Congress of the United States
Washington, DC 20515

July 1, 2022

The Honorable Joseph DeCarolis
Administrator
U.S. Energy Information Administration
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Administrator DeCarolis,

As Members of Congress, we are deeply concerned about skyrocketing gasoline, diesel, and jet fuel prices. Rising fuel costs are placing an increasing financial burden on our constituents, especially low-income households, and rising energy costs are having a ripple effect throughout the economy, driving headline inflation as well as inflationary expectations. We understand that the recent spike in gasoline and diesel prices has far outpaced oil prices, due in large part to a global shortfall of oil refining capacity and the rising cost of refining crude oil into finished petroleum products. Therefore, in the interest of our constituents, we respectfully request a briefing on the current state of oil refining in the United States and what can be done to ensure a stable and affordable fuel supply.

In his recent letter to oil refiners, President Biden expressed concern about the unprecedented disconnect between the price of oil and the price of gasoline, noting that the current price of oil, around $120 per barrel, is not any higher than it was in March of this year, and yet, the average price of gasoline is more than $5 per gallon, over 17% higher than the average price of gasoline in March.[1] That disparity between oil prices and gasoline prices, the President argues, is the result of historically high profit margins for refining crude oil into gasoline and other petroleum products. The President's prognosis of rising fuel costs echoes the U.S. Energy Information Administration's (EIA) June 2022 Short-Term Energy Outlook, which reported that wholesale prices for petroleum products, such as diesel and gasoline, have increased more than the price of crude oil, and this increasing disparity between gasoline prices and oil prices reflects the rising cost of refining crude oil into petroleum products.[2]

According to EIA data, currently operating refineries in the United States are running at a near peak utilization rate of 96 percent, and yet, refining capacity in the U.S. is currently almost 1 million barrels per day below pre-pandemic levels, due to the shutdown of numerous refineries during the COVID-19 pandemic.[3] Meanwhile, the EIA reports that demand for gasoline this summer will reach 9.2 million barrels per day, just short of pre-pandemic levels.[4] This mismatch between demand for gasoline and a shortage of refineries to produce gasoline is a recipe for disaster, ensuring that prices will continue to rise and potentially even causing fuel shortages in the event of a natural disaster like Hurricane Ida in 2021, which knocked out several Gulf Coast refineries.

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[1] Baker, Peter and Clifford Krauss. June 15, 2022. Biden slaps oil companies for profiteering at the pump. *New York Times*. https://www.nytimes.com/2022/06/15/business/biden-oil-companies-gas-prices.html
[2] Hack, Kevin. June 10, 2022. EIA expects high refinery margins to contribute to increasing fuel production this summer. *U.S. Energy Information Administration*. https://www.eia.gov/todayinenergy/detail.php?id=52718
[3] Ibid.
[4] Summer Fuels Outlook. *U.S. Energy Information Administration*. https://www.eia.gov/outlooks/steo/special/summer/2022_summer_fuels.pdf

We therefore respectfully request a briefing on the current state of refining capacity in the United States, including specifically addressing the following questions:

1. Is there a possibility that the shortfall in refining capacity will cause shortages of certain fuels or other petroleum products?
2. How much of the recent rise in gasoline prices can be attributed to rising refining costs?
3. When do you project that refining costs, or the "crack spread," will return to pre-pandemic levels?
4. Assuming constant demand for refined petroleum products, what events, other than expanding U.S. refining capacity, could potentially reduce the crack spread?
5. If a refinery capable of refining 200,000 barrels of crude per day were brought online, what would be the impact on the crack spread and retail gasoline prices?
6. If the recent reduction in U.S. refining capacity of approximately 1 million barrels per day were replaced by increases in foreign refining capacity, what would be the impact on U.S. energy markets?

Thank you, and we look forward to consulting your expertise in this important matter.

Sincerely,

Raja Krishnamoorthi
Member of Congress

Tom Malinowski
Member of Congress

Sharice L. Davids
Member of Congress

Abigail Spanberger
Member of Congress