2016 Summer Fuels Outlook

April 12, 2016
Key factors driving the short-term oil market outlook

• Global oil supply is expected to remain higher than global consumption in 2016, keeping oil prices at relatively low levels this summer compared with previous years.

• Brent crude oil prices are forecast to average $35/b in summer 2016, $21/b lower than last summer.

• However, there is significant price uncertainty. The current values of futures and options contracts suggest a 8% probability WTI prices could exceed $50 per barrel in July, and a 1% probability of exceeding $60 per barrel, with price uncertainty increasing further into the forecast period.

• Non-OPEC crude oil and other liquids production, which increased by an average 1.5 million b/d in 2015, falls by 0.4 million b/d in 2016. However, OPEC supply increases by 0.9 million b/d in 2016.

• World liquid fuels consumption increases 1.2 million b/d in 2016.
EIA forecast Brent crude oil prices to average $35 per barrel this summer (April-September), $21 per barrel ($0.50/gal) lower than last summer.

Source: Short-Term Energy Outlook, April 2016
EIA expects WTI prices to remain below $40/b until mid-2017 – but, the market-implied confidence band is wide.

Notes: Price probabilities are calculated using Nymex market data for the five trading days ending April 7, 2016. Values not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, April 2016
Market derived probabilities from futures and options values imply about an 8% chance WTI prices will exceed $50 per barrel in July

Notes: Price probabilities calculated using Nymex market data for the five trading days ending April 7, 2016. Values not calculated for months with little trading in close-to-the-money options contracts.

Source: Short-Term Energy Outlook, April 2016
Global liquid fuels inventory builds are expected to keep crude oil prices below $40 per barrel this summer.

Source: Short-Term Energy Outlook, April 2016
Forecast OPEC supply increases in 2015 are partially offset by declining production in the United States.

Liquid fuels supply growth
million barrels per day (y-o-y change)

Source: Short-Term Energy Outlook, April 2016
Expected OPEC surplus oil production capacity remains near current levels, but is relatively low compared with past years.

OPEC surplus oil production capacity
million barrels per day

Note: dotted line represents 2005-2015 average (2.3 million barrels per day).

Source: Short-Term Energy Outlook, April 2016
Key takeaways for the summer 2016 (April-September) outlook for U.S. gasoline and diesel

- Lower Brent crude oil spot prices and narrower refining margins contribute to gasoline and diesel fuel retail prices that average about 60 cents/gallon lower than last summer.

- Compared with last summer, gasoline consumption increases 1.3%, as retail prices are 23% lower and continuing employment and income growth contribute to increasing highway travel.

- Higher gasoline inventories at the start of the summer driving season and increases in both refinery production and ethanol blending meet the growth in gasoline consumption.
Regular-grade gasoline retail price forecast averages $2.04 per gallon in summer 2016 compared with $2.63 per gallon last summer.

Source: Short-Term Energy Outlook, April 2016
Regular gasoline average summer retail prices vary by region

Regional summer average gasoline price
dollars per gallon

U.S. average = $2.63

U.S. average = $2.04

Source: Short-Term Energy Outlook, April 2016
Household transportation expenditures in 2016 are projected to be the lowest since 2003

Average annual household expenditures on gasoline

Smaller increases in gasoline consumption expected this summer compared with last summer, but gasoline markets are expected to remain relatively tight.

Supply and consumption of gasoline.

Source: Short-Term Energy Outlook, April 2016.
Summer retail diesel price forecast averages $2.11 per gallon, down $0.63 per gallon from last summer.

Source: Short-Term Energy Outlook, April 2016
Residential natural gas price averages $9.64 per thousand cubic feet in 2016, about 7% lower than last year.

Monthly average natural gas prices (dollars per thousand cubic feet)

Source: Short-Term Energy Outlook, April 2016
Lower natural gas prices contribute to decline in average residential electricity price – the first since 2002

Source: Short-Term Energy Outlook, April 2016
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

Today in Energy | www.eia.gov/todayinenergy