

OIL MARKETS

Harvey Forces U.S.'s Largest Refinery to Cut Output to 40% Capacity

Eight refineries are completely shut, including the nation's second-largest refinery



A view from the International Space Station of then-Hurricane Harvey on Friday. PHOTO: NASA/GETTY IMAGES

By Dan Molinski

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The nation's largest refinery in Port Arthur, Texas, said late Tuesday it has reduced its production rate to 40% capacity, as refineries up and down the Texas coast battle the effects of Tropical Storm Harvey, which first hit the state Friday as a hurricane.

Motiva, owned by Saudi Arabia state oil giant Saudi Aramco, can produce some 603,000 barrels a day, so that would mean about 350,000 barrels a day have been taken offline. The move brings the total amount of refining capacity offline to around 2.4 million barrels a day, well over 15% of total U.S. refining capacity. The shutdowns and rate reductions are causing fuel prices to rise, especially in the Gulf region.

Earlier in the day, Motiva had said it cut rates to 60% capacity, but hours later revised that to 40%. Motiva said its operations remain stable but indicated a significant problem is getting crude oil and processed fuel in and out of the refinery due to industrywide problems with shipping, pipelines and other transportation.

“While the refinery is dealing with some water within the plant and localized road flooding, our employees are making extraordinary efforts to allow Motiva to continue to safely operate the refinery,” it added.

In all, eight refineries are completely shut, including the nation’s second-largest refinery, Exxon Mobil Corp. ’s Baytown near Houston. One of the shut refineries, Flint Hills Resources’ 296,000-barrel-a-day plant in Corpus Christi said it was hoping to begin a restart Tuesday as the storm moves away from that city, on a more eastward track.

Morningstar analysts said in a research note Tuesday that Motiva, located 90 miles east of Houston, may end up having to shut altogether, and said other refineries in the Port Arthur, Beaumont area may also have to close.

“Should the flood disruption caused by Harvey continue to plague Houston and the close-by Beaumont/Port Arthur refining hub to the east, we estimate 11 more refineries with combined capacity of 1.3 million barrels per day are at risk of closure,” it said earlier Tuesday.

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