



Alaska International Cargo Summit Update on AK jet fuel supply 8-24-10



- **Panel Members**

- Mr. John Parrott, AAE, Manager, Ted Stevens Anchorage International Airport
- Mr. William Sheffield, Former Governor, State of Alaska; Director, Port of Anchorage
- Mr. David Wight, Former President & CEO Alyeska Pipeline Service Company; Fuel Consultant, Anchorage Airport
- Mr. Trent Carbaugh, General Manager, Aircraft Service International Group (ASIG)
- Mr. Kevin Banks, Director, Division of Oil and Gas, Department of Natural Resources
- Ms. Betty Schorr, program Manager Industry Preparedness & Pipeline Program, Department of Environmental Conservation



- **Pre-recession (2006, 2007)**
- **Producers –**
- Produced to capacity
- Fuel not under contract was easily sold on the spot market either to non-consortium members or to members who had additional unplanned needs.
- Fuel was regularly imported when seasonal demand exceeded instate production capability.
- Prices for oil and fuel were relatively stable.
- **Carriers –**
- Contracted for the amount of fuel they anticipated needing
- Were willing to commit to long term (6 month +) contracts.



- **Recession (2008, 2009)**
- **Producers –**
- Caught with excess product that they had difficulty selling when demand dropped off quickly.
- Imports were reduced/stopped
- Instate production was significantly reduced (30%).
- Oil and fuel price volatility caused producers to change their practice and only provide enough fuel to meet contractual commitments.
- Required for commitment before production or reserved fuel for spot market at premium.
- To import or resume instate production has a lead time (1-6 months)
- **Carriers –**
- Some hedged well and some lost significant \$\$ hedging at the wrong time.
- Cargo demand became very uncertain so planning horizon for carriers became very short (1 month).



- **Recovery (2010, Current)**
- **Producers and carriers –**
- Caught off guard by the speed and size of the cargo recovery
- Production lagged behind demand and in Nov 2009 the first shortage occurred
- Consortium managed to resolve
- Lower winter seasonal demand mitigated issue until spring.
- Continued cargo traffic growth and constraints on instate production cause continued concern
- It appears that new suppliers will be online in time to meet the demand for the holiday rush
- ANC, AKDOT&PF, DEC and others have been very active in facilitating discussion and information exchange between the various parties on a voluntary basis since Oct 2009.
- Neither producers not carriers want to tie up any capital in fuel storage beyond the minimum required.



- **Future (2011 and beyond)**
- Jet fuel supply chain and business model are both still dynamic and changing for Alaska.
- Probable increased use of imports to meet demand will place adequate storage at a premium
- State agencies may be able to assist in additional storage
- Fuel price is outside the State's purview
- State will continue to facilitate informal exchange of information and ensure that state agencies are responsive
- State is undertaking studies to model existing jet fuel storage capability and investigate statewide need for petroleum product storage
- State may pursue modeling the jet fuel supply chain
- Producers state they will provide fuel if contracted.
- Carriers claim prices for contract and spot market are too high.
- Demand increase increments are smaller than supply increments This difference in addition to seasonal variability contributes to overall fuel supply management and may require additional storage to mitigate.



- **In State Production**
 - Tesoro
 - Flint Hills
 - Petro Star

- **Import - Contingency (C)-plans**
 - Tesoro
 - Delta Western
 - Cosmo (application in process)



- **State of Alaska actions**

- Oct-Nov 2009 – numerous telecons ref potential fuel shortage
- Nov 4 2009 – DOT&PF hosted multi agency meeting at Central region
- Nov 2009 – ANC staff met with International Carriers ref fuel supply
- Nov 2009 – ANC staff met with representatives of Cosmo Oil Co.
- Dec 2009 to Present - Ongoing discussions with carriers, producers, AFSC, Cosmo and others
- Mar 2010 - AIAS established Fuel working group with AIDEA and David Wight
- May 21 - Fuel summit
- June/July – Ongoing meetings and telecons with AFSC, COSMO, AIAS working group, producers and carriers
- August 2010 – Discussion of fuel supply at AIAS Cargo Summit
- August 2010 – establishment of AIAS Fuel web information



- **Future State of Alaska Actions**
- Verification of current jet fuel storage capacity
- Prediction of future petroleum product storage needs
- Prediction of future jet fuel storage needs
- Facilitate communications between involved parties
- Monitor situation
- Facilitate meeting storage needs
- Ensure future viability of international cargo through Alaska



Questions?



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