

U.S. Distillate Fuel Oil¹ Update – November 2, 2011

Distillate Fuel Oil Price Update

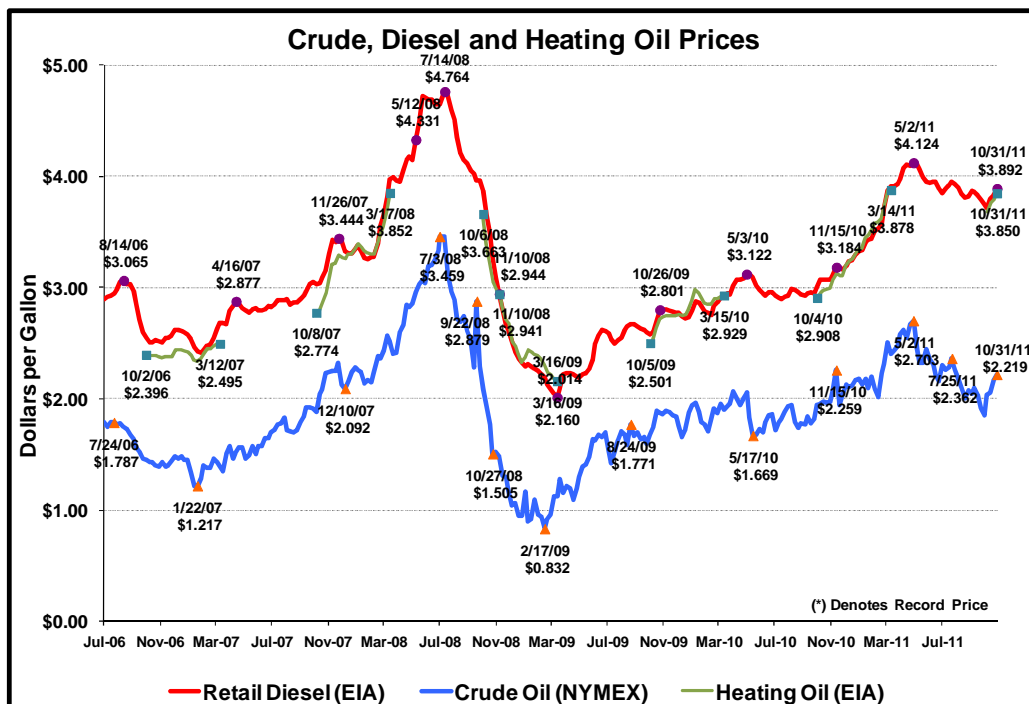
According to the Energy Information Administration (EIA), the average U.S. retail diesel price (including taxes) rose this week, up by 6.7 cents from last week to \$3.892 per gallon. The national average diesel price was above year-ago levels for the 102nd week in a row, up by 82.5 cents (26.9 percent) from last year's price of \$3.067 per gallon; it was 87.2 cents (18.3 percent) below the record price of \$4.764 per gallon set on 7/14/08. Diesel prices were up in all five regions of the U.S.: the East Coast (5.4 cents), the Midwest (8.4 cents), the Gulf Coast (6.3 cents), the Rocky Mountains (5.0 cents) and the West Coast (5.8 cents). Diesel prices in California were also up from last week by 6.7 cents to \$4.163 per gallon.

U.S. Heating Degree Day Data						
	Week Ending Oct 29	Week Ending Oct 22	Year Ago	% Change from Last Year	Normal	% Change from Normal
U.S.	125	73	68	83.8%	113	10.6%
New England	151	74	86	75.6%	130	16.2%
Mid-Atlantic	125	70	58	115.5%	114	9.6%

Source: National Oceanic and Atmospheric Administration's (NOAA's) Climate Prediction Center

The national average residential heating oil price rose by 5.2 cents from last week to \$3.850, according to EIA. This was 85.8 cents above last year's price of \$2.992 per gallon, but 2.8 cents (0.7 percent) below the record price of \$3.878 per gallon set on 3/14/11. According to the National Oceanic and Atmospheric Administration's (NOAA's) Climate Prediction Center, the weather across the nation was colder this past week. The number of heating degree days in the U.S. rose by 71.2 percent from the previous week to 125 heating degree days. Weather was colder in New England and colder in the Mid-Atlantic last week, with heating degree days up by 104.1 percent and up by 78.6 percent from the previous week, respectively. Compared to last year, the weather was also colder across the nation, and colder than the "normal" of 113 heating degree days last week. According to the Bureau of Labor Statistics' Consumer Price Index, the national residential heating oil price fell by 1.7 cents from August's price of \$3.671 to \$3.654 per gallon in September. The current price was 82.4 cents (29.1 percent) above last year's price of \$2.830 per gallon, and 99.5 cents (21.4 percent) below the record price of \$4.649 per gallon set in July 2008.

As shown in the chart below, diesel fuel prices generally track those of crude oil. The price of crude oil is the main factor in



Sources: Energy Information Administration (EIA) and the New York Mercantile Exchange (NYMEX)

the price of diesel fuel, and fluctuations in the crude oil market greatly influence changes in diesel prices. Short-run factors that can cause divergences from this correlation include: supply shortages resulting from refinery outages, transportation issues, adverse weather conditions, and pipeline problems. NYMEX crude prices were up by \$1.92 (2.1 percent) from last week's price to \$93.19 per barrel. The current price is \$10.24 (12.3 percent) above last year's price of \$82.95. This week's price was \$52.10 (35.9 percent) below the record price of \$145.29 per barrel set on 7/3/08.

¹ Distillate fuel oil is used primarily as heating oil and diesel fuel.

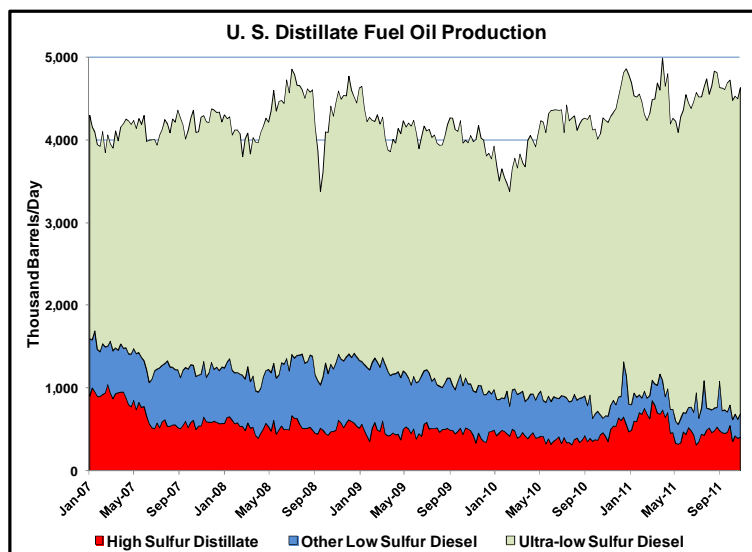


Refinery Operations – Week Ending Friday, October 28

According to the American Petroleum Institute's (API's) *Weekly Statistical Bulletin* data, the average daily input to distillation at the nation's 149 refineries rose this week by 74,000 barrels from last week to a daily average of 14.8 million barrels. The estimated capacity utilization rate was 83.6 percent, up by 0.4 percentage points from last week and up by 2.4 percentage points from last year's utilization rate of 81.2 percent.

Distillate Fuel Oil Production– Week Ending Friday, October 28

The national total distillate fuel production rose by 136,000 barrels per day (3.0 percent) from last week to about 4.6 million barrels per day. This was up by 398,000 barrels per day from last year's output of 4.2 million barrels per day. Approximately 93.2 percent of the low sulfur diesel was in the form of ultra-low sulfur diesel (ULSD). Production of ULSD rose by 65,000 barrels per day (1.7 percent) from last week to 3.9 million barrels per day. ULSD production is up by 370,000 barrels per day (10.3 percent) from last year's level of 3.6 million barrels per day. U.S. low sulfur diesel production was at 4.2 million barrels per day, up by 123,000 barrels per day (3.0 percent) from last week, and up by 410,000 barrels per day (10.7 percent) from last year's output of 3.8 million barrels per day. Production of U.S. high sulfur distillate (heating oil) rose by 13,000 barrels per day to 404,000 barrels per day. This was down by 12,000 barrels per day (2.9 percent) from last year's output of 416,000 barrels per day.



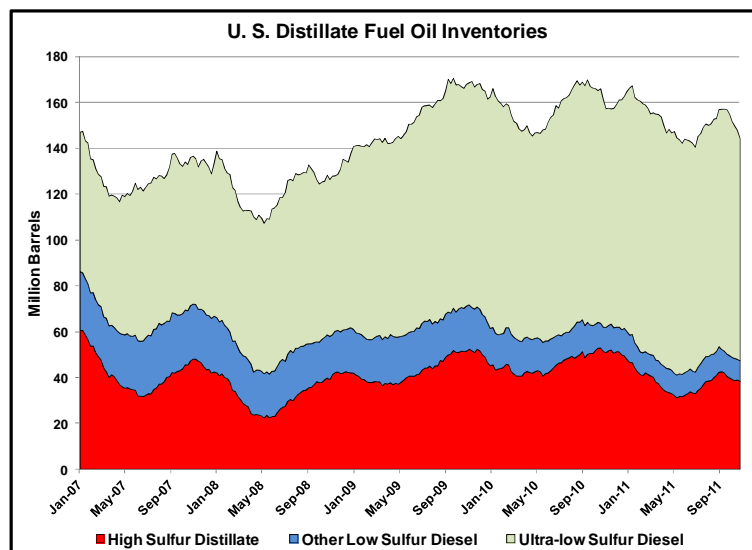
Source: API's *Weekly Statistical Bulletin*

Distillate Fuel Oil Inventories – Week Ending Friday, October 28

U.S. total distillate inventories fell this week to 144.4 million barrels, down by 3.4 million barrels (2.3 percent) from last week, according to API's *Weekly Statistical Bulletin*. The current level was below the year-ago and below the 5-year average level, down by 10.5 percent and down by 1.6 percent respectively. This was 59.4 million barrels greater than the National Petroleum Council's estimate of lower operational level of 85 million barrels.

High sulfur distillate inventories were down by 0.6 million barrels this week to a total of 38.4 million barrels. This was down by 25.5 percent from last year's stock level of 51.5 million barrels.

ULSD inventories were down this week by 2.9 million barrels to 97.0 million barrels. This was down by 2.4 million barrels from last year, but remained 12.4 million barrels below the record of 109.4 million barrels set on 2/4/11.



Source: API's *Weekly Statistical Bulletin*

Distillate Fuel Oil Imports – Week Ending Friday, October 28

U.S. distillate imports fell by 32,000 barrels per day (13.9 percent) from last week to 199,000 barrels per day. ULSD imports were down for the week by 24,000 barrels per day (18.6 percent) to 105,000 barrels per day. Imports of high sulfur distillate fell by 8,000 barrels per day (7.8 percent) from last week to 94,000 barrels per day.

American Petroleum Institute Statistics

U.S. Distillate Fuel Oil Data						
	Week Ending Oct 28	Week Ending Oct 21	Year Ago	% Change from Last Year	Average 2006-2010	% Change from Average
Total Distillate Fuel Oil Inventories (Million Barrels)						
U.S. Total	144.4	147.9	161.4	-10.5%	146.7	-1.6%
East Coast	59.1	59.9	72.2	-18.1%	65.3	-9.5%
New England	12.0	12.0	13.6	-11.7%	12.6	-4.2%
Central Atlantic	33.9	34.3	43.5	-22.0%	38.8	-12.6%
Lower Atlantic	13.2	13.6	15.1	-12.5%	14.0	-5.7%
Midwest	25.2	26.8	27.6	-8.6%	28.0	-9.8%
Gulf Coast	45.2	45.8	46.1	-1.8%	38.6	17.3%
Mountain	3.0	2.9	3.0	-1.1%	2.8	5.3%
West Coast	11.9	12.5	12.6	-5.4%	12.1	-1.5%
High Sulfur Distillate Inventories (Million Barrels)						
U.S. Total	38.4	39.0	51.5	-25.5%	50.4	-23.8%
East Coast	30.6	31.1	42.1	-27.3%	39.6	-22.6%
New England	9.4	9.4	10.7	-11.5%	10.0	-5.7%
Central Atlantic	20.4	20.4	29.0	-29.7%	26.4	-22.6%
Lower Atlantic	0.8	1.3	2.4	-67.6%	3.2	-75.4%
Midwest	1.5	1.6	3.0	-49.5%	2.7	-44.1%
Gulf Coast	4.9	5.1	5.0	-1.9%	6.4	-23.8%
Mountain	0.2	0.2	0.1	57.9%	0.2	4.7%
West Coast	1.1	1.0	1.2	-10.0%	1.4	-23.3%
Ultra-low Sulfur Diesel Inventories (Million Barrels)						
U.S. Total	97.0	99.9	99.4	-2.4%	76.1	27.5%
East Coast	25.4	25.8	25.9	-1.7%	18.6	36.7%
New England	2.5	2.6	2.6	-4.5%	2.2	12.5%
Central Atlantic	11.6	11.7	11.5	0.3%	8.5	36.5%
Lower Atlantic	11.3	11.5	11.7	-3.1%	7.9	43.8%
Midwest	22.4	23.9	23.2	-3.7%	21.1	5.9%
Gulf Coast	36.6	36.9	37.2	-1.8%	24.7	48.3%
Mountain	2.6	2.6	2.7	-4.0%	2.3	12.2%
West Coast	10.0	10.7	10.3	-3.1%	9.4	6.9%
Distillate Fuel Oil Production (Million Barrels)						
U.S. Total	4.6	4.5	4.2	9.4%	4.2	10.0%
Low Sulfur	4.2	4.1	3.8	10.7%	3.7	15.8%
ULSD	3.9	3.9	3.6	10.3%	3.1	29.4%
High Sulfur	0.4	0.4	0.4	-2.9%	0.5	-19.3%
Distillate Fuel Oil Imports (Thousand Barrels)						
U.S. Total	199	231	108	84.3%	227	-12.5%
Low Sulfur	105	129	88	19.3%	143	-26.7%
ULSD	105	129	83	26.5%	130	-19.5%
High Sulfur	94	102	20	370.0%	84	11.6%

Source: API's Weekly Statistical Bulletin