Who Gets What from Imported Oil

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Introduction

Oil is always big news. Every increase in its price is thought to raise fuel costs to the detriment of consumers while generating benefits for foreign oil producers.

But this is a misconception, one of many surrounding the price of oil and its impact on essential petroleum products.

This brochure has been prepared in an attempt to help clear up one of these misconceptions by answering the question: Who gets what from imported oil?

Charging the Consumer

As every driver knows, filling a fuel tank — and purchasing other petroleum products — can be very expensive. What is not widely known is that most of the money paid at the pump does not go to oil producers, but rather to the governments of consuming countries.

Furthermore, it is commonly believed that the world’s oil-producing countries — especially OPEC Member Countries — earn huge revenues from the sale of their oil to the rest of the world. But this is another myth. While revenues are indeed generated, they are earned primarily by the governments of oil-consuming countries, not OPEC.

OECD nations, for example, earn on average far more revenues from the taxes added to each litre of imported and refined oil than OPEC Member Countries make from the original sale of their oil.

Let’s take a closer look.

Consider Graph 1 on the right. It illustrates the wide regional variations in the price of one litre of oil across a select group of OECD countries as well as the OECD average for 2013. These variations, however, are not due to differences in crude oil prices, but rather to wildly varying levels of applied taxes (shown in red) in those oil-consuming nations. These can range from relatively modest (but not insignificant) levels in the USA to very high levels in Europe and the Asia-Pacific region.
A Taxing Business

Graph 1: Who gets what from a litre of oil in 2013?

$/litre

Graph 2 compares annual average OECD revenues generated from oil taxes and annual average OPEC oil export revenues gained from the sale of oil. The graph shows that over the 2009–13 period, OECD economies received an average of $1,082 billion per year from oil taxes. OPEC Member Countries, on the other hand, earned an average of $966 billion per year over the same period — approximately $115 billion less than OECD governments.

It is worth mentioning that while the billions of dollars earned by OECD countries from oil taxes are pure income for their national governments, oil export revenues received by OPEC Member...
Countries must also cover the high cost of exploration, production and transportation.

The result is that oil-consuming countries end up making more money from the sale of oil products than oil-producing countries earn from the sale of oil.

This is further illustrated in Graph 3 on the right. The graph compares average annual OECD taxes earned per barrel of oil for the period 2009–13 and OPEC Member Countries’ export revenues gained per barrel of oil. It can be seen that while OPEC Member Countries’ annual oil export revenues amounted on average to $95 per barrel, OECD countries’ tax revenues amounted on average to $116 per barrel of oil.

This means that OECD nations earned on average about $21 per barrel of oil more than OPEC Member Countries, over the past five years.

It is clear that the real burden on consumers from the price of oil products comes from taxes, not from the original price paid for crude oil or the margins going to the oil companies. And the main beneficiaries of this are the governments of consuming countries.

The country graphs (see reverse) provide a country-by-country breakdown of the nominal cost of each barrel of oil in some OECD countries relative to oil taxes for the 2009–13 period. They clearly illustrate that if oil products were not so heavily taxed in OECD countries, they 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 price you pay at the pump, remember that oil-related taxes are imposed by many governments and that they are often the biggest beneficiaries.
clear up one of these misconceptions by answering the question: Who gets what from imported oil?

This brochure has been prepared in an attempt to help to raise fuel costs to the detriment of consumers while generating benefits for foreign oil producers.

But this is a misconception, one of many surrounding the price of oil and its impact on essential petroleum products. Oil is always big news. Every increase in its price is thought to raise fuel costs to the detriment of consumers while generating benefits for foreign oil producers.

Let's take a closer look.

Consider OECD countries from oil taxes. OPEC Member Countries, on the other hand, earned primarily by the governments of oil-consuming countries, from the sale of their oil to the rest of the world. But this is a misconception, one of many surrounding the price of oil and its impact on essential petroleum products.

Furthermore, it is commonly believed that the world’s oil-producing countries, including OPEC Member Countries, are the main beneficiaries of this. However, this is not true. The real burden on consumers from the price of oil is having an impact on the price you pay at the pump, remember that oil-related taxes are imposed by many governments and that they are often the biggest expenses.

As every driver knows, filling a fuel tank — and purchasing other products comes from taxes, not from the original price paid for crude oil or the margins going to the oil companies. And the main beneficiaries of this are the governments of consuming countries. This means that OECD nations earned on average about $21 per barrel of oil over the past five years.

The result is that oil-consuming countries end up making more money from the sale of oil products than oil-producing countries. So the next time you hear that the price of a barrel of oil dropped, remember that oil-related taxes are imposed by many governments and that they are often the biggest expense.

Graph 2:
Tax revenues vs. export revenues


Graph 3:
Tax revenues vs. export revenues (per barrel of oil)

Graph 4: Composite oil barrel analysis

Notes:
One barrel equals 42 US gallons, or 159 litres.
Composite oil barrel analysis

Graph 4:

$\text{Crude FOB oil price:}$
Includes cost of production and other related expenses.

$\text{Industry margin:}$
Includes transport, insurance and other costs.

$\text{Taxes}$

Source:
1. OECD, Energy Prices and Taxes OPEC Research Division, 2007, based on data from: