



*"Knowledge & Experience
Working for You"*

FOR IMMEDIATE RELEASE

January 12, 2012

Contacts:

Don Bowers, Motor Fuel Chair, PPMCSA, Superior Petroleum Company, 412-576-2601

John V. Kulik, Executive Vice President, PPMCSA, 717-319-6002

New Study Says Rule Requiring Special Gasoline, Refinery Closures Could Greatly Increase Chances Of Shortages, Higher Prices In Southwest Pennsylvania

Pittsburgh, Pa (January 12) -- The closing of three refineries in Southeast Pennsylvania and a rule requiring special gasoline in the Pittsburgh region during the summer are creating conditions which could result in much higher prices for gasoline in Western Pennsylvania and the potential for fuel shortages, according to a forthcoming study commissioned by the Pennsylvania Petroleum Marketers and Convenience Store Association (PPMCSA).

"The U.S. Department of Energy has already reported the closing of three refineries in Eastern Pennsylvania will result in spot shortages of gasoline and price increases of up to 5 cents a gallon," said Don Bowers, Motor Fuel Chair, PPMCSA. "What has not been reported until now is the impact those closures will have on Western Pennsylvania because of its special summer gasoline requirement."

In 1999 the Department of Environmental Protection adopted a regulation requiring a unique blend of gasoline be sold in Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland counties from May 1 to September 15 with a Reid Vapor Pressure (RVP) of 7.8 pounds per square inch. Regular gasoline has an RVP of 9.0 pounds per square inch.

Complicating the picture even more is another federal rule adopted in the mid-2000's requiring the blending of ethanol into gasoline which increases the Reid Vapor Pressure of gasoline, exactly opposite of what the lower RVP rule in Pittsburgh is trying to achieve.

"The state regulation makes the Pittsburgh Region a virtual island in terms of supplying it with gasoline. You need to go over 300 miles away from Pittsburgh to find another area with a similar gasoline requirement," said Bowers. "As we saw last spring, service stations ran out of gasoline and the price of complying fuel increased dramatically. The outlook for this spring is even more troubling."

"If the supply of 7.8 RVP gasoline was completely disrupted, it would take over 200 transports daily traveling over great distances to keep the area supplied," said Bowers.

The study, conducted by Kevin J. Lindemer LLC, examined the impact of the potential closure of the three refineries in Southeast Pennsylvania, which were supplying low Reid Vapor Pressure to the Pittsburgh Region, on top of already tight supplies of complying gasoline. This could result in significant gasoline price increases over and above the cost of gasoline.

Historically, in previous summers, these increases have been as much as 10 cents per gallon, and at times more, over the cost of fuel just across the border in Ohio and West Virginia.

"Without those refineries, Western Pennsylvania is literally at the end of what is a much longer pipeline to get the gasoline we need," said Bowers. "Supplies will now have to come from the Gulf Coast, foreign imports or through pipelines whose capacity to move product is already over subscribed."

-- more --

The study notes, "The quality of gasoline required in the seven-county Pittsburgh area is unique. This market is only 3 percent of the mid-Atlantic and New England gasoline market.

"Pittsburgh's gasoline specification reduces the efficiency of the pipeline and distribution system which can result in an increased susceptibility to supply disruptions which lead to higher prices.

"Falling regional refinery capacity in the east coast could lengthen the supply chain for the Pittsburgh specification gasoline with potential additional effects: the significance or importance to the Pittsburgh specification will be less important for refiners much more distant than it is for east coast refiners that produced it; and a longer supply chain increases the risk of supply disruption that could have a disproportionate impact on non-fungible refined products."

"A shift to a more widely used grade of gasoline will improve supply reliability," the study added.

"The 7.8 RVP rule means gasoline suppliers must make a more specialized gasoline blend just for the Pittsburgh region," said Don Bowers. "If we cannot get some relief or a waiver of some sort from these requirement, Western Pennsylvania will be at the end of a very long pipeline with only a trickle of complying gasoline."

###