California Fuels and Convenience Alliance

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California Air Resources Board
1001 I Street
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RE: Cap-and-Invest Program—Addressing Price Impacts and Protecting Low-Income Consumers

CFCA represents approximately 300 members statewide, including nearly 90% of independent petroleum marketers and over half of the state's convenience retailers—many of which are small, family-, and minority-owned businesses. Our members are on the front lines of California's transportation energy system and are deeply committed to providing reliable, affordable, and cleaner fuels for California drivers.

As the California Air Resources Board (CARB) continues to advance policies under the Cap-and-Invest Program, we urge the Board to consider the cumulative consumer cost impacts that will result from the retirement of 118.3 million allowances through 2030. While the intent of this measure is to tighten the emissions cap, this action will inevitably raise per-ton carbon credit prices, which will translate directly into higher fuel prices at the pump.

ECONOMIC IMPACTS ON FUEL PRICES

Currently, Cap-and-Invest contributes an estimated 24–27 cents per gallon to gasoline prices. If the carbon price were to increase from the current $25–$30 per ton range to $50 per ton, it would raise gasoline prices by an additional 16 cents per gallon—bringing the total impact of Cap-and-Invest to over 40 cents per gallon.

This increase would come at a time of growing supply instability and financial strain on California households. According to OPIS, the recent closure of the Phillips 66 refinery in Wilmington and unplanned maintenance events statewide have already caused regional gasoline prices to rise 14–22 cents per gallon in the past week alone. Compared to last year, prices are up as much as 40 cents per gallon across several regions. These trends demonstrate that existing legislative and regulatory efforts have failed to address California's persistent supply constraints—and that further tightening through allowance retirements will worsen price volatility.

SUPPLY CONSTRAINTS AND REFINERY CLOSURES

Looking forward, California's fuel market faces continued downward pressure on supply. Refineries are operating below capacity due to ongoing maintenance, and additional supply losses are expected when

Valero's Benicia refinery ceases operations in Spring 2026. With limited refining capacity and high regulatory costs, even modest disruptions are resulting in disproportionate price increases at the pump.

AFFORDABILITY AND CONSUMER IMPACTS

At the same time, Californians continue to face sharp increases in the cost of living. According to the U.S. Bureau of Labor Statistics, Core CPI in California increased 3.2% over the year, while the food index rose 4.2%. These trends indicate that even excluding energy, affordability challenges are intensifying. Layering additional fuel cost increases on top of these existing pressures will further strain household budgets and undermine California's broader affordability goals.

The burden will fall hardest on low-income families, who already spend an average of 17.8% of their income on energy bills and transportation fuel—more than three times the national average. These are households with little to no financial cushion to absorb new cost increases. A rise in carbon prices under the Cap-and-Invest Program, combined with existing supply volatility, risks exacerbating the inequities California policymakers are actively working to address.

ALIGNING CLIMATE POLICY WITH AFFORDABILITY GOALS

CARB's Cap-and-Invest policies must be designed with both climate integrity and economic balance in mind. The proposed retirement of allowances—while environmentally motivated—will have tangible, regressive effects on fuel affordability. Failing to account for these impacts runs counter to the intent of state leadership to improve affordability and protect low-income Californians from rising costs.

CONCLUSION

California's Cap-and-Invest Program plays a critical role in advancing the state's climate goals. However, achieving these goals must not come at the expense of affordability for the state's most vulnerable residents. By balancing emissions reduction objectives with economic realities, CARB can maintain the program's environmental integrity while protecting California families and small businesses from disproportionate financial hardship.

Thank you for your attention to this matter and for your continued engagement with stakeholders across the fuel and convenience sectors. CFCA remains committed to working collaboratively with CARB to design practical, equitable, and effective climate policies for California.

If you have any questions, please contact CFCA's Sr. Director of Government Affairs, Alessandra Magnasco, at alessandra@cfca.energy.

Sincerely,

Alessandra Magnasco
Sr. Director of Government Affairs