

C A G E

## Background Brief

March 2026

# Do petrol retailers “price gouge” during oil price spikes?

Johannes Brinkmann  
Nikhil Datta

**UNIVERSITY  
OF WARWICK**



Economic  
and Social  
Research Council

# Do petrol retailers “price gouge” during oil price spikes?

Johannes Brinkmann & Nikhil Datta

March 2026

On 28th February 2026, the United States launched Operation “Epic Fury”, attacking Iran in a coordinated effort with Israel. This unsurprisingly had large impacts on global oil prices, as it disrupted a key shipping route through the Strait of Hormuz, through which approximately 20% of global oil production passes. Brent crude oil prices spiked almost immediately, increasing from \$72 per barrel at the close of 27th February to \$103 per barrel at the close of 13th March.

Amid concerns about the cost to consumers, the Chancellor asked the Competition and Markets Authority (CMA) to remain on “high alert” for profiteering by petrol retailers, warning that she “will not tolerate any company exploiting the current situation to make excess profits at consumers’ expense”. In response, the Petrol Retailers Association (PRA), which represents approximately 65% of UK forecourts, argued that such language was “incorrect and inflammatory”.

This raises a broader question: what does the economic evidence suggest about the behaviour of petrol retailers during periods of oil price changes?

## How do petrol retailers respond to oil price shocks?

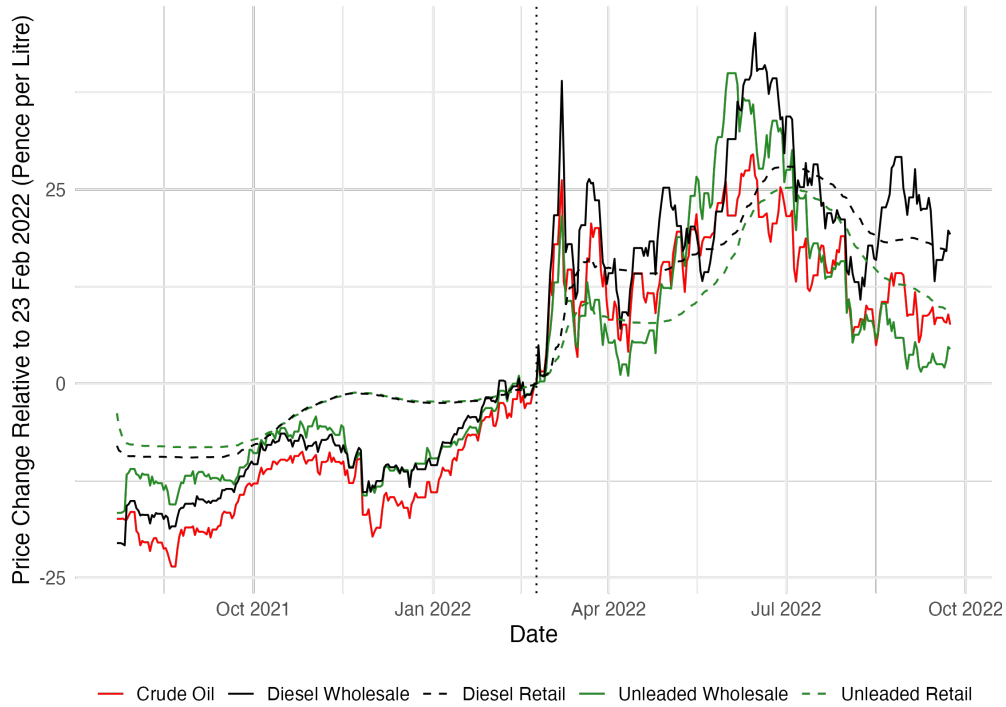
The evidence presented in this section is based on ongoing research by Datta and Brinkmann (2026).

To understand how petrol retailers respond to large oil price shocks, it is useful to examine a recent event which had a comparable impact on oil prices: the Russian full-scale invasion of Ukraine in February 2022. The invasion led to a large and sudden increase in global oil prices, providing a natural setting in which to study how shocks to crude oil prices propagate through the fuel supply chain.

Figure 1 shows the evolution of Brent crude prices, UK wholesale unleaded and diesel prices, and retail petrol prices around the invasion. All series are expressed as price changes relative to the day prior to the invasion, measured in pence per litre. This makes it possible to directly compare how changes in crude oil prices propagate through wholesale and retail fuel prices. The first striking pattern is that wholesale gasoline price changes closely track crude oil price changes. When oil prices rise, wholesale fuel prices increase almost immediately. Pass-through estimates suggest that roughly 80% of changes in oil prices are reflected in wholesale fuel prices within a few days. A pass-through estimate measures the extent to which changes in input costs—in this case crude oil prices—are reflected in downstream prices such as wholesale gasoline prices. Importantly, this relationship appears largely symmetric: wholesale prices respond similarly whether oil prices increase or decrease.

Retail prices, however, behave quite differently. As Figure 1 illustrates, prices at the pump adjust more slowly and are considerably smoother than wholesale prices. In periods where wholesale prices increase sharply, retail prices typically rise by less and with a delay. At the immediate peak of the shock in the weeks following the invasion, wholesale diesel prices rose by about 39 ppl, while pump prices increased by only about 16 ppl. The implication is that retailer margins compress during price spikes: the gap between retail and wholesale prices temporarily falls. In other words, although consumers experience higher petrol prices

Figure 1: Crude oil, wholesale gasoline, and retail petrol prices around the Russian invasion of Ukraine



Source: RAC Foundation; Experian; Authors' own calculations

when oil prices surge, the evidence does not suggest that retailers expand their markups during these periods.

Why might retailers reduce margins when prices spike? One explanation is that consumers become more attentive to petrol prices when they increase rapidly.

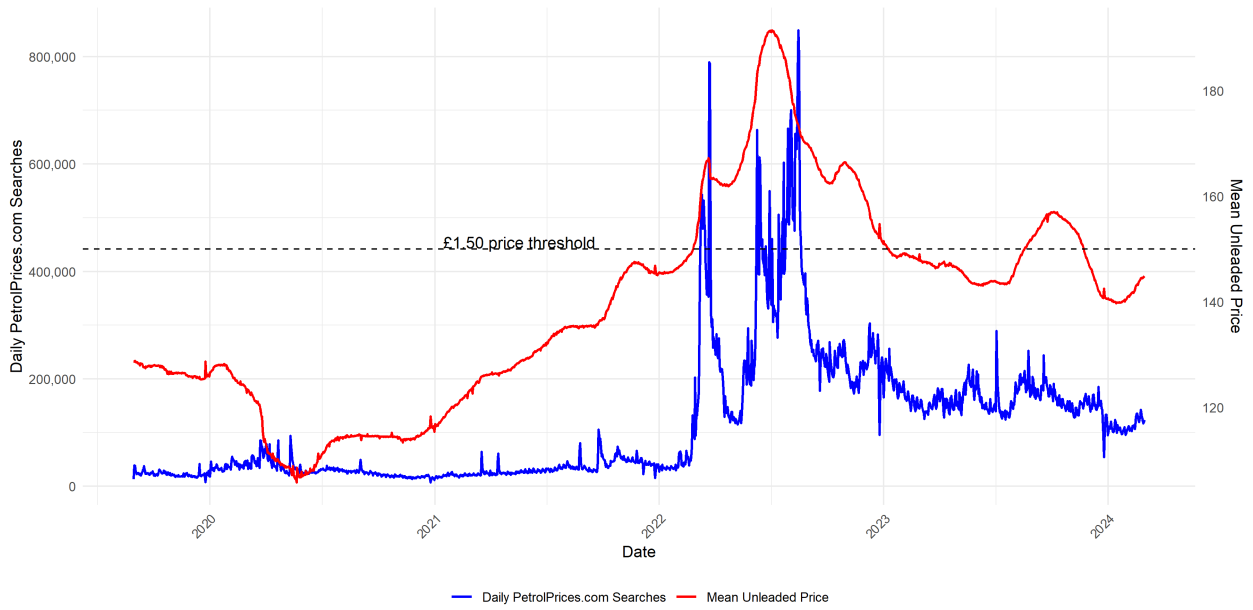
Figure 2 illustrates this mechanism using data on searches for petrol prices in the UK from PetrolPrices.com, the primary UK petrol price comparison website. The dataset contains more than 200 million petrol price searches between 2020 and 2024. When average petrol prices rose above £1.50 per litre during 2022, search activity increased dramatically. The number of daily searches rose by more than an order of magnitude, indicating that consumers were actively seeking out cheaper stations when prices increased. The crossing of the £1.50 threshold also attracted substantial media attention, further increasing public awareness of petrol prices and encouraging consumers to compare prices across stations.

This increase in consumer attention can intensify price competition between petrol stations. If more drivers compare prices across stations, retailers face stronger incentives to keep prices low in order to retain customers.

Figure 3 provides evidence consistent with this interpretation using a simple comparison across locations. The figure compares areas where consumers were already more likely to search for petrol prices before the shock (“high-search” or treatment areas) with areas where search activity was lower (“low-search” or control areas). It then tracks how both search activity and petrol prices evolve in these areas around the time of crossing the £1.50 threshold.

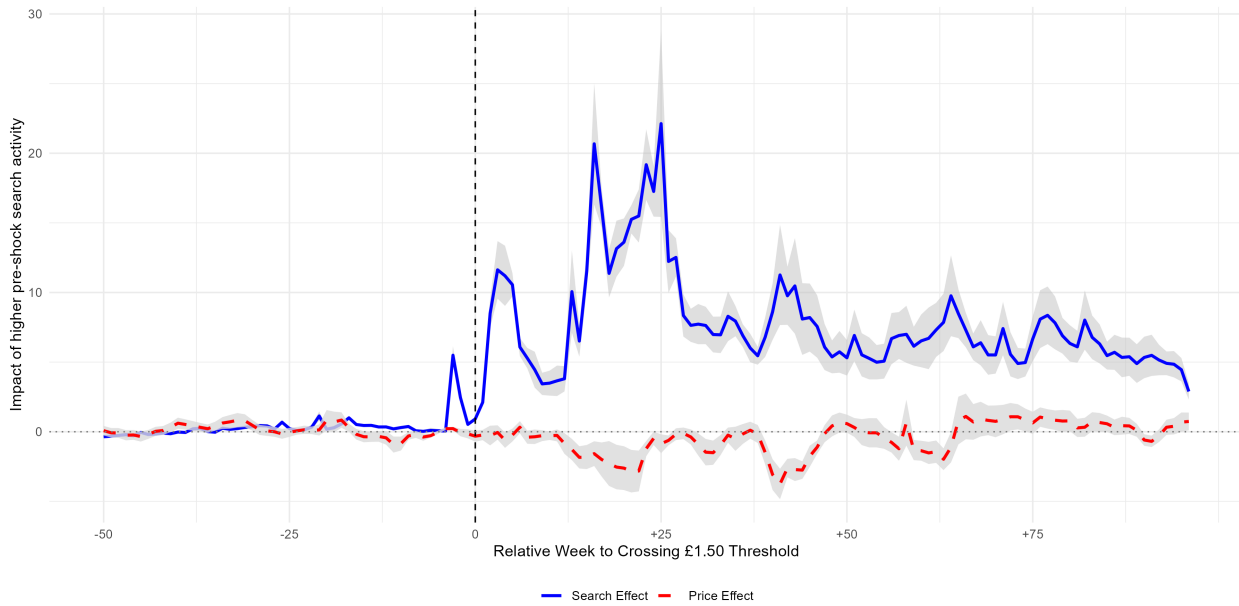
Following the crossing of the threshold, search activity increases sharply, particularly in areas where consumers were already more active in searching for prices. At the same time, petrol prices in these high-search areas rise by less than in areas where search activity increases less. This effect is concentrated during periods

Figure 2: Petrol prices and search activity for petrol prices in the UK



Source: PetrolPrices.com; Experian; Authors' own calculations

Figure 3: Comparing petrol prices and search activity in high- and low-search areas around the £1.50 threshold



Source: PetrolPrices.com; Experian; Authors' own calculations

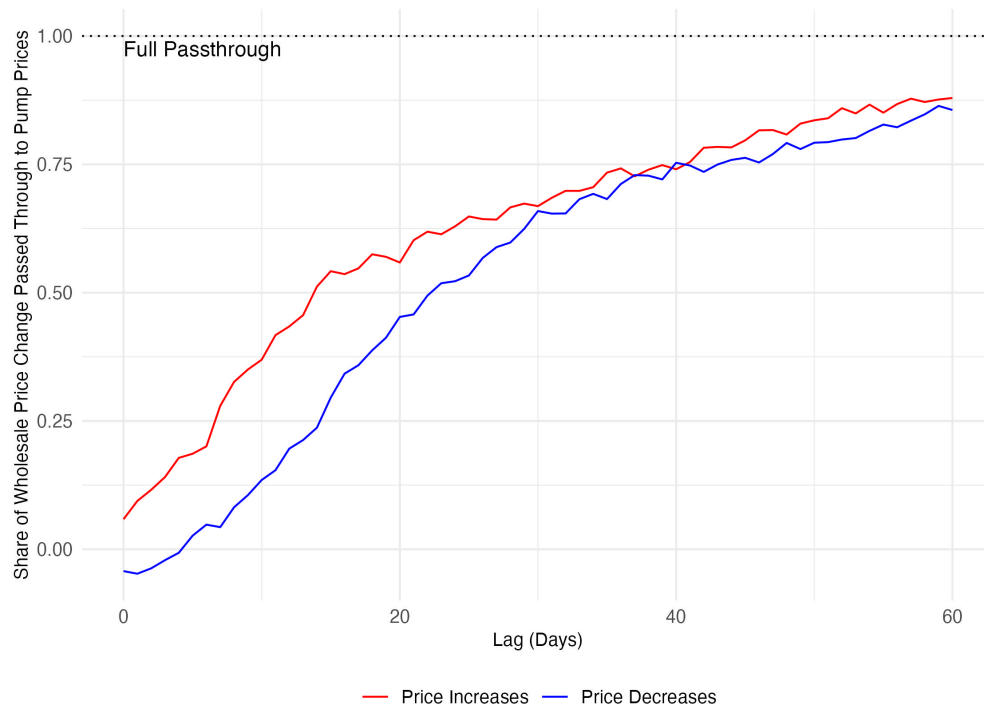
when prices, and therefore searches, are rising rapidly: as prices begin to stabilise, search intensity drops, and the impact of search on prices diminishes.

Search activity itself does not return to pre-shock levels, but instead declines and plateaus at a higher level than before. Correspondingly, price impacts narrow over time. The price effects are economically meaningful. At the peak of the response, a 10 percentage point increase in search activity is associated with roughly a 2% reduction in petrol prices. Further analysis shows that this effect is driven primarily by stations that were initially pricing above the local median in January 2022: these higher-priced stations cut their prices the most as consumers become more price sensitive and comparison shop more actively.

This pattern suggests that when consumers search more intensively for better prices, competition between petrol stations increases, putting downward pressure on retail prices. As a result, retailers have limited scope to expand margins when prices spike.

While retailers do not appear to increase margins when wholesale prices rise, the data do reveal an important asymmetry in the opposite direction. Figure 2 shows that consumer search activity falls sharply once petrol prices stabilise and begin to decline, even though prices remain close to historically high levels. In other words, it is not the level of prices that drives consumer attention, but whether prices are rising rapidly. As price increases slow or reverse, consumers search less intensively, reducing competitive pressure on petrol stations.

Figure 4: “Rockets and feathers” pass-through of wholesale prices into retail petrol prices



Source: RAC Foundation; Experian; Authors’ own calculations

Figure 4 compares how quickly changes in wholesale fuel costs are reflected in prices at the pump. The red line shows how pump prices respond when wholesale prices increase, while the blue line shows the response when wholesale prices fall. A clear asymmetry emerges: retail prices rise more quickly following cost increases than they fall following cost decreases. This pattern is commonly referred to as the “rockets and feathers” effect: prices rise like rockets but fall like feathers.

The implication is that retail margins tend to expand when wholesale prices decline. When costs fall, pump prices adjust downward more slowly, temporarily increasing the gap between wholesale and retail prices. On average, this asymmetry implies that when wholesale prices rise by 10 pence per litre and then fall by 10 pence per litre over a 60-day period, consumers pay about 1 pence per litre more on average during that period than they would if retail prices adjusted symmetrically. There is, however, substantial heterogeneity across stations. For some stations, this asymmetry is close to zero, implying little additional cost to consumers. For others, it is up to five times larger, meaning that the same 10 pence per litre increase and subsequent decrease over a 60-day period would cost consumers up to an additional 5 pence per litre.

Taken together, these results point to a clear conclusion. Petrol retailers do not appear to expand margins during periods of rapidly rising oil prices. If anything, margins tend to compress during these episodes, as retail prices adjust more slowly than wholesale costs and as consumers become more price sensitive.

By contrast, when wholesale prices fall, retail prices tend to decline more gradually, allowing margins to expand. If concerns about “profiteering” are warranted, the evidence suggests that it is more likely to occur during periods of falling oil prices rather than during price spikes.

## Bibliography

Brinkmann, J., & Datta, N. (2026). *Price Thresholds, Attention and Competition*. University of Warwick, mimeo.