



## Desperate Times Leads to Even More Desperate “Solutions” By the Administration 05/24/2022

The Administration is running out of options, things to do, and people to blame for the high cost of gasoline. There are reports that they are looking at allowing a higher RVP and a waiver of the Jones Act. The Jones Act restricts foreign vessels from operating in U.S. coastal waters. The RVP would add maybe 150-200,000B/D according to some individuals I’ve spoken to. The Jones Act waiver is long overdue. We should compensate the maritime industry directly and transparently (for some period of time).

Gasoline prices would come off a little as stocks are tight, but not as tight as diesel. Gasoline stocks are off 6% nationwide, with diesel off 20%. But that doesn’t come close to the real story. In New England diesel stocks are at the lowest levels ever, off 60%.

I’ll repeat more than once: we are running on fumes in the Northeast. The Jones Act waiver would reduce shipping costs to the Northeast but the huge backwardation is a major disincentive to hold inventory.

There is something we can do that might materially add to diesel supply (refiners can’t because they don’t have sufficient spare refining capacity). The U.S. SPR is in the form of crude oil, Europe’s is in the form of products. Europe holds a ton of diesel in their SPR. The U.S. must find a way to get them to release it and not hold it for a rainy day.



That rainy day is NOW. The U.S. is so desperate and gimmicky that they are considering releasing the miniscule amount of diesel we hold in our SPR, 2 million barrels compared with maybe 200 million barrels in Europe.