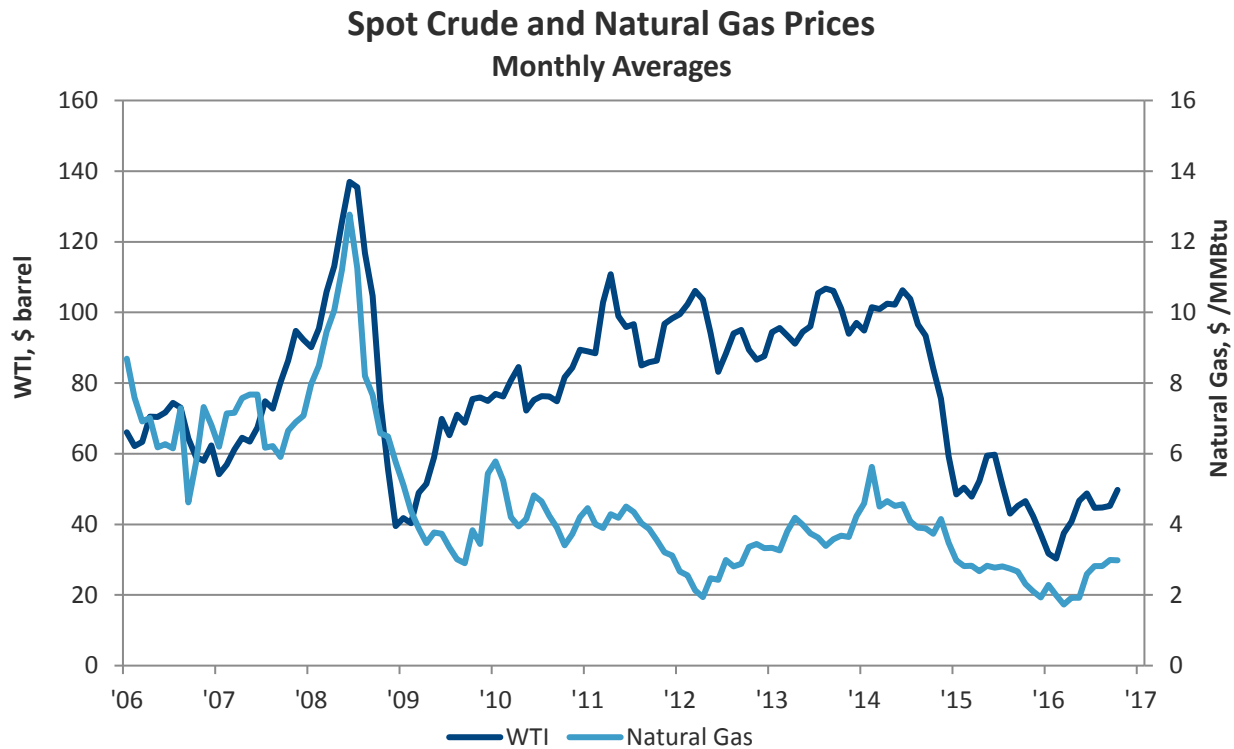


Oil and Natural Gas Prices

Oil prices began to recover in early '16 but remain well below their recent peak.



- The spot market closing price for a barrel of West Texas Intermediate (WTI), the benchmark U.S. light crude oil, fell from \$108 in June '14 to \$26 in February '16, a 76 percent decline. WTI briefly reached \$50 a barrel in October on news of an OPEC production agreement, but prices retreated to the mid-\$40s as hopes of a freeze faded.
- The spot price for natural gas followed that of oil, falling from its recent peak of \$5.63 per million British thermal units (MMBtu) in February '14 to \$1.73 in January '16. Natural gas prices averaged \$2.98 in October '16.
- In its November *Short-Term Energy Outlook*, the U.S. Energy Information Administration forecasts WTI spot prices to average \$49.91 in '17. Henry Hub natural gas spot prices are projected to average \$3.12 in 2017.
- Gulf Coast petrochemicals manufacturers, unlike many of 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. The American Chemistry Council has identified 264 chemical industry investment projects valued at \$164 billion that have been publicly announced; more than \$50 billion will be spent on projects in the Houston area.