Silicon Valley Tech Billionaires Are Punishing America By Pushing For High Gas Prices

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Gas prices have been steadily climbing since February 2016. In June, the average U.S. retail cost of a gallon of gasoline was $2.97, up more than 20 percent from the same time last year. We're a few cents away from a national psychological milestone, $3 a gallon. Meanwhile, the price of a barrel of crude oil recently hit $72.94, up 62 percent in just one year. The Drudge Report, always with a finger on the pulse of America's anxieties, blared a warning about the soaring gas prices in its lead headline on Tuesday. And President Trump demanded that OPEC "REDUCE PRICING NOW" in a tweet the same day.

But companies like Facebook and Alphabet Inc. don't spend much time worrying about the cost of gasoline, so why am I musing about rising oil prices in a tech newsletter? With new investments all over the transportation industry, what happens in Silicon Valley is more connected to the Permian Basin than ever.

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What's bad for the internal combustion engine-propelled vehicle owner could actually be good for tech, which has bet big on electrification. For Tesla, rising gas prices will be a welcome nugget of good news. The company has positioned itself as a full-service electric company with solar panels, batteries and, of course, all-electric cars. High prices at the pump should drive sales. However, the slowly rising price of oil hasn't been enough to insulate the company from questions this week over its Model 3 production and management turnover.

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Increasing gas prices could also be good for electric scooter-sharing companies like Lime and Bird. Right now, scooter companies are actively trying to convince local regulators that scooters can replace car travel. That story gets more powerful as the price of gasoline climbs.

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But gasoline prices will have perhaps the biggest effect on Uber and Lyft, though how they're impacted isn't obvious. Car owning-customers might turn to them instead of shelling out for gas. And by dint of their business models, ride-hailing companies are relatively insulated since drivers pay their own way, fuel and all.

Drivers are certainly feeling the pain, though. "It's been a pretty hot topic for drivers lately," said Harry Campbell, author of The Rideshare Guide. "Generally it hurts Uber's reputation with drivers because drivers are the ones who have to shoulder 100 percent of those increased gas costs." Uber says it has increased prices in dozens of cities so far, partly in response to gas prices. And Lyft rolled out a program with Shell to offer Lyft drivers a discount on fuel. It's a small gesture toward ameliorating their rising expense.

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But the companies aren't totally protected from rising prices. Theoretically, their marketplaces should adjust as they're constantly balancing supply and demand. If gas prices make driving less appealing, drivers should quit, pushing up income for those who remain. But even a self-correcting marketplace can shrink.

If fuel prices keep rising, car travel as a whole is at a disadvantage to more energy-efficient forms of transit like scooters, public transportation, and electric cars. Clearly, Uber and Lyft are aware of this fact. Uber purchased the electric bike company Jump Bikes, while Lyft just bought the bike-rental company Motivate. Both companies are exploring ways to encourage their drivers to buy electric cars while promising to integrate public transportation into their apps.

While much of the country stands to suffer from rising oil prices, Silicon Valley has positioned itself to cash in as it builds the city of tomorrow.