



An Update on US Gasoline Stocks and Blending Components

Posted by [Nate Hagens](#) on December 13, 2006 - 10:02pm

Topic: [Supply/Production](#)

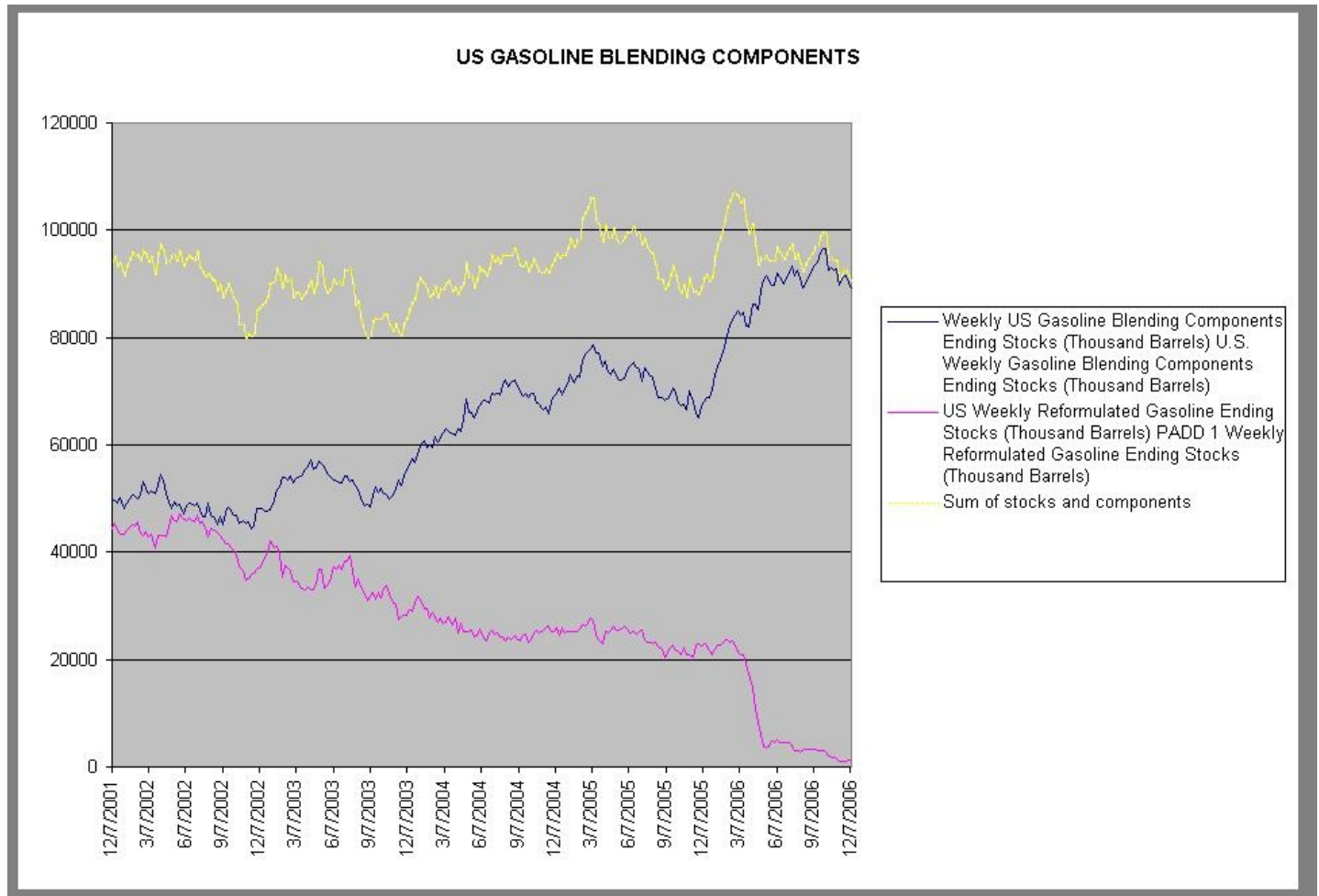
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Earlier this week we had a [post](#) highlighting the puzzling decline in US gasoline stocks in the face of lower prices. Near the end of the post, an observant [oil Drum](#) reader [Matt H2o](#), pointed out that the EIA has recently changed how they report their gasoline and blending components.

A casual reader of the EIA data would be focused on the headline decline in apples (reformulated gasoline) without knowing there has been an concurrent increase in oranges (blending components). Lest this important point be lost in the recent deluge of (awesome) information on this website, here is a guest post explanation by [MattH2O](#).

Just for a little background - I'm a bit of a cross between a journalist and an analyst. I've been covering energy for a while in one form or another, and am currently focusing on renewables.

Anyway, I picked up on a post written by [thegoodshipkship](#) earlier in the week commenting on the fall in US gasoline stocks. Given that prices are lower than they were in the summer, crude stocks are still [way above the 5-year average](#) and [propane](#) and [distillate](#) stocks are within range, I thought something didn't quite sound right. [To see the whole report, click [here](#) and scroll to the bottom of the page] So I had a look at the numbers.



While gasoline stocks are indeed down, gasoline blending components are way, way up. You put the two together and, allowing for the normal Brownian motion, things look pretty level.

There's a very simple explanation for this. The gasoline that's dropping off the chart is finished gasoline - that is, it's ready to put into your car. What has been increasing is stocks of all the parts you need to make finished gasoline. In the aggregate, you have the same total supply of gasoline - it's just that refiners and distributors are storing them separately.

Why the change? Well, this time two years ago, you could store finished gasoline quite happily. But since then, MTBE was phased out and ethanol brought in, partially as a replacement oxygenate, partially because of the Renewable Fuel Standard.

Ethanol has an affinity to water - if you introduce water into a tank full of E10, all the ethanol is attracted to the water and separates out of the fuel mix, leaving you with a layer of RBOB and a layer of ethanol. It's known as '[phase separation](#)'. Irritatingly, you can't just shake it up again like vinaigrette. So refiners and distributors store the two separately, as RBOB (reformulated gasoline for oxygenate blending - basically, RFG sans EtOH) and ethanol.

If you look back at the chart, you'll notice that the big drop in gasoline stocks and the big uptick in EtOH stocks happened at the beginning of 2006, when the RFS kicked in.

In any case, the EIA's charts need updating to reflect new commercial practice...



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