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California Gasoline Price Spikes: An Historical Review



*For: Petroleum Market Advisory Committee
August 16, 2016 | Sacramento, Ca*

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Background & Caveats

- Background

- Period Studied = 2008 through 2015
- Price Spike = Los Angeles retail price vs U.S. average above its “normal range”- tax corrected
- Findings:

- 9 Price Spike Periods Found

- 2 in 2008

- 1 in 2009

- 3 in 2012

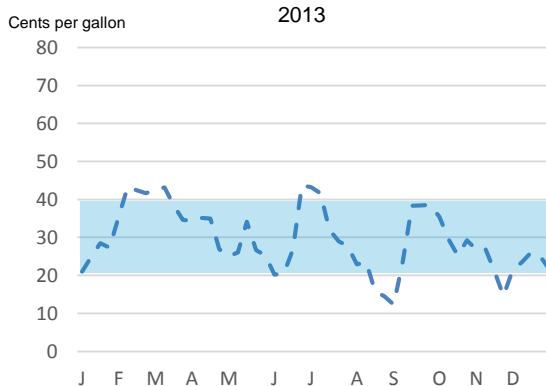
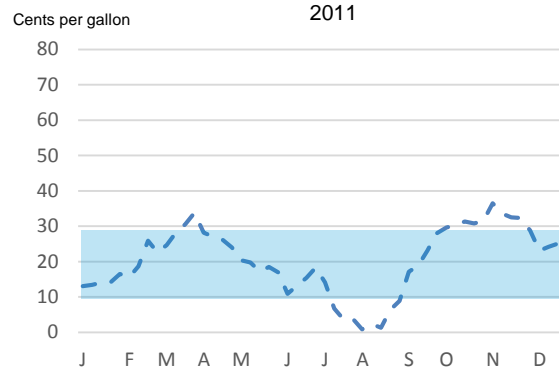
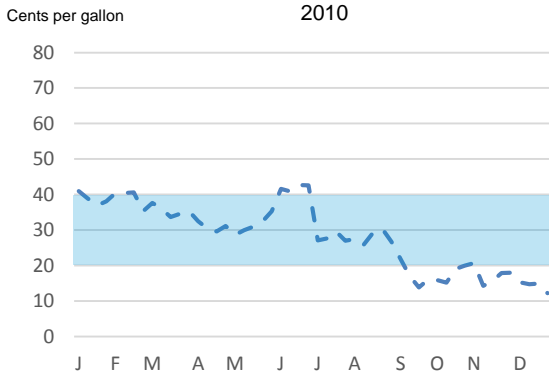
- 1 in 2014

- 2 in 2015 – unique occurrence/will be analyzed separately

- Caveats- market prices move on anticipated supplies/not actual

- Timing of price movements and supply balances different
- Markets under/over correct

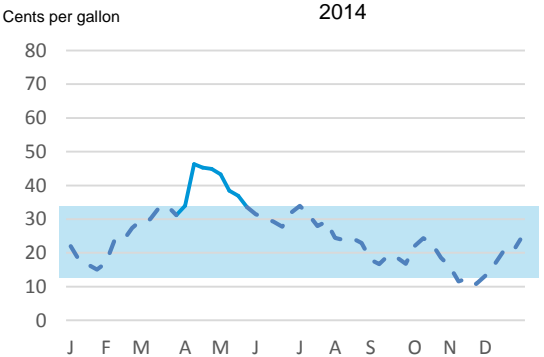
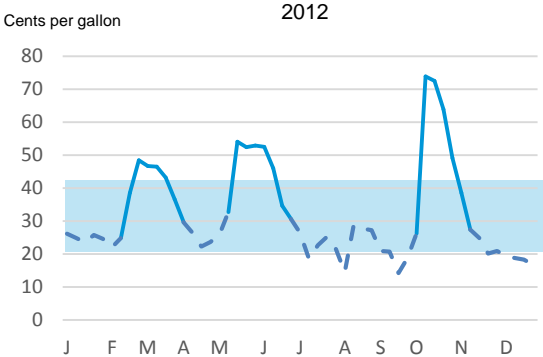
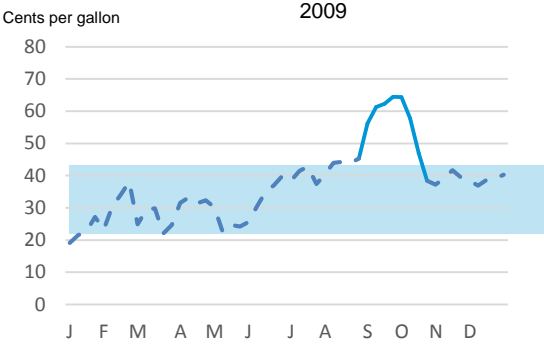
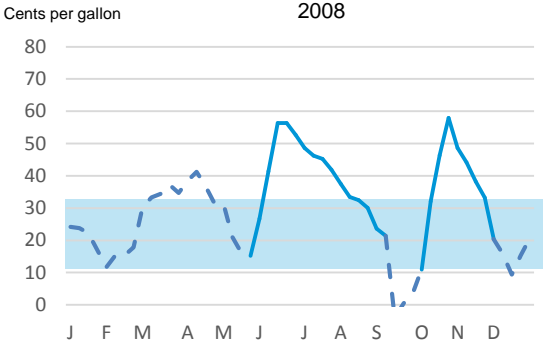
LA retail gasoline differentials “normally” trade in a 20 cent per gallon range versus the U.S. average



Average Differential = 26cpg

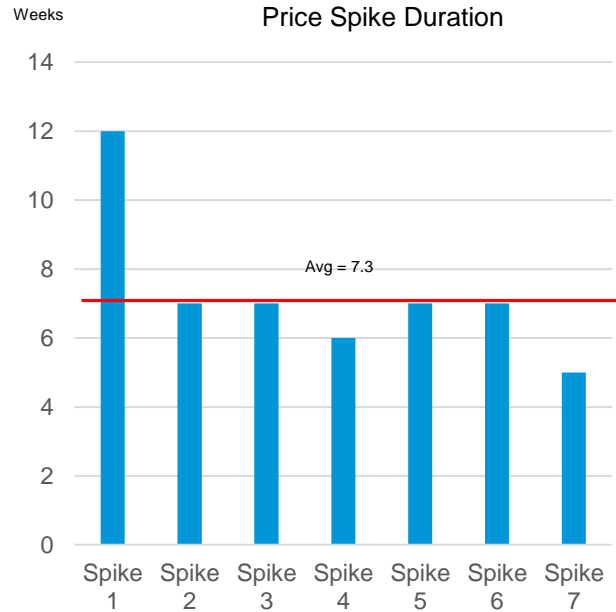
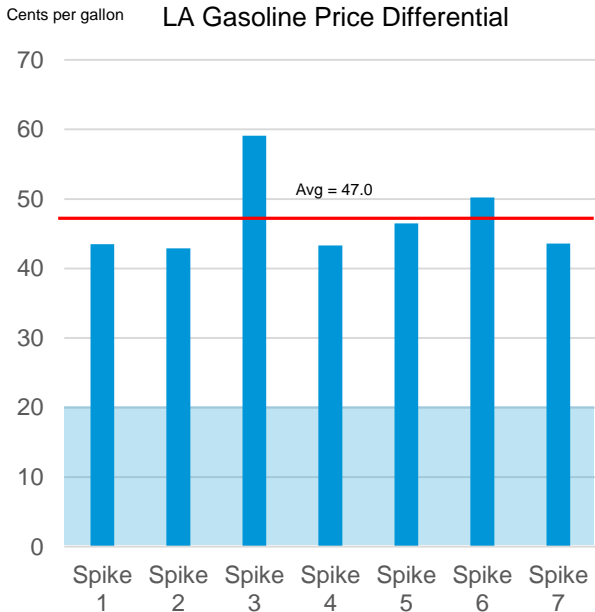
Source: EIA

LA retail gasoline differentials traded outside their normal range in 2008, 2009, 2012, and 2014



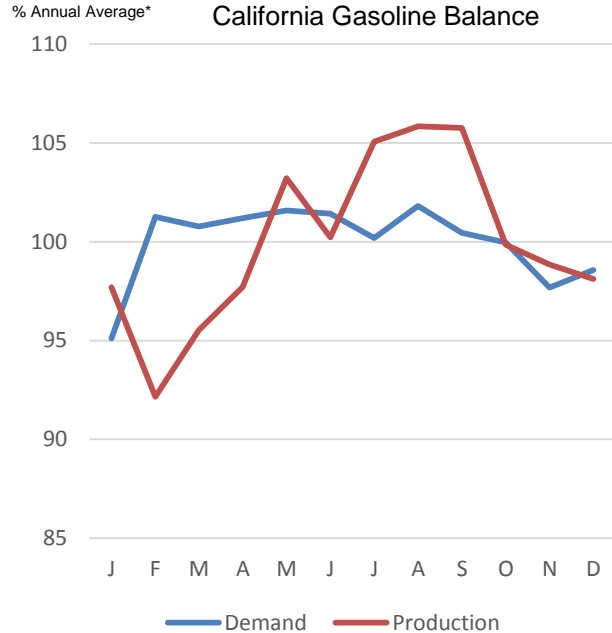
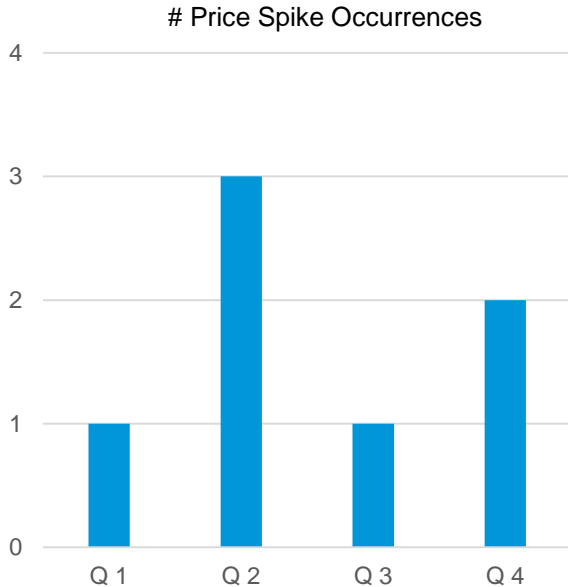
Source: EIA

On average, retail price spikes raise LA price differentials to 47 cents per gallon (21 cents above normal) and last over 7 weeks



Source: EIA Analysis

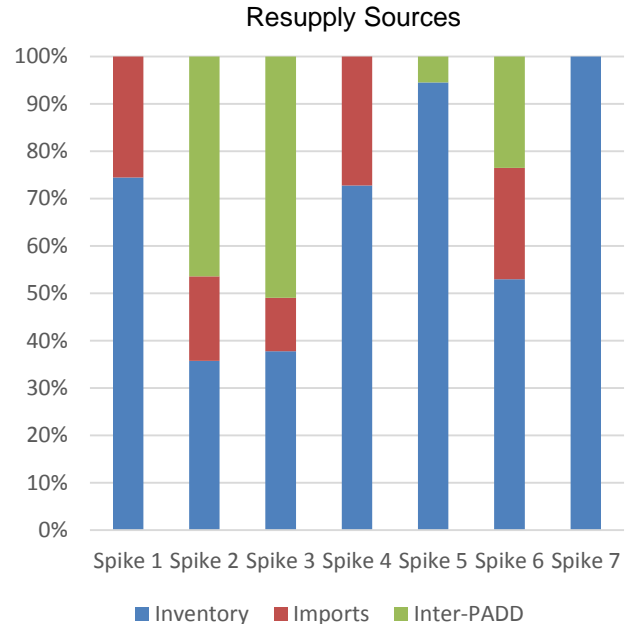
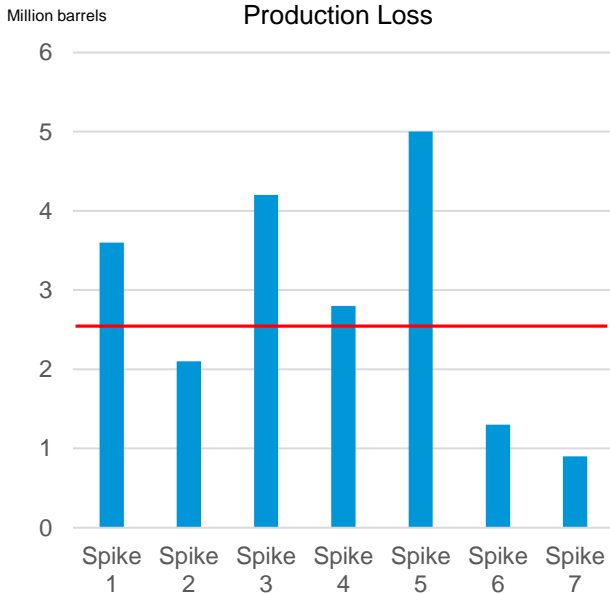
Retail price spikes tend to occur more often in the second quarter due to specification changes and first quarter maintenance



*Demand= 2008-2015
Production= 2010/11/13

Source: EIA Analysis, CEC, FHWA

On average, retail price spikes result from a loss of 2.8 million barrels of supply and resupply sources vary

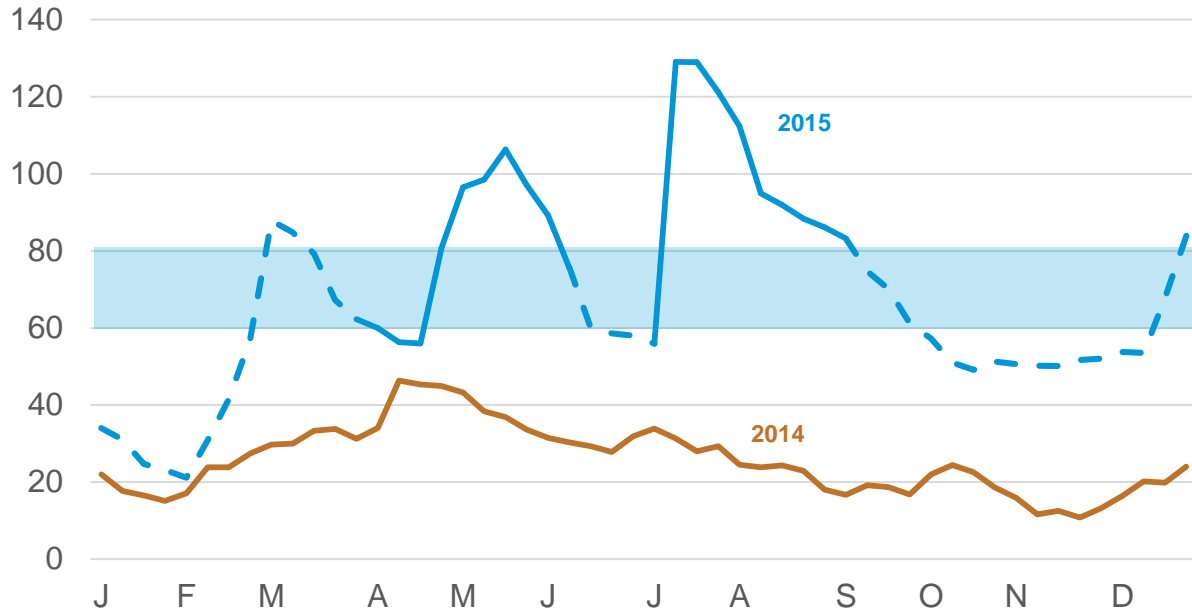


Source: EIA Analysis

Production losses in 2015 caused overall price levels to increase as well as producing price spikes

LA Gasoline Price Differential to U.S. Average

Cents per gallon



Source: EIA

PADD 5 production losses and demand increases in 2015 were balanced from a variety of sources

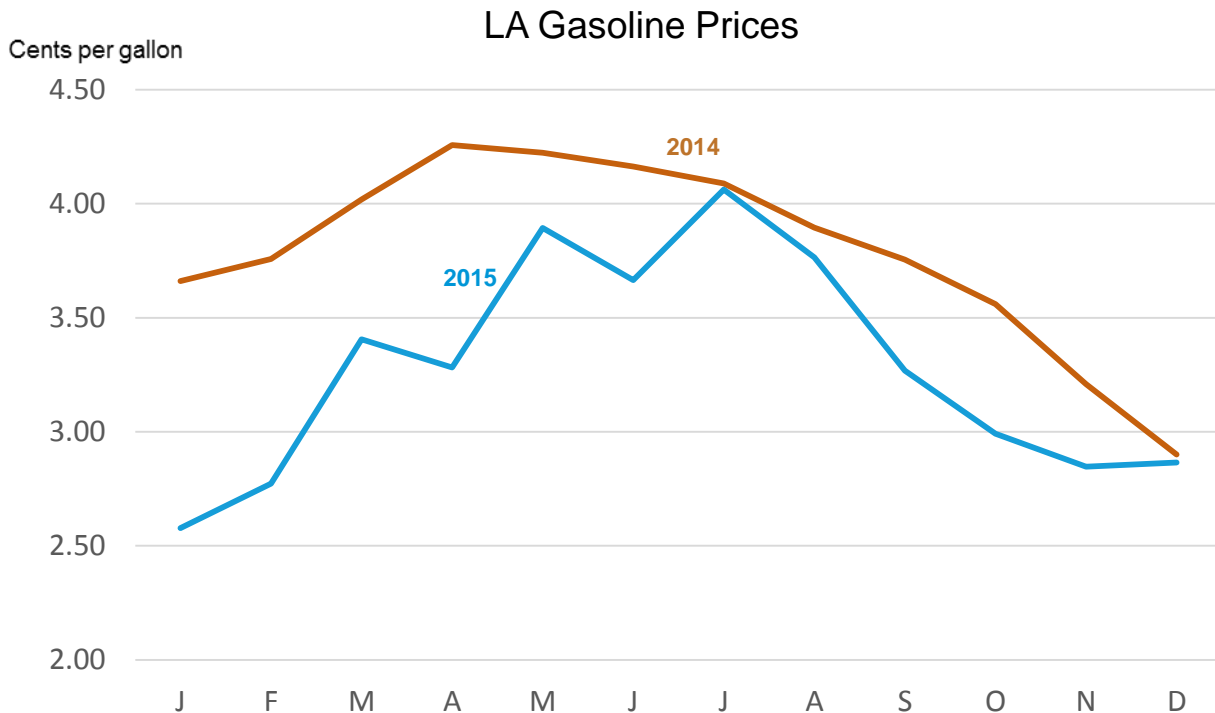
		2014		2015		Change
Demand (MBPD)						
	Domestic	1543		1575		32
	Export	55		42		(13)
	Total	1598		1617		19
Supply (MBPD)						
	Production	1410		1345		(65)
	From PADD 3	130		145		15
	From PADD 4	42		50		8
	Inventory	(4)		15		19
	Imports	21		62		41
	Total	1598		1617		19

Shortfall	
Demand	32
Production	<u>65</u>
Total	<u>97</u>

Makeup	
Imports	41
Inventory	19
PADD 3	15
Exports	13
PADD 4	<u>8</u>
Total	<u>97</u>

Source: EIA Analysis

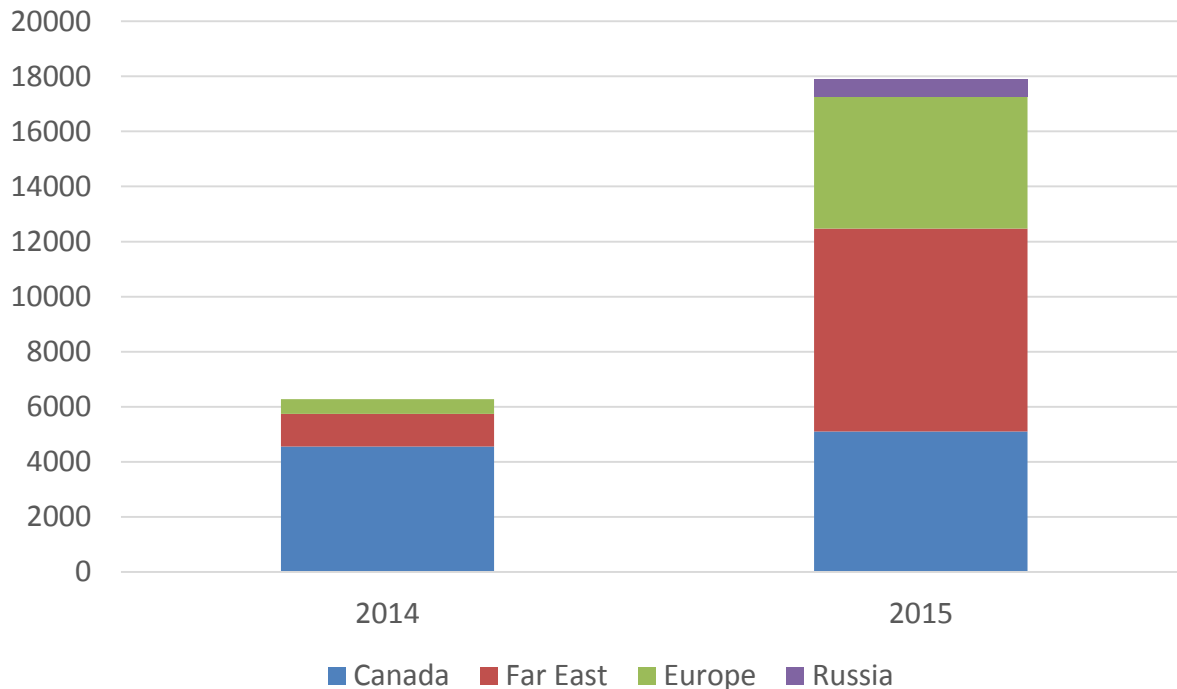
Even though LA retail price differentials increased in 2015, overall prices were lower than 2014 leading to the demand increase



Source: EIA

PADD 5 gasoline imports increased in 2015, particularly from the Far East and Europe

Thousand barrels



Source: EIA