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OPINION | REVIEW & OUTLOOK

California's Gasoline Panic

Hey, Governor Newsom, didn't you want higher fuel prices?

By The Editorial Board

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Cars line up to get gas at the Costco gas station October 9, 2019 in Vallejo, California. PHOTO: THEARON W. HENDERSON/GETTY IMAGES

Democrats in California have worked hard for years to inflate gasoline prices, but now they're searching for a fall guy as voters gripe about how much they're paying to fill up. Round up the usual fossil-fuel suspects!

California Gov. Gavin Newsom on Monday ordered state Attorney General Xavier Becerra to investigate oil companies for allegedly overcharging consumers and price-fixing. Gas prices in California average \$4.13 per gallon, about \$1.50 more than the rest of the U.S. "The mystery surcharge adds up, especially for cost-conscious, working families," the Governor declared.

You have to excuse his apparent shock. He may not have filled a tank in awhile, and gas prices in California spiked last month amid refinery problems. Few refiners outside of California produce its special clean-burning fuel, which adds about 10 cents a gallon. When a refinery in the state has an outage, gasoline must be imported by tanker at higher cost.



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But California gas prices have been increasing relative to the other 49 states for years (see the nearby chart). The disparity especially widened in 2013 when the state's cap-and-trade program took effect and in 2018 after Democrats raised the state gas tax. Last year California's gas prices tracked about 77 cents higher than the U.S. average.

The disparity has increased again this year, prompting Democrats to demand an investigation by the state Energy Commission. The Inspector Gadgets discovered no unlawful activity or anything of surprise.

About half of the price difference between California and other states is due to taxes, cap and trade and the state's low-carbon fuel standard, according to the commission's report. Higher refiner and retailer margins account for another third. California refineries boast larger margins because they face higher regulatory costs and less competition.

The commission also says retailer margins have inexplicably grown since 2012, especially among gasoline brands like 76, Chevron and Shell. Between 2010 and 2018 California brand-name station margins increased by about 30 cents a gallon versus six cents on average nationally. The agency suggests price fixing may be to blame.

But about 95% of gas stations with convenience stores are independently owned, which includes mom-and-pops that license brand names. Some consumers will pay more for brand-name gas as they will for Prada purses or Starbucks lattes. As gas prices rise, consumers may also burn more money than they save driving in search of the cheapest stations.

Notably, the commission ignores that retail margins include labor costs, utilities, rent and taxes. In 2012 the state increased taxes on high earners, which hit many small businesses. California's minimum wage has increased by 50% since 2013. According to the Bureau of Labor Statistics, worker wages at California gas stations over the last five years have increased 50% more than nationwide.

Mr. Newsom has threatened legal action against oil companies to “protect the public.” But liberals have long wanted higher gas prices so folks will ditch gas-powered cars. The Governor last month ordered revenue to be redirected from the last gas tax hike, which was supposed to fund highway construction, to projects that “reverse the trend of increased fuel consumption and reduce greenhouse gas emissions.”

So Californians in the future can look forward to paying more to drive on deteriorating roads as they head to homes without electricity due to blackouts. How long will it take California voters to figure out that these are problems made in Sacramento by politicians?

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