



You have to repay a loan

Posted by [Heading Out](#) on December 28, 2005 - 11:49am

Topic: [Supply/Production](#)

Tags: [chinese spr](#), [iea loan](#), [spr](#) [[list all tags](#)]

Thanks to [Amy](#) for the news that the IEA loan is now [over](#). This with the need to also repay some of the loans, though not the purchases, from the SPR will no doubt add some pressure to any demand drop in the second quarter.

The members "agreed that the impact of hurricanes Katrina and Rita has been successfully addressed by a combination of the IEA collective action, lower than expected demand, worldwide refinery flexibility and additional efforts by producer countries.

—"The IEA member countries will exercise flexibility in re-establishing their emergency stock levels through 2006, noting the need to take into account seasonal demand and the possibility of higher than expected refinery maintenance," (IEA Chief Claude) Mandil said on Monday.

One of the activities that has, in the past, mopped up a certain amount of surplus supply was the steady purchase of oil for the Strategic Petroleum Reserve. About a year ago we were looking to the Chinese to put a significant effort this year into [building](#) their own [reserve](#). Several posts have discussed, either in the lead or comments, the investment that has been made in the required infrastructure. And there is a [concern](#) that this will act as another drain on a tight supply.

There does not appear to be much discussion of the topic recently, but earlier the conclusion had been that China would not fill its SPR until the price dropped a little. The greatest chance for this to happen may well be in the 2nd quarter, but if the "chat" I referred to yesterday is meaningful in result, then that dip in prices may not occur. In such a case will the Chinese go ahead and fill their tanks, or not?

The experience of the US in the last year has surely suggested the benefits of having some reserve, and the Chinese had a similar bad experience with bad weather, though on a much reduced scale, that caused some shortage early this fall. On the other hand they may wait until they get the oil flowing from the Caspian, though that would delay the insurance policy.

And in a small note on keeping oil flowing [Rigzone](#) is noting the move by Kuwait to get major oil companies to assist in upping production. The catch

Kuwait pumped about 3 percent of all the oil produced worldwide last year, or about 2.5 million barrels a day. The country hopes to increase daily production by 2020 to four

million barrels. By then, Project Kuwait is expected to account for a third of the country's production.

But at these volumes, Kuwait will also be pumping out 10 million barrels a day of water associated with the oil-production process, something that officials say the country's state-owned oil company cannot do without foreign expertise.



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