



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

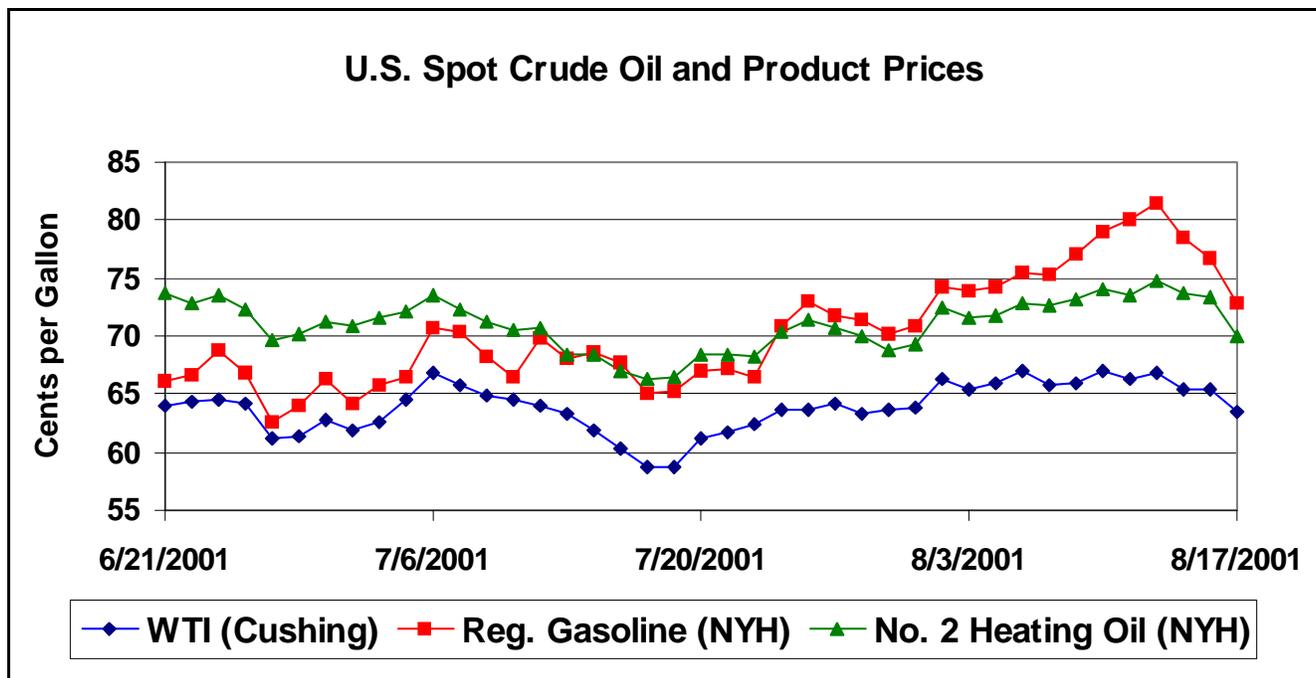
MARKET SUMMARY

Crude oil, gasoline, and heating oil prices were mixed last week as the market largely ignored several bullish factors in favor of one bearish one. Refinery problems were rampant, as a fire in the crude unit of the Citgo refinery in Lemont, IL will keep that unit offline for an unknown period of time. The Shell refinery in Deer Park, TX had problems coming back online after maintenance at the beginning of the week and brought down their gasoline unit for unplanned repairs at the end of the week. Valero in Houston also reported a glitch with its fluid catalytic cracker unit. Government and industry data reported large inventory decreases, but this information had little effect as the market anticipated the return of Iraqi barrels.

Crude oil - crude prices were mixed last week as the market took stock data, global demand estimates, and the imminent arrival of Iraqi barrels into account. NYMEX September crude fell \$1.46 to end the week at \$26.68/barrel.

Gasoline - the gasoline market ignored refinery problems, inventory decreases, and increased demand projections to finished down for the week. NYMEX gasoline September contract fell 5.95 cents from the previous Friday to end the week at 73.95 cents per gallon.

Distillate - heating oil continued to take signals from the crude oil and gasoline markets. NYMEX futures were down 3.88 cents from the previous week, ending at 74.39 cents per gallon.



CHRONOLOGY OF RECENT MARKET EVENTS

- 8/17- falling** - prices continued to fall for crude and the NYMEX products despite numerous bullish events. Analysts theorized that the looming arrival of Iraqi barrels could be overriding all other factors. Also, some traders may be engaging in technical selling in the face of low demand growth.
- 8/16- falling** - gasoline, crude oil, and heating oil futures fell despite Wednesday's stock data. Tropical Storm Chantal could threaten the Caribbean refineries Hovensa-St. Croix and El Paso-Aruba. Citgo-Lemont announced that it could be down for up to six weeks due to a fire in the crude unit earlier this week.
- 8/15- falling** - government and industry sources reported sizable stockdraws in gasoline, while government data also showed a sizable decrease in crude inventories. The Kuwaiti oil minister mentioned that it is unlikely that OPEC will make further production cuts this year. Gasoline rose slightly on stock news, but early gains made by crude were overturned by profit taking.
- 8/14- rising** - Citgo in Lemont, IL reported a fire in its crude unit as Shell in Deer Park, TX went down for unplanned repairs. AAA announced that retail motor gasoline prices may begin to rise as late summer driving increases around Labor Day.
- 8/13- mixed** - crude prices got a temporary boost as Saudi Arabia announced it would cut shipments to some of its European and Asian customers by 4 percent in September. Shell in Deer Park, TX attempted to restart its hydrocracker without success. Valero in Houston, TX reported a glitch in its fluid catalytic cracker unit.
- 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 declines in 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.