Key Factors Driving the Short-Term Forecast

1) Rising world oil consumption

2) Low global surplus oil production capacity

3) Insufficient non-OPEC oil supply growth relative to demand

4) Supply concerns in international oil markets

Together these factors contribute to high prices for petroleum products.
World Oil Consumption Is Projected to Grow by 1.2 million bbl/d in 2008

World oil consumption is projected to grow by 1.2 million barrels per day (bbl/d) in 2008. The chart shows the projected annual growth in oil consumption from 2001 to 2008, with a forecast for 2008. The consumption is broken down by region: China, US, and other countries. The chart also shows the change from the prior year in million barrels per day.
World Oil Spare Production Capacity Is Projected to Increase, But Is Still Below Historical Norms this Year

Million barrels per day

Note: Shaded area represents 1997-2007 average (2.5 million barrels per day)
The Balance Between Global Consumption and non-OPEC Supply Growth Drives Oil Prices

The chart illustrates the balance between non-OPEC supply growth and world consumption over time, with a forecast for 2008-Q1. The change from prior year is shown in millions of barrels per day, while the price of WTI crude oil is shown in dollars per barrel. The forecast indicates a significant increase in the change from prior year, suggesting a potential rise in oil prices.
Crude Oil Prices Are Projected to Average $103 per barrel this Summer

Dollars per barrel

West Texas Intermediate (WTI) Crude Oil

$103 per barrel July 2008

$74 per barrel July 2007

EIA, Short-Term Energy Outlook, April 2008
Major Characteristics of 2008 U.S. Summer (April – September) Outlook for Gasoline

- Much higher crude oil prices
- Decline in gasoline consumption
- Surge in fuel ethanol production
- High gasoline inventory levels
- Lower imports and production from crude oil
- Weaker refining margins for gasoline
Sustained Higher Gasoline Prices Begin to Show Up In Lower Gasoline Consumption

Percent change from prior Summer

2006: 2.9% 19.7%
2007: 3.4% 3.4% 0.5%
2008: 3.1% 20.5%

Real Personal Income
Retail Price Regular-Grade Gasoline
Motor Gas Consumption

Decline in Motor Gasoline Consumption: -0.4%
Ethanol Production and Capacity Are Expected to Show Significant Growth in 2008

Billion gallons per year

Ethanol Production and Capacity Are Expected to Show Significant Growth in 2008

EIA, Short-Term Energy Outlook, April 2008
High Gasoline Inventories and Ethanol Production Growth Reduces Refinery Production and Imports

Change from prior summer
(million barrels per day)

EIA, Short-Term Energy Outlook, April 2008
Summer Retail Regular-Grade Gasoline Prices Projected to Average $3.54 per Gallon

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. Price</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008 Forecast</th>
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<tbody>
<tr>
<td>2005</td>
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<td>2008</td>
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</tbody>
</table>

Projected to Average $3.54 per Gallon

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*Retail price minus crude oil cost minus taxes, per gallon
Regular Gasoline Summer Prices Vary by Region

Dollars per gallon

U.S. Average = $2.94

2007

East Coast: $2.87
Midwest: $2.97
Gulf Coast: $2.81
Rocky Mountain: $2.99
West Coast: $3.09

2008 (Forecast)

East Coast: $3.50
Midwest: $3.50
Gulf Coast: $3.41
Rocky Mountain: $3.53
West Coast: $3.78

Summer = April through September average

EIA, Short-Term Energy Outlook, April 2008
Summer Retail Diesel Prices Are Projected to Average $3.73 per gallon, up 88 cents from Last Summer

Dollars per gallon

2005 Avg. $2.41
2006 Avg. $2.88
2007 Avg. $2.85
2008 Forecast Avg. $3.73

* Retail price minus crude oil cost minus taxes, per gallon
Higher 2008 Natural Gas Spot Prices Are Projected

Dollars per thousand cubic feet

- Residential Price
- Henry Hub Price
- Wellhead Price
Growth in U.S. Residential Electricity Prices Is Expected to Pick Up Slightly During 2008

Change from prior year

Forecast

-2.0%  -1.2%  0.9%  4.2%  3.3%  2.6%  5.6%  10.1%  2.2%  2.7%

Summary

- **Oil and Gasoline:** Growing world oil demand outside the United States continues to keep crude oil prices high.
  - Crude oil expected to remain near $100 for the rest of 2008;
  - Gasoline prices are expected to average $3.54 per gallon over this summer: Diesel prices expected to average $3.73.
  - Market uncertainties are many and may significantly impact prices and supplies during the rest of 2008.

- **Natural Gas.** Henry Hub spot price expected to average $8.59 per thousand cubic feet in 2008, $1.42 above the 2007 average.

- **Electricity Prices.** Residential electricity prices projected to grow at a slightly faster rate in 2008.