

Gas prices spike in S.J. on stock speculation

Written by William Sokolic

Feb. 18, 2014 9:29 PM

If elevated gas prices are taking a big bite out of your budget, you've got company.

Average retail gasoline prices in New Jersey have risen 4.7 cents per gallon in the past week alone, averaging \$3.27 per gallon Sunday, according to GasBuddy's daily survey of 3,525 gas outlets in the state.

Meanwhile, the national average has increased 5 cents per gallon in the past week, to \$3.34 a gallon.

And it's going to get worse before it gets better. So says Barry McFadden, who owns a Sunoco station in Audubon. He said his cost per gallon rose from \$3.01.86 a gallon on Feb. 5 to \$3.13.38 on Feb. 8.

"We used to blame supply and demand for such jumps, but that went out the window," McFadden said. "It's about stock market speculators who speculate whether the price will go up in the future."

"Between that and refinery maintenance, I'd agree with that assessment," said GasBuddy.com senior petroleum analyst Patrick DeHaan.

"This is also the time of year we tend to see rising prices due to lower refinery production as a result of maintenance."

Demand has remained relatively flat in the past few years. But the expected uptick happens the same time as refineries slow down production to change over to summer blends of gas, said Sal Risalvato, executive director of the New Jersey Gasoline-Convenience-Automotive Association, an industry trade group.

"Typically, gasoline inventories build in the winter months, but increased levels of refinery turnaround activity have affected the traditional winter 'build' of inventory over the past few weeks," said Brian Schaller, head of the Fuel Team for Wawa Inc., which operates 115 stores in the state.

"Refineries in both Philadelphia and New Brunswick have planned decreased levels of output over the next several weeks, and the market is responding."

Speculation has been part of the equation for 20 years but became acute in the aftermath of Katrina in 2005, Risalvato said.

After weeks of relative stability in gas prices, the national average hit its highest since mid-October.

“Oil prices have recently surpassed \$100 (a barrel), a \$6 (per-barrel) jump since we began 2014, and unfortunately this new trend may signal the beginning of ‘March madness,’ the time of year that brings large spikes in gas prices,” DeHaan explained.

Very few stations have gasoline under \$3 a gallon, and the analyst expects those bargains will all but dry up over the next couple of weeks. The national average will likely rise 35 to 50 cents per gallon by the time gasoline prices peak in April or May, ahead of the start of the summer driving season, he added.

Prices Sunday were still 30.9 cents per gallon lower in New Jersey than on the same day in 2013, and 34.3 cents lower nationwide. But prices were 3.4 cents per gallon higher than a month ago in the state and 6.1 cents per gallon higher on a national scale.