President Fails to Budge OPEC on Production
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OPEC on Wednesday rebuffed calls from President Bush to increase oil output, instead citing "mismanagement" of the American economy as a major factor driving prices up.
Record prices are suddenly creating the sharpest tensions in years between the oil cartel and the United States, the world's largest oil consumer. Two days after the president called for more oil on the global market, OPEC members, meeting in Vienna, chose to leave their production levels unchanged, declaring that the market has plenty of oil already.

The cartel's president blamed financial speculators and American economic problems, which have helped lower the value of the dollar, for the high oil prices. After the meeting, oil prices settled above $104 a barrel, a record.

President Bush, who said this week that it would be a mistake for the Organization of the Petroleum Exporting Countries not to raise production, was disappointed by the outcome of Wednesday's meeting, according to the White House.

It is the second time this year that OPEC had ignored public calls from the United States to increase supplies. In January, Mr. Bush traveled to Saudi Arabia and urged producers to open their taps. But the plea failed to sway OPEC. When the group met in February, it kept its production level unchanged.

The rally in oil prices on Wednesday was caused in part by tensions on the border between Venezuela, a major oil exporter, and Colombia, as well as by government data in the United States showing a drop in stockpiles of oil and some of the fuels made from it.

Oil prices settled at a record of $104.52 a barrel on the New York Mercantile Exchange, a gain of $5. Prices, which have risen 73 percent during the last year, have settled above $100 a barrel for seven of the last 12 trading sessions.

While members of OPEC chose not to increase supplies, they were not entirely oblivious to the political and economic impact of $100 oil. Gasoline prices have been rising rapidly in the United States in recent weeks, hitting a nationwide average of $3.18 a gallon Wednesday. That is only a nickel below the record set last May.

The sharp surge in oil prices in recent days has deterred the group from cutting its production, a move that some members like Algeria and Iran were seriously contemplating a few weeks ago.

With the United States economy slowing down, oil prices have risen as investors flee the stock market and seek refuge in hard assets like commodities. The fall in the value of the dollar gives OPEC an incentive to keep prices high. Since oil is sold in dollars, petroleum producers see the value of their exports decline any time the dollar drops.

The dollar has lost 17 percent of its value against the euro in the last year. On Wednesday, it fell to a new low against the euro, trading at $1.53.

"OPEC is angry that President Bush wants them to increase production while the dollar is sinking and the administration is doing nothing about that," said Fadel Gheit, an oil analyst at Oppenheimer & Company in New York. "It's really not surprising that they have ignored him."

The falling dollar has complex economic effects in the United States, not all of them bad. The drop is helping to fuel a surge of American exports, one of the few bright spots in a struggling economy.

Higher energy prices, which have been rising relentlessly for nearly a decade, are creating tensions between consuming nations and producers around the world. Oil-rich countries like

Russia and Venezuela have become more demanding in their dealings with foreign oil companies, often restricting access to prime drilling locations.

In the United States, rising energy costs are weighing on an economy that is struggling with a housing slump and a credit crisis. As a sign of growing impatience, Mr. Bush criticized OPEC this week for not increasing supplies.

“I think it’s a mistake to have your biggest customer’s economy to slow down” because of high energy prices, he said.

Most energy analysts dismissed the call for additional supplies as political rhetoric. In comments on Wednesday, the president said the United States needs to reduce consumption.

“America’s got to change its habits; we’ve got to get off oil,” Mr. Bush said at a conference on renewable fuels in Washington. “Until we change our habits, there’s going to be more dependency on oil.”

Mr. Bush’s earlier comments echo remarks he made more than eight years ago, while running for president. Then, the onetime Texas oilman said that if prices rose, he would not hesitate to call OPEC producers and persuade them to increase supplies.

“I would work with our friends in OPEC to convince them to open up the spigot, to increase the supply,” Mr. Bush said at the time. “Use the capital that my administration will earn, with the Kuwaitis or the Saudis, and convince them to open up the spigot.”

But OPEC members are proving difficult to sway. Chakib Khelil, Algeria’s oil minister and OPEC’s president this year, said on Wednesday that the high price of oil was not because of a lack of supply, but instead resulted from the “mismanagement of the U.S. economy” that has helped send the dollar tumbling.

“If the prices are high, definitely they are not due to a lack of crude,” Mr. Khelil said in Vienna. “They are due to what’s happening in the U.S.”

He added: “There is sufficient supply. There’s plenty of oil there.”

Most energy analysts agree there is no shortage of oil. Commercial oil inventories are high, and refiners are not lacking oil.

“The market continues to be well supplied,” Rex W. Tillerson, the chairman and chief executive of Exxon Mobil, said at a conference in New York. “There has been no interruption of supplies.”

Still, OPEC recognizes the threat posed by a slowing economy on its business. In its final statement, the group said that the United States economic slowdown and housing crisis could damp global oil demand this year.

Ali al-Naimi, Saudi Arabia’s oil minister, said there was no need to increase supplies by “even one barrel of oil.” But he stressed that Saudi Arabia, the world’s top exporter, would keep oil markets well supplied. As a sign of how seriously it sees its role, Mr. Naimi told reporters that the kingdom was pumping 9.2 million barrels, “day in, day out,” or roughly 300,000 barrels a day above its formal OPEC target.

The oil cartel, which is next scheduled to meet in September, indicated it might call for an emergency meeting earlier depending on “market conditions.”

OPEC producers account for about 40 percent of the world’s oil exports. Some of its members, like Saudi Arabia and Kuwait, are United States allies; others, like Iran and Venezuela, are political foes.

“OPEC’s biggest fear is that this is a bubble and that prices will drop by $30 a barrel,” said Roger Diwan, a managing director at PFC Energy, who was in Vienna to attend the meeting. “So they keep tightening supplies and prices keep going up.”

Disponível em: <http://www.nytimes.com>. Acesso em 6/3/2008.