

Reprint **Island Tides**

Visit www.islandtides.com for more interesting articles on other BC, national & international topics

Reprint from Volume 16 Number 12

July 1, 2004

The Gas Price 'Crisis' - Peter D. Carter

The recent 25¢-per-litre increase in the price of gasoline resulted in a furor from Joe and Joanne Public. That psychological \$1 a litre benchmark was nearly breached. Gasoline prices in Canada have risen 30% in the past year. Largely as a result, inflation (the consumer price index) has increased 2.5% over the year. The Canadian public drew their line in the sand. Both main contenders for the Prime Minister's office immediately issued calming statements, saying they would deal strongly with the crisis.

It is the same south of the border. Bush and Kerry, who last month faced off over the air waves on high gasoline prices, both preach the need for 'energy independence.' And by their recent speeches, it's obvious that both assume the right of Americans to cheap gas. 'With gasoline prices at \$2 per gallon, it's time to allow some drilling,' says Rep. Joe Barton, a Texas Republican. And while Senate Democrats oppose the Republican energy bill, some of them are urging Bush to tap the Strategic Petroleum Reserve, which was set up after the 1973 energy crisis, even though few economists think that step would significantly reduce gasoline prices. Other senators push legislation that would penalize 'the OPEC oil-producing cartel,' the usual scapegoat of American politicians.

The media have been full of the crisis. But there are a few things that Joe and Joanne don't realize.

Bar the Middle East petroleum principalities, we have the cheapest gas in the world. For example, Americans are still paying half or less at the pump of what drivers in most other countries pay, with foreign costs ranging up to \$6 per gallon in Britain (for a 20% larger gallon).

The fact is, American gas prices haven't reached record highs. Americans are paying no more for gas than they used to. The US national average of about \$2 per gallon is slightly less than the average price of \$2.07, in today's dollars, going back to 1919. Drivers in 1922 paid the equivalent of almost \$2.85 a gallon. In 1981, gasoline sold for nearly \$2.87, the highest inflation-adjusted price ever.

And there are hidden costs that people don't know about. Larry Goulder, a Stanford University professor, says the true costs of the US's driving-dominated culture are hidden. Americans pay much more for gasoline than the price they see at the pump. Among the hidden costs he cites are military expenses of protecting Persian Gulf and other oil supplies;

health care expenses to treat asthma, cancer and other diseases tied to auto emissions; and expenses to prevent or repair related environmental damage.

In any case, experts say the recent spike has a range of causes that are mostly beyond the control of our governments—escalating demand in India and China, for example. The rest of the world is catching up to our gas habit.

And despite huge subsidies from our governments and their valiant attempts to obtain the last easily extractible oil reserves, by invading Iraq, for example, and by turning a blind eye to aboriginal persecutions in South America, the market will have to respond eventually. Oil is a non renewable—which means finite—resource. As a result, this year's prediction is that we are only four (count 'em, four) years away from Peak Oil.

So if Jo and Joanne knew some of the intricacies of the true and fair price of gas, they would gladly pay even a few quarters more for gas—right? Wrong. Paul Martin a year ago bravely floated the idea of increasing the gas tax. He got his answer—political suicide.

Richard Heinberg, in *The Party's Over*, his 2003 book about the depletion of world oil reserves, said that politicians seeking public office in the United States can't disclose the true cost of gasoline because Americans wouldn't accept it.

'I don't think any candidate can tell the truth,' he said. 'It's terrible, but the American people have come to think of cheap energy as their birthright. And woe to the messenger who tells them otherwise.'

As well as sitting on the cusp of Peak Oil right now, we are also close to the start of the 'limits to growth' crash. If we don't get serious about bringing renewable energy sources on line fast, our fossil fuel-based economy has to crash. If we act now the transition may not be too painful.

'Unless you admit that gasoline prices have to go up—and go up a lot—the free-market system is not going to encourage the development of renewable energy,' said Julian Darley, founder of the Vancouver-based Post Carbon Institute.

Can Joe and Joanne bring themselves to admit the cost of gas is actually twice as much as the price at the pumps? That they are, in fact, already paying double what they pay at the gas station?

There is no sustainability substitute to paying more now for gas. Yes, it's that simple. Can Joe and Joanne see their way to

© Island Tides Publishing Ltd. This article may be reproduced with the following attribution, in its entirety, and notification to Island Tides Publishing Ltd.

'This article was published (July 1, 2004) in 'Island Tides', an independent, regional newspaper distributing across the Southern Strait of Georgia from Tsawwassen to Victoria to Nanaimo.'

Island Tides, Box 55, Pender Island, BC, Canada.

Phone: 250-629-3660. Fax: 250-629-3838.

Email: islandtides@islandtides.com.

Website: <http://www.islandtides.com>

Reprint from ISLAND TIDES, July 1, 2004 Page 2

investing in a sustainable economy for the future by paying more for gas now?

If we don't agree to pay the full price of gasoline, and allow prices to increase with the market, and agree to an increase in

gas tax to pay for renewable energy infrastructure, the future is grim indeed for Joe and Joanne's kids.

Perhaps we can learn from this crisis that isn't. It's all up to Joe and Joanne. ✍

© Island Tides Publishing Ltd. This article may be reproduced with this attribution, in its entirety, with notification to Island Tides Publishing Ltd.

'This article was published (July 1, 2004) in 'Gulf Islands, Island Tides'. 'Island Tides' is an independent, regional newspaper distributing 15,000-20,000 copies in the Southern Strait of Georgia from Tsawwassen to Victoria, BC.'

Island Tides, Box 55, Pender Island, BC, Canada. Phone: 250-629-3660. Fax: 250-629-3838.
Email: islandtides@gulfislands.com. Website: <http://www.islandtides.com>
