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Gasoline Prices Reach Highest Level Ever Recorded in March

WASHINGTON, D.C. – ABC News reported today that gasoline prices have increased for seven straight weeks and that the national average price has reached the highest amount ever recorded in the month of March. Responding to this news, House Natural Resources Committee Chairman Doc Hastings (WA-04) continued to call for increased American energy production to create jobs and lower prices.

“Americans are continuing to feel the pain at the pump as gasoline prices reach the highest amount ever recorded in March. The economic impact to consumers, family budgets and small businesses cannot be overstated. There is no excuse for the Obama Administration’s repeated efforts to [block, delay or cancel](#) American energy development that will create good paying American jobs. Increasing domestic energy production to help insulate America from gasoline price spikes will continue to be a priority of the Natural Resources Committee, which is why we are moving forward with a [legislative hearing](#) on the [three American Energy Initiative bills](#) that I introduced this week.”



[Gas Prices See Highest March Price Ever and 7th Consecutive Weekly Increase](#)

Analysts Say Consumers Should Get Used to High Oil Prices, Despite Some Easing

By Susanna Kim

March 28, 2011

The weekly national average gas price showed the highest price ever during the month of March and the seventh consecutive increase this week, according to the Department of Energy. Prices are at their highest level since 2008, in part because of the Japan earthquake and turmoil in the oil-producing Middle East. But analysts say the price of oil and gas would still hover at a surprisingly high level despite geopolitical concerns.

The national average gas price is \$3.60 today, according to the Department of Energy, up 3 cents from a week ago and 80 cents from one year ago. Last week’s national average was an updated \$3.56 per gallon for regular gas, the 13th consecutive week that the average was above \$3 a gallon, according to the DOE. The last time gas rose higher than \$3.50 was Sept. 29, 2008, when the weekly average hit \$3.64.

Oil futures settled today at \$103.98 after reaching a high of \$105.76 earlier in trading. On Friday, oil futures settled at \$105.40 a barrel, the third consecutive day above \$105,

according to the Chicago Mercantile Exchange Group.

Robert Powell, a Middle East analyst with the Economist Intelligence Unit, estimates that even without the current conflicts in countries including Syria, Yemen, Bahrain and Libya, oil would still hover around \$90 a barrel. Why? The simple rules of supply and demand, he said.

"The fourth quarter of last year was pretty robust globally," Powell said.

The Commerce Department Friday announced that the U.S. economy grew more quickly than first believed. Gross domestic product in the U.S. grew at an annualized rate of 3.1 percent, revised from 2.8 percent.

Charles Dewhurst, national energy practice leader at BDO, agrees with Powell that without the recent global events, oil prices would be around \$90 a barrel. He points to events in Libya and Japan, in particular, as contributors to the high price of oil.

"My perspective is there probably is a \$15 price premium right now because of those two events," Dewhurst said. "The Japanese economy is going to need its electric power from oil-based sources as a backup to their nuclear problems. Their demand for oil has already increased."

"Libya's dreadful civil war is the other side of the equation," Powell said.

Powell also said increased production from industrialized and developing nations has contributed to high demand of oil, and therefore an increase in oil prices. China and India especially have had a voracious appetite for manufacturing inputs, according to Powell.

"The China story is pretty spectacular," Powell said.

China is the second biggest consumer of oil, behind the U.S., and is expected to increase its demand by 6.5 percent this year, according to the U.S. Energy Information Administration.

This week, Ian Christmas, director general of the World Steel Association, said China and emerging economies will intensify global steel production to new records this year, according to Reuters.

Powell said the "political risk premium" is greatly affecting oil prices. These are traders' concerns about future risks to oil supply and demand, whether oil will disappear from the market or not.

"The political risk premium is slightly overdone," said Powell, estimating that after the summer driving season, "When the market realizes these do not affect major oil producers or are affecting small oil producers," there will be "some relief in oil price."

"You'll see demand slowing and that's just natural," Powell said.

Leo Abruzzese, director of global forecasting of The Economist Intelligence Unit, expects oil

and gas prices to decrease around the end of summer for two reasons.

Demand for oil will decrease slightly from Europe, the U.S. and possibly China, around the summer time from the current high demand levels, he said. Once the Middle East protests subside, the risk premium will fall, and that will decrease gas prices.

"While I can't make a gas price prediction, we think it's at its peak now and will be for a few more weeks," Abruzzese said. "We think there will be modest reductions at the pump and it will cost drivers less to fill up in second half of year than it does now."

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