

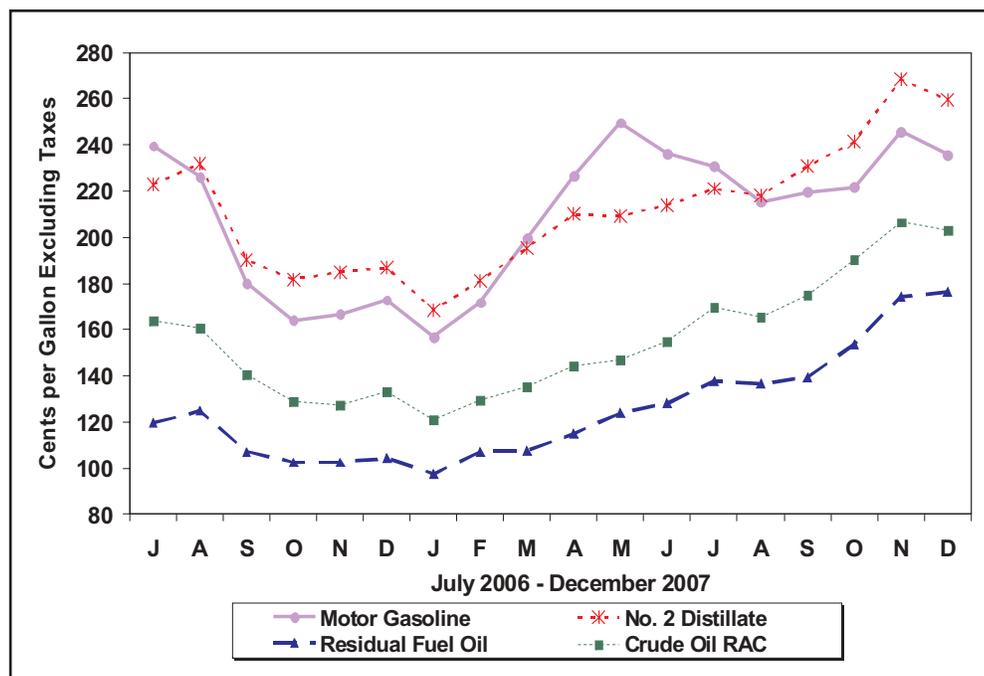
Highlights

Although world crude oil prices showed a less dynamic range in December than in the past few months, they remained at robust levels thanks to trim inventories, economic concerns, and political unrest. Although speculation that the Organization of Petroleum Exporting Countries (OPEC) would increase production output during its December 5 meeting moderated prices, the group voted not to increase production. Announcing its decision, the group said it believed global oil supply and demand were currently in balance, but would revisit the issue during a meeting on February 1, 2008. Also of note, representatives from Ecuador were present at the meeting, its first since officially rejoining the group. In addition to the OPEC meeting, an increase in the value of the U.S. dollar and the release of a U.S. intelligence report revealing that Iran halted its nuclear weapons development program in 2003 exerted downward pressure on oil prices. Following a period of fluctuation at mid-month, prices were firmly on the increase through the end of December. U.S. economic news along with continued declines in crude oil stocks in the world's largest oil consuming nation supported climbing prices, as did weather-related closures of two Mexican oil ports just before the Christmas holiday. Political turmoil including Turkish troops raiding rebel positions in northern Iraq and news of the assassination of Benazir Bhutto in Pakistan also underpinned prices across international oil markets at the close of 2007.

In the United States, crude oil and finished product prices remained unsettled during December. Inventory levels, economic and geopolitical issues, and weather all played a role in oil product price trends during the final month of the year. At the start of the month, the combination of the

report revealing the cessation of Iran's nuclear weapons program, an increase in refined product stock levels, and expectations of moderate temperatures helped to dampen prices. Although President George W. Bush announced a mortgage relief plan on December 6, it had little effect on petroleum product prices. Some market watchers felt that market technical factors significantly influenced the decline in prices at the beginning of the month. Nevertheless, prices began to rise during the second week of the month, first on inclement weather and a decline in the value of the dollar, then on a reported decline in inventory levels. Fog caused the closure of the Houston Ship Channel and the Sabine-Neches Waterway in Texas, delaying crude oil deliveries. Additionally, an ice storm in the Midwest damaged power lines, affecting pipeline and terminal operations at several locations including Cushing, Oklahoma. Operations at the

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					
	December 2007		November 2007		December 2006		December 2007		November 2007		December 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	255.1	54.7	261.4	56.6	186.8	57.9	235.7	321.3	245.8	318.1	172.8	315.4
Conventional	251.6	32.9	259.5	34.2	182.4	33.4	233.1	230.7	244.2	227.9	169.3	213.1
Regular	249.4	28.6	257.4	29.8	180.0	28.5	231.7	203.7	242.7	200.7	167.8	186.9
Midgrade	261.0	2.4	268.6	2.4	191.0	2.8	235.0	11.2	247.4	11.3	173.9	9.0
Premium	272.8	1.9	279.4	2.0	202.6	2.2	249.3	15.9	261.3	16.0	183.9	17.1
Reformulated	260.5	21.7	264.3	22.4	193.2	22.4	242.6	90.6	249.7	90.2	180.8	91.0
Regular	256.0	16.9	260.0	17.5	189.1	17.2	239.8	76.4	246.9	76.1	178.0	75.1
Midgrade	270.1	2.3	273.8	2.3	201.3	2.5	250.3	2.6	257.2	2.6	187.9	3.4
Premium	282.2	2.5	285.2	2.5	212.3	2.7	259.3	11.6	266.7	11.4	195.4	12.5
Aviation Gasoline	297.5	0.1	306.7	0.1	234.9	0.1	292.7	0.3	302.0	0.4	217.2	0.4
Kerosene-Type Jet Fuel	268.7	38.3	268.3	39.5	193.5	40.1	265.4	17.7	265.7	17.4	190.6	15.2
Propane (Consumer Grade)	187.8	3.9	181.1	3.6	138.4	3.7	146.0	54.9	147.1	45.6	103.3	50.7
Kerosene	330.0	0.1	319.7	0.1	NA	0.3	282.4	2.0	285.4	1.6	200.7	1.7
No. 1 Distillate	279.9	0.2	279.6	0.2	218.6	0.3	292.9	1.7	298.7	1.3	223.7	1.4
No. 2 Distillate	270.7	21.1	278.4	22.7	197.1	22.4	259.4	156.7	268.4	156.6	186.7	137.3
No. 2 Fuel Oil	274.3	1.1	277.3	1.0	198.5	1.0	257.0	25.8	256.9	17.2	175.3	19.8
No. 2 Diesel Fuel	270.5	20.0	278.5	21.7	197.0	21.4	259.9	130.9	269.8	139.3	188.6	117.5
Ultra Low Sulfur	270.8	11.7	280.1	12.2	—	—	260.2	107.4	270.6	113.8	—	—
Low Sulfur	269.4	7.1	277.2	8.0	201.1	16.4	259.3	19.4	266.6	21.3	190.9	101.4
High Sulfur	273.8	1.3	272.0	1.5	183.6	5.0	256.2	4.2	262.7	4.3	174.2	16.1
No. 4 Fuel^a	W	W	W	W	W	W	205.4	0.3	200.0	0.2	126.9	0.3
Residual Fuel Oil	184.2	9.1	180.3	9.6	109.9	10.0	176.5	8.7	174.2	10.1	104.3	10.2
Sulfur Content not > 1 %	194.8	2.7	183.2	2.0	119.9	3.1	194.8	2.5	183.9	3.4	113.3	4.8
Sulfur Content > 1 %	179.7	6.4	179.6	7.5	105.3	6.8	169.0	6.2	169.2	6.6	96.3	5.4

Dash (—) = No data reported.

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a 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."

affected locations were restored within a few days. Rising prices were also underpinned by a forecast report issued by the Goldman Sachs investment firm that revised its 2008 price predictions upwards due to the possibility of recessionary trends in the U.S. economy. While other product prices declined at mid-month, the price for No. 2 heating oil received a boost from cold temperatures and a snow storm in the Northeast. In the latter half of the month, all prices were firmly on the rise as the value of the dollar lost ground against other currencies and petroleum products inventories continued to record declines. By the end of December crude oil and the major refined products stocks were all

firmly below their year-ago levels, which helped propel prices well above their opening levels for the month. A comparison of monthly spot market prices from January 2007 and December 2007 prices shows the considerable changes that have occurred over the year. The January 2007 average spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was \$54.51 per barrel, \$37.18 (68.2 percent) lower than December's average of \$91.69 per barrel. At New York Harbor, the average spot price for regular gasoline was \$1.432 per gallon at the beginning of the year, while the December 2007 average was \$2.330 per gallon, reflecting an increase

Petroleum Products

Motor Gasoline

Although on a monthly average basis the daily spot price for regular gasoline at New York Harbor fell from November's level, the price was firmly on the rise during December. After opening the month at \$2.242 per gallon, the price dropped to its low of \$2.202 on December 5 following the release of inventory data showing a considerable increase in gasoline supplies. Following the short-lived decrease, the price rose during the coming weeks on a combination of issues involving fundamental factors including inclement weather, firm demand, and inventory levels. The price reached its high of \$2.501 per gallon on December 27 following the release of weekly inventory data that showed gasoline stocks below the year-ago level. Closing at \$2.485 per gallon, the price was 24.3 cents higher than its opening level for December.

- December monthly average prices for finished gasoline fell from November levels in all sales categories. The average price for retail sales of motor gasoline by refiners declined 6.3 cents to \$2.551 per gallon, while the average wholesale price decreased 10.1 cents to \$2.357 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 6.8 cents to \$2.540 per gallon. The average wholesale price for gasoline fell 9.6 cents to \$2.368 per gallon. The average dealer tank wagon (DTW) price decreased 7.9 cents to \$2.444 per gallon, while the average rack price declined 11.0 cents to \$2.352 per gallon. The average bulk sale price dropped 6.4 cents to \$2.294 per gallon. Prices for reformulated gasoline were 7.8 cents above conventional gasoline prices at retail, and 7.0 cents more at wholesale.
- Refiner sales of motor gasoline show modest changes in December. Total sales rose 1.3 million gallons per day (0.3 percent) to an average of 376.0 million gallons per day. Retail sales fell 1.9 million gallons per day (3.4 percent), while wholesales increased 3.2 million gallons per day (1.0 percent). DTW sales represented 13.2 percent of wholesales, while rack and bulk sales accounted for 69.0 percent and 17.7 percent, respectively.

of 87.8 cents (62.7 percent). The average spot price for No. 2 fuel oil at New York Harbor was \$1.528 cents per gallon in January 2007, but \$1.046 (68.5 percent) higher in December 2007 when it averaged \$2.574 per gallon.

Additional December 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 WTI crude oil followed an inconstant path through December. After opening at \$88.60 per barrel, the price experienced small changes before reaching its low of \$87.45 per barrel on December 5 following various developments in international political affairs. Nevertheless, it rose firmly again on news of an oil spill in Norwegian waters and a larger-than-expected drop in U.S. crude oil supplies. Although economic worries generated talk of lower oil demand, dampening the price through mid-month, the price returned to an upward path during the latter half of the month. Underpinned by consumer spending data, tighter supplies, and international political events, the price reached the month's high of \$96.63 per barrel on December 27. Closing the month at \$95.95 per barrel, the price was \$7.35 higher than its opening level for December.

- Monthly average crude oil prices declined in December. The average domestic crude oil first purchase price fell \$1.91 (2.2 percent) to \$85.25 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil decreased \$3.31 (4.0 percent) to \$80.48 per barrel. The average landed cost of foreign crude oil fell \$2.83 (3.3 percent), to \$81.85 per barrel.
- The average refiner acquisition cost for domestic crude oil declined 17.0 cents (0.2 percent), to \$89.00 per barrel. The average cost of imported crude oil dropped \$2.31 (2.7 percent), to \$83.21 per barrel, while the composite refiner acquisition cost for crude oil fell \$1.44 (1.7 percent), to \$85.30 per barrel.

No. 2 Distillate

While less volatile than last month, the daily spot price for No. 2 heating oil at New York Harbor remained at a robust level. Opening at \$2.499 per gallon, the price experienced modest changes before dropping to its low of \$2.470 per gallon on December 10. The decrease was due in part to anticipation of an increase in stocks in the upcoming weekly government inventory report. However, the price jumped following the report's release and data showed a firm decline in distillate stocks. The price remained at robust levels through the remainder of the month due to a combination of factors including declining stocks, end-of-year technical factors, and seasonable temperatures forecasted for the Northeast through the end of the year. The price reached its high of \$2.675 per gallon on December 27. Closing the month at \$2.648 per gallon, the price was 14.9 cents higher than December's starting level.

- Generally, No. 2 distillate prices declined during December. The national average residential sales price increased 5.8 cents to \$3.096 per gallon, while the average wholesale price decreased 7.9 cents to \$2.615 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 6.0 cents, while the average wholesale price declined 9.2 cents. Ultra low-sulfur diesel fuel prices were 2.7 cents higher than low-sulfur diesel fuel at retail, but 0.1 cent less at wholesale.
- Refiner sales of No. 2 distillates were mixed again in December. Total sales fell 1.3 million gallons per day (0.7 percent), to 178.0 million gallons per day. Sales of No. 2 fuel oil increased 8.7 million gallons per day (47.8 percent), while sales of No. 2 diesel fuel declined 10.0 million gallons per day (6.2 percent). Ultra low-sulfur diesel fuel made up 78.8 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 84.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Most residual fuel oil prices increased again in December. Refiner prices for low-sulfur residual fuel

oil climbed 11.6 cents to \$1.948 per gallon at retail, and 10.9 cents to \$1.948 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil inched up 0.1 cent to \$1.797 per gallon at retail, but fell 0.2 cent to \$1.690 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil rose 9.2 cents to \$1.962 per gallon at retail, and 8.2 cents to \$1.905 per gallon at wholesale. Prices for high-sulfur residual fuel oil fell 1.6 cents to \$1.783 per gallon at retail, but increased 0.7 cent to \$1.708 per gallon at wholesale.

- Refiner sales of residual fuel oil declined in December. Total sales fell 1.9 million gallons (9.6 percent) to 17.8 million gallons per day. Low-sulfur residual fuel oil sales dropped 200,000 gallons (3.7 percent), while high-sulfur residual fuel oil sales decreased 1.5 million gallons (10.6 percent).

Other Products

Price trends for the products included in this section were mixed in December. The average retail price for propane sales by refiners increased 6.7 cents per gallon, while the wholesale price fell 1.1 cents per gallon. Including data from a sample of propane marketers, the average residential price rose 0.7 cent per gallon, while the average retail price climbed 3.9 cents per gallon. The average wholesale price for propane fell 0.5 cent per gallon. Prices for aviation gasoline decreased at both levels. Kerosene-type jet fuel, kerosene, and No. 1 distillate prices rose at retail, but fell at wholesale. The wholesale price for No. 4 distillate increased at the wholesale level in December.

- Sales of these products varied in December. Propane, kerosene, and No. 1 distillate sales increased at both retail and wholesale, while sales of and aviation gasoline did just the opposite. Sales of kerosene-type jet fuel fell at retail but rose at wholesale. Sales of No. 4 distillate also increased at the wholesale level.