Gasoline

4. Storage Strategies

The listed storage strategies will help maintain an adequate buffer supply that, upon the release of the stored supply, can allow for a short-term boost to overall supply and mitigate in cases of supply shock.

A. Storage Strategy: Stock Minimums for Refiners and Terminals

Table 5. Storage Strategy: Stock Minimums for Refiners and Terminals

Topic	Description
Statement of Initiative	Require refiners and terminals to maintain contingency reserves of gasoline fuel in refineries and terminals. During supply shocks, temporary release of minimum requirements to supply the market.
Scope	Variable scope of impact but could create an effective reserve of several hundred thousand barrels.
Pros	<ul style="list-style-type: none"> ▪ The requirement could mitigate short-term price spikes. ▪ Maintaining minimum stocks will provide a quickly available reserve. ▪ Additional stored gasoline would be distributed in Northern and Southern California at key locations, like refineries.
Cons	<ul style="list-style-type: none"> ▪ If the refiners withhold stocks to maintain the minimum, it may artificially create shortages in downstream markets (refiners may need to hold back a shipment to sustain the legal minimum stocks, which could cause a terminal to run lower than expected). ▪ Could increase average prices for refiners to maintain additional storage. ▪ The pipeline cycle process requires terminals to always be low on stocks before a batch is delivered, so this may be best applied at refineries and/or pipeline storage. ▪ A process or program will need to be developed to orchestrate the use of the volumes held in reserve.
Issues to Resolve	<ul style="list-style-type: none"> ▪ What volume should be held in reserve and what would be the basis? ▪ Can it be held as finished CARBOB or as blendstocks? ▪ Downstream impacts could impact spot market prices in uncertain ways, although a market equilibrium may likely emerge at a higher price level. ▪ What is the cost to the refiner, and will this be passed to consumers?
Other	<ul style="list-style-type: none"> ▪ Potential exists for the state to be criticized for requiring refiners to withhold fuel from the market.