

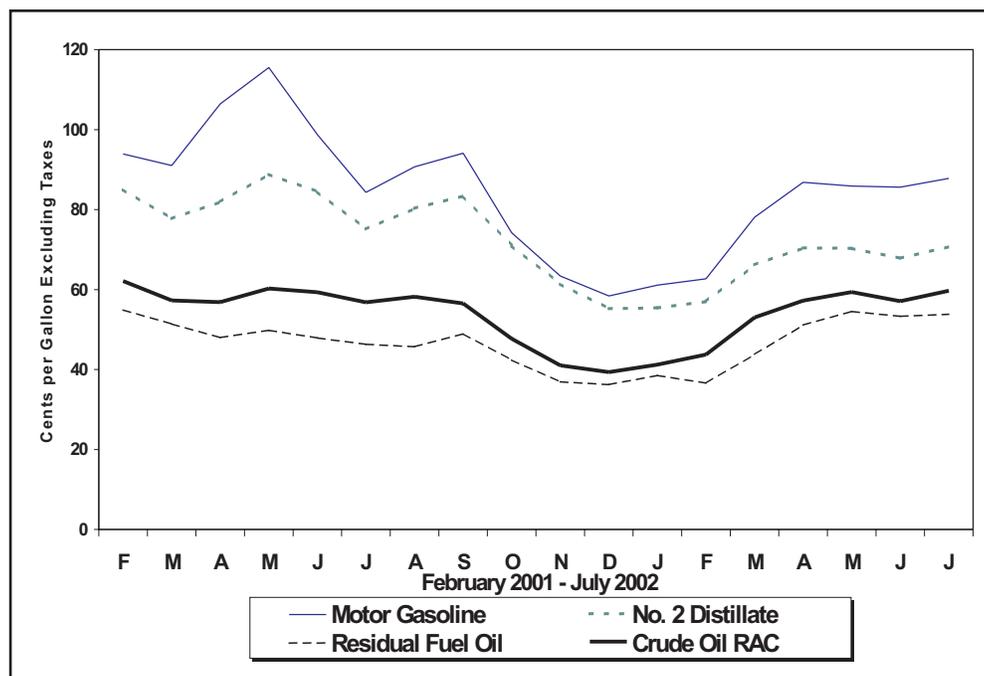
Highlights

With no single issue definitively driving market activity, world crude oil prices showed only a moderate degree of activity during July. However, despite the absence of any decisive matters and marked price changes, prices for key streams were higher on average than those seen in June. The narrow range of prices was the result of several issues offsetting one another. First, prices were tempered by the perception that supply exceeds current demand. Supporting that perception, actual wellhead production for various members of the Organization of Petroleum Exporting Countries (OPEC) was reported to have exceeded the assigned production rates for group members. Accounts indicate the group produced 1.44 million barrels per day above the agreed limit in June and overruns are expected again in July. Venezuelan officials announced an increase in production in mid-July to make up for lost production and revenue during the oil workers strike and subsequent short-lived coup against President Hugo Chavez in April. The increase is expected to be about 400,000 barrels per day and be in place during the second half of 2002. Conversely, price levels were sustained by the “war premium” and U. S. supply reports showed steady decreases in crude oil stock levels throughout the month. By the end of July, renewed concern about a U.S. attack on Iraq began to push oil prices higher.

Prices for crude oil and refined products moved within a comparatively tight range in markets across the United States during July. Concerns about the possibility of terrorist attacks on July 4 had caused prices to rise slightly prior to the holiday, but they declined following the ab-

sence of any incidents during the long weekend. Gasoline prices showed the most activity and range during July, due largely to weekly stocks reports showing successive declines in inventory levels over the course of the month, with additional impetus from a decline in imports. Demand for the product was solid, as expected during the height of the driving season. At the national level, monthly data show gasoline demand was 1.2 percent higher in July 2002 than in July 2001. Additionally, data show gasoline supplies fell again in July, dropping 1.3 percent from last month’s level. Prices reflect those trends. At New York Harbor, the July monthly average spot price for regular gasoline was 76.1 cents per gallon this year compared with 68.3 cents per gallon last year. In Los Angeles, the average prices in July for reformulated regular gasoline were 74.1 cents per gallon in 2001 and 86.0 cents per gallon in 2002. Gasoline prices in the often volatile West Coast markets were quiet until news of a refinery outage in

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 2002		June 2002		July 2001		July 2002		June 2002		July 2001	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	100.3	64.4	99.1	64.7	103.0	62.9	87.8	327.0	85.6	324.4	84.3	316.9
Conventional	97.4	38.3	95.6	38.2	95.1	37.6	84.6	221.8	81.8	219.4	78.1	212.1
Regular	94.4	29.2	92.5	29.1	91.7	28.7	82.9	182.9	80.2	181.2	76.4	174.2
Midgrade	103.6	5.0	101.6	5.0	102.6	4.9	89.1	12.6	86.4	12.0	82.6	12.3
Premium	111.6	4.1	110.0	4.1	110.5	4.0	94.2	26.3	90.7	26.2	87.5	25.5
Oxygenated	106.8	1.9	99.7	1.9	104.2	1.7	94.9	8.2	88.7	7.6	91.7	7.1
Regular	104.3	1.6	97.4	1.6	101.4	1.4	93.9	6.3	87.7	6.0	90.8	5.5
Midgrade	113.7	0.2	105.4	0.2	112.2	0.2	95.1	1.3	88.4	1.1	90.8	1.1
Premium	122.8	0.2	116.0	0.2	122.3	0.1	104.5	0.6	99.2	0.6	104.5	0.5
Reformulated	104.4	24.2	104.6	24.5	115.5	23.6	94.6	97.0	93.9	97.4	97.1	97.8
Regular	100.3	17.3	100.6	17.5	111.1	17.0	91.5	72.7	90.8	73.4	93.3	74.9
Midgrade	111.1	3.4	111.3	3.4	122.6	3.3	102.1	7.9	102.1	7.9	107.5	7.4
Premium	117.9	3.5	118.0	3.6	131.4	3.2	104.5	16.4	104.2	16.0	110.4	15.4
Aviation Gasoline	138.9	0.1	127.3	0.2	134.6	0.1	118.9	0.8	116.7	0.5	120.9	0.8
Kerosene-Type Jet Fuel	72.2	53.1	68.8	50.5	76.9	53.7	71.5	12.5	67.9	9.5	75.9	13.5
Propane (Consumer Grade)	38.4	2.2	37.9	2.9	45.1	3.6	37.5	25.0	37.9	29.3	43.6	30.2
Kerosene	80.6	0.1	83.8	0.0	83.4	0.1	73.4	1.0	69.4	0.9	75.4	1.8
No. 1 Distillate	82.5	0.2	80.5	0.2	86.6	0.2	76.3	0.3	77.1	0.2	86.0	0.2
No. 2 Distillate	74.9	21.5	72.9	21.7	81.1	25.1	70.7	120.8	67.8	120.2	75.1	120.7
No. 2 Fuel Oil	70.7	2.8	67.6	2.8	78.1	2.3	68.7	17.9	65.8	17.0	72.8	18.4
No. 2 Diesel Fuel	75.6	18.7	73.7	18.9	81.4	22.8	71.0	102.9	68.2	103.2	75.5	102.2
Low Sulfur	77.8	12.8	76.2	12.8	82.8	16.1	71.3	91.5	68.4	92.1	75.9	88.7
High Sulfur	70.7	5.9	68.3	6.1	78.0	6.7	68.7	11.4	66.3	11.1	73.0	13.5
No. 4 Fuel^a	65.5	0.4	62.6	0.3	61.4	0.3	60.9	0.0	61.3	0.0	57.2	0.1
Residual Fuel Oil	58.6	9.3	58.4	9.7	51.5	13.7	53.8	8.8	53.3	9.8	46.3	12.0
Sulfur Content not > 1 %	63.9	2.4	63.5	2.0	63.2	3.7	55.8	5.4	53.7	5.8	50.0	6.4
Sulfur Content > 1 %	56.8	6.9	57.1	7.8	47.2	10.0	50.7	3.5	52.7	4.0	42.2	5.6

^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."

the San Francisco area late in the month caused spot market prices to test the 90-cents-per-gallon range. Despite that episode, supplies in the region were seen as comfortable which moderated prices for the most part. No. 2 distillate prices were quiet throughout the month, and generally followed the lead of crude oil prices. However, distillate prices received a modicum of support from utilities on the East Coast that purchased product for their peak-use units during hot weather.

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

Crude Oil

While the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma moved within a limited range during July, it moved at a higher level on average than in June. Opening at \$26.79 per barrel, the price dropped to its low of \$26.14 per barrel on July 8 following the long holiday weekend. It rose steadily after that point, underpinned by reported decreases in stocks and solid demand. The price reached its high of \$27.88 per barrel on July 17. Retreating marginally after that, due to a variety of factors, the prices closed July at \$27.02 per barrel, only 23 cents above its opening level.

- Monthly average prices for crude oil increased in all categories during July. The average domestic crude oil first purchase price rose 88.0 cents (3.9 percent), to \$23.47 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased 89.0 cents (3.9 percent), to \$23.48 per barrel. The average landed cost of foreign crude oil rose 72.0 cents (3.0 percent), to \$24.62 per barrel.
- The average refiner acquisition cost for domestic crude oil rose 56.0 cents (2.3 percent), to \$25.37 per barrel. The average cost of imported crude oil to U.S. refiners saw the largest increase, rising \$1.53 (6.6 percent), to \$24.86 per barrel. The composite refiner acquisition cost for crude oil climbed \$1.10 (4.6 percent), to \$25.08 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor showed the most activity in the complex during July. After opening the month at 73.8 cents per gallon, the price dropped to its low of 69.6 cents per gallon on July 8. The price began to rise firmly following that point, as a result of solid demand and reported decreases in stocks, and reached its high of 80.4 cents per gallon on July 17. The price eased during the second half of the month, closing at 78.5 cents per gallon, 4.7 cents higher than where it began July.

- National average gasoline rose moderately in July. The average price for retail sales of motor gasoline by refiners rose 1.2 cents to \$1.003 per gallon. The average wholesale price increased 2.2 cents to 87.8 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets climbed 1.6 cents to 99.4 cents per gallon. The average wholesale price rose 2.2 cents to 87.5 cents per gallon. The average dealer tank wagon (DTW) price increased 1.5 cents to 93.0 cents per gallon, while the average rack price rose 2.6 cents to 86.6 cents per gallon. The average price for bulk sales increased 2.8 cents to 77.0 cents per gallon. Reformulated gasoline (RFG) prices were 9.6 cents higher than conventional gasoline prices at retail, and 9.8 cents higher at wholesale. Oxygenated gasoline prices were 6.5 cents more

than conventional gasoline prices at retail, and 8.3 cents higher at wholesale.

- Refiner sales of gasoline were mixed in July. As a whole, sales climbed 2.3 million gallons per day (0.6 percent), to an average of 391.4 million gallons per day. Retail sales fell 300,000 gallons per day (0.5 percent), while wholesales increased 2.6 million gallons per day (0.8 percent). Rack sales accounted for 65.2 percent of wholesales, while DTW and bulk sales made up 20.2 percent and 14.6 percent, respectively. Reformulated gasoline made up 31.0 percent of total motor gasoline sales, while oxygenated gasoline covered 2.6 percent of sales.

No. 2 Distillate

During the height of the product's off-season, the daily spot price for No. 2 heating oil at New York Harbor followed an uneventful path during July. After opening at 67.5 cents per gallon, the price essentially followed the lead of crude oil through the rest of the month. The price reached its high of 70.1 cents per gallon on July 17, then eased to the mid-60-cents range where it remained through the end of the month. The month's low, 65.4 cents per gallon, was reached on July 23. Closing at 67.0 cents per gallon, the price was a half cent lower than where it started July.

- For the most part, No. 2 distillate prices registered moderate increases. While the national average residential price for No. 2 distillate fell 2.0 cents to \$1.029 per gallon, the average wholesale price increased 2.8 cents to 71.4 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 1.9 cents, while the average No. 2 diesel fuel wholesale price climbed 2.8 cents. The difference between low- and high-sulfur diesel fuel prices was 2.1 cents at retail and 1.9 cents at wholesale.
- Overall, refiner sales of No. 2 distillate increased in July. Total sales rose 400,000 gallons (0.3 percent), to 142.3 million gallons per day. Sales of No. 2 fuel oil climbed 900,000 gallons per day (4.5 percent), while sales of No. 2 diesel fuel decreased 500,000 gallons per day (0.4 percent). Low-sulfur diesel fuel made up 85.8 percent of all refiner diesel fuel sales, and 73.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil Residual Fuel Oil

- Residual fuel oil price trends were mixed in July. Refiner prices for low-sulfur residual fuel oil rose 0.4

cent to 63.9 cents per gallon at retail, and 2.1 cents to 55.8 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil dropped 0.3 cent to 56.8 cents per gallon. The wholesale price declined 2.0 cents to 50.7 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price rose to 61.3 cents per gallon at retail, while the wholesale price increased 1.5 cents to 55.2 cents per gallon. The retail price for high-sulfur residual fuel oil was essentially flat, dropping 0.1 cent to 56.0 cents per gallon, while the wholesale price fell 1.7 cents to 51.8 cents per gallon.

- Total refiner sales of residual fuel oil declined in July. Total sales fell 1.4 million gallons per day (7.2 percent) to 18.1 million gallons per day. Low-sulfur residual fuel sales were flat, while high-sulfur residual fuel oil sales dropped 1.4 million gallons (11.9 percent).

Other Products

- Price trends for other petroleum products were mixed in July. Refiner propane prices rose 0.5 cent per gallon at retail, but fell 0.4 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price dropped 7.6 cents per gallon, while the average retail price fell 0.4 cent. The average wholesale price also declined 0.4 cent. Prices for kerosene-type jet fuel and aviation gasoline rose at both levels. No. 1 distillate and No. 4 distillate prices increased at retail but declined at wholesale. Kerosene prices rose at retail but fell at wholesale.
- Sales of these products by refiners were varied in July. Sales of propane declined at both levels, while kerosene-type jet fuel, kerosene, and No. 1 distillate increased at both the retail and wholesale levels. Aviation gasoline sales fell at retail but increased at wholesale, while sales of No. 4 distillate did just the opposite.