

# September update

Unlike this time last year, (see Fuel Oil News September 2011 page 26) August 2012 was not a dramatic month on the markets, although it was certainly marked by a significant bounce-back in oil prices after the drops in the period April - July. On 1st August crude sat at \$107 per barrel and ended the month at \$114. This equated to a four pence per litre rise on refined fuels, with diesel going from 109.22ppl (excluding VAT) to 113.22ppl.

## No major crises

With no major crises on the markets, there was nothing much else to do but enjoy the Olympics and marvel at the fantastic Team GB. Human energy of course could be seen in spades across all the events, but watching the hundreds of buses and the Olympic BMW fleet (biofuel) ferrying about spectators, officials and athletes alike, it got Portland thinking about energy at the London Olympics and how the city compared to previous hosts; Sydney (2000), Athens (2004) and Beijing (2008).

Sydney in 2000 was already a modern and affluent city, but thanks to Australia's mineral-rich geology and China friendly economic policy, it is the period since the Olympics that has seen a marked acceleration in prosperity. In 2000 the population of Sydney was 4.1m, but this has now risen to 4.6m (a 12% increase) and the number of cars in the city has also increased (from 2.42m to 2.57m). It is also the richest of the four Olympic cities, with a current average individual income of \$58,000 per annum (versus a 2000 figure of \$52,000).

Athens sadly has shown all of the opposite economic indicators since hosting the Olympics in 2004. It was always the smallest of the four Olympic cities in question, but since 2004 has actually experienced significant depopulation - down from 3.8m to 3.1m. This is a significant drop

(-18%), but Greece's faltering economy has led to an even greater fall in the number of cars in the city; 1.9m to 1.1m (-42%). This shows that not only is Athens losing people at over 2% per annum, but those that remain are driving less, using less fuel and logically spending less money. By European (and Australian) standards, the average income per head in Athens is also low (\$27,500) and again this is down from the 2004 figure of \$30,700. In terms of the Olympics itself, Athens sold the fewest tickets (3.6m) and had the smallest number of overseas visitors (285K versus 770K at Sydney, 610K at Beijing and 800K at London). To draw a final, gloomy curtain on the Greek capital, we have the Olympic Park itself. Unlike Sydney (sports and music events) and Beijing (tourist destination), the Athens Olympic Park is now made of "empty, decaying buildings burning under the sun".

Commenting on Beijing's economic growth is hardly novel, but what is staggering is just how much has changed even in the four short years since the 2008 Olympics. Population is up from 17m to 19.6m (+15%) and the number of cars has increased from 3.2m to 5.2m (+62%) - thus showing the direct opposite effect of Athens, ie, not only are more people living in the city but the unit-rate ownership of cars (ie, per head) is also up. Petrol consumption has risen quicker still, but this may be connected in part to the activities of the Chinese Government who are hoovering up large amounts of fuel for their "strategic reserve". Interestingly and perhaps a reflection of China's planned economy, average income shows the least change; only up from \$10,096 to \$10,331, highlighting that whilst Athens may be in dire straits, it is still a wealthy European city if compared to the residents of Beijing (presumably not called "Beijingers"...).

## A major contest - a rapidly developing world v cheap energy

London's trajectory over the next 12 years will certainly be interesting, particularly East London where the reality of "legacy" will soon be discovered. But in terms of the event itself, London 2012 was/is - by almost all measures - the greatest games. Highest viewing figures for an opening ceremony (1.2bn confirmed/\$4bn estimated), largest numbers of tickets sold (7m) and highest number of overseas visitors to the host city. The city's overall prosperity is well-known and sometimes controversial in the wider UK geography, but at \$44,000, its average annual income per head still has some way to go before it catches-up with Sydney. London's 8.2m population makes it half the size of Beijing, but its population uses 3.5 times more energy per head than their Beijing counterparts (3.9 tonnes of oil equivalent per head per annum versus 1.1 tonnes). Which means that when the Beijing man on the street catches up and starts to use as much energy as Londoners (and why would he not in time?), the energy use in the Chinese capital will be 7 times higher than at current levels and if we factor in likely population growth, probably more like 10 times greater than at present. So whilst this summer's Olympic competitions may now be coming to an end, the major contest between a rapidly developing world and cheap energy is still to be concluded.



For more pricing information, see page 26

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