

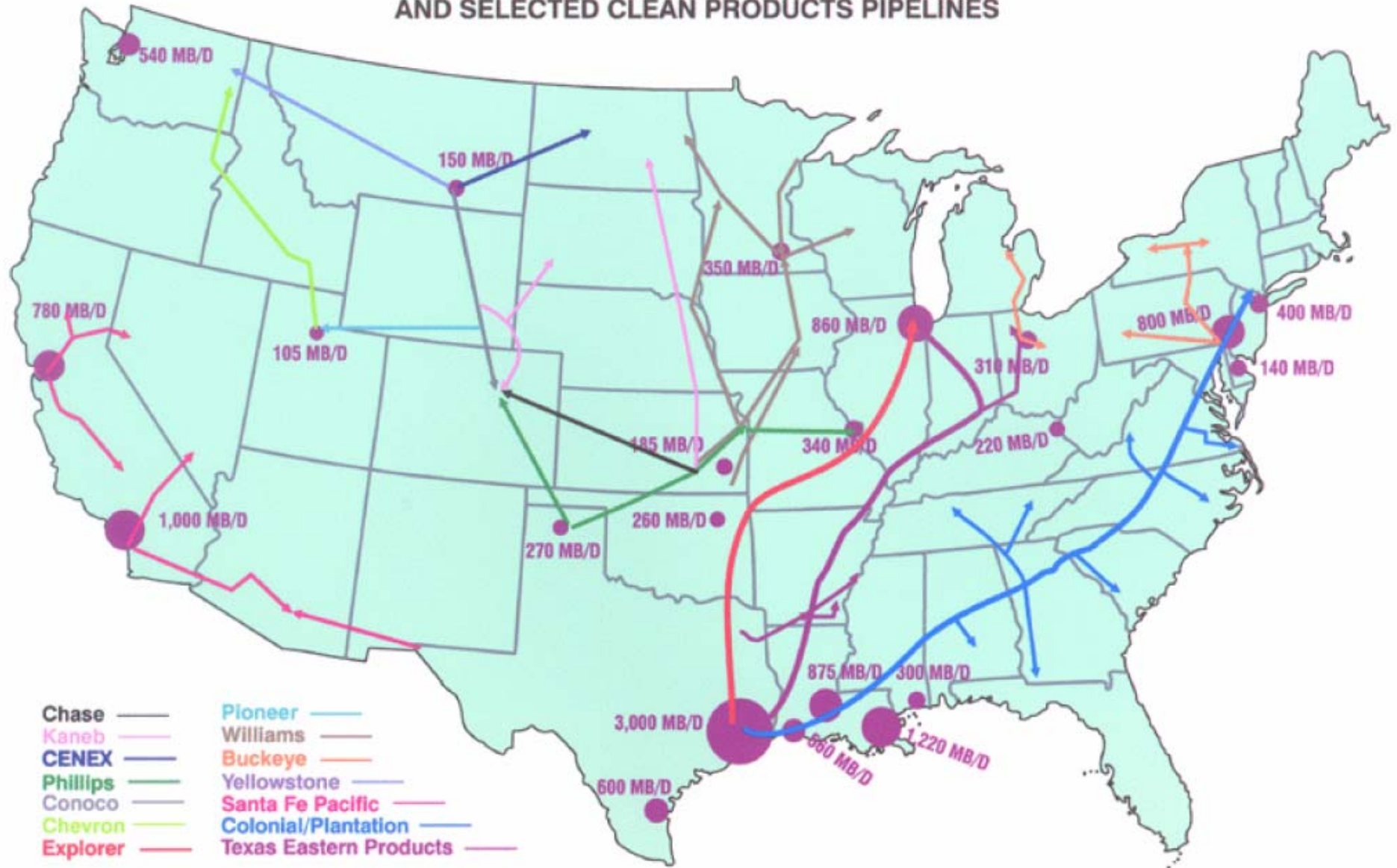
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October 2006



Fuel Saving Tips

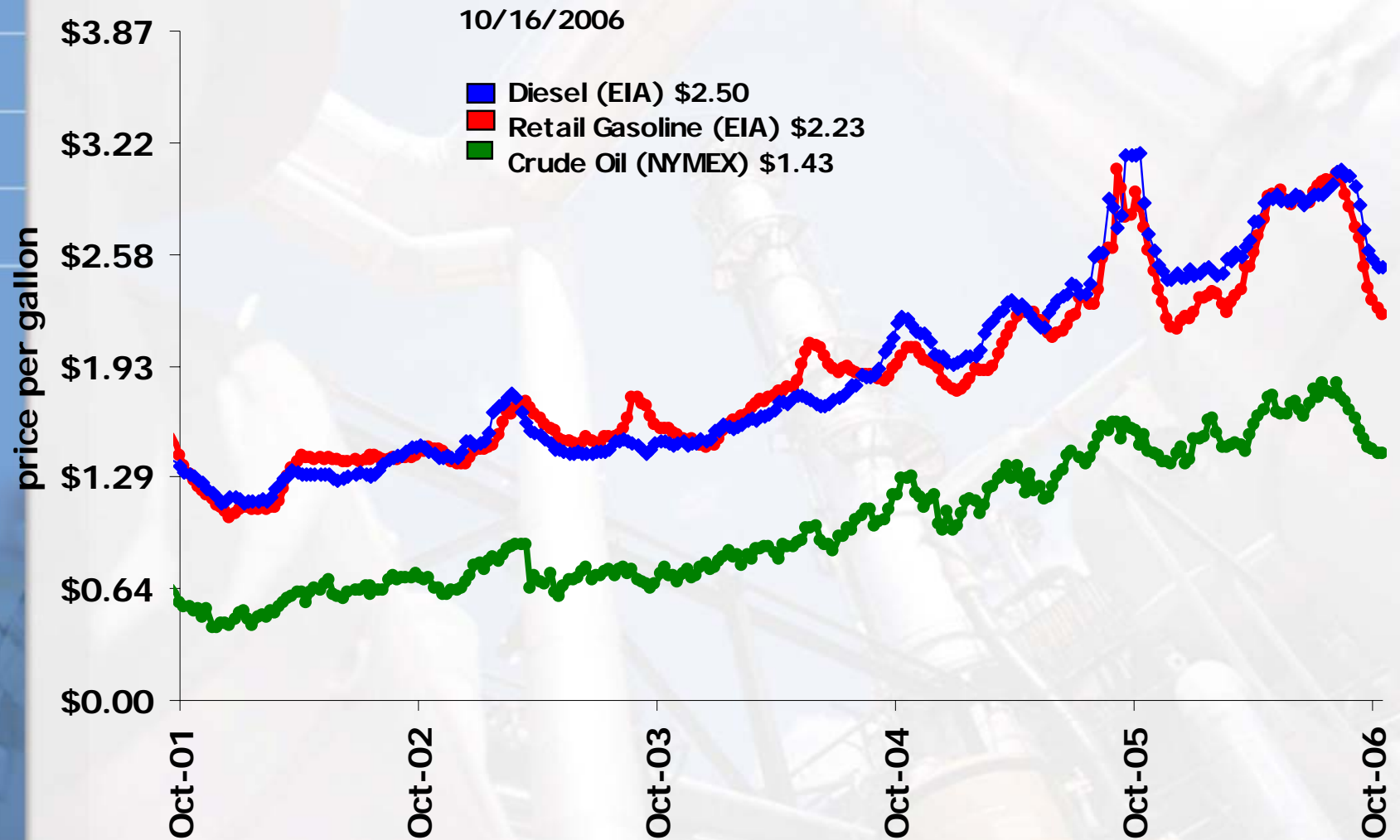
Learn more about energy efficiency

UNITED STATES REFINING CENTERS (1) AND SELECTED CLEAN PRODUCTS PIPELINES



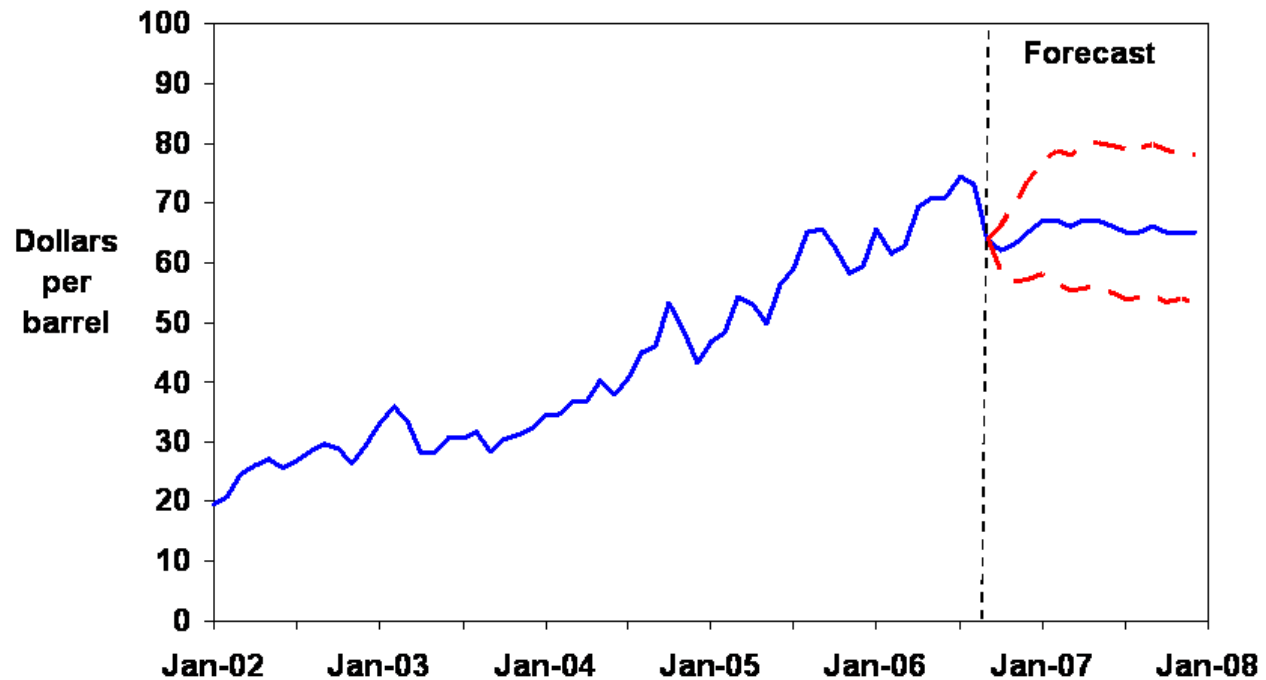
(1) Based on Crude Capacity from 12/21/98 Oil & Gas Journal.

Diesel, gasoline & crude oil prices



EIA Crude Oil Price Forecast (Base Case and 95% Confidence Interval) – October 2006

West Texas Intermediate Crude Oil Price
(Base Case and 95% Confidence Interval*)

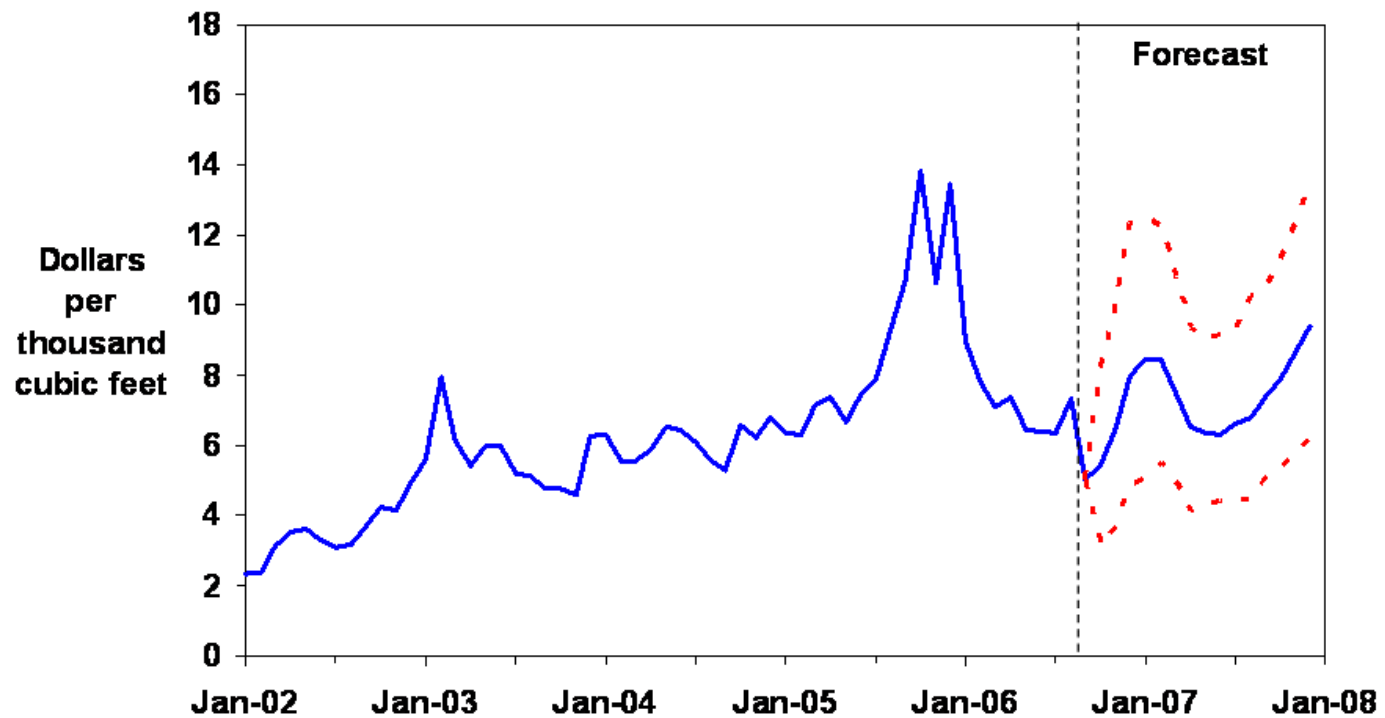


*The confidence intervals show +/- 2 standard errors based on the properties of the model.

Short-Term Energy Outlook, October 2006

EIA Natural Gas Price Forecast (Base Case and 95% Confidence Interval) – October 2006

Natural Gas Henry Hub Spot Prices
(Base Case and 95% Confidence Interval*)



*The confidence intervals show +/- 2 standard errors based on the properties of the model.

EIA Price Forecast October 2006

	Year				Percent Change		
	2004	2005	2006	2007	04-05	05-06	06-07
WTI Crude ^a (\$/barrel)	41.44	56.49	66.86	65.92	36.3	18.3	-1.4
Gasoline ^b (\$/gal)	1.85	2.27	2.58	2.51	22.7	13.6	-2.4
Diesel ^c (\$/gal)	1.81	2.41	2.73	2.66	33.0	13.2	-2.4
Heating Oil ^d (\$/gal)	1.54	2.04	2.34	2.33	32.5	14.6	-0.3
Natural Gas ^d (\$/mcf)	10.75	12.81	13.43	12.83	19.2	4.9	-4.5

^a West Texas Intermediate. ^b Average regular pump price.

^c On-highway retail.

^d Residential average.

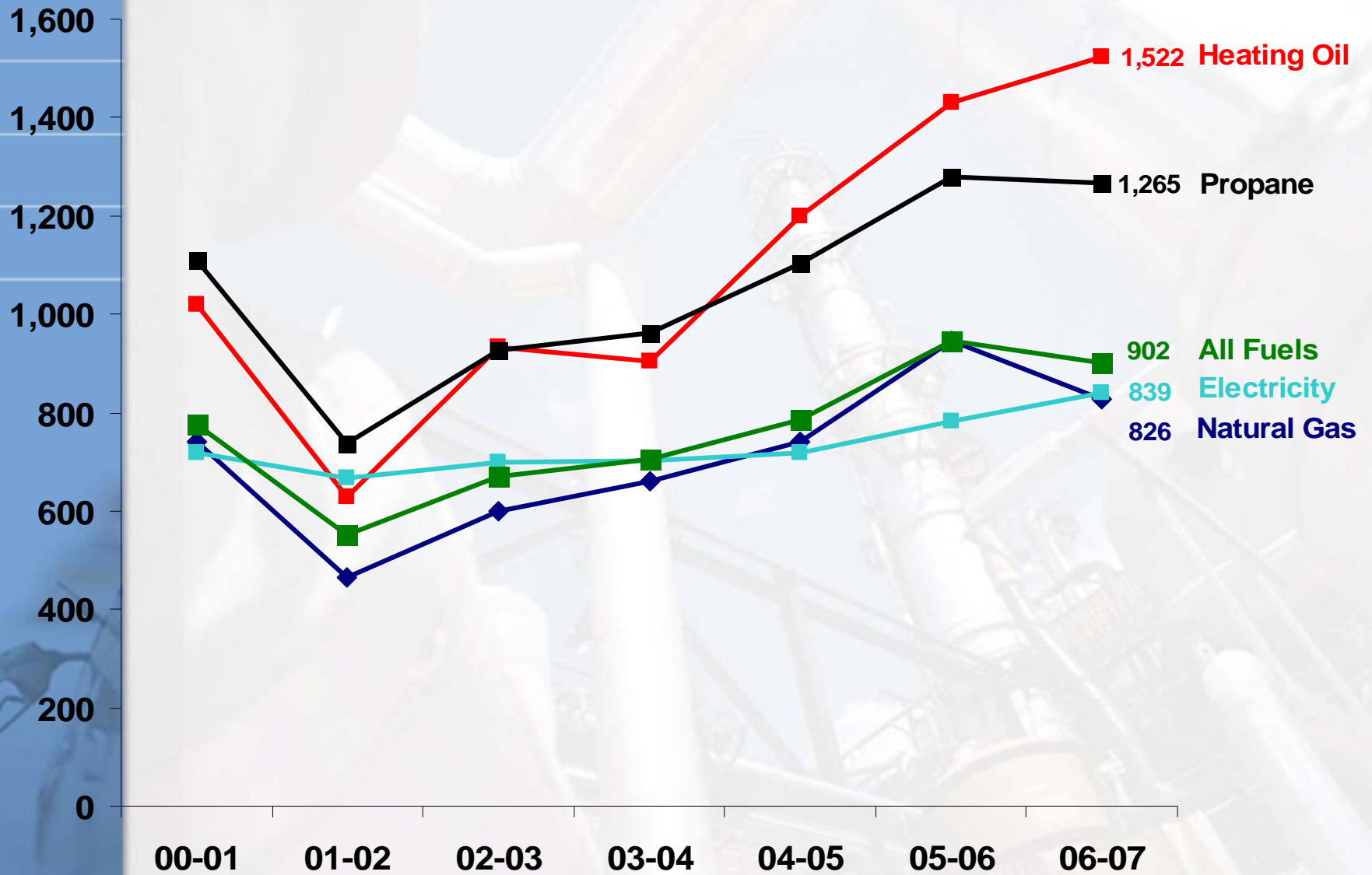
U.S. average winter fuel expenditures are expected to be lower for natural gas and propane than last year, slightly higher for heating oil and electricity.

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, respectively.

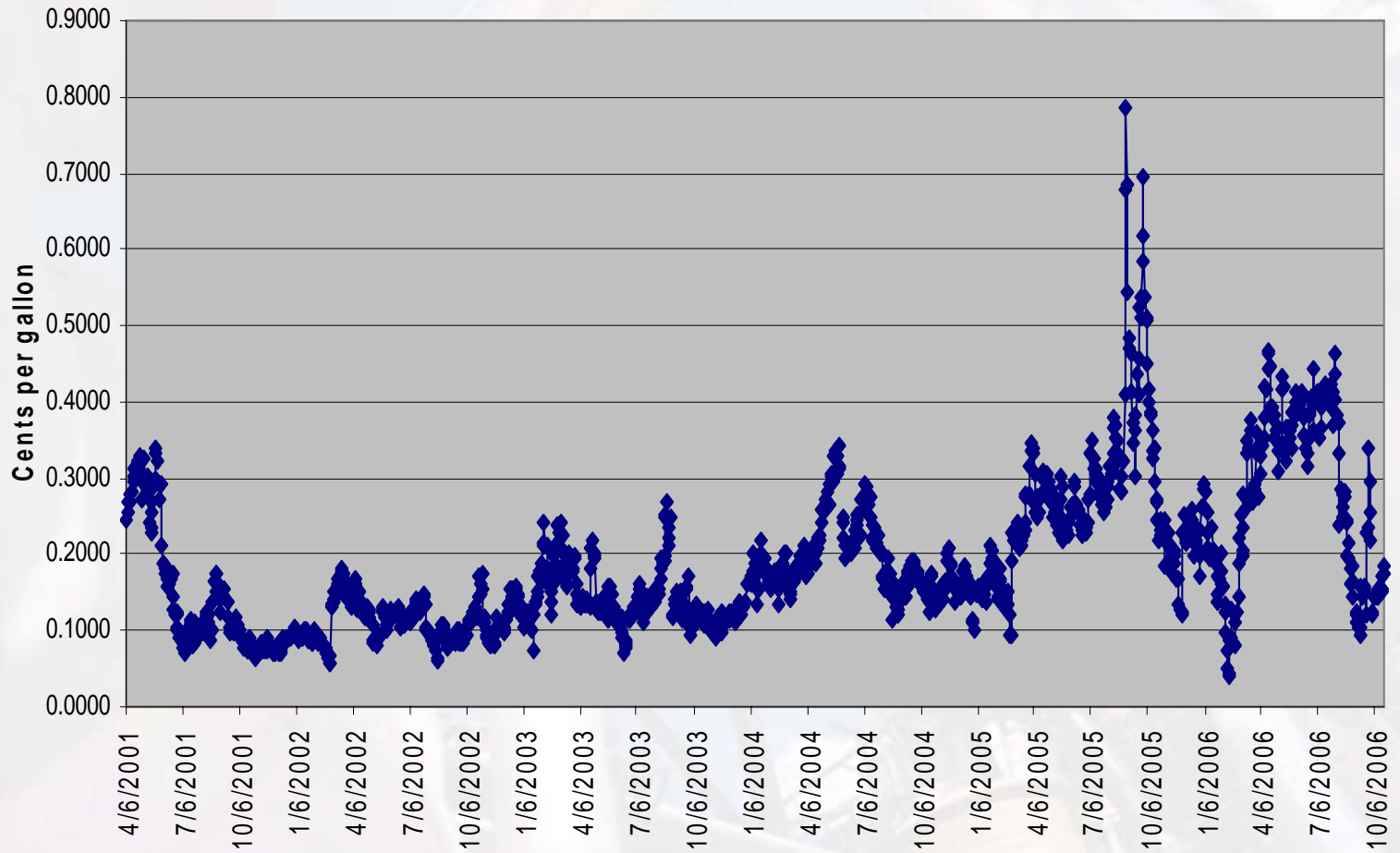
Heating Bills 2006-2007

EIA October 2006



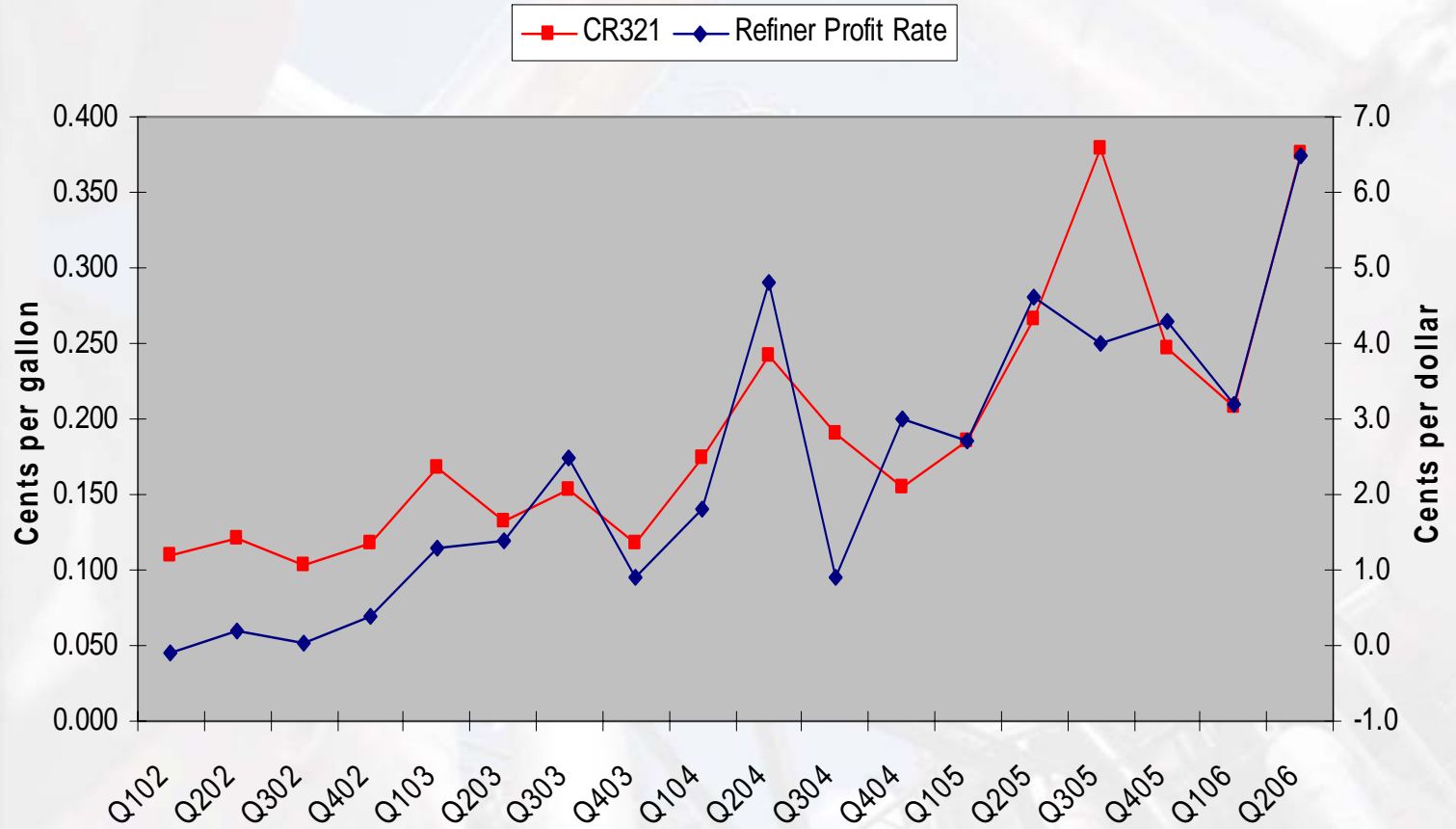
Apparent 321 Spread

Apparent 321 Spread - NYMEX

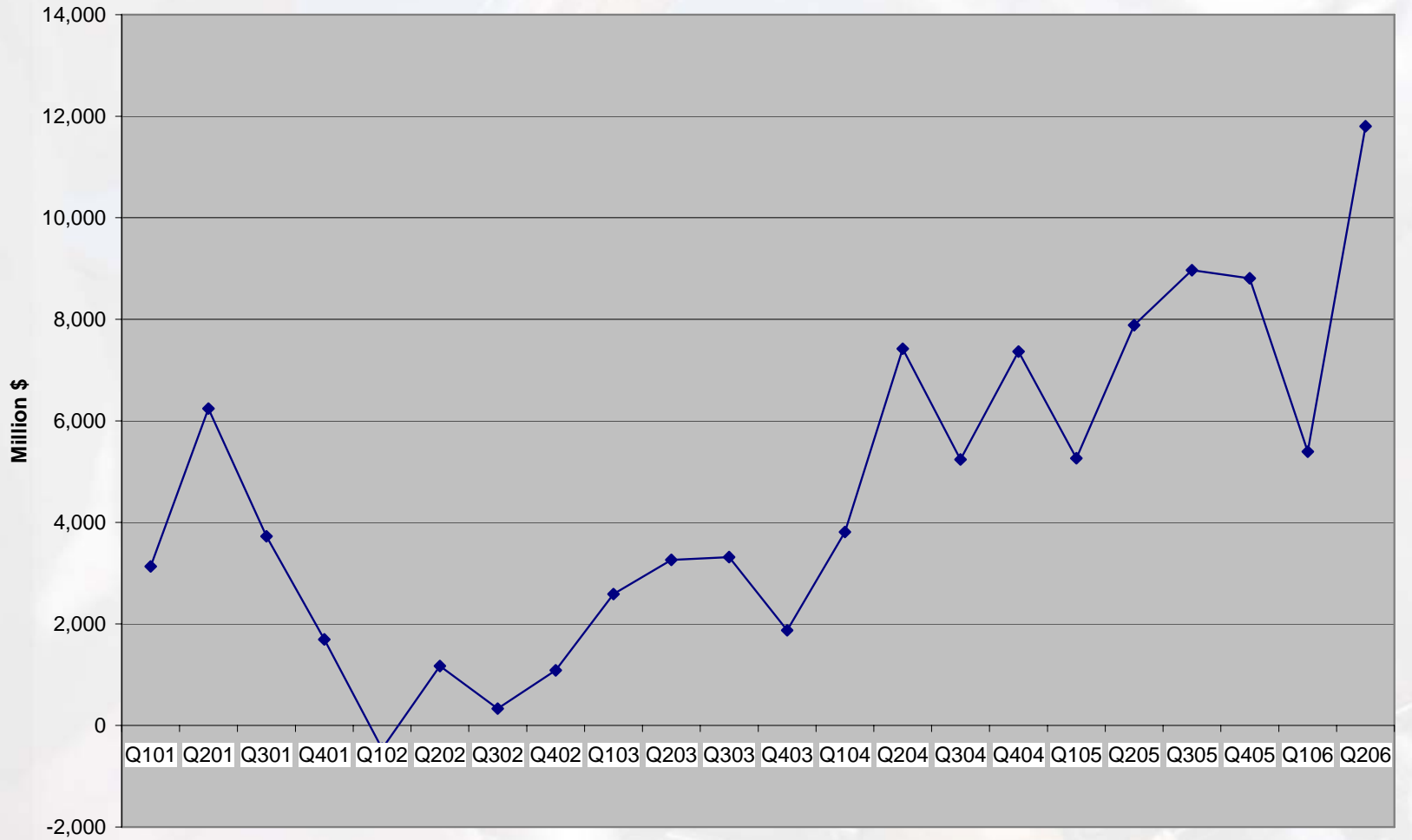


Refiner Profit Rate

Crack 321 - Refiner Profit Rate



Refiner/Marketer Net Income



Fuels Timeline (Since 1990)

- 1991 Phase II Low volatility gasoline
- 1992 Winter Oxygenated gasoline
- 1993 Low Sulfur Diesel
- 1993 CARB Diesel
- 1995 RFG Phase I
- 1995 CARB 2
- 2000 RFG Phase II
- 2004 CARB 3
- 2004 – 06 Low sulfur gasoline
- 2006 RFS
- 2006 Removal of RFG Oxygenate Mandate
- 2006 Ultra Low Sulfur Diesel – On-Road

2006: 'The Year of the Fuel Spec - EIA'

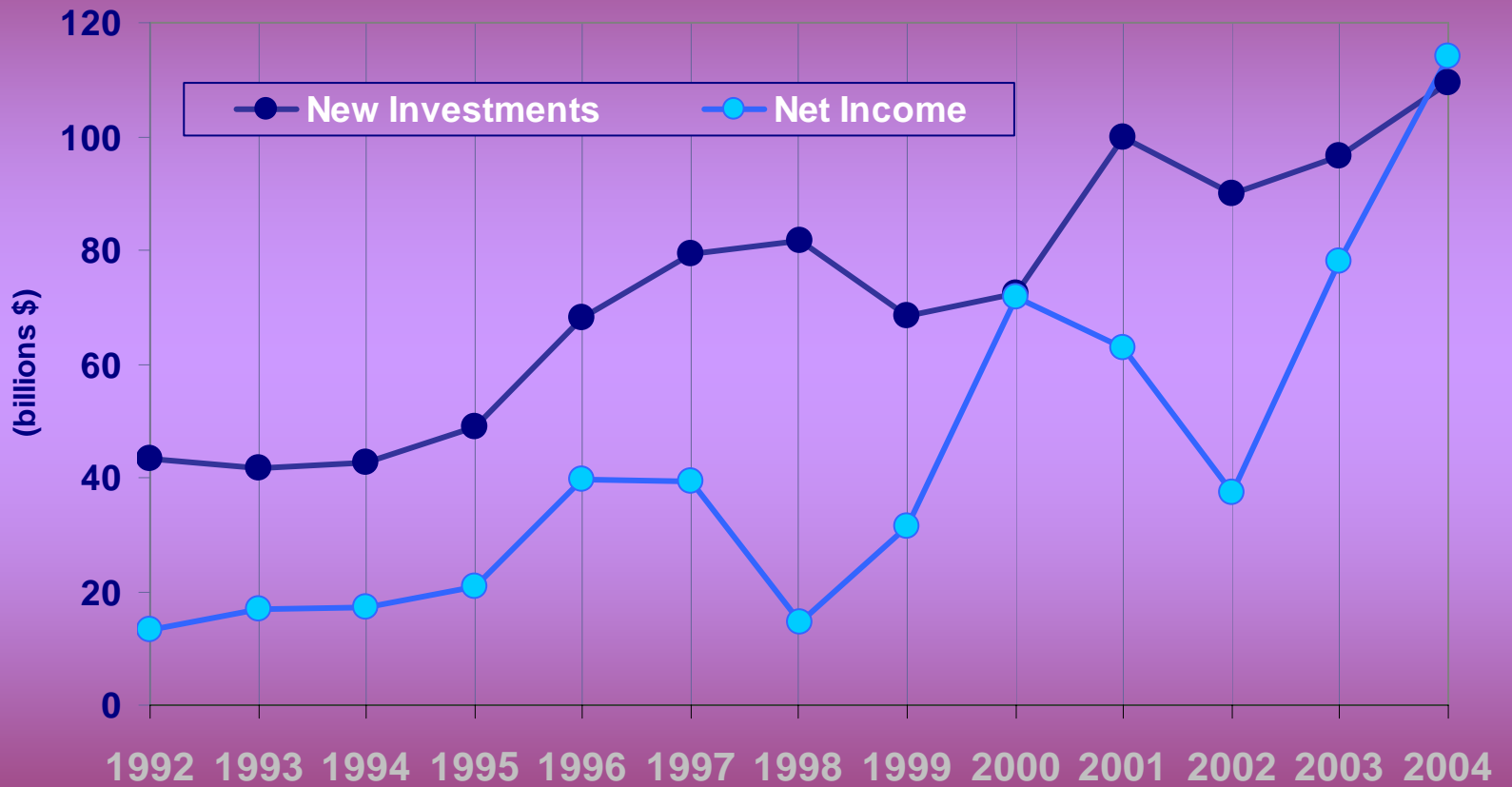
- Full Tier 2 low-sulfur gasoline requirements
- Major turnarounds due to hurricane delays and fuel changes
- Elimination of oxygenate requirement and MTBE bans
- Renewable Fuels Standard
- Northern, Southern region equalization of RFG VOC standards
- Ultra low-sulfur diesel

Highway and Non-road Diesel Timelines

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Highway	15 ppm (80%)*				15 ppm (100%)				
Part 89 Non-road Diesel (NR) (Farm/Construction)		500 ppm			15 ppm				
Locomotive and Marine (L&M)		500 ppm					15 ppm		
With Credits NR (not in NE or AK)		5000 ppm			500 ppm				15 ppm
Small Refiner Non-road Diesel (not in NE; with approval in AK)		5000 ppm			500 ppm				15 ppm
Transmix/In-Use NR (not in NE or AK)		5000 ppm			500 ppm				15 ppm
Transmix/In-use L&M (not in NE or AK)		5000 ppm			500 ppm				

* 2006: Refinery – June 1; Terminal – September 1; Retail – October 15

Oil & Natural Gas New Investments and Net Income



Source: Ernst & Young

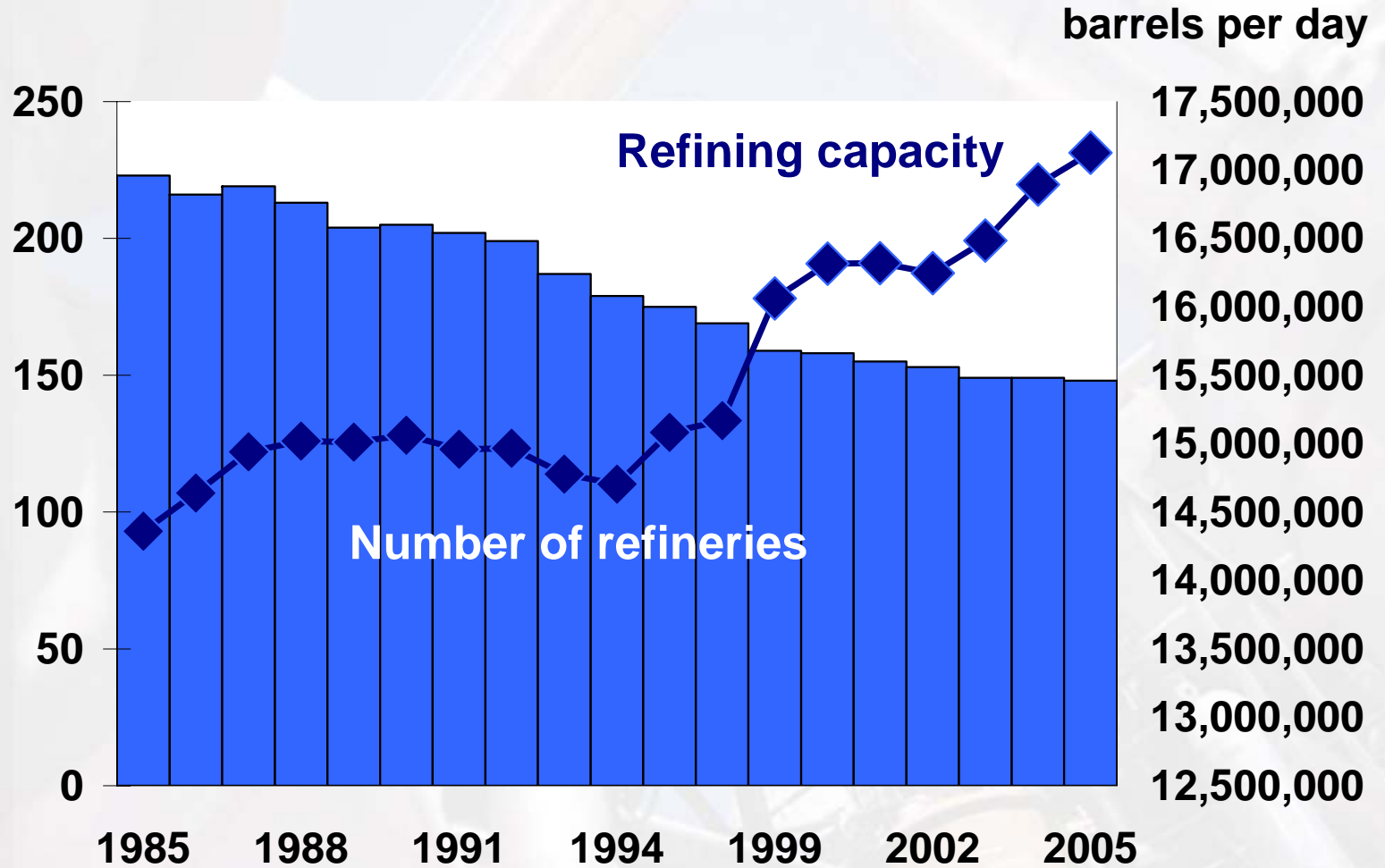
Refining Capacity - Overview

- US demand growth has increased significantly in recent years
- US refining capacity continues to expand
- Expansions can help meet demand more quickly & cost-effectively than building a new refinery
 - 10 years for new; 3 years for expansion
 - ~\$17K per daily barrel for new; ~\$9-12K for expansion
- Refineries operate in a global market; the market place is efficient and provides best means of supply/demand balance
- Refineries expand and upgrade units while spending billions to meet clean fuels and environmental regulations
- For domestic expansion:
 - Improve permitting process
 - Provide regulatory certainty
 - Ensure reasonableness in regulations

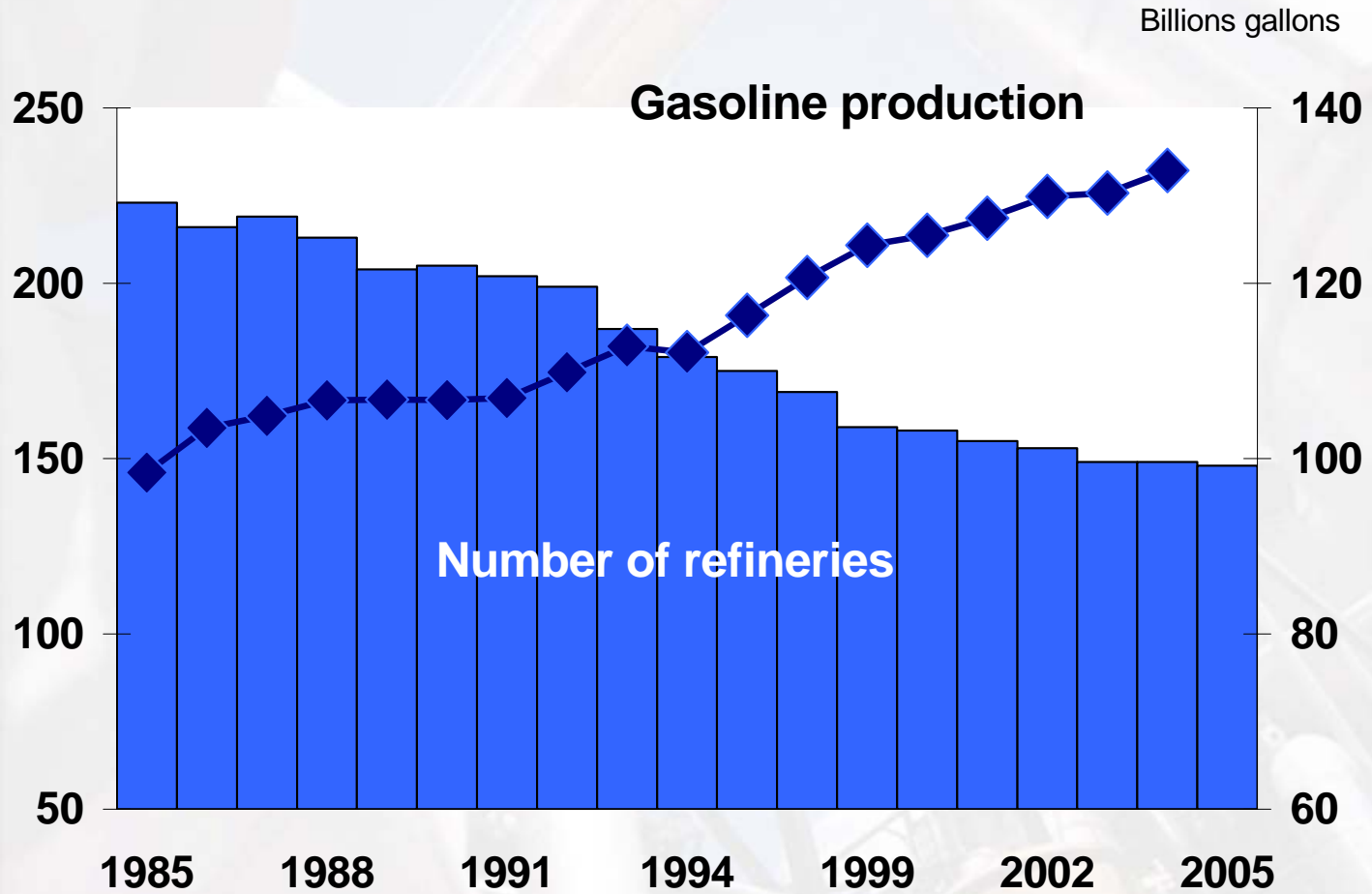
Refining Capacity: Global Market

- Industry operates in global market
- There is spare global refining capacity
- Gaps filled by imports since WWII
- Most US product imports from Canada, Europe & Virgin Islands
- Response of global market to hurricanes shows that markets work
- As global economies expand, there will be increased competition for imports

Number of refineries declines but capacity expands



Producing more gasoline with fewer refineries



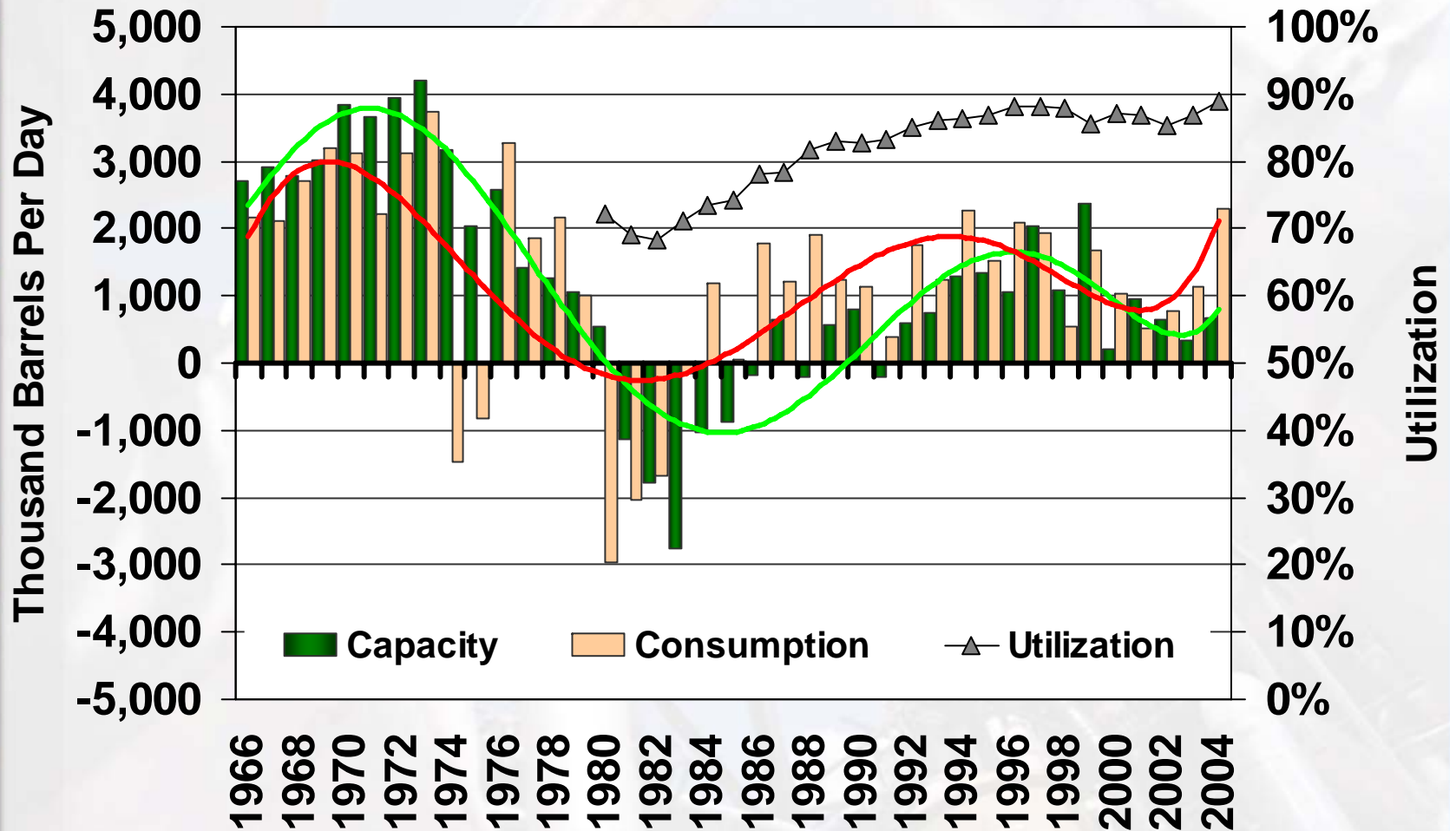
Source: EIA

- Equivalent of 12 new 200,000 BD refineries built last decade
- Expansions can help meet demand more quickly & cost-effectively than building new
- Refineries expand and upgrade units, while:
 - spending billions to meet clean fuels and environmental regulations
 - \$47.5 billion from 1995-2004 (largely due to sulfur reduction in gasoline & diesel)
- Future plans
 - Based on publicly available data, nearly 1.3 million barrels/day of additional refinery capacity projects are either planned or under strong consideration for the years 2006-2011
 - Such expansions will boost domestic refining capacity to over 18.5 million barrels per day - near the all-time high for U.S. operable refinery capacity

Considerations for Building New Refineries

- **Federal, State and local permit process**
- **Crude supply and product pipeline access**
- **Electrical, water, natural gas, etc. access**
- **Community acceptance**
- **Cost ~ \$2.5 to \$3 billion for 150,000 B/D**
- **Average rate of return ~ 6.2% (1994-2003)**
- **Will not help meet demand in near term (3 to 10 years)**
- **Policies are needed to create a climate conducive to investments to expand domestic refining capacity:**
 - **Improve permit process**
 - **Complete NSR reforms**
 - **Align Ozone NAAQS deadlines**

World Capacity & Consumption Changes Result in Utilization Increases

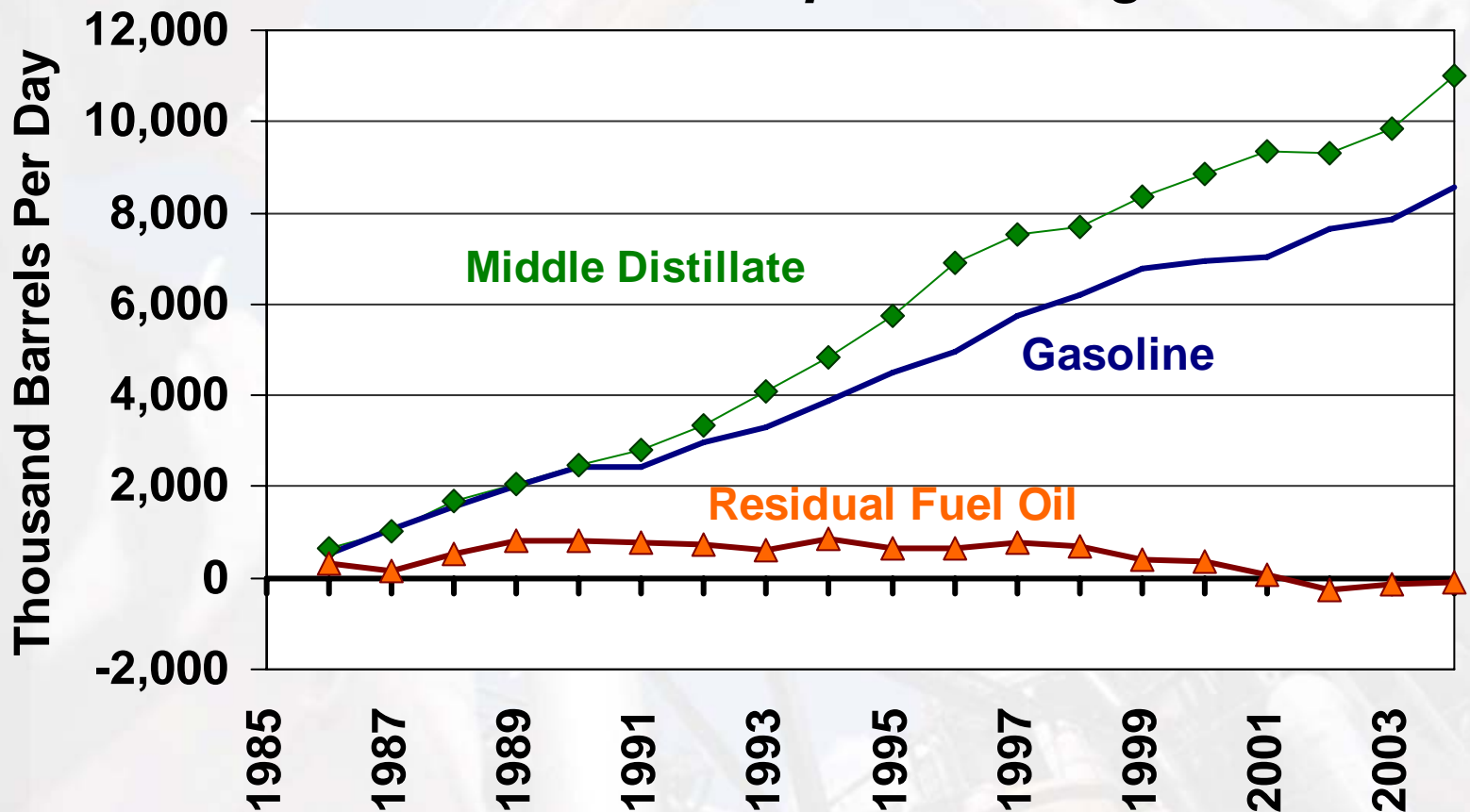


Notes: World Excluding FSU

Source: BP World Statistical Review 2005

World Distillates Growing More than Gasoline & Fuel Oil Declining

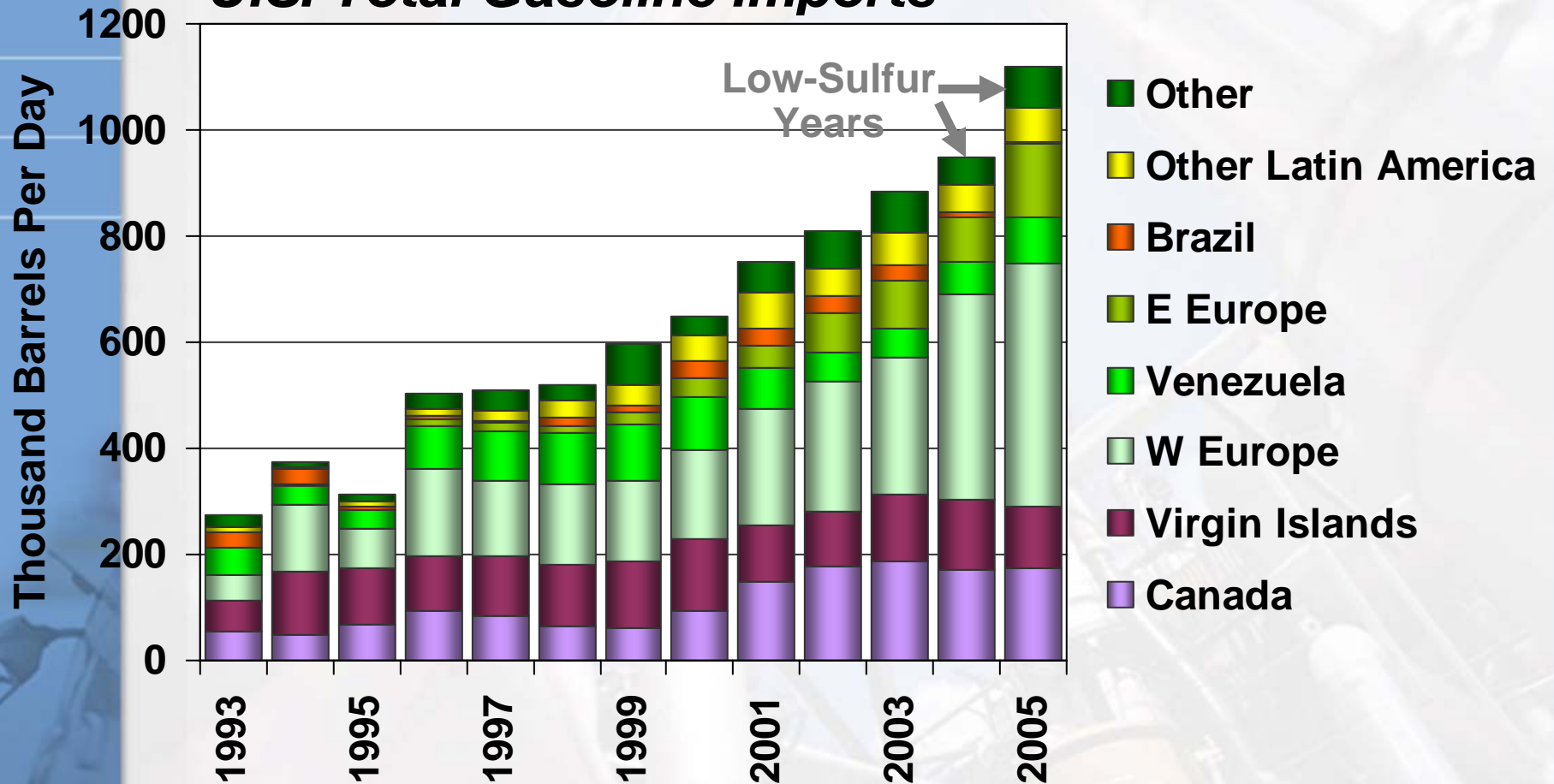
Cumulative Consumption Changes 1985-2004



Notes: World excluding FSU; middle distillate is jet, kerosene, diesel and heating oil (No. 2)
 Source: BP World Statistical Review 2005

Imports Supplied About Half Gasoline Demand Growth in Recent Years

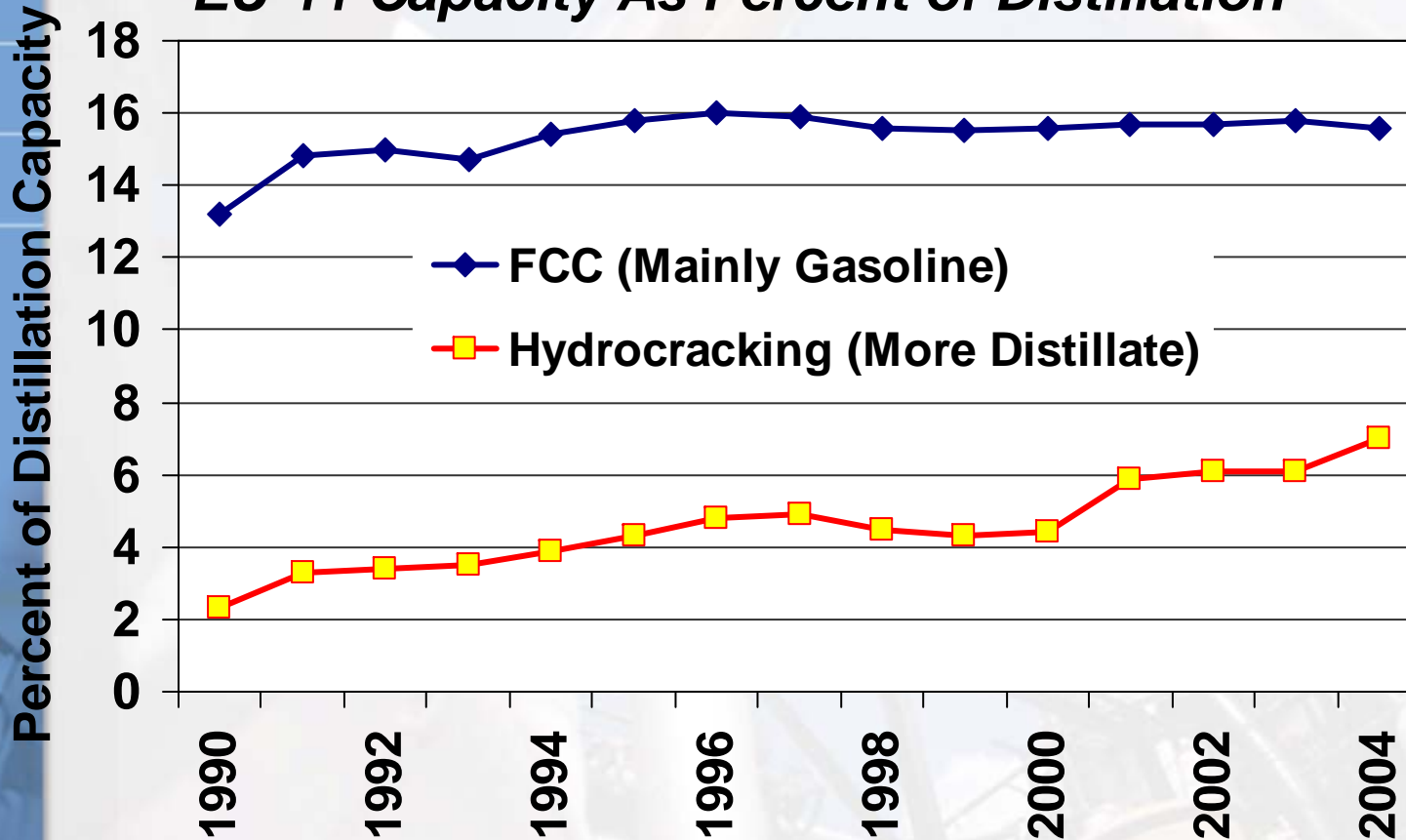
U.S. Total Gasoline Imports



Note: Total gasoline is finished product plus blending components.

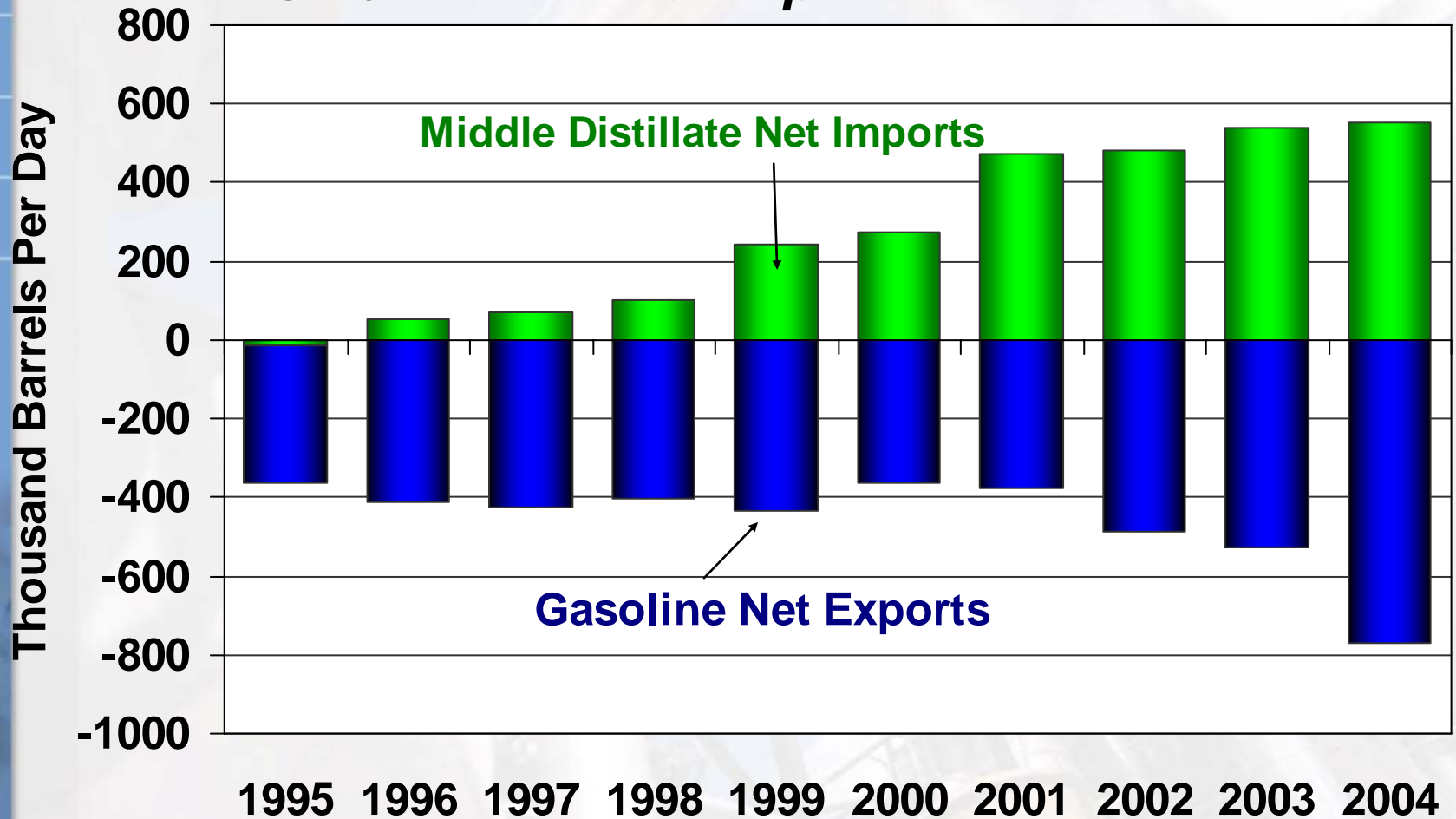
Source: EIA, Form EIA-814

EU-11 Capacity As Percent of Distillation



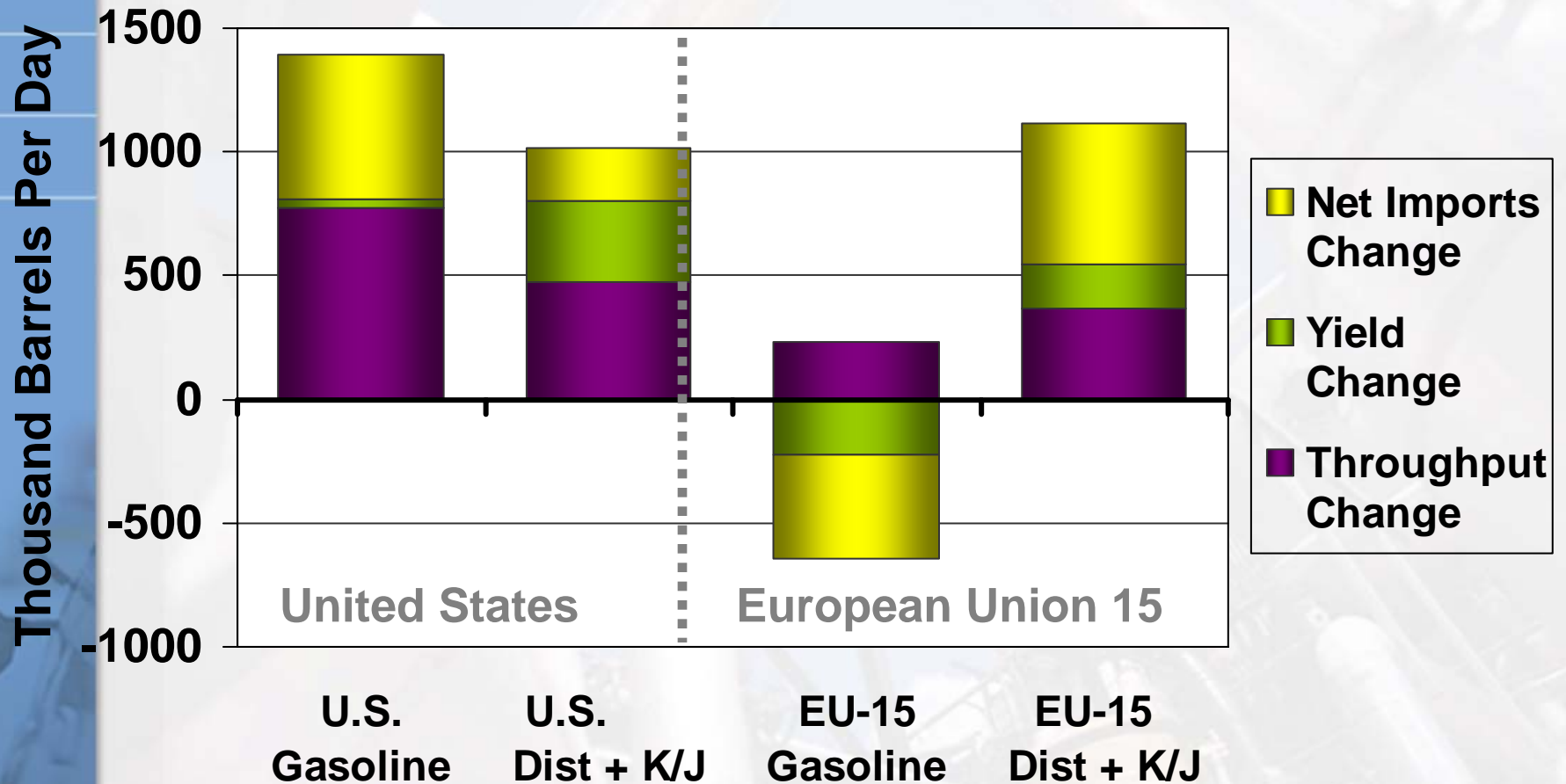
Note: FCC - Fluid Catalytic Cracking
 Source: EIA, Oil and Gas Journal

EU-15 Product Net Imports

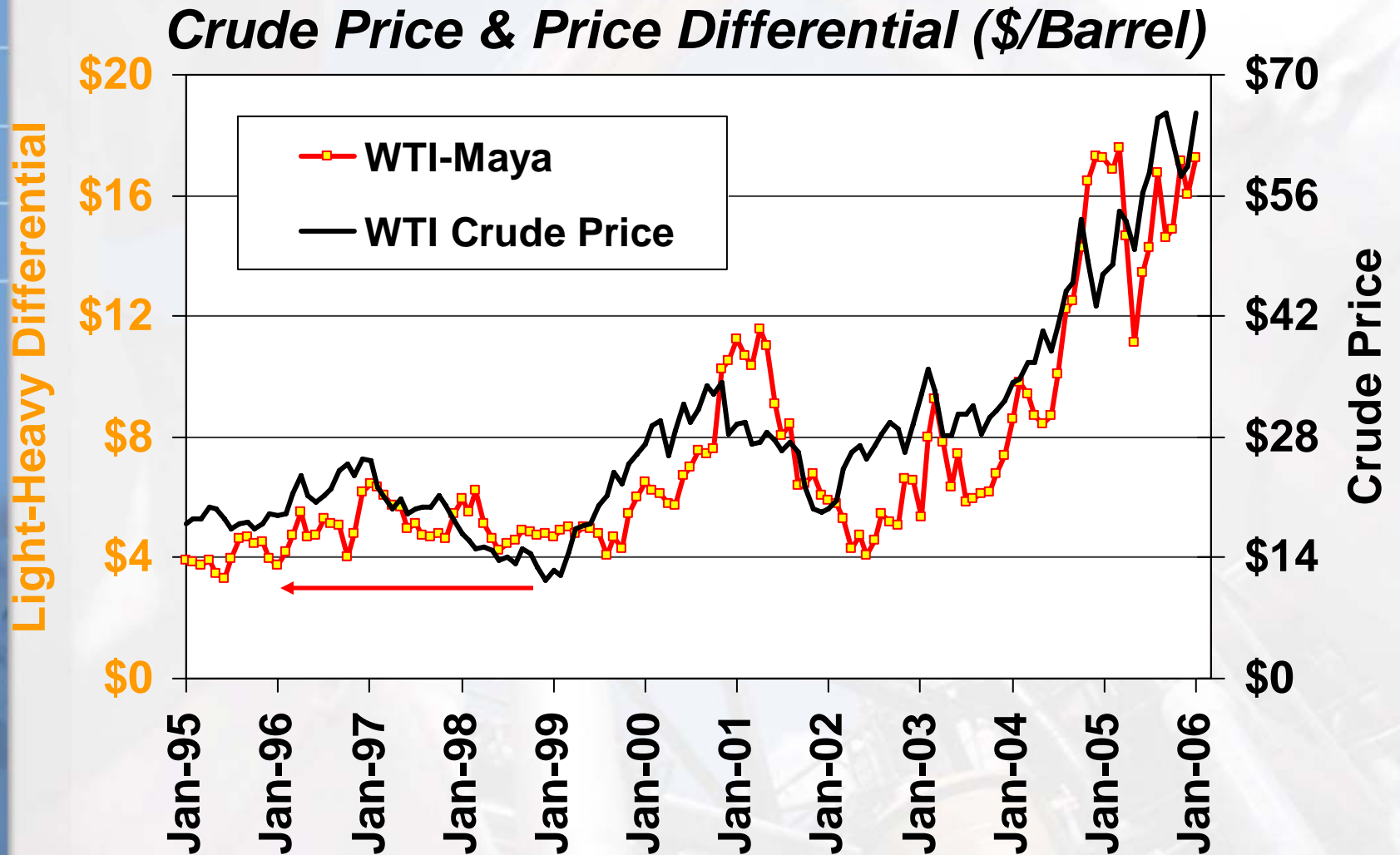


Source: IEA

How Added Demand Was Met: 1995-2004

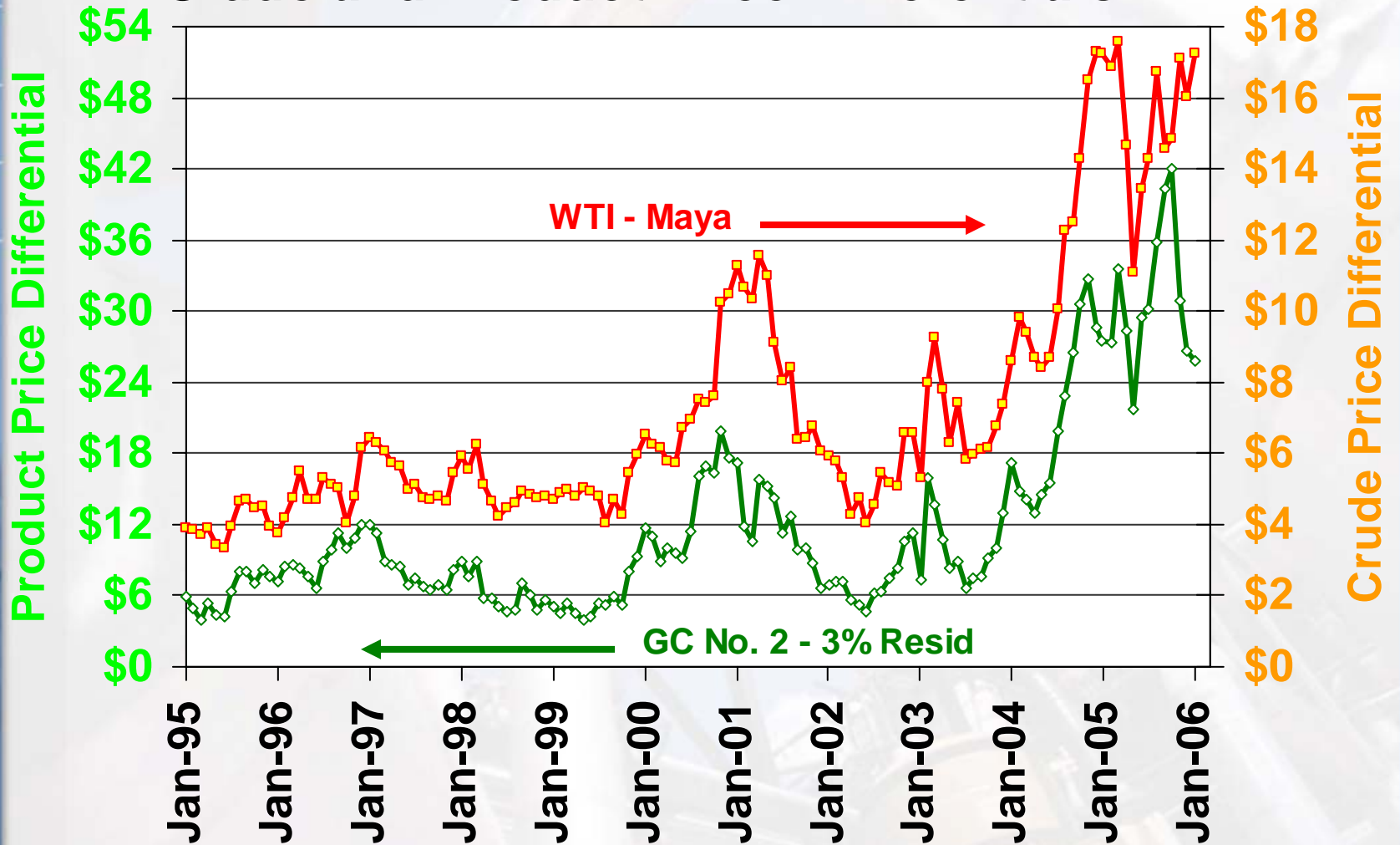


Light-Heavy Crude Price Differential & Crude Oil Price Move Together



Source: Bloomberg spot price

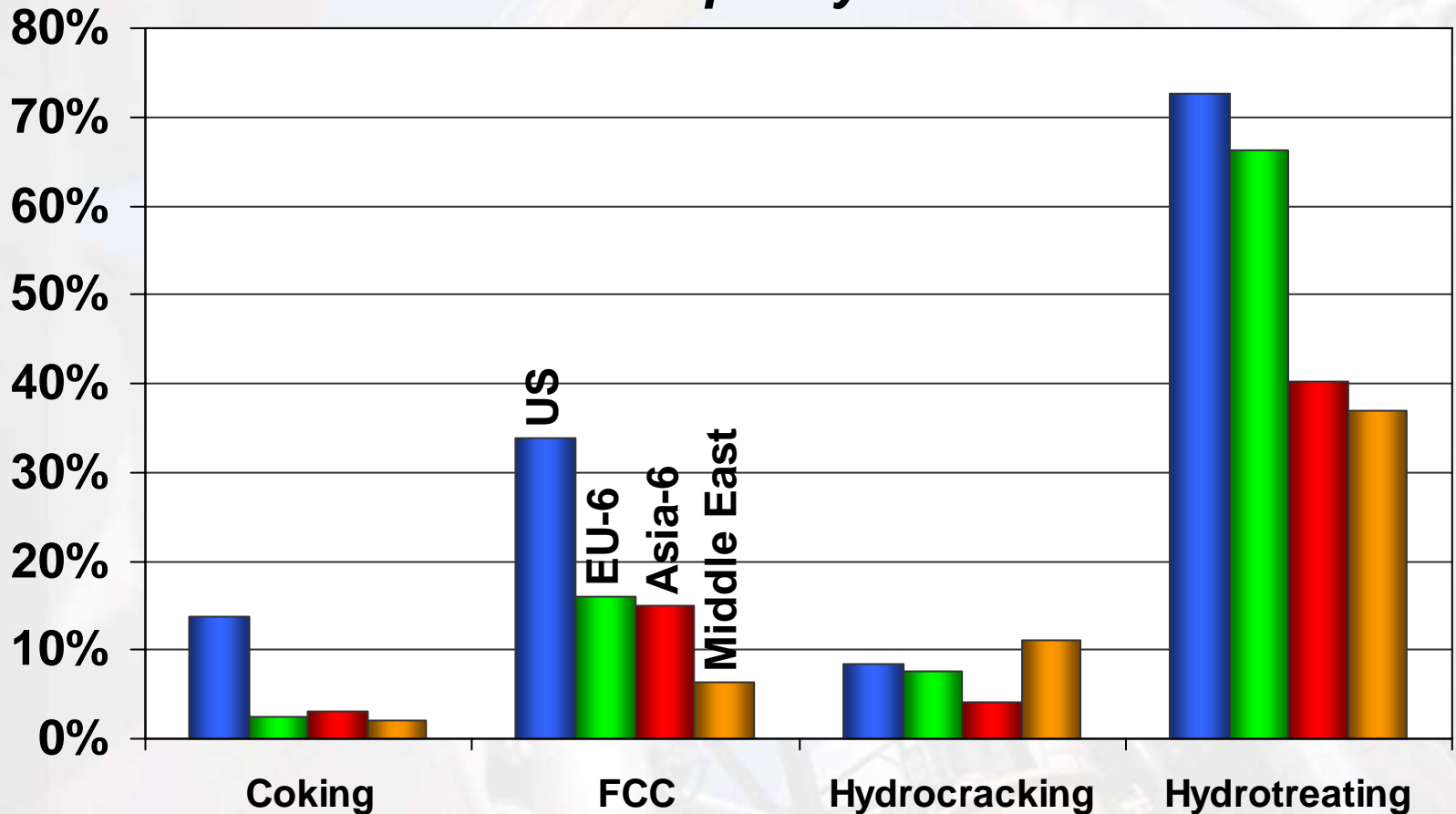
Crude and Product Price Differentials



Source: Bloomberg spot price

Current Regional Downstream Capacity Reflects Different Needs

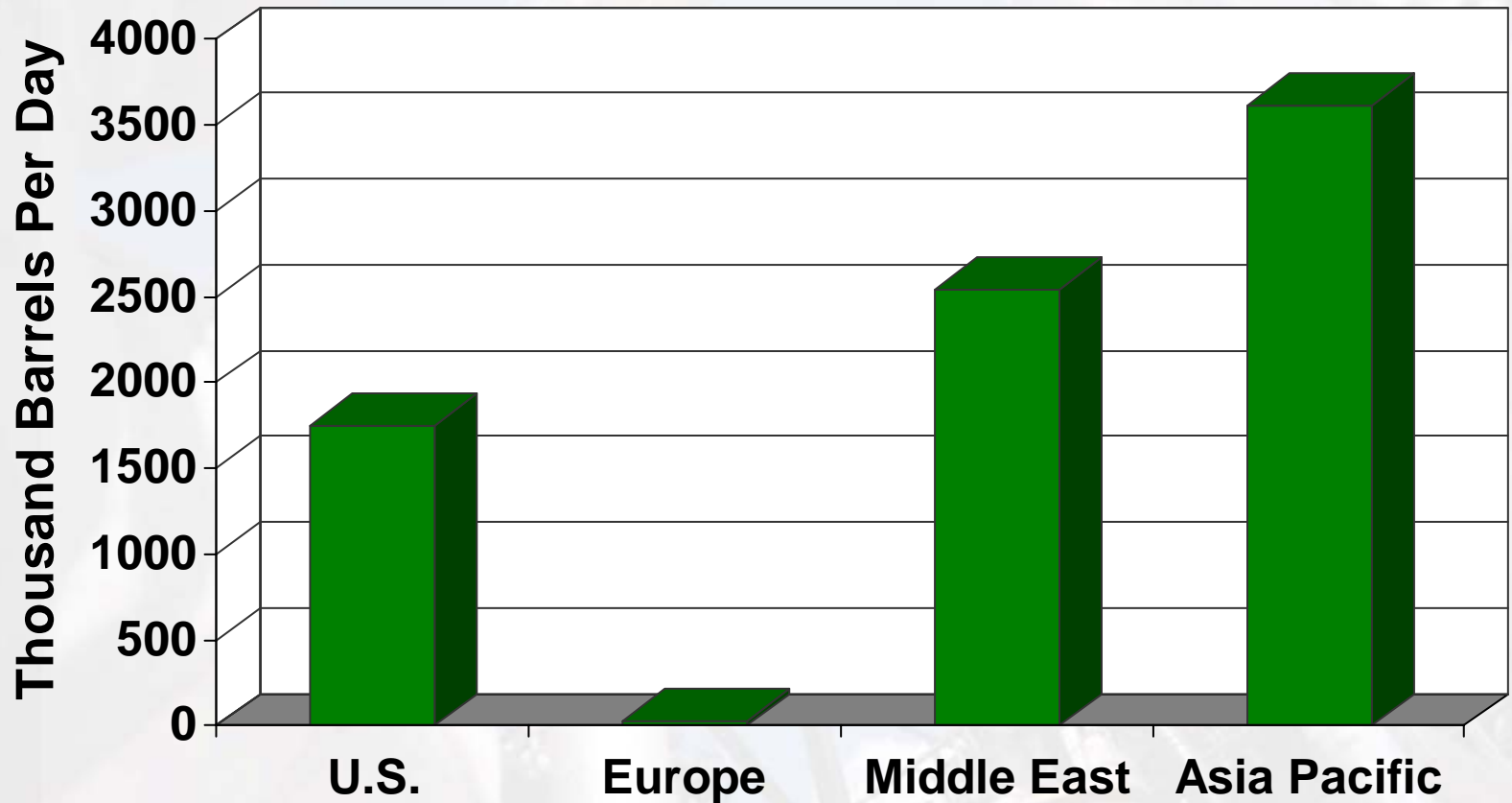
2004 Downstream Capacity Percent of Distillation



Note: Asia-6: China, India, Indonesia, Japan, Singapore, South Korea; EU-6: France, Germany, Italy, Netherlands, Spain, and U.K.; Middle East: Bahrain, Kuwait, Saudi Arabia, and UAE.

Source: Oil and Gas Journal

Regional Distillation Capacity Changes 2005-2010 - EIA



Sources: Oil and Gas Journal, FACTS, Company Presentations

	CDU	Coking	FCC/RCC	HDC
AZ Clean Fuels	150	?	?	-
BP		100		
Coffeyville	15			
ConocoPhillips	230	105	-	-
Frontier	10	-	-	-
Marathon	193	70	40	60
Motiva	325	90	-	60
Sunoco	100	-	?	-
Valero	406	30	19	107
Others	70	152	31	85
Creep-Closings	250	-	-	-
TOTAL	1,749	557	90	312

Note: “?” denotes plans that mention a type of unit, but no capacity volumes. CDU: Crude distillation unit; FCC: Fluid catalytic cracking; RCC: Residual catalytic cracking; HDC: Hydrocracking. Sources: Oil & Gas Journal, company presentations, Industrial Information Resources

	CDU	VDU	Coking	FCC/ RCC	HDC
Croatia	-	-	-	-	42
Finland	-	-	-	-	47
France	-	-	-	2	48
Greece	-	-	50	-	37
Italy	-	-	-	-	25
Lithuania	-	-	-	-	-
Romania	-	-	-	-	25
Spain	30	-	20	-	50
TOTAL	30	-	70	2	274

Note: “?” denotes plans that mention a type of unit, but no capacity volumes.
CDU: Crude distillation unit; VDU: Vacuum distillation unit; FCC: Fluid catalytic cracking; RCC: Residual catalytic cracking; HDC: Hydrocracking.
Sources: Oil and Gas Journal, company presentations.

	CDU	VDU	Coking	FCC/ RCC	HDC
China	1,966	680	135	142	242
India	1,015	275	50	198	228
Indonesia	250	-	-	-	-
Pakistan	150	60	-	-	50
Other	233	-	33	184	40
TOTAL	3,614	1,015	218	524	560

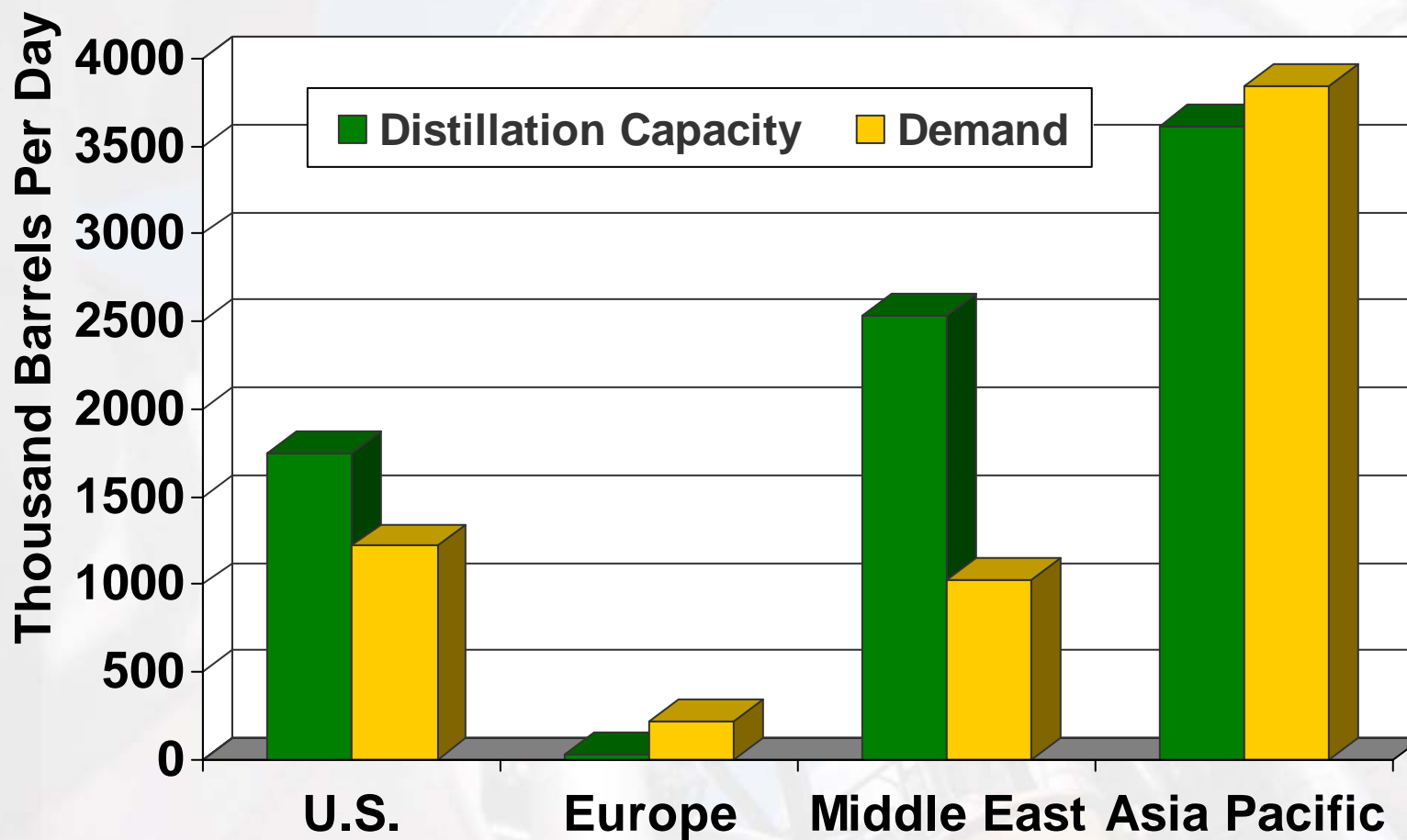
**Note: “?” denotes plans that mention a type of unit, but no capacity volumes.
CDU: Crude distillation unit; VDU: Vacuum distillation unit; FCC: Fluid catalytic cracking; RCC: Residual catalytic cracking; HDC: Hydrocracking
Sources: Oil and Gas Journal, FACTS, industry media reports.**

	CDU	Coking	FCC/ RCC	HDC
Bahrain	-	-	-	60
Iran	896	-	171	2
Iraq	370	-	90	35
Kuwait	410	?	?	?
Oman	131	-	75	-
Qatar	145	?	?	?
Saudi Arabia	400	80	100	200
UAE	-	-	-	-
Yemen	185	-	-	20
TOTAL	2,537	-	-	-

Note: “?” denotes plans that mention a type of unit, but no capacity volumes.
CDU: Crude distillation unit; VDU: Vacuum distillation unit; FCC: Fluid catalytic cracking; RCC: Residual catalytic cracking; HDC: Hydrocracking
Sources: Oil and Gas Journal, FACTS, industry media reports.

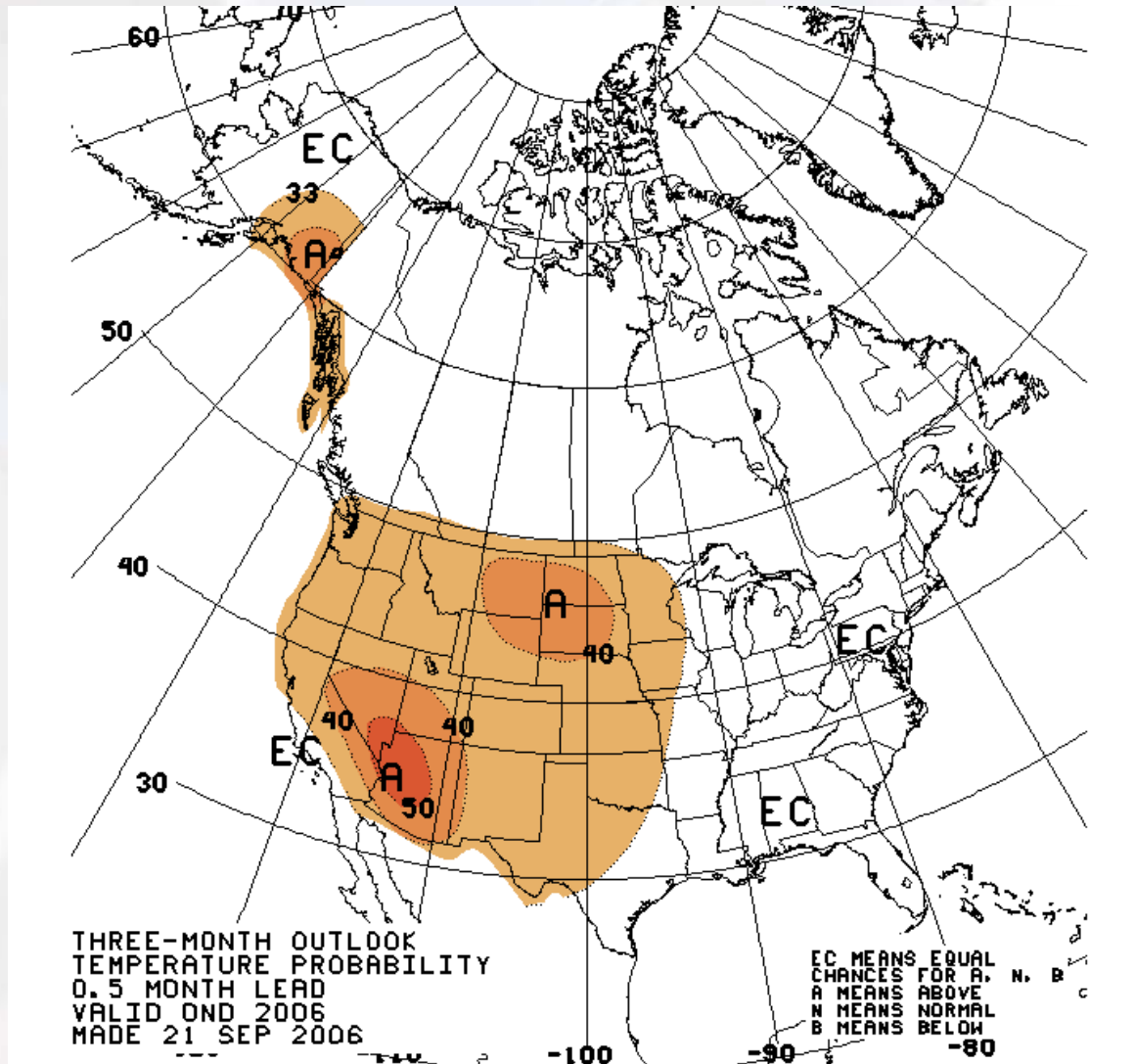
Group	Regions	Future Market Expectations	Refinery Investment Strategy
Super Majors	All	Margins revert to historic	Maintain top-quartile performance , little expansion need
Majors with Large Downstream	U.S. & Europe	Improved margins with cycles	Heavy crude projects & cautious expansion
Independent Refiners	U.S.	"Golden Age of Refining"	Expand distillation & conversion
Export Refiners	Middle East	Tight capacity & high light-heavy	Expand for export, add bottoms upgrading
State & Private	India & China	High demand growth, better margins	Rapid expansion existing & grassroots

Sources: Trade press articles, company presentations and press releases.

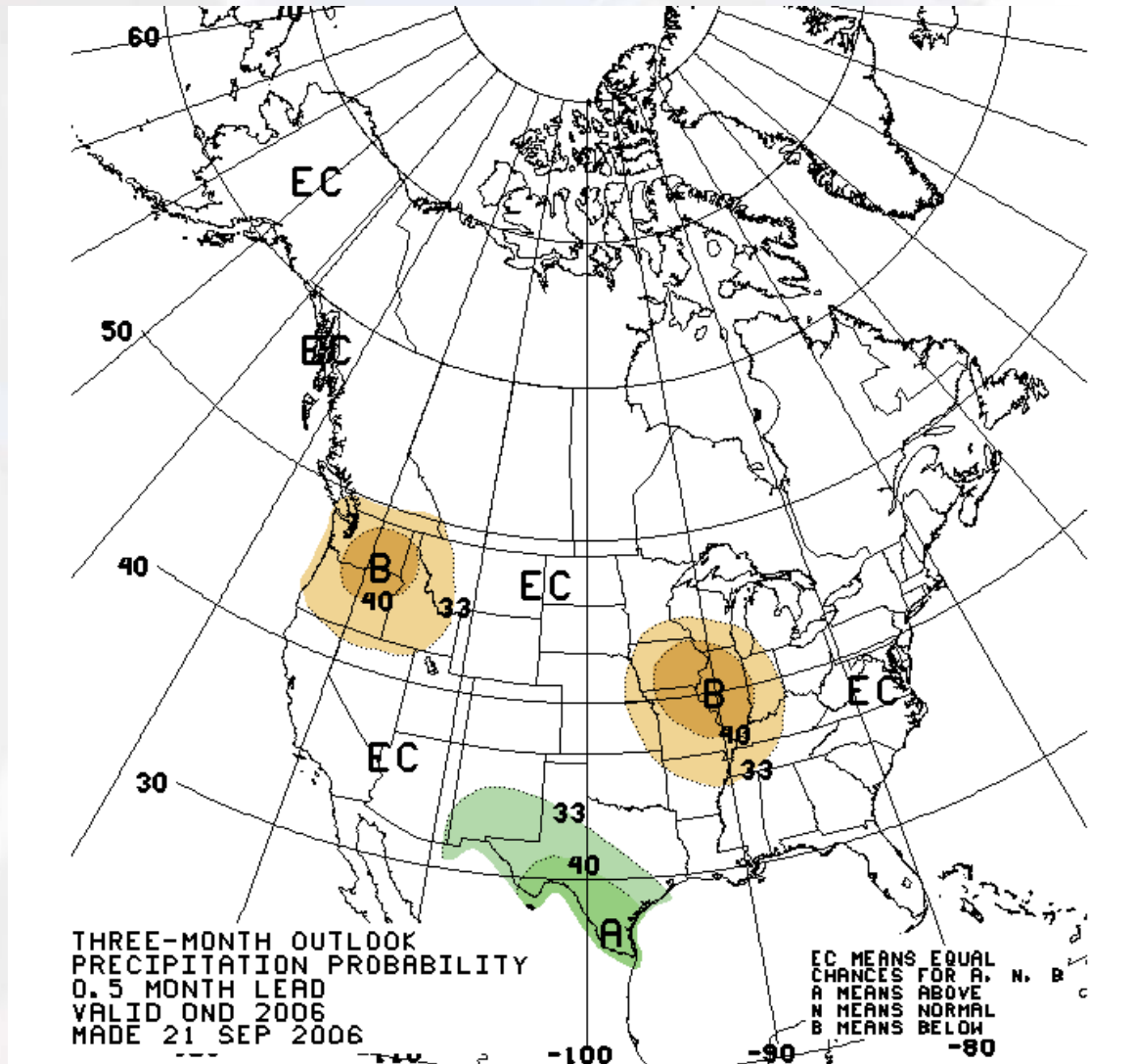


Sources: Capacity see previous slides; Demand: EIA, BP World Statistical World Review 2005, FACTS, IEA

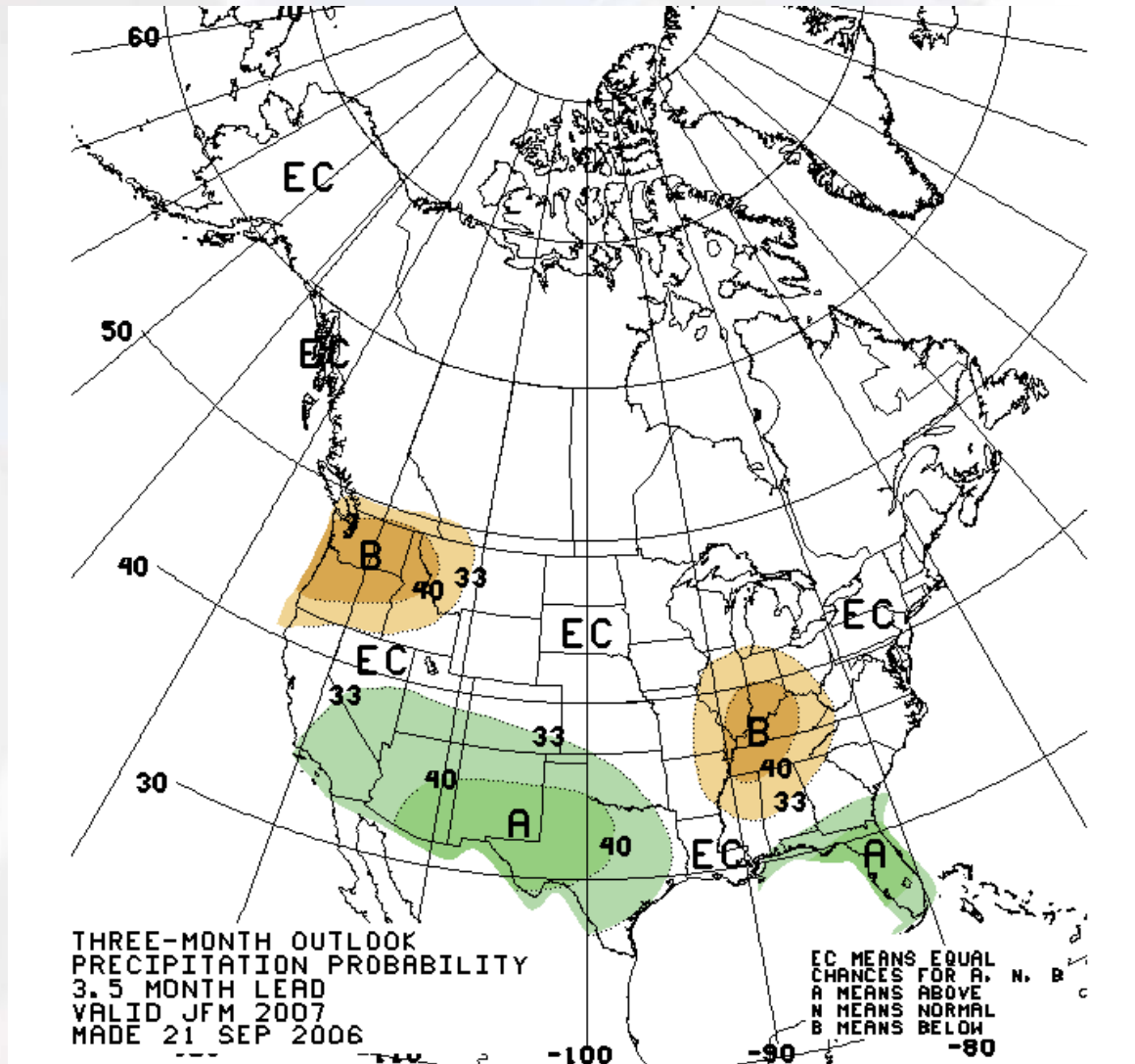
National Weather Service Temperature October - December



National Weather Service Precipitation October - December



National Weather Service Precipitation January - March





What can government do?

- **Rely on market forces to allocate products**
- **Do not impose new taxes that:**
 - **Will reduce investment in expanded oil and natural gas production and refining expansion**
 - **Will ultimately harm consumers and shareholders**
- **Reduce barriers to supply**
 - **Open onshore areas to responsible energy development and reduce permitting delays**
 - **Lift constraints on key offshore areas with high-resource potential**
 - **Expand access to world natural gas supplies (LNG)**
- **Increase refiners' flexibility to facilitate expansion**
 - **Provide timely response to waiver requests in emergencies**
 - **Streamline existing permit processes to expedite capacity expansions**
 - **Clarify environmental requirements to streamline operations**