

The Best Kept Secret Behind High Gasoline Prices

By Steve Max
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We won't keep you in suspense: it isn't Russia, it isn't Ukraine, it isn't the Arabs, nor is it the frailty of human nature which afflicts us all. No, while these contribute to the situation, the best kept secret is that the US is the world's largest exporter of gasoline! Total motor fuel consumption in the US is about 8.8 million barrels per day while exports, mainly to Mexico and Canada, are about 6 million.

The [American Journal of Transportation](#) said in May, "Record fuel exports from the US Gulf Coast are eating into domestic supplies, leaving gasoline and diesel tanks on the East Coast emptier than they have been in decades." To which [Forbes](#) added in July, "With prices for gasoline still elevated, US exports of refined petroleum products should smash the 2013 record-setting total easily this year."

President Biden has lashed out at the oil companies saying, "We're going to make sure everyone knows Exxon's profits. Exxon made more money than God last year."* He wrote to each of the major oil companies urging them to cooperate with his Administration by increasing refinery capacity and lowering prices.*

The President had entertained the idea of requiring a reduction of exports, but with heavy lobbying by the industry and a June 22 meeting with oil company CEOs, he appears to have backed off. The Administration seems to prefer voluntary cutbacks in exports.† In August, US energy secretary Jennifer Granholm said in a [letter](#) to industry leaders, "Given the historic levels of US refined product exports, I again urge you to focus in the near term on building inventories in the United States, rather than selling down current stocks and further increasing exports."

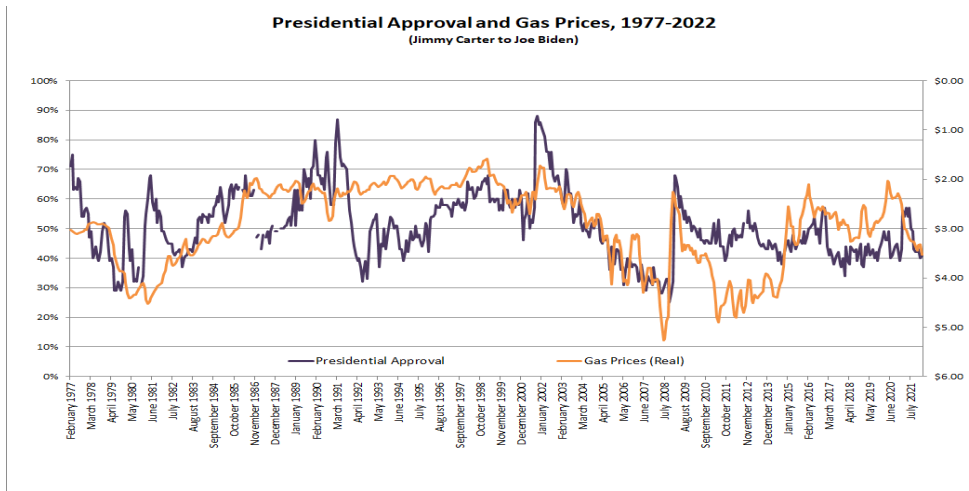
[Ⓕ] Bloomberg 06/10/22. <https://www.bloomberg.com/news/articles/2022-06-10/-exxon-made-more-money-than-god-biden-scorns-rising-gas-prices>

[Ⓖ] Associated Press 06/15/22 <https://apnews.com/article/russia-ukraine-biden-covid-health-f73c882b0664a5d5dd62635a9a65364c>

[Ⓗ] Reuters 06/23/22. <https://www.reuters.com/markets/commodities/us-oil-refiners-meet-biden-officials-high-stakes-price-talks-2022-06-23/>

The Industry response sounds almost threatening. “Not only will limitations or outright bans of petroleum products have the exact opposite effect than intended – raising fuel prices instead of lowering them and placing additional refining capacity at risk” a spokesperson for the American Fuel and Petrochemical Manufacturers said.♦ No doubt they would claim that this wasn’t a threat but merely a prediction.

Indeed, it appears that the Industry has Biden over the proverbial barrel. Presidential approval ratings have historically correlated with fuel prices as the [chart](#) below shows. We must remember the principle of logic, “Correlation does not imply causality.” However, with the elections upcoming, correlation itself is scary enough.



The President is not without the ability to fight back if the oil industry punishes regulation with higher gasoline prices. The Industry wants continued access to federal land and offshore drilling rights, which can be denied. Nonetheless, at this time Biden is unlikely to fight the oil industry head on.

Of course the long term answer is to end the use of fossil fuel altogether, and the Biden Administration is already doing [much](#) in that area, but if the Republicans take power it will all end. First things first.