The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Comments on the EIA Supply & Demand chart

Posted by Heading Out on August 12, 2005 - 4:50pm

The picture that ProfG posted above comes from the EIA Website, with a table that is periodically updated, showing, as the chart did, where the oil is coming from and where it is going. (In the blogroll we take you to the EIA OPEC production table under OPEC Production (EIA)

There are a couple of things, however, that I wanted you to be aware of in looking at that chart. The first is that it was for the first Quarter (1Q) of this year. If we look back at the history since 2001, these are the numbers in mbd:

Year . . . . . .Supply. . . . . Demand
2001 . . . . . .77.73 . . . . . .77.67
2002 . . . . . .76.93 . . . . . .78.37
2003 . . . . . .79.65 . . . . . .79.90
2004 â€“ 1Q. . . . . .82.26 . . . . . .81.91
2004 â€“ 2Q. . . . . .82.31 . . . . . .81.12
2004 â€“ 3Q. . . . . .83.48 . . . . . .81.19
2004 â€“ 4Q. . . . . .84.02 . . . . . .84.46
2005 - 1Q. . . . . .84.12 . . . . . .84.38

The differences between these numbers has been provided by stockpiles set up for just such events (and the flow in and out of those stocks is given in the underlying table at the EIA site). And as a general rule it is in the 4th Quarter (4Q) that demand is highest, and against which stocks are built every year.

Thus in the first quarter of this year those responsible began to rebuilt the stocks, and took them to the highest level they have been. Why? Because the planners were anticipating that the 4th Quarter of this year will see an increase over oil demand from last year of perhaps 2 mbd and this is significantly more than can be immediately supplied. (In the old sandwich shop analogy you start making sandwiches early in the morning so that when the rush hour comes there will be enough to go round and people don't have to wait for them to be made).

The diversion of oil/gas/diesel into those stockpiles shows up as demand, but it is not immediate and is forward thinking on the part of the companies, even though filling that demand keeps the price higher now, it means that â€“ if it has been done right, and we don't know that yet â€“ the nations of the world will have enough fuel for this winter.

The second thing that must be born in mind is that some of the demand is going into the SPR. The American goal was to have this filled to a capacity of 700 million barrels by this August, and they bought to ensure that target. Which was met. There is now a goal of increasing this to 1,000 million barrels. Buying for that, obviously, is part of demand, so will be the purchases of the Chinese Government for their SPR, for which they have just completed the first stage of the storage facilities. Whether they buy now or later will have some additional effect on demand, the

only question is when will they buy, and at what price.

Putting all these things together, this set of data by itself is not a huge worry, but exponential growth (which the video from Dr Albert Bartlett explained very well) is. But we may be about at the end of that period in our history.

In which regard, Michael Lynch has apparently suggested that there is no scientific background to justify the predictions of Colin Campbell, Jean Laherrerre and others. Well to understand why there is a large scientific justification, you have to know a little more about oil reservoirs. Which is techie talk, but since we have now, almost, reached TD in that oilwell we're drilling on Saturdays, maybe we can start on that tomorrow.

Technorati Tags: peak oil, oil
