

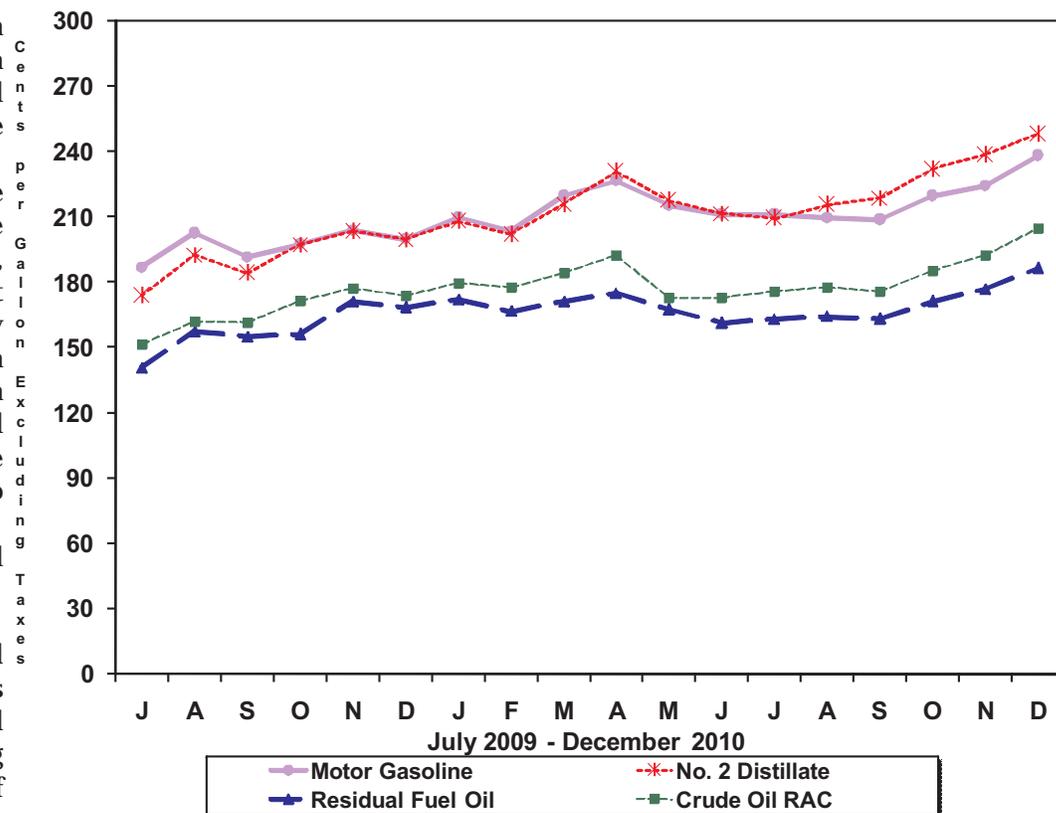
Highlights

World crude oil prices continued to rise in December. At the start of the month, prices were influenced by a variety of supportive data covering economic activity in the United States and statistics showing an appreciable increase in Chinese manufacturing during November. Reports of growing oil demand from China in recent months have had a noticeable effect on oil prices, as has the gradual improvement in the outlook for the U.S. economy. Additionally, cold temperatures in Atlantic Basin markets, which spurred demand for heating oil, also helped buoy crude oil values. Prices were comparatively quiet in the days leading up to an Organization of the Petroleum Exporting Countries (OPEC) meeting in Quito, Ecuador on December 11. As anticipated, the group voted to keep production output at existing rates. Among other considerations, the decision was based on the expectation that the increase in annual average oil demand would be lower in 2011 than in 2010. Prices began to move upwards again during the latter part of the month, thanks in part to robust demand, particularly for key North Sea streams and from the steady decreases seen in U.S. weekly crude oil inventory data over the month. Values were also colored by opinions that demand at the global level will continue to climb in 2011.

In U.S. markets, crude oil and refined products prices remained on an overall upward path during December. A variety of factors including economic news, refinery activity, supply and demand trends, and weather influenced the

direction of prices. Prices began the month firmly on the increase, thanks to supportive national and international economic news. Supply issues helped send gasoline prices higher, particularly on the East Coast. Stockpiles in that region of the country have been affected by recent refinery outages, lingering effects of the French labor strike, by continuing robust demand. Notably, the East Coast depends on imports of refined products from foreign sources to meet demand in this highly populated area. At the same time, heating oil prices received a boost from colder temperatures in the Northeast. Following that initial rise, nevertheless, prices for all products were tempered by reported increases in inventory levels,

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					
	December 2010		November 2010		December 2009		December 2010		November 2010		December 2009	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	251.4	42.4	237.8	42.9	214.4	47.4	238.3	307.2	224.3	304.8	199.9	316.2
Conventional	247.4	28.1	233.5	28.5	210.1	30.3	236.2	211.0	221.7	209.5	197.3	222.7
Regular	245.6	25.1	231.5	25.3	208.0	26.8	234.7	186.7	220.1	184.9	195.9	197.4
Midgrade	256.4	1.6	243.1	1.6	220.3	1.8	239.2	8.7	224.5	8.6	200.2	8.9
Premium	268.7	1.4	255.5	1.5	232.7	1.7	252.8	15.5	238.8	16.0	212.7	16.4
Reformulated	259.3	14.3	246.3	14.4	222.1	17.2	242.9	96.3	229.9	95.3	205.9	93.4
Regular	255.0	11.3	241.8	11.3	217.6	13.4	240.4	82.3	227.2	80.1	203.1	79.5
Midgrade	269.6	1.3	256.5	1.3	232.5	1.6	249.3	1.8	235.8	1.8	214.1	2.0
Premium	279.8	1.8	266.8	1.8	242.5	2.2	259.2	12.2	244.9	13.4	223.2	12.0
Aviation Gasoline	321.8	0.1	309.5	0.1	279.9	0.1	302.4	0.3	286.8	0.4	265.5	0.3
Kerosene-Type Jet Fuel	248.4	33.3	237.4	33.6	201.6	37.2	245.9	20.4	234.2	20.3	201.2	18.9
Propane (Consumer Grade)	186.3	4.0	NA	3.6	151.7	5.3	132.2	43.4	127.7	30.6	117.8	44.3
Kerosene	325.0	0.1	313.0	0.0	289.4	0.1	276.6	2.3	NA	1.8	214.8	2.1
No. 1 Distillate	295.9	0.2	290.9	0.2	245.6	0.2	287.0	2.5	273.7	1.9	225.7	2.8
No. 2 Distillate	256.4	14.3	246.2	14.7	212.2	17.6	248.0	155.8	238.5	139.2	199.6	144.7
No. 2 Fuel Oil	275.0	0.7	264.1	0.4	219.7	1.1	243.5	18.2	230.8	11.4	198.9	21.5
No. 2 Diesel Fuel	255.4	13.6	245.7	14.2	211.7	16.5	248.6	137.7	239.2	127.9	199.7	123.2
Ultra Low Sulfur	257.4	10.6	247.9	10.9	212.4	12.4	248.9	126.9	239.7	118.7	199.8	109.7
Low Sulfur	248.6	2.8	238.2	3.1	210.5	3.3	247.9	6.9	235.8	5.9	198.9	11.5
High Sulfur	245.3	0.2	239.0	0.2	205.3	0.8	240.1	3.9	228.2	3.2	199.0	1.9
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	194.9	0.2
Residual Fuel Oil	193.1	7.6	180.4	7.3	167.4	9.3	186.5	11.7	176.8	10.1	168.5	10.5
Sulfur Content not > 1 %	221.5	2.6	202.5	2.3	181.3	2.8	203.6	2.7	186.5	2.2	172.3	2.4
Sulfur Content > 1 %	178.4	5.0	170.1	5.0	161.4	6.5	181.4	9.0	174.1	7.9	167.3	8.1

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.

Note: All on-highway diesel must be ultra low-sulfur as of December 1, 2010.

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."

but gasoline prices were further affected by the restart of operations at key refining facilities. During the latter part of December, gasoline prices were given a boost from increased holiday travel demand while heating oil prices rose thanks to cold and inclement winter weather. Notably, the spot price for West Texas Intermediate (WTI) crude oil breached the \$90-per-barrel mark on December 23, a level not seen in more than two years. Likewise, prices for the major refined products also reached long-term highs during December. A look at some average spot market prices for crude oil and refined products illustrate the changes that have taken place during 2010. The December 2009 average price for WTI

crude oil at Cushing, Oklahoma, was \$74.47 per barrel, \$14.68 (19.7 percent) below the December 2010 average of \$89.15 per barrel. The New York Harbor December 2010 average spot market price for regular gasoline increased 47.0 cents (24.5 percent), to \$2.389 per gallon from December 2009 average of \$1.919 per gallon. The No. 2 heating oil spot price at New York Harbor averaged \$1.968 per gallon last year at this time, 50.1 cents (25.5 percent) below the this December's average of \$2.469 per gallon.

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

Crude Oil

The daily spot price for WTI crude oil at Cushing, Oklahoma rose steadily during December. After opening at its lowest level for the month, \$84.12 per barrel, the price began to climb, bolstered by domestic and international economic news. Reported declines in stock levels, cold weather and forecasts projecting an increase in world oil consumption during the coming year lent additional support to the rising price. The OPEC decision to allow production levels to remain unchanged also provided a modicum of support to the price. After a period of gradual increase, the price reached the month's high of \$91.48 per barrel on December 28. Closing the year at \$91.38 per barrel, the price was \$7.26 higher than its opening level for the month, and almost \$12.00 above its beginning level for 2010.

- December monthly average crude oil prices show increases in all categories of sales for the third month in a row. The average domestic crude oil first purchase price rose \$4.78 (6.0 percent), to \$83.98 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased \$4.10 (5.1 percent), to \$83.73 per barrel. The average landed cost of foreign crude oil rose \$3.61 (4.4 percent), to \$84.93 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$4.43 (5.4 percent), to \$86.48 per barrel. The average cost of imported crude oil climbed \$5.52 (6.9 percent), to \$85.59 per barrel. The composite refiner acquisition cost for crude oil rose \$5.10 (6.3 percent), to \$85.95 per barrel.

Petroleum Products

Motor Gasoline

Although unsettled, the daily spot price for regular gasoline at New York Harbor increased in December. Opening at \$2.271 per gallon, its lowest point for December, the price went on to rise considerably during the next several days on tight regional supplies and news of outages at key refineries. The increase was short-lived however, as the price entered a period of decline lasting through mid-month, pressured by refinery restarts and growing inventories. Spurred by increased driving demand during the holiday season and a fresh round of

refinery problems, the price reached the month's—and the year's—high of \$2.484 per gallon on December 23. Retreating modestly during the remainder of December, the price closed at \$2.455 per gallon, 18.4 cents higher than its opening level for the month.

- December monthly average prices for finished gasoline show significant increases from November levels. The average price for retail sales of motor gasoline by refiners climbed 13.6 cents to \$2.514 per gallon, while the average wholesale price rose 14.0 cents to \$2.383 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 13.3 cents to \$2.525 per gallon. The average wholesale price for gasoline climbed 13.9 cents to \$2.390 per gallon. The average dealer tank wagon (DTW) price increased 13.2 cents to \$2.452 per gallon, while the average rack price jumped 14.3 cents to \$2.392 per gallon. The average bulk sales price climbed 13.6 cents to \$2.269 per gallon. Reformulated gasoline prices were 10.9 cents higher than conventional gasoline prices at retail and 7.1 cents more at wholesale.
- Refiner sales of motor gasoline increased modestly in December. Total sales rose 1.9 million gallons per day (0.5 percent) to an average of 349.6 million gallons per day. Retail sales decreased 500,000 gallons per day (1.2 percent), while wholesales increased 2.4 million gallons per day (0.8 percent). DTW sales accounted for 10.6 percent of wholesales, while rack and bulk sales constituted 76.4 percent and 13.0 percent, respectively.

No. 2 Distillate

Though appearing range-bound, the daily spot price for No. 2 heating oil at New York Harbor continued to gain ground during December. After opening at \$2.288 per gallon, the price's lowest point for the month, it rose firmly during the first few days of December on forecasts for below-normal temperatures in the Northeast, the country's largest market for heating oil consumption. Continued predictions for, and realization of forecasts for cold weather in both the United States and Europe underpinned the price as the month progressed. The price arrived at its highest point for the month—and year—on the last day of December when it reached \$2.546 per gallon, 25.8 cents above its opening level for the month.

- Monthly average No. 2 distillates prices also show appreciable gains in December. The national average residential sales price jumped 15.5 cents to \$3.081 per gallon, while the average wholesale price increased 10.1 cents to \$2.475 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 9.2 cents, while the average wholesale price rose 9.5 cents.
- Refiner sales of No. 2 distillates rose firmly in December. Total sales increased 16.4 million gallons per day (10.7 percent), to 170.2 million gallons per day. Sales of No. 2 fuel oil jumped 7.1 million gallons per day (60.0 percent), while sales of No. 2 diesel fuel increased 9.3 million gallons per day (6.6 percent). Ultra-low sulfur diesel fuel accounted for 90.9 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 88.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices increased in December. Refiner prices for low-sulfur residual fuel oil jumped 19.0 cents to \$2.215 per gallon at retail, and 17.1 cents to \$2.036 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil increased 8.3 cents to \$1.784 per gallon at retail, and 7.3 cents to \$1.814 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed 19.5 cents to \$2.277 per gallon at retail, and 14.7 cents to

\$2.098 per gallon at wholesale. Prices for high-sulfur residual fuel oil rose 7.6 cents to \$1.819 per gallon at retail, and 3.5 cents to \$1.830 at wholesale.

- Sales of residual fuel oil by refiners rose in December. Total sales increased 1.9 million gallons per day (10.9 percent), to 19.3 million gallons per day. Low-sulfur residual fuel oil sales rose 800,000 gallons (17.8 percent), while high-sulfur residual fuel oil sales climbed 1.1 million gallons per day (8.5 percent).

Other Products

- December prices for the remaining surveyed products increased across the board. The refiner wholesale price for propane rose 4.5 cents per gallon. Including data from a sample of propane marketers, the average residential price increased 5.0 cents per gallon, while the average retail price rose 10.4 cents per gallon, and the average wholesale price increased 4.8 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate rose at both the retail and wholesale levels.
- Refiner sales of products of these products were mixed in December. Sales of propane, kerosene, and No. 1 distillate climbed at both retail and wholesale, while sales of aviation gasoline did just the opposite. Kerosene-type jet fuel sales fell at the retail level while wholesales increased.