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Bode urges incentives for refinery --The nation's largest oil pipelines intersect in Cushing

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Oil companies interested in building a refinery in the United States have targeted Oklahoma as a potential site, Corporation Commissioner Denise Bode said Thursday.

During a speech in Oklahoma City, Bode urged the Legislature to provide tax incentives and loosen environmental regulations to lure new refining capacity to the state.

"We must act now to encourage them," Bode told members of the American Petroleum Institute.

Bode's comments came one day after U.S. Rep. John Sullivan, R-Okla., announced plans to introduce legislation encouraging the construction of a giant oil refinery in Cushing, 50 miles west of Tulsa in Payne County.

The nation's largest oil pipelines intersect in Cushing, a major storage hub for the industry. More than 30 million barrels of oil can be stored there, which is why Cushing is the official drop point for crude oil futures contracts made through the New York Mercantile Exchange, the world's largest energy exchange.

The storage terminals in Cushing and tax credits for projects on former Indian lands make Oklahoma a suitable site for refinery construction, Bode said.

"It is not only an economic opportunity for Oklahoma, but it is also in the national interest to diversify our refining base," he said.

The Gulf Coast is home to 50 percent of the nation's refining capacity. Much of that capacity was lost, at least temporarily, after Hurricane Katrina clobbered the region.

Five Gulf Coast refineries remained closed Thursday due to the effects of the hurricane. Officials said some of those facilities, which represent 5 percent of the nation's refining capacity, may be down for several months.

At least one Oklahoma oilman does not share the view of Bode and Sullivan. Thomas Kivisto, president and CEO of Tulsa-based SemGroup, L.P., said Oklahoma is not an ideal location for a new refinery.

“The idea is favorable but not probable for Oklahoma,” said Kivisto, whose company markets crude oil and refined products. “I think it’s possible, but there are more attractive sites in the United States.”

A new refinery in Oklahoma would have difficulty gaining a supply contract, Kivisto said in a phone interview. In addition, the oil pipelines running through the state are already full, he said.

“Cushing would have to take additional shipments from the Gulf Coast,” Kivisto said. “There is no surplus production in the United States that’s not already committed to local infrastructure.”

The best site for a new demand refinery is the East Coast, Kivisto said.

“The greatest demand deficit by far is on the East Coast,” he said.

Kivisto added that building new refineries is not as feasible as expanding existing facilities.

“The best way to build refining capacity is to add capacity at the centers that are already there,” he said.

Such expansions are under way at a number of refineries in the region.

“We will get additional refining capacity, but it will be incremental,” he said.