

Gas Prices Are Creeping Up Again. Why?

If you wonder why prices at the gas pump have been climbing recently and are expected to continue to climb, look no further than the sharp drop in crude oil production in [Venezuela](#), the Saudi Arabia of the Americas.

Counting its huge tar-sands deposits, Venezuela has more crude oil than any other country in the world. Nevertheless, oil output in that failed socialist state has fallen to its lowest level in nearly 30 years, largely because of mismanagement and corruption. The production collapse there coincides with announcements by Saudi Arabia and Russia of coordinated efforts to bolster world oil prices, which have climbed more than 60 percent since last summer, reaching a three-year high.

U.S. consumers are among the biggest losers because we use more oil than any other place on Planet Earth. If domestic gas prices rise by \$1 per gallon, the economic gains from last year's Tax Cut and Jobs Act will be wiped out completely. Hurt most by such a price spike, of course, are low-income households who spend proportionately more of their budgets on fuel for transportation.

Saudi Arabia and Russia have been able to keep their own oil production levels relatively stable because of the unfortunate, but entirely predictable events in Venezuela, all the while benefitting from the rise in world oil prices.

But that could change. Should those two nations decide to reduce their own outputs significantly, global oil prices will soar even more. Higher oil prices would enable the Saudis to expand their political power in the Middle East and encourage Russian attempts to destabilize democratic institutions in other countries.

The recent gas price rise is a real concern and addressing it is important for all Americans. The solution lies partly in increasing domestic production, meaning permitting greater access to shale formations and offshore oil resources.

Let's start with shale oil, which has enabled the U.S. energy outlook to shift from one of scarcity to one of abundance. According to IHS Markit, since 2015, shale production has accounted for more than 70 percent of the new oil and 80 percent of the new gas entering the market. The last three years also have been a time of turbulence, though. Shale production and pipeline construction are opposed by environmentalists and other special-interest groups lobbying to keep oil and gas in the ground. New York State and Maryland have imposed bans on fracking, even though it has proven to be safe, by and large.

Offshore, the oil and gas industry has become much more efficient when drilling in deep waters. Simpler, standardized designs make drilling platforms less expensive and less likely to experience costly construction delays. Energy companies are transferring the technology they developed for shale production to increase output in deep-water wells.

Smarter pipeline siting and construction also are reshaping the oil and gas industry. Automation is one of the industry's most important developments. In remote areas, robots are inspecting pipelines and other equipment. Although human beings remain indispensable in critical safety roles requiring complex decision-making, automation is transforming the oil and gas workforce.

Huge benefits from high-technology solutions for oil production and transportation have helped the United States remain at the forefront of energy globally. The ongoing energy revolution has helped sustain U.S. economic growth, not yet recovered fully from the Great Recession: from 2008 to 2014, lower energy prices saved the average household more than \$700

a year. The shift from burning coal to natural gas for generating electricity has helped continue dramatic improvements in air quality.

U.S. energy production matters, not just geopolitically, but also as an object lesson for people like Vermont Senator Bernie Sanders who think that socialism is superior to market capitalism. The collapse of Venezuelan oil production, a commodity that once accounted for a quarter of that nation's GDP, is a symptom of the well-known failures of central planning. It may trigger the overthrow of President Nicolas Maduro and push Venezuelans who cannot leave even deeper into [abject poverty](#). The contrast with a robust U.S. energy industry could not be starker.

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