

Alaska Crude Oil Prices Hit Record Highs

October 29 - World oil prices hit record levels today with the all time high price of \$93.20pb recorded for West Texas Intermediate (WTI) crude. Alaskan oil prices (Alaska North Slope or ANS West Coast) rose correspondingly from \$91.56 on Friday to \$92.23 per barrel today. By comparison the average price for ANS over the last 10 years has been \$31.15. The world oil price rise today was caused by a shut down of 20% of output by Mexican state oil company Petroleos Mexicanos or Pemex due to storm warnings in the Gulf of Mexico. Since the beginning of the year there has been a 67% rise in the world price of oil in US dollar terms.

Despite constant supply and demand tensions most analysts believe the price, in recent weeks, has been affected to a greater degree by political events. Newly imposed US financial sanctions against Iran, one of the world's major suppliers have flamed the world oil price, as has traders worries about the Kurdish/Turkish situation affecting pipelines in the region.

The end is not in sight. Many in the commodities trading industry see a \$100 per barrel price in the coming months as inevitable. Despite this, the price of gasoline in the US still lags greatly behind its western partners in Europe where prices of 7\$ per gallon are commonplace and have been for years. This is partly due to the amounts consumed, and the taxes imposed by national and state governments. In the US, on average, 52 cents of every dollar spent on gasoline at the pump goes toward government taxes of one form or another. In Britain, by contrast, over 82 % of the price of gasoline is tax. That tax is more subject to inflation and the whims of local and national governments and economies than to the world oil price. Similarly, higher octane “boutique blends” of fuels required in certain states and urban centers in America increases the price at the pump.

The price of oil is determined on the world free market. Currently US consumption of petroleum products is nearly at 98% of its refinery supply capacity. A new refinery hasn't been built in America for over 30 years and yet America's consumption has increased dramatically. A situation that puts increased pressure on an already volatile market. The price of oil also varies by the type of oil (ANS, West Texas Intermediate, Brent, etc.) which is often associated with the quality of oil from a specific geographic area. There are over 121 types of oil traded today. Some, like WTI, have fewer impurities and thus easier refining capabilities than others. Alaska's ANS crude is of a medium grade with higher impurities and sulfur content than WTI oil. As mentioned in the causes and concerns above, the price of oil is affected by world political events, the weather, wars or unrest, consumption, threats to transportation, production, refining and transport and storage infrastructure available amongst other things. However, because a vast majority of oil companies throughout the world are nationalized state owned entities, politics plays one of most powerful behind the scenes roles in determining the price of crude. As for ANS oil from Prudhoe Bay, apart from the world market, its price varies by production levels, demand and capacity at refineries in Washington, California and Hawaii.

The current glut in oil prices has affected the profits of the industry greatly. BP stock prices (BP Exploration Inc. is Prudhoe Bay's majority producer), rose to nearly \$78 per share on the stock market. ConocoPhillips, Prudhoe's second major producer was stable at \$84.

The oil major's profits resulting from the recent record commodity prices have become prime targets for states' treasuries. Already this year Alaska Governor Sarah Palin has proposed increasing taxes levied on North Slope oil production. A battle is set to ensue between the oil majors, the Alaska State Legislature and the Administration this winter.

Contrary to popular opinion high profits of “big oil” does not solely remain in the hands of the industry. Most all of the oil majors are owned by hundreds of thousands of shareholders nationwide and internationally. On average 1.5 % of shares in the oil majors are owned by company staff; 70% of oil stocks are owned by mutual funds, private pension funds, and IRA accounts; private citizens with personal portfolios make up the remaining 28.5%. Increased profits mean increased dividends and share prices thus having a trickle down affect to the shareholders of companies making up the general public.

This September the Trans-Alaska pipeline pumped 650,000 barrels of oil per day(bpd) south, well below its capacity of 2.1 million bpd. ANWR oil is hoped in the future would boost input by over a million barrels a day. In the last 12 months 201,325,000 barrels of oil have flowed from the pipeline with an average of 737,000bpd supplying America with just under 16% of domestic production capacity. Since operations began, over 30 years ago, over 15 billion barrels of oil have been transported from Alaska's North Slope oil fields to the nation. Nearly 90% of the State's economy is generated from the production of oil on the North Slope. In the last twelve months that industry has generated \$1,839,055,304 for the State and Federal Government.

For more on crude oil and the world market see the Energy Information Administrations informative explanation page on oil types and pricing.

Oil Types and Pricing

For more information on Alaska oil and gas revenue income see:

Alaska's oil and gas revenue

and…

More oil and gas funds received

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