

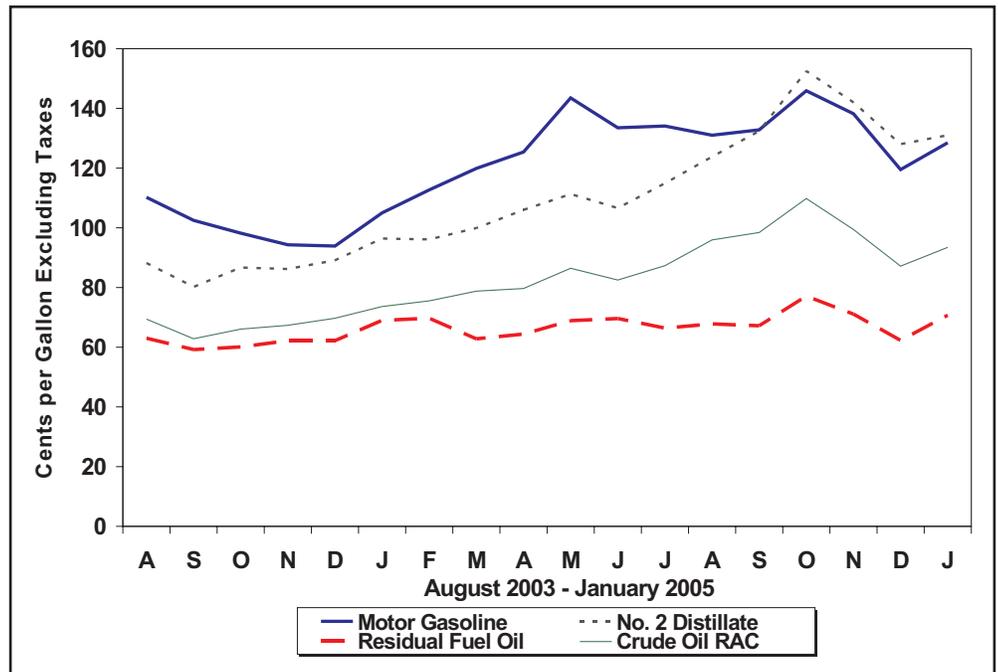
Highlights

At the start of 2005, international crude oil prices were on the rise, mostly in response to lower supply rates, the influx of cold weather in Northern Hemisphere markets, and political issues. Besides disruptions to production operations in Canada, the North Sea, and the U.S. Gulf Coast region, ongoing disturbances in Iraqi oil processing and transportation operations and production cuts implemented by Organization of Petroleum Exporting Countries (OPEC) on January 1 underpinned rising prices. The slower-than-expected recovery of pre-hurricane Ivan crude oil production in the U.S. Gulf of Mexico region continued to influence oil prices, as nearly 8 percent of the daily production for this area remained shut-in. Inclement weather in the North Sea that hampered loadings and repairs to damaged production facilities in addition to outages at Canadian oil production plants that reduced exports also supported prices. World oil prices were also influenced by violent incidents in Iraq and by disruptions to the country's oil production and export infrastructure due to attacks by insurgents. Fears of more disturbances prior to Iraq's January 30 general election also supported higher prices. In other developments, OPEC met again on January 30 to re-evaluate the production levels, deciding to maintain the current levels based on forecasts that the balance for global oil supply and demand would remain stable in the near term. Notably, during the same meeting, the group also voted to suspend its little-used price band mechanism "... due to market changes that have rendered the Band unrealistic ... " Originally created in March 2000, the price control plan involved monitoring a 20-day average of seven key crude oil streams (the so-called OPEC basket). If the average price fell outside a \$22-\$28 range, wellhead output would be in-

creased or decreased 500,000 barrels per day to stabilize prices. However, the price for the OPEC basket has exceeded the mechanism's upper end for more than a year. It remains to be seen whether the group will re-institute the mechanism and if so, whether the price range will be at a higher rate.

In the United States, cold weather and refinery operations issues led crude oil and refined product prices higher in January. Along with inclement weather and scheduled refinery maintenance, unexpected problems reported at several facilities underpinned finished product prices. Higher import rates and continued warm temperatures muted demand for distillates through the beginning of January, allowing stocks to build and move back within the average range for this time of year. While the increase in inventories helped temper the amplitude of prices, especially for heating oil, prices still rose significantly in January. Initially,

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 2005		December 2004		January 2004		January 2005		December 2004		January 2004	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	139.8	55.9	141.5	59.1	117.3	57.1	128.5	302.1	119.5	338.4	105.0	286.8
Conventional	137.3	31.0	136.0	33.2	114.6	30.7	126.9	198.6	115.4	224.9	102.5	188.6
Regular	134.8	25.4	133.3	27.1	112.1	24.3	125.6	170.5	114.2	194.4	101.0	159.2
Midgrade	144.2	3.2	143.5	3.4	120.9	3.6	132.0	10.2	120.3	11.2	107.2	10.2
Premium	153.9	2.5	153.7	2.7	128.4	2.8	136.7	17.8	125.0	19.3	112.4	19.2
Oxygenated	140.2	3.5	141.1	3.7	119.6	3.6	126.7	11.8	123.9	12.6	106.9	11.0
Regular	137.4	2.7	138.0	2.8	116.9	2.7	125.1	9.5	122.4	10.2	105.6	8.7
Midgrade	145.9	0.5	148.1	0.5	124.2	0.5	130.0	1.1	123.4	1.2	108.1	1.2
Premium	156.4	0.3	157.8	0.3	134.1	0.3	136.8	1.2	137.5	1.2	116.3	1.1
Reformulated	143.3	21.4	149.9	22.2	120.5	22.8	132.1	91.7	128.2	100.9	110.2	87.2
Regular	139.2	15.8	145.5	16.3	116.2	16.4	129.8	72.7	125.4	80.9	107.6	67.5
Midgrade	150.2	2.7	156.7	2.8	127.9	2.9	137.2	4.6	136.6	5.0	115.4	5.5
Premium	158.8	2.9	166.7	3.1	134.8	3.5	141.9	14.4	140.7	14.9	120.7	14.2
Aviation Gasoline	W	W	W	W	W	W	159.5	0.4	157.3	0.4	135.3	0.4
Kerosene-Type Jet Fuel	131.2	42.4	133.4	46.2	99.8	45.3	131.7	13.7	132.6	13.7	99.7	11.6
Propane (Consumer Grade)	98.8	2.4	94.5	2.8	NA	2.7	79.5	48.5	83.4	54.3	71.7	55.2
Kerosene	153.6	0.6	145.2	0.5	132.5	0.4	145.6	3.4	138.1	3.7	110.9	4.7
No. 1 Distillate	143.7	0.4	144.8	0.3	107.3	0.6	142.8	3.7	138.0	3.3	107.2	3.4
No. 2 Distillate	134.8	19.6	134.2	19.7	100.3	18.7	131.0	131.5	128.0	149.4	96.4	130.6
No. 2 Fuel Oil	138.7	2.6	132.1	2.5	102.5	3.2	131.1	26.0	129.8	31.1	97.0	27.5
No. 2 Diesel Fuel	134.3	17.0	134.5	17.1	99.9	15.5	131.0	105.6	127.5	118.3	96.2	103.1
Low Sulfur	137.1	10.9	137.8	11.1	101.5	10.8	131.4	88.4	127.7	98.8	96.8	82.6
High Sulfur	129.2	6.1	128.4	6.0	96.2	4.7	129.4	17.2	126.2	19.5	93.8	20.5
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	96.0	0.1
Residual Fuel Oil	77.3	12.2	75.4	12.7	71.6	10.9	70.7	6.7	62.3	7.2	69.0	7.7
Sulfur Content not > 1 %	84.6	5.6	85.0	6.1	84.4	3.7	79.5	3.6	75.9	2.7	75.3	5.0
Sulfur Content > 1 %	71.2	6.6	66.6	6.6	64.9	7.2	60.4	3.1	54.2	4.5	57.6	2.7

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."

market technical factors helped to move prices higher, but anticipation of colder temperatures also fueled the rise in prices. Upon the arrival of cold temperatures in markets across the country during the second week of the month and a major winter storm hitting the Northeast in the latter part of January, distillate prices remained on a firmly upward path throughout the month. Gasoline prices were also robust, lifted by speculation that supply levels would fall and a spike in prices would occur during the transition to summer specification products, repeating the events of spring 2004. A look at monthly average New York Harbor spot market prices illustrates some changes in prices during January. While the difference in month-to-month No. 2 fuel oil prices was relatively small, \$1.275 per gallon in December 2004 compared

with \$1.316 per gallon in January 2005, the year-to-year change was more substantial. The price in January 2004 was 98.4 cents per gallon, 33.2 cents per gallon lower than the January 2005 level. In contrast, the monthly average price for regular gasoline shows a less extreme year-to-year spread than No. 2 heating oil prices. The January 2005 price was \$1.241 per gallon compared with 99.8 cents per gallon one year ago. However, the month-to-month change in the average gasoline price was more striking, with the price showing an increase of 24.3 cents per gallon.

Additional January 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 at Cushing, Oklahoma increased during January. After opening at \$43.36 per barrel, then dropping immediately to its low of \$42.16 per barrel on January 3, the price went on to rise during the first half of the month due to fears of possible production cuts by OPEC in the near future and cold weather finally arriving. While the price experienced a short-lived decline at mid-month on news of a larger-than-expected stock build described in weekly inventory reports, it returned to an upward path, reaching its high of \$49.43 per barrel on January 25. The price closed the month at \$48.25 per barrel, \$4.89 above January's opening level.

- Monthly average crude oil prices rose in January. The average domestic crude oil first purchase price increased \$2.02 (5.3 percent) to \$40.24 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil climbed \$3.16 (10.0 percent), to \$34.70 per barrel. The average landed cost of foreign crude oil increased \$1.96 (5.6 percent), to \$37.08 per barrel.
- The average refiner acquisition cost for domestic crude oil rose 76.0 cents (1.9 percent), to \$41.50 per barrel. The average cost of imported crude oil to U.S. refiners climbed \$3.81 (11.2 percent), to \$37.98 per barrel, while the composite refiner acquisition cost for crude oil increased \$2.64 (7.2 percent), to \$39.25 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor increased substantially during January. Although prices for other products in the complex were on the rise, helping to underpin gasoline prices, refinery outages and concern about the adequacy of supplies in the spring acted as the primary factors for the climb. Opening at \$1.098 per gallon, its lowest point for the month, the price moved upward at a steady pace. While the price cooled off at mid-month after the release of a report showing increased stock levels, it followed the lead of the heating oil price and quickly returned to its upward path. The month's high of

\$1.355 per gallon was reached on January 26 following news of a refinery fire. Easing modestly during the last few days of the month, the price closed at \$1.300 per gallon, more than 20 cents above January's opening level.

- Monthly average gasoline prices show a variety of changes in January. The average price for retail sales of motor gasoline by refiners declined again, falling 1.7 cents to \$1.398 per gallon, while the average wholesale price rose 9.0 cents to \$1.285 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets showed little change, rising 0.4 cent to \$1.401 per gallon. The average wholesale price for gasoline increased 9.0 cents to \$1.289 per gallon. The average dealer tank wagon (DTW) price rose 3.4 cents to \$1.336 per gallon, while the average rack price climbed 12.5 cents to \$1.290 per gallon. The average bulk sale price rose 6.5 cents to \$1.193 per gallon. Reformulated gasoline prices were 5.1 cents above conventional gasoline prices at retail, and 4.8 cents more at wholesale. Oxygenated gasoline prices were 1.6 cents higher than conventional gasoline prices at retail, and 1.1 cents more at wholesale.
- Refiner sales of motor gasoline declined appreciably in January. Total sales fell 39.5 million gallons per day (9.9 percent) to an average of 358.0 million gallons per day. Retail sales dropped 3.2 million gallons per day (5.4 percent), while wholesales decreased 36.3 million gallons per day (10.7 percent). Rack sales accounted for 67.9 percent of wholesales, while DTW and bulk sales made up 16.9 percent and 15.2 percent, respectively. Reformulated gasoline accounted for 31.6 percent of total motor gasoline sales, while oxygenated gasoline defined 4.3 percent of sales.

No. 2 Distillate

Following the volatility seen in December, the daily spot price for No. 2 heating oil at New York Harbor rose steadily through most of January. Opening at \$1.229 per gallon, the price immediately marked the month's low of \$1.167 per gallon on January 3. After that, concern about production and supplies during the winter refinery maintenance season and the arrival of cold temperatures and winter storms led the price higher. Following several weeks of steady increase, the price reached its high of \$1.428 per gallon on January 25. While it eased moderately during the last week of the

month, closing at \$1.331 per gallon, the price was still more than 10 cents above January's opening level.

- Monthly average prices for No. 2 distillates largely increased in January. The national average residential sales price rose 1.5 cents to \$1.807 per gallon. The average wholesale price increased 3.2 cents to \$1.324 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 4.2 cents, while the average wholesale price for No. 2 diesel fuel rose 3.2 cents. The difference between low- and high-sulfur diesel fuel prices was 5.5 cents at retail and 2.0 cents at wholesale.
- Refiner sales of No. 2 distillates declined in January. Total sales fell 17.8 million gallons per day (10.5 percent), to 151.2 million gallons per day. Sales of No. 2 fuel oil declined 5.0 million gallons per day (14.9 percent), while sales of No. 2 diesel fuel dropped 12.8 million gallons per day (9.5 percent). Low-sulfur diesel fuel made up 81.0 percent of all refiner diesel fuel sales, and 65.7 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Generally, January national average residual fuel oil prices increased from December levels. Refiner prices for low-sulfur residual fuel oil dropped 0.4 cent to 84.6 cents per gallon at retail, but rose 3.6 cents to 79.5 cents per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil increased 4.6 cents to 71.2 cents per gallon, while the wholesale price rose 6.2 cents, to 60.4 cents per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil increased 2.0 cents to 86.6 cents per gallon at retail, and 4.0 cents to 78.6 cents per gallon

at wholesale. The retail price for high-sulfur residual fuel oil rose 4.4 cents to 71.2 cents per gallon, while the wholesale price climbed 10.3 cents to 68.8 cents per gallon.

- Refiner sales of residual fuel oil fell slightly in January. Total sales dropped 1.0 million gallons per day (5.0 percent). Low-sulfur residual fuel oil sales increased 400,000 gallons per day (4.5 percent), while high-sulfur residual fuel oil sales fell 1.4 million gallons per day (12.6 percent).

Other Products

- Trends in the monthly average prices for the remaining surveyed products were mixed in January. Refiner prices for propane increased 4.3 cents per gallon at retail, but fell 3.9 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price dropped 0.6 cent per gallon, while the average retail propane price increased 0.5 cent per gallon. The average wholesale propane price decreased 2.9 cents per gallon. Prices for kerosene-type jet fuel fell at both levels, while kerosene prices did just the opposite. No. 1 distillate prices decreased at retail, but rose at wholesale. The January wholesale price for aviation gasoline also increased at wholesale.
- Refiner sales of the products included in this section varied in January. Sales of propane declined at both retail and wholesale, while sales of No. 1 distillate rose at both levels. Sales of kerosene-type jet fuel declined at retail and remained flat at wholesale, while kerosene sales increased at retail but decreased at wholesale. January sales of aviation gasoline also fell at wholesale.