This Week in Petroleum 1-30-08

Posted by Robert Rapier on January 30, 2008 - 2:55pm
Topic: Supply/Production
Tags: eia, gas inventories, gas prices, oil inventories, oil prices, twip [list all tags]

Updated

Gasoline inventories did in fact edge upward, as gasoline imports were very strong. Had that not been the case, gasoline inventories would have definitely come down, as utilization continues to trend down. In fact, just glancing over the data, more gasoline may have been imported this January than in any other January before. As long as that continues, gasoline prices won't gain much traction. But European refiners have to take turnarounds as well, so gasoline imports typically fall off in February and March.

Here is the summary:

Summary of Weekly Petroleum Data for the Week Ending January 25, 2008

> U.S. crude oil refinery inputs averaged 14.6 million barrels per day during the week ending January 25,down 302,000 barrels per day from the previous week's average. Refineries operated at 85.0 percent of their operable capacity last week. Gasoline production edged slightly lower compared to the previous week, averaging about 8.9 million barrels per day. Distillate fuel production fell last week, averaging nearly 3.9 million barrels per day.
>
> U.S. crude oil imports averaged about 10.1 million barrels per day last week, down 100,000 barrels per day from the previous week. Over the last four weeks, crude oil imports have averaged 10.1 million barrels per day, unchanged from the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) last week averaged nearly 1.2 million barrels per day. Distillate fuel imports averaged 277,000 barrels per day last week.
>
> U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 3.6 million barrels compared to the previous week. At 293.0 million barrels, U.S. crude oil inventories are in the lower half of the average range for this time of year. Total motor gasoline inventories increased by 3.6 million barrels last week, and are above the upper limit of the average range. Both finished gasoline inventories and gasoline blending components inventories increased last week. Distillate fuel inventories declined by 1.5 million barrels, and are in the lower half of the average range for this time of year. Propane/propylene inventories decreased by 3.0 million barrels last week. Total commercial petroleum inventories decreased by 1.0 million barrels last week, and are in the middle of the average range for this time of year.

Pre-Release Commentary

OPEC is meeting later this week, but the comments coming from various members indicate that they are unlikely to boost production. I think this continues the theme that we saw most of last year, where truly low inventories were mostly prevented by higher prices, and then OPEC used the inventory situation to suggest that markets are adequately supplied - which completely ignores the price signal. But certain OPEC members have now grown dependent upon the revenues provided by $100 oil. As long as they maintain solidarity, it is unlikely they will allow the price to drop too much - recession or now.

Here is what analysts are forecasting for this week:

> A Reuters poll of analysts ahead of weekly U.S. government inventory data forecast a 2.1-million-barrel rise in crude stocks, a 1.9-million-barrel draw in distillate inventories and a 2-million-barrel build in gasoline stockpiles.

If spring turnarounds are indeed starting early, then the only way gasoline stockpiles will build is if gasoline imports remain strong (which they were last week). If that is the case, then $4 gasoline will remain elusive, as imports will keep pressure off of inventories.

That same story also had a note about speculative positions:

> U.S. regulator data on Friday showed NYMEX crude oil speculators slashed their bets on rising prices in the week to Jan. 22 to their lowest since mid-December, cutting net long positions by nearly 50,000 lots to 37,000. "It shows the large speculative funds reducing aggressively their net length exposure on futures through a combination of long liquidation and fresh short positions," said Olivier Jakob at Petromatrix.

There is concern about a recession dropping prices, but I think the counter to that is that OPEC would probably be willing to cut if prices dropped too much. I will update following the release of the report.

Personal Note

On a personal note, I have decided to leave the oil industry effective March 1 to become the Engineering Director for Accsys Technologies PLC, based in London. I provided a few details in a post yesterday. At some point I will write up something on the technology, as it impacts directly on energy and sustainability - two issues that I will continue to write about.