Backwardation and contango markets

What impacts do backwardation and contango have on the petroleum supply chain?

**Crude oil fields**
- Producers maximize output; traders draw down crude inventories at storage and aggregation hubs

**Refinery**
- Refiners draw down onsite tanks and raise throughput

**Pipeline**
- Shippers inject close to deadline, offtake as early as possible; pumping speeds up; operators buy additional linefill

**Tankers & barges**
- Full steam ahead: charterers race for the next cargo; ballasting (steaming without cargo) becomes commonplace; charterers aim to load and unload as early as possible

**Terminals**
- Inventories decline; less desirable terminals sit empty, and lease costs fall

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**Crude oil fields**
- Producers slow output to extent possible; traders store as much crude as they can

**Refinery**
- Refiners fill up onsite tanks and reduce throughput

**Pipeline**
- Shippers inject early and offtake late; pumping slows; operators sell off linefill

**Tankers & barges**
- Charter rates may rise, as arbitrages open and floating storage becomes profitable; high inventories at destination can delay discharge; ballasting is generally reduced

**Terminals**
- Lease costs rise, as first the preferred and then the less desirable terminals begin to fill up