

Chart of the Week #2024-13

Ukrainian Strikes on Russian Refineries and Global and U.S. Product Markets



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Ukrainian Strikes on Russian Refineries



Since the start of 2024, Ukraine has intensified its attacks against key Russian energy infrastructure. Using one-way UAVs (unmanned aerial vehicles - i.e. suicide drones), 14 refineries and 9 crude and product terminals have been targeted and damaged through April 2, 2024. These targets are up to 700 miles from Ukraine's border.

Russia has almost 7 million barrels per day (mbd) of nameplate refining capacity; EIA estimates that 5.5 mbd of this is operable. Total capacity of the targeted refineries is close to 3.34 mbd of which 1.3 mbd is estimated to have been impaired.

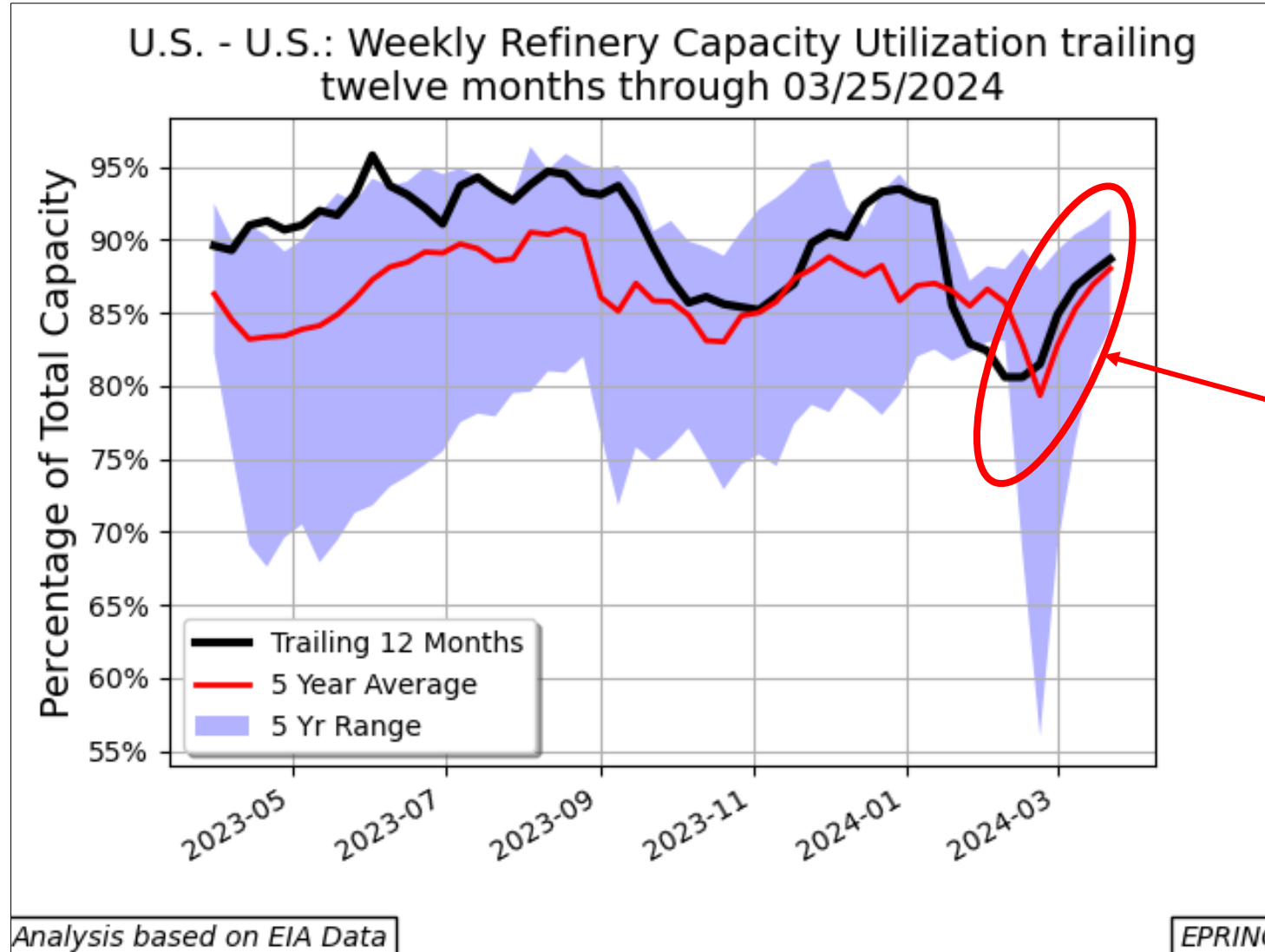
Of the targeted refineries, three produce petroleum products primarily for export markets, and another three produce for both trade and domestic needs. Combined, their capacity is 1.2 mbd.

Analysis based on various news reports

Energy Policy Research

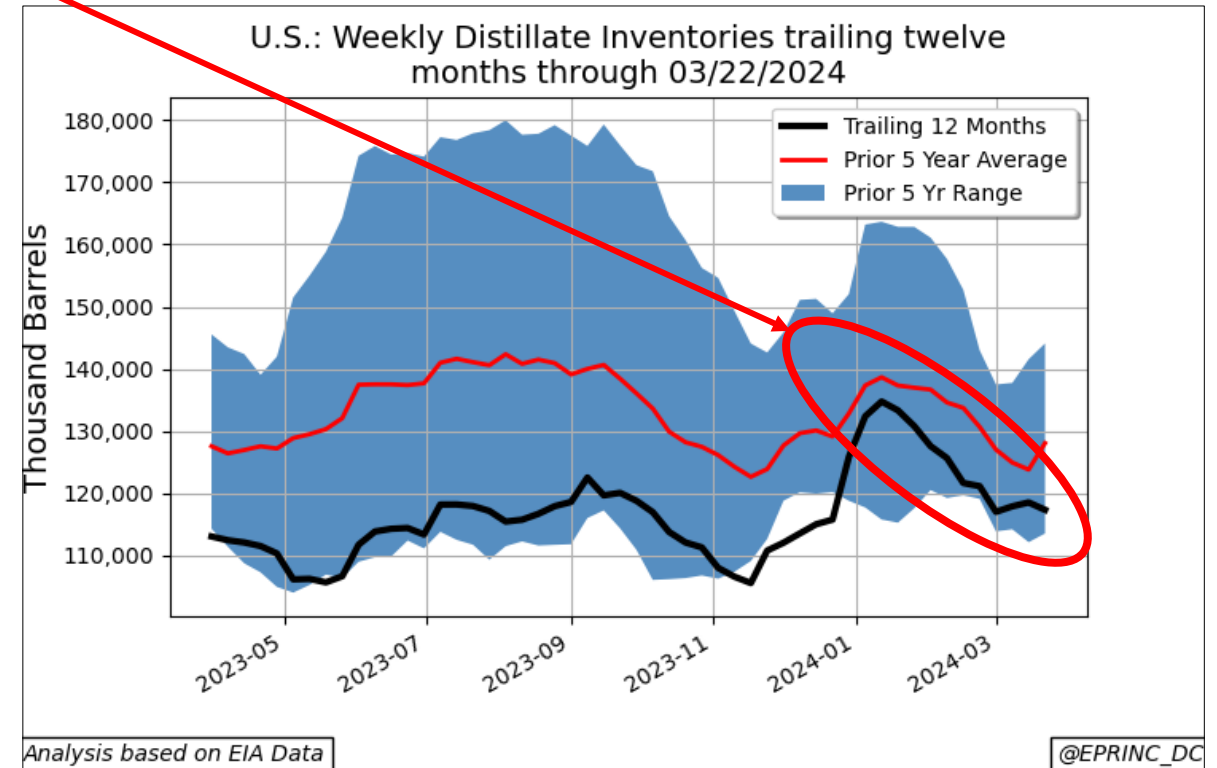
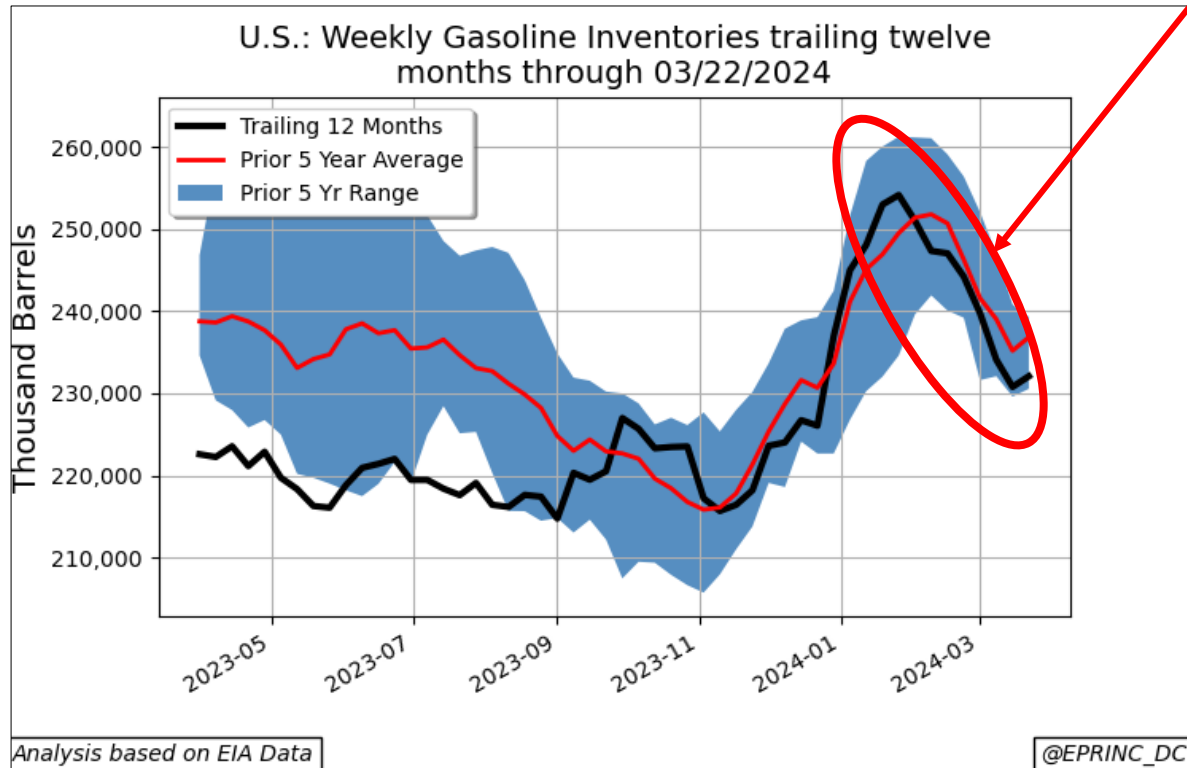
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- **Tariffs on Russian crude oil and petroleum product exports are key to funding its national treasury and war effort. Year-on-year, monthly Russian product exports are estimated to be down 1 mbd in March 2024 from the 3.0 mbd that was exported in March 2023.**
- **Starting March 1, 2024, the refining constraints have led to Russia banning gasoline exports. In addition, Russia has begun importing gasoline from Belarus.**
- **European petroleum product markets have been tight since Russia accelerated its aggression against Ukraine in February 2022. Any sort of impact in Europe from the drop in Russian exports is expected to be minimal.**
- **The U.S. relies on about 1+ mbd per day of gross product imports, mostly from Canada. Until December 2022, the U.S. imported substantial amounts of products from Russia; those have been replaced with imports from Venezuela.**

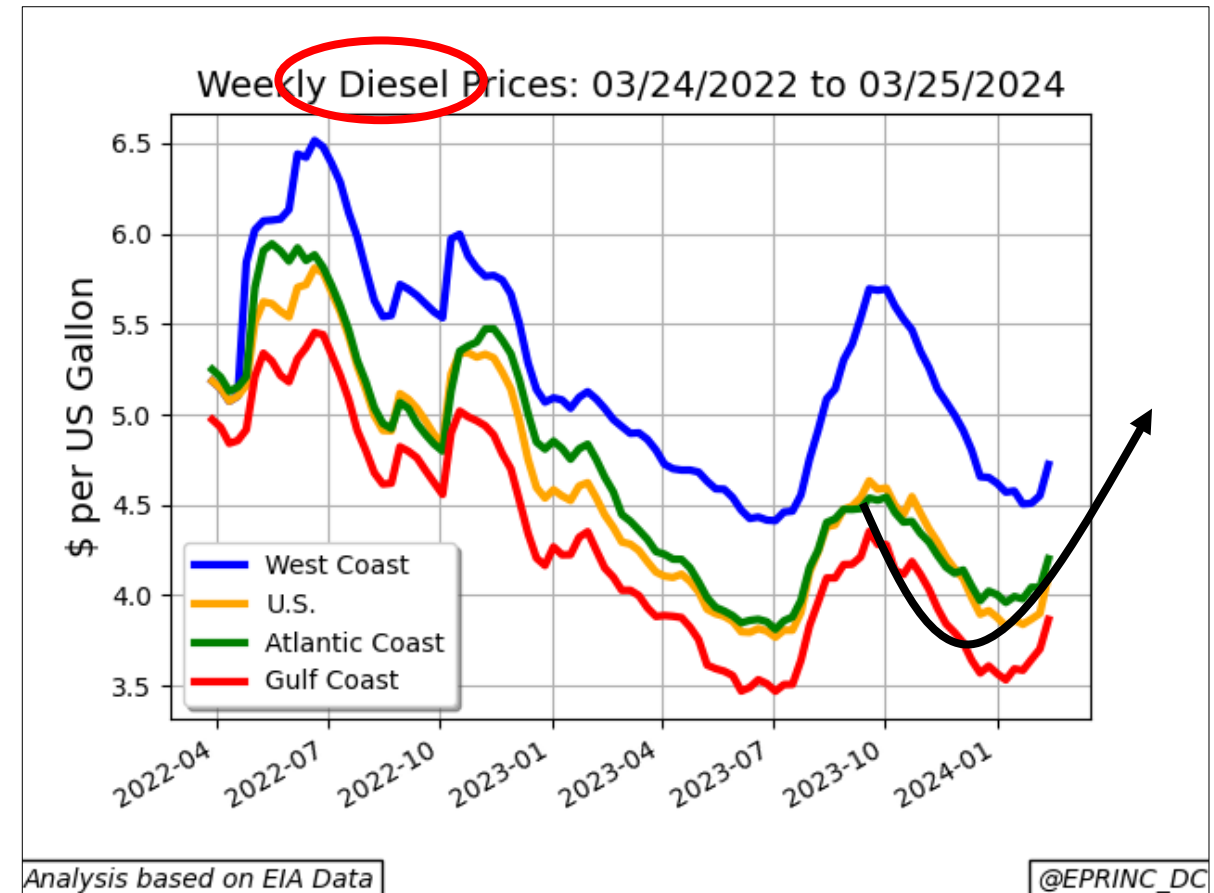
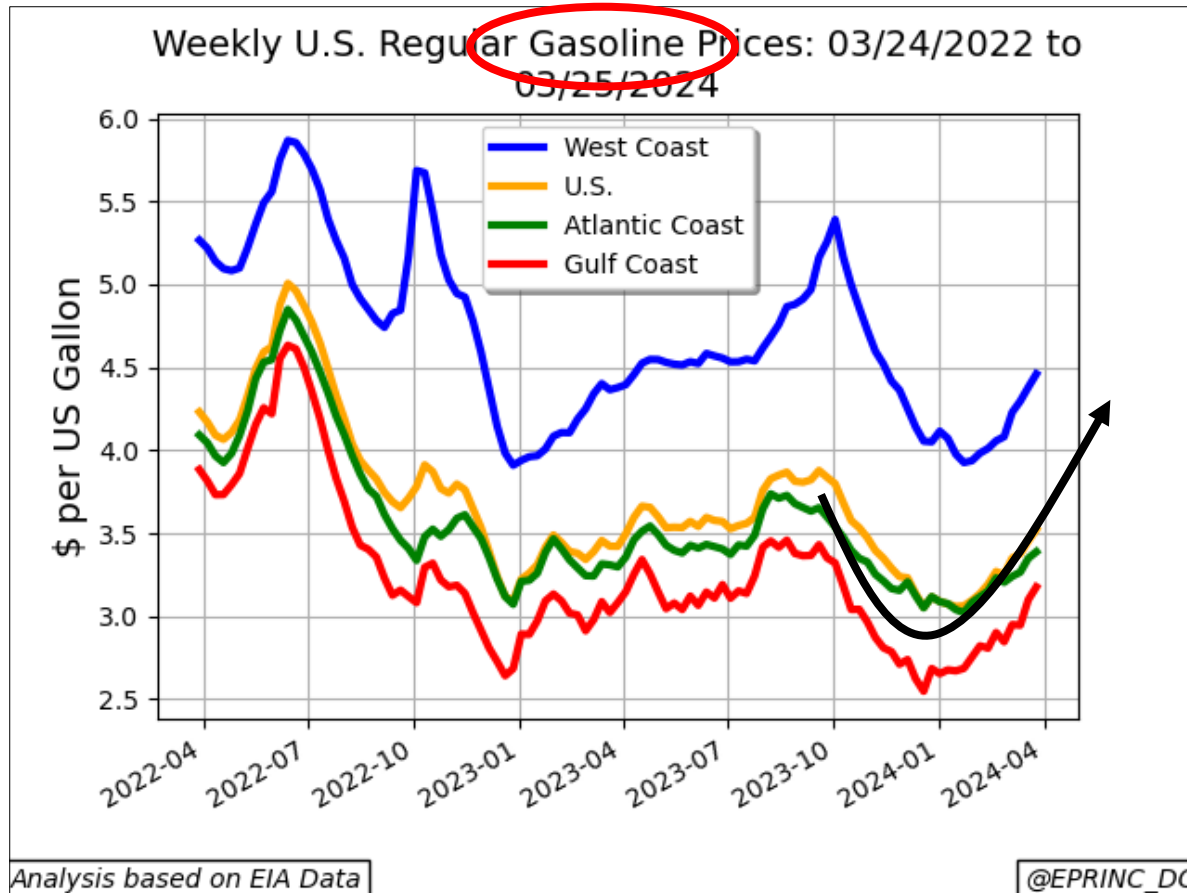


U.S. refining capacity utilization has risen to almost 90% from a winter-low of 80%.

**But U.S. gasoline and distillate
(diesel and heating oil)
inventories are below their 5-
year trend and declining**



Gasoline prices in certain U.S. regions have begun rising due to an early switch from winter to higher cost summer grades. Average U.S. gasoline prices are coming off winter lows of \$3 per gallon to \$3.50 according to EIA's latest weekly March data



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- Despite the current state of U.S. petroleum product markets not showing any of the price spikes or volatility that it exhibited in 2022, key media reports indicate that the Biden administration is concerned that continuing attacks will drive up global prices.
- Rising transportation fuel price wariness is one of the most durable issues in the U.S. political space, especially during an election year. But Russia's product export reduction in response to damaged refining capacity coupled with ongoing Red Sea shipping threats do not appear to be abating soon. Combined with a tightening U.S. situation, these are providing a solid floor for prices. In the event of a major price spike, policy maneuvers could be limited.

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- 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).