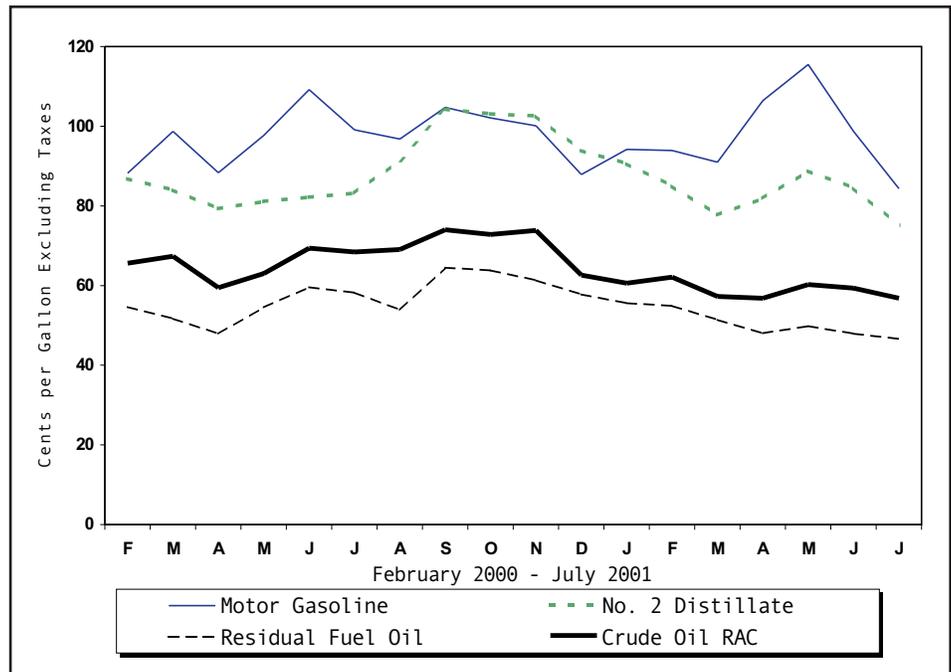


Highlights

Overall, international crude oil prices declined moderately during July. Prices rose following the July 3 Organization of Petroleum Exporting Countries (OPEC) vote to maintain the group's wellhead production quota at 24.2 million barrels per day. After the meeting, the Saudi minister remarked informally the group could cut production if crude oil exports from Iraq resumed. Iraq halted exports on June 4 over a dispute concerning proposed revisions to the terms of the U.N.-sponsored "oil-for-food" program. Prices climbed again following the release on July 6 of the U.S. Energy Information Administration's Short-Term Energy Outlook which forecast crude oil supply and demand to move more into balance. Weekly supply reports showing decreases in U.S. crude oil stocks lent further support to rising prices. Despite those factors, prices began to decline shortly thereafter. While Iraq had accepted the terms of Phase X of the "oil-for-food" program on July 9, market watchers assumed that exports could take more than a month to reach previous levels. However, Iraq began pumping oil to export facilities almost immediately following acceptance of the resolution. The combination of downward revisions to oil demand forecasts, increasing concern about economic conditions across the globe, and rising stock levels of crude oil and finished products in major markets, caused prices to decline. Additionally, refiners in key markets began to cut runs and move up discretionary maintenance due to poor refining margins. Prices rebounded to some degree as talk began to circulate that OPEC would cut production. On July 25, to stem falling prices, the group decided to reduce output by 1.0 million barrels per day beginning September 1.

Prices for crude oil and finished products in the United States retreated again in July, amid market conditions that were absent the kind of profound fundamental issues seen during much of the past year or more. Supplies of finished products were well within average ranges for this time of year, and correspondingly, price trends displayed less volatility than seen in recent months. Accounts of both planned and unplanned maintenance at a number of refining facilities supported prices to a degree, but did not provide the impetus to alter the generally downward trend in market prices. Gasoline prices showed the most activity, as weekly stocks reports continued to show inventory draws throughout the month. Prices throughout regional markets moved noticeably higher during the latter part of the month when stocks registered larger-than-expected declines in conjunction with reports of more refinery problems. Stores of gasoline declined more than 4 percent from last month's rate, and

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					
	July 2001		June 2001		July 2000		July 2001		June 2001		July 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	103.0	62.9	120.5	65.8	117.3	62.3	84.3	316.9	98.7	314.6	99.3	317.7
Conventional	95.1	37.6	112.6	38.9	113.9	37.2	78.1	212.0	91.6	209.8	94.7	214.7
Regular	91.7	28.7	109.4	30.1	110.7	28.4	76.4	174.2	90.0	174.1	93.0	176.6
Midgrade	102.6	4.9	120.0	5.0	121.0	5.0	82.6	12.3	95.7	12.5	99.1	13.1
Premium	110.5	4.0	127.8	3.8	128.4	3.8	87.5	25.5	100.7	23.3	104.1	25.0
Oxygenated	104.2	1.7	120.3	1.8	112.0	1.9	91.7	7.1	104.5	7.1	102.3	7.2
Regular	101.4	1.4	117.4	1.5	109.4	1.6	90.8	5.5	103.5	5.7	101.4	5.7
Midgrade	112.2	0.2	130.9	0.2	120.8	0.2	90.8	1.1	104.3	0.9	100.9	1.0
Premium	122.3	0.1	139.5	0.1	129.8	0.1	104.5	0.5	117.8	0.5	115.0	0.5
Reformulated	115.5	23.6	132.9	25.0	123.0	23.1	97.1	97.8	113.7	97.7	109.3	95.8
Regular	111.1	17.0	129.0	18.3	119.3	16.6	93.3	74.9	110.2	75.3	106.2	70.8
Midgrade	122.6	3.3	139.8	3.5	128.6	3.4	107.4	7.5	124.0	7.6	115.0	8.6
Premium	131.4	3.2	147.5	3.2	136.8	3.1	110.4	15.4	126.3	14.8	119.8	16.4
Aviation Gasoline	134.5	0.1	145.1	0.1	142.6	0.1	120.9	0.8	135.0	0.8	138.8	0.8
Kerosene-Type Jet Fuel	76.9	54.8	83.6	53.3	84.0	52.5	75.9	13.5	82.6	12.1	83.6	16.9
Propane (Consumer Grade)	45.1	3.6	50.5	3.2	55.2	2.2	43.5	30.2	48.7	27.1	54.8	27.7
Kerosene	83.4	0.1	93.8	0.1	90.1	0.1	75.4	1.8	83.3	1.0	83.1	1.2
No. 1 Distillate	86.6	0.2	94.1	0.2	92.2	0.1	86.0	0.2	97.2	0.2	89.8	0.3
No. 2 Distillate	81.1	25.1	90.0	26.3	87.5	24.2	75.1	120.7	84.5	118.3	83.2	113.6
No. 2 Fuel Oil	78.1	2.3	84.8	2.5	84.7	2.4	72.8	18.4	79.3	15.9	81.0	15.8
No. 2 Diesel Fuel	81.4	22.8	90.6	23.8	87.9	21.7	75.5	102.3	85.3	102.4	83.6	97.8
Low Sulfur	82.8	16.1	92.6	16.9	90.2	14.3	75.9	88.7	86.0	89.4	83.9	84.6
High Sulfur	78.0	6.7	85.7	6.9	83.4	7.4	73.0	13.6	80.6	13.0	81.4	13.2
No. 4 Fuel^a	61.4	0.3	62.8	0.2	63.6	0.1	57.2	0.1	60.2	0.1	71.6	NA
Residual Fuel Oil	51.6	13.9	52.4	14.6	60.3	11.7	46.6	12.1	47.9	10.7	58.9	9.1
Sulfur Content not > 1 %	63.2	3.7	64.1	3.3	69.7	2.8	50.0	6.3	53.0	5.6	65.1	5.1
Sulfur Content > 1 %	47.3	10.1	49.0	11.3	57.3	8.9	42.8	5.7	42.4	5.1	50.8	4.0

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."

were slightly less than 2 percent below the July 2000 level. A comparison of current and year-ago spot market prices for regular gasoline at New York Harbor also serves to illustrate the change in market atmosphere. The July 2000 monthly average price was 85.9 cents per gallon compared with 68.3 cents per gallon in July 2001, a difference of 17.6 cents. Distillate prices, as can be expected during the product's off-season, showed fewer pronounced changes, with the price for No. 2 heating oil registering a less than 10-cent difference between this year and last. July 2001 distillate prices generally took their cue from crude oil price trends throughout the month. Stocks data at the national level for July show distillate stocks grew more than 9 percent from June levels and were nearly 11 percent higher than the July 2000 level.

Additional July 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 continued on a downward path during July. Opening at \$26.37 per barrel, the price experienced a brief period of increase during the first week of the month when supply reports showed decreases in stock levels. The price reached its high of \$28.10 per barrel on July 6. Pressure from the rapid resumption of Iraqi crude oil exports, along with the release of revised demand forecasts for the product, caused the price to slip

steadily during the next few weeks. The price reached the month's low of \$24.65 per barrel on July 18. Rebounding moderately after that, the price closed July at \$26.70 per barrel, only marginally higher from its opening level.

- July monthly average crude oil prices declined in all categories. The average domestic crude oil first purchase price dropped 57 cents (2.4 percent), to \$22.86 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil fell \$1.62 (7.1 percent), to \$21.11 per barrel. The average landed cost of foreign crude oil decreased \$1.12 (4.7 percent), to \$22.71 per barrel.
- The average refiner acquisition cost for domestic crude oil declined \$1.03 (3.9 percent), to \$25.27 per barrel. The average cost of imported crude oil to U.S. refiners fell \$1.12 (4.7 percent), to \$22.83 per barrel. The composite refiner acquisition cost for crude oil dropped \$1.06 (4.3 percent), to \$23.86 per barrel.

Petroleum Products

Motor Gasoline

The July daily spot price for regular gasoline at New York Harbor was the most active price within the complex. After opening at 66.4 cents per gallon, it immediately moved to its lowest point of 64.1 cents per gallon. It continued to fluctuate throughout the rest of the month, driven largely by reports of decreased refinery operations and stockdraws. It reached its high of 73.1 cents per gallon on July 26. The price closed at 70.1 cents per gallon, 3.7 cents higher than where it began July.

- July national average gasoline prices decreased substantially from June levels. The average price for retail sales of motor gasoline by refiners fell 17.5 cents to \$1.030 per gallon. The average wholesale price declined 14.4 cents to 84.3 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets sank 17.9 cents to \$1.006 per gallon. The average wholesale price declined 14.3 cents to 84.0 cents per gallon. The average dealer tank wagon (DTW) price fell 14.7 cents to 98.5 cents per gallon, while the average rack price decreased 14.0 cents to 79.0 cents per gallon. The aver-

age price for bulk sales fell 12.6 cents to 74.8 cents per gallon. Reformulated gasoline (RFG) prices exceeded conventional gasoline prices by 18.1 cents at retail and 16.0 cents at wholesale. Oxygenated gasoline prices were 8.5 cents higher than conventional gasoline prices at retail and 12.9 cents higher at wholesale.

- Total refiner sales of gasoline decreased 600,000 gallons per day in July (0.2 percent), to an average of 379.8 million gallons per day. Retail sales declined 2.9 million gallons per day (4.4 percent), while wholesales rose 2.3 million gallons per day (0.7 percent). Rack sales accounted for 65.8 percent of wholesales, while DTW and bulk sales represented 20.4 percent and 13.8 percent, respectively. Reformulated gasoline represented 32.0 percent of total motor gasoline sales, while oxygenated gasoline made up 2.3 percent.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor followed a comparatively uneventful path during July, and mostly followed crude oil price trends. Opening at 71.3 cents per gallon, the price reached its high of 73.5 cents per gallon on July 6. It declined steadily during the coming weeks, reaching its low of 66.3 cents per gallon on July 18. The price closed July at 68.7 cents per gallon, 2.6 cents lower than where it began the month.

- Continuing June's trend, No. 2 distillate prices fell in all sales categories in July. The national average residential price for No. 2 distillate dropped 6.5 cents to \$1.137 per gallon. The average wholesale price fell 9.1 cents to 75.6 cents per gallon. The average price for No. 2 diesel fuel decreased 9.7 cents at company-operated retail outlets, while the average wholesale price declined 9.5 cents. The difference between low- and high-sulfur diesel fuel prices was 2.1 cents at retail and 2.5 cents at wholesale.
- Total sales of No. 2 distillate increased 1.2 million gallons (0.8 percent), to 145.8 million gallons per day in July. Sales of No. 2 fuel oil rose 2.3 million gallons per day (12.5 percent), while sales of No. 2 diesel fuel decreased 1.1 million gallons per day (0.9 percent). Low-sulfur diesel fuel accounted for 83.8 percent of all refiner diesel fuel sales, and 71.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- July residual fuel oil prices fell in most categories. Refiner prices for low-sulfur residual fuel decreased 0.9 cent to 63.2 cents per gallon at retail, and 3.0 cents to 50.0 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail dropped 1.7 cents to 47.3 cents per gallon, while the wholesale price rose 0.4 cent to 42.8 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price decreased 4.1 cents to 57.6 cents per gallon at retail. The wholesale price declined 3.3 cents to 50.4 cents per gallon. Prices for high-sulfur residual fuel oil fell 1.9 cents to 48.5 cents per gallon at retail, and 1.8 cents to 42.2 cents per gallon at wholesale.
- Total sales of residual fuel oil by refiners increased 700,000 gallons per day (2.8 percent), to 26.0 million gallons per day in July. Low-sulfur residual fuel sales rose 1.1 million gallons per day (12.4 percent),

while high-sulfur residual fuel oil sales fell 600,000 gallons per day (3.7 percent).

Other Products

- Prices for the remaining surveyed products declined in July. Refiner propane prices decreased 5.4 cents per gallon at retail and 5.2 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price dropped 8.4 cents per gallon. The average retail and wholesale prices for propane fell 7.9 cents and 5.5 cents, respectively. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, No. 1 distillate, and No. 4 distillate fell at both levels.
- Refiner sales of propane, kerosene-type jet fuel, aviation gasoline, and kerosene rose at both retail and wholesale in July. Sales of No. 1 distillate declined at retail but rose at wholesale, while sales of No. 4 distillate did just the opposite.

