

## OPEC: Global tensions keep crude prices up

*That's why we need to move away from any use of oil for power.*

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Global tensions have pushed crude prices up as much as 20 percent – or about \$15 a barrel – over what demand suggest they would otherwise be, OPEC's acting secretary general said Friday in Oslo.

"We feel that the governments of both the producing and consuming countries must do more to ease these political tensions. It is clear that prices will not fall until these anxieties abate," said Mohammed Barkindo, of the Organization of Petroleum Exporting Countries.

Barkindo was addressing a joint OPEC–International Energy Agency workshop on demand at a time when crude oil prices are near \$70 per barrel and about \$5 below their record high reached late last month.

In opening the workshop in the Norwegian capital of Oslo, Barkindo said "there is absolutely no supply shortage."

He said OPEC has increased production by 4.5 million barrels per day since 2002, and that this year global oil inventories are at five-year highs.

"The market determines the oil price, and if the fundamentals are in balance, then one has to look elsewhere as to why prices are being inflated," he said.

"Remove the impediment of geopolitical concerns, tensions, and the resulting speculation and the oil price will find its rightful place in the market," said Barkindo.

Although he did not go into detail, the oil market has been roiled by fears of terrorist or militant attacks on the oil industry in places like Iraq and Nigeria. There is also worry about a possible military intervention by the United States in Iran over its nuclear program.

"What is of more concern to us is the effect geopolitics and the accompanying hype and speculation are having on prices," said Barkindo.

He said those factors were adding an estimated \$15 to the price of each barrel of oil.

The acting secretary general also said that, although the world demand for oil is bound to grow, it is becoming increasingly difficult to predict and respond to demand.

Developing oil fields and building such facilities as refineries require such huge investments that OPEC members could reconsider projects if demand growth appeared uncertain, he said.

Factors contributing to uncertainty could include programs by the U.S. and in Europe to reduce dependence on Middle Eastern oil, as well as increase fuel efficiency to slow demand growth.

"There are a growing number of obstacles to accurately assessing global oil demand in the short, medium and long term, and we need to look at how these obstacles can be overcome," he said.

Barkindo said more study is needed of consumption patterns in areas of growing demand and so is a broader dialogue between oil producers, consumers and others.

"Determining predictability of supply and demand is essential for taking the industry forward in an orderly and structured fashion," he said.

The Fourth OPEC-IEA Workshop was hosted by the Oil Ministry of Norway, the world's third largest oil exporter after Saudi Arabia and Russia.

Apart from the opening remarks, the Oslo workshop, which focused on demand, was closed to the media.