

Are You Sick of Paying \$3 for Gas?

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Bad public policies are why you are paying close to \$3 per gallon at the pump. Gas prices could easily be reduced to under \$1.

Many scientists now believe that oil is *abiotic*. It is *not* a “fossil fuel” (i.e., biological residual from animals like dinosaurs) but rather a renewable resource like natural gas or coal which is replenished through geologic or tectonic activity under the earth’s crust. Hence, we are not running out of oil. Oil is continually being produced by chemical processes deep in the earth.

Economist Julian Simon from the University of Chicago confirmed this thesis in *The Ultimate Resource 2* (1998). Simon produced undeniable evidence that oil will continue to be abundant. Even though known (or proven) reserves may be limited, both possible and potential reserves are vast. New technology, which is always improving and getting cheaper, is all we need to get to the vast stores of oil in the earth’s crust. Just two decades ago offshore drilling was restricted to 500 feet but recent breakthroughs now permit drilling up to 5,000 feet.

Dr. Simon also demonstrated that lower prices are a result of technological improvement. As the supply of oil increases, its price drops (others things equal). Increases in the demand for oil cause temporary increases in price, leading profit-seeking entrepreneurs to develop technologies that enhance oil exploitation. Once again, the resulting increase in supply causes price to fall. Remarkably, since the amount of oil in the earth’s crust is effectively unlimited, the market process leads oil and gasoline supplies to become more abundant, with their inflation-adjusted prices falling over time.

So why has the price of gasoline risen so sharply? The culprit is foreign and domestic policy. Using round numbers, 50%-60% of the price of a gallon of gasoline is determined by the price of crude oil, about 30% is determined by refining and distribution costs, and the rest represents state and federal gasoline taxes. The price of a barrel of oil fluctuates with American foreign policy and wars, OPEC decrees, and supply-restricting domestic policies. While petroleum distribution can quickly compensate for the effects of a hurricane, prolonged aggression toward oil-rich countries restricts supplies and drives up prices.

The gasoline tax has produced a giant windfall for governments, which have experienced revenue boosts that have outstripped oil company profits over the last decade. Gas taxes vary by state. Florida, New York, California, Nevada, Wisconsin, Illinois, and Hawaii pay 48 to 54 cents per gallon, while South Carolina’s gas taxes (35 cents per gallon) are on the low end. But all gas taxes keep prices high, and eliminating them would reduce upcountry gas prices by about 13%.

Environmental regulation championed by the EPA and state agencies makes gasoline more expensive too. For 30 years, no new refineries have been approved for construction. Questionable policies have led to the capping of oil wells declared to be “hazardous” or “damaged”, and mandated costly non-MTBE refining techniques. Regulation also creates artificial barriers to entry into the gasoline distribution market that reduce competition. Removing barriers would allow market forces to improve quality and lower gas prices. You can blame bad public policy for high pump prices. Without questionable regulation prices might be 15% lower.

Finally, America has been dependent on foreign oil suppliers for decades. Domestic policies have prohibited oil drilling in Alaska and offshore. Your Congressman Bob Inglis voted to continue prohibition of Alaskan drilling and add onerous, safety-diminishing fuel efficiency requirements to automobiles (bills H.R. 6 in 2005 and H.R. 5429 in 2006), along with promoting inefficient and unnecessary alternative fuel programs.

Why should we drive 7,000 pound hydrogen-powered cars when gasoline could be abundant and cheap? Why should we use Ethanol—which takes almost as much energy to refine as it produces—especially considering that the sugar tariff makes Ethanol resources prohibitively expensive (unlike in Brazil) and that Ethanol causes greater wear-and-tear on engines? The caribou in the seldom-visited Arctic National Wildlife Refuge seem to like the pipeline’s warmth, and if more refineries could be built in America to process Alaskan “sour” (high sulfur) crude instead of shipping it to Japan for processing the

domestic supply of oil would be boosted. Wouldn't you rather pay less than \$1 per gallon for gas again if it meant building 50 new job-creating petroleum platforms 100 miles offshore that few people will ever see?

Unlike Bob Inglis, I support domestic drilling and using oil as our primary energy. As your next Congressman (4th District) I will oppose bad energy policies based on left-wing petroleum myths. Vote for me on November 7th and I will work to make gasoline cheaper in the upcounty.