



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

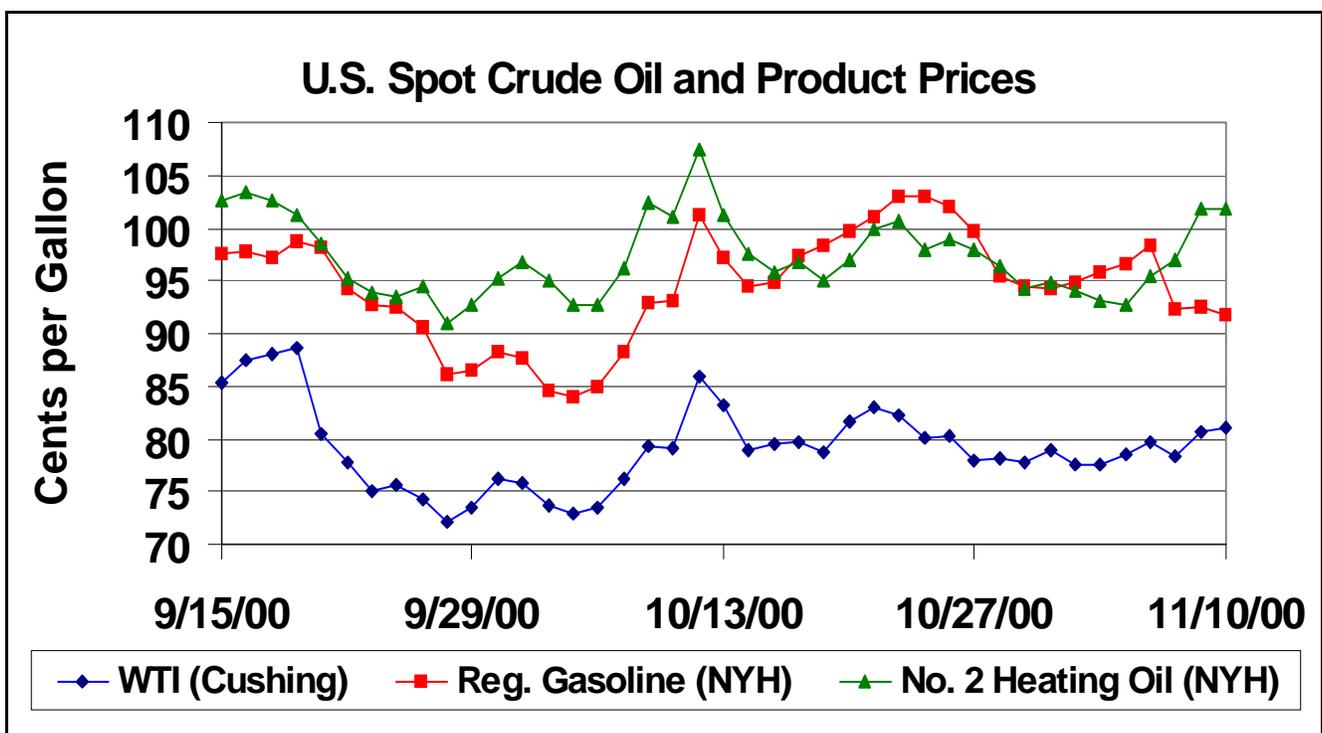
## MARKET SUMMARY

Last week featured a sharp divergence in price trends on U.S. petroleum spot and futures markets, with crude oil prices posting a moderate increase, distillate prices climbing more sharply, and gasoline price movements mixed. Among the major international market influences were oil export problems in Nigeria, a brief reduction in shipments from Iraq, and anticipation of an OPEC ministerial meeting in Vienna on November 12. U.S. markets were further affected by forecasts for colder weather in the Northeast and Midwest, along with problems arising or abating at various refineries.

**Crude oil** - prices worked their way upward during the week, with WTI spot and futures again rising over \$34 per barrel for the first time in nearly 3 weeks. The week began with concerns over a declaration of *force majeure* by Royal Dutch/Shell on crude loadings in Nigeria due to pipeline tampering. A brief suspension of crude exports from Iraq through Ceyhan, Turkey, boosted prices briefly on Tuesday, but markets softened when loadings resumed on Wednesday. Prices continued to climb ahead of the weekend, with OPEC ministers meeting on Sunday, but not expected to take significant action.

**Gasoline** - spot prices eased in most U.S. markets, though NYMEX futures posted moderate gains for the week. A gasoline cargo was reportedly turned away from New York for ship repairs, but subsequent arrival of other tankers weakened markets there. West Coast prices plunged by over 20 cents per gallon, as one major refinery returned to normal and another prepared to restart.

**Distillate** - prices posted by far the largest increases last week, adding 5 cents per gallon or more on top of the crude oil gains. Forecast colder weather, distillate space allocation on the Colonial Pipeline, and reported Brazilian buying ahead of a threatened strike pushed prices upward. A moderate stockbuild in the week ending November 3 left inventories 23 million barrels lower than a year ago.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 11/10 - mixed** - crude oil prices rose slightly, lifted by shortcovering ahead of Sunday's OPEC ministerial meeting in Vienna. Product prices fell back in profit-taking following Thursday's gains, despite reports of Brazilian purchases of distillate cargoes ahead of a threatened oil workers' strike.
- 11/9 - rising** - heating oil led all prices higher, credited to a forecast of significantly colder weather in the Northeast and Midwest. Distillate prices jumped about 5 cents per gallon on the East and Gulf Coasts, while crude oil and gasoline saw smaller impacts.
- 11/8 - mixed** - crude oil and gasoline prices dropped, while distillates increased, counter to pressures from the weekly API and EIA supply reports. The lack of a significant interruption in Iraqi exports weakened crude prices, while incoming cargoes pulled New York Harbor gasoline down sharply.
- 11/7 - rising** - all prices climbed, largely attributed to an expected interruption in Iraqi exports through Ceyhan, Turkey, while awaiting final U.N. arrangements for payment in Euros instead of dollars. Heating oil prices showed the most strength, aided by distillate allocation on the Colonial Pipeline due to the high volume of shipments nominated.
- 11/6 - mixed** - distillate prices declined while crude oil and gasoline rose, repeating Friday's pattern. A declaration of *force majeure* for Nigerian crude oil exports, along with reported problems at a Gulf Coast refinery, provided upward pressures, while forecast mild weather in the Northeast kept heating oil prices relatively weak.
- 11/3 - mixed** - crude oil and gasoline prices posted mostly moderate increases, while distillates declined. Traders cited pre-weekend shortcovering, continued Middle East violence, and skepticism about OPEC's ability to meet increased production quotas as causes for crude price strength.
- 11/2 - mixed** - crude oil and most product prices fell, largely attributed to a new truce between the Israelis and Palestinians, along with restarting of the Capline crude pipeline. Problems at a California refinery were partially offset by reports that another in Illinois is ready to restart.
- 11/1 - mixed** - most prices moved higher, lifted by an unexpected crude oil stockdraw, and a larger decline in gasoline inventories. Reports that Iraq wishes to sell crude oil to Syria by pipeline, outside the U.N. oil-for-food program, were treated cautiously by traders.
- 10/31 - falling** - all prices declined, ahead of the API and EIA supply reports, along with expiration of November NYMEX product futures contracts at the close of trading. U.N. approval of payments to Iraq in euros, announced late Monday, was also seen as a factor.
- 10/30 - mixed** - crude oil prices rose slightly, while products dropped, amid a mix of domestic and global influences. OPEC confirmed its intention to increase output by 500,000 barrels per day, as the U.N. sanctions committee debated Iraq's demand for payment in euros. In the U.S., the Capline crude pipeline was shut down temporarily, while a cold snap hit the Northeast.