



The Ball is Rolling

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Remember that ball at the beginning of the first Indiana Jones movie? Well it may be that the oil version has just started to roll. And here we stand [still not realizing what is about to hit us](#).

It is hard to buy things today without finding out that they are made in China (today I was enlightened to see it included Baptism candles). This take-over of the American manufacturing business has left them with lots of money. So if the price of oil is going to go up, guess [who will be able to pay](#).

What is additionally worrying, if you look down over the past few blogs you can see that oil production will go up only about 1.5 million barrels a day - if that - this year (we can talk about dropping production in a later blog). But with the Chinese having got all our money they can afford the increased prices, and here's the quote:

Investec analyst Bruce Evers said that China would not be turned off by high prices.

"I think they will start building their reserves in August no matter what."

Meanwhile such heavy buying would have a "massive" upwards effect on prices, he predicted. And while China could easily afford to build its emergency reserves, they could find the prospect of actually finding the oil a whole lot harder.

"With OPEC effectively producing at full capacity and non-OPEC production in decline, where are they going to buy the oil from?" he asked.

It is believed that China could fill its reserves by as much as 100 million barrels by the end of 2005, meaning it would have to import 650,000 bpd above its current 7.0-million bpd level, according to Evers.

(I made a small editorial change since the article has a unit wrong)

If you read the small articles at the back of business pages you will find the Chinese are already in Canada, Sudan, Iran, Kuwait, and Venezuela to name but a few places where they are buying all the production that folk are willing to sell them.

They won't come here because, despite Mr Samuelson's exhortation for us to produce more oil, there are really valid geological reasons why we can't just turn the pumps that little bit faster and increase American production.

Technorati tags: [peak oil](#), [economics](#), [China](#)



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