

EIA Short-Term and Winter Fuels Outlook



for

Winter Fuels Outlook Conference

National Association of State Energy Officials (NASEO)

October 12, 2011 | Washington, DC

by

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Overview

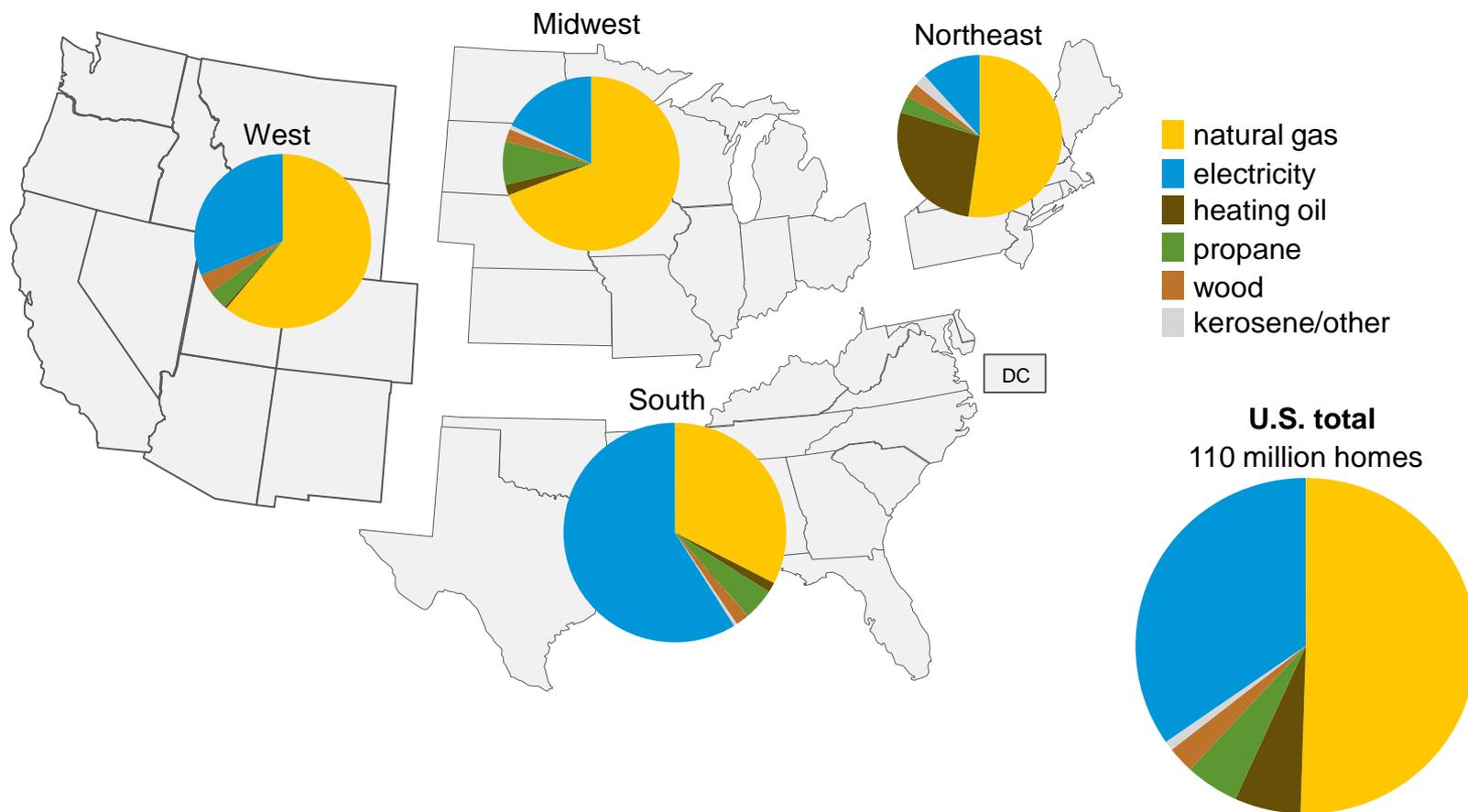
- EIA expects higher average fuel bills this winter heating season for heating oil, propane, and natural gas, but little change in electricity bills.
- Higher fuel prices are the main driver
 - 10% higher heating oil prices (than last winter)
 - 7% higher propane prices
 - 4% higher residential natural gas prices
 - 1% higher electricity prices
- Projected average expenditures for heating oil users are at their highest level ever.

Overview

- Bill increases are moderated by a slightly warmer winter weather forecast for the Northeast, South, and Midwest. The West is forecast to be slightly colder than it was last year.
- Inventories of distillate fuel oil and natural gas are currently above the recent historical average, which should serve to mitigate price increases if winter is colder than expected. The distillate inventory situation varies by region.
- Propane stocks are at relatively low levels, but should be adequate to meet potential demand increases or supply disruptions.

Balance of heating fuels varies regionally

Number of homes by primary space heating fuel and Census Region



Source: EIA Residential Energy Consumption Survey, 2009

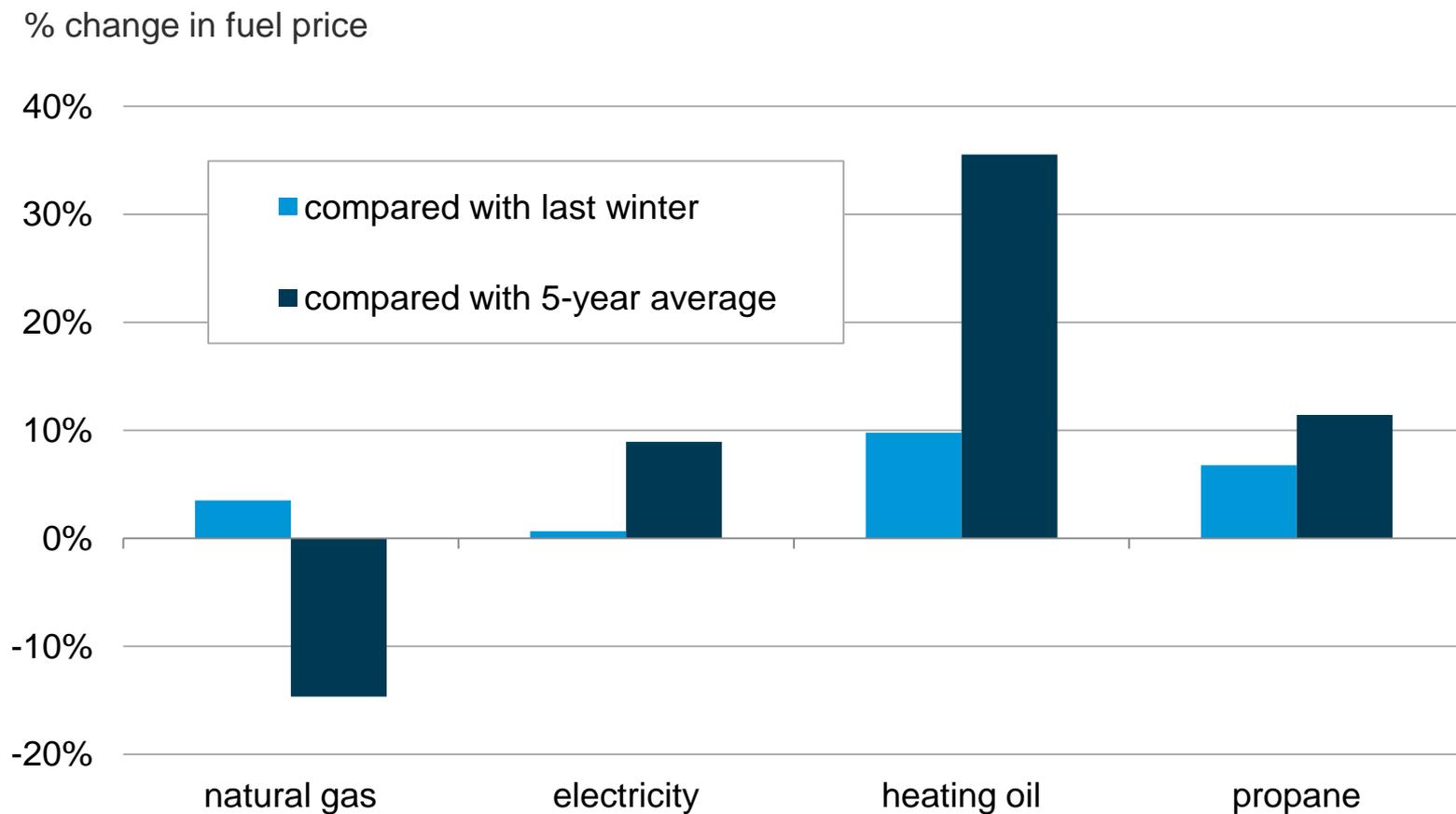
Expenditures expected to increase this winter (October 1–March 31) for fossil fuels but not electricity

Percent change in fuel bills from last winter (forecast)

| Fuel | Base case forecast | If 10% warmer than forecast | If 10% colder than forecast |
|-------------|--------------------|-----------------------------|-----------------------------|
| Heating oil | 8 | -4 | 22 |
| Natural gas | 3 | -5 | 10 |
| Propane * | 7 | - | - |
| Electricity | -1 | -3 | 5 |

* Propane expenditures are a volume-weighted average of the Northeast and Midwest regions. All others are U.S. volume-weighted averages.

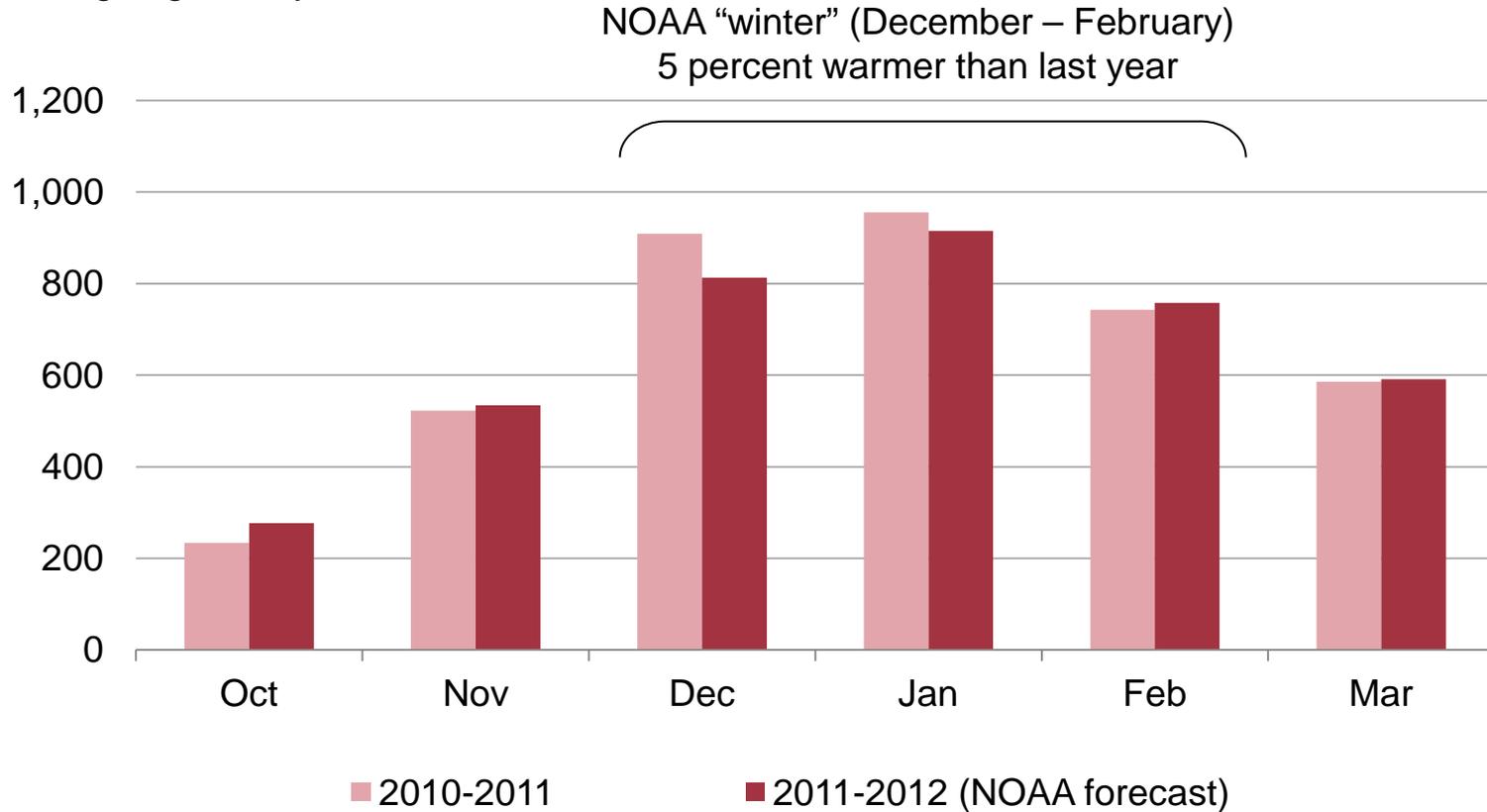
Fuel prices increase this winter; natural gas remains lower than 2005-2010 average



Source: EIA Short-Term Energy Outlook, October 2011

Winter 2011-12 heating season forecast is 2% warmer than last winter, close to the 30-year average

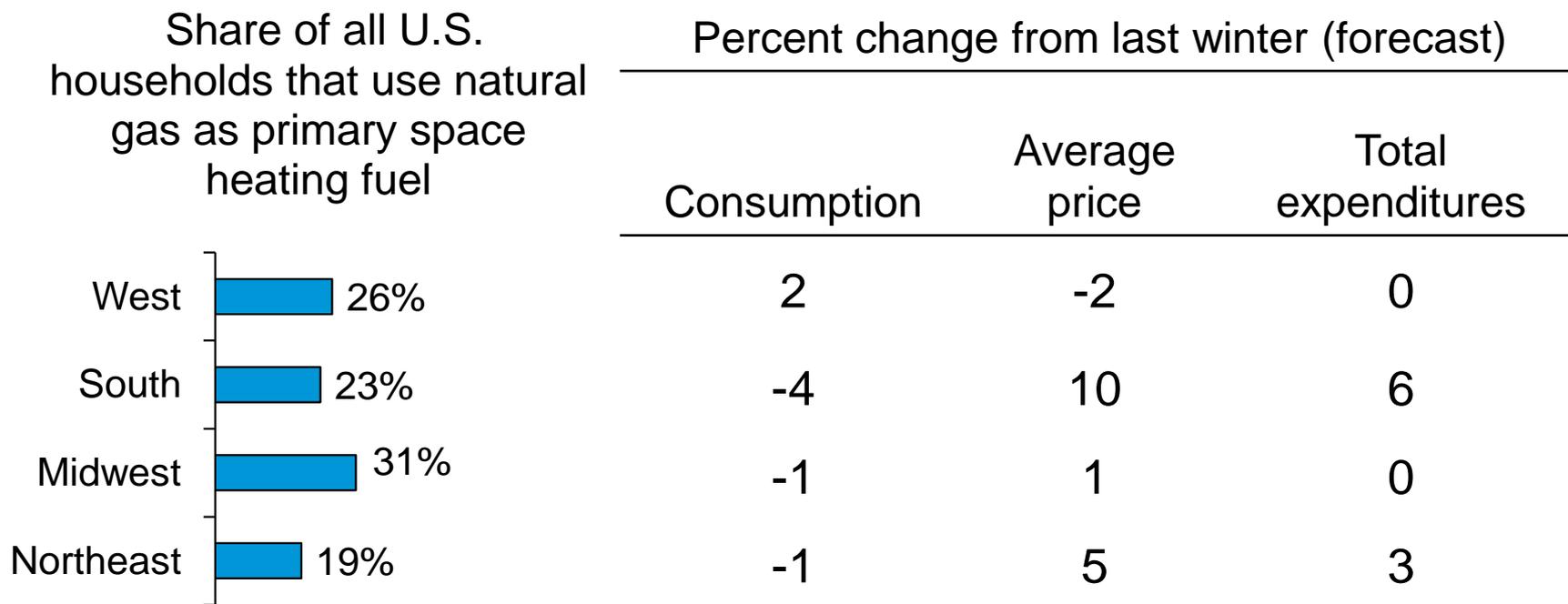
U.S. population-weighted heating degree-days



Source: NOAA (September 15, 2011)

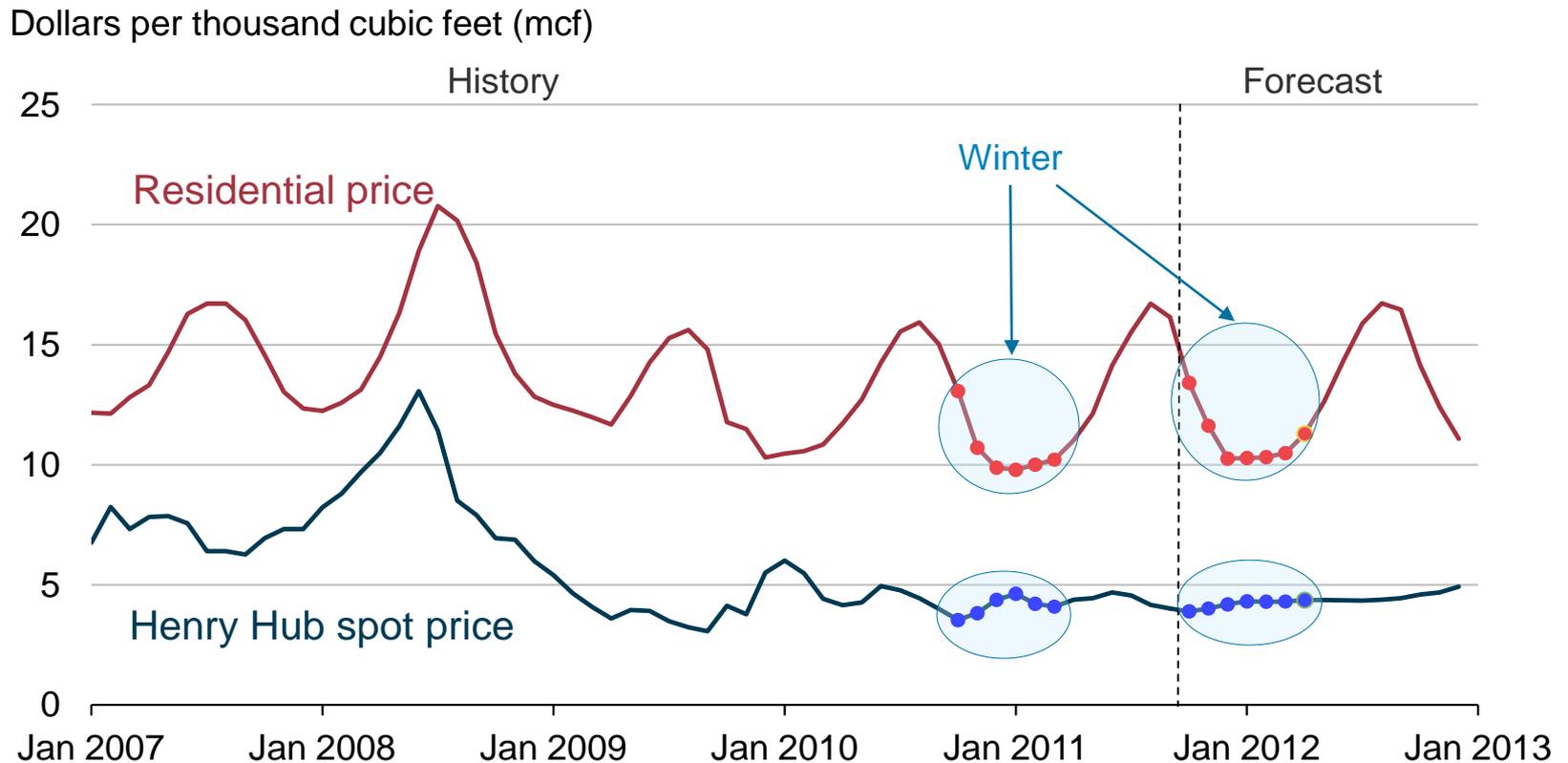
Natural Gas

Higher natural gas prices contribute to increase in average fuel bills in the South and Northeast this winter



Source: EIA Short-Term Energy Outlook, October 2011

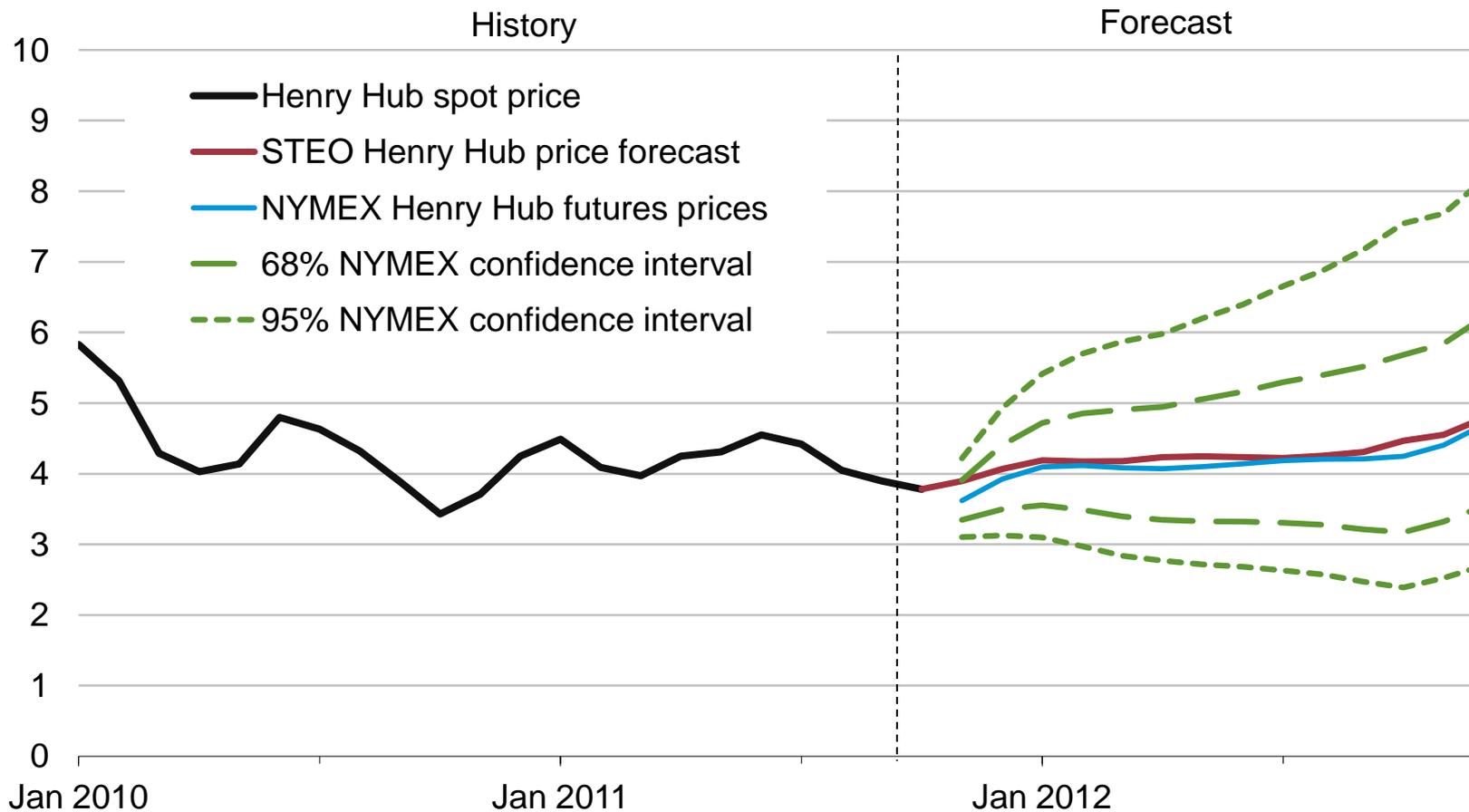
EIA expects residential natural gas prices to average about 4% higher this winter than last



Source: EIA Short-Term Energy Outlook, October 2011

Future natural gas prices remain highly uncertain

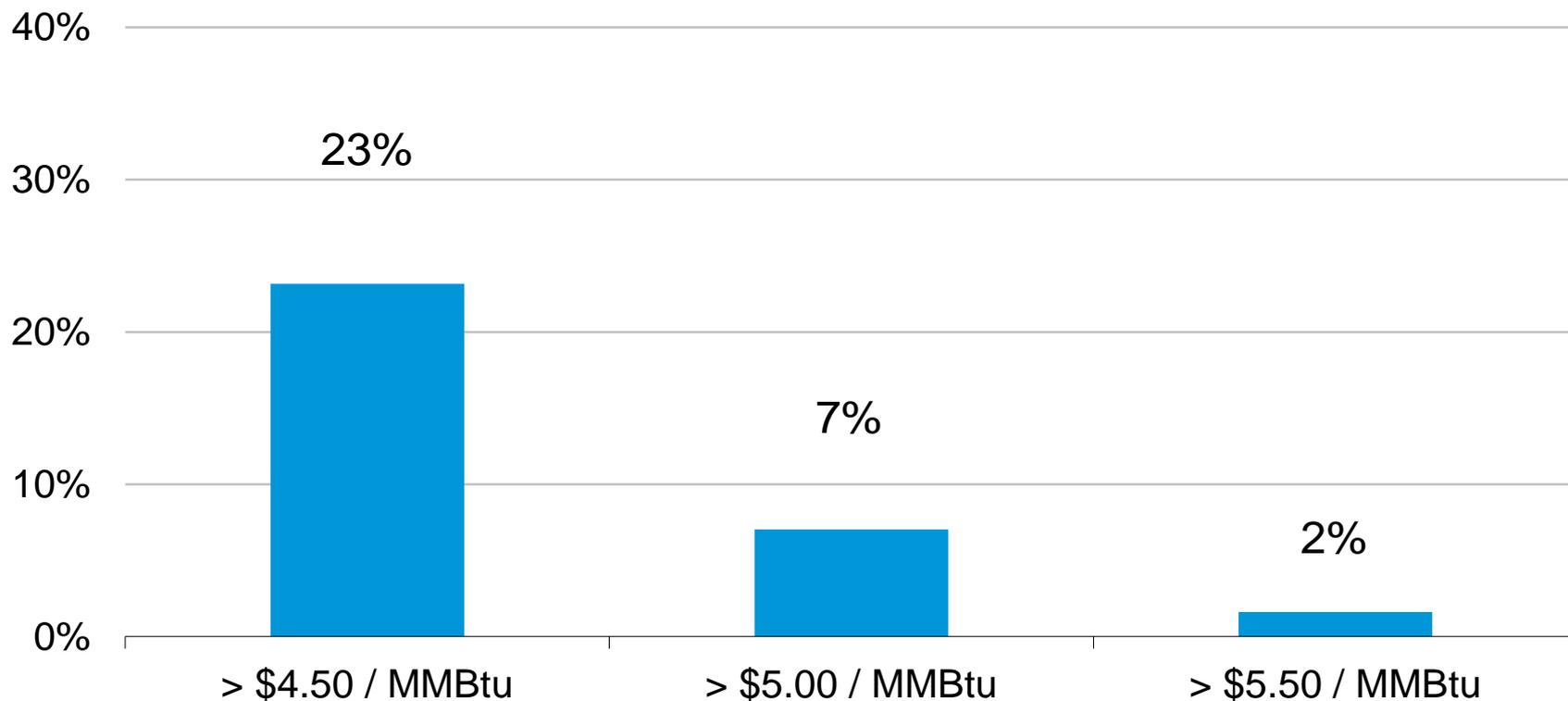
Dollars per million Btu



Source: EIA Short-Term Energy Outlook, October 2011; CME Group

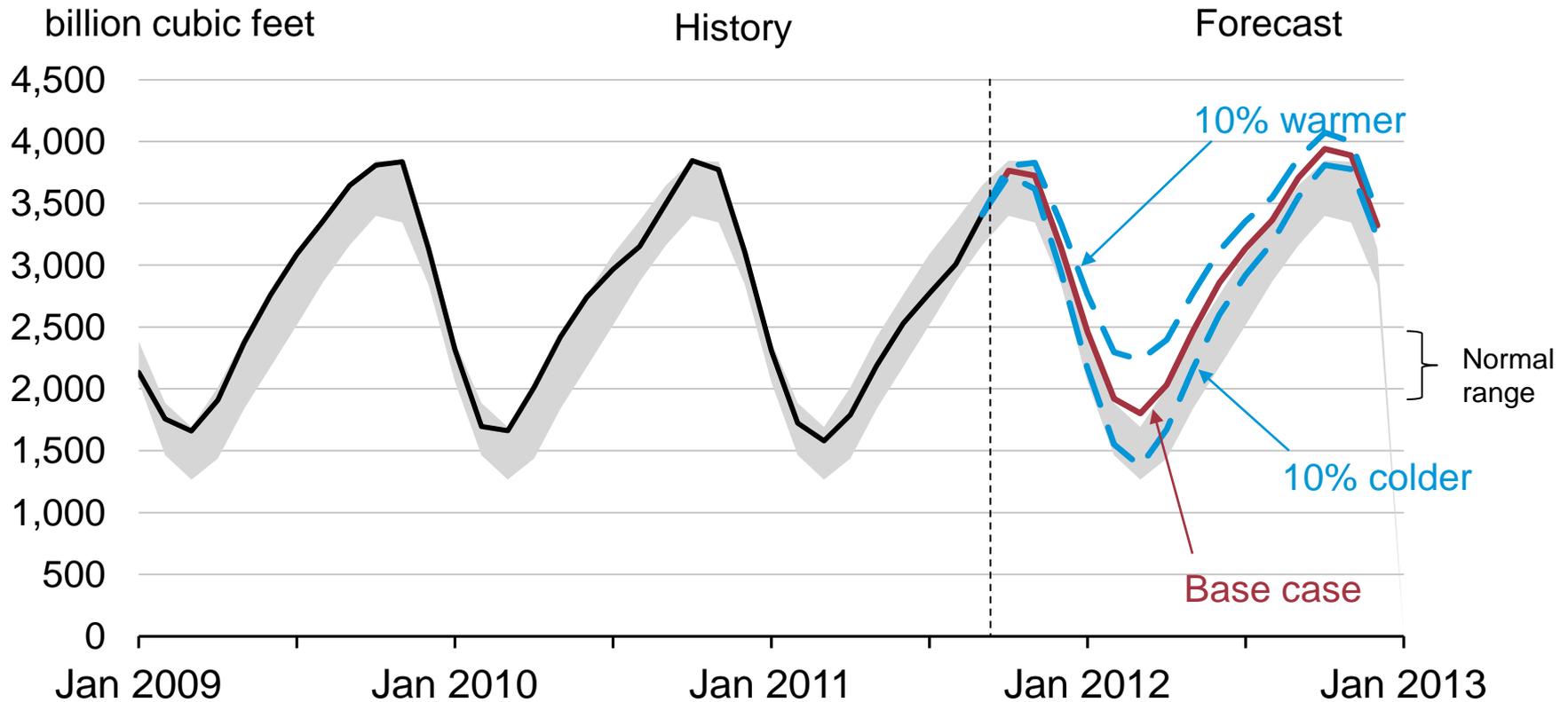
The probability of the January 2012 contract month wholesale natural gas price being higher than \$5.50 per MMBtu is less than 2%

probability of exceedance



Source: EIA Short-Term Energy Outlook, October 2011, and CME Group

EIA expects natural gas inventories to remain at high levels

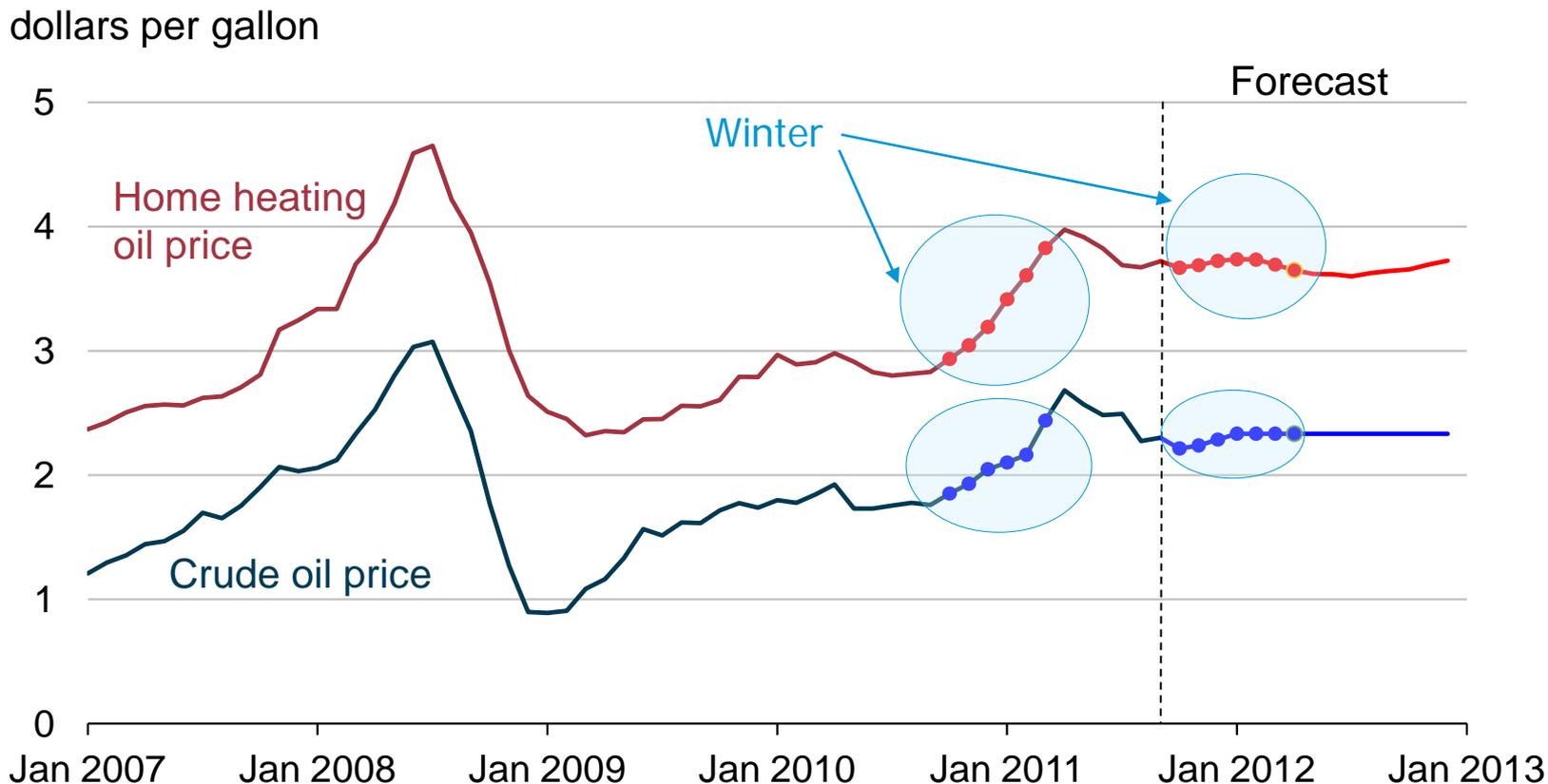


Note: Normal range (colored band) represents the range between the minimum to maximum from Jan. 2006 to Dec. 2010.

Source: EIA Short-Term Energy Outlook, October 2011

Heating Oil

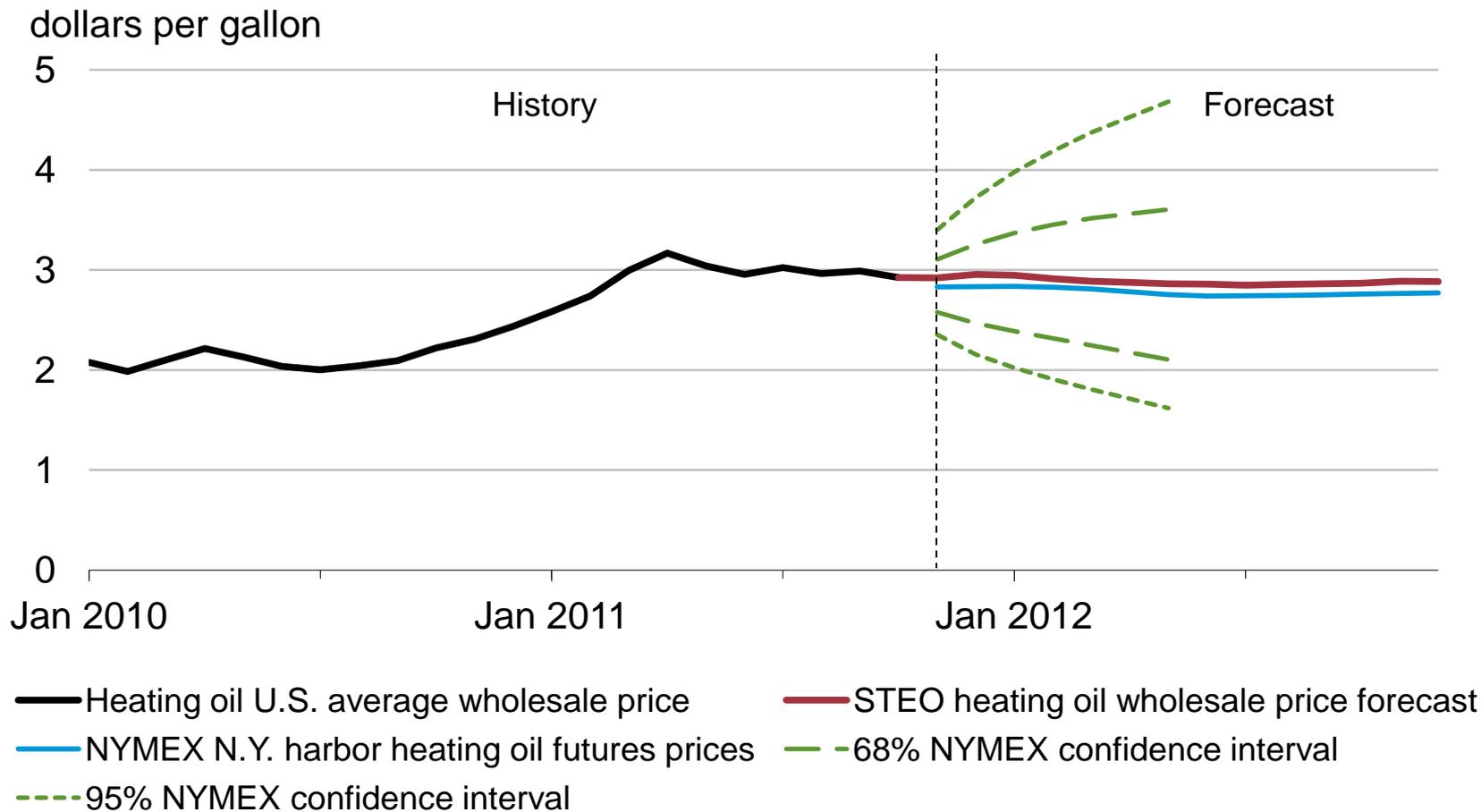
EIA expects residential heating oil prices to average 10% higher this winter than last



Crude oil price is average refiner acquisition cost. Retail price includes taxes.

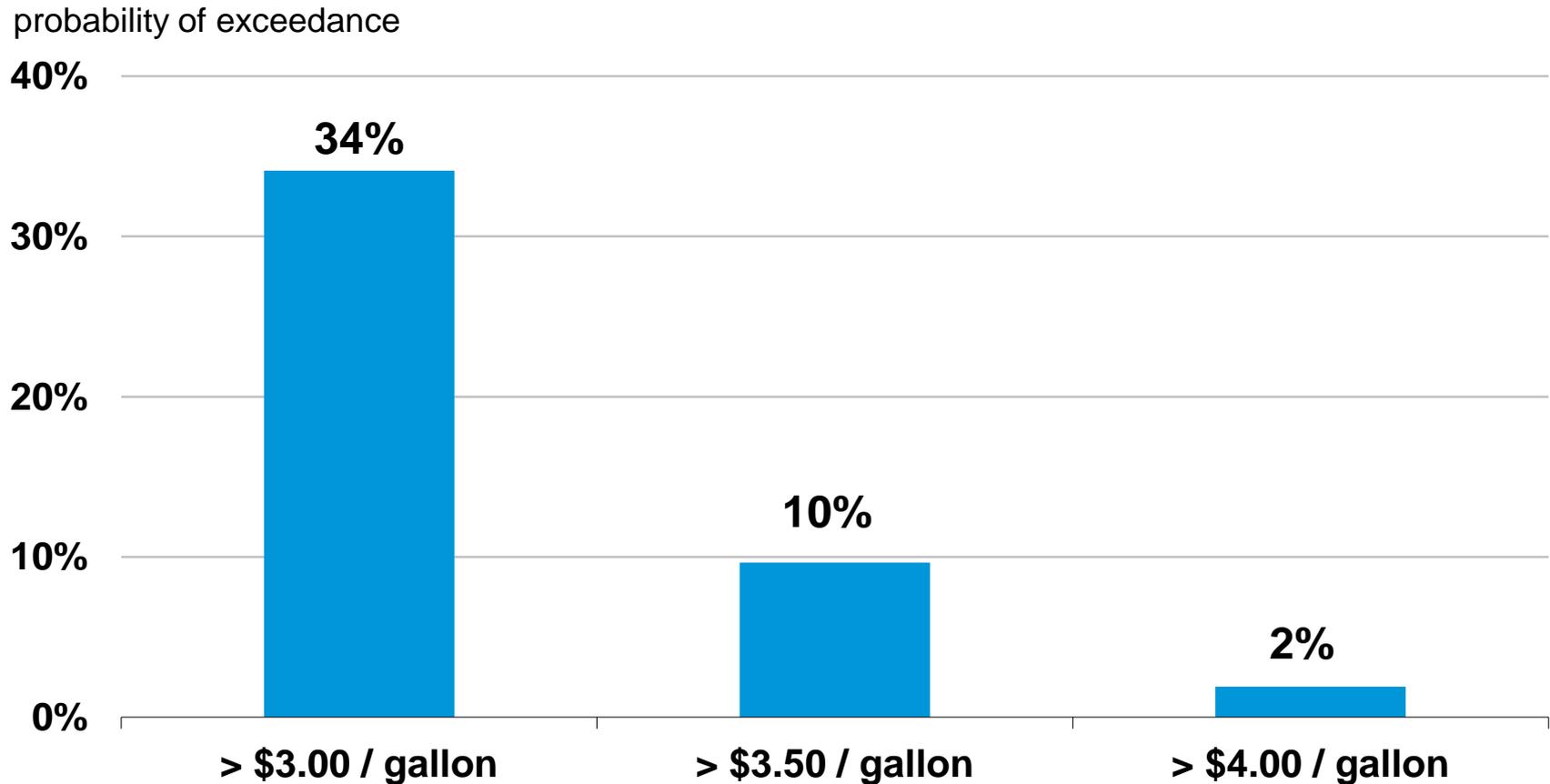
Source: EIA Short-Term Energy Outlook, October 2011

Heating oil prices remain uncertain due to their dependence on crude oil prices



Source: EIA Short-Term Energy Outlook, October 2011, and CME Group

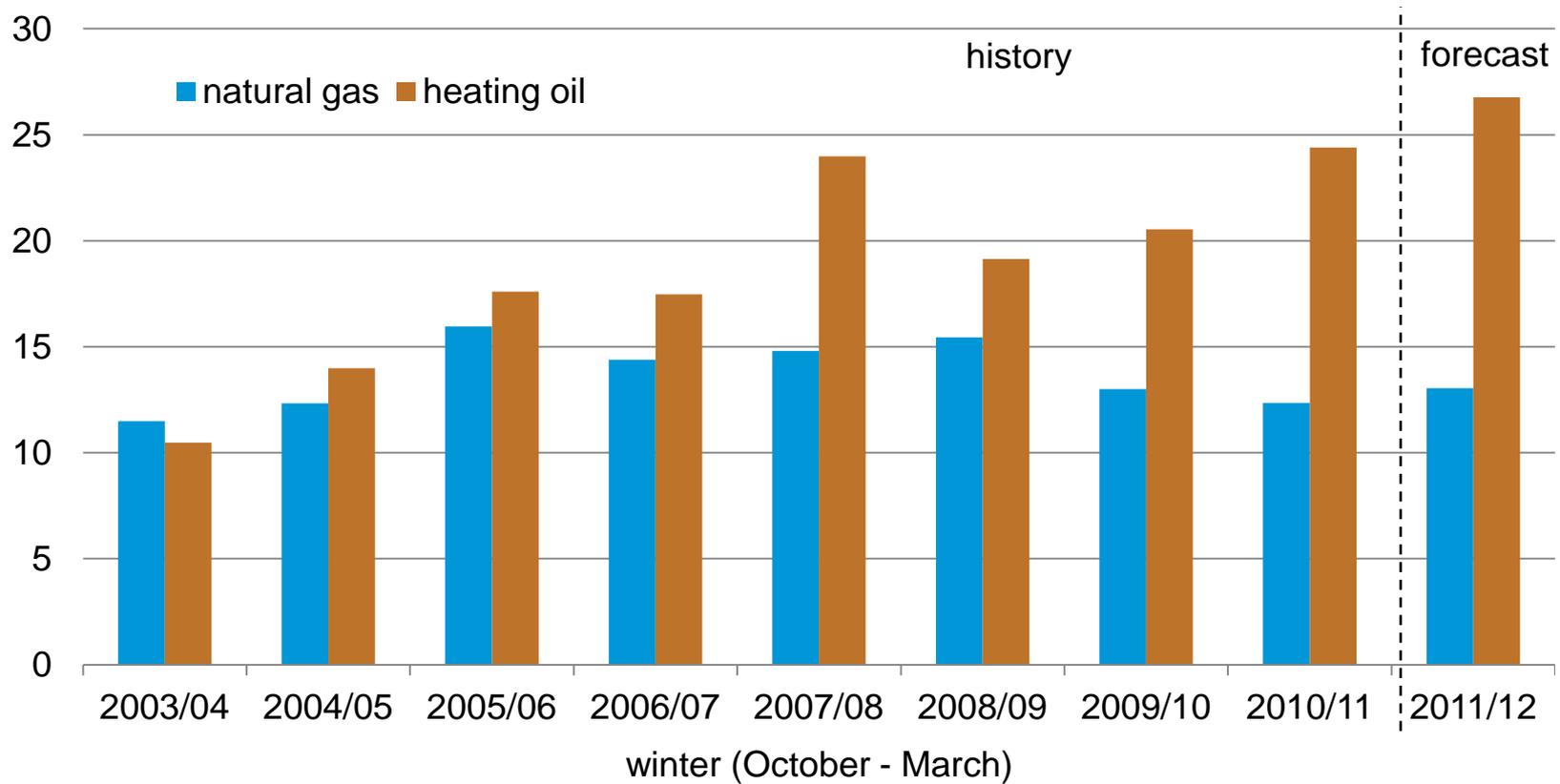
The probability of January 2012 contract month wholesale heating oil price being higher than \$3.50 per gallon is less than 10%



Source: EIA Short-Term Energy Outlook, October 2011, and CME Group

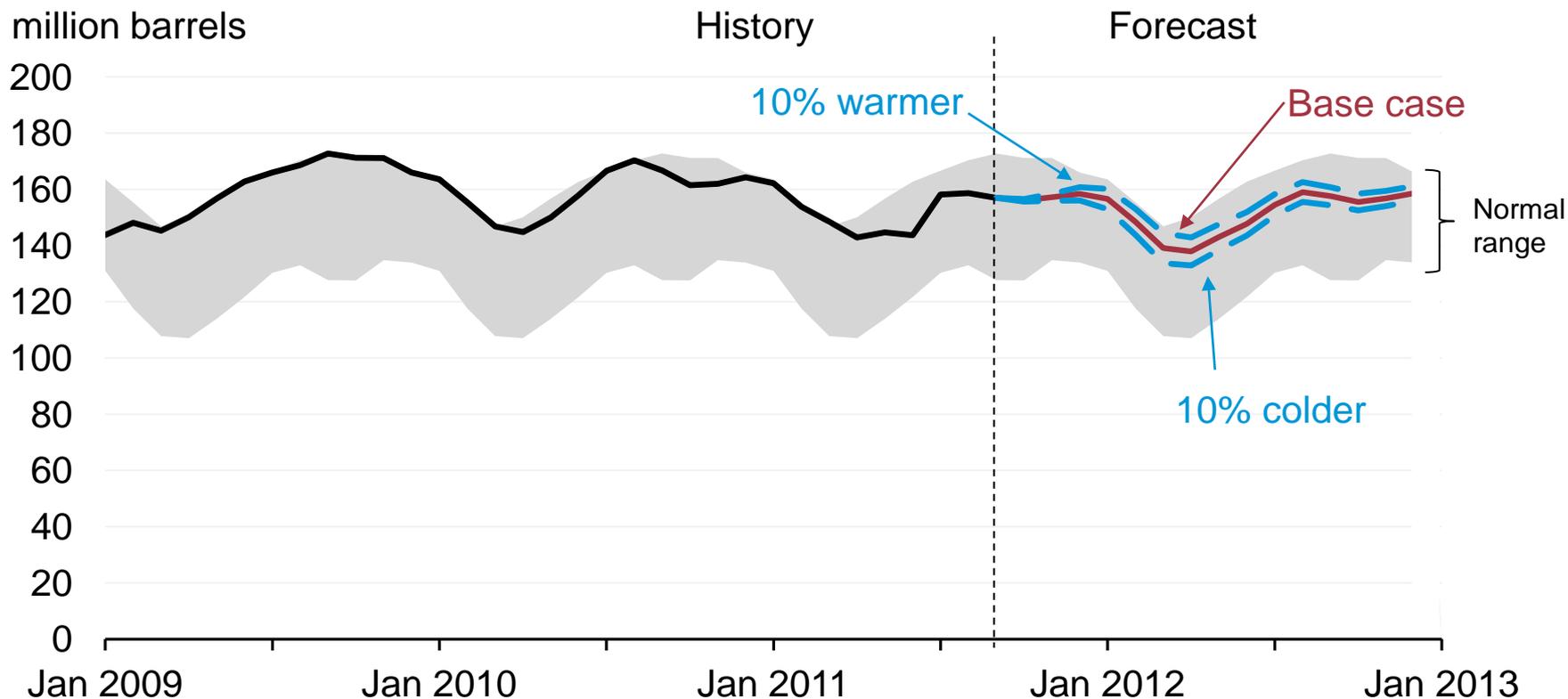
Winter heating fuel prices diverge in the Northeast; heating oil price up 10% over last winter

residential winter heating fuel prices, Northeast Census Region
dollars per million Btu



Source: EIA Short-Term Energy Outlook, October 2011

Going into winter, distillate inventories remain towards the upper end of their recent historical range

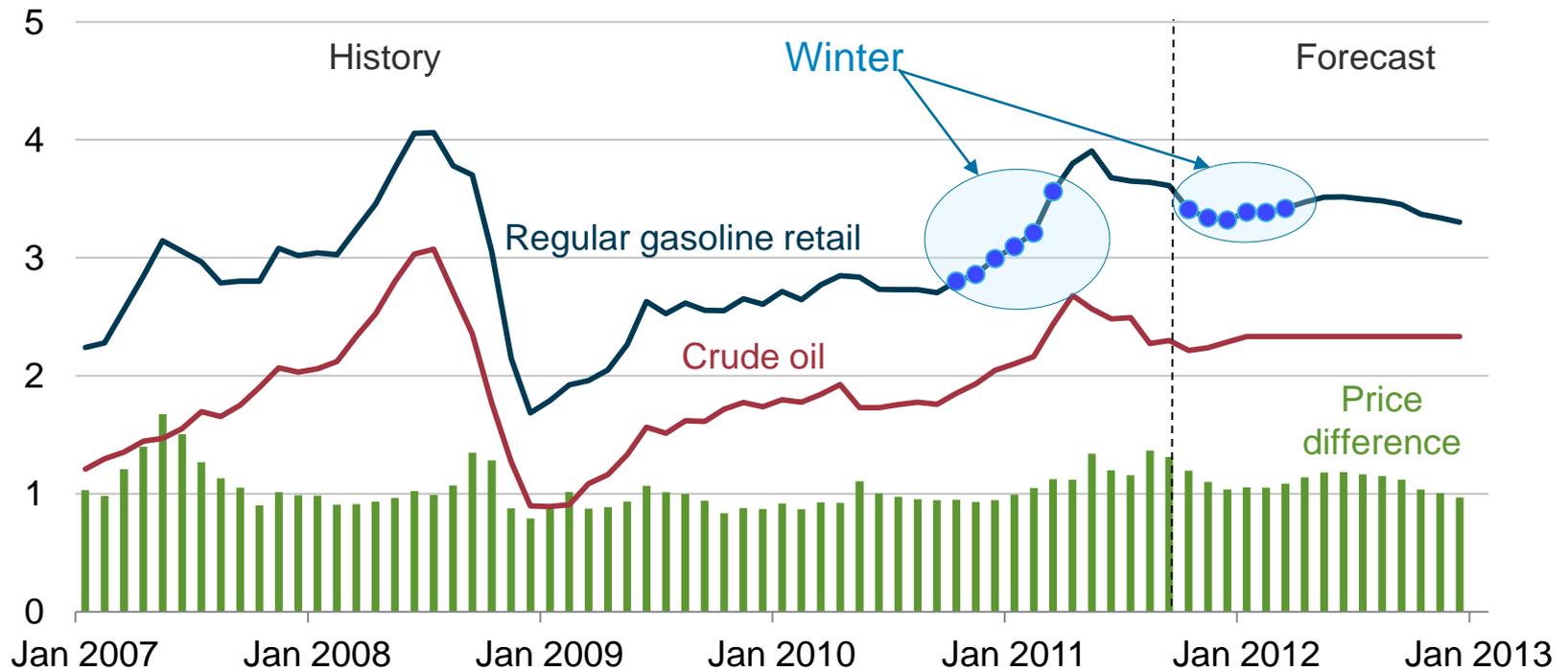


Note: Normal range (colored band) represents the range between the minimum to maximum from Jan. 2006 to Dec. 2010.

Source: EIA Short-Term Energy Outlook, October 2011

EIA expects gasoline prices will track the cost of crude oil, with regular gasoline prices this winter averaging about 34 cents per gallon higher than last winter

Dollars per gallon



Crude oil price is refiner average acquisition cost. Retail price includes State and Federal taxes.

Source: EIA Short-Term Energy Outlook, October 2011

Propane

EIA forecasts higher residential propane prices in the Northeast and Midwest this winter

Share of all U.S. households that use propane as primary space heating fuel

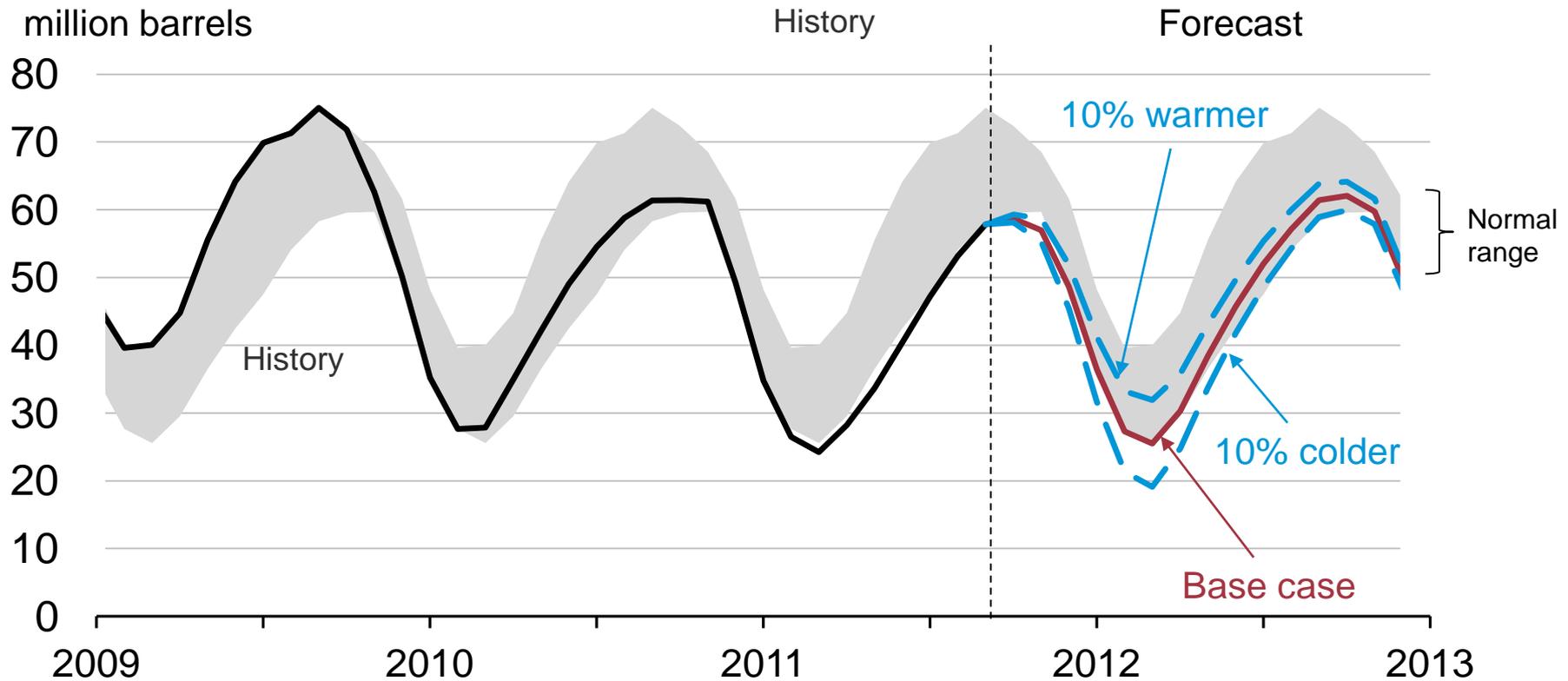


Percent change from last winter (forecast)

| | Consumption | Average price | Total expenditures |
|-----------|-------------|---------------|--------------------|
| West | - | - | - |
| South | - | - | - |
| Midwest | -1 | 5 | 3 |
| Northeast | -1 | 10 | 9 |

Source: EIA Short-Term Energy Outlook, October 2011

Propane inventories remain at the low end of their recent historical range

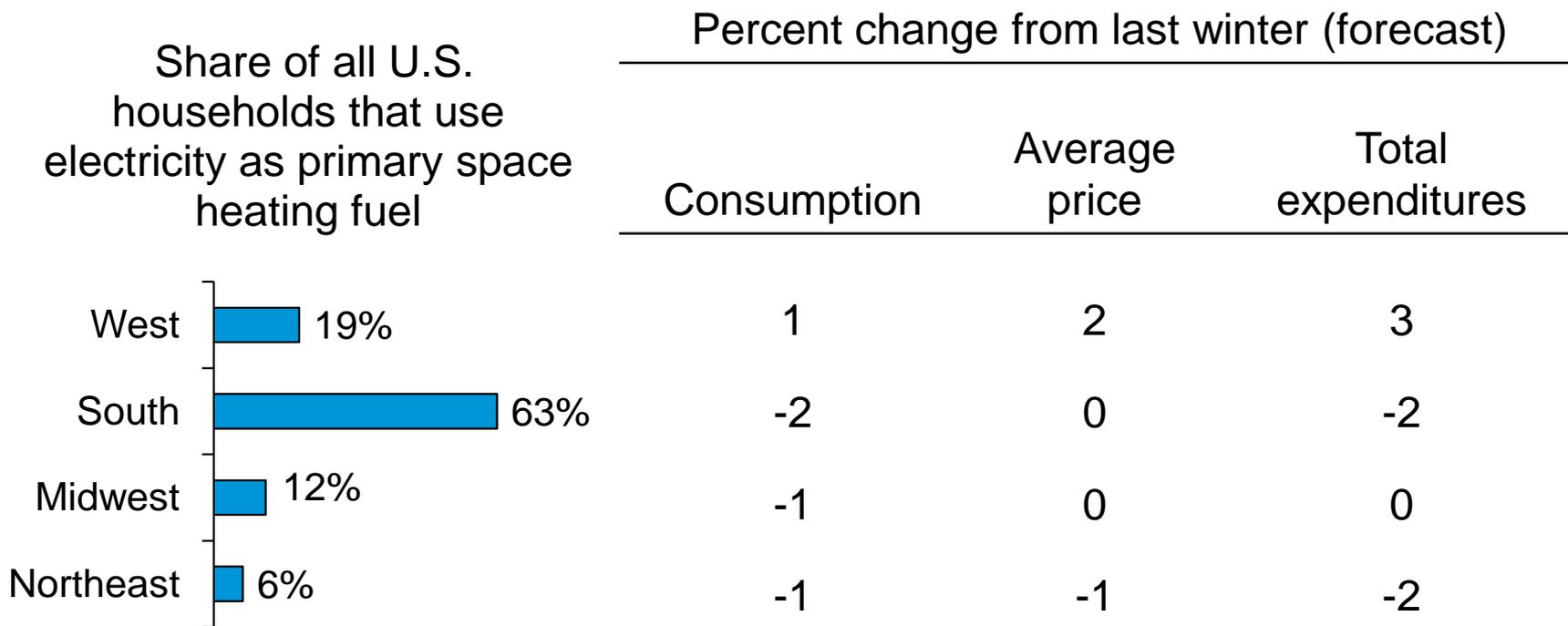


Note: Normal range (colored band) represents the range between the minimum to maximum from Jan. 2006 to Dec. 2010.

Source: EIA Short-Term Energy Outlook, October 2011

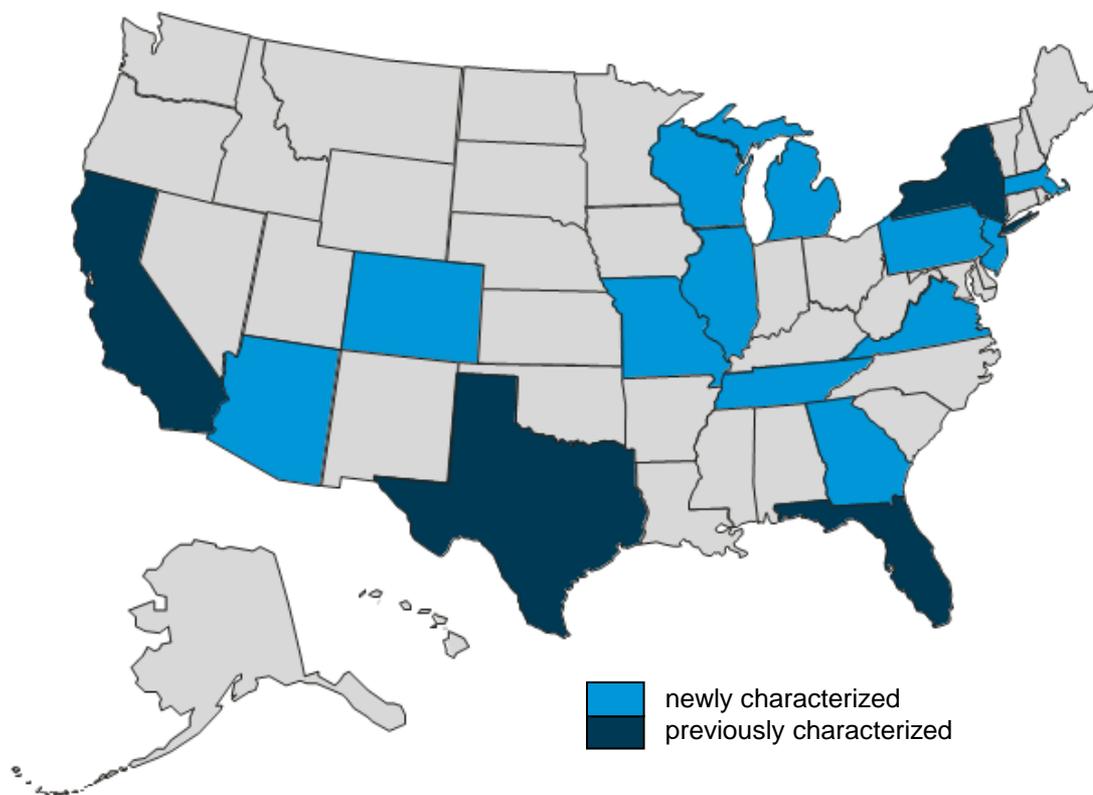
Electricity

Winter electricity bill forecast shows little change from last winter



Source: EIA Short-Term Energy Outlook, October 2011

2009 RECS: Better State coverage, more information



- *Each Census Region and Division contains at least one State with detailed usage statistics*
- *Compares energy statistics across States and groups of States within a region*

Source: EIA Residential Energy Consumption Survey, 2009

For more information

U.S. Energy Information Administration home page | www.eia.gov

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