

REPORT OF THE
NATIONAL PETROLEUM COUNCIL'S
COMMITTEE ON
PETROLEUM PRODUCTS SUPPLIES AND AVAILABILITY

December 1, 1947

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The Committee of the Council on Petroleum Products Supplies and Availability has given consideration to "such measures as can be taken by the government, the industry and the public, to conserve petroleum products, or to increase their availability," as requested by the Secretary of the Interior, J. A. Krug, in his letter to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council. In doing so, we have acted within the limitations set forth in the report of the Agenda Committee, dated October 23, 1947, and the basic organization plans of the Council; that is, we have confined our recommendations so far as industry action is concerned to that which is individual and not concerted, and we have avoided consideration of measures which would lead to or encourage federal allocation, regulation or control of industry action. The Committee is fully in accord with the desirability and necessity for such limitations.

It appears that there will be insufficient petroleum products available in certain areas during the winter to meet all demands. This situation is not peculiar to petroleum. Greater shortages exist for coal, steel and many consumers' products. In fact, the shortages that may occur in petroleum products are due, in large part, to the effect of greater shortages of coal and steel. The lack of availability of petroleum products to meet demands in various sections arises, in large part, from lack of transportation facilities, which, in turn, results largely from steel shortages.

Within the limitations under which it acts, the Committee calls attention to certain facts and conditions, and points out below certain steps that may be taken by the government, the industry and the public to conserve petroleum products, and increase their availability.

I. BY THE GOVERNMENT

1. There are in use an insufficient number of tankers, world-wide, to make available maximum quantities of products to the East Coast. The return of surplus government-owned tankers to service as early as possible is highly important as a measure of relieving the shortage of tankers in service. The interim report of this Committee dealing with the availability of adequate petroleum transportation presents an analysis of the tanker situation and its relation to the problem under discussion, and points out helpful steps that may be taken.

2. The quantities of crude oil and petroleum products exported have direct effect on the availability of domestic supplies, hence, exports should be limited to the extent possible without the disrupting of relations with other nations.

3. The government should encourage and bring about conservation of fuel in its own operations; for example through elimination of unnecessary travel and the efficient control of heat in public buildings.

4. The government, through its various agencies and particularly through the Oil and Gas Division of the Department of Interior, should fully publicize all efforts which have for their purpose the conservation of fuel.

II. BY THE INDUSTRY

1. The interim report referred to above, contains certain findings and recommendations regarding tank cars. The maximum efficient use of all transportation facilities will increase the total quantity and availability of petroleum products. Specifically, improvements in the employment and use of tankers, barges, tank cars, tank trucks and product pipe lines are possible:

(a) The Coast Guard has recently authorized heavier loading of tankers. More products can be moved by the full loading and more rapid turn-arounds.

(b) The employment of more tankers and the efficient use of barges, will relieve tank cars from use in long movements to the East Coast. A release of tank cars from use in local distribution by the substitution of tank trucks as far as possible will aid in securing a better distribution of products and a movement of products in greater volumes. It will be recalled that during the war a release of great numbers of tank cars was effected through the employment of tank trucks in local distribution up to 100 miles. Better use of tank cars will in some cases permit movement of more crude to refiners, resulting in a higher rate of refining operations. A study by each company of its individual situation might reveal to it opportunities for aid in these respects.

(c) Maximum use of barges and available product pipelines would release tank cars and thus increase the total volume of products transported to points where needed.

(d) The present construction of barges in Eastern ports should be rushed to completion to increase the movement of petroleum products through inland waterways.

2. Crude oil production in all fields should be held at maximum efficient rates. In some cases, if the fields are to produce at their maximum efficient rates, bottlenecks in transportation, loading or refining equipment must be

removed. The removal of such bottlenecks and the production of all fields at their maximum efficient rates will provide additional quantities of both crude and products.

3. The Domestic supply of crude oil and products should be, as far as practicable, increased by imports in such amounts as are necessary to balance domestic supplies with the nation's current demands.

4. Exports of crude and products have a relative impact on petroleum supply situation in this country. They should be limited to the extent possible without disrupting relations with other nations.

5. Demand for kerosene and heating oils has risen more rapidly than demand for gasoline and industry has already responded by modifying refining procedures to take this into account. It should continue this procedure to the extent necessary.

6. Some petroleum refiners are equipped to meet the current competitive octane (antiknock) specifications for gasoline without incurring any significant losses of total raw petroleum processed due to the octane level attained, but some other petroleum refiners are not so equipped and must produce present competitive octane quality gasolines by processes of deep reforming. Deep reforming reduces the total production of gasoline or other liquid products by these refiners below the production that would be attained if lower octane levels were in effect. Further, some petroleum refiners are taking equipment originally designed for cracking oil to make gasoline and using it for the running of additional crude oil to help to meet the pressing demand for all petroleum products.

For the reasons suggested, any further increase in the octane quality of gasoline at this time will adversely affect the total supply of gasoline and other liquid petroleum products in this country to the extent that it requires any diversion of crude running equipment to cracking or reforming and to the extent that additional reforming destroys some liquid petroleum.

7. The industry has prepared and distributed booklets pointing out numerous means of encouraging the economic utilization of petroleum products. Such activities should be continued.

III: BY THE PUBLIC

1. The public should comprehend that it is impossible to make available, from crude oil processed, substantially increased supplies of any one petroleum product except by making less of another. For example, increased usage of gasoline results, in the long run, in decreased availability of kerosene and heating oils and vice versa.

2. The consumer must recognize his responsibility. He must adopt economical practices incident to the utilization of petroleum products, and this applies to gasoline as well as heating oils. It must be recognized by the consumer that he must take every step possible to conserve, whether such action be full utilization of storm windows, lower home temperatures, slower driving, cancellation of unimportant trips, or any other action that can be taken to reduce consumption. Many such means of economizing in utilization of petroleum have been made available to consumers in carefully prepared booklets.

3. One of the greatest difficulties in serving the fuel oil market is limited storage capacity in the hands of the consumer. This is even more significant with the space heater owner than with the owner of a central type heating unit, although even in the latter case, many have inadequate storage. Limited storage results in tremendous distribution difficulties, and compels the oil industry to provide the cushion against unusual demand periods. Domestic consumers of fuel oils must provide additional tankage capacity.

4. Competitive fuels must accept and recognize their responsibility and carry their full portion of the heating load. It would seem that if other industries were to adopt a program based upon equitable distribution of limited supplies, the winter problems of petroleum would be tremendously modified. These power sources cannot expect, by continued preferential treatment of certain classes of customers, to throw the marginal volume of business on the oil industry for such time period as their supplies may be temporarily short for meeting total needs.

Your Committee in its deliberations has been fully conscious of the part that petroleum plays in regard to the National Defense and the Domestic Economy. It believes that all segments of the industry are likewise aware of this situation and are putting forth a determined and whole-hearted effort to solve any and all problems of transportation and supply. It further believes that progress is

being , and will increasingly be made, to the extend of existing facilities, so that the public interest will be served to the fullest extent possible. Attempts of government at allocation, price control, or rationing, on a nation-wide or area basis, would not, in the opinion of the Committee, increase supplies available. Such well-meaning efforts to "divide shortages fairly" can do nothing more than discourage the normal process of free competition under which individual units of the industry vie with each other in seeing which can best serve the public.

Respectfully submitted,

F. M. Porter, Chairman
Committee on Petroleum Pro-
ducts Supplies and Avail-
ability

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