

Oil capacity okay as price hits \$US105

THE head of the International Energy Forum says there is significant spare capacity in the oil market and fundamentals remain different to those during the oil price spike of 2008, despite the price of oil being above \$US100 a barrel.

"There is a significant amount of spare capacity in the market both upstream and downstream," IEF secretary general Noe Van Hulst told Dow Jones Newswires in an interview ahead of a gathering of oil ministers in Saudi Arabia's capital.

He said he was speaking as an independent observer of the oil market.

The IEF is an independent organisation that works with the International Energy Agency, the Organisation of Petroleum Exporting Countries and other "transit" countries that are players in the global oil market.

About 90 countries will sign an IEF charter later today, pledging to continue dialogue between producer and consumer countries. The meeting's participants represent over 90 per cent of global oil and gas supply and demand.

Mr Van Hulst said the charter showed increased political commitment to dialogue between oil consuming and producing nations. "It shows also collectively the way producers and consumers have learned the lessons of the past of excessive volatility," he said.

Oil ministers meeting later today will discuss ways to mitigate volatility in oil markets against a backdrop of political unrest across the Middle East, as anti-government protests flare in Libya after protests in Egypt and Tunisia toppled the autocratic leaders of those countries.

Mr Van Hulst acknowledged new dynamics in the market, including the Middle East turmoil.

But, he also said, "in terms of the fundamentals of demand and supply, the market is very different to 2008...Everybody should keep that in mind," Mr Van Hulst said.

The assistant to Saudi Arabia's oil minister, Prince Abdulaziz bin Salman bin Abdulaziz, said at a media conference that the oil market was sufficiently supplied and he didn't see any reason for an intervention in the market, despite Brent crude oil rising above the \$US100-a-barrel level.

Prince Abdulaziz said the price difference between the benchmark Brent and WTI crude futures indicates "there is something unusual about the market".

United Arab Emirates Oil Minister Mohammad Al-Hamli said OPEC was closely watching the political turmoil in the Middle East and was ready to supply the market with extra crude, if needed.

"There is ample supply in the market, and we are ready to provide more crude in case there is a need for it," Mr Hamli told reporters when asked about the current upheaval in Libya.

His remarks come as Brent oil in London rose to \$US105 a barrel overnight after the turmoil disrupted some production in Libya.

Around 50,000 barrels a day of oil output from Libya have been shut down due to the unrest there, David Fyfe, head of the Oil Industry and Markets Division at the International Energy Agency told a London conference.

Libya, an OPEC member, pumped 1.6 million barrels a day of oil in January, according to a Dow Jones survey.

Demonstrations against Libyan leader Colonel Muammar Gaddafi appeared to grow last night amid reports of violent clashes between protesters and security forces in several eastern cities, including reports of unrest on the outskirts of the capital Tripoli.