



Media Contact:
Georjeane Blumling, Ph.D
Vice President Public Relations
 757-233-3825
Gblum@tidewater.aaa.com

AAA: Gone Are The Days When Virginia Was Among The Top Ten Most Affordable States In Which To Buy Gas

Not since hurricanes Katrina and Rita and refinery challenges have Virginia gas prices been so close to the national average.

VIRGINIA BEACH, VA (Friday, February 24, 2012) –Today the average price for a gallon of self-serve regular gasoline in the Commonwealth is \$3.57, just .07 cents shy of the national average of \$3.64. Historically, pump prices in Virginia lag far behind the national average by .10 to .15 cents, leaving motorists to wonder why prices are so high statewide and how much higher they will go.

“There have only been two times in approximately a decade when the average gas price in Virginia has been even close to the national average, and those were due to extreme circumstances,” commented Georjeane Blumling, Vice President of Public Relations for AAA Tidewater Virginia.

When Hurricanes Katrina and Rita hit the gulf and east coast in 2005, they temporarily shut down oil refinery capacity in the region, damaged oil rigs in the Gulf of Mexico and halted the operation of a major pipeline. This essentially crippled gasoline supplies on the east coast, sent pump prices to new highs and even prompted the highly unusual release of some of our nation’s emergency petroleum reserve. In April of the following year (2006), the federal government mandated that gasoline companies switch from the gas additive MBTE to ethanol. During that transition, many companies experienced challenges with the switch, reducing their output, thus limiting supply and once again raising prices dramatically.

“At today’s fuel prices in the Commonwealth, the average Virginia family will spend about \$429 a month on gas. This is over \$100 more than what they spent last February when prices averaged \$3.06 per gallon,” stated Blumling. “This represents approximately 8.7 percent of their monthly family budgets on gas, an increase of over two percent from 2011.”

Estimated Monthly Household Cost and Estimated Percent of Monthly Income Spent On Retail Gas

	Approximate Monthly Fuel Expenditures	Approximate Percentage of Income	Price Per Gallon, Self-serve, Regular Gas
February 2011	\$315	6.4%	\$3.06
February 2012	\$429	8.7%	\$3.56
Increase	\$114	2.3%	50 cents

****Average derived from information including the current local gas prices, median state incomes and data on average miles traveled, provided by the Oil Price Information Service (OPIS), which supplies daily fuel price data to AAA.***

So why are Virginia gas prices now so much higher when compared to other states?

“Virginia’s source of crude oil and the closing of crude oil refineries which supply the east coast are both contributing to higher gas prices in our area,” according to Blumling. “We have all known for years that the price of crude oil is the largest percentage of the price of a gallon of gas with that percentage now at about 81% for the crude oil and its refining (American Petroleum Institute), but not all crude is created equal.”

The two major benchmarks for gas prices are West Texas Intermediate (WTI) crude and Brent crude oil. The majority of oil used on the east coast is Brent crude, which is now about \$20 per barrel more expensive than the traditional benchmark for gasoline prices (WTI). Brent crude is imported rather than produced in the United States making it more expensive, a factor that impacts consumer pricing. Brent crude oil prices are high for a variety of reasons including gas/oil speculators, political unrest in Nigeria, the on-going situation with Iran, growing demand in China, and the debt crisis situation in Greece. WTI crude, on the other hand, comes out of Texas, is refined in Louisiana and then consumed in the Midwest and gulf coast areas. The higher price of Brent crude oil is impacting the entire East Coast with six out of the ten most expensive states in which to purchase gas.

In addition, it was announced in January that the St. Croix Hovensa refinery would close by the end of this month adding to an already reduced refining capacity which supplies the east coast. This refinery was also a major significant supplier of our summer blends of gasoline which are harder and more expensive to produce yet better for the environment. ***The east coast has now lost over one million barrels of crude oil production a day and may now be forced to rely even more on imported oil likely from Europe and Canada.***

With gas prices already high, the normal escalation of the prices in the spring when refineries make the switchover from making winter gasoline blends to cleaner burning summer ones is likely to make things even worse. *“Even with gas price increases, we have not seen the worst as pump prices tend to go up around Memorial Day as the summer demand driving season kicks-off,” Blumling said. “Prices may break Virginia’s record of \$4.01 sometime between Memorial Day and July 4th. The good news, however, is that those prices will not likely hold for an extended period of time as motorists are expected to change their buying habits when rates reach the four dollar threshold.”*

Gas Prices as of February 24, 2012, for a gallon of self-serve regular gasoline:

	Price Today	Price Last Month	Price Last Year
National	\$3.64	\$3.37	\$3.22
Virginia	\$3.57	\$3.35	\$3.10
Charlottesville	\$3.51	\$3.29	\$3.07
Norfolk	\$3.52	\$3.31	\$3.06
Richmond	\$3.51	\$3.30	\$3.08
Roanoke	\$3.60	\$3.32	\$3.07

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