

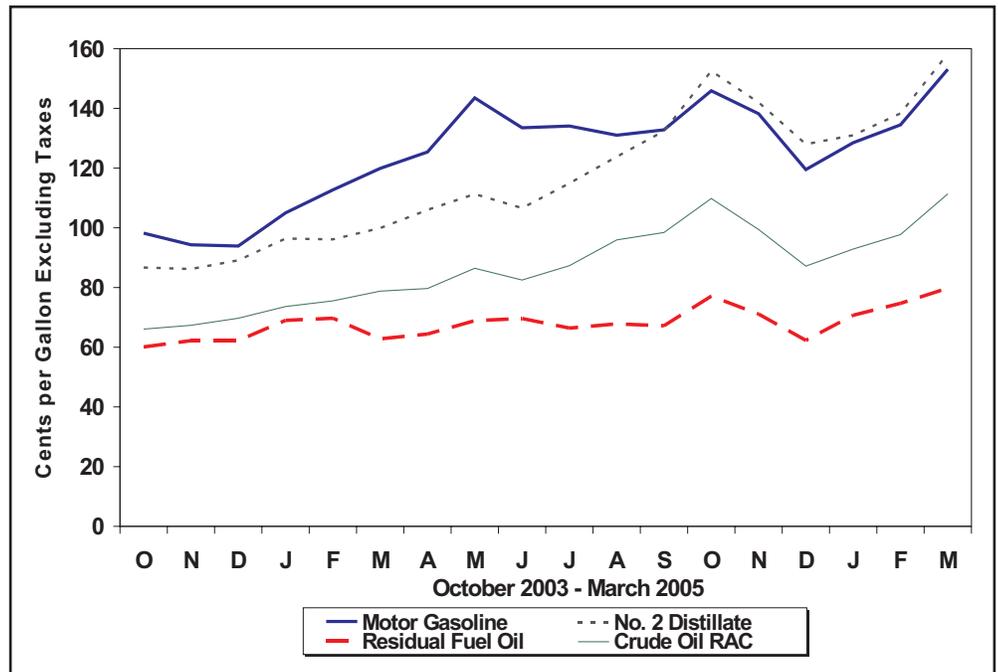
# Highlights

Underpinned by supply concerns, cold weather, solid demand, and speculative buying in commodities markets, world crude oil price rose significantly in March. Early in the month, members of the Organization of Petroleum Exporting Countries (OPEC) released a statement saying the group would meet supply shortages and not cut production levels when prices are high. Even so, some members believed that the current high prices were not the result of fundamental factors such as supply shortages, but stemmed more from technical issues. Also, some market watchers believed that many in the group were reluctant to produce more oil in the second quarter of the year, when demand typically declines as cold weather in Northern Hemisphere markets abates and refineries are scheduled for maintenance. Despite those issues, on March 16, OPEC decided to increase production by 500,000 barrels per day to 27.5 million barrels per day, with the change to take immediate effect. Production levels would be evaluated again, the group stated, during a meeting in Vienna, Austria on June 7, 2005. In addition to the production issues, lingering cold weather in North American and northern Asian markets fueled demand for oil affected prices. Notably, prices for many key streams plummeted following the release of supply data that showed U.S. crude oil stocks at their highest level in three years. Nevertheless, prices rebounded quickly in part because of technical support stemming from speculative buying in futures markets from noncommercial sources. Prices continued to rise through the end of the month, closing March near the record levels seen at mid-month.

In the United States, crude oil and refined product prices rose significantly during March. A number of issues contributed to the size-

able increase in oil product prices including ongoing cold weather, refinery problems, supply concerns, and technical factors. The month began with reports of unexpected outages at several refining facilities in the Gulf Coast region. Coupled with a heavy slate of planned maintenance scheduled in March, the outages helped spur all product prices higher in markets across the country. Refinery and pipeline problems in West Coast markets also pressed prices for gasoline and distillates substantially higher, particularly during the latter half of the month. Additional support came from lingering cold weather, particularly in the Northeast which sustained distillate prices at high levels. Moreover, distillate prices persistently outpaced gasoline prices despite the approaching switch to summer specification product later this spring. Reported declines in natural gas and propane stocks also lent support to higher prices for those products and to distillate products' prices. Monthly supply data show appreciable

**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					
	March 2005		February 2005		March 2004		March 2005		February 2005		March 2004	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	163.7	58.7	146.8	59.1	133.8	59.1	153.1	320.5	134.5	318.3	119.9	308.5
<b>Conventional</b> .....	160.6	33.5	143.5	32.9	127.4	34.1	151.1	212.2	131.8	211.0	115.1	207.4
Regular .....	158.3	27.7	141.0	26.9	124.8	27.2	149.8	183.0	130.5	181.5	113.6	176.1
Midgrade .....	167.4	3.3	150.2	3.3	134.2	3.9	155.7	11.4	136.8	11.0	120.5	11.1
Premium .....	176.0	2.5	159.8	2.6	142.0	3.0	161.8	17.9	141.6	18.4	125.2	20.1
<b>Oxygenated</b> .....	166.6	2.3	144.5	3.5	135.5	2.1	156.3	10.5	136.9	11.6	124.0	8.9
Regular .....	164.7	1.9	142.8	2.7	133.4	1.7	154.7	8.5	135.3	9.4	122.7	7.1
Midgrade .....	173.3	0.2	146.8	0.5	140.9	0.2	157.0	1.1	138.5	1.1	124.4	1.1
Premium .....	181.9	0.1	156.5	0.3	151.1	0.1	169.6	0.9	149.2	1.1	136.4	0.7
<b>Reformulated</b> .....	168.1	22.9	152.1	22.7	143.2	22.9	157.2	97.7	139.9	95.6	130.2	92.2
Regular .....	164.6	17.3	148.3	16.9	139.7	16.9	154.9	78.5	137.7	75.9	127.6	72.8
Midgrade .....	175.1	2.7	158.8	2.8	148.8	2.7	162.8	4.7	145.4	4.8	136.7	5.5
Premium .....	182.2	2.9	167.1	3.1	156.9	3.3	167.5	14.5	149.7	14.9	141.2	13.9
<b>Aviation Gasoline</b> .....	201.6	0.1	W	W	W	W	183.8	0.5	170.0	0.4	148.9	0.6
<b>Kerosene-Type Jet Fuel</b> .....	158.3	46.0	137.5	45.4	102.7	47.3	157.7	14.3	137.9	14.0	101.4	10.1
<b>Propane (Consumer Grade)</b> .....	109.0	2.7	103.3	3.0	NA	3.8	86.2	38.7	79.0	45.7	61.9	40.9
<b>Kerosene</b> .....	166.3	0.4	152.7	0.5	NA	0.6	163.0	2.1	145.1	3.3	104.3	2.0
<b>No. 1 Distillate</b> .....	169.5	0.3	152.3	0.4	116.2	0.3	168.2	1.2	151.0	2.3	113.4	0.8
<b>No. 2 Distillate</b> .....	162.2	21.0	142.7	21.2	106.4	18.2	158.3	143.8	138.3	140.7	99.9	135.5
No. 2 Fuel Oil .....	159.5	2.2	141.4	2.7	101.1	2.4	153.7	21.8	134.1	26.7	93.6	21.1
No. 2 Diesel Fuel .....	162.6	18.8	142.9	18.5	107.3	15.8	159.1	121.9	139.3	114.0	101.0	114.3
Low Sulfur .....	164.7	12.1	145.0	11.9	109.6	11.0	160.0	103.4	140.1	95.3	102.2	97.5
High Sulfur .....	158.8	6.7	138.9	6.5	101.9	4.7	154.1	18.5	135.0	18.7	94.3	16.8
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	87.2	0.4	115.9	0.1	W	W	90.9	0.1
<b>Residual Fuel Oil</b> .....	89.0	11.2	81.4	11.0	67.5	10.9	79.8	6.5	74.7	7.7	62.8	5.8
Sulfur Content not > 1 % .....	95.1	5.6	88.1	5.0	76.3	4.0	93.4	3.3	85.7	3.8	67.3	3.2
Sulfur Content > 1 % .....	82.8	5.6	75.9	6.1	62.5	7.0	66.1	3.2	63.9	3.9	57.1	2.5

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

<sup>a</sup> 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."

declines in distillate inventories, with total distillates falling more than 10 percent from February's level, coupled with an increase in demand of more than 2 percent in March. The data also show a significant drop in gasoline supply levels, with total finished gasoline stocks falling more than 7 percent, and more specifically, reformulated gasoline stocks falling more than 17 percent. While concern about the adequacy of gasoline supplies was growing, an explosion at BP Oil's Texas City refinery (the third largest refinery in the United States) on March 23, exacerbated those worries and helped prompt an increase in prices. Shortly after the accident, BP Oil's chief executive stated that the refinery's gasoline production had been cut no more than 5 percent. By the close of the month the effect of the accident on market price trends had faded. A look at monthly average spot market prices for gasoline and

No. 2 heating oil at New York Harbor reflects general trends seen throughout U.S. oil markets. The average price for No. 2 fuel oil in February 2005 was \$1.343 per gallon compared with \$1.551 per gallon in March 2005, marking a 21-cents-per-gallon increase. The price in March 2004 was 90.9 cents per gallon, a difference of 64.2 cents to this year's price. For conventional regular gasoline, the February 2005 price was \$1.224 per gallon, compared with \$1.439 per gallon in March 2005, a change of 21.5 cents. The average price at this time last year was \$1.091 per gallon, a difference of 34.8 cents when compared to the March 2005 price.

Additional March 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 crude oil at Cushing, Oklahoma rose significantly in March. Opening at \$51.75 per barrel, the price rose steadily during the coming weeks driven by a combination of fundamental and technical factors. Shortly after reaching a long-term high of \$56.80 per barrel on March 18, the price dropped precipitously to \$49.43 per barrel on March 23. The decline was caused by the release of supply data showing a crude oil stocks at a three year high. The price rebounded during the final days of the month, with the rise supported by price increases for finished products. Closing March at \$55.31 per barrel, the price was \$3.56 higher than the month's opening level.

- Monthly average crude oil prices jumped in all categories during March. The average domestic crude oil first purchase price increased \$5.33 (12.7 percent) to \$47.39 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$5.37 (13.8 percent), to \$44.42 per barrel. The average landed cost of foreign crude oil climbed \$5.06 (12.5 percent), to \$45.57 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$5.07 (11.6 percent), to \$48.87 per barrel. The average cost of imported crude oil to U.S. refiners underwent the largest increase, rising \$5.99 (15.1 percent), to \$45.71 per barrel, while the composite refiner acquisition cost for crude oil increased \$5.72 (13.9 percent), to \$46.77 per barrel.

## Petroleum Products

### *Motor Gasoline*

The daily spot price for regular gasoline at New York Harbor rose vigorously during March, thanks mainly to concern about supply levels and refinery problems. Opening at its lowest level for the month, \$1.247 per gallon, the price immediately moved sharply upwards on news of outages at a number of refining facilities in the Gulf Coast region. The price continued to climb during the following weeks, primarily in response to successive stock declines seen in weekly supply reports

and to additional refinery problems. Closing March at \$1.545 per gallon, its highest level for the month, the price was a striking 29.8 cents higher than where it began March.

- Monthly average gasoline prices soared in March. The average price for retail sales of motor gasoline by refiners climbed 16.9 cents to \$1.637 per gallon, while the average wholesale price jumped 18.6 cents to \$1.531 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets rose 16.8 cents to \$1.644 per gallon. The average wholesale price for gasoline climbed 18.6 cents to \$1.535 per gallon. The average dealer tank wagon (DTW) price increased 17.6 cents to \$1.584 per gallon, while the average rack price surged 19.6 cents to \$1.537 per gallon. The average bulk sale price increased 14.7 cents to \$1.410 per gallon. Reformulated gasoline prices were 6.1 cents higher than conventional gasoline prices at retail, and 4.9 cents more at wholesale. Oxygenated gasoline prices were 4.6 cents higher than conventional gasoline prices at retail, and 5.1 cents more at wholesale.
- Refiner sales of motor gasoline rose modestly in March. Total sales rose 1.8 million gallons per day (0.5 percent) to an average of 379.2 million gallons per day. Retail sales fell 400,000 gallons per day (0.7 percent), while wholesales increased 2.2 million gallons per day (0.7 percent). Rack sales defined 69.5 percent of wholesales, while DTW and bulk sales made up 16.9 percent and 13.6 percent, respectively. Reformulated gasoline accounted for 31.8 percent of total motor gasoline sales, while oxygenated gasoline made up 3.4 percent of sales.

### *No. 2 Distillate*

In addition to the general tenor of the market, continued cold weather and firm demand kept the daily spot price for No. 2 heating oil at New York Harbor at a robust level throughout March. Opening the month at \$1.495 per gallon, the price stayed in the low-\$1.50 range during the first two weeks of the month. After dropping to the month's low of \$1.461 per gallon on March 11, the price immediately rallied to its earlier range due to another snap of cold weather. The price remained at a substantial level through the rest of March, supported by a number of fundamental issues. Closing the month at \$1.658 per gallon, the price was 16.2 cents above its opening level.

- Like gasoline prices, monthly average prices for No. 2 distillates increased significantly in all sales categories during March. The national average residential sales price rose 9.8 cents to \$1.941 per gallon. The average wholesale price jumped 19.5 cents to \$1.585 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 18.8 cents, while the average wholesale price for No. 2 diesel fuel surged 19.7 cents. The difference between low- and high-sulfur diesel fuel prices was 5.8 cents at retail and 5.0 cents at wholesale.
- Overall, sales of No. 2 distillates by refiners rose in March. Total sales increased 2.8 million gallons per day (1.7 percent), to 164.7 million gallons per day. Sales of No. 2 fuel oil fell 5.4 million gallons per day (18.4 percent), while sales of No. 2 diesel fuel rose 8.2 million gallons per day (6.2 percent). Low-sulfur diesel fuel made up 82.1 percent of all refiner diesel fuel sales, and 70.1 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- March monthly average residual fuel oil prices rose across the board. Refiner prices for low-sulfur residual fuel oil increased 7.0 cents to 95.1 cents per gallon at retail, and 7.7 cents to 93.4 cents per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil climbed 6.9 cents to 82.8 cents per gallon, while the wholesale price rose 2.2 cents, to 66.1 cents per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed

7.2 cents to 96.1 cents per gallon at retail, and 1.9 cents to 86.7 cents per gallon at wholesale. The retail price for high-sulfur residual fuel oil increased 6.6 cents to 82.0 cents per gallon, while the wholesale price rose 3.9 cents to 73.4 cents per gallon.

- Refiner sales of residual fuel oil were mixed in March. Total sales fell 1.0 million gallons per day (5.3 percent). Low-sulfur residual fuel oil sales increased 100,000 gallons per day (1.1 percent), while high-sulfur residual fuel oil sales dropped 1.2 million gallons per day (12.0 percent).

### *Other Products*

- Prices for the remaining surveyed products rose in March. Refiner prices for propane increased 5.7 cents per gallon at retail, and 7.2 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price rose 1.0 cent per gallon, while the average retail propane price increased 1.4 cents per gallon. The average wholesale propane price climbed 7.2 cents per gallon. Prices for kerosene-type jet fuel, kerosene, and No. 1 distillate rose at both retail and wholesale. The wholesale price for aviation gasoline also registered an increase.
- Refiner sales of these products varied in March. Sales of propane, kerosene, and No. 1 distillate declined at both the retail and wholesale levels. Sales of kerosene-type jet fuel increased in both categories. Sales of aviation gasoline increased at wholesale during March.