

Our View

Distillate Export Ban: More Gasoline, Lower Prices

The Dallas Federal Reserve's Incompetent Analysis

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Implementing a ban or limit on US distillate exports is a terrible idea. If carried out, the world would see the United States as an unreliable supplier for global markets. Foreign buyers would forgo long-term contracts for supplies of US LNG, petroleum products, or crude oil. The Trump administration's claims of energy dominance would be moot. China, the world's leading exporter of renewable energy equipment and devices, would gain strength on the world stage. Over time, global oil and natural gas use would decline, displaced by secure, safe, renewable energy generated or used by Chinese products.

That said, widely quoted claims by economists such as those at the Dallas Fed that a diesel ban would raise short-run gasoline prices are wrong. The Fed's analysts argue that, under a ban, US refiners would have to reduce crude runs, thus making less gasoline and diesel. These authors fail to recognize that refiners would instead shut down cokers, cut purchases of heavy Venezuelan crude, and process more light crude from the United States and other countries, boosting gasoline output while cutting diesel production. Thus, both diesel and gasoline prices would decline in the US. The first because of reduced exports, and the latter because of higher output.

The Dallas Fed authors also fail to recognize that Gulf Coast diesel production would be transported to the US east and west coasts, replacing foreign imports in those areas.

A Faulty Analysis

Opponents of a diesel export ban point to a 2022 Dallas Fed study titled "A Ban on US Crude Oil Exports Would Not Lower Gasoline Prices at the Pump," authored by Garrett Golding and Lutz Kilian.¹ Golding recently cited the study in a flawed argument on X against implementing an export ban now.²

In his X post, Golding asserts that refiners, after quickly filling storage tanks, would be forced to reduce runs. As he explained it, "One barrel of crude does not equal one barrel of gasoline or one

¹ Garret Golding and Lutz Kilian, "A Ban on US Crude Oil Exports Would Not Lower Gasoline Prices at the Pump," Federal Reserve Bank of Dallas, January 4, 2026 [<https://tinyurl.com/5ftv89m5>].

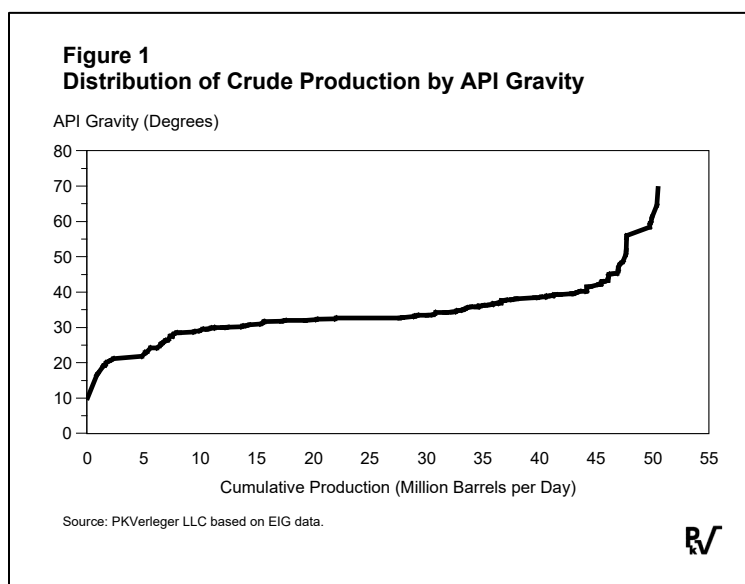
² Garret Golding post on X, September 21, 2026 [<https://tinyurl.com/246pc5vb>].

barrel of diesel.” He pointed out that crude oil refining yields a mix of products, concluding that lower runs would produce less gasoline, “which means higher prices.”

Golding’s analysis would be correct if just one crude type was being refined. However, more than 100 crudes exist today. Some produce more diesel than gasoline and some the opposite. More than ten years ago, I produced a graph (Figure 1 here) of the distribution of crude oil production by gravity (i.e., by weight from light to heavy). The 2005 graph distributes 55 million barrels per day of world production by gravity and shows that roughly 10% of crudes produced have a gravity of less than 30°.

Heavy crudes with low gravity processed in cokers yield large volumes of diesel. Today, US refiners are operating cokers at maximum capacity, capitalizing on the availability of these crudes from Venezuela and Canada.

Golding fails to understand—or perhaps chooses to ignore—that refiners could cut back on coker use and replace heavy crudes with lighter crudes such as WTI, which produce substantial amounts of gasoline and diesel.



Data published by the US Department of Energy suggest that replacing heavy crudes with light ones could cut diesel volumes produced by Gulf Coast refiners by as much as 50%. The available switch can be seen from Figure 2 below, which shows the distillate volume produced at Gulf Coast refineries by month from 2005 to 2026. Note that the distillate yield increased from a low near 25% to as high as 50% over the period.

By adjusting refineries and shifting crude types, the refining industry could adapt to the ban without cutting runs. Diesel inventories would not be built, contrary to Goulding’s assertion, and gasoline supplies would increase.

US refiners could also cut diesel production while boosting jet fuel output and exporting the incremental production, which would not be subject to the ban. As Koster and Preston noted in an EIG post, “High domestic crude output and diversification away from Mideast crude feedstock enabled US refiners to boost jet fuel yields to unprecedented levels and help fill the supply gap for aviation fuel in Europe and Asia.”³

³ Frans Koster and Kerry Preston, “Why US Refiners Could Boost Jet Fuel Yields to Fill Global Supply Gap,” Energy Intelligence, July 1, 2026 [<https://tinyurl.com/mrm6uzc6>].

Today, refiners would not need to return to the 2005 operating yield of 25%, especially given the low diesel stock levels. Instead, they probably only need to reduce output to between 37% and 40% to bring contemporaneous demand and supply into balance.

The extra gasoline produced by adjusting refinery runs could also be exported to meet foreign demand.

A smaller reduction would allow refiners to refill tanks, which are at historical lows. Data from the US Energy Information Administration put current stocks at 107 million barrels, which is 70 million barrels below the 2020 peak. The availability of storage capacity would give refiners time to adjust yields and the crude types processed. Presumably, lower gasoline and diesel prices, tied to higher output and reduced exports, would boost consumption, lessening the magnitude of the adjustment.

Thus, a correct analysis of the impact of a diesel export ban would reveal that domestic diesel and gasoline supplies would increase. Diesel refining margins, now above \$100 per barrel, would likely fall below \$20 but could even drop to the 30-year average of around \$8. Gasoline refining margins would fall as well. Firms such as Valero and Marathon would see share prices drop sharply, but the fuels would be available.

This conclusion does not, however, endorse an export ban. To the contrary, such a ban, even for a short period, would have a terrible effect because it would destroy the United States' credibility as a reliable long-term supplier in the international market. While the 1973 soybean export ban lasted for fewer than six months, it led to a loss of international demand that persists to this day. A ban on diesel exports would have the same impact on US energy producers.

