By: Alex Mills **January 12, 2017**

EIA Predicts Stability In Crude Oil Prices In 2017

Crude oil prices should remain around $50 per barrel during 2017, according to the U.S. Energy Information Administration's (EIA) Short-Term Energy Outlook released on Jan. 11. EIA noted that its forecast has many uncertainties on both the supply and demand sides.

"Strong demand and the recent agreement among members of the Organization of the Petroleum Exporting Countries (OPEC)—along with some key non-OPEC oil producers—are putting upward pressure on crude oil prices," EIA's report stated. "However, forecast increases in global production should provide downward pressure on prices and mitigate the potential for significant crude oil price increases through 2018."

EIA expects global petroleum and other liquid inventory builds to continue, but at a slowing rate, in 2017 and 2018. "Despite increases in global oil inventories and U.S. oil rig productivity, market reactions to the November OPEC agreement to cut production by 1.2 million barrels per day (b/d) starting in January 2017 contributed to rising oil prices in December, when average Brent prices were $9 per barrel above their November levels," EIA stated.

Total U.S. crude oil production is estimated to have averaged 8.9 million barrels per day (b/d) in 2016, down 500,000 barrels per day from 2015.

EIA expects that declines in Lower 48 production have largely ended and forecasts relatively flat production in the first quarter of 2017 at 6.7 million b/d, which will then increase to an annual average of 7.0 million b/d in 2018. EIA estimates global petroleum and other liquids production will increase to 97.5 million b/d in 2017.

U.S. crude oil prices on NYMEX were between $50 and $53 last week even though inventories of crude and refined oil rose sharply, with stocks hitting a six-year high.

Crude inventories rose 4.1 million barrels in the week to January 6 even though crude stocks at the Cushing, Oklahoma, delivery hub for West Texas Intermediate fell by 579,000 barrels, EIA said.

Refinery crude runs rose 418,000 b/d to 17.1 million b/d, the highest level since EIA records began in 1982. Refinery utilization rates rose 1.6 percentage points to 93.6% of nationwide capacity, with rates in the Gulf Coast region reaching 96.4%, the highest seasonal levels since the EIA began collecting the data in 2010.

As refinery rates hit their highest since September, stocks of distillates, which include heating oil, diesel fuel, jet fuel and other products, rose to 170 million barrels, levels not seen since October 2010. Distillate stockpiles soared 8.4 million barrels, versus expectations for a 899,000-barrel increase, the EIA data showed. Gasoline stocks rose 5 million barrels.

Despite the bearish inventory data, the 3-2-1 crack spread, a key metric that measures the profits refiners can make by converting crude oil into gasoline and diesel, was up by nearly 6% to $15.90 a barrel.

The bearish data was offset by the ongoing crude oil glut and another week of strong U.S. product export data, traders said. The 4-week average of U.S. product exports was 5.2 million b/d last week, the third-highest weekly figure in EIA history.

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