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OP-ED: Gas prices finally falling

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As I biked through the intersection of California Drive and Broadway in Burlingame on the morning of Friday, Oct. 12, I observed the Beacon service station attendant changing the gasoline price sign. I pulled over to ask what direction the price was changing. He explained that the cash price was going down by three cents to $4.629.

While most drivers will no doubt feel relief that prices are finally on their way down after going up an unprecedented 50 cents in the first week of October, most experts agree that the prices go down slower than they go up — nature of the business, I suppose.

As the Daily Journal reported the day before, “Gas prices drop by half a cent,” the new Beacon cash price was now less than the statewide average while their credit price, three cents higher, was the average price as of Oct. 10. With prices most likely to reduce even further in the coming weeks, it presents a good time to reflect on the causes and solutions, if any, for the enormous gas price spike we just experienced.

While the article noted that Chevron’s Richmond refinery’s “crude unit would remain closed through the end of the year,” the effect on gas prices is unclear.

The reduced production of the Richmond facility, combined with the temporary shutdown of Exxon Mobil’s refinery in Torrance on Oct. 1 due to a power outage, reduced production in Phillips 66 plants in Rodeo and Arroyo Grande, and a Chevron pipeline in the Central Valley shut because of chemical problems, all contributed to that “perfect storm” in the refinery and distribution system causing gas prices to spike.

While gas prices have always been volatile, oil consumption in California has been decreasing since 2006, notwithstanding an increasing population. Californians have been driving less and more efficiently, and the result has been a surplus of refinery products, causing California’s 14 refineries to resort to exporting their products. With excess existing refinery capacity when all are in operation, don’t expect to see new refineries constructed. In fact, the opposite could happen, as was seen this summer in the Northeast where three refineries in the Philadelphia area were threatened with closure. Delta Airlines will reopen one to produce jet fuel.

So why aren’t prices going down if we are using less oil? About 64 percent of the price of a gallon of gas is determined by the world market price of oil. Even if the United States were to produce all the oil we consume, the price would be determined by the market. While we in California and the United States and Europe have been using less oil, the developing world is increasing demand, and tensions in the Mideast add to uncertainty.

In California, we pay more for gas due to the reformulated gasoline we use — produced by those 14 refineries. The special blend is due to our bad air, sadly the worst in the nation, though fortunately not here in the Bay Area. Republican governors Reagan and Wilson, and President Nixon all contributed to the Air Resources Board determining the special blend that has saved thousands of lives and countless visits to emergency rooms by those with respiratory problems, particularly for residents of the Central Valley and South Coast. While Gov. Jerry Brown’s Oct. 7 decision to allow the winter blend of gasoline to be produced now rather than Oct. 31 will lower gas prices, we shouldn’t expect future decisions to change the blend to lower prices.

So, what can we do?

As one oilman stated, there may not be a solution. “It’s the price we pay for living in California,” said Jay McKeeman, vice president of the California Independent Oil Marketers Association.

The only real solution to rising fuel prices is to make decisions that result in using less of it. Whether it be the changing the fuel of the vehicles we drive, the fuel efficiency of our vehicles or how often we drive, ultimately it is in our hands as to how much “pain at the pump” we endure.

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