Here comes $4 gasoline

Posted by Colin Barr
February 18, 2011 6:42 am

U.S. oil prices look reassuringly calm till you look below the surface.

At first blush, a replay of the 2008 gas price spike seems far fetched. The biggest driver of U.S. gasoline prices is the cost of crude oil, and near-month oil futures on the New York Mercantile Exchange have sat out the scorching commodities rally. They lately fetched $85, some 40% below the crisis peak.

Parting ways
Gasoline prices rise as Nymex crude tanks
Food for unsettling thoughts

But that's where the good news ends for motorists -- and for a U.S. economy that is sputtering even with gas at $3.15 a gallon.

Much of the oil being made into gasoline now actually costs $105 a barrel. For this we can blame a few of the usual suspects – try Middle East unrest and strong overseas economic growth – and one new one, a weak link in the U.S. petroleum supply chain.

Those factors make the Nymex price "irrelevant for the price of U.S. gasoline," says Olivier Jacob, who runs the Petromatrix trading advice firm in Zug, Switzerland.

Even the government agrees. Last week it projected a 1-in-3 chance the gas price will break $3.50 this summer and a 1-in-10 chance it will hit $4. And if anything those estimates may understimate how fragile the balance is.

"It would not take much" to send gas prices back to $4, says Jacob. Cold weather, Saudi reluctance to increase production and possible refinery outages could all play their part.

Even a smaller rise could slow the snaillike recovery of the U.S. economy. Jacob and others say $3.50 a gallon this summer looks like a good bet, and a gas price at those levels could kneecap the limping jobs market yet again.

A study released last month by IHS Global Economics says a 25-cent rise in the gasoline price, all else equal, will reduce employment by some 600,000 jobs over the following two years. And the steeper the rise, the more jobs that stand to be lost.

"Suddenness is very important in determining how much damage is done to the economy," says IHS economist Gregory Daco.

So how do you get $4 gas when oil is just $85? The answer starts with some unprecedented behavior in global oil markets, where the benchmark European oil standard, known as Brent crude, is trading at a $20-a-barrel premium to the U.S. benchmark, the West Texas Intermediate futures contract that trades on Nymex. The two typically trade within a few dollars of one another.

Increased flows from Canadian tar sands and the Bakken shale fields in the northern Great Plains have sent oil flooding into Cushing, Okla., where the WTI crude contract is priced. But because pipelines are set to run into Cushing, not out, much of that oil is going into storage rather than into refineries. Oil stockpiles in Cushing hit their highest level in seven years last month.

The glut has disconnected the widely quoted WTI market from a sobering energy market reality. "Cushing isn't worth looking at," says Steve Kopits of energy forecaster Douglas Westwood in New York.

Not everyone shares this view – including, you'll be shocked to learn, the Nymex itself.

Joe Raia, a managing director for energy and metals products at the CME Group (CME), which runs Nymex, contends that Cushing isn't as bottled up as you might think. "Storage at Cushing isn't full," he says.

Raia adds that WTI remains the most liquid, transparent oil contract, with three times the open interest of Brent.

But like it or not, prices on the U.S. East Coast already are linked to Brent, because refineries there
use oil imported by the tankerload from Europe. And other regions are feeling the squeeze as well.

Take Louisiana Light Sweet crude, a fuel blend favored by refiners in the south who are cut off from the WTI market. The spread between WTI and Louisiana Light recently hit $21 a barrel, another record.

Running off the WTI glut could ease the pressure on Brent and Louisiana Light prices. But the glut isn't going anywhere any time soon.

Pipelines that take oil out of Cushing are at least two years away, and oil companies that stand to rake in fat refining profits aren't exactly looking to rush that timeline.

Conoco (COP) chief Jim Mulva shot down talk about reversing a pipeline that feeds oil to Cushing from the Gulf Coast, saying, "We don't really think that's in our interest."

Meanwhile, the steep contango in the WTI futures curve – the condition in which the near months are cheaper than future ones – creates incentives to add to the Cushing glut.

A refiner or trader with storage rights can buy the March future today, take delivery when it expires, sell the April contract -- and lock in an easy $1.75 a barrel in practically risk-free profits, says Stephen Schork, who writes the Schork Report newsletter in Villanova, Pa.

"We get on that hamster wheel and it's hard to get off," he says. "That trade is a printing press if you've got the tankage."

The question, then, is not whether we should be paying attention to WTI but how high Brent might go. Gas prices didn't hit $4 in 2008 till crude was approaching $130 a barrel on its way to $147, Jacob says.

But he says we could be treated to $4 gas this year at a much lower price, possibly as low as $115 a barrel, thanks to bigger refining margins and the apparent reluctance of the Saudis, the world's biggest exporters, to increase production.

Prices are likely to rise regardless heading into the summer refining season. If the U.S. recovery gains steam, a replay of the ugly summer of 2008 looks like an unhappily good bet.

"The question is how high do prices have to get before demand starts to wane," says Schork. "There's a pretty good chance we're going to get to the jumping off point."

That doesn't sound enjoyable.

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- Why a tiny iPhone could be a big deal
- That old Mac malware canard

Tags: contango, Economy, gasoline, oil
The author is just another talking head trying to convince the unconscious public that the blame for gas prices is ANYWHERE but where it really is. There is no shortage, supply has NOT changed, and demand only slightly. The price spike is completely the creation of greedy commodity traders who profit on speculation while the public gets shafted at the pump. Stop with the smoke and mirror attempt already! Maybe some day the "masses" will realize how much power they have, and how much they outnumber the wealthy elite, and stand up and fight. Socialist? NO. Just a return to reasonable compensation for a fair days work, and profits for ADDING VALUE NOT SPECULATION.

Posted By Linda Las Vegas, NV: February 26, 2011 8:49 pm

When will the world wake up and start telecommuting. Imagine how much less oil and gas would be consumed if we did that.

Posted By Anonymous: February 26, 2011 4:15 pm

Once gas go's sky high then so will everything else. Watch fast food take a spike upwards cause its cheap food. Most of it is unhealthy, but your kids gotta eat right? Later down the road poor health issues will surface. Health care as we know will be nonexistant by then as well. 1920 depression but this time in color...

Posted By Steve, Riverdale Ks: February 26, 2011 1:23 pm

Bring on $10.00/gallon gas. We need that kind of push to make us more cognizant of the real cost of our dependence on foreign oil. Then it will be cost effective to buy a smaller hybrid vehicle, to move closer to the things you need, for people to take mass transportation, for cities to build mass transit systems, for any number of other things we need to cut our energy consumption.

As long as these decisions are made by politicians and oil companies who can manipulate gas prices by $.06/gallon (less than 2% change at current prices), the laws of supply and demand don't apply. At $10, supply and demand would have a lot of influence.

The US is headed for a very bad crash landing because all of us, myself, the others on this post, and everyone else, continue to live high off the hog, fat dumb and happy, eating the seed corn, and not thinking further into the future than our next meal, our next paycheck, our next quarterly dividend. Nobody wants to take the pain of cutting back, so it will eventually be forced upon us.

Wake up America!!

Posted By SJS, Buffalo, NY: February 25, 2011 10:41 am

I dream of $4 gas.

In London we pay £1.30 / litre, or $7.90 per US gallon. You don't know when your well off!

And the roads are still so congested you can't move...
It irritates when people/politicians comment on how American's will not give up their gas guzzling SUV's. I live in NYS in a suburb with little mass transportation. With the snow in this area, I NEED a 4WD. AWD doesn't cut it and the mileage on them is only about 4 more miles to the gallon. I have several older people that I care for that is almost impossible to get in/out of a small car. I HAVE to cut my driving and live on a budget yet ALL our politicians take these campaign trips ALL the time when EVERYONE has access to the internet...why don't they cut some of their trips? Why do only "some" people have to change their way of life? We need to campaign reform, NO lifetime terms, 2 terms ONLY and the best person should win, NOT the one with the money. When we correct our government, all us Americans live better and drill, drill....this country needs to STOP depending on other countries!

The math, the political figureheads, the science are all unduly influenced by either the morally corrupt, or the slovenly inane. The media portrays the $4/ gal but the costs are much, much higher. As with any dinosaur, there is a lot of drama in the process of dying. It would have entertainment if it were not the damage inflicted upon the innocent and youth.

Very simple. Prices work off supply and demand, and there is speculation tied to that. When the average American drives a car that gets less than 18 MPG and as of now there are 100 countries that pay more for gas per liter/gallon then we do, the problem is not just oil companies and speculators, but Americans who way overtax the energy supply driving low mileage cars.

I love jerks who say, if I can pay for the gas, then what's the problem? It is a supply and demand problem and you are driving up the prices by using unecessary energy.

Boy it sure does look like GM (Government Motors) and Chrysler will pay again for their stupid mistakes of emphasizing their trucks and SUV's. Americans again will stop their spending again with gas prices rise again. Toyota, Ford, and Tesla please hurry up with your electric and hydrogen fuel cell cars.

So here we go again with the Wall Street speculators. After all their the ones who set the price per barrel of oil, not the oil companies. What really chaps me is that with all the reading I've done tonight on this subject, there's a gasoline surplus here and even with the middle east issues the flow of oil is continuing. Over the last decade it seems that any reason is a cause for these speculators to raise the price of oil. When we went over $4 a gallon in gas the reason was the world economy was booming with the largest demands coming from China and India. Well the world economy isn't on fire anymore!!! When will these folks in Washington wake up and realize we need to develope our own known resources of oil and do it responsibly. And I don't mean with the weak oversight that I saw after the Gulf spill last spring! We can still persue green alternatives but face it, that's been talked about since the OPEC embargo in the 70's and look where we are today. An oil field isn't like turning on a switch, it can take years and like it or not we're going to be dependent on oil for years. So let's put American to work here but developing our oil supplies instead of sending out money overseas. If the folks in Washington want to really help, maybe they will investigate these oil futures speculators that keep sticking it to us. Washington needs to get out of their fantasy land and learn from what every economist states: 3/4 of our economy is based on consumer spending. If we have to keep paying high fuel costs then we're not spending on...
vacations, durable goods, etc. It's not the "economy stupid" It's basic economics stupid. Get it Washington!!!

Bob
Wakefield, NH

Posted By Bob, Wakefield, NH: February 22, 2011 5:54 am

Obama ordered his safety agencies to harass Toyota (Prius) and many Americans believed Obama and bought UAW built Gas-Guzzling SUVs. In the mean time, Lord Bernanke printed Billions to bail out the Banks. Between Obama and Bernanke, US Citizens are being set up for a lot of pain.

At least Obama was elected. But Lord Bernanke was not even elected by US Citizens yet he is imposing a Bernanke-Tax on US Citizens by inflating the price of imported Oil. Lord Bernanke was selected by the Banks, and it is his primary obligation to protect the Banks.

Posted By Joshua Nesbit, Seattle, WA: February 22, 2011 1:25 am

If gas and oil prices go up, due to oil corporations in Egypt and Libya no longer being able to enjoy the highest profits of being in bed with dictators.....I will gladly pay the increase, with these events coming to light i feel more than ever a it is a duty to No longer "keep the the blinders on " of my/our low cost privleges that come at the expense of peoples dignity, humanity and sovereignty in foreign lands.

Willing to put my values above my interests. Making the statement , you can make a differnce too.


We complain about no public transportation.. yet we vote for a party (tea/rep) who gut out of every funding session. any and every tax dollars investing in public transportation.. in the interest of lower taxes for the rich .. who lasttime I checked i have never seen a neuro surgeon hire anyone. so that lower tax crap for rich to creat jobs is bs. VOTE for foward thought invest in our country and maybe we wont be sooo relient on foreign oil. btw when the republican president allowed GM to buy all of the train lines in LA and rip them up to make sure we HAD to drive.. where were all of you Patriots then?

Posted By Anonymous: February 22, 2011 1:03 am

I get a real kick out of all these people who think they know what they are talking about; when they're not even close. Blaming speculators or the supply/demand of oil not making sense.

Has anyone even looked to see what everything else is priced in dollars? How about wheat, corn, soy beans, gold, silver, copper, lead, etc. ?

Can't you see that these prices are going up just as much and in some instances MORE?

...but is the price of everything really going up? No, nothing is going up; the DOLLAR IS FALLING LIKE A ROCK!!

Stop blaming the speculators or the "greedy" companies and start putting the blame where it rightly should go, square on the FEDERAL RESERVE!!!

Do you think that all the money printing they are doing is not going to cause prices for everything to go up?

WAKE UP AMERICA!!!!!!!!!!!!!
When is our government going to let the technology of hydrogen go. It is an endless supply that is clean!!! Yes, this technology will cause alot of economic problems but no one person or country could ever change the price. Oil has a finite quantity and ruins our planet!!!! Hydrogen is the most abundant element in the universe!!! And for you that don't know you don't need a nuclear reaction all you need is electricity and water!!! And to make things even more affordable if the governments would pour their money into fusion all of our electric needs would be met for a very cheap price!!!!! BUT then again it is all about MONEY and not advancement anymore!!!!!! As an REAL engineer I can tell you these thing are quite possible the governments just have to let go of oil even though it is big money!!!!!

Posted By ji, hot springs, AR: February 21, 2011 10:12 pm

Here we go again. It is nothing but speculators in the commodities markets that instill fear which sends the price per barrel flying high. It is a bunch of baloney and the majority of American people do not educate themselves about the corruption taking place and really do not care. Oil at $4.00 a gallon ? Well of course. All of the big brokerage firms need to pay their top commodities traders their huge year end bonuses. It is absolutely pitiful that most people believe what the experts are telling us. Tell me how the price of the barrel went from over $147 per barrel to about $37.00 per barrel in less than a year. How quick we all forget about this. If you do the math that means in order for this to happen the production of oil went up 400% in a year. There is so much oil in this world and how much do we rely on Libya for our oil. Uh like nothin' Helloooo!

Posted By David J. Beneduci, Ocean Grove, NJ: February 21, 2011 8:25 pm

Guess it will be time to drive off again. I can remember when gas got to 4.00 with as much as I drive I couldn't afford it. I can recall at least 11 times I drove off without paying, never got caught once, just used a different license plate that wasn't registered.

Posted By John Milwaukee, WI: February 21, 2011 8:12 pm

I love how everyone says "boycott gas!" There's a problem with that. Most jobs will fire you if you don't show up and most schools will suspend you if you don't (I'm in college so yeah). I drive a smaller car and still have to commute 40 miles each way. I'd love to live closer, but that's simply not an option. Also, public transportation? Doesn't come anywhere near where I live sadly. These are all wonderful ideas in a perfect world, but unfortunately the government isn't always willing to spend in the people's better interest.

Posted By Elma, Yadkinville, NC: February 21, 2011 7:47 pm

It's the currency, stupid. Remember when Bush sent out those stimulus checks, a short time after gas spiked. The fed has just pumped billions of dollars of liquidity via QE1 and QE2; now we going to see the lagging effect of it. Supply is high right now, and although there are tensions; this has been building for the last 3 months if you have followed the charts. This is what happens with a weaker dollar.

Posted By Joe, Denver, CO: February 21, 2011 6:20 pm
A lot of these comments are correct about high gas prices shutting things down. It is about to tip now because a lot of workers are making less than they were in 2008. I think $4.00 gas will most definitely head things in a downward trend. Something must be done about oil company lies and gouging soon. Maybe nationalize all energy sources.

Posted By Paducah, Ky: February 21, 2011 5:23 pm

Oil markets and participating parties are going to put us in the same situation the housing market did if allowed to continue without restraint the manipulation and speculation in this sector. This is not business or investing. It is STEALING!

Posted By Lyn, Monroe, LA: February 21, 2011 5:01 pm

I don't see Reid and Pelosi and Shummer out in front of the press demanding answers about the price of gas at the pump as when Bush was President. They wanted to bring in the big oil companies CEO's to explain why the price was so high. Now they are nowhere to be seen. Seems like a double standard on being concerned about the price only when a democrat is President. I guess that the democrats really aren't that concerned about the middle class after all, even if you're struggling to make ends meet to stay above water. Can't wait for 2012 to come soon enough to clean house some more!

Posted By Jacob, Pico Rivera, Calif.: February 21, 2011 4:30 pm

To Kevin in Sarasota, FL

I am a wonderful 90 minute commute to New York City. I would gladly take public transportation IF IT WAS AN OPTION. The Metro-North line ends in Middletown which is STILL a 40 minute ride. Don't tell me about taking public transportation when it's not available. Instead talk to me about why it's not available. Explain to me why I have witnessed Town Officials in charge of maintaining the roads dump truck loads of cold patch over a cliff and spend the afternoon on a back road napping instead of patching potholes. Explain to me how someone who makes a living in construction is going to do so with a fucking Prius. Explain why Ford has a 60 miles to the gallon Turbo-Diesel in Europe, but the best any vehicle in the US tops at 40 mpg?

Instead of preaching useless bullshit (like you so eloquently did) maybe attack the actual problem; Companies in bed with other companies.

Posted By Anonymous: February 21, 2011 4:17 pm

The oil companies are controlling the price of gasoline by keeping production low. Refineries are only running at a fraction of capacity. Some one (government) needs to step up and control this little. $4 dollar gasoline is going to cripple the economy. The $3 dollar plus a gallon now is hurting the economy. Its affecting all aspects of the people living on low or fixed incomes now. I don't see how oil companies are allowed to get away with 50 billion dollar profits a quarter without anything being done.

Posted By j Baldwin, dowagiac, mi: February 21, 2011 10:40 am

Wow, everyone here seems to have a short memory!! Does anyone remember when President Bush was criticized for attempting to hoard petroleum reserves in the nation's SPR (Strategic Petroleum Reserve)? Of
course, disrupting the world's third largest--or is it fourth?--producer of oil with a war can make one want to think ahead with such pre-emptive moves. Who knows? Maybe the guy was just daft enough to have created the ultimate market speculation in crude, using national security as a ruse. (I doubt that highly; it's a bit far-fetched, even for the 'W').

As to the current situation, most US integrated oil companies are situated within these producing countries; ExxonMobil, for example, recently developed a liquified natural gas refinery in Qatar. Anyone want to guess what would happen if the Qatar population decides to revolt? Perhaps I should use stick drawings instead....

Posted By Vito Z, BELLEVILLE NJ: February 21, 2011 10:07 am

I guess Glenn Beck was right.

Posted By Dianne Becerra Weslaco Weslaco, TX: February 19, 2011 2:31 pm

Obviously most opinions about lignite mining and oil production through land wells are not familiar with the landscape.
I grew up two miles north of a large lignite mine in Northeast Texas. Several of my friend's parents were forced to sell their land and their homes in the name of lignite.
Imagine a lush forested land turned to a wasteland; mountains of sand.
http://maps.google.com/maps?q=32.476118,+-94.400857

Posted By Marshall, Texas: February 19, 2011 8:50 am

First of all a boycott won't do it. There are other country's waiting to buy oil. If we boycott then there will be more supply then demand. China, India and other's have become more industrialized thanks to our buying of their cheaper products. Everytime gas went up five cents, you people were blaming Bush. Hey maybe Obama bought some of Bush's oil stocks. Were's all the rage and anger with Obama? No president can set world oil prices. It's supply and demand and of course a little greed with the oil cartels.

Posted By Tony D. Richmond, VA: February 19, 2011 7:39 am

MIT's Belcher uses engineered virus to split water
Angela Belcher and team at MIT have tweaked a bacterial virus to serve as a scaffolding to:

attract and bind with molecules of a catalyst (the team used iridium oxide) and a biological pigment (zinc porphyrins). The viruses became wire-like devices that could very efficiently split the oxygen from water molecules.
Belcher says that within two years she expects to have a prototype device that can carry out the whole process of splitting water into oxygen and hydrogen, using a self-sustaining and durable system.

This is just a very early taste of what we can expect someday from more extensively designed molecular machine systems. —Chris Peterson
link https://www.foresight.org/d/nanodot/?p=3868

We need to come up with alternative energies. The germans used an technology they recieived from Standard Oil. they ran a whole war without oil resources and transformed coal shale into oil.... http://www.wired.com/wiredscience/2009/03/coaltoliquids/

Posted By Linda Smith, Hallandale Beach, FL: February 18, 2011 11:27 pm
The title of this article is "Here comes $4 gasoline". The article says the government estimates a 1 in 10 chance that gas will cost $4.

Why is it necessary for journalist to throw a scare into people? It is wrong and Colin should know it.

Posted By Martial Jacksonville Florida: February 18, 2011 9:06 pm

I firmly feel the $4.00 per gallon gasoline had much to do with the original tanking of the economy. Many had to decide whether to buy gas and get to work or make their house payment. $4.00 per gal. gas again would ruin the economy.

Posted By Karen Cline, Mount Vernon Ohio: February 18, 2011 7:24 pm

You fools. It is all about the Federal Reserve and its fiat money.

Blaming speculators or Big Oil is just a big red herring that misses the real source of commodity inflation.

If the dollar was good as gold, oil would perhaps be halved.

Posted By Aaron, Nampa, Idaho: February 18, 2011 6:20 pm

$3.48/gallon unleaded in Humboldt County, CA.

Posted By Jamee, Fortuna California: February 18, 2011 5:01 pm

Kevin, I hope you are so cavalier when people freeze to death because they can't afford to heat their homes next winter. I hope progressives like you who think Americans are fat and greedy-- based on the fact that the Europeans have fallen for the lies of socialism-- take responsibility for the permanent depression. I hope short-sighted leftists like you actually learn to look past your urban hipster lifestyle for two seconds to consider the economic struggles your fellow American experiences in the real world.

Posted By Stephen, Philadelphia, PA: February 18, 2011 4:58 pm

Obama should be leaning, really leaning on these BIG BUCKS Oil companies. HUGE, OBSCENE PROFITS!!!Are we not in a National EMERGENCY with the recession?????? WARTIME! PRICE CONTROLS! We who forget History, are doomed to REPEAT IT! It's HERE!

Mr President, Get off your WIMPY!!

Posted By Frank Ostovich, Charles Town, WV: February 18, 2011 4:48 pm

USA energy solution: coal to oil as we slowly transition to green energy. NO MORE FOREIGN OIL!! We have enough coal to produce gasoline for the entire country for 50 years at $32 a barrel!! What the hell are we waiting for. The governor of Montana is fighting to get these coal to gas plants built in his state for years now.
New coal to oil process
Posted on 02/24/2010 by jblethen

"It could be a boon for the Canadian prairies.

Researchers in Texas say they have found a way of cutting the cost of producing gasoline by two thirds, taking advantage of the lowest grade of coal available – one that is abundant beneath the Canadian prairies.

A new refining process being perfected at the University of Texas at Arlington can turn the low-cost lignite coal, also known as brown coal, into oil at a fraction of the cost of importing crude oil from abroad.

"We're improving the cost every day," Rick Billo, the school's dean of engineering, told a local television station.

"We started off some time ago at an uneconomical $17,000 a barrel. Today, we're at a cost of $28.84 a barrel."

As the price of crude oil continues to skyrocket – now overing near $80/barrel – being able to produce a barrel of oil at less than half of that price is an attractive proposition, especially for Canadian producers.

According to the Coal Association of Canada, there are major deposits of lignite coal in Southern Saskatchewan, Alberta and Manitoba, though only the Saskatchewan deposits are currently being mined.

Lignite was the source of up to 70% of Saskatchewan's electricity last year.

The University of Texas hopes to license their technology in the next few months and start building the first micro-refineries to produce the cheaper oil in the next year.

I agree with regards to "speculation" and "greed" being the "primary-evil" in oil prices.

On a similar note, I have some thoughts on America's economy. Now, this is just an "opinion":

A simplistic view of America's economy today could be likened to a "house in disrepair" We have failed to maintain the very foundation and now, the walls are cracking and the roof is leaking. One of the biggest threats I see today, is our lack of interest in "fixing the house in which we live". Instead, we toil endlessly in search of the "bigger and fancier" piece of real-estate, all the while forgetting that we are STILL in the same place. America is our home. Our infrastructure such as roads, underground utilities, etc. are deteriorating at an alarming rate. Left in their present state, we could see catastrophic events unfold. Sadly, there are millions of us who find "blue-collar-labor" to be "beneath our college degrees". We want to "supervise", but we don't want to get our "hands dirty". It is for that reason we see so many people flooding America and gladly taking these jobs. Oh, we can gripe and complain, but THE WORK NEEDS TO BE DONE! If we re-direct our VOTES to support an infrastructure overhaul, we will create thousands of jobs, and restore a sense of "pride" in the sturdiness of America. (our house if you will)
I'm sure you'll agree; if we do not "repair" our country ourselves, (STARTING AT THE POLLS) someone else will "buy the house" "patch-it-up" then "flip-it"; thus, America will no longer exist as we know it today.

Hard work built America; Even if we hold graduate degrees, we should be WILLING to do whatever it takes to keep America a strong investment!

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Germany, Russia and the U.S. are currently the world's leading producers of lignite coal." "Scientists find way to make cheap gas from coal" h/t Larry Tomasson

Gas pump prices at this time last year were 50 cents a gallon less than they are now... and we were just barely limping towards recovery... if I were predicting I'd say that last months figures from almost all resources showed a decline in growth domestically....coincidence with the price at the pump increases over last year?

Yeah I'm sure all the corporate greedmongers Who read this magazine are happy with it. Keep up the speculating and gouging and keep being counterproductive when it comes to fixing our economy. All the garbage excuses in the world for 4$ gas won't justify this. This is a disgusting example of how the government and their upper class counterparts take advantage of us middle class Americans and the lower and working class. Especially commuting college students. Deplorable!!!

It appears to me that Mr. Barr is Peak-aware.

Peak Oil is not a theory - it's a fact.
The debate centers on whether it will happen soon or not-so-soon.

But reading this blogpost and a few before them it appears Mr. Barr stands out as an outspoken realist in a dimwitted cloud of BAU-enthusiasts at Fortune.
I hope you keep writing more intelligent posts, Mr. Barr. Hopefully you will get an increasingly intelligent readership, as it's slightly sad to see the crazies coming out of the woodwork in the comments section.

A whopping 33% of all readers at the Oil Drum have PhD's. The national average is at around 2%.

I think you will notice the quality of feedback going up substantially over the coming weeks and months, giving you a far higher signal-to-noise ratio from what you have now.

Regards.

Posted By David, London: February 18, 2011 2:34 pm

... here comes the collapse of society as we know it.

Posted By nicholas, atlanta, ga: February 18, 2011 2:26 pm

"But he says we could be treated to $4 gas this year at a much lower price, possibly as low as $115 a barrel, thanks to bigger refining margins..."

so... we are paying more money at the pump so that the refineries can make more profit! First time I heard someone actually admit that increased profit-taking by the refineries is figured into the price of gas!

Posted By Cliff Smathers, Erie, PA: February 18, 2011 2:11 pm

Chris in Bend,

1) I wouldn't want to up that ''fat tax'' entry threshold. The roads in this country are in disrepair and we need more funding for these projects in the first place.

2) I said an exponentially sliding scale (and NOT linear) for a reason... someone with an Acura TL shouldn't pay the same as someone with a Hummer H2, nor would it be close. So yes, many people would pay the tax, but only the drivers of the heaviest cars would pay the noticeably higher levels.

4) Lastly, in my household, we own 3 cars with curb weights of 2700, 2900, and 3000lbs. One coupe, one 5-door hatch, and a medium-size, 4-door sedan. I hardly consider any of them small except the coupe.

I don't think Americans would buy smaller cars unless gas prices more than double... but I do think a big, one-time per year reminder would make many reconsider. If the average vehicle weighs so much, it's because they know the consumers want those big, heavy vehicles. This ''fat tax'' would be intended to change that... and the bonus is that lighter cars (generally) get better fuel mileage, thus solving multiple problems... my issue with the irresponsible (prisoner's-dilemma-inducing SUV drivers and this country's issue with ''pain at the pump'' gas prices).

And for the record, gas is way too cheap in this country.

Posted By Brock, Columbus, OH: February 18, 2011 2:06 pm
When you point a finger at the republicans there is three more pointing back at you. OBAMA said higher oil prices would be good. He can say that because all working people are paying for his. We need to build a pipe line from Mexico to the United States we are keeping all of their illegals so why cant Mexico help support them. Not so many years ago one of the biggest oil strikes in the world was in Mexico so why all the oil they dont use goes to other countrys. then we pay outrages prices to get it back.Get us a leader that is not trying to break our great country.

Posted By Gordon Hanson Charleston WV: February 18, 2011 1:13 pm

Yo, Brock in Columbus. You may want to up your "Fat Tax" Weight since most passenger cars and minivans that get great gas mileage weigh near or more than 3,500lbs. Maybe take it to 4,500 or 5,000. Otherwise I completely agree with your proposal.

Posted By Chris, Bend Oregon: February 18, 2011 1:08 pm

So many examples below of why I'm often embarrassed to admit that I'm American when traveling abroad. Here's an idea for all of you goons who preach to drill more and those who whining about how bad things in America...Travel abroad and open up your tiny little minds. See how the majority of people on this shared planet live. Conservatively to say the least. You idiots who need more house than you can afford, more car than you can fuel, and more food than you can healthily consume. I couldn't be happier writing this comment from abroad.

Posted By Mike, Sao Paulo, SP: February 18, 2011 1:02 pm

Your oil analysis leave out an important player, namely, automobiles! Automobiles influence the oil price based on fuel efficiency. There may be a silver lining in the whole oil picture as car buyers of new and even used automobiles may be more inclined to push the meter toward higher fuel efficiency in their car purchasing decisions. The effects tends to be delayed and unseen but it will be real in the longer run. For example, if oil producers do everything they should do to minimize the bottlenecks and such, this could influence present car buying decisions for the worse as consumers would be more assuming of lower prices in the long run only to end up worsening the oil demand. Car salesmen can not preach fuel efficiency to car buyers at all. It is a freely stupid country as always!!

Posted By Gumby, Antioch, CA: February 18, 2011 12:48 pm

I hear a lot of silly comments here about "the greedy oil companies".

Please! Look at the Fed who is printing dollars; then ask yourself, "If the Fed can print dollars and the price of oil (as well as corn, wheat, soybeans, silver, gold, copper, etc.) will stay the same, then why not have the Fed deliver a printing press into each americans home?" This would solve everything; we would all have everything we need!

Obviously, printing money causes ALL assets to rise in terms of dollar bills. The Fed is printing money and the price of oil (and other commodities) will continue to rise is dollar costs. So please, please, please, stop blaming companies and start blaming the biggest counterfeiter in the world, THE FEDERAL RESERVE!!!!!!!!!!!!!!!!!!

Posted By JJ, NY: February 18, 2011 12:38 pm
These are all lies to rip people off.

Posted By Jerry Carter Hampton Va. 23666: February 18, 2011 12:36 pm

We Americans should maybe think about a strike. No travel, no shopping, no toll paying - no work all across our country for about a week. Do you think that would change things?

Posted By L. Lath Mamaroneck, NY: February 18, 2011 12:36 pm

I wish higher gas prices had the effect I want them to have. I'm tired of mommies and teens on their cell phones (talking & texting) in their monstrous SUVs, but higher gas prices won't stop them.

There should be some sort of yearly "fat" tax (attached to renewing plates/registration) for vehicles over 3500 lbs, and it should be an exponentially sliding scale (to factor for the exponentially higher danger of collision with them). Funny enough, that would also make sense to factor in the additional wear & tear their heavier vehicles have on the roads (which is where part of your vehicle registration money goes).

It's prisoner's dilemma... I want to keep driving small, efficient vehicles, but I am forced to consider larger vehicles so that morons on the road don't kill me when they run a light or run a stop sign in their Escalades, Hummers, Armadas, and Range Rovers.

Posted By Brock, Columbus, OH: February 18, 2011 12:27 pm

This is pure propaganda. An attempt to condition the public into accepting market manipulated prices.

Posted By William Antrim, Lincoln, NM: February 18, 2011 12:27 pm

I am sick and tired of all the reports saying we are in a recovery. If we are in a recovery, why are all of the states broke, why is the middle class now becoming the lower class? This article makes it clear we are on a treacherous downward spiral fueled by greed and power and our elected officials are either clueless, unwilling, or unable to do anything about it. The Egyptians make us look like a bunch of pansies. What's it going to take to get our voices heard by "we the people's" government.

Posted By DJ, Oxford, MS: February 18, 2011 12:24 pm

Riaed gas prices = rising cost of living = demanding raising hourly pay that company or small bussines can't afford to pay and had to lay off worker to save some $$$ = laid off worker has no job to buy anything and any company or small bussines will had to shut down because nobody will be able to buy anything!!! the whole thing gose down like Dominos you get the idea of economic collapsed!!!

That very stupid!!! I know my grammar are bad but I am not only retard here, the gas company are one of the most retard I could ever think of period!

Posted By Chad: February 18, 2011 12:23 pm
Gas already 3:41 at one station here in upstate NY.

Posted By Russ Vestal NY: February 18, 2011 12:12 pm

i am sorry to say but i am starting to see the u.s. heading for a depression as in the 1930's until the u.s. gov. can get there heads out of there butts it will keep going deeper until the right people are in office. i am tired of carrying the burden i think all of us are wake up washing d.c.

Posted By Jerry ,forreston il.: February 18, 2011 12:11 pm

i blame all of people in the usa for doing nothing.... why not start a strike and stop buying gas for a week or 2!

Posted By Anonymous: February 18, 2011 12:09 pm

Its all a bunch of bull, maybe we should learn from Egypt. They know how to controle the so called big boys.

Posted By Gene Plainfield NJ: February 18, 2011 12:08 pm

The pricing for crude for gulf delivery at $106 was a shocker.
A question? What is the price the US pays for crude on average? Is it closer to $85 (WTI) or $106 (LLS).
Answer that question right and you'll get a "read" on the stock market.

Posted By Bruce Krasting,NY,NY: February 18, 2011 12:00 pm

President Obama said it would be good for oil prices to increase .... so why the doom and gloom?

Posted By Howard, Honolulu, HI: February 18, 2011 11:49 am

The oil companies will not drill in the USA no matter what we do - unless the huge profits they currently make are guaranteed to continue.
As Conoco chief Jim Mulva said when asked about reversing a pipeline that feeds oil to Cushing from the Gulf Coast:
"We don't really think that's in our interest."
At this time doing anything that will lower the price of oil and gasoline is not in the interest of any of the oil companies.

Posted By John OKC, OK: February 18, 2011 11:48 am
Try being an owner operator and buying 500 gallons of diesel fuel a week. Watching oil drop and fuel go up.
$3.899 in northern Maine. These greedy bastards just make up any excuse to raise the prices. It's not like I
can conserve fuel and cut back on driving, thats my living and it's out of control. Sadly I know we have not seen the
worst.

Posted By Pete379 Chapman ME: February 18, 2011 11:45 am

Gasoline has spiked .20 cents in the last 3 weeks... while the price of oil has gone down from $91 to $84 a
barrel! Either it is speculators opening another front in gasoline commodities or we are seeing MASSIVE price
fixing by the energy refineries. Both are going to DESTROY this Country and force a armed revolt.

Posted By vidkid Texas: February 18, 2011 11:43 am

The people of the U.S. makeup the largest economy in the world. If we stop buying except when necessary, then
the prices will go down again. Lets get this straight once and for all, we the consumers have the power. If we
don't buy, they don't make any money. I will gladly walk or ride a bike in the name of middle fingerong the oil
companies.

Posted By Billiam, Downtown Orlando, FL: February 18, 2011 11:40 am

So many neanderthal thinkers here. What's in it for me, ow, that hurts. The world aside from the USA pays more
for gasoline (petrol) than do we Americans. Yet we continue to drive a block for a gallon of milk in a pickup truck
or SUV and then have the nerve to complain because its the greedy energy companies and refineries. When
was the last time most of you rode public transportation or bought the smaller car for economy.... as I thought,
you are American therefore, you can do as you will and blame someone else for your shortsighted nature.

Posted By Kevin, Sarasota, FL: February 18, 2011 11:33 am

We already have regular priced at $3.69 a gallon in Ventura County California. Greedy corporations are to
blame. Futures traders all greedy. I wonder if crude hit $10 a barrel and the oil companies were loosing cash like
crazy if the federal government would have an oil company bailout!


Everyone knows oil prices is driven by speculators and not demand. Wall street has become a gambling casino
with all these crazy hedge funds. The sad part is that Congress just sitx back and lets it all happen. There is no
doubt this country is going to experience an economic collaps.

Posted By Joel, New York, NY: February 18, 2011 11:17 am

I once asked a patron who was filling his SUV at a gas pump: How high will the price of gas go before you stop
buying it? His reply was :Until I go broke. Think about it.
Prices are controlled at each phase of production. The sad part is that this country is on the brink of an economic collapse and $4 per gallon a second time around will take us there at the speed of light. Yesterday I bought a chicken sub for $8.95 at the same place that just 5 months ago charged $6.75. I am predicting many small business going out of business real soon. I already stopped buying breakfast. I am now thinking about fixing my own lunch.

if our government spent as much on alternate fuel sources as they have spent on the war in asia we wouldn't have an oil problem now. If they had invested in solar energy production like they have this war we wouldn't still have coal furnaces suppling electric power at such high prices, most are burning dirty coar which raises prices because of the way it has to be burnt to keep all the sulfer and other cotaminants out of our air. lets get out of Bushes war and start spending those big bucks where they are needed most, at home.

Crude oil prices get lower and gasoline prices continue to go up. Sure the oil companies have a thousand excuses to do this because they think no one is smart enough to figure out that they are being gouged because of old greed. Big oil investors can never get enough so, the best way to handle that is for the world not to allow anymore billionaries. No person needs that much money.

Anyone notice that gas and oil prices started going up only after republicans won in the elections? huh!

Hmmmmm. I'm very skeptical of these inflated high prices. SUV sales have slumped ever since 2008. More people are buying fuel efficient cars and the economy is still in the doldrums. This reminds me of the EXACT situation I'm faced when I open my electric bill. We are using significantly less electricity compared to last year. We have improved the efficiency of our home and YET OUR ELECTRIC BILL HAS INCREASED BY 6%. It's a known fact that demand for electricity has fallen state wide. Yet the electric companies clamor that they have to raise rates because their costs are rising. Would't the lessened demand make up for the rising fixed costs? Then we read about all the corporations sitting on billions of cash. Remember when airlines started charging for baggage to help offset the fuel prices? When fuel prices fell why didn't they rescind those fees. Now that fuel is heading back up why don't they apply all those billions of profit to the higher fuel they are now facing?? Oh, and memo to the oil industry...I'll be purchasing a Prius next year. The supply/demand model has been replaced with the American model called GREED!

james s roberts whos going to pay for your re location. You are clueless.
Jason from Dallas, what the hell are you talking about..."Bring the Middle Eastern economy to it's knees."?? Seriously?! So, the Middle East is our enemy? Did you get a free toaster with your diploma...Assuming you've achieved any formal education? D-bag.

Posted By D Diggler, Chicago, IL: February 18, 2011 10:36 am

No lets do to them what they do to us... us what we have as a weapon. Barrel of Oil for a Bushel of grain/corn /whatever.. Lets do to others as they do to us !

Posted By Bob, Rochester MN: February 18, 2011 10:26 am

It's time for the american people to revolt, just like egypt. Revolt against the greedy, the heartless, the bastards that are ruining or beloved america.....the ones that have all the money and are now looking for power and control of the people that created this country....us.

These people don't care about money, they only want and feed off of control. Control of you and I and until the american people figure out that it's not about the money the quicker we can make change on this.

Long live the real america!!!!

Posted By Pauly S: February 18, 2011 10:22 am

Higher gas prices, huh? I guess there will be more record profits for the oil companies in Q3.

Posted By Yellowman, NYC: February 18, 2011 10:19 am

Turn us loose and let the USA drill and process our own inland oil and we could stop bringing in oil from other lands. This would drop the price down to below $50 per barrel. We have enough proven resources already verified that we could use if the Congress and EPA would just let us drill and process.

Posted By D N Crutchfield, Sand Springs, OK: February 18, 2011 10:18 am

High Gas Prices, The Real Terrorism!

Posted By ben, Orlando, FL: February 18, 2011 10:14 am

The higher gasoline is the better. People live closer to work, with an increase use of public transportation, walking, biking and drop in gas guzzling SUVs, Urban Cowboy trucks, GMs new muscle machines

Posted By james s roberts, dallas, tx: February 18, 2011 9:44 am
Drill here. Drill now. If we would stand up to all the damn environmental groups in this country - and take away their right to sue - we could not only get cheaper gasoline but also bring the Middle Eastern economy to its knees. With one policy change we improve our own economy and harm our enemies.

Posted By Jason, Dallas, TX: February 18, 2011 9:43 am

THE SPOILED BRATS OF THE WORLD UNITE. Boo-freakin-hoo..."Ohhh our gas prices are going up...Comparitively we pay very little, but why should we pay more?! We're American, darn it! We should have the best of all worlds." Provincial idiots!

Posted By LunaJunky, Tucson, AZ: February 18, 2011 9:42 am

comes down to speculators on wallstreet, the govt not doing one single thing to stop this bunch of greedy people from helping raise prices, do'n't they realize that the price od gasoline and diesel fuel are so far out line the common working person are having enough proples without corporate greed and these specalators.

Posted By clif browne middleville mi: February 18, 2011 9:37 am

the leftists were screaming @ bush when it started over $3 a gallon. We'll see what happends when it goes over $4 (again) Right now it's $3.44 in lower NY state

Posted By stanley, port jervis ny: February 18, 2011 9:37 am

Mike Knox makes a short and realistic statement. With that said, if we could get the attention of the herd of sheep that believes everything they read, and fail to do things like Mike states to counter the BS, then those of the herd that refuse to make positive changes have no right to complain that gas is $4 a gallon. Way to go Mike~

Posted By CJ New Phx AZ: February 18, 2011 9:36 am

$4 is fine with me, I drive 12k/year in mid-size wagon at 36mpg which comes to slightly more than $100 a month. $5 would bring me to $138/month which is still affordable. Service/depreciation/insurance costs me much more. Time to get rid of SUVs for people who use them as mommymobiles and cannot afford to fuel them.

Posted By Axel, Canton MA: February 18, 2011 9:19 am

Forgive me if I seem misinformed, but it seems to me that these oil execs and pencil pushers in NY have a lot of control over the oil economy, yet they are willing to sit by and let gas prices go through the roof because it's not in there best interest to increase the supply. Am I in the ballpark here?

Posted By Clay Kalamazoo, MI: February 18, 2011 9:13 am
As usual, we have a bunch of people "guessing" what the commodities will be this summer on a few basic assumptions. It seems the "so called" analysts (look at the first four letters of the word analyst) are trying to make a name for themselves by predicting the market and hoping they are correct. Maybe the best thing they can do for the USA is to keep their comments and articles to themselves.

Posted By Jim Kramer, Port Orange, Florida: February 18, 2011 9:08 am

totally dismissed the fact that Electric is on the rise and Oil Companies (and refiners, traders alike) are primming the US economy to accept the crude/margins excuse -as they have not yet figured out how to capitalize on the shift away from fossil fules.

Think Philip-Morris, switching from tobbacco to foods.

Posted By AJ, Orlando FL: February 18, 2011 9:06 am

$3.45/ gallon right now in Sidney, NY.

Posted By Brian Catskills, New York: February 18, 2011 8:57 am

Ok so from what i just red we are paying less for the barrel but You money hungry bastards wanna try and jack up gas prices. Maybe if we had better negotiators taken to our oil contributors we wouldn"t be here with $4 gas prices. $85 dollars which is $55 cheaper than 2008.... America The Place of Oppurtunity I Dont Think so. We can afford to live here when the goverment under pays us and ups gas... Canada here i come

Posted By Juan Rivas, houston texas: February 18, 2011 8:41 am

This article is obviously written by some oil trader trying to move the market. It makes no sense. If "much" of the oil cost $105 to make into gasoline, and prices do not support that, oil company profits would be "Materially impacted." So to whoever really wrote this article, you are clearly full of it...

Posted By John, New York, NY: February 18, 2011 8:24 am

Come on… I'm sick of all the speculation. I could tell you the captions of the oil tankers are going on strike and that will drive oil to 200 a barrel……. Or the crew is going on strike. Come on it is all BS!!!!!!!!!!! Tell the truth. The price of oil and gas today is priced based up on greed!!!!!!!!!!!!!!!!!! Lets take speculation out of it and see where the price goes!!!!

Posted By cb Lexington, KY: February 18, 2011 8:10 am

Do what I do.... stop all unnecessary purchases when gas is > 3.00. That's an economy killer that will bring prices down.

Posted By Mike Knox - Elkhart, Ind: February 18, 2011 7:46 am
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