

THE VAN DER VALK GAS PRICE ADVISORY FOR 2-16-09

SAY GOODBYE TO THE MOM & POP GAS STATIONS IN CALIFORNIA

This is not an April Fools joke but you may want to pay a visit to one of those conveniently located small gas stations before midnight on March 31st this year. Because that may be the last day you will be able to stop off for two bucks worth of gas and a quick cup of coffee so you can get you to work and back.

That little gas station located around the corner from your home or in the small farm towns in California is currently being threatened. This time it is not an earthquake or a forest fire but a sweeping state regulation requiring them to update their vapor recovery systems at the nozzle on their pumps.

The forewarning came from the California Air Resources Board (ARB), who so far has steadfastly refused to issue a waiver to postpone the mandated deadline of April 1, 2009. It will result in the loss of the jobs and incomes related to many independently owned stations in California.

Most of the gas station owners knew the regulation was coming but did not realize until it was too late that the enforcement for the implementation of the ARB Enhanced Vapor Recovery (EVR) Phase II and In-Station Diagnostics (IDS) rules would mean the death knell of many of their small businesses.

Currently only about one third of the 13,000 gas stations in California are in full compliance with only about 50 per cent of them expected to meet the upcoming deadline. The average cost to install the equipment required to meet the new standards is about \$80,000 per station. That amount is costs prohibitive when most of the independent owners are already working on very slim profit margins.

Some of the low volume older gas stations will not be able to afford to install the new equipment on their pump islands even if they are given more time. They will wait for the agents from their local air district to show up with the dreaded red tags and lock up their pumps.

Most but not all of the major oil company stations controlled or owned by Shell (RDS.A), ExxonMobil (XOM), ConocoPhillips (COP), BP/Arco (BP), Chevron Texaco (CVX), Valero (VLO) and Tesoro (TSO) are expected to meet the mandate. They in fact have been pushing the ARB to start enforcing the regulation on time. But some of the branded major oil stations are owned by individuals or small companies and are in the same financial squeeze as their unbranded independent station owners.

There will be a hearing held by the ARB at their Sacramento headquarters on Thursday, February 26, 2009 to review progress or lack thereof for implementation of the new EVR Phase II and IDS rules. The EVR rules go into effect on April 1, 2009 with the IDS rules being phased in two stages with the first deadline in September 2009 and another in September 2010. Enforcement action has been threatened against those stations that do not comply with those deadlines.

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