

PETROLEUM WATCH

CALIFORNIA ENERGY COMMISSION

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PETROLEUM NEWS

PRICES

- **Crude Oil Prices:** On February 28, Brent and West Texas Intermediate (WTI) crude prices closed at \$65.03 and \$57.21, respectively. The Brent crude price is \$1.05 lower than one year ago and the WTI price is \$4.22 lower (**page 2**).
- **California Retail Gasoline Prices:** On February 25, prices reached \$3.18, an increase of \$0.05 since the end of January. Through February, California prices averaged \$0.85 higher than the national average (**page 4**).
- **California Retail Diesel Prices:** On February 25, prices reached \$3.77. This was an increase of \$0.05 from the end of January. Through February, California prices averaged \$0.74 higher than the national average (**page 5**).

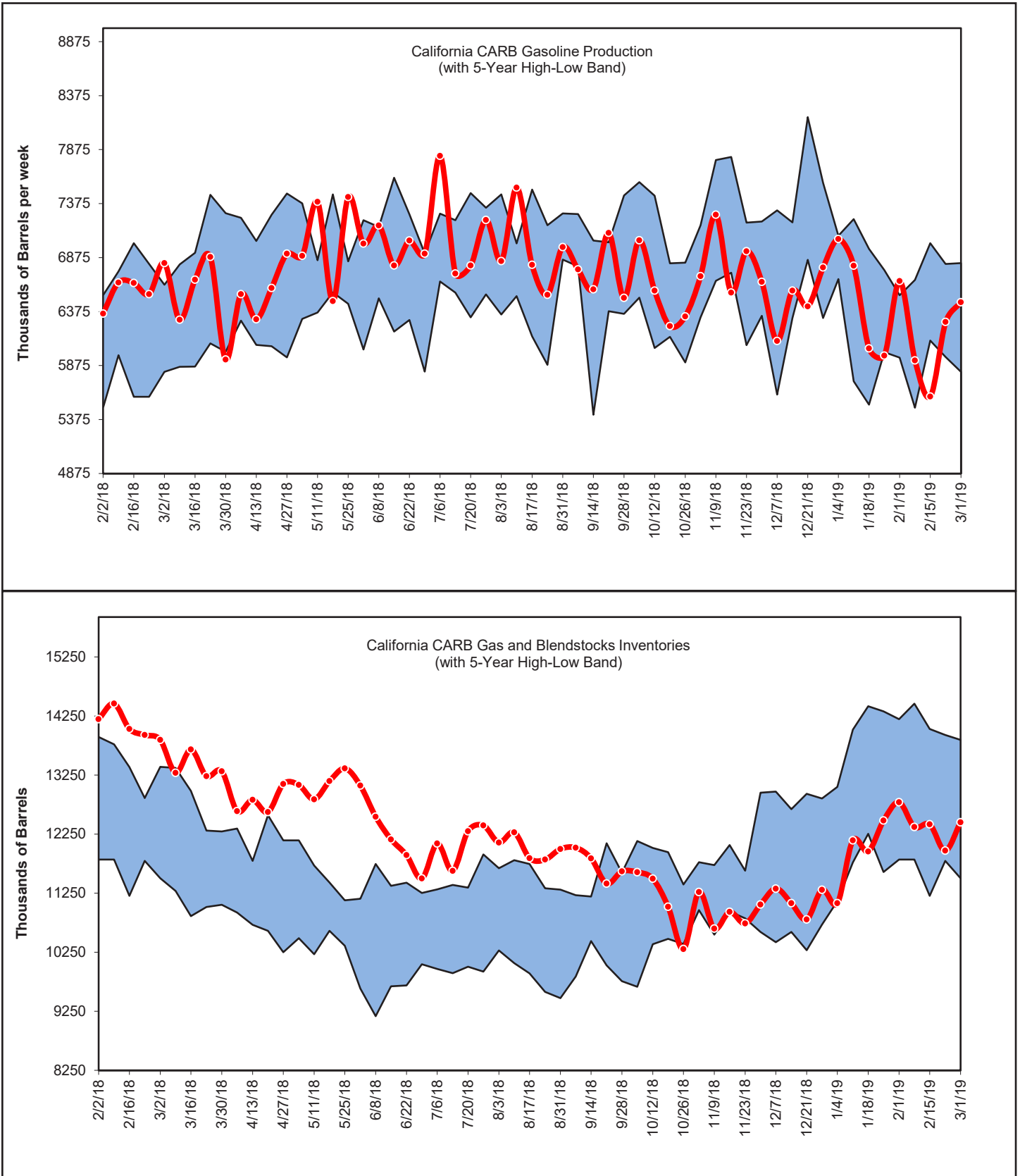
REFINING NEWS

- **Chevron Richmond Refinery:** On February 2, the refinery experienced a power outage that shut down operations. The refinery was back on-line by February 5.
- **PBF Torrance Refinery:** On February 28, the refinery completed planned maintenance on its delayed coker, sulfur recovery, hydrofluoric acid alkylation, and hydrocracker units.
- **Phillips 66 Wilmington:** On February 9, the refinery began unplanned maintenance on an unspecified unit.
- **Valero Benicia Refinery:** On February 5, the refinery began planned maintenance on an unspecified unit.



SPOT MARKET SPREADS

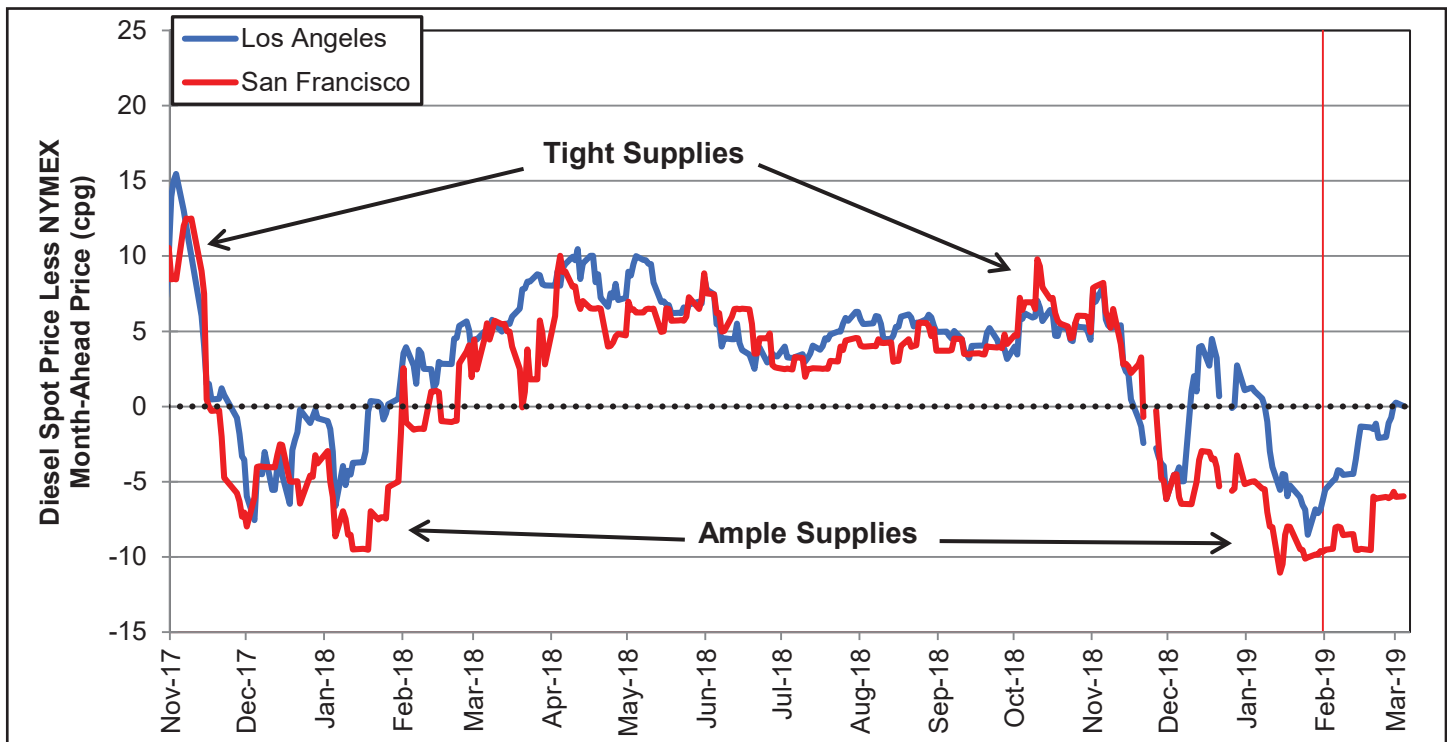
Figure 6: Gasoline Production and Inventories



Source: California Energy Commission PIIRA data

SPOT MARKET SPREADS

Figure 7: California Spot Diesel to NYMEX Futures Price Spread



Source: U.S. Energy Information Administration and OPIS

DIESEL SPOT - FUTURES SPREAD

February 2019 vs 2018

Los Angeles	6¢ lower
San Francisco	8¢ lower

February 2019 Averages

Los Angeles	-3¢
San Francisco	-8¢

February 28 2019

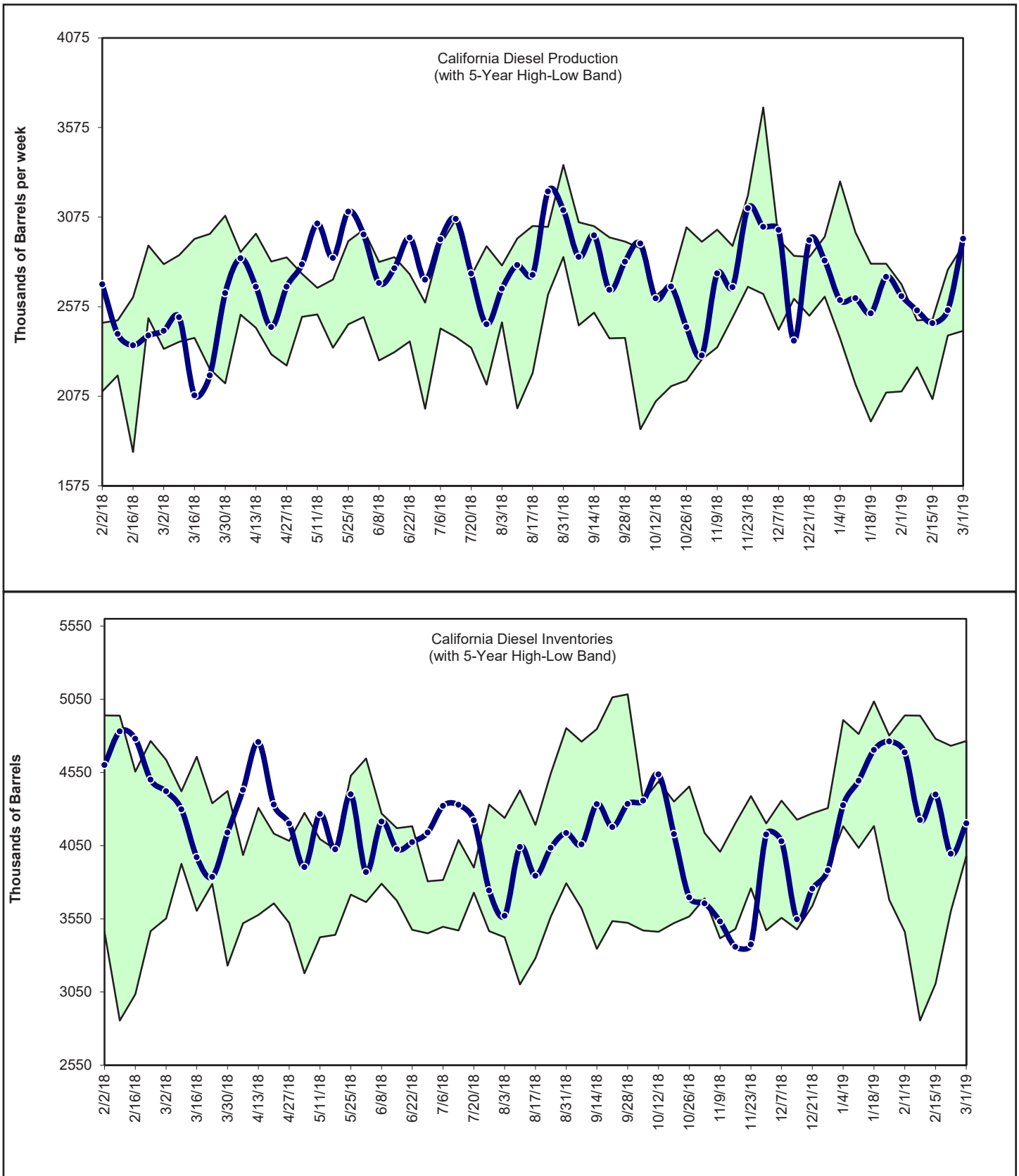
Los Angeles	-0¢
San Francisco	-6¢

The LA and SF diesel spreads remained negative throughout February (**Figure 6**). On February 1, the LA spread was -\$0.06, the widest spread of the month for LA. The LA spread increased the rest of the month, hitting \$0.01 on February 28. The SF spread began February lower than LA at -\$0.10. The SF spread increased throughout February, ending the month at -\$0.06. The outright prices for NYMEX futures and SF and LA spot reached lows on February 11 of \$1.89, \$1.81, \$1.85 respectively, and all prices maximized on February 21 at \$2.04, \$1.97, \$2.02 respectively.

Throughout February, the LA spot price averaged \$0.05 more than the SF spot price. February brings warmer weather to Southern California initiating the growing season for the agricultural industry. This leads to increased demand of diesel fuel for farm equipment, resulting in increased spot prices. California diesel production remained near the top of the five-year band throughout February and reached a peak of 3 million barrels on March 1. California diesel inventories were on the low end of the five-year band, averaging 550,000 barrels less per week than February 2018. Southern California inventories dipped below the five-year band until March 1, averaging 260,000 barrels less than the five year minimum. The combination of increased diesel demand and lower diesel inventories in Southern California throughout February resulted in LA spot prices above SF prices.

SPOT MARKET SPREADS

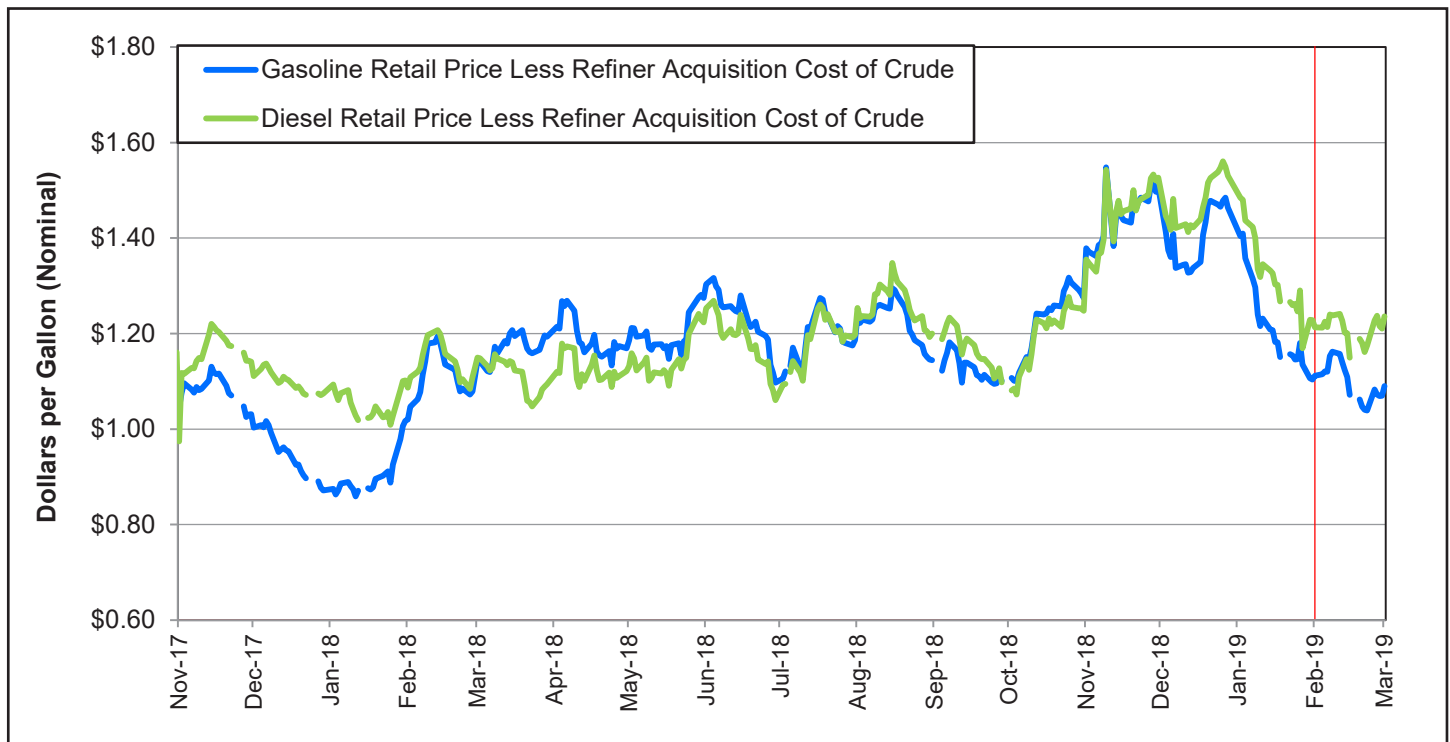
Figure 8: Diesel Production and Inventories



Source: California Energy Commission PIIRA data

GROSS MARGINS

Figure 9: Gross California Gasoline and Diesel Margins



Source: U.S. Energy Information Administration and OPIS

CRUDE TO RETAIL MARGINS

February 2019 vs 2018

Gasoline	1% lower
Diesel	6% higher

February 2019 Averages

Gasoline	\$1.10
Diesel	\$1.21

February 28, 2019

Gasoline	\$1.07
Diesel	\$1.21

Gross margins stabilized in February after returning to pre-November 2018 levels (Figure 9). While retail gasoline and diesel prices rose in February, so did crude oil prices which lead to the stabilization of the difference between them. February 2019 levels for the gasoline gross margin were roughly the same as last year, with the diesel margin showing a slight increase (sidebar). On February 22, the gasoline gross margin reached a low of \$1.04, which is the lowest value it has been since February 1, 2018.

From February 2018 to February 2019, the difference between the two margins averaged roughly zero. That difference grew in the second half of February 2019 to \$0.15, which is the largest difference seen since January 19, 2018. This difference indicates that the diesel market in California is tighter than the gasoline market, which is a common relationship for February, as discretionary driving tends to be depressed in winter months.