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A Snapshot of Gasoline Prices in PA and OH

Summary: In light of the recent request to reverse the flow of transport fuels along the western half of the Laurel Pipeline, a question arose: are gasoline prices in Pennsylvania much different than those in neighboring Ohio? At the retail level the answer is yes. However, when taking into account each state's gasoline tax, the answer changes. Differences are found between prices paid by Pennsylvanians in the western part of the state than those in the east.

A previous *Brief* (Volume 17, Number 24) analyzed a request to reverse the flow in the Laurel Pipeline. This reversal would send fuels from west in Midland, Beaver County to Altoona rather than the east to west flow currently coming from Philadelphia. Such a reversal would take advantage of refined transport fuels from Midwest refineries instead of from refineries in the Philadelphia area. The two sets of refiners seem to have differing prospects for future growth. And this brings up another important question about the price consumers are paying for gasoline.

This *Brief* looks at the price of gasoline in both Pennsylvania (PA) and Ohio (OH) to determine why there are differences, if any, paid at the pump.

To begin, note that the U.S. Energy Information Administration (EIA) has data on the wholesale/resale price of gasoline by refiners for each state. The EIA defines "sales for resale" as "sales of refined petroleum products to purchasers who are other-than-ultimate consumers". Thus this is the price of gasoline being sold by refiners to companies who will then sell it along to consumers. Comparing the average monthly per gallon price between PA and OH shows interesting results. From 2010 to 2013, PA's average monthly wholesale/resale price charged by refiners was more expensive than in OH ranging from 1.60 cents greater in 2010 to 7.28 cents in 2012. However, from 2014-2016 PA enjoyed the advantage with the average monthly price of gasoline at the wholesale/resale level being cheaper in the range of 0.3 cents (2014) to 2.76 cents (2016).

Recently, through the first quarter of 2017, the average monthly price in PA has once again risen above the OH price by 1.03 cents. The average difference in the monthly wholesale/resale prices during this time period (2010 through first quarter 2017) is about 1.5 cents higher for Pennsylvanians. Not a substantial difference.

Bear in mind that PA has the highest state gasoline tax in the nation at 58.2 cents per gallon (the diesel tax is 74.6 cents per gallon). The PA gasoline retail tax reflects the large wholesale fuels levy imposed by Act 89 in 2013. OH's state gasoline tax per gallon is 28 cents with the same rate

for diesel. Since both states are subject to the same federal gasoline tax rate, it is ignored for purpose of comparing retail prices as it should have little bearing on retail price differences. A sampling of retail gasoline prices in PA and OH shows only minor differences after the state gasoline tax per gallon is subtracted from the prices in each state.

Each week the AAA website (gasprices.aaa.com) provides averages of retail prices by state and regions of the states. On May 15th of this year, the statewide average price for regular gasoline in PA was \$2.573 while in OH it was \$2.259—a difference of 31.4 cents per gallon. Removing the effect of each state's gasoline tax brings the price before state tax to \$1.991 in PA and \$1.979 in OH—making PA 1.2 cents higher. The difference in the price of diesel was just 2.3 cents. Two weeks later on May 31st, the average price of gasoline in PA came in at \$2.584, 26.6 cents higher than OH's \$2.318. But when the state tax is removed, the price difference puts PA at 3.6 cents cheaper (\$2.002 vs. \$2.038). And most recently, on June 14th, the average price of gasoline in PA, without the state tax, was only 2.4 cents more expensive than OH's average price minus their state tax.

Of course these are snapshots for the statewide averages. Note there are fluctuations over short periods but the prices, excluding state taxes, are fairly close.

It is often remarked that differences also exist between prices in the eastern half of PA and the western half. Using two metro areas in each half of the state, Erie and Pittsburgh in the west and Philadelphia and Scranton-Wilkes Barre in the east, this assertion can be examined. The average price for a gallon of regular gasoline in the two metros on each side of the Commonwealth on May 15th show western metro prices to be 8.8 cents more expensive than in the eastern metro areas. One year earlier for the week of May 15th, it was 5.6 cents more expensive. Two weeks later the May 31st reading had the western metros 5.9 cents higher, and one year earlier it was 8.5 cents. On June 14th that difference was 6.5 cents higher for the metros in the west. Perhaps it's just coincidental that these data points put western metro prices higher than in the two eastern metros. But the price gaps are large enough to suggest there is an underlying factor explaining the gap. Because taxes are not a factor in the price disparity could it be the cost of transporting the fuel driving the price differences?

If that is true it makes a stronger case for reversing the flow in the Laurel Pipeline to provide more fuel to the western part of the state.

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