



*This article first released by: Association of British Drivers*

*In: Sep. 2005*

*Due to this article's content, it appears within the Transport section in the following areas:  
Government, Industry Comment.*

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## **Tax to Blame for High Oil Prices, not OPEC**

Chancellor Gordon Brown is misleading the public with his claim that the high price of oil is down to OPEC.

The staggering facts are that even if OPEC gave us the oil for nothing, UK pump prices would still be over 70p - higher than many EU countries such as Spain and Greece.

ABD Chairman Brian Gregory said: "It's very misleading for Gordon Brown to blame OPEC, high taxation levels are the sole reason why UK prices are excessive. Around 75p per litre would be an acceptable level for most UK drivers. As this would entail OPEC providing fuel for nothing, quite clearly the only way to make fuel prices acceptable is to cut the tax."

High levels of taxation are even partly to blame for the recent surge in crude oil prices. Basic economics mean that high taxes have depressed the real price of oil throughout the 1990s. Prices were so low it was scarcely possible for OPEC to cover existing extraction costs, let alone invest in new capacity for which there was no apparent demand. This also held back the development of the alternative energy sources the greens love so much.

It's hardly surprising, then, that oil producers have been left in no position to respond to the sudden, unexpected demand created by the booming Chinese economy. Prices have surged out of control because it hasn't been worthwhile to invest in energy for 15 years - now the chickens have come home to roost.

### **Notes:**

At 97p per litre 61.5p is taxation, the true fuel cost is 35.5p (see [http://www.abd.org.uk/fuel\\_tax\\_calculator.htm](http://www.abd.org.uk/fuel_tax_calculator.htm) ). Allowing for forecourt, distribution and refinery costs, the price would still be over 70p a litre with a zero crude oil price.