

Short-Term Energy and Summer Fuels Outlook

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***2006 Summer Transportation Fuels Outlook
Conference
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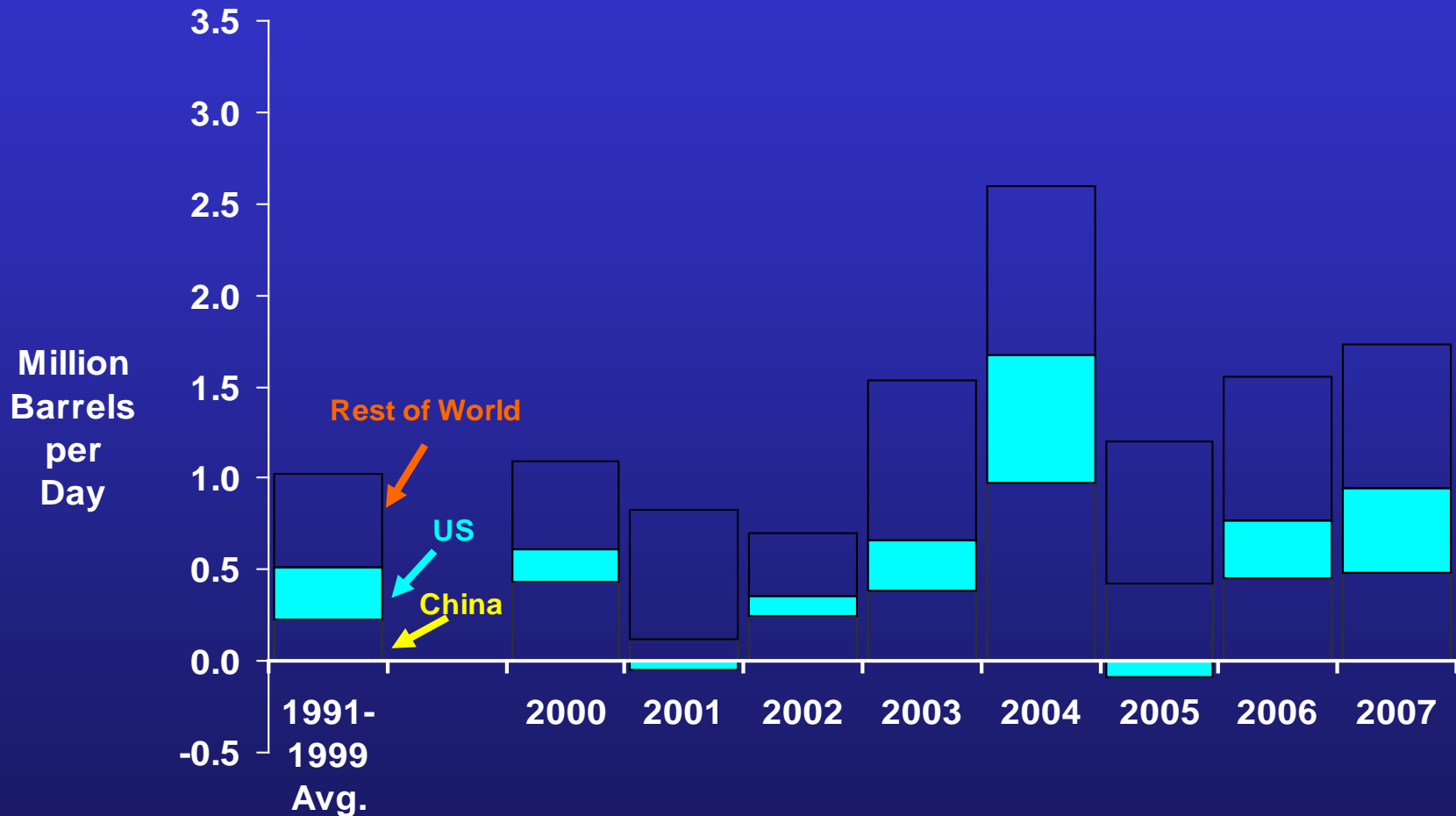


Several Key Factors Drive the Short-Term Fuels Forecast

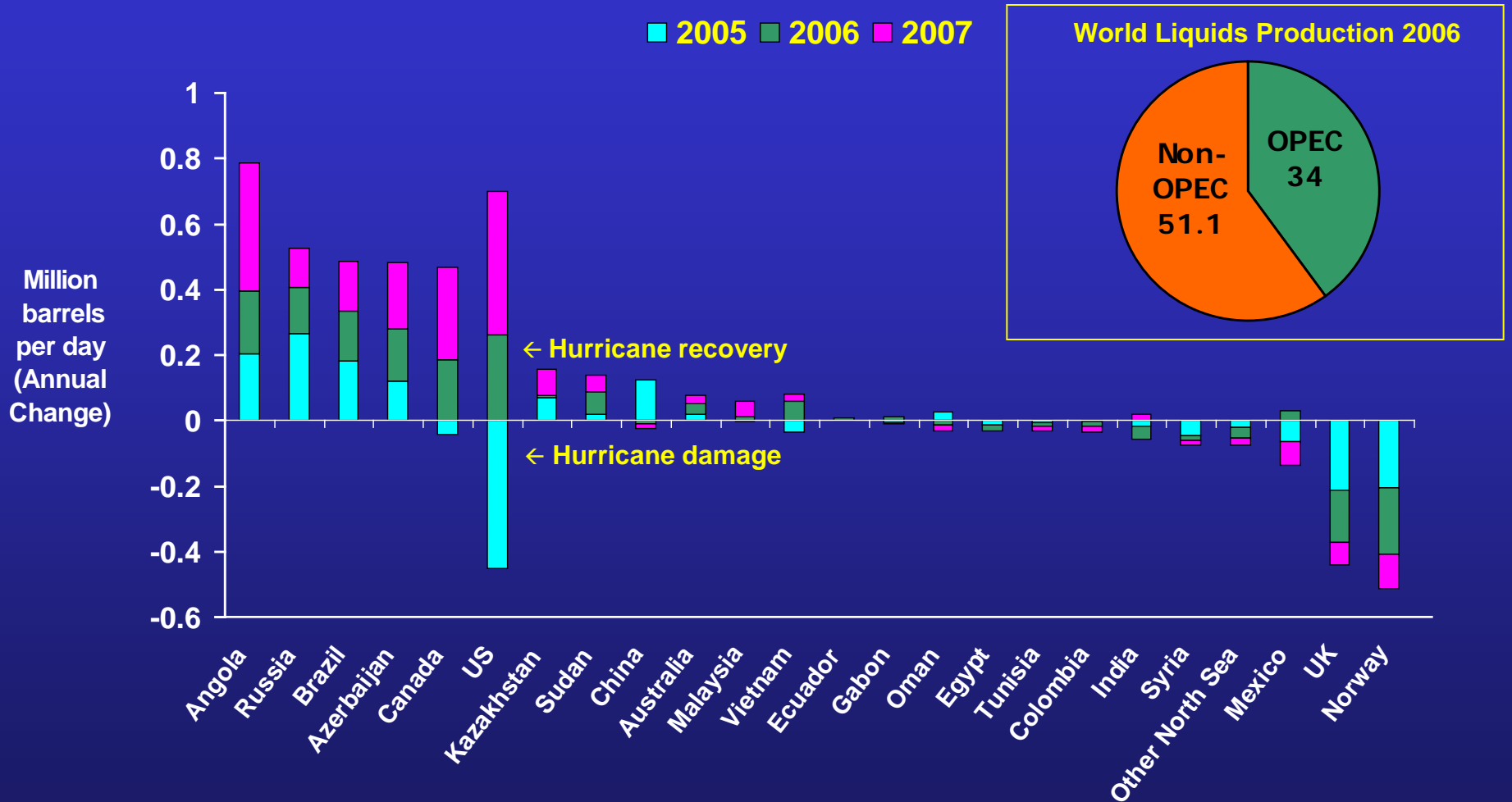
- 1) Rising world oil consumption;
- 2) Low global surplus production capacity and tight crude oil supply relative to demand;
- 3) Supply concerns in international oil markets (such as in Nigeria, Iraq, and Iran);
- 4) The challenges of:
 - ✓ Stricter sulfur standards under the Tier 2 Gasoline program;
 - ✓ MTBE phase-out;
 - ✓ A shift to ultra low sulfur diesel.

All these factors contribute to higher prices for petroleum products, particularly in the coming months.

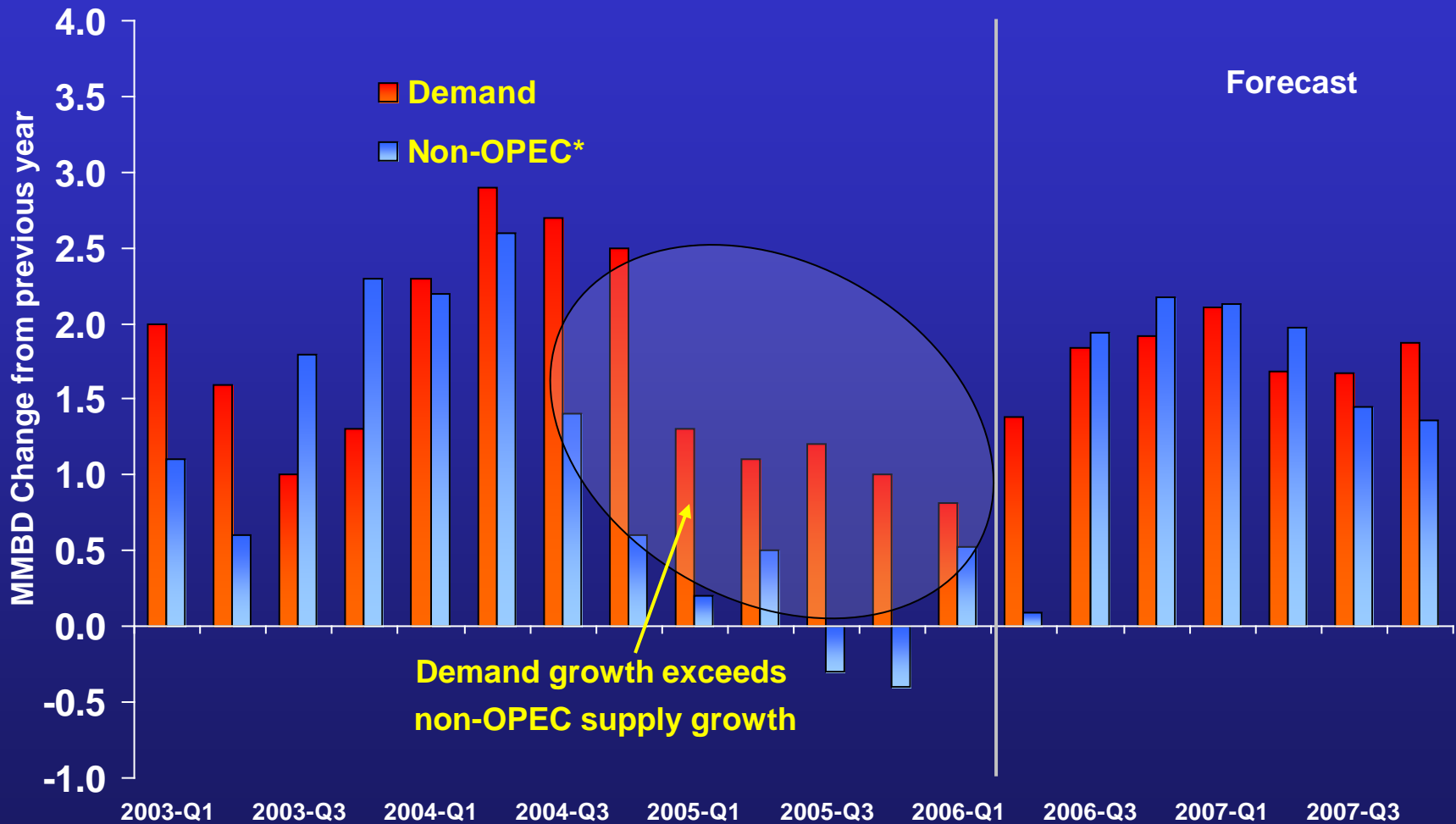
World Oil Consumption Growth Slowed in 2005; Projected to Increase in 2006-2007



Non-OPEC Supply Growth Projected to Reach 0.8 million bbl/d in 2006 and 1.5 million bbl/d in 2007



Large Demand Growth and Low Non-OPEC Supply Growth Create Tight Market Conditions

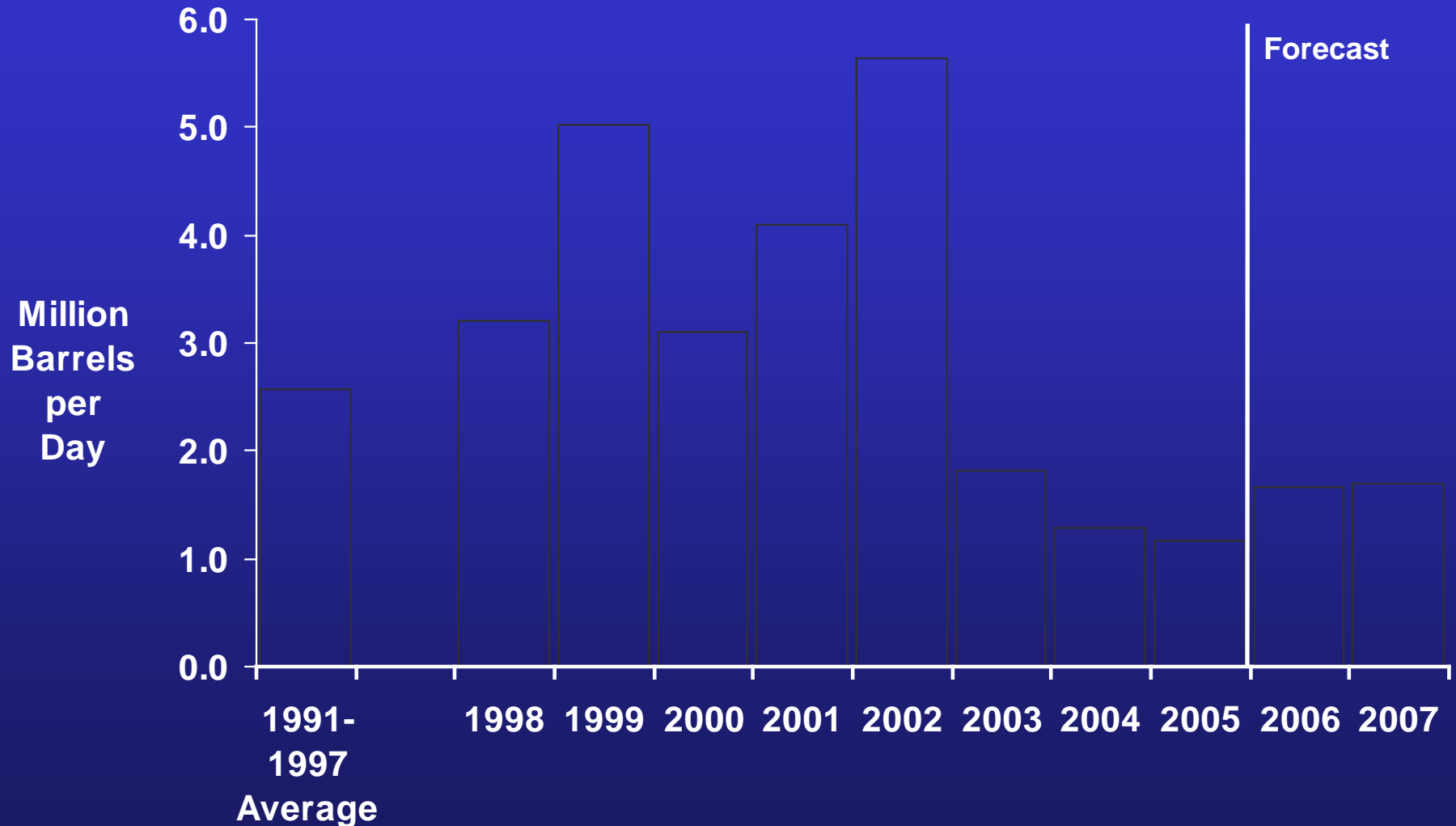


* Includes OPEC non-crude production

Source: EIA, Short-Term Energy Outlook, April 2006



2005 World Oil Spare Production Capacity Reached Lowest Level in 30 Years



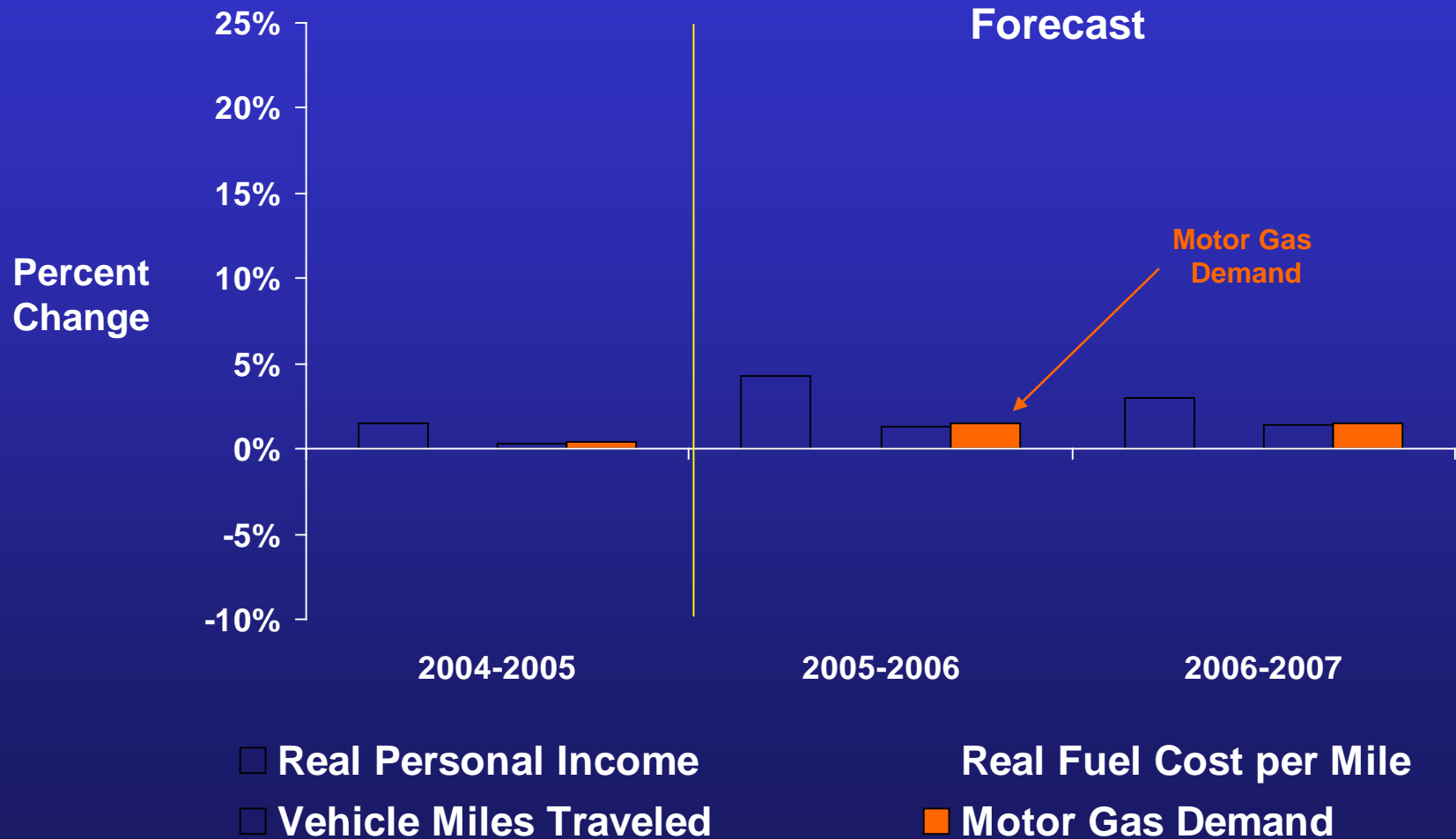
West Texas Intermediate Crude Oil Price Projected to Peak in mid-2006, then Gradually Decline.



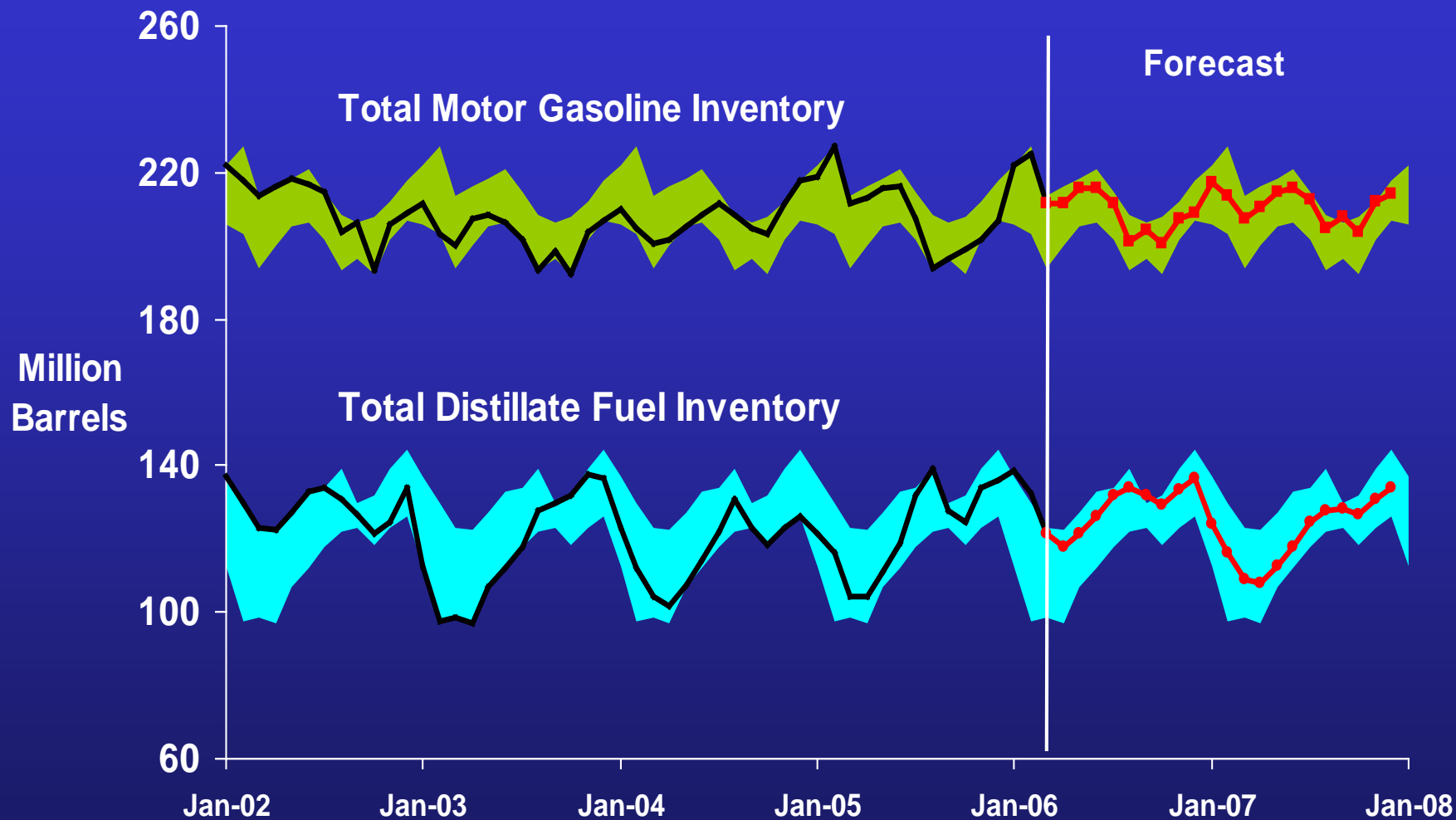
Several Factors Are Driving 2006 U.S. Summer (April – September) Outlook for Motor Fuels

- 1) High crude oil costs (up 13 percent from 2005 - summer to summer);
- 2) Increased gasoline demand growth (up 1.5 percent from 2005 – summer to summer);
- 3) Adequate stocks but refining capacity constraints;
- 4) Tighter constraints on sulfur content in gasoline and phase-out of MTBE;

Projected Increases in Personal Income and Miles Traveled Drive Up U.S. Gasoline Demand

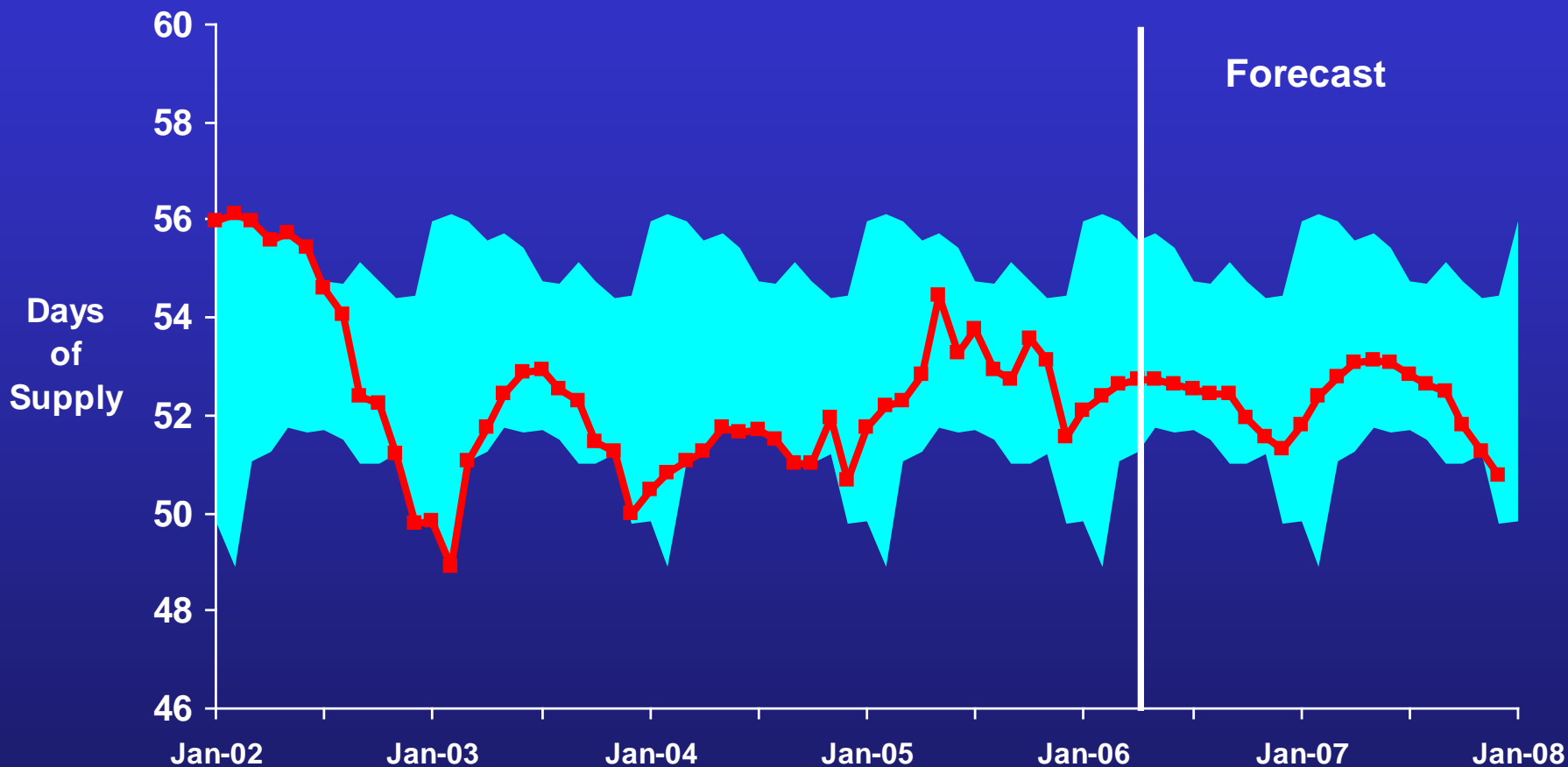


Motor Gasoline and Distillate Stocks Projected to Remain Within 5-year Min/Max Range



NOTE: Colored bands represent previous 5-year minimum/maximum ranges

Days of Supply of OECD* Commercial Oil Stocks Decline Gradually Through 2007



* Organization for Economic Cooperation and Development

Source: EIA, Short-Term Energy Outlook, April 2006

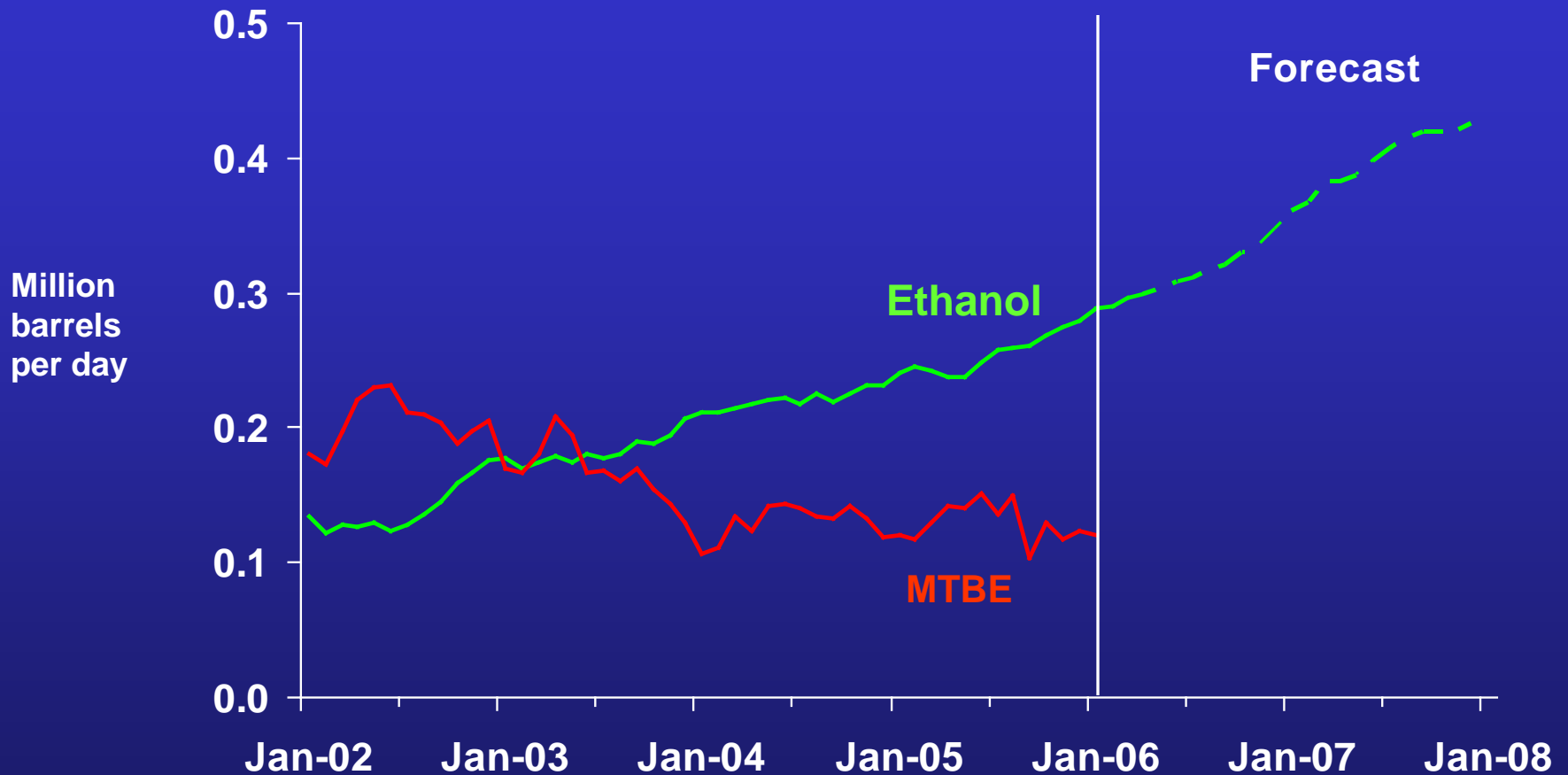


U.S. Motor Gasoline Market Faces New Challenges This Year

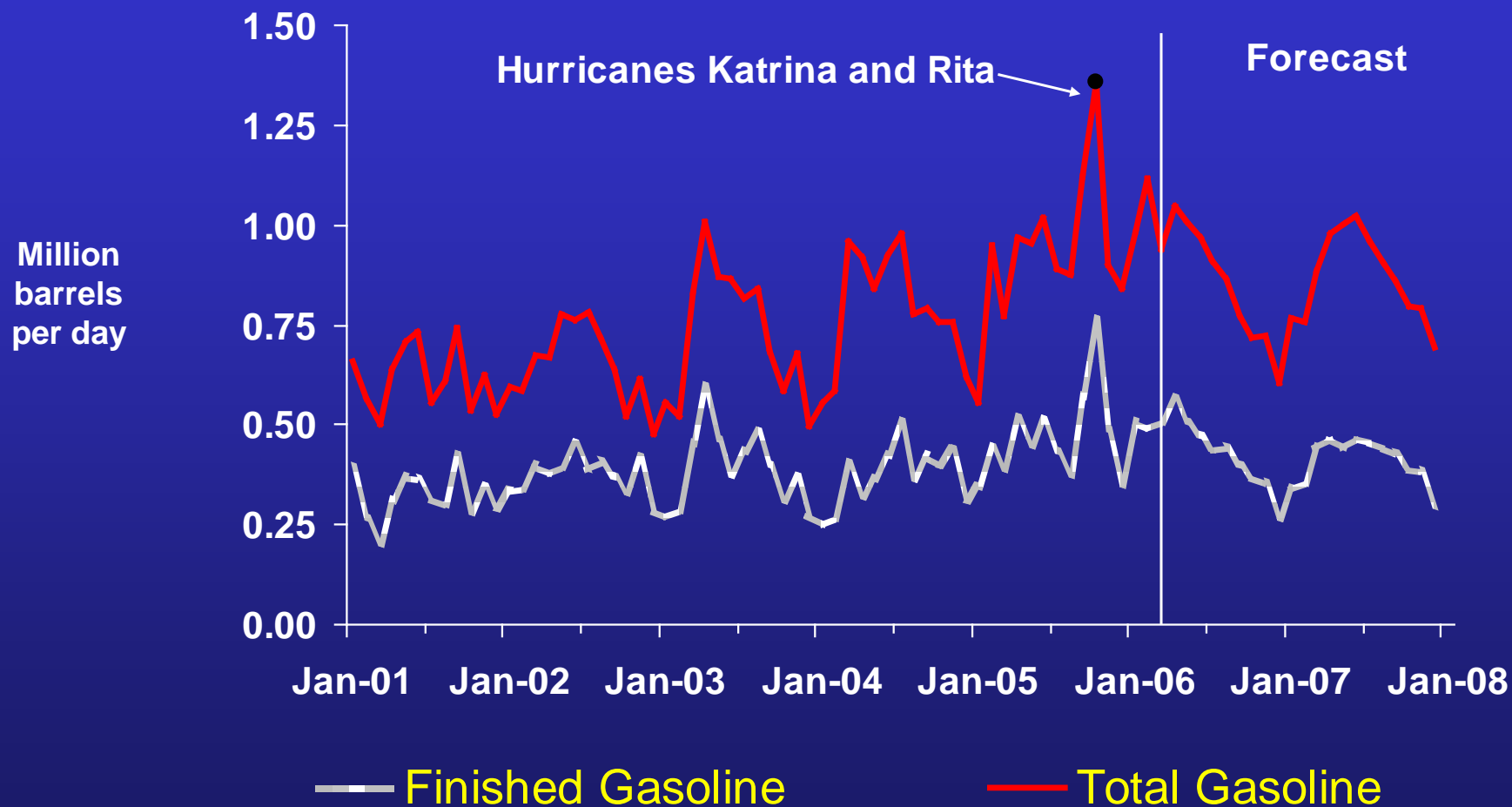
- 1) Final stage of the phase-in of EPA's Tier 2 gasoline program, which began in 2004:
 - Not expected to create significant problems for domestic refining and distribution;
 - May constrain foreign suppliers' ability to respond to unexpected local supply disruptions or demand shocks.

- 2) Phase-out of methyl tertiary butyl ether (MTBE) as a motor gasoline blendstock:
 - Projected to slightly increase average price of all gasoline due to lost production capability, fewer import sources, and tight ethanol markets;
 - Raises potential for localized price spikes arising from a complex transition in a tight market over a fairly short time period.

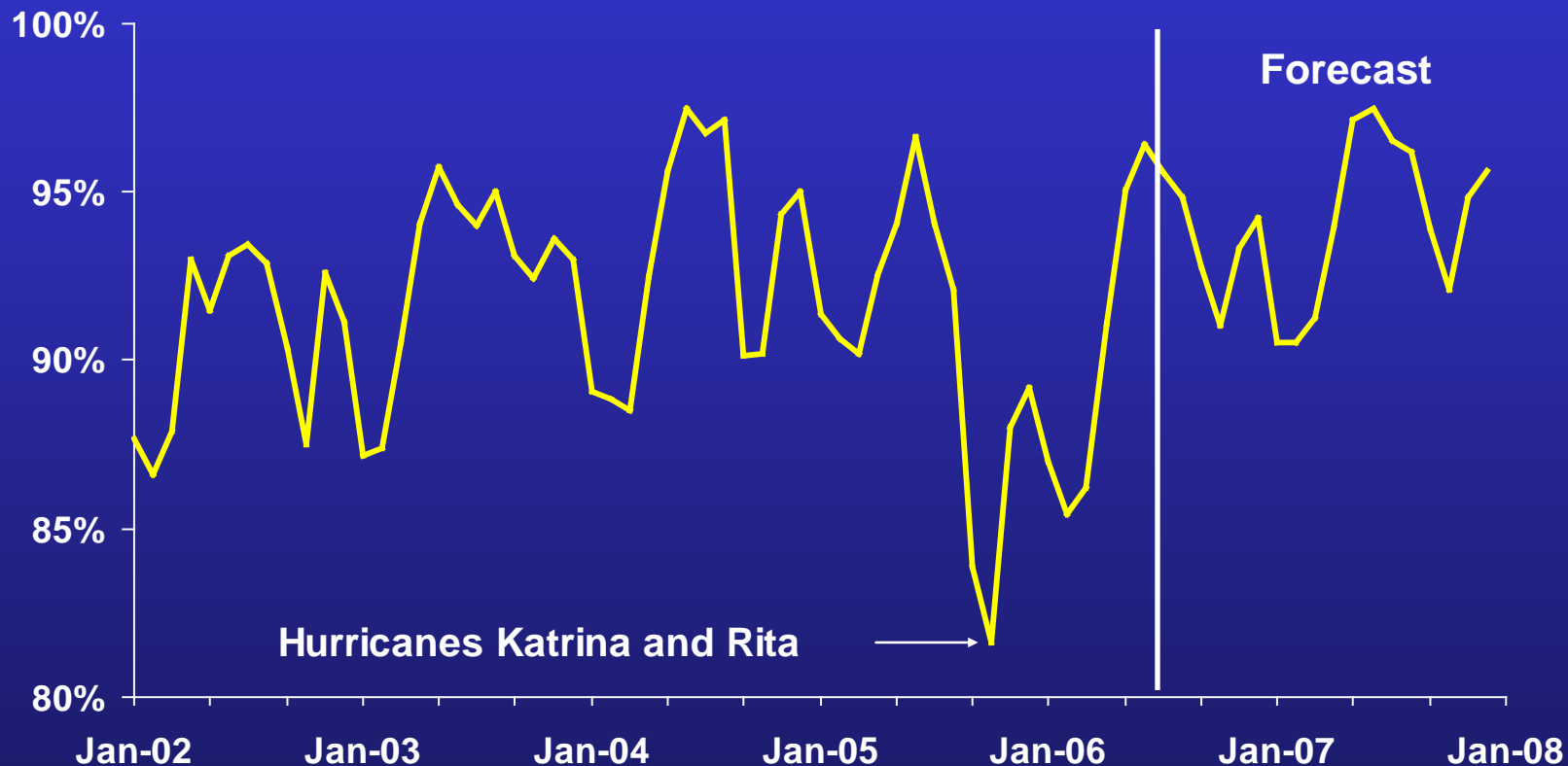
Current and Projected Ethanol Production Will Replace MTBE



Gasoline and Blending Components Imports Projected to Average 9.9% of Summer Demand



Refinery Utilization Rates Projected to Average About 94%, up from 92% Last Summer

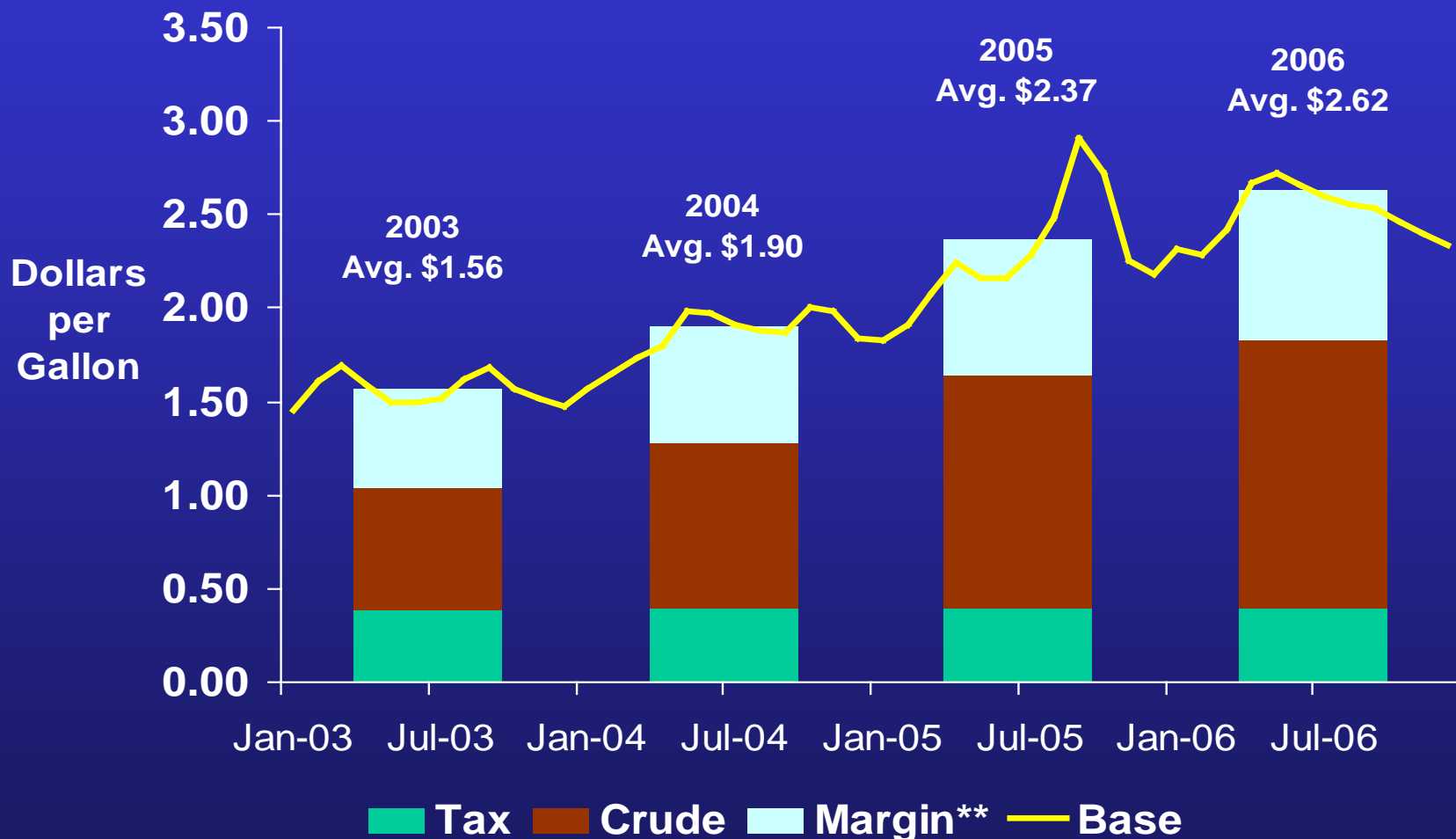


Utilization Rate = Distillation inputs / atmospheric distillation **operable** capacity

Source: EIA, Short-Term Energy Outlook, April 2006



Summer Retail Gasoline Prices* Projected to Average \$2.62 per Gallon, 25 cents More than Last Summer



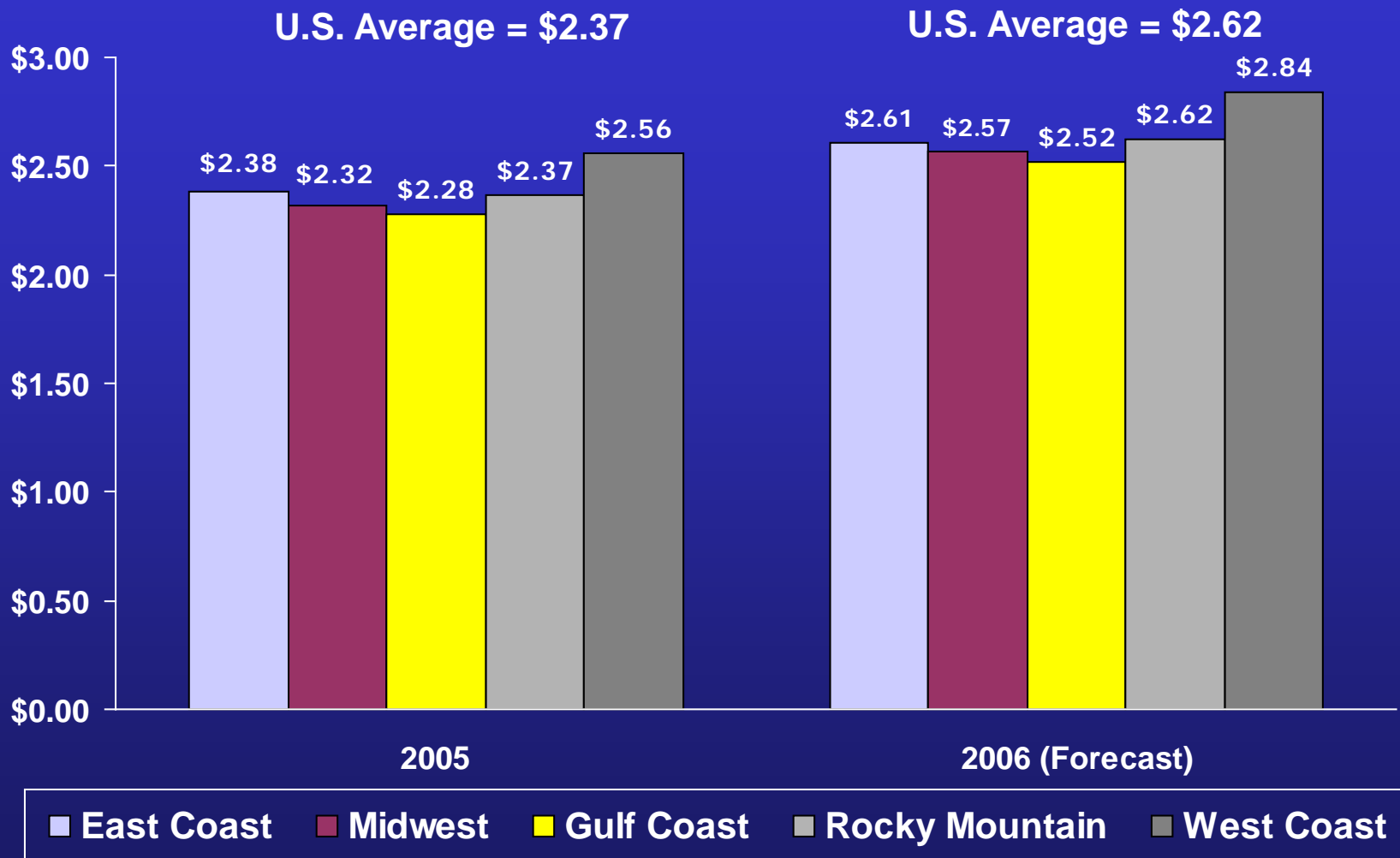
* Regular gasoline, average all formulations.

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

Source: EIA, Short-Term Energy Outlook, April 2006

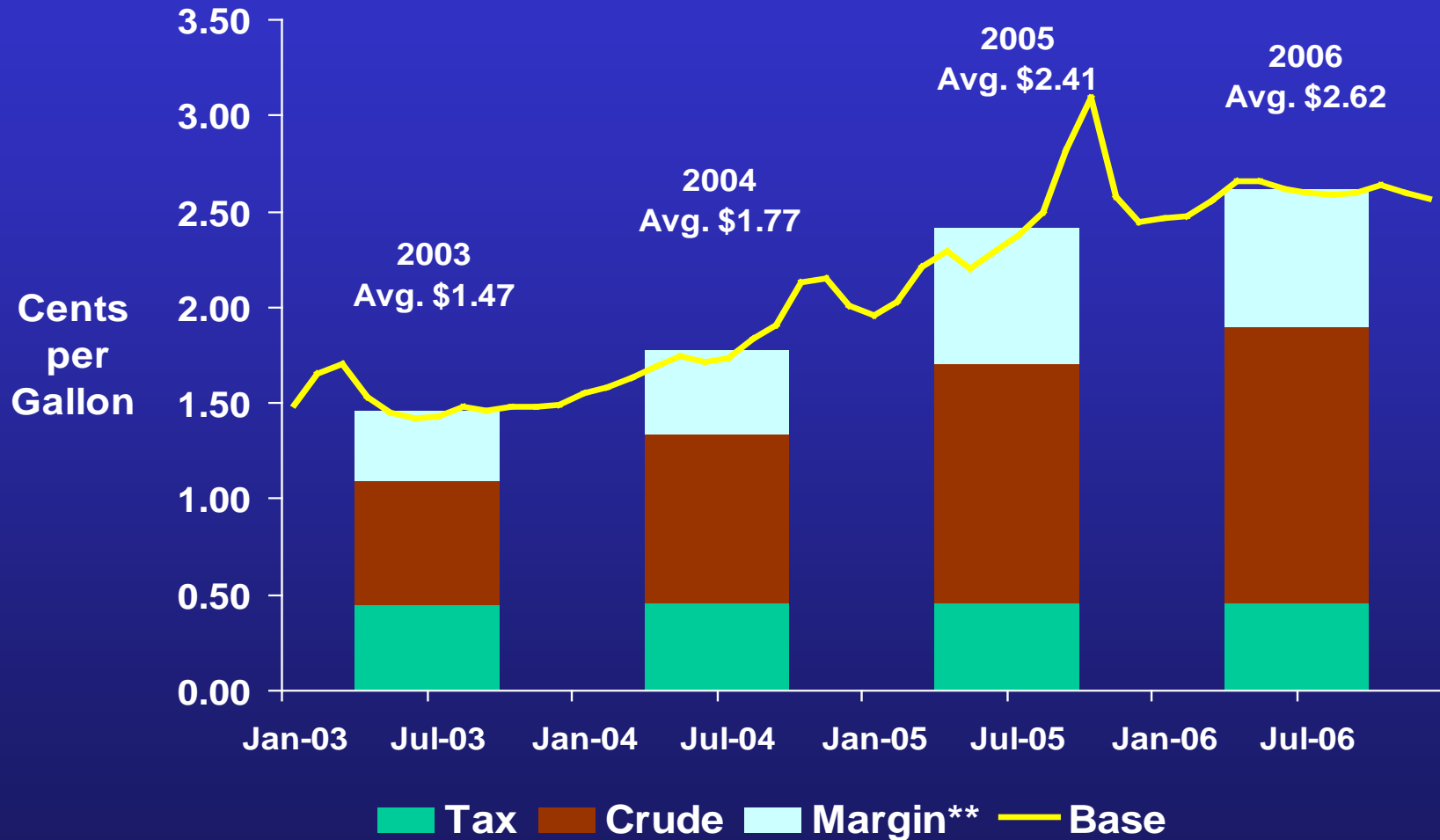


Regular Gasoline Summer Prices Vary by Region



Summer = April through September average

Summer Retail Diesel Prices Projected to Average \$2.62 per gallon, up 21 cents from Last Summer



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

Source: EIA, Short-Term Energy Outlook, April 2006



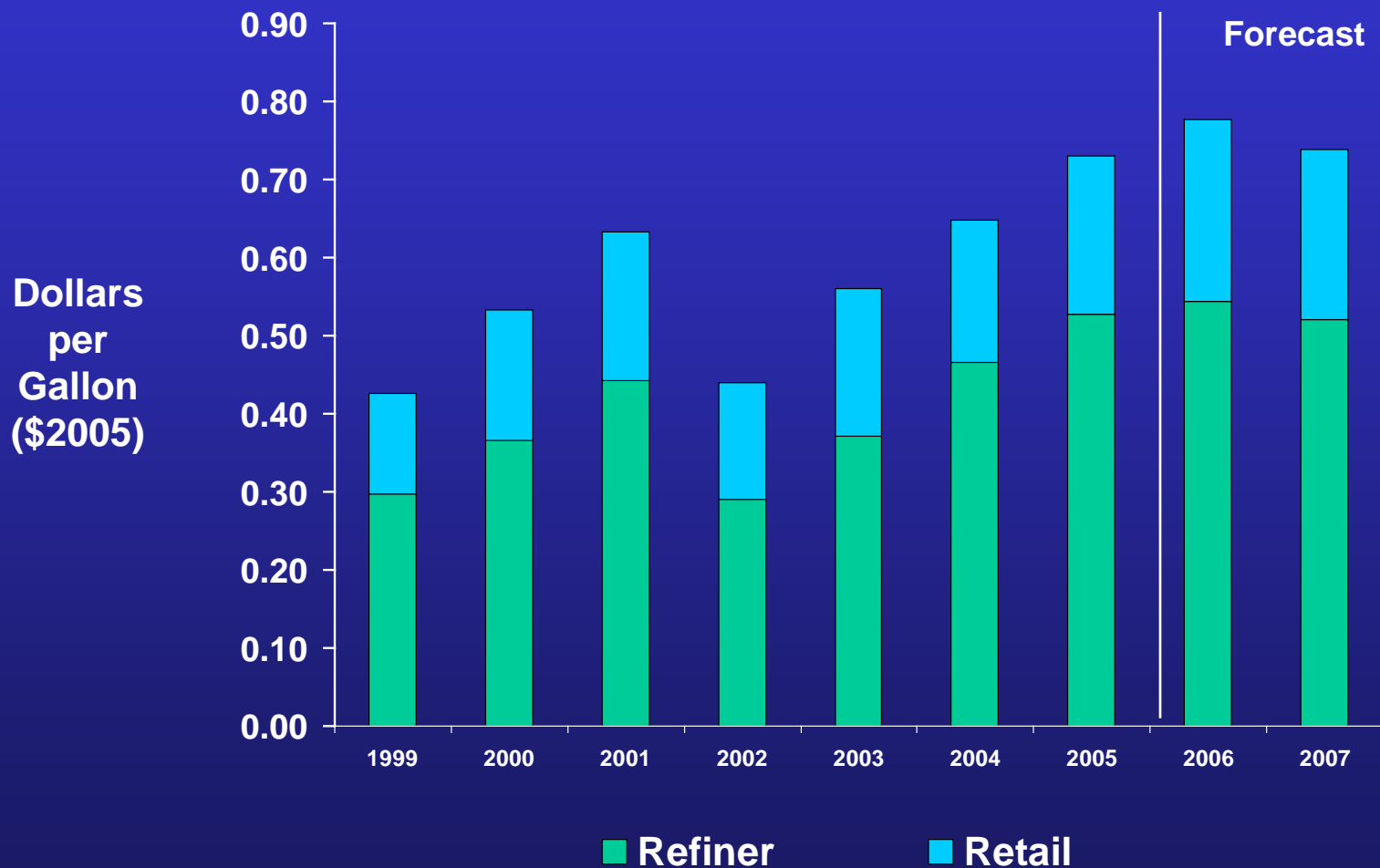


Summary

- High world oil demand, sparked by robust economic growth, is continuing to keep crude oil prices high and increase competition for gasoline imports.
- Crude prices (WTI) are expected to remain above \$60 per-barrel for the rest of 2006 and 2007;
- In the United States, additional changes in gasoline specifications and tight refinery capacity can be expected to increase operating costs slightly and limit supply flexibility.
- Gasoline prices are expected to average \$2.62 over this summer;
- Diesel prices also are expected to average \$2.62 this summer.

Extra Slides

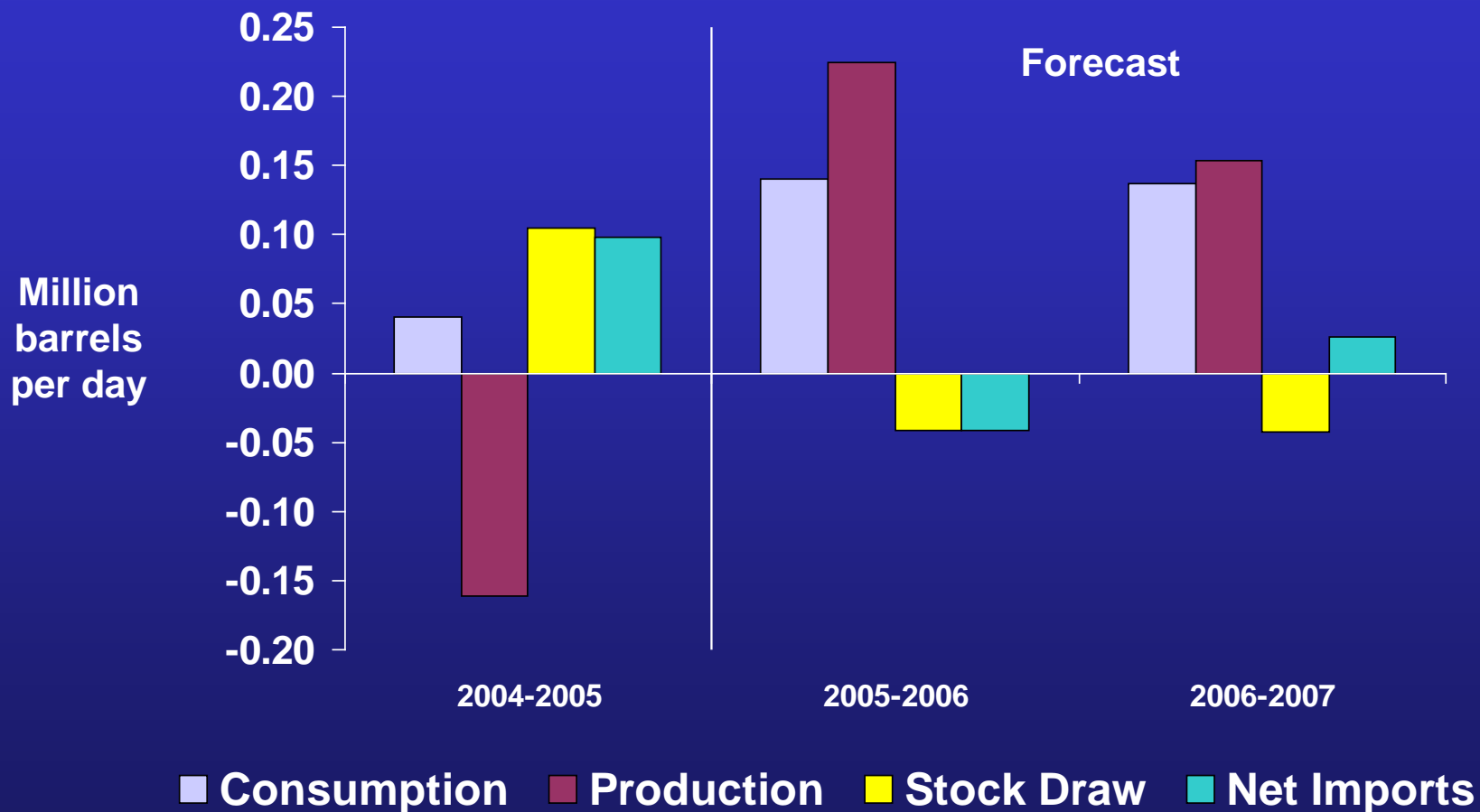
Inflation-Adjusted Summer Gasoline Margins Continue to Rise



Source: EIA, Short-Term Energy Outlook, April 2006



Summer Motor Gasoline Supply/Consumption Growth Balance (Change from Year Ago)

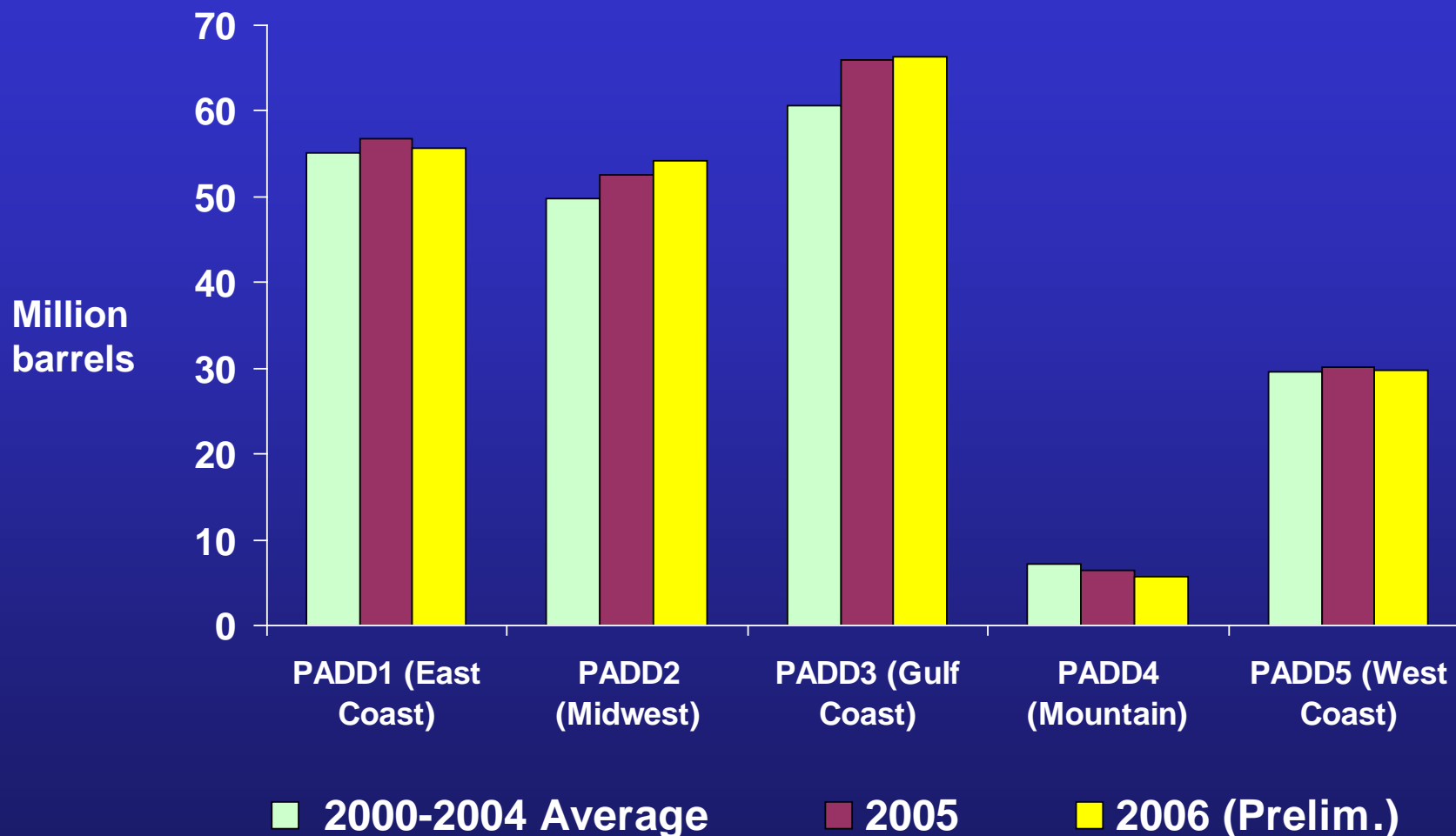


Note: Net imports and stock draw include blending components

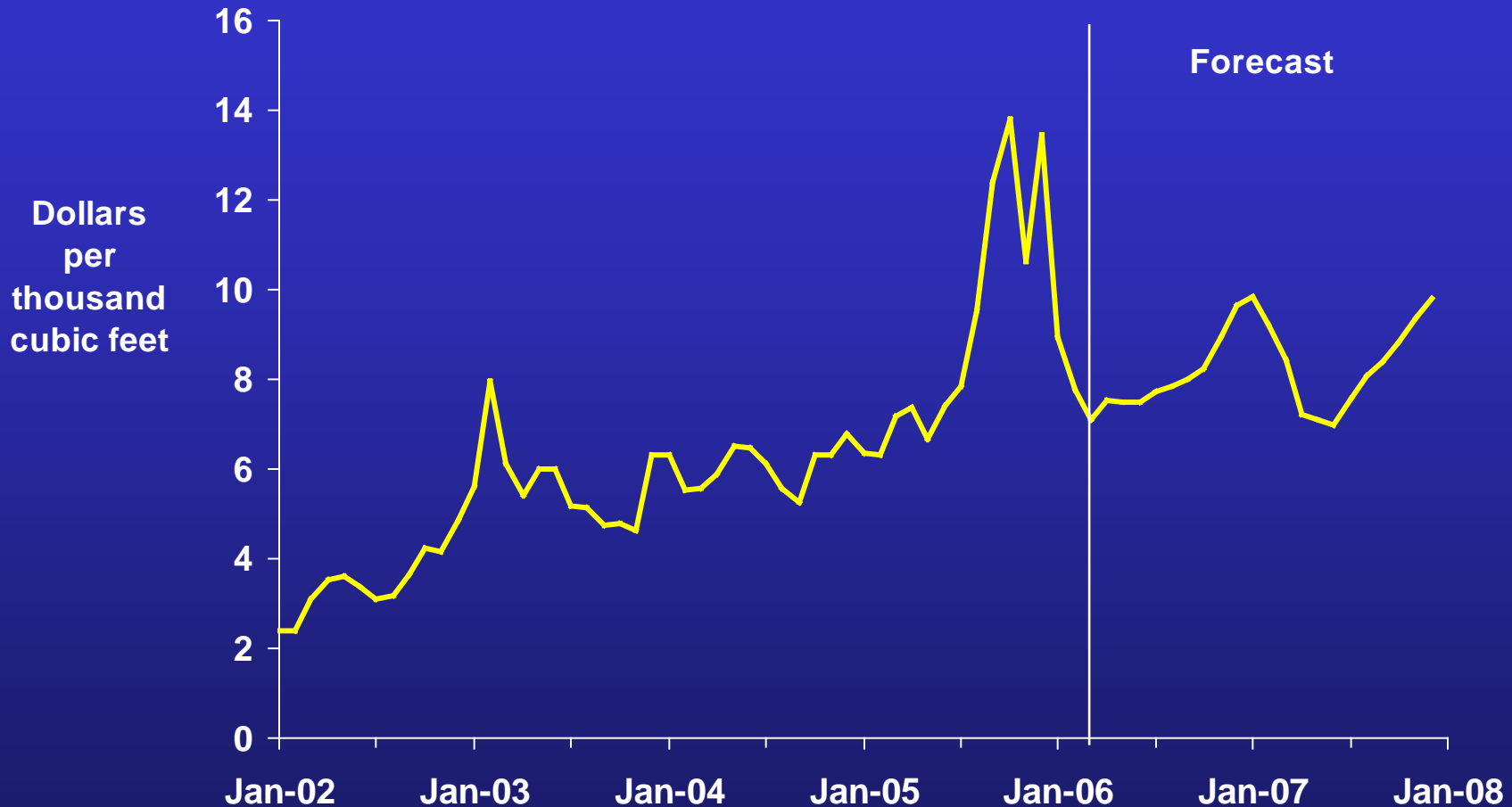
Source: EIA, Short-Term Energy Outlook, April 2006



Total Motor Gasoline Stocks by PADD (March 31)



Natural Gas Spot Prices Projected to Dip During Spring and Summer '06, but Remain Relatively High



Source: EIA, Short-Term Energy Outlook, April 2006



Working Natural Gas in Storage: Currently about 60 percent above 5-year average; more than 30 percent above year ago

