

Highlights

Continuing on April's upward path, international crude oil prices moved moderately higher during May. A combination of political and fundamental industry factors drove the increase. North Sea field maintenance, low stock levels of refined products, an upcoming Organization of Petroleum Exporting Countries (OPEC) meeting, and friction in the Middle East were some of the principal issues affecting prices. In spite of high crude oil prices, market watchers expected OPEC to maintain current production quotas during its early June meeting, despite calls from the United States and other countries to increase production to dampen prices. Scheduled North Sea field maintenance also exerted some pressure on crude oil prices. Lower production during maintenance activities along with increased demand due to higher refinery use in Europe spurred some key streams' prices higher. Low stocks of gasoline in U.S. and European markets led to increased interest in sweet crude oil from which a larger proportion of gasoline can be produced compared to sour grades. At mid-month, a joint U.S./British bombing raid in southern Iraq and renewed violence between Israelis and Palestinians lent some support to crude oil prices. By the end of May, finished product prices in European and Asian markets, and to a lesser extent in the United States, had failed to keep pace with crude oil prices, severely reducing refinery margins. The collapse in margins raised concern about possible runs cuts in some refining centers.

Concern about refinery problems and stock levels caused crude oil and finished product prices in U.S. markets to remain high during May. While crude oil and distillate prices crept up steadily, gasoline prices varied dramatically over the course of the month. Following a period of

planned maintenance earlier this spring, refinery activity was firmly on the upswing at the start of May. Gasoline prices dropped considerably across the country during the first few weeks of the month as stocks reports showed growth in gasoline supplies. However, refinery problems at several Gulf Coast and mid-continent facilities and rumors of maintenance at an East Coast refinery coming in June caused gasoline prices to rise sharply at mid-month. Concern about a reported decline in supplies and production of reformulated gasoline (RFG) exacerbated the increase. By the close of the month prices had declined again as refinery production rose and solid import rates eased worries about gasoline supplies during the coming summer months. Crude oil prices, while remaining within a fairly tight range, increased during May causing refinery margins to shrink substantially. The monthly average spot market price for the benchmark West Texas Intermediate crude oil was \$28.63 per barrel in May, \$1.14 higher than for April. Similar average

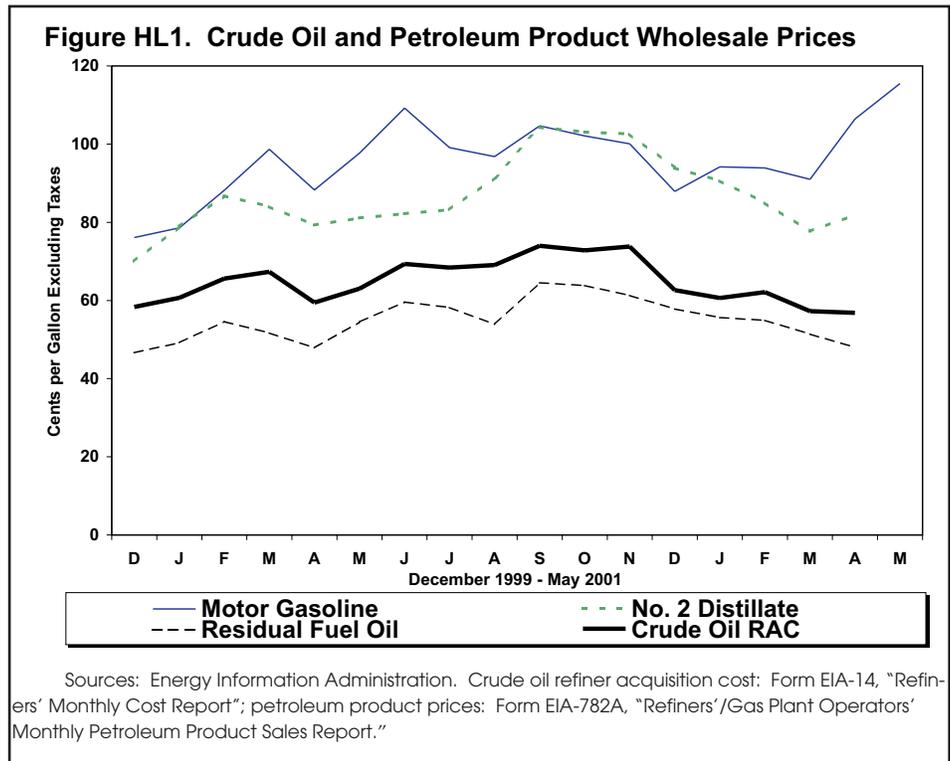


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

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

| Products | Sales to End Users | | | | | | Sales for Resale | | | | | |
|---------------------------------------|--------------------|--------|------------|--------|----------|--------|------------------|--------|------------|--------|----------|--------|
| | May 2001 | | April 2001 | | May 2000 | | May 2001 | | April 2001 | | May 2000 | |
| | Price | Volume | Price | Volume | Price | Volume | Price | Volume | Price | Volume | Price | Volume |
| Motor Gasoline | 130.1 | 63.3 | 117.6 | 62.7 | 110.3 | 61.6 | 115.5 | 308.3 | 106.4 | 303.9 | 97.7 | 317.4 |
| Conventional | 124.4 | 37.6 | 113.4 | 36.7 | 106.8 | 37.4 | 110.0 | 205.6 | 102.0 | 203.1 | 94.3 | 214.5 |
| Regular | 121.8 | 29.2 | 110.4 | 28.0 | 103.6 | 28.1 | 108.6 | 169.5 | 100.3 | 167.4 | 92.5 | 173.5 |
| Midgrade | 130.5 | 4.8 | 119.7 | 4.9 | 113.2 | 5.3 | 114.3 | 12.1 | 106.4 | 12.6 | 98.9 | 13.9 |
| Premium | 137.5 | 3.6 | 127.0 | 3.8 | 120.8 | 4.0 | 117.7 | 23.9 | 111.7 | 23.1 | 103.3 | 27.0 |
| Oxygenated | 136.3 | 1.7 | 120.8 | 1.9 | 114.5 | 1.8 | 123.7 | 7.0 | 110.3 | 7.0 | 103.0 | 6.8 |
| Regular | 133.9 | 1.5 | 118.6 | 1.6 | 112.4 | 1.5 | 122.2 | 5.6 | 108.8 | 5.6 | 102.1 | 5.3 |
| Midgrade | 146.2 | 0.2 | 128.9 | 0.2 | 121.3 | 0.2 | 128.3 | 0.9 | 113.4 | 0.9 | 102.8 | 1.0 |
| Premium | 154.1 | 0.1 | 136.9 | 0.1 | 130.9 | 0.1 | 132.9 | 0.4 | 120.4 | 0.5 | 113.7 | 0.5 |
| Reformulated | 138.5 | 23.9 | 123.8 | 24.1 | 115.9 | 22.4 | 126.9 | 95.7 | 115.7 | 93.8 | 104.8 | 96.1 |
| Regular | 134.9 | 17.6 | 120.1 | 17.3 | 112.0 | 16.0 | 124.1 | 73.7 | 113.1 | 70.3 | 101.9 | 69.9 |
| Midgrade | 144.9 | 3.4 | 130.0 | 3.5 | 122.1 | 3.4 | 133.6 | 7.6 | 119.5 | 7.9 | 109.8 | 9.0 |
| Premium | 152.1 | 3.0 | 137.1 | 3.2 | 129.5 | 3.0 | 137.7 | 14.3 | 125.4 | 15.6 | 113.7 | 17.2 |
| Aviation Gasoline | 146.0 | 0.2 | 132.8 | 0.2 | 133.6 | 0.2 | 147.8 | 0.7 | 140.5 | 0.6 | 130.1 | 0.7 |
| Kerosene-Type Jet Fuel | 84.0 | 55.2 | 80.3 | 51.8 | 78.8 | 48.2 | 83.4 | 12.9 | 79.5 | 12.1 | 78.0 | 18.2 |
| Propane (Consumer Grade) | 54.3 | 3.1 | 57.0 | 2.7 | 49.8 | 1.4 | 56.2 | 24.3 | 58.6 | 24.8 | 49.4 | 24.4 |
| Kerosene | 94.1 | 0.1 | 100.5 | 0.2 | 86.8 | 0.1 | 86.4 | 1.1 | 83.0 | 1.2 | 79.0 | 1.4 |
| No. 1 Distillate | 98.3 | 0.2 | 89.9 | 0.2 | 94.0 | 0.2 | 105.2 | 0.2 | 96.3 | 0.4 | 89.0 | 0.3 |
| No. 2 Distillate | 92.6 | 26.7 | 86.2 | 27.2 | 84.9 | 25.8 | 88.9 | 118.7 | 81.9 | 124.7 | 81.1 | 118.3 |
| No. 2 Fuel Oil | 90.1 | 2.8 | 86.1 | 2.9 | 83.1 | 2.9 | 82.7 | 17.3 | 79.2 | 23.9 | 78.4 | 18.3 |
| No. 2 Diesel Fuel | 92.9 | 23.8 | 86.3 | 24.3 | 85.2 | 23.0 | 89.9 | 101.4 | 82.6 | 100.7 | 81.6 | 100.0 |
| Low Sulfur | 95.1 | 17.0 | 88.8 | 16.7 | 87.8 | 15.8 | 90.8 | 88.1 | 83.1 | 87.6 | 82.2 | 86.6 |
| High Sulfur | 87.5 | 6.8 | 80.7 | 7.6 | 79.4 | 7.2 | 84.2 | 13.3 | 79.1 | 13.1 | 77.7 | 13.4 |
| No. 4 Fuel^a | 66.8 | 0.3 | 68.9 | 0.4 | 66.6 | 0.2 | 64.6 | 0.1 | 69.4 | 0.1 | 69.1 | 0.1 |
| Residual Fuel Oil | 53.6 | 18.1 | 53.1 | 16.8 | 57.2 | 12.4 | 50.2 | 11.1 | 48.0 | 9.2 | 54.5 | 10.5 |
| Sulfur Content not > 1 % | 63.5 | 4.6 | 63.8 | 4.9 | 63.2 | 3.6 | 58.4 | 4.7 | 57.3 | 3.7 | 58.9 | 4.3 |
| Sulfur Content > 1 % | 50.2 | 13.5 | 48.8 | 12.0 | 54.8 | 8.9 | 44.2 | 6.4 | 41.8 | 5.5 | 51.4 | 6.1 |

^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."

Crude Oil

prices for the principal finished products declined from April levels. Notably, distillate prices remained within a firm range, closely following crude oil price trends. The off-season stability of distillate prices was mostly attributed to stockdraws reported in weekly supply data and concern that stocks were falling to the low end of the seasonal average range.

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

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma, climbed during May. Opening the month at \$28.48 per barrel, the price dropped to its low of \$27.35 per barrel on May 8 on expectations that government and industry supply reports would show growth in crude oil stock levels. It rose gradually during the next several weeks, spurred by a variety of fundamental factors and political issues. The price reached the high for the month, \$29.96 per barrel, on May 21. Easing slightly after that, the price closed at \$28.39 per barrel, nearly at the same point it began May.

- Monthly average prices for crude oil show moderate increases in May. The average domestic crude oil first purchase price rose 68 cents (2.9 percent), to \$24.09 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased 40 cents (1.8 percent), to \$22.31 per barrel. The average landed cost of foreign crude oil rose 68 cents (2.9 percent), to \$23.85 per barrel.
- The average refiner acquisition cost for domestic crude oil climbed \$1.25 (5.0 percent), to \$26.37 per barrel. The average cost of imported crude oil to U.S. refiners increased \$1.64 (7.1 percent), to \$24.63 per barrel. The composite refiner acquisition cost for crude oil rose \$1.44 (6.0 percent), to \$25.31 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor moved on a volatile path during May. After opening at 99.2 cents per gallon, the price reached its high of \$1.020 on May 4, driven by ongoing concern about refinery outages and supply levels. Shortly after that, the price began a decline of more than 20 cents during a 2-week period as refinery operations improved. However, following the low of 80.8 cents per gallon on May 18, a new spate of refinery problems caused the price to rise 17 cents during a 3-day period before declining again. The price closed May at 82.9 cents per gallon, more than 16 cents lower than its opening level for the month.

- Following April's dramatic increases, national average gasoline prices registered substantial gains again in May. The average price for retail sales of motor gasoline by refiners jumped 12.5 cents to \$1.301 per gallon. The average wholesale price rose 9.1 cents to \$1.155 per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets increased 12.4 cents to \$1.292 per gallon. The average wholesale price climbed 8.8 cents to \$1.153 per gallon. The average dealer tank wagon (DTW) price increased 11.9 cents to \$1.244 per gallon, while the average rack price rose 8.0 cents to \$1.134 per gallon. The average price for bulk sales increased 6.0 cents to \$1.032 per gallon. Reformulated gasoline prices exceeded conventional gaso-

line prices by 14.7 cents at retail and 15.1 cents at wholesale. Oxygenated gasoline prices were 15.3 cents higher than conventional gasoline prices at retail and 15.7 cents at wholesale.

- Total refiner sales of gasoline rose 5.0 million gallons per day in May (1.4 percent), to an average of 371.6 million gallons per day. Retail sales increased 600,000 gallons per day (1.0 percent), while wholesales rose 4.4 million gallons per day (1.4 percent). Rack sales made up 65.4 percent of wholesales, while DTW and bulk sales represented 22.0 percent and 12.7 percent, respectively. Reformulated gasoline (RFG) accounted for 32.2 percent of total motor gasoline sales, while oxygenated gasoline made up 2.3 percent.

No. 2 Distillate

As can be expected during the off-season, the course of the May daily spot price for No. 2 heating oil at New York Harbor was mostly uneventful and generally followed the trend for crude oil. Opening the month at 74.5 cents per gallon, the price slipped to its low of 74.1 cents per gallon on May 2. Rising slightly during the next several weeks, the price reached its high of 80.9 cents per gallon on May 21 following reports of refinery problems and strife in the Middle East. The price eased through the end of the month and closed May at 77.7 cents per gallon.

- With the exception of residential sales, No. 2 distillate prices climbed in May. The national average residential price for No. 2 distillate fell 2.3 cents to \$1.249 per gallon. The average wholesale price climbed 6.3 cents to 88.7 cents per gallon. The average price for No. 2 diesel fuel increased 7.1 cents at company-operated retail outlets, while the average wholesale price rose 7.0 cents. The difference between low- and high-sulfur diesel fuel prices was 4.5 cents at retail and 5.2 cents at wholesale.
- Total sales of No. 2 distillate declined 6.5 million gallons (4.3 percent), to 145.3 million gallons per day in May. Sales of No. 2 fuel oil fell 6.7 million gallons per day (25.0 percent), while sales of No. 2 diesel fuel rose 200,000 gallons per day (0.2 percent). Low-sulfur diesel fuel defined 83.9 percent of all refiner diesel fuel sales, and 72.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices generally rose during May. Refiner prices for low-sulfur residual fuel declined 0.3 cent to 63.5 cents per gallon at retail, but rose 1.1 cents to 58.4 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail increased 1.4 cents to 50.2 cents per gallon, while the wholesale price rose 2.4 cents to 44.2 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price fell 1.0 cent to 62.5 cents per gallon at retail, while the wholesale price rose 1.0 cent to 58.3 cents per gallon at wholesale. Prices for high-sulfur residual fuel oil increased 2.1 cents to 51.4 cents per gallon at retail, and 2.1 cents to 45.0 cents per gallon at wholesale.
- Total sales of residual fuel oil sales by refiners rose 3.2 million gallons per day (12.3 percent), to 29.2 million gallons per day in May. Low-sulfur residual fuel sales increased 700,000 gallons per day (8.1 per-

cent), while high-sulfur residual fuel oil sales climbed 2.4 million gallons per day (13.7 percent).

Other Products

- The direction of prices for the remaining survey products were mixed in May. Refiner propane prices declined 2.7 cents per gallon at retail and 2.4 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price decreased 0.4 cent per gallon. The average retail and wholesale prices for propane fell 7.0 cents and 2.6 cents, respectively. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate rose at both levels while prices for kerosene declined at retail but rose at wholesale. No. 4 distillate prices fell at both levels.
- Refiner sales of kerosene-type jet fuel rose at both retail and wholesale during May, while sales of kerosene and No. 4 distillate decreased at both levels. Aviation gasoline sales declined at retail but rose at wholesale. Sales of propane and No. 1 distillate rose at retail but dropped at wholesale.