Producers and Consumers combine to send strong message to the oil markets on the occasion of Extraordinary IEF Ministerial Meeting
Riyadh, 22 February 2011.

Following the Extraordinary IEF Ministerial on 22 February an article by Alex Schindler was appeared in the 23 February issue of Oil Daily under the title: **“Saudi Oil Chief Moves to Calm Oil Markets” see below…**

Saudi Oil Minister Ali Naimi said Tuesday that any disruption to global oil production from the unrest in Libya — or any producing country — will be met by swift action from Saudi Arabia and Opec, as he tried to calm oil prices that have shot to levels last seen in September 2008.

“What I would like you to convey to the market is this: Right now there is absolutely no shortage of supply,” Naimi told a press conference after 86 countries signed the charter of the International Energy Forum (IEF) in Riyadh.
“I don’t know if anyone knows what is happening in Libya right now. Whatever is happening in Libya, the disruption to the oil markets has not happened,” he said.
“When we see a shortage in supply, we will rectify that immediately. We have the means, we have the capacity, we have the crude oil reserves.”
Naimi said the price surge, which took prices in London to around $108 per barrel, had nothing to do with fundamentals, but rather “fear,” which will be “very short-term”.
The head of the International Energy Agency (IEA), Nobuo Tanaka, agreed with Naimi’s assessment that oil markets remain in balance. He vowed that IEA countries, which have 1.6 billion barrels of oil in strategic stockpiles, will use it “without hesitation if really severe disruption happens.”

The spiraling chaos in Libya dominated conversations on the sidelines of the IEF gathering, designed to bring together ministers from the world’s oil-producing and consuming countries. But most delegates agreed that, despite the recent price run-up, oil market conditions now are different from in 2008, when prices spiked to $147/bbl in July before plummeting by the end of the year. “Let me emphasize this is not 2008,” Naimi said.
The Saudi oil chief listed three main differences: Supply and demand are in balance, inventories are very comfortable and spare capacity is 5 million-6 million b/d, he estimated.
He put Saudi Arabia’s spare capacity at about 4 million b/d, suggesting the kingdom has unofficially upped production to around 8.5 million b/d of its 12.5 million b/d capacity.
Besides the unrest engulfing the Mideast, Tanaka attributed part of the recent price rise to speculation, but said IEA data point to a “demand surge” in 2010, caused by a warm summer, a cold winter and gathering economic recovery. Naimi and Tanaka hailed the official charter of the IEF — now an official body set up to oversee cooperation between the IEA and Opec — as another tool with which to prevent a repeat of 2008. The IEF aims to produce better data and be the platform for producer-consumer dialogue.
Naimi reiterated the kingdom’s position that a price of $70-$80/bbl is fair for both producers and consumers. Oil at $70 allows companies to produce the marginal barrel of oil — such as oil sands — and makes renewable competitive. At $80, it provides sufficient incentive for producing countries to invest in new capacity to meet future demand.
Saudi Arabia’s King Abdullah — who is reportedly due to return to the kingdom today after being absent since November for a back operation and subsequent recuperation — has called $75/bbl a fair price.

US Deputy Secretary of Energy Daniel Poneman met with oil producers Tuesday, but did not say whether he asked them to hike production. “We are not going to talk about a speculative figure,” he told reporters when asked if $100/bbl-plus oil is too high. “What we can say is that we are monitoring the situation and we are concerned that it is extremely possible that prices — when they go too high — can have a negative effect on growth.”