

Oil Market Report: November 2021

October and November of this year will be remembered for soaring energy prices and massive supply-chain disruption. For the most part, the UK has been a mere bystander to these global events, with little control over proceedings (whilst increasingly suffering from the outcomes!). But Great Britain also suffered a “man-made” energy crisis this Autumn, involving (or to be precise, not involving) petrol tanker drivers.

Tankers and tanker drivers are a subject close to Portland’s heart, having scheduled fuel deliveries for 18 months in the early 1990’s as an enthusiastic but useless graduate. The experience was quite a baptism of fire, with lessons quickly learned on the best way to pick up piles of delivery tickets (knocked to the floor by unhappy drivers), how to construct sentences with a word / profanity ratio of 1:1 and most importantly, that Colin (the Shop Steward) “never does Brighton twice in a day”.

Whilst tanker driver strikes and fuel blockades are not unheard of, never in recent memory has there been a tanker driver shortage in the UK. Why? Well, because tanker drivers are the doyen of drivers, the crème de la crème and whilst other driving sectors might have vacancies, the petrol sector always had new blood clamouring to get “onto the tankers”. At the top of the commercial driving pyramid sits the tanker driver, with a Class 1 HGV ADR license, thus allowing him (mostly him!) to drive a 44 tonne / 38,000 litre articulated tanker. It also confers significant status, kudos and higher pay. The ADR part (International Carriage of Dangerous Goods by Road) covers the petroleum license and requires a separate test, which means that not all Class 1 drivers are permitted to drive a tanker. Class 2 drivers are only permitted to drive a rigid truck (up to a 4-axled / 8 wheeler commercial vehicle), whilst a Class 2 driver with an ADR, can drive an equivalent sized rigid petrol tanker.

It’s not entirely clear how many tanker drivers the industry is currently short of and even more pertinently, it’s never been made public just how many petrol stations were running short of fuel, before panic buying set in and created the “crisis”. What we do know is that in the final week of September, BP announced they were struggling to replenish a handful of sites in the South of England and a tanker driver shortage was the reason given. In fairness to the media outlets that reported on this story, petrol stations in the UK rarely run out of fuel (if ever) and this probably justified running the articles. However, the whole thing soon became a national event as queues of panic buyers started clogging up highways around forecourts, filling multiple jerry cans, fighting with each other and even following mortar trucks in the mistaken belief that they were carrying fuel...

Over a period of around 5 days, fuel liftings across the UK increased by 500% and the reality is that no supply-chain (however efficient) can cope with such an uplift in demand, in such a short period. This is particularly true in the petroleum sector, where high prices and even higher government duty rates, mean that a single 38,000 litre tanker load has a value of well-over £40,000. With such huge inventory costs, storing excess fuel is ruinous for cash-flow and this in turn means the petrol station world runs the mother of all “just in time” delivery models. With 8,500 petrol stations in the UK, selling around 700m litres per week, circa 2,600 tanker deliveries are required every day. Multiply that by 5 to reflect the 500% uplift in volume and it is fair to say that the 150 or so army personnel that were deployed, were always unlikely to have a significant impact!

Predictably enough, the situation soon calmed down. Once everyone had filled up, there could be no more demand - jerry cans aside, you can’t fill a car twice! Which leaves a big question mark over whether the whole thing was the result of a genuine tanker driver shortage or simply an example of excessive panic buying. There is little debate that general haulage (ie, non-petrol) is experiencing acute labour shortages. Pre-pandemic, 10% of non-fuel drivers were EU citizens and when covid hit, many of them went home, never to come back. They got different jobs and then found it more administratively difficult to return to the UK in a post-Brexit world. This state of affairs with overseas drivers was further compounded by new IR35 tax rules on domestic drivers, which removed the beneficial tax status of “self-employment” and led many older UK drivers to hang up their haulage boots once and for all.

But neither of these factors affect tanker drivers. Self-employed status is virtually unheard of in the petroleum sector and the UK industry has never had high numbers of EU nationals. Portland’s view is that there was a minor shortage of tanker drivers post-Summer, when desperate general haulage firms started to offer whopping salaries, juicy bonuses and eye-watering “golden hand-shakes” (“if you join us, we’ll pay you £5,000 immediately”). That was enough to turn some heads in the tanker world and perhaps for the first time in modern history, a number of Class 1 ADR drivers, crossed over to the previously unglamorous world of ordinary lorry driving. That in itself was still not enough to create the scenes we witnessed in October though – I’m afraid they were down to panic buying, pure and simple!