



Issues Briefing 2026

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About CIPA



For five decades, the California Independent Petroleum Association (CIPA) has been California's only statewide advocacy group solely focused on protecting independent oil and natural gas producers, royalty owners, and service and supply companies.

Throughout this time, CIPA has remained the unified voice for the independent energy sector, advancing policies that promote responsible development, economic stability, and energy security.

Representing companies across the state's major oil and gas regions, from the Los Angeles Basin and the Central Coast to the San Joaquin Valley and Northern California, CIPA brings together a diverse network of operators and stakeholders. CIPA's statewide reach ensures that local perspectives and industry needs are consistently elevated in legislative, regulatory, and public discussions.



CIPA is comprised of a broad and diverse network of small and independently operated producer companies that contribute to a dynamic sector that supports both local communities and the statewide energy landscape. The state's oil and gas sector provides tens of thousands of high-paying jobs, supporting families and contributing substantial economic value across the state. Producers not only sustain local economies but also ensure the continued functioning of critical energy infrastructure that supports California's broader economic activities.

Companies serving on CIPA's board are:

American Energy Operations, Inc.	Holmes Western Oil Corporation
Bridge Energy LLC	Hoyt Energy, LLC
Brown Armstrong Accountancy Corporation	INpower Global Insurance Services, LLC
California Energy Exchange Corp.	Ivey, Kevin - Royalty Owner
California Natural Resources Group (CalNRG)	Naftex Operating Company
Carbon California Operating Company	Norton Rose Fulbright US LLP
Cooper & Brain, Inc.	Pacific Coast Energy
Cornerstone Engineering	Patriot Resources LLC
Crimson Resources Management	Reedy, Jerry - Royalty Owner
Drilling & Production Co.	RMX Resources LLC
Envirotech Consultants, Inc.	Signal Hill Petroleum
Freeport-McMoRan Oil & Gas	Termo Company
General Production Service of California, Inc.	TRC Operating Company, Inc.
	Tri Counties Bank



CaloRnia Oil Workers Network (CROWN)

The California Oil Workers Network (CROWN) is a coalition of oil and natural gas industry workers and represents the voices of over 55,000 hard-working, tax-paying California oil workers who are fighting to ensure that energy is produced in California.



Cal Royalty Network

The Cal Royalty Network is a committee of royalty owners throughout California who have joined forces under CIPA. CalRoyalty aims to give a voice to the issues impacting California's oil industry and royalty owners.





California's Energy Crisis



Refineries are closing:

California once operated more than 40 refineries; today, only 9 remain, with two additional refineries, Phillips 66 and Valero Benicia, slated to close by April 2026.



Pipelines are closing:

Closure of refineries means closing pipelines, which are the most efficient and economical way to deliver crude from wellhead to refinery. As of December 1, 2025, the sole remaining pipeline that carries crude from Kern County to northern California has been idled.



Drilling is becoming uneconomic:

As in-state refineries disappear, so do the markets that make local production viable. Producers face shrinking outlets for their crude and higher transportation burdens. It costs \$10-\$12 per barrel to transport crude by truck to refineries in Southern California. As producers are considering new drilling, these added costs coupled with low global oil prices may temper the appetite for new permits.

Californians still rely on more than **6,000 petroleum-based products** essential to daily life.



Californians consume
~1.8 million barrels
of petroleum per day.



Pivotal Opportunities

California is facing a narrowing window to stabilize existing infrastructure, preserve viable production, and prevent further erosion of supply security. Practical steps must be taken to avoid deeper dependence on foreign imports, higher consumer fuel costs, and the accelerated loss of skilled energy-sector jobs.

- **Avert the dismantling of the Valero Benicia refinery** to avoid cascading damage across the state's refining, pipeline, and production sectors.
- **Stabilize the San Pablo Bay (SPB) Pipeline**, which is already under severe economic stress due to reduced volumes caused by previous refinery closures. This is the only pipeline feeding Northern California refineries; if it ceases operating, the state will be forced to rely entirely on shipping crude by truck, train, or tanker, methods that are dramatically more costly and far more carbon-intensive than pipeline delivery.
- **Allow routine maintenance within Health Protection Zones (HPZs)** to preserve existing production and prevent declines caused by SB 1137's unintended restrictions.
- **Amend AB 1167** to restore the ability to transact oil and gas assets through alternative compliance structures that mirror those mandated by AB 1057.
- **Clarify that California does not have a legal ban on well stimulation treatments (WST)** and allow SB 4's rigorous regulatory program to function as intended.
- **Prevent local bans on oil production**, as counties such as Los Angeles and Santa Barbara consider bans that would devastate refinery viability and spike gasoline prices.





Legislative Pathways

The passage of SB 237 and SB 767 marked a rare instance in which policymakers acted proactively, addressing long-recognized vulnerabilities in the crude oil supply chain and permitting framework rather than waiting for system failures to occur.

SB 237

Signed by Governor Newsom, SB 237 increases permitting predictability for oil production while maintaining existing labor, environmental, and operational standards. It makes Kern County, California's primary energy-producing region, the lead agency for oil and gas permitting, backed by a 30,000-page, comprehensive EIR.

SB 767

Signed by Governor Gavin Newsom, this CIPA-supported measure helps ensure that California's refineries continue to receive crude oil safely and efficiently. This reliability is essential for the production of gasoline, diesel, jet fuel, and thousands of petroleum-derived products used daily across the state.

Despite these positive policy changes, the ongoing decline in California's refining capacity presents a challenge that extends beyond pipeline reliability and permitting reforms for oil production. The continuing decline strains the ability of in-state independent oil producers to stay in operation.

Key Legislative Opportunities in 2026

1. **Preserve** existing production and **prevent** declines caused by SB 1137's unintended restrictions.
2. **Amend AB 1167** to restore the ability to transact oil and gas assets through alternative compliance structures that mirror those mandated by AB 1057.

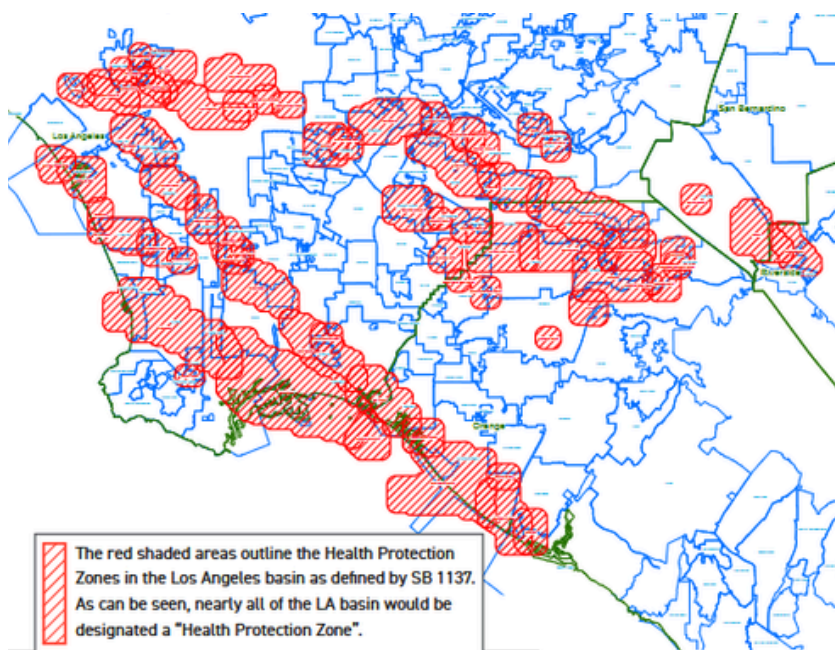
Allowing Maintenance in Health Protection Zones

Much of California's current oil production is threatened by ill-advised state policies. 24% of current production is within Health Protection Zones (HPZ's) created under SB 1137 from 2022. SB 1137 was explained as a bill to stop drilling new oil wells in neighborhoods but allow current production to continue. But the bill went far beyond preventing new wells from being drilled.

Inside HPZ's, operators cannot get simple, routine permits to maintain their existing oil wells. This is causing a decrease in production inside HPZ's statewide and begs for a Legislative fix to allow for regular well maintenance to ensure oil wells inside HPZ's are operated efficiently and can provide local crude to local refineries, rather than increasing foreign imports.

The refinery in Kern County that provides 80% of California's transformer oil, powering the state's electrical grid, and the oil field that feeds it are entirely within an HPZ. As those oil wells decline in production due to the overzealous nature of SB 1137, the state could become exposed to shortages of transformer oil, a product manufactured in only four refineries in America and which allows the state's electrical grid to function without catching fire.

How SB 1137 will affect LA Basin



The overwhelming majority of activity that SB 1137 currently prevents is not new development, but ongoing maintenance essential to maintaining current production within historic oil fields.

**SCAN TO READ MORE
ABOUT SB 1137** →



Amend AB 1167 to Reform Bonding for Acquisitions

In 2024 and 2025, for the first time in the history of California, no oil-producing assets were bought and sold. Only two complete acquisitions of entire companies, which is exempt for the provisions of AB 1167, have occurred.

When AB 1167 was signed by the governor, he included a signing message stating “...increasing the financial assurances required for oil and gas well transfers also potentially creates risk of current oil and gas well operators deserting these hazardous wells. I look forward to working with the Legislature to enact legislation to make any necessary revisions to address this risk and otherwise align this law with programs that the Department of Conservation’s Geologic Energy Management Division is already developing to address orphaned and abandoned wells.”

It is time to address the governor's request.

No industry can thrive without the ability for companies to sell their assets when necessary.

By transferring assets that are not a priority for one company to another company that has capital to invest in those assets, both companies end up stronger financially, production is enhanced, and the state is protected from the risk of idle well desertion.

Without the ability to efficiently transfer and reinvest in producing assets, output declines, leaving refineries with fewer local barrels to process.

AB 1167 prevents reinvestment, accelerates well idling, and weakens the upstream supply chain that refineries depend on. The legislature should enact the reform Governor Newsom requested by mirroring the bonding authority CalGEM received under earlier legislation, AB 1057.

California Independent Petroleum Association
California's Oil & Gas Producers

2024

How to Best Protect California Taxpayers From Financial Liability From Oil & Gas Operations

www.cipa.org

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Impacts of California's Shrinking Refinery Landscape

As in-state refining capacity declines, the state loses the ability to process domestically produced crude, creating immediate challenges for producers who rely on local markets to remain viable. If the Valero Benicia refinery closes and is dismantled, **the consequences will be immediate and irreversible.**

Dismantling Valero Benicia Refinery

SPB Pipeline Becomes Uneconomic and Shuts Down

The San Pablo Bay (SPB) Pipeline, operated by COREnergy/Crimson Midstream, is the last remaining northbound crude line carrying Kern County production to Bay Area refineries. The line is already under severe economic stress due to reduced volumes caused by previous refinery closures and the pipeline became official idle as of December 1, 2025.

More Northern California Refineries Lose Access to Kern County Crude

This is the only pipeline feeding Northern California refineries. If it ceases operating, the state will be forced to rely entirely on shipping crude by truck, train, or tanker, methods that are dramatically more costly, and far more carbon-intensive than pipeline delivery.

More Refineries Become Vulnerable Causing Potential Closures

The loss of the Valero refinery alone would collapse throughput below that threshold, effectively dooming the line. Without the pipeline, Northern California's refineries cannot receive Kern County crude, and without refineries, the pipeline has no purpose. The loss of one ensures the loss of the other, and the combined loss would create a statewide fuel-supply crisis.

California Becomes Increasingly Dependent on Foreign Crude & Imported Fuels

These developments underscore a significant shift: as California refines less fuel locally, Californians will become even more reliant on foreign and imported oil to meet their demand.

What the Academics Say

Since 2001, **California gas prices have increased**

162%

Today, we pay about **43% more than the national average,** and that figure would likely be far higher if not for domestic oil production.



6%

1982 CA Import rate



64%

2025 CA Import rate

In 1982, California imported around 6% of its oil needs from foreign sources; today, the Golden State imports around 64% from various petrostates.

Shipping finished fuel thousands of miles can mean crude sourced from regimes with higher emissions and weaker oversight than California. That's more pollution, less transparency, less leverage for the U.S., and, yes, higher prices at the pump.

Read More:

California faces a self-created oil and gas crisis: Lawmakers should consider these steps next.



Why Oil Producers Need Refineries

In-state refineries are the primary market for California crude, and when their capacity declines, producers lose access to local buyers. With fewer outlets, they must truck crude to distant refineries, increasing costs and emissions, and pricing smaller operators out of the market. These higher costs and intensified competition accelerate shutdowns and ultimately raise consumer prices. As production falls, the economic foundation that supports oil development under California's strict environmental, labor, and safety standards steadily erodes.



Declining refinery capacity affects every part of the energy system. Without sufficient in-state refining:

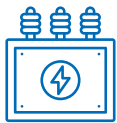
1. Producers lose reliable, local markets for their product
2. Fuel prices become more vulnerable to external shocks
3. Jobs and tax revenue decline across multiple regions
4. California's control over its energy future diminishes as dependence on distant suppliers grows

These costs ultimately flow downstream to businesses and consumers. Local refineries are not just processing facilities; they are vital infrastructure that supports affordability, reliability, economic stability, and environmental accountability.

Petroleum is in Everything

Despite in-state oil production and refining pulling back, the statewide demand for petroleum-based materials remains persistent and substantial. The continued availability of these materials depends on a stable and functional energy production and refining system working together.

Californians rely on 6,000 petroleum-based products every day.



Transformer Oil



Gasoline, diesel, & jet fuel



Lubricants, greases & motor oils



Asphalt & road-construction materials



Plastics, polymers, & synthetic rubber



Resins, coatings, solvents & adhesives



Pharmaceuticals & medical-grade plastics



IV bags, syringes, PPE, & sterilization agents



Clothing fibers (polyester, nylon, spandex)



Electronics, packaging, detergents, paints

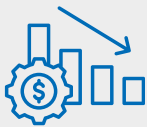


Fertilizers, insulation, and household goods

These products underpin California's transportation systems, healthcare network, agricultural sector, supply chains, and consumer economy. Even under long-term transition scenarios, demand for these materials remains high.

The Economic Benefits of Local Refining and Production

Strong in-state refining capacity helps stabilize prices by:



Reducing shipping costs for both crude and refined fuels



Shortening supply chains and lowering transportation-related emissions



Providing rapid-response capacity during supply disruptions or refinery outages



Offering operational flexibility to meet seasonal, regional, and emergency fuel needs for the state

In-state production supports **tens of thousands of high-paying, often unionized jobs** in production, refining, construction, and trades.

Producers contribute **billions of dollars in state and local tax revenue** annually, including property taxes, sales taxes, and royalties that directly fund schools, public safety, and essential local services.

When refining capacity erodes, these revenues and jobs do not shift to cleaner or safer jurisdictions; instead, California becomes more dependent on imported fuels from countries with weaker environmental standards and no California economic benefit.

Risks Associated With Dependence on Foreign Oil

If in-state oil production is reduced, this will force California to look elsewhere to supply the state with a primary fuel source used daily by millions.

Relying on foreign sources introduces challenges that are not present with local production and refining:

Longer and more fragile supply chains:

Foreign crude and oil must travel thousands of miles by tanker, increasing exposure to shipping delays, port congestion, labor disputes, and logistics bottlenecks.

Greater vulnerability to global market volatility:

International crude and fuel markets are subject to geopolitical tension, conflict, trade restrictions, and global price fluctuations. These dynamics can elevate costs for California more quickly when local supply is insufficient.

Less environmental and safety oversight:

Foreign suppliers do not operate under the same strict and safe regulatory frameworks that California producers and refiners must operate under, and they are exempt from cap and trade.

Higher transportation emissions:

Marine shipping of crude and refined fuels over long distances increases lifecycle emissions compared with local refining and shorter delivery routes.

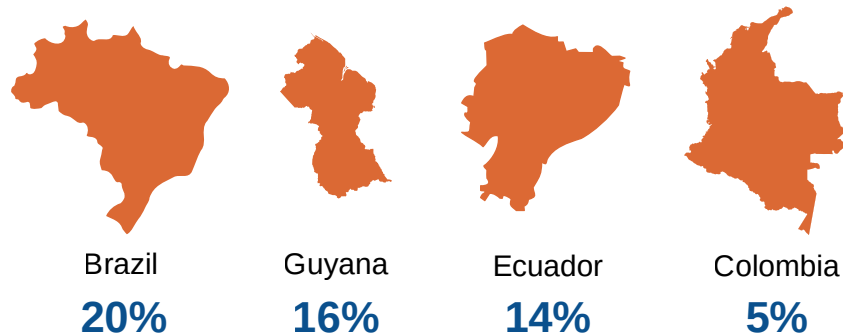
Keeping Clean, Safe, Reliable Oil Production in California

California's oil production operates under the strictest environmental, safety, and labor rules in the world.

More than 25 agencies oversee every stage of development, ensuring minimal impact on air, water, wildlife, and nearby communities. California is the only place on earth that produces truly climate-compliant oil, regulated to reduce emissions and protect public health.

By contrast, much of the oil California imports comes from regions with weak or nonexistent environmental safeguards. In fact, over 50% of imports come from countries in the Amazon rainforest, where extraction has caused pollution, deforestation, and harm to indigenous communities. These imports undermine California's environmental goals.

Over 50% of CA's imported oil comes from the Amazon rainforest.



This year, the Senate approved SR 51, opposing crude oil imports from the Amazon rainforest and validating the long-standing hypocrisy of shutting down local production while importing from fragile ecosystems.



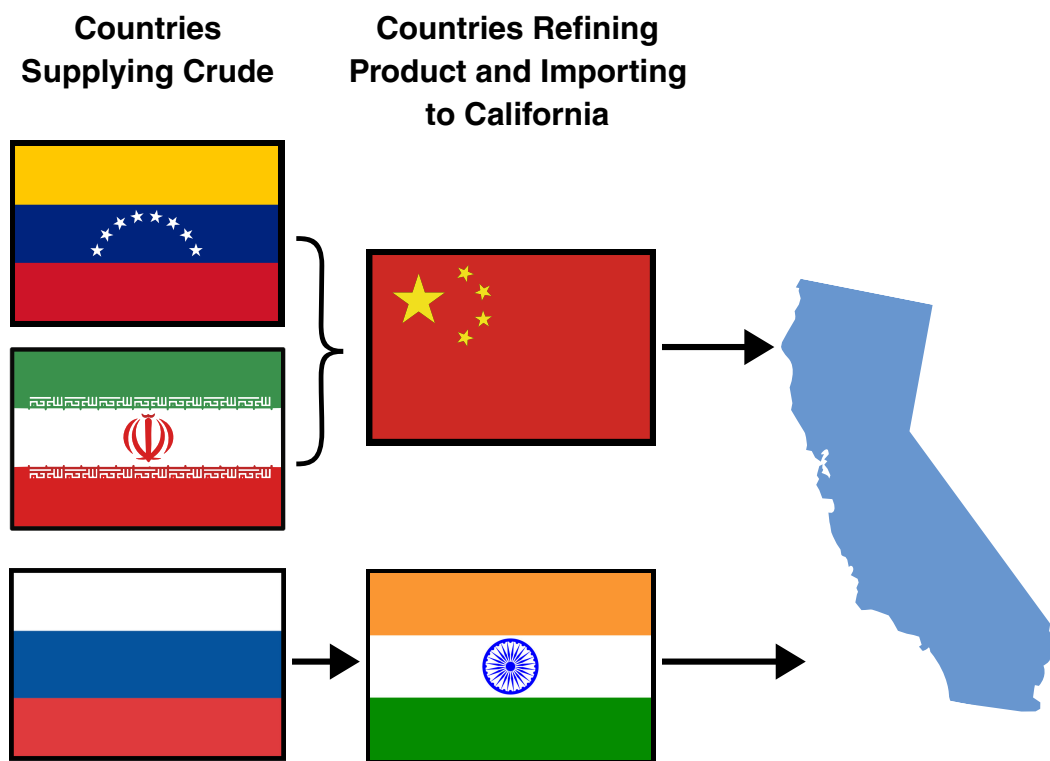
Senator Josh Becker

Refinery Shutdowns Threaten National Security and Energy Price Stability

California is home to over 40 military installations that depend on in-state sources of refined products to fuel their fleets. As California considers becoming even more dependent on foreign sources of crude oil and refined products, it will be putting its energy and national security in the hands of foreign entities, several of which are adversaries of the United States.

For example, in 2024, California imported most of its jet fuel from China. To make matters worse, California may be importing jet and gasoline fuels produced from Iranian and Venezuelan crude oils; thus, California consumers will be financing rogue regimes and drug cartels. If sourced from India, California may be importing jet and gasoline fuels produced from Russian crude, thus financing Russia's war against Ukraine

Foreign Sources of Crude Oil and Refined Products



As in-state refining capacity declines and more fuel arrives from abroad, the importance of clean, safe, California-regulated production grows. California's energy mix will evolve, but a reliable supply of responsibly produced in-state petroleum remains essential to bridge today's demand and tomorrow's energy system.

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