Chart of the Week #2022-17
Overview of Tight Global Distillate Markets

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Max Pyziur
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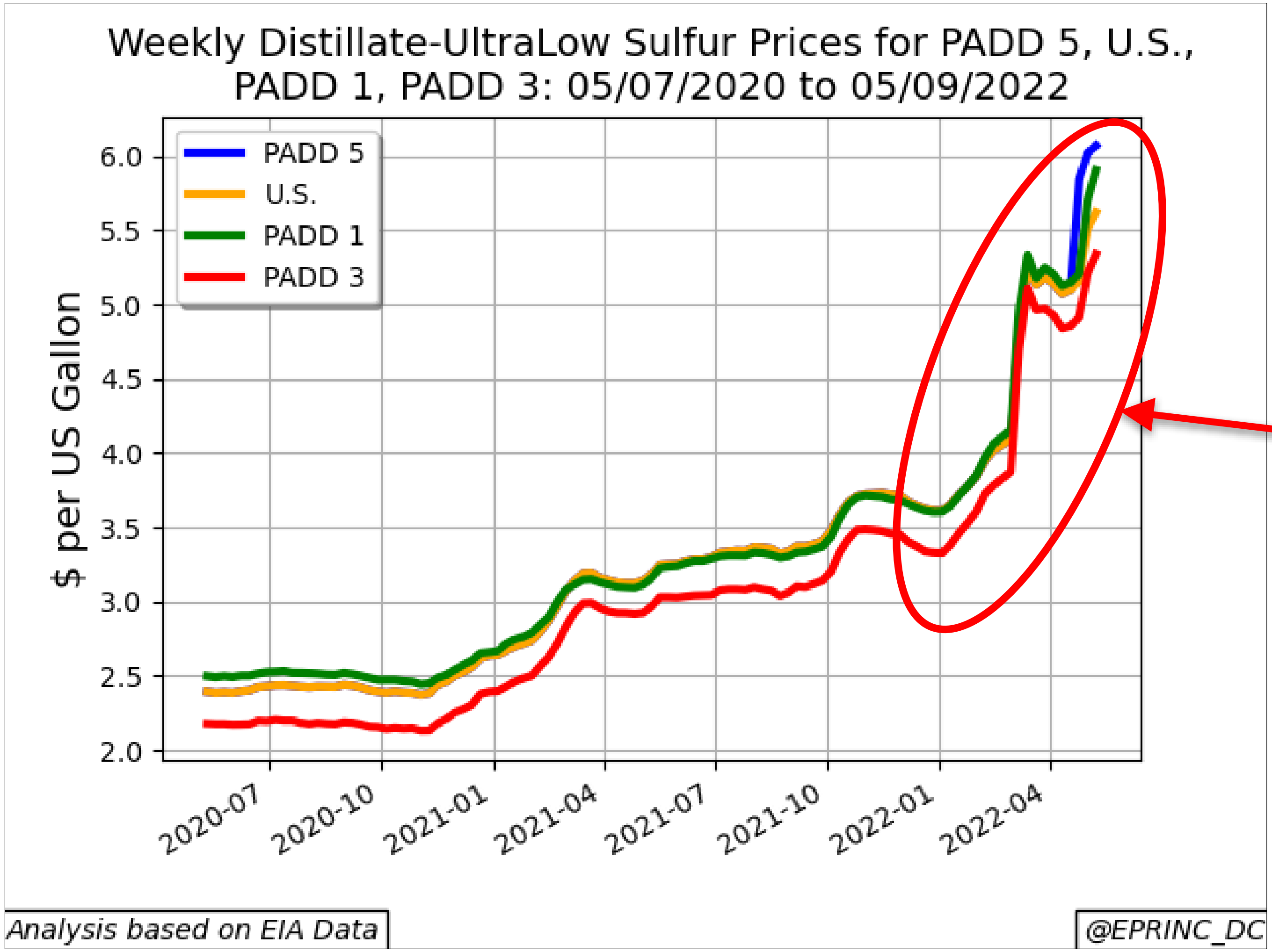
U.S. Distillate (Diesel & Heating Oil) Retail Prices



Global demand recovery and new applications, coupled with declines in refining capacity and global inventories, are driving distillate (diesel and heating oil) prices to record highs. U.S. retail prices have risen from a national average of $3.50/gallon at the beginning of 2022 to over $5.50 in May.

Overview of Tight Global Distillate Markets

- **Global demand recovery and new applications, coupled with declines in refining capacity and global inventories, are driving distillate (diesel and heating oil) prices to record highs. U.S. retail prices have risen from a national average of $3.50/gallon at the beginning of 2022 to over $5.50 in May.**
- **Distillate, in its primary form as diesel, is the bedrock fuel for rail and truck freight movement, most agricultural machinery, and electricity production in select markets such as Hawaii. There are no substitutes available.**
- **With the IMO2020 desulfurization regulations, distillate consumption has expanded in maritime usage.**
- **With the Russian war against Ukraine, Russian distillate exports, especially to Europe, have declined substantially as embargoes loom. In addition, Russia's war has caused more of its distillate to be used in its land-based military equipment.**
- **This slide deck is available on the EPRINC Website**
- **For more information on this chart, please contact Larry Goldstein (larryg@eprinc.org) or Max Pyziur (maxp@eprinc.org).**

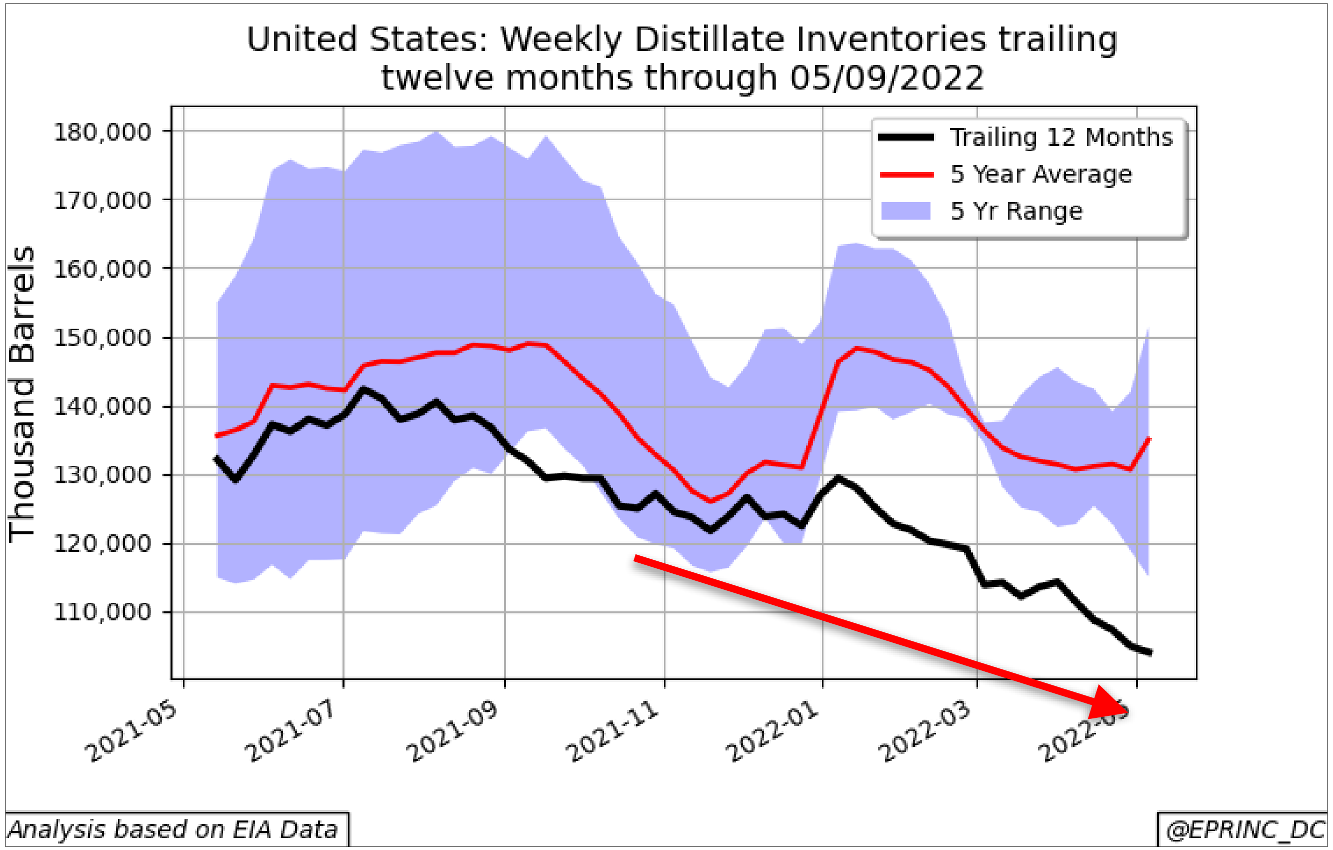
Additional Slides

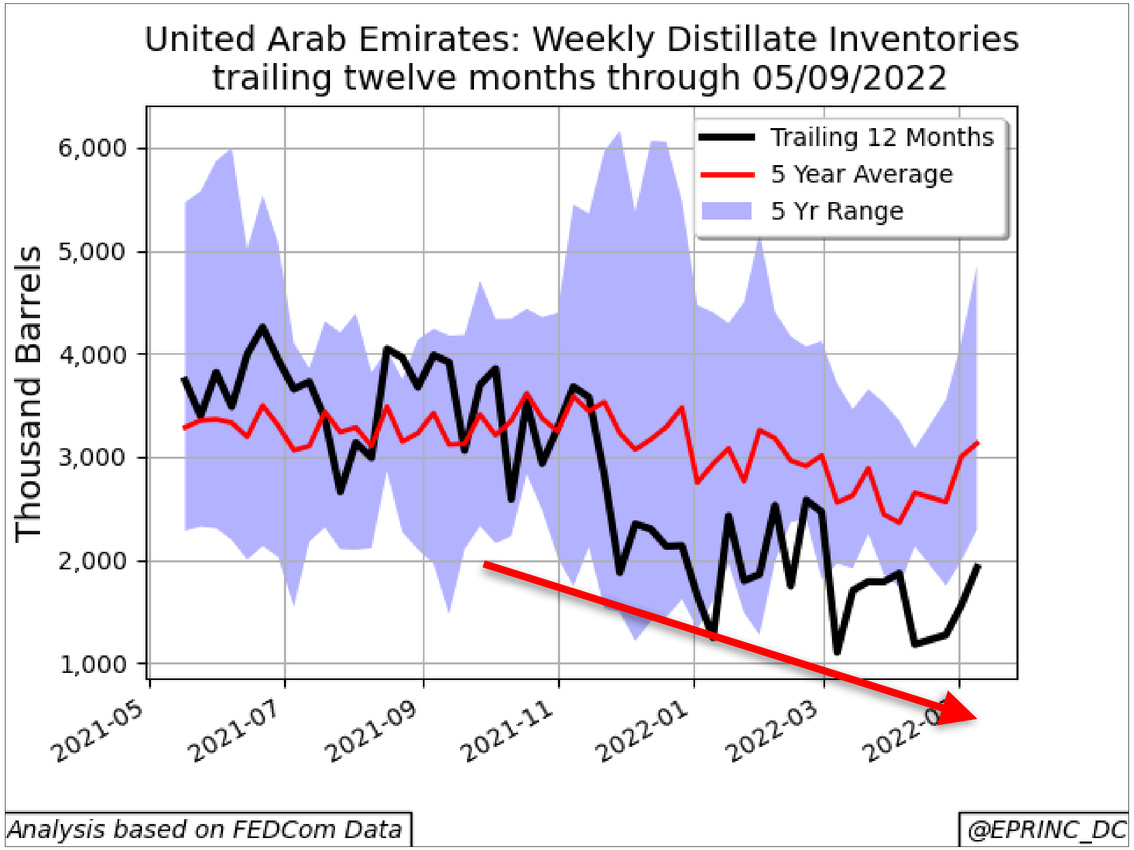
- Global distillate Inventories in Two Regions: U.S. & UAE
- Refinery Capacity and Utilization
- U.S. Refining Crack Spreads
- Distillate Forward Curves
- Distillate Commitment of Traders (COTS) Reports

Distillate Inventories in Two Regions: U.S. & UAE

As COVID-19 has been abating and demand has recovered, U.S. distillate Inventories have declined considerably in the last year.

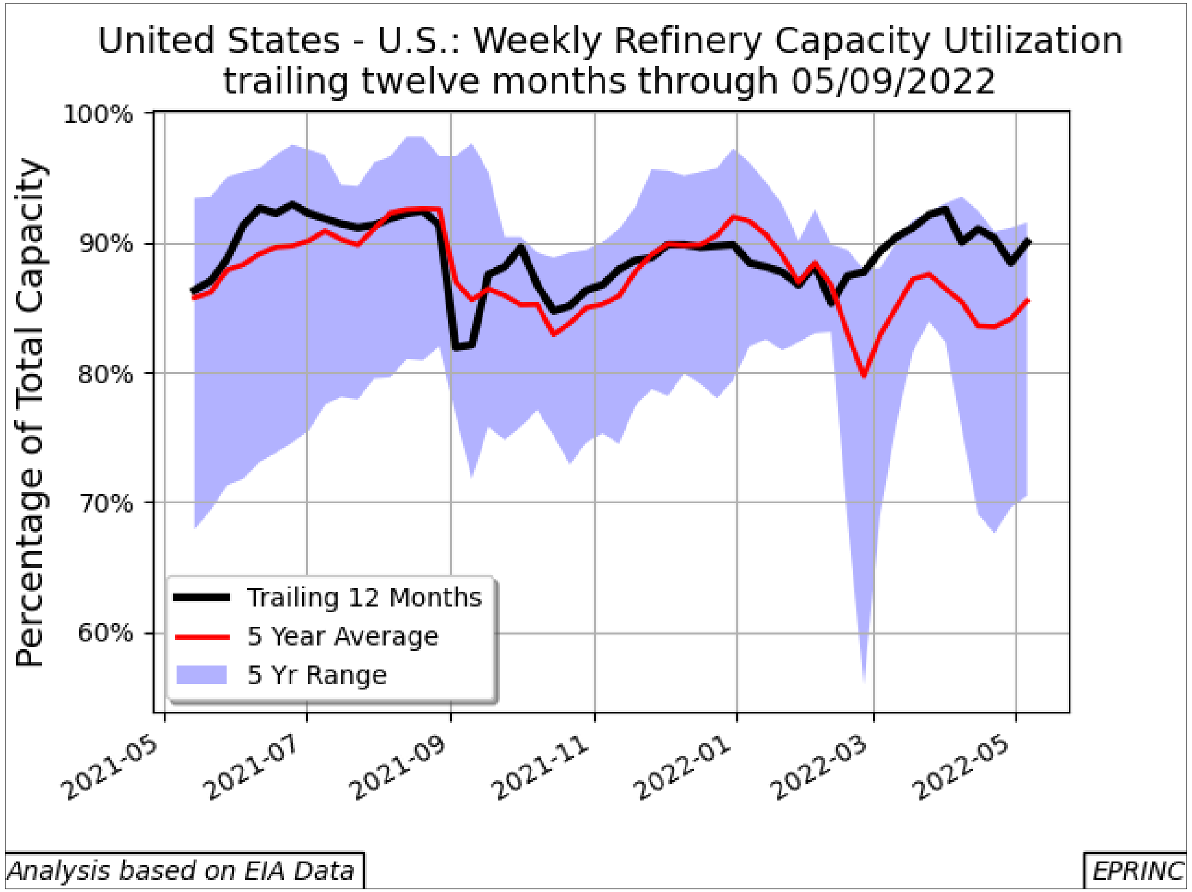
UAE inventories, primarily located at the Fujairah maritime hub on the Indian Ocean, have also seen substantial declines as Russian distillate exports have dropped.

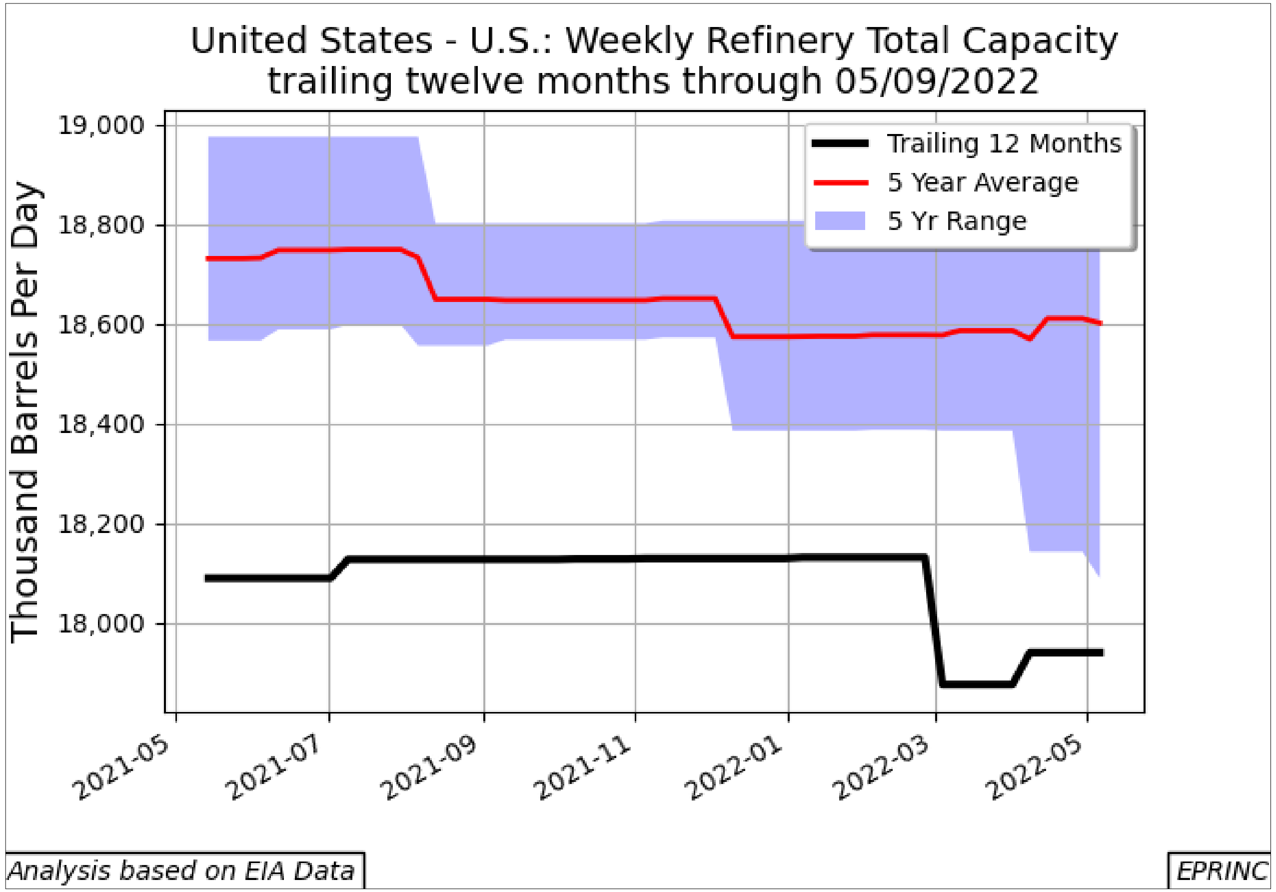




U.S. Refining Utilization and Capacity

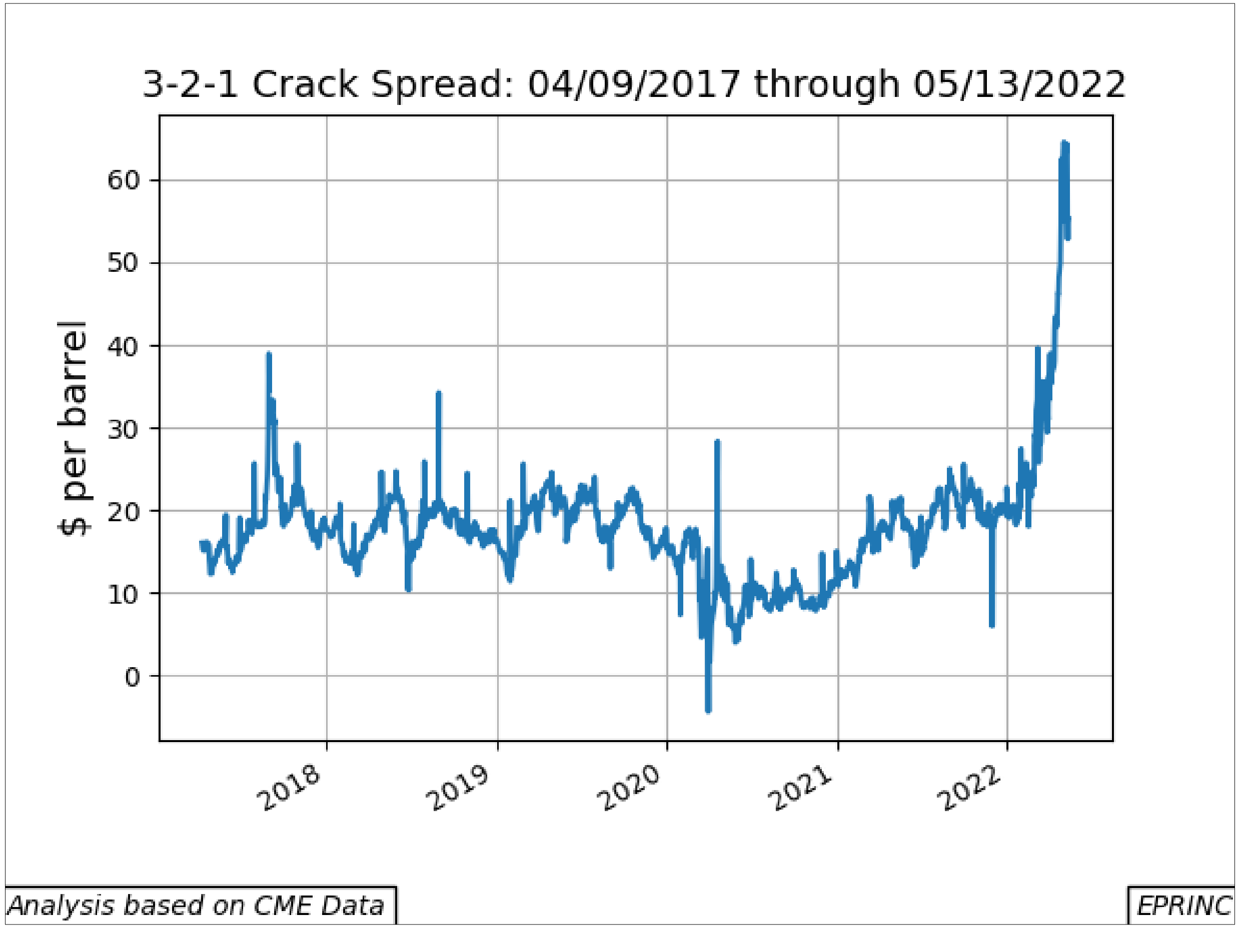
While U.S. refinery utilization is at ~90% and above trend, a 500-600 thousand barrel per day decline in U.S. refining capacity has increased distillate constraints.

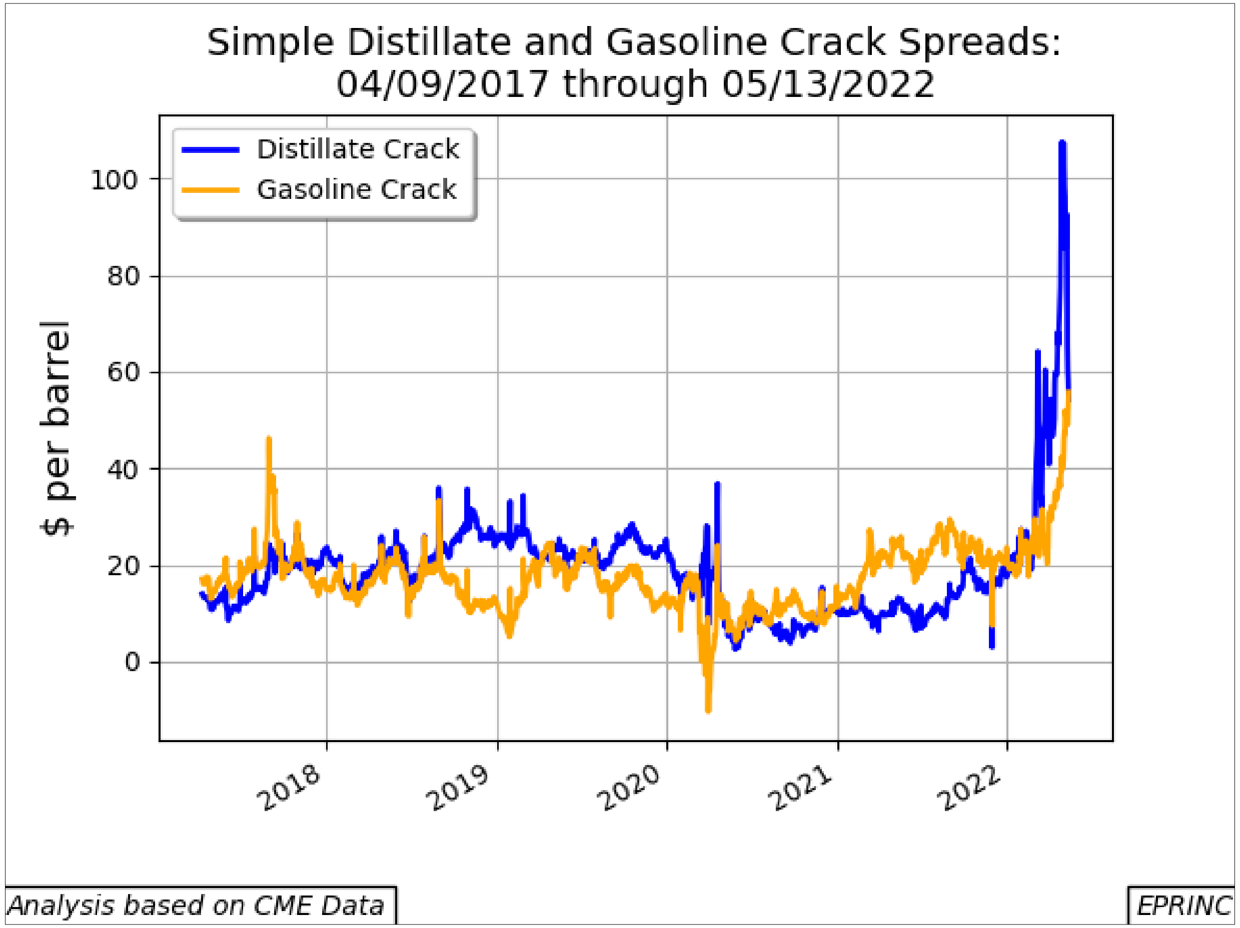




U.S. Refining Crack Spreads: 3-2-1 & Simple

Crack spreads (measures of the implied refining margin) are at all-time highs. While gasoline cracks are high, distillate cracks are being driven even higher due to strong demand.

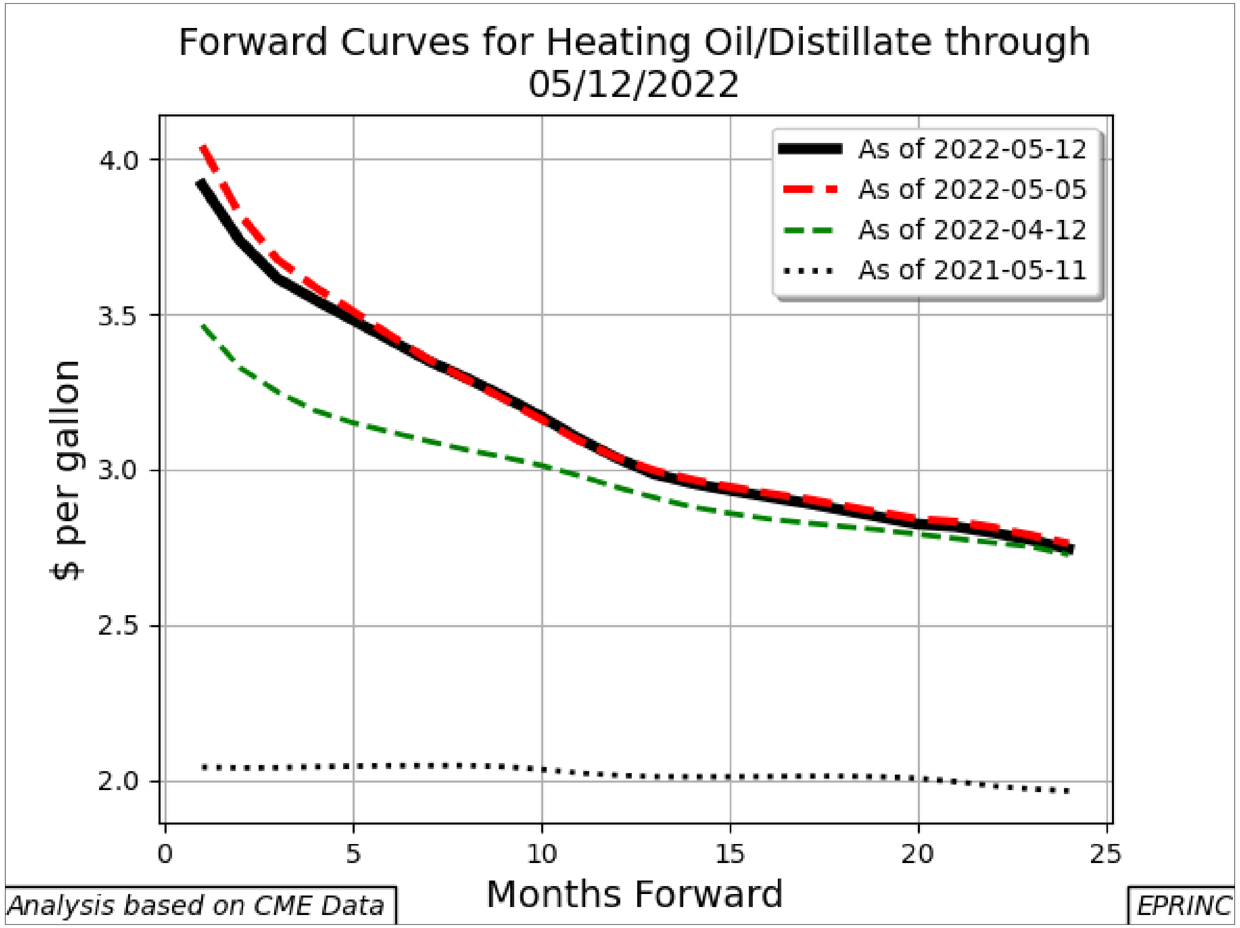


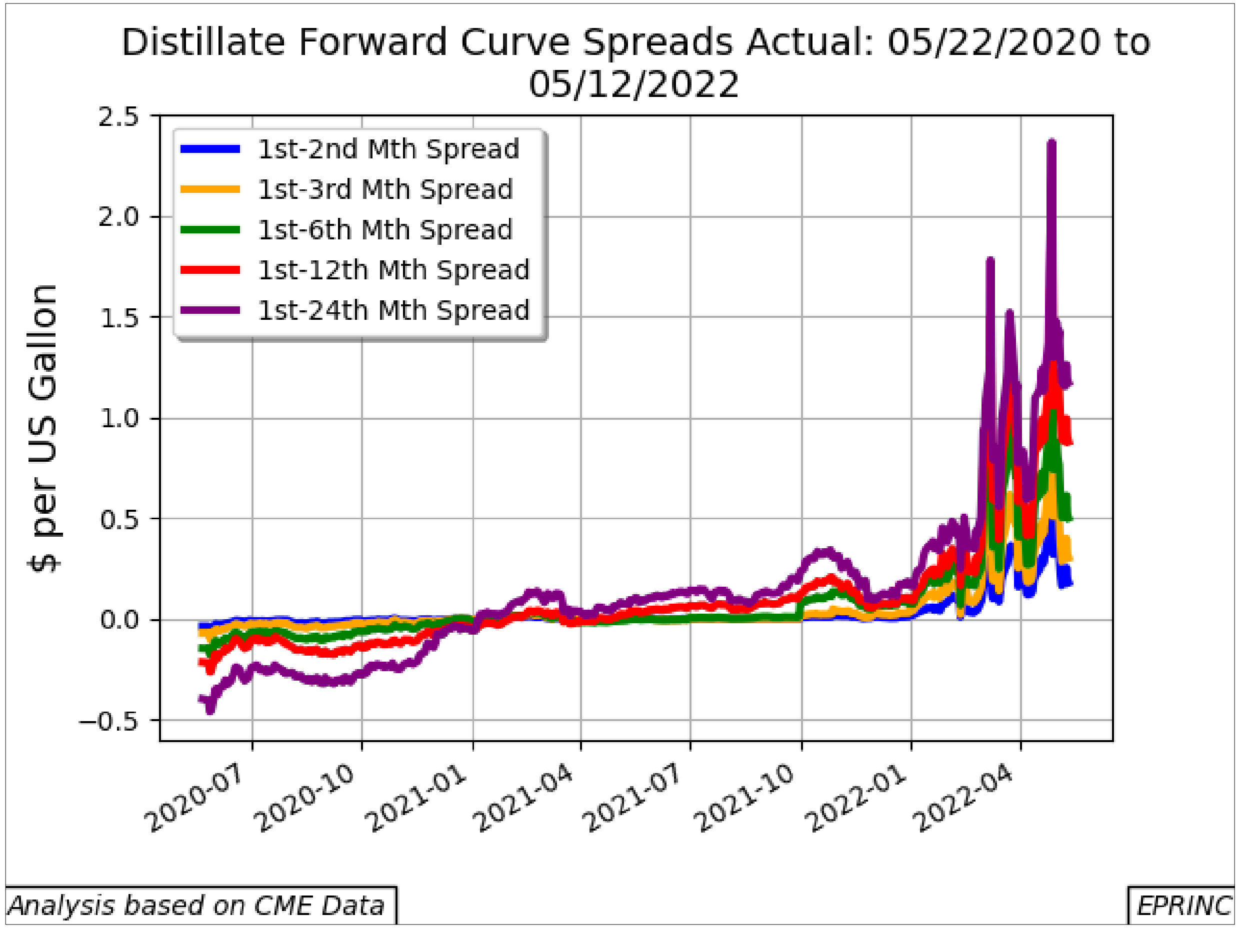


U.S. Distillate Futures Markets – What do the curves tell us?

While generally flat, distillate forward curves have steepened into deep backwardation in 2022, raising the cost to holding inventories.

Calendar spreads are at all-time highs.





U.S. Distillate Futures Markets – What does the COTS tell us?

Despite tight distillate markets and high prices, money managers are favoring the short side.