

## Temperature Compensation Media Messages

*Revised June 20, 2007*

*(Revisions reflect new information re: NAS study, experience with recent media interviews and more.)*

### Temperature Compensation

- This is the gasoline equivalent of an urban myth.
- Gasoline is sold by volume only. A gallon is a gallon every time. And that gallon is assured by pumps that are calibrated and regulated by state government authorities. The consumer should have confidence in those measurements.
- It's not as simple as temperature. The question is what's the best way to measure fuel? The fact is that different types of fuels -- gasoline, diesel and particularly, alternative fuels -- have different BTU content. And to sell fuel by quantifying energy content is very difficult and ultimately confusing for the consumer. A gallon is a reliable measurement that has been used by the industry for years and consumers understand it.
- The "theory" that the energy content in a gallon of gasoline is somehow affected by temperature is a red herring. Any alleged loss or gain is infinitesimal at best. Consumers will get far greater benefit at significantly lower cost by taking steps to keep their tires properly inflated and vehicles well tuned than by anything that might be achieved at astronomical cost to manipulate the temperature of fuel.

### Existing "Research"

- In our view, the existing reports being used to substantiate calls for temperature compensation are overly simplistic and seriously flawed.
- Before we impose potentially crippling costs on retailers, consumers and state authorities who would have to completely overhaul the technology they use to calibrate fuel pumps, government has a duty to ensure there is compelling data to support such a radical change in how fuel is dispensed in this country.
- That's why we're supporting the congressional request for an independent, government-funded study of the issue by the National Academy of Sciences (NAS) to fully understand and evaluate the impact of temperature variation on consumers. That's the only way that everyone—consumers and retailers alike—can be assured that this issue is being addressed in a responsible way.
- We are confident that an NAS study that looks at both the costs and benefits of temperature compensation, as well as how economics influences temperature variances, will resolve once and for all the debate over this issue. In fact, we expect that the study will ultimately demonstrate that the costs borne by fuel consumers and independent, small business owners will go up, not down, based on the additional costs associated with the installation of expensive ATC equipment and from the increase in state administrative expenses required to enforce such a program. We anticipate further that consumers will realize no appreciable benefits from such

expenditures.

- If the NAS study instead finds that there is, in fact, a serious problem with fuel temperature, then our industry will work with the appropriate authorities at the federal and state level to reach a solution that benefits the consumer.

## **Canada**

- To the best of our knowledge, Canadian retailers opted for the technology because of a tax collection issue unique to Canada, and not because of any impact on consumers. Canadian retailers pay taxes based on volume, and they were being taxed on phantom gallons, so they chose to adopt temperature compensation.
  - There's has never been any evidence to suggest that there is any benefit for consumers, retailers or others resulting from temperature compensation in Canada.
- What's compelling to us is that no country on earth, including Canada, has ever mandated fuel temperature compensation. Those countries that have studied the issue [Australia and Western European countries] have actually concluded it's a loser for consumers.
- Every year, the U.S. NIST surveys underground tank temperatures. NIST has never reached any scientific conclusion that temperature compensation is necessary.
  - If NCWM does indeed think that the temperature of underground storage tanks is an issue, then we'll be willing to work to come up with a reasonable solution.
  - They should be the first organization looking at completion of a reliable fact-based analysis of temperature correction technology, its value and its cost before any further steps are taken.

## **P.U.M.P. Messages**

- Our coalition of independent petroleum marketers is seeking to ensure fair competition, cost-effective distribution and equitable treatment of consumers in addressing the issue of temperature variation in the sale of gasoline and diesel fuels.
- We're calling for a complete and thorough examination of fuel dispensing practices to fully understand and evaluate the impact of temperature variation on consumers. That's the only way that everyone—consumers, and retailers alike—can be assured that this issue is being addressed and resolved in a fair and equitable manner.