



Peak Oil Notes

A Mid-week Update on Peak Oil

[Tom Whipple](#), Editor

Thursday, June 26, 2008

Prices and stockpiles

In comparison with recent weeks, the oil markets have been relatively quiet. Prices moved in a narrow range above and below \$135 a barrel in reaction to new developments. On Monday, prices rose to \$137 on the news that supply interruptions in Nigeria and the North Sea would more than offset the 200,000 b/d of additional production that the Saudis promised at the Jeddah meeting. A weakening dollar also supported prices.

The weekly stocks report on Wednesday showed US refinery utilization down a bit with gasoline and diesel production rising. Crude imports were down from the week before and for the last month are running 86,000 b/d below last year's imports.

Crude inventories were up by a relatively minor 800,000 barrels; however, the markets had expected a 1.7 million barrel drop. This was the first increase in US crude stocks for nearly two months and the news sent prices down by \$4 a barrel before recovering. Distillate fuel inventories increased by an unexpectedly large 2.8 million barrels and are back to the middle of the normal range for this time of year.

High prices are cutting deeper into demand. The EIA reported that for the last four weeks gasoline consumption was down 2.1 percent; distillate consumption down 1.1 percent; jet fuel consumption down by 3.6 percent; and total oil products consumption down 2.3 percent all over last year.

Nigeria

With production dropping to 1.2-1.5 million b/d, the situation has not improved much despite Shell's announcement that it was resuming some production from the offshore Bongo platform that was overrun by militants last week. On Friday Shell declared force majeure of 225,000 b/d of exports from the platform and observers noted that Shell did not lift the force majeure when announcing that production would be resumed. Shell has yet to specify how much damage was done to the platform by the militant attack.

The attack on the Bongo platform has long-term implications for Nigerian oil production. The production facility is located 120 km offshore in an area previously thought to be immune from militant attacks. Some 1.25 million b/d of new Nigerian off-shore production is scheduled to come on stream in the next 6 years and now has been demonstrated as being subject to attack. The Nigerian government has sent ships to protect the Bongo platform, but more significantly, the foreign oil companies are starting to pressure the Nigerian government to share oil revenues directly with local tribes from oil producing regions.

A strike by white-collar oil workers against Chevron now has been going on for three days. So far production has not been affected but Chevron's administrative offices have been closed. The union says that if there is no progress in the talks, the next step is to start closing down production.

Nigeria's Kaduna oil refinery, which was reactivated only three months ago, has been shut down as the refinery can no longer get local crude to process.