



The Critical Price of Oil?

Posted by [Heading Out](#) on April 12, 2005 - 6:06pm

There used to be an old English children's radio show that began "Are you sitting comfortably . . ." It might be good advice in reading this post.

Today was the day to visit one of the ancestral homes, so after breakfast I headed out past Hexham and Haltwhistle, turning off at Brampton, past Longtown and Gretna until, on the road to Stranraer, I needed more gas and so pulled into a petrol station.

We have earlier debated what the critical price of oil will have to be before it starts to impact demand. Well for 39.3 liters of gas I paid 36.12 English pounds. At today's exchange rate that is \$6.50 a gallon. The road was as busy as I have ever seen it, if not more so. And no-one around here seems to consider it that much out of the ordinary. Of course, being smart, a lot of this is being siphoned off by the Government as a tax, and the increase in State income has not been unwelcome. Yet gas prices do not appear to be a major issue here, even as they move into a General Election. So one can presume that the world could live with, and without too much pain adapt to, \$6.50 a gallon gas. (By the way that would translate into around \$270 a barrel, if it paid only for the crude.)

Crude is normally refined into different products, some of which head off into plastics for the manufacturing industry. The [morning's Telegraph had a story by Malcolm Moore](#) (login required) about the rising costs of raw materials having an impact on factory costs.

Here's a couple of quotes:

"The cost of raw materials used by British factories rose at a record pace last month, due to the high price of crude oil.

The Office for National Statistics said raw materials cost 1.8pc more over the month, pushing their annual rate of inflation to 11.4pc.

February's rate of increase was also revised up to 11.4pc from 10.7pc, suggesting that factories are facing significant pressure from their costs."

Way back when the last crisis hit, one of the first bell-weather's of the crisis was a sudden problem with getting plastic feedstock. The impact of crude prices is not going to be restricted to just driving, but will impact across the whole economy.

Oh, I ended my trip by turning North at Castle Douglas and driving to the small village of 380 souls where my Grandfather had been the village blacksmith. As fuel gets inexorably more expensive, perhaps it's time to learn the old family trade?

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