Gas Prices: Why You'll Have to Wait for Relief

Description

Gas prices are out of control this year. Many Canadian cities are seeing prices approaching $2.25 per litre, and some have already crossed that threshold. In most provinces, prices hit record highs in 2022. For some, the price increases are just a cost of doing business. If you have to drive, you have to drive. But for others, these prices are becoming a real burden. If you're struggling to make ends meet due to high rent and food prices, sky-high gas prices can become the straw that breaks the camel's back. Many have resolved to cut back on driving for this very reason.

It's natural to hope for gas prices to go down. Unfortunately, they may not come down anytime soon. The factors that are taking prices higher are only accelerating, and many think prices will be high for at least the rest of the summer. In this article, I'll explore a few factors that are fueling the rise in the price of oil, and how you can gain from high prices instead of just losing money at the pumps.

OPEC output missing targets

One big factor in oil prices this year is OPEC. OPEC is a group of countries that exports a high percentage of the world's oil. The more oil they sell, the lower global oil prices go. This year, governments have been asking OPEC to increase their oil output. They have increased it a little, but not by as much as people wanted them to. A week ago, they agreed to raise output by 600 million barrels per month. That might sound like a lot, but they already export 30 million barrels, so it's only a 2% increase.

Conflict in Ukraine

Another factor supporting high oil prices this year is the conflict in Ukraine. Russia is one of the world's biggest oil exporters, and many countries have rejected its oil out of solidarity with Ukraine. This is a de-facto decrease in the oil supply, and it's contributing to higher prices.

Government has limited options

A final factor fuelling the rise in the price of oil this year is government's inability to do anything about it. As you might have noticed in the previous two points, many of the factors driving higher oil prices this year are global. They're not within the power of Canada or even the United States to change. The U.S. is trying to lower the price of oil by releasing some of its strategic petroleum reserve, but it's not doing much.

What to do about it

If you're concerned about the rising price of oil, there's little you can do about it directly except wait for the price to come down. However, if you're looking for investment ideas, there is one you could consider: oil stocks.

Oil stocks like **Cenovus Energy** (TSX:CVE)(NYSE:CVE) are direct bets on the price of oil. The more the price of oil rises, the more money oil companies make. As a result, they have more earnings to pass on to shareholders.

In its most recent quarter, Cenovus Energy's earnings rose by several hundred percentage points. Thanks to this big surge in profits, the company tripled its dividend. Shareholders who owned CVE at the time were handsomely rewarded. If the price of oil keeps rising, then shareholders owning CVE today will be rewarded as well.

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