

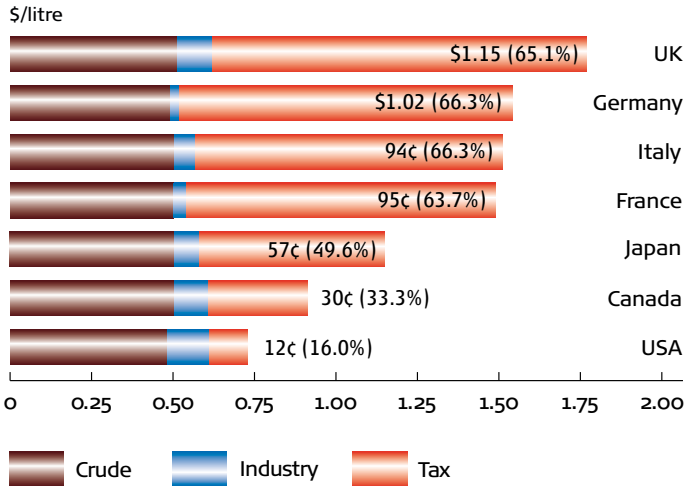
Who Gets What



from
Imported Oil

November 2011

Graph 1: Who gets what from a litre of oil in 2010?



Notes:

Figures are estimated prices in US dollars per litre for the year 2010. Industry margin includes transport, insurance and other costs. Crude fob oil price includes cost of production and other related expenses.

Source:

Research Division, OPEC, Vienna, Austria, 2011.

Who gets what from imported oil?

Oil is always big news for consumers. Every increase in the price of oil is seen as the sole driver of high fuel prices at the pump – which, in turn, are seen as benefitting oil producing countries. But these are just two of many misconceptions surrounding the price of oil and its derivatives – products like diesel, gasoline and jet fuel.

This informational brochure has been prepared by OPEC in an attempt to help clear up some misconceptions – and answer the question: **Who is getting what from oil prices paid?**

As every driver knows, filling up a tank of gas and purchasing other petroleum products can be very expensive. What is not widely known is that most of the pump fuel prices paid by consumers are not the result of the actual price of oil, but are a reflection of the amount of taxes imposed on oil products at the pump. These oil taxes can vary from one oil consuming country to another. More importantly, the revenues generated by these taxes go to the national governments of consuming countries themselves – not to oil producing countries.

Another misconception is that the world's oil-producing countries – especially OPEC Member Countries – earn huge revenues from the high prices paid for pump fuel. But that is a myth. The truth is that oil consuming countries – like the OECD nations, for example – earn far more revenues from taxes on the sale of oil derivatives sold at the pump than OPEC Member Countries make from the sale of their crude oil. In other words, the governments of the major oil consuming countries generate far more revenues from the sale of fuel than do oil producing countries.

Let's take a closer look at this.

Graph 1 illustrates the inter-country variations in the price of one litre of oil across the G7 countries during 2010. The price variations, however, are not due to differences in crude oil prices but rather to the widely varying levels of oil taxes (shown in orange) in those major oil consuming nations. These can range from relatively modest levels – in the USA and Canada, for example – to very high levels in Europe. In the UK, for example, the government earned US \$1.15 (or around 65 per cent) from the \$1.78 retail price of a litre of pump fuel in 2010, while oil producing countries (including OPEC) earned only 51¢ (or around 29 per cent) of this total pump fuel price.

Graph 2 illustrates the difference between the revenues generated from oil taxes and the revenues generated from the sale of crude oil. The graph shows that over the 2006–10 period, members of the OECD received a total of \$4,393 billion from oil taxes. OPEC Member Countries, on the other hand, received \$3,668 billion over the same period – which is approximately \$724 billion less than what OECD governments earned from oil taxes.

Furthermore, while the \$4,393 billion earned by OECD countries from oil taxes is pure profit for their national governments, the revenues earned by OPEC Member Countries from crude oil sales must go to cover the high costs of exploration, production and transportation.

The result of this is that oil consuming countries end up making more money from the sale of oil products than do oil producing countries. In fact, in the UK, for example, the government earned two times more from oil taxes in 2010 than what OPEC Member Countries themselves obtained from the sale of their oil.

This is further illustrated in **Graph 3**. The graph shows the annual average oil revenues – from oil taxes in OECD countries and crude oil sales in OPEC Member Countries – over the same five-year period. It can be seen that while OPEC Member Countries generated an average of \$734 billion per year from crude oil sales, OECD countries received an average of \$878 billion per year in oil tax revenues.

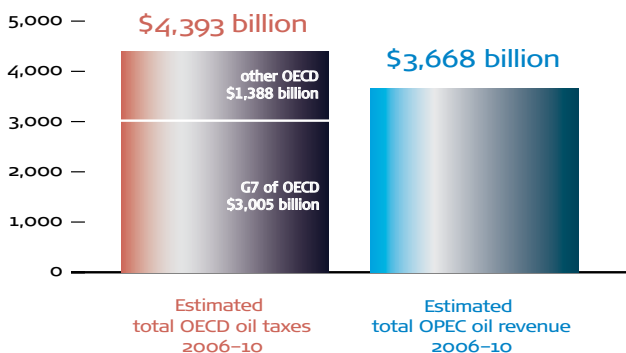
This means that industrialized OECD nations earned about \$144 billion more per year more than OPEC Member Countries, which are developing countries!

It is clear that the real burden on consumers from the prices they pay for oil products comes from oil taxes, not from the original price paid for crude oil, and that the main beneficiaries of this are the governments of consuming countries themselves.

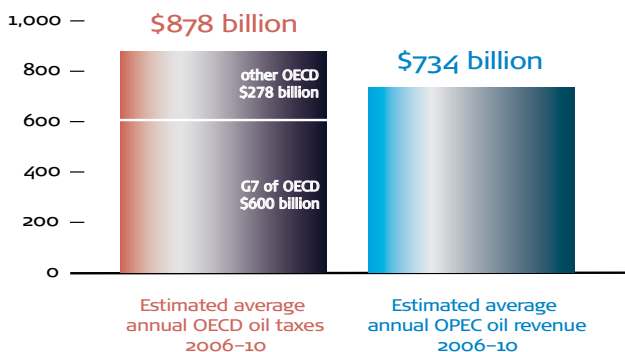
The set of country graphs (**Graph 4** on the reverse) give a country-by-country break-down of the nominal cost of each barrel of oil in OECD countries relative to oil taxes for the 2006–10 period. They clearly illustrate that if oil products were not so heavily taxed in OECD countries, then petroleum products like diesel and gasoline would cost only a fraction of their current price.

So the next time you hear that the price of a barrel of oil is having an impact on the gasoline price you pay at the pump, remember that oil-related taxes are imposed by many oil consuming governments. This is really something worth thinking about the next time you hear about rising crude oil prices.

Graph 2:
Taxes vs. revenue



Graph 3:
Annual taxes vs. annual revenue



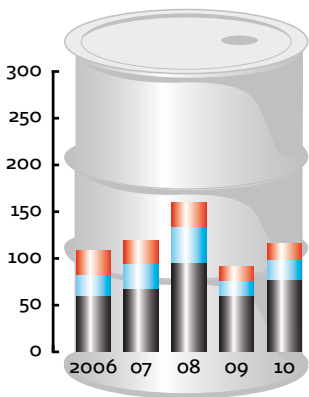
Source:

Research Division, OPEC Secretariat, Vienna, Austria, 2011.

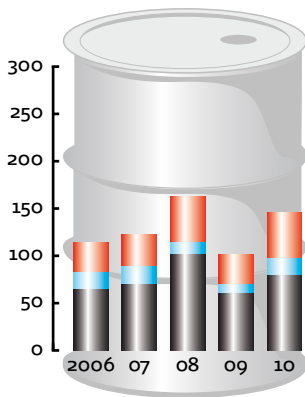
Graph 4: Composite oil barrel analysis for G7 countries

(in nominal dollars per barrel)

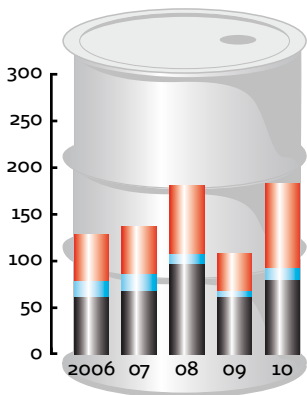
USA



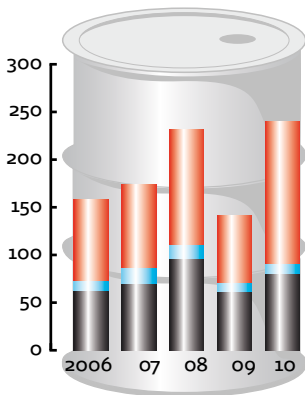
Canada



Japan



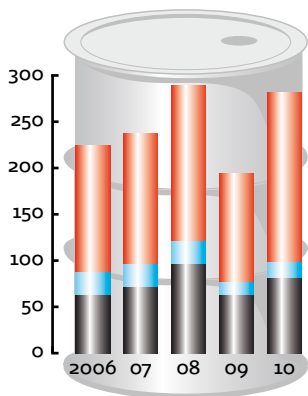
Italy



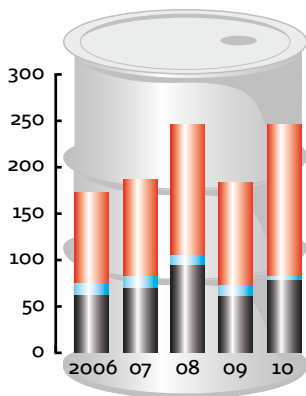
Note:

One barrel equals 42 US gallons, or 159 litres.

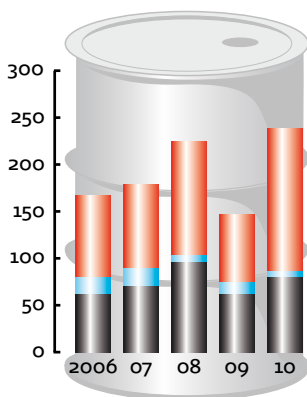
UK






Germany



France



-  **Tax**
-  **Industry margin**
Includes transport, insurance and other costs
-  **Crude fob price**
Includes cost of production and other related expenses

Sources:

OPEC Research Division, 2011, based on data from: OECD, Energy Prices and Taxes; European Commission's Oil Bulletin Newsletter; Energy Détente.



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