

Date: Thursday, September 24 2020 06:46 PM
Subject: Driving the Wrong Direction in California
From: Will Hupman [REDACTED]
To: [REDACTED] **Redacted**
Attachments: image002.png

FYI, please see below.

Will Hupman
Director – Federal Affairs

O: [REDACTED]
M: [REDACTED - Privacy]
E: [REDACTED]



From: Bill Koetzle, API [REDACTED]
Sent: Thursday, September 24, 2020 6:08 PM
To: Will Hupman [REDACTED]
Subject: Driving the Wrong Direction in California

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The Natural Gas and Oil Industry

Driving the Wrong Direction in California

Dear Will,

Today, Californians pay a high price for electricity, yet still experience rolling blackouts and unreliable supplies.

The state has a history of aspirational targets and failed outcomes, and Governor Newsom's zero-emission vehicle mandate is the latest example of an impractical, burdensome, disruptive regulation that could increase consumer costs.

See below for our latest on the [API Blog](#), underscoring the impacts of harmful government mandates on California families and the reality of activist-driven policy proposals.

Sincerely,

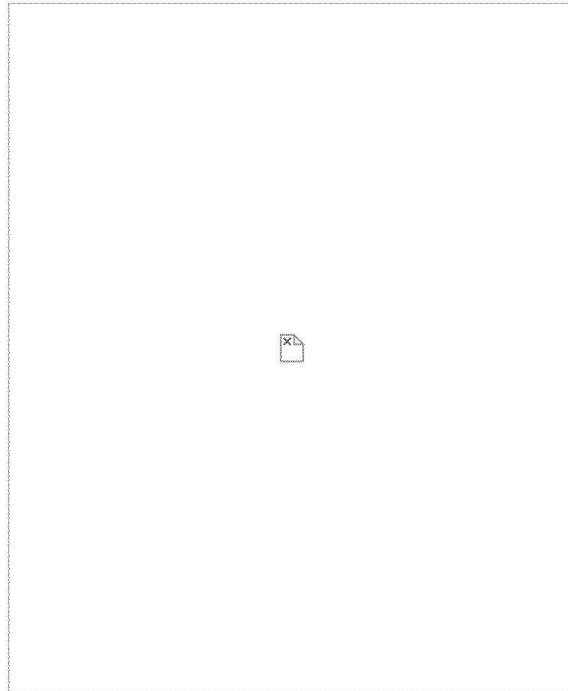
Bill Koetzle

API Senior Vice President – Government Relations

Driving The Wrong Direction In California

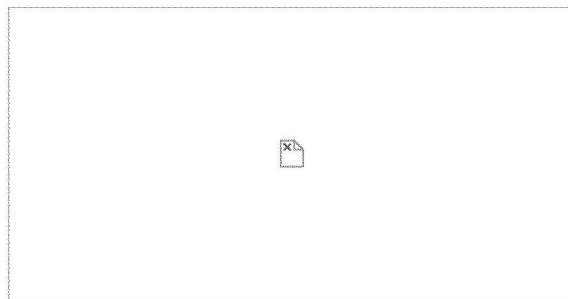
Four observations about California Gov. Gavin Newsom's executive order requiring that by 2035 all new cars sold in the state must be zero-emission vehicles – as well as his push for halting fracking in the state:

1. The governor's executive order could seriously impact middle-class Californians



The zero-emission vehicles (ZEV) parked behind the governor during his announcement (one's an Audi) underscore the point that the new mandate figures to be tough on middle-class Californians. It's difficult to see how the mandate won't make life in California – already among the most expensive in the nation – more costly, hurting people least able to afford it. Middle-class Californians should be able to buy a car that fits their budgets – vs. a price range imposed on them.

The governor's pledge above – “You can still keep your internal combustion engine car” – sounds like a line from another big public policy debate a few years ago.



Western States Petroleum Association President Catherine Reheis-Boyd:

“Big ideas are only better if they are affordable for us all and can be backed by science, data and needed infrastructure. There are many questions about all of those concerns in the Governor's orders. Dismantling our oil and natural gas industry right now means betting everything on alternative energy resources that we don't have in place and a supporting infrastructure that's far from being at the scale we need.”

AFPM President and CEO Chet Thompson:

"[P]ursuing this goal would be among the most inefficient, unpopular, and regressive methods to reduce carbon emissions. Forced electrification would deprive consumers of choice for popular vehicles fueled by affordable, reliable, and readily available gasoline and diesel. It also ignores that today's vehicles are 99 percent cleaner than they were just a few decades ago and continue to get cleaner every year."

2. Seriously, a zero-emissions mandate in a state that has struggled to keep the lights on?

The state's renewable energy mandate, requiring 60% of the state's electricity must come from renewables by 2030, stepped on a rake last month when rolling blackouts were implanted because demand outpaced available electricity during a hot spell. It would seem to undermine confidence that California can pull off Newsom's zero-emissions vehicle pledge in just 15 years.

The fact is ZEVs make up a small part of the vehicle market currently, and significant recharging infrastructure will need to be built. California had more than 15 million registered vehicles in 2018. That's a lot of plug-ins that will be needed. The Alliance for Automotive Innovation's John Bozzella:

"[N]either mandates nor bans build successful markets. What builds successful markets is widespread stakeholder engagement: a combination of efforts by federal, state, and local governments, as well as automakers, dealers, utilities, hydrogen providers, electric infrastructure providers, builders, and others."

Currently, electrified vehicles account for less than 10 percent of new vehicle sales in California. While that is the best in the nation, much more needs to be done to increase consumer demand for Zero Emission Vehicles in order for California to reach its goals. It will require increased infrastructure, incentives, fleet requirements, building codes, and much more."

3. There's rhetoric and there's reality

California has a history of being good on rhetoric – and not so good on following through, often at great cost and burden to everyday Californians.

Regarding issues with the state's electricity-from-renewables mandate mentioned above, even Gov. Newsom conceded impacts to state residents, telling reporters last month that millions of Californians had been left in the dark thanks to a significant gap in reliability created by the renewable mandate. Other relevant points:

- California has a history of aspirational targets and failed outcomes. Since its inception in 1990, California has been forced to walk back or significantly change parts of its zero emission vehicle mandate no less than seven times as high costs, limited consumer interest and a lack of breakthroughs in battery technology have routinely rendered extremely optimistic goals infeasible.
- Overly aspirational mandates have led California residents to pay some of the highest electricity rates in the country. The average price of electricity in the state is 16.6 cents per kWh, nearly 60% higher than the national average, according to the U.S. Energy Information Administration.
- As the charts below show, California electricity prices are high, even though the average California home uses about half as much energy as an average American household. In the first chart, state electricity prices (blue line) were about 40% higher than the national average in 2019. In the second, you can see the trajectory of the state's baseline electricity rates – the minimum billing amount for customers.



Add in past issues with taxes, infrastructure and regulation ([see here](#), [here](#) and [here](#)) and it's not surprising Gov. Newsom's new order could generate some skepticism. While past history on goals, aspirations and rhetoric doesn't mean California will come up short on this order, it certainly is a strong indicator.

4. State natural gas and oil production is being targeted

The natural gas and oil industry is a key driver of California's economy – second only to Texas in total industry employment – and its oil production ranked sixth in the nation as of June – 392,000 barrels per day. Newsom's support for a fracking ban, which requires legislation, would impact both. California Independent Petroleum Association CEO [Rock Zierman](#):

"Today's announcement to curb in-state production of energy will put thousands of workers in the Central Valley, Los Angeles basin, and Central Coast on the state's overloaded unemployment program, drive up energy costs when consumers can least afford it, and hurt California's fight to lower global greenhouse gas emissions. ... Instead of creating our own local energy, each year California relies more and more upon foreign oil, which isn't produced with our strong environmental protections nor does it generate desperately needed local and state tax revenue. ... At a time when Californians pay more for energy while experiencing manmade 'green outs', it doesn't make sense to hurt consumers, our economy, and our environment by banning California production."

The whole nation watches California because of its size and the sweep of its economy. Unfortunately, Americans living in other states are seeing one government mandate after another that leave too many Californians behind. It's hardly a model for the rest of the nation.

API represents all segments of America's oil and natural gas industry. Our approximately 600 members produce, process and distribute most of the nation's energy. The industry supports more than ten million U.S. jobs and is backed by a growing grassroots movement of millions of Americans. API was formed in 1919 as a standards-setting organization. In our first 100 years, API has developed more than 700 standards to enhance operational and environmental safety, efficiency and sustainability.

To learn more about API and the value of oil and natural gas, please visit API.org.

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