



Petroleum Market Report

August 13, 2001

Energy Information Administration
Office of Oil & Gas

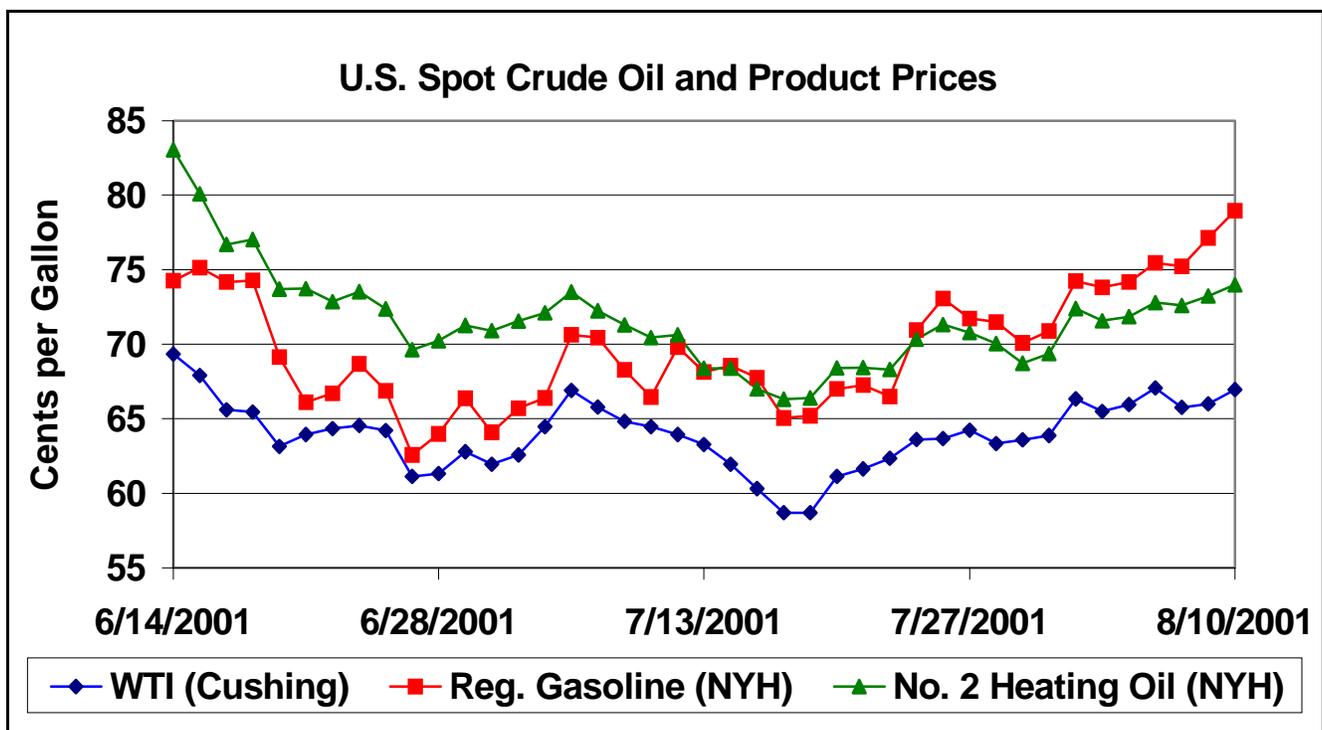
MARKET SUMMARY

Crude oil, gasoline, and heating oil prices were up last week despite a largely muted reaction to data that showed large gasoline and crude stockdraws. Other factors influencing the market included the return of Iraqi oil to the U.S. later this month, escalating tensions in the Middle East, and bullish global demand figures. While Tropical Storm Barry was downgraded and did not pose a threat, a series of refinery shutdowns and other problems did lend support to gasoline. A government estimate showing July 2001 implied gasoline demand 4.1 percent above comparable demand from last year may have also had some bullish effects.

Crude oil - OPEC is reportedly rethinking its recent 1.0 million barrel per day cut, as global demand firms and the OPEC basket begins to stabilize around the targeted \$25 level. Prices rose and dipped throughout the week, with front month NYMEX crude ending at \$28.05 per barrel, up 43 cents from the previous week.

Gasoline - Gasoline finished up for the week, as prices received support from robust implied gasoline demand figures and refinery problems. Valero's Houston refinery shut down its gasoline unit, while Premcor's Lima, Ohio refinery shutdown its fluid catalytic cracker and ultraformer system. Shell also had problems with its Deer Park, Texas hydrocracker. NYMEX gasoline finished up 2.25 cents for the week, ending at 79.90 cents per gallon.

Distillate - Distillate spot and futures prices rose in all U.S. markets last week, following trends in the crude oil and gasoline markets. NYMEX heating oil closed at 74.39 cents per gallon, 1.77 cents higher than the previous week.



CHRONOLOGY OF RECENT MARKET EVENTS

- 8/10 - rising** - crude, gasoline, and heating oil all finished up for the week amid increasing troubles in the Middle East and an upward revision of the International Energy Agency's global demand estimates. Several shutdowns at refineries exerted upward pressure on gasoline futures.
- 8/9 - rising** - OPEC president Chakib Khelil mentioned the possibility of relaxing quotas at the September meeting if economic growth improves in the West. In related news, Iraqi President Saddam Hussein expressed his anger at Saudi and Kuwaiti assurances that they would replace any supply shortfalls from Iraqi export stoppages.
- 8/8 - falling** - energy futures fell despite government and industry data showing unexpectedly large decreases in both crude and gasoline inventories. Expectations of the return of Iraqi oil into consuming countries' markets continue to put downward pressure on prices, and the market ignored news of unplanned maintenance of Valero's fluid catalytic cracker in Houston, TX.
- 8/7 - rising** - prices gained ahead of anticipated drawdowns of crude and gasoline stocks in weekly industry stock data. Inventory declines announced after the market closed were greater than expected.
- 8/6 - mixed** - crude futures gained slightly while heating oil and gasoline declined. Tropical Storm Barry was downgraded to a tropical depression, removing any fears of weather-related disruptions. A survey of OPEC cartel officials and industry monitors showed that July production was 0.63 million barrels per day higher than the quota of 24.2 million barrels per day. July Iraqi production rose to 2.08 million barrels per day.
- 8/3 - mixed** - crude oil and most product prices posted moderate declines, seen as profit-taking following two days of gains, and ahead of the weekend. Tropical Storm Barry gathered strength in the Gulf, resulting in evacuation of workers from offshore platforms and closure of the Louisiana Offshore Oil Port.
- 8/2 - rising** - prices rose strongly marketwide, reportedly reflecting a reduction in the recently very high number of non-commercial short positions on the NYMEX. The formation of Tropical Storm Barry in the Gulf of Mexico added to recent upward pressures from the OPEC output cut and U.S. stockdraws.
- 8/1 - rising** - an unexpected crude oil stockdraw in the weekly supply reports pushed petroleum spot and futures prices higher across the board. Gasoline prices were further supported by a larger-than-expected drop in inventories reported by both API and EIA.
- 7/31 - mixed** - most prices continued lower, amid expectations that the weekly API and EIA supply reports would show a build in crude oil stocks. The August NYMEX product futures contracts expired uneventfully at the close of trading.
- 7/30 - falling** - all prices fell moderately, following a weekend meeting in Geneva between Saudi Arabia, Venezuela, and Mexico that produced no significant announcements. The weekend shutdown of a coker at a Mississippi refinery had little discernable impact on product prices.