



## RETAIL DIESEL FUEL OUTLOOK

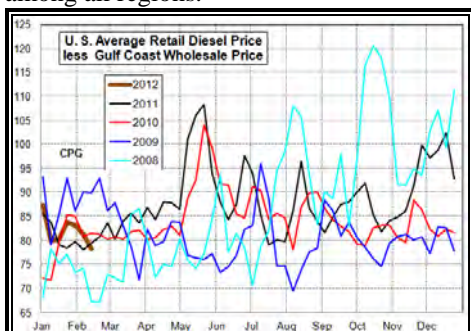
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Tuesday, December 20, 2011

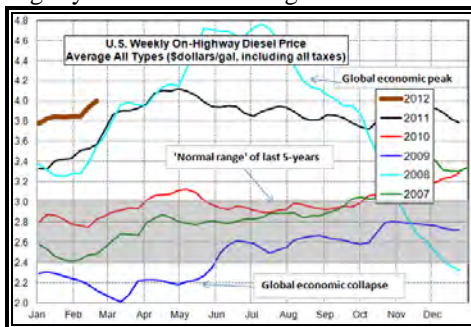
Region	Actual Price 1/			Forecast 2/	Change from week ago
	30Jan12	06Feb12	13Feb12	20Feb12	
U.S.	3.850	3.856	3.943	4.002	0.059
East Coast	3.945	3.948	4.028	4.078	0.050
New England	4.088	4.101	4.150	4.199	0.049
Central Atlantic	4.040	4.046	4.128	4.191	0.063
Lower Atlantic	3.848	3.846	3.930	4.006	0.076
Midwest	3.734	3.751	3.857	3.878	0.021
Gulf Coast	3.776	3.775	3.860	3.974	0.114
Rocky Mountain	3.816	3.817	3.841	4.029	0.188
West Coast	4.033	4.036	4.121	4.173	0.052
California	4.120	4.128	4.209	4.263	0.054

1/ Source: U.S. Energy Information Administration  
2/ Source: Fundamental Petroleum Trends Reports

**Diesel Fuel Price Trends** U. S. retail diesel prices increased +8.7 cpg for the week ending 13Feb12. Prices increased +10.6 cpg in the Midwest +8.5 cpg on the West Coast. The Rocky Mountains reported a +2.4 cpg increase, lowest among all regions.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price decreased -3.1 cpg week-on-week. The spread ended the week at a level slightly below the mid range.



The national average on-highway price ended the week \$0.41/gal above the 5-year high, for this time of year, set in 2011.

A slow down in stock builds and lower seasonal production led to the rise in Midwest prices. Continued over supply in

the Rockies has constrained retail price increases in that region. Tight supplies in the Northeast and extremely cold weather in Europe has driven prices to levels that match the West Coast.

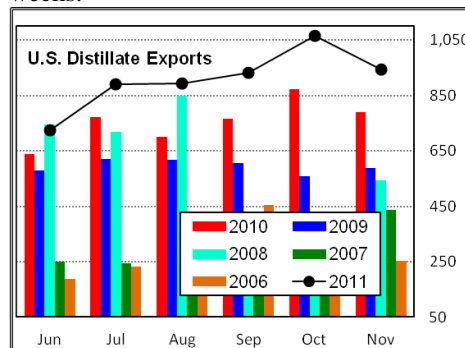
The Midwest reported the lowest average price at \$3.86/gal. The highest price was reported in California at \$4.21/gal.

Gulf Coast wholesale distillate prices declined -3 cpg last week ending 13Feb12. Gulf wholesale prices ended the week at a level which matched highs of the last 9-months.

U.S. average retail prices are now +22 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices decreased last week, with the level below the mid range.



With the spread between wholesale and retail prices near the average for this time of year, expect retail prices to follow wholesale price changes over the next few weeks.



### Supply - Demand Fundamental Trends

Very high exports of distillate from the Gulf and East Coast, due recently to extremely cold weather in Europe, have supported the rise in wholesale prices. This increase in exports has offset lackluster domestic demand, that averaged -50,000 bpd below last year for the latest 4-wk period, largely the result of above normal temperatures in the U.S. heating oil markets.

Distillate supplies decreased -113,000 bpd last week on lower production and imports, and are now just +90,000 bpd above a year ago. Stock levels are now -18 million barrels (-11%) below last year.

### Global Trends Driving Diesel Prices

Extremely cold weather in Europe and Western Asia led to a sharp cut in Russian exports of gas to Europe during the last 2-wks. The result was a surge in demand for distillates both for increased heating and to replace the lost gas supplies in Europe. Combined with ongoing political tension in the Middle East, these trends have lifted distillate prices to 5-year highs for this time of year.

An end to the winter heating season, recession in Europe and slower manufacturing growth in Asia are each fundamental trends that point toward lower global distillate demand growth in 2012. These trends are partially offset by announced closure of refineries in Europe, the U.S. East Coast and the Caribbean.

On balance, prices are likely to remain volatile with downside risk during the next 2-quarters.

**Diesel Price Outlook** U.S. retail prices are forecast to increase +6 cpg this week.

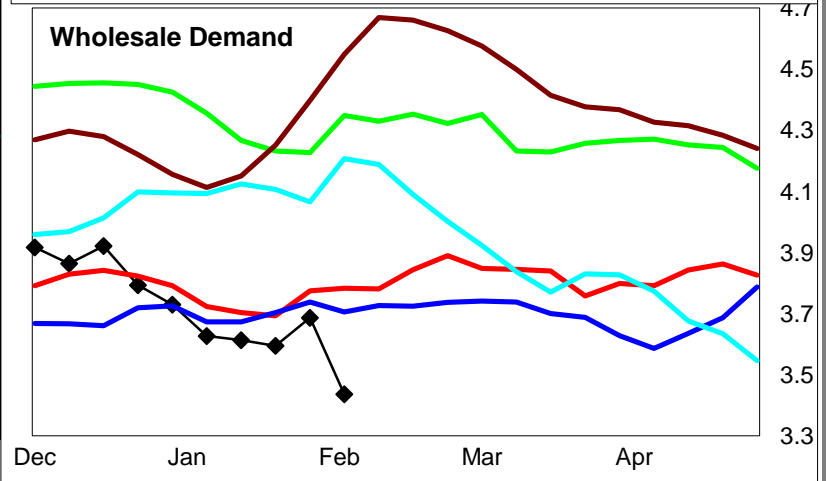
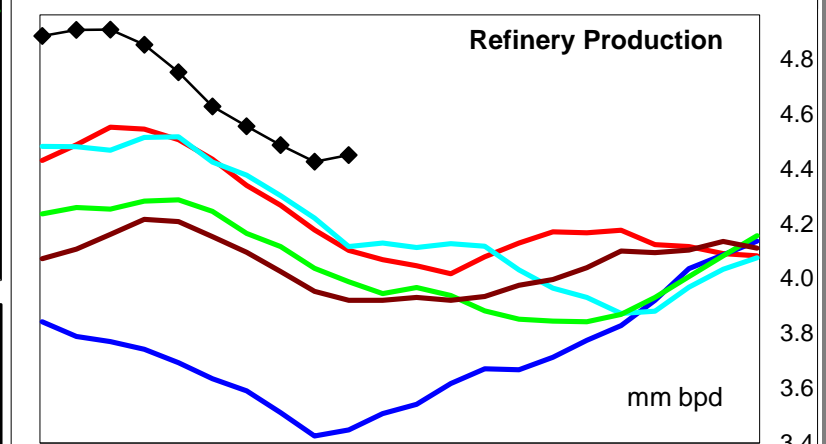
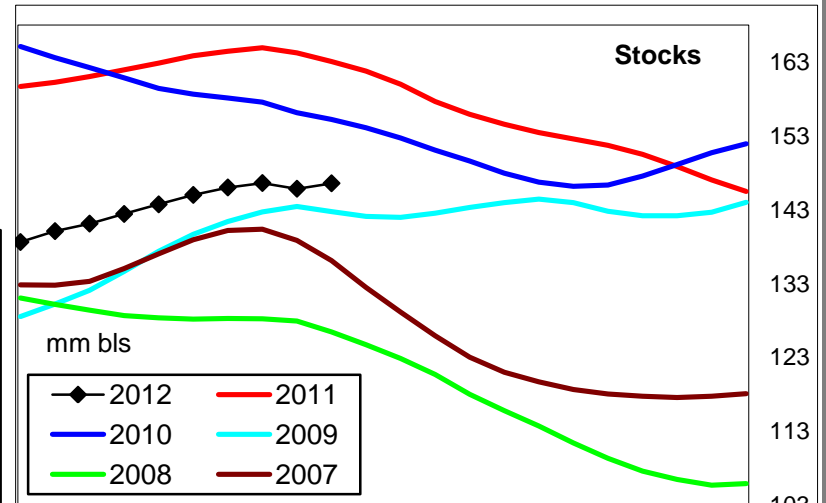
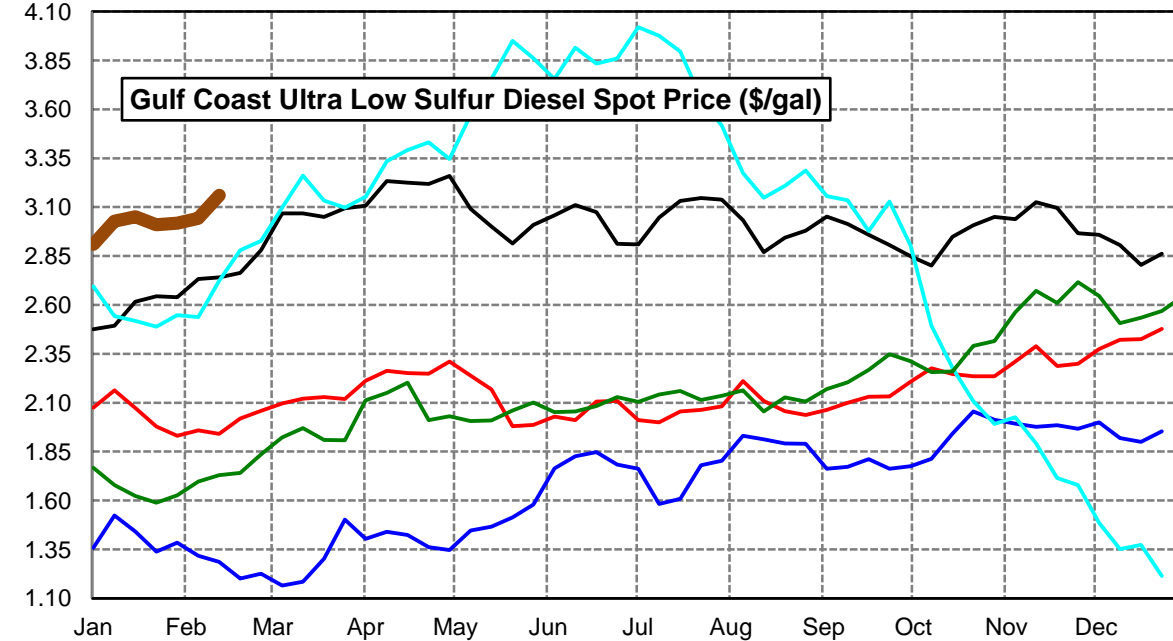
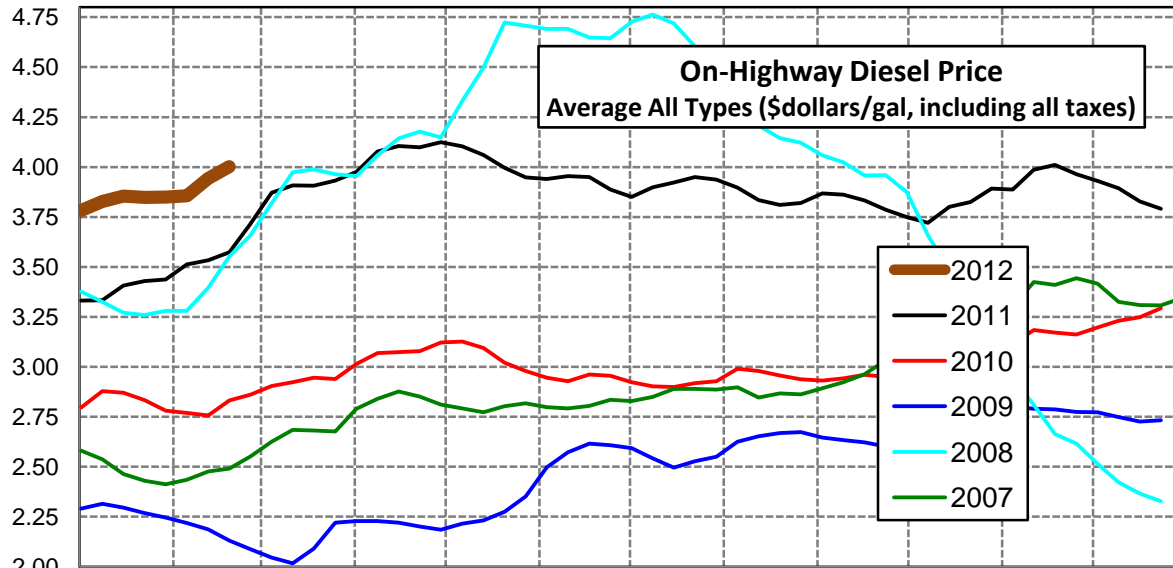
As refiners begin spring maintenance in the Rockies, look for a significant rise in prices for that region from the current depressed levels compared to other markets. Gulf Coast prices should also rise compared to other regions on refinery maintenance and strong exports. The spread between retail and wholesale prices is near the historic average so that trends in wholesale prices should quickly impact the retail market.

Click [Blue Icon](#) on Map to view Regional Price & Fundamental Trends



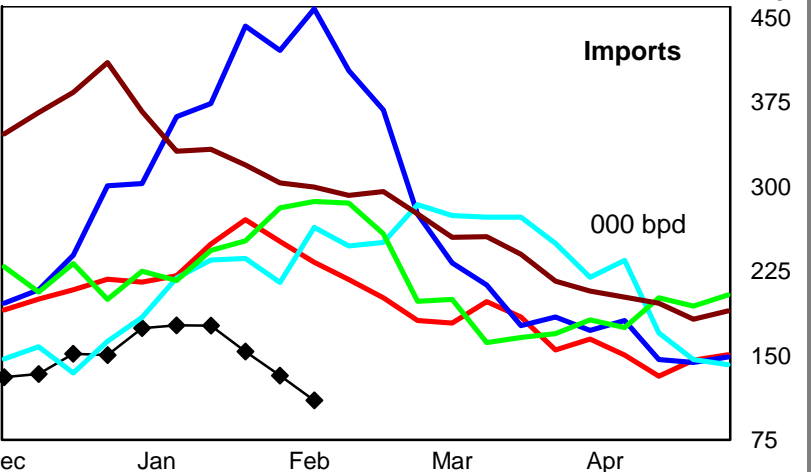
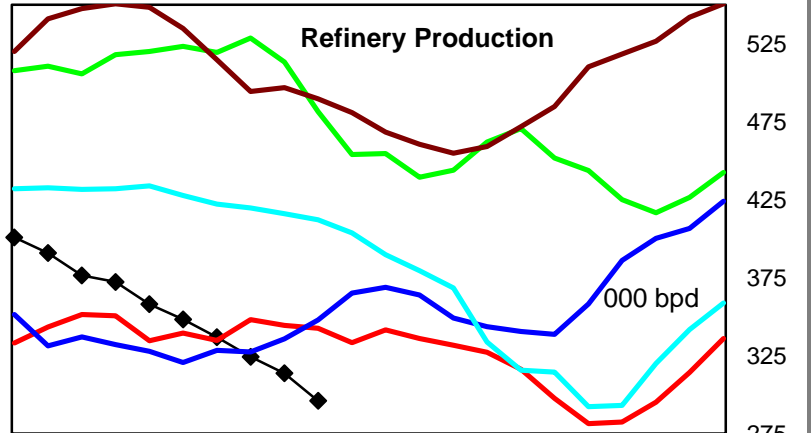
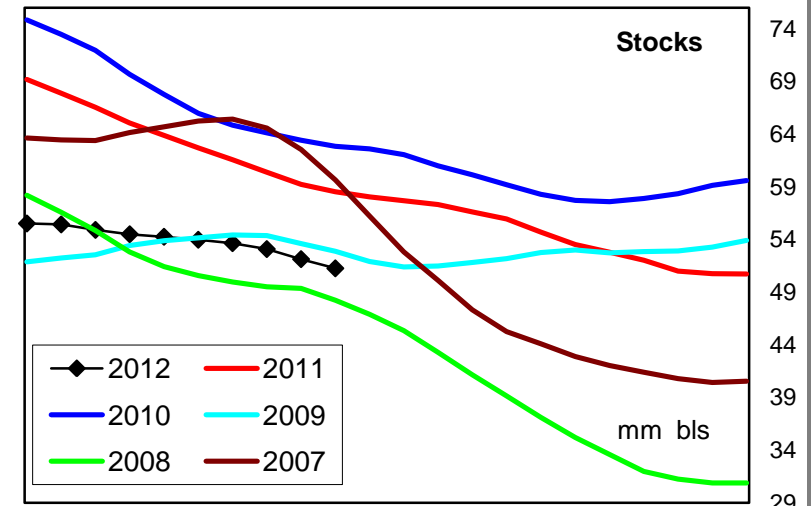
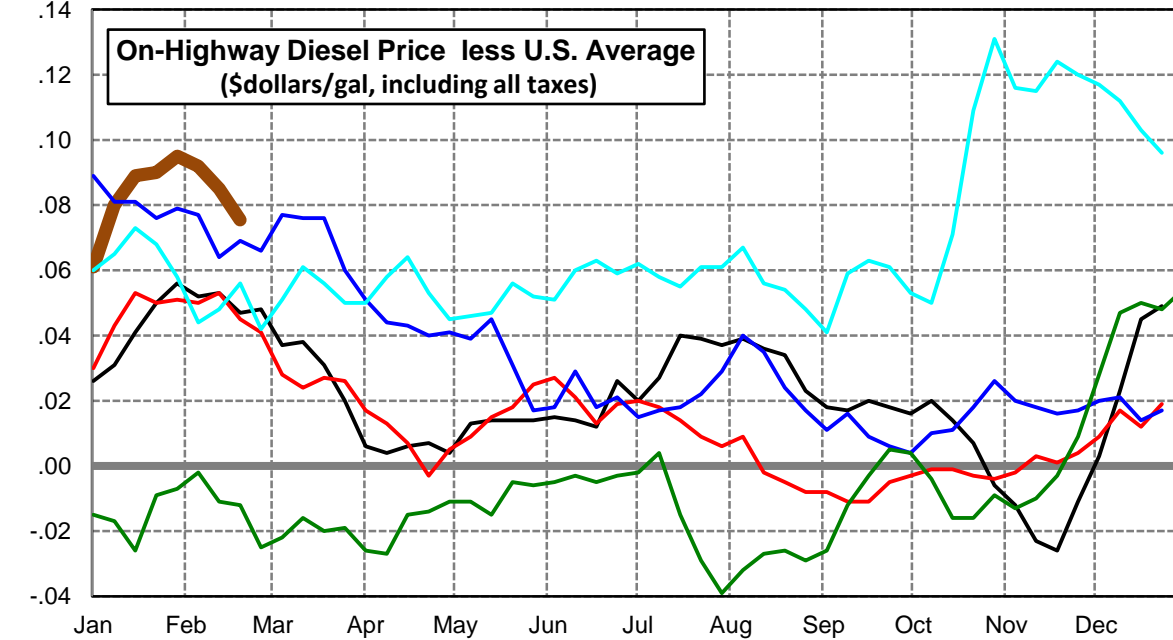
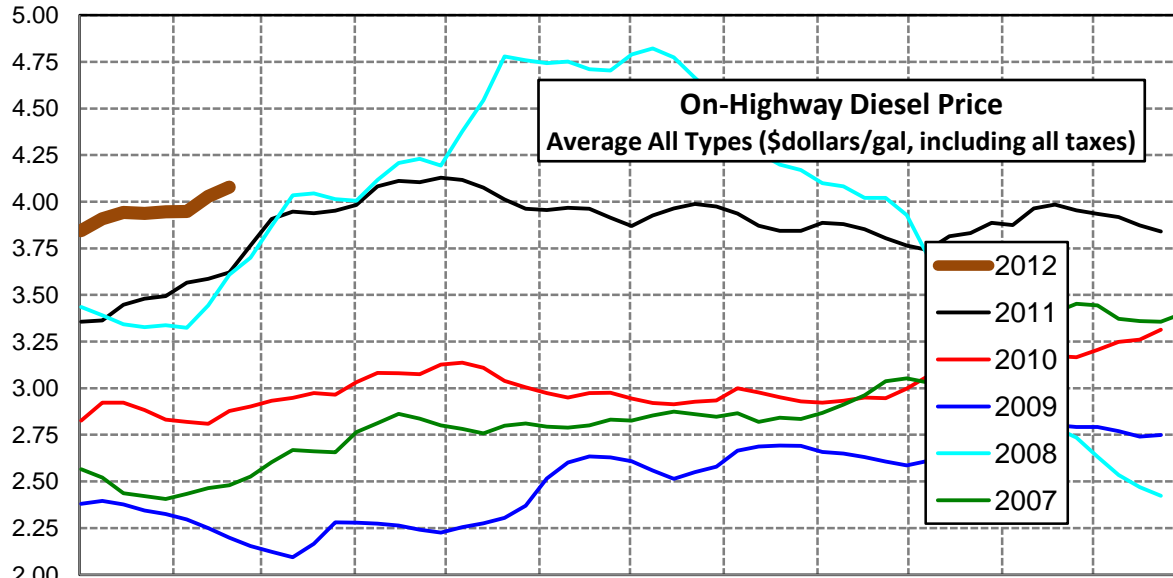
### U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>United States Avg</b>	\$3.850	\$3.856	\$3.943	<b>\$4.002</b>	\$0.059
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



### East Coast Diesel Supply Fundamentals and On-Highway Price Trends

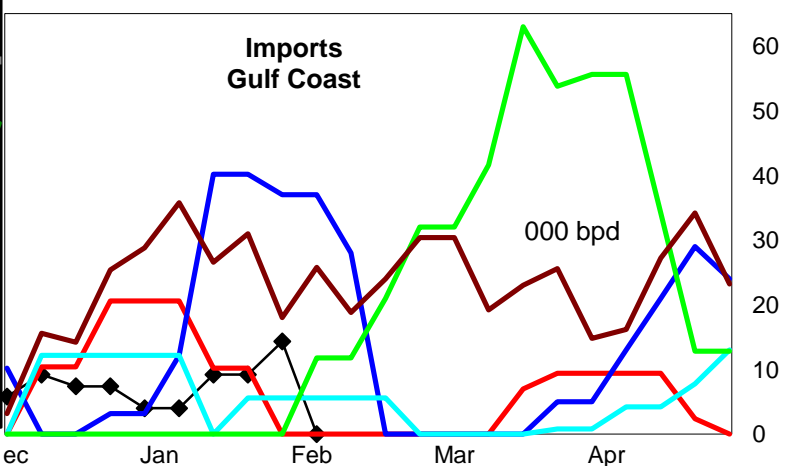
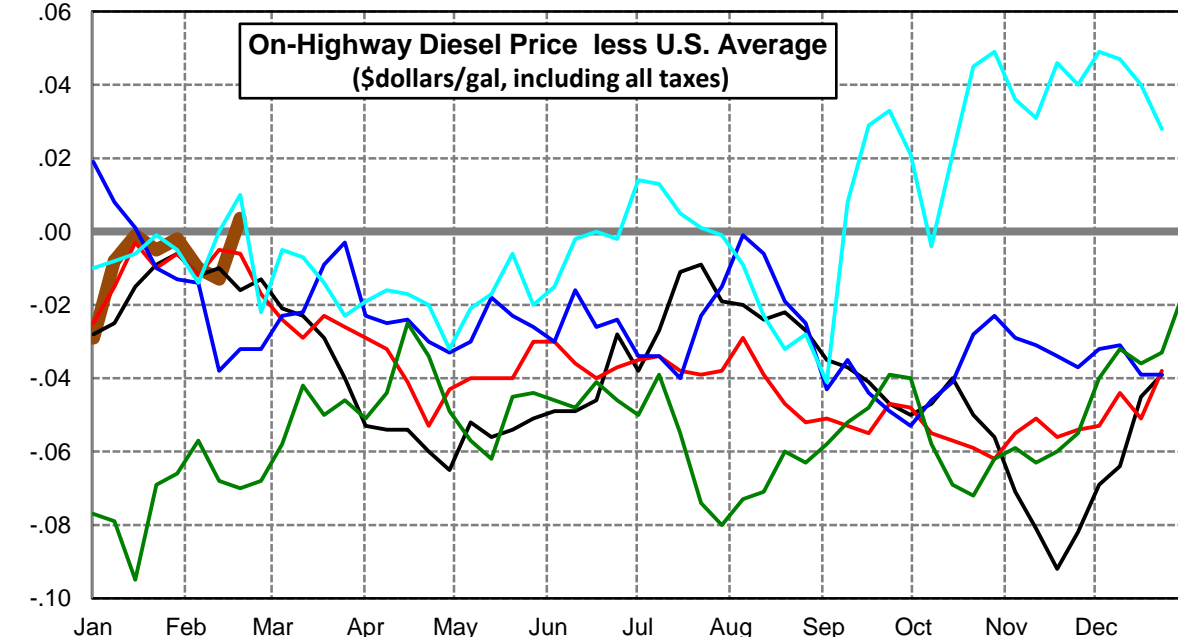
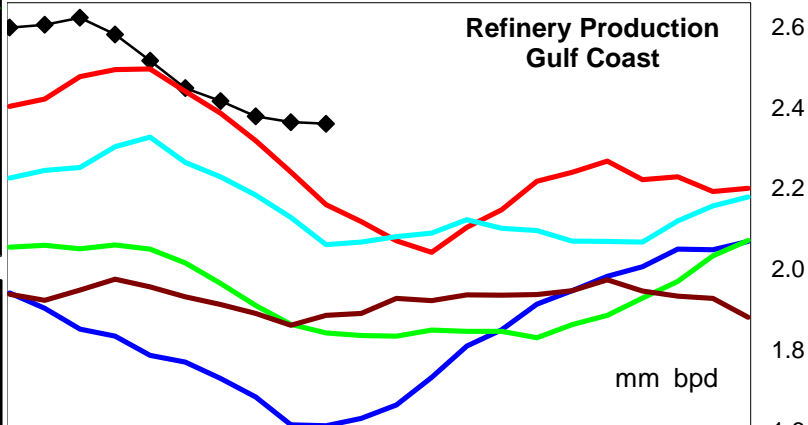
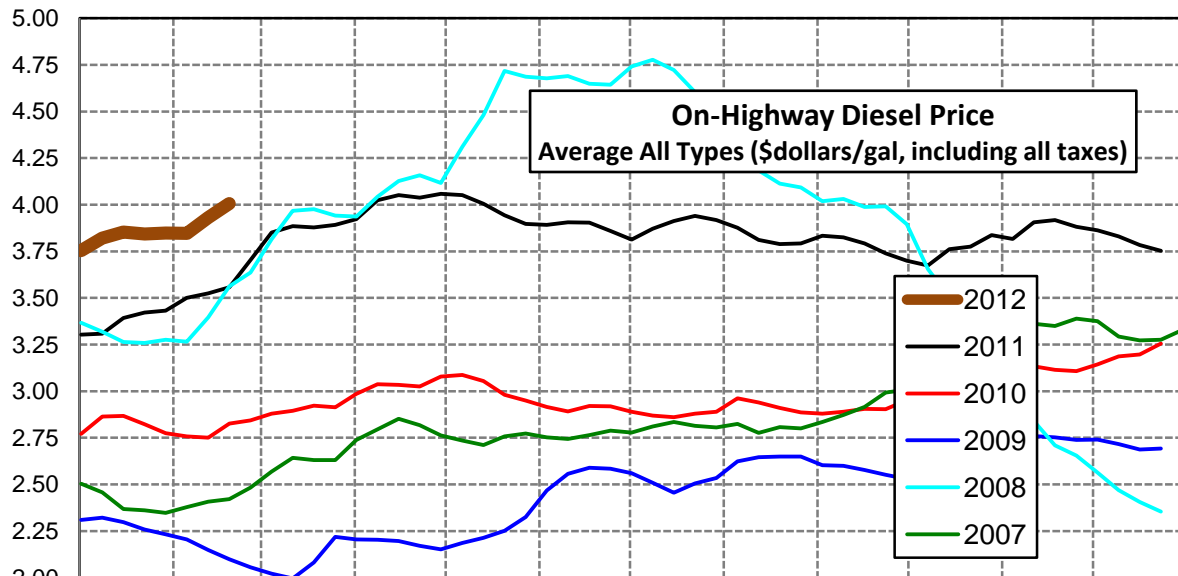
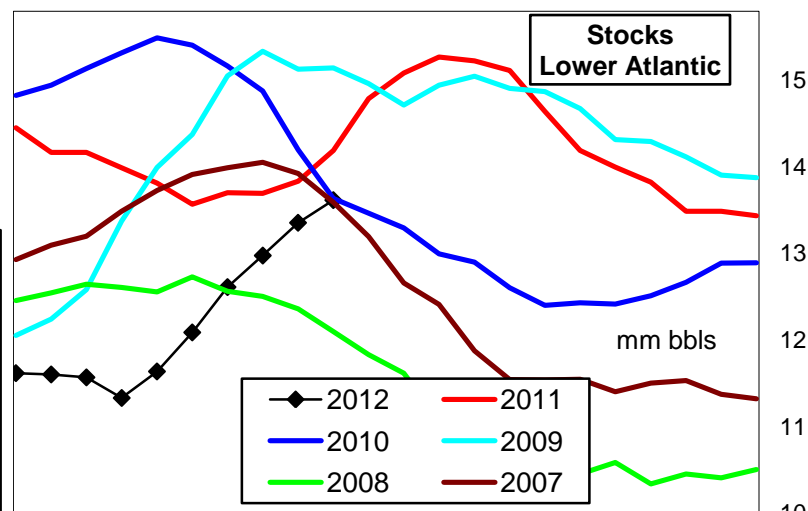
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>East Coast</b>	\$3.945	\$3.948	\$4.028	<b>\$4.078</b>	\$0.050
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





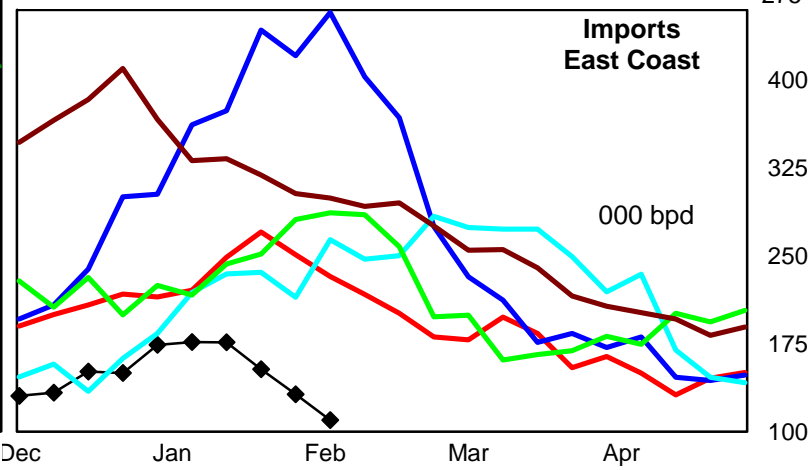
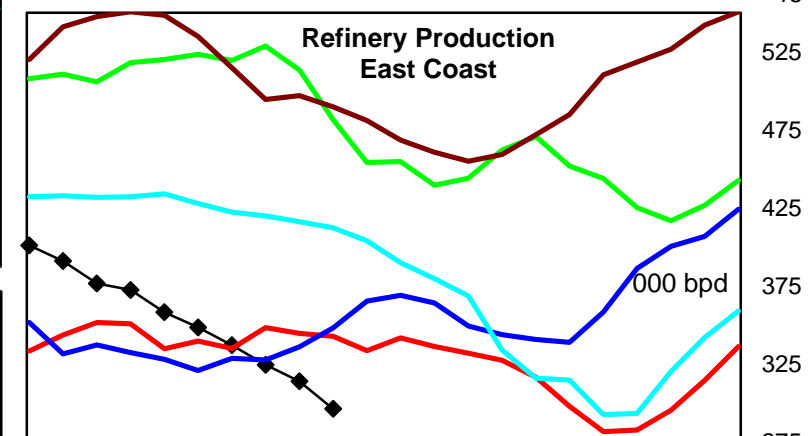
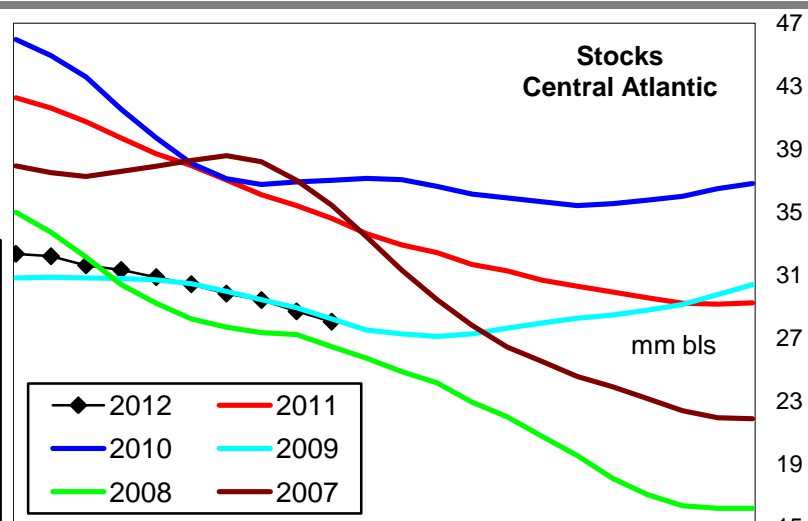
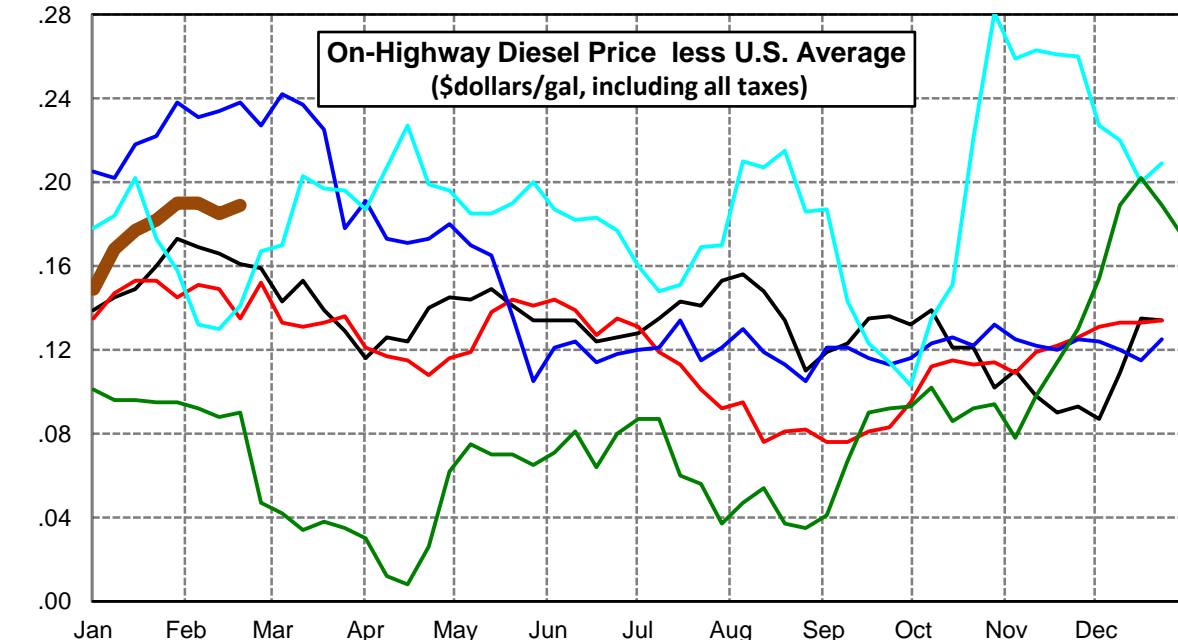
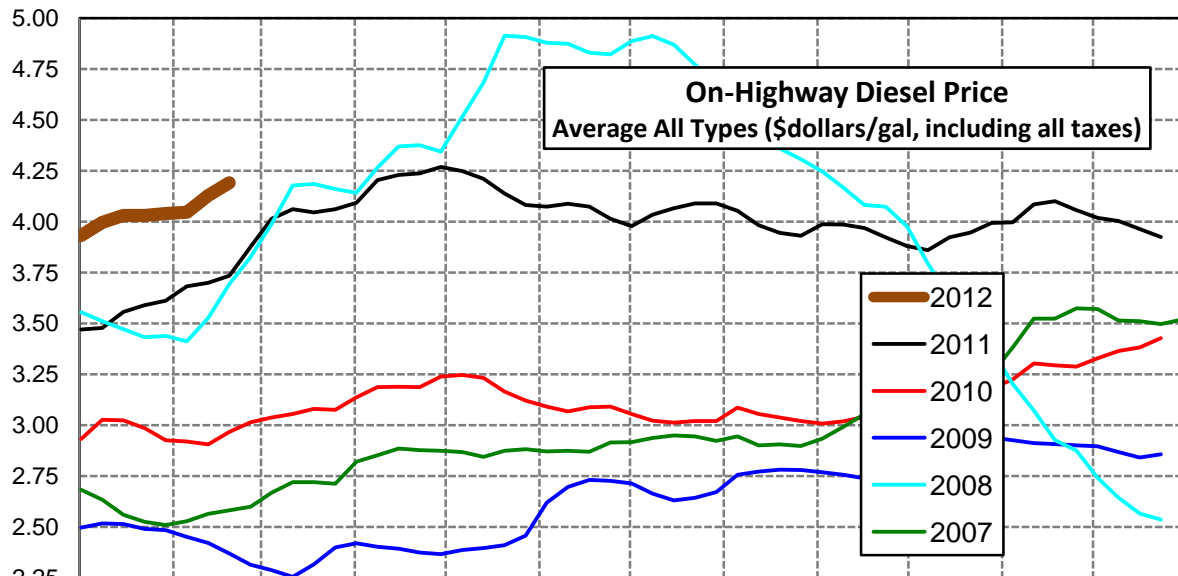
### Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>Lower Atlantic</b>	\$3.848	\$3.846	\$3.930	<b>\$4.006</b>	\$0.076
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



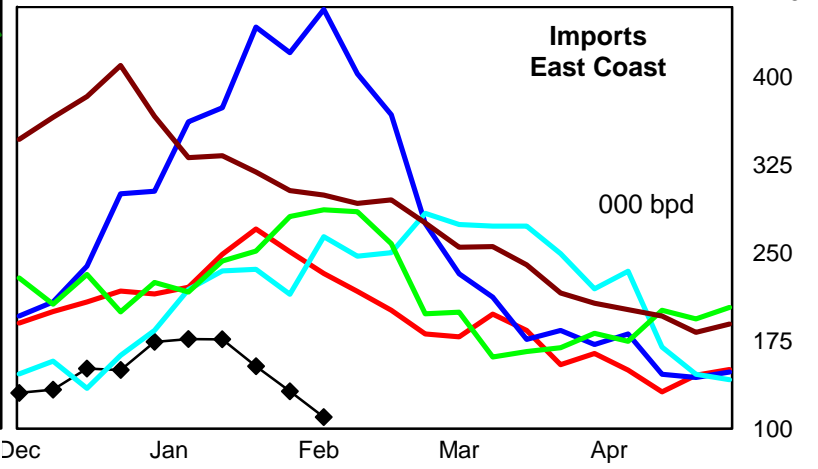
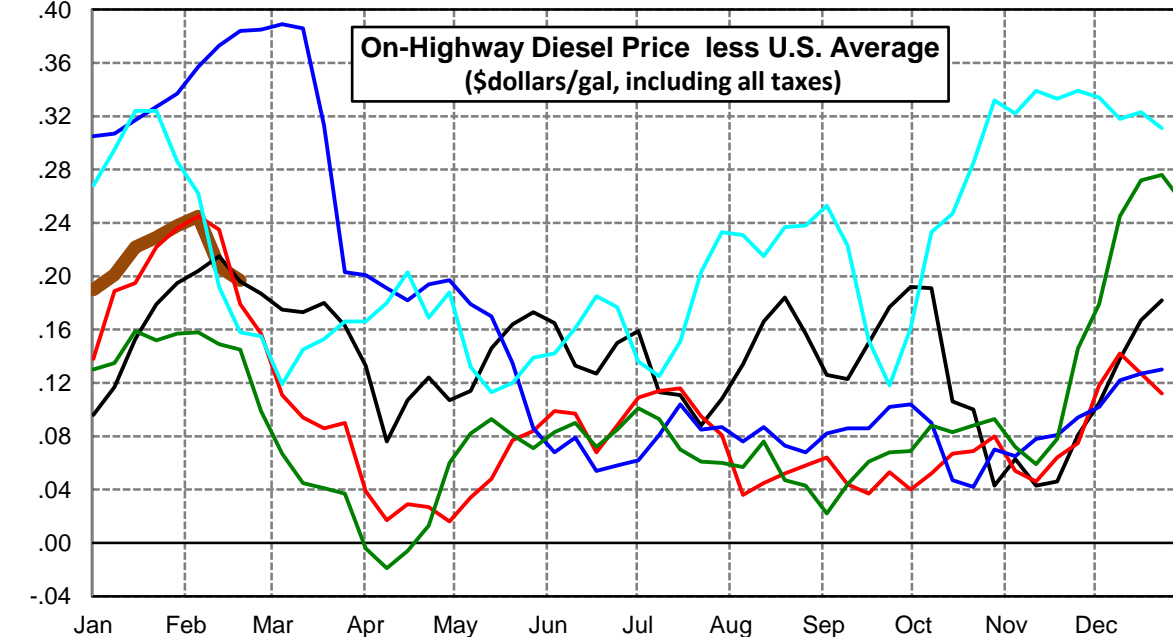
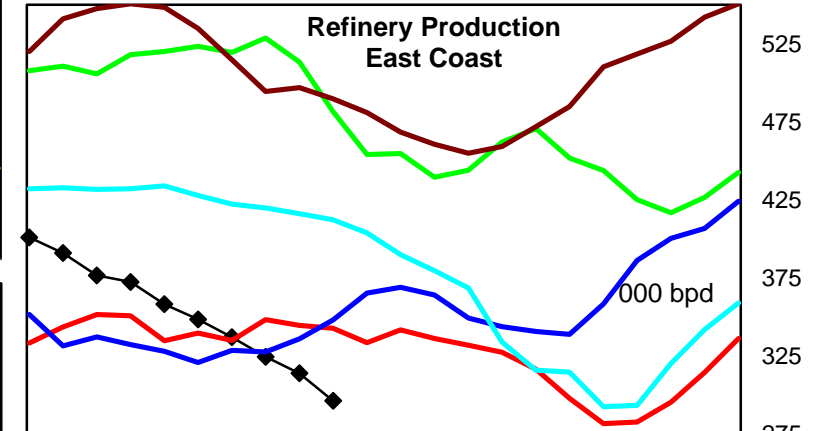
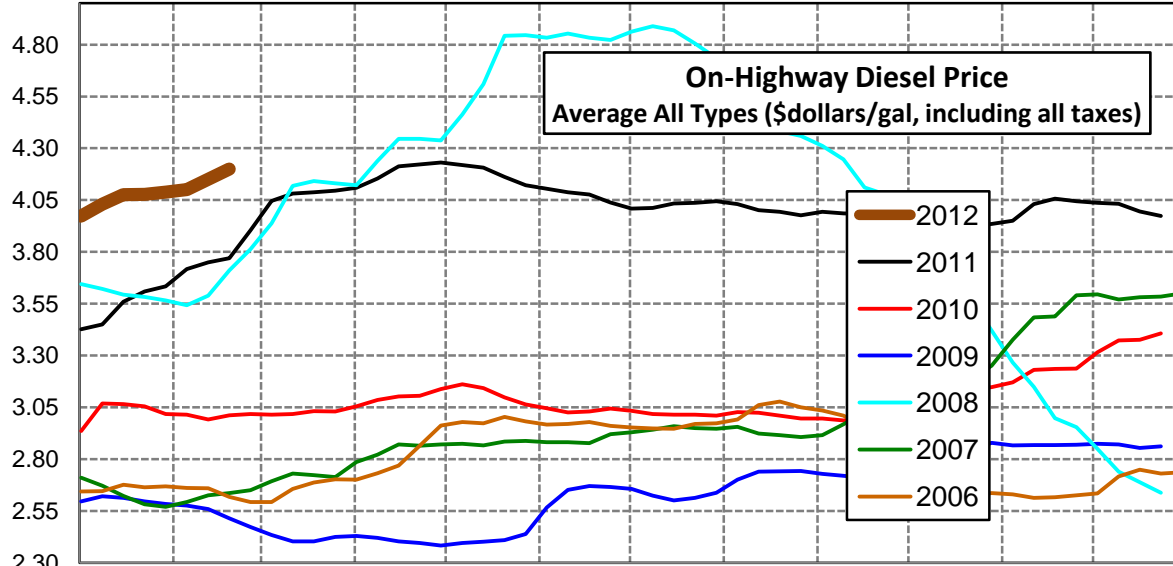
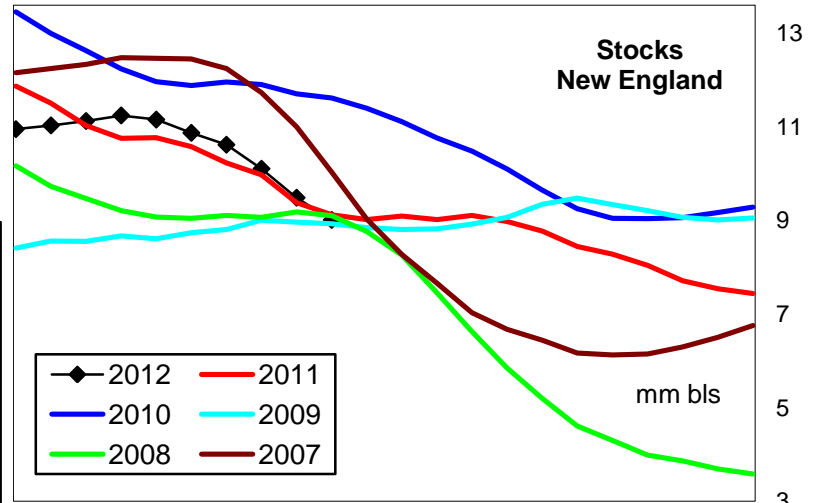
### Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>Central Atlantic</b>	\$4.040	\$4.046	\$4.128	<b>\$4.191</b>	\$0.063
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



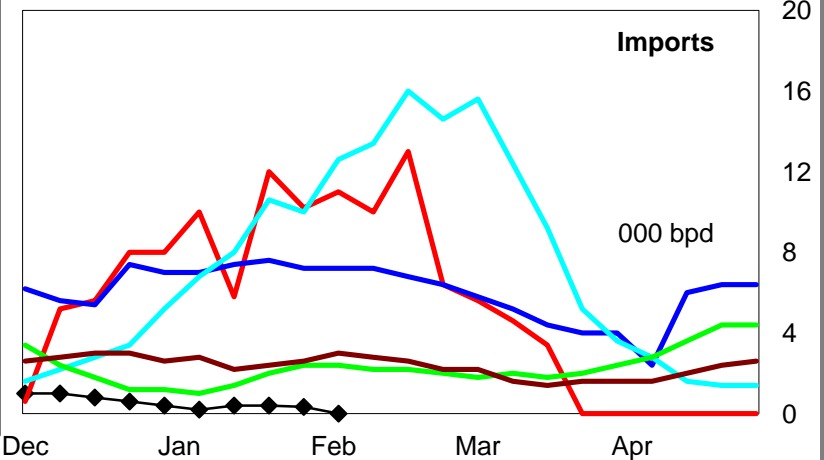
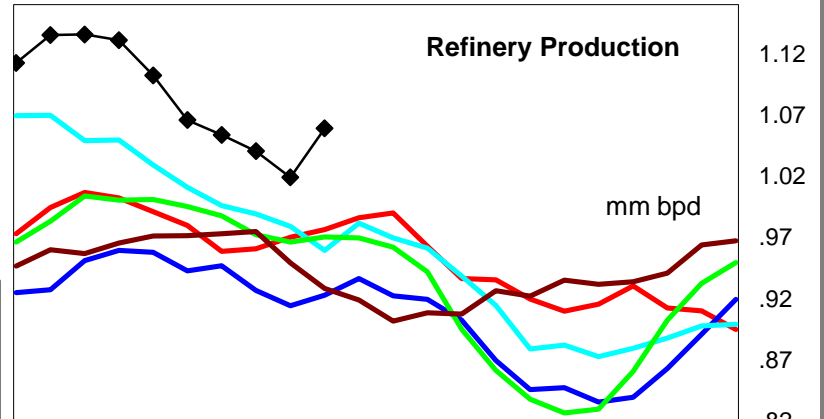
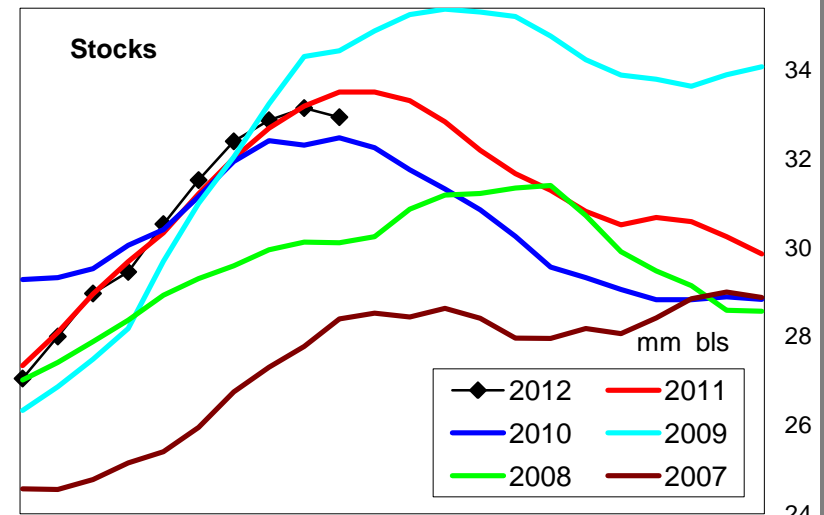
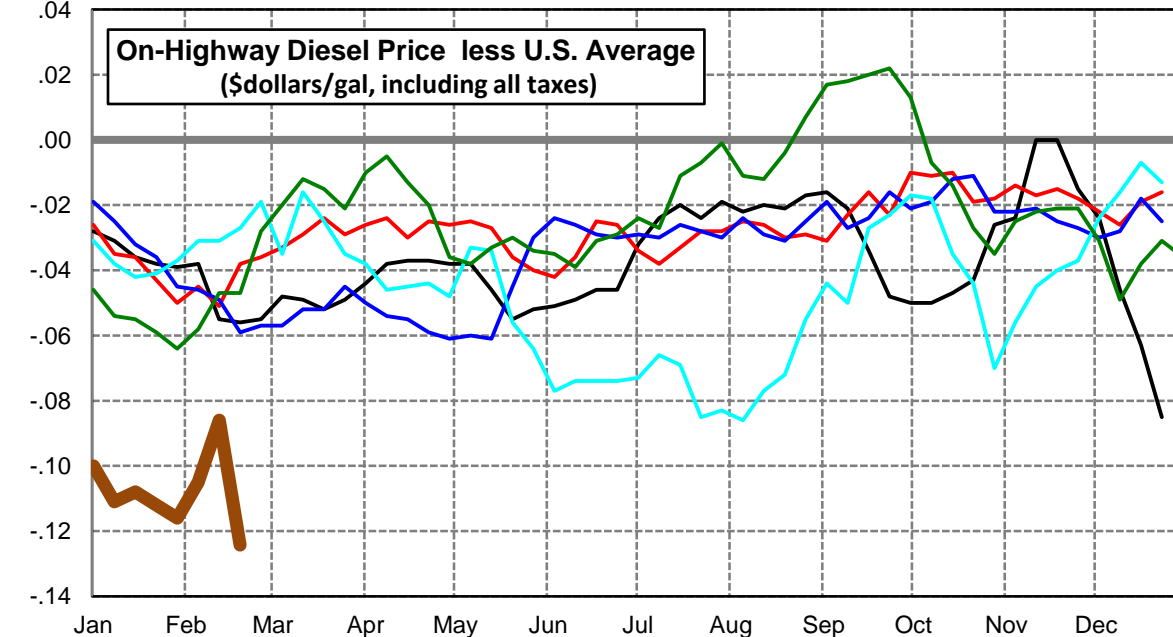
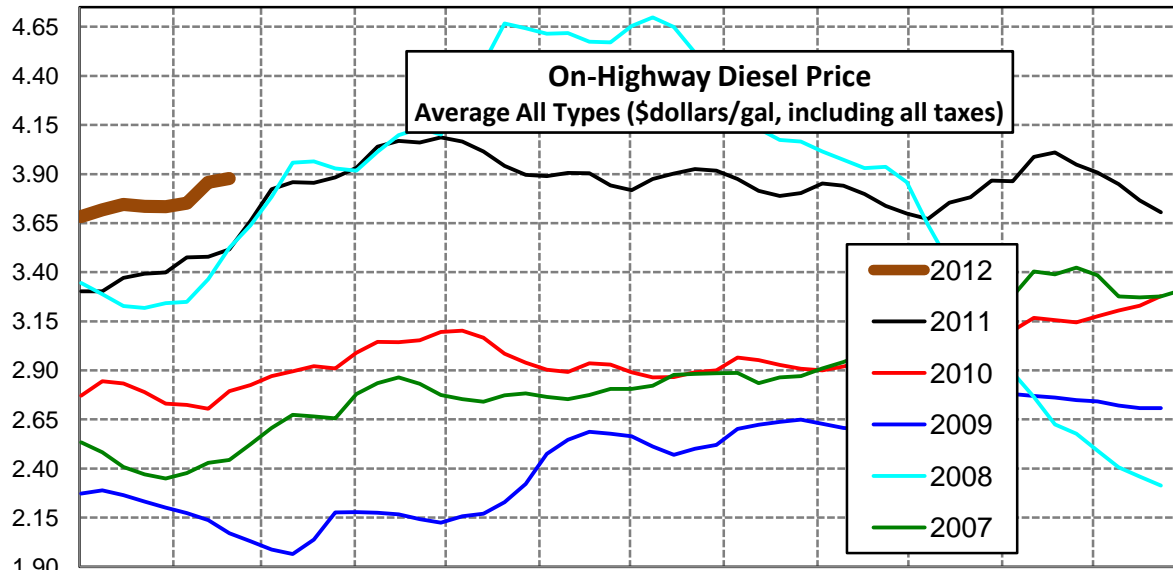
### New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>New England</b>	\$4.088	\$4.101	\$4.150	<b>\$4.199</b>	\$0.049
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



### Midwest Diesel Supply Fundamentals and On-Highway Price Trends

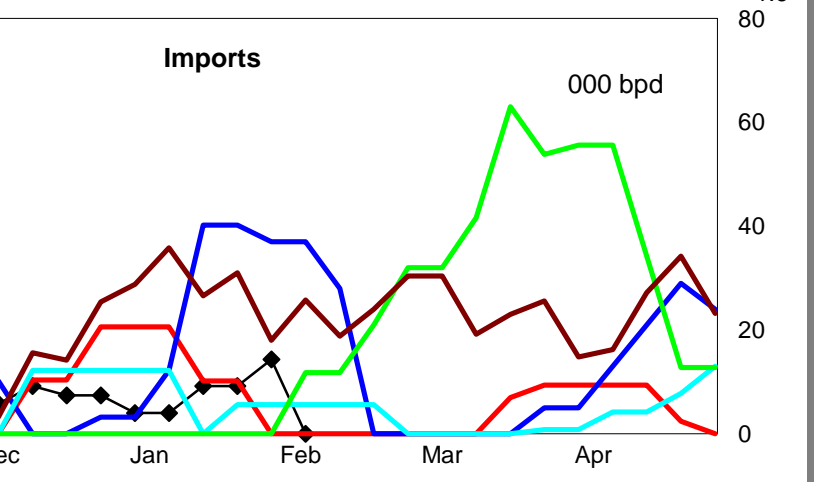
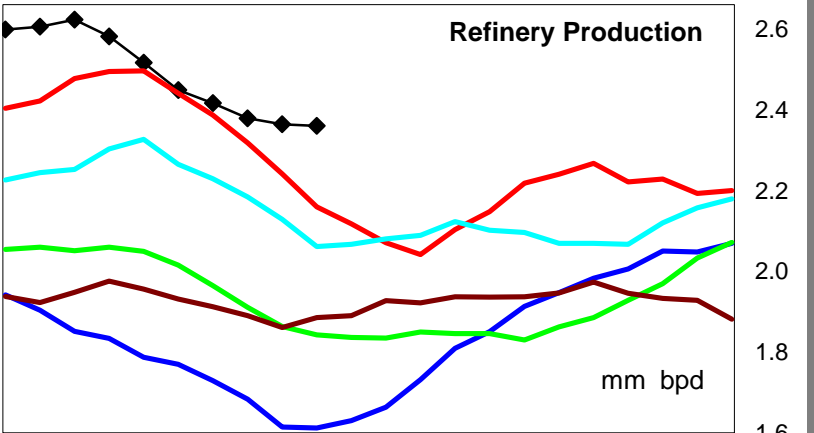
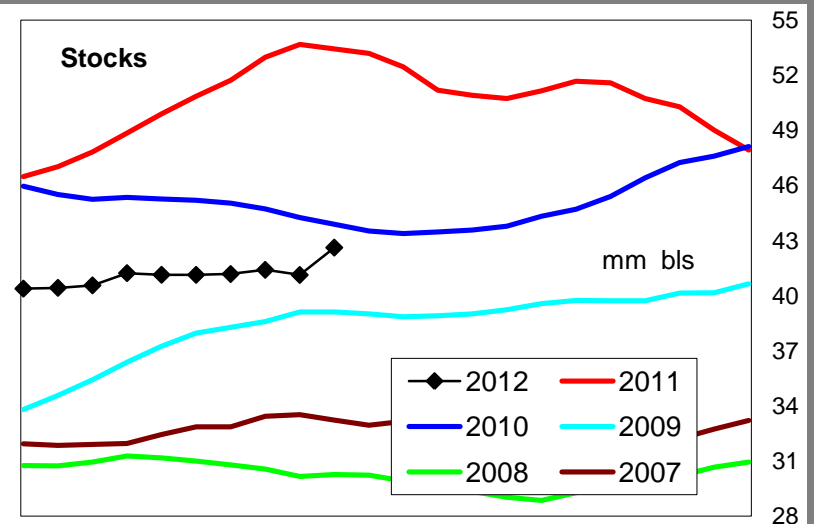
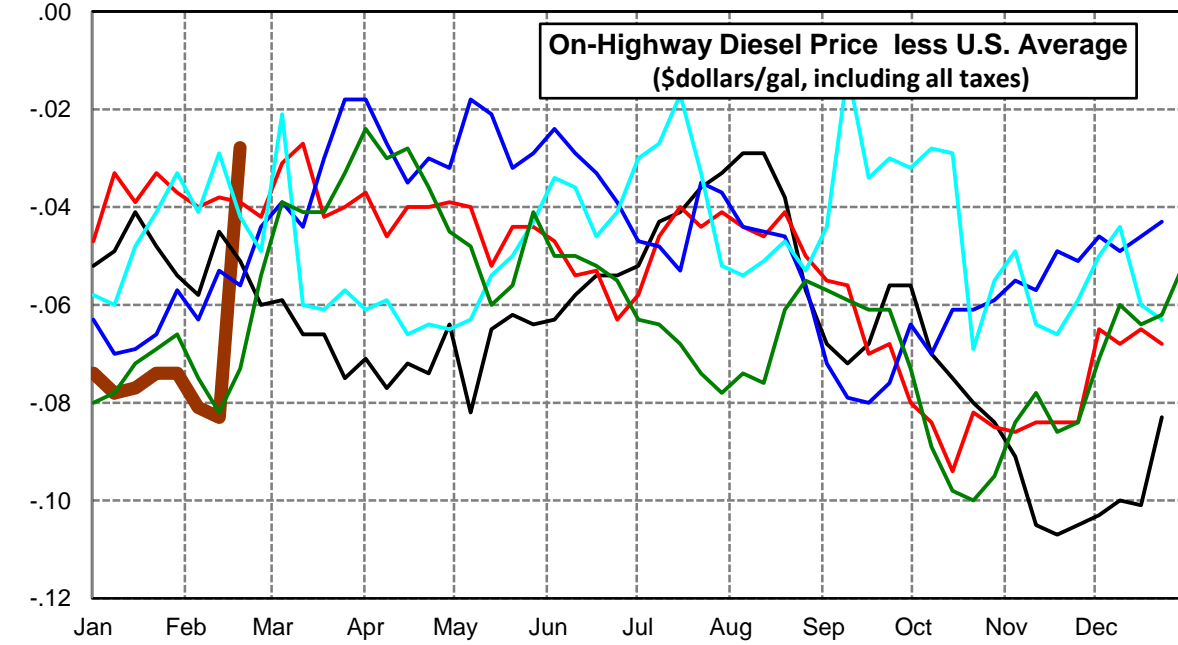
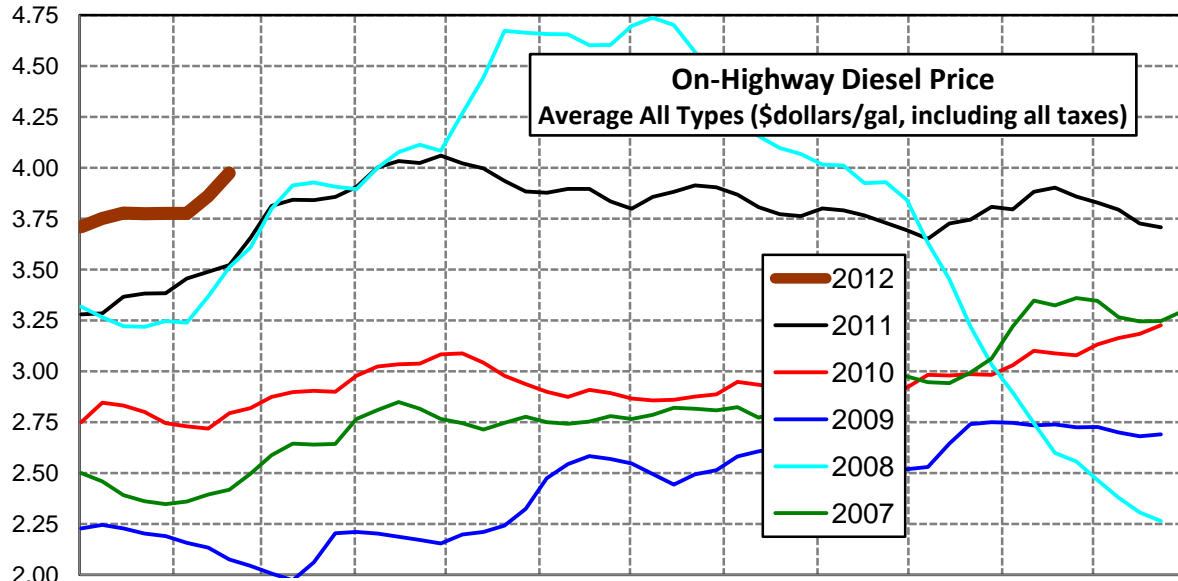
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>Midwest</b>	\$3.734	\$3.751	\$3.857	<b>\$3.878</b>	\$0.021
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





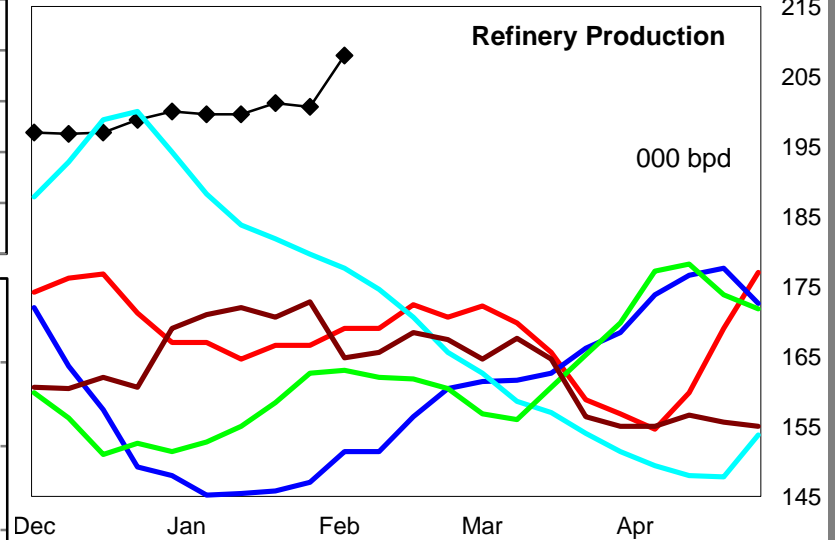
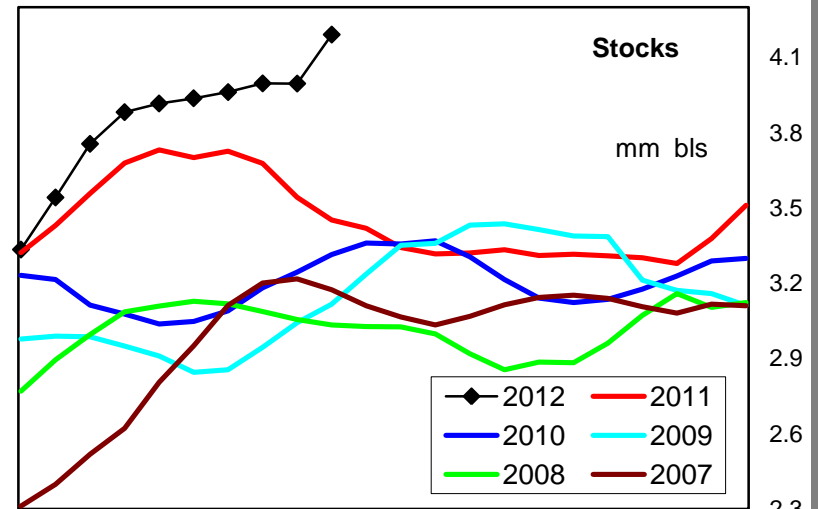
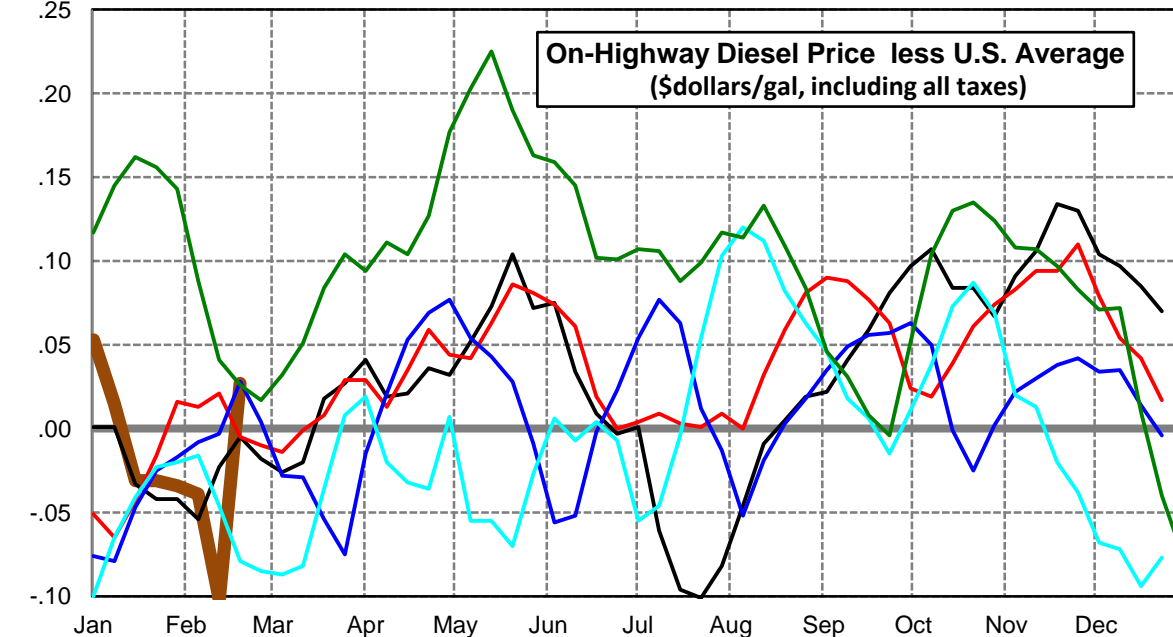
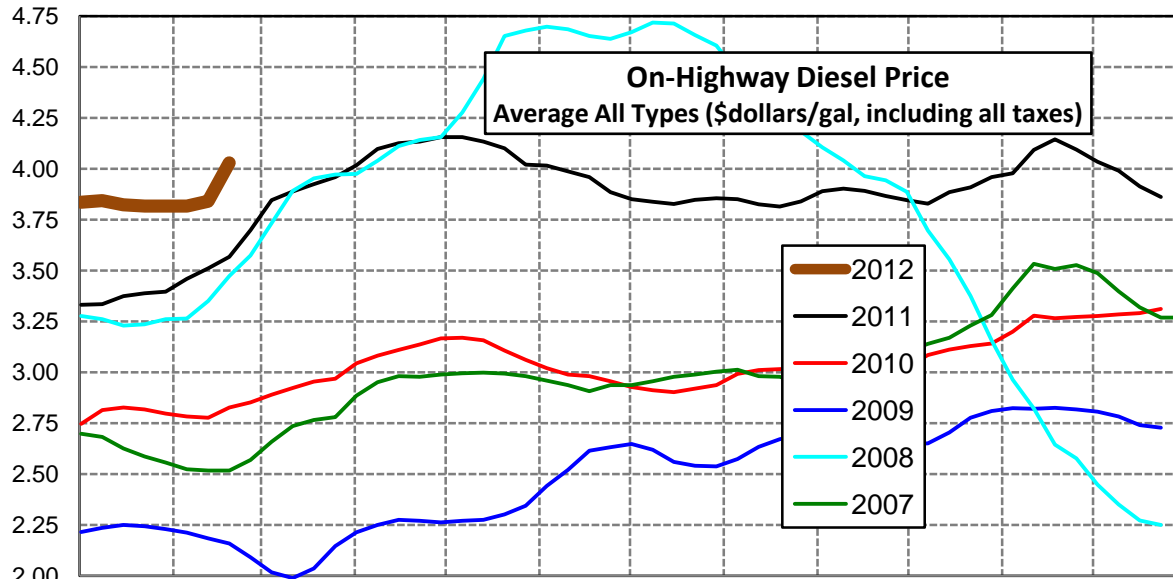
### Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>Gulf Coast</b>	\$3.776	\$3.775	\$3.860	<b>\$3.974</b>	\$0.114
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



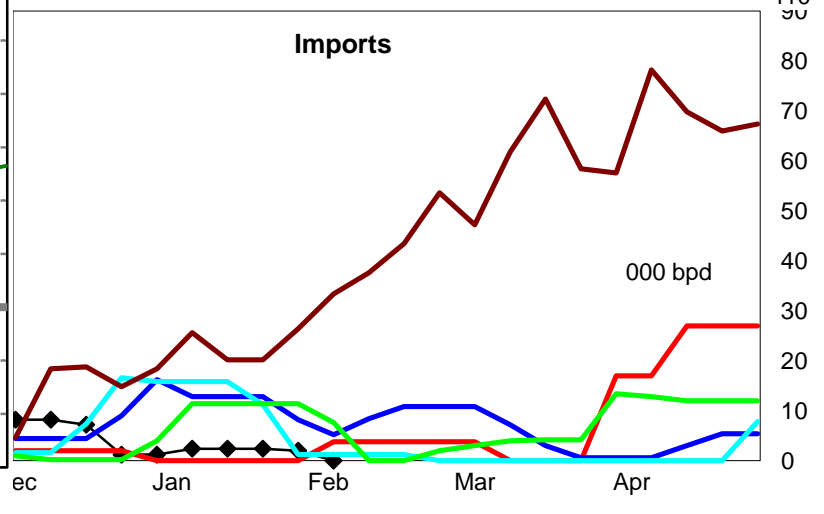
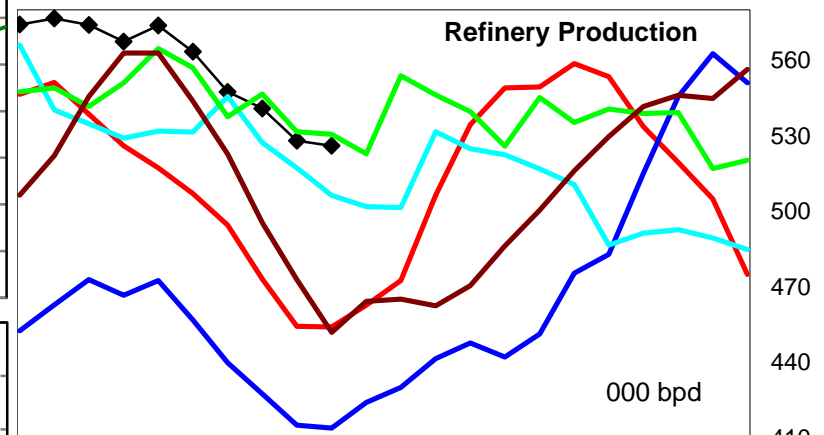
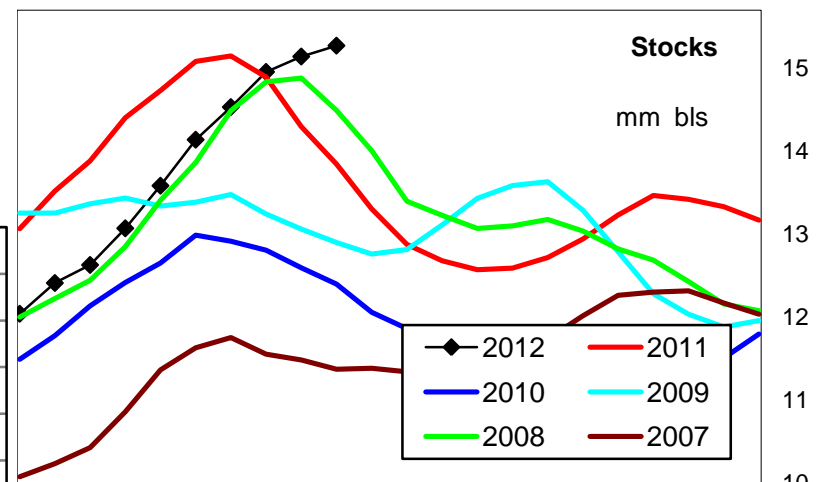
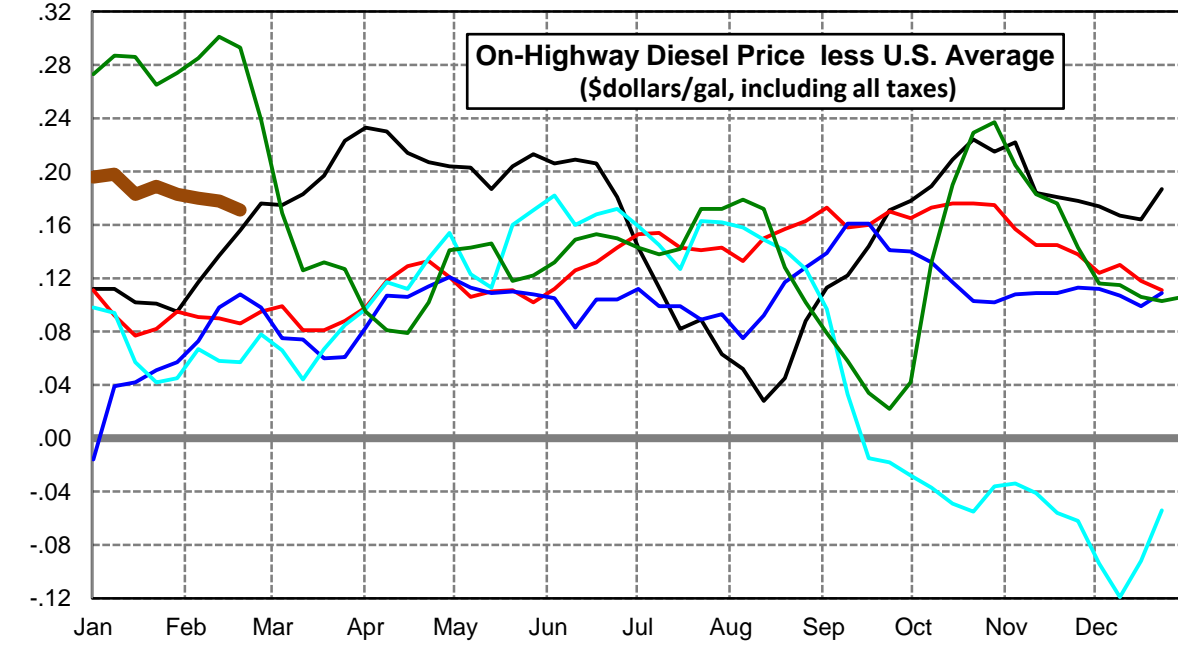
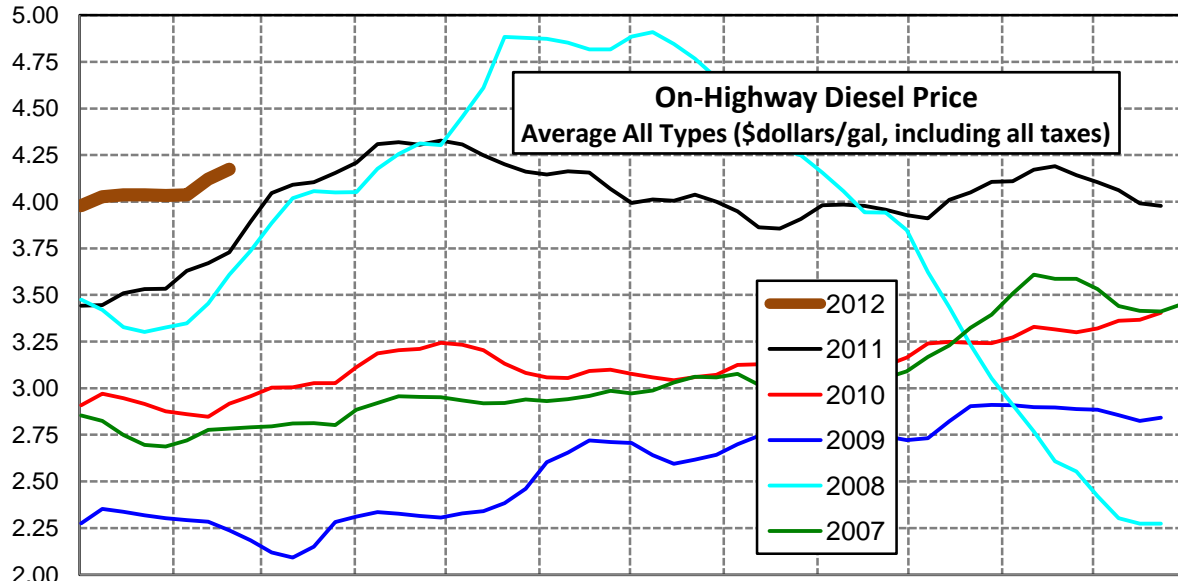
### Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>Rocky Mountain</b>	\$3.816	\$3.817	\$3.841	<b>\$4.029</b>	\$0.188
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



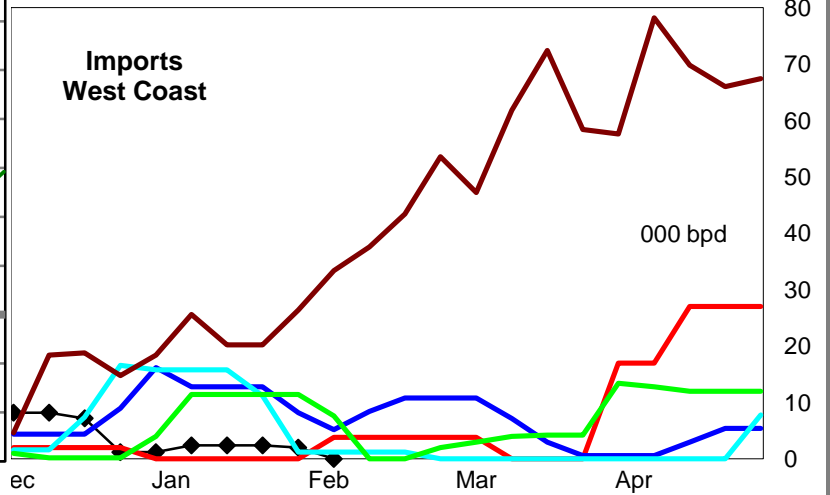
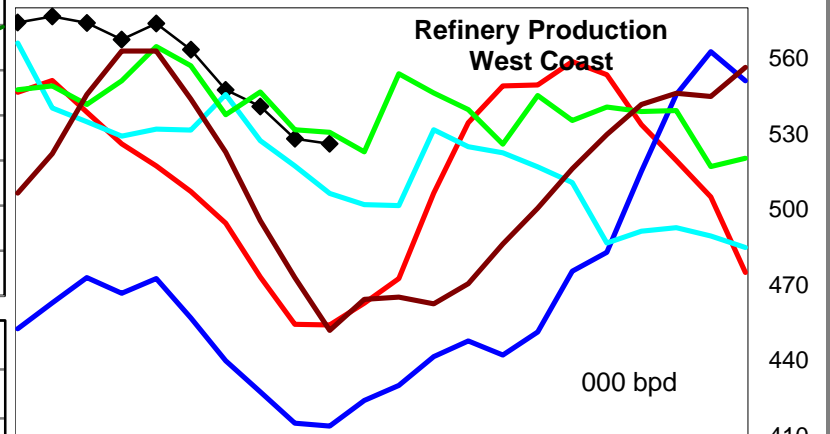
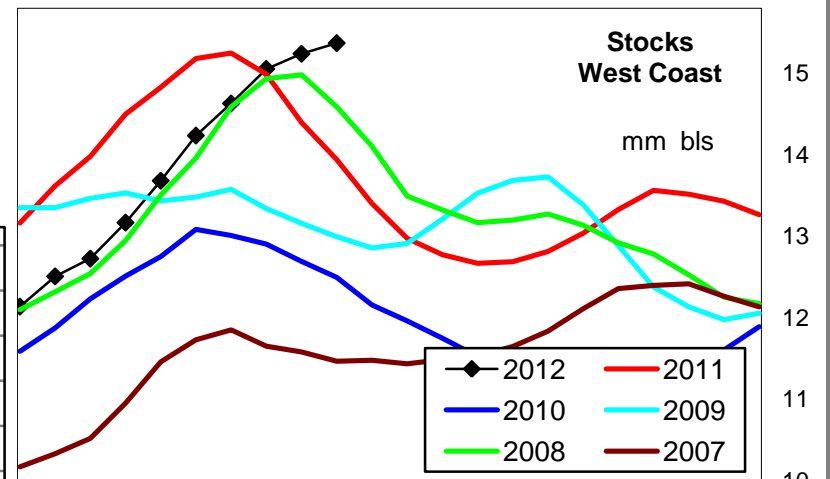
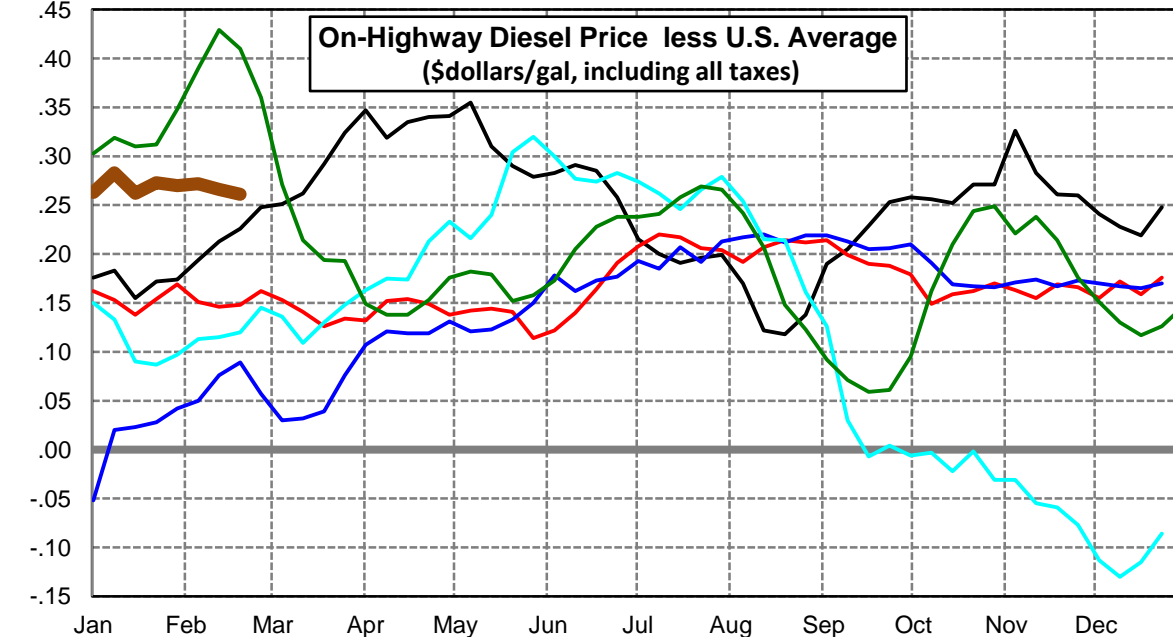
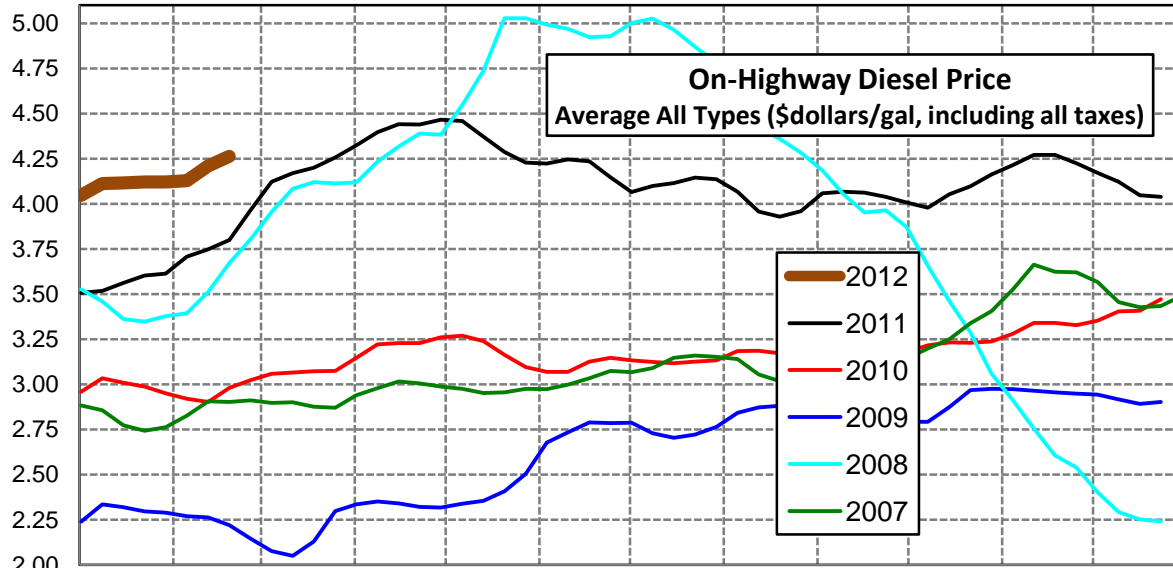
### West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>West Coast</b>	\$4.033	\$4.036	\$4.121	<b>\$4.173</b>	\$0.052
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



### California Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30Jan12	06Feb12	13Feb12	20Feb12	
<b>California</b>	\$4.120	\$4.128	\$4.209	<b>\$4.263</b>	\$0.054
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



Week ending	Weekly On-Highway Diesel Prices									
	Average All Types (\$dollars/gal, including all taxes)									
	United States	East Coast	New England	Central Atlantic	Lower Atlantic	Mid West	Gulf Coast	Rocky Mtn	West Coast	California
Mon-02-May-11	4.124	4.128	4.231	4.269	4.059	4.086	4.060	4.156	4.328	4.465
Mon-09-May-11	4.104	4.117	4.218	4.248	4.052	4.066	4.022	4.156	4.307	4.459
Mon-16-May-11	4.061	4.075	4.207	4.210	4.005	4.015	3.996	4.134	4.248	4.371
Mon-23-May-11	3.997	4.011	4.161	4.138	3.943	3.942	3.935	4.101	4.201	4.287
Mon-30-May-11	3.948	3.962	4.121	4.082	3.897	3.896	3.884	4.020	4.161	4.227
Mon-06-Jun-11	3.940	3.955	4.105	4.074	3.891	3.889	3.877	4.015	4.146	4.223
Mon-13-Jun-11	3.954	3.968	4.087	4.088	3.905	3.905	3.896	3.988	4.163	4.245
Mon-20-Jun-11	3.950	3.962	4.077	4.074	3.904	3.904	3.896	3.959	4.156	4.235
Mon-27-Jun-11	3.888	3.914	4.038	4.014	3.860	3.842	3.834	3.885	4.069	4.146
Mon-04-Jul-11	3.850	3.870	4.009	3.978	3.812	3.818	3.798	3.851	3.993	4.065
Mon-11-Jul-11	3.899	3.926	4.012	4.034	3.872	3.875	3.856	3.838	4.012	4.099
Mon-18-Jul-11	3.923	3.963	4.034	4.066	3.912	3.903	3.882	3.827	4.005	4.114
Mon-25-Jul-11	3.949	3.988	4.037	4.090	3.940	3.925	3.913	3.848	4.038	4.145
Mon-01-Aug-11	3.937	3.974	4.045	4.090	3.918	3.918	3.904	3.855	4.000	4.136
Mon-08-Aug-11	3.897	3.936	4.031	4.053	3.877	3.875	3.868	3.851	3.949	4.067
Mon-15-Aug-11	3.835	3.871	4.001	3.983	3.811	3.815	3.806	3.826	3.863	3.957
Mon-22-Aug-11	3.810	3.844	3.994	3.944	3.788	3.789	3.772	3.815	3.855	3.928
Mon-29-Aug-11	3.820	3.843	3.977	3.930	3.793	3.803	3.763	3.839	3.908	3.958
Mon-05-Sep-11	3.868	3.886	3.994	3.987	3.833	3.852	3.800	3.890	3.981	4.058
Mon-12-Sep-11	3.862	3.879	3.985	3.985	3.825	3.841	3.790	3.903	3.984	4.067
Mon-19-Sep-11	3.833	3.853	3.983	3.968	3.792	3.799	3.765	3.892	3.977	4.062
Mon-26-Sep-11	3.786	3.804	3.963	3.922	3.739	3.738	3.730	3.867	3.957	4.039
Mon-03-Oct-11	3.749	3.765	3.941	3.881	3.699	3.699	3.693	3.846	3.927	4.007
Mon-10-Oct-11	3.721	3.741	3.912	3.860	3.674	3.671	3.651	3.828	3.910	3.977
Mon-17-Oct-11	3.801	3.815	3.907	3.922	3.761	3.754	3.726	3.885	4.01	4.053
Mon-24-Oct-11	3.825	3.832	3.925	3.946	3.775	3.782	3.745	3.909	4.049	4.096
Mon-31-Oct-11	3.892	3.886	3.935	3.994	3.836	3.866	3.808	3.959	4.107	4.163
Mon-07-Nov-11	3.887	3.875	3.950	3.997	3.816	3.863	3.796	3.978	4.109	4.213
Mon-14-Nov-11	3.987	3.964	4.030	4.085	3.906	3.987	3.882	4.093	4.171	4.270
Mon-21-Nov-11	4.010	3.984	4.056	4.100	3.918	4.010	3.903	4.144	4.191	4.271
Mon-28-Nov-11	3.964	3.953	4.045	4.057	3.882	3.949	3.859	4.094	4.142	4.224
Mon-05-Dec-11	3.931	3.934	4.036	4.018	3.862	3.907	3.828	4.035	4.105	4.172
Mon-12-Dec-11	3.894	3.917	4.032	4.003	3.830	3.848	3.794	3.991	4.061	4.122
Mon-19-Dec-11	3.828	3.873	3.995	3.963	3.783	3.765	3.727	3.913	3.992	4.047
Mon-26-Dec-11	3.791	3.840	3.973	3.925	3.752	3.706	3.708	3.861	3.978	4.039
Mon-02-Jan-12	3.783	3.844	3.973	3.932	3.754	3.683	3.709	3.836	3.979	4.046
Mon-09-Jan-12	3.828	3.908	4.029	3.996	3.820	3.717	3.750	3.843	4.026	4.111
Mon-16-Jan-12	3.854	3.943	4.076	4.031	3.853	3.746	3.777	3.823	4.037	4.116
Mon-23-Jan-12	3.848	3.938	4.077	4.030	3.843	3.736	3.774	3.817	4.037	4.121
Mon-30-Jan-12	3.850	3.945	4.088	4.040	3.848	3.734	3.776	3.816	4.033	4.120
Mon-06-Feb-12	3.856	3.948	4.101	4.046	3.846	3.751	3.775	3.817	4.036	4.128
Mon-13-Feb-12	3.943	4.028	4.150	4.128	3.930	3.857	3.860	3.841	4.121	4.209
Mon-20-Feb-12	4.002	4.078	4.199	4.191	4.006	3.878	3.974	4.029	4.173	4.263
Mon-27-Feb-12										
Mon-05-Mar-12										
Mon-12-Mar-12										
Mon-19-Mar-12										
Mon-26-Mar-12										
Mon-02-Apr-12										
Mon-09-Apr-12										
Mon-16-Apr-12										
Mon-23-Apr-12										
Mon-30-Apr-12										



## Glossary and Definitions Weekly Diesel Price -Fundamental Trends Report

**U.S. Energy Information Administration:** Source of weekly supply -demand diesel (distillate) fundamental data gathered through weekly survey of refiners, blenders, marketers, distributors.

**Weekly Retail On-Highway Diesel Prices:** Prepared by the EIA through a weekly survey of retail diesel marketers conducted each Monday. Many transportation firms use this data source to set fuel surcharge rates.

**Gulf Coast ULSD (ultra low sulfur distillate) Spot Market Prices:** Daily price data provided to the EIA by Thomson Reuters. Weekly data is an un weighted average of the daily prices.

**Regional Markets:** The EIA has defined five regions called PADD's for Petroleum Administration for Defense Districts which are used to aggregate weekly supply demand fundamental statistics as well as retail On-Highway diesel prices. Those regions are illustrated on the U.S. Map, Page 2 of this report. In addition the EIA provides prices for the state of California, and three sub regions of PADD 1; New England, Central Atlantic and Lower Atlantic.

**On-Highway Diesel Price less U.S. Average:** This is the difference between the specific regional market and the U.S. Average price. The variance reflects differences in refining cost, wholesale distribution cost, product grade specifications, taxes, and market power by marketers to set prices.

Temporary variations also reflect the relative supply -demand balance; for example during periods that Eastern Canadian refiners are down for maintenance diesel supplies in the New England Region may become very tight, thus driving up the premium that New England prices have over the U.S. average price.

This difference also reflects the '**basis risk**' which a transport firm operating in a specific region experiences if using the U.S. Average price to hedge fuel cost or set fuel surcharge rates.

**Week ahead On-Highway Retail Diesel Price Forecast:** Prepared by Fundamental Petroleum Trends Reports using spot and futures market prices as reported by the EIA, and seasonal indices in proprietary statistical models.