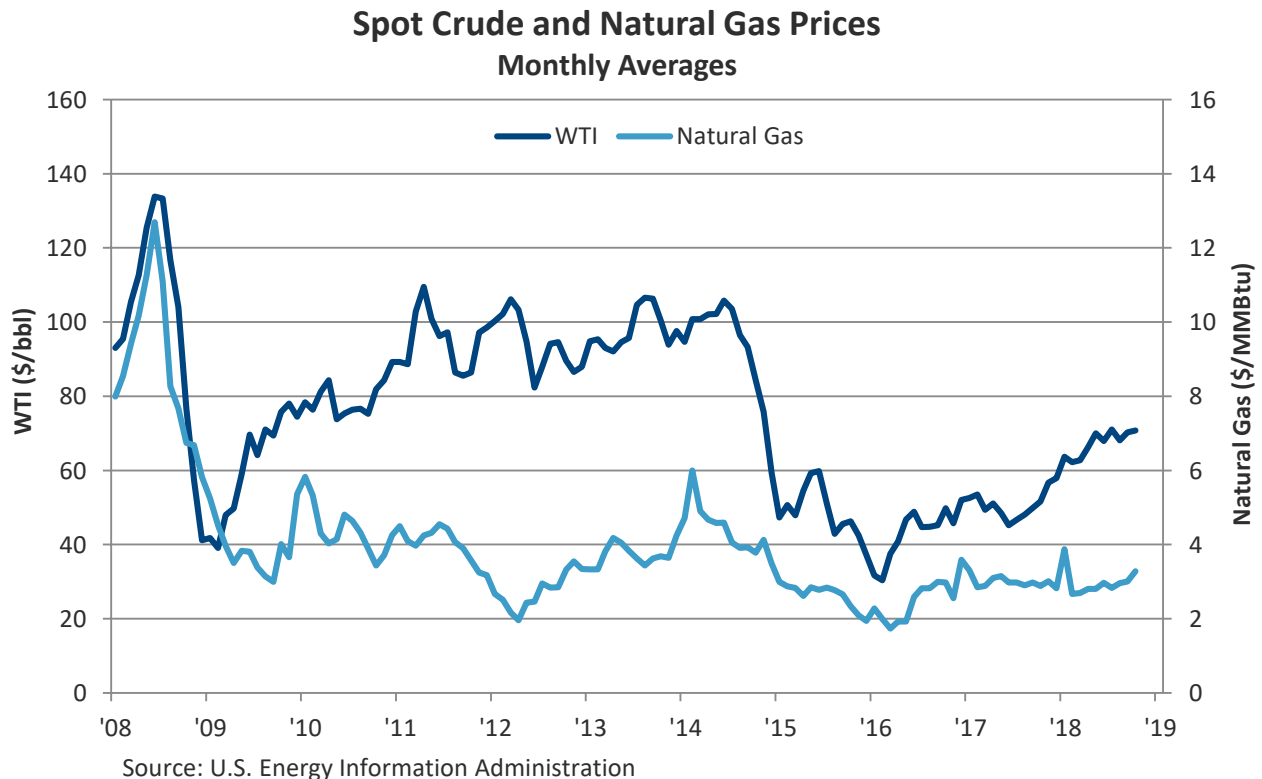


Oil and Natural Gas Prices

Oil prices rose in '18 but remain well below their recent peak.



- The closing spot price for a barrel of West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, averaged \$67.32 per barrel through the first 10 months of '18, a 36.0 percent increase from \$49.51 for the same span in '17. The weekly WTI spot price fell from \$105.78 in June '14 to \$30.19 in February '16, a 71.5 percent decline. Prices rose slightly in '17, hovering near \$50 for much of the year.
- Natural gas prices averaged \$3.01 per million British thermal units (MMBtu) through the first 10 months of '18, compared to \$3.00 for the same period in '17. During the downturn, the spot price for natural gas followed that of oil, falling from a peak of \$6.00 per MMBtu in February '14 to \$1.70 in March '16. Natural-gas prices remained steady over '17, despite a dip earlier in the year, averaging \$2.99 per MMBtu.
- In its November *Short-Term Energy Outlook*, the U.S. Energy Information Administration forecasts WTI spot prices to average \$64.85 in '19. Henry Hub natural gas spot prices are projected to average \$2.98 in '19.
- Gulf Coast petrochemical manufacturers, unlike their counterparts elsewhere, rely heavily on natural gas as a feedstock. As a rule of thumb, Gulf Coast plants can compete on the world market so long as the ratio of oil price to gas price exceeds 6. The ratio is expected to stay above that level over the next several decades. As a result, U.S. and foreign companies have announced a major expansion of chemical plants. Since '10, the American Chemistry Council has identified 333 chemical industry investment projects valued at \$202.4 billion that have been publicly announced; more than \$60 billion will be spent on projects in the Houston area.