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Oil tumbles below \$ 30 per barrel



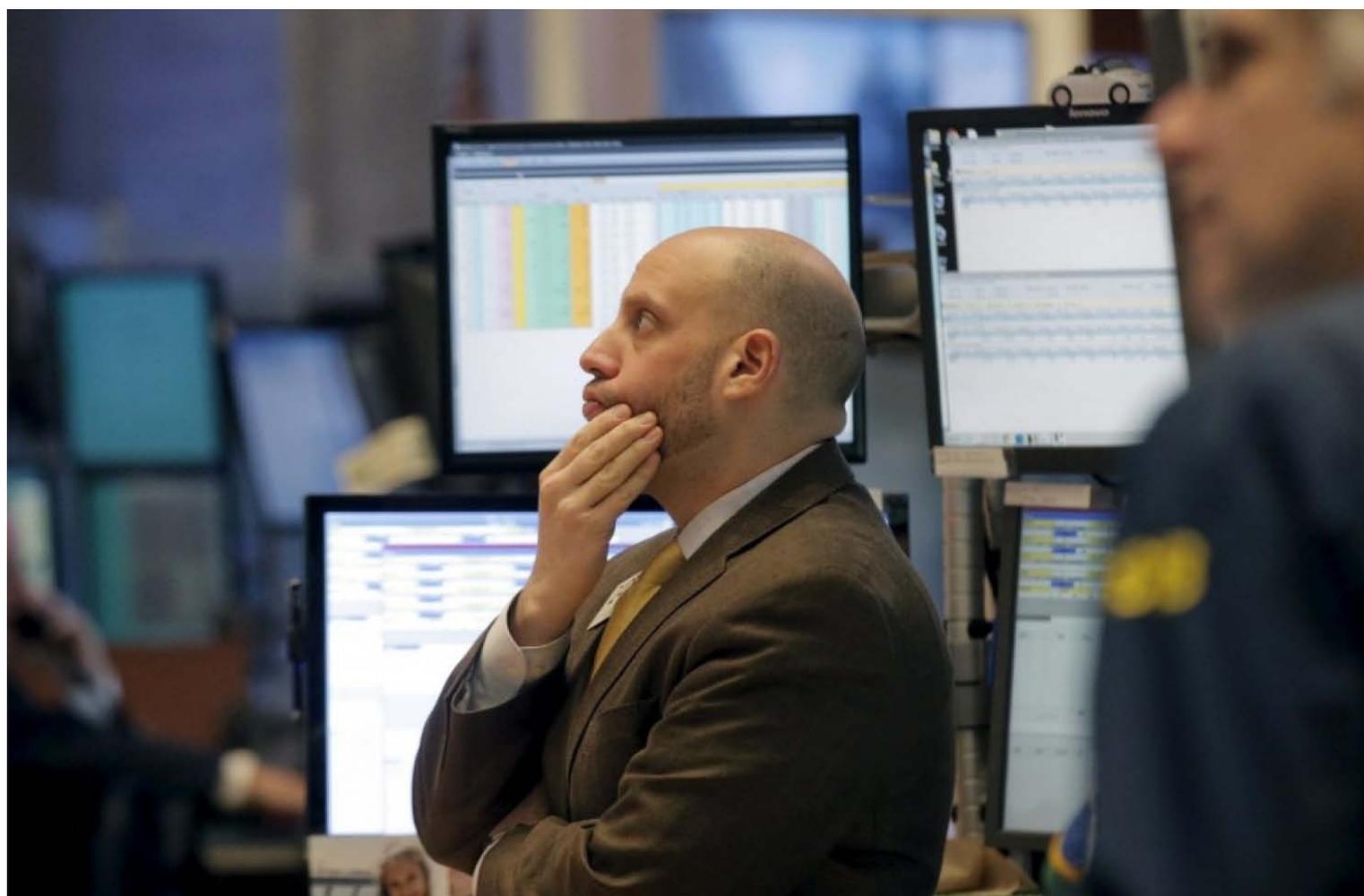
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By Chris Mooney January 15

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Traders work on the main trading floor of the New York Stock Exchange shortly after the opening bell of the trading session in New York January 15, 2016. Wall Street was set to open sharply lower on Friday as oil prices dived below \$30 per barrel, sending fresh tremors through financial markets globally as investors fret about a prolonged economic slowdown. REUTERS/Brendan McDermid

Oil plunged sharply below \$ 30 per barrel Friday after flirting with that level all week, as the market anticipated a flood of new Iranian oil due to the lifting of sanctions.

Brent crude on the Intercontinental Exchange in London dropped as low as \$ 28.82, and was down over 6 percent Friday early afternoon. West Texas Intermediate crude, on the New York Mercantile Exchange, fell as low as \$ 29.13.

The moves accompanied a broader plunge in the U.S. markets, with the Dow Jones industrial average breaking below 16,000, and off over 300 points overall.

The oil price decline in 2016 has been remarkable. Brent closed out 2015 at \$ 37.28 per barrel on Dec. 31. Its low so far Friday was nearly \$ 8 cheaper, a decline of some 21 percent.

There's a "trifecta going on here" in terms of factors that are driving down oil prices, said Tom Watters, a managing director at Standard & Poor's specializing in the oil and gas sector. The three factors are a "stronger dollar, concerns about demand growth, and of course, supply," he said.

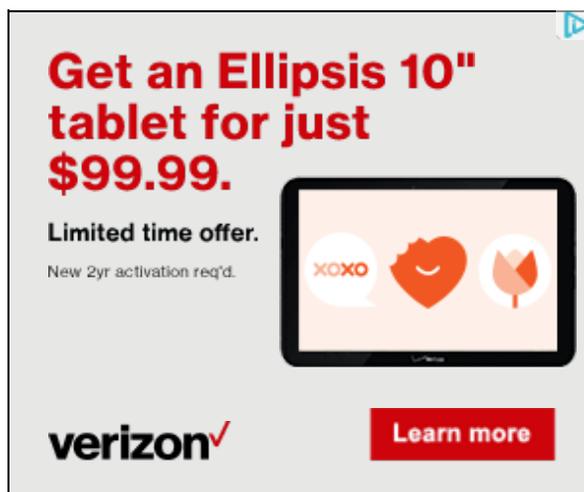
A stronger dollar makes oil more pricey for purchase in other currencies, which decreases global demand. Worries about whether demand will grow more broadly, meanwhile, are closely tied to China and the sense that a major consumer of the commodity may want less oil than previously thought.

And then, of course, there's supply, supply, supply, which has been the bottom line here since the oil price plunge began back in late 2014. OPEC's strategy of maintaining market share, adopted last November, is not having as fast an effect as may have been originally anticipated when it comes to pushing other producers to back down as prices plunge.

Russia is at "record output," Watters said, and U.S. shale has been surprisingly resilient. And now, next up is Iran, which could see sanctions lifted in the next few days.

As for the current price and how low it could go, that's becoming a subject of very hot discussion,

with most observers and analysts still feeling that oil won't go below \$ 20, said Michelle Michot Foss, chief energy economist at the Bureau of Economic Geology at the University of Texas at Austin. But some think it will fall farther than that.



“Everybody is searching for a floor, and we just haven't gotten to it,” says Foss. “It's going to be a hard landing because of everything else that's going on out there.”



Chris Mooney reports on science and the environment.

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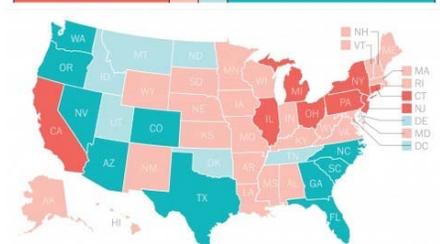
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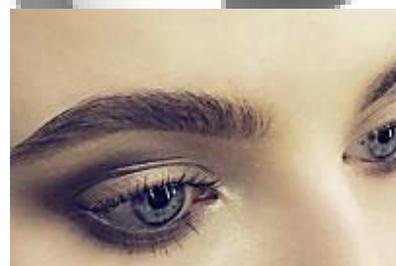
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