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Oil Rises Before OPEC's Latest Production Cut, Due on Feb. 1

By Eduard Gismatullin

Jan. 30 (Bloomberg) -- Crude oil rose before a planned cut in production by the Organization of Petroleum Exporting Countries, which pumps about 40 percent of the world's crude. Cold weather in the U.S. helped push prices higher.

OPEC said last month it would cut production by 500,000 barrels a day starting Feb. 1. The reduction will come as temperatures drop below average in the northeastern U.S., which accounts for 80 percent of the heating oil used in the country, the world's largest energy consumer.

``At the moment, we are between two extremes:'' the weather and OPEC, said Andy Sommer, an analyst at HSH Nordbank AG in Hamburg. From all OPEC states ``one has to look at how Saudi Arabia and Iran, the two large oil producers, will position themselves.''

Crude oil for March delivery rose as much as 52 cents, or 1 percent, to $54.53 a barrel in after-hours electronic trading on the New York Mercantile Exchange. The contract traded at $54.48 at 12:51 p.m. in London. Brent crude oil for March gained as much as 53 cents, or 1 percent, to $54.21 a barrel in electronic trading on the ICE Futures exchange and last traded at $54.13 in London.

Heating demand in the U.S. Northeast will be 12 percent above normal through Feb. 5, according Weather Derivatives, a forecaster in Belton, Missouri. New York's mean temperature was 21 degrees Fahrenheit (-6 Celsius) at 11 a.m. London time, or 11 degrees below normal, Meteorlogix LLC said.

Possible decline is heating oil stockpiles is also supporting higher oil prices, some analysts said, including Michael Davies, an analyst in London with broker Sucden (U.K.) Ltd.

U.S. distillate supplies, which include heating oil, probably fell 2.1 million barrels last week, based on the median estimate from the analyst survey. Stockpiles held 142.6 million on Jan. 19, or 9.4 percent more than the five-year average for the period, according the U.S. Energy Department report.

OPEC Action

OPEC has called for two reductions in output to halt a slide in oil prices, which have fallen about 31 percent since reaching a record high $78.40 a barrel in New York on July 14. Its first cut, of 1.2 million barrels a day, was supposed to take effect Nov. 1. Last month, the 10 OPEC members with quotas for production pumped 385,000 barrels a day more oil than that, according to Bloomberg News estimates.

The group decided last month on the second cut of 500,000 barrels a day.

Expressed in U.S. dollars, the price of the U.S. benchmark crude, called West Texas Intermediate, has fallen about 21 percent in the past 12 months because of a mild winter in the U.S. and rising fuel supplies. It's fallen about 26 percent in euros, 18 percent in yen and 28 percent in British pounds.

OPEC's basket price, a weighted average of 11 blends produced by OPEC nations, rose 25 cents to $51.20 a barrel yesterday. It's still down from the record high of $72.64 a barrel it reached on Aug. 8.

``The OPEC picture has been blurry for the last three months and the only judge left will be the U.S. crude imports reported by the Department of Energy,'' said Olivier Jakob, the managing director at Zug, Switzerland-based Petromatrix Gmbh.

Inventory Report

The U.S. department will probably report tomorrow the nation's stockpiles rose 1.5 million barrels last week, gaining for the third week, according to a Bloomberg News survey of 11 analysts. That's up from 322.2 million barrels on Jan. 19, 9.4 percent more than the five-year average.

Gasoline stockpiles probably gained 1.8 million barrels, according to the survey, the seventh straight increase. Supplies surged 4 million barrels to 220.8 million last week, 2.9 percent above the five-year average.

The U.S. Energy Department will publish its weekly inventory report at 10:30 a.m. in Washington tomorrow.

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