



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

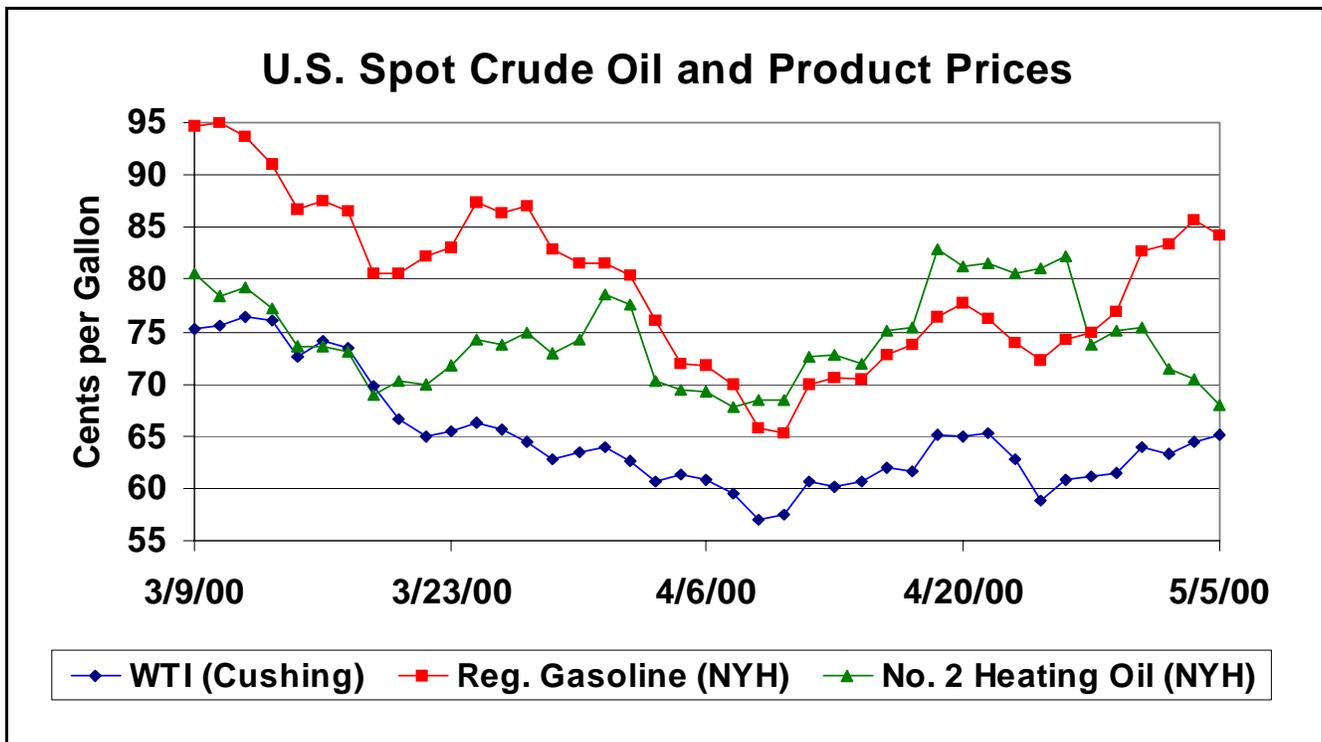
MARKET SUMMARY

Petroleum spot and futures markets showed divergent trends last week, with gasoline prices surging, crude oil rising less strongly, and distillates generally declining. Domestic gasoline markets were the most active, rising sharply through Thursday, and exerting upward pressure on crude oil, largely due to summer supply concerns. Maintenance and unexpected problems at a number of North American refineries, along with growing concern over a reformulated gasoline patent issue, pushed spot gasoline prices up as much as 14 cents per gallon in four trading days. Crude oil prices were separately impacted by a widespread strike in Norway that has already restricted export loadings.

Crude oil - prices gained throughout the week, except for a modest decline in late profit-taking on Wednesday. The Norwegian strike began to affect world markets by midweek, along with large U.S. stockdraws reported by both API and EIA for the week ending April 28. Sharp increases in refinery crack spreads, due to rising gasoline prices, also helped pull crude oil higher.

Gasoline - began the week with modest firming due to concern over refinery unit outages, then jumped sharply on Tuesday, with traders and analysts citing burgeoning concern over the potential impact on RFG supplies of patents held by Unocal. Some other refiners, importers, and blenders, fearing potential liability for royalties, have said they may not supply RFG until the legal situation is clearer. Meanwhile, a number of U.S. refineries have had planned or unplanned unit shutdowns, while a major Canadian refinery supplying the Northeast is heading into scheduled maintenance.

Distillate - markets remained quiet, and seasonally softening, as unusually warm spring temperatures hit much of the nation. A second straight stockbuild for the week ending April 28 helped raise inventory levels from recent 4-year lows.



CHRONOLOGY OF RECENT MARKET EVENTS

- 5/5 - mixed** - crude oil spot and futures prices rose on concerns about the ongoing strike in Norway, while products ended lower. Gasoline markets saw profit-taking after recent strong gains, while distillates remained weak overall ahead of expected warm weekend weather.
- 5/4 - mixed** - gasoline again led most prices higher, on continuing concerns about refinery problems, Phase 2 RFG, and the Unocal patents. The Norwegian strike remained a factor in crude oil firming, while distillates were again the weakest element.
- 5/3 - mixed** - crude oil and distillate prices retreated unevenly after Tuesday's increases, while gasoline continued slightly higher. Reported problems at two U.S. refineries and a turnaround at a major Canadian plant continued to support gasoline, despite an unexpected stockbuild. A large stockdraw and a strike in Norway worried crude markets, though prices ended slightly lower.
- 5/2 - rising** - gasoline prices rose sharply on summer supply concerns, pulling all markets solidly upward. The sudden surge in gasoline was largely attributed to growing worries about the impact of patents on RFG, held by Unocal, on production and blending by other suppliers.
- 5/1 - rising** - all prices moved higher, led by strength in gasoline markets. A delay in restarting a cat cracker at Motiva's Port Arthur refinery, along with rumored troubles at other plants, added to bullish sentiments for gasoline, while crude markets were generally quiet.
- 4/28 - mixed** - distillate prices dropped sharply, while crude oil and gasoline ended modestly higher, with the May NYMEX product futures contracts expiring at the close of trading. New York Harbor spot distillate prices collapsed, as the May contract gave way to much-lower-priced June futures.
- 4/27 - mixed** - most prices rose solidly, rebounding from Wednesday's sharp declines in trade seen as technically driven. Only May NYMEX heating oil futures were lower, pulled down by selling ahead of Friday's contract expiration.
- 4/26 - mixed** - crude oil and gasoline prices continued downward, while heating oil posted moderate gains. The decline in crude prices was attributed both to a larger-than-expected stockbuild and an estimate of OPEC production increases in April. Product prices moved opposite to their typical reactions to stock changes, ascribed to trading ahead of NYMEX expiration on Friday.
- 4/25 - falling** - prices declined across the board ahead of the weekly API and EIA supply reports, expected to show significant stockbuilds. A reported increase in weekly oil exports from Iraq under the United Nations "oil-for-food" program was also seen as a factor in market weakness.
- 4/24 - mixed** - crude oil prices gained slightly, while most products eased, in light trading following the 3-day Easter weekend in the U.S., and with European markets still closed. Markets were characterized as "stabilizing" after a recent decline and partial recovery.