

## What we Pay at the Pump and Ways to Reduce Gas Prices

### ISSUE BACKGROUND

Few issues frustrate consumers more than rising gas prices. With crude oil again exceeding \$100 per barrel, consumers and politicians often point the finger at oil companies and claim “gouging.” While there is little evidence to support these claims, a misunderstanding of how gasoline prices are set leaves independent marketers and retailers to absorb much of the public frustration.

### HOW GASOLINE IS PRICED

The U.S. motor fuels production and distribution system is highly complex. The following is a breakdown of the average retail price of regular-grade gasoline.

- 1. Crude Oil:** The single largest cost driver, accounting for 51% of the retail price in January 2026. Global supply/demand, geopolitical instability, and U.S. policy on domestic production continue to drive volatility. Today, crude represents a majority, often as high as 70 percent, of the pump price.
- 2. Refining Capacity:** The U.S. has not built a major new refinery since 1977. In fact, dozens have closed or been converted, and ongoing capacity reductions (especially on the West Coast) reduce overall capacity. Stringent environmental regulations and permitting continue to constrain the ability to maintain or expand refining capacity, contributing to tighter supply and higher prices.
- 3. Oil Futures Market Dynamics:** Futures markets remain the dominant wholesale pricing mechanism. Large inflows of non-commercial capital (hedge funds, pensions, endowments) increase volatility beyond physical supply/demand fundamentals. U.S. refined products are frequently benchmarked against the higher Brent crude oil contract.
- 4. Boutique/Renewable Fuels Mandates:** State and local “boutique” fuel requirements and renewable fuel standards still create regional supply constraints and higher prices in affected markets.
- 5. Credit/Debit Card Fees:** Card companies and issuing banks continue to charge 2–3% interchange fees on every credit/debit transaction at the pump.
- 6. Taxes:** The federal excise tax remains 18.4 cents per gallon. State taxes and fees now average approximately 32.6–33.5 cents per gallon, for a combined 50–52 cents per gallon in many markets. Additional local taxes and fees further increase the total cost burden.
- 7. Distribution and Marketing:** The vast majority of the approximately 150,000 U.S. retail fuel outlets are owned and operated by independent businesses. While many sell branded fuel under supply agreements, they do not share in upstream profits from refining or production. Margins at the retail level remain extremely competitive and are often squeezed when wholesale prices rise.

## LACK OF EVIDENCE

The fundamental economics have not changed since the Federal Trade Commission's (FTC) 2006 analysis. Comprehensive reviews have repeatedly shown that widespread "price gouging" by marketers and retailers is exceedingly rare. Independent retailers operate on thin, competitive margins and have every incentive to keep prices as low as possible to maintain volume.

## EFFECTS OF PRICE CONTROL ON CONSUMERS

While price-gouging legislation may be politically appealing, it has historically produced unintended and counterproductive problems. Suppliers can become reluctant to ship product into high-price or emergency areas for fear of violating vague "unconscionable" price standards. The result is often reduced supply, longer lines, and greater hardship for consumers and first responders exactly when fuel is needed most. Economic history and the FTC's own findings confirm that market-driven pricing — even when painful in the short term — ensures supply reaches where it is needed.

## WAYS TO REDUCE PRICES AT THE PUMP

- Fund Underground Storage System (UST) and Dispenser E15 Compatibility through the Higher Blend Infrastructure Incentive Program (HBIIIP): Despite funding HBIIIP with \$500 million over the past five years, small - to medium-sized energy marketers need additional federal support to make necessary upgrades to ensure underground storage tank (UST) systems and dispensers are compatible with higher ethanol blends (E15). Congress should direct a minimum of \$500 million in additional funds.

Even with federal support, small businesses must invest significant resources to pursue HBIIIP funding. The cost to hire a grant writer ranges from \$5,000 - \$10,000 and applicants are dedicating an average of 80+ work hours completing these applications. Small and medium sized businesses do not have the time or resources to compete with large corporations for USDA grants. By increasing HBIIIP funding and including a preference that a portion of the funds be for the smallest businesses, energy marketers across the country can make the necessary infrastructure upgrades.

- Reform or Waive the Jones Act (Merchant Marine Act of 1920): Temporarily allow foreign-flagged vessels to transport fuel between U.S. ports to ease distribution bottlenecks. EMA applauds the Trump Administration for issuing the 60-day waiver in March 2026 and strongly urges Congress to pass a permanent solution.
- Provide regulatory waivers for fuel blends and summer rules: Temporarily ease environmental restrictions on gasoline volatility and ethanol content — including the current EPA nationwide waiver permitting E15 (15% ethanol) sales from May 1, 2026, through at least May 20, and removing barriers to E10 blends. These targeted actions quickly expand available supply, a step both recent administrations have used successfully. While they can modestly lower prices, ethanol's lower energy density may slightly reduce fuel efficiency.
- Support the Nationwide Consumer and Fuel Retailer Choice Act (S. 593/H.R. 1346) to permanently extend the Reid Vapor Pressure (RVP) waiver currently in place for E10 blends. This extension would prevent the emergence of fragmented "boutique" gasoline markets in Midwestern states that have opted out of the E10 waiver. Such boutique markets could disrupt gasoline supplies, raise costs, reduce fuel fungibility, and ultimately drive up prices at the pump for consumers.

- Expand domestic oil production and streamline permitting: Open more federal lands and offshore areas for leasing, accelerate environmental reviews, and cut unnecessary regulatory barriers. Increasing U.S. crude supply has historically helped moderate global prices. The Trump Administration’s recent deregulatory efforts are advancing this goal.
- Support refinery capacity and reduce regulatory burdens: Modernize outdated rules that limit refinery expansions and operations. Refineries are the vital link that turns crude into gasoline; easing constraints here directly relieves pressure on pump prices. Key policies include faster permitting and lower compliance costs.
- Improve distribution infrastructure: Expedite approvals for pipelines, terminals, storage facilities, and related projects to move crude and finished products more efficiently. Permanent Jones Act reform would deliver lasting benefits in this area.

### **“THE ASK”**

EMA urges Members of Congress to focus on the real drivers of gasoline prices — crude supply, refining capacity, excessive regulation, and taxes — rather than emotion-driven legislation that would punish independent marketers and retailers with outsized fines for “unconscionable” pricing. Such punitive measures do not lower prices for consumers. Instead, they risk creating shortages and harming the very small businesses that serve American motorists every day.

**EMA STAFF CONTACT:** Rob Underwood, [runderwood@emamerica.org](mailto:runderwood@emamerica.org), Sherri Stone, [sstone@emamerica.org](mailto:sstone@emamerica.org)