Propane price spikes are generally caused by the inability of propane supplies to adjust to unusual demand increases, such as those caused by especially cold winters. In addition, the lack of local propane storage and the constrained capacity of the distribution system can create bottlenecks in moving propane to consumers in periods of high demand.

Potential options to help propane consumers deal with price spikes include programs to pre-buy propane at a certain price. Such price stabilization programs help consumers mitigate the impact of price volatility. Participants in such programs may pay higher or lower prices compared to those who buy propane at the market price but would not be subject to price volatility. However, the extent to which such programs have broader potential is unclear. In locations where such options are available, for various reasons, use has been mixed, with low participation rates overall. These options are not available in some markets, and some consumers may not be able to afford to pre-buy propane. Energy assistance programs can help these consumers. But federal funding has declined, and the timing of funding availability generally does not allow participation in price stabilization programs. Improved information on such programs may be useful to consumers not facing other barriers.

A number of federal agencies are involved to some extent in different aspects of the propane market, but some opportunities exist to improve their propane related roles. In 1996, the Congress authorized the establishment of the Propane Education and Research Council to provide programs for propane research and development, safety and training, and consumer education, with oversight from the Departments of Commerce and Energy, but that oversight has been insufficient. Also, the Department of Energy’s Energy Information Administration could study the potential costs and benefits of continuing to improve information for propane market participants. Improved information on such programs may be useful to consumers not facing other barriers.