Refineries Likely to Close as Hurricane Irene Nears

CHRIS KAHN,AP Energy Writer

NEW YORK (AP) — East Coast refineries are likely to close in advance of Hurricane Irene's arrival this weekend, analysts say. The shutdowns are already boosting gasoline prices.

The storm pounded the Bahamas Thursday with winds of 115 mph and it could reach East Coast refineries, which are concentrated in New Jersey and Pennsylvania, by Sunday afternoon.

Refineries are already starting to turn off equipment and tie things down.

"Even if the storm eventually misses them, they can't take chances," says Ben Brockwell at the Oil Price Information Service, which monitors fuel shipments around the country.

Refineries are sprawling complexes of concrete and steel that turn oil into gasoline, diesel and other kinds of fuels. While the main buildings are designed to withstand hurricane-force winds and earthquakes, some of their pipes, cooling towers and power lines are susceptible to wind damage. Utilities are expecting widespread power outages from winds and downed trees.

It takes several days for a refinery to start operating again following a shutdown. And many would need almost a month to get back to full operation.

Gasoline futures rose nearly 2 percent Thursday.

Tom Bentz, an analyst at BNP Paribas Commodity Futures, said traders are betting that supplies may be squeezed.

"There's the potential for certainly coastal flooding, potential for refinery outages, potential for shipping delays, things like that," Bentz says.

Drivers should also see pump prices rise this weekend as Irene approaches. People are now paying anywhere from $3.37 a gallon in South Carolina to $3.91 in Connecticut. The national average is down 40 cents from its peak of $3.98 on May 5. But it's still 87 cents higher than at this time last year.

Shutdowns of more than a few days would put serious pressure on fuel supplies and prices. Fuel stockpiles are already low because distributors are preparing to switch to wintertime grades of gas. Sale of those grades starts in September.

"Anything longer than a few days could be a problem," Brockwell says.

Three years ago, pump prices jumped 21 cents a gallon in just eight days as Hurricane Ike swept through the Gulf of Mexico and made landfall at Galveston, Texas.

East Coast refineries are located in Virginia, Delaware, Pennsylvania and New Jersey. They account for 7 percent of the nation's refining capability, producing more than 19 million gallons of gasoline and diesel a day, according to the Energy Information Administration. Other refining hubs are located along the U.S. Gulf and West coasts.

Refinery operators must decide about 72 hours before a hurricane hits whether to go into what is called "cold shutdown." Furnaces are turned off and fluids are drained from the refining vessels and into storage tanks.

Jeff Hazle, the senior director for refining technology at the National Petrochemical & Refiners Association says refiners are most concerned about losing power due to high winds.

Refineries typically generate some power on site, but they almost all rely also on offsite power. If there is an outage, refiners can't continue to operate, and they can't drain their refining equipment as completely or safely because pumps don't have power.

If flooding is expected, storage tanks that are nearly empty must be at least partially filled with fuel. Empty tanks can more easily float off of their foundations.

If only moderate winds are expected, the refinery can throttle back production. When a refinery is running at less than full capacity, it is easier for the crew to manage problems that may arise during the storm.

When the plant is shut down, all refinery personnel are evacuated except for a small crew.

There are eight east coast refineries: PBF Energy Partners' plant in Delaware City, Del. and Paulsboro, N.J.; ConocoPhillips' plants in Linden, N.J. and Trainer, Penn.;

Hess Corp.'s Port Reading plant; United Refining in Warren, Penn.; and Sunoco's refineries in Marcus Hook and Philadelphia, Penn.

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