

Calm in Middle East reason for fall in oil prices: experts

The stability in the general political and security situation being witnessed in the Middle East currently is the reason behind the relative fall in oil prices in recent days, according to experts in Kuwait.

Mousa Marafi, member of Kuwait's Supreme Petroleum Council, told the state-run Kuwait News Agency (KUNA) that political and security developments quickly affect oil prices, and all indications at present indicate calm, which caused the prices to ease a bit.

US crude went down from \$147 per barrel July 11 to around \$123 a barrel Wednesday, before coming up slightly again to \$124 Thursday.

The Organization of Petroleum Exporting Countries (OPEC) prices also eased from around \$140 a barrel in July to \$123.89 on Wednesday, according to the OPEC bulletin.

According to Marafi, the "political courtship" between the US and Iran, indirect talks between Syria and Israel through Turkey, and improvement on the Lebanese scene have helped the oil market conditions.

He also added that speculation was the cause behind the sky-rocketing oil prices that the world has been witnessing in recent times.

Oil prices doubled from \$70 per barrel in August last year to over \$140 in June this year.

Marafi pointed out a study by the US Congress which showed that 70 percent of transactions in New York were on paper only, with no oil changing hands - meaning this was speculation rather than actual purchase.

Stating that global demand for oil was on the rise and not likely to subside over the next five years, he said the current drop in prices was only temporary.

Kuwait's former oil undersecretary Essa Al-Oun also said the relative calm in Lebanon, that between Israel and Syria and between Iran and the West have prompted improvement in market conditions, at least in the short run.

He also pointed out that there is decrease in demand in summer as consumption comes down.

He, however, was quoted as saying that it was unlikely prices would go below the \$100 mark under any circumstance.

The world is now used to the \$120 per barrel range, which is a remarkable development in price range, he said, adding that though the prices were bound to go up again it was unlikely that it would cross the \$140 a barrel mark.

As for current supply, he said the market is actually over-supplied and noted that the United Arab Emirates (UAE) actually opted to curb its production.

UAE oil giant Abu Dhabi National Oil Company (ADNOC) announced this week that it would cut oil supplies by up to 200,000 barrels a day in October and November. ADNOC said it would cut its oil output in the offshore Lower Zakum and Umm Shaif oilfields for 40 days for maintenance work in a gas processing plant in Das Island.

The Lower Zakum and Umm Shaif oilfields generally produce around 480,000 barrels per day.

Al-Oun concluded by saying that the current scenario was likely to improve and the oil market would be 'positively affected'.

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