

Highlights

Bolstered by lingering concerns about the soundness of fundamental market conditions, world crude oil prices continued to rise during June. Despite reports showing rising wellhead production and growing stockpiles in key regional markets in May, June prices reflected qualms about the ongoing low levels of crude oil and finished products. At the start of the month, the United Nations Security Council voted to extend the “oil-for-food” deal with Iraq on June 8, ensuring a smooth rollover to another 180-day period for the program. In other news, market participants waited for an announcement from Organization of Oil Exporting Countries (OPEC) producers regarding the “automatic” 500,000 barrel-per-day increase. Some members of the group had stated once the aggregate price for their reference basket of crude oil exceeded the \$28-per-barrel price band ceiling for more than 20 days, wellhead production would rise. These conditions were met during the second week of June, but dissimilar ideas on how to address the issue hampered the implementation of production increases. However, the decision to raise output was made during the group’s quarterly meeting in Vienna, Austria on June 21. Group members agreed to increase production quotas by 708,000 barrels per day or about 3 percent, beginning July 1. Official statements from the organization noted the opinion that high gasoline prices in the United States, market speculation, and petroleum products tax policy in Europe were the main factors contributing to high crude oil prices. Mexico, although not a member of OPEC but a participant in the production cuts agreements, announced shortly after that it would raise exports by 75,000 barrels per day beginning on July 1. At the end of the month, Norway announced a

100,000-barrels-per-day increase in production following the resolution of a strike involving oil workers.

In the United States, June prices for crude oil and finished products rose, dramatically in some cases. Concerns about low stock levels continued to influence prices across the country. Preliminary data show a marginal decline in crude oil stocks from May’s level but indicate a 4.4 percent year-on-year decline. Total finished gasoline stocks rose just over 1 percent from last month’s level, but only conventional gasoline contributed to that gain. Stocks of reformulated gasoline (RFG) fell more than 4 percent from May’s level. Demand for gasoline rose nearly 2 percent in June, but remained below the rate seen last year at this time. Data also show total distillate stocks increased less than 1 percent from May’s rate, but fell a dramatic 17.2 percent from the year-ago level. Further pressure on

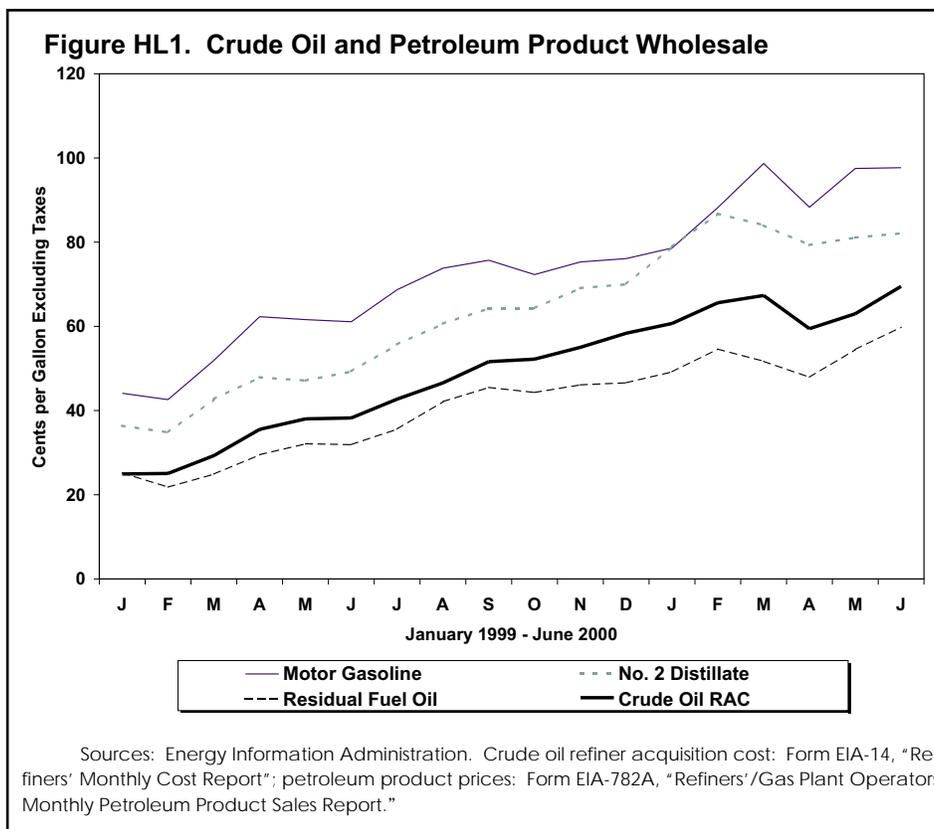


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	June 2000		May 2000		June 1999		June 2000		May 2000		June 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	120.9	64.5	110.3	61.6	75.6	66.2	109.1	323.7	97.7	317.4	61.1	324.6
Conventional	119.9	38.3	106.8	37.4	72.0	39.9	107.0	220.5	94.3	214.5	57.3	217.8
Regular	117.6	29.3	103.6	28.1	67.9	27.9	105.7	180.7	92.5	173.5	55.2	166.7
Midgrade	124.7	5.3	113.2	5.3	77.9	6.3	110.8	13.4	98.9	13.9	NA	NA
Premium	131.1	3.8	120.8	4.0	85.1	5.7	113.9	26.5	103.3	27.0	NA	NA
Oxygenated	128.6	1.9	114.5	1.8	81.7	1.8	116.1	7.2	103.0	6.8	69.9	6.4
Regular	126.3	1.6	112.4	1.5	79.8	1.5	114.7	5.8	102.1	5.3	69.2	4.7
Midgrade	136.6	0.2	121.3	0.2	86.1	0.2	119.9	1.0	102.8	1.0	NA	NA
Premium	146.3	0.1	130.9	0.1	94.9	0.1	124.6	0.5	113.7	0.5	NA	NA
Reformulated	121.9	24.3	115.9	22.4	81.1	24.5	113.3	96.0	104.8	96.1	NA	NA
Regular	118.2	17.6	112.0	16.0	76.8	16.7	110.9	70.0	101.9	69.9	NA	NA
Midgrade	127.8	3.6	122.1	3.4	86.5	3.9	117.7	8.8	109.8	9.0	NA	NA
Premium	136.1	3.1	129.5	3.0	94.0	3.9	121.3	17.1	113.7	17.2	NA	NA
Aviation Gasoline	143.6	0.1	133.6	0.2	103.3	0.2	141.1	0.8	130.1	0.7	95.0	1.0
Kerosene-Type Jet Fuel	80.1	53.3	78.8	48.2	50.6	51.8	80.0	15.8	78.0	18.2	49.3	14.0
Propane (Consumer Grade)	54.2	2.2	49.8	1.4	38.7	2.2	53.8	29.9	49.4	24.4	29.6	27.7
Kerosene	88.3	0.1	86.8	0.1	46.3	0.1	81.0	1.6	79.0	1.4	46.8	0.8
No. 1 Distillate	93.9	0.2	94.0	0.2	NA	NA	89.0	0.4	89.0	0.3	57.0	0.3
No. 2 Distillate	86.4	25.5	84.9	25.8	52.5	25.0	82.1	121.1	81.1	118.3	49.3	129.2
No. 2 Fuel Oil	84.5	2.7	83.1	2.9	NA	NA	80.3	16.3	78.4	18.3	44.2	21.4
No. 2 Diesel Fuel	86.6	22.9	85.2	23.0	53.3	21.6	82.4	104.8	81.6	100.0	50.3	107.8
Low Sulfur	88.6	16.1	87.8	15.8	55.6	14.7	83.0	89.9	82.2	86.6	50.9	93.8
High Sulfur	81.9	6.8	79.4	7.2	48.5	7.0	79.2	14.9	77.7	13.4	46.3	14.0
No. 4 Fuel^a	66.3	0.2	66.6	0.2	43.1	0.3	74.9	0.1	69.1	0.1	39.1	0.1
Residual Fuel Oil	61.9	12.3	57.2	12.4	34.3	11.8	59.8	12.9	54.5	10.5	31.9	10.1
Sulfur Content not > 1 %	71.4	3.0	63.2	3.6	38.1	3.6	65.8	6.2	58.9	4.3	34.8	3.5
Sulfur Content > 1 %	58.8	9.3	54.8	8.9	32.6	8.2	54.4	6.7	51.4	6.1	30.3	6.5

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

prices came from a rash of refinery problems across the country and disruptions to product delivery systems. Gasoline prices skyrocketed in Chicago and Milwaukee on supply problems stemming from pipeline outages in the region. As a result, the Governor of Illinois approved a 6-month suspension of the 6.25 percent sales tax, effective July 1, 2000. The sales tax in Indiana was also suspended for 60 days, beginning July 1, 2000. By the end of the month, prices in the region retreated as more supplies reached the area. In other developments, a blocked shipping channel in Louisiana prompted a loan of 1 million barrels of crude oil from the Strategic Petroleum Reserve (SPR) to two Gulf Coast refineries at mid-month to avoid more turmoil in petroleum markets. However, gasoline shortages in the Midwest did affect other regional markets particularly on the East and West coasts. Both markets were affected by product being diverted to the Midwest.

West Coast product prices jumped during the latter part of the month when unexpected refinery problems occurred and heightened the effects of tight supply levels. On the East Coast, markets were affected by the same issues and by high finished product prices in Europe, which severely dampened trans-Atlantic trade. Further, natural gas prices have risen significantly across the country due to tight supplies. The short supply of natural gas caused a shift by users to residual fuel oil in some areas, which in turn drove up the residual fuel oil price in several key markets. A comparison of current and year-ago spot market prices at New York Harbor reflect market conditions across the nation during June. The monthly average spot price for West Texas Intermediate (WTI) crude oil last year \$17.92 per barrel, while the price in June 2000 was \$31.82 per barrel, a nearly 78 percent increase. The spot price for conventional regular gasoline ranged between 44.8 cents

Petroleum Products

per gallon and 53.2 cents per gallon last year. During June 2000, the price ranged between 92.3 cents per gallon and \$1.006 per gallon, essentially a doubling of the price. The same picture emerges for the regular grade of RFG. The price ranged between 47.2 cents per gallon and 56.2 cents per gallon last year and \$1.022 and \$1.103 per gallon in June 2000. The price for No. 2 heating oil continues the trend. The monthly average prices were 43.3 cents per gallon and 78.2 cents per gallon, for June 1999 and June 2000 respectively.

Additional June market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) was quite animated during June. Opening at \$29.03 per barrel, the price began to rise in earnest during the second week of the month. Uncertainty surrounding what action OPEC planned to take to address the price band issue and reports showing declines in stocks drove the price upwards toward a new long-term high. That point arrived on June 23, when the price reached \$34.76 per barrel. The price fell more than \$3.00 per barrel the following business day, influenced in part by the promised increase to OPEC's production quotas the previous week. The price closed the month at \$32.44 per barrel, \$3.41 higher than where it began the month.

- Monthly average crude oil prices climbed in all categories during June. The average domestic crude oil first purchase price rose \$2.42 (9.5 percent), to \$27.88 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased \$1.72 (6.6 percent), to \$27.67 per barrel. The average landed cost of foreign crude oil rose \$2.00 (7.5 percent), to \$28.69 per barrel.
- The average refiner acquisition cost for domestic crude oil shows the largest increase, rising \$2.96 (11.1 percent), to \$29.58 per barrel. The average cost of imported crude oil to U.S. refiners rose \$2.60 (9.9 percent), to \$28.95 per barrel. The composite refiner acquisition cost for crude oil increased \$2.73 (10.3 percent), to \$29.19 per barrel.

Motor Gasoline

The June daily spot price for regular gasoline at New York Harbor soared above other product prices in the complex throughout the month. Concerns about supplies of gasoline products as the summer driving season went into full swing colored market price activity. Opening at 95.9 cents per gallon, the price fluctuated slightly during the coming weeks before refinery problems at Gulf Coast and Midwestern facilities pushed the price to its high of \$1.006 per gallon on June 15. The price eased gradually during the remainder of the month as concern over supplies began to abate. The price closed the month at 94.2 cents per gallon, 1.7 cents per gallon lower than where it began June.

- National average gasoline prices soared in June, rising above \$1.000 per gallon in most categories. The average price for retail sales of motor gasoline by refiners climbed 10.6 cents to \$1.209 per gallon, while the average wholesale price leaped 11.4 cents to \$1.091 per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets increased 12.1 cents to \$1.217 per gallon. The average wholesale price jumped 11.3 cents to \$1.091 per gallon. The average dealer tank wagon (DTW) price increased 9.1 cents to \$1.142 per gallon, while the average rack price climbed 13.0 cents to \$1.096 per gallon. The average price for bulk sales rose 10.1 cents to 97.4 cents per gallon. Reformulated gasoline prices outstripped conventional gasoline prices by 3.2 cents at retail and 5.0 cents at wholesale. The variation between conventional and oxygenated gasoline prices was 12.2 cents at retail and 10.4 cents at wholesale.
- Gasoline sales by refiners rose for the most part during June. Total sales climbed 9.2 million gallons per day (2.4 percent), to an average of 388.2 million gallons per day. Retail sales rose 2.9 million gallons per day (4.7 percent), while wholesales increased 6.3 million gallons per day (2.0 percent). Rack sales represented 63.7 percent of wholesales, while DTW and bulk sales made up 22.1 percent and 14.2 percent, respectively. Reformulated gasoline (RFG) accounted for 31.0 percent of total motor gasoline sales, while oxygenated gasoline made up 2.3 percent.

No. 2 Distillate

While the daily spot price for No. 2 heating oil at New York Harbor remained quiet through most of June, it continued to exist at a very high level for this time of year. Opening at 73.9 cents per gallon, the price drifted through the first half of the month mainly supported by circumstances associated with crude oil and gasoline. The price reached the low for the month, 73.7 cents per gallon, on June 19. Continuing to take its cue from other product prices, the heating oil price rose noticeably during the second half of the month. By the end of the month, concerns about the adequacy of supplies for the next heating season spurred the price to its high of 84.4 cents per gallon on June 29. It closed the month at 83.0 cents per gallon, about 9 cents higher than where it began the month.

- June monthly average No. 2 distillate prices show only marginal changes. The national average residential price declined 0.7 cent to \$1.162 per gallon. The average wholesale price increased 0.8 cent to 82.4 cents per gallon. The average price for No. 2 diesel fuel rose 0.6 cent at company-operated retail outlets, while the average wholesale price increased 0.7 cent. The variation between low- and high-sulfur diesel fuel prices was 3.1 cents at retail and 3.3 cents at wholesale.
- Refiner sales of No. 2 distillates during June show moderate changes from May levels. Total sales of No. 2 distillate rose 2.5 million gallons (1.7 percent), to 146.7 million gallons per day. Sales of No. 2 fuel oil declined 2.2 million gallons per day (10.4 percent), while sales of No. 2 diesel fuel climbed 4.7 million gallons per day (3.8 percent). Low-sulfur diesel fuel constituted 83.0 percent of all refiner diesel fuel sales and 72.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- June monthly average residual fuel oil prices registered increases in all categories of sales. Refiner prices for low-sulfur residual fuel climbed 8.2 cents to 71.4 cents per gallon at retail, and 6.9 cents to 65.8 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail rose 4.0 cents to 58.8 cents per gallon, while the wholesale price increased 3.0 cents to 54.4 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 5.5 cents to 67.1 cents per gallon at retail, and 6.3 cents to 65.0 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 3.5 cents to 59.1 cents per gallon at retail, and 3.4 cents to 54.7 cents per gallon at wholesale.
- Residual fuel oil sales by refiners rose for the most part during June. Total sales increased 2.3 million gallons per day (10.0 percent), to 25.2 million gallons per day. Low-sulfur residual fuel sales rose 1.3 million gallons per day (16.5 percent), while high-sulfur residual fuel oil sales increased 1.0 million gallons per day (6.7 percent).

Other Products

- Prices for products included in this section were mixed during June. Refiner propane prices rose 4.4 cents per gallon at both the retail and wholesale levels. Including data from a sample of propane marketers, the average residential propane price barely changed, falling 0.5 cent per gallon. The average retail price for propane dropped 1.8 cents, while the average wholesale price rose 4.1 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene rose at both levels while prices for No. 1 distillate and No. 4 distillate declined at retail and rose at wholesale.
- Sales of these products by refiners were also mixed during June. Sales of propane rose at both levels while kerosene-type jet fuel increased at retail but fell at wholesale. Aviation gasoline, kerosene, No. 1 distillate, and No. 4 distillate sales declined at retail but rose at wholesale.

