

Oil traders look to James Bond-style data collection

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By Gregory Meyer in New York

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Twice a week a helicopter pilot lifts off from a remote Oklahoma airport, circles several times and returns with images as important to oil traders as celebrity spreads are to magazine editors.

Cameras bolted to the aircraft shoot photos and video of the oil tanks at Cushing, the US pipeline hub that plays a central role in the oil market as the delivery point for West Texas Intermediate oil futures, the global benchmark.

Changes in the amount of oil stored at Cushing can move crude prices by several dollars in a single day on the New York Mercantile Exchange, so the ability to anticipate the level of stocks is crucial for traders. For years the market has relied on data from the American Petroleum Institute, an industry body, and official statistics from the US Department of Energy.

But now some oil traders are going further, relying on James Bond-style techniques for an edge. Hired by Genscape, an energy industry data provider, the helicopter pilot brings back colour and infrared images to help peer at – and inside – 322 tanks around Cushing. Analysts then examine the images to discern how much oil is parked there.

“It’s the Grand Central Station of crude oil logistics,” says Andy Lipow, a Houston oil consultant. “Inventories there matter.”

Genscape also uses remote sensing of electromagnetic fields to measure power used by pumping stations along pipelines. As power consumption is linked to the amount pumped, the company estimates oil flows in the pipelines feeding Cushing.

About 30 large traders, from oil majors to hedge funds, subscribe to the image service, says Abudi Zein, vice-president at Genscape, a unit of [Daily Mail & General Trust](#). The data are released to the traders before official estimates from the API and the DoE, which rely on surveys of tank owners.

“People care about Cushing,” Mr Zein says. “It’s the Nymex delivery point, and more importantly the correlation between the steepness of the forward curve on Nymex and level of storage at Cushing is very high.”

Cushing inventories have been particularly important over the past 18 months, analysts say. As energy demand collapsed at the start of 2009 due to the financial crisis, storage was strained to capacity, helping push spot US oil prices down to \$34 a barrel as traders scrambled to find a home for their oil.

The glut is easing now as tentative demand growth slowly consumes the inventories. Moreover, oil companies and traders, including Plains All American Pipeline and Vitol, are investing in new tanks. Consultants Purvin & Gertz say tank capacity at the Cushing hub has risen to 51.5m barrels, up from 23m barrels in the mid-1990s.

The latest official data show that Cushing’s crude inventories have fallen 14 per cent from a record high of 36m barrels at the start of the year, as supply glitches from Canadian oil sands slowed imports to the hub. But stocks are still higher than historical levels.

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