

Crude Oil and Gasoline Prices Undergoing Stress Test

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Don't look now, but the price of crude oil has been moving sharply higher over the last couple of weeks. That is now up 80 per cent over the last 3 months with the price of WTI crude oil increasing from \$32 to \$58 a barrel in just a short three months. The price of was up another 85 cents per barrel early Friday heading towards the \$60 a barrel mark by the end of the day. Fuel prices for gasoline and diesel are going up in lockstep with another 2-3 cents per gallon increase today.

At the same time the national gasoline price per the AAA fuelgauge report from went from \$1.56 to \$2.16 per gallon as of today. This would normally set off alarm bells in the media with articles about suspected gas price gouging. These would then be followed up with the usual threats of investigation by head line grabbing politicians and divergent government agencies.

Reporters have been quick to report that at \$2.16 we are still paying almost a buck and a half per gallon less than we did before Memorial Day last year. Their question of the day remains: "Why are prices now heading back up to \$2.50 on the West Coast and the national average to \$2.25 per gallon?"

In plain and simple terms the refineries have finished making their switch to summer gas and it reduces supplies by 10% per cent. This year, however, as gasoline prices have been going back up the price of crude oil has been dragged up along with it.

Along with that President Obama's current budget proposal, which must be approved by Congress, includes ending "unjustified tax loopholes" for oil companies. That will raise \$26 billion over the next 10 years for alternative energy development.

The White House rejected as "unfounded" industry claims that by ending the tax breaks it would take a significant toll on US domestic oil and gas production. It said oil and, to a large extent, gas are internationally traded commodities whose prices are determined on the world market. "The oil and gas subsidies are costly to the American taxpayer and do little to incentivize production or reduce energy prices," the administration said in its budget package submitted to the Congress.

The budget also includes increasing federal road taxes on gasoline and diesel with 10 and 14 cents per gallon being added to the 18.4 and 24.4 cents respectively.

Price of gasoline is not going to going back down any time soon perhaps not until the fall of this year. But that will be another story for another day.

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