

**Concurring Statement of Commissioner Jon Leibowitz
Regarding the Commission's Report on
"Gasoline Price Changes: The Dynamics of Supply, Demand and Competition"**

There are few economic issues on the minds of Americans today as significant as gasoline prices. Over the past several years, consumers have watched the price of gasoline rise rapidly and disturbingly. The Report issued today by the Commission clearly describes to consumers and policymakers the factors that affect gas prices and contribute to price increases and price spikes, and it places these price changes into context. Our policy and economic staff deserve credit for producing this valuable Report.

The Report analyzes in detail the multiple factors that affect supply and demand – and thus prices for gasoline – including growing foreign demand (especially from China and India), the impact of OPEC (though not a fully effective cartel, one that contributes to higher prices and clearly would be *per se* illegal if engaged in by private companies), boutique fuel requirements, the mistake of banning below-cost sales, regional differences in the availability of refined petroleum products, and oil company profits. Looking back historically, the Report finds that market forces generally have functioned in the petroleum industry, for example, consumption fell following high gas prices in the late 1970s and early 1980s.

Nonetheless, over the past several years we have witnessed rising gas prices and numerous regional price spikes. Crude oil prices today are at around \$60 per barrel, double the price of just a few years ago. These circumstances reflect a market that, while perhaps functional from an economic perspective, has inflicted enormous hardship on American consumers and, as well, resulted in a massive transfer of wealth from the United States to oil producing countries. U.S. consumers are understandably outraged.

In the current context of rising prices, the Report is designed to serve as a resource, rather than a solution. It does not offer suggestions on how to address the myriad issues – for example, environmental, land use, or regulatory – that may contribute to increases in the price of gasoline. Rather, it hopefully provides an empirical basis upon which policymakers and law enforcement authorities can make reasoned decisions in the public interest with their eyes wide open to potential competitive effects. That can only help all of us down the road.