

TALKING POINTS ON LIKELY WINTER FUELS REPORT

The Energy Information Administration is likely to predict that the prices of heating oil this winter will be similar to last winter. Further, because EIA projects on normal winters, the overall fuel bills for consumers will be predicted to be less than last year.

Some key points that you should be aware of.

- ❖ Last winter was unusually cold, a more normal winter will have less impact on consumers. We agree with DOE that a normal winter will reduce the impact of heating on consumers.
- ❖ Over time the efficiency of oilheating equipment in the field has increased and today the average Consumer burns about half of what was consumed 30 years ago. Thus, the impact of slight price variations have very little impact on American consumers of Oilheat.
- ❖ 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 New York Mercantile Exchange, the center for trading for oilheat, has prices falling over the next seven months and has the price in May 2004 as being nearly ten cents lower than today.
- ❖ Inventories are below last year’s level, however, it should be remembered that the country was moving towards a war with Iraq last fall, and inventory was being developed as a contingency. There has also been a trend towards smaller inventories as the industry moves continuously towards a just in time delivery system. The regional product reserve is also available for any emergencies.

While inventories in October are important, they have not predicted what happens to the industry in the winter, and should not cause alarm.

- ❖ As Iraq production increases, supplies of oil will increase which may lead to price declines.

