



## RETAIL DIESEL FUEL OUTLOOK

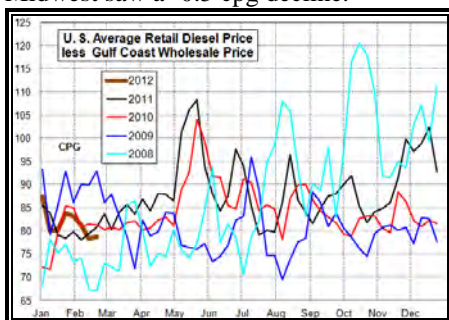
### A Fundamental Petroleum Trends Weekly Report

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

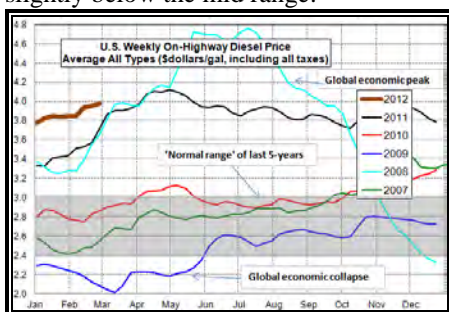
Region	Actual Price 1/			Forecast 2/	Change from week ago
	06Feb12	13Feb12	20Feb12	27Feb12	
U.S.	3.856	3.943	3.960	3.979	0.019
East Coast	3.948	4.028	4.053	4.070	0.017
New England	4.101	4.150	4.161	4.191	0.030
Central Atlantic	4.046	4.128	4.142	4.183	0.041
Lower Atlantic	3.846	3.930	3.966	4.017	0.051
Midwest	3.751	3.857	3.848	3.794	-0.054
Gulf Coast	3.775	3.860	3.886	3.984	0.098
Rocky Mountain	3.817	3.841	3.857	4.004	0.147
West Coast	4.036	4.121	4.164	4.190	0.026
California	4.128	4.209	4.258	4.281	0.023

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

**Diesel Fuel Price Trends** U. S. retail diesel prices increased +1.7 cpg for the week ending 20Feb12. Prices increased +4.3 cpg on the West Coast and +3.6 cpg in the Lower Atlantic Region. The Midwest saw a -0.5 cpg decline.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price increased +0.5 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 \$0.39/gal **above** the 5-year high, for this time of year, set in 2011.

Refinery maintenance on the West Coast led to the strength in prices for that market. Over supply in the Midwest has

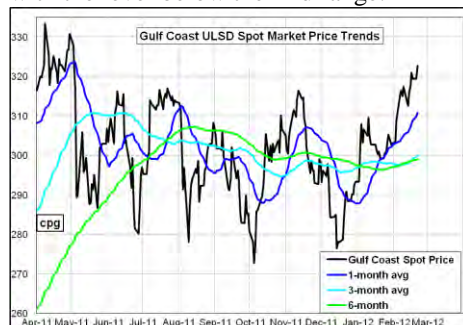
limited retail price increases in the region.

Robust exports and colder than normal temperatures in Europe has pushed New England retail prices to match the West Coast. The Midwest reported the lowest average price at \$3.85/gal.

The highest price was reported in California at \$4.26/gal.

Gulf Coast wholesale distillate prices climbed +7 cpg last week ending 20Feb12. Gulf wholesale prices ended the week at the highest level since April 2011.

U.S. average retail prices are now +24 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices increased 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.

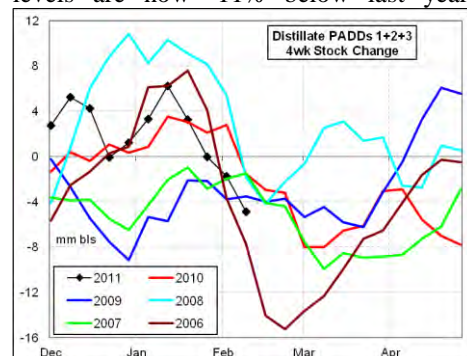
#### Supply - Demand Fundamental Trends

Distillate stocks fell -2.9 million barrels last week on a rebound in wholesale demand and lower production. Exports continue to offset weak U.S. demand, which was -98,000 bpd below a year ago for the latest 4-wk period.

The stock draw was concentrated in PADD 1, with stock levels in that region falling to near 5-year lows. Imports are down -46% from a year ago; contributing

to the low level of stocks on the East Coast. Distillate supplies decreased -75,000 bpd on the week with the latest 4-wk average +140,000 bpd above last year.

During the latest 4-wk period stocks have decreased -4.9 million barrels in markets East of the Rockies; a larger draw than in four of the last 5-years. Stock levels are now -11% below last year.



#### Global Trends Driving Diesel Prices

A rise in tensions between Iran and the U.S./European countries over sanctions, and the civil war in Syria has pushed global energy prices to the highest level of the past 10-months. Short term resolution of Greek debt crisis and an improving U.S. economy has also supported the recent price uptrend. Refinery closures in Europe and announced closures in the Caribbean and U.S. East Coast has increased risk of a supply squeeze for gasoline in PADD 1 this spring, another supporting factor to energy prices.

On balance, prices are likely to remain volatile for the next quarter.

**Diesel Price Outlook** U.S. retail prices are forecast to increase +2 cpg this week.

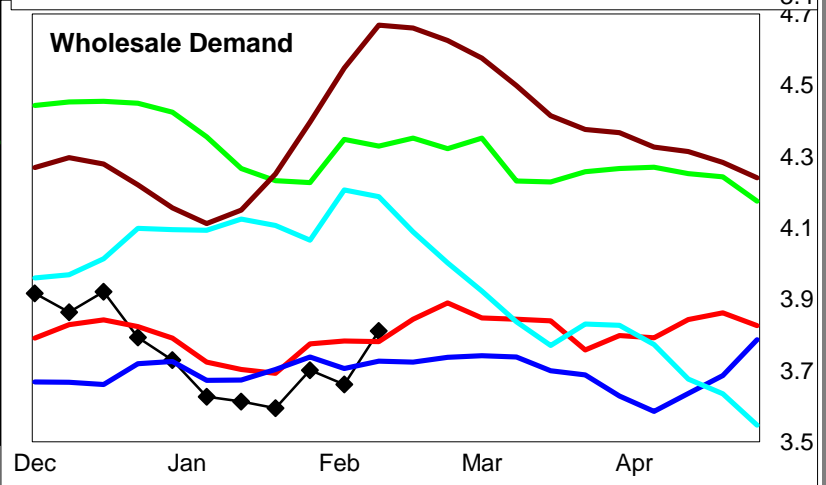
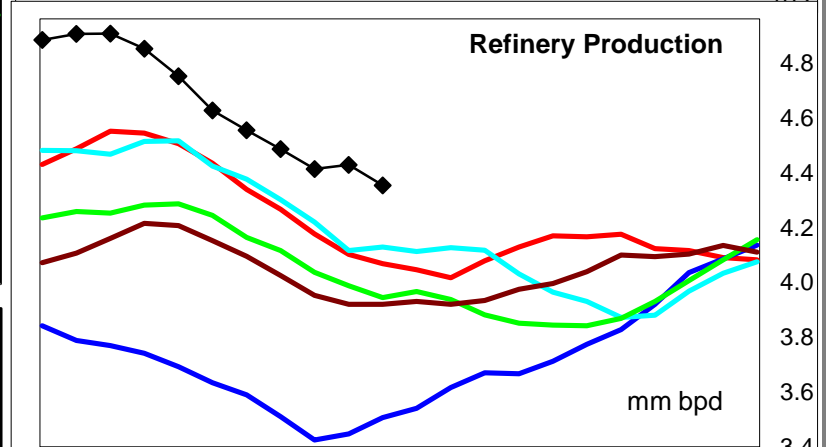
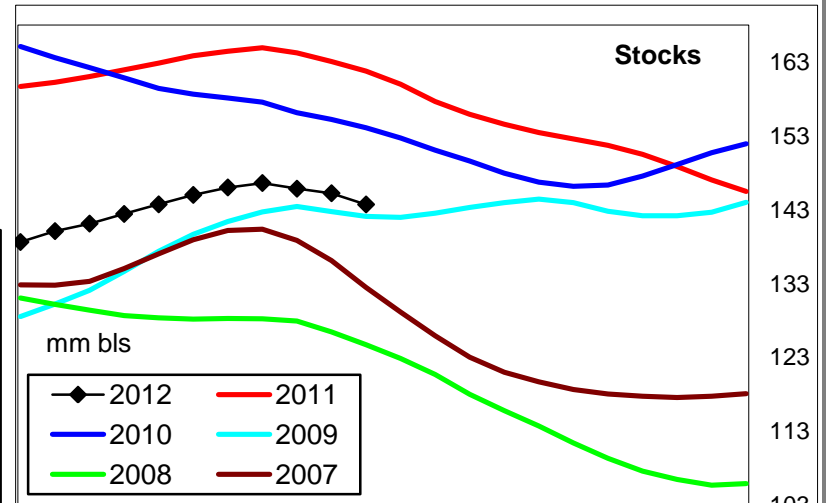
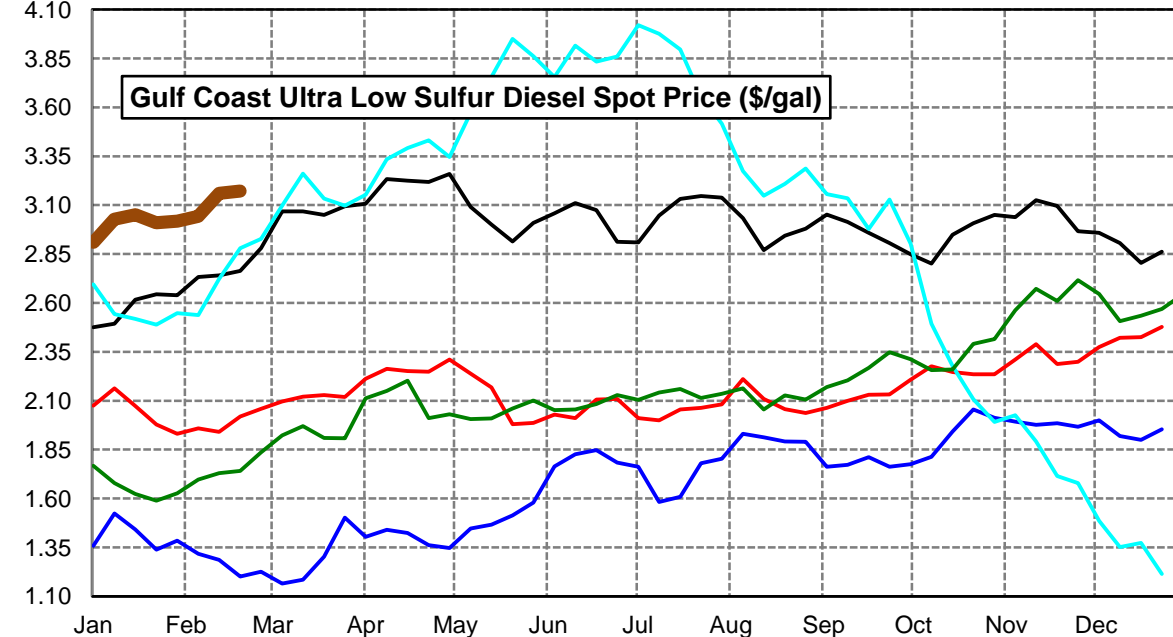
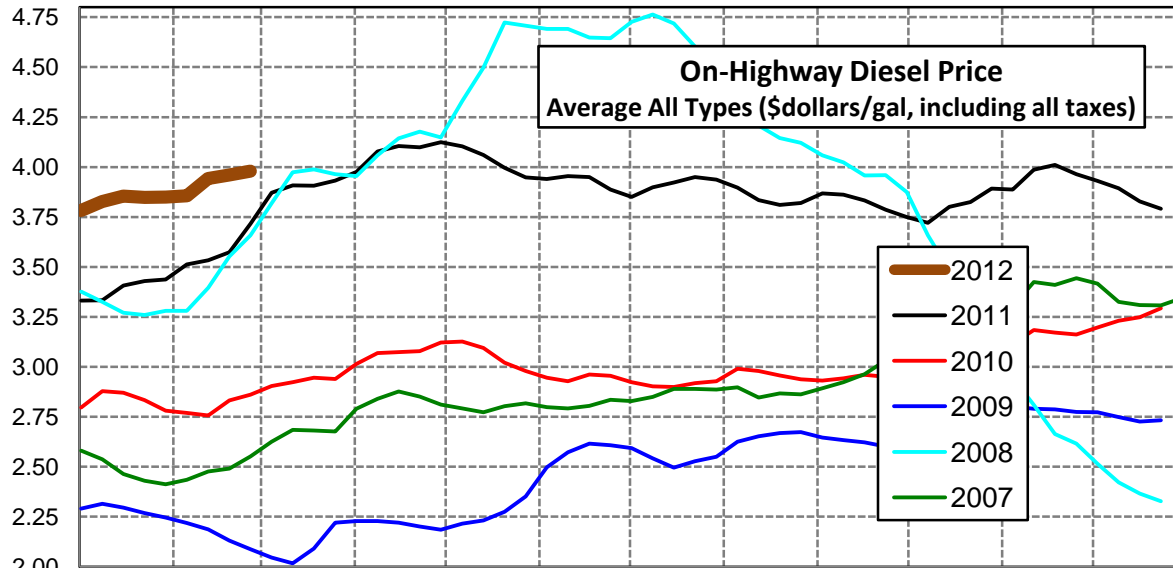
As refiners began spring maintenance in the Rockies, look for a significant rise in prices for that region from the current depressed levels compared to other markets. Gulf Coast prices should also rise compared to other regions on refinery maintenance and strong exports. The spread between retail and 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



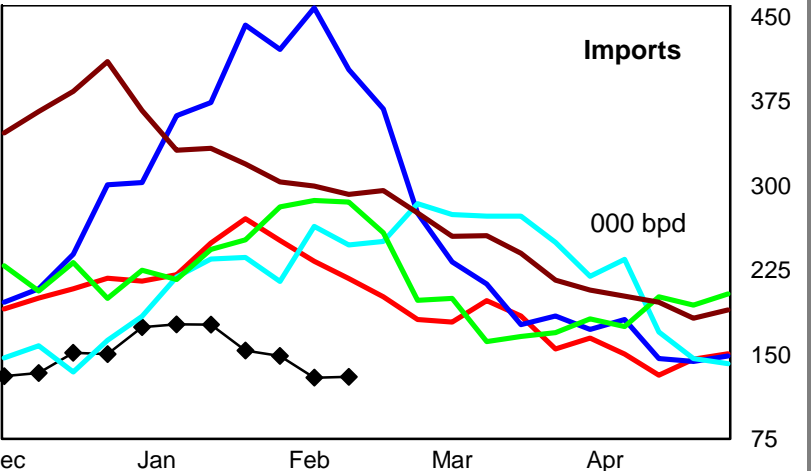
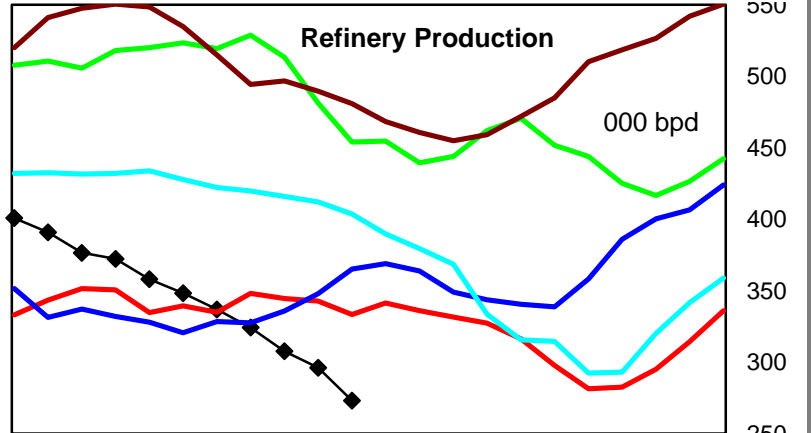
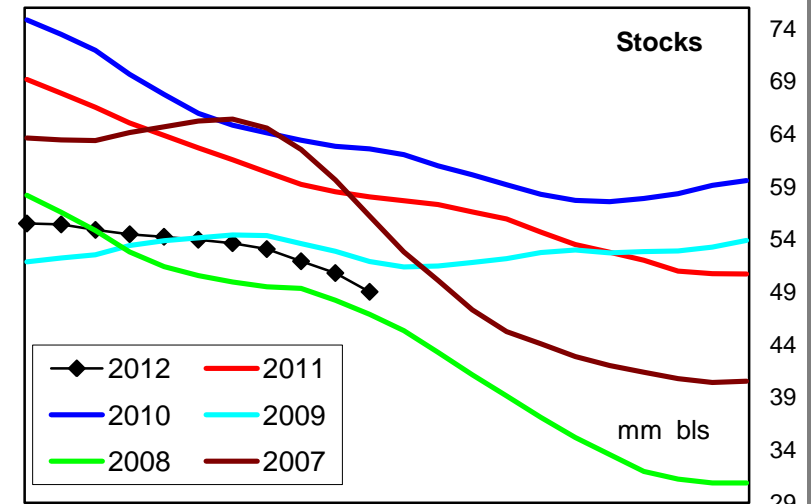
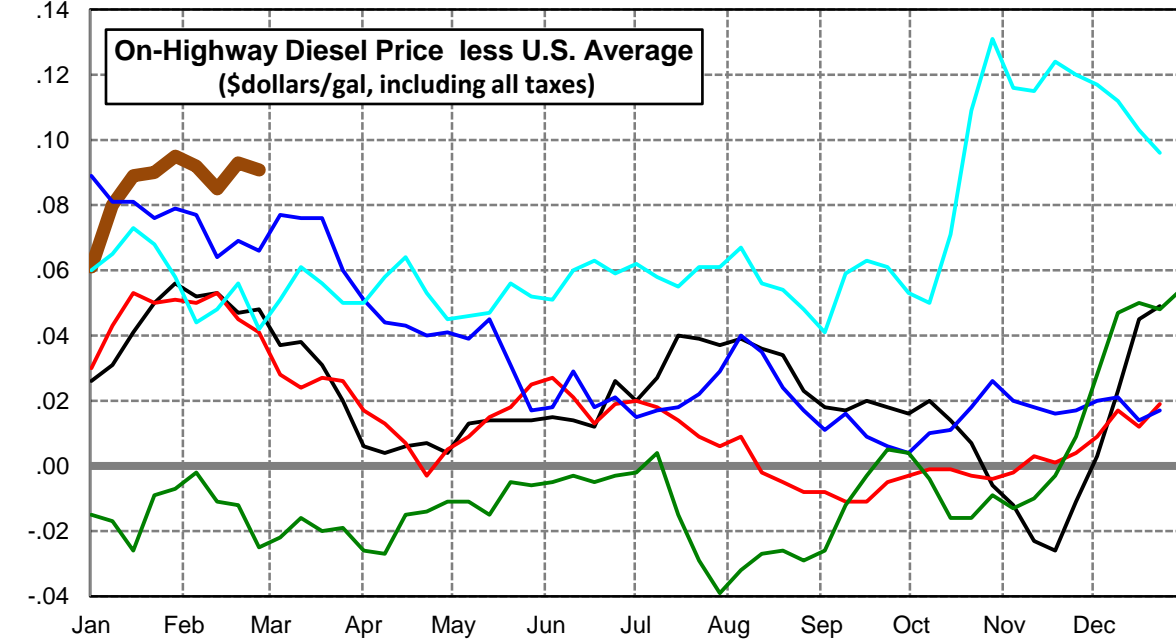
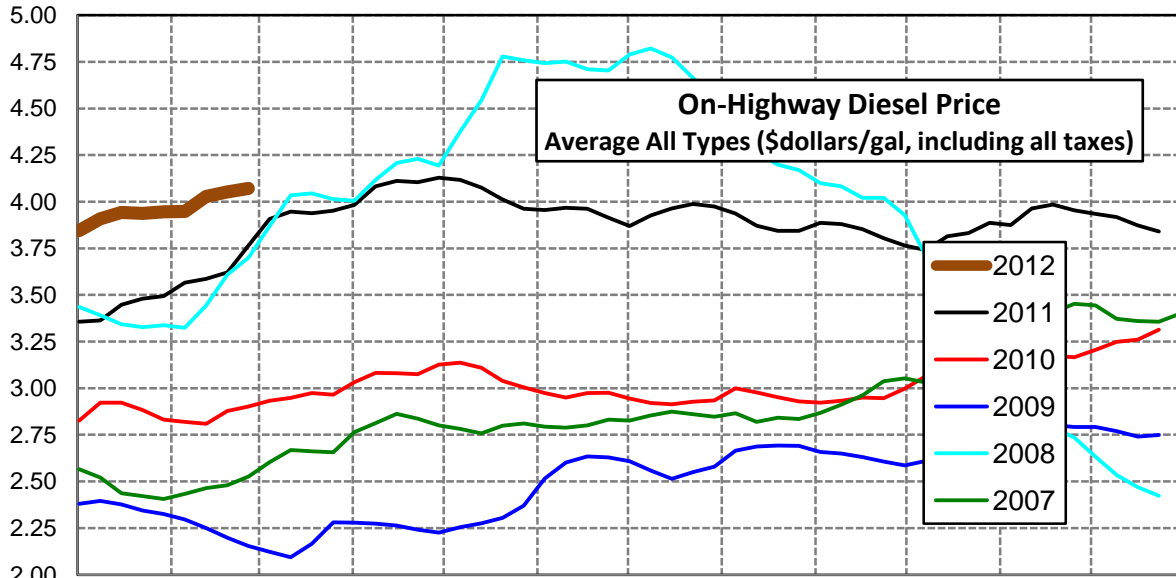
## U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>United States Avg</b>	\$3.856	\$3.943	\$3.960	\$3.979	\$0.019
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



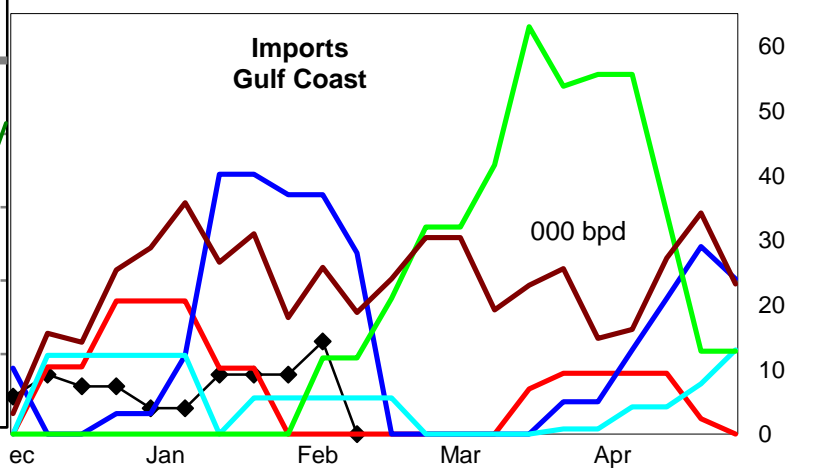
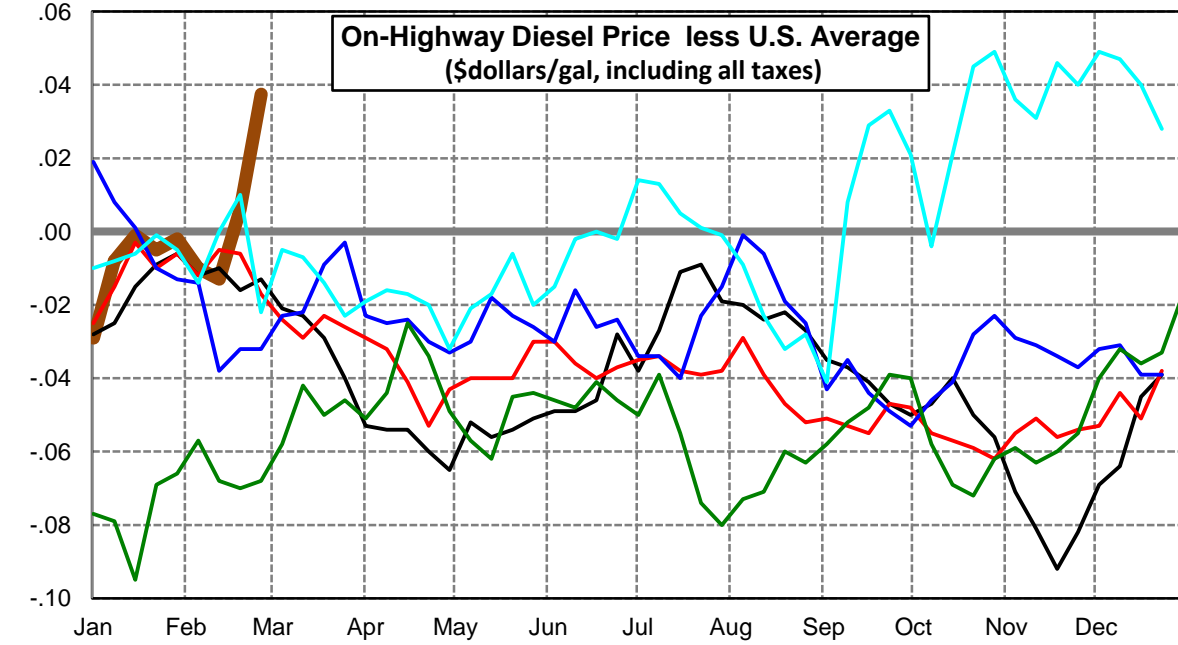
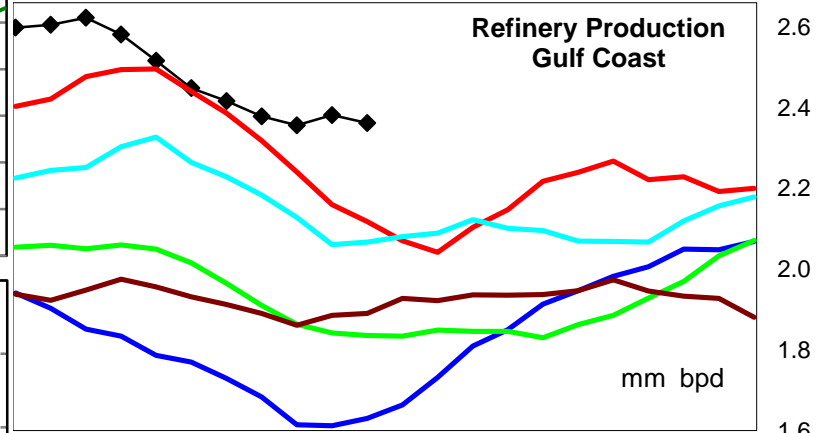
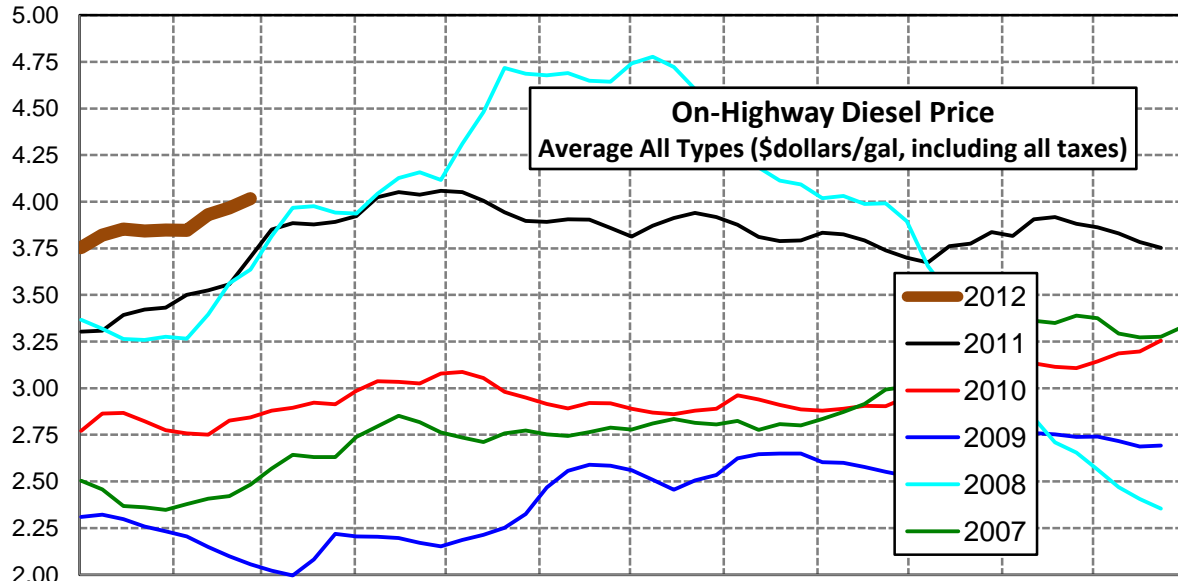
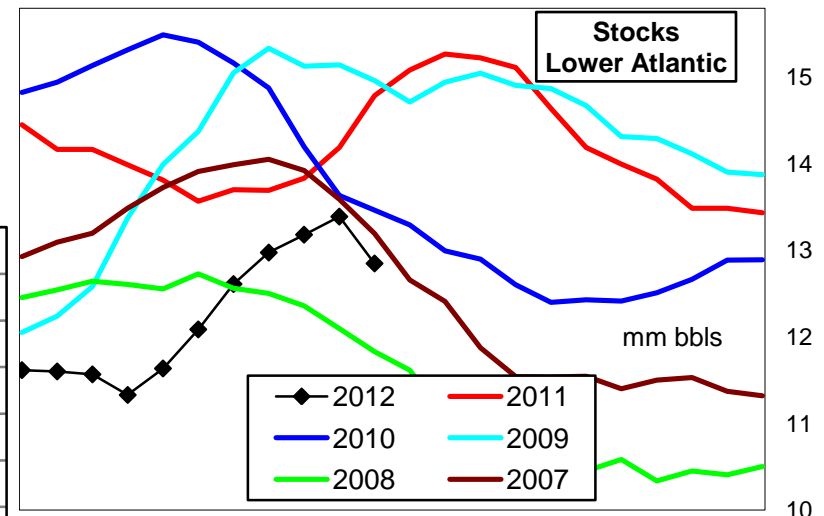
### East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>East Coast</b>	\$3.948	\$4.028	\$4.053	<b>\$4.070</b>	\$0.017
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



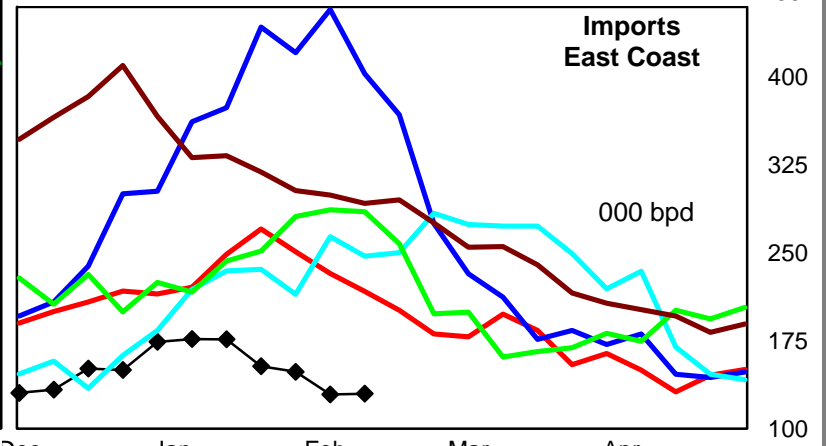
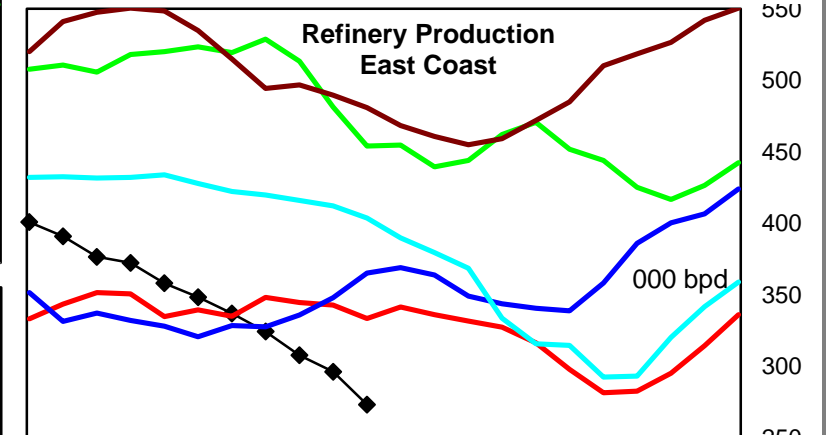
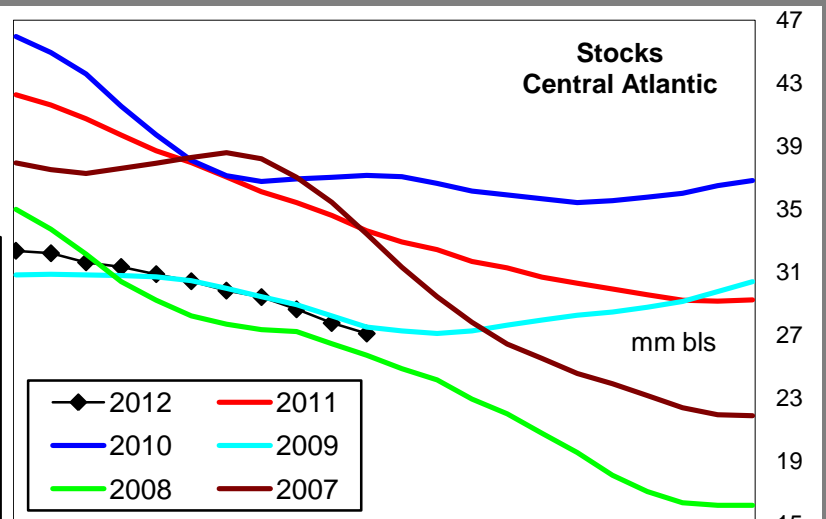
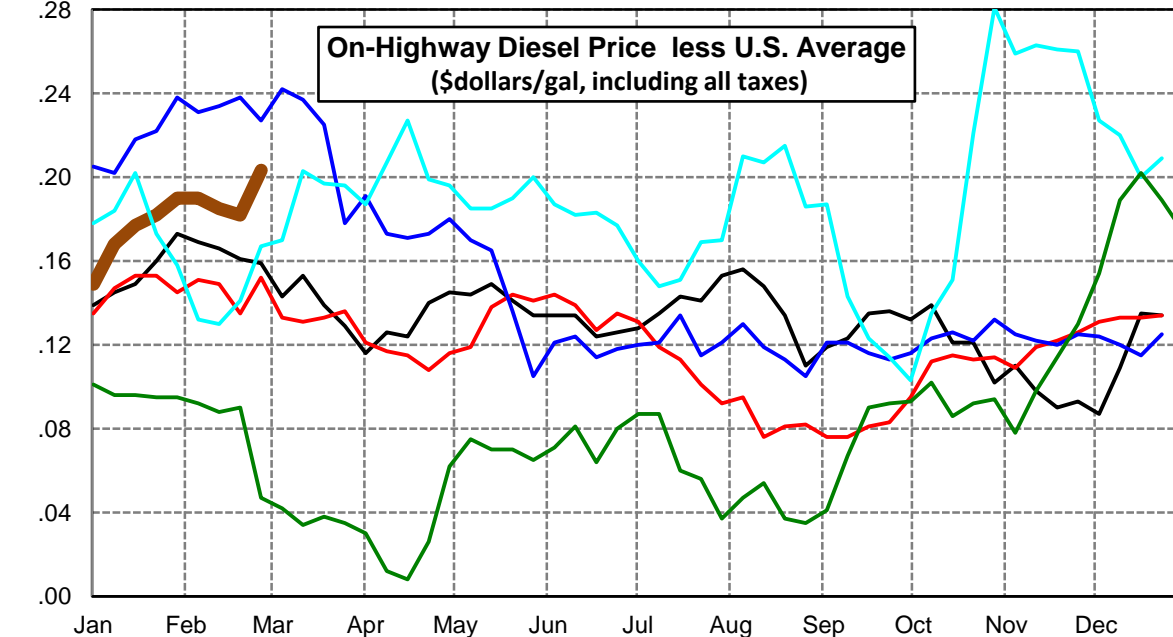
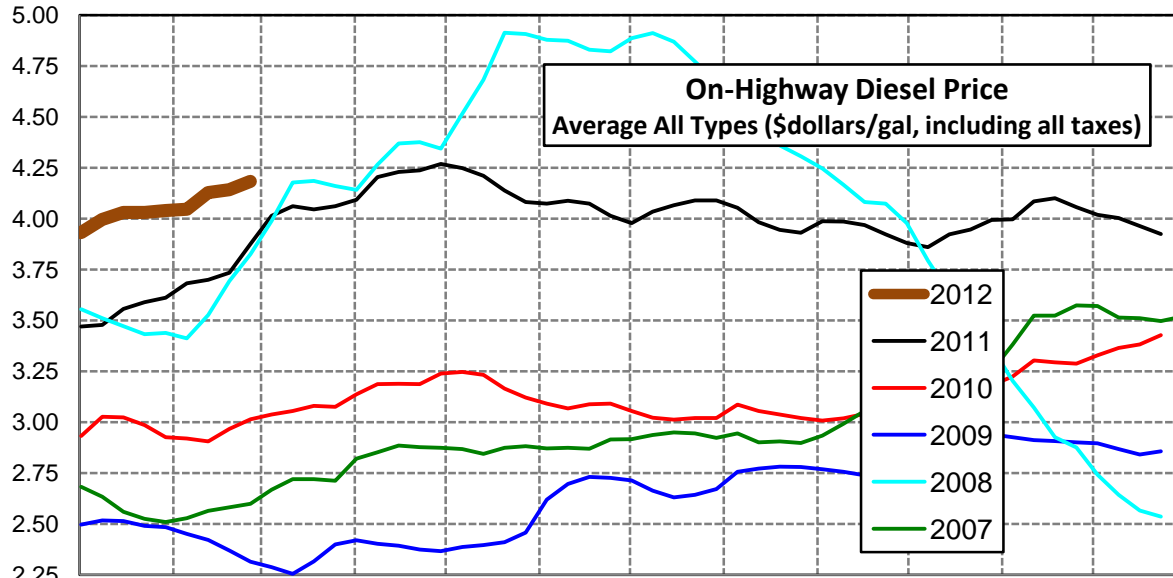
### Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>Lower Atlantic</b>	\$3.846	\$3.930	\$3.966	<b>\$4.017</b>	\$0.051
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



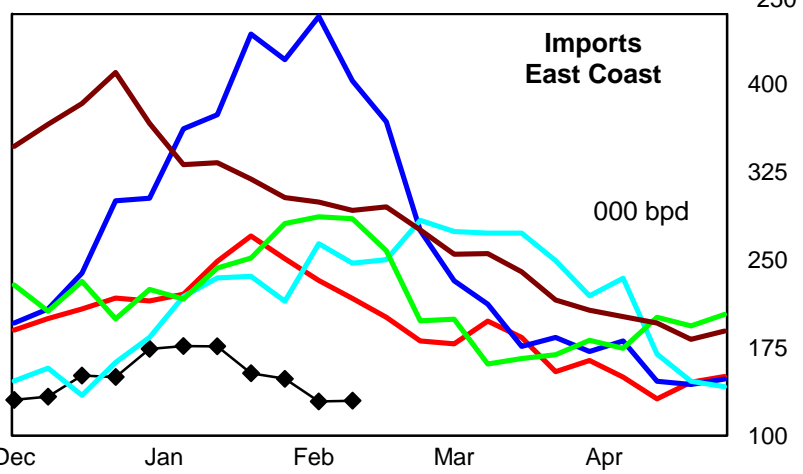
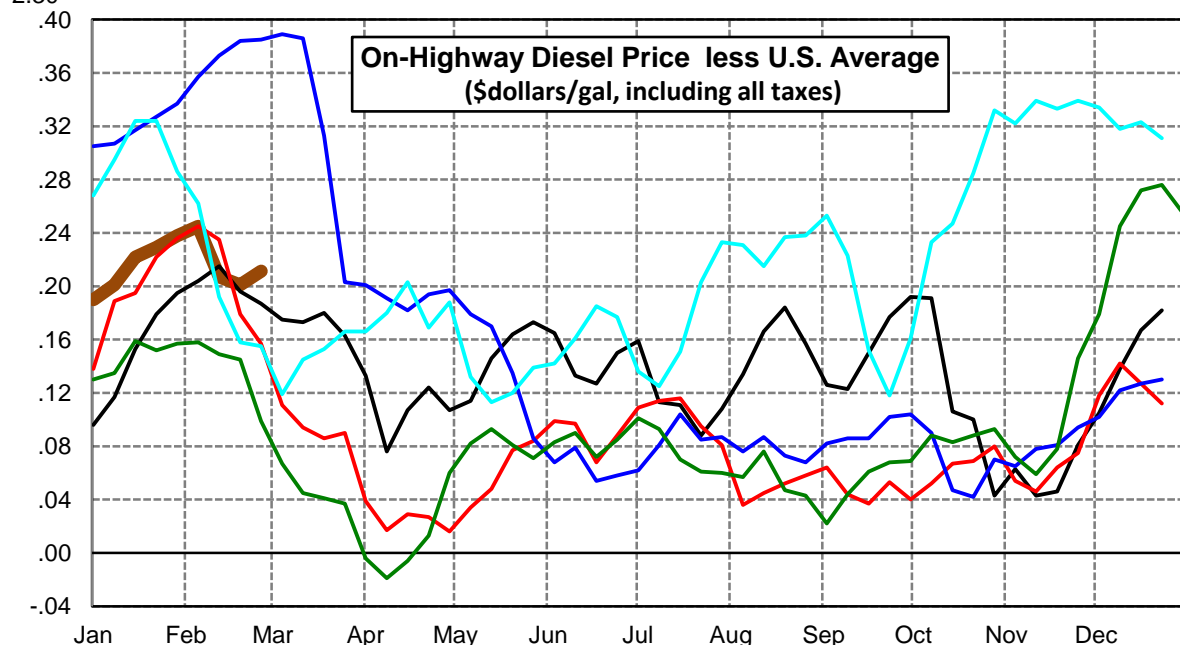
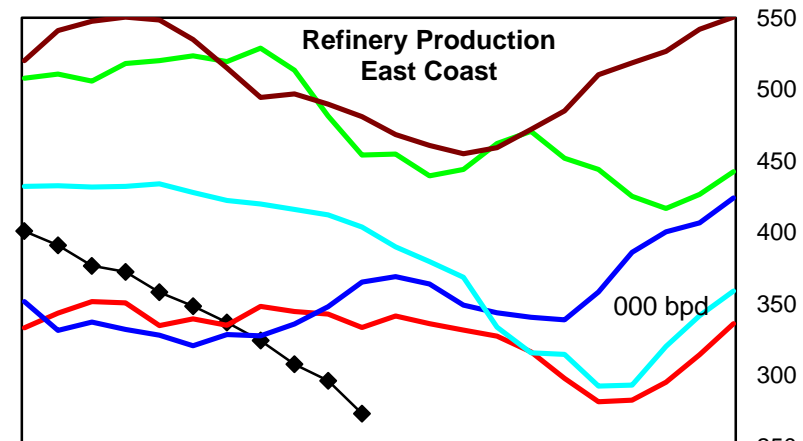
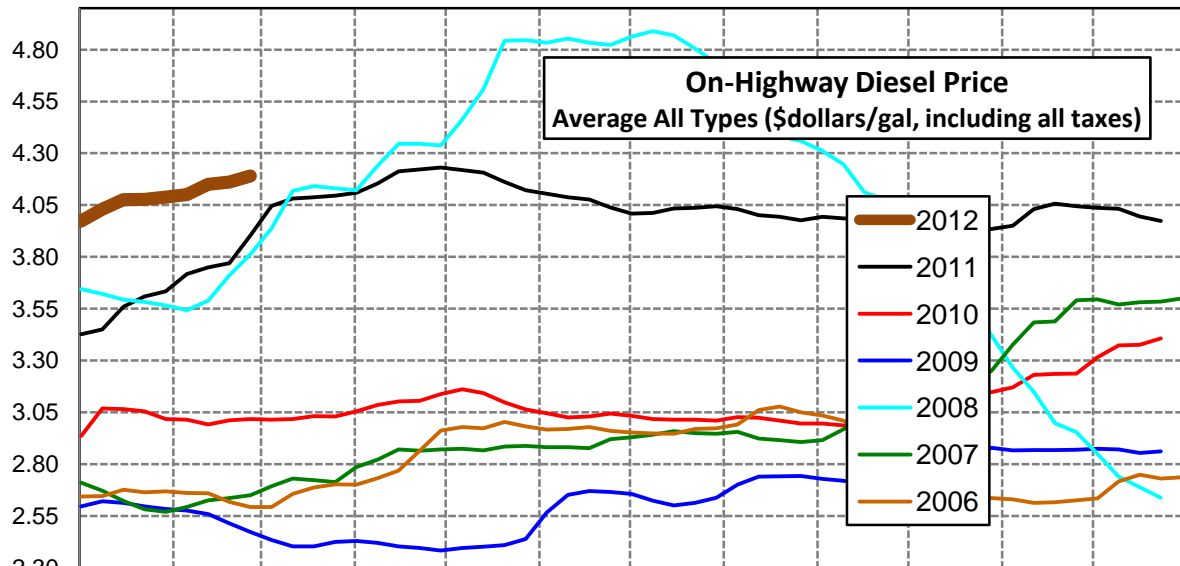
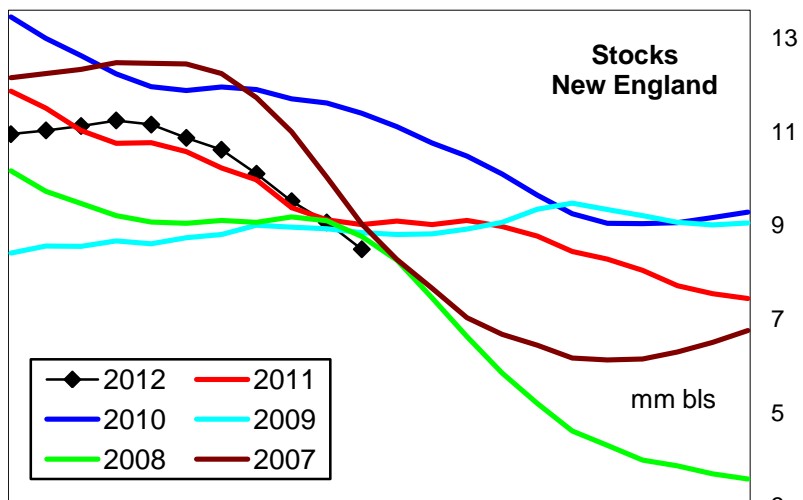
### Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>Central Atlantic</b>	\$4.046	\$4.128	\$4.142	<b>\$4.183</b>	\$0.041
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



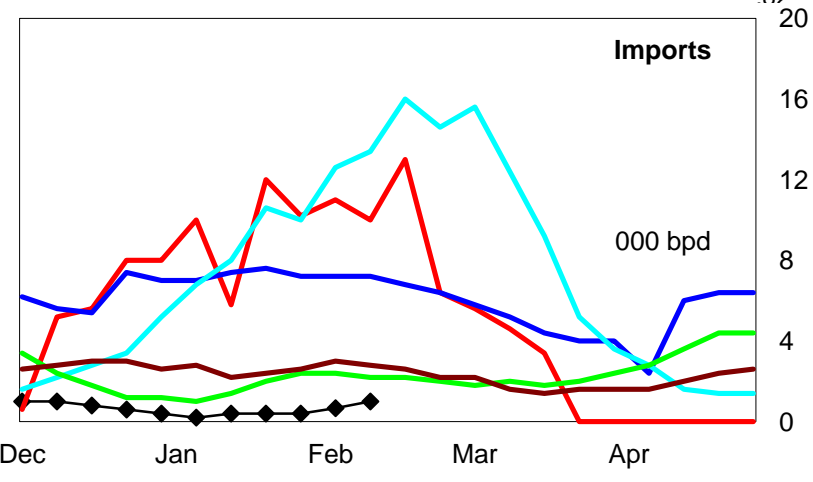
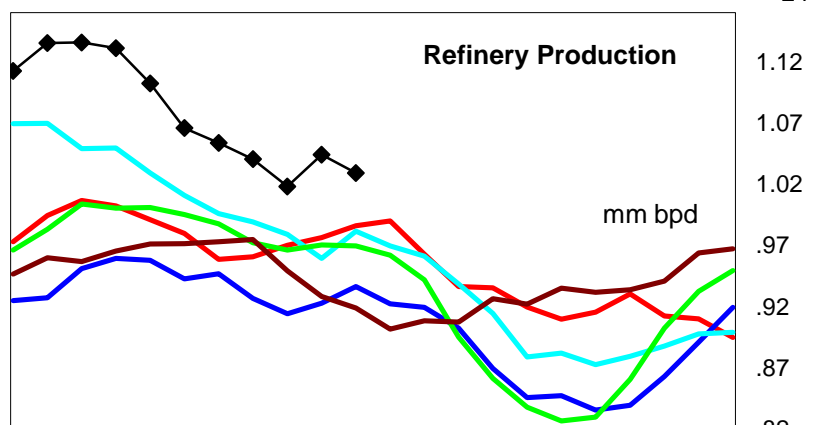
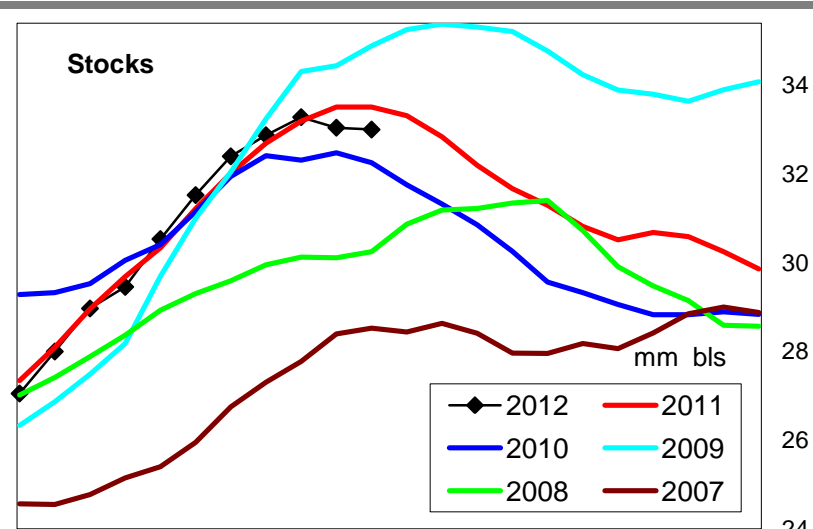
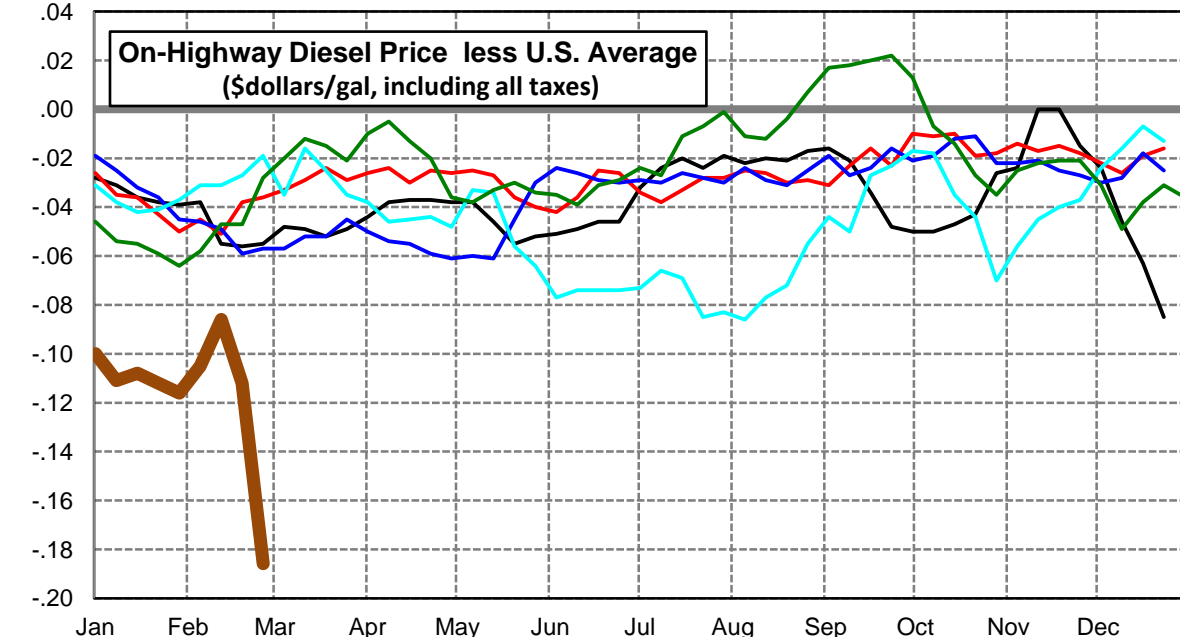
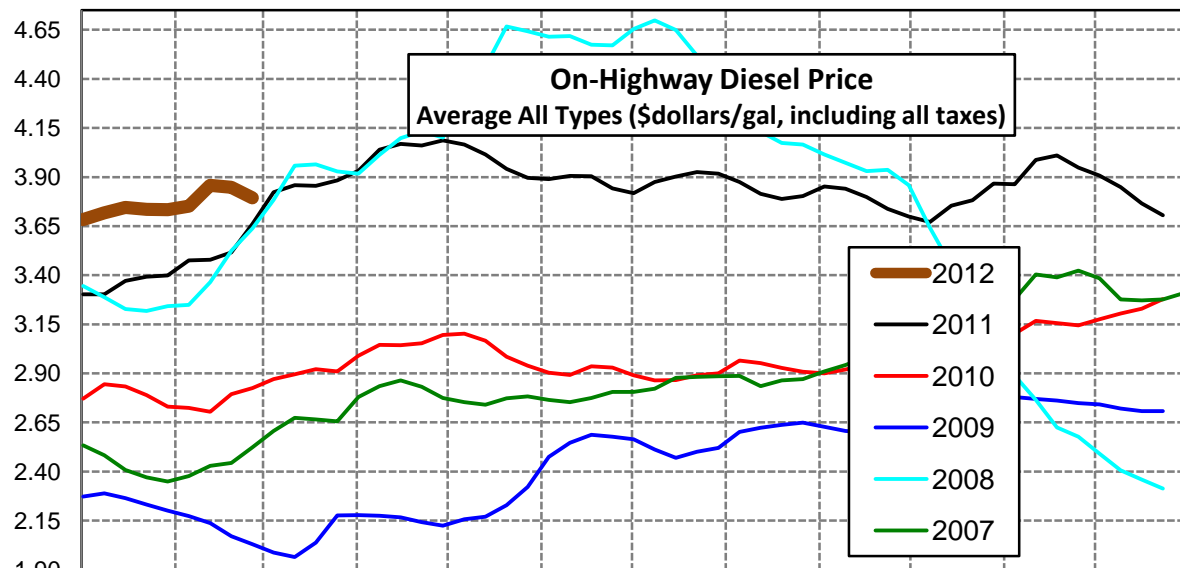
### New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>New England</b>	\$4.101	\$4.150	\$4.161	<b>\$4.191</b>	\$0.030
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



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

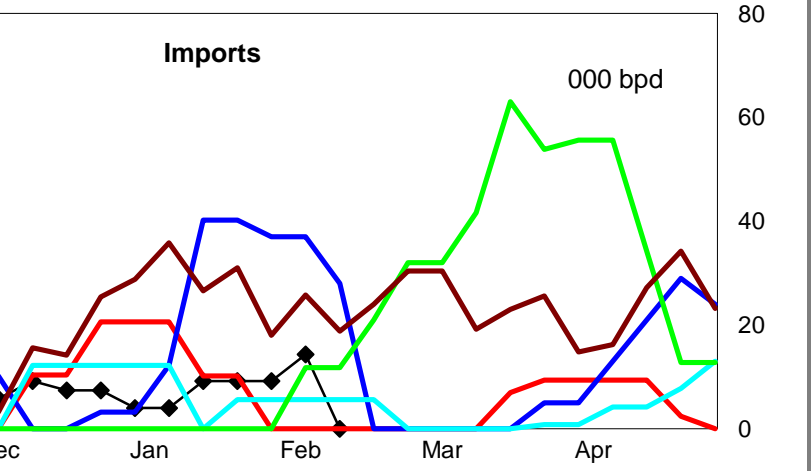
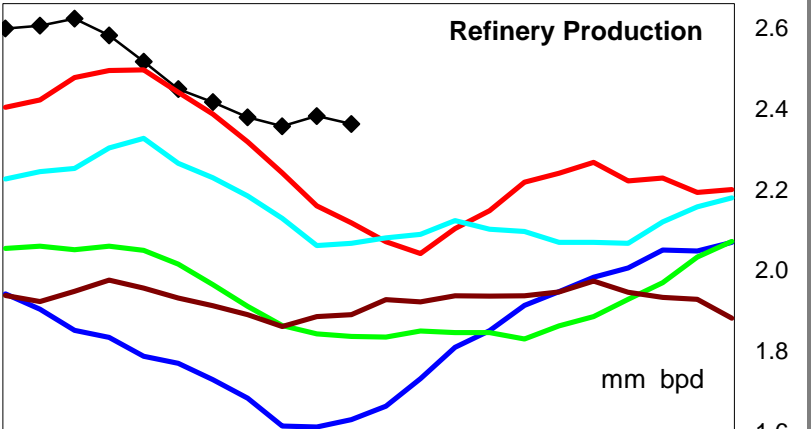
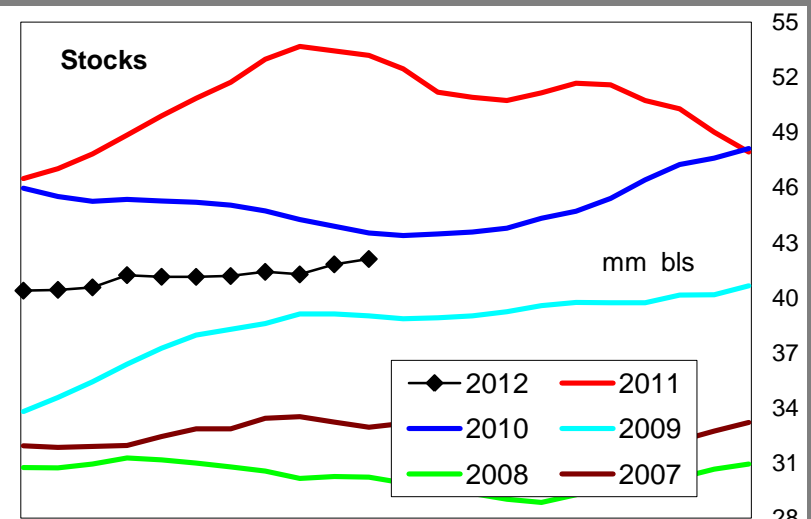
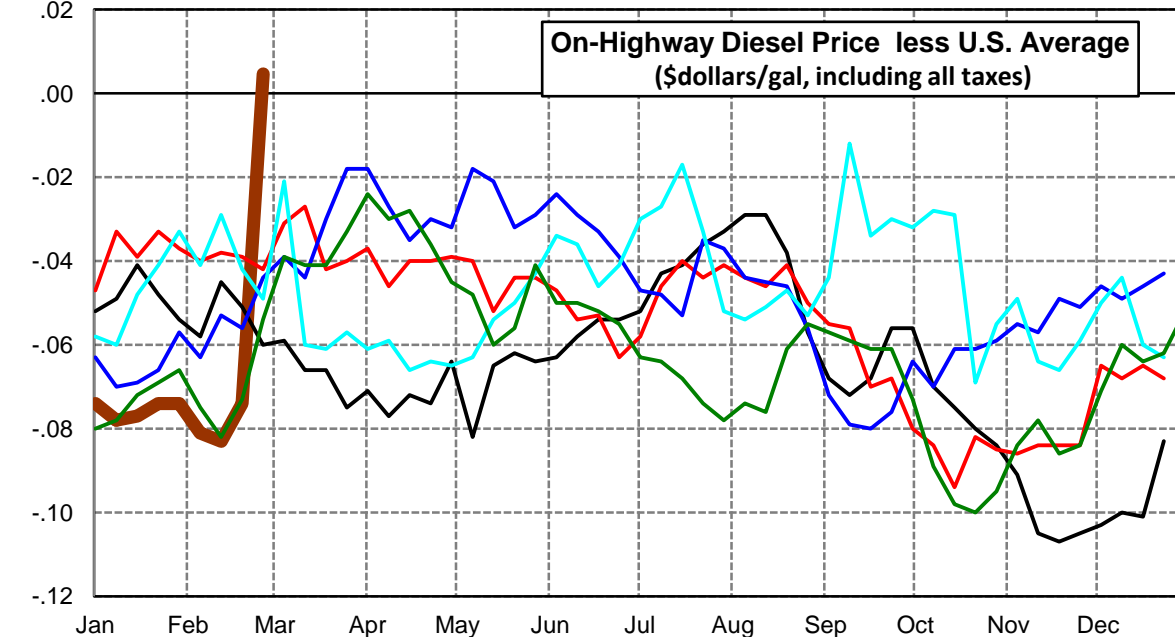
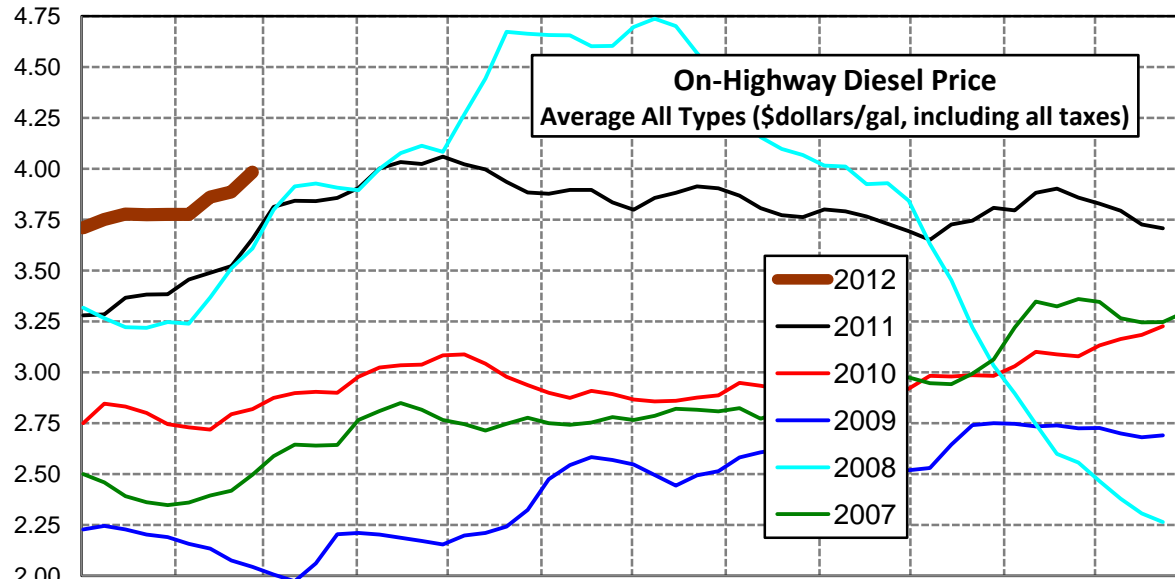
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>Midwest</b>	\$3.751	\$3.857	\$3.848	<b>\$3.794</b>	-\$0.054
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





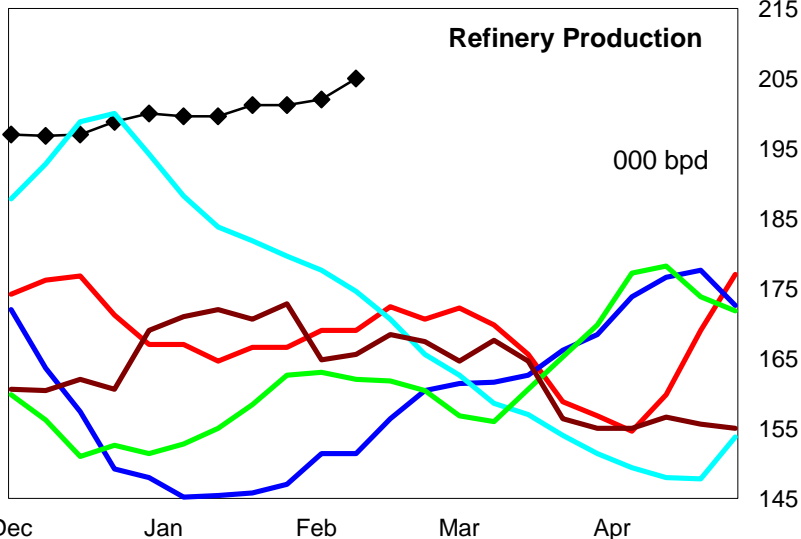
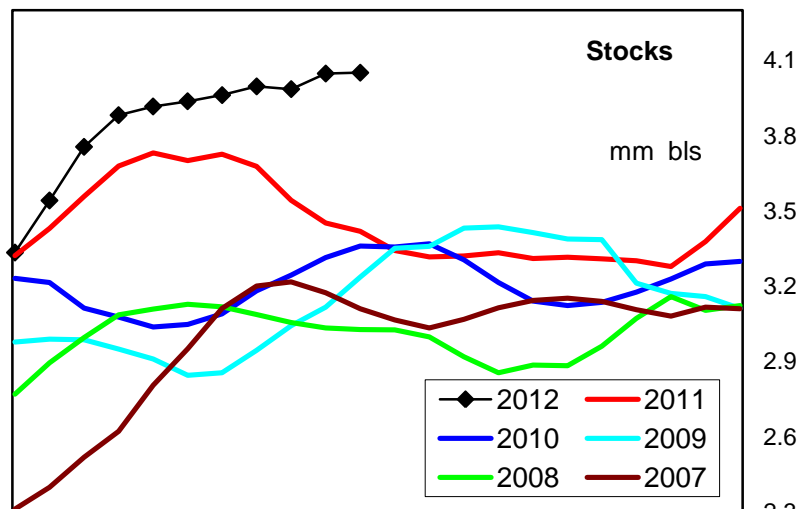
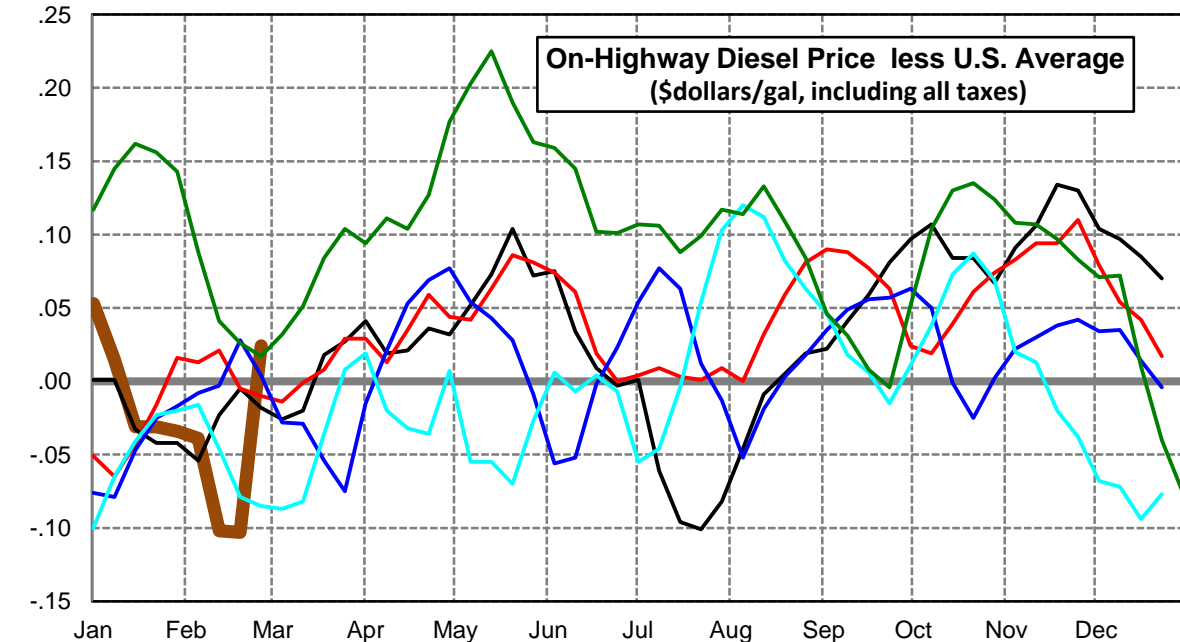
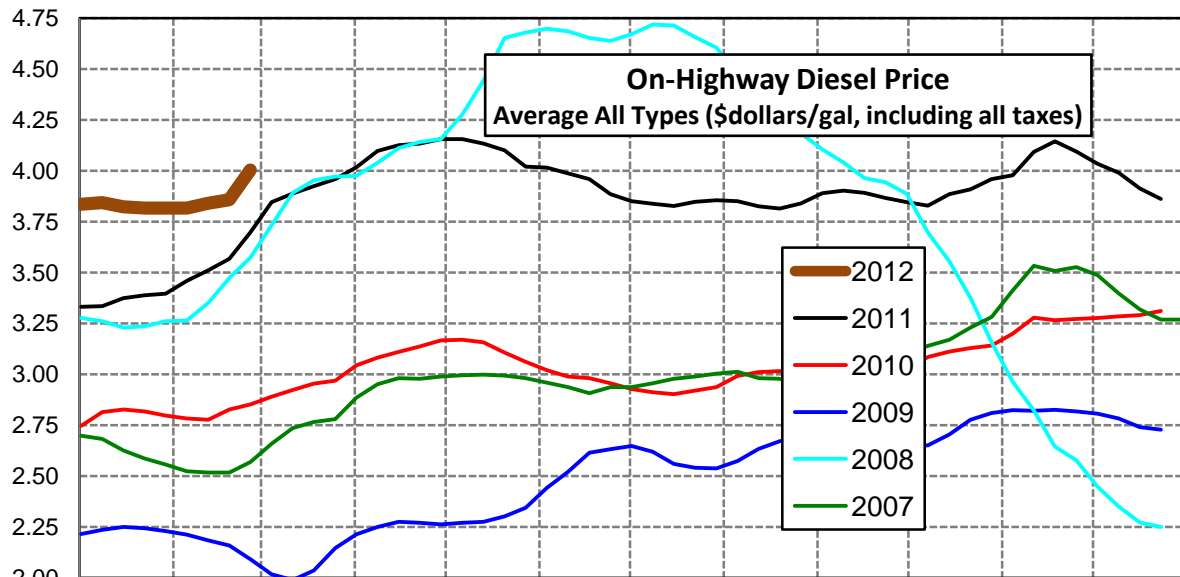
### Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>Gulf Coast</b>	\$3.775	\$3.860	\$3.886	<b>\$3.984</b>	\$0.098
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



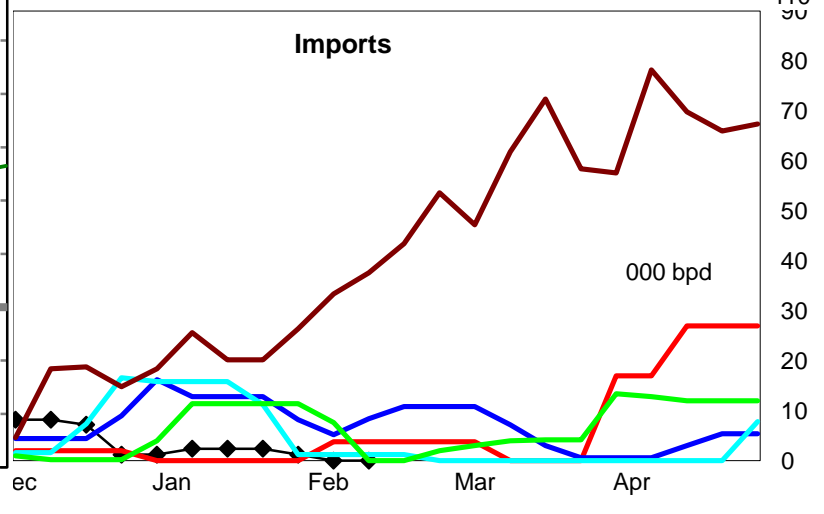
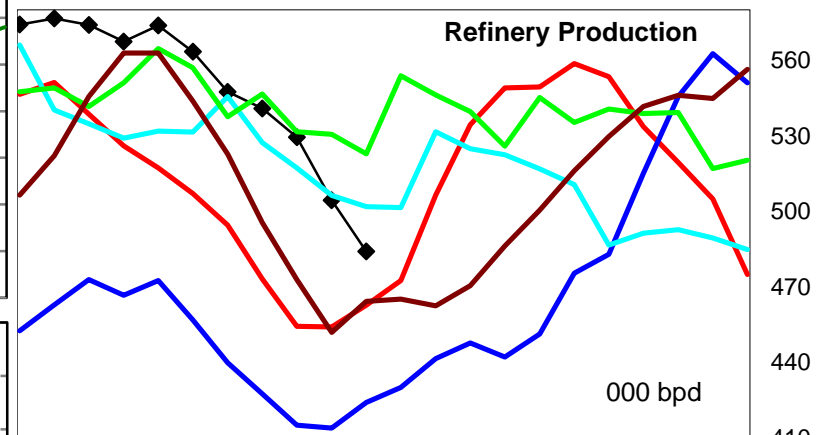
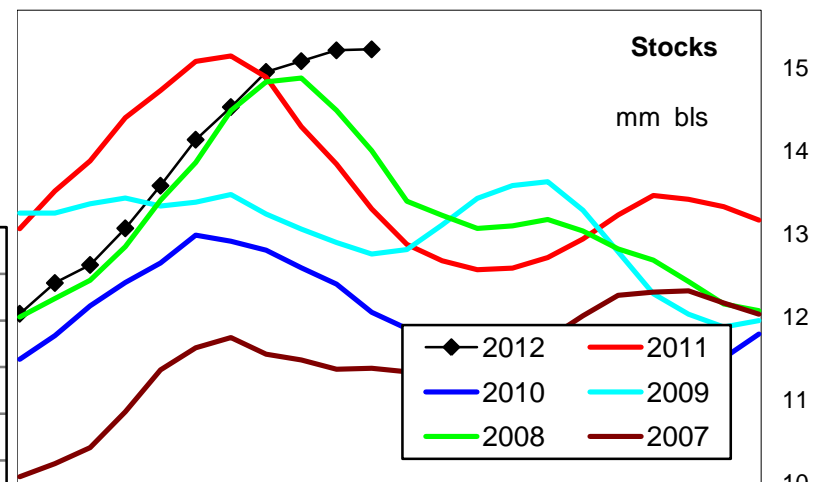
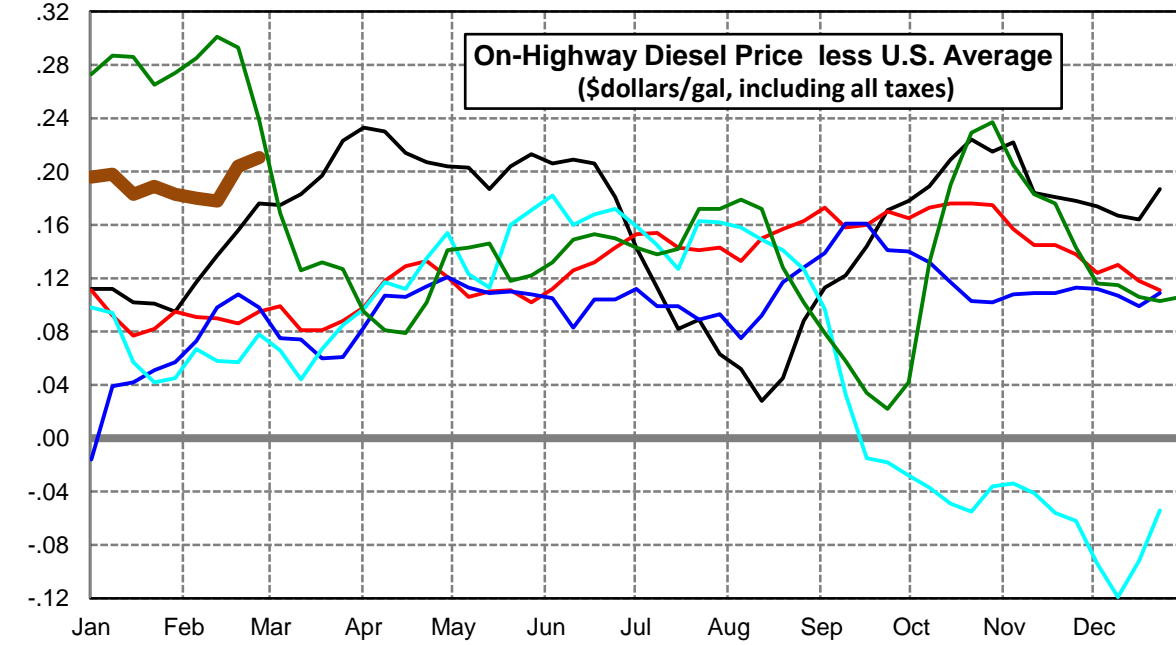
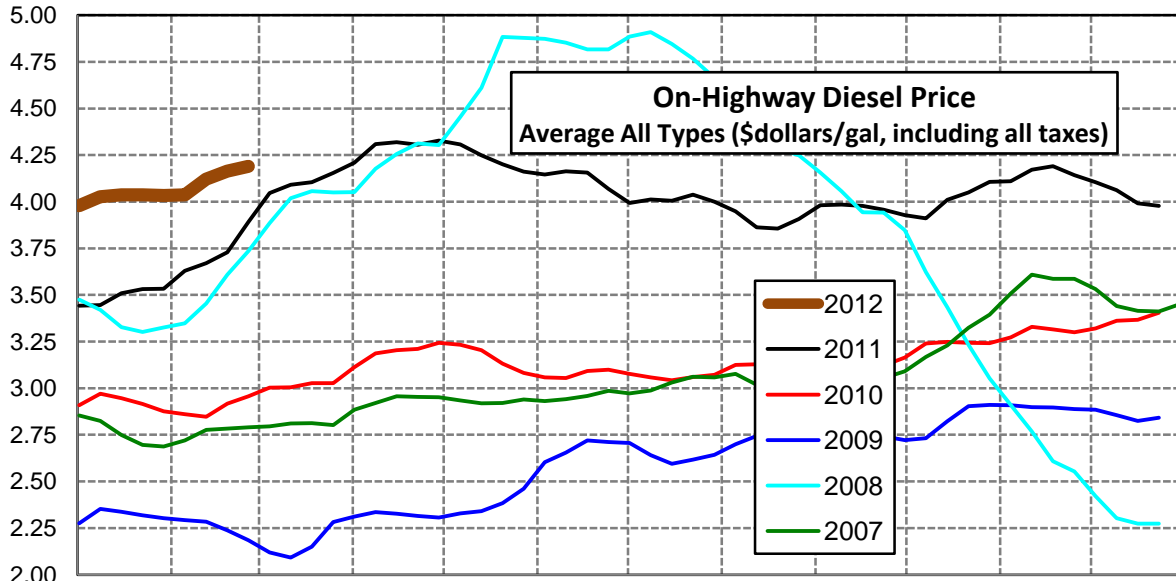
### Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>Rocky Mountain</b>	\$3.817	\$3.841	\$3.857	<b>\$4.004</b>	\$0.147
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



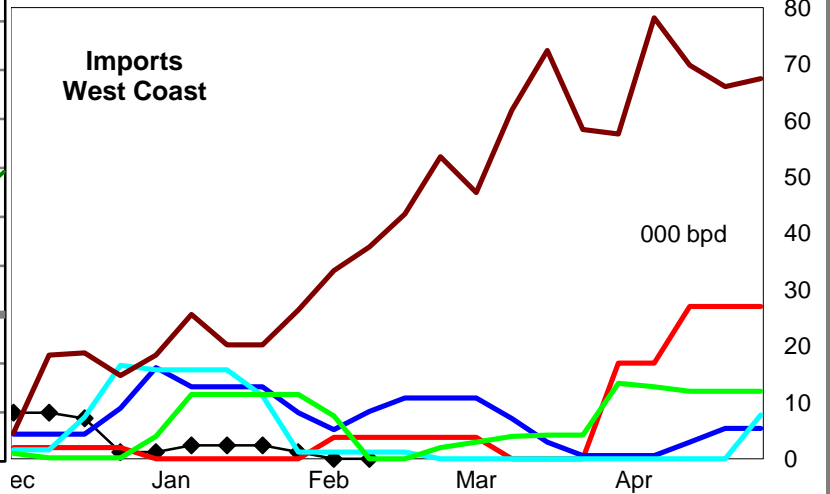
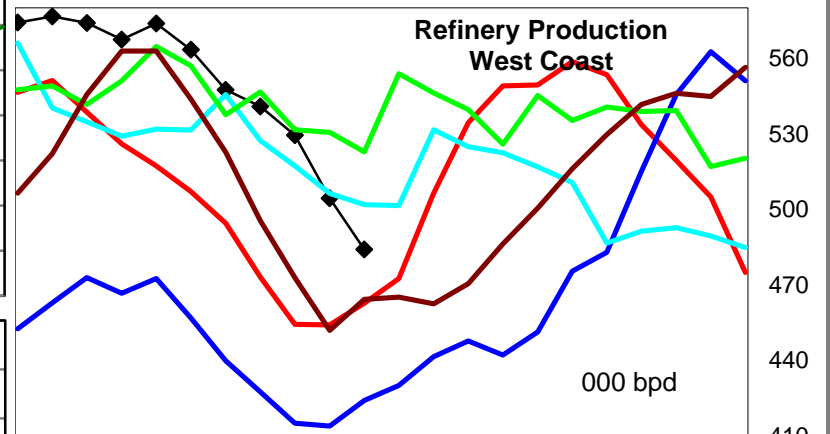
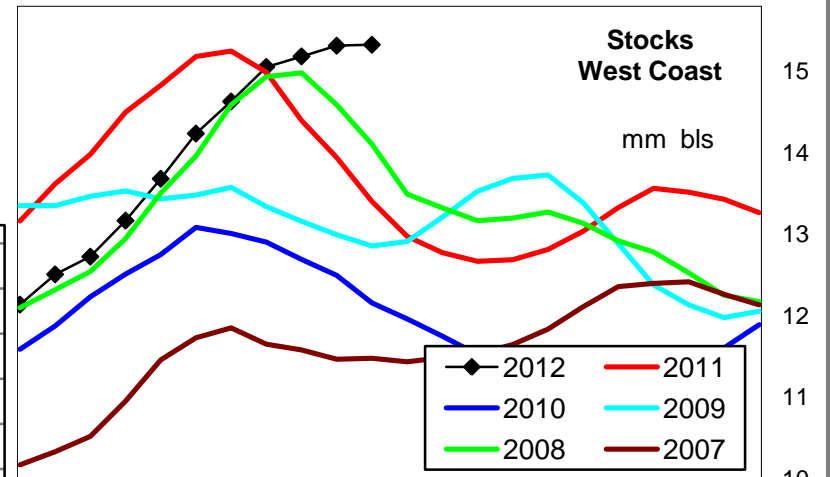
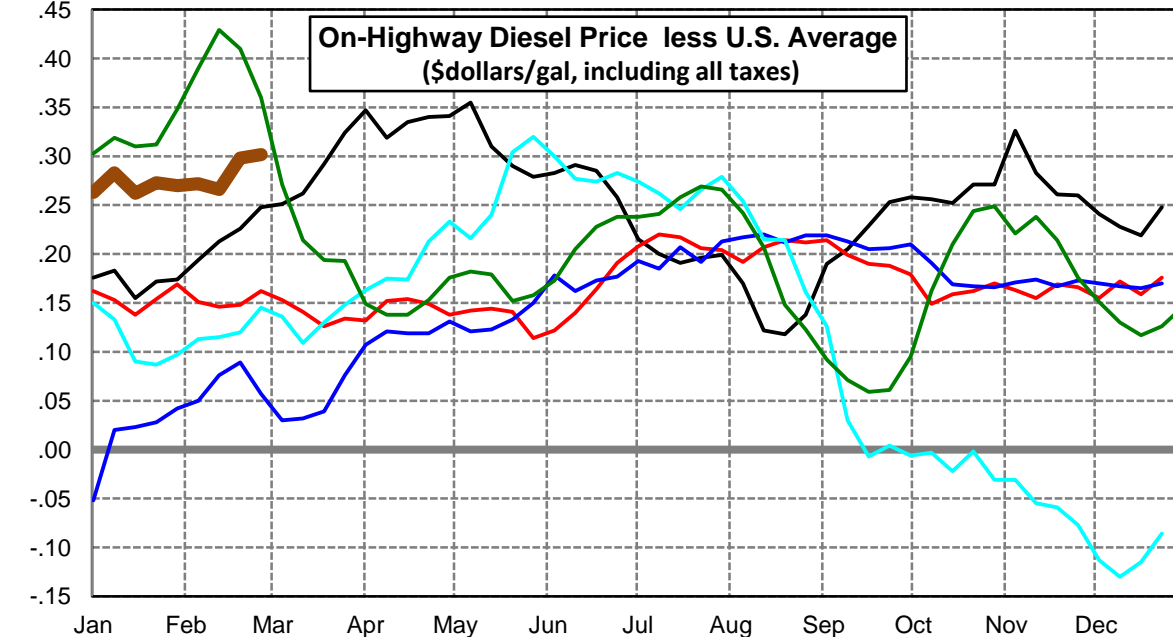
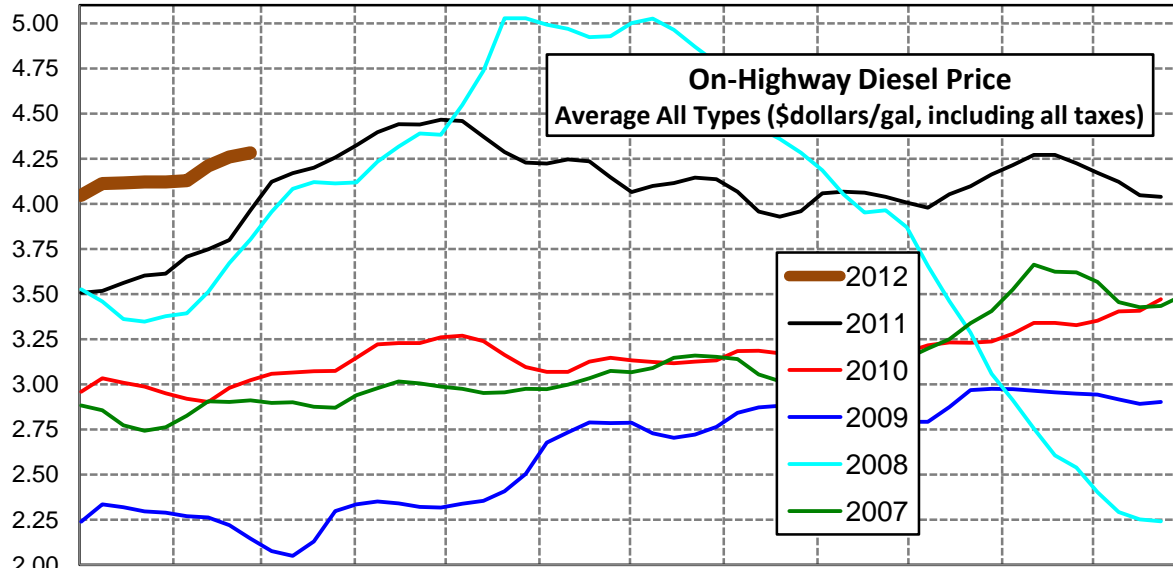
### West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>West Coast</b>	\$4.036	\$4.121	\$4.164	<b>\$4.190</b>	\$0.026
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
	06Feb12	13Feb12	20Feb12	27Feb12	
<b>California</b>	\$4.128	\$4.209	\$4.258	<b>\$4.281</b>	\$0.023
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	3.960	4.053	4.161	4.142	3.966	3.848	3.886	3.857	4.164	4.258
Mon-27-Feb-12	3.979	4.070	4.191	4.183	4.017	3.794	3.984	4.004	4.190	4.281
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.