Potential Impact of United States Diesel Export Restrictions

Big picture

Everyone shares the goal of providing relief from high diesel prices. But restricting U.S. diesel exports may create unintended consequences for consumers if it ultimately reduces refinery production.

Why it matters

Diesel prices affect far more than drivers. Farmers, commercial truckers, railroads, manufacturers, schools, and transit systems rely on diesel. Those costs reach families through higher prices for food, goods, transportation, and services.

The U.S. is not one uniform fuel market.

Much of America's refining capacity is concentrated along the Gulf Coast, where refiners produce more fuel than the region consumes. Excess fuel is largely exported because pipelines, terminals, transportation networks, and other infrastructure limit how quickly or economically it can be redirected to other U.S. markets.

Why can't Gulf Coast diesel simply be sent elsewhere in the U.S.?

Moving fuel depends on available pipelines, ports, vessels, terminals, trucks, storage, and compatible fuel specifications. An export restriction could leave more diesel near Gulf Coast refineries without making it available to the consumers who need it.

Could restricting exports lower diesel prices?

U.S. refineries are already running at high utilization, recently in the mid-90% range, while the global diesel market faces significant supply disruptions. The U.S. produces more diesel than it uses, and exports give refiners an outlet for that surplus as they make the full range of products consumers need.

If exports were substantially restricted, more diesel might stay in the U.S. at first. Once storage and domestic distribution outlets filled, though, refiners could have to cut crude runs. That would also mean less gasoline, jet fuel, and other products. Recent market analysis estimates that a full diesel export restriction could materially reduce U.S. refinery crude runs as storage fills.

UNDER A FULL, IMMEDIATE RESTRICTION



Timing and magnitude depend on available storage and how much fuel can be redirected domestically.

What policymakers should focus on.

Any policy response should consider the relationship between diesel, gasoline, jet fuel production, and other petrochemical byproducts. A policy aimed at lowering the price of one fuel could have unintended consequences if it causes refiners to produce less of the others. Instead of restrictive policies and statewide mandates like those that have already constrained output and closed refineries in California., support policies that expand fuel availability, improve transportation and storage infrastructure, and advance permitting reform.

What does it mean when a refinery "cuts runs"?

A refinery "run" generally refers to the amount of crude oil processed through a refinery. Importantly, refiners do not turn a barrel of crude oil into only one product. Processing crude simultaneously produces gasoline, diesel, jet fuel and other petroleum products. Refiners can adjust the mix to some degree, but they cannot simply produce gasoline without also producing diesel and other products.

This relationship is important when considering export restrictions.

What about dyed diesel?

Dyed diesel, or "red diesel," is generally diesel designated for qualifying off-road uses, including agriculture, and is dyed red because it is treated differently for motor-fuel tax purposes.

Temporarily allowing broader use of dyed diesel can provide flexibility and, depending on the policy, reduce certain tax costs for consumers using fuel already in the market. It does not require refiners to reduce production and does not restrict the movement of U.S. fuel into global markets.

CEA supports open fuel markets rather than restrictions on energy imports or exports.

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