



September 10, 2024

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

Governor Newsom,

As neighboring governors, we write to you today to express our concerns over the regional implications of ABX2-1 and other legislation related to refinery inventory supplies, which we understand may be under further consideration in California's special legislative session.

Though we may have varying policy agendas as governors, we all share a sincere care for the concerns and well-being of our constituents. Undoubtedly, we too all share concerns about the high cost of fuel and its impact on communities across our states. However, we're concerned that mandating refinery inventory would directly raise the cost of fuel for all of our constituencies and create further economic instability in the region.

In their recent report, the California Energy Commission (CEC) explicitly states that SB-950, now introduced as ABX2-1, "may artificially create shortages in downstream markets," which would raise costs for consumers in Arizona and Nevada. This conclusion alone is deeply troubling and warrants bipartisan, regional communication on this legislation before proceeding.

Further amplifying our concerns, refiners have raised the alarm that refinery inventory mandates could result in supply shortages and potential refinery shutdowns, which would have grave impacts to our shared economies and transportation infrastructure across the West.

Despite ongoing conversations about the root causes of rising fuel costs, it is evident that increased regulatory burdens on refiners and forced supply shortages will result in higher costs for consumers in all of our states. With both of our states reliant on California pipelines for significant amounts of our fuel, these looming cost increases and supply shortages are of tremendous concern to Arizona and Nevada.

For the good of our neighboring constituencies, and for the greater good of consumers across the West, we ask that you reevaluate mandating refinery inventory and delay taking action on this type of legislation until thorough policy conversations are had with industry leaders and our state energy offices. Both the Arizona Governor's Office of Resiliency and the Nevada Governor's Office of Energy stand ready to assist in finding viable regional energy solutions that lead to lowered fuel costs.

Sincerely,

A handwritten signature in black ink, appearing to be 'KH', followed by a long horizontal line extending to the right.

Governor Katie Hobbs
State of Arizona

A handwritten signature in blue ink, appearing to be 'Joe', followed by a long horizontal line extending to the right.

Governor Joe Lombardo
State of Nevada