



Hot Gas is a Bunch of Hot Air

Posted by [Robert Rapier](#) on July 23, 2007 - 10:24am

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News headlines about the so-called "hot gas" issue have been appearing occasionally in the Drumbeats, so I thought it was time to shine some light on the subject. The [Owner Operator Independent Drivers Association](#) (OIDA) recently [launched a new website](#) to "educate" people on this issue. And by educate, I mean obfuscate, mislead, and misinform people. Consider for a moment their headline story:

Hot Fuel Costs Consumers More Than 2.3 Billion Dollars Annually

Let's see, Americans consume 140 billion gallons of gasoline and over 60 billion gallons of diesel each year. That means that even if their headline above was correct, the "rip-off" amounts to just over 1 cent a gallon. And given that pricing is set by supply and demand, what will happen with temperature compensation is that the average gasoline price will go up by just over 1 cent a gallon, plus a bit more as every retailer tries to recoup the cost of temperature compensation equipment. Who wins? The makers of the temperature compensation equipment, and the lawyers. Even in the best case, the average consumer who uses about 600 gallons of fuel a year would win \$6 a year if you could suspend the laws of supply and demand.

Their new section on myths and facts is an excellent source of misinformation:

[Hot Fuel Myths & Facts](#)

Let's look at some of their "myths", and the facts as they see them. And of course the facts as I see them. :-)

MYTH: Fill up in the morning when it's cooler.

FACT: 35,000-gallon tanks do not dramatically change temperature in daily cycles.

Well, I agree with this one. 35,000 gallon tanks DO NOT dramatically change temperature in daily cycles. That means when the temperature outside rises to 90 degrees, the temperature of the fuel is about the same as it was in the middle of the night when the temperature was 60 degrees.

MYTH: In-ground tanks at gas stations keep fuel at 60 degrees Fahrenheit.

FACT: The insulated, fiberglass tanks tend to keep fuel at the temperature it was delivered... for a long time. Also, larger retailers turn over fuel supplies very rapidly, greatly reducing the time the fuel spends in the tanks.

And [as I showed in an earlier essay](#), the NIST found that the average annual temperature of fuel stored in those underground tanks was 64.7 degrees:

The fuel temperature data was gathered by the National Institute of Standards and Technology from storage tanks at 1,000 gas stations and truck stops in 48 states and the District of Columbia during a period from 2002 to 2004.

The NIST data revealed that the average temperature of fuel across the country and year-round was 64.7 degrees Fahrenheit — almost 5 degrees higher than the government standard of 60 degrees.

So, how many gallons does the "ripoff" then amount to? The OIDA site discusses that in their next myth:

MYTH: Temperature only causes tablespoons of difference in amount of fuel delivered.

FACT: A 25-gallon fill-up of 75 degree F gasoline equates to a loss of nearly one quart. The same fill-up at 90 degrees F equates to nearly a half gallon.

But we aren't filling up with gasoline at 75 degrees, are we? The NIST investigation - which started this whole thing - established that. And again, as I showed in the previous essay, the difference between gasoline at 60 degrees F and gasoline at 64.7 degrees F is 0.27%. Therefore, in a 25 gallon fill-up, the difference is 8.6 ounces (17.3 tablespoons). But suggesting that people are regularly getting gasoline at 75 degrees or even 90 degrees is just outright misinformation.

MYTH: 90 percent of fuel retailers are small "mom and pop" operations.

FACT: Several large oil production companies and refiners own 25 percent of the stations that sell their brand fuel.

You have to love this one. The myth is that 90 percent of fuel retailers are small, but the reality is that 25 percent are NOT SMALL. Or, according to them, 75 percent are small, but contrasting 90 to 75 must not have felt impressive enough. But they are wrong anyway, according to a 2007 report:

[Who Sells Gas – and For What – May Surprise You](#)

In reality, **less than 3 percent** of the more than 112,000 convenience stores selling

gasoline **are owned and operated by major oil companies.**

Of course not all gas is sold at convenience stores, so we have to account for the stand-alone gas stations to get the total that are owned by Big Oil. According to the extensive report by the NACS, found [here](#):

It's estimated that less than 5 percent of the approximately 168,000 retail gasoline facilities in the United States are owned and operated by the major oil companies.

So much for the idea of sticking it to Big Oil. I understand that this is why this issue has taken off, but that's not who is going to get stuck.

MYTH: The cost to retro-fit the pumps will far outweigh the benefit to the consumers.

FACT: The one-time cost to retro-fit retail pumps is very close to the extra amount consumers already pay annually for hot fuel.

Yet that doesn't contradict the "myth", does it? That doesn't mean that after the retro-fit, consumers won't be paying even more. And based on the estimates that I have seen, to put temperature compensation on all of these pumps will cost in the range of \$6 billion to \$12 billion (\$3,000-\$4,000 per pump times 2-3 million pumps). So even if we accepted the premise of \$2 billion extra from consumers each year, I have a hard time accepting that this is "very close" to the cost of the new equipment.

And they close with one supported by nothing by a great big dose of wishful thinking:

MYTH: The cost of retro-fitting the pumps will raise the price of fuel for all consumers.

FACT: Consumers have borne the burden of hot fuel sales for decades. Once the problem is fixed they will reap the benefits for future decades.

Sadly, [another story at the OIDA website](#) said that that on July 11, 2007 the National Conference on Weights and Measures failed to approve a measure to approve guidelines for states, should they ever decide that they wanted temperature compensation. Again, they couldn't even pass a *measure* for a *non-binding guideline*. Those voting against must be in the pockets of Big Oil.

Stuff like this really drives me crazy. A waste of time for the parties who are supposed to reap benefits, an annoyance for people trying to run service stations, an issue that allows politicians to pander, while the real beneficiaries are the attorneys.



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