House Energy and Technology Committee

Petroleum and Gasoline Update

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Michigan Public Service Commission
March 15, 2011

MICHIGAN PUBLIC SERVICE COMMISSION

Role of MPSC

The mission of the Michigan Public Service Commission is to grow Michigan's economy and enhance the quality of life of its communities by assuring safe and reliable energy..

- MPSC does not regulate petroleum
- Works with Petroleum Industry on Energy Assurance and Critical Infrastructure Protection
- Tracks energy supply, demand, and price data to maintain situational awareness of energy markets
  - Conducts survey of Winter Heating Oil and Propane prices
  - Publishes MI Energy Overview and bi-annual Energy Appraisal

Global Outlook

- Political Unrest in Middle East and North Africa
  - Egypt, Tunisia and Libya
    - Libya exports 1.3 million b/d, currently 500,000 b/d
    - U.S. imports only 0.5 percent of oil from Libya
    - Italy imports roughly 35 percent
- Saudi Arabia / OPEC Response
  - SA Increased production levels to over 9 million b/d
  - Kuwait and UAE standing by

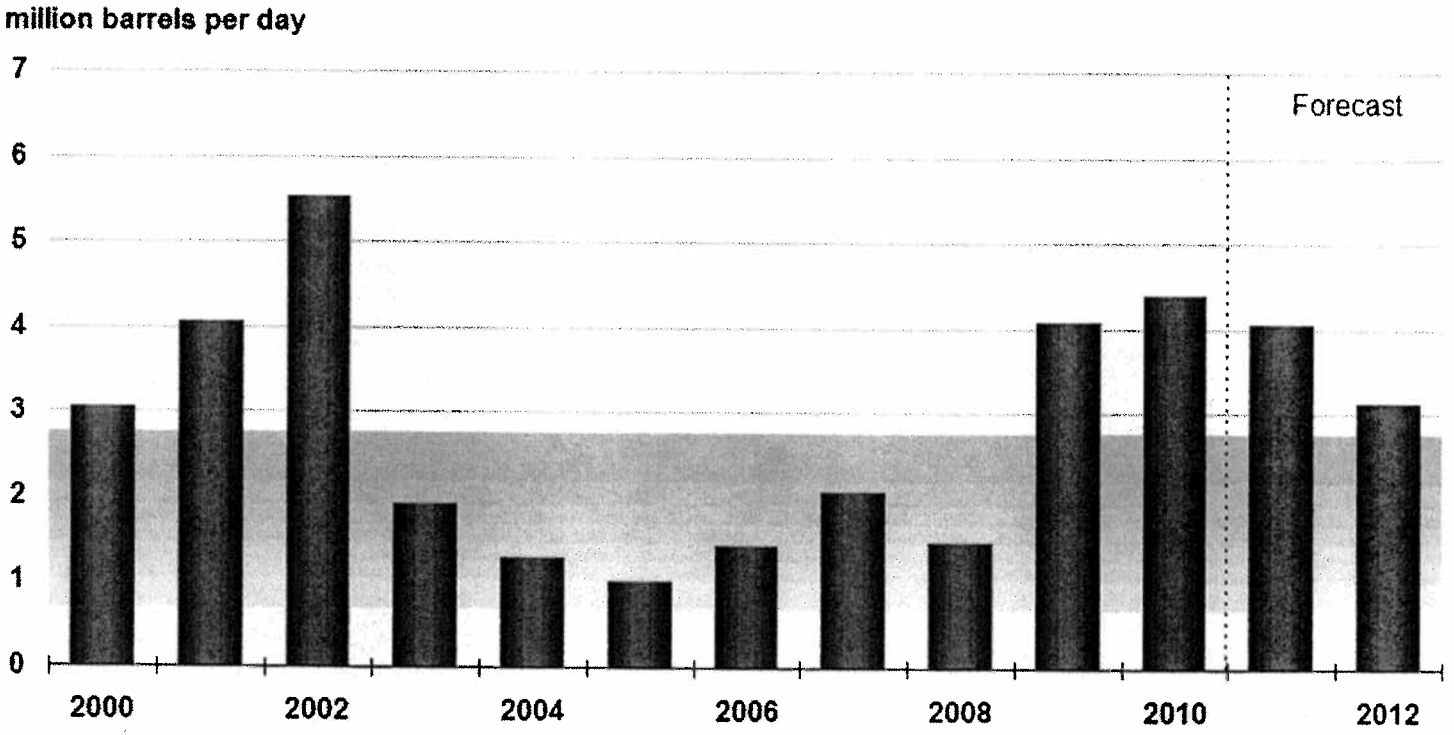
Saudi Arabia / OPEC

Saudi Oil Minister Ali Naimi

"What I would like to convey to the market is this: Right now there is absolutely no shortage of supply" .. "When we see a shortage in supply, we will rectify that immediately. We have the means, we have the capacity, we have the crude reserves."

Global Outlook

OPEC Surplus Crude Oil Production Capacity



Note: Shaded area represents 2000-2010 average (2.8 million barrels per day)

Source: Short-Term Energy Outlook, March 2011

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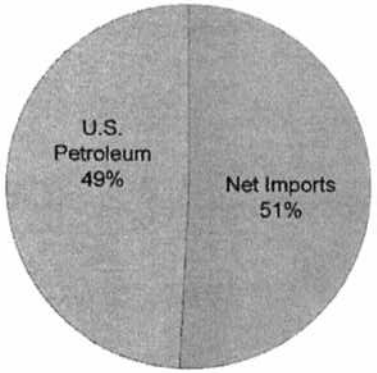
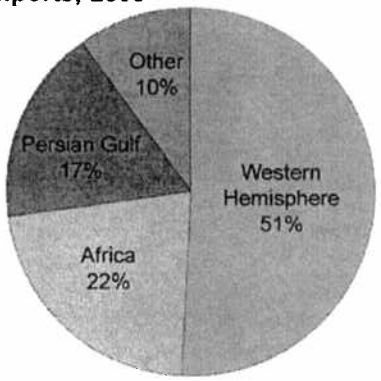
How Dependent is the US on Foreign Oil?

- U.S. consumed 18.8 MMbd in 2009
- 51 % of petroleum imported
  - U.S. third in crude oil production
  - 9.7 MMbd net import
- Half of U.S. Imports come from Western Hemisphere
  - Canada (21.2%)
  - Mexico (10.3%)
  - Venezuela (9.1%)
  - Saudi Arabia (8.6%)
  - Nigeria (6.9%)

Net Imports and Domestic Petroleum as Shares of U.S. Demand, 2009



Sources of U.S. Net Petroleum Imports, 2009



Source: U.S. Energy Information Administration, *Petroleum Supply Annual 2009*.

U.S. Crude Oil, Gasoline and Distillate Supplies

		3/04/11	Year Ago (3/05/10)	Change	Days of Supply
Crude Oil Stocks	US	348.9*	343	1.7 %	25.3
	Midwest (PADD II)**	103.0	81.7	26 %	
Total Gasoline Stocks	US	229.2	229	0.1 %	25.3
	Midwest (PADD II)	54.1	56.9	-5.0 %	
Total Distillate Stocks	US	155.2	149.6	3.7 %	40.0
	Midwest (PADD II)	32.6	30.5	6.9 %	

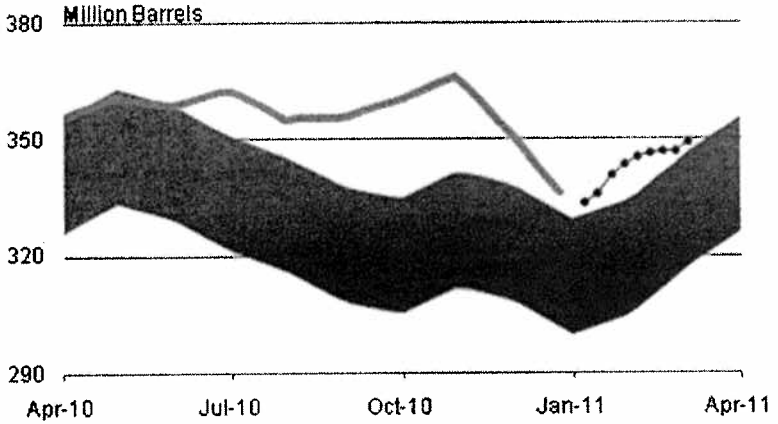
Source: This week in Petroleum (March 9, 2011), Energy Information Administration, DOE

* Stocks shown in million barrels per day (MMbd)

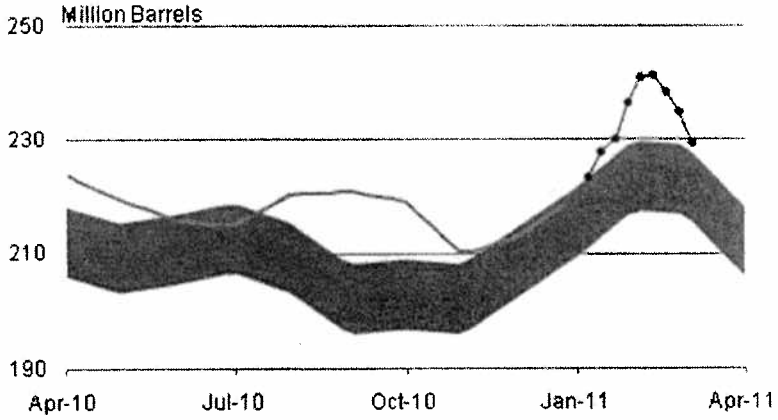
** PADD II: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Ohio, Oklahoma, Tennessee, Wisconsin.

Major Petroleum Inventories

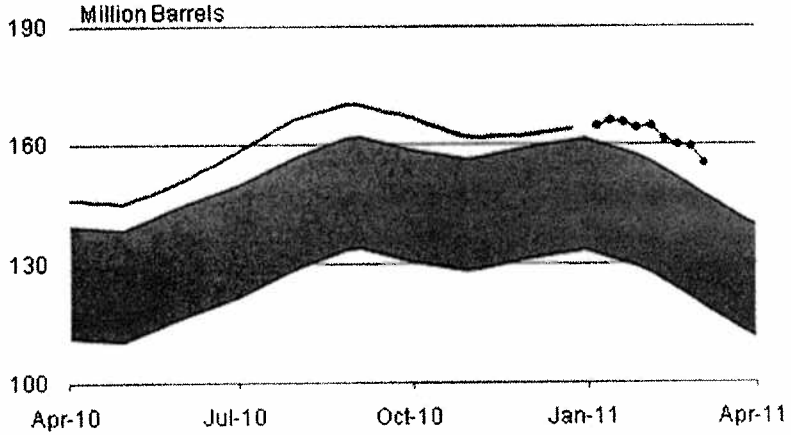
U.S. Crude Oil Stocks



U.S. Gasoline Stocks



U.S. Distillate Stocks



Average Range

Monthly

Weekly

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Refiner Acquisition Cost of Crude Oil

Refiner acquisition cost of crude oil: The cost of crude oil, including transportation and other fees paid by the refiner. The composite cost is the weighted average of domestic and imported crude oil costs. (Short-term Energy Outlook, March 2011, Energy Information Administration)

U.S. Oil and Michigan Fuel Prices

March 14, 2011			
	Today	Week Ago	Year Ago
Crude Oil West Texas Intermediate U.S. ($/Barrel)	101.40	104.05	81.91
Gasoline (Regular Unleaded) AAA Michigan Average Price ($/Gallon)	3.57	3.52	2.75
Diesel AAA Michigan Average Price ($/Gallon)	3.91	3.87	2.89

Factors Affecting Price Increase

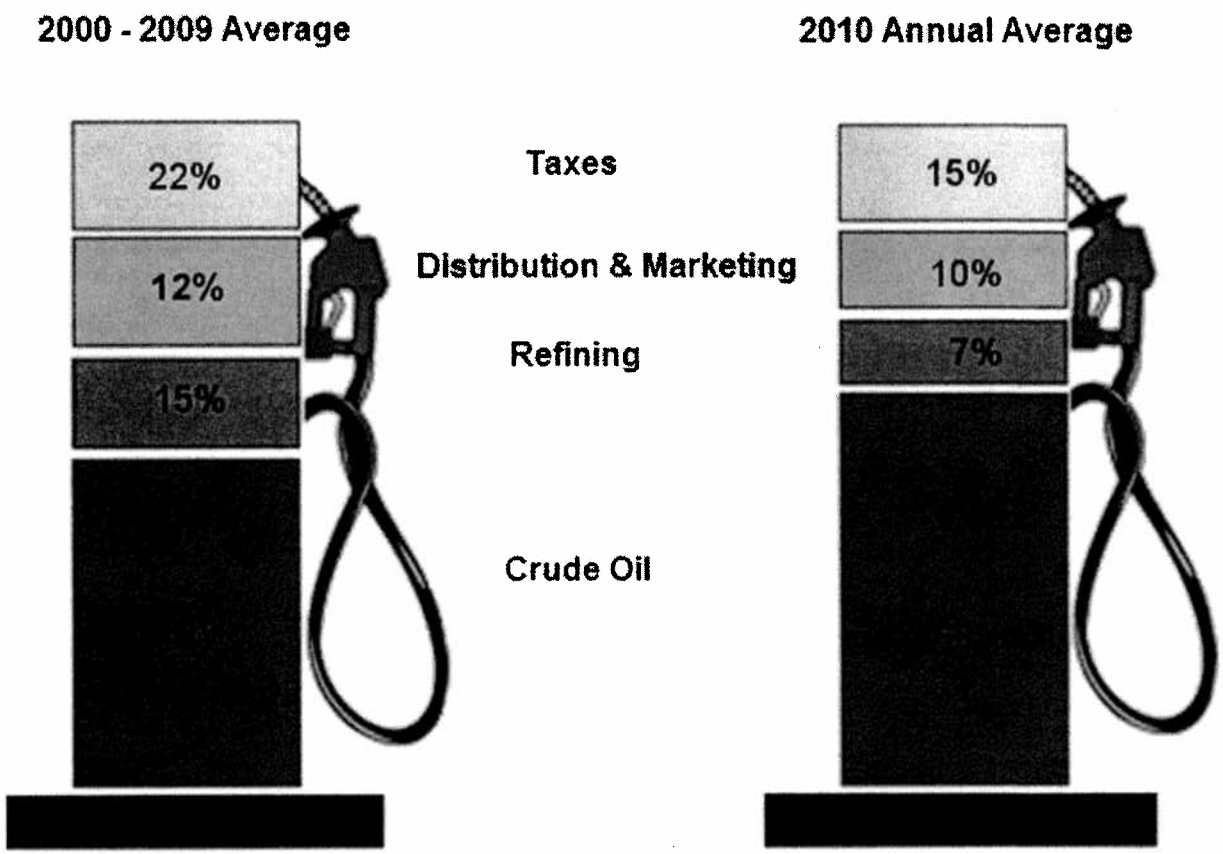
- Global political unrest
  - Risk premium
  - Increased speculative activity

"..net long positions held by so-called managed money -- hedge funds and the like -- in Nymex crude have jumped from 155,487 contracts on Jan. 25, when civil unrest began hitting Egypt, to an all-time high of 268,622 contracts as of Mar. 1. "

(Source: Opec Continues to Pin Blame for High Oil Prices on Speculators, Oil Daily , March 14, 2011)

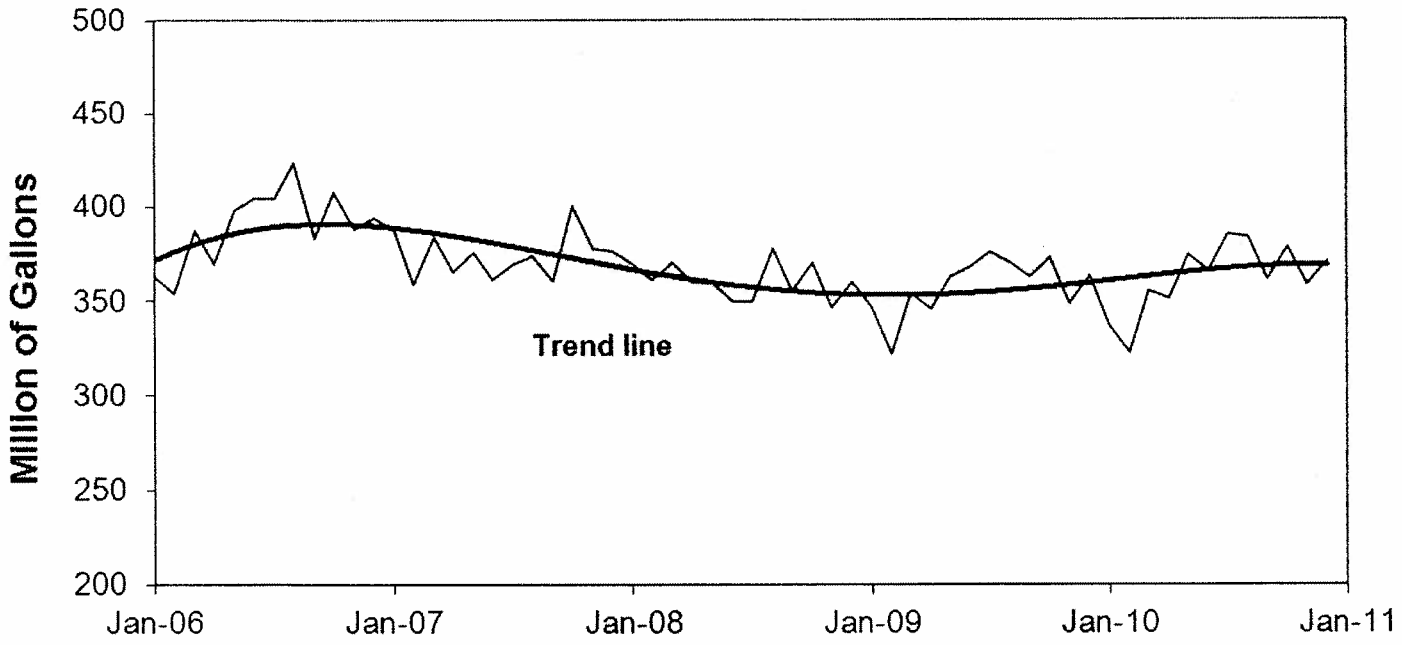
- Increased world oil demand
  - China, India, Brazil, U.S.

What We Pay for in a Gallon of Gasoline



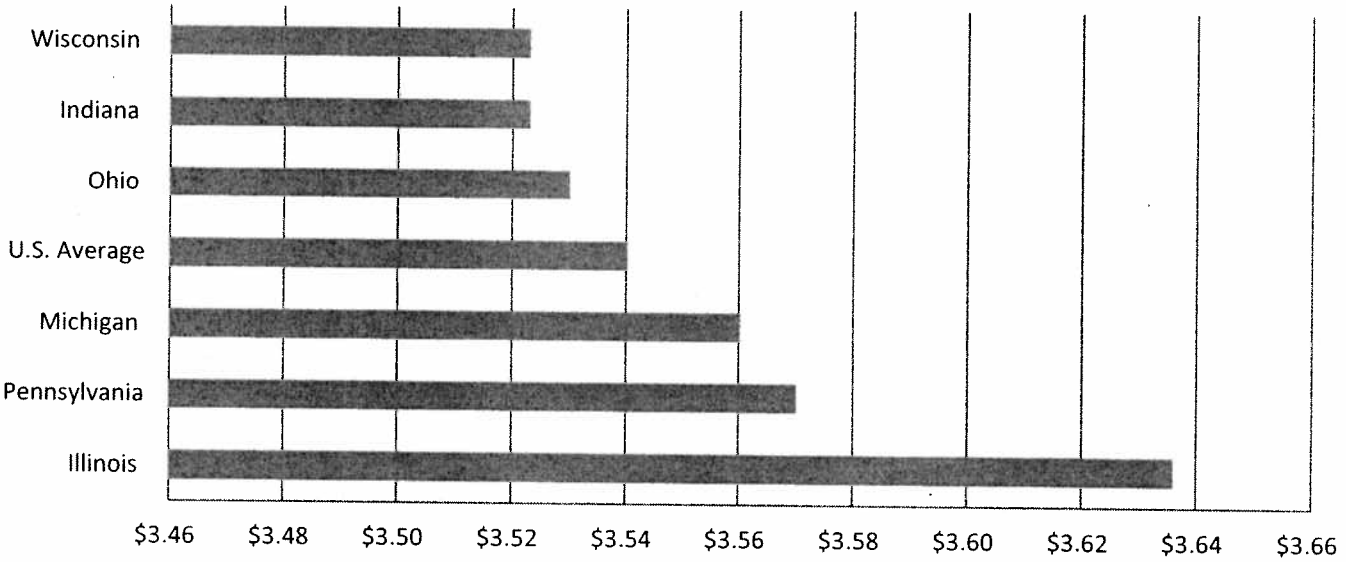
Michigan Gasoline Sales

- MI gasoline sales decreased from 2004 to 2009
  - 2010 saw 1.2 percent increase
  - Over $12 billion spent on gasoline in 2010



Regional Gasoline Prices

Average Price of Regular Gasoline for March 15, 2011



	Illinois	Pennsylvania	Michigan	U.S. Average	Ohio	Indiana	Wisconsin
■ Regular	$3.64	$3.57	$3.56	$3.54	$3.53	$3.52	$3.52

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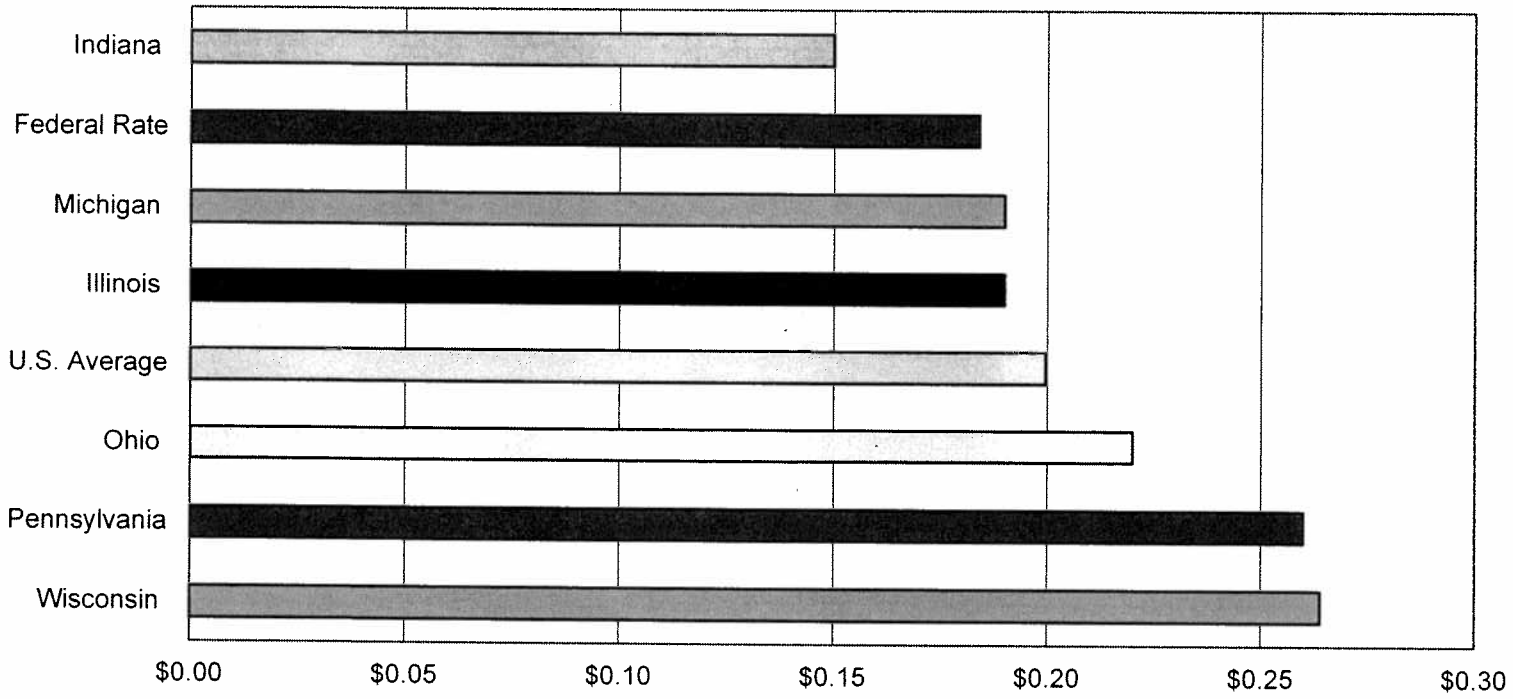
State Gasoline Taxes



	Wisconsin	Pennsylvania	Ohio	U.S. Average	Illinois	Michigan	Federal Rate	Indiana
Gasoline Tax	$0.26	$0.26	$0.22	$0.20	$0.19	$0.19	$0.18	$0.15

Economic Impact of Gasoline Price Increase

- Increase of 75 cents in average cost of unleaded gasoline will result in additional 3.258 billion dollars of spending
  - Diverts money from other expenditures
  - Results in dollars leaving Michigan

Gas Sales (all grades)	Price Increase	Average Cost per Gallon*	Total Expenditure	Change
4,344.4	0	2.80	12,166.27	
	0.25	3.05	13,252.37	1,086.1
	0.50	3.30	14,338.47	2,172.2
	0.75	3.55	15,424.57	3,258.3
	1.00	3.80	16,510.67	4,344.4

Note: Gas Sales and Average Cost from 2010
* Regular Unleaded, AAA Michigan, 2010
** Gas Sales, Total Expenditures, and Change in millions

What Does the Future Hold?

- Political Unrest
  - Libya, Algeria, Nigeria, ??
- Summer Driving Season
  - Increased demand
  - Refinery maintenance period
- Unplanned Disruptions
  - Pipeline failure
  - Refinery shutdown
  - Major Hurricane

Questions?

www.michigan.gov/mpsc