

# *Product Specifications and Oil Stockpiling*

*A Presentation by*

***Cheryl J. Trench***

**President**

**At**

***Petrostocks 2007: New Perspectives***

*An International Symposium*

*Sponsored by the U.S. Department of Energy*

*Allegro Energy Consulting*

RQ 0Dqz "4527;4 "y Pgy "[qtm.'P [ "32245  
Rj qpg<"434+9:9/8;45 "y Hcz<"434+943;/24:  
evtgp ej B tep ðeqo

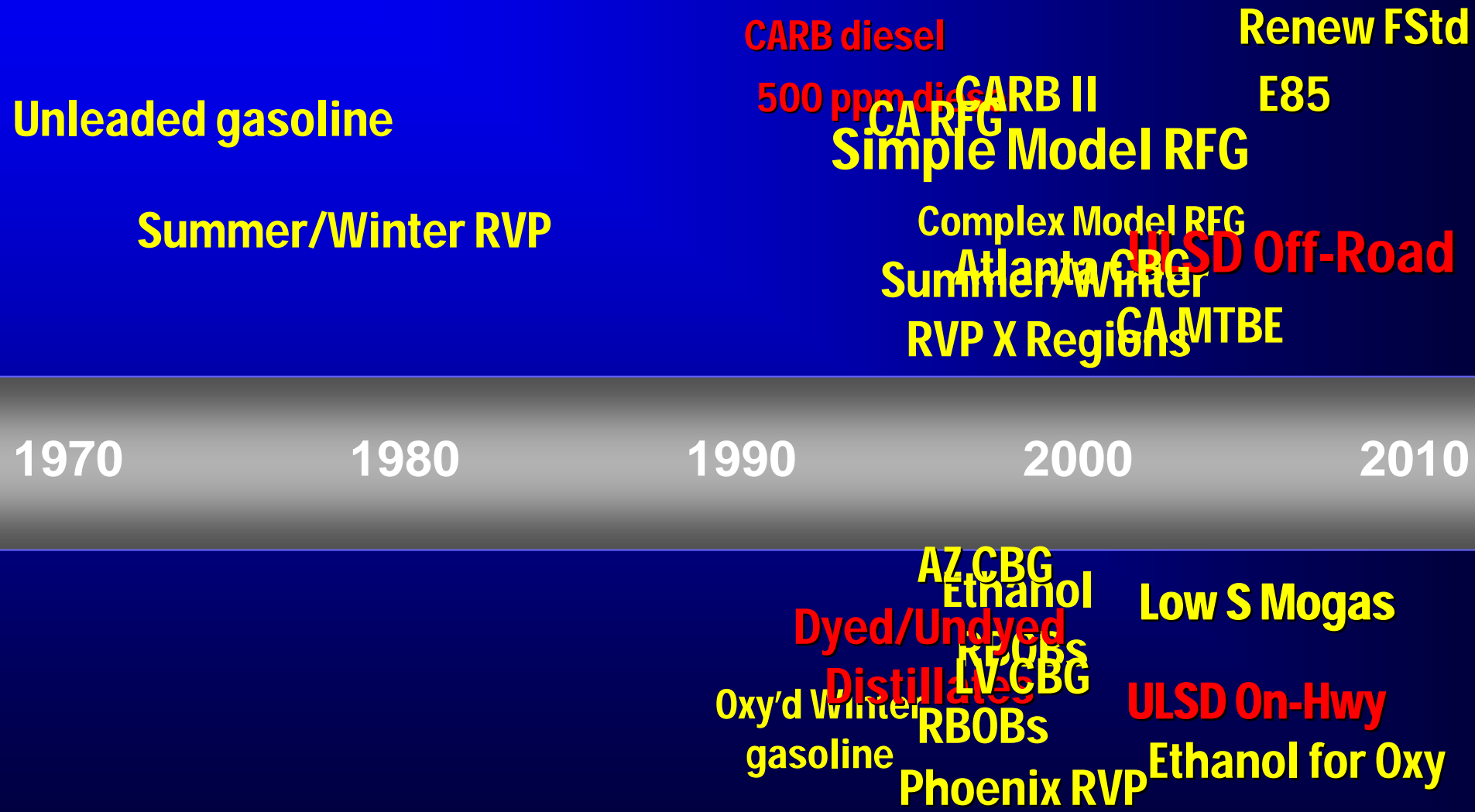
**January 29, 2007  
New Orleans, TX**

© E j g t { n L O V t g p e j . 4 2 2 9

## *Today's Presentation*

- ❖ Highlights of U.S. product specialization
- ❖ Getting the right product mix from crude oil
- ❖ Using the products you've stored
- ❖ Potential barriers and rigidities

# Specialty Fuels: Not New



## *Highlights: Recently, Intensified*

### ❖ **Example: Current Gasoline Products in EIA**

#### ➤ **Mogas Blendstocks**

- ✓ **RFG: GTAB + RBOB for Ether + RBOB for Alcohol**
- ✓ **Conventional: CBOB + GTAB + Other**

#### ➤ **Finished Mogas**

- ✓ **RFG: Blended with Ether + Blended with Alcohol + Non-Oxygenated**
- ✓ **Conventional: Blended with Alcohol + Other**

### ❖ **Example: Current Distillate Products in EIA**

- **15 ppm S or less + 15-500 ppm S + 500 or more ppm**

# *Impacts of Specialty Products in the Market, Steady State*

## ❖ Reduce flexibility

- Swaps and transfers more complex
  - ✓ Logistics and regulation are factors
    - Phoenix after KinderMorgan pipe break, e.g.

## ❖ Reduce efficiency, may reduce utilization

- Tanks
  - ✓ Use two where one before; use one at one terminal, one at another
- Pipeline batch size
  - ✓ Interface
- “Islands” of supply
  - ✓ Product in the wrong place, wrong time
  - ✓ Lack of appropriate blendstock to finish

## *Strategic Reserves Issues: Crude Oil – Based Program*

- ❖ **Match of Product Output to Demand?**
  - ULSD or Blendstock for ethanol, e.g.
  - If no, additional supply distortion while market adjusts
- ❖ **Product Supply Includes Many Workarounds for Blends, etc. All Available?**
- ❖ **Crude-based Product Imports Available?**

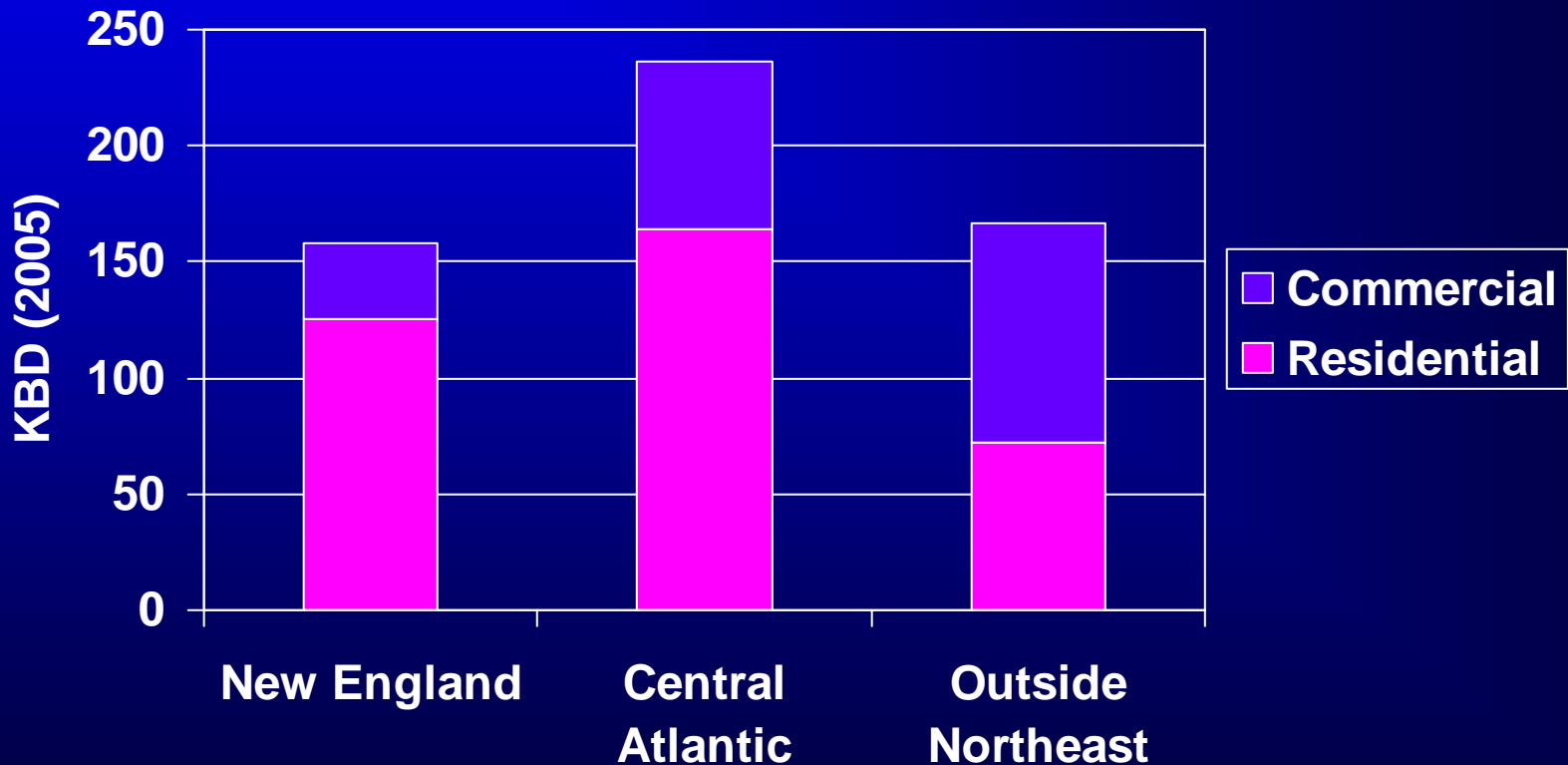
## *Strategic Reserves Issues: Which Product? (IF storing product . . .)*

- ❖ **Regional Markets; Micro-Markets**
- ❖ **Product Quality/Stability (more from M. Gaffet)**
- ❖ **Blendstock Availability to Finish for Sale**
- ❖ **Northeast's Distillate Situation is Unique**

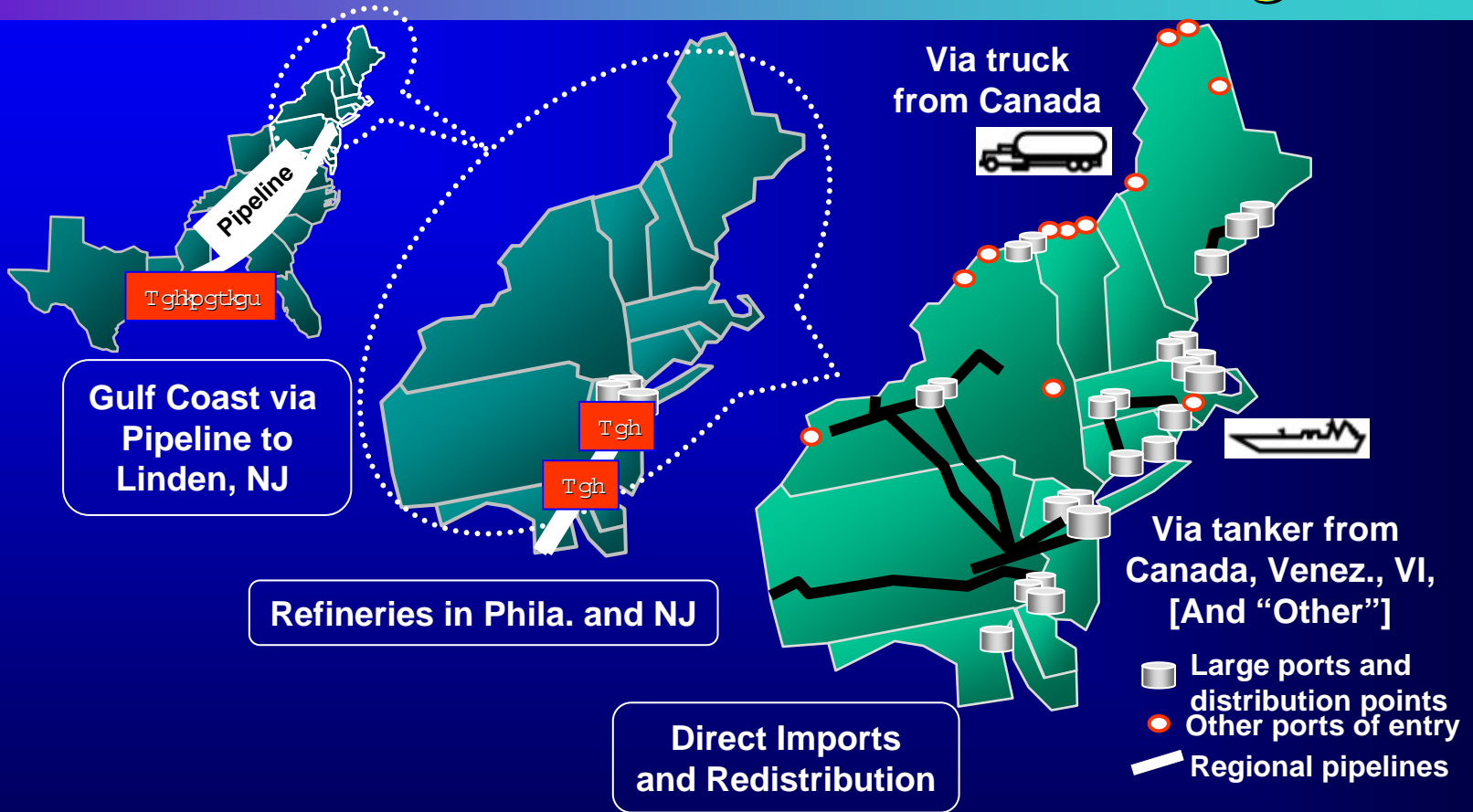
## Northeast Reserve:

# Unique Dependence, Inflexible in Short Term

Distillate Fuel Oil Used in Residential/Comml Sectors

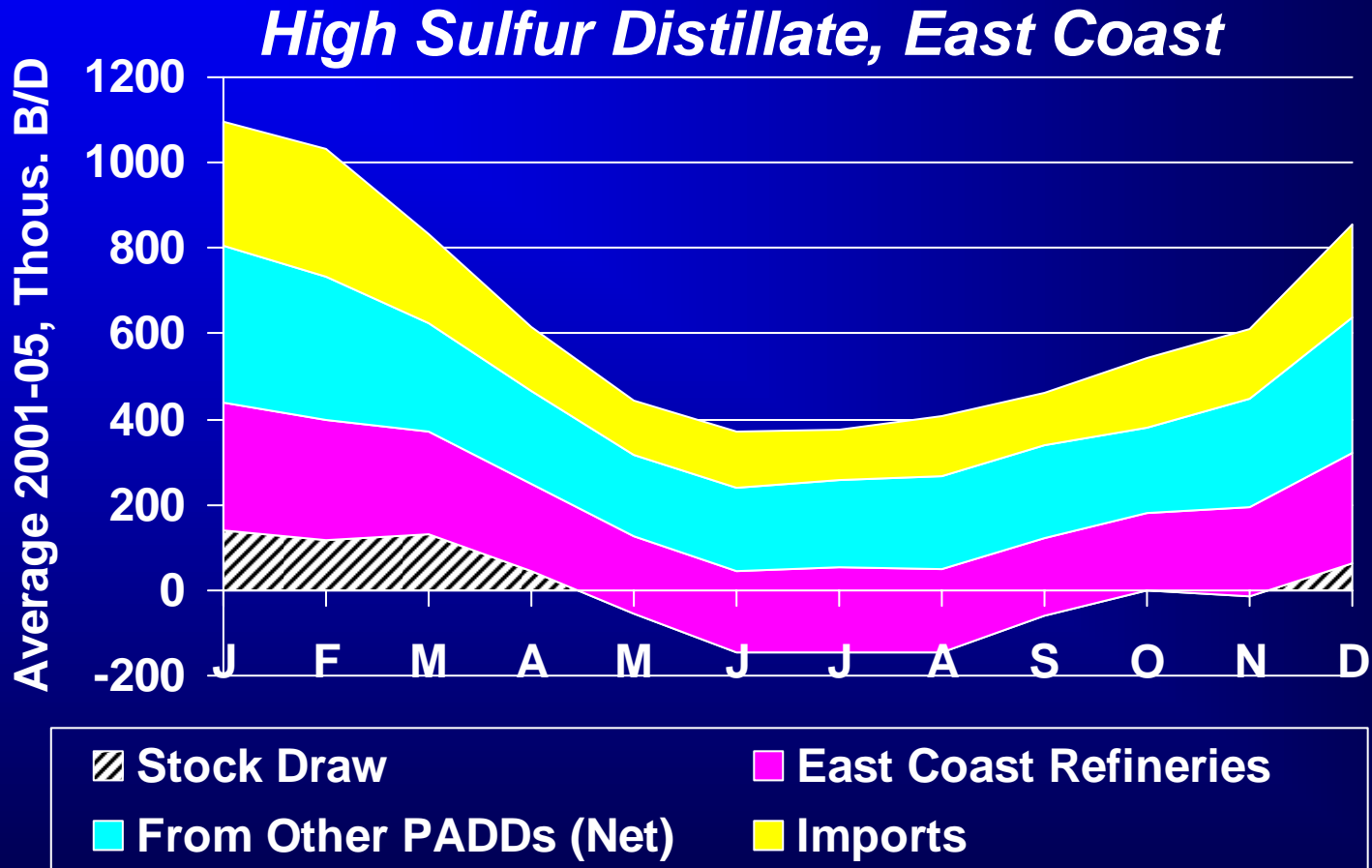


# Northeast's Distillate Supply: Waterborne in New England



**No substitute for waterborne supply in near term**

# Seasonal Demand >2X Off Season (At Least)



**Shaded area below zero implies a stock build**

## Conclusions

- ❖ Specialized product specifications aren't new . . .
- ❖ . . . But they're getting more complex
- ❖ The market is good at workarounds . . .
- ❖ . . . But keep EPA's number handy

Ref. Cap

Imports

ULSD Engines

Non-Crude Products

# *Product Specifications and Oil Stockpiling*

*A Presentation by*

***Cheryl J. Trench***

**President**

**At**

***Petrostocks 2007: New Perspectives***

*An International Symposium*

*Sponsored by the U.S. Department of Energy*

*Allegro Energy Consulting*

RQ 0Dqz "4527;4 "y Pgy "[qtm.'P [ "32245  
Rj qpg<"434+9:9/8;45 "y Hcz<"434+943;/24:  
evtgpejB tep ðeqo

**January 29, 2007  
New Orleans, TX**

© E j g t { n L O V t g p e j . 4 2 2 9