

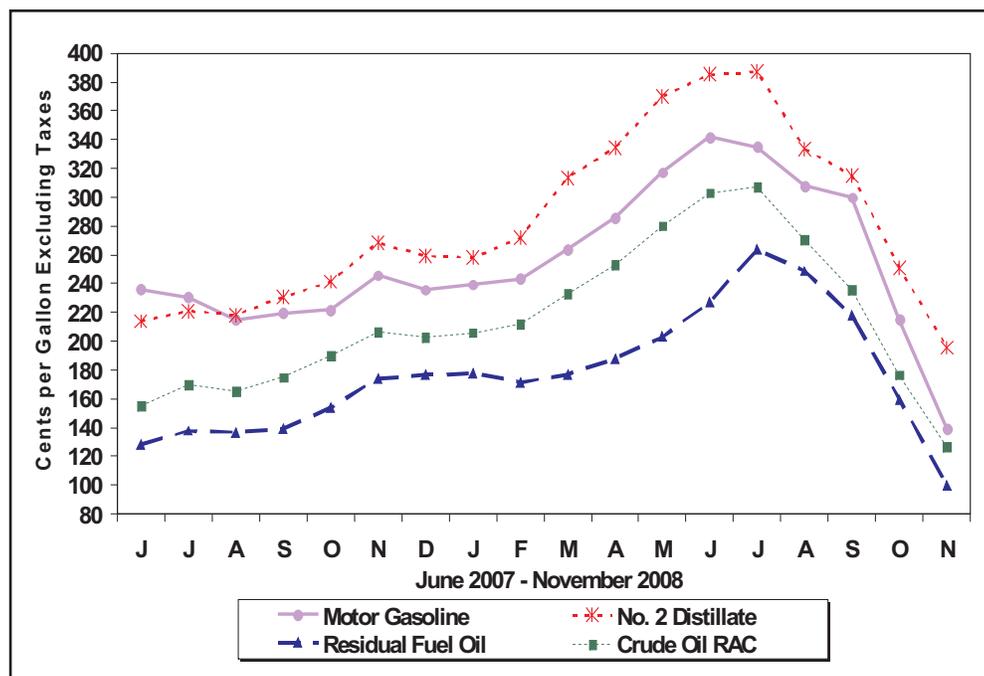
Highlights

Unfavorable economic conditions continued to grip markets across the globe in November, helping to drive international crude oil prices down to the lowest levels seen in several years. While demand was affected by soaring prices for crude oil and petroleum products earlier in the year, slowing economic activity has been the main factor behind the decline in demand seen more recently. More specifically, demand for crude oil from many developed countries, particularly members of the Organization for Economic Cooperation and Development (OECD), has declined significantly during recent months as a result of the economic turmoil. Refining margins in major refining centers are also at relatively modest levels, which, coupled with satisfactory supply levels, has led to discretionary runs cuts at various facilities. Notably, the margin between gasoline and crude oil prices in the United States, the world's largest oil consumer, ran in the negative range throughout November. In response to the decrease in oil demand, the Organization of Petroleum Exporting Countries (OPEC) implemented a 1.5 million barrels-per-day production cut on November 1 in hopes of stemming flagging prices as demand falls. Later in the month, expectation that the group would reduce output again during an upcoming meeting in December was also prevalent among market watchers.

In U.S. markets, crude oil and refined product prices continued to register considerable declines during November. While falling demand for petroleum products and satisfactory inventory levels acted as the fundamental industry issues contributing to the decrease in prices, the

unsettled state of the economy also played an important role by influencing consumer behavior and demand. More specifically, despite tumbling prices, demand for oil products during November 2008 are below year-ago levels. For example, the monthly average spot price for regular gasoline at New York Harbor was \$1.283 per gallon in November 2008, while the average price last year was \$2.424 per gallon, a difference of \$1.142 (47.1 percent.) At the retail outlet level, the national average price for regular gasoline (all formulations) in November 2008 was \$1.585 per gallon, excluding taxes, while the price last year averaged \$2.583 per gallon, excluding taxes, reflecting a change of 99.8 cents (38.6 percent.) Despite those changes, data show a 3.2 percent decline in consumption of regular gasoline in November 2008 compared with November 2007 levels. Notably, spot market prices for gasoline fell below, and remained lower than, benchmark crude

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					
	November 2008		October 2008		November 2007		November 2008		October 2008		November 2007	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	161.5	53.3	253.4	54.2	261.4	56.6	139.3	295.1	214.9	306.2	245.8	318.4
Conventional	155.6	34.2	246.9	34.6	259.5	34.2	135.9	203.4	210.6	213.0	244.2	228.1
Regular	153.2	30.2	244.5	30.7	257.4	29.8	134.5	180.3	209.2	189.2	242.6	200.8
Midgrade	167.5	2.0	259.4	2.0	268.6	2.4	137.6	9.3	210.8	9.8	247.4	11.3
Premium	180.4	2.0	273.0	1.9	279.4	2.0	153.3	13.7	228.8	14.1	261.3	16.0
Reformulated	172.1	19.1	264.6	19.7	264.3	22.4	146.8	91.8	224.6	93.1	249.7	90.3
Regular	167.1	14.9	259.9	15.6	260.0	17.5	143.7	78.3	221.1	79.8	246.9	76.2
Midgrade	183.3	1.7	276.7	1.8	273.8	2.3	157.2	2.0	240.2	2.1	257.2	2.6
Premium	195.0	2.4	287.5	2.3	285.2	2.5	166.0	11.4	247.1	11.3	266.7	11.4
Aviation Gasoline	223.0	0.1	297.5	0.2	306.7	0.1	214.0	0.3	279.0	0.4	302.0	0.4
Kerosene-Type Jet Fuel	198.8	37.4	260.3	38.5	268.4	38.2	197.4	15.6	256.9	15.0	265.6	18.6
Propane (Consumer Grade)	165.2	2.3	176.3	2.4	180.6	3.5	100.8	36.4	124.2	33.4	147.1	45.6
Kerosene	308.8	0.1	NA	0.1	319.7	0.1	234.0	1.1	268.1	1.2	285.4	1.6
No. 1 Distillate	246.9	0.1	288.3	0.1	279.6	0.2	223.9	1.7	267.6	0.9	298.7	1.3
No. 2 Distillate	215.4	18.9	278.3	20.2	278.1	22.7	195.5	144.3	250.8	154.5	268.4	156.9
No. 2 Fuel Oil	229.3	1.0	269.0	0.8	277.3	1.0	194.7	13.8	240.0	11.1	256.9	17.2
No. 2 Diesel Fuel	214.6	17.9	278.7	19.4	278.2	21.7	195.6	130.5	251.6	143.4	269.8	139.7
Ultra Low Sulfur	216.1	12.1	280.7	12.8	280.1	12.4	196.2	110.6	252.8	120.9	270.6	114.0
Low Sulfur	211.0	4.4	277.7	4.8	277.2	7.9	192.3	17.0	244.5	20.3	266.7	21.5
High Sulfur	212.4	1.4	267.3	1.7	266.8	1.5	193.3	2.8	252.1	2.2	262.7	4.3
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	200.0	0.2
Residual Fuel Oil	120.6	8.0	185.9	7.4	180.3	9.6	100.0	8.8	159.2	10.0	174.2	10.1
Sulfur Content not > 1 %	161.2	2.2	216.6	1.8	183.2	2.0	102.6	4.6	157.4	4.0	183.9	3.4
Sulfur Content > 1 %	105.5	5.8	175.9	5.6	179.6	7.5	97.1	4.2	160.3	6.0	169.2	6.6

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."

oil prices throughout November. While the price changes were not as profound as those seen for gasoline, distillate prices followed the same downward trend. Additionally, consumption of No.2 distillates fell 12.1 percent from the same time last year. Crude oil inputs to refineries, a proxy for crude oil demand, also declined more than 3 percent from this time last year. Expectations for any significant changes in the near future from the current market trends remained low by the close of the month.

Additional November 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 at Cushing, Oklahoma continued on a declining path during November. After opening at \$68.10 per barrel, the price quickly moved to the month's high of \$70.41 per barrel on November 4, underpinned by news of OPEC members cutting crude oil exports. Nevertheless, the price returned to a downward course during the following weeks as prospects for improvement in economies around the

globe grew increasingly clouded. The price reached the month's low of \$48.86 per barrel on November 20, the lowest level in more than three years. Closing November at \$55.21 per barrel, the price was \$12.89 per barrel lower than its opening level for the month.

- November monthly average crude oil prices showed substantial decreases from October's levels. The average domestic crude oil first purchase price dropped \$19.52 (26.7 percent), to \$53.70 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil fell \$18.56 (29.3 percent), to \$44.73 per barrel. The average landed cost of foreign crude oil declined \$18.04 (27.3 percent), to \$48.16 per barrel.
- The average refiner acquisition cost for domestic crude oil decreased \$19.29 (23.8 percent), to \$61.74 per barrel. The average cost of imported crude oil fell \$21.74 (30.7 percent), to \$49.10 per barrel. The composite refiner acquisition cost for crude oil dropped \$20.90 (28.2 percent), to \$53.32 per barrel.

Petroleum Products

Motor Gasoline

As demand and prices for petroleum products continued to be affected by the troubled economy, the daily spot price for regular gasoline at New York Harbor continued its sharp drop during November. After opening at \$1.567 per gallon, the price reached the month's high of \$1.573 per gallon on November 4. Following that momentary peak, the price returned to a firmly downward path during the following weeks, hitting the month's low of \$1.063 per gallon on November 20. While it rebounded modestly during the closing days of the month, the price ended the month at \$1.218 per gallon, 34.9 cents below the opening level for November.

- Monthly average prices for finished gasoline fell precipitously in November. The average price for retail sales of motor gasoline by refiners plummeted 91.9 cents to \$1.615 per gallon, while the average wholesale price decreased 75.6 cents to \$1.393 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets tumbled 93.4 cents to

\$1.612 per gallon. The average wholesale price for gasoline dropped 74.9 cents to \$1.410 per gallon. The average dealer tank wagon (DTW) price plunged 78.9 cents to \$1.503 per gallon, while the average rack price fell 72.0 cents to \$1.370 per gallon. The average bulk sale price dropped 79.2 cents to \$1.392 per gallon. Reformulated gasoline prices were 11.7 cents more than conventional gasoline prices at retail, and 9.2 cents higher at wholesale.

- November refiner sales of motor gasoline declined from October levels. Total sales fell 12.0 million gallons per day (3.3 percent) to an average of 348.4 million gallons per day. Retail sales decreased 900,000 gallons per day (1.7 percent), while wholesales declined 11.1 million gallons per day (3.6 percent.) DTW sales accounted for 12.9 percent of wholesales, while rack and bulk sales made up 74.8 percent and 12.4 percent, respectively.

No. 2 Distillate

Following the general trend seen in the market during November, the daily spot price for No. 2 heating oil at New York Harbor declined firmly over the course of the month. After opening the month at \$2.085 per gallon, the price rose to its high of \$2.123 per gallon on November 4. Along with the economic woes affecting the market as a whole, a spate of warmer temperatures in the Northeast shortly after that point helped dampen demand and prices for the product. The price reached the month's low of \$1.671 per gallon on November 20. Closing the month at \$1.696 per gallon, the price was 38.9 cents below the opening level for November.

- Monthly average prices for No. 2 distillates showed significant decreases in November. The national average residential sales price dropped 41.0 cents to \$2.759 per gallon, while the average wholesale price declined 54.0 cents to \$1.988 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets tumbled 70.1 cents, while the average wholesale price decreased 55.6 cents. Ultra low-sulfur diesel fuel prices were 1.1 cents lower than low-sulfur diesel fuel prices at retail, but 1.7 cents more at wholesale.

- Overall, refiner sales of No. 2 distillates fell in November. Total sales declined 11.5 million gallons per day (6.6 percent), to 163.1 million gallons per day. Sales of No. 2 fuel oil rose 2.9 million gallons per day (24.5 percent), while sales of No. 2 diesel fuel decreased 14.4 million gallons per day (8.9 percent). Ultra low-sulfur diesel fuel made up 82.7 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 90.9 percent of all refiner No. 2 distillate sales.
- Sales of residual fuel oil by refiners fell overall in November. Total sales decreased 600,000 gallons (3.4 percent) to 16.8 million gallons per day. Low-sulfur residual fuel oil sales rose 1.0 million gallons (17.2 percent), while high-sulfur residual fuel oil sales declined 1.6 million gallons (13.8 percent).

Residual Fuel Oil

- Monthly average residual fuel oil prices declined again in November. Refiner prices for low-sulfur residual fuel oil fell 55.4 cents to \$1.612 per gallon at retail, and 54.8 cents to \$1.026 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil dropped 70.4 cents to \$1.055 per gallon at retail, and 63.2 cents to 97.1 cents per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil fell 56.0 cents to \$1.530 per gallon at retail, and 51.2 cents to \$1.088 per gallon at wholesale. Prices for high-sulfur residual fuel oil decreased 69.9 cents to \$1.042 per gallon at retail, and 55.8 cents to 99.9 cents per gallon at wholesale.

Other Products

Prices for the remaining surveyed products decreased in November. The refiner retail sales price for propane dropped 11.1 cents per gallon, while the wholesale price fell 23.4 cents per gallon. Including data from a sample of propane marketers, the average residential price declined 11.1 cents per gallon, while the average retail price fell 12.6 cents per gallon. The average wholesale price for propane declined 23.4 cents per gallon. The price for kerosene decreased at wholesale, while prices for aviation gasoline, kerosene-type jet fuel, and No. 1 distillate fell at both the retail and wholesale levels.

- Refiner sales of the products included in this section varied during November. Sales of propane and kerosene-type jet fuel declined at retail but increased at wholesale. Aviation gasoline and kerosene sales decreased at both levels, while sales of No. 1 distillate did the opposite.