

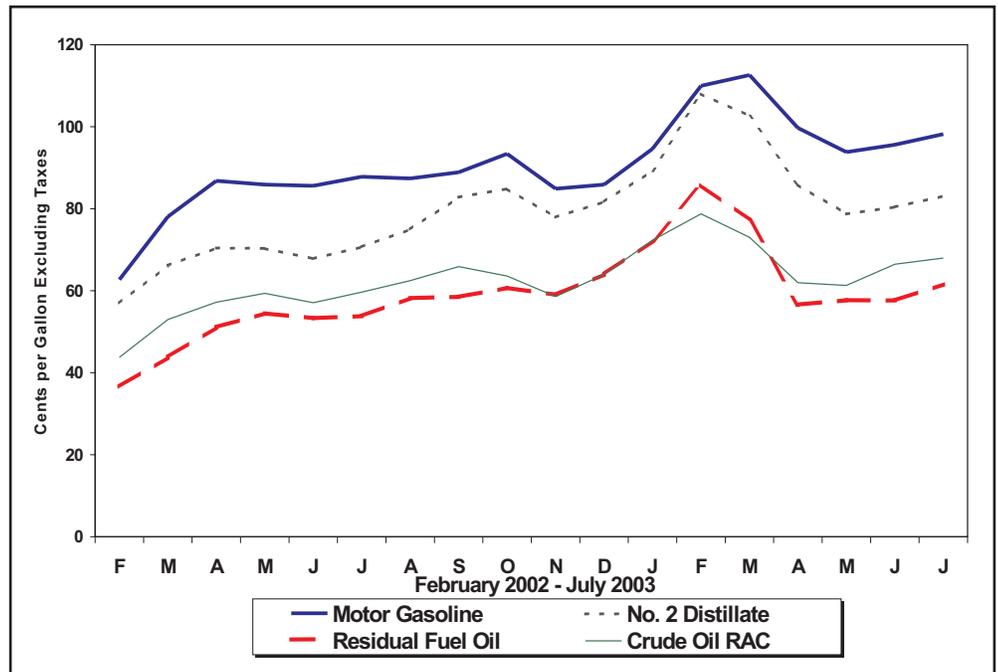
Highlights

Primarily supported by continuing low inventory levels in major markets, world crude oil prices showed only minimal changes during July. The slower-than-anticipated recovery of Iraqi crude oil production and exports, a general labor strike in Nigeria, questions about Venezuela's production abilities, and a number of storms threatening production facilities in North American waters also influenced crude oil price trends. Despite news of the arrival of the first shipments of Iraqi crude oil into foreign ports, market watchers took note of the lag in restoring production to prewar levels. Estimates put production at 800,000 barrels per day at the end of July, less than half the country's prewar production rate of 2.0 to 2.5 million barrels per day. In Nigeria, while the 8-day long labor strike involved some oil workers, the work stoppage generally did not affect oil production and export operations. However, the threat of the strike expanding to other oil workers' unions amid a continuing atmosphere of national political and civil unrest was enough to make an impression on prices in international markets. In addition to concerns about the ability to maintain production rates in those countries, questions about Venezuela's ability to maintain the pace of production seen during the past few months arose in July. Some data indicate that Venezuelan oil exports fell in July, along with refinery inputs at facilities within the country. Finally, a number of storms affected offshore and coastal production and refining operations in the Gulf of Mexico and Caribbean Sea, lending a degree of support to prices. Tropical Storm Claudette, the most serious threat of all the storms, caused suspension of production operations at offshore facilities and halted shipping in the Houston Ship Channel at mid-month.

However, no lasting damage was reported to any facilities affected by the storm.

In U.S. markets, July proved to be an uneventful month for most petroleum product prices. Gasoline prices were the exception to the general trend, particularly during the first half of the month. The volatility was chiefly the result of supply issues and refinery outages that affected facilities across regional markets. The relatively slow demand for gasoline during the months leading up to the summer driving season led refiners to moderate gasoline production to a corresponding level. However, with the comparatively low inventories, a spate of unexpected refinery outages led to a noticeable rise in prices throughout the country during the first two weeks of July. Notably, July 2003 total finished gasoline stocks, at approximately 150 million barrels, were nearly 10 percent below last year's level, and the lowest rate for July recorded in at least five

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 2003		June 2003		July 2002		July 2003		June 2003		July 2002	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	110.5	67.1	109.3	66.8	100.3	64.6	98.2	330.1	95.6	327.7	87.8	326.6
Conventional	106.8	38.7	104.7	38.4	97.4	38.3	95.2	221.9	91.3	219.9	84.6	222.0
Regular	104.0	30.0	101.8	29.9	94.3	29.3	93.7	185.0	89.8	184.5	82.9	183.1
Midgrade	113.3	4.8	110.9	4.7	103.5	5.0	99.7	11.9	95.9	11.5	89.0	12.6
Premium	121.3	3.9	118.9	3.8	111.6	4.1	104.5	25.1	101.0	23.9	94.2	26.3
Oxygenated	114.1	2.3	111.8	2.3	106.8	1.9	103.3	7.9	99.7	8.1	94.8	8.2
Regular	111.9	1.8	109.4	1.8	104.3	1.6	102.3	6.2	98.7	6.4	93.9	6.3
Midgrade	116.6	0.3	116.4	0.3	113.7	0.2	103.9	1.1	99.8	1.1	95.1	1.3
Premium	130.2	0.2	129.1	0.2	122.8	0.2	113.3	0.6	110.4	0.6	104.5	0.6
Reformulated	115.6	26.2	115.9	26.1	104.3	24.3	104.3	100.2	104.7	99.7	94.6	96.3
Regular	111.6	18.9	112.1	18.9	100.3	17.4	101.6	77.1	102.0	77.2	91.5	72.2
Midgrade	122.2	3.3	122.2	3.3	111.1	3.4	110.4	6.4	110.8	6.2	102.1	7.9
Premium	129.1	4.0	129.1	3.9	117.9	3.6	114.7	16.6	114.9	16.2	104.5	16.3
Aviation Gasoline	152.3	0.1	145.1	0.1	139.2	0.1	128.5	0.7	NA	0.8	118.9	0.8
Kerosene-Type Jet Fuel	81.8	45.3	76.8	44.8	72.2	53.1	81.3	11.7	77.0	12.0	71.4	12.4
Propane (Consumer Grade)	54.3	2.6	56.0	1.9	38.4	2.2	56.1	29.7	57.5	30.0	37.5	25.1
Kerosene	90.0	0.1	90.8	0.1	80.7	0.1	82.8	1.0	77.5	1.8	73.2	1.1
No. 1 Distillate	93.6	0.2	94.2	0.2	82.5	0.2	91.6	0.2	88.5	0.2	78.3	0.2
No. 2 Distillate	87.7	19.9	85.8	19.3	75.0	21.5	83.1	126.4	80.4	126.4	70.7	121.4
No. 2 Fuel Oil	82.8	2.4	81.5	2.5	70.9	2.8	78.9	19.2	76.8	20.2	68.9	18.0
No. 2 Diesel Fuel	88.4	17.4	86.5	16.8	75.6	18.7	83.8	107.1	81.1	106.2	71.0	103.4
Low Sulfur	90.4	11.4	88.5	11.5	77.9	12.7	84.1	95.3	81.4	93.2	71.3	91.9
High Sulfur	84.5	6.1	82.0	5.3	70.7	5.9	81.8	11.9	79.1	13.0	68.7	11.5
No. 4 Fuel^a	72.3	0.2	69.4	0.2	65.5	0.4	71.8	0.0	70.1	0.0	61.4	NA
Residual Fuel Oil	70.3	10.0	63.9	11.9	58.6	9.6	61.6	5.6	57.6	6.8	53.7	8.7
Sulfur Content not > 1 %	75.1	3.3	71.9	3.9	63.2	2.7	65.4	2.6	62.4	2.7	55.7	5.1
Sulfur Content > 1 %	67.9	6.7	60.0	8.0	56.8	6.9	58.4	3.0	54.5	4.2	50.9	3.7

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."

years. In addition to the refinery problems, imports from European ports were reported to have declined due to more favorable prices for gasoline in European spot markets. While July 2003 prices for other products followed along the same stable path of crude oil prices, a comparison of current to year-ago spot market prices reflected the continued effect of low stocks on market sensibilities. At Cushing, Oklahoma, the monthly average price for West Texas Intermediate crude oil was \$30.75 per barrel in July 2003 compared with \$26.97 per barrel in July 2002, a difference of \$3.78. At New York Harbor, the monthly average prices for regular gasoline registering a difference of 11.2 cents: 87.3 cents per gallon in July 2003 versus 76.1 cents per gallon in July 2002. The average price for No. 2 heating oil at New York Harbor was 78.6 cents per gallon in July 2003,

compared with 67.9 cents per gallon in July 2002, an increase of 10.8 cents.

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

Crude Oil

While remaining at a robust level due to comparatively low stock levels, the daily spot price for West Texas Intermediate (WTI) crude oil moved within a limited range during July. Opening at \$30.15 per barrel, the

price moved gradually to its high of \$31.96 per barrel on July 18, supported by market anticipation of supply drawdowns. The price declined during the latter part of the month as inventories were expected to increase. The month's low, \$29.98 per barrel, was reached on July 28. Closing July at \$30.56 per barrel, the price was a scant 41 cents higher than when it started the month.

- July monthly average crude oil prices show small increases from June levels. The average domestic crude oil first purchase price increased 68 cents (2.5 percent), to \$27.51 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 73 cents (2.9 percent), to \$26.13 per barrel. The average landed cost of foreign crude oil increased 35 cents (1.3 percent), to \$27.70 per barrel.
- The average refiner acquisition cost for domestic crude oil climbed 53 cents (1.8 percent), to \$29.60 per barrel. The average cost of imported crude oil to U.S. refiners increased 70 cents (2.6 percent), to \$27.92 per barrel. The composite refiner acquisition cost for crude oil rose 63 cents (2.3 percent), to \$28.55 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor moved along a more varied path than other products' prices during July. After opening at 82.4 cents per gallon, the price moved to its low for the month when it reached 83.2 cents per gallon on July 2. Following that, the price underwent a period of increase caused by a string of problems at refineries around the country and thin supplies of the product in East Coast markets. It reached its high of 93.4 cents per gallon on July 11. Moving into a generally quiet mode after that, the price closed the month at 88.8 cents per gallon, 6.4 higher than its opening level for July.

- For the most part, monthly average gasoline prices increased slightly in July. The average price for retail sales of motor gasoline by refiners climbed 1.2 cents to \$1.105 per gallon. The average wholesale price increased 2.6 cents to 98.2 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets rose 2.1 cents to \$1.098

per gallon. The average wholesale price increased 2.8 cents to 98.2 cents per gallon. The average dealer tank wagon (DTW) price rose 2.2 cents to \$1.036 per gallon, while the average rack price climbed 3.2 cents to 97.2 cents per gallon. The average price for bulk sales rose 2.1 cents to 88.0 cents per gallon. Reformulated gasoline (RFG) prices were 7.3 cents more than conventional gasoline prices at retail, and 7.6 cents higher at wholesale. Oxygenated gasoline prices were 6.3 cents higher than conventional gasoline prices at retail, and 7.6 cents more at wholesale.

- Sales of motor gasoline by refiners increased modestly during July. Total sales rose 2.7 million gallons per day (0.7 percent), to an average of 397.2 million gallons per day. Retail sales increased 300,000 gallons per day (0.4 percent), while wholesales climbed 2.4 million gallons per day (0.7 percent). Rack sales accounted for 66.5 percent of wholesales, while DTW and bulk sales made up 18.6 percent and 14.9 percent, respectively. Reformulated gasoline explained 31.8 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.6 percent of sales.

No. 2 Distillate

As can be expected during the product's off-season, the daily spot price for No. 2 heating oil at New York Harbor moved along a quiet and uneventful path during July, generally following the trend seen in crude oil prices. After opening at 78.1 cents per gallon, the price gradually climbed to its high of 80.9 cents per gallon on July 15. After dropping to its low of 75.8 cents on July 22, the price regained a little ground and closed July at 79.1 cents per gallon, 1.0 cent higher than when it opened the month.

- While most monthly average No. 2 distillate prices show small increases in July, the national average residential sales price for No. 2 distillate fell 5.5 cents to \$1.165 per gallon. The average wholesale price rose 2.7 cents to 83.9 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets cents increased 1.4 cents, while the average No. 2 diesel fuel wholesale price rose 2.8 cents. The difference between low- and high-sulfur diesel fuel prices was 3.2 cents at retail and 11.9 cents at wholesale.
- Refiner sales of No. 2 distillate inched higher during July. Total sales rose 400,000 gallons per day (0.3 percent), to 146.1 million gallons per day. Sales of No. 2 fuel oil decreased 1.1 million gallons per day

(4.8 percent), while sales of No. 2 diesel fuel rose 1.5 million gallons per day (1.2 percent). Low-sulfur diesel fuel made up 85.7 percent of all refiner diesel fuel sales, and 73.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices rose firmly in July. Refiner prices for low-sulfur residual fuel oil increased 3.2 cents to 75.1 cents per gallon at retail, and 3.0 cents to 65.4 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil jumped 7.9 cents to 67.9 cents per gallon, while the wholesale price increased 3.9 cents to 58.4 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price climbed 4.1 cents to 72.9 cents per gallon at retail, while the wholesale price increased 4.9 cents to 72.7 cents per gallon. The retail price for high-sulfur residual fuel oil rose 8.1 cents to 67.6 cents per gallon, while the wholesale price climbed 5.5 cents to 62.8 cents per gallon.

Refiner sales of residual fuel oil fell in July. Total sales decreased 3.1 million gallons per day (16.6 percent) to

15.6 million gallons per day. Low-sulfur residual fuel sales declined 700,000 gallons per day (10.6 percent), while high-sulfur residual fuel oil sales fell 2.5 million gallons per day (20.5 percent).

Other Products

- Price trends for the products included in this section varied in July. Refiner propane prices declined 1.7 cents per gallon at retail and 1.4 cents at wholesale. Including data from a sample of propane marketers, the average retail price fell 6.6 cents, while the average wholesale propane price dropped 0.8 cent. Retail prices for kerosene-type jet fuel and No. 4 distillate increased, along with the retail price for aviation gasoline. Retail prices for No. 1 distillate and kerosene fell while the wholesale prices increased for those products.
- Sales of these products largely declined in July. Sales of aviation gasoline, kerosene, and No. 1 distillate decreased at both levels. Propane, kerosene-type jet fuel, and No. 4 distillate sales increased at retail but fell at wholesale.