The oil industry charges the **highest price that they can** to bring in the largest profits.

They can charge exorbitant prices because of our reliance on oil. While oil companies could attempt to pass the supposed costs of climate regulations onto customers, if customers are not willing to pay and instead use alternative, cleaner options, then the costs of regulations will simply eat into the oil companies’ ample profits. We see this in the least profitable markets, where margins are as low as 4 cents per gallon, or even bring in losses. As we continue to transition to clean fuels, like electricity, our reliance on oil will decline and our transportation costs will decrease.

**Oil company profits are driving gas prices up, but we can change that.**

While gas prices topped $5 per gallon, Western oil companies were posting record profits. The oil industry likes to blame climate policies for any increases in the price at the pump, but the reality is oil companies charge the highest price that can get away with to bring in the largest profits.

Because the oil industry currently holds a near-monopoly on transportation fuels, Washington residents are forced to pay some of the highest profit margins in the country. Fuel profit margins in the Seattle area are over $1 per gallon, according to the Oil Pricing Information Service (OPIS). Despite gas prices skyrocketing in the past year, this profit margin is over 30% higher than it was in the first quarter of 2020, when it was 77 cents per gallon. The Seattle area consistently ranks in the top five most profitable metro areas to sell gas, and Washington is also one of the most profitable states in the country.

### Data source: OPIS. June 30, 2022

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**THE TRUTH ABOUT OIL INDUSTRY PROFITS AND THE PRICE AT THE PUMP**

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**What do we pay for per gallon of retail regular grade gasoline?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Retail Price</th>
<th>Highest Price</th>
<th>Refining Costs</th>
<th>Marketing and Distribution Costs</th>
<th>Federal and State Taxes</th>
<th>Crude Oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-2021</td>
<td>$2.62/gallon</td>
<td>$5.00/gallon</td>
<td>14.0%</td>
<td>14.3%</td>
<td>17.0%</td>
<td>54.8%</td>
</tr>
<tr>
<td>2021</td>
<td>$3.13/gallon</td>
<td>$5.10/gallon</td>
<td>14.4%</td>
<td>10.8%</td>
<td>16.4%</td>
<td>53.6%</td>
</tr>
</tbody>
</table>

| Data source: U.S. Energy Information Administration, Gasoline and Diesel Fuel Update |
We must transition to homegrown, clean energy to reduce our dependence on the oil industry and foreign oil.

The good news is that in Washington, we are already on the way to a 100% clean and localized energy future. We are in the process of implementing the Climate Commitment Act, the Clean Fuel Standard, and the Zero Emission Vehicle Program, which will reduce our reliance on fossil fuels and fund investments in clean fuels, such as zero-carbon electricity generated in-state. As a result, we will be freer from air pollution and climate impacts while also freeing ourselves from the whim of oil industry profits and oil cartels.

Despite claims from the oil industry, policies such as Clean Fuel Standards have not led to increased prices at the pump in California or Oregon. In fact, credit prices are not correlated with gas and diesel prices. When demand for gas decreases, prices do as well; when demand for gas increases, prices do as well. We see this seasonally; gas prices have historically risen in the spring and peaked in the late summer when people drive more frequently. Prices then decrease in the winter as people drive less. Therefore, as we break the near-monopoly of the oil industry by providing more choices, prices are likely to decrease along with demand.

Our reliance on fossil fuels and foreign oil also makes us subject to the whims of the OPEC+ energy cartel.

While profits are a significant factor, the global price of crude oil is also a primary driver of the price at the pump. This is strongly influenced by an energy cartel, OPEC+. In 2020, when demand for gas plummeted, so did prices—until OPEC+ members decided to artificially restrict supply so prices would rise. That just happened again: Saudi Arabia and Russia, acting as leaders of the group, agreed to a large production cut with the aim of raising prices. By artificially restricting their supply, the cartel will increase crude oil prices and bring in revenue to fund their own aims, including Russia’s unjust invasion of Ukraine.

OPEC+ consists of 23 oil producing member countries, none of which are considered free under Freedom House’s Global Freedom Scores.

Using locally-produced, clean energy to power our transportation system will not only reduce pollution, but it will also free us from the burden of volatile, often high gas prices and bolster the local economy.

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1 Data Source: U.S. Energy Information Administration