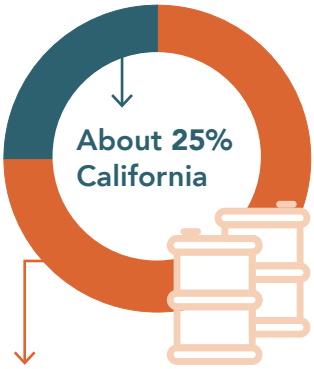
WHY CALIFORNIA IS AN ENERGY ISLAND AND HOW THAT IMPACTS OUR STATE

WHAT'S AN ENERGY ISLAND?

A combination of geographical factors and public policy choices has led to California becoming an energy island -- we are disconnected by crude oil pipeline from the other lower-48 states and therefore unable to secure additional domestic crude oil sources to support our energy needs of fueling transportation, powering businesses, growing food and producing everyday products. Unique challenges exist that create this dynamic including lack of pipeline infrastructure and little public support for oil by rail or truck. Of course, California is not an actual island, and it is blessed with abundant natural resources, but the policies it has adopted are forcing Californians to rely more and more on distant energy sources to meet our needs. Currently, California imports 75% of its crude oil supplies, most of it from foreign sources.

If California continues on this trajectory, it would be choosing even greater dependence on foreign oil which threatens reliability, sustainability and affordability for California's diverse communities. Instead, California's leaders can protect working families, consumers and our global environment by promoting in-state production under the world's most stringent safety, labor, and environmental standards.

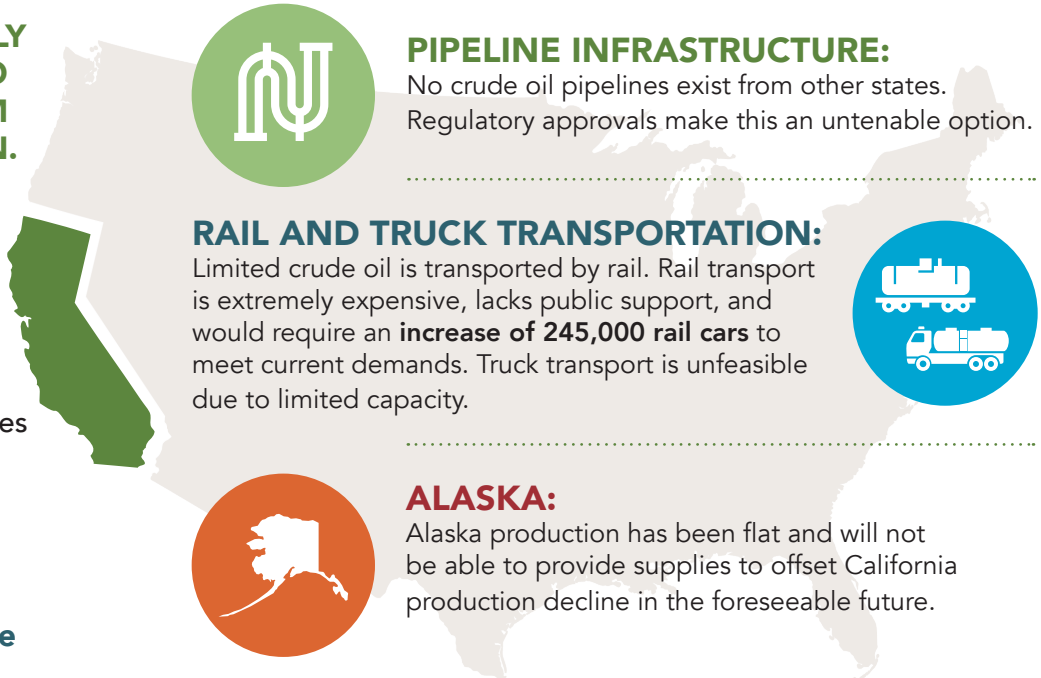


About 75%
Domestic and Foreign Sources

WHY DOMESTIC SUPPLIES CANNOT REPLACE CALIFORNIA PRODUCTION

CALIFORNIA IS EXTREMELY LIMITED IN ITS ABILITY TO IMPORT CRUDE OIL FROM THE REST OF THE NATION.

Within the 48 contiguous states, pipeline infrastructure, rail and truck transportation are the constraining factors. With Alaska, declining production and other existing commitments limit opportunities to increase supplies.



PIPELINE INFRASTRUCTURE:

No crude oil pipelines exist from other states. Regulatory approvals make this an untenable option.

RAIL AND TRUCK TRANSPORTATION:

Limited crude oil is transported by rail. Rail transport is extremely expensive, lacks public support, and would require an **increase of 245,000 rail cars** to meet current demands. Truck transport is unfeasible due to limited capacity.

ALASKA:

Alaska production has been flat and will not be able to provide supplies to offset California production decline in the foreseeable future.

If we want a domestic supply, we need to produce it here in California.

WHAT'S AT RISK FROM CALIFORNIA'S DEPENDENCE ON FOREIGN CRUDE OIL:

Reliance on foreign energy imports creates risks including reliability of our energy supply, market volatility, international turmoil, global environmental quality, and increased global air emissions.

RELIABILITY AND AFFORDABILITY

Volatile Markets
Volatility exists within the global oil market due to geo-political and economic reasons. This includes: unforeseen circumstances, new costly investments, needs of other foreign countries like China, India and Europe, and trade wars.

Strait of Hormuz
A blockage of the Strait of Hormuz, the only sea passage from the Persian Gulf, is possible due to regional skirmishes. One-third of the world's sea-borne oil passes through it every day.

Unstable Foreign Countries
Foreign countries may limit or shut off supplies due to embargoes or other means.

CONTROL AND SECURITY
What's our risk level for control? Is California okay handing over control of our energy needs to a remote source and putting our energy security at risk?

WORKER SAFETY AND ENVIRONMENTAL PROTECTIONS
Imported oil is not produced to California's stringent safety, labor, and environmental standards.

OUR COMMITMENT
Our industry is an active partner in helping California set an example to other states and other countries by producing the affordable, reliable energy we need in a way that safeguards public health, safety, and the environment. We share the state's commitment to a vibrant economic, energy and environmental future that strengthens California's working families, local employers, diverse communities and abiding values.

SOURCES:
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CALIFORNIANS FOR ENERGY INDEPENDENCE

Californians for Energy Independence is a coalition that supports state and local policies that allow for continued domestic energy production and opposes those policies – such as oil taxes and energy bans – that would hinder production and increase reliance on foreign oil. For more information, visit: **www.EnergyIndependenceCA.com**

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