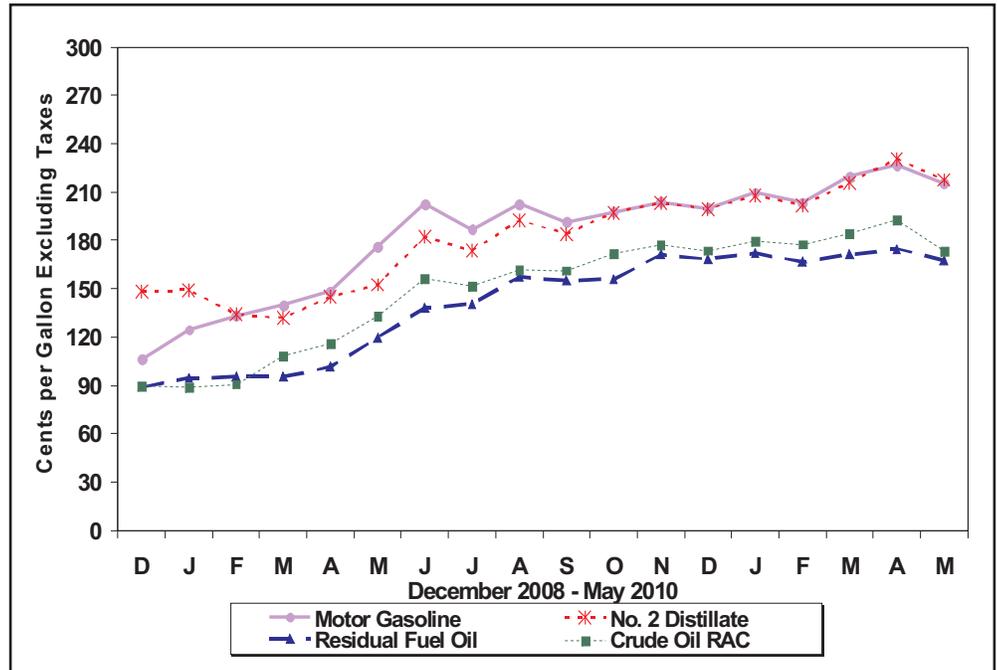


# Highlights

International crude oil prices experienced significant declines in May, driven in large part by concerns about consequences stemming from the fiscal crisis in Europe and, to a lesser extent, by a persistent imbalance between supply and demand. At the start of May, values for many benchmark streams were at their highest levels in months, despite more than adequate supply levels. Firm demand from Asian (particularly China) and other emerging markets has helped bolster oil prices in recent months and continued to do so through the start of May. However, the impact of Greece's debt problem and questions about the sufficiency of the bailout plan quickly changed the direction of prices across global markets. Worries that the plan would not prevent similar fiscal difficulties in other eurozone economies, specifically Portugal and Spain, weighed on the value of the euro, the legal tender of many European nations. Further, concern that the difficulties would dampen the progress of economic recovery in other world markets, and subsequently, demand for oil products weighed on prices. Reaction to the European debt problems was also seen in major financial markets as stock values tumbled during the third week of the month on more unfavorable news from Spain. The turbulence from that development drew prices for key streams to their lowest levels in many months. They regained some ground during the final days of May on reports that China was not appraising its eurozone bond holdings. Additional support came from the announcement that the National Oceanic and Atmospheric Administration (NOAA) expected the 2010 hurricane season to be more active than in the past few years.

In the United States, crude oil and refined products prices were very unsettled during May. Crude oil prices were the most volatile, thanks to ample and growing stocks and the broadening effects of financial problems in Europe. Notably, the Macondo oil well spill continued to have little impact on oil and gas production in the Gulf of Mexico, or to shipping operations in the region. In particular, operations at the Louisiana Offshore Oil Port (LOOP), which, through its pipeline system is connected to more than 50 percent of U.S. refinery capacity, remained at normal levels. Because of the absence of any significant disruptions to industry operations in this important region, any influence on oil prices was offset by more pressing issues. Besides the debt crisis in Europe, the growth in crude oil inventories acted as a primary source of downward pressure on prices. Already brimming stocks at Cushing, Oklahoma reached record levels at mid-month, dampening the

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**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					
	May 2010		April 2010		May 2009		May 2010		April 2010		May 2009	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	235.3	46.0	237.0	46.2	185.6	51.0	215.3	318.5	226.5	316.3	176.2	309.0
<b>Conventional</b> .....	230.7	30.4	234.0	30.5	182.6	31.9	212.7	219.8	225.1	219.2	174.0	215.4
Regular .....	228.6	27.0	232.0	27.1	180.7	28.2	211.3	194.4	223.6	194.7	172.2	189.7
Midgrade .....	241.7	1.8	244.1	1.8	191.3	1.9	211.9	9.0	226.9	8.8	178.0	10.0
Premium .....	253.1	1.7	256.1	1.6	202.9	1.8	230.2	16.4	242.5	15.7	193.0	15.7
<b>Reformulated</b> .....	244.2	15.6	242.8	15.7	190.6	19.2	221.0	98.7	229.8	97.1	181.3	93.6
Regular .....	239.9	12.2	238.8	12.3	186.6	15.0	218.3	83.6	227.3	82.6	178.7	79.3
Midgrade .....	253.9	1.4	252.0	1.4	199.4	1.7	227.5	2.0	236.1	1.9	187.9	2.1
Premium .....	263.3	2.0	261.0	2.0	209.2	2.4	237.6	13.1	245.4	12.6	197.4	12.1
<b>Aviation Gasoline</b> .....	312.9	0.1	320.1	0.1	242.3	0.2	294.5	0.4	299.9	0.5	247.8	0.3
<b>Kerosene-Type Jet Fuel</b> .....	219.9	36.8	227.2	35.2	148.7	38.4	218.4	19.1	224.7	20.6	146.1	14.4
<b>Propane (Consumer Grade)</b> .....	126.4	3.3	132.6	4.0	90.1	2.9	109.8	20.2	114.4	23.5	73.2	21.6
<b>Kerosene</b> .....	293.8	0.0	304.0	0.0	249.7	0.0	211.0	0.9	228.1	0.7	153.9	0.6
<b>No. 1 Distillate</b> .....	NA	0.0	280.5	0.1	185.6	0.0	251.9	0.2	272.3	0.3	174.5	0.3
<b>No. 2 Distillate</b> .....	234.3	17.4	241.2	17.9	164.3	16.8	217.6	144.8	230.6	144.2	152.4	145.9
No. 2 Fuel Oil .....	248.7	0.2	252.7	0.3	170.6	0.7	213.0	8.8	221.4	8.2	146.2	10.3
No. 2 Diesel Fuel .....	234.1	17.2	241.0	17.6	164.0	16.1	217.9	136.0	231.2	136.0	152.9	135.6
Ultra Low Sulfur .....	238.1	12.7	243.0	13.2	165.6	12.0	218.2	124.6	231.5	123.6	153.3	117.9
Low Sulfur .....	222.3	3.7	235.7	3.5	162.0	3.2	214.6	10.6	228.0	11.6	150.8	15.1
High Sulfur .....	225.5	0.8	232.6	0.9	149.5	0.9	218.3	0.8	226.5	0.8	148.9	2.5
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	W	W	W	W	W	W	W	W
<b>Residual Fuel Oil</b> .....	168.6	7.2	171.8	6.8	123.4	7.3	167.5	11.6	174.8	9.3	119.5	9.1
Sulfur Content not > 1 % .....	189.8	2.1	188.7	1.9	121.3	2.5	167.5	2.2	182.7	2.0	120.5	2.6
Sulfur Content > 1 % .....	160.1	5.1	165.5	4.9	124.5	4.9	167.5	9.5	172.5	7.2	119.1	6.4

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Note: Beginning January 2007, oxygenated gasoline is included in conventional gasoline.

Note: In January 2007, ultra low-sulfur diesel fuel was added.

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*. Total volumes may not equal the sum of the components due to rounding.

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

price for the benchmark West Texas Intermediate (WTI) stream. While prices for refined products also saw significant decreases over the course of the month, the declines were not quite as severe. In mid-May, tight supplies of distillate fuels at New York Harbor, thanks to exports, bolstered prices for products from the middle of the barrel. At the same time, gasoline stocks registered an unexpected decrease, lending some support for the product's prices. Nevertheless, prices resumed their downward journey on persistently robust supply levels and troubling economic news. Also of note, price spreads between crude oil and refined products grew to

some of their most robust levels in many months before dropping back at the end of the month. With additional impetus from data showing demand for petroleum products had risen throughout the month, prices rose modestly just before the Memorial Day weekend at the close of May. This holiday weekend is widely seen as the start of the summer "driving season" when demand for gasoline typically reaches its highest levels during the year.

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

## Crude Oil

After several months of increase, the daily spot price for WTI crude oil at Cushing, Oklahoma fell precipitously in May. After opening at \$86.07 per barrel, the price moved immediately to the month's high of \$86.19 per barrel, underpinned by positive economic news. Nevertheless, the price began to decline firmly immediately after that point, pressured downward by reports of rising stock levels and growing concern about the fiscal crisis in Greece. Although a momentary stay in the price's decline occurred following the announcement of the debt-relief package for Greece, the ongoing rise in crude oil stocks at Cushing to record highs and worries that the fiscal crisis in Europe would stifle economic growth. The effects of these issues continued to pressure the price until it reached the month's low of \$64.78 per barrel on May 25. After recovering some ground during the final days of the month as data showed a rise in demand for refined products, the price closed the month at \$74.00 per barrel, \$12.07 below its opening level for May.

- May monthly average crude oil prices fell in all sales categories. The average domestic crude oil first purchase price declined \$7.80 (9.9 percent), to \$71.00 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil decreased \$8.80 (11.2 percent), to \$69.48 per barrel. The average landed cost of foreign crude oil dropped \$7.96 (10.0 percent), to \$71.64 per barrel.
- The average refiner acquisition cost for domestic crude oil fell \$6.84 (8.3 percent), to \$75.28 per barrel. The average cost of imported crude oil dropped \$8.87 (11.1 percent), to \$71.16 per barrel. The composite refiner acquisition cost for crude oil decreased \$8.15 (10.1 percent), to \$72.68 per barrel.

## Petroleum Products

### *Motor Gasoline*

Amid an unsettled atmosphere in the market, the daily spot price for regular gasoline at New York Harbor lost considerable ground during May. After opening at \$2.313 per gallon, the price marked the month's high of \$2.339 per gallon on May 3, underpinned by positive economic news. The price began a sharp decline following that point, thanks to the pervasive effects of the

Greek debt crisis and concern about the pace of economic recovery in the United States. While the price increased modestly at mid-month, thanks to a reported decrease in gasoline inventories, it returned to a downward path as uncertainty about the vigor of economic growth returned to the fore of market attention. Ample supply levels also pressured the price lower as the month continued. The price reached the month's low of \$1.858 per gallon May 25. While it regained some ground after that on rising demand just ahead of the Memorial Day weekend and closed the month at \$1.956 per gallon, the price was 35.7 cents below its opening level for May.

- Monthly average prices for finished gasoline declined in May. The average price for retail sales of motor gasoline by refiners fell 1.7 cents to \$2.353 per gallon, while the average wholesale price dropped 11.2 cents to \$2.153 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets declined 2.2 cents to \$2.371 per gallon. The average wholesale price for gasoline fell 11.5 cents to \$2.159 per gallon. The average dealer tank wagon (DTW) price decreased 8.9 cents to \$2.234 per gallon, while the average rack price declined 13.8 cents to \$2.132 per gallon. The average bulk sales price fell 7.2 cents to \$2.135 per gallon. Reformulated gasoline prices were 10.9 cents higher than conventional gasoline prices at retail and 6.4 cents more at wholesale.
- Refiner sales of motor gasoline increased modestly in May. Total sales rose 2.0 million gallons per day (0.6 percent) to an average of 364.5 million gallons per day. Retail sales fell 200,000 gallons per day (0.4 percent), while wholesales increased 2.2 million gallons per day (0.7 percent). DTW sales accounted for 12.0 percent of wholesales, while rack and bulk sales made up 74.0 percent and 14.0 percent, respectively.

### *No. 2 Distillate*

Like other products' prices in the complex, the daily spot price for No. 2 heating oil at New York Harbor underwent a large decline during May. Immediately following its opening at \$2.265 per gallon, the price rose to the month's high of \$2.344 per gallon on supportive economic news. The price dropped sharply after that point, thanks to worrisome economic matters in European markets and pressure from robust stocks. While the price stepped away momentarily from its downward path at mid-month,

it returned to it following a reported increase in distillate stocks and renewed concerns about the economy. The price reached the month's low of \$1.876 per gallon on May 25. After rising during the last few days of the month, the price closed at \$2.006 per gallon, 25.9 cents below its opening level for May.

- Monthly average prices for No. 2 distillates fell for the most part during May. The national average residential sales price declined 7.1 cents to \$2.716 per gallon, while the average wholesale price dropped 12.2 cents to \$2.185 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets inched up 0.3 cent, while the average wholesale price fell 12.4 cents.
- Refiner sales of No. 2 distillates increased modestly during May. Total sales rose 200,000 gallons per day (0.1 percent), to 162.2 million gallons per day. Sales of No. 2 fuel oil increased 500,000 gallons per day (6.3 percent), while sales of No. 2 diesel fuel declined 300,000 gallons per day (0.2 percent). Ultra low-sulfur diesel fuel accounted for 89.6 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 94.4 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- Monthly average residual fuel oil prices declined in most sales categories in May. Refiner prices for low-sulfur residual fuel oil rose 1.1 cents to \$1.898 per gallon at retail, but fell 15.2 cents to \$1.675 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil decreased 5.4 cents to \$1.601 per gallon at retail, and 5.0 cents to \$1.675 per gallon at wholesale. Including data reported by a sample of residual fuel oil

marketers, average prices for low-sulfur residual fuel oil declined 7.9 cents to \$1.850 per gallon at retail, and 13.7 cents to \$1.725 per gallon at wholesale. Prices for high-sulfur residual fuel oil fell 4.6 cents to \$1.667 per gallon at retail, and 5.6 cents to \$1.679 per gallon at wholesale.

- May residual fuel sales by refiners increased from April levels. Total sales rose 2.7 million gallons per day (16.8 percent), to 18.8 million gallons per day. Low-sulfur residual fuel oil sales increased 400,000 gallons per day (10.3 percent), while high-sulfur residual fuel oil sales rose 2.5 million gallons per day (20.7 percent).

### ***Other Products***

- Prices for the remaining surveyed products declined in May. The refiner retail price for propane fell 6.2 cents per gallon, while the wholesale price dropped 4.6 cents per gallon. Data from a sample of propane marketers show the average residential price decreased 1.7 cents per gallon, the average retail price fell 3.7 cents per gallon, and the average wholesale price dropped 3.2 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and kerosene declined firmly at both the retail and wholesale levels. The wholesale price for No. 1 distillate also showed a significant decrease in May.
- Refiner sales of these products show mixed trends in May. Sales of propane, aviation gasoline, and No. 1 distillate declined in both the retail and wholesale categories. Kerosene-type jet fuel sales rose at retail, but fell at wholesale, while sales of kerosene did just the opposite.