

What's really behind high gas prices?

By Robin Doussard, Editor in Chief of Oregon Business, June 13, 2012

High gas prices have been in the news constantly this spring. For weeks, as Oregon has experienced soaring gas prices (now averaging \$4.10 a gallon, 56 cents a gallon higher than the national average, but reaching as high as \$4.27 a gallon on June 1), the blogosphere has been awash in claims that refineries are fixing prices. The situation is being blamed on low gas inventories on the West Coast because of the shutdowns of several West Coast refineries due to either damage or maintenance.

Turns out, the paranoid among us could be right, according to a recent report by Portland-based [McCullough Research](#). Author Robert McCullough, the analyst who helped blow the whistle on [Enron's massive fraud](#), looks at West Coast gas prices and puts it this way:

“Since the beginning of 2012, the crude oil markets have experienced a suspicious combination of rising supplies, falling demand, increasing inventories, and increasing prices. The situation is roughly similar to the oil bubble in 2008 where high prices were accompanied by increasing supplies and decreasing demand.” Gas prices in Oregon reached a record high of \$4.29 on July 3, 2008.

The report states that given recent supply costs, the retail price of gas should have dropped to \$3.51 per gallon last week. But they didn't and the gap (about 77 cents a gallon as of last week) means \$48 million a day windfall profit for suppliers.

“The primary question is whether this [current] price increase was an inevitable result of the Washington BP refinery and maintenance shutdowns in California or the result of pivotal suppliers taking advantage of an opportunity to force retail prices up for a windfall profit. The very preliminary evidence does not support the hypothesis that this is an inevitable result of refinery shutdown.”

Earlier this week, U.S. Sen. Maria Cantwell of Washington asked the FTC to investigate why “Washington state's gas prices increased to near record highs during the month of May, even as the world price of oil and national average gas prices dropped significantly.” Oregon Sen. Ron Wyden and Rep. Peter DeFazio have joined the chorus. Let's hope this inquiry doesn't take as long as most congressional action takes these days.

The answer might start with \$48 million a day.

Consumers and businesses have all been severely impacted by the high gas prices. It might not be surprising that the reason could be pure greed, but it sure makes the blood boil. Oregon's economic recovery is slow going and this adds insult to injury.

[Take a read through the McCullough report](#) and weigh in on the issue. I lived in Southern California during [Enron's "rolling blackouts"](#) and constant remarks of "this just doesn't make sense." Well, it didn't. McCullough and others proved it was fraud. Let's also get to the bottom of this before struggling consumers and businesses burn more money in gas.