**Are Jet Fuel and Diesel Prices Vulnerable to Crude Oil Markets? Implications for Emerging Energy Sources**

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**Abstract**

New biojet and biodiesel technologies are trying to substitute biomass for crude oil as refining inputs. Potentials for emerging biojet and biodiesel industries will be influenced by current price relationships between crude oil and jet fuel/diesel. To investigate these price relationships, we estimate long-run relationships and short-run adjustments. We find that jet fuel and diesel prices are vulnerable to oil markets in both the long and short runs, but in substantially different ways, depending on whether oil prices are relatively increasing or decreasing. Jet fuel prices respond to oil price decreases, while diesel prices respond to oil price increases. Emerging biojet and biodiesel with biomass inputs could improve risk management within jet fuel and diesel industries by diversifying input supply. Biojet may be especially attractive to jet fuel producers because they are unable to pass increased oil costs through to consumers.