2011 Summer Transportation Fuels Outlook

April 12, 2011
Key factors driving the short-term outlook

• Disruption of crude oil and liquefied natural gas supply from Libya and uncertainty over security of supply from other countries in the Middle East and North Africa region

• Strong growth in world consumption, driven by growth in emerging economies

• Slow growth in non-OPEC production

• Reliance on drawdown of inventories and increasing oil production from OPEC countries with a decline in available surplus production capacity
World liquid fuels consumption is projected to increase by 1.5 million bbl/d in 2011

Source: Short-Term Energy Outlook, April 2011
Global oil consumption is growing faster than non-OPEC supply, which along with other factors is driving prices higher.

Source: Short-Term Energy Outlook, April 2011
World oil spare production capacity begins to fall as world consumption grows and Libya supply disruptions continue.

Note: Shaded area represents 2000 - 2010 average (2.8 million barrels per day)

Source: Short-Term Energy Outlook, April 2011
EIA expects WTI crude oil prices will average $110 per barrel this summer (April – September)

Source: Short-Term Energy Outlook, April 2011
Uncertainty over crude oil price forecasts remains high.

Notes: Confidence intervals calculated using NYMEX market data for the five trading days ending April 7, 2011. Intervals not shown for months with little trading in "close-to-the-money" options contracts.

Source: Short-Term Energy Outlook, April 2011
Probabilities the West Texas Intermediate (WTI) crude oil price may exceed given levels

Probability of WTI price exceeding certain levels

- Price > $140
- Price > $130
- Price > $120

Notes: Price probabilities calculated using NYMEX market data for the five trading days ending April 7, 2010. Values not calculated for months with little trading in "close-to-the-money" options contracts.

Source: Short-Term Energy Outlook, April 2011
Major characteristics of 2011 U.S. summer (April – September) outlook for gasoline

• Higher crude oil prices
• Modest growth in gasoline consumption
• Slowing growth of fuel ethanol blending
• Stronger refining margins for gasoline
Summer retail regular-grade gasoline price forecast averages $3.86 per gallon

Dollars per gallons

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. Price</th>
<th>Crude</th>
<th>Margin*</th>
<th>Tax</th>
<th>Monthly retail price</th>
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</thead>
<tbody>
<tr>
<td>2008</td>
<td>Avg. $3.81</td>
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<td>2009</td>
<td>Avg. $2.44</td>
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<tr>
<td>2010</td>
<td>Avg. $2.76</td>
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<tr>
<td>2011 Forecast</td>
<td>Avg. $3.86</td>
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</tbody>
</table>

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

Source: Short-Term Energy Outlook, April 2011
Regular gasoline summer prices vary by region

U.S. average = $2.76

- East coast
- Midwest
- Gulf coast
- Rocky mountain
- West coast

U.S. average = $3.86

- East coast
- Midwest
- Gulf coast
- Rocky mountain
- West coast

Source: Short-Term Energy Outlook, April 2011
Summer retail diesel prices forecast averages $4.09 per gallon, up $1.11 per gallon from last summer.

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

Source: Short-Term Energy Outlook, April 2011
Higher gasoline prices and modest income growth restrain U.S. gasoline consumption growth

Source: Short-Term Energy Outlook, April 2011

Source: Short-Term Energy Outlook, April 2011
Forecast U.S. refinery gasoline production increases with continuation of strong gasoline export market

Source: Short-Term Energy Outlook, April 2011
EIA expects natural gas prices will remain low this year

dollars per thousand cubic feet

Source: Short-Term Energy Outlook, April 2011
A small increase expected in residential electricity prices during 2011

change from prior year

Source: Short-Term Energy Outlook, April 2011
Summary

Oil and Gasoline: World consumption growth and disruption of Libyan oil supply and unrest in Middle East and North Africa regions contribute to higher oil and product prices.

– WTI Crude oil prices expected to average about $110 per barrel this summer compared with $77 per barrel last summer.

– Gasoline retail prices are expected to average $3.86 per gallon this summer, compared with $2.76 per gallon last summer.

– Diesel fuel prices increase from an average $2.98 per gallon last summer to $4.09 per gallon this summer.

– Market uncertainties are many and may significantly impact prices and supplies during the rest of 2011.

Natural Gas. Henry Hub spot price expected to average $4.10 per million Btu in 2011, $0.28 below the 2010 average.

Electricity Prices. Little change in residential electricity prices expected in 2011.

Source: Short-Term Energy Outlook, April 2011
For more information


Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

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