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Houston, We Have a Problem: *An Oil Storage Shortfall on the Horizon*



- The sourcing of crude oil consumed by refineries in the Houston area is changing rapidly, with oil imports down and pipeline flows from domestic and Canadian production areas soaring.
- Waterborne oil shipments have long provided Houston area refineries with a kind of “floating storage” buffer, resulting in operational flexibility.
- With imports falling, refineries in and around Houston will grow increasingly dependent on conventional storage to handle flows from the Eagle Ford, the Permian Basin, Canada and elsewhere.
- RBN Energy’s analysis suggests that while crude storage in the Houston area is growing, still more capacity will be needed to deal with the expected “flood” of crude oil supplies.

A significant shift in the sourcing of crude oil that feeds refineries in the Houston area is forcing a major rethinking of the region’s oil storage needs. From the 1980s to the middle of the 2000s, waterborne oil imports into the Gulf Coast as a whole increased to offset declining domestic production, and those waterborne deliveries provided a kind of floating storage buffer that could absorb downstream disruptions in supply and demand. The import trend has reversed in recent years, however, as domestic and Canadian crude production has soared, and the Houston area in particular faces storage and related challenges as it adjusts to the new oil-sourcing and transport regime.

The challenges that producers in the Eagle Ford, Permian Basin, and other producing regions may face in finding Houston-area storage in the next one to three years could be significant, and could have a real effect on crude price volatility. In this drill-down report, RBN Energy assesses the important role of crude oil storage and the rapidly changing nature of crude sourcing in the

Gulf Coast in general and Houston in particular. The report also examines the current adequacy of crude storage in the Houston area, lists and describes major storage facilities there, and assesses future storage needs.

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