

## Mysterious Gas Price Hikes

With a war raging in Eastern Europe, the common wisdom is that we are all going to pay for sanctions against Russia in the form of higher energy costs. But it's still a bit confusing that gas prices at the pump have risen so dramatically. Mid-February, the typical consumer was paying \$3.488 a gallon; mid-March the average cost was up to \$4.325—an increase of roughly 30%. In some places, the increase was even more dramatic; Californians were paying \$5.75 a gallon when filling their tanks, and there have been reports of people paying \$7 a gallon at certain gas stations around the country.

Why should this be confusing? First of all, only about 8% of the petroleum that the U.S. imports comes from Russia (.67 million barrels a day last year), and the U.S. actually *exported* about 12 times that amount (8.63 million barrels a day) to other countries around the world—notably Mexico, Canada and China. In most years, our domestic oil production exceeds consumption, which means that the ban on Russian oil should—theoretically, at least, have little impact on the American gas pump.

But perhaps a cutoff in Russian oil is causing a bidding war that is driving up prices everywhere, and we're feeling the ripple effects. That doesn't actually seem to be the case. The cost of a barrel of the benchmark 'Brent Crude' (which basically means oil on the world markets) peaked at around \$130 in early March and fell significantly after, down to around \$106 by the middle of March. That's a *decline* of almost 20%. Domestically produced oil was actually a bit cheaper.

Of course, oil industry experts are saying there is no evidence that they're raising prices without any increase in their costs, and we will have to wait for their profit numbers before that evidence becomes available to the general public. In the meantime, all we know is that that the recent spike in American gas prices is hard to directly tie to the war in Ukraine.

Sources:

<https://www.google.com/search?q=gas+prices+at+the+pump&oq=gas+prices+at+the+pump&aqs=chrome..69i57j0i51213j0i22i3016.3673j0j7&sourceid=chrome&ie=UTF-8>

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