

Newsday

\$4 a gallon in 2008?

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Oil futures hit an all-time high Tuesday and increases are expected to follow at gas pumps -- but they probably won't be large enough to shock most American drivers, who have seen \$3-plus-a-gallon gasoline several times already, energy analysts said.

However, high-priced crude also could help make this winter the most expensive in history for homeowners who heat with oil -- and costly enough to be painful for those who heat with gas. If crude stays at this level, the effects could lead to higher fares as airline fuel costs rise, and to higher prices for almost any product that is shipped by truck or rail.

Crude oil for November delivery settled Tuesday at a record \$87.61, up \$1.48 from the previous day's close, on the New York Mercantile Exchange. Some experts credited tensions between Turkey and Iraqi Kurds for the jump.

"We could see higher prices at the pumps by month's end," said James Ritterbusch, president of Ritterbusch & Associates, an oil trading advisory firm in Galena, Ill., "maybe seven to 10 cents a gallon."

Sarah Emerson, director of petroleum at Energy Security Analysis Inc., a consulting firm in Wakefield, Mass., said another 20 cents at the pumps by mid to late November is quite possible and that the timing will vary by brand. "Some outlets will want to pass the price on immediately while others might be a little slower, to try to steal some market share," she said.

Heating oil, which fuels most Long Island homes, averaged \$2.963 as of Monday, a record high, according to the state Energy Research and Development Authority.

That's 37.2 cents a gallon higher than at this time last year -- a difference equal to an extra \$102.30 to fill a 275-gallon home tank.

Until earlier this month, the record high average for heating oil on Long Island was \$2.849, set in May.

And government weather forecasters are predicting a winter slightly colder than last year's.

For crude to maintain the current level -- 44 percent above a year ago -- is anything but guaranteed, however. Many analysts, including Ritterbusch, believe oil is overvalued, thanks to speculators, and that it is ripe for a downward correction, especially if the U.S. economy slows further, reducing demand.

Although it's less than \$13 a barrel away now, Ritterbusch doesn't see \$100 a barrel oil in the near future -- barring a catastrophe. "In my opinion, anything over \$84 is speculative froth," he said. "I just don't think \$100 is in the cards."

Other analysts aren't sure the top has been reached for this go-round. "People have been telling me it's overvalued since \$70," said Stephen Schork, principal of

The Schork Report, an industry newsletter in Villanova, Pa. "When crude starts coming down, I'll believe it."

He also thinks \$4 gasoline is a near certainty in New York and many other areas of the country in the spring if crude prices stay at current levels. Regular gasoline averaged \$2.872 a gallon on Long Island yesterday, according to the American Automobile Association, down about half a cent from a week earlier.

With the summer travel season ended and holiday season driving not yet begun, this is normally a period of slow demand and relatively low prices.

The U.S. Energy Information Administration said last week that heating oil would be the most expensive fuel this winter, followed by propane, natural gas and electricity and that heating oil prices per gallon probably would remain about 40 cents higher than last year.

Because a rise in the price of one fuel sometimes leads to increases in competing fuels, natural gas customers also could face higher bills this winter, especially if it's a cold one. KeySpan Energy, which supplies most Long Island homeowners who heat with gas, said its residential customers face bills this winter from 3.4 percent to 7.9 percent higher than last.

The reason du jour for yesterday's crude oil price increase -- the sixth in as many days -- was the possibility that Turkish troops would invade Iraq's northern regions to attack Kurdish militants, interrupting the flow of oil from Iraq.

Experts say other factors are continued strong world demand for oil, a disciplined restriction by the Organization of Petroleum Exporting Countries on supplies and the decline in value of the U.S. dollar, the currency used worldwide for pricing of oil; when it's worth less, oil costs less outside the United States, discouraging conservation.

Yesterday's closing price for crude oil also surpassed the inflation-adjusted record for crude used in the United States, set in March 1981. The actual price then was \$34.78 a barrel but the U.S. Department of Energy says that equates to \$84.73 in today's dollars.