



ISSUE BRIEF | AFPI—California

# TAPPING INTO CALIFORNIA'S UNPARALLELED ENERGY CAPACITY

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For decades, California's leaders have tinkered with the state's energy market to often disastrous effects. A poorly implemented deregulation scheme in the late 1990s and corresponding price caps led to energy shortages and rolling blackouts. In recent decades, extreme environmentalism has motivated bureaucrats and politicians alike to restrict the sources of electricity and mandate state-specific gasoline blends, which spike costs and lay the groundwork for future energy shortages.

Californians' views on energy stand in contrast to the policies state elected officials have pursued most aggressively in recent years. Compared to the state's recently enacted mandate banning gas-powered vehicles, 53 percent of Californians prefer a traditional gas-powered vehicle to an electric one, especially to avoid the \$10,000 price premium for electric (RMG Research, Inc., 2023). Nearly half agree that making the U.S. energy-independent and reducing the cost of power is more important than fighting climate change (RMG Research, Inc., 2023).

California is currently well down the path of implementing its Renewable Energy Portfolio, which requires the state's utilities to obtain 100 percent of their energy from so-called "clean" sources by 2045 ([California Energy Commission, 2019](#)). In practice, this means solar and wind. At the same time, state leaders have eschewed proven and reliable non-carbon sources such as nuclear energy and hydroelectric power by not expanding the state's energy portfolio to include these sources and allowing its existing nuclear facilities and hydroelectric plants to degrade. The mandate was to achieve 33 percent renewables by 2020, and by law, this will rise to 60 percent by 2030. However, the unreliability and intermittent nature of these renewables became all too apparent during the [summer 2022](#) heat wave when the California Independent System Operator ordered flex alerts. These warnings are meant to curtail energy use with the threat of



planned outages—otherwise known as “rolling blackouts”—which occur when electricity supply runs low.

When inland California temperatures rise to among the warmest in the nation, air-conditioning is critical to maintaining livable conditions, yet electricity supply too often reaches critically low levels during this time. In the wake of the 2022 electricity shortages, the California Independent System Operator attributed the shortages primarily to “some uncertainty about how much production we will have from our renewable resources, primarily the solar, during the heart of the afternoon” ([Toohey, 2022](#)).

California’s meddling with the energy market also exacerbates the pain California residents feel at the pump. Gas supply has been curtailed for years due to California’s low-carbon fuel standard and the state’s cap and trade program. According to the U.S. Energy Information Administration, California lost 12 percent of its refining capacity between 2017 and 2021 ([U.S. EIA, 2023a](#)). Further losses are expected in coming years as other refineries have switched to producing renewable diesel, especially since state regulations and subsidies have made it more profitable ([Finley, 2022](#)).

In 2023, the state seemed intent on doubling down on these failed policies when the Legislature rushed to pass [SB 2](#). The new law requires the California Energy Commission to set a maximum gross refining margin for refineries operating in California—in practice, a cap on the profits that oil companies earn in the name of stopping price-gouging, enforced through civil penalties. Refineries have already been leaving the state, with more expected to follow.

For too long, state leaders have actively voiced their unfounded and unrealistic opposition to fossil fuels while simultaneously advancing a “renewable only” approach. They have done so without appropriate recognition of the human, economic, strategic, or environmental realities underpinning our modern energy systems. Ironically, these state measures are unlikely to further environmental preservation. High costs will inevitably drive people out of the state to cheaper but hotter states like Texas and Florida, where the demand for air conditioning is greater. Additionally, to the extent that energy production itself shifts to places like Venezuela and China, where environmental standards are laxer, the net effect on the environment will almost surely be negative.

Californians must resist and push back on anti-consumption climate alarmists who undermine our state’s ability to replicate its past economic and environmental success so that it can once again lead on the world stage. The current top-down, government-knows-best, climate-above-all outlook ignores the needs of Californians and stands at odds with the state’s economic growth and with environmental reality.



## THE FACTS

The list below details how state policies have led to higher prices and less supply of power for Californians:

- In 2023, the California Public Utilities Commission approved Southern California Edison’s request for a [rate hike](#) of 7.21 percent for the average ratepayer, in addition to the 17 percent [increase](#) in 2022. For reference, electricity prices nationally increased by an estimated 4 percent in 2023 and by 11 percent in 2022, [according to the EIA](#).
- Despite vast, untapped natural gas reserves throughout the state, [California produces only 7 percent](#) of the supply needed for consumption by the state’s residents.
- California [produced](#) only about 22 percent of the natural gas in 2021 that it did in the mid-1980s (133,136 ft<sup>3</sup> vs. 500,000 ft<sup>3</sup>). This direction is contrary to the [national trend](#). Electricity generated from natural gas has increased nationally in recent years, including a 7 percent increase from 2022 to 2023.
- In 2021, California [denied](#) 109 fracking permits, restricting access to its own energy supply.
- In 2022, Californians paid 73 cents per gallon in [state taxes](#) on their gasoline, compared with only 44 cents in Florida, 25 cents in Arizona, and 20 cents in Texas.
- California’s specialized “reformulated blend” adds between [10 and 15 cents](#) per gallon to the price of gasoline (depending on the seasonal requirements). The 2013 cap and trade program adds another [24 cents](#) per gallon, and the 2015 CARB (California Air Resources Board) “low-carbon fuel standard” adds yet another [22 cents](#) per gallon.

([CA Independent System Operator, 2023](#); [CA Public Utilities Commission, 2023](#); [NRG Clean Power, 2023](#); [Snibbe, 2023](#); [U.S. EIA, 2023b](#)).

## IN CALIFORNIA, WE SUPPORT POLICIES THAT:

- Reduce the cost of gas for consumers through lowering the gas tax and repealing state fuel standard regulations.
- Regenerate California’s fuel economy by relaxing refinery and drilling regulations.
- Lower energy and water costs for homeowners and businesses by reinvesting in hydroelectric facilities, thus increasing water supply through improved infrastructure and increased importation.
- Maximize energy availability by increasing the use of nuclear energy to create a reliable electrical supply.



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