



**Written Testimony of
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Before the U.S. Senate Committee on Energy and Natural Resources

***Written Testimony “To explore the effects of ongoing changes in
domestic oil production, refining and distribution on U.S. gasoline and
fuel prices”***

July 16, 2013

Thank you for the opportunity to testify at today’s hearing. My name is Chris Plaushin, and I serve as the Director of Federal Relations for AAA.

AAA is a not-for-profit, fully taxpaying federation of motor clubs in the U.S. and Canada, providing more than 53 million members with travel, insurance, financial and automotive-related services. Since its founding in 1902, AAA has been a leader and advocate for the safety, security and mobility of all travelers.

The price of gasoline is a primary concern of U.S. motorists and for more than a dozen years AAA has provided an accurate and comprehensive resource – AAA’s “Fuel Gauge” – which tracks national, state and local gas prices. Additionally, AAA educates the public on steps they can take to get more miles out of a gallon of gas.

As the nation’s largest motoring group, when gas prices rise we hear from drivers who are increasingly frustrated and who look to AAA for explanation.

We view our role as arming consumers with factual information and unbiased perspective. Unlike others that frequently comment on gasoline pricing, AAA has no involvement in the regulation, refining, shipping, blending or sale of gasoline. We seek to educate consumers on the factors that result in price swings and urge policy makers to find solutions that will result in more stable, predictable prices. AAA

has continuously called on the federal government, policy makers, and other industry stakeholders to work to make sure that gasoline supplies are stable and not subject to large fluctuations. Oil is a publically traded commodity and influenced by the ebbs and flows of the market just like any other product subject to the forces of supply and demand.

AAA knows that consumers are frustrated by the pinch of higher retail gas prices. It is even more difficult for many Americans to predict, understand, and ultimately adjust to price changes that are regional, sudden and dramatic, as has often been the case in recent years.

There are a host of factors that can impact the price of gas at the pump. These range from the local variety – a pipeline disruption in Wisconsin or heavy storms in the Great Plains – to the global – violence in the Middle East and North Africa or economic growth in China. They also range from the expected – seasonal demand increases, product shifts or rising global demand – to the unexpected – hurricanes, refinery outages or geopolitical tensions.

The result of these myriad factors is a “new normal” where the days of a national pump price below \$3.00 is likely a thing of the past and state and regional price spikes that see retail prices move violently in a span of days are more common. The national average hasn’t been below \$3.00 per gallon since 2010 and motorists in 16 states have registered a one-week spike of at least 25 cents since that date.

The national average price for a gallon of gasoline on January 1 was \$3.29 per gallon – the highest mark ever to begin a year. As has been the case in recent years, prices rose to begin 2013, however they peaked earlier and lower. In both 2011 and 2012 gas prices rose to start the year because of surging oil prices due to unrest in the Middle East and North Africa. In 2011 the national average peaked at \$3.98 per gallon on May 5. In 2012 it peaked at \$3.94 on April 5 and 6. In 2013 the price peaked at \$3.78 on February 28 and 29. From that peak, the national average declined steadily to a recent low of \$3.47 on July 7. As wholesale gasoline prices have followed crude oil prices higher in recent weeks, the price at the pump in the majority of states is again on the rise and is likely aimed even higher – barring an unforeseen market-moving development – through the end of the summer driving season in mid-September.

Obscured by the relatively orderly rise and fall of the national average during the first half of 2013 was the high degree of state and regional price volatility due to refinery disruptions, most notably on the West Coast and in the Midcontinent. In both of these cases, even as the national average price of gasoline was falling, refineries that were offline for planned or unplanned maintenance meant a tightening of regional supplies and subsequently sharply higher prices for drivers. While pump prices in these markets did drop sharply as production came back online, motorists were understandably frustrated and squeezed by soaring prices and these dramatic price swings underscored the volatility that has become all too familiar in recent years. The most expensive gas prices in the country are, as of July 12, paid by drivers in Hawaii (\$4.32), Alaska (\$4.05), California (\$3.99), Connecticut (\$3.84) and Washington (\$3.84). Drivers pay the least in South Carolina (\$3.21), Alabama (\$3.30), Mississippi (\$3.30), Tennessee (\$3.32) and Arkansas (\$3.35).

Unfortunately, there is no “silver bullet” solution to high prices or to market volatility. Rather it will take a portfolio of policies to best mitigate the periodic uncertainty of gas prices and their impact on consumers.

The federal government should adopt a national energy policy, which combines increased production, the efficient use of traditional and alternative fuels, and the elimination of lengthy roadblocks to the development of new sources of energy – so long as we are not precluding the appropriate level of environmental review.

Going forward, from AAA's perspective, such a plan should strive to seek an effective balance between our need for mobility and independence and our need for increased energy efficiency.

AAA remains committed to providing our members and the traveling public with accurate prices and fuel conservation tips. While much attention has been given to the production side of the equation, there is a demand aspect as well. Informing consumers must be a necessary element in any strategy – how you use your car is just as important as which vehicle you use.