
EIA Short-Term Energy and Winter Fuels Outlook



October 10, 2012 | Washington, DC



U.S. Energy Information Administration

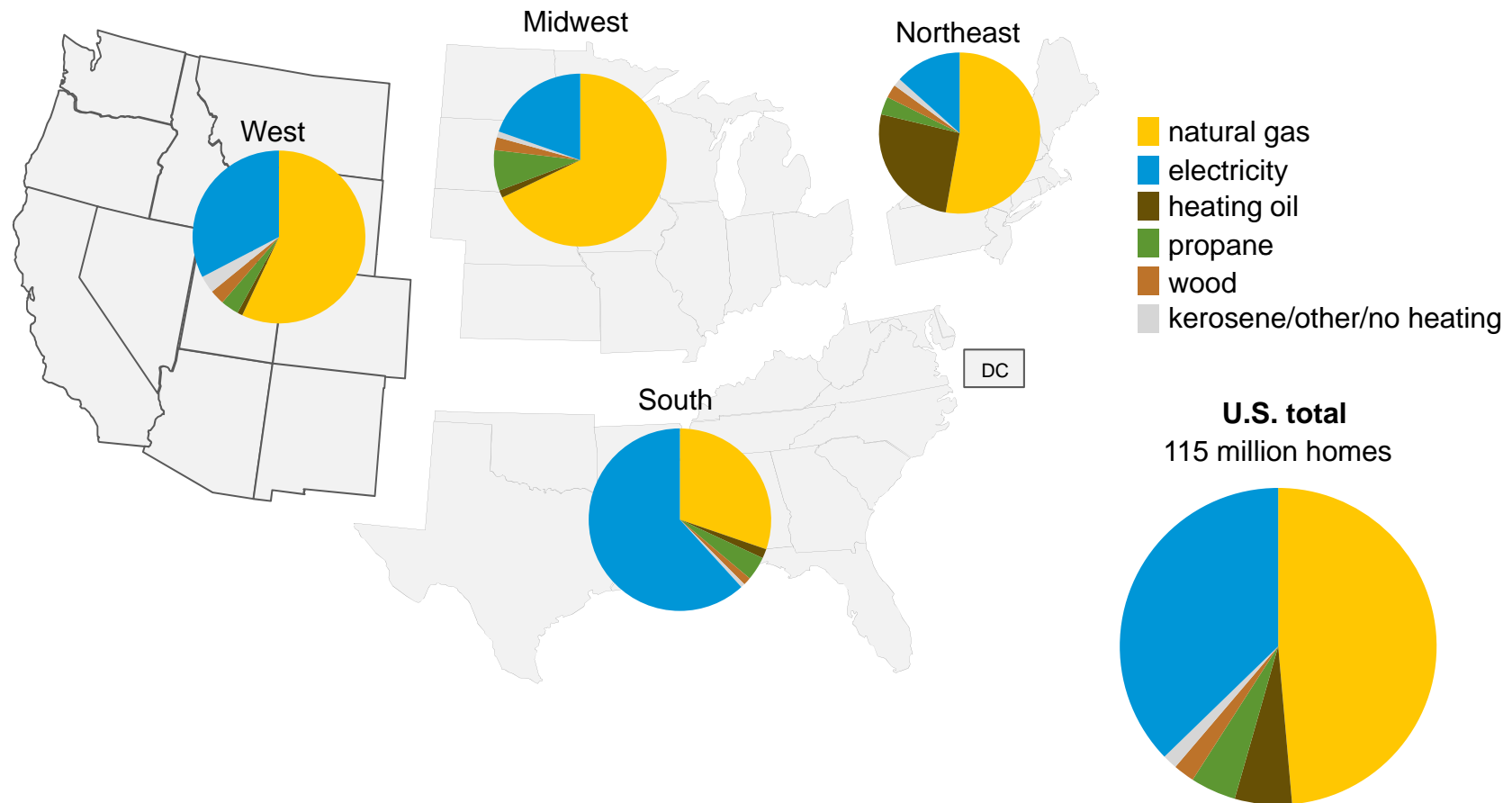
Independent Statistics & Analysis | www.eia.gov

Overview

- EIA expects higher average fuel bills this winter in states east of the Rocky Mountains.
- A return to a near-normal winter is the main driver of higher expenditures.
- Projected changes in residential prices from last winter are:
 - 1% higher natural gas prices
 - 2% lower electricity prices
 - 2% higher heating oil prices
 - 4% lower propane prices
- Forecast average household expenditures for heating oil users are at their highest level ever.

Heating fuel market shares vary regionally

Number of homes by primary space heating fuel and Census Region, winter 2012-13



Source: EIA Short-Term Energy Outlook, October 2012

Expenditures are expected to increase this winter (October 1– March 31) for all fossil fuels

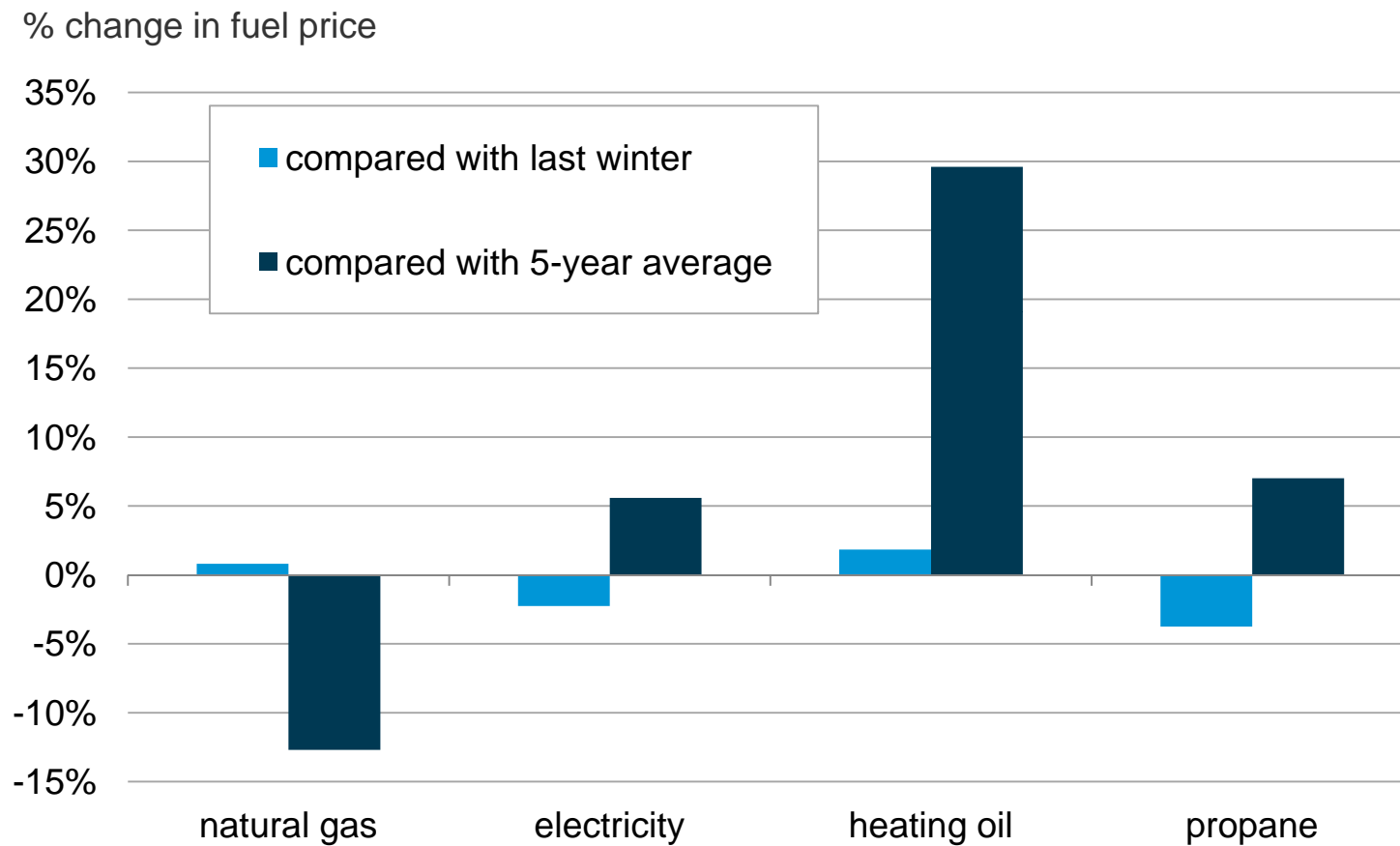
Percent change in fuel bills from last winter (forecast)

Fuel bill	Base case forecast	If 10% warmer than forecast	If 10% colder than forecast
Heating oil	19	7	32
Natural gas	15	3	28
Propane *	13	-	-
Electricity	5	2	11

* Propane expenditures are a volume-weighted average of the Northeast and Midwest regions. All others are U.S. volume-weighted averages. Propane prices in warm and cold cases are not available.

Source: EIA Short-Term Energy Outlook, October 2012

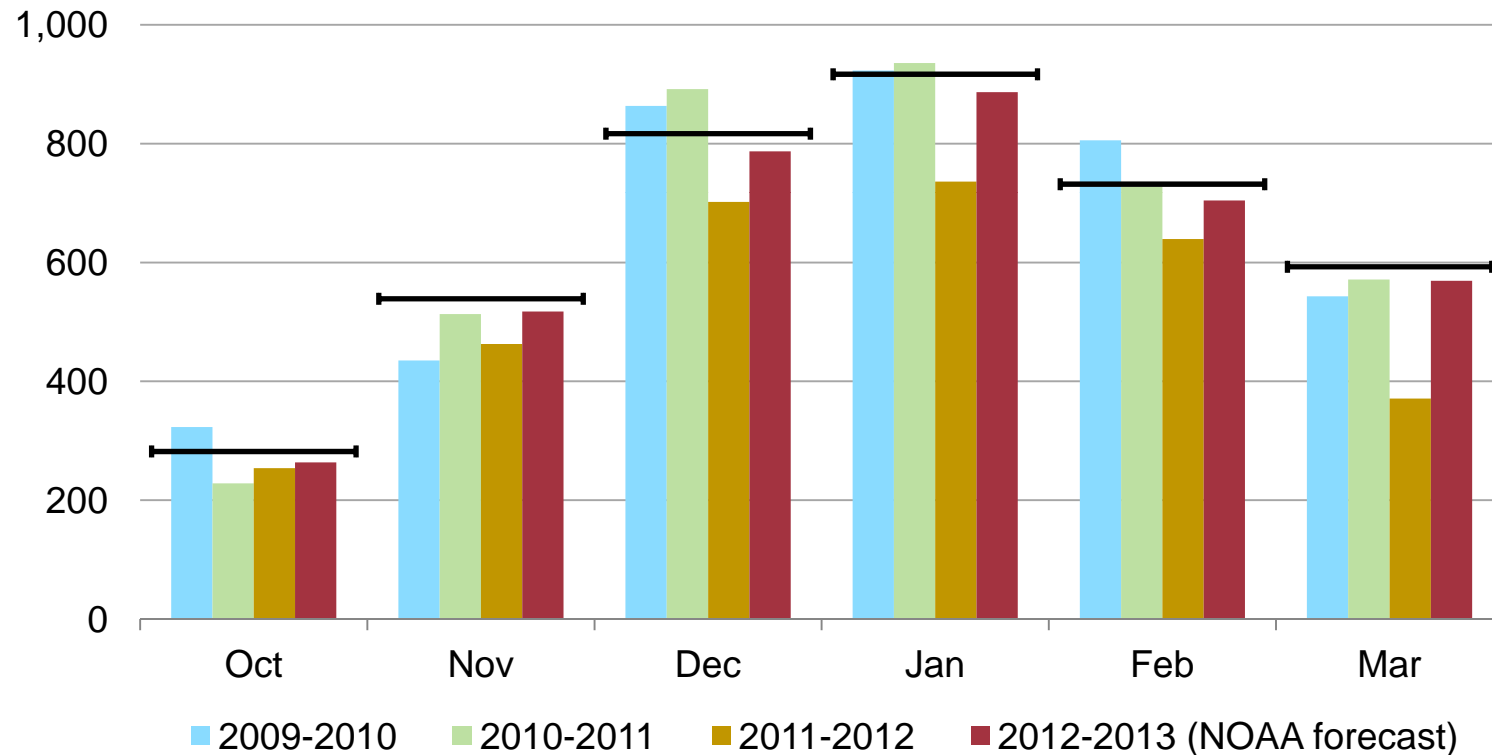
Forecast fuel prices are close to last winter's averages



Source: EIA Short-Term Energy Outlook, October 2012

The U.S. winter 2012-13 heating season forecast is about 2% warmer than the 30-year average, but 18% colder than last winter

U.S. current population-weighted heating degree-days

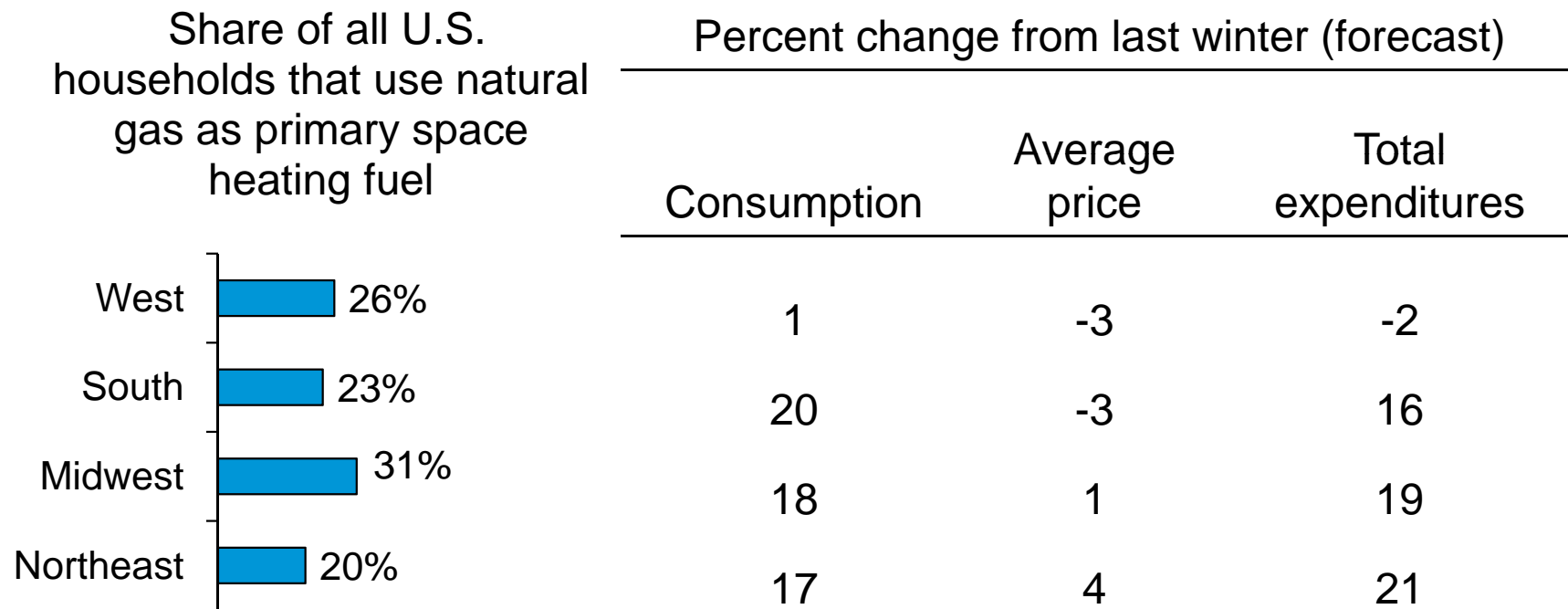


Note: Horizontal bars indicate monthly average degree days over the period 1971-2000.

Source: EIA calculations based on NOAA state history and forecasts (August 15, 2012) weighted by same-year populations.

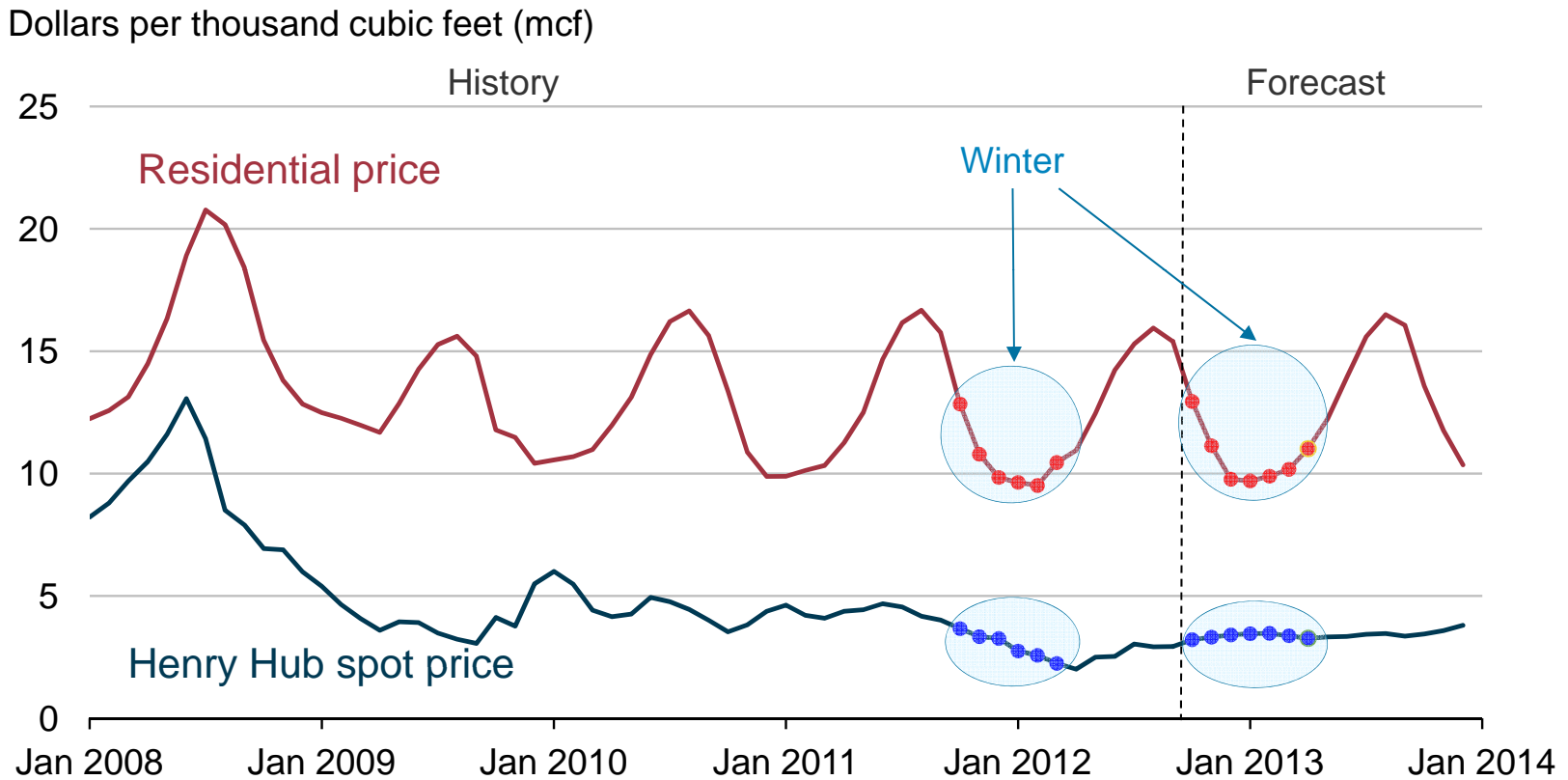
Natural Gas

Higher natural gas consumption raises average fuel bills in the Midwest, Northeast, and South this winter



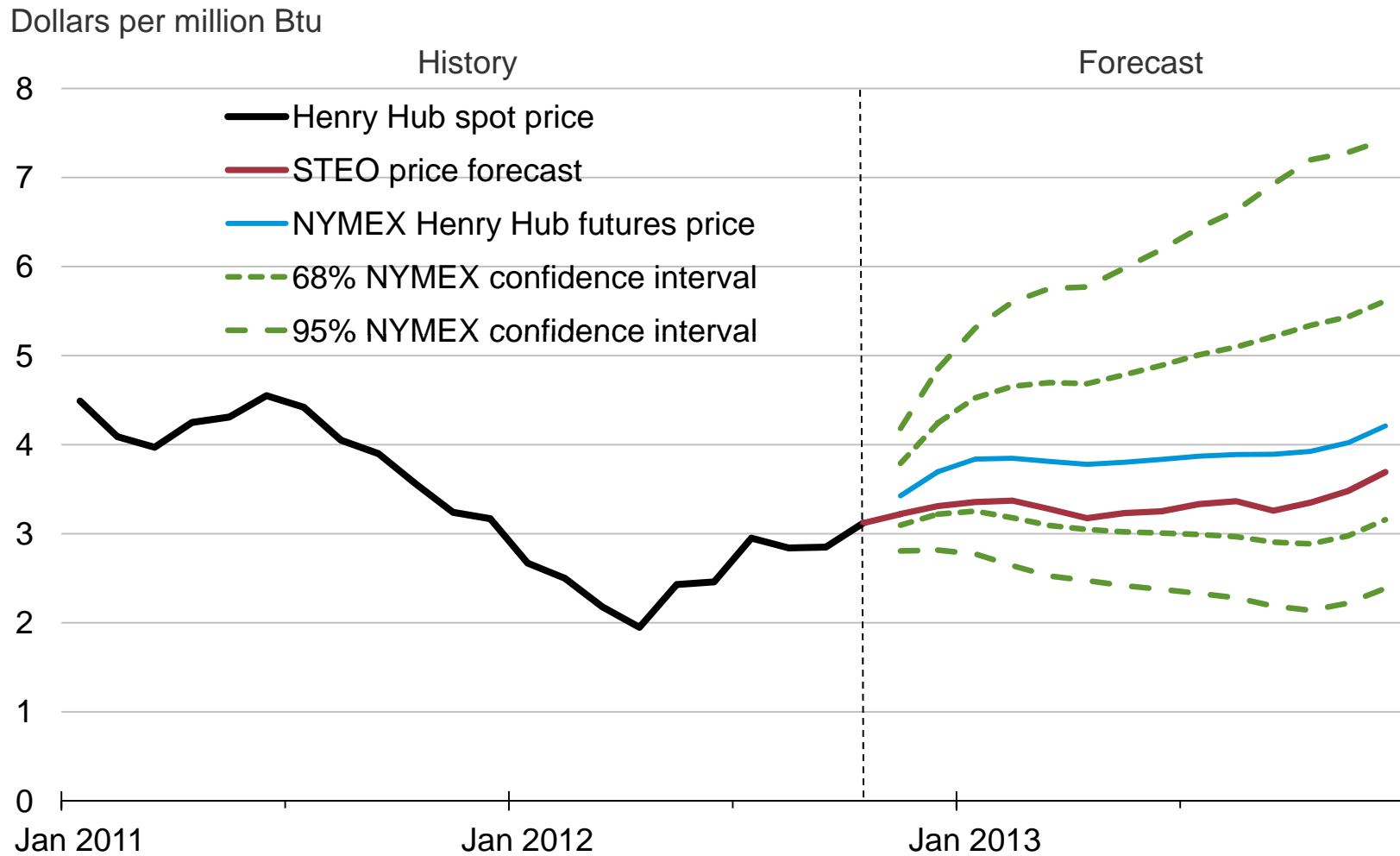
Source: EIA Short-Term Energy Outlook, October 2012

EIA expects residential natural gas prices to closely follow last winter's prices



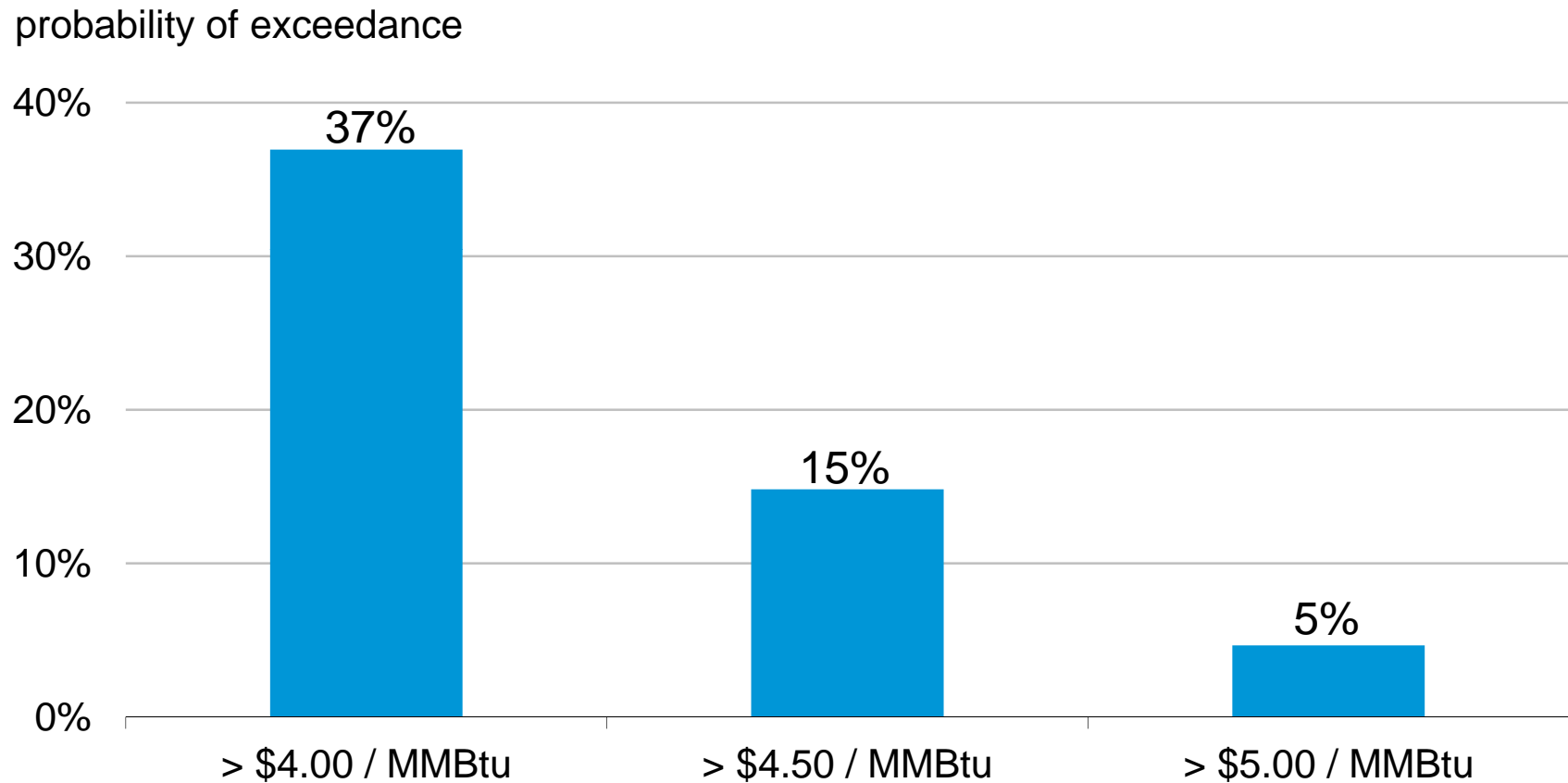
Source: EIA Short-Term Energy Outlook, October 2012

But, future natural gas prices remain highly uncertain



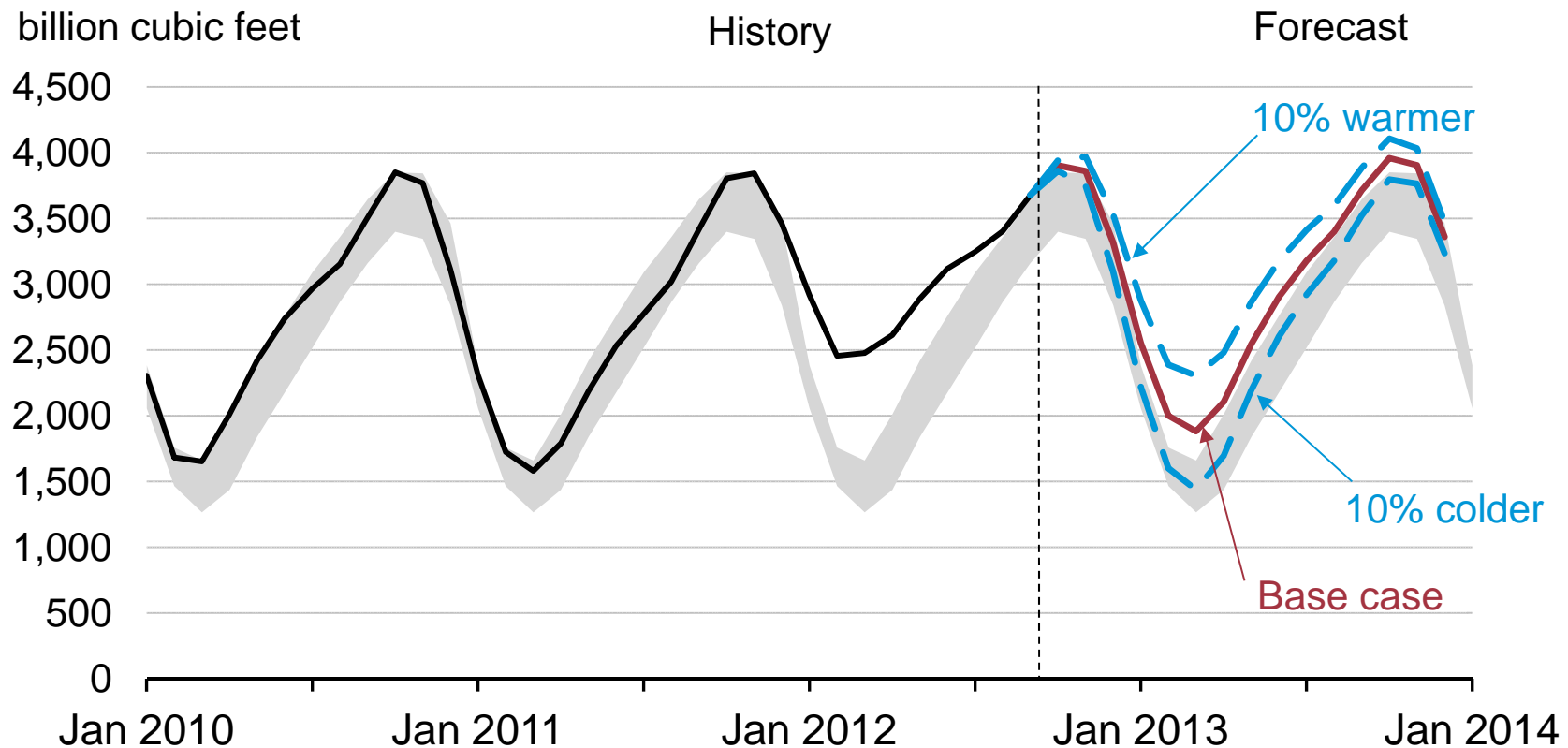
Source: EIA Short-Term Energy Outlook, October 2012, and CME Group

The probability of the January 2013 Henry Hub natural gas price being higher than \$5.00 per MMBtu is about 5%



Source: EIA Short-Term Energy Outlook, October 2012, and CME Group

EIA expects natural gas inventories to remain at high levels

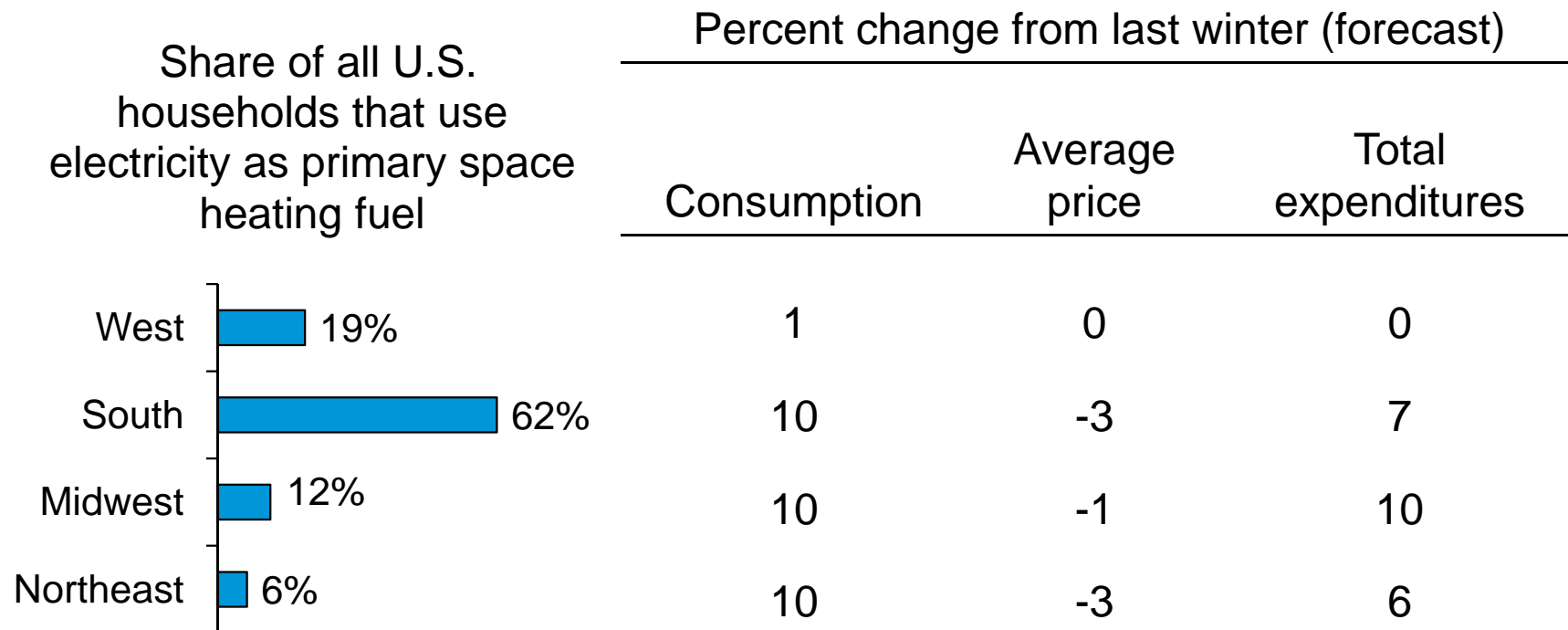


Note: Normal range (colored band) represents the range between the minimum to maximum from Jan. 2007 to Dec. 2011.

Source: EIA Short-Term Energy Outlook, October 2012

Electricity

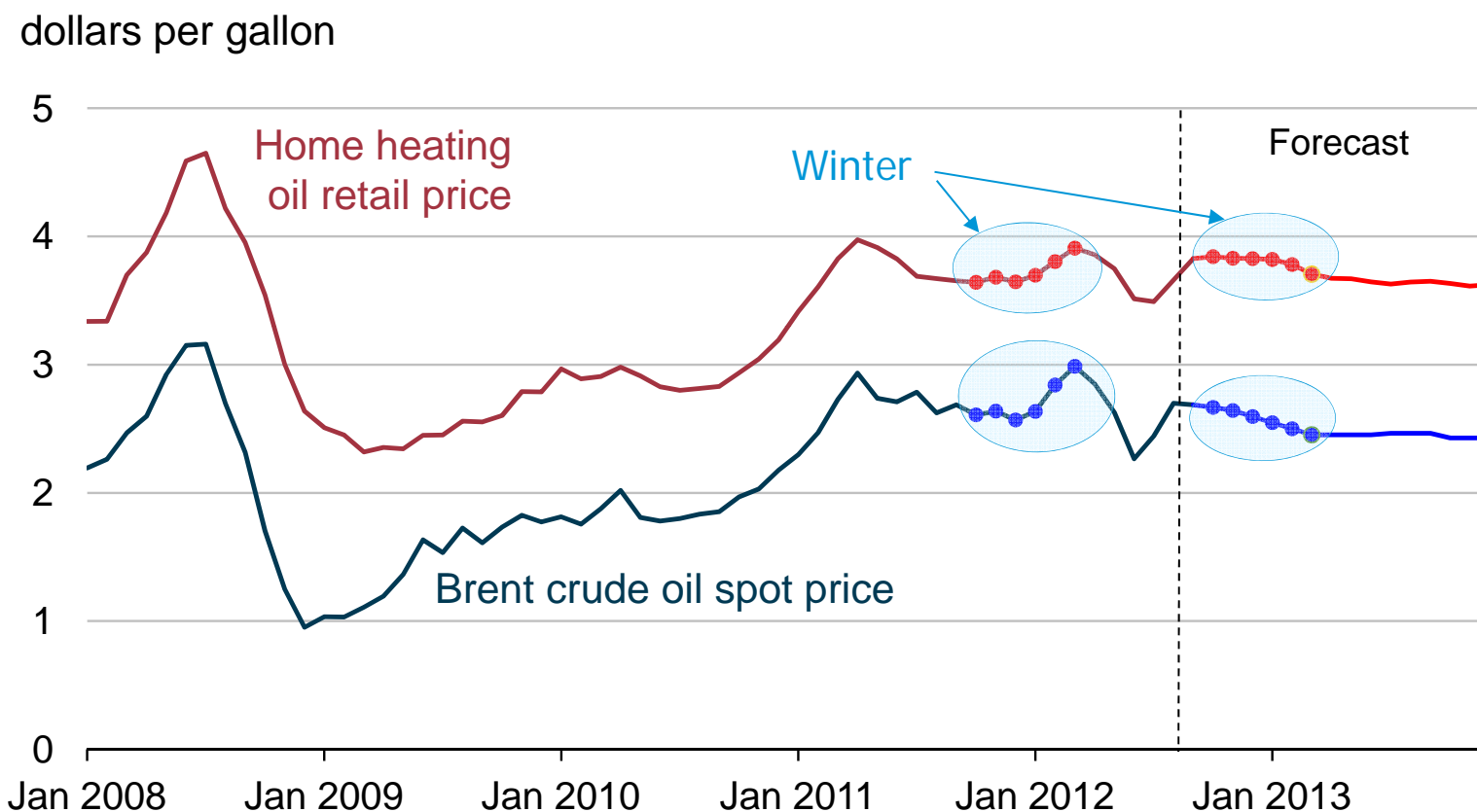
Winter electricity bill forecasts also higher because of return to near-normal colder weather east of the Rockies



Source: EIA Short-Term Energy Outlook, October 2012

Heating Oil

EIA expects residential heating oil prices to average 2% higher this winter than last

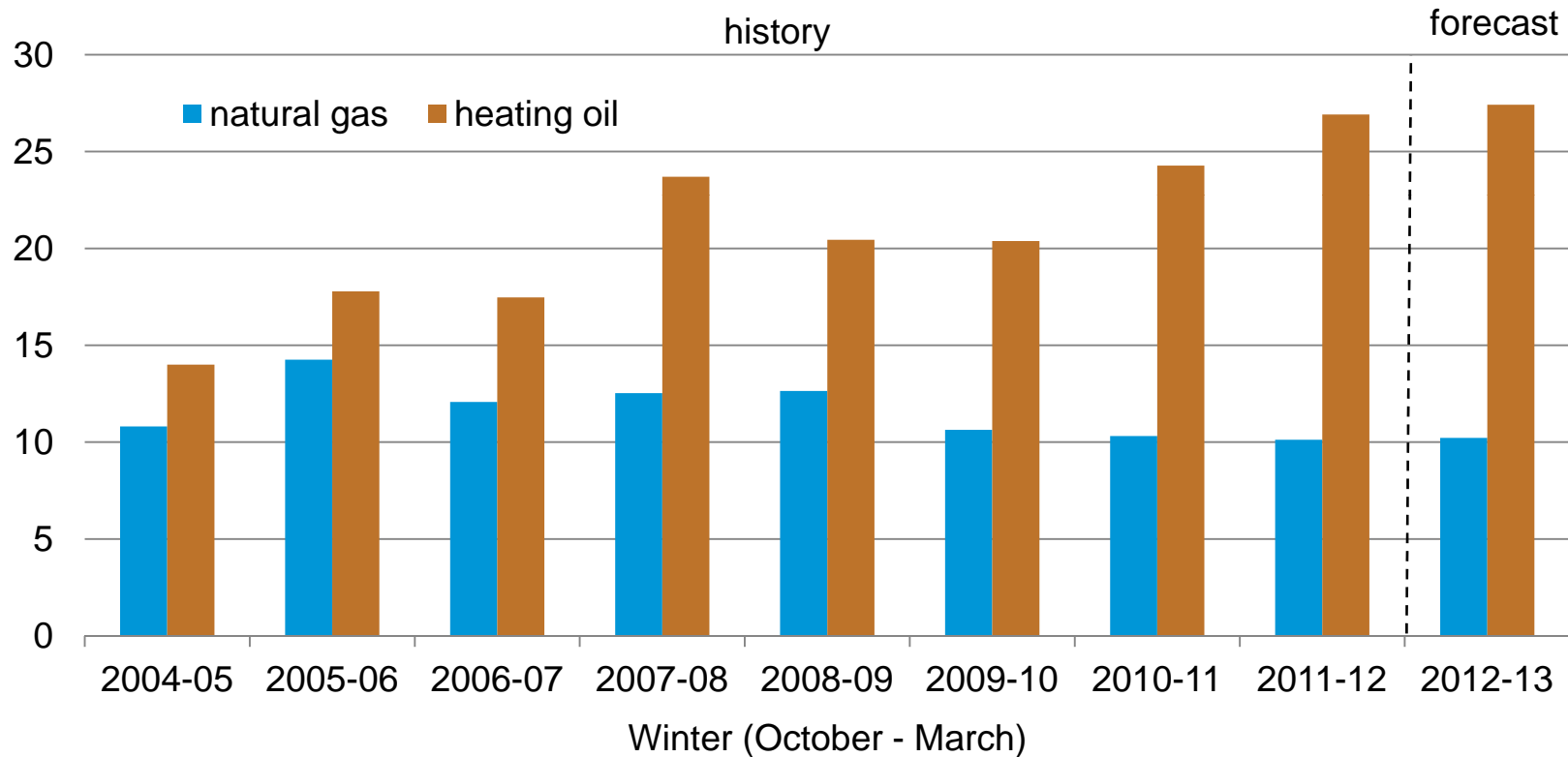


Home heating oil retail price includes taxes.

Source: EIA Short-Term Energy Outlook, October 2012

The growing divergence between heating oil and natural gas prices slows this winter with heating oil price up 2% and natural gas price 1% higher

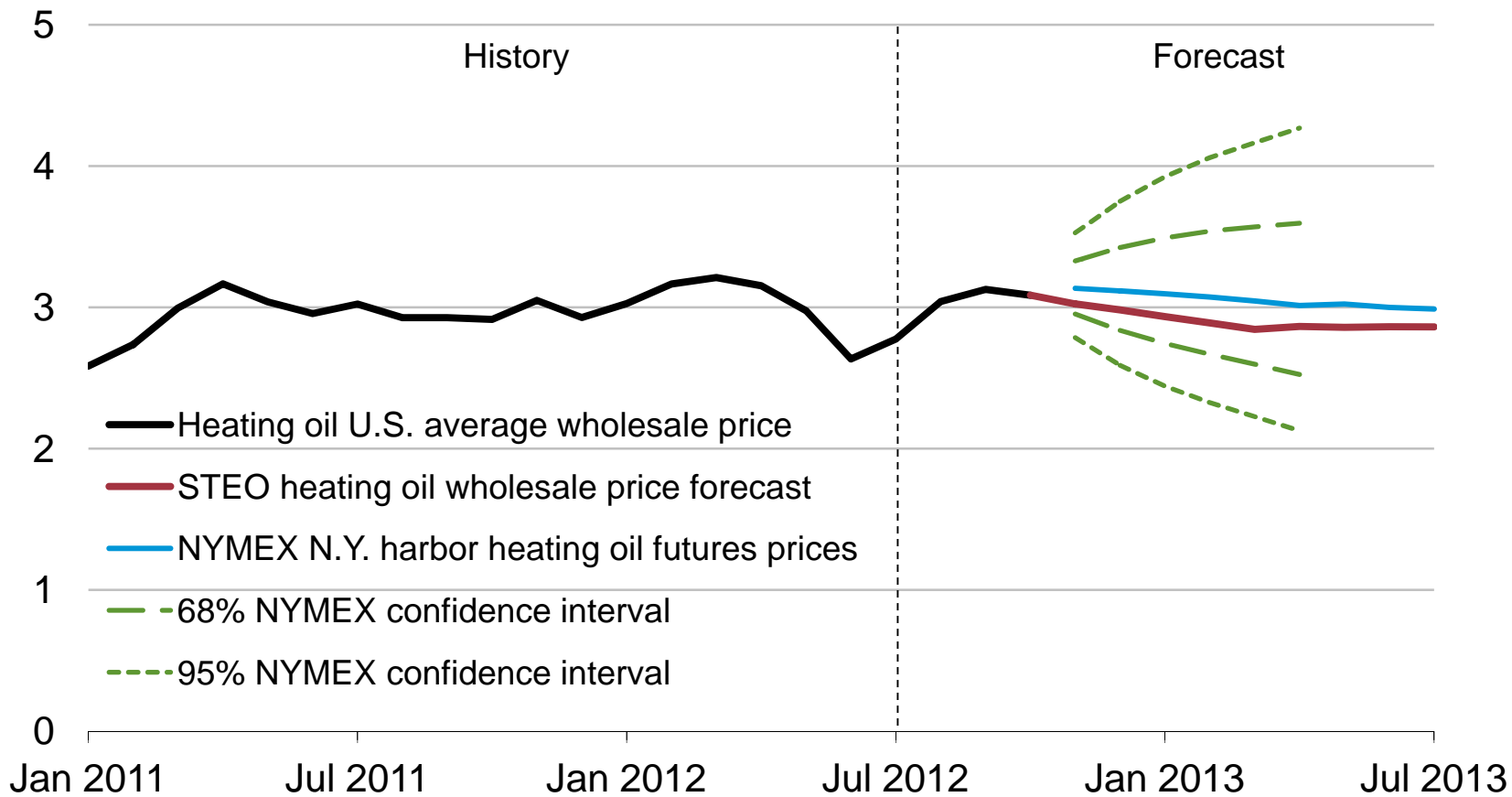
U.S. average residential winter heating fuel prices
dollars per million Btu



Source: EIA Short-Term Energy Outlook, October 2012

Heating oil prices remain uncertain due to their dependence on crude oil prices

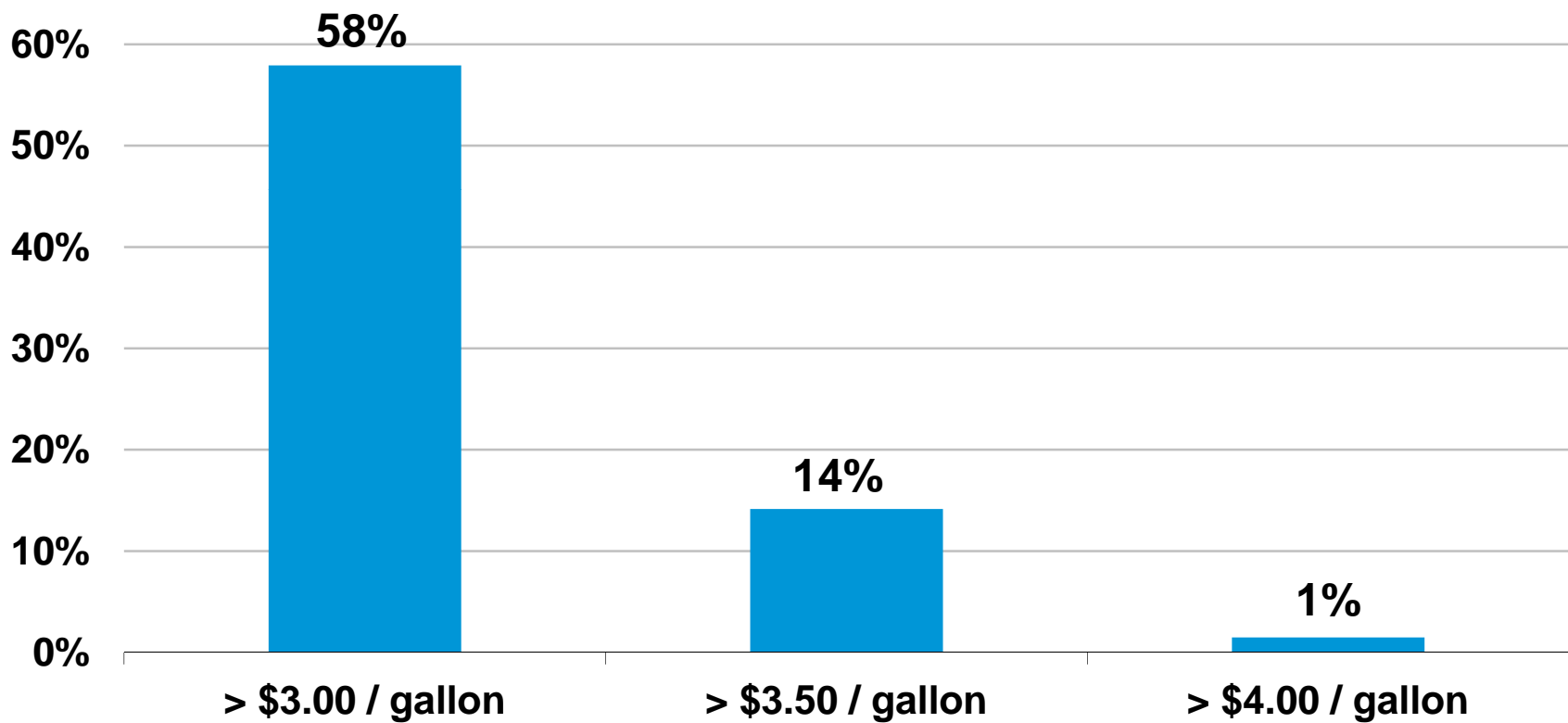
dollars per gallon



Source: EIA Short-Term Energy Outlook, October 2012, and CME Group

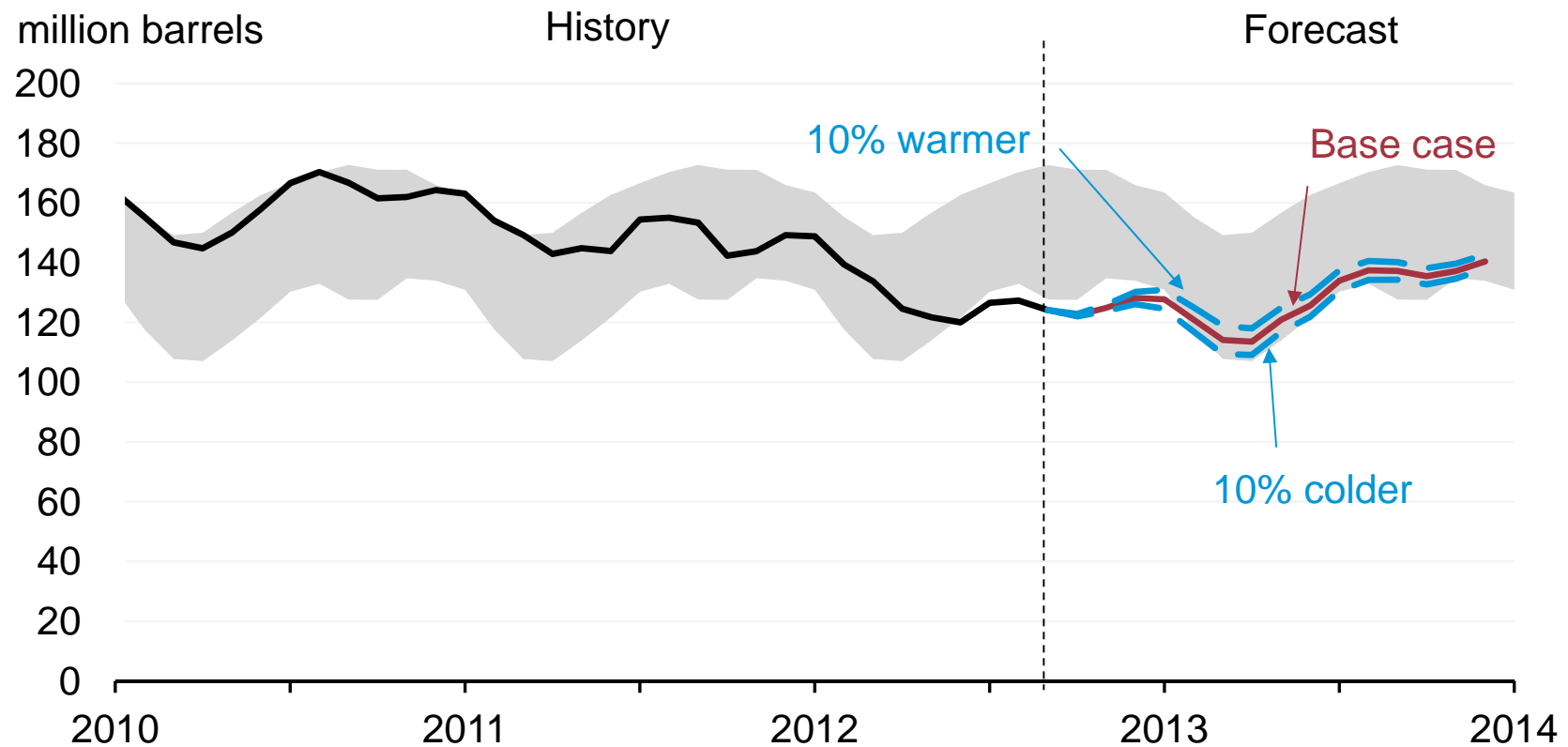
The probability of January 2013 heating oil wholesale price being higher than \$3.50 per gallon is about 14%

probability of exceedance



Source: EIA Short-Term Energy Outlook, October 2012, and CME Group

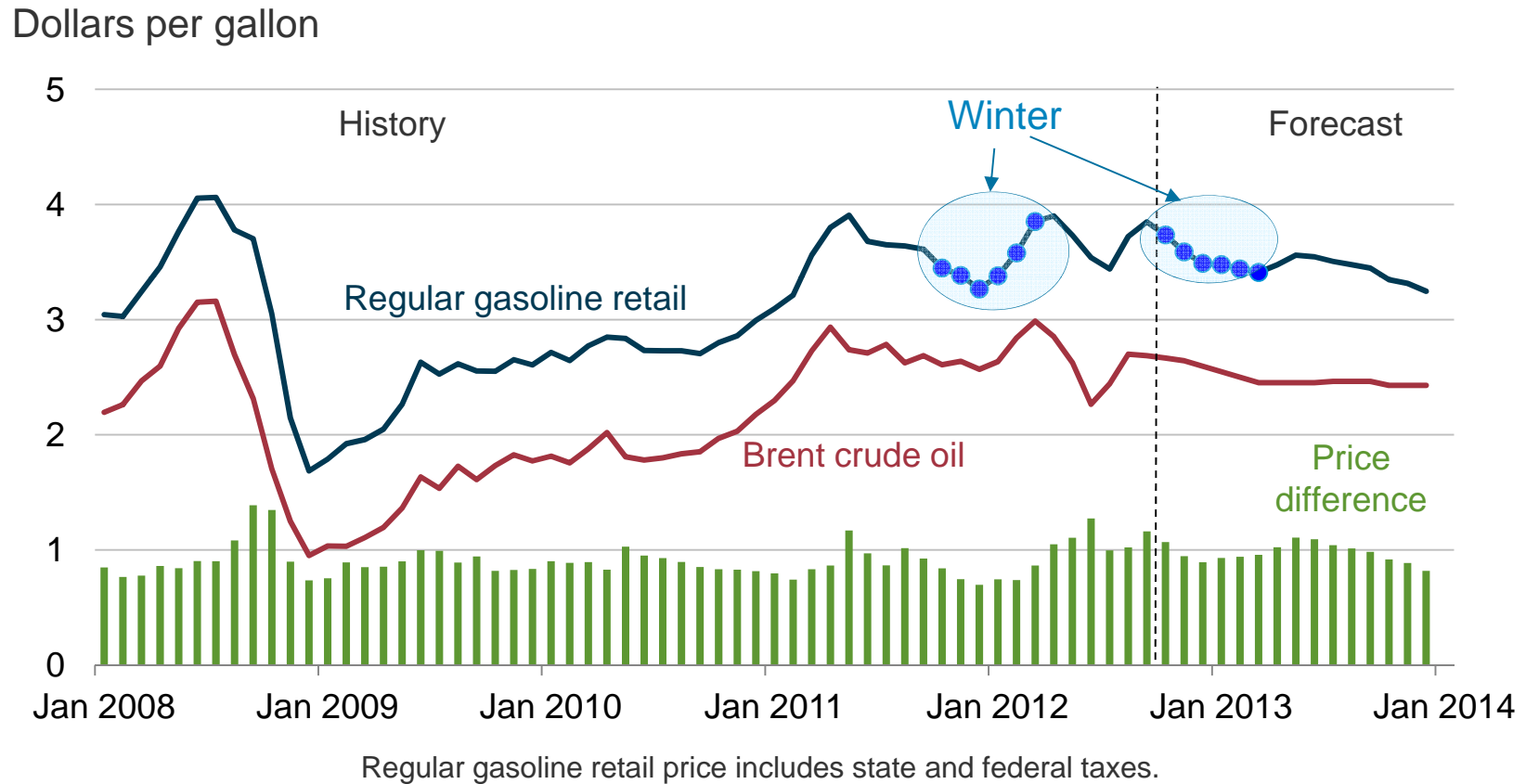
Going into winter, distillate inventories remain at the low end of their normal range



Note: Normal range (colored band) represents the range between the minimum to maximum from Jan. 2007 to Dec. 2011.

Source: EIA Short-Term Energy Outlook, October 2012

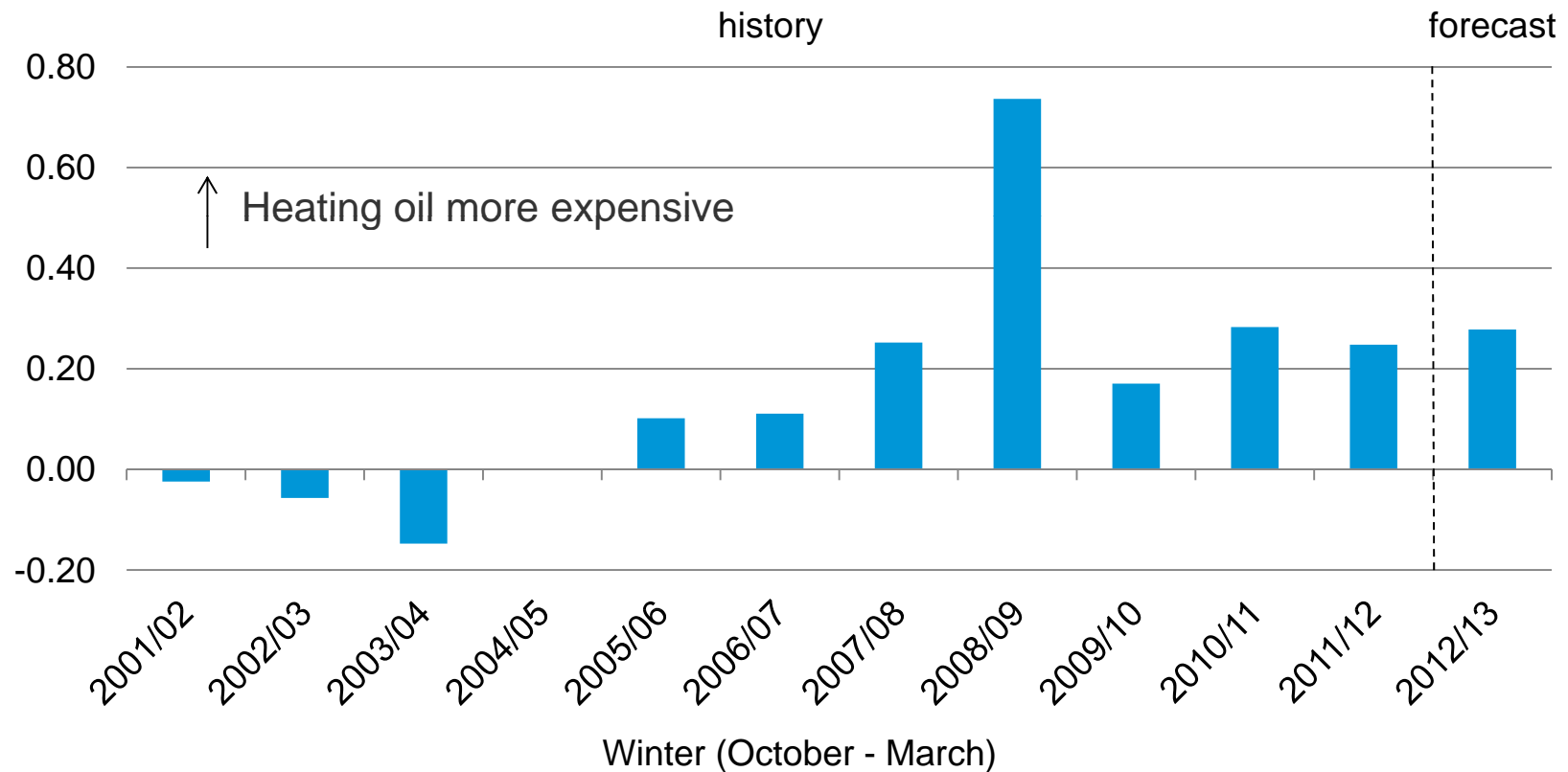
EIA expects gasoline prices will fall from the recent peak, with regular gasoline prices this winter averaging about 4 cents per gallon higher than last winter



Source: EIA Short-Term Energy Outlook, October 2012

Over the last 8 winters, residential heating oil prices have increased more than retail gasoline prices

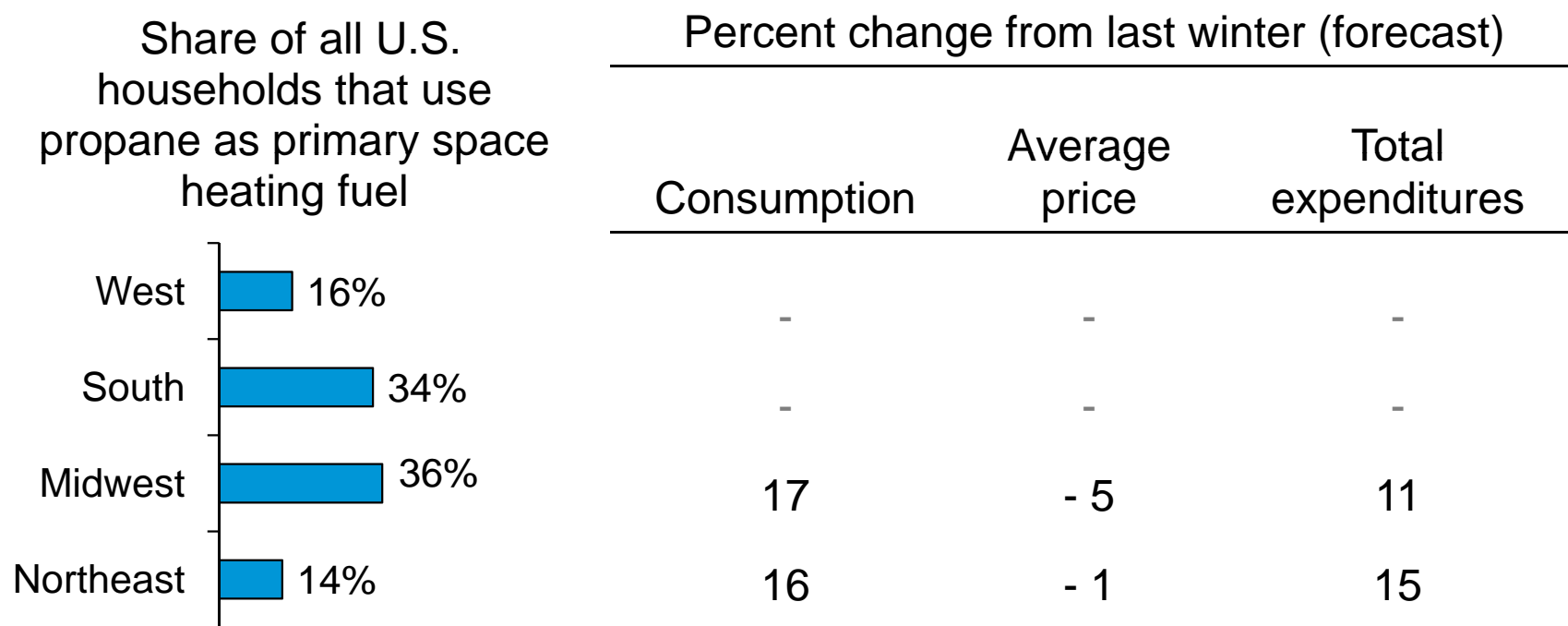
Retail gasoline – heating oil price difference
(dollars per gallon)



Source: EIA Short-Term Energy Outlook, October 2012, and CME Group

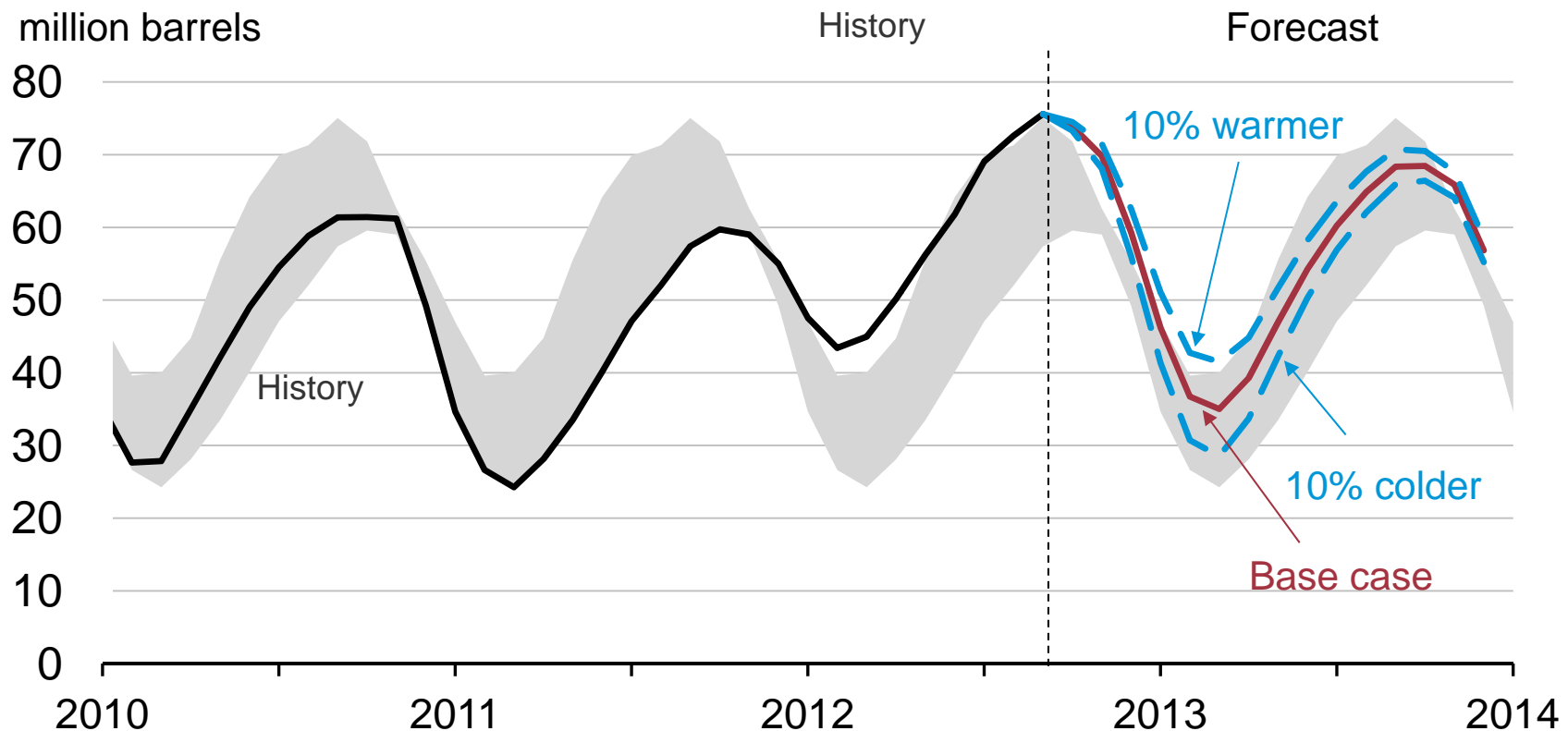
Propane

Forecast propane expenditures also higher than last winter because of colder weather and increased demand



Source: EIA Short-Term Energy Outlook, October 2012

Propane inventories remain near the high end of their historical range during the upcoming winter



Note: Normal range (colored band) represents the range between the minimum to maximum from Jan. 2007 to Dec. 2011.

Source: EIA Short-Term Energy Outlook, October 2012

For more information

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Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer