

### CRUDE OIL PRICES ARE ON THE WAY TO MUCH LOWER LEVELS

The Organisation of Petroleum Exporting Countries (OPEC) might well have shot itself in its proverbial foot, yet again, by maintaining and promoting, albeit obliquely, the price of crude oil at near, record-high levels.

Because non-OPEC countries, seeing the pot of gold at the end of the oil rainbow, have joined in the fun, taking part of OPEC's share of the black ooze on world markets.

Further, the high price of energy has made the industrialised countries of the world realise that their lack of energy efficiency has, in part at least, brought about the present situation whereby corporate profits have been squeezed, in some cases to the bone, and, in other cases, to the extent of disappearing Bottom Lines.

In Germany, for instance, due in large part to the relatively high price of crude oil that has been with the world for the past few years, a great deal of money has been spent on finding alternatives to fossil-fuel-related, energy platforms.

Today, technological progress has been made in the world's largest exporter so that increasingly suitable power generation is being produced, using alternative fuel sources, such as biomass and energy, produced by chemical actions and reactions upon a storage place for electricity, known in the parlance as voltaic energy.

Biomass and voltaic piles are both renewable energy sources and are becoming competitive with conventional fuels, such as petroleum-based products, which are not renewable sources of energy.

Motor vehicles, using a combination of different, energy producing systems instead of total reliance on the inefficient, petrol-driven or diesel-driven, internal combustion engine, which the world has been using since about 1904, have come to mean that the reliance on crude oil is diminishing as the months roll on.

Further, in many of the industrialised countries of the world, emphasis is being placed on the conservation of energy ?and this emphasis is starting to pay handsome dividends.

An interesting statistic, recently released, is that it is estimated that, for every increase of the order of one percent in the market price of a barrel of crude oil, demand for crude oil is reducing by about 4 tenths of a percentage point.

At the same time, however, for every one percent of growth in the Gross Domestic Product of a country, the demand for crude oil increases by about 7.50 percent, overall ?developed countries and underdeveloped countries.

Companies, such as General Motors Corporation and Ford Motor Company, being among the largest such companies in the world, know that the writing is on the wall: If they cannot produce more energy efficient vehicles and attract consumers to these vehicles, they will continue to be overtaken by their Asian counterparts ? Honda, Toyota, Hyundai, etc.

Last week, both General Motors and Ford announced that sales of their motor vehicles in the month of September plummeted by 28 percent and 20 percent, Month-On-Month, respectively.

A marked reduction in the sales of SUV's ?Sports Utility Vehicles ?was noted by both automotive giants, as American consumers determined that SUVs just were not worth their running costs.

Even the US Government got into the act, following the devastation, caused by Hurricanes Katrina and Rita, asking owners of SUVs of the Gulf States to leave their vehicles in their garages because petrol was running frighteningly low.

In the People's Republic of China (PRC), the Government has known for some time that, in order for its industries to remain competitive, internationally, energy costs must be stabilised without the country, being held to ransom by OPEC.

To this end, the PRC Government embarked on a programme to make even better use of its huge coal reserves in order to generate power.

Today, the PRC's power generation is dominated by coal as the primary source of fuel to the extent of about 75 percent, according to the latest statistics to come from this Government's Propaganda Ministry.

Not resting on its laurels, the PRC Government is aiming to increase coal production even further, to about 1.40 billion tonnes per annum.

This will come to mean even less reliance on imported supplies of OPEC-produced, crude oil, complementing the crude oil production within the country.

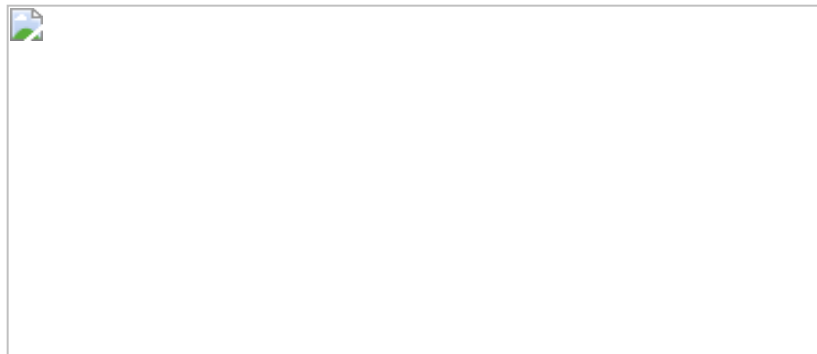
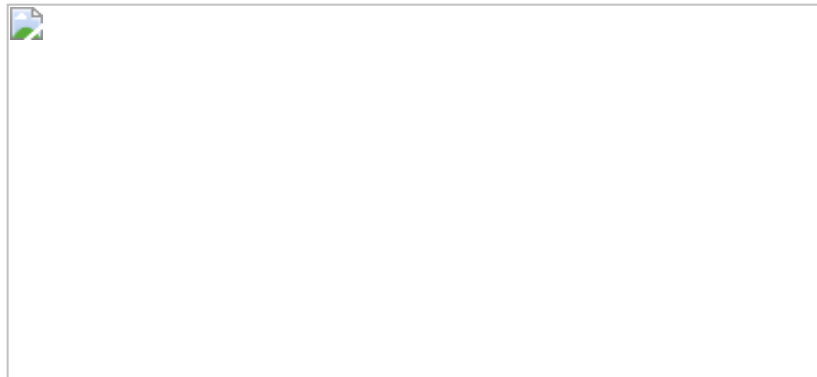
In addition, the PRC Government is using more and more hydroelectric power, which, today, accounts for about 10 percent of current industrial production.

The effect on the world's most-populous country is that the requirement for fossil fuels to generate energy will diminish in the coming years and will continue to wane in years to come.

In other parts of the world, the call has gone out: Reduce reliance on crude oil!

Demand for petrol, in fact, has fallen by about 6 percent, so far this year, equivalent to about half of the demand growth of 2004.

According to sources, contacted by **TARGET**, the following illustrates energy consumption in 2004:



**Conclusion:** The present high price for crude oil is not a permanent fixture of the world, contrary to popular opinion.

However, lower crude-oil prices will not be achieved overnight; it will take the best part of one year for the world to see any dramatic reduction in the price of crude oil.

Blaming the PRC for its much-publicised insatiable appetite for crude-oil imports is not completely fair because PRC oil imports only account for about 12 percent of total oil consumption, worldwide.

Probably, by the middle of 2006, at the latest, the PRC's dependence on crude-oil imports will diminish even further than today's requirements.

The PRC's demand for crude oil was the result of the requirement of its industries, which needed more electricity to run its machinery in the production of goods, used both domestically and those goods, required by export-driven companies and State-run entities.

Non-OPEC suppliers of crude oil will play a large part in bringing down the price of crude oil as countries, such as Saudi Arabia, will, no doubt, fight to maintain its share of the world market.

This will mean that Saudi Arabia will release more oil onto market in order to keep competitors at bay.

And so, this will add even further downward pressure on the price of crude oil in the marketplaces of the world.

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