



## Simmons: Energy Optimists vs Energy Pessimists (and Understanding EIA Data)

Posted by [Gail the Actuary](#) on April 11, 2009 - 10:57am

Topic: [Supply/Production](#)

Tags: [eia](#), [matthew simmons](#) [[list all tags](#)]

World Energy has provided us with another Matt Simmons video. In this video, I don't think Matt is interpreting EIA data correctly, at least for part of what he is saying. (The rest may be fine.) Below the fold, I explain what the problem is. Much of the problem has to do with EIA weekly demand estimates being higher than monthly demand estimates, at least in the recent past.

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Matt Simmons discusses the difference between Energy Optimists and Energy Pessimists in his latest speech.

This is a [link](#) to Matt's presentation that goes with this video.

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One of the points that Matt makes is that while US demand (consumption) dropped, it is now back up again. These are the slides he shows:

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# U.S. Oil Demand Then Rebounded... But Few Noticed

	Motor		Total U.S. Oil
	Gasoline	Distillate	
	----- '000 Bbl/Day* -----		
Sept. '08	8,469	3,740	17,796
Oct.	8,986	4,173	19,643
Nov.	8,889	3,870	19,001
Dec.	9,033	4,133	19,993
Jan. '09	8,789	4,066	19,565
Feb.	9,032	4,055	19,545
Mar. 1 - 6	8,972	3,784	18,892
<b>1stQ 2008</b>	<b>8,910</b>	<b>4,199</b>	<b>19,878</b>

\*Rolling 10-week averages

Source: EIA Monthly Energy Review, Barclays

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I think Matt makes two mistakes:

1. Overlooking the hurricane impact in September-October 2008. It wasn't that demand was down in the usual sense during September; it was the people in Atlanta and the Southeast couldn't buy fuel if they wanted it for a time. In October, end users (automobile drivers, for example) were busy refilling their tanks, so demand bumped up a bit. One needs to understand this, when comparing to other months.
2. Trying to match up EIA weekly demand data with EIA monthly demand data. The weekly amounts are estimates, based on a survey of suppliers, but the portion relating to exports is not known well. When the monthly numbers with actual export data become available, the monthly numbers have tended to be considerably below what one would have estimated based on the earlier weekly estimates that were released.

Regarding Item 2, what happens on the slides is that Matt shows monthly data through November 2008, then switches to monthly amounts estimated based on weekly EIA supply estimates. Matt's slides were evidently put together a while ago. We now have two more months of actual data, and these indicate that the weekly numbers Matt showed were too high. For December 2008, [monthly EIA data](#) (demand="product supplied") shows demand was 19,199, rather than 19,993 Matt shows. For January 2009, monthly EIA data shows demand was 19,125, rather than 19,565 Matt shows.

We still don't have monthly February numbers, but I would be willing to bet they will come in lower than the 19,545 Matt shows on his slide, which is based on weekly EIA estimates.

EIA Weekly demand numbers for March and early April have been coming down a lot. I suspect this may mean that EIA weekly estimates are moving closer to monthly numbers, but it could also mean a continuing drop in demand. For the [four weeks ended](#) 3/27/09 (which is close to the month of March), demand averages 18,865. This is very low compared to previous numbers. [For the week ended](#) April 3, 2009, the indicated demand is about the same, 18,867.

Thus, demand is in fact down, and continues to be down. It is just that the EIA reports didn't initially reflect that information accurately, and Matt overlooked the September hurricane effect.

I have talked about problems with the EIA weekly supply estimates a couple of times previously, [here](#) and [here](#).



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