What Goes into Diesel Prices?: U.S. Energy Information Administration Analysis

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The United States Energy Information Administration ("EIA") undertook an analysis titled:

What goes into diesel prices? ("Analysis").

The Analysis uses as a data source the EIA *Gasoline and Diesel Fuel Update*.

The Analysis noted that as of September 14th United Sates retail diesel prices averaged $6.29 per gallon. This is characterized as, on an inflation-adjusted basis, the highest price since 2022. Further, EIA states that it is the highest on record in nominal price terms since EIA started publishing its Analyses in 1994.

The EIA Analysis states that the price of distillate fuel (often sold as diesel) is driven by the following:

- Price of crude oil.
- Retail margins.
- Distribution costs.
- Taxes.
- Crack spreads.

Crack spreads are described as the:

… indicators of the profitability of refining crude oil into petroleum products such as gasoline and diesel and are used as a proxy for refinery margins.

The diesel crack spread is stated to be calculated by subtracting the spot market price of a gallon of crude oil from the wholesale price of a gallon of diesel.

The high crack spread for diesel on top of the elevated price of a barrel of crude oil is stated to have driven retail prices up.

Global distillate fuel (including diesel) supplies are tight because of reduced global refining activity in the following countries/areas:

- Russia.
- China.
- Middle East.

U.S. distillate production between January and August of this year averaged 5.1 million barrels per day, the most since 2019. In addition, U.S. refineries are running at near-maximum levels with utilization of 97% the week ending September 11th. *The Weekly Petroleum Status Report* is cited.

A copy of the EIA Analysis can be found here.