



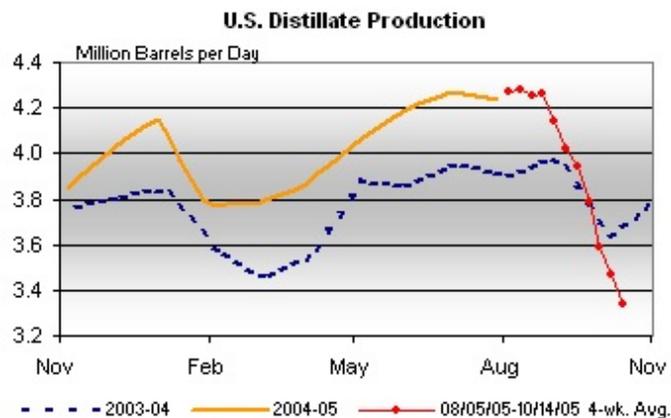
Another gentle cough!

Posted by [Heading Out](#) on October 21, 2005 - 5:58pm

Topic: [Demand/Consumption](#)

Tags: [distillate production](#) [[list all tags](#)]

While the price of crude [drops](#), because of increased stocks, I don't suppose that folk consider that we still don't have the refineries to do the conversion, and that there is this little additional problem coming along. Consider distillate [production](#).



Now you have again to bear in mind that is is a running four week average, but still.

And I suppose that I do not see demand "falling off a cliff" given that the drop in current prices, that I pointed to yesterday is actually currently increasing demand. However, as noted in [Bloomberg](#)

"We're still in shoulder season," Sieminski said. "Gasoline season is over and heating demand has yet to pick up." Regular gasoline averaged nationwide fell 1.4 cents to \$2.709 a gallon yesterday. Prices are down 11 percent from the record \$3.057 a gallon on Sept. 2, according to the AAA, the nation's largest motoring organization. Pump prices are 34 percent higher than a year ago. U.S. gasoline demand normally declines after the Labor Day holiday in early September. Global fuel use peaks during the Northern Hemisphere winter. Heating oil consumption jumps as temperatures plunge and furnaces are stoked in Europe, North America and eastern Asia. Total petroleum supplied, a measure of demand, averaged 20.2 million barrels a day during the past four weeks, 3.2 percent less than a year earlier, the department said. "The market's mesmerized by what appear to be low demand numbers," Sieminski said. "Product supplied is not the same as demand, since it measures what is leaving refineries, not what's being consumed. During the next three weeks we will find out if there really was any demand destruction."

In which regard, it was by accident we found that one of the local gas stations has been out of diesel for over a week.

It is interesting that he used the "demand destruction" phrase, since it was the need for just such a happening, that is beginning to appear in European comments. First there was the [Guardian story](#) about the possibility of a three-day work week this winter.

A cold snap this winter will cause an energy crisis that will force industry onto short-term working for the first time since the three-day week of the 1970s, the head of Britain's leading employers' organisation warned last night. "They have accused us of crying wolf. Well now, it's five to midnight. If it is another mild winter, that's fine, but if it's a hard winter there won't be sufficient capacity for business and to keep pensioners warm. It will back to the days of the three- and four-day weeks."

[Today](#) however one of the suppliers came to the rescue

Centrica's gas storage business said yesterday that it would increase supplies this winter as the UK faces a squeeze caused by rising demand and diminishing North Sea production. It said it would make more gas available from its Rough facility, the UK's biggest gas storage unit, sufficient to supply an extra 65,000 homes or keep a gas fired power station running throughout the winter.

And while Daniel Yergin is again quoted by the [Washington Post](#)

Concrete evidence was emerging that oil at or near \$70 a barrel -- a level reached this summer -- had taken a toll on energy consumption, according to Daniel Yergin, a leading energy expert. "I suspect demand is on a different track now... I think globally," the chairman of Cambridge Energy Research Associates told Reuters.

this perhaps goes against the uptick that was shown in demand by the EIA. But the article goes on to again bring up the possible need for demand destruction which Dr Yergin has been wandering around saying would not be necessary in "our land of superabundant fuel".

But some traders and analysts have questioned the accuracy of the demand figures, and add that a colder-than-normal winter could stoke up enough heating fuel consumption to sap the supply surplus. "By first snow we expect extremely low stocks of heating oil and natural gas, with major pressure on refineries that need to (have maintenance)," said Deutsche Bank. "The fact is, some demand destruction is needed to balance this market." Dealers appeared to disregard a disruption in Nigerian supplies. A strike by unions has suspended some 240,000 barrels per day (bpd) of Brass River crude. Adding to bearish sentiment, the International Energy Agency agreed on Thursday to allow any unplaced oil from its initial emergency reserves release to remain available to the market.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).