

July, 2008

Oil Industry Outlook by Bob Garside

“It is the best of times and the worst of times.” Not since the 1970’s has this industry been in such a volatile market and tumultuous times! During these times is when the tough get going. You hear all kinds of prophets state the doom and gloom and I condemn that kind of talk. We are in a period of challenge and we must look ahead and plan to manage our business for the future.

For starters, you must diversify your business do you meet your customer needs or they truly will look elsewhere. You must offer alternative sources of energy, upgrade existing heating systems and help your customers with conservation efforts. You are the energy expert and you must guide your customers during this period and on into the future. If you don’t, they will look to someone else who will. Look at the payback if you can save your customer 40% by upgrading a heating system. Drive your customer to you to assist them with energy costs.

As far as managing your company through these times, I can’t stress enough the issues you must concern yourselves with.

Finance-

- Bank credit lines
- Wholesaler credit lines
- Hedging counsel and buying strategies
- 12 month budgets
- Managing your accounts receivable
- Proper accounting and margins acquisitions
- Review of cap price programs with protection for a fee

Key issues affecting your future-

Discount oil companies and one truck operators and the opening of a new oil company will be difficult. Only financially strong companies will survive. Cash in on these weaknesses and strengthen your future survival. Diversify with such other products as Biodiesel.

Remember the past price hikes in the 70’s and 90’s. It doesn’t remain forever and we must prepare for the future changes. This situation is a joint effort and we need to convince the Congress that they can’t mandate a fix. It takes all the forces working together to effectuate change.

Key Issues-

1. Regulation of commodities on the over the counter market overseas.
2. Allow drilling in ANWR. I have personally been there and the caribou are not effected one bit by the drilling. It is not destroying pristine wilderness areas, so stop listening to the environmentalists doom and gloom.

3. **Allow new refineries to come on line.**
4. **Allow offshore drilling to relieve the dependency on foreign oil.**
5. **It will not take 5-10 years for oil to reach the market as all the doomsayers predict.**
6. **Congress has to work bipartisanly if we are to solve the energy crisis. Congress needs to pay attention to the oil crisis and forget the trivia.**
7. **Taxes on oil industry profits will hurt us all as it is passed to the consumer.**
8. **Lower speed limits.**
9. **Do not tap the strategic petroleum reserves. Currently, reserves total 703 million barrels- capacity is 727 million barrels.**

“NUFF SAID”

Association News-

- Welcome to Dave Glendon, new President of Sprague Energy, Portsmouth, NH
- We welcome Dana Jones from White Mountain Oil & Propane to the Board. Dana replaces long term member Glenn Saunders, President of White Mountain Oil & Propane. Thanks Glenn for your many years of service.
- Bob Garside serves on the RCI Committee in New Hampshire. This group focuses on carbon reduction including reduction of fossil fuels. Hours of conference calls and meeting to produce white paper. Will cost the industry billions of dollars. Bears close watching.
- Temperature compensation administrative rule changes were forwarded to the membership from Richard Cote, Director of NH Division of Weights and measures. He would like your feedback ASAP.
- Hazmat Registration- Just to remind you that those with expiring certificates must file for renewal with a \$275.00 registration fee no later than July 1.
- NORA collections down nationally which resulted in a 15% reduction of the OHCNH budget.
- Connecticut and NEFI have conducted a survey to analyze dealer problems concerning credit lines, wholesale suppliers and banks. The results are as follows:

1. Problems borrowing sufficient funds	80.50%	Yes
2. Wholesalers met with and have problem	32%	Yes
3. Wholesalers not met with	59%	
4. Met with banks, not able to secure enough credit	38.46%	
5. Not met with banks	33.85%	
6. Met with banks, adequate credit	20.77%	
7. Did not use banks	6.92%	
8. Capital shortfall 300,000	24.22%	
100,000	10.16%	

200,000	18.75%
At least 300,000	13.28%
No shortfall	11.72%

- **SBA Assistance-** Bob Garside discussed help and resources available to dealers, which was sent under separate cover. Alice Zachos, District Director of Witmer Jones in Concord, NH is the point of contact.
- EPA to enforce Sulphur Standards. IRS will be checking the sulphur content of diesel fuel during routine inspections. Penalties steep, \$10,000.00
- **New Refinery approved in South Dakota.** Residents of Union County, South Dakota approved rezoning a refinery. Hypersion Energy of Dallas, Texas is interested in building. It would be capable of processing 400,000 barrels a day of heavy crude from Canada.
- New England Council releases white paper on climate change. If you would like a copy, contact the OHCNH office.
- SPCC Plans must be complete and complied with by July 1, 2009. This applies to all owners of plants that store 1,320 gallons or more. NEFI will hold a Webinar. Contact NEFI for details. It will be held on July 24, 2008 at 10:00 a.m.
- **Global Informational Seminar on Heating Oil-** Monday July 21, 2008 from 10:00 a.m. to 12 noon at the Burlington Marriott Hotel, One Burlington Mall Road, Burlington, MA
- **2008 Visions Conference- Hilton Boston Logan Airport Hotel September 8-10**
- **OHCNH 43rd Annual Convention Tuesday – Thursday September 16-18, 2008 at the Sheraton Harborside Hotel in Portsmouth, NH. Vital industry issues to be aired. Program under construction.**

Oil Heat Council of New Hampshire's Mission Statement:

The Oil Heat Council's Mission is to represent and be a resource to our members by monitoring and communicating pertinent information, regulatory actions and legislation at Federal, State and Municipal levels. To continue to identify and implement new programs, services and training that benefit the membership and the association. To communicate via public appearances and the media, informed responses to various oil industry situations and challenges affecting the consumer public. To keep the public informed regarding energy conservation, safety and environmental protection and the benefits of heating with oil; and to diligently uphold our commitment to the citizens of New Hampshire, practicing business of the highest standard, both professionally and ethically.