

U.S. Needs To Nationalize The Oil Companies, Release The U.S. Oil Reserves And Set A National Retail Price For Gasoline

By [Louis Jacobson](#)

President Joe Biden faced an awkward moment during the international climate change conference in Glasgow, Scotland, when he was asked at a press conference about inflation back home, including gasoline prices.

[Energy](#)

[There's a Huge Problem With Senate Democrats' Proposal to Bring Down Gas Prices](#)

“If you take a look at gas prices and you take a look at oil prices, that is a consequence of, thus far, the refusal of Russia or the OPEC nations to pump more oil,” Biden [said](#) Nov. 2 at the United Nations’ COP26 summit. “And we’ll see what happens on that score sooner than later.”

OPEC is the group of [13 primarily Middle Eastern and African oil exporters](#) that act collectively to set production levels; it has been joined recently in decision-making by Russia and some other non-member nations.

One reason for the awkwardness is that Biden was at a conference that aimed to reduce carbon emissions, including from oil, yet he felt obligated to call for greater output by oil-producing nations.

The administration's request for greater production "is a recognition that oil is by far the leading energy source for the U.S. and global economy today, even with aspirations for a rapid transition to a lower-carbon future," said Mark Finley, a fellow in energy and global oil at Rice University's Center for Energy Studies.

Exacerbating the awkwardness is that the U.S. is itself a major oil producer. In fact, the U.S. is the world's biggest, accounting for about [20 percent of the world's output](#). So we decided to take a closer look at the reasons for the current high price of oil and what the U.S. can do about it. (The White House did not respond to an inquiry for this article.)

Are OPEC and Russia to blame?

At the root of the price increases for gasoline, as with so many other products, is the coronavirus pandemic. Since the initial economic wallop from the virus in the spring of 2020, demand for gasoline has risen steadily as business activity has increased. Yet supply hasn't been able to recover as quickly, thanks to delays in restoring drilling capacity, higher transportation costs, and sluggish production increases.

As a result, prices of crude oil have risen consistently in recent months, though they are still about 40% below their peak levels of July 2008.

These higher prices ultimately show up in the prices Americans pay for refined oil products like gasoline.

"Higher prices at the pump matter," Finley said. By his calculations, he said, just this year's increases are costing each American household an additional \$1,000.

So how do Russia and OPEC play into this? Together, they account for just over half of global production, so experts agree that they can do the most to increase supply, which would result in lower prices at the pump.

After cutting production aggressively in the early days of the pandemic, the OPEC-led group has been gradually, but not fully, restoring production. Since July, OPEC and Russia have agreed to raise production by 400,000 barrels per day every month, less than the U.S. and other oil importers like China, India, and Japan have been seeking.

OPEC and Russia have “just increased production at a slower, ‘cautious’ pace instead of doing so on the timetable that Biden would like,” said Patrick De Haan, the head of petroleum analysis at GasBuddy.

On Nov. 4, two days after Biden’s press conference, OPEC and Russia [met](#) and chose not to accelerate production, foiling Biden and the other importers.

Couldn't the U.S. increase oil production on its own?

It's theoretically possible for the U.S. to produce more oil, but it would be politically and practically difficult, experts said.

One obvious obstacle is the pressure Biden is facing from his allies in the environmental movement. Biden campaigned on curbing climate change and promoting electric vehicles, so encouraging more production now would contradict his longstanding position.

Another obstacle is that U.S. producers can't ramp up production as quickly as OPEC can.

"The reason why the administration is asking OPEC and Russia to increase is because they have spare production capacity as the result of their previous cuts, which can be brought to the market quickly," Finley said. "Here in the U.S., producers must decide to increase drilling and completing new wells, which could take months to add appreciable volumes."

For producers, that means making a bet that prices will stay high enough to justify the added investment.

De Haan agreed. "I do not believe the U.S. has a lever to raise production quickly enough, he said. "More like a slow steady growth that should net some notable rise in production in three to six months from now."

Another factor is that Biden can't simply flip a switch and boost U.S. production.

“Increasing domestic production isn’t a policy decision. It is a private sector response,” said James H. Stock, a professor of political economy at Harvard University. “In principle, yes, it could ramp up quickly to offset quite a bit of the oil price increase, but that is a decision by private entities.”

And it’s unclear how effective Biden could be at influencing that decision, De Haan said.

“The White House has demonized the sector, enacting executive orders designed to slow growth of oil production, and that’s definitely had a role,” he said.

To make more supply available, a president has the power to release stored oil from the Strategic Petroleum Reserve. But that option is [typically reserved](#) for emergencies and short-term supply disruptions that threaten the economy.