

2008 Summer Transportation Fuels Outlook

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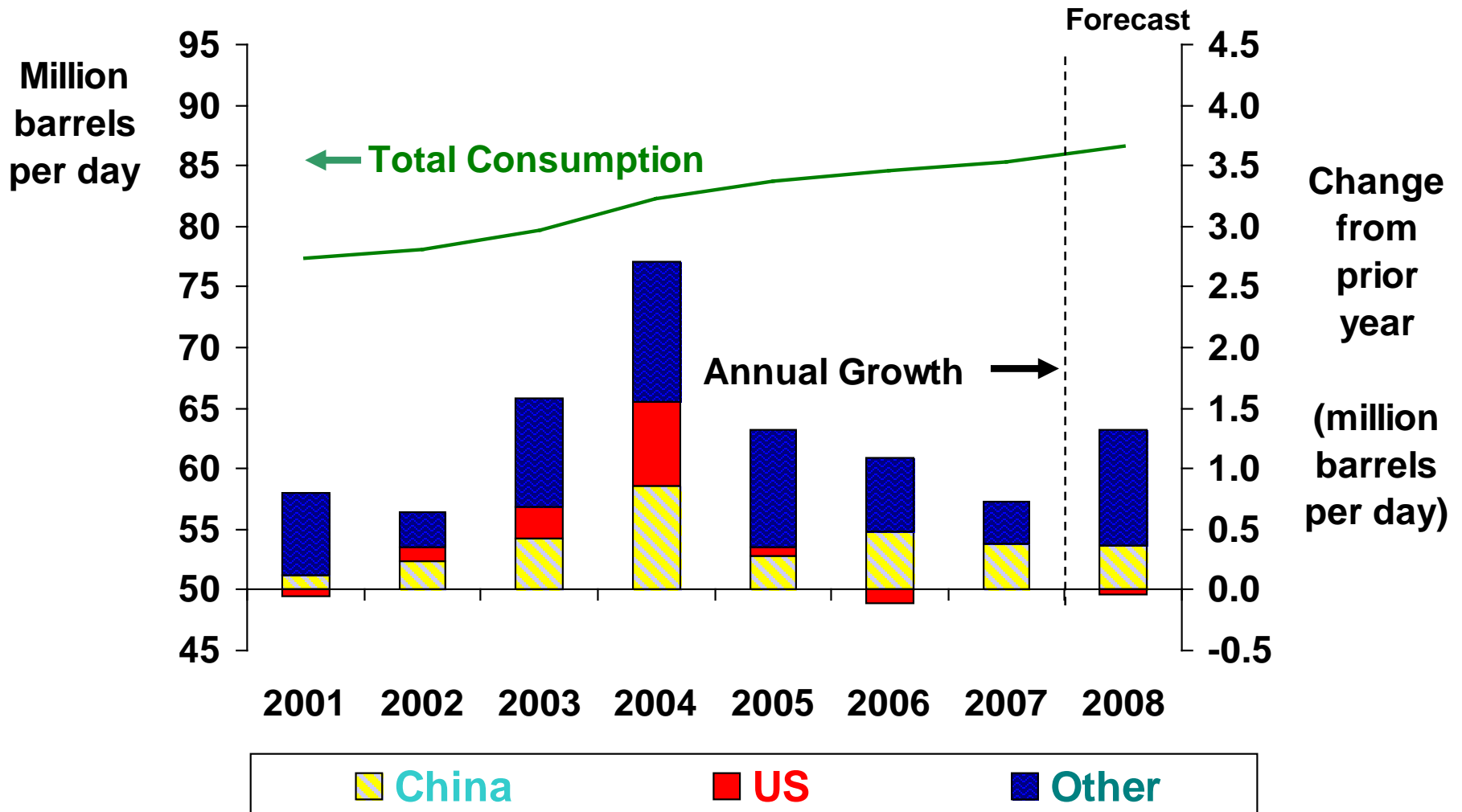
Washington, DC

Key Factors Driving the Short-Term Forecast

- 1) Rising world oil consumption
- 2) Low global surplus oil production capacity
- 3) Insufficient non-OPEC oil supply growth relative to demand
- 4) Supply concerns in international oil markets

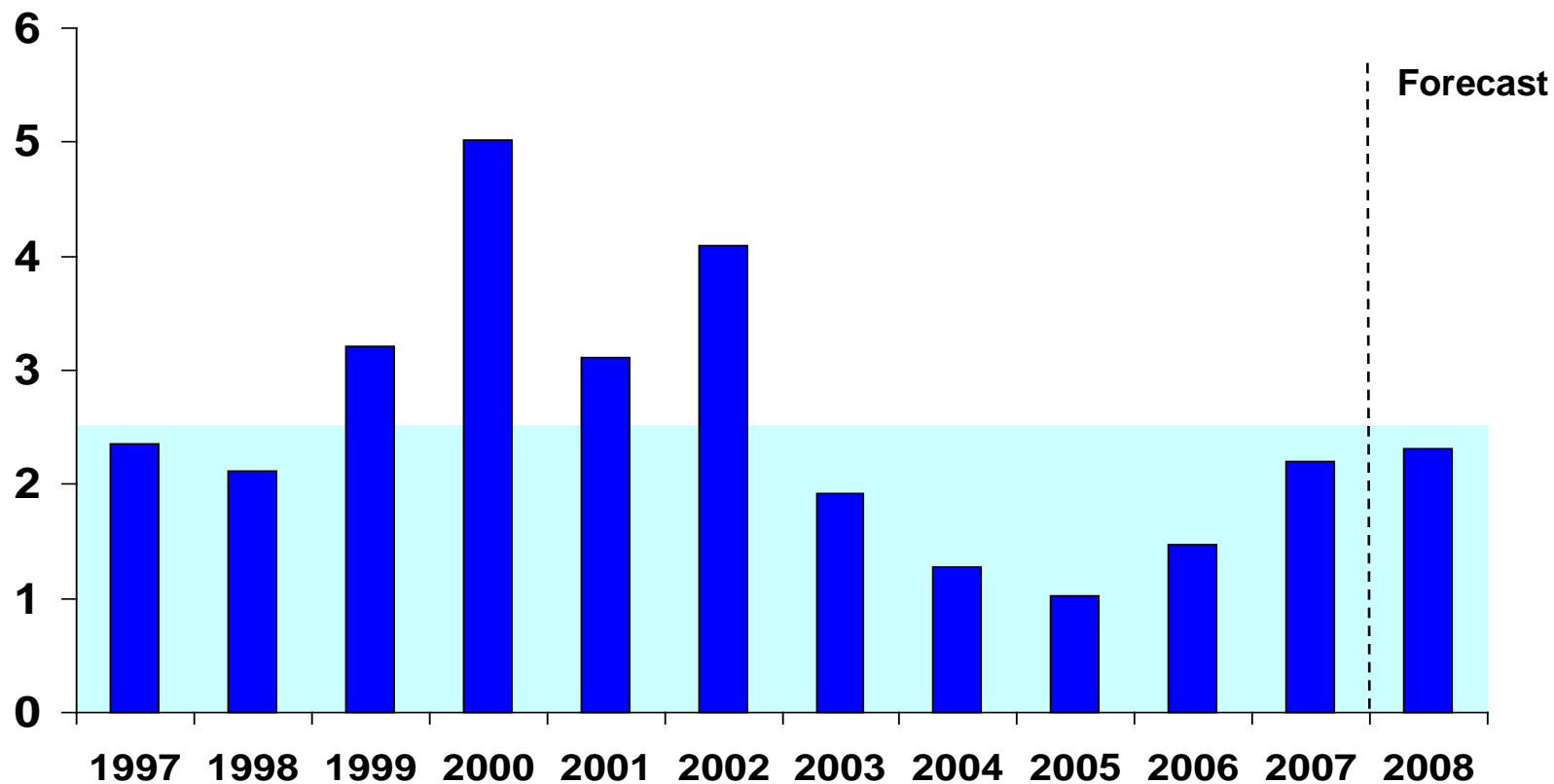
Together these factors contribute to high prices for petroleum products.

World Oil Consumption Is Projected to Grow by 1.2 million bbl/d in 2008



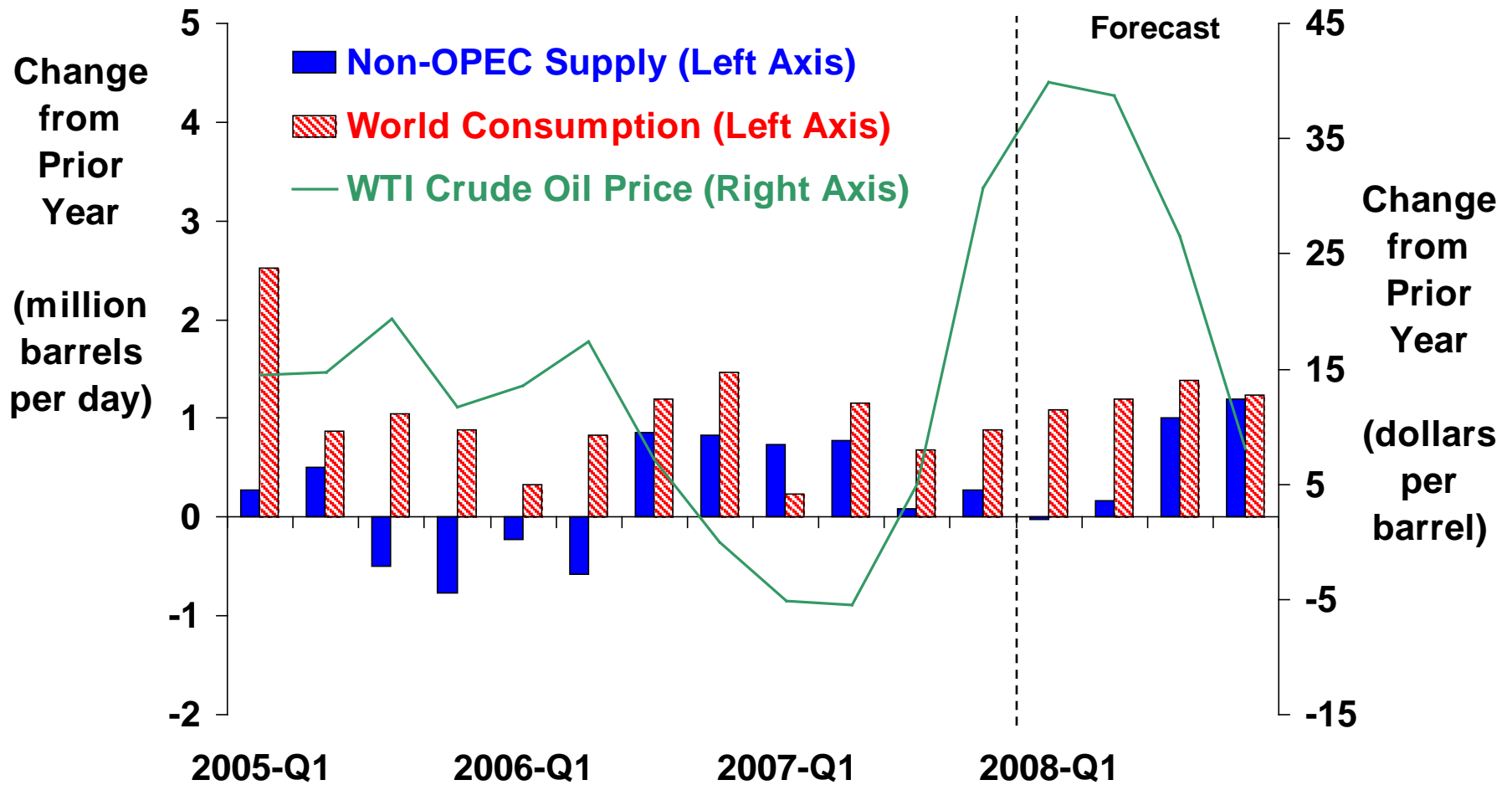
World Oil Spare Production Capacity Is Projected to Increase, But Is Still Below Historical Norms this Year

Million barrels per day



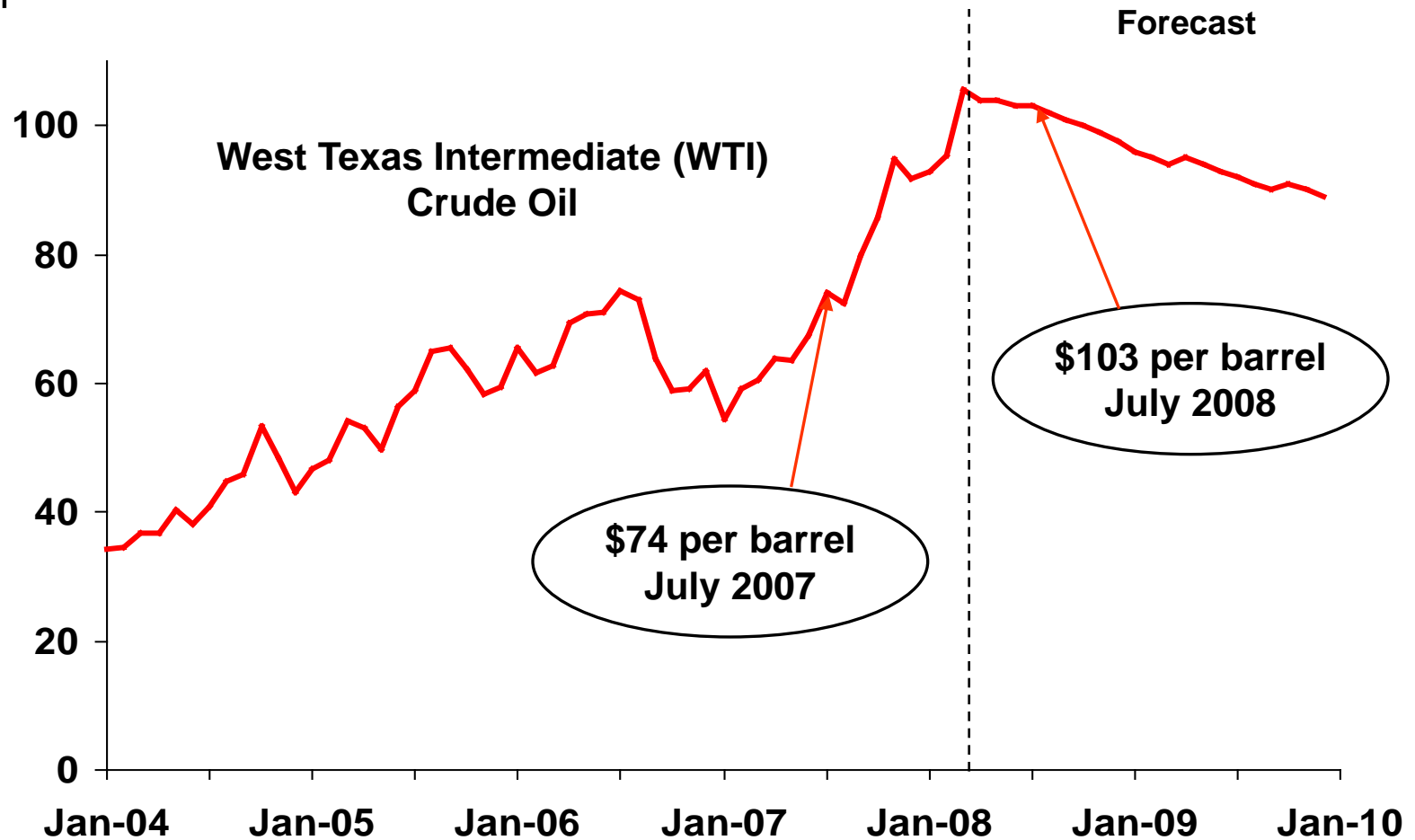
Note: Shaded area represents 1997-2007 average (2.5 million barrels per day)

The Balance Between Global Consumption and non-OPEC Supply Growth Drives Oil Prices



Crude Oil Prices Are Projected to Average \$103 per barrel this Summer

Dollars per barrel

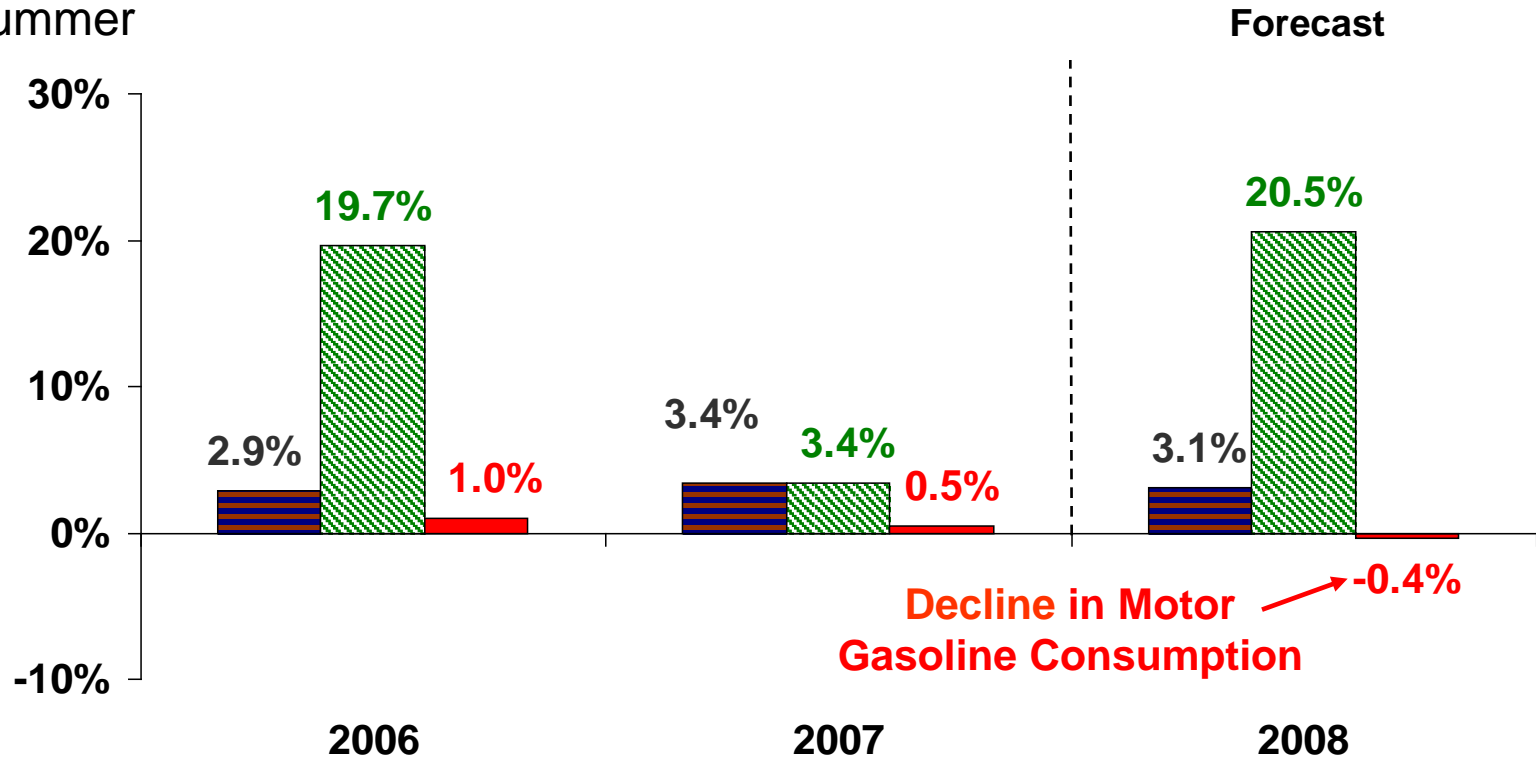


Major Characteristics of 2008 U.S. Summer (April – September) Outlook for Gasoline

- Much higher crude oil prices
- Decline in gasoline consumption
- Surge in fuel ethanol production
- High gasoline inventory levels
- Lower imports and production from crude oil
- Weaker refining margins for gasoline

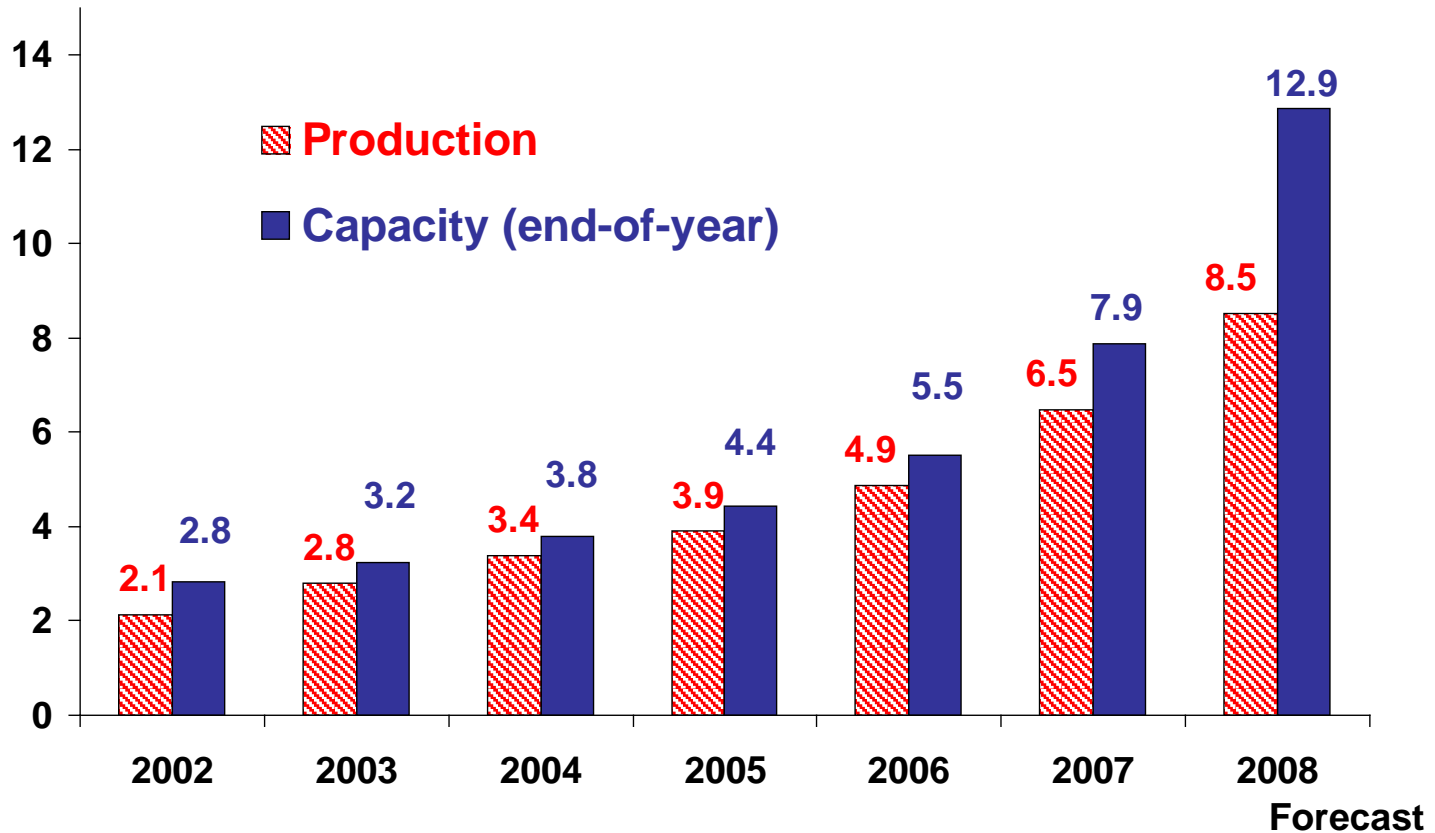
Sustained Higher Gasoline Prices Begin to Show Up In Lower Gasoline Consumption

Percent change from prior Summer



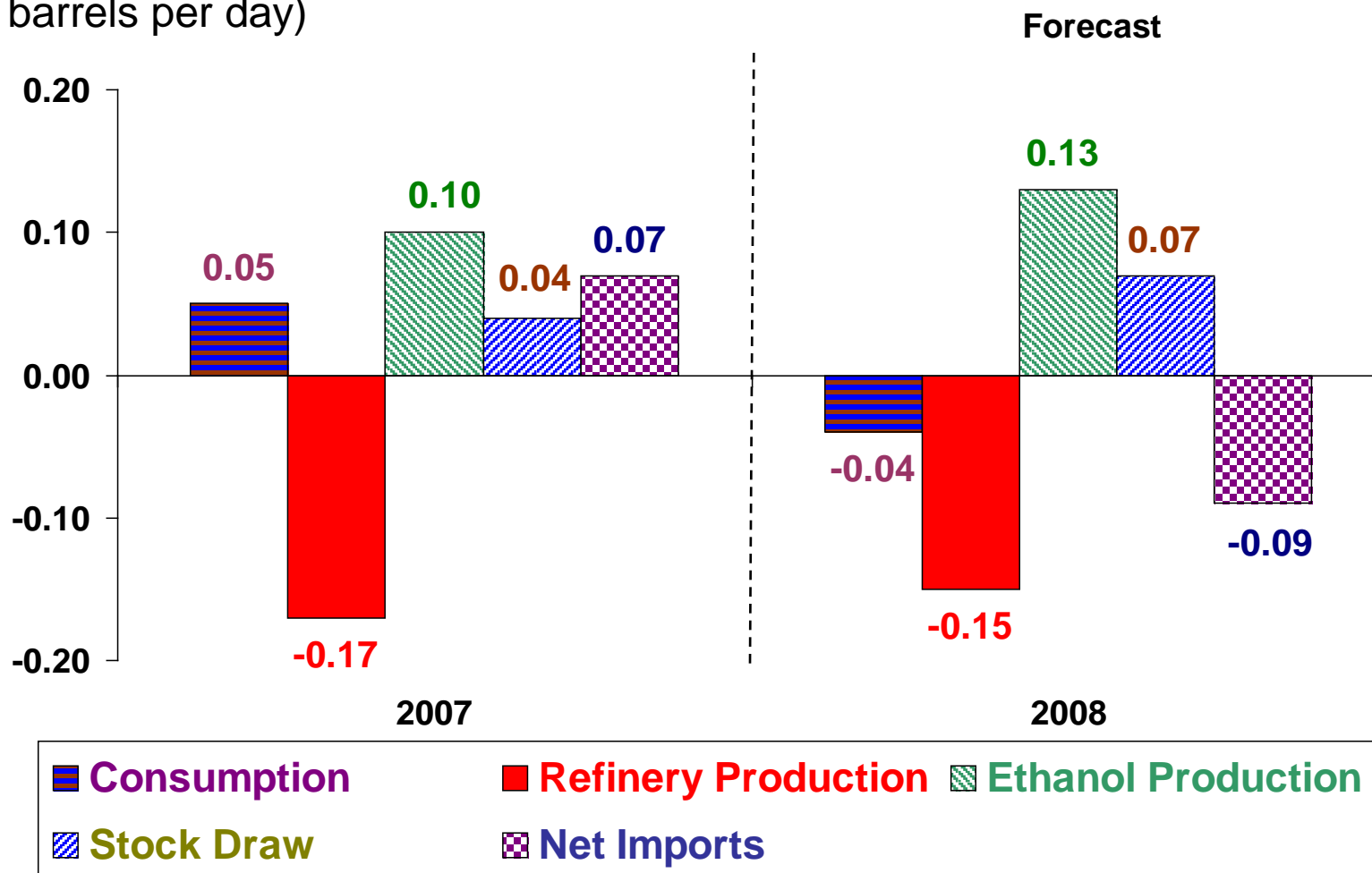
Ethanol Production and Capacity Are Expected to Show Significant Growth in 2008

Billion gallons per year



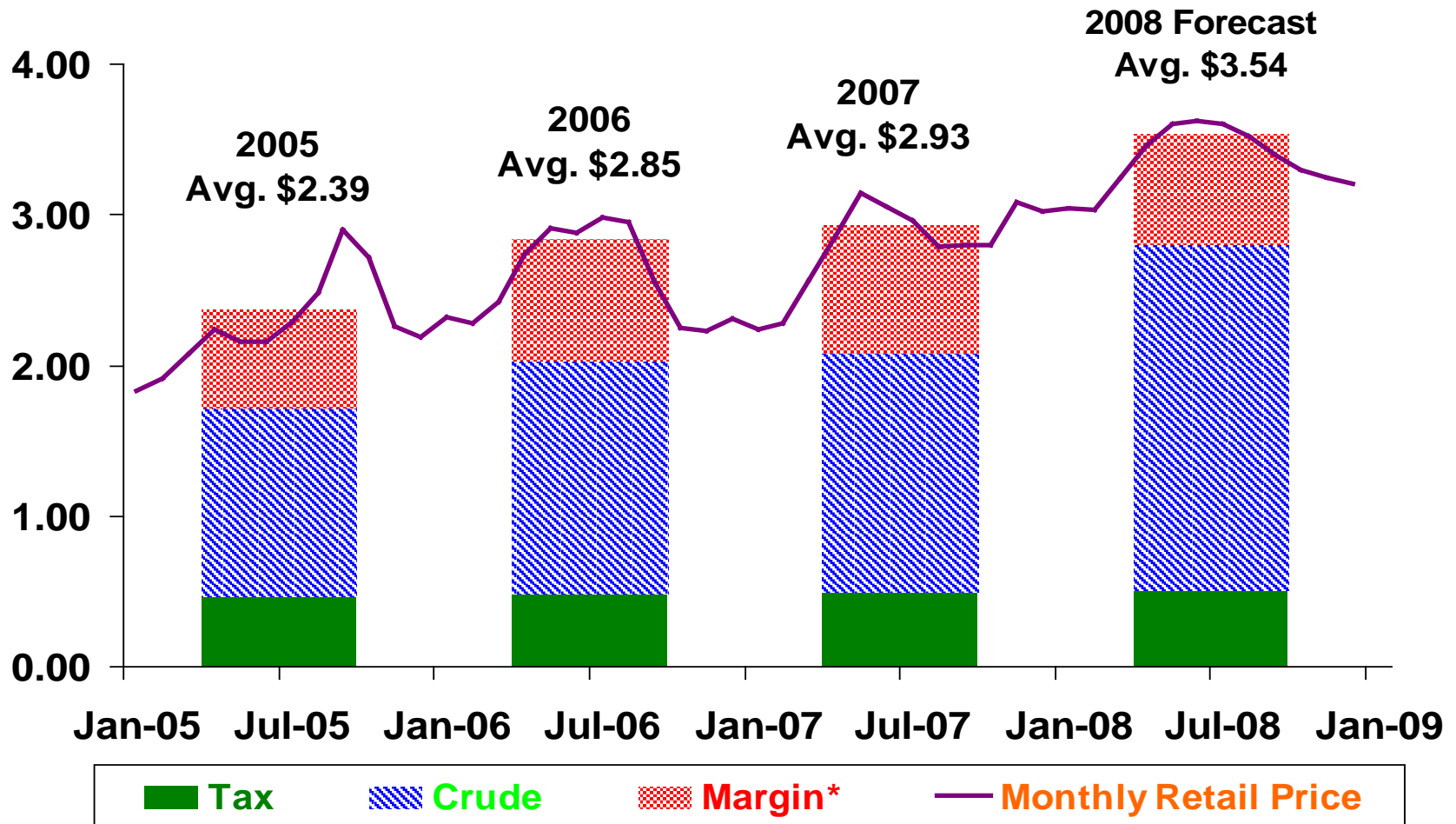
High Gasoline Inventories and Ethanol Production Growth Reduces Refinery Production and Imports

Change from prior summer
(million barrels per day)



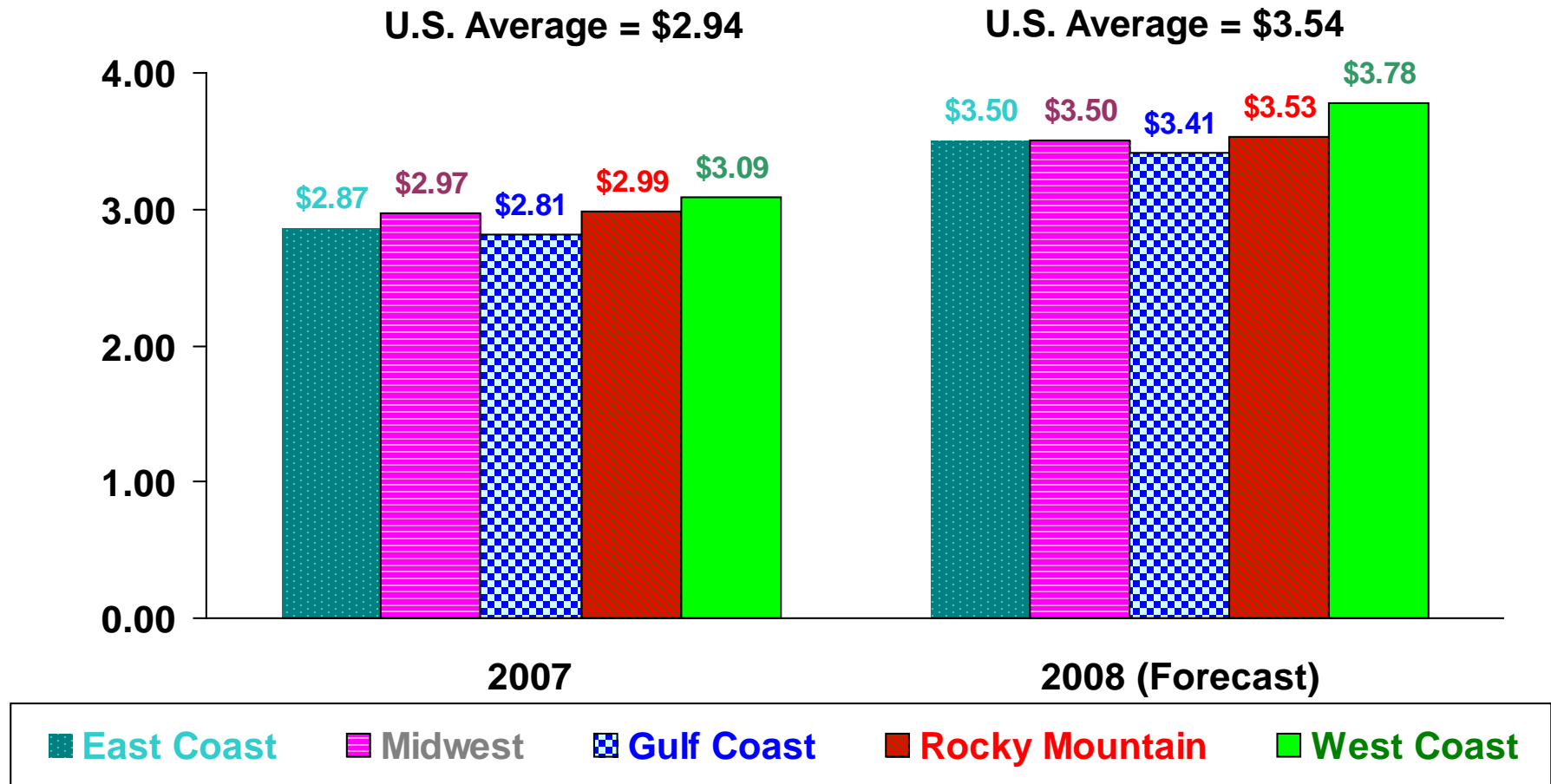
Summer Retail Regular-Grade Gasoline Prices Projected to Average \$3.54 per Gallon

Dollars per gallon



Regular Gasoline Summer Prices Vary by Region

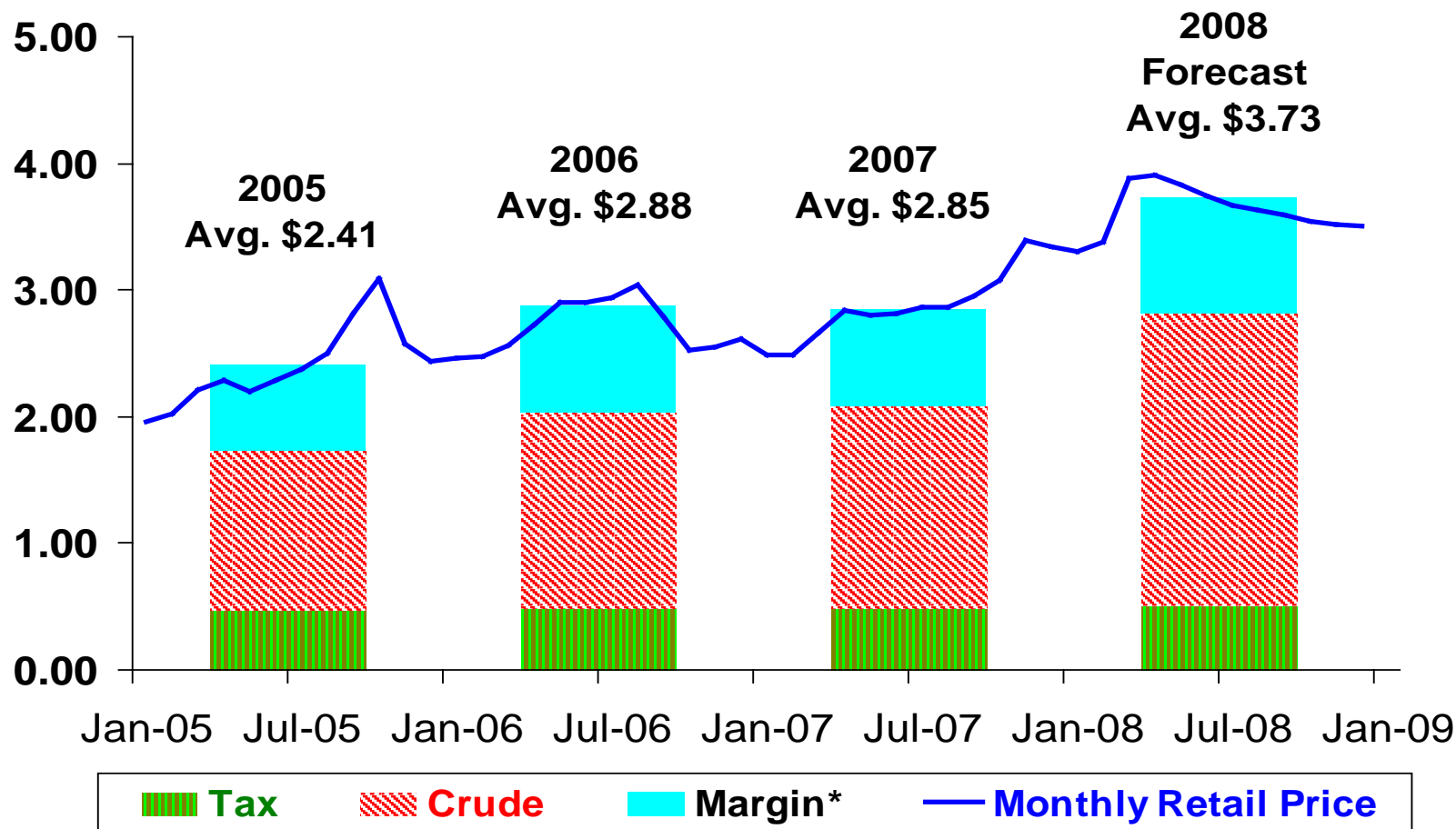
Dollars per gallon



Summer = April through September average

Summer Retail Diesel Prices Are Projected to Average \$3.73 per gallon, up 88 cents from Last Summer

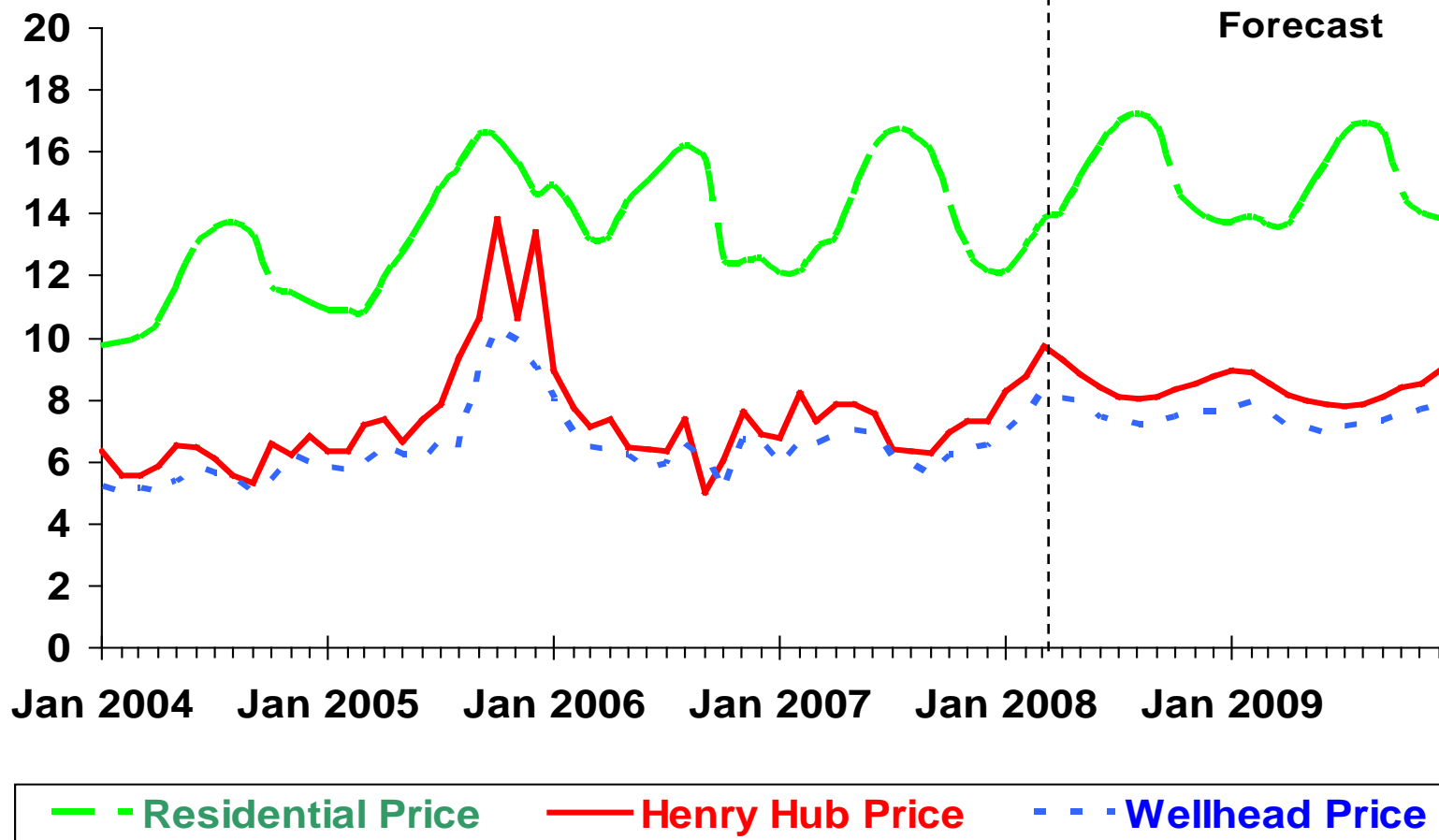
Dollars per gallon



* Retail price minus crude oil cost minus taxes, per gallon

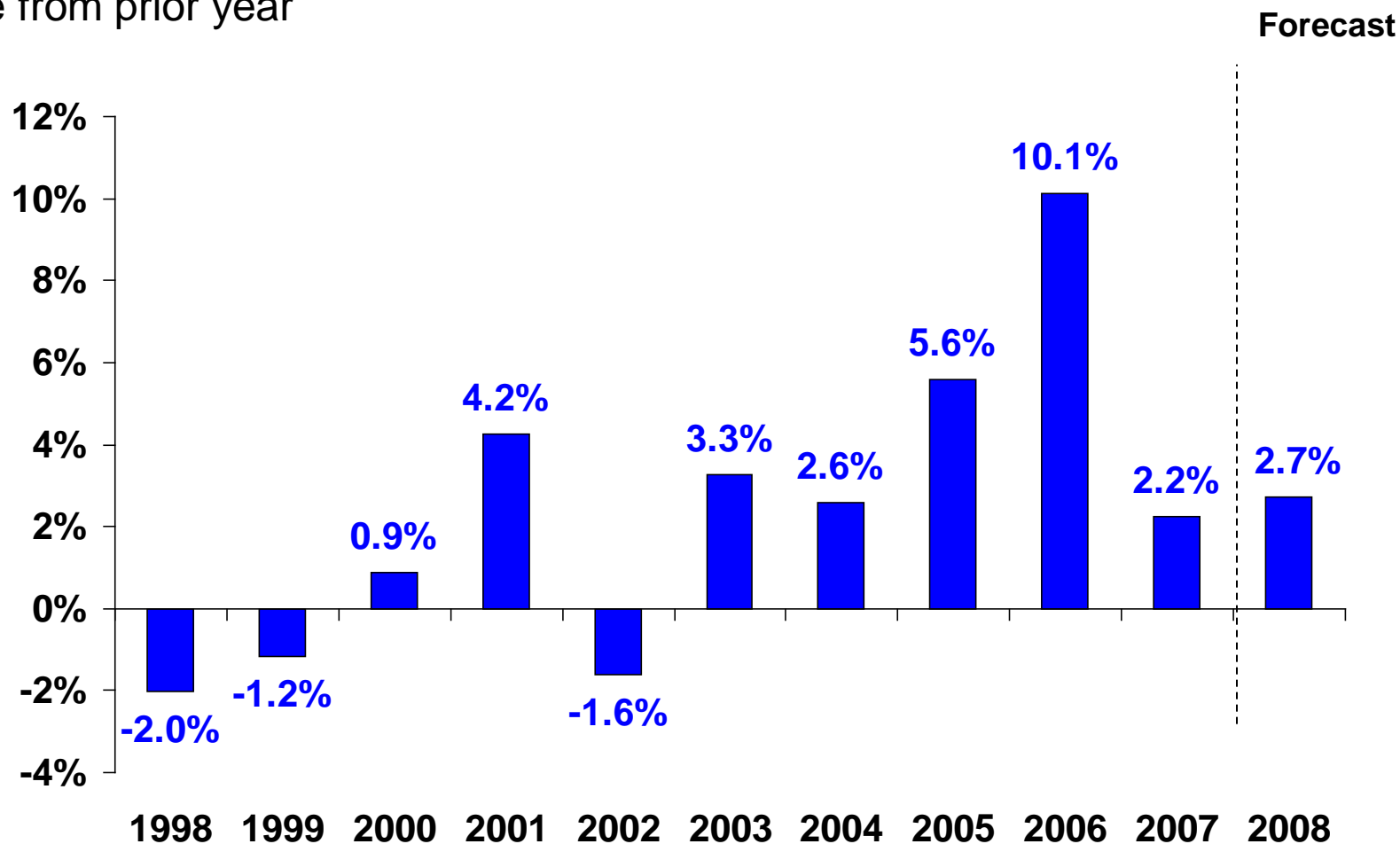
Higher 2008 Natural Gas Spot Prices Are Projected

Dollars per thousand cubic feet



Growth in U.S. Residential Electricity Prices Is Expected to Pick Up Slightly During 2008

Change from prior year



Summary

- **Oil and Gasoline:** Growing world oil demand outside the United States continues to keep crude oil prices high.
 - Crude oil expected to remain near \$100 for the rest of 2008;
 - Gasoline prices are expected to average \$3.54 per gallon over this summer: Diesel prices expected to average \$3.73.
 - Market uncertainties are many and may significantly impact prices and supplies during the rest of 2008.
- **Natural Gas.** Henry Hub spot price expected to average \$8.59 per thousand cubic feet in 2008, \$1.42 above the 2007 average.
- **Electricity Prices.** Residential electricity prices projected to grow at a slightly faster rate in 2008.