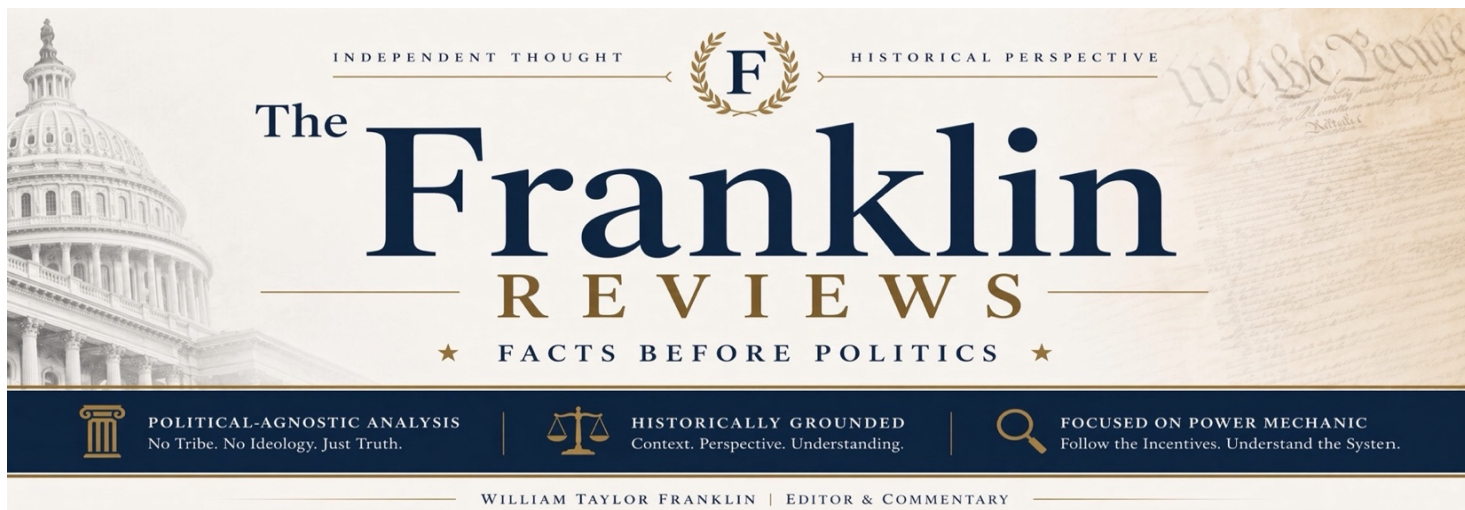




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What a Gallon of Gasoline Is Actually Made Of

By William Taylor Franklin

America has never suffered from a shortage of opinions about the price of gasoline.

It has suffered from a shortage of people willing to look inside the gallon.

The argument arrives already assigned. One camp says oil companies. Another says taxes. Another says foreign wars. Another says Venezuela, Canada, or the refinery down the road. The pump is treated as a moral object. It is not. It is a receipt.

The Franklin approach is simple.

History first. Data before ideology. The strongest arguments on both sides. Follow the incentives. Ask the uncomfortable questions. Then decide.

Start with the physical fact.

A barrel of crude holds 42 gallons. A \$5 move in the world price of that barrel is about 12 cents of oil cost for every gallon in the drum. Analysts flatten it into a rule of thumb: \$1 per barrel is about 2.4 cents per gallon of gasoline. So \$5 a barrel is, in crude-cost terms, about 12 cents a gallon.

That is not what you pay at the pump. It is only the first slice.

A barrel does not become 42 gallons of gasoline. It becomes roughly 19 to 20 gallons of gasoline, plus diesel, jet fuel, and leftover heavy product. The Energy Information Administration has measured the pump price in four pieces for years: crude oil, refining, distribution and marketing, and taxes.

Crude is usually a little more than half the national average gallon. Most fuel taxes are a fixed number of cents, not a percentage of the oil price. That is why a \$5 crude move does not produce a 12-cent

overnight drop in Des Moines or Los Angeles. Taxes do not move when Brent (Brent crude oil is the global benchmark oil price) moves. The direction is real. The size and the timing are smaller.

Now put two states on the same table. Same oil. Different governments.

Federal tax is identical everywhere: 18.4 cents a gallon.

Missouri's state motor-fuel tax is 29.5 cents. Federal plus Missouri is about 48 cents.

California's state excise tax, as of July 1, 2026, is 63.4 cents. Add the federal tax and you already have 81.8 cents before sales tax, climate-program costs, and local fees. Published totals for California's state taxes, fees, and climate mandates commonly land around \$1.15 to \$1.20 a gallon. With the federal tax included, the government take approaches \$1.33 to \$1.38. At recent late-August prices, crude oil is about \$2.10 in both states. After refining, delivery, and taxes, the illustrative pump totals are about \$3.73 to \$3.85 in Missouri and \$5.45 to \$5.70 in California.

The crude line is the same world oil. The tax line is not. California also pays more before taxes because CARB (California Air Resources Board) gasoline is a tighter formula and the West Coast is a tighter market. So do regulation-inspired operating costs: a high state minimum wage, stricter labor and permitting rules, and layers of state and local regulation that raise the price of running a refinery, a terminal, a truck, and a station.

It is not a conspiracy. It is a specification — and a cost of doing business under a denser rulebook.

Follow the incentives.

A politician who cuts a visible excise tax can claim credit at the pump. A politician who layers climate programs into wholesale gasoline can claim environmental virtue while the cost arrives as “the price of gas.” A refiner built for heavy sour crude wants cheap Merey (Venezuela's main heavy export crude blend) or WCS (Western Canadian Select). A refiner built for light sweet shale wants WTI (West Texas Intermediate). None of those parties is paid to explain the receipt.

That is why the Venezuela deal is so easy to misunderstand. Venezuela holds the world's largest proven reserves — about 303 billion barrels — mostly extra-heavy, high-sulfur oil from the Orinoco (Venezuela's vast extra-heavy oil belt). Canada's oil sands are the same family of crude. Light sweet grades such as WTI and Brent are easy to refine. Merey 16 and Athabasca bitumen (the extra-heavy oil of Alberta's Athabasca oil sands) are not. They need cokers, hydrogen, and diluent. They sell at a discount.

The new U.S. arrangement gives Washington offtake rights, including a slice at production cost, and a 35 percent equity stake in the private operator developing 17 fields holding an estimated 65 billion barrels.

Who wants what is not mysterious. Gulf Coast refiners want heavy barrels that match their hardware. The United States wants hemispheric supply. Venezuela wants investment and royalty cash. Canada's oil sands do not want the Gulf Coast to replace WCS with Merey.



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The Midwest driver is not next in line. Venezuelan tankers dock in Texas and Louisiana. Midwest gasoline is still made, in large part, from Canadian heavy crude that arrives by pipe. Those channels are real. They are slow. They are measured in cents, not in a transformation of the pump.

Examine the strongest arguments.

One side says more Venezuelan oil will crush gasoline prices. The numbers do not support a near-term collapse. Extra-heavy fields do not turn on like a light switch.

The other side says the deal is theater and the gallon is all taxes and gouging. That is also incomplete. Crude is still the largest single piece of a national gallon. Taxes in Missouri are not the reason a national gallon can sit near \$4. Taxes, climate mandates, and a heavier regulatory load in California are a large reason a California gallon can sit near \$5.50. Both things can be true at once.

The uncomfortable question is not which tribe is correct.

It is this: if crude falls \$5 a barrel, why should a Missouri driver and a California driver expect the same result?

They should not. Missouri's tax slice is a fixed 48 cents, federal included. California's tax-and-mandate slice is more than a dollar and does not move when OPEC meets. The same 6 to 10 cents of possible crude pass-through sits on two different bases.

Human nature has not changed.

People want cheap fuel and someone else to blame when it is not cheap. Governments want revenue that does not look like a tax. Voters want the cause to be foreign, corporate, or partisan — anything but a stack of ordinary costs that can be written on one page.

The Founders did not design a gasoline market. They designed a system that assumed men would pursue interest and then set interests against each other. The gallon is a small machine of the same kind: oil, plants, pipes, stations, taxes, rules, and a driver who only sees the number on the sign.

Strip away the slogans.

Study the numbers.

Follow the incentives.

The receipt is the argument.

Then decide.



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