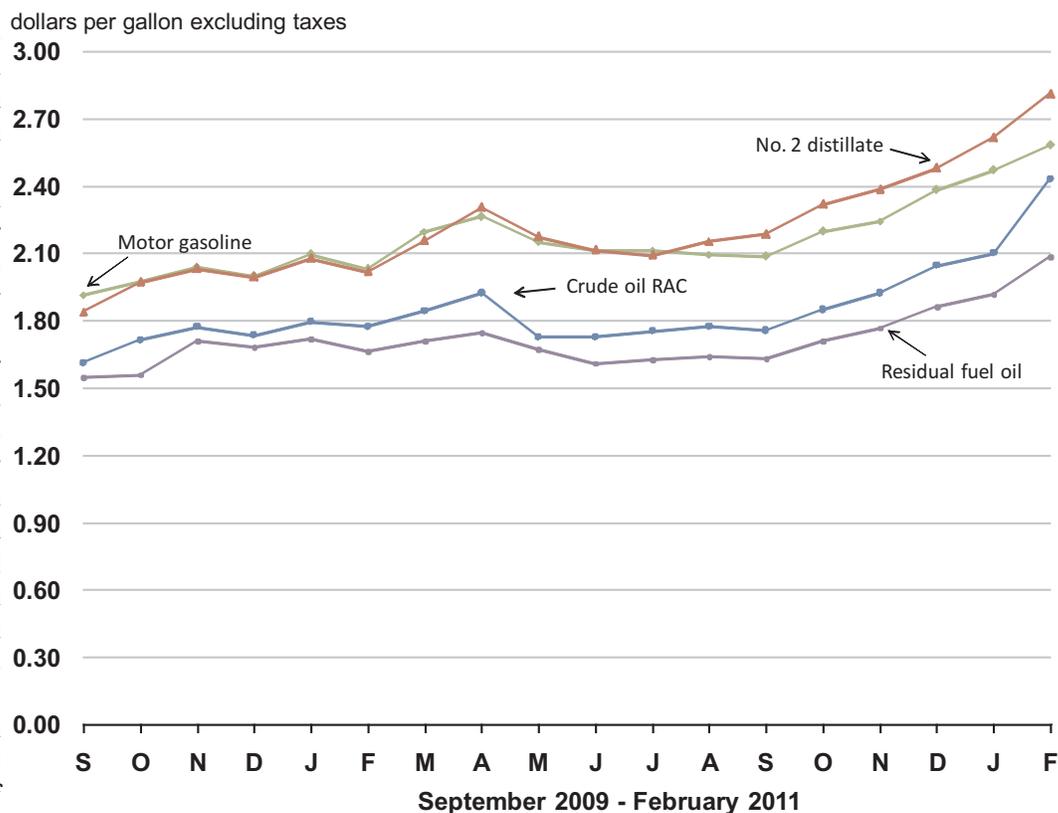


# Highlights

International political affairs along with supply and demand issues influenced trends in world crude oil prices during February. At the start of the month, continuing protests against Egyptian president Hosni Mubarak pushed prices for many key streams higher. Concern about disruptions to shipping and pipeline operations through the Suez Canal zone remained heightened because of the demonstrations. As the discord in Egypt abated, the outbreak of similar political controversy in several Middle East countries provided support for oil prices. In addition to political turmoil, reports that Chinese oil imports grew significantly year-on-year in January underpinned prices. Oil consumption in China has increased considerably during the past year. In contrast to the general upward trend of the market, the price for Texas Intermediate (WTI) at Cushing, Oklahoma continued to fall through mid-February. The decrease brought the margin between it and Dated Brent, another key market reference price, to historic levels. On February 14, the difference between the two prices reached \$19.46 per barrel. During the latter part of the month, oil prices moved significantly higher due to production disruptions in Libya stemming from growing civil unrest in the North African country. Libya exported an estimated 1.5 million barrels of crude oil in 2010 with the majority going to European markets. Prices remained unsettled at the close of February as markets across the globe reacted to continued strife in Libya.

A variety of issues influenced price trends for crude oil and refined products in the United States during February. Geopolitical events lent some support to prices in domestic markets early in the month, as did cold and inclement weather in the Gulf Coast region. The winter weather affected production operations at some refineries around the Houston, Texas area and caused power blackouts leading to some disruption to operations along the Explorer pipeline. However, harsh weather conditions across the country also dampened demand for petroleum products, contributing to growing inventories. Brimming stock levels at Cushing, Oklahoma, the physical delivery point for NYMEX crude oil

**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: Dollars per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	February 2011		January 2011		February 2010		February 2011		January 2011		February 2010	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	2.712	40.9	2.615	40.3	2.173	44.2	2.584	297.1	2.472	283.5	2.033	305.0
<b>Conventional</b> .....	2.669	27.1	2.579	26.7	2.131	28.9	2.560	202.4	2.457	191.7	2.011	212.0
Regular .....	2.651	24.2	2.561	23.9	2.110	25.7	2.545	180.0	2.442	169.7	1.997	188.2
Midgrade .....	2.772	1.5	2.678	1.5	2.238	1.7	2.606	8.1	2.504	7.7	2.020	8.8
Premium .....	2.885	1.4	2.799	1.3	2.360	1.6	2.730	14.3	2.605	14.2	2.178	15.0
<b>Reformulated</b> .....	2.796	13.8	2.686	13.6	2.253	15.3	2.634	94.7	2.505	91.8	2.082	92.9
Regular .....	2.754	11.0	2.644	10.8	2.207	12.0	2.608	81.1	2.480	78.4	2.055	79.1
Midgrade .....	2.898	1.2	2.788	1.2	2.358	1.4	2.705	1.7	2.566	1.7	2.168	2.0
Premium .....	2.997	1.7	2.888	1.7	2.464	1.9	2.800	11.9	2.662	11.7	2.250	11.8
<b>Aviation Gasoline</b> .....	3.374	0.1	3.323	0.1	2.855	0.1	3.248	0.3	3.161	0.3	2.662	0.3
<b>Kerosene-Type Jet Fuel</b> .....	2.818	31.4	2.623	31.5	2.018	34.0	2.783	22.7	2.585	22.3	1.999	17.4
<b>Propane (Consumer Grade)</b> .....	1.823	4.6	1.774	5.6	2.009	3.2	1.401	32.0	1.380	43.0	1.324	39.4
<b>Kerosene</b> .....	3.506	0.1	3.358	0.1	2.974	0.1	2.931	1.4	2.804	2.0	2.216	1.4
<b>No. 1 Distillate</b> .....	3.219	0.2	3.020	0.2	2.484	0.2	3.032	2.1	2.913	2.3	2.246	1.8
<b>No. 2 Distillate</b> .....	2.875	14.1	2.694	13.6	2.152	17.1	2.811	144.0	2.617	143.5	2.019	138.9
No. 2 Fuel Oil .....	3.020	0.7	2.889	0.8	2.310	0.8	2.741	15.0	2.585	14.9	1.986	19.7
No. 2 Diesel Fuel .....	2.867	13.4	2.681	12.8	2.144	16.2	2.819	129.1	2.621	128.6	2.025	119.1
Ultra Low Sulfur .....	2.888	10.5	2.699	10.0	2.160	12.2	2.820	122.4	2.622	121.1	2.025	106.7
Low Sulfur .....	2.797	2.8	2.625	2.5	2.082	3.4	2.830	4.8	2.601	5.5	2.019	11.4
High Sulfur .....	2.695	0.2	2.534	0.2	2.163	0.7	2.752	1.8	2.597	2.0	2.033	1.0
<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> .....	2.150	7.0	2.013	7.6	1.681	8.9	2.086	13.3	1.918	11.7	1.666	10.3
Sulfur Content not > 1 % .....	2.451	2.1	2.302	2.5	1.862	3.3	2.100	4.5	1.987	2.9	1.725	2.2
Sulfur Content > 1 % .....	2.019	4.9	1.870	5.1	1.574	5.6	2.079	8.8	1.896	8.8	1.650	8.1

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.

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."

contracts continued to pressure the price for WTI. News of the completion and start of operations on the Keystone pipeline extension in February also helped curb the WTI price. The Keystone line now transports crude oil from Western Canada through U.S. Midwestern markets, to the Mid-Continent market through the newly opened extension the Cushing oil hub. Further, February often marks a time when refiners schedule maintenance on facilities, contributing to lower demand for oil. Notably, while the price for WTI was on the decline, prices for other key U.S. crude oil streams more readily available in other regional markets were moving appreciably upwards. Finished product prices were also affected by weather and supply issues. Ongoing pipeline allocations for kerosene-type jet fuel bolstered its price in both the Gulf Coast and New York Harbor market. Additionally,

continuing robust demand for No. 2 heating oil due to below-normal temperatures in the Northeast, the largest market for this product, underpinned its price. Consumer price index data published by the Bureau of Labor Statistics showed the energy index increased 2.1 percent overall, with the gasoline index rising 3.5 percent and the fuel oil index increasing 6.8 percent. Lastly, following the long Presidents Day weekend, prices for all petroleum products soared on news of civil conflict in Libya.

A look at some spot market prices for crude oil and refined products highlights the movements of prices in February. The spot price for WTI crude oil at Cushing averaged \$88.58 per barrel in February, 59 cents (0.6 percent) below January's average of \$89.17

per barrel, but \$12.19 (16.0 percent) higher than the February 2010 average of \$76.39 per barrel. The average spot price for regular gasoline at New York Harbor rose 11.0 cents (4.5 percent), to \$2.558 per gallon from last month's average of \$2.448 per gallon. The average price last February was \$1.963 per gallon, 59.5 cents lower than the current level. For No. 2 heating oil, the average February 2011 spot price at New York Harbor was \$2.770 per gallon, 16.6 cents (6.4 percent) from January's average of \$2.604 per gallon. The February 2010 price was \$1.978 per gallon, 79.2 cents (40.0 percent) below the current rate.

Additional February 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 was unsettled during February. After opening at \$90.99 per barrel, the price embarked on a steady decline, driven downwards by growing inventories and easing pressure from international events. The month's low of \$83.13 per barrel was reached on February 15. In addition to very high inventory levels at Cushing, the beginning of operations on the extension of the Keystone pipeline added more pressure on the price. Despite these factors, spreading civil unrest in Libya drove the price significantly higher during the latter part of the month. Following the long Presidents Day weekend, the price jumped more than \$7.00 per barrel and continued to climb through the end of February. Closing the month at its highest level, \$97.10 per barrel, the price was \$6.11 above its opening level for February.

- February monthly average crude oil prices rose in all categories of sales. The average domestic crude oil first purchase price increased \$1.03 (1.2 percent), to \$86.69 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil climbed \$4.59 (5.3 percent), to \$91.23 per barrel. The average landed cost of foreign crude oil increased \$2.87 (3.2 percent), to \$91.51 per barrel.

- The average refiner acquisition cost for domestic crude oil rose 73 cents (0.8 percent), to \$89.46 per barrel. The average cost of imported crude oil climbed \$3.73 (4.2 percent), to \$91.72 per barrel. The composite refiner acquisition cost for crude oil rose \$2.56 (2.9 percent), to \$90.84 per barrel.

## Petroleum Products

### *Motor Gasoline*

The daily spot price for regular gasoline at New York Harbor moved along a comparatively calm path through most of the month, but registered a large increase towards the end of February. After opening at \$2.467 per gallon, the price moved to the month's low of \$2.413 per gallon on February 4 following an influx of imports from foreign ports and reported increases to already-robust inventories. While it registered more restrained increases as a result of production and supply issues through mid-February, international political events combined with those same issues during the latter days of the month, led the price sharply upwards. Reaching the month's high of \$2.916 per gallon on February 25, the price closed the month at \$2.893 per gallon, 42.6 cents higher than its opening level.

- Once again, monthly average prices for finished gasoline increased in all sales categories. The average price for retail sales of motor gasoline by refiners rose 9.7 cents to \$2.712 per gallon, while the average wholesale price climbed 11.2 cents to \$2.584 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 10.4 cents to \$2.730 per gallon. The average wholesale price for gasoline rose 10.8 cents to \$2.590 per gallon. The average dealer tank wagon (DTW) price climbed 12.6 cents to \$2.666 per gallon, while the average rack price rose 11.4 cents to \$2.589 per gallon. The average bulk sales price increased 6.9 cents to \$2.470 per gallon. Reformulated gasoline prices were 10.7 cents higher than conventional gasoline prices at retail and 7.8 cents more at wholesale.

- Refiner sales of motor gasoline grew in February. Total sales rose 14.2 million gallons per day (4.4 percent) to an average of 338.0 million gallons per day. Retail sales inched up 600,000 gallons per day (1.5 percent), while wholesales climbed 13.6 million gallons per day (4.8 percent). DTW sales accounted for 10.5 percent of wholesales, while rack and bulk sales made up 76.6 percent and 12.9 percent, respectively.

### **No. 2 Distillate**

Ongoing cold and inclement weather helped the daily spot price for No. 2 heating oil at New York Harbor remain at robust levels during February. The price opened the month at \$2.723 per gallon as another major storm threatened the Northeast. Despite the effects of that storm, the price began to drop, reaching the month's low of \$2.690 per gallon on February 7. It rose and fell through the middle of the month on a variety of factors, including inventory data and more cold weather. Following the long holiday weekend, the price experienced a significant increase as the complex as a whole moved higher in response to international political news. The price reached its high of \$2.949 per gallon on February 25, then closed the month at \$2.928 per gallon, 20.5 cents above its opening level.

- Monthly average No. 2 distillates prices increased markedly again in February. The national average residential sales price climbed 15.8 cents to \$3.409 per gallon, while the average wholesale price jumped 19.5 cents to \$2.809 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets increased 18.0 cents, while the average wholesale price also rose 20.3 cents.
- Refiner sales of No. 2 distillates rose modestly in February. Total sales increased 1.1 million gallons per day (0.7 percent), to 158.1 million gallons per day. Sales of No. 2 fuel oil were flat, while sales of No. 2 diesel fuel rose 1.2 million gallons per day (0.8 percent). Ultra-low sulfur diesel fuel accounted for 93.3 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 90.1 percent of all refiner No. 2 distillate sales.

### **Residual Fuel Oil**

- Monthly average residual fuel oil prices were still on the rise during February. The refiner retail price for low-sulfur residual fuel oil climbed 14.9 cents to \$2.451 per gallon. Prices for high-sulfur residual fuel oil increased 14.9 cents to \$2.019 per gallon at retail, and 18.3 cents to \$2.079 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, the average price for low-sulfur residual fuel oil rose 18.1 cents to \$2.544 per gallon at retail. Prices for high-sulfur residual fuel oil climbed 16.4 cents to \$2.067 per gallon at retail, and 17.4 cents to \$2.092 at wholesale.
- Refiner sales of residual fuel oil increased in February. Total sales rose 1.0 million gallons (5.2 percent) to 20.3 million gallons per day. Low-sulfur residual fuel oil sales climbed 1.2 million gallons (22.2 percent), while high-sulfur residual fuel oil sales fell 200,000 gallons per day (0.7 percent).

### **Other Products**

- Prices for the remaining surveyed products climbed in February. The refiner wholesale price for propane increased 2.1 cents per gallon. Including data from a sample of propane marketers, the average residential price rose 1.5 cents per gallon, while the average retail price increased 1.9 cents per gallon, and the average wholesale price rose 1.8 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate climbed firmly at both the retail and wholesale levels.
- Refiner sales of products of these products followed different paths in February. Sales of propane, kerosene, and No. 1 distillate fell at both retail and wholesale, while aviation gasoline sales rose at both levels. Kerosene-type jet fuel sales decreased at retail but increased at wholesale.