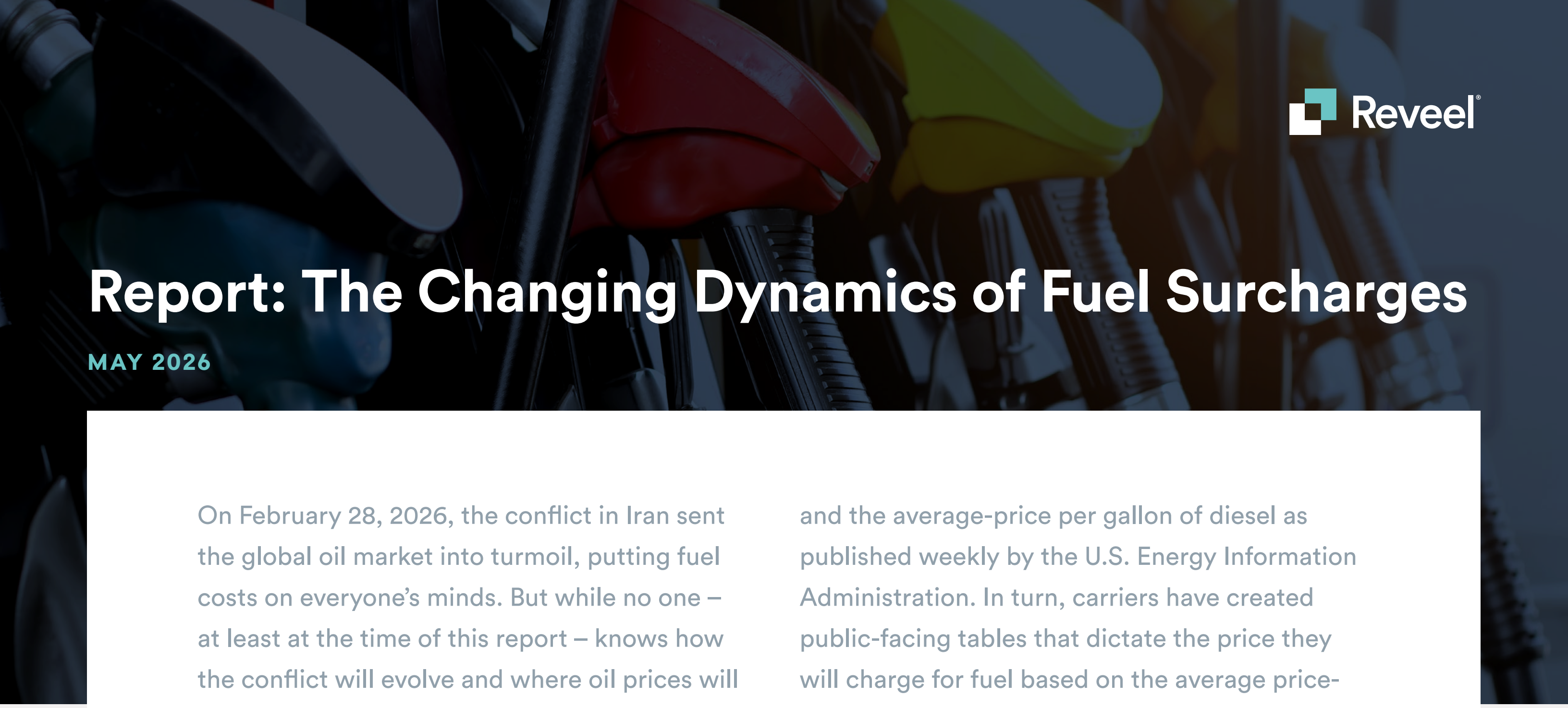

Report: The Changing Dynamics of Fuel Surcharges

MAY 2026

On February 28, 2026, the conflict in Iran sent the global oil market into turmoil, putting fuel costs on everyone's minds. But while no one – at least at the time of this report – knows how the conflict will evolve and where oil prices will ultimately land, one thing is certain. Shippers are paying more attention to fuel surcharges that in the past were often overlooked.

While much of the discussion around fuel surcharges is understandably a result of the rapid rise in oil prices, in reality they were already a more prominent and significant driver of parcel shipping cost increases even before the conflict thrust them into the headlines. But before we delve into why, it is important to look at how fuel surcharges work on the most basic level.

THE BASICS:

Changes in fuel surcharge impacts on shipping costs are driven by two factors: actual fluctuations in fuel prices and carriers' changes to their fuel surcharge tables. Because FedEx and UPS apply separate surcharge schedules for ground and express services, impacts must be evaluated by service type.

More specifically, carriers' fuel surcharges are based on the average price-per-gallon of jet fuel and the average-price per gallon of diesel as published weekly by the U.S. Energy Information Administration. In turn, carriers have created public-facing tables that dictate the price they will charge for fuel based on the average price-per-gallon of diesel and jet fuel respectively, with the former impacting ground shipments and the later doing the same for express and international shipments.

Importantly though, carriers can change their tables at will to protect or grow additional revenue. And therein lies the rub. As shippers know, fuel surcharges, which were historically considered an extra cost directly proportional to the real cost of oil, are in fact dynamic charges that can be manipulated.

The practice of carriers using fuel charges as a revenue lever is not a new practice. One carrier notably changed their table shortly after Russia's invasion of Ukraine in 2022 to quietly generate more

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than an extra percent of revenue. It is reasonable to assume that during such times changing the tables and the ratios in them – in effect moving the goal posts – is less noticeable during significant geopolitical events that by their very nature have the potential to impact energy costs.

Carriers' quarterly earnings calls sometimes reflect the irony of this reality. It is not uncommon for analysts to express the counter intuitive concern that profits will fall when fuel prices decrease.

THE TIMES THEY ARE A CHANGIN':

There is, however, a significant change occurring not just in how carriers are using fuel surcharges, but how often. Whereas in the past carriers might adjust their fuel tables annually or during the aforementioned geopolitical events, leaders like FedEx and UPS have in recent years begun to use them as a frequent lever – adjusting them on a near quarterly basis.

More to the point, while the changes commensurate with any one surcharge update look modest on paper – typically .5% to 1.0% – they add up and can have a significant impact on shipping costs, often translating into thousands or even millions of dollars for larger shippers like omnichannel retailers and e-commerce platforms.

Here's one example to put things in context. If the EIA fuel rate was between $3.75 and 3.82 per gallon of diesel in March of 2024, the published FedEx surcharge rate would have been 15%. Today, that same shipment would incur a 22% charge, or a 46.7% cost increase over two years.

Fuel costs of course haven't increased by that amount and declining prices prior to the conflict helped to offset some of the impact. But it shows how aggressively carriers have adjusted their fuel surcharges tables for revenue.

Notably, that's just one example. UPS' most recent change to its fuel surcharge table at the time of this report – an update effective on April 13, 2026 – shows how carriers are using fuel not just to protect revenue, but also as a lever for securing revenue gains in the future.

On the surface the updated table looks like a straightforward response to elevated energy prices and the disruption of the Straits of Hormuz, with the table extended upward to account for where fuel prices could go – diesel at $6.16/gallon and jet fuel at $4.41/gallon. No surprises there. But look at the lower end of the ground table more carefully and a very different story emerges.

What this means is that when diesel prices decrease as they eventually will, ground shipping costs will not return to the levels they were before the conflict in Iran.

It is there that UPS increased the fuel surcharge percentage across diesel at the $3.64 to $4.18/gallon diesel range by 0.50% to 1.50%, with the largest increases concentrated at the lowest price points. That's clearly not a response to today's energy market, but rather a forward-looking price increase embedded in a structural update.

What this means is that when diesel prices decrease as they eventually will, ground shipping costs will not return to the levels they were before the conflict in Iran. Such an update arguably would be more difficult to implement and more noticeable in normal times, but in the midst of a conflict that has constrained one of the world's most important trade routes for oil, it has largely slipped under the radar despite its singular impact on businesses that depend on ground shipments.

THE IMPACT OF FUEL SURCHARGES TODAY:

Given the increased use of fuel surcharges as a lever to protect or grow revenue, it is important to understand the influence they have on total landed costs. This of course changes as real fuel costs go up and down, and as carriers change their fuel tables. Our analysis of the domestic parcel shipping market for this report reveals their average impact now and reflects the real-world experiences of the hundreds of brands that rely on Reveel's platform.

We found that every $0.09 increase per-gallon in diesel increases the total cost of a ground shipment by ~0.16% and every $0.05 increase per-gallon in jet fuel increases the total cost of an air shipment by ~0.15%. This means that since the conflict in Iran on February 28, 2026:

- Total ground shipping costs increased by 2.88%, a rise that if annualized would cost a $20 million ground shipper $576k as a result of the uptick in the per-gallon price of diesel;
- Total air shipping costs increased by 4.5%, a rise that if annualized would cost a $20 million air shipper $900k as a result of the uptick in the per-gallon price of jet fuel.

Ground Domestic

Date	Increase in Shipping Cost (Ground Shipments)
Baseline	0.00%
1% Increase (Jan 2026)	0.64%
1% Increase (Mar 2026)	1.27%

Air Domestic

Date	Increase in Shipping Cost (Ground Shipments)
Baseline	0.00%
1% Increase (Jan 2026)	0.59%
1% Increase (Mar 2026)	1.19%

Cost Sensitivity to Diesel Prices (Ground)

Every $0.09 increase in the cost of diesel increased the total cost of a ground shipment by 0.16%

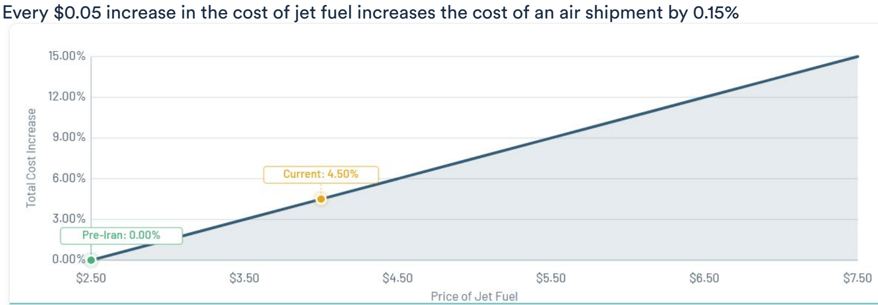
Cost of Diesel Fuel	Increase in Shipping Cost (Ground)
$3.81 (Pre-Iran Conflict)	0.00%
$4.26	0.80%
$4.71	1.60%
$5.16	2.40%
$5.43 (Current)	2.88%
$5.61	3.20%
$6.06	4.00%
$6.51	4.80%
$6.96	5.60%
$7.41	6.40%
$7.86	7.20%
$8.31	8.00%

% Increase in Total Shipping Cost (Ground Shipments) = 0.16% × (# of $0.09 Diesel Fuel Increases over $3.81)

***Ground Shipments Only*

Cost Sensitivity to Jet Fuel Prices (Air)

Every $0.05 increase in the cost of jet fuel increases the cost of an air shipment by 0.15%



Cost of Jet Fuel	Increase in Shipping Cost (Air)
$2.50 (Pre-Iran Conflict)	0.00%
$3.00	1.50%
$3.50	3.00%
$4.00 (Current)	4.50%
$4.50	6.00%
$5.00	7.50%
$5.50	9.00%
$6.00	10.50%
$6.50	12.00%
$7.00	13.50%
$7.50	15.00%

% Increase in Total Shipping Cost (Air Shipments) = 0.15% × (# of $0.05 Jet Fuel Increases over $2.50)

***Air Shipments Only*

We also isolated how changes to carriers' fuel surcharge tables have increased the impact that fuel surcharges have on shippers' costs since the conflict began. In January of 2026, every 1% increase in the per-gallon cost of diesel increased shippers costs by .64%, while in March of 2026 every 1% increase in the per-gallon cost of diesel increased shippers' costs by 1.27%. The same can be seen for jet fuel. In January of this year, a 1% increase in jet fuel increased shippers' costs by .59%. In March that same uptick translated into a 1.19% cost increase.

WHAT DOES THIS ALL MEAN FOR SHIPPERS AND WHAT CAN THEY DO ABOUT IT?

These findings reflect the obvious fact that the higher surcharges get, the greater impact they have on shipping and fulfillment costs. They also underscore why it is important for shippers to keep several other points in mind:

- **Remember fuel surcharges are just one of the many accessorial charges in carriers' quivers**: One of the most important things for shippers to factor into their strategies is that carriers are relying more on accessorial changes to protect and generate revenue, those for fuel being but one. This marks a fundamental shift and move away from relying on annual general rate increases (GRIs). At the start of this year, accessorial charges over the past five years already dwarfed the cumulative impact of the GRIs, 27%, for both FedEx and UPS in the same time period. Some of these include:

- **Oversize items**: UPS (108% increase) and FedEx (116% increase);
- **Additional handling weight**: UPS (88% increase) and FedEx (93% increase); and
- **Delivery Area Surcharge, or DAS**: UPS (35% increase) and FedEx (36% increase)

- **Monitor fuel surcharges and other accessorials on a continual basis**: The days of checking fuel surcharges once or twice each year are over. Importantly, this means not only monitoring the actual changes in fuel costs, but carriers' changes to their fuel tables. As mentioned previously, carriers are now changing their fuel surcharge tables with little or no warning. Other accessorial changes are no exception. For example, DAS were historically applied to difficult to reach rural areas. Now new ZIP codes are routinely added, including ones in some of the largest metropolitan areas.

- **Constant visibility of shipping data is no longer optional**: For decades shippers analyzed carriers' invoices and cumbersome spreadsheets to find opportunities to save money. In today's fast moving shipping landscape a proactive approach is needed, particularly when dealing with razor-thin margins such as those associated with e-commerce. More than a few merchants have learned that even a minor surcharge change can result in the sale of an entire product line at a loss.

- **Integrate shipping data and costs with financial systems of record**: The impact of fuel surcharges we are seeing today are significant and can materially impact financial results of even the largest shippers. Fulfillment and shipping systems should include GL coding and accruals reporting as a matter of course, and be integrated with systems of record.

- **Model and monitored blended fuel exposure, not just as the per-gallon costs of diesel and jet fuel increases, but also as it decreases**: In a shipping environment that changes rapidly, both because of geopolitical drivers and carriers' own business strategies, shippers should understand what their costs and cost-related risks look like across different scenarios.

By keeping these factors in mind shippers can effectively anticipate and effectively respond to fuel surcharges, while managing their exposure to related cost increases. Just as importantly, they can do so with the knowledge that fuel surcharges, once considered an external factor out of their control, are now a structural component of carriers' pricing strategies that must be proactively addressed.

Reveel is the leading Shipping Intelligence™ Platform that enables companies to level the playing field with their carriers across all modes of transportation. With over two decades of parcel spend management expertise and over $8Bn spend under management, the company provides real time actionable insights to empower customers to make smarter business decisions and have peace of mind. With the Reveel Shipping Intelligence Platform, backed by guidance from industry experts, shippers leverage the power of unified shipping data analyzed with Reveel IQ, Reveel's interactive AI analyst, to capture significant ROI and improve their competitive advantage.

With Reveel IQ, shippers not only know the correct answers, but how they were derived. To learn more or request a demo visit: reveelgroup.com/get-a-demo/.

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