California Drivers Get No Joy From Oil Rout as Pump Prices Rise

By Robert Tuttle

(Bloomberg) -- Anybody looking for drivers pleased by the recent plunge in oil prices would be hard pressed to find them in Los Angeles.

Gasoline in the second-largest U.S. city costs more than a year ago even after oil prices dropped by more than half. A February explosion at an Exxon Mobil Corp. refinery in Southern California reduced supplies of the state’s unique blend of motor fuel and imports have yet to fill in amid rising consumption.

Other refiners are reaping the benefits. Tesoro Corp. and Valero Energy Corp. are among companies earning a record $1.61 for each gallon of branded gasoline they produce, according to California Energy Commission data. Drivers are paying more to process crude into gasoline than they are for the crude itself for the first time in 12 years, the state data shows.

“Refiners who have continued to operate without unplanned outages and light planned maintenance activities are the ones who have experienced the greatest incremental gain in pretax profits,” Gordon Schremp, senior fuel specialist at the commission, said in a July 31 e-mail.

Drivers in Los Angeles paid on average $3.953 a gallon for regular gasoline Wednesday, up from $3.95 a gallon a year ago, the AAA Daily Fuel Gauge report shows. Pump prices in the city reached $4.30 a gallon July 16, according to GasBuddy.com, which surveys prices at individual filling stations. That was the highest since May 2014, when oil was trading at more than $100 a barrel in New York, compared with $45.15 at the close Wednesday.

‘Getting Gouged’

The premium that Southern California drivers are paying over the national average is at its highest ever, Jamie Court, president of the nonprofit Consumer Watchdog, said at a news conference in Los Angeles Wednesday. He was joined by billionaire environmentalist Tom Steyer.

“The Golden State is getting gouged,” Court said. “The money that’s being made from the pockets of California gas consumers is lining the pockets of the oil refiners.”

California-blend gasoline is produced by refineries within the state and in a few other parts of the U.S. and the world.
Output of the blend by in-state refineries dropped to 6.5 million barrels in the week ended July 24, California Energy Commission data show.

While the refinery fire has contributed to high California pump prices, there are other factors such as the second-highest gasoline taxes in the country and environmental rules that boost costs, Braden Reddall, a spokesman at Chevron Corp., said in an e-mail.

“While it is easy for groups like Consumer Watchdog and individuals like Tom Steyer to take one factor in our earnings out of context, what can’t be taken out of context is the fact that many policies backed by Steyer are already increasing fuel prices for California consumers,” Reddall said.

Gasoline Cargoes

The high pump prices are temporary and should decline as gasoline cargoes arrive in greater numbers from abroad, Allison Mac, West Coast petroleum analyst at Gasbuddy, said in a phone interview Wednesday.

“Prices should be dropping at a higher rate than we have been seeing and that’s because of the imports,” she said. “The last couple of days, massive cargo ships arrived alleviating what was causing the prices to spike.”

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