The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Paying for Gas

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Over the course of the last two days, four of us drove roughly 1,000 miles to a couple of meetings and thus had to buy gas along the interstate. The stations were randomly chosen, being at the point where either the gas gage or the stomach gage indicated we needed to stop. We paid for gas 3 times and the prices were $3.00; $2.75 and $2.65 a gallon. In all three stations the pumps seemed to be doing relatively heavy business, and we bought the same grade of gas. We're now heading out in the other direction, for more meetings.

But in stopping by my computer on our way through town, I noticed that the problem in China appears to be alleviated, at least temporarily. The Energy Bulletin has carried the FT report that explains some of the background to the problem, as extending beyond the impact of the typhoon.

> Ma Yangbao, the manager of Oriental Dingwang, an independent petrol station in central Shanghai, said supplies from Petrochina, China's largest oil producer, had petered out over the last month to nothing.
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> "I can't even pay my workers' salaries," he said, adding that even outlets owned by Petrochina had seen their daily supplies cut by 40 per cent.

> Although Chinese officials have blamed typhoons for delaying shipments of imported oil, the root cause of the problem is disparity between global and local oil prices, analysts and industry executives said.
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> Fearing inflation and a backlash from motorists and farmers, the government has refused to allow local pump prices to rise in tandem with the global benchmark.
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> Global prices have risen by about 30 per cent this year but Chinese prices by about half that, leaving local refiners such as Sinopec suffering large losses on sales of imported fuel.
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> A Sinopec official in Beijing, speaking on condition of anonymity, said Wednesday the company had been forced by the government to order its refiners to produce fuel for the local market, even though it was not profitable.

However, the latest report from Business Week indicates that, for now, that crisis is over.

> Sinopec Corp., the leading gasoline supplier to the business center of Guangzhou, has nearly doubled shipments of refined oil products to the city to 3,000 tons per day, from 1,900 tons earlier, China Daily said.

> Gas is now available at nearly all the city's 500 service stations with only brief waits for drivers, it said.Surrounding cities have also been granted relief.
> Gasoline and diesel shipments from other parts of China had been brought in to boost stocks, said a government spokesman in the city of Shenzhen, southeast of Guangzhou.
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> Taxi drivers who have complained of higher pump prices were receiving subsidies and checks were being carried out to detect price gouging by service stations, said the spokesman, who wouldn't give his name.
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> . . . . .In the long run, the country needs to float domestic oil prices more closely to the world level ... which in return will contain demand and balance the market," Ni Weidou, chairman of the Tsinghua-BP Clean Energy Research and Education Center, was quoted as saying by Xinhua.

How the Asian nations deal with the issue of gas prices now that they are going beyond the point that subsidies are an easy option is going to something to watch. Chinese gas prices at the pump are given here.

> Signs of supply shortages began surfacing earlier this month, with reports that Guangdong filling stations were limiting vehicles to 50 yuan worth of fuel - or about 11 litres of petrol.
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> At the pump in Guangdong, petrol retails for 4.28 yuan (R3.39) a litre.

Bloomberg has more on the story.

In talking to a grad student who came back from India yesterday, his sense was that prices in India that he paid were close to those seen here in the US. Though here the price is closer to the $2.66 than the $3.00 we paid elsewhere. But India has been forcing the refiners to provide a subsidy in the same sort of way as in China, as we mentioned earlier in the month.

And lest we forget that there are problems in South America, Platts reports today (registration required) that there are some problems in Ecuador.

> Elsewhere, demonstrations in two oil-producing provinces in the Amazon have slashed Petroecuador's output to about 20,000 b/d from a normal level of 200,000 b/d.
> "The news of Petroecuador pushed up the market early on, but the news out of Jordan has given everyone the urge to buy. However, the market still looks tight, with stops cited around $63.50/bbl [for the October futures contract].

Sounds just the right time to spend a few days in the balmy weather of Houston. (Grin).
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