

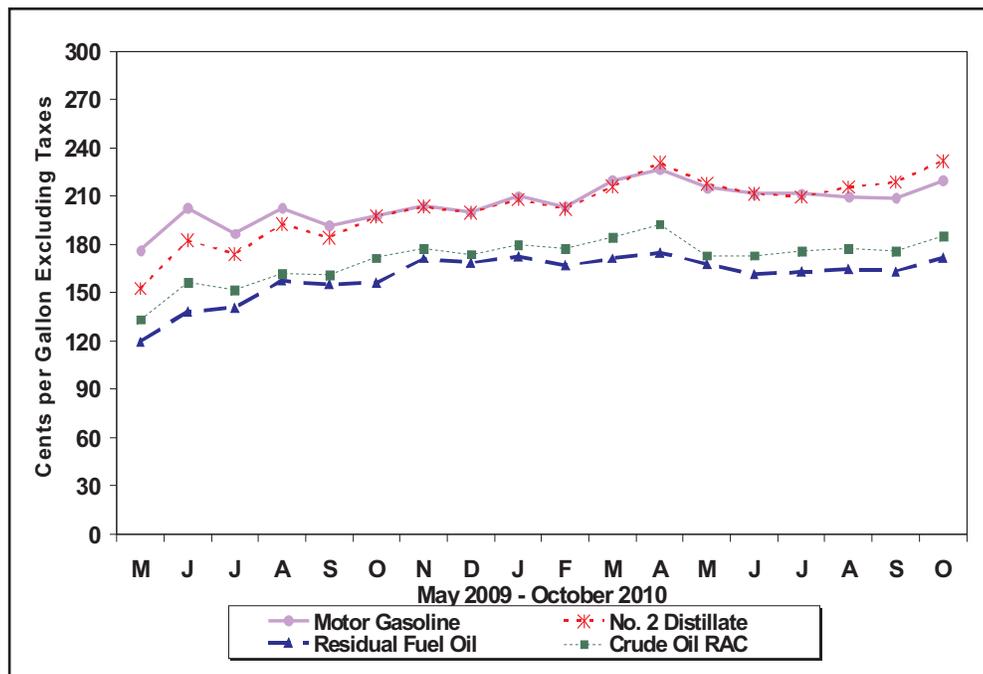
Highlights

World crude oil prices remained on an upward path during October. While supportive economic news and trends in financial markets continued to play a substantive role in the rise, fundamental factors also played a role in the upward movement of oil prices. Increasing demand for oil products in markets around the globe chipped away at commercial crude oil inventories, underpinning rising prices. More specifically, demand from China continued at a brisk pace with estimates showing the country's oil imports rose 35 percent year-on-year in September. Notably, the head of the International Energy Agency (IEA) stated at an industry conference that China was now the world's number one energy consumer, and accounts for the largest portion of global oil demand growth of any nation. Data also show that demand from Organization for Economic Cooperation and Development (OECD) countries rose during September and suggest demand will continue at a higher pace during the last quarter of year. Prices also found additional support from U.S. demand as it began to rebound as the refining industry moved through the fall maintenance season. Demand from Europe also increased during the third quarter of the year, though a widespread labor strike in France disrupted oil industry operations through most of October. The ongoing labor strike in France that began in late-September over pension reforms expanded in October, freezing operations at many refineries and disrupting oil product imports and exports. By mid-month, the outages forced the country to reach into emergency stocks to supply consumers. The decrease in demand from France coupled with completion of maintenance activities on North Sea production sites moderated prices for some streams from that

region. The conclusion of the strike on October 29 provided some modest support for those prices. In other market events, changes to existing Organization of Oil Exporting Countries (OPEC) production levels were not expected leading up to the group's October 14 meeting in Vienna, Austria, and realizing those expectations, the group made none.

Following a late month surge in September, crude oil and refined product prices in U.S. markets continued to increase in October. Sustained by supply and demand issues, economic matters and international political news, prices remained in the higher range during the remainder of the month. Also of note, while prices for all products rose, the margin (or difference) between crude oil and finished product prices reached the highest level since May. At the start of the month, the closure of the Houston Ship

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					
	October 2010		September 2010		October 2009		October 2010		September 2010		October 2009	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	231.9	43.7	221.9	43.9	210.4	48.5	219.8	307.8	208.8	313.3	197.5	308.9
Conventional	228.3	29.1	218.9	29.1	204.3	30.8	217.7	212.3	207.9	215.4	194.4	215.0
Regular	226.3	25.7	216.8	25.8	202.3	27.3	216.0	187.9	206.1	189.5	192.8	190.7
Midgrade	238.3	1.7	229.8	1.7	213.7	1.8	221.5	8.8	212.8	9.1	198.6	8.9
Premium	249.5	1.7	240.8	1.7	225.6	1.7	236.0	15.6	225.4	16.8	211.5	15.5
Reformulated	239.0	14.6	227.9	14.7	221.2	17.7	224.4	95.5	210.9	97.9	204.8	93.9
Regular	234.5	11.5	223.3	11.5	216.4	13.8	221.7	80.7	208.0	82.3	201.8	80.0
Midgrade	249.3	1.3	238.4	1.3	232.6	1.6	230.6	1.9	217.4	2.0	215.1	2.1
Premium	259.1	1.9	248.0	1.9	242.6	2.3	240.5	12.9	227.0	13.7	223.3	11.8
Aviation Gasoline	300.0	0.1	289.3	0.1	269.3	0.1	289.0	0.4	280.5	0.5	261.1	0.4
Kerosene-Type Jet Fuel	229.8	32.9	214.8	33.5	193.0	36.1	226.3	18.5	213.1	21.3	191.7	14.8
Propane (Consumer Grade)	142.5	4.9	128.3	4.3	122.9	4.1	125.3	23.1	115.1	24.5	100.4	31.6
Kerosene	305.8	0.0	289.8	0.0	273.8	NA	238.4	1.2	216.3	1.5	205.3	1.4
No. 1 Distillate	286.2	0.1	261.9	0.1	244.6	0.1	266.0	0.8	249.4	0.4	232.1	0.9
No. 2 Distillate	239.2	14.1	227.0	14.8	208.5	17.0	231.8	148.3	218.6	156.0	197.3	141.1
No. 2 Fuel Oil	258.0	0.3	234.6	0.2	216.3	0.6	222.1	9.0	209.3	6.6	191.8	12.0
No. 2 Diesel Fuel	238.9	13.8	226.9	14.6	208.2	16.5	232.5	139.3	219.0	149.4	197.8	129.1
Ultra Low Sulfur	241.3	10.7	228.8	11.0	209.9	12.5	232.7	131.0	219.2	141.1	198.1	114.7
Low Sulfur	230.8	3.0	220.8	3.4	203.7	3.3	232.1	5.2	217.4	6.1	195.7	11.9
High Sulfur	228.1	0.2	224.3	0.2	200.2	0.7	223.1	3.0	210.9	2.2	193.8	2.5
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	W	W
Residual Fuel Oil	172.1	7.6	164.5	7.7	155.2	7.9	171.2	10.7	163.2	11.3	156.0	10.8
Sulfur Content not > 1 %	191.3	2.3	188.3	2.1	171.7	1.9	179.3	2.4	171.6	2.2	161.9	1.8
Sulfur Content > 1 %	163.7	5.2	155.8	5.6	150.1	6.0	168.8	8.3	161.2	9.1	154.9	9.0

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a 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."

Channel for several days following a barge accident helped underpin oil prices while the broadening strike in France also lent support. Worry that reduced gasoline imports from Europe due to the French strike would affect supplies at major oil hubs on East Coast helped push gasoline prices higher. In Midwestern markets, robust demand from the agricultural sector pressured diesel prices during the fall harvest season. News of outages at key refining facilities also influenced prices in both regional markets. Periodic reports of declines in oil product stocks and seasonal refinery maintenance also helped sustain higher price levels. Although data covering national and international economic sectors helped bolstered prices at different points during the month, economic policy in the form of a second round of

quantitative easing also affected the oil market. Minutes from a September meeting of Federal Reserve officials showed sentiment that the slow rate of improvements seen in the economy called for additional action to support and promote the recovery. Notably, the consumer price index (CPI) rose in September, led upwards by increases in food costs and higher gasoline, and to a lesser extent, fuel oil prices. The energy index registered its third monthly increase in a row despite a decrease in household energy use.

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

Crude Oil

After breaching the \$80-per-barrel mark, the daily spot price for West Texas Intermediate (WTI) moved within a limited range during October. Opening the month at \$79.95 per barrel, the price continued on an upward path, driven by supportive U.S. and Chinese economic data and the temporary closure of the Houston Ship Channel. Reports of gasoline stocks experiencing a greater-than-expected decline and the ongoing strike in France helped lift the price to the month's high of \$83.21 per barrel on October 6. Several issues unsettled the price, including news of an interest rate increase announced by China's central bank, before dropping the month's low of \$79.57 per barrel on October 19. Returning to a more settled pattern during the remainder of the month, the price closed the month at \$81.45 per barrel, \$1.50 above its opening level for the month.

- Monthly average crude oil prices rose firmly in all categories of sales in October. The average domestic crude oil first purchase price increased \$4.79 (6.7 percent), to \$76.02 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$3.38 (4.7 percent), to \$75.12 per barrel. The average landed cost of foreign crude oil increased \$1.71 (2.3 percent), to \$75.73 per barrel.
- The average refiner acquisition cost for domestic crude oil climbed \$4.01 (5.4 percent), to \$78.88 per barrel. The average cost of imported crude oil rose \$3.82 (5.2 percent), to \$77.02 per barrel. The composite refiner acquisition cost for crude oil increased \$3.92 (5.3 percent) \$77.77 per barrel.

Petroleum Products

Motor Gasoline

During October, the daily spot price for regular gasoline at New York Harbor reached the highest levels seen since May. After opening at its lowest point for the month, \$2.076 per gallon, the price climbed firmly during the first week of October, lifted by the ongoing strike in France and reports showing a decline in gasoline inventories. The price moved within a comparatively tight range after that initial increase and reached its highest level for the month on October 13 when it hit \$2.224 per gallon. Shortly after that point, it dropped firmly when the

complex reacted as a whole to the announced change in China's lending rate and to news of allocations for gasoline shipments on a major products pipeline serving markets on the East Coast. The price continued to move within a lower range during the remainder of the month, dropping to its lowest point, \$2.105 per gallon, on October 26. Closing the month at \$2.142 per gallon, the price was 6.6 cents higher than its opening level for October.

- October monthly average prices for finished gasoline show appreciable gains from September levels. The average price for retail sales of motor gasoline by refiners rose 10.0 cents to \$2.319 per gallon, while the average wholesale price climbed 11.0 cents to \$2.198 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 9.1 cents to \$2.335 per gallon. The average wholesale price for gasoline jumped 11.3 cents to \$2.199 per gallon. The average dealer tank wagon (DTW) price rose 11.5 cents to \$2.267 per gallon, while the average rack price climbed 11.4 cents to \$2.204 per gallon. The average bulk sales price increased 10.6 cents to \$2.070 per gallon. Reformulated gasoline prices were 9.5 cents above conventional gasoline prices at retail and 6.5 cents higher at wholesale.
- Continuing last month's trend, refiner motor gasoline sales fell in October. Total sales decreased 5.7 million gallons per day (1.6 percent) to an average of 351.5 million gallons per day. Retail sales fell 200,000 gallons per day (0.5 percent), while wholesales decreased 5.5 million gallons per day (1.8 percent). DTW sales made up 11.1 percent of wholesales, while rack and bulk sales accounted for 75.8 percent and 13.1 percent, respectively.

No. 2 Distillate

Following its late-September increase, the daily spot price for No. 2 heating oil at New York Harbor moved within a relatively limited range during October. Following its opening at \$2.239 per gallon, the price moved to its highest level for the month, \$2.283 per gallon, on October 6, underpinned by the labor strike in France and a reported decrease in stock levels. The price settled into a give-and-take pattern through mid-month before dropping to the month's low of \$2.173 per gallon on October 19 following the announced change to China's lending rate. It

rebounded modestly during the following days and closed the month at \$2.211 per gallon, 2.8 cents below its opening level for October.

- Monthly average prices for No. 2 distillates rose substantially in October. The national average residential sales price jumped 15.2 cents to \$2.793 per gallon, while the average wholesale price climbed 13.2 cents to \$2.317 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 10.7 cents, while the average wholesale price increased 13.4 cents.
- Refiner sales of No. 2 distillates fell in October. Total sales declined 8.5 million gallons per day (5.0 percent), to 162.3 million gallons per day. Sales of No. 2 fuel oil increased, rising 2.5 million gallons per day (36.0 percent), while sales of No. 2 diesel fuel fell 11.0 million gallons per day (6.7 percent). Ultra-low sulfur diesel fuel made up 92.6 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 94.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices rose in all categories of sales during October. Refiner prices for low-sulfur residual fuel oil increased 3.0 cents to \$1.913 per gallon at retail, and 7.7 cents to \$1.793 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil rose 7.9 cents to \$1.637 per gallon at retail, and 7.6 cents to \$1.688 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel

oil climbed 3.7 cents to \$1.936 per gallon at retail, and 3.6 cents to \$1.812 per gallon at wholesale. Prices for high-sulfur residual fuel oil rose 8.8 cents to \$1.680 per gallon at retail, and 8.3 cents to \$1.709 at wholesale.

- Sales of residual fuel oil by refiners fell in October. Total sales declined 700,000 gallons per day (3.7 percent), to 18.3 million gallons per day. Low-sulfur residual fuel oil sales increased 400,000 gallons (9.3 percent), while high-sulfur residual fuel oil sales decreased 1.2 million gallons per day (8.2 percent).

Other Products

- Prices for the remaining surveyed products increased in October. The refiner retail price for propane climbed 14.2 cents per gallon, while the wholesale price increased 10.2 cents per gallon. Including data from a sample of propane marketers, the average residential price increased 14.4 cents per gallon, while the average retail price climbed 11.3 cents per gallon, and the average wholesale price rose 9.4 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 increased at both retail and wholesale.
- Refiner sales of products in this section varied in October. Sales of kerosene-type jet fuel and aviation gasoline declined at both the retail and wholesale levels, while No. 1 distillate sales increased at both levels. Propane and kerosene sales increased at retail, but declined at wholesale.