Below, we explain the high-level global dynamics at work in the diesel market, how we're experiencing those things in the United States and what American refiners are doing to meet the moment… (and if you've got a minute, you should read this take from the U.S. Energy Information Administration and AFPM's latest—Why a diesel export ban would backfire):

What's driving recent increases in diesel prices?

- Gasoline and diesel prices are always a reflection of global supply/demand balances. This year, there have been numerous challenges on the "supply" side. There's been a notable loss (~10%+) in functional global refining capacity with refineries in the Middle East and Russia sustaining damage. Additionally, because of the closure of the Strait of Hormuz, there's less crude oil on the market, so that input cost—the single largest piece of finished fuel costs—is higher. Demand for gasoline and diesel, while lower, have not fallen in direct proportion to the tightening of supplies.

Are we running out of diesel in the United States?

- No. There's a difference between a "shortage" of diesel (not enough) and "tighter supplies" of diesel (more competition for the diesel that exists). We're experiencing the latter in the United States.
- Still, the United States is the number one producer of diesel worldwide, and we produce a lot more diesel fuel — over a million barrels per day more — than we consume.
    - Last week (the week ending September 19), the United States used just under 4 million barrels per day of diesel, while American refineries produced more than 5 million barrels each day.
    - The latest government data show diesel inventories in the U.S. Gulf Coast region (where the majority of transportation fuels get made) are back above the five-year average range.

What are American refiners doing to address diesel supplies?

- In the United States, refineries are running at max capacity (~95%) to produce diesel, gasoline, jet fuel and heating oil for consumers.
- Refiners have limited flexibility to toggle between products, and they are already maximizing diesel production to address consumer demand.
    - That said, there is only so much "shifting" refineries can do. Refineries are complex systems that produce multiple fuels and products from one barrel of oil. A single barrel of oil doesn't become one barrel of gasoline or one barrel of diesel; it becomes smaller volumes of many products. Increasing the output of one product often reduces another. So, they can shift, to some degree, but they can't make more of everything at once.

Would banning diesel exports solve problems for the United States?

- Banning diesel exports would backfire. In short order, American refineries would have to cut runs — meaning less fuel production overall and higher costs.
    - A low estimate from S&P Global shows American refineries would need to quickly cut refinery utilization/runs by nearly 2 million barrels (~12%) per day because non-exportable fuel volumes would overwhelm pipeline and storage infrastructure.
    - Cutting refinery runs because of an excess of diesel would also result in less production of gasoline and jet fuel in the United States. S&P notes before the end of the year, lower refinery runs could turn the United States into a net gasoline importer — something we haven't been for more than a decade, since President Obama was in office.

What else would help?

- Instead of limiting fuel production or trade (an export ban, for example, would backfire), policymakers should focus on removing barriers that unnecessarily raise costs and constrain infrastructure, investment and fuel movement within the United States.
    - Minor reforms to the federal Renewable Fuel Standard would meaningfully reduce costs. This year RFS compliance costs have added as much as 40-cents per gallon to the cost of supplying gasoline and diesel to the U.S. market.
    - State-level policies—such as California's low carbon fuel standard—also layer on additional costs and could be reviewed for possible relief.
    - Permitting reform and other policies to help expedite construction and approvals for critical energy infrastructure would provide more optionality to move products from fuel production centers in the United States to demand centers.
    - Continued Jones Act waivers will increase the number of marine vessels capable of delivering critical energy and fuel supplies between U.S. ports when products are tight. Already this year, the wise application of these waivers has made it so American-made fuel travelling from the Gulf to the East and West Coasts is a more economical option than imports.

Additional sources:

- AFPM: Why a diesel export ban would backfire
- What they're saying, part 1: Export ban is the wrong move for U.S. energy security
- What they're saying, part 2: Export ban is the wrong move for U.S. energy security
- United States Energy Information Administration: What goes into diesel prices?
- AFPM: Why it's essential for the U.S. to import and export energy
- AFPM: U.S. refiners key to stabilizing global energy markets
- AFPM: What they're saying... Why fuel prices aren't moving in lockstep with crude oil
- AFPM: What they're saying... Fuel prices and high earnings result from stress in global refining
- AFPM: What's going on with refining margins and industry profits?
- AFPM: Why some fuel markets are tighter than others
- AFPM: Why the conflict in Iran is driving up fuel prices everywhere

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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.

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