California About to Drive Gas Prices Even Higher

October 9, 2022 - The average price for a gallon of gas in California is now $6.45; the highest in the country. There are numerous reasons for this and virtually all of them are because of actions of the Governor and the State Legislature. Unfortunately, that is a trend with no end in sight. Gavin Newsom is now calling for a special session of the state legislature with the goal of imposing a windfall profit tax on California refiners. It is a move that will only drive gas prices even higher.

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California has a track record of unfriendly regulations towards business. This is especially true for the energy industry. A few decades ago, the state had roughly 50 refineries churning out gas and diesel. Today the state has only 14, and the fuel blends that they manufacture are unique to California. This means that when refiners can't produce enough gas to meet demand, the state can't bring in gas from other states. It also means that when refineries are taken off line for regular maintenance or due to mechanical issues, reduced supply and price increases are immediately noticeable. As with any other product, price is determined by supply and demand.

Beyond the refining issues, California's energy policy is simply asinine. Last month the governor signed more than three dozen energy related bills. These include a bill that requires 90% of the energy used in the state to be from renewables in the next ten years. The state has outlawed the sale of gas burning cars by 2035. The day after that announcement was made, the state told owners of electric vehicles not to charge their cars because the electric grid was at capacity and charging cars could result in rolling blackouts. The state also plans to ban diesel big rigs by 2045.

While all of this is going on, Governor Newsom wants to shut down the remaining nuclear plant - Diablo Canyon - within the next five years and ban fracking and fossil fuel extraction in the state.

Anyone who thinks that these policies arenâ€™t increasing the price of fuel doesn't understand basic economics. But taking responsibility for situations such as this isn't something that most politicians are good at. Hence the proposal for a windfall profits tax.

What the governor obviously hasn't learned is that corporations don't pay taxes. They pass those cost on directly to consumers. And if corporations are placed in a position that they can't do that, they simply withdraw from what would otherwise be an unprofitable market.

California residents need to prepared for what comes next. Higher prices at the pump and lower supplies of fuel. If the governor's wish actually becomes law, then Californians should also prepare for higher prices on everything else they purchase too. That's because everything you own or are interested in purchasing has to be shipped at some point. And shipping requires fuel.

This is pretty basic stuff that could easily be learned in an Econ 101 course, but it's obviously above the heads of people coming up with ideas like this.
by Jim Malmberg
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