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## Argus Colonial Pipeline line space assessments

### A look into the line space market

Due to the ongoing capacity restraints on the Colonial pipeline, bulk traders have created a new market that values line space by trading Houston origin lots for lots that can be taken off further down the line. Argus has devised a methodology to assess the value of this trade and is now publishing it in the *Argus US Products*.

Companies that buy or sell gasoline or distillates in the US southeast and Atlantic coast downstream markets can use this assessment to value the extra cost imposed by the line space premium. Contracts delivered to regional terminals based on Colonial spot prices have seen new and unpredictable charges due to the premiums to secure space on the pipeline. These new assessments provide another level of transparency to instantly gauge whether it is in your best interest to ship product on the line or “sell” your allocated space to another party.

### How is line space assigned?

Line space on the Colonial pipeline is assigned to parties based on their historical shipping volumes. Parties are not required to use the line space, however, a party is assessed a penalty of approximately 1¢/USG by Colonial for unused line space. In addition to the penalty, Colonial distributes less line space to those under-using parties in the future.

The Colonial Pipeline does not allow the reselling of actual line space between shippers. As a result, traders have developed a mechanism to sell physical gasoline or distillates in such a way as to protect their future allocations.

### Trading “line space”

Purchasers of line space have the obligation to ship barrels. They have the right to ship to any point along the same line. This doesn't include spur lines that branch off of the main gasoline or distillate trunk lines.

In order to structure a trade that effectively values line space on line o1 or o2 of the Colonial pipeline, companies will exchange a volume of gasoline or distillates in Pasadena, TX for an equal volume of gasoline or distillates that has the obligation to ship on the Colonial pipeline and the right to ship to any terminal along the line up to and including Greensboro, NC. The volume can then be removed from the line at any terminal up to and including Greensboro.

### Colonial pipeline



Trades typically take place at a ¢/USG value representing the premium paid or discount received in acquiring the line space only. These differentials do not incorporate the tariff paid to Colonial.

### Assessing Colonial line space

Demand for line space follows demand for shipping to destinations along the pipeline in the US southeast and Atlantic coast. Demand for shipping gasoline or distillate products is typically higher during the summer and Line o1 prices are usually higher as a result. The same is true for distillates during the winter: Demand for shipping distillate products is typically higher during the winter and line o2 space prices are usually higher as a result. Argus' assessments for both Line o1 and Line o2 provide a more comprehensive look at shipping costs throughout the year.

Shippers have shown a willingness to sell line space at greater losses than the penalty assessed by Colonial for unused line space in order to protect their future allocations and the lucrative associated opportunities. Argus has verified deals wherein shippers have sold line space losses of up to 3.5¢/USG. Incorporating Argus line space assessments into contracts can help market-ers more accurately reflect costs while inclusion of negative line space prices actually help retailers achieve lower costs available in the market.

## Petroleum

illuminating the markets

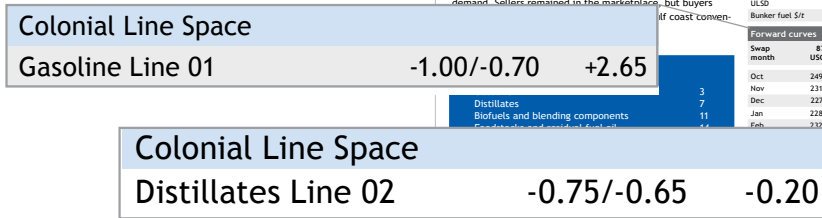
# Argus Colonial Pipeline line space assessments

## Argus Colonial line space: Gasoline Line 01

Timing: Prompt Cbob gasoline shipping cycle  
 Volume: 25,000 bl min  
 Unit: ¢/USG  
 Basis: Colonial Line 01: Gasoline line originating in Pasadena, TX, terminating in Greensboro, NC.

## Argus Colonial line space: Distillates Line 02

Timing: Prompt ULSD 62-grade shipping cycle  
 Basis: Colonial Line 02: Distillate line originating in Pasadena, TX, & terminating in Greensboro, NC  
 Volume: 25,000 bl min  
 Unit: ¢/USG



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### Argus US Products

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#### OVERVIEW

- The US Atlantic coast RBOB market reversed course Friday and gave back gains made earlier in the week. The market may have been a touch overbought after being started by sluggish imports and strong Gulf coast values.
- Cash differentials weakened for most grades in the US Gulf coast gasoline market. Regular RBOB, the lone grade to avoid weaker differentials, was unchanged from Thursday. Re-grade values were difficult to trade due to spotty trading throughout the day.
- Atlantic coast distillate cash differentials were mixed in a thin session, ending the week on a quiet note.
- Despite scheduling deadlines for product shipping on the Colonial Pipeline's 54th cycle, US Gulf coast ultra-low sulphur diesel (ULSD) increased only marginally. Heating oil cash differentials rallied in thin trade while jet fuel differentials eased lower.
- High sulphur VGO selling interest dominated Friday's trading session. Bids continued to decline as the US Gulf coast faces increasing supply. Fresh refinery outages helped fuel the bearish VGO pricing sentiment.
- Naphtha trading remained thin amid prevailing depressed demand. Sellers remained in the market, but buyers off coast conven-

#### MARKET SUMMARY

Price	¢/USG			
	New York	Houston	Chicago	Los Angeles
Cbob/suboctane	269.94	261.44	260.31	264.06
Rbob	269.94	258.81	272.81	268.06
Conventional	275.19	261.31	260.31	
Ethanol	167.50	166.75	158.75	168.50
Jet fuel	270.75	266.87	276.24	264.74
ULSD	269.95	266.80	274.74	273.74
Bunker fuel \$/t	562.50	545.00		577.50

Differential to Nymex	¢/USG			
	New York	Houston	Chicago	Los Angeles
Cbob/suboctane	-3.75	-12.63	-11.50	-15.25
Rbob	-3.75	-10.00	-12.50	-19.25
Conventional	+9.00	+12.50	+11.50	
Jet fuel	-0.70	-3.38	-6.00	-5.50
ULSD	-0.10	-3.25	-4.50	-3.50
Bunker fuel \$/t	-4.48	-7.25		-2.11

Change on day	¢/USG			
	New York	Houston	Chicago	Los Angeles
Cbob/suboctane	-9.24	-6.05	-4.92	-7.17
Rbob	-9.24	-5.17	-8.92	-7.17
Conventional	-4.61	-7.30	-4.92	
Ethanol	+0.50	+1.00	+1.00	-4.50
Jet fuel	-0.56	+0.19	+0.32	-0.07
ULSD	-0.27	+0.74	-0.82	-0.32
Bunker fuel \$/t	-1.00	0.00		-4.00

Swap month	87 M USGC1	ULSD 62 USGC1	Nymex month	¢/USG	
				Rbob New York*	Heating oil New York*
Oct	249.06	265.74	Oct	266.19	270.05
Nov	231.88	264.08	Nov	248.81	270.24
Dec	227.32	263.56	Dec	243.38	270.83
Jan	228.53	264.75	Jan	242.32	271.56
Feb	232.27	266.49	Feb	243.28	271.75
Mar		266.98	Mar	245.27	271.49

## Applications

- Accurately determine all costs for product delivered at Colonial-sourced terminals on a market-based contract
- Validate the value of unused space available for sale
- Analyze the arbitrage between the Gulf coast and mid Atlantic region

Argus line space on the Colonial pipeline is of particular interest to companies all along the US Gulf coast and Atlantic coast supply chain:

- Gasoline and distillate refiners and blenders
- Marketers, jobbers and retailers
- Gasoline and distillate distributors
- Colonial Pipeline shippers
- Gasoline and distillate arbitrage traders, importers, and exporters

## Methodologies

The following text regarding the new line space assessment can be found in the [Argus US Products methodology](#).

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