

# HAWAII REPORTER

## *Pain at the Pump: Why are Gas Prices so High?*



Hilo gas prices reach an all time high in March 2012

**BY MALIA ZIMMERMAN**, Friday, March 23rd, 2012 - Across the nation and in Hawaii, a record most drivers don't want to see broken, was. The highest average gas price ever recorded in March, \$3.87 per gallon, hit East Coast drivers.

That is up 30 cents per gallon over last year prices.

And on the West Coast, prices are at \$4.23 a gallon.

In Hawaii, the pain at the pump is even more severe.

Statewide the average price of gasoline is \$4.51 per gallon for regular, \$4.59 for mid and \$4.69 for premium.

### Hawaii Average Prices

	Regular	Mid	Premium	Diesel
Current Avg.	\$4.515	\$4.599	\$4.699	\$4.998
Yesterday Avg.	\$4.501	\$4.593	\$4.685	\$4.992
Week Ago Avg.	\$4.460	\$4.538	\$4.633	\$4.979
Month Ago Avg.	\$4.252	\$4.335	\$4.432	\$4.832
Year Ago Avg.	\$4.153	\$4.245	\$4.332	\$4.536

[View Hawaii Metro Areas](#)

### Highest Recorded Average Price:

Regular Uni.	\$4.594	5/6/2011
DSL.	\$5.419	7/24/2008

On the neighbor islands, gasoline prices are even higher. Hilo on the island of Hawaii broke a previous record with the current average price of gasoline at \$4.67 and residents reporting the prices at \$4.70 in the quaint Hilo town.

On the islands of Molokai and Lanai, gasoline prices are over \$5 a gallon for regular gasoline.

### HI Metro Averages

\*Prices Are In US Dollars Per Gallon. [Printer Friendly Version](#)

Hilo	Regular	Mid	Premium	Diesel
Current	\$4.676	\$4.750	\$4.861	\$5.094
Yesterday	\$4.669	\$4.739	\$4.840	\$5.106
Week Ago	\$4.617	\$4.698	\$4.798	\$5.064
Month Ago	\$4.458	\$4.579	\$4.687	\$5.031
Year Ago	\$4.172	\$4.272	\$4.368	\$4.545

Highest Recorded Average Price:				
	Regular Unl.	\$4.676	3/23/2012	
	Dsl.	\$5.799	9/16/2008	

Honolulu	Regular	Mid	Premium	Diesel
Current	\$4.388	\$4.487	\$4.579	\$4.817
Yesterday	\$4.376	\$4.475	\$4.565	\$4.808
Week Ago	\$4.345	\$4.443	\$4.536	\$4.799
Month Ago	\$4.137	\$4.242	\$4.331	\$4.697
Year Ago	\$4.057	\$4.153	\$4.236	\$4.396

Highest Recorded Average Price:				
	Regular Unl.	\$4.483	5/8/2011	
	Dsl.	\$5.327	7/10/2008	

Wailuku	Regular	Mid	Premium	Diesel
Current	\$4.656	\$4.746	\$4.834	\$5.188
Yesterday	\$4.639	\$4.745	\$4.811	\$5.174
Week Ago	\$4.564	\$4.660	\$4.763	\$5.147
Month Ago	\$4.433	\$4.514	\$4.605	\$4.985
Year Ago	\$4.348	\$4.465	\$4.547	\$4.652

Highest Recorded Average Price:				
	Regular Unl.	\$4.987	5/9/2011	
	Dsl.	\$5.601	8/1/2008	

Bill Green, an energy consultant and the former owner of Kahala Shell in East Oahu, said Oahu dealers make about 10 cents to 12 cents per gallon, and as the prices go up, their profits actually decrease. That is in part because credit card fees rise percentage wise as sales do. In addition, it takes more cash to fill the underground gasoline tanks, with many dealers having to take out loans to fill their tanks.

"It can suddenly cost \$100,000 to fill the underground tanks," Green said.

So why are prices so high? The debate rages nationally, but the bottom line is with worldwide demand for oil on the rise, costs continue to climb and will continue, Green said.

Hawaii buys its crude oil primarily from Asia, because it is closer to ship from there than the Middle East. Hawaii's price increases don't always track with the mainland states because they buy their crude oil from the gulf states and the middle east. Often Hawaii gasoline prices rise as the mainland states see decreases. Even though demand for gasoline is down in Hawaii by between 5 percent and 8 percent, tracking with a similar trend in the mainland, the prices are still up at the pump primarily because of consumption in China and India, Green said.

[Gaspricesexplained.org](#) backs what Green and many other experts say: "Crude oil prices are set globally through the daily interactions of thousands of buyers and sellers in both physical and futures markets, and reflect participants' knowledge and expectations of demand and supply. In addition to economic growth and geopolitical risks, other factors, including weather events, inventories, exchange rates, investments, spare capacity, OPEC production decisions and non-OPEC supply growth all figure into the price of crude oil."

Taxes - whether county, state or federal - do play a role in retail prices as well. The taxes collected are directed to road maintenance and construction, whether it is filling potholes, fixing bridges or repaving. Green said reducing the taxes would immediately impact prices, but it could cause problems down the road when the streets, bridges and highways are not maintained.

In addition to the gasoline taxes on Oahu, which are detailed below, the state charges a General Excise Tax on each gallon of gas sold. The tax is more than 4 percent, with the tax being a half cent higher on Oahu than the neighbor islands.

Each barrel of oil imported into Hawaii has additional taxes and fees, and ethanol, which is required in Hawaii gasoline by law, must be imported from Brazil or the mainland. Both of these factors boost gasoline prices.

Neighbor island gasoline costs are higher because county taxes are more, and because of shipping costs and the cost of living is higher. In addition, the dealers typically are smaller businesses in terms of sales than their peers on Oahu, and with selling less volume, their profit per gallon must be higher in order to pay their overhead costs.

<b>FEDERAL</b>	
FEDERAL LUST TAX	0.001000
OIL SPILL LIABILITY	0.001905
GASOLINE FEDERAL EXCISE TAX	0.183000
<b>FEDERAL TOTAL</b>	<b>0.185905</b>
<b>STATE</b>	
HI ENV RESPONSE ETHANOL 10%	0.022500
GASOLINE HAWAII STATE TAX	0.170000
GASOLINE HONOLULU COUNTY TAX	0.165000
<b>STATE TOTAL</b>	<b>0.357500</b>
<b>TOTAL TAXES NOT INCLUDING GE TAXES</b>	<b>0.543405</b>

**DEALERS PAY THESE TAXES WHEN THEY RECEIVE EACH DELIVERY. THEY ALSO PAY A WHOLESALE TAX (.5%) ON THE COST OF PRODUCT BEFORE THESE TAXES ARE ADDED IN.**

**THE CONSUMER PAYS THE FED AND STATE TAXES OF .543405 AND THEY ALSO PAY THE GENERAL EXCISE TAX THAT IS BUILT INTO THE PRICE PER GALLON. THE FED AND STATE TAXES ARE NOT SUBJECT TO THE GE TAX.**

Because there is no end to the price increases in sight, the controversy over why the prices are on the rise and what to do about it, continues to heat up in Washington D.C. and elsewhere across the country. President Barack Obama, like many Democratic politicians in Hawaii, has advocated for "green" alternative energy sources, and he is unwilling to promote drilling for more oil or to allow the entire Keystone XL pipeline to be built from Canada through the United States. He said those who don't support his energy policy "lack imagination."

## National Average Prices

	Regular	Mid	Premium	Diesel	85	**E85 MPG/BTU adjusted price
Current Avg.	\$3.889	\$4.030	\$4.160	\$4.156	\$3.293	\$4.334
Yesterday Avg.	\$3.881	\$4.021	\$4.151	\$4.153	\$3.287	\$4.326
Week Ago Avg.	\$3.831	\$3.973	\$4.104	\$4.126	\$3.265	\$4.297
Month Ago Avg.	\$3.579	\$3.712	\$3.846	\$3.959	\$3.135	\$4.126
Year Ago Avg.	\$3.551	\$3.690	\$3.822	\$3.940	\$3.021	\$3.975
Highest Recorded Average Price:						
	Regular Unl.		\$4.114			7/17/2008
		DSL.	\$4.845			7/17/2008

**For information on automotive fuel issues, including AAA's recommendations regarding fuel conservation, [click here](#).**

Heritage Foundation's Nick Loris argues "those who criticize the President's policies aren't opposed to new ideas: "The Administration's record of burning billions in taxpayer dollars to somehow transition America to a new energy economy have not produced results that earn confidence. The American people's money is being used to offset private-sector investments and artificially prop up industries until they go bankrupt, like Solyndra, Beacon, Ener1, Abound, and so on. Only when technologies such as solar, wind, and biofuels become affordable and reliable will consumers embrace them."

Critics of the administration also took note of the President's Secretary of Energy, Steven Chu, who gave himself an 'A' grade for a job well done this week during testimony before Congress.

"I would I say I would give myself a little higher in that since I became Secretary of Energy, I've been doing everything I can to get long-term solutions," Chu said of his job of controlling gasoline prices.

Heritage Foundation's Rob Bluey points out that statement is not true because "the Obama Administration is overseeing a sharp decline in fossil fuel production (coal, oil, and natural gas) on federal lands, which recently hit its lowest point in nine years."

Those actions include withdrawing areas offered for 77 oil and gas leases in Utah, he said, "canceling lease sales in the Western Gulf of Mexico and the Atlantic coast, delaying exploration off the coast of Alaska, keeping other resource-rich areas off limits, finalizing rules that establish more hurdles to onshore oil and natural gas production on federal lands, and withdrawing 61 oil and natural gas leases in Montana as part of a lawsuit settlement over climate change."

The Keystone XL pipeline, which has the ability to bring 830,000 barrels of oil per day from Alberta, Canada, to Gulf Coast refineries, also has been held up by the Obama administration. The President is now endorsing the southern part of the pipeline, but quietly lobbied Senate Democrats against an amendment that would facilitate construction of the entire pipeline that connects to Canada.

"He cannot now say he is expediting anything. President Obama is merely putting political rhetoric over smart policy in order to appease his environmental base and boost his sagging poll numbers simultaneously," a Heritage report said.

While conservatives and Republicans blame the President, at least in part, for gasoline price increases, and many Democrats want more money invested in exploring green energy over oil and coal production, the Libertarian CATO Institute's senior fellows [Peter Van Doren](#) and [Jerry Taylor](#) have a different view of who is to blame.

They agree crude oil price increases have drive prices up, but focus specifically on the spot price for Brent (North Sea) crude, which has risen \$16 a barrel since January.

"Given that there are 42 gallons to a barrel, that works out to a 38 cent increase in the price of a gallon of oil. Spot prices for gasoline trade in New York have increased about 41 cents per gallon over the same time frame. So there you go," Van Doren and Taylor said.

They explain the North Sea oil cost is relevant to the price of gasoline in the United States because America imports gasoline refined in Europe from North Sea crude.

"Even though these imports constitute less than 10 percent of U.S. gasoline consumption, they are necessary to satisfy domestic demand and their price sets the market price for all gasoline regardless of whether other cheaper crude sources are used to refine most of our gasoline," they said.

The price of crude in the North Sea may be rising because production is down, they said, while global demand is "bidding up the price of crude oil from the North Sea and elsewhere."

During the same time period, U.S. crude oil production increased for the first time since 1971, they said.

"So despite the popular perception of President Obama as anti-oil, domestic oil production is increasing for the first time since the Johnson administration. Alas, little of this has to do with the president. Prices increased from \$22 in 2002 to just under \$100 a barrel average in 2008 and supply has responded.

President Obama is no more responsible for production increases than other presidents were responsible for production declines. Unfortunately, presidents get blamed for world market changes that occur during their time in office... but generally, they do not cause them," Van Doren and Taylor argue.

Bottom line, experts agree that as demand increases, whether in Hawaii, the U.S. Mainland states, or elsewhere throughout the world, supply also has to increase, or prices will continue to rise.