



Press Release
The Sustainable Energy Forum Inc
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Global Oil Supply and Demand are Finely Balanced

Some commentators have blamed the large price rise in the international price of crude oil in recent months on Opec, or the oil companies, or geopolitical uncertainty, and more recently speculation has also been blamed when investors buy commodities like oil for a limited period to hedge against the weakening US dollar.

"However the most likely explanation of the rapid rise in oil prices over the last two years is that because the global market is now so finely balanced between supply and demand, small changes in that balance can cause disproportionately large increases in prices" spokesman for the Sustainable Energy Forum, John Blakeley, said today.

"The market price for crude oil has risen from US\$61 per barrel at the beginning of 2007 to as high as US\$147 before falling back during this month to around \$US130 on fears that a recession in the US economy will reduce demand".

"The International Energy Agency is now forecasting global oil demand to reach 86.9 million barrels per day (bpd) by the end of 2008 and Opec is predicting an almost identical figure" Mr Blakeley said. "Oil supply was averaging 86.8 million bpd during the month of April 2008. It appears that there is no longer any reserve production capacity".

"Some people believe that Saudi Arabia can fill the emerging gap from its large oil reserves and President George W Bush has recently been urging the Saudis to increase oil production to meet rising demand" Mr Blakeley said.

But the respected US publication Business Week recently (10 July) stated that a field-by-field breakdown of estimated Saudi oil output from 2009 through 2013 shows that the sustainable Saudi oil production level is only 10.4 million bpd compared with current production of 9.65 million bpd.

"The global demand for oil has grown at an average of 1.4% per annum (BP statistics) over the last decade, so any additional Saudi oil is likely to be swallowed up by increasing demand within about a year from now unless other countries can also increase their oil production" Mr Blakeley said.

"An analysis of present consumption of liquid fuels in the Auckland region shows that an extra \$550 million per year is being spent on these fuels over and above that in 2004/05 when oil prices started to move significantly upwards. That means about \$10 million per week less which Aucklanders have to spend on other categories of

purchase" Mr Blakeley said. "If this upward price movement continues without any corresponding decline in oil consumption, this must inevitably lead to a drop in employment levels and a cycle of progressive economic decline".

"The Sustainable Energy Forum is combining with Engineers for Social Responsibility to run a one-day conference entitled "Responding to Oil Depletion and Climate Change" to be held in Oakridge House at Unitec in Auckland on Saturday 26 July. The conference will consider how our society might adapt to a very different future using less oil" Mr Blakeley said.

For further information on the conference, contact John La Roche at phone 09 528 9759 or email johnlaroche@xtra.co.nz

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