SSDA News

Service Station Dealers of America and Allied Trades

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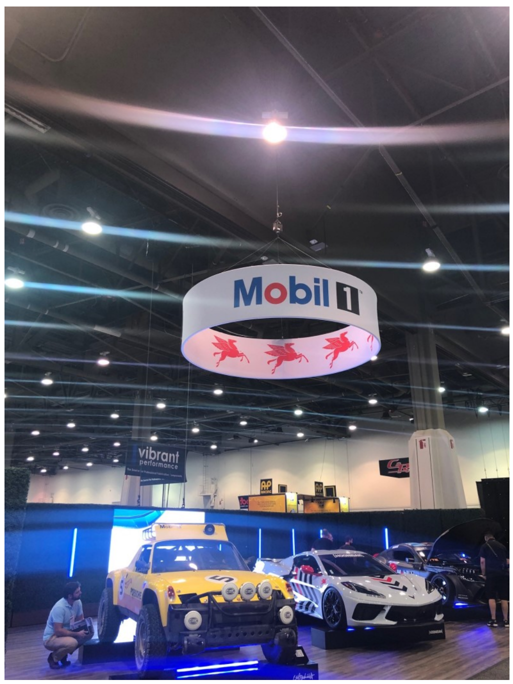
INSIDE THIS ISSUE:

SSDA-AT Meets in Las Vegas for Annual Meeting

By Roy Littlefield



SSDA-AT held it's annual meeting during the 2021 SEMA Show Nov. 2-5 (Tuesday- Friday) in Las Vegas.

The SSDA-AT Annual Meeting took place on Thursday, November 4, 2021 in the Las Vegas Convention.

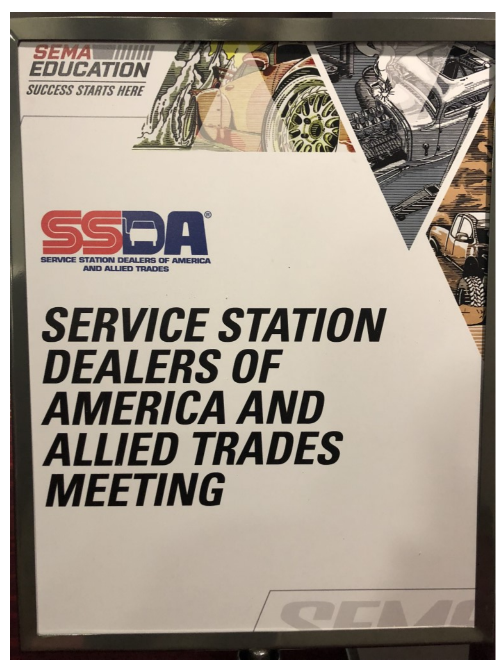
We thanks all those SSDA-AT members who attended.

At the meeting, the group reviewed the new federal position papers for 2021 on the top 10 issues SSDA-AT is working on in Congress.

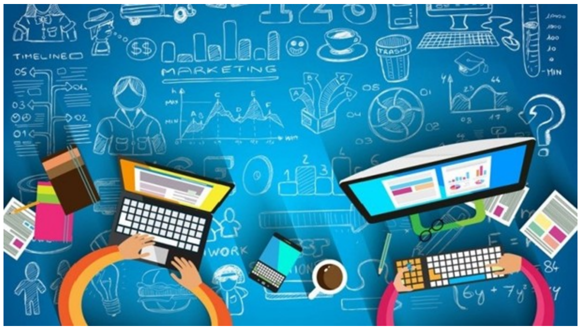
Finding reliable labor remains an issue of concern for SSDA-AT members and we will work to address this through partnerships and other potential opportunities.

SSDA-AT plans to hold their next meeting virtually and we will explore options for another in person meeting in the Spring.

Once again we thank those who attended!



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 av-

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erage person won't go past the first 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.

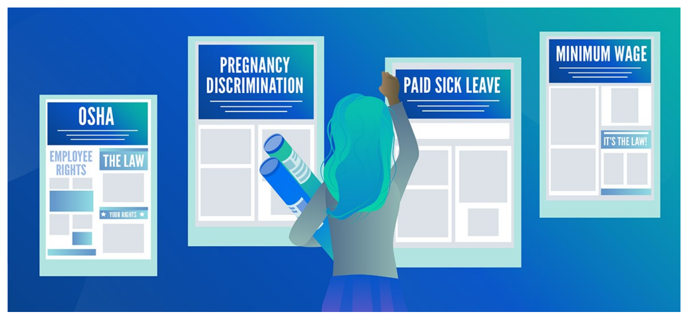
Professional designers and digital marketers take time to ensure each website design captures the individuality of the business, provides an excellent user-experience, and can be easily found online. A custom-designed responsive website is where it's at.

All Employers Are Required to Display Federal and State Postings

All employers are required to post certain federal and state postings.

On a federal level, if an employer has less than 50 employees, they are required to post 5 notices: Fair Labor Standards Act; Employee Polygraph Protection Act; Equal Employment Opportunity; Uniformed Services Employment and Reemployment Rights Act; and Occupational Safety and Health Administration.

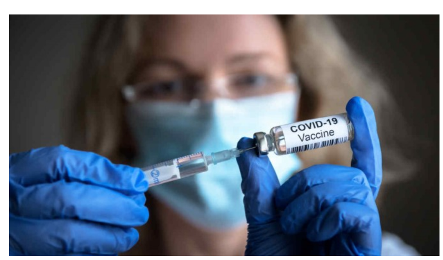
If an employer has 50 or more employees, federal law requires that they also post a notice related to the Family and Medical Leave Act. Each state has varying requirements on what notices must be posted.



Handling Employee Religious Objections To Mandatory Vaccine Policies

Whether an employer decides to have a mandatory vaccine policy (or is required to do so by a government mandate), it will have to manage employee requests to be excused from those requirements based on a disability or a religious belief.

While granting an accommodation based on a disability can easily be made by requiring employee to provide medical certification, the more difficult consideration may be when employees object to receiving a vaccine based on a religious belief.



$445,520 in Back Wages, Damages Recovered for 102 Workers Due to Reported FLSA Violations

WHD
U.S. Wage and Hour Division

The U.S. Department of Labor Wage and Hour Division (WHD) has announced that employers in New Jersey and Virginia have settled reported violations of Fair Labor Standards Act (FLSA) minimum wage, overtime, and recordkeeping requirements, recovering $445,520 in back wages and damages for 102 affected workers.

- "Off-the-books" cash salary. Pearl River Wholesale has paid $21,093 in back wages and liquidated damages for four workers to whom it reportedly paid an "off-the-books" cash salary that dropped their regular hourly wage below the federal minimum wage rate, and also denied overtime when they worked more than 40 hours in a workweek.
- Straight time, no OT. Nanard Enterprises Inc. and Oilube R We Inc., the owners of two Westwood, New Jersey, carwashes, must pay $325,000 in back wages and liquidated damages to 45 employees for reportedly failing to pay the minimum wage and overtime. Some employees who worked as many as 70 hours in a workweek received only straight time for all the hours they worked.
- OT for home healthcare workers. Angel Wings Home Health Inc. will pay $99,427 to 53 personal care aides and certified nursing assistants to resolve reported violations of overtime and recordkeeping requirements. The Danville home healthcare agency failed to pay the employees time-and-a-half when they worked over 40 hours in a workweek, as the FLSA requires. The employer also failed to maintain accurate records of total weekly hours worked, as required.

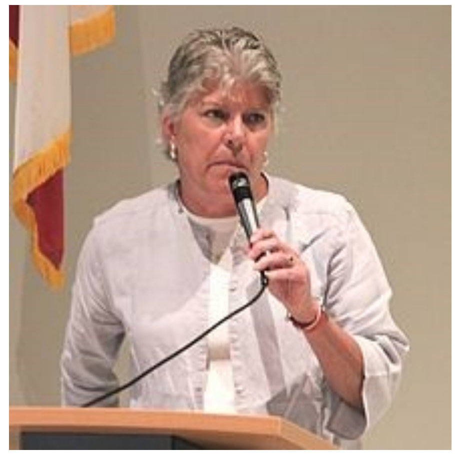
US House Panel Approves Pipeline Bills After California Oil Spill, Transportation Topics

Legislation designed to enhance the safety of offshore pipelines recently was approved by a committee in the U.S. House of Representatives.

The panel's move was in response to recent pipeline accidents and leaks, primarily in Southern California, for which Republican lawmakers are criticizing the Biden administration's policies.

The House Natural Resources Committee this month advanced legislation that would require oil and gas facility operators to alert regulators of equipment failures across critical systems. The notification would need to be provided within 30 days. The bill, the Offshore Accountability Act, is meant to update industry reporting standards as a way of augmenting transparency of critical pipeline systems, according to its sponsor, Rep. A. Donald McEachin (D-Va.).

"Passage of the Offshore Accountability Act is an important step toward greater transparency and accountability of the offshore oil and gas industry," McEachin said. "As we have seen from prior tragedies, like the Santa Barbara and Deepwater Horizon oil spill, offshore drilling accidents can be dangerous, expensive and life-altering for coastal communities



and critical ecosystems. All Americans, especially those in coastal communities, deserve transparency from industries operating in our oceans."

In related news, the committee advanced the Offshore Pipeline Safety Act, sponsored by Rep. Julia Brownley (D-Calif.), that would require additional inspections of owners of oil and gas pipelines. The bill would specifically call for third-party inspections every two years. The measure also would press for modernizing leak detection systems, and it would impose certain annual fees on oil and gas pipeline oper-

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US House Panel Approves Pipeline Bills After California Oil Spill, Transportation Topics

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ators.

The measure is based on a Government Accountability Office report, which recommended regulators "take actions to further develop, finalize and implement updated pipeline regulations to address long-standing limitations regarding its ability to ensure active pipeline integrity and address safety and environmental risks associated with pipeline decommissioning."

Senior Republican policymakers, meanwhile, have pointed to policies and proposals from the Biden White House and key Democrats for recent pipeline events such as the California offshore oil spill. These senior Republicans also blame policy directives from Democratic leaders for the country's supply chain crises.

"While Democrats trip over themselves to blame their favorite scapegoat, 'big oil,' for the California spill, the facts tell a very different story. The unprecedented, massive bottleneck of cargo ships in the port is a direct threat to critical underwater infrastructure across the California coastline. When ships are forced to anchor in overly congested waters, disasters are inevitable," said House Natural Resources Committee ranking Republican Bruce Westerman of Arkansas.

He continued, "No amount of regulations will solve the crisis of President [Joe] Biden's own making."

"The policies of the president and his party's leaders in Congress are exacerbating or ignoring the underlying supply chain issues, from their mishandling of the COVID[-19] response in ways that are prolonging unemployment and worker shortages across the economy, to their push for a multitrillion-dollar spending spree that is driving up prices of everything from gas to groceries," added Rep. Sam Graves (R-Mo.), ranking member on the Transportation and Infrastructure Committee.

Earlier this month, agencies monitoring the waters off the coast of Southern California confirmed there had been a pipeline rupture that spilled crude oil into the ocean. The spill took place while a massive backup of ships was waiting for access to ports.

Big Oil Courts U.S. Clean-Energy Startups in Bid to Speed Green Transition, Reuters

U.S. clean-energy startups are booming as oil companies are giving them more attention and cash in a bid to speed up their own green transitions.

Investors want oil producers to accelerate a move away from fossil fuels by selling cleaner energy and developing technology to eliminate climate-warming gases.

Entrepreneurs proposing to harness energy from offshore wind and waves, generate hydrogen from waste gas and build fuel storage networks from old wells are attracting attention from Big Oil.

Oil companies are often partnering with and investing in new enterprises that have started at clean-energy incubators. Some oil firms have set up their own incubators and venture teams to find and fund greentech.

U.S. oilfield services firm Halliburton (HAL.N) works with eight clean-tech fledglings and is recruiting more for an in-house startup accelerator that provides each $100,000 in seed money.

Baker Hughes (BKR.N) is collaborating with incubator Greentown Labs to get a window into emerging technologies and provide advice to startups. Oil majors Eni SpA (ENI.MI) and Repsol SA (REP.MC) have approached U.S. clean-tech ventures through investment arms.

There are roughly 20 clean-tech U.S. incubators tracked by the Electric Power Research Institute. But that number likely undercounts the total because of their rapid growth, said Julia Travaglini, vice president of marketing for Greentown Labs.

"We're seeing across-the-board an uptick in clean energy" incubators, added Lindsay Schuenke, director of content at the International Business Innovation Association, which works with business development groups.

Crunchbase, which measures venture capital investments, says clean-energy startups so far this year have taken in $11 billion, up from $5.6 billion for all of 2020. Startups still in business after five years is a key measure of success, said Chris Ilsley, chief executive of North Shore InnoVentures, a 12-year-old clean tech incubator outside of Boston.

It and Greentown Labs say 80% to 85% of their fledglings are still in business after that period, compared to just 20% of startups overall.

Another measure is corporate interest in the companies.

One of the companies that spent a year at North Shore InnoVentures developing a fast-charge battery, SES Holdings, later won deals with automakers General Motors (GM.N) and Hyundai Motors (005380.KS). Another, low-power semiconductor designer Arctic Sand Technologies, was bought by Japanese chip maker Murata Manufacturing for $68 million.

POWER FROM OLD WELLS

Big Oil Courts U.S. Clean-Energy Startups in Bid to Speed Green Transition, Reuters

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Moonflower Technologies' subsidiary PowerWell, a startup that proposes to convert abandoned oil wells into gravity-based energy storage systems, hopes to turn its concept into a commercial product, by winning support from Halliburton's incubator.

The Houston-based venture also drew interest from energy technology provider Baker Hughes, which has suggested helping with efforts to source materials, said co-founder Carrie Criado. Incubators have allowed it to “learn a lot and learn it faster with the resources they offer,” she said.

Thiozen Inc, a Massachusetts startup developing a way to turn a waste gas into a clean-burning fuel, talked to three incubators before choosing North Shore InnoVentures, said President Ryan Gillis.

Oil giant ENI recently agreed to help finance a pilot test of Thiozen's technology to generate hydrogen from sour gases that must be heavily processed. Another startup, NanoTech Inc, aims to reduce energy waste in oil, chemical and construction industries through a unique fire-proofing and insulation coating. It won seed financing from Halliburton Labs.

TOUGH TRANSITIONS

Established businesses gain from incubators because the relationship "diversifies and distributes the risk" of new technologies, said Thomas McNulty, a managing director at business consultants ValueScope Inc.

It lets internal R&D teams "focus on commercialization and scale as the scouts find technologies out in the incubators," McNulty added. But the risk for big oil companies looking to create new revenue steams is that these ventures may not grow fast enough or generate enough profit to replace declines in traditional businesses.

"If history is a guide, they will not be successful," said Chris Duncan, a research analyst at investment firm Brandes Investment Partners.

FLOCKING TO INCUBATORS

That has not stopped energy companies including BHP, Chevron, Engie or investment bank Tudor Pickering Holt & Co. from partnering with Greentown Labs' Houston operation.

Baker Hughes sends staff to listen to technology pitches, view work by researchers and to provide commercialization advice, said Nigel Jenvey, a Baker Hughes executive for strategy and growth initiatives.

Roy Robinson, CEO of Excipio Energy, which designs floating platforms that convert wind, ocean waves and tides to energy, said the relationships formed are mutually beneficial.

"The energy companies see that there is a transition, and that there is money to be made," said Robinson, a former Repsol manager. The payoff can include a stake in a promising new venture. Halliburton gets a 5% share of startups that join its accelerator, said one startup founder who met with its executives.

Electric cracking for petrochemicals production likely to take over a decade – Dow CEO

Author: Joseph Chang

Electric cracking (e-cracking) for production of petrochemicals will likely take more than a decade to implement, Dow's CEO said.

"Long term, electric steam cracking is under development, but to put it into context, we can do hydrogen today at an equivalent capacity of what might be an 850 megawatt (MW) power plant," said Jim Fitterling, CEO of Dow, at the company's Investor Day media conference call.

This compares to Dow building a 25MW electric steam cracker pilot plant today, he noted.

Dow is working with Shell to develop e-cracking. In e-cracking, electricity would be used to heat cracker furnaces rather than natural gas. If that electricity comes from renewables such as solar and wind, it would largely decarbonise the process.

Dow and Shell are building their e-cracking pilot plant in Amsterdam, the Netherlands.

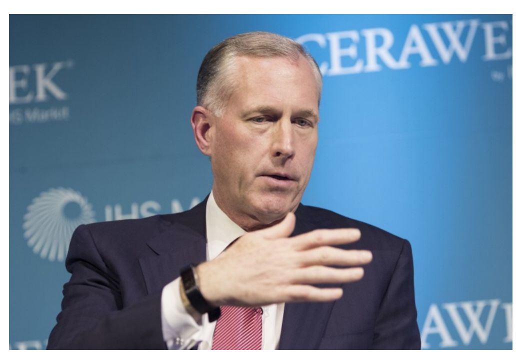
"It's going to take more than a decade to see electric steam cracking or advanced batteries to be able to help us handle it. And I doubt we'll have the amount of alternative energy to help us make that transition," said Fitterling.

Dow will not use e-cracking at its new 1.8m tonne/year net-zero carbon emissions cracker in Fort Saskatchewan, Canada planned for start-up n 2027.

Instead, a key element to bring the cracker to net-zero carbon emissions will be converting off-gases from the cracker to hydrogen through an Auto-Thermal Reformer (ATR). The hydrogen would be used to fuel the cracker, and potentially also fuel power and steam production. Meanwhile, CO_2 from the process would be captured onsite and then transported and stored with third party CO_2 infrastructure.

Dow is also working to reduce CO_2 emissions at its Terneuzen, Netherlands cracker site by 40% by 2030 through the use of clean hydrogen and carbon capture and storage (CCS), along with the replacement of some gas turbines with electrical motor drives, which is separate from e-cracking.

To implement e-cracking at Terneuzen's 600,000 tonne/year cracker would require around 450MW of green power, said Dow chief technology officer A.N. Sreeram at Dow's Investor Day.



Buttigieg says Biden's Infrastructure Proposals Would Help Supply Chain Crisis, CNN

Transportation Secretary Pete Buttigieg believes President Joe Biden's infrastructure proposals would help alleviate issues in global supply chains that have slowed the global economic recovery from the coronavirus pandemic.

"We are relying on supply chains that were built generations ago. It's one of the reasons why this entire year we have been talking about and working on infrastructure and are eager to see Congress to act to get this infrastructure deal through," Buttigieg told CNN's Brianna Keilar on "New Day."

Buttigieg's comments come as Biden's economic agenda remains stalled in Congress because of sharp divisions within the Democratic Party about the size and the scope of a package to expand the nation's social safety net.

The Transportation secretary, who is part of the Biden administration's Supply Chain Disruptions Task Force, told CNN that there currently are record levels of containers and other goods coming into US ports but there is more demand than the supply chain can support.

The White House announced it would work with companies and ports on a "90-day sprint" to alleviate bottlenecks. The Port of Los Angeles will move to 24/7 service, bringing it into line with operations at the Port of Long Beach, which is already working on a 24/7 schedule. Those two ports handle 40% of container traffic in the US.

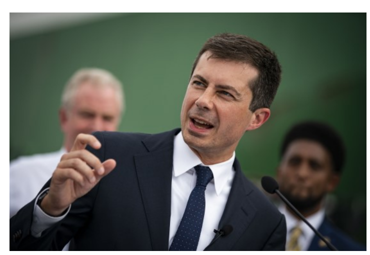
Buttigieg told CNN this move "can make a big difference," but won't be the cure-all solution. He stressed the need for the private and public sectors to work together to address the issues.

Biden is set to deliver remarks on efforts to address global transportation supply chain bottlenecks after meeting with senior officials and stakeholders to discuss the matter. The President will be meeting virtually this afternoon with port operators, truckers' associations, labor unions and executives from Walmart, FedEx, UPS, Target and Samsung to discuss the supply chain issues.

The global supply chain issues have been getting worse, spurring shortages of consumer products and making it more expensive for companies to ship goods. A shortage of truck drivers has added to supply chain constraints and has made the delivery of goods to consumers even more costly and slow.

"This is a largely private sector system, and a global one at that, but there are a lot of steps that we can take as an administration, as an honest broker," Buttigieg said on "New Day."

He continued: "That's what the President has directed us to do and that's part of why we're gathering right here at the White House with leaders from the ports of LA and Long Beach, labor leaders and the private sector companies that, you know, the Fedexs, UPSs, Walmarts, others who play that role on everything that happens between when something arrives on a ship and when it gets to the shelves so you can get it to your home."



U.S. Gasoline Exports in May, June, and July Reach New Seasonal Highs, eia

Motor gasoline exports from the United States reached record highs in May, June, and July for each of these months, according to our Petroleum Supply Monthly (PSM). Summer exports in May, June, and July reflect a departure from the historical seasonality of gasoline exports because gasoline export levels are usually low during the summer.

In May, exports of motor gasoline (the combination of exports of finished motor gasoline and motor gasoline blending components) averaged 941,000 barrels per day (b/d), or 276,000 b/d (41%) more than the five-year (2016–2020) average for May. June exports averaged 935,000 b/d, exceeding its five-year average by 230,000 b/d (33%). In July, gasoline exports again averaged 935,000 b/d, exceeding the five-year average for July by 181,000 b/d (24%).

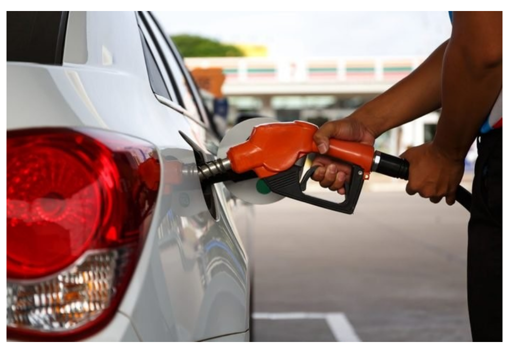
Gasoline exports from the United States are typically highest in the winter and early spring, when domestic gasoline demand is lower and refinery operations continue at the summer and fall pace to meet seasonally higher distillate demand. For that reason, refineries produce more gasoline during the winter and early spring than U.S. consumption, and the extra production contributes to rebuilding seasonal inventories and to sending exports.

During the summer, more domestic consumption often reduces the availability of gasoline for export, contributing to lower exports during that time of the year. Although the export volumes during this May, June, and July are noteworthy because of their elevated levels during the summer, the United States usually exports more gasoline during the later months of the calendar year.

The United States exports distillate fuel oil to a relatively diverse set of destinations, but U.S. exports of motor gasoline go primarily to Mexico. Exports to Mexico typically accounted for between 50% and 70% of all U.S. gasoline exports over the past five years. Gasoline exports to Mexico were a major contributor to the increased summer exports this year.

Mexico imported more gasoline than average between May and July 2021 for several reasons. A refinery fire at PEMEX's 285,000-b/d Minatitlan refinery required extensive repairs, resulting in reduced PEMEX gasoline production in May and June compared with their five-year averages, based on reports from PEMEX. Also, a cyberattack in the United States temporarily disrupted the ability to move gasoline and other products along the critical Colonial Pipeline system in May, which might have encouraged Gulf Coast refiners to export volumes to Mexico that would otherwise have been distributed within the United States.

Gasoline exports were elevated during the summer, but the United States has also imported more gasoline by month through most of this year than the previous monthly five-year averages. U.S. cold weather refinery outages in February led to increased gasoline imports in March to compensate for the lost production. Even after U.S. refinery production resumed, imports have remained above the five-year average and often above the five-year high.



US Energy to Acquire Producing Assets in Deal Valued at $99.5 Million

US Energy Corp., Houston, has agreed to purchase certain oil-weighted assets from Lubbock Energy Partners LLC, Synergy Offshore LLC, and certain entities controlled by Sage Road Capital LLC in a deal valued around $99.5 million.

The assets acquired represent a conventional portfolio of operated, producing, low decline oil-weighted assets across the Rockies, West Texas, Eagle Ford, and Mid-Continent, US Energy said in an Oct. 5 release.

The deals would increase estimated average daily production 377% to 1,814 boe/d from 380 boe/d to (July 2021 average) and increase July's estimated internal PDP reserves 311%.

Ryan Smith will continue as chief executive officer and John Weinzierl, an owner of one of the sellers, will join the board of directors.

Weinzierl is a co-founder of Memorial Resource Development LLC and former partner with NGP Energy Capital Management.

The board will increase to seven members from five, initially comprised of three directors designated by the sellers, including Weinzierl as chairman, Duane King, and a designee from Sage Road Capital, and four legacy directors from US Energy, including Smith.

The deals are expected to close in this year's fourth quarter, subject to customary closing conditions and regulatory approvals, including the approval of US Energy stockholders.

US Energy will issue 19,905,736 shares of common stock, pay $1.25 million cash, and assume $3.3 million in debt from the sellers.

Upon completion of the transactions, the sellers will own about 80.8% and existing US Energy shareholders will own about 19.2% of the company's outstanding common stock.

In 2021, Natural Gas Generated a Larger Share of Revenue for Selected U.S. Oil Producers

Among 54 publicly traded crude oil producing companies, natural gas revenue accounted for 14% of total revenue in the first-quarter 2021.

That percentage is the highest share among these oil-producing companies since at least 2018. The share of revenue associated with natural gas among these companies decreased to 10% during the second quarter of 2021, but it could remain relatively high as natural gas prices continue to increase.

During the first half of 2021, production outages after a February cold snap in Texas and increasing international demand for liquefied natural gas caused the U.S. natural gas benchmark spot price, Henry Hub, to briefly triple in price.

The price remained at more than $5 per million British thermal units (MMBtu) for more than a week during February 2021. Natural gas prices have been trading at or above $5/MMBtu since mid-September as well.

Financial earnings from the first half of 2021 show that these 54 U.S. oil producers have reported both higher revenue and increased cash flow from operating activities (also known as operating cash flow).

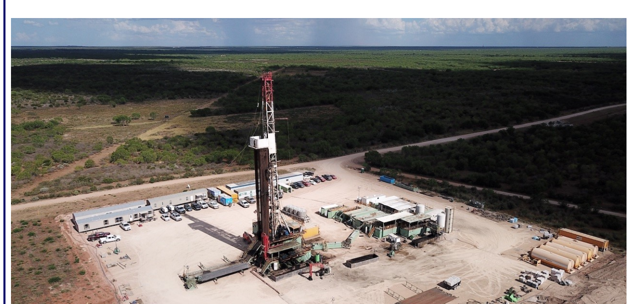
These companies have not yet invested the additional cash flow into capital expenditures in line with the additional revenue. Because of that, the companies are reporting higher free cash flow, which subtracts capital expenditure from operating cash flow.

With positive free cash flow, producers can pay for capital investment programs or use it for other financing activities, including debt reduction, dividend increases, or share repurchases.

Through the first half of 2021, these companies had not significantly increased oil production.

Instead, they were drilling fewer wells and relying on their inventory of drilled but uncompleted wells to complete new wells at reduced costs.

The list of publicly traded oil-producing companies does not include large oil companies with refineries (also known as oil majors) or companies that produce natural gas as their primary business, so these trends cannot be considered as reflecting behavior in the industry as a whole.



Mexico Slows Natural Gas Imports from US Southwest in Favor of Texas Flows, SP Global

Mexico has decelerated gas imports from the US Southwest in favor of sourcing more gas from Texas this October, pipeline nomination data shows.

While part of the shift is seasonal, expanded pipeline connectivity with Texas, including the Samalayuca-Sasabe and Wahalajara systems, has provided grid operators in Mexico with more choices and reduced importers' exposure to the US Southwest's more volatile, costly gas pricing.

Gas exports to Mexico from the US Southwest -- excluding West Texas -- have averaged 570 MMcf/d so far in October, down by about 200 MMcf/d from September. At the same time, exports from Texas increased 170 MMcf/d from last month to average 5.45 Bcf/d for Oct. 1-19.

Two regions in Mexico directly import gas from the US Southwest: Northwest Mexico, which comprises Sonora and Sinaloa states, and Baja California, which consists of Baja California and Baja California Sur.

Around half of the 200 MMcf/d drop can be accounted for by lower gas-fired power demand in Baja California, while the other 100 MMcf/d can be attributed to a sharp drop in flows to Northwest Mexico along Kinder Morgan's Sierrita Pipeline.

Gas demand in Northwest Mexico has remained steady, averaging around 460 MMcf for the first half of October, up just 20 MMcf/d from the last two weeks of September, according to S&P Global Platts Analytics modeled data.

Sierrita Pipeline, which flows gas to the US-Mexico border near Sonora in Northwest Mexico, has no planned or unplanned maintenance projects on its electronic bulletin board. A spokesperson for Kinder Morgan declined to comment.

Modeled data from S&P Global Platts suggests that increased volumes from the North region of Mexico, which sources its gas from Texas, might have replaced those flows.
North Mexico-to-Northwest Mexico flows increased to average 380 MMcf/d for Oct. 1-15, up from 290 MMcf/d for the latter half of September.

Natural gas has become more available in the North of Mexico as newer pipelines including Fermaca's 5 Bcf/d Waha system and TC´s South of Texas-Tuxpan 2.6 Bcf/d marine pipeline increase their operations.

The 472 MMcf/d Samalayuca-Sasabe pipeline, which came online in April 2021, has provided an additional route for

Mexico Slows Natural Gas Imports from US Southwest in Favor of Texas Flows, SP Global

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gas to enter North Mexico via Texas and be delivered to Northwest Mexico.

Higher, more volatile prices

Spot gas prices in the US Southwest have been some of the country's priciest and most volatile over the last six months, driven higher by constrained pipeline capacity. El Paso, South Mainline -- which captures westbound flows of Permian gas along EPNG's mainline -- has averaged a $2.14 premium to West Texas' Waha Hub since June.

Like other Southwest pricing locations, El Paso, South Mainline, has seen ample volatility: The location has had a daily price swing of more than $1/MMBtu 28 times since June. Waha Hub, in contrast, has only had one price swing of more than $1/MMBtu in that time.

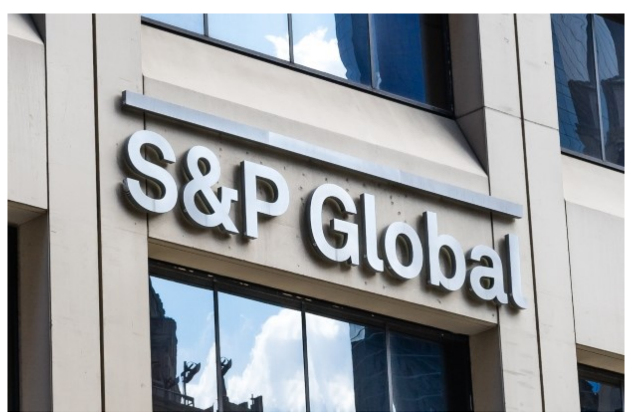
Maintenance and repair work on El Paso Natural Gas and SoCalGas systems have limited the volume of gas able to flow west from the Permian Basin.

After a pipeline rupture near Coolidge, Arizona, Aug. 15, the EPNG system restricted westbound flows on its Line 2000 to complete repairs. Platts Analytics data shows that EPNG deliveries to Ehrenberg, a receipt point in Arizona near EPNG's interconnect with Sierrita Pipeline, have averaged 1.05 Bcf since Aug. 15, down 320 MMcf/d from the 30 days prior to Aug. 15.

Reducing exposure to higher, more volatile prices might be more of a side benefit than a main driver, though, according to David Rosales, an independent consultant in Mexico City.

"The main factor the grid operator uses when deciding where to import from is not price, but where demand is found," Rosales, a former public official, said. "There are areas of the country, like the northwestern states of Sonora and Sinaloa, that are mainly served by US Western gas. These states increase their demand during summer. As temperatures begin to fall, so does consumption."

"At the same time, gas coming from the Waha region is more easily moved by CENACE as it can be brought in through different pipes."



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