Oil refinery production decreasing while West Coast gas prices shoot sky high

WASHINGTON, DC –Rep. Peter DeFazio (D-OR) has requested that the Justice Department's Oil and Gas Price Fraud Working Group investigate the recent decline in West Coast oil refinery production as gas price jumped throughout the region. According to the Associated Press (AP) five of California's 12 oil refineries reduced production because of "scheduled maintenance" while the largest refinery in Washington state remained closed after catching fire in February.

"The recent run up in gas prices in Oregon and Washington is very suspicious at best," said DeFazio. "While the rest of the country is enjoying a decline in gas prices, we are seeing our gas prices skyrocket. Earlier this year the Cherry Point refinery in Washington state suffered fire damage. But that was a known fact. Somehow, the largest refinery cartel in California decided to schedule 'maintenance' just before Memorial Day weekend and create a shortage resulting in increased prices. There is something fishy here. I have asked the president's special task force working on energy price manipulation for an immediate investigation to this coincidental scheduled maintenance while prices continue to skyrocket in the Pacific Northwest."

The average price of regular gasoline in Oregon is $4.16- up 16 cents from last week. The average prices in Washington state and California are $4.20 and $4.35 respectively- also double digit increases. Meanwhile, the national average price of regular gasoline dropped by 5 cents to $3.73.

In February a large fire broke out at the BP oil refinery in Cherry Point, Washington. The Cherry Point refinery is the largest oil refinery in Washington and the third largest on the West Coast. It processes approximately 230,000 barrels of crude oil each day and provides 85 percent of the jet fuel used at the Sea-Tac International Airport. A planned restart of the Cherry Point refinery failed last week due to an “undisclosed problem.”

To access the radio actuality click here.

May 17, 2012

Mr. Ronald H. Weich

Assistant Attorney General for

Office of Legislative Affairs

U.S. Department of Justice

950 Pennsylvania Ave., NW, Room 1145

Washington, D.C. 20530

Dear Mr. Weich:

I am writing to request that the Oil and Gas Price Fraud Working Group initiate an investigation into the recent decline in California oil refinery production following the fire at BP’s Cherry Point refinery in Washington state and rising gas prices on the West Coast.

The average price of regular gasoline in Oregon is $4.17 – up 16 cents from last week. The average prices in Washington state and California are $4.20 and $4.35 respectively – also double digit increases. Meanwhile, the national average price of regular gasoline dropped by 5 cents to $3.73.

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The Associated Press (AP) reported on May 14, 2012 that a planned restart of the Cherry Point refinery failed last week due to an “undisclosed problem.” The AP also reported that, coincidentally, five of California’s 12 oil refineries also reduced production because of “scheduled maintenance.” When questioned further about the timing of the closure and its idle refinery in Martinez, California, a Tesoro spokesperson declined to discuss the problems and told the *Oregonian* they would simply “pass on this interview opportunity.”

The substantial decline in refinery production over such a short period on the West Coast is suspicious at best and predatory at worst. The current situation brings to mind the content of three internal memos from Mobil, Chevron, and Texaco leaked in the late 1990s that explicitly revealed how the oil and gas industry intentionally reduced domestic refinery capacity to drive up profits. Part of the Texaco memo reads:

“As observed over the last few years and as projected well into the future, the most critical factor facing the refining industry on the West Coast is the surplus of fining capacity and the surplus gasoline production capacity… This results in very poor refinery margins and very poor refinery financial results.”

The truth is, oil companies know they can make more money by making less gasoline – even if that comes at the expense of American consumers and small businesses.

As you likely recall, in the mid-1990s a major effort was initiated by the American Petroleum Institute – the lobbying and research arm of the oil industry – to encourage oil refiners, including refiners on the West Coast, to close their doors. The irony is not lost on me that the location of one of the current idle California refineries was also the location of a refinery Shell Oil Company attempted to needlessly shut down in the 1990s.

There is no apparent shortage in crude oil and demand for refined oil products remains depressed. In fact, exports of gasoline from the West Coast are rising. According to the Energy Information Administration exports of gasoline from the West Coast totaled 1.4 million barrels in 2007 and 15.5 million barrels in 2011 – a ten fold increase.

Why five California refineries would plan maintenance for the beginning of the summer when Americans drive the most, when refined oil is at the highest demand, and when the third largest refinery on the West Coast is not producing – is difficult to explain. Was maintenance planned by California's refiners before the Cherry Point refinery announced its failure to restart? Are the maintenance activities being undertaken by the California refiners typical this time of year?

The continued rise in oil prices on the West Coast – while the rest of the nation enjoys some price relief – is costing jobs, impacting small businesses, and making life even more difficult for already economically distressed families.

I encourage the Working Group to investigate this matter and determine if any violations of criminal or civil laws, such as collusion to manipulate prices, have been committed. As Attorney General Eric Holder stated when the Working Group was launched in 2011, "If illegal conduct is responsible for increasing gas prices, state and federal authorities should take swift action." I couldn't agree more.

Sincerely,

Peter DeFazio

Member of Congress

- 30 -