Argus *Americas Asphalt*

Incorporating **Argus** *Asphalt Report*

argusmedia.com

Issue 23-42 | Friday 20 October 2023

SUMMARY

Wholesale asphalt prices were mixed across the country this week as lower demand and oversupply in some regions outweighed rising crude values.

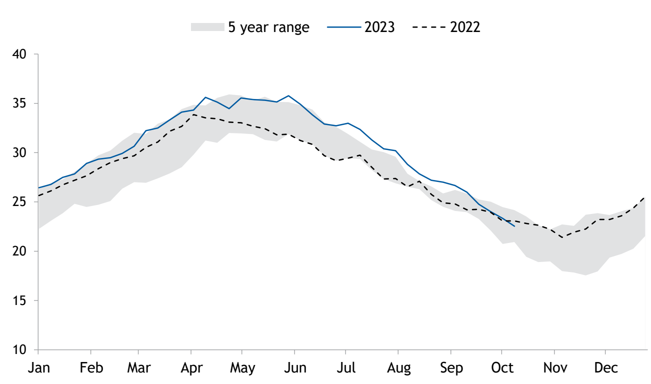
Waterborne fob values in the Atlantic coast and midcontinent slipped by $2.50/st and $20/st, respectively, while US Gulf values were steady.

Rising crude prices could support lifting wholesale asphalt prices in the coming weeks. WTI rose to $88.75/bl on Friday, and Western Canadian Select closed slightly lower at $62.78/bl. But lower overall demand as the market approaches the end of the paving season will limit any upside. The light-heavy crude spread also continued to widen, reaching nearly $26/bl on Friday.

The National Oceanic and Atmospheric Administration also forecast El Nino for the US this winter. El Nino means drier, warmer weather in more northern regions and cooler, wetter weather in southern areas. This could pressure demand in California and the US Gulf, areas which can typically pave year-round.

US weekly asphalt stocks dropped below year-prior levels for the first time all year. Inventories slipped by about 3.4pc to 22.5mn bl the week ended 13 October, according to the US Energy Information Administration (EIA). This is 2.3pc below stock levels from the same time a year prior and only 1.3pc above the five-year average for the week.

US asphalt stocks *mn bl*



KEY PRICES

Asphalt, 14-20 Oct				$/st
	Timing	Low	High	±
Rail, fob				
Rockies	Oct	250	310	nc
US midcontinent	Oct	300	395	nc
Waterborne, fob				
US Gulf		410	430	nc
US midcontinent		360	380	-20
Waterborne, fob				
New Jersey		430	440	-2.50
Rack				
New York City		485	550	nc
Chicago		445	495	nc
Los Angeles		540	545	nc
Atlanta		580	650	nc
Baltimore		490	550	nc

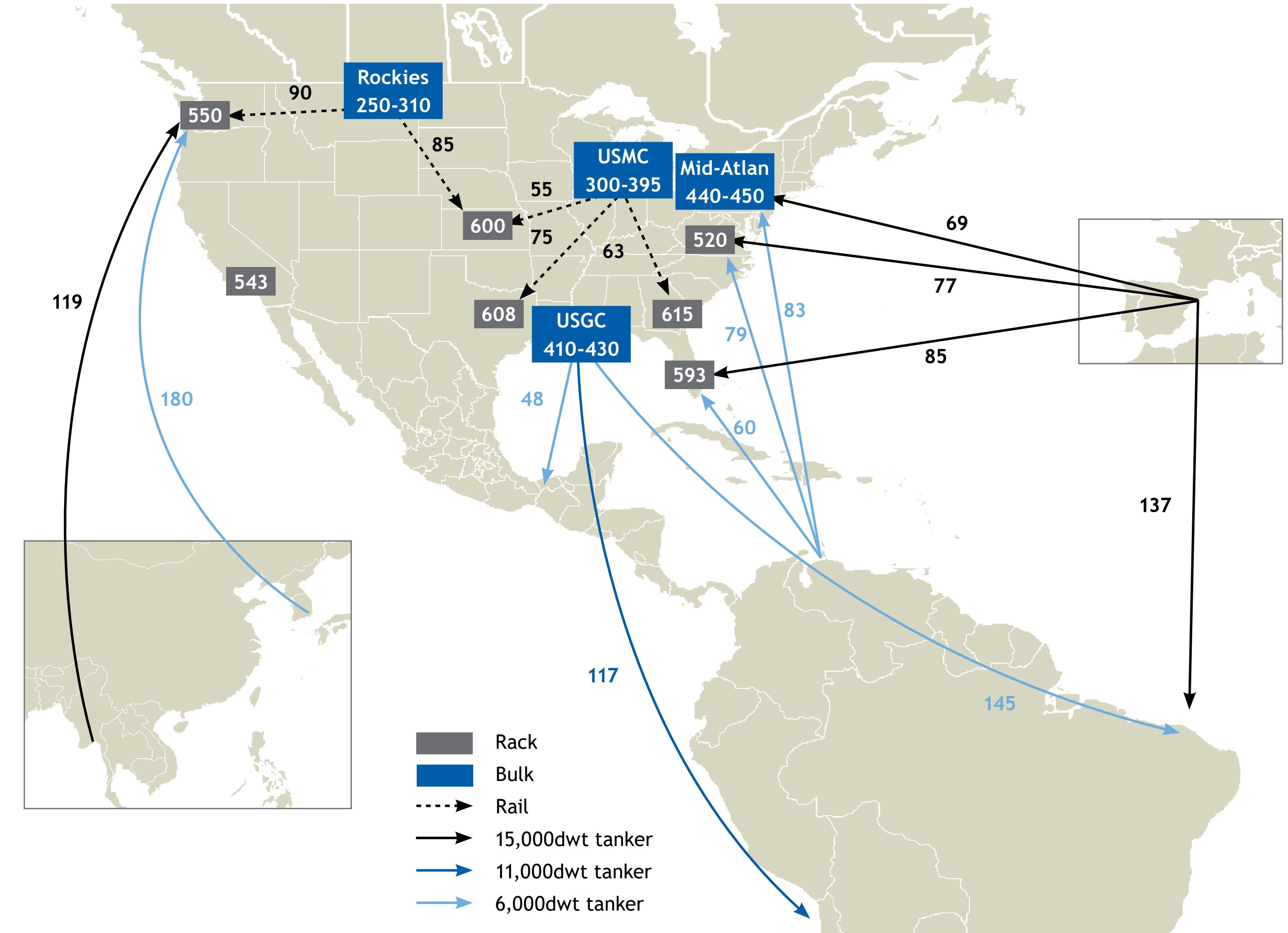
Economics, 14-20 Oct		$/st
	Mid	±
Asphalt's value as a fuel oil blendstock		
US Gulf	361.08	+22.75
New York	399.83	+20.75
Coker yield		
US Gulf	491	+9
US midcontinent	546	+53

Crude and refined products, 14-20 Oct			
	Low	High	±
Crude *$/bl*			
Maya	80.77	83.41	+2.68
WCS month 1	60.74	63.52	+1.02
WCS-WTI, Cushing	-7.40	-6.85	-0.33
WCS-MSW, Alberta	-19.48	-18.98	-1.12
Fuel oil No 6, 3pc S fob *$/bl*			
US Gulf	75.88	79.74	+3.37
New York	79.75	83.45	+3.53

**Tables include hyperlinks to those values maintained in the Argus database.*

Contents

ASPHALT PRICES AND TRANSPORTATION COSTS $/st



Transportation costs				$/st
Origin	**Destination**	**Low**	**High**	**±**
Rail				
Billings	Kansas City	80	90	nc
Billings	Portland OR	85	95	nc
Chicago	Atlanta	60	65	nc
Chicago	Dallas	70	80	nc
Chicago	Kansas City	50	60	nc
Twin Cities	Dallas	70	80	nc
Railcar lease rates, full-serve tank, term (years)		<1	1-5	>5
Coiled and insulated, Nov $/car/month		625.00	575.00	575.00
Ocean			Mid	
Amuay Bay	Baltimore		79	-1
Amuay Bay	Portland ME		83	nc
Amuay Bay	Portland OR		121	-1
Amuay Bay	Santo Domingo		38	nc
Amuay Bay	West Palm Beach		60	nc
New Orleans	Coatzacoalcos		48	+1
New Orleans	Fortaleza		145	+1

Transportation costs			$/st
Origin	**Destination**	**Mid**	**±**
Ocean			
New Orleans	Puerto Ventanas	117	+1
New Orleans	Santo Domingo	70	+2
Rayong	Portland OR	119	nc
Saint John NB	Baltimore	34	nc
Saint John NB	Providence	19	nc
Saint John NB	Puerto Ventanas	108	-1
Saint John NB	West Palm Beach	35	nc
Tarragona	Baltimore	77	nc
Tarragona	Fortaleza	137	+1
Tarragona	Portland ME	69	nc
Tarragona	Providence	70	-1
Tarragona	Santo Domingo	56	nc
Tarragona	West Palm Beach	85	+2
Ulsan	Portland OR	180	+1

Ocean freight rates reflect the cost of loading, transporting, and discharging asphalt, and then repositioning the empty vessel at its next port of call. As such, they represent the vessel operator's breakeven voyage cost. For further details, see Argus Americas Asphalt methodology at www.argusmedia.com/methodology.

US ATLANTIC COAST

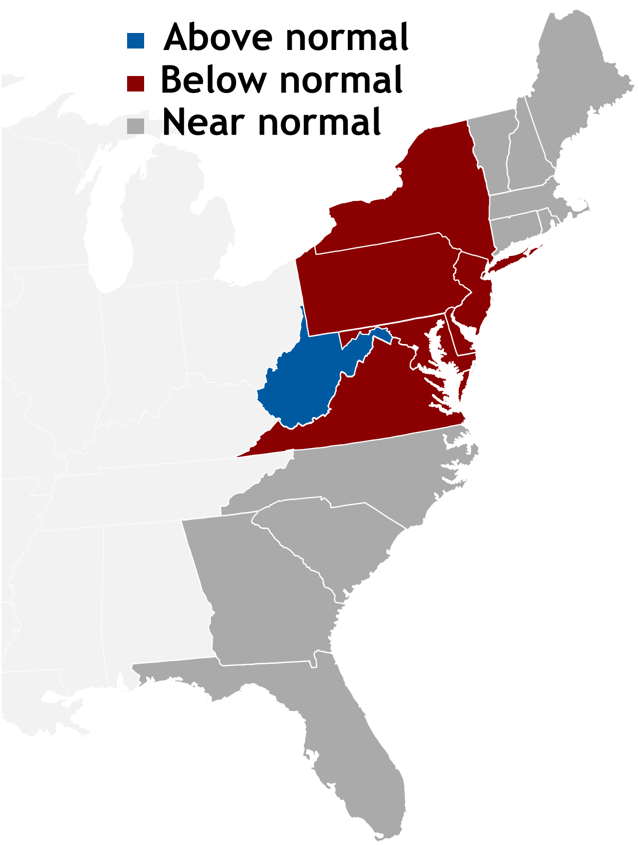
Wholesale values slipped on the east coast this week as some buyers started to look for winterfill opportunities and the paving season neared its end.

Delivered New York harbor prices declined by $10/st to $440-$450/st with a deal heard done at the low end of the range. The waterborne fob New Jersey assessment also declined by $2.50/st to $430-$440/st.

Market participants said there was not enough demand to lift prices this week. Fob New Jersey values were about $178/st below WTI, or 71pc of WTI this week. Some market participants expected wholesale values to continue on a downward trend despite firming crude prices.

WTI rose to $88.75/bl on Friday, and Western Canadian Select closed at $62.78/bl. The light-heavy spread widened to $25.97/bl over the week. Even with a wider light-heavy crude differential, asphalt production may wane as some refiners reduce runs amid narrowing crack spreads.

NWS six to 10-day forecast: Precipitation



Refined products, 14-20 Oct	Low	High	±
Fuel oil No 6 3% NYH *$/bl*	79.75	83.45	+3.53
Heating Oil 2,000ppm NYH del *¢/USG*	276.93	281.67	+6.89

Economics, 14-20 Oct	Mid *$/st*	±
Asphalt's value as a fuel oil blendstock, NYH	399.83	+20.75

Asphalt, 14-20 Oct *$/st*	Low	High	±
Waterborne, fob			
New Jersey	430	440	-2.50
Waterborne, cif			
New York	440	450	-10
New England	445	455	-10
Mid-Atlantic	440	450	-10
Rack			
Southwest Maine	600	650	nc
Greater Boston	600	650	nc
Connecticut	530	650	nc
Albany	400	550	nc
Western NY/Western PA	425	515	nc
New York City	485	550	nc
Philadelphia	480	515	nc
Baltimore	490	550	nc
Southeast Virginia	485	550	nc
Coastal Carolinas	490	520	nc
Inland North Carolina	490	540	nc
Atlanta	580	650	nc
Savannah	580	615	nc
Jacksonville	575	620	nc
Miami	570	615	nc
DoT index	**Effective**	**Mid**	**±**
Vermont	Oct	646	nc
New York	Oct	646	nc
Pennsylvania zone 1	Oct	616	nc
zone 2	Oct	610	nc
zone 3	Oct	604	nc
New Jersey North	Oct	594	nc
New Jersey South	Oct	594	nc
Delaware	Oct	596.67	nc
Maryland	Oct	620	nc
West Virginia	Oct	605	nc
Virginia PG 64-22	Oct	608.75	nc
Virginia PG 76-22	Oct	749	nc
North Carolina	from 1 Oct	612.50	nc
South Carolina	from 1 Oct	624.00	nc
Georgia	Oct	609	nc
Florida unmodified binders *$/USG*	Oct	2.57	nc
Florida modified binders *$/USG*	Oct	3.16	nc

US ATLANTIC COAST

The transatlantic arbitrage remained closed this week as Mediterranean asphalt prices rose to about $426/st on firming crude values and fuel oil prices. Elevated stocks in the mid-continent have helped keep the arbitrage closed this year.

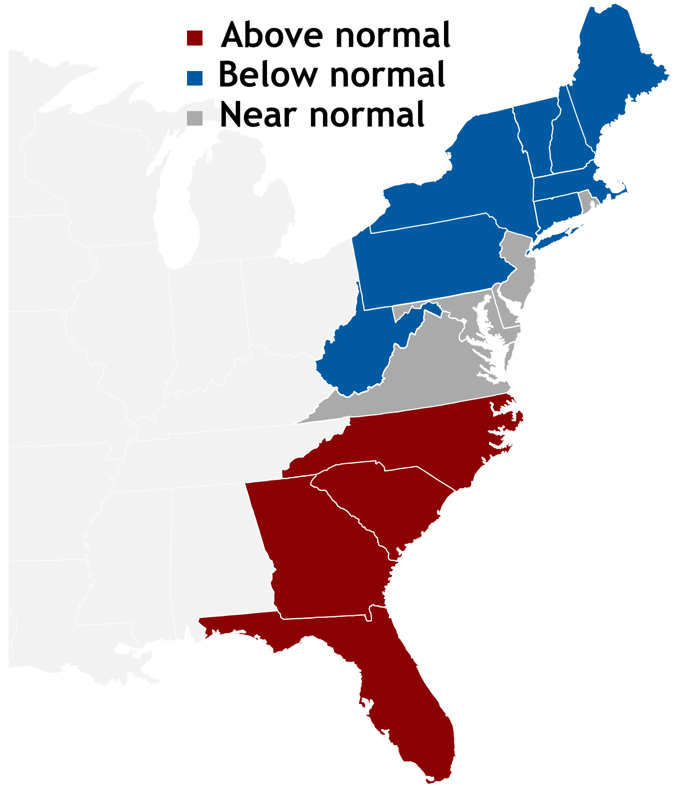
Market participants also said Washington's decision to temporarily lift Venezuelan sanctions could lead to US east coast imports of asphalt during the paving season next year.

Retail prices held steady on the east coast this week as some market participants noted a pickup in demand on favorable weather conditions. New York City racks were flat at $485-$550/st, and Albany retail values were unchanged at $400-$550/st.

Robust paving activities on the east coast will likely continue into next week as above-normal temperatures and below-normal levels of precipitation are forecast across the region starting 26 October, according to the National Weather Service (NWS).

In other news, the New Jersey DoT committed to do six high reclaimed asphalt pavement (RAP) projects with a minimum of 25,000st of asphalt each during the 2024 fiscal year, according to the New Jersey Asphalt Pavement Association. Market participants said increased RAP usage could boost demand for lighter asphalt grades like PG 58-28.

NWS six to 10-day forecast: Temperature



US MIDCONTINENT

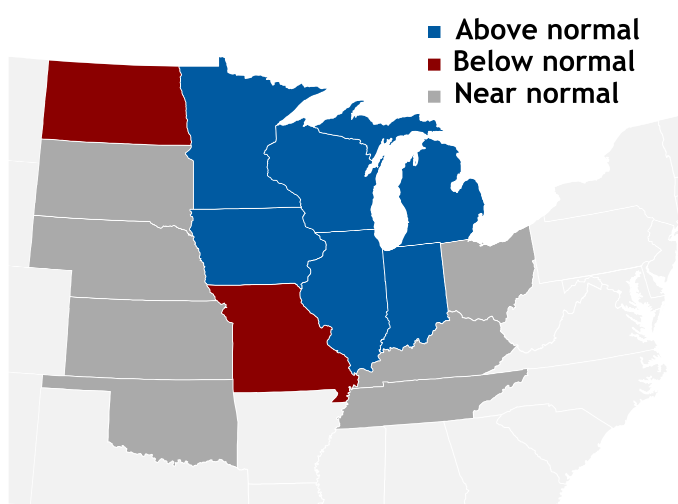
Waterborne prices in the midcontinent slipped this week as elevated stocks eclipsed rising crude prices.

The midcontinent waterborne assessment declined by $20/st to $360-380/st. Lower-priced cargoes have also been heard moving on the river but have fallen outside *Argus* methodology.

Market participants said barge loadings were about 75pc full this week as the US coast guard tightened draft restrictions on the lower Mississippi River because of low-water conditions. Low water levels are expected to persist through 28 October, according to the National Weather Service (NWS).

October midcontinent rail values were flat at $300-$395/st, with some additional volumes heard sold at $370/st this week. Some market participants expect rail values to continue their downward trend in November as demand wanes and the paving season ends. But rising crude prices are likely to mitigate

NWS six to 10-day forecast: Precipitation



US MIDCONTINENT

large price decreases.

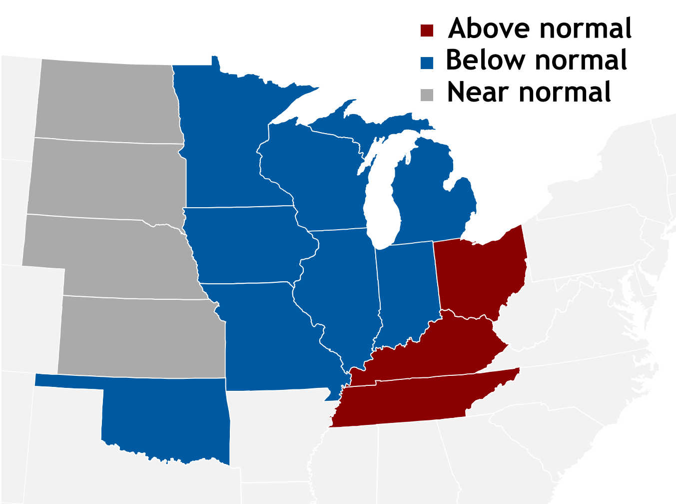
WTI rose to $88.75/bl on Friday on continuing concerns that the Israel-Hamas conflict may spill over into the wider region. Meanwhile, Western Canadian Select reached $62.78/bl on Friday and the light-heavy crude spread widened to $25.97/bl. The light-heavy crude differential has increased by $4.65/bl so far this month as turnarounds in the midcontinent and Canada reduce refinery runs. A wide light-heavy crude spread could result in additional asphalt production.

Market participants said the region is still oversupplied even as alternative demand for asphalt remained relatively strong. The *Argus*-calculated midcontinent coker yield rose to $546/st on Friday and was almost $200/st above rail values.

Retail prices held steady this week with Omaha racks between $600-$625/st and Northern Ohio racks flat at $600-$635/st. The spread between Omaha racks and midcontinent rail values reached $265/st on Friday.

Paving activities in the midcontinent will likely subside next week as most of the region is expected to receive above-normal levels of precipitation and below-normal temperatures starting 26 October, according to the NWS.

NWS six to 10-day forecast: Temperature



Crude, 14-20 Oct	Low	High	±
			$/bl
WTI month	86.64	89.39	+2.72
WCS (Cushing) month	77.75	80.73	+2.53
WCS-WTI, Cushing	-7.40	-6.85	-0.33
WCS-MSW, Alberta	-19.48	-18.98	-1.12

Economics, 14-20 Oct	Mid	±
		$/st
Coker yield	546	+53

Argus' USMC coker yield reflects the value of a single short ton of asphalt after it has been upgraded in a delayed coker. For further details, see Argus Americas Asphalt methodology at www.argusmedia.com/methodology

Asphalt, 14-20 Oct	Timing	Low	High	±
				$/st
Rail, fob				
Asphalt	Oct	300	395	nc
Roofing flux	Oct	425	525	nc
Waterborne, fob				
Asphalt		360	380	-20
Rack				
Chicago metropolitan area		445	495	nc
Twin Cities		570	600	nc
Wisconsin		480	510	nc
Michigan southeast		605	635	nc
Indianapolis		605	635	nc
Northern Ohio		600	635	nc
Mid-Ohio River		605	635	nc
Kansas City		575	625	nc
Tulsa		575	630	nc
St Louis		590	620	nc
Kentucky south/Tennessee		605	650	nc
Omaha		600	625	nc
DoT index		Effective	Mid	±
Illinois		from 1 Oct	607.22	nc
Kentucky Kapi		Oct	626.43	nc
Tennessee PG 64-22		Oct	632.73	nc
Tennessee PG 70-22		Oct	701.25	nc
Tennessee PG 76-22		Oct	758.75	nc
Tennessee PG 82-22		Oct	870	nc

US GULF COAST

US Gulf prices were unchanged week-over-week.

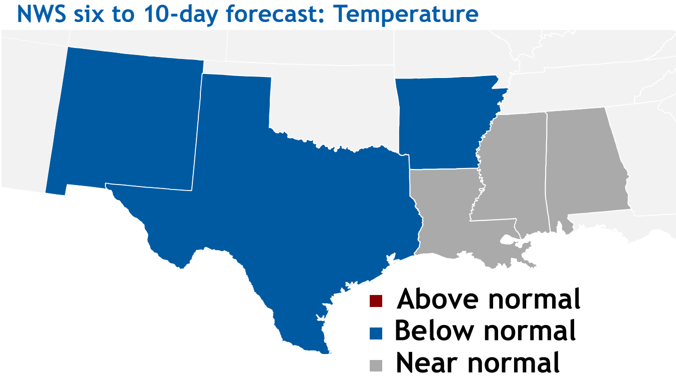
Some fresh demand was heard from Uruguay and Chile this week, and a wholesale deal was done around $420/st fob. Waterborne values held at $410-$430/st fob.

Gulf values may feel pressure in the coming months if and when Venezuelan asphalt supply returns to the market. The US eased sanctions on Venezuela for six months earlier this week, which will allow state-owned PdV to resume oil exports to the US and other destinations.

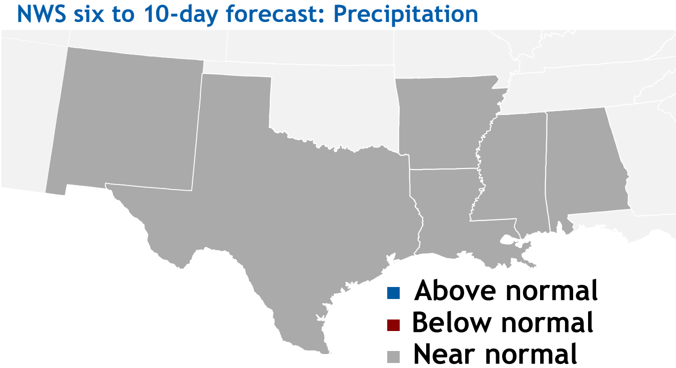
Some Venezuelan asphalt exports to Brazil have been heard in recent months, with another cargo expected to arrive soon. It is unclear if exports will ramp up significantly within the six-month period.

Rising crude prices may support asphalt values, as suppliers look to offset production costs. WTI settled up week-over-week at $88.75/bl on Friday, while Western Canadian Select (WCS) ended the week slightly lower at $62.78/bl. Crack spreads are also weaker compared to year-ago levels, with the US Gulf sour 3-2-1 crack around $21/bl. Refiners in other regions have or are considering reducing production as they try

NWS six to 10-day forecast: Temperature



NWS six to 10-day forecast: Precipitation



Crude and refined products, 14-20 Oct	Low	High	±
Crude *$/bl*			
Maya	80.77	83.41	+2.68
WTS	86.06	88.32	+2.44
Maya-LLS	-8.24	-7.57	+0.62
Refined products			
Fuel oil No 6 3pc S fob *$/bl*	75.88	79.74	+3.37
Diesel 2,000ppm barge *¢/USG*	292.92	299.80	+2.25

Economics, 14-20 Oct *$/st*	Mid	±
Asphalt's value as a fuel oil blendstock	361.08	+22.75
Coker yield	491	+9

Argus' USGC coker yield reflects the value of a single short ton of asphalt after it has been upgraded in a delayed coker. For further details, see Argus Americas Asphalt methodology at www.argusmedia.com/methodology.

Asphalt, 14-20 Oct *$/st*	Low	High	±
Waterborne, fob			
Asphalt	410	430	nc
Rail, fob			
Roofing flux, Oct	480	545	nc
Rack			
Tampa	540	600	nc
Alabama - North	590	620	nc
Mobile	570	620	nc
Louisiana - Southeast	565	620	nc
Mississippi	605	620	nc
Houston	545	560	nc
Texas - Northeast	600	615	nc
DoT index	**Effective**	**Mid**	**±**
Mississippi AC-5	Oct	620	nc
Mississippi AC-10	Oct	650	nc
Mississippi AC-20	Oct	603.33	nc
Mississippi AC-30	Oct	610	nc
Mississippi PG 64-22	Oct	615	nc
Mississippi PG 67-22	Oct	617.27	nc
Mississippi PG 76-22	Oct	764.44	nc
Mississippi PG 82-22	Oct	810	nc
Louisiana PG 64-22	from 1 Oct	612	nc
Louisiana PG 70-22M	from 1 Oct	717	nc
Louisiana PG 76-22M	from 1 Oct	743	nc
Alabama PG *$/USG*	Oct	2.74	nc
Alabama PG with polymer *$/USG*	Oct	3.42	nc
Alabama emulsified *$/USG*	Oct	3.12	nc
Alabama emulsified with polymer *$/USG*	Oct	3.49	nc
New Mexico	Oct	718	nc

US GULF COAST

to minimize asphalt production, even as the light-heavy crude spread continued to widen.

The differential hit nearly $26/st on Friday, the highest since early January. At least one market participant expected refiners to run more heavy crude and produce more asphalt, though not to the levels seen last winter.

The *Argus*-calculated Gulf coker yield reached $491/st on Friday, around $9/st higher from the week prior.

Retail prices were also flat this week. Houston racks were unchanged at $545-$560/st. Paving may be subdued in late October as above-normal precipitation is expected for the western Gulf. The November weather is forecast to have above-normal temperatures and precipitation, according to the National Weather Service.

LATIN AMERICA

Venezuelan asphalt is expected to arrive in Brazil early next week and discharge 16,000t, according to market participants. The vessel's first stop will be in Belem, where the plan is to drop at least 6,000t. The second stop is in Bahia, where another 2,000t will be delivered. The final stop is in Itajai, where some 6,000t will be discharged.

This is the second successful cargo that has made its way out of Venezuela and into Brazil this year. The first one arrived in July after a long negotiation, as prior deals struggled to find vessels and charterers willing to work the logistics.

Asphalt exports from Venezuela could increase as the

US government temporarily lifted sanctions against Venezuela's oil and gas industry this week. Market participants also wonder if this move could increase asphalt supply. A source linked to PdV said the Venezuelan company expects to be able to raise crude output in a "gradual" manner by "around 200,000 b/d in the short run".

Brazil is expected to finish 2023 with a surprisingly high asphalt volume for a post-election year. Market estimates indicate Brazil will end the year with 2.55mn t of Petrobras product, about 200,000t produced by other firms and around 100,000t of imported asphalt.

Demand is expected to grow further in 2024, as Brazilians will hold local elections, which tends to boost asphalt demand.

This week, the 36,900dwt *Star River* discharged 11,100t in Campana, Argentina, from Saint Rose, Louisiana, on 15 October.

The 12,000dwt *Zhuang Yuan Ao* discharged 6,400t in Progreso, Mexico, on 18 October, also from Saint Rose, Louisiana.

The 12,799dwt *Amber Bay* loaded 12,200t in Barranquilla, Colombia, on 18 October and is expected to arrive in San Juan, Puerto Rico, on 22 October.

Refined products, 14-20 Oct			$/t
	Low	High	±
Fuel oil bunker HS 380 cst Cartagena Colombia	542.75	551.75	+9
Fuel oil bunker HS 380 cst El Callao	740.00	772.00	-0.50
Fuel oil bunker HS 380 cst Venezuelan ports posted	436.60	436.60	nc

Asphalt					
	Grades	local currency/ unit		$/st	
		Mid	±	Mid	±
Acelen, effective 1 Oct *BRL/t*					
Mataripe fca	CAP 50/70	3,438.93	nc	618.02	+6.66
Ecopetrol, Barrancabermeja, effective 1 Oct *COP/t*					
	pen 60/70	2,639,906.41	nc	565	+3
Petrobras, effective 1 Oct *BRL/t*					
Lubnor fca	CAP 50/70	3,267.34	nc	587.18	+6.33
Regap fca	CAP 50/70	3,244.95	nc	583.16	+6.29
	CAP 30/45	3,228.44	nc	580.19	+6.25
Revap ex-works	CAP 50/70	2,927.87	nc	526.17	+5.67
Repar ex-works	CAP 50/70	2,981.27	nc	535.77	+5.78
Reduc fca	CAP 50/70	2,923.41	nc	525.37	+5.66
	CAP 30/45	2,896.36	nc	520.51	+5.61
Refap fca	CAP 50/70	3,062.94	nc	550.45	+5.94
Replan fca	CAP 30/45	3,138.86	nc	564.09	+6.08
Ream, effective 1 Oct *BRL/t*					
Reman ex-works	CAP 50/70	3,689.28	nc	663.01	+7.15
Reman fob	CAP 50/70	3,302.77	nc	593.55	+6.40
Recope, effective 1 Oct *CRC/l*					
Costa Rica	AC-30	418.58	nc	698	+6
	CRS-1 emulsion	262.13	nc	437	+4

The 9,230 *Asphalt Carrier* is expected to discharge in Belem, Brazil, on 24 October, from New Orleans, Louisiana.

US WEST COAST AND ROCKY MOUNTAINS

Asphalt prices were stable in the Rockies this week as pavers rushed to complete projects ahead of a winter storm and suppliers attempted to make sense of competing fundamentals.

Rockies rail held at $250-$310/st. Retail values were unchanged across the region.

A storm is expected to move through the Rockies next week, which may hasten the end of the paving season. Below-normal temperatures and above-normal precipitation are expected throughout the Rockies from 24-28 October, according to the National Weather Service (NWS).

Paving jobs throughout the region are still behind schedule because of the lengthy delay at the start of the season, with market participants expecting anywhere from 15pc-30pc of orders pushed to next year.

At the same time, the National Oceanic and Atmospheric Administration (NOAA) forecast a drier and warmer winter for the northern Rockies, the result of El Nino taking place for the first time in four years. This could encourage some additional paving activity. Wetter-than-normal conditions are expected for most of California and the southern half of the Rockies, however.

Suppliers also continued to puzzle over market fundamentals ahead of November. Rising crude prices may force refiners to raise wholesale asphalt prices in November. Western Canadian Select (WCS) settled at $62.78/bl on Friday, slightly lower over the week. Rockies rail was 73pc the price of WCS on Friday. But as the season winds down and demand continues to decline, buyers may find any increases unappealing.

A wide light-heavy crude spread should also indicate more asphalt production. The light-heavy spread was nearly $26/st on Friday, the highest since early January. At the same time, US inventories continued to decline, dropping below 2022 levels for the first time this year. Inventories slipped by about 3.4pc to 22.5mn bl the week ended 13 October, according to the US Energy Information Administration (EIA).

Crude and refined products, 14-20 Oct

	Low	High	±
Crude *$/bl*			
ANS USWC month 1	91.49	94.20	+2.49
Refined products			
Fuel oil bunker 3.5%S 380cst Los Angeles *$/t*	437.50	446.50	-21.75
Diesel EPA 10ppm Los Angeles pipeline *¢/USG*	315.92	325.67	-7.04

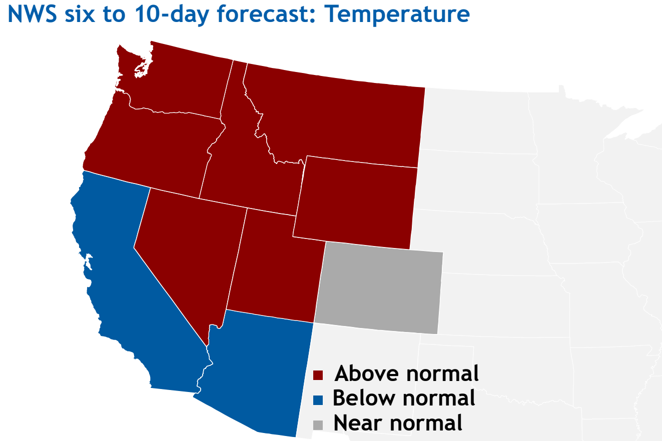
Economics, 14-20 Oct *$/st*

	Mid	±
Asphalt's value as a fuel oil blendstock, Los Angeles	289.57	-20.13

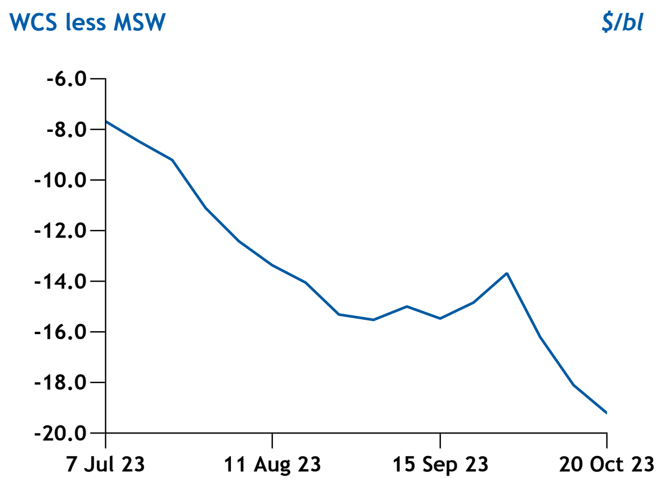
Asphalt, 14-20 Oct *$/st*

	Timing	Low	High	±
Rail, fob				
Rockies	Oct	250	310	nc
Rack				
Montana		575	600	nc
Wyoming		640	660	nc
Denver		600	700	nc
Salt Lake City		575	630	nc
Phoenix		580	620	nc
Seattle		600	625	nc
Portland		525	575	nc
Las Vegas		680	710	nc
Bay Area		550	570	nc
Bakersfield		495	550	nc
Los Angeles		540	545	nc
DoT index	Effective		Mid	±
Colorado	Sep		621.13	nc
California	Oct		508.60	nc
Alaska	from 6 Oct		668	nc

NWS six to 10-day forecast: Temperature



CANADA



Crude, 14-20 Oct			$/bl
	Low	High	±
WCS month 1	60.74	63.52	+1.02
WCS-MSW, Alberta	-19.48	-18.98	-1.12

Asphalt, 14-20 Oct						
		C$/t			$/st	
	Low	High	±	Low	High	±
Rack						
Montreal	810	880	nc	538	584	-2
Toronto	780	855	nc	518	568	-1
Manitoba	800	825	nc	531	548	-1
Saskatchewan	800	825	nc	531	548	-1
Edmonton	800	825	nc	531	548	-1
		Mid	±		Mid	±
Bitumar*						
Montreal: PG 58S-28†, 1 Sep		965	nc		641	-1
Montreal: PG 58H-34‡, 1 Sep		1,145	nc		760	-2
Montreal: PG 52V-40, 1 Sep		1,195	nc		794	-1
Montreal: PG 58E-34, 1 Sep		1,205	nc		800	-2
Montreal: PG 58H-28, 1 Sep		1,155	nc		767	-2
Montreal: PG 58V-28, 1 Sep		1,195	nc		794	-1
Montreal: PG 64H-28, 1 Sep		1,145	nc		760	-2
Montreal: PG 64E28, 1 Sep		1,205	nc		800	-2
Montreal: PG 64EEE28, 1 Sep		1,255	nc		833	-2
Toronto: PG 58-28, 1 Sep		1,050	nc		697	-2
Suncor, Montreal, effective 22 Apr*						
PG 58S-28†		975	nc		648	-1
PG 58H-34‡		1,155	nc		767	-2

**posted in C$/t; †formerly PG 58-28; ‡formerly PG 58-34*

Retail prices held steady in Canada as the paving season wraps up.

Toronto rack prices were flat at C$780-C$855/t, and the Montreal retail price held at C$810-C$880/t. Manitoba, Saskatchewan and Edmonton retail values were also unchanged at C$800-C$825/t.

Most paving activities will likely come to a halt in eastern Canada next week. Environment Canada forecasts below-freezing temperatures with up to a 60pc of flurries starting 24 October in Calgary, Alberta.

US imports of Canadian asphalt rose to 1.97mn bl in July, up by about 35pc from June but more than 11pc below year-ago levels, according to the latest US Energy Information Administration (EIA).

Canadian refinery throughputs declined for a fifth consecutive week with losses reported across all regions, according to Canada Energy Regulator (CER) data.

National throughputs in the week ended 10 October declined to 1.40mn b/d from 1.43mn b/d in the prior week. They were down by 13pc from a year earlier.

The weekly drop was led by western Canada, where throughputs fell by 4.5pc from the prior week to 588,400 b/d. Refinery utilization in the region was down by 4.1 percentage points to 85.6pc.

In Quebec and eastern Canada, throughputs declined by 0.4pc on the week to 456,600 b/d. Refinery utilization dropped to 65.1pc, down by 0.2 percentage points from the prior week.

Ontario's throughputs slipped by 0.3pc to 355,900 b/d, with refinery utilization down by 0.3 percentage points to 86.4pc.

Nationwide, utilization fell by 1.7 percentage points to 77.8pc. Compared with a year earlier, utilization was down by more than 11 percentage points.

Throughputs are expected to remain depressed as Imperial Oil's 120,000 b/d Sarnia, Ontario, refinery and Irving Oil's 320,000 b/d refinery in Saint John, New Brunswick, continue major turnaround work this month.

Asphalt freight movements							*—Vortexa*
Vessel name	Owner	Tonnage dwt	Loading port	Discharge port	Current position	ETA
Palanca Rio	Ocean Tianyu Shipping Ltd	15,000	Saint John, Canada	Charleston, SC	Atlantic	15 Oct
Palanca Cadiz	Ocean Tianyu Shipping Ltd	14,911	Philadelphia, PA	Saint John, Canada	Atlantic	16 Oct
Damia Desgagnes	Transport Desgagnes Inc	15,100	Montreal, Canada	Tracy, Canada	Atlantic	16 Oct
Zhuang Yuan Ao	Xin de Yuan Hong Kong Shpg	12,000	St Rose, LA	Progreso, Mexico	Gulf	18 Oct
Star River	Kumiai Senpaku Co Ltd	36,900	St Rose, LA	Campana, Argentina	Atlantic	18 Oct
Atlantic Asphalt	Fortune Liwan Shipping Ltd	17,764	Tracy, Canada	New Haven, CT	Atlantic	19 Oct
Amber Bay	Ocean Generous Shipping Corp	12,799	Barranquilla, Colombia	San Juan, Puerto Rico	Caribbean	22 Oct
Asphalt Carrier	Asphalt Carrier Shipping Co	9,230	New Orleans, LA	Belem, Brazil	Caribbean	24 Oct

NEWS

EPDs signal change for asphalt industry

The National Asphalt Pavement Association (NAPA) released its first set of environmental product declaration (EPD) benchmarks today to help the industry meet new funding requirements.

The benchmarks, based on data from 331 asphalt plants from 91 organizations, call for a localized approach that takes into account regional geography, weather and differences in Department of Transportation specifications.

EPDs are reports that quantify a manufactured product's environmental impact, including its global warming potential (GWP). Asphalt in some states such as Florida had a higher GWP because plants have to bring in aggregate, with transportation costs lifting their carbon footprint. Climate also played a role, determining the amount of energy needed to run asphalt plants.

As EPDs become more common, the asphalt industry may implement new strategies that could alter liquid binder demand. Some strategies may include using non-pavement recycled content, bio-based or other alternative binders.

Another strategy may be to increase the usage of reclaimed asphalt pavement (RAP), which encourages using softer asphalt grades. Some areas that primarily use PG 64-22 may switch to PG 58-28 as states allow more RAP.

The national percentage of RAP used in asphalt mixtures is about 21pc, according to NAPA. The California Department of Transportation (Caltrans) is working with the asphalt industry to develop specifications that allow for RAP usage up to 40pc, which would reduce the amount of asphalt binder needed by at least 1.5pc. But some industry participants are wary of unintended consequences of increasing RAP and other alternative binder usage, noting more testing is required to avoid quality issues.

The growing use of EPDs could also impact construction bids, with a lower GWP representing a more competitive bid.

Some states have developed their own EPD requirements, but they are largely used to quantify the carbon footprint of construction materials in federal projects. The Inflation Reduction Act (IRA) included $2.15bn for the US General Services Administration (GSA) to procure materials for construction and renovation projects that have “substantially lower” GWP levels. The IRA also provided the Federal Highway Administration (FHWA) with a $2bn grant to incentivize further use of these construction materials.

“Substantially lower” GWP levels are in the lowest 20th percentile, according to the Environmental Protection Agency’s interim determination. If products in the lowest 20pc are not available, then products with a GWP in the lowest 40pc qualify for IRA funding. After this level, products with a GWP lower than the estimated industry average would qualify for IRA funding.

It is still unclear if IRA will utilize NAPA’s more localized benchmark as the GSA and the FHWA have the final say on what data is used.

By Cobin Eggers and Sarah Tucker

US housing permits fall, flux resilient on oil

Housing permits fell in September as the construction season neared its end, but activity in single-family construction remained resilient alongside an uptick in roofing flux prices, partly on rising crude values and storm-induced demand.

Privately owned housing permits in September were at a seasonally adjusted annual rate of 1.473mn, according to the US Census Bureau and the Department of Housing and Urban Development (HUD). That's 4.4pc below August's rate and 7.2pc lower than a year prior.

NEWS

But single-family permits rose to a rate of 965,000 in September, 1.8pc higher than August and 11.6pc higher than a year earlier. It continues the month-to-month growth in single-family permits that has lasted since the start of the year. Multifamily permits fell by 14pc on the month.

Demand for new housing is picking up as supply is scarce. Still, current homeowners, who in previous years bought houses at roughly 3-5pc mortgage rates, are generally disincentivized from purchasing new homes with mortgage rates of over 7pc, the highest in two decades.

Even so, housing starts rose by 7pc to an annual rate of 1.358mn units in September from the prior month, still 7.2pc lower than September 2022. Single-family starts rose to the third highest level of 2023 at a rate of 963,000 units, 3.2pc higher than August and 8.6pc higher year on year. Multifamily starts were up 17pc on the month.

Flux, tornadoes and crude

Roofing flux prices in the US Gulf coast rose to $505/st in September from $480/st in August and were roughly 24pc below 2022 levels. Midwestern roofing flux prices also rose slightly to $475/st in September from $472.50/st in August and were 20pc below values seen a year prior.

Asphalt market participants said flux price increases stemmed from a weather-related boost in demand and increased production costs. There were 148 tornadoes reported to the National Oceanic and Atmospheric Administration over August, about 27pc more than July levels and four times the levels seen a year prior. Rising crude prices also supported flux values. WTI rose from $81.37/bl on 1 August to $85.55/bl on 1 September.

Demand for roofing flux could soften as sentiment among homebuilders continued to sour with September's builder confidence rating downwardly revised to 44 points, according to the National Association of Home Builder (NAHB)/Wells Fargo Housing Market Index (HMI). Sentiment for October fell further to 40 points, with any reading below 50 an indicator of negative market sentiment.

By Aaron May and Cobin Eggers

US temporarily lifts Venezuela oil sanctions

The US will temporarily lift sanctions targeting Venezuela's oil and gas sector after Venezuela's government and an opposition coalition agreed to work together to ensure free and fair presidential elections due next year.

The US action will allow state-owned PdV to resume oil exports to the US and other destinations and removes prohibitions on new investment in Venezuela's oil and gas sector, for a six-month period ending on 18 April.

The US has welcomed agreements concluded on Tuesday between Venezuelan president Nicolas Maduro's government and the Unitary Platform opposition.

The reprieve from US sanctions does not apply to any joint venture between PdV and Russian oil and gas companies, or any investments by Russia in Venezuela.

Treasury said it is prepared "to amend or revoke authorizations at any time, should representatives of Maduro fail to follow through on their commitments."

The sanctions waiver will only be renewed if Venezuela meets its commitments under the electoral roadmap and releases unlawfully detained individuals, Treasury said.

Before today's action, only Chevron was allowed to import Venezuelan oil into the US, and only from its joint ventures with PdV. Chevron has imported about 165,000 b/d of Venezuelan crude to the US since November 2022.

Chevron has discussed a new drilling campaign for 2024, and the new authorization will allow the company to bring in equipment needed for that.

Venezuela's largest foreign asset, US refiner Citgo, is going to be auctioned next year to pay for billions of dollars in debt claims advanced against Caracas and PdV.

Today's action by Treasury will not affect the US position on the Citgo legal process, a senior administration official said. The US government has told the US federal court in Delaware that it will not block the auction process but may withhold authorization for Citgo's takeover by a third party. The US government has also blocked holders of PdV 2020 bonds from taking over Citgo.

By Haik Gugarats

Draft restrictions tightened on Mississippi River

The US Coast Guard tightened draft restrictions on Wednesday for vessels on the lower Mississippi River because of low-water conditions.

Southbound and northbound vessels must reduce operating drafts to no more than 9ft between mile markers 869 and 435. Operating drafts for vessels traveling between miles 435 and 303 on the river must be no more than 9.6ft.

The prior draft restrictions for northbound and southbound

NEWS

vessels was 9.6ft between miles 869 and 482 and 10ft between miles 482 and 303.

Northbound tows are also restricted to four loaded barges wide on the lower Mississippi River, with no limitations on length. If one barge is empty, the width can be five barges.

Barge carriers have mentioned towing 20-25 barges at a time through the lower Mississippi River, down from 35-40 barges during normal conditions.

Low water levels are expected to continue for at least the next couple of weeks, according to the National Weather Service.

By Meghan Yoyotte

US refiner summer results may run flat y/y

Third quarter US refiner margins, utilization rates and demand are little changed compared to year-earlier results, but profits are expected to remain higher than pre-pandemic norms when refiners start releasing financial results next week.

Average third quarter crack spreads for light crude grades on the US east coast, Gulf coast and midcontinent saw small changes from year-earlier levels, while west coast crack spreads rose by about 20pc from the same quarter of 2022, according to *Argus* data.

West coast margins have narrowed going into the fourth quarter, but analysts at investment bank Piper Sandler expect recent tightness in that market to result in the widest third quarter refining margins for any US region, according to a 13 October research note. Refiners PBF, HF Sinclair and Valero are set to benefit from above-average exposure to the region.

While crack spreads are relatively flat from the third quarter of 2022, the relative profits from refining gasoline and diesel have diverged in the third quarter. Opec+ production cuts introduced in July reduced medium sour crude supply, which, alongside strong demand, drove distillates inventories lower in the third quarter and widened diesel margins, Piper's analysts wrote. For gasoline, weaker-than-expected demand and decent summer utilization rates replenished stocks and narrowed margins.

US refiners ran at average utilization rates of 93pc in the third quarter, largely unchanged from 2022 levels, according to Energy Information Administration (EIA) data, even as facilities weathered an unseasonably hot summer.

US refined product demand was also largely stable year on year at around 8.8mn b/d for gasoline and 3.7mn b/d for diesel in the third quarters of 2023 and 2022, based on EIA weekly demand data.

A combination of stable refinery runs and product demand left average third quarter gasoline inventories flat from the third quarter of 2022. Diesel stocks, however, were up by an average 5.5mn bl compared with the third quarter of 2022.

Both gasoline and diesel stocks remain below their five-year averages and continue to put upwards pressure on refiner profits as little inventory rebuilding is expected with fall turnaround season underway.

A floor under profits, for now

Analysts have somewhat soured on US refiner profitability, particularly following a second quarter where every major refiner reported a dip in earnings. But more broadly there is a consensus that overall reductions in domestic refining capacity since the start of the Covid-19 pandemic, access to discounted feedstocks and limited near term global facility start ups are setting a "new normal" for higher profits.

Bank of America equity analysts downgraded multiple refiners from "buy" to "neutral" ratings in an August research note, but stuck to their regional golden age of refining thesis that US refiners are poised for higher-than-average profitability compared with global competition.

Phillips 66's chief executive Mark Lashier said earlier this month that US gasoline demand has reached its peak, with diesel and jet fuels to follow soon, but that the US refining sector remains in a pole position to export excess product.

But refining margins narrowed in the first two weeks of the fourth quarter in most US regions as lower product prices outweighed relatively cheaper crudes. The narrowing margins come amid fall turnaround season where up to 2mn b/d of US and Canadian refining capacity could be offline in the remainder of the year, with the bulk of the work having started in September. The EIA said in its *Winter Fuels Outlook* last week that it expects fourth quarter turnarounds to reduce US refinery throughputs by 150,000 b/d compared to 2022.

A heavier-than-expected turnaround season could also hinder seasonal stock builds and hold inventory levels below five-year averages where they currently sit, a market dynamic that has helped raise refiner profits in the post-pandemic years.

By Nathan Risser

Venezuela sanctions waiver, 200,000 b/d upside

Washington's decision this week to lift sanctions targeting

NEWS

Venezuela's oil and gas sector for six months should help boost the country's oil production, but the short-term upside will be limited.

The move will allow state-owned PdV to resume oil exports to the US and other destinations and removes prohibitions on new investment in the Opec producer's oil and gas sector until 18 April.

A source with links to PdV said the expectation internally is that Venezuela will probably be able to raise crude output in a "gradual" manner by "around 200,000 b/d in the short-run." This could materialise by the end of the year, the source said.

Venezuela's production in the third quarter of 2023 was 790,000 b/d, according to *Argus* figures. That suggests the country could feasibly raise production to around 1mn b/d ¤ a level at which it has not produced since the first quarter of 2019.

In the medium-term, the source said PdV could see a 500,000 b/d increase in its crude output, but only "once we get more rigs and well services."

The decision to temporarily lift sanctions targeting Venezuela's oil and gas sector came after the country's government and an opposition coalition, the Unitary Platform, agreed to work together to ensure free and fair presidential elections in 2024. T

he US Treasury warned it is was prepared "to amend or revoke authorisations at any time, should representatives of [Venezuelan president Nicolas] Maduro fail to follow through on their commitments."

It said also the waiver will be renewed only if Venezuela meets its commitments under the electoral roadmap, and releases unlawfully detained individuals.

Before this latest action, only Chevron was allowed to import Venezuelan oil into the US, and only from its joint ventures with PdV. Chevron has imported around 165,000 b/d of Venezuelan crude into the US since November 2022.

Chevron last month said it planned a new drilling campaign for 2024, and the new authorisation should allow the company to bring in equipment needed for that.
By Nader Itayim

Pemex delays Tula coker start to July 2024

Mexico's state-owned Pemex expects to start the first of two new planned cokers at its refineries in July 2024 — seven months later than first planned — likely extending the company's struggles with excess fuel oil production.

The government last said in April that the still under-construction coker unit at the 315,000 b/d Tula refinery would start operations by the end of this year, but the latest Pemex forecast released on 10 October points to July 2024.

Pemex chief executive Octavio Romero did not disclose details on the coker's delayed start and Pemex did not immediately respond to *Argus'* request for comment.

With the coker unit, the Tula refinery will be able to process a combined 100,000 b/d of its own residuals and some from the Salamanca refinery to produce cleaner products, Pemex's downstream executive vice president Reinaldo Wences said in July.

This will likely double Tula refinery's road fuels output, according to market sources. Tula's output stood at 99,000 b/d of gasoline and diesel in August, according to energy ministry (Sener) data.

With a combined $8bn investment, the new cokers at Tula and the 330,000 b/d Salina Cruz refinery are key to the Mexican government's ambitious goal to make Mexico self-sufficient in road fuels, reducing dependency on imports, mainly from the US.

The Tula coker unit comprises building five service plants, including one for diesel desulfurization and gasoil desulfurization, which will help convert heavier products into cleaner fuels such as gasoline and diesel, and could reduce Pemex's excess production of lower value high-sulfur fuel oil (HSFO).

Pemex's HSFO production rose by 11pc to 275,000 b/d from January-August compared with the same period last year. This is the highest HSFO production in that period since 2012, according to Sener data.

Pemex has long struggled with elevated HSFO production — as Mexico produces mostly heavy sour crude, creating a number of operating challenges. HSFO can occupy valuable storage space needed for higher-value products, potentially limiting the production of lighter fuels.

Of the 229,500 b/d of HSFO that Pemex produced in August, the company reported 108,500 b/d in exports and 90,000 b/d in domestic sales, leaving roughly 31,000 b/d — or 961,000 bl — unsold during August, according to *Argus* calculations based on Sener data.

This residual fuel was easier to sell before the International Maritime Organization (IMO) set rules to cap the content of sulfur in marine fuels starting in 2020.

NEWS

The coker at the Salina Cruz refinery remains scheduled to start by end-2024, at least two months after the end of President Andres Manuel Lopez Obrador's administration. Mexico has increased the use of HSFO in power generation under his administration.

Salina Cruz is the largest producer of fuel oil among Pemex's domestic refineries. In August, Salina Cruz produced 98,000 b/d, or 43pc, of Pemex's total fuel oil output.

By Antonio Gozain

US to step up Russia oil price cap enforcement

The US plans to beef up enforcement of the price caps on Russian oil exports by trying to increase costs for Russian companies operating what Washington describes as a "shadow fleet" of tankers relying on fraudulent or insufficient coverage.

But US officials have not explained how they hope to put the squeeze on these companies.

The US, EU and other G7 members allow western trading firms, brokers and providers of maritime insurance and financial services to facilitate Russian sales to third countries, as long as the loaded price for crude is at or below $60/bl. There are no penalties or price caps for Russian sales shipped or facilitated by companies outside the G7.

The overall approach to sanctions — ensuring that Russian oil remains part of the global supply — will not change. There is also little willingness to adjust the price cap levels. But the US is looking for ways to further reduce the revenue that Moscow derives from such sales.

The G7 price cap system has been successful in avoiding disruption to global energy supply and "we're now launching the second phase of our efforts that will constrain Russia's profits by increasing the costs associated with using non-G7 services," assistant treasury secretary Eric Van Nostrand said today.

The US last week imposed sanctions against two tankers found in breach of price cap rules for the first time, and there are more enforcement actions on the way, Van Nostrand told a forum hosted by Washington think tank Brookings.

Most Russian oil is exported outside the price cap rules, and that is an acceptable outcome of G7 policy, Van Nostrand said. The US believes that the cost to Russia to maintain a shadow fleet of old tankers, to create new trading structures and to underwrite insurance yields an effective sales price that is lower than the G7 cap. But that assertion is difficult to verify, since Russia no longer discloses detailed information on its oil industry operations.

In addition to targeting shippers that are falsifying records to use western services in violation of the price cap rules, the US is also planning measures to make it costlier to operate Russian oil supply chains completely separated from the G7 financial, shipping and insurance markets.

"Our goal of promoting stable global energy markets remains unchanged," Van Nostrand said. Russia can continue to sell oil under the price cap rules or spend resources to maintain an alternative shipping structure, but "attempts to evade those two choices will face a decisive and unified response from the US and our allies."

US Treasury officials have not disclosed specific actions to ensure that. But an advisory issued by G7 sanctions enforcers to the maritime industry last week, outlining steps that private companies should take to better comply with the price caps, provides some clues.

All tankers are obligated to carry spill liability insurance and the EU countries that signed on to the advisory should "require that any tanker that's going through territorial waters of an EU member state has to verify insurance to show that it's current and properly capitalized," Harvard University's Davis Center associate Craig Kennedy said. Another way would be to require that major trading companies become a counterparty to any transaction where western shipping or western insured shipping, Kennedy said.

Major oil traders left Russian trade last year, citing reputational or sanctions risks, and attempts by western officials to provide assurances to those traders so far have not paid off.

"We are looking at many different ways to increase the costs that the shadow fleet would face, both to disincentivize its further expansion and, when the Kremlin decides to invest more in it, keep draining money from its coffers," Van Nostrand said.

By Haik Gugarats

Capline crude flows rebound by 21pc in Sep

Capline crude pipeline flows halted a four-month slide in September, rising by 21pc from the month before.

About 180,000 b/d of crude shipped in September on the Capline system linking Patoka, Illinois, to St. James, Louisiana, up from 149,000 b/d in August, according to data released today from the state of Louisiana. This is also higher than the

NEWS

135,000 b/d recorded in September 2022.

Until now, throughputs had been on a downward trend after peaking at 225,000 b/d in April.

The 40-inch pipeline was reversed in late-2021 after decades spent flowing crude from the Gulf of Mexico northbound to refineries in the US midcontinent. Patoka has become a major hub for Canadian heavy crude but also for light crude from the Bakken shale formation in North Dakota, with producers of each frequently looking to reach markets on the US Gulf coast.

Capline's capacity is 200,000 b/d but higher flows are possible by activating existing pump stations, co-owner Marathon Petroleum has said. The pipeline's capacity prior to reversal was 1.2mn b/d.

Capline is also part-owned by BP and major pipeline operator Plains.

By Brett Holmes

Ecuador's uncertainty recedes

Two elections in two weeks in South America have brought something of a return to normality for former Opec member Ecuador as it seeks to stem crude output declines, but resulted in growing uncertainty for rising producer Argentina.

Ecuador on 15 October elected 35-year-old Daniel Noboa as its next president. Noboa will be sworn in on 25 November and will finish the term of President Guillermo Lasso in mid-2025, after a political crisis earlier this year led to the dissolution of congress and snap elections. Centrist Noboa is heir to the banana exporting fortune of his father Alvaro, soothing concerns among the corporate community as he has operated his family's business, as well as serving as a senator.

Noboa's election ends months of uncertainty, and is the second major defeat in a row for the leftist Correismo political movement,

aligned with exiled former president Rafael Correa. The Correa administration, from 2007-17, supported moves towards extending state control of the energy sector and direct oil deals with China rather than competitive bidding processes. Ecuador's energy policy will instead be mostly business as usual — even if that is rarely smooth.

Ecuador will lose about 50,000 b/d next year of its 465,000 b/d of oil output, after the country voted to stop producing in a protected Amazon reserve. Ecuador has plentiful hydropower capacity, but droughts related to the El Nino weather trend are cutting hydropower generation, pushing up demand for imported fuels.

Argentina may be poised to increase supply to meet such regional demand, with energy policies featuring prominently in campaigning for general elections on 22 October. The country will elect a new president, 24 senators and 130 members of the lower chamber. The presidential election seems certain to be close, with the three main candidates polling at 25.5-33.2pc each, making a run-off on 19 November likely, unless one candidate manages to pull ahead.

Varied visions

The three major candidates offer vastly different visions, but energy is a cornerstone of their plans to revamp the struggling economy. Argentina's economy is forecast to contract by 2.5pc this year, and inflation annualised through to September was 138pc. The peso has lost 44pc of its value since August.

Presidential candidates' plans range from selling state-run companies to increasing their role. At stake are the 308 trillion ft^3 (8.71 trillion m^3) of gas and 16bn bl of oil in the Vaca Muerta shale, the world's second-largest amount of lithium resources — estimated at 20mn t by the US Geological Survey — and reserves of copper and other critical minerals needed for the energy transition.

The frontrunner in most of the polls is far-right libertarian congressman Javier Milei, who pledges to sell the state's 51pc stake in national oil champion YPF, privatise state-owned power firm Enarsa and leave renewable energy, hydrogen and LNG projects to the private sector.

In second place in most polls is Sergio Massa, the current finance minister who also runs energy policy. Massa is banking on energy to make the run-off. Under his watch, the state inaugurated its first major gas pipeline in years — the 22mn ft^3/d President Nestor Kirchner line. The $2bn project has ramped up monetisation of Vaca Muerta's reserves, saving Argentina $1bn since it opened in July by reducing the country's dependence on imported gas. Argentina is exporting oil and gas to Chile after a 17-year hiatus, has plans for exporting gas to other neighbouring countries and is considering building a $60bn LNG project with Malaysia's Petronas.

The third placed candidate, former security minister Patricia Bullrich, is in the middle, promising to involve the private sector in energy, but remaining non-committal on the future of YPF and Enarsa.

NEWS

Israel, Iran key to de-escalating conflict

Diplomatic efforts by the US and Middle East regional powers have so far averted the spread of conflict in the world's largest oil producing region following the attacks on Israel by Gaza-based Hamas militants on 7 October. But tensions remain high as the Israeli military prepares a ground operation in Gaza, while Iran drums up support for an oil embargo against Israel.

The invasion of Gaza by Israel's defence forces will eliminate Hamas by destroying its military and governmental structures and "completely remove Israel's responsibility" over the Palestinian enclave, Israeli defence minister Yoav Gallant said on 20 October. The stated end-goal of blocking any economic ties between Israel and Gaza directly contradicts advice from US president Joe Biden's administration and the Mideast Gulf Arab heavyweights, which want the Palestinians to benefit from future economic integration projects between Israel and the rest of the Middle East.

Biden pledged unconditional military support for Israel on a brief visit to the country on 18 October — the White House is asking Congress for $14bn to fund military aid to the country — but called on Jerusalem to show restraint in Gaza. A strike on the Al-Ahli Arab hospital in Gaza that resulted in hundreds of dead and injured, hours before Biden's trip to Israel, highlighted the regional divides. Israel assigned responsibility for the blast to Gaza-based, Iran-backed Islamic Jihad group — a version of events that the US has backed. Saudi Arabia, the UAE and other Middle East regional powers blamed Israel for the attack. Fighting between Israel and Hamas militants has continued uninterrupted since 7 October.

Biden says he was "very blunt" with Israel's leaders about the need to support the provision of humanitarian aid to Gaza and outlining plans for its peaceful existence once the fighting is over. "The vast majority of Palestinians are not Hamas," Biden says. The leaders of Jordan and Egypt, who cancelled a summit with Biden after the hospital attack, have reacted strongly against proposals by Israel to evacuate the more than 2mn civilians in Gaza to neighbouring countries.

War is peace

Either a full-scale invasion of Gaza, or Israeli military operations similar to ones conducted in the enclave in the past decade, would result in enormous loss of life while leaving Gaza unstable, with "a real risk of the war spreading to other arenas", US think-tank Middle East Institute president Paul Salem says. Israel, Iran and Lebanon-based group Hezbollah do not seem willing to escalate conflict but "paradoxically we're rushing towards war despite none of the main actors seeking it", US think-tank Quincy Institute executive vice-president Trita Parsi says.

Tehran's actions so far have combined low-level escalation and tough rhetoric. US military installations in Syria and Iraq have come under drone attack, while the US Navy says it intercepted drones and missiles over the Red Sea on 19 October launched by Yemen's Houthi militants, possibly flying "toward Israel". Iran's foreign minister Hossein Amir-Abdollahian has called on members of the Organisation of Islamic Co-operation to impose an oil embargo on Israel. Such an action would have little impact on oil flows, given that Israeli refineries mostly rely on crude from Russia, Azerbaijan and the Kurdistan region of Iraq.

Saudi Arabia, the UAE and other Mideast Gulf Arab states have viewed Iran, rather than Israel, as the bigger regional threat for the past decade, but relations between regional adversaries have begun to improve in the past year, at the same time as Saudi Arabia and Israel began talks to normalise relations. The US and Iran likewise have quietly begun dialogue to reduce tensions. But the era of detente in the Middle East seems to be coming to an end.

Petrobras weighs investments in Venezuela

Brazil's state-controlled Petrobras is "seriously" considering investments in Venezuela after the US temporarily lifted sanctions there, chief executive Jean Paul Prates said.

The US sanctions on Venezuela were lifted on 18 October after commitments that the South American country will hold free elections next year monitored by the international community.

The suspension of Venezuela's sanctions "inspires us to think about seriously considering investments in Venezuela," Prates said in a broadcast interview. He added that the potential move would have "nothing to do with ideological or political issues."

"We are going to put Venezuela on the map again," said Prates, pointing to the country's large oil reserves. He declined to say what type of assets are of interest to Petrobras in Venezuela.

Prates said the company would be a protagonist of discussions regarding oil and gas reserves in Venezuela but also Bolivia and Colombia. "We need to get back to being a global

NEWS

company," Prates said.

Prates noted Brazilian President Luiz Inacio Lula da Silva's "important leadership role in Latin America."

Since taking office in January, Lula has sought to portray himself as a leader of developing nations, undertaking multiple trips abroad. His predecessor Jair Bolsonaro showed little interest in international affairs.

By Eléonore Hughes

Argus *Americas Asphalt* is published by Argus Media group

Registered office
Lacon House, 84 Theobald's Road, London, WC1X 8NL
Tel: +44 20 7780 4200

ISSN: **2057-6757**

Editor Sarah Tucker
Tel: +1 713 429 6305
asphalt@argusmedia.com

Customer support and sales:
support@argusmedia.com
sales@argusmedia.com

London, Tel: +44 20 7780 4200
Houston, Tel: +1 713 968 0000
Singapore, Tel: +65 6496 9966

THE QUEEN'S AWARDS FOR ENTERPRISE

INVESTORS IN PEOPLE