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SSDA-AT Meets in Las Vegas

By Roy Littlefield



Last week, SSDA-AT held their annual meeting in Las Vegas for 3 days of meetings. On Saturday, federal legislation was discussed, on Sunday association management, and on Monday a legislative roundtable with tire state executives with 20 states being represented in the room.

Sal Risalvato, Executive Director from the New Jersey Gasoline-C-Store-Automotive Association shared the following thoughts:

“This past week, I spent a few days at the annual meeting of Service Station Dealers of America (SSDA) in Las Vegas. There, I met with my counterparts who run our sister Associations in many other states. Not surprisingly, the issues you face in your auto repair shops, at your gas pumps and in your convenience stores are mirrored in businesses all across the country.

Some states already have \$15/hour minimum wage laws and are struggling mightily. This conference coincides with the Automotive Industry Week which is held annually in Las Vegas. I know many of you have attended SEMA (Specialty Equipment Manufacturers Association) in the past, or have indicated that it is a show you would like to visit. I can tell you that it is an enormous and impressive show, and of great interest to anyone in the auto repair business.”

We will plan to hold a SSDA-AT meeting in the spring to continue discussions held in Vegas (more information to come).



Thank you again to all those who attended the meetings!

Oil Refiners Shrug Off Harvey to Rake in Fat Post-Storm Profits

When Hurricane Harvey cleared and the floodwaters receded, oil refiners found themselves floating on a sea of cash.

That's the consensus of industry analysts who expect the five largest pure-play refiners to post double-digit profit increases starting on Thursday. Despite the temporary devastation Harvey wrought in the heart of the Western Hemisphere's refining heartland, most plants escaped long-term damage and were back in action quickly enough to capture swelling margins created by fuel shortages.

Refiners in Midwest locations such as Kansas and Illinois -- far from the south Texas coast where Harvey roared ashore on Aug. 25 -- probably scored even bigger boosts to their bottom lines as facilities closer to the storm shut, triggering price-lifting fuel shortages for hundreds of miles inland, said Ashley Petersen, senior oil market analyst at Stratias Advisors.

"They could step in and fill the gap," Petersen said of the Midwestern refiners. "They were able to take advantage of that."

As Harvey dumped a year's worth of rain in just five days on southeast Texas, almost a quarter of the refining capacity of the world's biggest economy shut down. That crippled not only domestic gasoline, diesel and jet fuel markets, but reverberated as far away as Mexico and Brazil, where the disruption to Gulf Coast fuel production caused a scramble for alternative supplies among importers.

Crack Spread



Gasoline prices in the U.S. surged to the highest level in more than two years and distributors tapped storage tanks to keep deliveries flowing to filling stations. The crack spread, a rough measure of how profitable it is to process crude into fuels, jumped to \$27.35 a barrel on Sept. 1, compared with \$18.64 the day before Harvey's landfall.

Phillips 66, the biggest U.S. stand-alone refiner by market value, is expected to post a 49 percent increase in adjusted third-quarter per-share profit when the Houston-based company reports results on Friday, based on the average estimate from analysts in a Bloomberg survey. The next four-largest



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Oil Refiners Shrug Off Harvey to Rake in Fat Post-Storm Profits

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fuel makers -- Valero Energy Corp., Marathon Petroleum Corp., Andeavor and HollyFrontier Corp. -- are expected to post per-share profit gains of between 48 percent and 154 percent.

Analysts at Wolfe Research LP expect refiners with plants outside the Gulf Coast region poised to show particularly outsized results. Those include PBF Energy Inc., Delek U.S. Holdings Inc. and CVR Refining LP, whose top investor is billionaire Carl Icahn, a team of analysts including Paul Sankey said in a note to clients.

Biofuels Snag

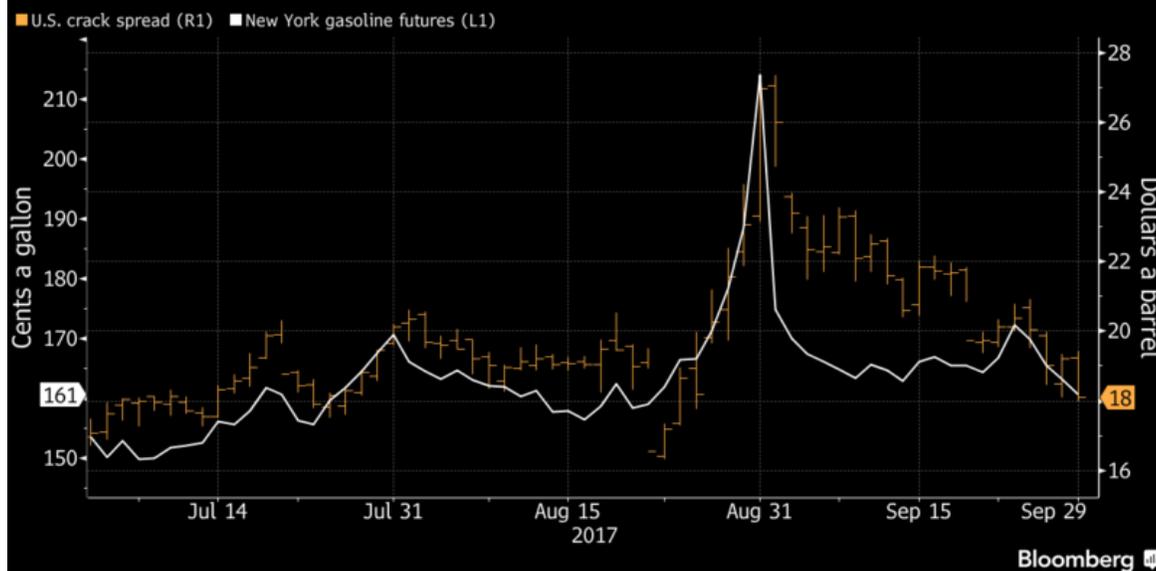
Still, one sticking point remains for some oil processors: federal biofuel mandates. Refiners are required to add ethanol and biodiesel to gasoline and diesel to satisfy annual quotas. Those that can't blend the biofuels them-

selves must purchase credits known as renewable identification numbers, or RINs. Acquiring RINs can exact millions in extra costs for refiners. The promise of relief for refiners faded when President Donald Trump was said to have directed the Environmental Protection Agency not to weaken the mandate.

"RINs remain a mystery," Brad Heffern, an analyst at RBC Capital Markets LLC, said in a research note. "Optimism on RINs has faded, but there are both potential negatives and potential positives on the horizon."



Storm Surge
Hurricane-fueled havoc sent refining profits soaring



US drillers can expect steady borrowing bases this fall

Borrowing bases will likely decrease for only 26% of affected US drillers this fall, compared with 41% of borrowers who were facing declines a year ago, according to a survey by Haynes and Boone.

"Reading between the lines, it may be that banks remain reluctant to take any aggressive action reducing borrowing bases closer to their true value for fear of putting too much pressure on some producers who have been financially distressed since the beginning of this downturn in prices," said Haynes and Boone partner Buddy Clark.

EIA raises U.S. oil production growth forecast for 2018

The U.S. Energy Information Administration said it expects U.S. crude oil production in 2018 to rise by more than previously expected.

The agency forecast that 2018 crude oil output will rise by 680,000 barrels per day (bpd) to 9.92 million bpd.

Last month, it expected a 590,000 bpd year-over-year increase to 9.84 million bpd.

For 2017, it forecast a rise of 380,000 bpd to 9.24 million bpd. Last month, it expected a 400,000 bpd increase to 9.25 million bpd, according to the EIA's monthly short-term energy outlook.

Meanwhile, the agency forecast that U.S. oil demand for 2017 is set to grow by 230,000 bpd compared with previous forecast of 350,000 bpd. For 2018, oil demand is expected to rise by 420,000 bpd vs 400,000 bpd previously.

Judge will not shut down Dakota Access Pipeline during new review

The Dakota Access pipeline can continue operating during a new federal review of the project's environmental impact, a federal judge ruled recently.

U.S. District Judge James Boasberg said he would not vacate a previous permit while federal regulators conduct a new environmental review into the 1,170-mile pipeline.

Boasberg in June ruled that the Army Corps of Engineers' review of the project was inadequate before it granted the permits necessary to build the pipeline, which transports oil near Native American reservations in North Dakota on its way to Illinois.

But in a 28-page ruling issued Wednesday, he said the deficiencies in that review "are not fundamental or incurable flaws" and that the corps has such a "significant possibility of justifying its prior determinations" that the pipeline can continue operating.

Boasberg ruled that the government's review "cannot be reduced to a bureaucratic formality" and suggested he will reconsider "whether [regulators] have in fact fulfilled their statutory obligations" should legal challenges arise after the review is complete.

"The dispute over the Dakota Access Pipeline has now taken nearly as many twists and turns as the 1,200-mile pipeline itself," he wrote.

Dakota Access, which has a capacity of 470,000 barrels per day, has been operating since June. Developers and the federal government have argued against shutting it down during the new review, which officials last week said could stretch into next spring. The order is a victory for Dakota Access and the Trump administration, which supports the project. It's a defeat for the Standing Rock Sioux and Cheyenne River Sioux tribes, which have waged a lengthy legal campaign against the pipeline.

The tribes say Dakota Access threatens water supplies and sacred sites on the North Dakota prairie. Developers have argued the pipeline is safe and follows existing oil and natural gas infrastructure.



U.S. Shale Oil Industry to see Wave of Investment

The U.S. shale industry will see another production surge in 2018 as producers have sharply ramped up bets against a fall in oil prices, major oil executives and bankers said in London.

Activity amongst small- and mid-sized producers is ahead of last year's pace, analysts said, and a sharp increase in output could undermine the recent rally that in September pushed benchmark Brent crude to levels not seen since mid-2015.



Patrick Pouyanne, the chief executive of Total, speaking at the Oil & Money conference in London, said he expected global oil demand to grow strongly again this year, by up to 1.6 million barrels per day (bpd).

“Our U.S. colleagues are hedging like mad at \$56 a barrel so we will see another wave of investment in U.S. shale, no doubt about it,” Pouyanne said.

However, U.S. rig counts have been falling for several weeks and recently hit a four-month low, while U.S. production has grown at a slower rate than expected earlier in the year by the U.S. Energy Information Administration. [RIG/U]

Production for 2017 is up by 467,000 barrels a day through July, according to the EIA, which in the late spring forecast 2017 output growth to come to 680,000 bpd. That prediction has since fallen to 380,000 bpd. [EIA/M]

That could change. Ben Montalbano, co-founder of PetroNerds, a Denver, Colorado, research firm that tracks hedging at about 40 medium-sized oil producers, says those firms are more heavily hedged than at any point in the past six quarters.

The surge in hedging has come as prices have rallied, bringing the key WTI 2018 calendar swap, representing expected prices for 2018, to as much as \$52.71 a barrel this week, one of the strongest levels since April.

That incentivizes producers to keep drilling even if oil prices retreat from the recent rally. Ian Taylor, chief executive of Vitol, the world's largest oil trader, said at the conference that he sees Brent crude falling to \$45 a

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U.S. Shale Oil Industry to see Wave of Investment

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barrel in the next year as U.S. output surges.

Small and medium-sized U.S. shale producers have hedged about 32 percent of next year's oil production at about \$52 a barrel, researchers at investment bank Tudor, Pickering, Holt & Co estimate.

"There is definitely going to be a pretty large surge in production next year," said Jamaal Dardar, TPH's E&P research associate. The EIA currently expects 2018 U.S. production of 9.9 million bpd, while TPH thinks that figure will come in at 10.2 million bpd.

A sharp fall in investment since oil prices collapsed in 2014 has led to a drop in development of new projects, which could spark an oil supply shortage after 2020, Pouyanne said.

He said the rate of final investment decisions (FIDs) in exploration and production had shrunk too much since 2015.

"The number of FIDs from 2010-2014 averaged 35 FIDs per year ... to add potentially 2.5 million bpd," he said.

"Since 2015, it's 12 per year ... to add 1 million bpd that's probably not enough. Post-2020, we will face an

issue with these lower numbers of FIDs."

He also said Total expects to give a green light by year-end for development of the Libra offshore field in Brazil, which will produce up to 150,000 bpd.

Pouyanne sees Russia and Saudi Arabia extending production cuts. The Organization of the Petroleum Exporting Countries and several non-OPEC producers agreed late last year on an output-cutting deal that has been extended until March 2018.

A visit by the Saudi king to Moscow recently "is a clear signal (that) it is in the interest of both countries to support the market ... I will not be surprised to see the extension," Pouyanne said.



No More Free Lunch Is the Big Change Under Way in the Oil Market

For years, investors have played Popeye to the energy industry's Wimpy, the cartoon character famous for his "I'll gladly pay you Tuesday for a hamburger today" motto. In return for the promise of future profits, they've funded loss-making energy producers and explorers through a generous mix of loans, bonds and equity.

That may be changing, according to a chorus of analysts ranging from Morgan Stanley to Sanford C Bernstein & Co. LLC. Following Anadarko Petroleum Corp.'s pledge last month to buy back up to \$2.5 billion worth of shares, they're now discussing a new phase in the oil market, with producers far more keen to reward investors and more disciplined when it comes to funding their own expansion.

"Investors are no longer rewarding 'growth at any cost'," said Martijn Rats and Amy Sergeant at Morgan Stanley in a note published late last week. U.S. energy companies have under-performed the broader S&P 500 Index this year partly because of a growing perception that the "E&P (shale growth) model is capital destructive," according to their colleague, Evan Calio.

Securing such investment has been relatively easy in an era of low interest rates, cheap financing and eager capital mar-

kets, with major investors from short-seller Jim Chanos to DoubleLine Capital LP's Jeffrey Gundlach drawing links between the easy monetary environment and an undisciplined boom in U.S. oil production that spurred a collapse in prices.

Curbing exploration and investment in favor of spending on investors could help reduce U.S. oil output at a time when markets are still worried about an oversupply of crude, but it could also be an uphill battle in the face of energy companies that have long been encouraged to burn through cash in order to justify aggressive growth targets.

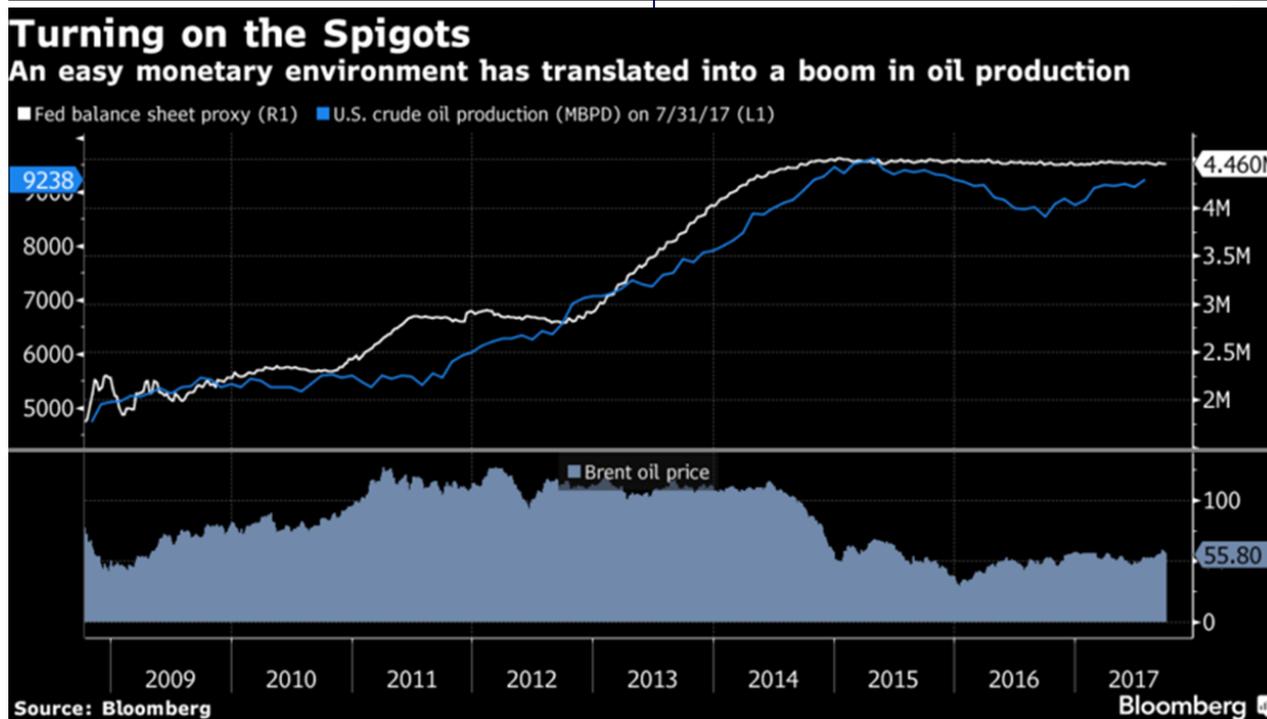
Bernstein analysts led by Neil Beveridge warned late last month that energy executives may feel compelled to spend on pricey land and capex in order to differentiate their companies from the rest of the industry. Nevertheless, they note: "Capital markets have clearly decided what they want. Reduced spending, higher returns and increased cash returns to shareholders."

Anadarko's buyback announcement, and the subsequent 8.5 percent pop in its share price, "could be taken as a subtle shift in behavior," they added.

(See graphs on next page)

No More Free Lunch Is the Big Change Under Way in the Oil Market

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Submerging Robots in Oil May Help Make Storage Tanks Safer

Hurricane Harvey battered the energy sector along the Texas Gulf Coast, exposing weaknesses with petroleum storage tanks that frame the Houston Ship Channel.

The most common problems were roof failures, but there were also drainage issues, unmoored tanks and overflows. While an epic catastrophe like Harvey is bound to create such problems, these above-ground storage tanks still experience emissions releases and other failures during even the finest of weather.

Energy companies are taking new steps to avoid and prevent leaks, emissions and spills. Anglo-Dutch oil major Royal Dutch Shell, for instance, said it recently started using flying drones to help monitor its tanks.

Now, Phillips 66 wants to put the drones inside the tanks. The Houston refiner is partnering with the Boston startup Square Robot for robotics that can inspect tank floors and survey and map out any obstacles while they are filled with oil, gasoline or other petroleum products. The idea is to identify weaknesses and take measures to upgrade or replace tanks before the tanks fail and release vapors and spills.

"Ensuring the integrity of our equipment is one of our top priorities, and we are always looking for innovative new technologies to help us achieve this," said Todd Denton, Phillips 66's general manager for midstream operations. "Our collaboration with Square Robot presents a unique opportunity to develop technology that will enable us to

maintain our equipment and minimize disruption to our customers."

Square Robot's founders mostly came from Boston's Bluefin Robotics, which develops underwater robots and vehicles for military and personal uses. Square Robot, however, is trying to advance that technology by submerging robots in petroleum and using the partnership with Phillips to develop, improve and fine-tune its products. The first robots with Phillips 66 are expected to enter service in mid-2018.

And that's not a moment too soon, considering how rapidly storage tanks are built in the Houston area. As the region has evolved into a petroleum and petrochemical exporting hub, the region's crude storage capacity has more than doubled in just six years from 21 million barrels to 56 million barrels, according to a recent report from Morningstar. Additional capacity of 21 million barrels is planned or under construction.

Some of the fastest-growing tank farms, for instance, are Enterprise Products' Echo terminal by the Sam Houston Tollway and Texas 3, the Enterprise hydrocarbons terminal in East Houston by the Houston Ship Channel, and Magellan Midstream's East Houston terminal, which suffered a sizable gasoline spill during Harvey near Galena Park.

In addition, at least 15 projects to expand or construct pipelines have been proposed to carry oil, natural gas and natural gas liquids from Permian Basin to Houston, Corpus Christi and Beaumont. And all of those liquids will need temporary storage.

US to hold largest-ever lease sale in Alaska petroleum reserve



The U.S. Interior Department said it will hold a lease sale for land in a federal reserve in northern Alaska to oil and gas drillers, the largest number of tracts ever offered from the reserve.

The sale, to be held on Dec. 6, will involve 900 tracts in part of the Indiana-sized mass of public land known as the National Petroleum Reserve-Alaska (NPR-A). The federal government set aside the public lands in 1923 when the country was converting Navy vessels to run on oil instead of coal.

The sale is the latest move by the administration of President Donald Trump, a Republican, supporting his pledge to make the United States “energy dominant” by boosting output of oil, natural gas and coal.

The Interior Department said it will hold its largest offshore auction to energy companies to date in March 2018. Nearly 77 million acres offshore Texas, Louisiana, Mississippi, Alabama and Florida will be on offer.

Republicans are eager to open Alaska’s Arctic to oil and gas drilling, but it is uncertain how much energy companies, which are enjoying a

drilling renaissance in the continental United States, are willing to invest in production in the frigid north.

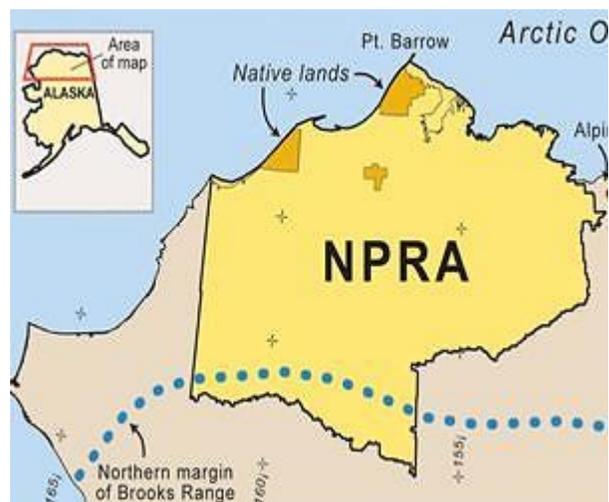
In the last NPR-A lease sale, in 2016, 67 of 145 available tracts received bids from energy companies, which raised nearly \$19 million.

The U.S. Geological Survey said in 2010 that the NPR-A holds about 896 million barrels of undiscovered oil. A further 200 million barrels has been discovered in areas that have been explored.

The reserve also contains large amounts of natural gas.

Environmentalists have been critical of drilling in the Alaskan wilderness. Last week, Democrats in the U.S. Senate failed to block a move that could open the state’s Arctic National Wildlife Refuge to drilling.

The NPR-A sale “reflects the current administration’s wholesale approach to turning over America’s public lands to the highest bidders for development,” said Nicole Whittington-Evans, the Alaska regional director for the Wilderness Society.



U.S. petroleum exports, led by Texas, hit record levels

The Texas Gulf Coast is leading the way as the nation ships record levels of crude oil and petroleum products to foreign markets, including China, which is buying more American oil as its economy expands and middle class grows

The United States is routinely exporting more than 1 million barrels of oil and 6 million barrels of petroleum products a day, the U.S. Energy Department said in report released Wednesday. More than two-thirds of those petroleum exports are leaving Gulf Coast ports. The surge in exports underscores the growing importance of the Texas Gulf Coast as a global energy hub. In a recent report, the International Energy Agency likened the Gulf to the Strait of Hormuz, the narrow waterway through which much of the oil from the Middle East travels. In aftermath of Hurricane Harvey, which forced the shutdown of refineries and the Port of Houston, the IEA deemed the Texas Gulf Coast too important to fail. No matter what the Organization of the Petroleum Exporting Countries does to try to offset American oil growth, increasingly efficiently U.S. producers are likely to keep growing their share of the global market, said Ethan Bellamy, an energy analyst at the financial services company Robert W. Baird & Co. Just this week, Continental Resources, an Oklahoma exploration and production company, said it's piping more than 1 million barrels of Bakken shale oil from North Dakota down to Texas ports to export to China.

"Houston is the world's energy gateway, and increasingly the flow of oil and refined products is out, not in," Bellamy said. "The announcement from Continental - Bakken crude flowing to China - tells you all you need to know about U.S. competitiveness." China is now the second biggest foreign market, behind Canada, for U.S. oil,

according to the Energy Department. China imports 163,000 barrels of American oil a day, the Energy Department said Wednesday.

The vast majority of the crude exports are shipped from Corpus Christi and Houston-area ports. Since Congress lifted the nation's decades-old ban on oil exports, foreign sales have surged from about 500,000 barrels a day last year up to about 1 million this year. Over the past week, crude exports averaged about 1.8 million barrels a day, just under the record 2 million barrels a day in early October. A slew of pipeline projects are underway to transport more oil from West Texas' booming Permian Basin to Houston and Corpus Christi hubs. The volume of U.S. crude exports should rise to 3 million a day by 2025, according to projections by the research firm to IHS Markit. "The vaulting of U.S. exports is a trend which will likely continue for the next several years," said Bill Herbert, a senior energy analyst at Piper Jaffray & Co. in Houston.

Aiding oil exports is favorable pricing: West Texas Intermediate, the U.S. benchmark for crude, is trading at about \$52 a barrel, about roughly \$6 a barrel less than Brent crude, the European benchmark produced in the North Sea.

And more than just oil is booming. Exports of distillate fuel oil, which is used to make diesel or heating oil, jumped 17 percent in the first six months of the year, compared to the same period in 2016, according to the Energy Department. Also rising are U.S. propane exports to Asia and gasoline shipments to Mexico, which buys about half of all gasoline exported by U.S. refiners. Other energy products, such as ethane, a natural gas liquid.

Exxon buys terminal for its push into the Permian Basin

Exxon Mobil has purchased an oil terminal in the Delaware Basin, the latest move in the oil major's push into one of the world's most prolific oil fields.

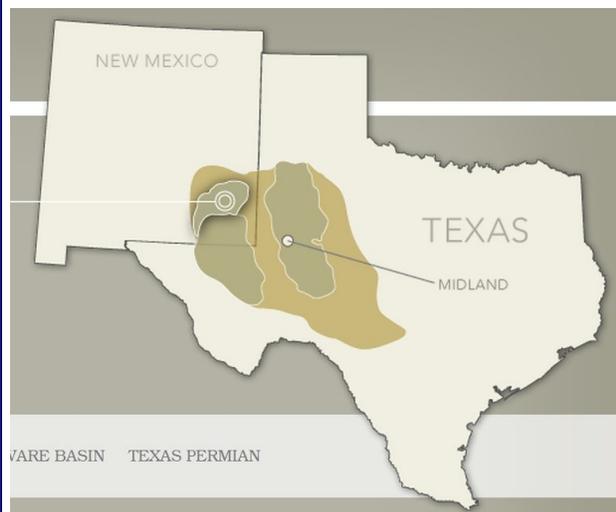
The Irving, Texas oil company bought the terminal, its first in the region, from Houston midstream firm Genesis Energy for an undisclosed amount, it said.



The terminal in Wink, Texas can handle 100,000 barrels a day and crude through pipelines to Gulf Coast refineries and export terminals, and it was designed to expand its capacity as the region's oil production increases.

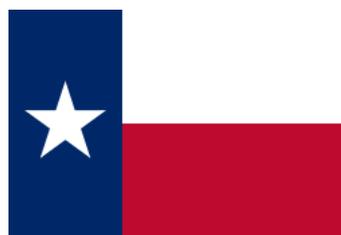
"The terminal provides crude producers with a full range of logistical options including truck, rail and inbound and outbound pipeline access, not only for Exxon Mobil's production, but for all Permian Basin producers," said Gerald Frey, pres-

ident of Exxon's pipeline unit, in a statement.



The purchase comes on the heels of Exxon's acquisition of 22,000 acres in the Permian Basin, where the company has dispatched 19 drilling rigs across 250,000 acres in the Delaware Basin and 130,000 acres in the nearby Midland Basin in West Texas.

In January, the company doubled its holdings in the Permian Basin with a \$5.6 billion purchase of 275,000 acres from BOPCO and other companies owned by the wealthy Bass family of Fort Worth.



Alaska Seeks to Lure Foreign Investors to its Oil, Gas Industry

Alaska is pursuing foreign investors for its oil and gas industry, hoping to advance recent discoveries while struggling to compete with lower-cost shale projects and reverse a decades-long output decline.

Sovereign wealth funds, banks and state-owned energy companies have met with Alaskan officials, John Hendrix, chief energy adviser to Alaska Governor Bill Walker said in an interview. China Investment Corp (CIC) and state-owned Chinese energy company Sinopec held talks with state officials last month, he said.

Alaskan crude production has fallen by three-quarters since 1988, a decline that has contributed to budget deficits and jeopardized the operation of the Trans-Alaska Oil Pipeline, which runs from the North Slope to the southern port of Valdez. This year, a state budget shortfall led the state to withhold hundreds of millions of dollars owed to small oil explorers.

The nascent investment push is mostly focused on Asian firms, which Alaskan officials believe could take roles in a proposed natural gas pipeline and in individual energy projects, said Hendrix, a former energy executive.

“It’s a wide, full-court press,” he said.

But oil companies operating in Alaska say the state should fully fund its explorer-incentive payments that along with crude prices around \$50 have put at risk projects on the North Slope and in the National Petroleum Reserve. Chinese capital for energy development also faces federal reviews that could block the state’s effort.

“It’s a challenging sell,” Hendrix said, adding that the proximity to Asian markets will boost the projects’ appeal to energy importers. “When you talk about (exporting) to the Far East, we’re closer than California.”

CIC and Sinopec expressed interest in an 800-mile proposed natural gas pipeline that would run from Prudhoe Bay to a southern port, as well as oil and gas production projects, he said.

Sinopec is talking with Alaska about a potential investment in the gas pipeline, said a source in China with knowledge of the discussions. Sinopec and CIC declined to comment.

Caelus, which disclosed a 6 billion-barrel North Slope oil discovery a year ago, delayed its drilling plans this summer, in part over the lack of incentive payments.

Alaska Seeks to Lure Foreign Investors to its Oil, Gas Industry

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“It’s hard to plan when you don’t know the rules,” Caelus spokesman Casey Sullivan said.

The state previously paid small companies for some costs of exploring and developing oil and gas projects, which are higher than in many other regions. This year, the state gave those companies only a portion, leaving hundreds of millions of dollars unpaid.

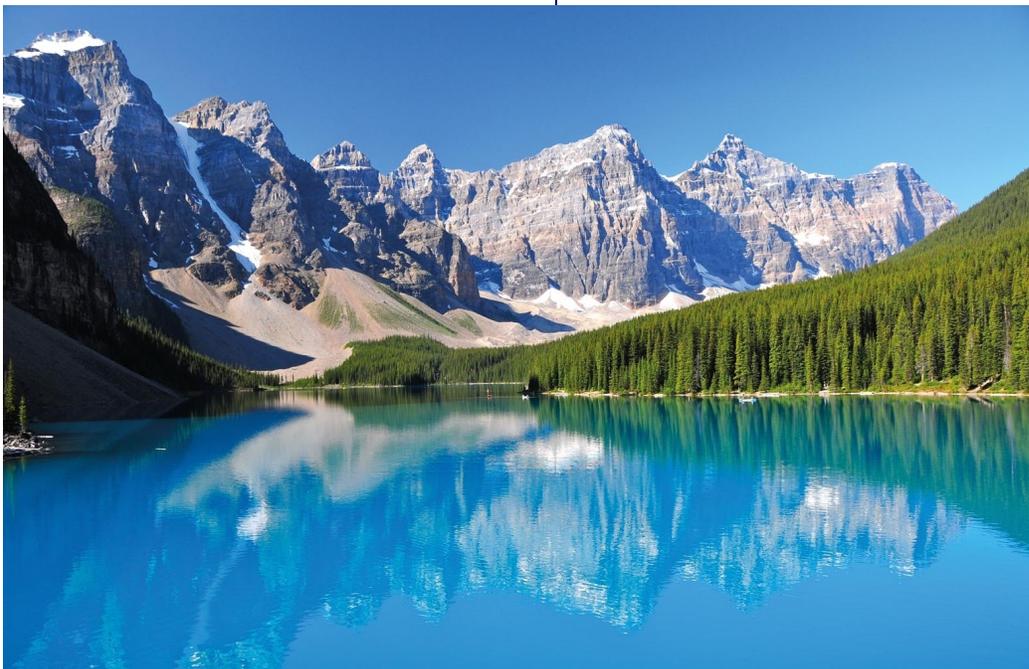
Alaska’s fiscal uncertainty helps create more risk than in other U.S. regions and could discourage sovereign wealth funds from investing, said Wood Mackenzie analyst Alison Wolters.

The reason small companies are struggling to attract outside capital is the de-

cline in state incentive payments, said Kara Moriarty, CEO of trade group Alaska Oil and Gas Association.

Foreign investment can be reviewed by the Committee on Foreign Investment in the United States to ensure that it does not pose national security risks.

CFIUS reviews have halted energy deals involving foreign investment and the Trump administration appears skeptical of Chinese investment, said two CFIUS experts who spoke on condition of anonymity to protect business relationships. “I think it’s going to be very difficult for Chinese to make significant investments in energy in the United States,” one expert said.



API: US petroleum product demand hits 10-year September peak

US petroleum product demand averaged more than 20.2 million b/d in September, 2.4% more than a year earlier and the highest level for the month since 2007, the American Petroleum Institute reported.

Deliveries, which API uses to measure demand, rose 2.1% year-to-year to an average of 20.4 million b/d during this year's third quarter, and climbed 1.2% in the first 9 months to an average of 19.9 million b/d from the comparable 2016 period, API said in its latest monthly statistical report.

"Strong petroleum demand is good news for the overall economy, which grew for the 100th consecutive month, and economic activity in the manufacturing sector expanded in September," said API Statistics Director Hazem Arafa.

September's gasoline deliveries fell 0.8% from a year earlier to an average 9.4 million b/d, but still were the second-highest for the month on record, API said.

It said that the US Energy Information Administration reported that regular gasoline prices averaged \$2.761/gal during the month, 27.6¢ more than in August and 43.4¢ higher than in September 2016. It also was the highest price for any month since July 2015 but remained the third-lowest for September since 2010, API said.

It said distillate fuel deliveries averaged more than 4 million b/d during the month, up 3.4% from a year earlier. They averaged more than 3.9 million b/d during the third quarter, up 3.7% from the same 2016 period, and more than 3.9 million b/d in 2017's first 9 months, 2.3% higher than a year earlier.

Crude oil production, meanwhile, remained robust at an average of more than 9.5 million b/d during September, 2.3% more than in August and 11.3% higher than a year earlier. It also came in above 9 million b/d for the eighth consecutive month, API said.

"Domestic crude oil production was the highest September production in 47 years, since 1970, and was the highest production level for any month in 29 months, since April 2015," API said. Crude production during 2017's first 9 months averaged 9.1 million b/d, 2.9% more year-to-year and the second highest for the period in 44 years, since 1973, API said.

"Declines in the production of gasoline, distillate fuel, and kerosene-jet fuel in September were impacts of Hurricanes Harvey and Irma," API said, adding, "Production of gasoline decreased from the prior month, the prior year, the prior quarter, and the prior year-to-date to average 9.7 million b/d in September."

Compared with the prior month and the prior year, refiners' gasoline production decreased 4% and 3.2%, respectively. For 2017's third quarter and year-to-date, gasoline production was down year-to-year by 1.8% for both periods. "Gasoline production in September, however, remained the third highest production that month on record," API said.

Best of- Letter to the Editor



AMERICAN PETROLEUM INSTITUTE

Dear SSDA-AT,

Summer driving season is officially here. More than 34 million Americans hit the road over Memorial Day weekend – up by 800,000 compared to 2016, according to AAA. Drivers continue to benefit from affordable gasoline prices, saving over \$550 at the pump in 2015.

But fuel choice – not to mention Americans' wallets and engines -- could be in danger unless the broken Renewable Fuel Standard (RFS) is fixed.

The RFS requires annual changes to the amount of ethanol in the nation's fuel supply, and failure to adjust a decade-old policy to 2017 market realities could cause problems for drivers.

One of those realities is America's emergence as the world's leading producer and refiner of oil and natural gas, which has helped lower net imports of crude to their lowest levels since 1985. U.S. gasoline demand has been declining, too. It's 10 percent lower today than EIA projected it would be back when the RFS was enacted. Lower demand coupled with rising RFS ethanol mandates risks breaching the ethanol blend wall, where more ethanol is required than can be safely blended as the E10 gasoline that's standard across the country.

But about 85 percent of vehicles on the road today are not manufacturer approved to use higher ethanol blends like E15 (15 percent ethanol fuel), which extensive testing by the Coordinating Research Council (CRC) -- the gold standard in vehicular research for the better part of a century -- has determined could damage engines and fuel systems many vehicles on the road today.

Further, the Congressional Budget Office found that forcing ethanol consumption to statutory levels could cost consumers an additional 26 cents per gallon – confirming the worries of 74 percent of American voters who agree that federal regulations could contribute to increased costs at the pump.

Forcing additional ethanol into the fuel supply could crowd out ethanol-free fuel that many consumers seek for boats, lawnmowers, classic cars, motorcycles and power equipment. It's no wonder 68 percent of voters are concerned about the government requiring increased amounts of ethanol in gasoline.

U.S. success as the world's leading producer and refiner of oil and natural gas has helped advance the primary goals the RFS was designed in 2007 to achieve. Increases in domestic production have helped drive down energy imports, fuel costs and – through greater use of clean-burning natural gas – greenhouse gas emissions. Cleaner gasoline and diesel fuels produced by America's world class refineries, in combination with more fuel-efficient vehicles, have contributed to a 70 percent reduction in U.S. air pollutants since 1970, even as vehicle miles travelled have increased by more than 180 percent.

No one wants their summer road trip to end in the mechanic shop. Protecting consumers from outdated, unreasonable ethanol mandates should be a top priority for Congress and the EPA.

Sincerely,

A handwritten signature in black ink that reads "Jack".

Jack Gerard
President and CEO
API



Colonial Pipeline to expand capacity of gasoline, diesel lines

Colonial Pipeline will increase capacity at two of its lines by 50,000 barrels per day by March 2019, the pipeline operator announced recently.

The expansions to one gasoline and diesel line each would be the first since 2013.



Natural Gas Reliability and Resilience Forum

SSDA-AT will participate in the AGA, API and INGAA Natural Gas Reliability and Resilience Forum on Nov. 28 at the Newseum in Washington, D.C.

This forum is intended to provide an overview of the US natural gas industry and to address questions that have arisen as natural gas provides a greater share of our electric generation resource mix.

Experts from the industry and government will provide current information to help attendees better understand the developing domestic market.

We hope to create a dialogue between stakeholders to increase understanding of US natural gas resilience and reliability.



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