

Why Gasoline Prices Are So High In California

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California has some of the highest retail gasoline prices in the US. Right now it is great to be a refiner in California with "crack spreads" at a historical high level.

It might seem far-fetched and memories so distant but Californians had become so accustomed to having cheap gasoline. Today's generation does not remember the energy crises of the 1970s. In 1973, the energy crisis was caused by our crude oil imports being cut off with a crude oil exporting boycott by an oil cartel called OPEC. The difference now is that the California gasoline supply crisis is strictly of our own making.

The California Air Resources Board set such a high standard for the state's gasoline formulation to reduce air emissions that few other refiners outside the state are willing to produce it. They have created an island where the gasoline supply is now completely controlled by major oil companies.

The problem with obtaining a constant supply of gasoline to meet demand is lack of competition. There are several things that could be done. One is to have major oil companies switch from zone pricing to a gasoline rack pricing system, allowing their branded dealers to look for the best prices instead of being locked into zoned rates.

Zone pricing is the last remaining bastion of a system implemented in the days when major oil companies in California still had competition from independent refiners and stations. Those days are long gone with the onset of tank and environmental vapor recovery replacement expenses at gasoline stations which can run as much as \$300,000 additional cost per site.

It is time to tackle the zone-pricing system and eliminate the California Air Resources Board. Zone gasoline pricing basically enables the major oil companies to identify competitive gasoline prices by using the Lundberg Survey headquartered in Camarillo, California. It enables them to price gasoline to consumers at whatever they are willing to pay. The Board of the California Air Resources Board has been taken over by environmental extremists, who have passed regulations eliminating the Mom & Pop gas stations leaving the major oil companies to price gasoline at whatever price they are able to obtain to maximize their profits.

Californians, the major oil companies have the ball—put on a full-court press. Remember the adage: "You don't get what you deserve, you get what you demand."

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