

The van der Valk Gas Price Advisory for April 11, 2010

How soon will the price of gasoline hit \$7 per gallon?

The last time fuel prices spiked was August 2008 and we're still living with the effects of the chain reaction that triggered the global economic meltdown. Only a few years earlier, the commander-in-chief declared that the American way of life hung in the balance when access to oil was at risk and the war in Iraq continues.

Our attachment to cheap oil is not new and our own self-perception is deeply tied to the cars we drive. Where else in the world are cars made as big, as thirsty or with as many cup-holders as in America?

When prices at the pump went over \$4 per gallon in 2008, consumers rushed to unload their bloated SUVs. They talked of the cost of filling the tank being higher than the value of the vehicle. And, incredibly, even Detroit awoke to the new reality that small, while not quite beautiful, was no longer quite as ugly. That was at \$4.00 per gallon, but what if it goes even higher?

Consumer studies by researchers at Harvard's [Belfer Center for Science and International Affairs](#) suggest that in order for the Obama administration to meet their target to cut greenhouse gas emissions, Americans will soon be spending \$7 per gallon.

Among the targets set by the US Environmental Protection Agency ([EPA](#)) is a goal to reduce carbon dioxide emissions in the transportation sector 14% by 2020. A lofty ambition and in order to give it some teeth, it is included in the EPA's 2010 budget. Trucks and equipment using gasoline and diesel fuel are responsible for a majority of the emissions connected to global warming.

The proposed carbon tax is meant to discourage the present trend for ever increasing use of fossil fuels for our energy use. Without implementation of this carbon tax, vehicle miles traveled will increase by more than 30 percent between 2010 and 2030. On the other hand it may have just the opposite affect by further damaging an already fragile economy and perhaps bring on the much dreaded depression.

In the end consumers will have no choice but to opt for lower fuel-consuming vehicles, carpool or use public transport – but one thing for sure is that they won't stay at home.