

Winter 2004-2005 Fuels Outlook

Presented by

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*2004 NASEO/EIA Winter Fuels Outlook Conference
October 6, 2004*

Household Winter Heating Fuel Summary

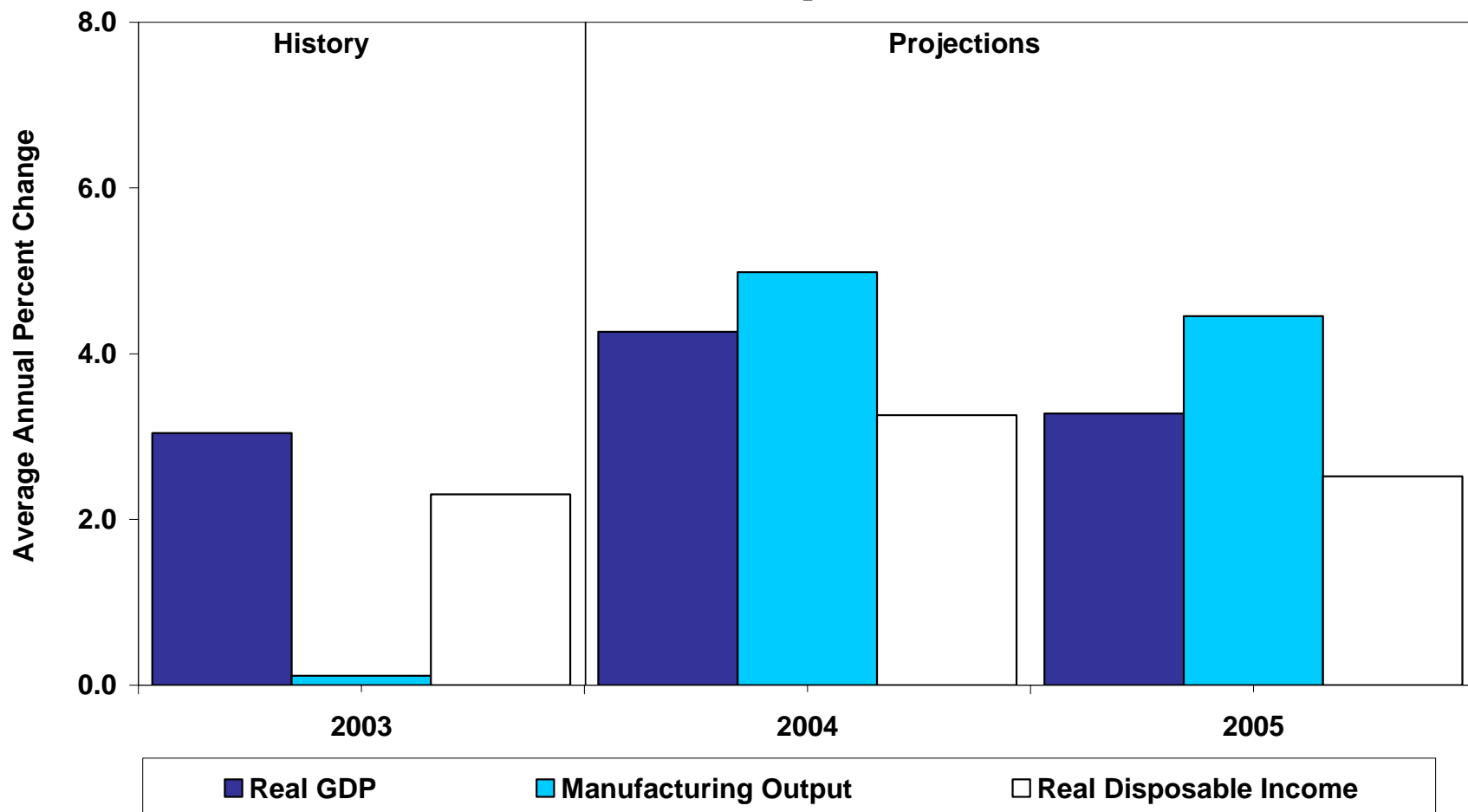
	Average 1998-2000	Actual 2001-2002	Actual 2002-2003	Actual 2003-2004	Projections 2004-2005	% Change
Natural Gas (Midwest)						
Consumption (mcf*)	88.8	81.3	94.9	89.1	92.3	3.7
Avg. Price (\$/mcf)	7.61	7.41	8.40	9.77	10.86	11.2
Expenditures (\$)	676	602	797	870	1003	15.3
Heating Oil (Northeast)						
Consumption (gallons)	673	577	743	700	698	-0.3
Avg. Price (\$/gallon)	1.12	1.10	1.34	1.36	1.75	28.8
Expenditures (\$)	754	637	995	953	1223	28.4
Propane (Midwest)						
Consumption (gallons)	877	803	940	882	914	3.7
Avg. Price (\$/gallon)	1.10	1.11	1.20	1.30	1.53	17.3
Expenditures (\$)	965	888	1124	1147	1396	21.6

Consumption based on typical per household use for regions noted. Prices are retail national averages.

*thousand cubic feet.

Base case demand mixed; expenditures up all around

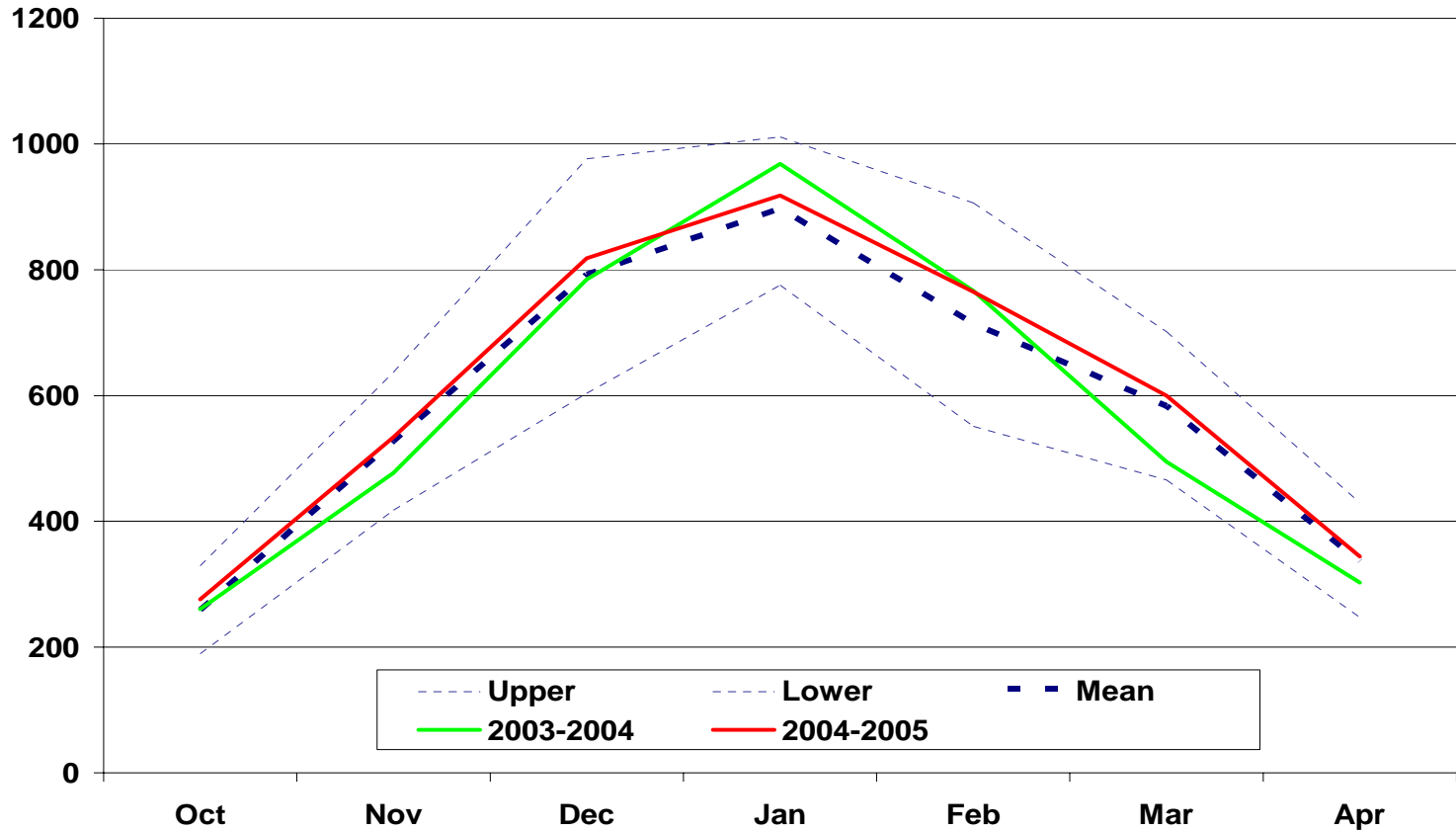
Economic Growth Assumptions for the Forecast



Economic recovery continues into 2005

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

Heating Demand Indicators: Probability Ranges for Degree-Days* This Winter



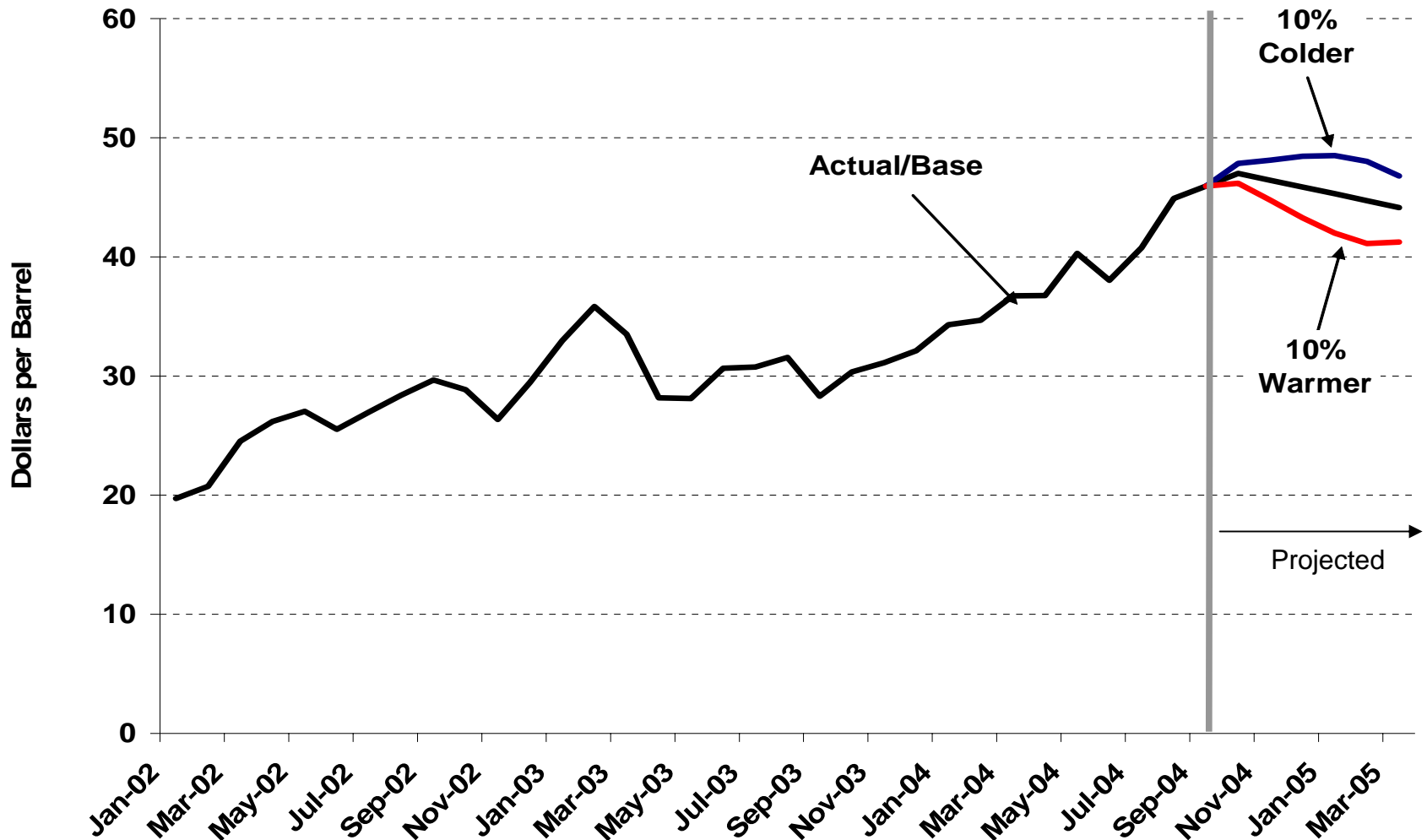
Winter weather likely to be colder this year (except in January)

* U.S. Population-weighted heating degree-days

Sources: History: NOAA; Projections: Climate Prediction Center; Ranges: EIA.



WTI Crude Oil Spot Price



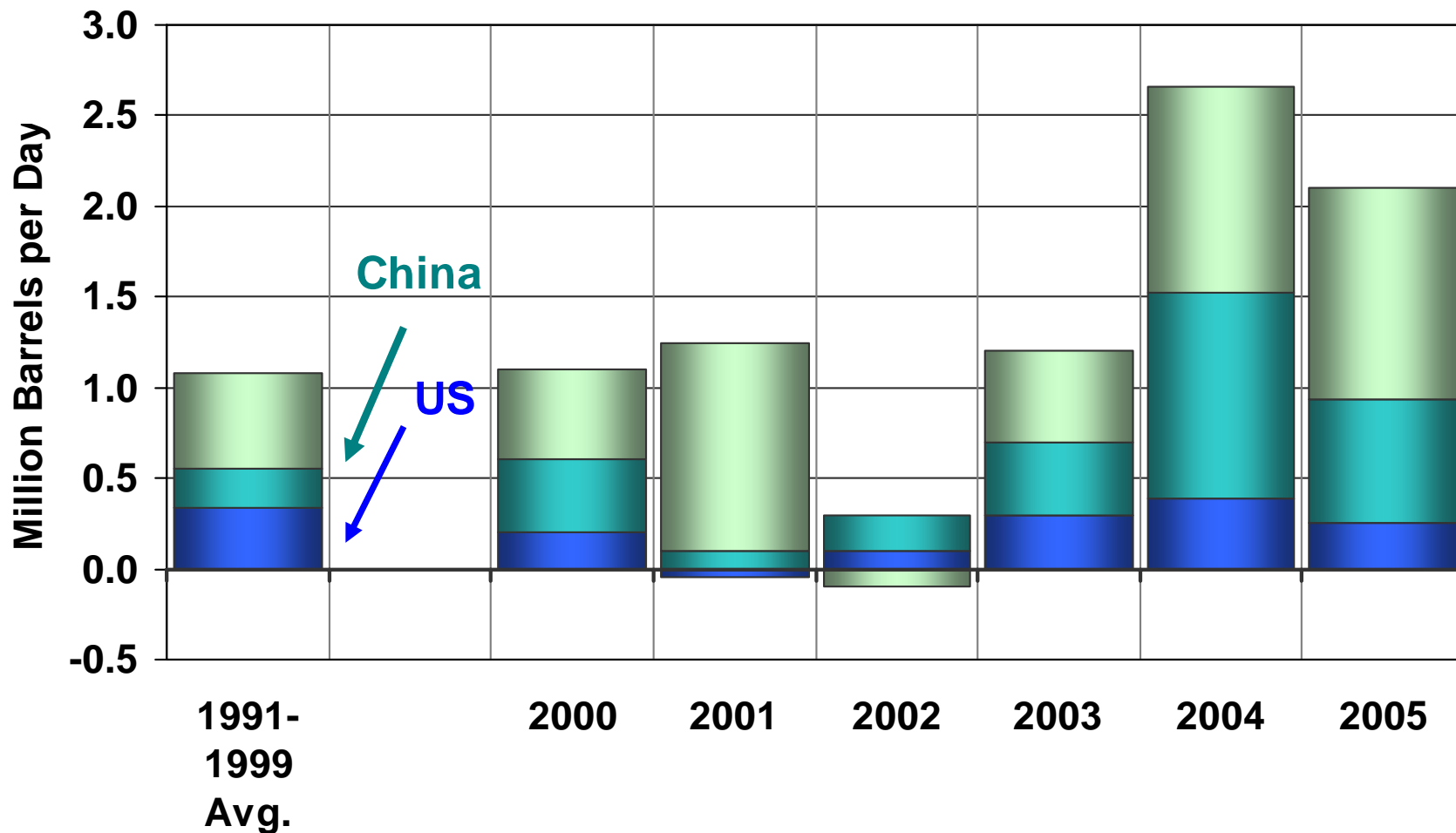
Average winter WTI prices sharply higher again (3rd year running)

www.eia.doe.gov



Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

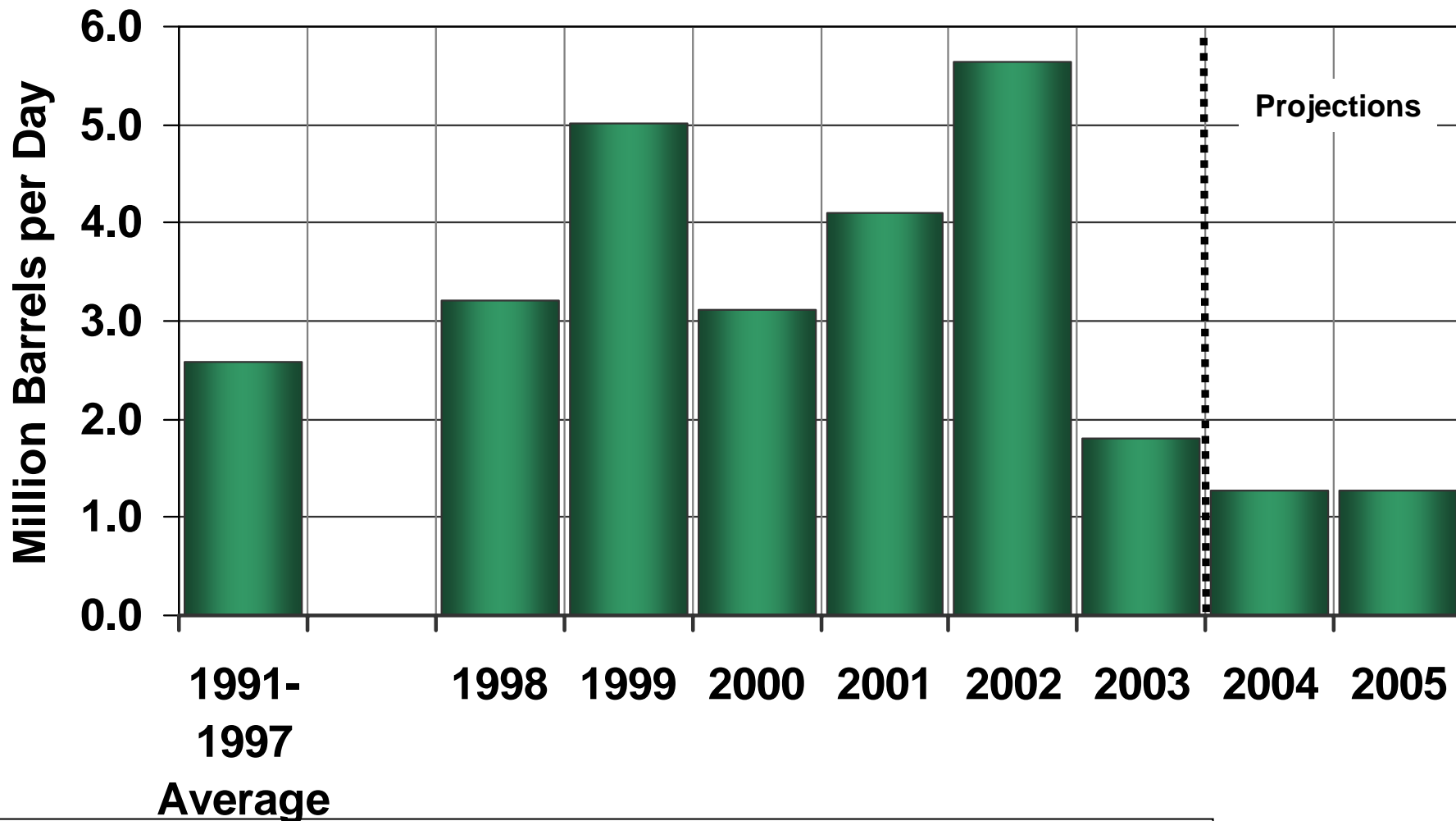
World Oil Demand Growth



World oil demand growth currently surging at very high rates

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

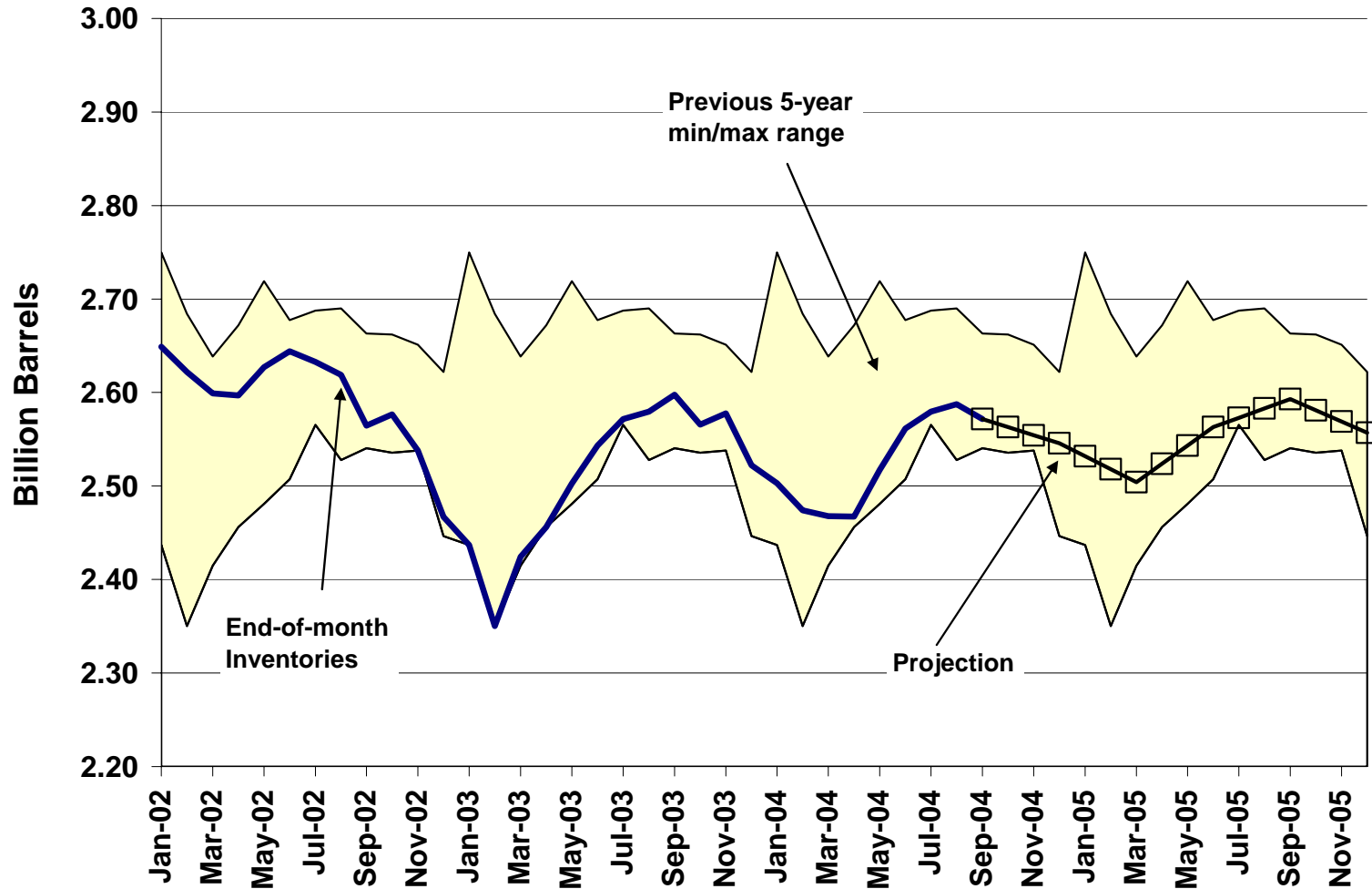
Spare World Oil Production Capacity



Spare global capacity at lowest level in 30 years



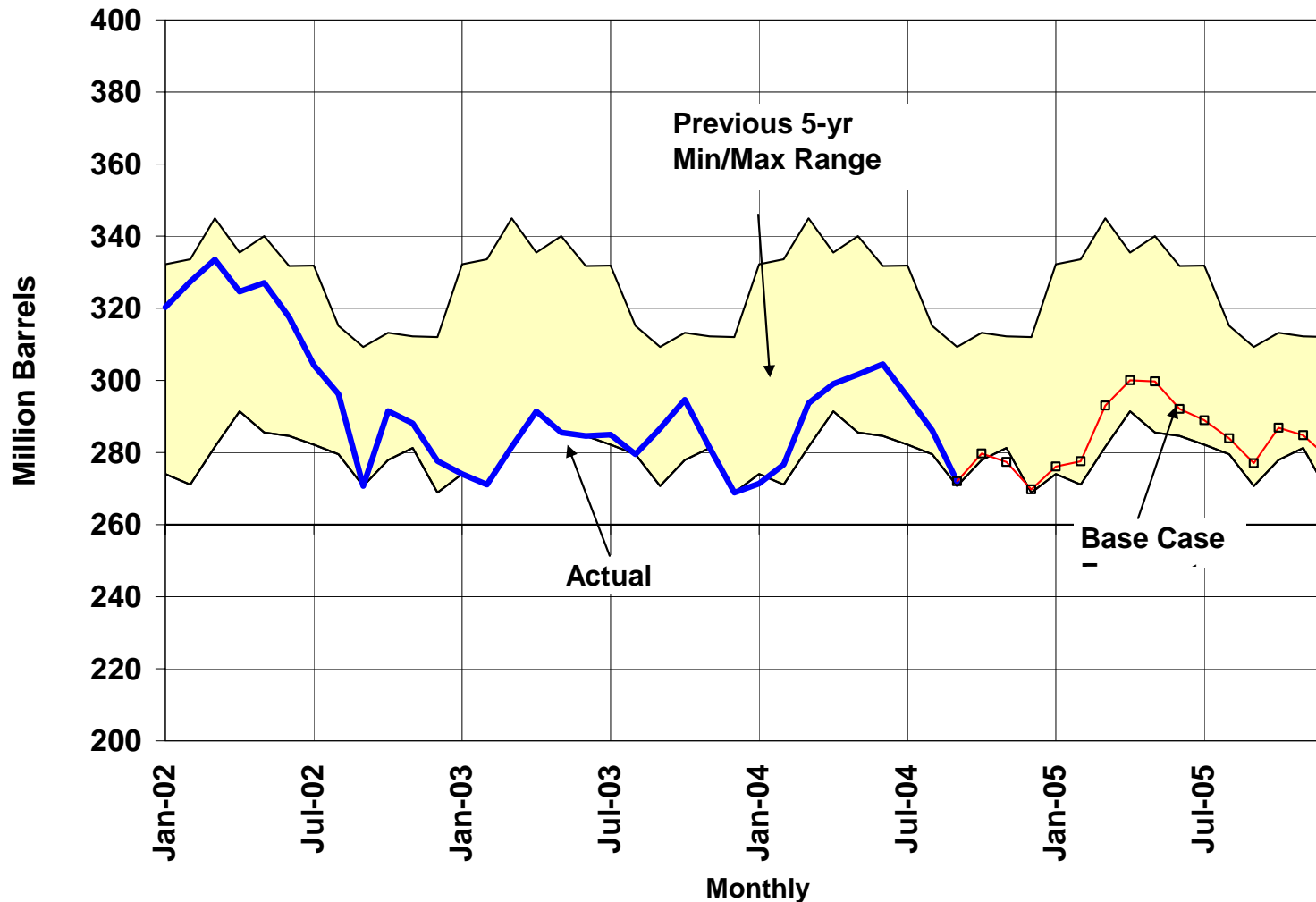
OECD Commercial Oil Stocks



OECD oil stocks remain in low range

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

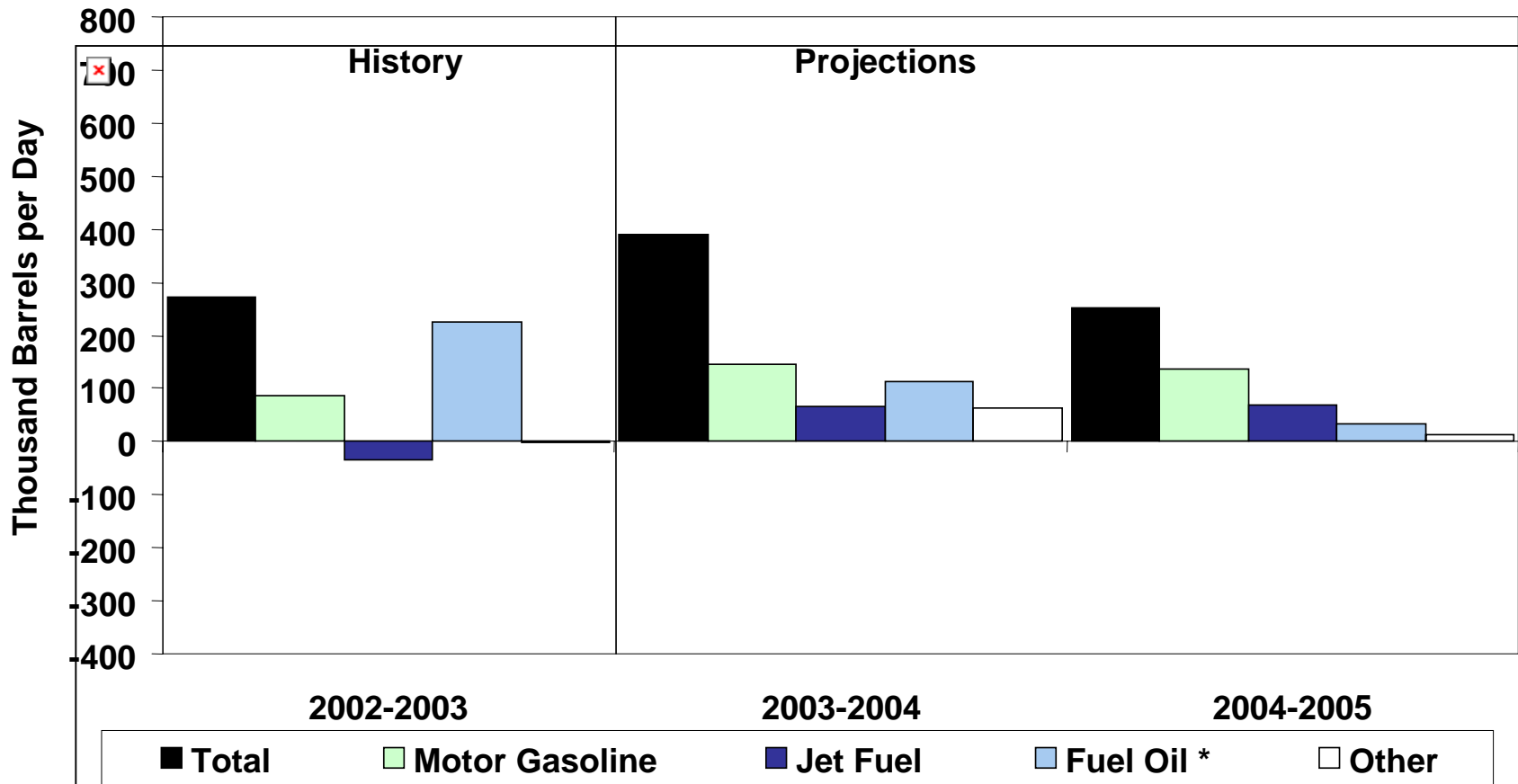
U.S. Commercial Crude Oil Stocks



US crude oil stocks likely to remain tight (again) this winter

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

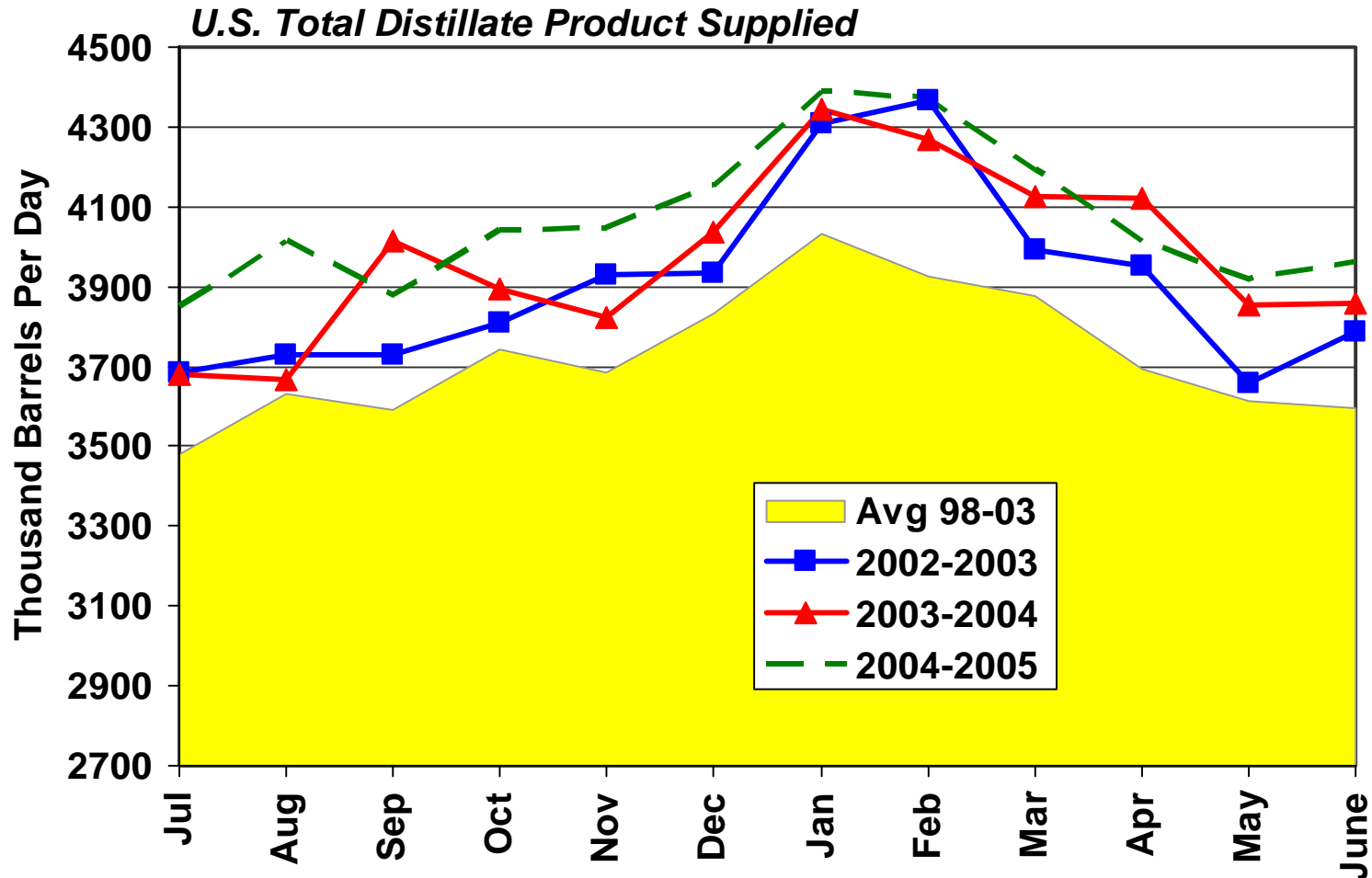
U.S. Petroleum Demand Growth by Fuel



* Sum of distillate and residual fuel.

U.S. demand growth likely to slow in 2005 under high prices

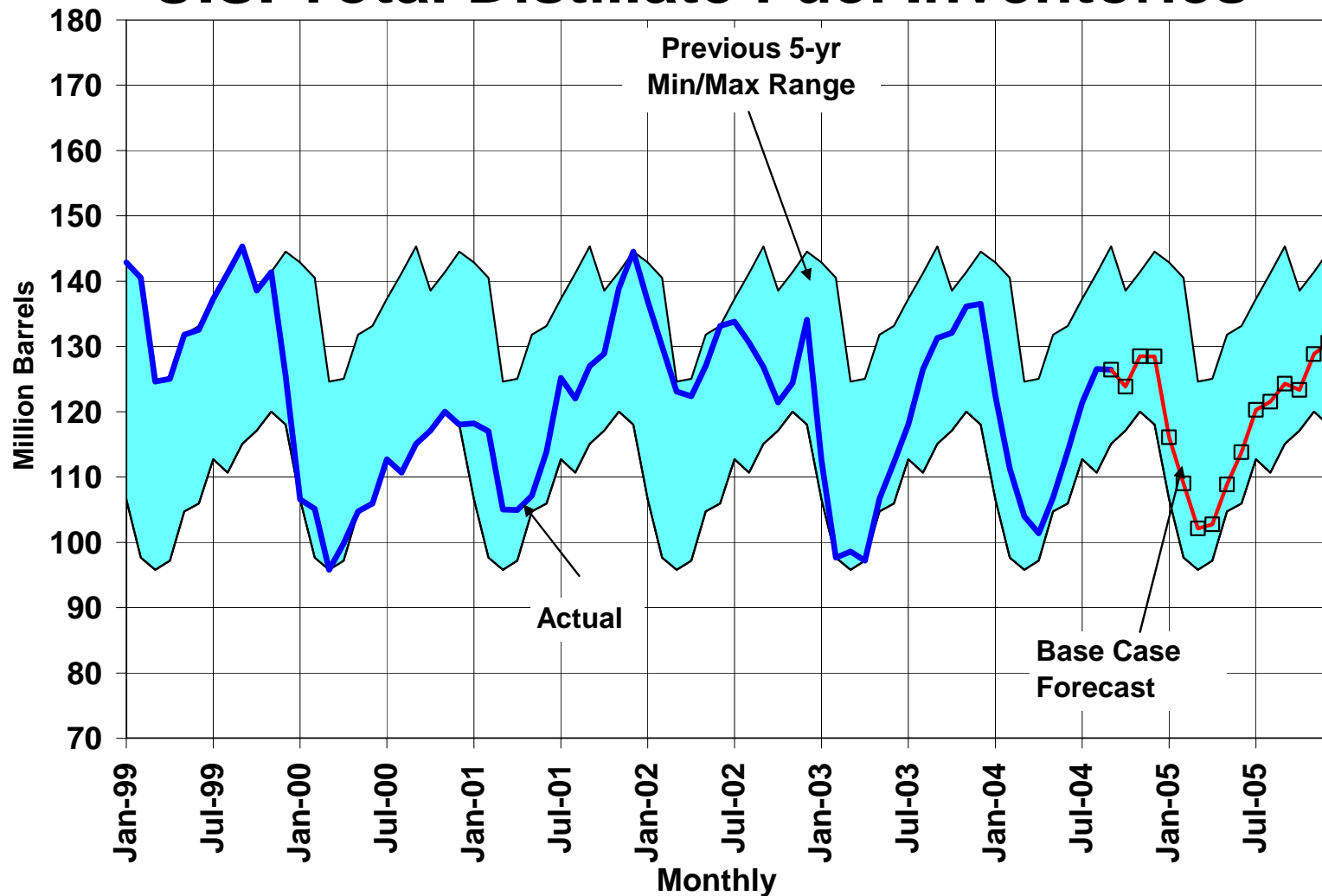
Winter Distillate Demand



Some growth in distillate demand expected this winter, especially Q4

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

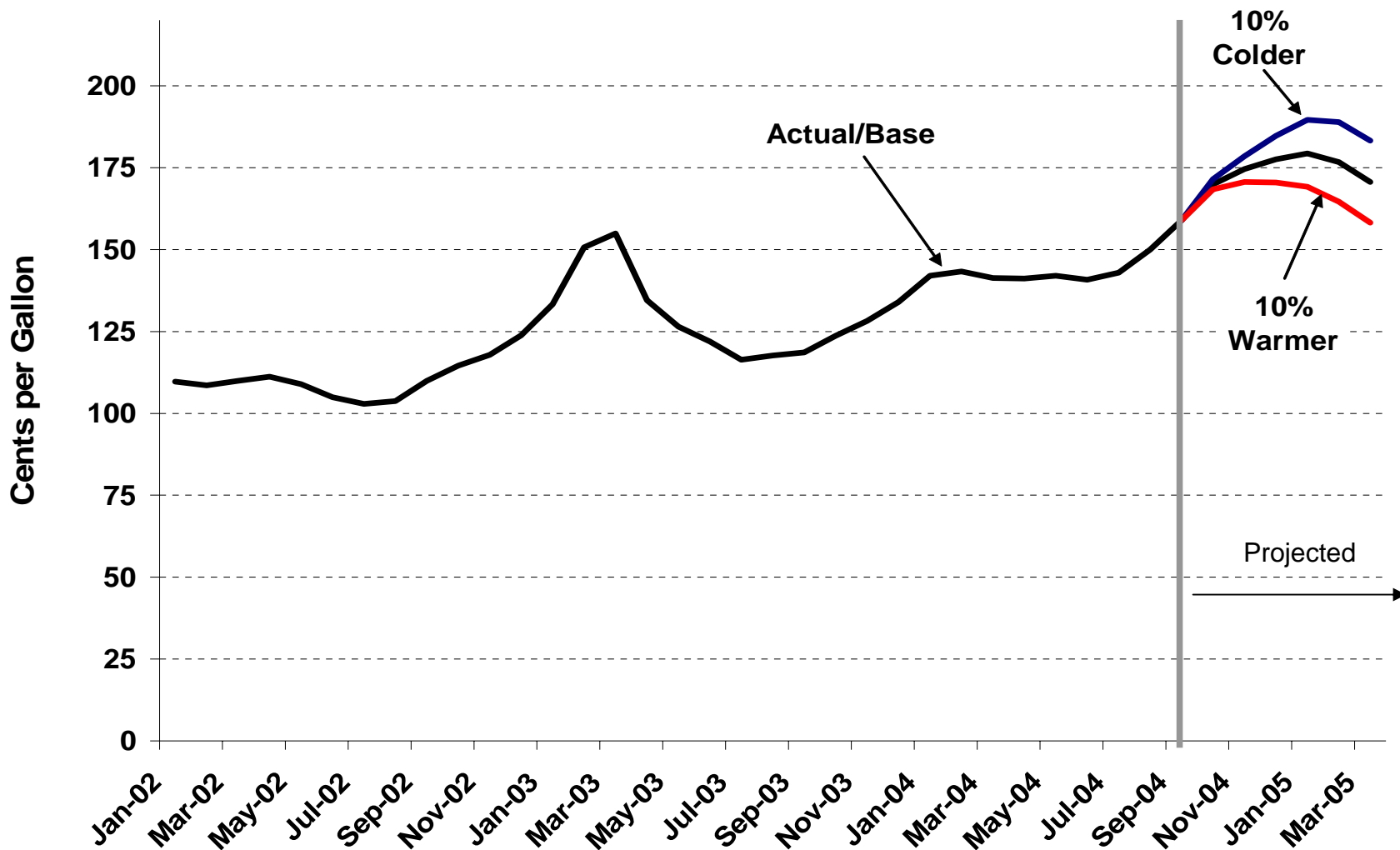
U.S. Total Distillate Fuel Inventories



US distillate fuel stocks near middle of 5-year average (for now)

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

Retail Heating Oil Price

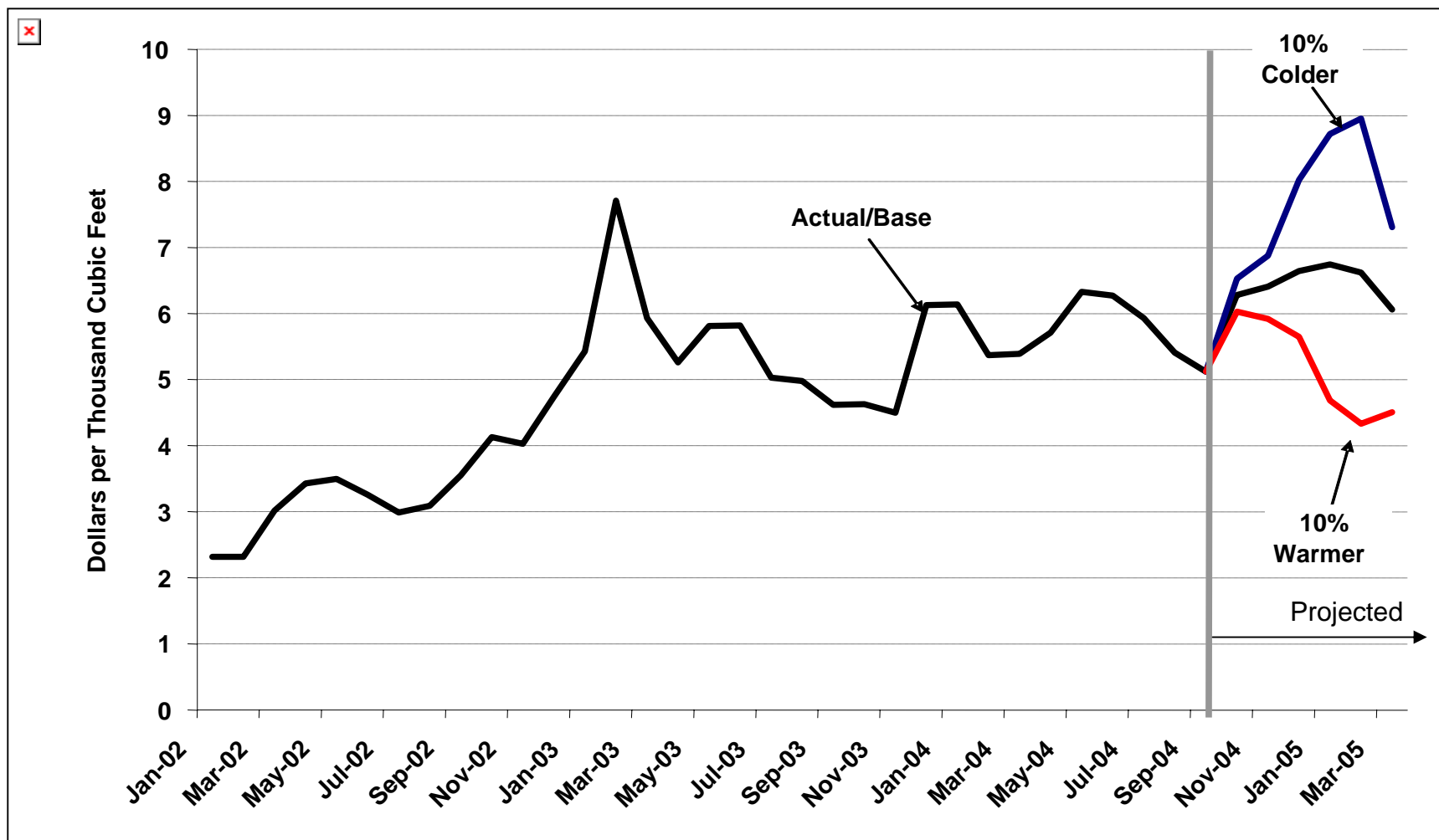


Heating oil winter price to reach new average high this winter

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.



U.S Natural Gas Spot Price Outlook (Henry Hub)

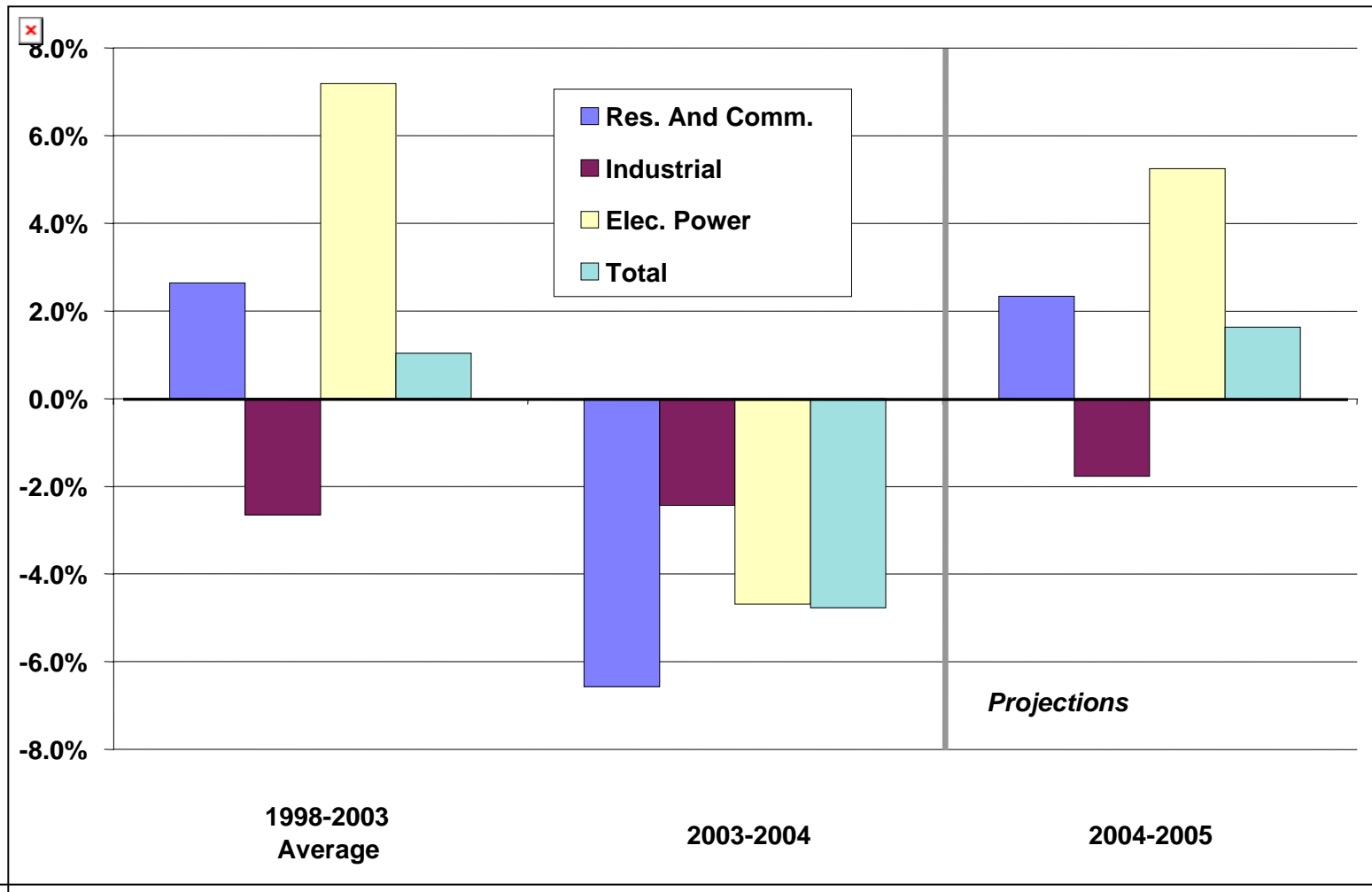


High average natural gas prices average likely; spikes if cold

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.



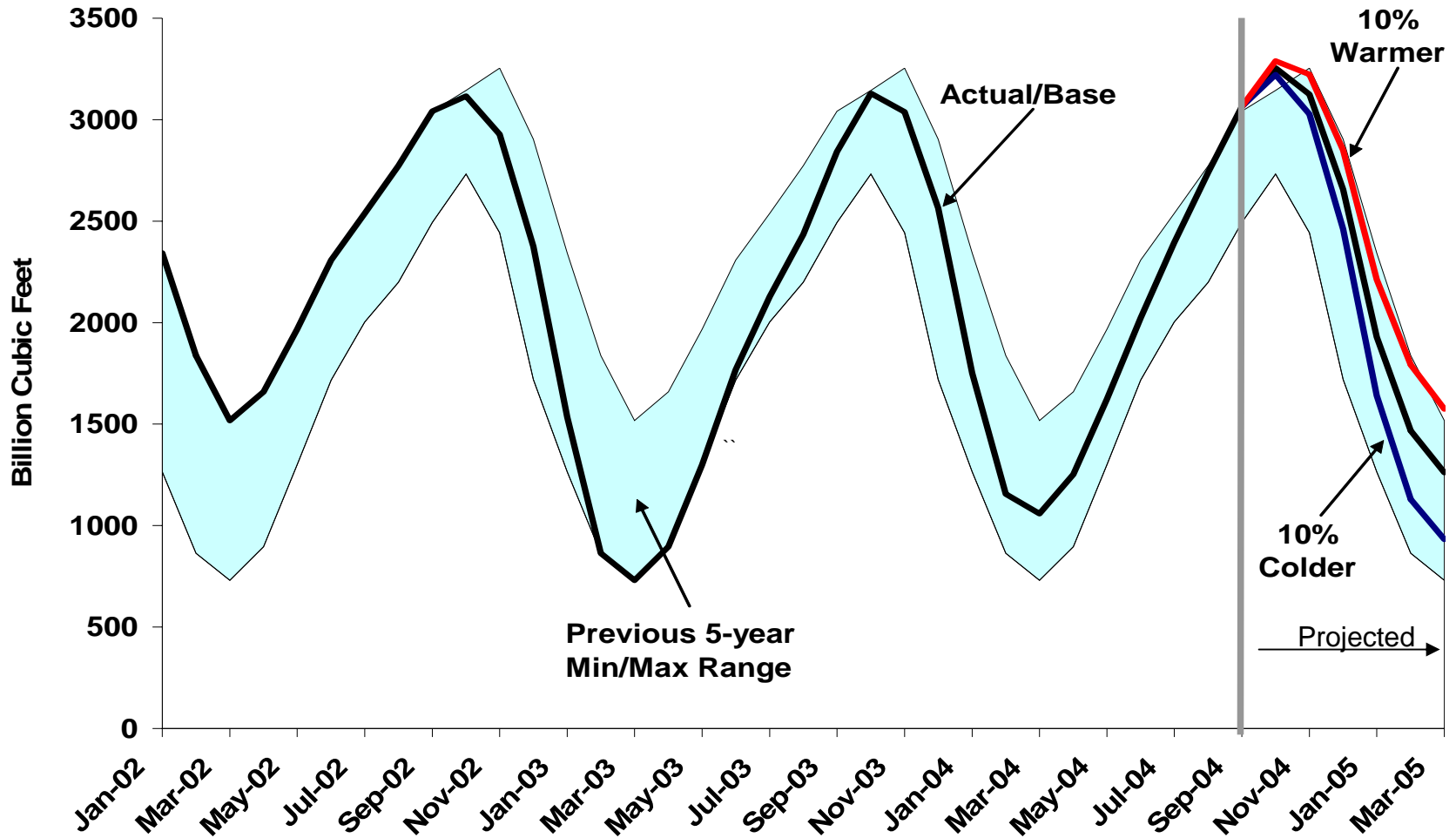
U.S. Winter Natural Gas Demand Growth



Weather and increased power sector demand drives winter gas demand

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

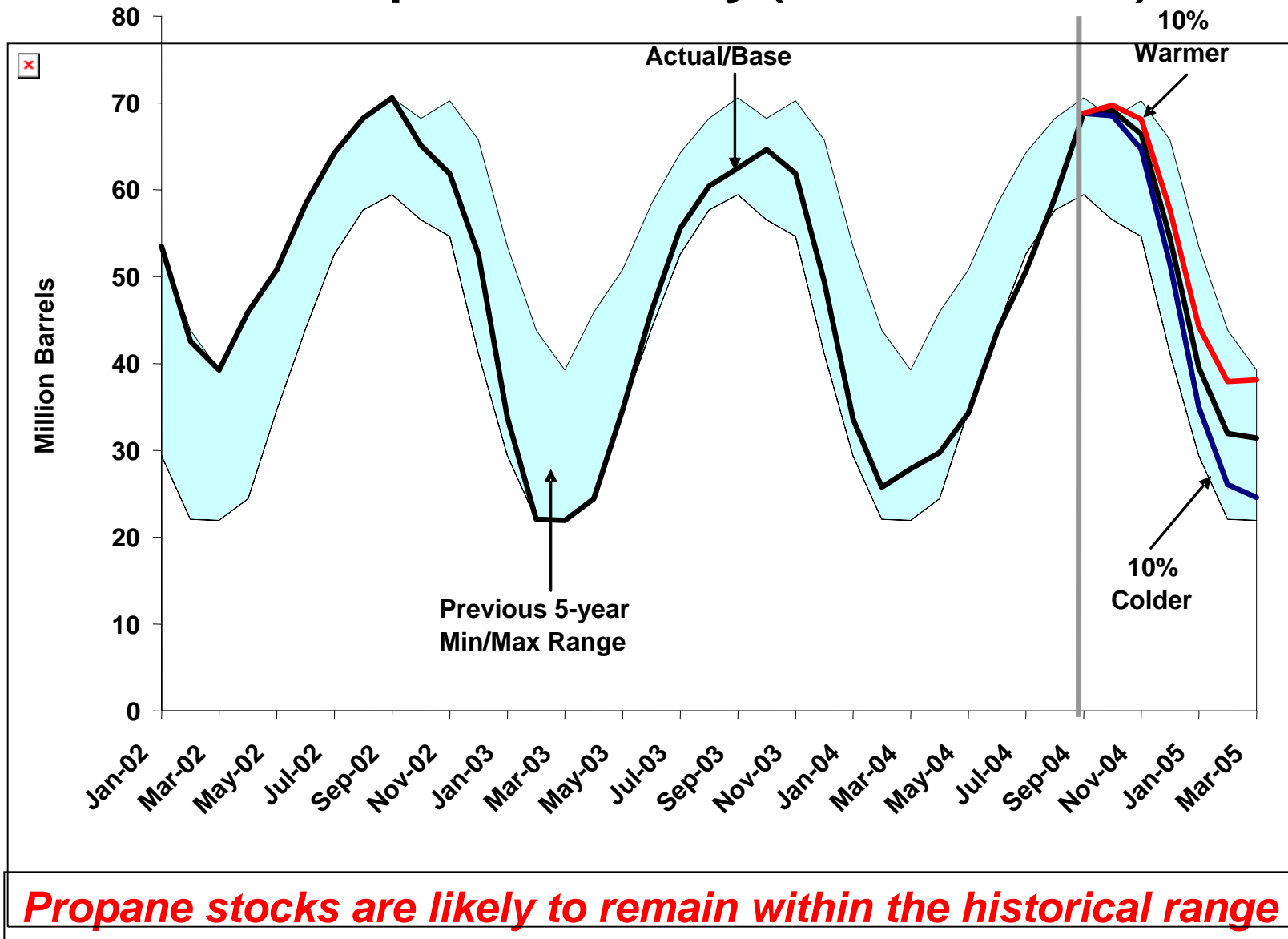
Working Gas in Underground Storage (billion cubic feet)



Strong builds increase natural gas stocks above historical averages

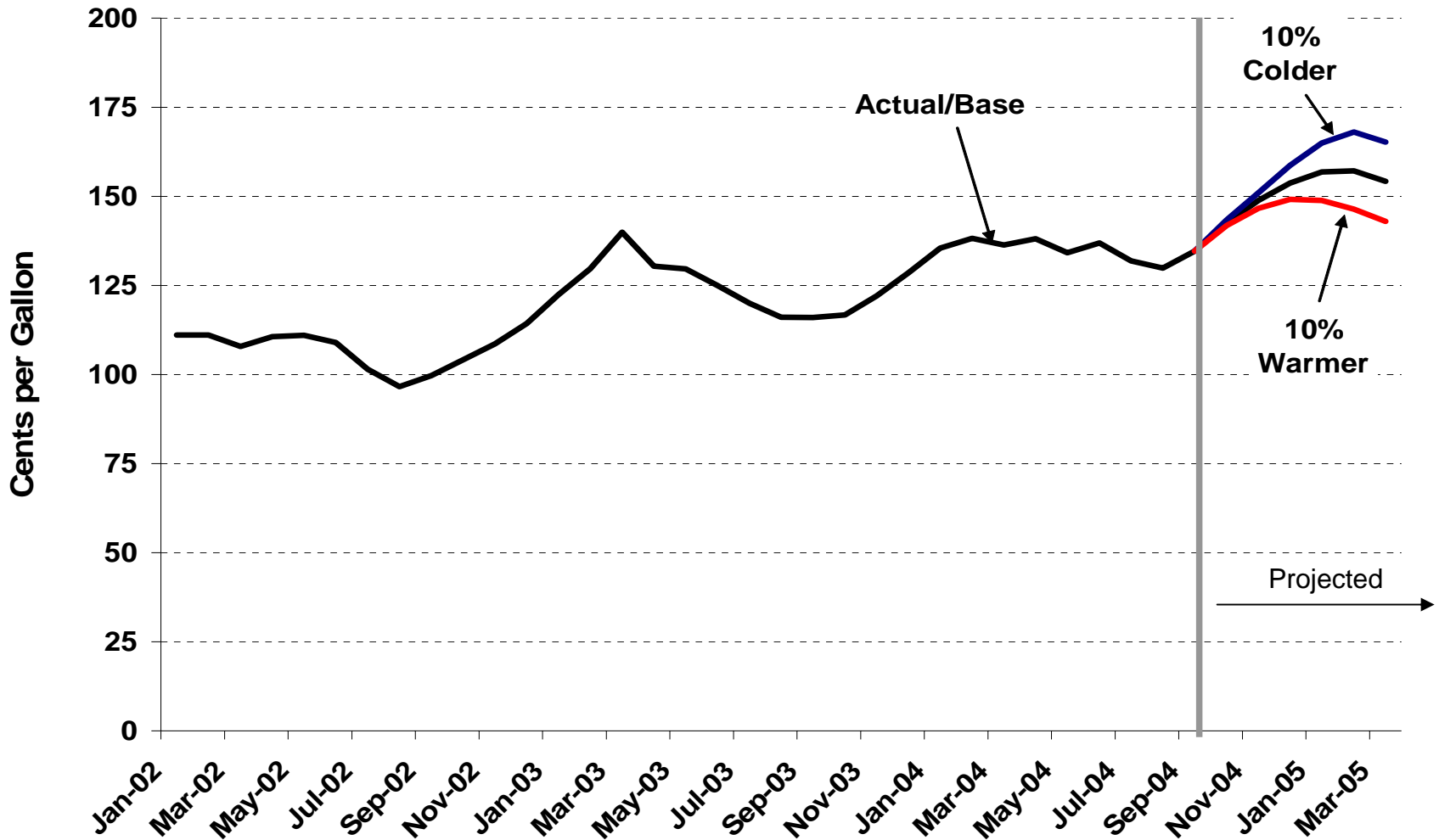


U.S. Propane Inventory (million barrels)



Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

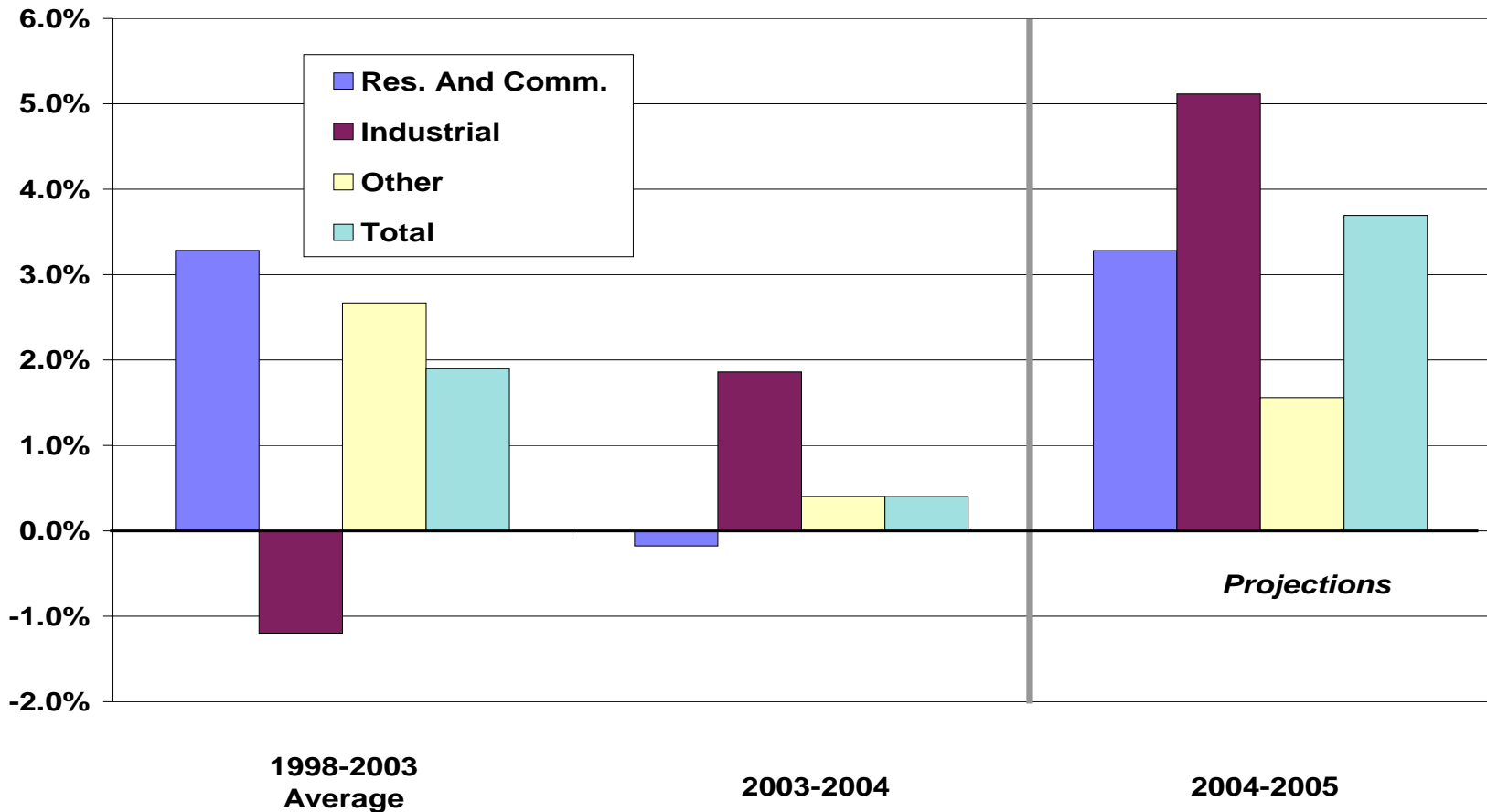
Residential Propane Price



Retail propane prices above last winter's average



U.S. Winter Electricity Demand Growth



Electricity demand growth expected to be strong this winter

Sources: History: EIA; Projections: Short-Term Energy Outlook, October 2004.

Summary

➤ ***Oil and gas markets are tight and vulnerable to demand shocks:***

For now, inventories for heating fuels are near normal or above normal.

➤ ***Net changes in residential heating expenditures this winter:***

plus 28 percent for heating oil;

plus 15 percent for natural gas;

plus 6 percent for electricity;

Plus 22 percent for propane.

➤ ***Uncertainties:***

Weather;

Supply security in Iraq, Nigeria, elsewhere;

OPEC production decisions; and

Unexpected supply disruptions.