

## Why gasoline costs so much in California

David R. Baker

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Californians usually pay more for gasoline than do drivers in other states.

But not this much more.

Throughout this summer and fall, California's gasoline prices have hovered about 40 to 45 cents above the national average. The difference has sometimes reached 50 cents.

In most years, it's more like 30 to 35 cents.

The increase hasn't received much attention, largely because gasoline prices in California and the rest of the country are remarkably stable this year.

For most of 2013, California's average price for regular has ranged between \$3.90 and \$4.10 per gallon, with price swings that have plagued the state in the past. At no point this year has the state's average price exceeded the national average since October 2012.

"We are quite a bit higher than national right now, but by California standards we're doing pretty well," said AAA spokeswoman for AAA of Northern California.

On Friday, the state's average for regular stood at \$3.59, as tracked by AAA. The national average for regular in the country are dropping, as they often do in the fall.

Several factors conspired to increase the difference between California's prices and the national average. "California premium." A midsummer state tax change boosted the premium by a few pennies. The rest of the country helped cut prices there but not here.

Some fuel experts say the difference should decrease over time, returning to something more like 30 to 35 cents above national prices to keep falling nationwide through the holidays, usually a time of low gasoline sales.

"We're in line for a bit more of a downdraft, but that's not atypical for this time of year," said Iain MacFarlane of Gasbuddy.com. "Demand's always weak around now."

Even in the best of times, California typically has some of the country's highest gas prices.

In part, that's because California has the country's highest gasoline taxes. Drivers here current state and federal taxes are combined. At the other end of the spectrum, Alaska drivers pay about 10 cents less in gas-tax burden of any state.

In addition, California uses its own unique fuel blends designed to fight air pollution. No other result, California relies on a limited number of refineries - located within the state - to produce sudden swings in fuel prices if one of those refineries runs into trouble. And the clean-air fuel gasoline formulations.

This summer, several developments helped widen the gap between gas prices in California and

The state's excise tax on gasoline increased 3.5 cents per gallon on July 1, as part of an annual

Refineries elsewhere in the country were churning out copious amounts of gasoline, more than refineries were able to take advantage of the surge in U.S. oil production triggered by hydraulically

Although oil is priced on the global market, the U.S. surge has happened so quickly that the cost of all that oil to the coasts. So refineries in some places, such as the Midwest or the Rocky Mountain region, get a discount.

For example, Rocky Mountain refineries paid \$96.63 per barrel of oil in August, according to the Energy Administration. During the same month, California refineries paid \$108.05. With no oil pipelines, refineries here often pay more for petroleum than do their counterparts elsewhere. The difference is significant.

Finally, several California refineries experienced technical problems this year that trimmed their output. A senior analyst with the California Energy Commission. But the state's current gasoline inventory is low, he said.

"The market is long on gasoline right now - there's plenty of supply," Schremp said.

He noted that the California premium has sometimes soared above 40 cents, only to fall back.

"All else being equal, I would expect it to shrink," he said.

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