# OPEC bulletin

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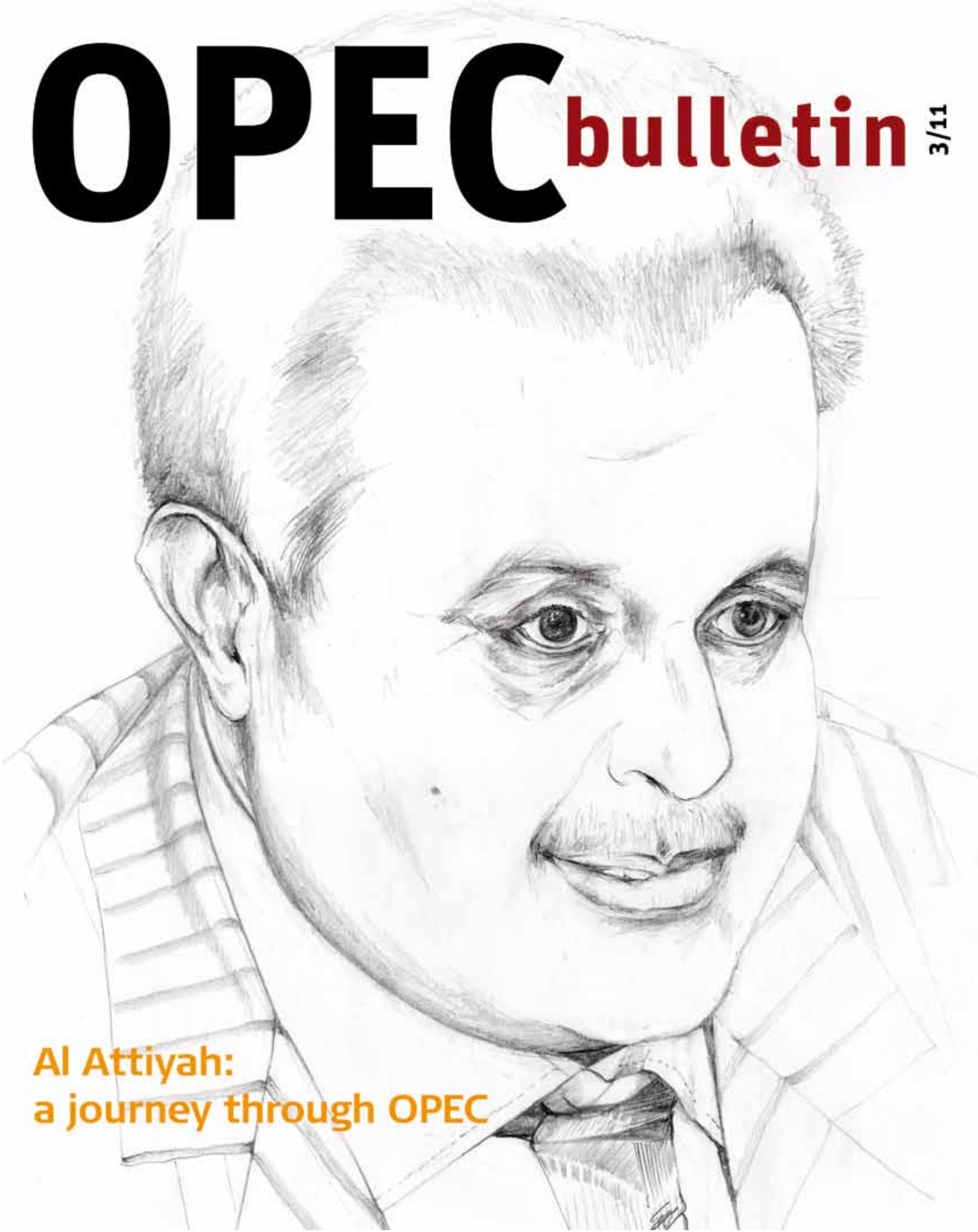

## Al Attiyah: a journey through OPEC

# New charter consolidates OPEC's drive for dialogue

The ceremonial signing of the IEF Charter in Riyadh on February 22 *(see story on page 12)* completed a process that had begun in a small, but determined way in Paris 20 years earlier. In doing so, it reinforced the credentials of an institution that had already achieved much success in promoting producer-consumer dialogue. OPEC, itself a firm believer in such dialogue, welcomes this.

It all began with a modest *Ministerial Seminar for Oil-Producing and-Consuming Countries* on July 1–2, 1991, co-hosted by OPEC Member Venezuela. This evolved into the world's premier channel for high-level producer-consumer dialogue, the aforementioned International Energy Forum (IEF).

While the seminar attracted just 25 countries, including six OPEC Members and Ministers from four major industrialized nations, the signatories to the Charter numbered 86 energy-producing, energy-consuming and transit countries.

When the Paris meeting was held, the industry was in a state of transition after a decade of disturbing market reverses, peaked by the 1986 price collapse, and with the onset of major new challenges as the environmental debate gathered pace and the global political structure changed radically. As former Secretary General Dr Subroto put it on the eve of the 1990s: "Economically and technologically, we are living in a period of increasing globalization, where interdependency is vital to the manageability of all our societies. Progress in any field depends upon the willingness and ability of nations to cooperate with each other to achieve mutually beneficial solutions."

OPEC's earlier calls for dialogue had already resulted in significant advances in cooperation among producers in the late-1980s. But clearly more was needed — hence the Paris meeting, which was quickly hailed as a breakthrough.

Current Secretary General, Abdalla Salem El-Badri, told the Extraordinary IEF Ministerial Meeting on February 22 that OPEC was proud to have played a role in the Forum's development: "The IEF has come a long way in the past 20 years. Those early ad hoc meetings of producers and consumers have now been replaced by more focused workshops and ministerial forums. At the same time, however, the informal nature of the dialogue has remained. The IEF now has its own Secretariat, here in Riyadh, which is also home to the important Joint Oil Data Initiative. Following the Cancun Declaration, we have witnessed, over the past year, the formulation of an IEF Charter and the development of agreed activities between the IEF, the International Energy Agency and OPEC."

He added that the informal dialogue had become an essential ingredient to ensure market stability, improve transparency and provide greater predictability, and that OPEC remained committed to it. At the same time, however, he stressed: "It is essential we continue to work toward the proper and full implementation of the agreed-upon areas of cooperation. Our efforts should be dedicated to this, so that we can fully achieve what was laid out in the Cancun Ministerial Declaration."

This is getting to the heart of the matter. It is not enough to live on past glories or to make bold statements about the future. The ultimate success of any institution is measured by its present operations and its attention to the future.

This is especially true in the oil sector where the French saying is particularly apt: *"Plus ça change, plus c'est la même chose* (the more things change, the more they remain the same)." While things may change on a day-to-day basis in the market — sometimes significantly, as we have witnessed recently — the fundamental challenges are timeless. These were defined by OPEC half a century ago and remain as cogent and as valid today: stable prices, steady income, secure supply and fair returns on investment.

Indeed, the challenges facing the industry have multiplied in today's more globalized, interdependent world. Our Heads of State and Government recognized this in signing OPEC's 2007 Riyadh Declaration, in the shape of three guiding themes for future decision-making: stability of global energy markets; energy for sustainable development; and energy and environment.

A sound process of dialogue is essential if the industry is to respond effectively to these challenges as demand grows in the coming years, and the Riyadh meeting last month witnessed another important step in this direction.

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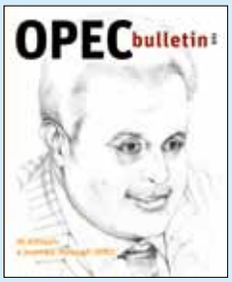


**Cover**
*This month's cover shows Abdullah Bin Hamad Al Attiyah, former Minister of Energy and Industry of Qatar (see feature on page 18).*
*Cover drawing: Elfi Plakolm.*


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**OPEC Membership and aims**
OPEC is a permanent, intergovernmental Organization, established in Baghdad, on September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective — to coordinate and unify petroleum policies among its Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. The Organization comprises 12 Members: Qatar joined in 1961; SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007). Ecuador joined OPEC in 1973, suspended its Membership in 1992, and rejoined in 2007. Gabon joined in 1975 and left in 1995. Indonesia joined in 1962 and suspended its Membership on December 31, 2008.

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# OPEC stands ready to correct any oil supply imbalance — *market report*


Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

March 2011

Feature Article:
Challenges for the spring quarter



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***OPEC's spare production capacity, which has risen to close to six million barrels/day over the last 12 months, will continue to serve as an effective market stabilizer and ready to accommodate any sudden supply disruption. That was the message made clear by the Organization in its March Monthly Oil Market Report and in response to the problems in North Africa.***

The report stressed that OPEC continued to closely monitor oil market developments and stood ready to act, "as deemed necessary, to support market stability."

It noted that the events in the Middle East and North Africa (MENA) region and the associated risk premium had pushed crude oil prices to their highest level since September 2008.

In the futures markets, both North Sea Brent crude and West Texas Intermediate in the United States had moved firmly above $100/b in reaction to the events.

## *Speculator activity*

"The sharp volatility in oil prices, combined with fears of further disruptions, has led to a substantial inflow of investment funds into the paper oil market. As a result, speculator activity on the New York Mercantile Exchange crude oil futures market, as reflected by managed money net long positions, surged to a record high of 268,622 contracts in the week

*"The sharp volatility in oil prices, combined with fears of further disruptions, has led to a substantial inflow of investment funds into the paper oil market. As a result, speculator activity on the New York Mercantile Exchange crude oil futures market ... surged to a record high of 268,622 contracts in the week ending March 1, according to the latest available data."*

ending March 1, according to the latest available data," the report stated.

It pointed out that, despite the recent unrest, the world economy had continued to enjoy a solid recovery, adding that the more optimistic sentiment could be seen in the improvement in global PMI, as reported by JP Morgan, which moved above 57 in February, signalling an expansion for the current quarter.

"However, many uncertainties remain that could slow the current momentum. These include the recent surge in oil prices, which, if sustained for a long period, could impact growth in oil-importing countries," the OPEC report warned.

It said that, in conjunction, resulting higher prices for industrial goods and technical services would negatively affect oil-exporting countries.

Additionally, the sovereign debt situation in the Eurozone region provided a challenge, while overheating in the emerging economies remained a potential uncertainty, particularly in China and India, along with the related problem of tackling higher inflation and the risk that policy-makers might act too quickly, it said.

The report observed that with the end of the winter season, the oil market was heading toward a period of lower demand. Prior to the recent recession, the seasonal shift from the first to the second quarter typically resulted in a decline in world oil demand of 1.6m b/d. Despite a counter-seasonal increase last year, world oil demand in the second quarter of 2011 was expected to return to its normal trend, although with a lower contraction.

For non-OPEC supply, said the report, the change from the first to the second quarter was expected to remain more or less in line with the seasonal norm.

As a result, demand for OPEC crude in the second quarter was expected to come in at 28.7m b/d, representing a decline of around 400,000 b/d from the previous quarter.

Based on reported OPEC production above 30m b/d observed recently — the highest since December 2008 — the build in global stocks was forecast at around 1m b/d in the first half of this year.

## Commercial stocks high

"The market could see a contra-seasonal draw in the second quarter of 2011, if the recent supply disruption were not offset by production increases. Additionally, this draw could be easily accommodated by reportedly high commercial oil inventories across the globe, particularly in the OECD countries," the report affirmed.

It noted that data for February showed OECD commercial stocks stood at a near 2,700m b, well above pre-recession levels, indicating sufficient inventories in OECD countries. In terms of days of forward cover, this level corresponds to about 58 days, significantly higher than the normal level of 53 days.

"The impact of the disruption in North African crude oil exports will be mainly felt by European refineries. With utilization rates currently at low levels, refiners able to run available sour crudes could boost runs, while refineries based on North African crudes could look into switching to other grades if their configuration permits," the report said.

"Considering the availability of product stocks, refiners should have enough time over the maintenance season to adapt to any new requirements. Despite the onset of the low seasonal demand period, recent disruptions may create some anxiety in the market, providing grounds for increased speculative activity," it added.

# Investment vital for oil industry's future welfare — El-Badri

*At the end of January, OPEC Secretary General, **Abdalla Salem El-Badri** (pictured), attended the annual Chatham House Conference in London, which this year looked at developments and investment prospects in the Middle East and North Africa (MENA), one of the most dynamic regions of the world where states face the challenge of meeting rising domestic energy demand, as well as sustaining export levels to a growing global economy. In a keynote speech to the gathering, El-Badri highlighted the importance of investment to the future welfare of the oil industry, stressing the need for both security of demand from the consumers and an enabling price environment. The OPEC Bulletin reports.*

Investments are the lifeblood of the oil and gas industry. They are also key for meeting future demand and are too important to be approached without much thought and planning.

That was the view put forward by OPEC Secretary General, Abdalla Salem El-Badri, to the annual Chatham House Conference in London at the end of January, at which he has made the keynote address to assembled delegates in recent years.

He stressed that OPEC Member Countries, which were dedicated to bringing about oil market stability, fully understood that having great natural resource endowments brought with it great benefits — and even greater responsibilities and challenges.

That was why OPEC was committed to continuous investment and ensuring more supply to the world's oil markets.

In general, said El-Badri, the oil and gas industry, due to its long-lead times and capital-intensive nature, had to strike a careful balance so as to avoid both under-investing and over-investing.

Balance was needed between meeting the requirements of the oil market and addressing a country's own development needs.

Investments were a Member Country driven approach. However, there were a couple of scenarios that any oil-producing nation may face.

El-Badri explained that one scenario could be for a producing country to not depend solely on oil and gas as its main source of revenue and, consequently, leave the majority of the resources in the ground.

## Supply chrunch

"Of course, the risk is that if there is any unexpected supply crunch, the country may not be able and ready to meet

a possible shortfall. Oil producers have experienced this situation before," he affirmed.

The other scenario, he continued, could be for a country to focus strongly on upstream investments — with the goal of expanding capacity and generating more money, despite its needs.

## Risks of over-investing

"But if upstream investments are pursued without a careful consideration of global market conditions, the result could be a higher risk of idle spare capacity — and unnecessary costs to maintain this," he pointed out.

"This is one of several risks of over-investing. It could also result in damage to existing oil fields if consideration is not given to reservoir conditions, which could lead to faster-than-anticipated decline rates," he added.

*"... if upstream investments are pursued without a careful consideration of global market conditions, the result could be a higher risk of idle spare capacity — and unnecessary costs to maintain this."*

El-Badri stated that, in the longer-term, over-investment in capacity could end up generating massive revenues, which would then have to be channelled elsewhere.

"A country could very well deposit these revenues in banks or other investment schemes, but these are subject to continual risks of fluctuation, low interest rates and volatility."

If a country was unable to absorb an inflow of revenues, those financial resources could very well end up being spent on unnecessary large-scale, big-ticket projects — so-called "white elephants", he maintained.

El-Badri said that in his personal opinion, one must invest according to the needs of one's country and the capability of one's resources. "By leaving unneeded resources in the ground, one is catering for future generations," he said.

He noted that MENA countries were rich in natural resources. They had growing, young and educated populations and were expected to take their share of world GDP growth now and into the future.

The region was also home to eight of OPEC's 12 Member Countries, which provided significant quantities of the world's oil and gas supplies.

MENA countries had abundant natural resource endowments. With 820 billion barrels in proven crude oil reserves and 83 trillion cubic metres in proven gas reserves, this represented about 61 per cent and 44 per cent of the global totals, respectively.

For most of the region's countries, oil and gas also formed the backbone of their economies and trade. In 2009, oil alone accounted for more than 21 per cent of their combined GDP and represented 60 per cent of total exports.

"However, these countries — like many other countries which are endowed with natural resources — face difficulties over whether to invest in their oil and gas, and produce now or postpone investment to a later date," informed El-Badri.

"Not only do they have to address ongoing economic and social development aspirations, but they also have to consider how to meet global demand for oil and gas," he added.

Again, he said, the key to this was adopting a balanced approach. One had to anticipate the economic cycle.

OPEC, said El-Badri, had consistently said in recent times that prices were disconnected from the physical oil markets and were increasingly subject to paper markets. Consequently, the market was dominated by financial players, which was misleading when it came to understanding the behaviour of the oil market.

"Yet, despite all of the difficulties which our Member Countries are facing, and as I have said on numerous occasions, we remain committed to future investment plans to boost our capacity."

## Reviewing project status

In the medium-term, OPEC was investing an estimated $155bn in projects across Member Countries. The timeframe for the projects, which would add around 12 million barrels/day of gross production capacity, to come onstream was between 2010 and 2014.

"OPEC is continually reviewing the status of these and other projects. In fact, a new updated report on investment projects in our Member Countries can be expected in March," said the OPEC Secretary General.

And in addition to investing in upstream projects, some OPEC Member Countries were also investing in downstream projects. These schemes — both at home and abroad — were estimated at close to $40bn.

In addition, actual natural gas investments (in expanded capacity, production and transportation) would amount to about $167bn to 2015 across the MENA region with a majority of the investments taking place in OPEC Member Countries.

El-Badri pointed out that close to 39tr cu m of gas reserves remained as yet to be discovered in MENA countries.

But he said that with all this activity in the oil and gas sector, there were two important prerequisites for a successful future — demand security and stable prices. Without these, investment plans lost their rationale.

El-Badri maintained that sound, long-term investments thrived on certainty and predictability and what OPEC had always called security of demand. But there were numerous challenges to this.

## Doubts over economic growth

On the economic front, he said, the recent crisis had added an element of uncertainty to oil demand. Despite signs of a recovery, doubts still persisted over the medium- and long-term prospects for economic growth.

"And looking towards the long-term, it is difficult to gauge the strength of recovery between regions and within sectors. This means that different paths could emerge for crude required by OPEC."

For instance, El-Badri told delegates, OPEC's higher growth scenario saw demand rising by around 44m b/d to 2030. However, the lower growth scenario envisaged demand for OPEC crude as low as 28m b/d for the same period.

Investments in the industry also depended on clear, accurate and timely data about production and supplies, about upstream and downstream activities, and about existing contracts and projects.

"For that kind of data, we need increased transparency on the part of all energy stakeholders — and oil consumers everywhere. And with growing oil demand from emerging markets around the world, data from those parts of the world is increasingly important. That is a challenge that has yet to be addressed," he affirmed.

The OPEC Secretary General said that the other aspect needed to ensure the continuity of investments was having an enabling and stable price environment.

"This means having prices at a reasonable level and without extreme fluctuations. Prices that are extreme in either direction, whether too high or too low, can be detrimental to investment plans," he stressed.

"We in the industry have seen periods of both record high and low prices, most recently in 2008. That experience reminded all of us — producers and consumers alike — that extreme price volatility benefits no one."

El-Badri pointed out that fossil fuels would remain the dominant source of energy for the foreseeable future. There was no doubt that other sources of energy would grow, but that growth would be from a low base.

"And I am certain that all of you will agree with me when I say that our industry is facing enormous challenges, such as climate change, manpower shortages and technological changes. Therefore, it is a good opportunity for international oil companies and national oil companies to cooperate with each other to overcome these and any new difficulties which we may face," he stated.

In his concluding remarks, the OPEC Secretary General said that balance was particularly important to upstream investment plans, especially given an environment like today's, which remained risky, uncertain and somewhat unpredictable.

Oil producers were thus constantly assessing these conditions as they made their investment plans, guided by an over-arching concern for balance.

OPEC Member Countries knew that to make the necessary investments at the right time, they had to consider many inter-related factors — the return on investments, capital costs, price levels, GDP growth and aggregate demand.

El-Badri contended that they had so far been able to achieve a balance in their investments plans and, in the process, had ensured the stability of the market.

"But the key, as we have said in the past, is to continue to find ways for producers and consumers to work together to ensure a lasting stability, not just for the investment plans of producers, but for the benefit of consumers and the continuing growth of all energy stakeholders. This is our global task," he concluded.

***"... looking towards the long-term, it is difficult to gauge the strength of recovery between regions and within sectors. This means that different paths could emerge for crude required by OPEC."***


Reuters

# Davos ... and meeting the Press

*OPEC Secretary General, Abdalla Salem El-Badri (c), in a roundtable session with journalists.*


*El-Badri (l), with John Defterios of CNN.*

*During his visit to London for this year's Chatham House Conference, OPEC Secretary General, Abdalla Salem El-Badri, also took the opportunity to meet members of the media.*

*At Chatham House, he held a roundtable meeting with representatives from Reuters, Bloomberg, Platts, Dow Jones, the Middle East Economic Survey (MEES), Energy Intelligence, and Argus.*

*He was also the subject of an interview with Reuters TV and gave exclusive interviews to the Times of London and the specialist magazine, Petroleum Economist.*

*Before arriving in London, the OPEC Secretary General attended the World Economic Forum in Davos, Switzerland, which this year had the theme 'Shared norms for the new reality', reflecting the fact that we live in a world that is becoming increasingly complex and interconnected, but also experiencing an erosion of common values and principles.*

*During a busy few days, El-Badri took part in a full-day private closed session with other energy stakeholders to discuss a whole range of topics related to the energy industry.*

*He also had private/bilateral meetings and held interviews with Bloomberg TV, CNN, CNBC, Reuters, FT videos and France 24.*


*El-Badri (r), chatting with Francine Lacqua of Bloomberg.*

IEF holds extraordinary meeting in Saudi Arabia

# Over 80 countries endorse


*Abdalla Salem El-Badri (l), OPEC Secretary General; HRH Prince Abdulaziz Bin Salman Al-Saud (c), Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia; and Nobuo Tanaka (r), Executive Director of the International Energy Agency.*

Under the umbrella of the International Energy Forum (IEF), the world's leading oil producers and consumers gathered in the Saudi Arabian capital, Riyadh, in February where they signed an Energy Charter aimed at improving cooperation between the two sides and reducing oil market volatility.

The meeting, which took place upon the invitation of the Government of Saudi Arabia and under the patronage of the Custodian of the Two Holy Mosques, King Abdullah Bin Abdul-Aziz, saw ministers and delegates from 86 energy-producing, consuming and transit countries sign the IEF Charter.

"The IEF Charter marks a new era of international energy cooperation built on greater mutual understanding and trust, with a significant reinforced political commitment to an informal, open, informed and continuing global energy dialogue in the framework of the IEF among energy producing and energy consuming countries, including transit States," said a concluding statement by the Kingdom of Saudi Arabia and the Secretariats of

# landmark Energy Charter

*By Sally Jones*


*HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia.*

OPEC, the IEF and the Paris-based International Energy Agency (IEA).

According to the statement, the IEF Charter creates a concrete platform for greater mutual understanding between producing and consuming countries on important energy policy matters.

It stated that, when feasible, it could also narrow different opinions between the two sides and help build trust in policy intentions.

And due to the fact that all the major energy producers and consumers have joined together in this initiative, the statement points out that the landmark move "sends a powerful positive signal to the energy world and energy markets that difficult issues can and will be tackled in a global context, whenever necessary."

The Extraordinary IEF Ministerial Meeting in Riyadh was the final stage of a process that began in earnest with the Cancun Ministerial Declaration approved by 66 countries at the 12th IEF Ministerial Meeting in Mexico, in March 2010.


*Abdalla Salem El-Badri, OPEC Secretary General.*

The Cancun Declaration addressed two key points: an enhanced IEF framework to strengthen the producer-consumer dialogue and ways to reduce energy market volatility.

In positive fashion, the IEF Charter has delivered the enhanced framework for the IEF. Energy market volatility has been addressed in the IEA/IEF/OPEC cooperation programme, which was included in the Cancun Declaration. This covered joint events on the linkages between the physical and financial energy markets, including energy market regulation, on energy outlooks and on market data transparency.

The concluding statement in Riyadh also stressed that the IEA/IEF/OPEC programme is progressing well and has already delivered the following positive results, which were discussed by the ministers and delegates present at the February meeting.

## Physical and financial markets

The Joint IEA-IEF-OPEC Workshop on *Understanding the new dynamic: how do the physical and financial markets for energy interact* and the Forum on *Energy market regulation: clarity and coordination,* were both convened in London in November 2010.

The events brought together over 100 experts from industry, research, government, and the financial and regulatory sectors.

The Workshop and the Forum provided rich and diverse views from distinguished experts with different backgrounds and affiliations.

The Riyadh statement noted that opinions were polarized to some extent on the relative degree to which the linkages between the physical and financial markets are recognized and the perceived importance of such linkages.

"The myriad of complex market layers for price discovery and risk transfer, from spot to derivatives, also gave rise to spirited discussion, and potential benefits, consequences and costs of various regulation proposals were widely debated," it observed.

However, there was no consensus reached with regard to the magnitude of the impact of the derivatives markets (either exchange-traded derivatives or OTC derivatives) on petroleum prices and volatility.

Some participants underlined the role of excessive financial speculation in the surge in prices and volatility, while others, especially those involved in price reporting, felt that spot markets set their own prices, independently of any influence from financial markets.

A third group recognised that it is difficult to isolate the effect of the physical layers from the financial layers in the current oil pricing system and, therefore, it is difficult to construct theoretically and test empirically whether the financial market drives the physical, or the other way around.

The Workshop noted the increasing interaction of the physical and financial energy markets. It recommended continuing the ongoing effort to better understand the functioning of each of these markets, as well as the linkages between the physical and financial markets.

It also recommended the enhancement of international cooperation on market data transparency and commended the efforts of the Joint Oil Data Initiative (JODI) in this regard.

Meanwhile, the Forum recognised that regulations have important effects on market functioning and participants' behaviour and emphasised the need for appropriate regulation, with adequate international coordination.

Participants noted the positive and constructive nature of the dialogue among energy stakeholders.

It was recommended that similar events covering the

inter-linkages between the physical and financial energy markets, as well as energy market regulation, be held on a regular basis, in order to promote a deeper understanding and dialogue on "these complex and important issues."

The Riyadh statement said that in acknowledging the consensus on the need for improving data transparency, international coordination of regulation and continued physical-financial market dialogue, ministers commended the work by the IEA, IEF and OPEC and encouraged the three organizations to "take this important work forward in future regular meetings that facilitate the horizontal dialogue between the physical and financial energy market players."

## Shared analysis

The IEA, IEF and OPEC held their first Symposium on Energy Outlooks in Riyadh in January this year. The objective was not to align the three organizations' assumptions and outlooks, but to improve clarity and understanding of the various outlooks.

"The Symposium offered a platform for sharing insights and exchanging views about energy market trends and short-, medium- and long-term energy outlooks, including analysis of market behaviour and discussion of the key drivers of the energy scene along with the associated uncertainties," the Riyadh statement affirmed.

It stated that the Symposium provided a diversity of well-informed views from distinguished experts.

Participants discussed energy market trends (energy supply, demand and prices) and associated factors that influence these trends (environmental policies, economic conditions, and technological developments, etc).

The meeting identified the main convergences and differences between the outlooks of the IEA and OPEC and discussed the reasons behind these differences, such as those related to definitions, methodologies, and the presentation of results.

The Symposium noted that both the projections of the IEA and OPEC were similar in terms of supply/demand growth figures for 2011.

"This paints a market situation in 2011 characterised by a high level of spare capacity, both upstream and downstream, relatively high OECD commercial inventories, an expected slowdown in oil demand growth compared with 2010, and increases in oil supply," the statement said.

There was a consensus at the Symposium that oil will likely remain the main fuel in satisfying the world's energy needs for the foreseeable future and that oil resources, both conventional and non-conventional, are sufficient to meet future demand.

However, it noted that there are considerable uncertainties concerning how future demand will evolve, in particular with regard to energy and environmental policies. Other key uncertainties relate to economic growth and technological change.

The statement noted that the discussions revealed that methodologies and definitions are important factors in identifying the reasons behind the differences in the outlooks.

"With this in mind, the Symposium recommended moving towards harmonising definitions, where possible and appropriate, and disclosing more data in a more timely manner, to enhance comparability between the outlooks.

"In addition, it highlighted the need for a better exchange of data and information through a strengthened and improved JODI. Moreover, it recommended exploring the possibility of further possible joint meetings on certain technical areas of interest."

The Symposium noted that energy and environmental policies are two of the key drivers for future energy demand and supply; however, they are also one of the most uncertain areas of the outlooks.

There was also a convergence of views on the large uncertainties associated with climate sensitivity and the extreme difficulty in achieving a 450 parts per million atmospheric greenhouse gas concentration stabilization level.

"In this respect, some participants recommended the need to explore and better understand the effect of different environment related policies' assumptions on the results of the outlooks," the statement said.

There was consensus on the need to alleviate energy poverty. Participants considered the objective of universal access for the poor to modern energy services laudable; some, however, were of the view that the suggested level of per household consumption was insufficient and should be made more ambitious.

Participants pointed to a number of areas in which comparability of the outlooks of the IEA and OPEC could be improved, including through more convergence in definitions and greater disaggregation of information. The role of JODI was again highlighted in this regard.

The Riyadh statement pointed out that the Symposium reached its objective of offering a platform for experts to discuss energy outlooks and gain a better understanding of the interests and concerns of each organization.


الاجتماع الوزاري الاستثنائي لمنتدى الطاقة الدولي
Extraordinary IEF Ministerial Meeting
Riyadh - Kingdom of Saudi Arabia - 22 February, 2011

Reuters

"It also helped in identifying and discussing the similarities and differences between the outlooks, in order to advance clarity in terms of the data, assumptions, methodologies and the analysis of the results of these outlooks."

Ministers commended the efforts made by the three organizations and encouraged them to take the work forward on harmonising definitions, disaggregations and further clarifying differences in energy outlooks to the market.

In this context, the statement said that a second Symposium on Energy Outlooks, due to be held in 2012, will provide a good opportunity to take stock of the progress made.

## JODI re-labelled

The Riyadh statement said that the objective of the Joint Oil Data Initiative (JODI), now re-labelled the Joint Organizations Data Initiative, is to achieve a steep change in the provision of timely, high-quality and transparent oil market data, deemed essential for the stability of oil markets.

While reaffirming their commitment to providing timely and accurate data to JODI, ministers envisaged cooperation in expanding the initiative to include data on other sources of energy considered important in the world energy mix, and to disseminate other data relevant to the energy markets, such as natural gas and annual investment in oil and gas upstream and downstream.

The extension of JODI to cover monthly natural gas data is now well underway, including cooperation with the Gas Exporting Countries Forum (GECF). It will hopefully result in the first launch of JODI-gas to the market before the end of 2011.

The extension of JODI to cover annual data on upstream and downstream capacities and expansion plans will start with oil. The exercise is currently underway with first results expected at the earliest in 2012.

The statement noted that JODI partner organizations will continue their efforts in training statisticians in charge of the initiative's data compilation and submission in participating countries/economies; develop new tools and practices to regularly check JODI data and streamline data submission; enhance interaction with data users (in particular market analysts) and upgrade JODI platforms, such as the JODI website.

"It is equally important that participating countries/economies ensure that administrations and organizations in charge of data collection are better equipped and staffed, to implement appropriate regulations that ensure industry is fully engaged in the process of data submission and to address confidentiality issues and reduce, if not, eliminate them," the statement said.

"IEF countries need to further boost the quality, timeliness and reliability of the JODI database to achieve a target of three smiley faces by the end of 2011," it added.

## Looking to the future

Ministers attending the Riyadh meeting encouraged the three organizations to continue their efforts and work towards helping to mitigate energy market volatility.

"Mitigating energy market volatility and future uncertainty remains of crucial importance to stabilizing energy markets and to facilitate energy investment, which would also benefit the recovery of the global economy.

"This requires further progress on achieving better data transparency in both the physical and financial markets, on putting in place appropriate, internationally coordinated regulation, as well as on arriving at a better common understanding of energy market trends and energy outlooks," the statement said.

The three organizations will report progress on their joint cooperation programme to the 13th IEF Ministerial Meeting, scheduled to be convened in Kuwait in 2012.

*Delegates to the IEF meeting gather for a group photo during the signing of the landmark Charter.*

# Al Attiyah appointed Head of the Court of the Emir of Qatar

***Abdullah Bin Hamad Al Attiyah has been at the forefront of his country's and OPEC's affairs for almost two decades. But in January this year the signal came for the Qatari Minister of Energy and Industry to move on to new and distinguished pastures — to Head the Court of the Emir of Qatar. The OPEC Bulletin reports.***

Charismatic, knowledgeable and jocular — ever ready with his banter and amusing comments — Abdullah Bin Hamad Al Attiyah was always the centre of attention at OPEC Ministerial Conferences.

Whether it was meeting his fellow Heads of Delegation, the ever-present members of the media, or a waiter serving him his coffee, the face of OPEC for almost two decades left a lasting impression on those he met with his wit, warmth and welcoming demeanor.

And there is no doubt that when OPEC's Oil and Energy Ministers next gather for their 159th Ministerial Conference in Vienna, on June 8, his absence in the chair reserved for the Qatari Head of Delegation will take some getting used to.

But after more than 18 years in the throng of OPEC cut and thrust, the Organization's extremely popular elder statesman has moved on. He has been appointed Head of the Amiri Diwan, the Emir's Court, deemed a great personal honour in Gulf regional circles.

He remains as the country's Deputy Prime Minister, but his position as Minister of Energy and Industry has been taken by Dr Mohammed Bin Saleh Al-Sada *(see page 27)*.

One of the personable things Al Attiyah will be remembered for is the way his seating area around the OPEC Conference table always attracted so many delegates — all craning to hear his next words, be they words of wisdom, or simply wit — somehow his signature tune.

But beneath that affable exterior of warmth and congeniality lies an experienced oil man who not only has put his country's oil and gas operations on the global map, but has contributed vastly over the years to OPEC's decision-making and policy initiatives.

*"He embodies what true professionalism is all about. He led with passion, as well as with vision.*


Siham Abdulrazzak Razzouqi

*His integrity, openness, his sense of humour and long experience, as well as his commitment to OPEC, coupled with his collaborative and consensus-seeking nature, are the main qualities that endeared him to his colleagues in the Conference and to people in general."*
*— Siham Abdulrazzak Razzouqi*



*Top: Al Attiyah with Dr Subroto (r), Minister of Mines and Energy, Indonesia.*

*Above: ... pictured with James Audu (r), Head of OPEC's Department of OPECNA and Information.*

"He embodies what true professionalism is all about. He led with passion, as well as with vision," commented his long-time colleague in OPEC, Siham Abdulrazzak Razzouqi, Kuwait's Governor for the Organization.

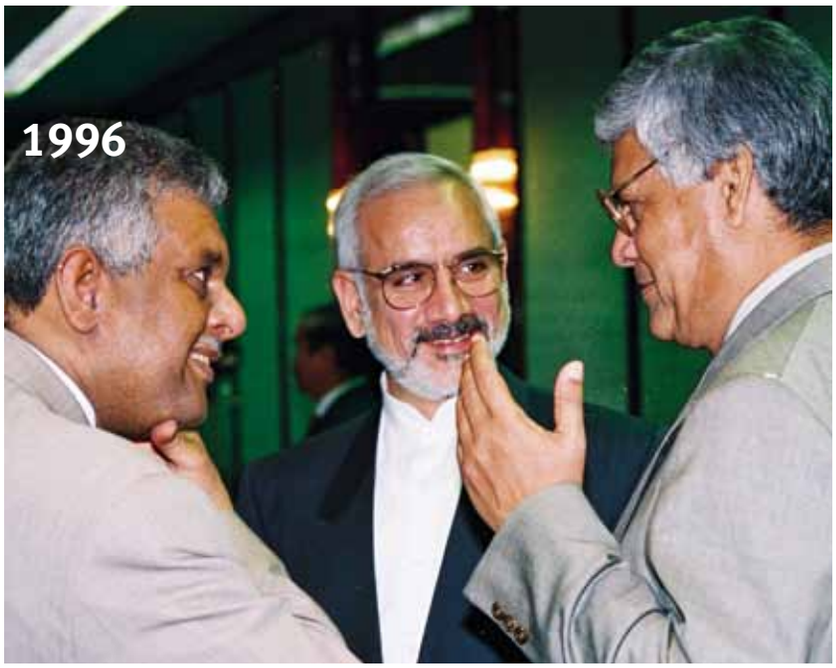
"He was a dynamic leader whose achievements as the main architect of the Qatar petroleum industry's expansion and whose contributions to OPEC during difficult negotiations are well recognized; a man with confidence, encyclopedic knowledge and shrewdness, yet very approachable and modest," she told the *OPEC Bulletin*.

Al Attiyah's leadership qualities were also put to good use in OPEC. He was President of the Organization's Conference on no fewer than four occasions — the year after he joined in 1993 and then again in 1997, 1999 and 2003.

Ms Razzouqi agreed with the assessment that Al Attiyah was always seen as a very easy-going and humorous person.

"I totally agree; he was a down-to-earth person who I always found very friendly and trustworthy."

She continued: "His integrity, openness, his sense of humour and long experience, as well as his commitment to OPEC, coupled with his collaborative and consensus-seeking nature, are the main qualities that endeared him to his colleagues in the Conference and to people in general. He will certainly be missed."





Ms Razzouqi's comments were echoed by Iran's Governor for OPEC, Seyed Mohammad Ali Khatibi Tabatabai, who said he had actually met Al Attiyah for the first time before he was Minister and always found him to be such an active, positive and knowledgeable man.

"He participated in all meetings actively and he always generously announced his government's readiness to host international gatherings and conferences," he said.

Tabatabai stressed that it was noteworthy that during Al Attiyah's tenure of office many conferences and meetings were held in Qatar. The fact that the premier World Petroleum Congress (WPC) was being held in the Middle East region for the very first time was the result of his efforts. Doha will host the 20th WPC in December.

"He is an easygoing man and it is so easy and enjoyable to interact with him. I, myself, always felt so happy and satisfied after talking with him," said Tabatabai.

"His sincere and friendly behaviour endeared him among his colleagues in the Conference. I have got a lot of good memories.

"For example, I can tell you that he is a little bit familiar with the Persian language. As soon as he met the Iranian delegation, he uttered a few Persian sentences. He was so fond of the city of Shiraz in Iran. He always admired the beauty and the weather in Shiraz," Tabatabai told the *Bulletin*.

Al Attiyah has the honour of being the second-longest serving Oil and Energy Minister in OPEC's 50 years of existence. His 18 years fall a little short of the 24 years achieved by Ahmed Zaki Yamani, who was Saudi Arabia's Minister of Petroleum and Mineral Resources from April 1962 to October 1986.


*Top left: Al Attiyah with Gholamreza Aghazadeh, Iranian Minister of Petroleum (c), and Abdalla Salem El-Badri (r), then Secretary of the People's Committee of Oil, SP Libyan AJ.*

*Top right: Al Attiyah was President of the OPEC Conference on four separate occasions — in 1993, 1997, 1999 and 2003.*

*Above: ... pictured with Abdalla Salem El-Badri (l), Ali I Naimi (r), Minister of Petroleum and Mineral Resources of Saudi Arabia, and Obaid bin Saif Al-Nasseri, Minister of Petroleum and Mineral Resources of the United Arab Emirates.*


*Al Attiyah greeting Nigeria's Dr Rilwanu Lukman (r), then OPEC Secretary General.*


*... talking to members of the media ahead of the OPEC Conference.*


*... pictured with Ali I Naimi (l), Minister of Petroleum and Mineral Resources, Saudi Arabia.*


*... shaking hands with Mohammed bin Hamad Al Rumhy, Oman's Minister of Oil and Gas, an observer to the Conference.*

For existing OPEC Ministers, Saudi Arabia again holds the longest ministerial term with Ali I Naimi, who took up the Kingdom's Petroleum and Mineral Resources portfolio in August 1995.

Al Attiyah was born in Qatar in December 1952. He studied at Alexandria University in Egypt, where, at the age of 24, he attained a Bachelor of Arts degree in History.

Four years before getting his BA, he began his working career with the then Ministry of Finance and Petroleum.

His advancement up the promotional ladder was swift and the following year he was appointed Head of International and Public Relations, at the Ministry, a position he held for 13 years.

In 1986, Al Attiyah became Director of the Office of the Minister of Finance and Petroleum and three years later

was appointed Office Director of the Minister of Interior and the Acting Minister of Finance and Petroleum, where he remained for three years.

He took up the portfolio of Minister of Energy and Industry in September 1992.

In January 1999, Al Attiyah also became responsible for Qatar's electricity and water operations as the two sectors were merged into the Ministry of Energy and Industry.

In September 2003, he was appointed as the Second Deputy Prime Minister and in April 2007, as Deputy Prime Minister.

Al Attiyah's first full OPEC Conference was the 92nd Ministerial Meeting, held in Vienna, in November 1992.

However, his first actual get together with his fellow OPEC colleagues took place in Geneva, Switzerland, just a couple of weeks after his appointment in the September. That was when the Organization's Ministerial Monitoring Committee convened. At the time, all Heads of Delegation attended those talks.

Al Attiyah's induction into the OPEC family came at an interesting time. The irrepressible Dr Subroto of Indonesia was the OPEC Secretary General, an economic downturn saw oil prices lying at around $18–19/barrel, and Ecuador had just notified the Organization that it wanted to suspend its Membership, which it assumed in 1973.

The new Qatari Minister was quick to make an impression among his OPEC colleagues. He took on his first Conference Presidency the following year and also became a key member of the Organization's quota compliance committee, which was set up to support the realization of OPEC's minimum oil price target of $21/b.

Meanwhile, at home he was shaping his country's petroleum operations, spearheading ambitious plans


*Al Attiyah with Algerian President, Abdelaziz Bouteflika (r).*


*... speaking with a group of Asian journalists.*


*... pictured with Mohamed Bin Dhaen Al Hamli (l), Minister of Energy, UAE.*


*... in discussion with Rafael Ramirez (r), Minister of Energy and Petroleum, Venezuela.*


*Al Attiyah with Abdulla H Salatt (l), Senior Advisor to the Minister of Energy and Industry of Qatar.*


*... pictured with Claudio Scajola (l), Minister of Industry, Italy; and Yesui Zhang (r), China's Vice Minister of Foreign Affairs.*

*Seyed Mohammad Ali Khatibi Tabatabai*

***"He is an easy-going man and it is so easy and enjoyable to interact with him. I, myself, always felt so happy and satisfied after talking with him. His sincere and friendly behaviour endeared him among his colleagues in the Conference. I have got a lot of good memories."***

*— Tabatabai*


*... seen during the 143rd (Extraordinary) OPEC Conference in Abuja, Nigeria.*

and bringing in the top international oil companies to help develop Qatar's abundant natural resources.

But it was not just the crude oil side of the petroleum industry where he succeeded. For more than a decade Al Attiyah has built up Qatar's natural gas industry and production capability, and, in the process, helped it become the largest exporter of liquefied natural gas (LNG).

Today, 15 years since shipping its first tanker of LNG, Qatar has attained its long-term goal of being capable of exporting 77 million tonnes of the super-cooled gas annually to selected markets around the globe.

Al Attiyah's years of experience and success in helping to make Qatar one of the richest and most successful countries in the world has not gone unnoticed in oil industry circles.

In 2007, the London-based British Petroleum Intelligence Bulletin chose him as their 'Man of the Year' for his untiring work in the field of the development of hydrocarbons.

He has also been heavily involved in the relatively new initiative, the Gas Exporting Countries Forum (GECF), set up in 2001 to represent and promote the interests of global gas producers, including drawing up a framework for international gas markets.

In June 2009, at the 8th GECF Ministerial Meeting in Doha, Al Attiyah was elected as Chairman of the organization.

And, at the end of the Forum's 11th Ministerial Meeting, also held in the Qatari capital in early December 2010, he announced that Qatar will host the first ever Summit of Heads of State and Government of the GECF in November this year, which will be another landmark event for him.

As for his new responsibilities in Qatar, sources say that in his new position as Head of the Emir's Court, Al Attiyah will assume no less important a job as his energy portfolio activities, but more of a behind-the-scenes role in coordinating all official and unofficial contacts, relationships and work of the Emir and the central parts of the royal court.

In his spare time, Al Attiyah, a committed family man with six children, lists his interests as reading, fishing and radio communication.

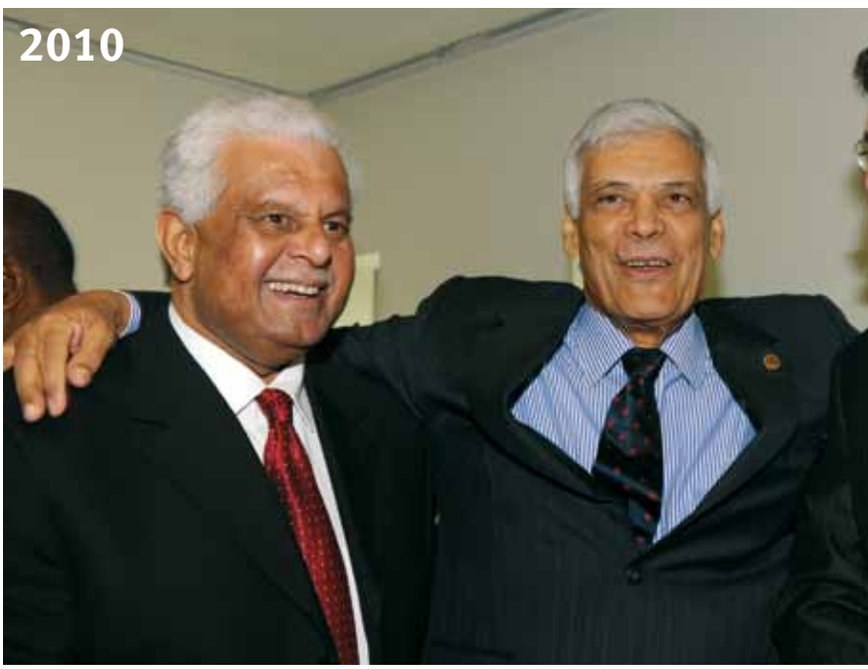
Whether stepping down from his OPEC duties will give him more time for his leisure-time pursuits, remains to be seen. One does imagine, however, that even though his official days at OPEC Conferences are over, he will not be very far away from the Organization's affairs — or thoughts.


*Al Attiyah with Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Kuwait's Minister of Energy.*



*... pictured with Dr Chakib Khelil (r), Algeria's Minister of Energy and Mines.*


*Al Attiyah with Abdulla H Salatt (l), Senior Advisor to the Minister of Energy and Industry of Qatar.*


*Above: ... with Dr Shokri M Ghanem (c), Chairman of the Management Committee of the National Oil Corporation, SP Libyan AJ; Dr Hussain Al-Shahristani (r), Minister of Oil, Iraq.*

*Above right: ... with Abdalla Salem El-Badri, OPEC Secretary General.*


*Right: ... at the official opening of the new OPEC Secretariat in Vienna.*

# Mohammed Bin Saleh Al-Sada
## appointed new Qatari Energy Minister

Dr Mohammed Bin Saleh Al-Sada has been appointed Qatar's new Minister of Energy and Industry, replacing Abdullah Bin Hamad Al Attiyah, who held the position for over 18 years.

The appointment was made on January 18. Al Attiyah, who was the second-longest serving OPEC Oil and Energy Minister in the Organization's 50-year history, has been appointed Head of the Amiri Diwan, the Emir of Qatar's Court.

The new incumbent, Al-Sada, who has also been appointed as Qatar Petroleum's Managing Director and Chairman of the Board of Directors, was previously Minister of State for Energy and Industry Affairs, a position he had held since April 2007.

To his new position, Al-Sada brings with him a wealth of experience with over 28 years of service with Qatar Petroleum, successfully managing various important corporate departments.

Earlier, Al-Sada was the Managing Director of Qatar's RasGas Company and, with effect from February 24, became the Chairman of the RasGas Board of Directors.

He previously held the position of Technical Director at Qatar Petroleum where he directed major oil and gas schemes and related infrastructure projects.

Within the energy industry, Al-Sada is the Chairman of the Board of the Qatar Chemicals Company (Q-Chem), QatarGas, the Qatar International Petroleum Marketing Company (TASWEEQ), Qatar Petroleum International (QPI) and ASTAD Project Management. He is also the Vice-Chairman of the Board for the Qatar Steel Company.

Al-Sada is an active member of the Qatari community and has served as a member of several distinguished committees and organizations, including the Permanent Constitution Preparation Committee, the Supreme Education Council and the National Committee for Human Rights.

He is currently Chairman of the Joint Advisory Board, Texas A & M University in Qatar.

Al-Sada, who holds a PhD from the University of Manchester Institute of Science and Technology (UMIST), in the United Kingdom, earlier graduated with a Bachelor of Science degree in Marine Science and Geology from Qatar University. He is married with two daughters and three sons.

# Secretariat hosts 10th Annual Statistical Meeting

## Qabazard stresses importance of strengthening data flow

***"Timely and reliable data from Member Countries helps enable the Secretariat to produce its regular monthly, yearly and ad hoc reports."***

*— Dr Hasan M Qabazard*

*Dr Hasan M Qabazard, Director, Research Division, conducts the opening ceremony of the 10th OPEC Annual Statistical Meeting.*

The importance of further strengthening the flow of data and information between OPEC Member Countries and the Organization's Secretariat in Vienna was highlighted at the 10th OPEC Annual Statistical Meeting on the Flow of Statistics, held in the Austrian capital recently.

In welcoming delegates to the Meeting, Dr Hasan M Qabazard, Director of OPEC's Research Division, stressed that this exchange of data and information was of paramount importance to the effective and efficient functioning of the Organization.

"Timely and reliable data from Member Countries helps enable the Secretariat to produce its regular monthly, yearly and ad hoc reports," he pointed out.

Specifically, he said, there was OPEC's *Annual Statistical Bulletin,* which depended on data from the annual questionnaires submitted by Member Countries. There was also OPEC's monthly crude oil *Production Monitoring Report,* its *Monthly Oil Market Report* and the annual *World Oil Outlook*, which all required accurate and timely data in developing their analysis and in reaching their forecasts and projections.

In addition, said Qabazard, these were all used for decision-making by the Ministerial Conference and the Board of Governors.

"This all underscores the importance of your active participation in this meeting since it is only with your support that we can move forward in advancing the flow of statistics from Member Countries," he affirmed.

Qabazard stated that, to date, previous Meetings on the Flow of Statistics had undoubtedly proved beneficial.

"For the Secretariat, it has enabled its analysts and researchers to clarify outstanding points and issues that have limited the flow of statistical data from Member Countries.

*Below: OPEC Secretariat delegates Puguh Irawan (r), Statistical Systems Coordinator; Dr Hasan M Qabazard (c), Director, Research Division; Fuad Al-Zayer (l), Head, Data Services Department.*


*Pictured above (l–r): Dr Pantelis Christodoulides, Senior Statistician; Dr Hannes Windholz, Statistical Databank Specialist; Ramadan Janan, Statistical Systems Analyst; Mouhamad Moudassir, Statistician; Harvir Kalirai, Statistician.*

"And for Member Countries, it has been an opportunity to better understand the importance of timely and reliable data that benefits all of us. We have certainly seen much improvement over the years — achieved through collaboration and cooperation," he maintained.

Qabazard said the annual gathering had grown to become one of the Secretariat's key annual technical meetings with Member Countries, one that was recommended by both the OPEC Board of Governors and the Economic Commission Board.

This year's meeting was attended by 34 participants from OPEC Member Countries. Among the attendees were the OPEC National Representatives from Angola and Venezuela, Luís Neves and Fadi Kabboul, respectively.

## Three sessions

The main aims of the Meeting were to continue the ongoing process of improving the flow of regular oil and energy statistics submitted directly by Member Countries to the Secretariat and to exchange Member Country experiences with energy databank management and the utilization of OPEC's statistical database.

The two days of talks were organized into three sessions that followed Qabazard's welcoming remarks and introductory comments by Fuad Al-Zayer, Head of the Secretariat's Data Services Department, who, as Chairman of the Meeting, outlined the detailed agenda before opening proceedings.

The First session began with two presentations on the review on the quality of oil data from Member Countries and on the highlights of the *Annual Statistical Bulletin* for 2009, as well as the time plan for the preparation of the 2010/11 edition.

The Second session reviewed OPEC's annual questionnaire sent to Member Countries and was accompanied by a presentation on the performance of the data submitted, followed by an interactive discussion on the individual tables involved.

The Third session focused on the uses of the statistical database in the Secretariat's research. This covered presentations on oil market developments, OPEC's *World Oil Outlook* and monthly data submission from Member Countries pertaining to the Production Supply Statement and Joint Oil Data Initiative submissions. The session also included presentations on a new publication called *OPEC Key Oil Indicators* and the improved OPEC Intranet application. The Secretariat presentations concluded with a presentation on the feasibility of environmental data collection from Member Countries.

The delegates from Iran, Iraq, Libya and Nigeria delivered presentations on oil data collection systems, which included the organization of data collection activities, the role of oil statistics in government decision-making, data coverage and sources, data collection and processing systems.

From the OPEC secretariat, Puguh Irawan, Statistical Systems Coordinator, delivered a presentation on the *Review on the Quality of Oil Data from Member Countries*. He emphasized the strength of directly communicated data, relative to secondary sources, given the fact that Member Countries had direct access to well-head production-related data from the oil industries in their respective countries.

He stressed that there was growing public interest in OPEC's published data and outlined the way forward for further improvements in directly communicated data from Member Countries.

*Luís Neves, Angola's National Representative to OPEC.*

*Fuad Al-Zayer, Head of the OPEC Secretariat's Data Services Department.*

*Fadi Kabboul (r), Venezuela's National Representative to OPEC, with Puguh Irawan, Statistical Systems Coordinator at the OPEC Secretariat.*

Other presentations over the two days were given by Ramadan Janan, Statistical Systems Analyst, Dr Mohammad Taeb, Environmental Policies Analyst, Dr Hannes Windholz, Statistical Databank Specialist, Dr Pantelis Christodoulides, Senior Statistician, Brahim Aklil, Senior Oil Price Analyst, Garry Brennand, Senior Research Analyst, Klaus Stoeger, Statistician, Dr Mohammad Shahidnewaz Sattar, Statistical Assistant, and Hannes Eichner, Web Technology Specialist.

*Delegates to the meeting take time out for a group photograph.*

# Nigeria's energy industry: On the brink of a new era

*By our correspondent*


*L–r: Mutiu Sunmonu, Country Chair Shell Companies Nigeria; Emmanuel Egbogah, Nigerian Special Adviser on Petroleum Matters (representing the President, Goodluck Jonathan); Nuhu Wya, Minister of State for Power; Senator Lee Maeba, Chairman Senate Committee Upstream; Odein Ajumogabia, Foreign Affairs Minister; Engr Ernest Nwapa, Executive Secretary Nigerian Content Development and Monitoring Board.*

The beautiful and modern federal capital city of Abuja, with its bright sunshine and imposing 400-metre monolith, Aso Rock, looming large above the Nigerian capital, played host to the 11th edition of the premier oil and gas gathering in Africa's largest oil producer, the Nigeria oil and gas conference and exhibition, or NOG.

With support from the Nigerian National Petroleum Corporation (NNPC) and the Ministry of Petroleum Resources, NOG is now the largest and most senior oil and gas event in Nigeria and West Africa where policymakers and oil industry officials, including top executives of international and local oil companies, as well as independents and other stakeholders, gather annually to chart the course of the industry.

Discussions at this year's event were centred on four broad themes: Nigerian energy industry post-reform; the NNPC's transformation; a new strategy for harnessing Nigeria's gas resources; and Nigerian content in the oil and gas industry.

However, the major issue of discussion proved to be


*Nigeria's President, Goodluck Jonathan.*

*Nigeria's Petroleum Resources Minister, Diezani Alison-Madueke.*

the country's Petroleum Industry Bill (PIB) and the continued delay in the passage of the new legislation. The result of this has been a continued stall in investment decisions by operators in the Nigerian oil and gas industry.

Nigeria's President, Goodluck Jonathan, who was billed to open the conference, was regrettably absent. He was represented by his Special Adviser on Petroleum, Emmanuel Egbogah. Dignitaries present included the country's Petroleum Resources Minister, Diezani Alison-Madueke, who was also represented; Ian Craig, Shell Regional Vice President, Sub Saharan Africa; Mutiu Sunmonu, Country Chair, Shell Companies Nigeria; Andrew Fawthrop, Chairman/Managing Director, Chevron Nigeria; Austen Oniwon, Group Managing Director, NNPC; Ciro Antonio Pagano, Managing Director, Nigeria Agip Oil Company; Tim Okon, Group General Manager for Strategy, NNPC; Guy Maurice, Managing Director, Total E & P Nigeria (represented); David Ige, Group General Manager, GMD, NNPC (represented by Goni Musa Sheikh); Osten Olorunsola, Shell Regional Vice President for Gas, Sub Saharan Africa; Ernest Nwapa, Executive Secretary, Nigeria Content Development & Monitoring Board; and Andrew Obaje, Director, Department of Petroleum Resources.

Nigeria, Africa's most populous nation with over 150 million inhabitants, gets over 90 per cent of its foreign exchange earnings from oil and gas exports. The West African nation, which joined OPEC in 1971, has proven reserves of 37.2 billion barrels of crude oil and condensate, the continent's second-biggest after Libya, and 187 trillion cubic feet of natural gas.

Despite the huge earnings from oil and gas exports, the petroleum sector accounts for only 16 per cent of Nigeria's gross domestic product.

## Building local capacity

The Nigerian President said in his speech to delegates that the government has made "the necessary conditions for the transformation of the Nigeria economy from one solely dependent on the export of primary goods, such as oil and gas, to one of production of value-added goods and services."

He maintained that the key to the transformation is to "redeploy the linkage between the oil and gas sector to the larger economy by ensuring increasing local content input and greater participation of Nigerian companies" across the oil and gas value chain.

## Reforming Nigeria's oil and gas industry

Nigeria is about the only OPEC Member Country that exports crude oil, yet imports refined petroleum products to meet its rising domestic demand.

The new petroleum industry legislation, set to reform the way the oil and gas industry is regulated and funded, was first introduced to Nigeria's parliament in late 2008. It is currently going through the rounds in parliament awaiting passage into law. The PIB will rewrite Nigeria's decades-old relationship with Royal Dutch Shell, ExxonMobil, Chevron, Total SA and Eni SpA that together pump over 90 per cent of the nation's oil output in partnership with the NNPC.

The PIB has been criticized by oil companies for being "too nationalistic". They say that the bill as it stands will increase government profit, give too much control to the state and make new investments in deepwater oil fields unprofitable.

Nigeria is Africa's largest oil producer with 2.4 million barrels/day. It currently possesses a production capacity of over 3m b/d.

"At the heart of the reform is the government's desire to remedy key policy, regulatory, fiscal and operational challenges that will result in a clear delineation of roles for the various institutions and the establishment of robust transparency, in line with international best practice," Petroleum Resources Minister, Ms Alison-Madueke, said in her speech.

The reforms seek to aggregate over 15 different laws, under which the Nigerian oil and gas industry will be administered into a single composite legislation. It will restructure the way the industry is regulated and create new regulatory agencies with well-defined roles and responsibilities.

The reforms will also allow the government to re-discuss fiscal terms for old contracts, impose stricter cost regimes on oil firms and require companies to return acreages they have failed to explore after a specific time limit.

Under the proposed PIB, the NNPC will be transformed from its current dual, and conflicting, role of being an operator and a regulator into a profit-driven business entity able to raise funds from international capital markets.

The current joint-venture structure operated with international oil companies will be replaced by an incorporated joint venture model to address the perennial funding shortfalls that has plagued existing joint ventures.

"This piece of legislation, when passed into law, is the key that will undoubtedly open this industry into a new era," Ms Alison-Madueke said.

## A new era

With the global economy becoming steadier and a "revisit" to $100/barrel in the price of crude oil, the Nigerian oil and gas industry is set for a new lease of life with the looming passage of the PIB before the end of May, according to Ms Alison-Madueke.

"The adoption of the PIB will ensure that Nigeria becomes part of the global league of countries with the most modern and forward-looking petroleum laws and this will create a new business environment across the entire oil and gas value chain," she said.

The upstream sector will have a new acreage management system with "robust gas fiscal terms". Encouragements will be given to local operators who produce small and marginal fields as the government seeks to grow local content participation in upstream operations.

A new midstream sector will be created; refining and petrochemical industries will be provided with "incentives similar to those in the gas utilization, processing and infrastructure sub sectors," the Minister said.

There will also be a robust pipeline transportation and gas processing tariff regime that will be regulated by a strong midstream agency. Such a move will enable the government to realise its objectives, as enshrined in the National Gas Master Plan.

The downstream sector of the industry, which is hitherto regulated and highly subsidized by the government, will be fully deregulated to allow market forces to determine the price of petroleum production. "Marketplace gas pricing will be the order of the day" after the transition stage.

In spite of the concerns expressed by international oil companies that the PIB will proffer stiffer terms and discourage investment in large deepwater oil fields, they will still play a big role under the new order.

"In the future, as in the past, we should have a key role to play in the next phase of the country's development," Ian Craig, Shell Regional Vice President, Sub Saharan Africa, said in his speech.

The international oil companies will continue to be "an industry leader" and "will be a bringer of global expertise and leading edge technology." The Nigerian oil and gas industry has huge potential, more than any other country in Sub Saharan Africa and more than most countries in the world, according to the Shell chief.


*L–r: Senator Lee Maeba, Chairman Senate Committee Upstream; Prof Barth Nnaji, Special Adviser to the President on Power; Odein Ajumogabia, Foreign Affairs Minister; Dr Alirio Parra, Conference Chair; Emmanuel Egbogah, Special Adviser on Petroleum Matters; Nuhu Wya, Minister of State for Power; Mutiu Sunmonu, Country Chair Shell Companies Nigeria; Philip Chukwu, Group Executive Director Refining and Petrochemicals NNPC (at the conference opening).*

## Combating militancy in the Niger Delta

Ms Alison-Madueke emphasized the government's resolve to address the scourge of militancy in the Niger Delta. A surge in violence in the oil region late last year threatened to reduce output from OPEC's seventh-largest crude producer.

Militants struck ExxonMobil's Oso offshore platform, Afren Plc's shallow water field and a pipeline supplying crude to two of Nigeria's refineries in November. Attacks by armed groups in the Niger Delta, including the Movement for the Emancipation of the Niger Delta (MEND), resulted in a significant drop in the country's daily crude output. The increased violence came on the heels of relative calm after bands of militants disarmed under an amnesty signed in 2009.

Today, over two years since thousands of militants put down their weapons and accepted the amnesty, the government plans to initiate a dividend paying system to host communities. Direct payment of dividends to oil communities is a new strategy the administration intends to employ to address the Niger Delta crisis and make the communities "key stakeholders" with incentives to protect oil and gas installations within their communities.

At the height of the militant attacks in 2008, Nigeria's oil output fell to about 1m b/d, and, in the process, created uncertainty that helped to push oil prices to the all-time high of $147/b.

"Over $600 million is estimated as annual dividend payments to be disbursed to communities hosting oil and gas producing facilities or directly impacted by the operations," Ms Alison-Madueke said.

This amount could rise to as much as $1 bn, according to Emmanuel Egbogah, Presidential Adviser on Petroleum.

## Gas development to take prominence

With 187 tr cu ft of proven natural gas reserves, Ms Alison-Madueke said Nigeria is poised to put gas development on the front burner.

The Nigeria Liquefied Natural Gas Company accounts for about ten per cent of global gas supply. Africa's largest oil producer could have as much as 600tr cu ft of gas in reserve, according to the US Geological Survey.

However, according to Shell's Craig, more needs to be done to harness the substantial gas resources for domestic power generation, liquefied natural gas and possibly gas-to-liquids, or export, via pipeline.

"There is a clear policy to fully exploit the potential of gas for accelerated economic development," Ms Alison-Madueke said. "The Nigerian gas sector is being repositioned in terms of cost competitiveness and scalability of capacity for integrated infrastructure strategy to support domestic, regional and export markets and also to attract new players through the assurance of commerciality for all investments."

The Nigerian Gas Master Plan provides the legal and structural framework for harnessing Nigeria's huge gas resources. The plan aims to stimulate the multiplier effect of gas in the domestic economy, position the country competitively in the high-end export markets and guarantee long-term energy security.

To attain this lofty height, the PIB offers a new comprehensive strategy to deal with these issues, the Minister said.

"Attractive fiscal terms for the production of gas and condensates through royalties, which are capped at 12.5 per cent, and substantial production allowances on the Nigerian Hydrocarbon Tax, will create an overall government take of about 65 per cent," Ms Alison-Madueke said.

These fiscal terms will be applied to all new projects that eliminate gas flaring and develop deep gas reservoirs, she added.

As concern mounts over the falling value of the US dollar

# Is the greenback set to lose its reserve currency status?

By Mohammed Al-Fathi

When the financial crisis reached its height in 2008, it quickly became clear that currencies would play a leading role in the subsequent time after. Due to the large amounts of money spent to stimulate the economy and bail out the financial sector, a significant impact on the money supply, and as a result currencies, had to be expected.

The bailout of companies is, for the time being, over. However, stimulus spending needs to be gradually unwound and this will again affect the money supply — along with loose monetary policy — with volatility in the currency markets set to persist.

These fluctuations have led to concerns that some governments may be actively trying to devalue their currencies to gain a competitive edge with one observer coining the phrase "a race to the bottom".

To allay fears, at the last G20 meeting in 2010, the respective countries released a public statement to emphasize that "there will be no competitive devaluation". All of this has once again brought the subject of the value of the US dollar back to the forefront and the Federal Reserve, as its keeper, too.

Understanding the Federal Reserve is not a science. Information is very limited, especially when compared with other central banks, and historical data is not of much use because more times than not interest rate changes were not justified by economic fundamentals.

For example, in the lead up to the internet bubble burst in 2000, most observers expected the Federal Reserve to increase interest rates because the economy was showing signs of overheating. But it decided to continue cutting them to record lows.

Unfortunately, now, more than ever, nations who have to deal and keep significant savings in dollars, such as China and OPEC Member Countries, are interested in the Fed's actions because the value of the dollar seems to be on a downward trend.

With no viable substitute there are genuine concerns with regards to the dollar's role as the world's reserve currency, a role that should entail exhibiting long-term stability. Estimates vary, but one dollar today is worth between 40 and 45 cent of what it was in 1980.

Before the financial crisis, expectations for the fall in the value of the dollar reached a new high as the value of the euro kept rising. In fact, it was being pepped as the new reserve currency. It is indeed an extraordinary reversal of fortune to reach a point where, instead of talking about the euro's dominance, its very existence has been discussed in recent months.

## Shouldering the burden

This debate aside, there are now legitimate questions about the finances of some euro zone countries. Germany, as the euro zone's de facto central banker, has shouldered a disproportionate amount of the burden to prop up the currency in the past months. Its efforts will have to continue now that the finances of smaller member countries, such as Greece, Ireland and Portugal, have highlighted those of the larger members, including France, Italy and Spain, who also have a significant debt burden.

For example, Ireland, with a government deficit of 14.3 per cent, and Portugal, at 9.4 per cent, are most at risk, while the larger members, like Italy with 12 per cent, Spain with 11.2 per cent, are also in a precarious position.

When examining these percentages one has to bear in mind the Euro Stability and Growth Pact (SGP) which stipulates that euro zone member governments can have annual budget deficits no higher than three per cent of their respective GDP (this includes the sum of all public budgets, including municipalities, regions, etc).

Fluctuations between the euro and US dollar will continue in 2011 because, whatever happens in Europe, they will need to do something to increase creditor confidence and their actions will constrain economic activity.

This does not necessarily mean that dealing with the debt burden will put a break on the current economic recovery, but it certainly limits its potential. Unemployment remains stubbornly high, governments are trying to reduce spending and consumers have yet to return to pre-financial crisis spending patterns.

So while there can be no doubt that a recovery is underway, the combined effect of the aforementioned factors will continue to exert a significant lag on economic activity.

One should also note that large debt burdens can produce very fluid economic situations in the sense that

a problem can arise without warning, as we have seen most recently in Greece. Of course, countries, unlike companies, cannot go bankrupt because they can always print money, so what sovereign creditors are truly concerned about is the value of their debt.


Reuters

*Japan's economic recovery still remains fragile. Helping to address the situation is Bank of Japan Governor, Masaaki Shirakawa (pictured above).*

And this is the main reason why a return to pre-2008 levels of economic activity is so crucial with regard to currency fluctuations because it would mean a significant increase in employment, consumption, exports and tax revenues that would allow central banks to tighten monetary policy and help stabilize the currency markets.

As things stand now, the emphasis on exports is the main reason why there are concerns about competitive devaluations. As euro zone governments announced that they will increase exports at the same time to above 2008 levels, one has to wonder just exactly how they plan to do this. What is their new competitive edge?

In the years preceding the financial crisis, exports reached unprecedented levels. So what are the new innovations, products or efficiencies that will take them even further? And how can this be achieved when consumers in your main trading partners are mending their finances and have changed their spending habits?

For example, consumers in Japan showed a clear reduction in impulse buying after the recession in the early 1990s and have yet to return to the spending patterns exhibited 20 years ago. The economic growth Japan experienced in the past ten years was mainly down to an increase in exports, especially to China, and not to its domestic economy.

## Recovery remains fragile

Japan's recovery remains fragile with deflation, high public debt, weak domestic demand and a strong yen leaving policymakers with a number of concerns. For example, private consumption, which accounts for about 60 per cent of Japan's GDP, once again slid by 0.7 per cent in the fourth quarter of 2010, compared with the same period the previous year. On the other hand, Japan's exports to China increased by 29.7 per cent in 2010, compared with 2009.

Hence, in theory, the most straightforward way to solve all your problems is to devalue your currency and hope to gain a competitive edge and increase exports when the domestic economy is weak.

Unfortunately, when everyone else is resorting to the same plan of action at the same time — directly, indirectly, by circumstance, or not — no competitive edge is gained and there is "a race to the bottom". This has not happened yet, but the potential is there.

Although Europe faces many challenges in the coming years, economic prospects in the United States are very similar. When looking at the US federal deficit, individual state deficits and private debt, it is difficult to find any difference between the US and the euro zone, apart from the huge advantage of having the world's reserve currency in the dollar.

The US Treasury and Federal Reserve must be aware of this in their decision-making and know investors have limited options. The world's reserve currency gives them the ability to pursue a different monetary policy than they otherwise could have.

Until now, the European Central Bank (ECB) has resisted the use of instruments such as quantitative easing (QE), a form of monetary policy whereby the central bank increases the money supply by buying back government bonds.

On the other hand, the US Federal Reserve is implementing another round of QE under the name of QE2. QE2 was presented with the words used to describe the strategy for the Gulf conflict in 2003, "shock and owe", and the Fed made it clear it will implement QE3 if it sees the need to do so.

However, this raises the question: how do they define the criteria that would create this need?

Before QE2, equity prices were rising and there was a general consensus that there was plenty of liquidity in the stock market. Businesses were opting to hold on to, rather than invest, a significant amount of their moneys and the production capacity that built up before the crisis was large enough to meet demand.

QE does nothing to solve these problems; on the contrary, it might be creating a bubble in the stock market. There will be more liquidity, which could result in higher equity and commodity prices as the money tries to look for a home.

It should be noted that the ECB has not said QE is out of the question and its decisions are limited because of having to produce a "one fits all" policy in the euro zone. Yet it does raise the question that if it is as useful as the Fed says it is, then why has it not been taken up as enthusiastically across the Atlantic?

## Definition of low inflation

Part of the justification for QE2 is to stem deflation because the Fed believes a low inflation environment encourages economic activity. Its definition of low inflation is constantly evolving, but one could say it defines price stability at about two per cent inflation every year.

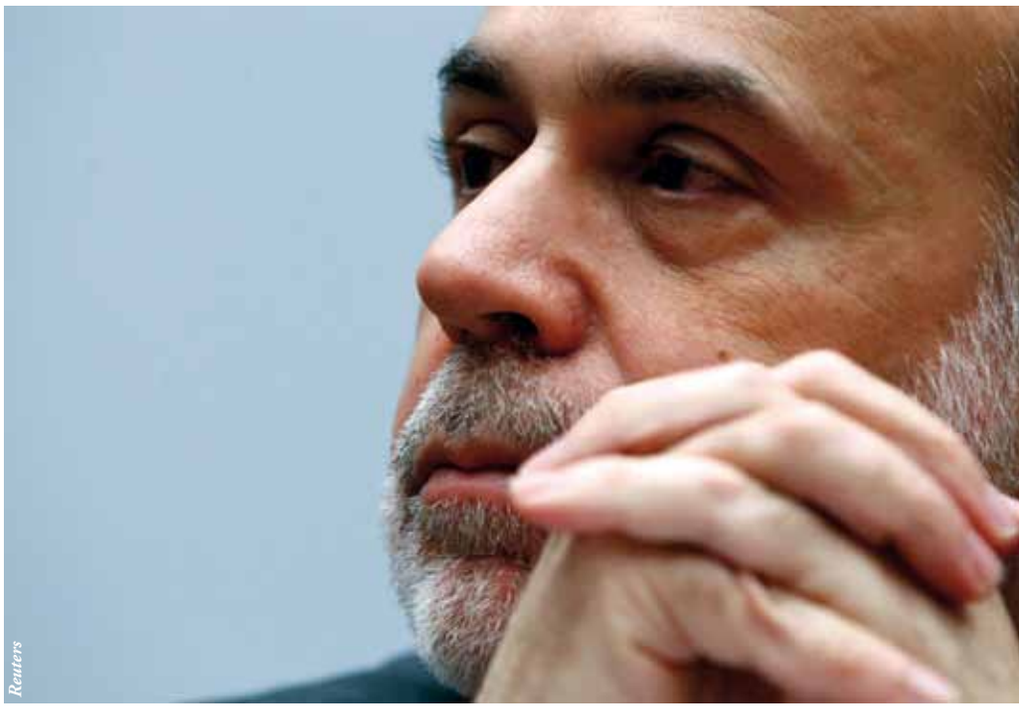
This does not mean that it targets such an inflation rate but that it finds it acceptable.

The effect of such a view in the short run is negligible, but, in the long term, it has a significant negative effect on the value of the dollar and its purchasing power.

It is unclear what the difference is between one per cent deflation and two per cent inflation to justify taking action as serious as QE2 where it will buy back $600 billion worth of US long-term bonds in the open market, close to seven per cent of all treasuries in public hands. That amount is roughly equivalent to the total amount of net debt the federal government will issue during the Fed's QE2 campaign.

For QE2 to work, the Federal Reserve will have to rely on Federal Reserve holders not to use it as a chance to unload their bonds and decrease their exposure. The programme will run for about eight months and, in that time, the Fed hopes to buy back about $75bn worth of securities a month and hope the sellers will buy mortgage bonds, corporate bonds, and equities instead.

It should be noted that the Fed also hopes the money will stay in the country and not be used to buy assets outside the US. This is a real possibility as we have seen something similar before when Japan reduced its interest rates close to zero and money was borrowed inside the country to be invested elsewhere. Indeed QE2 has already pushed equity prices higher in Asia.




*US Federal Reserve Chairman, Ben Bernanke.*

It remains to be seen if all the money stays in the US and whether it will encourage economic activity. Companies are already supposedly sitting on $1.3 trillion worth of savings.

In an interview with the Public Broadcasting Service (PBS), US Federal Reserve Chairman, Ben Bernanke, said he believed the economic recovery "may not be" self-sustaining. So we can only presume he is willing to keep the recovery going by any means necessary.

US national debt is currently approaching $14tn and the government released a report this year to say it believes it will rise to $20tr five years ahead of earlier forecasts in 2015.

One should also note that in their statements the example of Japan and the lessons learned from its government stimulus plans is frequently mentioned. However, if anything, Japan proved stimulus packages have a limited effect — and put an increasing strain on public finances the longer they continue — and an improvement in economic fundamentals is far more important.

The Fed's Bernanke is known as the leading scholar of the Great Depression and post-World War I economic history of Germany. More recently, he was responsible for some of the most extensive research done on the Japanese economy following the crash in the stock and housing markets in the early 1990s and the government's

reaction to it. His academic work was the main reason given to justify his reappointment after his failure to recognize the housing bubble.

To pay their debts and war reparations, Germany effectively started printing money and for six years inflation was negligible and at one point even decreased. These were the six years before the worst hyperinflation ever seen to this day.


*French Finance Minister, Christine Lagarde.*

Following the stock market crash in 1929, the US government repeatedly tried to stimulate the economy. However it was the advent of World War II which created a shift — and not a movement — along the demand curve that finally brought the US economy fully out of the great depression.

More recently, Japan supported many defunct industries and financial institutions and is still propping up some of these entities in one way or another. The Federal Reserve seems to have disregarded the lessons we can draw from these periods, basically saying that it has the ability to manipulate the supply of money to increase economic activity without the risk of high inflation, or a significant adverse effect on the value of the dollar.

It is not possible to forecast the course of the dollar with certainty because of its status and the competitiveness of the US economy. It is a well-established dynamic economy and a source of growth, especially for emerging markets, and its currency will always benefit from any contractions elsewhere.

## Dollar's resilience

Although one could say the dollar is on a downward trend with reason, the past six months have proved how resilient it can be. A recovery is underway and the US economy definitely has the potential in the coming years to once again prove its strength, especially when it comes to creating jobs and bringing new products to the market.

However, when examining the US Treasury and Federal Reserve one has to conclude that the dollar has done better than expected in spite of and not because of them.

Especially when considering Fed decisions over the last 30 years, it is difficult to point to a single action that was clearly made to support the currency's value. The US is not obligated to cater for a reserve currency as the dollar is the currency of the US and a reserve currency. It is very clear now, when push comes to shove, the main priority of the powers that be is the former rather than the latter.

The crux of the matter could not have been better defined than when John Connally became Treasury Secretary in 1971 and said to a European delegation worried about exchange rate fluctuations in the US dollar that "it is our currency, but your problem". And as US debt levels inextricably grew from the 1980s, so did the "problem" he referred to.

As a result, there is now a newly found or resurrected interest in real assets and, since 2008, perhaps the most significant development is the rise in commodity prices, especially gold.

Whether the increase in gold prices is justified or not is debatable. But the fact that demand for gold has grown by nine per cent since 2009 and prices by 40 per cent can be somewhat explained by a lack of confidence in the world's financial system and the dollar as its reserve currency.

In 1999, even former Federal Reserve Chairman, Alan Greenspan, felt obliged to say: "Gold still represents the ultimate form of payment in the world. Germany in 1944 could buy materials during the war only with gold. Fiat money paper in extremes is accepted by nobody. Gold is always accepted."

He said this in response to a question about the then UK Chancellor of the Exchequer, Gordon Brown, making an announcement to sell half of the UK's gold reserves because he thought it was wise to do so at a time when prices for the commodity were at a 20-year low.

In December 2010, gold prices reached a record high when they went over $1,400 an ounce and it is likely they will continue rising in 2011. Gold has experienced its tenth straight annual gain partly because, in this time, governments have borrowed more than ever and at the same time kept borrowing costs at record lows.

When looked at it with such a perspective, it is difficult to see why gold should not continue to increase — especially when one also considers the increasing demand coming from China and India.


OPEC Secretary General, Abdalla Salem El-Badri

Interest rates are at record lows and may increase moderately, but it is out of the question we will see a significant rise while governments believe they can support the economy and increase private and business borrowing with loose monetary policy.

The right conditions are in place for gold to continue rising and in 2010 it outperformed global equities, US treasuries and most industrial metals. It should also be noted that China's gold demand — government, business and private — has risen tremendously. Imports in 2010 were five times higher than in 2009.

China is increasingly interested in gold, not just as a hedge against bond prices — which move inversely compared with the commodity — but also because their gold reserves are much lower than that of the US and need to rise if they are truly serious about making the yuan a rival to the dollar in the future.

There are genuine concerns, real or perceived, about the future value of euro and dollar-denominated financial holdings that are driving an interest in real assets, precious metals, agricultural industries, related infrastructure projects, and anything that enables investment in non-financial assets.

Unfortunately, demand far exceeds supply and there is only so much gold and silver one can buy, or pipelines one can build. For example, China has been making more funds readily available to Russia to improve oil and gas export infrastructure.

But China's present and future savings are too large to be fully satisfied by such diversification and it has to temper its appetite, lest it drives prices higher for such assets. Or it cannot use QE to unload its treasury bonds to buy more of such assets because it could reduce the value of whatever treasury securities it has.

This is the kind of dilemma many countries, businesses and private individuals are facing and why there is increasing talk about a new reserve currency, or world currency. Some sort of readjustment has to take place because the current conditions cannot remain constant. A reserve currency needs to exhibit some sort of stability.

China, Russia and France, to name but a few, have all called for the need to diversify away from and reduce dependence on the dollar. French Finance Minister, Christine Lagarde, said the existence of one reserve currency would not be a problem if that currency remained stable.

As things stand now, it is not the end of the dollar as we know it, but one can see it from here. As long as the US Treasury and Federal Reserve continue to delay a proper restructuring of the economy through monetary means and hoping other countries will pay for it, the closer they will bring the dollar to the end of the role it currently plays.

These actions have also limited their options in the future. For example, US President Barack Obama's administration is being forced to take debt seriously because of the recent elections and, at the same time, it is making it clear that if debt limits do not rise, then the government will not be able to function.

They are now slaves to the debt they created and the loose money policies that drove the economic growth of the previous boom. We are now in a situation where anyone who was hoping to save in a long-term stable currency is actually highly dependent on short-term market fluctuations.

## El-Badri expresses concerns

OPEC Secretary General, Abdalla Salem El-Badri, has expressed concerns about the value of the dollar sinking and he is not alone in his worries. Due to China's US Treasury Bond holdings of more than $1.16 trillion its government has repeatedly pointed to US monetary policy over the past two years. Unfortunately, due to the aforementioned need for a reserve currency and a lack of a viable substitute, diversification possibilities are very limited.

As long as these conditions persist any country dealing with and holding significant savings in dollars will have to continue living with the currencies ups and downs. No matter what they say in public, the Federal Reserve makes decisions according to what it deems is best for the US economy and not what will benefit foreign dollar holders.

*Mohammed Al-Fathi is an economic analyst, based in Vienna.*

Diversification of financial resources the way forward for Iran

# Oil and gas expansion projects remain firmly on track

*Dr Masoud Mir-Kazemi, Iran's Petroleum Minister.*

Iran's petrochemical production capacity is set to reach 95 million tons annually by 2015, with the launch of new projects, according to the country's Petroleum Minister, Dr Masoud Mir-Kazemi, who is OPEC Conference President for 2011.

Speaking at the recent inauguration ceremony of the Mobin petrochemical plant in Assaloyeh, which forms part of the onshore installations of the South Pars gas field in southern Iran, he said the new plant included two 123 megawatt electricity units and two steam production facilities, each of which was capable of producing 330 tons of steam per hour.

The Minister noted that as part of the sector's expansion plans, other petrochemical schemes were due to go onstream shortly, which would boost the nation's output capacity of petrochemical products to 51m t a year.

The new plant forms part of Iran's overall oil and gas expansion programme, under which several other projects have recently been commissioned.

In February, Mir-Kazemi inaugurated several large schemes, which coincided with the 32nd Anniversary of the Islamic Revolution and the Ten Day Dawn ceremonies.

It resulted in the largest compressor station in the Middle East coming online in Iran. The facilities, known as Saveh-2 and Seveh-3, have the capacity to transfer 160m cubic metres of gas a day.

In addition, the first phase of expanded production capacity and upgraded oil products at the Imam Khomeini (Shazand) oil refinery went into operation.

Mir-Kazemi said at the inauguration ceremony marking the occasion at the plant that Iran's total gasoline production capacity would rise to 20m litres/day by July this year.

He noted that the Imam Khomeini refinery's gasoline production capability had increased by 2m l/d, boosting daily refining capacity from 170,000 barrels to 250,000 b. And there was the potential for output to rise to 12m l/d by July 2012.

At the same time, the blend of crude oil at the plant had been changed, reducing fuel oil production from 38,000 b/d to 15,000 b/d.

Over the past few years, the production and consumption pattern of the country's oil products have changed from middle distillates to gasoline and other oil products with higher value-added.

Two of the main objectives of the Imam Khomeini refinery's development programme have been to produce oil products compatible with Euro-4 standards, as well as curb environmental pollution.

After the completion of the planned development


*Iranian President Mahmoud Ahmadinejad visits Iran's first offshore oil platform in the Caspian Sea near Neka.*

phase, the refinery will be able to convert 90 per cent of its crude oil input into value-added products, including gasoline, liquefied gas, gas oil, propylene and kerosene. Just 8.4 per cent of the plant's crude oil will be converted into fuel oil and bitumen.

According to Mir-Kazemi, the gasoline produced at the Imam Khomeini plant would be compatible with Euro-5 specifications, while the gas oil produced would match Euro-4 standards.

"Currently, some upgrading and production capacity expansion projects are being implemented in our refineries that will lead to increased gasoline production," the Minister affirmed.

The second phase of the refinery's expansion programme entails increasing the gasoline production capacity by 10m l/d. This is scheduled to go onstream next year, boosting capacity at the plant to 16m l/d.

A consortium of Iranian and Chinese companies is implementing the refinery's development plan.

With the implementation of both existing phases, the refinery's production capacity of liquefied gas will increase from 6,900 b/d to 22,500 b/d, super gasoline will rise from 5,875 b/d to 22,339 b/d, regular gasoline from 23,000 b/d to 77,000 b/d, kerosene from 26,300 b/d to 37,400 b/d, and gasoil from 47,100 b/d to 56,123 b/d. Fuel oil fell from 37,720 b/d to 15,153 b/d while sulphur rose from 60 tons to 700 t.

Meanwhile, Mir-Kazemi also attended the inauguration ceremony of the second-phase development of the Darkhovain oil field, at which he pointed to the utilization of varied financial resources to support needed projects, as opposed to relying just on the National Iranian Oil Company (NIOC), a situation that could lead to delays and incomplete schemes.

He pointed out that the diversification of domestic financial resources had helped finalize contracts and overall achieve the progress required in the developing the country's oil industry.

"While the upstream sector needs $150bn of investment over the country's fifth five-year development plan, some other sectors, including oil refining and distribution, petrochemicals and gas, each need $20bn in investment," he explained.

Expressing the investment made in just the Darkhovain oil field in cost-effective terms, Mir-Kazemi noted that in view of the short time required to launch the first phase, the oil sector had gained 14 times more than the costs incurred.

Darkhovain is now capable of producing 160,000 b/d of oil, 50,000 b/d more than under the first phase.

The field, located in Khozestan Province and possessing 5.2bn b of oil, will see its production capability rise to 260,000 b/d when the third phase of development is implemented.

# Venezuela has the world's cheapest domestic gasoline

*Venezuela's Energy and Petroleum Minister, Rafael Ramirez.*

Venezuela has the cheapest domestic gasoline in the world, according to the country's Energy and Petroleum Minister, Rafael Ramirez.

However, it comes at some cost for the OPEC Member Country. Venezuela's state oil company, Petroleos de Venezuela SA (PDVSA) loses over $1 billion annually through domestic subsidies to keep prices at the pump low.

At a cost of three to four US cents per litre, most Venezuelans can fill the tanks of their cars for under $1.

Ramirez, who is also President of PDVSA, pointed out that compared with the cost of producing the fuel, the subsidy amounted to more than $1.5bn a year.

And rather than remove the subsidy, the government of President Hugo Chavez is trying to reduce local consumption of gasoline.

"We have to start to reduce gasoline use. Venezuelan gasoline is the cheapest in the world and the government subsidizes 90 per cent of the fuel's real cost," Chavez commented.

Ramirez announced recently that PDVSA's net profit fell by 30 per cent to $3.1bn in 2010 from the previous year.

However, he pointed out that the company, one of the largest oil firms in the world, was still sound financially.

"It is a business that has an extraordinarily solid position," Ramirez was quoted as telling lawmakers in parliament, adding that the company possessed assets worth $145.6bn, but held total debt of a near $25bn.

In early February, PDVSA offered a $3bn bond intended to raise funds to support its domestic investments.

A statement carried on the company's website explained that the bond could be purchased at the lowest official exchange rate of 4.3 bolivars to the US dollar and then traded abroad in dollars.

It was being offered in first instance to businesses involved in Venezuela's productive sector, mainly in the food, health, machinery and oil activities. However, PDVSA said it also encouraged individual Venezuelans, and local financial institutions to apply.

"The funds obtained by PDVSA via the placement of the 2022 bond will be destined for PDVSA's corporate aims, to finance investment projects, including those for the social development of the nation," the statement said.

The national oil company is entrenched in financing many of the government's social programmes, which are aimed at providing subsidized food and free healthcare to the poorer communities.

Last year, the Venezuelan government issued $3bn in sovereign debt, a $3bn bond, added $1bn to an existing note and conducted a swap that brought a further $619 million.

PDVSA has issued an average of $4.5bn of bonds annually for the last four years, including reopening old notes.

# G20 ministers welcome report on boosting effectiveness of JODI

The G20 countries have welcomed the interim report prepared by the International Energy Forum (IEF), the International Energy Agency (IEA) and OPEC aimed at improving the quality, timeliness and reliability of data and information compiled by the Joint Organization Data Initiative (JODI), which is based in Riyadh, Saudi Arabia.

A meeting of the Group's Finance Ministers and Central Bank Governors in Paris, in February, called for further work on strategies to implement the recommendations to be detailed in the final report of the three organizations on the subject.

A *communiqué* issued at the end of the G20 meeting said that building on the Riyadh Symposium held in January, delegates encouraged the IEF to provide concrete strategies to improve the producer-consumer dialogue.

"Following our leaders' request, we call on the International Monetary Fund (IMF) and IEF, as well as the IEA, the Gas Exporting Countries Forum (GECF) and OPEC to develop, by October 2011, concrete recommendations to extend the G20's work on oil price volatility to gas and coal," it stated.

"We look forward to discussing at our next meeting the report of the IEF, the IEA, OPEC and the International Organization of Securities Commissions (IOSCO) on price reporting agencies, as well as the interim report on food security currently being undertaken by the relevant international organizations, and IOSCO recommendations, and the Financial Stability Board's consideration of the next steps on regulation and supervision of commodity derivatives markets, notably to strengthen transparency and address market abuses."

The meeting discussed concerns about the consequences of potential excessive commodity price volatility and asked G20 deputies to work with international organizations and to report back on the underlying drivers and the challenges posed by the current trends for both consumers and producers and to consider possible actions.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"Keeping in mind the impact of this volatility on food security, we reiterated the need for long-term investment in the agricultural sector in developing countries," said the *communiqué*.

It stressed that the G20 was committed to pursuing the reform of the financial sector. "Despite good progress, significant work remains," the *communiqué* pointed out.

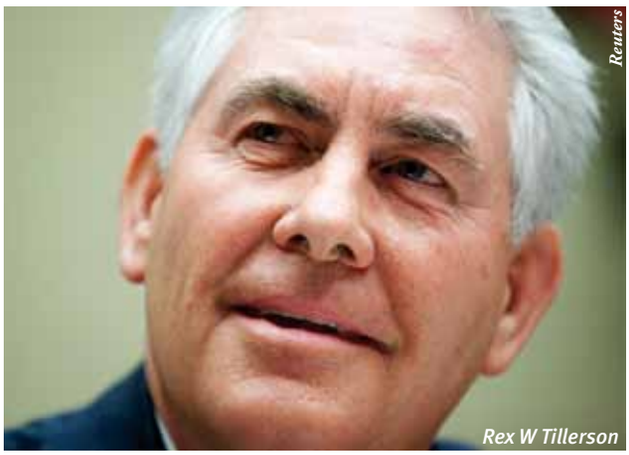
Delegates noted that the global recovery was strengthening, but was still uneven and downside risks remained.

"While most advanced economies are seeing modest growth and persisting high unemployment, emerging economies are experiencing more robust growth, some with signs of overheating.

"We reaffirm our willingness to ensure a consistent and coordinated response to the challenges we face, address the root causes of the crisis and restore global economic growth on a sounder basis.

"We also reaffirm our commitment to coordinated policy action by all G20 members to achieve strong, sustainable and balanced growth," the *communiqué* stated.

# Natural gas forecast to take second spot in global energy mix



Rex W Tillerson

According to the annual energy outlook of ExxonMobil, natural gas will overtake coal as the second-largest energy source for global markets in 20 years' time after crude oil.

"Our forecasts show a shift toward natural gas as businesses and governments look for reliable, affordable and cleaner ways to meet energy needs," commented Rex W Tillerson, ExxonMobil's Chairman and Chief Executive Officer.

ExxonMobil and other major oil companies are making considerable investments in natural gas projects as the environmentally friendly fuel grows in popularity, especially for power generation.

The ExxonMobil report stated that new gas supplies, including those from shale rock fields, and the fact that gas has a lower environmental impact compared with other fuels, will drive demand higher.

The company, which is the world's largest gas producer, predicts that world energy demand will rise by 35 per cent in 2030 from 2005 levels, with virtually all the increment being consumed by developing countries, where consumption will surge by some 70 per cent.

At the same time, said the report, the developed industrialized economies will continue to improve their energy efficiency, which will prevent their demand from rising.

The company expects crude oil to provide 32 per cent of the world's energy needs in 2030, compared with 36 per cent in 2005. It sees gas boosting its market share to 26 per cent of global energy demand, a rise of five per cent over the period. Coal, it said, is slated to lose three per cent of its market share to just 21 per cent of the total, even though demand is forecast to rise by five per cent overall.

Meanwhile, BP maintains that global energy demand will expand by as much as 40 per cent over the next two decades. It also forecasts that natural gas supplies will grow considerably to help cover those energy requirements.

However, in looking at the energy mix, BP predicts that the three energy resources of oil, natural gas and coal will have an equal share of 26–27 per cent in 20 years time.

The reports from both oil companies predict higher use from renewables and the nuclear option, but not to the extent where they will challenge the share of fossil fuels.

ExxonMobil said that alternative sources of energy, such as wind, solar and biofuels, will increase by about ten per cent annually over the next 20 years, but will still only contribute some 2.5 per cent of total world energy supplies.

Power generation, said the company, is the fastest growing major sector for energy demand and will contribute 55 per cent of the total growth in demand up to 2030, bringing its share of total energy demand to 40 per cent.

Global electricity demand is expected to expand by 80 per cent with countries outside the OECD region experiencing growth of 150 per cent.

Natural gas, said ExxonMobil, is slated to meet 25 per cent of the world's electricity needs.

William Colton, Exxon's Vice President of Corporate Strategic Planning, was quoted as saying that under any scenario, natural gas is an attractive fuel for power generation.

He said that oil will retain a significant share of the fuel market because there is nothing better for transportation. And, he added, a growing global economy will need more airplanes, ships, trains and trucks, all of which required petroleum products.

Colton said that ExxonMobil does not expect oil supply to be an issue in the years ahead, stating that the resource base is actually growing and it is really a question of the technology available

The oil sector is learning to go where it was previously unable to operate, or exploit resources economically, he added.

# UNCTAD forum warns of the dangers of speculative distortions

The Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) has expressed concern about "speculative distortions" that create volatility in global commodity markets.

Addressing UNCTAD's second Global Commodities Forum, Supachai Panitchpakdi said there were serious concerns about the way in which commodity markets had evolved in recent years.

The two-day conference, which was attended by the heads of several leading international organizations, was held to discuss ways and means of finding both systemic and systematic solutions to the chronic problems facing global commodity markets.

The UNCTAD head told delegates at the forum, which this year had *Volatility in international commodity markets* as its central theme, that speculative distortions complicated the economic management of the production and trade of commodities.

"Such volatility has huge negative impacts on vulnerable groups, such as low-income households in developing countries, for whom food expenditure can account for up to 80 per cent of household budgets," he said.

Citing several examples, Panitchpakdi pointed out that since mid-2010, commodities had, for the second time in three years, been experiencing extremely high price volatility.

He called for improved efforts to identify the policy levers that could rein in excessive volatility and maintain prices within a reasonable band and urged developing countries, dependent on commodities, to continue efforts to diversify their economies so that they were less vulnerable to volatility in the respective markets.

Pascal Lamy, Director-General of the World Trade Organization, warned that 2011 would see the prices of most commodities rise, in keeping with an expansion in demand, most notably in the world's emerging economies.

He maintained that China, India and Latin America would be acting as a 'pull' for global commodities.

Lamy said that volatility was at its worst in tight and closed markets and hence eased in open and deeper markets.

He said the successful completion of the Doha Round of global trade talks could help the situation a great deal.

Andrey Vasilyev, Deputy Executive Secretary of the United Nations Economic Commission for Europe, noted that with global unemployment being high and the world's industrialized economies recovering only slowly from the economic recession, any rise in commodity prices posed more difficulties.

He said it was important to limit such prices to the forces of supply and demand and to reduce the influence coming from financial speculation.

*Supachai Panitchpakdi, Secretary General of UNCTAD.*

Ali Mchumo, Managing Director of the Common Fund for Commodities (CFC), told delegates that the challenge was to find practical workable solutions to the perennial problems of the commodity economy, adding that there was not much disagreement that dependence on commodities was a development problem.

He stated that recent developments in the commodity markets had been the subject of intense discussion by his fund and all its stakeholders.

Meanwhile, Hamadoun I Touré, Secretary-General of the International Telecommunication Union (ITU), stressed that the global community must work together to ensure the long-term sustainability of the production and marketing of commodities. Careful monitoring of those markets was vital.

He noted that, for billions of people, the cost of meeting daily food requirements took up a significant portion of family incomes.

# China's oil demand growth to be lower in 2011, but still world leader

China's oil demand growth in 2011 is again forecast to be one of the world's leaders, even though domestic figures are likely to be much lower than last year.

Despite government efforts to reduce the country's energy use, according to the March edition of the *OPEC Monthly Oil Market Report,* China's oil demand is expected to grow by 510,000 barrels/day this year to average of 9.5 million b/d.

Last year, the world's second-largest economy recorded oil demand growth of nine per cent which added 700,000 b/d to China's total oil demand. Diesel was the oil product that saw the most expansion with growth registered at 340,000 b/d for the year, 12 per cent up on 2009 figures.

"Diesel is an important product in China. Not only do the industrial and transport sectors use such products, but independent electricity generators do so as well, in order to offset the shortage of power during the year," the OPEC report observed.

China's gasoline use also grew, reflecting a strong increase in new automobile registrations. This contributed another 80,000 b/d to the country's total oil demand in 2010.

And China's thirst for more automobiles shows no signs of letting up. In January this year, sales of passenger vehicles in the country, including cars, multi-purpose vehicles, sport utility vehicles and minivans, rose by another 17 per cent over 2010 figures, according to the China Passenger Car Association.

This figure actually represents a slowdown in growth which was attributed to the removal of government incentives, the ending of a car scrappage scheme and an increase in car sales taxes.

OPEC's latest data also showed that China's oil imports exceeded 35 per cent growth in January, reaching 1.45m b/d. However, almost half of the imported oil ended up in the country's inventories, both for crude and oil products. Crude stocks increased by 250,000 b/d and diesel stocks by a considerable 480,000 b/d.

"This massive increase in diesel is in anticipation of high usage during the spring holidays. The use of road transportation is common during this spring festival, since railroad services are limited. Diesel use increased in January by 19 per cent, or 560,000 b/d, while gasoline demand rose by 17 per cent over last year," the OPEC report noted.

It said that a more accurate monthly assessment indicated that import growth in China in January stood at 700,000 b/d.

China's crude oil imports in January increased by 222,000 b/d, or by some 4.5 per cent over December 2010 figures, to average 5.15m b/d. They were also up by 1.1m b/d, or 27.4 per cent, compared with the same month a year earlier.

The OPEC report said the increase could be attributed to demand from domestic oil refineries, which were under pressure to increase demand for the Spring Festival.

However, contrary to crude oil, China's oil product imports in January fell slightly to 1.31m b/d, but still remained high compared with historical levels.

The report stated that this again reflected the strong demand and rising inventories. Prior to the Spring Festival holiday, which began on February 2, limited railway transportation capacity was expected to lead to a boom in road and aviation traffic, resulting in an abrupt surge in demand for traffic fuels.

## Net oil imports hit record high

To prepare for the expected jump in demand, it said, Sinopec and PetroChina, the country's top two oil refiners, in January boosted the production of gasoline, jet fuel and diesel.

Consequently, total Chinese oil imports (crude oil and products) increased for the third month in a row to average 6.4m b/d, up by 158,000 b/d, or by 2.5 per cent, from the December figure and 1.63m b/d, or 33.6 per cent, more than in January 2010.

Meanwhile, China's net oil imports hit a record high of almost 5.8m b/d in January, compared with the 5.1m b/d recorded for 2010.

Crude oil net imports stood at 5.09m b/d in the month, up by 4.4 per cent from the month before and were 1.07m b/d, or 26.7 per cent, higher on an annual comparison.

The country's oil product net imports in January declined by 130,000 b/d, or 16.3 per cent, compared with the month before, but increased by 620,000 b/d over the year before.

The OPEC report reiterated that the sustained strong growth in China's net oil imports reflected robust demand and expanding stocks.

It stated that Saudi Arabia remained the main supplier of China's crude oil in January with supplies amounting to almost 990,000 b/d.

It was followed by Angola with deliveries of 630,000 b/d, Iran with 410,000 b/d, and Russia with 330,000 b/d. Other suppliers included Oman (310,000 b/d), Iraq (280,000 b/d) and Sudan (230,000 b/d).

But it is not only China's oil demand that is expanding. According to the country's National Energy Administration (NEA), domestic gas demand was forecast to rise by 18 per cent this year to 130 billion cubic metres/day. This is in line with the government's aim of encouraging the use of clean energy.

The agency said in a report that China's gas consumption shot up by over 20 per cent to 110bn cu m last year. Domestic production was said to have increased by 12 per cent over 2009 figures, while coal-bed methane output surged by 42 per cent.

More strikingly, China's imports of liquefied natural gas soared by 75 per cent to 9.34m tons in 2010. Pipeline imports from Turkmenistan, which began in December 2009, amounted to 4.4bn cu m.

In keeping with the move, China's domestic gas output is slated to increase by 16 per cent this year over 2010 figures to reach 110bn cu m.

The NEA was quoted as saying in the report that energy consumption growth in China in 2011 was expected to be lower than during last year, in line with a slowing economy.

Domestic energy consumption in 2010 was mainly driven by the increased use of gasoline as more than 18 million cars were sold in the year, a third more than in 2009.

The China National Petroleum Corporation (CNPC) has said it expected the country's apparent demand for crude oil to increase by 7.2 per cent to 9.5m b/d in 2011.

It also forecast that domestic refining of that crude would average 8.92m b/d in 2011, up by five per cent. China, it added, was also expected to import 12m t of LNG this year, while pipeline imports were set to increase to 15bn cu m.

All these figures are backed by an economy that is forecast to grow by around nine per cent in 2011, down from the 10.3 per cent recorded in 2010.

*China's demand for automobiles continues unabated, fuelling an increased need for gasoline.*

**In the course of his official duties, OPEC Secretary General, Abdalla Salem El-Badri, visits, receives and holds talks with numerous dignitaries.**

This page is dedicated to capturing those visits in pictures.

*Left: The outgoing Ambassador of Korea, Shim Yoon-joe (l), visited Abdalla Salem El-Badri, OPEC Secretary General, on March 2, 2011.*

*Above: Dr Karl Strobel (l), President of Robert Bosch AG, and Dr Andrej Heinke (r), from Robert Bosch GmbH visited Abdalla Salem El-Badri, OPEC Secretary General, on March 3, 2011.*

# Secretariat activities




*Pictured above is a group of students who attended an International Montetary Fund (IMF) course in Vienna, Austria. They are seen above during a visit to the OPEC Secretariat on February 11, 2011.*

*Pictured below is a group of students from the University of Applied Arts, Vienna, on a study visit to the OPEC Secretariat on February 23, 2011.*

# OPEC @ 50 Quiz winner Luis makes dream trip to Qatar


*Luis receiving his winning prize last June from OPEC Secretary General, Abdalla Salem El-Badri.*

Luis de la Hoz of Venezuela realized an early lifetime dream when he visited fellow OPEC Member Country Qatar at the tail end of last year.

The winner of the OPEC Anniversary Quiz held at the end of June 2010 put his prize of a visit to an OPEC Member Country of his choice to good use when he visited the Gulf state and, in his own words, had a "marvelous" time.

"It was a great experience, during which I got to know a lot of people and places. All the buildings and constructions in Qatar are awesome," said Luis, who made the trip with his father, Guiermo.

Luis was one of ten competitors — all under 18 years of age — who competed in the quiz at the new OPEC Secretariat. The event, which attracted participants from nine OPEC Member Countries (Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela), as well as host country Austria, was held as part of the Organization's 50th Anniversary celebrations.

The competition, which was broadcast live on the OPEC website, was enjoyed by an audience that included Ambassadors, local press and other students from both Austria and overseas.

All were treated to an impressive display of knowledge from the contestants, but in the end, Luis proved unbeatable, sweeping to victory after answering all of his questions in the three rounds correctly.

"I feel very proud of representing my country," Luis, who hails from western Venezuela and hopes to be a systems engineer when he finishes studying, said after his victory.

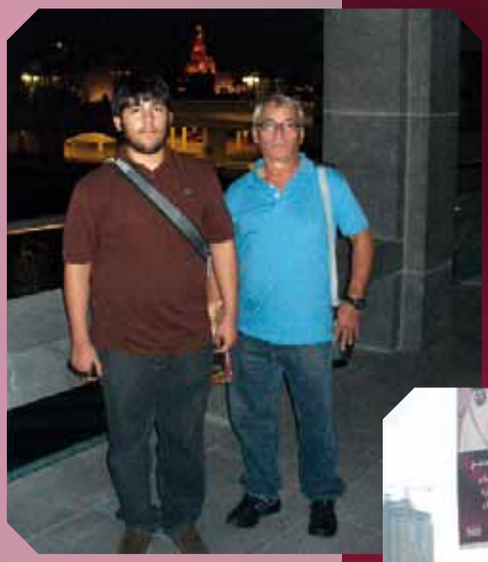
He added that the competition had been a huge experience for him. "I studied a lot for it, but my teachers and family and friends helped me too. My mother was very proud — she cried when I won," he said in Vienna.

In recounting some of the memorable moments of his visit to Qatar, Luis, who turned 18 in December last year, spoke of the splendour of the Pearl, a luxurious man-made 'city' contained within the capital, Doha, with large buildings of spectacular design.

There was also the El Souq Waqif, an old marketplace steeped in Arab culture and currently being restored, where one could buy a variety of spices, coffee, local delicacies and souvenirs that reflected the daily life of the nation.

Luis also spent time at the Museum of Islamic Art where he was accompanied by a guide who spoke about Arab culture and the works of art and Islamic artefacts on show.

He also visited the headquarters of the national oil company, Qatar Petroleum, attending a presentation on the petroleum industry and its importance for the development of the country. Part of the presentation was dedicated to the Qatari industrial zone of Ras Laffan, where the country's liquefied natural gas (LNG) and gas-to-liquids operations are based.



*Luis made the trip with his father, Guiermo.*

Luis later had the opportunity to visit Ras Laffan where, after a video presentation and talk on the industrial zone and its importance to the development of the country, he was given a tour of the entire area. This took in the refinery installations, the port facilities, and the energy and water plants there.

Luis said in his feedback that his visit to Ras Laffan was one of the two things he enjoyed most during his stay in the country. The other was the celebrations surrounding Qatar's National Day, during which he watched a parade and a fireworks display.

"In general, our trip was excellent. The attention we received, the hotel … everything was perfect and we saw that despite it being a small country, Qatar has a great future and we have the desire to visit again … hopefully to enjoy the World Cup in 2022," said Luis.

"A thousand thanks to everyone who made this trip for me come true, OPEC as well as Qatar Petroleum," he added.

Special mention for making the trip possible must go to Qatar's Governor for OPEC, Issa Shahin Al Ghanim, and Nouf Murtada Al-Najar, who organized the visit.

Luis, who was born in Punto Fijo, Falcon State, Venezuela, was at the time of the quiz a pupil at the UEA 'Simon Bolivar' School. He said he would like to pursue a career in electrical engineering, or system engineering.

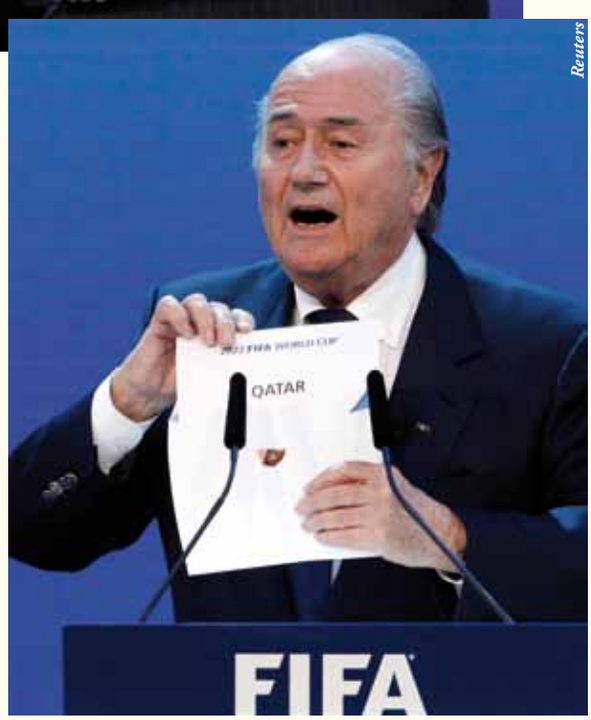
He listed his hobbies as including computers and playing soccer. His trip to Qatar was his first to any OPEC Member County. Asked at the time about what OPEC meant to him, he wrote: "OPEC represents the past, present and future of a prosperous and stable world."

*Photographs on this page courtesy of Luis de la Hoz.*

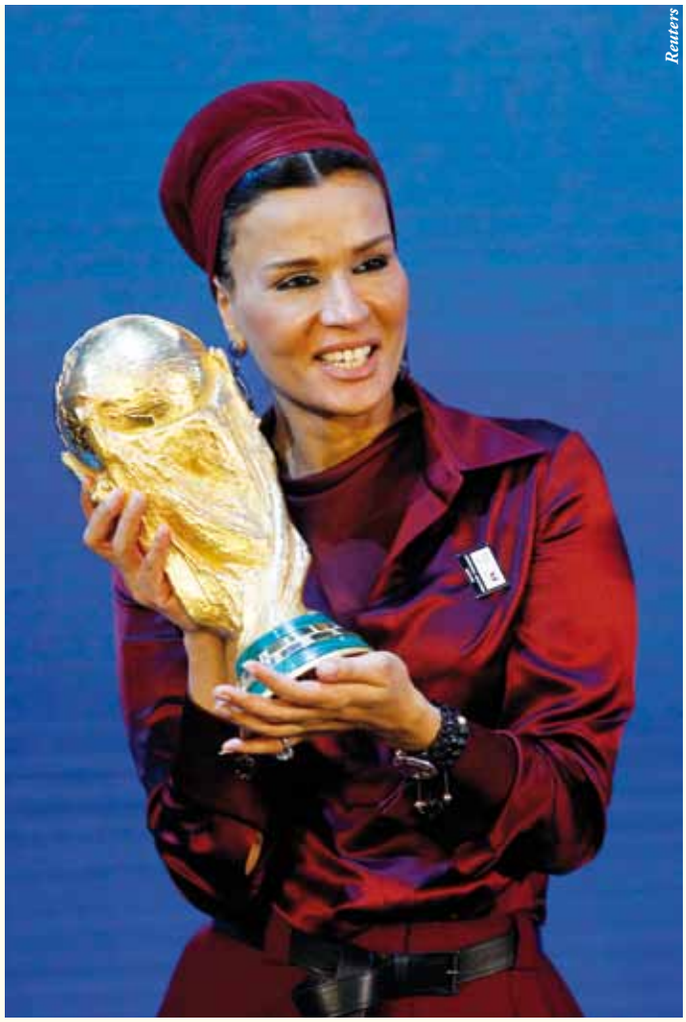
## Qataris bask in honour of being chosen to host World Cup

# Guts, gumption and glory


*Qatar's Emir, Sheikh Hamad Bin Khalifa al Thani (r), celebrating with Qatar's 2022 World Cup bid chairman, Sheikh Mohammed bin Hamad bin Khalifa al-Thani (l), holding up a copy of the World Cup. Also present is FIFA Secretary-General, Jerome Valcke (c).*




*FIFA President, Sepp Blatter, announces Qatar as the host nation for the FIFA World Cup 2022 in Zurich.*





***"This is an opportunity to eradicate misconceptions, not just about Qatar, but about the wider Islamic and Arab world. We are a very welcoming country, a young nation. And we are not just dreamers, we are achievers."***

*Sheikha Mozah bint Nasser Al Missned, wife of the Emir*

***"On behalf of millions of people living in the Middle East, thank you for believing in us, thank you for having such a bold vision. Thank you also for acknowledging this is the right time for the Middle East. We have a date with history which is summer 2022."***

*Emir, Sheikh Hamad Bin Khalifa Al Thani*

They have had the warm-up, the curtain-raiser. Now it is time to make preparations for the big one — and take to the most expansive stage of them all. OPEC Member Qatar, which successfully hosted the Asian Cup soccer tournament in January this year, is on the road to the World Cup — and even though it is not for another 11 years, the people of the country already cannot wait.

What began with an ambitious, forward-looking government determined to develop Qatar's international standing, particularly with regard to the promotion of sports of all kinds, has resulted in a fairytale ending few could have envisioned.

The fact is that when the Gulf state of Qatar figured in the 'final four' showdown in Zurich as to who would host the world's premier soccer competition in 2022, few gave it any chance. But then, up against the might of the United States, Japan, South Korea and Australia, it did appear miniscule in stature.

*"For me, the Asian Cup was an opportunity for those who had less confidence to witness for themselves what can be done (in Qatar)."*


*Asian Football Confederation President, Mohamed Bin Hammam.*


*FIFA President, Sepp Blatter (r) and UEFA Chief, Michel Platini.*

Many felt it had done amazingly well just to get as far as it did in the final selection process, but most harbored the thought it was just making up the numbers in the final run in.

When FIFA President, Sepp Blatter, pulled the name of Qatar out of the winning envelope in Zurich there were the understandable looks of surprise, but also gasps of sheer delight.

The surprise, that it had beaten its heavyweight adversaries, but delight that such a small country with seemingly fewer credentials could be entrusted to stage such a prestigious event.

"Guts, gumption and glory" is how the local media termed it, stating that Qatar's win in the bidding process to host the tournament had never been in doubt and was justly deserved. It was also in keeping with FIFA's aim of broadening the horizons and ultimate reach of international football — and the Middle East is football mad.

Whichever way one looks at it, the decision speaks volumes about Qatar, a country with a population of just 1.64 million living on a land area covering 11,000 square kilometers, but which has undergone considerable development over the years.

Occupying a strip of land that protrudes into the Gulf waters from the larger Arabian Peninsula and Saudi Arabia, Qatar has used its considerable oil and gas wealth to develop the economy.

Sport is extremely important to the people of the country and the government is always keen to support new ventures to enhance its portfolio.

Of note, it has now hosted the Asia Cup twice, it held the 15th Asian Games in 2006 and staged the 14th edition of the World Indoor Track and Field Championships last year. It also stages international tennis tournaments and is an avid supporter of motor sports, to name but a few.

And it was recently announced that Qatar is set to bid for the 2017 World Athletics Championships.

Qatar is also home to the Aspire Academy of Sports Excellence, an elite sports educational institute, which was launched in September 2004 and identifies promising student-athletes in the disciplines of soccer, athletics, swimming, gymnastics, fencing and table tennis.

Of course, the beautiful game — football — is the most popular sport in Qatar, so the fact that the country has been selected to stage the World Cup is the proverbial icing on the cake — it can get no better.

And there are no more delighted about the news than the country's Emir, Sheikh Hamad Bin Khalifa Al Thani, who said after the decision was announced that FIFA's bold decision to award the hosting rights for the 2022 World Cup to Qatar represented a milestone for football in the Middle East.

He was quoted as saying that he believed that the competition presented the region with a fantastic opportunity.

In addressing comments to FIFA, the Emir said: "On behalf of millions of people living in the Middle East, thank you for believing in us, thank you for having such a bold vision. Thank you also for acknowledging this is the right time for the Middle East. We have a date with history which is summer 2022."

He acknowledged that his country had a lot of work to do to prepare for the tournament, but pointed out that Qatar would stand by its promise to deliver and would honour "the sacred trust given to us today."

The Emir added: "We will deliver with a lot of passion and we will make sure this is a milestone in the history of the Middle East and in the history of FIFA."

Sheikha Mozah bint Nasser Al Missned, wife of the Emir, was quoted in an interview with *Reuters* as saying that the tournament was not just for Qatar — but for the whole region.

"This is an opportunity to eradicate misconceptions, not just about Qatar, but about the wider Islamic and Arab world. We are a very welcoming country, a young nation. And we are not just dreamers, we are achievers," she affirmed.

It was Sheikha Mozah who was at the heart of the final presentation that helped persuade FIFA to choose her country over the others in contention.

Interestingly, the only other bid to have their final presentation spearheaded by a woman was Russia, winner of the 2018 tournament.

To back all the words of optimism expressed, Qatar will be investing heavily over the next years to prove itself a worthy host.

Reports say it intends building a $25 billion rail network, a $5.5bn deep-water seaport, and a new airport, costing $11bn, which will be connected to large residential and commercial projects in the northern part of the capital, Doha, by a $1bn crossing. The Emirate will also spend an additional $20bn on providing new roads.

| **Final** | | |
|---|---|---|
| Saturday, January 29, 2011 | Australia/**Japan** | 0–1 |
| **3rd place final** | | |
| Friday, January 28, 2011 | Uzbekistan/Korea Republic | 2–3 |
| **Semi finals** | | |
| Tuesday, January 25, 2011 | **Japan**/Korea Republic | 2–2 |
| | Uzbekistan/Australia | 0–6 |
| **Quarter finals** | | |
| Friday, January 21, 2011 | **Japan**/Qatar | 3–2 |
| | Uzbekistan/Jordan | 2–1 |
| Saturday, January 22, 2011 | Australia/Iraq | 1–0 |
| | Iran/Korea Republic | 0–1 |

*Above: the route to the final for Asian Cup winners, Japan.*


*Japan's goal scorer, Tadanari Lee, celebrates beating Australia in their 2011 Asian Cup final soccer match at Khalifa stadium in Doha.*


Reuters

*Japan's captain, Makoto Hasebe, holds aloft the trophy as he celebrates with teammates after their 2011 Asian Cup final soccer match win against Australia at Khalifa stadium in Doha, Qatar.*

For the tournament itself, the country is planning to construct no fewer than nine state-of-the-art stadiums, at an estimated cost of $3bn.

Plans are also in place to provide a metro system connecting each of the stadiums, which will be not more than one hour apart from each other.

Since the announcement of Qatar's achievement, messages of congratulation have poured in. One of the first of those came from fellow OPEC Member Country Iran, whose President, Mahmoud Ahmadinejad, in a telephone conversation with the Emir, said the selection of Qatar as a host for the World Cup was a great occurrence in the world of sports.

Ahmadinejad was quoted by the Iranian news agency, *IRNA,* as saying that the opportunity could pave the way for enhancing the performance of teams from Gulf and Middle Eastern states.

"Indeed, with proper planning, these matches will be a source of pride for Qatar and the Middle East and will lead to the improvement of football in the region," he added.

One of the doubts cast about Qatar's bid was the extreme temperatures the players, fans and officials would have to endure in the summer months when the World Cup is customarily held. At that time of the year, it is not uncommon for the country to have temperatures well in excess of 40° Celsius.

However, the Qatari authorities have come up with a novel and revolutionary idea to provide all its new stadiums with solar-powered air conditioning that will keep the temperature on the pitch at around 27° C, ensuring comfortable conditions for both players and fans.

The one advantage for the fans is that due to the relative small size of the country, stadiums will not be that far apart for them to travel to for the games.

However, both Sepp Blatter and UEFA chief, Michel

Reuters

***"... with proper planning, these matches will be a source of pride for Qatar and the Middle East and will lead to the improvement of football in the region."***

*— Iranian President Ahmadinejad*


*Japan's national soccer team head coach, Alberto Zaccheroni of Italy, holds the Asian Cup trophy during a photo opportunity in Doha.*

Platini, have gone on record as saying they would not be adverse to the idea of staging the tournament in January or February, when the weather is cooler. That was the case for this year's Asian Cup, which was held in very pleasant conditions.

However, Asian Football Confederation President, Mohamed Bin Hammam, is adamant that the competition will remain a summer event.

Himself a Qatari, and seen as a frontrunner to eventually replace Blatter at FIFA, Bin Hammam is convinced that Qatar can "organize a very good World Cup, an amazing World Cup." He was instrumental in helping bring the tournament to his homeland.

"I believe our country has submitted a bid where they would like to organize and host the World Cup in June/July and they have actually presented also the solution for the heat challenges," he said.

"So our country actually is ready and willing to host a very comfortable World Cup in the summer season."

But Bin Hammam, who has been a FIFA executive since 1996, did not totally dismiss the possibility of an earlier tournament, stating that January was "a sort of dead season" during which several of the leagues in Europe suspended fixtures, due to the winter.

Obviously, there would have to be a different schedule drawn up for leagues still playing in the winter months, such as in the United Kingdom and Spain, but officials considered that manageable for one year.

Whether the tournament is held earlier in the year, or in the summer, one thing is certain — Qatar is aiming to make it one of the most successful World Cups ever.

January's Asian Cup, contested by 16 of the top regional teams, was always going to be seen as a rehearsal for the World Cup, even though that is still over a decade away.

And there were no surprises that the country managed to stage a very successful event, as it did in hosting the Asian Games in 2006.

"For me, the Asian Cup was an opportunity for those who had less confidence to witness for themselves what can be done (in Qatar)," Bin Hammam was quoted as saying.

"It has been an extremely well-organized event by Qatar," he pointed out.

Bruno Metsu, coach of the Qatari team that competed in the competition, said he was sure Qatar would organize a fantastic World Cup.

"We have time to prepare a strong team over the next 11 years to be ready for the World Cup."

Metsu, who took Senegal to the quarter-finals of the World Cup in 2002, pointed out that the huge investments Qatar had made in sport were already paying dividends.

"I think people will be surprised. The stadiums will be ready for spectators and players and it will be fantastic for football," he was quoted as saying.

"There are a lot of preparations to improve Qatar's players and facilities and the whole world will be surprised in 2022," he added.

As for this year's Asian Cup, Japan was crowned champion for a record fourth time.

They lifted the trophy after an exciting battle with Australia, another of the competition's favourites, which actually dominated most of the game that went into extra time and saw Japanese substitute, Tadanari Lee, only on the field for a matter of minutes, volley home in the 109th minute of play.

In fact, Japan was fortunate to even make the final. In the semi-final, they were made to fight and only edged South Korea on penalties, after beating Qatar 3–2 in the quarter-finals.

1976-2011 35

OFID

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

Uniting against Poverty

# Look Beyond

*Saudi Arabia showcases the photography, sculpture and mixed media works of three of its artists in Look Beyond, an exhibition held at the OPEC Fund for International Development's headquarters, to mark the Fund's 35th year.*

# OPEC Fund for International Development (OFID)

*OFID Director General, Suleiman J Al-Herbish (r), meets the artists responsible for the exhibits. He is pictured here with moderator for the evening, Rachel Ben Ftima (second left), Chairperson of OFID's Social Committee.*

By Steve Hughes

Outside the OPEC Fund for International Development's imposing headquarters on Vienna's Parkring, taxis are beginning to pull up. Despite the bitter cold, elegant-looking ladies and gentlemen are gingerly disembarking in evening wear. As they enter through OFID's glass doors, giant images are projected onto the building's grand façade above them, one after another. There's a huge OFID logo with the slogan Uniting against Poverty. Another one gives away the reason for this evening's hubbub. *Look Beyond* it says, in giant letters.

As OFID marks its 35th year of existence, all of its Member States are observing the occasion in one way or another. *Look Beyond* is the Kingdom of Saudi Arabia's way. It's an exhibition that showcases the photography, sculpture and mixed media works of three of the Kingdom's artists: Siddiq Wassil, Noha Al-Sharif and Manal Al Dowayan.

Inside the capacious, glass-ceilinged hall of OFID's headquarters, smartly-dressed waitresses serve drinks and canapés to an impressive number of visitors, and the babble of expectant conversation echoes about to a background soundtrack of traditional Saudi Arabian live music. But then a hush fills the room as OFID Director General, Suleiman J Al-Herbish, takes the microphone.

Al-Herbish highlights OFID's 35 years of continuous work in supporting economic and social development across the world and pays tribute to all Member Countries

*HH Prince Mansour Bin Khalid AlFarhan Al-Saud, Saudi Arabia's Ambassador and Permanent Representative to the United Nations.*

*Some of the exhibits on show at the exhibition.*

for their support. He also highlights, in particular, Saudi Arabia's support of OFID and of development in general, in keeping with the introduction he penned for the exhibition's promotional flyer: "OFID extends its deep appreciation to the Kingdom of Saudi Arabia for its unwavering support to its noble mission," he wrote. "We are proud to present the unique voices of these artists and we wish viewers an enjoyable journey through their artistic illustration." An address from HH Prince Mansour Bin Khalid AlFarhan Al-Saud, Saudi Arabia's Ambassador and Permanent Representative to the United Nations, follows. He draws attention to OFID's remarkable work in assisting the developing world. He also welcomes the honour this evening presents. "It gives me great pleasure to invite you all to view the Saudi exhibition *Look Beyond,"* he says.

And so the doors to the gallery open and eager visitors throng through. Al-Dowayan's works include a collection entitled *I Am,* depicting a variety of Saudi women who perform important roles in Saudi society. The black and white, dramatically-lit portraits in large black frames are striking. One, entitled *I Am A Petroleum Engineer,* seems particularly fitting tonight. Wassil's sculptures — including

foot-high chairs adorned by clamps, hands and other objects, and cast in iron — are dark and haunting; evocative of some type of hard, urban or industrial machinery. The chairs seem to cause quite a stir, with visitors peering at them from all angles. An older man crouches down to examine one from underneath. Similarly, Al-Sharif's work appears to be inspiring debate, and what looks like a family of four — parents and children — engulf one work from all sides, peering and pointing. In general, Al-Sharif focuses on women within group dynamics and this piece comprises small figurines seemingly engaged in prayer.

This event is a continuation of an OFID in-house exhibition series begun in 2009 to bring the art and culture of Member and Partner Countries to its host city Vienna. In the past, the organization has held exhibitions focusing on the Sudan, Iraq, Venezuela, Algeria and Kenya.

Today, as people continue to mull about, either deep in thought or art-related conversation, the work on display seems to capture a new mode of expression. As the exhibition's promotional flyer puts it: "These artists allow us to look beyond existing realms and experience beliefs and feelings from a challenging perspective."

Left: Siddiq Wassil was born in 1973 in Mecca and is part of a new breed of emerging Saudi artists. He originally studied agriculture and later began dedicating his career to sculpture.

Right: Manal Al-Dowayan was born and raised in the Eastern Province of Saudi Arabia. In 2009, Manal was a resident artist at the Delfina Foundation in London and has participated in numerous exhibitions around the world.

Below: Noha Al-Sharif was born in 1980 and obtained her BA from King Abdulaziz University in Jeddah. She is currently working on a diploma in History of Art at the school of Oriental and African Studies (SOAS) in London.


*Photographs, unless otherwise credited, courtesy of Rana Wintersteiner/OFID.*

This section includes highlights from the OPEC Monthly Oil Market Reports (MOMR) for February and March 2011, published by the Petroleum Studies Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

## February

### Crude oil price movements

The OPEC Reference Basket maintained its momentum in January to move within a higher range of $90–95/barrel, compared with $85–90/b in December 2010, resulting in a monthly average of $92.83/b, up by $4.27/b, or 4.8 per cent, from the previous month and $16.82/b, or 22 per cent more than in January 2010.

It recording its sixth monthly increase in a row, the OPEC Basket in January stood at its highest level since the $96.85/b seen in September 2008. Again, the continuous upward movement in the Basket was driven by a rally in crude oil futures prices, particularly those of North Sea Brent.

All Basket components increased in January, particularly Brent-related crudes, which showed higher gains than other components. African crudes – Saharan Blend, Es Sider, Bonny Light and Girassol – rose by between 5.3 per cent and 5.5 per cent. Bonny Light and Saharan Blend stood at the top of the list with $98.10/b and $97.50/b, respectively, after each having gained more than $5/b. African crudes were supported by strong demand from European and Asian buyers, as well as tight supply, particularly following disruptions in the North Sea in early January.

Middle Eastern crudes increased further as the market remained bullish. Apart from Qatar Marine and Murban, which rose by four per cent and 4.4 per cent, respectively, the remaining Middle Eastern grades showed increases higher than the average of the OPEC Basket, with Iran Heavy leading gains with five per cent, followed by Arab Light with 4.9 per cent and Basrah Light and Kuwait Export, each with 4.8 per cent.

Latin American crudes Merey and Oriente followed the same trend and increased by 4.4 per cent and 2.2 per cent in the month under review, supported by stronger demand from US West Coast refiners.

The OPEC Basket moved beyond $95/b on the last day of January, before increasing further to stand at $97.71/b in the first week of February. This was supported by an upward trend of seven consecutive gains as market sentiment strengthened further.

Meanwhile, on the international crude oil futures markets, sentiment remained bullish in early 2011 with Nymex WTI and ICE Brent hitting their highest levels since September 2008.

On the Nymex, the WTI front-month contract started 2011 above $91.5/b, supported, like the equity markets, by positive macro-economic data showing US manufacturing growing at its fastest pace in seven months in December and marking the 17th consecutive month of growth in the manufacturing industry.

Supporting data was not limited to the US, but was also to be found in the Euro-zone where the Markit Euro-zone PMI, which records manufacturing activity across all the major euro-area economies, strengthened.

Additionally, expectations of another decline in US crude oil stocks in the last week of December – the fifth decline in a row – contributed to bullishness in the oil market. Prices faced resistance and retreated in the following days to settle around $88/b on January 7 on the back of profit-taking by investors. However, the correction was temporary, with the WTI front-month price moving higher to $91.86/b in the second week of January.

WTI prices remained above $90/b until January 20 when the front-month contract settled at $88.86/b, before falling to $85.64/b in the middle of the last week of the month.

The Nymex front-month contract rose sharply in the last two trading days of January to settle at $92.19/b after data showed that the US economy grew by 3.2 per cent in the fourth quarter of 2010, fuelling sentiment among investors with expectations of strong oil demand. Prices were also driven by growing demand, particularly because of the cold weather.

**OPEC Reference Basket:** An average of Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (IR Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (SP Libyan AJ), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and Merey (Venezuela).

On a monthly basis, the Nymex WTI front-month contract rose by 35¢ to average $89.58/b in January. Compared with a year earlier, WTI gained 14.3 per cent.

ICE Brent continued to perform better than Nymex WTI in January, gaining a further $4.65/b, or five per cent, to average $96.91/b for the month, compared with a gain of just 35¢, or 0.4 per, cent for Nymex WTI, resulting in a Brent-WTI spread of $7.33/b.

ICE Brent started the year at around $94.80/b to later flirt with $100/b, lifted essentially by supply disruptions in the North Sea, but failed to settle at this level.

"Nevertheless, the Egyptian turmoil added more concern about supply tightness, which helped ICE Brent break $100/b and settle at $101.01/b on the last trading day of January, the highest level since the end of September 2008," the report commented.

ICE Brent increased further in early February to move beyond $102/b on continuous fears about a supply shortage from the Egyptian unrest, which later eased.

"Increasing investor interest in the crude oil paper market, particularly in ICE Brent contracts, also remained behind the rise in crude oil prices. Open interest of both Nymex WTI and ICE Brent rose significantly in January to hit a record-high," the report observed.

Open interest of Nymex WTI futures reached almost 1.52 million contracts in mid-January, 15 per cent higher than a year ago and 30 per cent higher than in mid-January 2009.

For ICE Brent, open interest increased at a higher level, moving for the first time beyond 900,000 contracts in January to hit a record high of almost 965,000 on January 26, implying an increase of 27 per cent from a year earlier and 55 per cent from January 26 2009.

## Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that commodity prices had been extremely volatile following macroeconomic news, especially those concerned with public debt in the Euro-zone and indicators in the US, as well as inflation and monetary policy in the emerging economies.

The World Bank energy commodity index (crude oil, natural gas and coal) gained six per cent m-o-m in January, compared with 4.8 per cent the previous month. Prices in the complex were driven by easing growth in Henry Hub (HH) natural gas and crude oil, while coal prices were pressured by the flooding in Australia.

The HH natural gas price increased by six per cent m-o-m, significantly lower growth than the 13.7 per cent achieved the previous month. Gas prices benefited from cold weather, causing strong heating demand and expected higher industrial demand, due to positive macroeconomic data, but the increase in demand could not match the supply expansion.

"The outlook for the market remained bearish due to high production and declining, but still high, stocks. It must be pointed out that the forecast for normal and above-normal temperatures in mid-February also exerted pressure on this market," noted the report.

The World Bank non-energy commodity price index increased further by 5.4 per cent m-o-m in January from 4.8 per cent in December amid extremely volatile markets.

The bank's industrial metal price index was up by 4.6 per cent m-o-m in January, compared with six per cent a month earlier. There was a mixed performance in the complex. The slowing growth trend in metal prices took place in the first half of January, with a rebound taking place mainly in the second half of the month. Industrial metal prices were very volatile.

Copper at Comex rose by 4.5 per cent m-o-m, compared with eight per cent in December, as a result of rising inventories at the LME (four per cent).

Aluminum at Comex rose by 3.8 per cent in January, compared with 0.8 per cent in December, on positive sentiment that demand should remain healthy in 2011.

Tin prices at Comex jumped by five per cent m-o-m in January, compared with 2.5 per cent in December on worsening supply concerns.

Nickel prices at Comex gained six per cent in January, compared with five per cent in December.

Agricultural prices expanded by 5.8 per cent m-o-m in January, compared with 4.8 per cent a month earlier.

Gold and silver prices dropped by around three per cent m-o-m in January to stand at $1342.1/oz and $27.44/oz, respectively, despite the dollar weakening against the euro.

## Highlights of the world economy

In looking at developments in the global economy, the OPEC report said that the US economy was enjoying a surprisingly solid recovery.

"Not only is the latest fourth-quarter 2010 GDP number of 3.2 per cent evidence that the recovery has maintained momentum at the end of the year, the most recent labour market numbers for January also show the recovery is gaining traction.

"This appears to be, to a large extent, the result of the continued effort by the US administration to support the economy through fiscal and monetary stimulus. But the improvement in the labour market could be the start for a broad-based recovery.

"Still, it seems that this may take some years and the side-effect will be the highest debt level witnessed for many decades. But it probably paves the way for a consumer-led upswing."

The report said that it should be expected that the recovery would face challenges, but the current trend was – at least in the short-term – encouraging.

The most recent US labour market report provided the positive headline message that the unemployment rate declined from 9.4 per cent to 9.0 per cent in January.

The report noted that confidence, in general, had improved in the US. Consumer confidence had improved just recently, with the index of the University of Michigan reaching its highest level since June 2010 in December at 74.5. It stayed at almost the same level (74.2) in January, but even more importantly, the sub-index of the economic expectations moved up to 69.3 from 67.5 in December. The index of the conference board painted an even more bullish

picture, increasing to 60.6 in January from 53.3 in December.

The positive sentiment was also observed in the business sector. The ISM for manufacturing in January increased to 60.8 from 58.5 in December – the highest level in almost seven years.

The new orders index – as a front running indicator – gave strong indication of a continued expansion at 67.8, having moved up from 62. In addition, the ISM for the services sector moved up to 59.4 from 57.1.

"Based on the stimulus-infused positive trend, the growth expectations for 2011 were increased to 2.9 per cent from 2.6 per cent in the previous forecast, while 2010 expectations were increased by 0.1 percentage point to 2.9 per cent. The development in the near future of the manufacturing sector and the labour market may provide more evidence as to whether the most recently announced stimulus will finally lead the economy onto a sustainable recovery path," said the report.

It observed that Japan experienced impressive growth in 2010, but the expansion followed a 6.3 per cent decline in 2009 and a drop of 1.2 per cent in 2008 so that the absolute level of Japanese GDP remained at 2006 levels.

**"The report pointed out that Germany was still leading the region's recovery and was growing at a more solid and higher level than most of the other countries in the Euro-zone."**

"The signals are currently pointing – like in the other OECD countries – at a continued expansion, although the growth trend in 2011 is expected to be at a lower level than in 2010.

"Also, growth in the fourth quarter of 2010 was expected to be negative when compared with the third quarter, due to the end of some very effective stimulus measures that were ended in the third quarter. The measures had lifted the quarter's domestic demand growth."

The report said that Japan's exports were beginning to improve again. While the expansion in exports was 7.8 per cent y-o-y in October 2010, the rate of growth recovered to 9.1 per cent y-o-y in November and to 13.0 per cent y-o-y in December.

"This expansion has been led by a recovery in shipments to the Asian economies, mainly China, which constitutes Japan's most important business partner. The success of the Chinese economy in avoiding overheating so far and continuing to grow at high single digit levels, combined with the successful stimulus measures at the end of last year in the US (an equally important export market), might enable Japan's export-led growth to continue."

The report said that total retail sales in Japan declined in December by 2.0 per cent y-o-y, after recording an increase of 1.5 per cent in November and a decline of 0.2 per cent in October.

"This made the fourth quarter of 2010 the worst quarter in retail sales for the year, which was certainly the result of ending the stimulus in relation to various consumer goods."

Business sentiment was still seen as being on the positive side in Japan. The Markit PMI numbers, particularly for the manufacturing sector, were pointing at a continuation of the growth trend in the first quarter of 2011. PMI for manufacturing moved above the expansion-indication 50 level for the first time since August 2010, to 51.4 in January after 48.3 in December.

A similar conclusion could be drawn when looking at the PMI numbers for the services sector, which moved to 50.4 in January from 50.2 in December. This was the first time for two consecutive months that it held above the 50 level since December 2007.

The growth rate of manufacturing orders in October and November, at plus 22.6 per cent and 16.8 per cent y-o-y, respectively, again were supportive of a recovery. The industrial production number for December rose by 4.7 per cent y-o-y.

"The positive momentum provides evidence that the Japanese economy continues its expansion in 2011, although it is currently expected to be at a much lower level than in 2010. Both years' growth forecasts remain unchanged at 4.3 per cent for 2010 and 1.5 per cent for 2011, but the current development in the first quarter of this year will be carefully reviewed for evidence of a potentially stronger-than-expected growth potential in 2011," said the OPEC report.

It stated that the Euro-zone continued to be characterized by a two-tier development. While the region as a whole enjoyed a remarkable recovery, particularly when taking into account the major issues it was facing with regards to the sovereign debt crisis in 2010, in the weaker countries on the Euro-zone periphery, growth was relatively sluggish.

However, Germany and France continued to support the Euro-zone's growth. While the concerns about the sovereign debt issue had receded over the past weeks, they may return sooner rather than later, when most of the countries in weaker positions would have to refinance a large portion of their debt at potentially higher yields.

The report pointed out that Germany was still leading the region's recovery and was growing at a more solid and higher level than most of the other countries in the Euro-zone.

It stated that exports held up well in November 2010 and were still a key source of Germany's above-average expansion.

"Exports rose by 20.8 per cent y-o-y and while there is a small decline in the trend of the expansion, it should be noted that this is the seventh consecutive month in which exports grew at above 20 per cent on a yearly comparison. This is a remarkable trend and one has to look back to the beginning of the previous decade to find a similar pattern."

Mirroring the trend, Germany's industrial production maintained a rate of growth of above ten per cent y-o-y for the sixth consecutive month, despite a deceleration in the rate of expansion. Industrial production grew at ten per cent y-o-y in November, compared with 10.9 per cent in October.

"This strong production can also be seen in Germany's utilization rate, which now stands

at 84.9 per cent. This is the highest level since the fourth quarter of 2008."

The growth of manufacturing orders in the fourth quarter of 2010 stood at 23.8 per cent, compared with the previous year's level. This was considered notable for the continuation of the current growth trend in the first three months of 2011.

However, Germany's retail sales in December were muted, growing by only 0.3 per cent y-o-y, while having gained by 4.4 per cent in November and 1.1 per cent October. It led to still impressive growth in the fourth quarter of 2010.

Consumer sentiment, according to the GfK institute, continued to improve at an index level of 6.0 in February, compared with 5.8 in January and 5.7 in December.

Industrial new orders for the whole Euro-zone exhibited 19.9 per cent y-o-y growth in November 2010, after 14.8 per cent y-o-y growth in October. The growth in the Euro-zone in the first quarter of 2011 should therefore be on a sound footing.

The trend in manufacturing was also seen in the most recent Markit PMI numbers for the region, which improved to 57.3 in January from 57.1 in December. Business perception for the services sector, increasing by 1.7 to 55.9, also improved.

Retail trade for the Euro-zone declined by 0.9 per cent y-o-y in December, after a 0.8 per cent increase in November. This relative weakness is underpinned by the labour market which had an unemployment rate of ten per cent in November (the ninth month showing an unemployment rate of, or above, ten per cent).

"While the Euro-zone is again enjoying a positive growth momentum, the underlying challenges of the sovereign debt crisis and the relatively high unemployment rate remain. Therefore, the 2010 GDP estimate remains unchanged at 1.5 per cent. Taking into account the positive current momentum, however, the forecast for 2011 has been increased to 1.4 per cent from 1.2 per cent in the previous month," said the report.

It stated that most emerging economies performed strongly in the closing months of 2010. Economic data and reports released on emerging markets implied a continuation of the general pattern of last year's economic recovery in the early months of 2011, albeit with descending momentum in some regions.

In the Asia Pacific region, it was expected that most emerging economies, including China, would see their rates of growth moderated in 2011. Only Indonesia was seen as likely to surpass its economic performance of 2010.

In South Asia, the Indian economy was seen struggling with inflation and there were signs that fighting inflation was taking its toll on economic growth. The same applied to Brazil, where a strong real (Brazil's national currency), amid a widening foreign trade deficit and fiscal excess, meant that raising interest rates was the only effective tool to curb inflation.

"However, tightening monetary policy is bound to dampen economic growth in an economy that enjoys low unemployment and faces wage inflation."

Price inflation was seen as a major source of concern in Russia too. The Russian economy, still recovering from its worst recession of recent years in 2009 when investment dropped by as much as 15 per cent, had to deal with its public sector deficit, particularly in terms of the non-oil budget deficit.

The consumer price index in Russia increased by 9.5 per cent in January compared with January 2010.

In Brazil, January industrial production fell by 0.7 per cent, having a negative impact on other sectors. In December 2010, the manufacturing PMI increased from 49.9 to 52.4 and improved further in January 2011.

Business confidence remained at a historically high level. Although industrial production had been almost flat since March 2010, final demand remained firm and retail sales were still robust.

Turning to China, the OPEC report said that although so far there had been no tangible sign of deceleration in the country's real economic growth (in the fourth quarter of 2010, it reached 9.8 per cent), a moderation in such growth was expected in 2011 since the government had begun tightening monetary and fiscal policies to control inflation.

China's National Bureau of Statistics manufacturing PMI moderated to 52.9 in January from 53.9 in December. This was the second month of easing in the NBS manufacturing PMI, after the index had risen steadily since August last year.

"The latest PMI figures suggest that the economy enters 2011 expanding on a solid and steady growth rate, although that rate is less than in 2010. With the global economy forecast to grow at close to four per cent in 2011, strong external demand is expected to enforce growing household demand on the domestic front, fueling investment and steady economic growth in 2011 and 2012."

**"China's National Bureau of Statistics manufacturing PMI moderated to 52.9 in January from 53.9 in December."**

However, the report noted that recent trade developments in China had not been completely positive. In December, export growth showed signs of decelerating, while imports were up by an impressive 25.6 per cent y-o-y.

Booming imports had supported a government fiscal stance, as the imports tariff revenue grew by 35.9 per cent in 2010, accounting for 13.6 per cent of the government's total tax revenue.

India's real GDP rose by 8.9 per cent y-o-y in the first half of fiscal 2010–11. Inflationary pressure was becoming a major concern for the country, but the other major economic issues believed to have important implications, namely India's current account deficit, had eased considerably, thanks to an exceptional surge in India's exports in late 2010.

Merchandise exports surged by 36.4 per cent y-o-y to $22.5bn in December, while

imports contracted. The performance of exports had raised the prospect that the value of exports might exceed the planned target of $200bn for fiscal 2011–12.

The OPEC report said that the Russian economy was still recovering from the severe recession experienced in 2009. In 2010, Russia was suffering from two pressing problems: rising inflation and an expanding budget deficit. "These issues remain the economy's major problems today."

Some observers had estimated that the "break even" oil price that would balance Russia's public sector budget was about $100/b, which highlighted the un-sustainability of the country's current spending strategy. It was estimated that, in 2010, $32bn of capital out-flowed from Russian financial markets.

To improve its fiscal position, Russia had approved the selling of its share of 114 state-run companies. The programme was expected to raise around $7bn, $6.2bn and $7bn in 2011, 2012 and 2013, respectively. It was also planning to sell other companies, including some power generation and shipping firms.

**"It is unlikely that the Algerian public sector budget will run a deficit as the budget is based on an oil price of $37/b."**

"These programmes, if successfully accomplished, could enhance the Russian public sector's fiscal stance. Government reforms in the financial markets and the banking system, and adopting more effective and flexible monetary policies, could set the ground for a higher rate of private investment and economic growth in the future," observed the report.

It noted that the last quarter of 2010 had been favourable for OPEC Member Countries since their revenue increased moderately, but steadily, compared with early 2010 and 2009, due to a stable market and reasonable oil prices.

"It is expected that the continuation of the current oil market conditions will encourage Member Countries to investment in the expansion of their production capacity."

Algeria had projected an economic growth rate of four per cent for 2011 and planned to spend about $86.3bn in 2011 to attain its economic goals.

"It is unlikely that the Algerian public sector budget will run a deficit as the budget is based on an oil price of $37/b. According to the Central Bank of Algeria, the economy grew by 2.4 per cent in 2009, despite a sharp decline in oil and gas prices."

The report said that Ecuador had seen its 2011 budget approved by the National Assembly with no major amendment. The budget represented a 12.5 per cent increase on 2010 at close to 40 per cent of officially projected GDP.

Recent data released by the government's internal revenue service pointed to a further improvement in the public finances in the first 11 months of 2010. The figures released in December showed a 16.5 per cent increase in January-November tax collection.

The report stated that Kuwaiti citizens were to be granted a cash transfer of around $3,600 and would be offered 13 months of free food rations from February 2011, according to the state news agency, KUNA.

Inflation increased to a 22 month high of 5.9 per cent y-o-y in November 2010, mainly driven by food prices.

## World oil demand

In its review of the market, the OPEC report said that demand for OPEC crude for 2010 was revised up by 200,000 b/d to stand at 29.3m b/d, reflecting an upward adjustment in world oil demand as non-OPEC supply and OPEC NGLs output remained almost unchanged.

All quarters saw upward revisions, but mostly for the last three months of the year, which was revised up by 500,000 b/d, reflecting up-to-date data. With the adjustment, demand for OPEC crude stood 200,000 b/d above the 2009 level.

The first quarter of the year was still showing a drop of 900,000 b/d, while the second quarter was estimated to have seen growth of 200,000 b/d. The third quarter was estimated to have experienced a positive increase of 1.5m b/d, while the fourth quarter is seen relatively flat compared with the previous year over the same period.

Demand for OPEC crude in 2011 is projected to average 29.8m b/d, an upward revision of 400,000 b/d from the previous assessment and mainly due to the adjustment in world oil demand, as total non-OPEC supply, including OPEC production of NGLs, remained almost unchanged.

The bulk of the revision came from the first and fourth quarters, both revised up by 600,000 b/d.

Required OPEC crude was forecast to increase by 500,000 b/d this year. The first quarter was expected to see growth of around 700,000 b/d, while the second quarter was forecast to see less growth of 300,000 b/d. The third quarter was projected to see growth of 400,000 b/d, while the fourth quarter was expected to see higher growth of 700,000 b/d, compared with the previous year over the same period.

The report noted that bitter winter weather had been hammering most of the OECD region since November 2010, leading to a noticeable increase in energy usage.

Winter petroleum product consumption had increased, leading to an adjustment in the total world oil demand forecast not only for 2010, but also in 2011. Furthermore, a sudden increase in natural gas prices had discouraged power plants to fuel-switch from liquids.

"This has been experienced not only in the OECD but in some parts of Asia as well. Heavy holiday season travel in the US pushed the country's gasoline usage up by two per cent in January. Another force that led to an additional use of oil is sturdier industrial activity within the US and China; this was ignited by stimulus plans and government incentives."

As a result, said the report, the total world

oil demand forecast was revised up in both the fourth quarter of last year and the first quarter of 2011 by 500,000 b/d and 400,000 b/d, respectively.

Hence, world oil demand was forecast to have grown by 1.8m b/d in 2010 to 86.3m b/d and was expected to expand by 1.4m b/d in 2011 to average 87.7m b/d.

World economic activity, along with the effects of the frigid winter temperatures, pushed January oil demand up by 2m b/d y-o-y.

"The down risk for the total world oil demand forecast lies with international oil prices. Should strong prices remain, this will lead to a reduction in the use of transportation fuel. This effect will not only spread throughout the OECD, but also the non-OECD," maintained the report.

Despite the effects of the cold weather, 2011 had started with a bearish trend for US oil consumption. Although January 2010 was a low base line, oil consumption during January 2011 was weaker than expected, as shown by preliminary weekly official US data.

"It seems that the pace of recovery in US oil consumption is slower than anticipated. As in previous reports, the preliminary character of this data requires caution. The most recent monthly US data is for November 2010, illustrating moderate growth of US oil consumption of around 1.7 per cent y-o-y. This reflects an increasing requirement for industrial products and contracting demand for transportation fuels, as well as some industrial fuel products, such as propane/propylene. Despite economic growth this year, US oil demand is not anticipated to exceed what was seen last year."

Mexican oil consumption closed 2010 on the negative side, basically due to less demand for industrial products. Transportation fuels experienced increases; however these were marginal.

Driven by a low baseline and cold weather, Canadian oil demand continued its high growth rate during November and December 2010 with sharp increases in distillates and gasoline.

For the whole of 2010, North American oil demand grew by 500,000 b/d, while fourth-quarter growth was lower than the second quarter and third quarter.

In 2011, North American oil demand is expected to react to normal economic drivers and show seasonal growth in all quarters with a total annual growth of 300,000 b/d.

European oil demand for the region's 'Big Four' increased by 281,000 b/d in December, compared with 377,000 b/d in November. German heating oil fill-ups early in the winter led to the increase. Stronger distillate consumption in Germany, France and the UK was driven by cold weather and a low baseline during 2009, while consumption of transportation fuels remained on the decline.

During December, German and UK oil consumption were up by eight per cent and 12 per cent, respectively, while oil consumption in France and Italy declined by four per cent and 0.4 per cent.

"Given the recent weather, the contraction in OECD Europe's total oil demand is expected to be less than earlier forecast and currently stands at 100,000 b/d in 2010."

The effect of the cold weather was expected to push Europe's first quarter oil demand up, adding another 133,000 b/d y-o-y.

As for the whole year, 2011 oil consumption was expected to shrink again, however at a lower magnitude of only 20,000 b/d. European energy policies, along with the slow economic recovery, would play a major role in curbing the continent's oil demand this year.

In Japan, data showed that last year evolved into a recovery year for the country, showing an increase of around 1.7 per cent in oil consumption. This was driven by naphtha, transportation fuels, the direct use of crude, and residual fuel oil consumption in power plants.

The increase in Japanese oil consumption was the first seen since 2005 and the low baseline played a decisive role. Japanese naphtha consumption increased the most last year, adding more than 50,000 b/d to the country's total oil consumption.

Another factor that inflated Japan's oil usage was crude burning, mostly in power plants. Further development of Japanese oil consumption was heavily dependent upon the implementation of an additional stimulus plan, which was expected to take place in the first half of 2011 and was part of a supplementary budget for the current Japanese fiscal year.

In South Korea, November 2010 saw sharp increases in the consumption of all oil products, especially in the industrial and transportation sectors.

**"It seems that the pace of recovery in US oil consumption is slower than anticipated. As in previous reports, the preliminary character of this data requires caution."**

"Unlike Japanese oil demand, South Korean oil demand has been on the upward swing since 2009 and is expected to maintain this trend throughout the year," said the report.

South Korean oil demand closed 2010 with 1.5 per cent growth, mainly attributed to the use of kerosene. The country's healthy economy kept the use of energy growing. Given four per cent growth in the country's GDP, oil demand was forecast to grow by 0.4 per cent this year.

OECD Pacific oil demand showed minor growth of 100,000 b/d in 2010, averaging 7.8m b/d. However, as a result of the expected decline in Japan's oil demand, along with lower GDP in the region, this year's oil demand was forecast to average 7.7m b/d.

The effect of winter on oil demand finally caught up with India. Increasing world natural gas prices discouraged India from fuel switching since December. This pushed up India's oil demand in the industrial sector substantially.

The country's oil demand in December grew by 6.7 per cent, adding another 200,000 b/d y-o-y, the strongest growth in all of 2010. December Indian oil data indicated a nine per cent increase in transport fuel use as a result of strong new car registrations during 2010.

An early forecast of India's oil demand

growth of 4.6 per cent for 2010 did not materialize and it barely reached two per cent. All major products performed strongly, led by transport fuel; however, products used by power plants were on the decline.

"India's oil demand for 2011 is forecast to grow by 3.4 per cent; however, new energy policies will, of course, affect this forecast," said the report.

The booming Indonesian economy kept the country's oil use growing last year with y-o-y growth of 1.7 per cent. Nevertheless, the 2011 forecast indicated weaker growth, despite a 0.2 per cent increase in the country's GDP, with Indonesia's oil demand growth forecast to marginally exceed one per cent y-o-y.

Strong industrial use of diesel hiked Thailand's November oil demand substantially, with it exceeding 22 per cent y-o-y. Given the recent strength in India's oil demand, Other Asia oil demand growth was forecast at 100,000 b/d in the fourth quarter of 2010.

Due to the recent adjustment in Other Asia GDP, the region's oil demand was revised up marginally by 20,000 b/d to show y-o-y growth of 200,000 b/d in 2011.

**"Preliminary figures for January indicated that world oil supply averaged 87.66m b/d in the month, an increase of 570,000 b/d over the December figure."**

Substantial oil demand from the industrial sector, including power plants, hiked Saudi Arabia's oil demand by 200,000 b/d in December y-o-y. However, due to a slowdown in Iran's gasoline demand in the second half of the year, the region's total oil demand growth was forecast at 2.3 per cent, or 160,000 b/d, for 2010.

Despite there being no change in the region's GDP, oil demand for 2011 was expected to surpass last year's growth by 30,000 b/d. Most of this growth was attributed to Saudi Arabia's energy usage.

The report stated that Latin America's oil demand growth had been accelerated by Brazil's energy requirement. Although Brazilian oil demand cooled down in the fourth quarter, massive growth early in the year added 137,000 b/d to the country's total oil demand in 2010.

Brazilian oil demand was expected to keep up the momentum with economic growth this year. The country's oil demand growth was forecast to be less than last year, at 900,000 b/d in 2011.

Like other large Latin American countries, Argentina's oil demand was seen to be growing and was expected to stick to this trend for the year. Like 2010, the country's oil demand was expected to grow by 30,000 b/d in 2011.

Developing Countries' first quarter oil demand growth was forecast at 630,000 b/d y-o-y, averaging 26.3m b/d.

The OPEC report pointed out that China's oil demand had been beating all expectations for the past six months and was expected to maintain this trend at least for the first half of 2011.

Winter's effect, along with the Chinese holidays, hiked the country's oil demand in both December 2010 and January this year. December data indicated nine per cent y-o-y growth in the country's oil consumption.

The largest recorded growth was in diesel, which reached 16.4 per cent y-o-y. Diesel usage was attributed not only to the transport sector, but also to the industrial and agricultural sectors. Gasoline consumption grew sharply by 15.8 per cent in December, adding another 245,000 b/d y-o-y to total demand.

Driven mileage, along with new vehicle registration, was behind the massive growth in transport fuel consumption this winter. Despite government efforts to cool down the country's energy demand, China's oil demand was expected to perform stronger than earlier expected. Hence, China's oil demand growth was revised up by 70,000 b/d to stand at 500,000 b/d for 2011.

Former Soviet Union (FSU) GDP was expected to outgrow that seen last year by 0.02 per cent. This translated into more oil consumption. The latest upward revision of the region's GDP called for a minor adjustment of last year's oil demand growth.

FSU oil demand growth for 2011 was forecast at 100,000 b/d, or 1.7 per cent, y-o-y. The industrial and transport sectors were the areas most likely to contribute to the country's total oil demand growth this year.

## World oil supply

Preliminary figures for January indicated that world oil supply averaged 87.66m b/d in the month, an increase of 570,000 b/d over the December figure, with OPEC's crude share put at around 34 per cent. The estimate was based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Meanwhile, non-OPEC oil supply was estimated to have averaged 52.26m b/d in 2010, representing growth of 1.14m b/d over the previous year and relatively steady from the previous month.

Growth in supply last year was supported mainly by the US, China, Russia, Brazil, Canada and Colombia, while output declines were recorded in Norway, the UK and Australia.

On a regional basis, North American oil supply encountered the highest growth in 2010 among all non-OPEC regions. However, the supply decline from OECD Western Europe and the Asia Pacific offset a considerable part of the growth from North America.

Accordingly, OECD oil supply was estimated to have increased by 170,000 b/d in 2010, compared with the previous year.

Developing Countries' oil supply was estimated to have grown by 350,000 b/d in 2010, considerably higher than the average growth of the last five years.

Growth was supported by increases in Latin America and the Middle East, while output from Other Asia and Africa was estimated to have declined slightly. Brazil, Colombia, and India were the main drivers of estimated growth in 2010.

FSU oil supply continued to grow in 2010, despite various forecasts of decline in 2010. Growth was lower than the last five-year average. The increase in Russia's oil output in 2010 drove the growth in FSU supply, with relatively smaller expansion coming from Kazakhstan and Azerbaijan.

China's oil supply growth in 2010 strongly supported non-OPEC output. The country recorded the second-largest growth among all non-OPEC countries in 2010, after the US.

On a quarterly basis, non-OPEC supply in 2010 was estimated at 52.13m b/d, 52.12m b/d, 51.97m b/d and 52.83m b/d, respectively.

The report said that in 2011, non-OPEC supply was expected to grow by 420,000 b/d over the previous year to average 52.68m b/d, representing an upward revision of 20,000 b/d compared with the previous month.

On a quarterly basis, non-OPEC supply in 2011 was expected to average 52.74m b/d, 52.61m b/d, 52.38m b/d and 53.00m b/d, respectively.

Total OECD oil supply in 2011 was projected to decline by 100,000 b/d from the previous year to average 19.79m b/d, indicating a downward revision of 30,000 b/d, compared with the previous month.

On a quarterly basis, OECD oil supply this year was forecast to stand at 19.96m b/d, 19.76m b/d, 19.54m b/d and 19.89m b/d, respectively. According to preliminary data, OECD oil supply averaged 20.15m b/d in the fourth quarter of 2010, an increase of 630,000 b/d over the previous quarter.

Oil supply from North America was foreseen to increase by 90,000 b/d over 2010 to average 15.01m b/d in 2011, indicating an upward revision of 400,000 b/d, compared with last month.

On a quarterly basis, North America's oil supply in 2011 was expected to stand at 15.00m b/d, 15.02m b/d, 14.92m b/d and 15.11m b/d, respectively.

US oil supply was forecast to increase by 50,000 b/d in 2011 to average 8.64m b/d, following an upward revision of 30,000 b/d from the previous month. Shale oil production was seen to be among the drivers of supply growth this year, especially with the current price level which was providing strong economical returns for operators.

On a quarterly basis, US oil supply this year was seen to stand at 8.70m b/d, 8.67m b/d, 8.56m b/d, and 8.64m b/d, respectively.

Canada's oil supply was expected to increase by 110,000 b/d over the previous year to average 3.47m b/d in 2011, relatively unchanged from the previous month's forecast.

Oil supply from Mexico was anticipated to decline by 60,000 b/d from the previous year to average 2.90m b/d in 2011, unchanged from the previous month's estimate. According to preliminary data, Mexico's oil production averaged 2.93m b/d in the fourth quarter of 2010, a small decline from the same period of 2009.

OECD Western Europe's oil supply was foreseen to decline by 200,000 b/d to average 4.18m b/d in 2011, indicating a downward revision of 50,000 b/d from the previous month.

OECD Western Europe's oil supply in 2011 was seen to have a quarterly average of 4.36m b/d, 4.14m b/d, 4.03m b/d and 4.20m b/d, respectively.

Oil supply from Norway was estimated to drop by 110,000 b/d to average 2.03m b/d in 2011, indicating a downward revision of 30,000 b/d from the previous month.

The UK's oil supply was foreseen to decline by 70,000 b/d to average 1.30m b/d in 2011, steady compared with the previous month's estimate. Reports suggested that UK offshore oil and gas drilling dropped by nine per cent in 2010 from 2009.

Oil supply from Denmark is predicted to experience a minor drop of 20,000 b/d from the 2010 level to average 230,000 b/d in 2011, unchanged from the previous month.

Other Western Europe oil supply was forecast to average 620,000 b/d in 2011, steady from the previous year and indicating a downward revision of 10,000 b/d from the previous month.

Oil supply from the Asia Pacific was expected to remain flat in 2011, compared with 2010, to average 590,000 b/d, indicating a downward revision of 20,000 b/d from the previous month.

On a quarterly basis, OECD Pacific total oil supply in 2011 was estimated to average 600,000 b/d, 600,000 b/d, 600,000 b/d and 580,000 b/d, respectively.

Oil supply from Australia was expected to remain relatively flat in 2011 with a minor increase of 10,000 b/d to average 510,000 b/d, representing a downward revision of 20,000 b/d from the previous month.

Developing Countries' oil supply was expected to grow by 350,000 b/d to average 13.15m b/d in 2011, indicating an upward revision of 25,000 b/d from the previous month.

Middle East supply growth remained steady from the previous month. Other Asia, Latin America and Africa all experienced minor upward revisions. Latin America remained the region with the highest expected growth in 2011 among all non-OPEC regions.

Developing Countries' share of non-OPEC supply was seen to remain steady in 2011 as per the forecast at 26 per cent, yet the group remained the highest contributor to non-OPEC growth.

Developing Countries' supply growth in 2011 was expected to be gradual throughout the year.

On a quarterly basis, total oil supply in this group of countries in 2011 was expected to average 12.96m b/d, 13.11m b/d, 13.17m b/d and 13.37m b/d, respectively.

Oil supply from Other Asia was estimated to remain relatively flat in 2011 and experience a minor increase of 10,000 b/d to average 3.71m b/d, indicating an upward revision of 10,000 b/d from the previous month.

The overall supply situation remained relatively unchanged with India and Vietnam seen to encounter supply growth in 2011, while Indonesia and Malaysia supply was expected to decline. India's oil supply was forecast to increase by 50,000 b/d in 2011.

On a quarterly basis, Other Asia oil supply in 2011 was seen to average 3.70m b/d, 3.69m b/d, 3.71m b/d and 3.73m b/d, respectively.

Malaysia's oil supply was forecast to experience the largest decline among all Other Asia countries of 40,000 b/d in 2011 to average 660,000 b/d, flat from the previous month.

Vietnam's oil supply was expected to show minor growth of 20,000 b/d in 2011, supported by various new developments.

According to preliminary data, Other Asia oil supply stood at 3.72m b/d in the fourth quarter 2010.

Latin America's oil supply was forecast to increase by 230,000 b/d to average 4.95m b/d in 2011, displaying an upward revision of 10,000 b/d compared with the previous month.

Latin America's forecast supply growth remained the highest among all non-OPEC regions in 2011. The supply forecast remained unchanged from the previous month with Brazil and Colombia driving growth, while Argentina and Trinidad and Tobago were expected to exhibit declines in the year.

On a quarterly basis, Latin America's oil supply in 2011 was estimated at 4.83m b/d, 4.94m b/d, 4.96m b/d and 5.08m b/d, respectively.

Brazil's oil supply was expected to increase by 160,000 b/d in 2011 to average 2.87m b/d, flat from the previous month. Brazil remained the country with the highest expected supply growth in 2011. According to preliminary data, Brazil's oil supply stood at 2.85m b/d in December 2010.

Colombia's oil supply was expected to increase by 80,000 b/d in 2011 to average 880,000 b/d, unchanged from the previous month.

Preliminary data indicated that Latin America's output stood at 4.76m b/d in the fourth quarter of 2010.

Oil supply from the Middle East was expected to average 1.80m b/d in 2011, an increase of 20,000 b/d from 2010 and unchanged from the previous month's assessment.

Expected supply growth from Oman in 2011 was seen to offset an anticipated decline from Syria and Yemen. Syria's oil supply in 2010 saw minor growth of 10,000 b/d, which supported the growth of the region.

On a quarterly basis, the Middle East's oil supply in 2011 was expected to average 1.79m b/d, 1.79m b/d, 1.80m b/d and 1.81m b/d, respectively. According to preliminary data, Middle East oil supply stood at 1.78m b/d during the fourth quarter of 2010.

Africa's oil supply was forecast to average 2.69m b/d in 2011, representing an increase of 90,000 b/d from the previous year and an upward revision of 10,000 b/d compared with the previous month.

Ghana remained the main driver of growth in 2011 supported by the Jubilee development. Equatorial Guinea, Sudan and Uganda oil supply forecasts experienced revisions. Sudan's oil supply was forecast to increase in 2011 to average 470,000 b/d, indicating an upward revision of 20,000 b/d from a month earlier.

On a quarterly basis, Africa's oil supply was seen to average 2.64m b/d, 2.68m b/d, 2.70m b/d and 2.75m b/d, respectively.

The FSU's total oil supply in 2011 was projected to average 13.34m b/d, an increase of 120,000 b/d over 2010 and unchanged from the previous month's assessment.

Supply growth was expected from all major producers in the region. Expected growth in 2011 was less than 50 per cent of the average supply growth seen in the last five years.

The FSU remained the leading region in terms of production among all non-OPEC regions. FSU production was expected to maintain a 26 per cent share of global output in 2011.

On a quarterly basis, total oil supply from the FSU in 2011 was seen to average 13.40m b/d, 13.35m b/d, 13.28m b/d and 13.33m b/d, respectively.

China's oil supply was seen to grow by 50,000 b/d to average 4.19m b/d in 2011, while Other Europe's oil supply was expected to remain steady at an average of 140,000 b/d.

Russia's oil supply was forecast to increase by 20,000 b/d to average 10.16m b/d in 2011, representing an upward revision of 10,000 b/d from the previous month.

The OPEC report noted that the supply forecast for the world's largest oil producer was associated with a high level of risk.

"The current Russia oil forecast in 2011 demonstrates a gradual decline through all the quarters, compared with the previous quarter. Despite the decline, Russia's oil supply is expected to remain relatively flat in 2011, compared with 2010," it said.

On a quarterly basis, Russia's oil supply in 2011 was expected to average 10.20m b/d, 10.18m b/d, 10.13m b/d and 10.13m b/d respectively. Preliminary figures indicate that the country's oil production stood at 10.19m b/d in January, slightly higher than in the previous month.

Oil supply from Kazakhstan was anticipated to increase by 60,000 b/d to average 1.66m b/d in 2011, steady from the previous month. On quarterly basis, Kazakh oil supply this year was seen to average 1.67m b/d, 1.64m b/d, 1.63m b/d and 1.68m b/d, respectively.

Azerbaijan's oil supply was foreseen to average 1.11m b/d in 2011, showing growth of 40,000 b/d over 2010 and flat compared with the previous month. The quarterly breakdown for 2011 was put at 1.12m b/d, 1.11m b/d, 1.11m b/d and 1.11m b/d, respectively.

Oil supply from China was predicted to increase by 50,000 b/d over 2010 to average 4.19m b/d in 2011, indicating an upward revision of 15,000 b/d from the previous month's assessment.

The strong supply growth experienced in 2010 was seen losing some momentum in 2011, yet supply was expected to register a further increase, although lower than that achieved in 2010. Biofuels production was also seen to support the supply situation in China in 2011.

The quarterly supply figures for China this year were seen averaging 4.21m b/d, 4.18m b/d, 4.18m b/d and 4.20m b/d, respectively.

## OPEC oil production

Total OPEC crude oil production averaged 29.72m b/d in January, the highest level since December 2008, which indicated an increase of 397,000 b/d, according to secondary sources. OPEC production not including Iraq averaged 27.01m b/d, up by 138,000 b/d from December. Crude oil production experienced increases from Iraq, Saudi Arabia, Angola and the UAE, while crude output from Nigeria and Iran declined.

OPEC output of NGLs and non-conventional oils were forecast to average 5.25m b/d in 2011, representing growth of 460,000 b/d over the

previous year. In 2010, OPEC's production of NGLs was estimated to have averaged 4.79m b/d, an increase of 440,000 b/d over 2009.

## Downstream operations

Looking downstream, the OPEC report stated that the sustained momentum seen in the middle distillates market had received support from the colder weather in the Atlantic Basin – the most extreme winter for decades in some areas – creating stronger heating oil demand.

Further support came from higher diesel demand for trucks as a sign of positive developments in the global economy and sustained Chinese diesel demand for re-stocking, due to the previous month's shortage.

"The healthy middle distillate demand ahead of the refinery maintenance season, as well as moderated refinery runs, will keep supporting refinery margins in the coming months and could offset the lower cracks in the top and bottom of the barrel," maintained the report.

Supported by the colder weather, the US refining industry performance kept improving in January on the back of the middle distillate cracks. The margin for WTI crude on the US Gulf Coast reached $11.4/b, the highest level since last May. Another contributor to the margins was the lower WTI price, due to the build in inventories in Cushing, Oklahoma.

In Europe, the improvement in the middle distillate cracks, due to stronger global demand, was able to offset the weakness in the top and bottom of the barrel and the margin for Brent crude in Rotterdam remained around the level reached the previous month.

Refining margins for Dubai crude oil in Singapore were supported by the gains in light and middle distillate cracks – a sustained recovery in the gasoline crack spreads – which, allowed refinery margins to keep rising in January to gain $1.5/b.

American refiners boosted refinery runs in December. However, as gasoline and middle distillate stocks started building again, despite the higher distillate demand, refiners decided to reduce refinery runs from 88 per cent in December to 85 per cent in January. This, along with the drop in the price of WTI, contributed to the increase in refining margins.

European refiners maintained moderated throughputs over the last months – at around 85 per cent – in an effort to protect margins, while Asian refiners continued to increase runs to face higher distillate demand. Japan pushed throughput to 89 per cent, the highest level in refinery utilization since 2008.

"Looking ahead, positive global signals will maintain the bullish market, mainly in middle distillates. However, high inventories in the Atlantic Basin along with maintenance in the petrochemical sector will encourage moderated refinery runs in the Atlantic Basin, while Asian refineries will drop runs once they replenish gasoil stocks," the report observed.

According to the EIA, US gasoline demand dropped to 8.7m b/d in January, 500,000 b/d lower than a month earlier, but 217,000 b/d above the same month the previous year.

## Oil trade

US crude oil imports recovered sharply in January to average almost 9.1m b/d, according to preliminary data. The amount was 590,000 b/d, or seven per cent, higher than the December level and 620,000 b/d, or 7.3 per cent, higher than a year earlier.

It was the first time for crude oil imports to stand above 9m b/d since the 9.2m b/d recorded in September 2010. The rise in crude oil imports came in line with the seasonal trend as imports increased because of stronger demand from refineries, supported by the cold weather, as well as a correction from the low levels of December, due to reducing crude oil stocks for year-end tax purposes.

Following the same trend, US oil product imports jumped by 260,000 b/d, or 10.8 per cent, to 2.71m b/d, the highest level since July last year when imports also stood at 2.71m b/d. However, compared with a year earlier, oil product imports in January 2011 were some 68,000 b/d, or 2.5 per cent, lower.

Together, US crude oil and product imports rose by 850,000 b/d, or by 7.8 per cent, to nearly 11.8m b/d in January, the highest level since July 2009. The strong recovery in US oil imports reflected stronger oil demand and a continued build in oil inventories.

Both crude oil and product exports remained unchanged in January at 33,000 b/d and 2.2m b/d, respectively. Nevertheless, compared with a year earlier product imports were 360,000 b/d, or almost 20 per cent, higher this year.

As a result, US total net oil imports in January averaged more than 9.5m b/d, up by 850,000 b/d, or 9.8 per cent, from December and higher by 190,000 b/d, or two per cent, from a year ago. At 9.5m b/d, US net oil imports were at their highest level since the near 10.0m b/d reached in August 2010.

**"Total OPEC crude oil production averaged 29.72m b/d in January, the highest level since December 2008, which indicated an increase of 397,000 b/d."**

The US imported more than 4.1m b/d of its crude oil from OPEC Member Countries in November 2010, corresponding to a share of 48.4 per cent of total crude oil imports, down 1.4 per cent from a year earlier.

However, by country, Canada was the main supplier of US crude oil imports in the same month with almost 2.0m b/d, or 23 per cent, followed by Mexico with 1.2m b/d (14 per cent) and Saudi Arabia with 1.1m b/d (13 per cent).

On the oil product side, imports from OPEC Member Countries accounted for 350,000 b/d, or 14 per cent, of total US product imports. Imports from Algeria accounted for 190,000 b/d, or 7.8 per cent, while Canada remained the main supplier with more than 530,000 b/d, or 21.6 per cent, followed by Russia with 470,000 b/d, or 18.9 per cent.

Japan's crude oil imports increased by 21,000 b/d, or by 0.5 per cent, in December 2010 to remain at around 4.1m b/d, the highest level since February 2009. Compared with a year earlier, December imports were 35,000 b/d or almost one per cent, higher in 2010.

The growth in the country's crude oil imports for the second consecutive month was in line with a recovery in the economy, which resulted in higher refining throughputs. Stock-building also contributed to the recovery in crude oil imports.

For 2010, Japan imported an average of 3.7m b/d of crude oil, up by 60,000 b/d, or 1.6 per cent, from a year earlier when imports fell to their lowest levels in two decades amid lower demand because of the economic crisis.

However, despite this growth, Japan's crude oil imports remained below the levels of around 4.1m b/d seen between 2005 and 2008.

In contrast to crude oil, the country's oil product imports, including LPG, fell sharply in December to 880,000 b/d, down by 133,000 b/d, or 13 per cent, from the 1.0m b/d recorded in November.

**"In 2010, China imported a record high of more than 4.8m b/d of crude oil, 713,000 b/d more than in the previous year, as refinery throughput jumped by more than 11 per cent."**

Almost all products saw their imports reduced in December, except kerosene and fuel oil. Naphtha imports – the main imported product with LPG – fell by almost 100,000 b/d, or 18 per cent, to 442,000 b/d. LPG imports followed the same trend, declining by 66,000 b/d, or by more than 17 per cent, to average 320,000 b/d, the lowest level in more than a year.

In 2010, Japan's oil product imports averaged 950,000 b/d, up by 94,000 b/d, or 11 per cent, from a year earlier, reflecting healthier demand. However, they remained below the 1.2m b/d seen in 2007.

In December, Japan's total oil product exports, including LPG, increased to 580,000 b/d, up by 67,000 b/d from a month earlier and lifted by the huge availability of fuel oil because of weaker demand and increasing production from refineries.

Japan's gasoline exports rose by 22 per cent to stand at more than 63,000 b/d, the highest since March 2010. For the whole of 2010, the country's product imports stood at 540,000 b/d, slightly below the 550,000 b/d recorded the previous year.

As a result, Japan's net oil imports fell by 178,000 b/d, or 3.9 per cent, in December to average 4.4m b/d. Compared with a year earlier, the decline was lower by 46,000 b/d, or just one per cent. Considering the whole year, net oil imports were at 4.1m b/d in 2010, up by 163,000 b/d, or 4.1 per cent, from a year earlier.

Saudi Arabia remained the main supplier of Japan's crude oil in December 2010 with 1.2m b/d, 29 per cent of total imports, followed by the United Arab Emirates with 21 per cent, Qatar (11 per cent), Russia (10.6 per cent) and Iran (8.6 per cent).

China's crude oil imports fell by 177,000 b/d, or 3.5 per cent, in December 2010 to average 4.93m b/d, compared with 5.11m b/d in November and were slightly down from a year earlier, despite growth in refining throughput.

Part of the decline in crude oil imports was offset by a drop of more than 80,000 b/d in crude oil exports, which stood at 57,000 b/d, compared with 141,000 b/d a month earlier, the lowest level since July 2010.

Contrary to crude oil, China's oil product imports rose sharply in December to average 1.37m b/d, up by nearly 200,000 b/d, or 17 per cent, from a month earlier. Exports fell by 61,000 b/d, or 10 per cent, to 550,000 b/d.

As a result, Chinese net product imports jumped by 261,000 b/d, or 46.7 per cent, to average 820,000 b/d, the highest level since the 840,000 b/d recorded in May 2008. A year earlier, in 2009, China's net product imports were at just 85,000 b/d.

The significant increase in China's net oil product imports was attributed to strong demand and rising commercial inventories, which jumped by 8.7 per cent according to data from the official Xinhua News Agency.

Consequently, total Chinese oil imports (crude oil and products) increased for the second month in a row in December to average 6.3m b/d, up by 22,000 b/d, or 0.2 per cent, from November and higher by 221,000 b/d, or 3.6 per cent, from a year ago.

In 2010, China imported a record high of more than 4.8m b/d of crude oil, 713,000 b/d, or 17.4 per cent, more than in the previous year, as refinery throughput jumped by more than 11 per cent, according to industry sources.

In the last five years (2005–10), China almost doubled its crude oil imports, rising from 2.55m b/d to nearly 4.81m b/d. By comparison, the US, the top consumer, saw its crude oil imports falling from 10.2m b/d in 2005 to 9.1m b/d in 2010.

Similarly, Chinese oil product imports hit a record high after passing 1m b/d for the first time. Again, this explained the country's robust demand for oil.

China's crude oil exports saw a decline over the last five years to move from 161,000 b/d in 2005 to just 61,000 b/d in 2010.

The decline in the country's crude oil exports in 2010 came despite growth in production, highlighting that more crude was being used by local refineries to respond to domestic demand and exports.

Contrary to crude oil, Chinese oil product exports increased further to hit a record high of almost 640,000 b/d in 2010, compared with 363,000 b/d in 2005. The increase in China's exports came as a result of expanding refining capacity in recent years.

China's net oil imports hit a record high of almost 5.1m b/d for 2010, compared with 2.9m b/d in 2005. Crude oil net imports stood at 4.75m b/d, up by 19 per cent from 2009, while oil product net imports hit an eight-month low of 360,000 b/d.

"The sustained strong growth in China's net

oil imports reflects the growing robust demand and building stocks," commented the OPEC report.

"It is worth mentioning that while China's net crude oil imports rose by 98 per cent between 2005 and 2010, its net oil product imports dropped by 33 per cent, resulting in an increase of total net oil imports of just 74 per cent with some barrels designated for storage."

Saudi Arabia remained at the top of the list of China's oil suppliers in 2010 with deliveries of almost 900,000 b/d, followed by Angola (800,000 b/d), Iran (430,000 b/d), Oman (320,000 b/d), Russia (310,000 b/d), Sudan (250,000 b/d), Iraq (230,000 b/d) and Kazakhstan (200,000 b/d).

"It is worth mentioning that imports from Kazakhstan and Iraq rose by 67 per cent and 57 per cent, respectively. Crude oil imports from Oman increased by 35 per cent, while imports from Iran fell by almost eight per cent," the report noted.

India's crude oil imports, excluding import figures by Reliance Industries for its 580,000 b/d refinery at Jamnager in the west of the country, fell by almost 300,000 b/d, or 13 per cent, in December to average 2.6m b/d.

The country's oil product imports increased for the second consecutive month to average 370,000 b/d, up by 35,000 b/d, or 10 per cent, from November. The increase was attributed to kerosene, which added 18,000 b/d, while gasoline and LPG saw their imports decline.

India's oil product exports, excluding exports from Reliance Industries at Jamnager, fell slightly to 490,000 b/d. Imports including Reliance Industries figures amounted to 1.3m b/d in October 2010. As a result, India's net oil imports rose by 340,000 b/d in December to 2.4m b/d.

Crude oil exports from the FSU recovered sharply in December 2010 to reach almost 6.98m b/d, up by 417,000 b/d, or 6.4 per cent, from November. Compared with a year earlier, the region's crude oil exports were 287,000 b/d, or 7.5 per cent, higher in December 2010.

Supported by increasing production from Russia, FSU crude oil exports in 2010 rose to 6.75m b/d, compared with 6.65m b/d a year earlier, implying growth of around 100,000 b/d, or 1.5 per cent.

Following the same trend, FSU oil product exports recovered in December 2010 to average 2.62m b/d, 42,000 b/d, or 1.6 per cent, more than the previous month. Fuel oil, the main exported product, rose by 61,000 b/d, or 5.1 per cent, to 1.24m b/d followed by gasoil, which increased by 22,000 b/d, or 2.8 per cent, to 813,000 b/d. Gasoline exports increased to 129,000 b/d and were expected to rise further in January, traditionally considered the busiest month of the year for gasoline exports.

For the whole of 2010, FSU oil product exports declined by 36,000 b/d to 2.80m b/d on the back of growing domestic demand.

The region's crude oil and product exports averaged almost 9.6m b/d in December 2010, compared with 9.1m b/d in November, implying an increase of 460,000 b/d, or five per cent. For the whole year, growth was much lower at just 61,000 b/d as 2010 saw total FSU exports at 9.55m b/d, compared with 9.49m b/d in 2009.

## Stock movements

Concerning stock movements, total US commercial oil inventories at the end of January reversed the downward trend observed over the last four months to rise by 11.2m b to stand at 1,074.9m b.

"It is worth noting that the build in January occurred against the seasonal draw seen during this month of the year."

The build in total US commercial oil stocks was divided between crude and products, which increased by 7.9m b and 3.3m b, respectively. At 1,074.9m b, total US inventories stood 20m b, or 1.9 per cent, above a year ago at the same time and 43m b, or 4.2 per cent, above the five-year average.

After showing a substantial draw in December and November, US commercial crude oil stocks in January observed a contra-seasonal build of 7.9m b to end the month at 343.2m b.

The build could be attributed to the rise in crude oil imports, which increased by 650,000 b/d, to average more than 9.0m b/d. The decline of almost 700,000 b/d in US crude oil refinery input below the December level also contributed to the build.

At 14.3m b/d, US crude runs corresponded to a refinery utilization rate of 84.5 per cent, down 3.5 per cent from the previous month. However, the rate had remained high compared with the 77.7 per cent seen last year over the same period.

With the build, US commercial crude oil stocks remained 9.3m b, or 2.8 per cent, above a year ago over the same period and 17.3m b, or 5.3 per cent, higher than the average of the last five years.

Adding to the healthy level of US crude commercial stocks, crude inventories at Cushing jumped by another 600,000 barrels to reach a new record high of 38.3m b in the week ending January 28.

"This high stock level is pressuring the WTI price, which has fallen to levels of more than ten dollars below Brent," the OPEC report noted.

US total products in January rose by 3.3m b to 731.7m b after four consecutive months of decline. The build could be attributed to the fall seen in total product demand in January, indicating a decline of around 1m b/d over December. However, total product consumption remained 4.4 per cent above the same period in 2010.

With the exception of a small drop in jet fuel stocks, all other products experienced a build. Gasoline stocks led the build, rising by 18.1m b to end the month at 236.1m b, the highest level since 1993.

The build in gasoline was driven by lower demand, which dropped by 510,000 barrels in January over December to stand at 8.7m b/d.

"January is typically a period of low demand and the weather conditions across the country have not been conducive to driving. The build in gasoline inventories came despite a 100,000 barrel fall in gasoline production, averaging 8.8m b/d."

With the build, US gasoline stocks stood 1.8 per cent above a year ago and 4.3 per cent above the seasonal norm. "Gasoline stocks

should remain on a bearish trend over the next two months, before starting to climb, as economic fundamentals and warmer weather encourage demand," the report said.

Distillate inventories rose by 2.0m b to 164.1m b, following two consecutive months of increase. The build was driven mainly by the increase in diesel as heating oil inventories showed a drop. With the build, distillate stocks remained at healthy levels, indicating a surplus of 9.3m b, or 2.8 per cent, above a year ago and 17.3m b, or 5.3 per cent, more than the five-year average.

The build in US distillate stocks in January was supported by a drop of about 200,000 b/d in demand, which averaged 3.7m b/d.

"This build came despite the decline in production as refiners put the brakes on output, reflecting the weakness in transport fuel demand. Given the weather conditions, the strength of demand rested within heating oil. Looking forward, cold weather will retain some strength in the distillates market, but with the upcoming end of the heating season at the end of February, the weakness of winter demand, along with high supplies, should lead to a bearish market," said the report.

**"Japan's total commercial oil stocks remained 10.8 per cent below the five-year average. However, the surplus with a year ago stood at 4.5 per cent."**

In Japan, according to preliminary indications for January based on weekly data published by PAJ, commercial oil stocks dropped by a further 4.2m b for the second consecutive month to stand at 167.4m b.

Crude and total oil products saw a mixed picture. Crude oil stocks declined by 7.1m b, reversing the build seen over the previous two months, while product inventories rose by 2.9m b.

With the draw, Japan's total commercial oil stocks remained 10.8 per cent below the five-year average. However, the surplus with a year ago stood at 4.5 per cent.

The drop in crude oil stocks came mainly from robust crude runs as refineries were running at a very high rate of almost 88.6 per cent during the week ending January 29, 0.5 per cent above a week earlier and 6.4 per cent more than in the same period a year ago.

The build in total product inventories was driven by gasoline and naphtha and to a lesser extent by residual fuel oil, while middle distillates were the only products experiencing a drop.

Distillate stocks fell by 400,000 b for the second consecutive month to stand at 30.6m b, lifting the deficit with the five-year average to 6.7 per cent. The bulk of the decline came from kerosene products, driven by colder weather, which boosted kerosene sales from a year earlier by a double-digit percentage for the last two weeks in January.

In Singapore, oil product stocks in December 2010 fell by 1.42m b for the fourth consecutive month to stand at 43.56m b, the lowest level since June 2010.

With the draw, total product stocks stood 1.4m b, or 3.2 per cent, below a year ago at the same time. Light and middle distillate stocks experienced a drop of 1.14m b and 1.0m b, respectively, while fuel oil inventories increased by 700,000 b.

The drop in light distillate stocks to 9.27m b came on the back of healthy demand from Indonesia and Vietnam, Asia's two largest gasoline importers.

The stock draw in light distillates left them 16 per cent below a year ago in December, reversing the surplus occurred the previous month. Middle distillate inventories dropped further for the second month to 13.19m b, leaving them 1.7m b, or 11 per cent, below a year ago at the same time.

The fall in middle distillate stocks came on the back of higher imports to Malaysia, which were expected to fall further in the coming month.

Fuel oil stocks in December rose to end the year at 21.1m b, reversing three consecutive months of decline. This build came on the back of slower demand, combined with lower Western cargoes to Asia.

The ease of Chinese buying, especially in the second half of the month, also supported the build in fuel oil stocks. With the build, fuel oil stocks stood 2.1m b, or 11 per cent, more than a year ago at the same time.

Oil product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region at the end of December 2010 rose for the second consecutive month by 1.19m b to reach 38.03m b. However, despite the build, they still remained 4.1m b, or 9.7 per cent, below a year ago at the same time.

The main build came from gasoline and jet fuel stocks which increased by 2.1m b and 1.1m b, respectively, while fuel oil, gasoil and naphtha inventories saw a decline of less than 1.0m b.

Gasoline stocks rose after two consecutive months of decline to end December at 6.23m b, but they remained 1.7m b, or 21 per cent, below a year ago at the same period.

The build in gasoline stocks could be attributed to heavy imports, mainly from Russia and France, which outpaced exports to Western Africa and Mexico.

Jet fuel stocks rose to 5.85m b, but stood 1.0m b, or 15 per cent, below a year earlier over the same period.

Gasoil stocks fell by 870,000 b in December after a significant build in November to end the month at 20.54m b. Despite the drop, gasoil remained 300,000 b, or 1.6 per cent, above a year earlier over the same period. The fall in gasoil inventories was supported by higher exports to Asia.

Fuel oil stocks declined by 820,000 b for the third consecutive month. At 4.83m b, inventories stood 1.4m b, or 23 per cent, below a year ago at the same time. The drop in fuel oil stocks came on the back of higher exports as very large crude carriers loaded fuel oil for delivery to Singapore.

Naphtha stocks fell by 290,000 b to 580,000 b leaving them 25 per cent below last year at the same time.

## March

## Crude oil price movements

The OPEC Reference Basket increased further in February, moving above $100/b for the first time since the start of the financial crisis in September 2008. The upward movement in the Basket was supported by the strong performance of the futures market, attributed mainly to fears of a supply shortage, due to the turmoil in North Africa.

The Basket rose further over the following days as crude futures prices soared because of growing tensions in North Africa. As a result, the OPEC Basket moved above $111/b on February 24, the highest since the end of August 2008, but then eased slightly over the following days.

On a monthly basis, the OPEC Reference Basket increased for the seventh month in a row to average $100.29/b in February, the highest monthly level since the $112.41/b recorded in August 2008. That corresponded to an increase of $7.46/b, or eight per cent, over the previous month.

"The Basket has followed an upward trend since last July, when the average stood at around $72.5/b. For the first two months of 2011, the Basket averaged $96.47/b, compared with $74.50/b for the period January-February 2010," said the report.

All Basket components increased, particularly North African and Middle Eastern grades. Brent-related crudes, Saharan Blend and Bonny Light averaged more than $105/b and remained the strongest grades, followed by Angolan Girassol, which rose by 8.6 per cent to $104.42/b.

Some Middle Eastern crudes also moved above $100/b, such as Murban, Arab Light and Qatar Marine. Ecuador's Oriente showed the lowest increase of $5.34/b, or 6.3 per cent, but displayed a monthly average of more than $90/b, while Venezuelan crude averaged around $87.5/b, the lowest among Basket components.

The OPEC Basket remained strong moving into March, supported by supply fears and increased speculative activity. On March 10, the Basket stood at $110.71/b.

In the oil futures markets, crude oil was mixed in February. While ICE Brent prices continued the upward trend which started in July, Nymex WTI prices declined for most of the month, before surging in the last week on supply disruptions in some producing countries.

On the Nymex, the WTI front-month contract dropped by $1.27/b to average 88.31/b in February, whereas ICE Brent gained a further $6.72/b – the seventh increase in a row – to average $103.62/b, the highest level since the $115.24/b seen in August 2008.

Compared with a year earlier, WTI crude was up by 16 per cent from February 2010, while ICE Brent was almost 39 per cent higher.

## Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that the World bank energy commodity price index (crude oil, natural gas and coal) increased by 4.2 per cent m-o-m in February, as a result of a strong decrease in coal and natural gas prices, as crude oil jumped, driven by geopolitical risks.

Coal dropped by 5.3 per cent m-o-m, while US Henry Hub natural gas prices plummeted by 9.3 per cent as temperatures turned milder and on weak fundamentals. The market remained in surplus with ample inventories.

The Bank's non-energy commodity price index rose by 4.8 per cent m-o-m in February, slower than in last January (5.8 per cent). Both agricultural and basic metal prices saw lower growth, while precious metals performed the best.

The report noted that fears regarding global growth related to turmoil in the MENA region, exerted pressure on cyclical commodities. The last week of February saw some restraint in agriculture and industrial metal prices as a result of the current risk aversion environment.

Concerns about inflation and the impact of higher oil prices, if sustained, added to the risk aversion sentiment in some commodity markets. Another source of concern was the decline of PMI in China to 52.2 from 52.9 in January increased slightly by 4.2 per cent m-o-m in February.

Industrial metal prices increased by 4.1 per cent m-o-m in February. Aluminum prices performed better than expected as a result of rising oil prices and supply disruptions, while copper and nickel underperformed. Base metal prices declined in reaction to China's decision to raise the reverse reserve ratio by 50 base points, but recovered later the same day.

"As a whole, the outlook for industrial metal prices continues to be positive as the market seems to have new-found confidence in the global macroeconomic landscape of accelerating growth," the OPEC report affirmed.

The nickel market was one of the best performers in February, increasing by 10.2 per cent m-o-m on strong fundamentals.

**"The OPEC Reference Basket increased for the seventh month in a row to average $100.29/b in February, the highest monthly level since the $112.41/b recorded in August 2008."**

Zinc prices jumped by 14.8 per cent m-o-m in February in a volatile month, while aluminum prices rose by 4.1 per cent. The price of copper increased by 3.3 per cent m-o-m in February, while gold prices improved by 1.2 per cent.

Agricultural prices increased by 5.6 per cent m-o-in February, compared with growth of 5.8 per cent the previous month. Corn prices continued to rally over February, rising by 10.5 per cent m-o-m. Sugar prices increased by three per cent m-o-m.

The price of wheat surged in February, driven by increasing supply concerns associated to both stockpiling demand from emerging market wheat importers and risks of poor winter crop conditions in the US and China.

## Highlights of the world economy

In looking at developments in the global economy, the OPEC report said that the US economy continued to enjoy the recovery that was kicked off in 2009 by unprecedented governmental-led stimulus.

Both the manufacturing sector and activity in the services sector, which constitutes around 80 per cent and therefore a big majority of the economy, had continued to improve.

The most recent – second publication – of fourth-quarter 2010 GDP growth was lower than the first estimate of 3.2 per cent seasonally adjusted annualized growth, but still close to the level of three per cent, at 2.8 per cent.

"A positive trend is the considerable recovery in personal consumption, which rose by 4.1 per cent and therefore contributed the majority of the total growth number," observed the report.

"... but it remains to be seen how the debt that has been accumulated for this recovery effort and the monetary consequences might be managed and if not some effects and consequences of this policy will not be already felt in the near term," it added.

**"... still a long way to go to significantly reduce unemployment to more sustainable levels, when considering that in the great recession around 8.5 million jobs have been lost."**

US unemployment for the first time since April 2009 went below the nine per cent level to stand at 8.9 per cent in the most recent release for February.

"It will be still a long way to go to significantly reduce unemployment to more sustainable levels, when considering that in the great recession around 8.5 million jobs have been lost, but the current trend is supportive to also encourage consumption spending again ..."

The ISM indices for both the manufacturing sector and the non-manufacturing sector were also pointing to a continuation of the current expansion into the first half of 2011.

The ISM for the manufacturing sector improved to 61.4 in February from 60.8 in January and is – being a leading indicator – signaling further expansion. The ISM for the non-manufacturing sector also improved – to 59.7 from 59.4, indicating that the services sector was enjoying a continued healthy momentum.

US factory orders expanded by 3.1 per cent m-o-m in January, after a 1.4 per cent expansion in December 2010. Moreover, the utilization rate in industrial production expanded to 76.5 per cent in January, almost the same level as at the end of last year.

"Taking the current momentum into consideration and reflecting on some of the challenges that the US economy might face in 2011, the growth rate for this year remains unchanged at 2.9 per cent and at around the same level as in 2010, when the economy was estimated to have grown by 2.8 per cent," said the OPEC report.

It stated that the Japanese economy continued its expansion in line with most of the OECD region.

The economy had experienced phenomenal growth in 2010 – at 3.9 per cent – while the latest release was showing a slightly lower number than in the first estimate for the fourth quarter at minus 1.3 per cent, compared with the first estimate of minus 1.1 per cent.

The numbers highlighted that the yearly growth had been much higher than the OECD average of 2.8 per cent.

"This performance was mainly due to the governmental-led stimulus as it can be seen by the quarterly pattern of 2010. As soon as the tax-incentives stopped by the end of the third quarter, domestic demand declined dramatically," said the report.

Growth in the first quarter of 2011 was now expected to resume. However, as the government incentive programmes for the consumption of cars and household appliances had ended and stimulus so far should be expected at a lower scale, growth in 2011 was expected to be below the OECD average.

The Markit manufacturing PMI rose to 52.9 in February, after a reading above the expansion indicating level of 50 in January, when the index stood at 51.4, trending above the 50 line for the first time since August last year and reaching levels of the first half of last year, a time when the economy of Japan experienced an exceptional recovery.

"So, with the expectation that exports continue to be lifted from the current levels in the coming months, the main focus will remain on the domestic side of the economy, which might see some improvement in the coming months backed by a positive development in the labour market," the report stated.

Unemployment in Japan remained at 4.9 per cent for the second consecutive month.

"By taking the continuation of the recovery into consideration and reflecting the challenges the economy might face from still sluggish domestic demand, the forecast for 2011 remains unchanged at 1.5 per cent, significantly lower than the growth expectations for 2010 of 3.9 per cent," the report added.

Euro-zone growth for the fourth quarter of 2010 was slightly better than anticipated at 0.3 per cent. The yearly growth number was reported at 1.7 per cent.

"This momentum was mainly supported by Germany and, to a certain extent, by France." Germany's quarterly growth was reported at 0.4 per cent, while France was pegged at 0.3 per cent.

"This outcome for 2011 has been impressive considering that some member countries have faced severe budgetary challenges in 2010, the success of the euro was very much questioned by many observers and the Euro-zone member countries, together with the ECB and the IMF, had to establish a rescue fund for the weaker member countries, in order to lift some pressure on the common currency," the report observed.

So far, it said, the Euro-zone had managed to avoid any sovereign default, the euro was enjoying relative strength against most other

currencies and the facilities of the rescue fund were only needed on an exceptional basis.

"Most of the indicators point at a continuation of growth in 2011. However, the Euro-zone is facing new challenges that are, to a certain extent, the outcome of the measures that have been undertaken to avoid unwanted consequences on the economy."

The report said that the main challenge for the coming months would be to balance the potential need for the ECB to increase interest rates, in order to avoid higher inflation, and, at the same time, not undermine the fragile recovery. Inflation had been acknowledged as a challenge that could further put pressure on the economy, It stood at 2.4 per cent in February, the same level published for January.

The region's unemployment rate improved to 9.9 per cent in January and for the first time since December 2010 stood at below ten per cent. Germany again led the improvement with a recorded unemployment rate of 6.5 per cent, while, in contrast, Spain's rate remained at 20.4 per cent.

The PMI for both the manufacturing sector and the services area improved. Manufacturing PMI rose from 57.3 to 59.0. The PMI for the services sector moved up to 56.8 from 56. Both levels were significantly above the expansion indicating level of 50.

Manufacturing orders – at the seasonally adjusted level – improved significantly to 18.8 per cent y-o-y in December, the highest level since August last year and only slightly below the 23 per cent recorded for May 2010.

"Taking the positive growth trend of the Euro-zone into consideration, while at the same time acknowledging the many challenges the economy is expected to deal with in the near future, the 2011 growth forecast has been raised slightly to 1.5 per cent from 1.4 per cent, not much lower than the 2010 growth level of 1.7 per cent." the OPEC report said.

It maintained that the performance of the major developing countries in the first quarter of 2011 had been better than expected and currently the global market recovery was being driven by continued strong economic growth in the emerging markets.

"There are signs of a sustainable increase in output in the OECD as well. The world economic recovery is reflected in the significant expansion of international trade."

According to the World Trade Organization (WTO), trade volumes were expected to grow by more than 6.5 per cent in 2011 after strong growth of 12.7 per cent in 2010.

The emerging economies had all benefited from the growing global trade, but South East Asian countries, including Indonesia, Malaysia, the Philippines, Thailand, Singapore and Vietnam, might have benefited more than other developing nations, as these economies were traditionally trade-oriented.

Southeast Asian countries also benefited from rising Chinese demand. World trade was forecast to grow in the next couple of years, driven by sustained growth in developing countries.

As consumers and companies in the developed world monitored costs closely, low-cost producers from the emerging markets would continue to gain market share.

The Asian economy was expected to remain the fastest growing region in 2011. This is attributed to two factors: stronger fundamentals and the emergence of China as an independent engine of regional growth.

Although the US was still the main source of final demand for Asia as a whole, according to a research by the ECB, China was now a greater source of final demand for the Philippines, South Korea and Taiwan.

Latin American economies were expected to benefit from the economic growth seen in Asia and the emerging markets in 2011, although growth would be higher in South America, compared with the rest of Latin America.

In 2011, most emerging economies, including China, were expected to see their rates of growth moderated compared with last year.

In South Asia, the Indian economy was struggling with inflation and there had been signs that fighting inflation has taken its toll on Indian economic growth.

The same applied to Brazil, where a strong real (Brazil's national currency) amid a widening foreign trade deficit and fiscal excess left raising the interest rate as the only effective tool to curb inflation, although tightening monetary policy was bound to dampen economic growth in an economy that enjoyed low unemployment and faced wage inflation.

Price inflation was a main source of concern in Russia as well. The Russian economy, still recovering from its worst recession in recent years in 2009, had to deal with its public sector deficit, particularly when it came to the non-oil budget deficit.

In China, said the report, it appeared that the government was determined to prevent the economy from overheating by moderating GDP growth and curbing inflation. It was expected that monetary and fiscal policies would be tightened if necessary to achieve that purpose.

**"In 2011, most emerging economies, including China, were expected to see their rates of growth moderated compared with last year."**

Moderating economic growth to seven per cent for the next five years suggested that the Chinese government was now more confident about the labour market and overall employment conditions and the impact of wage growth on household income.

According to the National Bureau of Statistics, most components of PMI in China continued to ease in February. However, PMI components on new export orders, imports and input prices showed some gain.

Overall, the latest PMIs suggested that following acceleration of economic growth in the fourth quarter of 2010, the economy was growing at a steadier pace. It was expected that manufacturing PMI would improve moderately in the coming months.

Meanwhile, inflation was still expected to

dominate near-term macroeconomic policy considerations.

India's economy was expected to slow down to some extent following moderation of its economic growth in the last quarter of 2010.

Considering the strong performance of the agricultural sector in the winter season, this was mainly attributed to the industrial sector with its diminishing rate of growth. Services sector growth also moderated in late 2010.

The Central Statistical Office of India envisaged a fall in the growth rate of investment in 2011 compared with last year. Although some moderation in the rate of economic growth seemed inevitable, it was not expected that the rate of GDP growth in 2011 would fall much below the rate of 2010.

"There have been some mixed signs of economic performance in the past few months. The latest OECD leading indicators for India point to a further slowdown in economic growth, while in February, PMI rose to 57.9 from 56.8 the previous month, mainly due to new domestic and export orders."

**"Demand for OPEC crude in 2011 was forecast at 29.8m b/d, representing a gain of 500,000 b/d over the previous year and unchanged from the last report."**

Merchandise export revenue increased by 32.5 per cent or to $20.6bn in January. Total exports rose by 29.4 per cent in 2010, while imports rose by 17.6 per cent. The highest growth rate was for petroleum products, pearls, precious stones, gold, silver and machinery.

The Russian economy grew by a faster-than-expected four per cent in 2010. The greatest contribution to GDP growth came from a build in stocks, as these were run down in 2009.

Growth in external demand also contributed to GDP growth as exports grew by 11 per cent in 2010. In addition to these two components of aggregate demand, domestic consumption and investment also recovered in 2010. Russia's budget deficit shrank in 2010 to around four per cent of GDP from 5.9 per cent in 2009.

The report said that considering the continuation of the global economic recovery and the reasonable oil prices that were believed to persist as long as the global economy expanded, OPEC Member Countries were expected to see steady economic growth for most of 2011.

"In fact, economic growth rates for most Member Countries are slightly higher in our latest review of OPEC economies, compared with late 2010 reading. In fact, the rates of economic growth for eight out of the 12 Member Countries are estimated to be higher in 2011 than last year."

It stated that OPEC Member Countries' economies as a whole were expected to grow by around four per cent in 2011, compared with 3.5 per cent in 2010, indicating a healthy increase in economic activity.

## World oil demand

In its review of the market, the OPEC report said that demand for OPEC crude in 2010 was adjudged to have remained almost unchanged from the previous assessment to stand at 29.3m b/d.

The figure reflected minor adjustments to world oil demand and non-OPEC supply. However, in quarterly terms, the fourth quarter of 2010 saw an upward revision of 200,000 b/d, while the other three quarters remained unchanged.

Demand for OPEC crude last year stood 300,000 b/d above the year earlier level. The first quarter of the year was still showing a drop of 900,000 b/d, while the second quarter was estimated to have seen slight growth of 200,000 b/d. The third quarter was slated to have enjoyed positive growth of 1.5m b/d, while the fourth quarter showed an expansion of 200,000 b/d compared with the same period in 2009.

Demand for OPEC crude in 2011 was forecast at 29.8m b/d, representing a gain of 500,000 b/d over the previous year and unchanged from the last report.

In quarterly terms, the third quarter was the subject of a downward revision of 300,000 b/d, while the first and the second quarters were revised up by 100,000 b/d and 200,000 b/d, respectively. The fourth quarter remained unchanged.

Required OPEC crude was forecast to increase by 500,000 b/d this year versus 2010. The first quarter is expected to see growth of around 800,000 b/d, while the second quarter was forecast to see a lower expansion of 400,000 b/d. The third quarter is projected to remain flat, while the fourth quarter was slated to see higher growth of 500,000 b/d compared with the same period in 2010.

The report noted that, in general globally, 2011 second-quarter oil demand was forecast to ease the pressure on the oil supply/demand balance.

First-quarter oil demand was supported by the cold winter in the Northern Hemisphere. The effect of strong demand was also felt in February.

In contrast, the third quarter of 2011 was anticipated to see more oil usage as a result of enhanced economic activities, higher temperatures and the start of the agricultural season.

Supported by high US oil consumption growth, OECD February oil demand surpassed that of the previous month.

In non-OECD countries, oil demand in the second quarter was expected to maintain its robust level, achieving similar growth to that seen in the first quarter.

Another factor that pushed oil demand up was the effect of winter on natural gas prices, which reduced power plant usage of natural gas.

That was experienced not only in the OECD region, but also in some parts of Asia as well. Given the colder-than-expected weather and the recent upward GDP revision, oil demand in the first and second quarters was revised marginally higher.

Global oil demand was forecast to have grown by 1.8m b/d in 2010 and was expected

to expand by 1.4m b/d in 2011, averaging 87.8m b/d, broadly in line with the previous report.

Manufacturing activities were showing an upward trend, indicating more oil consumption in most OECD countries and Russia. The upward risk centred around the magnitude of the winter's effect on oil demand. Early indications were pointing towards higher-than-expected consumption of oil in the Northern Hemisphere.

"Should these indications be confirmed, oil demand could be revised higher in the coming months," said the report.

However, it added, the downward risk for the forecast for world oil demand came from international oil prices.

"Should strong price levels remain, this would lead to a reduction in the use of transportation fuel, especially in the summer driving season. This effect will spread not only throughout the OECD, but also into the non-OECD region," it maintained.

As always, biofuels relied on government subsidies. "Biodiesel has been uneconomical since its birth and now it lies on its deathbed unless OECD governments interfere and jump-start the industry with new funds."

The report noted that the US government had already approved not only a further increase in the blending mandate, but also a new tax credit to make the industry profitable. But massive subsidies were not able to transform biodiesel into a competitive industry since it still costs $2/gallon more than normal diesel.

High demand for corn, caused mostly by the biofuels industry itself, has pushed up corn prices, leading to a noticeable loss in the industry margin.

"This is certainly not the first time the industry has suffered high raw material costs as the same phenomenon occurred several years ago," the report pointed out.

The cold winter managed to push US oil demand up in February by 3.8 per cent y-o-y. Gasoline demand also experienced an upward trend. Mileage driven increased, pushing gasoline demand up by 2.8 per cent, which exceeded normal growth of 1.6 per cent.

Motor gasoline growth was the highest since September 2010 as US auto sales rose unexpectedly in February, due to large discounts, improved consumer confidence and easier credit.

Despite rising fuel prices, US auto sales growth reached 27 per cent, compared with last year, with January's expansion recorded at 17 per cent.

"However, automakers are concerned that persistently high oil prices could push American consumers to delay car purchases, as in 2008. This indicates the highest y-o-y increase reported since August 2009, which was boosted by the cash-for-clunkers incentives," the report stated.

Driven by a low baseline and cold weather, Canadian oil demand continued its high growth rates in December 2010, with sharp increases in distillates and gasoline. Following a decline in 2009, Canadian oil consumption grew by a remarkable 200,000 b/d, or 8.5 per cent, the highest yearly growth ever reported.

After 14 consecutive months of growth, car sales in Canada fell during February by four per cent, compared with the same month last year. The Canadian auto industry was expected to improve in 2011 as a result of an improved economy and growing consumer confidence.

Mexican oil consumption started 2011 in a similar way to last year, remaining negative since January 2010. This was basically due to lower demand for industrial products and weaker requirements for transportation fuels.

According to the Mexican Automobile Industry Association, Mexico's auto industry continued to grow strongly in January this year, with production of cars and light trucks rising by 21 per cent y-o-y.

For the whole of 2010, North American oil demand expanded by 500,000 b/d, while fourth-quarter growth was lower than that of the previous quarter.

Given anticipated GDP growth of 2.9 per cent, US oil demand was forecast to increase, adding another 260,000 b/d y-o-y in 2011, leading to oil demand growth in North America totalling 300,000 b/d.

Europe's January oil consumption grew by 200,000 b/d with Germany and France being its largest contributors. The increases were mostly caused by the unusually cold weather seen throughout the region.

However, the report forecast that European oil consumption during the rest of 2011 would most likely remain on the decline, as continuing debt in several European economies was putting strong downward pressure on demand.

Oil demand in the European 'Big Four' increased 166,000 b/d in January y-o-y. However, January growth was less than that of December by almost a third.

Stronger distillate consumption in Germany and France were the main drivers of the growth, while the use of transportation fuels remained on the decline in Italy and the UK, despite the low baseline of last year.

German, French and UK oil consumption in January increased by three per cent, five per cent and one per cent, respectively, while oil consumption in Italy was 0.5 per cent higher.

**"Given anticipated GDP growth of 2.9 per cent, US oil demand was forecast to increase, adding another 260,000 b/d y-o-y in 2011 ..."**

The region's total contraction in oil demand stood at 100,000 b/d in 2010. OECD Europe oil demand was expected to be flat in 2011.

According to the latest information by ACEA, European demand for new passenger cars in January fell by one per cent, compared with the same month last year. Movement in the major markets differed, with demand for new cars in Germany and France posting growth of eight per cent and 17 per cent, respectively.

However, the markets in the UK, Italy and Spain declined by 12 per cent, 21 per cent and 24 per cent. The largest decrease was observed in Greece at 63 per cent, affected by the troubled economy.

Japan's January data showed oil consumption

declining slightly, mainly due to fuel switching, and thus lower naphtha and residual fuel oil usage.

Moreover, Japanese consumption of transportation fuels showed no increase as compared with last year, while crude for direct burning marked the highest rise as a product category during January, as a result of cold weather.

"Further development of Japan's oil consumption during 2011 is heavily dependent upon the implementation of a stimulus plan and the level of fuel substitution, in addition to the operation of nuclear power plants," said the report.

OECD Pacific oil demand showed growth of 100,000 b/d in 2010, averaging 7.8m b/d. During 2011, the region's oil use was expected to fall slightly by 30,000 b/d, as a result of declining Japanese oil demand.

The report stated that Indian power plants had been practicing fuel switching to natural gas in the past year, which had led to a marginal cut in the use of oil.

Nevertheless, increasing natural gas prices during this past winter discouraged the country from using the fuel; hence, oil demand showed some increase in the first quarter of this year.

**"Auto sales in India were up by 26 per cent in January from a year ago. Indian vehicle sales — one of the fastest-growing auto markets in the world — grew by 31 per cent in 2010."**

Furthermore, holidays during the month were expected to affect the country's use of oil. The agricultural season was about to begin and this sector was expected to influence diesel demand country-wide.

Latest news indicated 4.4 per cent y-o-y growth in the India's January oil demand, adding another 149,000 b/d to the country's total. Gasoline and diesel demand grew sharply by 8.9 per cent and 6.3 per cent, respectively.

"It is forecast that India's oil demand will increase by 3.5 per cent this year, compared with last year. Two downward risks that may drag the country's oil demand growth lower are bad weather and fuel switching," the report observed.

Auto sales in India were up by 26 per cent in January from a year ago. Indian vehicle sales — one of the fastest-growing auto markets in the world — grew by 31 per cent in 2010. However, growth was expected to moderate during 2011 as a result of rising interest rates, fuel prices and vehicle costs.

Taiwan's oil demand grew by 3.7 per cent, or 36,000 b/d, in 2010, averaging 1.0m b/d. Economic growth of 8.8 per cent triggered the strong performance, despite the development of public transportation country-wide.

In 2011, Taiwan's GDP growth was forecast to be half that seen last year; hence, the country's oil demand growth was forecast at 25,000 b/d y-o-y.

Given the recent strength in India's oil demand, Other Asia's oil demand was forecast to grow by 200,000 b/d in 2011.

Middle East oil demand in January increased by 170,000 b/d, reflecting a minor decline in Iran's consumption. It was forecast that the region's first-quarter oil demand would grow as predicted to reach 220,000 b/d. Most of the forecast growth in oil demand could be attributed to the petrochemical and transport sectors.

Last year, Middle East oil demand fell below expectations, only achieving y-o-y growth of 2.4 per cent. That was as a result of declining Iranian oil usage during the year.

Venezuela's oil demand was reported to have been flat last year, but was expected to see some improvement in 2011.

"This is expected despite the country's initiative to reduce gasoline sales, which were inflated by low retail prices. The country's oil demand is forecast to grow by 30,000 b/d to average 770,000 b/d in 2011," the report said.

Argentina's oil demand increased by 7.3 per cent last year, adding another 40,000 b/d to the total figure. Gasoline use increased by 7.4 per cent and diesel rose by five per cent y-o-y. However, due to the anticipation of a marginal deregulation of the country's domestic retail prices, Argentina's oil demand growth in 2011 was forecast to be half of what it was last year.

The report noted that Brazil's oil demand had been on an upward trend since 2004 and was expected to continue to increase in 2011 with the alcohol-based energy sector showing the highest growth.

The transport sector was expected to push Brazil's oil demand up again by 100,000 b/d in 2011.

Developing Countries' oil demand growth in the first half of 2011 was forecast at 610,000 b/d y-o-y to average 26.5m b/d.

China's oil imports exceeded 35 per cent growth, reaching 1.45m b/d in January y-o-y. However, almost half of all oil imported ended up in the country's stocks, both in the form of crude and products. A final monthly assessment indicated growth of 700,000 b/d in January y-o-y.

According to China's latest OGP publication, the country's commercial stocks increased by 700,000 b/d in January. Crude stocks increased by 250,000 b/d and diesel stocks by 480,000 b/d. This excluded any stock movement in the country's SPR.

"This massive increase in diesel is in anticipation of high usage during the spring holidays. The use of road transportation is common during the spring festival, since railroad services are limited. Diesel usage increased in January by 19 per cent, or 560,000 b/d, and gasoline demand rose by 17 per cent y-o-y," the report observed.

Despite government efforts to cool the country's energy use, China's oil demand was expected to grow by 510,000 b/d in 2011, averaging 9.5m b/d.

Last year closed with oil demand growth of nine per cent, which added 700,000 b/d to China's total oil demand. Diesel was the product that increased the most, reaching 340,000 b/d, or 12 per cent.

"Diesel is an important product in China. Not only do the industrial and transport sectors use such products, but independent electricity

generators do so as well, in order to offset the shortage of power during the year."

China's gasoline use grew, reflecting the strong increase in new auto registrations, adding another 80,000 b/d to total oil demand.

Sales of passenger vehicles, including cars, multi-purpose vehicles, sport utility vehicles and minivans, in China rose by 17 per cent in January, compared with 2010, the China Passenger Car Association reported.

The slowdown in sales growth was attributed to the removal of government incentives, the ending of a car scrappage scheme and an increase in car sales taxes.

## World oil supply

Preliminary figures for the month of February indicate that world oil supply averaged 88.08m b/d, an increase of 550,000 b/d over the December 2010 figure, with OPEC's crude share at around 34 per cent.

The estimate was based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Meanwhile, non-OPEC oil supply was estimated to have averaged 52.26m b/d in 2010, indicating growth of 1.14m b/d over the previous year. This represented the highest annual supply increase since 2002.

On a quarterly basis, non-OPEC supply last year was estimated at 52.14m b/d, 52.11m b/d, 51.94m b/d and 52.86m b/d, respectively.

Non-OPEC supply in 2011 was forecast to increase by 520,000 b/d to average 52.79m b/d, representing an upward revision of 100,000 b/d from the previous month.

The bulk of the upward revision came from OECD supply with North America experiencing the largest upward revision.

Developing countries continued to be expected to have the largest growth in 2011 supply, followed by North America and the FSU, while OECD Western Europe supply remained the region with the largest expected decline.

On a quarterly basis, non-OPEC supply this year was expected to average 52.80m b/d, 52.67m b/d, 52.53m b/d and 53.14m b/d, respectively.

Total OECD oil supply was slated to decline by 40,000 b/d in 2011 to average 19.86m b/d, representing an upward revision of 80,000 b/d from the previous month.

The upward revision was a result of changes to the supply forecast of the US, Canada, Mexico and Norway.

On a quarterly basis, OECD oil supply this year was seen to average 20.01m b/d, 19.82m b/d, 19.65m b/d and 19.98m b/d, respectively.

North America's oil supply was projected to increase by 180,000 b/d over 2010 to average 15.11m b/d in 2011, representing an upward revision of 100,000 b/d over the previous month.

The oil supply forecasts of the US, Canada and Mexico were revised up, with Canada's supply forecast saw the largest revision.

On a quarterly basis, North America's oil supply in 2011 was expected to stand at 15.11m b/d, 15.10m b/d, 15.04m b/d and 15.21m b/d, respectively.

US oil supply was foreseen to increase by 90,000 b/d over the previous year to average 8.68m b/d in 2011, indicating an upward revision of 40,000 b/d from the previous month.

On a quarterly basis, US oil supply in 2011 was expected to stand at 8.71m b/d, 8.68m b/d, 8.63m b/d and 8.71m b/d, respectively.

According to preliminary data, US oil supply was estimated to have averaged 8.67m b/d in January and February, lower than the average of the fourth quarter of 2010.

Canada's oil supply was foreseen to average 3.52m b/d in 2011, representing growth of 140,000 b/d over the 2010 estimate, and indicating an upward revision of 55,000 b/d from the previous month's report.

On a quarterly basis, Canada's oil supply this year was expected to average 3.46m b/d, 3.50m b/d, 3.52m b/d and 3.60m b/d, respectively.

Mexico's oil supply was slated to average 2.91m b/d in 2011, a decline of 50,000 b/d from a year earlier and an upward revision of 10,000 b/d from the previous month's report.

On a quarterly basis, Mexico's oil supply this year was seen to average 2.94m b/d, 2.92m b/d, 2.88mb/d and 2.90m b/d, respectively.

Oil supply from OECD Western Europe was forecast to decline by 210,000 b/d in 2011 over the previous year to average 4.17m b/d, indicating a downward revision of 15,000 b/d from the previous report.

On a quarterly basis, OECD Western Europe oil supply in 2011 was anticipated to stand at 4.34m b/d, 4.12m b/d, 4.02m b/d, and 4.19m b/d, respectively.

Norway's oil supply was expected to average 2.01m b/d in 2011, a drop of 120,000 b/d from a year earlier and a downward revision of 15,000 b/d from the previous report.

On a quarterly basis, Norway's oil supply this year was expected to average 2.14m b/d, 1.96m b/d, 1.92m b/d and 2.02m b/d, respectively.

**"... figures for February indicate that world oil supply averaged 88.08m b/d, an increase of 550,000 b/d over the December 2010 figure, with OPEC's crude share at around 34 per cent."**

Oil supply from the UK was anticipated to decrease by 70,000 b/d over a year earlier to average 1.30m b/d in 2011, unchanged from the previous month's assessment.

On a quarterly basis, UK oil supply this year was seen to stand at 1.33m b/d, 1.29m b/d, 1.26m b/d and 1.31m b/d, respectively.

OECD Asia Pacific oil supply was forecast to average 580,000 b/d in 2011, relatively steady from the previous year with a minor decline of 10,000 b/d and indicating a downward revision of 10,000 b/d from the previous month.

On a quarterly basis, OECD Pacific oil supply this year was anticipated to average 560,000 b/d, 590,000 b/d, 600,000 b/d and 580,000 b/d, respectively.

Australia's oil supply was foreseen to

remain steady in 2011 compared with the previous year to average 500,000 b/d, indicating a downward revision of 10,000 b/d from a month earlier.

On a quarterly basis, Australia's oil supply this year was expected to average 470,000 b/d, 510,000 b/d, 520,000 b/d and 510,000 b/d, respectively.

Developing Countries' oil supply was predicted to average 13.15m b/d in 2011, an increase of 370,000 b/d over the previous year and unchanged from the previous month.

Latin America remained the region with the highest annual growth among all non-OPEC regions with a figure of 230,000 b/d, despite a minor downward revision of 20,000 b/d over the previous month.

On a quarterly basis, Latin America's oil supply this year was put at 4.81m b/d, 4.92m b/d, 4.94m b/d and 5.06m b/d, respectively.

Supply from Other Asia was estimated to grow by 20,000 b/d over the previous year to average 3.71m b/d in 2011.

On a quarterly basis, Other Asia oil supply this year was foreseen to stand at 3.70m b/d, 3.70m b/d, 3.71m b/d and 3.73m b/d respectively.

**"Total OPEC crude oil production averaged 30.02m b/d in February, indicating an increase of 110,000 b/d, according to secondary sources."**

Supply from the Middle East was foreseen to average 1.82m b/d in 2011, an increase of 40,000 b/d over the previous year and an upward revision of 20,000 b/d over the previous month.

On a quarterly basis, the Middle East's oil supply this year was estimated at 1.80m b/d, 1.81m b/d, 1.82m b/d and 1.83m b/d, respectively.

Oil supply from Africa was anticipated to increase by 90,000 b/d over a year earlier to average 2.69m b/d in 2011, unchanged from the previous month.

On a quarterly basis, Africa's oil supply in 2011 was expected to stand at 2.64m b/d, 2.68m b/d, 2.70m b/d and 2.75m b/d, respectively.

Developing Countries' total oil supply this year, on a quarterly basis, was projected to stand at 12.96m b/d, 13.11m b/d, 13.18m b/d and 13.37m b/d, respectively.

Total FSU oil supply was foreseen to grow by 130,000 b/d over the previous year to average 13.35m b/d in 2011, indicating an upward revision of 15,000 b/d from the previous report.

On a quarterly basis, total FSU oil supply this year was estimated to stand at 13.40m b/d, 13.35m b/d, 13.29m b/d and 13.36m b/d, respectively.

Other Europe's oil supply was expected to remain unchanged, compared with the previous year, at 140,000 b/d.

Oil supply from Russia was expected to increase by 50,000 b/d over the previous year to average 10.19m b/d in 2011, indicating an upward revision of 35,000 b/d from the previous month.

On a quarterly basis, Russia's oil supply this year was seen to average 10.22m b/d, 10.21m b/d, 10.17m b/d and 10.18m b/d, respectively. February preliminary data suggested that Russia's oil supply stood at 10.23m b/d, higher than in the previous month.

Kazakhstan's oil supply was foreseen to average 1.65m b/d in 2011, an increase of 50,000 b/d over a year earlier and representing a downward revision of 10,000 b/d from the last report.

On a quarterly basis, Kazakhstan's oil supply this year was expected to stand at 1.66m b/d, 1.63m b/d, 1.62m b/d and 1.67m b/d, respectively.

Oil supply from Azerbaijan was anticipated to average 1.10m b/d in 2011, an increase of 30,000 b/d over the previous year and representing a downward revision of 15,000 b/d from the previous month.

On a quarterly basis, Azerbaijan's oil supply was estimated to average 1.11m b/d, 1.09m b/d, 1.09m b/d and 1.10m b/d, respectively.

China's oil supply was predicted to increase by 60,000 b/d over the previous year to average 4.20m b/d in 2011, indicating a minor upward revision of around 10,000 b/d from the previous month.

On a quarterly basis, China's oil supply this year was expected to average 4.22m b/d, 4.19m b/d, 4.19m b/d and 4.21m b/d, respectively.

## OPEC oil production

Total OPEC crude oil production averaged 30.02m b/d in February, indicating an increase of 110,000 b/d, according to secondary sources.

OPEC production, not including Iraq, averaged 27.38m b/d in the month under review, up by 131,000 b/d from January. Crude oil production experienced a sizeable increase from Saudi Arabia, Venezuela, Angola, Kuwait and the UAE, while crude output from Libya, Nigeria and Iraq declined.

OPEC's output of NGLs and non-conventional oils was estimated to have averaged 4.79m b/d in 2010, representing growth of 440,000 b/d over the previous year.

In 2011, OPEC production of NGLs and non-conventional oils was foreseen to increase by 460,000 b/d over the previous year to average 5.25m b/d.

## Downstream activity

Looking downstream, the OPEC report said that sustained momentum in the middle distillates market had received further support from improved diesel demand, due to the rise in industrial activity across the globe and continued strong Chinese diesel demand, on the back of increased trucking activity in response to the current drought affecting the north of the country.

Product markets were also supported by the temporary market tightness generated by the unrest in North Africa and the Middle East, amid the peak of the refinery turnaround

season, which, additionally, had allowed fuel oil to recover part of the ground lost in recent months.

Refiners in Europe, threatened by a North African crude supply shortfall, started seeking alternative supplies to cover their operational needs. It had not been necessary to touch on strategic stocks.

Healthy middle distillate demand amid moderated refinery runs was expected to keep supporting refinery margins in the coming months and could offset the lower cracks in the top of the barrel.

The US refining industry performance remained healthy in February on the back of light and middle distillate cracks. The margin for WTI crude on the US Gulf Coast reached $18.8/b, the highest level seen in years. However, the main contributor to the margins was the relatively lower WTI price, which had been disconnected from other benchmark crudes, due to the build in inventories in Cushing, Oklahoma.

"This situation has worsened in the last month, due to the accumulation of Canadian crudes at Cushing. The margin for A-Heavy crude on the US Gulf Coast was around $6/b, dropping $1/b from the previous month," the report observed.

In Europe, the improvement in middle distillate cracks, due to stronger demand and a recovery in the fuel oil market, was able to offset the weakness in the top of the barrel and the margin for Brent crude in Rotterdam remained around the level reached last month.

Refining margins for Dubai crude oil in Singapore lost support from light distillates, which were partially offset by the gains in fuel oil and gasoil cracks. However, the more expensive crude at the end of the month caused refinery margins to slightly drop by $0.40/b.

American refiners continued to reduce refinery runs in February, allowing the build in gasoline and middle distillate stocks, which started the previous month, to stop. Refinery runs dropped to an average of 82 per cent in February from 84 per cent a month earlier.

"This, along with tightening light components and the relatively smaller increase in the price of WTI, has contributed to keeping refining margins healthy," the report noted.

It said that European refiners had maintained moderated throughputs over the last months at around 85 per cent, while Japan had maintained high throughputs from the previous month of around 88 per cent, the highest run rate since 2008.

"Looking ahead, positive global signals and further improving demand from the industrial sector is likely to maintain the bullish sentiment, mainly for the middle of the barrel; however, refinery utilization rates are not expected to increase sharply, taking into account the maintenance season and comfortable inventory levels," the report affirmed.

According to the EIA, US gasoline demand rose to 8.9m b/d in February, 200,000 b/d higher than a month earlier and 248,000 b/d above the same month last year.

Reduced refinery runs, along with fewer imports and the transition to summer grades, caused a drop in US gasoline inventories. In addition, fewer gasoline components were available, due to the turnaround of more than five catalytic cracking units. Higher export opportunities to Latin America, mainly Mexico, further supported the US gasoline market.

Middle distillate demand remained strong in the US at 3.7m b/d in February, similar to the previous month, although 113,000 b/d lower than the y-o-y average.

Strong demand lifted the fuel oil market in the US and provided some arbitrage opportunities to Singapore amid limited compound availability which lent some support to the market.

Product market sentiment in Europe continued to be mixed as light distillates remained weaker, while the momentum in middle distillates and fuel oil recovered.

"The European gasoline market has continued to lose ground since the start of the year because of low demand within the region, limited arbitrage to the US and West Africa and the suspension of imports to some North African countries, which kept gasoline spreads under pressure," the report observed.

The European naphtha market continued losing ground due to oversupply amid lackluster demand from the petrochemical sector, where naphtha has become less attractive than LPG as feedstock. In addition, bearish sentiment was fueled by limited arbitrage to Northeast Asia.

The European fuel oil market recovered the ground lost the previous month on the back of higher bunker demand in the region, amid additional requirements, due to the concern about the unrest in North Africa.

Asian naphtha market sentiment had turned bearish since the end of January, due to higher Western naphtha inflows, encouraged by the lower freight rates into mid-February and the cracker maintenance season in the region.

Another bearish factor from the supply side was the fall in LPG prices, displacing naphtha as a feedstock for petrochemical producers.

The Asian gasoline market lost the ground gained over the previous month as the stronger regional demand seen ahead of the Lunar New Year holiday dissipated.

**"According to the EIA, US gasoline demand rose to 8.9m b/d in February, 200,000 b/d higher than a month earlier and 248,000 b/d above the same month last year."**

Gasoline started to temper the loss towards the end of the month, due to refinery turnarounds in the region. However, the expectation of higher inflows in the coming months and moderated demand was expected to keep pressure on the Asian gasoline market.

The Middle distillate market remained supported by strong regional demand, led by Chinese diesel consumption, given the current drought affecting the north of the country, and higher requirements from Vietnam, India and Sri Lanka.

Support was expected to continue from stronger Asian demand, boosted by the coming spring planting season commencing in early

March in southern China and increasing trucking activity.

The Asian fuel oil market showed a sharp recovery during February on the back of stronger bunker sales amid a temporarily tight supply of high-sulphur fuel oil in Singapore, which made stocks fall in the middle of the month, raising prices and pulling bunker fuel premiums to higher levels.

## Oil trade

In the US, crude oil imports declined in February to average 8.2m b/d, according to preliminary data. The figure was 820,000 b/d, or nine per cent, lower than January's level and 430,000 b/d, or 4.9 per cent, down from a year ago.

The decline in crude oil imports came in line with a combination of recession-driven demand destruction and rising domestic production of crude, NGLs and biofuels.

Following the same trend, US oil product imports declined by 290,000 b/d, or 10.6 per cent, to 2.43m b/d. However, compared with a year earlier, oil product imports in February were 42,000 b/d, or 1.7 per cent, lower.

**"China's net oil imports hit a record high of almost 5.8m b/d for January, compared with 5.1m b/d in 2010."**

Together, crude oil and product imports declined by 1.11m b/d, or 9.4 per cent, to nearly 10.7m b/d in February, the lowest level since December 2009.

Crude oil and product exports fell in February by 58,000 b/d and stood at 2.2m b/d, representing a 2.6 per cent decline from January, but an increase of 174,000 b/d, or 8.7 per cent, y-o-y.

As a result, US total net oil imports averaged 8.5m b/d in February, down by 1.05m b/d, or 11 per cent, from January and a decline of 640,000 b/d, or seven per cent, from a year ago. At 8.5m b/d, US net oil imports were at their lowest level since the 8.7m b/d recorded in December 2009.

The US imported more than 4.2m b/d of its crude oil from OPEC Member Countries in December 2010, corresponding to a share of 48.6 per cent of total crude oil imports, down by 0.2 per cent from the month before.

Canada was the biggest single supplier of US crude oil imports in December with almost 2.1m b/d, or 24 per cent of the total, followed by Mexico (1.2m b/d, or 14 per cent) and Saudi Arabia (1.1m b/d, or 12.5 per cent).

On the oil product side, imports from OPEC Member Countries accounted for 430,000 b/d, or 18 per cent, of total US product imports. Imports from Algeria accounted for 220,000 b/d, or 8.9 per cent, while Canada remained the main supplier with more than 650,000 b/d, or 26.2 per cent, followed by Russia with 360,000 b/d, or 14.4 per cent.

Japan's crude oil imports decreased by 76,000 b/d, or 1.9 per cent, in January to remain at around 4.02m b/d. Compared with a year earlier, January's imports were 69,000 b/d, or 1.7 per cent, lower.

In contrast to crude oil, Japan's oil product imports, including naphtha and LPG, rose in January to 1.02m b/d, up by 140,000 b/d, or 16 per cent, from the 880,000 b/d recorded in December.

Almost all products saw their imports reduced in December, except naphtha, kerosene and LPG. Naphtha imports – the main imported product with LPG – rose by almost 59,000 b/d, or 132 per cent, to 501,500 b/d. LPG imports followed the same trend, rising by 116,000 b/d, or more than 37 per cent, to average 430,000 b/d.

Japan's total oil product exports in January, including LPG, decreased to 550,000 b/d, down by 25,000 b/d from a month earlier. That was because of weaker demand and increasing production from refineries. Gasoline exports declined by 35 per cent to stand at 41,000 b/d.

As a result, Japan's net oil imports rose by 91,000 b/d, or 2.1 per cent, in January to average 4.5m b/d. Compared with a year earlier, the decline was lower by 121,000 b/d, or 2.6 per cent. Nevertheless, for the whole of 2010, the country's net oil imports stood at 4.1m b/d, a gain of 163,000 b/d, or 4.1 per cent, from a year earlier.

Saudi Arabia remained the main supplier of Japan's crude oil in January with 1.1m b/d, or 28 per cent, of the total imports. It was followed by the UAE (23 per cent), Qatar (12 per cent), Iran (10.9 per cent) and Russia (6.4 per cent).

China's crude oil imports rose by 222,000 b/d, or 4.5 per cent, in January to average 5.15m b/d, compared with 5.93m b/d in December. They were up by 1.1m b/d, or 27.4 per cent, from a year earlier.

However, China's oil product imports dropped to 1.31m b/d, but remained high compared with historical levels.

China's total oil imports (crude oil and products) increased for the third month in a row to average 6.4m b/d in January, up by 158,000 b/d, or 2.5 per cent, from December and 1.63m b/d, or 33.6 per cent, more than a year ago.

China's net oil imports hit a record high of almost 5.8m b/d for January, compared with 5.1m b/d in 2010. Crude oil net imports stood at 5.09m b/d, up by 4.4 per cent from the month before, and 1.07m b/d, or 26.7 per cent, higher y-o-y. Product net imports declined by 130,000 b/d, or 16.3 per cent, compared with the month earlier, but increased by 620,000 b/d from the year before.

Saudi Arabia remained China's main supplier of crude oil in January with almost 990,000 b/d, followed by Angola (630,000 b/d), Iran (410,000 b/d), Russia (330,000 b/d), Oman (310,000 b/d), Iraq (280,000 b/d) and Sudan (230,000 b/d).

India's crude oil imports, excluding figures from Reliance Industries concerning its 580,000 b/d refinery at Jamnager in the west of the country, rose by 68,600 b/d, or 2.6 per cent, in January to average 2.7m b/d.

The country's oil product imports increased for the third consecutive month to average

380,000 b/d, up by 55,000 b/d, or 17.2 per cent, from December.

India's crude oil net trade, excluding Reliance Industries figures, amounted to 2.7m b/d in January 2010, representing a moderate increase compared with the December level of 2.6 per cent, compared with an 8.6 per cent decrease y-o-y.

India's net oil imports declined by 38,000 b/d in January to 2.39m b/d.

Crude oil exports from the FSU in January stood at 6.56m b/d, up by 416,000 b/d, or six per cent, from December. However, the exports were 157,000 b/d lower than in the same month a year ago.

Oil product exports from the FSU were up slightly on the month at 2.68m b/d, compared with 2.62m b/d in December, largely due to the increase in gasoil and gasoline deliveries.

## Stock movements

Concerning stock movements, the OPEC report said that at the end of February, US commercial oil inventories reversed the build seen the previous month to drop by 23.8m b to 1,051.1m b.

The stock-draw was driven by the substantial drop in oil products, which declined by 27.0m b, while crude stocks saw a build of 3.2m b.

The fall in total US commercial oil inventories shifted the surplus with a year ago incurred last month, to a slight deficit of 1.0m b, or 0.1 per cent, in February. The surplus with the five-year average also shrank to 31m b from 43m b reported the previous month.

The build in US commercial crude oil stocks to 346.4m b, the highest in two months, put them 6.3m b, or 1.8 per cent, above a year earlier in the same month and 14.4m b, or 4.3 per cent, above the seasonal norm.

The build came on the back of lower refinery runs. US crude oil refinery inputs averaged nearly 13.8m b/d in February, around 500,000 b/d lower than a month earlier. This corresponded to a utilization rate of 80.9 per cent, five per cent less than the previous month.

The build came despite a decline of around 700,000 b/d in crude oil imports. At 8.3m b/d, US crude oil imports were lower by 480,000 b/d compared with the same period last year.

"Looking ahead, a sustained level of lower crude imports over the past few weeks should lead to stock-draws in the coming weeks. At the same time, higher refinery margins, which attract refiners to postpone planned maintenance, choosing to use lower cost crude in storage than purchasing crude at current higher cost, should also help to lower stocks from current levels," said the report.

Meanwhile, Cushing stocks climbed to a new record of 38.6m b, despite robust demand from Midwest refiners. Given the lack of pipeline capacity to the Gulf Coast, the Nymex delivery point for WTI was expected to remain under continued pressure for many months to come.

US oil product stocks fell significantly at the end of February to stand at 704.7m b, the lowest level since March 2010. They stood 7.3m b, or 1.0 per cent, below the same period a year ago, but remained 16.7m b, or 2.4 per cent, above the seasonal norm.

Products on the whole experienced a stock-draw, with the bulk coming from distillate stocks, which declined by 4.9m b.

Healthy demand in February was seen contributing to the drop in total product inventories. Estimated February US consumption, based on weekly data, showed that demand had increased by almost 600,000 b/d to average 19.6m b/d from a month earlier.

Gasoline stocks fell by 1.5m b after a substantial build the previous month to stand at 234.7m b, but remained 2.1m b, or 0.9 per cent, above a year earlier and 10.3m b, or 4.6 per cent, above the five-year average.

Distillate stocks continued to fall in line with the seasonal pattern, ending the month at 159.2m b, the lowest level since June 2010. However, they remained 4.3m b, or 2.8 per cent, above the same period a year ago and 23.2m b, or 17.1 per cent, higher than the five-year average.

Distillate demand in February stood at 3.8m b/d, an increase of 100,000 b/d.

Residual fuel oil and jet fuel oil stocks declined by 2.9m b and 3.1m b, respectively. At 37.1m b, residual stocks stood 3.1 per cent below a year ago, indicating a deficit of 5.6 per cent with the seasonal norm. Jet fuel stocks ended February at 40.8m b, representing a decline of 7.2 per cent from a year ago and 1.9 per cent with the five-year average.

In January, commercial oil stocks in Japan continued their downward trend for the second month, declining by 2.4m b to stand at 169.2m b. At this level, commercial oil inventories in Japan narrowed the surplus with a year ago to 2.5m b from 7.4m b a month earlier, while the deficit with the last five-year average remained at 8.9m b or 5 per cent. Within crude and product inventories, the picture was mixed. Crude oil stocks reversed the build observed over the last two consecutive months and dropped in January by 2.6m b, while total product inventories reversed the significant drop in December to show a slight build of 300,000 b at the of January.

**"... that at the end of February, US commercial oil inventories reversed the build seen the previous month to drop by 23.8m b to 1,051.1m b."**

Despite the drop at the end of January to 98.5m b, crude oil stocks still showed a surplus of 3.9m b or 4.1 per cent above a year ago, but remained 1.6m b lower than the seasonal norm. The fall in crude oil stocks could be attributed to robust crude runs as refineries were running at 88.2 per cent in January, 1.9 percentage points (pp) above a month earlier and almost 7 pp more than a year ago. The fall in crude oil imports also supported the drop in crude oil stocks. Indeed, crude oil imports in January fell by 80,000 b/d or 1.9 per cent versus December 2010, to stand at 4.02m b/d. This level represents a decline of 1.7 per cent compared to a year ago.

In Japan, preliminary indications for February, based on weekly data published by PAJ, showed that commercial oil stocks dropped by 8.2m b for the third consecutive month to stand at 161.0m b. Both crude and product inventories fell – by 6.1m b and 2.2m b, respectively.

The fall in Japan's crude oil inventories for the second consecutive month to 92.4m b widened the gap with the five-year average to 7.1 per cent, while still leaving them 6.4 per cent above a year ago.

**"The fall in Japan's crude oil inventories for the second consecutive month to 92.4m b widened the gap with the five-year average to 7.1 per cent, while still leaving them 6.4 per cent above a year ago."**

The drop in crude oil stocks came mainly from a robust refinery utilization rate, which rose by 1.2 per cent to a near three-year high of 89.8 per cent in the week ending February 26.

Refiners raised their runs ahead of the refinery turnaround season starting in mid-March. The run rate was the highest since the 90 per cent hit in the week to March 8, 2008. The higher runs also reflected a decline in Japanese refining capacity of 280,000 b/d over the past year, amid slowing domestic demand.

The decline in total inventories to 68.6m b was driven by distillates and naphtha, which both fell by 1.1m b and, to a lesser extent, by gasoline, which declined by 400,000 b.

In contrast, residual fuel was the only product which experienced a build – of 500,000 b. The fall in total product inventories could be attributed to higher domestic sales. During the week ending February 26, domestic sales grew by almost 7.1 per cent over the previous week.

At the end of February, the country's total oil product stocks stood 0.2 per cent below a year ago at the same time and 7.1 per cent less than the five-year average.

In Singapore at the end of January, oil product stocks fell for the fifth consecutive month – by 3.28m b – to stand at 40.28m b, the lowest level since March 2009. With the draw, the gap with a year ago widened to 10.3 per cent from 3.2 per cent a month earlier.

Fuel oil and middle distillate stocks experienced drops of 2.04m b and 1.38m b, respectively, while light distillates went up by 140,000 b.

The drop in fuel oil stocks to 19.1m b was mainly driven by lower imports. Healthy bunker demand also supported the drop in fuel oil stocks.

Middle distillate inventories fell to 11.8m b, widening the deficit with a year ago to 19 per cent from 11 per cent a month earlier. Higher exports to the West helped reduce stocks.

In the Amsterdam-Rotterdam-Antwerp (ARA) region, oil product stocks at the end of January rose for a third consecutive month – by 480,000 b – to reach 38.51m b, the highest level since August 2010.

However, despite the build, they remained 1.5m b, or 3.8 per cent, below a year ago at the same time.

The main build came from gasoline, fuel oil and jet fuel, which increased by 900,000 b, 600,000 b and 400,000 b, respectively, while gasoil saw a drop of 1.3m b and naphtha inventories showed a minor decline.

Gasoline stocks rose for the second consecutive month to stand at 7.11m b at the end of January, but remained 1.4m b, or 16.5 per cent, below a year ago.

Higher imports – mainly from Russia – outpacing exports helped to build gasoline stocks. However, by the end of the month, gasoline stocks dropped compared with the previous week as an ongoing disruption on the river Rhine negatively impacted weekly gasoline inventories.

The rise in jet fuel oil inventories to 6.3m b came on the back of higher imports from the UAE. At the end of January, jet fuel oil stocks remained 3.5 per cent below last year.

Gasoil stocks fell to 19.25m b, the lowest level since October 2010, as gasoil imports were forced to re-route, due to logistical issues. Gasoil inventories stood slightly below the level seen at the same time last year.

| Table A: World crude oil demand/supply balance | | | | | | | | | | | | | | | *m b/d* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World demand** | **2005** | **2006** | **2007** | **2008** | **2009** | **1Q10** | **2Q10** | **3Q10** | **4Q10** | **2010** | **1Q11** | **2Q11** | **3Q11** | **4Q11** | **2011** |
| **OECD** | 49.9 | 49.6 | 49.3 | 47.6 | 45.5 | 45.8 | 45.2 | 46.6 | 46.7 | 46.1 | 46.5 | 45.4 | 46.6 | 46.9 | 46.3 |
| North America | 25.6 | 25.4 | 25.5 | 24.2 | 23.3 | 23.5 | 23.7 | 24.2 | 24.0 | 23.9 | 24.0 | 24.0 | 24.4 | 24.3 | 24.2 |
| Western Europe | 15.7 | 15.7 | 15.5 | 15.4 | 14.5 | 14.2 | 14.1 | 14.8 | 14.7 | 14.4 | 14.3 | 14.1 | 14.7 | 14.6 | 14.4 |
| Pacific | 8.6 | 8.5 | 8.4 | 8.0 | 7.7 | 8.2 | 7.3 | 7.6 | 8.0 | 7.8 | 8.2 | 7.3 | 7.5 | 8.0 | 7.7 |
| **Developing countries** | 22.8 | 23.6 | 24.7 | 25.5 | 26.1 | 26.3 | 26.7 | 26.8 | 26.8 | 26.6 | 26.9 | 27.3 | 27.4 | 27.4 | 27.2 |
| **FSU** | 3.9 | 4.0 | 4.0 | 4.1 | 4.0 | 4.0 | 3.8 | 4.2 | 4.3 | 4.1 | 4.0 | 3.9 | 4.3 | 4.3 | 4.1 |
| **Other Europe** | 0.8 | 0.9 | 0.8 | 0.8 | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.7 | 0.7 |
| **China** | 6.7 | 7.2 | 7.6 | 8.0 | 8.3 | 8.4 | 9.1 | 9.2 | 9.1 | 9.0 | 8.9 | 9.6 | 9.7 | 9.6 | 9.5 |
| **(a) Total world demand** | **84.1** | **85.2** | **86.5** | **86.0** | **84.5** | **85.1** | **85.3** | **87.5** | **87.6** | **86.4** | **87.0** | **86.8** | **88.7** | **88.8** | **87.8** |
| **Non-OPEC supply** | | | | | | | | | | | | | | | |
| **OECD** | 20.4 | 20.1 | 20.0 | 19.5 | 19.7 | 20.0 | 19.9 | 19.5 | 20.2 | 19.9 | 20.0 | 19.8 | 19.7 | 20.0 | 19.9 |
| North America | 14.1 | 14.2 | 14.3 | 13.9 | 14.4 | 14.7 | 14.9 | 14.9 | 15.3 | 14.9 | 15.1 | 15.1 | 15.0 | 15.2 | 15.1 |
| Western Europe | 5.7 | 5.3 | 5.2 | 5.0 | 4.7 | 4.7 | 4.4 | 4.0 | 4.4 | 4.4 | 4.3 | 4.1 | 4.0 | 4.2 | 4.2 |
| Pacific | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| **Developing countries** | 11.9 | 12.0 | 12.0 | 12.2 | 12.5 | 12.7 | 12.8 | 12.8 | 12.8 | 12.8 | 13.0 | 13.1 | 13.2 | 13.4 | 13.2 |
| **FSU** | 11.5 | 12.0 | 12.5 | 12.6 | 13.0 | 13.2 | 13.2 | 13.2 | 13.3 | 13.2 | 13.4 | 13.3 | 13.3 | 13.4 | 13.4 |
| **Other Europe** | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **China** | 3.6 | 3.7 | 3.8 | 3.8 | 3.9 | 4.0 | 4.1 | 4.2 | 4.2 | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| **Processing gains** | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| **Total non-OPEC supply** | 49.6 | 49.9 | 50.4 | 50.3 | 51.1 | 52.1 | 52.1 | 51.9 | 52.9 | 52.3 | 52.8 | 52.7 | 52.5 | 53.1 | 52.8 |
| **OPEC NGLS and non-conventionals** | 3.9 | 3.9 | 3.9 | 4.1 | 4.3 | 4.6 | 4.8 | 4.8 | 5.0 | 4.8 | 5.1 | 5.2 | 5.3 | 5.4 | 5.3 |
| **(b) Total non-OPEC supply and OPEC NGLS** | **53.5** | **53.8** | **54.4** | **54.5** | **55.5** | **56.7** | **56.9** | **56.8** | **57.8** | **57.1** | **57.9** | **57.9** | **57.9** | **58.5** | **58.0** |
| **OPEC crude supply and balance** | | | | | | | | | | | | | | | |
| **OPEC crude oil production**[1] | 30.7 | 30.5 | 30.2 | 31.2 | 28.7 | 29.2 | 29.1 | 29.2 | 29.3 | 29.2 | | | | | |
| Total supply | 84.2 | 84.4 | 84.6 | 85.7 | 84.2 | 85.9 | 86.0 | 85.9 | 87.1 | 86.2 | | | | | |
| **Balance**[2] | 0.1 | -0.9 | -1.9 | -0.3 | -0.4 | 0.8 | 0.6 | -1.6 | -0.5 | -0.2 | | | | | |
| **Stocks** | | | | | | | | | | | | | | | |
| **OECD closing stock level** *m b* | | | | | | | | | | | | | | | |
| Commercial | 2587 | 2668 | 2572 | 2697 | 2664 | 2680 | 2771 | 2741 | 2668 | 2668 | | | | | |
| SPR | 1487 | 1499 | 1524 | 1527 | 1564 | 1567 | 1563 | 1549 | 1556 | 1556 | | | | | |
| Total | 4073 | 4167 | 4096 | 4224 | 4228 | 4247 | 4334 | 4291 | 4224 | 4224 | | | | | |
| Oil-on-water | 954 | 919 | 948 | 969 | 919 | 894 | 897 | 926 | 871 | 871 | | | | | |
| **Days of forward consumption in OECD** | | | | | | | | | | | | | | | |
| Commercial onland stocks | 52 | 54 | 54 | 59 | 58 | 59 | 59 | 59 | 57 | 58 | | | | | |
| SPR | 30 | 30 | 32 | 34 | 34 | 35 | 34 | 33 | 33 | 34 | | | | | |
| **Total** | 82 | 84 | 86 | 93 | 92 | 94 | 93 | 92 | 91 | 91 | | | | | |
| **Memo items** | | | | | | | | | | | | | | | |
| FSU net exports | 7.7 | 8.0 | 8.5 | 8.5 | 9.0 | 9.2 | 9.4 | 9.0 | 9.1 | 9.2 | 9.4 | 9.5 | 9.0 | 9.0 | 9.2 |
| **[(a) – (b)]** | **30.6** | **31.4** | **32.1** | **31.5** | **29.1** | **28.4** | **28.5** | **30.8** | **29.8** | **29.3** | **29.1** | **28.9** | **30.8** | **30.3** | **29.8** |

1. *Secondary sources.*
2. *Stock change and miscellaneous.*

*Note: Totals may not add up due to independent rounding.*

***Table 1*** *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

*The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in* ***Tables 1 and 2*** *on page 90, while* ***Graphs 1 and 2*** *on page 91 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 92–93 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

## Table 1: OPEC Reference Basket crude oil prices $/b

| Crude/Member Country | 2010 May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2011 Jan | Feb | Weeks 1–8 (week ending) Jan 7 | Jan 14 | Jan 21 | Jan 28 | Feb 4 | Feb 11 | Feb 18 | Feb 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Arab Light – Saudi Arabia | 75.50 | 73.84 | 72.63 | 74.21 | 74.55 | 79.93 | 83.32 | 89.24 | 93.59 | 101.21 | 91.91 | 93.97 | 94.11 | 93.84 | 97.61 | 97.70 | 99.74 | 107.17 |
| Basrah Light – Iraq | 73.15 | 72.09 | 72.14 | 73.39 | 73.70 | 79.36 | 82.14 | 88.09 | 92.33 | 99.52 | 90.66 | 92.79 | 92.83 | 92.44 | 95.97 | 95.81 | 98.19 | 105.53 |
| Bonny Light – Nigeria | 76.87 | 76.00 | 77.04 | 78.82 | 79.65 | 84.35 | 86.83 | 93.08 | 98.10 | 105.66 | 95.85 | 98.91 | 99.02 | 98.08 | 102.22 | 101.83 | 104.71 | 111.18 |
| Es Sider – SP Libyan AJ | 74.87 | 73.65 | 74.84 | 76.27 | 77.15 | 82.60 | 84.93 | 91.13 | 96.10 | 103.51 | 93.85 | 96.91 | 97.02 | 96.08 | 100.10 | 99.68 | 102.56 | 109.03 |
| Girassol – Angola | 75.53 | 74.85 | 74.78 | 76.55 | 77.25 | 82.55 | 85.80 | 91.36 | 96.18 | 104.42 | 93.38 | 96.60 | 96.95 | 97.04 | 101.19 | 100.74 | 103.28 | 109.84 |
| Iran Heavy – IR Iran | 74.09 | 71.83 | 71.07 | 73.20 | 73.58 | 78.99 | 82.24 | 87.81 | 92.22 | 99.29 | 90.32 | 92.63 | 92.90 | 92.57 | 95.91 | 95.91 | 97.79 | 104.99 |
| Kuwait Export – Kuwait | 74.23 | 72.03 | 70.69 | 72.42 | 72.92 | 78.10 | 81.59 | 87.25 | 91.45 | 98.75 | 89.72 | 91.82 | 92.04 | 91.73 | 95.17 | 95.37 | 97.21 | 104.65 |
| Marine – Qatar | 76.58 | 73.97 | 72.54 | 74.48 | 75.26 | 80.31 | 83.41 | 88.98 | 92.69 | 100.18 | 90.73 | 93.23 | 93.38 | 92.99 | 96.64 | 96.93 | 98.50 | 105.91 |
| Merey* – Venezuela | 65.86 | 65.10 | 65.99 | 67.19 | 66.91 | 71.21 | 73.07 | 77.30 | 80.09 | 87.51 | 78.86 | 80.43 | 80.67 | 79.87 | 84.38 | 84.57 | 86.52 | 92.23 |
| Murban – UAE | 78.57 | 75.90 | 74.42 | 76.12 | 76.93 | 82.20 | 85.36 | 91.06 | 95.04 | 102.75 | 93.29 | 95.44 | 95.70 | 95.31 | 98.97 | 99.66 | 101.44 | 108.32 |
| Oriente – Ecuador | 68.62 | 69.19 | 68.72 | 69.27 | 70.69 | 76.42 | 77.45 | 82.99 | 84.80 | 90.14 | 83.64 | 85.44 | 85.09 | 84.04 | 88.99 | 86.44 | 87.86 | 95.44 |
| Saharan Blend – Algeria | 75.67 | 75.05 | 76.49 | 78.22 | 78.95 | 83.90 | 86.28 | 92.46 | 97.50 | 105.01 | 95.25 | 98.31 | 98.42 | 97.48 | 101.58 | 101.18 | 104.06 | 110.53 |
| OPEC Reference Basket | 74.48 | 72.95 | 72.51 | 74.15 | 74.63 | 79.86 | 82.83 | 88.56 | 92.83 | 100.29 | 90.98 | 93.30 | 93.47 | 93.02 | 96.83 | 96.81 | 98.95 | 105.96 |

## Table 2: Selected OPEC and non-OPEC spot crude oil prices $/b

| Crude/country | 2010 May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2011 Jan | Feb | Weeks 1–8 (week ending) Jan 7 | Jan 14 | Jan 21 | Jan 28 | Feb 4 | Feb 11 | Feb 18 | Feb 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Minas – Indonesia[1] | 82.47 | 78.87 | 75.59 | 77.93 | 79.47 | 83.35 | 85.96 | 94.98 | 99.74 | 105.29 | 97.16 | 99.82 | 101.08 | 100.45 | 103.65 | 102.93 | 103.46 | 109.16 |
| Arab Heavy – Saudi Arabia | 73.72 | 71.19 | 69.59 | 71.42 | 71.88 | 76.98 | 80.62 | 86.11 | 90.26 | 97.20 | 88.50 | 90.63 | 90.90 | 90.56 | 93.68 | 93.90 | 95.62 | 103.07 |
| Brega – SP Libyan AJ | 75.37 | 74.35 | 75.49 | 77.12 | 77.95 | 83.00 | 85.58 | 91.78 | 96.75 | 104.16 | 94.50 | 97.56 | 97.67 | 96.73 | 100.75 | 100.33 | 103.21 | 109.68 |
| Brent – North Sea | 75.57 | 74.85 | 75.64 | 77.07 | 77.80 | 82.75 | 85.33 | 91.53 | 96.35 | 103.76 | 94.10 | 97.16 | 97.27 | 96.33 | 100.35 | 99.93 | 102.81 | 109.28 |
| Dubai – UAE | 76.49 | 73.99 | 72.49 | 74.28 | 75.13 | 80.22 | 83.72 | 89.17 | 92.33 | 99.93 | 90.55 | 92.66 | 93.02 | 92.65 | 96.30 | 96.72 | 98.47 | 105.61 |
| Ekofisk – North Sea | 75.96 | 76.15 | 76.75 | 78.22 | 78.87 | 83.68 | 86.33 | 92.72 | 97.54 | 104.65 | 95.24 | 98.38 | 98.29 | 97.34 | 101.07 | 100.61 | 103.50 | 110.59 |
| Iran Light – IR Iran | 73.21 | 73.13 | 73.39 | 75.06 | 76.82 | 82.32 | 84.38 | 90.60 | 94.90 | 100.91 | 93.29 | 94.98 | 95.36 | 95.04 | 99.25 | 97.33 | 99.43 | 105.51 |
| Isthmus – Mexico | 73.73 | 73.41 | 74.30 | 75.50 | 74.16 | 79.58 | 82.03 | 88.17 | 90.46 | 94.56 | 89.49 | 91.40 | 91.07 | 89.28 | 93.20 | 90.91 | 92.07 | 99.96 |
| Oman – Oman | 76.75 | 74.18 | 72.59 | 74.57 | 75.43 | 80.44 | 83.91 | 89.24 | 92.49 | 100.27 | 90.76 | 92.90 | 93.09 | 92.76 | 96.54 | 96.88 | 98.56 | 106.32 |
| Suez Mix – Egypt | 70.42 | 71.47 | 70.91 | 72.58 | 74.63 | 78.76 | 81.97 | 86.88 | 90.87 | 98.64 | 89.22 | 91.78 | 91.35 | 90.37 | 94.46 | 94.76 | 97.87 | 104.50 |
| Tia Juana Light[2] – Venez. | 72.04 | 71.65 | 72.74 | 74.07 | 72.60 | 77.91 | 80.14 | 85.97 | 88.37 | 92.85 | 87.43 | 89.29 | 88.98 | 87.23 | 91.39 | 89.27 | 90.41 | 98.16 |
| Urals – Russia | 74.10 | 74.37 | 73.80 | 75.45 | 77.39 | 81.53 | 84.74 | 89.74 | 93.56 | 101.49 | 91.72 | 94.63 | 94.20 | 93.22 | 97.31 | 97.61 | 100.72 | 107.35 |
| WTI – North America | 73.65 | 75.29 | 76.11 | 76.62 | 75.14 | 81.89 | 84.08 | 89.15 | 89.49 | 89.40 | 89.56 | 91.00 | 90.05 | 86.80 | 90.72 | 86.70 | 85.35 | 93.86 |

*Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).*

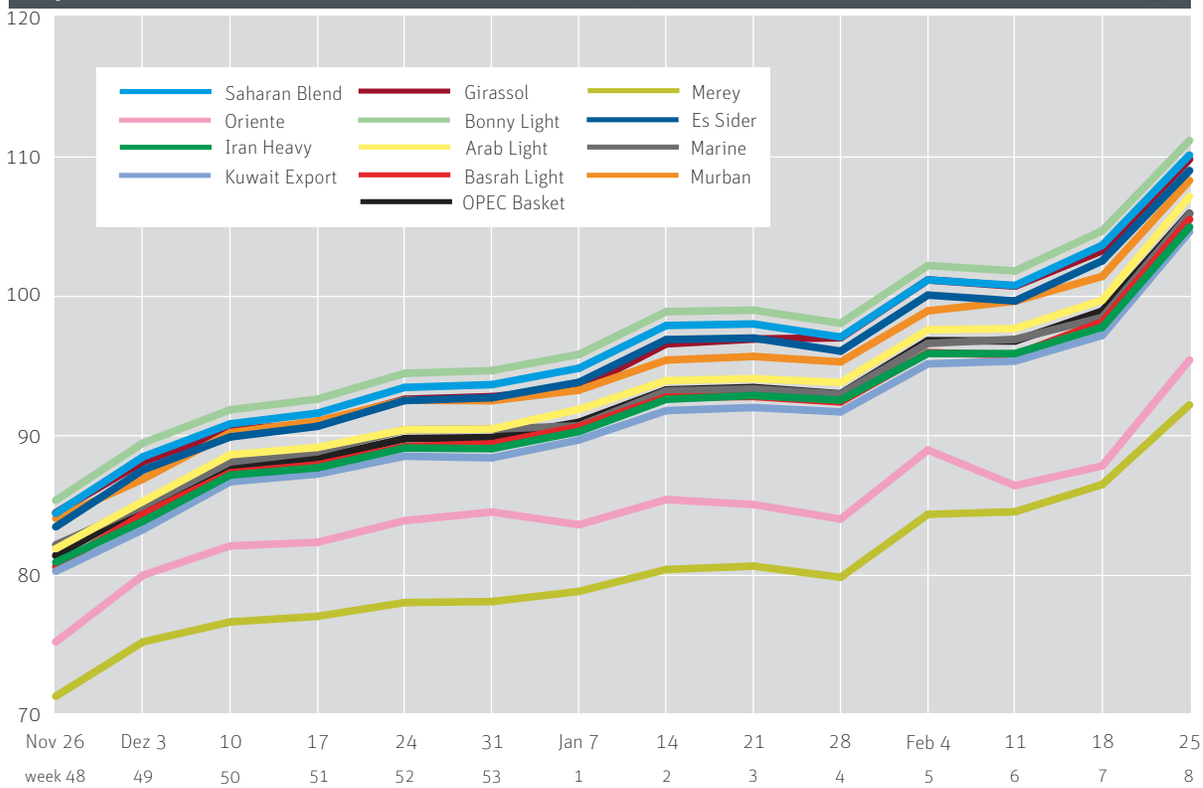
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

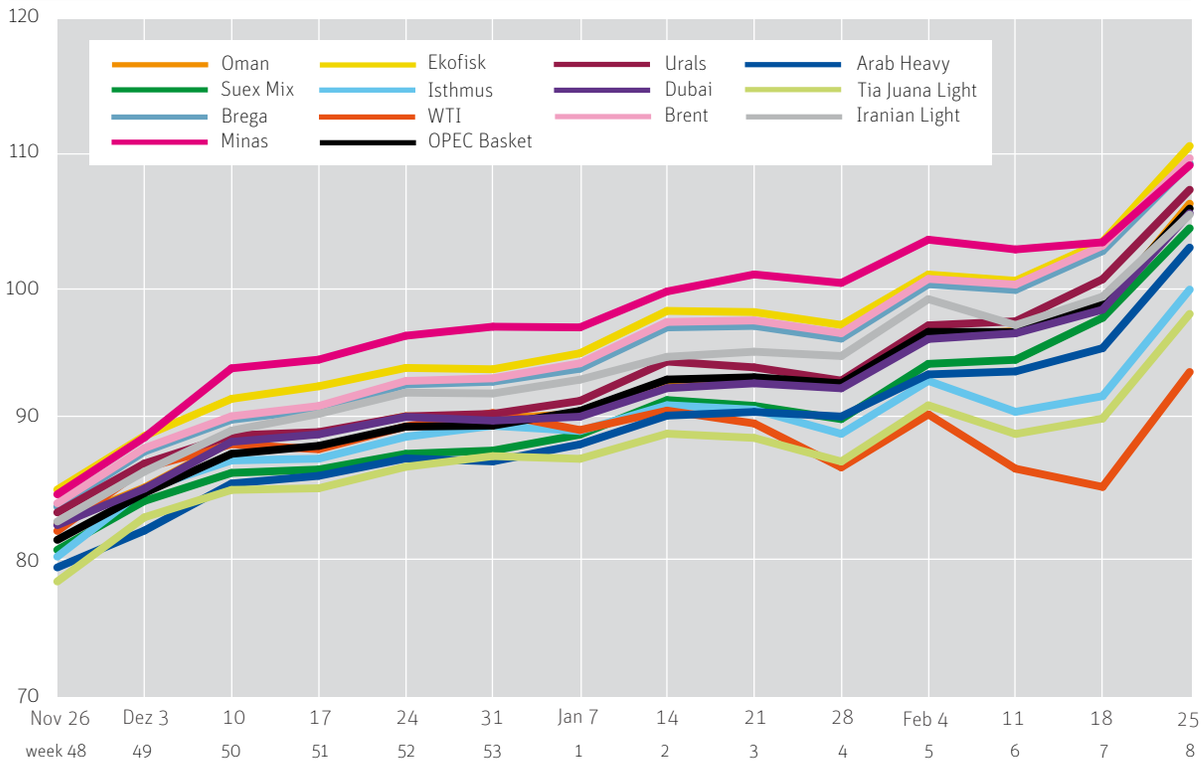
*Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.*

*Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Secretariat's assessments.*

**Graph 1: Evolution of the OPEC Reference Basket crudes, 2010** *$/b*




**Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2010** *$/b*



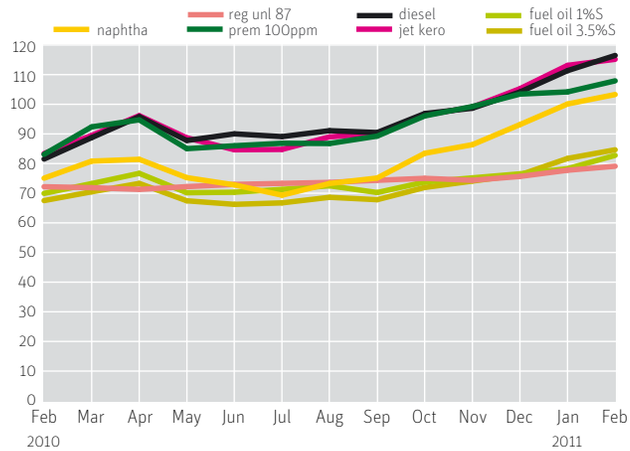

*Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).*
*Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

## Table and Graph 3: North European market — spot barges, fob Rotterdam

*$/b*

| | | naphtha | regular gasoline unleaded | premium gasoline 50ppm | diesel ultra light | jet kero | fuel oil 1%S | fuel oil 3.5%S |
|---|---|---|---|---|---|---|---|---|
| 2010 | February | 75.07 | 70.59 | 83.11 | 81.53 | 83.38 | 69.02 | 68.36 |
| | March | 80.82 | 71.54 | 92.38 | 88.75 | 89.50 | 72.55 | 71.29 |
| | April | 81.43 | 72.19 | 94.75 | 95.83 | 96.16 | 69.94 | 67.51 |
| | May | 75.25 | 71.87 | 85.03 | 87.79 | 88.68 | 73.25 | 70.47 |
| | June | 72.81 | 71.29 | 85.50 | 87.03 | 84.66 | 76.70 | 73.31 |
| | July | 69.33 | 72.22 | 85.63 | 89.10 | 84.77 | 70.16 | 67.44 |
| | August | 73.29 | 72.97 | 86.77 | 88.21 | 89.01 | 70.33 | 66.24 |
| | September | 75.12 | 73.31 | 89.26 | 90.47 | 90.19 | 71.28 | 66.74 |
| | October | 83.47 | 73.65 | 96.08 | 96.88 | 96.35 | 72.50 | 68.62 |
| | November | 86.37 | 74.36 | 99.26 | 98.67 | 99.07 | 75.18 | 74.09 |
| | December | 93.15 | 75.66 | 103.44 | 104.15 | 105.26 | 76.54 | 76.19 |
| 2011 | January | 100.10 | 77.75 | 104.18 | 111.35 | 113.13 | 78.28 | 81.73 |
| | February | 103.29 | 79.10 | 107.91 | 116.47 | 115.17 | 82.77 | 84.65 |

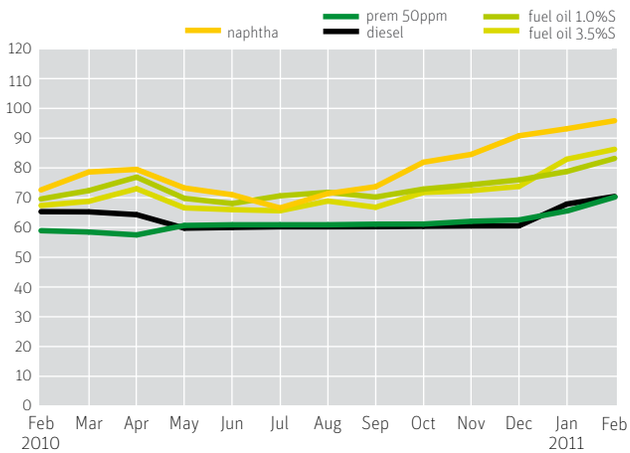
*Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.*




## Table and Graph 4: South European market — spot cargoes, fob Italy

*$/b*

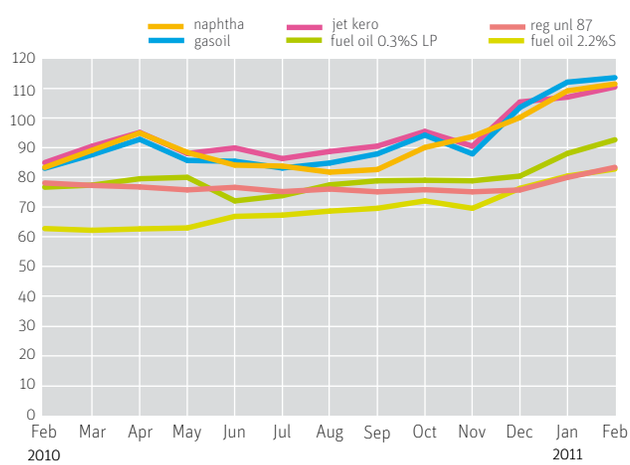
| | | naphtha | premium gasoline 50ppm | diesel ultra light | fuel oil 1%S | fuel oil 3.5%S |
|---|---|---|---|---|---|---|
| 2010 | February | 72.61 | 58.00 | 65.31 | 69.58 | 67.38 |
| | March | 78.63 | 57.55 | 65.24 | 72.39 | 68.79 |
| | April | 79.52 | 56.58 | 64.30 | 76.90 | 73.02 |
| | May | 73.26 | 59.76 | 59.76 | 69.78 | 66.58 |
| | June | 70.99 | 59.98 | 60.01 | 68.04 | 65.99 |
| | July | 66.56 | 59.99 | 60.23 | 70.62 | 65.61 |
| | August | 71.39 | 59.99 | 60.23 | 71.80 | 68.87 |
| | September | 73.69 | 60.19 | 60.26 | 70.21 | 66.78 |
| | October | 81.91 | 60.22 | 60.40 | 72.90 | 71.76 |
| | November | 84.55 | 61.15 | 60.52 | 74.36 | 72.38 |
| | December | 90.81 | 61.60 | 60.55 | 75.98 | 73.77 |
| 2011 | January | 93.16 | 64.63 | 67.86 | 78.79 | 82.93 |
| | February | 95.86 | 69.33 | 70.41 | 83.19 | 86.26 |




## Table and Graph 5: US East Coast market — spot cargoes, New York

*$/b, duties and fees included*

| | | naphtha | regular gasoline unleaded 87 | gasoil | jet kero | fuel oil 0.3%S | fuel oil 2.2%S |
|---|---|---|---|---|---|---|---|
| 2010 | February | 76.81 | 83.34 | 82.73 | 84.44 | 75.70 | 63.29 |
| | March | 77.68 | 89.13 | 86.11 | 88.23 | 76.17 | 62.67 |
| | April | 78.10 | 94.96 | 83.05 | 84.96 | 76.68 | 62.74 |
| | May | 77.27 | 88.39 | 87.63 | 90.51 | 77.38 | 62.16 |
| | June | 76.76 | 84.12 | 92.79 | 95.13 | 79.53 | 62.63 |
| | July | 75.77 | 83.78 | 85.69 | 88.03 | 80.00 | 62.95 |
| | August | 76.62 | 81.74 | 85.41 | 89.91 | 72.06 | 66.84 |
| | September | 75.19 | 82.62 | 83.14 | 86.31 | 73.83 | 67.26 |
| | October | 76.05 | 90.07 | 84.83 | 88.71 | 77.47 | 68.63 |
| | November | 75.12 | 93.72 | 87.90 | 90.51 | 78.83 | 69.56 |
| | December | 75.74 | 100.15 | 103.55 | 105.38 | 80.41 | 76.28 |
| 2011 | January | 79.97 | 109.14 | 112.07 | 107.02 | 88.04 | 80.43 |
| | February | 83.36 | 111.45 | 113.57 | 110.43 | 92.65 | 82.80 |

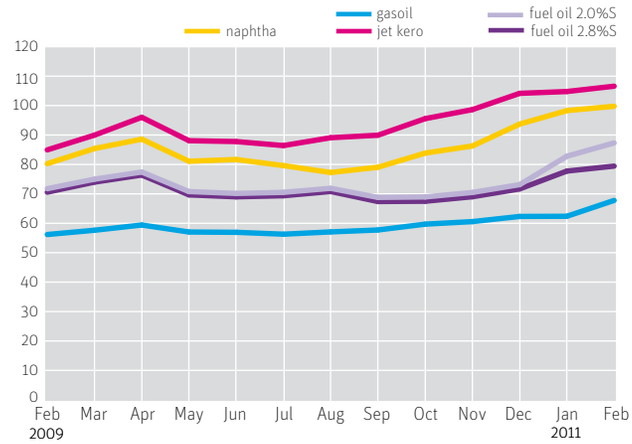



*Source: Platts. Prices are average of available days.*

## Table and Graph 6: Caribbean market — spot cargoes, fob

*$/b*

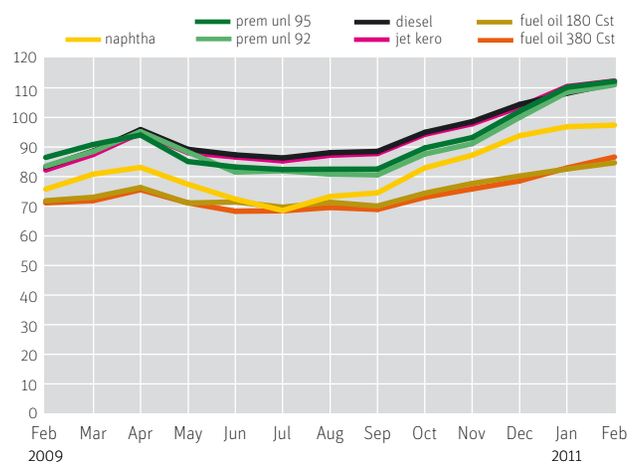
| | | naphtha | gasoil | jet kero | fuel oil 2%S | fuel oil 2.8%S |
|---|---|---|---|---|---|---|
| **2010** | February | 80.25 | 56.18 | 84.94 | 71.75 | 70.57 |
| | March | 85.40 | 57.63 | 89.96 | 74.99 | 76.40 |
| | April | 88.59 | 59.41 | 96.02 | 77.41 | 76.40 |
| | May | 81.08 | 57.03 | 88.07 | 70.78 | 69.65 |
| | June | 81.67 | 56.93 | 87.77 | 70.14 | 68.99 |
| | July | 79.60 | 56.29 | 86.41 | 70.51 | 69.36 |
| | August | 77.25 | 57.07 | 89.08 | 71.88 | 70.80 |
| | September | 79.04 | 57.72 | 89.93 | 68.79 | 67.39 |
| | October | 83.85 | 59.70 | 95.56 | 68.95 | 67.49 |
| | November | 86.27 | 60.57 | 98.63 | 70.47 | 69.02 |
| | December | 93.71 | 62.32 | 104.16 | 73.13 | 71.68 |
| **2011** | January | 98.29 | 62.38 | 104.78 | 82.79 | 77.74 |
| | February | 99.77 | 67.77 | 106.59 | 87.31 | 79.43 |




## Table and Graph 7: Singapore market — spot cargoes, fob

*$/b*

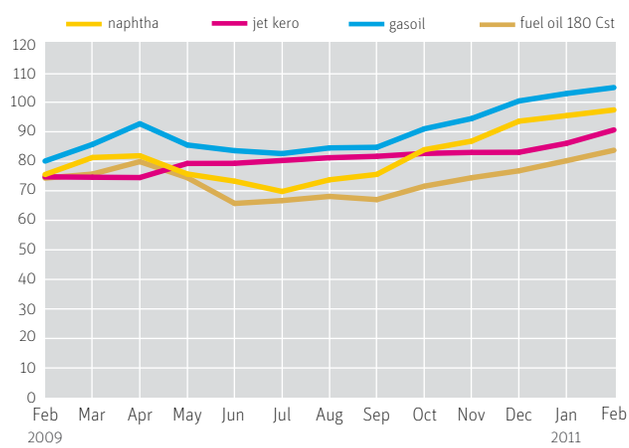
| | | naphtha | premium gasoline unl 95 | premium gasoline unl 92 | diesel ultra light | jet kero | fuel oil 180 Cst | fuel oil 380 Cst |
|---|---|---|---|---|---|---|---|---|
| **2010** | February | 75.76 | 86.49 | 83.55 | 83.30 | 82.23 | 71.88 | 71.15 |
| | March | 80.84 | 90.86 | 88.48 | 88.63 | 94.82 | 73.04 | 71.89 |
| | April | 83.13 | 94.06 | 95.24 | 95.91 | 94.82 | 76.33 | 75.57 |
| | May | 77.43 | 85.12 | 88.30 | 89.24 | 88.12 | 71.10 | 71.15 |
| | June | 72.42 | 83.26 | 81.54 | 87.36 | 86.64 | 71.45 | 68.31 |
| | July | 68.57 | 82.42 | 81.99 | 86.32 | 85.32 | 69.68 | 68.46 |
| | August | 73.31 | 82.52 | 80.83 | 88.10 | 87.23 | 71.32 | 69.58 |
| | September | 74.52 | 82.55 | 80.58 | 88.53 | 87.81 | 70.07 | 68.92 |
| | October | 82.97 | 89.71 | 87.66 | 94.97 | 94.30 | 74.42 | 73.05 |
| | November | 87.26 | 93.21 | 91.15 | 98.59 | 97.87 | 77.71 | 75.85 |
| | December | 93.83 | 102.09 | 100.02 | 104.40 | 103.53 | 80.20 | 78.57 |
| **2011** | January | 96.87 | 110.17 | 108.52 | 108.17 | 110.43 | 82.59 | 82.95 |
| | February | 97.39 | 112.20 | 110.97 | 111.46 | 112.29 | 84.69 | 86.62 |




## Table and Graph 8: Middle East Gulf market — spot cargoes, fob

*$/b*

| | | naphtha | gasoil | jet kero | fuel oil 180 Cst |
|---|---|---|---|---|---|
| **2010** | February | 75.51 | 80.07 | 74.73 | 74.31 |
| | March | 81.27 | 85.71 | 74.59 | 75.66 |
| | April | 81.87 | 92.71 | 74.48 | 79.88 |
| | May | 75.69 | 85.51 | 79.27 | 74.46 |
| | June | 73.25 | 83.59 | 79.31 | 65.72 |
| | July | 69.77 | 82.60 | 80.26 | 66.69 |
| | August | 73.73 | 84.53 | 81.20 | 68.10 |
| | September | 75.56 | 84.73 | 81.68 | 67.01 |
| | October | 83.91 | 90.99 | 82.65 | 71.55 |
| | November | 86.82 | 94.47 | 82.99 | 74.43 |
| | December | 93.59 | 100.43 | 83.05 | 76.78 |
| **2011** | January | 95.46 | 102.94 | 86.08 | 80.18 |
| | February | 97.39 | 104.97 | 90.62 | 83.73 |




*Source: Platts. Prices are average of available days.*

## Forthcoming events

**9th China international exhibition on nuclear power industry 2011, April 6–8, 2011,** Shenzen, PR of China. Details: Coastal International Exhibition Co Ltd, Room 2106, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, PR of China. Tel: +85 22 827 67 66; fax: +85 22 827 68 70; e-mail: general@coastal.com.hk; website: www.coastal.com.hk/nuclear/.

**Argus European biomass trading 2011, April 7, 2011,** Amsterdam, The Netherlands. Details: Argus European Biomass Trading, Argus House, 175 St John Street, London, EC1V 4LW, UK. Tel: +44 207 780 43 41; e-mail: bioconf@argusmedia.com; website: www.argusbiomass.com/euro2011/.

**Will FLNG ever be a reality?, April 7, 2011,** London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 OHS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk.

**Production sharing contracts and international petroleum fiscal systems Middle East, April 9–10, 2011,** Bahrain. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**2nd Annual global power markets, April 10–12, 2011,** Las Vegas, NV, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

**19th Annual Middle East petroleum and gas conference, April 10–12, 2011,** Bahrain. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**38th International energy conference, April 10–13, 2011,** Boulder, CO, USA. Details: International Research Center for Energy and Economic Development (ICEED), 850 Willowbrook Road, Boulder CO, 80302, USA. Tel: +1 303 442 4014; fax: +1 303 442 5042; e-mail: info@iceed.org; website: www.iceed.org.

**Energy efficiency for business, April 11–12, 2011,** London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 OHS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk.

**The projects forum 2011, April 11–12, 2011,** Moscow, Russia. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel. +44 207 357 8394; fax. +44 207 357 8395; e-mail: enquiries@europetro.com; website: ww.europetro.com.

**2nd Annual European power markets, April 11–12, 2011,** Berlin, Germany. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

**1st Liberian mining, petroleum and energy conference and exhibition, April 11–13, 2011,** Monrovia, Republic of Liberia. Details: Africa and Middle East Trade Ltd, Unit 204, Omnibus Business Centre, 39–41 North Rd, London N7 9DP, UK. Tel: +44 207 700 7174/5090; fax: +44 207 681 3120; e-mail: liberia@ametrade.org; website: www.limep.com.

**Trading oil on international markets, April 11–15, 2011,** London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

**Ghana summit 2011, April 12, 2011,** Accra, Ghana. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

**Platts oil training, April 12, 2011,** Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

**Renewables, April 12, 2011,** Craigavon, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

**7th Annual Arctic shipping summit, April 12–14, 2011,** Helsinki, Finland. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

**Rio gas forum 2011, April 12–15, 2011,** Rio de Janeiro, Brazil. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

**Exploration and production of oil and gas: technical and commercial perspectives, April 12–14, 2011,** London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

**Power Kyrgyzstan, April 12–14, 2011,** Bishkek, Kyrgyzstan. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

**Production sharing contracts roundtable, April 13–14, 2011,** Bahrain. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**Rus BBTC 2011, April 13–14, 2011,** Moscow, Russia. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel. +44 207 357 8394; fax: +44 207 357 8395; e-mail: enquiries@europetro.com; website: ww.europetro.com.

**5th Annual Rockies gas and oil, April 14–15, 2011,** Denver, CO, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

**2nd Annual European bunker fuel, April 14–15, 2011,** Rotterdam, The Netherlands. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 176 6142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

**Biofuels, April 18, 2011,** London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

**Unconventional oil and gas summit, April 19–20, 2011,** Zhengzhou, PR of China. Details: HNZ Events, 13f, No 355 Moling Road, Shanghai, PR of China. Tel: +86 21 510 13 759; fax: +86 21 510 13 044; e-mail: uogs@hnzmedia.com; website: www.uogs.org/en/index.asp.

**Digital energy conference and exhibition, April 19–21, 2011,** The Woodlands, TX, USA. Details: Society of Petroleum Engineers, 10777 Westheimer, Suite #335, Houston, TX 77042, USA. Tel: +1 713 779 9595; fax: +1 713 779 4216; e-mail: spehou@spe.org; website: www.spe.org.

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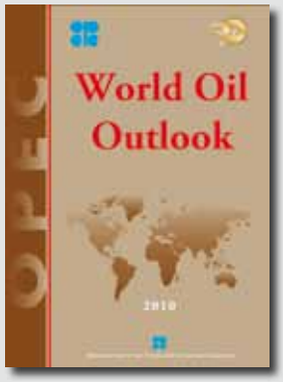

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