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Energy Risk
Management Services

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WEEKLY INVENTORY REVIEW

The DOE released the latest Weekly Petroleum Status Report for the week ending February 22, and we wish to provide our customary perspective on the numbers. The crude oil and gasoline stock builds were greater than the market was looking for, while the distillate draw slightly exceeded consensus expectations.

With regard to crude oil, the DOE reported that inventories rose by 3.2 million barrels. Now standing at 308.5 million barrels, the deficit to last year has narrowed to 11.0 million barrels. Stocks in PAD II declined by 400,000 barrels, but rose at Cushing by 200,000 barrels. Supplies in PAD III increased by 3.3 million barrels. Adding up all other districts yields a net inventory gain of 400,000 barrels.

Refinery crude oil runs rose by 160 MB/D on the week to average over 14.6 MMB/D. Gross crude oil imports eased by 144 MB/D and averaged under 10.0 MMB/D. Taking the DOE estimate of domestic crude oil production, total stocks “should have” increased by some 2.6 million barrels.

Turning to refined products, the DOE reported that distillate fuel oil inventories fell by 2.5 million barrels. The decline was composed of a 1.4 million barrel fall in ultra low-sulphur diesel stocks, unchanged other diesel supplies, and a 1.3 million barrel decline in heating oil inventories Distillate stocks total 120.0 million barrels and lie 7.3 million barrels below the same point in 2007.

Refinery production of distillate fell by 122 MB/D from the prior period and averaged less than 3.9 MMB/D. Gross distillate imports dropped by 187 MB/D to average 194 MB/D.

Implied distillate demand declined by 576 MB/D on the week and averaged around 4.2 MMB/D. Over the past four weeks implied distillate demand is off a substantial 3.5% versus the comparable period in 2007.

Finally, the DOE reported that primary gasoline inventories rose by 2.3 million barrels. Inventories now total 232.6 million barrels and are 14.4 million barrels above last year at this time. The DOE reports that primary gasoline inventories now stand at the highest level in 14 years. The aggregate stock increase was composed of a 700,000 barrel gain in finished mogas supplies and a 1.6 million barrel rise in blendstocks.

Refinery production of finished gasoline fell by 62 MB/D from the previous week and averaged less than 8.8 MMB/D, but still represented a healthy 60.0% yield on crude oil runs. Gross imports of total mogas surged by 527 MB/D to average almost 1.4 MMB/D.

Implied gasoline demand eased by 80 MB/D from the prior week and averaged about 9.0 MMB/D. For the last four weeks implied gasoline demand is up by 0.4% versus the comparable period in 2007.

On balance, once again the crude oil stock build remains fully consistent with our forecast refinery balances through the end of the second quarter. Also, as we have been anticipating, the gasoline balance suggests supplies will be ample prior to the beginning of the summertime driving season.

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