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Oil prices hit four-month high

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Oil prices hit their highest levels in more than four months on Friday, bolstered by the Federal Reserve's steps to strengthen the U.S. economy and by anxiety about the specter of confrontation over Iran's nuclear program.

The global oil balance is already tighter than forecasters expected just a few months ago, because of disruptions in oil output from nations outside the Organization of Petroleum Exporting Countries and by the effectiveness of sanctions against Iran, which is exporting about 750,000 to 1 million fewer barrels a day than it was a year ago.

"The story has been one of a strong stock market, a weaker dollar and continuing geopolitical events," said Adam Sieminski, head of the federal Energy Information Administration.

He said political strife in Syria, Yemen and Sudan cut off some supplies while the latest price surge was "driven by central bank moves in both the U.S. and Europe" and by "optimism about the economy, which changes expectations about what demand will be going over the course of the next six to 12 months."

The price for the West Texas Intermediate grade of crude oil for October delivery briefly rose above $100 a barrel on Friday before closing at $99, up 69 cents. The widely used European benchmark Brent crude closed at $116.66 a barrel, up 78 cents.

Since late June, the price of crude oil has climbed about 25 percent, fueling a 16-cent increase in the average price of regular gasoline and adding to the economic headwinds facing President Obama in the final weeks of the election campaign.

The consumer price index increased 0.6 percent in August on a seasonally adjusted basis, the Bureau of Labor Statistics reported Friday. It was the largest increase since June 2009. About 80 percent of the increase was due to the surge in gasoline prices, the Labor Department said.

Several analysts said Obama probably would order a release of oil from the 700 million-barrel Strategic Petroleum Reserve, as he did during last year's civil war in Libya, and that he would cite the success of sanctions against Iran. A White House official, speaking on the condition of anonymity, said "all options remain on the table, but we have nothing to announce at this time."

Oil analysts said that in order to have more than a fleeting impact when tapping the Strategic Petroleum Reserve, Obama might need to make his intervention more open-ended, in a fashion similar to Thursday's pledge by the Federal Reserve to continue its intervention until it gets results. During the Libya crisis, Obama released 30 million barrels to dampen prices.

The high prices have continued despite large increases in supplies from the United States, especially from North Dakota.

"People tend to conflate or confuse what's going on in the United States with with rest of the world. Supply is bursting. Demand is flat or declining. And inventories, especially of crude oil, are full," said Robert McNally, founder and president of the Rapidan Group, a consulting firm. But in the outside world, "the market is tight as a drum."

He said that OPEC's spare capacity, which he calls a key indicator of prices, had slipped to 2.5 million barrels a day, well below the 4.5 million barrel a day level needed for price stability.

"The real driver has been the sanctions against Iran," said David Greely, head of energy research at Goldman Sachs. He said the world had "lost a considerable amount from Iran, comparable to what we lost last year with Libya."

Saudi Arabia, the world's largest oil exporter and the only country with considerable excess production capacity, has increased its output to compensate for Iran and is producing at higher levels than at any time in the past 30 years, Greely said.

The Saudi oil minister, Ali al-Naimi, recently said that the kingdom was “concerned about rising oil prices in the international market,” adding that “the current high price of oil is simply not supported by market fundamentals.”

The International Energy Agency oil market report issued Wednesday said that Iran had made some headway, increasing sales in August, but that the United States and the European Union were pursuing shippers and buyers of Iranian crude oil and that Iranian sales could drop further in September.

The IEA said that Iranian oil in floating storage on tankers fell by 5 million barrels in August and that imports of Iranian crude rose to 1.1 million barrels a day in August, up from an estimated 930,000 barrels a day in July. Turkey posted the largest increase, boosting its purchases by 50,000 barrels a day to 200,000 barrels a day. Malaysia and Japan also increased imports from July levels, although Japan’s imports remained far below levels in the first half of the year.

The report said that “China, South Korea, India and others are poised to increase liftings in September.” And the Iranian government took the unusual step of granting a private Iranian consortium the right to sell 20 percent of its oil in international markets. Generally, the state-owned oil company does that.

The United States and European governments, however, could crack down further. The IEA reported that U.S. officials have been fighting against efforts by Iran to reflag its tankers. Tanzania and Sierra Leone de-registered 45 tankers, saying that shipping agents acting on behalf of Iran illegally registered the vessels.