



This Week in Petroleum 9-26-07

Posted by [Robert Rapier](#) on September 26, 2007 - 7:00pm

Topic: [Supply/Production](#)

Tags: [eia](#), [gas inventories](#), [gas prices](#), [oil inventories](#), [original](#), [twip](#) [[list all tags](#)]

Three weeks ago [I wrote that I expected gas prices to rise](#), which would be unusual for this time of year:

I predict that prices will continue to rise. I think they have to. I also think we will see the ramifications of present inventory levels for quite some time. On the other hand, we did go into the end of 2003 with inventories in this range, so we do have some history suggesting that levels can recover without requiring sharply higher prices. But don't bet on it.

The [Energy Information Administration](#), the same outfit that puts out [This Week in Petroleum](#) on Wednesdays, publishes a gasoline price survey on Mondays. The report can be found at:

[Weekly U.S. Retail Gasoline Prices](#)

This week's report showed that gasoline prices, which normally start to free-fall at this time of year, indeed headed back up this week.

The last couple of TWIPs have shown that gasoline inventories are slowly growing (which will favor lower prices) but inventory levels are still incredibly low (which will support a higher price level). What I think we will see are pretty healthy prices through the winter, and then we will start a Spring climb again from a higher base. This should again lead to record high prices by May of next year.

Gasoline prices in California have risen more than the national average. The L.A. Times commented on the "unusual September climb":

[Gasoline prices still rising](#)

Drivers took a hit at the pumps over the last week, the Energy Department said Monday, as gasoline continued its unusual September climb in most of the nation and U.S. diesel prices topped \$3 a gallon for the first time in more than a year.

The average price of a gallon of self-serve regular gasoline in California rose 5.7 cents to \$2.961, which was 20.1 cents above the year-earlier price, according to the Energy Department's weekly survey of filling stations. Nationally, gasoline rose 2.5 cents to

\$2.812 a gallon. That was 43.4 cents above the price in the same period a year earlier.

TWIP

This week's numbers were contrary to most expectations, but there isn't too much to get excited about. Refinery utilization was down, but that is to be expected as some areas have started fall turnarounds. If you look at the history, the end of September almost always sees utilization fall by several percentage points. Gasoline demand is reportedly up over this time last year, but is falling as might be expected for this time of year. The important items from this week's report (to me):

U.S. crude oil refinery inputs averaged 15.0 million barrels per day during the week ending September 21, down 339,000 barrels per day from the previous week's average. Refineries operated at 86.9 percent of their operable capacity last week. Gasoline production fell compared to the previous week, averaging 8.7 million barrels per day. Distillate fuel production rose last week, averaging 4.1 million barrels per day.

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 1.8 million barrels compared to the previous week. Total motor gasoline inventories increased by 0.6 million barrels last week, and are well below the lower end of the average range. Distillate fuel inventories increased by 1.6 million barrels, and are in the upper half of the average range for this time of year.

Over the last four weeks, motor gasoline demand has averaged nearly 9.4 million barrels per day, or 0.4 percent above the same period last year.

Analysts had expected a fall in crude inventories, a smaller increase in gasoline inventories, and most notably for refinery utilization to be around 89% (instead of 87%).



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).