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Heating oil could be making a comeback - by David Singer

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David Singer, Original Energy

As president and CEO of Original Energy here in the metro area, and Robison Oil in Westchester County, I have been involved in some capacity in the oil business my entire life. I remember my

grandfather telling me stories about how he built our heating oil company after WWII converting buildings from coal to heating oil. At that time coal was the primary heat source in the city, but coal was dirty, and hard to deliver. Landlords and developers couldn't wait to convert their buildings to clean and easy to manage heating oil.

By the mid-90s, natural gas was beginning to grow in the metro area as the new clean and easy to manage alternative to heating oil. Over the next 20 years as oil prices rose, thousands of buildings would convert from oil to gas. And just as my grandfather had helped convert hundreds of buildings from coal to oil, my staff and I would help convert hundreds of buildings from oil to gas.

However this year the energy world has been turned upside down and good old heating oil is making a surprising comeback. This past week we saw crude oil futures fall by over 2.5% in the overnight session on Monday, extending the losing streak to a seventh consecutive session and hitting new multi-year lows. This price break doesn't appear to be short term. OPEC's December meeting ended in acrimony as members could not agree on policy, which keeps the Saudi-led current strategy of fighting for market share in play.

Crude oil futures continue to fall sharply, last week, led by a 6.5% decline in ULSD (HO) futures. ULSD (HO), the primary fuel oil consumed in the metro area, tumbled 7.95 cents lower. The east coast cash market saw prices under \$1/gallon, and heating oil barges at New York Harbor falling to an 11-year low. In addition, Bio Fuel has been added to the low sulfur heating oil, actually making heating oil a low cost and environmentally sound energy source, equal and in some cases, more cost effective than natural gas.

Of course all energy prices are dropping, NYMEX natural gas futures also fell 1.2% on last week, and as of this week was down by over 5%.

Bottom line is whether you are buying oil or gas right now the real estate industry is enjoying record low energy prices and property owners should expect this to continue for the duration of this season, and many believe into the next heating season as well.

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