

Why Falling Crude Prices Aren't Fully Reaching the Pump in Utah

A primer for Utah policymakers on gasoline price formation and current market conditions

Constituents are asking a fair question: if crude oil prices are falling, why isn't that fully showing up at the pump in Utah? Crude oil is only one of four inputs to a gallon of gasoline, and Utah's fuel market has structural features — a small refining base, a strict clean-fuel standard, and a landlocked, regionally isolated supply chain — that slow and dampen how much of a crude price move ever reaches the pump. Add a volatile global oil market, and Utah's prices are being pulled by both macro and local forces.

WHAT ACTUALLY MAKES UP A GALLON OF GAS

Per Utah's Office of Energy Development, the retail price of gasoline breaks down into four components:

Component	Share	What drives it
Crude oil	~49%	Set on global markets; the only component that moves directly with world oil prices.
Refining	~23%	Labor, energy, maintenance, and compliance costs to turn crude into finished gasoline; rises independently of crude.
Distribution & marketing	~10%	Trucking, terminal, and retail station costs to move fuel to the pump.
Taxes	~17%	Federal and state fuel excise taxes, fixed per gallon regardless of crude price.

Because crude is roughly half the price, gas prices generally track crude — but the other half (refining, distribution, taxes) doesn't move with crude, and sometimes moves the opposite way.

PRICES RISE LIKE A ROCKET, FALL LIKE A FEATHER

- **There is a real, well-documented lag.** Analysts estimate that in most of the US it takes roughly three weeks for a crude price change to fully work through refining, wholesale, and retail margins and show up at the pump — in either direction. A crude drop today does not mean a pump price drop today. Utah's response time is slower (see below).
- **Refiners hedge and hold inventory.** Refiners bought crude weeks before it reaches the pump as gasoline; a current crude dip reflects tomorrow's cheaper input, not the barrel already in the tank. The same applies to retailers at the pump, who bought at previous days' wholesale prices.

WHY UTAH'S MARKET IS SLOWER TO RESPOND THAN THE NATIONAL AVERAGE

- **Small, concentrated refining base.** Five refineries along the Wasatch Front supply nearly all of Utah's fuel and are the largest regional supplier. That's a thin margin for error compared to the Gulf Coast, which has dozens of refineries and multiple pipeline and waterborne alternatives if one facility has an issue. All 5 of Utah's refineries combined have less capacity than many single Gulf Coast refineries.
- **Landlocked and pipeline-constrained.** Utah refineries run regional crude — about half comes trucked from the Uinta Basin, with only two crude pipelines supplying Wyoming, and small amounts of Canada and Colorado crude — and ship finished product out by only 2 pipelines to Utah, Idaho, Nevada, and Washington. There is no coastal or Gulf import/export valve to relieve a local/regional supply crunch the way larger markets have.
- **Tied to neighboring refinery outages and tight regional markets.** When refineries in California or Wyoming go down for maintenance or repair, or outright close, product is pulled out of the Utah market to backfill those states and the other states they serve, tightening local supply and keeping Utah prices elevated even as national and crude prices ease — AAA has cited this dynamic directly in explaining above-average Utah prices.
- **Utah's Tier 3 clean-fuel commitment adds a fixed cost layer.** All 5 Utah refiners produce Tier 3, 10 ppm low-sulfur Tier 3 gasoline (down from the old 30 ppm standard) rather than buying sulfur credits or pooling compliance nationally, as EPA rules otherwise allow. That's a real air-quality benefit for the Wasatch Front, and refiners have invested millions to deliver it — but it is a production cost that does not shrink when crude does, so it holds a floor under Utah pump prices relative to states where refiners can average compliance elsewhere.
- Taxes and Utah's own crude are smaller factors than commonly assumed (see page 3 for detail on both).

THE 2026 MACRO BACKDROP: AN UNUSUALLY VOLATILE YEAR FOR CRUDE

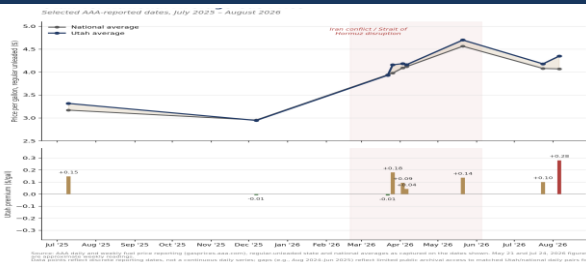
- **Middle East conflict spiked prices sharply this year.** U.S.-Israel action against Iran and the resulting Strait of Hormuz disruption pushed U.S. pump prices up roughly \$1/gallon in a single month this spring — a steeper monthly jump than either Hurricane Katrina or Russia's 2022 invasion of Ukraine caused. Utah's average briefly approached \$4.70/gallon in May before easing.
- **The Strait of Hormuz remains a live risk.** Roughly 20% of global petroleum liquids consumption normally transits the Strait; renewed tension in July pushed crude back into the \$90/barrel range and Utah prices back above \$4.18. Markets remain sensitive to any recurrence.
- **Prices are moderating, but off a higher, more volatile base than most of the last decade.** AAA shows the national average has drifted down to \$4.06/gallon, Utah, at \$4.35/gallon. While prices are high, the trend is consistent with Utah gasoline prices typically moving above the national average in late spring and fall back to or below the national average in the fall, due to tight market pressures noted above. The conflict amplified Utah's existing structural and seasonal vulnerabilities on top of a still-elevated global price environment.
- **Underlying trend is still favorable.** Record U.S. oil and gas production has added global supply and cushioned some of this volatility; independent forecasters expected 2026 to be one of the cheapest years for gasoline since 2020 before the spring conflict — and further softening is possible as that supply growth continues and geopolitical risk fades.

Bottom line for policymakers

A crude price drop does not translate one-for-one, overnight, into a pump price drop — nationally or in Utah. In Utah specifically, a small in-state refining base, pipeline and geographic isolation from other supply, exposure to a regional market short on supply, and the added (and worthwhile) cost of producing cleaner Tier 3 fuel mean the state's pump prices respond more slowly and settle at a premium to the national average during peak season. Layered on an unusually volatile year for global crude driven by Middle East conflict, that gap is more visible in 2026 than in recent years — but it reflects geography and free market price signals to push down demand, not price gouging.

Exhibit: Utah's Widening Premium Over the National Average

Utah vs. national average retail gasoline price, selected AAA-reported dates, July 2025 – August 2026



WHAT THE CHART SHOWS

- The top panel tracks Utah's and the national average price for regular unleaded gasoline on matched reporting dates over the last 13 months; the bottom panel isolates the gap between them — the "Utah premium" — in cents per gallon.
- A gap of zero (or below) means Utah was pricing at or under the national average; the red bar at right marks the widest, most recent gap in this window.
- The shaded band marks the spring 2026 Iran conflict and Strait of Hormuz disruption, which drove the sharpest run-up in both national and Utah prices in this period.

THE STORY IT TELLS

- **Utah is not always higher than the national average.** Through mid-to-late 2025 and into the initial weeks of the 2026 crude spike, Utah tracked within a penny or two of the national average — and on March 22, 2026, was actually a cent below it. This follows normal seasonal trends where Utah prices typically increase above the national average in late spring and fall back to national average or below in the fall and winter.
- **Utah prices did not rise more than the national average increase.** Comparing end of July 2025 to July 2026, UT prices rose \$0.90/gal, or roughly +26.7%, as compared to a national average rise of \$0.958/gal, or roughly +30.5%.
- **The premium opened up once the shock persisted.** As the Hormuz disruption dragged on through late March and April, Utah's price rose faster than the national average — consistent with the lag and refining-cost dynamics described on page one, where a small, geographically isolated refining base, on top of an already tight regional supply in markets that UT feeds, takes longer to absorb a sustained supply shock than the national blend of markets.
- **The gap is now at its widest point in the window, during peak driving season— while crude is easing.** By August 2026, national prices had pulled back roughly 50 cents from the May peak, but Utah's premium widened to +\$0.27–\$0.29/gallon, the largest spread shown. This is the clearest visual evidence of the "rises like a rocket, falls like a feather" dynamic playing out asymmetrically in Utah: national relief is arriving faster than Utah relief, but this has been Utah's trend for the last 5+ years due to short regional supplies.

• TAKEAWAY: THE FREE MARKET IS WORKING

The free market is working. Product supply west of the Rockies is very tight, driving up gas prices higher than the national average. As a result, the Salt Lake refineries have already increased their crude capacity by 6 thousand barrels a day, with additional debottlenecking and incremental capacity projects planned. Several pipeline expansion projects to bring more product into the market have also been announced, including expansion of HF Sinclair's Pioneer pipeline, to bring an additional 35 thousand barrels per day of gas and diesel from Wyoming to UT by 2028. In August, Phillips 66, Kinder Morgan and HF Sinclair approved the \$5 billion Western Gateway Pipeline to carry Midwest fuel to Arizona and California by 2029. This project, and other announced pipeline projects will bring more supply to the region, taking pressure off of regional prices that drive up UT prices.

How Taxes and Utah's Own Crude Fit Into the Picture

Two questions legislators consistently ask: how much of the price is tax, and doesn't Utah produce its own oil, so should have lower prices?

HOW FEDERAL AND STATE TAXES LAYER IN

- **Federal excise tax is fixed and hasn't changed since 1993: 18.4 cents/gallon on gasoline, 24.4 cents/gallon on diesel.** It doesn't move with crude prices in either direction.
- **Utah's state excise tax is formula-based, not fixed.** The rate is set annually at 14.2% of the statewide average wholesale ("rack") price over the prior three years — for 2026 that calculated to 37.9 cents/gallon on both gasoline and diesel. The 2026 Legislature's H.B. 575 temporarily cut the rate by about 6 cents (15%), to roughly 32 cents/gallon, from July 1 through December 31, 2026. A small environmental assurance fee (0.65 cents/gallon) is layered on top of both, dedicated to underground storage tank cleanup.
- **Because Utah's rate tracks wholesale prices rather than staying flat, it can compound a high-price period rather than offset it.** A sustained run-up in wholesale prices today works its way into a higher statutory state tax rate down the road — the opposite of what a fixed cents-per-gallon tax (as most states use) would do.
- **Utah has a high gas tax.** Today, Utah has the 20th highest state gas tax. Once the temporary cut expires in December, Utah will have the 13th highest gas tax.
- **Utah's high gas tax contributes to pump prices, but it is not the primary explanation for Utah's seasonal gasoline-price premium.** Economically, a 6 cent tax reduction does not necessarily result in exactly a 6 cent decline on the gas-station sign. Wholesale prices, crude prices, refinery margins, transportation costs and retailer margins are all moving simultaneously.

DOESN'T UTAH PRODUCE ITS OWN OIL? YES — BUT IT'S NOT A SIMPLE FIX

- **Utah's crude oil comes mostly from the Uinta Basin, and it's an unusual crude.** Uinta Basin crude production has more than doubled in recent years due to crude by rail transportation. Production there is "black wax" and "yellow wax" crude — highly paraffinic oil with a pour point of 105–120°F that turns semi-solid, like shoe polish, at room temperature. It has real refining advantages (low sulfur, low metals, medium-to-high API gravity), and black wax in particular is well suited to gasoline, diesel, and lubricant production.
- **Utah waxy crude has high handling and transportation costs.** Waxy crude must be stored heated and moved in insulated trucks (or increasingly by steam compatible rail cars) because it solidifies in an ordinary pipeline. Historically the five Wasatch Front refineries were the only market, today, more crude is shipped via rail to national markets than trucked to SLC. The Salt Lake refineries are maxing out waxy crude processing capacity, leaving more expensive rail transportation as the only way to grow UB production. Handling and transport costs significantly disadvantage Utah's waxy crude, risking the ability of the basin to retain and attract investment dollars to continue drilling new wells.
- **The practical upshot: producing more Utah oil doesn't automatically mean cheaper Utah gas.** Local refineries are already processing as much waxy crude as they can and must still blend with lighter, more conventional crude piped in from Wyoming, Colorado, and Canada to produce a full slate of gasoline and diesel. Utah is, in volume, a net oil producer, with industry driven economic and tax benefits to local communities and the state — but increased waxy crude production relies on expensive rail transport and doesn't help the Salt Lake refineries produce cheaper gas.

WHY DOMESTIC PRODUCTION GROWTH MATTERS

- **Without the record US and Utah production, prices would be even higher and global shortages of fuel more severe.** Even though Utah's own crude doesn't mechanically set Utah's pump price, sustained U.S. and Utah production is still the main buffer against shocks like we are currently facing. Record domestic output built up over the past several years is why 2026's Strait of Hormuz disruptions have produced more muted and comparatively short-lived spikes than what was projected, and avoided a repeat of 2022's sustained run above \$5/gallon.
- **Utah refineries continue to run at absolute max to supply UT and our neighbors.** As of mid July, PADD 4 (UT, WY, CO, ID, MT) refinery utilization was 100%, with weekly rates as high as 104% - nearly unheard of(!), while the national average is at 96.1% and our neighbors on the west coast in PADD 5 are at 88.7% utilization. Utah leads the pack with the 10 year average at 90.4% utilization, the rest of PADD 4 at 88.6%, and the national average at 89.4%.