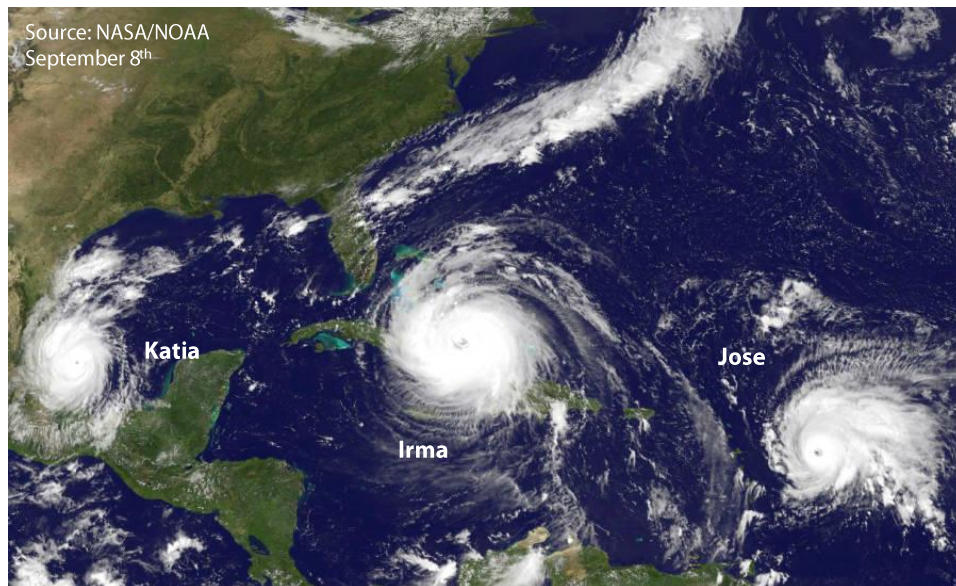


## Advisor Pulse: Harvey and Irma Diesel Market Impact Update

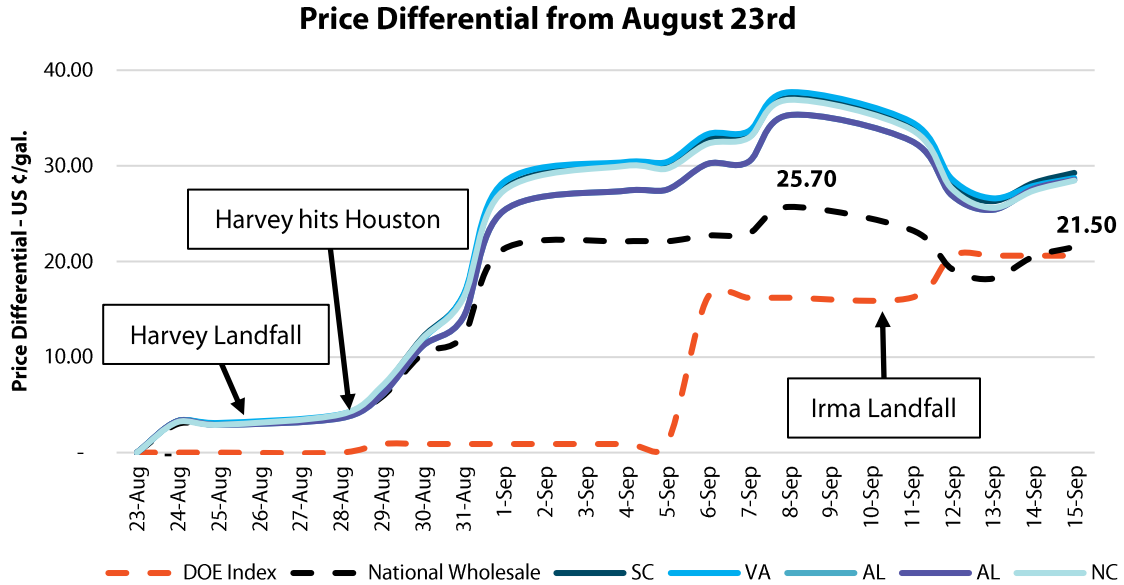
The National Oceanic and Atmospheric Administration noted in early summer that 2017 would be an above average year for storm activity, with 2-4 hurricanes of category 4 or above predicted. The last month alone has produced four hurricanes in the Atlantic Ocean – three reaching category 4 or above. The devastating impacts of Harvey have been well documented as it moved through the Texas Gulf Coast in late-August, while the impacts and recovery efforts from Irma's path through Florida earlier this week are still to be determined. Jose – currently moving through the Atlantic – is expected to lose strength and miss the Eastern Seaboard, but will be worth following in the coming week.



The impact to diesel market prices from Hurricane Harvey persists today – over two weeks after the storm – and will likely have lingering effects in the weeks to come. The price premiums at a national level began to expand in the days after Harvey moved through the Houston area, as visible in the chart below. The premiums grew with the number of refinery outage reports, and total capacity disruption peaked at around 5 million barrels per day (mmbd) – roughly 25 percent of total US refining capacity – across 20 refineries. Houston's refining sector has been steadily coming back online, with capacity disruption shrinking to an estimated 1 mmbd at the close of this week (5% of total US refining capacity). The diesel premiums have also started to subside, after peaking at 27.7¢/gallon at a national level. The five states identified in the chart below represent the five states with the highest premiums during this time. Each of these states is in the Southeast and is served by the Colonial Pipeline, which is the main artery for fuel distribution in the region. The Colonial has been running at reduced rates throughout September, with reports of delays up to seven days for fuel deliveries, as the pipeline waits for restored Houston refining to maximize pipeline utilization. The premium in the Southeast region compared to the national average spiked up above 10¢/gallon in early September, but has since receded slowly.

Despite these substantial fluctuations, Fuel Recovery has captured these variations to keep carrier reimbursement whole for Breakthrough's shipper clients. The DOE Index tells a much

different story, as it did not begin to react to the market volatility until over a week after the initial price movements and did not completely catch up to the national premiums until September 12<sup>th</sup> – when the premiums were already beginning their decline.



Hurricane Irma set various records for its size and intensity, but had limited impact on diesel prices. The Florida market is served through marine terminal fuel deliveries, due to the fact that it is not connected to a major pipeline network. These terminals closed down in preparation for Irma and fuel demand increased for gasoline in particular, as many coastal population centers were given evacuation orders. There were isolated instances of diesel supply disruptions, though no major shortages were reported as Irma moved up Florida’s Gulf Coast. There was little to no price impact specific to Florida during this time in the diesel market, but the Advisor Team will keep a close eye on these markets in the coming weeks.

For more information on this event, please contact Daniel Cullen, Vice President of Advisory Services, at [Daniel.Cullen@breakthroughfuel.com](mailto:Daniel.Cullen@breakthroughfuel.com).