Editorial

Dr Hans-Joachim Ziesing,
Head of the Department of
Energy, Transportation,
Environment, asks:

"Are the fundamental oil market data still valid during times of terror and war?"

After the consequences of September 11, 2001, had put a damper on hopes of a speedy upturn of the world economy, there is now concern about the consequences of a possible war in Iraq. Following the attacks of September 11, 2001, a dramatic fall in oil prices was triggered by the drastic drop in fuel consumption for air traffic and recession in the United States. Together with other oil-producing countries, however, OPEC soon succeeded in halting this price collapse.

Although in 2002 world-wide economic growth and the demand for oil has been weaker than anticipated, and although OPEC has produced significantly more oil than originally agreed, oil prices this year have risen more strongly than the fundamental data on the oil market would have led us to expect. This can be explained primarily by the fear of an imminent war in Iraq and the speculation triggered by this fear. Provided that the conflict can be limited, both regionally and in terms of duration, and that oil production is not impaired, particularly in Kuwait and Saudi Arabia, adequate spare capacity and stocks are available to prevent bottlenecks in both supply and price explosions. Otherwise, further shocks on the world's oil market cannot be ruled out.

The ultimate result is difficult to predict. In any case, it seems that we will have to accept the fact that, during the coming weeks and months, the risk of a war with Iraq will continue to eclipse these fundamental data.