

INTERNATIONAL
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High crude prices shield Norwegians from sting of declining oil production

The Associated Press

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OSLO, Norway: High oil prices have shielded Norwegians from the sting of declining off-shore production so that economic prospects for the Nordic nation of 4.7 million people remain good, the central bank governor said Wednesday.

Earlier this year, Norway slipped from being the world's No. 3 oil exporter to fifth place, although it still has more oil wealth than it can spend without overheating the domestic economy. Much of the surplus oil wealth is salted away in a fund of more than 2 trillion kroner (US\$363 billion, €258 billion) for foreign investment.

"Developments in the petroleum industry have been quite disappointing," Bank of Norway Governor Svein Gjedrum said at a briefing for the international news media. "In the past few years, we have seen quite a decline in oil production."

Norway's average daily oil production has declined to about 2.1 million barrels per day as of September, about 35 percent under peak levels of over 3.2 million barrels in late 2000 and early 2001.

"We haven't felt a negative impact because of the very high oil price," said Gjedrum.

During the same period the average world price for crude oil has more than doubled, currently pushing US\$75-80 a barrel.

Gjedrum said some major projects, such as large natural gas fields, have been delayed and that the cost of developing fields and producing oil has increased. He said higher costs have "a negative impact on future income both in the oil business itself and in the government."

The government has been encouraging oil companies to search for new, small oil fields that could be developed near existing fields in the North Sea and the Norwegian Sea. Oil companies are also moving into the Arctic waters of the Barents Sea to develop new offshore fields.

The bank governor said Norway's economy remains strong.

The country's gross domestic product has grown by about 4.5 percent for each of the past three years, prices declined 0.3 percent for the 12 months ending in September, when unemployment was just 1.8 percent of the work force.

The central bank began raising key interest rates in June 2005 seeking to dampen the economic boom. The rate was raised one quarter of a percentage point to 5 percent last month.

Gjedrum said the boom's overall pressure on economic capacity was probably not sustainable in the medium to long term.

"We expect growth to slow down," he said. However, he added, "We certainly see no recession in the pipeline."

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