



Some preliminary assessments

Posted by [Prof. Goose](#) on August 29, 2005 - 5:13pm

Topic: [Miscellaneous](#)

This is a post by Ianqui:

[Business Week/AP](#) has a pretty good round-up of the effects Katrina is having on the energy sector. Some highlights:

- By late Monday, several refiners said damage at their plants appeared to be minimal and oil prices retreated from the day's highs above \$70 a barrel. (This could change in the coming days.)
- [Hurricane Ivan](#) may very well have caused more damage and disruptions in service than Katrina will. Hurricane Ivan resulted in the loss of nearly 44 million barrels of oil production between September 2004 and February 2005.
- Natural gas futures briefly surged more than 20 percent after the temporary closure of a critical distribution hub and on concerns that power outages and flooding could prevent processors from running their plants for days, if not weeks. Even before Katrina arrived, the Energy Department had warned consumers who rely on natural gas to heat their homes to expect sharply higher bills this winter.
- "The damage to the electric power grid is the most important source of damage to consider in evaluation of the impact of Hurricane Katrina," said energy analyst Dan Lippe of Petral Worldwide in Houston. (Somewhere I read that power could be out for a month.)

Further info from [Bloomberg](#):

- NYMEX declared force majeure on deliveries of natural gas sold under the August futures contract after Katrina forced the Henry Hub in Louisiana to shut. Force majeure allows producers to avoid penalties for failing to deliver supplies because of unforeseen events. Futures contracts settled on the exchange are delivered to the Henry Hub.

On environmental ramifications, [from CNN](#). Note: we have no idea yet whether this will come true.

- Floodwaters from the east would carry toxic waste from the "Industrial Canal" area, nicknamed after the chemical plants there. From the west, floodwaters would flow through an industrial complex that includes refineries and chemical plants, said Ivor van Heerden (deputy director of the Louisiana State University Hurricane Center and director of the Center for the Study of Public Health Impacts of Hurricanes in Baton Rouge).
- In New Orleans, which lies below sea level, gas and diesel tanks are all above ground for the same reason that bodies are buried above ground. In the event of a flood, "those tanks will start to float, shear their couplings, and we'll have the release of these rather volatile

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