

Date of Hearing: April 13, 2026

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 2672 (Hart) – As Amended March 19, 2026

**SUBJECT:** Transportation fuels: gasoline specifications: air pollution

**SUMMARY:** Requires the State Energy Resources Conservation and Development Commission (CEC) to adopt regulations specifying circumstances under which sellers of gasoline must apply for and make use of a variance for motor vehicle fuel specifications. Specifically, **this bill:**

- 1) Requires CEC to adopt regulations specifying circumstances under which sellers of gasoline are required to apply for and make use of a variance for motor vehicle fuel specifications for the purpose of protecting consumers from price impacts associated with supply disruptions, unless:
  - a) The CEC finds that the likely benefits to consumers outweigh the potential costs to consumers and that the adoption of regulations will not be a direct and substantial cause of the permanent closure of an in-state refinery or a material reduction in aggregate in-state refining capacity.
- 2) Requires the California Air Resources Board (CARB) to consider amendments to the motor vehicle fuel specification variance consistent with the required CEC regulations.
- 3) Requires that fee revenues that CARB collects for variances from motor vehicle fuel specification variances be available to fund accelerated replacement of light-duty vehicles manufactured before 2004, or that are at least 20 years old, with cleaner and more efficient vehicles.
- 4) Clarifies that “resupply plans or other arrangements sufficient to ensure that the loss of production during the turnaround or maintenance event does not adversely affect the California transportation fuels market” may include the sale of gasoline that meets alternative specifications to CARB’s current fuel regulations.
- 5) Changes the submission date of the triennial Transportation Fuels Assessment (TFA) from January 1 to July 1 beginning in 2027.
- 6) Requires that the first TFA submitted after January 1, 2026 shall include recommendations regarding the appropriate fee amount to protect consumers from price impacts and to avoid market disruptions.
- 7) Amends state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of 2/3 of the membership of each house of the Legislature.

**EXISTING LAW:**

- 1) Establishes CARB as the air pollution control agency in California and requires CARB, among other things, to control emissions from a wide array of mobile sources. (Health and Safety Code (HSC) 39500)

- 2) Requires CARB to adopt and implement technologically feasible emission standards for new motor vehicles to, among other things, ensure compliance with state and federal air quality laws, and prohibit vehicles that do not comply with those emissions standards from being certified for use in the state. (HSC 43100)
- 3) Requires CARB to adopt motor vehicle fuel specification requirements for the control of air contaminants and air pollution where it is necessary, cost effective, and technologically feasible. (HSC 43013)
- 4) Authorizes CARB to grant variances from motor vehicle gasoline fuel specifications and requires a fee be assessed for fuel that would not meet specifications. (HSC 43013)
- 5) Requires CARB to achieve maximum feasible emissions reduction from vehicles, including specified reduction in nitrous oxide (NOx), particulates, carbon monoxide, and other types of air pollution from vehicles. (HSC 43018)
- 6) Establishes the CEC, consisting of five members appointed by the governor, and specifies the duties of the CEC. Requires the CEC to assess trends in energy consumption and analyze the social, economic, and environmental consequences of these trends. (Public Resources Code (PRC) 25200)
- 7) Requires major oil producers, refiners, marketers, oil transporters, oil producers, pipeline and port operators, and destination facilities to submit certain information to the CEC, as specified. These reports are mandated to be generated annually, monthly, weekly, and daily, depending on the market participant and the specific data requested. (PRC 25354)
- 8) Requires the CEC to submit an analysis every three years assessing the transportation fuels market in California, known as the TFA. (PRC 25371-25371.3)
- 9) Requires CEC and CARB to produce, by December 31, 2024, a transportation fuels transition plan on how to maintain affordable, reliable, equitable, and adequate fuel supply as instate petroleum demand declines. (PRC 25371.3)
- 10) Defines a “turnaround” as a planned, periodic shutdown, total or partial, of a refinery process unit or plant to perform maintenance, overhaul, and repair operations and to inspect, test, and replace process materials and equipment. (Labor Code 7872)

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Mobile source emissions.* Mobile sources of air pollution are vehicles or equipment that can be moved from place to place and emit pollutants as they operate. These sources include on-road vehicles like cars, trucks, and buses, as well as non-road vehicles such as aircraft, construction equipment, and marine vessels. Mobile sources and the fossil fuels that power them are the largest contributors to the formation of ozone, GHG emissions, fine particulate matter (PM<sub>2.5</sub>), and toxic diesel particulate matter (DPM). Statewide, more than 21 million out of over 39 million Californians live in areas that exceed the federal ozone standards; within these areas, there are many low-income and disadvantaged communities that are exposed to not only ozone, but also particulate and toxic, pollutant levels significantly higher than the federal standards which have immediate and detrimental health effects.

In California, mobile sources are responsible for approximately 80% of smog-forming nitrogen oxide (NO<sub>x</sub>) emissions. They also represent about 50% of GHG emissions when including emissions from fuel production, and more than 95% of toxic DPM emissions.

*The National Ambient Air Quality Standard (NAAQS).* The Clean Air Act of 1970 instructs the U.S. Environmental Protection Agency (US EPA) to set primary NAAQS to protect public health, and secondary NAAQS to protect plants, forests, crops and materials from damage due to exposure to six criteria air pollutants. These pollutants include: particulate matter, ozone, nitrogen oxides, sulfur oxides, carbon monoxide, and lead.

Federal law (42 United States Code 7409 and 7410) requires that all states attain the NAAQS and develop State Implementation Plans (SIP) for nonattainment areas to attain the NAAQS, and attainment areas to maintain attainment. Failure of a state to reach attainment of the NAAQS by the target date can trigger penalties, including withholding of federal highway funds.

State law (HSC 39602), requires CARB to develop SIP emission reduction strategies for cars, trucks, and other mobile sources to meet the requirements in the Clean Air Act. Local air districts are primarily responsible for controlling emissions from stationary sources such as factories and power plants. CARB coordinates closely with local air districts (such as SCAQMD) in the development of attainment plans which are then incorporated into the SIP.

*California gasoline.* CARB has implemented a series of regulations over the past decades resulting in the specific, reformulated blend of gasoline that gas stations in California sell today, also referred to as California Reformulated Gasoline Blendstock for Oxygenated Blending (CARBOB). These requirements reduced or eliminated components of fuels that posed a public health risk, and that could be removed while complying with the statutory mandate that CARB's regulations optimize for feasibility and cost-effectiveness. Each new specification also incrementally reduced emissions of smog, toxic air contaminants, and other air pollutants. While neighboring states, including Arizona, may require their own specifications, they are distinct from California's specifications.

*Variance process.* In 1995, the Western States Petroleum Association sponsored a bill directing CARB to adopt regulations that allow for variances from state-imposed motor vehicle fuel specifications. A variance is a temporary exemption the CARB Executive Officer grants, allowing deviation from certain fuel specification regulations when compliance is not possible due to circumstances beyond the applicant's control. CARB only grants a variance when the individual company is seeking relief from a regulation due to a specific hardship it is experiencing. CARB only grants variances to the applying entity and variances are not generally broad or applicable to all regulated entities.

An entity pays a variance application fee of \$6,700 to CARB. In addition, CARB levies a fee of \$0.15 on the applicant for each gallon of gasoline sold or released for sale under a variance during the term of the variance to offset the deleterious air quality effects of the non-CARBOB fuel. CARB only grants a variance for the minimum amount of time necessary for the applicant to attain compliance with applicable regulations. CARB does not grant variances of more than 120 days except for variances related to physical catastrophes. CARB may extend a variance for up to 90 additional days if the applicant demonstrates that the original justification for granting the variance continues to exist.

*The mid-transition.* California's fuel market is in a period of transition. Refineries have consolidated, closed or converted away from gasoline production. With closures of the Phillips 66 facility in Wilmington (Q4 2025) and the Valero facility in Benicia (Q2 2026), there will be seven refineries remaining, and 90% of the state's refining capacity will be controlled by three companies. These exits reduced in-state refining capacity by approximately 18% and will lead to a severe thinning of the margin between supply and demand. These trends are unlikely to subside as more vehicles transition away from using gasoline as a power supply. Rather, more volatility in the market is likely if the state does not strategize and appropriately plan for smoothing the transition. These challenges are exacerbated in California due to its specific fuels market structure and infrastructure limitations. Professor Emily Grubert, writing about the mid-transition years, notes: "without explicit planning, the transition is likely to face major challenges like local economic busts, highly inequitable access to high quality energy and infrastructure systems, and poor coordination for system-level characteristics like reliability, accessibility, and affordability."

*California Gasoline Market.* California's transportation fuels market differs from many others in the United States. Despite being directly geographically connected to other states, its relatively isolated transportation fuels market makes it essentially a fuel island. Unlike most other states in the country, there are no gasoline pipelines for import into California, since none of the adjacent states have fuel refineries. The result of California's unique fuel specifications and lack of pipelines bringing fuel into the state is that companies have invested heavily in the state to specifically refine CARBOB to meet demand. Presently, out of state CARBOB production is limited to a few refineries, including in the state of Washington.

California refineries meet nearly all of California's gasoline demand, with imported gasoline meeting the small residual demand. When gasoline prices are high, the more costly marine imports of refined fuels and blendstocks satisfy some of the state's gasoline demand. Refineries occasionally order marine imports ahead of time to address expected supply shortages, but these imports, if any, do not typically replace the full measure of lost production. Moreover, long lead times make marine imports of refined gasoline less feasible for meeting immediate demand.

Importing non-CARBOB fuel at times when California refineries experience unplanned reductions in capacity or have other supply shortages may provide a pressure relief valve to the market and protect consumers from price spikes. Non-CARBOB is more available and cheaper to produce than CARBOB. However, allowing sellers of gasoline to offer cheaper, non-CARBOB fuel for sale in the state may disadvantage California refineries.

*Committee comments.* The state must consider strategies to smooth the fuels transition and address short-term supply issues as vehicles continue to become more efficient and transition away from relying on gasoline for power. This bill attempts to provide an additional tool for managing the transition by providing clear direction to the CEC. The CEC must analyze the circumstances under which sellers of gasoline must apply for and make use of the CARB variance, specifically to protect consumers against price spikes at times of constrained gasoline supply. The CEC may opt not to open a rulemaking to require non-CARBOB imports if their analysis finds that the regulation would not provide a benefit to consumers and would disadvantage in-state refineries.

This bill clarifies that the sale of non-CARBOB gasoline may be included in the state's resupply plans or other arrangements sufficient to ensure that the loss of production during the turnaround or a maintenance event does not adversely affect the California transportation fuels market. This provides an additional tool for refineries to protect the California transportation fuels market from volatility.

While utilization of the variance process to allow non-CARBOB gasoline would have a negative impact on air quality, the sale of this type of gasoline would incur a fee. This bill requires investing revenue from the fee in a program to fund accelerated replacement of light-duty vehicles with cleaner more efficient vehicles which would provide long-term air quality and climate benefits.

*Double referral.* This bill is double referred to the Assembly Committee on Utilities and Energy and will be heard in that committee as it relates to their jurisdiction.

*According to the author,* "AB 2672 protects California consumers from fuel price spikes and market instability by expanding fuel supply options during sudden disruptions. When supply is constrained due to unplanned maintenance or unexpected outages, everyday consumers, especially working families and small businesses, bear the immediate burden through higher prices at the pump. This bill creates a targeted, temporary pathway for operators to import or sell fuels that do not meet California's Reformulated Gasoline Regulations, helping to stabilize supply and prevent price increases.

"The bill will also ensure that these short-term measures deliver long-term benefits by directing a portion of the resulting revenue toward retiring older, more polluting vehicles and accelerating the transition to cleaner alternatives. By improving the state's ability to respond to supply shocks, the bill promotes a more stable and reliable fuel market and protects consumers from unpredictable costs."

*Writing in support, the Union of Concerned Scientists, the sponsors of this bill,* "When a refinery has an unplanned outage, it must bring CARBOB gasoline in from somewhere else to meet gasoline demand. This takes time to call up another refinery, ask it to produce CARBOB, hire a ship, put the fuel on the ship, and then send it to California. While we wait several weeks for gasoline, supply is constrained and consumers face gas price spikes.

"Thankfully, the Western States Petroleum Association foresaw this potential issue 30 years ago and sponsored legislation (now law) that allows California to bring fuel online more quickly in an emergency. The California Air Resources Board (CARB) has the authority to allow producers to apply for a waiver to sell non-CARBOB gasoline with a fee. This fee is then used to offset emissions associated with the use of dirtier fuel.

"Our analysis shows that if fee revenue is used to replace dirty, old cars, the state can effectively mitigate the increased emissions while also transitioning dirty cars to zero emission alternatives. If used effectively, this is a perfect mid-transition policy that stabilizes fuel supply in the near term while simultaneously advancing an equitable transition to cleaner technologies."

*Previous and related legislation.* SB 237 (Grayson) Chapter 118, Statutes of 2025, made various statutory changes related to oil and gas regulation to require increased safety standards for offshore oil and gas pipelines; authorize the governor to suspend summer gas blend

requirements; require state evaluation for the potential of regional fuel blends; authorize permitting of oil in Kern County by deeming compliance with the California Environmental Quality Act sufficient; and, clarify permitting pathways under the California Coastal Act for offshore oil and gas development.

ABX2-1 (Hart) Chapter 1, Statutes of 2024, authorized the CEC, if necessary and justified, to increase transportation fuel supply through various actions, including authorizing the CEC to establish criteria that refiners must meet before commencing a turnaround or maintenance event, such as requiring California's petroleum refiners to have resupply plans and arrangements to cover their loss in production, as specified.

SB 709 (Maddy) Chapter 675, Statutes of 1995, required CARB to promulgate regulations that allow for variances from state-imposed motor vehicle fuel specifications.

### **REGISTERED SUPPORT / OPPOSITION:**

#### **Support**

Asian Pacific Environmental Network Action  
California Environmental Voters  
Coalition for Clean Air  
Environment California  
Environmental Defense Fund  
Greenlatinos  
Greenpeace USA  
Natural Resources Defense Council  
Nextgen California  
Physicians for Social Responsibility - San Francisco Bay Area Chapter  
Sandiego350  
Sierra Club California  
The Climate Center  
Union of Concerned Scientists (Sponsor)

#### **Opposition**

None on file

**Analysis Prepared by:** Aaron Kurz / TRANS. / (916) 319-2093