

Our View

California Is Ground Zero for the Oil War

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California and the US West Coast can expect gasoline and diesel shortages soon. Extremely high prices (possibly above \$10 per gallon) could be coming.

Several refineries in California have closed in the past year. The shutdowns have occurred as the state transitions away from gasoline. The transition is not expected to be easy, however. California Energy Commission Vice Chair Siva Gunda relayed this news to an audience on March 4, as OPIS reported:

“As we go down (in California refining capacity), this is not going to be a smooth transition,” Gunda said. “Demand is falling very smoothly between 1 and 2 percent. But when a refinery leaves, depending on the size of the refinery, it could be 15 percent, so you have that sudden imbalance.”¹

Gunda also noted that the state cannot rely on regular fuel imports from abroad to offset the refinery closures:

“You’re not going to have a ship come in whenever you want,” said Gunda. “Some of those molecules take about 40 days to come either from the UK or Asia. If I have a need and the market understands the need and it comes in 40 days, you need to make sure that intermittency is met with strong storage.”

In fact, no ships will be coming to California for a while because the nations with refineries that might have sent products to the West Coast have embargoed their exports. California, Oregon, and Washington are on their own. They may need to reduce their gasoline and diesel use by 20%.

History shows that this supply cut will quickly lead to hoarding. Consumers will rush to fill their tanks, and the middlemen will try to stock up.

Refiners in California have already reacted by blocking firms from taking more products from terminals than specified in their contracts. According to OPIS, “That [practice] is no longer the case, participants said Wednesday. California refiners have set contract allocations to 100% and are not allowing additional liftings, traders said.”²

¹ Sydnee Novak, “California Officials Brainstorm Fuel Supply Options as In-State Production Falls,” OPIS, March 4, 2026.

² Bayan Raji, Sydnee Novak, My Nguyen, and Shaheer Naveed, “California Refiners Cap Fuel Allocations Amid Strait of Hormuz Closure,” OPIS, March 4, 2026.

Those allocations will be lowered, and the US West Coast will become the poster child for the consequences of the attacks on Iran. The global economic impact could be severe because California's agricultural sector ranks as the world's fifth-largest food supplier.³ The farmers there may need to cut way back if they cannot get the gasoline and diesel they need.

³ "The State That Feeds America: California," Perkins, retrieved March 5, 2026 [<https://tinyurl.com/yeyd5mzk>].