



Who is borrowing what from whom?

Posted by [Heading Out](#) on September 5, 2005 - 2:51pm

Topic: [Supply/Production](#)

[CNN](#) lists the companies that have so far borrowed oil from the US Strategic Reserve

Up until Friday's approval by the IEA, the Department of Energy had approved loans totaling 9.1 million barrels to refiners ExxonMobil, Placid Refining, Valero Energy and Total S.A.

Late Friday afternoon, the Department of Energy had approved two additional loans from the SPR -- 2 million barrels to British Petroleum (BP) and 1.5 million barrels to Marathon Oil.

As part of the agreement, oil companies are expected to return the oil to the emergency stockpile once supply conditions have returned to normal.

Meanwhile the source of the IEA offer is also becoming clear. [Bloomberg](#) has the story on which countries are contributing the gasoline - it is not, necessarily, from where you would have thought.

Half the oil in the IEA release will come from the U.S. strategic reserve as crude. The other half will be ``mainly" oil products, including gasoline, Mandil said. About 20 percent will come from Japan and other Asian countries, 10 percent from Germany, 7 percent from France and 5 percent from Spain, he said.

UPDATE And thanks to ClintB, for the lead to [Business Week](#) which gives more detail, including the interest rates

the government demanded a volume premium of 1.8% to 5.6% on 5.4 million barrels of sweet-crude loans to five refiners, to be repaid in three to six months.

. Incidentally the reason no more is coming from Europe is [apparently](#) a lack of available tankers.

And this brings up the whole issue of the Strategic Petroleum Reserves. Until recently the US was still filling ours, up to its current level of 700 mb with the new intent to go to 1,000 mb. Now the Chinese have just built their first facility, and plan on extending it further. At one time they were talking about starting to buy about 600,000 bd from about now to begin filling it. Well here we are with both apparent demand and supply balanced at around 84 mbd. We have just dropped overall production by let us say 1 mbd. At some stage in the none too distant future the oil companies now borrowing up to 2 mbd will have to give it back. If at the same time the US and

China (not to mention any others with similar concerns - note where we are borrowing oil) also start to increase their own SPR's then it is quite likely that we can see an increased demand for 2 mbd or more, going into such reserves.

Now while I understand the reasons for this, and [Econbrowser's points](#) about putting it away against future value, what worries me more than a little is that this is bound to bring additional pressure against the available supply, with an obvious increase in cost. Surely that was not the intent when the decision was made to increase the US SPR ?

And further to comments we have made about the difficulty in getting to Port Fourchon and the supply depots at Venice. The NYT has a [story](#) about the conditions in that area. When the movie "The Oil Storm" described the fictional aftermath it got this bit sadly correct

Few if any houses survived; those not still under water were flattened in place or thrown acres away. Hundreds of pleasure boats, fishing vessels and small ships were indiscriminately dry-docked, tossed onto embankments, into swamps, even onto the state highway. Oil refinery tanks crumpled into balls; bits and pieces of homes scattered like confetti; downed telephone wires snaked off into uselessness; and virtually no living thing was around, save for stranded livestock, crying seagulls and a few dogs looking for masters. There is no visible National Guard presence, no smaller version of the hectic recovery taking place farther north. This is partly because the hurricane essentially severed the area from the rest of Louisiana; the view by helicopter, the only way to get here other than by boat, shows impassable Route 23 submerged then dry, submerged then dry. . . . He started walking north on a deserted stretch of Route 23 called the Empire Bridge, accompanied by his oil rigger of a son, Ryan, and Lt. Steve Zegura. They pointed out how the hurricane had twisted the bridge, bending it west toward the bay.

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