



# FUEL PRICE OUTLOOK 2017

## SUMMARY

# About Our Annual Outlook

---

Accuracy, reliability, and neutrality are GasBuddy®'s mission with price forecasting, and it is achieved with independent analysis featured in this outlook.

It should be noted that this outlook is not indicative of what will happen, rather what we believe could happen, given specific inputs and different impacts and scenarios on production, supply, and demand.

Gasoline markets are complex, and this analysis is intended to take current factors and speculate on how today's events may impact gasoline prices in the future. GasBuddy® has worked to make these forecasts as reliable as possible and to be understood by anyone with little or no background on oil and petroleum markets and economics.

### About the Authors



Patrick DeHaan, senior petroleum analyst, has been hailed as one of the nation's most accurate fuel forecasters by the San Jose Mercury News and has been analyzing fuel prices and trends for over a decade. He is a contributor to CSP Magazine and regularly cited in U.S. periodicals and countless news broadcasts for his expertise on topics including oil, fuel prices and fuel taxation.



Gregg Laskoski, senior petroleum analyst, is a former Gannett newspaper reporter and spokesman for AAA Auto Club who has been explaining fuel price trends since 2002. He's also been a frequent contributor to U.S. News & World Report's 'Economic Intelligence' and 'On Energy' blogs.

# Gasoline Forecast

---

**This space intentionally left blank**

## GASOLINE FORECAST

# 2017 Gasoline Forecast

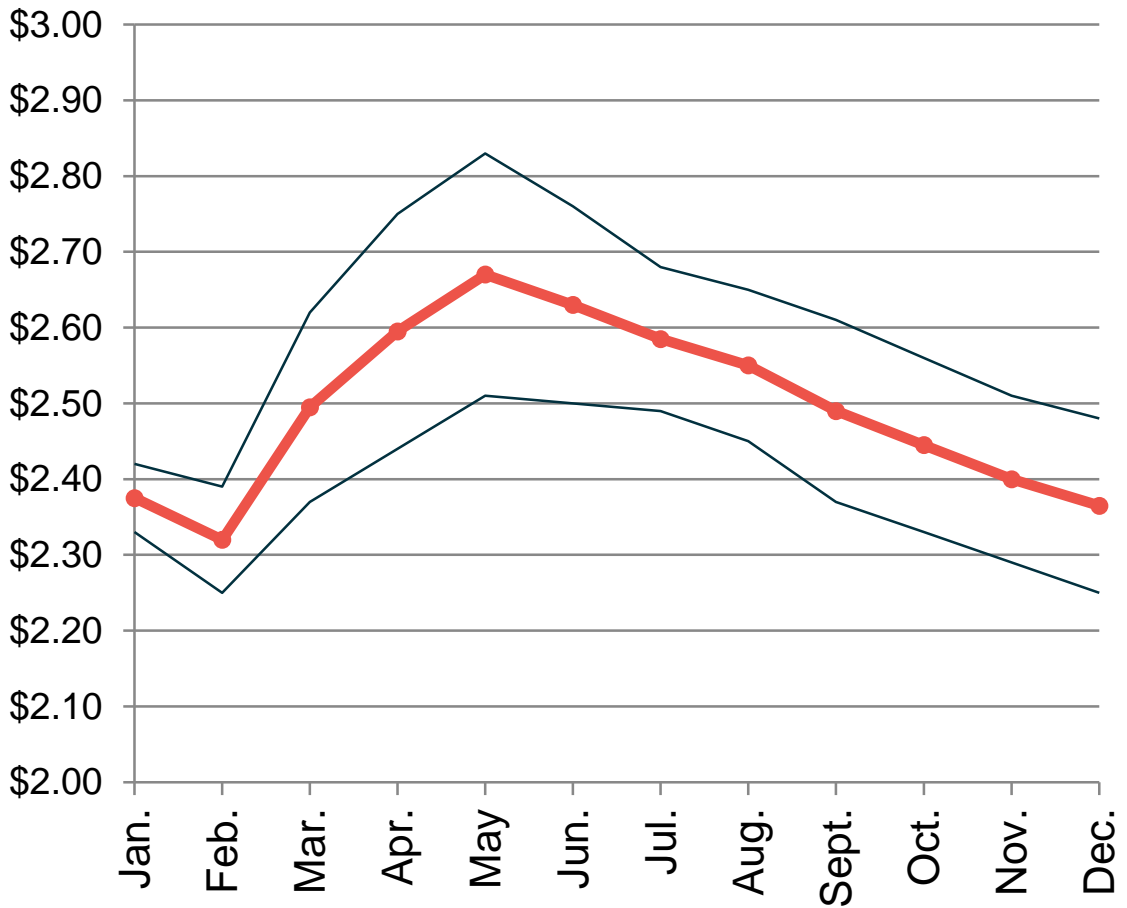
Page 1

Month	Range	Average
January	\$2.33 - \$2.42	<b>\$2.38</b>
February	\$2.25 - \$2.39	<b>\$2.32</b>
March	\$2.37 - \$2.62	<b>\$2.50</b>
April	\$2.44 - \$2.75	<b>\$2.60</b>
May	\$2.51 - \$2.83	<b>\$2.67</b>
June	\$2.50 - \$2.76	<b>\$2.63</b>
July	\$2.49 - \$2.68	<b>\$2.59</b>
August	\$2.45 - \$2.65	<b>\$2.55</b>
September	\$2.37 - \$2.61	<b>\$2.49</b>
October	\$2.33 - \$2.56	<b>\$2.45</b>
November	\$2.29 - \$2.51	<b>\$2.40</b>
December	\$2.25 - \$2.48	<b>\$2.37</b>
<i>2017 U.S. Average</i>		<b>\$2.49</b>

Numbers reflect range of national average by month, with monthly average in bold.

# 2017 Gasoline Forecast

Page 2



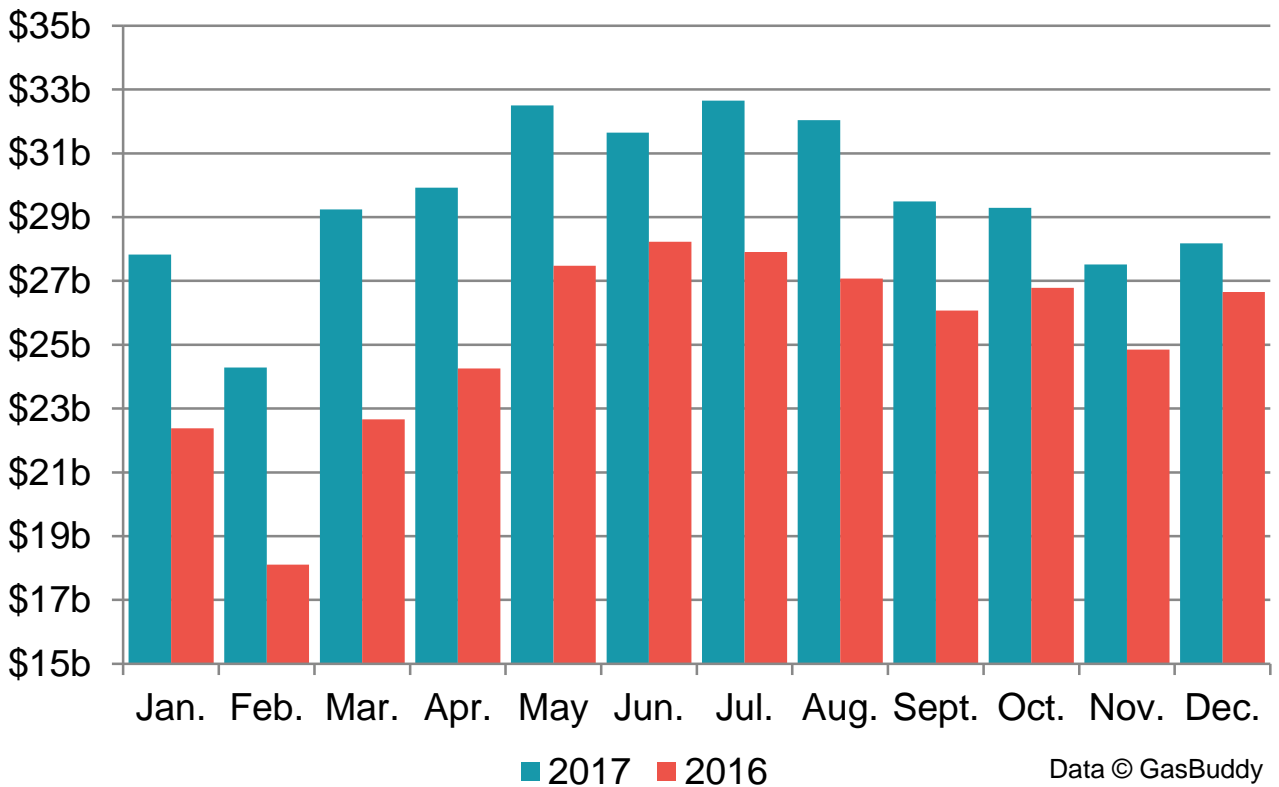
Data © GasBuddy

Chart reflects range of national average by month, with monthly average shown as red line.

# 2017 Gasoline Forecast

Page 3

Monthly U.S. Spending on Gasoline  
2017 (projected) vs. 2016 (billions)



**2017 Yearly U.S. Gasoline Spending: \$354.58 billion**  
2016 Yearly U.S. Gasoline Spending: \$302.45 billion

## GASOLINE FORECAST

# Peak Daily Average Gas Price Select Cities

City	Peak Daily Average
Atlanta	\$2.65-\$2.80
Boston	\$2.80-\$2.95
Chicago	\$3.15-\$3.50
Cleveland	\$2.90-\$3.10
Dallas/Ft. Worth	\$2.50-\$2.75
Denver	\$2.75-\$2.95
Detroit	\$2.95-\$3.15
Houston	\$2.50-\$2.70
Los Angeles	\$3.45-\$3.75
Miami	\$2.90-\$3.20
Minneapolis	\$2.90-\$3.25
New York City	\$3.25-\$3.55
Orlando	\$2.75-\$3.05
Philadelphia	\$3.25-\$3.60
Phoenix	\$2.70-\$3.05
Sacramento	\$3.35-\$3.65
San Francisco	\$3.50-\$3.85
Seattle	\$3.25-\$3.50
St. Louis	\$2.70-\$2.95
Tampa	\$2.65-\$2.95
Washington, D.C.	\$3.25-\$3.60

Prices represent peak average daily gas price by city for select U.S. cities

# Forecasting Volatility

---

## Page 1

Unless something out of the ordinary occurs, rarely much thought is given to the *process* by which gasoline arrives at our neighborhood c-stores & gas stations. It is just assumed that it's always available whenever we need it. More often than not, most of us pay little attention to the fuel we always use until prices at the pump surprise us.

But when we take a closer look we see that volatility is built into the price we pay because of many components, both global and local, that all have a hand in simultaneously pressing those prices higher and/or lower. These components include: the specific time of year and the federal regulations that dictate whether 'summer blend' or 'winter blend' gasoline must be available, and how much; the strength of global economies; the relative value of major currencies; crude oil prices; oil and gasoline supply & demand; refinery operations; pipeline logistics; state and local taxes; weather; and last but not least, politics.

As gasoline is a product derived from crude oil, retail gasoline prices are tied to a global basket (average) of crude oil prices and gasoline prices, through oil prices, are especially sensitive to geopolitical events that can impact, or create the perception of impacting- either positively or negatively- ample supply and timely delivery of these commodities.

Gasoline prices are also subject to seasonal increases and decreases tied directly to both refinery maintenance season (spring and fall) and the Clean Air Act, which guides EPA regulations mandating the production and sale of more expensive, but less volatile and cleaner burning "summer blend" gasoline at pumps from June 1 through September 15 (refiners must be in compliance by May 1) in much of the country.

Continued on the next page



# Forecasting Volatility

---

## Page 2

The purpose of these regulations is to reduce smog and pollution, especially in large metro areas across the U.S. during the peak summer driving season. The transition from 'winter blend' to 'summer blend', which also takes place as refiners perform seasonal maintenance with reduced gasoline production, can increase gas prices from 35 to 75 cents per gallon. This results in a rise in retail pricing that arrives every spring as refineries deplete their inventory of winter blend prior to the annual maintenance needed before they can begin production (in March and April ) of the more expensive summer blend.

What is unpredictable are the unscheduled obstacles refineries may encounter. In areas such as the West Coast and Great Lakes region, where gasoline is produced by a dominant few refineries, motorists in these states are most susceptible to severe price spikes that are triggered when their refineries hit unexpected snafus, as brief as they may be.

Weather always represents a potential threat too. In addition to Hurricanes Hermine and Matthew, which prompted some fuel outages and shortages, at least 7 states saw massive flooding in 2016, and Louisiana's 27 inches of rain during three days in August was deadly and also forced Exxon Mobil's Baton Rouge refinery, the 4<sup>th</sup> largest in the U.S. (with production capacity of 502,000 barrels per day) to shut down.

We also saw price spikes when Colonial Pipeline's #1 Line was accidentally compromised and shut down in September and again in October. That's the largest gasoline pipeline in the U.S. and it transports 1.3 million barrels daily from Houston to the eastern seaboard all the way to New York.

# Diesel Forecast

---

**This space intentionally left blank**

# 2017 Diesel Forecast

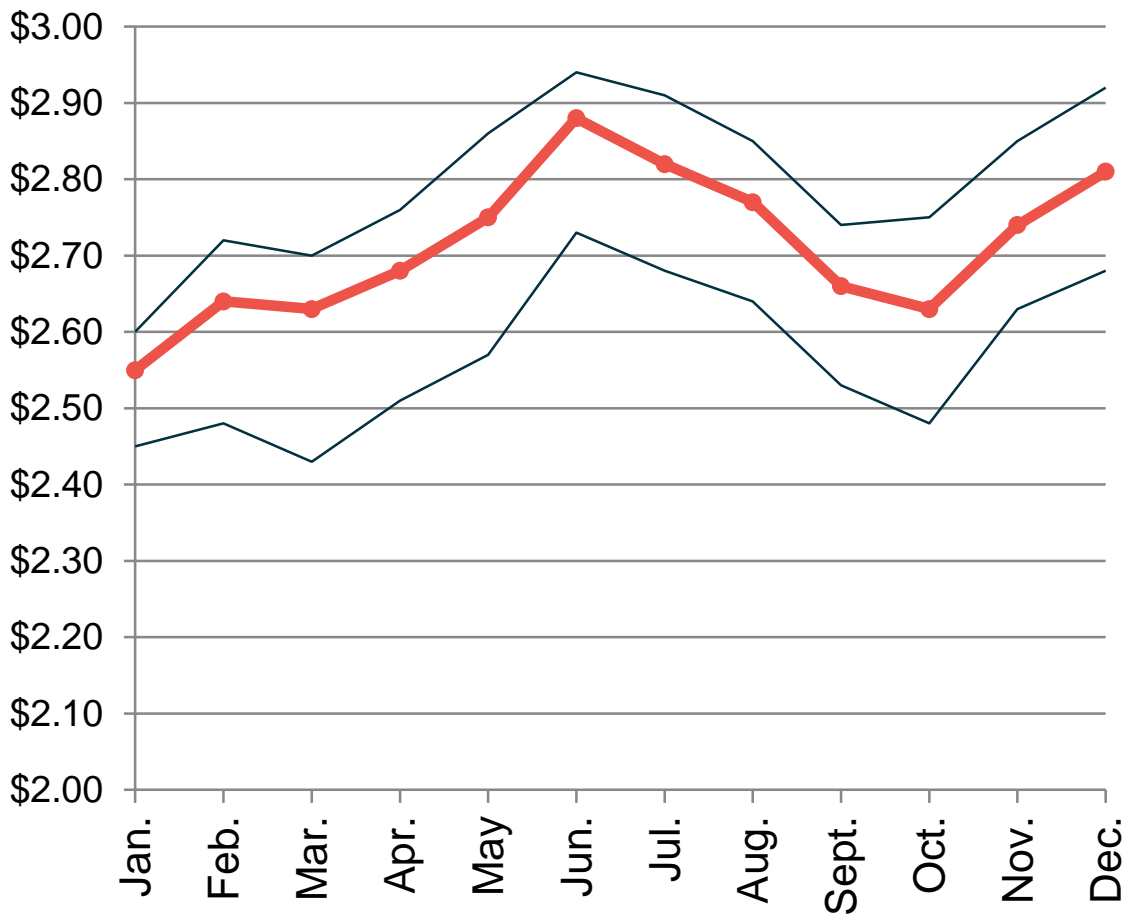
## Page 1

Month	Range	Average
January	\$2.45 - \$2.60	<b>\$2.55</b>
February	\$2.48 - \$2.72	<b>\$2.64</b>
March	\$2.43 - \$2.70	<b>\$2.63</b>
April	\$2.51 - \$2.76	<b>\$2.68</b>
May	\$2.57 - \$2.86	<b>\$2.75</b>
June	\$2.73 - \$2.94	<b>\$2.88</b>
July	\$2.68 - \$2.91	<b>\$2.82</b>
August	\$2.64 - \$2.85	<b>\$2.77</b>
September	\$2.53 - \$2.74	<b>\$2.66</b>
October	\$2.48 - \$2.75	<b>\$2.63</b>
November	\$2.63 - \$2.85	<b>\$2.74</b>
December	\$2.68 - \$2.92	<b>\$2.81</b>
<i>2017 U.S. Average</i>		<b>\$2.71</b>

Numbers reflect range of national average by month, with monthly average in bold.

# 2017 Diesel Forecast

Page 2



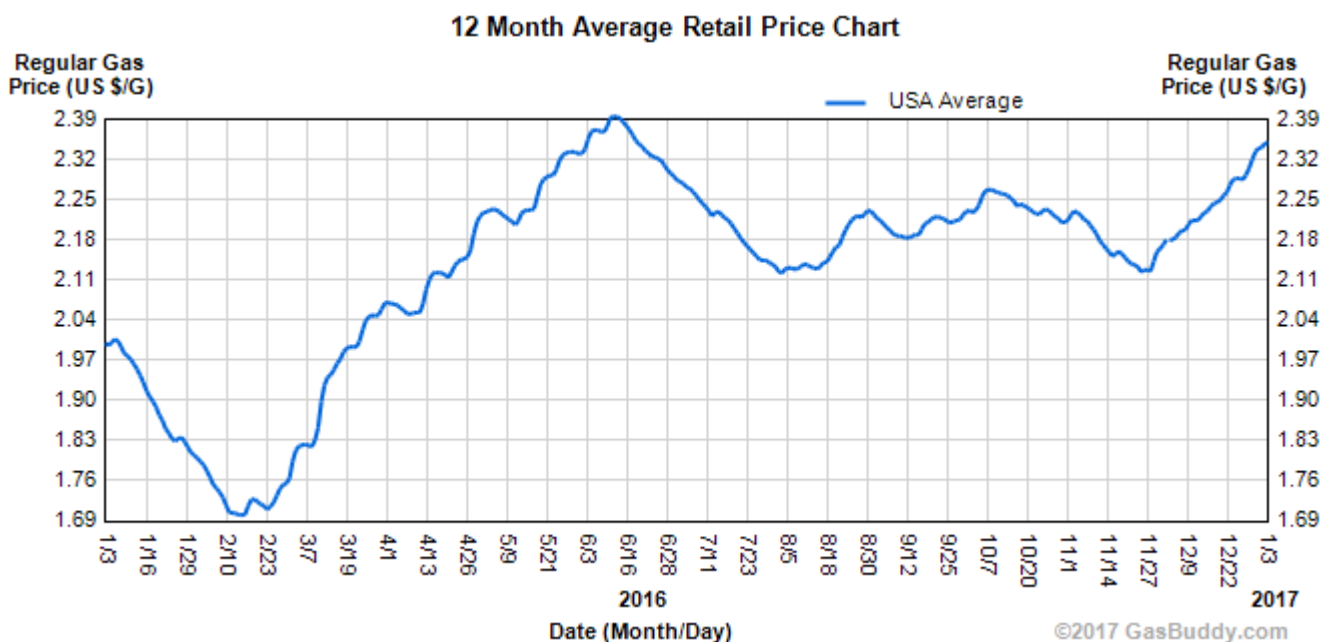
Data © GasBuddy

Chart reflects range of national average by month, with monthly average shown as red line.

# Fuel Outlook Commentary

## Page 1

The national average price of gasoline has declined each year since 2012 (\$3.60), 2013: \$3.48, 2014: \$3.34, 2015: \$2.40 and in 2016 it declined once again to \$2.13 per gallon.

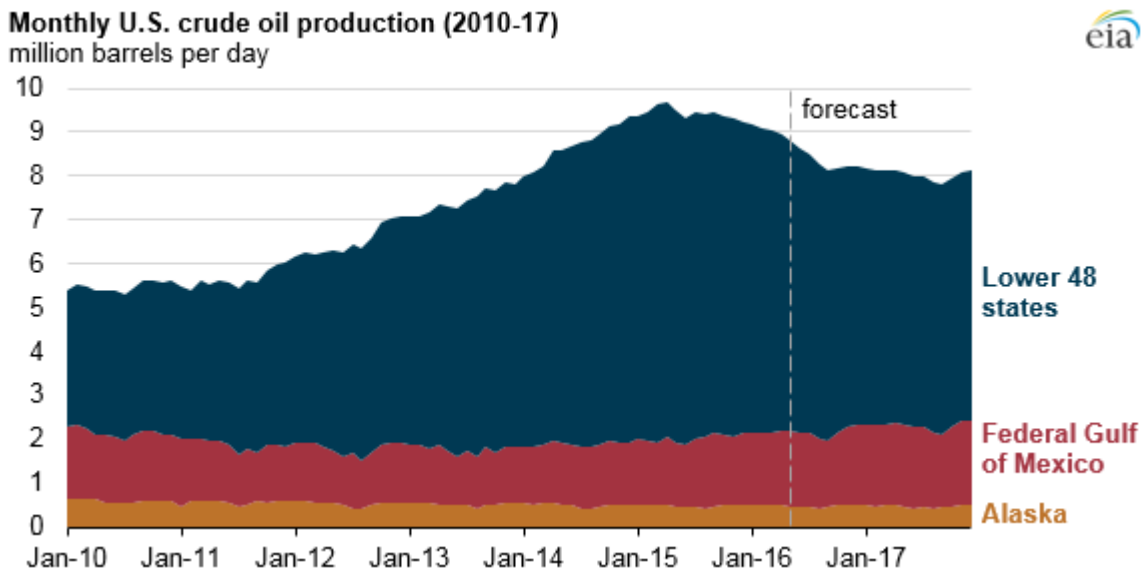


Why the decline? There are multiple reasons. If there is one area where virtually all energy observers find unilateral agreement it's on the view that the primary cause for suppressed U.S. gasoline prices has been the decline in crude prices; the substantial and consistent downward pressure on global crude oil caused by the global imbalance that is maintained and strengthened by all parties involved. Economic growth (and consumption) in the U.S.A., China, India, Europe is relatively flat... while oil production booms in OPEC and non-OPEC countries expanding supply around the world that has outpaced demand.

# Fuel Outlook Commentary

## Page 2

A snapshot of U.S. oil production from the Energy Information Administration (EIA) appears below:



The dramatic increase has put extraordinary pressure on OPEC. After several missteps, the cartel announced Nov. 30, 2016 that it had reached agreement on a collective production cut of 1.2 million barrels per day that it said would begin in Jan. 2017. It was viewed as an aggressive and necessary step to counter the N. American growth (U.S., Canada & Mexico) to prompt a rise in prices that meets OPEC's preferred target range but also keeps U.S. shale production at bay.

Weeks after the OPEC agreement was announced the cartel also said that a small group of non-OPEC nations led by Russia had also agreed to cut production by approx. 600,000 barrels per day. It was a badly needed piece that's a key to OPEC's success because if Russia declined, many other OPEC countries would have undoubtedly withdrawn to protect their own market share from OPEC and non-OPEC producers alike.

# Fuel Outlook Commentary

---

## Page 3

The agreement immediately pushed crude oil prices higher and retail gasoline prices followed. Both have been on an OPEC upswing coming into 2017. In the financial markets the OPEC agreement has gained newfound credibility and current projections call for an uptick in demand from the world's major economies.

While the OPEC deal is a critical piece of the price puzzle, it's also one that faces skepticism and challenges. Investment houses such as Morgan Stanley and Goldman Sachs say it has the potential to push WTI oil prices above \$60 a barrel and create momentum for a further rally in prices but only if compliance by OPEC producers and confirmation by non-OPEC producers is verified. We concur with that assessment.

Another equally compelling piece of the puzzle emerged from the greatest political upset in American history that has President-Elect Donald J. Trump set to be inaugurated as the 45th president of the U.S. on Jan. 20.

CNBC reported on the immediate impact Trump's victory had on OPEC just weeks after Election Day. They cited UBS Commodities and FX Strategist Wayne Gordon who correctly predicted: "The Trump victory and significant downward pressure on oil prices over the last couple of weeks will draw OPEC together." He said the impetus to doing a deal was much stronger because of the Trump victory.

And the reason for that, was because President-elect Trump has threatened to rip up the deal Iran reached with international negotiators last year to limit its nuclear program in exchange for sanctions relief."

CNBC opined that Trump is unlikely to significantly change it without European cooperation, adding that his statements could potentially slow investment going into Iran, and reduce their oil production too.

# Fuel Outlook Commentary

---

## Page 4

Trump's cabinet appointments already reflect what most would call a pro-business, 'oil-friendly' perspective. He selected former Exxon Mobil CEO Rex Tillerson for Secretary of State. Tillerson is expected to navigate the dismantling of the Iran nuclear agreement that Trump has often criticized.

Even before any step is taken in that direction, Bank of America asserted that Iran's bargaining power within OPEC has already been reduced by the Trump victory and could prevent Iran from reaching the production level it has targeted.

Another key appointment was the selection of former Texas Governor Rick Perry as Secretary of the Energy Dept., a department Perry once said he wanted to abolish.

Trump's appointees are viewed by most to be well-suited to shepherd the growth in the energy sector he advocated while campaigning. And that includes removing restrictions imposed by the Obama Administration on energy production (from coal, oil, shale and natural gas) and on proposed infrastructure such as the Keystone Pipeline.

Of course, there are more questions than answers at this point of new beginning. It's important to remind readers that while we're accustomed to seeing crude oil and gasoline prices move in the same direction, there's never a direct correlation between the two. We are often asked "If the price of crude today is X, why isn't the price of gas at Y, just like the last time we saw crude at X?"

It's also a good time to advise all to be careful what you wish for. When crude prices decline that may be a harbinger of lower gas prices around the corner, but that's also a worrisome sign of a weakening economy.



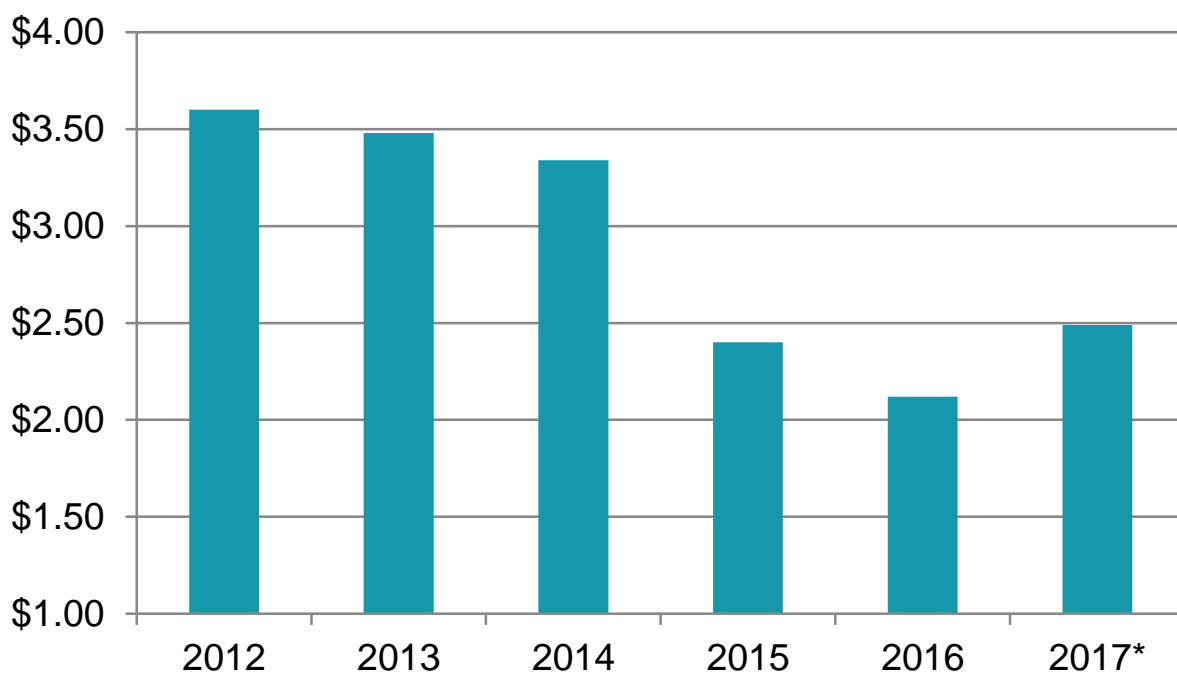
# Fuel Outlook Commentary

## Page 5

A healthier economy with higher employment; real job growth from fulltime positions for heads of households, not part-time positions for minimum wage earners; and, meaningful increases in measures such as the labor participation rate, earnings and savings would likely raise fuel consumption and gas prices together. So higher prices at the pump under those circumstances probably wouldn't discourage anyone.

After taking into consideration all of the above, GasBuddy analysts constructed this forecast for the U.S. average price of gasoline, month-by-month, for 2017. We anticipate that consumers will see gas prices that will be higher than 2016, closer to levels seen in 2015, ending the year with the national average for 2017 coming in at \$2.49 per gallon.

**For 2017, GasBuddy projects the U.S. average gasoline price to be \$2.49 per gallon, representing a 36-cent rise from 2016. The higher prices will amount to the nation's motorists spending \$52 billion more over the course of year compared to 2016.**



\*Projected

Data © GasBuddy

# Forecast Quotes

---

“While the return to cheap gas last year may have felt as long coming as the Cubs bringing home the pennant, low gas prices are usually don’t last as long as we’d like. Unfortunately, as OPEC as tightened their grip on oil prices, Americans will be spending over \$50 billion more this year on gasoline versus last, and unlike the Cubs winning the World Series, it may be years before some of the low prices we saw in 2016 come back.”

*-Patrick DeHaan, senior petroleum analyst*

---

“2017’s price trends for crude oil and local prices at the pump will be pushed by a paradigm shift. And that’s the shift away from market fundamentals to the promise of rebalancing and a rise in prices supported precariously by the notion that the ‘production cut’ OPEC is successfully selling now will materialize and remain verifiable and sustainable.”

*-Gregg Laskoski, senior petroleum analyst*

---

“2016 was certainly a year to remember at the pump, from a price war in Michigan bringing gas prices down to just 47 cents per gallon to other price wars bringing prices down to \$1.17 per gallon, there were a lot of eye-popping prices and price wars. It was absolutely the year of cheap gas. On the other hand, 2017 will not be a repeat of 2016 with prices notably higher, and while we’re unlikely to see record setting highs, we will see more cities with gas prices rising to their highest in three years.”

*- Patrick DeHaan, senior petroleum analyst*

---

“While gasoline prices nearly always follow the same direction as crude oil and represent an important barometer for consumers and their personal budgets, the increases we anticipate this year may be met with less resistance than in the past if economic improvement softens the blow. If the Trump Administration delivers on its promises; lower taxes, more jobs, higher salaries and savings... then a concurrent increase in demand and gasoline prices may be easier to digest.”

*-Gregg Laskoski, senior petroleum analyst*

---

# About GasBuddy®

---

GasBuddy® is the premier source for real-time local gas prices. Founded in 2000, GasBuddy.com developed as an initiative to provide consumers access to local, current gas prices. Through the GasBuddy.com website and the free GasBuddy mobile app, users can find and share gas prices with fellow drivers, saving big money at the pump.

GasBuddy®'s service has won multiple awards from publications such as Time Magazine and PC World. In addition, GasBuddy®'s smartphone app has been mentioned in hundreds of print publications as well as major media outlets, and has been downloaded nearly 65 million times.

Average gasoline prices are continuously updated using new data inputs, and GasBuddy® is the only source of near real-time pricing data, 24 hours a day, 7 days a week at over 130,000 gas stations in the United States.

Market-specific and other custom forecasts are available from GasBuddy for a nominal charge. GasBuddy has provided forecasts for large end-users as well as smaller businesses, as well as custom alerts before price spikes are expected.

## CONTACT

**Patrick DeHaan, Sr. Petroleum Analyst**

Email: [pdehaan@gasbuddy.com](mailto:pdehaan@gasbuddy.com) | Phone: 773-644-1427

**Gregg Laskoski, Sr. Petroleum Analyst**

Email: [glaskoski@gasbuddy.com](mailto:glaskoski@gasbuddy.com) | Phone: 813-436-9422

