

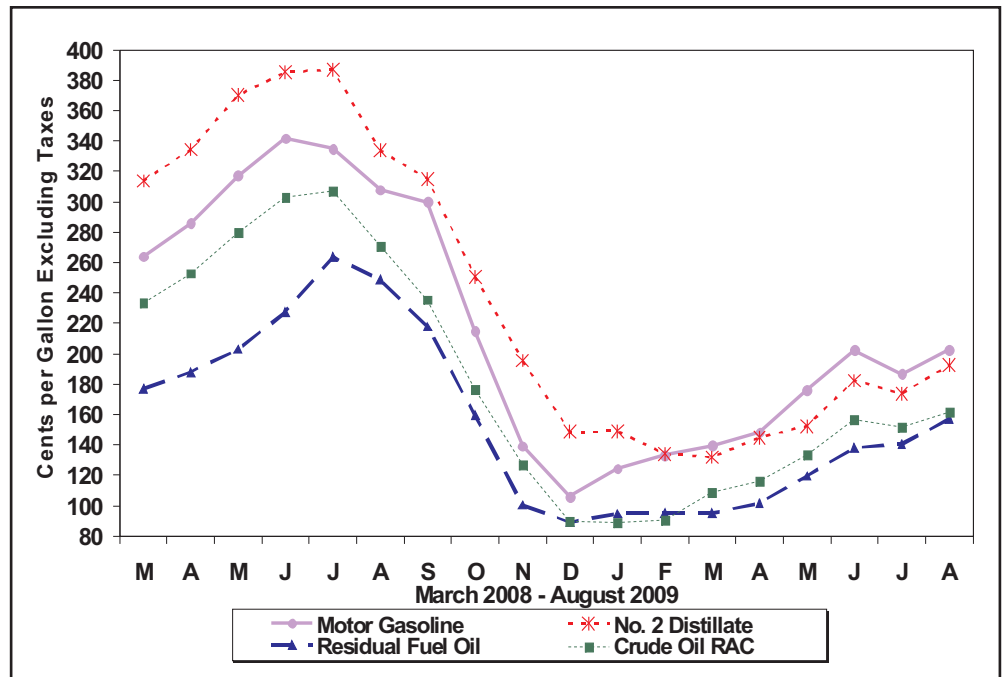
Highlights

World crude oil prices experienced moderate changes during August, as oil markets looked to other economic sectors to set the tone and direction values for petroleum products. At the start of the month, a more hopeful outlook for recovery in economies across the globe colored market price trends. Summer maintenance activity in North Sea production fields also lent support to some benchmark streams' prices. Nevertheless, prices were pressured downwards at mid-month by less favorable financial market and economic news and oil demand forecast reports showing a less supportive outlook for oil products consumption during the remainder of 2009 and continuing through 2010. In yet another turnaround, price responded to reports that Chinese demand for oil was firmly up year-on-year in July, and expectations that weekly U.S. inventory reports would show a decline in petroleum stock levels. As August wound down, oil market analysts continued to absorb news concerning recovery trends in major world economies and anticipated the coming Organization of Petroleum Exporting Countries (OPEC) meeting on September 9. Finally, trends in China's main equities market dampened prices throughout international oil markets at the close of the month.

Prices for crude oil and refined products in the United States showed a less dynamic range in August than seen in the past few months. Economic news, inventory levels, and demand all affected oil product prices at various points in the month. During the first few weeks of the month, margins between crude oil and finished product prices were at vigorous levels, thanks at least in part to brimming crude oil stocks at Cushing, Oklahoma, the physical delivery point for NYMEX-traded contracts for West Texas Intermediate (WTI) crude

oil. At the same time, stockdraws seen in weekly inventory data underpinned prices for gasoline and distillates. The reported decline in distillate stocks was unexpected, particularly in light of slow demand from European markets and the agricultural sector in the United States. While prices dropped briefly at mid-month, as worries about the wider economic picture rose again, more supportive news showing additional draws on oil products' inventories quickly tempered the decrease. Though demand for gasoline was modestly above year-ago levels, providing support for current prices, August 2008 demand was affected by the record-setting prices seen last summer. More specifically, monthly petroleum products' consumption data (seen in Tables 45 through 47 in this publication) show a 1.1 percent month-on-month decrease in gasoline consumption in August 2009, but a 1.3 percent increase from last year's level. August data for No. 2 distillates show a

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	August 2009		July 2009		August 2008		August 2009		July 2009		August 2008	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	215.7	50.2	206.7	49.7	327.9	55.6	202.6	318.8	186.7	321.5	307.8	312.2
Conventional	209.1	31.8	200.6	31.5	323.9	34.5	198.6	224.1	182.8	226.7	306.5	220.3
Regular	206.9	28.1	198.4	27.8	321.6	30.5	197.0	197.5	181.2	198.9	305.0	196.5
Midgrade	220.3	1.9	212.4	1.9	335.8	2.1	199.8	9.8	184.5	10.0	309.6	9.9
Premium	231.3	1.8	222.8	1.8	347.7	1.9	216.9	16.8	200.5	17.9	325.7	13.9
Reformulated	226.9	18.4	217.4	18.2	334.5	21.1	212.2	94.7	195.9	94.8	311.0	91.9
Regular	222.4	14.5	212.7	14.2	330.2	16.8	209.3	80.7	192.8	80.5	308.4	79.4
Midgrade	237.8	1.6	227.8	1.6	345.8	1.9	220.1	2.2	204.7	2.2	319.6	2.1
Premium	247.6	2.3	238.4	2.3	356.7	2.3	230.5	11.8	215.0	12.1	328.9	10.4
Aviation Gasoline	276.3	0.2	260.7	0.2	379.2	0.2	275.9	0.5	254.8	0.5	373.7	0.4
Kerosene-Type Jet Fuel	192.2	39.3	177.4	39.8	342.5	43.7	189.2	17.7	175.9	17.3	339.3	15.4
Propane (Consumer Grade)	104.3	3.1	90.5	3.6	190.6	2.3	83.5	24.7	75.6	25.4	166.7	24.1
Kerosene	254.5	0.0	246.2	0.0	405.5	NA	194.3	1.2	177.3	1.1	345.6	0.6
No. 1 Distillate	233.1	0.0	207.6	0.0	382.3	NA	216.9	0.2	198.9	0.3	343.0	0.4
No. 2 Distillate	203.1	17.9	189.8	16.7	357.1	19.3	192.5	141.3	173.7	143.5	333.5	152.0
No. 2 Fuel Oil	204.1	0.5	187.1	0.5	339.9	0.6	180.4	11.6	165.6	11.2	328.7	9.3
No. 2 Diesel Fuel	203.1	17.4	189.9	16.2	357.6	18.7	193.6	129.7	174.4	132.3	333.8	142.7
Ultra Low Sulfur	205.0	13.1	191.2	12.4	357.7	12.1	194.0	114.1	175.0	114.6	334.5	120.9
Low Sulfur	200.6	3.1	185.7	3.0	357.8	5.2	191.2	13.7	170.9	15.3	329.9	20.2
High Sulfur	NA	1.2	185.8	0.8	356.6	1.4	189.5	1.9	171.0	2.5	330.7	1.6
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	W	W
Residual Fuel Oil	153.6	7.7	140.4	8.4	269.4	7.4	157.2	10.8	140.5	10.3	248.6	8.4
Sulfur Content not > 1 %	164.1	2.5	148.8	2.5	300.5	2.3	158.6	3.2	141.7	3.4	254.6	3.4
Sulfur Content > 1 %	148.8	5.3	136.9	5.9	255.4	5.1	156.7	7.6	139.9	7.0	244.5	5.0

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Note: Beginning January 2007, oxygenated gasoline is included in conventional gasoline.

Note: In January 2007, ultra low-sulfur diesel fuel was added.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*. Total volumes may not equal the sum of the components due to rounding.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

1.7 percent decline in consumption of ultra-low sulfur diesel fuel from last month's level, and a 3.3-percent drop from the August 2008 level. The data for all No. 2 distillates show a 1.8 percent decrease in consumption from the July 2009 rate, while the difference from the August 2008 level amounted to a 9.6 percent decline. Despite the reported stockdraws, still brimming distillate inventories and appreciable supplies of other refined products and crude oil muted the range of prices.

Although a recap of August monthly average spot market prices for key products show noticeable increases when compared to last month's prices, the range of prices was much less dynamic. At New York Harbor, the spot price for regular gasoline averaged \$1.930 per gallon, 18.0 cents (10.0 percent) higher than July's average of \$1.750

per gallon. Last August, the average price was \$2.897 per gallon, a difference of 96.7 cents (33.4 percent) from the present level. The August spot market price for No. 2 heating oil at New York Harbor averaged \$1.865 per gallon, reflecting an increase of 23.6 cents (14.5 percent) from last month's average of \$1.628 per gallon. The August 2008 price was \$3.169 per gallon, marking a decrease of \$1.304 (41.2 percent) from the present average. At Cushing, Oklahoma, the August 2009 average price for WTI crude oil was \$71.04 per barrel, \$6.89 (10.7 percent) higher than July's average of \$64.15 per barrel, but \$45.63 (39.1 percent) below the August 2008 average of \$116.67 per barrel.

Additional August market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

News and evidence reflecting current economic conditions contributed to the changes seen in the daily spot prices for WTI crude oil at Cushing, Oklahoma during August. Opening at \$69.26 per barrel, the price began to track downwards during the first half of the month, despite reported drops in crude oil inventories. The price was also pressured by data reflecting the health of the wider national and international economies. Because of these worries and expectations that crude oil inventories would register a gain in weekly stocks reports, the price reached the month's low of \$66.72 per barrel on August 17. Rallying in the following days based on the unforeseen large decrease in U.S. crude oil stocks and more optimistic economic news, the price moved to the month's high of \$73.68 per barrel on August 24. Dropping firmly at the end of the month, thanks in part to turmoil in foreign financial markets, the price closed at \$69.97 per barrel, 71 cents above its opening level for August.

- Monthly average crude oil prices rose across the board in August. The average domestic crude oil first purchase price increased \$4.85 (8.0 percent), to \$65.28 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil climbed \$4.90 (7.9 percent), to \$67.21 per barrel. The average landed cost of foreign crude oil increased \$3.54 (5.5 percent), to \$68.06 per barrel.
- The average refiner acquisition cost for domestic crude oil rose \$4.00 (6.3 percent), to \$67.78 per barrel. The average cost of imported crude oil climbed \$4.66 (7.3 percent), to \$68.12 per barrel. The composite refiner acquisition cost for crude oil rose \$4.41 (6.9 percent), to \$67.99 per barrel.

Petroleum Products

Motor Gasoline

Following July's rise, the daily spot price for regular gasoline at New York Harbor continued in a more temperate mode during August. Opening at \$1.967 per gallon, the price moved immediately to its high for the month, \$2.022 per gallon, on August 3, as the complex as a whole received support from more positive economic news. Though the price showed little significant

movement during the following days, it dropped firmly at mid-month as more positive notions about the economy were shaken by bearish reports covering consumer confidence. While the price regained ground during the latter half of the month due to stockdraws seen in inventory reports, it dropped again at the close of the month. Fading demand at the end of the driving season, coupled with more unfavorable news in international financial markets helped drive the price to \$1.828 per gallon on August 31, 13.9 cents below its opening level for the month.

- August monthly average prices for finished gasoline show firm increases in all sales categories. The average price for retail sales of motor gasoline by refiners climbed 9.0 cents to \$2.157 per gallon, while the average wholesale price jumped 15.9 cents to \$2.026 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets rose 9.1 cents to \$2.149 per gallon. The average wholesale price for gasoline increased 15.9 cents to \$2.029 per gallon. The average dealer tank wagon (DTW) price rose 14.3 cents to \$2.101 per gallon, while the average rack price climbed 16.8 cents to \$2.022 per gallon. The average bulk sale price increased 14.5 cents to \$1.904 per gallon. Reformulated gasoline prices were 15.1 cents higher than conventional gasoline prices at retail and 11.4 cents more at wholesale.
- Overall, refiner sales of motor gasoline decreased in August. Total sales fell 2.2 million gallons per day (0.6 percent) to an average of 369.0 million gallons per day. Retail sales inched up 500,000 gallons per day (1.0 percent), while wholesales declined 2.7 million gallons per day (0.8 percent.) DTW sales made up 12.4 percent of wholesales, while rack and bulk sales accounted for 73.1 percent and 14.5 percent, respectively.

No. 2 Distillate

Like the trends seen in other product prices in the complex, the daily spot price for No. 2 heating oil at New York Harbor moved within a relatively tight range during August compared to last month's changes. Opening at \$1.793 per gallon, the price rose to the month's high of \$1.934 per gallon on August 5 following the release of inventory data showing an unanticipated decrease in distillate stocks. The price showed modest to moderate changes throughout the rest of the month as demand for distillate products in

the face of robust inventories tempered the price. In reaction to worries about the economic recovery and petroleum inventories at the international level, the price reached its lowest point on the last day of the month. Closing at \$1.773 per gallon, the price was 2.0 cents below its opening level for August.

- Monthly average prices for No. 2 distillates rose firmly in August. The national average residential sales price increased 11.6 cents to \$2.366 per gallon, while the average wholesale price climbed 18.8 cents to \$1.942 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets increased 10.1 cents, while the average wholesale price jumped 19.1 cents. Average prices for ultra low-sulfur diesel fuel were 0.1 cent higher than low-sulfur diesel fuel at retail, and 1.5 cents more at wholesale.
- Refiner sales of No. 2 distillates were mixed during August. Overall, sales fell 1.1 million gallons per day (0.7 percent), to 159.2 million gallons per day. More specifically, sales of No. 2 fuel oil rose 400,000 gallons per day (3.7 percent), while sales of No. 2 diesel fuel fell 1.5 million gallons per day (1.0 percent.) Ultra low-sulfur diesel fuel accounted for 86.5 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 92.4 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices increased considerably in all sales categories during August. Refiner prices for low-sulfur residual fuel oil rose 15.3 cents to \$1.641 per gallon at retail, and 16.9 cents to \$1.586 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil increased 11.9 cents to \$1.488 per gallon at retail, and 16.8 cents to \$1.567 per gallon at wholesale. Including data reported by a

sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed 14.7 cents to \$1.646 per gallon at retail, and 17.3 cents to \$1.586 per gallon at wholesale. Prices for high-sulfur residual fuel oil rose 13.7 cents to \$1.522 per gallon at retail, and 16.1 cents to \$1.562 per gallon at wholesale.

- Refiner sales of residual fuel declined during August. Total sales fell 200,000 gallons (1.1 percent) to 18.5 million gallons per day. Low-sulfur residual fuel oil sales decreased 200,000 gallons (3.4 percent), while high-sulfur residual fuel oil sales remained flat.

Other Products

- Generally, prices for the remaining surveyed products increased during August. The refiner retail sales price for propane rose 13.8 cents per gallon, while the wholesale price rose 7.9 cents per gallon. Data from a sample of propane marketers show the average residential price fell 4.6 cents per gallon, while the average retail price rose 2.2 cents per gallon. The average wholesale price for propane climbed 7.4 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate increased at both the retail and wholesale levels.
- Refiner sales of these products showed mixed trends during August. Sales of propane and aviation gasoline declined at both levels. Sales of kerosene-type jet fuel and kerosene fell at the retail level, but rose at wholesale, while No. 1 distillate sales did just the opposite.