

Highlights

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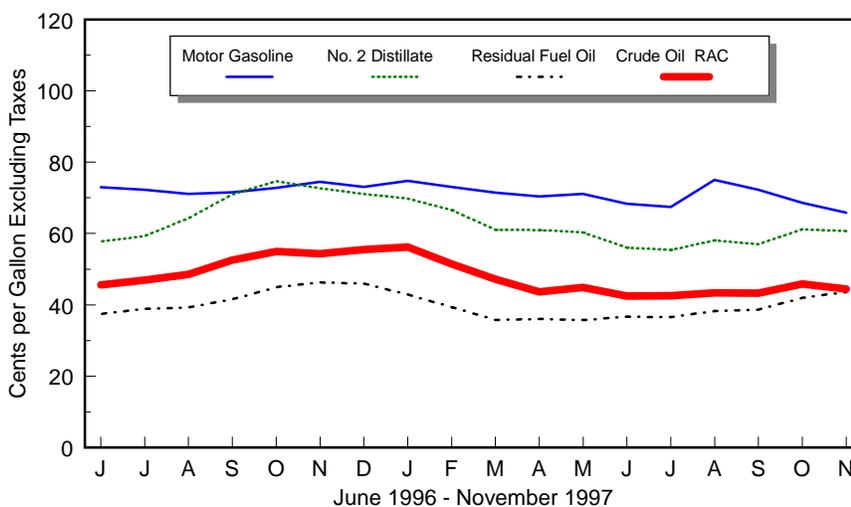
Due to abundant supplies and lower demand for crude oil, international prices gravitated downward during November. Along with persistent high stock levels of crude oil and robust wellhead production rates, weaker-than-expected demand pulled crude oil prices lower. Further, stocks of finished petroleum products remained high in major markets across the world, reducing the need for heavy refinery runs. Also contributing to lower crude oil prices, member nations of the Organization of Petroleum Exporting Countries (OPEC) agreed to raise production quotas for the first time in four years during a meeting held in Jakarta, Indonesia during the latter part of the month. The decision made amidst a glutted global market had an almost immediate dampening effect on prices. The new quotas are scheduled to be implemented January 1, 1998.

In other political developments, discord between Iraq and the United States over the expulsion of U.S. members of the United Nations weapons inspection team caused a short-lived price increase at mid-month. Prices for various benchmark crude oil streams eased as the United States turned to diplomatic means to deal with the conflict. (The U.N. Security Council issued Resolution 1137 on November 12, in which it condemned Iraq for its refusal to allow members of the Special Commission entry into inspection sites based on their nationality, threatening the safety of reconnaissance aircraft, removing pieces of equipment from previous inspection sites, and tampering with monitoring cameras.) By the close of the month, Iraq agreed to allow the U.S. inspectors to return

to the country and continue with the inspections program. In associated developments, U.N. Secretary General Kofi Annan expressed some interest for increasing Iraq's crude oil export allocation under the oil-for-food agreement when its renewal comes due in early December.

Prices for crude oil and finished products in the United States eased during November. Stocks of all the major products remained at ample levels in nearly every regional market in the country. While news of refinery problems on the East Coast affected spot market prices for gasoline in that region, the effects were short-lived. Prices for CARB diesel fuel, which had rocketed during October, dropped sharply over the course of November as concerns over refinery problems and shrinking stock levels faded. Preliminary data indicate total crude oil imports to the United States fell more than 8 percent in November, but stockpiles rose 1.9 percent. At the national level, crude oil refinery inputs dropped

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					
	November 1997		October 1997		November 1996		November 1997		October 1997		November 1996	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	81.7	62.5	84.3	64.5	86.8	58.1	65.9	286.1	68.6	299.6	74.5	292.6
Conventional	77.2	36.2	80.2	38.9	86.6	33.0	61.3	188.5	64.1	202.3	73.6	193.0
Regular	73.4	25.6	76.3	27.6	83.2	23.5	59.3	144.9	62.1	156.0	71.6	149.1
Midgrade	82.8	5.7	86.1	6.2	91.6	5.3	65.5	15.4	68.2	16.5	77.3	16.4
Premium	90.4	5.0	93.6	5.2	99.2	4.3	69.4	28.2	72.7	29.9	82.4	27.6
Oxygenated	91.1	4.3	92.7	2.8	95.2	5.6	76.0	10.7	77.7	8.0	81.4	11.1
Regular	87.4	3.1	89.9	2.2	91.5	4.1	74.2	8.2	76.1	6.0	79.3	8.4
Midgrade	97.8	0.7	98.8	0.4	102.0	0.9	78.6	1.3	79.7	1.1	84.0	1.2
Premium	107.0	0.4	107.6	0.3	109.8	0.7	85.7	1.2	87.0	0.8	90.4	1.5
Reformulated	87.2	22.1	90.3	22.7	84.6	19.5	74.5	86.8	77.8	89.2	75.5	88.4
Regular	82.9	14.8	86.0	15.3	79.7	12.6	71.0	57.2	74.5	59.9	71.6	58.3
Midgrade	92.5	3.7	95.7	3.9	89.4	3.6	79.4	10.7	82.8	10.9	78.5	11.6
Premium	99.9	3.5	102.9	3.6	98.3	3.3	82.3	18.9	85.8	18.4	85.7	18.5
Aviation Gasoline	113.0	0.1	113.9	0.2	115.1	0.1	101.8	0.5	104.5	0.6	108.4	0.5
Kerosene-Type Jet Fuel	61.2	48.0	61.5	49.7	71.7	48.1	61.3	14.4	61.3	11.0	72.2	10.3
Propane (Consumer Grade)	52.2	3.8	52.3	3.5	71.1	3.3	39.6	35.8	41.1	34.7	57.9	41.0
Kerosene	77.9	0.3	72.8	0.2	88.7	0.3	62.6	4.0	63.8	2.6	79.7	3.4
No. 1 Distillate	70.1	0.4	66.8	0.3	79.2	0.5	71.0	3.1	72.0	1.6	84.0	3.6
No. 2 Distillate	65.0	23.7	64.3	26.2	75.6	25.9	60.7	113.6	61.2	127.1	72.7	119.1
No. 2 Fuel Oil	64.2	3.1	63.2	3.1	75.0	3.1	58.4	27.6	59.0	26.4	71.4	38.3
No. 2 Diesel Fuel	65.2	20.6	64.5	23.1	75.7	22.8	61.5	85.9	61.7	100.7	73.3	80.7
Low Sulfur	66.7	13.5	66.0	15.3	77.8	14.5	61.9	72.4	62.0	84.1	73.8	66.1
High Sulfur	62.2	7.1	61.5	7.8	72.1	8.4	59.1	13.5	60.2	16.6	71.0	14.6
No. 4 Fuel^a	58.2	0.4	55.5	0.3	63.7	0.4	57.3	0.1	56.8	0.1	65.7	0.3
Residual Fuel Oil	45.7	14.4	43.9	15.4	49.7	14.3	43.6	11.7	42.0	12.7	46.3	11.3
Sulfur Content not > 1 %	51.2	3.6	48.2	2.9	57.0	2.8	46.5	4.6	44.6	5.8	49.2	4.3
Sulfur Content > 1 %	43.8	10.8	42.9	12.5	48.0	11.6	41.6	7.0	39.8	7.0	44.5	7.0

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

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

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*.

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

nearly 1 percent from October's level while total inputs fell about 0.5 percent. Stocks of finished gasoline rose 1.4 percent from the previous month's rate, and 6.5 percent from the year-ago level. Preliminary data tracking gasoline demand during November indicate a drop of 2.6 percent from October's level, falling to just under 8 million barrels per day. The data reflecting November stock levels and demand for distillates indicate more acute changes and reflect the relatively mild start to the winter season. Distillates stocks grew 3.2 percent from October's level and 15.6 percent from the year-ago sum. Preliminary data indicate a decrease in demand of 6.8 percent from the October level, dropping to 3.4 million barrels per day.

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

Crude Oil

The November daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma, fell solidly over the course of the month, despite the political strife that caused a short-lived spike during the middle of month. The price opened at \$21.10 per barrel and initially followed an undistinguished path. Events in the Middle East caused the price to

rise to \$21.00-per-barrel range. The price fell sharply after that point, losing nearly \$2.00 per barrel in less than a week's time. At month's close, the price reached its low of \$19.13 per barrel, \$1.97 lower than where it began November.

- Echoing the spot market's downward trend, monthly average crude oil prices for November fell in all categories of sales. The average domestic crude oil first purchase price decreased moderately, falling 84 cents (4.8 percent), to \$16.84 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil shows the greatest degree of change, decreasing \$1.18 (6.8 percent), to \$16.27 per barrel. The average landed cost of foreign crude oil fell \$1.04 (5.6 percent), to \$17.63 per barrel.

@BULLET = The monthly average refiner acquisition costs for domestic crude oil declined 41 cents (2.1 percent), to \$19.32 per barrel. The average cost of imported crude oil to U.S. refiners fell 74 cents (3.9 percent), to \$18.14 per barrel. The composite refiner acquisition cost of crude decreased 59 cents (3.1 percent), to \$18.67 per barrel.

Petroleum Products

Motor Gasoline

At New York Harbor, the daily spot price for unleaded regular gasoline fluctuated throughout the month, influenced by a variety of factors including reports of refinery problems and concerns about the situation in Iraq. Opening at 56.4 cents per gallon, the price continued on a variable course until reaching the high of 57.8 cents per gallon on November 14. The price fell sharply after that point, reaching the low of 54.5 cents per gallon on November 20. However, it regained some of its previous vigor and surpassed the price for No. 2 heating oil during the final week of the month. The price closed at 55.1 cents per gallon, 1.3 cents lower than the opening level for November.

- Continuing last month's trend, monthly average gasoline prices fell in all categories of sales. The average price for retail sales of motor gasoline by refiners dropped 2.6 cents, to 81.7 cents per gallon while the average wholesale price fell 2.7 cents to 65.9 cents per gallon. Including data reported by a

sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 2.9 cents to 80.5 cents per gallon. The average wholesale price decreased 2.7 cents, to 66.2 cents per gallon. The average dealer tank wagon (DTW) price declined 2.8 cents to 74.9 cents per gallon. The average rack price fell 2.7 cents to 62.7 cents per gallon. The average bulk sales price dropped 3.9 cents, to 56.9 cents per gallon. The margin between reformulated and conventional gasoline prices eased, falling to 7.4 cents at retail, and 10.9 cents at wholesale. The difference between conventional and oxygenated gasoline prices widened again, expanding to 12.1 cents at retail and 13.0 cents at wholesale.

- November sales of finished motor gasoline by refiners fell in November. Total sales decreased 15.5 million gallons per day (4.3 percent), to an average of 348.6 million gallons per day. Retail sales declined 2.0 million gallons per day (3.1 percent), while wholesales declined 13.5 million gallons per day (4.5 percent). Rack sales accounted for 60.8 percent of total wholesales, while DTW and bulk sales explained 26.1 percent and 13.1 percent, respectively. Reformulated gasoline (RFG) constituted 31.2 percent of total motor gasoline sales, while oxygenated gasoline made up 4.3 percent of sales.

No. 2 Distillate

The November daily spot price for No. 2 heating oil at New York Harbor performed in a less volatile manner than either crude oil or gasoline. Opening at 57.0 cents per gallon, the price gradually moved to the month's high of 59.0 cents per gallon on November 14. After that point, the price dropped sharply, losing all of the ground it had gained. The price plunged 2.6 cents on the final day of the month, falling to 52.7 cents per gallon, November's low. That price was 4.3 cents lower than the month's opening level.

- No. 2 distillate monthly average prices show only marginal changes from October levels. The national average residential price rose 1.8 cents to 93.9 cents per gallon, while the average wholesale price fell 0.3 cent, to 61.6 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets inched up 0.2 cent, while the average wholesale price remained flat. The margins between low- and high-sulfur diesel fuel

prices rose 1.5 cents at retail and 2.8 cents at wholesale.

- Refiner sales of No. 2 distillate generally decreased in November. Total sales fell 16.1 million gallons per day (10.5 percent), to 137.2 million gallons per day. Sales of No. 2 fuel oil increased 1.2 million gallons per day (4.1 percent) while sales of No. 2 diesel fuel decreased 17.3 million gallons per day (14.0 percent). Low-sulfur diesel fuel sales comprised 80.7 percent of all refiner diesel fuel sales, and 62.6 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Once again, monthly average residual fuel oil prices rose in all categories of sales. Refiner prices for low-sulfur residual fuel increased 3.0 cents to 51.2 cents per gallon at retail and 1.9 cents to 46.5 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices rose 0.9 cent to 43.8 cents per gallon at retail and 1.8 cents to 41.6 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price climbed 3.1 cents to 51.1 cents per gallon at retail and 1.5 cents to 46.9 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 1.2 cents to 44.3 cents per gallon at retail and 1.9 cents to 42.3 cents per gallon at wholesale.

- Sales of residual fuel oil by refiners fell in November. Total sales decreased 2.0 million gallons per day (7.1 percent), to 26.1 million gallons per day. Low-sulfur residual fuel sales fell 500,000 gallons per day (5.7 percent), while high-sulfur residual fuel oil decreased 1.7 million gallons per day (8.7 percent).

Other Products

- November prices for other products were mixed. Refiner propane prices decreased 0.1 cent per gallon at retail, and 1.5 cents per gallon at wholesale. Including the sample of propane marketers, the average residential propane price rose 1.2 cents per gallon, while the average end-user price increased 3.0 cents. The average wholesale price fell 1.1 cents per gallon. Prices for aviation gasoline declined at both levels, while No. 4 distillate prices rose at both levels. Kerosene and No. 1 distillate rose at retail and fell at wholesale, while kerosene-type jet fuel dropped at retail and was flat at wholesale.
- Refiner volumes of sales for these products were also mixed during November. Sales of propane, kerosene, No. 1 distillate, and No. 4 distillate rose at both levels. Sales of aviation gasoline fell in both categories, while sales of kerosene-type jet fuel fell at retail and rose at wholesale.