

Daily Oil Bulletin

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Canadian Oil Markets Not Currently Affected By Hurricane Harvey



An oil tank damaged by Hurricane Harvey is seen near Seadrift, Texas, Aug. 26, 2017. Image credit: Reuters.

BY [PAUL WELLS \(/AUTHOR/PAUL-WELLS/\)](#) – AUG. 28, 2017 – [VIEW ISSUE \(/HEADLINES/2017-08-28\)](#)

Canadian oil markets have not immediately been impacted by the ramifications of Hurricane Harvey and the massive flooding in southeast Texas, but that could change as substantial rain fall is still expected and the length of refinery shut-ins are unknown.

“It will be at least a week after the hurricane abates—and as of today it’s still raining—before the overall impact for North American producers becomes clearer,” said **Gary Leach**, president of the **Explorers and Producers Association of Canada** (EPAC).

“The operators of the large refineries along the Gulf coast will need to assess the damage, if any, and then take steps to bring capacity back on. For offshore production from the Gulf, all of which was shut in, the same process will take place.”

In the meantime, Leach said there will be “plenty of volatility in crude and refined products pricing” as traders and retailers weigh a mix of competing factors such as the fact the U.S. has recently built up a large inventory of gasoline over the summer, demand will be trending down anyway as summer driving eases and European refiners are already making plans to ship more refined products to the U.S.

“Apparently thus far the U.S. has declined to release any oil from its strategic reserve,” Leach noted.

Because of the massive increase in U.S. shale production since the last main hurricane event, the loss of shut-in U.S. offshore output will not have the same impact on supply, he added.

“We haven’t seen a big hurricane in over a decade and in that time U.S. domestic production has not only grown enormously but also shifted to inland shale oil producing basins in West Texas and North Dakota,” Leach said.

“As a result the loss of Gulf production has diminished as the main impact of Gulf storms and been replaced by concerns about the possible effect on refinery capacity and demand for

crude oil. The Gulf refiners all have plans in place to cope with hurricanes and we should expect the impact on crude oil shipments, including those from Canada, to be limited to a few weeks.”

Nick Lupick, an analyst with **AltaCorp Capital Inc.**, agreed that it’s too early to know exactly how the situation will play out for Canadian producers.

“We aren’t seeing a major change in the Canadian markets at this time although the longer the refining complex is offline the higher probability you will see an impact. We are seeing Edmonton Par pricing this morning at US\$44.44 per bbl which is relatively unchanged versus the US\$44 to \$45 per bbl seen mid last week,” he said.

“On the refining side, again although we haven’t seen a major impact at this time in the products markets—pricing is up slightly but nothing close to that seen in the U.S.—we do expect that more eastern markets in the Montreal and Sarnia areas as well as the East Coast will see a jump in products pricing the longer the outages persist,” Lupick added.

“So for now we aren’t seeing a major impact on Canadian crude markets, nor refined product prices — although, again the longer the outages persist, you will see products begin to be bid up and start to move into the U.S. Midwest and East Coast from Canadian operations.”

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