



Oil Price changes

Posted by [Heading Out](#) on March 23, 2005 - 3:20pm

Because of the length of the supply pipelines, and the changing demands from day to day there is a fluctuating storage capacity, both within the system, and as a strategic reserve that the US and some other countries maintain to protect against short-term disasters. Thus, while demand is down in the early part of this year, some of the current production has been going into that store, rather than being immediately used. In the [Reuters story](#) on oil today, for example it reports that over the past six weeks stocks have risen so that they are now 23 mbd above what they were a year ago. So, short term, since demand is seasonally down, the price can abate a little.

The concern is in the last paragraph, which repeats my comment from yesterday:

Many analysts say that OPEC's output hikes will leave the cartel with little spare production capacity to deal with unexpected supply outages. The group is already pumping at close to a 25-year high and non-OPEC producers are at full tilt.

The spare capacity remaining in OPEC is detailed in [this table](#) which we have blogrolled as **OPEC Production**, and this should update each month as the EIA report the data. You can see it is not at the 2 mbd that our little sixpence equates to and that demand will probably rise to later in the year.



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