**EAS 375**

**Spring 2012**

**Lecture questions 7 Gasoline**

**1. What is the difference between summer and winter blends of gasoline?**

It is the RVP, or blending butane to gasoline. (higher RVP = easier ignition). Winter = cold temperature = higher RVP than summer.

**2. What is reformulated gasoline and why do certain regions of the country need to use this type of gasoline?**

Improved air quality (cleaner). State laws (ie: California).

**3. While RFG gasoline provides a number of benefits, they also present problems to the refining and distribution segments of the oil industry. What are these problems?**

More expensive, lower production capacity, no uniformity across US, supply instability

**4. Why is “inventory on demand” frequently the cause of price spikes?**

Any unplanned shutdown of refinery. Global disruption in crude oil or disruption in distribution system which leads to reduction of supply.

**5. No new refineries have been built since the early 1970’s and a number of these have been shutdown, yet our ability to produce gasoline has increased. How?**

Upgrade of current refineries and expand existing ones.

**6. What are the reasons for the large difference in the price of gasoline in different regions of the country and certain states, when there has been no supply disruption?**

Taxes, different ratio (import / export)

**7. How does a small retailer make any money running a gas station?**

Profit on convenience (ie: candies).

**8. What are some of the factors that retailers have to consider when deciding on how much to charge for his gasoline?**

- The price of next delivery (pays on delivery).

- Location, number of competitors, nature of market, unique local factors of the market.

- Credit card charge fees, etc...

**9. Where is the greatest profit generated in the oil industry?**

Exploration and production (upstream).