

Labor Day drivers enjoy lowest gas prices since 2004

By Jonathan Fahey, AP

It has been more than a decade since U.S. drivers paid so little to fuel up for that last road trip of summer.

The national average price of gasoline this Labor Day weekend will be its lowest at this time of year since 2004, a result of low oil prices and a quiet hurricane season that has allowed refineries to churn out gasoline and diesel.

"The year of cheap fuel continues," said Tom Kloza, chief oil analyst at the Oil Price Information Service.

The national average price of gasoline fell to \$2.44 Thursday, nearly \$1 a gallon cheaper than last year.

That means drivers will save about \$15 on a typical fill-up. For the four big driving days of the weekend, Friday through Monday, Americans will spend \$1.6 billion less than last year, according to an analysis by Kloza's OPIS. They are expected to drive more miles, encouraged by low fuel prices, but not enough to burn up their savings.

Gasoline prices often rise toward the end of the summer driving season as supplies dwindle and rough weather disrupts production along the Gulf Coast, where much of the nation's fuel is made.

But crude oil prices have plunged because producers in the U.S. and around the world have been furiously pumping oil while at the same time economic weakness in China, Japan and Europe raises concerns that future demand growth will slow. At around \$47, oil is down 23 percent from its June 10 high and around half the price it was last year at this time.

The low crude prices and humming refineries have helped the national average price of gasoline fall 17 days in a row, according to AAA. Refinery production has remained high because refiners' raw material costs are have fallen faster than the price they get for their products. U.S. supplies of gasoline are above where they were at this time last year.

September can be a choppy month for gas prices because refiners conduct maintenance while switching over to winter blends of gasoline and supplies can get tight. But prices are expected to drift lower and then drop sharply in the late fall and winter as demand for gasoline declines but refineries keep running to meet demand for heating oil and diesel. They can't make one type of fuel, like diesel, without also turning out gasoline.

"For most of the country, below \$2 is in our future for November and December," Kloza says.

By this weekend, 10,000 stations around the country, mostly in the Southeast, will be selling gasoline for less than \$2 a gallon. South Carolina's average has already sunk to \$2, lowest in the U.S. California drivers had a difficult summer, often paying far more than drivers elsewhere because of refinery problems in the state. Midwest drivers suffered through a short spike because of a refinery problem in Ohio.

Now prices everywhere are falling, but Western drivers are still paying far more than the national average. California and Nevada drivers are both paying more than \$3 per gallon on average, and the top 11 state averages are all out west. The lowest prices are found in the Southeast and near the Gulf Coast.