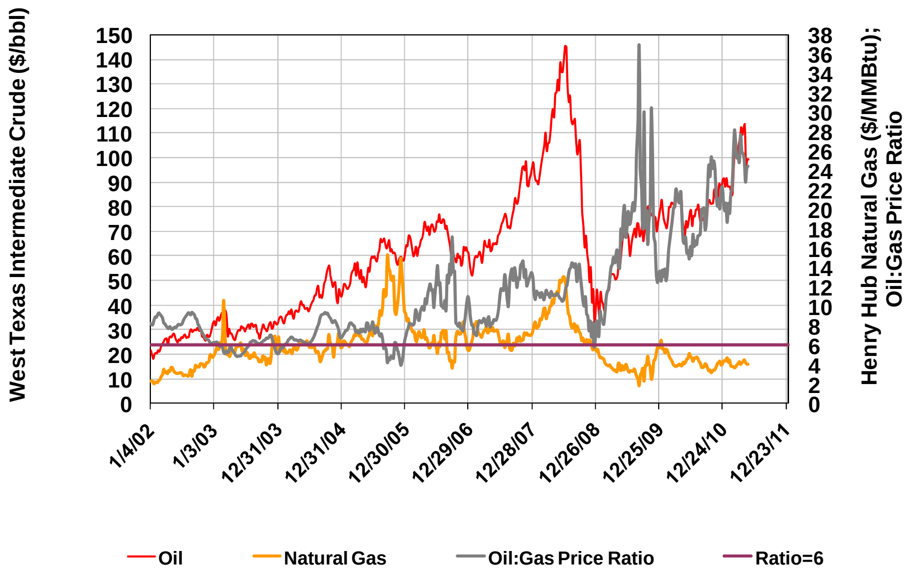
Oil and Gas Prices

Oil prices have rebounded, but natural gas prices remain low.

Spot Market Crude Oil and Natural Gas Prices



Source: U.S. Energy Information Administration

DATA

- The Friday spot market closing price for a barrel of West Texas Intermediate, the benchmark U.S. light crude oil, rose from $56 at the beginning of ’07 to more than $147 in July ’08 before plunging below $40 in late ’08 and early ’09. It has since rebounded to the vicinity of $100.
- The spot price for natural gas followed that of oil, peaking above $13 per MMBtu in June ’08, and then falling to $4 in ’09. Natural gas prices rebounded to $5 in early ’10, before trending downward again. Prices have averaged $4 per MMBtu since March ’11.
- In its May Short-Term Energy Outlook, EIA expects oil markets to tighten through ’12. The forecast is based on growth in world oil demand and slowing in supply from countries outside the Organization of the Petroleum Exporting Countries (OPEC). EIA forecasts WTI spot prices to average $103 per barrel in 2011 and $107 per barrel in 2012. WTI averaged 61.65 a barrel in ’09 and $79.40 a barrel in ’10. EIA projects Henry Hub natural gas spot prices to average $4.24 per million British thermal units (MMBtu) in 2011, $0.15 per MMBtu lower than the 2010 average. EIA expects the natural gas market to begin tightening in 2012, with the Henry Hub spot price increasing to an average of $4.65 per MMBtu.
- 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. Over the past decade, as the graph shows, seldom has the ratio fallen below that level for an extended period. That competitive advantage doesn’t help, though, when demand for petrochemicals is weak.