

Winter Heating Fuels Update



For:

Congressional Briefings

October 20, 2014 | Washington, DC

By

U.S. Energy Information Administration

Overview of winter heating fuel stocks

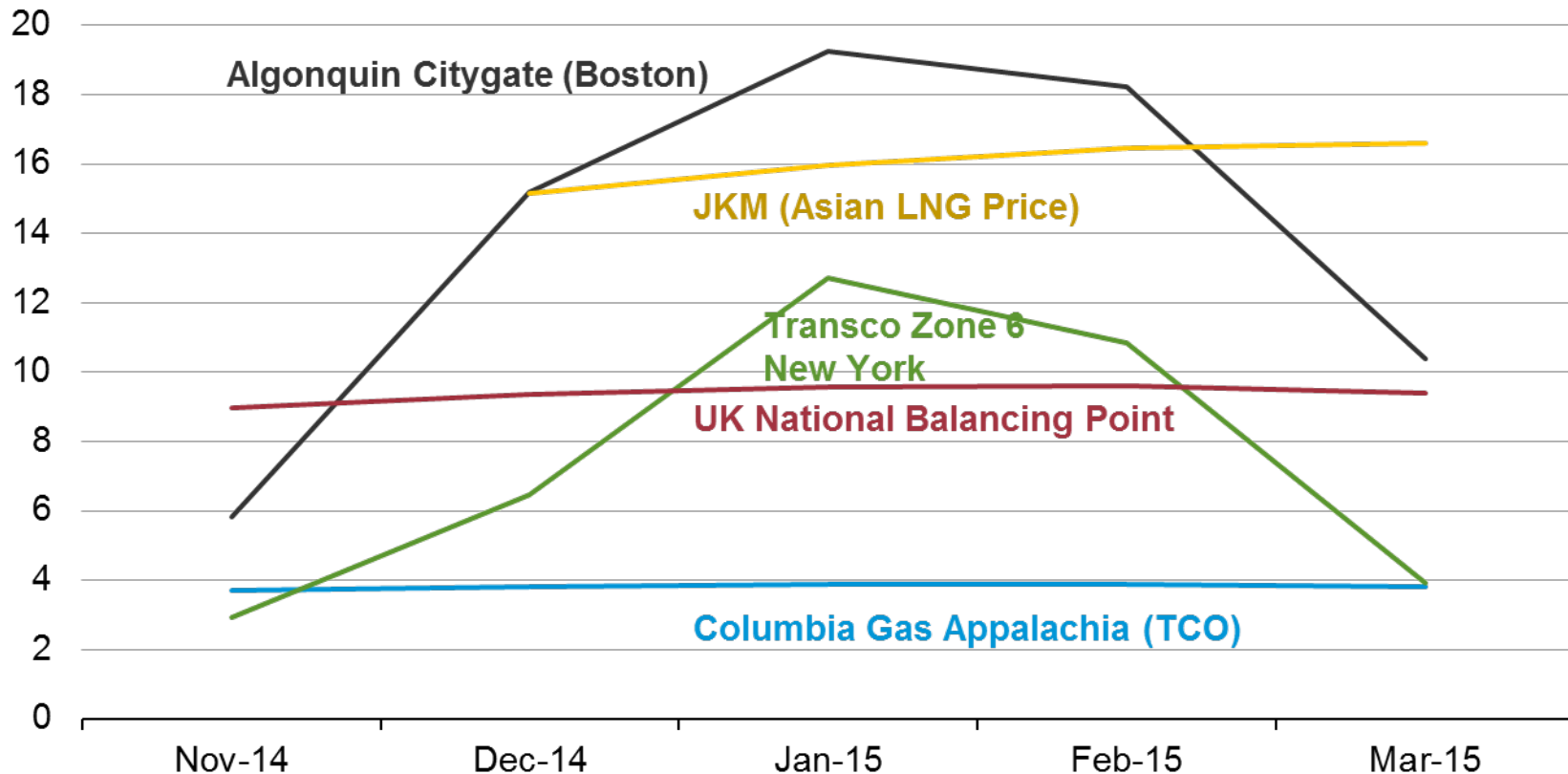
- **Natural gas** stocks are at 3.3 trillion cubic feet (Tcf), 0.33 Tcf below last year, and 0.36 Tcf below the five-year average. Production remains robust and storage injections have been very strong. Current storage levels are not a major concern as long as winter weather is not extreme.
- **Propane** stocks are still above the five-year average in the Midwest and Gulf Coast. Secondary and tertiary storage is reportedly building in anticipation of the winter. Propane production is up.
- **Heating oil** stocks are at the bottom of the five-year range. However, the heating oil market is very liquid, and supplies should be available from the global market (including Atlantic Basin suppliers, as well as India and the Middle East), particularly if Europe experiences a normal or mild winter.
- **Coal** stocks at electric utilities are at the low end of the five-year range.

Winter 2013-14 compared with winter 2014-15

- **NOAA's central forecast** is for 12% lower winter heating degree days.
- **Natural gas** stocks are lower this winter, but production levels are elevated. We anticipate continued congestion in natural gas transportation into New England for home heating and electricity generation, which may result in temporarily elevated prices, similar to last winter.
- **Propane** stocks are beginning this winter much higher in PADD 1 (East Coast), PADD 2 (the Midwest) and PADD 3 (Gulf Coast) than last winter, and we have indications that secondary and tertiary stocks have been building in PADD 2.
- **Corn harvest** forecasts by the USDA call for a record crop yield. Last year's large, wet corn harvest increased the demand for propane used in crop drying. The wetness of the corn crop depends on rainfall, humidity, wind, and temperature. In September 2014 rainfall in parts of IL, IA, and NE was above average, but below-average in SD, WI, and MN.
- **Total distillate stocks**, which include heating oil as well as Ultra Low Sulfur Diesel (ULSD) are about the same as year-ago levels. Five states in the Northeast have lowered sulfur specifications for heating oil, but this change is not expected to significantly affect the availability of supply.

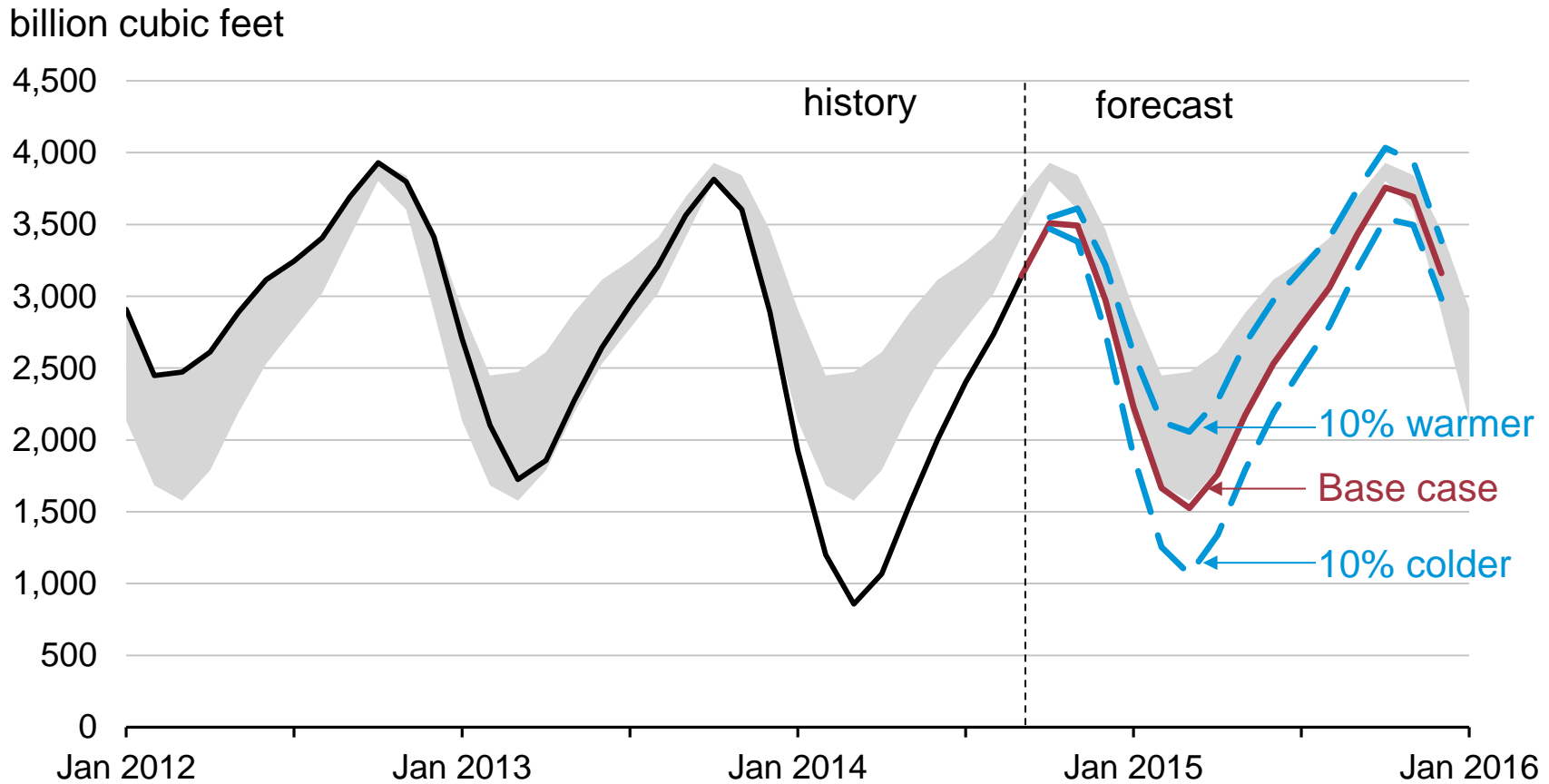
Current forward natural gas prices in Boston, and to a lesser extent New York, indicate the likelihood of constraints again this winter

Forward natural gas prices for winter months 2014-15 in selected markets as of early October
U.S. dollars per million British thermal unit



Source: Ventyx Energy Velocity Suite and Bloomberg. JKM is a proxy for LNG priced into Japan, Korea, and Malaysia. The Algonquin Citygates, Transco Zone 6 New York, and Columbia Gas Appalachia prices include the Henry Hub natural gas futures market price. Prices reflect recent settlements in early October.

Natural gas stocks are currently below the five-year average and five-year minimum, but have been climbing steadily

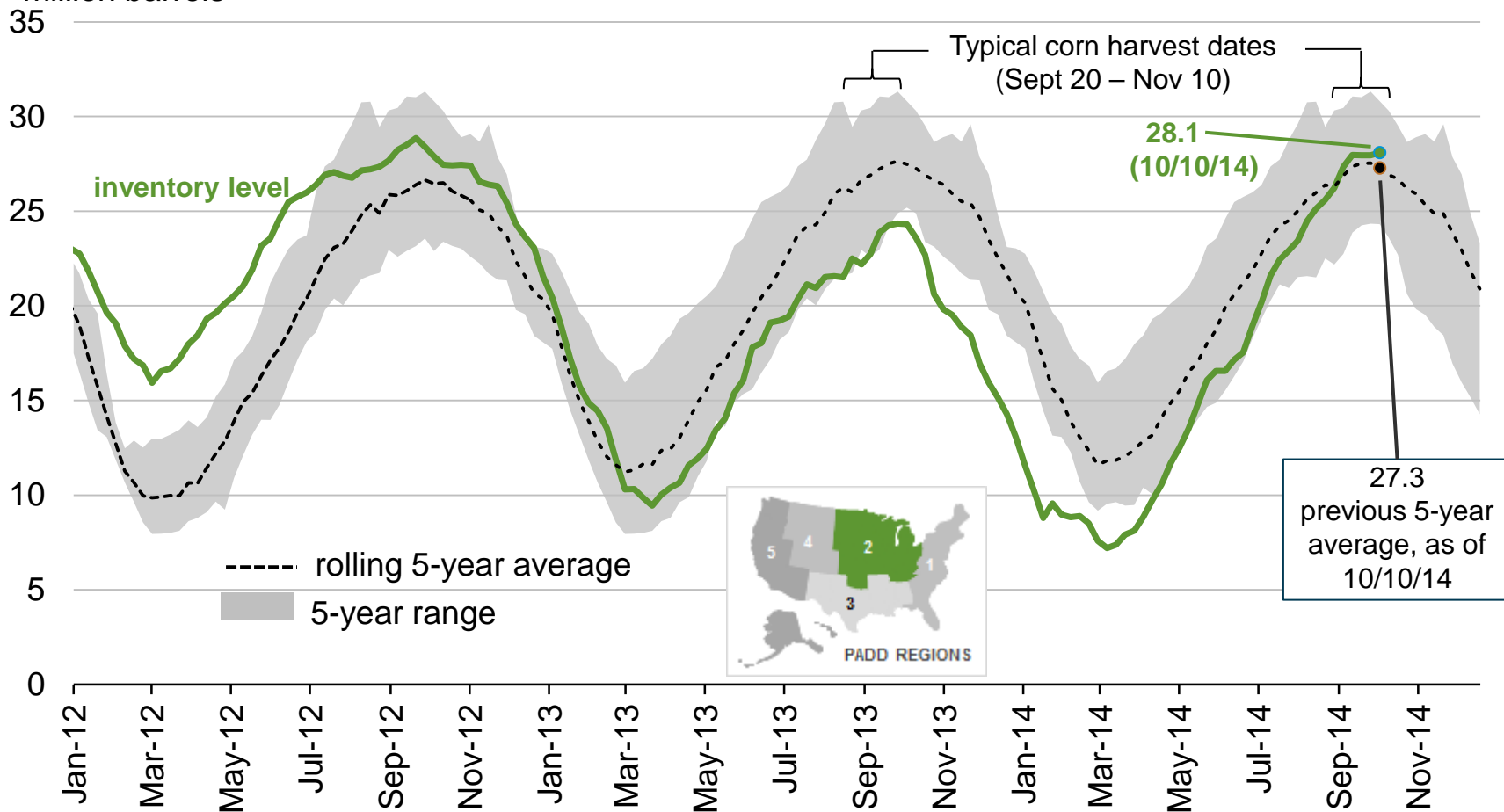


Note: Normal range (gray band) represents the range between the minimum to maximum from Jan. 2009 to Dec. 2013
Source: EIA Short-Term Energy Outlook, October 2014

PADD 2 (Midwest) propane inventories are currently above the five-year average

PADD 2 propane* inventories

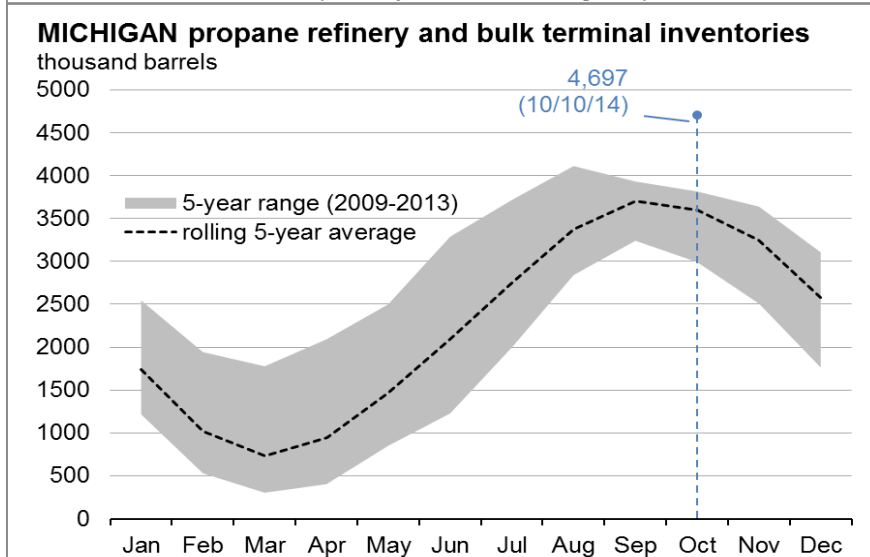
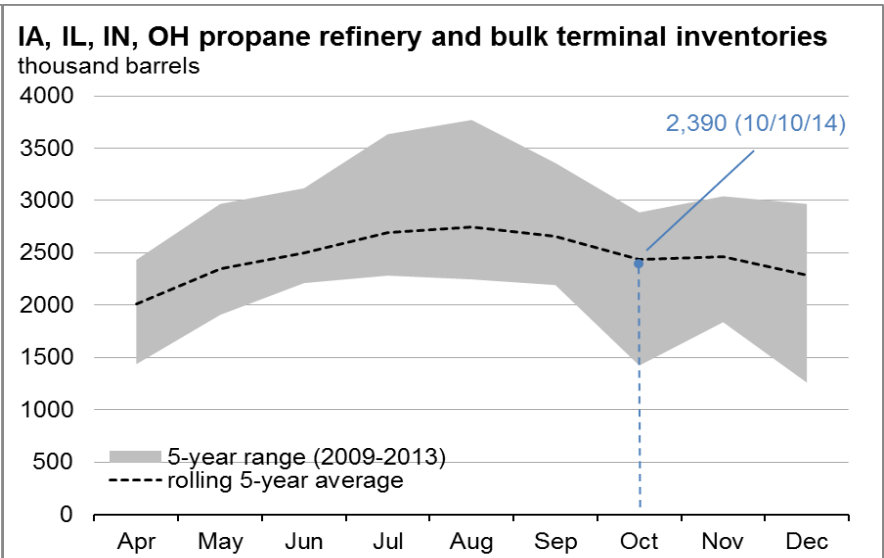
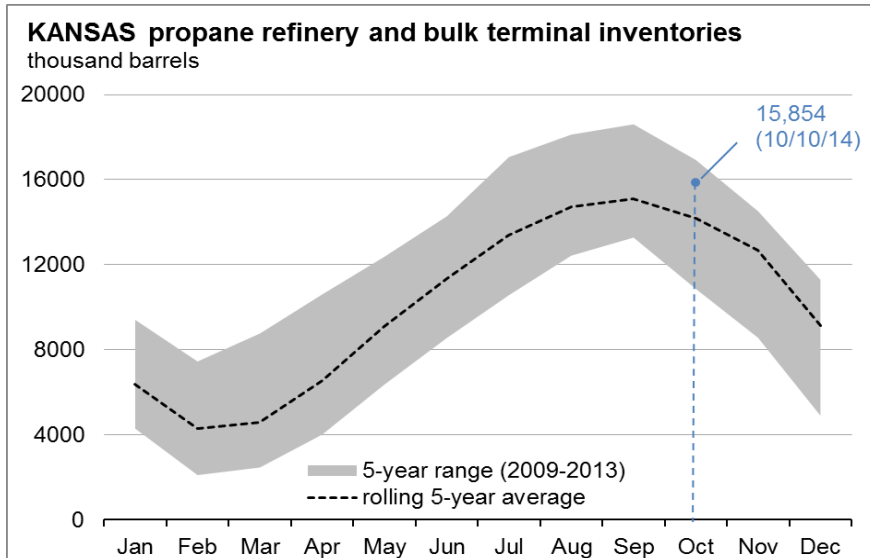
million barrels



Source: EIA, Weekly Petroleum Status Report, data through October 10

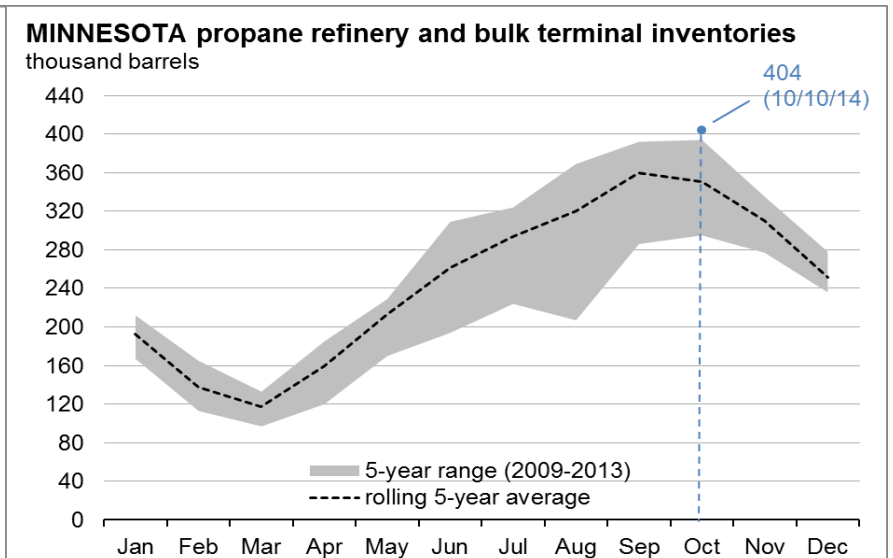
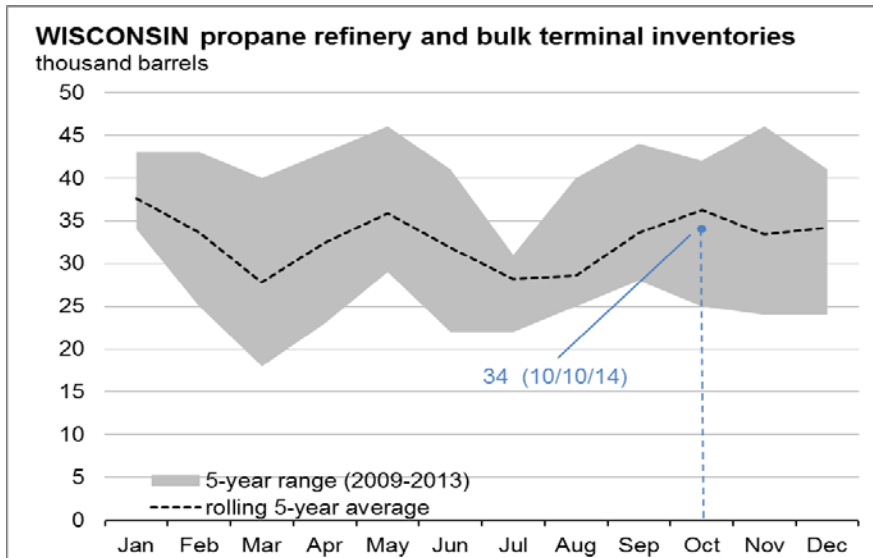
*propane/propylene for fuel use only

Current propane inventories for key individual states



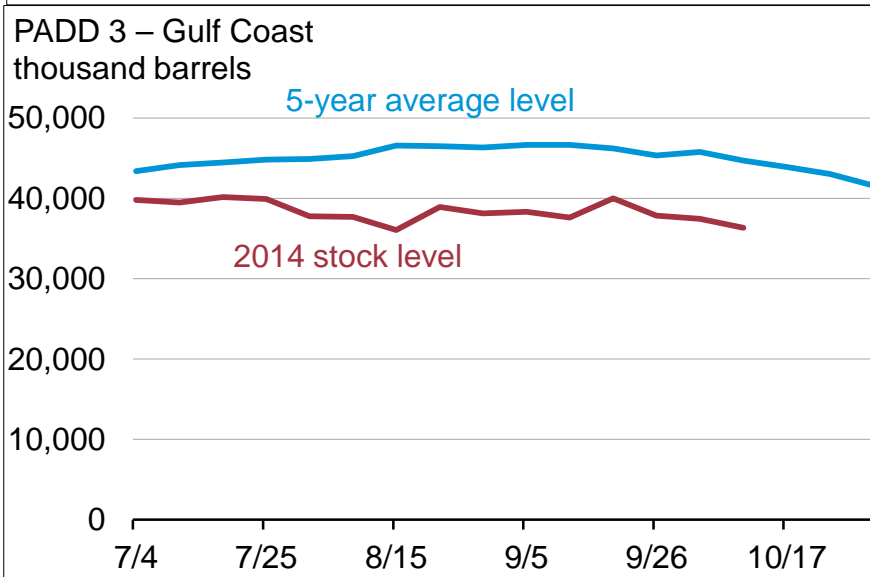
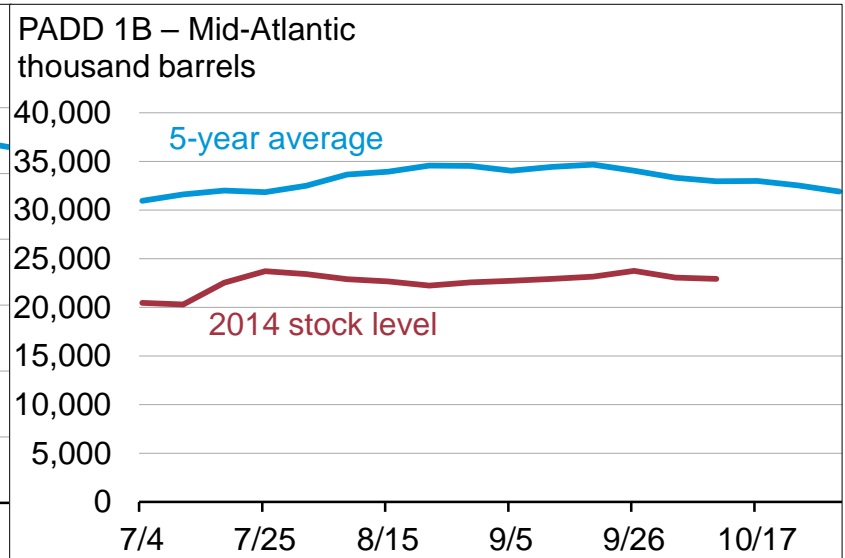
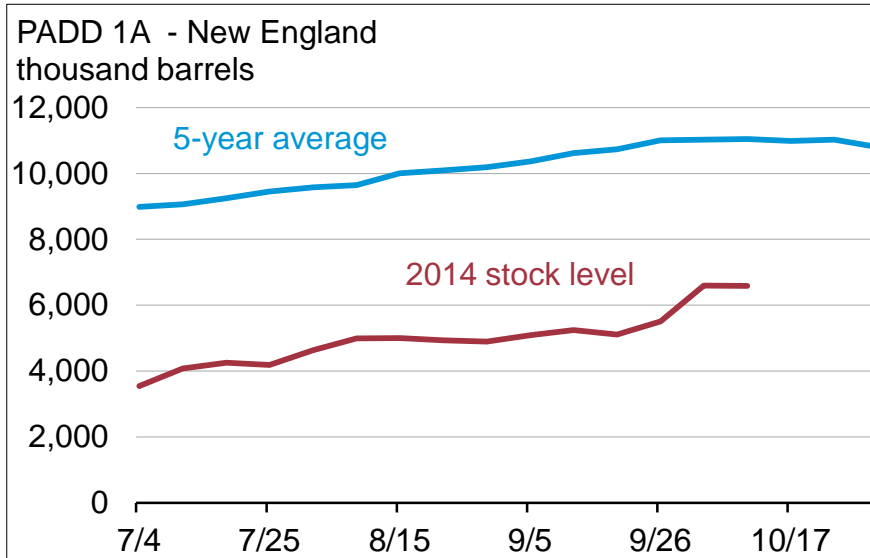
Source: EIA Weekly Petroleum Status Report

Current propane inventories for key individual states



Source: EIA Weekly Petroleum Status Report

Distillate inventories in key regions

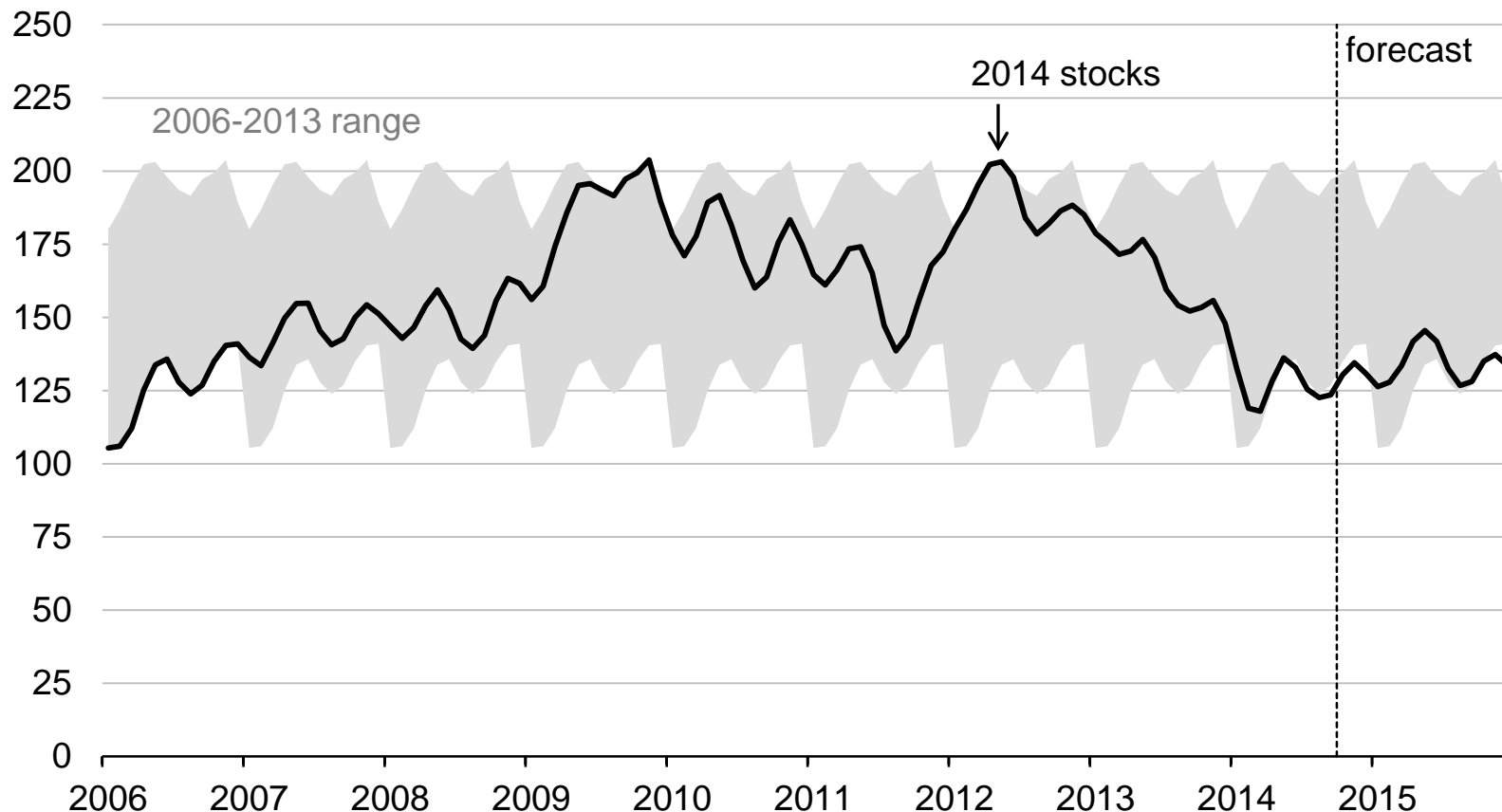


EIA is using total distillate fuel inventories for heating oil notifications under Reliable Home Heating Fuels (RHHA).

For many states, the largest component of total distillate fuel is diesel fuel, which contains less than 15 ppm of sulfur content. Lower sulfur distillate may be used when higher sulfur heating oil is scarce.

Coal stocks at electric utilities are at the bottom of the multi-year range

U.S. coal stocks
million short tons



Note: Range represents difference between minimum and maximum from 2006 to 2013

Source: EIA Short-Term Energy Outlook, October 2014

EIA actions to improve winter fuels information

- **More Detailed Weekly Propane Stock Data** – In addition to weekly PADD-level propane stocks, EIA will publish figures for Kansas (Conway hub), Michigan, Minnesota and Wisconsin, and a 4-state total for Iowa, Illinois, Indiana and Ohio.
- **Notification to Governors of Low Stock Levels** – Pursuant to the Reliable Home Heating Act, EIA is required to notify state Governors when stocks of heating oil, natural gas, or propane in their PADD fall below the 5-year average for more than 3 weeks. On October 16, Governors in all PADDs were notified that natural gas stocks in the lower 48 states are below the 5-year average. Notifications for heating oil stocks were sent to Governors in the New England, Central Atlantic and Gulf Coast PADDs.
- **Expanded State Participation in EIA Weekly Price Reporting** – The first data release was on Thursday, October 16.
- **Increased Visibility on EIA Website and Targeted Communication with State Officials** – EIA launched a special winter fuels webpage showcasing stock and price data. Beyond this, EIA will proactively reach out to both industry and public stakeholders in the states.

For more information

U.S. Energy Information Administration home page | www.eia.gov

Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

Today in Energy | www.eia.gov/todayinenergy

State Energy Portal | www.eia.gov/state

Drilling Productivity Report | www.eia.gov/petroleum/drilling

Winter Heating Fuels | www.eia.gov/special/heatingfuels