

U.S. Refineries & Canadian Crude Oil

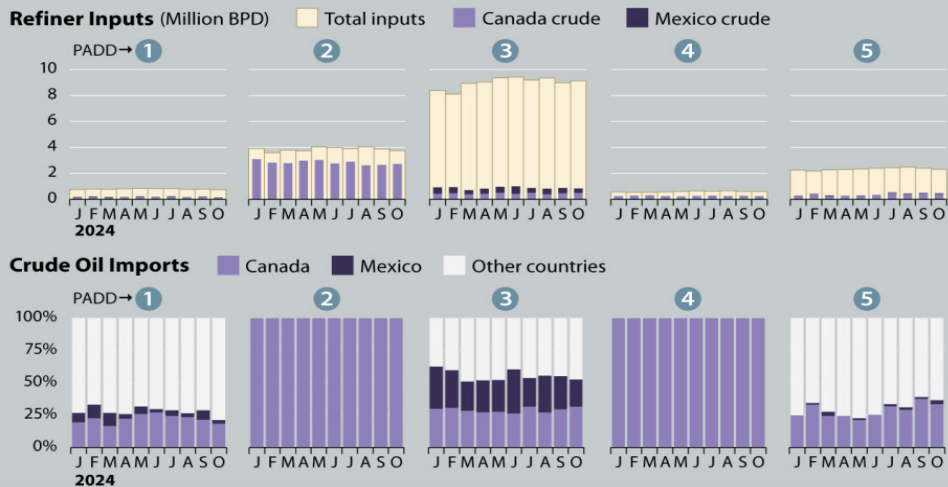
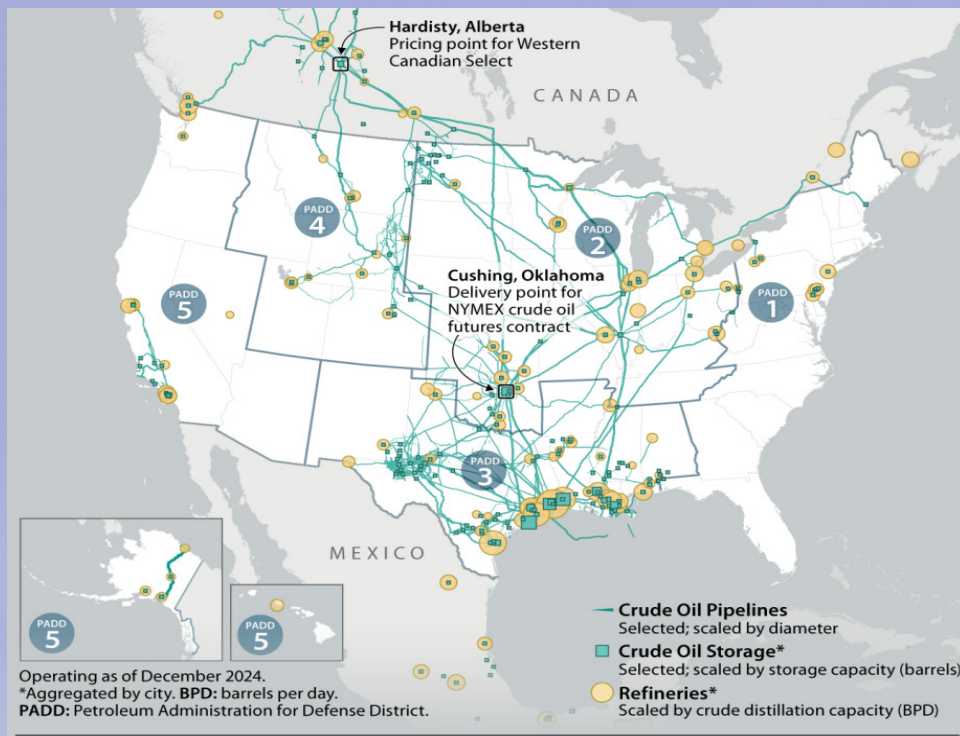
U.S. refineries, with a capacity of 18.4 million barrels per day, play a significant role in international trade—importing crude oil from Canada and Mexico **while exporting high-value refined goods** to regions such as Asia, Africa, Europe, and the Americas. Overall, the industry generates over **\$688 billion in annual economic activity and supports nearly 3 million jobs**.

The last major oil refinery built in the United States **was constructed in 1976**. Many U.S. refineries were built to process heavier crude grades because, at the time, many believed U.S. oil production was in long-term decline and didn't foresee the shale oil boom. The assumption was that any increase in crude production would come from heavy oils in the Middle East, Latin America, and Canada. When you combine this with the proximity of Canada and Mexico, crude oil from these countries remains a vital resource for several U.S. refineries, helping to produce liquid fuels and other petroleum products **for both domestic use and international export**.

On top of that, Canadian oil is often priced at a discount, typically 15% or more lower than U.S. crude, due to factors like transportation costs, quality differences, and a more limited buyer pool. **This discount plays an essential role in the economics of our domestic oil refineries** as their profits are determined by the margin between the cost of crude oil and the revenue generated from selling the refined products.



A proposed 25% tariff on imports from Canada and Mexico would seriously disrupt the supply chain U.S. refineries rely on to produce the fuels and petroleum products Americans use every day. Even with upgrades to existing infrastructure, many refineries simply aren't built to accommodate such a significant tariff on Canadian crude. Given the long timelines for planning and permitting the necessary changes, plus the fact that refineries depend on refining margins to stay profitable, **it would take several years for refineries to adapt to the changes in oil trade flows brought about by these tariffs.** In the meantime, many refineries **would struggle financially and many might be forced to shut down.**



Source: CRS; map data from S&P Global; 2024 chart data as available from the U.S. Energy Information Administration.

The greatest impact would be felt in the Midwest, where refineries are uniquely designed for heavier-grade Canadian crude to produce transportation fuels, and these fuels are primarily used for domestic consumption. **In the Midwest region (PADD 2), Canadian crude accounts for 100% of crude oil imports**, according to the latest data from the U.S. Energy Information Administration.

Refineries in the Midwest are set up to process nearly **70% of the heavy-grade Canadian crude imported** into the U.S. Therefore, consumers in states like **Michigan, Wisconsin, Indiana, and Ohio** would face the **greatest impact from the expected higher prices due to these tariffs**.

Patrick De Haan, head of petroleum analysis at GasBuddy, told Marketwatch in November that gas prices could rise by **30 to 40 cents per gallon, and possibly as much as 70 cents, once the tariffs take effect**. This increase could occur within days of the tariffs being enacted, with the most significant impact in the Midwest, given its reliance on Canadian crude.