MAINE ENERGY
Marketers Association

As gasoline prices exceed record highs for the month of February, we know the local media is calling you for any insights you can offer. The following are talking points that we hope are helpful.

- The price of gasoline directly relates to the global price of crude which is exceeding $106 for WTI and $123 for Brent.
- Every barrel of crude oil produces approximately 19 gallons of gasoline.
- API reported last week that oil consumption in January dropped 5.7 percent from a year ago to 18.026 million barrels per day.
- With WTI supplies well above its five year average, demand down by 1 million barrels per day (bbl/day), currently at 18 million bbl/day compared to two years ago when daily oil demand averaged over 19 million barrels, and the Euro weakened against the U.S. dollar (the dollar has strengthened considerably), oil prices should be low.
- However, many companies that are buying crude oil contracts (speculators) believe that Israel might attack Iran nuke facilities creating a region conflict which could create a global shortage of oil. Hence a tremendous rise in an already overly saturated buying market for crude.
- There is too much liquidity in the futures markets. Banks have too much cheap money and are using that capital to speculate on crude contracts. Some members of Congress have chosen to limit funding to CFTC so that the CFTC is unable to limit banks. **Local media should be questioning legislators about efforts to underfund CFTC.**
- There is language in the Dodd-Frank Act (Title VII) that will help to minimize excess speculation once the Title is fully implemented. However, banks are aggressively lobbying Congress to roll back Title VII. Remind your Members of Congress to defend Main Street, not Wall Street.
- To complicate matters, many refineries are now switching over to produce summer blends of gasoline (required by EPA) which annually creates shortages of gasoline.

- If Keystone XL pipeline was up and running, events in Iran would not matter as much. It cannot help today but it will help in 2016 when the next Middle East crisis arises.

- Keep in mind also that approximately 50 cents a gallon cost is due to Federal, State and local taxation.

A recent phenomenon in the oil markets is the price spread between the North Sea Brent crude oil contract and the WTI crude oil contract. While WTI used to be the World benchmark for pricing crude, it no longer reflects worldwide demand though Brent does -- and Brent has become the World benchmark. The Brent Crude Oil Contract is now traded at $123 on the Intercontinental Exchange (an over-the-counter (OTC) exchange). The Brent Contract is now considered the World's oil benchmark and much of U.S. coastal prices are now based off the of Brent contract leading to higher prices.

Finally, view this short piece from ABC News that summarizes the correlation between excess speculation, Wall Street and gas prices. Gas Prices: Wall Street at Fault?

Financial regulator says big banks gambling on oil are to blame.

http://abcnews.go.com/WNT/video/gas-prices-wall-street-fault-15779498