2008 Summer Transportation Fuels Outlook

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30 Years of Energy Information and Analysis

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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 consumption is projected to grow by 1.2 million barrels per day in 2008. According to the forecast, total consumption will reach 90 million barrels per day. China, the US, and other countries are the main contributors to this growth. China is expected to increase its consumption by approximately 1.5 million barrels per day, while the US and other countries are projected to increase their consumption by about 0.7 million and 0.6 million barrels per day, respectively. The change from the prior year is shown in the chart, with a significant increase in 2008 compared to previous years.
World Oil Spare Production Capacity Projected to Increase; Still Below Historical Norms this Year

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

Change from Prior Year
(million barrels per day)

<table>
<thead>
<tr>
<th></th>
<th>2005-Q1</th>
<th>2006-Q1</th>
<th>2007-Q1</th>
<th>2008-Q1</th>
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<tbody>
<tr>
<td>Non-OPEC Supply (Left Axis)</td>
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<td>World Consumption (Left Axis)</td>
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<td>WTI Crude Oil Price (Right Axis)</td>
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</tbody>
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Forecast

EIA, Short-Term Energy Outlook, April 2008
Crude Oil Prices Are Projected to Average $103 per barrel this Summer (April – September)

West Texas Intermediate (WTI) Crude Oil

$103 per barrel July 2008

$74 per barrel July 2007

EIA, Short-Term Energy Outlook, April 2008
Major Characteristics of 2008
U.S. Summer 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

-10% 0% 10% 20% 30%

2006 2007 2008

Real Personal Income
Retail Price Regular-Grade Gasoline
Motor Gas Consumption

Decline in Motor Gasoline Consumption
-0.4%

Forecast

EIA, Short-Term Energy Outlook, April 2008
Ethanol Production and Capacity Are Expected to Show Significant Growth in 2008

Billion gallons per year

- Production
- Capacity (end-of-year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Capacity</th>
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</thead>
<tbody>
<tr>
<td>2002</td>
<td>2.1</td>
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<tr>
<td>2003</td>
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<tr>
<td>2006</td>
<td>3.9</td>
<td>4.4</td>
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<tr>
<td>2007</td>
<td>4.9</td>
<td>5.5</td>
</tr>
<tr>
<td>2008</td>
<td>8.5</td>
<td>12.9</td>
</tr>
</tbody>
</table>

Forecast

EIA, *Short-Term Energy Outlook*, April 2008
High Gasoline Inventories and Ethanol Production Growth Reduces Refinery Production and Imports

Change from prior summer (million barrels per day)

- Consumption
- Refinery Production
- Ethanol Production
- Stock Draw
- Net Imports

Forecast

2007:
- Gasoline Inventories: -0.17
- Ethanol Production: 0.10
- Refinery Production: 0.04
- Net Imports: 0.05
- Stock Draw: 0.07

2008:
- Gasoline Inventories: -0.15
- Ethanol Production: 0.13
- Refinery Production: 0.07
- Net Imports: 0.10
- Stock Draw: -0.09

EIA, Short-Term Energy Outlook, April 2008
Summer Retail Regular-Grade Gasoline Prices Projected to Average $3.53 per Gallon

Dollars per gallon

2005 Avg. $2.39
2006 Avg. $2.85
2007 Avg. $2.93
2008 Forecast Avg. $3.54

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

EIA, Short-Term Energy Outlook, April 2008
Regular Gasoline Summer Prices Vary by Region

U.S. Average = $2.94

2007

East Coast: $2.87
Midwest: $2.97
Gulf Coast: $2.81
Rocky Mountain: $2.99
West Coast: $3.09

2008 (Forecast)

U.S. Average = $3.54

East Coast: $3.50
Midwest: $3.50
Gulf Coast: $3.41
Rocky Mountain: $3.53
West Coast: $3.78

Summer = April through September average

EIA, Short-Term Energy Outlook, April 2008
Summer Retail Diesel Prices Projected to Average $3.73 per gallon, up 87 cents from Last Summer

* Retail price minus crude oil cost minus taxes, per gallon
EIA Projects Higher 2008 Natural Gas Spot Prices

Dollars per thousand cubic feet

- Residential Price
- Henry Hub Price
- Wellhead Price

EIA, Short-Term Energy Outlook, April 2008
Growth in U.S. Residential Electricity Prices Is Expected to Pick Up Slightly During 2008

Change from prior year

Forecast

-2.0% 0.9% 4.2% 3.3% 2.6% 5.6% 10.1% 2.2% 2.7%

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.