SSDA News

Service Station Dealers of America and Allied Trades

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Government Affairs Update

By Roy Littlefield

Last month and currently, our government affairs efforts at SSDA-AT have been consumed with the COVID-19 crisis and doing all we can to get the most current and accurate information to our members in these trying times.

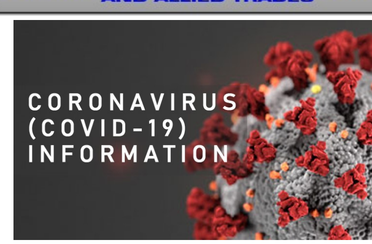
It makes it difficult right now to influence legislation when we have no face to face lobbying power, and congressional members have become difficult to reach. We have relied on contacts in many congressional offices and a variety of coalitions we are involved with to stay informed with the latest information.

We are working very closely with several tax attorneys, the SBA, and SESCO to get our members the most up to date information.

We worked extensively throughout the month to keep our member businesses open as some were hit with wrongful cease and desist orders. In all instances, we were able to overturn local enforcement and open the tire shops back up. SSDA-AT members are essential businesses that keep trucks on the roads and the vehicles of emergency personnel serviced. Many members have stepped up and implemented COVID-19 procedures including pick up and drop off for repairs including sanitation.

SSDA-AT signed onto a variety of letters with several other Washington based associations in April aimed at providing aid to businesses during these difficult times. SSDA-AT signed onto a joint trades COVID-19 business and employees fund letter. SSDA-AT also signed onto an SBLC PPP additional funding letter. These efforts were successful in securing more funds. SSDA-AT additionally, signed onto a Paycheck Protection Program letter for the CARES Act of 2020 amendments necessary to provide COVID-19 disaster relief for critical infrastructure businesses to preserve the U.S. economy and promote a fully functional restart. The full versions of these letters were seen in the weekly legislative updates.

We will continue to help our members on a daily basis with any issues they face in navigating new legislation and regulations in addition to keeping them open and providing the essential documents to do so.



Common Design Mistakes Made By Inexperienced Web Designers

Millions of people search the internet every single day looking for solutions to their problems and answers to their questions. Today's consumers demand the information they need to make informed purchasing decisions. In fact, nearly 88 percent of consumers research products or services online before buying in store. In today's digital landscape, an easy to find, responsive, website is vital for your business's long-term success.

Many elements need to be taken into consideration when building and launching a website. In our digital world, a website is often your business's first impression. It needs to be professional, reflect the unique qualities of your business, and provide visitors what they want – when they want it.

Building your own website or working with an inexperienced web designer can be risky. It can weaken your site's overall reach and search ranking. While spending less money or building your own website may seem like an economical decision, an experienced web design team knows how to avoid the following mistakes.

Poor Structure & Navigation

A recent study found that 94% of consumers expect a website to be easy to navigate and easy to use. If a visitor can't find what they need on your site quickly and easily, they will leave and find a frustration-free option. Easy navigation is often ranked as the most useful website feature. By adding simple navigational toolbars and menus, your website can create an intuitive user experience. A successful website delivers an instinctive user-experience that ensures a site's traffic stays both engaged and also returns.

Lack of Search Engine Optimization (SEO)

Over 93 percent of all online activities start on search engines like Google, Yahoo, or Bing. Why? Simple - people trust Google. By ranking high on search engines, your business builds trust and credibility. Search Engine Optimization (SEO) also pulls in quality traffic to your website. Search traffic is already interested in your products or services. These people are actively searching for the problem your business solves. Keep in mind the average person won't go past the first

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five listings on a search engine results page!

SEO, a way to improve your website so it appears closer to the top of search results, can put you ahead of the competition but it isn't a static process. It is a framework with rules and processes. If two websites are selling the same exact thing, the search engine optimized website is more likely to appear closer in the top positions in organic search results. This can have a huge impact on your company's goals – like increasing your leads and sales.

Missing Call to Action (CTA)

In digital marketing, a CTA is often a button with copy. A CTA is designed to persuade site traffic to take a particular action that will benefit your business. A successful CTA provides a better user-experience by directing what steps your site's visitors should take next – moving them down the sales funnel. Without a call to action, visitors leave your site without learning about your services, scheduling an appointment, or without providing any follow-up information. Without a clear CTA on your site, you will lose sales and customers.

Using Free or Low-Cost Templates

Rookie designers may resort to use a free or low-cost design templates. While this may seem like an easy solution, it often creates a disconnected, generic website. Your business is unique and your website should be, too.

Let's say you pick a website template for your business and you love it.

Unfortunately, there is nothing stopping your competitors from purchasing the same template. A good designer gets an understanding of your business and tailors the design and structure of your site to promote conversions generating more sales.

Avoiding These Common Mistakes

When you invest in a professional web design team, not only are you investing in the visual appearance and accessibility of your website, you are also investing in expert advice, techniques, and best practices creating the best possible user-experience.

Professional designers and digital marketers take time to ensure each website design captures the individuality of the business, provides an excellent user-experience, and can be easily found online. A custom-designed responsive website is where it's at.

U.S. Shale Oil Output to Drop by Record 194,000

U.S. shale oil output is expected to drop by 194,000 barrels per day (bpd) most on record, to about 8.7 million bpd, according to the U.S. Energy Information Administration, as producers slash drilling activity after oil prices plunged.

Shale production has been sliding for several months, but the declines are expected to accelerate as demand has fallen by roughly 30% worldwide due to the coronavirus pandemic. Numerous producers, including U.S. majors Exxon Mobil Corp and Chevron Corp, have announced plans to rein in spending and are forecasting reduced output in coming months.

Exclusive: U.S. Banks Prepare to Seize Energy Assets as Shale Boom Goes Bust

JPMorgan Chase & Co, Wells Fargo & Co, Bank of America Corp and Citigroup Inc are each in the process of setting up independent companies to own oil and gas assets, said three people who were not authorized to discuss the matter publicly. The banks are also looking to hire executives with relevant expertise to manage them, the sources said.

The banks did not provide comment in time for publication.

API Welcomes OPEC+ Agreement

The American Petroleum Institute (API) has welcomed the latest OPEC+ agreement to cut global oil production.

"This is a significant agreement that will foster increased stability in energy markets to the benefit of both American energy consumers and producers," API President and CEO Mike Sommers said in a statement posted on the organization's website.

"We commend the president's leadership and his administration's diplomatic engagement to urge nations to bring global oil supply in line with the lower energy demand as a result of the pandemic," he added.

In the statement, Sommers outlined that "significant challenges" remain in the weeks and months ahead for the sector, "and nearly every other", but added that U.S. oil and natural gas - and the American workers who produce, transport, service, refine and ship it – "will be critical to enabling our economic recovery".

Sommers also highlighted that projections for long-term demand "remain strong".

"Prior to Covid-19, the world demanded 100 million barrels of oil per day for transportation, industrial operations, manufacturing and byproducts used in every sector of the global economy – from paints and asphalts to makeup and iPhones – and projections show long-term demand for oil and natural gas around the world remain strong," he stated.

The API, which is based in Washington, D.C, represents all segments of America's oil and natural gas industry, according to its website. Formed in 1919, the organization has more than 600 members, its website shows.

Earlier this month, the API joined a White House meeting on the state of the energy industry. Following the meeting between U.S. President Donald Trump, administration officials and executives representing U.S. natural gas and oil companies, Sommers said the API was encouraged by the President's "strong diplomacy" with Saudi Arabia and Russia.

Sommers also revealed that during the meeting, the API urged the administration to avoid U.S. policies "that could do more harm than good for American producers".

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North American Trade Deal to Take Effect on July 1

The Trump administration notified Congress that the U.S.-Mexico-Canada Agreement will take effect on July 1, bringing to a close an almost three-year process that President Donald Trump began in rewriting the 25-year-old NAFTA.

The three countries still need to wrap up certain requirements in the next two months, but the move triggers the clock for the deal to enter into effect in July. The step, however, is opposed by many North American business leaders who sought to delay USMCA implementation because of the economic difficulties arising from the spread of the coronavirus.

"Given the pandemic's really unprecedented economic disruption, companies will need time to adapt to the new regulations, some of which have yet to be issued," said John Murphy, senior vice president for international policy at the U.S. Chamber of Commerce. "Industry wants the administration to show flexibility in the months before and after entry into force so they can focus on making payroll and avoiding layoffs."

July 1 aligns with Trump's goal, before the pandemic, for the deal to take effect this summer. Even before the coronavirus stalled the economy, former administration officials and industry leaders thought Trump's summer goal was "historically ambitious."

Last week, a private sector committee created by Congress to advise Customs and Border Protection urged the Trump administration not to implement the deal before 2021.

"Now is not the time to implement a trade agreement that contains so many important and meaningful changes that will impact certain industries in a significant financial manner," the Commercial Customs Operations Advisory Committee said.

Still, Trump officials have been undeterred in their push for the deal to take effect as soon as possible.

"The crisis and recovery from the Covid-19 pandemic demonstrates that now, more than ever, the United States should strive to increase manufacturing capacity and investment in North America. The USMCA's entry into force is a landmark achievement in that effort," U.S. Trade Representative Robert Lighthizer said in a statement.

Trump has viewed completion of USMCA as a major win to take into his 2020 reelection campaign. But industry and business sources have long said that the replacement deal for NAFTA will not have a major impact on the U.S. economy, given that the original deal eliminated most tariffs on goods traded between the three countries decades ago.

Some lawmakers have also urged the Trump administration to take more time with implementing the deal. Last month, an influential group of Senate Finance Committee members expressed concern that businesses do not have the information they need to adjust to the new rules in the USMCA.

"The Covid-19 pandemic has impacted governments, businesses, workers, and farmers globally, leaving little, if any, time and resources to prepare for a smooth transition to USMCA," they wrote in a letter to Lighthizer. "Entry into force should only happen after all necessary regulations are in place and our industries have had an opportunity to understand and implement them effectively."

And even though Mexico and Canada have certified they have completed the internal requirements necessary for the USMCA to take effect, lawmakers, former officials and trade experts have expressed doubt the three countries could do a comprehensive implementation of the deal — especially on changes to auto manufacturing rules and new labor enforcement rules — in such a short time.

Trump signed the deal into law in January, and Canada only finished its legislative process last month.

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North American Trade Deal to Take Effect on July 1

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House Ways and Means Chairman Richard Neal welcomed Lighthizer's notification, reminding that Democrats secured strong enforcement mechanisms in the new deal that will help protect workers.

"Worker protections and tools to respond to any instances of abuse have always been important, and the existence of mechanisms to hold countries and facilities accountable are particularly crucial now, given the pressures and dangers Covid-19 presents. I am proud to say that the USMCA provides these enforcement tools," Neal said in a statement.

It's unclear, however, whether the three countries will see any economic boost from the changes — especially with the world economy heading for a recession. Well before the pandemic, the U.S. International Trade Commission found the deal would raise U.S. GDP by $68.2 billion, or 0.35 percent, by the sixth year after it enters into force.

The USMCA would also create 176,000 U.S. jobs, increasing employment by 0.12 percent by the sixth year, according to the independent panel's analysis. It's unlikely voters this election cycle will feel any of the effects of the trade deal.

The three countries plan to offer some flexibility for automakers, which are already hurting from the pandemic as they are either dealing with shutdowns or working to produce medical equipment.

Earlier this week, the Trump administration said it would give automakers a new deadline of July 1 to submit a draft plan laying out a delayed process for complying with new USMCA rules. A final plan is due no later than Aug. 31.

Automakers will be able to petition for more time to comply with the agreement's rules. However, if approved, that petition would only apply to a small portion of an automaker's production.

Industry leaders have also expressed frustration that they have not yet seen the uniform regulations for automakers to follow.

Those regulations, which the three countries must agree to, have long been considered one of the most challenging issues for USMCA implementation, because it involves very specific formulas and documents auto manufacturers will need to understand and apply to their production.

The Trump administration is expected to offer its draft uniform regulations a month before the deal enters into force, two industry sources said.

The U.S. was the last country to certify that it has completed the required domestic procedures for the deal to go into effect. Mexico and Canada sent their notifications earlier this month.

USMCA rules state that the deal would go into effect "on the first day of the third month following the last notification," which is now July 1.

Lighthizer originally notified Congress in March that the U.S., Mexico and Canada intended for the deal to enter into force on June 1.

But the three countries missed a key deadline in March for the deal to fully take effect as planned in June.

OPINION: COVID-19 Lockdown: The Psychological Impact on Your Workforce

“I’m doing at least three jobs daily, sometimes simultaneously,” lamented Sara, a single mother of school-aged children who also has an elderly parent in hospice care.

“Most mornings I am up at dawn to accommodate calls with our staff in Asia so I can handle those before my kids awaken. My twin boys and my daughter are now being home-schooled because of the pandemic, so I try to get them started on academic assignments right after breakfast. It’s not easy though, because the kids aren’t accustomed to working from home and lack the discipline to stay on schedule without my prompting. Add to this the pressure of arranging in-home care for my father who lives two states away, and there are days when I feel like I’m at my breaking point. Unfortunately, those days are happening with increasing frequency.”

I asked Sara if she feels she’s giving her best to the job she once told me she loves. “Probably not, she responded, but I’m giving what I’ve got left and hoping it’s enough.”

With schools closed in over 100 countries to prevent the spread of the coronavirus, Sara is one of millions of employees working from home while trying to create some semblance of normalcy for their children in a world that seems anything but predictable. Couple these home-life stressors with the challenges of restructuring work practices that many employees are coping with, and you’ve got a recipe for high levels of workplace stress that can lead to poor outcomes.

A study from 2016 of more than 2,300 people suggests that workers in jobs with high demands and a low amount of control over their environment increase their odds of death by 15.4%.

Working parents aren’t the only individuals at risk for lockdown stress. Many people living alone and working remotely are suffering from isolation and boredom, cut off from the daily in-person interactions they may have enjoyed at work and restricted from participating in social events. As one client who lives in Eastern Europe told me, “I can’t remember the last time I experienced the touch of another human being. I’ve stayed in my apartment for more than six weeks, only venturing out for food. Even grocery shopping is stressful, as you try to keep distance from others and sanitize everything you bring home.”

So significant is pandemic-induced stress that the World Economic Forum predicts there will be a second wave of burnout and stress-related absenteeism in the latter half of 2020. What are the early actions that can leaders take to ameliorate these dire outcomes?

Communicate

Study after study of workplace stress, especially that being experienced during the pandemic, suggest that leaders who actively communicate what they know about the current and future state of the business help their employees feel more informed and empowered. Employee briefings and

OPINION: COVID-19 Lockdown: The Psychological Impact on Your Workforce

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updates need not be elaborate, but they do need to be frequent.

Based on the impact on your business, consider daily or weekly COVID-19 updates that are shared with your team. These can be done as email blasts or incorporated into your team briefing calls. It's important to single these briefings out as related to COVID-19 rather than bury the update in other communications. This helps employees see the direct connection between what's contained in the briefing and what they are experiencing day to day.

Reset expectations

Your employees may have understood their role expectations six months ago, but things have changed significantly since then. Move up and adjust your midyear or annual review process to focus on each employee and what they need from you to be successful through this pandemic.

Rather than the review being used to provide feedback on past performance, consider engaging in one-on-one discussions with your team to level-set the new reality and underscore your desire to support their success. This gives you the opportunity to discover what employees are able to do well, despite the current circumstances, and where they are struggling.

Foster social engagement

Don't underestimate the value of an "attitude adjustment hour." You may not be able to offer half-priced cocktails and a special dining menu, but you can use the power of technology to create a virtual happy hour for your team. Employees on lockdown who feel isolated may especially value time to interact with work colleagues and friends in a social setting.

Survey your team to determine their interests, and allow them to participate in designing the format so that everyone has an opportunity to give input.

Offer a support line

If your company has an employee assistance program, make sure your team understands the services available through that program and has access to resources for psychological support. Sending out a written communication about these services is a good first step. As a follow-up, consider inviting a member of your HR or health services department to a team call so they can speak specifically about the benefits offered and address directly and openly people's stress issues.

If your company doesn't have an EAP, work with your HR department to source the mental health services and support information that are available in your local community.

Keep in mind that even employees who typically rise to challenges may waver under the strain of a continued pandemic. Your own perspective and positive mindset play a role in how you help your team manage through this time period. This may not be the new normal, but it is the current now, so your leadership makes all the difference in how your team will navigate the trials of the coming months.

South Korea Imports More US Crude in March

South Korea's imports of crude from the Americas, mainly from the US, rose to a new record high of 683,000 b/d in March, surpassing the previous high of 623,000 b/d in October 2019.

US crude has gained market share in South Korea this year. Crude from the Americas contributed 21pc of the South Korea's total crude imports during January-March against 15pc for the same period a year earlier, according to data from state-owned KNOC.

South Korea's total crude imports in March fell to 2.713mn b/d, down by 8.8pc from February and lower by 3.5pc from March 2019. Imports fell despite stable refinery runs. South Korean refinery throughputs were 2.83mn b/d in March, steady from February. But throughputs were lower compared with March last year when they were 2.95mn b/d.

South Korea imported 1.68mn b/d of crude from the Mideast Gulf in March, down from 2.05mn b/d imported in February and lower from 2.04mn b/d in March last year. March imports of crude from Saudi Arabia, South Korea's biggest crude supplier, were steady from February at 809,000 b/d and higher than 636,000 b/d in March 2019. But imports from Kuwait fell to 324,000 b/d in March from 485,000 b/d in February and 387,000 b/d in March last year.

Mideast Gulf crude contributed 66pc of South Korea's January-March crude imports against 73pc a year earlier.

Imports of crude from Africa rose to 78,000 b/d in March from just 23,000 b/d the previous year. South Korea imported 96,000 b/d from Africa during January-March compared with 56,000 b/d in the same period last year. African crude made up about 3.3pc of South Korea's total imports during January-March, a rise from a 1.8pc share a year earlier.

Asia-Pacific crude made up 9.1pc of South Korea's January-March imports compared with 11pc the same time last year. Imports of Indonesian crude fell to zero during January-March compared with 12,000 b/d for the same period last year. Indonesia has cut its crude exports sharply the last year following a regulation requiring foreign producers in the country to offer their output to state-owned refiner Pertamina.

COVID-19 Mitigation Efforts Result in the Lowest U.S. Petroleum Consumption in Decades

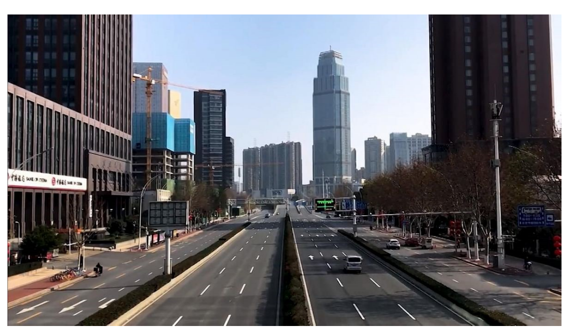
U.S. consumption of petroleum products has fallen to its lowest level in decades because of measures that limit travel and because of the general economic slowdown induced by mitigation efforts for the coronavirus disease 2019 (COVID-19). The U.S. Energy Information Administration (EIA) estimates the decline in petroleum product demand by examining the changes in total product supplied, EIA's proxy for consumption. As outlined in EIA's Weekly Petroleum Status Report, published yesterday, total petroleum demand averaged 14.1 million barrels per day (b/d) in the week ending April 17, up slightly from 13.8 million b/d in the previous week—the lowest level in EIA's weekly data series, which dates back to the early 1990s. The most recent value is 31% lower than the 2020 average from January through March 13, or before many of the travel restrictions began.

In the week ending April 3, total U.S. product supplied of petroleum products fell by 3.4 million b/d, the largest weekly decline in EIA's data series. Changes in the weeks since then (weeks ending April 10 and April 17) have been more muted, suggesting that consumption is stabilizing.

Total petroleum demand measured as product supplied consists mostly of motor gasoline (45% of the 2019 total), distillate fuel oil (20%), jet fuel (9%), and chemical feedstocks and other fuels (26%). EIA uses estimates of product supplied from the Weekly Petroleum Status Report (WPSR) as a proxy for consumption because WPSR reports the amount of petroleum products that leaves the primary supply chain for ultimate delivery to consumers. The timing of changes in product supplied might not align with end-use consumption patterns because of variations in the timing of when respondents (such as refineries, importers, and bulk terminals) report movements of products within the primary supply chain.

Motor gasoline consumption has declined the most in absolute terms. Before many businesses were shut down and stay-at-home orders were issued, motor gasoline product supplied averaged 8.9 million b/d, based on 2020 data through March 13. Since then, motor gasoline product supplied has fallen 40% to 5.3 million b/d as of the week ending April 17. This decrease in motor gasoline product supplied accounts for 54% of the total change in product supplied. U.S. consumption of jet fuel experienced the largest drop in relative terms, declining 62% from a pre-shutdown average of 1.6 million b/d to just 612,000 b/d on April 17.

The decline in distillate fuel oil consumption so far has been less severe than the changes in motor gasoline and jet fuel. Through March 13, distillate product supplied averaged 3.9 million b/d in 2020. By the week ending April 17, distillate product supplied was 20% lower, at 3.1 million b/d. Distillate fuel oil is primarily consumed as diesel fuel, the predominant fuel of the trucking, locomotive, and agricultural sectors. Continued demand for distribution of necessities such as food and medical supplies and increased home deliveries for goods likely contributed to relatively stable demand for distillate fuel in the initial weeks following the shutdown.



Trump Developing Plan to Aid Oil Industry Despite Opposition

A plan being weighed by Treasury Secretary Steven Mnuchin to steer financial aid to beleaguered oil drillers could set up a clash with Democrats who have warned against any bailout for the industry.

Mnuchin said he is considering a lending program for the companies that are seeking aid as they cope with a devastating plunge in prices.

"One of the components we're looking at is providing a lending facility for the industry," Mnuchin told Bloomberg News on Thursday. "We're looking at a lot of different options and we have not made any conclusions."

Taking a stake in oil companies was one of many options the White House was examining, Mnuchin told reporters Friday.

Industry allies have promoted several ideas, such as loans to distressed producers in exchange for government stakes or lifting restrictions on existing aid programs, which could complicate negotiations on future stimulus packages.

President Donald Trump pledged to make funds available to oil companies on Tuesday, and top cabinet officials have been huddling over a plan to deliver on the president's tweeted promise to ensure "these very important companies and jobs will be secured long into the future."

Trump suggested Friday that one option would be to "buy oil at a great price into the future.""That gives them the infusion we need and we have oil at a great price into the future, so that's something I'd like you to think about," he said to Mnuchin during a White House bill signing ceremony.

The effort comes as analysts predict a wave of bankruptcies among oil producers struggling to survive an unprecedented collapse in crude prices and demand tied to coronavirus-spurred lockdowns that have grounded planes and kept cars off the road. Oil is set to edge lower for this week after a plunge Monday in New York sent prices below zero for the first time in history.

Mnuchin wouldn't say whether the program would be housed at the Treasury Department or at the Federal Reserve, which has created loan facilities to help businesses hard hit by the economic collapse triggered by the outbreak.

But congressional Republicans have warned that the lending created by the $2 trillion stimulus package isn't enough to head off the "growing emergency."

Industry advocates are pushing for changes to ensure oil companies can tap loans restricted to firms that had credit ratings of at least BBB-/Baa3 as of March 22, 2020. Some oil companies saw their debt downgraded even before that deadline as they were pummeled by both the pandemic-spurred collapse in fuel demand and a surge in crude unleashed by a Russia-Saudi Arabia battle for market share. That March 22 ratings deadline could be a big obstacle for shale producer Occidental Petroleum Corp., which had its debt cut to junk by Moody's on March 18, with Fitch and S&P following on March 20 and March 25, respectively.

Republicans led by Senators Kevin Cramer of North Dakota and Ted Cruz of Texas argue the Treasury Department and Fed should shift the date earlier so company ratings predate the Russia-Saudi maneuvering. They are also asking for additional flexibility on credit score requirements.

Debt Payments

Separately, the Independent Petroleum Association of America wants the Fed to permit oil companies to use loans under the Main Street program to pay off existing debt coming due amid the crisis. In a letter to Powell, IPAA president Barry Russell said that change would provide a "bridge to recovery for businesses that would have otherwise been able to meet their debt obligations, were it not for the virus."

Administration officials have indicated they are receptive to changes. "We are working very closely together to ensure all the folks in the producing community have access to those types of loans, that type of liquidity," Energy Secretary Dan Brouillette said during a interview on Bloomberg Television.

US Delays Oil Pipeline Approvals After Environmental Ruling

The U.S. Army Corps of Engineers has suspended a nationwide program used to approve oil and gas pipelines, power lines and other utility work, spurred by a court ruling that industry representatives warn could slow or halt numerous infrastructure projects over environmental concerns

The directive from Army Corps headquarters, detailed in emails obtained by The Associated Press, comes after a federal court threw out a blanket permit that companies and public utilities have used for decades to build projects across streams and wetlands.

The Trump administration is expected to challenge the ruling in coming days. For now, officials have put on hold about 360 pending notifications to entities approving their use of the permit, Army Corps spokesman Doug Garman said.

The agency did not provide further details on types of projects or their locations.

Pipeline and electric utility industry representatives said the effects could be widespread if the suspension lasts, affecting both construction and maintenance on potentially thousands of projects. That includes major pipelines like TC Energy's Keystone XL crude oil line from Canada to the U.S. Midwest, the Mountain Valley natural gas pipeline in Virginia and power lines from wind turbines and generating stations in many parts of the U.S.

"The economic consequences to individual projects are hard to overstate," said Ben Cowan, a Houston-based attorney with Locke Lord LLP who represents pipeline and wind energy companies. "It could be fatal to a number of projects under construction if they are forced to stop work for an extended period in order to obtain individual permits."

The Army Corps has broad jurisdiction over U.S. waterways. It uses the blanket permit to approve qualifying pipelines and other utility projects after only minimal environmental review. That's a longstanding sore point for environmentalists who say it amounts to a loophole in water protection laws and ignores the cumulative harm caused by thousands of stream and wetlands crossings

Industry supporters describe the program as crucial for timely decisions on projects that can stretch across multiple states and cross hundreds of water bodies. Analyzing each of those crossings would be costly and is unnecessary because most involve little disturbance of land or water, they said.

Since the blanket permit in question, known as Nationwide Permit 12, was last renewed in March 2017, it has been used more than 37,000 times, Army Corps spokesman Garman said. To qualify, projects must not cause the loss of more than a half-acre of water or wetlands.

The ruling in Montana was in a lawsuit before U.S. District Judge Brian Morris involving the disputed Keystone XL oil pipeline from Canada. Work began earlier this month on the 1,200-mile (1,930-kilometer) line stretching from Alberta to Nebraska that has been championed by President Donald Trump.

Morris said using the blanket permit for water crossings was illegal because the Army Corps did not adequately consider potential harm to imperiled wildlife species when it re-authorized the permit in 2017. The judge pointed to concerns among scientists that construction could stir up sediment and bury the food source of an endangered, dinosaur-like fish — the pallid sturgeon.

The judge did not limit his findings to Keystone, so the ruling is being interpreted for now to apply to any project using Nationwide Permit 12. The Montana case was cited last week in a lawsuit over a 430-mile (692-kilometer) natural gas pipeline in central Texas. Plaintiffs including the city of Austin said last week's ruling invalidated the Army Corps' work on the Permian Highway Pipeline.

Because there are no streams or other water bodies near the northern Montana border crossing where Keystone XL is currently under construction, that work was not immediately halted. Yet it's an obstacle to future work given the many water crossings along the line's path.

Army Corps regulatory program Chief Jennifer Moyer said in an April 17 email obtained by AP that "out of an abundance of caution" she was ordering agency personnel across the nation to stop verifying companies as compliant with the blanket permit.

Questions about the directive were referred to U.S. Department of Justice spokesman Wyn Hornbuckle, who declined comment because the case is still in litigation.

An attorney for one of the environmental groups that brought the Keystone lawsuit said critics of the permit program pushed for changes when it was last renewed but were rebuffed. To prevent the problem it now faces, the Army Corps should have consulted more closely with wildlife agencies to craft a program that would better avoid impacts, said Jared Margolis with the Center for Biological Diversity.

"They knew what they had to do and they were avoiding it and they got caught," Margolis said.

Labor and industry groups led by the American Petroleum Institute and Interstate Natural Gas Association of America said in a statement that the nationwide permit was "critical to the responsible and efficient development and maintenance of energy and other vital infrastructure." The groups said the permit had been successfully applied to pipelines, broadband cable, water mains and other utilities.

For electricity providers, the court ruling could jeopardize efforts to maintain the energy grid by calling into question the status of projects that use the permit, said Emily Sanford Fisher, general counsel for the Edison Electric Institute, which represents investor-owned electric companies in the U.S..

Cowan, the industry attorney, said he anticipates government attorneys will move quickly to file an appeal or a request with Morris to clarify his ruling.

"The fact that this case involves the Keystone pipeline will almost certainly elevate its profile within the administration," he said.

Oil Storage Filling Up is a Real Threat, and Few Options Exist

U.S. crude oil storage could reach capacity limits in about four months, we believe, and there's little suppliers can do about it. Shut-in production won't help soon enough, and the Strategic Petroleum Reserve and oil tankers aren't long-term solutions. WTI crude below $30 is unsustainable, with break-evens well above that level.

Focus on working storage, not shell capacity
Working storage is a more useful measure of crude oil capacity, we believe, reflecting the true maximum inventory level. It's not possible to fill all capacity, since oil-storage and transport systems require some flex space at all times to receive flows from pipelines, tankers, barges and rail. We've excluded these forms of transit from our calculation of storage, since they aren't permanently available. We've also removed floating storage, since that capacity can be volatile and difficult to measure.

Net available shell capacity is an oft-cited metric, but its use is dubious since volume in tank bottoms is difficult to process, as it sits below normal suction lines and includes water and sediment. Also, contingency space must remain empty to maintain the integrity and safety of operations.

It won't take long to fill storage capacity
With capacity about 72% filled, our analysis suggests U.S. oil storage could top out in less than four months if inventory additions match the recent 13.8 million-barrel pop and current production is sustained. Though lower capital spending will curb output in 2020, production in the U.S. started falling about seven months after benchmark prices peaked in the last down cycle that began in late 2014. The severity of the price decline this time should lead to a more rapid and profound retreat in volume, but we doubt it will come soon enough to substantively alter the buildup of stockpiles.

EIA publishes storage data twice a year, with the next update set for May. We analyzed the data released in November, focusing on refinery, tank and underground working storage as a more accurate representation of capacity.

Don't focus too much on Cushing storage hub

The structural shift stemming from rising exports of U.S. light, sweet crude grades will continue to challenge the dominance of oil priced at Cushing, Oklahoma, an increasingly outmoded hub. Its role as the delivery and settlement point for futures contracts traded on CME's Nymex dates to when WTI was a landlocked commodity and production was more concentrated. Blending requirements to meet futures-contract specifications and limited capacity at Cushing misrepresent underlying market fundamentals, don't reflect global market conditions and distort the mechanism for pricing U.S. crude.

Oil capacity at Cushing is concentrated among three infrastructure titans — Plains All American (25 million barrels), Enbridge

Oil Storage Filling Up is a Real Threat, and Few Options Exist

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(20 million), and Magallan (13 million) — controlling about 60% of storage.

SPR only a short-term solution for U.S. E&Ps

Renting vacant space in the Strategic Petroleum Reserve (SPR) to domestic E&Ps for storing the deluge of crude isn't a sustainable alternative for the U.S., in our view. Only 11% of the SPR's capacity of 713.5 million barrels remained available at the end of March, including space for just 30 million barrels of light, sweet crude, the most abundant oil produced in the U.S. The SPR should be viewed as storage of last resort, since capacity would fill quickly with domestic output at 13 million barrels a day. Along the Gulf Coast, salt caverns — the lowest-cost and most environmentally secure sites — have been used to store crude since the SPR was created in the mid-1970s. Bryan Mound in Texas, with more than 247 million barrels of capacity, and Louisiana's West Hackberry, with 220.4 million, are the largest sites.

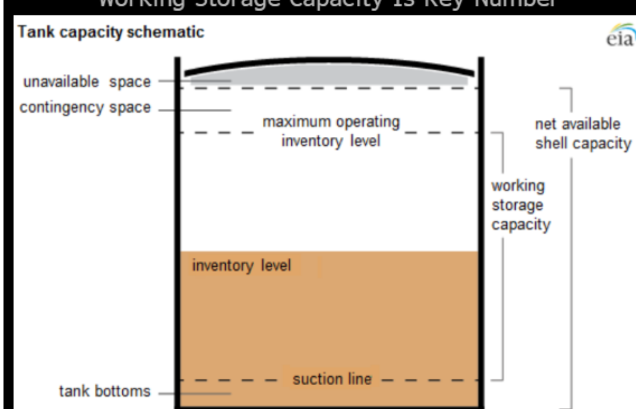
Floating oil storage not a permanent solution
Storing crude oil on tankers isn't our preferred strategy, given uncertain, inflexible capacity and volatile tanker rates. Salt caverns — the cheapest form of storage at about 25 cents a barrel — and above-ground tanks (50-75 cents) are still the most stable and cost-effective options. Opportunities to profit from tanker storage remain should the contango widen, but the spike in tanker rates and the rather opaque shipping market present obstacles.

Gulf Coast floating storage jumped to over 8.4 million barrels recently as elevated supply and the demand hit from Covid-19 skewed balances. Yet storage levels haven't reached the peaks of 2016-17, when the contango wasn't as pronounced. Geopolitics and the unknown path of infections complicates the analysis.

Four Oil Storage Facilities -- Huge Salt Caverns

Source: Energy.gov

Working Storage Capacity Is Key Number



Source: EIA, DOE, Bloomberg

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