

NJ Gas Prices are Really Low. What's Behind the Drop? Hint: It's Not Just Coronavirus

By: Ricardo Kaulesar, May 5, 2020

If the warm, sunny weather and reopening of parks got you out on the road this weekend, you may have noticed something: Gas prices have gone down quite a bit.

The AAA on its gas prices webpage listed a statewide average of \$2 per gallon for regular on Sunday. That's an 8% decrease from \$2.18 a month ago. It is also a significant drop from this time last year, when the average in the Garden State was \$2.94.

A breakdown by region showed an average price of \$1.97 for Bergen-Passaic, while in Parsippany-Troy Hills, it was at \$2.03.

And driving around a few miles to fill up can result in finding some even better bargains.

GasBuddy.com showed on Sunday that the Sunoco on Railroad Avenue in Ridgefield Park was charging \$1.91 per gallon, while about a six-minute drive away, the Wawa station on South River Street in Hackensack charged \$1.79.

Keep in mind that New Jerseyans are still under a stay-at-home order until there is a sustained reduction in new coronavirus cases and expanded testing, among other benchmarks. Visits to a nearby park (ideally while wearing a mask) are allowed, but long drives in the country are discouraged.

A Valero on Route 17 north in Mahwah, not far from Ramapo Valley Reservation, was selling regular gas at \$1.73 a gallon on Monday.

So why the drop at the gas pump?

Lower crude prices: The price of crude oil is at \$19 per barrel, a huge fall from this time last year, when it was at \$48 a barrel, according to the U.S. Energy Information Administration. Consumer gas

prices rise or fall when the costs of wholesale oil, refined and turned into gasoline, do the same. AAA spokesman Robert Sinclair said the huge drop is mostly due to the oil price war between Saudi Arabia and Russia in March that put a significant amount of crude oil on the market.

Lessening demand: The lowering of prices comes as travel has gone down considerably across the country, and particularly in the state since March, when Gov. Phil Murphy instituted a stay-at-home order. Traffic data firm INRIX found that personal travel in New Jersey was down 58% from where it was in the final week of February. According to Sinclair, demand at the gas pump has shrunk nationwide to 210 million gallons daily, just over half of the average daily demand of 389 million gallons.

Winter gasoline: Sinclair pointed out that starting on March 15 there's a switch across the country to summer blend gasoline. He said that as a result, gas prices are lowered to sell off the remaining stock of winter blend gasoline to make room for the new stock.

Will trend of lower gas prices continue?

Will this trend of declining gas prices continue in New Jersey?

Sinclair thinks so, as it is trending nationwide, with New Jersey possibly getting to an average of \$1.80 a gallon and the national average as low as \$1.50.

However, he cautions, it could change when the lockdowns across the country are lifted.

"Really depends on when the lockdowns end. I have a feeling that we are going to have the opposite problem after a while, where all this pent-up wanderlust that people have, once the restrictions are lifted, they are going to hit the road like crazy," Sinclair said. "So that might have an effect on how low we go."

Last week, Murphy reopened state parks and golf courses, and most counties followed suit. However, the state's stay-at-home order is still in effect until further notice.

Sal Risalvato, executive director of the New Jersey Gasoline-Convenience-Automotive Association, which represents hundreds of gas stations in the state, said they are not benefiting from the lower prices.

"People are not buying gas because they are not using gas. They are not using it because they're not going to work, they're not going to the movies, they're not going to restaurants and they're not going shopping," Risalvato said.

He said gas prices could go up if the price of crude oil in the international market increases and if more drivers get on the road, but that remains to be seen based on the unprecedented situation of the pandemic and the volatility of oil prices worldwide.

"I have been doing this for 42 years, and I have an instinct for this. ... Guess what: My crystal ball, either someone stole it or it's broken. I don't have a clue what's going to happen," Risalvato said.

He said convenience stores that are part of the gas stations are doing a little better than the gas pump operations, but business overall is still down compared with where it was earlier this year, as they have curtailed their hours of business.

"I've got members that sometimes in the middle of the day they're closing. But the reason they're closing is because their employees don't want to work with the coronavirus," Risalvato said. "There's far fewer that are open extended hours than they used to be."