

Re: The Ongoing Debate of the post-2005 Saudi Curtailment in Net Oil Exports

I suppose that this is really only a "debate" in Peak Oil circles, since the conventional wisdom in MSM circles is, to quote the WSJ, that the world is "Awash in crude," because of massive excess capacity in Saudi Arabia--and because a huge flood of Iraqi oil will hit the markets almost any day now. Listed below are the actual Saudi net export numbers and annual US spot crude oil prices for 2002 to 2009, along with my estimates for 2010.

Saudi Cumulative Net Oil Exports Versus US Oil Prices

2002-2010 (EIA, Total Liquids)

2002: 7.1 mbpd & \$26

2003: 8.3 mbpd & \$31

2004: 8.6 mbpd & \$42

2005: 9.1 mbpd & \$57

2006: 8.4 mbpd & \$66

2007: 8.0 mbpd & \$72

2008: 8.4 mbpd & \$100

2009: 7.3 mbpd & \$62

2010: 7.4* mbpd & \$79*

*Estimated

As I have noted several times, it's interesting that the Saudi significantly increased their net exports from 2002 to 2005, in response to rising oil prices, but then their net exports started falling in 2006, in response to rising oil prices. It's also interesting that the Saudi stock market crashed at the same time that the Saudis started "voluntarily" reducing their oil exports--citing a lack of demand for high priced oil.

I suspect that we will see similar pronouncements from the Saudis as time goes forward, i.e., "voluntary" curtailments in net oil exports, due to a "lack of demand" for high priced oil.

In any event, it occurs to me that from the point of view of oil importing countries, the effect of the reduction in Saudi net exports has been the same, whether it was voluntary or involuntary. Of course, the widespread perception that the decline has been voluntary and that the Saudis have vast excess capacity presumably serves to keep consumers from making permanent changes to their consumption patterns, even as annual oil prices have exceeded the \$57 level that we saw in 2005 for five years--and as Saudi net oil exports have been well below their 2005 level for **five years**.

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