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Short-Term Energy Outlook

Errata (posted February 9, 2005)

Winter Fuels Update (Figure 1)

Despite some cold weather during the second half of January, expecte consumer prices for heating fuels this heating season are little changed January *Outlook*, leaving projections for household heating fuel expendit the same as previously reported. Heating oil expenditures by typical No households are expected to average 32 percent above last winter's le residential fuel oil prices averaging \$1.82 per gallon for the October-to-Mar Expenditures for propane-heated households are expected to increase percent this winter. Expected increases in expenditures for natural households remain at 10 percent.

Crude Oil and Petroleum Products (Figures 2 to 8)

The projected average West Texas Intermediate (WTI) crude oil price for quarter of 2005 is about \$46.70 per barrel, approximately \$11 per barrel high the first quarter of 2004 and \$3 per barrel above the first quarter project previous *Outlook*. EIA projects that WTI prices are likely to remain in the lo \$40's per barrel range throughout 2005-2006. However, oil prices are likely to any incremental supply tightness that appears during period demand worldwide. Imbalances (real or perceived) in light product mar cause light crude oil prices (such as WTI) to increase above the mid-\$40's, a in the fall of 2004.

At their January 30 meeting, the Organization of Petroleum Exporting (OPEC) decided to maintain its agreed-upon production levels throug quarter of 2005. However, high levels of OPEC production in recent me contributed to inventory builds in the Organization for Economic Coope Development (OECD) countries. U.S. oil inventories and inventories in

industrialized countries, which had been relatively low during early 2004 to historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards, rose above the middle of the observed 5-year historical standards and production levels when it meets again on March 16. Non-OPEC supply expected to average 1.2 million barrels per day over 2005-2006.

World petroleum demand growth is likely to be the key factor for oil mark. World petroleum demand growth for the 2004-2006 period is projected about 2.4 percent per year (approximately 2 million barrels per day), a exceeds expected growth in non-OPEC supply and global refinery capacity this is strong growth, it is down from the 3.4 percent demand growth (a barrels per day each year) in 2004. Lower global oil demand growth is at several factors, including the impact of high world oil prices and slower Chinese oil demand growth.

U.S. petroleum demand in 2004 averaged an estimated 20.5 million barre up 2.4 percent from the previous year and the largest percentage increase i Although all the major categories contributed to that increase, distillate der the fastest, at 3.6 percent, buoyed by substantial increases in industrial a heating-oil deliveries, while motor gasoline demand increased by 1.4 perce 2004-2006 period, total petroleum demand is projected to increase by an a percent per year. Growth in both highway travel and motor gasoline projected to average 2 percent per year during the same period. Moc industrial output growth and lack of growth in heating oil deliveries, ho expected to slow average distillate growth to about 1.6 percent per year bet and 2006.

On February 7, 2005, the U.S. monthly average pump price for regular ga \$1.91 per gallon, down slightly from the previous week but up about 15 gallon from one month ago. Recently, gasoline prices have been rising in r late fall and early winter rising crude oil prices, high rates of refinery utiliz some decline in surplus gasoline inventories in recent weeks. Despite rela absolute levels for gasoline inventories, days cover (beginning inventories demand per day) for gasoline has generally been declining (on a year-overfor over 2 years, suggesting a general environment of increasing short-term for gasoline markets. Days cover was down about 5 percent from year-age the fourth quarter of 2004 and by about 3 percent in January 2005. Pump regular gasoline are expected to average about \$1.98 per gallon during the 1 2005, up 20 cents from the first half of 2004. Continued growth in gasolir in the U.S., both seasonally and year-over-year, is expected to increase monthly prices to over \$2.00 per gallon by spring.

Natural Gas (Figures 9 to 10)

The average Henry Hub natural gas spot price was \$6.78 per thousand (mcf) in December and \$6.32 per mcf in January. The unusually mild wint in the Northeast this past December reduced heating demand, which lowered spot prices for natural gas in January. Working gas in storage is to have totaled 2,021 billion cubic feet at the end of January, which is higher than one year ago and 17 percent higher than the 5-year average heating season now about two-thirds over and with ample storage, natural are likely to ease over the next several months. Still, with crude oil prices ϵ remain over \$40 per barrel through 2006, and with a relatively tight r supply/demand situation over the same period, Henry Hub prices are e average roughly \$5.45-\$5.75 per thousand cubic feet annually for the 20 period.

In response to continued economic growth, natural gas demand is pi increase by 3.0 percent in 2005. Domestic natural gas production in 2005 it to increase by 1.6 percent from 2004 levels, partly due to high gas-direct rates and partly due to continued recovery in the Gulf of Mexico from the Hurricane Ivan. Steady increases in liquefied natural gas imports, restrain growth, and carryover from the robust storage levels noted above are e contribute to moderate improvement in the supply picture in 2005.

Electricity and Coal Outlook (Figures 11 to 13)

Electricity demand is expected to increase by 3.4 percent in 2005 and by an 2.1 percent in 2006, following estimated growth of 1.5 percent in 2004. Co in the electric power sector is expected to increase 3.8 percent in 2005 and a percent increase in 2006. Power sector demand for coal continues to increase grows prices remain high. U.S. coal production is expected to grow by 3 2005 and by an additional 2.3 percent in 2006. Hydroelectric power available fell somewhat in 2004, is expected to rebound in 2005 by as much as nationally, provided normal precipitation patterns prevail.

Table HL1. U.S. Energy Supply and Demand: Base Case

	Y	ear		Annual Percentage Change		
2003	2004	2005	2006	2003-2004	2004-2005	2005-2
10381	10843	11228	11581	4.4	3.6	3.1
		2003 2004		2003 2004 2005 2006	2003 2004 2005 2006 2003-2004	2003 2004 2005 2006 2003-2004 2004-2005

barrel)	27.74	36.12	39.13	37.19	30.2	8.3	-5.0
Petroleum Supply (million b	arrels per	day)					
Crude Oil Production ^b	5.68	5.43	5.62	5.89	-4.4	3.6	4.8
Total Petroleum Net Imports barrels per day)	s(million						
(including SPR)	11.24	11.84	11.94	11.98	5.4	0.8	0.3
Energy Demand							
World Petroleum (million barrels per day)	79.8	82.5	84.5	86.5	3.4	2.4	2.4
Petroleum (million barrels per day)	20.03	20.51	20.83	21.22	2.4	1.6	1.9
Natural Gas (trillion cubic feet)	22.36	22.20	22.86	23.46	-0.7	3.0	2.6
Coal ^c (million short tons)	1095	1102	1143	1170	0.6	<i>3</i> .7	2.3
Electricity (billion kilowatthours)							
Retail Sales ^d	3488	3544	3664	3743	1.6	3.4	2.2
Other Use/Sales ^e Total	179 3667	177 3721	185 3848	188 3930	-1.0 1.5	4.4 3.4	1.4 2.1
Total Energy Demand ^f (quadrillion Btu)	98.2	99.1	101.8	103.9	1.0	2.6	2.1
Total Energy Demand per Dollar of GDP							
(thousand Btu per 2000 Dollar)	9.46	9.14	9.06	8.97	-3.3	-0.9	-1.1
Renewable Energy as							
Percent of Total ^g	6.4%	6.5%	6.6%	6.6%			

^aRefers to the refiner acquisition cost (RAC) of imported crude oil.

^bIncludes lease condensate.

^cTotal Demand includes estimated Independent Power Producer (IPP) coal consumption.

^dTotal of retail electricity sales by electric utilities and power marketers. Utility sales for historical periods are repliformation Administration (EIA) *Electric Power Monthly* and *Electric Power Annual*. Power marketers' sales for hare reported in EIA's *Electric Sales and Revenue*, Appendix C. Data for 2003 are estimates.

^eDefined as the sum of facility use of onsite net electricity generation plus direct sales of power by industrialsector generators to third parties, reported annually in Table 7.5 of the *Monthly Energy Review (MER*). Da estimates.

^fThe conversion from physical units to Btu is calculated by using a subset of conversion factors used in performed for gross energy consumption in EIA's MER. Consequently, the historical data may not precise published in the MER or the Annual Energy Review (AER).

gRenewable energy includes minor components of non-marketed renewable energy, which is renewable energy bought nor sold, either directly or indirectly, as inputs to marketed energy. EIA does not estimate or project total non-marketed renewable energy.

SPR: Strategic Petroleum Reserve.

Notes: Minor discrepancies with other published EIA historical data are due to independent rounding. Historical in bold; estimates and forecasts are in italics. The forecasts were generated by simulation of the Short-Forecasting System.

Sources: Historical data: Latest data available from Bureau of Economic Analysis and Energy Information Admi data available from EIA databases supporting the following reports: Petroleum Supply Monthly, DOE/EIA-0 Supply Annual, DOE/EIA-0340/2; Natural Gas Monthly, DOE/EIA-0130; Electric Power Monthly, DOE/EIA-0226 Coal Report, DOE/EIA-0121; International Petroleum Monthly DOE/EIA-0520; Weekly Petroleum Status Report, Macroeconomic projections are based on Global Insight Model of the US Economy, January 2005.

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CEO says El Paso has made 'headway' ... from page 1

"Our investors have been mildly encouraged, but not overwhelmed," Foshec said in an informal meeting with reporters in Houston last week. "We had a lot to prove to our shareholders and to the marketplace in 2004 and we've made a great deal of headway. We're not close to declaring victory, but we did get a lot accomplished."

Foshee was named president and CEO in September 2003 at a critical time for El Paso. The company was caught up in the meltdown of the merchant trading sector and saw its once-envied stock price plummet from nearly \$80/share in January 2001 to around \$3/share in 2003. Its stock has been trading recently at \$11 to \$12/share.

That June, the company's board of directors survived a bruising proxy fight launched by dissident shareholders Selim Zilkha and former Coastal Corp. Chairman Oscar Wyatt. Then, in the month before he came on board, El Paso reported a \$1.2 billion loss for the second quarter—about 25 times greater than its year-earlier loss of \$45 million (GD 8/14/03).

But 2004 "was a watershed year for El Paso," Toshee asserted. "We were in the aftermath of a proxy fight with a new CEO and basically a completely new management team, a significantly changed board of directors and a lot of questions, especially in early 2004, about survivability."

Foshee said he has spent most of his 17 months on the job crafting "a long-range plan, which we put out at year's end." That strategy includes reducing El Paso's debt to \$15 billion, achieving earnings/share in the range of 75 cents to \$1.10, and creating free cash flow of \$200 million to \$400 million by 2006.

The company did accomplish one of its main goals for 2004: cutting its net debt to between \$17 billion and \$18 billion from a peak of \$25 billion. "We ended the year at almost exactly \$17 billion, and that was with a lot of people's hard work and significant execution on asset sales," Foshee said. "We

Editor's Note

With today's issue. Platts is adding a new feature to Gas Daily: daily assessments of forward gas prices at 11 major pricing points in North America. The assessments are for financial basis differentials and are reported, in cents/MMBtu, as a differential to the corresponding NYMEX Henry Hub futures contract—i.e., the closing price for the specified month's futures contract, or the average of months that comprise a seasonal strip. The assessments reflect trading of forward gas basis swaps that are settled against the monthly indexes published by Platts' Inside FERC's Gas Market Report or other publications.

The methodology for Platts' gas forwards can be found at www.platts.com. Click on the Natural Gas tab, then on Methodology & Specifications. For more information about forwards coverage, contact Mike Wilczek at 202-383-2246 or mike_wilczek@platts.com.

For information about historical gas forwards data, contact Platts' Client Services Team at 1-800-PLATTS8, option 1, option 1.

Daily basis forwards assessments, Feb 8

eest on the second of the seco	Mar 2005	Summer 2005	Winter 2005-06	Summer 2006
Midpoint	Midpoint	Midpoint	Midpoint	Midpoint
Transco zone 6-N.Y.	77.000	55,000	187.500	52.500
Columbia Gas, Appalachia	25.500	26.250	28.000	24.000
Transco, zone 3	5.750	4.125	5.250	3.750
Chicago city-gates	1.625	1.750	4.500	1.750
MichCon city-gate	13.125	14.500	10.250	15.500
Panhandle, TxOkla.	-50.000	-46.500	-51.750	-50.000
Houston Ship Channel	-33,750	-13.750	-33.250	-11,500
Waha	-60.250	-47.750	-59.250	-44.500
Northwest Pipe, Rockies	-72.750	-73.500	-74.250	-71.00 0
SoCal Gas	-46.250	-33,000	45.500	-27.500
El Paso, San Juan Basin	-76,000	-70.250	-76.000	-71.000

NYMEX Henry Hub gas futures contract, Feb 8

	Settlement	High	Low	+/-	Volum e
Mar 2005	6.164	6.175	6.010	19.5	27682
Apr 2005	6.221	6 240	6.070	+19.7	17889
May 2005	6.278	6.280	6.120	+19.1	11104
Jun 2005	6.334	6.320	6.185	+18.5	2545
2005 ابرا	6.389	6.375	6.260	+17.8	2038
Aug 2005	6.431	6.405	6.295	+17.5	1348
Sep 2005	6.419	6.400	6.290	17.0	599
Oct 2005	6.441	6 450	6.320	+16.4	1253
Nov 2005	ତ 766	6.780	6.640	115.4	405
Dec 2005	7.086	7.090	6.965	114.4	1061
Jan 2006	7.311	7.320	7,190	+13.9	655
Feb 2006	7.281	7.280	7.170	13.4	324
Mar 2006	7.081	7.060	6.980	+129	247
Apr 2006	6 191	6.170	6.120	+8.9	168
May 2006	6 056	6.000	5.990	+7.9	142
Jun 2006	6.081	6.081	6.081	+7.9	9
Jul 2006	6.106	6.050	6.050	+7.9	0
Aug 2006	6 141	6.100	6.090	+7.9	15
Sep 2006	6.126	6.126	6.126	⊦7.9	0
Oct 2006	6.141	6.070	6,070	+7.9	50
Nov 2006	6.436	6.375	6.375	+7.9	0
Dec 2006	6.721	6.721	6.721	+7.9	75
Jan 2007	6.946	6.946	6.946	+7.9	2
Feb 2007	6.911	6.911	6.911	+7.4	2
Mar 2007	6.706	6.706	6.706	16.9	75
Apr 2007	5.826	5.826	5.826	+4,9	75
May 2007	5.681	5.681	5.681	+3.9	0
Jun 2007	5.696	5.696	5.696	+3.9	0
2007 التال	5.711	5.711	5.711	+3.9	0
Aug 2007	5.725	5.726	5.726	+3.9	0
Sep 2007	5.711	5.711	5.711	+3.9	0
Oct 2007	5.729	5.729	5.729	+3.9	0
Nov 2007	6.029	6.029	6.029	+3.9	0
Dec 2007	6.311	6.311	6.311	13.9	25
Jan 2008	6.541	5.726	5.726	+3.9	0
Feb 2008	6 521	6.521	6.521	+3.9	0
Contract de	ta for Monday				

Contract data for Monday

Volume of contracts traded: 67,786

Front-months open interest:
Mar. 63.323; Apr. 34.115; May. 26.924

Total open interest: 396,400

Henry Hub/NYMEX spread 6.40 6.30 6.20 6.10 6.00 5.90 Feb 2 Feb 3 Feb 4 Feb 7 Feb 8 Henry Hub index NYMEX front month close

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	30.25 30.75	4.85
3% Resid	25.00-25.50	4.02
Crude spot		
WTI (Mar.)	45.34.45.36	7.21
New York spot		
No 2	52.29 52.37	8.98
0.3% Resid HP	37.25.37.50	5.94
0.3% Resid LP	39.75 40.00	6.34
0.7% Resid	31.00 31.50	4.97
1% Resid HP	29.00-29.50	4.65