

COMMODITIES

Gasoline Hits Fresh High as Refineries Restart

Supply crunch is likely to ease soon, but consumers will continue to feel the pinch



A customer fills up his tank in Wilkes-Barre, Pa., on Tuesday, as gas prices hit a two-year high. PHOTO: MARK MORAN/ASSOCIATED PRESS

By Alison Sider

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As gasoline prices at the pump hit a fresh two-year high Tuesday, the futures market signaled the supply crunch for fuel created by Hurricane Harvey will soon ease.

The average price for a gallon of gasoline rose another 1.1 cents Tuesday to \$2.65 a gallon, up 24.8 cents from last week. Prices rose 27 cents in the week ended Monday—the largest weekly increase since Hurricane Katrina hit the Gulf Coast in 2005 and the national average soared 49 cents in a week, according to GasBuddy, which tracks fuel prices.

Gasoline futures on Tuesday fell 2.79% to \$1.6991 a gallon on the New York Mercantile Exchange, as news emerged that the nation's fuel infrastructure was coming back online.

Five Gulf Coast refineries were in the process of restarting Tuesday afternoon and at least seven more are operating at reduced rates, according to the U.S. Department of Energy. Colonial

Pipeline Co. said it has resumed gasoline shipments from Houston through a pipeline that supplies much of the Southeast and Northeast. On Sunday and Monday, the Explorer Pipeline restarted pipelines that take fuel from Houston to Tulsa, Okla., and on to Chicago.

Still, for consumers, costs might stay elevated for some time amid global competition for fuel as refiners and pipelines gradually ramp up and depleted inventories are slowly replenished. Analysts at AAA expect that retail gasoline prices could increase another five to 10 cents in the next week.

“Everybody’s breathing this big sigh of relief that the shortage of gasoline is over, but we’re still several weeks away from what we would call back to normal,” said James Burr, vice president of energy products at broker INTL FCStone. With several major refineries still down, “that’s a lot of gasoline not being produced,” he said.

Harvey hit Texas as a Category Four hurricane and lingered over the region for days, dousing the Gulf Coast and causing unprecedented, catastrophic floods.

Ports where shipments of crude oil come in and out were closed. Fuel-making plants slowed or stopped, either to avoid dangerous emergency shutdowns or because they were no longer able to get the crude oil they turn into gasoline, diesel and jet fuel. At one point, around 25% of U.S. refining capacity was down.

That choked off supplies to pipelines that act as arteries connecting the Gulf Coast to markets in the Midwest, the Southeast and the Northeast.

As a result, gasoline has been in shorter supply and prices have jumped in places like Atlanta and Raleigh. Analysts at Mansfield Oil Co., fuel wholesalers based in Gainesville, Ga., said Sunday that trucks were waiting in line for six to eight hours to get fuel to distribute to filling stations, sometimes having to drive long distances. Major oil companies have cut allocations even to customers that sell branded fuel—usually the last to feel the pinch, traders said.

Lake Williams, a junior studying at Mississippi College in Clinton, Miss., said prices have gone up 40 to 50 cents a gallon in the past week.

“I’ve been compensating in other areas to make it more affordable to get to work,” Mr. Williams said.

Colonial, the largest U.S. fuel pipeline, said it restarted the segment of its gasoline pipeline between Houston and Lake Charles, La., on Tuesday. Before that, it wasn’t getting fuel from refineries in Houston and has only been able to make intermittent deliveries from Louisiana eastward.

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That has eased concerns that the rest of the country would be seized by the same types of gasoline shortages that have hit some cities in Texas, where certain filling stations have run out of fuel and panicked drivers have lined up for blocks, making the shortfall more acute.

“The biggest increases are behind us,” said Patrick DeHaan, senior petroleum analyst at GasBuddy. While it may take several weeks for prices to fall back to where they were before the storm, Mr. DeHaan said the national average could start to edge lower by this weekend or next week.

Few refineries have reported the kind of major damage that hobbled plants for months following hurricanes Katrina and Rita in 2005, but some are likely to be offline for several weeks. Morgan Stanley analysts said it took three to five weeks for refining capacity to return to pre-storm levels after storms in 2005 and 2008. Analysts at Goldman Sachs anticipate that plants that typically refine 1.4 million barrels of oil into fuel each day could remain offline beyond mid-September.

The U.S.’s largest refinery, Motiva, in Port Arthur, Texas, said Tuesday it is in the initial phases of restarting. The company, owned by Saudi Arabia’s state oil company, said it expects to be operating at about 40% of production capacity by the end of this weekend.

Exxon Mobil Corp. [XOM 0.96%▲](#) said Tuesday its Baytown refinery, the second-largest U.S. refinery after Motiva, is taking care of facility assessments and restart activities. It noted, however, that units at its Beaumont refinery “remain shut down due to flooding in the lower level of the refinery.”

Heidi Garvin, a graduate student in Omaha, Neb., last week shuttled back and forth from class to the Nebraska State Fair in Grand Island, about 145 miles away for her job at a nonprofit, before heading to Ashland for a wedding. She said prices rose about 30 cents a gallon over the course of the week. Eventually filling her tank cost \$40—up from about \$25.

“Every time I filled up they’d gone up even more,” she said.

—*Dan Molinski and Amrith Ramkumar contributed to this article.*

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