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## Lower oil prices could help boost retail gasoline, diesel margins in 2026

U.S. crude oil prices have struggled in recent weeks to climb above the \$60/bbl mark and it looks like prices will likely sink further in the coming year.

That is good news for retailers, who are likely to see gasoline margins continue to remain strong through the start of the coming year.

Petroleum prices have been weighed down in recent months by expectations of a global supply glut in late 2025 and throughout 2026. Prices ending 2025 are nearly 20% lower than the \$71.72/bbl price for West Texas Intermediate crude that was seen on New Year's Eve 2024.

Expectations heading into 2026 from the U.S. Energy Information Administration are that crude prices will likely spend most of the year below the \$55/bbl level. EIA's most recent Short Term Energy Outlook forecast West Texas Intermediate crude prices will average just \$50.93/bbl during the first quarter of the year.

EIA expects WTI prices to drop even further to an average \$50.68/bbl in the second quarter before rebounding slightly to average \$52/bbl in the final two quarters of 2026.

For the coming year, EIA forecasts an average WTI price of \$51.42/bl, down more than 21% from the \$65.32/bbl average for 2025 and nearly 33% lower than 2024's \$76.60/bbl average. EIA expects Brent crude to average \$55.08 for the year, with prices averaging \$54.93/bbl in the first quarter and falling to just \$54.02/bbl in the second quarter of the year.

If EIA's forecast holds up, 2026 will be the first year since 2020 – when the Covid-19 pandemic crashed oil prices – that WTI prices have averaged below \$60/bbl.

When making its forecast, EIA has warned that geopolitical factors could move prices more than forecast. Markets have been anticipating the impact of a peace deal between Russia and Ukraine that would include the easing of western sanctions on Russian petroleum exports. But the so-far elusive nature of such an agreement has also likely had an impact on pricing. There is room for prices to move even lower than anticipated if a deal is reached or to climb if efforts collapse and even stricter sanctions are put in place.

Similarly, the current U.S. pressure campaign on Venezuelan President Nicolas Maduro has been providing some price support in recent weeks. While it appears unlikely the U.S. will ease its efforts, the price support could strengthen if President Trump continues increasing the pressure or decides on military action to remove Maduro.

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### Gasoline Price Barometer

The gasoline futures market appears to have hit bottom at just under \$1.68/gal in mid-December.

Prices have not exactly bounced sharply off that low with prices still in the low \$1.70s, but with the market in contango (where outer-month contracts are higher priced than the nearby) the evidence suggests the low is in.

That may not necessarily be the case in spot markets as several markets are pricing at steep discounts to futures.

The Midwest markets stand out with discounts on either side of 20cts under the futures market while the Pacific Northwest is just inside of a 20cct discount.

The opposite is taking place on the West Coast as California CARB0B is holding strong premiums in the 25-26cts/gal area versus February futures, which puts spot prices just shy of \$2/gal.

Although they have taken a step back, gross rack-to-retail margins for gasoline remain on firm footing. Based on the latest OPIS data, the average margin is 43.9cts/gal, which is 6cts higher than where it was at this time last year.

While the final figures are not in just yet, the average gross rack-to-retail margin was 39.7cts/gal in 2025, which is identical to the average gross margin in 2024.

Despite worries of a global oil glut as the OPEC cartel and its allies raised production through the final six months of the year, the oversupply originally anticipated has not yet significantly materialized. That's thanks in large part to China's strategic stockpiling of oil that has helped soak up much of the anticipated oversupply.

The current price weakness has led OPEC+ to suspend further production hikes, with the cartel announcing a pause through the first quarter of 2026. But oil prices could fall if OPEC decides to again start increasing production, though such a scenario is unlikely in at least the first half of the year.

The year's falling oil prices also sent national average gasoline prices below the \$3/gal mark for the first time since early 2021, and national average gasoline prices are ending the year about 6.6% lower than where they began in 2025.

EIA expects that downward trend to continue, with the agency forecasting retail prices, which averaged \$3.11/gal this year to average \$3/gal in 2026. That price weakness should also help keep gross rack-to-retail gasoline margins strong in 2026. Margins averaged nearly 40cts/gal in 2025, largely unchanged from 2024's 39.7cts/gal average.

The strong margins come as gasoline demand continues to weaken, due largely to improvements in fleet efficiency. OPIS estimates national average same-store sales fell by about 3.3% year-to-year in 2025. Those declines are expected to continue in the coming year, with OPIS forecasting demand in 2026 will drop an additional one half of one percentage point.

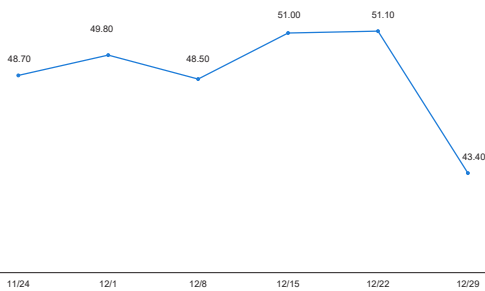
A wildcard for retailers this year could be diesel prices and margins. Diesel prices have been supported by the sanctions on Russian exports. Russia was the world's second-largest exporter of diesel, and U.S. refiners have seen strong export demand for diesel as a result of the sanctions.

Further, while gasoline demand faces headwinds in the coming year, OPIS expects U.S. distillate demand will rise by about 1% over 2026. This should add to the tailwinds for diesel prices. Retail diesel prices are ending the year up 2.2% from the start of 2025, while gross rack-to-retail diesel margins have averaged 51.6cts/gal this year, compared to 58.2cts/gal last year.

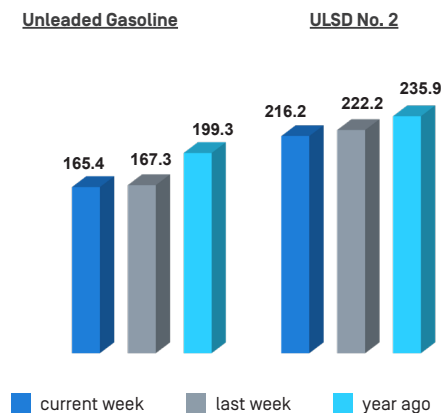
A peace deal in Ukraine could send diesel futures prices dropping, setting up strong diesel margins for retailers. But failure to reach a deal will continue to support prices and could send futures prices even higher if the U.S. and its allies really do impose even tougher sanctions in response.

The supply of refined products to gasoline and diesel markets around the U.S. is also likely to continue to attract attention in the coming year. That's especially true for the U.S. West Coast, where the closure of the 138,700 b/d Phillips 66 Wilmington refinery in Wilmington Calif., in the fourth quarter of 2025 and the pending shutdown of Valero's 145,000 b/d

National Rack-to-Retail Margins *[in cts/gal]*



Average U.S. Contract Prices *[in cts/gal]*



Benicia refinery by the end of April 2026 have raised worries about the stability of fuel supply.

Gasoline demand in California has been falling faster than in other parts of the nation, with same-store volumes in 2025 about 15% off 2021's post-Covid peak. That is just about equal to the lost refining capacity.

Also, gasoline imports have been increasing as refinery output declined, with imports into the West Coast (PADD 5) making up 19% of the U.S. total in 2025 compared to 10% the year before.

Suppliers are planning to increase pipeline shipments into the area, including two proposals to build new pipelines and a plan to reverse the Kinder Morgan West Line that currently runs from Colton, Calif., to Phoenix.

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## Trends: The top developments that shaped 2025 and affect 2026

Expect an increase in mergers and acquisitions for the convenience fuels business in 2026. "More owners will reenter the market as rate expectations stabilize for buyers, and owners decide to monetize after a strong few years," said Sean Stewart, director of investment banking for Corner Capital Partners.

"I don't think it's a 'dam break' – more like a steady reopening, with the best assets still seeing very competitive processes," Stewart said.

Mark Radosevich, president of PetroActive Real Estate Services sees "sustained solid interest" in commercial deals, especially propane businesses. 2025 "started off dead" and toward the end of the year "things started popping," with deals in the Carolinas, Tennessee, Florida, Pennsylvania and Arizona. If the activity keeps up, "next year should be good," Radosevich said.

Notably, 2026 also will see more publicly held convenience retailers and fuel marketers, giving more downstream companies access to public funds and propping up the Ebitda multiples used to establish transaction prices.

7-Eleven is expected to split off from its Japanese parent Seven & i Holdings in an IPO this year. Arko Corp. also has proposed an IPO of its wholesale fuel subsidiary.

And financial advisory firm NRC Realty late last year sent a notice to potential sellers saying that a "NASDAQ-listed, well-capitalized company currently operating more than 100 retail locations" is seeking to enter the convenience store business.

Some market observers also speculate that private equity-backed Yesway is pruning its retail network to prepare for a potential IPO. Last year, Yesway agreed to sell about 29 convenience stores in Iowa and Kansas to Nebraska-based Mega Saver.

## Gasoline Supply Barometer

The gasoline supply situation continues to show ample supply in the U.S. as inventories grew by 6.8 million bbl during the most recent week.

This brings the running total of increasing inventories to seven weeks, with more than 29.2 million bbl moving into storage. It is common for gasoline supplies to increase at this time of year. Last year inventories grew every week between Nov. 5 through Jan. 31. There were previous years when there were draws, but it was mostly due to winter storms that impacted refinery operations.

The Gulf Coast with refinery utilization approaching 98% has seen gasoline inventories grow significantly. For the week ended Dec. 26, gasoline stocks in PADD 3 reached 91 million bbl. The all-time high is near 96 million bbl.

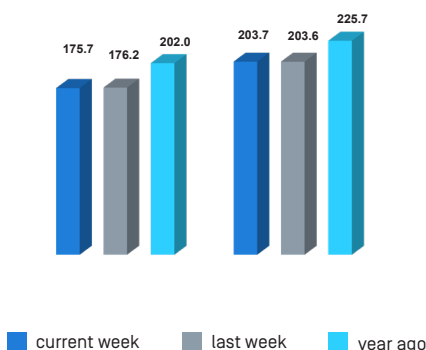
Refinery runs are currently healthy, and gasoline demand is entering one of the weakest periods after the holidays through at least the end of January. However, all the gasoline moving into storage tanks is high RVP and will eventually need to be purged from the system.

Gasoline demand as measured by EIA last week fell a little bit more to 8.563 million b/d, down more than 4% week to week. Early indications are that OPIS same-store sales was pointing lower by double-digits.

### Average U.S. Spot Price (in cts/gal)

Unleaded Gasoline

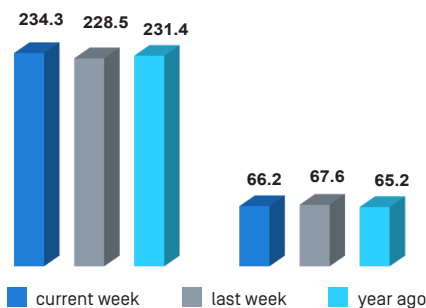
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### U.S. Refinery/Inventory (in million b/d)

Gas Stocks

Gas Production



But the company seems to be targeting the Southwest for growth, opening four new Allsup's stores in the first quarter last year in New Mexico and Oklahoma.

There are now about 19 public companies that own and operate fuel retail chains including: Albertsons, Ahold Delhaize, Alimentation Couche-Tard, Arko Corp., BJ's Wholesale Club, BP, Casey's General Stores, Costco, CrossAmerica Partners, FEMSA, Global Partners, Kroger, Murphy USA, Par Pacific, Sunoco, Seven & i Holdings, Shell, Walmart (both at Walmart stores and Sam's Club sites) and World Kinect. The list excludes retail joint ventures with major oil companies.

More trends that affect the industry include:

- The upfront cash and rebates branded suppliers use to win over new stations to their brands continue to soar, with high six-figure incentives once seen only in California appearing in other areas of the U.S. The rich incentives have prompted major oil companies and branded fuel distributors to add clauses to supply contracts to protect their growing investments in retail fuel outlets, sources tell OPIS. The brands are now rigidly enforcing the minimum volume requirements in their supply contracts and adding new penalties for early contract termination and volume shortfalls.
- Refiner fuel brands will get an initial boost in the OPIS market share reports when Sunoco's market share is part of the group. Sunoco acquired a Canadian refinery when it closed on its \$9.1 billion purchase of Canadian-based fuel distributor and retailer Parkland on Oct. 31, 2025. But combined market share for the refiner brands has seen steady declines in recent years, a trend that's likely to continue as large independent retailers build their own fuel brands.
- Brand conversion activity spiked after a lull that lasted for four consecutive quarters, according to the Q3 2025 OPIS Gasoline Station Brand Conversion Study. The 28 brands in the study as a group continued to add more stations than they lost, a streak that has continued for 23 straight quarters. Eleven brands showed net gains during the quarter, 12 saw net losses and five maintained their site count from a year earlier. Most of the branded networks were stable, with five brands experiencing losses in the low single digits. Although refiner brands have added more sites, branded stations tend to have much lower

throughput than the independent retailers, who can buy fuel at much lower prices and sell it for several cents under market.

- In the construction industry, incentive contracts reward contractors for meeting or exceeding specific project goals. But a formal incentive contract for fuel retailers building new sites could be unique, a source familiar with Circle K's program said. Franchisees building Circle K stores that offer the company fuel could earn a \$100,000 bonus if the site plan is approved within 90 days of the agreement being signed, the land development order is issued within six months of submission and a certificate of occupancy is granted within six months of the land development order. If they fail to meet the first two milestones but still obtain a certificate of occupancy within six months of the land development order, franchisees receive a \$50,000 opening bonus.
- E15 use is expected to continue to grow into 2026, despite some headwinds, according to panelists speaking at the recent Society of Independent Gasoline Marketers of America's annual meeting. Megan Boutwell, president of Stillwater Associates, a transportation fuels consulting firm, said some of the barriers to E15 access are starting to disappear. The Renewable Fuels Association (RFA) estimated that E15 sales grew by 11% in 2024 due to the summertime waivers. Going forward, availability and sales were expected to grow in 2025 and 2026. California recently passed legislation allowing E15 sales, and state regulators are drafting rules for the blend's distribution. Despite its advancement of electric vehicles, gasoline is the most used transportation fuel in the state, according to the California Energy Commission. In 2024, 13.4 billion gallons of E10 gasoline were sold in California, the state said.
- But as interest in E15 grows, some environmental consultants and insurers are concerned that the blend may not be compatible with many tank systems. Ethanol resistant tanks and piping have been available for many years. But the pipe dope, a sealant and lubricant for threaded pipes, may be incompatible with ethanol blends. "No one has records on the glue and pipe dope used," Patrick Rounds, chief executive of PMMIC Insurance, told OPIS. Years ago, tank installers would go to the local hardware store to buy glue, he said. Iowa will require most gasoline stations to offer E15 in 2026.

Rounds said “probably a couple hundred sites” will not comply with the Iowa mandate because of incompatible equipment.

- The liquid fuels industry is backing off selling E15 as Unleaded 88 or Super Unleaded 88. It’s best to “avoid clever stuff that make it look different,” said Robert White, senior vice president of industry relations and market development for the Renewable Fuels Association, an ethanol industry group. Promoting environmental benefits or higher-octane value “has not always worked well.” E15 does not break 30% of fuel sales if the ethanol-gasoline blend is promoted as Unleaded 88, and if sold as a mid-grade gasoline E15 does not crack 50% of sales, White said. The key is to avoid confusing motorists and make the fuel look as close to E10 as possible.
- A substantial share of U.S. underground petroleum storage tanks reached or are approaching warranty expiration, according to experts who spoke at the NACS Show in October on aging tank infrastructure. Even if they aren’t leaking, aging tanks can lead to a crisis for tank owners because most underground tank warranties expire at 30 years, and some insurance companies deny insurance if tanks are more than 30 years old. The share of tanks that are at least 30 years old varies by state. Because of regulation, tanks tend to be newer in California and Florida, for example. But in Ohio, just over half the USTs are at least 30 years old, said Jim Rocco, owner of consulting firm Sage Risk Solutions, based in Aurora, Ohio. Rounds, of tank insurer PMMIC, estimates that about 60% of USTs are 25 years old or older. Federal tank regulations require insurance coverage for USTs. Some states and counties also mandate tank system upgrades or replacement based on tank age, the presenters said. But the good news is the American Society for Testing and Materials has standards for managing underground petroleum storage tank systems, investigating releases, examining containment sumps and managing liquid and debris from UST containment sumps. ASTM is working on standards for evaluating aging tanks to determine if they can continue to operate or should be replaced.
- Large fuel retailers are still investing in electric vehicle chargers – especially at travel centers, sources tell OPIS. Though EV sales have slowed after the Trump-supported One Big Beautiful Bill killed the federal tax credit, EVs aren’t going away. Retailers are more selective about where they are adding charging stations. And more of them are installing and owning their own charging stations instead of splitting revenues or leasing space to third-party charging networks.
- EV sales were flat for about 30 months through June this year, despite the introduction of 34 new models, Gal Sitty, senior regulatory compliance manager for Kia America, said during a recent panel discussion on the future of fuels at the Pacific Fuels & Convenience Summit in San Diego. But hybrid electric vehicle adoption is accelerating. While many ICE owners are not interested in EVs, they are open to hybrids, his data showed. The top reason was range anxiety, followed by the inconvenience of recharging, lack of access to public chargers, length of charge time and lack of access to charging at home or work. But Sitty said most EV drivers are happy with their purchases.
- The U.S. commercial driver shortage that became acute during the pandemic has now eased because of ongoing weakness in the freight business, transportation industry officials said. But turnover can still be a challenge and when the industry recovers from its slump some experts expect the shortage to return. The National Transportation Institute said in 2025 that over the past two years fleets have been downsizing because of economic conditions. “Hiring needs have slowed down, and the industry as a whole has removed the emphasis on attracting new entrant drivers,” the research firm said. “While deep-rooted structural issues persist that constrain driver supply, supply is currently in a neutral territory and will likely remain neutral through the early phases of a freight recovery.”
- NACS continues to warn that average convenience stores are too dependent on high fuel margins. The average U.S. convenience store lost 32cts per transaction year to date through June on inside sales without fuel, Chris Rapanick, managing director of NACS Research, told NACS Show attendees in October. The average basket value rose 3.2% year to year from January through June this year. But inside transactions declined about 1.5%, and the inside store operating loss widened by 38% to \$7,805 per store per month, Rapanick said in a presentation of NACS State of the Industry

data. The fuel business has become essential for the average convenience store to remain profitable. Convenience retailers without fuel are struggling with high operating costs and some are going out of business, he noted. Fuel volume for the average store increased 1.0% year over year in the first half of 2025 and the average breakeven pool margin was 22.96cts/gal, up 1.83cts/gal from the first half of 2024.

- Convenience stores will adapt their product mix to attract dieters. The rapid adoption of GLP-1 medications is reshaping consumer spending habits, according to research firm Circana. About 23% of all U.S. households use these medications, and diet drug users will represent about 35% of all food and beverage units sold by 2030. Spending on traditional food and beverages has decreased, while spending at restaurants has increased. Dieters seek products high in protein, fiber and healthy fats and avoid foods high in carbohydrates and sugar. Even after stopping the medication, consumers continue some of the same purchasing habits, resulting in more sales of produce, personal care and household storage merchandise. About half of prior GLP-1 users who discontinued the medication will start using it sometime in the future, the research found.
- The car wash business could give an edge to small A-size companies that own 1 to 10 stores, according to the NACS State of the Industry Report. Car wash gross profit was a “significant” differentiator. In

2024, A-size operators generated \$12,971 per store per month from car washes, \$4,758 more than the \$8,213 reported by C-size chains, the second highest classification, NACS said.

- But card skimmers are turning up at more car washes. Payment card skimmers that are used to steal financial information have been common at fuel dispensers and are now being discovered more frequently on point-of-sale card readers for car washes, according to software vendor Acumera. The number of car washes has increased as they become a more popular profit source for c-stores, NACS said in a recent report. But unattended point-of-sale terminals are vulnerable to fraud.
- Cybercrime is the fastest growing business exposure, and cybercriminals are targeting small businesses like petroleum marketers, Federated Insurance said at a recent conference. The criminal tactics change “day by day,” said Dean Rhoades, Federated’s first vice president and director of special projects for risk management. AI is making the attacks more sophisticated and easier for criminals, and it is important to train employees to spot fraud. “Ninety percent of cybercrimes are initiated by a phishing [email] attack or text,” he said. Third-party vendors are another key exposure. “They need access to some part of the business, but how do they protect and control your information,” Rhoades said.

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# OPIS

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