



Possible US Oil Refinery Strike; Continuing British Refinery Strike

Posted by [Gail the Actuary](#) on February 1, 2009 - 9:20am

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Update [Refiners, Union Workers Extend Contract Talks as Strike Looms](#)

Feb. 1 (Bloomberg) -- Royal Dutch Shell Plc and the union representing refinery workers extended talks on a new contract for at least 24 hours, delaying a possible strike that may affect almost two-thirds of U.S. capacity.

The groups made "sufficient progress" during talks yesterday, Lynne Baker, a United Steelworkers spokeswoman, said in a telephone interview. The rolling 24-hour extension began at 12:01 a.m. U.S. Central Time today and renews each 24 hours until the two sides reach an agreement or the union terminates the contract and gives 24 hour notice that it will strike.

"When you go to rolling 24-hour extensions, it appears they want to reach a settlement, which will keep the union working without disrupting refinery operations," said Andy Lipow, president of Lipow Oil Associates LLC in Houston.

The negotiations cover workers at 86 plants representing about 64 percent of U.S. refining capacity, including operations owned by Exxon Mobil Corp., Valero Energy Corp., BP Plc and Chevron Corp. as well as Shell. Gasoline futures prices soared almost 10 percent last week on concern over a walkout.

We read in various newspapers that a possible strike of members of United Steel Workers union could affect workers at US refineries, chemical plants, pipelines, and oil terminals as soon as tomorrow (Sunday), if an agreement is not reached tonight. **Update**The strike is now on rolling 24 hour extensions, so looks likely to be settled.

At least half of US refinery capacity may be affected. Some refineries have plans to continue operations, using management and non-union workers, so the reduction in capacity, if a strike occurs, is likely to be considerably lower. Refineries not affected by the strike still have considerable capacity, so I would expect some shift to those refineries. I have not seen many articles about possible impacts on chemical plants, pipelines, and oil terminals.

There is also a British refinery workers strike already in progress. Below are a few article excerpts, first about the US strike, and at the end, about the British strike. This thread is for readers to discuss what you are hearing about the two situations, and possible impacts if a US

[Deadline Looms, Oil Talks Stall](#)

Late Thursday, though, the two sides broke off negotiations after the union rejected the third offer from Shell. While talks resumed Friday, there was considerable distance between the two sides on health care insurance coverage and language within the health and safety guidelines.

People familiar with the talks characterized the negotiations as on the brink of a possible work stoppage in the nation's oil sector. Not since 2002, when a strike was narrowly avoided, have talks been to this point.

"We are having difficult times in negotiations, and the talks are progressing slowly," union spokeswoman Lynn Baker said.

One of the biggest sticking points comes as a result of the March 2005 explosions at BP's Texas City refinery that killed 15 contract workers and injured more than 170 others. That blast and the subsequent investigations and lawsuits revealed lacking process safety standards industrywide — not just in BP's Texas City operations...

BP has already pledged that, if there is a strike, it would not hire replacement workers or use management staff to keep its refinery — the third largest in the nation — operational.

[U.S. refinery strike looms as contract talks drag on](#)

Nearly 10 percent of U.S. refining capacity could be idled within days if union officials fail to reach a deal before an existing contract expires at 12:01 am CST on Sunday.

"We are having difficult times in negotiations, and the talks are progressing slowly," United Steelworkers union spokeswoman Lynne Baker said. The union rejected a third proposal from lead refiner negotiator Shell Oil on Thursday evening, Baker said.

Top U.S. refiner Valero Energy joined BP on Friday with a pledge to idle some of its refineries if there is a strike.

But other big refiners like Shell and Exxon Mobil say they plan to use replacement workers to keep their facilities churning out gasoline and other refined products should union workers strike. . .

The last nationwide strike by refinery workers was in 1980 and lasted about three months.

[Managers, workers prepare for refinery strike](#)

With just hours to go before labor agreements expire at 11 area refineries and chemical plants, workers and company officials were making preparations Friday for a possible strike.

Union members put together picket signs, and companies prepared their plants and management teams for possible work stoppages.

If a new agreement is not reached by 12:01 a.m. Sunday, 30,000 energy and chemical workers nationwide, including 4,200 in the Houston area, could walk off the job.

Union negotiators Thursday night rejected the latest contract offer that would have raised wages 2.5 percent each year for three years. The proposal also offered a one-time \$500 ratification bonus and \$250 a year to workers for their unreimbursed medical expenses, if they completed an unspecified health and wellness program.

[Refinery Workers to Reject Offer, Threaten to Strike \(Update3\)](#)

Members have already authorized the union to call a strike.

“This is a contract negotiation that the market needs to take seriously because the impact of a strike is potentially extreme,” said Tim Evans, an energy analyst with Citi Futures Perspective in New York.

Gasoline futures for February delivery rose as much as 5.91 cents, or 5 percent, to \$1.2426 on the New York Mercantile Exchange after Bloomberg reported the refinery workers would reject the latest contract offer and threatened to strike.

“Shell is optimistic that a mutually satisfactory agreement with USW can be made at this point,” said Stan Mays, a spokesman for Shell. Mays declined to comment further. Shell is negotiating on behalf of refiners across the country.

[Strike Out: Nationwide Refinery Strike Could Mean Higher Gas Prices](#)

Refinery workers may not have a whole lot of leverage right now. Thanks to the recession and plummeting demand for oil, refinery economics have taken a hit. Many refineries have been throttling back operations and shutting down refineries for maintenance ahead of schedule; the sector is currently operating at historically-low capacity levels.

A strike-induced, short-term refinery outage could soak up some excess gasoline sloshing around the groggy economy, serving as a boost to refinery economics. Shell and Exxon say they expect to keep their refineries running even in the event of a walkout.

But what if demand destruction in the U.S. has already run its course? Last week, gasoline stocks decreased in the U.S., even as crude-oil stocks rose significantly—a possible sign that gasoline demand, and thus pump prices, could be headed north again. Refinery shutdowns would just put additional pressure on gas prices.

[NYMEX-Crude cuts gains, products up on strike fear](#)

"Keep in mind that a refinery strike would mean lower demand for crude as well as reduced supply of products," said Tim Evans, energy analyst at Citi Futures Perspective.

"There's a very clear spread trade evident here," he added.

Of course, in Britain we already have a refinery workers strike going on. We read:

[Thousands strike over migrant workers: 'British jobs' slogan backfires on Brown in UK-wide action](#)

GORDON Brown's promise of "British jobs for British workers" came back to haunt him yesterday as thousands of contractors across the UK walked out in sympathy with workers striking over the use of foreign labour.

In the first sign of unrest at rising unemployment levels, there were protests at seven sites in Scotland, including Grangemouth oil refinery and Longannet, Cockenzie and Torness power stations.

Around 1,000 contractors – many holding placards bearing the Prime Minister's controversial phrase – also gathered at the Lindsey oil refinery at the heart of the dispute, in North Killingholme, Lincolnshire.

Protests began at the site on Wednesday after the French-owned Total plant announced a £200 million construction project had been awarded to an Italian firm, which was bringing in 400 Italian and Portuguese staff to complete the work.

[Wave of strikes piles pressure on government](#)

The threat of deepening industrial unrest is piling pressure on the government to intervene in the dispute sparked by imported labour at energy plants.

Nuclear power plant employees will vote on Monday morning on whether to join engineering, construction and maintenance staff in sympathy strikes at around 20 sites across Britain.

The original strike began on Thursday at Lindsey Oil Refinery in Lincolnshire after French oil giant Total awarded a £200m contract to Italian firm IREM.



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