

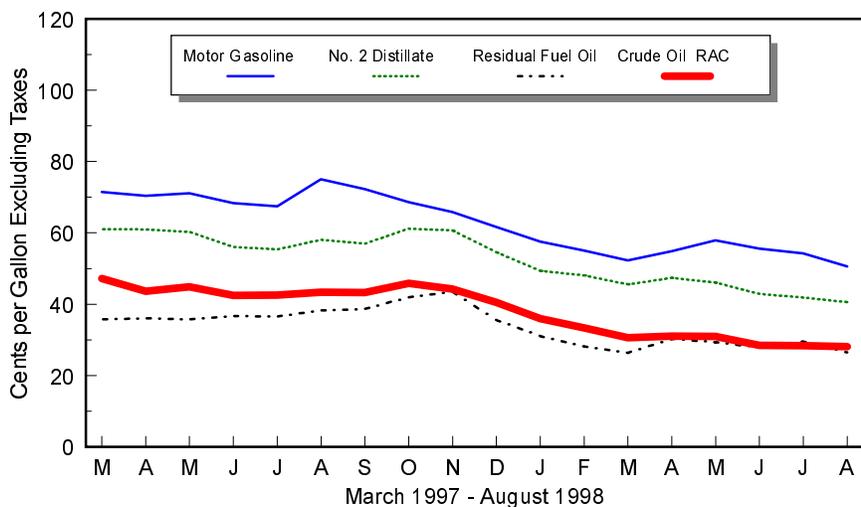
Highlights

Highlights

Lacking any extraordinary events to influence market activities, international crude oil prices remained on a relatively steady course during August. Efforts to rein in wellhead production continued with some success among members of the Organization of Petroleum Exporting Countries (OPEC), with most nations coming within sight of their revised quotas, if not actually meeting the specified quantity. Contributing additional support for prices, North Sea output declined, but in this case the drop was due to production facilities maintenance and output should rise when the maintenance is completed. Offsetting the effect of lower production, world demand remained lackluster. Ongoing economic upheaval in various Asian countries and in Russia continued to reduce demand for crude oil and finished products. In addition, growth in demand from the industrialized West continues at a less-than-expected rate. Ample crude oil stockpiles in the United States and Europe have persisted since the beginning of the year and have contributed significantly to enervated prices. The approach of scheduled refinery maintenance in both of these regions could soften the effect of reduced wellhead output on prices. Additionally, current refining margins in various locales may also provide some incentive to place facilities into turnaround mode. Political events provided little support for prices, despite ongoing unrest in Nigeria and continued tensions surrounding the U.N./Iraq weapons inspection program. Additionally, the U.S. bombing of suspected terrorist sites in Afghanistan and Sudan had little effect on prices.

Crude oil and finished product prices in the United States continued to be affected by abundant supplies during August. Crude oil prices remained soft with many key streams registering decreases over the course of the month. The ongoing worldwide supply surplus, unfavorable refining margins, and additional pressure from impending refinery maintenance served to reinforce sluggish prices. While crude oil stocks fell by 1 percent from last month's level, due to very high refinery utilization, they remain more than 3 percent above the level at this time last year. And while the crude oil stock draws provided temporary support, the increased production of finished products dampened prices for those products across the country, with most regional markets registering drops from July levels. Illustrating current market conditions, the spot price for unleaded regular gasoline at New York Harbor ranged between 66.0 and 76.9 cents per gallon during August 1997, while the August 1998 range was between 38.7 and 42.6 cents per gallon. Average retail pump prices

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 1998		July 1998		August 1997		August 1998		July 1998		August 1997	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	66.5	67.0	69.4	67.3	86.8	64.9	50.6	312.2	54.3	321.9	75.0	304.0
Conventional	64.0	41.1	67.2	41.1	85.2	40.3	47.3	213.1	51.6	220.3	72.4	210.0
Regular	59.9	28.5	63.2	28.6	81.5	28.7	45.0	162.0	49.4	168.4	70.3	161.3
Midgrade	69.7	6.5	72.7	6.5	90.7	6.4	51.0	16.5	55.1	17.2	76.1	17.5
Premium	77.1	6.2	80.2	6.0	98.3	5.2	56.0	34.6	60.2	34.7	81.1	31.2
Oxygenated	70.7	1.9	74.7	2.0	90.1	1.7	57.7	5.8	61.6	5.9	79.5	3.6
Regular	68.3	1.5	72.2	1.6	87.5	1.4	56.3	4.4	60.3	4.6	78.4	2.8
Midgrade	77.1	0.2	81.2	0.2	96.3	0.2	58.8	0.8	62.7	0.8	81.8	0.4
Premium	84.7	0.2	89.0	0.2	104.9	0.1	66.7	0.6	70.3	0.5	85.7	0.4
Reformulated	70.3	24.1	72.8	24.3	89.5	22.9	57.6	93.3	60.0	95.7	80.8	90.4
Regular	65.3	15.8	67.8	16.0	84.8	15.1	53.8	61.8	56.2	64.5	77.2	60.4
Midgrade	76.0	4.1	78.2	4.1	94.7	4.0	62.1	10.9	64.9	11.0	84.5	11.5
Premium	84.0	4.2	86.6	4.2	102.8	3.8	66.6	20.6	69.5	20.2	90.1	18.5
Aviation Gasoline	96.1	0.2	98.4	0.2	114.6	0.2	90.9	0.8	93.6	0.9	108.9	0.8
Kerosene-Type Jet Fuel	43.7	51.2	43.4	51.7	59.1	51.8	43.5	13.4	43.8	11.6	59.4	12.0
Propane (Consumer Grade)	33.5	2.4	35.8	1.9	50.5	2.3	25.7	27.9	25.7	26.8	37.5	28.7
Kerosene	42.3	0.5	47.4	0.3	64.9	0.2	40.7	1.1	41.7	1.1	60.5	1.2
No. 1 Distillate	NA	NA	NA	NA	61.8	0.2	51.1	0.4	50.2	0.3	67.3	0.4
No. 2 Distillate	45.9	25.1	47.3	25.9	61.5	23.9	40.6	117.4	41.9	122.8	58.1	112.5
No. 2 Fuel Oil	43.1	3.7	44.8	3.1	59.0	3.0	36.9	20.9	38.8	22.0	55.3	25.0
No. 2 Diesel Fuel	46.4	21.4	47.6	22.8	61.8	20.9	41.4	96.4	42.6	100.9	58.9	87.5
Low Sulfur	48.2	14.5	49.3	15.4	63.6	14.0	41.8	82.0	43.0	84.5	59.2	73.2
High Sulfur	42.8	6.9	44.2	7.3	58.3	6.9	39.1	14.4	40.4	16.4	57.3	14.3
No. 4 Fuel^a	36.2	0.4	38.4	0.4	51.6	0.2	36.0	0.0	37.5	0.0	52.6	0.2
Residual Fuel Oil	28.6	17.5	31.4	16.0	40.7	12.3	26.5	16.6	29.6	19.4	38.3	12.3
Sulfur Content not > 1 %	32.1	4.5	35.0	4.5	44.6	2.9	26.9	7.2	30.7	8.6	39.4	5.1
Sulfur Content > 1 %	27.4	13.0	30.0	11.6	39.5	9.4	26.1	9.4	28.8	10.8	37.6	7.2

NA = Not available.

^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."

reflect a similarly dramatic difference, with the August 1997 price at 86.4 cents per gallon (excluding taxes) and the August 1998 price at 65.1 cents per gallon, a difference of 21.3 cents. No. 2 distillate prices show a similar variance in year-to-year price levels.

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

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma lost ground on average during August, largely due to continuing concern over the excess supply of product in national and international markets. Starting the month at its high point of \$13.93 per barrel, the price gradually moved downward during the following weeks until the low of \$12.76 was reached on August 12. It regained some pep after that due to reports indicating significant cuts in Saudi Arabian crude oil exports for September, but remained on a rather prosaic course for the rest of the month, closing at \$13.29 per barrel.

- August monthly average crude oil prices experienced only marginal changes from July's levels. The average domestic crude oil first purchase price decreased 28 cents (2.7 percent), to \$10.18 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil fell 48 cents (4.6 percent), to \$9.89 per barrel. The average landed cost of foreign crude oil dropped 37 cents (3.3 percent), to \$11.01 per barrel.
- The monthly average refiner acquisition costs for domestic crude oil remained flat at \$12.39 per barrel. The average cost of imported crude oil to U.S. refiners decreased 19 cents (1.6 percent), to \$11.37 per barrel. The composite refiner acquisition cost of crude oil dropped 12 cents (1.0 percent), to \$11.80 per barrel.

Petroleum Products

Motor Gasoline

At the customary end of the driving season, the daily spot price for unleaded regular gasoline at New York Harbor labored under the pressure of abounding stockpiles and high refinery utilization. Opening at 39.3 cents per gallon, the price embarked on volatile course that lasted for several weeks. The month's high of 42.6 cents per gallon was reached on August 13 after data indicating stockdraws were published in weekly supply reports. The price dropped sharply after that and continued to lag during the rest of the month as refinery runs increased. It reached the low of 38.7 cents per gallon on August 25 and closed the month at 39.1 cents per gallon.

- As was the case in July, August monthly average gasoline prices show decreases in all categories. The average price for motor gasoline retail sales by refiners fell 2.9 cents per gallon to 66.5 cents per gallon, while the average wholesale price declined 3.7 cents to 50.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets dropped 2.7 cents to 65.1 cents per gallon. The average wholesale price decreased 3.6 cents to 51.0 cents per gallon. The average dealer tank wagon (DTW) price decreased 2.5 cents to 59.4 cents per gallon. The average rack price fell 4.5 cents to 47.7 cents per gallon. The

average bulk sales price declined 3.4 cents to 42.9 cents per gallon. The margin between reformulated and conventional gasoline prices rose to 4.3 cents at retail, and 8.2 cents at wholesale. The spread between conventional and oxygenated gasoline prices decreased to 7.2 cents at retail, and increased to 9.5 cents at wholesale.

- Finished motor gasoline sales by refiners fell during August. Total sales decreased 10 million gallons per day (2.6 percent), to an average of 379.2 million gallons per day. Retail sales declined 300,000 gallons per day (0.4 percent), while wholesales fell 9.7 million gallons per day (3.0 percent). Rack sales accounted for 63.2 percent of total wholesales, while DTW and bulk sales made up 23.7 percent and 13.1 percent, respectively. Reformulated gasoline (RFG) made up 31.0 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.0 percent of sales.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor continued to be greatly influenced by brimming stocks during August. Opening at 34.2 cents per gallon, the price inched up to the high of 35.7 cents per gallon on August 7. It quickly lost ground, falling to the low of 33.3 cents per gallon on August 12. The price continued on its lackluster course for the remainder of the month and closed at 35.1 cents per gallon, less than a penny higher than were it began August.

- Continuing the recent pattern, August monthly average prices for No. 2 distillates fell in all categories. The national average residential price declined 2.3 cents to 75.3 cents per gallon, while the average wholesale price decreased 1.3 cents to 41.4 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 1.6 cents, while the average wholesale price dropped 1.2 cents. The difference between low- and high-sulfur diesel fuel prices were 0.9 cent at retail and 1.9 cents at wholesale.
- Refiner sales of No. 2 distillate subsided again during August. Total sales decreased 6.4 million gallons per day (4.3 percent), to 142.4 million gallons per day. Sales of No. 2 fuel oil declined 500,000 gallons per day (2.0 percent), while sales of No. 2 diesel fuel fell 5.9 million gallons per day (4.8 percent). Low-sulfur diesel fuel sales constituted

81.9 percent of all refiner diesel fuel sales, and 67.8 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- August monthly average residual fuel oil prices fell in all categories. Refiner prices for low-sulfur residual fuel decreased 2.9 cents to 32.1 cents per gallon at retail, and 3.8 cents to 26.9 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices fell 2.6 cents to 27.4 cents per gallon, and 2.7 cents to 26.1 cents per gallon at retail and wholesale, respectively. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price decreased 2.3 cents to 32.4 cents per gallon at retail, and 3.2 cents to 27.6 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil dropped 2.5 cents to 27.7 cents per gallon at retail, and 2.3 cents to 26.6 cents per gallon at wholesale.
- Residual fuel oil sales by refiners were generally down in August. Total sales decreased 1.3 million gallons per day (3.7 percent), to 34.1 million gallons per day. Low-sulfur residual fuel sales dropped

1.4 million gallons per day (10.7 percent), while high-sulfur residual fuel sales remained flat.

Other Products

- August prices for products included in this section show a mixture of changes. Refiner propane prices fell 2.3 cents per gallon at retail, but remained unchanged at wholesale. Including the sample of propane marketers, the average residential propane price dropped 4.0 cents per gallon. The average end-user and wholesale prices for propane declined 3.2 cents per gallon and 0.1 cent per gallon, respectively. Kerosene-type jet fuel prices increased at retail but fell at wholesale. Aviation gasoline, kerosene and No. 4 distillate fell at both levels while No. 1 distillate rose at wholesale.
- Sales of these products were mixed in August. Propane and kerosene sales increased at both levels, while aviation gasoline and No. 4 distillate sales fell at retail and wholesale. Kerosene-type jet fuel fell at retail, but increased at wholesale. Retail sales of No. 1 were marginally up.