

Crude Oil and Fuel Prices Won't Back Down

The average prices on the West Coast went over \$2.30 per gallon for gasoline and \$2.45 per gallon for diesel. These prices reflect the latest increases in the wholesale spot market prices for both of those products since the first of the year. This morning the spot market pipeline prices actually did come down 2 cents per gallon for gasoline and diesel but that may not last given the current geo-political conditions in the world.

With all the bad news we also have some good news "Gas and diesel prices are lower this year". In fact they are about \$1.25 per gallon for gasoline and \$1.75 per gallon diesel lower than they were at this same time last year.

After setting a record setting average price of \$4.764 per gallon in mid-July, the diesel price average is now at \$.2264 per gallon, per the AAA fuelgaugereport, falling for 33 out of the 38 weeks by April 6, 2009. Crude oil prices have increased from \$33.98 on February 12th to \$52.51 a barrel on April 3rd, for an about 60% increase in seven weeks. For every dollar per barrel variance in the price of crude oil fuel will increase or decrease 2.4 cents per gallon accordingly.

Per AAA the average price for gasoline in the US today is \$2.039 per gallon, up from December 29, 2008 when it hit a five-year low of \$1.613 per gallon. The average price for gasoline has increased by 42.6 cents per gallon, for about 27% and it has increased in the last 13 of 18 weeks. Still, that price is \$1.244 below the same time a year ago.

Normal gasoline and diesel demand will not be recovering anytime soon from the blows dealt by the high prices from last summer. Right after that the double whammy with the spreading economic and banking crisis problems hit us like a ton of bricks.

After a brief rally in September, when hurricanes hit the US Gulf Coast, gasoline was actually selling at below the value of crude oil for much of the fourth quarter in the US. Summer pump prices rising above \$4 per gallon prompted many Americans to drive less, but now that prices are back down to \$2 per gallon, demand has remained flat from a year earlier.

Tom Petty wrote the following song lyrics applicable to what is happening in today's petroleum market:

Well I won't back down, no I won't back down
You can stand me up at the gates of hell
But I won't back down

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