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Oil Prices Fall Below \$100 For First Time Since May, Giving Hope to Less Pain at the Pump

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A fuel tanker deposits gasoline into storage tank at a gas station. By. GETTY IMAGES

Fears of recession and slowing demand have led to a pullback in the cost of a barrel of oil, with the U.S. benchmark falling below \$100 for the first time since May.

The cost of a barrel of oil had [soared to over \\$130 earlier this year](#), spurred by a confluence of Russia's war against Ukraine that disrupted once reliable supply lines, and the reopening of economies around the world from Covid-induced lockdowns. Those conditions contributed to sky-high inflation of 8.6 percent in the U.S., a level not seen in over 40 years. To tame inflation, the Federal Reserve has been increasing its benchmark interest rate to cool the economy, which in turn has dimmed traders' demand for oil.

According to the Wall Street Journal, contracts for Brent crude, the international benchmark, dropped \$10.73, or 9.5 percent, to \$102.77 Tuesday. West Texas Intermediate, the U.S. standard, finished down \$8.93, or 8.2 percent, to \$99.50 a barrel, its first close below \$100 since early May and its largest one-day percentage decline since April, WSJ said.

In the U.S. Virgin Islands, the price for a gallon of regular unleaded gas has dropped slightly from recent highs, but gas still remains expensive compared to earlier in the year. On St. Croix, the cost for a gallon of regular unleaded gas averaged \$5.49 as of Tuesday, while St. Thomas averaged \$6.00.

If the drop in demand for oil holds, the cost for gas at the pump in the USVI is expected to drop considerably as well once inventory purchased at the higher price margin is depleted and new stock is filled at the lower rate.

The impact of the drop is manifold. The V.I. Water and Power Authority has been receiving [roughly \\$4 million a month since March](#) from the government so that the higher costs are not passed onto consumers. With the price of oil dropping, the government's subsidy to the authority may end or see drastic reductions. Governor Albert Bryan has said the move is a temporary buttress, and WAPA itself has vowed to improve efficiency in a bid to save money.

Falling oil prices could also inform Mr. Bryan's plan to move the territory away from fossil fuels to renewable forms of energy. The governor said he would embark on a plan to make St. Croix 100 percent solar-powered by partnering with a major energy firm that could build and maintain a solar plant powerful enough to easily energize the 84-square mile island. The same plan would be replicated in the St. Thomas-St. John District, according to the governor.

"We want to put St. Croix 100 percent solar and put as much solar as we can in as quickly as possible. If we have one island that's burning the least amount of fuel possible that's a huge solution for us," Mr. Bryan [said in March](#) roughly three weeks into Russia's war against Ukraine.

Though the war in Ukraine has shown no signs of easing, stock traders have shifted their attention from the impacts of the conflict to central banks' moves aimed at cooling the economy, which could lead to more conservative spending by consumers. This has induced recession fears, as consumer spending drives a large part of the U.S. economy and is one of the biggest factors impacting its overall health.

The cost of oil has historically dropped during recessions, with the price of oil falling from a high of \$133.88 in June 2008 to a low of \$39.09 in February 2009 during the Great Recession which began in Dec. 2007 and ended June 2009.