
2012 State Heating Oil and Propane (SHOPP) Webinar

Heating Fuels Outlook



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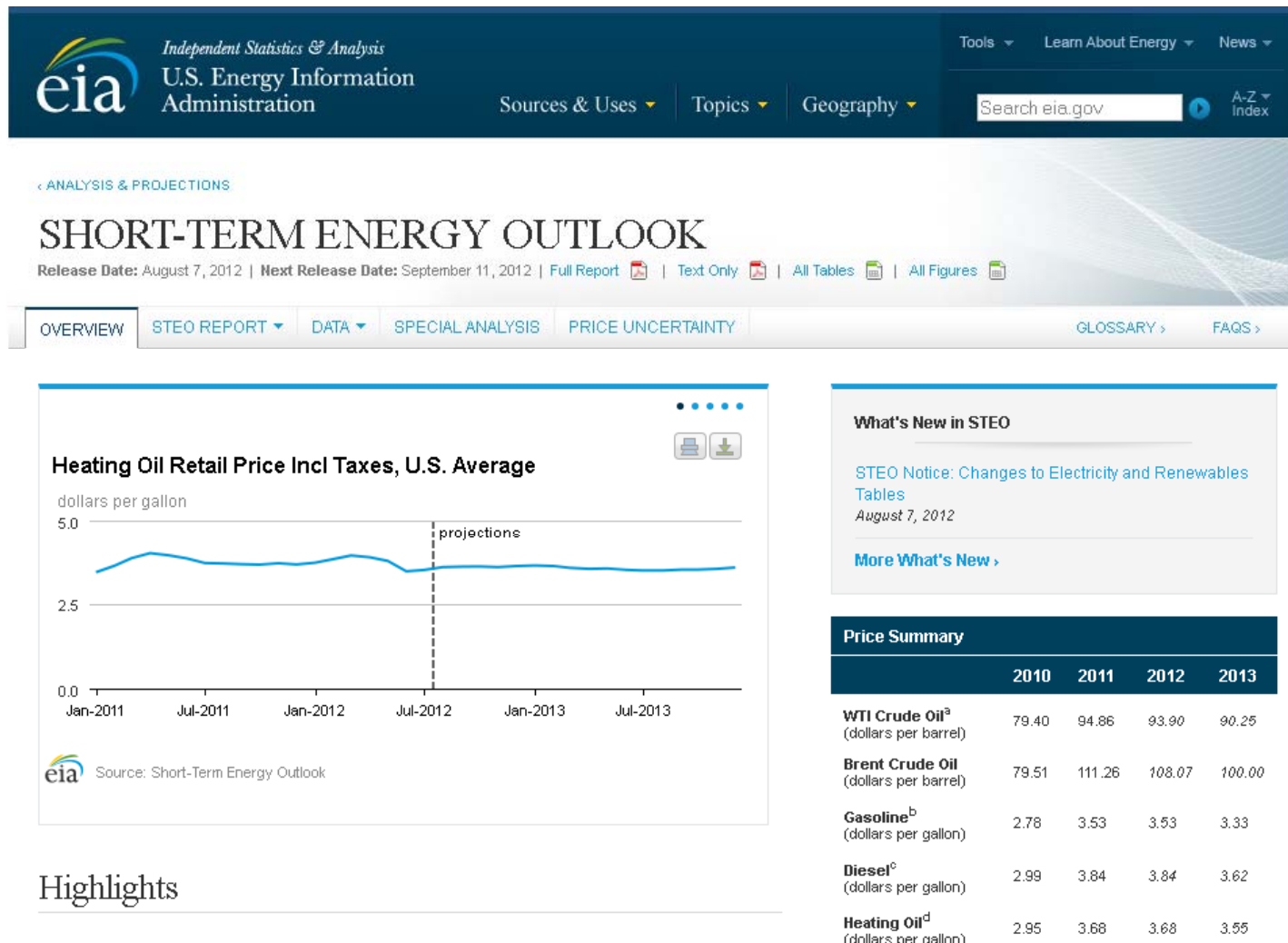
August 14, 2012 / Washington, D.C.



U.S. Energy Information Administration

Independent Statistics & Analysis | www.eia.gov

EIA Short-Term Energy Outlook



Heating oil households are primarily in the Northeast, propane in South and Midwest

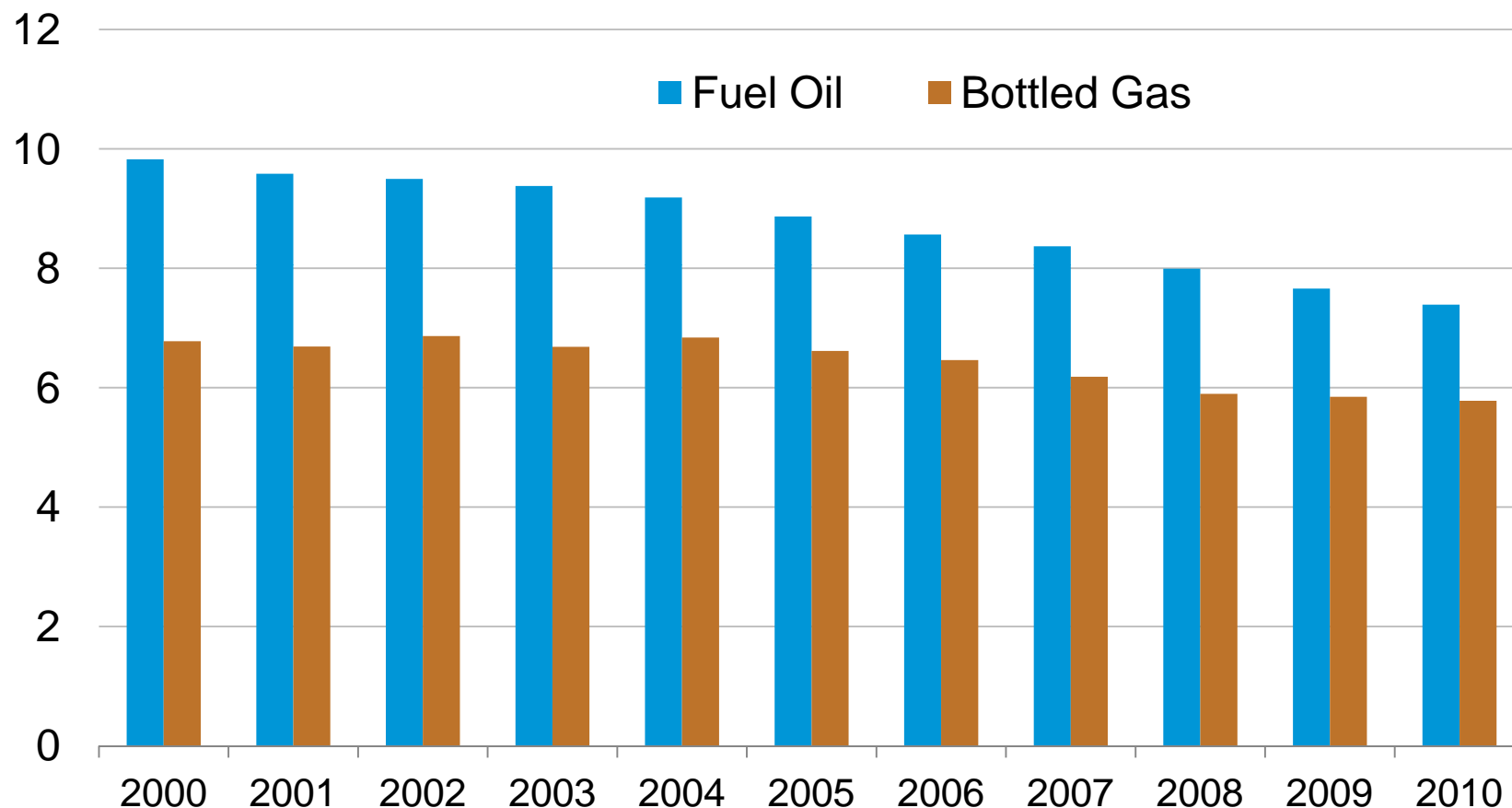
Numbers of households that use heating oil or bottled gas (propane) as their primary space heating fuel (millions)

Region	Heating Oil	Bottled Gas
Northeast	5.83	0.73
South	0.86	2.07
Midwest	0.43	2.06
West	0.28	0.91
United States	7.39	5.78
Share of all U.S. households	6.3%	5.0%

Source: U.S. Census Bureau, *American Community Survey*

The number of households using heating oil as their primary space heating fuel fell by 25 percent between 2000 and 2010

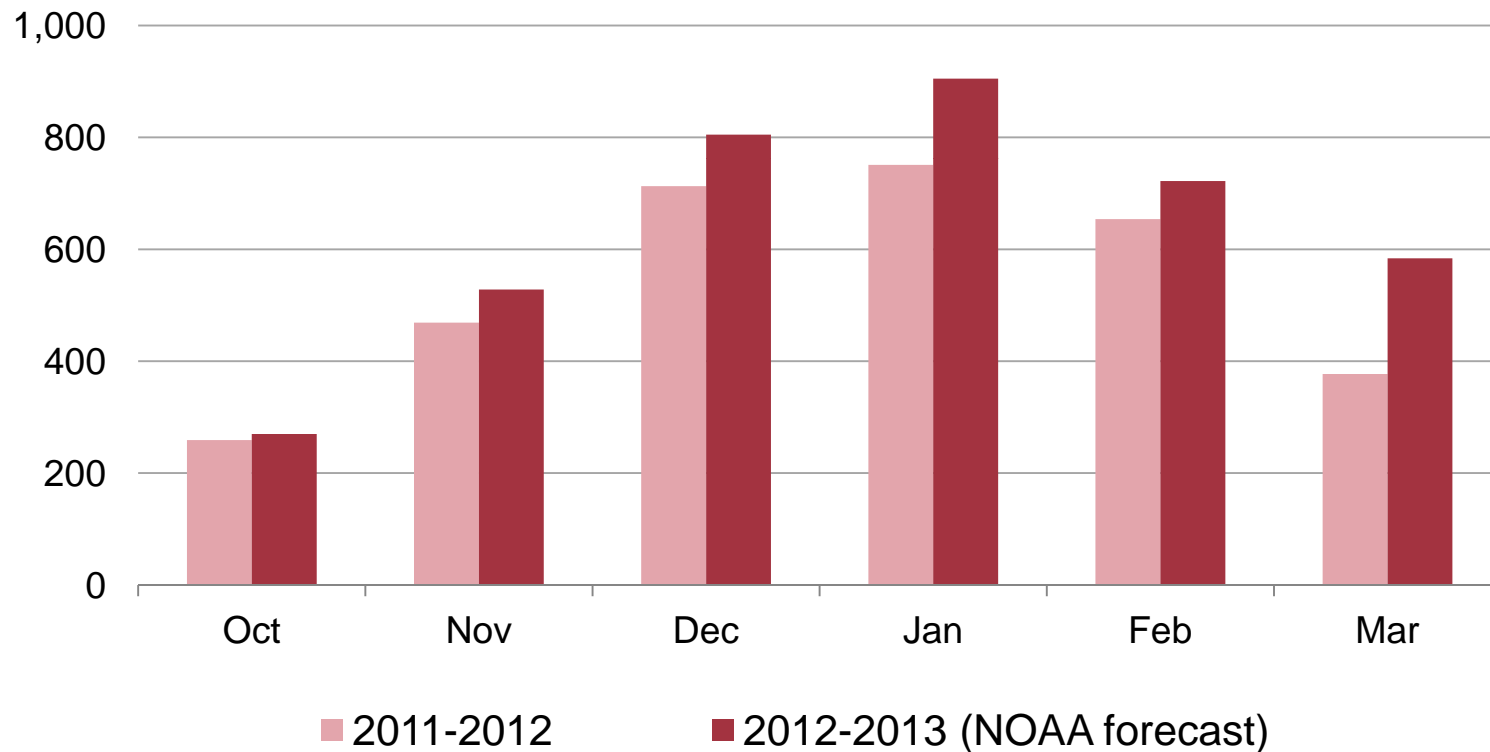
Millions of households using fuel for space heating



Source: U.S. Census Bureau, *American Community Survey*

Winter 2012-13 heating season forecast is 18% colder than last winter, close to the 30-year average

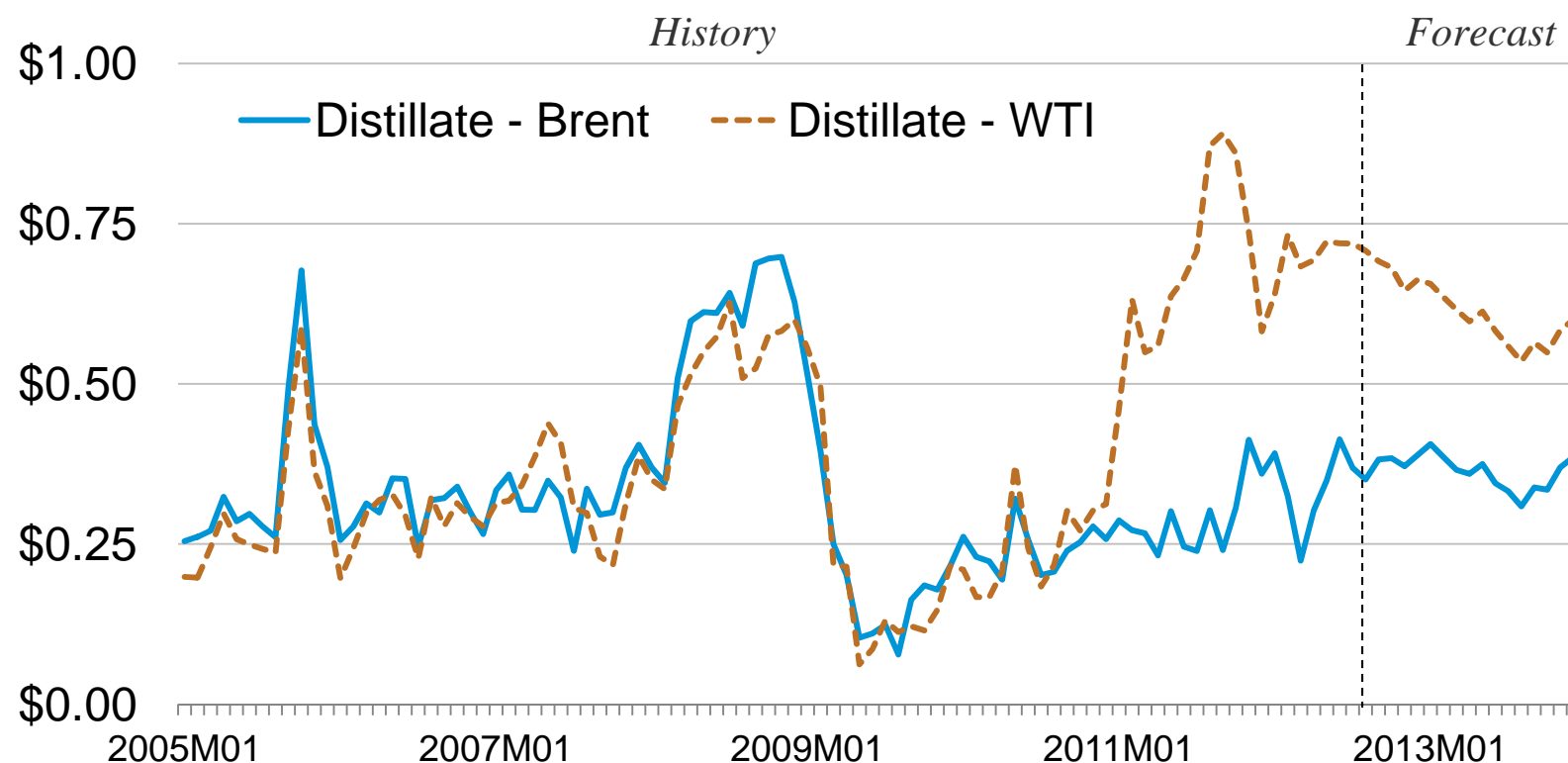
U.S. population-weighted
heating degree-days



Source: National Oceanic and Atmospheric Administration (September 15, 2011)

High-sulfur distillate wholesale prices more closely related to Brent than West Texas Intermediate (WTI) crude oil spot prices

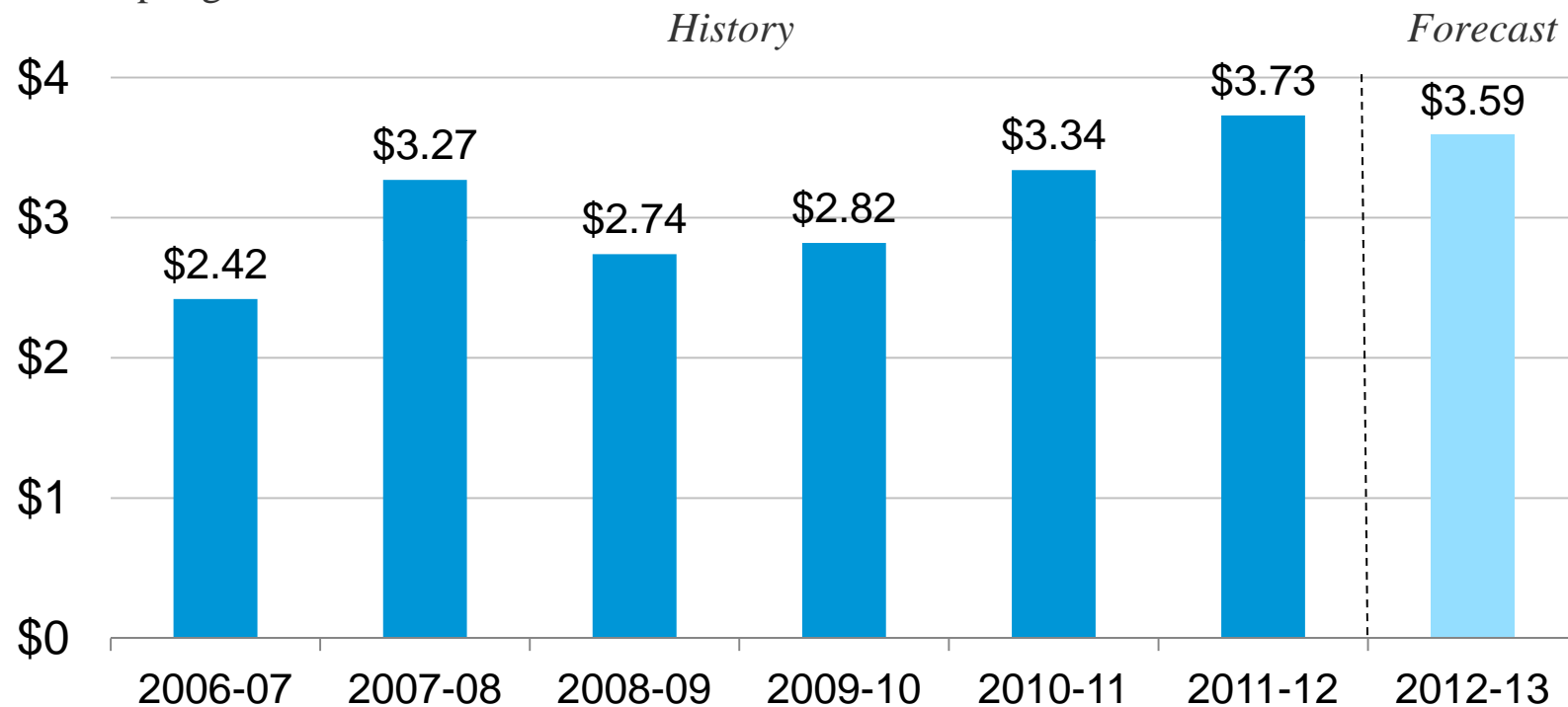
Distillate wholesale price – crude oil spot price
dollars per gallon



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, August 2012.

Forecast U.S. residential heating oil price is about 4 percent lower than last winter

Average winter (October – March) price
dollars per gallon



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, August 2012.

Projected declines in heating oil prices from last winter are less than crude oil price drop

	Winter 2011-12	Winter 2012-13 forecast	Change
Brent crude oil spot price	\$113.94 / barrel (\$2.71 / gallon)	\$100.67 / barrel (\$2.40 / gallon)	- \$13.27 / barrel (-\$0.32 / gallon)
Distillate wholesale price	\$3.04 / gallon	\$2.78 / gallon	- \$0.26 / gallon
Heating oil retail price	\$3.72 / gallon	\$3.59 / gallon	- \$0.13 / gallon

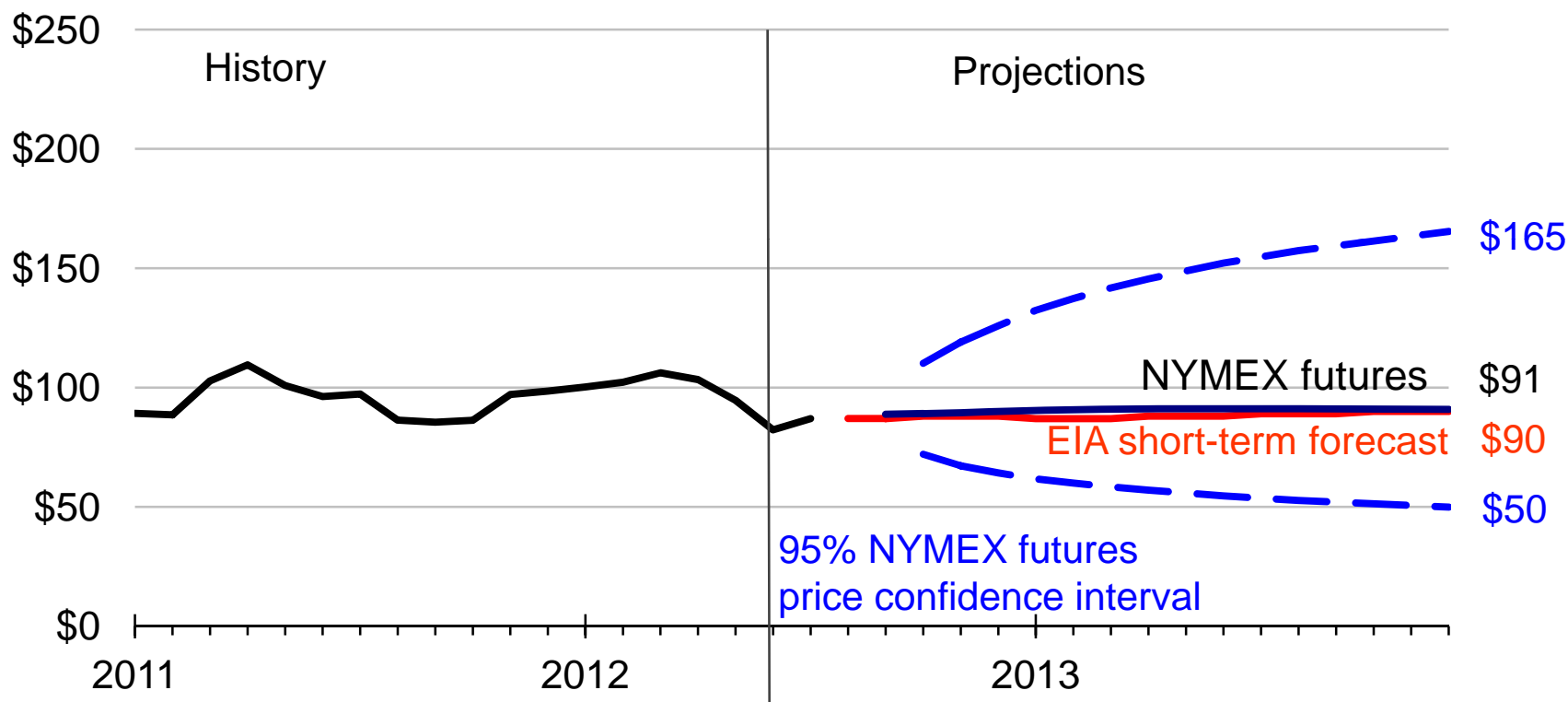
Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, August 2012.

Reasons for the smaller drop in forecast product prices compared with crude oil price this winter

- Rising prices last winter and lags in the pass-through of price changes.
Last winter:
 - Brent crude oil monthly average spot prices increased from \$110 per barrel in October 2011 to \$125 per barrel in March 2012, a \$0.36 per gallon increase.
 - Distillate wholesale prices increased by \$0.29 per gallon between October 2011 and March 2012.
 - Retail prices increased by \$0.27 per gallon between October 2011 and March 2012.
- Smaller market
 - New York State, which represents about one-quarter of the total U.S. residential heating oil market, is switching to low-sulfur heating oil
- Upward trend in retail – wholesale heating oil price spread
 - over the last 10 years the difference between the average heating oil retail price and the heating oil wholesale price has increased by an average 3 cents per gallon per year.

EIA expects monthly average crude oil prices to remain near current levels, but NYMEX options market valuations indicate significant uncertainty

Price of light, sweet crude oil
dollars per barrel

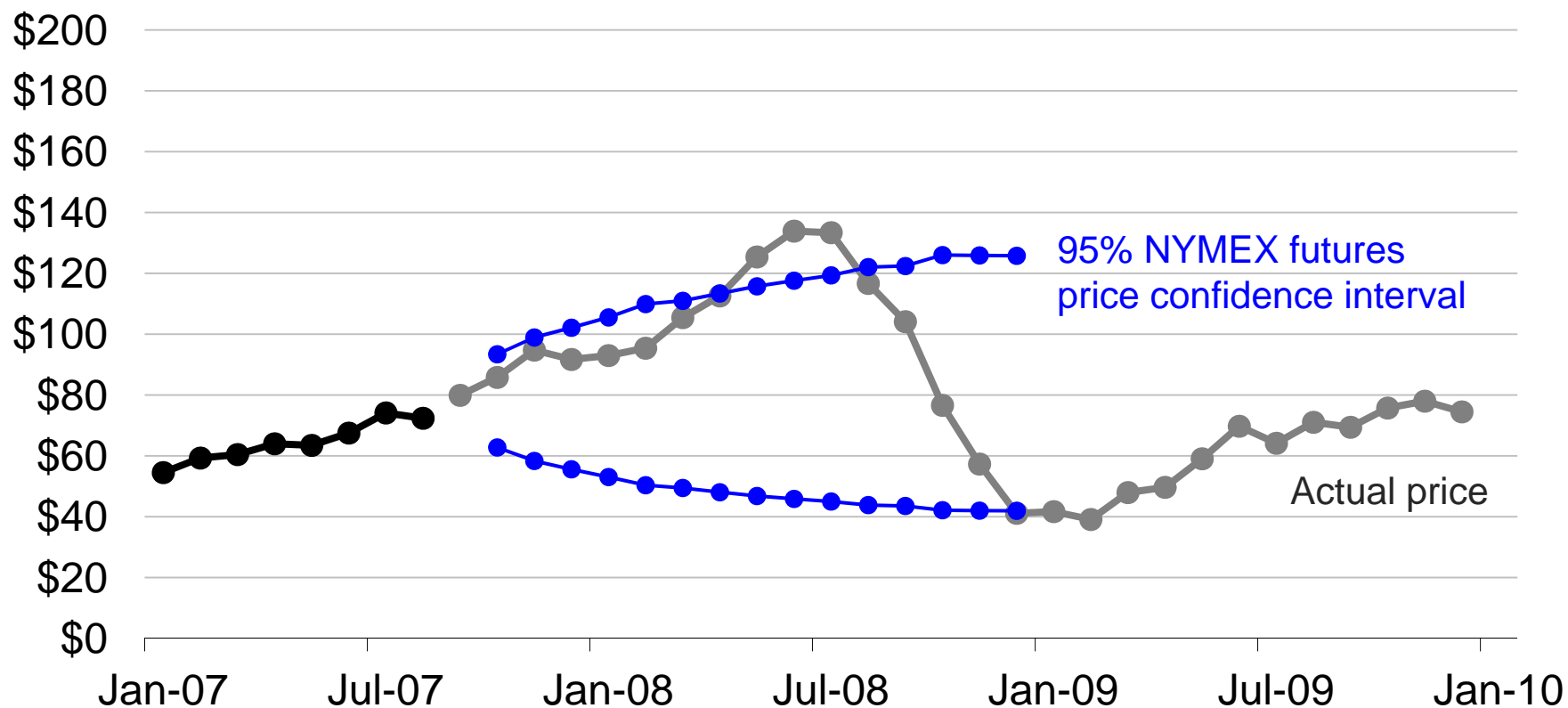


Confidence interval derived from options market information for the 5 trading days ending August 2, 2012.

Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, August 2012.

Actual realized prices in 2008 went outside both the August 2007 high and low 95 percent confidence intervals

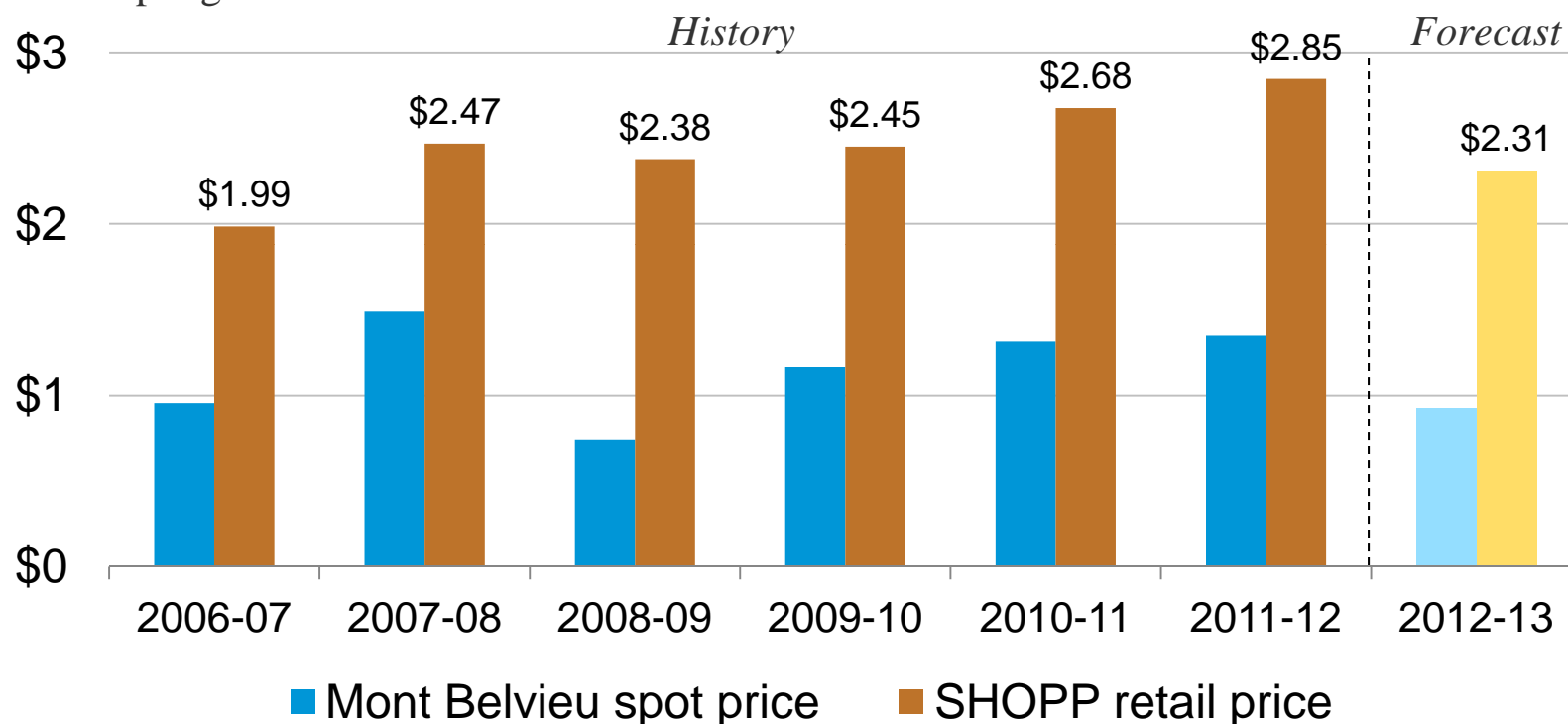
Price of light, sweet crude oil
dollars per barrel



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, August 2012.

Residential propane prices could be the lowest since the winter of 2006-07

Average winter (October – March) price
dollars per gallon



Sources: Mont Belvieu spot price history from Reuters, forecast from NYMEX propane non-LDH Mont Belvieu (OPIS) swap contract settle price on August 6, 2012. SHOPP retail price from EIA SHOPP survey, forecast based on average difference between SHOPP price and Mont Belvieu spot price over prior 3 winters.

Sources of heating oil prices

- Wholesale/spot prices

- Monthly - *Petroleum Marketing Monthly* (PMM) Table 4: U.S. refiner price for resale
- Weekly - *Weekly Petroleum Status Report* Table 11: No. 2 heating oil New York harbor (Thomson Reuters)
- Weekly - SHOPP survey: weekly prices for 26 States and the District of Columbia for the winter months only

- Retail prices

- Monthly retail prices are no longer published by EIA because of suspension of the EIA-782 B survey
- Monthly - Bureau of Labor Statistics (BLS) monthly consumer price survey: average urban prices for 4 regions and the United States
- Weekly - SHOPP survey: weekly prices for 22 States and the District of Columbia for the winter months only

- Short-Term Energy Outlook

- Monthly - PMM refiner price for resale
- Monthly - BLS U.S. average retail price