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Gasoil Rises, Following Crude Higher as Nigerian Unrest Grows

By Bill Murray

Jan. 20 (Bloomberg) -- Gasoil futures in London followed crude up to its highest level since October after Nigerian oil workers threatened to stay home because of violence near oil fields.

Members of two Nigerian oil workers unions will meet next week to discuss whether to keep members in the Niger River delta, the main onshore oil production area in Nigeria.

Violence escalated earlier this month after four foreign oil workers were kidnapped and militants attacked a pumping station. Royal Dutch Shell Plc's Nigerian venture has been losing 221,000 barrels a day in production since the attacks on its operations began this month. That's about 9 percent of the output from the country, Africa's largest oil producer.

'Fear is being priced in,' said Hakan Kocayusufpasaoglu, ABN Amro's director of commodity derivatives in London. 'If you threaten the oil workers, you can't get much oil out of the ground. I think it can go up until the second week of February.'

Gasoil for February rose \$19, or 3.5 percent, to \$565.25 a metric ton at 5:06 p.m. on London's ICE Futures exchange, the highest price since Oct. 31. Gasoil is the European equivalent of heating oil.

Brent crude-oil prices in London rose 88 cents to \$66.12 a barrel, its highest price since Sept. 2, less than a week after Hurricane Katrina flooded refineries and shut oil and gas production along the U.S. Gulf Coast. Gasoil reached a record \$663.50 on Sept. 1.

Gasoil prices have risen 6.8 percent since Jan. 9, when Iran announced it would restart research on the nuclear fuel cycle, ending a voluntary suspension.

The U.S., France, Germany and the U.K. want Iran brought before the UN Security Council for possible sanctions. Analysts are concerned Iran may retaliate by cutting oil exports. The country produces about 5 percent of the world's oil.

The geopolitical concerns are counteracting gains in U.S. inventories of crude and refined products. Crude stocks rose 2.7 million barrels for the week ended Jan. 13 to 321.4 million barrels and are now 11 percent higher than last year at this time, the U.S. Energy Department said.

Distillate supplies, which are made up of both heating oil and diesel, rose by 900,000 barrels to 137.4 million barrels and are now 5.1 percent above the five-year average.

Gasoline stocks rose 2.9 million to 211.6 million barrels and are now 0.7 percent above the five-year average, according to the U.S. Energy Department.

--Editor: white (ldk)