



The impact seems widespread, but there is hope

Posted by [Heading Out](#) on September 2, 2005 - 8:33am

Topic: [Demand/Consumption](#)

I was talking to a company located high up the North East coast this morning, and I had expected that Katrina would, as yet, have had little impact on them. But their major distribution center was in New Orleans, and they have not been able to reach anyone down there yet. At the same time they are already paying \$4 a gallon for gas. Prices, and availability are becoming a concern around the country, with some stations already imposing a form of rationing (only 10 gallons or less) while others, with intermittent deliveries from suppliers, are forced to a restrictive policy by that alone.

[The Washington Post](#) has two stories that give some indication of both the problem, and a short term solution that seems to be developing. Firstly in regard to pipelines and costs:

Two major pipelines disrupted by Hurricane Katrina that provide much of the Washington area's gasoline showed signs of life yesterday, although it could be days before they are running up to full capacity. Colonial Pipeline Co. said that it was operating at 40 percent of capacity and that it hoped to operate at 61 percent by today and 86 percent by the middle of next week. Officials with the other pipeline, Plantation Pipe Line Co., said the line is operating at 25 percent. . . . But oil analysts and company officials said they expected an increase in imports of gasoline from Europe within two weeks. That could help to bring down prices and ease supply disruptions, they said.

.....Harry Chang put up the "Sold Out" signs at his Chesterbrook Excel station on Old Dominion Drive in McLean, but not because of a break in the supply chain from the hurricane. Chang, an independent dealer, ran out of gas Tuesday morning. He said that he could still buy gas to sell but that he didn't want to buy it at the post-Katrina prices. He said the lowest distributor price he knew about was \$2.97, and when he added on federal and state taxes plus credit card fees and a 3-cent profit, he estimated that he would have to charge \$3.47 a gallon.

But given that motorists are willing to pay more, since they must have the gas to be mobile, this altruism will be rare.

The supply pipelines will begin flowing to a limited extent as the [second story](#) points out, but since the supplies into it are limited, the better news is that some oil will be sent from European stocks, to limit the shortage.

A decision was expected to be announced by the Paris-based International Energy Agency later Friday about the coordinated release of crude and refined products by

agency members, said an administration source speaking on condition of anonymity because of the discussions on procedures for the release were still under way.

The release would total 2 million barrels a day, with the U.S. contributing 44 percent of that amount in crude from the Strategic Petroleum Reserve. Administration officials hope the other 56 percent would be in the form of gasoline now in European government stockpiles.

Speaking on Britain's Sky News network, EU security affairs chief Javier Solana said the U.S. administration has approached several EU member states individually for help. "Whatever they ask for, it will be given from the reserves of oil that the different (EU) countries are providing," he said.

The increased gasoline imports would ease the growing concern about gasoline supplies that have caused gas stations in some areas to shut down and others to close early.

. The European supplies will, however, likely take around two weeks to be arranged, and then be delivered, since tankers must first be hired, and they, in turn have to make it to the European sources, and then make the trip itself, before the fuel can be used.

UPDATE: [MSNBC](#) reports that the European shipments are well underway

Shipping brokers said 10 cargoes were booked on Tuesday with the remainder on Wednesday and Thursday. Brokers were not immediately able to say how much volume has been booked to load, but they said the flotilla was a mix of 37,000-, 60,000- and smaller 30,000-tonne loads. Normally Europe ships one or two cargoes to the United States per day. "There's an enormous amount that's been fixed," one senior ship broker said, adding that freight rates were soaring as ships were in shorter and shorter supply.

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