

CALIFORNIA ENERGY COMMISSION

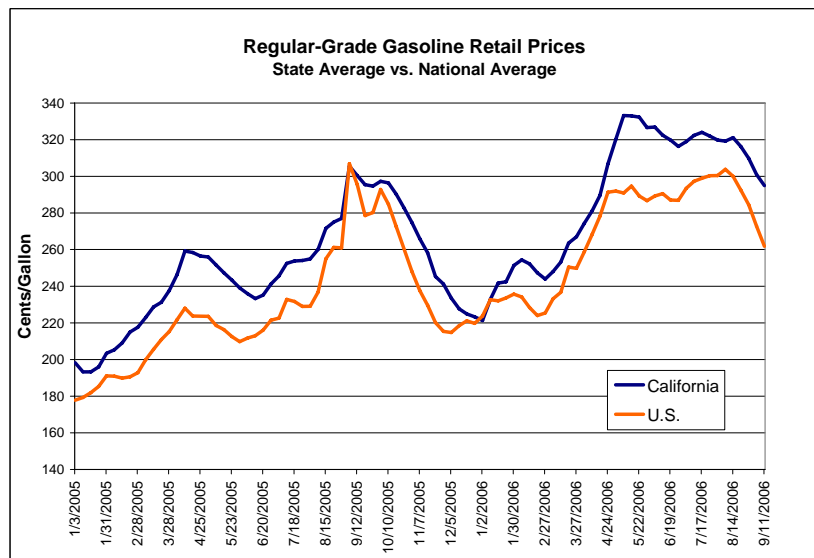
1516 Ninth Street
Sacramento, California 95814

WEBSITES

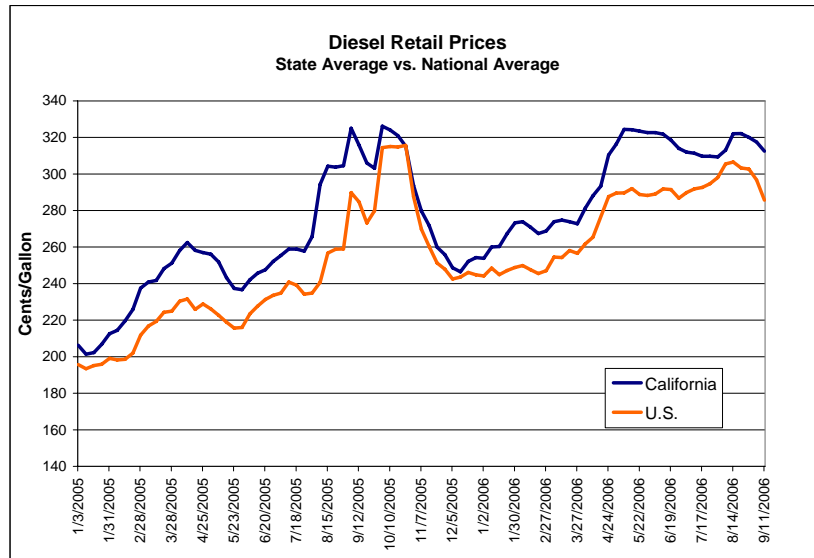
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**Petroleum Watch****September 15, 2006*****Retail Gasoline and Diesel Prices on September 11***

- For the fourth consecutive week, California gasoline prices have fallen. The average statewide **retail price for regular-grade gasoline** dropped 6 cents to \$2.95 per gallon, 38 cents less than the record high of \$3.33 on May 8.ⁱ
- The difference between California and U.S. retail gasoline prices increased to 33 cents per gallon since last week as U.S. prices fell 11 cents to \$2.62 per gallon.



- The average California **retail diesel price** fell by 5 cents from the previous week to \$3.13 per gallon. At the same time, the U.S. retail diesel price dropped to \$2.86 per gallon, increasing the difference between California and U.S. prices to 27 cents per gallon.

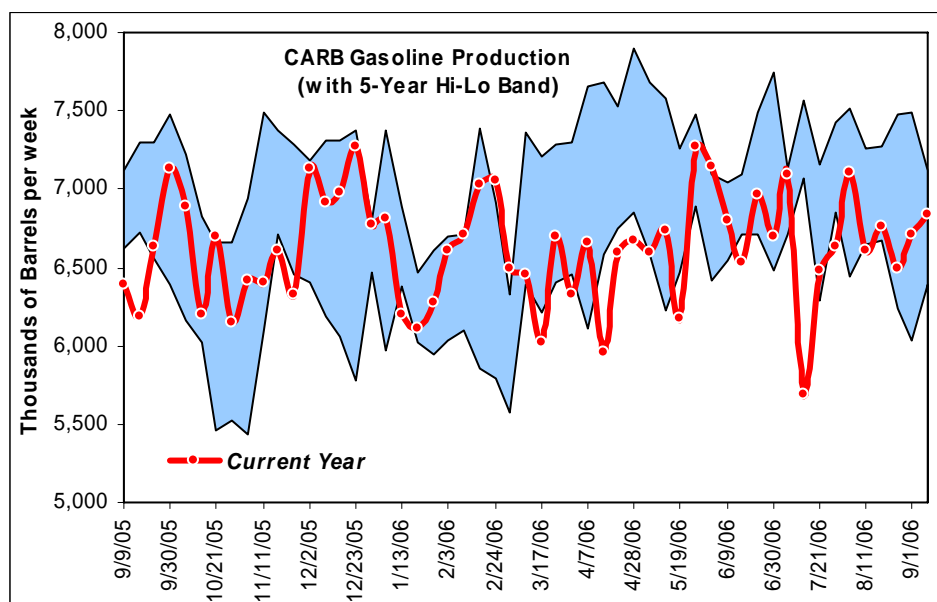


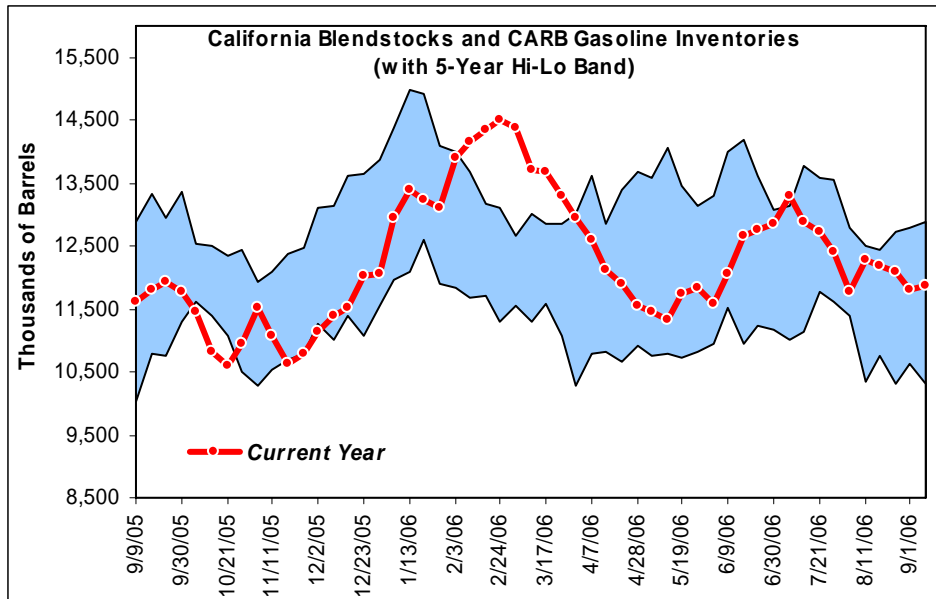
Wholesale Gasoline and Diesel Prices on September 12

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) dropped over the last week to \$1.79, the lowest price since February 28. Prices are now \$1.18 lower than the record high of \$2.97 on May 2 and only 23 cents more than the 2006 low of \$1.56 on February 14.
- The continued decline of crude oil prices, higher gasoline production, and the post-Labor Day decrease in travel are causing gasoline prices to drop in California.
- Spot prices for RBOB in Los Angeles are 21 cents higher than New York Harbor and 22 cents higher than the Gulf Coast.
- California spot **wholesale low-sulfur diesel prices** ended at \$2.05 per gallon this week, 22 cents less than on September 6 and 63 cents lower than the record high of \$2.68 on May 3.
- California wholesale low-sulfur diesel prices are 29 cents more than at New York Harbor and 37 cents more than the Gulf Coast, compared to 33 cents and 32 cents more, respectively, on September 6.
- California gasoline ended the reporting week 26 cents less than California diesel, compared to 36 cents less on September 6.
- The Energy Information Administration (EIA) weekly assessment for September 8 reports that **U.S. gasoline demand** fell 2.6 percent from the previous week, while distillate demand fell 2.8 percent. The four-week average demand for gasoline is 9.54 million barrels per day, 4.5 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.14 million barrels per day, 3.6 percent more than last year. However, last year's U.S. fuel demand levels were unusually low due to the impacts of Hurricane Katrina.

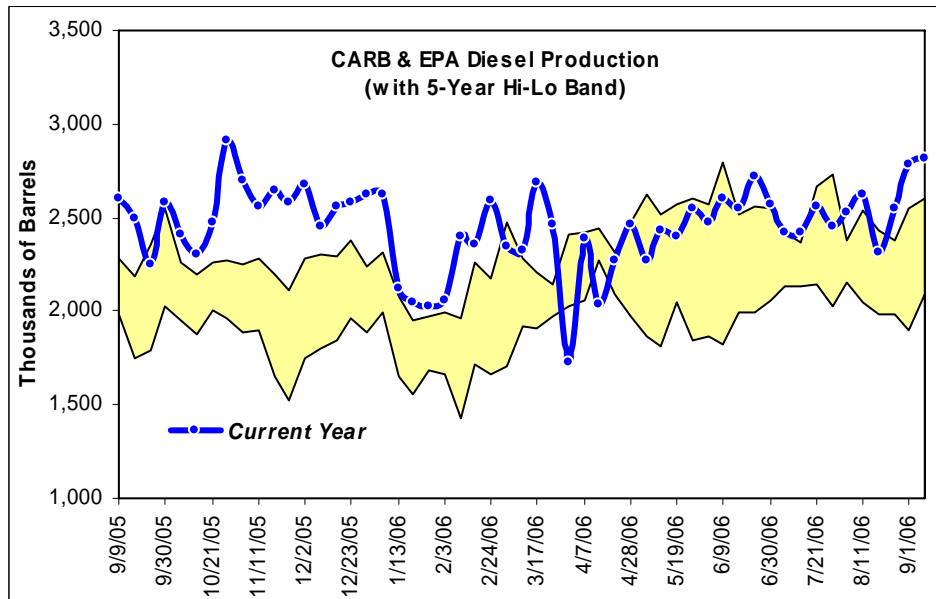
Refinery Production and Inventories

- **Reformulated gasoline production** in California for the week ending September 8 increased 2.1 percent from last week to 6.84 million barrels. Production levels remained near the middle of the five-year range.ⁱⁱ
- California reformulated gasoline inventories decreased by 1.9 percent while gasoline blendstock inventories increased by 2.2 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **increased slightly by 0.4 percent** to 11.87 million barrels and stayed in the middle of the five-year range.
- U.S. gasoline inventories increased slightly by 114,000 barrels to 207 million barrels as of September 8. Stocks rose in the Northeast and Gulf Coast regions but fell on the West Coast.

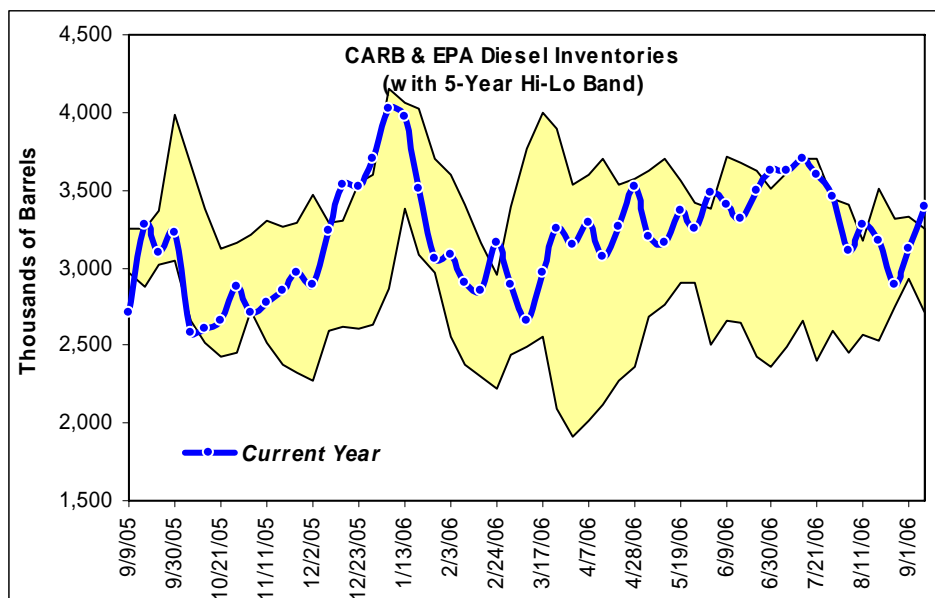




- California low-sulfur **diesel production** during the week ending September 8, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, increased by 1 percent from the previous week to 2.82 million barrels. Output is 8.1 percent higher than year-ago levels and remains well above the five-year range.

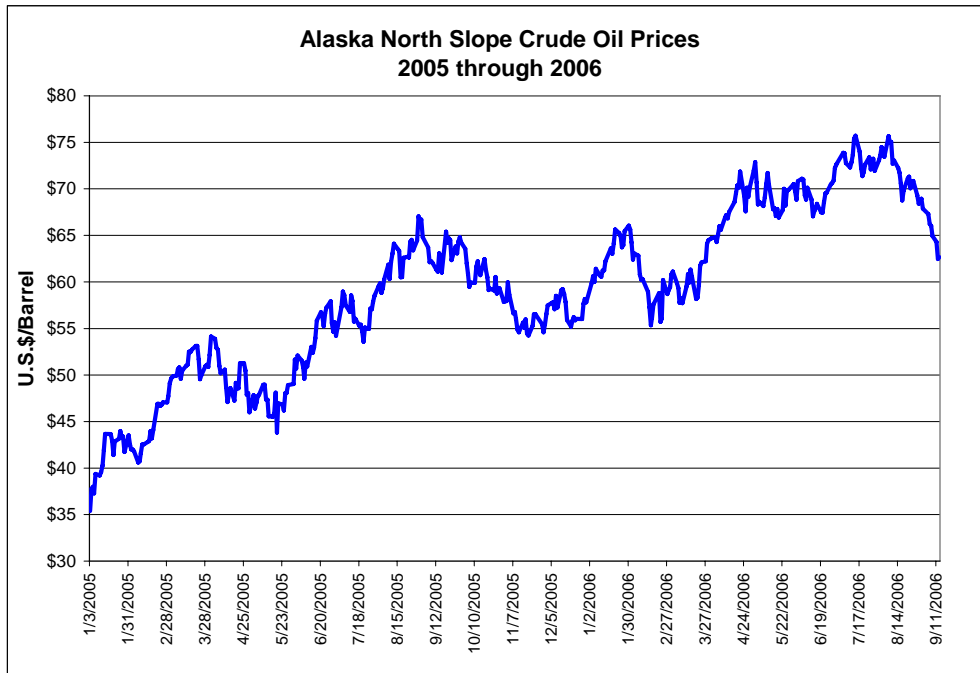


- Combined low-sulfur **diesel inventories** in California grew 8.5 percent from the previous week to 3.39 million barrels, climbing above the five-year range. Total U.S. distillate inventories as of September 8 jumped sharply to 144.6 million barrels, 4.6 million barrels more than the previous week and a 26 percent increase since April 28. All regions of the United States reported significant distillate stock increases.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, continued falling this week. The supportive effect on prices of the strike by oil workers in Nigeria over security concerns was overwhelmed by other news that weakened prices. Iran has expressed a willingness to discuss temporarily suspending its uranium enrichment program, and OPEC announced at its recent ministers' meeting that it would not cut oil production. Oil transported through Iraq's frequently sabotaged northern pipeline is making its way to market, and Libya has announced plans to increase its production by 300,000 barrels per day in 2007. In Alaska's Prudhoe Bay, BP has received the first of several regulatory approvals needed to bypass corroded pipelines, which could return much of their shut down eastern line to operation sooner than initially expected.ⁱⁱⁱ Oil and natural gas production in the Gulf of Mexico has also not been affected by any hurricanes or tropical storms so far this season, and none are projected in the area in the near future. Moreover, there are now reports that El Nino conditions could lead to a warm winter in North America, further reducing petroleum demand, particularly for heating oil. Meanwhile, the International Energy Agency has lowered its world oil demand forecasts for 2006 and 2007. ANS prices settled at \$62.67 per barrel as of September 13, \$13.06 less than the record high of \$75.73 on July 14 and the lowest level since March 27.^{iv}



- Despite higher crude oil imports, U.S. commercial crude oil inventories as of September 8 fell 2.9 million barrels to 327.7 million barrels due to high refinery crude oil runs. Stocks are now 19.3 million barrels higher than last year and 35.8 million higher than the five-year average for the date. California crude oil stocks rebounded 5.9 percent from the previous week to 15.49 million barrels.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ Further information on the BP Prudhoe Bay crude oil production curtailment can be found at: <http://www.energy.ca.gov/2006publications/CEC-999-2006-014/CEC-999-2006-014.PDF>.

^{iv} ANS crude oil prices are from *The Wall Street Journal*.