

U.S.

East Coast May Face Fuel Shortages After Storm Disrupts Major Pipeline

Colonial, the biggest fuel pipeline in the U.S., says its system is starting to have problems in Texas



The Colonial Pipeline stretches 5,500 miles through 12 states, including the Pelham junction and tank farm in Pelham, Ala.
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By Lynn Cook and Dan Molinski

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Flooding in Texas has spawned local fuel shortages from Austin to Dallas and disrupted the flow of petroleum on a major pipeline that moves gasoline, diesel and jet fuel to the East Coast.

The Colonial Pipeline said its system, which runs from Texas to New Jersey, is starting to have problems stemming from Tropical Storm Harvey. The notice from the company adds to concern that Houston's hard-hit energy infrastructure could result in higher fuel prices or shortages in other parts of the country.

Gasoline supplies in Dallas and San Antonio have been significantly reduced, and fuel supply is becoming more limited in Austin as well as areas as far away as Atlanta, according to Mansfield Oil, a nationwide fuel wholesaler based in Gainesville, Ga.

Gasoline prices will continue to rise and the “national average will soon hit its highest since 2015,” said Patrick DeHaan, an analyst with GasBuddy.com.

Service at Colonial Pipeline’s fuel loading and pumping stations in Houston, Pasadena and Cedar Bayou, Texas, have been interrupted. The company wouldn’t quantify how much fuel continues to flow on the system late Tuesday.

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The Colonial is the biggest fuel pipeline in the U.S., stretching 5,500 miles through 12 states. Analysts have likened it to “a Mississippi River of fuel.” It can transport up to 2.5 million barrels a day of gasoline, diesel and jet fuel, and is directly connected to several airports, including Nashville, Charlotte and Dulles International Airport in

Washington, D.C.

The pipeline, which was built in 1963, is a main source of fuel for the Southeast, including offshoots to parts of northern Florida. It ends in New Jersey and is also a massive supplier of fuel to the greater New York City metro area.

The Colonial is owned by a consortium of companies, including Koch Industries Inc., Shell Pipeline Co. and South Korea’s National Pension Service.

Harvey has been downgraded from hurricane status, but the storm continues to slowly track east through Texas and into Louisiana where more refineries and vital fuel hubs that feed into the Colonial are located. Already more than 15% of U.S. refinery capacity has shut down due to the torrential rains that Harvey has dumped across Texas.

The nation’s largest refinery in Port Arthur, Texas, curbed fuel output to 40% Tuesday due to bad weather. That 600,000-barrel-a-day plant was taking on water in some areas, its primary problem wasn’t getting all the oil it needed to make fuel because of port and pipeline closures, according to its owner, the Saudi Arabian Oil Co.

As shutdowns continue along the Gulf Coast, one refinery operator is trying to restart. Flint Hills Resources owns a Corpus Christi, Texas, plant that closed last week ahead of the storm. The company said Tuesday it is preparing to restart the nearly 300,000 barrel a day plant as early as today.

While Flint Hills tries to turn on its refinery, another big plant is now running at very reduced rates. Exxon Mobil Corp. said Tuesday that it had to shut several units at its 362,000 barrel a day refinery in Beaumont, east of Houston, due to bad weather.

A major fuel pipeline system in the Midwest operated by Magellan Midstream Partners, L.P. was shut down in the Houston area where much of its refined products are created. The company is trying to supplement supplies in other parts of the state by diverting fuel from Oklahoma refineries into Dallas.

The move has pushed up prices in places like Chicago, where gasoline is now trading close to \$3 a gallon.

“While supplies in many regions may not be tight yet, the expectation is that they’ll become so shortly and are likely to stay that way for at least a couple weeks,” according to analysts at TAC Energy.

—*Alison Sider contributed to this article.*

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