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COMMITTEE ON OVERSIGHT AND
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COMMITTEE ON EDUCATION AND LABOR

Statement of Dennis J. Kucinich
Chairman, Domestic Policy Subcommittee
July 25, 2007

Good morning.

Today is the second half of our June 8 hearing on Hot Fuels. We had invited ExxonMobil and Shell to testify at that hearing. Unfortunately, they refused. So at my request, the full committee Chairman, Mr. Waxman, sent ExxonMobil and Shell invitation letters asking, again, for their testimony before our committee, but this time it was in order to avoid the necessity of a subpoena. We are happy that ExxonMobil and Shell reconsidered their earlier reluctance to testify.

The oil industry has known for 100 years that gasoline expands and contracts with temperature. As it warms, gasoline expands by volume but not by weight or energy content. As it cools, gasoline contracts.

At the turn of the last century, the oil industry developed a standard and method for compensating for temperature variations, and they use it to this day in most wholesale transactions. Regardless of the actual temperature of the gasoline, its volume is adjusted mathematically prior to sale, according to the known physical properties of gasoline. If the actual temperature of the gasoline is above a reference temperature of 60 degrees Fahrenheit, its volume is adjusted downward. If the actual temperature is below, the volume is adjusted upward. As a result, neither the seller nor the buyer reaps an advantage in wholesale transactions of gasoline due to its temperature. That has been the standard for wholesale transactions since the 1920's.

But retail sales of gasoline are a very different story. The oil industry does not compensate for temperature in retail sales to consumers. In fact, it refuses to do so. When the leading manufacturer of automatic temperature compensation equipment applied for and received certification for sale in the State of California, no oil company would buy it.

This is the first apparent double standard we hope to clarify today: how do the oil companies justify opposing temperature compensation at retail, while conducting most wholesale transactions with temperature compensation?

But that is not the only apparent double standard.

While they have refused to use temperature compensation for retail sales in the United States, the subcommittee has learned that the industry does the opposite in Canada, where nearly all the gasoline sold at retail is measured in temperature compensated volumes. The majority of the gasoline pumps in Canada are equipped with technology that adjusts the volume dispensed according to temperature. We have furthermore learned that the industry moved voluntarily to install temperature compensating equipment in Canada. This is the second instance of what appears to be a double standard: how does the oil industry justify refusing to use temperature compensation for retail sales *in the United States*, while universally and voluntarily embracing temperature compensation at retail *in Canada?*

But even that is not where the apparent double standards end. We have learned that the oil industry applies one standard to the retail sale of some hydrocarbons, while applying a different standard to others. Throughout the United States today, liquefied petroleum gas, such as propane, is dispensed for retail sale using automatic temperature compensation. Liquefied petroleum gas is a fossil fuel product, like gasoline. Large integrated oil companies, like our witnesses, produce liquefied petroleum gas as well as gasoline, and sell those products. But, as we don't need now to be reminded, when it comes to selling gasoline, as opposed to liquefied petroleum gas, the industry refuses to use temperature compensation. So here is the third instance of an apparent double standard.

It has long been the position of the National Institute on Standards and Technology, and they testified to this effect at our last hearing, that compensating for temperature ensures the most accurate way of measuring volume. So what could be the industry's reason for opposing accurate measurement of retail gasoline sales in the United States?

Well, maybe it is all a wash. Maybe the effort involved in using temperature compensation is not necessary because, on average, gasoline temperatures would average over the course of a full year to be 60 degrees Fahrenheit, exactly the same as the reference temperature that the industry uses for its wholesale standard.

Well, it turns out that retail gasoline averages to be at a higher temperature than the industry wholesale standard. At our last hearing, one of our witnesses testified that his company routinely monitors the temperature of gasoline in underground storage tanks at gas stations as part of an EPA enforcement program to detect leaking underground storage tanks. My staff tallied the past year of temperature data from nearly every state and weighted it by the amount of gasoline sold in that state. Here is the result of that arithmetic:

66.7 degrees Fahrenheit.

The industry standard temperature is 60 degrees Fahrenheit. So the actual national average temperature for gasoline is higher than the standard temperature the industry uses in most wholesale transactions. So it is not a wash. Temperature variation of gasoline in the United States consistently tilts to the industry's advantage.

We hope that today's witnesses will be able to clarify the issue for us. Consumers and dealers alike have an interest in accurate measurement. Both would appreciate answers.
ExxonMobil and Shell are large oil companies in both the U.S. and Canadian markets. So who would be better positioned to explain to the committee the industry's view of these apparent double standards?