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May 13, 2026

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sent via email: ruledevelopment@baaqmd.gov

Re: WSPA Comments Re: Socioeconomic Impact Analysis Policy

Dear Sirs,

The Western States Petroleum Association (WSPA) is a non-profit trade association representing companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California, Arizona, Nevada, Oregon, and Washington. Our members in the Bay Area have operations and facilities regulated by the Bay Area Air Quality Management District (BAAQMD or District).

WSPA's comments are focused on a single, critical issue: the proposed policy must ensure that socioeconomic analyses fully account for the operational and financial impacts of new regulations on petroleum refineries and the likely downstream consequences of those impacts on California consumers. If the policy fails to do this, it will not serve its stated purpose.

Bay Area refineries are among the most heavily regulated industrial facilities in the world. They operate under a dense overlay of federal, state, and local requirements spanning air quality, water quality, hazardous materials, process safety, and worker protection. Each new layer of regulation imposes costs that, in a competitive fuel market with thin margins, feed into higher prices at the pump and in consumers' utility and heating bills. For the Bay Area, where fuel prices already rank among the highest in the nation, this dynamic deserves direct and serious attention in any credible socioeconomic analysis.

Executive Summary

WSPA supports a socioeconomic analysis policy that is rigorous, comprehensive, and enforceable. Bay Area refineries and the consumers they serve have a direct stake in ensuring that the costs of air quality regulation are fully and accurately understood before rules are

adopted. The proposed policy outline is a foundation worth building on, but it must be strengthened in the areas identified above before it can provide that assurance.

WSPA urges the Board to require full-cost analyses of refinery compliance impacts including capital, operational, financing, and output disruption costs; specific quantitative analysis of estimated per-gallon and per-household fuel cost impacts, disaggregated by income and geography. In addition, it should include a cumulative cost baseline analysis that reflects the total existing regulatory burden on Bay Area refineries, including enforceable policy language with a clear evidentiary standard for any analytical omissions.

Detailed Comments

I. The Analysis Must Capture the Full Cost of Compliance for Refinery Operations

Refinery compliance costs are not simple to calculate, and the proposed policy must be designed with that complexity in mind. A regulation that appears to impose a defined capital cost on paper can have actual cost consequences that are substantially larger when all relevant factors are considered. The socioeconomic analysis policy must explicitly require analysis of the following elements for any regulation materially affecting refinery operations:

- Capital expenditure requirements, including not only the direct cost of required equipment or process changes but also the costs of total installed costs, including engineering, permitting, construction, commissioning, and project management associated with compliance investments at operating facilities.
- Operational cost impacts, including changes in energy consumption, feedstock requirements, maintenance obligations, waste generation, staffing needs, and throughput efficiency resulting from required process modifications.
- Financing costs and capital availability, including the interest expense, financing fees, and opportunity costs associated with compliance capital, and the particular challenges faced by independent refiners with limited access to capital markets relative to integrated majors.
- Output disruption during compliance implementation, including the cost of reduced throughput, planned and unplanned outages, and production constraints during equipment installation and commissioning periods, which at Bay Area refineries can extend for months and affect regional fuel supply.
- Cumulative compliance cost burden, including a wide spectrum of existing regulatory costs already borne by Bay Area refineries under BAAQMD, CARB, EPA, and other agency requirements, so that the incremental burden of a new regulation is assessed against the actual baseline cost environment, not a theoretical one.

Each of these elements can materially affect the economic feasibility of a proposed regulation. Omitting any of these produces an incomplete and potentially misleading analysis. The policy must treat all of them as required components of the enhanced analysis for rules affecting refinery operations, not as discretionary considerations.

II. The Analysis Must Quantify Consumer Fuel Cost Impacts Specifically and Concretely

The most direct consequence of increased refinery compliance costs for Bay Area residents is higher prices at the pump and higher costs for home heating fuels and goods transported by aircraft, truck and rail. The proposed policy's references to consumer cost impacts and affordability metrics are a step in the right direction, but they are not sufficient as currently written. General modeling of household cost burdens must be supplemented by specific, quantitative analysis of the fuel price transmission mechanism.

The policy must require, for any regulation materially affecting refinery operations, the following analyses of consumer fuel cost impacts:

- Estimated effect on gasoline prices, based on documented assumptions about market structure, refinery margin dynamics, and the degree of competition from imports and out-of-state suppliers, with sensitivity ranges reflecting uncertainty in those assumptions.
- Estimated annual household fuel cost impact, disaggregated by income quintile and geographic area to reflect the disproportionate burden on lower-income households and communities in outlying areas with longer commutes and fewer transit alternatives.
- Estimated commercial and industrial fuel cost impacts, including effects on air transportation, trucking, agriculture, construction, and other fuel-intensive sectors that translate directly into higher prices for goods and services consumed by Bay Area residents.
- Assessment of the cumulative fuel cost impact of existing and pending regulations on Bay Area refineries, so that the consumer cost impact of a new rule is understood in the context of the total regulatory cost already embedded in regional fuel prices.

California gasoline and transportation fuel prices already reflect a substantial regulatory premium over the national average. Bay Area consumers paid among the highest fuel prices in the country throughout 2024 and 2025. A socioeconomic analysis policy that does not specifically and quantitatively address how a proposed regulation will affect that premium is not doing the job it is supposed to do.

III. The Policy Must Include Enforceable Standards, Not Discretionary Guidelines

WSPA has a straightforward interest in this question: if socioeconomic analysis requirements can be waived or curtailed by staff at their discretion, they provide no reliable protection to regulated industries or to the consumers who can also be impacted by regulatory costs. The outline's repeated use of qualifiers such as "where relevant data is available" and "as appropriate considering data limitations" renders the enhanced analysis requirements effectively optional.

WSPA urges the Board to adopt two specific structural provisions to address this problem. First, the policy should establish a clear evidentiary standard — such as "clear and convincing evidence" — that must be met before any required analytical element may be omitted. Data imperfection is not a sufficient basis for omission; the correct response is to proceed with the best available data, characterize the uncertainty, and provide ranges rather than declining to analyze. Second, the policy should be written as a set of mandatory obligations binding on staff, with a defined mechanism for the Board, regulated entities, or the public to seek compliance if the policy is not followed.

A policy that industry, consumers, and community stakeholders can rely on is worth having. A policy that can be quietly set aside or disregarded when inconvenient is not useful.

IV. Conclusion

Bay Area refineries and the consumers they serve have a direct stake in ensuring that the costs and economic impacts of air quality regulation are fully and accurately understood before rules are adopted.

WSPA appreciates the opportunity to comment on this important matter, and looks forward to continued engagement with the Board and District staff as the policy is developed.

Sincerely,

