

**Jack Knox**

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## **Yo-yoing cost of gas the least of our problems with oil**

Think I'm going to get me one of those Cadillac Escalades, 14 miles to the gallon. Every time you turn the key, the polar ice cap melts and Oak Bay loses three inches of waterfront. Maybe I'll drive to David Suzuki's house, leave it idling in the driveway, just to tick him off.

'Cause gasoline is cheap, baby. The price just fell to \$1.35.9. They're damn near giving it away -- at least, compared to Friday, when the Victoria price jumped 13 cents, bumping its noggin on \$1.52. Yikes! Our gas prices graphed like Sarah Palin's approval rating this week, soaring and plunging with there-goes-my-lunch precipitance. What gives?

The short answer is that we got shafted. The longer answer comes from Roger McKnight, senior petroleum analyst with En-Pro International, an Ontario-based company that advises corporations on energy spending. Think of him as the petro-world's version of Mark Madryga, the meteorologist who explains why we're getting soaked.

Usually it's a fairly complicated story, and usually McKnight shies away from terms like "gouging" or "collusion," no matter how much we want to hear them. But he doesn't mince words about the "completely and utterly unjustified" increase of Sept. 12.

It goes like this: Gasoline can be sold in two ways, on the futures market or the spot market. The futures price paid today will typically be reflected at the pump in October, when the fuel is delivered. The spot price is for fuel flowing through the pipelines today, and the impact at the pump is immediate.

It's the spot price that jumped on Sept. 12, a whopping 13 cents a litre over the futures price, buyers reacting to a storm that wouldn't even hit Texas until the next day. "Basically, they guessed," says McKnight, on the phone from Oshawa. Buyers who, in effect, bid on the gas at auction were gambling that hurricane Ike would knock out the three big pipelines carrying fuel out of Houston. It did no such thing, but you and I still got stuck paying for a phantom gas shortage triggered by a disaster that never happened. "This was opportunistic, to say the least," says McKnight.

The good news for the wallet-weary is that pump prices are almost certain to drop even more, particularly after all the carnage on Wall Street this week. Just don't expect them to decline as steeply as the drop in the cost of crude, which has tumbled 38 per cent since July.

That's because even when pump prices rose to sell-the-furniture-to-fill-the-tank levels this summer, there was little profit to be made on the gasoline itself -- the refining margins were actually quite low. The integrated oil companies, those with their tentacles in every aspect of the industry, didn't really care about the relatively meager gas profits because they were wallowing in buckets and buckets of money at the front end instead, with crude that costs just \$13 a barrel to pull out of Alberta selling for up to \$145 in July. But now that the price of crude has fallen, so have profits at the production end, meaning Big Oil is looking downstream for its revenue instead. Hence, gas prices are still high.

Does that mean we're getting gouged? Does it matter? Accept the reality: Gas prices have been steadily climbing for 30 years and will continue to climb, so we might as well react accordingly. Just count your blessings if you are one of the few who has the option of ditching the family car.

Besides, moaning about gas prices is like complaining about the markup on wine in a burning restaurant. Even those who choose to discount global-warming warnings cannot ignore the fact that we are consuming oil faster than we are finding it. And the places where there might still be more oil to discover tend to be as stable and friendly as Amy Winehouse three days into rehab; investors get nervous about risking oil money in the likes of Venezuela, Russia, Iran or Alberta (just joking! put down the gun, you humourless redneck).

It might not feel like it as we pour grandma's medication money into the gas tank, but the pump price is not our biggest problem when it comes to oil.