

Oil hits new record above \$118 a barrel

By: Reuters

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Oil struck a record high of more than \$118 on Tuesday, boosted by a jump in oil demand last month from China, the world's second-biggest energy consumer, and worries about supply from key producers Russia and Nigeria.

US light crude for May delivery was up 84 cents at \$118,32 a barrel by 15:18 GMT, near an all-time peak of \$118,45 hit earlier.

London Brent crude was up 93 cents at \$115,36 a barrel, after rising to a record peak of \$115,53.

Oil has hit a string of record highs this month, driven by booming demand from emerging markets such as China that has coincided with long-term supply constraints.

A weak US dollar has also played a part in boosting the price of dollar-denominated commodities like oil and also attracted speculative inflows from hedge funds.

"Every time the market does make new highs, it suggests that the upward trend is still intact and that provides a catalyst for the funds to keep buying it," said **Tony Machacek** of Bache Commodities Ltd.

China's oil demand leapt 8 percent in March from a year ago, the fastest rate in 19 months as refiners boosted imports ahead of the Olympics..

But the high cost of producing more oil plus political constraints on new supplies mean the market looks set to struggle to keep pace with growing emerging market demand.

"The news that Russia, the largest non-OPEC producer, will produce less this year than the year before and Nigeria's output may be set to fall because of lack of investment makes people realise high prices are justified," said Bob Greer, executive vice president at commodity fund manager PIMCO.

"The 5 year forward contract has gone above \$100," he said, referring to a surge in long-dated oil prices.

From 2010 to 2016, for example, oil prices currently range from around \$106 to nearly \$108 a barrel.

INVESTMENT

Long-term drivers for investment in the oil market include tight spare capacity, slow output growth from non-OPEC producers and robust demand from emerging economies. This is more than compensating for declining demand from industrial countries.

"Limited capacity along the entire supply chain is the real source of current global supply tightness," Saudi Arabia's Oil Minister **Ali al-Naimi** said on Tuesday.

Shortages of labour, equipment and materials were raising costs and delaying new projects that would boost capacity, he said in a speech to the International Energy Forum in Rome.

Against this backdrop, the market is sensitive to any events that could threaten supply.

Pipeline attacks in OPEC member Nigeria last week shut 169 000 barrels per day (bpd) of Bonny Light production, forcing Royal Dutch Shell Plc to declare force majeure on crude oil exports.

Nigerian rebels also attacked two Shell oil pipelines in the Niger Delta on Monday.

An oil refinery at Grangemouth in Scotland has begun shutting down ahead of a two-day strike due to start on Sunday. Some North Sea oil and natural gas output will have to be shut in if the strike halts the refinery.

The Organization of the Petroleum Exporting Countries has insisted the market has enough oil and shunned calls from consumer nations to pump more crude.

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Oil near record-high on supply woes, China demand

By: [Reuters](#)

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Oil held above \$117 a barrel on Tuesday, just shy of its all-time high, as geopolitical risks stoked fears of supply worries at a time of robust Chinese crude demand.

US light crude for May delivery dipped 17 cents to \$117,31 a barrel by 06:42 GMT, after prices hit an all-time peak of \$117,83 on Monday.

London Brent crude dropped 3 cents to \$114,40 a barrel.

"Again there are some concerns over supply disruptions in Nigeria," said **David Moore**, commodities strategist at Commonwealth Bank of Australia.

Pipeline attacks in OPEC member Nigeria last week shut 169 000 barrels per day (bpd) of Bonny Light production, forcing Royal Dutch Shell Plc to declare force majeure on crude oil exports.

Nigerian rebels also attacked two Shell oil pipelines in the Niger Delta on Monday after the raid last week in what they called an act of defiance against major consumer the United States, the world's top energy consumer.

Crude imports to China, the No. 2 oil user, surged a quarter from a year ago to 4,07-million bpd in March, far above previous records, customs data showed on Tuesday.

China also more than quadrupled March diesel imports to 494 192 t and gasoline exports tumbled 84 percent to 101 319 t in the same period, as state oil firms rushed to stock up oil ahead of the summer Olympics. Chinese implied oil demand - net imports plus refinery output but excluding inventory changes that are not reported - grew 8,1 percent in March from a year earlier, the highest rate for 19 months.

Sparking supply worries, the Grangemouth refinery in Scotland has begun shutting down ahead of a two-day strike due to start on Sunday. Some North Sea oil and natural gas output will have to be shut in if the union halts the refinery.

But OPEC officials reiterated that the market had enough oil and the producer group would not ramp up output to help bring down prices despite calls for more oil from some consumer nations.

Iranian oil minister Gholamhossein Nozari said oil prices were not too high in real terms, even as US pump prices hit a new record as the world's top consumer gears up for the summer driving season.

Though the rise in fuel costs has added pressure to the struggling US economy, Energy Secretary **Sam Bodman** on Monday said he did not favour tapping emergency reserves to help bring down oil prices.

The weak US dollar has also contributed to oil's rally, devaluing assets in the US currency and pushing investors to shift part of their money to commodities and oil.

A Reuters poll of analysts ahead of weekly government inventory data to be released on Wednesday forecast US crude stocks fell 1,8-million barrels in the week to April 18, a 2,3-million-barrel drop in gasoline supplies and a 100 000-barrel draw in distillate stocks.

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Oil hovers below record \$117 a barrel

By: [Reuters](#)

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Oil held below \$117 a barrel on Monday, supported by worries of supply disruptions in Nigeria and comments by OPEC that it saw no need to increase production.

US light crude for May delivery fell 4 cents to \$116,65 a barrel by 06:23 GMT, after briefly touching a new record high of \$117,05 a barrel.

London Brent crude was unchanged at \$113,92.

The Organisation of Petroleum Exporting Countries (OPEC) sees no need to raise oil production to counter high oil prices, OPEC's President said on Sunday.

"No," said **Chakib Khelil**, who is also Algeria's Energy and Mines Minister, when asked by reporters whether OPEC would raise production. He added that raising production would have no impact on prices as the market was well-supplied.

Khelil also said a previous output increase had failed to push prices down last year.

Separately, OPEC Secretary General **Abdullah al-Badri** said oil prices could rise higher still should the US dollar weaken further.

Oil prices have jumped 22 percent since the start of the year largely due to a tumbling US dollar, geopolitical tensions in the Middle East and unrest in major oil exporter Nigeria.

A Nigerian rebel group said Friday it had sabotaged a major oil pipeline operated by Royal Dutch Shell and vowed to step up attacks on oil installations. Officials at Shell, which is currently pumping 400 000 barrels per day below capacity in the OPEC nation due to sabotage and security concerns, confirmed a small amount of production had been shut in.

Workers at the port of Marseille voted on Sunday to suspend a strike against dock reforms, an official of the CGT union said on Sunday, but said a new 24 hour stoppage was planned for Wednesday.

"We're looking more to irregular actions, less spectacular but which allow us to keep going for a longer time," said Pascal Galeote, secretary general of the Marseille port workers section of the CGT.

The strike, which started on Thursday, has blocked traffic at France's biggest oil port, Fos Lavera, and kept around 20 ships at the quayside on Sunday. The Fos Lavera port supplies crude to eight refineries in southeast France that have a total capacity of about 800 000 barrels per day.

"The spate of incidents has reminded the markets of the fragility of oil supplies," said Sydney-based David Moore, a commodities analyst at the Commonwealth Bank of Australia.

Comments from the US government that it won't delay its plan to buy oil this summer for the Strategic Petroleum Reserve even if crude prices stay above \$100 a barrel also provided underlying support for oil prices.

Crude oil speculators on the New York Mercantile Exchange increased their net long positions last week, according to data from the Commodity Futures Trading Commission released Friday.

Net crude long positions rose to 66,526 in the week to April 15, up from 64,699 in the week to April 8.

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