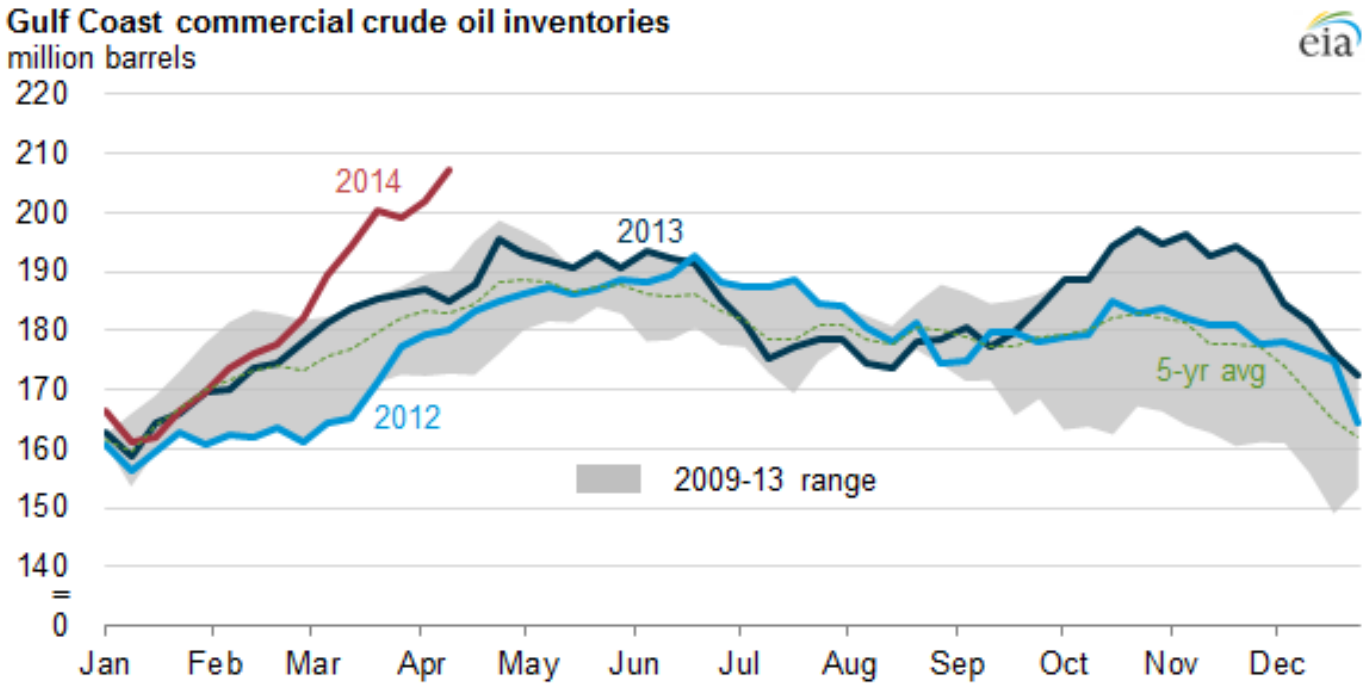
Gulf Coast Crude Oil Inventories At Record High

U.S. Energy Information Administration



Crude oil inventories on the U.S. Gulf Coast [1] (USGC) reached 207.2 million barrels (bbl) on April 11, a record high. The elevated inventory levels are the result of the continuing strong crude oil production growth, the opening of TransCanada's Marketlink Pipeline, and a drop in crude oil inputs at USGC refineries as a result of seasonal maintenance.

EIA weekly crude oil inventory data include inventories at tank farms, refineries, and in pipelines. Total working crude oil storage capacity [2] on the USGC totaled 273.3 million bbl as of September 30, 2013 (the most recent date for which that number is available). Tank farm storage accounted for 200.5 million bbl of that capacity, and storage at refineries accounted for 72.9 million bbl. EIA does not include a pipeline capacity number in its working storage capacity estimate.

While USGC crude oil inventories typically build during the beginning of the year, this year's increase has been particularly notable. On January 10, USGC inventories were 161.0 million bbl, 1.4 million bbl above the five-year average. Since then, they have increased 46.2 million bbl (29%) to the current level, which is 24.2 million bbl above the previous five-year average and 22.2 million bbl above year-ago levels. Typically over this period, USGG crude oil inventories build only 23.4 million bbl.

The main driver of the recent crude oil inventory builds on the USGC is start-up of TransCanada's 700,000-bbl-per-day (bbl/d) Marketlink Pipeline, which runs from the Cushing, Oklahoma storage hub to the Houston area. In late January, TransCanada completed the first delivery of crude oil via Marketlink to USGC refineries. Trade press has reported that crude oil deliveries via Marketlink are expected to average

525,000 bbl/d in 2014. The pipeline start-up has been a main driver of recent corresponding draws at Cushing [3].

A seasonal drop in crude oil inputs due to maintenance at USGC refineries resulted in lower demand for crude oil in the past two months. For the four weeks ending January 17, crude inputs at USGC refineries were 8.3 million bbl/d. Inputs then fell to 7.7 million bbl/d on average for the four weeks ending March 21, but have increased again in recent weeks. During the same period, crude oil imports actually increased slightly.

Additional sources of crude supply on the USGC coming from rising in-region production have kept inventories generally high in recent years. In the 106 weeks since March 2012, USGC inventories have been above the previous five-year average in all but seven of those weeks. That coincides with a period during which crude oil production growth in the USGC has averaged about 584,000 bbl/d. Likewise, crude oil production growth in the Midwest has averaged 278,000 bbl/d from March 2012-January 2014 (the most recent date for which crude oil production data are available). With more production on the USGC and transportation of Midwest crude to the region, more storage capacity has been required to meet these logistical challenges.

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