



Will the massive Gulf of Mexico oil spill spike future gas pump prices?

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As the Gulf Coast braces for disaster from a massive oil spill, analysts are weighing in on whether the fallout could usher in a permanent era of higher gas prices.

The BP leak off the coast of Louisiana has governments and environmentalists calling for tighter restrictions, broader moratoriums and higher liability penalties on offshore drilling.

With today's global oil prices driven more by speculators than supply and demand, several industry experts agree tougher rules will have little impact on pump prices in the short term.

But the long-term effect could be a different story.

"Probably, the oil price will go up and how much of it is related directly to this would be anyone's guess," said Larry Hughes, an energy security expert from Dalhousie University.

"I shouldn't think it'll be that great. If, further down the road, more stringent production rules came into place and that forced the price up, yes ... that would translate into higher gasoline prices."

An explosion destroyed BP's Deepwater Horizon rig on April 20, killing 11 workers before it sank to the bottom of the Gulf.

As the United States carries out a massive clean-up, President Barack Obama is reinstating a recently lifted moratorium on offshore drilling off the country's East Coast.

The leak that's believed to be sending more than 750,000 litres of oil day into the Gulf also prompted California Gov. Arnold Schwarzenegger to cease his state's plan to expand its own offshore drilling endeavours.

In Canada, oil companies with interests in the Arctic have been pressing the National Energy Board to relax a rule on offshore drilling that requires relief wells to be built. Relief wells help contain oil spills in the event of a blowout.

But Prime Minister Stephen Harper said this week his government will not loosen its environmental regulations in the Arctic.

One expert believes a higher price tag on deep-water drilling in the wake of the BP spill will scare off some oil companies.

"Crude oil sources right now are pretty difficult to get to and (in) pretty hostile environments, both politically and environmentally," **said Roger McKnight, a senior petroleum adviser for En-Pro International Inc.**

"The cost of doing that is incredible and the cost of a potential disaster like we have right now ... is going to be unbelievably expensive.

"Somebody's going to pay, and it will be BP to a certain extent, and it will be, in the long term, the consumer."

Economist Vincent Lauerma says as much as 40 per cent of the world's proven oil reserves are offshore.

Lauerma says production from offshore wells has been increasing in recent years and he doesn't think tougher regulations and moratorium extensions will last long.

"Given the incredible importance of deep offshore to the global oil industry, to tell you the truth in an overall sense, we don't think this is going to have this big of an impact," said Lauerma, president of Geopolitics Central in Calgary.

"This is an incredibly powerful, important industry on this planet and we need that oil. "It comes back to what drives the global economy ... we need that oil to do what we do." He doesn't expect gas prices to rise dramatically due to any additional regulations, either. Lauerma believes stricter rules will increase the cost of producing offshore oil, especially in countries that already have tight regulations in place.

But the cost of obtaining deep offshore oil would remain below the cost of extracting oil from the tar sands, keeping barrel prices down and hitting company profits instead, he said.