Here's Exactly Why Gasoline Prices Are Going Crazy

Description

It's official: we've broken another national record.

This week, the average weekly price of retail gas hit an all-time high of $1.45 per litre. That's around $.40 more than it was this time last year, and $.10 to $.20 more than it was just this past summer.

That last fact has left many Canadians scratching their heads. Under normal circumstances, gas prices fall in the winter (when we all hibernate) and rise in the summer (when we take vacations). But this year is far from normal. What's going on with retail gas? Let's take a deeper dive.

The short answer: Crude oil

Though many factors influence the price of retail gas, perhaps none impacts it so much as crude oil. And, right now, the world is facing a crude oil shortage.

Recall that, last year, crude oil providers were in a bit of a bind. The world was closing up, and, in the midst of travel bans and lockdowns, many countries simply didn't need crude oil. Consumers weren't driving, factories weren't operating, and commercial flights were little more than a thing of the past. The demand for crude oil was so low, in fact, that oil providers were practically giving barrels away, with the price dipping below zero for the first time on record.

In order to limit lost revenues, OPEC+ decided to cut daily output in April 2020 by an astonishing 10 million barrels a day. Since then, OPEC+ hasn't revamped its oil production to pre-pandemic levels, despite the fact that demand for oil is growing more and more.

Why doesn't OPEC+ just make more oil?

That's the question many politicians, from the United States to India, even to Canada, are asking right now. OPEC+'s answer? It's not a wise business move.

Fearing that the pandemic isn't quite over just yet, OPEC+ is taking a gradual approach to introducing more crude oil to the world. In November of this year, OPEC+ plans to add 400,000 barrels of crude oil per day. That may seem like a lot, but in actual fact, it's very little. Canada alone consumed around 2.5 million barrels of crude oil *per day* pre-pandemic, and the United States, the world's largest consumer of crude oil, consumes around 20 million daily.

Though many countries are pressuring OPEC+ to reconsider their plans, they're not budging. And, unless they do, we could be in for a very expensive winter.

What can you do?

Well, for one, you may as well get used to higher gas prices. At least for now. From the looks of it, gas prices will continue to rise at least until the end of the year, possibly into next year, too. I would start moving some expenses around in your budget, especially if you drive a car or truck that consumes a lot of gas.

At a more practical level, you could practice fuel-efficient driving habits. Driving slower, for instance, in-vehicle that's properly maintained (oil changes, clean air filter, tires at the right level) could help you save a few liters here and there, while carpooling and limiting how much you drive could help you save even more. Now might be a good time to download apps, such as GasBuddy, which will tell you where you can find the cheapest gas in your area.

If you haven't already, I'd also look at some of Canada's best rewards credit cards and cashback cards. If you can't beat rising gas prices, you may as well profit from them. Certain rewards cards will give you more cashback for gas purchases, which could help you in the long run, especially if gas gets more expensive.

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