



Oil Rises on Iran Nuclear Concern, U.S. Gasoline Supply Decline

By Eduard Gismatullin

March 1 (Bloomberg) -- Crude oil advanced to a two-month high as UN Security Council officials prepare to discuss new sanctions against Iran, the world's fourth-largest oil supplier.

United Nations Security Council members will discuss "elements" of new sanctions against Iran this month, a U.S. State Department spokesman said this week. U.S. gasoline supplies fell for a third time last week, even as production rose for the first time in nine weeks, according to the Department of Energy.

"Gasoline remains very strong and the Department of Energy statistics were further support," said Olivier Jakob, managing director at Zug, Switzerland-based Petromatrix GmbH. "Iranian noise" also supports the price of oil, he said.

Crude oil for April delivery advanced as much as 61 cents, or 1 percent, to \$62.40 a barrel on the New York Mercantile Exchange and traded at \$62.37 at 10:35 a.m. London time.

The U.S. government says it suspects Iran is working on a nuclear bomb. Iran says it needs enriched uranium for power-plant fuel. Traders are concerned that further sanctions may disrupt oil supplies from the Middle East, the source of about a third of the world's oil supplies.

Brent oil rose as much as 74 cents, or 1.2 percent, to \$62.63 a barrel in electronic trading on the ICE Futures exchange in London. It traded at \$62.60.

Gasoline inventories fell 1.94 million barrels to 220.2 million barrels in the week to Feb. 23, an equivalent of 25.4 days of demand, the Energy Department said yesterday.

Gasoline Demand

U.S. gasoline use usually peaks during the country's summer vacation season between Memorial Day in late May and Labor Day in early September.

Crude oil inventories rose 1.42 million barrels to 329 million barrels in the week to Feb. 23, the highest since Dec. 15 and 8.5 percent more than the five-year average for the period, according to the department.

"In the very short term, for the month of March we see a price largely between \$60 and \$65 per barrel, probably hitting \$65 several times," said Frederic Lasserre, head of commodities research at Societe Generale, France's second-biggest lender. "We think we'll see a pronounced enough slowdown and the possibility of the price falling to \$50 a barrel by the end of the year."

Some traders sell contracts on "bearish supply-side news" at a time when "the Organization of Petroleum Exporting Countries is reassuring the market it will not make serious output cuts" at a meeting on March 15, said Douglas Rohlf, a senior analyst at FIM Securities in Moscow.

OPEC Plans

OPEC, producer of 40 percent of the world's oil, is unlikely to make further output cuts ahead of an expected reduction in demand in the second quarter, Edmund Daukoru, Nigeria's oil minister and former OPEC president, said this week.

The group has announced reductions totaling 1.7 million barrels a day since October, seeking to support prices.

Oil futures have dropped 21 percent from the record \$78.40 reached on July 14 in New York.

Expressed in U.S. dollars, the price of U.S. benchmark crude, called West Texas Intermediate, is little changed in 12 months. Oil has dropped about 10 percent in euros and 11 percent in British pounds. It advanced about 1.5 percent in yen.

OPEC's basket price, a weighted average of 11 blends produced by OPEC nations, fell 52 cents to \$56.57 a barrel yesterday.

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