A Balanced Review:
Navigating and Understanding Oil Commodities

Written By David Kopp | July 1, 2026

Unless your main mode of transportation is walking, you've likely let out a disgruntled sigh upon arriving at the gas station in recent months. But why has it gone so high? Your initial instinct might lead you to say the conflict in Iran, inflation, or the devaluation of your dollar, alongside the increased value of globally traded goods, all of which, in their own right, contribute to higher oil prices. However, oil is one of the most traded raw materials in the modern world. It is safe to say the answer is far more nuanced than any single reason, or any single foreign policy…which inevitably means it will take much more than one article from a wellness company to improve the status quo of things. Nevertheless, we do seek to provide the information to help you more confidently navigate the global oil markets and perceive market volatility so you can be more financially prepared!

Fortunately, before we discuss global oil markets, it is essential that we brush up on fundamental economics. Though there are innumerable polities, for the sake of today we will break the governments of the world into two categories: private-run markets and state-run markets. Through discussing these different market structures, the goal is not to sway you to either capitalism or communism; it is to inform you on the different ways they manifest globally!

Fiscal Policy

When a state has the means to control oil production, resources are distributed amongst institutions and corporations using the best judgment of what is often a state-appointed bureaucrat, and then excesses are either stored or traded to the profit of the state. Though that sounds like a win-win for the state, they are responsible for procuring oil when there are production shortages, forcing them to walk a thin line between profit hoarding and public accountability. In order to grant themselves a little breathing room, most of these countries will have a strategic reserve of various raw materials, including oil, to keep their societies growing and functioning. A notable example of this is The People's Republic of China!

(Fun fact: China, in a recent exercise of soft power, has limited its purchasing of oil and released significant portions of its strategic reserve to help facilitate lower global prices! The United States has also released a significant amount of its strategic petroleum reserve for the same cause. To quote Professor Robert Pape regarding the subject, "You only have one extra gas can in the car, so once you've used it- it's gone." The release of these reserves has allowed us to mitigate the effects of the conflicts today, but now they are significantly lowered, and we are not at the same state of readiness if a similar conflict were to arise in the near future.)

In privately run oil markets, the exact opposite is so: no bureaucracies are telling you what price you have to sell your oil at, nor is there anyone telling you who you can sell it to. This is what ushers in the supply-demand economy. Prices are based on production cost, scarcity, and desire rather than an abstraction based on policy. The profits are split amongst shareholders, executives, and employees for their own personal discretion rather than having the profits taken and invested for them by the state. The only limit in this structure is your own ambition, which is a blessing and a curse. In periods of global stability, private markets thrive, allowing for global trade, growth, and shared prosperity! In times of turmoil, the concern tends to be the bottom line, not the society they do business in–it's hard to care about your client in Kilgore when your client in Taiwan is willing to pay double. This inevitably leads to the local client either having to pay equivalent to or more than what a foreign client is paying because the commodity is traded globally, not nationally. This phenomenon can lead to a state of scarcity or price increases that prohibit your ability to purchase oil or other resources. Needless to say, free markets rely on global stability, and without it they are far more endangered than their state-run counterparts.

Having gone over the different means of production, the last box to check on our fundamentals to-do list is tax codes! We are going to accomplish that by delving into the relationship between what we pay at the gas pump and the price of oil per barrel using the United States as our example. A barrel of Brent Crude Oil hovers around $76-$80 and consists of 42 gallons of oil–we'll call it $80 for easier math. This means that each gallon is approximately $1.91. Though that price is lovely, it unfortunately doesn't take into consideration the cost of refining that oil, any import or export tax, state and federal taxes, or the markup for businesses to make a profit. The cost of refining crude oil into gasoline is between $0.40 and $0.75 per gallon–for simplicity, we can ballpark that at $0.55. Federal law dictates an excise tax of $0.18 per gallon, and the state tax can range anywhere from $0.09 per gallon (Alaska) to $0.78 per gallon (California). Using these numbers alone, we arrive at roughly $2.73 per gallon for states with lower taxes, and $3.42 per gallon for states with higher taxes.

So what can we take away from this slew of numbers? One major takeaway is that the tax code plays a significant role in our baseline heightened cost of gas, accounting for anywhere between $0.27 and $0.96 per gallon. Another takeaway is how different the accessibility of affordable oil can be for a person, ranging from city to city or state to state. The fact of the matter is every governing body has a different protocol for manufacturing and distributing oil products, and most, if not all, of those governing bodies have the well-being of their people in mind while establishing those protocols. However, as the adage goes: “The road to Hell is paved with good intentions.” Therefore, it is imperative for consumers to question whether their tax codes cause them more fiscal harm than societal benefit, especially during chaotic periods.

A More In-Depth Look At Oil

Having frontloaded the vast majority of our mathwork, we can now step away from the prosaic task of analyzing the tax codes that give us our average everyday prices, and focus on the logistics chains that keep our markets functioning…or not. The first step in understanding how oil goes from under the ground all the way to fueling your car is identifying the differences in quality. Though it would be nice if all that liquid gold under our feet were the same quality, the reality is oil comes in a variety of different qualities. One way quality is measured is by identifying its sulfur level. Oil containing sulfur levels lower than 0.5% is considered “sweet” or “higher quality” crude due to the fact it is easier to refine and distribute, whereas crude that has sulfur levels of 1% or higher is considered “sour” or “lower quality” due to the complications that arise in the refinement process. The other major measure of oil quality is its density, which is broken up into three categories: light, medium, and heavy. Light is the easiest to refine, and heavy is the most intensive. Then there is one more catch: not every refinery is capable of refining every oil! This means that each oil refinery often specializes in bringing a specific oil grade to quality, which isn’t a concern when you are free to safely travel the seas and trade! But what about when you can’t? What happens if you rely on oil imports because your refining capacity isn’t up to par? When you start asking these questions, this well-lubricated machine begins to look much more like a house of cards, which intends for the consumer to foot the bill after it comes tumbling down.

Your Power In The Situation

If that reality makes you unsettled, you aren’t alone, but we mustn't give in to cynicism! We have to be willing to confront the reality of our circumstances by asking the hard questions. So why are we experiencing so much volatility? The hard truth is: foreign conflict. *Casus belli* will always be the mortal enemy of *laissez-faire*. That is true for all of us regarding the congestion in the Strait of Hormuz. It has been challenging for all of us to navigate the economic instability recent global conflicts have given rise to. The vast majority of Americans were living paycheck to paycheck prior to the closure. Now, most Americans have been left in a place where an expenditure of $500 or more would leave them with no savings. That’s hardly enough to cover an emergency vet visit, let alone needing to go to the mechanic.

So, what can we do to put our households in the best position possible? The last I checked, the National Security Council has never knocked on our doors to ask for our permission before initiating global conflict. However, if we are students of history, we know that conflict is inevitable. That being said, the best thing you can do is practice fiscal responsibility and actively contribute to your savings in anticipation of turmoil. Some of the most challenging aspects of economic instability are how it can make us feel about ourselves and the way it affects our ability to provide for those we love. Everyone has to pay the piper eventually, and it's best to be prepared. Whether preparation for you is getting extra cans of soup for storage, buying a bike to fight off gas price spikes, or having a fully funded emergency account, the important thing is that you believe in it and stick to it!

Hard times are guaranteed to us, and we are blessed because of it; they make us more resilient, and it solidifies the indefatigability of the human spirit. The world doesn't promise us peace, and harmony isn't spontaneous. We must actively prepare ourselves and ready our nests if we are ever going to weather the storms to come. So, whether you are putting away twenty-five dollars or twenty-five cents, I encourage you to do so with hope–that the efforts you made today will sustain you when times are the toughest!