

Oil hovers below \$102 as Iran tensions bubble

By ALEX KENNEDY, Associated Press – 2 hours ago   0

SINGAPORE (AP) — Oil hovered below \$102 a barrel Thursday in Asia amid conflicting reports about whether Iran is cutting crude exports to Europe.

Benchmark crude was down 29 cents at \$101.51 per barrel at late afternoon Singapore time in electronic trading on the New York Mercantile Exchange. The contract rose \$1.06 to settle at \$101.80 per barrel in New York on Wednesday.

Brent crude was down 36 cents to \$118.57 per barrel in London.

Iran's state media reported early Wednesday that the country was taking steps to cut off oil exports to six European countries ahead of a European embargo on Iranian oil coming into effect. Later Wednesday, state TV quoted a Foreign Ministry spokesman saying crude oil exports to Europe have not yet been cut.

"Contradictory information has emerged as to whether Iran will voluntarily halt the supply of its crude to Europe before EU sanctions become effective," Barclays Capital said in a report. "To some extent, it does not matter too much: some similar move has been widely anticipated, and those oil flows are inevitably stopping soon in any case."

Stopping Iranian shipments would mean European refineries will have to find new sources of oil sooner than they expected. The European Union, which buys about 18 percent of Iran's total crude exports, had planned to embargo Iranian oil this summer to pressure the country to abandon its nuclear program.

Western nations, including the U.S., fear that Iran is building a nuclear weapon. Iran denies the claim.

Tensions between Israel and Iran also continue to simmer.

Explosive devices were planted on Israeli diplomatic cars in India and Georgia on Monday while a group of three Iranian men accidentally detonated explosives Tuesday at a home they had rented in Bangkok.

Israel has accused Iran of waging a campaign of state terror and has threatened military strikes on Iranian nuclear facilities. Iran has blamed the Jewish state for the recent killings of Iranian atomic scientists and has denied responsibility for all three plots this week.

"Policy and circumstances are now both running fast enough for policy accidents and unintended consequences to play a role," Barclays said. "The probability of the situation becoming 'hot' in some way that affects the oil market is now significant and perhaps rising."

Some analysts argue slowing global economic growth and ample crude supplies don't justify current prices.

"The current price of energy is significantly above the underlying fundamentals," said Richard Soutanian of NUS Consulting. "This cycle will only be broken once a conclusion to the Iranian situation has been reached and/or the EU debt crisis ends."

In other energy trading, heating oil was up 0.2 cent at \$3.19 per gallon and gasoline futures was steady at \$3.17 per gallon. Natural gas fell 0.7 cent to \$2.42 per 1,000 cubic feet.

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