

6/16/2026

The Honorable Asm Cottie Petrie-Norris
Chair, Assembly Utilities and Energy Committee
1020 N Street, Suite 121
Sacramento, CA 95814

**RE: SB 1245 (Stern) - Sale of gasoline: petroleum: branded and unbranded: report -
OPPOSE**

Dear Chair Petrie-Norris,

On behalf of the California Fuels and Convenience Alliance (CFCA), representing the majority of the 12,000 gas stations and convenience stores in the state, we write to express our opposition unless amended to SB 1245, which would expand the authority of the Transportation Fuels Division and, critically, direct the state to study and potentially recommend divorce policy as a solution to fuel price differentials in California.

CFCA represents thousands of small business owners across California. Over 95 percent of fueling establishments in the state are small businesses, approximately 60 percent of which are owned by operators with just a single station. Nearly two thirds of these owners are first generation, foreign-born immigrants — the highest share of any industry in the United States. These entrepreneurs collectively employ 66,000 workers directly, support nearly 59,000 additional jobs, generate \$5.7 billion in annual wages, and contribute nearly \$10 billion in taxes to state and local governments each year.

CFCA supports transparency and accountability in the transportation fuels market, and we recognize the state's interest in understanding pricing dynamics for the benefit of consumers. However, the bill as currently written contains provisions that we believe are fundamentally harmful to the independent retail fuel industry and must be addressed.

Remove the Divorcement Study Requirement

Our primary objection is to the provision directing the Division to study and discuss divorce as a potential policy solution to branded and unbranded gasoline price differentials. We respectfully but strongly urge that all references to divorce be removed from this bill.

Divorcement, which would prohibit oil companies from owning or operating retail fuel outlets, would produce market instability, reduce investment in retail fuel infrastructure, and harm the independent dealers and small business owners who are the backbone of California's retail fuel sector. Directing a state agency to formally study and elevate divorce as a policy option lends unwarranted credibility to a policy that would harm thousands of small businesses and their employees across California without delivering meaningful benefits to consumers.

California's fuel retail market is built on a complex network of branded and independent operators, franchise agreements, supply contracts, and long-term investments that support fuel availability, consumer choice, and operational reliability. Branded relationships often provide retailers with access to established supply chains, marketing support, loyalty programs, credit card networks, environmental compliance assistance, and capital investments that many independent operators could not replicate on their own. A divorcement policy would disrupt these relationships and create uncertainty throughout the marketplace, discouraging future investment at a time when California is already facing significant challenges related to fuel supply reliability and infrastructure.

Moreover, there is little evidence that divorcement would achieve the stated goal of lowering fuel prices for consumers. Retail fuel prices are influenced by a wide range of factors, including crude oil costs, refining capacity, transportation expenses, taxes and fees, environmental regulations, and local market conditions. Singling out ownership structures as a primary driver of price differentials oversimplifies the realities of California's fuel market and risks diverting attention from the more significant factors affecting affordability.

We are also concerned that the bill's focus on divorcement and open supply creates the appearance of a predetermined policy agenda rather than an objective market analysis. By specifically directing the Division to evaluate these concepts as potential solutions, the Legislature risks signaling that certain conclusions are favored before the study has even begun. If the goal is an independent review of market conditions, the Division should be permitted to follow the evidence wherever it leads rather than being instructed to examine a narrow set of regulatory interventions selected in advance.

Additionally, the inclusion of divorcement in statute elevates a policy proposal that has been debated for decades and repeatedly rejected due to concerns about its economic consequences and uncertain benefits. Requiring the Division to revisit this issue diverts resources from more productive analyses of California's fuel supply challenges and may create unnecessary uncertainty for retailers, suppliers, and investors throughout the state.

CFCA strongly opposes any legislative pathway that moves California toward divorcement, including studies that serve as a precursor to future legislation. At a minimum, all references to divorcement and open supply should be removed from the bill to ensure that any analysis conducted by the Division remains objective, evidence-based, and free from predetermined policy outcomes.

Subpoena Authority Warrants Further Scrutiny

CFCA recognizes that subpoena authority of this nature is not new to California law. However, the industry's experience with how this authority has been exercised has raised legitimate concerns about the protection of confidential and competitively sensitive business information. Embedding this authority within a division explicitly tasked with identifying market "abuses" and studying policies like divorcement heightens those concerns further.

This is particularly worrying for the small business owners who make up the majority of California's retail fuel sector. The burden imposed by expanded investigative authority will not be felt equally across the industry, as California's smallest operators are the least equipped to absorb repeated information requests, document production demands, legal review costs, and compliance obligations. Independent retailers typically lack in-house legal counsel and dedicated compliance staff, operating instead with limited administrative resources and thin margins. Responding to a subpoena often requires the collection, review, and production of large volumes of records, consultation with outside counsel, and significant staff time that small businesses simply do not have available. For a single-site operator or family-owned business, these costs can quickly become burdensome, divert attention away from day-to-day operations, and create significant uncertainty. If small operators are forced to devote substantial time and resources to responding to subpoenas and regulatory inquiries, some may ultimately conclude that the costs of operating in California outweigh the benefits. For many, selling their business may become the only viable option.

The result would be further consolidation within the retail fuel market, fewer independent competitors, and fewer choices for consumers. This outcome would be particularly troubling given that the stated purpose of the bill is to better understand and promote competition. Policies that unintentionally drive small businesses from the marketplace do not increase competition—they reduce it.

This concern is not theoretical. California has spent years increasing oversight, reporting requirements, and regulatory obligations on the refining sector. During that same period, the state has experienced refinery closures, conversions, and announcements of future exits that have reduced in-state refining capacity and heightened concerns about fuel supply reliability. While multiple factors have contributed to those decisions, California's increasingly complex and uncertain regulatory environment has become part of the investment calculus. SB 1245 risks extending a similar approach downstream to fuel retailers. If the state continues to layer additional compliance obligations, investigative authorities, and regulatory uncertainty onto small and mid-sized fuel businesses, it should not be surprised if it sees a similar result: business closures, market consolidation, reduced investment, and fewer participants willing to operate in California.

We are also concerned that the bill does not provide sufficient guardrails regarding the scope of information that may be requested, the standards that must be met before a subpoena is issued, or the protections afforded to businesses whose records are compelled. Fuel retailers routinely maintain highly sensitive commercial information, including fuel supply agreements, pricing data, customer information, vendor contracts, financial records, and proprietary business strategies. Disclosure of this information, even inadvertently, could place businesses at a competitive disadvantage and undermine longstanding commercial relationships.

While the bill contemplates the use of subpoena authority as an investigative tool, it does not adequately address how confidential information will be protected from public disclosure, how

disputes over overly broad requests will be resolved, or what remedies are available if sensitive information is improperly released. Given the competitive nature of the fuel marketplace, these concerns are not theoretical. Businesses must have confidence that information provided to the state will be handled with the highest degree of confidentiality and used only for legitimate regulatory purposes.

Furthermore, because the Division's mandate includes investigating potential market misconduct, there is a risk that routine business practices could become the subject of expansive information requests even where no evidence of wrongdoing exists. Without clear standards governing the issuance and scope of subpoenas, the authority could create a chilling effect on businesses that are simply attempting to comply with complex market and regulatory requirements.

If the Legislature's goal is to increase competition in California's fuel market, there are more direct and effective places to start. At least sixteen California jurisdictions have adopted restrictions or prohibitions on new gasoline stations, and additional local bans remain under consideration. Limiting the ability of new retailers to enter the marketplace directly constrains competition and consumer choice. Research examining fuel retail competition has found that increasing the number of retail outlets places downward pressure on fuel prices, while barriers to entry can have the opposite effect.^{1 2} Rather than imposing new burdens on existing retailers, policymakers should examine whether local restrictions on new fueling infrastructure are limiting competition and contributing to higher prices.

At a minimum, the bill should include stronger confidentiality protections, clear limitations on the scope of information that may be requested, reasonable timelines for compliance, opportunities to challenge overly broad or burdensome requests, and explicit recognition of the unique challenges faced by small businesses. These safeguards would help ensure that legitimate oversight objectives can be achieved without imposing unnecessary costs or risks on independent fuel retailers.

We ask that appropriate safeguards be built into the bill to ensure this authority is exercised responsibly and with proper protections for the businesses subject to it.

CFCA is committed to working constructively with the author to advance market transparency goals in a manner that does not threaten the viability of independent fuel retailers.

Thank you,

¹ <https://faculty.haas.berkeley.edu/ldavis/Davis,%20McRae,%20and%20Seira%20JIE%202025.pdf>

² <https://growthzonecmsprodeastus.azureedge.net/sites/2411/2025/05/fueling-establishment-ban-report.pdf>



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