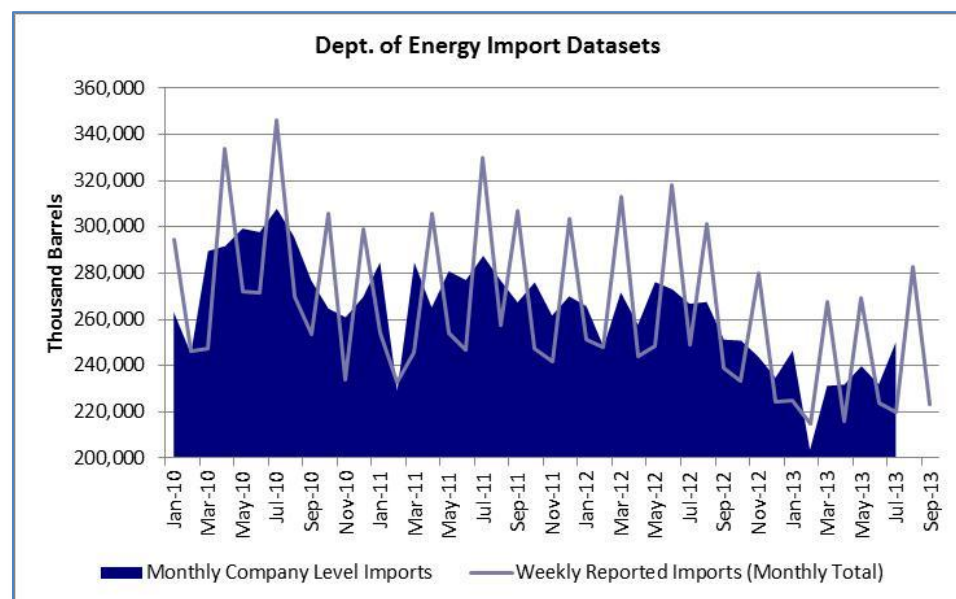


Going GovernMental: EIA Closure and Reopening

Collecting oil inventories and trade flow data at a government agency is particularly challenging – especially when your agency has shut down. Although the United States government is now back in business, the closure left the financial oil trading community without its weekly benchmark – the Department of Energy’s inventory report. For these traders, correctly anticipating weekly movements in oil inventories can prove to be quite lucrative. The Energy Information Agency (EIA) within the Department of Energy (DOE) reports weekly data which is based on initial estimated volumes that are then revised over the subsequent two months. As such, the weekly benchmark tends to be more of a barometer of market sentiment rather than a reflection of physical reality.

The chart below highlights the discrepancy between weekly crude oil import data for the United States and monthly Company Level Import data – both as reported by the EIA. Weekly crude oil import data has been aggregated to a monthly total in order to provide an apples-to-apples comparison against the monthly Company Level Imports. The correlation for the two datasets is 54%.

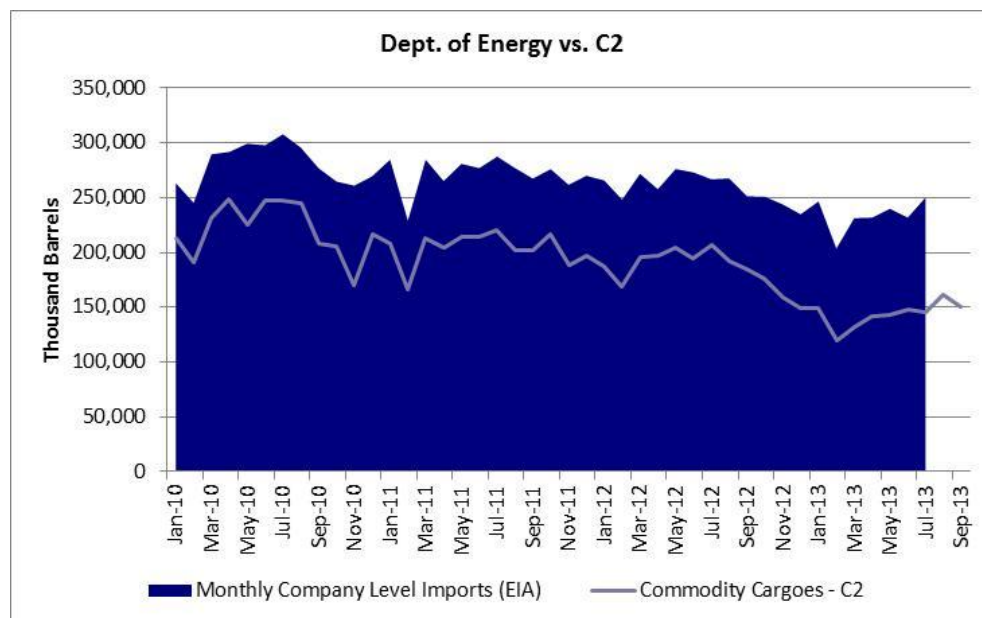


Source: EIA

Oil companies are required to report import volumes to the EIA on a weekly basis. Due to the reporting process and turnaround time, the EIA employs what they call a “cut-off” survey method. “Companies are ranked from largest

to smallest on the basis of quantities reported during some previous period. Companies are chosen for the sample beginning with the largest and adding companies until the total sample covers approximately 90 percent of the total volumes for each item and each geographic region for which data may be published.” Due to this process it becomes necessary to revise the data points. As a result, actual Company Level Imports are published with a two-month lag.

US Customs processes the Bills of Lading for all goods imported to the US. This data can provide insight into actual import volumes of crude oil and refined products on a nearly real-time basis, however it is extremely cumbersome to distill into a useable state. Poten has scrubbed and analyzed this information to develop its Commodity Cargoes dataset. The chart below shows Commodity Cargoes “C2” against the EIA’s Company Level Imports. The spread between C2 and the EIA reflects imports via pipeline. These two datasets have a 95% correlation.



Source: EIA & Poten

The financial trading community offers liquidity and market making capabilities for commodities such as crude oil. However, their sphere of influence could pose challenges for anyone trying to formulate longer-term views on oil prices based on market fundamentals. Having access to accurate data certainly helps formulate a view on pricing trends in the oil market.

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