



I'm sure it will be just a friendly chat!!!

Posted by [Heading Out](#) on December 27, 2005 - 12:28pm

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The [news](#) that Russia is now setting up a closer consultation with OPEC is not necessarily good for the rest of the world, despite their stated intent to ensure that there is more open information to allow supply planning and price stability. With both Russia and Saudi Arabia producing 9.6 mbd of oil they are by far the largest world suppliers, and between them can exert considerably control on ensuring price stability, though possibly only from the point of creating a floor. Because, while they can decrease oil supply, as we have recently seen, they are unable to increase it, beyond a certain point, to lower prices.

And it is in light of

Demand for oil from OPEC in the second quarter may decline as much as 7 percent to 27.8 million barrels a day on rising temperatures in the Northern Hemisphere, which reduces demand for heating oil, he said then.

this ability to curtail supply to ensure price stability that one might be most concerned.

However 2006 has the potential to be the last year that sufficient new projects come on line to match anticipated demand. Thus any momentum that has built, and it is not yet great beyond the United Kingdom, to find a more sustainable answer to international fuel needs will likely not be sustained much this next year. That will lead to another year being lost, more knowledgeable folk leaving the industry and fewer scientists being available or motivated to work on the problem. Perhaps, in such a situation, moves by this new consortium to keep oil prices high may rebound to all our long-term advantage by maintaining the visibility of the issue. And from recent comments that have appeared in the press, one can assume that this time around there will be an agreement that \$50 might be a good floor for oil prices.

And one must also expect the unexpected. Hurricanes and other disasters can be anticipated to throw other challenges into the hopper to reduce supply. This will likely, however, be more of an impact in the second half of the year, rather than the second quarter, where demand usually declines. This will likely not stop our colleagues from the other side of the debate, who will once again label us as unreliable doomsayers, and the like, predicting the further fall in the price of oil, and the availability of continued reserves, albeit without the means to readily produce them. One, thus, awaits the collection of forecasts that we can anticipate from the pundits over the next week with interest. It will be interesting to see how many of them will include energy in their crystal balls.



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