California Gasoline Supply Outlook:
A Disaster in the Making
April 15, 2026

Michael Mische, James Rector and Joseph Silvi[1]

California's gasoline market is entering a period of acute supply shortages directly attributable to prior refinery closures, and the long-term systemic decline in in-state crude oil production which have been further exacerbated by the ongoing war in the Middle East. For California, there is a clear trajectory toward increasing supply deficit conditions through April and a high probability of physical shortages by May accompanied by consumer price increases at the pump.

Days' Supply Near Historical Lows. As of the week ending April 3, 2026, combined gasoline and crude oil inventories stood at nine (9) to ten (10) days of supply. Based on the available public information, California gasoline levels appear to be at five-year lows and roughly 10 to 20 percent below historical norms. Adjusting for effects of reduced imports, our models indicate that California inventories are now 15 to 30 percent below normal. At these levels, California's fuel system has minimal resilience. Inventories are no longer functioning as a meaningful buffer.

The diminishing supplies are largely due to the closure of major California refineries over the past year and the long-term degradation of crude oil production in a state that has some of the largest crude oil reserves in the U.S.

Full Effect Yet to Come. Alarmingly, dramatic reductions in gasoline and crude imports have yet to hit California's physical supply. California depends heavily on CARB-compliant gasoline from Asian refiners which provide nearly all of California's gasoline imports--roughly 20% of the overall gasoline supply for the state. These Asian refiners (notably India and South Korea) curtailed most exports as of March 15 but the corresponding decline in arrivals to California has only just begun due to shipping times of 25 to 45 days across the Pacific. Over the next one to two weeks, gasoline imports are expected to **drop off sharply**, reflecting cargoes that were never loaded or diverted. This will mark the point at which the import shock becomes fully visible in terminal supply and, ultimately, at the gas pump.

Crude Oil Decline. Concurrent with the degradation of gasoline supplies, a parallel disruption is developing in crude oil supply. In 2025, California refineries sourced around 25-30% of their crude from the Middle East based on CEC data. Since March 1, the war has functionally stopped crude flows through the Strait of Hormuz. As with gasoline imports, the shipping time for Middle East crude—typically 35 to 50 days—means that the most significant reductions in refinery feedstock imported to California are only beginning to emerge now and will intensify into late April. Accordingly, California refinery throughput will decline, reducing in-state gasoline production just as gasoline imports are falling most sharply. Prices could experience a potential increase as supplies become more stressed.

---

[1] In alphabetical order. Michael Mische, Associate Professor at the University of Southern California, James Rector is a Professor, University of California, Berkely, and Joseph Silvi, Graduate Assistant, University of California, Berkeley.

Implications. Replacing the loss on in-state crude oil and refinery production, as well as oil and gasoline imports is problematic, particularly in a short period of time. Atlantic Basin refineries can only replace about 15-20% of the Asian CARB-compliant gasoline, and replacement crude needs to be compatible with California refineries which require heavy, sour oil types. While crude oil from South America can ultimately replace 70-90% of the Middle Eastern crude, the process of adapting refineries to this new crude requires capital expenditures by the refinery operators, is a slow process, and would result in lower gasoline output particularly in the near term. Furthermore, E15 under AB 30, will not provide a solution.

These two dynamics—an imminent collapse in gasoline imports and a significant decline in California refinery output—creates a compounding supply shock. Inventories, already depleted, are being drawn down to bridge the gap, but the rate of drawdown will accelerate materially as import volumes fall off and refinery runs weaken. Based on current conditions, weekly supply deficits could reach 10 to 20 percent by May. At that point, the system will begin to lose operational integrity. Shortages will happen over the next month. Terminal-level shortages are likely to emerge in late April or early May, followed by broader disruptions across the state as supply shortfalls propagate through the distribution network. Price increases are inevitable under such conditions.

Solution. The only available near-term mitigation lever is to expand the pool of gasoline supply that can be accessed. This can be achieved by temporarily relaxing California's Low Carbon Fuel Standard (LCFS) and allowing gasoline used in other parts of the country to be used in the state. However, since California has no in-bound pipelines, this action will not result in additional gasoline at the pump until mid-May unless more drastic measures such as rail or truck transportation is used. To replace a major pipeline such as the San Pablo Bay (Crimson) line would require as many as 760 tanker trucks a day, assuming equivalent volumes.

Accordingly, it is our opinion and based on current public data, that California may experience gasoline shortages persisting well into June unless the LCFS is temporarily relaxed now. Correspondingly, retail gasoline prices are expected to increase due to supply and sourcing issues, as well as regulatory costs which routinely add to the price of gasoline on July 1 every year. To address the imminency of the situation, the California Legislature should consider suspension or revocation of the California "special blend" gasoline in favor to the national reformulated standard. Alternatively, as abundant and low-cost gasoline, diesel and jet fuels are in the best interests of the U.S. and its national security, President Trump may consider issuing Executive Orders on the matter.

FOR FURTHER INFORMATION

Northern California Contact
Professor James Rector
University of California, Berkeley
Email: jwrector@berkeley.edu

Southern California Contact
Professor Michael Mische
University of Southern California
Email: mische@marshall.usc.edu

Joesph Silvi
Graduate Assistant
University of California, Berkeley

Email: josephbsilvi@gmail.com