

Behind the Oil Industry's Biggest Divorce: Chevron Versus California

The energy giant sank the state's first successful oil well, kicking off a boom that powered California's economy for more than a century; goodwill has since gone dry

By [Collin Eaton](#)

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After more than 140 years together, Chevron dumped California via text, in a split fueled by snubs, insults, accusations and the lure of a new partner.

Chief Executive Mike Wirth tried to reach Democratic Gov. Gavin Newsom for more than a week last summer and texted him, hoping to get the governor on the phone. He wanted to talk to Newsom about the company's plans to move its global headquarters from San Ramon, Calif., to Houston.

We're about to make an announcement. I'd like to tell you before you read about it.

Newsom's reply was, essentially, *I don't need to talk about it. I'm good.*

Wirth told Newsom over texts that the company was about to make public its move to a more fossil-friendly state. The CEO called Texas Gov. Greg Abbott to tell him personally. Ecstatic, the Republican governor, who had courted [Chevron](#) CVX 1.30% increase; green up pointing triangle for years, asked if the company needed any special help for relocation.

Wirth declined. Moving to Texas, apparently, was reward enough.

On Aug. 2, when Chevron announced its headquarters move, Abbott described Texas, the No. 1 gasoline consumer in the U.S., as Chevron's "true home." Newsom responded in an online video accusing Big Oil of price gouging consumers.

Relations between Wirth, CEO of the nation's second-largest energy company, and Newsom, governor of America's most populous state, had soured over regulatory and legislative efforts intended to combat climate change—displacing internal-combustion engines with electric vehicles, for one.

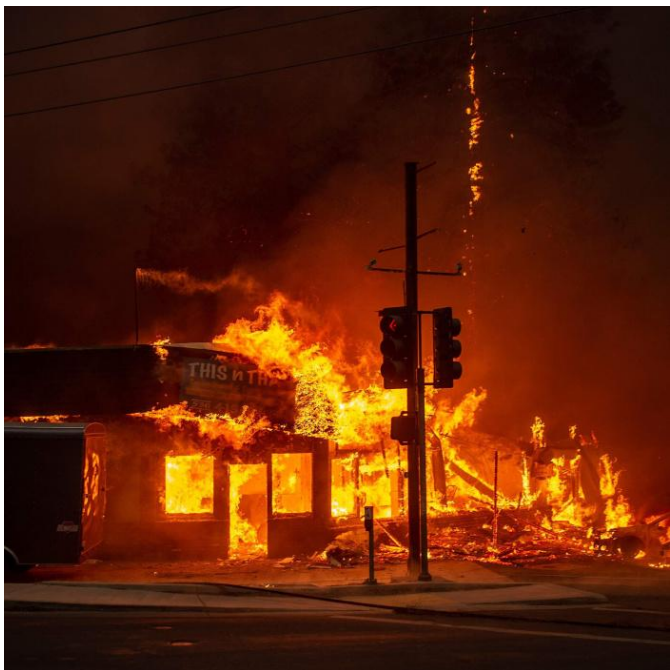
"Putting bureaucrats in charge of centrally planning key segments of the economy hasn't worked in other socialist states," Wirth said in a Nov. 1 call with investors. "I doubt it will be any different in California."

California has acted more aggressively than any other state to steer consumers from fossil fuels, including a state ban on the sale of gasoline-powered cars by 2035, as well as rules that oil companies blame for the state's higher gas prices. EVs now account for more than a quarter of new car sales in California.

“Chevron has a future in clean energy in California. They can join us in our steady, long-term transition to a state powered by clean energy,” said Daniel Villaseñor, a spokesman for the governor’s office. Newsom recalled his text exchanges with Wirth last summer as cordial, his office said.

Disagreement over policies turned personal in September 2023, when Newsom seemed to accuse Wirth of having a hand in one of California’s worst disasters.

Invoking a 2018 wildfire that left 85 people dead in Paradise, Calif., Newsom said Wirth had invested far more in shareholder payouts than in developing low-carbon energy. That belied Chevron’s promises to lower carbon emissions, Newsom said. The consequences of the company’s alleged deceit, he said, were “incalculable in terms of the dollars, the lives lost, the funerals, the dead bodies in Paradise.”



A store burning in Paradise, Calif., on Nov. 8, 2018.
PHOTO: JOSH EDELSON/AGENCE FRANCE-PRESSE/GETTY IMAGES

Newsom made his pointed remarks during the announcement of a lawsuit against Chevron and other large oil companies, alleging climate-change deception. Villaseñor said the governor wasn’t accusing Chevron or its executives “of anything more than failing to confront the realities of the climate crisis.”

Chevron didn’t respond to Newsom’s remarks.

Before the Nov. 5 election, Newsom’s testy relations with the oil industry might have lost him little political capital. Following Trump’s win, some Democratic lawmakers recognized that the state’s higher energy costs have become a liability, political consultants for both parties said.

When the Los Angeles-area wildfires erupted last month, Newsom made brief references linking oil companies to the disaster that killed 29 people. The California governor thanked Gov. Abbott on X for lending firefighters, engines and equipment: “Red, blue, republican, democrat—in moments like this we come together.”

Political consultants say Newsom appears to be weighing a role as a leader of the Democratic Party. He held a call with Democratic allies the day after the presidential election and has positioned himself as a Trump adversary.

Newsom has now turned his focus from opposing Trump to managing the wildfire recovery. On Wednesday, the governor met with President Trump in the Oval Office to discuss federal disaster relief.



California Gov. Gavin Newsom, left, greeting President Trump and first lady Melania Trump after their arrival in Los Angeles on Jan. 24 to view the wildfire damage. PHOTO: MANDEL NGAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

California has more than Chevron headquarters at stake. The company, which operates two of the largest oil refineries in the state, has considered the possibility of ceasing production. That would raise gas prices further for California's more than 27 million drivers. Chevron refineries make up a third of the state's gasoline-production capacity.

Any decision to close or repurpose refineries would depend on whether California imposes more regulations, among other factors, said Andy Walz, who runs the company's refining, pipeline and chemical businesses. California's stringent fuel-quality specifications, initiated to curb harmful emissions, make gasoline more costly to produce compared with other states, industry analysts said.

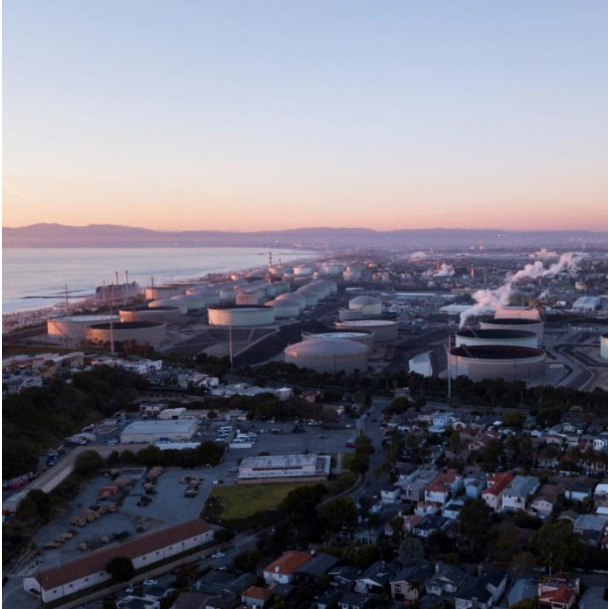
Shrinking supplies and higher gas prices, while a pain for drivers, might be fine with state regulators charged with protecting the environment.

"Policies that keep average prices low may result in more driving, and hence, more pollution," the California Energy Commission said in a 2024 report.

Why California?

Like other big breakups, the California-Chevron split figures to be costly for both sides.

If Chevron decides to sell its century-old fuel-making plants, it will be tough to find a buyer for the properties, which encompass nearly 4,000 acres in Northern and Southern California. Among the obstacles: environmental liabilities and a shrinking pool of buyers.



Chevron storage tanks at the company's refinery in El Segundo, Calif., south of Los Angeles International Airport. PHOTO: PATRICK T. FALLON/AGENCE FRANCE-PRESSE/GETTY IMAGES

"We used to have competitors," Walz said. "They're gone."

Demand for gasoline in California last year was about 10% lower than in 2019, largely because of an increase in the number of EVs on the road and more people working from home, according to the state energy commission.

Energy-industry analysts said regulations, in addition to softening demand, have depressed oil exploration in California. More than 75% of the state's oil in 2023 was imported from Alaska and abroad, including Iraq, Saudi Arabia, Brazil and Ecuador.

In 1876, wildcatters drilled California's first successful oil well in the Santa Susana Mountains, north of Los Angeles. The discovery gave birth to Chevron and kicked off an oil boom that helped power the state economy for more than a century and kept gas prices low for decades.

California now has consistently higher gas prices than every state but Hawaii.

Newsom and other state officials blame the oil industry. Chevron posted signs at gas stations saying, "California lawmakers are driving up gas prices," and, in a message linked to QR codes, urged drivers to complain directly to lawmakers.

"They weren't prepared to take accountability for their own actions, and they were blaming us," Walz said of the PR campaign. "That's when Chevron felt like it was time for us to start talking."

Chevron and other oil companies opposed a new California law that, among other things, gives regulators the authority to require refiners to keep their storage tanks stocked at certain levels, which lawmakers hope will limit spikes in pump prices because of supply shortages.

Statewide, the number of operating refineries has dwindled to 14 last year from 40 in 1983, according to the Energy Information Administration.

In October, two days after Newsom signed the bill into law, Phillips 66 closed a Southern California refinery. Company CEO Mark Lashier said at the time that the decision was based broadly on shrinking demand and state policies to discourage fossil fuels.

“We expected California to be a pretty challenging refining market going forward,” Lashier said.



A November 2022 photo of the Phillips 66 refinery in the Wilmington neighborhood of Los Angeles. PHOTO: MARIO TAMA/GETTY IMAGES

The state’s oil production peaked in early 1986 at more than a million barrels a day. In November, the tally was about 279,000 barrels a day, the lowest figure since 1981 and largely attributed to aging oil fields. Only a handful of drilling-rig crews are hunting for new finds.

“Why deal with California when you could go to Texas or New Mexico? You only have so much capital and so much time in the day,” said Andy Lipow, president of Lipow Oil Associates in Houston. “Given the regulatory environment in California, I would be investing outside the state.”

High price

Many candidates supported by Chevron and other oil companies during state elections have lost races in recent years, weakening the company’s once-considerable political influence. For the first time, a majority of Democrats who ran in state elections in 2023 refused campaign money from oil companies, according to the nonprofit California Environmental Voters.

The Trump administration, however, is expected to be a powerful industry ally. Four days after Trump returned to the Oval Office, his administration said in court filings that the EPA would review its decision to grant California a waiver that effectively allowed the state to ban the sale of gas-powered cars by 2035 and set more stringent vehicle-emission standards.

California Assemblymember Gregg Hart, who introduced the bill last year, acknowledged that oil companies hate the law. California, he said, is trying to increase the number of people buying EVs, while also providing affordable gas for conventional cars, goals that appear at odds. “We’re just going to have to try to find a way to make this all work,” Hart said.

At the California legislature's Dec. 2 swearing-in ceremony, Assembly Speaker Robert Rivas said California would continue to lead the nation on climate change, "but not on the backs of poor and working people, not with taxes or fees for programs that don't work, and not by blocking housing and critical infrastructure projects."

In recent years, Newsom has avoided oil lobbyists and rarely entertained oil executives. Oil companies say Newsom's allegations about industry deception and price gouging have demoralized employees and made it harder to recruit employees.

Catherine Reheis-Boyd, a longtime head of California oil lobbyists, said she never had any trouble establishing a relationship with past governors. During a 2022 Newsom trip to Florida, in connection with a possible presidential bid, her organization, the Western States Petroleum Association, spent nearly \$1 million on newspaper, radio and TV ads criticizing the governor for California's high energy prices. Newsom was furious, according to people familiar with the matter.

State's energy agencies and oil executives, including at Chevron, say they are trying to work together to keep California's energy supplies steady and affordable, despite their policy disagreements.

It appears too late to repair relations with the departing oil giant, which last summer had about 2,000 employees at its headquarters in California. Chevron follows moves by Tesla, SpaceX, Oracle and Hewlett Packard from California to Texas.

"Look, we want to be there," Walz said. "We want to stay, but it's tough, OK?"

On Jan. 27, Democratic state Sen. Scott Wiener and another state lawmaker introduced a bill that would allow homeowners and insurers to hold oil-and-gas companies liable for damages stemming from climate-related disasters, such as wildfires.

"By forcing the fossil fuel companies driving the climate crisis to pay their fair share, we can help stabilize our insurance market and make the victims of climate disasters whole," Wiener said.

Newsom's office said the governor doesn't typically comment on pending or proposed legislation.



Destruction caused by the Eaton Fire, which burned through neighborhoods in Altadena CA.

PHOTO: MARIO TAMA/GETTY IMAGES