



## RETAIL DIESEL FUEL OUTLOOK

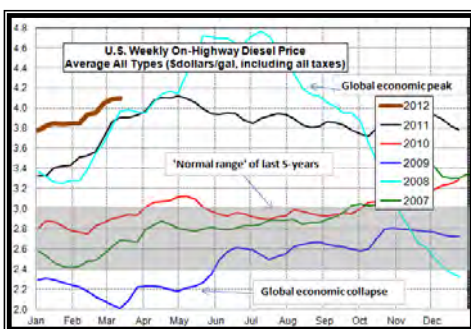
### A Fundamental Petroleum Trends Weekly Report

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

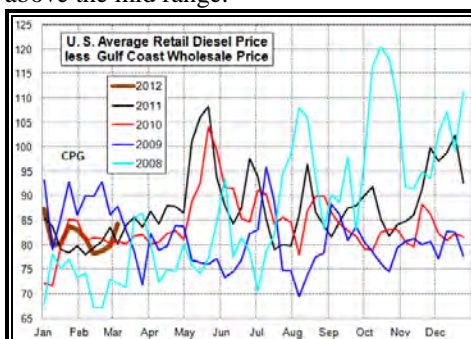
Region	Actual Price 1/			Forecast 2/	Change from week ago
	20Feb12	27Feb12	05Mar12	12Mar12	
U.S.	3.960	4.051	4.094	4.101	0.007
East Coast	4.053	4.134	4.167	4.165	-0.002
New England	4.161	4.221	4.253	4.288	0.035
Central Atlantic	4.142	4.208	4.243	4.277	0.034
Lower Atlantic	3.966	4.063	4.094	4.097	0.003
Midwest	3.848	3.914	3.974	4.031	0.057
Gulf Coast	3.886	3.992	4.020	4.061	0.041
Rocky Mountain	3.857	3.919	3.986	4.118	0.132
West Coast	4.164	4.326	4.372	4.375	0.003
California	4.258	4.410	4.454	4.474	0.020

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

**Diesel Fuel Price Trends** U.S. retail diesel prices increased +4.3 cpg for the week ending 05Mar12. Prices increased



+6.7 cpg in the Rocky Mountain and +6 cpg in the Midwest Regions last week. The U.S. average retail diesel price compared to the Gulf Coast wholesale price increased +4.6 cpg week-on-week. The spread ended the week at a level above the mid range.



The national average on-highway price ended the week \$0.14/gal **above** the 5-year high, for this time of year, set in 2008.

Stock draws in the Rocky Mountain and Midwest Regions led to strength in wholesale and retail prices for these regions last week; following an extended

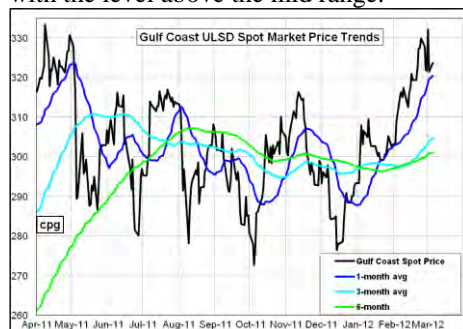
period of low prices compared to other regions in the country.

West Coast prices are again the highest in the country, \$4.37/gal last week while the Midwest remains the lowest at \$3.97/gal.

Gulf Coast wholesale

distillate prices decreased -4 cpg last week ending 05Mar12. Gulf wholesale prices pulled back from nearly 12-month highs set in April 2011.

U.S. average retail prices are now +37 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices increased last week, with the level above the mid range.



With the spread between wholesale and retail prices above the average for this time of year, and trending higher, look for retail prices to strengthen further compared to wholesale markets.

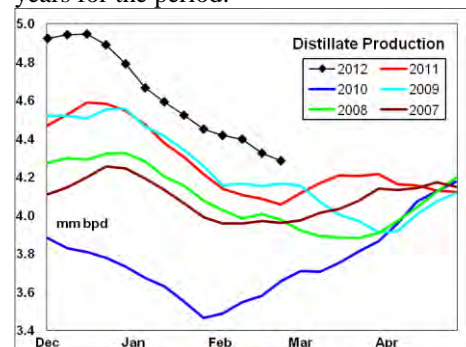
#### Supply - Demand Fundamental Trends

Distillate wholesale demand increased +349,000 bpd last week, although the level remains below the last 2-years. The latest 4-wk average demand was -192,000 bpd below a year ago. The mild winter has constrained heating use, reduced demand for highway snow/ice removal and led to more efficient operation of the transport fleet.

Production exceeds year ago levels by +276,000 bpd (+7%), partially offset by a -67,000 bpd decline in imports (-31%). Exports reached 1.2 million bpd in

December (latest available report), up nearly 1/3rd from a year ago. The growth in exports has led to a draw down in stocks which were -18 million barrels (-11%) below a year ago.

The rate of stock drawdown has slowed recently with the latest 4-wk draw less than the average during the last 5-years for the period.



#### Global Trends Driving Diesel Prices

Middle East tension and labor unrest in Africa that has cut crude oil exports continues to support the increase in global energy prices.

Short term stability in the European debt crisis and modest economic growth in the U.S. has also supported prices.

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 +0.7 cpg this week.

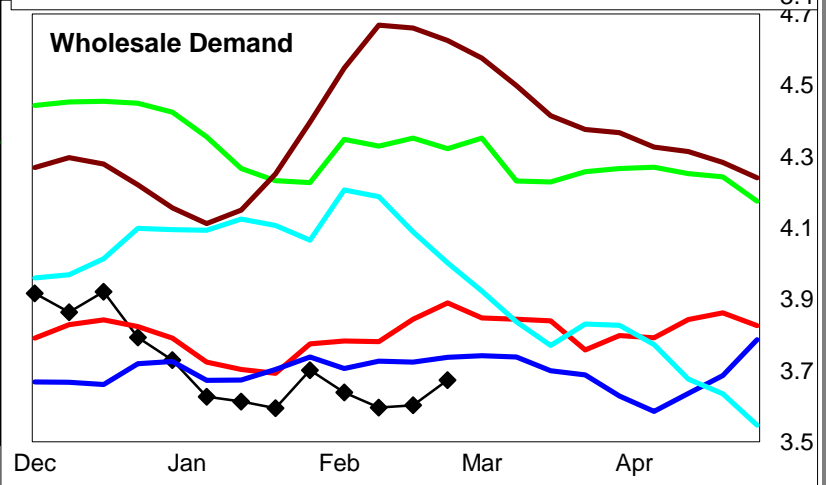
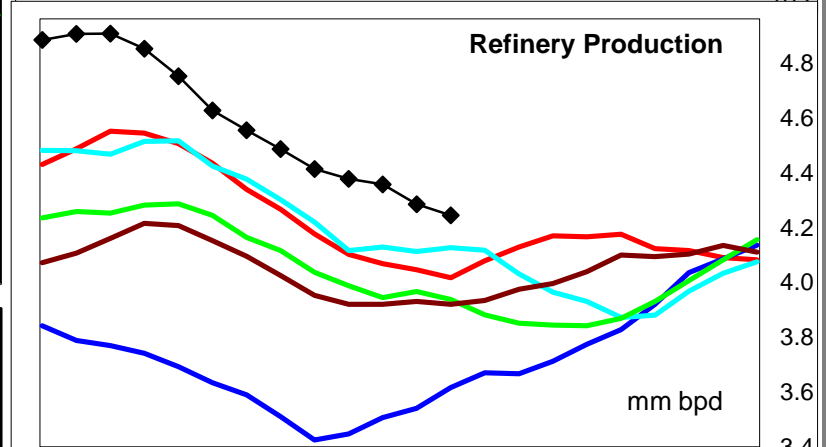
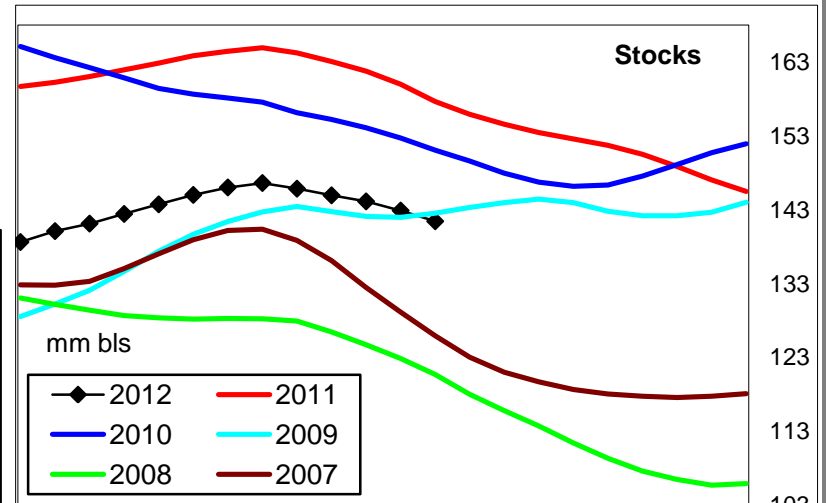
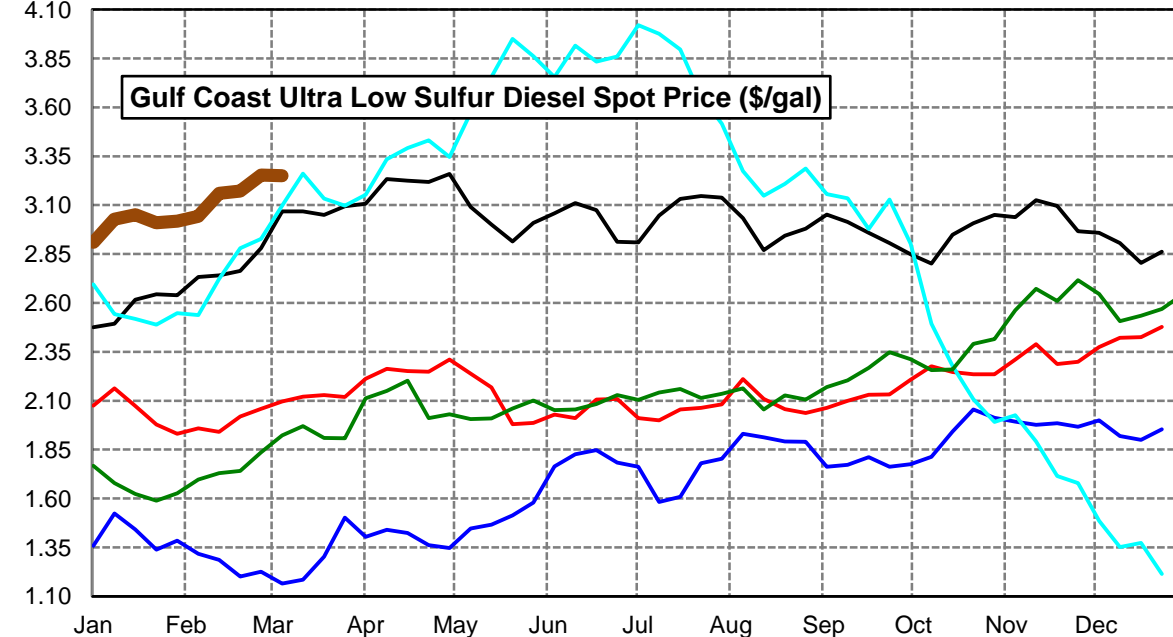
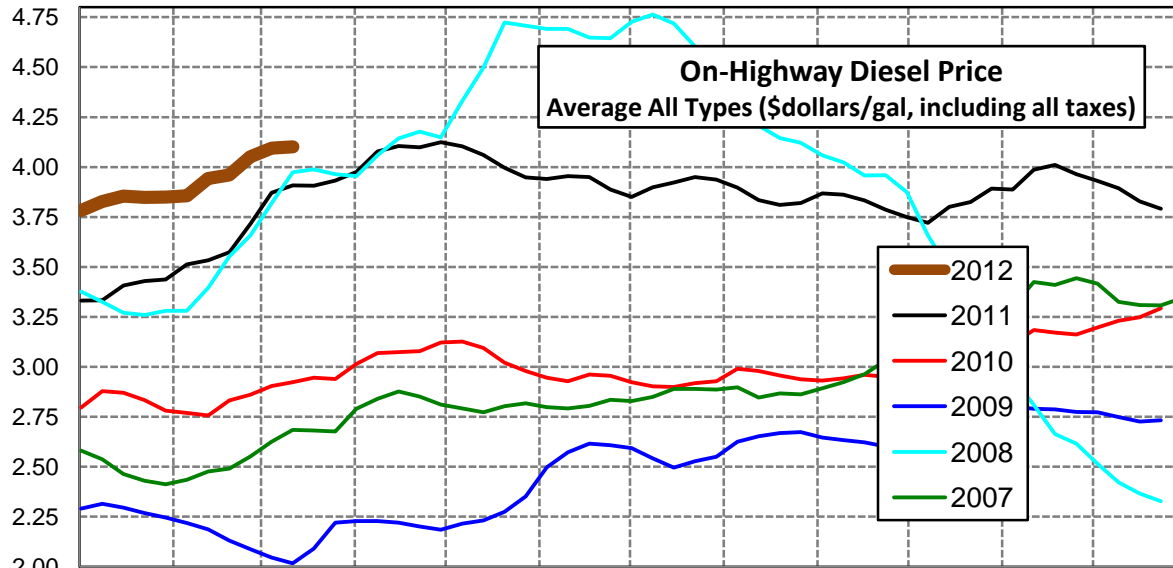
As refiners began spring maintenance in the Rockies, look for a significant rise in prices for that region from the current depressed levels compared to other markets. Midwest prices should also rise compared to other regions as spring refinery maintenance begins. Unplanned maintenance at the BPAmoco refinery in Cherry Point WA should continue to support record high West Coast prices; with a pullback likely by early May as other refiners complete planned maintenance.

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



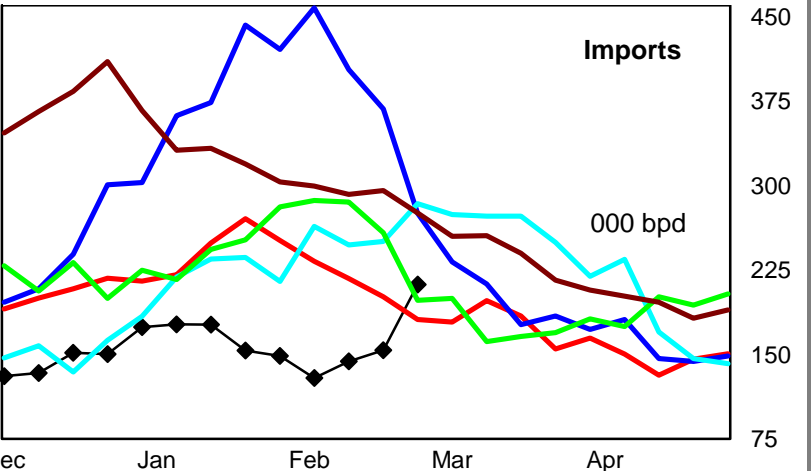
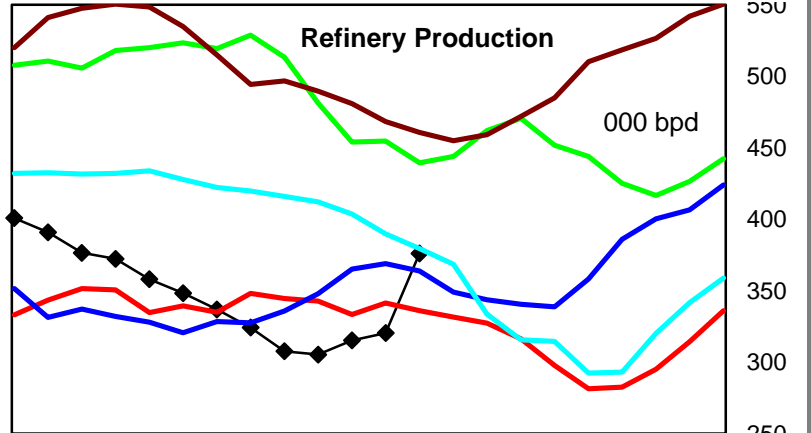
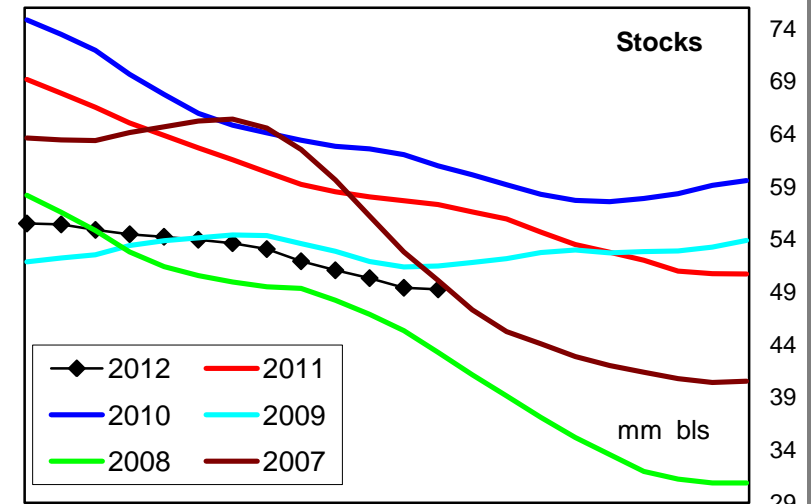
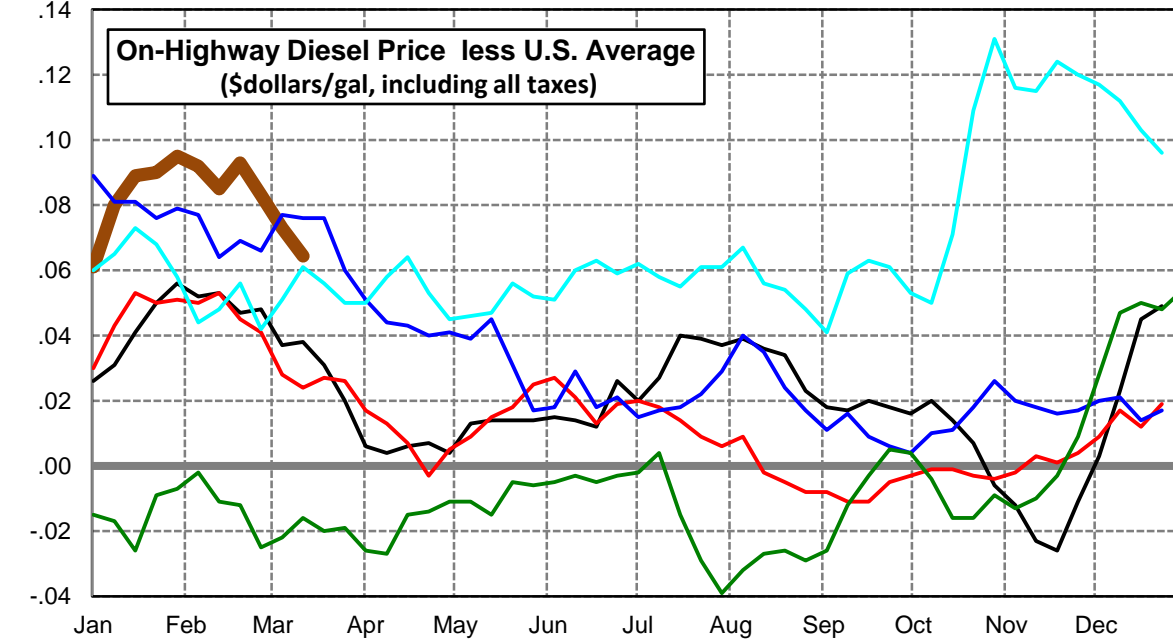
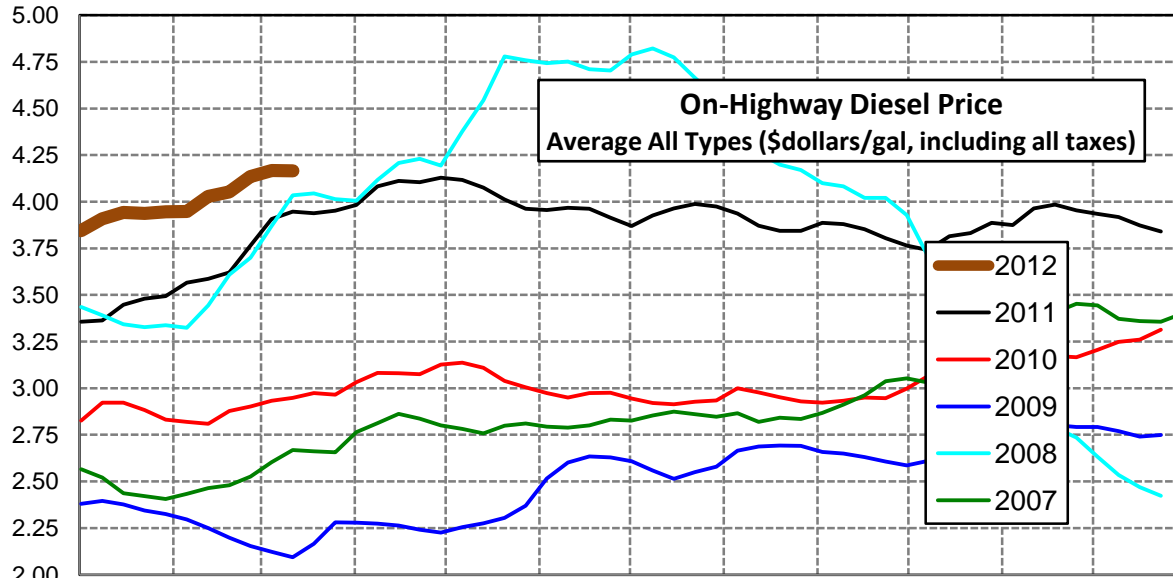
### U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>United States Avg</b>	\$3.960	\$4.051	\$4.094	<b>\$4.101</b>	\$0.007
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



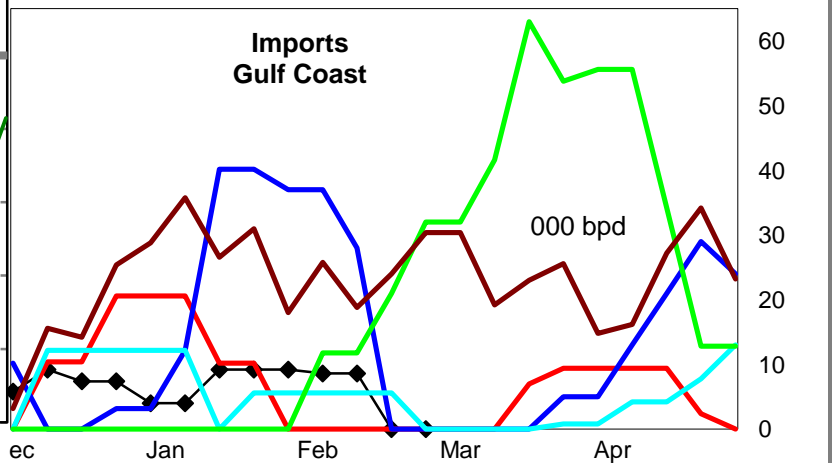
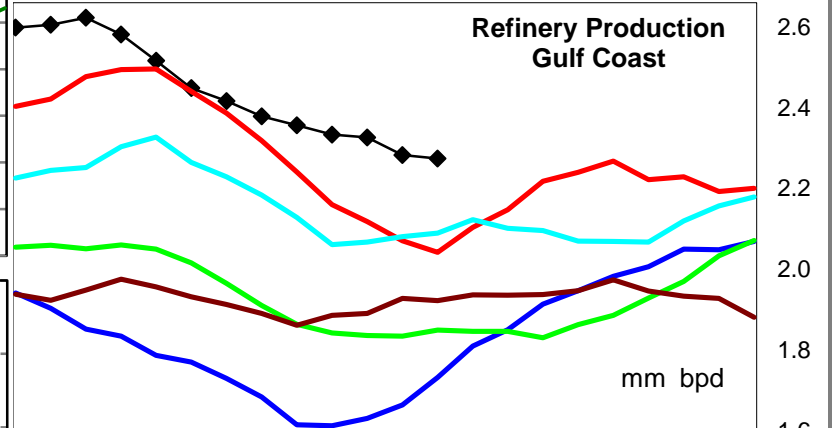
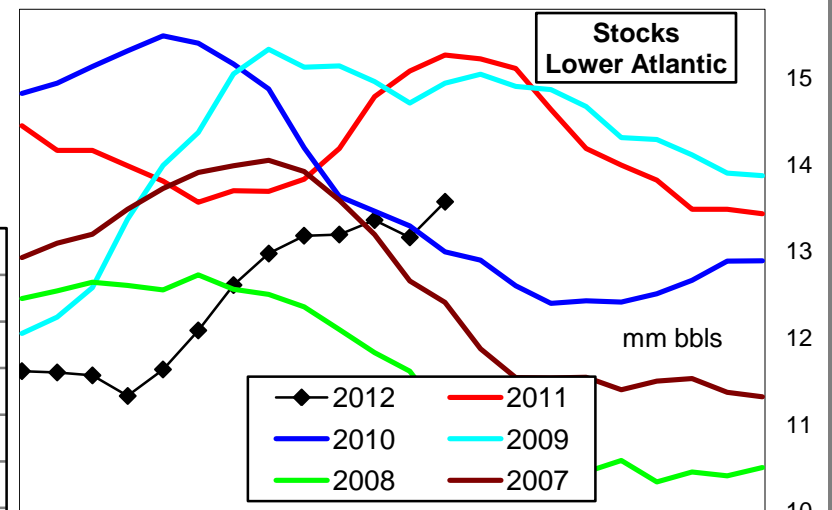
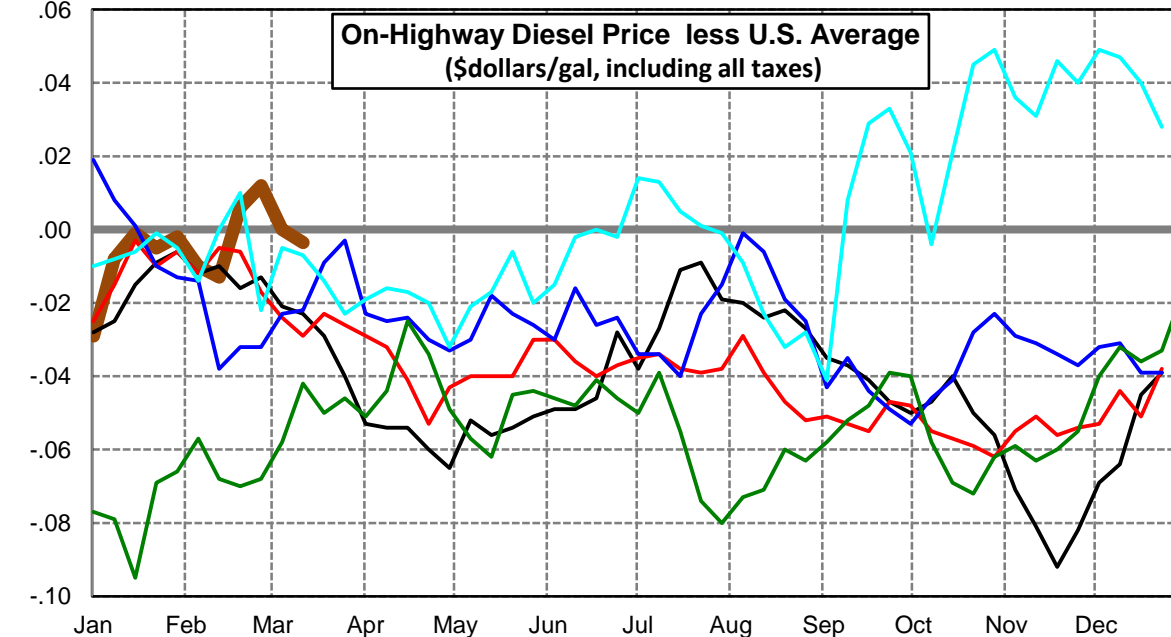
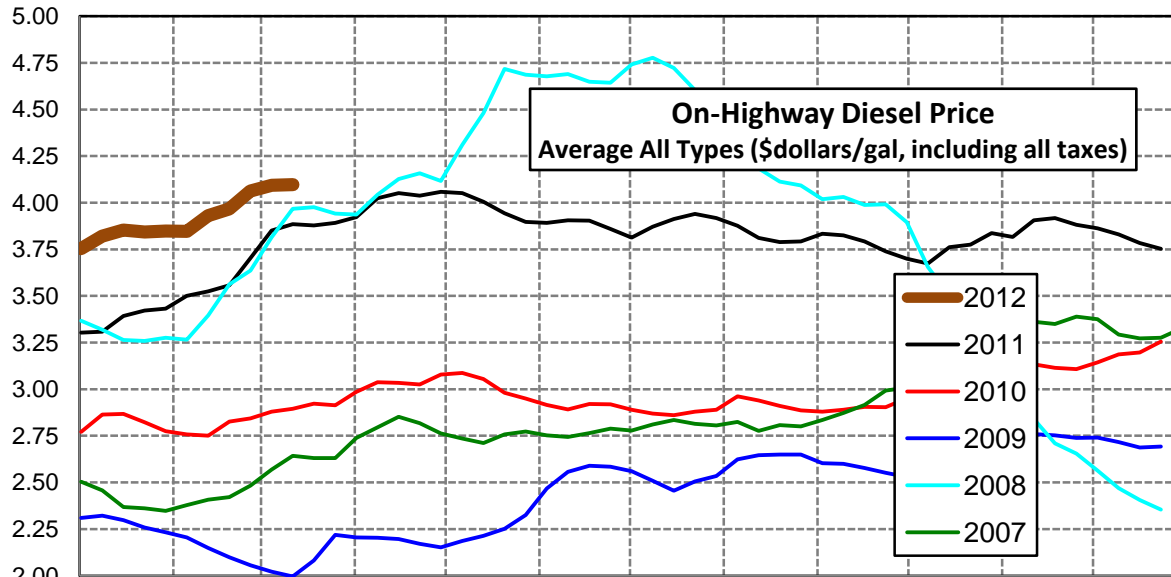
### East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>East Coast</b>	\$4.053	\$4.134	\$4.167	<b>\$4.165</b>	-\$0.002
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



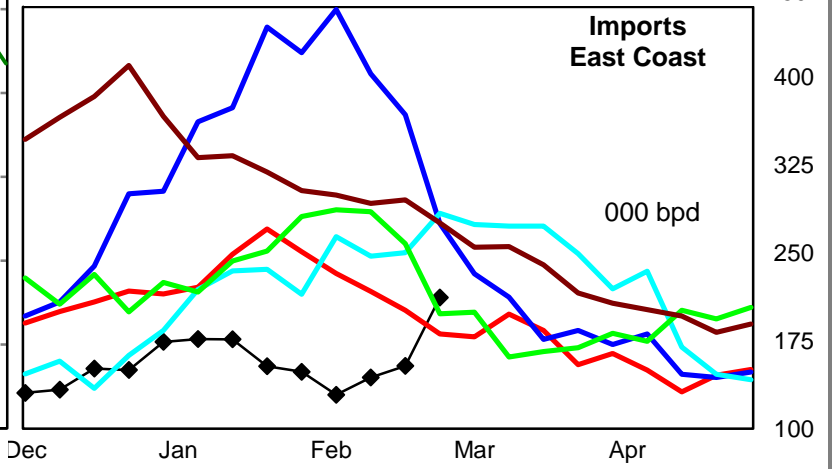
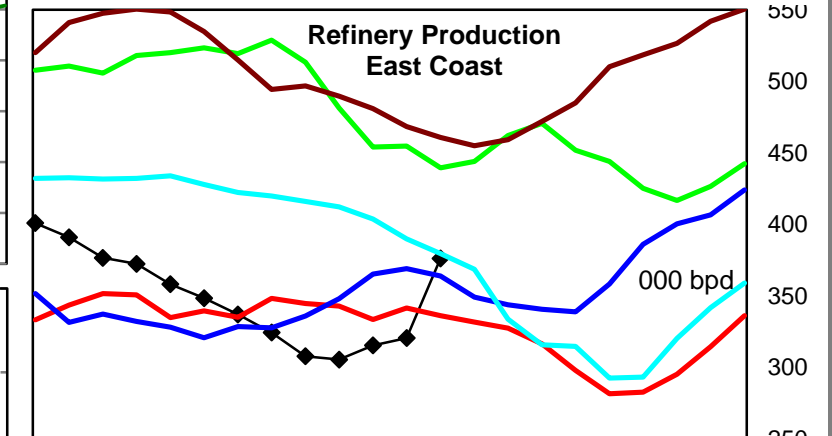
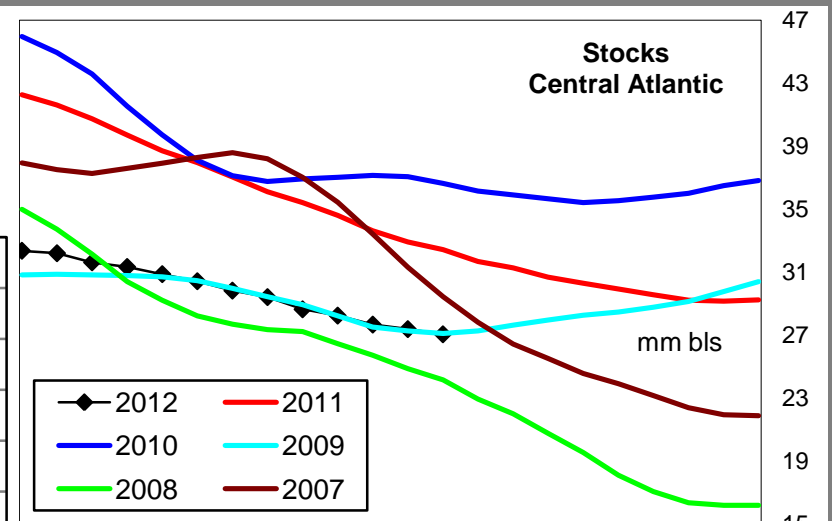
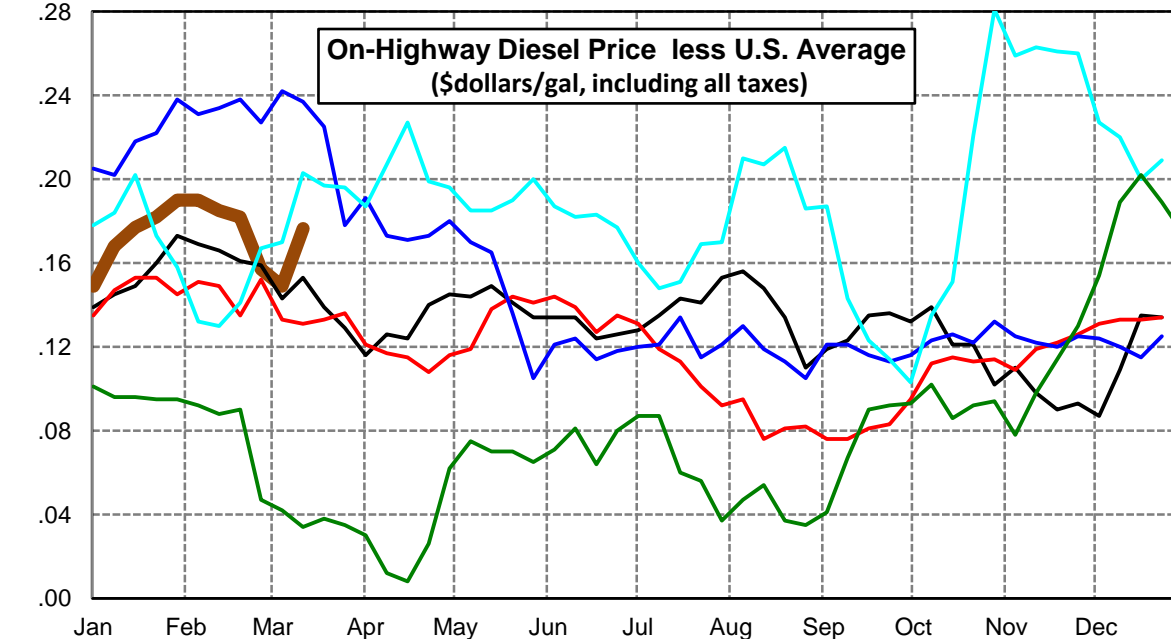
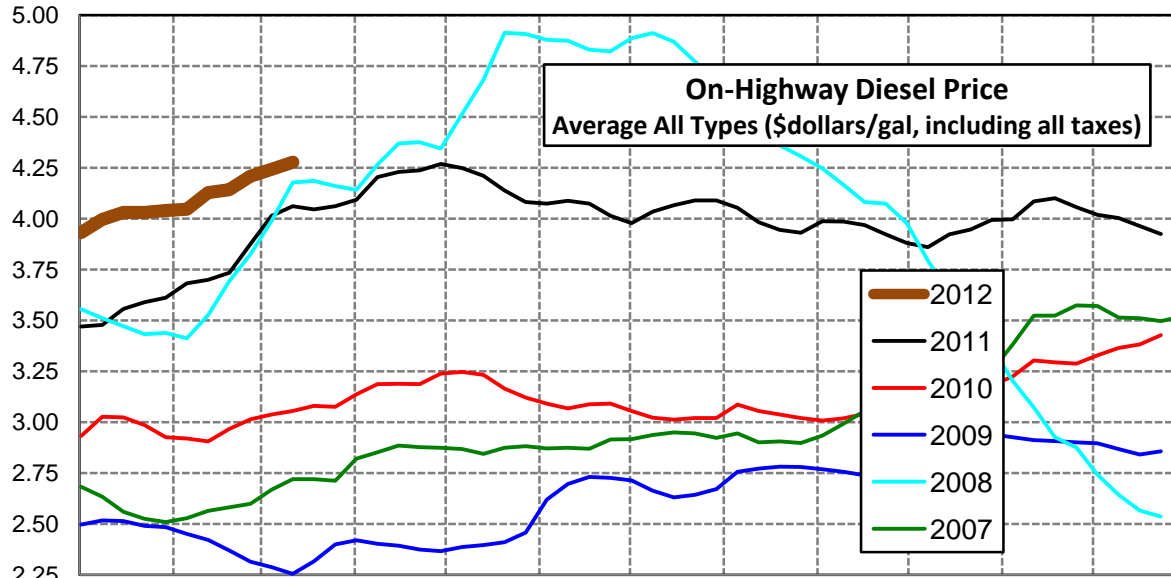
### Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>Lower Atlantic</b>	\$3.966	\$4.063	\$4.094	<b>\$4.097</b>	\$0.003
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



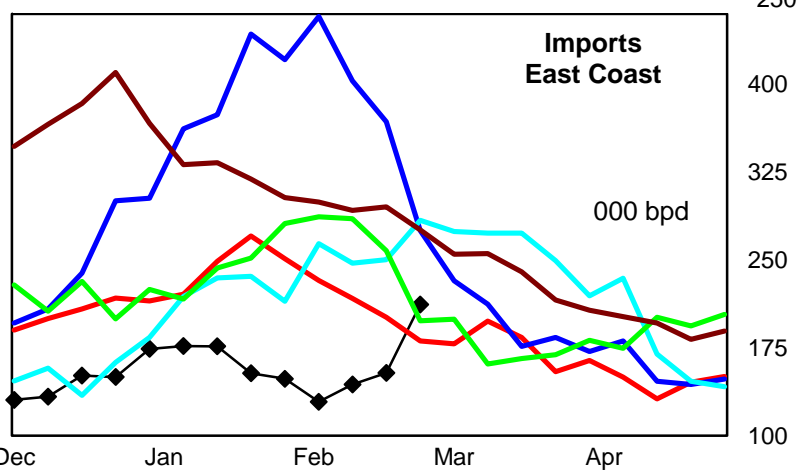
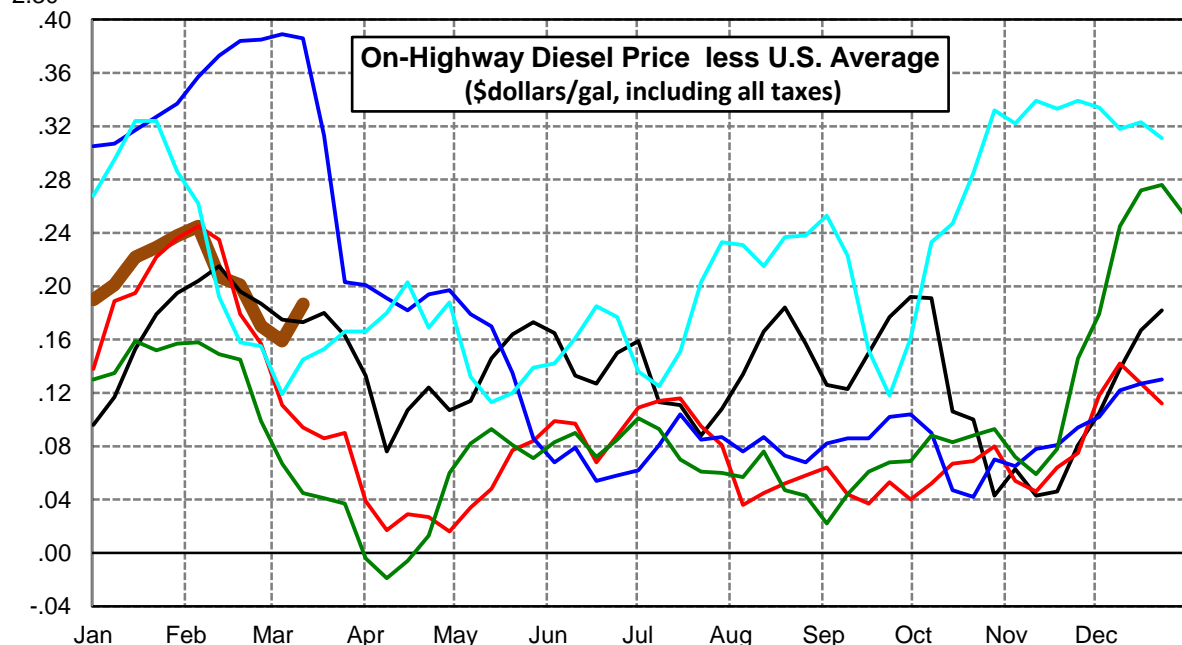
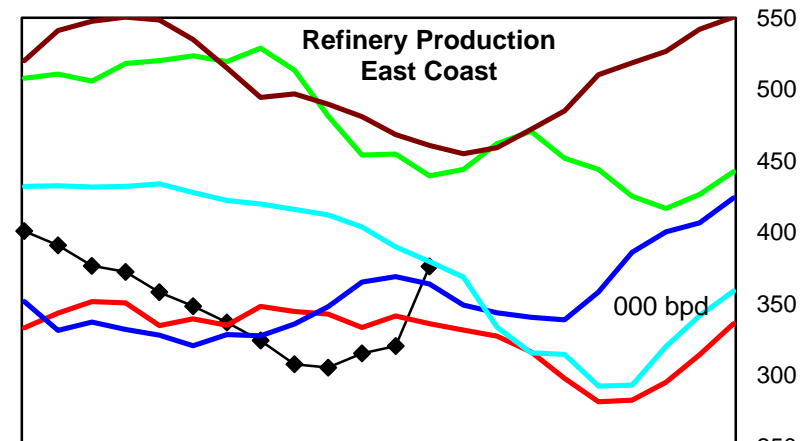
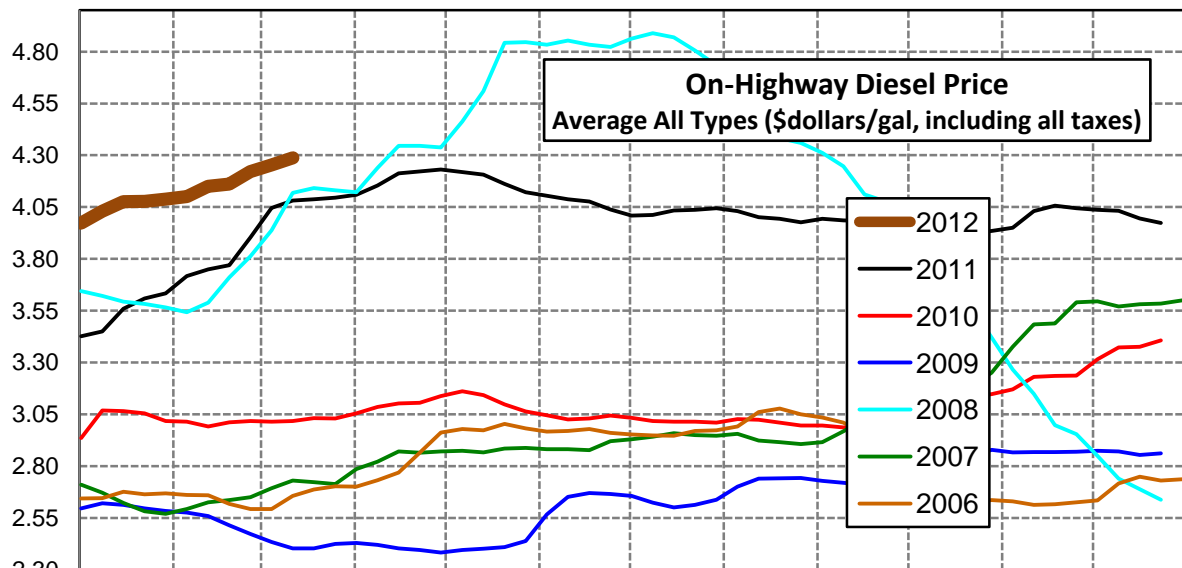
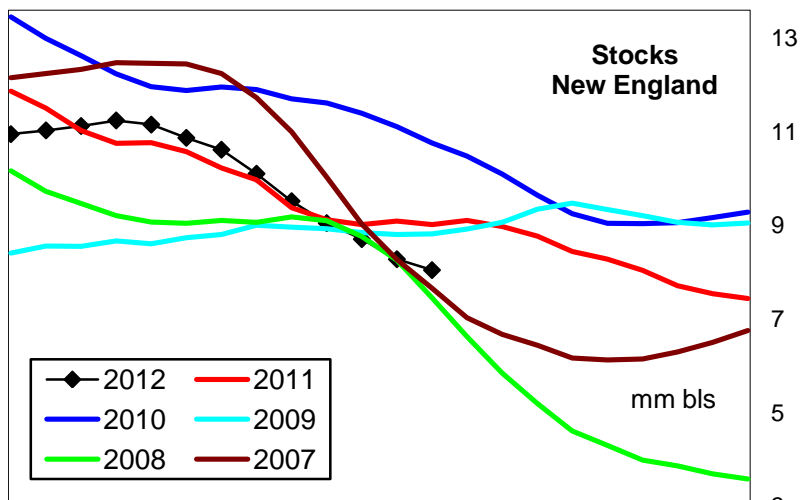
### Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>Central Atlantic</b>	\$4.142	\$4.208	\$4.243	<b>\$4.277</b>	\$0.034
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



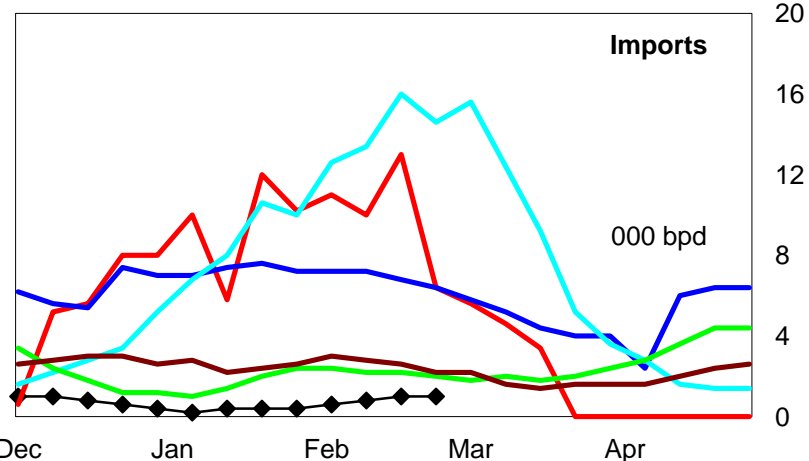
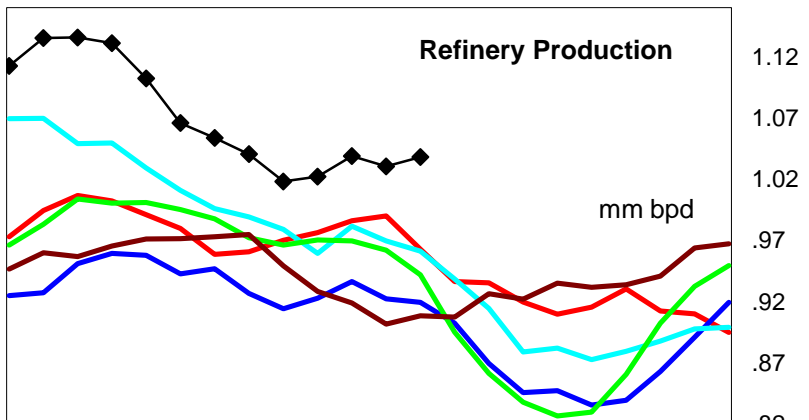
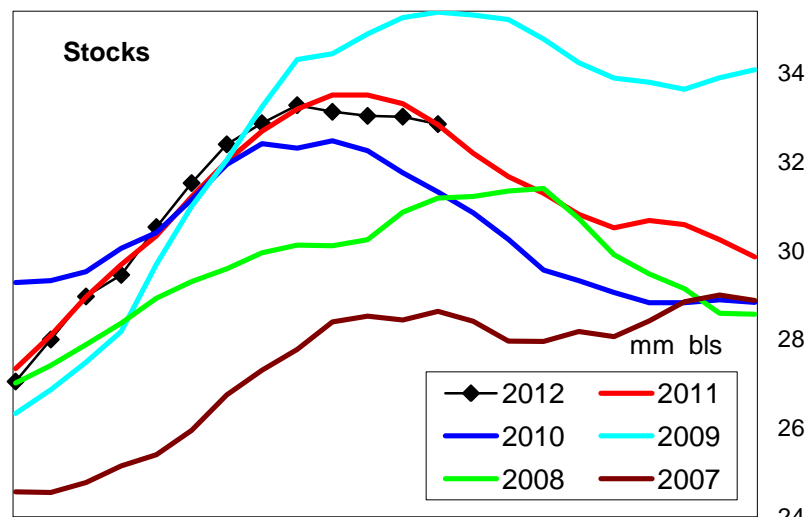
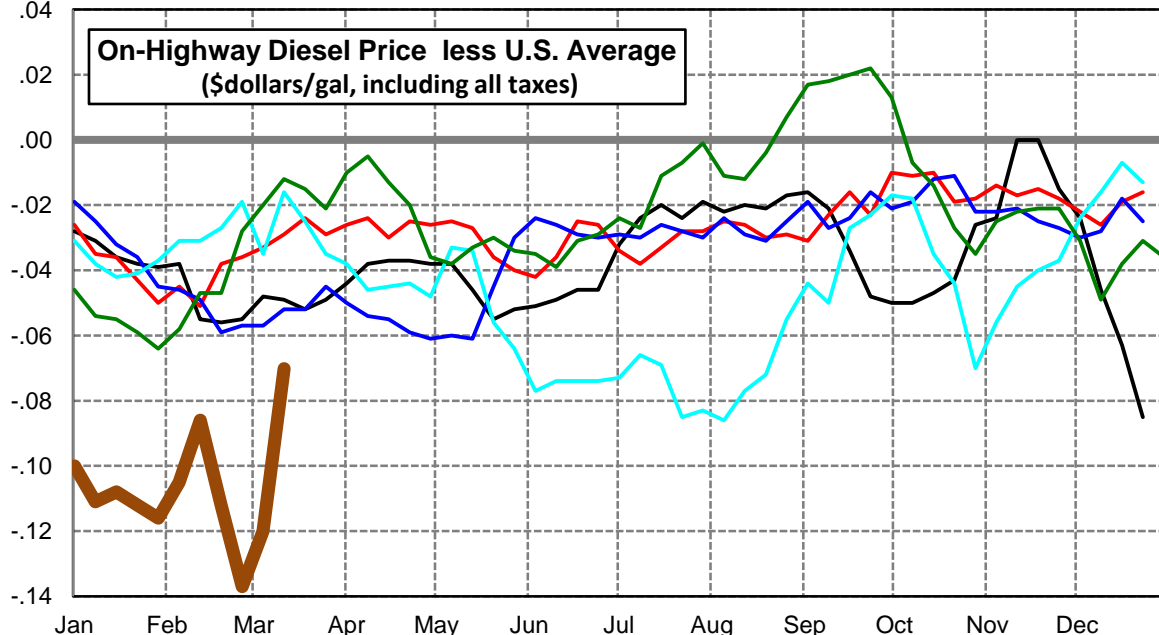
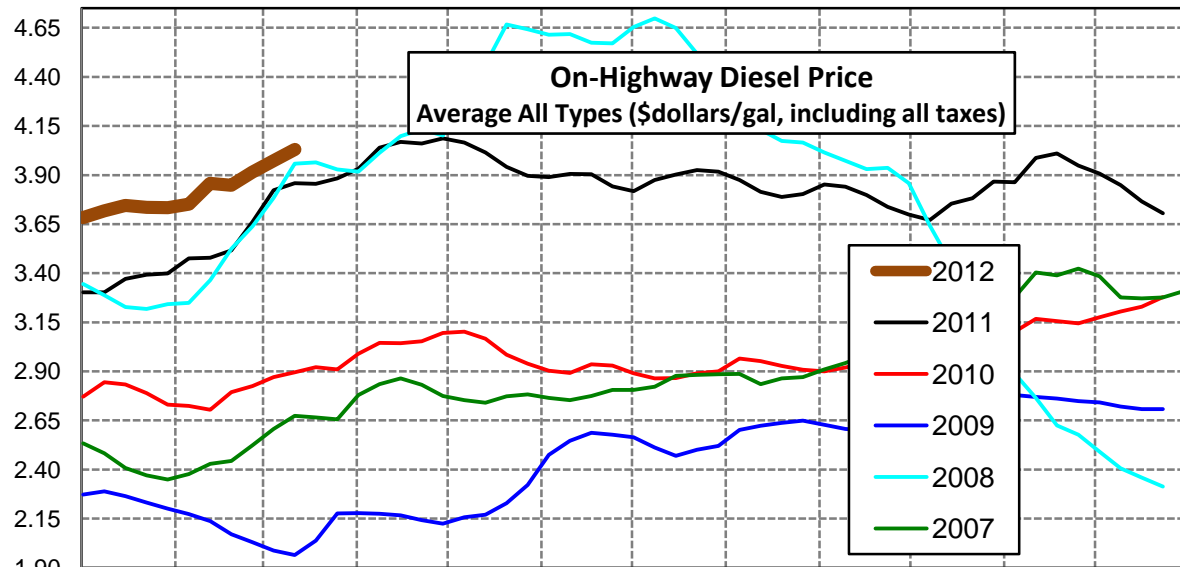
### New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>New England</b>	\$4.161	\$4.221	\$4.253	<b>\$4.288</b>	\$0.035
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



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

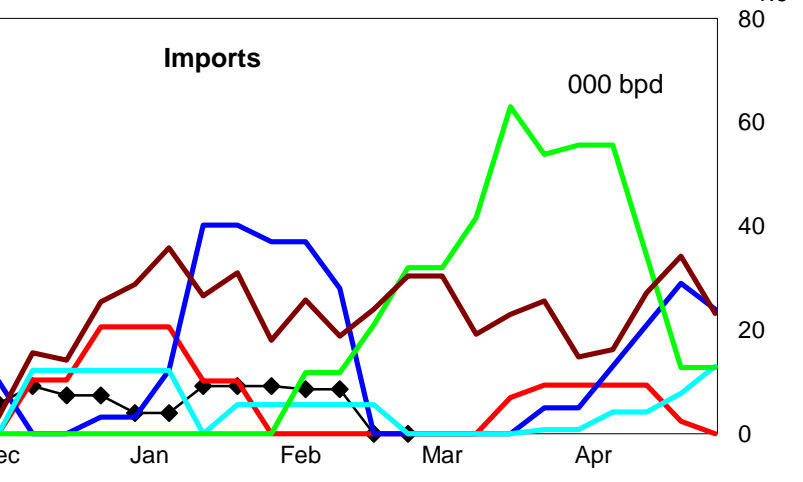
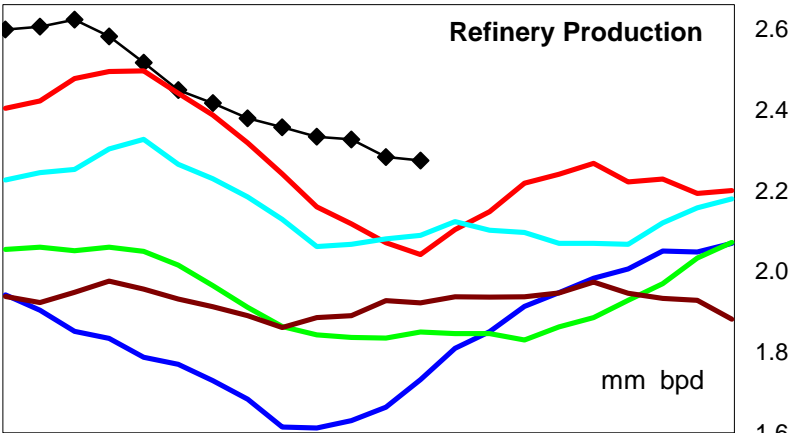
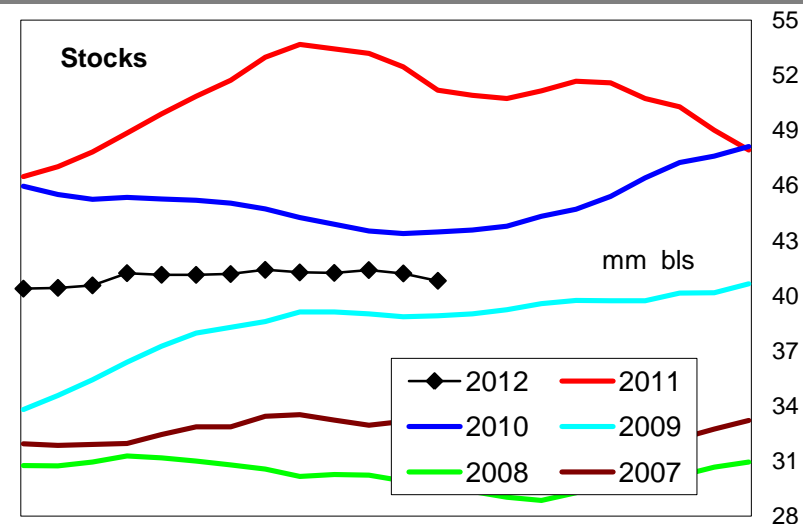
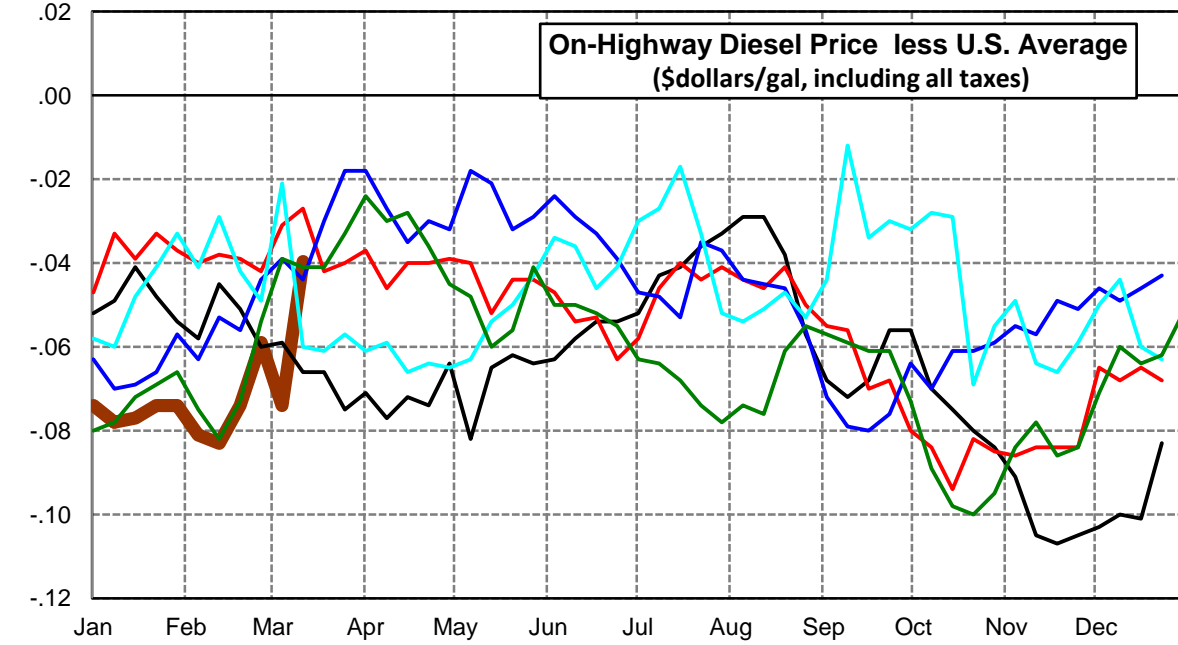
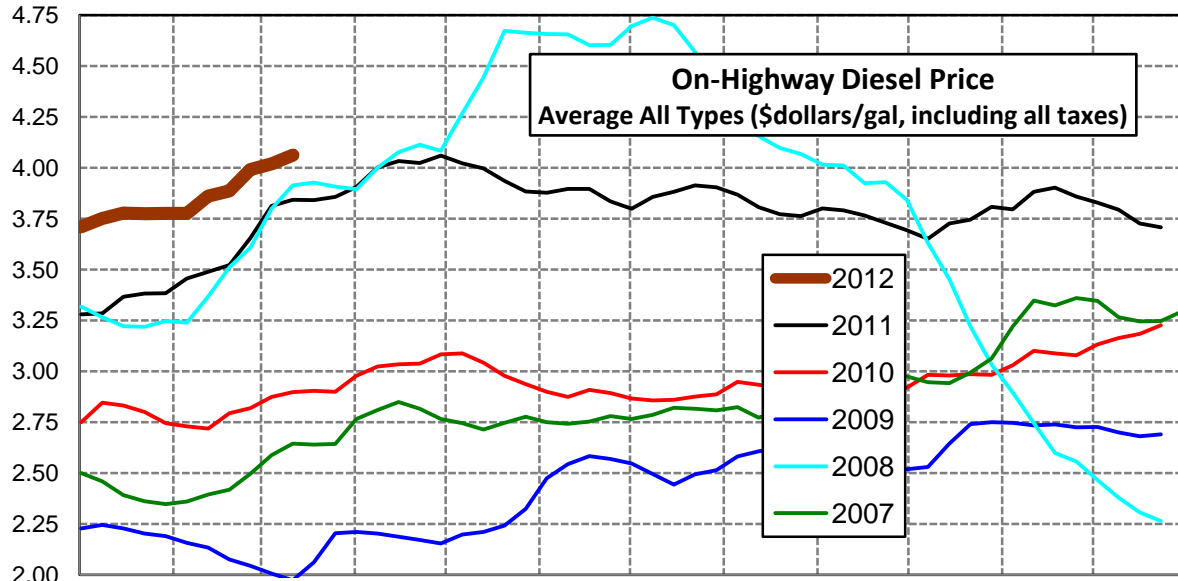
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>Midwest</b>	\$3.848	\$3.914	\$3.974	<b>\$4.031</b>	\$0.057
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





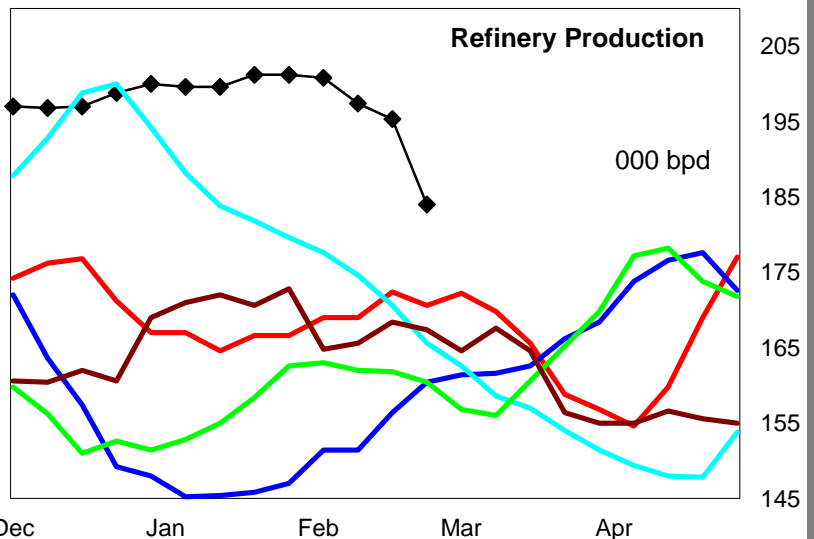
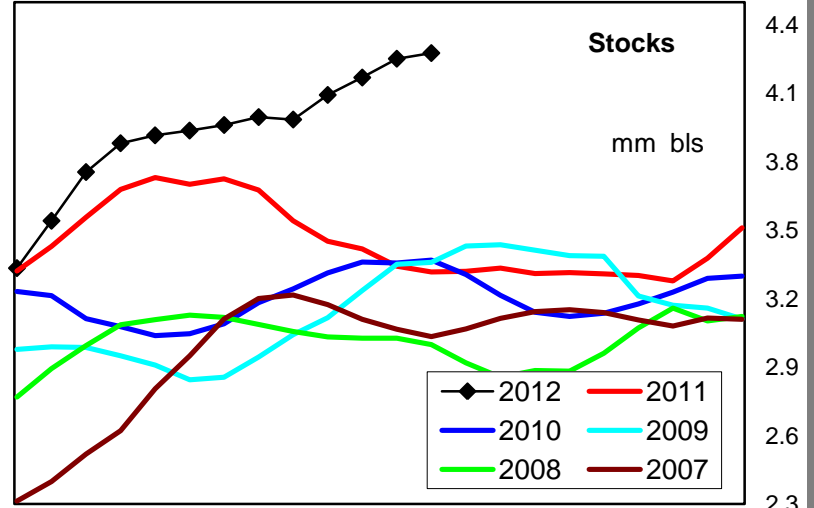
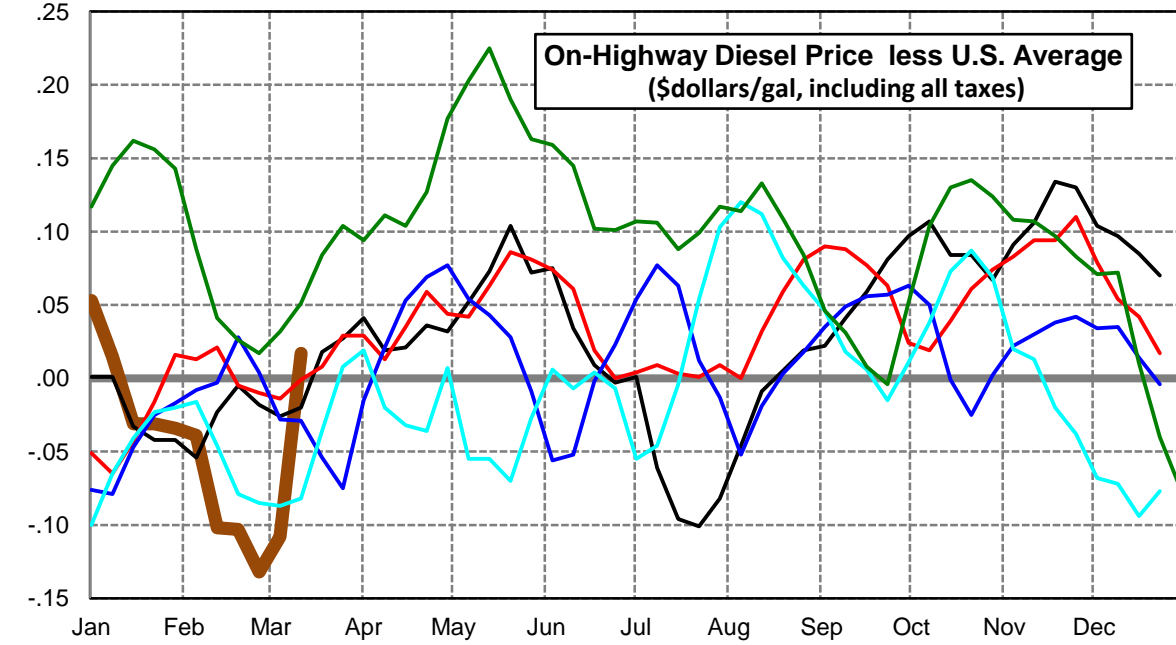
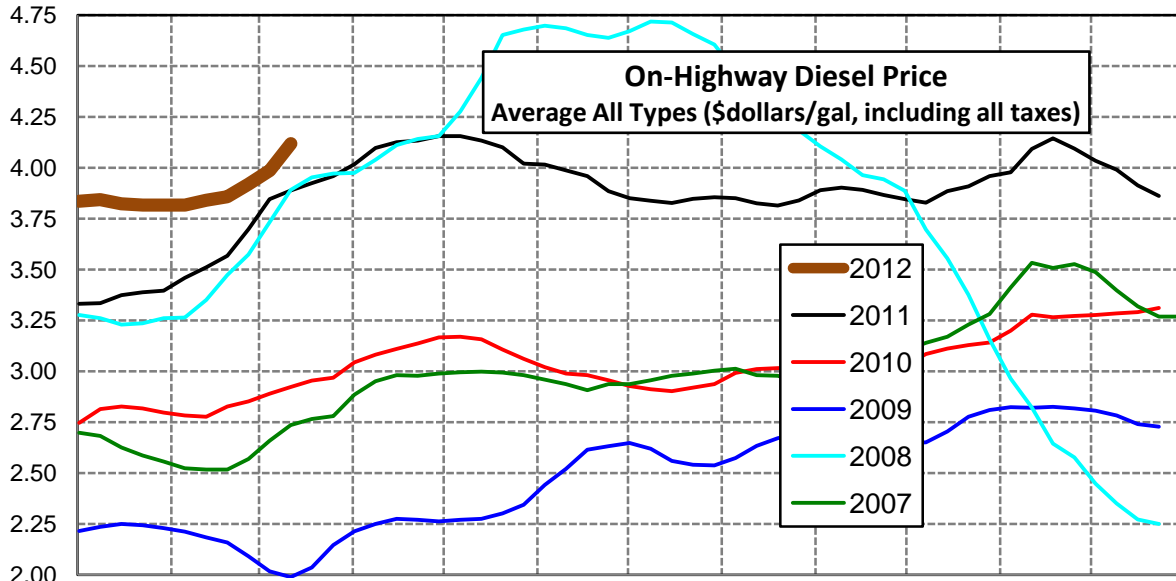
### Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>Gulf Coast</b>	\$3.886	\$3.992	\$4.020	<b>\$4.061</b>	\$0.041
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



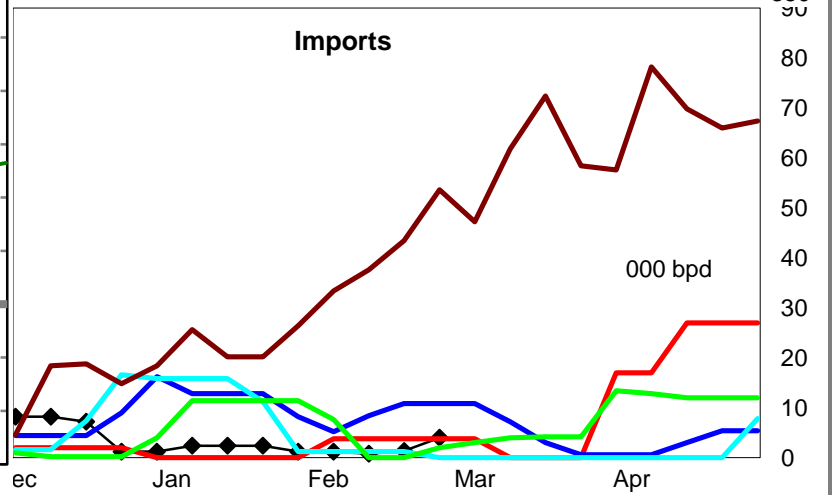
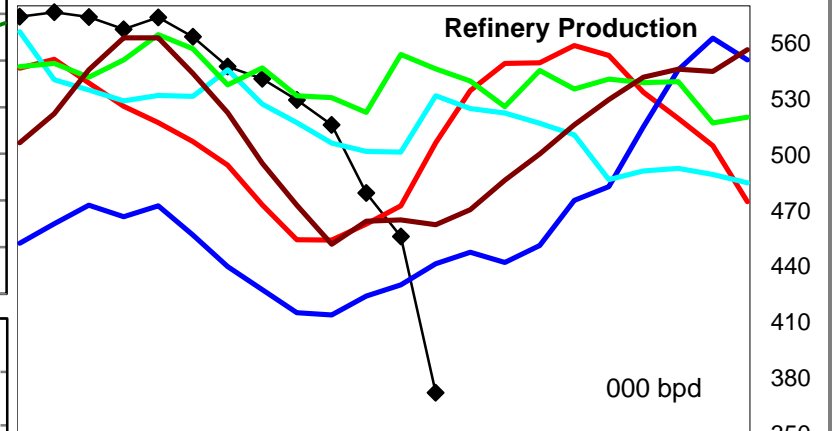
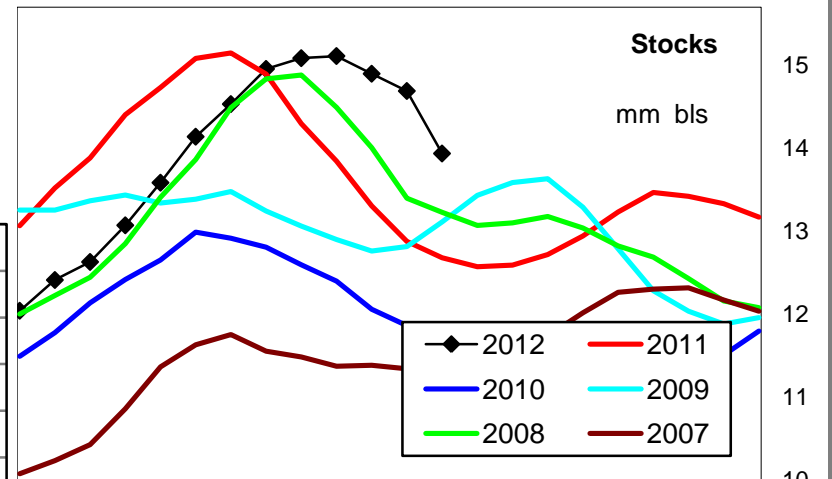
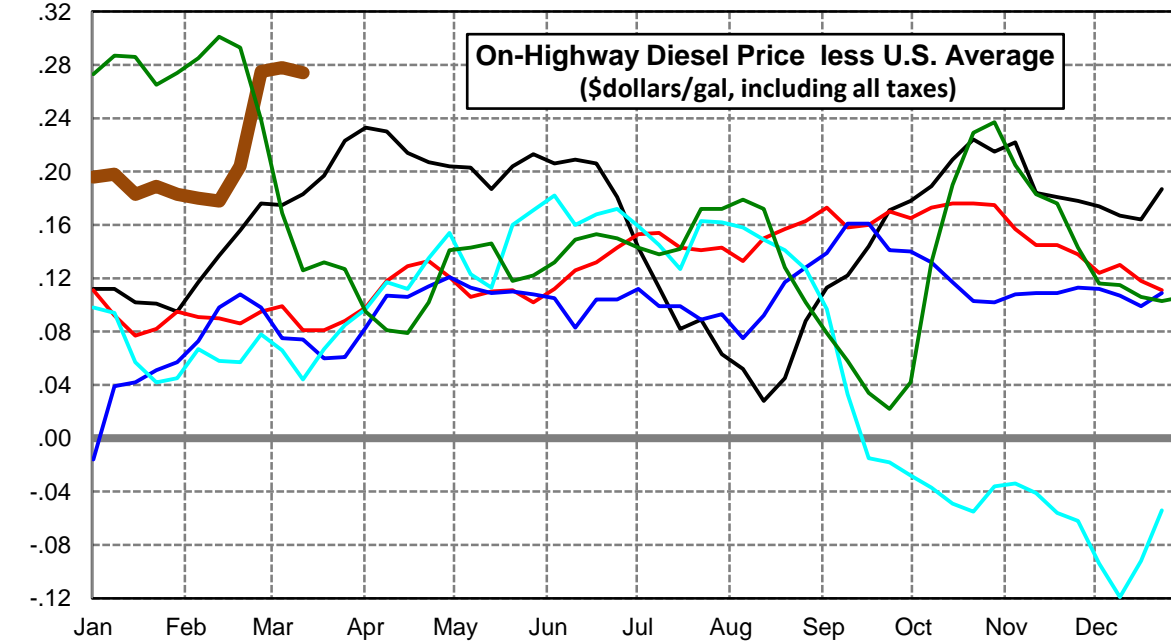
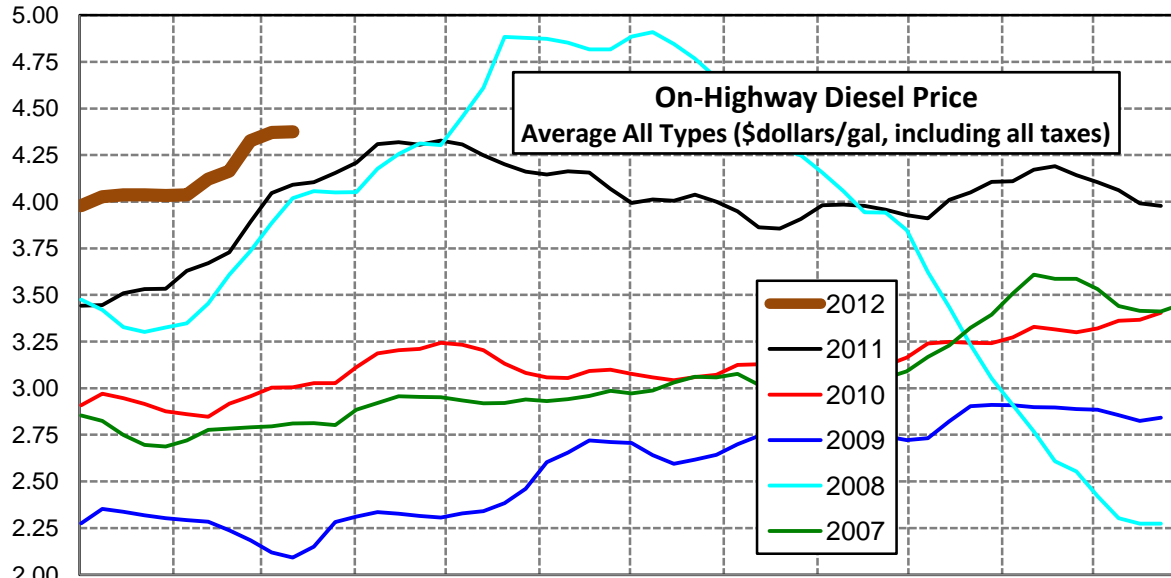
### Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>Rocky Mountain</b>	\$3.857	\$3.919	\$3.986	<b>\$4.118</b>	\$0.132
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



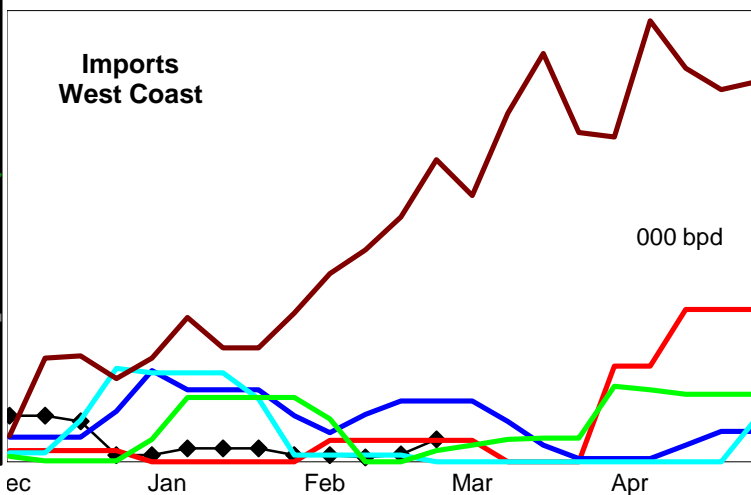
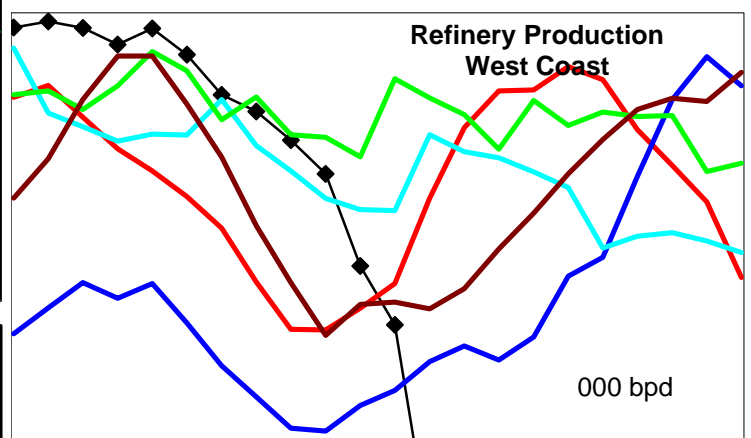
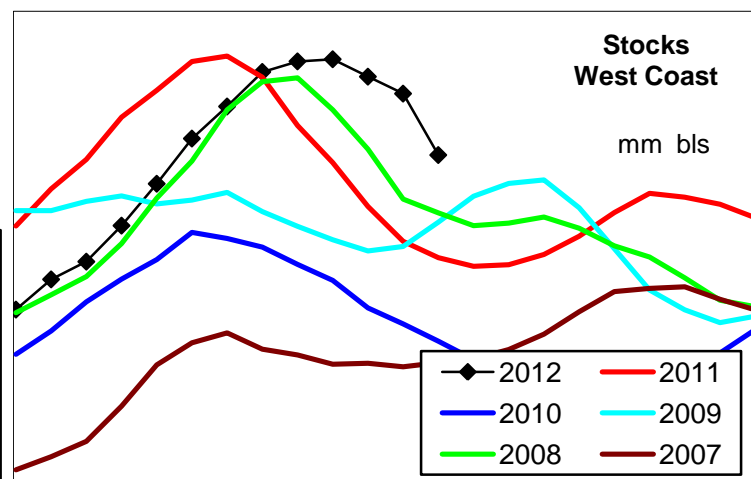
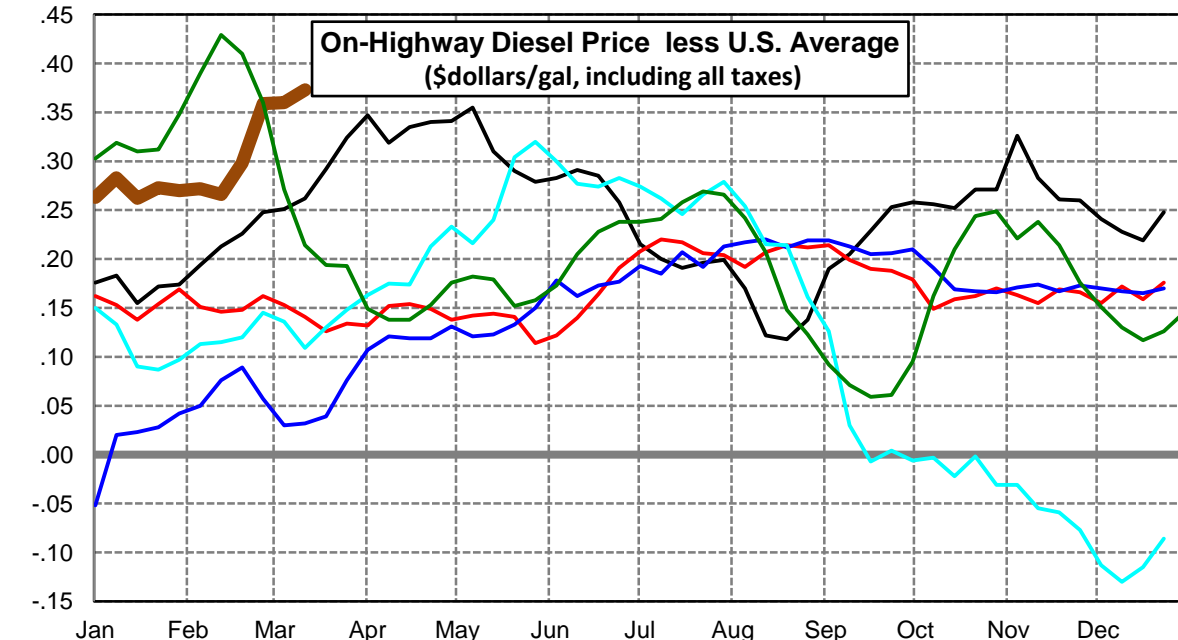
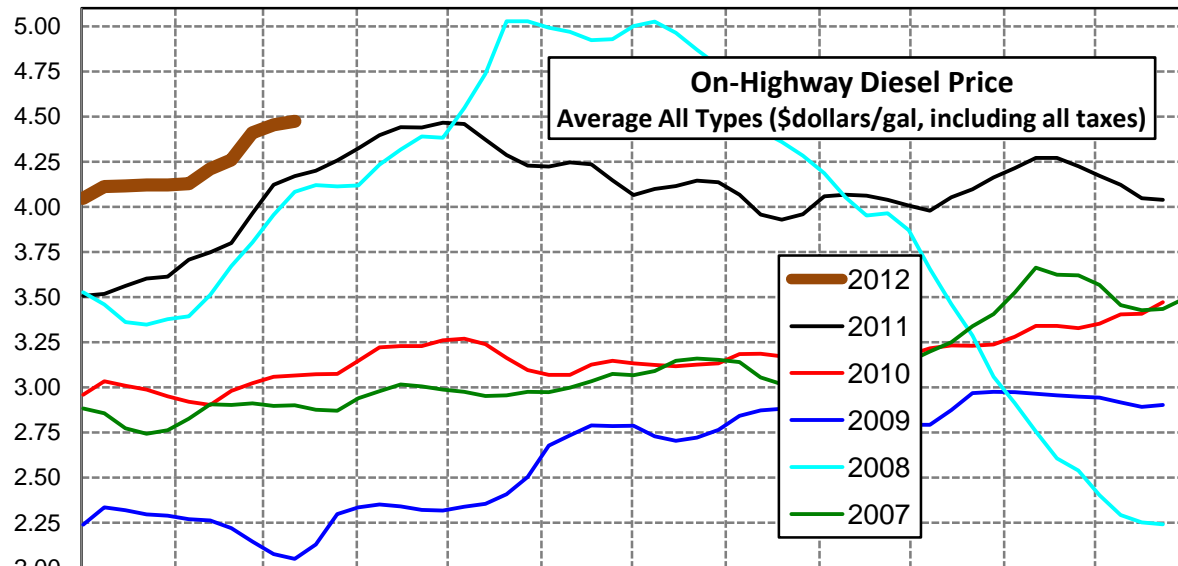
### West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>West Coast</b>	\$4.164	\$4.326	\$4.372	<b>\$4.375</b>	\$0.003
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
	20Feb12	27Feb12	05Mar12	12Mar12	
<b>California</b>	\$4.258	\$4.410	\$4.454	<b>\$4.474</b>	\$0.020
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	4.051	4.134	4.221	4.208	4.063	3.914	3.992	3.919	4.326	4.410
Mon-05-Mar-12	4.094	4.167	4.253	4.243	4.094	3.974	4.020	3.986	4.372	4.454
Mon-12-Mar-12	4.101	4.165	4.288	4.277	4.097	4.031	4.061	4.118	4.375	4.474
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.