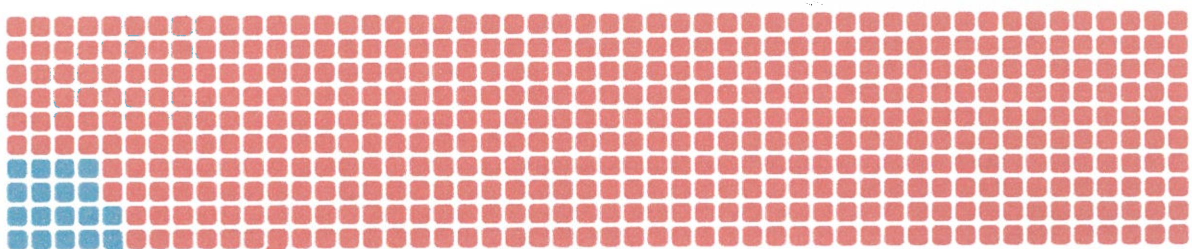
CLIMATE SUPERFUND FEES ARE A FRACTION OF FOSSIL FUEL COMPANY PROFITS

COMPANY TOTALS

TOTAL PROFIT*[1] AND FEE AMOUNT† FOR A SUBSET OF SIX POTENTIALLY RESPONSIBLE PARTIES

****Net Cumulative Income as reported in SEC filings from 1990-2024***

†Hypothetical assuming a $1T damage cost assessment



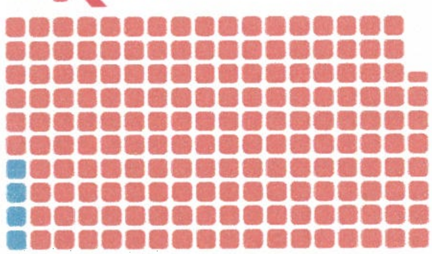
Each block represents ~$4 Billion

$2.08 Trillion *Profit*

$73.2 Billion (3.5%) *Superfund Fee*

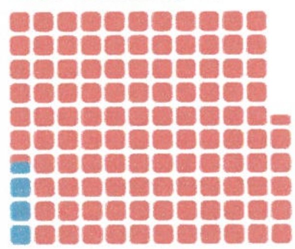
SUPERFUND FEE REPRESENTS JUST 3.5% OF INDUSTRY PROFITS

Exxon



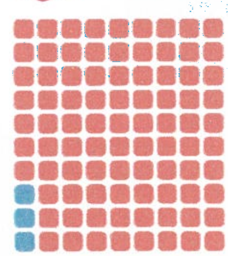
$736.5B *Profit*
$17.5B (2.4%) Fee

Shell



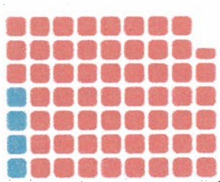
$481.6B *Profit*
$15.6B (3.3%) Fee

Chevron



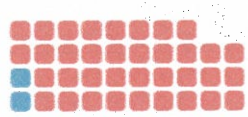
$376B *Profit*
$13B (3.5%) Fee

bp



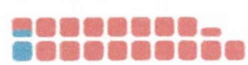
$257.4B *Profit*
$13.7B (5.3%) Fee

ConocoPhillips



$157.7B *Profit*
$7.7 (4.9%) Fee

OXY



$76.4B *Profit*
$5.5B (7.2%) Fee

$29.3 BILLION IN INVESTMENTS WILL FLOW TO LOW-INCOME AND MARGINALIZED COMMUNITIES, FROM JUST SIX COMPANIES.

[1] These figures do not include the trillions in subsidies the public pays to fossil fuel companies. See, for example Fossil Fuel Subsidies, IMF (2025), at https://www.imf.org/en/Topics/climate-change/energy-subsidies#Energy%20Subsidies.

Submitted by Roan Bryne-Sano 10/7/25 Rt. 10-A

March 31, 2025

Assembly Judiciary Committee
1020 N Street, Room 104
Sacramento, CA 95814

Re: AB 1243 (Addis)/ SB 684 (Menjivar) Polluters Pay Climate Superfund Act of 2025 – SUPPORT

To the Honorable Members of the Assembly Judiciary Committee:

We, the undersigned California economists, are writing to share our views on the Polluters Pay Climate Superfund Act of 2025, AB 1243 (Addis) / SB 684 (Menjivar). This bill would require the largest fossil fuel polluters to pay a fee to cover a portion of the damage their emissions from 1990 to 2024 have caused in California, consistent with the "polluter pays principle." The oil industry has long argued that climate policies are too expensive and that they raise energy costs for the consumer.[1] Our letter addresses these concerns, especially regarding California gasoline prices. We also address whether the companies required to pay the fee will be able to do so, and then discuss the benefits that SB 684/ AB 1243 will provide to the state and to California communities.

Our main takeaway: **This legislation will not affect retail gasoline prices for California consumers.**[2]

The bill directs Cal EPA to conduct a cost study of damages to the state from climate change, identify the largest fossil fuel polluters, and to assess and collect compensatory Climate Superfund fees to remedy past damage from climate pollution. Fees will be assessed proportionately to each polluter's emissions between 1990 and 2024.[3] The revenues will be used to pay for a range of projects that improve people's wellbeing and mitigate damages related to global warming.

Opponents argue that this bill could affect gasoline prices if the fossil fuel producing companies that are assessed a Climate Superfund fee under SB 684/AB 1243 were to pass the cost of the fee

[1] Benjamin Franta, *Weaponizing economics: Big Oil, economic consultants, and climate policy delay* (Aug. 2021), https://www.tandfonline.com/doi/full/10.1080/09644016.2021.1947636.

[2] These arguments are presented in more detail in Peter Howard and Minhong Xu, *Enacting 'Polluter Pays' Principle: New York's Climate Change Superfund Act and Its Impact on Gasoline Prices* https://www.jstor.org/stable/resrep45839?seq=1 and Academics' Letter to Senator Chris Van Hollen (Oct. 26, 2021) (attached hereto). *See also* Martin Lockman and Emma Shumway, *State "Climate Superfund" Bills: What You Need to Know* (March 14, 2024). https://blogs.law.columbia.edu/climatechange/2024/03/14/state-climate-superf.

[3] We use the Carbon Majors database of the largest CO2e from 1854 to 2023 to evaluate which companies could be required to pay a fee to the Climate Superfund. *See* Carbon Majors, https://carbonmajors.org/.

on to consumers by increasing the price of their products. There are two primary reasons why entities subject to this legislation are unlikely to do so.

(1) First, the assessment will apply to some, but not all, fossil fuel producers (i.e., only those meeting or exceeding the threshold of 1 billion tons of CO_2e emitted during the period 1990 through 2024 and who do business in California or otherwise have contacts with the state). Only a small number of investor-owned oil companies that have retail gas (i.e., service) stations in California would likely be required to pay a Climate Superfund fee; these include Chevron, ExxonMobil, Shell, Marathon, and BP.[4] These companies face competition in the gasoline retail market from numerous unbranded gas stations across the state, including hyper-marts (e.g., Costco), which are major retail gasoline outlets.[5] Also, the fee will vary among those companies determined to be responsible parties; thus there is no single specific "cost" to the industry.

Chevron and Marathon, two companies with refineries in California[6] that would likely be required to pay a Climate Superfund fee, operate in more concentrated markets–with fewer competitors. However, they too cannot easily raise prices of their output without facing scrutiny from state regulators. The California gas price gouging and transparency law (SBX1-2, 2023) authorizes the California Energy Commission to set a maximum gross gasoline refining margin and a penalty for refiners that exceed it.[7] Costs incurred outside the refining margins are not allowed as expenses. Thus a compensatory Climate Superfund fee for past climate damages cannot be included in a refiner's allowable wholesale gasoline price; such a fee will similarly not be passed on to consumers.

(2) Second, gasoline price changes in California vary with the cost of crude oil, which is determined in a global market.[8] The global price of crude oil is volatile and uncertain; production costs of refined gasoline likewise are unstable and result in changing prices at the pump. However, the Climate Superfund fee is based on the pollution impacts of past production, not current or future activity. It imposes a fixed cost that does not impact the costs of current or future production.

Climate Superfund fees would account for a small portion of polluters' revenue and net income (profits).

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[4] While CalEPA will ultimately determine which companies qualify as responsible parties based on their historic emissions and connections to California, here we assume, based on self-reported and publicly available data, that companies with >1B metric tons of CO_2e emissions and with physical operations (such as service stations, refineries, etc.) in California will likely be responsible for paying the Climate Superfund fee.

[5] https://www.energy.ca.gov/sites/default/files/2023-04/March_2023_Petroleum_Watch_ADA.pdf

[6] https://www.energy.ca.gov/data-reports/energy-almanac/californias-petroleum-market/californias-oil-refineries/california-oil

[7] Additionally, collusion, price-fixing and price-gouging are illegal under SBX1-2 and antitrust laws.

[8] Cal. Energy Commission, *What Drives California's Gasoline Prices?* (Aug. 2022) https://www.energy.ca.gov/data-reports/energy-insights/what-drives-californias-gasoline-prices.

Would the potentially responsible companies be able to pay a Climate Superfund fee? The fees imposed by SB 684/AB 1243 reflect past emissions and thus vary with past production and revenues of the largest fossil fuel companies. The fees would account for only a small portion of polluters' expenses, relative to their revenue and profits (net income). For example, ExxonMobil, the investor-owned company with the largest historic emissions (per the Carbon Majors database), reported net income (profit) of $33.68 billion in 2024, $33.01 billion in 2023, and $55.74 billion in 2022.[9] The Climate Superfund fee will fall mainly on large companies with substantial revenue.

The Climate Superfund will provide significant benefits to the state and communities.

The Polluters Pay Climate Superfund will provide an array of *benefits to the state*, while reducing the financial drain of climate change on governments and taxpayers and helping protect government programs and services from climate-driven disaster costs. State and local budgets have to cover disaster costs, as federal support is increasingly uncertain. The high cost of climate change documented in California's Fourth Climate Change Assessment identified over $113 billion in *annual* damages by 2050.[10] However these costs only included high temperatures, mega-flooding, drought, and permanent inundation.[11] Other important impacts are not yet quantified, including costs of and impacts to public health and property damage from wildfires, rising temperatures, inland flooding, aridity and ecological impacts.[12]

These high climate-related costs can strain government budgets and force cuts in important programs and services. School Repair bonds illustrate how unanticipated disaster costs can impact government programs.[13] Last November voters passed Proposition 2 to provide $10 billion in bond money for much needed school repairs. The Los Angeles fires destroyed five schools and damaged another seven. As a result, funding for fire recovery will likely be a top priority for Prop 2 funds, which will significantly reduce funding for other needed projects, such as leaking roofs, broken air conditioning, lead pipes, and unsafe electrical systems. The schools most impacted will be in low-income communities without the ability to raise money through local bond measures. As this example shows, by helping pay for disaster recovery and prevention, the Climate Superfund can help protect vital programs from the strain of disaster costs.

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[9] https://investor.exxonmobil.com/earnings/income-statement

[10] *See generally* California's Fourth Climate Assessment (2018) https://www.climateassessment.ca.gov/.

[11] California's Fourth Climate Assessment, *Statewide Summary Report*, p. 40-42 (2018), https://www.energy.ca.gov/sites/default/files/2019-11/Statewide_Reports-SUM-CCCA4-2018-013_Statewide_Summary_Report_ADA.pdf.

[12] Ibid., Table 6.

[13] Carolyn Jones. *Will new bond funds be enough to rebuild LA schools — and all of California's other crumbling schools?* CalMatters (Jan. 22, 2025), https://calmatters.org/education/k-12-education/2025/01/la-fires/

To conclude, this legislation will not impact global crude oil prices nor result in increased gasoline prices for Californians. Furthermore, the Climate Superfund fees will help pay for the enormous climate-related damages that California is already suffering.

We strongly support and urge you to vote yes on the Polluters Pay Climate Superfund Act of 2025, AB 1243 (Addis) and SB 684 (Menjivar).

Sincerely,

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Polluter Pays Climate Superfund Act Supports State Climate Policies

Economic Evaluation of SB 684 & AB 1243

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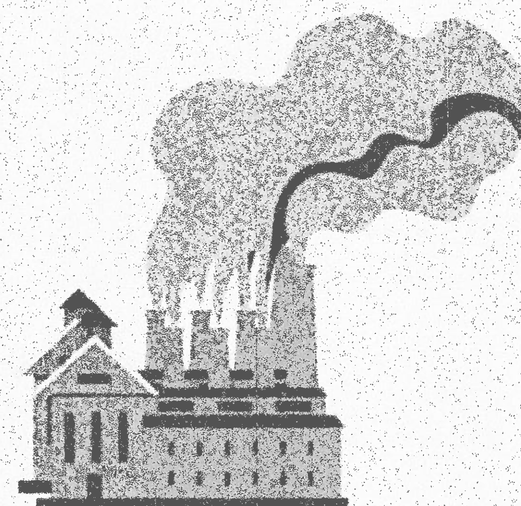
Historic CO_2e emissions cause global warming & climate change

- Big carbon polluters haven’t paid for the damages they've caused:
  - Past emissions drive extreme heat, drought, sea level rise, floods, wildfires, toxic air.
  - Long-term damage to health & infrastructure, and community life suffers.
  - Drilling and abandoned wells leak methane, polluting air and water.



Fee on Past CO_2e Emissions Improves Public Welfare

- <u>Who Pays Now</u>
  - People suffer health and property damage
  - Taxpayers cover disaster relief and repairs

- <u>When Polluters Pay with Superfund Fee</u>
  - Big Polluters who caused damage share costs
  - Improves public welfare and the economy
  - "Polluter Pays": CO_2 damage attributed to past corporate emissions

MAKE
POLLUTERS PAY
So we don't have to.

Estimating Value of Climate-related damages

CalEPA
California Environmental Protection Agency

- How Fees Are Assigned
  - CalEPA determines Fossil Fuel companies with >1B Tonnes CO2e emissions (1990–2024) doing business in California.
  - A study will estimate CA damages from those emissions [attribution] and their cost through 2045.
    - Fees are based on responsible company's % contribution to global emissions (1990-2024).

Superfund Fee: Big Emitters Help Pay for Climate-related Damages

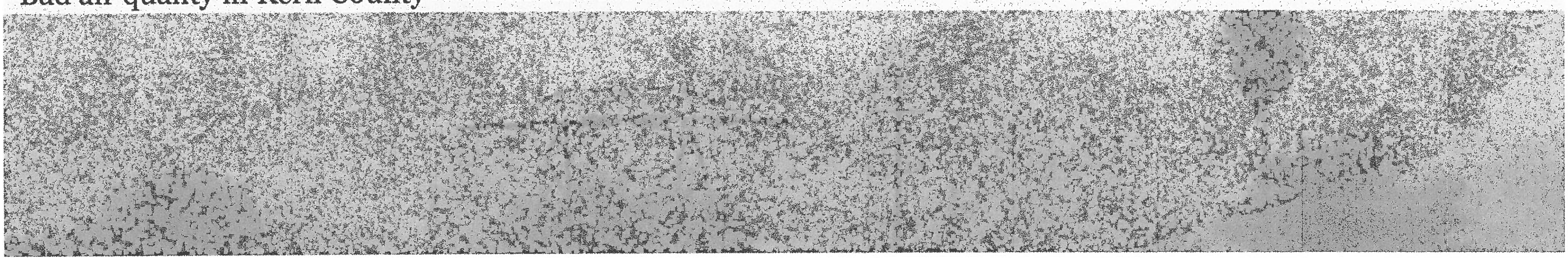
- Today state and local budgets pay for many climate damages.
  - Superfund fees can help fund disaster recovery and prevention.
  - The financial burden no longer falls only on the state and its taxpayers.
- Government budgets can continue paying for vital services instead of being drained by disaster relief.

Altadena Fires Credit: New York Times

Help for Disadvantaged Communities Overburdened with Climate Damages

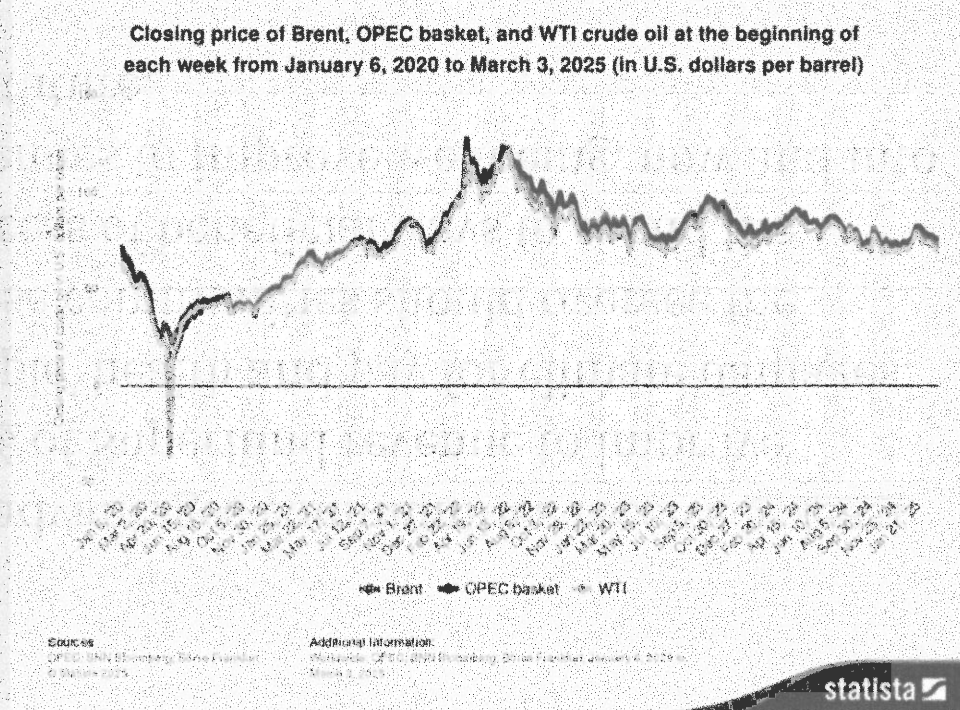
- Disadvantages communities receive at least 40% of Superfund revenue to improve people' health and pay for climate damages.
- These communities should oversee the process of beneficial ways to spend the revenues to improve wellbeing, now and into the future.

Bad air quality in Kern County Credit: bakersfieldnow news



Superfund Fee Does Not Increase Price at the Pump: three economic reasons

1. No impact on the global price of oil
   - Global price of crude oil sets wholesale price of oil, which is 42-46% of the pump price.
   - Global price is volatile. It cannot be manipulated by any one company or state.



Competition at the Pump

2. Unbranded vs Branded Gasoline Provide Competition

- Oil majors must sell gas or diesel in California to impact the price consumers pay.
- Only five "responsible" Carbon Majors have gas stations (Chevron, Shell, ExxonMobil, BP, Marathon).

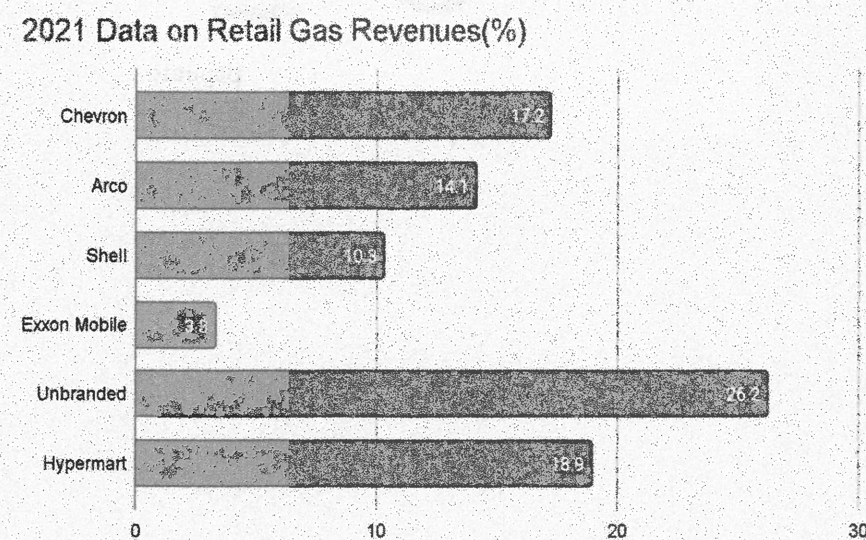
Branded

Unbranded

Competition at the Pump

2. Unbranded vs Branded Gasoline Provide Competition

- Retail Gas Station Prices Are Competitive Because of Unbranded Gas [almost 50% of total revenues]
- Unbranded stations (e.g. Costco, Safeway) have lower prices to compete with branded.

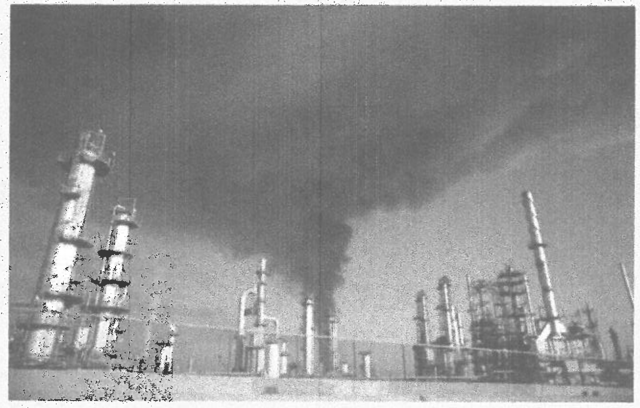


Refineries in California Face Legal Constraints on Profits

3. CEC prevents "price gouging" by refineries (sBx1-2).

- CEC sets a maximum gross gasoline refining margin with penalty for exceeding it.
- Only two "responsible" Carbon Majors (Chevron and Marathon) operate refineries in California.
    - Cannot legally raise gas prices to pay for fee that is not an operational cost.

Superfund Fee will be paid by the five multinational oil companies, not by their local refineries or gas stations.



Wilmington, CA Oil Refinery Credit: LA Times

Big Oil Has Ability to Pay.

- Oil companies will be charged based on global emissions (1990–2024) and CA climate damages (1990–2045). Payments can be spread over 20 years.
- Big Polluters' massive revenues, profits, and assets should be used to pay for external social costs of their operations, instead of investments to expand drilling and refineries, and stock buybacks.
- Exxon Mobil, Chevron, Shell, TotalEnergies, and BP spent $113.8 billion on 2023 dividends, share repurchases—Bloomberg.

Example: ExxonMobil Profits

- $33.7B in 2024
- $33.0B in 2023
- $55.7B in 2022

Bakersfield, CA Oil Fields Credit: Sierra Club

Bottom Line:
Californians Benefit from Superfund Fees

- Polluters Help Pay – No Longer Only the Public Pays
    - Big emitters share the cost of climate-related damages to health, infrastructure, and the environment—caused by their emissions.
- Fee supports many programs that pay for and reduce climate damages and improve public health–communities help decide.
    - Creates green jobs through investment in renewable energy and energy efficient buildings and infrastructure.

Consumers do not pay the fee with higher gasoline prices.

In Summary...

California can use Superfund revenues to make the state safer, healthier, and more resilient to climate change with less financial burden to local and state governments.

01	Healthier Community	Revenues to protect from heat and wildfires
02	Safer Environment	Revenues to reduce impact from drought, wildfires, heat, and flood risks.
03	Lower costs	Superfund contribution lowers costs to taxpayers and governments for climate-related damages.
04	Protection	Polluter Pays will help protect vital government services from the ravages of disaster costs.