



## RETAIL DIESEL FUEL OUTLOOK

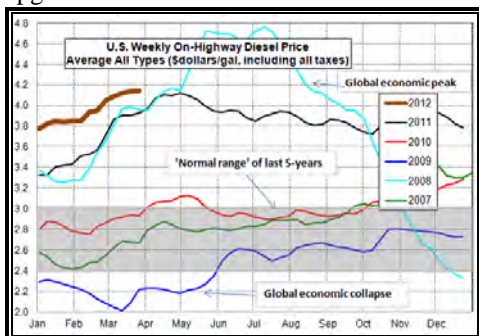
### A Fundamental Petroleum Trends Weekly Report

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

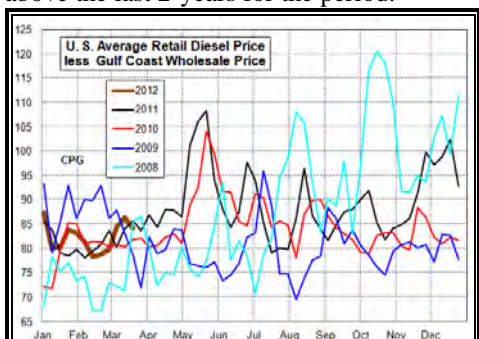
Region	Actual Price 1/			Forecast 2/	Change from week ago
	05Mar12	12Mar12	19Mar12	26Mar12	
U.S.	4.094	4.123	4.142	4.147	0.005
East Coast	4.167	4.169	4.184	4.196	0.012
New England	4.253	4.250	4.259	4.316	0.057
Central Atlantic	4.243	4.247	4.269	4.305	0.036
Lower Atlantic	4.094	4.096	4.106	4.147	0.041
Midwest	3.974	4.016	4.040	4.068	0.028
Gulf Coast	4.020	4.036	4.053	4.109	0.056
Rocky Mountain	3.986	4.069	4.119	4.161	0.042
West Coast	4.372	4.421	4.431	4.384	-0.047
California	4.454	4.483	4.481	4.461	-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 +1.9 cpg for the week ending 19Mar12. Prices increased +5 cpg in the Rocky Mountain and +2.4 cpg in the Midwest last week.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price decreased -2.2 cpg week-on-week. The spread ended the week at a level above the last 2-years for the period.



The national average on-highway price ended the week \$0.24/gal **above** the 5-year high, for this time of year, set in 2011.

A seasonal decline in Midwest production and start of spring agriculture demand led to price strength in the region last week. California reported a -0.2 cpg decrease on increased production and a

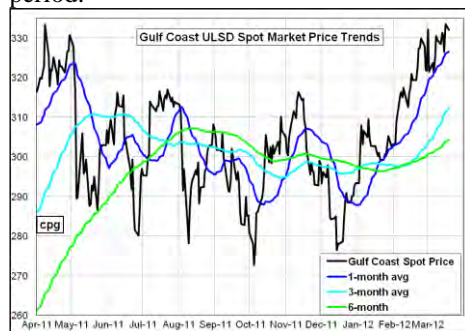
jump in imports.

West Coast prices are again the highest in the country, \$4.43/gal last week while the Midwest remains the lowest at \$4.04/gal.

Gulf Coast wholesale distillate prices increased +4 cpg last week ending 19Mar12.

Gulf wholesale prices ended the week at 12-month highs matching prices set in April 2011.

U.S. average retail prices are now +42 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices decreased last week, with the level above the last 2-years for the period.



The spread between wholesale and retail prices remains +5 cpg above the last 2-years, with the differential steady at between +80 and +85 cpg. Look for retail prices to closely track wholesale market trends.

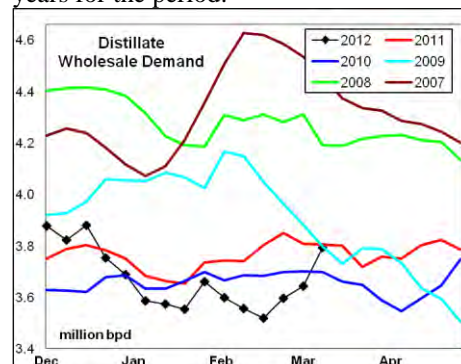
#### Supply - Demand Fundamental Trends

Distillate wholesale demand increased +287,000 bpd last week, with the level comparable to the last 3-years. The latest 4-wk average demand was -273,000 bpd below a year ago. The mild winter and record retail prices for this time of year has constrained diesel demand.

Production exceeds year ago levels by +169,000 bpd (+4%), partially offset by a -26,000 bpd decline in imports (-14%). Record exports continue to draw down stock levels in the Gulf and East Coast;

with U.S. stock levels -18 million barrels below last year.

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

The price risk premium in global energy markets continues, driven by Middle East tension and labor unrest in African producing regions.

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 elevated and volatile for the next quarter.

**Diesel Price Outlook** U.S. retail prices are forecast to be nearly unchanged this week, on small variance in wholesale prices. On a regional level, look for retail prices to pull back on the West Coast as supplies are restored, while trending higher in the Midwest with increase demand for agriculture use.

Above average refinery maintenance in the Rocky Mountain region should drive prices higher in the area over the next several weeks.

Some refiners have cut crude oil runs in the Gulf because of poor margins on due to the very high price of waterborne crude oil imports; which combined with record exports will tighten the market during the 2nd quarter.

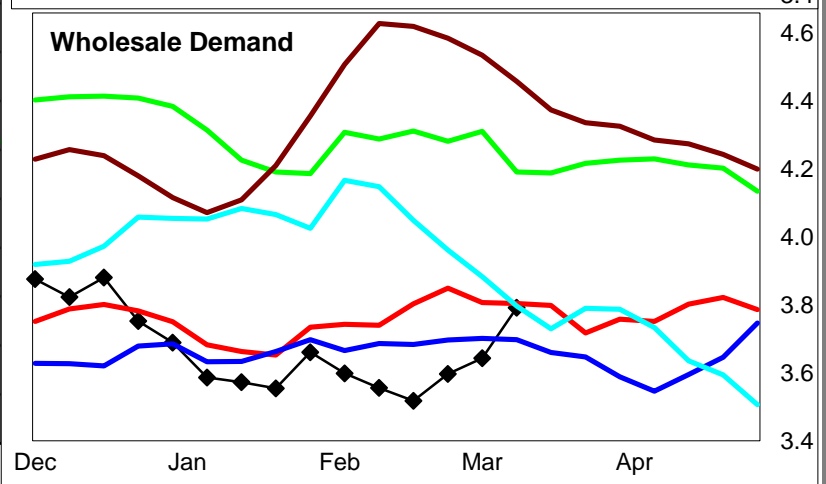
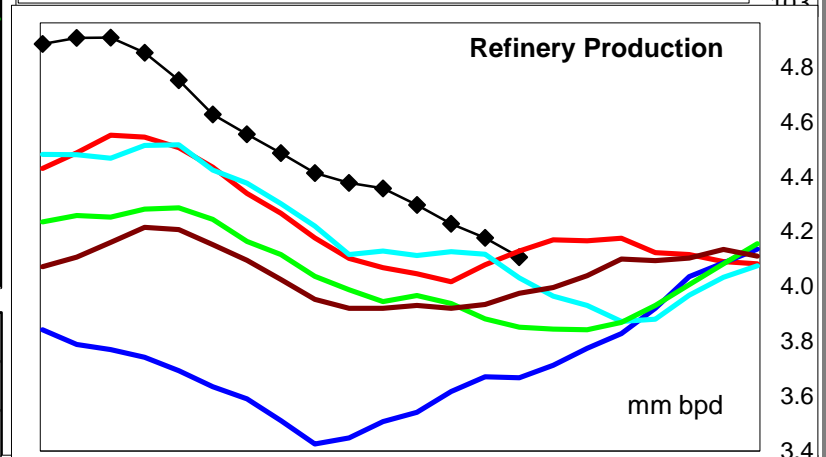
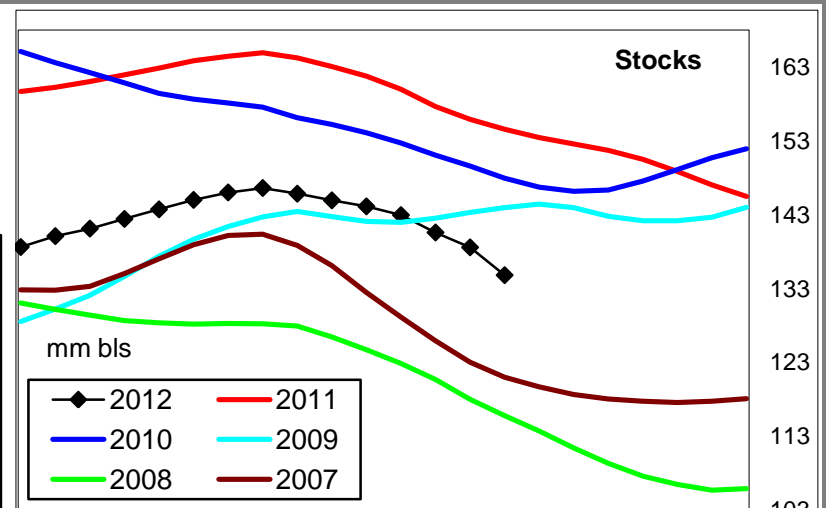
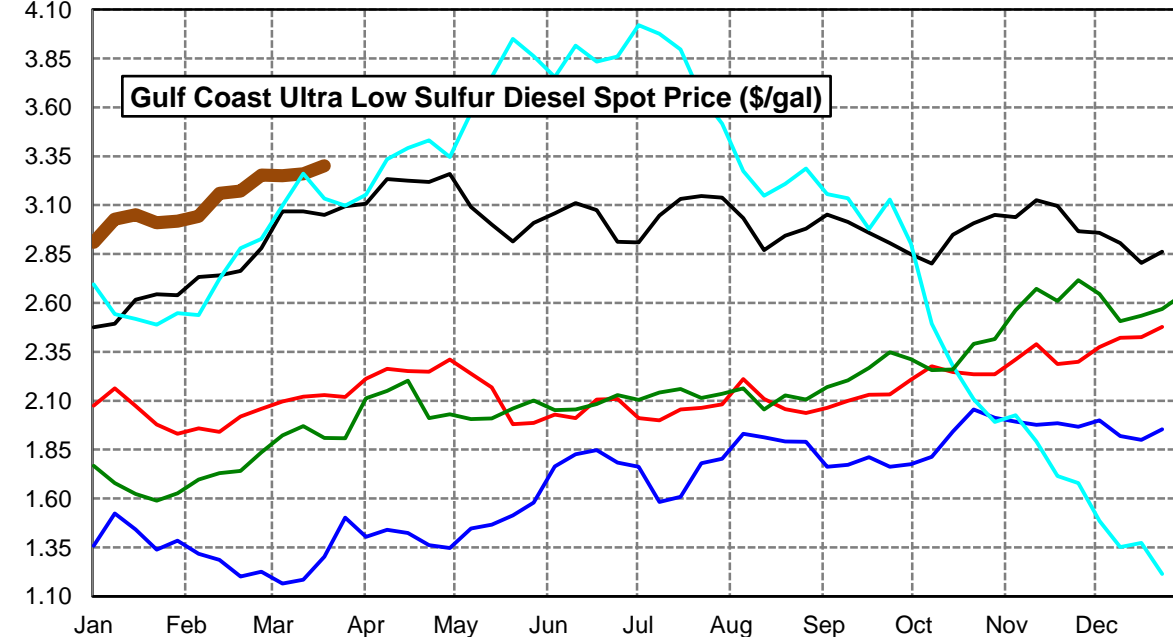
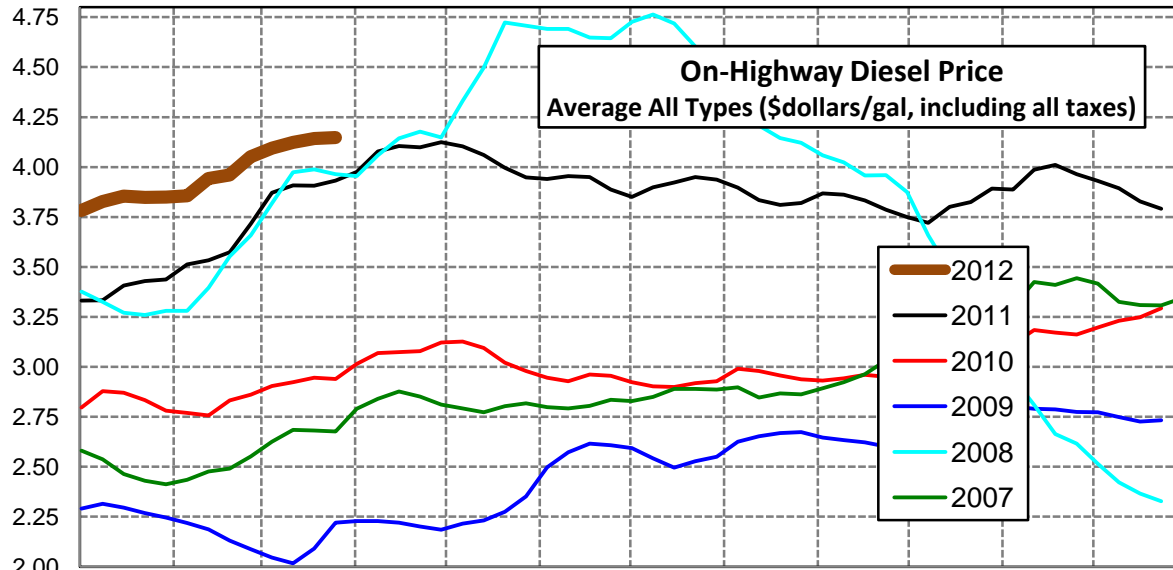
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Click [Blue Icon](#) on Map to view Regional Price & Fundamental Trends



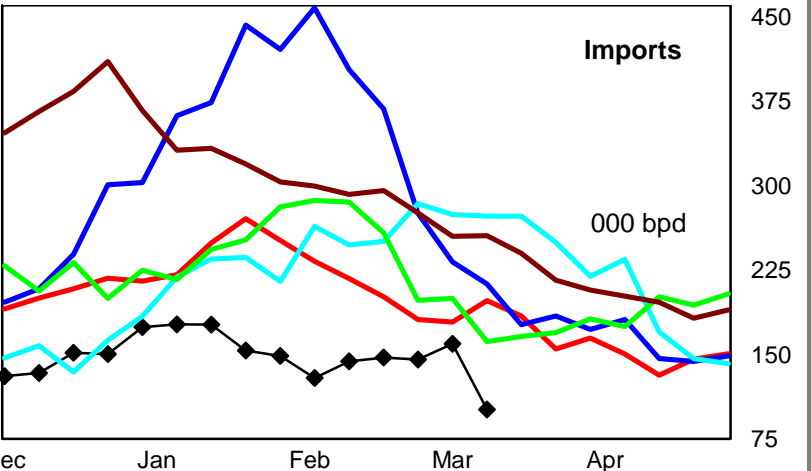
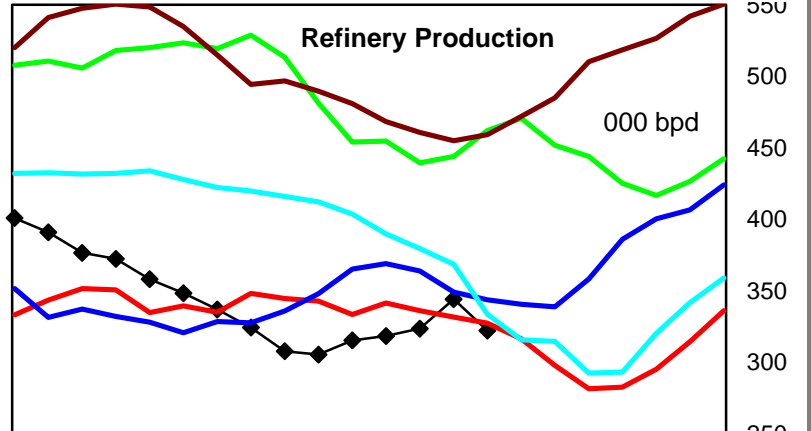
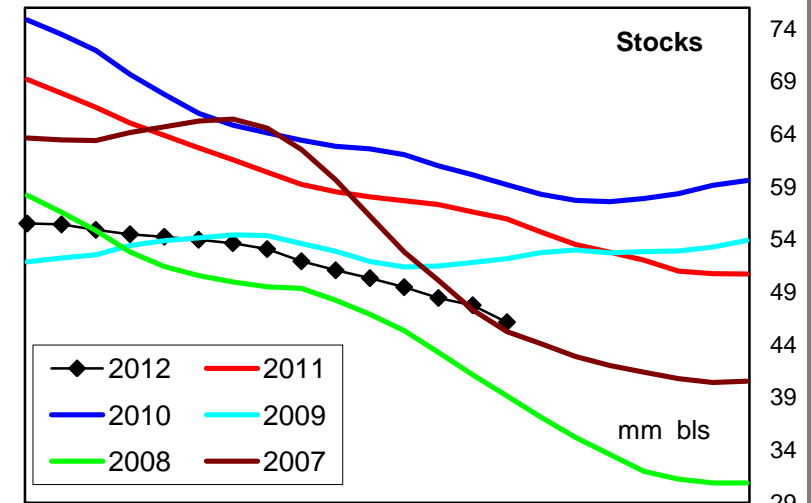
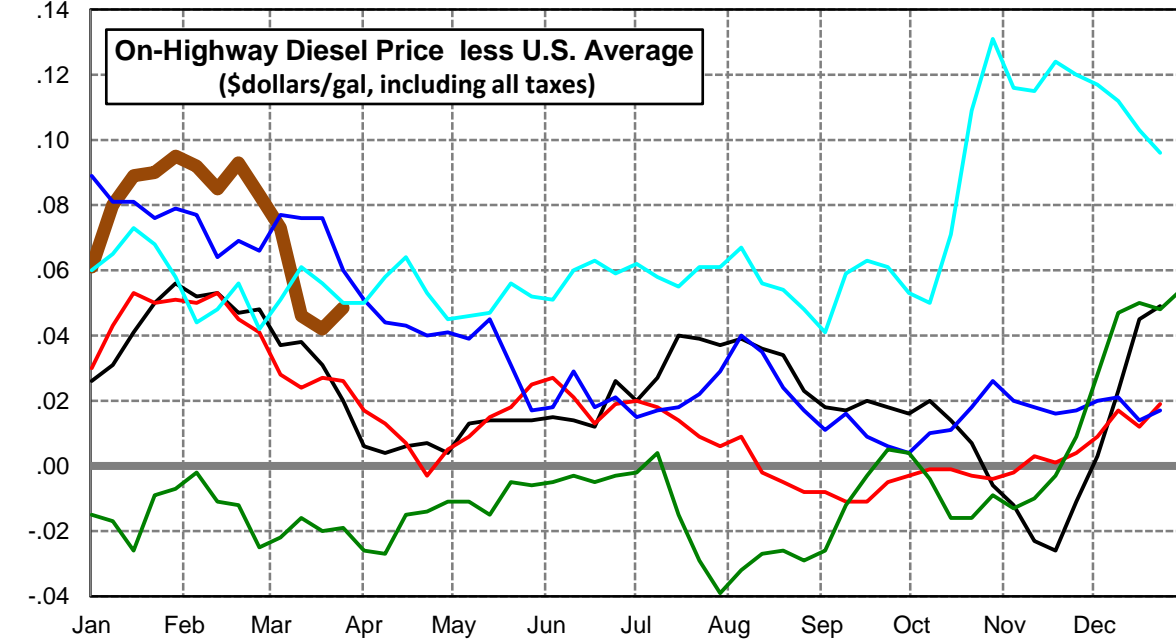
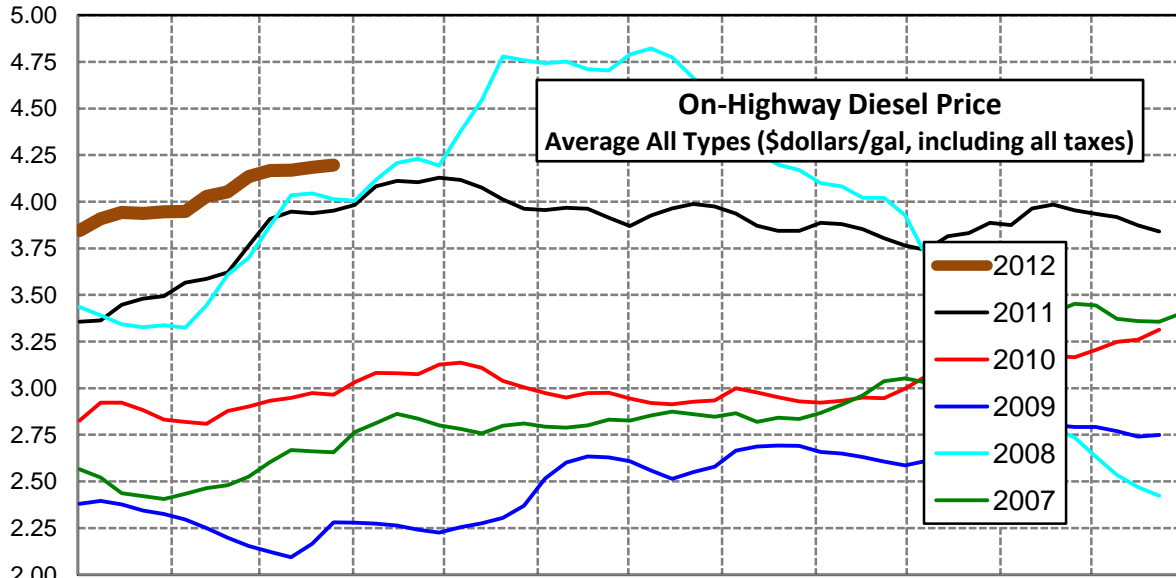
## U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>United States Avg</b>	\$4.094	\$4.123	\$4.142	\$4.147	\$0.005
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



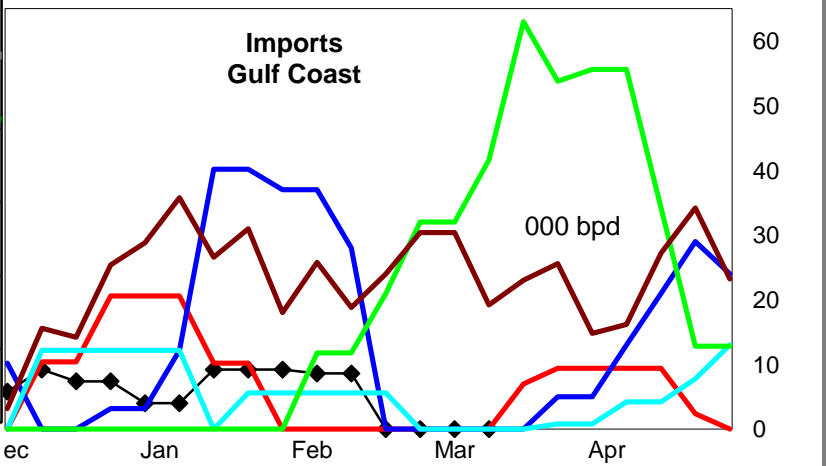
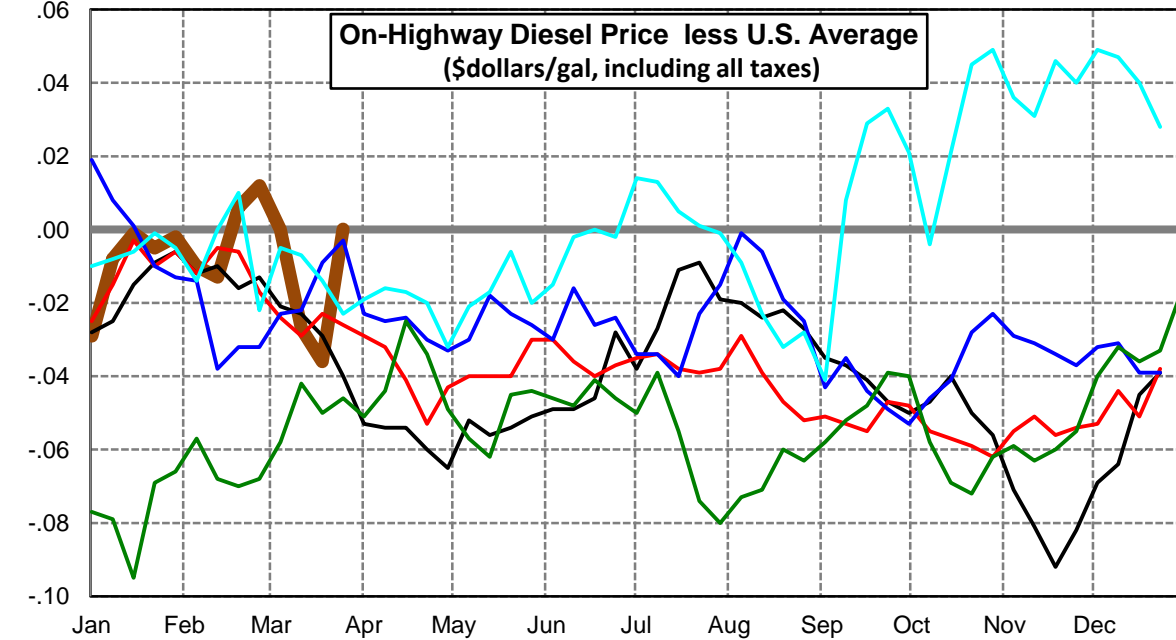
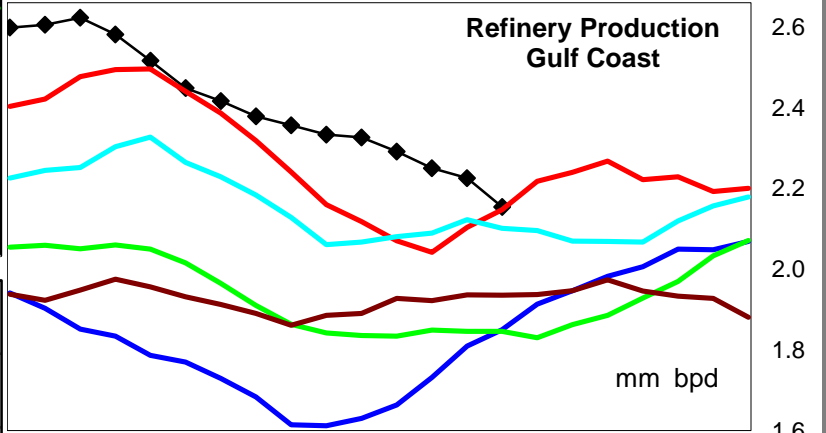
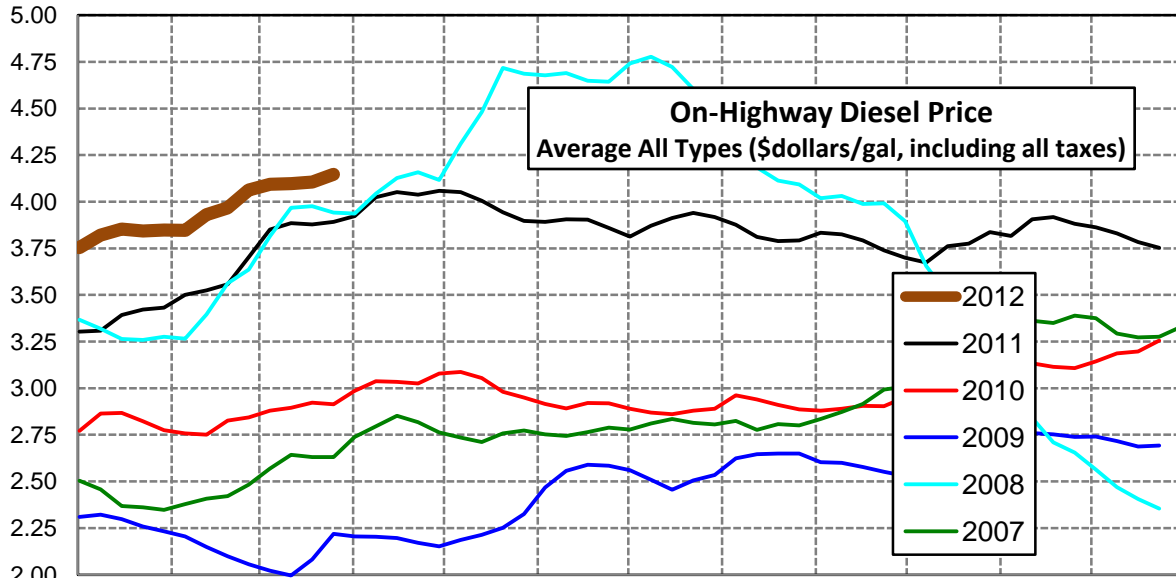
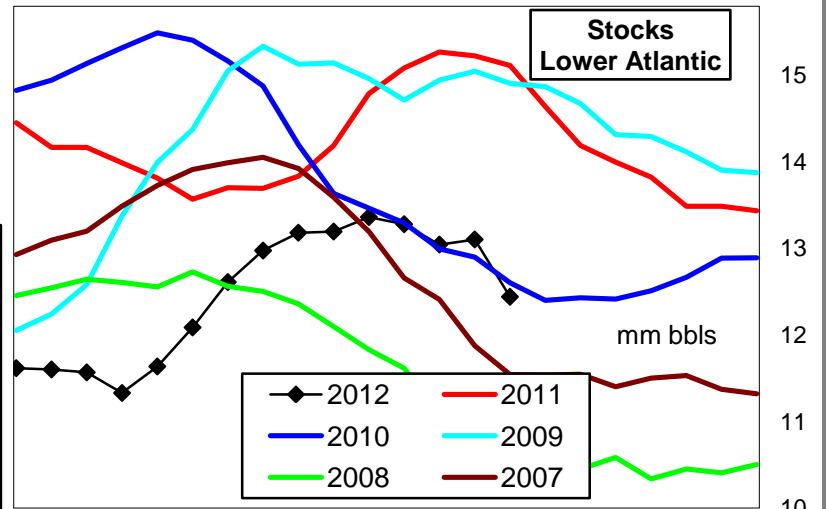
### East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>East Coast</b>	\$4.167	\$4.169	\$4.184	<b>\$4.196</b>	\$0.012
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



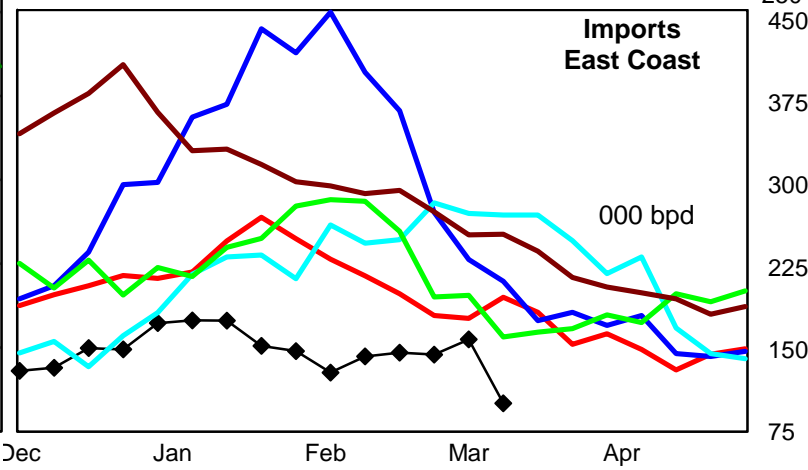
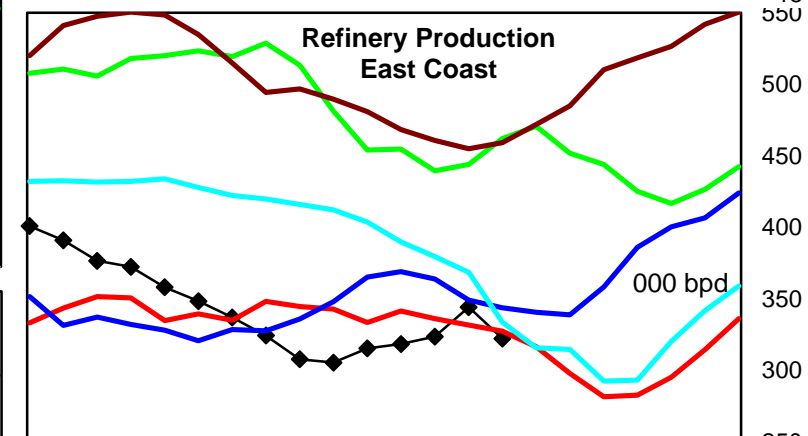
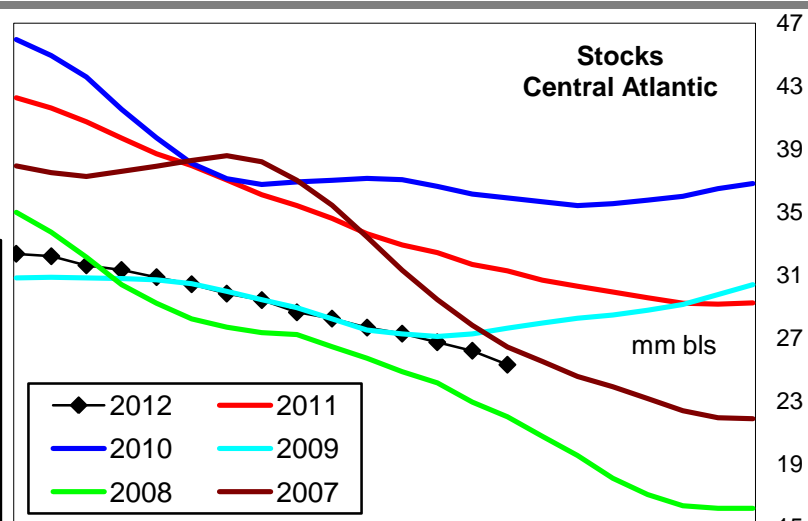
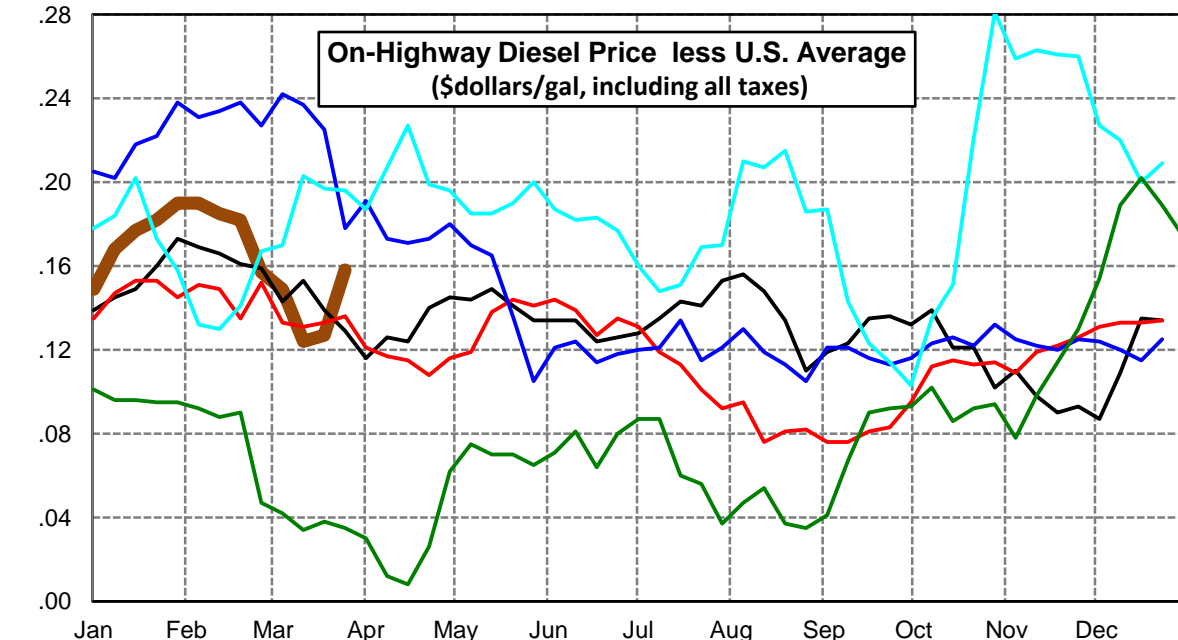
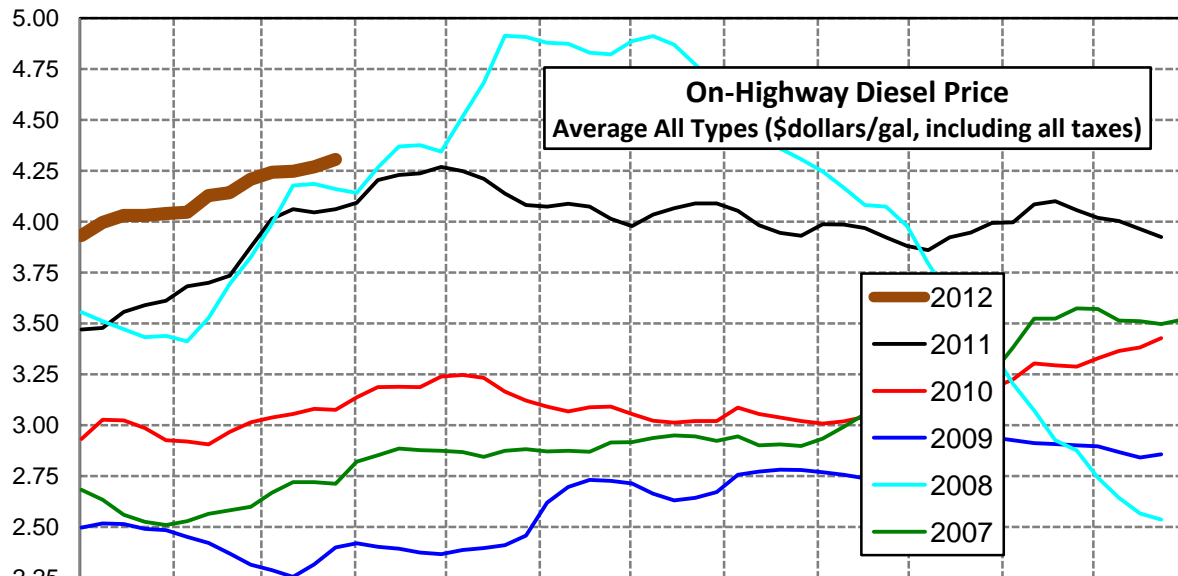
### Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>Lower Atlantic</b>	\$4.094	\$4.096	\$4.106	<b>\$4.147</b>	\$0.041
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



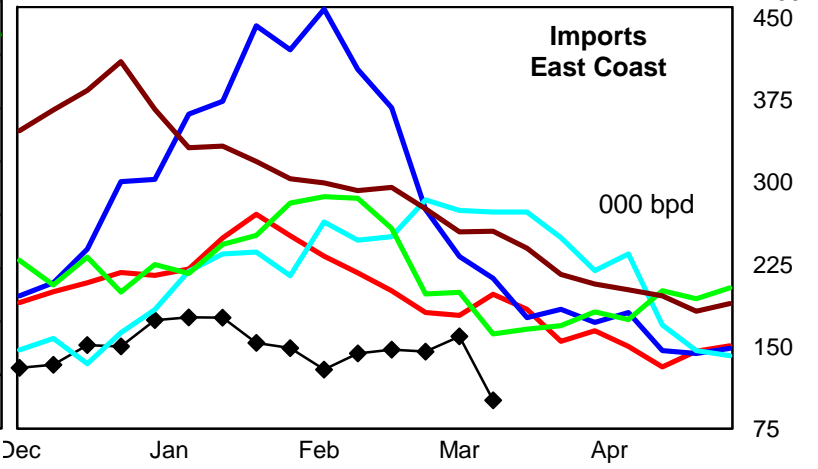
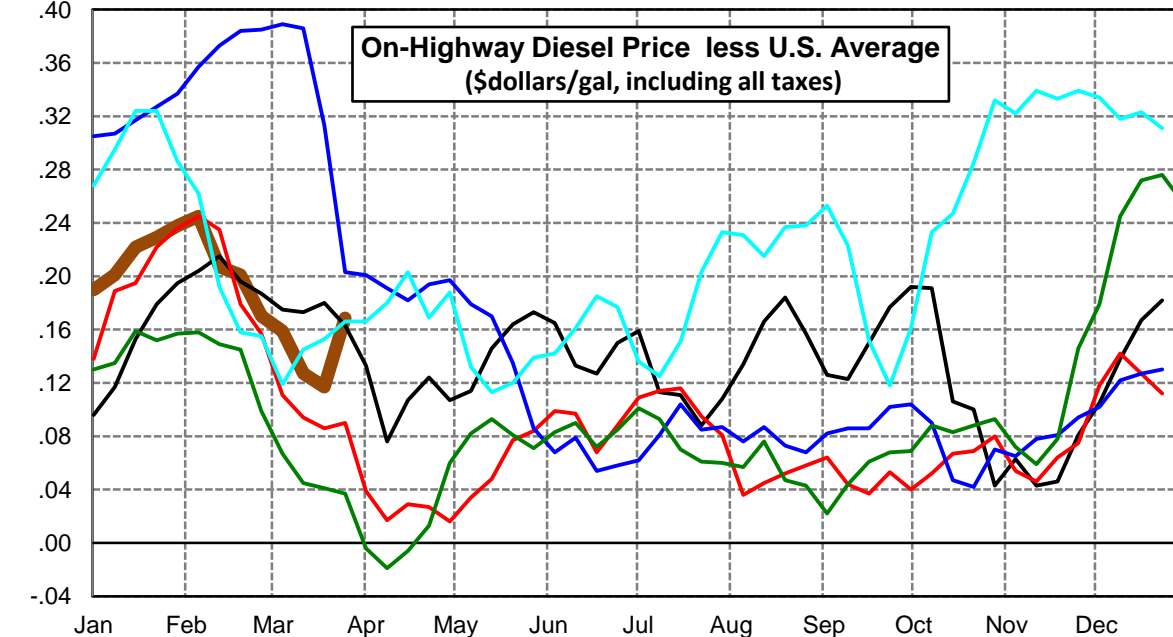
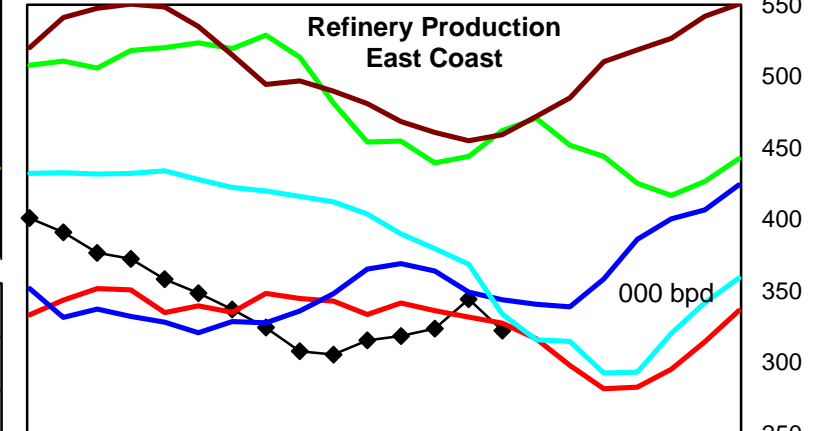
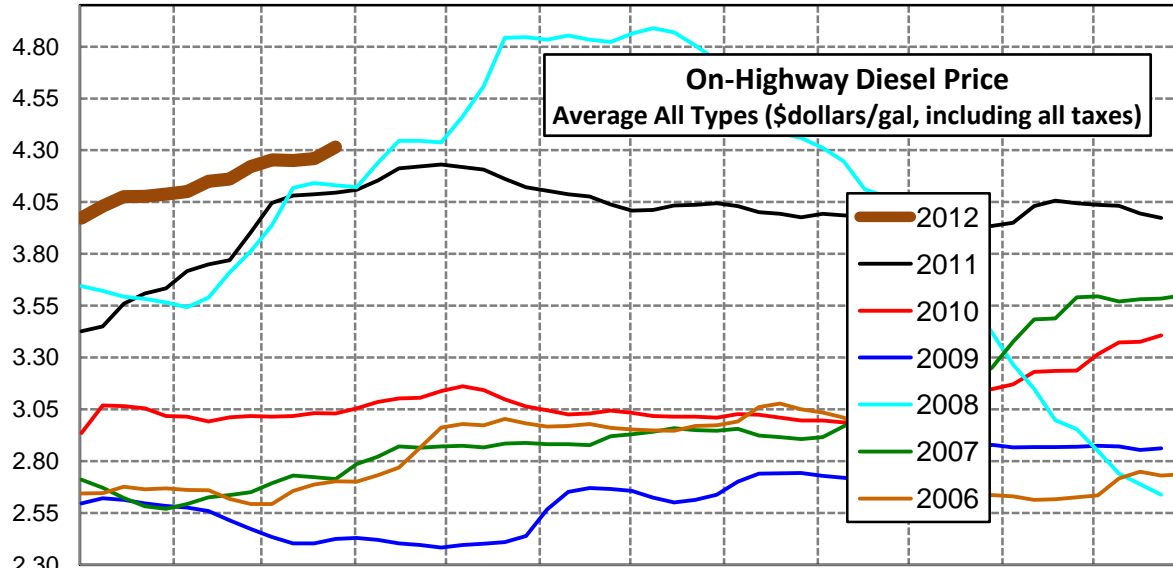
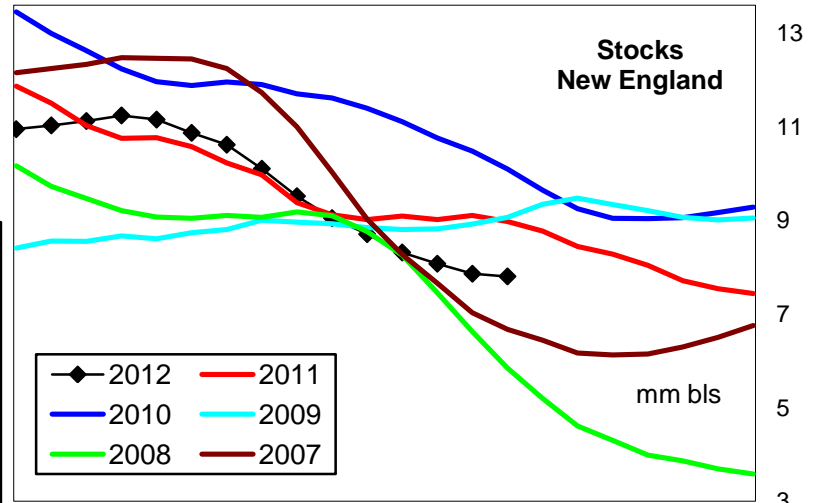
### Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>Central Atlantic</b>	\$4.243	\$4.247	\$4.269	<b>\$4.305</b>	\$0.036
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



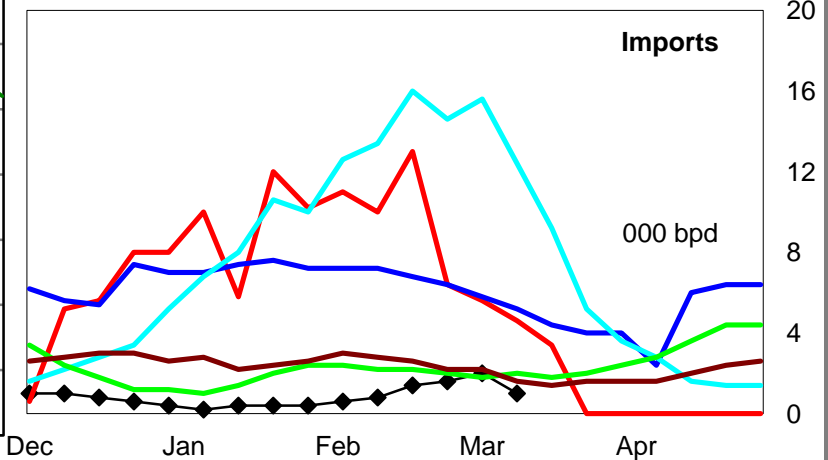
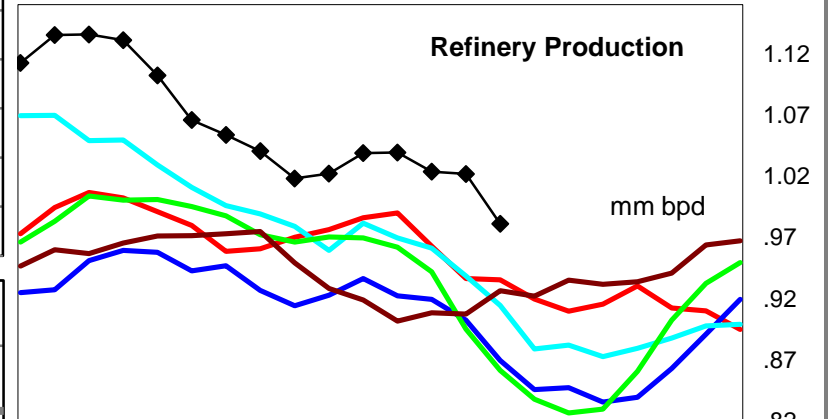
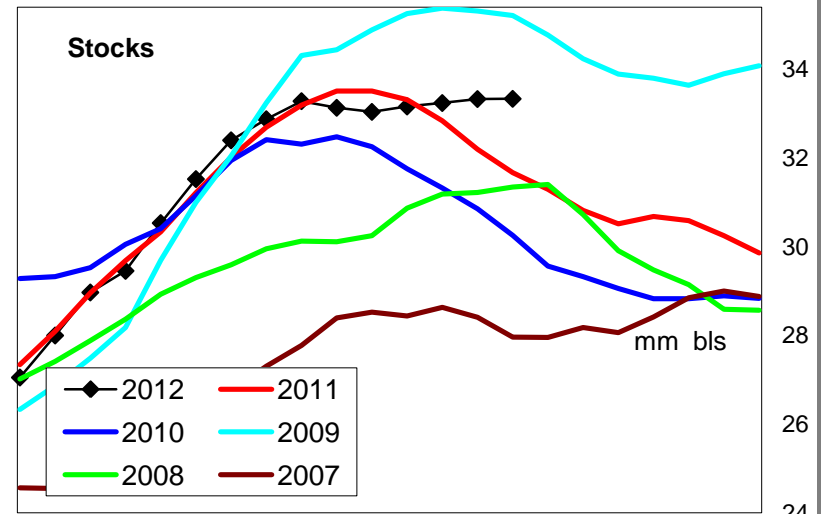
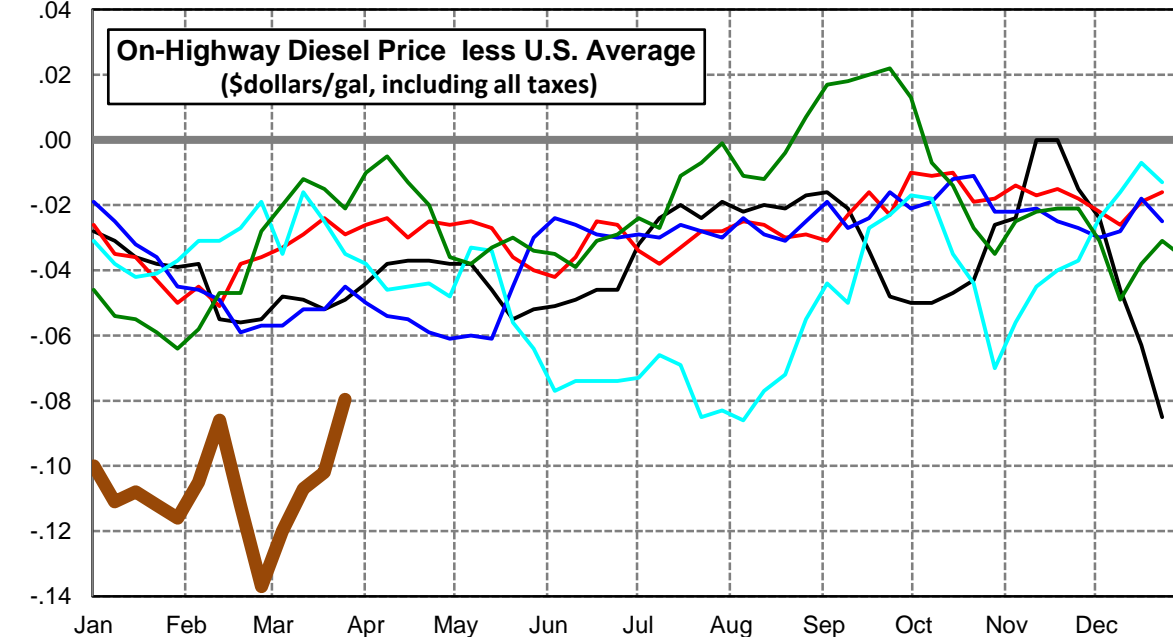
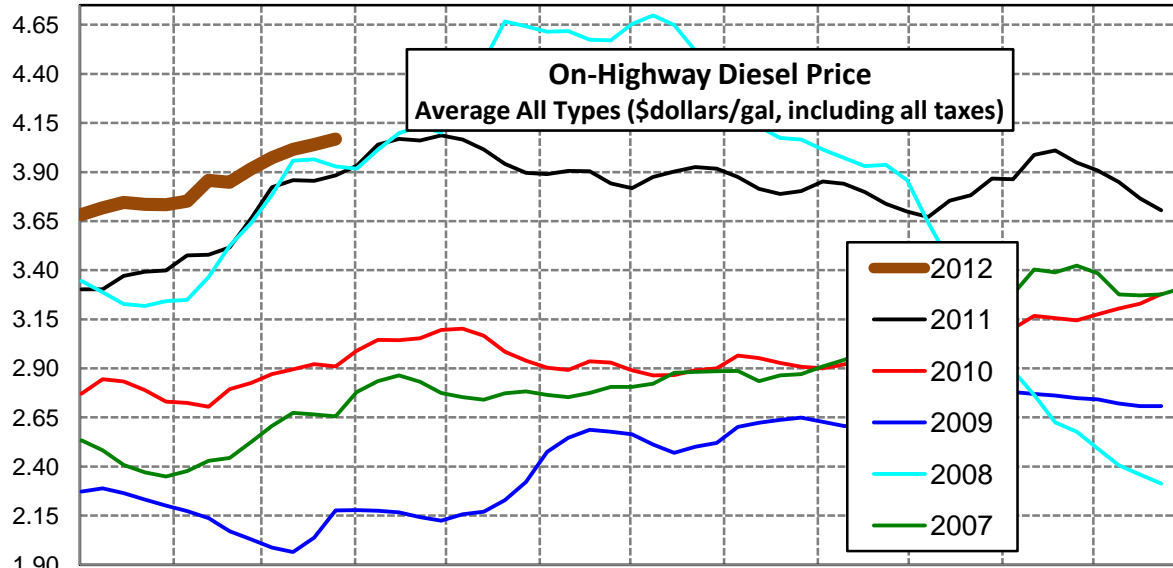
### New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>New England</b>	\$4.253	\$4.250	\$4.259	<b>\$4.316</b>	\$0.057
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



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

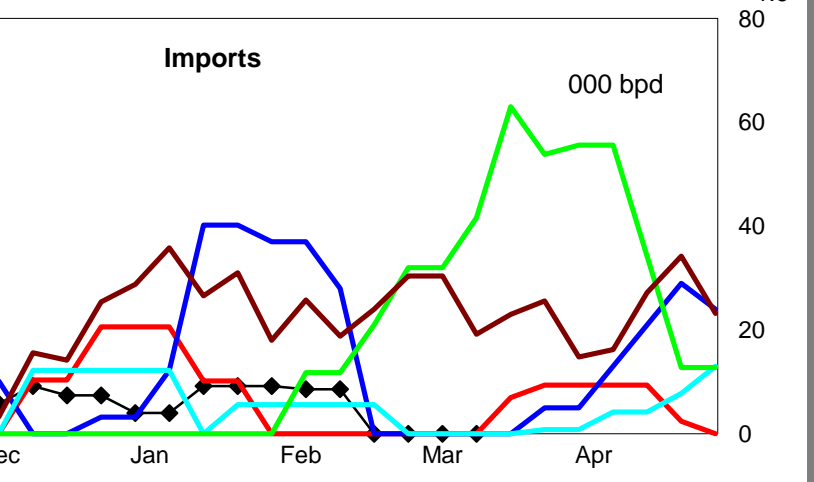
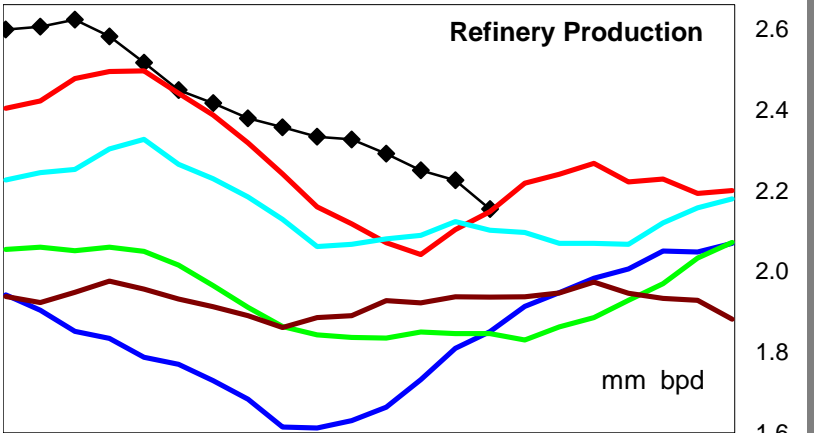
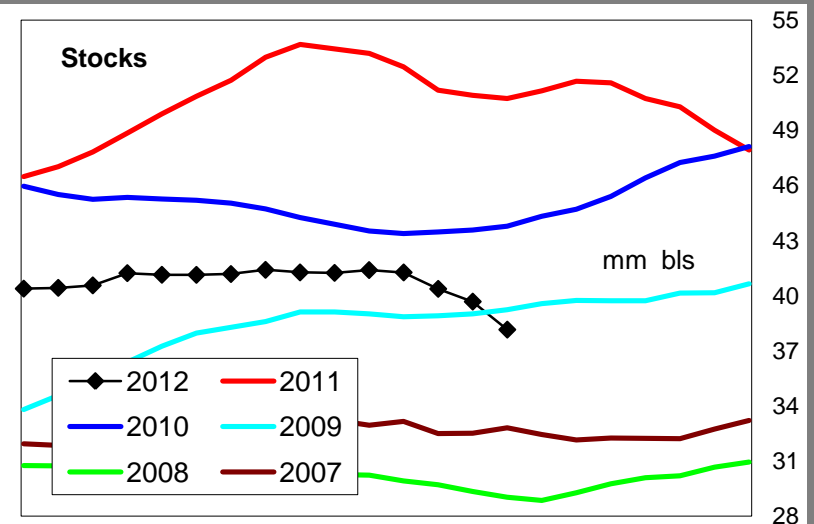
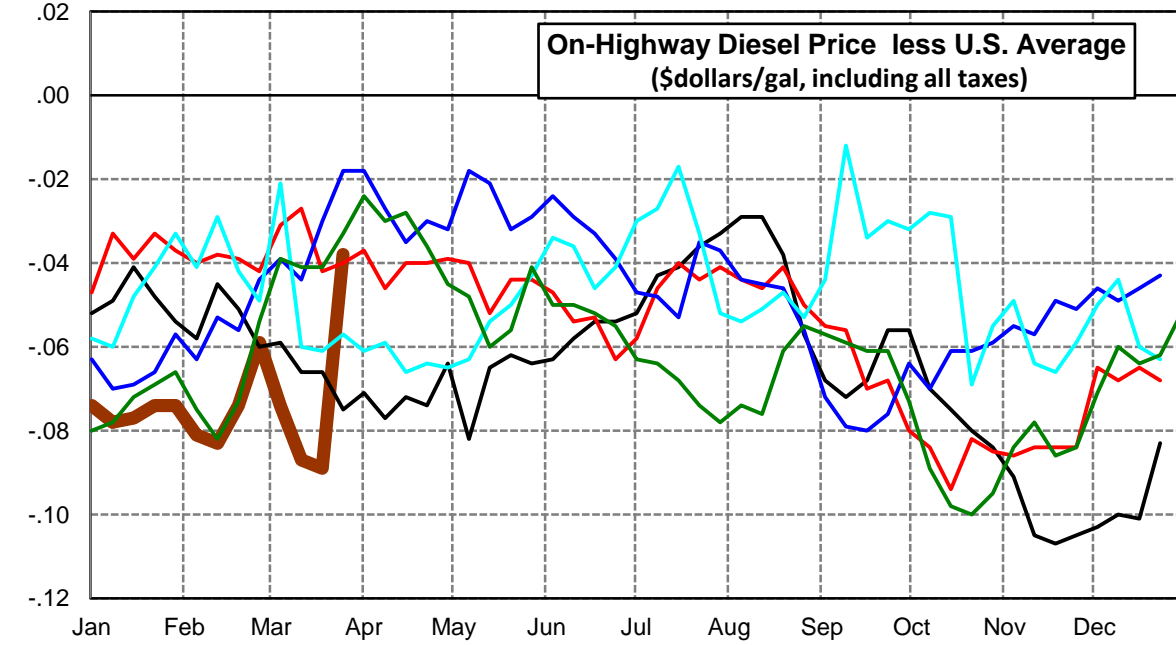
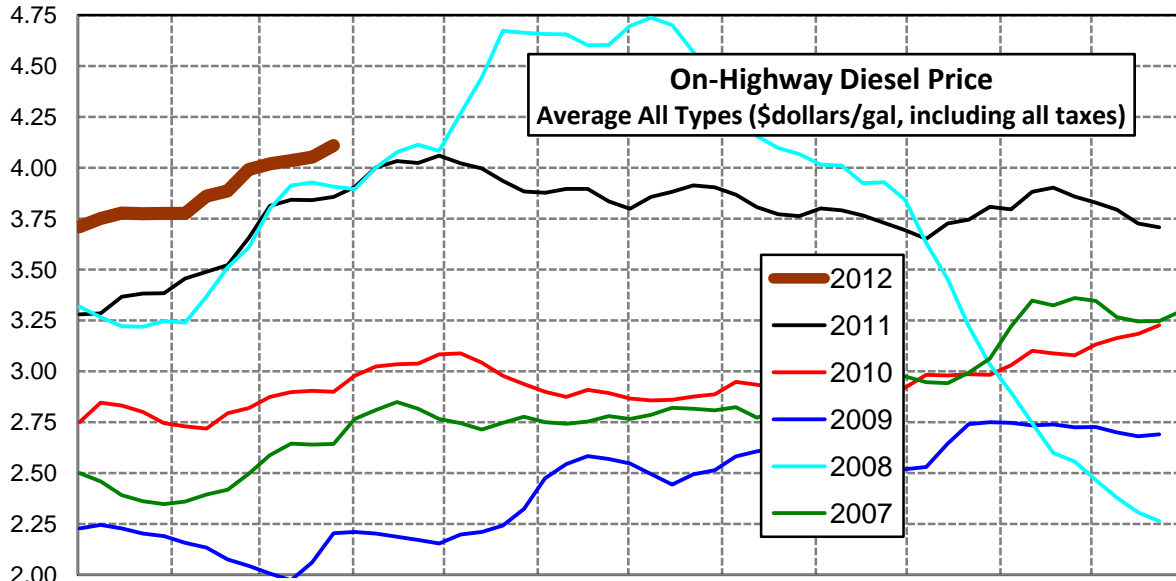
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>Midwest</b>	\$3.974	\$4.016	\$4.040	<b>\$4.068</b>	\$0.028
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





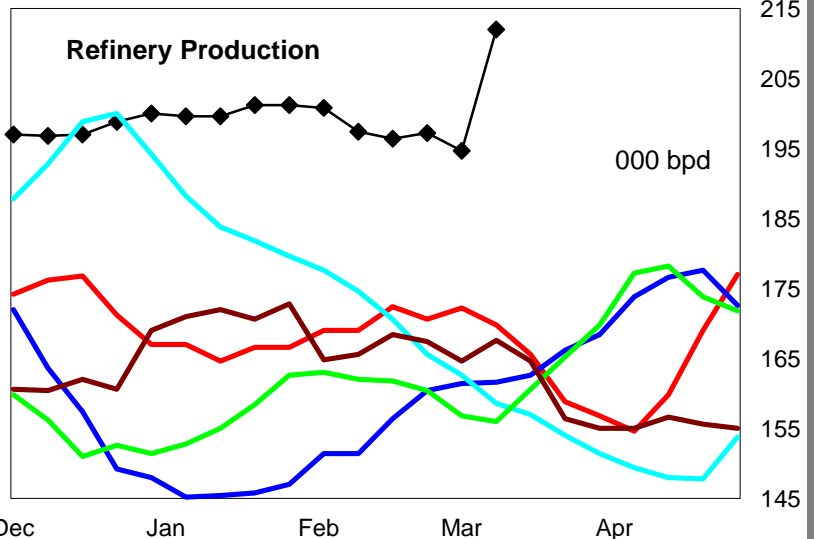
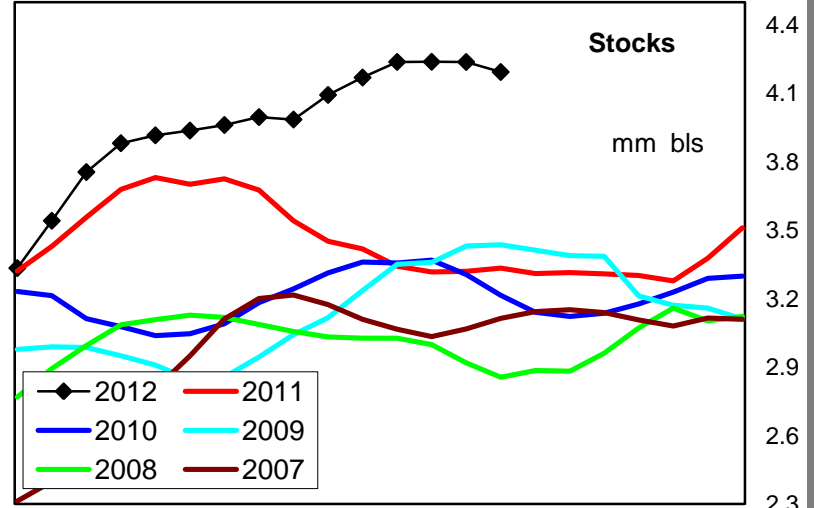
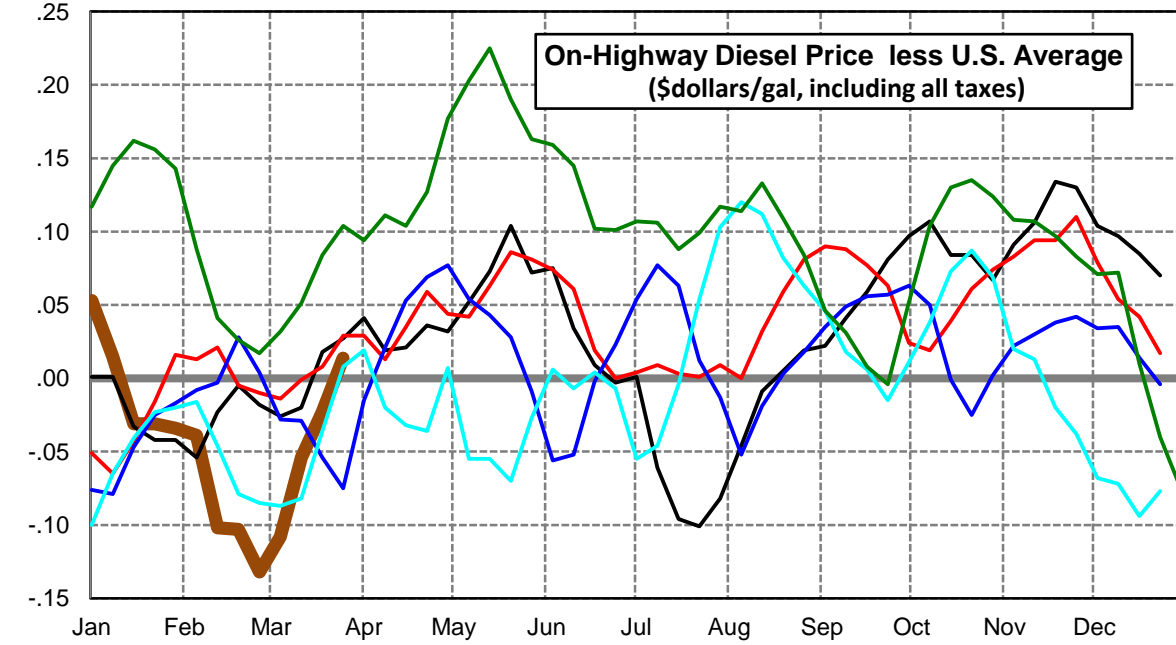
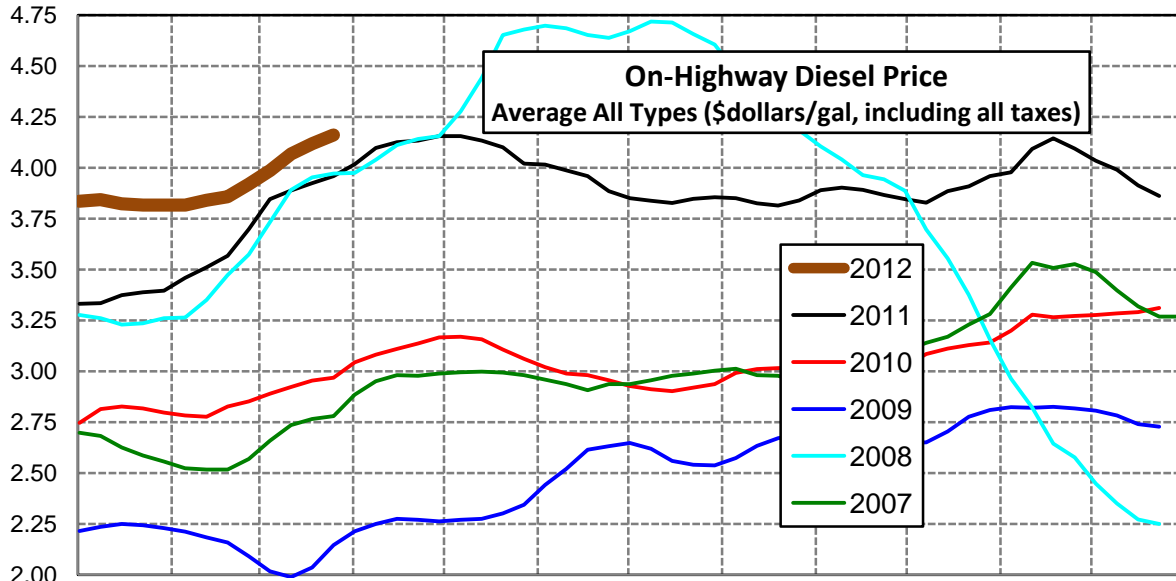
### Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>Gulf Coast</b>	\$4.020	\$4.036	\$4.053	<b>\$4.109</b>	\$0.056
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



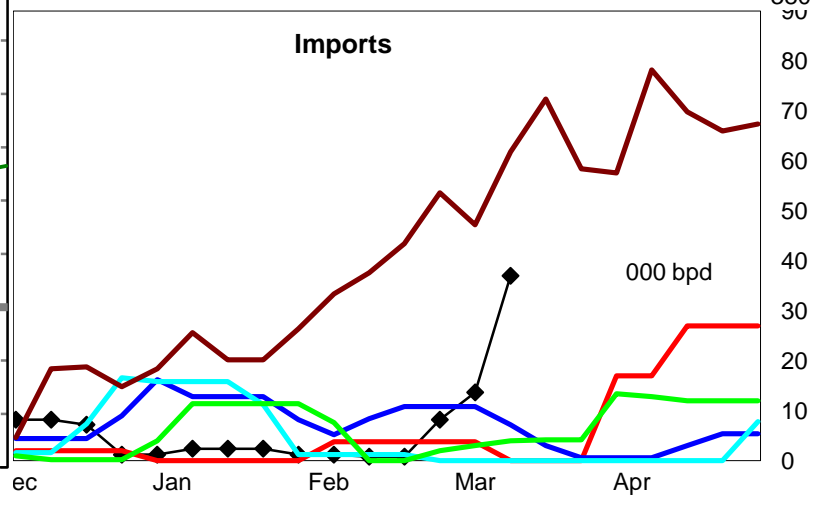
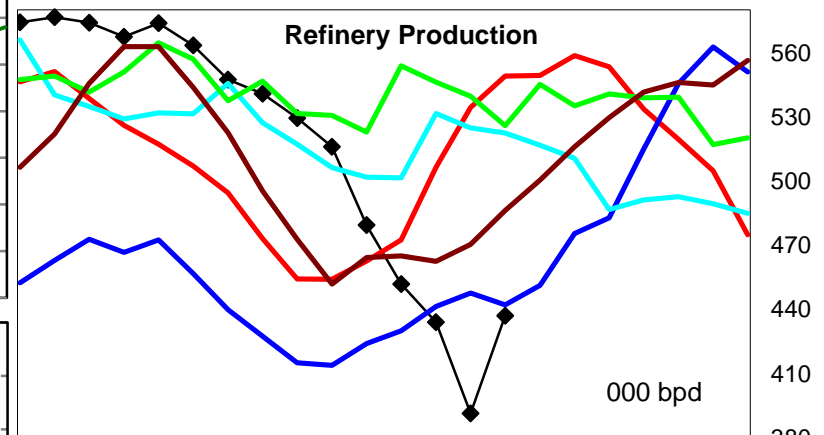
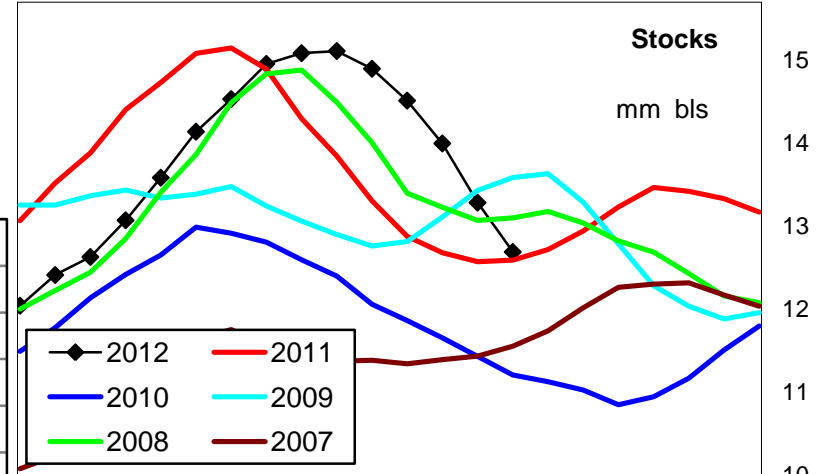
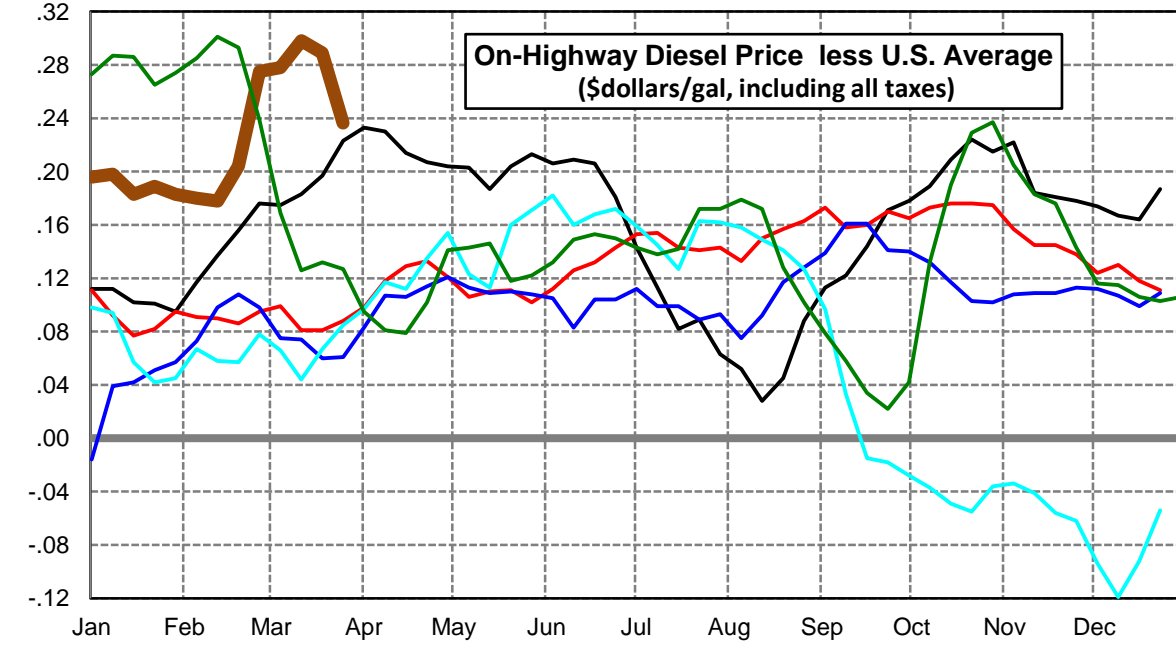
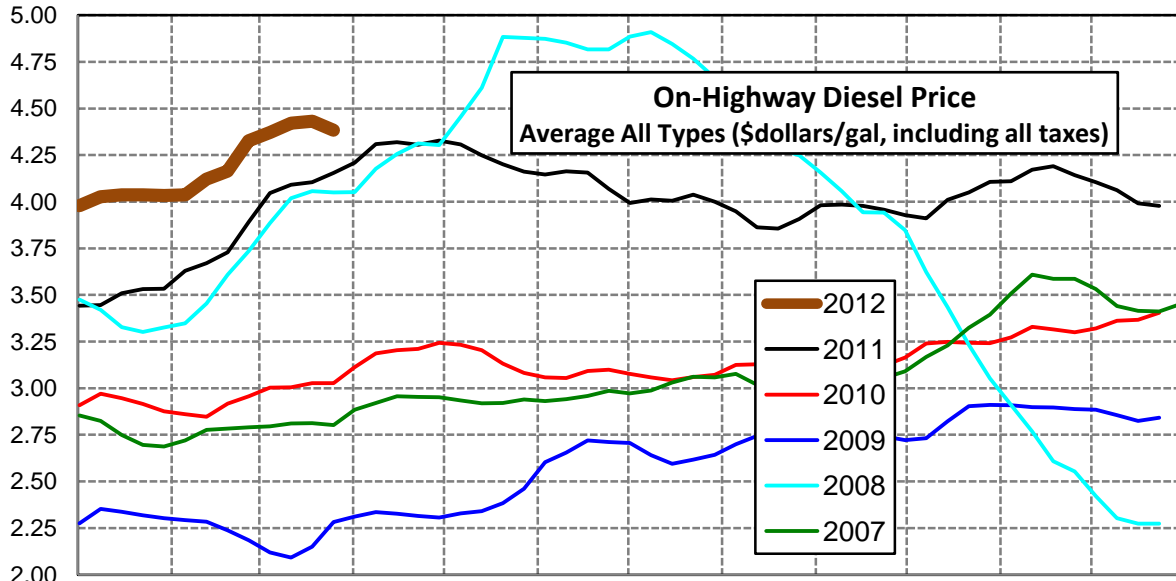
### Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>Rocky Mountain</b>	\$3.986	\$4.069	\$4.119	<b>\$4.161</b>	\$0.042
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



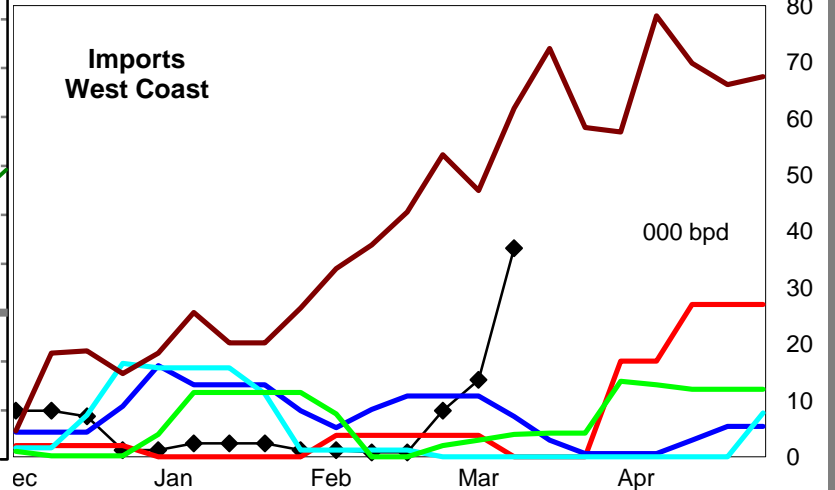
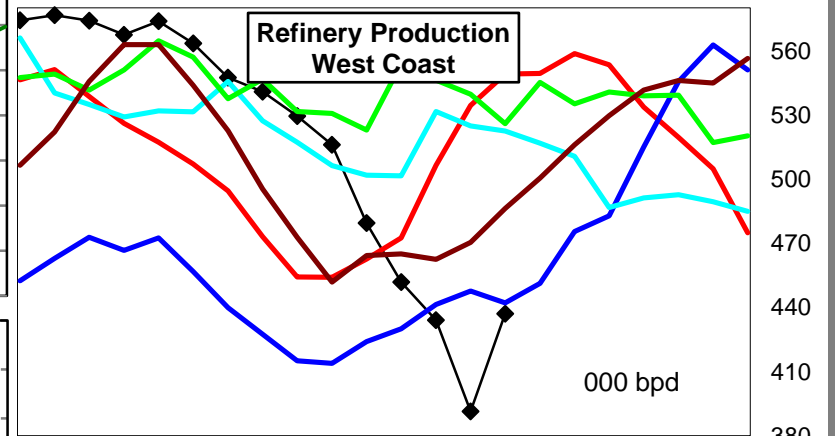
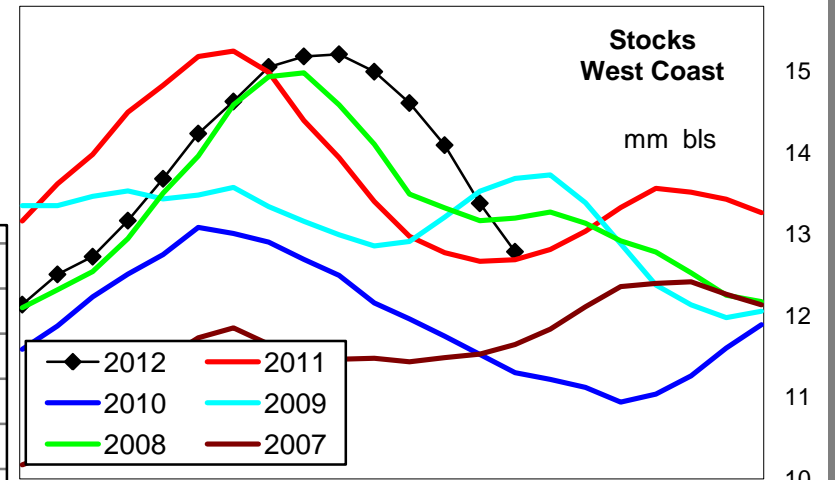
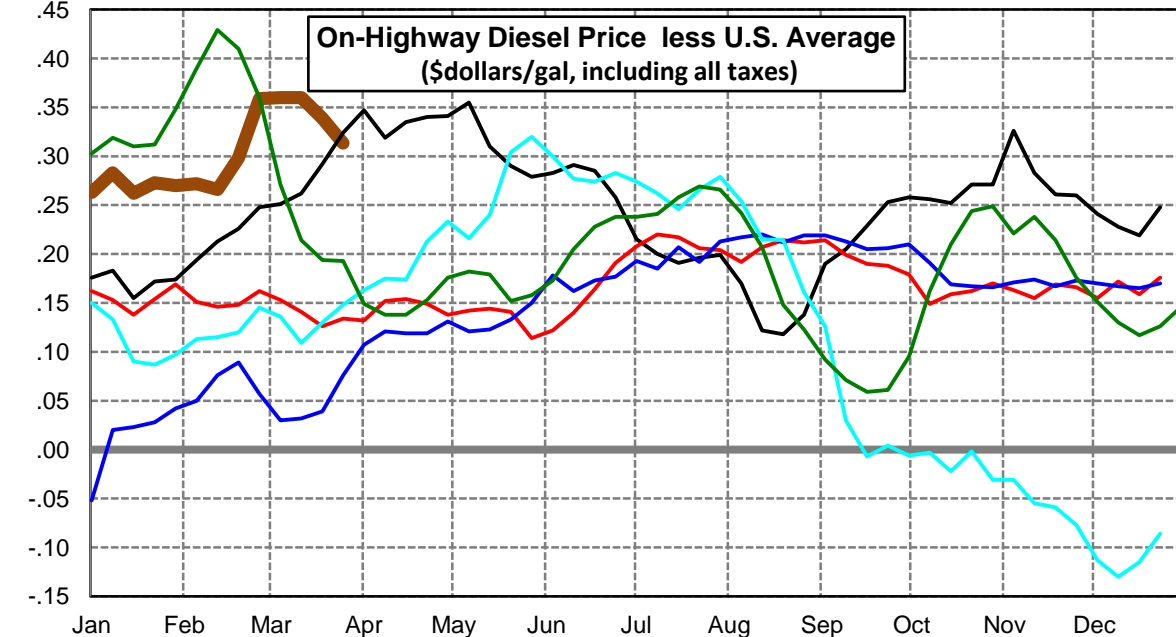
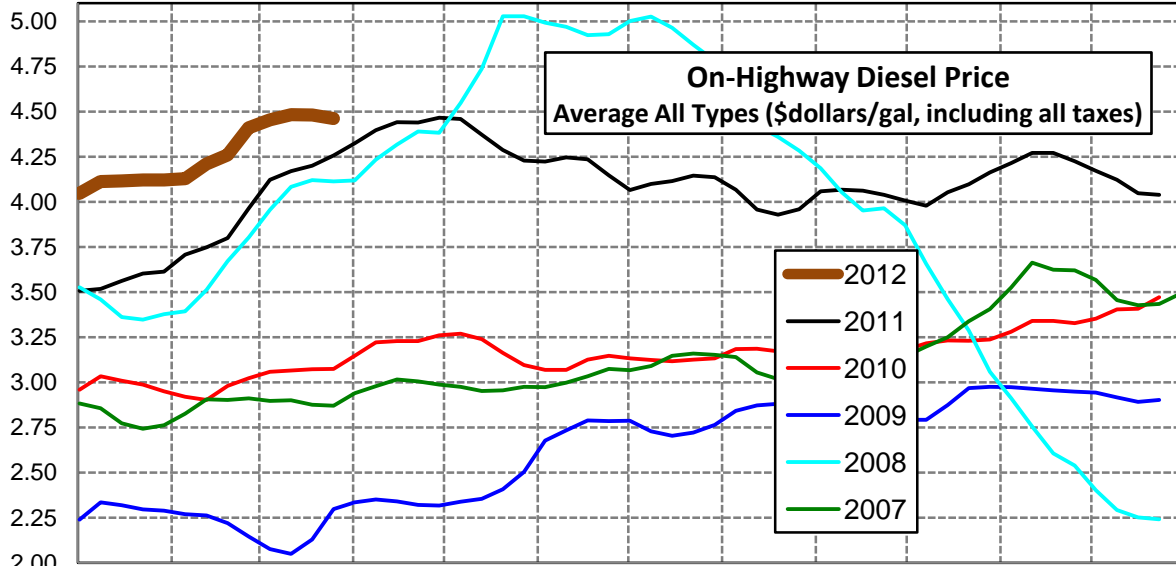
### West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>West Coast</b>	\$4.372	\$4.421	\$4.431	<b>\$4.384</b>	-\$0.047
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
	05Mar12	12Mar12	19Mar12	26Mar12	
<b>California</b>	\$4.454	\$4.483	\$4.481	<b>\$4.461</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	4.123	4.169	4.250	4.247	4.096	4.016	4.036	4.069	4.421	4.483
Mon-19-Mar-12	4.142	4.184	4.259	4.269	4.106	4.040	4.053	4.119	4.431	4.481
Mon-26-Mar-12	4.147	4.196	4.316	4.305	4.147	4.068	4.109	4.161	4.384	4.461
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.