

## Oil flows in pipelines

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Topic: Supply/Production

One of the early concerns after the arrival of Katrina was the health of two sets of pipelines. The first brings the oil ashore, both from the oil production units in the GOMEX, and (through the LOOP) from foreign tankers.

The second concern was with the pipelines that carry the oil once it arrives onshore, both to, and then on from, the refineries. Some of the pipelines leaving the refineries carry the oil out up through the East Coast.

There is developing evidence, as they are being tested, that a greater percentage of the offshore pipelines survived intact following Katrina than was the case a year ago when Ivan came to visit. In the same way, with the aid of a telephone call from the Vice President's office, the major supply pipeline, to Washington and the North East region was almost immediately brought back into production. However, as we noted at the time, that pipeline, the Colonial starts in Houston. Thus although the threat to the oil production and refining has moved west, the impact may be more significant this time up in the North East.

In the movie "The Oil Storm" the first blow to the US energy supply came with a Hurricane that wiped out the LOOP and adjacent platforms as it struck New Orleans. The second blow was a tanker incident in the Houston Ship Channel, since this is the second place that oil can be unloaded from abroad.

Although, fortunately, we still have the LOOP functional in real life, we have lost a fair amount of GOMEX production. Should Rita strike Galveston, then it will also hit the Ship Channel, and thus we may still lose some ability to import oil, as well as, with the loss of refineries, the ability to process it.

But there is an additional concern that should be recognized and that our industrial source commented upon last time. Even if the refineries are not exposed to the long term flooding in Texas that we are still seeing in Louisiana, there is only a certain amount of skilled work force available to do repairs. Further a large portion of their support infrastructure just got destroyed. Thus the rate at which the rebound will occur is now likely to slow considerably, since the resources to achieve the response are few and already over-stretched.

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