



Written by [Bob Adelman](#) on April 8, 2022

As Gas Prices Fall, Dems Accuse Big Oil Execs of Gouging

“We are here,” said New Jersey Democrat Frank Pallone as the inquisition, conducted by the House Energy and Commerce Committee against Big Oil, [began on Tuesday](#) “to get answers from big oil companies on why they are ripping off the American people. At a time of record profits, Big Oil is refusing to increase production.”

Chevron CEO Michael Wirth shot back: “We do not control the market price of crude oil or natural gas, nor of refined products like gasoline or diesel fuel.... We have no tolerance for price gouging.”



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Nor could he or Chevron even if they wanted to: Crude oil is a global commodity, and as large as Big Oil is, it has little influence on the price of that commodity. And gas prices are largely set by gasoline stations themselves, in response to local competition.

Shell USA president Gretchen Watkins explained to Pallone and the other Democrats decrying high oil and gas prices and blaming them on Big Oil: “Because oil is a global commodity, Shell does not set or control the price of crude oil.” Indeed, Shell doesn’t own a single one of the more than 13,000 Shell stations serving consumers in America. “Each,” said Watkins, “of these independent businesses is responsible for setting the local price for gasoline.”

The solution to high prices is, as it always is, high prices. That is, by allowing the free market to set prices, consumers will adjust their behaviors accordingly. They will, in effect, “ration” themselves by purchasing less, reducing demand pressures. At the same time, high prices will stimulate more production, which will bring prices down.

It’s already happening. In December, oil producers began reopening wells in the Permian Basin located in west Texas and New Mexico, boosting (according to *Reuters*) production by nearly a million barrels a day by the end of the year. NextTier Oilfield Solutions, the country’s third-largest fracker, told investors in January that demand was already pushing its utilization rates above 90 percent. Those rates fell as Biden canceled the Keystone XL pipeline project and paused the issuance of oil leases on federal lands. Covid restrictions also played a part in the reduction of production.

Oil analysts at Bank of America are forecasting a rise in global investment in drilling and completion of 22 percent this year, the strongest year-over-year gain since 2006.

Prices of WTI (West Texas Intermediate) crude oil topped \$116 a barrel in late February. As this is being written, WTI has dropped to less than \$97 a barrel. Nationally, gas prices peaked on March 17 at \$4.33 a gallon, but now average nationally just over \$4.13 a gallon.

Ranking Republican committee member Cathy McMorris Rodgers of Washington called out efforts by Democrats to blame the high prices on the oil company executives or Russian President Vladimir Putin: “This is not the Putin price hike. This is the Biden price hike. It’s been on a steady climb since he took office.”



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Democrats such as Maria Cantwell of Washington aren't buying the free-market argument and are calling on the Federal Trade Commission (FTC) to investigate Big Oil for price gouging and manipulation. Unfortunately for Cantwell, the last time the FTC investigated Big Oil, it found nothing. In its letter to then-Representative Brian Higgins dated May 13, 2009, the FTC declared:

After careful and extensive investigation, FTC staff did not find any evidence of illegal activity in gasoline markets.... To the contrary, staff found evidence suggesting that it is unlikely that illegal conduct caused these price [rises].

The best thing the committee in charge of this inquisition could do would be to urge Congress to issue more federal permits to allow additional oil leases by the oil industry. That would have a much more permanent and favorable impact on the long-term price of oil and gas than would the silly, temporary release of critical oil reserves which only serves the political purpose of improving Biden's falling approval numbers.

Instead, in this crazy upside-down world where truth is the first victim of politics, Joe Biden will soon discover the advantage of claiming that falling gas and oil prices are now the result of his policies.



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