

# Hurricane Harvey and Gas Prices

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Sparks Bureau of Business  
and Economic Research  
The University of Memphis

# Hurricane Harvey Effects

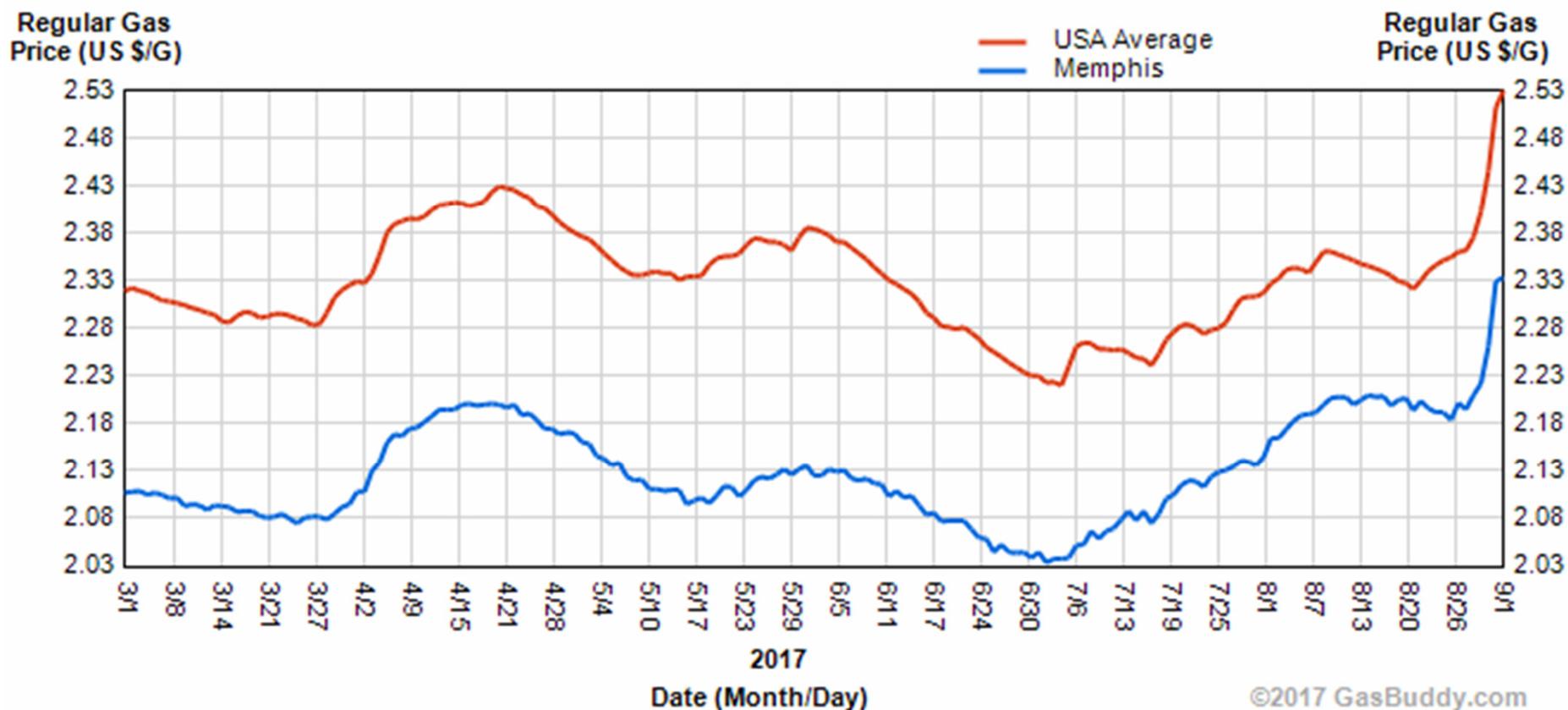
- Major Refineries temporarily shut down in Houston/Port Arthur areas.
- Accounts for approximately 25.0 percent of the nation's capacity when including other recent closures.\*
- Gas prices expected to rise an additional 15 to 25 cents per gallon over the next week.
- This will curtail some driving/tourism.
- Will eat into consumer budgets as money that is normally used for other purchases is diverted to gasoline purchases.

\*GasBuddy analyst Patrick DeHaan, in USA Today, *The nation's largest oil refinery shuts down as Hurricane Harvey floods Texas*. August 30, 2017.

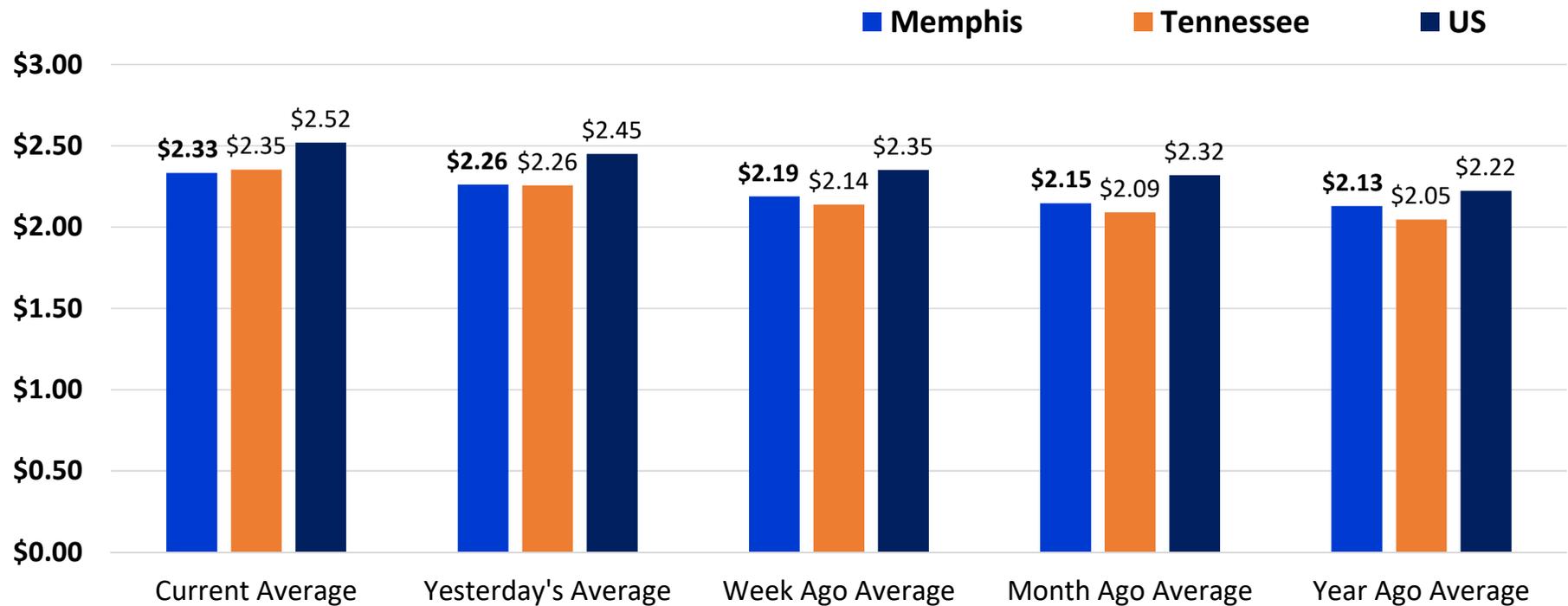
## Hurricane Harvey Effects, Continued

- Without locked in contracts for consumption, costs for energy will rise for all users.
- Public and private cost increases will impact budgets and profitability.
- Gasoline and Diesel prices have steadily risen since early July. This trend will be sharply exacerbated by Harvey.
- Harvey may be only the first storm to impact the energy industry this season, as Hurricane Season runs through the middle of October.

### 6 Month Average Retail Price Chart



# Memphis, Tennessee, and US Average Gas Prices (Per Gallon of Regular, 9/1/2017)

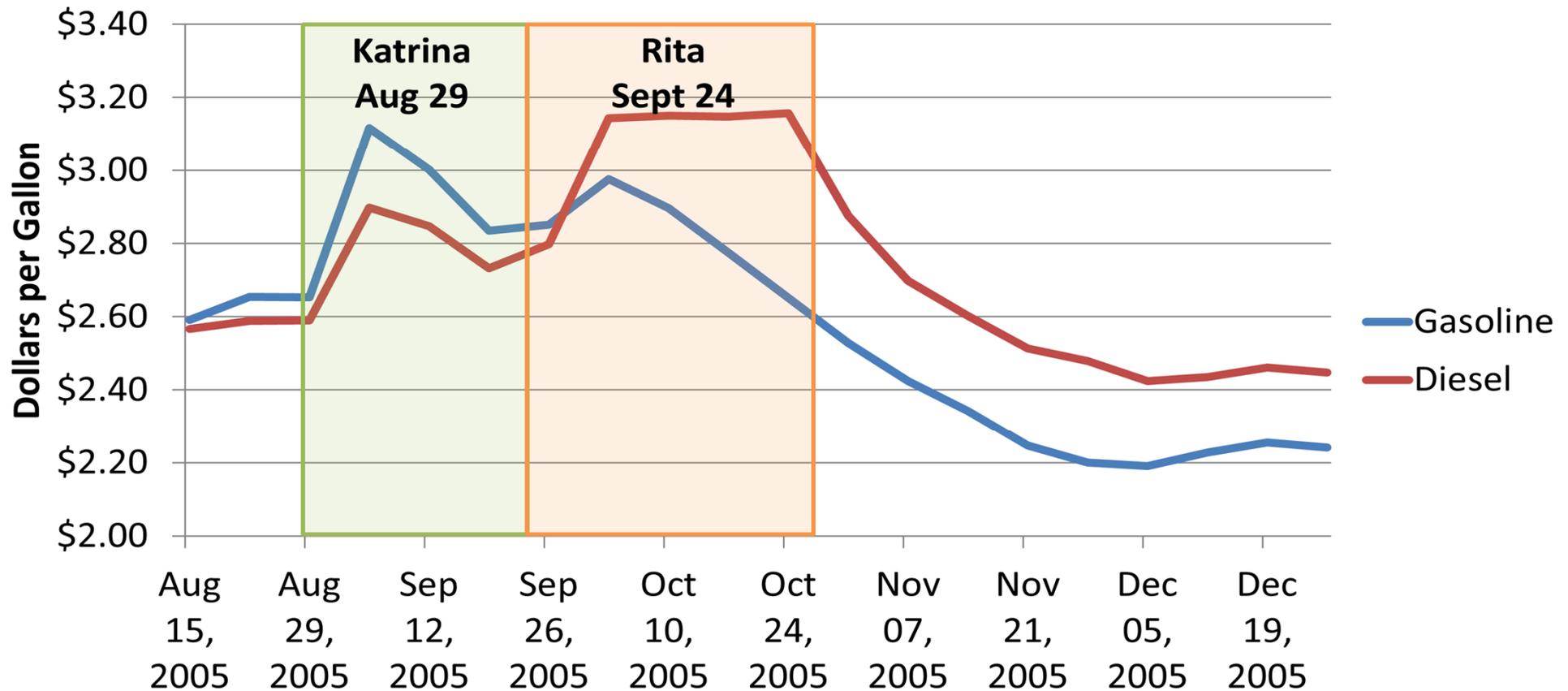


# Hurricane Harvey Effects

- Higher prices will be temporary.
  - The largest, off-line refinery is expected to resume operations within two weeks.
- US refining capacity in 2017 is much greater and more widespread than in 2005 (Hurricanes Katrina and Rita)\*.
- Sources of US oil production are also more diversified away from the Gulf, in particular due to fracking (e.g., North Dakota).
- Even after the double hit of Katrina and Rita, US Gas prices fell below pre-storm prices within two months of Katrina, one month of Rita.

For more information on this subject, see: <http://www.turnermason.com/index.php/ridin-the-storm-out-will-hurricane-season-rebalance-the-gulf/> and <https://www.accuweather.com/en/weather-blogs/weathermatrix/hurricane-katrina-at-10-gas-price-rollercoaster/52344711>.

# Effects of Hurricanes Katrina and Rita on Gasoline and Diesel Prices



Source: <http://www.turnermason.com/wp-content/uploads/2016/08/Figure-2-Gas-Diesel-Prices-Katrina-Rita.png>.

# Hurricane Harvey Effects Summary

- Short-run spike in gasoline prices.
- Short-run tightness in personal budgets, especially at lower income levels.
- Recovery in pre-storm price levels likely within a month or so, especially since no long-term hits to production and refining infrastructure.
- The longer price spikes last the greater the threat to Memphis retail establishments.

\*GasBuddy analyst Patrick DeHaan, in USA Today, *The nation's largest oil refinery shuts down as Hurricane Harvey floods Texas*. August 30, 2017.