



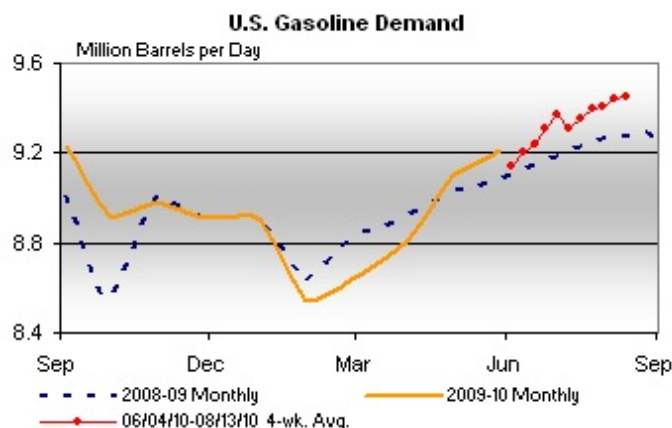
This Week in Petroleum (TWIP) - August 18

Posted by [Heading Out](#) on August 21, 2010 - 10:35am

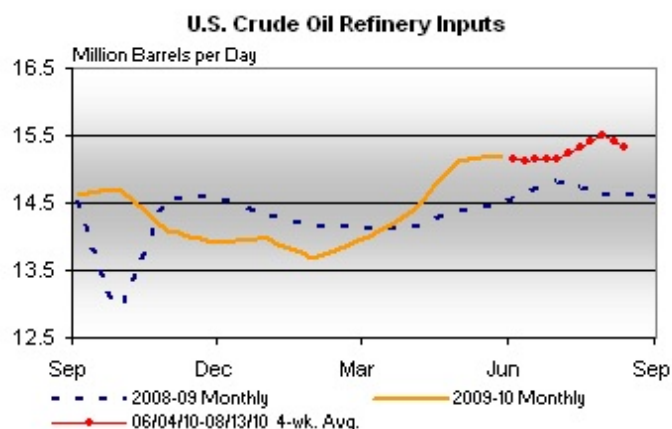
Topic: [Demand/Consumption](#)

Tags: [ethanol production](#), [gasoline demand](#), [oil demand](#), [oil imports](#), [oil production](#), [oil supply](#), [twip](#) [[list all tags](#)]

As the advertisements on television and the newspapers will tell you, summer is coming to an end, and school sessions are about to restart. Which means that we are coming to the end of the summer driving period and, as a result, demand will, likely in a couple of weeks, start to decline. As the [latest TWIP](#) (This Week in Petroleum) notes, we aren't quite there yet, and demand is running some 250,000 bd above last year for gasoline, but we are close to the turnover.

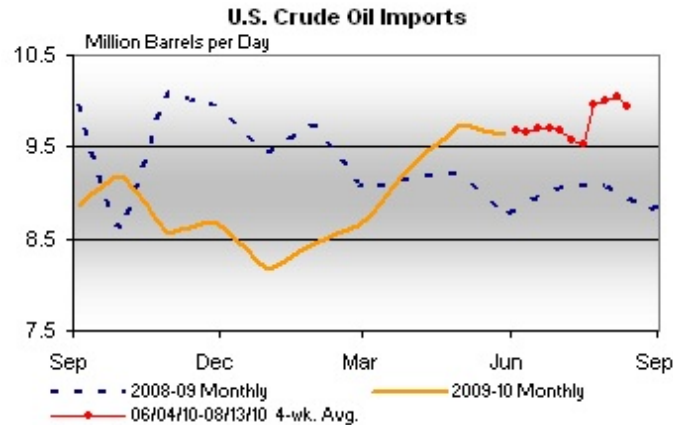


The oil companies can see the event coming, however since it occurs every year, and so the refineries are lowering demand for the season.

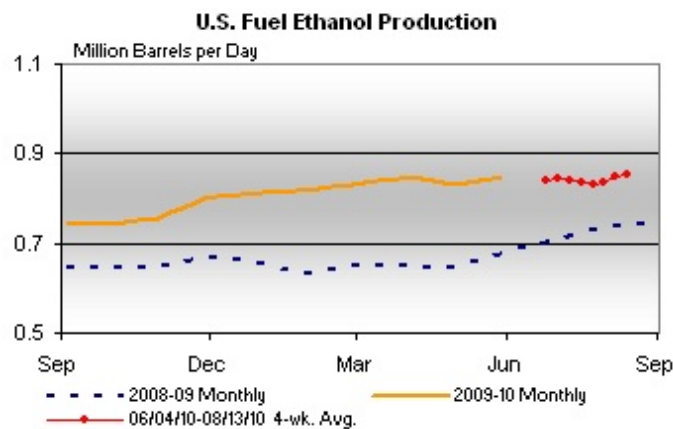


Which, given that domestic production continues relatively constant (but up around 200,000 bd

over last year, at 5.4 mbd) means that there is a slight decline in imports. Though it should be noted that these are still running about 0.75 mbd above last year.



At the same time ethanol (which I haven't tracked before so am less sure of the seasonal trends) continues at about 0.85 mbd.



As the driving season ends, so the US moves into the time when oil, particularly in the NorthEast is used for heating. [TWIP this week](#) is looking at the changes that may happen in that region as the various State legislatures look at reducing sulfur content of the heating oil to bring it into line with the regulations governing highway diesel, which are a lot more restrictive on sulfur content. (Note that it is the sulfur content of oil that gives it the “sour” designation, and the world is moving away from easy, cheap supplies of the preferable “sweet” crude which has a low sulfur content.) . As the TWIP notes:

Initially, the change to ULSD for heating oil may limit import supply sources, as many parts of the world do not produce ultra low sulfur distillate fuels. During the winter (December through February), high sulfur distillate imports into the East Coast account for about 20 percent of this region's total heating oil demand on average, and about 50 percent of distillate imports. Furthermore, during past cold snaps when supplies run short, high sulfur imports have provided most of the relief to the increased heating oil demand.

The transition will present other challenges. Some refineries supplying the Northeast

with heating oil will need to make investments to produce ultra low sulfur distillate fuel for this market. Terminal transitions to low sulfur heating oil will need to be made, as well as changes to supplies of low sulfur additives or blending components to create winter-blend heating oil.

Given that the world's supply is increasingly sour, this will only make the problem worse, and will further mandate changes in refineries to cope with the change in demand, without which a bottleneck may develop within the system of supply.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).