

A Sustainable Environment: Our Obligation to Protect God's Gift

by
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Some Thoughts on Current Topics: Off-Shore Drilling and Excessive Oil Company Profits

Will Off-Shore Drilling Solve Our Oil Problem?

Our presidential candidates are for off-shore drilling of oil, and then again, they might not be. It depends when you ask them. Drilling for oil off the U.S. shores is not the answer to America's addiction to oil. It would take at least ten years to realize any oil from off shore exploration, and what do we do in the meantime? And even if we are successful in finding new sources of oil, this is a temporary solution because that oil will eventually be depleted. We must find a permanent solution.

According to the U.S. Energy Information Agency (www.eia.doe.gov), the Persian Gulf countries account for only 16% of our oil imports, or 9.5% of our oil consumption. However, only 47% of a barrel of oil is converted to gasoline. If we can find a way to eliminate the need for this amount of oil, we would not have to depend on the Persian Gulf.

Since the C.A.F.E. (Corporate Average Fuel Economy) has been 27.5 miles per gallon for the past 25 years, let's assume all the cars on the road in the U.S. today average this fuel economy. If we increased the fuel economy to 30.5 mpg, we would not need to import any oil from the Persian Gulf. This assumes that we would be able to find an alternative to the 53% of a barrel of oil that is converted to products other than gasoline like diesel and jet fuels, heating oil, liquefied petroleum gas, lubricants, asphalt, plastics, synthetic fibers, detergents, fertilizers, ink, crayons, bubble gum, deodorant, tires and heart valves. Perhaps the demand for these products could decrease just as we would decrease the demand for gasoline. If we don't want to import any oil from Venezuela either, then the average fuel consumption must go to 32.5 mpg.

So all we have to do is increase the C.A.F.E. standards to 32.5 mpg. Is it that difficult? My first automobile was a 1961 Renault Dauphine and I was getting 40 mpg. It was a small four-passenger automobile with a four cylinder engine. But if the car companies could produce a car getting 40 mpg 47 years ago, don't you think we should be doing better than 27.5 mpg today? I realize that in 1961 catalytic converters were not required, but I am sure that in about a 40-year period, we could have compensated for the loss in fuel efficiency to reduce the emissions.

Are Oil Company Profits Excessive?

In late July, Exxon announced its quarterly earnings of \$11.7 billion, the largest quarterly earnings in U.S. history. The average person would say that Exxon is taking advantage of the American public and gouging the public at the gas pumps. The Exxon executives will tell you

that the earnings as a percentage of revenue are very reasonable relative to other U.S. companies. So is the price of gasoline in line with the price of oil?

In a recent article by John David Powell who writes for the American Daily, he indicated that when crude is priced at \$68 per barrel as it was last year, it accounts for 58% of the price of gasoline. When the price of gasoline is \$4.00 per gallon, the price of crude accounts for 77% of the gasoline price. In July, when the price of crude peaked at about \$145 per barrel, the price of regular gasoline was \$4.35 per gallon in Chicago. At this price for gasoline, the impact of the price of crude oil is probably greater than 77% as all other cost factors tend to remain constant, but let's assume it is still 77%.

A few weeks later, the price of crude dropped to \$115 per barrel, a 20.4% reduction in the price. If the price of crude does, in fact, account for 77% of the price of gasoline, then the price of gasoline should decrease by 15.7% (77% of 20.4%). That should make the price of gasoline \$3.67 per gallon, but it only went down to \$4.08.

I realize that an argument by the oil companies is that the cheaper crude has not yet reached the customers in the form of gasoline. But it seems when the price of crude goes up, it affects the price of gasoline very quickly. Could this be a reason for Exxon's profits, or are there other contributions to the high price of gasoline?