SSDA News

Service Station Dealers of America and Allied Trades

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INSIDE THIS ISSUE:

SSDA-AT Dives into New Political Landscape

By Roy Littlefield

As we begin 2021, SSDA-AT continues to manage COVID-19 response through legislative actions on both the state and federal levels.

We expect to see a wrath of legislation this year aimed at our industry especially on environmental initiatives. On the Federal level, Raphael Warnock and Jon Ossoff are the winners of their Georgia Senate races. Democrats now achieve a 50-50 split and take control of the US Senate once Kamala Harris votes, who can break ties in the chamber as VP.

SSDA-AT continues to monitor President Joe Biden's aggressive plans in his early days of Presidency.

The political and economic landscape in 2021 will be challenging. The COVID-19 pandemic has greatly affected the nation's transportation users and providers since February of 2020.

COVID-19 is not happening in a vacuum. It appeared during a presidential election year, and near the end of a surface transportation authorization cycle. Political polarization is at very high levels. The period of the pandemic also overlapped with nationwide protests and episodic violence. These factors add to the challenges of enabling transportation to recover and helping the economic recovery.

COVID-19 will influence efforts in many areas including regulatory priorities, environmental considerations, private sector roles in transportation, innovative uses of transportation infrastructure, safety initiatives and others.

The pandemic is a transformational event and it is hoped that a broad review of transportation activities and priorities will strengthen the quality of life and economic conditions of the country.

Every mode, every level of government, the public sector, businesses that operate and support the transportation sector, travelers, and institutions should reflect on lessons learned and transportation challenges brought forth by the COVID-19 pandemic.

The U.S. economic and governance systems are remarkably resilient, as we have seen from surmounting natural disasters, economic events and disruptions such as the 9/11 attacks.

The COVID-19 crisis presents new challenges but also increases the importance of addressing previous problems.

SSDA-AT is prepared and ready to address the legislative challenges ahead.

Paid Search & Social 101

Using paid media to supplement your earned and owned media efforts can be a great way to reach more customers and support a stronger brand. Learn the ins and outs of paid search and paid social best practices, as well as how you can apply these practices to your business.

Online media acts as a digital storefront for your business. Just like any storefront, advertising is another piece of marketing that will drive new leads.

Search platforms like Google and social media platforms such as Facebook offer paid placements to target to potential customers. Advertising on search and social are great tactics to build new audiences or provide supplemental boosts for specific products, services, and promotions.

But, what is the best way to use them? How do you build an advertising campaign to get the most bang for your buck?

Make a Campaign Goal

This may seem like a simple step to begin, but before diving into any digital advertising, write down your wants and needs to keep your campaign focused and your costs lower (unclear goals equals wasted ad budget).

Start with why you are looking to increase online traffic. Here are some examples:

- You need to increase website traffic for a specific service in your shop
- You want to promote a coupon online for a specific brand of tires
- You would like to expand your targeting for tires in the next town

These goals are all similar in that a.) they focus on a product/service, and b.) they have a specific objective for reaching customers online (ex. increase website traffic).

Your advertising goal can even change over time. What is important is that you reference it later to evaluate the campaign's benefits and costs. Did you stick to your goal?

Focus on Facebook Ads and Google AdWords

There are a lot of options out there, but two platforms stand out above the rest for digital advertising. Facebook Ads and Google AdWords both have great features, flexible options, and effectively reach audience members with different strategies.

Google AdWords

These text-based ads are a crucial way to supplement your online presence within Google search. The vast majority of online experiences start with a search on Google, and by using AdWords, you can have your text advertisement rank in the top three to four spots in Google search results, above the organic (or earned) listings.

To get to those top spots, advertisers bid on search phrases that customers look for in an auction system and the advertiser with the highest bid wins placement. Better yet, you only pay when users click on your ad, making this form of advertising easily measurable and accountable.

Pros:

Google Search represents more than 70% of the search engine market, so it is the best place to start in order to reach the most people.

Great for connecting with people who are shopping for or researching your products and services.

Google will place your ad in the search results of qualified users looking for your products and services.

Cons:

Google can get expensive with the more products and services you add to your campaign. It works on a daily budget system, and if your budget runs out for the day, your ads will stop showing.

Facebook

With more than 2 billion monthly users, Facebook leads the pack as one of the top places people spend time online. To capture the attention of your customers on Facebook, it's critical to have a Facebook Business Page that's active and updated, but you can supplement your success with the Facebook Advertising Network.

Ads within the Facebook ad network will display in a targeted user's sidebars and newsfeeds, as well as on mobile devices or even within their Instagram feeds

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(Facebook owns Instagram and the two networks can be linked for maximized ad targeting). These ads can link to either your website or your business Facebook page, or you can use other objectives to drive visitors into your physical store. There are multiple options in paying for these ads, either by cost-per-click or by impressions, giving you the flexibility you need in designing your ad campaign.

Pros:

Facebook offers many targeting tools and a user-friendly interface, making it easy to reach qualified customers.

Great for building brand recall and recognition, as you're communicating in a social setting with customer prospects.

You can choose from a variety of campaign options like: increasing engagement for pages or posts, or furthering your reach for new audience members.

Cons:

There are a lot of options, so picking the right ones for your digital marketing goal can feel overwhelming.

Comparing the available search and social paid platforms, like AdWords and Facebook, to your digital marketing goal will save you time and money in the long run. Don't be afraid to try one, the other, or both to see what works best for your business.

Targeting the Right Customers

Paid search and social media offer targeting options that reach the potential customers you are looking for. Both Facebook and AdWords offer geographic targeting as an option. This only shows your ads to groups of people in specific areas you choose, which ensures you're only paying for people in your region.

Paid search on AdWords is all about bidding on search queries, or the words and phrases that people search for on Google. Each advertiser selects the keywords they want to bid on in order to get their ads to show - and you only show on the words you choose to bid on. You then enter an auction, and the advertiser who is willing to pay more for the click wins. From there, your ad displays to only targeted people who search for relevant phrases to your business on Google. You only pay your bid when a user clicks on your ad - there's no additional cost for your ad to show, which means free impressions for your brand.

Paid social ads on Facebook have many options for an advertiser to reach the right customers. Using their diverse array of targeting criteria, you can pick and choose the customers you wish to reach based on demographic information, interests, or behavior. For example, on Facebook, you can target people of certain age, gender, if they have friends who have "Liked" your business or not, or if they've moved recently. Having options like these allows for more precise targeting of your messages to qualified customers in your region - a huge advantage of social advertising over traditional mass media.

Keep It Similar to Your In-Store Brand

Finally, a must-do for any advertiser is to keep your digital and physical store brands similar. Write your company slogan into your ad copy, or include a picture of your storefront as appropriate. Be sure to give prospective customers - both on search engines and on social - the right information about your business to make a purchasing decision.

Remember, all customers using digital tools like search engines or social media networks are researching to find the right businesses to trust in their communities. The more information and reassurance you can give those customers, the more likely you are to earn their business.

Keeping branding consistent will make your business more recognizable to customers when they see your brand online and in your community. It will make your digital media an extension of your current advertising and branding efforts, which means greater strength of every ad dollar spent.

Paid Media Review

Build a plan for your online advertising and make sure each step matches with your desired result.

Focus your paid search efforts in Google AdWords and your paid social media on Facebook Ads since these platforms have the most options and largest networks.

Make use of the different forms of targeting both search and social media have to offer.

A paid marketing strategy should not compete with your existing on or offline brand, so be consistent with your wording and images.

In the end of your campaign -- whether it is three months or a year after starting -- evaluate the steps you took. Did they match your goal, and was the paid effort profitable?

Employer-Required COVID-19 Testing May Be An Alternative to the Vaccine

As employers consider whether the COVID-19 vaccination should be mandatory for employees, issues arise regarding what to do when employees have legally-protected reasons for declining the vaccine. Employers may require employees to be tested for COVID-19.

Such tests must be accurate, reliable and must be administered in a manner that is nondiscriminatory and consistently applied across the employees who are required to be tested. Employers must also remember that permitted COVID-testing does not include testing for the antibody (which is different from a viral test).

Biden Names Boston Mayor Marty Walsh for Secretary of Labor

President-elect Joe Biden has nominated Boston Mayor Marty Walsh to serve as Secretary of Labor. Walsh is a former labor union leader who, if confirmed, would be the first union member to serve in this role in nearly 50 years. Walsh is known for fighting for a $15 minimum wage and paid family leave.

Congressman: Biden Administration Can Use ASCE Report as Guidepost, ENR

The incoming Biden administration appears poised to move quickly on infrastructure funding, including dealing with the knotty aspects of financing—potentially stemming a growing nationwide deficit on spending for roads, bridges water, electricity and transit.

Speaking at a video press conference Jan. 12 announcing release of the American Society of Civil Engineers' latest long-term economic study—which forecasts a $5.6-trillion investment gap in infrastructure by 2039—U.S. Rep. Earl Blumenauer (D-Ore.), a member of the House Ways and Means Committee, said conversations with Biden's team indicate a willingness to work with Congress on charting a long-term course away from the federal fuel tax, and toward an alternative that would be "sustainable and fair over time."

A fuel tax phase-out could begin with what Blumenauer called a "grand bargain" that combines a short-term increase with a discounted rate for certain rural areas. Taking advantage of current low interest rates for bonds would likewise allow legislators and the administration to use the "full range of tools," such as bonding.

"We don't need to raise revenues quickly," Blumenauer added, "but we do need to have a ten-year plan that indicates where we need to go to provide this certainty."

Blumenauer cited ASCE's study, "Failure to Act: Economic Impacts of Status Quo Investment Across Infrastructure Systems," as an ideal starting point for the financing discussion, as it details how unmet infrastructure needs could cost the U.S. economy trillions of dollars in economic growth and lost productivity over the next two decades.

Developed with the assistance of a broad-based economic research consultant team, the analysis provides a long-term comparison of current and projected infrastructure investment needs against existing funding trends in ten categories.

Absent any change in current spending levels, the study forecasts a $5.6-trillion investment gap by 2039, resulting in a $10-trillion hit to the nation's gross domestic product. Business productivity would likewise suffer a cumulative $23-trillion decline, the study found, while delays and disruptions resulting from infrastructure deficiencies could eventually cost individual U.S. households as much as $3,300 a year.

"We are treading water," said ASCE Executive Director Tom Smith during the press conference.

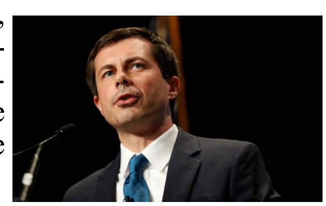
Smith noted that while recent federal- and state-level investment have partially narrowed funding gaps in some infrastructure categories, such as ports and inland waterways, others continue to grow. The combined surface transportation categories of highways, bridges, rail and transit comprise the largest imbalance, which has grown over the past decade by 9%, to $1.2 trillion.

While the effects of insufficient infrastructure funding are already evident, the ASCE analysis forecasts an exponential increase in detrimental effects, with more than three-quarters of total economic impacts occurring during 2030-39.

The coronavirus pandemic could alter that outlook as well, although the study admits that it's too early to fully assess long-term economic impacts. Instead, the study assumes that "deterioration of the current state of infrastructure will cause economic harm, and a more aggressive and wisely considered investment program will improve future economic performance."

Given that infrastructure is typically a unifying topic among legislators of all parties, Blumenauer said ASCE's report could serve to mend strained political relations on Capitol Hill, and "energize" the pandemic-depressed economy.

"This is a time when the economic impact is undeniable," Blumenauer said. He also praised Biden's choice of Pete Buttigeig as U.S. Secretary of Transportation, noting that the one-time presidential candidate had "one of the best platforms" of the 2020 campaign.



Third of Oil and Gas Workers Faced Pay Cut in 2020 Due to Pandemic, Survey Shows, Reuters

Almost one in three workers in the oil and gas industry faced pay cuts in 2020, a worldwide survey showed on Tuesday, as the coronavirus crisis drove down fuel demand and prices.

Oil and gas workers are still among the highest paid in the world, but a majority of those questioned said they felt less secure about their jobs than a year ago, as the shift to low-carbon energy sources trimmed investment in their industry.

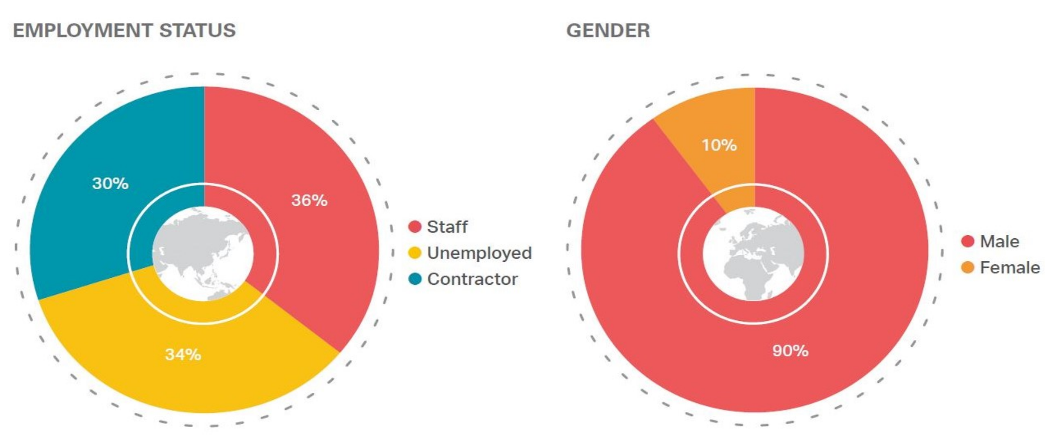
Salaries in the sector are closely tied to oil prices, which plummeted last year as pandemic-linked lockdowns slashed demand for fuel.

About 30% of professionals saw a fall in pay last year and one in four said their salaries and day rates fell by more than 5%, according to a report by staffing firm Airswift and jobsite Energy Jobline, called Global Energy Talent Index (GETI).

Almost 20% of oil and gas workers expected a further pay reduction in 2021, according to the report which surveyed 16,000 energy professionals across 166 countries.

Only 37% of workers reported a pay rise in 2020, compared to 50% last year, it said.

Permanent workers in North America were the highest paid, with an annual income of around $100,000 on average, the survey



Source: Airswift's Global Energy Talent Index Report

Third of Oil and Gas Workers Faced Pay Cut in 2020 Due to Pandemic, Survey Shows, Reuters

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showed, while workers in Latin America were the lowest paid with an average annual salary of close to $50,000.

Job security was low across all energy sectors, with 78% of oil and gas workers feeling less secure than a year ago about their jobs. That figure fell to 66% for those working in renewables and 59% of those working in nuclear power.

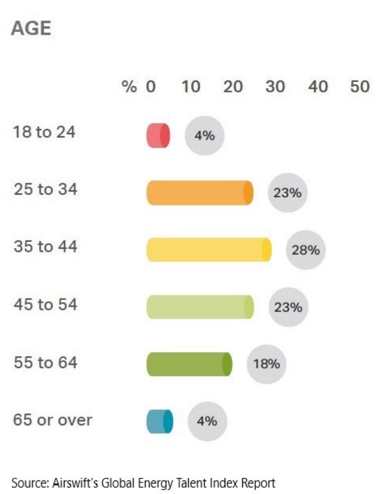
JOB CUTS

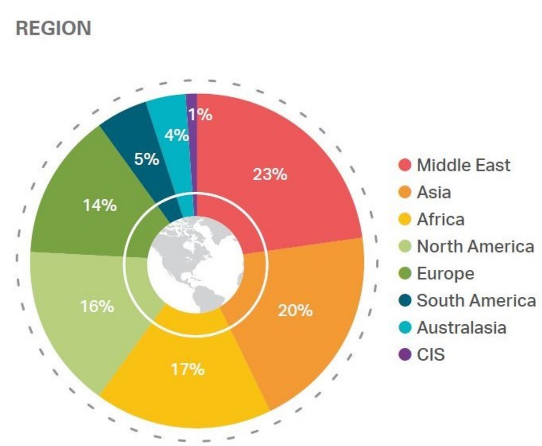
Oil and gas firms have cut jobs to survive what is expected to be a long stretch of weak demand.

Rystad Energy consultancy said in October more than 400,000 industry jobs had been cut up to that point of 2020, half of them in the United States, where there is a heavy focus on costly shale oil output.

“Based on our knowledge and insight into the shale market in the United States, this was one of the hardest hit areas in the world for the pandemic,” Airswift Chief Executive Janette Marx told Reuters.

Nearly nine out of 10 those questioned in the survey expected the pandemic to lead to long-term change in the industry, with the impact ranging from staff headcounts to the way employees operated in the workplace.





AP: Oil Companies Lock in Drilling, Challenging Biden on Climate

In the closing months of the Trump administration, energy companies stockpiled enough drilling permits for western public lands to keep pumping oil for years and undercut President-elect Joe Biden's plans to curb new drilling because of climate change, according to public records and industry analysts.

An Associated Press analysis of government data shows the permit stockpiling has centered on oil-rich federal lands in New Mexico and Wyoming. It accelerated during the fall as Biden was cementing his lead over President Donald Trump and peaked in December, aided by speedier permitting approvals since Trump took office.

The goal for companies is to lock in drilling rights on oil and gas leases on vast public lands where they make royalty payments on any resources extracted. Biden wants to end new drilling on those same lands as part of his overhaul of how Americans get energy, with the goal of making the nation carbon neutral by 2050.

Companies submitted more than 3,000 drilling permit applications in a three-month period that included the election, according to data from the U.S. Bureau of Land Management. Officials approved almost 1,400 drilling applications during that time amidst the pandemic. That's the highest number of approvals during Trump's four-year term, according to AP's analysis.

In Colorado, a dozen permits are approved or pending to drill in Pawnee National Grassland, a birding destination where wildflowers and cactuses bloom below the buttes.

In Wyoming's Thunder Basin National Grassland, a prairie expanse that abounds with wildlife and offers hiking, fishing and hunting, oil companies EOG Resources and Devon Energy — which amassed the most federal permits this year — have permission to drill three dozen wells among fields of sage brush.

The administration issued more than 4,700 drilling permits in 2020 — comparable to approval numbers from early last decade when oil topped $100 a barrel, roughly twice the current price.

INVITATION TO DRILL

Making it easier to drill was a centerpiece of Trump's effort to boost American energy production in part by enticing companies onto lands and offshore areas run by the U.S. departments of Interior and Agriculture.

Under Trump, crude production from federal and tribal lands and waters increased sharply, topping a billion barrels in 2019. That was up by almost a third from the last year of the Obama administration.

But this year the coronavirus pandemic and crashing oil prices caused many companies to curtail their activity.

With markets still in flux and oil producers slashing budgets, major companies nevertheless have been acquiring enough permits to keep pumping through Biden's upcoming term. The government approved about 500 new drilling permits in September, more than double the same month in 2019.

The oil industry's fear is that Biden will follow through on campaign pledges and make it impossible or much harder to drill on public lands. "You go from having a champion in the White House, who steers the entire federal apparatus to wanting you to be successful, to someone who is hostile to the industry," said Tom Pyle, a former Republican aide on Capitol Hill who now leads the industry group American Energy Alliance.

For Biden supporters, the stockpiling threatens parts of an ambitious climate agenda before the Democrat can get into the White House. Oil and gas extracted from public lands and waters generates the equivalent of almost 550 million tons (500 metric tons) of greenhouse gases annually, the U.S. Geological Survey said in a 2018 study.

Trump administration critics say officials enabled the industry to reach its goals, noting that Interior Secre-

AP: Oil Companies Lock in Drilling, Challenging Biden on Climate

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tary David Bernhardt and others have boasted how speedily permits were processed.

Bureau of Land Management spokesman Chris Tollefson said the agency had streamlined permitting while still following environmental laws.

“Markets, not the BLM, determine how oil and gas developers decide to acquire and develop leases,” he said.

Processing times for completed applications to the BLM have dropped from almost 140 days on average in the last year of Obama’s administration to 44 days in fiscal year 2019, according to congressional testimony by Interior officials. In 2020, some companies had permits awarded in a little over a month, AP found. Other permits took longer but an average could not be determined.

YEARS WORTH OF PERMITS

To undo the late-term awarding of so many permits, a former senior Interior Department official said the Biden administration could be forced to pay millions of dollars to companies to get them to relinquish drilling rights. Such a scenario played out in pristine areas of Montana where officials spent decades trying to buy out companies with drilling leases near Glacier National Park.

“This is classic, end of administration stuff, but for the Trump administration it’s on steroids,” said Jim Lyons, deputy assistant secretary of Interior under Obama.

Houston-based EOG Resources amassed the most permits this year — 1,024 — including 549 since September, according to AP’s analysis.

In total, EOG has about 2,500 federal permits approved or in progress. “If he (Biden) tries to impose some regulations on how new federal permits are issued, we certainly already have an inventory, a large inventory, of existing federal permits that will sustain activity for several years,” company CEO Lloyd Helms told a November investors conference.

Oklahoma-based Devon Energy collected the second-highest number this year. As the presidential campaign wore on this summer, Devon executives assured investors that the company was amassing permits. By October, Vice President David Harris said the company had enough “federal drilling permits in hand that essentially cover all of our desired activity over the next presidential term.”

Devon’s more than 500 permits secured this year resulted from a long-term business strategy, not a political calculation, said spokeswoman Lisa Adams. “It was something in the works for years,” Adams said.

POTENTIAL MORATORIUM

Biden is nominating New Mexico Rep. Deb Haaland as interior secretary. And Haaland, who co-sponsored the Green New Deal by liberal Democrats, has said she opposes fracking and drilling on public land.

Even if Biden doesn’t immediately ban new permits, he could place a moratorium on them to study the situation in more detail, said Leo Mariani, managing director of equity research at KeyBank Capital Markets.

Most companies have up to two years to act on federal permits, so a one-year moratorium wouldn’t have much impact on oil supply and they could shift production to private or state-owned land, Mariani said.

But such a shift would come at a cost, because royalty rates on private or state-owned land can be twice as much as federal land. “Because the break-evens are so much lower, you’re not going to see every dollar reallocated to other places,” said Parker Fawcett, analyst for S&P Global Platts Analytics.

With a ban on new federal drilling permits, U.S. production could fall by about 1 million barrels per day, or about 10%, by 2024, Fawcett estimates. “You will have a supply impact.”

In 2020, U.S. Natural Gas Prices Were the Lowest in Decades

In 2020, natural gas spot prices at the national benchmark Henry Hub in Louisiana averaged $2.05 per million British thermal units (MMBtu), the lowest annual average price in decades. Prices started the year relatively low because mild winter weather led to less natural gas demand for space heating. Prices remained low as economic effects induced by the COVID-19 pandemic reduced both natural gas production and consumption.

Beginning in March, spring weather and responses to COVID-19 drove down natural gas demand, further lowering prices. The Henry Hub price averaged $1.66/MMBtu in June, the lowest monthly price in decades. Prices increased in the second half of the year because of lower natural gas production and an increase in liquefied natural gas (LNG) exports.

Consumption of natural gas in the United States decreased among residential, commercial, and industrial users. In contrast, natural gas use for electric power generation rose, based on the U.S. Energy Information Administration's (EIA) monthly data through October 2020 and estimates for November and December.

Natural gas consumed to generate electric power in the United States reached a record high, averaging 31.6 billion cubic feet per day (Bcf/d) in 2020, or 2% more than the 2019 average. This increase occurred despite slightly lower total U.S. electricity consumption this year. Natural gas consumed by electric power plants set a daily record high of 47.2 Bcf at the end of July, according to S&P Global Platts estimates, because of record-high summer temperatures and low summer prices.

Production of dry natural gas averaged 90.9 Bcf/d in the United States during 2020, or 2.2 Bcf/d less than in 2019, after reaching a monthly record high of 97.0 Bcf/d in December 2019. The production decline reversed a three-year trend of consistent growth in U.S. natural gas production. The number of rigs drilling for natural gas began declining in the United States during the spring, reaching a record low of 68 natural gas-directed rigs in July. The rig count stayed relatively low throughout the rest of 2020.

TC Energy Launches Open Season to Add 80,000 b/d to Base Keystone System in 2023, S&P Global

TC Energy said Jan. 6 it is launching an open season to add 80,000 b/d of crude capacity to the existing Keystone Pipeline system no sooner than 2023.

TC Energy, which already plans to add 50,000 b/d of capacity to Keystone this year, would then initiate the extra contracts and volumes in 2023 to coincide with the planned completion of the Keystone XL Pipeline. If President-elect Joe Biden rejects the Keystone XL project as promised, TC Energy could still add the 80,000 b/d to the existing pipeline system in 2023 or beyond, or simply cancel the expansion.

TC Energy said it wants to replenish the existing Keystone pipeline from Hardisty, Alberta, to Pakota, Illinois, once volumes are switched over to the proposed Keystone XL Pipeline. But this approach would still allow for some capacity expansion even if the Keystone XL project is killed or, at least, delayed until after the Biden presidency.

"We remain confident in completing the KXL project," TC Energy spokesman Terry Cunha said on Jan. 6. "In fact, the capacity available in this open season is the result of capacity that will shift from base Keystone to Keystone XL once the project is in-service in 2023."

Last year, outgoing President Donald Trump issued a permit to allow the existing Keystone system to expand its capacity from the current 590,000 b/d of heavy Canadian crude oil up to 760,000 b/d.

At some point in 2021, TC Energy plans to up the capacity to 640,000 b/d, and the addition of another 80,000 b/d would eventually bring the system to 720,000 b/d even without Keystone XL.

If it is not canceled, the $8 billion Keystone XL pipeline project would move up to 830,000 b/d of heavy Canadian crude ultimately to Texas through the entire Keystone system. The 1,200-mile XL pipeline from Alberta to Nebraska would connect to the existing Keystone system.

STIFF COMPETITION

With the cancelation of Keystone XL the most likely scenario under Biden, the new open season appears to be a reaction to low crude oil demand in the current environment and the optimism that crude consumption should rise after 2023, said Sandy Fielden, director of oil research at Morningstar.

Keystone XL is also competing with Enbridge's Line 3 replacement project, which is slated for completion in the fourth quarter of 2021. The $6.75 billion Line 3 project would increase crude pipeline capacity from 370,000 b/d now up to 760,000 b/d as it moves Canadian crude from Alberta to Superior, Wisconsin. The pipeline runs more than 1,000 miles, including its largest 337-mile segment in Minnesota.

The competing pipelines are key pending projects that would serve as larger arteries to move more heavy crude oil from Canada to Midwestern US and, ultimately, to the major refining corridor along the US Gulf Coast.

"Current demand is low -- due to COVID-related demand and production cuts -- so even though they [TC Energy] have the capacity, they aren't offering it now," Fielden said. "And second, TC Energy may be offering future capacity now to keep existing shippers happy, so they don't jump to Enbridge when the Keystone XL permit is revoked."

Alternatively, TC Energy still seems optimistic KXL will move forward, said Matthew Taylor, midstream analyst at Tudor, Pickering, Holt & Co.

"This [open season] is evidence TC Energy continues to believe KXL will be built," Taylor said. "The legacy system is fully contracted today so, if KXL doesn't go ahead, this open season is unnecessary."

Tire Registration Fines Increase by Inflation Adjustment for the New Year

On January 11th, the Department of Transportation issued in the Federal Register a notice of “Revisions to Civil Penalty Amounts.” This notice increases penalty amounts for each violation of the Safety Act, which tire registration falls under.

Maximum penalty amount for each violation of the Safety Act:

Existing penalty: $22,329

New penalty: $22,723

Maximum penalty amount for a related series of violations of the Safety Act:

Existing penalty: $111,642,265

New penalty: $113,611,635

SSDA-AT remains concerned with members facing unnecessary fines in the tire registration system.

SSDA-AT has proposed that the new NHTSA regulation stipulate that there shall be no monetary fines for the first two violations; that monetary penalties could only be assessed after the dealer or distributor has been issued two written warnings; and that a third violation could not exceed $500 and that any subsequent penalty could not exceed $1,000; and that no more than one penalty could be assessed on a single day.

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U.S. Crude Output to Decline Less than Previously Forecast in 2021: EIA, Reuters

U.S. crude oil production is expected to fall by 190,000 barrels per day (bpd) in 2021 to 11.1 million bpd, the U.S. Energy Information Administration (EIA) said on Tuesday, a smaller decline than its previous forecast for a drop of 240,000 bpd.

Saudi Arabia this month pledged additional, voluntary oil output cuts, sending oil prices to the highest in nearly a year. [O/R]

Higher prices have prompted U.S. energy firms to increase drilling activity, with U.S. oil rigs rising last week to their highest since May.

"In 2020, the United States exported more crude oil and petroleum products than it imported on an annual basis for the first time in EIA's data series that dates back to 1949," EIA Administrator Linda Capuano said.

"EIA expects the U.S. to return to importing more crude and petroleum products than it exports on an annual basis in 2021 and 2022."

Still, the price rally and any recovery in demand has been capped as new COVID-19 variants are rapidly spreading globally.

EIA expects U.S. petroleum and other liquid fuel consumption to rise 1.45 million bpd to 19.51 million bpd in 2021, a smaller increase than its previous forecast of a rise of 1.63 million bpd.

The agency also estimates that global consumption of petroleum and liquid fuels averaged 92.2 million bpd for all of 2020, down by 9 million bpd from 2019. The agency expects global demand will grow by 5.6 million bpd in 2021 to 97.77 million bpd, lower than it's previous estimate for a rise of about 5.8 million bpd.

Worldwide coronavirus cases surpassed 90 million on Monday, according to Reuters tally, with nations scrambling to procure vaccines and extending or reinstating lockdowns.

Global oil demand is expected to grow by 3.3 million bpd in 2022 to 101.08 million bpd, EIA said.

U.S. oil output in 2022 is expected to rise 390,000 bpd to 11.49 million bpd.

Policy Outlook with a Biden Administration

Democrat Joe Biden is set to take oath as the 46th US president as vaccine rollouts offer hope of turning the corner amid a resurging COVID-19 pandemic. He has set out broad-based policy priorities to tackle the resulting economic impacts with additional federal stimulus, as well as advance Democratic goals on climate change, immigration and equality, to name a few. The question is: how much support can Biden garner from the 117th Congress in which Democrats have a slim majority in the House and, based on projected results from the two Georgia Senate runoff elections, a de facto 51-50 majority in the Senate with the tie-breaking vote of Vice President-elect Kamala Harris.

There are limits to what Biden can accomplish through legislation given that, currently, 60 votes are needed in the Senate to overcome a legislative filibuster. The actions Biden took as vice president in leading congressional negotiations on the Obama administration's post financial crisis 2009 economic recovery plan offers some clues. To advance much of his legislative agenda through Congress, the veteran lawmaker will likely look to cultivate bipartisan support among key Republicans and Democrats whose priorities may most closely align in specific areas. Biden will likely have to rely solely on Democratic support for action on his tax increase proposals.

The $2.4 trillion government funding package passed in December featured further COVID-19 economic relief, including a second round of direct payments to eligible individuals and additional tax relief measures. Biden and many in the Congress have said another COVID-19 package is necessary.

Expect the new administration to likely push in early 2021 for a COVID-19 legislative package that includes issues where bipartisan agreement may be possible, e.g., increased funding for vaccine distribution and more support for small businesses. Also look for the Biden administration to focus early on assembling bipartisan agreements that appeal to constituents of both parties, e.g., enhanced cybersecurity for critical infrastructure, clean energy transition, and stronger trade and security ties with allies in Europe and Asia.

Reuters: U.S. Petroleum Stocks Nearing Normal After Wild 2020

U.S. petroleum inventories ended last year approaching normal levels, as excess crude and product stocks accumulated during the Saudi-Russian volume war and coronavirus lockdowns were absorbed successfully.

Total stocks of crude and products, excluding oil stored in the strategic petroleum reserve, ended the year 6% above the seasonal average for the previous five years, down from a surplus of 14% at the start of July.

Excess petroleum inventories were still in the 74th percentile for all weeks since the start of 1995, on the high side, but down from a surplus in 92nd percentile at the middle of the year.

Total inventories, including the strategic petroleum reserve, have declined in 21 out of the last 26 weeks, by a total of 136 million barrels.

Gasoline and distillate stocks have shown the fastest return to normal while commercial crude stockpiles have faced a more sluggish adjustment.

By the end of December, gasoline inventories had been reduced to almost exactly in line with the five-year average, down from a surplus to the five-year average of nearly 13% in April.

Distillate stocks, which include road diesel and heating oil, had been reduced to a surplus of 7%, down from 29% at mid-year, according to weekly statistics from the U.S. Energy Information Administration.

Commercial crude stocks were still 10% above average, down from 19% in the middle of the year, indicating slower progress ("Weekly petroleum status report", EIA, Jan. 6).

NEARING BALANCE

Oil producers and refiners have adjusted at an exceptionally fast pace following the record shock to oil consumption caused by the first wave of the coronavirus and the associated lockdowns.

On the crude side, excess inventories have been cut by lower output from domestic shale producers and a fall in imports especially from Saudi Arabia.

On the products side, stocks have been cut by slower crude processing and a decision to focus on gasoline at the expense of middle distillates such as diesel and jet fuel.

In final week of December, U.S. refineries processed 14% less crude than average for the previous five years, even though domestic consumption was down by just 7%.

Processing restrictions are likely to persist in for the next 2-3 months which should ensure stocks of products end the first quarter below average.

Lower product stocks will support higher refining margins and a sharp increase in crude processing during the second quarter.

Based on futures prices, refining margins for gasoline and distillate delivered at the end of

Reuters: U.S. Petroleum Stocks Nearing Normal After Wild 2020

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the second quarter have already risen by 40% and 60% from their post-crisis lows.

The principal risk to rebalancing comes from a resurgence in coronavirus and the possibility of new lockdowns to contain it, which could force fresh cuts in margins and processing.

DISTILLATE REBOUND

Consumption of petroleum products has recovered strongly, ending the year 7% below the five-year average up from a deficit over 30% at one point in April.

The strongest rebound has come in distillate, where consumption ended the year running above the five-year average.

Distillate use is closely linked to the business cycle, especially manufacturing and freight transportation, so it has bounced back in line with the surge in manufacturing.

The resurgence in diesel use is consistent with the widespread reactivation of manufacturing reported in the Institute for Supply Management's monthly surveys and the Federal Reserve's industrial production index.

Gasoline consumption has also recovered, ending the year 10% below the five-year average, but improvement has stalled and even reversed since the end of third quarter, when consumption was down 5%.
Gasoline consumption has been hit by the new wave of coronavirus infections and reimposition of travel restrictions and work from home orders.

The worst-affected segment remains jet fuel, however, where consumption ended the year 35% below the five-year average as a result of international travel restrictions and nervousness about flying during the epidemic.

But the reduction in excess distillate inventories and the strength of diesel demand is encouraging refiners to end their focus on gasoline production and target a more normal distribution of product outputs.

U.S. refiners boosted their combined production of distillate and jet to 74% of their output of gasoline in the final week of the year, up from a recent low of just 55% in mid-October.

If manufacturing and freight transport remain strong, while private motoring is hit by renewed coronavirus controls, refiners will shift to prioritize distillate consumption by the end of the first quarter.

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