

Crude Facts: The Winners and Losers of Low Oil Prices

JA Influencer Discussion Guide

The following discussion guide can be used to further expand upon the information provided in the JA Influencer paper.

Why are gas prices so low right now?

Like most products and services, gas prices are subject to the laws of supply and demand. Gas comes from crude oil. Oil prices tend to go up when there is increased demand, which is usually the result of increased economic activity around the globe. If China or Brazil or the U.S. are producing a lot of goods, for example, they will need more oil both for the energy to produce those goods, and often for the goods themselves (most plastics are petroleum-based, for example). Conversely, the more the supply of oil increases – due to slowing economic activity and/or increased production of oil – the lower the price tends to be. As the paper notes, global economic activity has slowed over the past year, while energy-producing countries are producing more oil because they need the money.

What might make gas prices go up?

More economic activity can create more demand for energy, which can increase oil and gas prices. At the same time, the supply of oil can be reduced in a variety of ways, including a decision by oil producing countries to produce less, natural disasters that might impact the production or distribution of oil and gas, and conflict in energy producing countries or trade sanctions.

What goes into the cost of a gallon of gas?

Two-thirds of the cost of a gallon of gasoline is based on the price of crude oil. The rest is determined by the cost of refining, marketing and distribution, and taxes.

Which industries benefit and which don't from lower oil prices?

Businesses that depend on energy production, such as drilling and refining, can be adversely impacted by lower gas prices because there is less demand for their services. This also affects businesses in communities that rely on energy production for employment, because the decline can result in job loss and fewer dollars spent on goods and services in the community. Businesses that may benefit from lower prices are those that use large amounts of fuel, such as shipping and transportation companies, which can see their operating costs decrease. Heavy manufacturers, such as the automobile industry, can also benefit due to the lower cost of production associated with lower energy prices.

