Transportation Center Seminar Series presents.....

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**Consumer Choice Between Gasoline and Sugarcane Ethanol**

**Thursday – Jan. 20, 2011**
4:00 - 5:00 pm
Refreshments available at 3:30 pm

**Location:**
Transportation Center
Chambers Hall - Ruan Conference Center – Lower Level
600 Foster St., Evanston

**Abstract:**
How US motorists might switch from gasoline to an alternative energy source is not known, since the availability of alternatives is currently very limited. To bridge this gap, we exploit recent exogenous variation in ethanol prices at Brazil's pumps and uncover substantial consumer heterogeneity in the choice among century-old gasoline and a less-established---but still widely available and usable---alternative, sugarcane ethanol. Surprisingly, we observe roughly 20% of flexible-fuel motorists choosing gasoline when gasoline is priced 20% above ethanol in energy-adjusted terms ($/mile) and, similarly, 20% of motorists choosing ethanol when ethanol is priced 20% above gasoline. Ceteris paribus, older motorists, heavy vehicle users, or (in follow-up interviews) motorists voicing engine concerns or "range anxiety", are significantly more likely to choose gasoline over (lower-mileage) ethanol. In contrast, motorists who spontaneously invoke environmental concerns or reside in sugar-producing states exhibit a greater propensity to adopt ethanol. Our findings suggest---and a counterfactual illustrates---that switching away from gasoline *en masse*, should this be desired, would require significant price discounts to boost voluntary adoption, in the US and elsewhere.

**Bio:** Alberto Salvo is an Assistant Professor of Strategy at the Kellogg School of Management, Northwestern University. He is affiliated with Northwestern’s Center for the Study of Industrial Organization and the Transportation Center. Recent work of his examines consumer choice in transportation-related energy markets, and its environmental implications.

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