# Roth: Summer driving is not helping oil, gas

By Jim Roth, Director and Chair of the Firm's Clean Energy Practice Group. This column was originally published in The Journal Record on August 8, 2016.

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The American Automobile Association, better known as AAA, has a motto: "Always take the scenic route."

And America surely affords many options for great scenery along its roadsides in all corners and across this great country. But the view and the reality of how we traverse these miles are changing in ways we've never seen before.

In the midst of the annual "summer driving season" the price of oil and gas has seen an unusual slump, now well off double digits from around Memorial Day.

The overproduction of refined petroleum in the form of gasoline has Americans enjoying much cheaper fuel than usual and even cheaper than expected for 2016. According to GasBuddy's 2016 forecast (www.gasbuddy.com), June was forecast to average $2.48 a gallon, July $2.43 and August $2.46. So far the data that's in shows us that June came in at a national average of $2.36 and July is expected to have averaged $2.24 for unleaded fuel. These amounts are 5 percent and 8 percent lower than forecast, respectively.

So while the good news for drivers is that roadside fuel options are cheaper than normal, the view for producers and production states like Oklahoma is that the typical increased demand of summer may not be playing out to help grow commodity values for oil and gas.

In fact, the market prices have slid significantly since the start of this summer, even dipping below $40 a barrel for the first time in nearly four months. Oil prices are now down more than 20 percent since hitting $51 a barrel just two months ago, making prices officially corrected in a "bear" market now.

And the horizon is drawing further concern that this oil glut will remain with gasoline inventories at record highs. Many market watchers are critical of America's refineries for over-refining in the past few months, which may lead to further retraction in oil prices now as crude inventories and storage are further backed up with less demand coming from those very refineries soon. The typically historic expectations, like summer demand, seem to be absent in this new world for America's oil and gas producers.

New impacts, such as Wall Street investors and large hedge funds, are seemingly playing an even more significant role than weather, driving demand and economic output, and all indications are that those bets may carry more sway than ever before.

In fact, according to Bloomberg's analysis of the Commodities Futures Trading Commission statistics, money managers have raised their short positions this summer by the largest amount on record, going back to 2006. America's hedge fund managers, emboldened by producers' increased drilling activities – six weeks of increased nationwide rig counts – are largely betting against American oil.

So all of this is great news for American drivers, with national gasoline prices averaging $2.13 a gallon last week, compared with $2.66 at this point last year.

But to be honest, I would pay a bit more for my summer road trip if I thought it would put some Oklahomans back to work and send much needed school funding back into the classrooms. But if Wall Street behavior toward the Oil Patch is any indication of the months ahead, the famous line from Bette Davis in All About Eve feels more appropriate: "Fasten your seatbelts. It's going to be a bumpy ride."

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