

# Four Facts about Fuel Prices

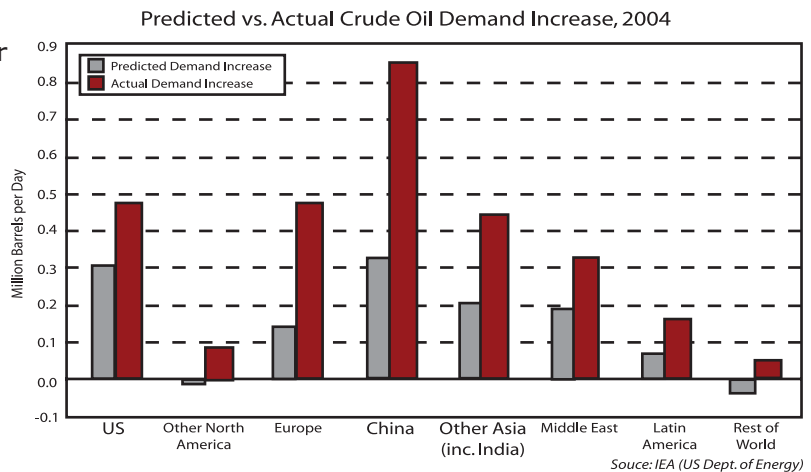


## Fact 1: Gas is global

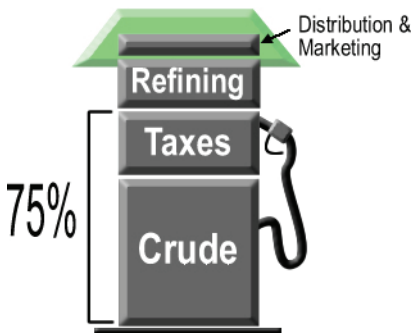
When you fill up your vehicle you become a player in the global oil market – buying a small amount of crude oil at fluctuating prices set by worldwide market demands.

As with any product in a free market, oil prices change based on global supply and demand. Currently, demand around the world is rising beyond predictions – especially in China, India and the U.S. – creating record high crude prices.

**Tesoro doesn't make money on crude oil** - as a refiner, we purchase crude at prices set by the world market.



## Gas Price Factors



## Fact 2: Crude drives costs

Over the last 20 years, changes in crude oil prices have explained 85 percent of the changes in gas prices, according to the U.S. Federal Trade Commission.

If we break down all of the factors that go into gas prices, **crude oil and taxes combined make up about 75 percent of the cost.** Refining, marketing (station costs, advertising) and distribution (ships, trucks, rail, pipelines) are nearly another 25 percent. After these costs, our profit is pennies on the gallon across all of the products we manufacture.

## Fact 3: Taxes take a toll

Fuel taxes are built into the price of gas before you buy it, and they add a significant cost. The federal excise tax is 18.4 cents per gallon. State taxes add about 28 cents per gallon. The nationwide average tax on gas is 46.4 cents (July 2006). Local sales and city taxes add more. The Western region of the U.S., where Tesoro primarily operates, has the highest average tax. **If you buy 12 gallons of gas in the Western U.S., you're paying about \$6.80 in taxes.**

Those taxes add up. **The federal government collected \$70 billion from fuel taxes last year.** (That money funds our national highways.)

## Gasoline Fuel Taxes (cents per gallon)

Region	Total State and Federal
New England	48.1
Mid Atlantic	48.6
South Atlantic	45.3
Northeast	46.8
Midwest	45.8
South	38.4
Mountain	41.4
<b>West</b>	<b>56.6</b>
US	46.4

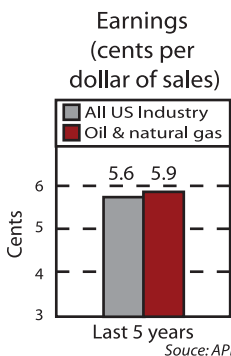
Source: API

## Fact 4: Consumers are in control

Together, we have a say in gas prices. Besides being more energy-conscious in general, we can control the major factors by working with our legislators to: **Reduce taxes, open new opportunities to oil exploration in the U.S., and reduce barriers to refinery expansion and development.**

## Reinvesting profits

The recent profit turnaround in the oil industry seems significant. But considering our industry's cyclical nature, the profits are in line with other industries. **In fact, profit margins in the energy industry over the last five years were lower than those in other industries such as banking, software, pharmaceuticals and real estate.**



Industry leaders, including Tesoro, are using their profits to improve safety, meet clean air requirements and increase operational efficiencies through reinvestments. From 2003 through 2005, we spent \$709 million on our facilities (almost 80 percent of our net earnings). In that time, we have seen a 13 percent increase in our refinery throughput rates.

## What you can do

To find out how you can help, contact your legislators. For more information on fuel prices, please visit [www.energy.gov](http://www.energy.gov) or [www.api.org](http://www.api.org).

July, 2006