# Oil prices jump in United States, profits go abroad

*Worldwide oil spending is expected to grow $295 billion as prices and demand rise*

BY BRAD FOSS
THE ASSOCIATED PRESS

While Americans wince as they fill up their SUVs with $2-per-gallon gasoline, market forces are smiling on the Saudi Arabias and Exxon Mobils of the world.

A transfer of wealth of historic proportions is taking place as worldwide spending on oil is expected to grow this year by about $295 billion, or 27 percent, compared with 2003, according to government data. Consumers and businesses are paying substantially more for gasoline, heating oil, diesel and other products derived from crude as demand and prices surge.

While the corresponding windfall of profits for oil exporting nations and petroleum companies is sapping strength from the international economic recovery, it's not causing the kind of financial shock that followed the oil crises of the 1970s.

Still, experts warn that the market constraints underlying high and volatile energy prices suggest that higher oil price could be here to stay.

"There's not a consensus out there, but the question is being asked more now than it has been at any time in the last 20 years," said Jim Burkhard, director of global oil at Cambridge Energy Research Associates.

Rising oil costs are linked as much to America's drive-at-any-price car culture and China's raging industrial expansion, as they are to the world's unusually thin supply cushion, a condition that has magnified anxieties about potential supply disruptions in Venezuela, Russia and Nigeria.

Consumption continues to rise in spite of higher prices that are expected to slow global economic growth by about 0.5 percent in 2005. Much sharper financial pain will be felt in poor, developing countries that are net oil importers.

"As with most things, the global impact is not spread evenly around the world," said Jeffrey D. Lewis, manager of international finance research at The World Bank. Lewis predicted that, without emergency funding, much of the organization's $2.5 billion aid to struggling nations this year will have to be reallocated to fuel purchases by local governments, leaving health and education programs grossly underfunded or scrapped altogether.

With oil futures marching to the $55 a barrel level this month — up from about $30 a year ago — the list of winners is topped by Saudi Arabia, Russia, Norway, Iran, Venezuela and other leading exporting nations. Saudi Arabia alone supplies about 12 percent of the world's daily oil fix.

Exxon Mobil Corp., Royal Dutch/Shell Group and the rest of the private petroleum giants are also flush with cash as profits and stock prices soar. The same goes for oilfield services firms such as Schlumberger Ltd. and Baker Hughes Inc., as well as the countless smaller providers of the equipment, ships and workers needed to produce and transport some 82 million barrels per day.

### With oil above $50, who stands to gain?

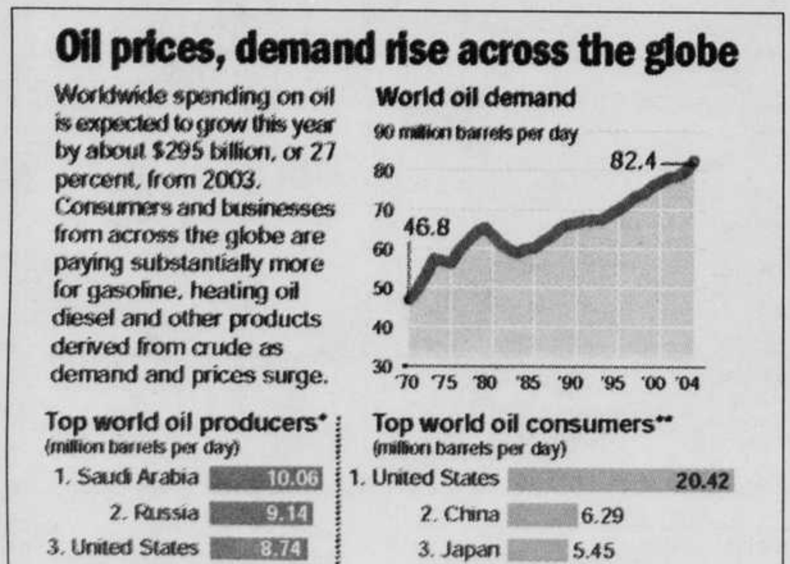
**THE WEALTH TRANSFER:** Worldwide spending on oil is expected to grow this year by about $295 billion, or 27 percent, from 2003.

**WHO GAINS?:** Oil exporters such as Saudi Arabia and Russia, and private oil giants such as Exxon Mobil and Royal Dutch/Shell Group.

**WHERE'S THE PAIN?:** While American motorists grumble about $2 per gallon gasoline, the real damage will be done to poor, developing countries, which tend to be more dependent on imports and are less energy efficient.

**IS $50-A-BARREL OIL A BIG DEAL?:** Not in inflation-adjusted terms. Soaring oil prices are slowing global economic growth, but not causing the kind of financial shock that followed the oil crises of the 1970s.

— The Associated Press




## IN BRIEF: OREGON

### Damascus may become new urban growth site

DAMASCUS — The view from his farmhouse takes Roy Ledbury back almost 80 years, to where he picked strawberries as a boy on land his family has farmed since 1881.

The farm and 12,000 acres around it may become the state's biggest experiment in urban growth and Oregon's first new town in 20 years.

He and his wife Barbara told The Oregonian they can accept the 60,000 neighbors expected to move there if they bring good jobs, open space and walkable neighborhoods with them.

On Nov. 2, voters in this unincorporated community in Clackamas County will decide whether to incorporate.

If they vote in favor their own leaders will help design the new neighborhoods. If not, its shape will be up to planners from the county and neighboring cities.

If things go as the Ledburys hope, Damascus could be a model community friendly to salmon and pedestrians alike. Or it could wind up as just another suburb adding to Portland's rush-hour bedlam.

Meanwhile, Barbara Ledbury is hoping to make the switch from farm wife to city councilwoman.

Metro, Portland's regional government, got thing started two years ago by redrawing the urban growth boundary that controls development on farmland. It was a given that Damascus would grow. The question was, how much and in which direction.

Damascus today is a community of about 12,000 residents, a patchwork of grazing animals, nursery farms, a few subdivisions and a small commercial area. Salmon-bearing streams and fir trees share the landscape.

Planners hope to save all that and create a suburban utopia along the lines of Orenco near Hillsboro.

If voters approve the idea the new city council would take office in January, but developers likely would not start building for a year.

If incorporation fails, Gresham and Happy Valley could annex parts of the area and gain control over growth.

To make it all work the country roads that crisscross the area will have to give way to better roads and perhaps light rail, said Michael Jordan, Metro's chief operating officer.

A 2003 study concludes that facilities such as roads and sewers could cost $1.6 billion.

— The Associated Press