Energy prices remain high. With the end of summer driving, oil prices eased a bit by October 28, falling to $61.22 for West Texas intermediate crude. Seasonal demand pressures are working in the opposite direction for natural gas as we begin winter heating. The daily price for natural gas (Henry Hub, LA) remains at about $13 per million Btu and, while below its $14.50 September average, shows little sign of further easing.

Of course, supply factors also help sustain these high levels. The Gulf of Mexico accounts for about 30% of U.S. crude oil production and about 20% of our natural gas production. But recovery from hurricanes Katrina, Rita, and, to a much lesser extent, Wilma, is slower than after last year’s Ivan. Shut-in (forgone) production remains at 65% for oil (about 1 million barrels/day) and 55% for natural gas (about 5.5 billion cubic feet/day).

In the domestic market, oil is less sensitive to shocks than natural gas: Oil is a more tradable commodity than natural gas, partly because it is easier to ship a liquid and partly because the infrastructure for shipping large amounts of oil already exists. The U.S. depends on imports for more than 60% of its total petroleum consumption but only 20% of its natural gas. But unlike natural gas, where Canada alone provides 85% of imports, oil comes from a broader array of countries. Canada, Mexico, Saudi Arabia, and Venezuela each supply about 15% of U.S. imports. Nigeria, Angola, Iraq, and Algeria range from 10% to 3%. So although we depend much more on foreign countries for oil than for natural gas, we also have more sources to take up the slack when one supplier suffers a shock.