Special Edition: Economic Insight

Asymmetry Between Gasoline and Oil Prices

August 2026

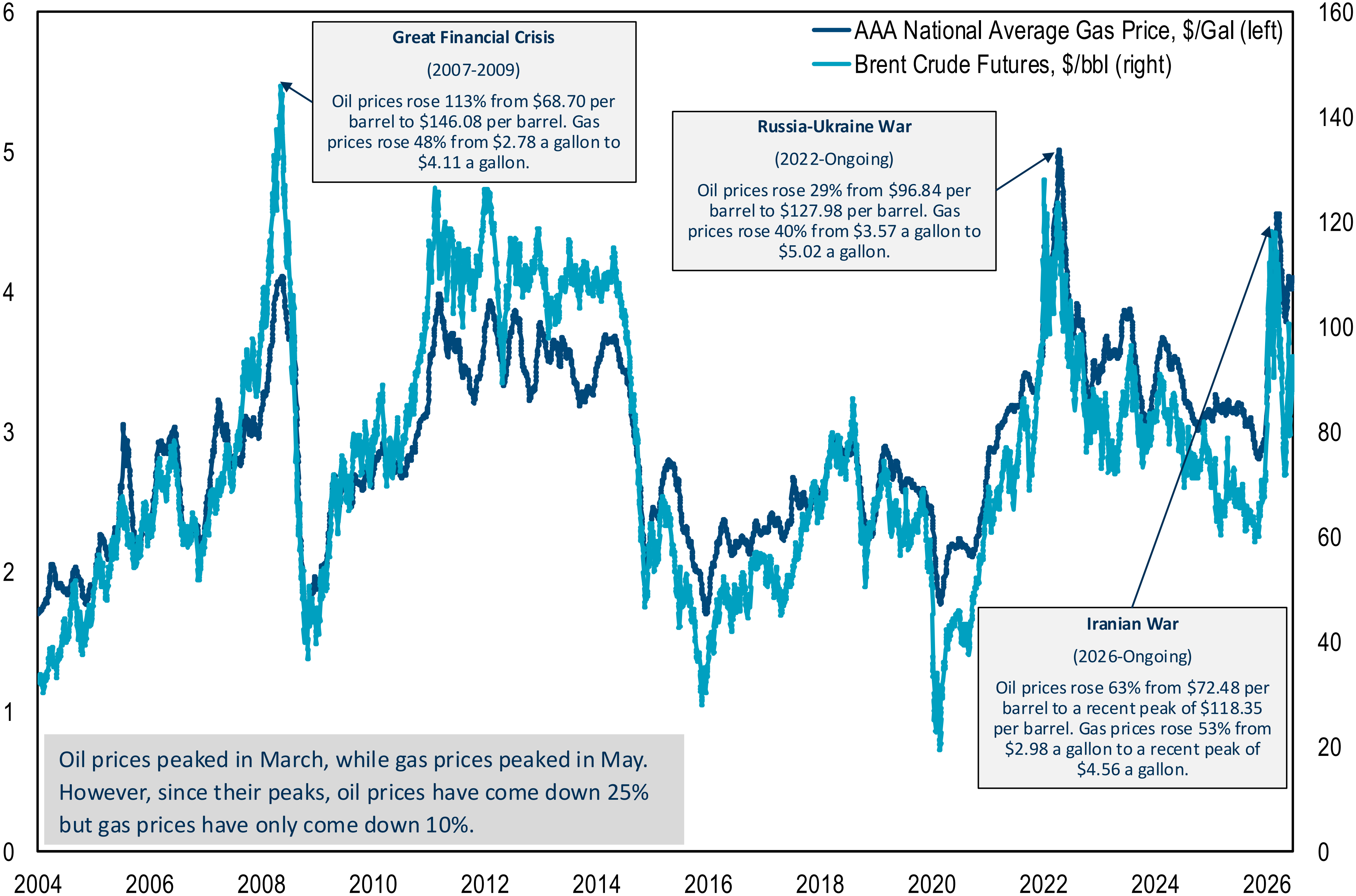
STIFEL

Executive Summary

Massive volatility in the global energy market is hurting American consumers as gasoline prices spiked to a four-year high of $4.56 a gallon in May. Since then, prices have cooled somewhat, down 10%, but they are still 45% higher than at the start of the year. This is diverting valuable spending power from other areas of the economy; instead of going out to eat, taking that vacation, or buying a new iPhone, many consumers are now simply filling up the family car with higher costing fuel.

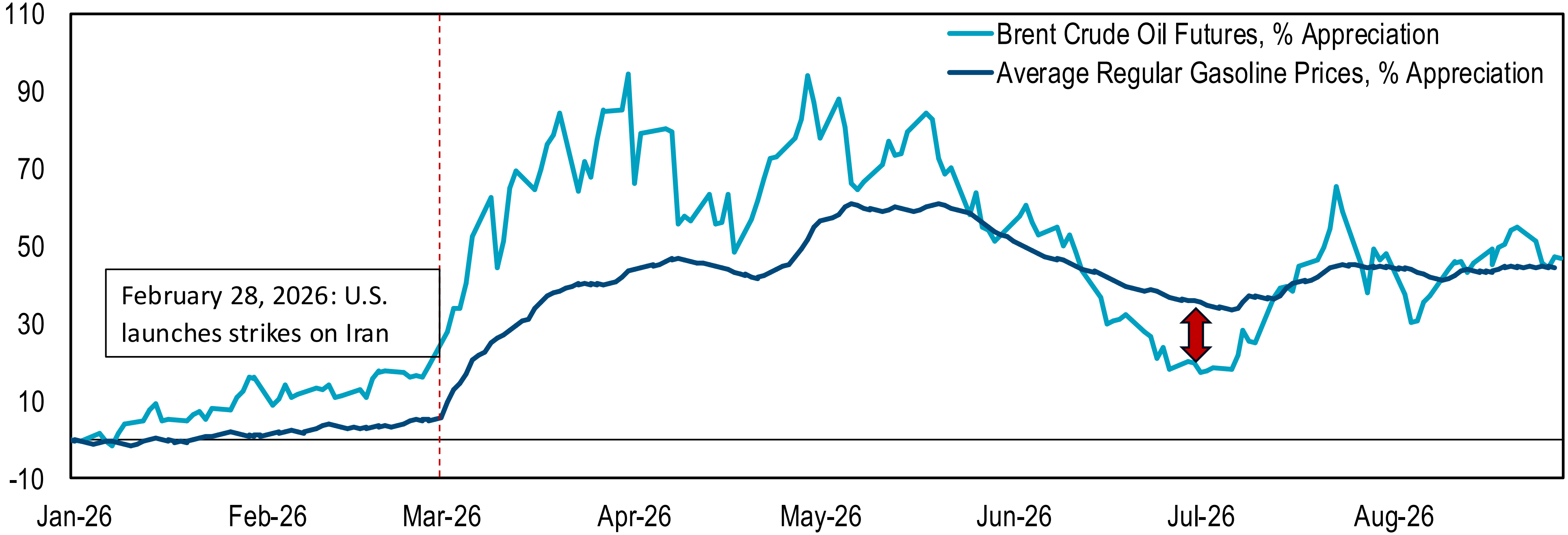
The conflict in the Middle East and the constricted flow of oil shipments through the Strait of Hormuz have been mostly driving the rise in gas prices, but even as observers are hopeful for a near-term conclusion to the conflict, a lower priced energy environment may not be immediate. It will take time for the supply of energy and global flows to normalize. Additionally, given the sizable lag between oil and gas prices, pain at the pump is likely to continue for some time even if a lasting agreement is reached in the near term.

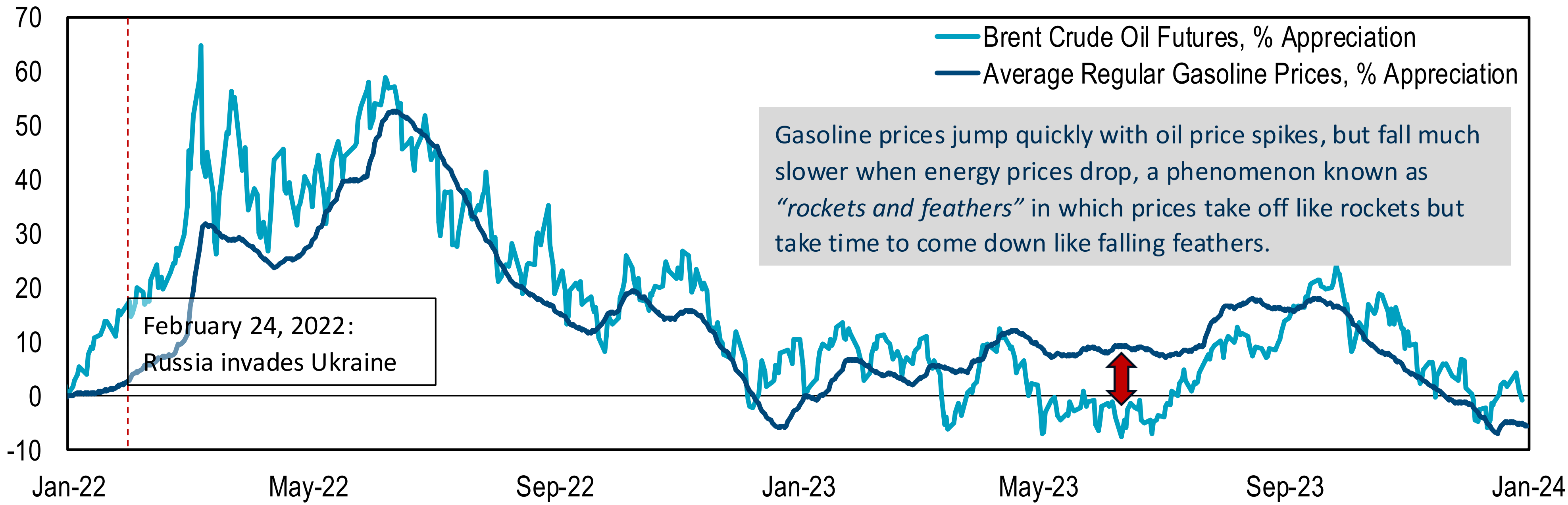
A Historical Perspective: Major Energy Price Shocks



Source: AAA/ICE/Bloomberg

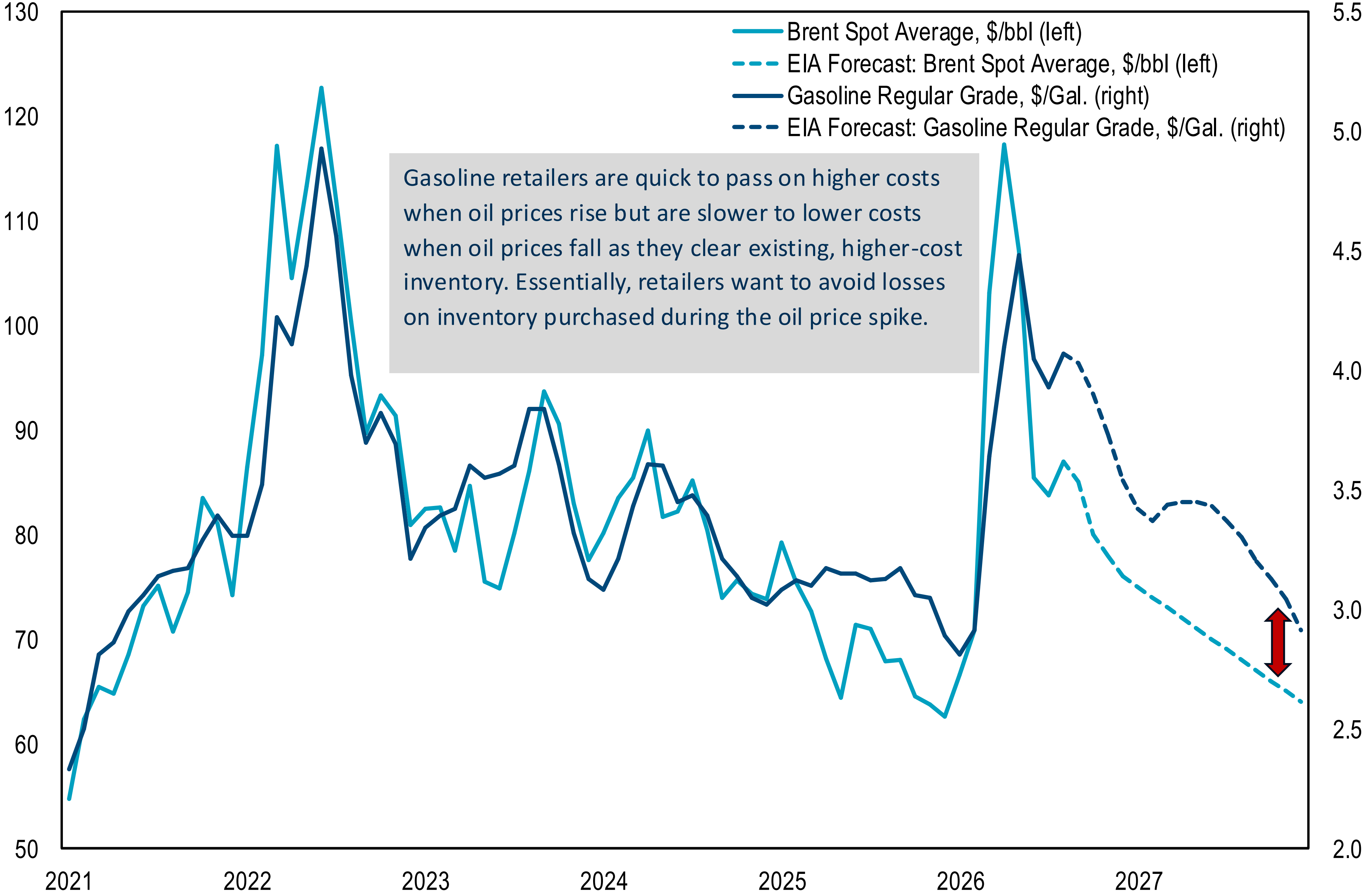
Gasoline Prices Often Fall Slower than They Rise





Source: ICE/AAA/Bloomberg

Retailers are Quick to Pass on Higher Costs, but Slower to Drop Prices



Source: U.S. Energy Information Administration

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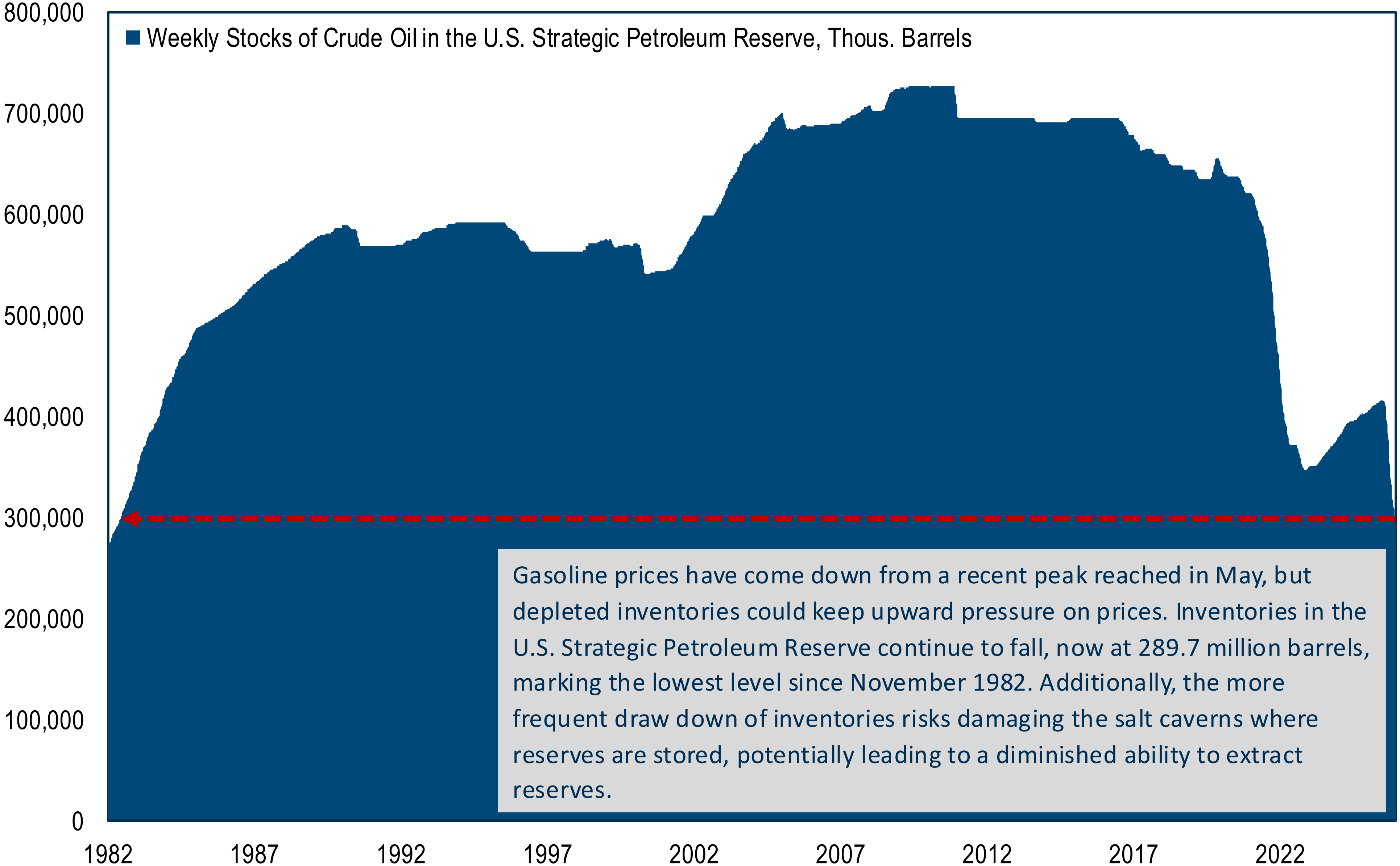
Depleted U.S. Stockpiles Could Keep Upward Pressure on Gasoline Prices

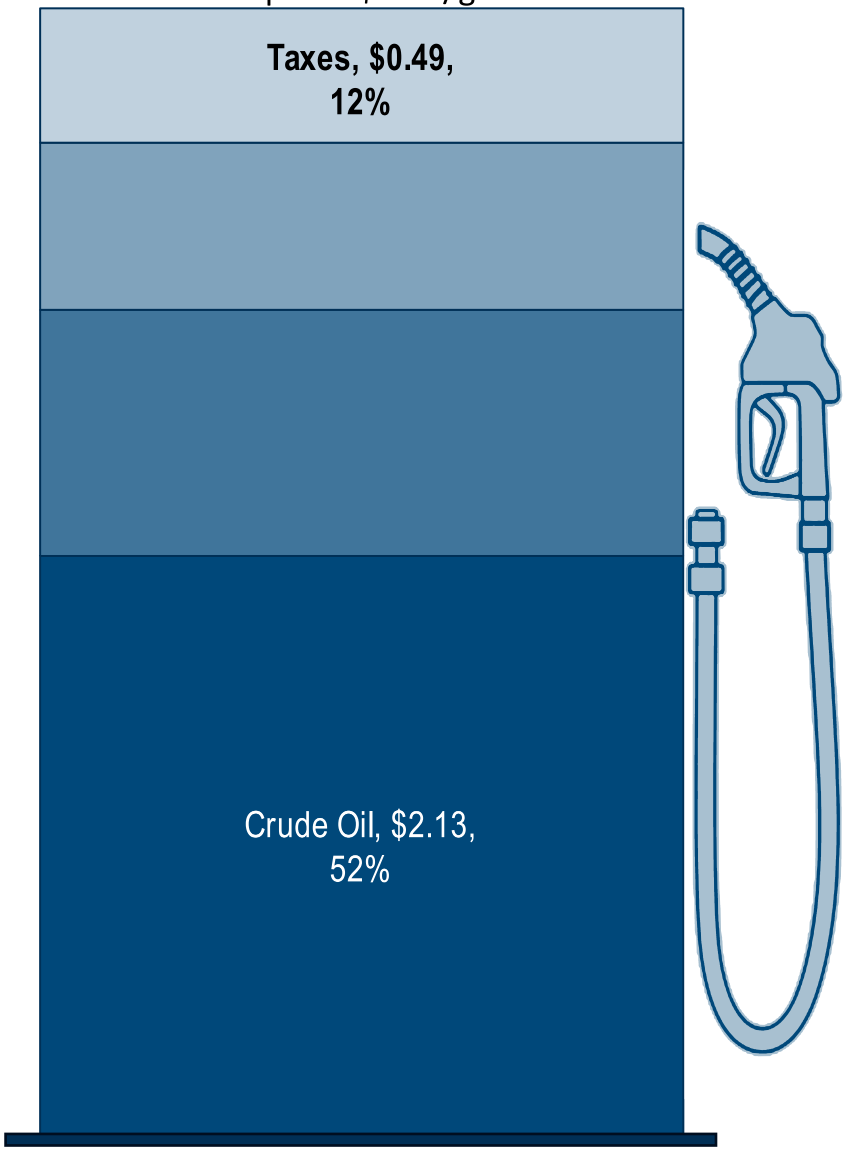


Source: U.S. Energy Information Administration

Note: According to the Government Accountability Office (GAO), every drawdown cycle expands cavern volume and reduces the spacing between caverns within the salt dome, which ultimately reduces their long-term viability.

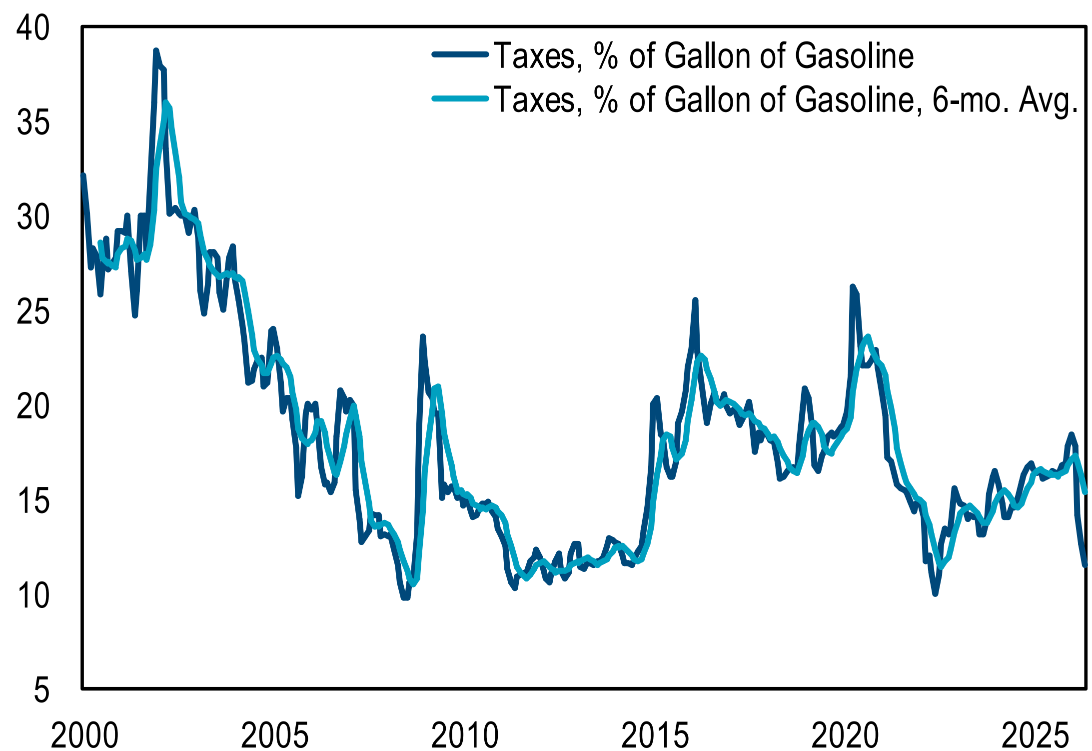
Other Factors Influencing Pump Prices: Taxes

What do we pay for in a gallon of regular gasoline?
Retail price: $4.09/gallon



Source: U.S. Energy Information Administration

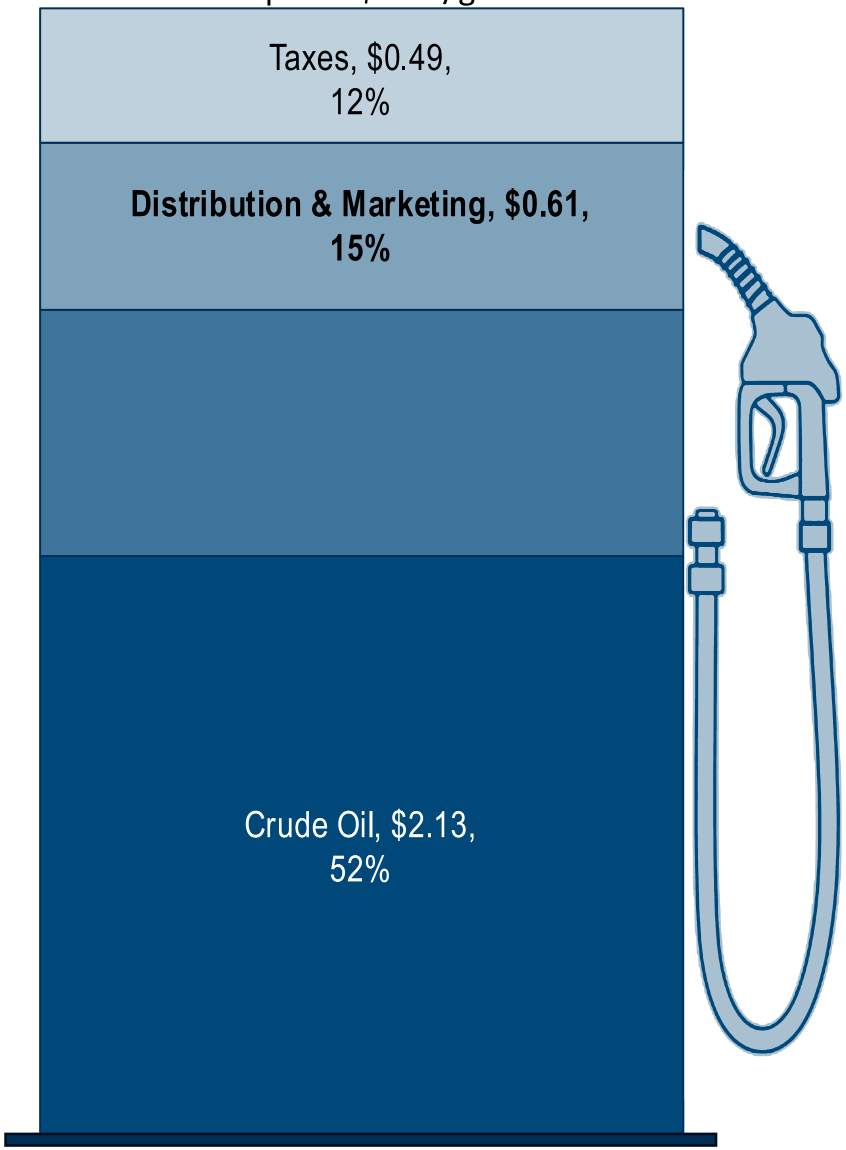
Federal, state, and local government taxes also contribute to the retail price of gasoline. As of May, taxes accounted for 12% of the total price. As a result, when oil prices surge, lawmakers often face pressure to enact temporary *"gas tax holidays"* to provide relief to consumers. Yet, the temporary suspension often results in minimal savings to buyers, while draining funds for critical infrastructure and transit.



Source: U.S. Energy Information Administration

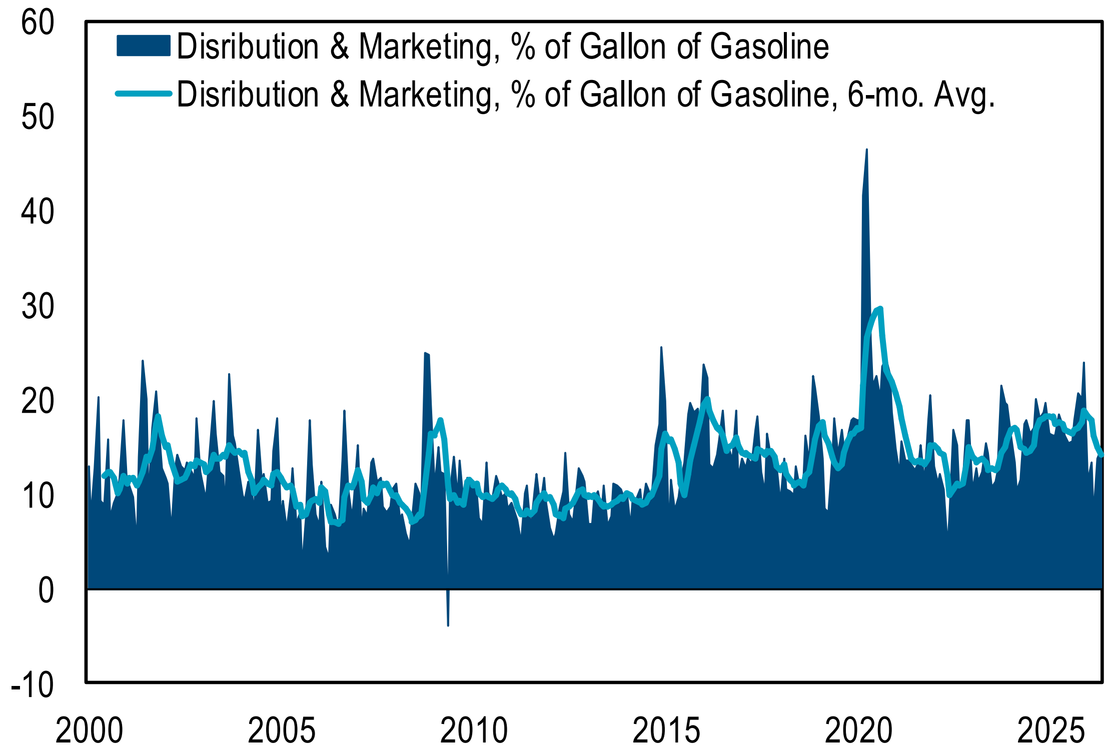
Other Factors Influencing Pump Prices: Distribution and Marketing Costs

What do we pay for in a gallon of regular gasoline?
Retail price: $4.09/gallon



Source: U.S. Energy Information Administration

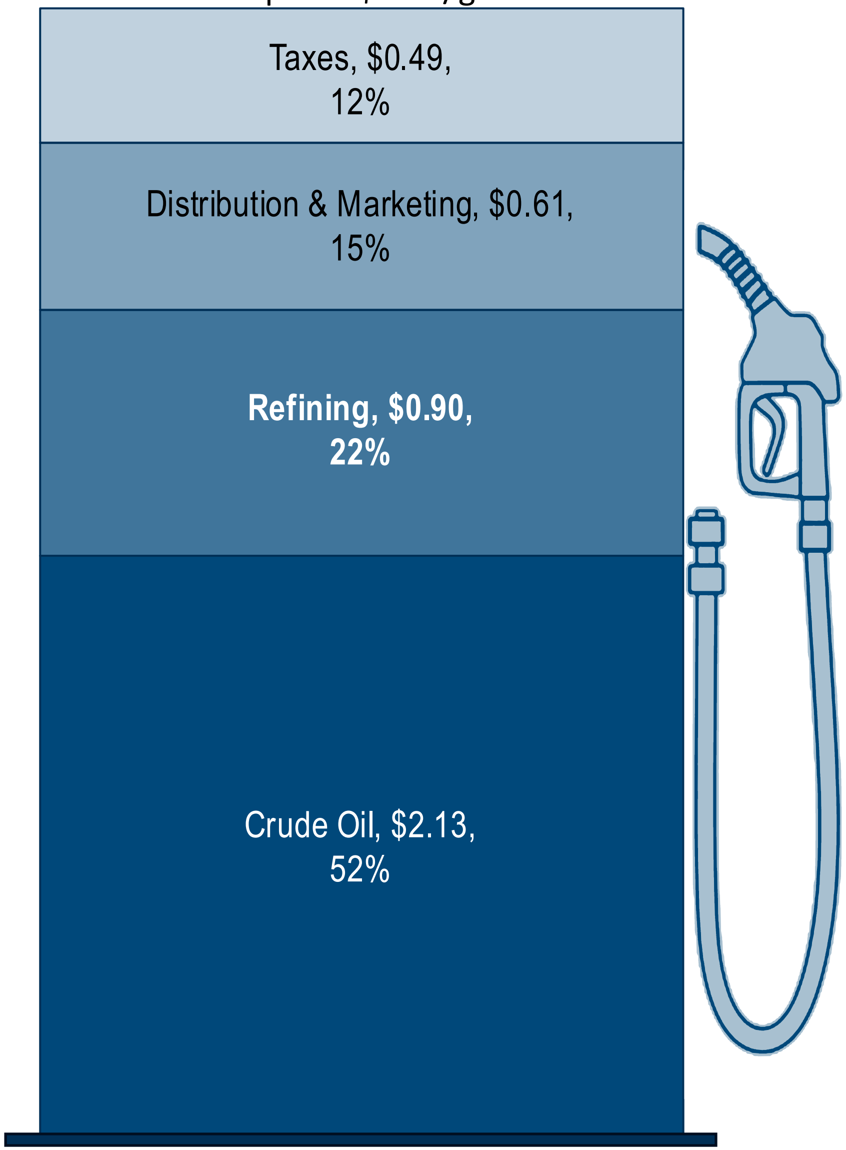
Distribution and marketing costs account for 15% of the cost of a gallon of gasoline as most gas is shipped from refineries by pipeline to terminals where it may be blended with other products to meet government and market specifications. The fuel is then delivered to local gas stations by tanker trucks. Furthermore, overhead expenses such as labor, equipment, insurance, and facility rentals directly impact overall marketing and distribution costs.



Source: U.S. Energy Information Administration

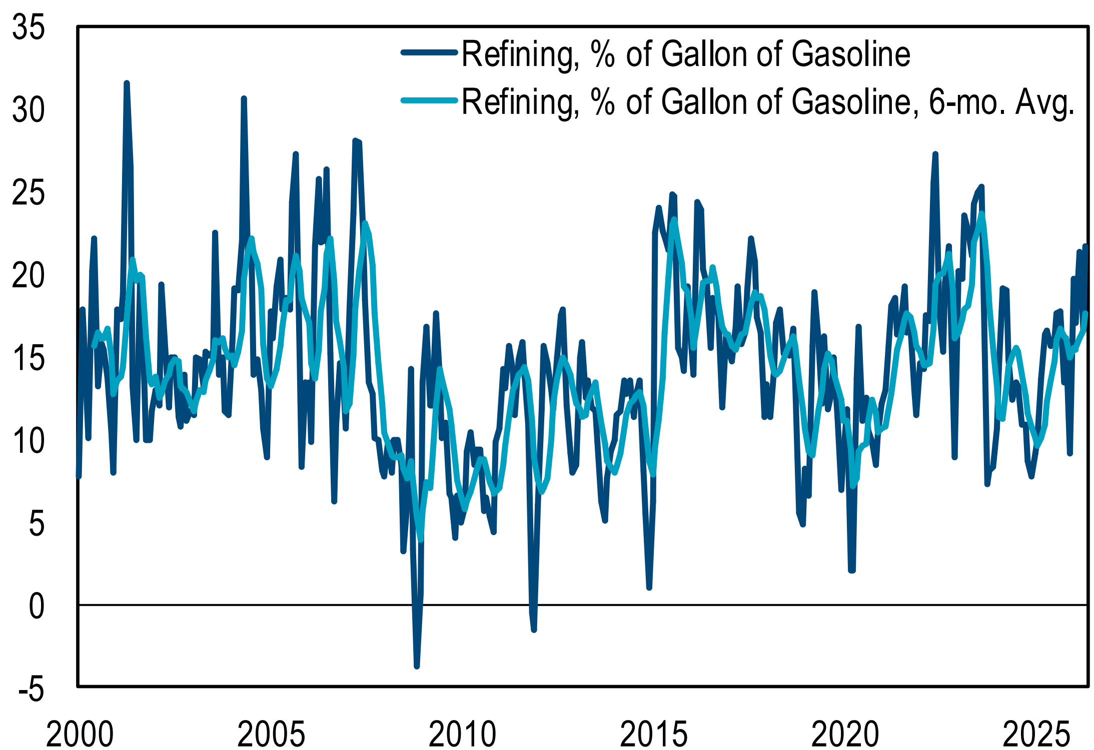
Other Factors Influencing Pump Prices: Refining Costs

What do we pay for in a gallon of regular gasoline?
Retail price: $4.09/gallon



Source: U.S. Energy Information Administration

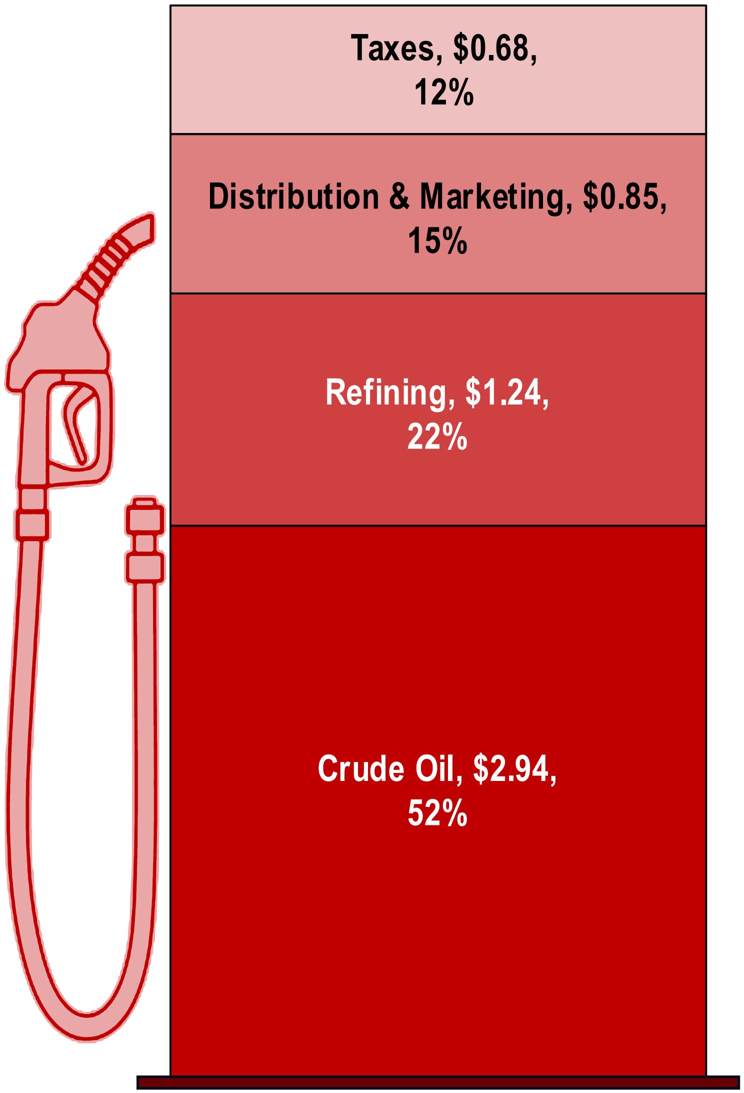
Overall refining costs contribute 22% to the price of a gallon of gasoline but vary seasonally and by region as different gasoline formulations are required to reduce air pollution in different parts of the United States. Demand for gas typically surges during the summer months due to increased driving and travel along with higher air conditioning usage to offset the hot weather.



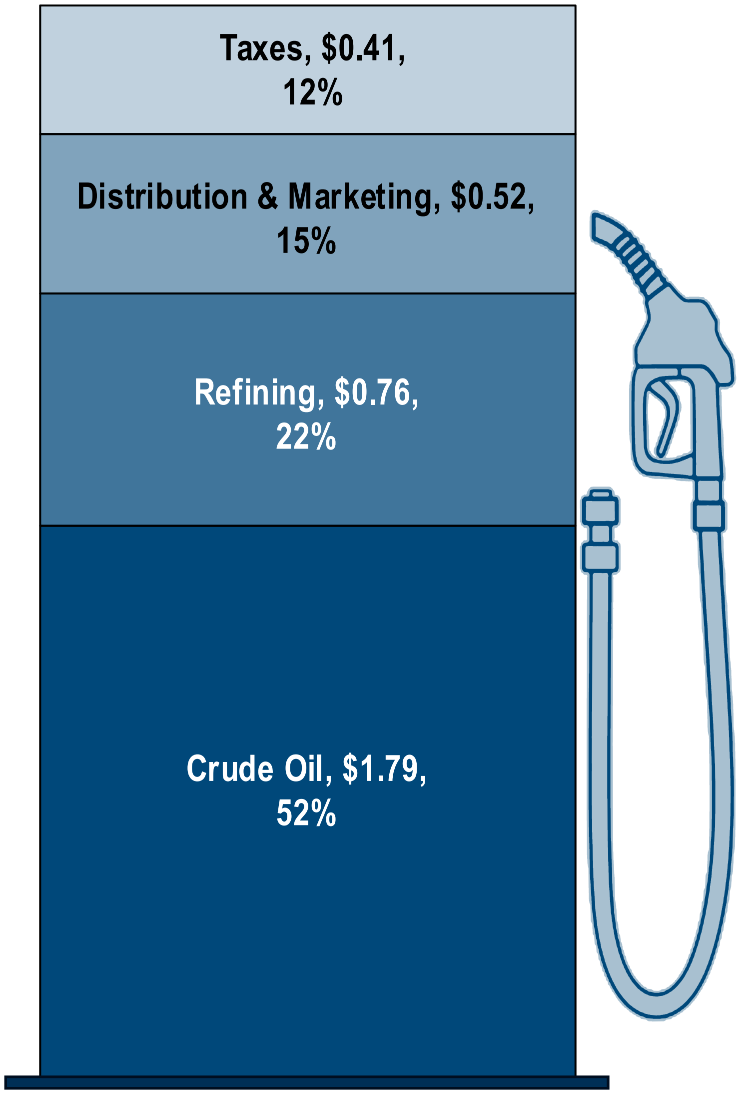
Source: U.S. Energy Information Administration

Gas Prices Vary Across States and Regions

What does California pay for in a gallon of regular gasoline?
Retail price: $5.65/gallon



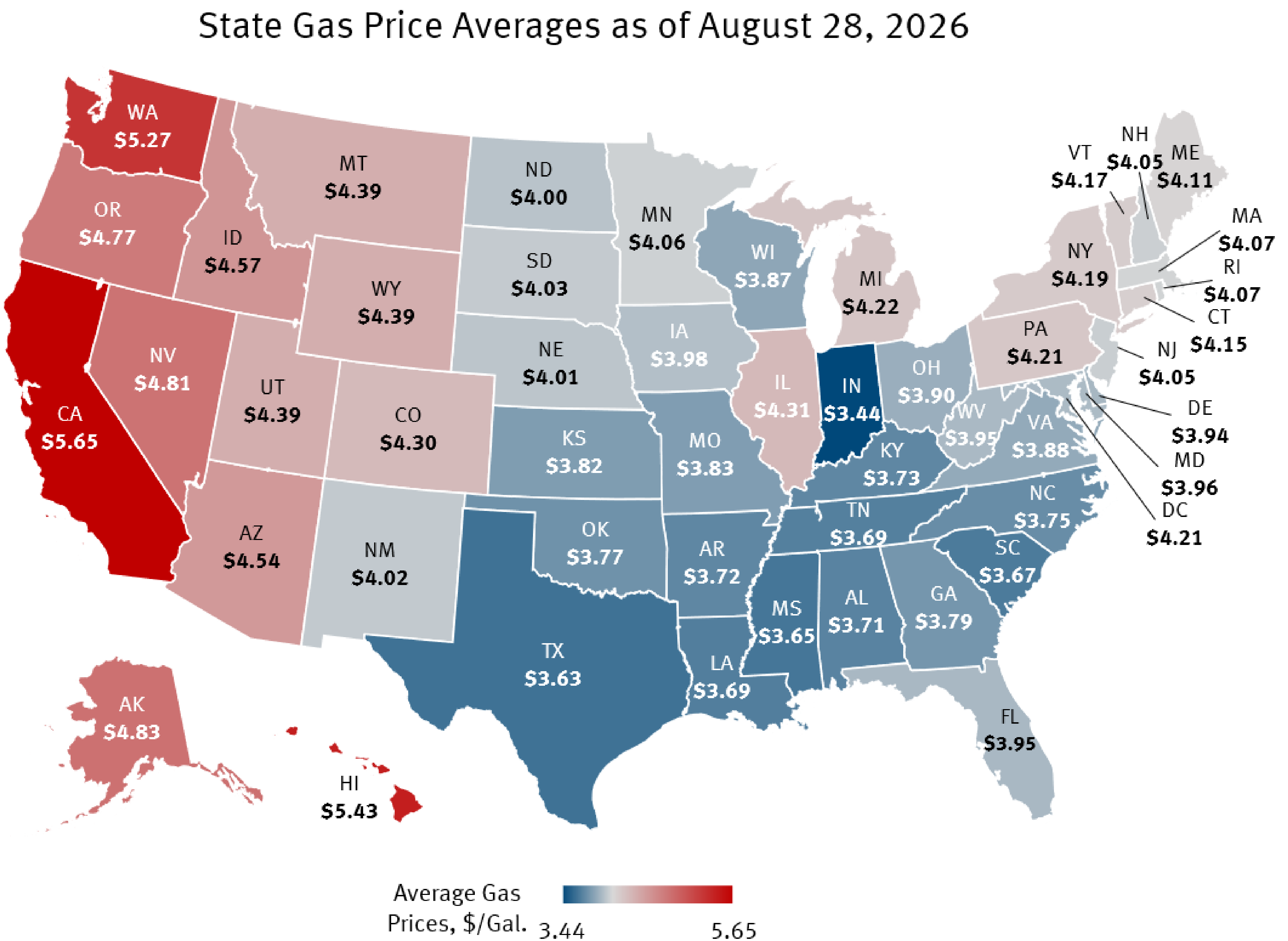
What does Indiana pay for in a gallon of regular gasoline?
Retail price: $3.44/gallon



Source: U.S. Energy Information Administration/AAA

Note: Figures shown are derived using the national breakdown of component costs. Crude oil costs differ by region as prices in California are more closely linked to Brent Crude or a specialized California composite, while prices in Indiana are more closed pegged to the West Texas Intermediate Index.

Western States Face Steeper Fuel Costs, while Gulf and Midwest States Enjoy Lower Costs



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