



Gasoline Prices Drop Then Rise Again: An Explanation

Description

The price of a gallon of regular gasoline rose by 31 cents in the past week, reaching an average of \$4.48 on Tuesday, according to AAA. This increase impacts drivers significantly, as overall prices have surged by 50% since the onset of the conflict with Iran.

The soaring costs stem from a global energy crisis triggered by the war with Iran, with crude oil prices escalating for nearly two months. A critical factor is the closure of the Strait of Hormuz, a vital passage for approximately 20% of the world's oil supply, which has left many oil tankers stranded and unable to deliver shipments.

In mid-April, motorists experienced a brief respite as gasoline prices dropped following a glimmer of hope that the conflict might deescalate. Rob Smith, a fuel retail director at S&P Global Energy, noted optimism around a potential ceasefire initially decreased crude prices and led retailers to lower their prices.

However, with ongoing hostilities, gasoline prices began to climb again. Smith explained that global demand continues to outstrip supply, and until the Strait remains constrained, prices will face upward pressure.

Recent U.S. actions to block Iranian oil exports further complicated matters. Jim Krane from Rice University's Baker Institute noted that the U.S. decision exerted added stress on global oil prices, contributing to price surges when geopolitical tensions arise.

Forecasting future price trends remains challenging. Experts warn that prolonged constraints on oil flow through the Strait of Hormuz will continue to drive prices higher. Even a resolution of the conflict may not return prices to pre-war levels for several months, as market confidence would take time to recover.

Comprehension Questions

Multiple Choice

1. What was the average price of a gallon of regular gasoline on Tuesday?

Option: \$4.28

Option: \$4.38

Option: \$4.48

Option: \$4.58



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2. By how much did the gasoline prices rise in the past week?
- Option: 21 cents
 - Option: 31 cents
 - Option: 41 cents
 - Option: 51 cents
3. What percentage have overall gasoline prices surged since the conflict with Iran began?
- Option: 30%
 - Option: 40%
 - Option: 50%
 - Option: 60%
4. What is a critical factor in the rise of gasoline prices according to the text?
- Option: Increased demand
 - Option: Closure of the Strait of Hormuz
 - Option: Higher transportation costs
 - Option: Inflation
5. Who is Rob Smith?
- Option: A politician
 - Option: A fuel retail director at S&P Global Energy
 - Option: An economist
 - Option: A journalist
6. What contributes to price surges when geopolitical tensions arise?
- Option: Low demand
 - Option: Increased competition
 - Option: U.S. actions to block Iranian oil exports
 - Option: Higher taxes

True-False

7. Gasoline prices are expected to return to pre-war levels immediately after the conflict is resolved.
8. The closure of the Strait of Hormuz affects 20% of the world's oil supply.
9. Motorists had a brief respite from rising gasoline prices in mid-April.



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10. Experts are confident that future gasoline prices will decrease significantly.
 11. The increase in gasoline prices is solely due to local supply issues.
 12. Rob Smith expressed that there was initial optimism around a potential ceasefire.

Gap-Fill

13. The price of a gallon of regular gasoline rose by 31 cents in the past week, reaching an average of \$4.48 on _____.
14. Overall prices have surged by 50% since the onset of the _____ with Iran.
15. A critical factor is the closure of the _____, which is vital for oil supply.
16. In mid-April, gasoline prices dropped following a glimmer of hope for a potential _____.
17. Jim Krane noted that U.S. actions exerted added stress on global oil _____.
18. Experts warn that prolonged constraints will continue to drive prices _____.

Answer

Multiple Choice: 1. \$4.48 2. 31 cents 3. 50% 4. Closure of the Strait of Hormuz 5. A fuel retail director at S&P Global Energy 6. U.S. actions to block Iranian oil exports

True-False: 7. False 8. True 9. True 10. False 11. False 12. True

Gap-Fill: 13. Tuesday 14. conflict 15. Strait of Hormuz 16. ceasefire 17. prices 18. higher

CATEGORY

1. Business - LEVEL6

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