



The European situation is not really stable

Posted by [Heading Out](#) on January 9, 2006 - 1:16am

Topic: [Supply/Production](#)

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In the [post](#) earlier in the week, I had tried to point out that the UK was discovering that having a Plan B (to switch to oil when gas ran a bit short) would give problems if nobody had checked first to ensure that there would be enough oil available.

The [Scotsman](#) carries this concern forward into the New Year. Until now the UK has had a declining production, but one that exceeded UK demand, however;

The IEA sees UK oil demand for 2007 of more than 1.8m barrels per day, which it expects North Sea production will only be able to match for the first three months of the year.

Output is projected to fall to 1.65m barrels per day between March and June, and to 1.55m barrels per day between July and September, before rebounding slightly to 1.66m barrels per day in the last three months.

The government's more optimistic forecasts do not see the UK becoming a net importer until 2010.

The difference in projections is likely to be determined, to the customer's cost, later this summer.

(IEA spokesman David) Fyfe said production may creep back above demand thanks to the Buzzard field coming on stream. But any recovery is not likely to be prolonged.

The news will also come as a shock to UK oil producers who share the government's optimistic forecast.

A spokeswoman for the UK Offshore Operators Association, which represents North Sea producers said: "We believe we will be self-sufficient in oil until the end of the decade, although we are in the process of updating our figures."

Part of the likely "fly in the ointment" is that the balance was presumed to exist because the gas market could take care of itself. However if there is a concern in the gas market that causes customers to switch over to oil, as appears to be the current situation, then the projections for demand may be an underestimate, with a more rapid deterioration in the situation than is currently predicted. Bear in mind that the threat to gas supply may not even be actual, but if it is a perception that causes movement, then that will suffice.

And while that story will continue to unfold in the next couple of months, and maybe longer, the Russian:Ukrainian gas crisis appears to have wound down for now. [Jerome a Paris](#) via [Energy Bulletin](#) has given a comprehensive review of how that whole situation has evolved, and the interaction of corruption with the passage of gas around that part of the world. As he points out, the fact that Ukraine was considered by many to be part of Russia for so long, has made this current spat that much more difficult for those participating, for the reasons that he discusses. The series of posts on this topic is very well worth reading.



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