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## CNN Student News One-Sheet: Gas Prices

- Story Highlights
- Ever stop to think about what's behind the price at the pump
- Look at where the money goes when you buy a gallon of regular gasoline

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**(CNN Student News)** -- The price that your parents pay to fill up the family car is rising. Ever stop to think about what's behind the price at the pump? Here's a look at where the money goes when you buy a gallon of regular gasoline. (The percentages cited below, which are from the [Energy Information Administration](#), may vary by month. This data is as of August 2008.)

**Crude oil:** Currently, this is the biggest portion of the consumer's cost of gas. About 73 percent of what you pay for each gallon goes to crude oil suppliers. This is determined largely by the Organization of Petroleum Exporting Countries, or OPEC. The amount of crude oil produced by OPEC determines the price of a barrel of oil.

**Taxes:** The U.S. government taxes gasoline, as do many state and local governments. On average, these taxes collectively account for 11 percent of the consumer's cost of gas per gallon. Gas prices vary from state to state primarily because of variances in taxes. In Europe, gas taxes are much higher, and so is the price of gasoline.

**Refining:** The cost of refining crude oil accounts for about 6 percent of the cost of a gallon of gas. Crude oil, or petroleum, must go through a refining process to turn it into useful products including gasoline. The stages of this process vary with the grade of gasoline or other kinds of products being created.

**Distribution and marketing:** Crude oil is transported to refineries, then its refined product, gasoline, is shipped from the refineries to distribution points and then to gas stations. Transportation costs are part of the price of gas. Oil companies that make gasoline are competing for consumers' dollars, so they market their brands to consumers. The companies promote, or advertise, their gasoline by advertising. These advertising and distribution costs together account for about 10 percent of the price of a gallon of gas.

**Other factors:** The elements listed above all factor into the price of gasoline, but there are other contributing factors. One is seasonal demand. In warmer months, when families tend to travel more, the price of gasoline usually increases, because there is more of a demand for it. Geography can have an impact on the price of gasoline your family pays versus that your cousin's family pays in another part of the U.S. In general, the further you are from oil refineries, the higher price you'll pay for gasoline due to higher distribution costs. Competition among gas stations often has an impact on price. Have you ever seen three or four gas stations located near the same intersection? What might the others do if one station lowers its gas prices? Service stations, like other businesses, have to make a profit to survive, so they set their prices based on all the factors we mentioned plus whatever profit the market (and the law) will allow.

(Sources: *Energy Information Administration, U.S. Dept of Energy, CNNMoney.com and OPEC*)

### Links referenced within this article

Energy Information Administration  
<http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>

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