

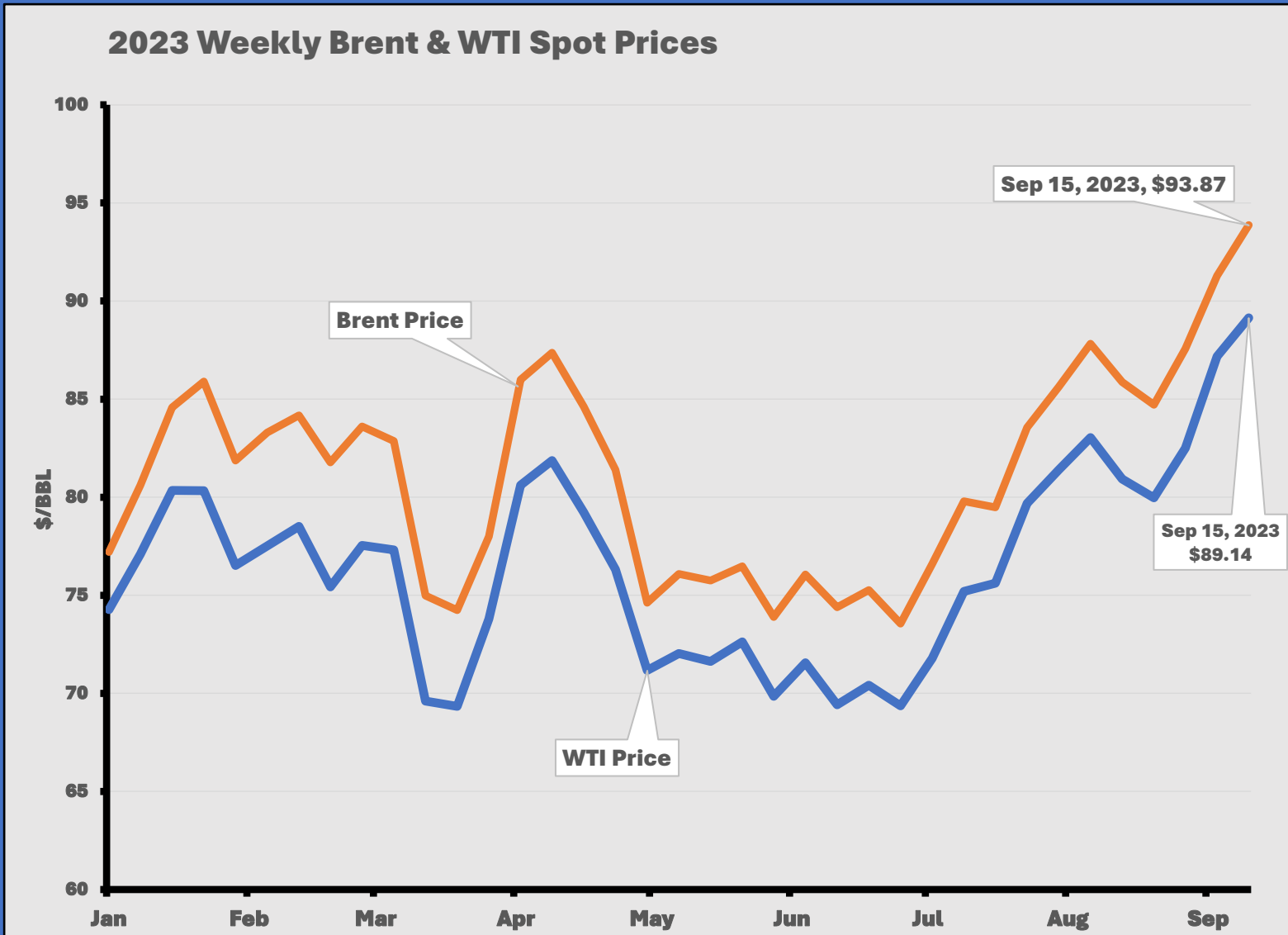
Petroleum Market Update

Southern New England Energy Conference

Stephen Comstock – Vice President, Senior Counselor

September 2023

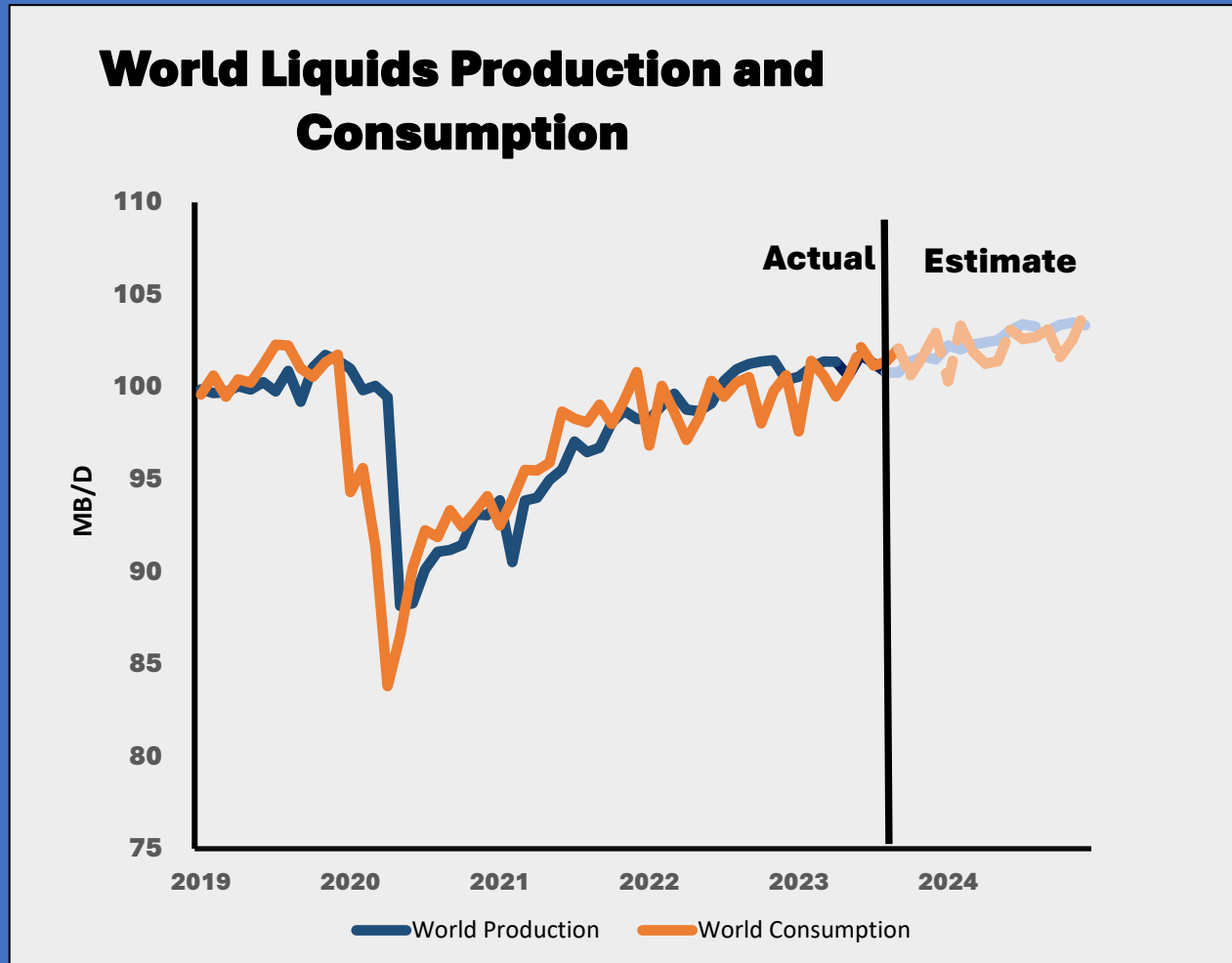
Reflecting on Oil Markets in 2023



Data source: EIA

- **Early in 2023 prices down from 2022 highs**
- **Trading in a narrow band for most of the year**
- **Recent breakout**

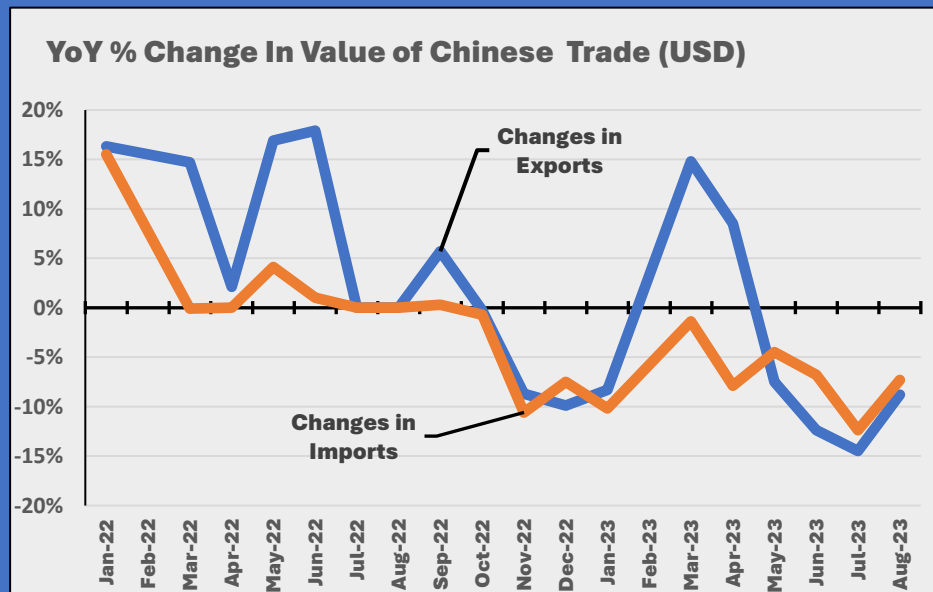
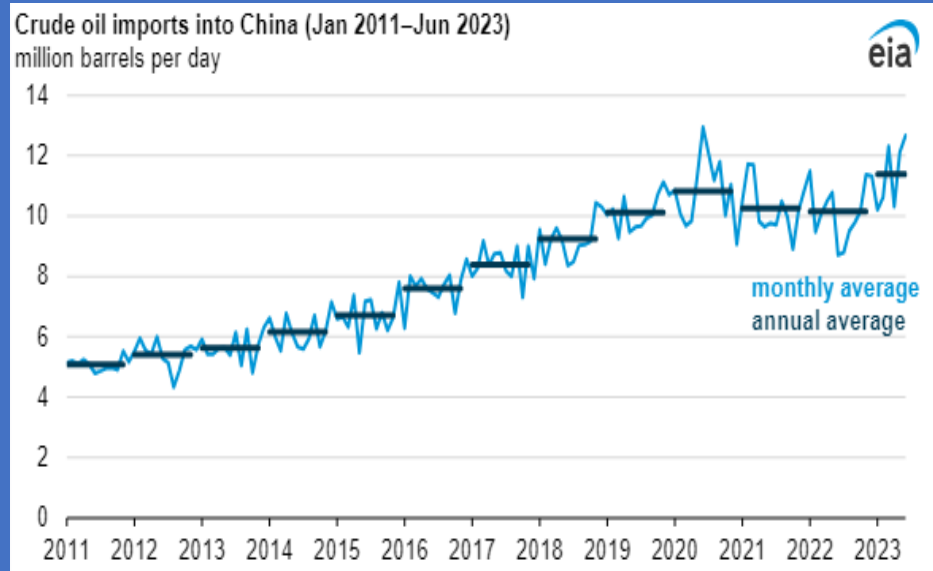
Recent Tightening of Supply and Demand



Data source: EIA – August
Short Term Energy Outlook

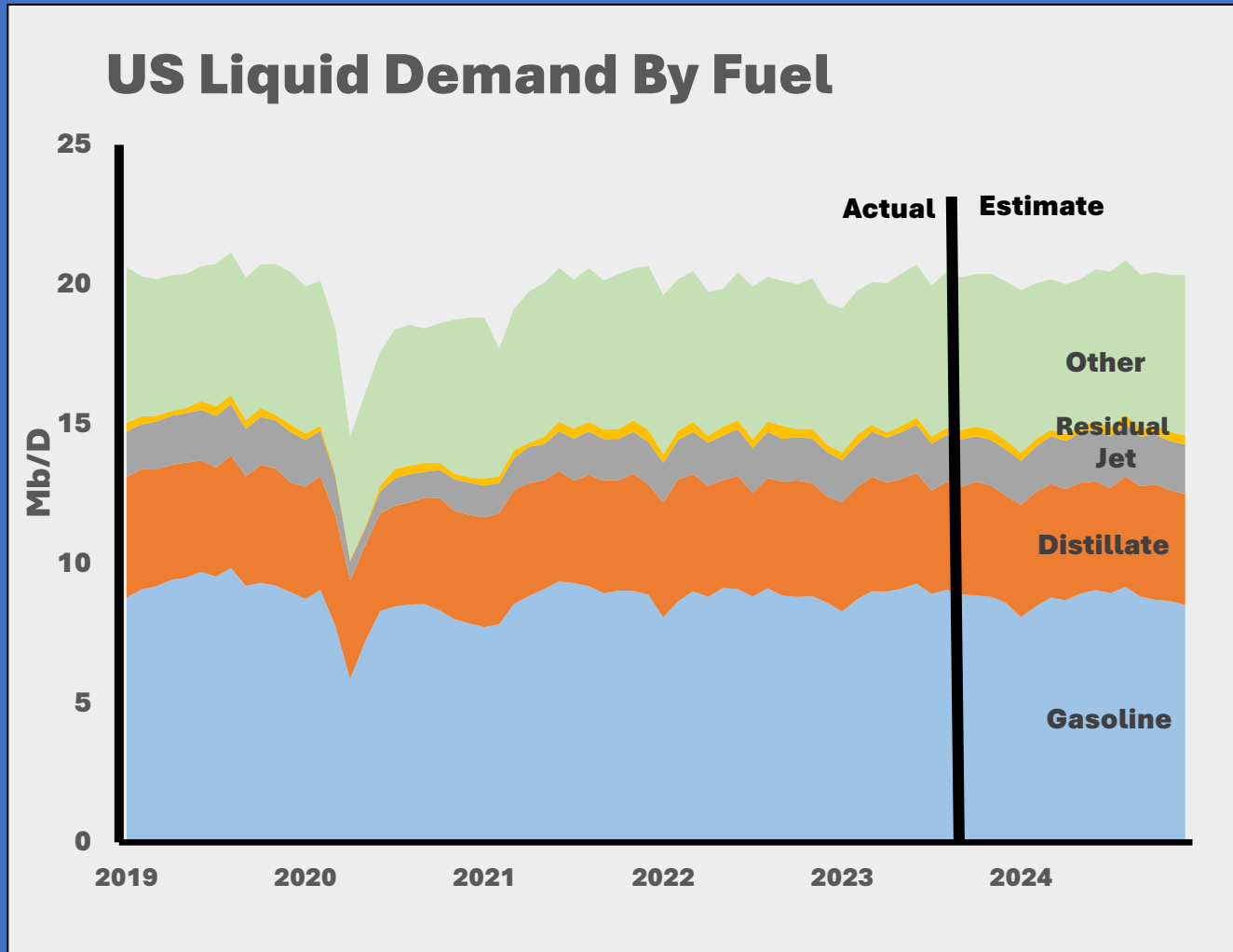
- **Global production and consumption just around 100-101 Mb/d**
- **Global consumption exceeded production in June & August**
- **EIA expects the world to be short by 2MBD for remainder of 2023**

Demand Driver – China and Petroleum Markets



- **China now consumes around 16 MMBLs of petroleum liquids a day**
- **China consumption greater than Europe and is almost half of Asia demand**
- **China refining capacity growing (18.8 MB/d) and now larger than US (18.3 MB/d)**
- **Purchases of crude and refining activity has ramped up again in 2023**
- **Where is capacity going – local demand or exports**

Demand Driver – US Economy



2.1%

Real US GDP for second quarter (4.9% forecast for third quarter according to Atlanta Fed.)



+ \$144B

July increase in Consumption Expenditures



3.8%

August unemployment rate. Slight increase but still more openings than unemployed workers



+3%

Passengers screened by TSA vs 2019



98%

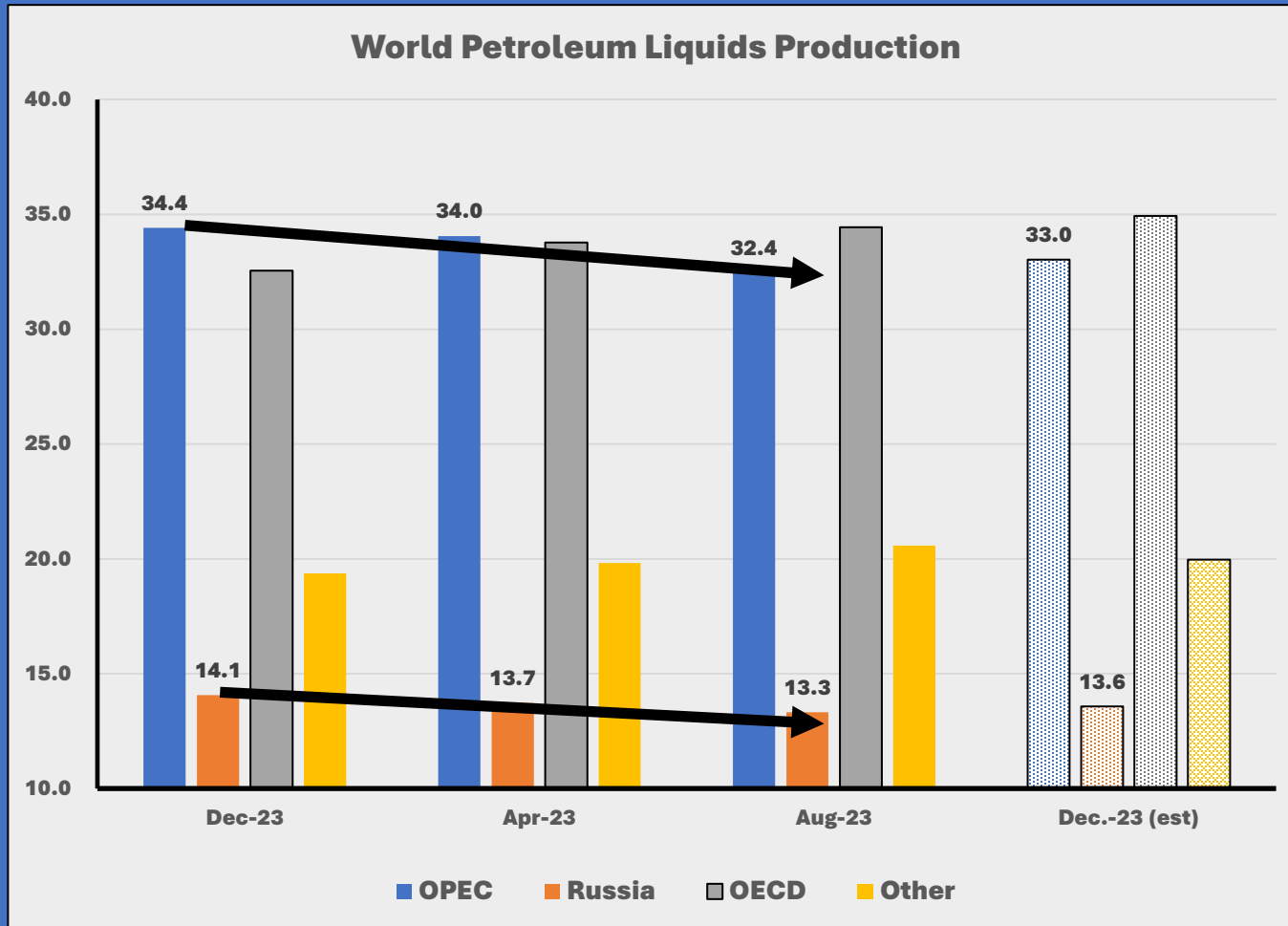
Vehicle Miles Traveled in July compared with 2019



-41%

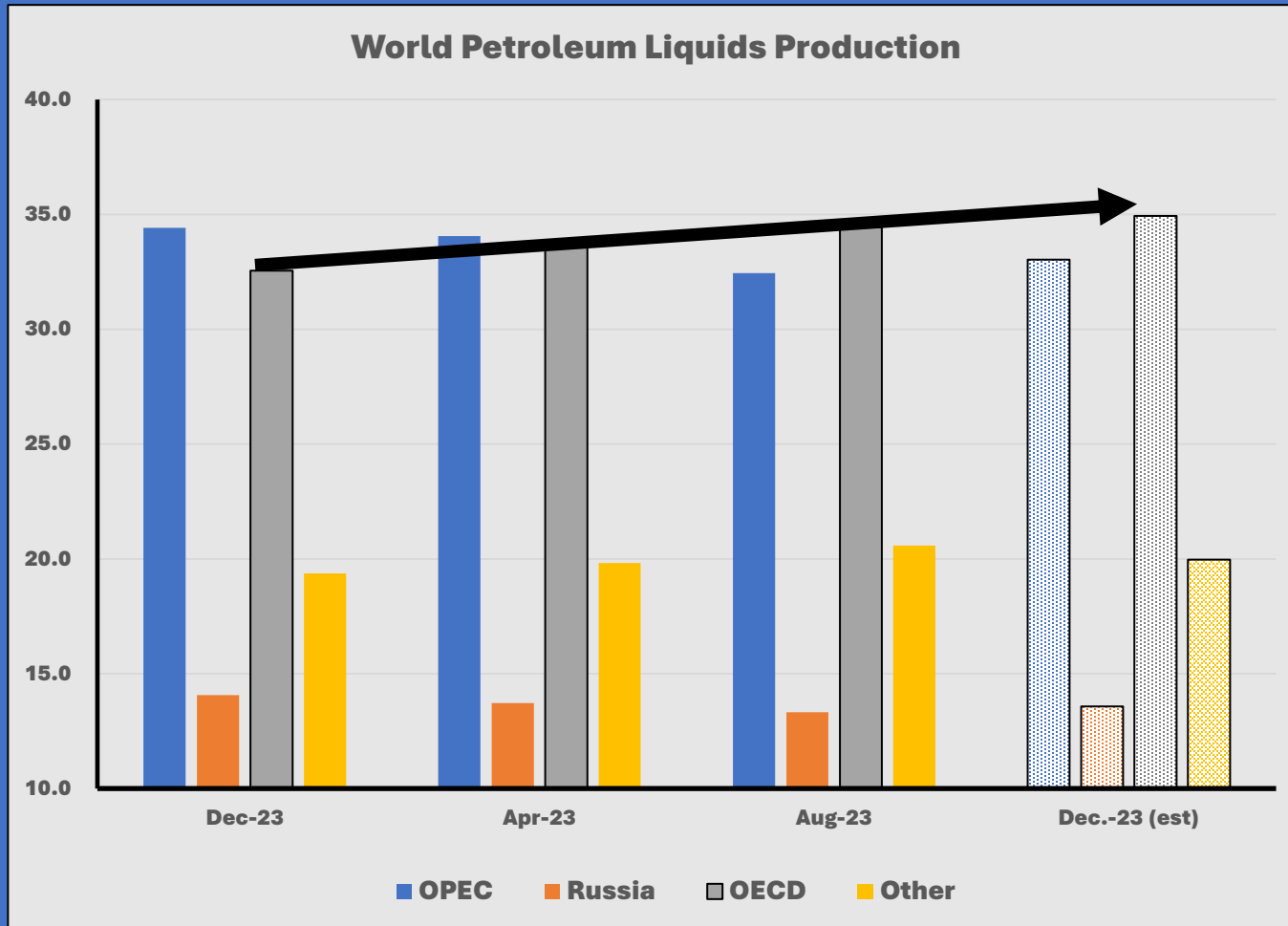
Spot truck load posts compared with Aug 2022

Supply Side Actions Impacted Tight Market



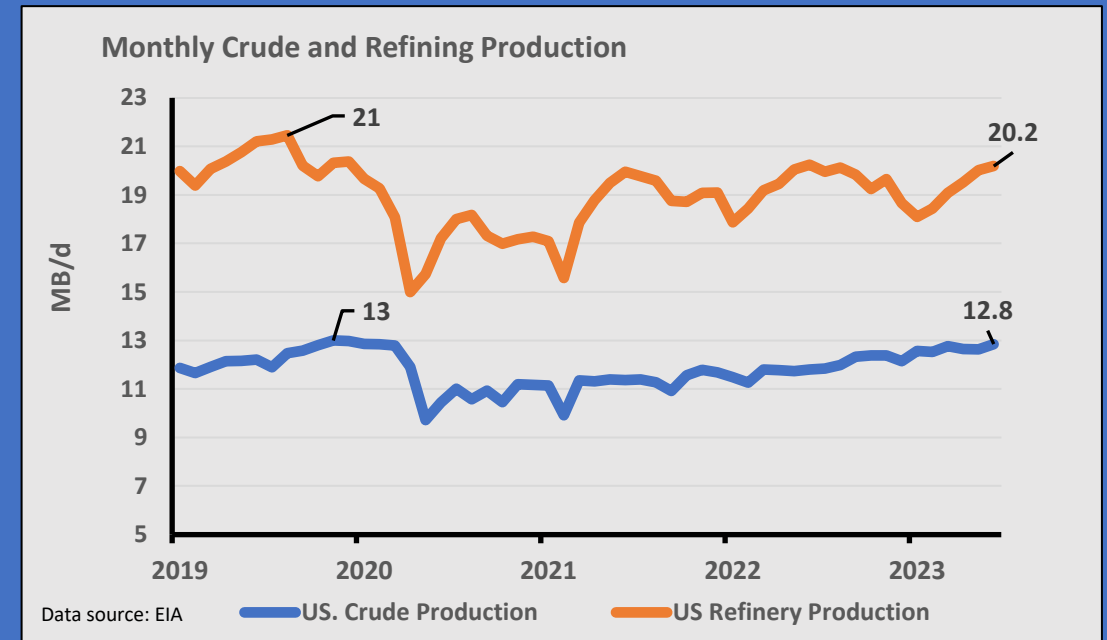
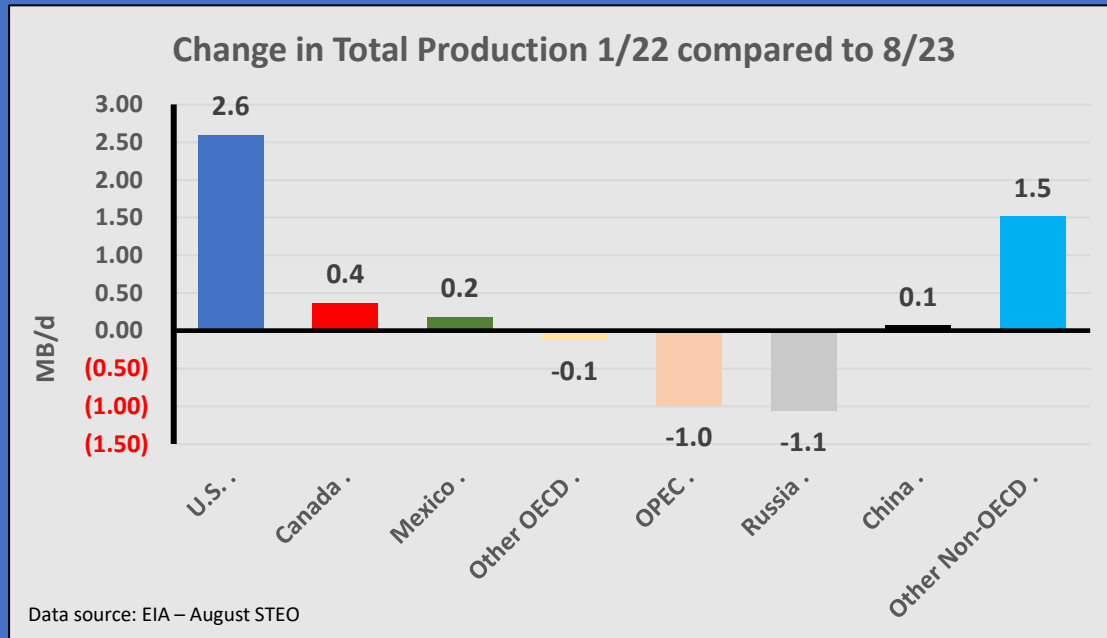
- **Saudi Arabia benefits from at least \$80/BBL levels**
- **OPEC maintain production levels and unilateral cuts of ~ 1.3 MB/d from Saudi Arabia and Russia**
- **Market reaction to tightening**

Supply Side Actions Impacted Tight Market



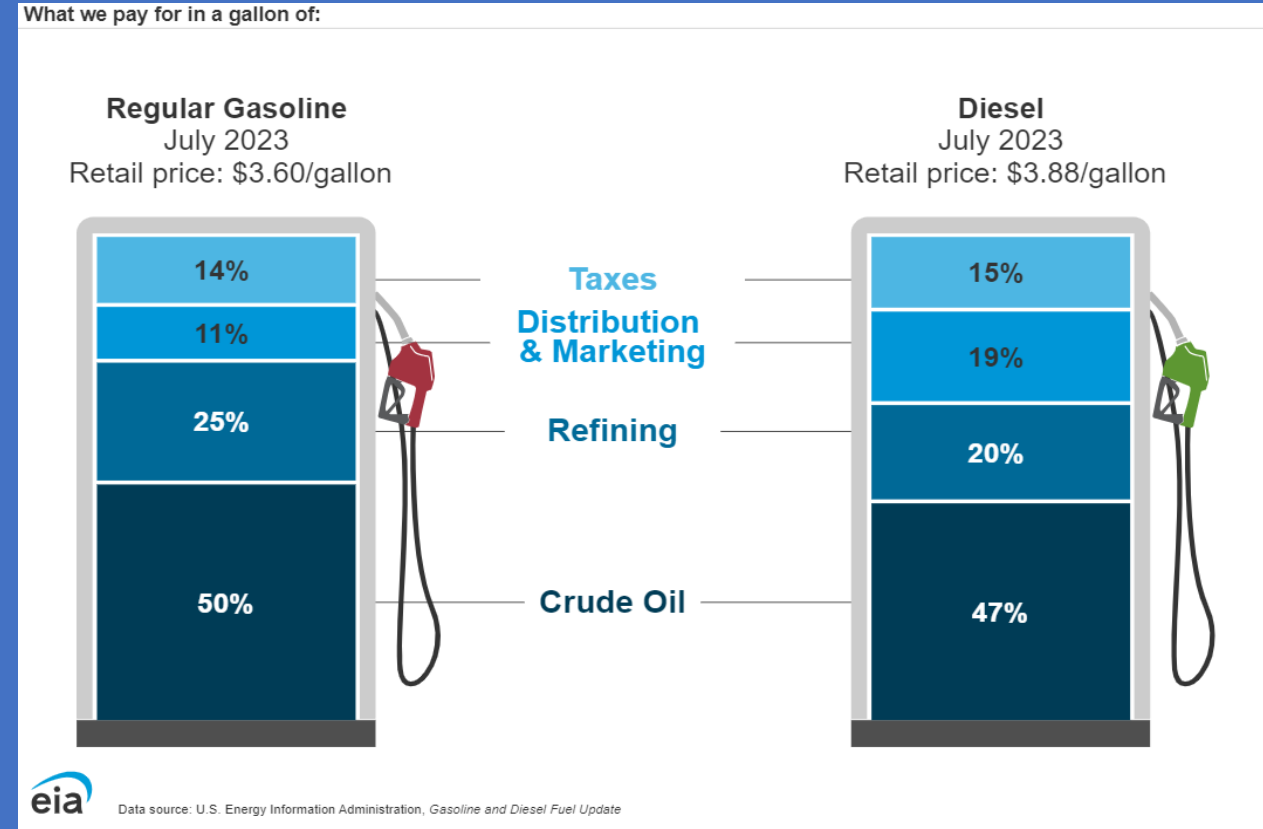
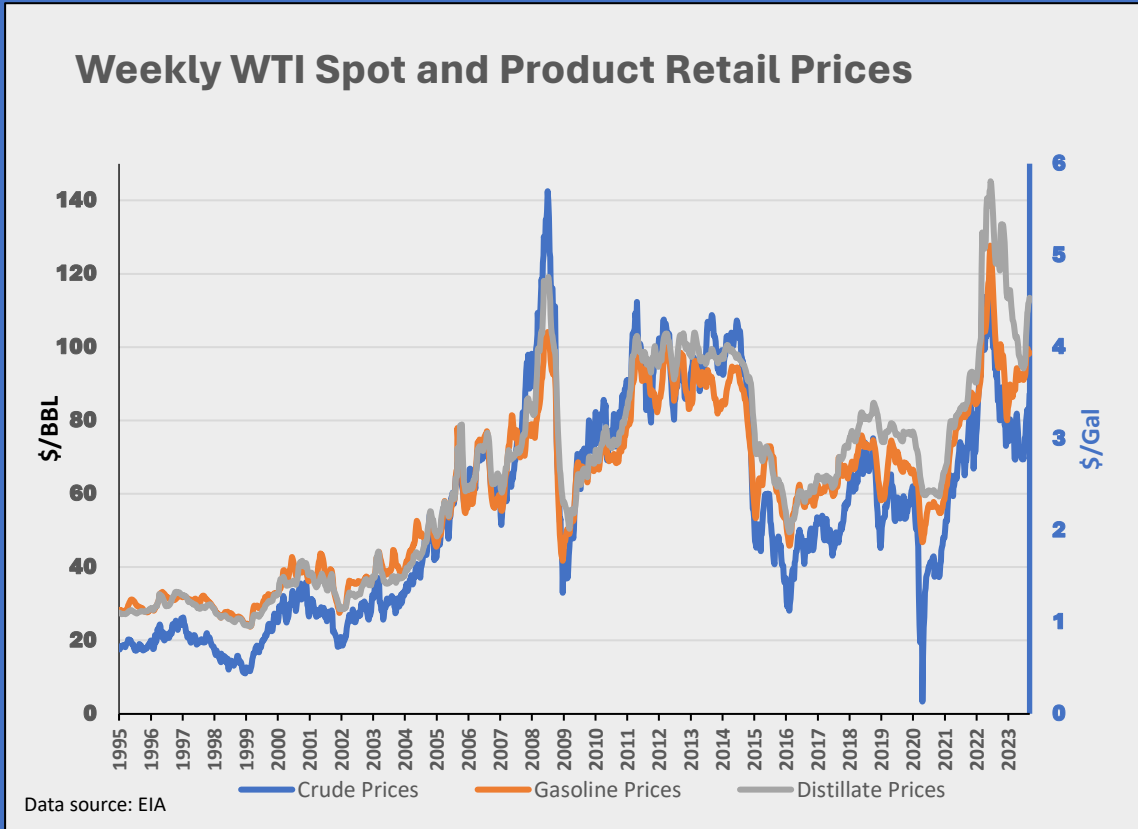
**What is going on
with OECD
production?**

U.S. Production Story



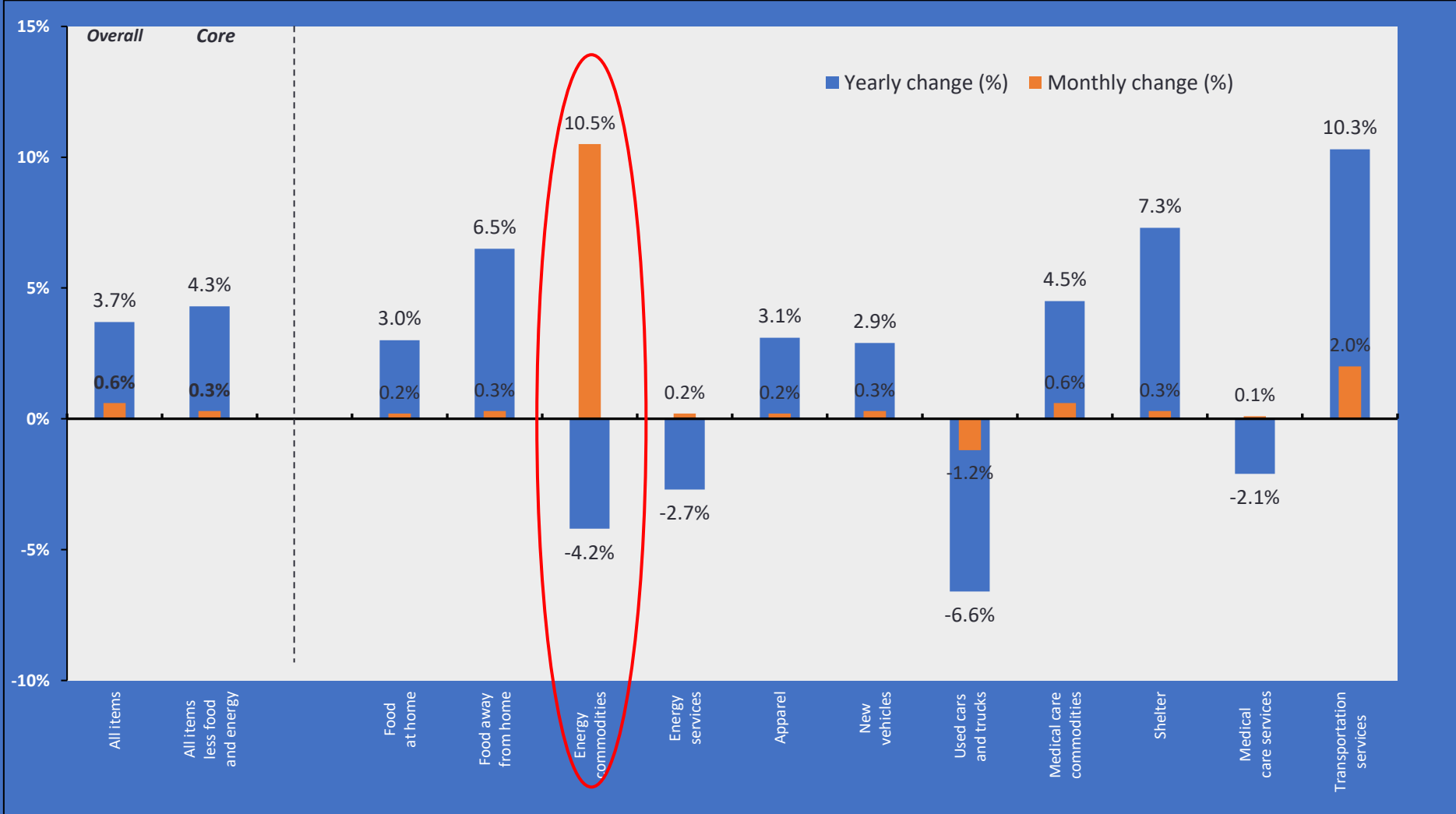
- **U.S. crude/NGL production potentially easing tight global situation**
- **US production coming back to pre-pandemic levels**
- **Refining operations ramping back up to meet product demand**

Correlation of Crude to Product Prices



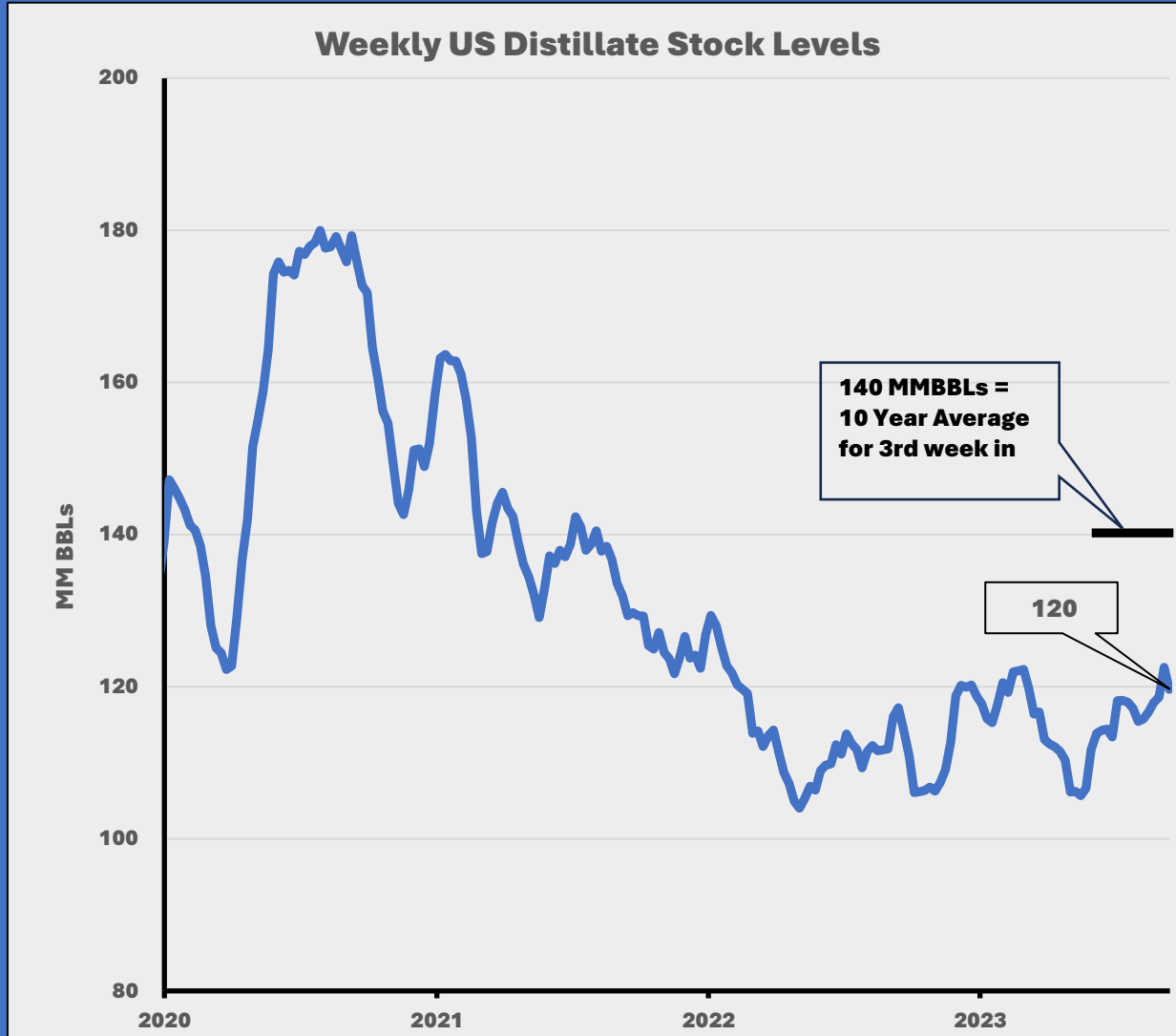
Energy Jump Felt by Consumers

Percentage change in the August CPI, by expenditure category



Source: US Bureau of Labor Statistics.

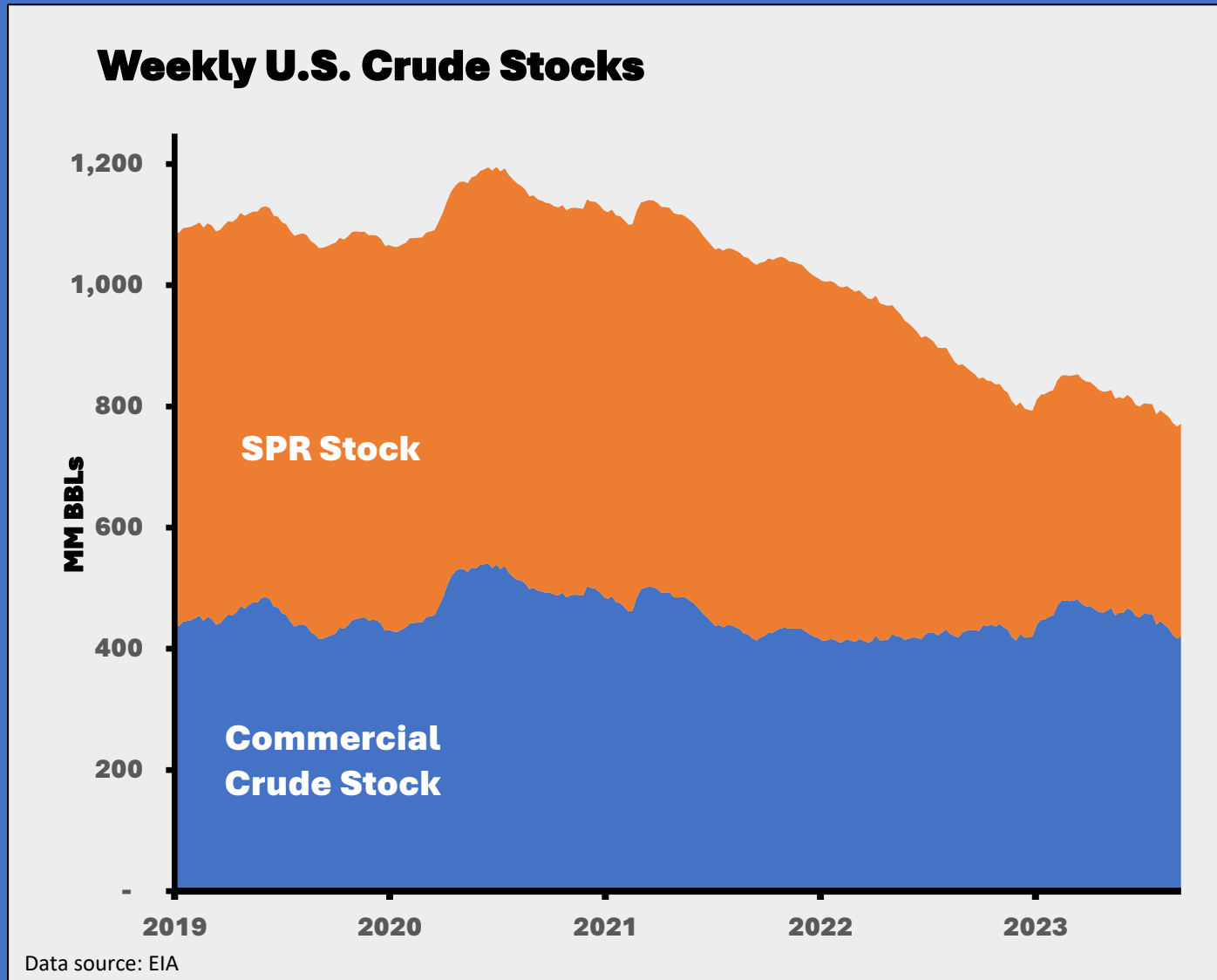
Quick Focus on Diesel



Data source: EIA

- **Despite industrial slowdown, stocks are low.**
- **Normal U.S. consumption of ~4MM BBLs/D**
- **Supply Issues**
 - **Loss of Saudi/Russian crude mix**
 - **Refining capacity issues**
 - **Russian exports curbed**
 - **China increasing exports**
- **Demand Issues**
 - **Fall harvest**
 - **Export opportunities**

Impact of Past Efforts to Address Gas Prices

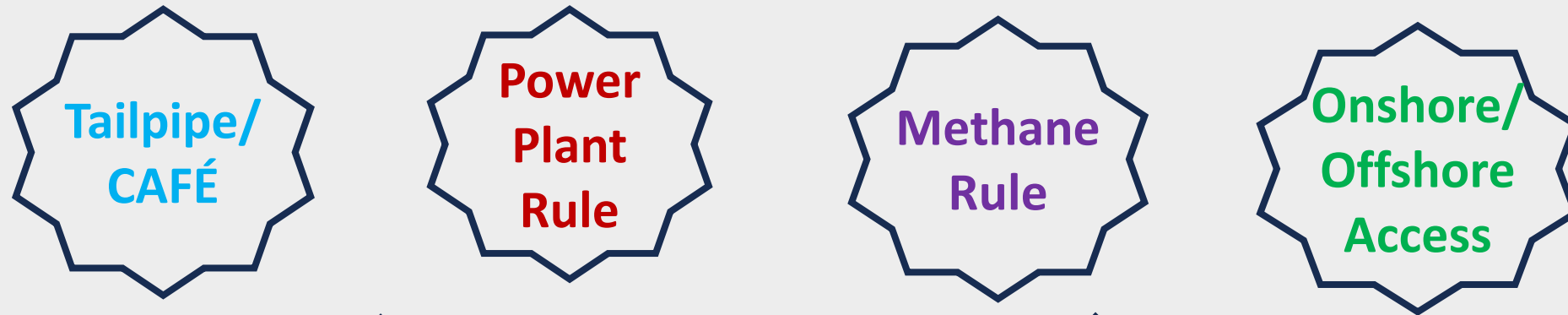


- **Significant sell off last year in SPR**
- **Ability to restock price limited**
- **Commercial stock shrinking but still in the 5-year range**

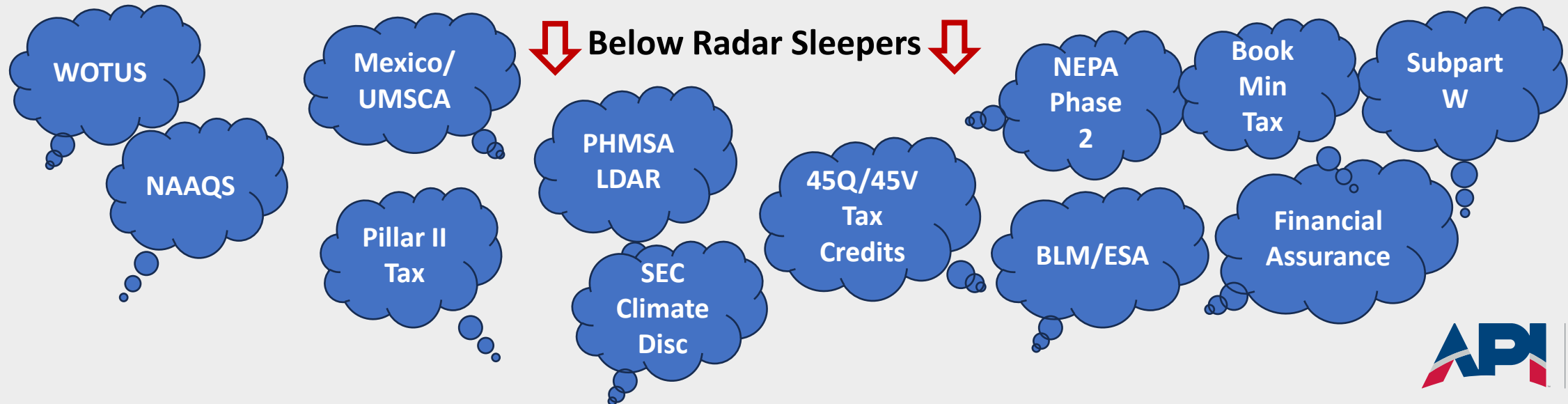
Politics v Policy and High Gasoline Prices

Policy	Pros	Cons
Raise G7 Price Cap on Russia	More Incentive to Put Product on Market	Ukraine Policy & May Not Help Much
U.S. Product Export Ban	Potentially In Executive Capacity	Refiner Incentive to Produce & Logistics
Saudi Dipolomacy	Potential Out for OPEC	What Is Given Up? Timing?
SPR for Products	Used in Other Countries	Legislative Unknowns and Short Term Effect

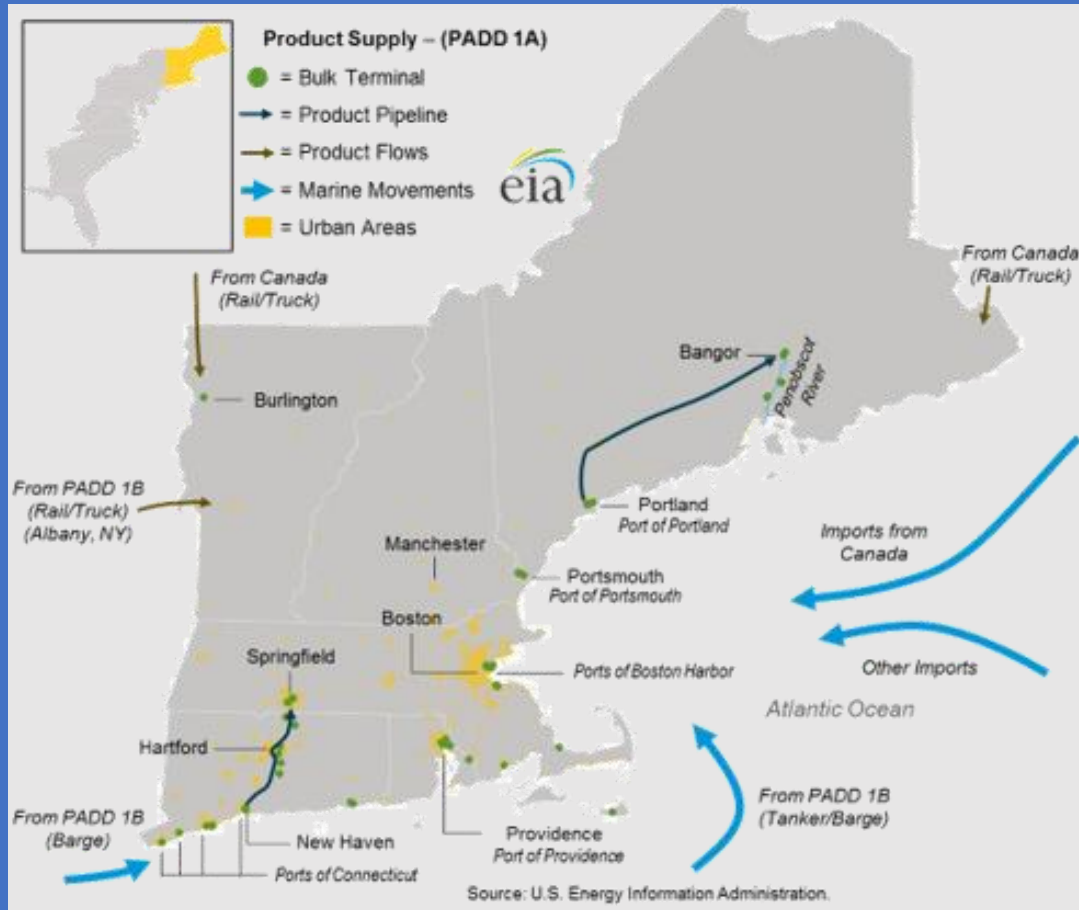
Another Signal - Address Unprecedented Regulatory Onslaught



Headline Grabbers

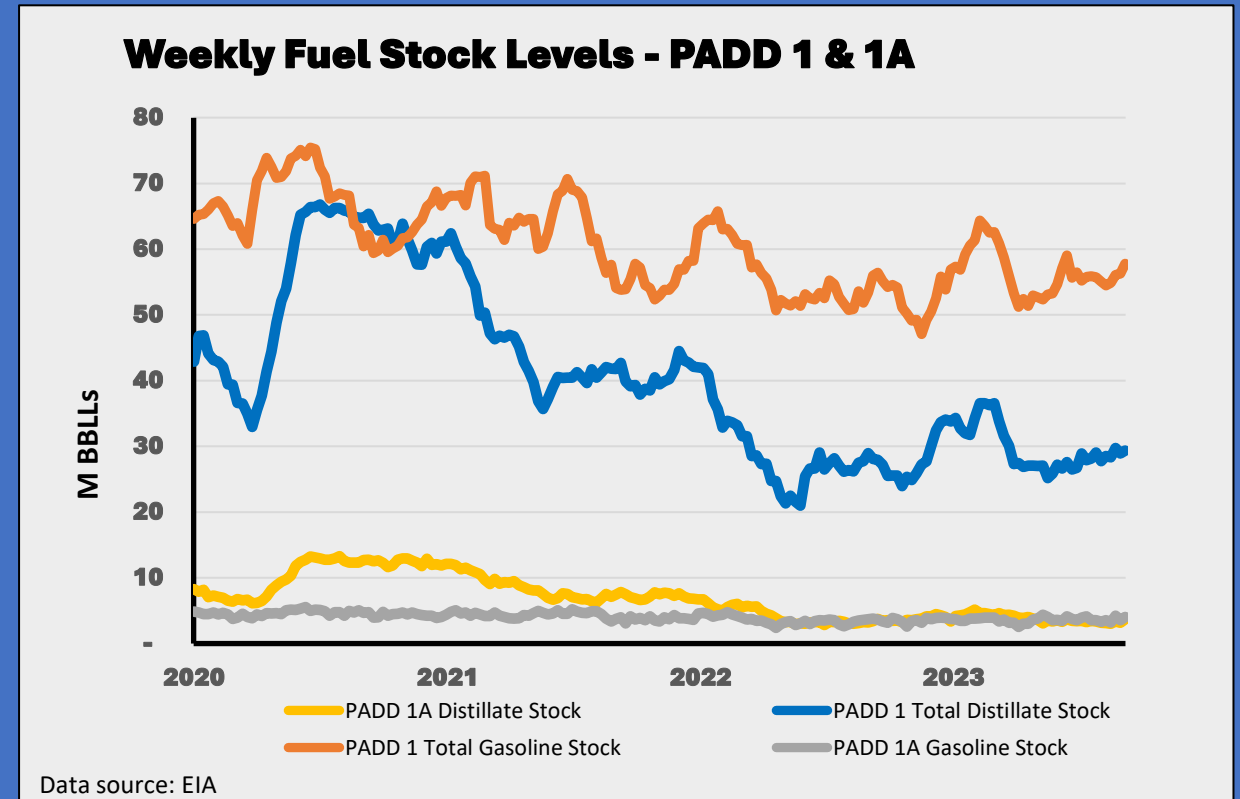
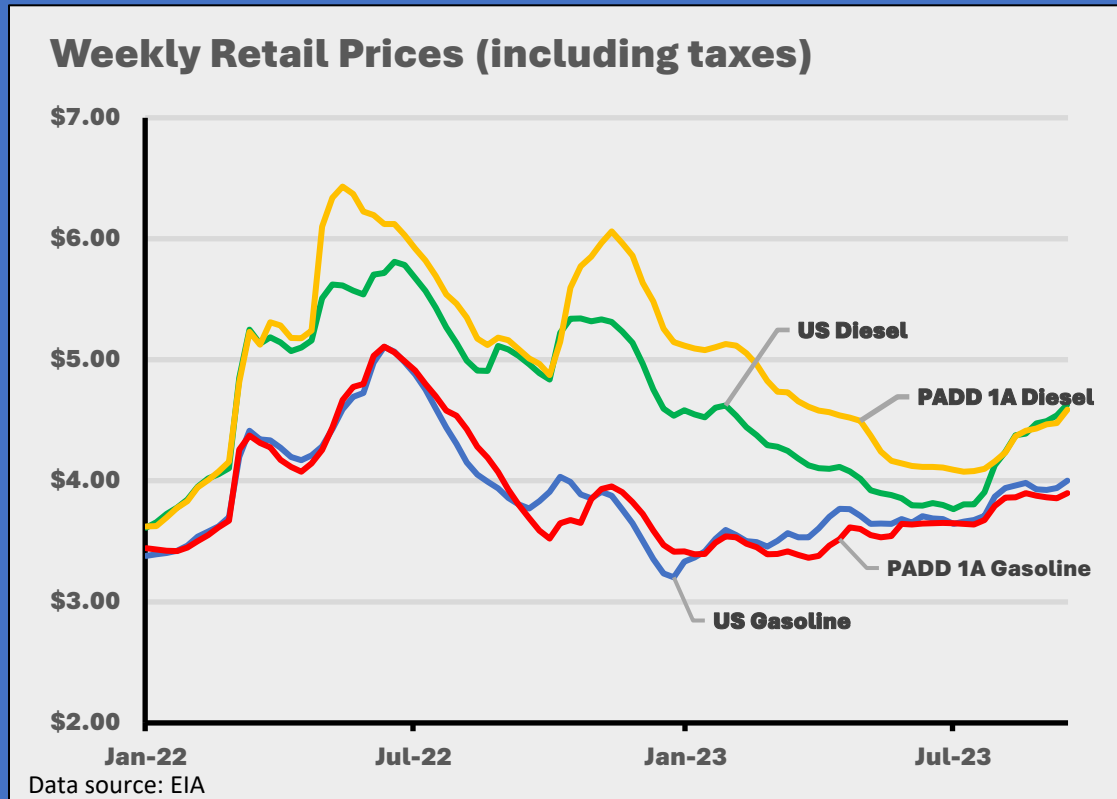


PADD 1 Review



- **PADD 1 includes**
 - **PADD 1A – New England**
 - **PADD 1B – Central Atlantic**
 - **PADD 1C – Lower Atlantic**
- **PADD 1A Oil and Natural Gas Impact**
 - **Around \$53B in contributions to the economies of states in PADD 1A**
 - **Supports almost 104k jobs in the states**
- **No refining capacity – reliant on**
 - **Inter-PADD movements**
 - **Intra-PADD Movements**
 - **Foreign Imports**
- **NEHHOR & NEGSR**

PADD 1A Historical and Current Snapshot



	\$/gal	25-Sep	Year Ago	Change
PADD 1A Regular		\$ 3.76	\$ 4.05	\$ (0.29)
PADD 1A Diesel		\$ 4.61	\$ 4.59	\$ 0.02
NY Harbor #2 Heating Oil		\$ 3.12	\$ 2.97	\$ 0.15

- Diesel stocks about 50% of 5-year average
- Gasoline stocks in line with 5-year average