

Crude Oil Inventories Down 29%

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U.S. Energy Information Administration

Crude oil inventories at Cushing, Oklahoma, the primary crude oil storage location in the United States and the delivery location for the New York Mercantile Exchange (Nymex) West Texas Intermediate (WTI) crude oil futures contract, declined 12 million barrels (29%) over the past seven weeks. On March 14, 2014, Cushing inventories were 30 million barrels, 19 million barrels lower than a year ago and the lowest level since early 2012.

The recent drawdown of stocks at Cushing resulted from (1) the startup of TransCanada's Cushing Marketlink pipeline, which is now moving crude from Cushing to the U.S. Gulf Coast; (2) sustained high crude runs at refineries in Petroleum Administration for Defense Districts (PADD) 2 (Midwest) and 3 (Gulf Coast), which are partially supplied from Cushing; and (3) expanded pipeline infrastructure and railroad shipments that have made it possible for crude oil to bypass Cushing storage and move directly to refining centers in PADDs 1 (East Coast) and 5 (West Coast).

In December 2013, TransCanada began injecting crude from Cushing to fill the Marketlink pipeline before its commercial startup. Marketlink linefill has been estimated at 3 million barrels. In late January, TransCanada completed the first delivery of crude oil via Marketlink to U.S. Gulf Coast refineries. Trade press has reported that crude oil deliveries via Marketlink are expected to average 525,000 barrels per day (bbl/d) in 2014.

PADD 2 refinery utilization averaged 92% in 2014 through March 14, up from 89% over the same period in 2013. Refinery utilization in PADD 3 was also higher, up 4%, even though PADD 3 refinery capacity increased. Refinery crude inputs in PADDs 2 and 3 for year-to-date 2014 through March 14 averaged 780,000 bbl/d higher than in 2013.

Steep [backwardation](#) [1] (when near-term prices are higher than longer-term prices) also incentivized selling crude out of inventory. Since early January, the WTI 1st-13th price spread increased from less than \$6/bbl to \$10/bbl on March 19. With Marketlink operational, more crude can flow out of inventory at Cushing to refineries in the Gulf Coast in response to market price signals

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[1] <http://www.eia.gov/todayinenergy/detail.cfm?id=13051>

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