

# Searching for Stability

## Exploring Challenges in the Refining Sector



**AFPM**

American  
Fuel & Petrochemical  
Manufacturers

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# Disclaimer

This presentation contains forward looking projections from government organizations and independent consultants about global or regional refining capacity, utilization, supply and demand for commodities or products. This information is provided solely for educational purposes. The projections do NOT reflect the large variability among industry participants nor the unique market conditions facing individual facilities. Each company is expected to make individual decisions on how it may respond to the unique market conditions they face.

# 2020 Projections & Expectations

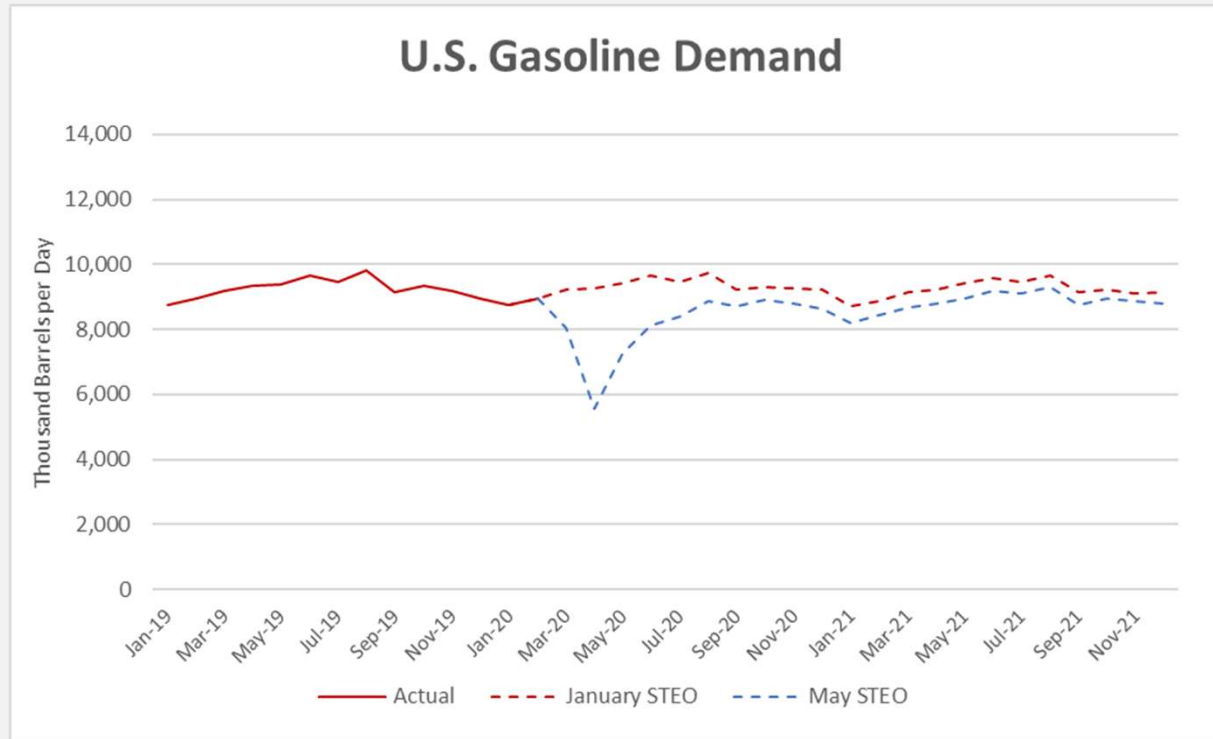
- Pre-pandemic consensus estimate for 2020 global crude oil and other liquids demand was ~100 million barrels per day (mmbd)
- EIA projected 2020 U.S. demand to average 20.6 mmbd
  - Gasoline 9.3 mmbd
  - Distillate 4.1 mmbd
  - Jet 1.8 mmbd
- EIA expected US refinery utilization to average 93%

# Current State of Play

- U.S. refined product demand for the week ending May 15, 2020 - 16.6 mmbd
  - Gasoline ~6.8 mmbd, down ~30% versus 2019
  - Distillate ~3.7 mmbd, down 3% vs 2019
  - Jet ~ 0.6 mmbd, down ~60% vs 2019
- U.S. product exports
  - 3.7 mmbd, lowest level since Hurricane Harvey
- U.S. refinery utilization - 69.4%

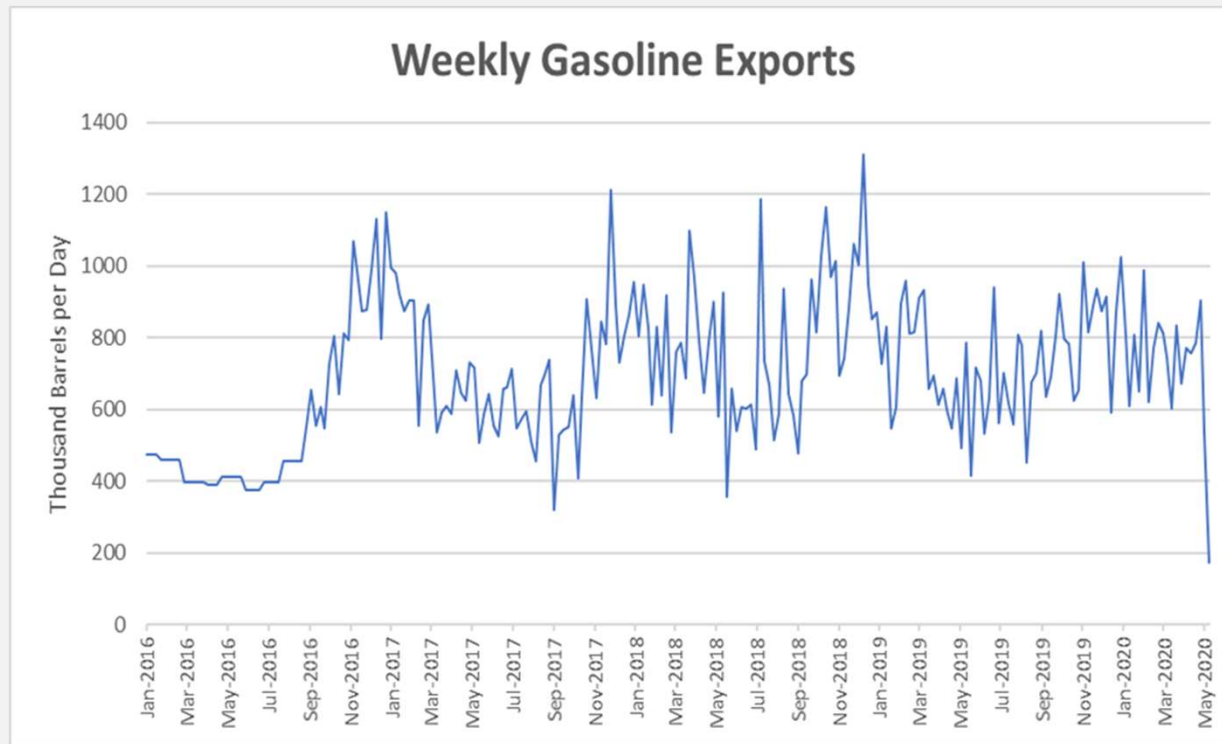
# Current State of Play - Gasoline

- Weekly U.S. gasoline demand fell to 5.1 mmbd in early April, the lowest level since EIA began keeping track and 48% below 2019 levels
- Demand has recovered and is now about 30% lower than last year – 6.8 mmbd for the week ending May 15<sup>th</sup>
- EIA now expects 2020 demand to average 8.3 mmbd



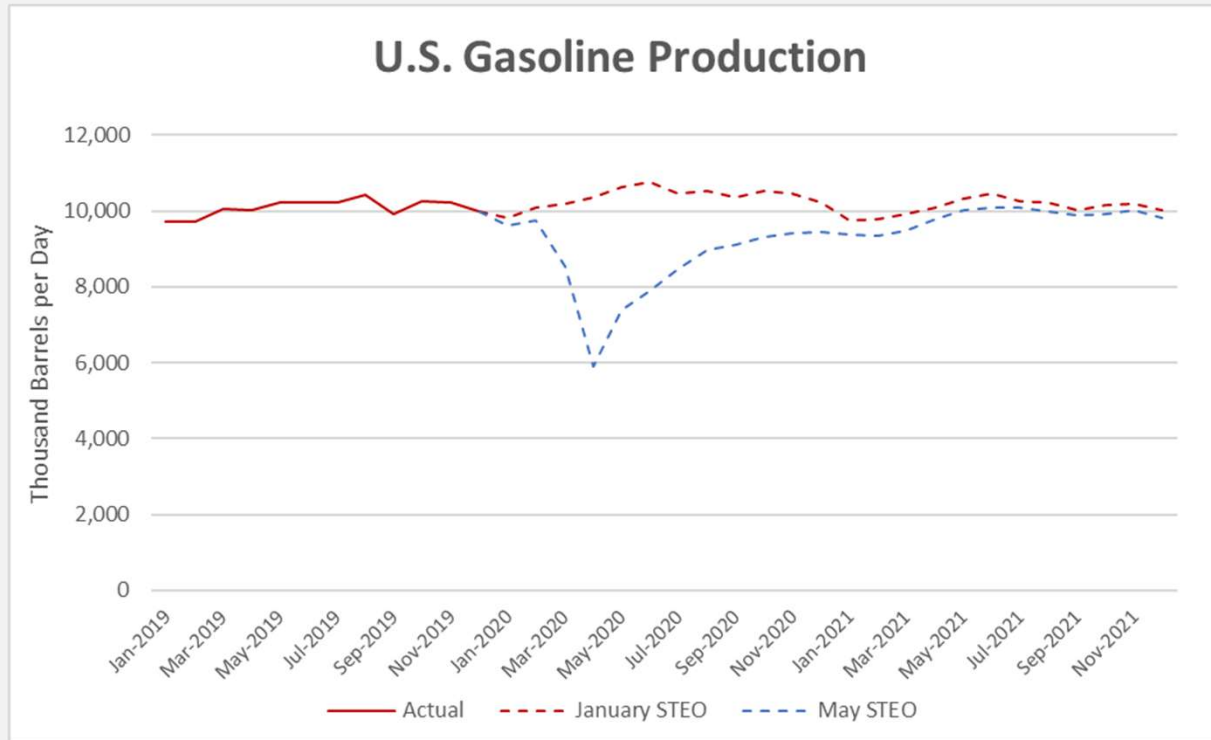
# Current State of Play – Gasoline

- In addition to lower domestic consumption of gasoline, export demand for gasoline is also down. In early May, US gasoline exports fell to less than 200,000 barrels per day (bd), the lowest level in almost a decade



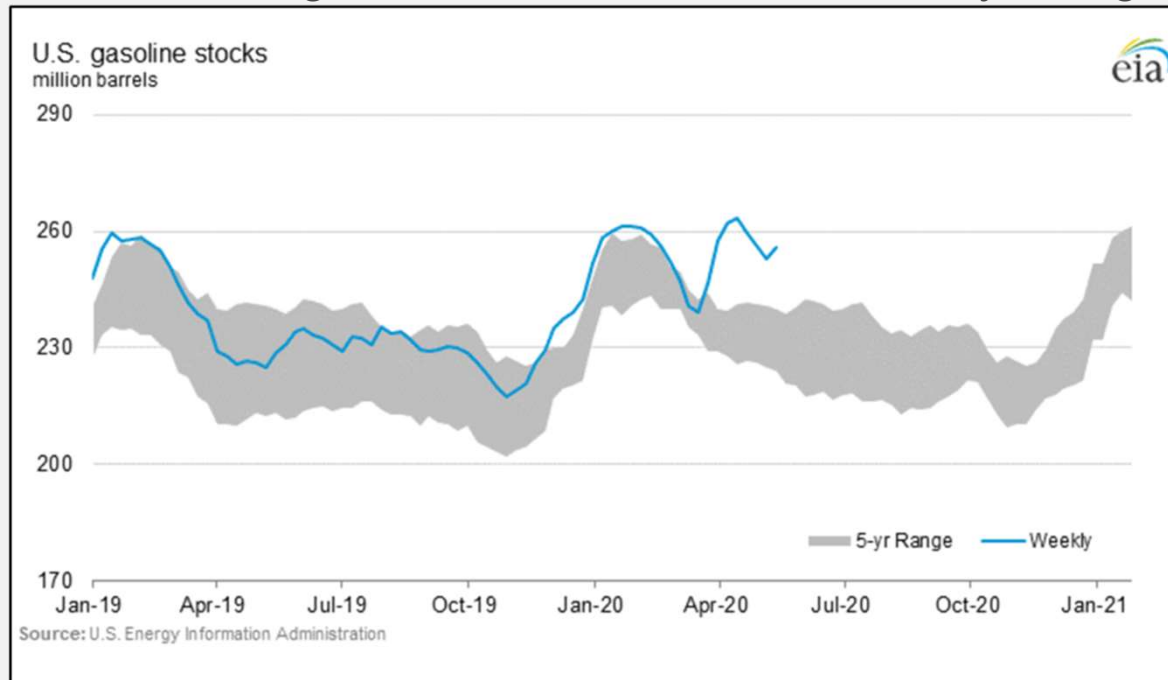
# Current State of Play – Gasoline

- Lower domestic and export demand has pushed US production of gasoline lower. EIA expected U.S. gasoline production to average 10.4 mmbd in 2020, up slightly from 2019 levels. EIA now expects production to average 8.7 mmbd for the full year. Based on EIA's most recent data, gasoline production is about 7.2 mmbd



# Current State of Play - Gasoline

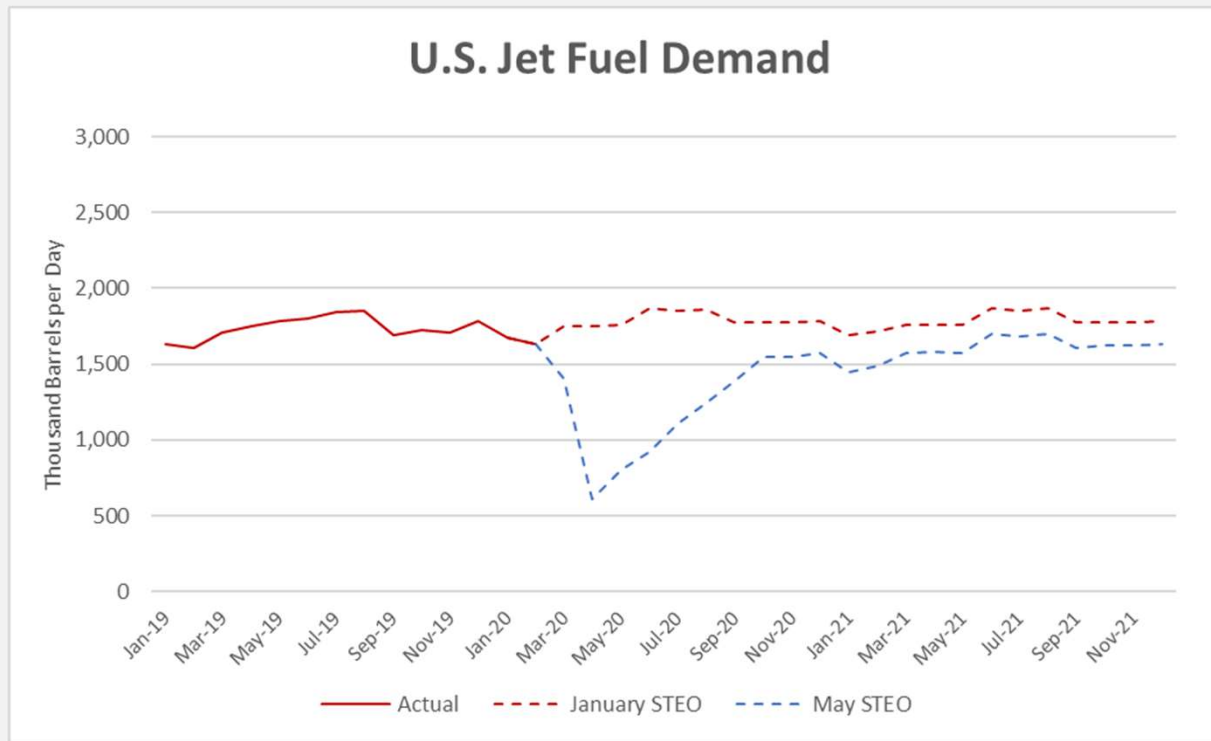
- US gasoline stocks have been persistently at or above the top of the 5-year range since late 2019
- At 256 million barrels, gasoline stocks are 10% above year-ago levels





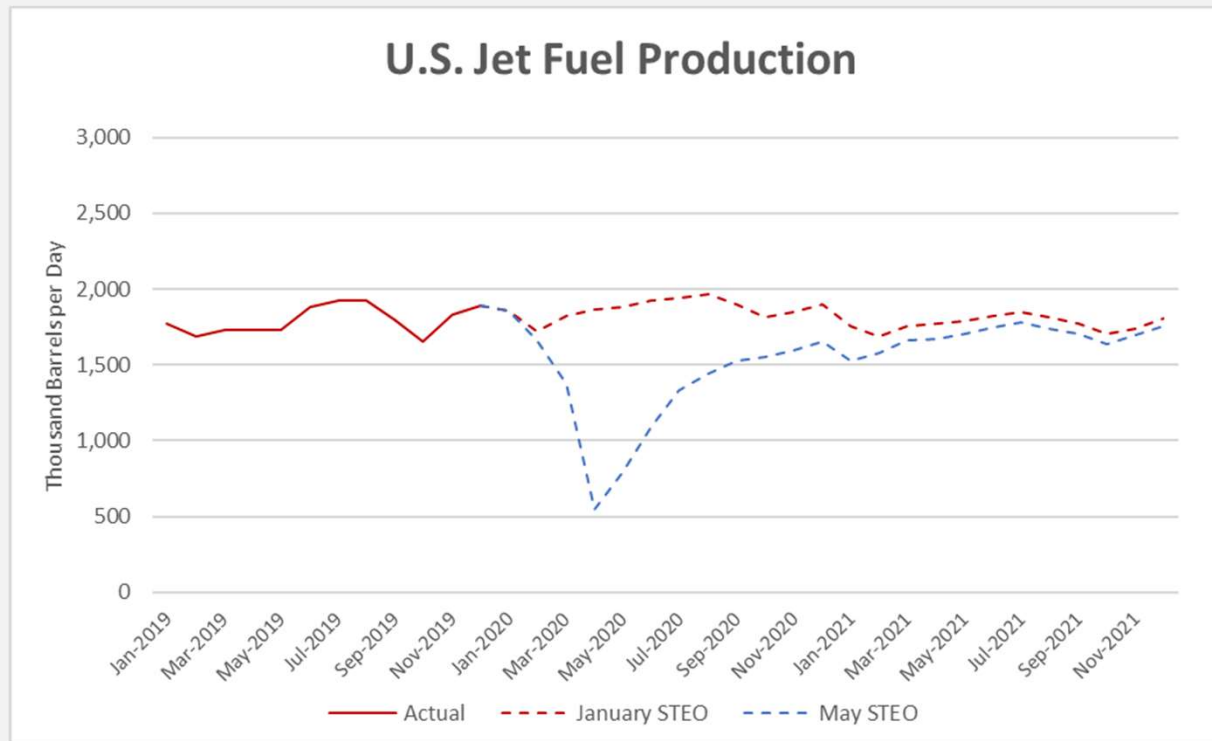
# Current State of Play – Jet Fuel

- Jet fuel demand has dropped to 0.6 mmbd, 60% below 2019 levels
- Jet fuel demand averaged 1.7 mmbd in 2019 and EIA expected it to average 1.8 mmbd in 2020. EIA now expects 2020 jet demand to average 1.3 mmbd



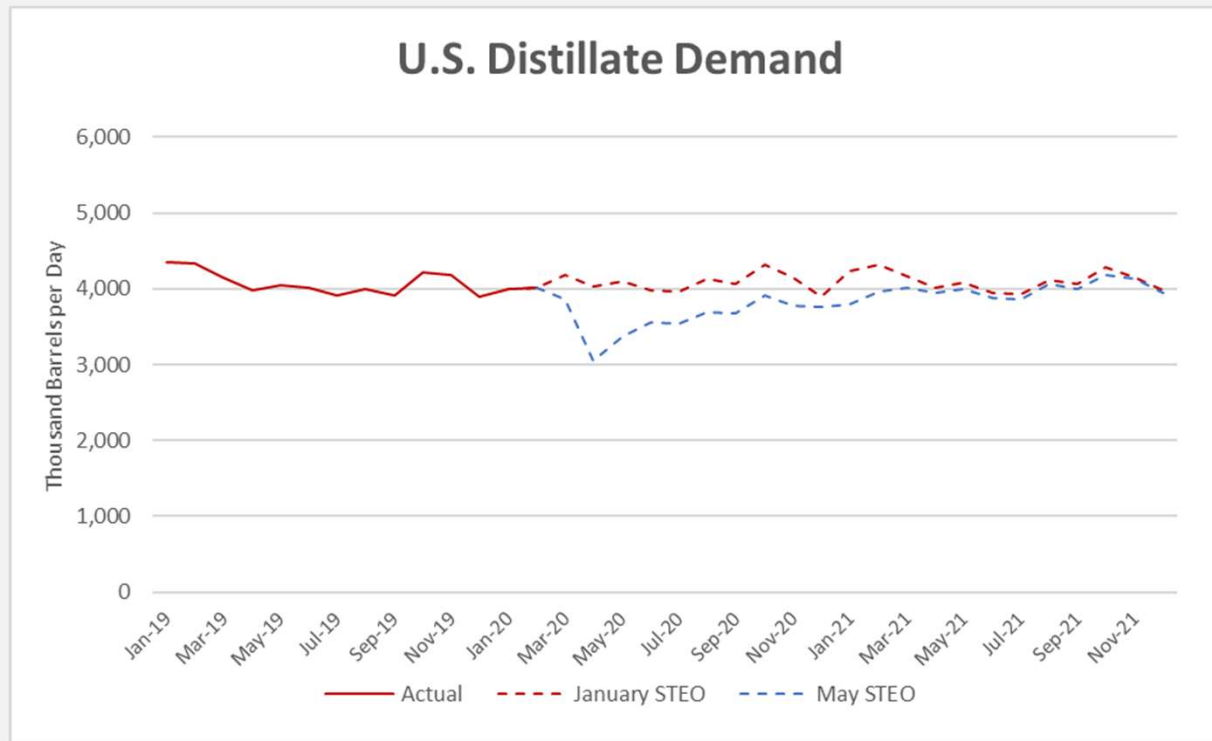
# Current State of Play – Jet Fuel

- US refinery production of jet fuel now < 500,000 bd, down 70% from versus 2019
- Per EIA, 2020 jet fuel production to average 1.4 mmbd as compared with their initial projection of 1.9 mmbd



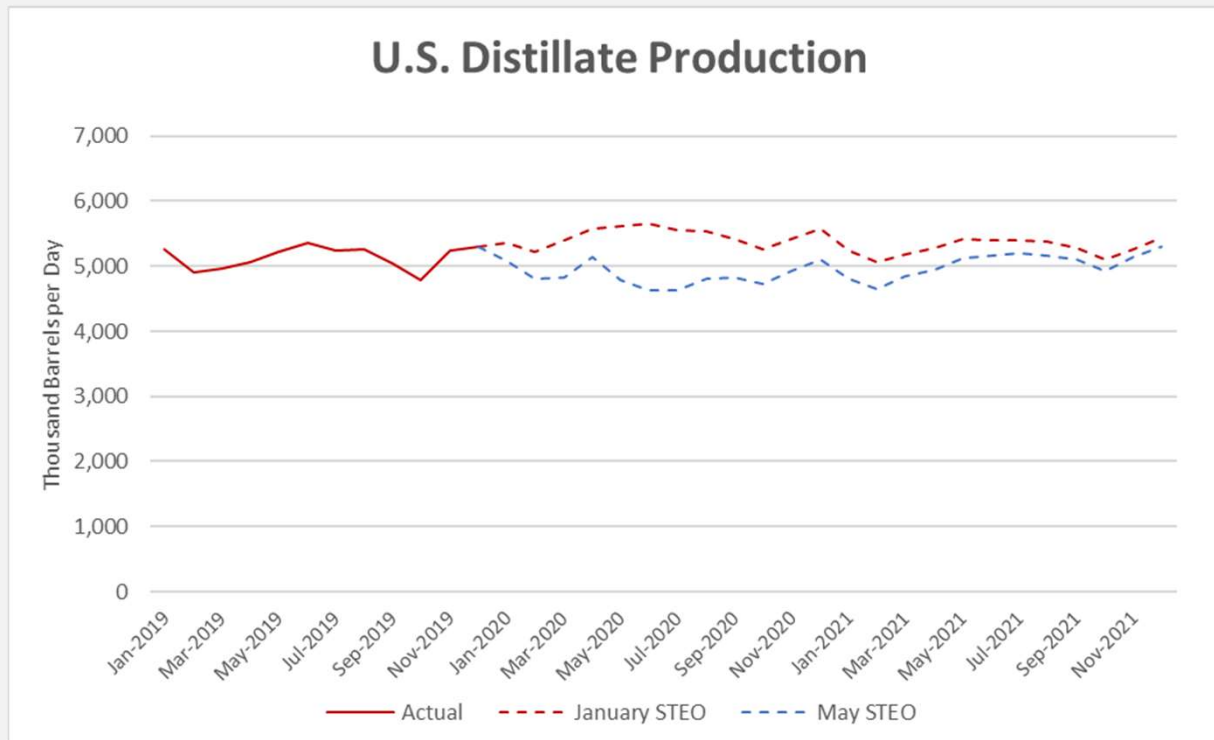
# Current State of Play - Distillate

- Weekly distillate demand dropped to 2.8 mmbd in mid April, ~20% versus 2019 - demand has rebounded to 3.7 mmbd, 3% below year-ago levels
- EIA now expects full year 2020 distillate demand to average 3.7 mmbd, down 10% from earlier expectations



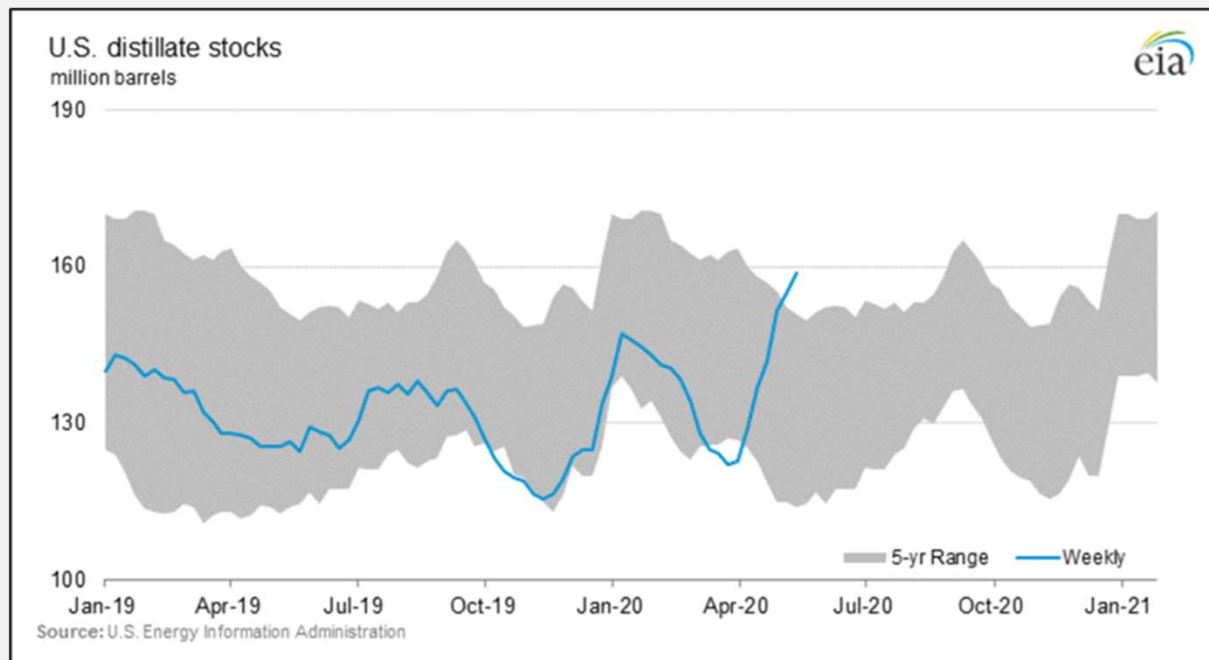
# Current State of Play – Distillate

- US refinery production of distillate is now averaging 4.8 mmbd, down 8% versus same time last year
- EIA now expects that distillate production will average 4.9 mmbd in 2020, down from earlier expectations of 5.5 mmbd



# Current State of Play – Distillate

- US exports of distillate are 35% lower as lock downs and stay at home orders outside the United States erode export demand
- Although distillate production is also lower, distillate stocks have increased by 30% to 159 million barrels since end-March and are well above 5-yr range

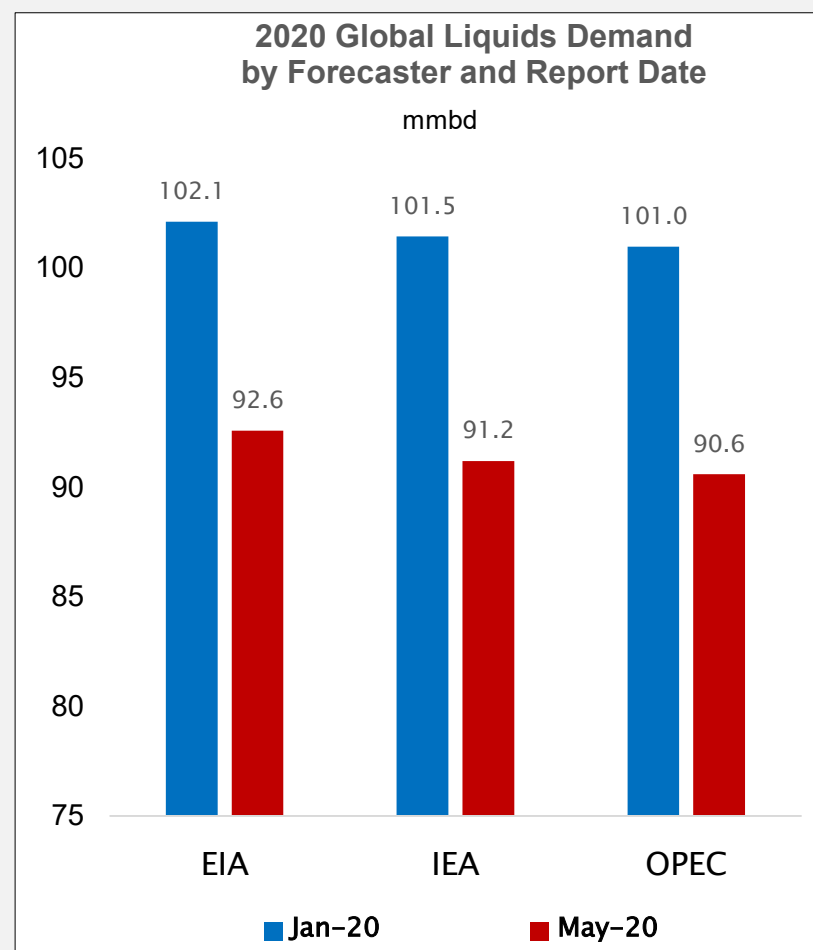


# 2020 Revised Projections

- EIA now projects 2020 U.S. liquids demand to average 18.3 mmbd, down 11% from pre-pandemic estimates
  - Gasoline 8.3 mmbd, down 1.0 mmbd
  - Distillate 3.7 mmbd, down 0.4 mmbd
  - Jet 1.3 mmbd, down 0.5 mmbd
- EIA expects US refinery utilization to average 81% in 2020

# 2020 Revised Global Demand

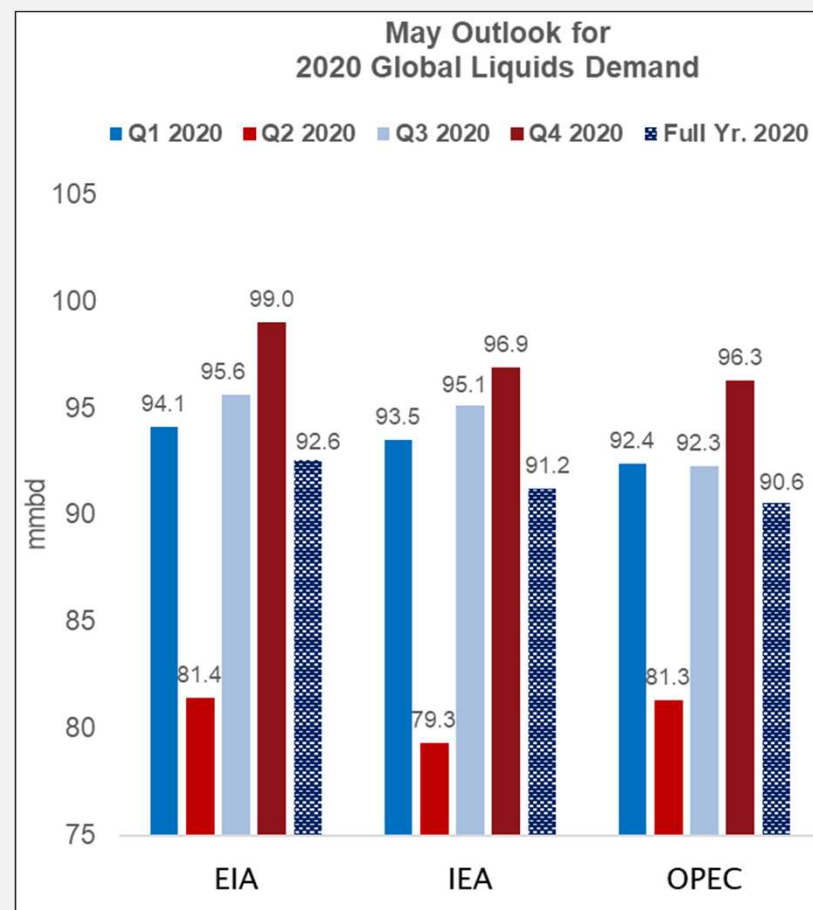
- In Jan 2020, U.S. Energy Information Administration, International Energy Agency and OPEC projected full year 2020 global demand for crude oil and other liquids (NGLs, oil sands) at 101 to 102 million barrels per day
  - EIA 102.1 mmbd
  - IEA 101.5 mmbd
  - OPEC 101.0 mmbd
- By May, each organization had reduced expectations for 2020 global demand by about 10% because of COVID-19 related lockdowns and stay-at-home actions
  - EIA 92.6 mmbd, down 9.5
  - IEA 91.2 mmbd, down 10.3
  - OPEC 90.6 mmbd, down 10.4



# 2020 Revised Global Demand

EIA, IEA and OPEC expect

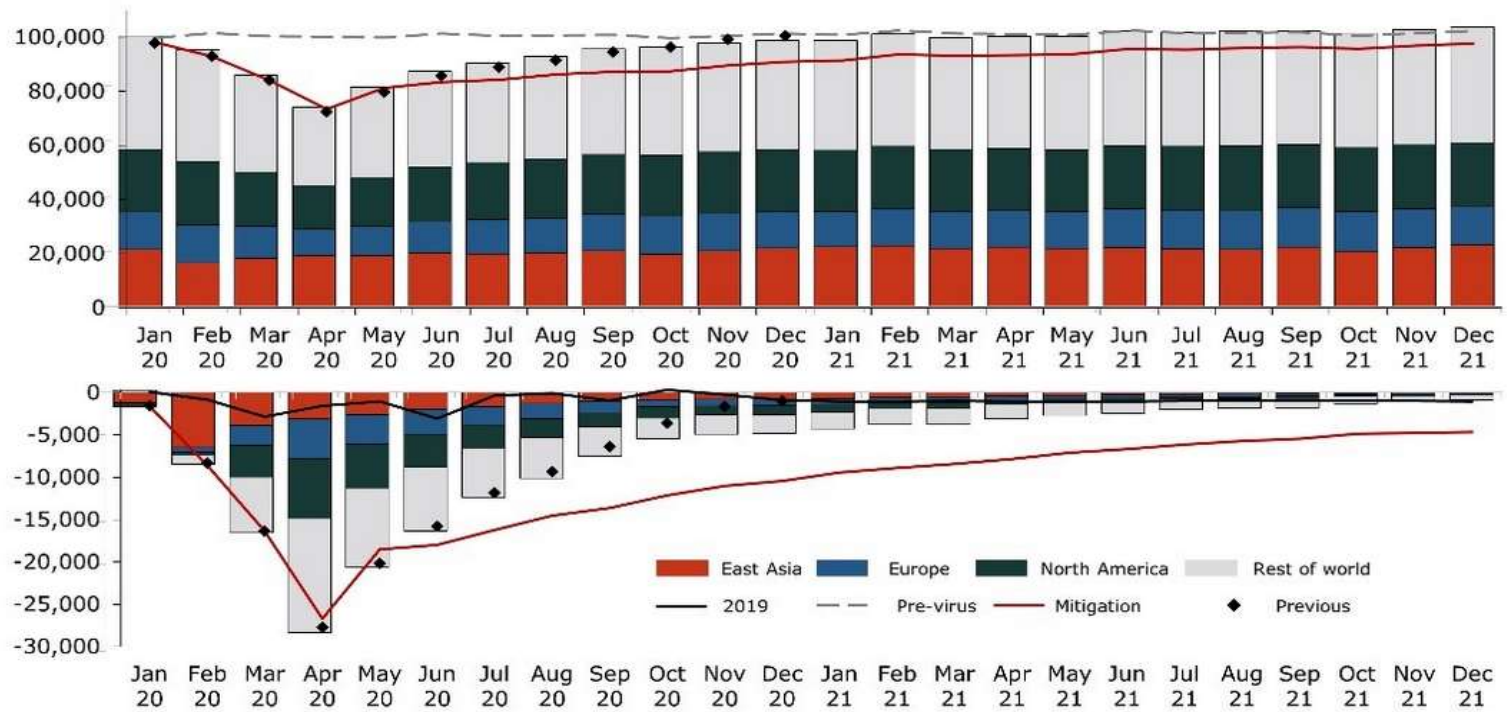
- Demand loss to be concentrated in 2Q 2020
- Demand to substantially recover by the end of 3Q 2020
- Pace of demand recovery to slow in 4Q 2020





Rystad Energy also projects global 2020 demand to be about 10% lower, averaging 89 mmbd

**Global oil demand impact of Covid-19, total demand (up), losses (down)**  
 Thousand bpd



Source: Rystad Energy, COVID-19 REPORT 10<sup>TH</sup> EDITION, 14 MAY 2020 PUBLIC VERSION



Thank you!

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