**EAS 375**

**Fall 2010**

**Lecture questions**

**Gasoline**

1. What is the reason for 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.

1. What is a reformulate gasoline and why do certain regions of the country require there use?

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

1. While RFG gasoline provides a number of benefits, but 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

1. 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.

1. No new refineries have been built since the early 1970’s and a number of have been shutdown, but our ability to produce gasoline has increased. Why?

Upgrade of current refineries and expand existing ones.

1. What are the reasons for the large differences in prices of gasoline between different parts of the country and individual state even when there has been no supply disruption?

Taxes, different ratio (import / export)

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

Profit on convenience (ie: candies).

1. What are some of the factors that retailer has to consider when deciding on how much to charge for the gasoline he sells.

* 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).