2010 Summer Transportation Fuels Outlook

U.S. Energy Information Administration

April 6, 2010
Key factors driving the Short-Term Outlook

1) Stronger economic recovery in emerging economies

2) High inventories

3) Slowing growth in non-OPEC production

4) Higher OPEC surplus crude oil production capacity

Together these factors contribute to relatively stable but rising prices for crude oil and petroleum products.
World liquid fuels consumption is projected to increase by 1.5 million bbl/d in 2010.

Source: Short-Term Energy Outlook, April 2010
The balance between global consumption and non-OPEC supply growth drives oil prices.

Change from prior year
million barrels per day

- Non-OPEC supply growth (left axis)
- World consumption growth (left axis)
- WTI crude oil price (right axis)

Source: Short-Term Energy Outlook, April 2010
World oil spare production capacity increases begin to slow this year

million barrels per day

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Note: Shaded area represents 1999-2009 average (2.8 million barrels per day)

Source: Short-Term Energy Outlook, April 2010
WTI crude oil prices are projected to average $82 per barrel this summer (April – September)

Source: Short-Term Energy Outlook, April 2010; Reuters News Service
Uncertainty over crude oil price forecasts remain high

Notes: Confidence intervals calculated using NYMEX market data for the five trading days ending April 1, 2010. Intervals not shown for months with little trading in "close-to-the-money" options contracts.

Source: Short-Term Energy Outlook, April 2010; Reuters News Service; and CME Group
Probabilities the WTI price may exceed $100 per barrel rise over time

Probability of WTI spot price exceeding certain levels

- Price > $110
- Price > $100
- Price > $90

Notes: Price probabilities calculated using NYMEX market data for the five trading days ending April 1, 2010. Values not calculated for months with little trading in "close-to-the-money" options contracts.

Source: Short-Term Energy Outlook, April 2010
Major characteristics of 2010 U.S. summer (April – September) outlook for gasoline

- Higher crude oil prices
- Modest growth in gasoline consumption
- Continued growth of fuel ethanol blending
- High gasoline inventory levels at start of summer
- Higher gasoline imports
- Continuing weak refining margins for gasoline
Refinery production rates constrained by ethanol blending, high stocks, and imports

change from prior summer (million barrels per day)

Forecast

2009

Consumption
Refinery supply
Stock draw
Ethanol blending
Net imports

2010

Source: Short-Term Energy Outlook, April 2010
Higher gasoline prices and modest economic recovery constrain gasoline consumption growth

percent change from prior summer

- Real personal income
- Retail price regular-grade gasoline
- Gasoline consumption

Source: Short-Term Energy Outlook, April 2010
Summer retail regular-grade gasoline prices projected to average $2.92 per gallon

Source: Short-Term Energy Outlook, April 2010
Regular gasoline summer prices vary by region

Source: Short-Term Energy Outlook, April 2010
Summer retail diesel prices are projected to average $2.97 per gallon, up $0.51 from last summer.

* Retail price minus crude oil cost minus taxes, per gallon

Source: Short-Term Energy Outlook, April 2010
Natural gas prices are projected to remain low this year.
Little change expected in electricity prices during 2010

change from prior year

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
0.9% 4.2% 3.2% 2.6% 5.4% 10.3% 2.4% 5.7% 2.5% -0.4%

Source: Short-Term Energy Outlook, April 2010
Summary

- **Oil and Gasoline:** High inventories and growing surplus crude oil production capacity expected to dampen unexpected increases in oil prices this year.
  - WTI Crude oil prices expected to average about $82 this summer compared with $64 last summer.
  - Gasoline retail prices are expected to average $2.92 per gallon over this summer: Diesel retail prices expected to average $2.97.
  - Market uncertainties are many and may significantly impact prices and supplies during the rest of 2010.

- **Natural Gas.** Henry Hub spot price expected to average $4.45 per million Btu in 2010, $0.51 above the 2009 average.

- **Electricity Prices.** Little change in residential electricity prices expected in 2010.