

**CRUDE OIL:
SHOULD WE EXPECT ANOTHER SPIKE IN PRICES ?**

In the past two decades, the world's production of crude oil has risen about 25 percent, from about 61 million barrels per day to about 76 barrels per day.

The question, today, is of course: Is that amount of crude-oil production sufficient to match current, international requirements?

In the People's Republic of China (PRC), during the month of June, the country imported about 41.94 million metric tonnes of crude oil, or about 10.25 million barrels per day.

The June, crude-oil requirement represented a 2.70-percent increase, compared with June of 2013.

It has been estimated that the demands from the country's farming and agricultural sectors were among principal reasons for the increased requirement for crude oil.

However, according to statistics, June was the second, consecutive month that the PRC had increased crude-oil imports. Month-On-Month, crude-oil imports have risen by about 8.60 percent.

The PRC's **Gross Domestic Product (GDP)** in the first quarter of 2014 grew by about 7.50 percent, Year-On-Year, and that must have put somewhat of a strain on oil stockpiles and, as is the wont of the Middle Kingdom, its government tends to be proactive rather than reactive – especially when it comes to matters of energy consumption.

In The Middle East And Russia

In the Middle East, there is a variety of widespread problems and, with the advent of the **Islamic State of Iraq and The Levant (ISIL, or, sometimes, ISIS, or, sometimes, just IS)**, the world is watching with trepidation at this group of fighters that wants to carve out a caliphate in the sovereign territory of Iraq and Syria.

Iraq is a large exporters of crude oil and it was known, until recently, to be producing about 3.30 million barrels per day.

While ISIL is causing havoc in the Middle East, there is the Russian situation with the tit-for-tat sanctions, being imposed, first by the United States of America, then, by the European Union, which followed suit, and, then, The Russian Federation, imposing an embargo on all imports of US, EU and friends of the US and EU of foodstuffs into the country.

The Russian Federation is the largest crude-oil producer in the world, today, with the daily output of about 10.10 million barrels.

If Russia determines to add crude oil in its arsenal of weaponry against the West, it would have an immediate and dramatic effect.

Great Britain, only on Monday, complained that the embargo by Russia on imports of British food would have an unwanted, dampening effect on the economy.

Crude-oil exports is only one of the factors with which the world has to contend because, inter alia, the cost of producing crude oil is rising much faster than selling price of the black gold.

According to statistics, compiled by The **E**nergy **I**nformation **A**dministration (**EIA**) of the US Government, the selling price of a barrel of crude oil has not risen, materially, since 2011.

With average incomes in most countries, having been stagnant for the past few years, higher oil prices are unaffordable by many people and, thus, it was determined that to increase oil prices to a more reasonable level would be counterproductive.

In Russia, its Finance Minister, Mr [Anton Germanovich Siluanov](#), recently announced that the country's oil production had hit a peak and that the only way forward would be a reduction in crude-oil exports.

This statement comes on the back of the country's problems with the US and the EU over the Ukraine situation, with some 20,000-plus Russian troops, sitting on the doorstep of the country that used to be part of the **U**nion of **S**oviet **S**ocialist **R**epublics (**USSR**).

The US and the EU have determined that Russia is responsible in part, if not totally, with regard to the current problems which sees heavily armed, pro-Russian separatists, fighting the Ukrainian Army in the east of the country.

According to EIA, again, November 2013 was the highest month of crude-oil production in Russian oilfields and, ever since that data was compiled, crude-oil production has waned.

Although the fall in oil production in Russia has, thus far, been small, relatively speaking, this situation must be cutting into the country's tax revenues that are required to fund the many government programmes.

Russian and the PRC have, over the past decade or so, been bosom buddies so that, no doubt, any PRC request to Russia for increased crude-oil imports would be met by Russia's President Vladimir Vladimirovich Putin very positively – especially in view of the situation, internationally.

But the world, today, is very close to being dependent on Russian crude-oil exports. This is especially true when one comes to the realisation that crude-oil exports from Russia is equal to about 88 percent of crude-oil exports from Saudi Arabia.

With regard to Saudi Arabia, its crude oil production, today, is about 9.80 million barrels per day, about 3.06 percent less than that of Russia.

If push came to shove, Russia, most likely, would not think twice in cutting all crude-oil shipments to unfriendly countries, such as the US, the EU and its allies.

If such a scenario should come to pass, it would have repercussions, right round the world.

No doubt, it would lead to a rapid rise in the price of crude oil.

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