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## Oil at USD 70 or above would hurt recovery - IEA

Thursday, 13 Aug, 2009

Reuters cited Mr Fatih Birol chief economist of International Energy Agency as saying that a fragile global economic recovery will be hurt if oil prices stay at USD 70 per barrel or rise higher.

He said that Europe is likely to face a glut of gas by 2015 and it may be hard to garner support for both the rival schemes for gas pipelines across Turkish territory, one of which is backed by the European Union, the other by Russia.

Mr Birol told Reuters that he did not want a decision by the Organization of the Petroleum Exporting Countries which is to meet on September 9th to boost oil prices to harmful levels. He said that “The decision I think they will take will foster the economic recovery, rather than dampen the economic recovery hopes. We would not like to see prices going up to levels that would be a risk to the global economic recovery.”

He added that “If the prices go much higher than today I think that would be a problem for the economic recovery; USD 70 and above especially for oil importing countries.”

As per report, OPEC, which provides a third of global oil supply, agreed in 2008 to cut oil production by 4.2 million barrels per day about 5% of daily world demand, starting from January 1st as oil demand has fallen with economic recession.

Mr Birol said that the IEA would revise its forecast that saw upstream investment fall 21% in 2009. He saw more order cancellations than new investment, but declined to give a specific figure. The updated forecast would be released for the IEA world energy outlook in November.

He said that there may not be enough natural gas demand in Europe to support both competing major pipeline projects, Nabucco and South Stream when they are expected to go on line.

Mr Birol said that new gas supplies from elsewhere, especially those from Gulf based liquid natural gas projects seen coming on line would be redirected to Europe as the United States increases its consumption of non-conventional gas products.

He said that “Around 2015 we should have a gas glut in Europe and elsewhere and it would be difficult to convince consumers of 2 projects coming from the same countries and trying to finance them.”

Oil prices hit an all time high above USD 147 in July 2008 before plunging towards USD 32 in December. Since then they have more than doubled due to hopes of economic recovery.

(Sourced from Reuters)

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