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Governor ignores gas price climb, critics say

By Kevin Yamamura - Bee Capitol Bureau

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In the thick of campaign season last year, Gov. Arnold Schwarzenegger displayed charts showing a steep rise in spring gas prices. He vowed to find answers for California drivers, warding off accusations from his Democratic opponent that he was too cozy with oil interests.

But consumer groups say ever since Schwarzenegger won re-election in November, he has been virtually silent on California prices at the pump even though the issue weighs heavily on the minds of drivers.

A Public Policy Institute of California poll last month found residents rank fuel prices as the state's second-biggest concern.

"He has done absolutely nothing, zero, zilch about gas prices," said Michael Shames, executive director of the San Diego-based Utility Consumers' Action Network. "The governor controls the bully pulpit, and it's an important issue that should be raised. He could have a big impact on oil company practices in the short term, and his silence has really been a lost opportunity."

Schwarzenegger did not mention gas prices in his State of the State address. Nor has he held a press conference specifically on gas prices or referred to possible price gouging, both of which he did last year. He has avoided criticizing oil firms even as his Republican colleagues in other states have gone on the attack.

Instead, the Republican governor has talked about gas prices only in the context of setting new alternative fuel standards, insisting that his long-term environmental plan will relieve Californians of high gas costs.

"The governor introduced the most revolutionary policy in the country to address fuel prices when he signed the low-carbon fuel standard earlier this year," said Schwarzenegger communications director Adam Mendelsohn. "California is at the forefront of creating a market that will drive down prices for consumers that is unparalleled anywhere in the nation."

But no one knows when -- or even if -- price relief from alternative fuels will come. As of Friday, California drivers spent an average of \$3.39 per gallon for regular unleaded, more than double what they paid five years ago, according to AAA of Northern California, Nevada & Utah.

"The low-carbon fuel standard may or may not ultimately reduce prices," said Severin Borenstein, director of the University of California Energy Institute. "I think it's not at all certain. In any case, we're talking years from now."

Democratic state lawmakers have called for adding new reporting requirements on oil company production as a way to ensure that firms are not manipulating the market.

Governors elsewhere have treated gas prices as a more immediate concern than Schwarzenegger has. Connecticut Gov. M. Jodi Rell, a Republican, has called on lawmakers there to cap the state's gas tax when wholesale fuel prices reach certain levels. Rell and 21 other governors from both parties also initiated a letter last month to congressional leaders demanding a full inquiry into gas prices and oil company practices.

Schwarzenegger did not sign the original letter, though he and three other governors recently

added their names to the list. Mendelsohn cited an initial "miscommunication" with the National Governors' Association.

The governor's economic adviser, David Crane, framed high gas prices as a problem caused by a lack of fuel alternatives. Schwarzenegger has focused his attention largely on changing the long-term dynamic by trying to reduce the state's reliance on oil, he said.

"At the end of the day, the only thing that will make a serious difference is (fuel) choice," Crane said.

Shames called the move toward alternative fuels "a good, long-term strategy, but I don't think anybody's fooled by a contention that his long-term strategy is going to bring any kind of short-term relief to drivers."

Mendelsohn said the governor has tried to reduce statewide oil consumption in the short term by signing legislation allowing hybrid vehicles to use carpool lanes and using a "Flex Your Power" conservation campaign.

The governor last year ordered the California Energy Commission to investigate an unusual spike in gas prices last spring. The commission in August determined that companies had not engaged in price gouging but that the state also lacked sufficient market data. Mendelsohn said the energy commission continues to monitor gas prices in California for any irregularities.

Prices in California consistently run higher than the national average. Drivers paid \$3.43 per gallon for regular unleaded in California last month, while the national average was \$2.98.

Tupper Hull, spokesman with the Western States Petroleum Association, which represents Chevron, Shell and other oil firms, said that California's problems are the result of tight supply, not market manipulation. He estimated that two dozen state and federal investigations have never found improper conduct by oil companies.

"History suggests that government intervention in the market rarely, if ever, benefits consumers," Hull said. "Markets are very efficient and equitable at finding an appropriate balance between affordability and reliability."

Jamie Court, president of the Foundation for Taxpayer and Consumer Rights in Santa Monica, said Schwarzenegger has not focused enough on increasing gas supply in California to drive down prices. He also accused Schwarzenegger of ignoring gas prices because the governor has received hefty campaign contributions from oil companies.

Chevron Corp., the governor's largest oil donor, has given his political committees more than \$650,000 since he took office, including \$100,000 last month.

Schwarzenegger campaign spokeswoman Julie Soderlund said the governor acts in the interests of Californians and that "those who contribute do so because they share his vision for the people of California."

Still, Shames called the energy commission's 2006 findings "an apology more than an inquiry." He said the governor and the commission should be far more aggressive in demanding answers.

"They should be screaming and calling in executives, saying, 'Explain this, we want more data,' " he said. "They know the prices here are unwarranted. They haven't uttered a word about the fact that refineries in California are making record profits."

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