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COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM
COMMITTEE ON EDUCATION AND LABOR

Opening Statement of Rep. Dennis Kucinich
Chairman, Subcommittee on Domestic Policy
Committee on Oversight and Government Reform
Hearing on Hot Fuels
June 8, 2007

Good morning.

Everyone knows that gasoline prices rise during the summer. Everyone also knows that gas mileage suffers during the summer. But it is a little known industry secret that the amount of gasoline you put in your tank, when you fill up in the summer, is less than the amount in the winter, in terms of weight and energy content.

Scientists call it the “thermal expansion” of gasoline, and the oil industry has known for 100 years that gasoline expands with temperature. As it warms, gasoline expands by volume but not by weight or energy content. Therefore, a gallon of gasoline at 90 degrees weighs less and has less energy content than a gallon at 60 degrees. That is part of the reason why your gas mileage suffers in the summer.

Since the 1920’s, the oil industry has taken temperature into account for wholesale transactions, and they use a 60 degree Fahrenheit standard when measuring gasoline at wholesale. In other words, when the sale of gasoline is between two members of the oil industry, they adjust for temperature. No matter what the actual temperature of the gasoline, therefore, they make sure that the same amount of gasoline by weight and energy content is transacted. They standardize wholesale transactions. They remove the variable of temperature from their sales to each other.

But the oil industry does not adjust for temperature in retail sales to consumers. When temperatures of gasoline fall below the industry standard, as they do in many states in the winter, gasoline contracts and the weight of a gallon rises. But when temperatures rise above the industry standard, as they do in all states during the summer, and in many states for most of the year, consumers pay a Hot Fuel Premium when gasoline prices exceed 60 degrees.

Existing technology can correct for temperature at the retail level. It is known as Automatic Temperature Compensation or ATC. One of our witnesses today is the largest manufacturer of ATC in the world.

The oil industry is not known for lacking business sense. In Canada, the oil industry moved quickly to adopt Automated Temperature Compensation at the retail pump. We will be hearing testimony today that Canadian gasoline stations are almost universally equipped with temperature-compensating technology.

But in the U.S., where temperatures are often considerably warmer than the industry standard of 60 degrees, the oil industry has resisted equipping their gas stations with temperature compensating technology. Even after the State of California approved ATC for use and sale in the state, no oil company purchased it.

In fact, they resist even talking about the subject. We invited ExxonMobil and Shell to testify today because they have large commercial presences in both Canada and the United States, and we hoped they could explain why they decided to do one thing Canada and another in the United States. Unfortunately, they refused to appear.

We think we may know why. The Majority Staff of the Subcommittee conducted a study of the hot fuel premium American consumers were likely to pay during the coming summer season. Using actual gasoline temperatures by month and by state, and forecast prices for the summer, they calculated that gasoline retailers will sell over 500 million gallons of gasoline that are, in effect, "created for free" by thermal expansion. And consumers will pay over \$1.5 billion for those heat-expanded gallons, and they will be getting less energy for it.

This is Big Oil's double standard: when they sell gasoline to each other, it is temperature-adjusted so they don't rip each other off. But at retail, they oppose temperature compensation. And though they oppose temperature compensation for retail sales *in the United States*, they universally use temperature compensation at retail *in Canada*.

This summer, Big Oil's double standard will be worth 1.5 billion dollars.

Understandably, then, there is much riding on the National Conference on Weights and Measures, which will, this July, decide whether or not to encourage the use of temperature compensation at the retail level. We will hear today from their Chairman about their process, pressures and prospects.

The bottom line we hope to answer today is not how much consumers may be overpaying for gasoline, but the more basic question of what is the fair method of selling gasoline. We all know that "what's fair is fair." Is it fair when the oil industry compensates for temperature in wholesale transactions? Or is it fair when the industry sells uncompensated gallons at retail?

And what is the fairness in the oil industry treating itself one way and consumers another?