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North Carolina Monthly Petro Price Monitor
February 24, 2011

SUMMARY

Petroleum prices have increased at a rapid rate this week. On average, regular gasoline prices within North Carolina increased 10 cents/gallon since Monday; 20-cents over the previous month; and 63-cents over February a year ago. Ultra low sulfur diesel increased five-cents over Monday, 25-cents over the previous month, and 84-cents over February a year ago. Home heating oil increased two-cents/gallon over last report, increased 14-cents over the January 2011 average, and 62-cents over February 2010. Propane increased one-cent over last report, increased four-cents over the January 2011 average and 15-cents over February 2010.

The current geopolitical landscape has not physically affected on-hand supplies; however, there is significant fear is that it could threaten future supplies. On-hand supplies appear to be within the five-year average, despite refinery maintenance outages (planned and unplanned). The increase in gasoline and diesel prices may adversely affect consumers discretionary spending.

Current N.C. per gallon average for petroleum products using AAA Fuel Gauge Data

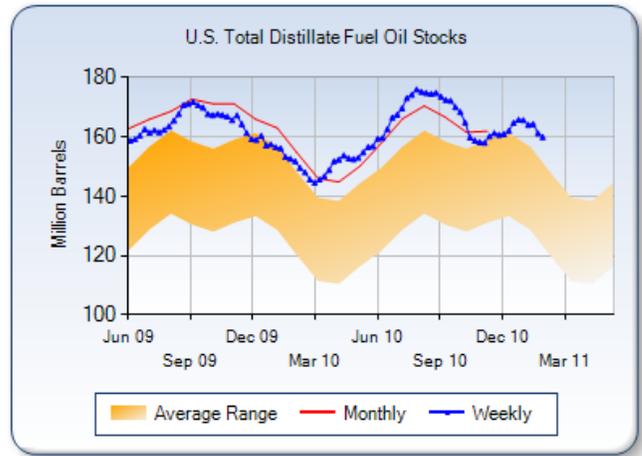
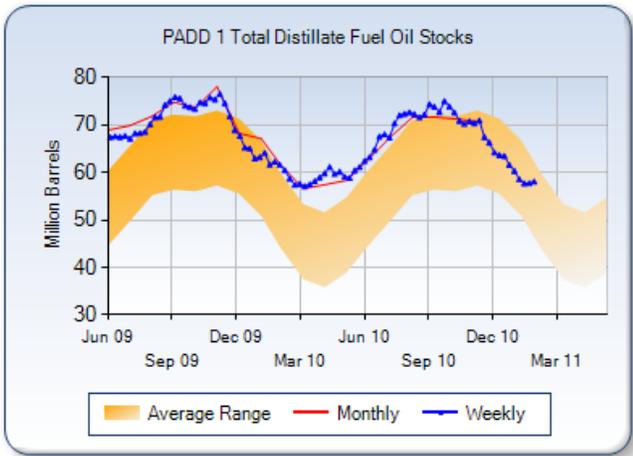
Road Fuels	Feb 25, 2011	Feb 22, 2011	Jan. 2011	Feb. 2010
Regular gasoline	3.25	3.15	\$3.05	\$2.62
Mid-grade	3.37	3.27	\$3.19	\$2.75
Premium	3.49	3.39	\$3.33	\$2.88
Ultra low sulfur diesel	3.62	3.57	\$3.37	\$2.78
Winter Heating Fuels				
Home heating oil	3.32	3.31	\$3.18	\$2.70
Propane	3.08	3.07	\$3.04	\$2.93

Source: EIA, Petroleum Navigator, Weekly Retail Gasoline and Diesel Prices and Weekly Heating Oil and Propane Prices as well AAA Fuel Gauge Report

The Energy Information Administration divides the nation into several regions –Petroleum Administration Defense Districts. North Carolina is in District 1C, East Coast, Lower Atlantic; with Florida, Georgia, South Carolina, Virginia and West Virginia.

Diesel Stocks

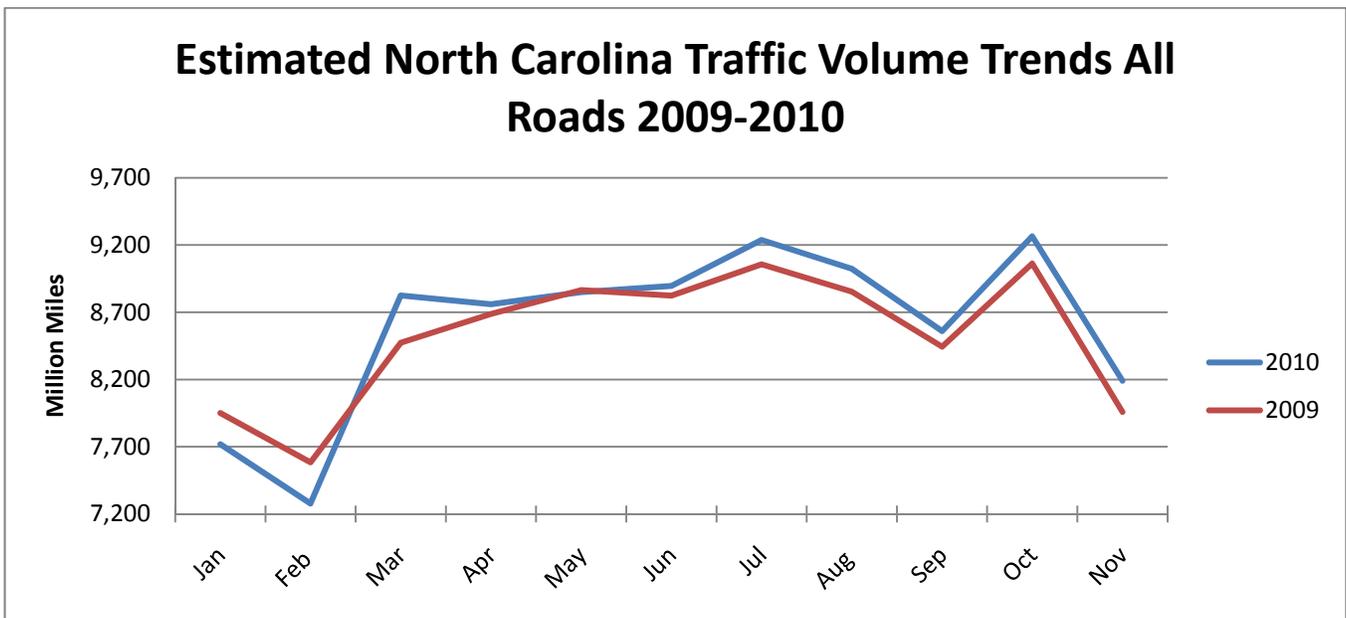
The on hand supplies of diesel in the East Coast, Lower Atlantic District appear well within the 5-year average range. The monthly trend appears to remain near the upper range of the 5-year average, while the weekly supplies are following the five-year average trend. On a national basis, diesel stocks are well above the 5-year average.



Source: Energy Information Administration, Stocks of Distillate Fuel Oil by PAD District, June 2009 to Present

Vehicle Miles Traveled

The rise in petroleum prices is sure to affect North Carolina’s roadways. Historically, Vehicle Miles Traveled (VMT) begins to increase during mid-February and continues through the summer. The increase in fuel prices may have an effect on VMT, which may also affect the rate of economic recovery as consumers may need to devote more of their discretionary spending to fuel costs instead of travel/tourism.



Source: United States Department of Transportation, Federal Highway Administration, Traffic Volume Trends, Changes on All Estimated Roads by Region and State

Petroleum Market:

Some factors that affect the volatility of petroleum prices are non-contracted fuel purchases on the “spot” market. The “spot” market is traditionally a cash market and is associated with the immediate delivery of petroleum products. The significance of the spot market is that retailers can usually negotiate a reduced price for cash and immediate delivery. The benefit of the “spot” in normal markets is that the negotiated price may be less than the contract price. The risk associated with the spot market is that in times of pressured markets, the availability of fuel becomes scarce as some feel that future petroleum availability may be questionable and the remaining volumes are sold for a premium. Conversely, the contracted fuel purchase is traditionally based on negotiate a price and volume. In normal markets the price is usually higher than the Spot and delivery occurs in the future. The significance of the contracted price is that retailers agree to negotiated price and the guaranteed delivery of the volume of fuel. The lack of contract prices may result in limited availability and almost negligible price stability, thus adversely affecting consumer’s pocketbooks.

Editorial Note

The Monitor is a brief status report of the most recent week, with some analysis of causes for price changes. The North Carolina Energy Offices tracks supplies, prices and events that have an impact on petroleum products. Questions about the information in the Monitor can be directed to Bob Mielish at bmielish@nccommerce.com.