



RECORD HIGH GAS PRICES AWAIT MEMORIAL DAY TRAVELERS

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Gas prices around the United States, driven by increasing oil production costs, are hitting record highs this season as families begin planning summer vacation travel.

As more than 30 million Americans prepare to hit the highways this Memorial Day weekend, motorists will have to deal with more than just backseat drivers and traffic. On Wednesday the average price of one gallon of regular unleaded gasoline hit \$2.06, up more than 5 cents in just a week and about 51 cents since last year.

The hike is part of an ongoing trend in the cost of gasoline. Since March, prices have been on the rise. These price hikes have people worried that consumer spending, the largest measure of how well the economy is doing, could be affected. Economists say that if Americans have to spend more money on gas, they'll have less money to spend on other goods and services and as gas prices go up so do the cost of things like food and other products.

So far, the state most affected by high gas prices is California, where drivers pay an average of \$2.36 per gallon, according to AAA. The lowest prices are in the Southeast: in South Carolina drivers spend about \$1.89 per gallon.

Causes of the hike

The high cost of gasoline is driven by increases in the cost of crude oil - oil in its most natural form - and the current trend in rising oil prices can be attributed in part to high demand around the world. For instance, during the upcoming summer vacation season in the United States, families will use their cars for long trips and require more gas.

Prices also are affected by shortages of crude oil at refining plants that turn it into gas and other products and by uncertainty in the Middle East, where a majority of the world's oil is produced, over the political upheaval in Iraq and terrorist threats elsewhere.

The United States likes to keep about 700 million gallons of crude oil in storage in case of national emergencies. Right now, the reserve is down to 658 million gallons, according to a Bloomberg business news report, and President Bush has refused to divert oil going into the reserves and put it out on the market.

"In my judgment it does not rise to the level of a national emergency," the president has said of the high price of gasoline.

In Iraq, the fourth highest producer of oil in the world, oil production has been slow to recover after more than a decade of war and continued acts of vandalism and sabotage.

How this affects the U.S.

Here at home, increases in gas prices may only affect the individual driver by a few dollars and may affect home heating bills, but the largest cost could be the indirect cost of food and other goods.

Because many American cities rely on cross-country truck drivers to deliver their goods, if the cost of gas for an 18-wheeler that uses between 50 and 100 gallons of fuel goes up, the cost to the driver goes up and eventually leads to higher prices for the consumer.

What can be done?

In order to control rising gas prices, U.S. officials have approached OPEC, the Organization of Petroleum Exporting Countries. OPEC's 11 member countries provide most of the world's crude oil.

In a classic supply and demand scenario, if OPEC countries were to increase their oil production and the demand for gas stayed the same, the price of gas would go down.

But, at its bi-annual meeting in March, OPEC decided to put a cap on how much oil it would produce, regardless of demand. Last Friday, U.S. ally and OPEC member Saudi Arabia, the world's leading oil producer, promised to increase its output to meet the now skyrocketing demand and to try to convince other OPEC members to do the same.

"We are willing to increase production to capacity if that is necessary to meet demand to try to cool the market," said Saudi Oil Minister Ali al-Naimi, in a CNN report.

That increase, however, takes time to affect the cost of gas at the pump, since it must first be refined, so prices are expected to continue rising. In the meantime, Americans can try other methods to save on their gas bill:

- Drive the speed limit - according to the U.S. Department of Energy, driving faster than the speed limit uses more gas. Each 5 mph you drive over 60 mph is like paying an additional 10 cents per gallon.
- Keep your car in shape - a good tune-up can increase gas mileage by 4.1 percent.
- Use public transportation or carpool.
- When purchasing a car, select one that gets the best gas mileage.

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