

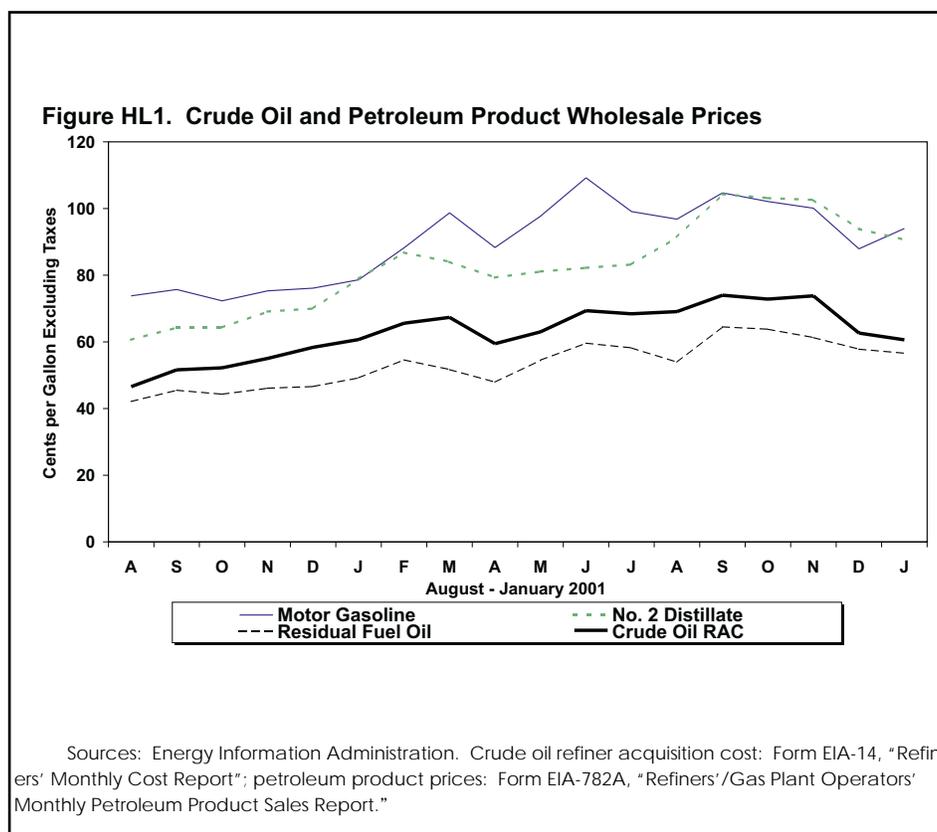
# Highlights

International crude oil prices opened the year on an upward path, largely driven by the Organization of Petroleum Exporting Countries (OPEC) decision to cut production by 1.5 million barrels per day. The group's concern that prices remain within the target range of \$22 to \$28 per barrel when demand ebbs following the winter season in the Northern Hemisphere prompted the move. OPEC has slated the reduction to go into effect February 1, 2001. Substantial refinery usage in the critical U.S. market also underpinned world oil prices. Reports throughout January showed a decline in crude oil stocks associated with a high percentage of crude oil inputs to refineries when compared to gross inputs. Finally, although its production rate reportedly rose appreciably this month, uneven Iraqi crude oil exports during the past few months (due to a dispute with the U.N. concerning a new pricing structure for crude oil sales) also supported the increase in crude oil prices during January.

cause of reduced production, due in part to high natural gas prices. Natural gas is used in desulfurization processes of refined products and in the manufacture of MTBE. Refinery turnarounds also contributed to reduced production rates. Scheduled facilities maintenance in addition to shortages of MTBE also affected gasoline prices. Combined with concern about inventory levels just before the usual annual phase of gasoline stockbuilding, shortages of the blending component commonly used in the production of reformulated gasoline drove its prices up and cut into margins.

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

January crude oil and finished product prices showed mixed trends in the United States. While crude oil prices were on the upswing through most of January, their range and monthly averages remained lower than those seen during the record-setting months in autumn 2000 (excepting December). On the East Coast, No. 2 distillate prices began to drop as many foreign cargoes arrived along with warmer temperatures, easing recent concerns about production rates and supply levels. Notably, residual fuel oil prices experienced far less decline. Because of the imbalance between supply and demand for natural gas, residual fuel oil products were substituted for power generation purposes. Further, low-sulfur diesel prices in Gulf Coast and Midwestern markets experienced notable increases be-



**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					
	January 2001		December 2000		January 2000		January 2001		December 2000		January 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	106.6	58.2	106.2	62.4	91.7	54.9	94.0	278.8	87.9	305.3	78.6	269.6
<b>Conventional</b> .....	103.2	32.7	100.8	35.3	90.0	31.6	91.3	179.4	82.7	193.6	76.3	173.7
Regular .....	100.2	24.7	97.6	26.5	86.5	22.8	89.7	146.2	81.1	157.2	74.5	136.8
Midgrade .....	109.4	4.5	107.2	4.9	96.1	4.9	95.9	11.5	87.2	12.7	80.7	12.1
Premium .....	116.8	3.5	114.4	4.0	102.7	3.9	99.7	21.8	90.8	23.7	83.9	24.8
<b>Oxygenated</b> .....	113.2	3.8	113.1	4.1	95.4	3.4	100.9	11.4	97.9	12.8	85.0	11.3
Regular .....	110.3	2.9	109.6	3.1	91.8	2.5	99.4	8.9	96.6	10.0	83.5	8.6
Midgrade .....	118.3	0.6	119.9	0.6	102.1	0.5	104.0	1.4	97.5	1.5	85.4	1.4
Premium .....	129.8	0.3	130.1	0.4	111.9	0.3	109.6	1.1	108.1	1.2	94.7	1.4
<b>Reformulated</b> .....	110.5	21.7	113.2	23.0	93.8	19.9	98.7	88.0	96.9	98.9	82.4	84.6
Regular .....	106.3	15.3	108.9	16.2	89.3	13.7	95.8	65.3	93.7	73.2	79.2	59.2
Midgrade .....	116.6	3.3	119.6	3.5	99.6	3.3	103.3	7.8	103.8	8.6	87.0	8.6
Premium .....	124.9	3.1	127.4	3.3	108.0	3.0	108.6	15.0	106.9	17.0	91.5	16.8
<b>Aviation Gasoline</b> .....	128.5	0.1	126.1	0.1	119.6	0.1	131.0	0.4	128.3	0.4	111.4	0.4
<b>Kerosene-Type Jet Fuel</b> .....	88.4	49.2	99.6	50.8	80.4	43.1	88.2	14.7	99.4	13.7	79.8	17.4
<b>Propane (Consumer Grade)</b> .....	82.3	2.3	66.8	2.6	62.7	4.2	86.4	50.7	76.7	52.0	49.2	44.4
<b>Kerosene</b> .....	126.0	0.4	122.7	0.5	106.6	0.3	107.0	4.3	105.8	3.7	94.3	4.2
<b>No. 1 Distillate</b> .....	103.3	0.6	105.8	0.6	86.6	0.5	110.4	3.5	107.8	4.6	86.5	3.4
<b>No. 2 Distillate</b> .....	96.7	28.9	99.9	26.8	80.7	22.6	90.6	137.8	93.9	130.3	78.9	114.5
No. 2 Fuel Oil .....	99.4	4.4	101.5	3.4	86.5	3.0	90.3	36.6	94.1	33.9	82.8	30.7
No. 2 Diesel Fuel .....	96.3	24.5	99.7	23.4	79.8	19.6	90.7	101.2	93.8	96.4	77.4	83.8
Low Sulfur .....	97.8	17.2	101.6	15.3	82.6	13.4	91.1	84.2	94.1	79.7	77.8	72.3
High Sulfur .....	92.6	7.3	96.0	8.1	73.8	6.2	88.4	17.1	92.2	16.7	75.5	11.4
<b>No. 4 Fuel<sup>a</sup></b> .....	86.2	0.7	87.4	0.6	73.7	0.5	83.5	0.3	82.2	0.3	76.1	0.2
<b>Residual Fuel Oil</b> .....	61.7	20.2	62.5	19.4	53.7	14.5	56.6	10.9	57.8	10.1	49.2	9.1
Sulfur Content not > 1 % .....	74.1	6.3	75.8	5.6	64.5	4.2	64.7	5.4	66.6	4.7	57.2	3.4
Sulfur Content > 1 % .....	56.2	14.0	57.0	13.8	49.3	10.3	48.7	5.5	50.4	5.5	44.3	5.6

<sup>a</sup> 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."

## Crude Oil

In the wake of December's decline, the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma increased during January. Following its opening and lowest point for the month, \$26.72 per barrel, the price began to rise steadily due to a combination of fundamental and technical factors. The high of \$32.21 per barrel, reached on January 22, came after strong comments about Iraq made by President-elect George W. Bush in conjunction with short covering in the NYMEX prior to February contract expiration. The price declined during the final days of January, and closed the month at \$28.62 per barrel.

- Monthly average crude oil prices show moderate changes from December levels. The average domestic crude oil first purchase price rose 7 cents (0.3 percent), to \$24.62 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil fell 55 cents (2.4 percent), to \$22.12 per barrel. The average landed cost of foreign crude oil decreased 68 cents (2.8 percent), to \$24.01 per barrel.
- The average refiner acquisition cost for domestic crude oil declined \$1.04 (3.7 percent), to \$26.86 per barrel. The average cost of imported crude oil to U.S. refiners fell 68 cents (2.7 percent), to \$24.51 per barrel. The composite refiner acquisition cost for crude oil dropped 85 cents (3.2 percent), to \$25.46 per barrel.

# Petroleum Products

## *Motor Gasoline*

At New York Harbor, the January daily spot price for regular gasoline rose firmly from December's range. Like spot prices for crude oil and other finished products, the gasoline price began the month at its lowest level, 76.4 cents per gallon. It went into a period of sharp increase during the next two weeks, ending at the month high of 88.7 cents per gallon on January 12. It retreated from that point gradually during the rest of the month and closed January at 80.2 cents per gallon.

- January national average gasoline prices generally increased from last month's levels. The average price for retail sales of motor gasoline by refiners rose 0.4 cent to \$1.066 per gallon, while the average wholesale price increased 6.1 cents to 94.0 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets rose 1.4 cents to \$1.061 per gallon. The average wholesale price climbed 5.7 cents to 94.4 cents per gallon. The average dealer tank wagon (DTW) price increased 0.6 cent to \$1.006 per gallon, while the average rack price rose 8.9 cents to 92.8 cents per gallon. The average price for bulk sales increased 5.6 cents to 84.9 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 5.3 cents at retail and 6.1 cents at wholesale. Oxygenated gasoline prices were 10.2 cents higher than conventional gasoline prices at retail and 10.0 cents at wholesale.
- Total refiner sales of gasoline fell 30.7 million gallons per day (8.3 percent), to an average of 337.0 million gallons per day. Retail sales fell 4.2 million gallons per day (6.7 percent), while wholesales decreased 26.5 million gallons per day (8.7 percent). Rack sales accounted for 66.3 percent of wholesales, while DTW and bulk sales made up 23.3 percent and 10.4 percent, respectively. Reformulated gasoline (RFG) constituted 32.6 percent of total motor gasoline sales, while oxygenated gasoline represented 4.5 percent.

## *No. 2 Distillate*

The No. 2 heating oil daily spot price at New York Harbor continued to decline in January as a more favorable outlook for inventories solidified and weather forecasts predicted milder temperatures in the critical Northeastern region of the country. The month's high

of 89.6 cents per gallon occurred on January 2. While showing a somewhat inconstant trend, the price decreased during the rest of the month. Closing at 78.5 cents per gallon, the price was more than 14 cents lower than where it began January.

- No. 2 distillate prices fell across all categories in January. The national average residential price for No. 2 distillate fell 2.4 cents to \$1.386 per gallon. The average wholesale price declined 4.2 cents to 90.8 cents per gallon. The average price for No. 2 diesel fuel dropped 2.9 cents at company-operated retail outlets, while the average wholesale price decreased 3.3 cents. The difference between low- and high-sulfur diesel fuel prices was 1.4 cents at retail and 2.3 cents at wholesale.
- Total sales of No. 2 distillate increased 9.6 million gallons (6.1 percent), to 166.7 million gallons per day. Sales of No. 2 fuel oil rose 3.7 million gallons per day (9.9 percent), while sales of No. 2 diesel fuel climbed 5.9 million gallons per day (4.9 percent). Low-sulfur diesel fuel made up 80.7 percent of all refiner diesel fuel sales, and 60.8 percent of all refiner No. 2 distillate sales.

## *Residual Fuel Oil*

January residual fuel oil prices dropped in all categories. Refiner prices for low-sulfur residual fuel decreased 1.7 cents to 74.1 cents per gallon at retail, and 1.9 cents to 64.7 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail declined 0.8 cent to 56.2 cents per gallon, while the wholesale price fell 1.7 cents to 48.7 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price dropped 0.4 cent to 73.3 cents per gallon at retail, and 2.7 cents to 66.0 cents per gallon at wholesale. Prices for high-sulfur residual fuel oil declined 1.4 cents to 56.5 cents per gallon at retail, and 1.2 cents to 50.7 cents per gallon at wholesale.

- Total sales of residual fuel oil sales by refiners in January increased 1.6 million gallons per day (5.4 percent), to 31.1 million gallons per day. Low-sulfur residual fuel sales rose 1.4 million gallons per day (13.6 percent), while high-sulfur residual fuel oil sales increased 200,000 gallons per day (1.0 percent).

### ***Other Products***

- The direction of prices for the remaining surveyed products were mixed in January. Refiner propane prices jumped 15.5 cents per gallon at retail and 9.7 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price surged 19.5 cents per gallon. The average retail price for propane also rose 19.5 cents, while the wholesale price rose 9.8 cents per gallon. Prices for

kerosene and aviation gasoline rose at retail and wholesale while kerosene-type jet fuel prices fell at both levels. No. 1 distillate and No. 4 distillate prices fell at retail but rose at wholesale.

- Refiner sales of propane fell at retail and wholesale while No. 4 distillate sales increased at both levels. Sales of kerosene and kerosene-type jet fuel fell at retail but rose at wholesale. No. 1 distillate and aviation gasoline sales increased at retail and but declined at wholesale.