

Hurricanes Present Huge Challenges To Petroleum Industry

Hurricane Harvey has challenged the petroleum industry to continue to provide consumers with a safe, reliable, and affordable product during extremely difficult circumstances. Even though the 50 inches of rain along the Gulf Coast has caused some 13 refineries to temporarily cease operations, many are now back on line.

When Hurricane Harvey hit shore near Corpus Christi on Aug. 24, crude oil prices on NYMEX closed at \$47.43 per barrel and RBOB gasoline closed at \$1.6641 per gallon. A week later on Aug. 31, crude oil prices had dropped \$0.20 to \$47.43, but gasoline rose \$0.4758 to \$2.1399 because of the decline in refined products.

The Energy Information Administration (EIA) reported that on Sept. 4 the average retail price of gasoline was \$2.68 for the U.S. an increase of \$0.28 from the previous week.

The largest fuel price increases occurred in Texas, which averaged increases of about \$0.40 per gallon.

EIA reported that southern states (Louisiana, Alabama, Mississippi, and Florida) experienced increases from \$0.35 to \$0.39 per gallon.

Western states had the smallest increase, which was in the \$0.10 to \$0.15 per gallon range.

Some service stations in Texas experienced shortages, but the shortages were temporary and spotty.

One report from Merrill Lynch said the peak outage was 4.4 million barrels per day from Corpus Christi to Houston to Beaumont/Port Arthur. Refineries in Corpus Christi, which were the first hit, are back operational. Many of the Houston refineries are back in partial operation. Beaumont/Port Arthur refineries have not come back on line, yet.

Getting the refineries back into production is a part of the equation of getting more gasoline to consumers. Another key piece of the puzzle involves the distribution network of pipelines and trucks, which are slowly coming back to full strength.

Prices seem to have settled. Gasoline closed at \$1.6733 on Sept. 7.

Just as the challenge of Harvey appears to be waning, another challenge named Hurricane Irma is on the horizon and headed for Florida.

The damage created by Harvey is legendary. Irma's powerful winds have been recorded at a steady 185 miles per hour, which will undoubtedly create a new set of challenges.



Alex Mills, President
Texas Alliance of Energy Producers
900 8th Street, Suite 400
Wichita Falls, Texas 76301
(940) 723-4131