

## Overview

Over the past decade, gas prices have fluctuated and have been an added burden for Americans anxious over the family budget. Many factors affect what you pay at the pump, which can make gas prices seem unpredictable and volatile.

## What determines gas prices?

The price of gasoline largely reflects the cost of making and distributing it, which can also fluctuate broadly. Retail gas prices are the sum of four key ingredients:

1. **The price of crude oil.** The cost of oil currently accounts for about two-thirds of the price of gas:

	<u>Oil per barrel (world)</u>	<u>Regular gas per gallon (U.S. average)</u>
Mar 30, 2012	\$103.07	\$3.91
Mar 30, 2015	\$48.56	\$2.44
Mar 30, 2017	\$50.35	\$2.31
Mar 29, 2019	\$60.14	\$2.62
Mar 26, 2020	\$22.60	\$2.05

2. **Refining costs and profits.** Costs and profits vary seasonally and by region of the U.S. because of different gasoline formations required in different parts of the country and cost of ingredients that may be blended into the gas, such as ethanol.
3. **Distribution, marketing and retail costs and profits.** This includes the costs of buying gas from a refinery and shipping it cross-country, as well as running and maintaining a service station.
4. **Federal, state and local taxes.** The federal excise tax is 18.30¢ per gallon, and the federal Leaking Underground Storage Tank fee is 0.1¢ per gallon. As of January 1, 2019, state taxes and fees on gasoline averaged 28.31¢ per gallon.

## What else affects gas prices?

With the exception of taxes, which are relatively static by comparison, all of the factors above vary widely, depending on supply and demand. For example, a hurricane can wipe out a refinery, causing shortages, as could a war in the Middle East. Or the countries that make up the Organization of Petroleum Exporting Countries (OPEC)—suppliers of 44% of the world’s oil in 2018, may decide to limit production to increase profits. Many states also require different gas formulas in winter and summer for environmental reasons, which can be more expensive for refineries to make. Domestic demand also peaks during the summer “driving” season. Investors betting (“speculating”) on the direction of world oil prices can also affect prices, which many say happened in 2008 and early 2012.

## Center Forward Basics

Center Forward brings together members of Congress, not-for profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit [www.center-forward.org](http://www.center-forward.org)

## Key Facts

- Average gas consumption per day in 2019: **389.68 million gallons**
- Gasoline as a share of U.S. oil consumption in 2019: **45%**
- Average U.S. oil consumption per day in 2019: **20.50 million barrels**
- Foreign imports as a share of U.S. oil consumption in 2019: **9.10 million barrels per day**
- Average fuel efficiency of U.S. passenger cars in 2019: **39 mpg**
- Average price per gallon, regular gas in March 23, 2020:
  - United States: **\$2.49**
  - Saudi Arabia: **\$2.07**
  - London, U.K.: **\$1.39**

## Price Drops Due to COVID-19

As a result of the novel coronavirus (COVID-19), gas prices have drastically decreased. In some U.S. states, the price of regular gas is now under \$1. Americans are staying off the roads and buying less gas to avoid spreading the virus. Due to the reduced demand and the production war between Saudi Arabia and Russia, gas prices have returned to levels last seen in the 1980s. The national average for a gallon of gas on the morning of March 26, 2020 was \$2.03, down from \$2.41 at the beginning of the month. In order to help lessen the impact, the Trump administration has purchased oil to refill the nation's Strategic Petroleum Reserve and has also waived regulatory compliance for oil refiners and other businesses impacted by the pandemic.

## Links to Other Resources

- American Petroleum Institute - [API's February Monthly Statistical Report](#)
- CNBC - [Consumers could spend \\$20 billion less for gasoline this April as prices collapse in futures market](#)
- Global Petrol Prices - [Gasoline Prices](#)
- U.S. Energy Information Administration (EIA) - [Petroleum & Other Liquids](#)
- The Washington Post - [The Energy 202: In some states, oil-price collapse brings back 99-cent gas](#)