AMERICAN PETROLEUM INSTITUTE

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Reid Porter: Good morning. Thank you for joining today's call.

Today's call will be led by API's President and CEO, Jack Gerard. We've also been joined by a leading energy expert, Guy Caruso, who's a senior and national security advisor at the CSIS, Center for Strategic and International Studies. As well as Bob McNally with the Rapidan Group, a fellow – and also a fellow at the Columbia University Center on Global Energy Policy, and former international and domestic energy advisor in the Bush Administration.

As this discussion will involve supply and economic impact as well as historical trends, we will begin this call with a reminder of API's obligations under antitrust law.

Mara Zimmerman: So, as a reminder to everybody during today's call, there should not be any discussion or predictions about future prices, supplies, or costs. Please don't share; to the extent you have it, any confidential or nonpublic information about particular companies or vendors. And please do not make any derogatory comments regarding specific companies or vendors.

At any point during today's call, if you have a question related to an antitrust issue, please let us know.

Reid Porter: And with that, we give the floor to API President and CEO, Jack Gerard.

Jack Gerard: Well, thank you, Reid, and thank you, Mara, for that reminder as we begin today. And thank each of you for joining us on this important call today. I want to start off, I'm sure I'm expressing your sentiments as well, that our thoughts and prayers are with those who are recovering, not only from Harvey in Texas and Southern Louisiana, but also to those who are now facing the impacts from Irma and potentially Jose; especially some of you in the regions that are in the impacted areas right now.

We – our thoughts and prayers are with you and we greatly appreciate you joining us today for this broader conversation. Also want to say how inspired we are to see the way the communities have come together in the affected areas to help one another out. That true American spirit, if you will, or local spirit of those who realize the seriousness of these storms and what we can do to deal with them.

So today, we thought as you were writing on these events in the coming days and weeks, that it might be useful for you to have further insight knowledge about kind of the historical context of the energy landscape today, relative to other storms, to also talk about infrastructure resiliency, constraints, challenges, market demand, domestic supply dynamics in the wake of Harvey and now Irma and potentially Jose to come.

As Reid mentioned, we've invited two independent experts to join us today to talk about those issues and to answer any questions that you might have. And so we greatly appreciate Guy and Bob for taking their time today in what's a very demanding window. So with that, let me turn it to Guy Caruso. And Guy, if you'd like to share any opening thoughts and after which we'll turn to Bob McNally for his opening thoughts and we'll open the phone lines up and let you ask the two of them whatever questions you'd like about what's going on and their perspective as experts in the energy area. Guy, go ahead.

Guy Caruso: Thank you, Jack. I associate myself with those remarks about the personnel effect of this on both the industry and the consumers out there. I'm going to focus my remarks on the integrative nature of this oil, gas, and electricity sectors that have been hit so hard by Harvey, especially, in South Texas and Southern Louisiana. Harvey has hit all of the sectors from the upstream, midstream, and downstream.

It once again has been a lesson that we need to take precautions in all sectors from the production side where offshore production was off as much as 400,000, 500,000 barrels a day. Now most of that is back. Onshore, still some offline in the Eagle Ford area and the processing facilities that are needed to process both the oil and gas are affected by lack of electricity and flooding.

Those are coming back in both the oil and gas, as well as natural gas, liquid sectors. Downstream refineries in that region represent about 25 percent of the U.S. capacity and much of that was offline but it’s coming back nicely. I think four to five are still offline. But many of the others are well on their way to recovery. Midstream ports and terminals are mostly open with some restrictions.

That’s important, even more important, for Harvey than, let’s say, it was for Katrina because now we are a major exporter of both, refined products in particular, but also crude oil. So the ability of having ports and terminals open is more important now than ever that they’re coming back pretty rapidly. Another new development since Katrina is the need for rail capacity to move not only crude oil, particularly from the midcontinent to the south refineries, but also the movement of ethanol which is needed for blending to bring the gasoline to meet the 10 percent requirements.

That is also important and fortunately is coming back well. On the downstream, pipelines are critically important. Colonial pipeline serving the southeast and northeast part of U.S. is now back almost to full capacity as they’re linking up with the refineries that are coming back online. The Explorer pipeline bringing product up to Tulsa and Midwest is now practically back full capacity.

And that’s critically important, particularly for Colonial, because it brings gasoline into Georgia and other areas that are then serving Florida by truck. One common denominator for all sectors is electric power. And one of the differences in Harvey’s impact versus Katrina is that there has been less impact on electric power capacity and outages for customers during Harvey than it was for Katrina.

So that has facilitated the recovery efforts, so it's been more of water damage than a windstorm and damage in Harvey relative to Katrina. And I think we've had some – had some lessons learned and I think we're having a smoother recovery. When you turn to Irma, that's going to be a very different risk factor and that is going to affect the petroleum industry mainly because of impact on distribution and marketing.

It's the gasoline, diesel, and jet fuel markets that are at risk from increased demand, for evacuation as well as getting the proper product into the states, mainly by barge and trucks. There's no production in Florida, there's no refineries, so it's a very different risk profile as we look ahead with what might happen in Irma's case.

There's an important role for government to play in this facilitation of recovery. On the federal side, the SPR, there have been three SPR exchanges approved by the Department of Energy aiding with the supply of three refineries that were unable to get direct connection with their previous suppliers. At the EPA level, there've been some lifting – waiver, temporary waivers of environmental restrictions having to do with volatility of gasoline and ability to put that gasoline into the distribution system as well as ethanol requirements that have been waived in some instances.

38 states have now had some form of a waiver approved. And that has really facilitated, I think, the relatively strong recovery, even though it's still being hampered by some personnel not being available due to their own personal situations. So there are – many companies are operating at much lower than full staff at this point in Texas and less so in Louisiana.

I think there's an overarching point I'd like to make based on my experience of having been involved with disruptions, whether they be weather-related or politically motivated, such as the Arab oil embargo of '73, '74 when we had price controls allocate – rigid allocation systems, those in my view and in many studies that have been done about that disruption were part of the problem as opposed to part of the solution.

Today, we have open markets, less restrictions on the movement of (food and add) products, and I think that has shown itself to be effective allocator of supplies even during Katrina, but even more so (with) Harvey, as I mentioned now exporting a significant amount of petroleum products. We're not able to export crude oils, and I think that facilitation of markets is really the important part of this story, and when we look back on this, perhaps several months from now, we will, I think attribute so of it to that.

And my colleague Bob McNally has recently written a book about the global impact of markets on the petroleum industry. So, with that, I'll turn it over to Bob for his opening remarks.

Bob McNally: Thanks a lot, Guy and Jack, and everyone. I'm delighted and honored to be with you. As Guy mentioned, I recently wrote a book on the history and the outlook of boom bust oil priced, so if you'll allow me before we get maybe into the nitty gritty – and Guy covered many excellent points – and (I'll have) a few things to add, but just to step back for a second and think about history, we're been in the modern oil era for about 158 years now, since Drake's first well in western Pennsylvania struck oil.

And from that day until now, if you study and you look at the oil industry, I think what will strike you is how resilient it is, how innovative it is, how it rises to the occasion, how it absorbs blows and challenges and comes back faster often than most expect. And it's really remarkable, some of those first drillers in western Pennsylvania through the great wars we had an ramping up and then dealing with some of the crises in '56, '67 and '73, and now it seems major storms one after the other. And they can be weather related, they can be geopolitical, but the oil industry, again, demonstrates remarkable resilience, and I'll talk a little bit about how we're seeing that today.

Now, for the first 50 years of the oil industry was all about replacing whale oil and stuff and lighting, and the government could really care less. But for the last 100 years, it's been about transportation – primary use of oils in transportation, and the government could care about a little more. And so, if you look at the history really, since about World War I, the government – especially the United States, at the state and federal level, takes oil very seriously. Whether you're a Democrat administration or republican, I mean, they understand that oil is – ad for the foreseeable future will be the lifeblood of modern civilization, and they act accordingly and they take it very seriously.

When you have these crises, you have government action – the government acts with great concern as they should, whether they're acting wisely or not is a debate for historians and so forth, and guy mentioned '73 and the '70's and we're in a very different place now and I think for the better. But let me just – so with those two ideas, the resilience of the oil industry and then government understanding that again, for better or for worst, oil is the lifeblood of modern civilization, and in crises, we have to see to the quick restoration of capacity, the movement of supplies, et cetera and so forth.

Let's just think about what we've seen since Harvey, and now looking at unfortunately, Irma and Jose. I mean what strikes you is how quickly the Gulf capacity came back. I think we were – we lost at the max, with Harvey two weeks ago, some 25 percent of U.S. refining capacity underwater. No electricity, employees scattered, and now I think this morning, I saw Bloomberg reporters – roughly about only 8 percent is out and in the process of restarting.

Prices, price signals – we're in a market determined oil world now and very different in some ways than the '70's, and price signals came along in result to Harvey and it worked. Gasoline futures prices, before Harvey, they were about $1.68 a gallon – this is wholesales prices now, not retail – you prices, this is the wholesale price. And at their peak, they surged up to $2.15, up 28 percent, but today they're down at a – I'm looking at my screen – I think about $1.66, so below where they were when we started this.

They shot up because of the uncertainty and the outage that I mentioned; 25 percent of refining capacity and folks didn't know how fast it would come back, how long we would have these disruptions. And those price signals were important because they did something they said to Asia and Europe, hey, we need gasoline in the United States, if you've got it, send it over here. Which in a way is kind of a turnaround temporary from the remarkable trends in the oil market recently and that is the surge in U.S. exports of crude and especially (refining) products.

We also went from nothing years ago to where it’s over 6 million barrels a day in recent months, about almost 1 million of that roughly is crude and the rest is finished gasoline and distillate and NGLs and things. So, that’s good, we benefitted from that trade, but in a crises like this, we benefit from freely traded and open markets, because now if you’ve been in Europe the last couple weeks, you saw the prices move in your favor, you booked cargos and sent those – more cargos than normally – and you sent them across the Atlantic heading to our markets to help fill the gap.

But again, as those – as that capacity restarts and those barrels flow from elsewhere, the prices come down. So having a freely traded, open market benefits us in those crises, it makes us more resilient, if you will. Guy mentioned some of the environmental temporary (ravers) we’ve seen, and indeed. We've seen that on many occasions in recent years. In the last 10, 12 years, both the Obama administration, the Bush administration, now the Trump administration has had to issue temporary waivers of reformulated gasoline and so forth.

We’ve also seen – and don’t quote me on this, because I'm just seeing it on Twitter – but I saw one journalist on Twitter say that the administration apparently has preemptively issued a Jones Act waiver for Irma, which is very important if it’s true, and I would expect this, and that’s because as Guy mentioned with Florida, it’s about getting gasoline into that state when there's no production, no refining and pipelines could be damaged and so forth -- and they get a lot of waterborne crude. So that Jones Act waiver, if necessary, and if that’s what the Trump administration did, it kind of makes sense in a case like Irma. And apparently they may have done that preemptively.

And then as guy mentioned, the SPR releases, the Strategic Petroleum Reserve release, we can do (broad) drill downs and we can do and have done sort of company by company releases, and that’s what we did in this case. And that speaks to the importance of having a strategic petroleum reserve and thinking carefully about that reserve, and especially we just sort of mindlessly sell it off to raise budget revenues, which is what we're in the process of doing. So one wonders if this resort to the SPR maybe makes folks just stop and think for a second and maybe think about maybe having a discussion about how the SPR should be – and reasonable people can differ on that.

But again, Harvey has reminded of the importance of having a government stockpile when you have a major, kind of, sever supply interruption, whether geopolitical, or in this case, weather, where companies just simply weren't able to ensure against that and unable to get supplies. And so, in that crisis, those – even if it's a few barrels – are very, very valuable barrels.

So, again, I think notwithstanding, Irma heading toward us and the damage has been caused by Harvey already, I think we've seen on display recently, some of the characteristics of the oil industry and government – some of the best characteristics and – which have helped us sort of weather the storm, if you will, and come through with relatively manageable impacts. And so that's, I guess, just some initial thoughts; and welcome other comments and back and forth (in) Q&A, thank you.

Guy Caruso: And with that, Operator, if you could please explain the process for the Q&A?

Operator: Certainly. At this time, I would like to inform everybody, in order to ask a question, please press star, then the number one on your telephone keypad. Again, that is star, one, on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Chris Knight from Argus, your line is open.

Chris Knight: Hi, thanks for doing this. This will either be for Bob or anyone else on the panel, With the rumored Jones Act that the senior administrator was talking about, is the idea to get gasoline into Florida before the storm hits, or where on the kind of on the back end once it hits, you want to be able to ship it any way you can?

Bob McNally: That's a great question. This is Bob and I'll defer others who may have more sort of on the ground, minute by minute knowledge. But with the storm, I think suppose to hit now in full force on Sunday, I'm unaware of an issue that may involve a cargo that needs to get into there tomorrow, so getting supplies in before hand. That would -- I just don't know.

And it's reasonable that if they're moving that quickly, that may be the case. But certainly anticipating that the damages and certain the ladder is I'm what they're looking at. And I think they want to probably start getting cargo's lined up now for Monday and Tuesday.

But again, I just don't have any knowledge. There may be a cargo they need to get in like now today or something. An opportunistic cargo that can move quickly, that may be the case but I have no knowledge of that. I don't know if any of our friends at API have got any visibility on that.

Male: Yes, I would agree with that Bob. That's most likely to be for the post supply that would be needed to refill the depleted inventories. And the more flexibility the industry has -- it just makes it -- facilitates recovery. Thank you next question please.

OPERATOR: Your next question comes from Jen Dlouhy from Bloomberg. Your line is open.

Jennifer Dlouhy: Thanks for doing this call. I was curious if you could talk a little bit more about the terms that govern some of these (pro) exchanges. You know, of course we have the number of barrels that have been delivered. We know deliveries are ongoing to (Valera, Marathon, and Placid) but I'd love to hear about you know, what the trigger is for repayment. You know the -- and frankly I'm curious if there's any wriggle room for our (inaudible) in that process of repaying and replenishing (sprill).

Guy Caruso: Yes I think -- normally you have the exchanges that were done during the time I was at the deal. We've had 30 -- between 30 and 90 days to repay or replenish that. We've had 100,000 barrels you had 90 days to get that 100,000 barrels back to -- back into the (sprill). I haven't seen these specific contracts that were agreed to this time. But that's probably the time frame between 30 and 90 days.

Bob McNally: Bob here, just to add, yes, nor have I seen the specific details of the exchange. I imagine those are publicly available though. But I haven't seen them. I know, you know in the case of Hurricane Isaac, I know there was an exchange of a million barrels. And gosh, I'm not even quite sure how long it took. I know it was like 60 or 90 days. Normally it's a -- it's a return within a certain time, and then with an added amount of oil is Premium. I know there was a case for example, yes; usually that's how they do it. It's the -- I believe with these exchanges you're delivering a little more back.

That's your interest if you will. I do know that in the case of -- there were exchanges I think after President Clinton ordered exchanges in September of 2000, I believe there were instances where those were maybe delayed and renegotiated afterwards and so forth. But, there may have been cases where I think the terms can change, I'm not saying they have now, but normally it's a straight forward, here's your oil, get it back to us in three months or two months and with a little bit extra for interest.

Jennifer Dlouhy: Got you.

Guy Caruso: The other …

Bob McNally: … And you know offline I'd be happy to point you to the DOESPR office is usually very responsive and they have a lot of information on their website too. So, I'd be happy to help with that.

Jennifer Dlouhy: Thanks Bob.

Guy Caruso: Jen the other thing in that is the -- in during Katrina we asked the international energy agency to activate their sharing system. And we have particularly requested that they make product available that was in surplus in Europe. I haven't heard whether or not the U.S government is working with the -- I'm sure they're consulting them but I haven't heard any calls for activating the IEA system. That's another way of making more product available.

Jennifer Dlouhy: Do you take anything -- I mean if in fact there haven't -- hasn't been any push to use that, is that a -- is there something I should take from that? Is there any instructive -- anything instructive about that?

Guy Caruso: My impression is that they -- that people who are managing this at DOE fuels saw the recoveries going relatively smoothly, and making the exchanges they've done already with the (Crut off and spro) that their feeling that they're taking a wait and see approach. And it may well be that the Irma is puts enough further stress in the system that they may want to fall on the IEA. But as of -- as of last night when I talked to one of the DOE individuals about -- they had not requested that as of yet.

Jennifer Dlouhy: Thank you.

Bob McNally: And you know Jen if I could add, and just and Guy's point about you know, not necessarily the IEA not necessarily seeing a cause for a Katrina like release get's to a little bit, I mean again, not to downplay at all the severity of what's happened or will happen, but in some ways it could have been worse in terms of the timing. This hits at the end of Gasoline season with high gasoline stocks, and so again, in a way I think lessens the severity to some degree. And so I think that's yes.

Jennifer Dlouhy: Thanks.

Bob McNally: You bet.

Operator: Your next question comes from Casey Logan from News-Press. Your line is open.

Casey Logan: Hey guys thanks for doing the call. This is Casey Logan from the news press, and the USA today network. Here in Fort Myers, Florida, South West, Florida. I'm learning a lot about the macro industry. I don't cover up the petroleum industry specifically, so I'm learning a lot on that. I wondered if you can speak at all to Floridians in particular obviously as you've mentioned we got the Hurricane Irma out there looking like it's going to make land fall, probably Sunday, and impact probably a good deal of the state.

And so, for our area in particular we've had people -- quite a few evacuations and South Florida, South West Florida. People are facing some gas shortages along the way but I guess are able to eventually make their way up. As you look at all this, anything you'd like to share particularly you know, what you'd like Floridians to know today, or in the coming days as the Hurricane moves through and then you know goes on up Sunday, Monday and so on?

Bob McNally: Guy you want to go first …

Guy Caruso: One thing I would say is that it's been heartening to see the refinery that produced much of the gasoline that winds up in Florida, coming back on rather steadily in the colonial pipeline, which brings a lot of gasoline into South East and into Georgia, that the supply situation looks reasonably good. Obviously demand is spiked by the evacuation, but that -- the big picture is that overtime there's going to plenty of gasoline obviously in the short run. There could be some spermatic outages in certain retail outlets of the evacuation routes.

Bob McNally: Right. And I would just add to that, again the history and what were seeing right now shows that the oil industry and the government -- the federal government and the state government is going to move heaven and earth to make sure that the energy disruptions are short as possible.

Now they can get oil and gasoline to the stations, and they will as fast as they can. You do need electricity you need the refineries working, and you cant -- you can never be sure exactly when. But you can be sure government and industry are going to work really hard to make sure the supply system can get that gasoline to the communities and so. I think at some point though, and then it's the behavior of the motorist. And I know I've seen officials and so forth make appeals to folks to you know, try and not horde if you really don't need that gasoline right away. And so I think those are important messages.

That's sort of at the very end of the supply chain. So, everyone has to do their part of the oil industry, the government to make sure that restarts happen and oil products flows from the refineries to the terminals to those gas stations where the public can get to them, and then the public has access to those supplies at that time. And that sort of requires everyone doing their job and so forth.

Casey Logan: Thank you.

Bob McNally: Yes.

Male: Thank you. Next question, please.

Operator: Your next question comes from Libby George from Reuters. Your line is open.

Libby George: Hi, thanks for that. My question is, I guess, following up on that. When the storm hit, there is a huge amount of oil products available in the U.S. but more than 30 percent of it is concentrated in the Gulf Coast. (Curious if this) – in (PADD 3) District, does this event indicate a need for the stocks to be more evenly distributed throughout the country or more investments infrastructure to be able to get it out?

Guy Caruso: Well …

Bob McNally: Well – yes, go ahead, Guy.

Guy Caruso: I think, with 25 percent of our refining capacity concentrated in the path of Harvey, it's difficult not to say we couldn't do with more diversification. The problem is, and has been, as you know, that infrastructure development has been blocked in many areas. While ideally, would be nice to have (greater) distribution of both the refineries and the – and the inventory holdings around.

But the reality is, it's been difficult to really get (citing) for many of these facilities and we haven't had a grass-roots refinery built in a long time, although much investment has been made to (de-bottleneck) refineries and make them more efficient. So I think we're – it's a difficult political situation to be able to actually diversify as much as we would like. And one aspect of that is that we did look – when I was at the DOE and I know they've done more work on it since then – the possibility of strategic petroleum reserves and products.

And they have gone forward with a couple of small developments in that – start down that road with heating oil in Northeast and gasoline being talked about. But it's very expensive. And as Bob mentioned, the mood of the

Congress seems to be more towards selling off our (SBR), as opposed to adding to it.

Libby George: OK. Thanks. And, I mean, can you say anything else about kind of where industry stands in terms of the idea of an (FPR), or for products, or the idea that maybe – maybe, I mean, do some of these products need to be stored more evenly throughout the country? I mean, is there any kind of need for that from the industry's point of view?

Guy Caruso: I do know that there was not that much support for the products when I was looking at that issue, when – during the Bush administration – Bush W. Not sure …

Bob McNally: Yes. I don't know if Jack, or (Eric), or somebody wants to speak for the industry to that question?

Jack Gerard: I would say generally, Bob, as we – as we've talked about in times past, that – as you guys mentioned earlier in the historical context, we support the boarder marketplace (allowing) there's a reason for – (a wealth of) economic reasons et cetera of why that infrastructure is located down in that Gulf Region. Of course, we produce a lot of product off the Gulf, (deep water), (shallow), et cetera.

We refine a lot of it there but there are also refining centers elsewhere around the country. You look up in New Jersey, Philadelphia Corridor, Chicago Corridor, Salt Lakes, some out in (California). So it's got a reasonable diversity the way it is. So rather than try to (manage it), you'll see where supply and demand goes, much like the (Floridian) situation. Our hope is, once again the market will eventually find a supply and demand equilibrium. And that's the broader approach we generally take as industry to those questions.

Libby George: Great, thank you.

Operator: Your next question comes from John Siciliano from The Washington Examiner. Your line is open.

John Siciliano: Hey, guys. Yes, thanks for having the call. I was just trying to figure out, I saw some reports that the Saudis are pulling back on production amid some of the refinery restrictions in the United States. I was wondering how exports – or, I mean, imports to the U.S. are going to affect any of this destructions during these storms?

Male: Well I think the main issue is the with the ports and terminals. In terms of any actions by any producers, I think that is highly unlikely. I think the Saudi's issue is mainly supplying their Motiva refinery, which is one of the largest in the country, and that sustained significant damage. That may be more related to more to what this – the report you're talking about, John, on the Saudis reducing its shipments. It may just be that a bunch of that was that (over in Motiva) and now there's demand for …

Male: What if I just make it (three or four), I can't tell the difference?

Male: Yes, that's fine.

Male: (All right), thank you, next question please.

Male: (Oh, I'm sorry) …

Operator: The next question comes from Devika Kumar from Reuters News. Your line is open.

Devika Kumar: Hi, guys. Thank you so much for doing this call. I just wanted to go back a little bit into the difficulty. Guy, you mentioned that one of the challenges in setting up a strategic reserve of product or gasoline especially, is that it's more expensive.

Can you talk a little bit more about what the pros and cons are to setting up something like this? I know after Sandy, the conversation about this started relatively quickly to set up a reserve of a million barrels here. So I just wanted to know if it's being discussed at all and what the pros and cons of such a conversation would even entail?

Guy Caruso: Yes, I think cost is number one on the list of the cons. And also, the (inaudible) and having enough supply in the right places because you don't want to be moving. You may have a lot of gasoline in California, and if you have a Sandy that affects New Jersey and New York, it's not very useful.

So I think the real problem is, you need enough of it in the right places. Which it – since it's all above ground for products, that's the most expensive way to store refined products. And it has to be turned over on a regular basis, so that also costs money because you can't leave gasoline in the tank for years because it loses (specification). It goes (off-spec) so you have to rotate your inventory. So it's not difficult. It just costs money to do that.

And it's what the Europeans do in meeting their international agency obligations. They keep most of them in products and they have parastatal organizations that are in place to actually – to turn that product over and keep it fresh for any emergencies. But it's cost then, and having enough at the right places at the right time.

Which is the reason we designed the (SPR) the way we did, was to keep it close to our refining centers and then you can make it into whatever you need at the time you need it. So we've seen the difficulties of that with Katrina, and Rita, and Sandy. But it's still, I think, probably the most efficient way to have a strategic reserve for our system.

Devika Kumar: Right. And if I could quickly follow-up, I just wanted to also touch back on the point where you get – that you had started with, which is that the energy landscape has changed significantly since the last time we had a hurricane of this magnitude. Right? And how the U.S. has kind of become a powerhouse in terms of exports, especially for products, does that change the conversation at all from the last time something like this was discussed?

Guy Caruso: Yes. I think the – two things. One is the renaissance in light tight oil and shale gas has transformed the infrastructure requirements of the U.S. and that certainly affected the midstream in particular. So many of our refineries used to carry product and crude from south to north now we need to – we have reversed a number of those. The refineries were used to running heavier sour crudes, now we have this large (feed stock) of light sweet from Bakken and other producers of light tight oil, Eagle Ford.

So these things all make the logistical system a bit more – more complicated and – but it also, by lifting restrictions on exports of – of crude and taking – and the availability of refined products, I think the system is much more flexible and I think the mention of the Jones Act waiver that Bob said may be happening – and would add to that flexibility, if there were a need to move product from the Gulf Coast to Florida or even further up the East Coast, depends on where Irma goes.

So the – it's represented challenges to the infrastructure and investment but it also has added to the flexibility. So I think, on balance, we're better prepared for – during a Harvey disaster than we were even for Katrina only 12, 13 years ago.

Devika Kumar: Alright. Thank you.

Reid Porter: Thank you. We have time for two more questions please.

Operator: Your next question comes from John Funk from "The Plain Dealer", your line is open.

John Funk: Thanks a lot. My question has to do with whether fuel, refined products, were redistributed after Harvey? Meaning, were you able to reverse pipelines – say, move gasoline from Chicago to supply (racks) in Texas? Or did you use rail or did nothing like that happen?

Guy Caruso: I think it's been – the infrastructure is still under such stress that I don't think much of that has happened, to my knowledge. But I must admit, the companies would be in a much better position to answer that question. But I think the focus has been on the recovery and the restart, which, this time, has been facilitated by lesser damage to electric power facilities compared to Katrina.

Electric power was out much longer, covering a much wider area during 2004 and ’05, after Rita and Katrina. So, probably was less need for that kind of repositioning in the very short term, last two, three weeks.

But, certainly, the incentive was there to do that because of the large spike in prices. So any movement – the incentive, the market incentive was certainly there for that reallocation. So, probably, everything was done that could have been done, given the lack of available facilities due to damage.

John Funk: Thank you.

Operator: Your next question comes from Nick – Sorry Ed Crooks from “Financial Times”, your line is open.

Ed Crooks: Hi, good afternoon, thanks very much for taking the call. Yes, just for – wanted to kind of broaden out a thought you just raised. You were talking about – or you’ve just been talking Rita and Katrina and sort of similarities and differences to what we’ve been experiencing this year.

And you talked about the industry and everyone – the authorities being better prepared now. Just wondered if you could sort of expand on that, other thoughts that come to mind just in terms of sort of preparedness and were there lessons that were learned from Rita and Katrina that have been useful this time around with Harvey and possibly now with Irma.

Guy Caruso: Yes, I think definitely better prepared. One is the appreciation of the need to deal with all of the energy aspects, including the electricity and may have been circumstances were easier to deals with because of less electric power damage.

But also the better communication between the state and federal authority teams have gone much more smoothly this time and you’re not hearing – I – tell (schools) (sort of out school) but I’ve been out of government long enough now.

I mean, the stories we were hearing right away from – post Katrina was there was enormous lack of communication between states – and I won’t name names – and FEMA. And that – you're not hearing that this time and I know that's – we don't have access to every bit of information but certainly my impressions are that that was a big reason – one of the big reasons things have gone more smoothly.

Ed Crooks: Right. And that's true of the – sort of the recovery effort in general but also it specifically, has it affected the energy industry you'd say?

Guy Caruso: Yes.

Ed Crooks: Yes. Got you.

Guy Caruso: That's what my – my impression is and what I hear from my industry contacts and – and my contacts back in DOE.

Ed Crooks: Right, got it, thanks.

Jack Gerard: This is Jack Gerard; we've got time for one more. I'm just going to add one thing to that that Guy mentioned, didn't know if Bob wanted to comment on it, but if you go on our website we have a hurricane preparedness booklet and much of that was kind of in the post-Katrina world that was developed. Working with DOE – Guy's experience and his successor and secretaries and all – we actually worked with the previous administration and White House on that.

And it outlines, in many ways, not only kind of the full charts of how our industry functions but it identifies all those areas like the waivers we've talked about today and how we need to focus on those issues quickly to bring maximum flexibility to the market to address concerns as we have the outages as the storm impacts are dealt with.

So, if you want to take a look at that on our website or feel free to call us after the call offline, we're happy to share that with you. But I think that little booklet's probably a good summation of lessons learned and how we're prepared to deal with it now, to Guy's point is probably as smooth – or smoother than it's ever been in terms of an actual disaster like this.

Ed Crooks: Fantastic, thanks very much, I'll take a look. Sounds interesting.

Reid Porter: Thank you and we have time for one last question.

Operator: Your last question comes from Nick Snow from "Oil and (glass) – Gas", your line is open.

Nick Snow: Well, my question, basically has been answered. I just wanted to thank you guys for having this teleconference, it's been very informative and I should be able to make a pretty good story out of it.

Male: Thanks Nick.

Reid Porter: Thanks. All right, thank you all for joining today's call.

Jack Gerard: Let me thank our guests, in particular Guy and Bob for joining us today. We greatly appreciate you taking some time to help inform the situation that's taking place. Again, our thoughts and prayers are with those in harm's way and I know as we all work together and communicate as best we can, it'll be helpful.

So please don't hesitate to reach out to us. I'm sure Guy and Bob, to the extent they're available, will be happy to answer further questions as well. Thank you all and we look forward to being in touch. Thank you.

Reid Porter: If there are additional questions please don't hesitate to reach to the API media line, that's (202) 682-8114. Thank you.

Operator: This concludes today's conference call. You may now disconnect.

END