



If all goes well...or is it "Thar' she blows"

Posted by [Heading Out](#) on May 19, 2005 - 9:55am

Spring is turning into Summer, and Memorial Day, the start of the Summer Driving Season, is almost here. In theory the world is better prepared for the resulting steady growth in oil demand than we have been for years. Inventories around the world are getting close to being at capacity. Sometime in the late fall, assuming that things go well, these inventories will be drawn down to balance any shortfall in supply and the world may well weather another year as we move towards Peak Oil.

But the Memorial Day weekend also marks the beginning of the hurricane season. Late last year (and before we formed TOD) there was a suggestion in [Powerline](#) that the rise in oil prices was a conspiracy to try and control the election.

At the time I suggested that the cause was more likely because:

the hurricanes closed down about 0.5 mbd of production in the Gulf of Mexico,

oil production in Iraq dropped below 2 mbd because of pipeline bombings,

there was a threatened strike in Nigeria,

and there was a fear that Yukos (which produces around 1.6 mbd) might stop production in Russia.

Well [J](#) has commented, more authoritatively on the damage to the platforms last summer:

We routinely evacuate offshore platforms when a hurricane enters the Gulf of Mexico. Deepwater work must cease quickly, because the rigs are dynamically moored. Shallow rigs are left in place as are platforms, but the production is shut-in and personnel evacuated.

Last year, we had 15 platforms that were damaged and required repair. The industry had over 75 total damaged, two had drilling rigs collapse on top of them. These repairs sometimes run months due to personnel and equipment shortages in our industry.

The same holds true for Mexico, Trinidad, Brazil and all of Southeast Asia - when hurricanes blow, the offshore oilfields shut down. Then they have to call the same companies we do and get them repaired. You can watch prices rise according to hurricane activity in these areas already. As supplies become constricted, these shut-ins will trigger price spikes even more significant than seen in recent years.

So what is the prospect for this year? According to [NOAA](#)

NOAA hurricane forecasters are predicting another above-normal hurricane season on the heels of last year's destructive and historic hurricane season. "NOAA's prediction for the 2005 Atlantic hurricane season is for 12 to 15 tropical storms, with seven to nine becoming hurricanes, of which three to five could become major hurricanes," said retired Navy Vice Adm Lautenbacher, Ph.D., undersecretary of commerce for oceans and atmosphere and NOAA administrator at a news conference today in Bay St. Louis, Miss. "Forecaster confidence that this will be an active hurricane season is very high."

And for our foreign mystery guest this year I think we can expect Venezuela to volunteer, if it hasn't already. Ongoing stories on the difference between claimed production and actual, and some of the other problems that are arising can be found at sites such as [Vcrisis](#) as well as a review at [Salon](#) (thanks to [Praktike](#)).

And there has been little positive change in Iraq to indicate the chance of any significant growth in output there this year. Throw in the inevitable problems that will arise from running refineries at full production, and I suspect, before long, there will be a new set of conspiracy theories by those who see some invidious plot.

(And lest that be seen as a political comment, it should be noted that the Congressional folk who are trying to get attention brought to the problem are Republican, so far).

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