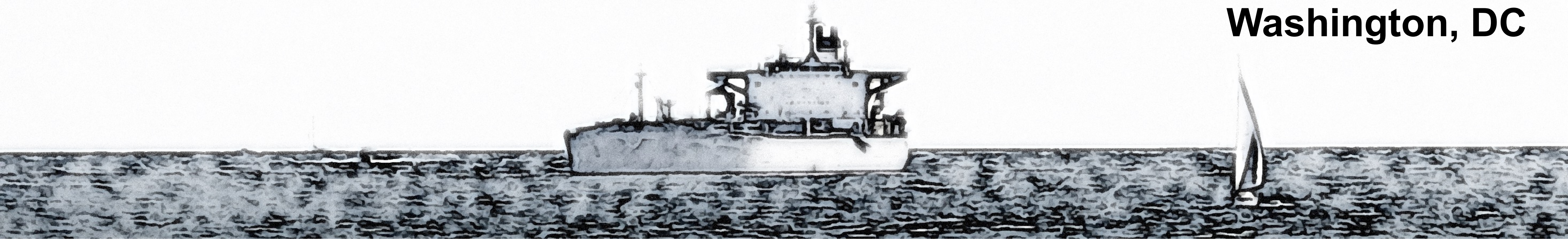
Chart of the Week #2024-20

U.S. Gulf Coast Refineries Continuing Reliance on Medium and Heavy Sour Crude Oil Imports

Max Pyziur

May 22, 2024

Washington, DC



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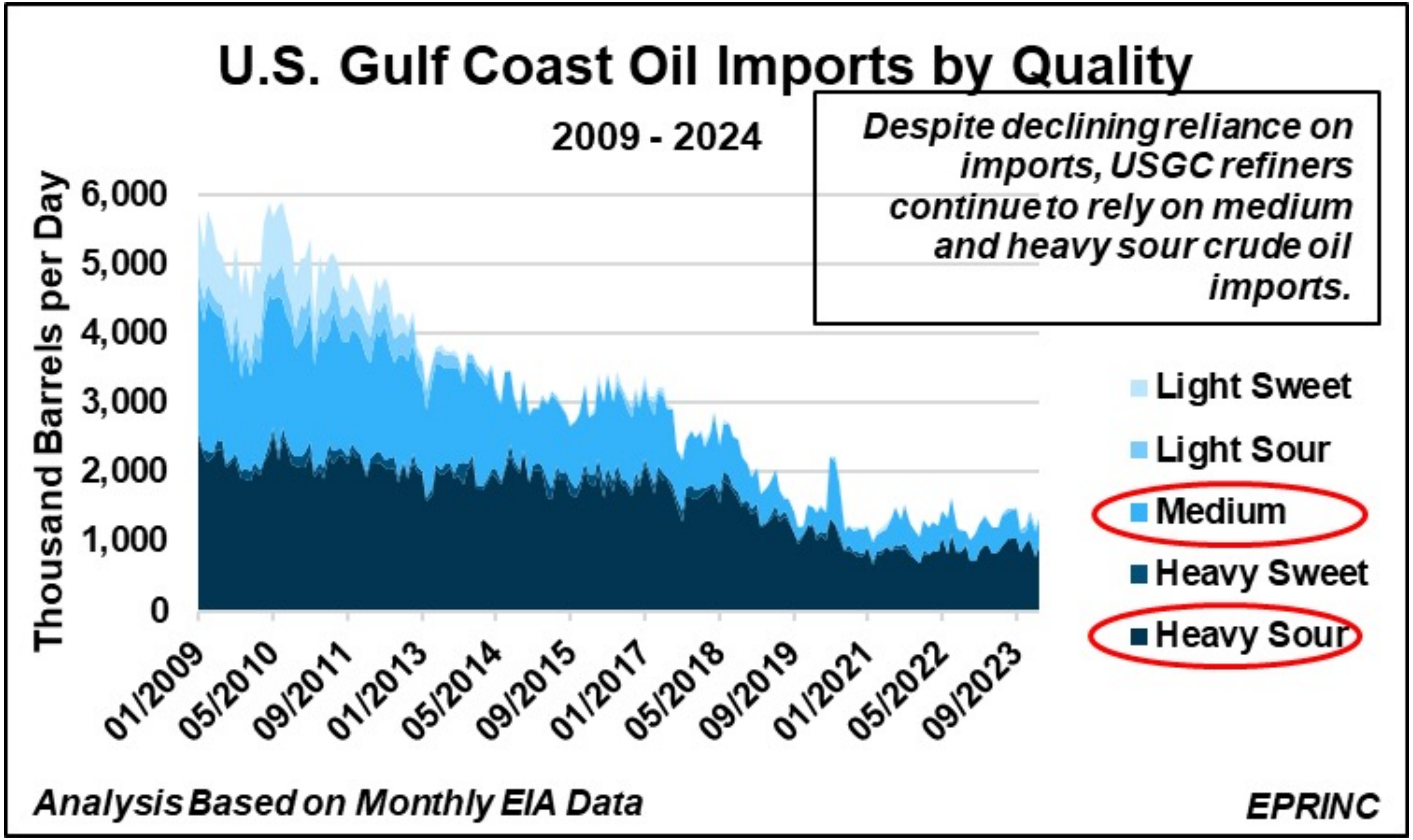

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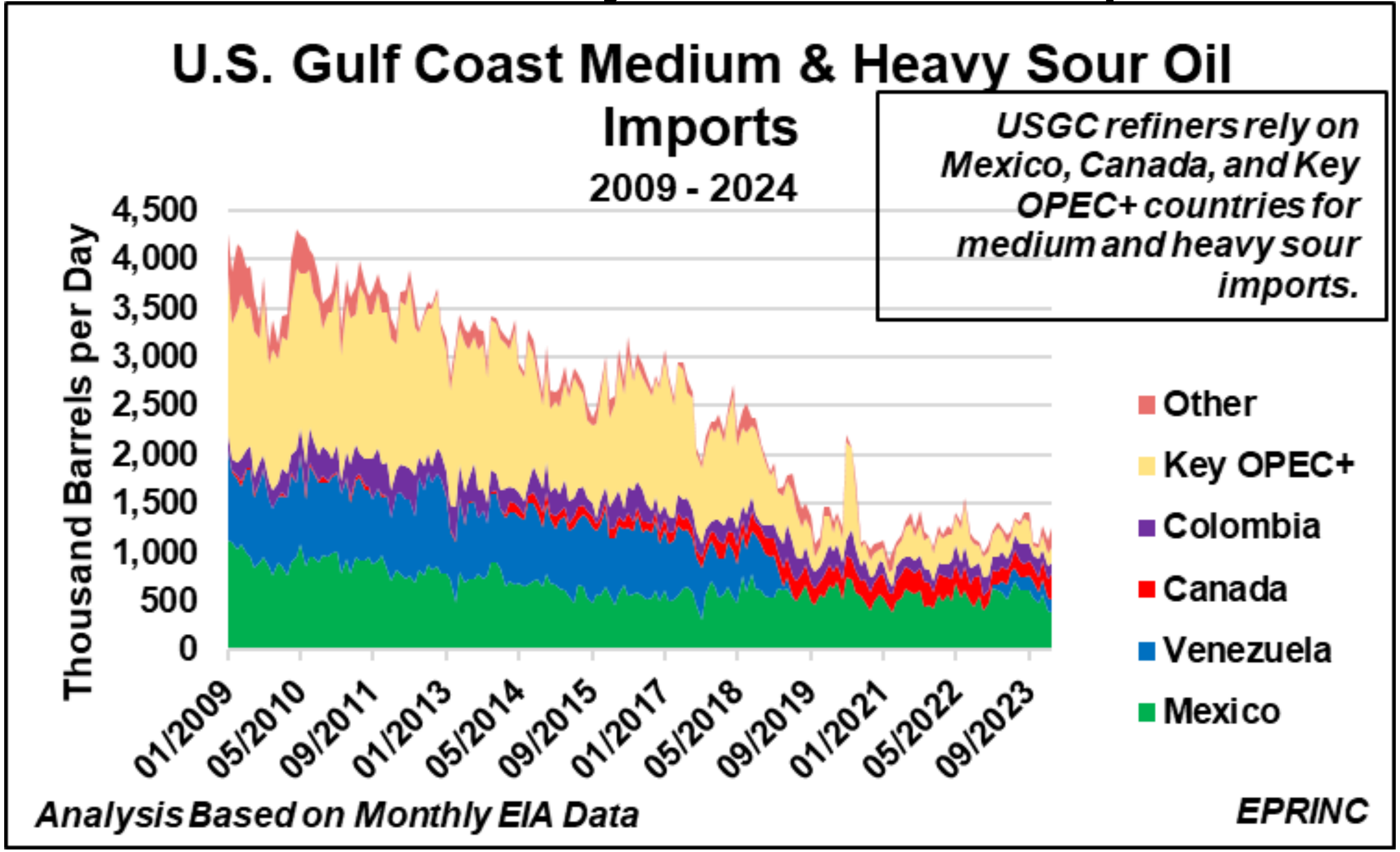

Key OPEC+ Countries == Saudi Arabia, Iraq, Kuwait, Nigeria, and Russia (until 2022 sanctions)

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Energy Policy Research Foundation

- Refineries along the U.S. Gulf Coast (USGC) account for over 9 million barrels per day (mbd), or 55%, of total U.S. refining capacity. While they process a wide slate of crudes, they are commercially optimized to refine medium and heavy sour varieties.
- The North American shale revolution has grown to produce a bounty of crude oil, but of the light types. USGC refiners still need to import medium and heavy sour oil.
- The core medium and heavy sour crude USGC suppliers have been Venezuela, Mexico, Canada, and Columbia. To a lesser degree, key OPEC+ countries (Saudi Arabia, Iraq, Nigeria, and Russia, the last before 2022 sanctions) have also been a source.
- However, three of the core suppliers' imports have been or potentially might be limited.
- Venezuela: with increasing human rights abuses and other political oppressions that have increased poverty and have driven 7.7 million refugees from Venezuela, the Trump administration expanded sanctions driving U.S.-bound Venezuelan exports to zero. Beginning in October 2022, the Biden Administration relieved sanctions providing conditions leading to free and fair elections would be met by April 2024. Some conditions were met but the key ones that would have kept sanctions away were incomplete; consequently, sanctions were restored.
- Canada has begun commissioning its new Trans Mountain pipeline moving crude from the province of Alberta to coastal British Columbia for tanker export. Accordingly, less Canadian crude will be available to pipeline to the USGC, and what will be available will be more costly.

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- **Despite delays, Mexico is nearing completion of its 340 thousand barrel per day Olmeca refinery located in the Dos Bocas region. It is set to process locally produced heavy crude that would usually be exported to the USGC refiners.**
- **Given these limitations from large proximate exporters, more medium and heavy sour crudes would have to be sourced from other more distant countries raising freight costs that would be passed through. OPEC+ countries have been signaled that they are not expecting to ease production quotas so, OPEC+ crude availability remains unchanged.**
- **Sensing that transportation fuel prices will be elevated throughout the summer, the Biden administration has instituted several measures such as the May 21, 2024 announcement of sales from the U.S. Northeast gasoline supply reserve. But it doesn't appear to be enough to make any sort of significant change in national prices.**

- **This slide deck is available at: https://eprinc.org/chart-of-the-week/**
- **For more information on these charts, please contact Max Pyziur (maxp@eprinc.org).**