



Why This Matters: Katrina and Peak Oil

Posted by [Prof. Goose](#) on August 29, 2005 - 5:43pm

Topic: [Supply/Production](#)

Katrina **IS** a big deal today and will be for weeks to come.

Why? Because Katrina will have disrupted Gulf production, refining, and storage of petroleum for an uncertain amount of time. We have [probably lost at least 1mbpd of production, if not more, for a significant period of time](#). We use 20mbpd in the US. That means either the US cuts consumption by at least five percent or demand will push prices upwards, and dramatically.

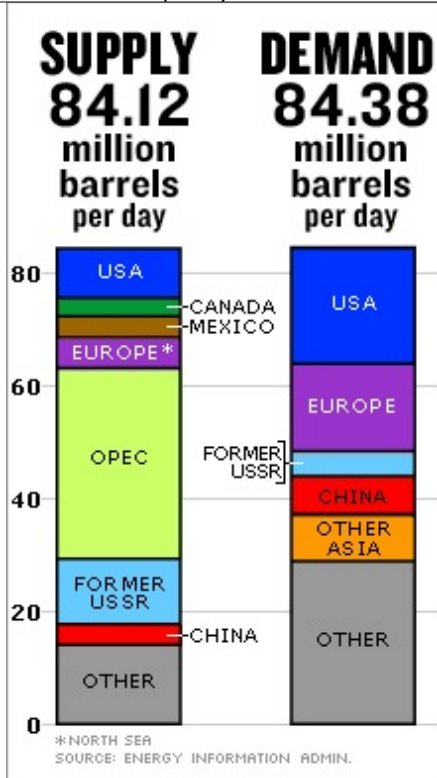
You see, with supply and demand balanced on a knife's edge as it is because of "peak oil," this scenario could lead to huge amounts of volatility in the oil markets for weeks to come. There is simply no more extra oil (except maybe the SPR, but that petroleum is problematic as it is yet to be refined, and refineries are already at capacity if they survived the storm, Chuck Schumer, you idiot.) we can call upon to put into the system.

With supply and demand balanced as it is (and with demand only growing over time from places like China and India), it only takes one "something" (terror, weather, malevolent world politician) to disrupt this gently balanced system.

This is what Goldman Sachs was saying six months ago when they introduced the idea of a \$105/bbl superspike. NB, I am not saying this is the "superspike." However, if this is an event that really disrupts supply it could mean a terribly volatile market with a price spike...(and yes, that \$105/bbl number probably equals somewhere around \$4/gal or more for gas or even worse, a shortage of supply because of systemic problems).

Let's not forget the human cost today. Our thoughts and prayers are with these people. Please note the Red Cross box in the upper right hand corner of the site, if you are so inclined.

Technorati Tags: [peak oil](#), [oil](#), [Katrina](#), [Port Fourchon](#), [weather](#), [hurricane](#).



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