

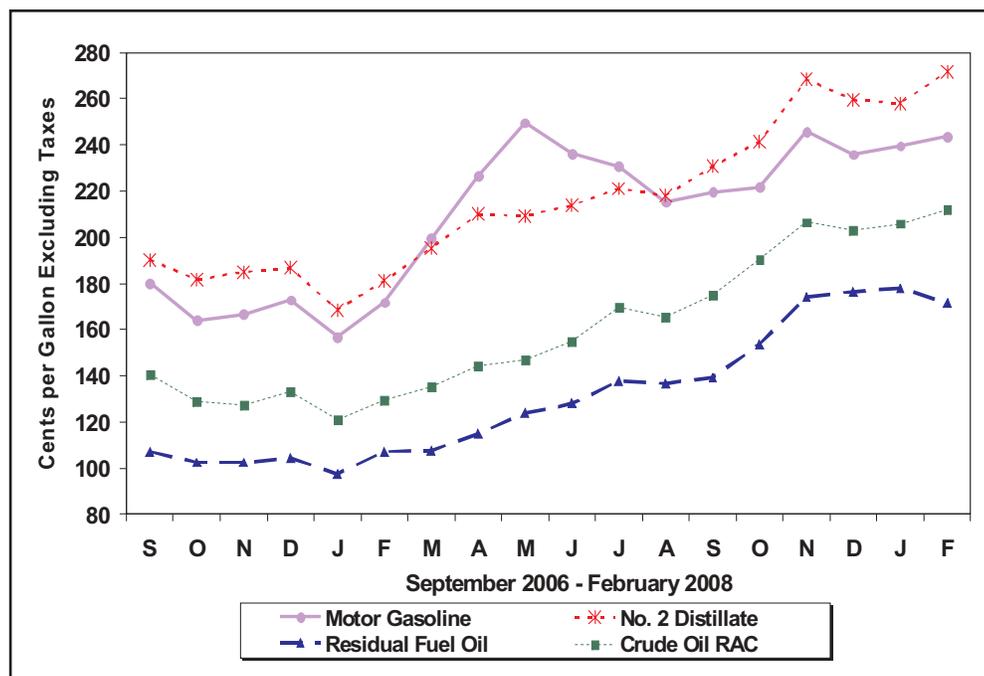
Highlights

In a reversal of last month's decline, world crude oil prices rose significantly in February. Supply concerns, economic worries, and political issues all contributed to the considerable rise in prices. In counterpoint to the overall increase, prices began the month on the decline in response to heightening worries that the U.S. economy was heading into recession. Because of the economic turmoil stemming from housing and lending woes in the world's largest oil consuming nation, the view that demand for oil could decrease in the future grew more prevalent. In turn, that concern dampened prices during the initial week of February. Nevertheless, prices found support in production and export delays from Nigeria and the North Sea. Additionally, a legal dispute between the Venezuelan government and ExxonMobil over remuneration for assets nationalized last year spilled over into the political sphere and pushed prices upward. Venezuela's president, Hugo Chavez, threatened to halt oil exports to the United States after ExxonMobil won a court decision allowing \$12 billion worth of Venezuela's overseas assets to be frozen in compensation for the company's claims. A general concern that any disruption to the current level of supply would upset the oil market's balance caused prices to rise. At mid-month, the Organization of Petroleum Exporting Countries (OPEC) published a report indicating the group believed the existing level of oil output was satisfactory to meet current demand, which sent prices for key streams appreciably higher. Additionally, some market watchers pointed to a transition of investment funds from stocks into oil (and other commodities) due to economic uncertainties further underpinned rising prices. News of incursions by Turkish troops into Iraq in the latter part of February along with

expectations that OPEC would decide to maintain, or even reduce, current production levels during its upcoming meeting in March supported record-setting prices. At the close of the month, a fire at a British natural gas terminal connecting to North Sea fields and cold weather in Atlantic Basin markets coupled with rising political tensions in the Middle East kept prices at, or near historic highs.

In U.S. markets, crude oil and refined product prices increased significantly during February. At the start of the month, Labor Department data showing a decline in jobs in the United States was seen as further evidence pointing to an economic recession, and contributed to a short-lived downturn in prices. Coupled with the decreasing value of the dollar, concerns of a recession in the United States, the world's largest oil consumer, have colored the outlook for demand for crude oil and products

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					
	February 2008		January 2008		February 2007		February 2008		January 2008		February 2007	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	256.9	55.2	257.3	53.3	184.1	57.2	243.6	309.3	239.5	299.8	171.7	310.4
Conventional	255.9	33.3	255.2	32.2	178.6	34.9	243.0	218.9	238.4	211.5	167.2	221.2
Regular	253.7	29.0	253.1	28.0	176.5	29.8	241.6	192.3	237.0	186.0	165.6	192.9
Midgrade	264.8	2.4	263.8	2.3	186.4	2.8	245.1	11.5	239.5	10.9	173.9	10.6
Premium	276.8	1.9	275.3	1.9	197.0	2.3	259.5	15.1	254.6	14.6	180.7	17.8
Reformulated	258.5	21.9	260.6	21.1	192.8	22.3	245.1	90.4	242.3	88.3	182.7	89.2
Regular	254.4	17.1	256.4	16.5	188.3	17.2	242.6	76.5	239.6	74.9	179.7	73.5
Midgrade	267.4	2.2	269.8	2.2	202.4	2.5	251.2	2.5	249.9	2.5	189.5	3.2
Premium	279.0	2.5	281.7	2.4	212.6	2.7	260.5	11.4	258.4	11.0	198.7	12.5
Aviation Gasoline	307.0	0.1	304.5	0.1	228.5	0.1	297.8	0.4	295.5	0.3	218.5	0.4
Kerosene-Type Jet Fuel	269.3	37.2	268.6	37.3	179.0	40.8	267.3	16.3	266.3	17.5	176.7	16.1
Propane (Consumer Grade)	NA	3.7	216.0	3.0	155.3	4.3	143.3	48.1	148.3	55.6	103.3	50.8
Kerosene	334.6	0.1	331.3	0.1	NA	0.2	284.3	1.8	283.2	2.2	194.2	3.3
No. 1 Distillate	288.7	0.2	281.1	0.2	203.1	0.3	291.3	1.7	281.0	1.8	208.0	1.8
No. 2 Distillate	281.3	22.3	269.4	22.2	190.6	26.7	271.7	146.4	257.9	152.2	181.1	150.7
No. 2 Fuel Oil	288.8	1.3	279.2	1.3	203.1	1.4	260.8	24.3	256.6	24.4	172.4	22.8
No. 2 Diesel Fuel	280.9	21.0	268.8	20.9	189.9	25.3	273.8	122.1	258.1	127.9	182.7	127.9
Ultra Low Sulfur	282.2	12.2	269.4	12.2	193.1	12.3	274.9	100.8	258.4	104.4	185.5	95.4
Low Sulfur	280.2	7.4	268.1	7.4	191.8	7.9	270.4	17.5	257.1	19.1	178.1	14.5
High Sulfur	272.5	1.4	266.8	1.3	179.0	5.0	262.1	3.8	256.8	4.4	171.7	18.0
No. 4 Fuel^a	W	W	W	W	W	W	198.4	0.2	201.6	0.3	136.0	0.2
Residual Fuel Oil	180.2	9.8	186.0	10.1	112.3	13.0	171.4	8.0	178.0	8.6	107.2	7.3
Sulfur Content not > 1 %	200.3	2.8	203.9	3.1	121.4	4.3	187.0	2.9	195.8	3.4	117.2	3.1
Sulfur Content > 1 %	172.0	6.9	178.2	7.0	107.8	8.7	162.5	5.1	166.2	5.2	100.0	4.2

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Note: Beginning January 2007, oxygenated gasoline is included in conventional gasoline.

Note: 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*. Total volumes may not equal the sum of the components due to rounding.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

derived from it. Supply data showing a rise in oil product inventories published at the beginning of February reinforced this point view, and contributed to the decline in product prices. Prices rose considerably as the month continued, however, as other fundamental factors and political issues began to exert their influence. In addition to the rise in crude oil prices, largely driven by international crude oil production and export issues, a cold weather snap predicted for the Northeast along with a reported decline in distillate stocks spurred heating oil prices sharply higher. Besides more cold and inclement weather across the country, falling supplies of, and rising prices for natural gas also supported heating oil prices. News of various refinery problems over the course of the month also encouraged price increases. By the end of

February crude oil and distillate prices reached record-setting levels. Along with fundamental and political factors driving up costs, some market analysts contend that investors moving into crude oil and other commodities as a hedge against the weakening value of the dollar are driving up prices. A comparison of the February monthly average spot market prices to last month's and year-ago levels punctuate the significant changes occurring in petroleum product prices. February's average spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma increased \$2.42 (2.6 percent) to \$95.39 per barrel from the January 2008 average of \$92.97 per barrel. The February 2008 price marked a \$36.16 (61.1 percent) increase from the February 2007

average of \$59.23 per barrel. At New York Harbor, the No. 2 fuel oil monthly spot market price averaged \$2.644 per gallon in February 2008, up 8.6 cents (3.4 percent) from the previous month's average of \$2.558 per gallon. The difference from the year-ago level of \$1.693 per gallon amounted to an increase of 95.1 cents (56.2 percent.) The January 2008 average spot market price at New York Harbor for regular gasoline was \$2.334 per gallon, and 4.7 cents (2.0 percent) less than the February 2008 average of \$2.381 per gallon. At \$1.640 per gallon, the February 2007 price was 74.1 cents (45.2 percent) lower than the current month's average.

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

Crude Oil

In a reversal of the last month's trend, the daily spot price for WTI crude oil at Cushing, Oklahoma rose firmly during February. After opening at \$91.67 per barrel, the price dropped in response to troubling economic news and weekly inventory data showing an across-the-board increase in oil products stocks. The price dropped the month's low of \$87.16 per barrel on February 6. Despite the concern about the state of the economy, the price returned to an upward mode, rising in response to variety of fundamental factors and international political concerns. During the latter half of the month, increasingly prevalent talk that OPEC would maintain or even cut production output during the second quarter of the year underpinned the price. With the decreasing value of the dollar and geopolitical factors coming to the fore again during the final days of the month, the price pushed upwards to a record-setting high on February 28 when it reached \$102.60 per barrel. Closing the month at \$101.78 per barrel, the price closed February \$10.11 higher than where it began the month.

- February monthly average crude oil prices increased in all categories. The average domestic crude oil first purchase price climbed \$2.35 (2.7 percent) to \$89.41 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$2.77 (3.3 percent) to \$85.95 per barrel. The average landed cost of foreign crude oil increased \$1.17 (1.4 percent), to \$87.19 per barrel.

- The average refiner acquisition cost for domestic crude oil rose \$2.68 (3.0 percent), to \$92.25 per barrel. The average cost of imported crude oil climbed \$2.59 (3.1 percent), to \$87.41 per barrel, while the composite refiner acquisition cost for crude oil also increased \$2.59 (3.0 percent), to \$89.07 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor was unsettled during February. Despite waning demand and continued increases in gasoline stocks, the price rose sharply during the first half of the month, thanks in part to support from other products' prices. Opening at \$2.293 per gallon, the price moved to the month's low of \$2.167 per gallon on February 6 following unfavorable economic news. However, the price rebounded sharply, driven by rising crude oil prices. Refinery maintenance and exports, coupled with the general upward trend in the market led the price to its high of \$2.572 per gallon on February 19. Growing inventories and the changeover to producing summer-grade gasoline helped to dampen the price during the latter part of the month. By the end of February, inventory data showed gasoline stocks recording their sixteenth consecutive increase, leaving them at long-term highs. Closing the month at \$2.479, the price was 18.6 cents higher than February's opening level.

- Overall, February monthly average prices for finished gasoline show moderate changes from January's levels. The average price for retail sales of motor gasoline by refiners decreased 0.4 cent to \$2.569 per gallon, while the average wholesale price rose 4.1 cents to \$2.436 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 0.3 cent to \$2.573 per gallon. The average wholesale price for gasoline rose 4.1 cents to \$2.447 per gallon. The average dealer tank wagon (DTW) price increased 3.2 cents to \$2.494 per gallon, while the average rack price climbed 6.1 cents to \$2.449 per gallon. The average bulk sale price fell 0.9 cent to \$2.350 per gallon. Prices for reformulated gasoline were 1.9 cents higher than conventional gasoline prices at retail, and 2.2 cents more at wholesale.

- Refiner sales of motor gasoline rose in February. Total sales climbed 11.4 million gallons per day (3.2 percent) to an average of 364.5 million gallons per day. Retail sales increased 1.9 million gallons per day (3.6 percent), while wholesales rose 9.5 million gallons per day (3.2 percent). DTW sales made up 13.8 percent of wholesales, while rack and bulk sales accounted for 70.9 percent and 15.4 percent, respectively.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor rose significantly during February. Opening at \$2.523 per gallon, the price dropped to its low of \$2.414 per gallon on February 6 following the release of inventory data showing an increase in stockpiles that stirred concern about softening demand for petroleum products. The price rose rapidly and substantially after that point in response to pressure from crude oil prices and forecasts for below-normal temperatures in the Northeast region of the country. Refinery outages and repairs also underpinned the price as the month continued. Driven by cold weather and declining inventories, the month's high of \$2.845 per gallon was reached on February 28. Closing the month at \$2.806 per gallon, the price was 28.3 cents above its opening level for February.

- No. 2 distillate prices increased during February. The national average residential sales price climbed 3.9 cents to \$3.176 per gallon. The average wholesale price jumped 13.4 cents to \$2.735 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets increased 9.6 cents, while the average wholesale price climbed 15.7 cents. Ultra low-sulfur diesel fuel prices were 2.2 cents higher than low-sulfur diesel fuel at retail, and 1.8 cents more at wholesale.
- Refiner sales of No. 2 distillates fell again in February. Total sales declined 5.8 million gallons per day (3.3 percent), to 168.7 million gallons per day. Sales of No. 2 fuel oil decreased 100,000 gallons per day (0.4 percent), while sales of No. 2 diesel fuel dropped 5.7 million gallons per day (3.8 percent). Ultra low-sulfur diesel fuel accounted for 79.0 percent of all refiner diesel fuel sales, while total diesel fuel sales amounted to 84.8 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices declined in February. Refiner prices for low-sulfur residual fuel oil dropped 3.6 cents to \$2.003 per gallon at retail, and 8.8 cents to \$1.870 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil fell 6.2 cents to \$1.720 per gallon at retail, and 3.7 cents to \$1.625 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil dropped 5.3 cents to \$1.993 per gallon at retail, and 13.4 cents to \$1.798 per gallon at wholesale. Prices for high-sulfur residual fuel oil fell 5.2 cents to \$1.719 per gallon at retail, and 2.8 cents to \$1.632 per gallon at wholesale.
- Refiner sales of residual fuel oil decreased in February. Total sales fell 900,000 gallons (4.8 percent) to 17.8 million gallons per day. Low-sulfur residual fuel oil sales declined 800,000 gallons (12.3 percent), while high-sulfur residual fuel oil sales decreased 200,000 gallons (1.6 percent).

Other Products

- Price trends for the remaining surveyed products were mixed in February. The refiner price for propane fell 5.0 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential price eased 0.7 cent per gallon, while the average retail price fell 3.5 cents per gallon. The average wholesale price for propane dropped 4.7 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate increased at both levels, while the wholesale price for No. 4 distillate fell in February.
- Sales of the products included in this section were also mixed in February. Kerosene-type jet fuel, kerosene, and No. 1 distillate sales declined in both the retail and wholesale categories, while aviation gasoline sales did the opposite. Sales of propane increased at the retail level, but fell at wholesale. Sales of No. 4 distillate also fell at the wholesale level during February.