



Get Ready For More Energy Inflation

Most Americans know well the feeling of energy inflation every time they have filled up gasoline or diesel tanks at the pump this year. A combination of more restrictive Federal permission on drilling for hydrocarbons, the curbing of capital budgets by oil companies, more confining lending policies toward the energy industry and embargoing Russian energy has created 69% year-to-date increases for consumers. Those who rely on heating oil for their homes have seen similar increases, while those who use natural gas have faced much higher bills, considering natural gas as a commodity is up 126%.

Sadly, as they say in infomercials, “but wait there’s more,” your electric bills are next. Year-over-year electricity rates are up 8%, the biggest increase in over a decade. New York has had an average 15% increase over the past year, while Pennsylvania had an 8% increase. More increases are coming as natural gas prices keep climbing. Starting June 1st, utilities in New York and Pennsylvania will be allowed to pass through another round of hikes. The PPL Corporation in New York and Pennsylvania will be increasing rates 38%. If you are a First Energy consumer in Pennsylvania, your rates will go up 16.3% for example. Natural gas is used to power 40% of the electricity grid and is susceptible to the largest price spike in the past 15 years.

Questions remain on what the future holds. American desire to go out after being captive due to the pandemic could further drive up demand for energy. At some point, energy prices may hit untenable levels that will crimp demand or as they say in the energy industry “the cure for high prices is high prices.” Do not expect much relief soon, as new production is minute and OPEC (Organization of the Petroleum Exporting Countries) has signaled no desire to alleviate the current situation. Domestic investment of capital into projects that produce productive energy is the only long-term answer to the current high prices, much like the investment into the Alaskan Pipeline and deep-water drilling alleviated the energy shortages of the 1970s.

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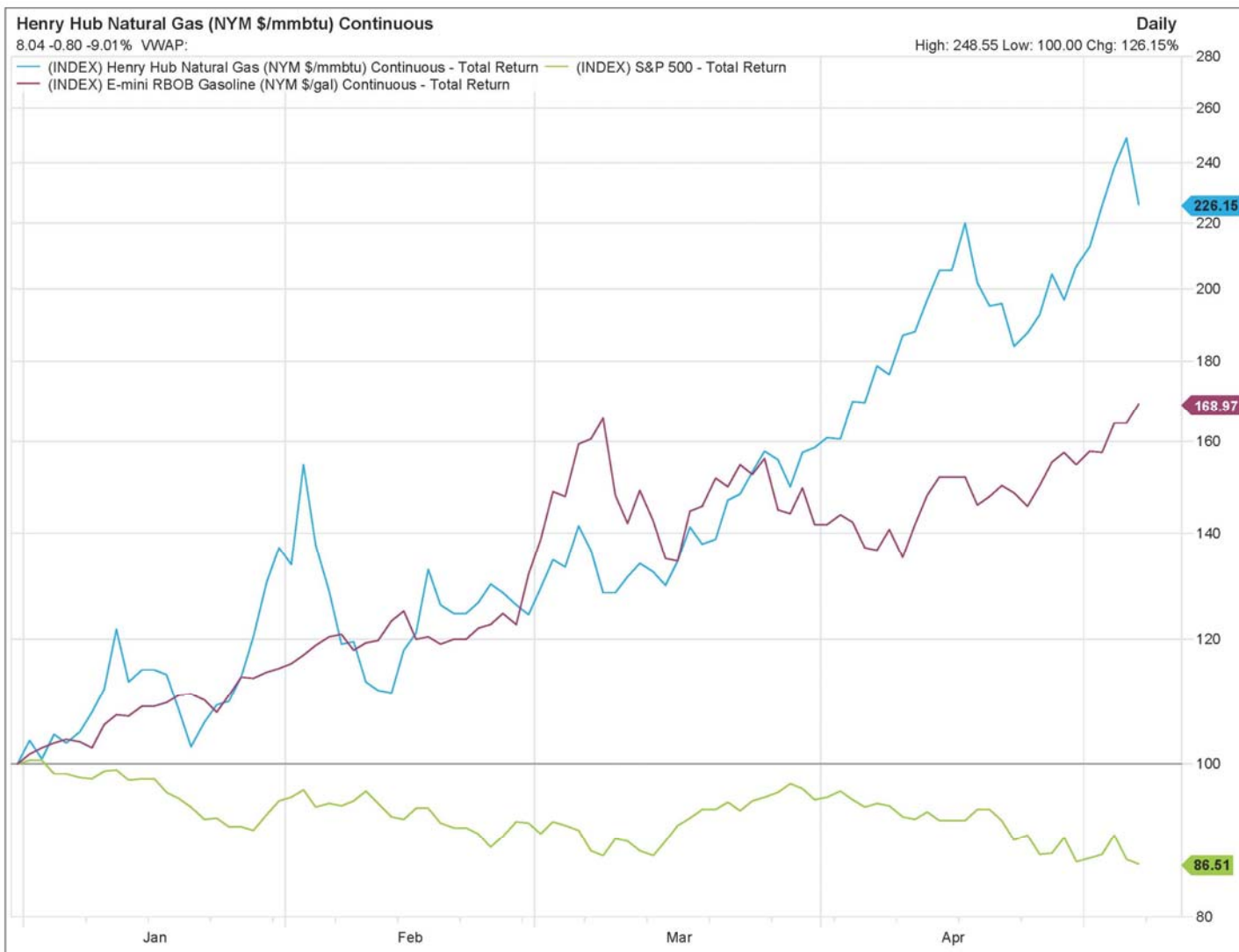
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