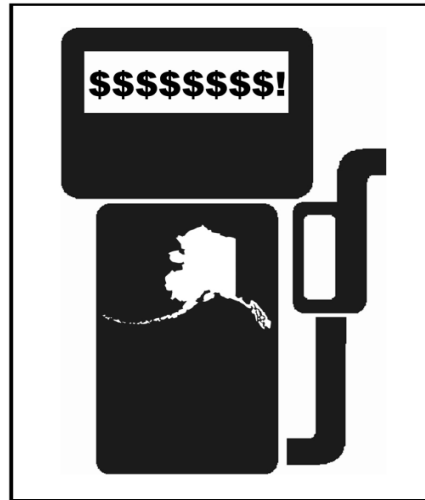


America's Most Expensive Gas:

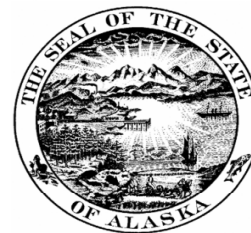
Alaskan Consumer Gasoline Prices Compared to Rest of the Nation



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ALASKA STATE LEGISLATURE



REPRESENTATIVE PETE PETERSEN
REPRESENTATIVE CHRIS TUCK

October 21, 2009

Dear Fellow Alaskan,

Alaskans across the state have expressed concern about the high cost of gasoline, and as this report shows, they have good reason. Over the last year, Alaskan gas prices have consistently been the highest in the nation. This report provides a point in time analysis of how Alaskan prices compare with those in other states. By accounting for different state tax rates, this report gives an accurate portrait of the true cost difference between Alaska and the other states, using the most recent data. As you can see the differences are staggering, even though we are the nation's largest per capita oil producing state.

This report presents current prices, and other reports have shown why Alaska's gas prices are so much higher than anywhere else in the nation. We recommend you read the Attorney General's 2008 Alaska Gasoline Pricing Report and "Petroleum Refineries and Gasoline Prices in Alaska" by Chuck Burnham of the Legislative Research Division.

These reports show that Alaska's high prices are caused by abnormally high margins caused by Alaska's two major oil refineries, and that there is no real competition between Alaskan refiners that would keep price down. That is why we have introduced House Bill 68 which would prohibit refineries from charging excessive or exorbitant prices.

There are many energy solutions being discussed for our state, and many projects would take years to realize benefits. Banning excessive refinery prices would have an immediate effect benefiting both rural and urban Alaskans. We will continue to fight for short and long term solutions to lower energy costs for all Alaskans.

Sincerely,

Handwritten signature of Representative Pete Petersen in black ink.

Representative Pete Petersen

Handwritten signature of Representative Chris Tuck in black ink.

Representative Chris Tuck

Executive Summary

This report finds that Alaskan gasoline prices are dramatically higher than those of any other state in the nation, even though Alaska is the nation's second largest crude oil producer. Findings include that:

- Alaska has the highest gasoline prices in the nation, when taxes are included in the total price.
- When state taxes are subtracted, Alaska's prices are 41% higher than the average state price, despite having the lowest state tax in the country.
- Without state taxes, the average consumer price for a gallon of regular gasoline in Alaska is \$3.268, which is 17% percent higher than the Hawaii, the next most expensive state.
- Even when compared to other small population states, Alaska's remains a significant outlier.

This analysis is a point in time survey, from October 20, 2009, of how Alaskan consumer gasoline prices compare to prices in other states. Consumer gasoline prices are usually reported including state taxes because that reflects the entire cost paid by the consumers, but this can be misleading since state taxation varies widely. This report allows for an objective "apples to apples" comparison of state gasoline prices by subtracting state taxes from the consumer gasoline prices.¹ To provide additional context this report also shows average daily crude oil production levels for each state.

Methodology

The methodology for this report is very simple and objective. For each state the amount of state taxes for a gallon of gasoline is subtracted from the average consumer price for a gallon of regular gasoline, as reported in the October 19, 2009 AAA Fuel Gauge Report.² The source for the state gasoline taxation is the American Petroleum Institute's October 2009 Motor Fuel Tax Summary Report.³ To add additional context, daily crude oil production information from the U.S. Energy Information Administration is provided for each state.⁴ The latest oil production data available is for 2008, but the pricing information is accurate as of October 2009.

This information is presented for every state (and the District of Columbia). This report presents the data for Alaska side by side with data from other states that are comparable to Alaska, or relevant to Alaska's gasoline situation. An arithmetic mean state price without state taxes was calculated. At the end of this report, data is listed for all fifty states and the District of Columbia.

Alaska is compared to Hawaii because of a similar remoteness from Lower 48 states, compared to other small population states because of similar population and population distribution, and compared to Washington because of Alaska's close economic relationship with Washington and because Washington is used as a point of reference in House Bill 68.

¹ This report includes the District of Columbia, and except where specifically stated otherwise, the District is considered a state for purposes of this report.

² <http://www.fuelgaugereport.com/sbsavg.html>

³ <http://www.api.org/statistics/fueltaxes/>

⁴ http://tonto.eia.doe.gov/dnav/pet/pet_crd_crpdn_adc_mbbldpd_a.htm

Alaska and the National Mean

State	Price Less State Taxes
Alaska	\$3.268
Mean state price	\$2.322

Alaska's prices are 41% higher than the average (arithmetic mean) state price excluding state taxes. It should be noted that this mean is not the "average national price" since it is simply an average of the 51 state prices and does not account for population differences.

Alaska and Hawaii

State	Gross Price	State Taxes	State Taxes Rank	Price Less State Taxes	Rank Price Less State Taxes	Daily Crude Production ⁵	Rank Crude Production
Alaska	\$3.348	\$0.08	51	\$3.268	1	910	2
Hawaii	\$3.249	\$0.444	3	\$2.805	2	None	N/A

Alaska and Hawaii are unique in being the only two states not connected by land to the rest of the nation, but other than that the two states have little in common as gasoline markets. Alaska is the nation's second largest crude oil producing state, while Hawaii has no crude production. At first glance the two non-contiguous states appear to have comparable prices- but this is misleading since Alaska has the lowest rate of state taxation in the country, and Hawaii has the third highest state tax. When state taxes are subtracted it becomes clear that Alaskan prices are 17% higher than Hawaiian prices when state taxes are subtracted.

Alaska and Washington

State	Gross Price	State Taxes	State Taxes Rank	Price Less State Taxes	Rank Price Less State Taxes	Daily Crude Production	Rank Crude Production
Alaska	\$3.348	\$0.08	51	\$3.268	1	910	2
Washington	\$2.768	\$0.375	5	\$2.393	7	None	N/A

Alaska and Washington have a close economic relationship, and Washington is the primary state for shipping from the Lower 48 states to Alaska. Most of the gasoline used in Southeast Alaska is shipped from Washington. Basic economic principles dictate that in a competitive market Alaskan prices would

⁵ In thousands of barrels per day.

be comparable to Washington’s, since Alaskan gas suppliers would have to compete with the possibility of gasoline being imported from Washington. When state taxes are subtracted Alaskan prices are 37% higher than Washington prices.

Because of Alaska’s unique relationship with Washington, Washington was chosen as the point of reference in House Bill 68 which is sponsored by Representatives Petersen, Gara, Tuck, Gruenberg, and Kawasaki. HB 68 would prohibit Alaskan refineries from charging excessive or exorbitant prices for gasoline, diesel, and heating oil. The bill would establish an objective threshold, at 10% higher than prices charged by Washington refineries, over which the burden of proof would shift to the refiners to justify their prices.

Alaska and Other Small Population States

State	Gross Price	State Taxes	State Taxes Rank	Price Less State Taxes	Rank Price Less State Taxes	Daily Crude Production	Rank Crude Production
Alaska	\$3.348	\$0.08	51	\$3.268	1	910	2
Delaware	\$2.467	\$0.23	30(tie)	\$2.237	45	none	n/a
District of Columbia	\$2.637	\$0.235	26(tie)	\$2.402	6	none	n/a
Montana	\$2.596	\$0.278	18	\$2.318	13	86	10
North Dakota	\$2.592	\$0.23	30(tie)	\$2.362	8	172	6
South Dakota	\$2.54	\$0.24	25	\$2.3	17	5	22(tie)
Vermont	\$2.593	\$0.233	29	\$2.36	10	none	n/a
Wyoming	\$2.441	\$0.14	50	\$2.301	16	145	8

This chart shows the Alaskan data along with the data for the other small population states, defined as states with only one representative in the United States House of Representatives.⁶ These states have populations comparable to Alaska’s, and- with the notable exception of the District of Columbia- have population distributions similar to Alaska. Except for the entirely urban District of Columbia, Alaska and the other small population states all have relatively small cities and small outlying rural communities.

Of the eight small population states, four have prices below the national mean and four have prices above the mean. Of the oil producing small population states, only Alaska and North Dakota have prices above the mean. North Dakota’s prices are 4 cents higher than the mean, and Alaska’s are 94.6 cents higher, making Alaska a significant outlier.

⁶ The District of Columbia is included in this chart, because it is being treated like a state for purposes of this report since its population level meets the requirement for a small population state.