

## TALKING POINTS ON EIA STUDY AND WINTER

Many of the projections regarding the winter impact on fuel prices for most homes is based on the projected normal winter used in the Energy Information Administration's study. Thus, projecting a normal winter results in nearly a twenty percent increase in homeowner costs for the coming winter.

- ❖ A projected increase in demand from a normal winter or cold winter could yield significant cost increases to the American household. However, it should be noted that last winter was one of the warmest winters in recorded history, and a return to colder winters will certainly have an impact on the overall heating bills. It should be noted that the projected increase in gallons consumed from 584 to 692 for a normal winter is well below the 1300 gallons of oil households used in the 1970's and 1980's.
- ❖ The heating oil industry encourages consumers to seriously evaluate steps that can be used to save money. A full evaluation of the house, "House Doctor" will yield a return of 30 percent for a homeowner. Updating the furnace to a flame retention burner will yield a 43 percent return. Ensuring proper ceiling insulation could yield nearly 37 percent return.
- ❖ The Department of Energy predicts steady or rising prices for the coming winter. However, the New York Mercantile Exchange, the center for trading for oilheat, has prices falling over the next seven months and has the price in May 2003 as being nearly ten cents lower than today.
- ❖ While the overall increase of 45 percent increases predicted by the Department of Energy is composed of both an increase due to cold weather and an increase in price, it should be noted that if the price is maintained at 1.35, it is still substantially lower than the prices of most of the 1980's and is in fact nearly 30 percent lower. The 1990's have been a decade of very warm weather and very low energy prices, and the prices predicted by the Department of Energy are merely a return to more normal prices.
- ❖ The price today of energy products includes a substantial premium for the uncertainty in the middle east. The sharp decline in expected prices for both crude and distillate in the future illustrate that premium, and as the uncertainty is addressed, it is likely that prices will respond to the positive supply and demand relationship which finds many new oil producers confronting several of the major world economies confronting a recession.

- ❖ The inventory of heating fuel and distillate is also higher than last year. As of October 4<sup>th</sup>, inventories were nearly 5 percent higher on the east coast than last year, and approximately 4 percent higher nationwide.