



DrumBeat: May 23, 2007

Posted by [Robert Rapier](#) on May 23, 2007 - 7:00am

Topic: [Miscellaneous](#)

[Oil rises after US report confirms fears of tight gasoline supply](#)

Oil rose after the US reported gasoline inventories remained low just days before the peak demand summer driving season kicks off. The US Energy Information Administration said gasoline stocks rose 1.5 mln barrels in the week to May 18 but remain 'well below the lower end of the average range' in its weekly snapshot of fuel inventories.

Simon Wardell, Global Insight analyst, said gasoline stocks should be rising more sharply in May and June, but refinery outages have stopped inventories from building. Some market players were 'hoping for a bigger build (in gasoline),' he said, adding today's rise was not enough to ease concerns of tight gasoline supply ahead of the peak demand period.

[EIA Inventory Report Highlights](#)

Refineries operated at 91.1 percent of their operable capacity last week. U.S. crude oil imports averaged nearly 10.9 million barrels per day last week, up 560,000 barrels per day from the previous week. Over the last four weeks, crude oil imports have averaged over 10.6 million barrels per day, or 563,000 barrels per day more than averaged over the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) last week averaged 1.3 million barrels per day.

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 2.0 million barrels compared to the previous week. At 344.2 million barrels, U.S. crude oil inventories are just above the upper end of the average range for this time of year. Total motor gasoline inventories climbed by 1.5 million barrels last week, but remain well below the lower end of the average range. Distillate fuel inventories increased by 0.5 million barrels per day, and are just below the upper end of the average range for this time of year.

Total products supplied over the last four-week period has averaged 20.8 million barrels per day, or 2.2 percent above the same period last year. Over the last four weeks, motor gasoline demand has averaged nearly 9.4 million barrels per day, or 1.2 percent above the same period last year.

[Who's most to blame for record-high gas prices?](#)

Poster: Albert A. Bartlett

Comment: Demand for petroleum is close to exceeding supply, a situation that was predicted in 1956 by M. King Hubbert. Hubbert made many reports to the Congress in following years, pointing out these facts very clearly. The Congress has ignored the reports for decades. The Congress is to blame for the high price of petroleum in the U.S. The same thing is happening with natural gas. Production has peaked in North America, so prices will rise substantially every year from now on.

[Oil inches up ahead of stockpile report](#)

U.S. government stock data is due for release at 10:30 ET. A Reuters poll of analysts has forecast a 1.4 million barrel rise in gasoline inventories over the week as refiners lifted output ahead of the Memorial Day holiday this weekend, which marks the start of the summer driving season.

[Gas prices at new heights; at \\$3.50 a gallon, some put brakes on holiday plans](#)

Whether prices go even higher this spring and summer, this year's peak will far eclipse previous local records of about \$3.10 a gallon set during the last two summers. Current prices are about twice what they were when regular bottomed out in the \$1.70s a gallon in mid-January.

[Eastern Germany's sunny future](#)

Germany has invested \$1.3 billion in photovoltaic research over the past decade, creating a \$5 billion industry that accounts for 52% of the world's installed solar panels. Of 45 producers in Germany, 33 are start-ups in the former East Germany, employing 70% of the industry's 8,000 workers, with 2,000 new jobs on the way. Even companies headquartered in the west have most of their production in the east.

[Impact of rising gas prices 'fairly limited', economists say](#)

Drivers may be griping about record high gasoline costs, but the recent surge in the price at the pump will have little impact on most consumers and will be hardly noticed in the broad economy, say several economists, including those at Standard & Poor's,

LaSalle Bank and the Federal Reserve Bank of Dallas.

[The Pros And Cons Of 'Price Gouging'](#)

As gas prices rise a coalition of Democratic governors, including New Jersey's John Corzine (left), have issued a letter to President Bush urging him to support legislation working its way through Congress that would prevent "price gouging" at the pump and help them pressure oil companies into reinvesting profits to increase their capacity.

[House plans pre-holiday vote on gas price gouging](#)

The bill makes it unlawful for anyone to sell crude oil, gasoline, natural gas or petroleum distillates at a price that is "unconscionably excessive" or "indicates the seller is taking unfair advantage of unusual market conditions to increase prices unreasonably." The legislation leaves enforcement to the Federal Trade Commission. Punishment for a corporation can include fines up to \$150 million and for individual fines up to \$2 million and up to two years in prison.

Tyson Slocum, director of the Energy Program for Public Citizen, charged that the major oil companies have not re-invested their "windfall profits" into ways to ease prices for consumers but rather into dividends and stock buybacks.

[BP leak causes further chaos at Prudhoe Bay](#)

Oil giant BP has been forced to shut down a quarter of its operations at its Alaskan oil field following a water pipe leak. The company, which discovered the leak on Monday, said it expected production at its Prudhoe Bay field to be down by around 25,000 barrels per day while action is taken to repair the leak to a processing facility which separates water from crude oil. "We expect the facility to be down a few days while repairs are made," said BP spokesman Ronnie Chappell yesterday, giving details about how long the damage could take to repair.

[Russia slams US bill to sue OPEC groups](#)

Russia said the US House of Representatives broke international law when voting to approve a bill to allow the US government to sue OPEC and similar organisations for price manipulations. "This decision is a violation of the norms of international law," Vesti 24 state channel quoted a statement by Russia's Foreign Ministry as saying.

A few extra stories from Stoneleigh:

[India to seek exploration rights in Iraqi oil fields - oil minister](#)

India will offer Iraq help in building refineries in the war-torn nation in return for oil explorations rights when Iraqi oil minister visits here later this week, the Press Trust of India reported.

[Russian oil companies increase drilling 37.8% in Jan-April](#)

Russian oil companies drilled 278,500 meters of exploration wells in January 2007, up 37.8% year-on-year, in addition to 4.2 million meters of production wells (also up 37.8%).

[Gazprom to press on with EU investment](#)

Gazprom, the Russian gas monopoly, pledged on Tuesday to press ahead with downstream investments in the European Union in spite of uncertainty generated by worsening relations between Moscow and Brussels.

Alexander Medvedev, deputy chairman, insisted the group would stick to its existing programme of diversifying outside Russia and investing in the EU.

"Our strategy was already announced several years ago to become a leading world energy company which will participate in all parts of the value chain and with a diversified portfolio of products and diversified geographical activity," he told the FT in an interview.

[Brazil energy minister quits on corruption accusation](#)

Rondeau, 54, said he is innocent of the accusations, but said that he would resign "to avoid jeopardizing the energy sector ... and so that the image of the government is not affected in any way."

A Federal Police report leaked to the press raised suspicions that Rondeau had received 50,000 dollars from Gautama Construction, accused of involvement in a public works fraud network, which led to the detention last week of 47 persons, including politicians, businessmen and bankers.

[Gazprom exec: natural gas pact unlikely](#)

The idea of natural gas producers forming their own cartel akin to OPEC is increasingly unlikely, the deputy chief executive of OAO Gazprom told a German magazine.

In a report set to be published Thursday by Capital magazine, Deputy CEO Alexander Medvedev was quoted as saying that it would be difficult for natural gas producers to form such an organization to mirror the structure of the Vienna-based Organization Petroleum Exporting Countries.

"Our business is based very much on long-term supply contracts. It is therefore impossible to develop a cartel mechanism like OPEC," Capital quoted Medvedev as saying.

[EIA Chief: US Retail Gasoline Prices Aren't At Peak Yet](#)

Record gasoline prices are expected to continue until at least June due to ongoing U.S. refinery production problems and low imports, the head of the Energy Information Administration said Monday.

EIA chief Guy Caruso concurred with suggestions that U.S. retail gasoline prices haven't hit a peak yet.

"No, I am very hesitant to say we've reached the peak, mainly because we have ongoing problems in Nigeria, which are very important not only to the light sweet crudes, but Nigeria itself is having to import gasoline, putting pressure on the global market for refined products," he told reporters on the sidelines of an energy seminar.

[US looks set for trade war with Chinese](#)

The 14 Chinese ministers, led by Vice-Premier Wu Yi, appear not to have brought any concessions strong enough to satisfy the growing US anti-China lobby.

The cover of the latest edition of The Economist, reflecting this mood, features a panda version of King Kong marauding through New York, and the headline "America's Fear of China".

Democrats who now control the US Congress complain about China's \$283 billion trade surplus with the US last year, claiming it is substantially due to an undervaluing of the yuan that helps China's exporters, and are calling for a revaluation of up to 40 per cent.

A week ago a trade panel voted to impose special duties of up to 44.3 per cent on imports of polyester fibre from China. A few weeks earlier, the US imposed duties on glossy paper imports.

Several items of new legislation, including one that would impose a 27 per cent tariff on all Chinese goods, and five concerning currency issues alone, are on the table. Their introduction would lead to a full-scale trade war.

[Once and Future Environmental Leader?](#)

Brazil appears to be about to pass over a prime opportunity to affirm itself as a leading environmental power in negotiations to bring the threat of global warming under control, according to environmentalists and analysts.

Crowned with the dubious honour of being one of the five countries that produce the most greenhouse gases, Brazil is unique in that three-quarters of its emissions of these gases are due to deforestation.

A drastic reduction in deforestation could be achieved simply by enforcing what is already official policy: that is, stemming the advance of agricultural and mining activities as they illegally encroach on the Amazon rainforest.

But the administration of President Luiz Inácio Lula da Silva is refusing to commit to specific emission reduction targets, which so far are compulsory for only 35 industrialised countries.

[Saudis to top Baker Hughes books](#)

An executive at Baker Hughes said today the US oil service company expects Saudi Arabia's state oil company Saudi Aramco to become its largest customer in 2007, replacing both the UK's BP and US giant ExxonMobil, which have historically vied for that role.

[Kuwait drops peg in body blow to Gulf currency union](#)

Kuwait unshackled its dinar from the tumbling U.S. dollar on Sunday and switched the exchange rate mechanism to a basket of currencies, throwing plans for currency union with other Gulf Arab oil producers into disarray.

Kuwait's central bank, which battled speculators for weeks to defend the peg, said the dollar's slide against other currencies had forced it to break ranks with fellow Gulf states to contain inflation from the rising cost of some imports.



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