Oil Prices Increase As U.S Weighs Action In Syria

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The price of oil hovered above $108 a barrel on Wednesday after President Barack Obama secured the support of key U.S. politicians for a punitive strike against Syria, but international backing for the attack was still tentative. By early afternoon in Europe, benchmark oil for October delivery was down 30 cents to $108.24 a barrel in electronic trading on the New York Mercantile Exchange. Oil rose above $108 a barrel Tuesday after Obama won the support of key Republicans in Congress for military action against Syria. The contract gained 89 cents, or 0.8 percent, to close at $108.54.

The U.S. says it has proof that the regime of President Bashar Assad was behind attacks that Washington claims killed at least 1,429 people, including more than 400 children. The Britain-based Syrian Observatory for Human Rights, which collects information from a network of anti-regime activists, says it has so far only been able to confirm 502 dead. President Obama said Tuesday that he's confident Congress will authorize a military strike. Congress could vote as early as next week, after it returns from summer break. Obama won the support of two key U.S. lawmakers, although Congress remains divided about giving the U.S. president authorization to use force.

Russian President Vladimir Putin warned the West against taking one-sided action in Syria but also said Russia "doesn't exclude" supporting a U.N. resolution on punitive military strikes if it is proved that Damascus used poison gas on its own people. While Syria is not a major oil producer, the possibility of a wider conflict could interrupt production and shipping routes in the region, said Chris Faulkner, CEO of Breitling Energy Companies. Syria, he said, is a "small, delicate pin in the world's major oil grenade and it could blow up in the world's face if the U.S. is not very careful."

Libya's continuing struggles with production glitches and labor strikes at shipping ports also supported oil prices. Libyan output is seen at around 160,000 barrels a day, down from 1.6 million barrels a day before the 2011 war which overthrew dictator Moammar Gadhafi. Some 76 million barrels of crude production have been lost from Libya over the past four months, said analyst Olivier Jakob of Petromatrix in Switzerland. "During May, Libyan crude oil represented 27 percent of total crude imports for Italy, and about 10 percent for France and Germany," Jakob said. "This is therefore not a small supply disruption and until something changes in Libya the physical market for light crude oil should remain tight."

Investors will later be monitoring fresh information on U.S. stockpiles of crude and refined products. Data for the week ending August 30 is expected to show draws of 2.5 million barrels in crude oil stocks and one million barrels in gasoline stocks, according to a survey of analysts by Platts, the energy information arm of McGraw-Hill Cos. The American Petroleum Institute will release its report on oil stocks later

Wednesday, while the report from the Energy Department's Energy Information Administration — the market benchmark — will be out on Thursday.

Brent, the benchmark for international crudes, was down 22 cents to $115.46 a barrel on the ICE Futures exchange in London. In other energy futures trading on Nymex:

- Wholesale gasoline dropped 0.5 cents to $2.8593 per gallon.
- Heating oil fell 0.98 cents to $3.1385 per gallon.
- Natural gas climbed 1.7 cents to $3.683 per 1,000 cubic feet.

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