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Who Will Stand Up to Big Oil's Profiteering? The Gas Gougers

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Counterpunch

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Here we go again. A sudden surge in the price of gasoline and heating oil is followed by reported expressions of frustrated despair by hard-pressed consumers in the midst of silence from the oil companies and abdication of responsibility by the elected and appointed officials of federal and state governments.

The price of gasoline is up by about 50 cents in the past month, according to AAA, making the average gallon go for close to $4 per gallon in many parts of the country. Prices are even higher in California. AAA says that this "is the most expensive we've seen gasoline in the dead of winter."

Every penny increase in the annual price of gasoline takes over $1.6 billion dollars from the pockets of American consumers (Source). That doesn't even count the higher prices for heating oil homeowners are paying.

There was a time when even a few cents increase in the price of gasoline or natural gas would provoke Congressional investigations, actions by state Attorneys General, and condemnations of the producer countries, the OPEC cartel and Big Oil from presidents and the heads of antitrust divisions of the Justice Department or the Federal Trade Commission. That is, until smooth, smiling Ronald Reagan came to Washington, D.C. with his mantra that "government is not the solution; government is the problem."

Well, now the multi-layered petroleum cartel has become institutionalized, having "gotten government off its back" and put the New York Mercantile Exchange speculators at the gaming tables.

There seems to be an adequate supply of crude oil in this recessionary global economy. What could be the cause of this latest price spike? The news media offer a spectrum of possible factors – restrictions on exports of Iranian oil imposed by western governments, instability in Syria and elsewhere in the volatile Middle East, oil hungry China, oil speculators on Wall Street and reduced refinery capacity in the U.S.

Each price surge in recent decades seems to have different principal causes. This time it seems to have been precipitated by surging prices of crude – easily manipulated – and in the U.S. the permanent or temporary shutdown for repairs, of too many refineries.

Believe it or not, the U.S. is now a net refined petroleum importer because of the continuing refusal by the industry to rebuild or expand refinery capacity on the very sites where many refineries have been shut down, often in favor of offshore, cheaper installations.

Whenever supply and demand for refined oil products is tight, all it takes is for one or two refineries to suspend operations, other than for repairs, and the prices surge all over the country.

This happened in January to a refinery in California, due to a fire, and most prominently the closure of a key refinery in Port Reading, New Jersey, owned by the Hess company. Five dollars a gallon gas "is a real possibility," John Kilduff, partner at Again Capital, told Yahoo! Finance, adding "this is partly being driven by the lost refinery capacity of about one million barrels per day…that's a lot." (The U.S. consumes about 19 million barrels a day of refined petroleum products.)

So what can our so-called representatives in Washington do about a gouge that has angered almost all conservative and liberal consumers? Well, the Democratically-controlled Senate can start by holding investigatory hearings. The President can speak out more forcefully and indicate he may release some of the government's crude oil reserves to increase supply.

He can order his Justice Department to at the very least subpoena pertinent oil industry information for starters.

Mr. Obama can forcefully back up Gary Gensler, his appointed, savvy Chairman of the Commodity Futures Trading Commission, who has been trying to rein in excessive speculation that drives up prices and punishes the motoring public.

In 2011 CFTC data showed that massive inflows of speculative money drove up prices. At that time, even Goldman Sachs analyst, David Greely, claimed Wall Street speculation in the futures market was driving up oil prices. Earlier, Rex Tillerson, the head of ExxonMobil, estimated that speculation was responsible for a more than $40 per barrel price increase when oil was just over $100 per barrel. Over the last month crude oil has ranged in price from $93-$120 per barrel.

Admiral Hyman Rickover who, more than 40 years ago, wisely said that there should always be government-owned shipyards to provide a yardstick by which to restrain the high prices and cost overruns being charged by private ship buildings manufacturing the Navy's ships. That means, in this oil price context, that the government should own and operate some refineries for the armed forces. Any excess capacity could loosen the market with gasoline and heating oil when the corporate interests maneuver tight supplies for which they get immediately rewarded with cold cash.

Were Obama to direct some of his bully pulpit heat on those members of Congress who are marinated in oil, he might find more support from Capitol Hill for all these initiatives.

So call the switchboard at the White House comment line (202-456-1111) and tell the president that you are fed up and determined to drive less, carpool and walk more where possible, but that he, the president, must be more aggressive in taking on the staggeringly profitable and tax-favored big oil companies.

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