

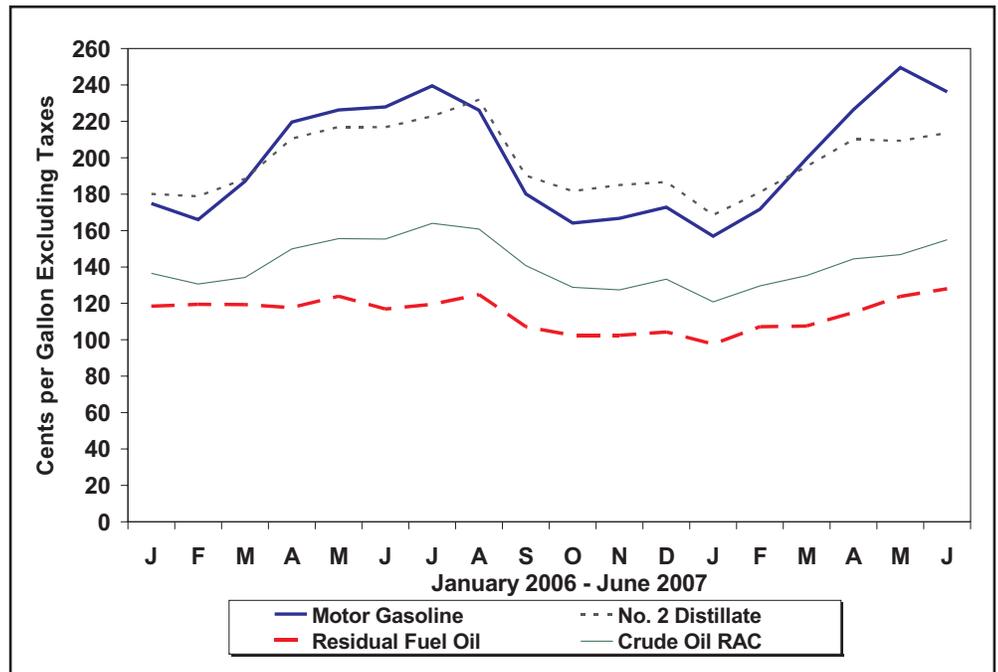
# Highlights

World crude oil prices continued to rise in June. While political issues and debate over the supply of crude oil in coming months underpinned prices throughout June, a tropical cyclone in the Indian Ocean pressed prices higher at the beginning of the month. The projected path of Cyclone Gonu, the most intense storm ever to strike the Arabian Peninsula, fueled worries that oil production and shipping activity in the region would be disrupted. Coupled with the ongoing disruption of oil production and exports from Nigeria, the prospect of an interruption of oil supply from the Persian Gulf region sent prices higher. The storm made landfall on the eastern tip of Oman on June 5, but began to dissipate as it moved northward. Although oil export facilities in Oman were shut for several days, the impact of the storm on other oil production infrastructures in the region was modest. At the same time, comments by the Secretary General of the Organization of Petroleum Exporting Countries (OPEC) that the group believed there was not a shortage of crude oil in world markets also supported rising prices. Later in the month, threats of strikes by oil industry workers along with the ongoing dispute over Iran's nuclear fuels program drove prices higher. In mid-June, leaders of Brazilian oil worker unions approved a strike over pay and promotions in the state-run oil company, Petrobras, to begin after July 5 if rank and file members also voted their approval. Also at mid-month, Nigerian oil worker unions, who had threatened to participate in a general work stoppage if the government did not take back an announced fuel price increase, rejected government offers during talks to avoid the strike. While the strike (which began on June 20) halted most economic activity in the country, oil exports were not stopped during the four-day walkout. Nevertheless,

continuing rebel actions against oil industry personnel and infrastructure continued to underpin oil prices in world markets. At the end of June, an unexpected drop in U.S. gasoline and distillate stocks reported in weekly supply data helped to lift prices for many key crude oil streams to their highest levels for the month.

In the United States, crude oil and refined product prices showed a moderate range of change during June. While prices were generally influenced by industry-related factors such as refinery operations and supply and demand rates, they were also affected briefly by concerns about trends seen in the general economy. Many products' prices were dampened early in the month by worries of interest rate increases in financial markets. The concern focused on the potential for higher interest rates slowing the economy overall and reducing demand

**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					
	June 2007		May 2007		June 2006		June 2007		May 2007		June 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	257.1	61.0	266.9	58.8	243.9	60.5	236.2	328.1	249.6	330.6	227.9	329.5
<b>Conventional</b> .....	253.5	36.5	263.3	35.7	234.8	34.7	233.7	233.4	246.6	237.7	221.0	230.4
Regular .....	251.3	31.8	261.4	31.1	232.5	29.6	231.7	204.7	244.5	209.7	219.2	203.6
Midgrade .....	264.1	2.6	272.0	2.5	243.7	2.8	241.4	11.1	259.8	10.5	229.8	9.3
Premium .....	273.3	2.2	281.2	2.0	253.4	2.2	252.2	17.6	263.9	17.4	237.5	17.5
<b>Reformulated</b> .....	262.4	24.5	272.6	23.1	256.6	24.0	242.2	94.7	257.2	92.9	245.1	91.6
Regular .....	258.2	19.2	268.6	18.2	253.0	18.9	239.1	78.7	254.3	77.9	242.6	76.3
Midgrade .....	272.0	2.5	281.6	2.4	264.5	2.5	251.4	2.9	266.0	2.9	251.6	3.4
Premium .....	283.2	2.8	291.8	2.6	274.5	2.7	258.5	13.1	273.9	12.1	258.9	11.9
<b>Aviation Gasoline</b> .....	297.8	0.1	309.6	0.1	305.7	0.1	292.4	0.5	304.7	0.5	274.6	0.6
<b>Kerosene-Type Jet Fuel</b> .....	213.2	43.0	210.5	40.2	215.9	44.5	211.4	16.5	207.9	16.0	213.3	15.9
<b>Propane (Consumer Grade)</b> .....	130.9	2.3	129.8	2.8	129.9	1.9	109.4	34.7	111.2	36.2	106.1	35.1
<b>Kerosene</b> .....	W	W	W	W	246.9	0.0	215.7	0.6	207.8	0.6	219.4	0.6
<b>No. 1 Distillate</b> .....	223.8	0.1	218.5	0.1	234.8	0.2	223.1	0.4	227.7	0.3	NA	0.8
<b>No. 2 Distillate</b> .....	222.3	24.2	218.2	26.2	224.2	18.6	213.6	147.5	209.3	144.0	216.8	141.5
No. 2 Fuel Oil .....	210.2	0.5	208.3	0.7	209.6	0.9	201.4	9.2	194.9	7.9	198.4	13.3
No. 2 Diesel Fuel .....	222.5	23.7	218.5	25.5	224.9	17.6	214.4	138.3	210.1	136.0	218.7	128.3
Ultra Low Sulfur .....	225.3	12.8	222.4	13.2	—	—	216.3	106.4	213.1	102.4	—	—
Low Sulfur .....	222.9	7.1	220.2	7.4	230.5	12.3	210.1	20.9	204.5	17.4	221.0	112.0
High Sulfur .....	212.5	3.8	205.8	5.0	212.1	5.3	204.6	11.0	197.5	16.2	202.9	16.2
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	W	W	154.2	0.2	148.3	0.2	W	W
<b>Residual Fuel Oil</b> .....	135.7	10.3	130.1	11.0	128.6	9.9	128.0	6.7	123.8	7.9	116.9	6.1
Sulfur Content not > 1 % .....	142.1	3.4	135.9	2.7	148.1	2.2	135.7	2.2	131.1	2.7	125.3	1.7
Sulfur Content > 1 % .....	132.5	6.9	128.2	8.3	123.2	7.7	124.3	4.5	120.0	5.2	113.6	4.4

Dash (—) = No data reported.

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: Beginning January 2007, oxygenated gasoline is included in conventional gasoline. Year-ago values only include the product displayed.

Notes: In January 2007, ultra low-sulfur diesel fuel was added.

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."

for petroleum products. However, prices began to rebound at mid-month following reports of continued lower than expected refinery production and import rates. Along with data showing gasoline stocks remaining well below year-ago levels, the lower refinery utilization rate spurred worries of whether inventories would be sufficient to meet demand in the coming high-consumption summer months. Notably, while gasoline prices were less volatile in markets across the country, distillate prices, particularly heating oil prices, were on the rise. Heating oil futures contracts acquired for price hedging purposes often increase at this time of year and can contribute to higher prices further downstream. Additionally this year, as a result of Energy Policy Act (EPAct) of 2005 rules, the sulfur content of

diesel fuel intended for use in locomotive, marine, and non-road (NMLR) engines and equipment is limited to a maximum of 500 ppm, as of June 1. Because this rule significantly reduced demand for high sulfur diesel, weekly supply data—which aggregate distillate based on sulfur content alone—showed a noticeable decline in high sulfur distillate stocks that also includes No. 2 heating oil inventory data. Besides lower refinery runs and data showing higher year-on-year demand, this transition may also have played a role in the upward trend seen in middle distillates prices.

Additional June 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 increased considerably during June. After opening the month at its lowest point, \$64.02 per barrel, the price rose in response to international political concerns and to news of a tropical storm in the Indian Ocean. Although it dropped briefly in response to economic concerns and easing worries about the effects from the storm, it returned to a firmly upward track in response to weekly oil products inventory data and political issues in the Middle East. In the latter half of June, the threat and start of strikes in various world regions spurred the price higher. By the end of the month, data showing lower product stocks levels coupled with expectations of increasing refinery runs pushed the price to its highest point since August 2006. Closing at \$70.47 per barrel, the price was \$6.45 higher than its opening level.

- Monthly average crude oil prices increased in June. The average domestic crude oil first purchase price climbed \$3.40 (5.8 percent) to \$62.30 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$2.79 (4.6 percent) to \$63.43 per barrel. The average landed cost of foreign crude oil increased \$2.13 (3.4 percent), to \$64.53 per barrel.
- The average refiner acquisition cost for domestic crude oil rose \$2.91 (4.7 percent), to \$64.95 per barrel. The average cost of imported crude oil climbed \$3.70 (6.0 percent), to \$65.14 per barrel, while the composite refiner acquisition cost for crude oil increased \$3.43 (5.6 percent), to \$65.07 per barrel.

## Petroleum Products

### *Motor Gasoline*

The daily spot market price for regular gasoline at New York Harbor was less volatile in June compared with recent months. After opening at \$2.161 per gallon, the price retreated on reports of increased production and stocks in regional markets. It reached the month's low of \$2.086 per gallon on June 8. Nevertheless, the price began to rise again in response to inventory reports showing lower than anticipated changes to stocks and to rising crude oil prices. Following reports of new refinery problems, the price reached its high of \$2.271 per gallon

on June 25. Closing the month at \$2.230 per gallon, the price was 6.9 cents higher than its opening level.

- June monthly average prices for finished gasoline declined in all sales categories. The average price for retail sales of motor gasoline by refiners dropped 9.8 cents to \$2.571 per gallon, while the average wholesale price fell 13.4 cents to \$2.362 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets also declined 9.8 cents, falling to \$2.568 per gallon. The average wholesale price for gasoline decreased 12.7 cents to \$2.363 per gallon. The average dealer tank wagon (DTW) price dropped 13.4 cents to \$2.446 per gallon, while the average rack price fell 15.4 cents to \$2.361 per gallon. The average bulk sale price decreased 4.9 cents to \$2.231 per gallon. Reformulated gasoline prices were 6.0 cents higher than conventional gasoline prices at retail, and 7.4 cents more at wholesale.
- Total refiner sales of motor gasoline fell 300,000 gallons per day (0.1 percent) to an average of 389.1 million gallons per day in June. Retail sales rose 2.2 million gallons per day (3.7 percent), while wholesales dropped 2.5 million gallons per day (0.8 percent). Rack sales made up 70.8 percent of wholesales, while DTW and bulk sales accounted for 13.0 percent and 16.2 percent, respectively.

### *No. 2 Distillate*

Supported by inventory concerns, the daily spot price for No. 2 heating oil at New York Harbor increased during June. Opening at its lowest level for the month, \$1.892 per gallon, the price then rose moderately in tandem with crude oil prices. After a brief downturn during the second week of the month, it rose in response to data showing a decrease in the product's supply level. Inventory rates continued to draw attention throughout the remainder of the month, underpinning the price. The month's high was reached on June 25, when the price reached \$2.040 per gallon. Easing modestly after that, the price closed June at \$2.023 per gallon, 13.4 cents higher than where it began the month.

- No. 2 distillate prices showed modest increases in most sales categories in June. The national average residential sales price inched up 0.4 cent to \$2.489 per gallon, while the average wholesale price increased 4.3 cents to \$2.151 per gallon. The average price for No. 2 diesel fuel at

company-operated retail outlets rose 1.9 cents, while the average wholesale price increased 3.8 cents. Ultra low-sulfur diesel fuel prices were 4.6 cents more than low-sulfur diesel fuel at retail, and 4.7 cents higher at wholesale. The difference between low- and high-sulfur diesel fuel prices was 6.3 cents at retail, and 6.8 cents at wholesale.

- Refiner sales of No. 2 distillates rose in June. Total sales increased 1.6 million gallons per day (0.9 percent), to 171.7 million gallons per day. Sales of No. 2 fuel oil climbed 1.2 million gallons per day (13.5 percent), while sales of No. 2 diesel fuel rose 400,000 gallons per day (0.2 percent). Ultra low-sulfur diesel fuel made up 73.6 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 94.3 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- Residual fuel oil prices increased in all sales categories during June. Refiner prices for low-sulfur residual fuel oil rose 6.2 cents to \$1.421 per gallon at retail, and 4.6 cents to \$1.357 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil increased 4.3 cents to \$1.325 per gallon at retail, and also by 4.3 cents to \$1.243 per gallon at the wholesale level. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil rose 5.9 cents to \$1.418 per gallon at retail, and 1.8 cents to \$1.330 per gallon at wholesale. Prices for high-sulfur residual fuel oil climbed 3.5 cents to \$1.326 per gallon at retail, and 4.8 cents to \$1.249 per gallon at wholesale.

- Overall, refiner sales of residual fuel fell in June. Total sales decreased 1.9 million gallons (10.1 percent) to 17.0 million gallons per day. Low-sulfur residual fuel sales rose 200,000 gallons (3.7 percent), while high-sulfur residual fuel oil sales declined 2.1 million gallons (15.6 percent).

### *Other Products*

- Changes in prices for the remaining surveyed products were mixed during June. The average retail price for propane sales by refiners increased 1.1 cents per gallon, while the wholesale price dropped 1.8 cents per gallon. Including data from a sample of propane marketers, the average residential price fell 3.0 cents per gallon, while the average retail price increased 0.5 cent per gallon. The average wholesale price for propane declined 1.4 cents per gallon. Prices for kerosene-type jet fuel increased at both retail and wholesale, while aviation gasoline prices did the opposite. No. 1 distillate prices rose at retail, but fell at wholesale. Prices for both kerosene and No. 4 distillate increased at the wholesale level.
- Refiner sales of these products varied in June. Sales of kerosene-type jet fuel and aviation gasoline increased at both the retail and wholesale levels, while sales of propane did the opposite. No. 1 distillate sales declined at retail, but rose at wholesale. Sales of kerosene rose at wholesale, while No. 4 distillate sales declined in the same category.