



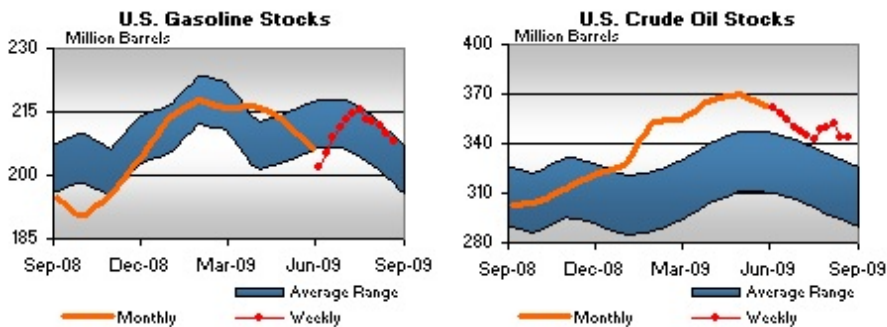
This Week in Petroleum 9-12-07

Posted by [Prof. Goose](#) on September 12, 2007 - 7:00pm

Topic: [Supply/Production](#)

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Gas inventories declined marginally. Oil stocks declined more than expected, but are still at the top end of historical ranges. A decline in active refinery capacity was also another factor. Crude topped out at \$80.18 today before settling at \$79.91. (The text of the EIA's weekly report can be found [here](#)).



Discuss. (There's a couple of links under the fold.)

But as [Steve Hargreaves at CNN says](#):

In its weekly inventory report Wednesday, the Energy Information Administration said crude stocks plunged by 7.1 million barrels last week.

There have been concerns that OPEC production cuts from earlier this year and rising demand for oil have diminished crude supplies worldwide.

Still, EIA said crude inventories in the United States remain above average for this time of year.

But traders are focusing on the fact that crude inventories are below last year. Plus they say that while summer driving season sparks big demand for gasoline, it's actually winter that sees the largest demand for crude as people worldwide use heating oil and power plants burn oil to provide electric heat.

"Crude stocks are not crazy high anymore," said Antoine Halff, head of energy research at Fimat in New York. "Plus, heating season is ahead of us."

As Robert said last week (and I think it's safe if I echo it again this week...):

The next few weeks will be interesting. We are at the end of peak driving season, but we will soon be heading into fall turnaround season where gasoline production will drop. [Winter gasoline](#) is also right around the corner. This time of year typically sees gasoline prices fall (prompting conspiracy calls when it also happens to be an election year) but with inventories where they are we probably won't see that typical price drop. In my opinion, we can't afford to see it. Last fall prices fell, and demand picked up. We can't afford for demand to pick up with inventories setting where they are.

I predict that prices will continue to rise. I think they have to. I also think we will see the ramifications of present inventory levels for quite some time. On the other hand, we did go into the end of 2003 with inventories in this range, so we do have some history suggesting that levels can recover without requiring sharply higher prices. But don't bet on it.



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