

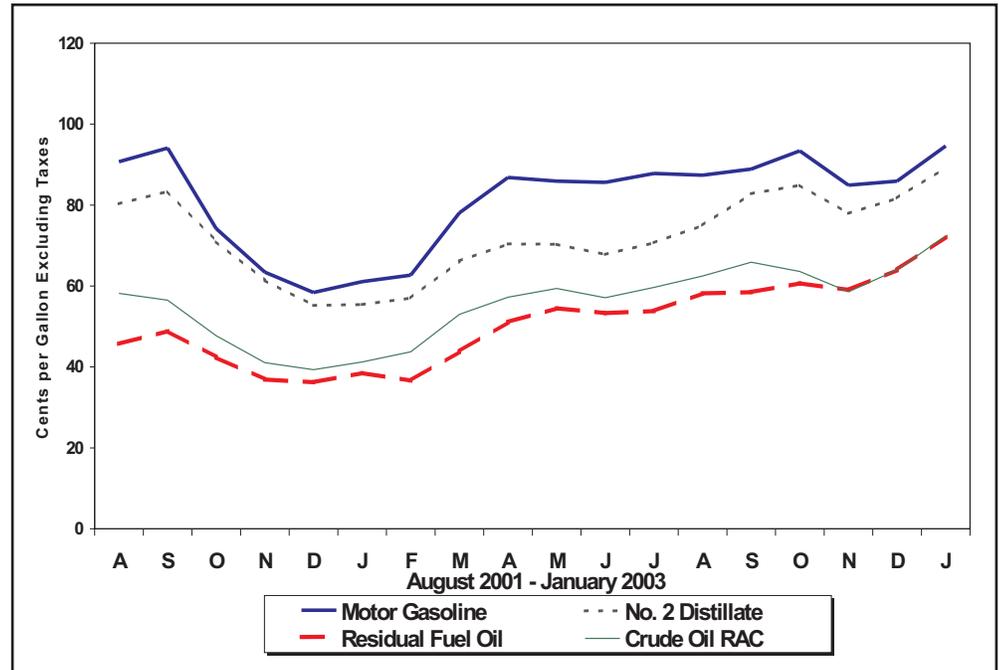
Highlights

Following December's substantial increases, world crude oil prices remained at high levels throughout January. Prices continued to be dominated by the reduction in supply resulting from the ongoing labor strike in Venezuela. The strike severely curtailed oil production and exports from that country in December and continued to do so throughout January. Early in the month, oil prices experienced a short-lived decline as other members of the Organization of Petroleum Exporting Countries (OPEC) indicated the group was contemplating another increase in production to cover the loss of Venezuelan crude oil. During an emergency meeting on Sunday, January 12, OPEC voted to raise its overall production level by 1.5 million barrels per day as of February 1. Notably, the aggregate price for reference basket of crude oil used in the group's price band mechanism, exceeded the \$28-per-barrel ceiling for the nineteenth consecutive day on January 10. (According to the rules of the price band mechanism, if the reference basket price exceeds the \$28-per-barrel mark for more than twenty days, the group's overall wellhead production quota would automatically rise 500,000 barrels per day.) However, the decision to increase production was perceived as a belated one and not sufficient to quell price volatility in light of existent supply and demand fundamentals. In addition, prices also continued to be affected by worries of a U.S.-led military invasion of Iraq. The "war premium," which has affected crude oil prices for many months, consists of the costs above the actual fundamental market value, based on worries of military conflict in the Middle East disrupting shipments from the region. Combined with lower inventories in key world markets resulting from the decline in Venezuelan production and exports, concern

over the possible disruption of supplies from the Middle East only spurred prices higher through the end of the month.

In U.S. markets, crude oil and finished product prices rose during January in response to supply concerns, continuing talk of war with Iraq, and cold temperatures settling firmly in across large portions of the country. Declining inventories of finished products provided firm support for prices, particularly in light of solid demand for them. Because of winter weather firmly gripping a good portion of the country for the first time in two years, January demand for distillate fuel is estimated to have risen 10.8 percent from last month's level and is 11.6 percent above the January 2002 rate. As the labor strike in Venezuela entered its second month, the deep decline in crude oil exports to the United States continued to have an impact on refinery operations and product stock levels, and ulti-

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 | | | | | |
|---------------------------------------|--------------------|--------|---------------|--------|--------------|--------|------------------|--------|---------------|--------|--------------|--------|
| | January 2003 | | December 2002 | | January 2002 | | January 2003 | | December 2002 | | January 2002 | |
| | Price | Volume | Price | Volume | Price | Volume | Price | Volume | Price | Volume | Price | Volume |
| Motor Gasoline | 106.0 | 60.4 | 98.1 | 63.1 | 70.7 | 60.4 | 94.6 | 289.2 | 85.9 | 304.3 | 61.1 | 292.6 |
| Conventional | 103.5 | 33.8 | 95.4 | 35.1 | 69.3 | 32.9 | 91.8 | 186.3 | 82.8 | 200.1 | 59.1 | 188.7 |
| Regular | 100.7 | 26.0 | 92.4 | 26.7 | 66.2 | 24.8 | 90.2 | 153.5 | 81.2 | 164.2 | 57.6 | 154.1 |
| Midgrade | 109.3 | 4.4 | 101.4 | 4.6 | 75.0 | 4.3 | 96.1 | 11.0 | 87.3 | 11.6 | 62.9 | 10.9 |
| Premium | 117.3 | 3.4 | 109.8 | 3.8 | 82.5 | 3.8 | 100.5 | 21.9 | 91.3 | 24.3 | 67.5 | 23.7 |
| Oxygenated | 106.1 | 3.6 | 98.9 | 3.7 | 76.7 | 4.0 | 93.2 | 11.4 | 87.1 | 11.5 | 66.2 | 11.5 |
| Regular | 102.5 | 2.7 | 95.5 | 2.8 | 73.5 | 3.1 | 91.6 | 8.8 | 85.4 | 8.9 | 64.7 | 9.0 |
| Midgrade | 113.9 | 0.5 | 106.2 | 0.5 | 82.7 | 0.5 | 94.9 | 1.4 | 88.5 | 1.4 | 67.3 | 1.3 |
| Premium | 124.1 | 0.3 | 115.8 | 0.3 | 93.0 | 0.4 | 103.4 | 1.2 | 97.0 | 1.2 | 76.3 | 1.2 |
| Reformulated | 109.7 | 23.1 | 101.7 | 24.3 | 71.6 | 23.4 | 100.6 | 91.4 | 92.6 | 92.8 | 64.5 | 92.4 |
| Regular | 105.6 | 16.6 | 97.3 | 17.3 | 67.6 | 16.6 | 97.7 | 68.6 | 89.6 | 68.9 | 61.8 | 68.6 |
| Midgrade | 116.9 | 3.0 | 108.8 | 3.3 | 77.6 | 3.3 | 106.9 | 6.5 | 98.8 | 6.9 | 69.2 | 7.8 |
| Premium | 123.8 | 3.4 | 116.0 | 3.7 | 85.0 | 3.5 | 110.0 | 16.3 | 102.5 | 17.1 | 74.0 | 16.0 |
| Aviation Gasoline | 142.0 | 0.1 | 139.8 | 0.1 | 121.2 | 0.1 | 124.9 | 0.2 | 113.2 | 0.4 | 96.5 | 0.5 |
| Kerosene-Type Jet Fuel | 91.5 | 43.1 | 81.3 | 45.9 | 58.1 | 45.7 | 89.6 | 13.5 | 79.9 | 14.0 | 57.3 | 10.5 |
| Propane (Consumer Grade) | 57.5 | 2.9 | 49.9 | 2.7 | 38.1 | 3.3 | 60.5 | 49.2 | 53.2 | 45.3 | 37.6 | 43.2 |
| Kerosene | 121.0 | 0.3 | 115.2 | 0.2 | 98.3 | 0.2 | 97.8 | 4.7 | 87.9 | 3.9 | 62.1 | 3.2 |
| No. 1 Distillate | 98.2 | 0.4 | 94.5 | 0.4 | 68.1 | 0.5 | 98.1 | 3.1 | 93.9 | 2.8 | 63.2 | 2.9 |
| No. 2 Distillate | 93.9 | 22.5 | 86.2 | 20.8 | 61.0 | 23.3 | 89.3 | 134.9 | 81.7 | 130.1 | 55.4 | 132.5 |
| No. 2 Fuel Oil | 96.3 | 4.5 | 87.5 | 3.6 | 63.6 | 3.2 | 89.5 | 38.1 | 80.8 | 33.5 | 57.5 | 33.9 |
| No. 2 Diesel Fuel | 93.2 | 18.0 | 85.9 | 17.2 | 60.5 | 20.1 | 89.2 | 96.8 | 82.0 | 96.5 | 54.6 | 98.6 |
| Low Sulfur | 95.0 | 12.5 | 88.2 | 11.5 | 62.3 | 13.6 | 89.5 | 84.6 | 82.4 | 84.5 | 54.7 | 86.8 |
| High Sulfur | 89.3 | 5.6 | 81.4 | 5.7 | 56.8 | 6.4 | 87.2 | 12.2 | 79.0 | 12.1 | 53.9 | 11.7 |
| No. 4 Fuel^a | W | W | 81.1 | 0.4 | 57.1 | 0.5 | 77.0 | 0.4 | 71.9 | 0.3 | 56.0 | 0.1 |
| Residual Fuel Oil | 75.4 | 12.1 | 62.0 | 12.7 | 44.4 | 10.7 | 72.2 | 9.0 | 64.0 | 9.5 | 38.5 | 8.6 |
| Sulfur Content not > 1 % | 86.1 | 3.5 | 73.9 | 3.9 | 50.8 | 3.1 | 79.5 | 5.2 | 67.6 | 5.3 | 40.8 | 5.9 |
| Sulfur Content > 1 % | 70.9 | 8.6 | 56.6 | 8.8 | 41.8 | 7.6 | NA | 3.7 | 59.5 | 4.2 | 33.7 | 2.8 |

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^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."

mately, on finished product prices. EIA estimates the total amount of crude oil and petroleum products imported to the U.S. from Venezuela fell to half the normal amount in December, drastically again in January. More specifically, crude oil imports totaled 43,132 barrels in November 2002 while petroleum products totaled 4,796 barrels. In December, crude oil fell to 20,205 barrels and petroleum products declined to 3,904 barrels. In January, those numbers dropped to 12,373 barrels and 200 barrels, respectively. However, reports that Venezuelan crude oil production was rising and that the strike appeared to easing slightly in the latter part of January had little apparent effect on prices in U.S. markets. A comparison of month-to-month and year-ago spot market prices illustrate the impact on

market prices here in the United States. At Cushing, Oklahoma, the monthly average price for West Texas Intermediate crude oil was \$32.95 per barrel in January 2003, \$29.46 per barrel in December 2002, and \$19.71 per barrel in January 2002. At New York Harbor, the price for regular gasoline averaged 88.0 cents per gallon in January 2003, 80.8 cents per gallon in December 2002, and 54.4 cents per gallon last year at this time. The average price for No. 2 heating oil in January 2002 was 53.6 cents per gallon, compared with 82.1 cents per gallon in December 2002 and 90.5 per gallon in January 2003.

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

Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) crude oil continued to climb during January, reaching the highest levels seen since the summer of 2000. Opening the month at \$31.21 per barrel, the price dropped during the first week of the month in response to comments from OPEC representatives regarding an increase in the group's production rates to check rising prices. The price reached its low of \$30.66 per barrel on January 8 following the release of inventory reports showing an unexpected increase in crude oil stocks. However, the price returned to an upward track despite OPEC's decision on January 12 to increase production quotas by 1.5 million barrels per day. The price continued to rise gradually and reached the month's high of \$34.98 per barrel on January 24. Following a drop of more than \$2 per barrel immediately after that, the price rebounded slightly during the final days the month, and closed at \$33.51 per barrel, \$2.30 higher than where it began January.

- Monthly average crude oil prices rose in all sales categories again in January. The average domestic crude oil first purchase price increased \$3.06 (12.1 percent), to \$28.35 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil climbed \$2.97 (11.5 percent), to \$28.77 per barrel. The average landed cost of foreign crude oil rose \$2.87 (10.6 percent), to \$29.83 per barrel.
- The average refiner acquisition cost for domestic crude oil rose \$3.23 (11.9 percent), to \$30.48 per barrel. The average cost of imported crude oil to U.S. refiners saw the largest increase, rising \$3.81 (14.3 percent), to \$30.38 per barrel. The composite refiner acquisition cost for crude oil rose \$3.55 (13.2 percent), to \$30.42 per barrel.

Petroleum Products

Motor Gasoline

In response to pressure from firm demand, declining inventories, and refinery run cuts, the daily spot price for regular gasoline continued on an upward path at New York Harbor during January. After opening at 85.1 cents per gallon, the price experienced a period of decline during the first week of January following the

release of reports showing an increase in stocks. The price reached the month's low of 80.3 cents per gallon on January 8. While the price showed little volatility during the next few weeks, it rose sharply during the final week of the month due to lower production rates and declining stock levels. After hitting the month's high of 97.1 cents on January 30, the price closed the month at 95.6 cents per gallon, 10.5 cents higher than where it began January.

- All monthly average gasoline prices rose firmly in January. The average price for retail sales of motor gasoline by refiners increased 7.9 cents to \$1.060 per gallon. The average wholesale price climbed 8.7 cents to 94.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 7.8 cents to \$1.060 per gallon. The average wholesale price rose 8.8 cents to 95.0 cents per gallon. The average dealer tank wagon (DTW) price increased 8.4 cents to 99.9 cents per gallon, while the average rack price rose 8.8 cents to 93.7 cents per gallon. The average price for bulk sales climbed 9.7 cents to 85.9 cents per gallon. Reformulated gasoline (RFG) prices were 5.5 cents higher than conventional gasoline prices at retail, and 7.1 cents more at wholesale. Oxygenated gasoline prices were 2.4 cents more than conventional gasoline prices at retail, and 1.5 cents higher at wholesale.
- Sales of motor gasoline by refiners decreased solidly in January. Total sales declined 17.8 million gallons per day (4.8 percent), to an average of 349.6 million gallons per day. Retail sales fell 2.7 million gallons per day (4.3 percent), while wholesales dropped 15.1 million gallons per day (5.0 percent). Rack sales accounted for 65.2 percent of wholesales, while DTW and bulk sales made up 21.4 percent and 13.4 percent, respectively. Reformulated gasoline represented 32.8 percent of total motor gasoline sales, while oxygenated gasoline accounted for 4.3 percent of sales.

No. 2 Distillate

In addition to concerns about production and supply levels, the January daily spot price for No. 2 heating oil was driven by cold weather across a large portion of the country. Starting the month at 87.2 cents per gallon, the price dropped to its low of 83.5 cents per gallon on January 8. After a period at mid-month when it registered only small changes, the price increased rapidly during the last week of January. Following the month's high of 98.1 cents per gallon on January 30, the price closed the

month at 95.8 cents per gallon, 8.6 cents higher than its opening level.

- January No. 2 distillate prices show pronounced increases in all sales categories. The national average residential sales price for No. 2 distillate jumped 9.6 cents to \$1.334 per gallon. The average wholesale price rose 7.7 cents to 90.3 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets increased 6.7 cents, while the average No. 2 diesel fuel wholesale price climbed 7.3 cents. The spread between low- and high-sulfur diesel fuel prices was 1.3 cents at retail and 2.1 cents at wholesale.
- Refiner sales of No. 2 distillate rose in January. Total sales increased 6.6 million gallons (4.4 percent), to 157.4 million gallons per day. Sales of No. 2 fuel oil climbed 5.5 million gallons per day (14.8 percent), while sales of No. 2 diesel fuel rose 1.1 million gallons per day (1.0 percent). Low-sulfur diesel fuel accounted for 84.6 percent of all refiner diesel fuel sales, and 61.7 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

Residual fuel oil prices rose significantly in January. Refiner prices for low-sulfur residual fuel oil jumped 12.2 cents to 86.1 cents per gallon at retail, and 11.9 cents to 79.5 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil leaped 14.3 cents to 70.9 cents per gallon, while the wholesale price increased 2.5 cents to 62.0 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price

soared 16.2 cents to 85.6 cents per gallon at retail, while the wholesale price increased 10.0 cents to 75.8 cents per gallon. The retail price for high-sulfur residual fuel oil climbed 14.0 cents to 71.4 cents per gallon, while the wholesale price increased 8.7 cents to 64.8 cents per gallon.

Refiner sales of residual fuel oil declined in January. Total sales decreased 1.1 million gallons per day (5.0 percent) to 21.1 million gallons per day. Low-sulfur residual fuel sales dropped 500,000 gallons (5.4 percent), while high-sulfur residual fuel oil sales fell 700,000 gallons (5.4 percent).

Other Products

- Prices for the remaining surveyed products increased during January. Refiner propane prices rose 7.6 cents per gallon at retail, and 7.3 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 7.8 cents per gallon, while the average retail price climbed 7.5 cents. The average wholesale propane price rose 7.3 cents. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate increased at both retail and wholesale levels, while No. 4 distillate price rose at wholesale.
- Refiner sales of these products were mixed in January. Sales of propane and kerosene increased at both levels, while kerosene-type jet fuel sales declined in both categories. Sales of aviation gasoline rose at retail but fell at wholesale, while sales of No. 1 distillate did just the opposite. No. 4 distillate sales also rose at the wholesale level.