OIL DROPS



A worker changes the prices at a gas station in Hot Springs, Ark., on Monday. Retail gas prices in the U.S. are now averaging $3.846 per gallon, according to AAA. AP

Saudis vow to boost supply; prices sink

By Chris Kahn
The Associated Press

NEW YORK—A pledge from Saudi Arabia to pump more oil to cover supply shortages and new signs that China's economy is slowing helped sink oil prices Tuesday.

Oil has risen more than 9 percent this year. The primary reason is a standoff over Iran's nuclear program that has threatened to disrupt oil supplies from the Middle East.

Benchmark U.S. crude fell $2.48 to $105.61 per barrel on the New York Mercantile Exchange. Brent crude lost $1.59 to $124.12 a barrel in London.

The Saudi government said it aims "to provide adequate supplies of petroleum, stabilize oil markets and return oil prices to fair levels for producers, consumers and the oil industry." Saudi Arabia produces about 10 million barrels a day and says it can quickly raise that to 12.5 million barrels a day.

Iran exports more than 2 million barrels of oil each day.

The European Union and the U.S. have imposed sanctions that make it tougher for Iran to sell its oil.

In response, Iran has threatened to block oil shipments through the strategically important Strait of Hormuz. A fifth of world's oil supplies pass through the strait at the edge of the Gulf.

Retail gasoline prices in the U.S. are now averaging $3.846 per gallon, according to auto club AAA.