



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

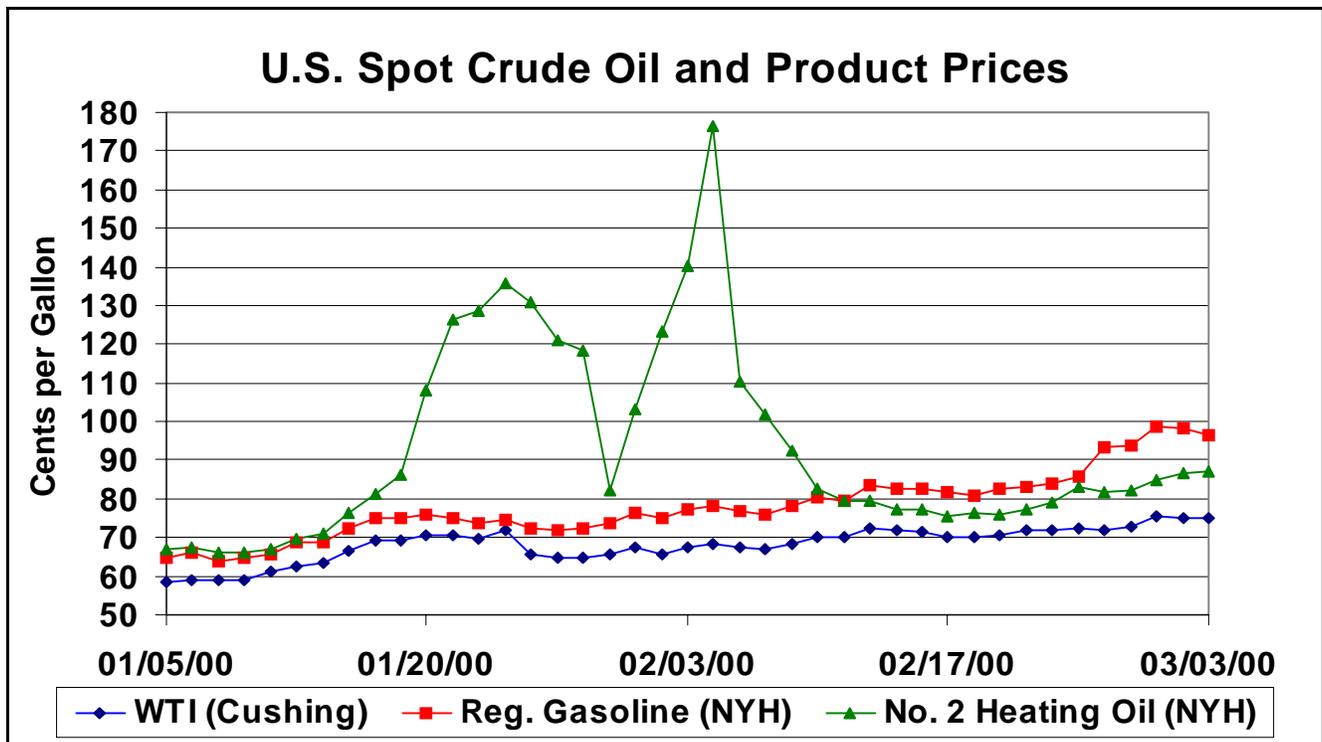
MARKET SUMMARY

U.S. spot and futures prices for crude oil and gasoline reached new 9-year highs by the middle of last week, before easing through Friday to end slightly below peak levels, but with strong net gains. Discussions among oil exporting nations about output increases continued to be the major factor in market activity worldwide. Growing concerns over summer gasoline supplies in the United States were further amplified by problems at several major refineries.

Crude oil - WTI prices moved strongly into long-unseen territory well over \$30 per barrel, briefly surpassing \$32 on Thursday before slipping back. Despite reported progress by Energy Secretary Richardson at securing producer commitments to help stabilize markets, and a meeting between Saudi Arabian, Venezuelan, and Mexican officials in London, the amount and timing of any production increases remained uncertain. A brief strike by Venezuelan oil workers prompted concern, but had little actual impact on markets.

Gasoline - was by far the strongest element of U.S. markets, boosted by a rising awareness of likely tight supplies this summer. With stocks as of February 25 already 32 million barrels lower than a year ago, outages in gasoline-making units at several major refineries were even more troubling. NYMEX April futures briefly surpassed \$1 per gallon, while Los Angeles CARB RFG spot prices neared \$1.20.

Distillate - supply and price concerns continued to ease, as strong East Coast imports and mild weather combined to relieve the supply/demand squeeze that had caused prices to spike a month ago. U.S. stocks posted a significant build for the week ending February 25, but remain more than 42 million barrels below year-ago levels.



CHRONOLOGY OF RECENT MARKET EVENTS

- 3/3 - mixed** - all but spot heating oil prices eased in pre-weekend profit-taking, amid increasing signals that major exporters will increase output soon. A short-lived strike by Venezuelan oil workers had little impact, but U.S. refinery problems continued to cause concern.
- 3/2 - mixed** - most prices eased in profit-taking after April NYMEX crude oil and gasoline briefl exceeded benchmarks of \$32 per barrel and \$1 per gallon, respectively. Saudi Arabian, Venezuelan, and Mexican officials met and agreed on the need to raise output, but not on when and how much. BP Amoco said its Whiting refinery was running at full capacity after Wednesday's fire, but Exxon Mobil shut down a cat cracker at its Baytown plant.
- 3/1 - rising** - all prices posted strong gains, as gasoline led crude oil to new post-1990 highs for both. Refinery unit outages at BP Amoco's Whiting plant and Hovensa's St. Croix facility boosted gasoline prices, while a threatened Venezuelan oil workers' strike had less impact on markets.
- 2/29 - rising** - expiring March NYMEX gasoline futures closed at a 9-year high, leading all prices upward, as traders awaited the weekly API and EIA supply reports. Energy Secretary Richardson said he had commitments from Saudi Arabia, Venezuela, Kuwait, and Norway to stabilize markets.
- 2/28 - mixed** - gasoline prices rose sharply in a fifth straight day of increase, while crude oil and distillates ended lower in late selling. Comments by Venezuela's oil minister, who said that output increases could be delayed until the third quarter, briefly pushed prices higher.
- 2/25 - rising** - crude oil and product prices gained strongly for the third straight day, amid further concern over expected summer market tightness and mixed signals from producers. Spot and futures prices for both crude oil and gasoline reached new post-Gulf War record highs.
- 2/24 - rising** - spot and futures prices climbed marketwide for a second day, as product stockdraws were reported by both API and EIA, and crude oil inventory reports were mixed. Energy Secretar Richardson visited Kuwait, after which Kuwaiti officials appeared to voice new flexibility on increasing output.
- 2/23 - rising** - all prices rose, led by crude oil, as traders awaited the weekly API and EIA supply reports and further indications of OPEC sentiment. The latest statements from producing nations appear to favor production increases, though possibly smaller and more gradual than many analysts sa are needed to restore balance to markets.
- 2/22 - mixed** - gasoline prices rose solidly, while distillates fell, both reversing Friday's moves, and crude oil ended with a small gain. March NYMEX crude moved past \$30 in early post-President's Da trading, but fell back to \$29.62 as it expired at the close of trading.
- 2/18 - mixed** - crude oil and distillate prices moved moderately upward in shortcovering ahead of the extended President's Day weekend, while gasoline fell east of the Rockies in a continuation of Thursday's profit-taking. West Coast gasoline rose sharply on problems at several refineries.