



# ***It's Not Obama's Fault That Crude Oil Prices Have Increased***

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Is President Obama responsible for spiraling price of gasoline? Republicans say yes, but the facts say no.

Why have gasoline prices increased since the start of the year? The simplest explanation is that the price of crude oil has increased. Specifically, the spot price for Brent (North Sea) crude has increased \$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.

[\[What Obama and Ben Bernanke Should Do About Gas Prices.\]](#)

Why is the price of North Sea oil relevant to the price of gasoline in the United States? Well, we import 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.

Why is the price of North Sea crude rising? One possibility is that supply is down. North Sea (British) production has been decreasing for some time. During the first quarter of 2007, it was 1.7 million barrels a day, or mbd. By the end of 2011, it was down to 1.1 mbd. Norwegian crude oil production has likewise decreased from 2.7 mbd in the first quarter of 2007 to 2.1 mbd at the end of 2011. And global demand is bidding up the price of crude oil from the North Sea and elsewhere.

[\[Republicans Aggressively Gouging Obama Over Gas Prices.\]](#)

Ironically, during the same time period, U.S. crude oil production has marched upward for the first time since 1971. Since the start of 2007, U.S. production has increased by 2.1 mbd. Sure, more domestic oil creates the possibility of fewer refined imports tied to the price of Brent crude, but given that the price of Brent sets the price for crude generally, the result would be more profit for domestic crude producers rather than significantly lower gasoline prices for Americans (not that there's anything wrong with that).

[\[Has the 'Peak Oil' Tipping Point Arrived?\]](#)

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.