

Opinion: Collusion involved in California gas price spike?

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California's record-breaking rise in gasoline prices over the last week was so sudden, and so apparently unjustified by the supply-and-demand factors that usually control markets, that it's natural to suspect some kind of conspiracy at play. Among the suspicious is Sen. Dianne Feinstein, D-Calif., who sent a letter to the chairman of the Federal Trade Commission on Monday calling for an investigation.

Meanwhile, regardless of the spike's cause, Gov. Jerry Brown moved swiftly Sunday to implement a solution, asking state environmental regulators to allow early sales of California's winter-blend gasoline formula, which is cheaper but potentially more environmentally unfriendly than the summer blend. That was probably the right thing to do to help stave off serious economic harm. But in light of the conspiracy allegations and other factors, it also sets a worrisome precedent.

Are Californians the victims of market manipulation? That has been asked many times after sudden hikes in gas prices, but probes have turned up little or no evidence that companies intentionally restricted supplies. Because there are relatively few refineries that produce California's gasoline, which is cleaner but more expensive than blends sold nationwide, a slowdown here or there can have a dramatic impact on prices. The recent pain at the pump can be explained away as the result of an August fire that closed a big Chevron refinery in Richmond, a pipeline disruption and a power outage

that temporarily shut down an Exxon Mobil refinery in Torrance.

And yet ... the state's most recent data on gasoline supplies, which are just 2.5 percent below last year's level, may not justify the 50-cents-a-gallon surge in the average pump price over the last week. In her letter to the FTC, Feinstein raised questions about whether commodity traders might have colluded to sell at exorbitant prices after refiner Tesoro Corp. was allegedly caught short on supplies and had to buy extra fuel to meet its commitments. That could have caused overall market prices to soar. Yet proving such illegal collusion isn't easy.

Brown's action on the winter blend, which usually isn't sold in California until Oct. 31, is expected to bring down prices by up to 20 cents a gallon in the next week. We can't fault him for that, but he is gambling on the weather; the winter blend is more susceptible to evaporation in high heat, so another heat wave like September's could have bad environmental consequences. Moreover, one can't ignore the possibility that suppliers did conspire to raise prices; if so, Brown is rewarding bad behavior by allowing them to sell gas that's cheaper to produce. If there's a price spike next fall and the governor is under pressure to switch blends early again, it will give more credence to the conspiracy theorists.