

toward severe anti-oil industry legislation. And chemical producers may need relief from profit margin price controls in order to afford high-cost feedstocks.

Demand Elasticity: One of the biggest imponderables in the oil-chemical scene is demand elasticity—i.e., the sensitivity of demand to price. For the moment, Arab producers are sticking to the tax reference price of \$11.65/bbl., which is three times higher than the tab assessed a year ago. Saudi Arabia, apparently alone, wants a lower price, presumably to delay development of alternative oil sources and to prevent economic hardship or collapse in oil-consuming countries.

Whether Saudi Arabia does or does not get its way, increased imports of Arab oil will push both gasoline and chemical prices higher because foreign oil will account for a larger share of U.S. demand. But whether tabs will climb enough to significantly cut demand is anyone's guess.

Oil and chemical companies have estimated demand elasticity for gasoline (a 1-3% boost in price will cut demand 1%). Few, however, have any real confidence in such numbers. The rapid surge in March driving and the Canadian experience suggest that present higher retail gas tabs are not proving discouraging. And, little demand cutback that can be attributed to higher chemical prices has been noted in Europe and the U.S. Hence, chemical producers have little hope that gasoline demand elasticity will ease feedstock shortages.

Should Saudi Arabia's view ultimately prevail, the landed U.S. price of imported crude might drop as low as \$7/bbl.—a price at which alternative oil sources (shale, tar sands, secondary and tertiary recovery) approach economic viability. Temporarily lower tabs may also develop from the present rush by refiners to draw down high fuel oil stocks. Lower prices, however, could produce mixed blessings. While they could ease balance-of-payment problems and restrain inflation a bit, they could also stimulate demand. And that, given the lack of refinery and chemical plant capacity, could worsen chemical shortages.

Allocations: Ending of the embargo will not lead to termination of mandatory allocation programs because energy shortages will remain indefinitely. FEO is mum on future changes in allocation regulations. But it's no secret that present allocation rules have been something less than a smash hit. Despite priority status, chemical makers have not generally received 100% of '74 feedstock require-

ments. Reasons: diversion of crude from chemical-producing refiners to independents; captive chemical use requirements of refiners; bartering; failure to mandate allocation for downstream (especially benzene) chemical products.

Benzene has recently been placed under allocation. But there's considerable doubt that present benzene allocation procedures will give benzene chemical consumers 100% of current requirements. Present regulations place the burden of proof of need on the buyer. That means buyers must shop the market, obtain evidence of unavailability and petition FEO to assign a supplier. Moreover, some chemical firms interpret FEO regulations as applicable only to benzene actually isolated as such during refining. That interpretation could give refiners some leeway in determining how much feedstock they wish to sell or use captively one way or another. And FEO has yet to get around to assigning suppliers.

Other quirks in allocation regulations are keeping chemical firms from getting 100% of butane requirements. And although propane supplies have improved, because of the mild winter, pipeliners are now bidding for the gas.

Petrochemical companies, including members of the Petrochemical Energy Group, are seeking more meaningful FEO action to guarantee 100% feedstock availability. Their proposals include statistical monitoring of production (CW, Feb. 13, p. 12), faster administrative procedures and supplier assignment.

Full allocation to meet current requirements, however, will not necessarily solve longer-range feedstock problems. Because refinery capacity will essentially be static in the U.S. for at least several years, chemical feedstock demand will take an increasingly larger share of refinery output. That puts it on a collision course with gasoline demand.

Some chemical makers would like to see FEO maintain refinery yield programs and hold back gasoline production. Although such a move might not prove popular among oil companies (considering their present public image problems), it would at least shift the blame for gasoline shortages to the government, and make it easier to cash in on the more profitable prices available on feedstocks sold as chemicals. But the President's problems work against that scenario. The embargo's termination will provide a modest measure of feedstock relief. But for all practical purposes, chemical shortages will continue—and possibly worsen.

VCM exposure to be cut

The Occupational Safety and Health Administration, bowing to public pressures, said last week that it will issue a temporary emergency standard for vinyl chloride monomer exposure of 50 parts/million. In doing so, OSHA rejected the recommendation of the National Institute for Occupational Safety and Health to limit industrial concentrations to below detectable levels (CW Washington Newsletter, Mar. 20).

OSHA's action is sure to spark labor protests. Complains an AFL-CIO spokesman, for example: "Does OSHA think the workers are going to take this? . . . There are five B.F. Goodrich plants where their own voluntary standard already is 50 ppm., and Dow Chemical is at a 10-ppm. level at its monomer plants."

VCM, the starting material for polyvinyl chloride production, has been embroiled in controversy since early last month, when several deaths from a rare liver cancer among workers at a B.F. Goodrich PVC plant were disclosed (CW, Feb. 13, p. 14).

In reaching a decision, OSHA considered at least two alternatives: the zero exposure standard or the industry-sponsored 50-parts/million level. The zero exposure standard would have required the use of oxygen-supplied respirators in the presence of any detectable atmospheric VCM.

Packaging Rules Due: Meanwhile, Washington sources last week were predicting that the Food and Drug Administration would soon clamp restrictions on the use of PVC in packaging food. Although an FDA spokesman confirmed that new rules governing PVC use in food packaging were "in the works," he would not say when they will be disclosed or what they will include.

While tight restrictions on PVC packaging would deal a severe blow to plastics manufacturers, most firms take a wait-and-see attitude. An industry observer doubts, however, that FDA will issue an outright ban on PVC in all packaging.

VCM is also under attack from Ralph Nader's Health Research Group. Last week the organization asked Clairol Cosmetics to recall voluntarily any hair spray containing the chemical. "We don't think there's any need for a recall," asserts a Clairol spokesman. He adds that the VCM levels present no danger to a hair spray user. Clairol says it has not used VCM in its hair sprays since last summer, when feedstock shortages developed.

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