



California State Senate

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

January 8, 2015

Attorney General Kamala Harris
California Department of Justice
P.O. Box 944255
Sacramento, CA 94244-2550

RE: Request for Careful Monitoring of Gasoline Prices

Dear Ms. Attorney General:

We are writing to express concern over potential manipulation of gasoline prices by oil companies and their subsidiaries in the state as our landmark cap-and-trade program goes into effect for transportation fuels. We request that the Department of Justice monitor, and if warranted, open an investigation into these practices.

This is a concern shared by experts and consumers across California. In a letter sent last month by the Consumers Union to the California Energy Commission, they wrote, "it would be unfortunate if the oil industry attempted to manipulate prices in order to deliver on its promise of a 'hidden gas tax' even if market forces and regulatory compliance did not require such a result."

As you know, California is a world leader in clean air, clean energy, and reducing pollution. Californians want their air and energy use to be clean and green, where possible, and recognize the economic, environmental, and health benefits that come with it. Our cap-and-trade program is an essential part of California's historic efforts to meet the climate challenge and has become an example for the world.

Not coincidentally, California is also the single-largest engine of new clean-energy jobs in the world and the success of our cap-and-trade program is critical to maintaining that economic growth.

At the beginning of this month, transportation fuels came under the cap-and-trade program. Since fossil-fuel transportation represents 40 percent of all air pollution in California, nonpartisan economists, scientists, and experts throughout the state and the world agree this is an imperative element in our efforts to reduce greenhouse gases and builds the foundation for the low-carbon economy of the future.



Despite elected leaders and California voters repeatedly and overwhelmingly reaffirming support for its cap-and-trade program, the oil industry continues to demand a special exemption enjoyed by no other industry.

Predictably, the oil industry has mounted a multi-million-dollar public relations and political advocacy campaign attempting to engender widespread public fear and prevent fuels from coming under the cap and undermine California law. They have created front groups and established faux media and internet campaigns to erroneously convince the public that gasoline prices will increase by up to 75 cents per gallon under the program.

Most reputable experts say that changes in costs at the pump, if any, will be considerably less than the scenarios portrayed by opponents of clean energy. Current gasoline prices are the lowest in years and, if they change, it may well be because of the many other factors outside the control of the state that affect gas prices at the pump.

At the Senate, we are watching closely to ensure the cap-and-trade program is implemented in a manner that does not unduly affect gas prices or harm family pocketbooks. The Legislature itself ensured that state law (AB 32 at Health and Safety Code Section 38599) allows the Governor to suspend a regulation if it is causing significant economic harm.

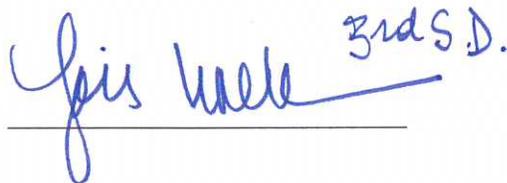
In addition, there are fail-safe mechanisms in the cap-and-trade regulation itself to ensure costs are managed and consumers are protected. The program has reserve prices and other mechanisms that temper any large fluctuations in the market. Nonetheless, we are concerned that gas price changes may result from artificial intervention and manipulation by those opposed to California's clean energy and climate policies, and not outside market forces.

Therefore, we request that the Department of Justice closely monitor, and if appropriate, open an investigation into the activities of the affected industries to stop any attempted manipulation and to assure the public that gasoline prices at the pump are properly set.

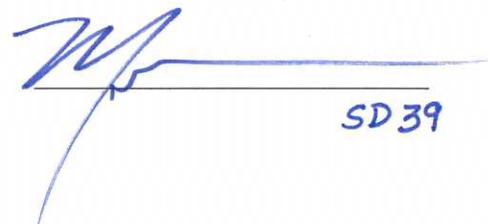
Thank you in advance for your leadership.

Sincerely,


SD 24


3rd S.D.


17th S.D.


SD 39

Robert A. Wickham
SD 10

Mike McGuire SD 2

Fran Parley
SD 27

Mark Leno
SD 11

Jerry Brown
SD 13

Ben Allen
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