



TO: TCI

FROM: Lock Wills

SUBJECT: Proposed Draft Regional Policy

DATE: November 4, 2019

My name is Lock Wills, and I am CEO/President of The Wills Group, Inc. We are a 93 year old private company, based in La Plata, Maryland. For those 93+ years, we have distributed motor fuels throughout the communities we serve. Today, we market in Maryland, Delaware and Virginia. I contact you to review our recommendations on the pending policies being considered under the Transportation Climate Initiative (TCI).

All of us seek a future with a cleaner environment. As a society we have a wide range of choices, and costs, on how to improve air and water quality. Certainly, the public is concerned about climate change, as a recent Washington Post/Kaiser Family Foundation (9/14/19) pointed out. Public policy makers need to consider the choices we have, and make wise decisions. These decisions must balance impacts on air and water quality, with economic impacts, and the impacts on our citizens.

As I understand it, TCI policy proposals are currently under development. Their research projects that improved auto CAFÉ standards, and technology advances in Electric Vehicles (EV's) will dramatically reduce Motor Fuel consumption by 20% from 2022 through 2032. This baseline case means emissions from transportation also fall by 20%, a good outcome to many. But the research developed to date fails to include the shift to increased electricity demand by EV's, creating some increase in emissions there. That's a flaw in the baseline study.

Further, in spite of that emission reduction, TCI planners are also seeking to introduce the California Cap & Trade program. In essence, they want to impose carbon taxes on Maryland businesses and consumers. Today, the CA Carbon Tax is 12 cents/gallon. And those costs will increase in the future, as the cap is reduced. Fuel suppliers have no choice but to pass that on to consumers.

I estimate this will create a \$400 million/year tax increase on Marylanders. It's a regressive tax, having greatest impact on the less fortunate in society. The attached WSJ article (10/22/19) describes the high price fuel market California now has.

We don't believe that citizens support significant increases in fuel taxes. We vigorously oppose any increases in those taxes. What is ironic is that the California Cap & Trade system has delivered dubious emission reductions. I quote the Wall Street Journal report from October 28, 2019: "California is one of only six states whose carbon emissions have *increased* since 2013 despite cap and trade."

There are other issues that deserve attention (such as "leakage"). I welcome the opportunity to discuss realistic policy proposals with you, and state authorities. Our industry (MAPDA) seeks to be part of solutions for our states, and regional economy.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "L. Wills".

Lock Wills  
Chairman, CEO & President

Enclosure

cc: Ellen Valentino, MAPDA

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<https://www.wsj.com/articles/californias-gasoline-panic-11571786009>

OPINION | REVIEW & OUTLOOK

# California's Gasoline Panic

Hey, Governor Newsom, didn't you want higher fuel prices?

By The Editorial Board

Oct. 22, 2019 7:13 pm ET



Cars line up to get gas at the Costco gas station October 9, 2019 in Vallejo, California. PHOTO: THEARON W. HENDERSON/GETTY IMAGES

Democrats in California have worked hard for years to inflate gasoline prices, but now they're searching for a fall guy as voters gripe about how much they're paying to fill up. Round up the usual fossil-fuel suspects!


California Gov. Gavin Newsom on Monday ordered state Attorney General Xavier Becerra to investigate oil companies for allegedly overcharging consumers and price-fixing. Gas prices in California average \$4.13 per gallon, about \$1.50 more than the rest of the U.S. "The mystery surcharge adds up, especially for cost-conscious, working families," the Governor declared.

You have to excuse his apparent shock. He may not have filled a tank in awhile, and gas prices in California spiked last month amid refinery problems. Few refiners outside of California produce its special clean-burning fuel, which adds about 10 cents a gallon. When a refinery in the state has an outage, gasoline must be imported by tanker at higher cost.



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But California gas prices have been increasing relative to the other 49 states for years (see the nearby chart). The disparity especially widened in 2013 when the state's cap-and-trade program took effect and in 2018 after Democrats raised the state gas tax. Last year California's gas prices tracked about 77 cents

higher than the U.S. average.

The disparity has increased again this year, prompting Democrats to demand an investigation by the state Energy Commission. The Inspector Gadgets discovered no unlawful activity or anything of surprise.

About half of the price difference between California and other states is due to taxes, cap and trade and the state's low-carbon fuel standard, according to the commission's report. Higher refiner and retailer margins account for another third. California refineries boast larger margins because they face higher regulatory costs and less competition.

The commission also says retailer margins have inexplicably grown since 2012, especially among gasoline brands like 76, Chevron and Shell. Between 2010 and 2018 California brand-name station margins increased by about 30 cents a gallon versus six cents on average nationally. The agency suggests price fixing may be to blame.

But about 95% of gas stations with convenience stores are independently owned, which includes mom-and-pops that license brand names. Some consumers will pay more for brand-name gas as they will for Prada purses or Starbucks lattes. As gas prices rise, consumers may also burn more money than they save driving in search of the cheapest stations.

Notably, the commission ignores that retail margins include labor costs, utilities, rent and taxes. In 2012 the state increased taxes on high earners, which hit many small businesses. California's minimum wage has increased by 50% since 2013. According to the Bureau of Labor Statistics, worker wages at California gas stations over the last five years have increased 50% more than nationwide.

Mr. Newsom has threatened legal action against oil companies to "protect the public." But liberals have long wanted higher gas prices so folks will ditch gas-powered cars. The Governor last month ordered revenue to be redirected from the last gas tax hike, which was supposed to fund highway construction, to projects that "reverse the trend of increased fuel consumption and reduce greenhouse gas emissions."

So Californians in the future can look forward to paying more to drive on deteriorating roads as they head to homes without electricity due to blackouts. How long will it take California voters to figure out that these are problems made in Sacramento by politicians?

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## Lock Wills

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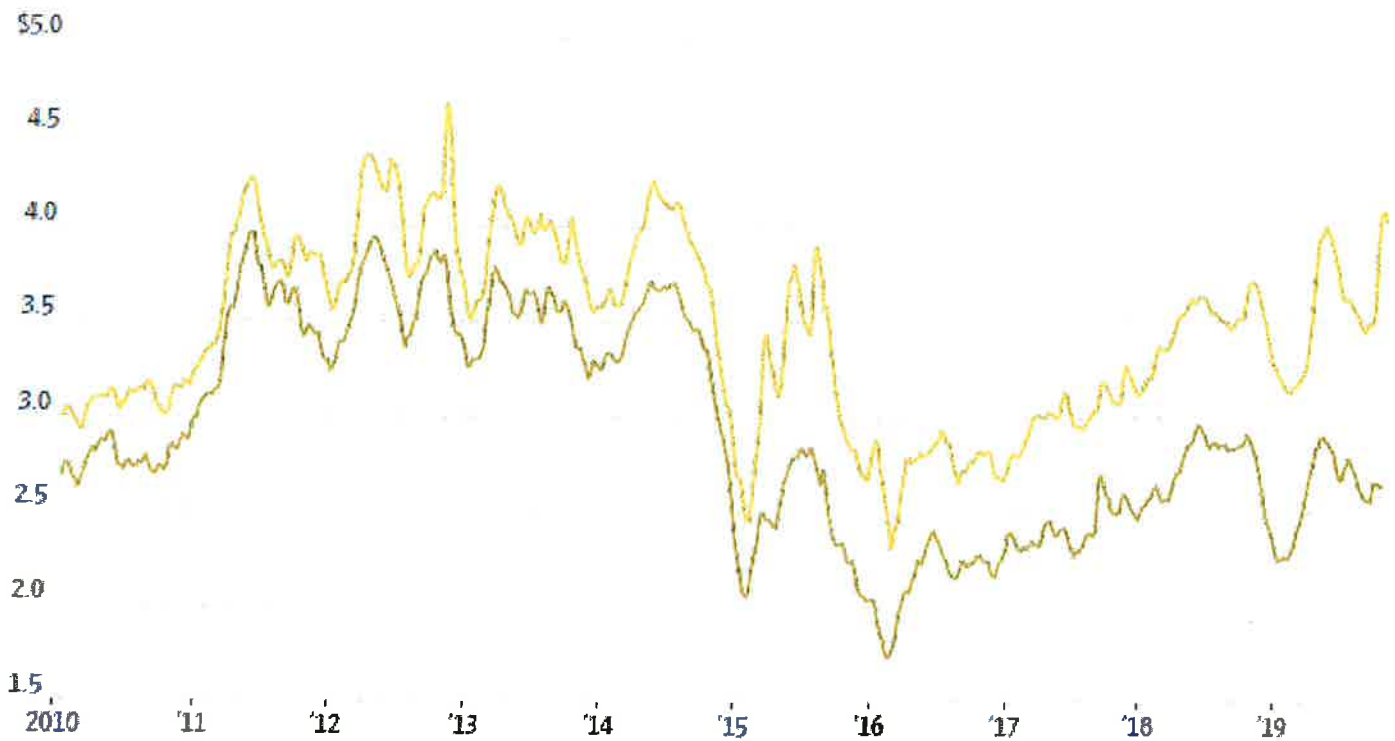
**From:** Ken Halperin  
**Sent:** Wednesday, October 23, 2019 5:23 PM  
**To:** Lock Wills  
**Subject:** RE: Important FYI

The graph in this article is key as it really shows the gap in prices beginning in 2013 when CA implemented cap and trade.

### The Price of Green Politics

Weekly average retail gasoline and diesel prices in California and nationwide, 2010-2019

■ U.S. ■ California



Source: U.S. Energy Information Administration

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**From:** Lock Wills <lwills@willsgroup.com>  
**Sent:** Wednesday, October 23, 2019 4:48 PM  
**To:** 'M J Castelo (mjcastelo@andretti1.com)' <mjcastelo@andretti1.com>  
**Subject:** FW: Important FYI

MJ,

It's been too long since we've connected, so I hope all is going well for your family and business. I'm interested in trying to understand the cap & trade system that you have to deal with in California. Some folks in Maryland apparently think