



Enjoying the calm before the storm

Posted by [Heading Out](#) on June 25, 2005 - 8:37am

The summer continues along in its usual pattern, and both ourselves and the Europeans have yet to encounter the peak of the tourist travel season. Already, despite the prediction of economists that this would not happen before the end of the year, we are at \$60 oil. Remember that once we have reached peak travel for the year, then we move into the purchase and storage of heating oil for the winter. And during both these events demand will continue to grow, and the supply reserve that has been stored away will gradually whittle down toward zero. Which means that it might be optimistic to assume that oil might stay under \$75 this year, let alone next.

Next year actually may not get much worse than this, since there are some new projects that should pump oil into the supply, but it all depends on how fast existing fields deplete, with the news on that front, to date, being none-too-good. This is therefore going to be a time when we really don't need to offend those who can help us the most. Bear in mind that history has shown that giving offense in the Middle East can have significant immediate effects, and in today's economy the effects will likely be more far-reaching and severe.

It therefore seems odd (as I noted last post) that the Administration is both hinting that we would encourage a [change in Government structure](#) in Saudi Arabia, and is allowing consideration of our being allowed to [sue OPEC](#) (hat tip to [Past Peak](#).)

It is fine to play the Godfather when you hold all the marbles, but when the issue is in serious doubt, then (as we have found with Iraq) playing out the game with a known weak hand can significantly cost us oil supply, rather than guaranteeing it.

Apart from proving my nerdishness, perhaps also a brief comment on why this year I came to Alaska. I have posted earlier about this being the last quiet summer, and thus it seemed the best time to take the trip that I have always promised the Actress (the pseudonymous spouse) while it still remains practical and affordable. With the price changes, and their impact, that have now begun their inexorable movement, I do think that we made the trip not a moment too soon.

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