

OPEC in action

Armine Hakobyan, "Global SPC" general director

OPEC said recently that world oil demand in 2008 will grow moderately while supply from rival producers will expand, reducing the need for crude from the exporter group.

The assessment, in OPEC's July monthly Oil Market Report, underscores OPEC's view that crude supply is enough and oil prices near record high reflect a strain on refineries and other factors beyond its control.

"The outlook for the oil in 2008 is shaping up to be quite similar to the current year, with continued tightness in the downstream supporting high product prices and frequent refinery outages exerting further upward pressure, despite the healthy crude oil market" OPEC's report said.

The Organization of the Petroleum Exporting Countries said oil demand in 2008 would rise by 1.34 million barrels per day, or 1.6 percent, to 86.94 million bpd, slowed in part by conservation and use of other fuels.

"Increased energy costs including high taxes as well as energy conservation measures, increased efficiency and alternative fuel use are among the main factors moderating oil demand growth next year," OPEC said.

OPEC's 2008 forecast compares with an estimate for growth of 1.3 million bpd in 2007, a figure little changed from the previous estimate, and is far lower than some projections for next year.

The International Energy Agency, an adviser to 26 industrialized countries, said in its own monthly report demand would balloon by 2.2 million bpd in 2008.

Oil is trading near a record high of \$78.65 hit last August. OPEC, source of more than a third of the world's oil, says refining bottlenecks, speculation and political tension have pushed prices up.

The IEA has repeatedly urged OPEC to pump more oil to lower prices, a call OPEC has rebuffed. The 12-member group meets next on Sept. 11 to set supply policy.

Lower demand for OPEC oil

OPEC's report put 2008 demand for its crude at 30.71 million bpd, down from 30.78 million bpd this year, partly because of increased supply from non-members and of biofuels.

The group has voiced concern that alternatives to oil may erode its market in years ahead. Developments in biofuels, a growing market fuelled by corn, sugar and rape, need "careful monitoring," OPEC said.

Even so, OPEC lifted expected demand for its oil in 2007 from last month's figure of 30.56 million bpd due to lower supply from non-member countries such as the UK and Norway.

OPEC is also more pessimistic about expansion of the world's oil refineries next year than the IEA. It expects refining capacity will grow by 1 million bpd, less than demand growth in the lowest case.

World consumption could expand by as much as 1.45 million bpd or as little as 1.2 million bpd in 2008, the report said, depending on uncertainties such as Indian demand and the chance of a very warm winter.

OPEC agreed last year to lower output by 1.7 million bpd and last report showed members keeping a lid on supply.

The 10 OPEC members, excluding Iraq and Angola, bound by production cut deals pumped 26.381 million bpd in June, down from 26.403 million bpd in May, the report said, citing data from secondary sources.



In fact, many analysts continue to say that oil prices are likely to climb back past their highs-claiming crude-oil production is only barely keeping up with surging global demand.

That's nonsense!

I feel that prices will continue to dramatically fall in the next 12 months!

I believe a major price decline is already in the works. In fact, the U.S. government admits that crude oil inventories are at 7 year record high – with 343 million barrels of oil stockpiled in the U.S. alone!

This past year the United States was the victim of two of the most severe storms in living memory. The disruptions to oil supply pipelines and ports in the Gulf region have had nationwide repercussions.

Oil prices have been severely exaggerated through manipulation. In my opinion there is plenty of supply to meet worldwide demand, and soon those hedge funds that are now driving up the price of oil will be dumping their oil contracts like there is no tomorrow.

Recently Steve Forbes, editor of Forbes magazine predicts that skyrocketing oil prices are just temporary and that a massive price collapse will dwarf the Dot-Com crash that began in 2000.

British Petroleum recently reported that current oil reserves would last for at least half a century. And contrary to dire warnings that oil production has peaked and the earth is running out of oil.

Between 2005 and 2010 capacity to produce oil could grow by 16 million barrels a day-a 20% increase. At any given time, the oil industry has about a 30-year supply of "proven oil reserves." Unfortunately, a lot of people take the "30-year supply of proven oil reserve" figure to mean that we will run out of oil in 30 years.

The fact research tells us that this is the fifth time the world has "run out of oil." Dire warnings of impending shortages like those we are now hearing about were also issued just after World War I. And the "permanent oil shortage" of the 1970's gave way to the glut and price collapse of the 1980's and on and on.

But despite recent price rises, we are now less for gasoline than people did in 1980's or in 1935, after prices are adjusted for inflation.