

Crude falls again on relief after Gustav

[International Herald Tribune](#)

2008-09-03

LONDON: Crude oil declined for a fourth day Wednesday as companies including Royal Dutch Shell and ConocoPhillips said that the storm Gustav caused no structural damage to Gulf of Mexico facilities.

An aerial survey of platforms and rigs in the Gulf found no major damage or oil spills, the U.S. Coast Guard said. Oil has fallen 8.6 percent this week as the dollar neared a seven-month high against the euro, dimming crude's appeal as a currency hedge.

Ospraie Management told investors it was closing its largest hedge fund following losses in commodities.

"With Gustav out of the way, investor focus is shifting back to weakening demand for energy and other commodities and the broad strength in the U.S. dollar," said Andrey Kryuchenkov, an analyst at London-based Sucden.

Crude oil for October delivery fell as much as \$2.39, or 2.2 percent, to \$107.32 a barrel, and traded at \$108.01 on the New York Mercantile Exchange.

Oil is down nearly \$40 from its July record. Yesterday, futures lost 5 percent to settle at \$109.71 a barrel, the lowest close since April 8.

Shell said in an e-mailed statement that initial reports indicate no major damage to the oil producer's onshore facilities in Louisiana. ConocoPhillips said there was no "significant damage" to its Magnolia platform in the Gulf.

Total said it expected its 232,000 barrel-a-day refinery in Port Arthur, Texas, to resume "quickly." Valero Energy, the largest U.S. refiner, said its St. Charles, Louisiana, plant had suffered no significant damage.

Thirteen refineries in the Gulf of Mexico area were shut and 10 others ran at reduced operating rates in the wake of Hurricane Gustav, according to the U.S. Energy Department.

The dollar's recovery will cause the decline in oil prices to continue, OPEC's president, Chakib Khelil, said in a phone interview, adding that he expected supply to outstrip demand by as much as 1 million barrels a day in the first half of 2009.

"The dollar is getting stronger, which led to the decline in oil prices," said Khelil, who is also Algeria's oil minister. The Organization of Petroleum Exporting Countries will meet on Tuesday in Vienna to review production targets.

Ospraie Management's manager Dwight Anderson notified investors it would close the fund, which lost 38.6 percent this year during a "substantial sell-off" in raw materials, in a letter sent yesterday.

"The Ospraie fund closure could have had some influence on prices, but the decline in oil was really driven by sales pressure from macro funds," said Hakan Kocayusufpasaoglu, director of commodity derivatives at Credit Suisse in London.

"If history is any guide, someone will take over the majority of Ospraie's portfolio after a pre-agreed level of liquidation has taken place," Kocayusufpasaoglu said. "This has happened in the past with other hedge funds faltering."

Gustav made landfall in Louisiana Sept. 1 as a Category 2 hurricane with winds close to 110 miles, or 177 kilometers, an hour. It has since been downgraded to a tropical depression by the National Hurricane Center as it heads toward northeastern Texas.

All of the Gulf's 1.3 million barrels a day of oil output and 95 percent of its gas production, or 7.06 billion cubic feet, remained shut, the U.S. government said yesterday.

Analysts were split over whether U.S. crude-oil inventories rose or fell last week, a Bloomberg News survey showed. Supplies of crude oil probably rose 450,000 barrels last week from 305.8 million barrels, according to the median of responses by 10 analysts before an Energy Department report this week.