The cost of gasoline is just a small part of the story

With cleaner and more efficient vehicles, multiple analyses show our transportation costs decreasing over time.¹ A Clean Fuel Standard will help lead to massive reduction in personal transportation costs by helping us switch to cleaner fuels. The low cost of electricity makes it a much cheaper alternative to conventional fuels. An electricity-gallon in Washington costs just 91 cents, a third of the cost of gas. Washingtonians can clean up the air and save money while fueling our vehicles.

Fuel profit margins in Washington are higher than any other state, topping out at $0.80/gallon in Seattle.

Because the oil industry has a monopoly on transportation fuels, we’re forced to pay some of their highest profit margins anywhere in the country. The graph above right from Oil Pricing Information Service (OPIS) shows the most profitable markets in the country—Washington cities account for half the areas where oil companies make the most profit. Seattle’s profit margin at nearly $0.80/gallon is 25% of the cost of gasoline, in industry profit alone. According to OPIS, the Seattle metropolitan area is their most profitable market in the entire country and Washington is the state with the second-highest profit margins. About 25% of the cost of gas is pure industry profit.

Even if the oil industry’s own misleading cost analyses about a Clean Fuel Standard were correct, the industry could completely absorb the cost of the CFS and still make enormous profits. The Clean Fuel Standard will help end the monopoly that allows them to do this and force oil companies to compete with cheaper fuels like electricity, saving Washingtonians money.

Questions?
Leah Missik: leah.missik@climatesolutions.org

---

COST and the CLEAN FUEL STANDARD

In reality, fuel costs are driven by the global oil market and industry profits, not the Clean Fuel Standard.

The best way to know how a Clean Fuel Standard impacts gas prices is to look at results in places with working policies. California’s standard has been in place for a decade. The average price of gas in the state is actually less today than it was at the beginning of the program! The oil industry likes to apply the cost of clean fuels credits to the price of gas. However, they are completely uncorrelated. The red line shows the retail rate of gasoline and the blue line shows the cost of credits on the market. It is clear that higher clean fuels credit prices do not equate to higher gas prices.

Worst case scenarios and oil industry projections just haven’t come true.

In California, any costs associated with the Clean Fuel Standard have been far lower than projected, and the growth in clean biodiesel, renewable diesel, RNG, electric vehicles, and credits generated has exceeded industry projections. Worst case analyses often assume that fuel producers would take the most expensive pathway to comply, assuming a refinery wouldn’t take any rational actions to meet the standard at the lowest cost. CARB, California’s implementing agency, provided a worst case scenario, upper limit cost for compliance with their standard at just 8.9 cents per gallon. However, even this number, which was far lower than the oil industry’s claims, has not been seen in the real world. In fact, according to Consumer Reports, as a result of California’s clean transportation policies, households can expect to save over $1,000 annually.

Overall, a Clean Fuel Standard accounts for only 1% of the cost of gasoline.

California’s Clean Fuel Standard accounted for only 1% of the cost of gasoline (see graph below) whereas the price per barrel of oil accounts for 42%, and transportation, refining, retailing, and profit account for 27%. This aligns with Oregon’s cost estimates, which determined their Clean Fuel Standard also only raised the cost of gas by 1%, while leading to 1.3 million tons of climate pollution reductions in 2019 alone.

1 Multiple analyses - Puget Sound Clean Air Agency, Washington State’s Deep Decarbonization Report - show total transportation costs declining over the next three decades as we transition to electricity and cleaner fuels in the transportation sector.