2006-2007 Winter Fuels Outlook

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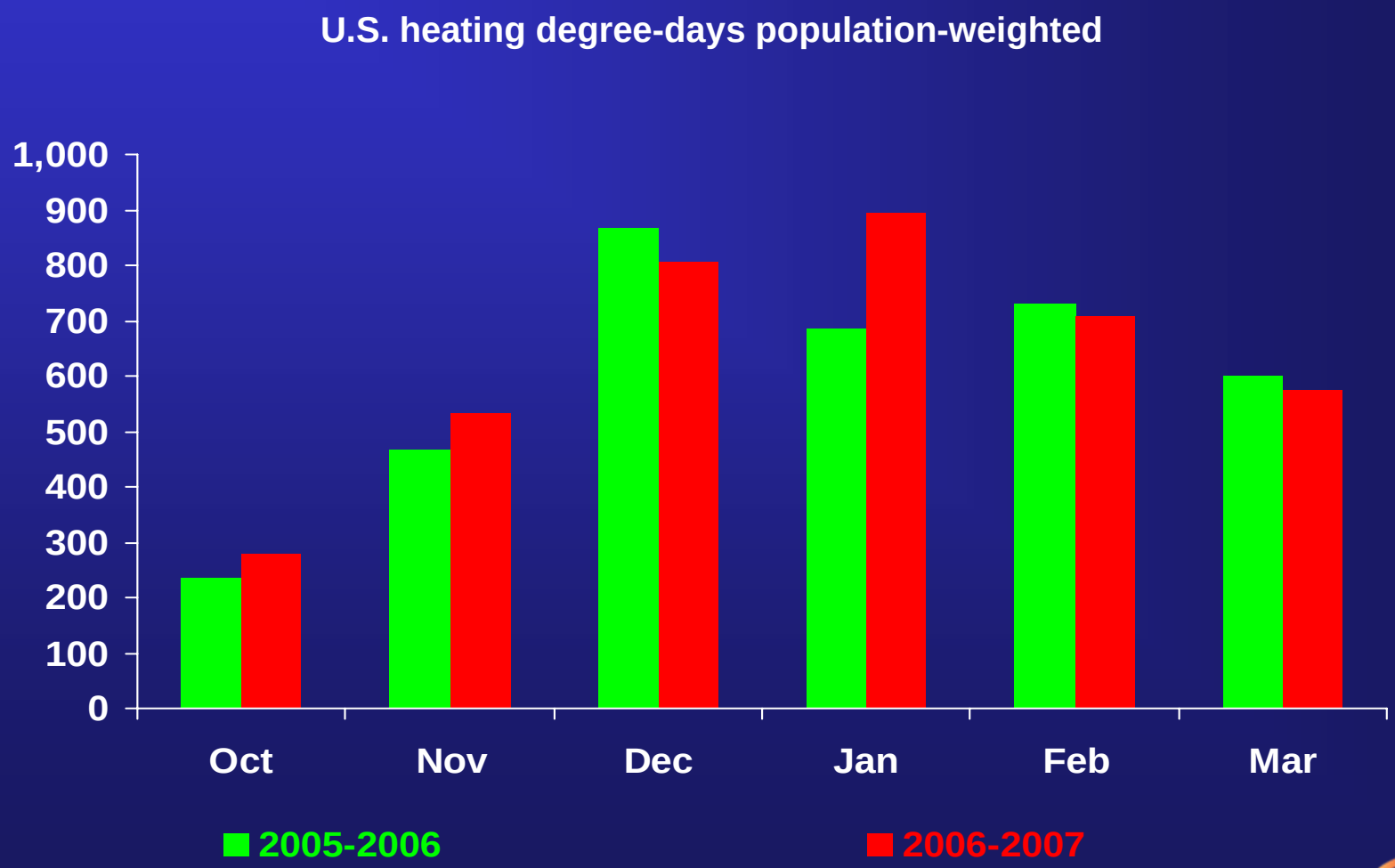
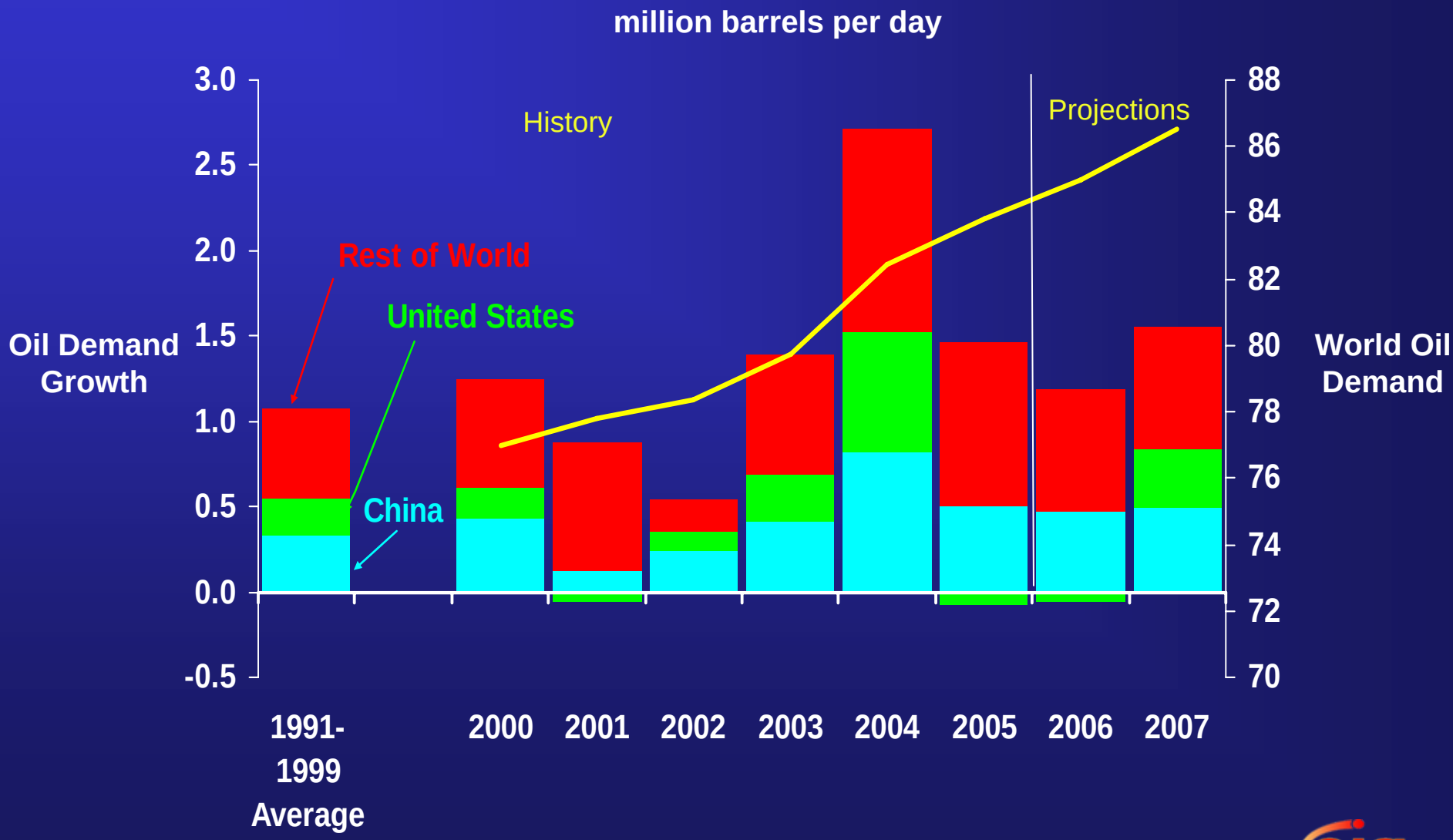
United States Association for
Energy Economics
October 20, 2006
Washington, DC

Winter 2006/07 expected to be 6 percent colder than last winter, but slightly warmer than normal



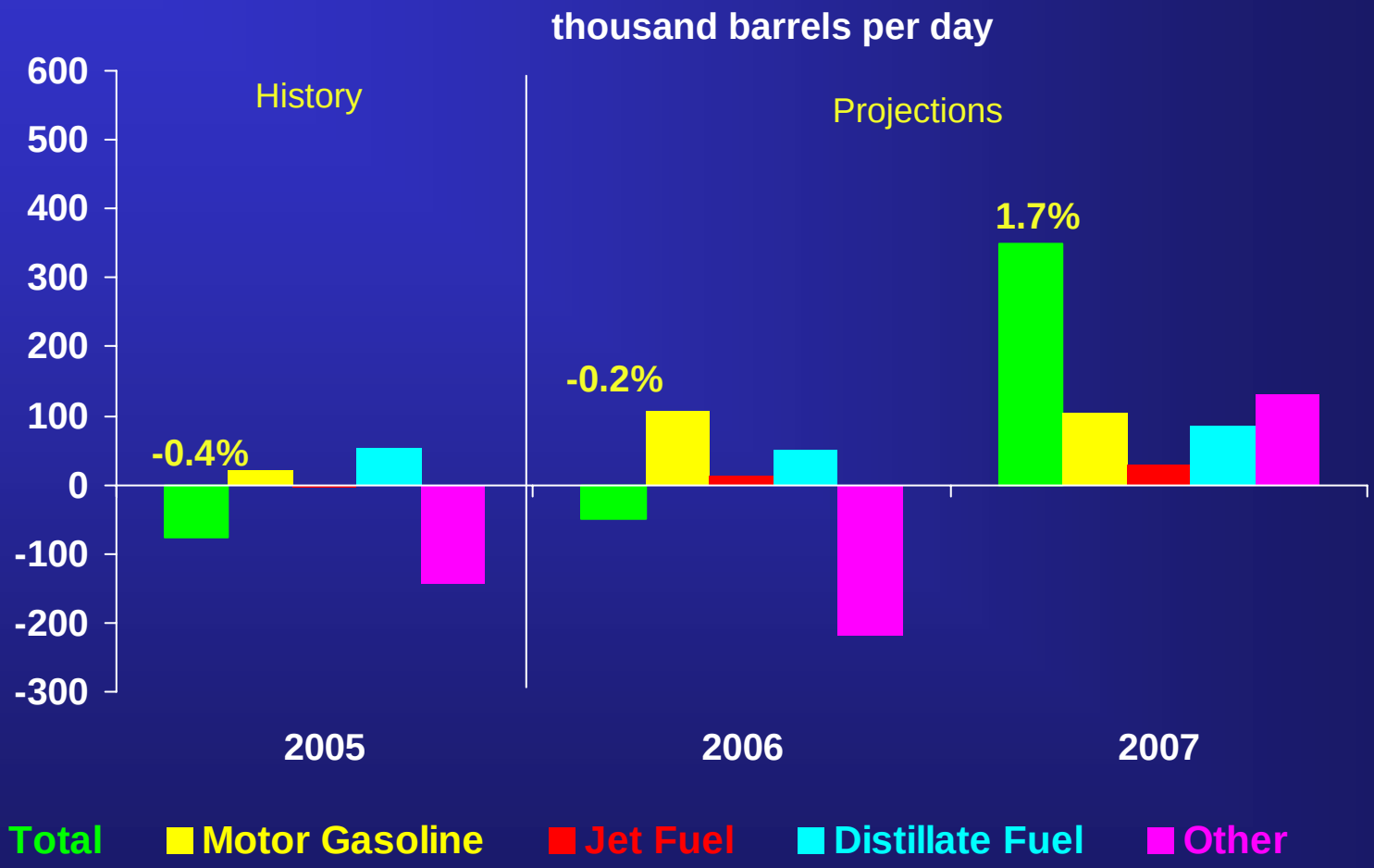
NOAA

World oil consumption growth is expected to remain strong



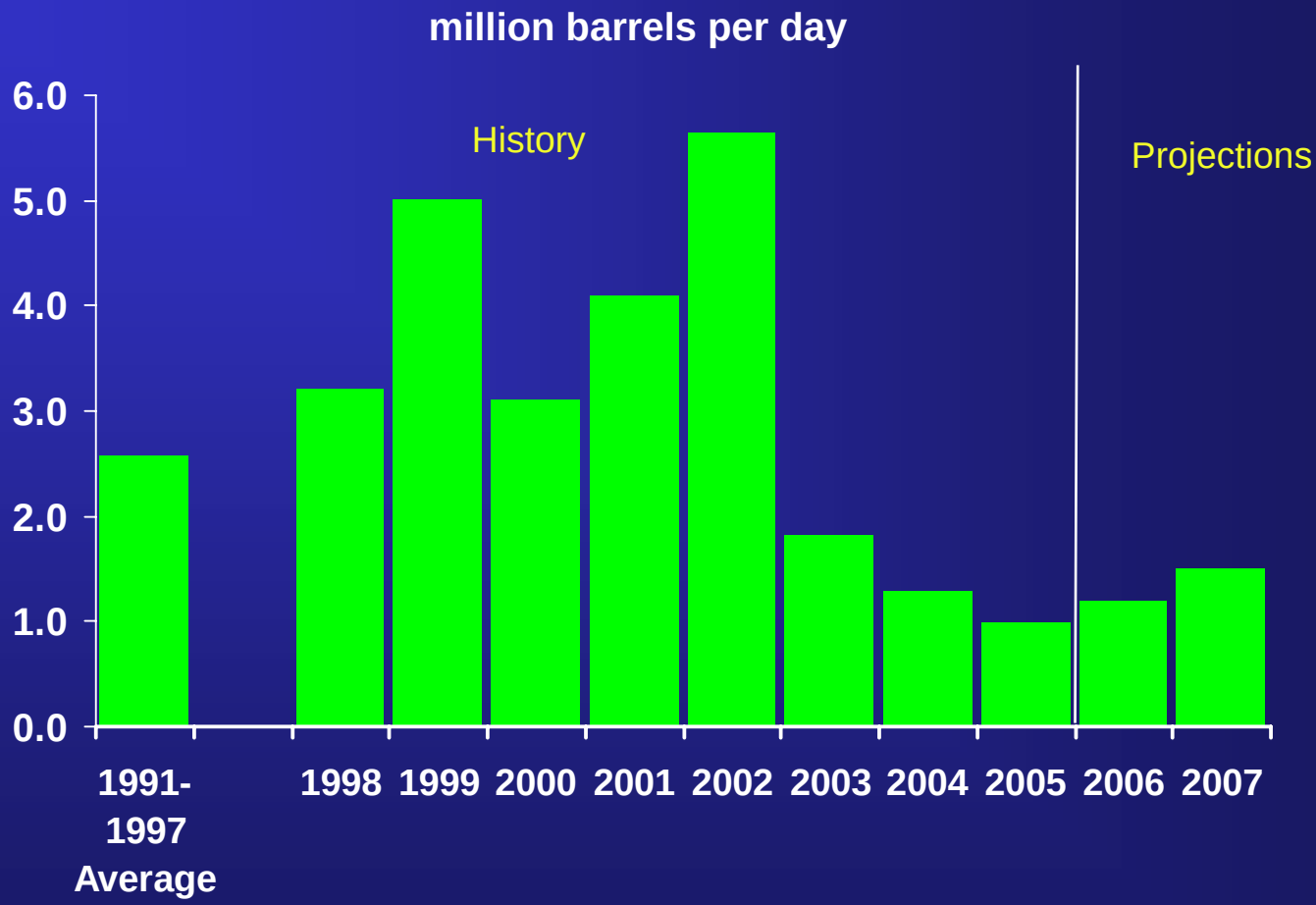
Short-Term Energy Outlook, October 2006

Growth in U.S. petroleum products consumption is expected to be strong in 2007



Short-Term Energy Outlook, October 2006

World oil surplus production capacity is expected to increase slightly but remain at a low level



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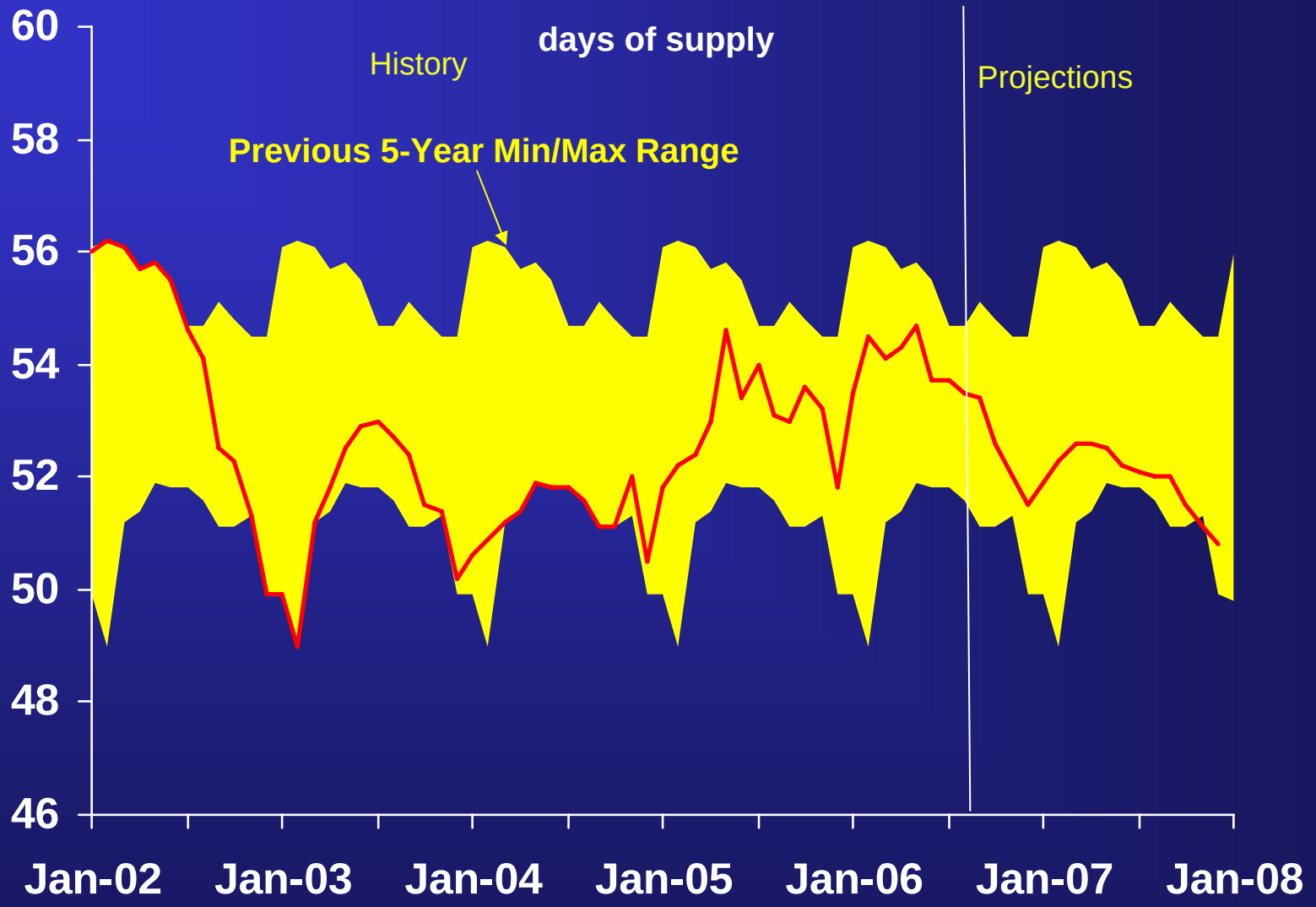
OECD commercial oil stocks are expected to tighten



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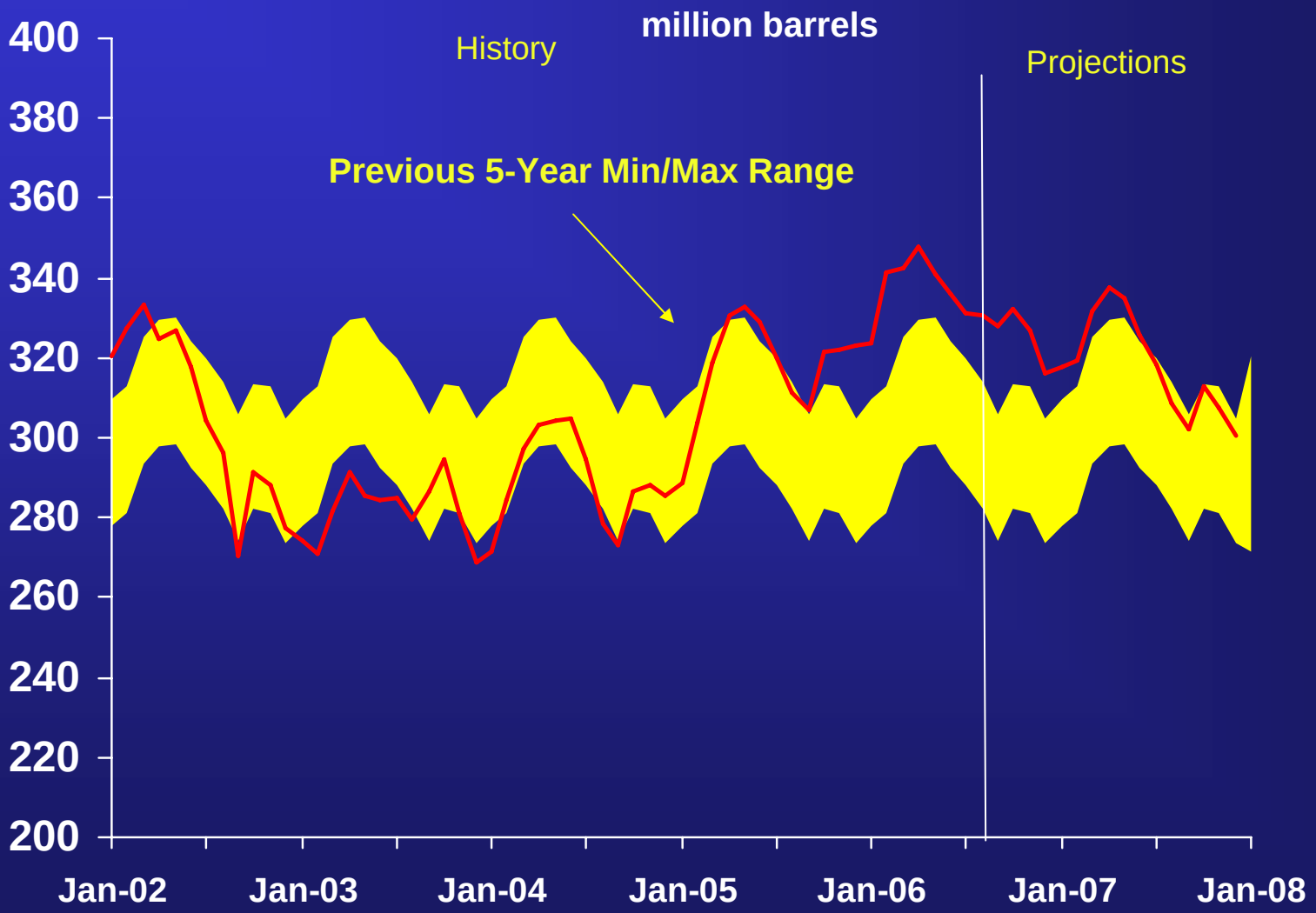
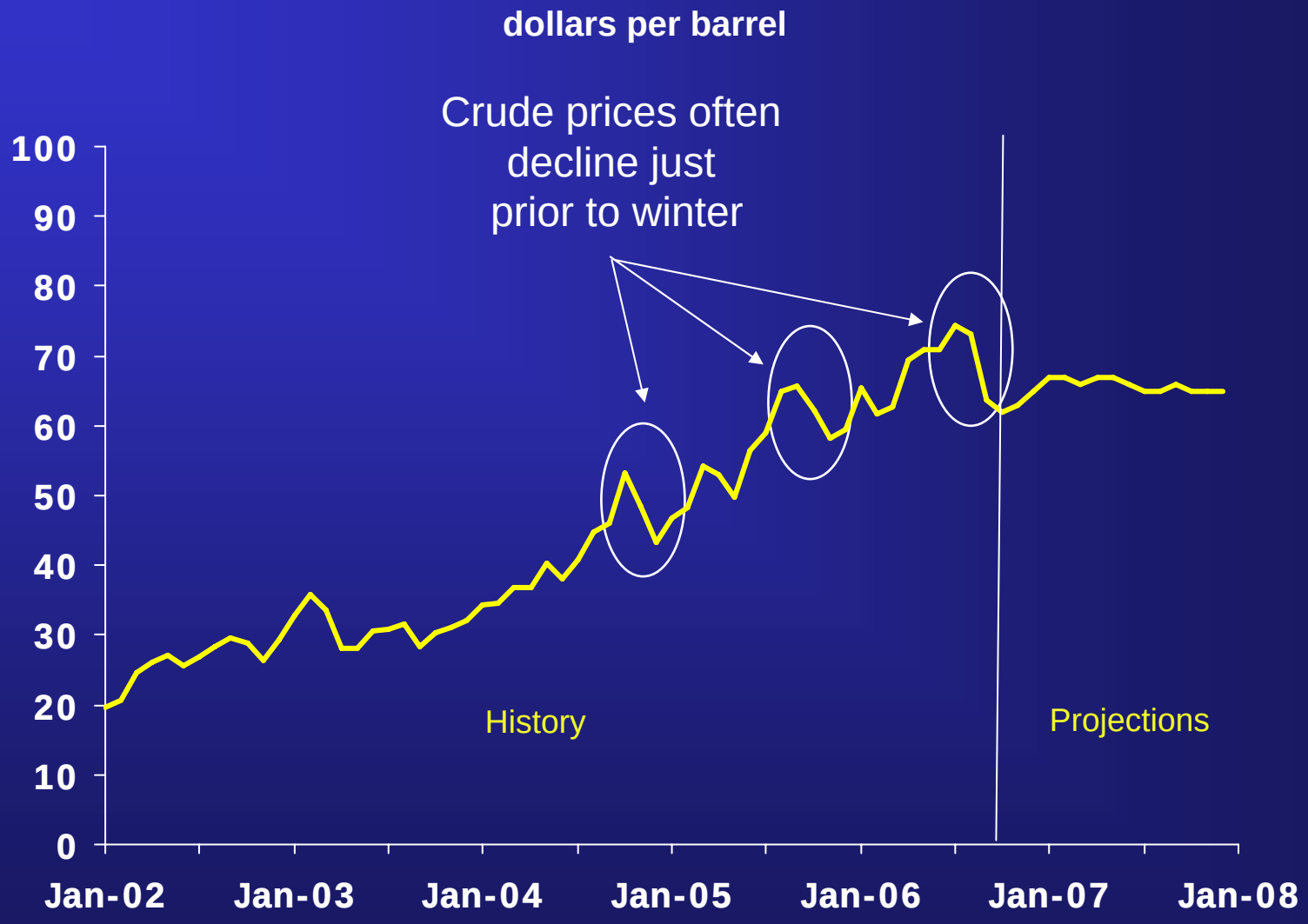
U.S. crude oil stocks are at very high levels



Short-Term Energy Outlook, October 2006

Recently declining crude prices are projected to increase during winter, but not to last winter's highs



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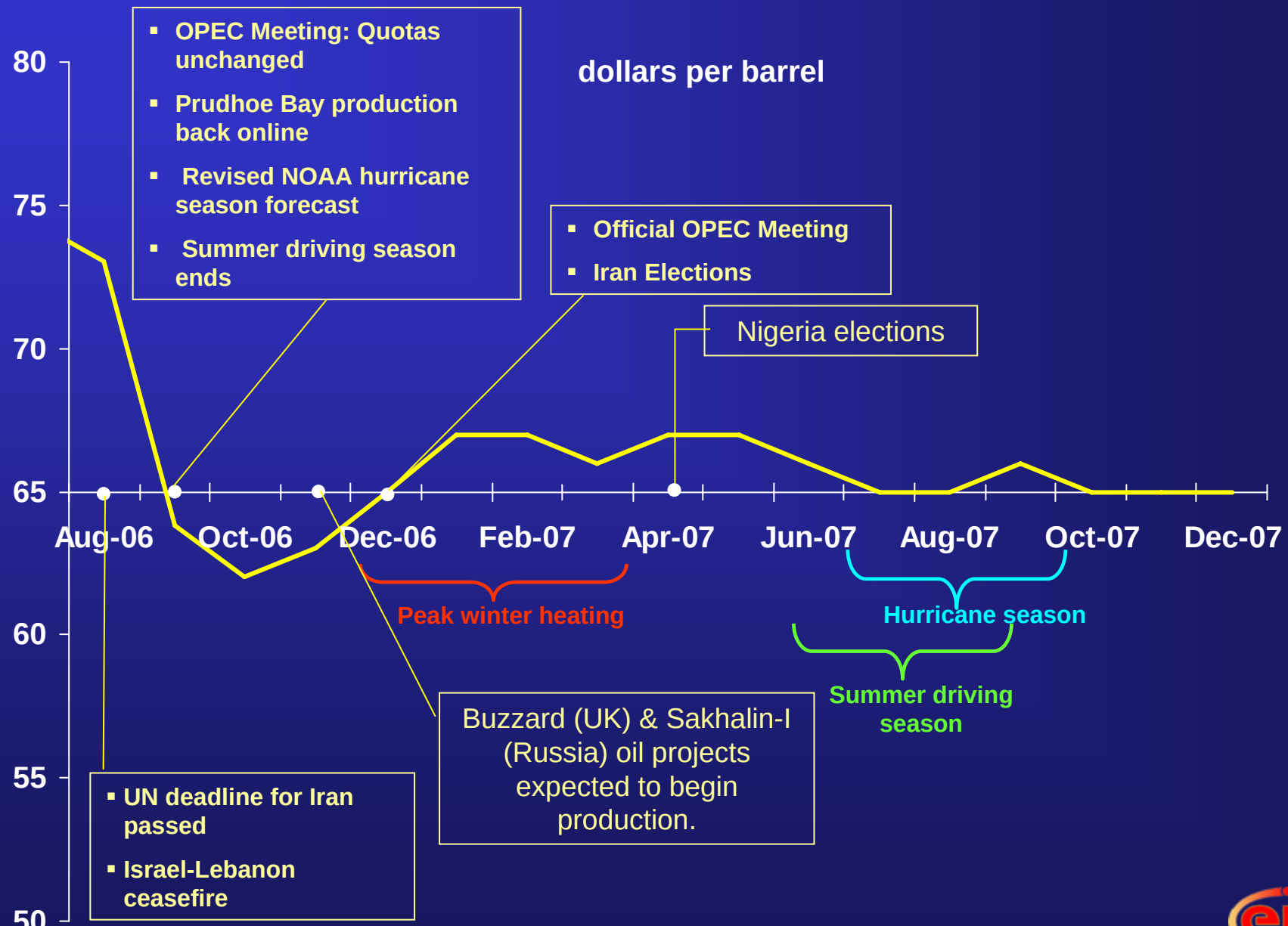
Many factors may affect oil prices in upcoming months



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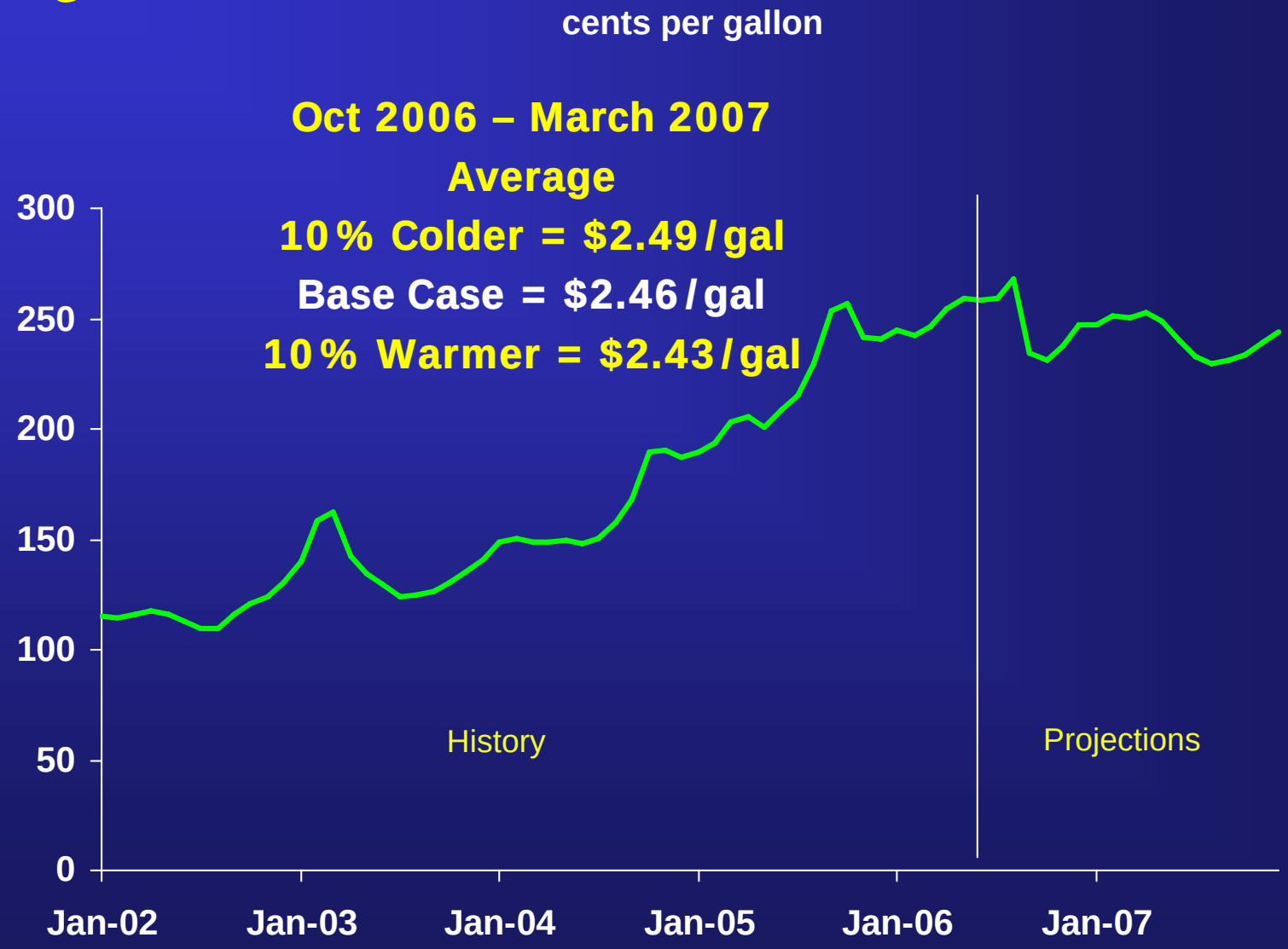
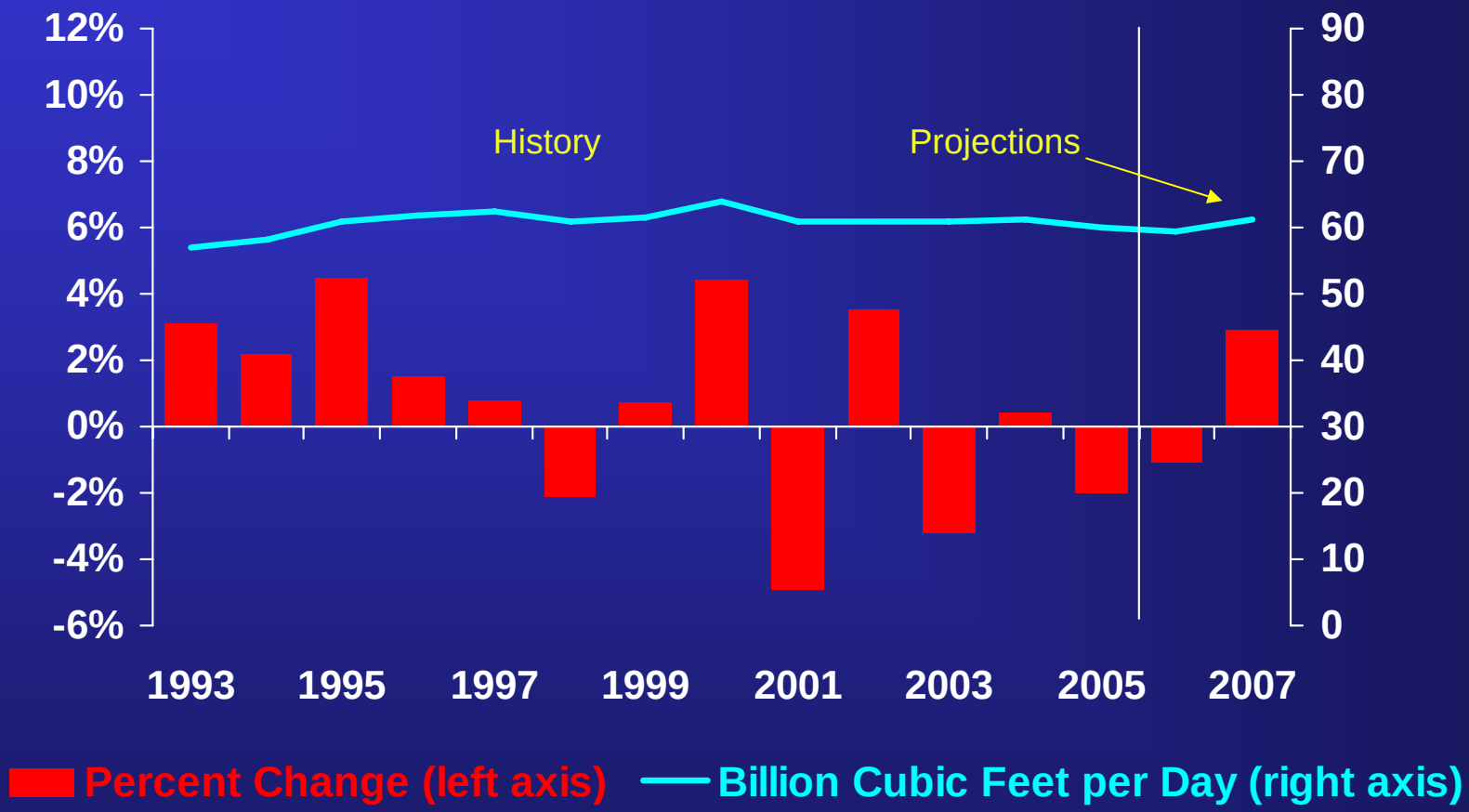
Retail heating oil prices are projected to show little change from last winter



Short-Term Energy Outlook, October 2006

U.S. natural gas consumption growth is expected to resume



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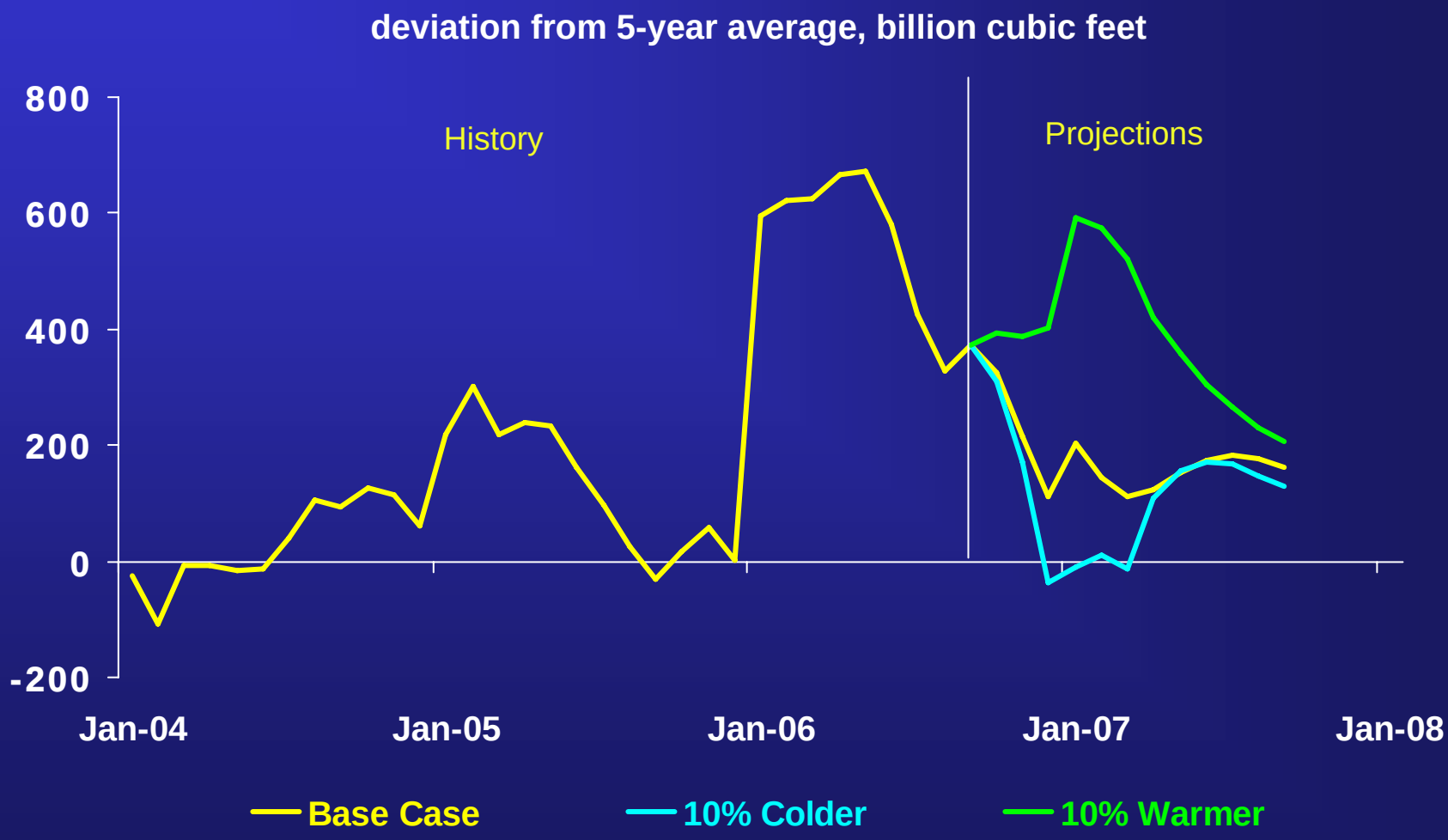
U.S. natural gas in storage is projected to remain above historical averages, even in cold weather case

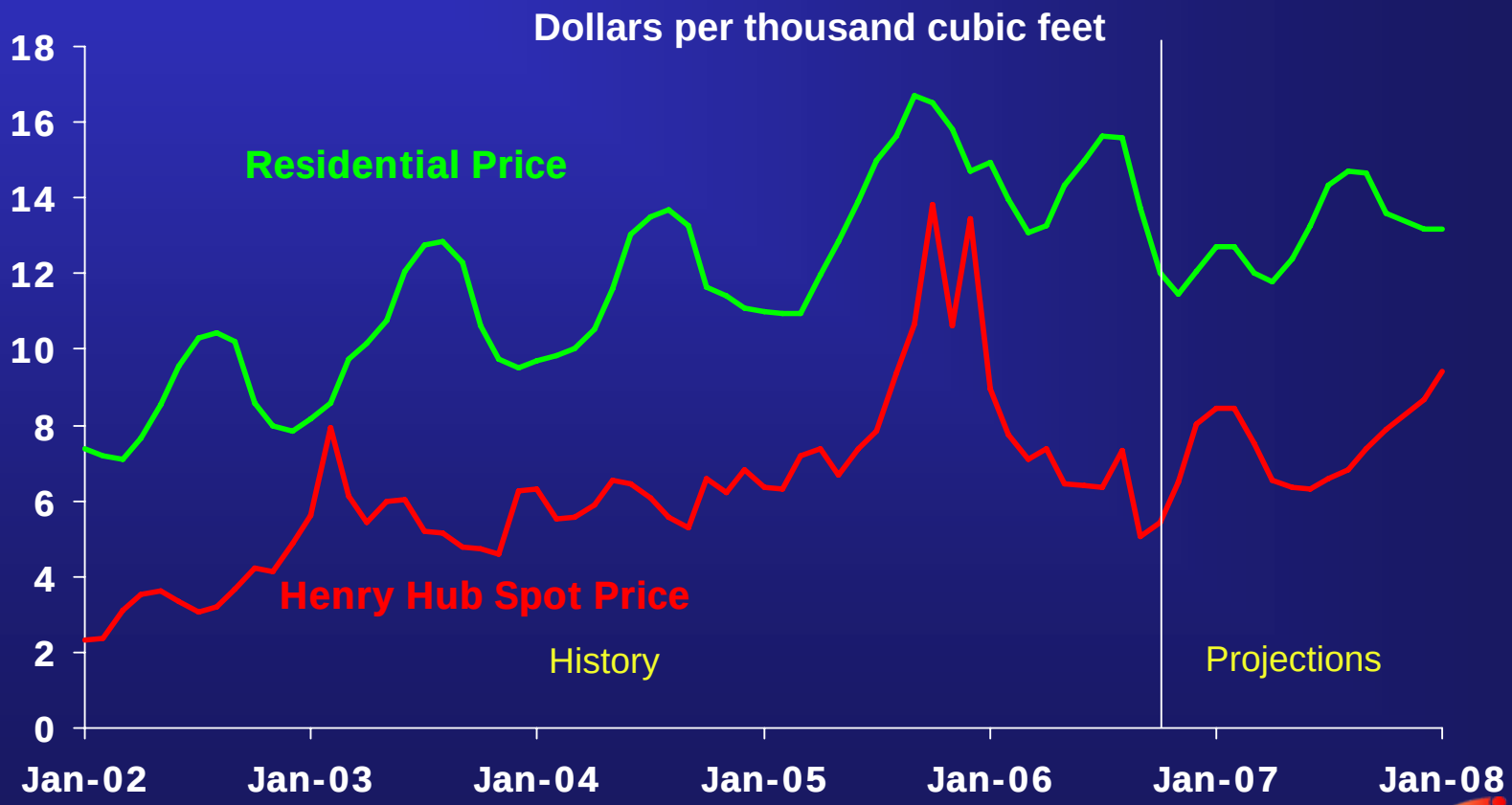


Short-Term Energy Outlook, October 2006

Natural gas prices are expected to be significantly lower than last winter

Henry Hub Spot Price
10% Colder = $8.97/mcf
Base Case = $7.39/mcf
10% Warmer = $5.89/mcf

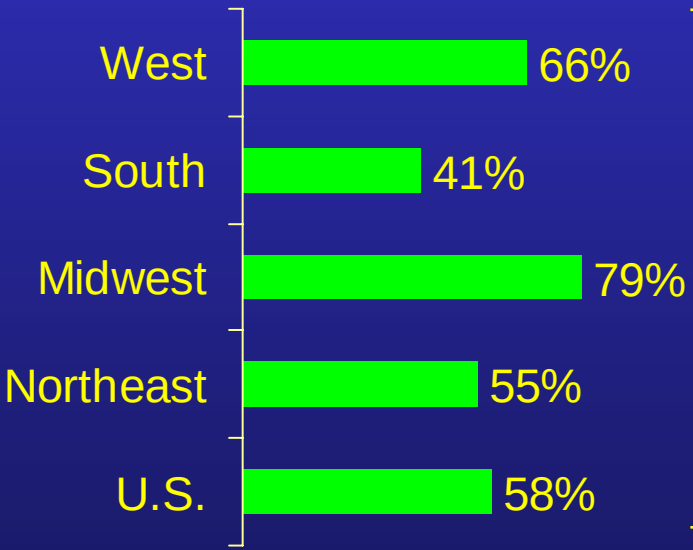
Residential Price
10% Colder = $13.05/mcf
Base Case = $12.23/mcf
10% Warmer = $11.46/mcf



Short-Term Energy Outlook, October 2006

Natural gas heating bills are projected to be lower for all regions this winter

Households using natural gas as primary heating fuel



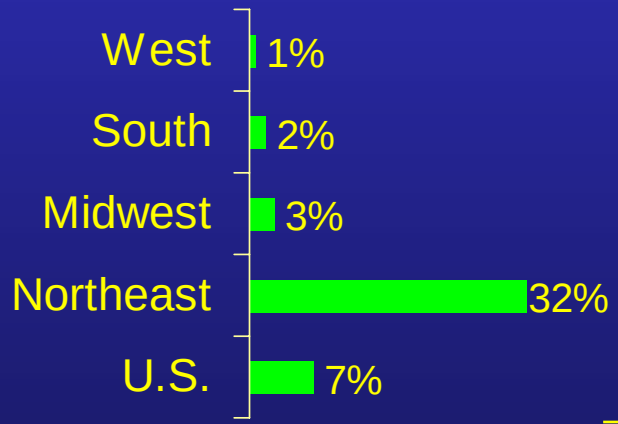
Percent Change from Last Winter (Projected)

	Consumption	Average Price	Total Expenditures
West	+ 2 %	- 12 %	- 10 %
South	+ 6 %	- 19 %	- 14 %
Midwest	+ 4 %	- 18 %	- 14 %
Northeast	+ 7 %	- 15 %	- 10 %
U.S. Average	+ 5 %	- 16 %	- 13 %

Short-Term Energy Outlook, October 2006

Winter heating oil expenditures projected to increase for all regions

Households using heating oil as primary heating fuel

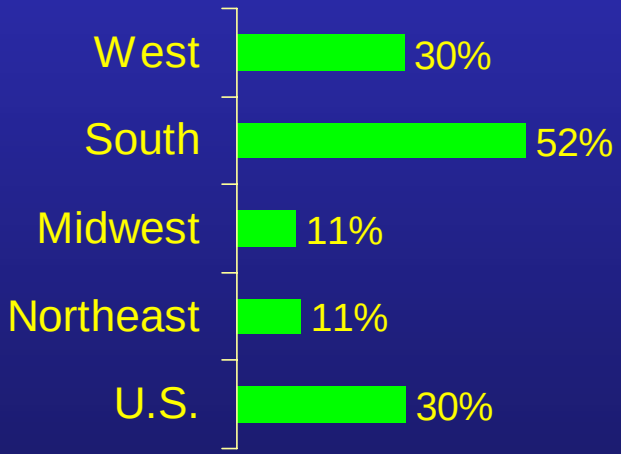


Percent Change from Last Winter (Projected)

	Consumption	Average Price	Total Expenditures
West	+ 2 %	- 2 %	+ 0 %
South	+ 4 %	+ 0 %	+ 5 %
Midwest	+ 5 %	+ 0 %	+ 6 %
Northeast	+ 6 %	+ 1 %	+ 7 %
U.S. Average	+ 6 %	+ 0 %	+ 6 %

Winter electricity expenditures are projected to increase for all regions

Households using electricity as primary heating fuel



Percent Change from Last Winter (Projected)

	Consumption	Average Price	Total Expenditures
West	+ 1 %	+ 10 %	+ 11 %
South	+ 3 %	+ 3 %	+ 6 %
Midwest	+ 3 %	+ 5 %	+ 8 %
Northeast	+ 5 %	+ 5 %	+ 10 %
U.S. Average	+ 3 %	+ 5 %	+ 7 %

Short-Term Energy Outlook, October 2006

Average winter fuel expenditures are expected to be lower for natural gas and propane than last year, slightly higher for heating oil and electricity

Fuel	% Change from last Winter		
	Base Case	If 10% Warmer than forecast	If 10% Colder than forecast
Natural Gas			
Price	**-16.4**	-21.7	-10.8
Expenditures	**-12.5**	-25.0	1.2
Heating Oil			
Price	**0.4**	-0.9	1.7
Expenditures	**6.3**	-4.4	17.3
Propane			
Price	**-5.3**	-8.6	-1.6
Expenditures	**-1.1**	-12.6	11.5
Electricity			
Price	**4.6**	4.3	4.9
Expenditures	**7.4**	1.8	12.9
Average Expenditures	**-4.8**	-15.3	6.5

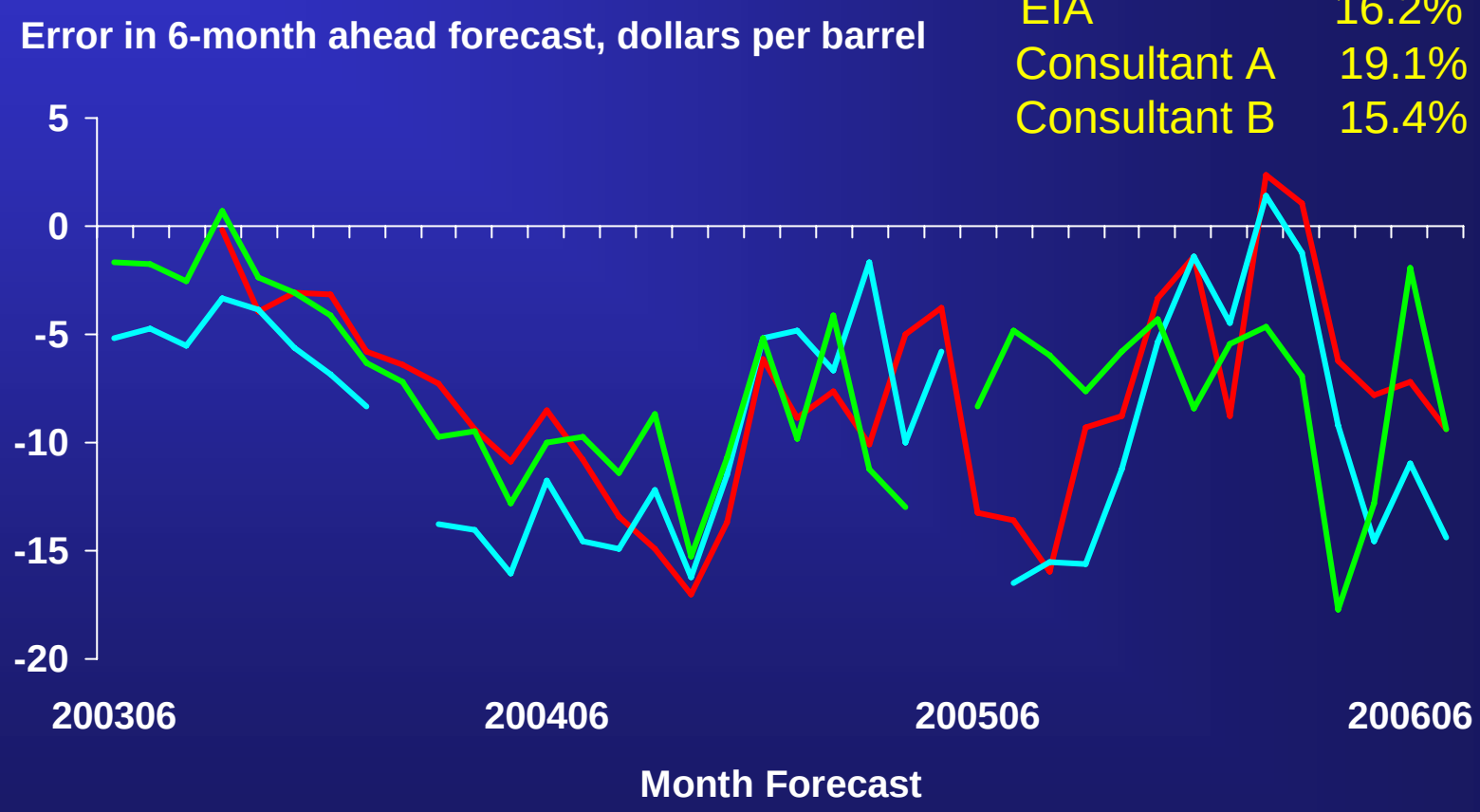
Winter = October 1 through March 31. Expenditures are based on typical per household consumption adjusted for weather. Warmer and colder cases represent 10% decrease or 10% increase in heating degree-days.

Short-Term Energy Outlook, October 2006

EIA, like most forecasters, has underpredicted oil prices during the last 3 years

Mean Average Percent Error

EIA	16.2%
Consultant A	19.1%
Consultant B	15.4%



The Outlook Shows …

- The average U.S. household will pay about $45 less for heating this winter.
- Lower expenditures are driven by lower prices for natural gas which offset the expected increase in consumption brought about by the projected colder weather.
- Under the baseline forecast, natural gas expenditures could be about $119, or 13 percent, lower for the average U.S. household this winter.
- Heating oil expenditures are projected to be about $91, 6 percent, higher for the average U.S. household this winter. Electricity expenditures are forecasted to be $58, 7 percent, higher the average U.S. household this winter.
- A colder winter could substantially raise estimated expenditure increases.

Periodic Reports

Petroleum Status and Natural Gas Storage Reports, weekly

Short-Term Energy Outlook, monthly

Annual Energy Outlook 2006, February 2006

next reference case, November 2006

International Energy Outlook 2006, June 2006

Examples of Special Analyses

"Economic Effects of High Oil Prices," *Annual Energy Outlook 2006*

Analysis of Oil and Gas Production in the Arctic National Wildlife Refuge, March 2004

The Global Liquefied Natural Gas Market: Status and Outlook, December 2003

"Restricted Natural Gas Supply Case," *Annual Energy Outlook 2005*

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