



Market Strategists: Oil May Average \$93/bbl in 2007 (and that's if nothing goes wrong...)

Posted by [Prof. Goose](#) on September 14, 2005 - 9:58pm

Topic: [Supply/Production](#)

[Land of Black Gold](#) with a valuable find: "[Commodity Strategists: Oil May Average \\$93 in 2007](#)". (Snippets under the fold.)

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Oil may average \$84 a barrel next year, \$93 in 2007, and \$100 in the fourth quarter of 2007, as demand outpaces supply, Canadian Imperial Bank of Commerce's chief economist said, jumping ahead of other analysts who are trying to catch up with surging prices.

Rising consumption in China is straining supplies, and damage from Hurricane Katrina to Gulf of Mexico facilities will delay new oil projects in addition to cutting output now, Canadian Imperial's Jeffrey Rubin wrote in a Sept. 7 report. Global supply will be as much as 2.4 million barrels below projected demand by 2007, and the gap will only be closed as rising prices slow demand growth, Rubin wrote.

``We estimate that 1.8 million barrels per day of consumption must be squeezed out next year through the impacts of higher prices," Rubin wrote. The gap between supply and demand grows as much as 3 million barrels a day by 2008. Global oil needs are almost 84 million barrels a day now.

``About 42 percent of the growth in global demand is coming from China, where there is virtually no price sensitivity to demand," Rubin said in a separate phone interview. ``There's a huge relationship to income growth there, but a very uncertain relationship to price at all."

Instead of adding nearly 600,000 barrels of oil a day by 2007, new fields in the Gulf may contribute just 300,000, according to Rubin's report.

``When you juxtapose that with the apparent insensitivity of the demand curve, then what happens is that even though it's a relatively small reduction in supply, you need huge price increases to rein in demand," Rubin said during the interview.

``You have had a very significant reduction in the growth of demand, something in the neighborhood of a 40 percent reduction in the growth of demand already," he said. ``Unfortunately it's taken huge prices to achieve that."



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