

From: Taylor, Richele
To: Michael Fields <michael@scpma.com>
Date: 9/18/2016 6:44:12 PM
Subject: RE: OIL EXPRESS ALERT: Colonial Pipeline Aiming to Complete Bypass for Line 1 This Week

Thank you!

From: Michael Fields [mailto:michael@scpma.com]
Sent: Sunday, September 18, 2016 6:19 PM
To: Taylor, Richele
Subject: FW: OIL EXPRESS ALERT: Colonial Pipeline Aiming to Complete Bypass for Line 1 This Week

Oil Express gave me permission to share with your office.

From: alertsadmin@opisnet.com [mailto:alertsadmin@opisnet.com]
Sent: Sunday, September 18, 2016 5:04 PM
To: Michael Fields
Subject: OIL EXPRESS ALERT: Colonial Pipeline Aiming to Complete Bypass for Line 1 This Week

2016-09-18 05:04:02 EDT

Colonial Pipeline Aiming to Complete Bypass for Line 1 This Week

Colonial Pipeline said on Sunday that it is aiming to complete its bypass construction for Line 1 this week, restarting full operation using the bypass for gasoline delivery from Houston to Greensboro.

Work conditions were favorable overnight and into today for bypass construction, the company said on Sunday.

On Saturday, Colonial had begun to execute its alternative plan to construct a bypass line around the leak site to allow Line 1 to return to service as rapidly and safely as possible.

The latest update on the bypass construction should help clear up some confusion in the market, which is rife with rumors that the bypass is 20 mile long and would take months to complete. Colonial shot down that rumor to be false.

Colonial has yet to give an official statement on the length of the bypass. The longer the bypass, the longer it could take to complete it.

Also, Colonial Pipeline clarified that its restart target for Line 1 remains this week even though some news reports falsely reported that Line 1 would be restarted this coming Thursday. Colonial Pipeline did not specify Thursday as a full operational restart date for Line 1, the company said.

While Colonial stuck its guns on the this week restart for Line 1, some traders had expected a later restart at end-September.

This repair work is closely monitored by traders and market players as the

Colonial Pipeline's Line 1 issue and tightening supply in the Mid-Atlantic and Southeast have jacked up NYMEX RBOB prices and rack prices, and at the same time, pressuring down Gulf Coast cash basis as supplies back up in Houston. A sharp drawdown in East Coast inventory also strengthened the NYMEX prompt RBOB price backwardation.

A quicker restart early this week could be perceived as bearish on gasoline prices which had rallied hard last week. and a restart closer to the end of this week would keep pressure on higher NYMEX RBOB prices and weaker Gulf Coast cash basis.

Besides the price impact, the Line 1 issue is causing a rolling supply run-outs at the racks in the Southeast and Mid-Atlantic. Rack prices have jumped significantly, and many open racks are closed. Branded supplies are also stretched. So far, EPA has issued a RVP waiver for 11 states, and some states have lifted maximum hours restrictions for truck drivers.

Colonial Pipeline said that it is focused on building the bypass for Line 1. It could not offer any progress update on the leak repair on Line 1 at Alabama.

OPIS notes that Colonial Pipeline may have to rely on the crucial bypass until Line 1 leak is fixed later down the road. There is no timetable for Line 1 repair so far.

The EPA has also issued a second waiver to allow for reformulated and conventional gasoline to be sold in markets that may be impacted by the disruption in supply caused by the disruption in service to Colonial Pipeline Line 1. This waiver is effective immediately through Oct. 6, 2016.

Late on Friday, Colonial Pipeline said that it had initiated excavation work to unearth and repair the damaged section of Line 1 and operations continued intermittently throughout the night as safe work conditions permitted.

Colonial Pipeline has more than 700 employees and partners on site working as safely and expeditiously as possible to repair the impacted segment of pipe and return to normal operations.

--Edgar Ang, egang@opisnet.com

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