

# How are gasoline prices determined?

## The retail price of gasoline is impacted by a variety of factors

The price of crude oil is the main determinant of the price of gasoline, but refining costs, federal, state and local taxes, and marketing and distribution costs also contribute to gasoline prices. And, the price of gasoline varies by state and region because of differences in gasoline specifications, state and local taxes, and costs to transport fuels into the state or region.

## The cost of crude oil has the biggest impact on gas prices

Crude oil is the primary input used to make gasoline, and as a result, the cost of crude oil has the most significant impact on the price of gasoline at the pump, accounting for about 53% of the retail price. The price of crude oil is determined in the global market, rather than by the refiner. That price is affected by global oil production levels (notably OPEC production but increasingly US production); demand for all refined petroleum products like gasoline, diesel and jet fuel; the world economy; and geopolitics.<sup>1</sup>

## Other factors in the supply chain impact the price too

Refiners are the first purchasers of crude oil and refining costs account for about 17% of what we pay at the pump. Refining costs include wages, equipment, financing, energy, and other expenses. Marketing and distribution adds another 12% to the retail price. Retailers set prices based on local competition, factoring in the costs for acquiring and delivering fuel and operating retail outlets.<sup>2</sup>

## Uncle Sam gets a cut

Combined, federal and state taxes account for an average of 18% of the price of gasoline, and that doesn't include any local taxes. Total taxes per gallon of gasoline range from about 31 cents to more than 77 cents per gallon.<sup>3</sup>

## Did you know?

Many retail gasoline outlets fly the flag of a major oil company, but that doesn't mean the company owns or operates the retail outlet. 95% of retail gasoline outlets are actually independently owned small businesses and many fly the flag of a major oil company because they have paid a fee to license that brand.<sup>4</sup>

<sup>1</sup> [https://www.eia.gov/energyexplained/index.cfm?page=gasoline\\_factors\\_affecting\\_prices](https://www.eia.gov/energyexplained/index.cfm?page=gasoline_factors_affecting_prices)

<sup>2</sup> [https://www.eia.gov/energyexplained/index.cfm?page=gasoline\\_factors\\_affecting\\_prices](https://www.eia.gov/energyexplained/index.cfm?page=gasoline_factors_affecting_prices)

<sup>3</sup> [https://www.eia.gov/energyexplained/index.cfm?page=gasoline\\_factors\\_affecting\\_prices](https://www.eia.gov/energyexplained/index.cfm?page=gasoline_factors_affecting_prices)

<sup>4</sup> <http://www.convenience.org/YourBusiness/FuelsCenter/Basics/Articles/Pages/The-Price-Per-Gallon.aspx#.WocnXqjwaUk>