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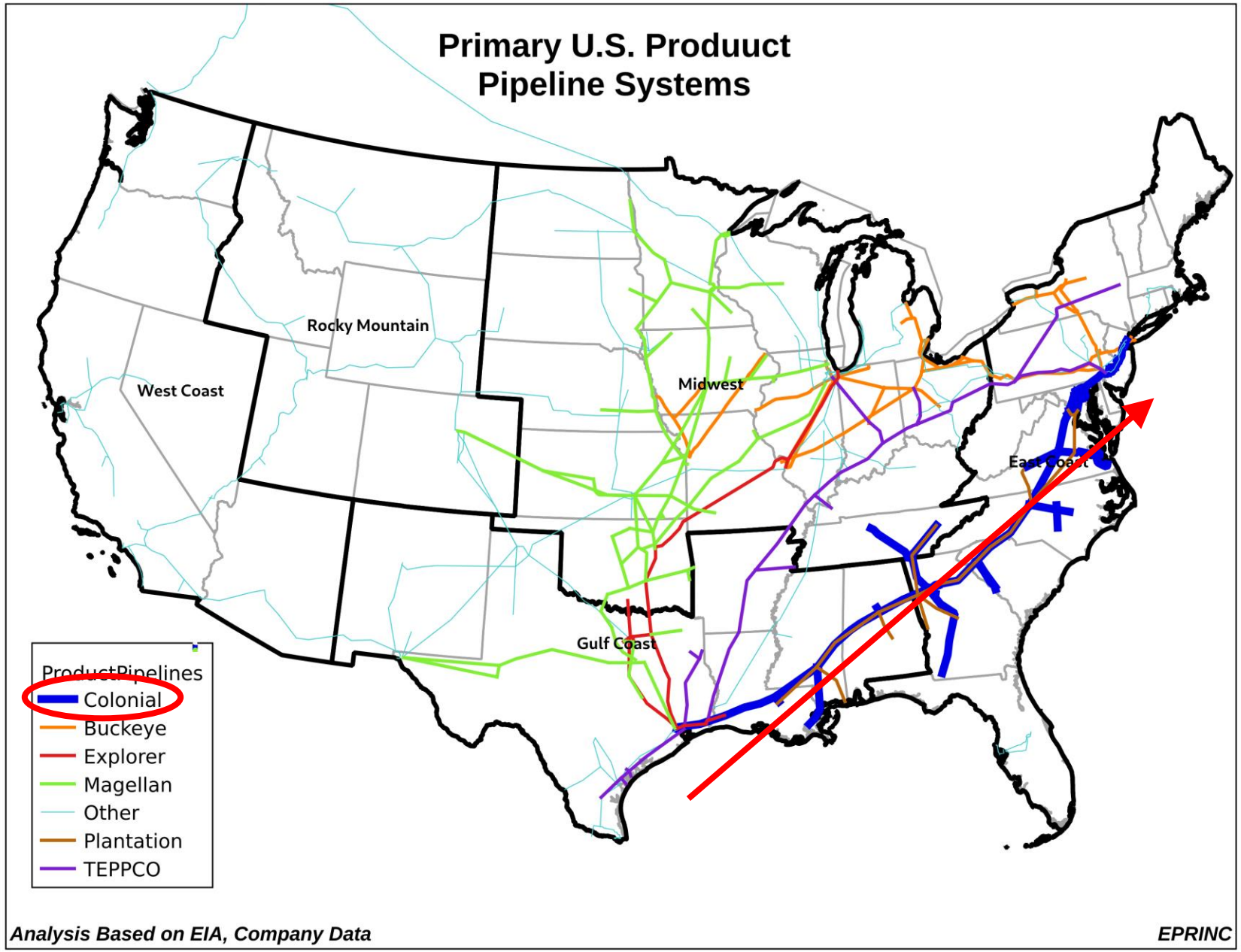
May 11, 2021
Washington, DC

Chart of the Week: U.S. Atlantic Coast is dependent on Gulf Coast and MidContinent Petroleum Product Supplies



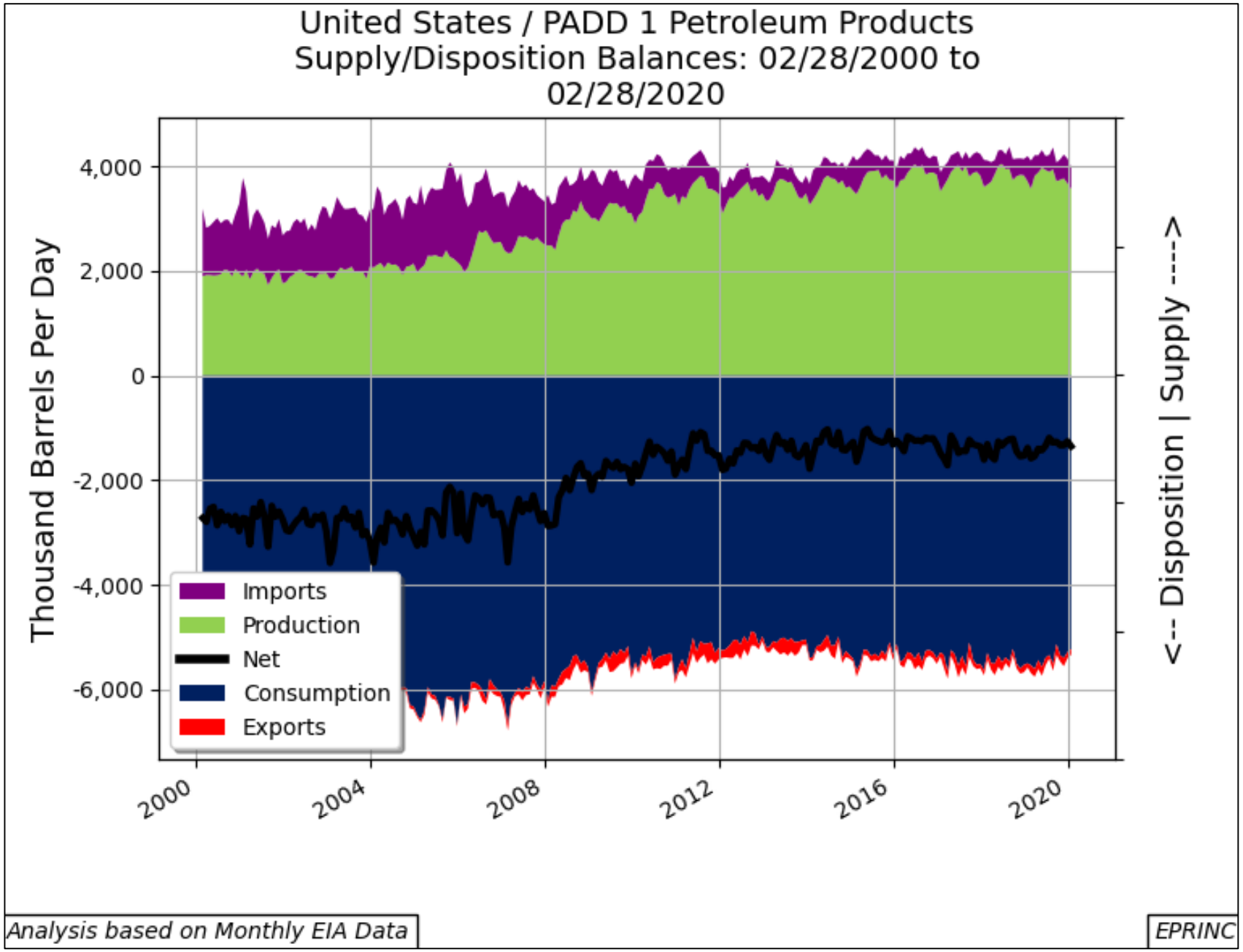
U.S. petroleum pipelines are critical to product distribution throughout the United States.

The *Colonial Pipeline* is especially important to the delivery of products from Texas, Louisiana, and Mississippi to the U.S. Atlantic Coast – Georgia to Maine.

The Colonial Pipeline outage could lead to product shortages and higher prices

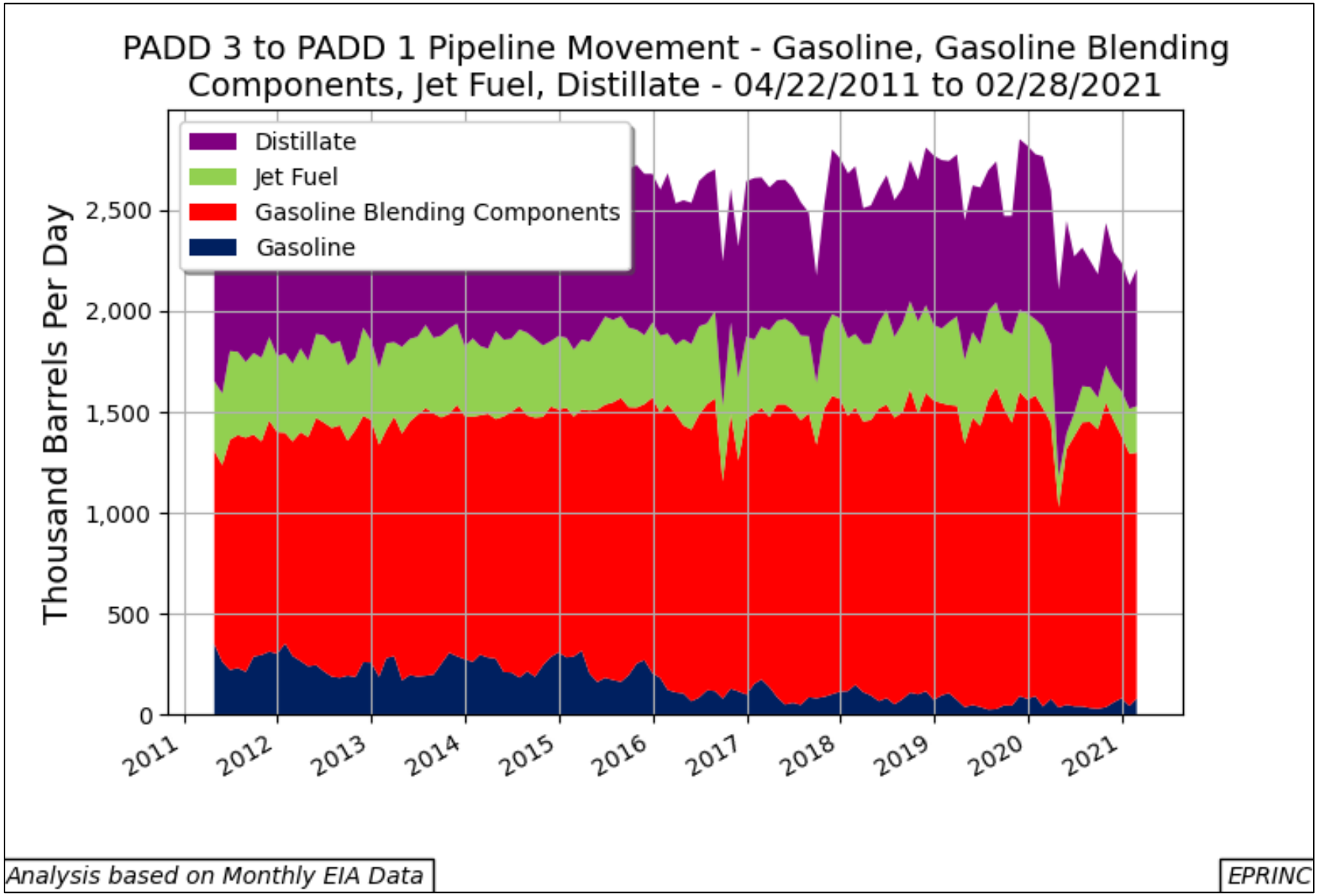
- On May 7, 2021, the Colonial Pipeline system was the victim of a cyberattack on one of its IT systems. As a precaution, the whole pipeline network was shut down. The Colonial Pipeline system is part of a vast network of pipelines that move crude oil, petroleum products, and natural gas throughout North America.
- Commissioned in 1964, the Colonial Pipeline is the largest petroleum product pipeline network in the U.S. It moves a total of 2.5 million barrels per day (MBD) from U.S. Gulf Coast refineries to product terminals along the U.S. Atlantic Coast.
- The FBI reports that the attack came from an entrepreneurial hacking group called DarkSide, based in Eastern Europe, most likely Russia.
- While major price impacts and shortages have not yet materialized, they could become considerable if the duration of the shutdown is extensive, This would be something akin to the spike in gasoline prices following the landfall of Hurricane Harvey in late August of 2017.
- As the attack occurred on the cusp of the emerging economic recovery and summer driving season, the Biden Administration has set up an interagency group to find ways to manage the situation, including making preparations for alternative methods to bring fuel into the Northeast U.S.
- Energy security is becoming more than securing critical imports, it also requires advanced systems and technologies to protect infrastructure from cyber attacks.
- The expanded version of this slide deck is available at: https://eprinc.org/chart-of-the-week/
- For more information on this chart, please contact Max Pyziur, maxp@eprinc.org

Additional Slides

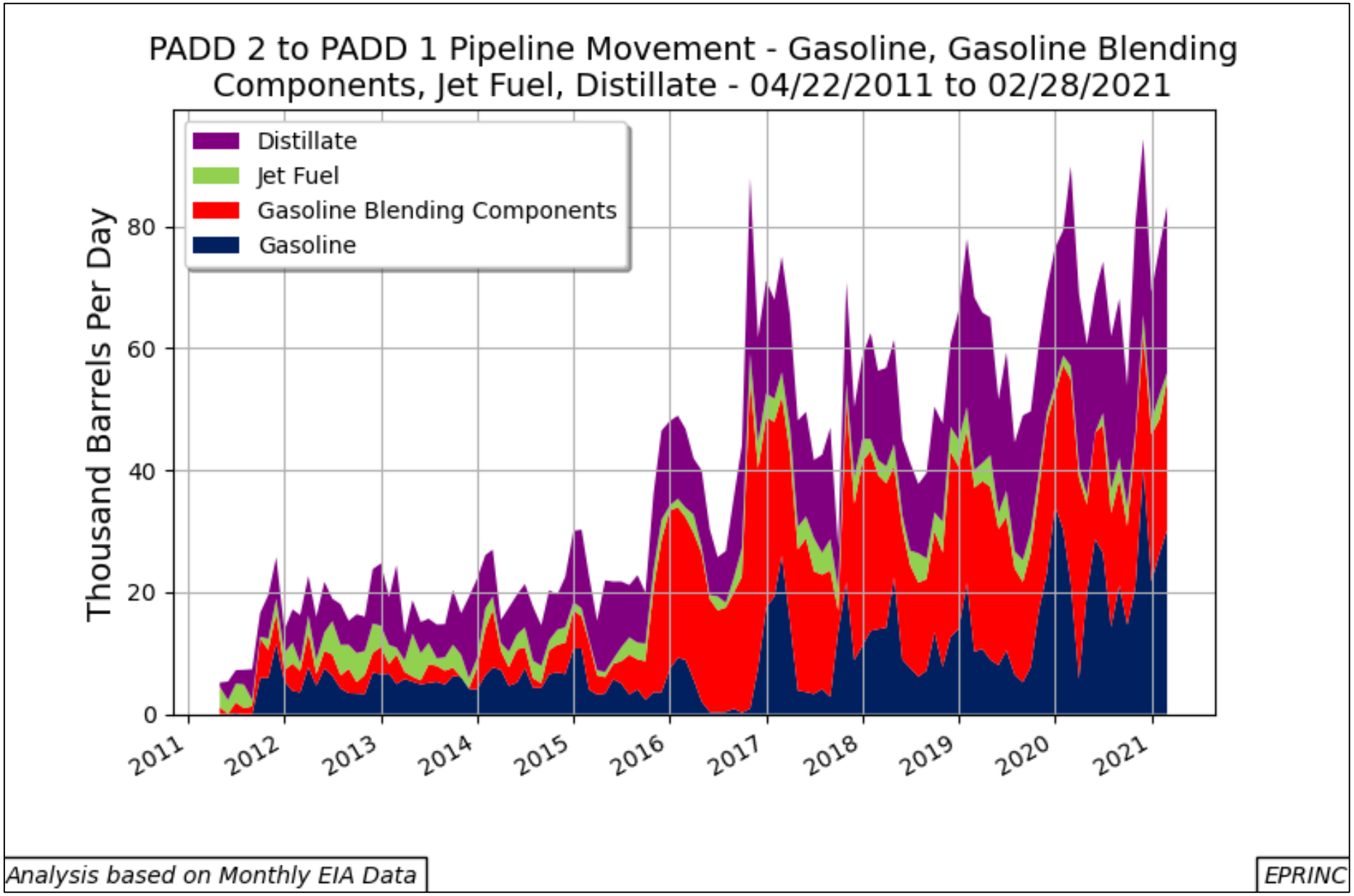


U.S. Atlantic Coast (PADD 1) consumes almost 6 million barrels per day of products.

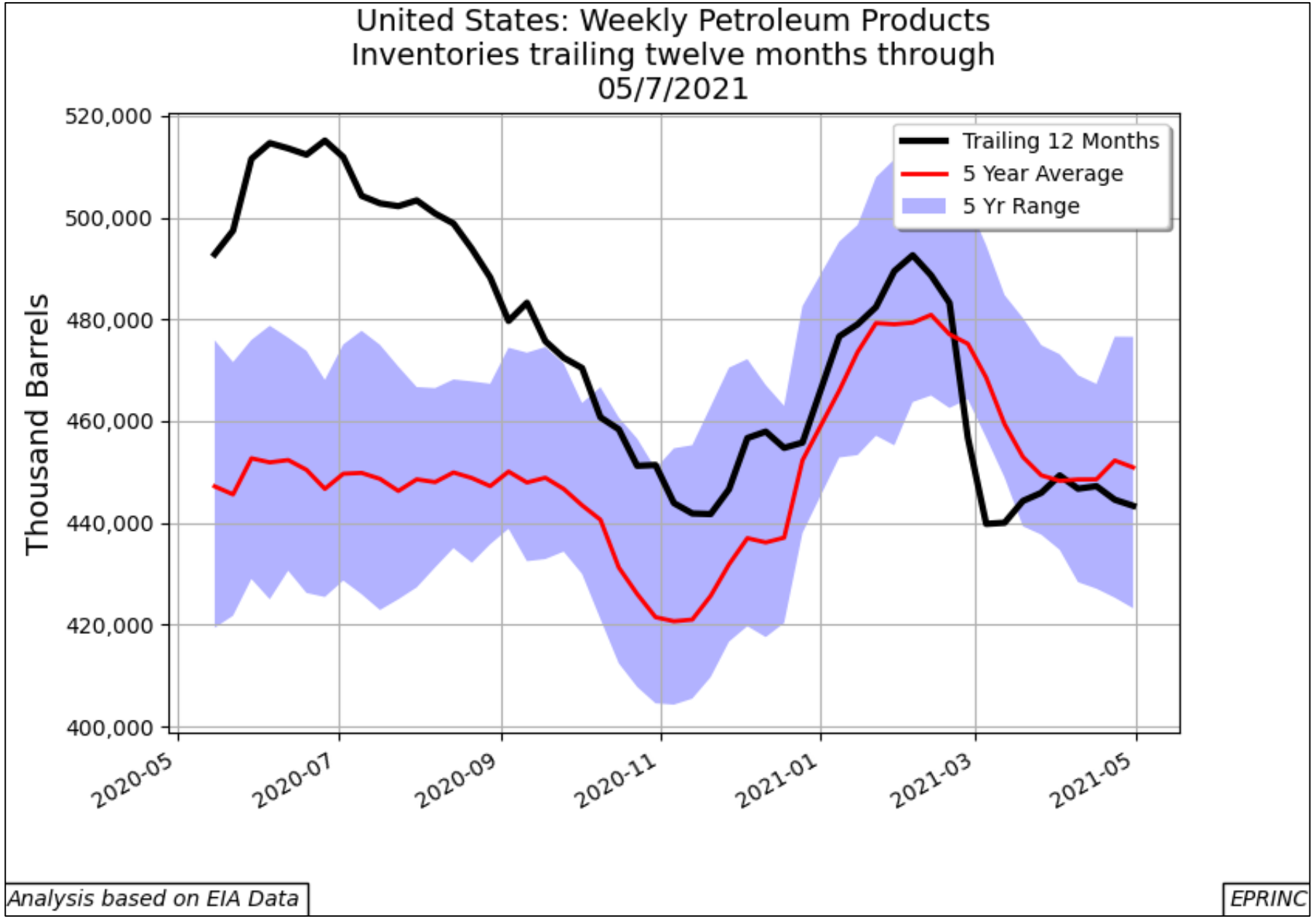
Due to limited regional production capacity, a large portion of this comes from other parts of the U.S., primarily the Gulf Coast.



During regular times over 2.5 million barrels per day of products are moved from the U.S. Gulf Coast (PADD 3) to the Atlantic Coast (PADD 1).



In addition, increasing amounts of petroleum products are moved from the U.S. Mid-Continent (PADD 2) to the Atlantic Coast (PADD 1).



After ballooning during the pandemic, U.S. total petroleum product inventories have reverted to trend.

Disruptions, such as the Colonial Pipeline outage, will lead to further tightening.