Gasoline Price Prediction 2022,2030: What Will It Be In Next Five Years?

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Gasoline Price Prediction: While gasoline is still reveling in the glory of its new all-time high set in early June, some analysts forecast that it could rise further yet this summer – even well beyond $5.

On 6 June, U.S. unleaded gasoline blendstock (RBOB) futures traded on the Chicago Mercantile Exchange (CME) soared to a record high of $4.326/gal.

Retail gasoline prices in the US also surged to a record of $5.016/gal on 14 June, according to the American Automobile Association (AAA) — their all-time high since the AAA began collecting pricing data in 2000, the association said.

The conflict between Russia and Ukraine, which has been ongoing for more than four months, has kept oil prices at above $100 a barrel. The widespread ban on Russian oil is tightening crude oil supply. On the other hand, limited refining capacity means gasoline supply is not keeping up with the rebound in demand following the Covid-19 pandemic.

However, slower economic growth in China after months of reimposed Covid-19 restrictions in several major cities, and softer economic growth in other countries, could cool off demand, subsequently lowering the price of the fuel.

Recent market movements have led to downward trajectories for the price of oil and gasoline. Gasoline futures dropped almost 7% on Tuesday 5 July, hitting a six-week low of $3.43 a gallon, as concerns over subdued demand in the US and rising inventories overwhelmed support from limited oil refining capacities in the US and internationally.

Gasoline inventories in the US have expanded by over four million barrels over the past two weeks — an unusual tendency for the peak summer driving season. Recession fears and headwinds from rising interest rates continue to weigh on the outlook for gasoline demand, but whether these factors will influence structural changes that will affect the long-term price of the commodity remains to be seen.

On 5 July, Brent crude dropped as low as $101.16, while West Texas Intermediate (WTI) closed below the $100 mark for the first time since late April, as recession fears and other bearish pressures, such as a resurgent US dollar, added to the downward pressure on oil prices.

Industry analysts quoted by Reuters expected a quick resurgence in oil prices due to tight supply, highlighting that front-month spreads have held up despite the price fall on 5 July.

In this article, we look into factors that drive the commodity to fresh records and explore the gasoline price prediction for the remainder of the year and beyond.

What's driving the gasoline price: why is it rising?

RBOB gasoline futures opened 2022 strong at the $2.25/gal level in early January and continued to surge following Russia's invasion of Ukraine on 24 February. On 8 March, the futures soared to a new all-time high of $3.83/gal after the US and European Union announced a ban on Russian energy imports as a sanction for the country's invasion of Ukraine.

The announcement caused international benchmark Brent crude oil, the largest component of the gasoline price, to hit $139 a barrel. According to the US Energy Information Administration (EIA), crude oil cost 59% the price of a gallon of gasoline in May. Refining charges accounted for 26% of the fuel's value, with taxes, distribution and marketing accounting for the remaining 16%.

The Brent oil price has eased since March to around the $104/bbl level at the time of writing on 6 July, but has gained around 34% this year.

At the pumps, the current US retail gasoline price of $4.779/gal is 54.21% higher than a year ago at $3.099/gal, according to data from the AAA.

"The gasoline price benchmark surge is driven by elevated crude oil prices and widening gasoline crack spreads on the back of diminishing refining capacity," wrote Dominika Rzechorzek, oil and gas analyst at Fitch Solutions, in reply to Capital.com's questions.

"The most significant bullish factor currently impacting oil prices is the ongoing fallout from the Russia-Ukraine conflict. Prices have stayed elevated in the wake of Russia's invasion of Ukraine, reflecting supply disruptions stemming from the conflict itself, as well as Western sanctions in place on Russia."

Crack spreads are the price differences between wholesale petroleum products and crude oil. They are frequently used to calculate refining margins. Gasoline crack spreads have grown to average $50.1/bbl in May-June 2022 from $17.2/bbl in 2021, driven by diminishing refining capacity, according to Rzechorzek.

"The US operable capacity has dwindled below 18mn b/d in April 2022 for the first time since late 2015. On top of that, refiners have skewed production slate to diesel to meet growing global demand which pushed gasoline margins higher over March-April 2022," she said.

On the supply side, widening sanctions on Russian energy exports continue to disrupt crude oil supply as countries and companies avoid buying Russian oil. On 31 May the EU agreed to impose a partial ban on Russian oil imports.

The EU's move to embargo Russian oil imports is expected to cut the country's oil production by 1.6m b/d or roughly 17% in 2022, wrote Rzechorzek.

The International Energy Agency (IEA)'s June oil market report outlined the situation in the oil and petroleum product markets for both the short and long term:

World oil demand is forecast to reach 101.6 mb/d in 2023, surpassing pre-pandemic levels. While higher prices and a weaker economic outlook are moderating consumption increases, a resurgent China will drive gains next year, with growth accelerating from 1.8 mb/d in 2022 to 2.2 mb/d in 2023. In contrast to 2022 when the OECD led the expansion, non-OECD economies are set to account for nearly 80% of growth next year.

Non-OPEC+ is set to lead world supply growth through next year, adding 1.9 mb/d in 2022 and 1.8 mb/d in 2023. As for OPEC+, total oil output in 2023 may fall as embargoes and sanctions shut in Russian volumes and producers outside the Middle East suffer further declines. Assuming Libya rebounds from a steep drop, the bloc's production could increase 2.6 mb/d this year, eroding its spare capacity cushion.

Global refining capacity is set to expand by 1 mb/d in 2022 and 1.6 mb/d in 2023, boosting throughputs by 2.3 mb/d and 1.9 mb/d, respectively. Nevertheless, product markets are expected to remain tight, with a particular concern for diesel and kerosene supplies. While diesel cracks eased month-on-month in May, both jet fuel and gasoline cracks surged as demand picked up seasonally.

Gasoline price forecast: Analyst predictions

Kiplinger, a Washington DC-based publisher of business forecasts and personal finance advice, noted that record-high gasoline prices would be unlikely to see a significant drop.

"After peaking at a record of $5.02 per gallon last month, the national average price of regular unleaded has slipped to 'just' $4.90 today. Fears of a possible recession have lowered crude oil prices, and those declines are slowly showing up at the gas station. But keep in mind, these are still near-record prices. A year ago, the national average price was $3.10. And as long as fuel demand holds up, it's unlikely we'll see prices drop significantly," wrote Kiplinger's Jim Patterson in his economic forecast on 27 June.

Rzechorzek said there are downside risks on this year's gasoline price prediction from weaker than expected demand for the fuel, due to lingering movement restrictions in China and weakening economic growth elsewhere.

The IEA forecast in its May oil report that the world's oil demand growth could slow to 1.9 mb/d in the second quarter of 2022 from 4.4 mb/d in the first quarter of 2022. Demand growth is projected to further ease to 490 kb/d on average in the second half of the year on a slower economic expansion, higher prices, and China's Covid-19 restrictions.

The agency kept its forecast for world oil demand in 2022 at 99.4mb/d unchanged from its projection in April, which was cut by 260kb/d due to stringent lockdowns in China. But the 2022 oil demand forecast represents a 1.8mb/d increase from 2021.

As coronavirus-related curbs in China have recently eased, with the city of Shanghai declaring victory over Covid-19 as the city reported zero new cases for the first time in two months, oil and petroleum demand from the world's second-largest economy could be on its way to recovery.

Rzechorzek also noted that a decision by US President Joe Biden on 31 March to release stocks from the Strategic Petroleum Reserves may have some impact on gasoline prices.

"While SPR releases have a relatively poor track record in tempering oil prices, a release of this scale is unprecedented. And, while its impact through sentiment channels may be relatively minor, it

will help to loosen the market, until supply pressures ease elsewhere," she wrote.

Fernando C Hernandez, a technology specialist in energy and the principal at Hernandez Analytica, added that should the US augment the utilisation of SPR to allay prices during the hurricane season, that could lead to dire consequences.

The hurricane season is in full swing and does not end until November, which means two business quarters will be susceptible to interruptions.

"Being that oil is a crisis-prone commodity, impacted by the Russian-Ukraine conflict, an additional crisis via a major hurricane can lead to immediate upward price action for oil.

"Case in point: Hurricane Ida making landfall – in 2021 – led to oil prices increasing by 10%. A double-layered crisis, via the current conflict and a potential hurricane, would lead to an increase in oil prices that would be substantially higher than the one caused by Ida," Hernandez wrote.

"Therefore, it is imperative that oil is maintained at healthy levels at the SPR to counterbalance potential hurricanes."

Hernandez noted that when Hurricanes Katrina and Rita caused major disruptions in 2005, an SPR release was actioned to offset disruptions to refineries and hydrocarbon-producing infrastructure.

Gasoline price prediction 2022

Fitch Solutions expected gasoline prices to average $3.12/gal for the full year of 2022.

"We also highlight seasonal effects that will support gasoline price surge over the summer months in the US, however we also see growing risk of demand destruction given high level of prices at the pump. Overall, we expect gasoline prices to remain elevated over the summer and stabilise lower over Q422 as the demand weakens," wrote Rzechorzek.

On 2 June, the EIA forecast retail gasoline prices to average $4.27/gal in the third quarter of 2022 and average $4.07 for the full year of 2022. The agency has not yet updated its figures.

As of 6 July, in its gasoline price prediction for 2022, Trading Economics projected the fuel to trade at $3.82/gal by the end of this quarter. The economic data provider forecast gasoline to trade at $4.26/gal in 12 months.

Kiplinger forecast that "the national [US] average [could] hover in the high $4 range this summer, and possibly spike well above $5 if any disruptions hit refineries or the pipelines that move gas to market".

"For instance, a hurricane in the Gulf of Mexico that shuts down refineries there for a few days or longer could cause a substantial price jump," Kiplinger warned in its latest forecast on 27 June.

Long term gasoline price prediction

The prediction was higher than the $3.51/gal gasoline price prediction it made in May 2022. The EIA did not provide a future gasoline price forecast for 2025.

For the medium term, Fitch Solutions projected RBOB gasoline futures to average $2.83/gal in 2023, dropping to $2.25/gal in 2024.

“In 2023, gasoline prices are expected to settle 9.3% below 2022 averages as the global gasoline market continues to loosen with the demand growth slowing from 2.0% y-o-y in 2022 to 1.5% y-o-y in 2023,” wrote Fitch Solutions oil and gas analyst Dominika Rzechorzek.

At the same time, supply is expected to remain strong next year, with output to reach 25.1m barrels a day (b/d) – above pre-Covid-19 production of 24.7m b/d for 2019.

“However, we note that severe and prolonged export disruptions from Russia constitute a substantial downside risk to our 2023 refined product production forecast. From 2024 onwards, we maintain a bearish outlook for gasoline prices as energy transition efforts weigh on the demand while supply grows on the back of new capacity coming online,” Rzechorzek added.

For the 2025 gas price prediction, Rzechorzek forecasted that the fuel could trade at $2.28/gal. Rzechorzek and the EIA did not provide any 2030 gas price projections.

When considering analysts’ gasoline price forecasts, it is important to remember that their estimates can and do turn out to be wrong. You should always do your own research and consider all relevant market conditions.

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