



The sun never goes down

Posted by [Heading Out](#) on June 21, 2005 - 12:57am

[Bloomberg](#) is reporting that OPEC is discussing increasing its quotas again to lower the upward growth of oil prices. Friday, however, they had a story that the price of shipping oil out of the Gulf was as cheap as it has been since 2003. Shipping demand is apparently still down somewhat relative to last year, which suggests that oil exports out of the Gulf are still below the maximum rates that they should be. (Normally apparently there are about 110 cargos shipped out the Gulf each month. The numbers generally available are for a month ahead, since cargos are prebooked).

One of the rumors is that the VLCC's are generally used for the lower grades of crude and the demand for these is diminished because there is an lack of refining capacity for this grade of crude, while the production of higher grades has maxed out.

This suggests that there is no ability to increase production from the older, higher grade, Saudi fields (as they said was the case some time ago) and that without an ability to refine the coarser crude increasing quotas is really not going to help anything at all. Well apart from the PR value that is.

And if you were wondering about me working on this while on vacation, someone forgot to tell that big red blob in the sky that is is supposed to go down, so that some of us can fall asleep. They say you only get accustomed to this in late September. (Work it out).

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