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## Saudi December crude shipments increase to big buyers

Wednesday, 11 Nov, 2009

Reuters reported that Saudi Arabia has increased supply to oil firms with global systems, while one Asian customer expected to receive full contracted volume for the first time in a year. But other lifters of crude from the world's biggest oil exporter expected steady supplies for December compared with November and most were still receiving much less than maximum levels.

Industry sources said that "It's between 5% and 10% more. But we're still nowhere near the level at which we were."

The Organization of the Petroleum Exporting Countries last December announced record production cuts of 4.2 million barrels per day to shore up the oil market. Since then, US crude has rallied from a low of less than USD 33 per barrel to a year high of USD 82 hit last month prompting some voices within OPEC to raise the possibility of an output increase when the group meets in December on the condition prices continued to rise. Already, OPEC has reduced compliance with agreed curbs from a record of around 80% early 2009 to just above 60% now.

One Asian crude trader said that "My guess is they think the price is good for everyone, let's not make problems for anyone and try and cap the price from running out of control. You know now for them everything is good. Nobody wants to rock the boat. You get USD 100 oil and I promise you the economy will slip back into recession and that will be even harder to recover from. Basically it's smart business."

While the biggest oil companies have been subject to very steep output cuts, restrictions to some buyers in Asia have been less drastic. In Asia, which receives about half of Saudi's exports demand has been more robust than in the United States and Europe.

The Northeast Asian refiner that expected to receive full contracted volumes for the first time in a year experienced cuts of 15% to 20% from contract volumes in November.

The sources said that State oil giant Saudi Aramco notified 5 other term customers in Asia it would maintain supply curbs on contracted volumes of crude oil in December at 6% to 13% steady with November levels.

One refiner which receives only light grades from Saudi Arabia said that it would receive full term volumes of those crude's in December, the same as in November with supply reductions mainly centered on heavy, lower quality crude's.

Several of the sources said that there was no change to operational tolerance, which gives buyers the option to load 10% above or below contracted volumes on each cargo.

(Sourced from Reuters)

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