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The Tipping Point: Rising Gas Prices Cause Concern

By **Nancy Sheppard** March 12, 2022

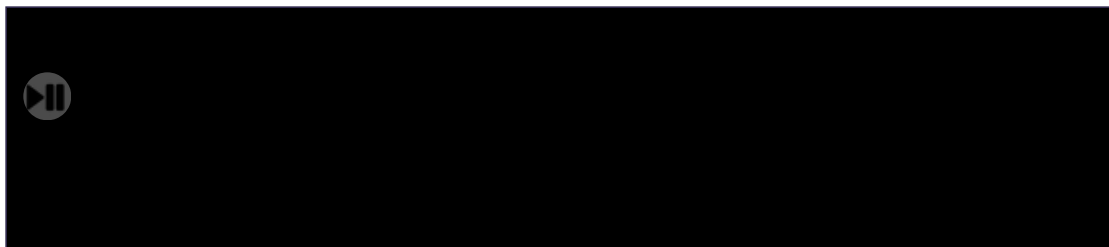
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*(WYDaily/File photo)*

NATIONWIDE — With gas prices soaring across the nation, many residents are starting to feel the pinch of the cost; reaching a point where consumers are starting to question how much they are willing to pay to fill their tanks.

A year ago, gas prices in Hampton Roads averaged \$2.66/gallon, then a month ago reached \$3.34/gallon and, as of March 10, according to the American Automobile Association (AAA), the average is currently \$4.26. This marks a 38 percent increase for the year and 22 percent in only a month. The Historic Triangle's current average gas price is slightly higher than Hampton Roads' average at \$4.29/gallon.* The fueling question is, why exactly are prices so high?

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While the Russian invasion of Ukraine has impacted this, it was just the tipping point for American gas and oil consumers.

When the pandemic shut everything down in 2020, fuel prices plummeted due to a lack of demand. The Organization of the Petroleum Exporting Countries (OPEC) provides the example of Russia, which decreased its export by 10 million barrels, which represents 10 percent of global supply.

However, as vaccines became more prevalent, students went back to in-person learning, and residents returned to their offices, the demand began to increase. This resulted in prices steadily rising by 45 percent from their pandemic lows. This was an unexpected economic rebound.

William & Mary Adjunct Professor of Economics Peter Atwater described the phenomenon experienced (called the “bullwhip effect” by economists) as a result of the pandemic as when “...supply and demand get out of sync with each other, and so this process of trying to sync up supply with demand has been difficult, and you see that with things like the supply chain shortages where there is more demand than there is supply.”

When Russia recently invaded Ukraine and global sanctions were placed on Russia, this spiked the already rising gas costs. While less than 10 percent of America’s gas and fuel supply comes from Russia, Europe and China are particularly dependent upon Russian fuel exports. As a result, the resources that the United States generally draws from have less of a supply, thus driving up costs.

Professor Atwood stated that, “The invasion into Ukraine has compounded that [bullwhip effect] because Ukraine is a critical supplier of food commodities, particularly wheat, and Russia is a major supplier of oil, and so investors particularly

have reached for commodities as a way to hedge the uncertainty that they see arising from the invasion.”

AAA Tidewater notes that the current gas prices have not been seen since the financial crises that occurred in 2008 (which were the highest on record before this past week).

What contributes to determining the cost of fuel includes the prices for the costs to extract and refine crude oil, local/state/federal taxes, distribution, marketing costs, and profit margin. According to the Virginia Department of Motor Vehicles (DMV), the current taxes in the Commonwealth are 26.2 cents per gallon for gasoline (which includes blended and alternative fuels), 27 cents per gallon for diesel (including blended fuels), 5 cents per gallon for aviation, and .2 cents per gallon as a storage tank fee.

Gas stations have very little to do with the actual costs. On average, a gas station can see anywhere between 1.7 to 2.5 percent profit, depending upon where in the country the gas station is located.

Despite these rising costs, economists are confident that this upward trend will not continue. Professor Atwater predicts that the market has reached its peak and, in the very short term, there should be a decline in energy prices.

Until gas costs return to a more palatable rate, there are several resources to help consumers find the best local fuel prices for their pocketbooks, including an app from the AAA ([Android](#) and [Apple](#)) and another from [GasBuddy](#) ([Android](#) and [Apple](#)).

In the meantime, AAA Tidewater makes the following suggestions for consumers:

- Use “fast pass” or express toll lanes to avoid unnecessary stops and slowdowns on the highway
- Reduce highway speed by 5 to 10 percent, which can increase fuel economy by as much as 14 percent
- Map your route in advance to avoid any unnecessary backtracking or turnarounds
- Make sure your vehicle is in top shape and tires are properly inflated
- When safe to do so when you will be stopped for more than a minute, shut off your engine
- Only use premium gas in vehicles which require it
- Avoid peak traffic times and reduce your trips to places that can be “one-stop shops.”

** data collected from [GasBuddy.com](https://gasbuddy.com) on March 11, 2022 at 11:52 a.m. This data reflects the prices of 27 gas stations in the City of Williamsburg as well as James City and York counties.*