



So who do we believe?

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Tags: [bp](#), [george w. bush](#), [syncrude](#), [texas city refinery](#) [[list all tags](#)]

There was an interesting juxtaposition today in that, when the President was asked about energy, the exchange went ([from the transcript](#)).

Q Thanks. Mr. President, what do you say to people who are losing patience with gas prices at \$3 a gallon? And how much of a political price do you think you're paying for that right now?

THE PRESIDENT: I've been talking about gas prices ever since they got high, starting with this -- look, I understand gas prices are like a hidden tax. Not a hidden tax, it's a tax -- it's taking money out of people's pockets. I know that. All the more reason for us to diversify away from crude oil. That's not going to happen overnight. We passed law that encouraged consumption through different purchasing habits, like hybrid vehicles

-- you buy a hybrid, you get a tax credit. We've encouraged the spread of ethanol as an alternative to crude oil. We have asked for Congress to pass regulatory relief so we can build more refineries to increase the supply of gasoline, hopefully taking the pressure off of price.

And so the strategy is to recognize that dependency upon crude oil is -- in a global market affects us economically here at home, and therefore, we need to diversify away as quickly as possible.

The response seems to feed to the Saudi position that they have plenty of oil, if only we users would provide the refineries that could use it.

At the same time [Darwinian and Totoneila](#) draw attention to the strange case of the [Shrinking Refinery](#). Apparently the BP Refinery at Texas City, which pre-hurricanes had a capacity of 460,000 bd, will no longer produce at more than 300,000 bd.

Where is Holmes when we need him? Because something here is not quite obvious. If demand is up, and we need more refineries (see above) why is one of the larger ones not being brought back fully to operation. Even the Murphy plant at Meraux, which was badly hit in the hurricane and left flooded, finally made it back on stream (as the article points out) in July.

The article suggests that this might be a permanent downsizing. Given that one of the ways that the refineries have coped with increasing demand in the past has been to increase production at permitted refineries (as, for example we are seeing up in Canada, where the Syncrude [Coker](#) will

come on line later this month, after being shut down, almost immediately after initial start because of a [smell](#) that it produced. With that [re-start](#) the production will increase, if my memory serves, by [100,000 bd](#). However, while similar expansion plans are in the offing for other companies in Alberta, here we see a refinery in Texas that is reducing the size of its operations.

There are obviously two different messages being given here, a public affirmation, and a less loudly stated lack of faith in the sustainability of oil supplies.

Unfortunately there is also a third, which confirms much of what has been said before about the difference between plans and reality. Both refinery stories show that the anticipated production dates slip, or can't be met, and that, as with the Thunder Horse platform, the production that could be anticipated, gets further delayed.



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