

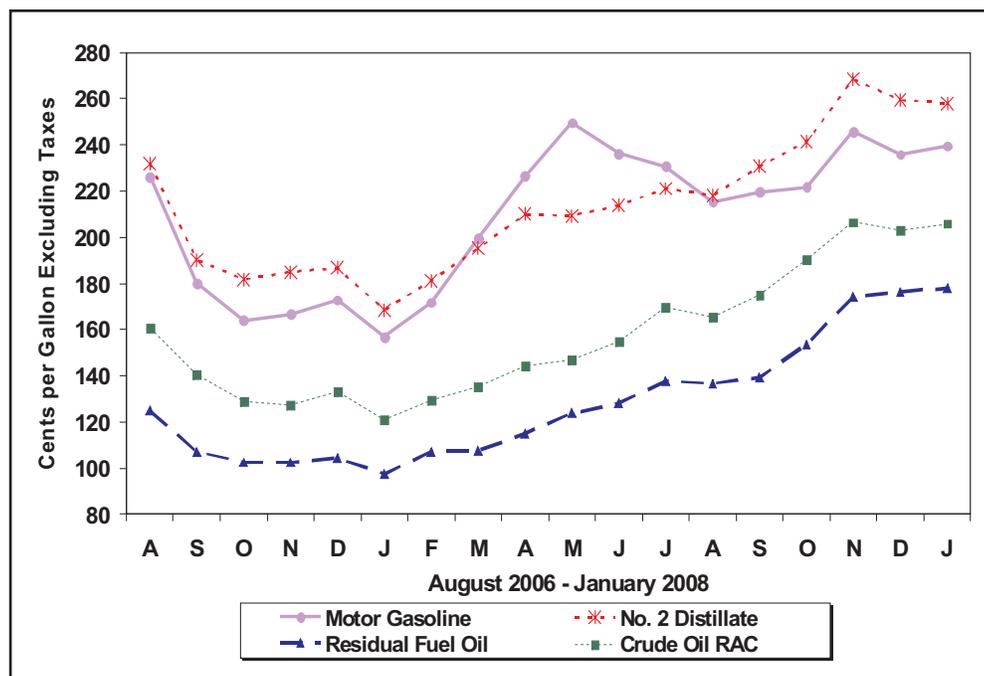
Highlights

Volatility continued to mark international crude oil prices during January. At the start of the month, prices for many key streams reached long-term nominal highs as economic turmoil in the U.S. continued to unsettle oil markets across the globe. The dollar's value continued to slide in response to more bearish economic news. Political violence in Algeria and Nigeria added pressure, though oil production operations were not disrupted in either country. In Nigeria, suspected militants attacked two police stations and a hotel in the oil city of Port Harcourt resulting in the deaths of thirteen people. In Algeria, an al Qaeda-linked group claimed responsibility for a suicide bombing attack on a police station the town of Naciria in which four people were killed. Despite these circumstances, oil prices fell decidedly as January continued. More negative economic news from the United States coupled with warmer weather led to speculation that demand from the world's largest oil consumer would be dampened. At the same time, reports of the Organization of Petroleum Exporting Countries (OPEC) producing a larger amount of crude oil in December and the reopening of Mexico's major oil exporting ports following a spate of bad weather also helped to soften prices. The combination of these issues helped to temper prices and facilitate further decline. Nevertheless, the downturn in prices was checked in the latter half of the month. An economic stimulus package announced by Washington on January 24 helped to sway prices higher. Further, speculation that exports from Nigeria could decline in the near future and data showing demand for oil by China, the second largest oil consuming market, remaining robust spurred prices higher. At the close of January, expectation that OPEC would vote not to increase

output at its upcoming meeting helped to underpin prices.

Crude oil and refined product prices were on the decline through much of January in the United States. Economic issues, including the declining value of the dollar and worries about the possibility of recession, along with petroleum product inventory trends colored market prices. At the start of the month, the U.S. benchmark crude oil stream, West Texas Intermediate (WTI), momentarily breached the \$100-per-barrel mark in the commodities futures market following news of another decline in crude oil stocks. Nevertheless, the crude oil prices began to drop immediately after that, first in reaction to more pessimistic economic news, then in response to a reported increase in inventories. Demand for gasoline and distillates eased as the month continued, and coupled with rising imports,

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 2008 | | December 2007 | | January 2007 | | January 2008 | | December 2007 | | January 2007 | |
| | Price | Volume | Price | Volume | Price | Volume | Price | Volume | Price | Volume | Price | Volume |
| Motor Gasoline | 257.3 | 53.2 | 255.2 | 54.6 | 178.9 | 54.7 | 239.5 | 299.9 | 235.8 | 321.6 | 156.9 | 298.2 |
| Conventional | 255.1 | 32.2 | 251.7 | 32.9 | 173.2 | 33.2 | 238.3 | 211.6 | 233.1 | 231.1 | 151.6 | 210.6 |
| Regular | 253.1 | 28.0 | 249.5 | 28.6 | 170.8 | 28.4 | 237.0 | 186.1 | 231.7 | 203.9 | 150.2 | 183.5 |
| Midgrade | 263.9 | 2.3 | 261.1 | 2.4 | 182.2 | 2.6 | 239.5 | 11.0 | 235.0 | 11.1 | 154.4 | 9.5 |
| Premium | 275.3 | 1.9 | 272.8 | 1.9 | 193.2 | 2.2 | 254.3 | 14.6 | 249.3 | 16.0 | 165.4 | 17.6 |
| Reformulated | 260.6 | 21.1 | 260.5 | 21.7 | 187.9 | 21.5 | 242.3 | 88.2 | 242.6 | 90.5 | 169.6 | 87.6 |
| Regular | 256.4 | 16.5 | 256.0 | 16.9 | 183.3 | 16.5 | 239.7 | 74.8 | 239.8 | 76.3 | 166.4 | 72.5 |
| Midgrade | 269.8 | 2.2 | 270.1 | 2.3 | 197.2 | 2.4 | 249.8 | 2.5 | 250.2 | 2.6 | 178.4 | 3.1 |
| Premium | 281.7 | 2.4 | 282.2 | 2.5 | 208.2 | 2.6 | 258.4 | 11.0 | 259.3 | 11.6 | 186.9 | 12.0 |
| Aviation Gasoline | 304.2 | 0.1 | 297.5 | 0.1 | 217.9 | 0.1 | 295.5 | 0.3 | 292.7 | 0.3 | 199.5 | 0.5 |
| Kerosene-Type Jet Fuel | 268.6 | 37.3 | 268.5 | 37.1 | 175.7 | 39.4 | 266.4 | 17.5 | 265.5 | 18.9 | 173.0 | 15.4 |
| Propane (Consumer Grade) | 216.0 | 3.0 | NA | 3.9 | NA | 3.3 | 148.7 | 56.1 | 146.1 | 54.7 | 99.5 | 48.6 |
| Kerosene | 331.2 | 0.1 | 330.3 | 0.1 | 194.0 | 0.2 | 283.3 | 2.2 | 282.5 | 2.1 | 180.6 | 2.3 |
| No. 1 Distillate | 281.1 | 0.2 | 279.9 | 0.2 | 199.5 | 0.3 | 281.3 | 1.8 | 292.9 | 1.7 | 195.6 | 1.8 |
| No. 2 Distillate | 269.7 | 22.0 | 270.1 | 21.2 | 180.2 | 20.1 | 258.0 | 152.2 | 259.4 | 157.0 | 168.5 | 141.7 |
| No. 2 Fuel Oil | 279.2 | 1.3 | 277.0 | 1.1 | 189.4 | 1.2 | 256.6 | 24.4 | 257.0 | 25.8 | 160.6 | 19.6 |
| No. 2 Diesel Fuel | 269.1 | 20.7 | 269.7 | 20.1 | 179.7 | 18.9 | 258.2 | 127.8 | 259.9 | 131.2 | 169.8 | 122.1 |
| Ultra Low Sulfur | 269.5 | 12.2 | 270.8 | 11.7 | 182.4 | 9.3 | 258.5 | 104.2 | 260.2 | 107.5 | 173.1 | 83.2 |
| Low Sulfur | 268.8 | 7.2 | 269.5 | 7.1 | 184.2 | 5.3 | 256.9 | 19.2 | 259.1 | 19.5 | 165.4 | 21.5 |
| High Sulfur | 266.9 | 1.3 | 261.6 | 1.4 | 168.2 | 4.3 | 256.8 | 4.4 | 256.2 | 4.2 | 159.1 | 17.4 |
| No. 4 Fuel^a | W | W | W | W | W | W | 201.6 | 0.3 | 205.4 | 0.3 | 116.8 | 0.4 |
| Residual Fuel Oil | 186.1 | 9.9 | 184.2 | 9.1 | 105.7 | 12.6 | 177.9 | 8.7 | 176.5 | 8.7 | 97.6 | 8.5 |
| Sulfur Content not > 1 % | 203.9 | 3.1 | 194.8 | 2.7 | 117.2 | 3.8 | 195.8 | 3.4 | 194.8 | 2.5 | 101.5 | 4.7 |
| Sulfur Content > 1 % | 178.2 | 6.9 | 179.7 | 6.3 | 100.7 | 8.8 | 166.3 | 5.3 | 169.0 | 6.2 | 93.0 | 3.9 |

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.

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."

led to increased stock levels. The inventory increases dampened prices, impinging upon already modest refining margins, causing some refiners to initiate discretionary production runs cuts. In the latter part of January, an economic stimulus package announced by the White House and Congress on January 24 helped lift prices after several weeks of decline. Further, a second interest rate cut implemented by the Federal Reserve and the upcoming OPEC meeting helped underpin the moderate increase in oil product prices. At the end of the month, inventory reports showing declines in some product stocks and the approach of the refinery maintenance season sustained the higher prices. A look at monthly average spot market prices for several products illuminates the changes experienced in the

petroleum products marketplace. On a monthly basis, the spot price for WTI crude oil at Cushing, Oklahoma rose a modest \$1.28 (1.4 percent) to \$92.97 per barrel from the December 2007 average of \$91.69 per barrel. The change from the January 2007 average of \$54.51 per barrel amounts to a noteworthy \$38.46 (70.6 percent) increase. At New York Harbor, the monthly average spot market price for No. 2 fuel oil was \$2.558 per gallon in January 2008, down 1.6 cents from the December 2007 average of \$2.574 per gallon, while the difference from the January 2007 average of \$1.528 cents per gallon amounts to \$1.030 (67.4 percent.) The January 2008 average spot market price for regular gasoline at New York Harbor was \$2.334 per gallon, less than a penny's difference from

the December 2007 average of \$2.330 per gallon. However, the January 2008 price is 90.2 cents (63.0 percent) higher than the year-ago average of \$1.528 per gallon.

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

Crude Oil

After reaching a record-setting high at the start of the month, the daily spot price for WTI crude oil at Cushing, Oklahoma retreated firmly. Opening at \$ 95.95 per barrel, the price jumped to \$99.64 per barrel on January 2 driven by concern about the U.S. economy and international political unrest. Nevertheless, the price declined firmly during the next several weeks. Despite a reported decline in crude oil stocks to the lowest level in several years, the price fell as refined product stocks, especially gasoline, recorded increases. The price continued to drop as economic worries mounted and various market forecasts predicted a decrease in oil demand. The month's low was reached on January 23 when the price hit \$87.65 per barrel. Recouping some ground during the remainder of the month thanks to an economic stimulus package announced by Washington, the price closed the month at \$91.67 per barrel, \$4.28 lower than where it began January.

- Most monthly average crude oil prices increased modestly in January. The average domestic crude oil first purchase price rose \$1.77 (2.1 percent) to \$87.06 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined 46.0 cents (0.6 percent) to \$82.19 per barrel. The average landed cost of foreign crude oil climbed 65.0 cents (0.8 percent), to \$84.59 per barrel.
- The average refiner acquisition cost for domestic crude oil rose 59.0 cents (0.7 percent), to \$89.63 per barrel. The average cost of imported crude oil increased \$1.60 (1.9 percent), to \$84.81 per barrel, while the composite refiner acquisition cost for crude oil rose \$1.17 (1.4 percent), to \$86.48 per barrel.

Petroleum Products

Motor Gasoline

At New York Harbor, the daily spot price for regular gasoline declined appreciably from its early highs in January. Opening at \$2.485 per gallon, the price moved immediately to the month's high of \$2.544 per gallon on January 2, driven by economic and monetary concerns. Following that point, however, the price began a firm downturn primarily due to ample supplies of, and slowing demand for the product. The month's low arrived on January 17 when the price reached \$2.231 per gallon. The price began to firm after that due to production runs cuts and the start of scheduled refinery maintenance. Closing the month at \$2.293 per gallon, the price was 19.2 cents below its opening level for January.

- January monthly average prices for finished gasoline generally show small increases from December levels. The average price for retail sales of motor gasoline by refiners rose 2.1 cents to \$2.573 per gallon, while the average wholesale price climbed 3.7 cents to \$2.395 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 3.0 cents to \$2.569 per gallon. The average wholesale price for gasoline rose 3.8 cents to \$2.406 per gallon. The average dealer tank wagon (DTW) price increased 2.0 cents to \$2.462 per gallon, while the average rack price rose 3.8 cents to \$2.390 per gallon. The average bulk sale price climbed 6.4 cents to \$2.358 per gallon. Prices for reformulated gasoline were 4.7 cents more than conventional gasoline prices at retail, and 3.2 cents higher at wholesale.
- Refiner sales of motor gasoline dropped firmly in January. Total sales fell 23.1 million gallons per day (6.1 percent) to an average of 353.1 million gallons per day. Retail sales declined 1.4 million gallons per day (2.6 percent), while wholesales decreased 21.7 million gallons per day (6.7 percent). DTW sales made up 13.6 percent of wholesales, while rack and bulk sales accounted for 71.3 percent and 15.1 percent, respectively.

No. 2 Distillate

Following the general pattern seen in the complex, the daily spot price for No. 2 heating oil at New York Harbor fell significantly from its early high point, then rebounded in the latter part of January. Opening at \$2.648 per gallon, the price reached the month's high of \$2.739 per gallon on January 2. Thanks to growing inventories and forecasts for warmer temperatures in the Northeast, the price declined steadily through mid-month. The price reached its low of \$2.442 per gallon on January 23. Owing to the general upturn in market prices after that point and to inventory reports showing a decline in distillate stocks, the price was on the upswing during the final days of the month. Closing at \$2.523 per gallon, the price was 12.5 cents below its opening level for January.

- No. 2 distillate prices largely declined during January. The national average residential sales price was the exception, rising 4.2 cents to \$3.140 per gallon. The average wholesale price declined 1.3 cents to \$2.601 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 1.8 cents, while the average wholesale price decreased 1.6 cents. Ultra low-sulfur diesel fuel prices were 1.8 cents higher than low-sulfur diesel fuel at retail, and only 0.1 cent more at wholesale.
- Refiner sales of No. 2 distillates declined overall in January. Total sales decreased 4.1 million gallons per day (2.3 percent), to 174.2 million gallons per day. Sales of No. 2 fuel oil fell 1.2 million gallons per day (4.5 percent), while sales of No. 2 diesel fuel declined 2.9 million gallons per day (1.9 percent). Ultra low-sulfur diesel fuel explained 78.4 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 85.2 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil price trends were mixed in January. Refiner prices for low-sulfur residual fuel oil rose 9.1

cents to \$2.039 per gallon at retail, and 1.0 cent to \$1.958 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil fell 1.5 cents to \$1.782 per gallon at retail, and 2.7 cents to \$1.663 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil increased 8.3 cents to \$2.045 per gallon at retail, and 2.7 cents to \$1.932 per gallon at wholesale. Prices for high-sulfur residual fuel oil declined 1.3 cents to \$1.770 per gallon at retail, and 4.7 cents to \$1.661 per gallon at wholesale.

- Refiner sales of residual fuel oil rose modestly in January. Total sales increased 800,000 gallons (4.5 percent) to 18.6 million gallons per day. Low-sulfur residual fuel oil sales climbed 1.3 million gallons (25.0 percent), while high-sulfur residual fuel oil sales decreased 300,000 gallons (2.4 percent).

Other Products

- Prices for the remaining surveyed products increased for the most part in January. The wholesale price for propane rose 2.6 cents per gallon. Including data from a sample of propane marketers, the average residential price climbed 6.5 cents per gallon, while the average retail price increased 8.1 cents per gallon. The average wholesale price for propane rose 3.0 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and kerosene increased at both levels, while No. 1 distillate prices rose at retail, but declined at wholesale. The wholesale price for No. 4 distillate fell during January.
- Sales of these products were mixed in January. Propane, aviation gasoline and kerosene sales fell at the retail level but rose at wholesale, while sales of kerosene-type jet fuel did just the opposite. Sales of No. 4 distillate increased at wholesale, while No. 1 distillate sales increased at both the retail and wholesale levels during January.