



U.S. Refining Capacity: She Ain't What She Used to Be 05/04/2022

Diesel stocks are very low and getting lower. Prices seem unbounded and refining margins, particularly the diesel crack, are historic. Refining utilization and diesel yields could be higher, why aren't they?

Is the EIA refining capacity data up to date? I'd hope so. What then? In the past two years we've closed a substantial amount of refining capacity. In 2020, demand collapsed and the cost of maintaining some capacity became prohibitive. At the Gulf Coast we lost 500,000 B/D with the closing of just two refineries: Convent and Alliance. This resulted in probably 125,000B/D or more of lost diesel output.

Could the supply chain problems be impacting the ability of some refineries to make timely repairs? Is there a large amount of unscheduled downtime? Are turnarounds taking longer and costing much more because of Covid and supply chain problems or because we delayed normal maintenance? Did the move to clean diesel impact overall diesel output?

Europe needs to start to release the very large diesel Strategic Reserve they are holding (over 200 million barrels) and we need to see what might be done (if anything) to get more supply from domestic units.