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## Gas prices inch up from 2009 low \$2 a gallon

By Bruce Edwards STAFF WRITER

It's costing Vermonters a lot more to fill up their cars, pickups and SUVs these days than a year ago when gasoline was less than \$2 a gallon.

The average statewide price of gasoline on Jan 18 was \$2.82 a gallon, \$1.09 more than a year earlier, according to the state Department of Public Service, which tracks a variety of fuel prices on a weekly basis. Nationwide, gasoline prices have risen 89 cents a gallon over the last year, the federal Energy Information Administration reported on its Web site.

The price of a gallon of regular gas in Vermont last week was 8 cents higher than the national average of \$2.74 a gallon, the Energy Information Administration data shows. The New England average was \$2.76 a gallon.

The average price of diesel in Vermont was \$3.16 a gallon last week, compared to a national average of \$2.87 a gallon and a New England average of \$3.06 a gallon.

Joseph Choquette, a spokesman for the 35-member Vermont Petroleum Association, said higher prices at the pump track the price of crude oil and the price of crude oil has steadily increased over the last year.

"The bottom kind of fell out in late '08 with the recession but as the economy has recovered a little bit there's been a greater demand for oil and crude oil," said Choquette, whose group is a division of the American Petroleum Institute.

He said the price of crude oil earlier this month was \$79 a barrel, more than double the price from late 2008. Even at \$79 a barrel, Choquette said that's far from the days of \$150 a barrel crude that helped propel gasoline to \$4 a gallon during the summer of 2008.

He said one reason Vermonters pay more for gasoline is an increase in the state gas tax. The new Motor Fuel Transportation Infrastructure Assessment is adjusted quarterly and currently adds 4.5 cents a gallon to the state's 20 cents a gallon tax for a total of 24.5 cents a gallon. Added to that is the 18.4 cents a gallon federal excise tax.

"Other than that, it's just market forces," Choquette said.

He said transportation costs are a factor as well with the closest terminals in Albany, N.Y., Portsmouth, N.H., and Montreal.

However, the Vermont Fuel Dealers Association is convinced that speculators are to blame in large measure for driving up the cost of fuel products. The association, which represents heating oil dealers, has pushed hard for regulatory reform in Washington that would reign in

speculators who trade on the energy futures markets.

Choquette's group, which represents retail gasoline dealers as well as the interests of the major oil companies, hasn't taken a position on the role of speculators, putting it somewhat at odds with the fuel dealers.

Choquette expressed skepticism that given the number of global trading centers that speculators could have a stranglehold on the price of oil.

"It's traded around the world and anybody can bring their barrel anywhere they want to trade it," he said. "If you bid on a barrel of crude oil and you can't sell it, you own it."

But Matt Cota, executive director of the Vermont Fuel Dealers Association, said the large investment banks not only speculate in the futures market, making paper trades with pension funds and other large investors, but they also have the ability to store the oil they buy to sell at a later date.

Cota said the summer of 2008 provides the best example of how oil futures speculators control the market rather than supply and demand.

"In the summer of 2008, we had the highest price per barrel (\$147) ever and four months later we were at \$37 a barrel," Cota said.

Even the worldwide financial collapse that occurred that fall doesn't by itself explain the precipitous plunge in oil prices, Cota said.

The Petroleum Marketers Association of America, which represents 8,000 petroleum dealers, including independent gas stations and heating oil dealers, supports tighter regulations of energy futures trading.

"Public and private pension funds, hedge funds, sovereign wealth funds and other institutional investors are heavily investing in futures contracts for crude oil and refined petroleum products, and enjoy little or no anti-manipulation controls, such as tough limits on speculative positions," the trade group said in a position paper posted on its Web site. "Without sufficient oversight and aggregate position limits, market activity can distort the price of oil and other energy commodities."

Sean Cota, Matt Cota's cousin, is vice chairman of the Petroleum Marketers Association of America and co-owner of Cota & Cota, a Bellows Falls fuel oil company.

Matt Cota has no financial interest in the company.

The Commodity Futures Trading Commission this month moved to propose new limits on trading in energy futures. However, those limits would not take effect until March of next year.

Sen. Bernard Sanders, I-Vt., who has repeatedly called for trading limits, supported the Commission's action but said the new rules should take effect much sooner.

"Under this proposal, speculators will be able to artificially increase gasoline prices through the summer driving season and into next winter. That is wrong," Sanders said in a statement

issued this month. "The CFTC has the power and the responsibility to stop excessive oil speculation in its tracks."

Matt Cota said the tighter rules are a good start but there's much more that needs to be done to regulate the market.

On Thursday, the price of regular gas in Vermont ranged from a low of \$2.68 a gallon at the West Street and Crampton Avenue mini-mart in Rutland to a high of \$2.95 a gallon at the Gulf station on Route 100 in Lowell, according to VermontGasPrices.com, which tracks daily prices with the help of the gas-buying public.

Of the top 15 lowest gas prices in the state last week on VermontGasPrices.com, five were Rutland City stations. The highest prices were concentrated in Chittenden County and the Northeast Kingdom.

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