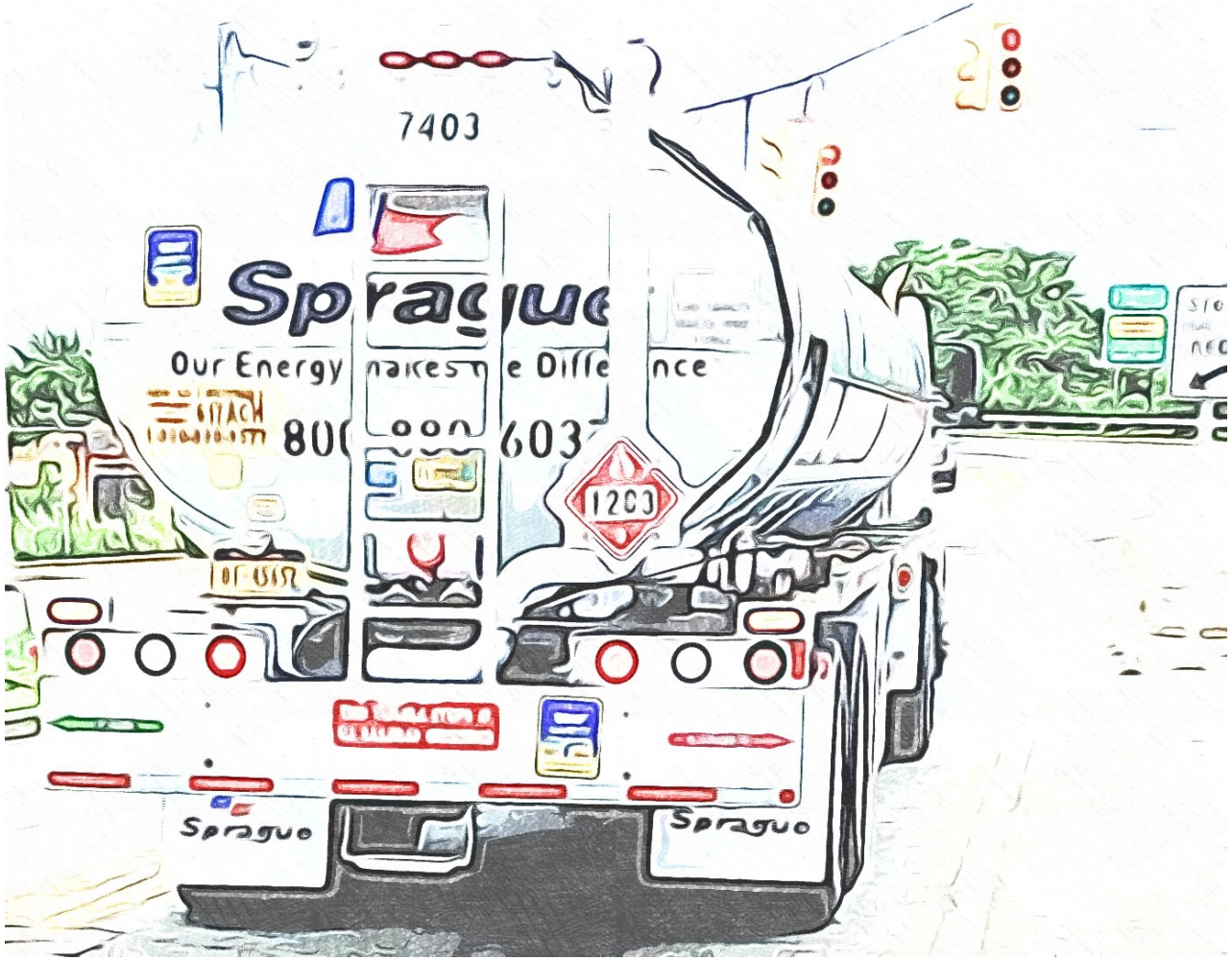
Chart of the Week #2026-28

The Expanding Premium of California's Retail Gasoline Prices vs the U.S. National Average



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Washington, DC

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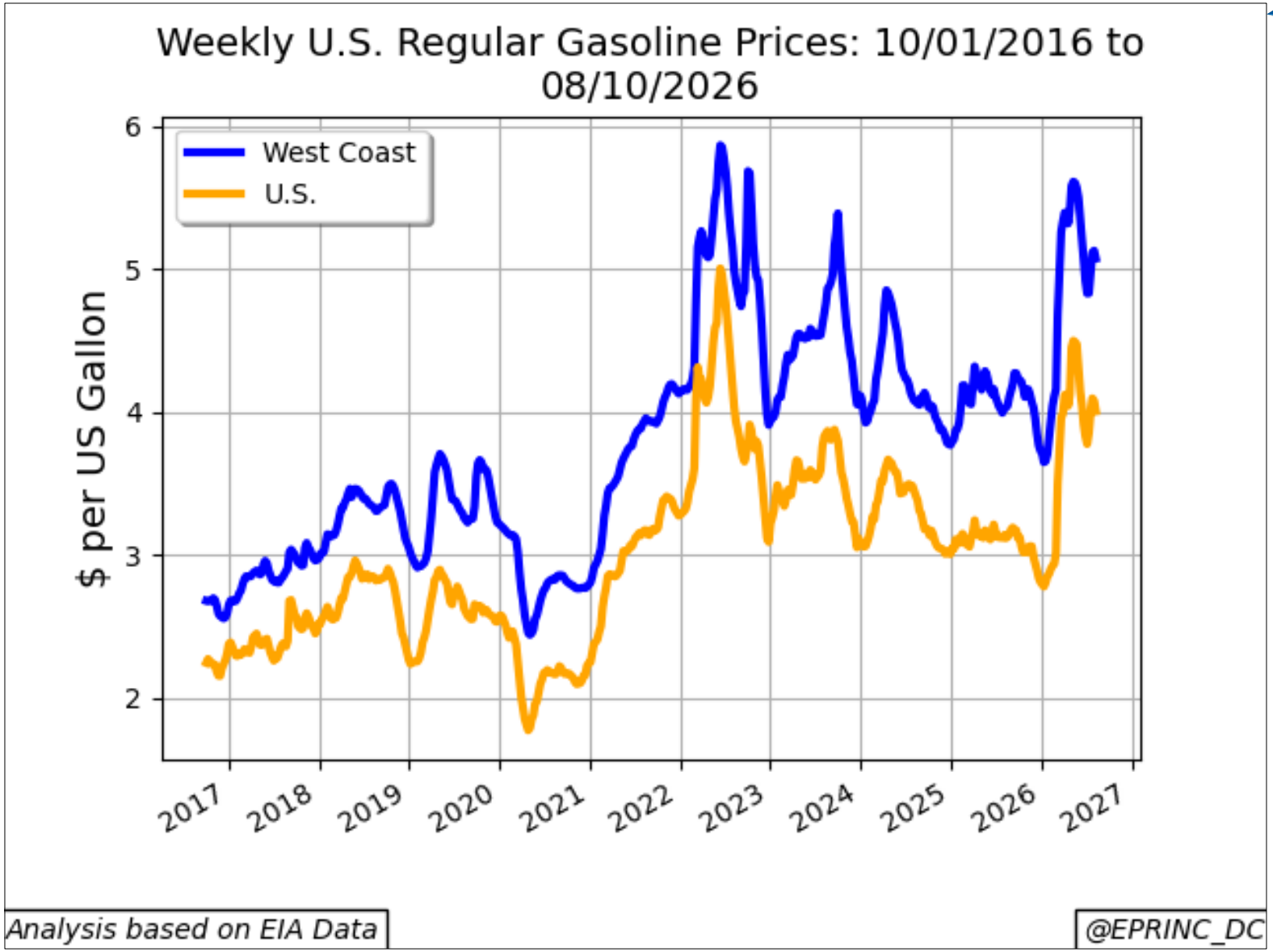

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The Expanding Premium of California's Retail Gasoline Prices vs the U.S. National Average

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Historically, California (shown in Figure 1 as part of the West Coast) has had higher gasoline prices than the rest of the U.S. This has grown both nominally as well as a percentage of the U.S. national average.

In 2016, the average West Coast differential to the U.S. national average gasoline price was 40 cents per gallon. In percentage terms, this was 18%. Over time, both of these numbers have grown; during 2026, the nominal West Coast premium over the U.S. national average has been $1.11 per gallon; this 30% higher than the U.S. national average during the same period.

The premiums Californians pay over the U.S. are due to a combination of logistical and regulatory factors. Beginning in the 1970s, California received special waivers under the U.S. Clean Air Act (CAA) to more aggressively pursue pollution from the combustion of transportation fuels. This led to California developing its own gasoline formulation standard (known as California Air Resources Blendstock - CARB) in the 1990s in order to reduce smog and other air-borne pollutants. The gasoline is more costly to produce, and these costs are passed on to consumers.

Over the past five years, California has shuttered or converted about 500 thousand barrels per day of refining capacity out of an earlier base of 2.8 million. This has caused California to increasingly rely on imports and inter-regional shipments. Combined, this has added another layer of costs.

Additional environmental policies, notably California's own Low Carbon Fuel Standard (LCFS) have added more to the state's consumers' cost burden. Enacted in 2009, the LCFS is an increasingly stringent set of standards that seek to both lower carbon intensity and lower consumption of petroleum-based fuels.

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