

## Crude Rising as Tehran Pursues Nuclear Energy

*An alternative fuel showing real uncertainty*

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Crude oil rose a second day on concern supplies from Iran will be susceptible to disruption as long as the world's fourth-largest oil producer pursues nuclear energy.

Iran will resume uranium enrichment, a process that can lead to development of a nuclear bomb, President Mahmoud Ahmadinejad said Saturday, just after his country was referred to the UN Security Council. Speculation that Iran could retaliate by reducing oil exports or blocking the entrance to the Persian Gulf caused prices to rebound after dropping 3.5 percent last week.

"Iran's statement over the weekend saying that they restarted enrichment is really worrying," said Alexandre Kervinio, an oil analyst at Societe Generale in Paris.

"We don't expect sanctions because nobody wants oil at \$100. For now it's only talk. The situation is probably going to loom for the rest of the year."

Crude oil for March climbed as much as \$1.25, or 1.9 percent, to \$66.62 per barrel on the New York Mercantile Exchange, where it was up 85 cents at midday Moscow time. Prices have doubled from two years ago, although they are 6.5 percent lower than their record \$70.85 in August. Oil touched a three week low of \$63.95 last week.

The International Atomic Energy Agency's 35-nation board of governors voted 27-3 to refer Iran to the Security Council, with five countries abstaining. Iran, which claims it is pursuing nuclear energy for peaceful purposes, said it was resuming its research and would curtail IAEA spot checks in the country.

The IAEA's resolution calls on Iran to stop uranium enrichment activities, to open military sites to UN inspectors and account for documents related to the procurement of machinery and equipment for its nuclear program. The Security Council could impose sanctions if Iran fails to comply, although the United States said last week that it would not pursue sanctions for now.

Brent crude for March settlement gained 87 cents, or 1.4 percent, to \$64.26 per barrel on London's ICE Futures exchange.

The Organization of Petroleum Exporting Countries is pumping almost at capacity, letting stockpiles build and creating a cushion for any interruption. The group's spare production capacity, about 1.5 million barrels per day, could not compensate for a halt in Iranian exports, which run about 2.5 million barrels per day.

"Oil production is pretty close to capacity at the moment," said David Thurtell, commodity strategist at Commonwealth Bank of Australia in Sydney. "The market is going to be very jittery until the Iranian issue is resolved."