It is a common misconception that refiners set the price of gasoline. But, in fact, refiners are price takers—not price makers.

What does that mean?

1. Refiners sit in the middle of a very long and complex fuel supply chain. They buy feedstock—primarily crude oil—at a price determined by a global market, and turn those feedstocks into other products, like gasoline and diesel, that are then sold at market price.

   Did you know? The global market for crude oil and refined products is massive. The US alone consumes 16.6 million barrels of crude and 850 million gallons of refined products every day. No single facility or company can control prices in a global market of this size.

   After products are sold and finished, they are then distributed to roughly 150,000 retailers around the country. Those retailers, largely, set the final price at the pump. The retail market is highly competitive and there are myriad factors that go into setting final prices, as our friends at the National Association of Convenience Stores point out here.

What drives the cost of producing fuel?

1. **Crude oil—the key ingredient, or feedstock, for fuels like gasoline and diesel—is the single largest cost** that refiners incur. In fact, the price of crude is responsible for more than half of the price consumers pay at the pump.
2. Other costs include labor, energy to power their facilities, equipment, costs to maintain their facilities, additional feedstocks and other inputs into the refining process—such as catalysts and chemicals, among others.

So then, who is actually responsible for the price of gasoline?

1. Short answer: It's complicated. No single entity drives the price of gas. Instead, many factors contribute to gas prices, as we explain in this piece here. But the bottom line is that gasoline and the crude oil it's derived from are globally traded commodities. This means the price of gasoline is driven largely by the laws of supply and demand.

Okay, but when I pay more, does that mean that refiners make more?

1. No. Gas prices and refinery profits don't always track together. Historically, refinery profits are in the single cents-per-gallon. Refineries experience ebbs and flows in both their costs and profits because of a variety of external influences. These factors include the cost of their feedstocks

(crude oil), fluctuations in their operating expenses, the changes in the supply/demand balance for both feedstocks and refined products, disruptions in the fuel market, among others.

For a full breakdown of some of the fluctuating costs in recent years, check out this blog on how the energy market impacts fuel and petrochemical prices.

Print as PDF:

Media Contact:

Ericka Perryman

media@afpm.org

202.457.0480

About AFPM:

The American Fuel & Petrochemical Manufacturers (AFPM) is the leading trade association representing the makers of the fuels that keep us moving, the petrochemicals that are the essential building blocks for modern life, and the midstream companies that get our feedstocks and products where they need to go. We make the products that make life better, safer and more sustainable — we make progress.

Topics

Fuel Products

Prices