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headline news: Oil - what a rip off

Oil - what a rip off

I'm sure we are all feeling the pinch of the higher interest rate and high petrol price, as far as the high oil price goes , we are being ripped off by those that have it.
I work hard and believe that everyone is entitled to make a living, I found this interesting article I want to share with you.

by Steve Austin - 2008/01/05

$100 per barrel: the line was finally crossed on January 2nd 2008. What does this imply for profits of oil producing nations? In order to run some numbers we have to consider a key measure called **the break-even price** which is *the amount of money it takes to extract 1 barrel of oil*.

The break-even price is the first thing oil companies establish in order to determine if drilling a new well makes financial sense. From the break even price, profitability can easily be determined with the following formula:

Profitability = (Price of Oil - Break Even Price) / Break Even Price

For example with oil at $100 and a break even price of $50, profitability is 100%. But with oil at $60 and the same break even price, profitability drops to 20%.

By dialing their target profitability first, oil companies then determine if a new drilling project is feasible. Needless to say, with oil retailing now at $100, more wells will be drilled in deeper, harder to reach places than were previously profitable.

The following table provided by the *Bank of Kuwait* gathers current reported break-even prices of major oil producing nations:

Oil Break-Even Prices	
Nation	US$/Barrel
Bahrain	40
Kuwait	17
Saudi Arabia	30
U.A.E.	25
Oman	40
Qatar	30
Canada's oil sands	33

Based on the formula, profitability of these countries' oil operations are in order:

Profitability at $100/barrel oil		
Nation	Break-Even Price	Profitability
Kuwait	17	488%
U.A.E.	25	300%
Saudi Arabia	30	233%
Qatar	30	233%

Canada's oil sands	33	203%
Bahrain	40	150%
Oman	40	150%

This level of profitability explains the recent $7.5 billion placement in troubled Citibank from the Abu Dhabi Investment Authority, the $1.8 billion investment in UBS by a strategic Middle East investor and the 20 percent acquisition of the London Stock Exchange by the tiny nation of Qatar.

High oil prices have allowed *Gulf Cooperation Council* (GCC) countries to boost their foreign assets to more than one trillion dollars during the 2002-2006 period. With a looming recession (read "western assets on sale") and high oil prices we can expect this trend to increase.

This make me sick and lets hope that electric/solar cars will be with us soon.
Spare a thought for those less fortunate.

John Wileman for WIT

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