FOR IMMEDIATE RELEASE

Utah Petroleum Association Responds to Utah Gasoline Prices Report

SALT LAKE CITY, UTAH (November 17, 2022) – The impacts of high gasoline prices ripple across our economy and affect supply chains and products we all depend on, and we certainly empathize with the challenges that price environment creates. We appreciate Governor Cox tasking his team with investigating the issue and working to help educate the public about the complexities of our industry, a goal in which we share and pursue in our daily work. Based on the findings from this report, we have three key takeaways:

- Supply and demand are the main drivers of price. Demand continues to increase, while supply is decreasing due to multiple policy signals.
- Utah's unique geography with long distances between markets, challenging topography, lack of access to other product, and position as the supplier to multiple other Western states leaves Utah vulnerable to price increases.
- Support of policies and practices that encourage robust development of domestic oil and natural gas resources, both crude production and refining capacity, is the best long term insulator against future price increases. Utah should continue to champion free market solutions and support policies that encourage, not stifle, development of our abundant natural resources.

Supply and Demand

As noted in the report, there is little that the state of Utah can do in the short term to meaningfully bring prices down due to a litany of factors – particularly the basics of supply and demand, coupled with physical limitations in moving product. Utah and the American West continue to grow rapidly, which results in increased demand, without a corresponding increase in the availability of supply. Federal and regional policies are both driving up the price of crude while at the same time diminishing US refining capacity, decreasing supply. The report notes that this decrease in gasoline supply is caused by refinery closures or conversions to produce biofuels, both of which are heavily incentivized by federal and coastal state policies, worsening the supply and demand pressures.

Geography

Further complicating the issue is Utah's unique position as something of an island from the broader United States fuels system, making comparisons with the national average pricing futile. We have no access to water borne crude oil or finished product, very limited inputs from outside of the state due to large mountains, and long distances between the crude and refined product centers, all of which make transport expensive. Our refineries operate at near maximum capacity in order to meet the perpetually growing demand of our state and our region. When regional supply and demand tighten, prices go up as Utah simply does not have cheap and readily available product to backfill from east of the Rockies.

Support for Rational Energy Policy

We are fortunate to live in a state led by elected officials who understand this economic reality, unlike those in other states, or even the Biden Administration, who seek to exacerbate the problem with a misguided "windfall profits tax." As economist and former Treasury Secretary Larry Summers wrote on

Twitter recently, ““I’m not sure [I] understand the argument for a windfall profits tax on energy companies. If you reduce profitability, you will discourage investment which is the opposite of our objective.”

Summary

Gasoline prices are the result of a multitude of factors, local, regional, and federal. The simplest way to protect against price increases long term is to champion policies that encourage increased domestic production and capacity growth. We look forward to continuing to work with Governor Cox’s team and other regional partners in proposing and fostering policies that support the free market in service of this goal.

# # #