

## Gas prices could hit \$1.12 a litre by summer

Even though supply ample and demand 'abysmal,' experts say hikes are inevitable

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Prices are currently just below \$1 a litre at many gas stations in Greater Toronto, but could peak near \$1.12 before the May 24 weekend, experts say. (Feb. 22, 2010)

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### Oil Prices Will Skyrocket

This report will provide you with the 2010 Oil Price forecast. [MoneyMorning.com/Oil\\_Prices](http://MoneyMorning.com/Oil_Prices)

John Spears Business Reporter

History says gasoline prices will rise in the coming months. But fundamental market forces say they shouldn't, according to energy experts.

Energy adviser Roger McKnight of Oshawa-based En-Pro International Inc. says he expects gasoline prices to peak near \$1.08 to \$1.12 a litre before the May 24 weekend.

Prices are currently just below \$1 a litre at many gas stations in Greater Toronto.

But McKnight's not entirely happy with his own prediction: "There's no logic to it," he admits.

Fred Rozell, retail pricing director of Oil Price Information Service, agreed that traditional market forces don't point to a price increase.

"If you look at demand, it's just abysmal," he told Associated Press in New York.

Yet he, too, predicts prices are heading higher.

Rozell said that rising demand for oil in China is pushing up the price of crude oil, the raw material for gasoline.

McKnight said that gasoline prices have risen from February through April for 24 of the past 26 years, but this year ought to be an exception.

Supply in North America is ample, with inventories above the five-year average, he said. Refineries are running below 80 per cent capacity, so they could produce more if demand rises. But that's not happening, either.

"Right now, if you look at the demand numbers in the U.S. ... they're all down," McKnight said.

Two factors are disrupting the equation, he said. Strikes at French oil refineries have been going on for six weeks.

Usually, European refiners export gasoline to the U.S. northeast during the winter. But the strike has restricted the flow, leading to some nervousness, and resulting in higher prices on futures markets. That impacts Canadian prices.

The U.S. dollar is also strong, and since oil is priced in U.S. dollars, that firms up the price for Canadians paying with Canadian dollars.

Canadians do have some protection against the currency factor, McKnight said. Because Canada is a big oil producer, higher oil prices boost the Canadian dollar, even if the U.S. dollar is also strong.

"The Canadian dollar is buffering a lot of the pain right now," he said.

In the U.S., Rozell said the modest demand for fuel will keep gasoline prices far short of the record level of \$4 (U.S) a gallon, set in 2008. He's predicting a peak of no more than \$3.25 a gallon. The U.S. national average is now \$2.648 a gallon.

On futures markets, crude oil is above \$80 a barrel. Oil for March delivery was up 35 cents to \$80.16 a barrel on the New York Mercantile Exchange Monday, while the April contract was up 25 cents to \$80.31 a barrel.