



Petroleum Market Report

September 17, 2001

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

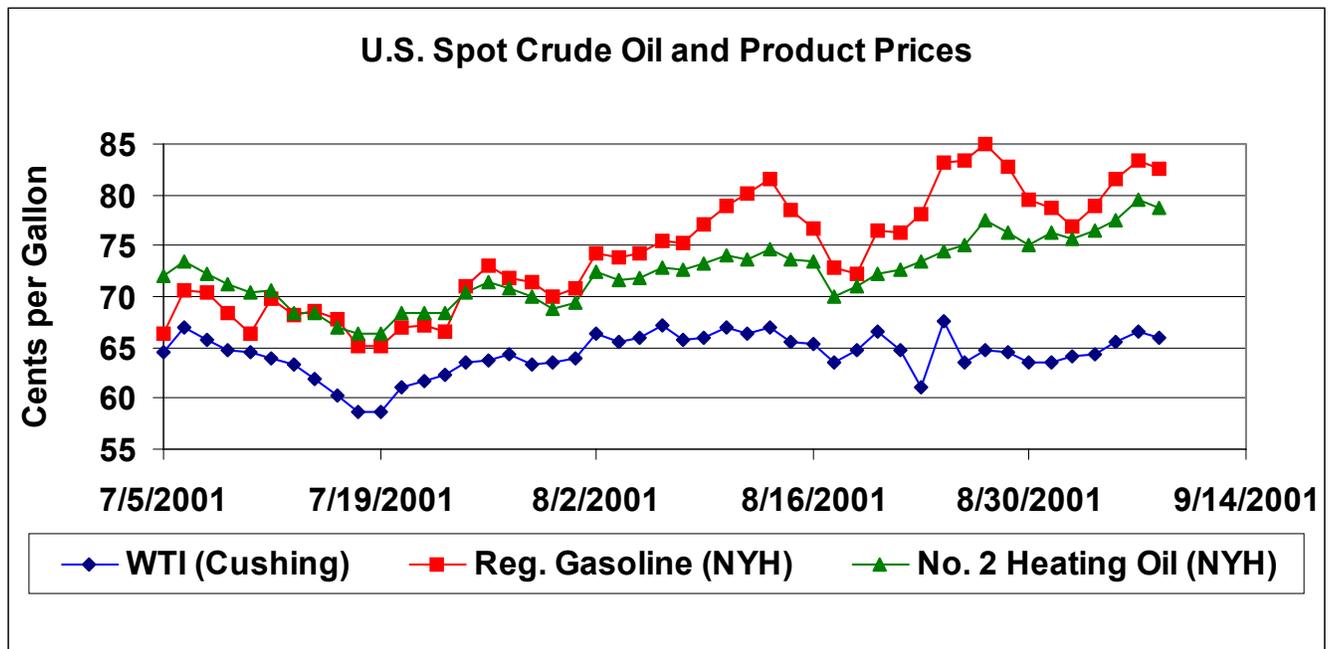
The market was closed most of last week due to the terrorist attacks that took place on Tuesday. Crude and product futures prices closed lower on Monday, the only full day of trading, due to profit taking. Also on Monday, the Qatari Oil Minister stated that OPEC was unlikely to increase oil production in the fourth quarter. After the attacks, several refineries and pipelines increased security measures, but production and transport were not significantly affected. However, the Louisiana Offshore Oil Port (LOOP) did halt operations temporarily, but this did not largely affect crude supplies. An International Energy Agency report completed before the attack stated that crude supplies are likely to be tight this winter. However, analysts speculate that the attack is another blow to the already sagging world economy, and the effect could be a further reduction in oil demand.

Crude oil - Internationally, crude oil spot and futures prices were up. Benchmark Brent spot gained \$1.68 from the previous week's close to end at \$29.22 per barrel.

Gasoline - Despite the fact that no supply disruptions occurred, retail gasoline prices surged to as much as \$5 per gallon or more in some areas following Tuesday's events. However, prices soon came down, as they were due more to price gouging than fundamentals.

Distillate - Reports that jet fuel storage will soon be full, due to suddenly reduced demand as a result of last week's tragedies, have led analysts to predict that refiners will begin blending jet fuel into other middle distillates, such as No. 2 heating oil and diesel fuel. This could significantly augment distillate stocks, which were about 20 million barrels below their seasonal average at the end of September.

CHRONOLOGY OF RECENT MARKET EVENTS



9/14- market closed- NYMEX reopened for a few hours of electronic trading before technical problems cut the session short. Crude and products were bullish during the short trading period.

9/11-9/13- market closed- U.S. petroleum market activity was limited last week following the attack, with the temporary closure of the New York Mercantile Exchange (NYMEX) leaving domestic spot markets without their usual benchmark futures prices.

9/10- mixed- NYMEX crude and products were down as profit taking was the main influence in a day of little market moving news. The Qatari Oil Minister stated that OPEC was unlikely to increase oil production in the fourth quarter.

9/7- rising- crude and products gained for the third consecutive day, as low inventories fueled refiner buying despite bearish news for the economy as a whole. An announcement that the unemployment rate had hit the highest level in four years rocked the U.S. stock market.

9/6- rising- crude and product futures gained sharply as large draws in stocks exerted bullish pressure. Distillate stocks were down at a time when they are usually building to meet winter demand. Gasoline stocks were down after increased demand around the Labor Day holiday. Several refineries remain down for maintenance.

9/5- rising- gasoline stayed strong amid forecasts of a stock draw. Strong gasoline demand and outages in several refineries helped to push up prices.

9/4- mixed- NYMEX crude and product futures ended lower after Friday's rally. The market appeared to have already factored OPEC's production cut that took place on Saturday. Venezuelan Energy and Mines Minister Alvaro Silva stated that OPEC is still pushing for higher prices despite worries that it might push the world economy into recession. Conoco failed to restart a gasoline unit in its Oklahoma refinery.

8/31- mixed - crude oil futures prices closed sharply higher as speculators bought to cash in profits ahead of the long holiday weekend.

8/30- falling - profit-taking sent NYMEX heating oil and gasoline futures lower. The government revised its estimate of second quarter economic growth, down to 0.2 percent from 0.7 percent.

8/29- falling - the NYMEX complex finished lower despite draws in gasoline supplies. Government data showed that implied demand for gasoline was 8.9 MMBD, and also confirmed expectations with draws for crude oil, gasoline, and distillate fuel oil.

8/28- rising - heating oil surged upward in response to an increase in U.S. demand. EPA eased air pollution limits in the Midwest in order to relieve tight gasoline supplies. Traders anticipated a draw in crude inventories due to decreased imports.

8/27- mixed - Citgo announced that it would guarantee supply to replace lost Midwest production. Hostilities escalated in the Middle East as Iraq claimed to have shot down a U.S. plane.