

2016 Summer Fuels Outlook



April 12, 2016

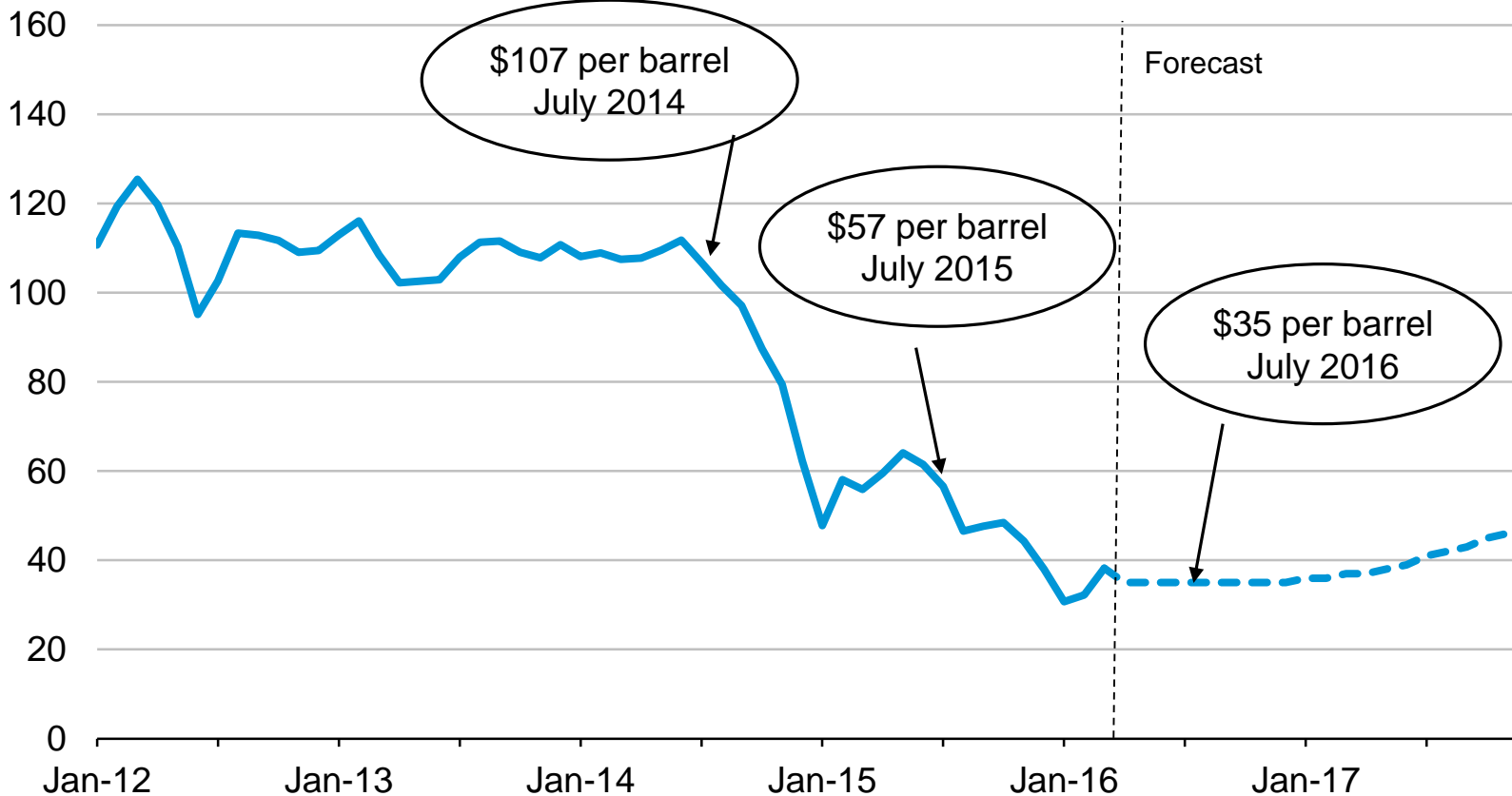
Key factors driving the short-term oil market outlook

- 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

Brent crude oil spot price (monthly average)

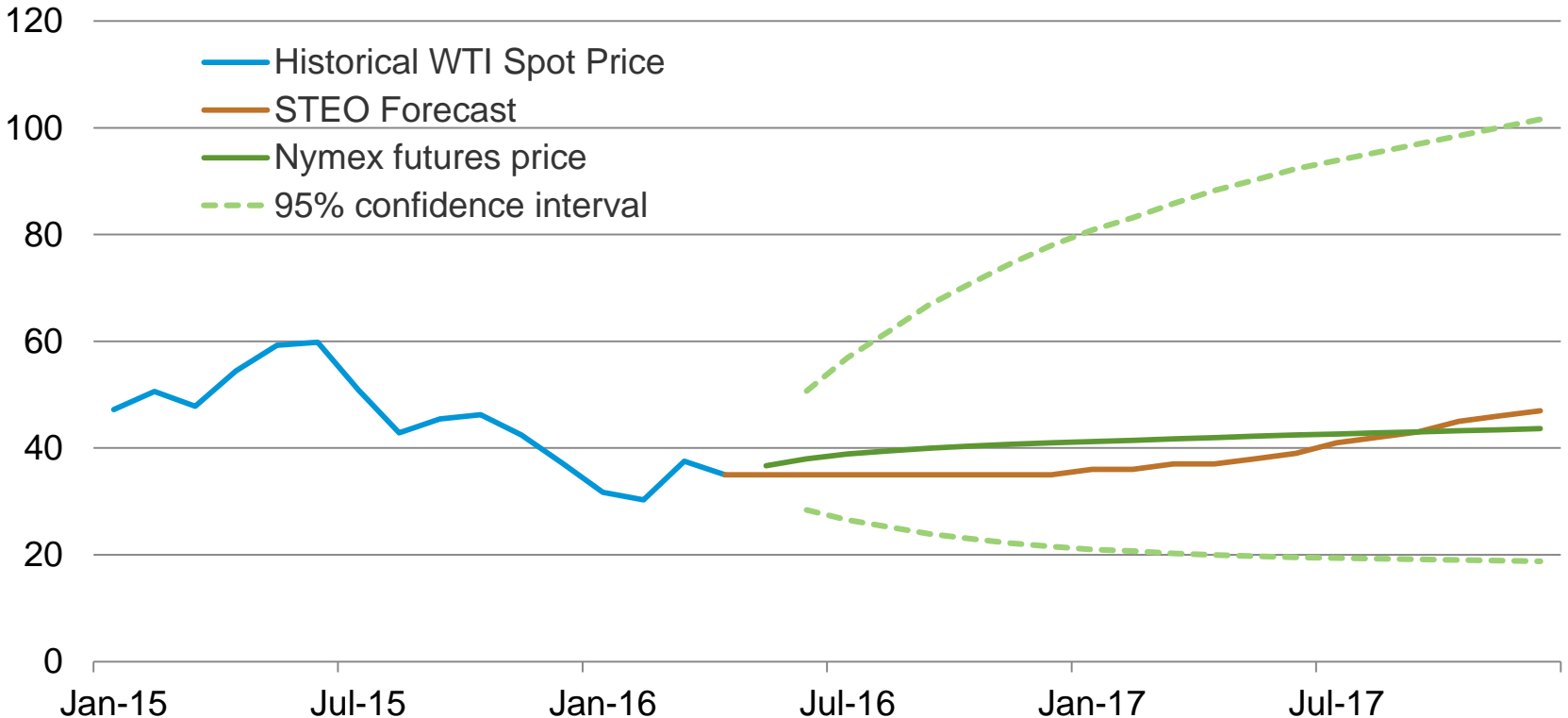
Dollars per barrel



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

WTI price
dollars per barrel

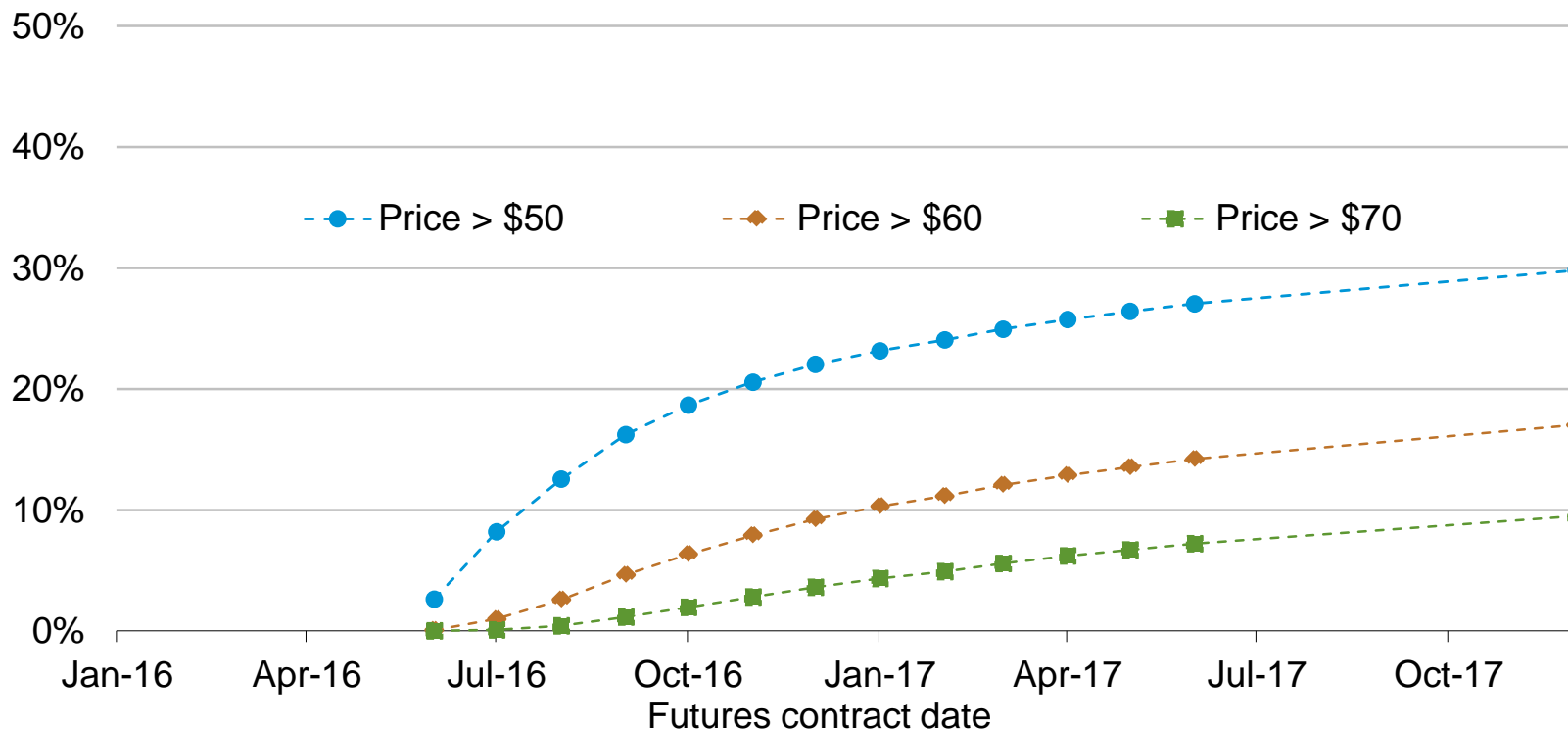


Notes: Price probabilities are calculated using Nymex market data for the five trading days ending April 7, 2016. Values not calculated for months with sparse trading in near-the-money options contracts.

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

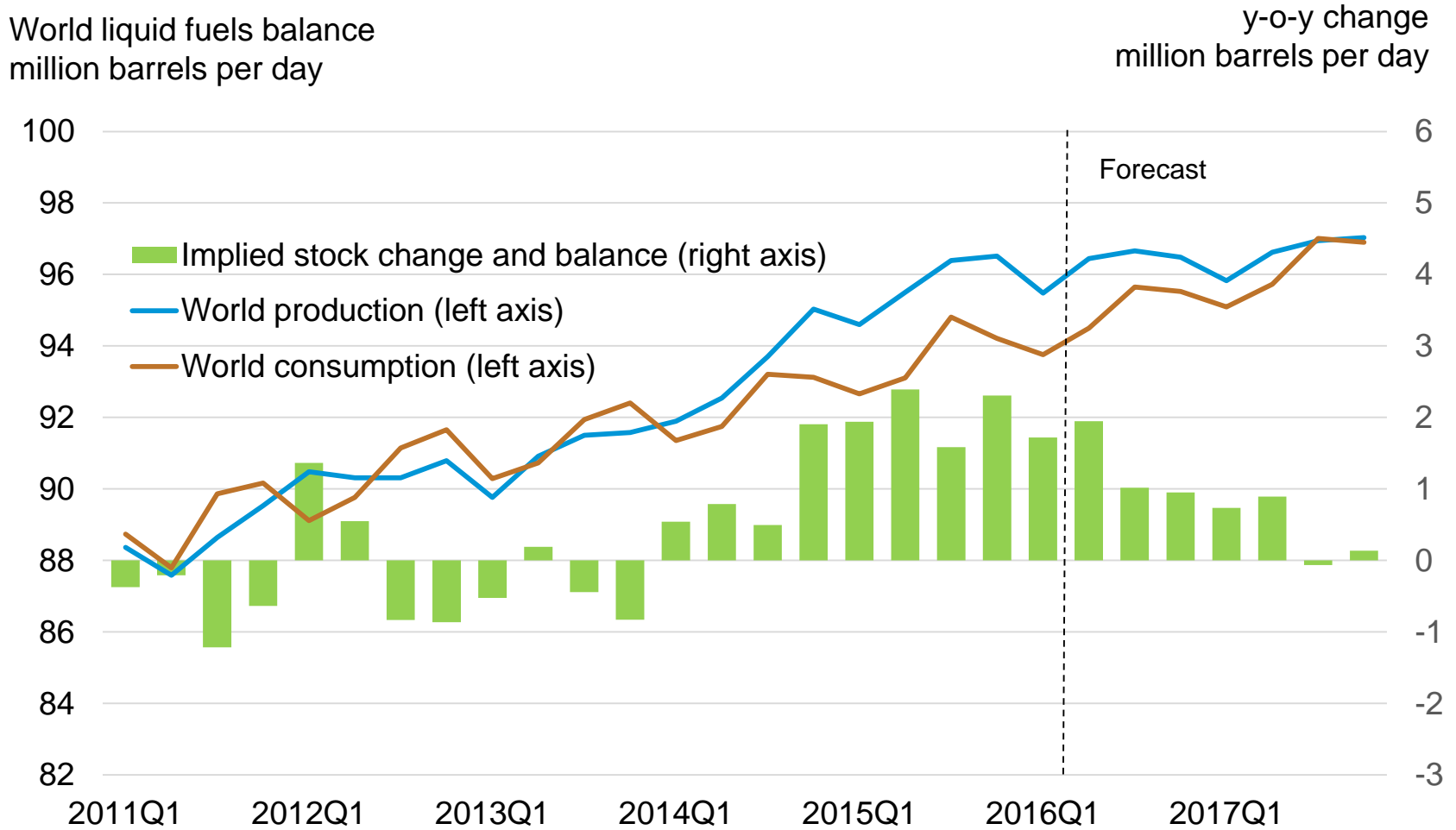
Probability of WTI price exceeding price level



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*

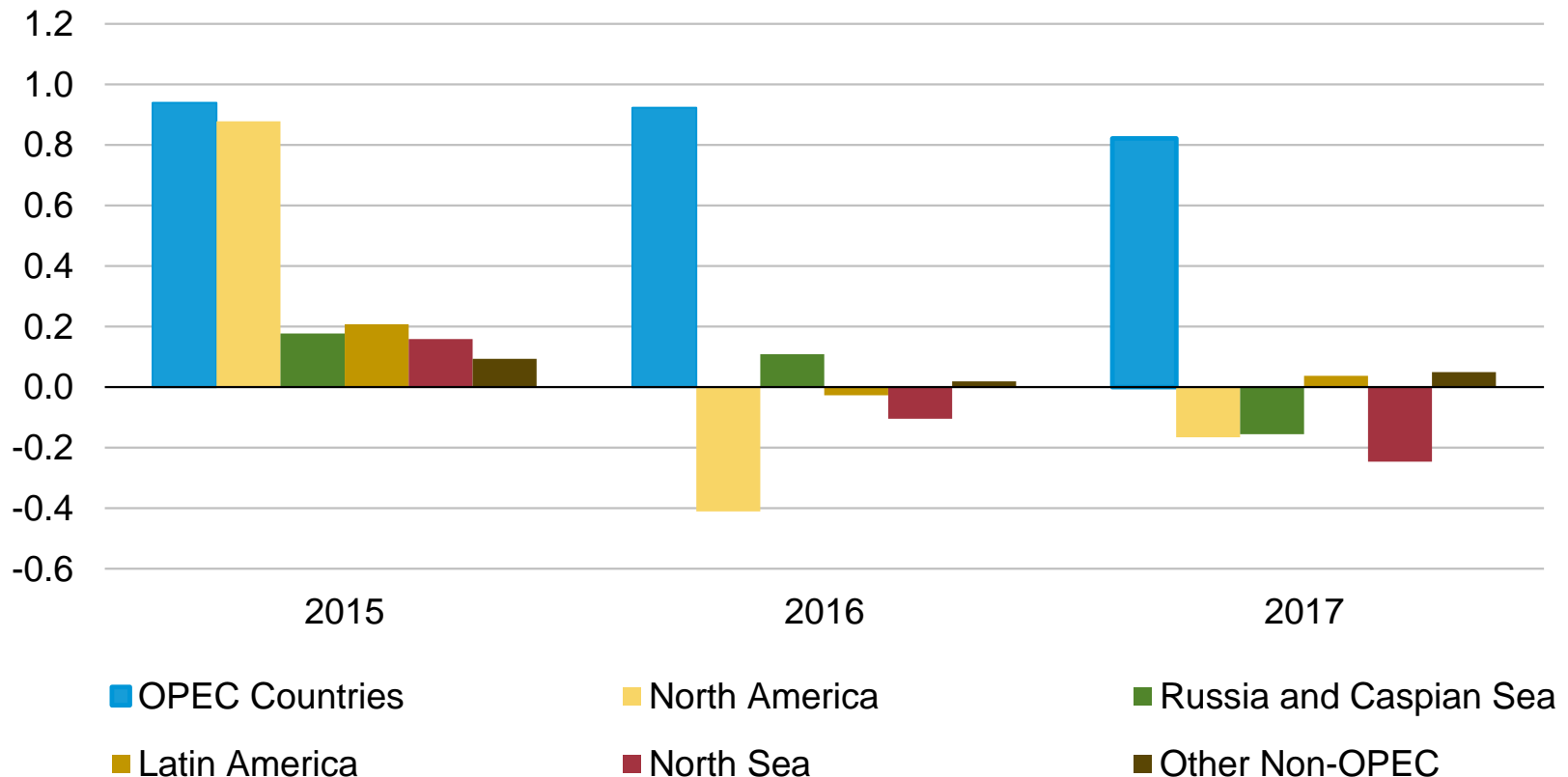
Global liquid fuels inventory builds are expected to keep crude oil prices below \$40 per barrel this summer



Source: Short-Term Energy Outlook, April 2016

Forecast OPEC supply increases in 2015 are partially offset by declining production in the United States

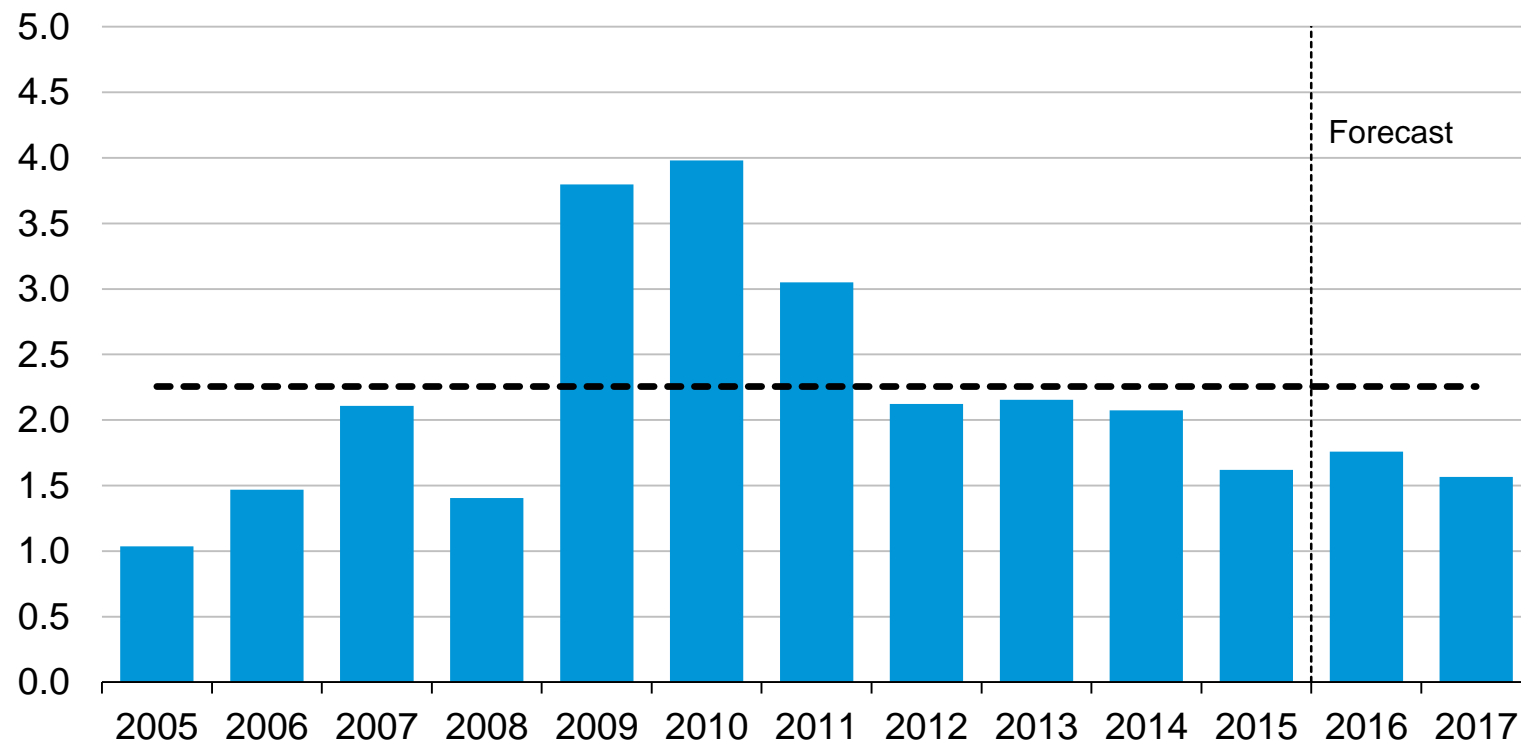
Liquid fuels supply growth
million barrels per day (y-o-y change)



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).

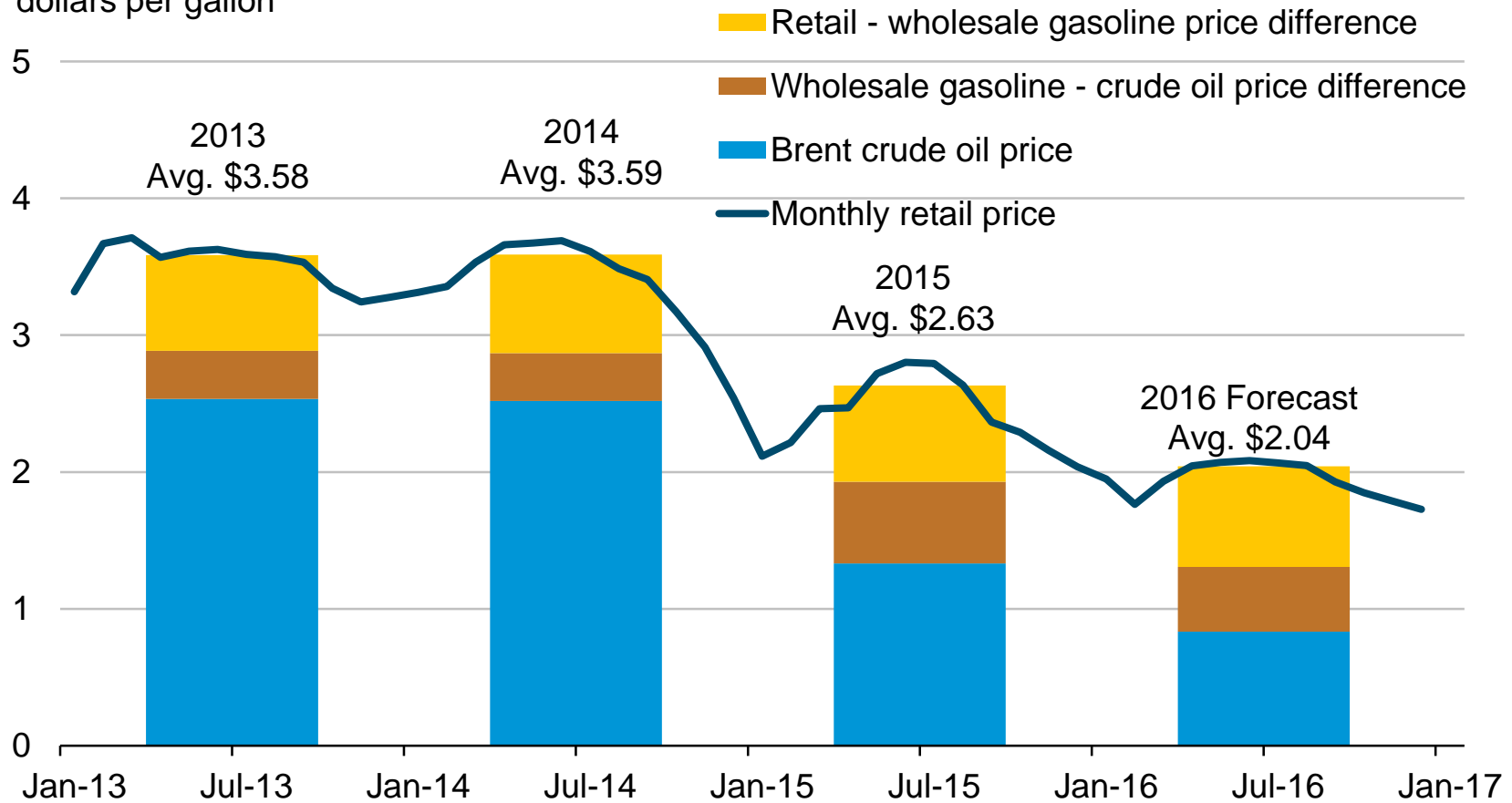
Source: Short-Term Energy Outlook, April 2016

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

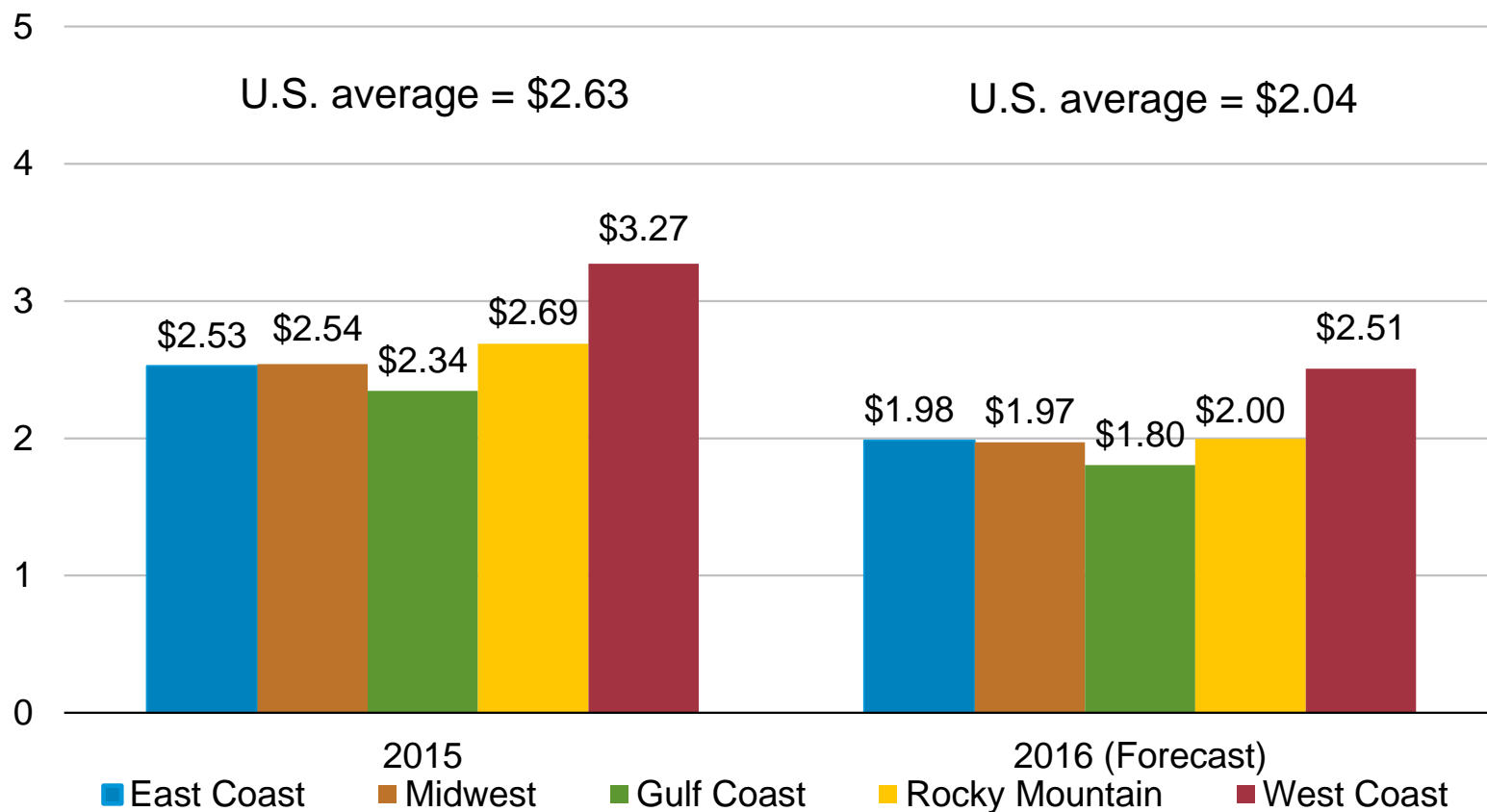
Summer average gasoline price
dollars per gallon



Source: Short-Term Energy Outlook, April 2016

Regular gasoline average summer retail prices vary by region

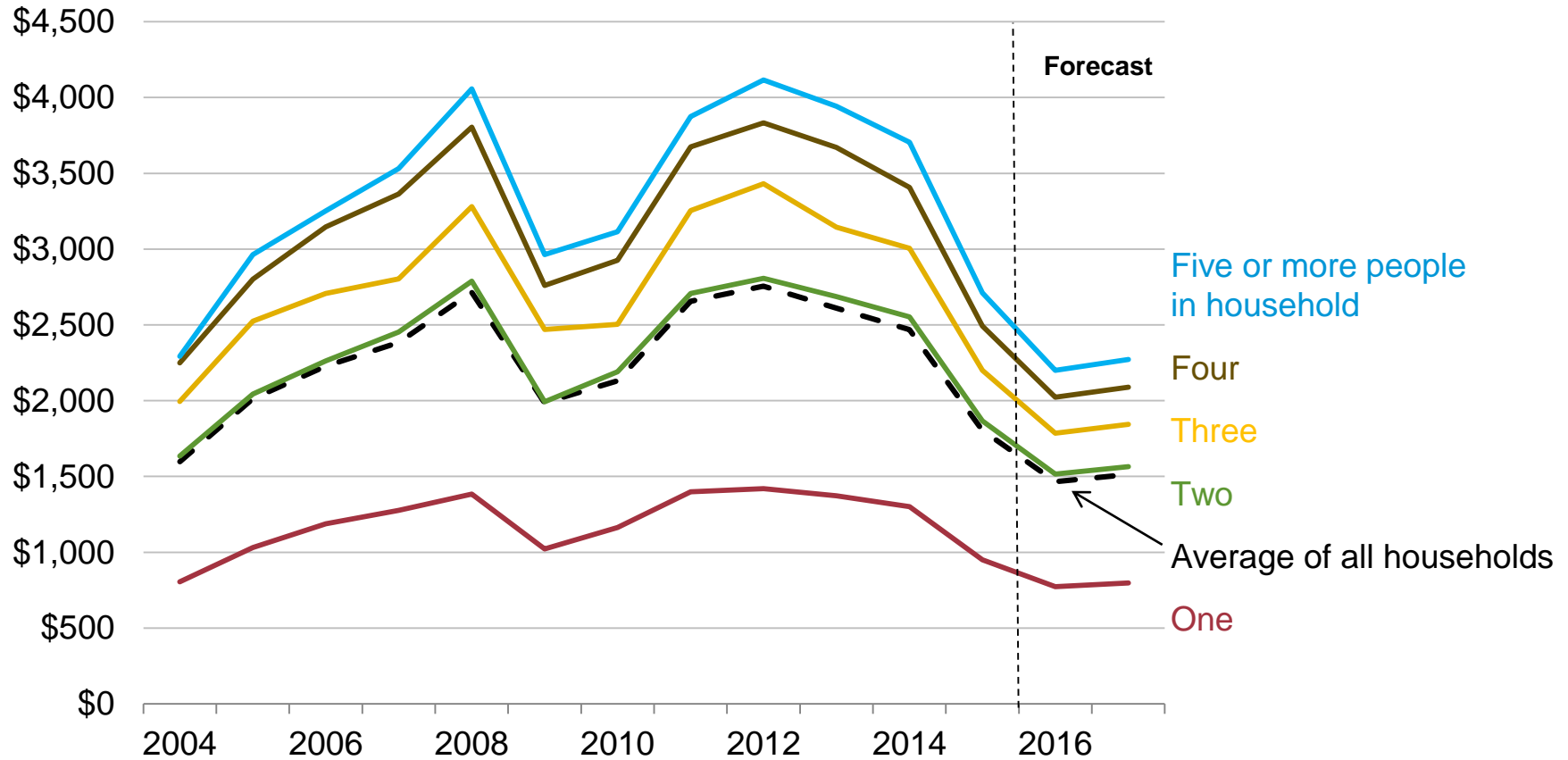
Regional summer average gasoline price
dollars per gallon



Source: Short-Term Energy Outlook, April 2016

Household transportation expenditures in 2016 are projected to be the lowest since 2003

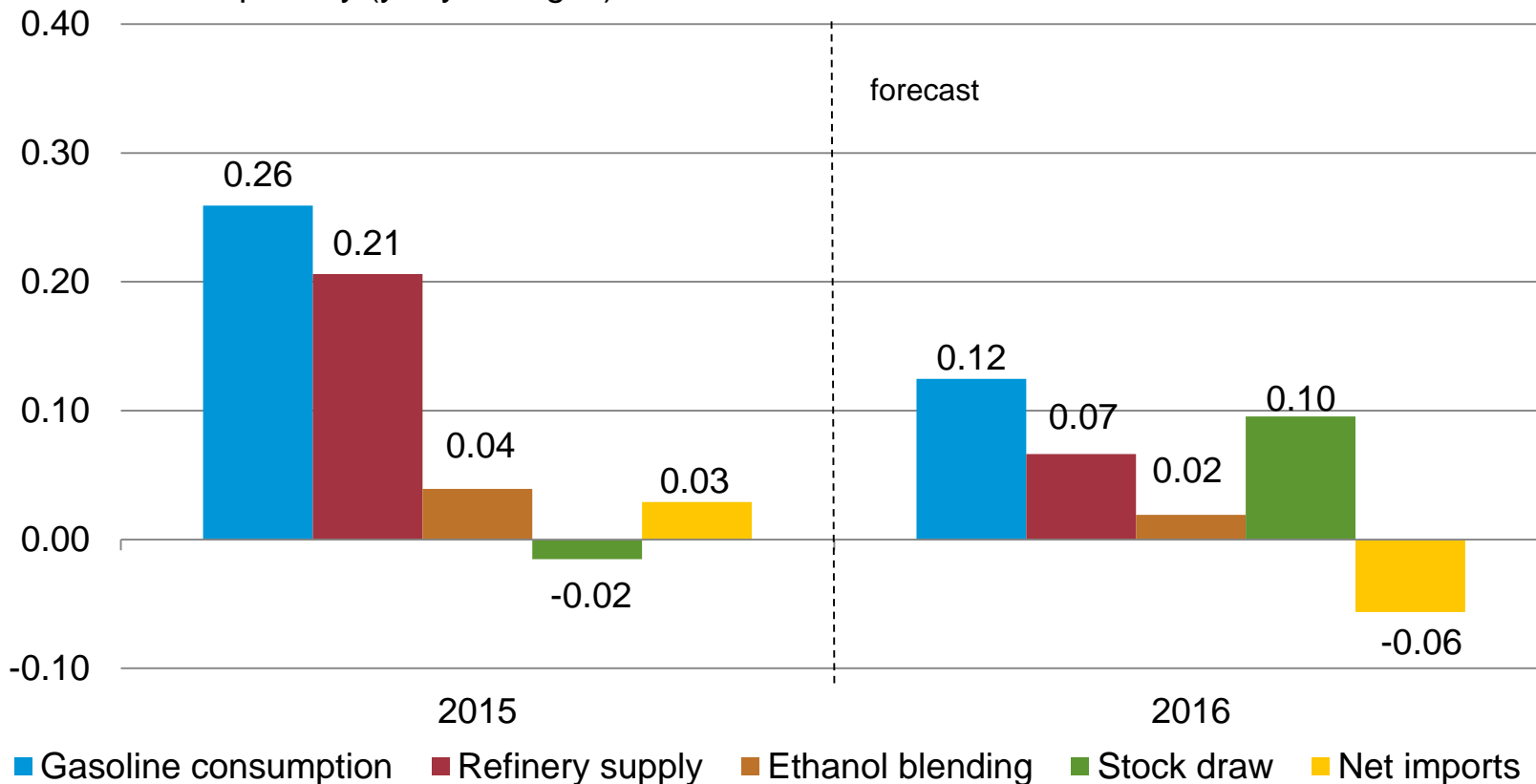
Average annual household expenditures on gasoline



Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey; Short-Term Energy Outlook, April 2016

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

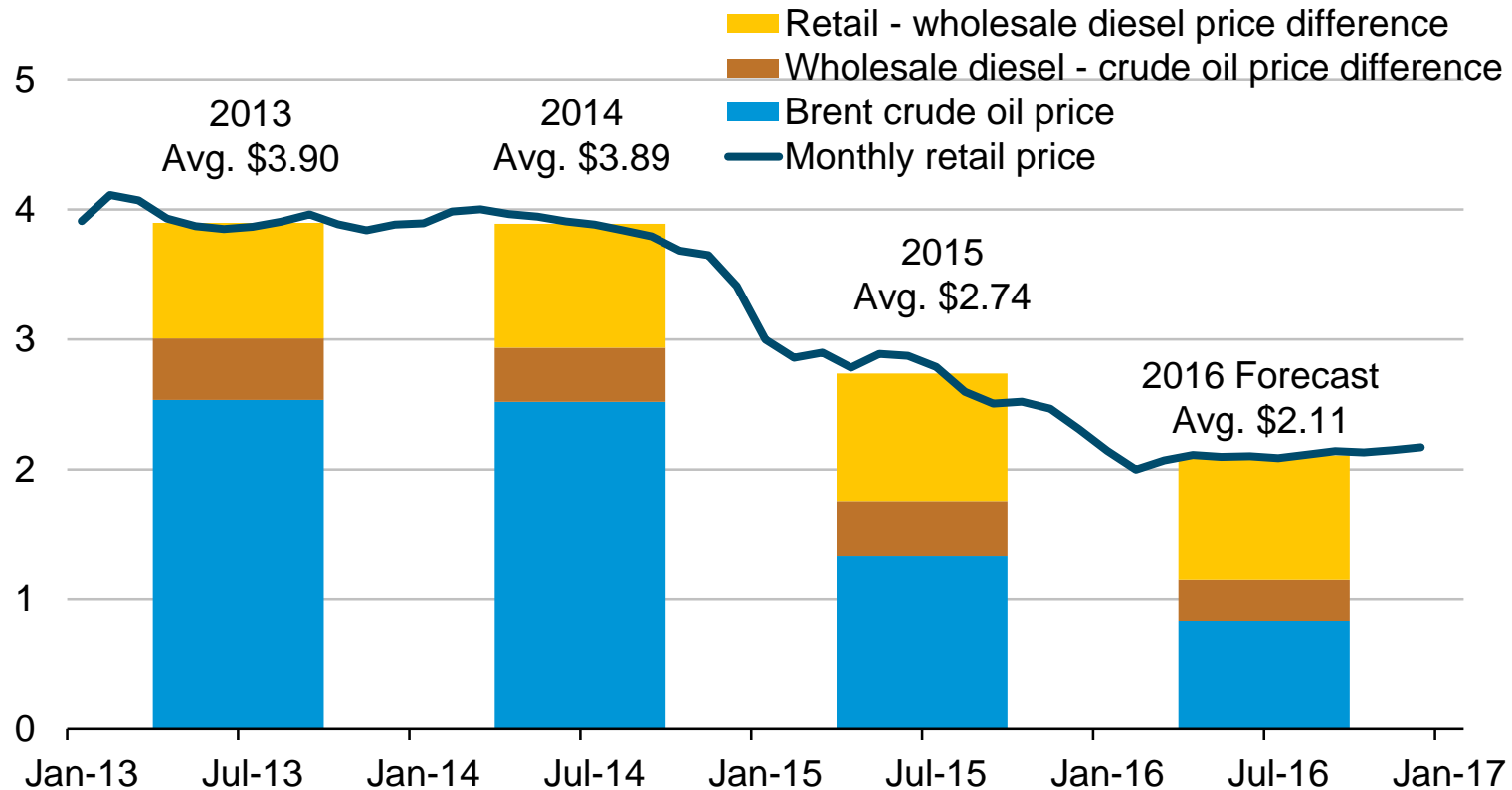
Supply and consumption of gasoline
million barrels per day (y-o-y changes)



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

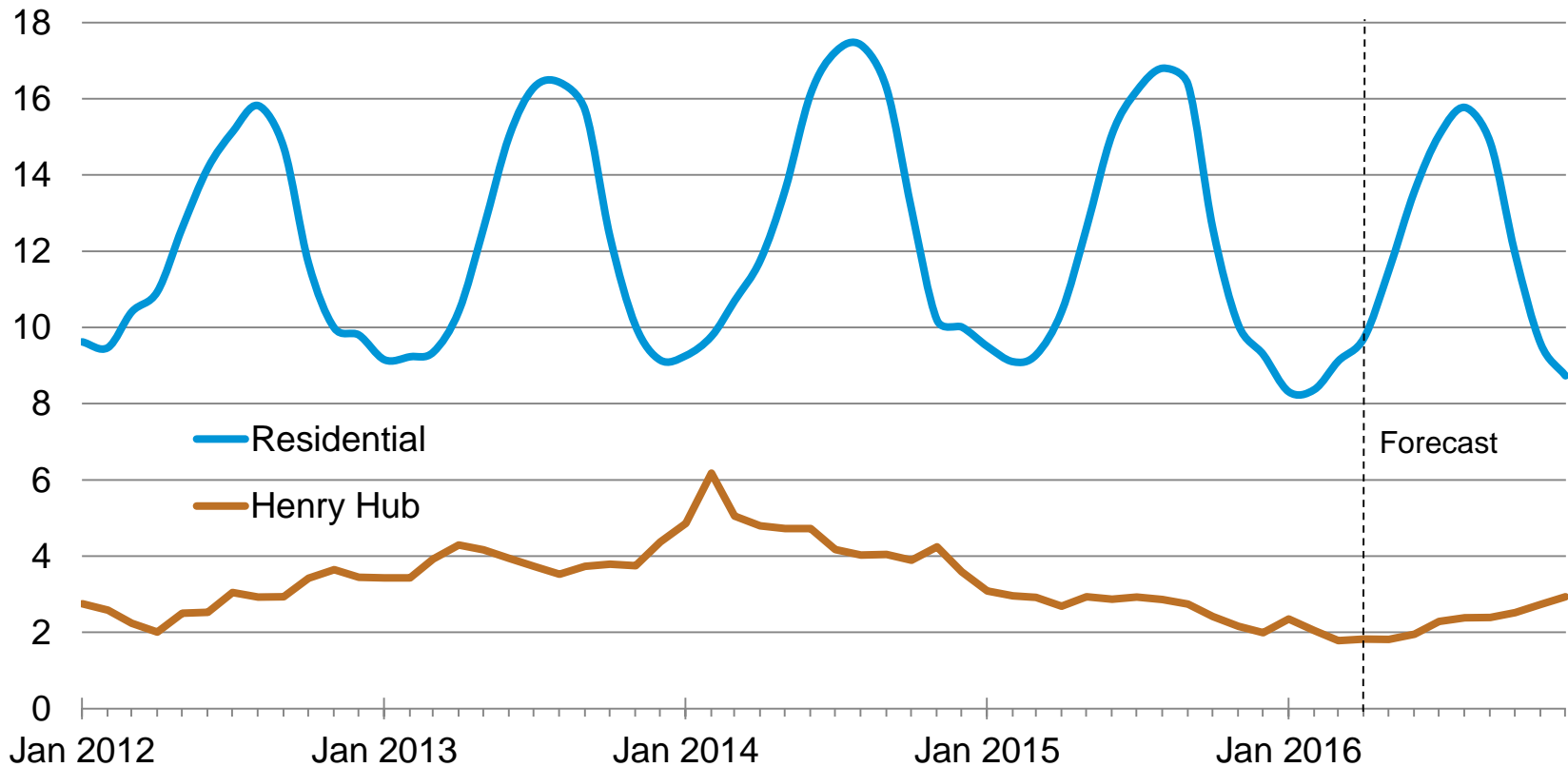
Summer average diesel price
dollars per gallon



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

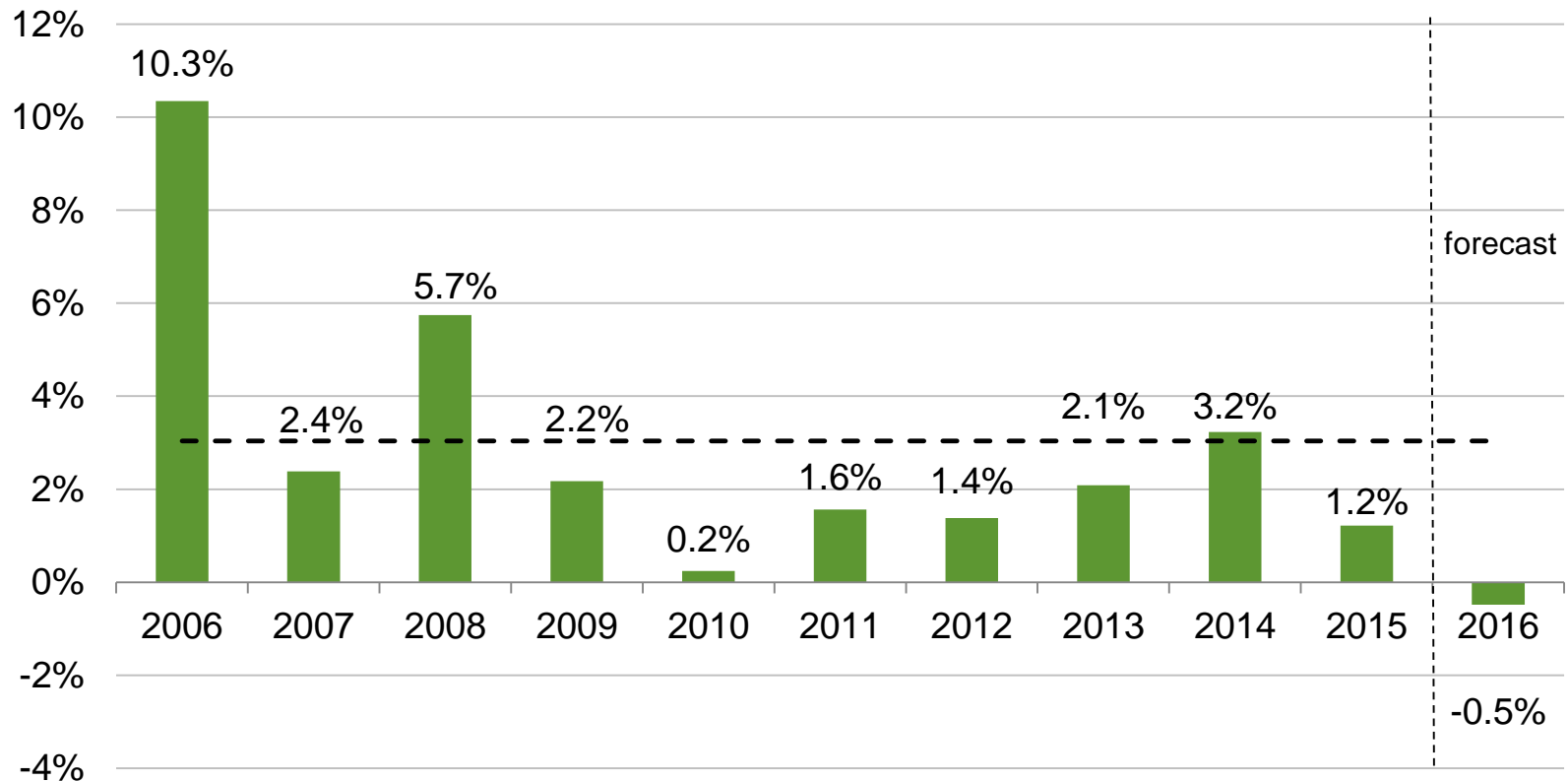
Monthly average natural gas prices
dollars per thousand cubic feet



Source: Short-Term Energy Outlook, April 2016

Lower natural gas prices contribute to decline in average residential electricity price – the first since 2002

Change in residential electricity price



Note: Dashed line represents previous 10-year average (2006-2015).

Source: Short-Term Energy Outlook, April 2016

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

Today in Energy | www.eia.gov/todayinenergy