OPEC bulletin

3–4/08

Financial turmoil at heart of oil price spike

Market direction: STABILITY and volatility?

If we conducted a straw poll of industry watchers, asking each to use one word to describe the current oil market situation, we would hear many using the word 'volatile'. Yet if these same people were also asked a question about how they viewed traditional market fundamentals, then many would respond with the word 'stable'. These are two words that are not often seen side-by-side; a sign of a significant market disconnect.

It is clear there is much unease over oil price levels. The upward trend has been with us for a number of years, and at OPEC we have openly expressed our concern about the high level of volatility and upward pressure on prices that have characterised this period. Where possible, and when required, we have also acted to remedy this, through production increases, accelerating both upstream and downstream investments, and even increasing our downstream presence outside of Member Countries.

Extreme price levels, whether they are too high or too low, are damaging to both producers and consumers. We firmly believe that oil must be affordable across the world, supporting economic growth in both developed and developing nations, and providing a fair return to those investing in the oil industry.

The most recent upward movement has occurred in parallel with a sharp slide in the value of the US dollar and, in turn, a move by many investors into crude futures contracts. It is a basic substitution of rising assets for those in decline. This has significantly influenced the short-term oil price, and this dynamic has also lifted the prices of other commodities.

OPEC appreciates how financial markets work, but it is important to keep an eye on the impacts to the oil market of this type of speculation as it can create a climate of nervousness and uncertainty.

In addition, other issues such as persistent refinery bottlenecks and ongoing geopolitical problems have helped push oil prices higher.

Elsewhere, however, the market is pointing away from the direction of higher prices. The traditional oil market fundamentals indicate a market in balance.

At the most recent OPEC Conference on March 5, following a thorough review of the available data, it was observed that the market is well-supplied, with current commercial oil stocks standing above their five-year average. And as we head into the second quarter, a period of traditionally lower demand, there are also expectations for softer fundamentals, as well as increasing downside risks, such as the state of the US economy.

This all helped inform the OPEC Conference's March decision to maintain production levels to support market stability. The duty of oil exporters is to make sure that fundamentals are healthy. They are.

The next Ministerial Meeting is scheduled for September. It may seem a long way off, but the market needs to settle and take more account of the fundamentals.

Nevertheless, we will constantly monitor the market and are ready at any time to take the necessary measures to ensure adequate supplies. Day-by-day, week-by-week, market vigilance is paramount and we will continue to make decisions based on the overall objective of market order and stability.

How long the oil market remains characterized by both stability and volatility remains to be seen. What is clear is that stability and predictability is always preferable to volatility, and we must hope — and push — for the market to return to the more desirable path.

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Financial woes blamed for recent rise in oil prices *(see Conference Notes, pp4–31).*
Photo: AP Photo.

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OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to coordinate and unify petroleum policies among 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 now comprises 13 Members: Qatar joined in 1961; Indonesia and SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007); and Ecuador (joined the Organization in 1973, suspended its Membership in 1992, and rejoined in 2007); Gabon joined in 1975 and left in 1995.

The OPEC Bulletin welcomes letters and comments on articles included in the Bulletin, as well as contributions on oil and energy issues in general.
Please send your letters to: obletters@opec.org

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With global oil fundamentals in balance, petroleum stocks at five-year highs OPEC Ministers see ...

Financial turmoil at heart of $100/b oil price spike

By Jerry Haylins

Dr Chakib Khelil (l), Algerian Minister of Energy and Mines and OPEC Conference President; and Abdalla Salem El-Badri, OPEC Secretary General.

The financial problems in the United States, particularly the sustained slump in the value of the dollar against other major currencies, is fuelling the triple-digit oil prices seen on international markets today, and not any shortage of crude supply, OPEC Conference President, Dr Chakib Khelil, has asserted.

Fielding questions from the media at a press briefing at the OPEC Secretariat, in Vienna, in March, Khelil, Algeria's Energy and Mines Minister, spoke frankly about what is happening in the oil market today, pointing to what he described as "mismanagement" of the US economy as being a chief factor responsible for oil prices surging over $100/barrel.

"The oil price is high, but not as a result of a lack of crude oil or petroleum products," he stressed. "The high prices are due to what is happening in the US — the financial crisis and the lowering in value of the US dollar, as well as the associated speculative activities in the petroleum market and other commodities. This can be seen very clearly with the tremendous increase in trading in all commodities, not only crude oil."

Khelil warned that the danger now is that developments in the US are probably going to affect economies in the rest of the world.

It is a precarious situation that does not look like going away any time soon. In fact, Khelil, speaking some days after the OPEC Conference, said, in his opinion, the US financial situation, coupled with speculation and political tension, will keep prices at triple digit levels throughout

Above: Desidério da Graça Veríssimo e Costa (c), Angolan Minister of Petroleum, who is the Alternate OPEC Conference President; Félix Manuel Ferreira (l), Angolan Governor for OPEC; and Luís Neves (r), Angolan National Representative to OPEC.

Above: Dr Shokri M Ghanem, Chairman of the Management Committee of the National Oil Corporation, of the SP Libyan AJ.

Left: Dr Galo Chiriboga Zambrano (l), Ecuador's Minister of Mines and Petroleum; with Dr Byron Morejón Almeida, Ecuadorean Governor for OPEC and his country's Ambassador to Austria (r).

Dr Galo Chiriboga Zambrano (l), Ecuador's Minister of Mines and Petroleum; with Dr Aldo Flores (r), Mexican Assistant Minister of Energy; and Desidério da Graça Veríssimo e Costa (c), Angolan Minister of Petroleum.

Abdullah bin Hamad Al Attiyah (r), Deputy Premier and Minister of Energy and Industry, Qatar, in discussion with Mohamed Bin Dhaen Al Hamli (l), Minister of Energy of the United Arab Emirates.

this year, a realization that is already leading to analysts adjusting their forecasts for 2008.

He said prices may retreat in 2009, if a recovery of the dollar is forthcoming. Barring any other unforeseen problems, the market fundamentals of supply and demand could reassert themselves.

It is indeed ironic that US government officials — including George W Bush himself — have been calling on OPEC to increase oil production to bring prices down to reasonable levels, when the main reason behind their unprecedented rise lies on their own doorstep.

Despite their overtures towards OPEC, US authorities are clearly aware of the problems being caused by the dollar's depreciation. Most recently, when US crude prices hit another new record of just under $110/b, with Brent in London lying at over $105/b, the US Federal Reserve and other central banks ploughed hundreds of billions of dollars into the nation's ailing credit markets, in a bid to rescue the currency.

The reason behind the dollar's further demise lies in the hands of investors who are deserting their greenback transactions in droves, and rushing into commodities like oil and gold to seek a hedge against inflation and the weak currency.

Speaking at the press conference at the end of the 148th Ministerial Conference, which decided to maintain its current total production allocation of 29.673 million b/d for the OPEC-12 (Iraq is exempt). Khelil said that, unfortunately, he did not think the message is getting through that the current $100/b oil price is not due to a lack of oil in the market.

Supplies are more than adequate and crude stocks are above the five-year average. In fact, gasoline inventories are around their highest level for around ten years, which, said Khelil, is a good position to be in ahead of the summer driving season.

"There is plenty of crude available, yet despite that the oil price is high. This is simply because the price is being driven by factors other than supply and demand," he said.

A communiqué, issued at the end of the one-day OPEC Conference, summed up the general feeling of the Organization's Oil and Energy Ministers. It said: "In reviewing the prospects for the oil market, the Conference highlighted the economic slowdown in the US, which, together with the deepening credit crisis in financial markets, is increasing the downside risks for world economic growth and, consequently, demand for crude oil."

Rafael Ramírez, Venezuelan Minister of Energy and Petroleum.

Members of the Algerian delegation: Taous Feroukhi (c), Algerian Ambassador to Austria; Hamid Dahmani (l), Algerian Governor for OPEC; and M Mustapha Hanifi (r), Algeria's National Representative to OPEC.

Dr Shokri M Ghanem (l), Chairman of the Management Committee of the National Oil Corporation of the SP Libyan AJ; Dr Ahmed A Menesi (r), Libya's Ambassador to Austria.

Abdullah bin Hamad Al Attiyah, Deputy Premier and Minister of Energy and Industry, Qatar, being interviewed.

It further noted: "The Conference observed that the market is well-supplied, with current commercial oil stocks standing above their five-year average. It further noted, with concern, that the current price environment does not reflect market fundamentals, as crude oil prices are being strongly influenced by the weakness in the US dollar, rising inflation and significant flow of funds into the commodities markets.

"In spite of the seasonally low demand in the second quarter, the Conference decided to maintain OPEC production levels, and emphasized that increased uncertainty and volatility call for continued market vigilance. It

Dr Chakib Khelil (c), Algerian Minister of Energy and Mines and OPEC Conference President; Dr Falah J Alamri (l), Iraq's Governor for OPEC and Chairman of the OPEC Board of Governors; and Abdalla Salem El-Badri (r), OPEC Secretary General.

L–r: Dr Majid A Al-Moneef, Saudi Arabian Governor for OPEC; Ali I Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources; Rafael Ramírez, Venezuelan Minister of Energy and Petroleum; HRH Prince Abdulaziz Bin Salman Bin Abdulaziz, Assistant Minister of Petroleum and Mineral Resources, Saudi Arabia; Dr Chakib Khelil, Algerian Minister of Energy and Mines and OPEC Conference President.

Ali I Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources, talking to the press.

Head of Kuwait's Delegation, Eng Mohammed A Al-Aleem (c), Acting Minister of Oil; Siham Abdulrazzak Razzouqi (r), Kuwaiti Governor for OPEC and Alternate Chairman of the Board of Governors; and Kuwait's Ambassador to Austria, Fawzi Al Jasem (l).

reiterated the commitment of Member Countries to market stability and ensuring adequate supplies."

Concerns about the US financial crisis and the possible effects on inflation have been growing since the start of the year. With the US dollar extremely weak — and getting weaker — hedge funds are selling stocks and buying commodities, such as oil.

The knock-on effects for the economy are already becoming apparent. US government data shows that the country recently suffered its biggest monthly job loss in nearly five years. This has put pressure on the Federal Reserve to cut interest rates in a bid to lift the economy. However, this, in turn, has the potential to increase inflation. And as the US economic outlook worsens, credit markets will deteriorate further. It is basically creating a snowball effect.

The OPEC Secretariat also referred to the situation in the US in its *'Highlights of the oil market situation'* report submitted to the Ministers.

It said that that after a period of strong expansion, the outlook for the global economy is more uncertain today than at any time during the last five years.

Referring to the financial problems in the US, it noted

The Indonesian Delegation, headed by Dr Maizar Rahman (c), Governor for OPEC; Novian M Thaib (r), Indonesia's National Representative; and Arif Havas Oegroseno (l), Head, Legal Defence Team, Department of Finance, Director, Political Security and Territorial Treaties.

Ali I Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources.

that early indications of "a new dynamic" began with the turmoil seen in the country's subprime mortgage sector towards the end of the summer of 2007. This subsequently spread to the larger credit markets and resulted in credit tightening.

The report observed that what followed was lower house prices and reduced access to credit by consumers and corporations, developments that raised concerns about the nation entering a more acute slowdown than first thought — or even going into recession.

Growth forecasts for 2008 have already been affected. The expected expansion in the OECD region has been revised down, with the US figure reduced from 2.6 per cent to 1.6 per cent, Japan from 2.2 per cent to 1.4 per cent, while Euro-zone growth has been pegged down to 1.8 per cent, compared with the previous 2.4 per cent.

The report said the financial turbulence has also been reflected in falling equity prices, particularly towards the end of 2007, with the main stock indices declining by 14–19 per cent. Stock market sentiment remained bearish in the first two months of 2008 *(see page 24 for a full report)*.

In his opening address to the Conference, Khelil made reference to the fact that in recent months there were signs that the oil market is moving into a new phase.

"This has reflected developments in the world economy, which is now entering a period of slower growth, after an unprecedented six years of strong expansion.

"The turbulence in financial markets, the deepening subprime mortgage crisis in the US and weakening economic data in the European Union and Japan, support expectations of a general economic slowdown in all OECD regions.

"Whether this will affect growth prospects in the emerging economies will depend largely on the degree of spillover to the rest of the world from these developments. Nevertheless, initial estimates indicate that the economies of developing countries, including China and India, will continue to grow at healthy levels, albeit lower than those achieved in 2007," he affirmed

Khelil stated that, overall, the growing sense of despondency about the future global economic outlook is generating much uncertainty in energy circles, and many institutions have begun to revise down oil demand forecasts from initially higher levels.

Dr Hussain Al-Shahristani, Minister of Oil, Iraq.

Gholamhossein Nozari (l), Iranian Minister of Petroleum; and Hossein Kazempour Ardebili (r), Iranian Governor for OPEC.

Odein Ajumogobia (SAN) (c), Nigerian Minister of State for Energy (Petroleum); Uthman Muhammad (l), Nigerian National Representative to OPEC; and Mohammed Barkindo (r), Adviser to the Minister.

Dr Hussain Al-Shahristani (r), Minister of Oil, Iraq; Tariq Aqrawi, Iraqi Ambassador to Austria.

Right (l–r): Siham Abdulrazzak Razzouqi, Kuwaiti Governor for OPEC and Alternate Chairman of the Board of Governors; Abdalla Salem El-Badri, OPEC Secretary General; Suleiman J Al-Herbish, Director-General of the OPEC Fund for International Development (OFID); Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates.

"Clearly, as we pointed out at our Extraordinary Meeting on February 1, constant vigilance is required to assess the impact of this on the oil market, especially in the coming quarters," he professed.

This, he said, has been adding to the impact of the continuing volatility in the market, with crude oil prices detached from the fundamental dynamics of supply and demand.

"This is disturbing for all responsible parties, producers and consumers alike. In the longer term, there are no net winners from volatile markets.

"Heightened levels of speculation have been a major driving force behind the volatility of the past few years, and this has not been welcomed by our Organization," he said.

Khelil told Ministers that while OPEC itself has little or no influence over speculation, it has taken action in other important areas where it can make a solid, meaningful contribution, in the interests of market order and stability.

"Our latest measures, adopted in September 2007— to increase crude oil supply by 500,000 b/d, with effect from November 1 — have been fully implemented, and OPEC as a whole is now producing 32m b/d.

"As a result, the market continues to be well-supplied with crude oil. Commercial oil stocks — crude and products — are in line with the seasonal trend and are expected to remain within their five-year average during the traditionally lower-demand season. Therefore, the market should be characterised by stability, and not volatility," he said.

However, Khelil told the press conference that this was not the case: "The lowering value of the US dollar has created opportunities for investors to leave the stock markets, where they are not finding any opportunities. Instead, they are moving into the oil market and other commodities, which, consequently, is driving the oil price higher."

The OPEC Conference President noted that other factors are also affecting the level of prices. These include the geopolitical situation in the world. He used, as examples, the move by the United Nations Security Council to

Rafael Ramírez, Venezuelan Minister of Energy and Petroleum, fielding questions from media representatives.

L–r: Dr Hasan M Qabazard, Director of OPEC's Research Division; Dr Chakib Khelil, Algerian Minister of Energy and Mines and OPEC Conference President; Abdalla Salem El-Badri, OPEC Secretary General; and Dr Omar Farouk Ibrahim, Head of OPEC's PR & Information Department.

Pictured during the press conference are Dr Chakib Khelil (l), Algerian Minister of Energy and Mines and OPEC Conference President; and Abdalla Salem El-Badri (r), OPEC Secretary General.

pass a new resolution regarding sanctions on Iran, and the recent situation in Venezuela along the border with Colombia.

"All of this creates uncertainty. And added to this is the lack of refining capacity, something that will be with us for some time yet until the necessary investments are made," he said.

Asked to respond to US President George W. Bush's comments made before the OPEC Conference that the Organization should be mindful of the harm it can do by not boosting production, Khelil said he "is not there to respond to such remarks."

He said that all he knows is the fact that supply is more than demand right now and stocks are at a very high level. In the case of gasoline inventories, they are even higher. If they are all high, then the level of oil prices today is not due to a lack of crude in the market.

"If we were to increase oil production, first we would need to find someone who would buy it. And even if we put it on the market, I doubt it would have any lasting effect on prices," he affirmed.

"What we need to do is resolve all the other issues affecting prices that are not under the control of OPEC, who can only work with the fundamentals of supply and demand, if we want the oil price to go down," he added.

With OPEC deciding not to meet again in full Conference until early September, Khelil was asked what would change the Organization's thinking in the evolution of the market between now and then.

He replied that with the market already being well supplied and stocks above the average seen over the past five years, the Ministers expect to see lower demand for the second quarter and probably for the rest of the year

because of the slowdown in the US "which is likely to drag economic growth lower, which would consequently affect oil demand."

Said Khelil: "Despite that, what OPEC has done is to give the economies the benefit of the doubt by rolling over its production level, which will likely lead to a higher level of stocks in the next few months and help the economy."

He said OPEC expects a crude stock-build of 1.2m b/d in the second quarter and another build of 400,000 b/d in the third quarter. "We expect global oil demand growth to be 1.2m b/d in 2008, with non-OPEC supply growth expected to be around 900,000 b/d."

Asked what the criteria would be for OPEC to meet again before September, he said the Ministers will know that when they see it.

"We can meet at any time between now and September 9, if the Ministers deem it necessary and agree to it. Alternatively, we can hold consultations and make decisions without a meeting," he explained.

"We are in contact with all the Ministers all the time and we can take the appropriate measures by communicating with and consulting each other. Various international meetings are coming up in the coming months which will be attended by OPEC Ministers who, if necessary, can coordinate some action among themselves," he stated.

Pictured after the deliberations are (l–r):

Odein Ajumogobia (SAN), Nigerian Minister of State for Energy (Petroleum);

Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates;

Desidério da Graça Veríssimo e Costa, Angolan Minister of Petroleum;

Abdalla Salem El-Badri, OPEC Secretary General;

Rafael Ramírez (back), Venezuelan Minister of Energy and Petroleum;

Dr Chakib Khelil, Algerian Minister of Energy and Mines and OPEC Conference President;

Abdullah bin Hamad Al Attiyah, Deputy Premier and Minister of Energy and Industry, Qatar;

Ali I Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources;

Gholamhossein Nozari, Iranian Minister of Petroleum;

Dr Shokri M Ghanem, Chairman of the Management Committee of the National Oil Corporation of the SP Libyan AJ;

Dr Galo Chiriboga Zambrano, Ecuador's Minister of Mines and Petroleum;

Eng Mohammed A Al-Aleem, Kuwait's Acting Minister of Oil;

Hamid Dahmani, Algerian Governor for OPEC; and

Dr Maizar Rahman, Indonesian Governor for OPEC.

OPEC Webcast

Featured here are selected comments made by OPEC Ministers and officials to the OPEC Webcast during the 148th OPEC Ministerial Conference.

Gholamhossein Nozari
Iranian Minister of Petroleum

"Regarding the record-high oil prices, no one is taking note of the effect the fall in the value of the US dollar is having on the oil market. This is very important. Oil supply and demand is in balance and petroleum stocks are increasing."

Dr Hussein Al-Shahristani
Iraqi Oil Minister

"Even though prices are over $100 a barrel, taking inflation over the last decade into account and the devaluation of the US dollar, the price is not at record levels. It was much higher a decade ago than it is now. So we should not get so alarmed about current price levels. At the moment there is more supply in the market than demand and inventories are building up. The disconnection we are seeing in the market at the moment has nothing to do with OPEC policies — that is why we do not feel there is much more we can do. It is other factors, mostly situated in the US, that are affecting prices. The situation we are facing in today's oil market is the concern of all players, the producers and consumers, and it is not up to OPEC alone to sit and devise policies. That is why we are always calling on the main consumers to sit with OPEC and examine all policies to see what can be done to stabilize the world energy market and the commodities markets. It is not only oil being affected — look at wheat, look at some of the metals … it is all interconnected and everything is affecting everything else. It is very important for OPEC Countries and the main consuming countries to meet and work out joint and common policies that will help stabilize world markets. OPEC and the consuming countries will be able to discuss these issues at the International Energy Forum (IEF) meeting in Rome this year.

Eithne Treanor is the moderator of the Webcast. The live-streaming service is carried out by a dedicated team based at the OPEC Secretariat.

Eng Mohammed A Al-Aleem
Acting Kuwaiti Oil Minister

"OPEC does not decide on price levels, it can only work in looking after the fundamentals of supply and demand. When there is something we can do for the producers and consumers, we will do it. But for the time being, there is nothing related to the fundamentals. Some experts say the US is already in recession, some say it is just a slowing of the economy. We are not talking about the fundamentals here — we are talking about something else … geopolitics, the financial crisis in the US. We are concerned about everybody benefiting, both producers and consumers, but the responsibilities of the world are the responsibility of both sides."

Dr Shokri M Ghanem
Chairman of the Management Committee of the National Oil Corporation of Libya

"There is a big disconnect between prices and market fundamentals. We are living in a time where we have a virtual market for oil. The real market — the physical market — we do not see anymore. It is this virtual, phantom market that is deciding the price. In the physical market, the world needs 87m b/d of crude oil, but what is actually being traded in the virtual market (in the form of paper barrels) is more than one trillion b/d. Most of the physical supply is made through long-term deals and you see very little done on the spot market. The ball is not in OPEC's court. No one is saying there is not enough oil in the market. Indeed, at the moment there is more oil than needed. The reality is that the oil is there — if they need the oil they can come and get it. It is not about supply and demand, it is a problem of the futures markets and the fears that the peak oil theory is becoming a reality. The huge erosion of the US dollar is the big problem for the financial markets.

Traders are trying to protect themselves from this development and, in looking for a safe haven for their investments, are turning to other commodities, such as oil and gold. We are seeing a different game in the market for oil now. New factors are on the ground, which are affecting prices. Supply and demand may constitute a part of this, but the real driving force is speculation over the stock and financial markets. There is very little OPEC can do about this. There is also inadequate spare output capacity in the marketplace right now, which is a fault of the industrialized countries. In the 1980s, they adopted the policies of embargo and sanction and prevented promising investment from taking place in such countries as Iran, Libya and Iraq. Investing in oil takes a long time to bear fruit and in prohibiting certain investments, the result is what you have today. Some people try to blame the situation on OPEC, but it is the misdeeds of the industrialized countries that are to blame. Now the sanctions have been removed and we in Libya have opened our doors to investment and the companies are coming, the country is attractive and the potential is big. The oil market has entered a new dimension and it has to be treated differently than in the past. Investments must be allowed to move freely and we must regulate the futures markets and not leave them to the speculators."

Odein Ajumogobia SAN
Nigerian Minister of State for Energy (Petroleum)

"It made more sense to leave things as they are, other than to go into uncharted territory. We will carefully monitor the market in the meantime. Clearly things other than supply and demand are at issue here. All the indices of the fundamentals suggest a decline in prices, but they are being driven by other factors. OPEC is dealing with the real market, but there is also the virtual market, the paper market, which investors are moving into from dollar markets. But it involves other commodities, not just oil. All commodity prices have increased. You can see a trend now and there is absolutely no doubt that OPEC does not have anything to do with what is happening with prices. Anyone who suggests this, is misplaced. The market is already oversupplied. We can guarantee to supply the oil when it is needed, but right now it is not. In OPEC, we are concerned about the high price — but we do not set it, it is other factors. We should all look to these other factors and not to OPEC. If it was not clear before, it is now. OPEC is not responsible for the high prices and can do little to affect them. It is these other factors that are to blame."

Abdalla Salem El-Badri
OPEC Secretary General

"When looking at the fundamentals, the Ministers saw that inventories are above the five-year average and growing, demand is slowing down as it does in the second quarter, and the global economy is also slowing with the US economy near to recession. Prices are admittedly very high, but there is a disconnect between the price and the fundamentals. We do not know what is going to happen in the future, so we decided at this time to leave production as it is. I have been saying for a long time that speculators are really affecting the market and they will continue to affect the market. Together, they have the ability to drive prices up, or down, as they wish. In the meantime, we have to be vigilant and watch the market very carefully. We are constantly monitoring the situation — this is our business. I hope that matters will ease in the market and we will see a more reasonable price."

Dr Hasan M Qabazard
Director of the OPEC Research Division

"The market is totally ignoring the fundamentals. OPEC is frustrated by the high price, since it knows that over a sustained period it brings hardship to economies, especially the developing states. They (the high prices) will also speed up the development of alternative energy sources that are not sustainable and feasible at this time. The high prices are neither good for the producers nor the consumers. It is frustrating that the market is taking more notice of the financial turmoil than the fundamentals, but eventually we hope that the market will return to the fundamentals and we will see a more reasonable price. Demand growth in 2008 is set to be 1.2m b/d over 2007, but there are downside risks from the US financial crisis and whether it spills over into other economies. OPEC is producing 32m b/d and the call on its oil is about 31.7m b/d for 2008. Non-OPEC supply growth, which was 600,000 b/d in 2007, this year will be around 900,000 b/d. There are also non-conventional oils and NGLs, which account for 500,000 b/d. The call on OPEC oil in 2008 will be around 300,000 b/d less."

Non-OPEC Observers pledge continued support for OPEC's actions

Organization praised for "remarkable effort" in balancing supply and demand

"We should like to extend a special welcome to the distinguished Observers from non-OPEC oil-producing countries. We thank them for joining us at today's Meeting and for their visible expression of support for our efforts to achieve order and stability in the international oil market."

— OPEC communiqué

As is now familiar at regular OPEC Conferences, several Observers from non-OPEC producing countries attended the talks in Vienna to pledge their continued support for the Organization's policies and initiatives. At the 148th OPEC Conference, delegations from Egypt, Mexico, Oman, Russia and Sudan spoke of the challenges facing the international oil industry, OPEC and their own economies. They offered a high level of praise for the Organization's strategic efforts to bring about oil market stability at a time when prices are being subjected to many influences outside OPEC's control. In addition, OPEC's sister institution, the OPEC Fund for International Development (OFID), was also in attendance. Its Director-General, Suleiman J Al-Herbish, a former OPEC Governor for Saudi Arabia, stressed just how the Organization, over the years, has gone from strength to strength. Their comments can be found overleaf.

Egypt

Eng Sameh Fahmy, Minister of Petroleum of Egypt, said the OPEC meeting came at a very crucial time when growing demand and high oil prices are reshaping the industry worldwide.

"I hope that this meeting will help to achieve oil market stability and global energy security," he told delegates at the plenary session.

He stated that demand for energy continues to increase, at a fast pace, driven by population growth and by the gradual spread of prosperity. To meet that demand, supply is being pushed to the limit.

"OPEC has made a remarkable effort in balancing supply and demand," he said.

The Minister said that everyone wished for sustainable world development and sound economic growth. However, if prices continue to escalate "it will certainly affect the global economy."

He said: "The challenge is not to lower prices, but to keep them within a band that will allow more investments to be attracted into the industry, release more stranded reserves, yet maintain prices in an affordable band for consumers."

" It is through collaboration with each other that we can maintain a sustainable industry and economic growth throughout the 21st century."

— Eng Sameh Fahmy

Fahmy professed that maintaining oil prices within a certain band acceptable to both producers and consumers is a difficult and challenging responsibility.

"It is a responsibility that we all must bear; OPEC and non-OPEC, consumers and producers alike," he asserted.

"I believe this requires a comprehensive strategy adopted at the highest levels worldwide because eventually everyone will benefit from a stable and orderly market."

The Minister said they have to seek a mechanism for achieving a fair and balanced price band for both producers and consumers. This band needs to be linked to inflation and the prices of other goods and commodities.

"It is true that high oil prices create significant profits for oil-producing countries, but these profits are mostly offset by other commodities and goods that have witnessed similar, or even greater, price increases. These goods have to be imported from the industrialized energy-consuming countries."

Fahmy said they also need a thorough review of the whole value chain of the industry, as supply and demand for crude oil is not the only driving force in the oil market.

"We need to review the refining capacities worldwide to meet the growing demand for high-quality middle distillates. Gas-exporting countries need to review and assess future gas prices that will affect the future energy market."

Such a move, he stated, would entail the exchange of accurate data for both producing and consuming countries, which would evaluate both non-OPEC production and global supply and demand.

"This will help in making an accurate assessment of market forces, thereby providing a clearer picture for us all," he said.

Fahmy asserted that to achieve progress towards providing energy for a sustainable and secure future, "we all have to cooperate together more closely. It is through collaboration with each other that we can maintain a sustainable industry and economic growth throughout the 21st century."

Mexico

Dr Aldo Flores, Assistant Minister of Energy of Mexico, speaking on behalf of the country's Energy Minister, said it was the sincere wish of Mexico that the outcome of the Conference's deliberations prove fruitful, not only for those present, but the broader community of producers and consumers of hydrocarbons in the world.

"Mexico has always been committed to a constructive dialogue on energy matters with both producers and consumers, while preserving its sovereign rights to manage its own resources, in accordance with its constitution. Its presence here today is an expression of this commitment and of our willingness to do what is necessary, in order to meet the world's energy needs," he said.

Flores pointed out that Mexico's commitment to the energy market would also be expressed this year when it hosts the Second Conference of Africa, Latin America and Caribbean Energy Ministers (AFROLAC).

Turning to domestic developments, he said the profile of future oil and gas output in Mexico is conditioned by significant challenges in exploration and reserve replacement.

The largest share of Mexico's new reserves is most likely located in the deep waters of the Gulf of Mexico at depths that range from 1,500 to 3,000 metres.

"This means that greater and more successful investments will be required in these locations to achieve a rate of reserve replacement that keeps current production levels from falling and provides a margin of certainty congruent with Mexico's energy needs," said Flores.

Today, Mexico's most important oilfields are seeing output falling by around nine per cent a year on average. However, the country still expects to maintain its production of 3.1 million b/d.

Flores noted that the country's imports of natural gas and higher grade gasoline have increased as a result of greater demand from national electricity utilities and the transport sector. "We expect to require more investments in this regard."

He said that to address these challenges, the Mexican government and legislature are examining alternative models for providing the national oil company, Pemex, with a means to acquire the technology and financial resources that are necessary to bring to market the oil located in the country's deep waters.

"We are also looking to expand the production of cleaner fuels. An intense discussion is currently underway in Mexico regarding the appropriate way to accomplish these objectives," he noted.

He said the Mexican government's general strategy for the oil and gas sector for the next five years has been outlined in the national programme of energy. Its objectives include raising the rate of national restitution, the rate of natural gas extraction, keeping gasoline imports at no higher than 40 per cent of domestic consumption, and raising the storage levels for gasoline and diesel.

Oman

Dr Nasser bin Khamis Al Jasmi, Deputy Minister of Oil and Gas of Oman, said that during the last few months, there has been great volatility in oil prices, mainly as a result of the activities of market speculators and other factors, such as geopolitical events and the continued depreciation of the US dollar.

"We are concerned that high and volatile oil prices will increase uncertainty in the market, which could harm all stakeholders in the oil industry.

"Thus, creating a more stable atmosphere for oil prices would indeed help to balance the market for the good of both producers and consumers."

Al Jasmi said they needed to look at what possible solutions they could bring in to minimize the speculation effect on oil prices and also reduce the gap in future supply and demand scenarios as contained in various reports from sources like the International Energy Agency (IEA), the Energy Information Administration (EIA) and other agencies, versus OPEC.

> **"Creating a more stable atmosphere for oil prices would indeed help to balance the market for the good of both producers and consumers."**
>
> ***— Dr Nasser bin Khamis Al Jasmi***

"In this regard, we also stress the need to increase public awareness about the underlying reasons behind volatile oil prices, which would help all societies understand more about the challenges that surround the oil industry," he said.

Oman, said the Minister, is confident that efforts by OPEC will pave the way to ensuring secure supplies for consumers at sustainable prices, as well as providing a reasonable return for investing and producing countries.

"We, in Oman, are committed to cooperate with OPEC and all other stakeholders in the oil industry," he added.

Russia

Anatoliy Yanovskiy, Deputy Minister of Industry and Energy of the Russian Federation, pointed out that ten years had passed since Russia started to take part in OPEC meetings as an observer.

"We believe that our cooperation has been fruitful and has affected positively the world's oil and energy markets, and helped to ensure global energy security."

He pointed out that the premise that energy producers and consumers have the overall responsibility for ensuring energy security was highlighted at the G8 Summit, held in St Petersburgh in 2006. This approach was designed to ensure an effective, reliable and environmentally friendly supply of energy at prices that reflect market fundamentals.

Yanovskiy said a number of factors are having a substantial effect on the fortunes of the global energy sector.

These include a rise in demand for energy resources in the emerging economies, climate change and a need to tackle energy poverty, as well as a requirement to develop clean energy sources in the future.

"Adequate responses to the new challenges and threats to global energy security can only be given through the joint efforts of major energy-exporting and importing countries," he maintained.

"In this connection, we attach great importance to efforts aimed at ensuring stability of global oil markets, predictability of oil prices, and minimal fluctuations. These price fluctuations are sometimes caused not by objective economic and political factors, but simply by speculative activity in the markets."

Yanovskiy said Russia is rightfully considered as a reliable supplier of energy resources and is able to fulfill its commitments to consumers, even in force majeure circumstances with transiting countries.

"We consider diversification of transportation routes of hydrocarbons as a key conceptual factor for strengthening global energy security."

Russia is addressing this challenge by constructing new pipeline systems and marine terminals. They comprise the Eastern Siberia — Pacific Ocean and Burgas — Alexandroupolis oil pipelines and the Nord Stream gas pipelines, as well as the Trans-Caspian gas pipeline.

"Our efforts to enhance global energy security can be effective on condition they are undertaken in a dialogue with all our partners. No one can expect a true and long-term success in this sphere without taking into account the mutual interests of producing, consuming and transiting countries," he maintained.

Yanovskiy said Russia is open for the development and strengthening of energy dialogue, both with individual countries in a bilateral form and with major international organizations, such as OPEC.

"Adequate responses to the new challenges and threats to global energy security can only be given through the joint efforts of major energy-exporting and importing countries."

— Anatoliy Yanovskiy

"Such cooperation is provided for, it is being accomplished now and it will be continued in compliance with our energy policy," he added.

Sudan

Al Zubair Ahmed Hassan, Minister of Energy and Mining of Sudan, in making his first personal appearance as an observer for his country, said he was happy to acquaint himself with "your esteemed and extremely important Organization and with the crucial role you are playing."

He stated on the observership: "This clearly indicates how OPEC is genuine in promoting consultations with non-OPEC producers for the sake of adopting policies and resolutions for the benefit of all stakeholders in the oil industry."

The Minister noted that Sudan has increased its oil production from about 300,000 b/d to around 500,000 b/d since June 2007 after a successful completion of one of its major development projects, consisting of a 32-inch, 1,500 km long pipeline, six pumping stations and a new marine terminal.

"Untiring and relentless exploration activities are going on in different parts of the country, both onshore and offshore. Encouraging results have been achieved. However, commercial discoveries are yet to be declared," he affirmed.

He said that Sudan, being in its infancy in the strategic oil industry, wished to learn from OPEC Members the accumulation and rich experience of how to professionally manage the oil sector and maximize the benefits and added value for the development, prosperity and well-being of the country's people.

"We are always confident that the OPEC Conference is going to take the right equitable and fair decisions which meet the aspirations and ambitions of producers and satisfy the needs of the consumers.

"We admit that it is very difficult to strike such a balance. Nevertheless, the experience, wisdom and foresight of your Excellencies, the leaders of the most important international energy forum, is to guarantee the continuous and ongoing success of the oil sector," he added.

OPEC Fund

Suleiman J Al-Herbish, Director-General of the OPEC Fund for International Development (OFID), in congratulating OPEC and the Saudi Arabian authorities on the success of the Third Summit of OPEC Heads of State and Government in Riyadh in November 2007, said it proved to be a seminal and highly productive meeting.

"As someone who has attended all three OPEC Summits, I have had the privilege of witnessing the evolution of the Organization from close quarters, and I am delighted to see that it continues to go from strength to strength," he said.

Al-Herbish noted that each Summit marked important milestones for OPEC, and also for OFID.

"In Algiers, in 1975, we saw the genesis of OFID, when Member Countries undertook to strengthen and better coordinate their financial cooperation with other developing countries.

"The Declaration of the Second Summit in Caracas, in 2000, highlighted, for the first time, the issue of poverty and its eradication, describing poverty as the biggest environmental tragedy facing the globe."

Al-Herbish continued that the Third Summit resulted in a document that clearly identifies three new realities:

1) the need for stability in global energy markets;
2) the incontrovertible link between energy and development; and
3) the challenge of climate change.

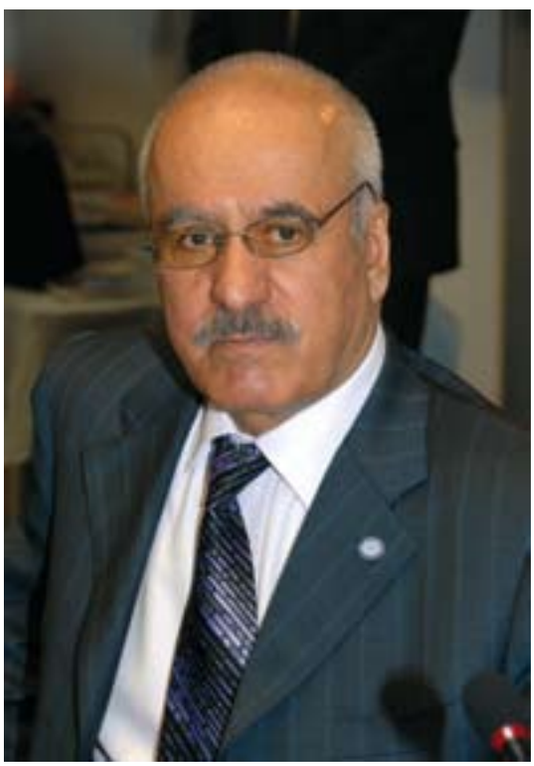
"As these realities crystallize, so do our responsibilities, as a group of nations, to the world at large and to our planet," he affirmed.

In referring to the second theme of the Declaration, namely *'Energy for sustainable development'*, a topic that relates directly to the mandate of OFID, Al-Herbish said that as a development institution, OFID is more acutely aware than most of how important access to cheap and reliable sources of energy are to the development process.

"Indeed, almost one-fifth of our cumulative, concessional project lending has gone to support initiatives in this field. And, with the launch of our 17th Lending Programme in January this year, even greater resources have been earmarked for this purpose. OFID, therefore, welcomes the exhortations of its masters … to intensify efforts to find solutions to the problem of energy poverty."

Al-Herbish said OFID has already taken steps to turn ideas into concrete action. Chief among these is the organization of a workshop on 'Energy Poverty in Africa', which will take place in Abuja, Nigeria, later in the year.

He said: "… the aim would be to mobilise expertise and resources to map a way forward. We recently held constructive talks with Dr Yumkella, Director-General of UNIDO, and his senior colleagues, on this very subject. They have stated a willingness to participate in the workshop, to which we would also invite partner development institutions."



Suleiman J Al-Herbish, Director-General of OFID.

At the crossroads ...

OPEC Ministers meet at crucial juncture in oil market — Secretariat report

"Today's OPEC Ministerial Conference is taking place at a crucial juncture in the oil market." That was how the Organization's Secretariat views the current situation in the petroleum sector in its detailed study and prognosis 'Highlights of the oil market situation'.

The report, prepared by the Secretariat's Research Division and presented to the Ministers at the plenary session of the 148th OPEC Ministerial Conference, said that following a period of strong expansion, the outlook for the global economy is more uncertain today than at anytime during the last five years.

And, at the same time, it stated, the oil market appears to be entering a period of transition.

"It is important to analyze the competing dynamics driving the market, in order to have a clearer picture of the direction the market is taking," said the Head of OPEC's Petroleum Market Analysis Department (PMAD), Mohammad Alipour-Jeddi, in his comprehensive power point presentation to the Ministers.

The Secretariat's numerous oil market reports are considered essential for supporting the decision-making process of the Conference. Armed with up-to-date and accurate data and information on supply and demand and the general economic picture, the Organization's Ministers can make informed decisions on what action, if any, to take to help stabilize the market.

In the presentation, Alipour-Jeddi referred to the increasing level of international crude oil prices, stating that since the OPEC Ministerial Conference in September 2007, oil price developments can be divided into three phases.

OPEC Reference Basket

The first phase saw an upward trend which took the OPEC Reference Basket price to a peak of close to $92 a barrel, which was equivalent to about $98/b for United States benchmark crude WTI, an increase of $24/b.

Mohammad Alipour-Jeddi, Head of OPEC's Petroleum Market Analysis Department.

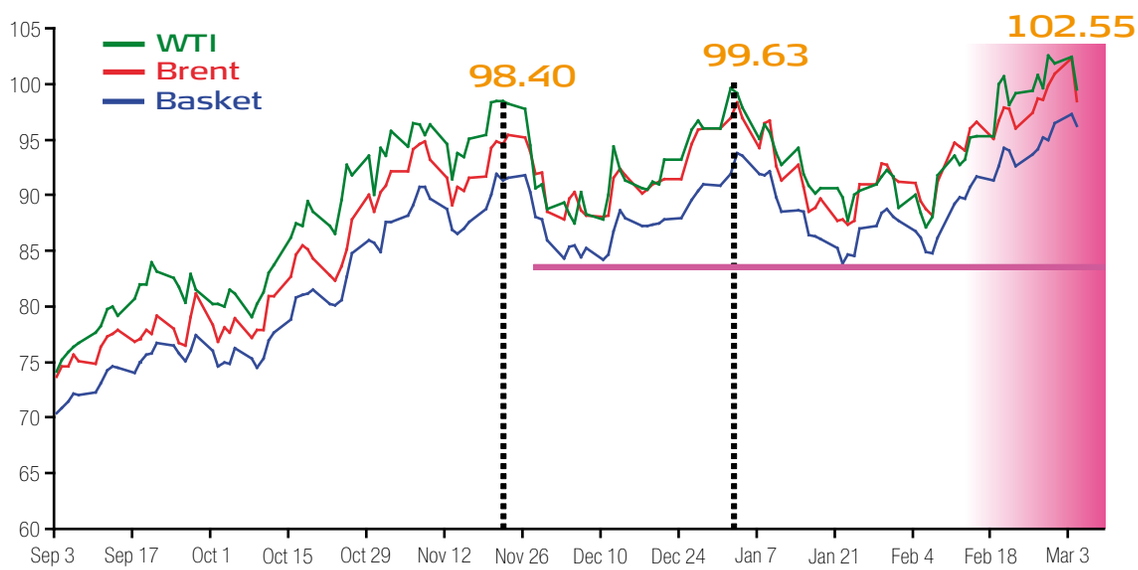
"This was mainly due to continued stock-draws and supply disruptions, as well as the weak US dollar and geopolitical developments," commented Alipour-Jeddi.

The second phase, from the last week of November to the beginning of January saw the Basket decline to just below $85/b, before rebounding to a peak of $92/b, with WTI reaching just under $100/b.

"The decline was due to concern about the ongoing slowdown in the US and the possible spillover to other economies. However, these factors were outweighed by further declines in the US dollar, as well as persistent draws in US inventories, which pushed crude stocks below the five-year average," he said.

In the third phase, the Basket twice fell to $85/b on

Oil price developments since September Ministerial Conference *($/b)*



Change: Sep 3–Nov 21	$/b	24.26
	%	32.7

Change:	Jan 2–Jan 23	$/b	–7.22
	Jan 23–Mar 4		11.61

weaker demand expectations and fears of a US recession, before climbing to a new record high of over $96/b. At the same time, WTI reached more than $102/b.

Said Alipour-Jeddi: "This was mainly due to further US dollar declines, triggering increased speculative activity, as well as heightened geopolitical developments in the Middle East, Latin America and West Africa."

He said that this overall market dualism — especially since January — reflects softer fundamentals, due to the perception of weaker demand and improving inventories, on the one hand, versus increased financial market activity, fed by geopolitical uncertainty and US dollar weakness, on the other.

Turning to the financial problems being experienced in the US, Alipour-Jeddi said early indications of "a new dynamic" began with turmoil in the subprime mortgage sector towards the end of the summer last year, which spread to the larger credit markets and resulted in credit tightening.

"Lower house prices, less access to credit by consumers and corporations raised concerns about a deeper slowdown, or even recession, in the US economy," he affirmed.

Alipour-Jeddi said that as a result of this economic downturn, the growth forecast for OECD countries in 2008 has been revised down. The US forecast has been lowered by one per cent — from 2.6 per cent to 1.6 per cent, while in Japan, growth has been notched down from 2.2

per cent to 1.4 per cent. In the Euro-zone, the drop has been recorded from 2.4 per cent to 1.8 per cent.

He pointed out that the US financial turbulence has been reflected in falling equity prices, particularly towards the end of 2007. The main stock indices — the Dow Jones Industrial Average, the S&P 500 and NASDAQ — fell by around 14–19 per cent. In the first two months of 2008, stock market sentiment has remained bearish.

The PMAD Head told the Conference that another factor contributing to weakening fundamentals concerned the downward revisions to demand forecasts for the fourth quarter of 2007 and the annual 2008 forecast.

"These significant revisions reflect a change of perception towards a period of softer demand growth," he explained.

He said that since the beginning of January, and due to consecutive stock-builds, crude oil inventories now stand above the five-year average.

"A preliminary assessment shows that this trend is going to continue over the coming weeks, supported by the narrowing backwardation spread, which could eventually flip to contango, encouraging more stock-builds," he maintained.

Downstream easing

At the same time, said Alipour-Jeddi, gasoline inventories have seen an even stronger build and now stand at a 14-year high. These builds have been supported by the contango structure in the gasoline futures markets.

Meanwhile, weakening refining margins across the globe have partly been attributed to the high cost of crude oil and feedstocks.

"Available capacity will be higher than last year as some refineries return to full operation in the next quarter. In addition, compared with previous years, we have a relatively light maintenance schedule," commented Alipour-Jeddi.

As an example, he said, in the second quarter of 2007, planned and unplanned refinery outages reached a level of 1.5m b/d, while this year it is expected to be around just 500,000 b/d. Incremental production of ethanol to the tune of 150,000 b/d should also ease gasoline supply concerns during the driving season.

"All in all, the tightness in the downstream appears to be gradually easing as capacity expansion projects are allowing more refined products to find their way to the market. As a result, product markets would be less

The main points

- Deepening US economic concerns imply considerable downside risks to OECD growth prospects and to a lesser degree to world economic growth (4.6 per cent for 2008).
- Weakening US dollar, coupled with higher inflationary expectations, has encouraged a large inflow of money into the commodity markets.
- The recent increase in oil prices does not reflect the underlying fundamentals. Prices are being influenced by investment portfolio shifts and implied return expectations, as well as geopolitical concerns in the Middle East, Latin America and West Africa.
- With growing crude stocks, the crude futures market could switch to contango, encouraging accumulation of excessive inventories.
- Growth in non-OPEC supply, plus OPEC NGLs and non-conventionals, is expected to outpace world oil demand growth, potentially leading to higher inventories and increased OPEC spare capacity, reducing speculative pressure on crude oil prices.
- Under current economic conditions, with the market appearing to be in a period of transition, close monitoring is needed to ensure a timely response.

supportive of crude oil prices, as has been the case in previous years," stated Alipour-Jeddi.

However, he warned that the current sentiment could change if there is a repeat of last year's persistent unplanned refinery outages.

Looking at the problematic currency markets, Alipour-Jeddi noted that the US dollar has fallen to a record low of close to $1.52 versus the euro.

"The dollar appears to have broken the previous resistant point of $1.50, although there is limited potential for much further depreciation," he said.

The PMAD Head explained that the weaker dollar makes oil cheaper in the countries using other currencies, although the effect on demand is limited over the short-term, adding that the higher euro has softened the impact of higher oil prices, but a strong revival in demand in non-dollar zones has not been seen.

Continuing, Alipour-Jeddi said the main channel through which the weak dollar has affected oil prices is asset portfolio substitutions and the paper oil market.

"This occurs when rising assets, such as futures contracts for crude oil or gold, are substituted for a declining asset such as the US dollar, or when assets that are expected to benefit from the declining dollar — such as commodity baskets and index funds — are added to investment portfolios, which result indirectly in larger purchases of paper oil," he said.

"These substitutions usually occur very quickly and influence short-term oil prices by changing demand configurations in the paper oil market."

Flow of new capital

Due to the increased flows in investments between oil and other commodity and financial assets, the PMAD Head said the oil market is now open to volatility in non-oil financial asset prices.

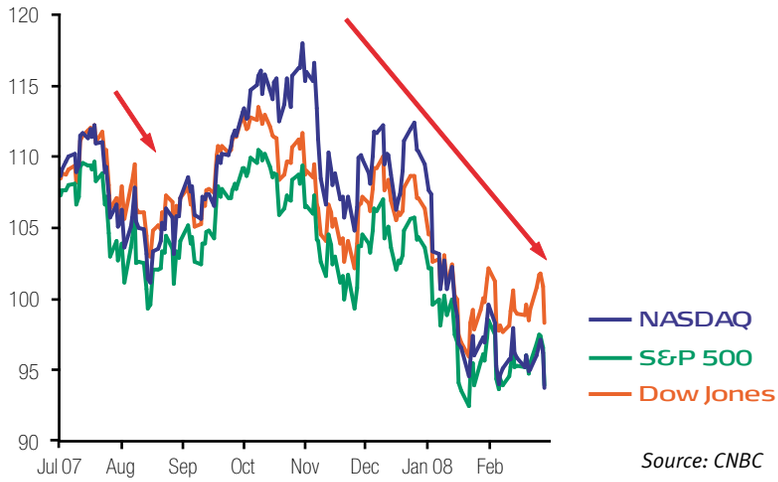
"As can be seen, there is co-movement between oil prices and speculative activity, as measured by non-commercial long-positions.

"The exceptionally weak dollar, along with geopolitical uncertainties, has encouraged the recent flow of new capital into the crude futures market," he said.

In reviewing the oil market outlook for 2008, he noted that despite the threat of slowdown and recession, the current projection for crude oil demand growth is expected to be 1.2m b/d, the same level as in 2007.

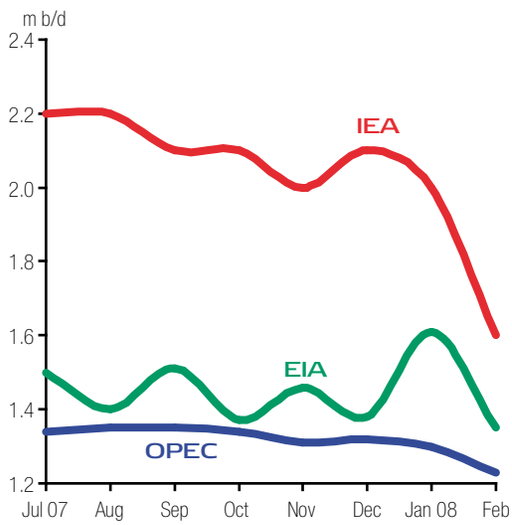
World GDP growth is now forecast to moderate to 4.6 per cent in 2008 from 5.3 per cent in 2007, with the OECD

Decline in US equity prices *($)*

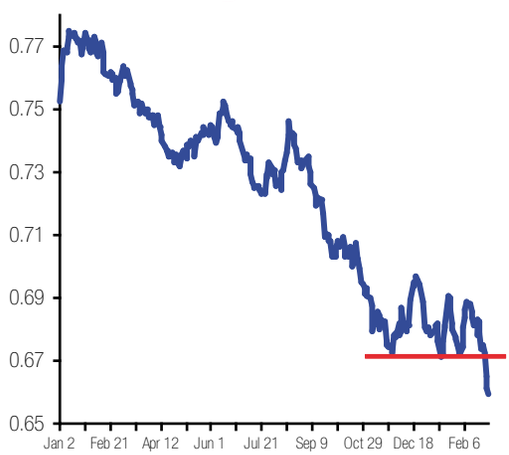


Source: CNBC

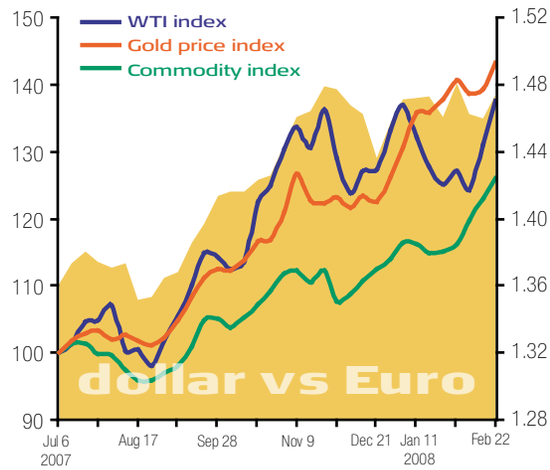
Revisions to 2008 world oil demand growth forecast



US dollar falling to resistance level *($)*



Developments in dollar, gold, commodities and WTI



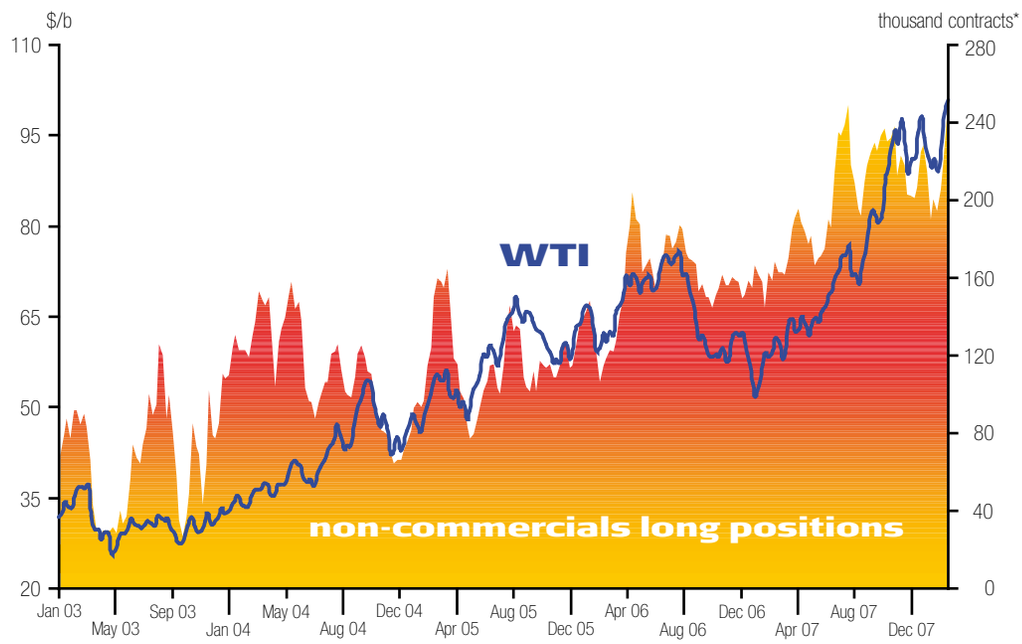
region slowing by 0.7 per cent to two per cent, lower than both the five and 20-year averages.

Developing countries are also forecast to slow somewhat — by 0.5 per cent to 6.1 per cent, but the strong growth momentum witnessed in recent years is expected to continue. China and India are slated to remain the main drivers of world economic growth in 2008.

Alipour-Jeddi stated, however, that most recent economic indicators are predominantly bearish.

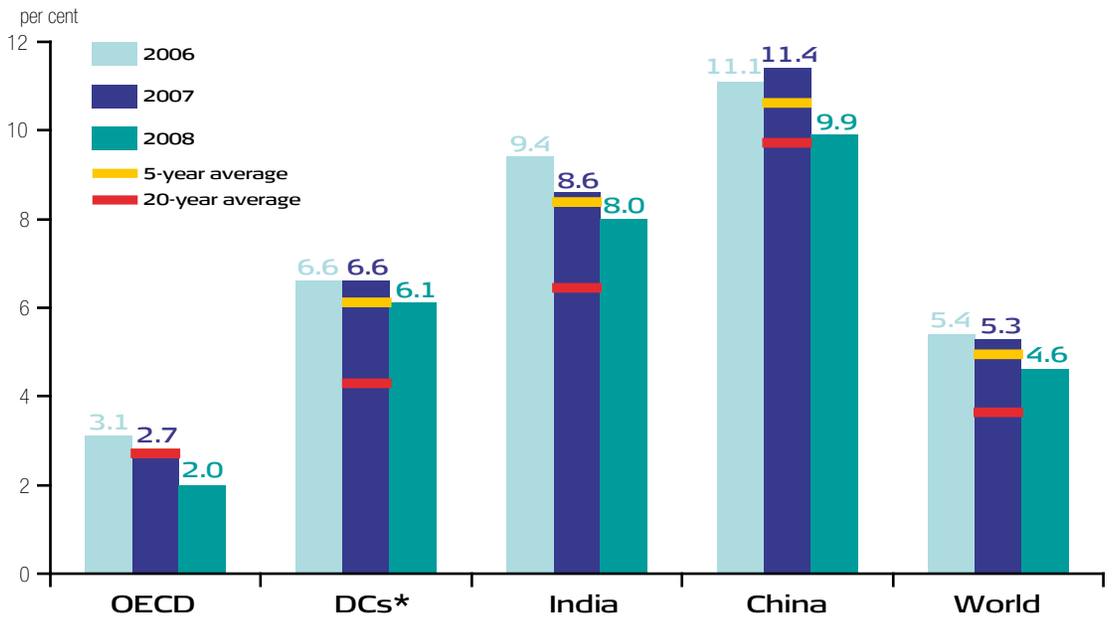
In outlining some of the problems facing the US, he said the housing sector contraction in the country is expected to continue for the third year and even deepen. US house prices fell by 9.1 per cent in December 2007 from the previous year's level, the

Increased capital flow into crude futures market



** Each contract is 1,000 barrels.*

Annual changes in real GDP growth in purchasing power, parity terms



** DCs excluding China/including India.*

biggest drop since records started, while new home sales have fallen to the lowest level in nine years.

"Consumer confidence, which serves as an important indicator for consumer spending, fell to 75, the lowest level in the last four years. The unemployment rate rose sharply in December to five per cent. In January, payrolls fell, even as the unemployment rate improved slightly," said Alipour-Jeddi.

He said that the most alarming signal in January was the sharp drop in the non-manufacturing index, which represents the bulk of the US economy. The index fell well below the 50 threshold level, separating expansion from contraction.

In February, the manufacturing index also dropped below the 50 level for the second time in three months, pushing the economy closer to a recession, said Alipour-Jeddi.

Other indicators, he said, like the durable goods orders for January, were also negative at –5.3 per cent.

"The steady stream of bearish data has raised concern about the possibility of a deeper slowdown or ever recession in the US. The fear is now that the slowdown could spread to other economies," Alipour-Jeddi told OPEC's Ministers.

He said that, actually, the odds of a US recession are now placed as high as 50 per cent. While the preliminary estimate for the last quarter of 2007 showed a small positive growth, most indicators are negative for the first two months of 2008.

Incentive package

Alipour-Jeddi stressed that the main vulnerability comes for the US consumer.

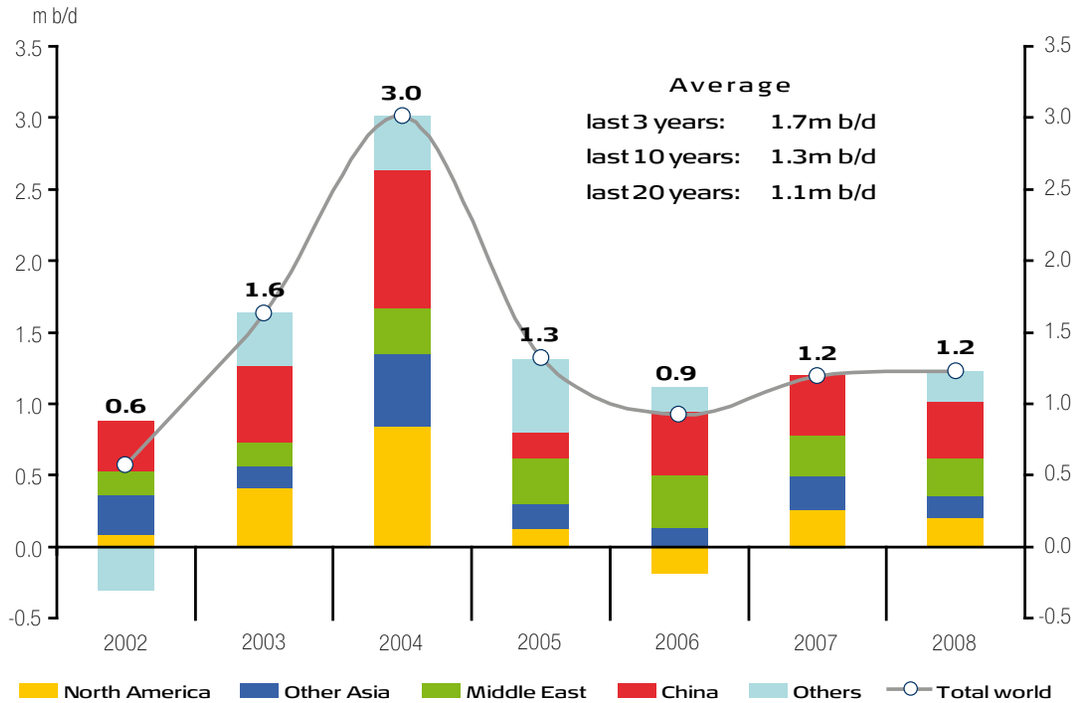
"The latest Fed survey indicates that it is getting harder to obtain loans, especially to buy real estate. In addition, with falling house prices and declining equity values, consumer spending is expected to be impacted. Private consumption accounts for 70 per cent of the country's GDP.

"Another danger is contagion to other financial sectors, which could result in a reduced willingness by firms to invest and expand employment," said Alipour-Jeddi.

He said the US authorities are acting to counterbalance the effects of the crisis, both with monetary and fiscal policies that are designed to stimulate growth.

"We have seen a massive cumulative 225 basis points cut in interest rates in the US with more to come, as well

Oil demand growth (year-on-year change)



as an agreement for a fiscal incentive package of $168 billion, which will help support the economy in the second half of 2008 and may add up to 0.6–0.7 per cent to growth in the year," said Alipour-Jeddi.

Exports continue to be healthy, assisted by the weak dollar and strong growth abroad, but the key question remains as to whether a slowdown or outright recession in the US will impact growth in the rest of the world.

"Some countries are more vulnerable given their strong links with the US economy, or due to economic problems of their own," commented Alipour-Jeddi.

He said there has been a strong contagion in the financial markets — both in the credit markets and equity markets worldwide.

"Rising globalization of capital flows has increased the inter-linkages between markets. However, the sounder economic fundamentals in most emerging markets, compared with the Asian crisis in the late 1990s, seems to point to less spillovers this time around," said Alipour-Jeddi.

He said currency markets are also being affected by the economic turmoil as the accelerated dollar depreciation is adding to inflationary worries in countries where currencies are pegged to the dollar.

Turning to global economic growth, Alipour-Jeddi said increasing contributions are being seen from Asia. In 2007, China was responsible for about 34 per cent of global growth, while India accounted for ten per cent.

"For the first time, the volume of trade between Japan and China is exceeding trade volume between Japan and the US," he said.

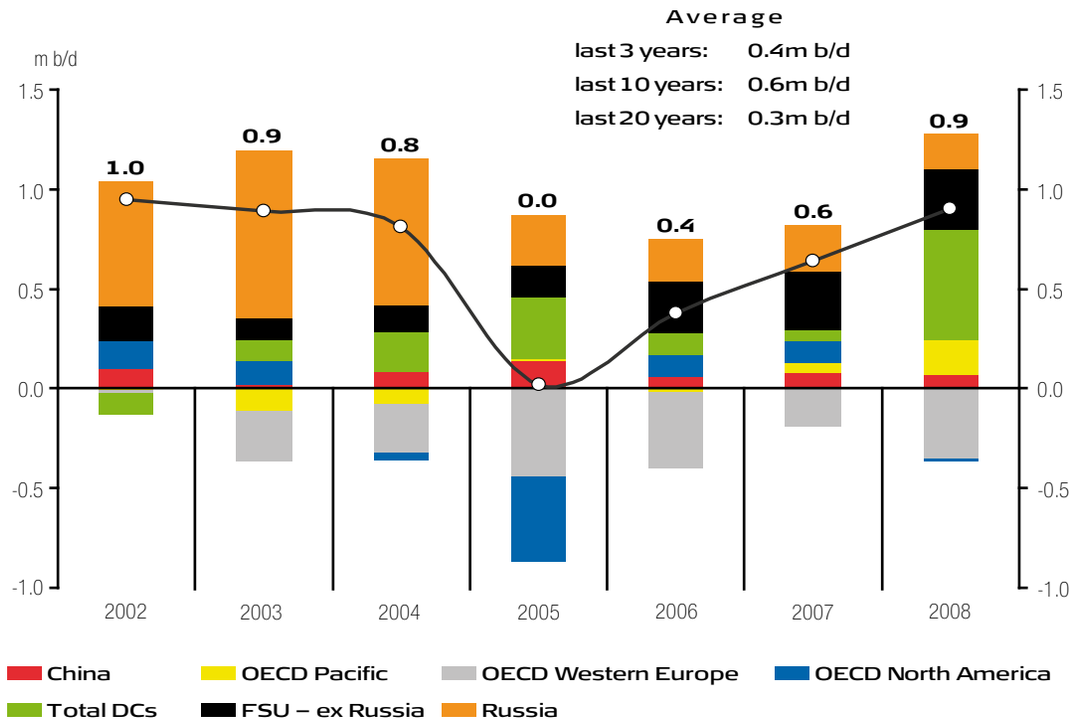
In assessing how all this will affect the oil market in 2008, Alipour-Jeddi said the downward risks for oil demand will come mainly from the ongoing economic slowdown, the impact of high oil prices, particularly on transportation fuel demand, as well as weather-related factors, specifically the winter in the northern hemisphere.

He stated that a review of forecasts from other institutions shows that there is a large degree of uncertainty over demand this year, stemming from unrealistically-high initial expectations.

As in recent years, the bulk of demand growth is expected to come from the non-OECD region, particularly China, followed by the Middle East and Asian developing countries.

"With Non-OECD demand growing at nine times the

Non-OPEC supply growth (year-on-year change)



rate of OECD in recent years, the downturn in the US and OECD countries will have a much lower impact on total demand growth than in the past," maintained Alipour-Jeddi.

Looking at the output potential of oil producers outside OPEC, he said that despite a weaker-than-expected performance, non-OPEC countries have seen a steady recovery since 2005.

Non-OPEC supply

However, 2007 showed a significant downward revision for this group of producers, mainly due to project delays, deeper-than-expected maintenance, bad weather, technical problems, rising service costs, accidents and underperformance in some giant fields.

Alipour-Jeddi said that in 2008, non-OPEC supply is expected to grow by 900,000 b/d, compared with 600,000 b/d in 2007, a level that is equal to the average of the last ten years.

"With a number of delayed projects expected to come onstream this year, the non-OPEC supply forecast is expected to materialize, if no significant supply disruptions take place," said Alipour-Jeddi.

He said Russia, Azerbaijan, Brazil, the US and Kazakhstan are expected to be the main contributors to non-OPEC supply growth this year, while mature fields in Mexico and the North Sea are expected to see the biggest declines.

Regarding stocks, Alipour-Jeddi said US crude and product inventories have seen a recovery to now stand above the five-year average. In addition, days of forward cover have followed a similar pattern, a trend that is likely to continue over the coming weeks.

"Despite an increase in OPEC production and stocks at the five-year average, prices have reached record levels, mainly due to non-fundamental factors," he pointed out.

Alipour-Jeddi said that preliminary projections for 2008 show that incremental non-OPEC supply, plus OPEC natural gas liquids (NGLs) and non-conventional oils, will outpace oil demand growth next year.

"If this materializes, market fundamentals will ease further, leading to continued stock-builds and higher OPEC spare capacity, which should help to reduce some of the speculative pressure on crude oil prices, bringing them closer in line with market fundamentals," he added.

NOCs in a new era:
the roles, responsibilities and challenges

- Where will the necessary investment come from to meet rising world demand?
- The emergence and implications of resource nationalism
- Finding a balance between commercial and national interests: social versus commercial responsibilities
- Reserve replacement: challenges and ideas on how to overcome them
- Security of supply and the role of NOCs
- The internationalization of NOCs: what are the implications for the industry?

*The important issues listed above were broached in a special session of the busy World National Oil Companies Congress, in London, in April. The following address made by **Dr Chakib Khelil,** OPEC's Conference President and Algerian Minister of Energy and Mines, went some way to responding to these topical statements, taken from the Organization's perspective.*

Let me first thank the organizers for inviting me to talk about the roles and responsibilities of national oil companies (NOCs), in the context of the challenges posed to the international oil market in the new energy era.

The holding of this congress sends a clear message about the growing importance of NOCs in today's energy world. As distinguished delegates know, there is a rich diversity among NOCs in terms of geography, geology, domestic, economic, social and political cultures, and so on, and, therefore, we should all benefit from the opportunities to exchange views and experiences at this congress.

However, in other key areas, notably issues of sovereignty and the role oil sectors can play in developing and sustaining national economies, the NOCs have much in common with their fundamental philosophies and objectives, in a way that clearly distinguishes them from international oil companies (IOCs).

In other respects, however — in terms of activities and *modus operandi* — there is a growing number of similarities between NOCs and IOCs in today's fast-moving, high-tech, globalized, and increasingly complex and integrated world oil industry. The challenges facing the industry in the modern era require a more coordinated approach than ever before by stakeholders in an increasingly interdependent world. Not only is world oil demand expected to continue growing for decades to come, but the production, processing and distribution of this oil is subject to much tighter scrutiny, regulation and other constraints. It is also happening at a time when the energy industry at large is facing shortages of skilled labour and highly qualified engineers.

Resource nationalism

Historically, we recall the steep learning curve that many NOCs have had to climb, in order to compete effectively with long-established corporate interests. When many OPEC NOCs were established at around the turn of the 1970s, the world oil industry, outside the self-contained former Soviet Union, was dominated by the multinational oil companies, which controlled the quantity of oil extracted and sold, to whom it was sold and at what price. Host Governments were paid small royalties, in contrast to the large profits made by the multinationals, selling large quantities of crude at very low prices on world markets.

OPEC spent many of its formative years examining the role of the then-weak NOCs, to help them coordinate their activities in the international market and undertake appropriate programmes of action. A landmark 'Declaratory Statement of Petroleum Policy in Member Countries' in 1968 referred to "the inalienable right of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development." It declared it essential that the exploitation of Member Countries' finite hydrocarbon reserves should be aimed at securing the greatest possible benefit for them, and it called upon these countries themselves to undertake this.

Recently, the issue of 'resource nationalism' has risen high on the international agenda, and this has not always been kind to some oil-producing developing countries. However, these countries have every right to benefit as best they can from the natural resources that lie within their national borders. This, after all, would reflect what has been happening since the dawn of time. In the industrial revolutions that swept much of the Northern Hemisphere in the 18th and the 19th centuries, for example, those countries that are now today's foremost economies owed much of their early success to the exploitation of the natural resources within their own borders. Why should the situation be different today for countries with abundant reserves of crude oil? For many of these countries, particularly those from the develop-

ing world, this is the only highly valued good they have for international trade.

'Resource nationalism' can be perfectly compatible with a well-functioning international oil market, and it is totally consistent with the need for interdependence among nations in the efforts to support sustainable growth in the global economy. If, as is usually the case, it is handled in a framework of harmony and cooperation within the industry at large, it can result in a 'win-win' situation for all parties.

Complex picture

For a final word on the subject, let me say that 'resource nationalism' can also be found in the industrialized world, where countries, for example, allow 'national champions' for their energy sectors to develop, prohibit access to some environmentally sensitive areas, and enforce strict standards and regulations, including for foreign direct investment or mergers and acquisitions of their flagship oil companies, as seen recently.

"... a large shortage of engineers is threatening the timely completion of essential projects to expand production facilities ..."

Let us now look more closely at how the situation has evolved for the NOCs in the new era, in particular comparing this with the IOCs.

Overall, the picture has become a much more complex one. Even the definition, terms of reference and operating conditions of an NOC or IOC are not as straightforward as they may seem. There can be NOCs with relatively high degrees of freedom in their operations and IOCs which are subject to significant levels of government influence, either explicitly or implicitly. Furthermore, the oil industry is more integrated than it used to be, vertically and horizontally, and major advances in, for example, communications, technology and dialogue and cooperation have eased some of the barriers and structural rigidities that existed in the past.

Today, there are differing levels of participation by the IOCs in the upstream sectors of oil-producing countries and an appreciable level of participation by NOCs in the downstream, both domestically and abroad. With regard to the former, while governments in some oil-producing countries have decided over the years to develop and operate their upstream sectors exclusively through their NOCs, others have opted for differing degrees of participation by the IOCs. These are all sovereign matters for the countries concerned. With regard to the latter — greater NOC involvement downstream — this has been growing recently, driven, in particular, by the refinery bottlenecks that have become apparent in some major consumer countries and that have had a destabilizing effect on the market generally.

The higher oil prices have, without any doubt, affected the NOC/IOC participation balance. For example, they have increased the capability of producing countries to finance their own capacity-expansion plans. However, the IOCs are still heavily involved in upstream development in many producing countries, bringing considerable mutual benefits in terms of finance, skills and technology, as well as access to international markets.

Equally important for the industry is the need for collaboration between NOCs and IOCs on manpower development and training, because a large shortage of engineers and other key personnel is threatening the timely completion of essential projects to expand production facilities. Furthermore, such cooperation can also help bring down the high costs of services, which are creating further pressure on well-devised output expansion strategies.

Clearly, in the light of all this, the roles and responsibilities — and I also would say the 'capabilities' — of NOCs have changed considerably over the years.

Nevertheless, as this evolution occurs, issues arise that need to be addressed. For example, where do you find the balance between national development goals and commercial advancement, when they do not appear to be directly aligned? Bearing in mind that many NOCs are based in developing countries, should governments focus on building-up the companies themselves so as to increase the overall wealth of the country, or should they instead concentrate on developing the country's economic and social infrastructure, where the benefits would be felt more in the future? Obviously a balance must be found, but there is no easy answer, and one cannot generalize about this, since every case is different. But I must stress that these two objectives can be made fully compatible and are, indeed, mutually supportive.

Market challenges

Let us now look at the broad market challenges facing all oil companies — national and international — in the future. I shall start with some projections.

The reference case from OPEC's World Energy Model sees world energy demand growing throughout the pro-

jection period up to 2030, with the share of fossil fuels exceeding 85 per cent. Oil will comfortably maintain its role as the leading commercial energy source, with a 36 per cent share of the world energy mix in 2030. Developing countries will account for most of the rise in oil demand, with consumption doubling, while, at the sector level, transportation will experience the biggest increase.

Importantly, attention must also be paid to the downstream sector, since this is also a key element of the supply chain and, ultimately, of market stability. In addition to rising demand, there is a continued move towards lighter and cleaner products, and to accommodate this will require timely investment in refinery upgrading.

To meet this continued growth in world oil demand, two fundamental questions arise.

Enormous scope

The first is: Does the world have enough oil resources? Clearly, the answer is yes. Estimates from the US Geological Survey of ultimately recoverable reserves have practically doubled since the early 1980s, from just under 1.7 trillion barrels to over 3.3tr b, while cumulative production during this period has been less than one-third of this increase. In addition, world oil supply will accommodate increasing amounts of non-conventional oil. Where there is concern about the replacement of reserves, it should be noted that some of the world's most prolific oil-producing areas, particularly in developing countries, have been explored far less intensively than those elsewhere, especially in some industrialized nations. There is, therefore, enormous scope for the widespread application of the latest technology to increase the yield from existing wells, and substantial gains can be made here. Cooperation between the NOCs and the IOCs can have a big role to play here, with the latter bringing in the latest technology and management skills. The present high oil prices have obviously helped in providing added finance for this. Indeed, some NOCs are now in a better position to add to their reserve base by investing in other oil-producing areas.

And the second fundamental question is: Can these oil resources be accessed and brought to the market in a timely, sufficient and sustainable manner? Again, the answer is yes. Oil-producing countries are willing and able to do this, relying heavily upon their NOCs. However, here, another very important factor enters the equation. This is demand security. While the enhanced roles and responsibilities of the NOCs have brought increased levels of supply security, from which the world at large is benefiting, the issue of demand security also requires attention.

In helping meet the challenges that lie before them, oil producers must have as clear an idea as possible of the quantity of oil that will be needed in the future. Oil-producing developing countries, in particular, cannot afford to invest their limited financial resources in building-up production capacity that will eventually lie idle, when there are other equally important competing uses for these funds at a domestic economic development level. Without the confidence that additional demand for oil will emerge, and without the market signals that long-run prices are supportive, the incentive to invest can be reduced, leading to under-investment. Nobody, with the best interests of the industry at heart, wants this, just as nobody wants over-investment.

Uncertainty can prove extremely costly for oil producers, especially with the large capital outlays and the long lead-times and payback periods involved. Scenarios we have prepared, based on plausible higher and lower world economic growth assumptions, show that, even by 2015, there is an estimated range of uncertainty for required investment upstream by OPEC producers of around $160 bn. This range is even more dramatic, should estimates include corresponding investment in infrastructure, such as pipelines, storage, terminals and ports.

This, therefore, places a premium on consumers providing predictability of demand for the future and ensuring that their energy or energy-related policies are consistent with this over extended periods.

Similar arguments exist for the downstream, with regard to the impact of uncertainties. Indeed, for both the upstream and the downstream, the importance of security of demand to sound investment strategies is emphatic.

The NOCs and IOCs share many challenges in the industry and are increasingly well-placed to find common solutions. In meeting these challenges, there has been the need to reach out to new frontiers that require more advanced technologies and environmentally benign solutions to meeting the world's growing energy demand, and to do this in a manner that is compatible with sustainable development, the Millennium Development Goals and the eradication of poverty.

The big advances made by the NOCs in recent years have been providing valuable support for this, and will continue to contribute to the enhancement of mankind generally in the years and decades to come.

The Yasuni–

preserving nature, protecting indigenous people

ITT project

At the 148th Meeting of the OPEC Conference, held in Vienna on March 5, Ecuador, which late last year resumed its Membership of the Organization after nearly 15 years of voluntary suspension, took the opportunity to tell the world about an innovative project that its government is vigorously pursuing. The Yasuni-ITT Initiative is built on the United Nations concept of 'shared but differentiated responsibilities' in helping to offset climate change. The scheme drew much praise from OPEC's Oil and Energy Ministers who, after listening to a presentation on the plan by the Ecuadorean delegation, remarked in the official Conference communiqué that it welcomed the move. In expressing the Conference's interest and support, the statement added that it was particularly gratifying "considering that this proposal is consistent with the energy and environment-protection objectives established at the Third Summit of OPEC Heads of State and Government, which took place in Riyadh, Saudi Arabia, on November 17–18, 2007."
The OPEC Bulletin's **Angela Agoawike** reports on the initiative.

The project

Known as the Yasuni-ITT Initiative, the project aims to forego the possible development of the Ishpingo–Tambococha-Tiputini (ITT) oil reserves, located in Ecuador's Yasuni National Park, in return for international compensation to the tune of 50 per cent of the projected revenue to be earned by Ecuador from exploiting the deposits. Apart from limiting emissions that would otherwise have come from the oil produced from the reserve, the initiative will protect one of the world's most biodiverse regions, while granting inhabitants of the region their desire to continue to live in isolation, untouched by the trappings of modernity.

In June last year, the country's President, Rafael Correa, officially unveiled the proposed Yasuni-ITT

Initiative. To bring the project to fruition, it will go hand-in-hand with the establishment of the Yasuni-ITT Fund, whose objective will be to channel financing towards the development of alternatives to oil exploitation, reducing the impact of climate change, diversifying energy sources and developing new energy sources, such as solar, wind and geothermal.

The Fund will also be used to develop the country's eco-tourism and "an agenda for the comprehensive reparation of environmental damages that include health, education and ecological restoration."

Yasuni National Park

Located deep in the Amazon basin, Yasuni National Park is an ecological reserve consisting of more than 2.4 million acres of tropical rainforest and is home to over 400 species of plant, 173 species of mammal and 610 species of bird. In fact, Yasuni is said to be "home to as many species of native trees and shrubs as there are in all of North America." In recognition of the immense bio-diversity of the region, the United Nations Educational, Cultural and Scientific Organization (UNESCO) in 1989 designated Yasuni National Park a 'World biosphere reserve'. Ten years later, in 1999, 1.8 million acres of land on the southern border of Yasuni, in the Huaorani Territory inhabited by the Tagaeri-Taromenani and other non-contacted people of Ecuador, was declared an 'intangible zone', meaning that all types of activities targeted at the extraction of any of the species in Yasuni Park were forbidden.

In addition to the biological diversity, the Yasuni-ITT block has an estimated one billion barrels of 14.7° API heavy crude oil reserves, representing more than 20 per cent of the country's total oil deposits. If exploited, the reserve would add at least 100,000 b/d to Ecuador's crude oil production capability initially, which would translate into an annual profit of about $720 million for the country. At full capacity, projected to be in about 13 years' time, the block has the potential to produce 107,000 b/d, before decline sets in.

And with almost 40 per cent of the country's people living in poverty, there is no doubt that the injection of an estimated $350m into the economy every year would give Ecuador a much-needed boost. However, development of the ITT oil reserves could also result in a certain amount of damage being done to Yasuni National Park, damage that would greatly affect the world's biosphere.

It is the reason why Ecuador has decided to adopt a middle-of-the-road approach in dealing with the situation. It has offered to let go of the $350m to make the Yasuni Initiative. Instead, it is asking the international community to enter into a deal with it by contributing the remaining half of the projected income to the Yasuni ITT Fund. This deal, it believes, will forever preserve the natural eco-system in question for future generations.

Background to Yasuni-ITT

Described by the country's energy officials as one of the most pioneering proposals in history from an

Macaws are common pets amongst the Huaorani. Not only do they provide entertainment and make good company, they also raise the alarm when a stranger approaches. Their feathers are occasionally used for decorative purposes, such as in a head-dress.

A smiling Huaorani woman and, right, the harpy eagle (harpia harpyja), the world's most powerful eagle, a favoured pet amongst the tribes people.

Above: The Huaorani believe that when one of them dies, the soul of the dead makes its way to Heaven where it encounters a huge boa constrictor obstructing the way. The boa recognizes the holes in the extended ear lobes as belonging to a dead Huaorani and lets the deceased pass. The snake is further convinced to allow safe passage upon recognizing small 'pass holes' on either side of the nose.

Above right: Using feathers to make a traditional head-dress.

oil-producing nation, the Yasuni-ITT Initiative is built on the United Nations concept of 'shared but differentiated responsibilities' in offsetting climate change. In simple terms, Ecuador is offering to "forego exploitation of its largest oil reserves and, in exchange, seeks international cooperation in helping to achieve its global sustainability goals, with regards to climate change, conserving biological diversity and maintaining the cultural integrity of indigenous populations living in voluntary isolation" in that part of the Amazon region.

The Yasuni-ITT Initiative for Ecuador, therefore, would be a symbol of the country's commitment to a cause that will set the precedent for the beginning of a radical change in conservation actions at a global level.

International partnership

Last year, in its Fourth Assessment Report, the UN Intergovernmental Panel on Climate Change (IPCC) predicted a gradual transformation of tropical forests into savannahs in the Amazon region and the replacement of semi-arid with arid vegetation. It also forecast an increased risk in significant bio-diversity loss, due to the extinction of species in the tropics and changes in rainfall regimes, among others. The IPCC report also projected a 1.8 to 4.0° Celsius temperature rise by 2100.

It is expected that the Yasuni-ITT Initiative, when fully operational, could contribute significantly to offsetting carbon dioxide (CO_2) emissions. For example, the project is expected to prevent the emission into the atmosphere of 436 million tons of CO_2, which is roughly 444 kilograms of CO_2 per barrel of oil. Therefore, at $10/ton of CO_2, the value of reducing emissions from the reserves could be put at $4.36 billion.

While Ecuador may be championing this bold new initiative to offset climate change, it is interesting to note that, on the list of nations considered to be big polluters, Ecuador's position is marginal as it contributes much less than one per cent of global greenhouse gas (GHG) emissions.

But in a world that is so intertwined, such an insignificant emission level is not really considered a mitigating factor for Ecuador as, like many poor countries of the world, it is already experiencing the effects of environmental degradation.

With Ecuador producing oil, the country has paid a high environmental and social price for its production. And so, in applying the 'polluter pays' principle to oil, the country says that the person responsible for emissions is the consumer, who creates the demand for oil.

Therefore, in asking the international community to partly fund its development initiatives, in exchange for not exploiting the Yasuni-ITT oil reserves, Ecuador is being guided by the tenets of environmental and distributive justice, which ensures that the burden of offsetting climate change is not borne by the poorer countries alone.

Above: A family sits down for a meal.

Left: A traditional Huaorani house is large, dark and cosy. It is made from a thatch of palm leaves tied over a curved frame. There are two entrance slits between the palm fronds, one at each end of the hut.

Reuters

An aerial view of the River Napo located in Yasuni Park.

Reuters

"Ecuador is willing to make great sacrifices, creatively employing a sense of compassion and responsibility, in order to combat global warming. This process would not only preserve one of the world's most bio-diverse regions, but would also protect uncontracted tribes living in voluntary isolation within Yasuni."

— President Rafael Correa

Member Countries initiatives

This new initiative by Ecuador to offset climate change adds to the number of such project proposals by OPEC Member Countries to find solutions to the issue of CO_2 emissions, while being mindful of the need to fulfill their obligations to their citizens.

OPEC Members have been effectively promoting the technology of carbon capture and storage (CCS), which the IPCC acknowledges in its report as being able to significantly reduce GHGs, with a 15–55 per cent potential of CO_2 mitigation by 2100. OPEC Member Algeria is already pioneering this cleaner fossil fuel technology through its In Salah project.

In 2006, the first ever international conference on the Clean Development Mechanism (CDM), which is capable of being adapted to facilitate the technology of CCS, was held in another OPEC Member Country - Saudi Arabia. That the Kingdom hosted the first CDM meeting is a practical manifestation of the commitment of both the country and OPEC to the mechanism and its effective use in combating climate change.

Also last year, at the third OPEC Summit of Heads of State and Government in Riyadh, Saudi Arabia, a number of OPEC Member Countries led by Saudi Arabia, pledged donations totalling $750m to a programme that funds scholarly research relating to energy, the environment and climate change. These are tangible demonstrations of OPEC and its Member Countries' commitment to finding a lasting solution to concerns over CO_2 emissions.

Ecuador's new initiative is proceeding in the same vein and reaffirms OPEC's longstanding commitment to supporting energy initiatives that will help preserve the welfare of the planet for current and future generations.

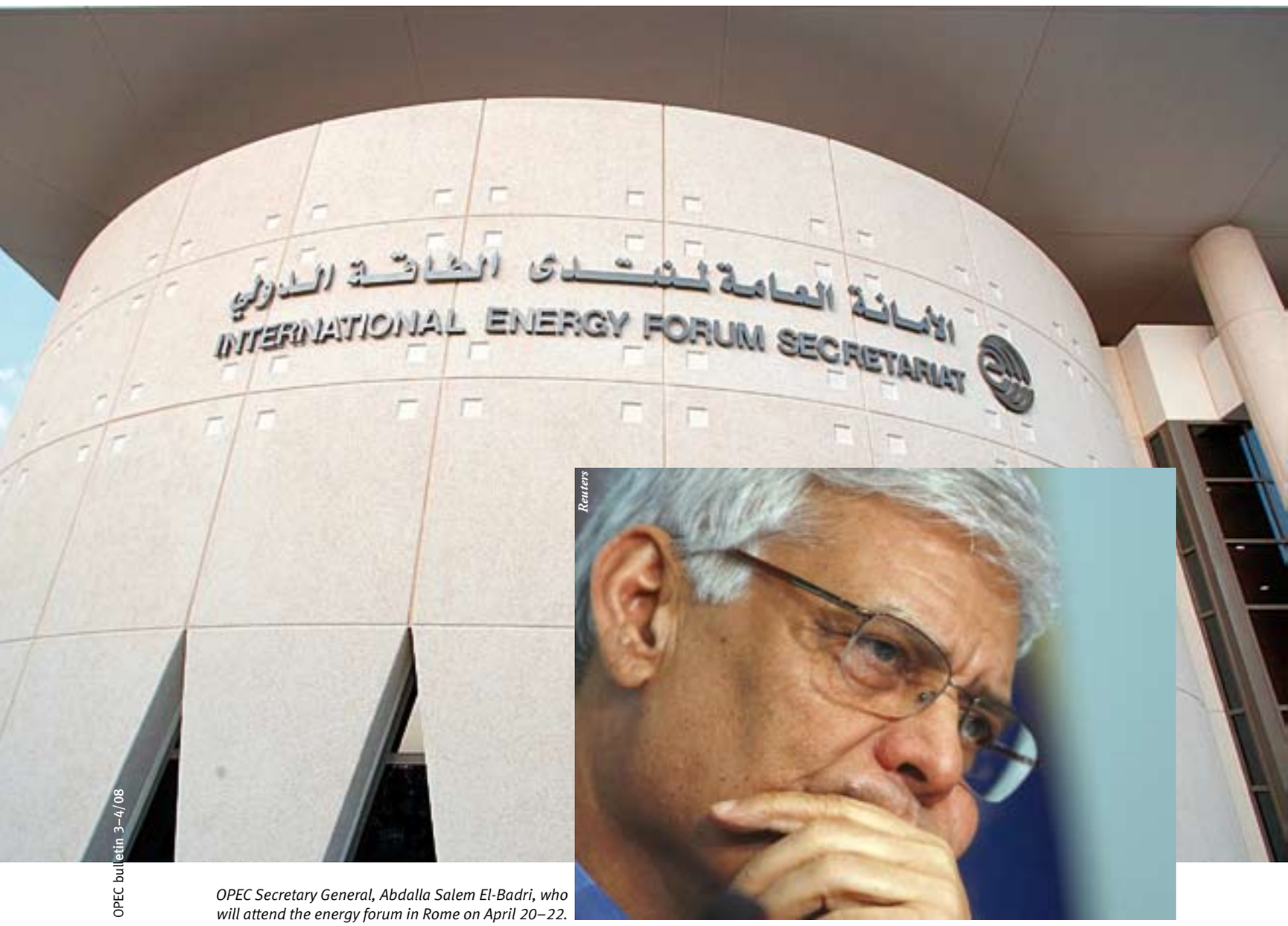
All photographs, unless otherwise credited courtesy Ecuadorean Ministry of Mines and Petroleum. Photographers: Pete Oxford and Renee Bish.

A group of Huaorani pictured with traditional hunting spears.

Responding to the global energy challenges

OPEC to play important role in 11th International Energy Forum

By Keith Aylward-Marchant



Reuters

OPEC Secretary General, Abdalla Salem El-Badri, who will attend the energy forum in Rome on April 20–22.

11th International Energy Forum

Rome, April 20 - 22, 2008

OPEC will, once again, play an important role in producer-consumer dialogue at the 11th International Energy Forum (IEF), due to take place in Rome on April 20–22.

The Organization will be well-represented by the Secretariat, as well as by its Member Countries, at the Ministerial-level event, whose central theme will be *'Energy dialogue to respond to global challenges'*.

In addition to its direct participation in the various discussions scheduled at the forum, OPEC has prepared one of the event's three background papers — the other two coming from the Paris-based OECD energy watchdog, the International Energy Agency (IEA), and the IEF Secretariat (IEFS), which is based in Riyadh, Saudi Arabia.

OPEC's paper *('Oil outlook to 2030')*, which has been published on the Forum's website (www.iefs.org.sa/default.aspx) offers insights into challenges facing the oil industry, focusing on the next two decades, and stresses that genuine, multilateral, well-targeted and constructive dialogue is essential in meeting these.

The paper first looks at the near term, expressing concern about the continuing oil market volatility and the heightened levels of speculation, which have been a principal driving force behind this.

It notes that crude oil prices have become detached from supply and demand fundamentals in a market that remains well-supplied with crude.

The paper then presents its reference case projections on the outlook up to 2030. These show that energy demand will continue growing for the foreseeable future and that oil will maintain its leading position in the world energy mix.

It affirms that the world's resources of crude oil and natural gas liquids are sufficient to meet the projected demand, and there is also a vast resource base of non-conventional oil to exploit. While OPEC crude oil supply is expected to rise during this period, its share of total world oil supply will not change very much.

New IEF Secretary General, Noé van Hulst.

The paper then points to the need of addressing the considerable uncertainty over future investment requirements in the industry, adding that security of supply must be balanced by security of demand. It stresses that the industry can turn the challenge of adapting to an evolving carbon-constrained world, by promoting cleaner fossil fuel technologies, in particular, carbon dioxide capture and storage.

The paper calls for a realistic approach to developing renewables and stresses that, in an increasingly interdependent and integrated energy world, oil producers require access to the very latest technology to support their capacity-expansion programmes.

OPEC has been heavily involved in the establishment and development of the IEF since the beginning of the 1990s, when the first 'Ministerial Seminar' of the fledgling producer-consumer dialogue was held in Paris, and OPEC Member Venezuela was the co-host (Venezuela itself hosted the 'Fourth International Energy Conference' in 1995).

Major advances were made in the succeeding years, involving more countries, covering a wider range of topical issues and cementing the Forum's position as the premier channel for international producer-consumer dialogue.

The seventh producer-consumer meeting in 2000, hosted by OPEC Member Saudi Arabia, saw the first formal reference to the term 'International Energy Forum'. The Forum's Secretariat (IEFS) was set up in Riyadh in December 2003, with the headquarters building commissioned two years later.

Another OPEC Member, Qatar, hosted the 10th IEF in Doha in 2006. The IEF has taken place every second year since 1996.

The IEF now describes its activities as follows: "The IEF gathers ministers of energy-producing and -consuming countries, of industrialized and developing countries, in a global dialogue on energy. In the IEF, ministers address issues of energy security and the links between energy, environment and economic development. Their

His Majesty King Abdullah Bin Abdulaziz Al-Saud of Saudi Arabia (above) and Petroleum and Mineral Resources Minister, Ali I Naimi (r), at the IEF Secretariat Inauguration, November 19, 2005, in Riyadh, Saudi Arabia.

The 7th International Energy Forum, held in Riyadh, on November 17–19, 2000.

global dialogue transcends traditional political, economic and energy policy dividing lines of nations at a time of increasing interdependencies. Recognising the crucial role of industry, IEF ministers interact with CEOs of leading energy companies in the International Energy Business Forum (IEBF)."

The 11th Forum in Rome has been divided into four sessions: *Enhancing energy resource availability; Ensuring energy investment; Towards a sustainable energy future;* and *The IEF for global energy security and dialogue*. The 3rd IEBF will take place at the same time in the Italian capital.

In addition to this, OPEC is also one of six intergovernmental organizations involved in the establishment, in 2003, of the Joint Oil Data Initiative (JODI), whose activities are coordinated by the IEFS.

The objective of the JODI World Database is to improve the quality and transparency of international oil statistics. Already significant progress has been made in this area. More than 90 countries are now participating in the initiative, and it provides the world with timely access to monthly oil statistics for the 30 largest oil producers and consumers.

The IEFS is at present investigating the feasibility and practicality of extending JODI to natural gas, in order to improve transparency in the gas market.

The Rome meeting will be the first attended by new IEF Secretary General Noé van Hulst, from Holland, who has taken over from Ambassador Arne Walther, the first head of the Forum, who stepped down in 2007. (See Walther's speech on *'Energy nationalism and global energy security'* on page 48).

Energy nationalism and global energy security

***Ambassador Arne Walther** (pictured), the first Secretary General of the International Energy Forum (IEF), the Secretariat of which is based in Riyadh, Saudi Arabia, stepped down from the prestigious position late last year after four years in the job.*

His successor, Noé van Hulst, from Holland, will attend his first full IEF Meeting in Rome in April. During Walther's time with the Forum, one of his primary objectives was to improve the dialogue between energy producers and consumers and to increase data accuracy and transparency through the Joint Oil Data Initiative (JODI), which OPEC helped establish and is currently heavily involved in.

Now with the Ministry of Foreign Affairs in Norway, Walther recently attended the Windsor Energy Group Annual Consultation at Windsor Castle in the United Kingdom. There he gave an address on 'Energy nationalism and global energy security'. We produce edited highlights of that speech here.

My experience as a national and international civil servant leaves me in no doubt about the continued variety and importance of core national interests in the broader international efforts to meet the global challenge of energy security. And that is for energy-importing, as well as energy-exporting countries, and industrialized states, as well as developing countries.

On this subject, I would like to leave with you today what I refer to as a dual bottom line. That energy nationalism — as any other natural resource nationalism — is natural; and that energy resource nationalism must be addressed in dialogue at a global political level. We must avoid misunderstandings that lead to conflict. And we must look to concerted action in the long-term, bearing in mind the common interests of both producers and consumers of energy.

Natural resource nationalism is natural

Energy security concerns continue to top the international political agenda. Why is that? It is not because it is a goal in itself — which it is not. It is because every country needs energy as a means to reach the respective economic and social objectives. Look at the facts. Energy affects commercial and political relations between countries. It fuels the world economy. Production and consumption of energy impact the global environment. Energy influences, and is influenced by, international politics. Energy is a challenge for the industry that has to harness it. It is also a challenge for national and international leaderships that have to govern it. Energy, in fact, goes to the very core of the political, economic and environmental interests of individual countries, as well as those of the global community.

"Energy goes to the very core of the political, economic and environmental interests of individual countries, as well as those of the global community."

So what is energy nationalism? Well, it is often used as a label for what is seen as the wicked and unjust policies of greedy resource owners, out to economically harm countries, or pressure politically innocent nations dependent on energy imports.

With national oil companies now controlling some 80 per cent of global proven oil reserves and oil prices at record high levels, we hear complaints about the energy nationalism of the crude oil and natural gas-exporting countries when:

- they increase taxes and royalties;
- they exercise greater control (majority share) over investment decisions, projects and exports;
- contracts are renegotiated and they impose new contract terms;
- they tie the core-business investment decisions of international companies to non-core activities.

The wider concept

Petroleum resources were in place on planet Earth long before humans carved it up into nation states and long before those states claimed sovereign rights over the natural resources found within their territories. Energy nationalism has been around for quite some time. And as long as there are nation states to call the energy shots, we should expect it to remain so. It should not surprise us that governments see a political imperative in making the most out of their particular national and natural endowment for their social and economic development.

But I would not limit the concept of energy nationalism to resource host countries. In my view, even non-host governments pursue policies of energy nationalism, in the sense they seek the natural resources of others as cheaply and as reliably as possible for their own domestic social and economic development. Just as those countries that

are blessed with energy resources use their position of resource advantage to pursue wider economic and geopolitical objectives, so also will countries that lack such resources use their position of advantage in other areas to pursue their wider economic and geopolitical objectives. And the latter would include policy measures aimed at securing energy supplies in a way that would affect the vital interests of energy-exporting countries. I would also include the national policies of energy independence under the label of energy nationalism.

"We have left yesterday's more or less bi-polar IEA-OPEC energy world and have entered a multi-polar one, the wider economic and geopolitical impact of which will be substantial."

Good or bad?

The energy nationalism of both energy-exporting and energy-importing countries can be both good and bad. It is good when it is a win-win situation — that is one that benefits the social and economic development of the host country concerned, while also benefiting the interests of cooperating countries and companies. It is bad when it is a win-lose situation — xenophobic and detrimental to the vital interests of others.

If and when the policies of extreme energy nationalism result in win-lose situations, we need some form of agreed third-party or international mechanisms that can be called upon to mediate and arbitrate, in order to put things right. It is equally important to foster ongoing dialogue, both between governments and between governments and companies, to prevent things from deteriorating too far and getting out of hand. A dialogue that enhances an awareness of the long-term common interests of all sides can be identified as a win-win situation. The IEF is there for just that purpose — dialogue among ministers — while its International Energy Business Forum is there for dialogue among ministers and CEOs.

Curse or blessing?

I would expect that the increasing call around the world for good governance and transparency can increase, rather than decrease, energy nationalism. The citizens of both host and non-host countries expect their governments to provide the benefits of the world's energy resources for the betterment of their lives. The fulfillment of these public energy expectations is important and can, in both energy-exporting and energy-importing countries, actually boil down to the political survival of governments.

It is often said that for most new petroleum host countries, the discovery of oil has been more of a curse than a blessing. My own country, Norway, is a notable exception. This is because the Norwegian oil saga took off in the 1970s on the basis of a democratic, well-functioning society with established political, legal and commercial institutions. The political desire has always been to go forward carefully and not let the 'oil bonanza' overheat the economy, or disrupt the traditional pattern of Norwegian society. In claiming sovereignty and exercising national control over the resources, the government set up a state oil company. Then it invited international companies to come and compete, acknowledging Norway's need for their technological expertise and risk capital. Imposing high taxes and tough conditions, Norway has always been keen to offer international companies predictability in framework conditions, based a desire to establish the long-term presence of the best international companies available.

Consequently, Norway has attracted the quality segment of the international oil industry, while still pursuing a policy of energy resource nationalism. The country's production and exports of oil and natural gas were welcomed as an indigenous OECD source of energy that offset fears of dependence on external sources that could exacerbate energy insecurity. Norway prides itself on being a reliable supplier of substantial amounts of oil and natural gas to its main trading partners and political allies, contributing to their energy security on a long-term basis. In short, the policies of Norway's energy nationalism have been a win-win situation in relation to the country's foreign partners.

Heightened energy consciousness

A feature of our present day, not least amplified by last year's Nobel Peace Prize award to Al Gore and the Intergovernmental Panel on Climate Change (IPCC), as well as the landmark climate change negotiations in Bali, is that energy and environmental uncertainties are prompting countries and groups of countries to re-think their fundamental policies. Diversity is widely seen as being the key to policies for ensuring energy security. That means diversity of suppliers, diversity of the energy mix for consumers, as well as diversity of markets for the host country producers. However, the policy tuning of one country to

meet the new challenges and reduce the level of its own particular energy uncertainties, can also exacerbate the uncertainties, or create new ones, for others.

Amid the uncertainties, there is a fundamental certainty — that the world will need more and cleaner energy, that the energy is used in a more efficient way, and that the resources are accessible and affordable to a larger share of the world's population.

The challenges of energy security and climate change are interlinked. Policies and measures to meet the climate change challenge should not jeopardize energy security. And the policies devised to enhance energy security should not exacerbate the effectiveness of climate change abatement measures.

In a landscape of common energy and environmental vulnerabilities and uncertainties, host and non-host country policies of energy nationalism will evolve against a complex backdrop of factors, including:

- fossil fuels will remain paramount for quite some time with increasing attention to the development of alternatives;
- environmental and climate change concerns will grow, not least in public opinion;
- rising energy demand will increase the need to conserve and improve energy efficiency, and develop more cost-efficient technology;
- there will be question marks on how to facilitate more predictable and equitable investment conditions;
- increasing energy trade will be witnessed, due to the geographical mismatch of centres for oil and gas production and centres for consumption;
- the vulnerability of energy production and supply to politically motivated disruptions, terrorist attacks, technical mishaps and the forces of nature will have to be considered;
- competition for energy resources will increase, as will competition between energy resources;
- a new set of cooperative relationships between national and international oil companies will come to fruition;
- increasing bilateral and regional cooperation to address immediate concerns will be seen;
- nations will opt for policies of energy interdependence, or energy independence for energy security;
- increasing demands for equitable access to energy will be seen for a quarter of the world's population that does not have it;

- there will be a continuing shift towards Asia of global economic gravity with geopolitical and energy implications.

Energy security and interdependence

While energy goes to the very core of national interests, it is also a global issue in an increasingly interdependent world. We have left yesterday's more or less bi-polar IEA-OPEC energy world and have entered a multi-polar one, the wider economic and geopolitical impact of which will be substantial.

In this multi-polar energy world, we see a surge in regional energy cooperation, not least in Asia, Africa and Europe. Let me highlight the importance of the new Asian Energy Identity, which sparked a process of roundtables of Asian Energy Ministers, launched by India in 2005 and which was facilitated by the IEF Secretariat under the global IEF umbrella.

"In the IEF, ministers underscore the fact that security of energy demand and security of energy supply are two sides of the same energy security coin. They are a shared producer-consumer responsibility."

This process of energy regionalism gathers ministers of leading Asian oil and natural gas-importing countries to the East and the West Asian oil and natural gas-exporting countries in the Gulf. The latest roundtable of Asian Energy Ministers took place in Riyadh last year, co-hosted by Saudi Arabia and Japan. It was impressive. Here you had ministers representing half the world's population, the bulk of the world's remaining proven reserves of petroleum, and the greater part of surging energy demand expected in the decades ahead all getting to act together in a movement that had the potential to have a lasting global impact, and not only for energy developments.

Criticizing the energy nationalism of others, some make the point that having dependency on others in so important and strategic an area as energy constitutes a political and economic risk that should be reduced to a minimum, if it cannot be avoided altogether. Others argue that energy dependency is not only practical and inevitable in a globalizing world, it ties countries closer together also economically, improving the overall geopolitical climate.

As in the case of energy nationalism, energy interdependence can again be good and bad.

For energy independence to be good and sustainable, it has to be mutually beneficial. Energy security for host and non-host countries is more than just an issue of technical arrangements and infrastructure. It also has to do with commercial relations, geopolitics and the environment, as well as sheer longer-term political trust.

In addition, energy security has domestic and foreign policy implications extending beyond the turf of energy ministers. Heads of state and government, and ministers of foreign affairs, finance, economy, trade, environment and development are adding their voices and clout as well in national and international contexts. The same can be said of non-governmental organizations and other stakeholders. In fact, more and more people are joining the energy dialogue and often for very different reasons. And lest we forget it, core to all this is the energy industry itself — which is doing the actual work, that is finding, producing and bringing the energy to the consumer.

The complexity of energy security requires holistic international approaches. Nations have to get their internal national acts together through dialogue and trade-offs. They must speak with one voice in the myriad of international conferences and negotiations dealing with energy and the environment and other related global issues.

Global code of energy conduct

Policies of energy nationalism of both energy-importing and energy-exporting countries do affect the vital national interests of others. At their political-level dialogue in the IEF, ministers underscore the fact that security of energy demand and security of energy supply are two sides of the same energy security coin. They are a shared producer-consumer responsibility.

Some observers argue that everything would be so much easier if we were to keep politics out of energy. I do not see how politics can or should be kept out of something that is genuinely political — a means to promote sustainable and equitable social and economic development in a way that safeguards environmental concerns. In my view, it would be a bad political decision and shirking political responsibility to keep politics out of energy. There is a reason why countries have energy ministers. They have their political job to do, along with their colleagues, whose responsibilities impact and are impacted by energy policies, not only in the domestic national context, but in global teamwork as well.

But given the strategic and economic importance of energy to each and every country, and continued energy nationalism, I do not see the establishment in the near future of a global energy organization, where national decision-making would be relinquished and replaced by comprehensive, legally binding global energy governance.

But I do hope to see, through dialogue and the myriad of established and future new partnerships between governments and between governments and industry, the development of a global code of energy conduct that embraces the energy nationalism of both energy-exporting and energy-importing countries — one that also embraces the increasing energy regionalism that we see today as stepping stones to even wider cooperation. An evolving code of conduct that is advantageous for all to follow, and from which to deviate in pursuit of short-term advantage at the expense of others, would be tantamount to shooting oneself in the foot, at the very least.

In the course of his official duties, the OPEC Secretary General, Abdalla Salem El-Badri, meets with numerous dignitaries. Some of his most recent visits are covered here.

Left: On a trip to the Middle East, on April 6, the Secretary General visited Iran, where he met with the country's President, Mahmoud Ahmadinejad, in Tehran. The picture shows the President welcoming El-Badri, as the country's Petroleum Minister, Gholamhossein Nozari (c), looks on.

During the meeting, El-Badri (l) and President Ahmadinejad (r) discused the oil market situation.

Photos on this page courtesy Presidency of the Islamic Republic of Iran.

In April, OPEC Secretary General, Abdalla Salem El-Badri (r), visited Qatar with officials from the OPEC Secretariat. He is pictured here with His Highness Sheikh Tamim Bin Hamad Al-Thani, Heir Apparent (l).

During their visit to Qatar, the OPEC officials made a field trip to Ras Laffan Industrial City, where they toured the facilities of Qatargas and other companies located there. Pictured with the OPEC Secretary General, Abdalla Salem El-Badri (c), are (l–r): Yousef Al-Sulaiti, Qatar Petroleum; Sultan K Al-Binali, Qatar's National Representative to OPEC; Fuad Al-Zayer, Head, Data Services Department, OPEC; Khalifa Al-Sulaiti, Qatargas; Abdalla Al-Shameri, Head, Office of the OPEC Secretary General; and Ramadan Janan, Statistical Systems Analyst, OPEC.

Above: During the visit to Qatar, Abdalla Salem El-Badri (r), OPEC Secretary General, met with Abdullah bin Hamad Al Attiyah (l), Deputy Premier and Minister of Energy and Industry.

Above: HRH Sheikh Sultan Bin Hamdan Al Nahyan, Member of the Ruling Family of Abu Dhabi (l), on March 7 visited the OPEC Secretariat, where he was received by the Secretary General, Abdalla Salem El-Badri (r).

Pictured here (l–r): Ahmed Rashed Al Dosari, Ambassador of the United Arab Emirates to Austria; HRH Sheikh Sultan Bin Hamdan Al Nahyan, Member of the Ruling Family of Abu Dhabi; Abdalla Salem El-Badri, OPEC Secretary General; Abdalla Al-Shameri, Head, Office of the OPEC Secretary General.

A selection of news stories on OPEC Member Countries taken from international media services

Oil spike to last through 2008 — Khelil

Algiers — Oil prices are expected to stay at their current high levels for the rest of 2008, due to speculation and geopolitical tensions, according to Algeria's Energy and Mines Minister, Dr Chakib Khelil, who is OPEC Conference President for this year. He stated that prices could retreat in 2009 with a recovery of the US dollar in foreign exchange markets and following the election of a new US president, and as fundamentals reassert themselves as major market forces. "Just like the current surge in oil markets, the (world economic) crisis will last until the end of the year," he was quoted as saying by the government newspaper, El Moudjahid. "The oil market will stay above $100/b during the current financial year," he said. *APS*

Consortium wins $115 million water deal in Algeria

Algiers — A consortium led by Biwater of the United Kingdom has won a $115 million contract in Algeria to construct a seawater desalination plant. The consortium, which also comprises an affiliate of Japan's Toray Industries and Arcofina of Algeria, will build the plant in Gouraya, west of the capital. The project is expected to be completed in two years. The facility will have a capacity of 100,000 cubic metres a day of water. The consortium will hold a 51 per cent stake in the venture, while the remainder will be owned by the Algerian Energy Company (AEC), a subsidiary of state energy group Sonatrach. The project will be 20 per cent financed by the consortium, with the other 80 per cent provided by a group of Algerian state banks led by Banque Nationale d'Algerie. Algeria has implemented a plan to build 13 water plants up to 2009 with a total capacity of 2.3 million cu m of water a day. *APS*

Sonangol important factor in Portugal's economic development

Luanda — Portuguese Foreign Minister, Luís Amado, has said that investment by Angola's state-owned oil company, Sonangol, in his country's businesses constitutes an important factor for the development of Portugal's economy. Speaking to journalists at the end of an audience with Planning Minister, Ana Dias Lourenço, the Portuguese official said Sonangol's participation in the capital of his country's firms will help reinforce the vitality of the firms and the economy. "We have seen with great satisfaction the application of Sonangol's investments in Portuguese companies, and we think it is important for more and more foreign investments to be made in Portugal, especially Angolan investments," he said. Amado stated that Dias Lourenço, in the capacity of Planning Minister, led a very important area for the development of Angola and the trade relations and investments from both countries, in view of the current dynamics of the economic intervention in Southern Africa. *AngolaPress*

Boediono elected Governor of Bank Indonesia

Jakarta — The House of Representatives (DPR) Commission XI for Financial Affairs has elected Boediono as the new Governor of Bank Indonesia, the country's central bank, following a closed-door vote. "Forty-five lawmakers voted for Boediono as the new Governor, and only one rejected him. This is the democratic process we have passed through. The election of the BI Governor is completed," Chief of the House Commission XI, Awal Kusuma, said in a press conference following the meeting. The decision was taken after Boediono, the government's sole candidate for the top post in the central bank, had undergone a six-hour 'fit-and-proper' test at Parliament building earlier in the day. During the test, Boediono, currently Indonesia's Coordinating Minister for Economic Affairs, said that if he was elected to the post, he would maintain the current free foreign exchange regime. According to him, in the turbulent economic climate seen now, any change in the regime would not benefit the country. *Antara*

Indonesian economic expansion in 2007 best since Asian crisis

Jakarta — Indonesia's growth for 2007 was recorded at 6.32 per cent, the highest rate since the country was hit by the Asian financial crisis 11 years ago, according to official data. The figure was a little above the government forecast of 6.30 per cent, but remained below the pre-Asian crisis level of 7.8 per cent, which was recorded in 1996. However, in the fourth quarter of last year, the country's economy declined by 2.15 per cent, compared with a year earlier, but expanded by 6.25 per cent over the same period in 2006. Commented Slamet Sutomo, Deputy Chairman of the Statistics Bureau: "Some external and domestic factors have resulted in a contraction in the fourth quarter, but full-year growth was slightly better than the government's forecast." *Antara*

Iranian Ministry official says 46 new wells to be excavated this year

Tehran — The Technical Director of the Iranian Petroleum Ministry's Central Region's Oil Company has said that his affiliated company's current (Iranian) year (ending, March 20, 2009) activities would include digging 46 new oil wells and mending 13 more. Abdolbaqi Qofrani, who was speaking for managers of the Central Region's Oil Company (CROC) at Oil Industry's Number One Club, said oil well digging is one of the most costly activities in the oil industry. He added: "Our main effort at CROC this year will be focused on decreasing the lengthy period of oil well digging." During the course of the last (Iranian) year the digging department of CROC, with its four portable digging machines, managed to dig 11 oil and gas wells and to mend 13 wells, achieving the record of digging 48,800 metres of oil and gas wells in the central parts of Iran at a cost of $117 million. Qofrani estimated that the cost of oil and gas well digging in the current Iranian Year (1378) would be more than $400m. "We will need 19 derricks for digging 46 new oil wells and mending 13 old ones, while there are currently nine wells being dug in the central parts of Iran." *IRNA*

Iran to increase gas production

Ashkhabad – Iran plans to increase its gas output, according to the Turkmen weekly 'Zaman Turkmenistan'. The magazine said the increase is in line with Iran's long-term plan to boost gas output to 240 billion cubic metres by 2030. Iran is due to invest $85 billion in gas production, with 60 per cent of the amount to be spent on gas extraction and research, Zaman Turkmenistan reported. In possessing 28 trillion cu m of gas reserves, Iran is the second largest gas country in the world after Russia. Iran's South Pars gas field is the biggest of its kind discovered in the world so far, having 13tr cu m of reserves. In controlling five per cent of the world's gas reserves, Iran is one of the most important and effective countries with regards to gas, the weekly wrote. *IRNA*

Kuwait bases 2008–09 draft budget on $50/b crude export price

Kuwait – Kuwait's cabinet has approved a $69.52 billion draft budget for the fiscal year 2008–09, based on a Kuwait export crude price of $50/barrel, which is higher than the $36/b that figured in the previous few budgets. The country saw fiscal 2007–08 end with estimated oil income of $67.60bn, as its export crude sold for an average of $75.60/b, some 110 per cent higher than the budget's forecast price. Kuwait's Deputy Premier and Minister of State for Cabinet Affairs, Faisel Al-Hajji Bukhadhour, was quoted as saying that the new budget would be calculated on an export crude price of no less than $50/b. Kuwait based its 2007–08 budget on a production average of 2.2 million b/d. *KUNA*

Kuwait makes orders for two deep drilling rigs

Kuwait – The Kuwait Oil Company (KOC) has awarded the Burgan Company of Well Drilling, Trading and Maintenance a contract valued at $217 million for two deep drilling rigs to help boost oil and gas production in the OPEC state. The state-owned KOC, the exploration and production arm of the Kuwait Petroleum Corporation (KPC), has insisted that Burgan deliver the rigs on schedule. The first rig is due to be delivered in November, enabling the country to increase its rig count to 12 deep drilling rigs. KOC Deputy Managing Director, Khaled Al-Khamees, said the rigs would be deployed in the north of the country, with the aim of boosting gas production to one billion cubic feet/day by 2015. KOC is implementing a strategy to boost oil production capacity to 4m b/d by 2020 from a current estimated level of 2.6m b/d. *KUNA*

Nigeria LNG aims for $1 billion annual revenue from new train

Abuja – Nigeria LNG Ltd is looking to secure annual income of $1 billion when its seventh production train at the Bonny plant comes onstream. In a presentation to the Minister in Charge of Gas, Emmanuel Odusina, the company said the new train would allow the company to further harmonize the monetization of Nigeria's gas resources. "Development work on the project started in 2005, while shareholders approved a budget of $305 million for the pre-final investment decision," NAN quoted NLNG's Project Coordinator, Chinasa Ego-Osuala, as saying. Train No 7 is billed to come onstream in 2011 and will raise output from the Bonny LNG plant to 30 million tonnes a year from its present 22m t/yr, which it reached after train No 6 came onstream in December last year. Ego-Osuala said the final investment decision would be made once gas supply arrangements and funding were finalized. The Bonny LNG plant is jointly owned by the Nigerian National Petroleum Corporation (49 per cent), Shell (25.6 per cent), Eni (10.4 per cent) and Total (15 per cent). *NAN*

Saudi Arabia cuts import duties as inflation hits new highs

Riyadh – Saudi Arabia is reducing its import tariffs on food and other products, after inflation has almost doubled in the six months to February. The Kingdom's cabinet has agreed to cut duties on food products, such as frozen poultry, dairy goods and vegetable oils to five per cent from about 20 per cent. Levies on building materials, such as paints, gypsum, electrical cables and plastic pipe, will also be cut to five per cent, while those on wheat products will be cut entirely from a rate of 25 per cent. "This comes under the desire of the King to guarantee the prosperity of the people of our homeland and to address their needs in a manner that guarantees good living," Saleh Al-Khelaiwi, Head of the Saudi Customs Authority, said. Inflation in the country surged to a 27-year high of 8.7 per cent in February. The report said the government would bear the cost of the tariff cuts, which would apply for a three-year period. The customs agreement will apply to "180 items ranging from basic foods, necessary building materials and other consumer goods … the cabinet has agreed that the state will shoulder the difference between the duties agreed under the unified customs levy of the Gulf Cooperation Council." *SPA*

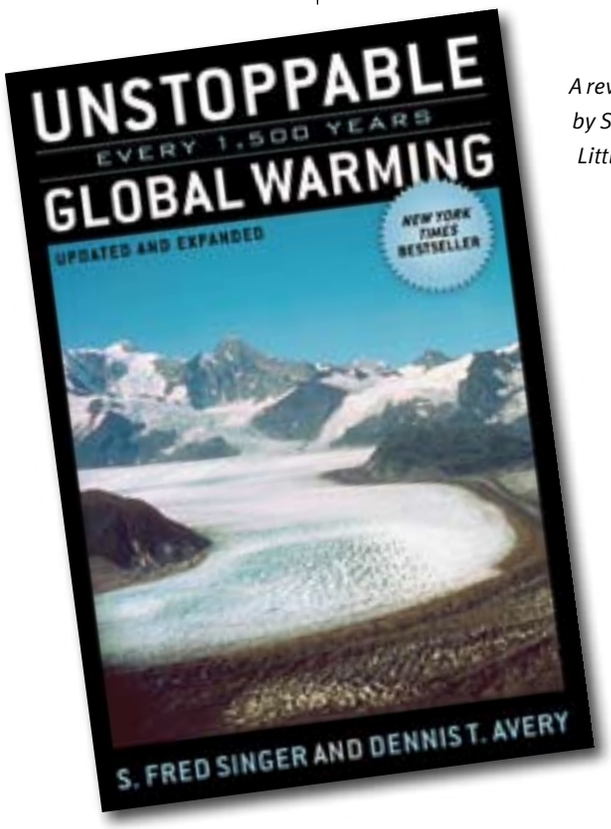
Abu Dhabi launches 'Gold Card' programme

Abu Dhabi – The Abu Dhabi Customs Department has launched a 'Gold Card' programme, a new initiative that provides importers and exporters a range of benefits, including faster and more convenient tracking and enhanced security of their shipments. Companies enrolled in the programme will gain a wide range of benefits, such as electronic submission of customs clearance documentation, ePayment facilities for consignment and administration fees, electronic reconciliation and refunds, access to a 90-day rolling-credit account with customs, on-line issuance of consignment clearance details and the ability to maintain transaction records and archive key documents pertaining to their exports and imports. The Gold Card scheme is part of a broader, overall modernization programme that is intended to introduce new and convenient processes and procedures for the benefit of Abu Dhabi companies engaged in the import and export business. *WAM*

Venezuela to invest $1.3 billion in agricultural financing

Caracas – The Venezuelan government will invest a total of $ 1.3 billion in agricultural financing for the country's producers, in order to increase the inventory of some products. President Hugo Chávez Frías, in announcing the move, pointed out that in 1998 the agricultural financing of the nation was almost zero. The current government had been recovering the sector progressively. Furthermore, he said that local meat demand could be met by domestic producers by 2012. Minister of the People's Power for Agriculture and Lands, Elías Jaua, stated that the country is currently producing two million head of cattle and is expected to produce three million head of cattle in 2012, which represents 620,000 tons of meat a year. At the moment, Venezuela produces 433,000 t of meat and, with the 42 per cent increase in output expected in 2012, the government hopes to cover domestic demand by reaching a balance between production and consumption. *ABN*

Ignoring the natural evidence of global warming



A review of ***Unstoppable global warming: every 1,500 years*** *(rev ed), by S Fred Singer and Dennis T Avery. Lanham, Maryland: Rowman & Littlefield Publishers, Inc, 2008.*

By Alvino-Mario Fantini

In the field of sociology, the concept of "groupthink" is often described as a phenomenon in which group pressure results in faulty decision-making. The accompanying enforcement of a particular ideology prevents people from thinking for themselves, suppresses minority opinions and stifles dissenting voices.

Participants in the current debate over global warming show all the signs of having fallen into this kind of groupthink — and anyone who offers an opinion contrary to that advanced by the Intergovernmental Panel on Climate Change (IPCC) or the Stern Report is almost immediately accused of either having their head in the sand — or, worse, being in the pocket of the oil industry. It is, indeed, a strange and deplorable situation in which politicians have become scientists and science has become political.

This is all the more reason to praise the efforts of S Fred Singer and Dennis T Avery — a scientist and an economist, respectively — who continue to raise questions about the supposed "scientific consensus" about global warming. In *Unstoppable global warming* — an updated, revised and expanded version of their 2007 best-seller — Singer and Avery revisit the discussions surrounding the issue of global warming and present scientific evidence suggesting that what the media and environmental advocacy groups have been saying is not the whole truth. In the current climate of opinion, what Singer and Avery have done is nothing short of courageous.

Mind you, they do not for a minute begin to deny the reality of climate change. They simply point to the sheer lack of evidence regarding man-made

(or anthropogenic) global warming and, instead, present the findings of dozens of studies which indicate the existence of a natural global warming cycle.

The natural warming cycle

According to Singer and Avery, existing scientific evidence points to only one conclusion: that there is, indeed, a naturally occurring global warming cycle. This cycle was discovered in 1982 by Denmark's Willi Dansgaard and Switzerland's Hans Oeschger. The two men used a hollow drill core — the kind normally used to create oil wells — to bring up mile-long ice cores from the Greenland Ice Sheet. This provided them with a data record of Greenland's temperature over 2,500 centuries. What Dansgaard and Oeschger found was a persistent temperature cycle with temperature swings every 2,550 years.

Subsequent studies by other scientists adjusted this number — positing a 1,500 rather than a 2,550-year cycle — but none of them disputed the essential finding of a naturally occurring warming cycle. Additional ice core data has indicated that 600 such cycles have taken place over the past million years, all of them moderate and none of them dangerous to the existence of mankind. In fact, none of the evidence points to any climate shifts during these historic cycles of more than 5° Celsius, when averaged over the entire northern hemisphere.

There is also an "enormous range and variety of physical evidence … all of it affirming the 1,500-year climate cycle that goes back at least a million years." The authors point out that the same natural warming cycle has been discovered in the scientific evidence produced in studies of ice cores, of sea temperatures of the Sargasso Sea, of ice-rafted debris in sediments on the floor of the North Atlantic Ocean, of seabed sediments, of abandoned prehistoric villages — and of boreholes, tree rings, stalagmites, dust plumes, plankton, fossilized pollen, algae skeletons, titanium profiles and niobium ions. This has all been documented in hundreds of peer-reviewed papers published in professional and academic journals over the years.

It is interesting to note that the evidence is not limited to one area of the world either; it is geographically diverse in provenance, coming from the Arctic and sub-Arctic, Europe, China and Tibet, the equatorial regions of Africa and Latin America, and land masses in southern Africa, South America and New Zealand.

Both the range and diversity of the scientific evidence make it impossible for us to conclude that the 1,500-year climate cycle is anything but a proven theory — unlike the computer model-based predictions trotted out by advocates of anthropogenic global warming. "The 1,500-year climate cycle is a documented reality, based on a wide variety of physical evidence from around the globe," say Singer and Avery, "[and the] more we learn about [it], the less likely it seems that the recent warming is man-made — or dangerous."

When politics trumps science

But the authors say that a massive global public relations campaign has successfully sold the idea of anthropogenic global warming to the public. Led by a coalition of environmental groups and politicians, the result has been environmental groupthink on a global scale.

Singer and Avery argue that there essentially has been "fraud and deceit in selling man-made global warming" to the public. From the Stern Report to recent declarations from the IPCC, only one particular point of view is heard — one that pushes for strict limits on the use of fossil fuels (while advocating the use of government subsidies to develop renewable energy sources).

The authors say the IPCC has given false and misleading evidence by suggesting that there is "a scientific consensus" on global warming. "It is sheer fantasy to suggest that a huge majority of scientists with expertise in global climate change endorses an alarming interpretation of the recent climate change data," they write. The list of dissenting scientists referred to by Singer and Avery demonstrates this quite clearly. But the public never hears about the opinions of these scientists because they have been blacklisted, their evidence ignored and their scientific credentials questioned.

Some aspects of the global environmental agenda are not new. "Politicians are always willing to jump ahead of any parade, and the parade of global warming believers has been expanding under the careful cultivation of the alarmists," say Singer and Avery. "Former US Vice President Al Gore is not an unusual character in our political history."

About the authors

Dr S Fred Singer

is a Research Fellow at the Independent Institute, a think-tank with offices in California and Washington, DC. He is also Professor Emeritus of Environmental Sciences at the University of Virginia and formerly Distinguished Research Professor at George Mason University. A Fellow of the American Association for the Advancement of Science and a Member of the American Academy of Astronautics, Singer originally created the tools used to measure atmospheric ozone and was a pioneer in the development of satellite and rocket technology. He has also served as Chief Scientist for the US Department of Transportation, Deputy Assistant Administrator at the US Environmental Protection Agency and Deputy Assistant Secretary at the US Department of the Interior. Singer completed his PhD in physics at Princeton University and is the author or editor of more than a dozen books on energy, the environment and the science of climate change.

Dennis T Avery

is the Director of the Centre for Global Food Issues and a Senior Fellow at the Hudson Institute in Washington, DC. He is the author of two books about science and the environment and has written dozens of articles about food production and security, agricultural policy, high-yield farming, biotechnology, pesticides, environmental protection and international trade. He is also the editor of *Global food quarterly,* a newsletter published by the Centre for Global Food Issues. From 1980–88, Avery served as agricultural analyst for the US Department of State where he was responsible for assessing the foreign-policy implications of food and farming developments worldwide. He also served on the staff President Lyndon B Johnson's National Advisory Commission of Food and Fiber. Avery studied agricultural economics at Michigan State University and the University of Wisconsin. He was awarded the National Intelligence Medal of Achievement in 1983.

But the misuse of science for explicitly financial and political purposes is a rather new development. "Large parts of the scientific community have learned from the professional environmentalists and journalists how scares can generate funding and political power," say the authors.

In the international arena and at the global level, the authors suggest that global warming alarmism has served other economic and political purposes as well: "The Kyoto Protocol was particularly attractive to European governments that have taxed energy heavily for decades. A barrel of oil that nets the Saudi oil industry $35 may yield the British government $150 in taxes — with the taxes sanctified to 'save the planet.'" Thus, national economic interests seem to have fueled the enthusiastic support for the Kyoto Protocol around the world.

Even without clear, irrefutable evidence, "millions of well-educated people and many respected organizations … are telling us that the Earth's current warming phase is caused by carbon dioxide (CO_2) emitted from power plants and autos and methane from rice paddies and cattle herds." The authors say that much of this is based primarily on the results of unverified computer models.

They further argue that if there is no conclusive evidence that CO_2 is causing dangerous global warming, then there is no reason *not* to use coal, oil and tar sands. "In a human society that as yet has no effective replacement for fossil fuels, 300 years' worth of low-grade fossil fuels could be massively important."

The current debate "really isn't about 'global warming' or even about protecting nature," say the authors. "It's about shutting down the world's leading economies and imposing on the world's populations — both rich and poor — a lifestyle they would not freely accept." In the name of some noble purpose, activists and politicians are asking societies to renounce the "use of fossil fuel-generated energy and accept radical reductions in food production, health technologies, and standards of living to 'save the planet.'" Can there be anything more ignoble and less democratic than this?

The misuse of science

Despite its scientific and technical content — there are references to solar irradiance, beryllium-10 isotopes, the Maunder Solar Minimum of 1645–1715, and discussions about the Earth's orbit, its axial tilt and its "wobble" (precession) — the book is a breeze to read. The authors have to be commended not only for their courage in speaking "truth to power", but for writing about such complex material with such clarity and flair. In fact, Singer and Avery recognize the enormity of their task; but they never allow themselves to slip into condescension. "If all of this seems complicated, it is," they say.

This is precisely the point: there are too many uncertain factors and scientific variables to be considered to say that climate change and variable weather patterns are the result of man-made activities. "Climate forecasters must factor the 100,000-year elliptical cycle, the 41,000-year axial tilt cycle, and the 23,000-year precession or 'wobble' cycle, plus the 1,500-year solar-driven cycle," note the authors. Even the best super-computer cannot accurately make predictions based on this information.

The authors suggest that it is not prudent to make public policy based on inconclusive data about the role of carbon emissions on climate change. The only conclusive evidence that does exist suggests a naturally occurring warming cycle every 1,500 years. The human contributions to this are far outweighed by the natural climate variability to which the evidence points.

"Large parts of the scientific community have learned how scares can generate funding and political power."

Unstoppable global warming is exhaustively researched and completely engrossing. It makes references to studies and reports conducted by scientists working at institutes around the world, such as NASA's Goddard Institute for Space Studies, Columbia University's Lamont-Doherty Earth Observatory, the Heidelberg Academy of Sciences and the Potsdam Institute for Climate Impact Research in Germany. It also introduces the reader to leading environmental scientists and to the dizzying variety of physical evidence that must be looked at, sifted through and sorted.

After reading this book, it will be impossible for the reader to conclude that the "debate is over" or to make claims of "scientific consensus". The book's greatest contribution may be that it leaves the reader significantly more informed regarding the scientific evidence and able to ask more incisive questions about what policy-makers and the media have been saying. Perhaps, with additional contributions by people like Singer and Avery, "… some years from now a future generation … may look back on this episode in human history as a temporary hysteria that briefly gripped much of the Western world."

Palestine

A time for peace and nation-building

At the end of last year, in the biggest gathering of its kind since 1996, some 68 countries and organizations, including the Vienna-based OPEC Fund for International Development (OFID), met in Paris to mobilize financial and political support to Palestine as it seeks to negotiate a lasting peace with Israel. The outcome was pledges totalling more than $7 billion; funds that will be used towards financing the creation of a viable Palestinian state over the next three years. The sum far exceeds the $5.6bn sought by Palestinian President Mahmoud Abbas in support of the Palestinian Authority's Palestinian Reform and Development Plan (PRDP). The European Union and the United States head the list of donors, promising $650 million and $555m, respectively, for 2008 alone. Several OFID Member Countries have also pledged substantial amounts. Saudi Arabia will donate $500m, Kuwait $300m, the United Arab Emirates $300m, Qatar $100m and Algeria $10m, over the scheduled three-year implementation period of the plan. Among the many organizations offering support are OFID sister institutions the Islamic Development Bank ($200m) and the Arab Fund ($100m). OFID itself has pledged $44m, in addition to the resources already earmarked for Palestine under its regular operations. In a brief statement to the Summit, Director-General, *Suleiman J Al-Herbish,* assured the government and people of Palestine of OFID's "continued solidarity". OFID was then privileged to welcome to its headquarters, *Dr Hanan Ashrawi,* a renowned Palestinian scholar and political activist, who visited the institution to exchange views with Al-Herbish and senior staff on Palestine and, in particular, on the work of civil society organizations. Afterwards, she spoke to OFID Information Officer, *Audrey Haylins,* about her hopes for her homeland.

OFID Director-General, Suleiman J Al-Herbish (l), welcoming Dr Hanan Ashrawi, a renowned Palestinian scholar and political activist.

If there's one thing about Hanan Ashrawi that strikes one immediately, it is her unwavering belief in the right of Palestine to nationhood and self-determination. Her message to the international community is unequivocal: "You cannot continue to fund the Occupation. You have to empower Palestinians."

She is, of course, referring to the billions of dollars in emergency relief and welfare aid that well-intentioned donors pour in to the Occupied Territories every year. Much-needed it may be, but Dr Ashrawi describes such funding as a "stop-gap", claiming that it masks the real issues and perpetuates the Occupation. "No amount of money can make the Occupation palatable or pleasant," she says, stressing that financial support has to be accompanied by "the political will to secure a long-term future for the Palestinian people."

Ashrawi speaks with eloquence and passion about the plight of her people. And, with a string of credentials to her name, she knows what she is talking about. Born in 1946, in the West Bank city of Nablus, her political career has spanned more than three decades. Highlights include a period as official spokesperson of the Palestinian Delegation to the Middle East Peace Process and a two-year term as Minister of Higher Education and Research. Ashrawi has also been elected numerous times to the Palestinian Legislative Council. In 1998, she founded MIFTAH — the Palestinian Initiative for the Promotion of Global Dialogue and Democracy — a non-governmental organization dedicated to fostering democracy, good-governance and social development within Palestine.

A humanitarian catastrophe

Politics aside, however, it is the human dimension of the Israeli occupation that provokes the most animated response from Ashrawi, who describes vividly the impact on the population of what she calls the "deconstruction" of Palestine:

"The result is a complex situation. You have the siege and the lack of freedom, combined with the total absence of security in every respect — economic, territorial and personal. In addition, you have the loss of traditional systems, such as education and health, and the breakdown of institutions of authority. In the end, everyone is vulnerable, everyone is a victim."

Dr Hanan Ashrawi (r) speaking to OFID Information Officer, Audrey Haylins.

Ashrawi voices special concern for the youth of Palestine who, she says "feel hemmed in, with no focus and no ability to plan for the future," a situation she ascribes to the broken-down education system and little prospect of employment. In her opinion, this "lack of control over reality" has dangerous implications:

"Young people in Palestine are surrounded by violence. For many, it is the only environment they have ever known. As well as the ongoing incursions, there is internal fighting and the rise of militias. So, there is a growing feeling among the youth that the only way they can impact reality is by responding to violence with violence."

Shifting to constructive goals

For Ashrawi, there is clearly only one solution for Palestine — an end to the Occupation. "We need to work on nation-building, on institution-building and economic development, and on providing the necessary societal support

systems," she says. Within this framework, funding from the international community must be channelled into initiatives that empower Palestinians; in other words, into "projects that are sustainable, that provide an income and that generate jobs."

Ashrawi concedes that there exists in the global consciousness "a kind of Palestine fatigue", which has desensitized people to the human misery in the Territories. She is confident, however, that such general apathy is nullified by a growing realization among political leaders of the potential ramifications of such misery.

"Decision-makers are starting to see that the constant, daily suffering is pushing Palestinians more and more towards extremism and violence," she stresses. In her view, "it is only a matter of time before the ripple-effect of this injustice will be felt, not just throughout the region, but globally."

As the interview draws to a close, it becomes clear that Hanan Ashrawi is not only articulate, passionate and possessed of a razor-sharp mind, she also has a remarkable clarity of vision.

"If we really care about stability, development and the global rule of law," she says, "then Palestine is an issue that absolutely has to be dealt with." Her parting words are stark in their simplicity: "There is no such thing as a fact of life that Palestinians have to suffer."

Dr Hanan Ashrawi.

NGOs in Palestine: OFID support helps the work continue

Hanan Ashrawi's brainchild, MIFTAH, is just one of hundreds of civil society organizations working in the West Bank and Gaza to ease the suffering of close to four million Palestinians. In the absence of national authorities and systems, such institutions provide a vital lifeline to a population living in constant deprivation. Offering health and child care, education and income-generating initiatives, among other things, their presence forms a social and economic safety net, without which the entire fabric of society would disintegrate.

In recent years, and in recognition of the critical role of these community organizations, OFID has provided desperately-needed funding to help them continue with their valuable work. With resources drawn from its Special Grant Account for Palestine, OFID has supported a whole host of activities. These range from rehabilitation services, early childhood education and youth vocational training, to agriculture initiatives, micro-financing and the empowerment of women.

Over the period June 2006 to December 2007 alone, OFID committed $8.5 million to support the work of scores of NGOs in cities, towns and villages throughout the Palestinian Territories. One of the most recent beneficiaries was MIFTAH, which received $170,000 for a project to empower marginalized groups in rural areas and enhance their involvement in the development process.

All photographs: F Rivera/Hilfswerk Austria.

In pledging €100,000 for Vienna's 2008 City Marathon ...

OFID uses grants to support 'race against poverty'

Wolfgang Konrad from the Vienna City Marathon organizing committee.

Under the banner of "Running Against Poverty," the OPEC Fund for International Development (OFID) announced in March complementary donations to several local organizations that promote health, welfare and human development. The funding is part of OFID's ongoing efforts to support local communities and social responsibility.

By Alvino-Mario Fantini

OFID's Director-General, Suleiman J Al-Herbish.

OFID has first pledged €100,000 to co-sponsor the April 27th Vienna City Marathon (VCM), now in its 25th year. Calling it a way of "giving something back" to the urban community which has hosted OFID's headquarters since 1976, the sponsorship will help the VCM carry out a series of activities to celebrate its silver jubilee.

On the day before the race, participants will be treated to a special concert given by the world-famous boys' choir, the Wiener Sängerknaben, said Race Director Wolfgang Konrad at a press conference at OFID's headquarters. Then, on the day of the Marathon itself — whose 2008 motto is officially "Run Vienna, Enjoy Classic" — runners will enjoy the music of composers Wolfgang Amadeus Mozart and Johann Strauss, two of the city's most famous favourite sons, whose music will be played at different points along the Marathon's course.

The larger purpose of OFID's involvement in this year's Marathon is to "introduce people in Vienna and around Austria to OFID's activities," said Director-General Suleiman J Al-Herbish, in an interview with the OPEC Bulletin. OFID has been engaged in this "race against poverty" for decades, he added, but it is important to focus public attention on the global problems of human development and the need for community partnerships.

OFID is also providing grants totalling $100,000 to two local non-governmental organizations (NGOs) to support their international efforts in promoting health and human development. The grants will be divided evenly between Hilfswerk Austria and CARE Austria to implement specific programmes targeting the most marginalized sectors of society.

Hilfswerk Austria, which celebrated its 60th year of operations in 2007, provides social and health care services to families both domestically and abroad. It will use OFID's $50,000 grant to support internally-displaced families from the Alto Arian region of Colombia. Specific activities to be undertaken include agricultural workshops, marketing and sales courses, livestock management training, and the establishment of cooperative networks among women, in order to provide "stronger integration of immigrated families in local society," according to a press statement.

CARE Austria, which conducts relief work in nearly 70 countries reaching more than 65 million people each year, will use its $50,000 to carry out work in Burundi where women have been displaced as a result of the country's 12-year civil war. OFID's grant will be used by CARE to provide "psycho-social support" to women and help them acquire entrepreneurial skills so they can achieve financial independence.

With these contributions, OFID hopes to highlight the importance of collaborative efforts locally and globally in the "noble cause" of the fight against poverty, said Al-Herbish.

But the Marathon, with its gruelling physical demands, also complements the work of NGOs by reminding people that individual responsibility and discipline are similarly important in human development and are a necessary part of the equation, he said. It is not just about fitness but also about supporting the well-being of "the individual, the family and ultimately, the global community at large."

Representatives from two NGOs, who attended the briefing

The 42 kilometre marathon — which this year will also include a 21 km half-marathon, as well as a relay event and a junior category of 4.2 km — will begin along Wagramerstrasse near the United Nations complex. It will then continue to Praterstern, wind through some of the more picturesque streets of the city's Innere Stadt, including Mariahilferstrasse, Obere Donaustrasse, Radetzkyplatz, Stubenring and Parkring, before coming to its traditional finish at Heldenplatz.

The Marathon was started by Helmut Zilk, the former mayor of Vienna. The first race was held in Vienna, with 794 registered finishers, on March 24, 1984. In 1989, Konrad, a prominent former Austrian athlete and holder of a steeplechase record (at 8:17:22 minutes), took over as Race Director.

Konrad took the race — which he sees as "a unique combination of sports and culture" — and made it more high-profile and internationally known. He has introduced several technical innovations as well, including the use of chip timing in 1995 and the sending of text messages with finishing times in 2000.

As it has become more established, the Marathon has increasingly attracted some of the world's most prominent long distance runners. In 2007, Luke Kibet of Kenya took first place, subsequently qualifying for the World Championships and later taking a marathon gold medal in Osaka. In 2005, Kenyan-born Mubarak Hassan Shami of Qatar won the race. In previous years, Moses Tanui in 2002 and Joseph Chebet in 2003, also from Kenya, were similarly victorious.

In 2007, a record field of 26,249 runners from more than 80 countries registered for the race. This year, by the middle of March, already more than 22,000 runners had registered for the event, including teams from both OFID and OPEC. Several hundred thousand spectators are expected.

Numerous staff members of OFID will participate in the Marathon in a show of camaraderie and in support of the community. After the event has concluded, OFID will continue to work actively to support communities, promote health and welfare, and help the poor, said Al-Herbish, and to eventually achieve progress which is truly "accessible, equitable and sustainable."

Suleiman J Al-Herbish (l) with the OPEC Bulletin's, Alvino-Mario Fantini.

OFID

Children's drawing competition Award Ceremony

B Babajide

OFID Director-General, Suleiman J Al-Herbish, pictured with the winners and runners-up of the competition.

'Extraordinary' contest scores big hit with young Viennese artists

A "special moment" was recorded in the history of the OPEC Fund for International Development (OFID) recently. But it was not as a result of a particular loan or grant for another of the institution's worthy causes — this one was down to the schoolchildren of Vienna.

On this particular day, a group of jubilant young students, accompanied by their proud parents and teachers, assembled inside the atrium of the institution's headquarters in the Austrian capital to hear about the winners of OFID's drawing competition for children.

The contest, with the subject theme of 'How would Mother Earth look like in 2025?' was open to Vienna's finest public and private schools. A total of 82 sketches were received and these were judged on their artistic talent, creativity and conformity with the theme of the competition.

In his congratulatory remarks to the young students, OFID Director-General, Suleiman J Al-Herbish, expressed his appreciation for the overwhelming response that the competition had generated among the participating schools. Describing the event as "extraordinary", he observed that the occasion was truly a "special moment" in the history of OFID. He added that the artistic output displayed by the entrants testified to the power of imagination "which will carry us way into the future."

He stated: "What we witness today is a true manifestation of human creativity," he said.

The Director-General was particularly appreciative of what he described as an innocent and masterful display of skills by the students, and their competency in rekindling the passion about the beauty of creative art. He maintained that people should not lose sight of the fact that imagination, as a divine faculty, is "an induction where individuals can build their own inventive and imaginary future."

As many who attended the event agreed, motivating youngsters to invent their own imaginative interpretation of Mother Earth in 2025 was an intellectual exercise meant to encourage pupils to reflect on the plight of our planet.

The sketches submitted represented a variety of creative thinking. Commenting on some pupils' doom and gloom perspective, Al-Herbish described the display of "pessimism" as an innocent clamour from a future generation that wanted to preserve the environment and to fight for a pristine Mother Earth.

The "intriguing interpretation of the world in 2025, as our youngsters see it," he said, "should awaken all of us to the plight of our planet." He added that the outward manifestation of the children's inner minds should spur action among all stakeholders to create a lasting, healthy environment.

Speaking on behalf of the participating schools, Petra Eberl, an art teacher, said: "The contest was a challenging experience that spurred the young students to work hard on an abstract topic. No one can predict with certainty how life will be in 20 years' time. Hopes and fears were filtered and focused into one concrete image-idea."

Ms Eberl said she was relieved to know that "to be a winner, it was not necessary to come up with a positive or negative vision," adding that it is not often "pupils who are especially talented in the fine arts get a chance to prove their skills."

The event, she observed, would probably be remembered by children and parents even in the future "they tried to imagine today."

OFID Management decided to use the winning sketches for its 2008 calendar and, accordingly, a committee selected the best 12 drawings. The calendar was then formally launched with the presentation of a €500 cash prize to each of the 12 winning students and €300 for each of the 11 runners-up.

OFID's initiative to embark on such an inspirational undertaking was born out of the conviction that education and art are intimately linked. By nourishing the bond between art and education, the institution hoped to significantly enhance the quality of learning, and that of life itself, and by extension, the well-being of the person, the family, and the global community at large.

B Babajide

Pround parents look at some of the winning entries.

Vienna tuning in to its UNESCO heritage honour

There are often times when, due to a lack of financial resources, free time, or a combination of both, people deny themselves the opportunity to travel the world and experience the various cultural delights so many countries have to offer. However, for the potentially disillusioned and 'untravelled' among us in Vienna, who might think they are losing out on the diverse and exotic attractions of faraway places, there is really no need to worry since Austria, with its ever-growing appeal, is truly a nation of cultural variety, splendour and unique opportunity. To coin the phrase 'small is beautiful' fits perfectly with this country of just over eight million people. There are so many places of interest, many of which can be found virtually on one's doorstep. Siham Alawami reports.

The Vienna Symphony Orchestra performing in Dubai.

Austria itself could not be more diverse. For example, look at this list of some of its most famous children. For the musically minded, there are no greater heavyweights than Mozart, Strauss, Schubert, Haydn and Mahler, while for the philosophical among us there is Austria's very own 'father of psychoanalysis', Sigmund Freud. Peeking further into the looking glass there is Daniel Swarovski, who many moons ago patented a simple cutting machine that facilitated the production of lead crystal glass jewelry. Who would have thought that his shimmering products would become famous the world over. Then there is Ferdinand Porsche, the automotive engineer, who went on to produce cars for the rich and famous. Staying on four wheels, Austria is synonymous with Niki Lauda, the formula one world racing champion, while turning to another of the country's speedy pursuits, Franz Klammer was to skiing what Pele was to football. Finally, staring up at the big screen, who amongst us could not be familiar with Graz's own 'Mr Universe', Arnold Schwarzenegger, now the Governor of California. And last, but certainly not least, let us not forget the Von Trapp family-inspired epic, *The Sound of Music,* which, single-handedly, put the rolling hills of Salzburg on the international map.

These legends live on, but if the wondrous attractions of Austria as a country are not enough, consider its Hauptstadt — an international city that is regularly voted one of the top five capitals in the world — and justifiably so. Often referred to as a 'centre of arts', Vienna can and does boast some of the most impressive architectural pieces in the world. In fact, some of them are considered masterpieces. Whether it is the Hofburg Palace, which used to be the winter residence of the imperial family, or Schönbrunn Palace, the Spanish Riding School, the Vienna State Opera House, the Rathaus,

Famous sons of Austria (from top to bottom): Sigmund Freud, Arnold Schwarzenegger and Niki Lauda.


Reuters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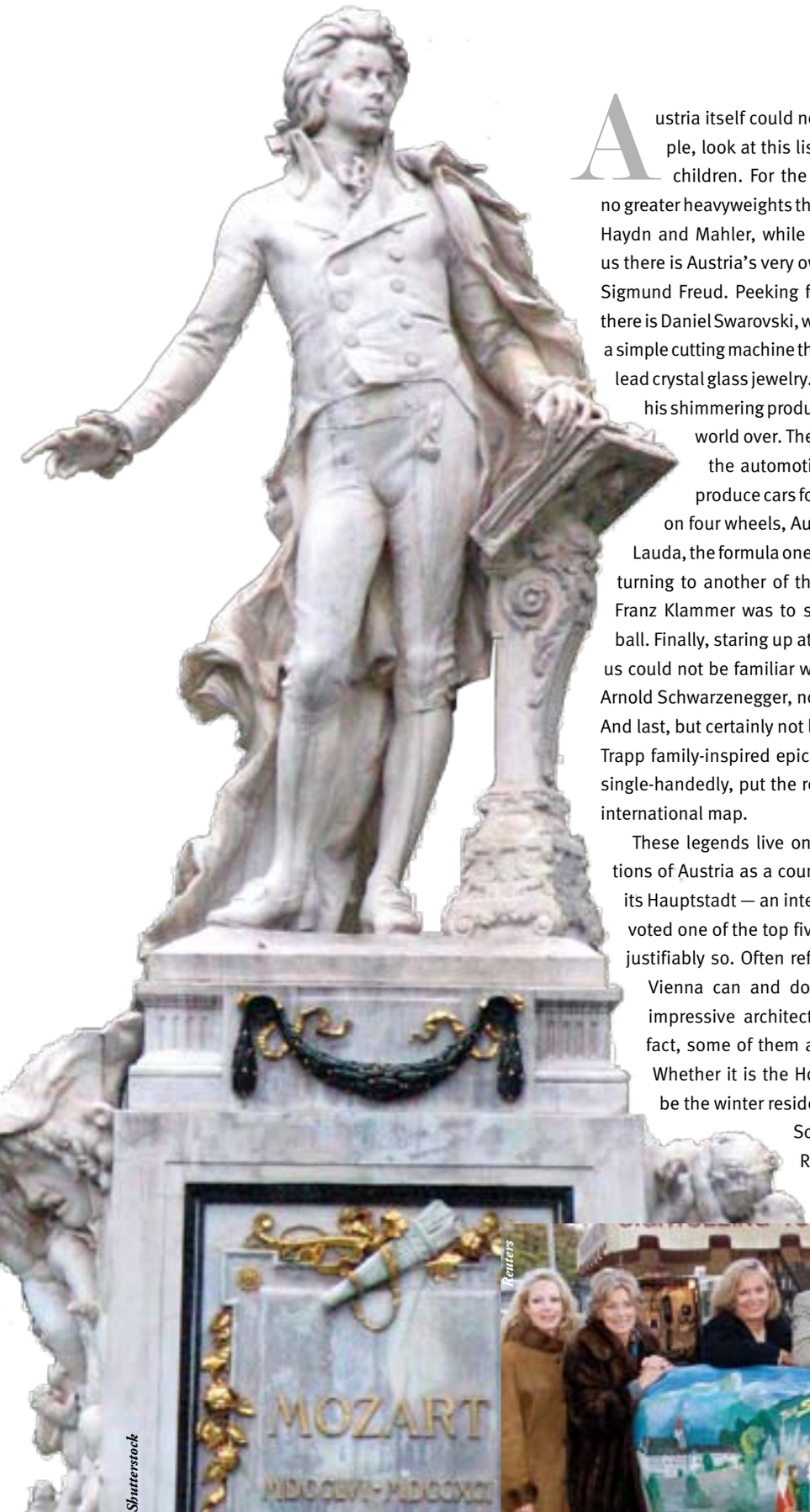

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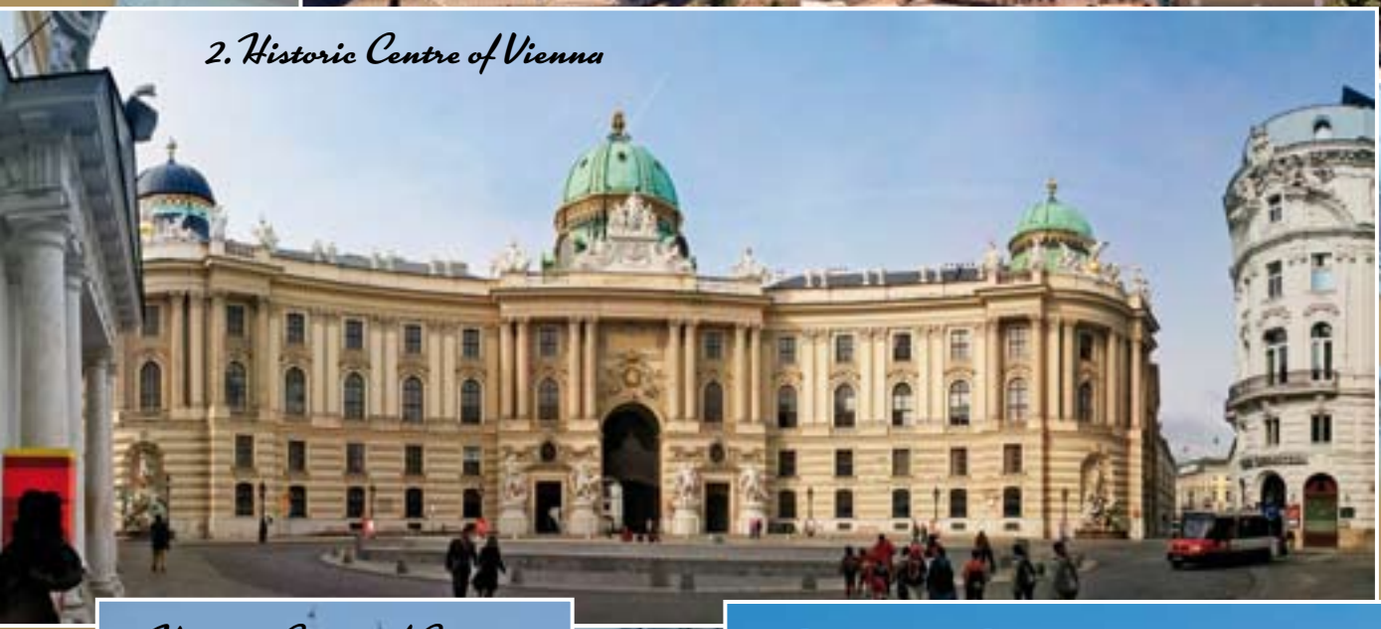
Above: Perhaps Austria's most famous son, Wolfgang Amadeus Mozart.

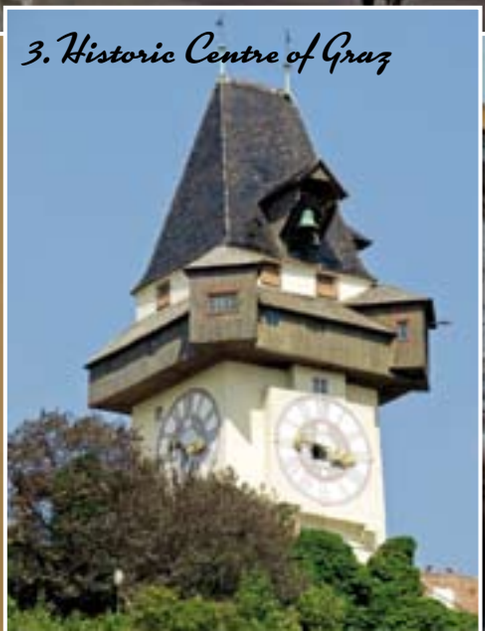
Right: The hills are alive with the 'Sound of Music'. Some original members of the cast return to the famous setting in Salzburg.

The eight locations in Austria that have

1. Historic Centre of Salzburg



2. Historic Centre of Vienna



3. Historic Centre of Graz

4. Schönbrunn Palace, the summer residence of the Habsburgs

been designated 'World Heritage Sites'

5. Hallstatt-Dachstein Salzkammergut, a resort famous for water sports, hiking, cycling, golf and bathing

Austrian National Tourist Office/ÖBB

6. Semmering Railway, said to be the first mountain railway in Europe and now part of the Austrian Southern Railway

7. Wachau Cultural Landscape

8. Lake Neusiedl

The Vienna Symphony Orchestra ... this time performing in Abu Dhabi.

Schwarzenberg Palace or the Belvedere, the capital plays host to a rich collection of classic structural icons.

Historical perspective

But while these landmarks may be familiar to Austrians and the country's many visiting cultural junkies, they represent the kind of architecture that is, unfortunately, fast disappearing. Therefore, there is a need to preserve these irreplaceable structures for present and future generations. Happily, this is something that the Austrian authorities fully recognize. Their upkeep and renovation are of great significance and importance to the country's ethic of maintaining its historical perspective, while supporting the continuing flow of sightseers who descend on the capital every year from all parts of the globe to bask in and savour Vienna's cultural heritage. Although four decades of immigration have significantly altered the composition of the population of Austria, it has done nothing to affect the commitment behind preserving this proud nation's cultural and historic footprint.

At this moment in time, no fewer than eight locations in Austria have been designated *'World Heritage Sites'* by the United Nations Educational, Cultural and Scientific Organization (UNESCO). They comprise the Historic Centre of Salzburg; the Historic Centre of Vienna; the Historic Centre of Graz; Schönbrunn Palace, the summer residence of the Habsburgs; the Hallstatt-Dachstein Salzkammergut, a resort famous for water sports, hiking, cycling, golf and bathing; the Semmering Railway, said to be the first mountain railway in Europe and now part of the Austrian Southern Railway; the Wachau Cultural Landscape; and Lake Neusiedl.

And having been designated such important sites by UNESCO, the care and protection of these landmarks at an international level have become part of the respon-

sibilities of the UN agency, which, at its 17th General Conference held in Paris, France, in 1972, agreed to take steps to preserve the world's cultural and national heritage.

Two of the Austrian sites so designated are in Vienna, OPEC's host city. The first is the Historic Centre of Vienna, located just across the Danube canal from the OPEC Secretariat. The other is Schönbrunn Palace, which can be found in the 13th District of the capital. The Historic Centre of Vienna, where most of the summer residences of the then ruling elite in Austria were located, was designated a World Heritage Site in December 2001. The area includes, among others, Schwarzenberg Palace, the Monastery of the Salesian Sisters, the restructured urban development of the city, with the world-famous buildings that heralded the beginning of Modernism during the second half of the 19th century (that is the Viennese Ringstrasse), and the Belvedere.

Rudi Schicker (r), Vienna's Executive City Counselor for Urban Development, Traffic and Transport, pictured with one of the dignitaries at the World Heritage Exhibition of the City of Vienna in November 2007, which was held in the cities of Abu Dhabi and Sharjah in the United Arab Emirates.

World heritage exhibition

According to Rudi Schicker, Vienna's Executive City Counselor for Urban Development, Traffic and Transport, the listing of Vienna's inner city by UNESCO was "an acknowledgement of our historical achievements in the fields of urban construction, architecture and music, the acknowledgement of which we are justifiably proud of."

The second UNESCO site, Schönbrunn, is the former summer residence of the imperial family. Considered to be one of the most beautiful palaces in Europe, the imperial family resided there for the better part of each year. Also, Emperor Franz Joseph, who ruled Austria from 1848 to 1916, was born there in 1830. After his death, Schönbrunn was acquired by the new Republic of Austria. Today, it has the privilege of being one of UNESCO's cultural heritage sites, due to its historic importance, unique grounds and splendid furnishings.

It was pride in the country's heritage that prompted the City of Vienna authorities to organize the World Heritage Exhibition of the City of Vienna in November 2007 in the cities of Abu Dhabi and Sharjah in the United Arab Emirates, an OPEC Member Country. On the sidelines of the exhibitions, and to mark the occasion, the Vienna Symphony Orchestra staged performances in Dubai and Abu Dhabi. Presently, the City of Vienna is assisting the UAE in assessing its transport infrastructure needs for the next 25 years. In the course of this assistance, the City is aiming to identify heritage sites in Abu Dhabi, so as to integrate the old with the new.

The City of Vienna is fully cognisant of the responsibility the UNESCO listing of its two sites involves. That is why it has made successful efforts, on the one hand, to protect and preserve its historical heritage and, on the other, to develop the city. It is very gratifying to see that contemporary buildings are beginning to make their presence felt in the city. They continue to promote Vienna's architectural history and are already attracting a large number of visitors — alongside those wishing to see the traditional historical structures.

Schicker said the awareness and responsibility for the city's historical heritage must be brought in line with Vienna's role as a cosmopolitan city. Not least as part of its responsibilities as a World Heritage Site, he added that Vienna must continue in the future to be a prosperous, competitive metropolis in the heart of Europe that is also the site of new, innovative developments and exciting architecture.

And just as the city, over the years, has put the 'class' into classical music, thanks to the exposure and support it has given to composers such as Wolfgang Amadeus Mozart, who plied his trade in the capital's coffee houses all those years ago, UNESCO's eight-site reminder will reinforce the country's determination to ensure that its history, culture and famous sons and daughters will never be forgotten. That can only be good news for those of us who live here. Who needs to travel?

All photographs on pages 72–73 unless otherwise credited, Shutterstock.
Photos on pages 70, 74 and 75, courtesy Press and Information Services, City of Vienna.

March

This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for March 2008 published by the Petroleum Market Analysis 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.

Crude oil price movements

The OPEC Reference Basket[1], which has been revised to include Ecuador's Oriente crude with 23.8° API and 1.4 per cent sulphur content effective October 19, 2007, chalked up another new record of $90.64/b for February, a gain of $2.29/b, or 2.59 per cent, over the previous month. Incorporating Ecuador's Oriente crude reduced the Basket by 17¢/b.

It emerged early in the month on a weaker note amid recession fears, but then surged for the remainder of the period under review. Revived geopolitical developments from the Middle East to South America, with West African supply continuing to be tight, kept the momentum strong. A healthy build in United States crude oil stocks and gasoline supply prevented the market from rising further. The weak US dollar continued to inspire investment in the energy market, which also lent support to the bullishness seen in the marketplace. The Basket surged again in March, peaking above the $100/b level to average $98.92/b over the first nine days of the month on continued dollar weakness and a late cold snap in North America. The Basket stood at $102.39/b on March 13.

On the US market, NYMEX WTI crude average the month at $95.32/b for a gain of $2.45, or 2.6 per cent, over the previous month, with depleting winter fuel supplies amid looming winter demand supporting the bullishness in the domestic market.

In the North Sea market, marker crude Brent averaged $94.98/b for a gain of $2.98, or 3.2 per cent, over January's closing. The month started off weak amid softer refining margins, but then picked up as the weeks progressed.

In the Mediterranean market, the average price for Urals crude average rose by $1.92/b, or 2.2 per cent, to $91.14/b, again with a quiet start to the month before picking up.

In the Middle Eastern market, Dubai's monthly average was up by 3.2 per cent, or $2.82/b, to settle at a record $91.52/b.

World oil demand

In its review of the oil market, the OPEC report stated that the weather once again proved to be a chief factor in OECD oil demand during the winter months. The warm weather not only reduced winter product consumption, but also triggered fuel switching to cheaper natural gas among power plants.

"Weather pattern effects can come about easily and quickly to reduce oil demand," said the report.

"It is anticipated that first-quarter OECD oil consumption will be below earlier forecasts. However, stronger-than-expected oil demand in non-OECD regions will to some degree offset the downward revision worldwide," it maintained.

World oil demand is forecast to grow by 1.2 million b/d in 2008 to average 86.97m b/d, unchanged from the previous OPEC forecast.

1. An average of Saharan Blend (Algeria), Minas (Indonesia), 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 (United Arab Emirates) and BCF-17 (Bachaquero, Venezuela).

Demand for OPEC crude in 2008 is expected to average 31.68m b/d, a decline of 236,000 b/d compared with the 2007 figure. On a quarterly basis, demand for OPEC crude is expected to average 32.19m b/d, 30.83m b/d, 31.57m b/d and 32.13m b/d, respectively.

In February, a slower world economy dented demand for winter products, while fluctuating weather patterns caused oil demand in the OECD to decline.

The halt in economic activities in China over the Chinese New Year holiday season did not affect the country's oil consumption. In fact, power shortages caused independent power generators to kick in, which led to excessive diesel demand.

Oil demand in other non-OECD countries— such as the Middle East, India, and Latin America — was strong, offsetting the weak OECD oil demand during February.

"Although the slowdown in the world economy, along with high retail petroleum prices, is considered a major variable in oil demand this year, the weather will play a significant role in oil demand as well," said the report.

This strong non-OECD oil demand is expected to have boosted total world oil demand by 1.3m b/d year-on-year in the first quarter of 2008.

In the OECD region, the mild winter in the US caused North American oil demand to decline beyond expectations. Hence, North American oil demand was revised down by 150,000 b/d y-o-y for the first quarter.

The economic slowdown and higher retail prices curbed US gasoline demand growth for February to only 0.48 per cent y-o-y. Unlike January, February oil demand in the US showed a strong decline caused by weak demand for winter products, such as heating and fuel oil, which alone declined by 9.8 per cent. Hence, total US oil consumption declined by 658,000 b/d, or 3.05 per cent, y-o-y in February.

Mild weather in Europe also led to a relaxation in oil consumption in the first quarter where oil demand is forecast to have grown by 100,000 b/d y-o-y in the first quarter to average 15.32m b/d.

Developing Countries' oil demand growth for the first quarter is forecast to have reached 660,000 b/d y-o-y. Economic growth of 5.4 per cent in the Middle East, which contains the majority of energy intensive projects, is forecast to increase the region's oil demand expansion by 270,000 b/d, or 4.2 per cent, to an average of 6.76m b/d y-o-y in 2008. Both Saudi Arabian and Iran's oil demand are forecast to have shown growth of 200,000 b/d y-o-y in the first quarter of 2008.

Latin America's oil demand is growing strongly with the push from Brazil, Venezuela, and Argentina. These three countries are forecast to have added 78 per cent of the total oil demand growth of the South American continent in the first quarter of 2008.

China's oil demand growth this year is expected to be driven by transport fuel, which represents more than a third of the country's total oil consumption. China's apparent oil demand for 2008 is forecast to grow by 400,000 b/d y-o-y to average 7.98m b/d.

"It is worth mentioning that the Chinese government plans to reduce energy intensity by four per cent in 2008. Thus, the apparent oil demand growth estimate for 2008 is only 20,000 b/d less than in the previous year," commented the OPEC report.

In Russia, the cold winter and strong economic growth of 7.1 per cent are expected to have driven FSU apparent oil demand growth up in the first quarter by 100,000 b/d y-o-y. As a result of recently increased export tariffs, crude producers in Russia reduced exports for February by 12 per cent y-o-y.

"This export tax has been an effective tool for the central government to control oil business within the country," observed the report.

World oil supply

Preliminary figures for the month of February indicate that world oil supply averaged 86.92m b/d, which represents a gain of 490,000 b/d over the level recorded the previous month. OPEC's crude share was put at 36.9 per cent. The estimate is based on OPEC crude production, according to secondary sources, and estimates for OPEC natural gas liquids (NGLs) and preliminary data for non-OPEC supply.

In 2008, non-OPEC supply is expected to average 50.37m b/d, an increase of 910,000 b/d over the previous year and a downward revision of 164,000 b/d from last month's OPEC assessment. On a quarterly basis, non-OPEC supply is expected to average 50.26m b/d, 49.96m b/d, 50.03m b/d and 51.22m b/d, respectively.

In the OECD region, oil supply is expected to reach 19.88m b/d, a drop of 270,000 b/d from the 2007 figure. On a quarterly basis, OECD oil supply is expected to average 20.18m b/d, 19.64m b/d, 19.44m b/d and 20.27m b/d, respectively. Preliminary data for the January-February average put total OECD supply at around 20.22m b/d.

Demand for OPEC crude in 2008 is expected to average 31.68m b/d, a decline of 236,000 b/d compared with the 2007 figure.

Looking at individual countries, oil supply in the United States is expected to reach 7.65m b/d this year, representing growth of 151,000 b/d over 2007 and a minor upward revision from the previous assessment.

Canadian oil supply for 2008 is forecast to average 3.35m b/d, virtually flat compared with the 2007 figure, following a downward revision of 21,000 b/d from OPEC's last report.

Mexico's oil supply has been revised down by 48,000 b/d for 2008 and now stands at 3.26m b/d, representing a significant decline of 227,000 b/d from the 2007 annual figure.

In Western Europe, oil supply is expected to reach a level of 4.86m b/d, representing a decline of 370,000 b/d from the 2007 figure, following a 21,000 b/d downward revision from

last month's assessment. The revision, mainly attributed to Norway, was partially offset by other West European countries.

Norway is estimated to supply 2.46m b/d of crude this year, which represents a decline of 96,000 b/d from the 2007 figure and a downward revision of 25,000 b/d from last month's assessment.

UK supply for 2008 is forecast at 1.41m b/d, a decline of 257,000 b/d from the previous year and 5,000 b/d less than last month's OPEC assessment.

In the Asia Pacific, oil supply is expected to average 770,000 b/d in 2008, which represents an increase of 162,000 b/d over the 2007 figure and is broadly unchanged from last month's assessment.

Australian oil supply is forecast to average 630,000 b/d in 2008, which represents growth of 101,000 b/d over last year's figure, while New Zealand is expected to add 60,000 b/d of supply to its 2007 figure to reach 140,000 b/d in 2008.

Total OPEC crude oil production in February averaged 32.09m b/d, an increase of 83,000 b/d from the January figure, according to secondary sources.

In the developing countries, oil supply is expected to reach 11.60m b/d, which represents growth of 637,000 b/d over last year and an upward revision of 31,000 b/d from the previous OPEC assessment. On a quarterly basis, supply from this group of countries is expected to average 11.38m b/d, 11.49m b/d, 11.69m b/d and 11.82m b/d, respectively.

Brazil, other Asia and Africa are the main contributors to the growth expected in this group in 2008. Preliminary January-February average supply for developing countries is put at 11.22m b/d.

Supply from other Asia is expected to reach 2.85m b/d, representing growth of 142,000 b/d over last year and a minor downward revision from last month's assessment.

Oil supply in Latin America is forecast to average 4.23m b/d in 2008, representing significant growth of 354,000 b/d over last year and a downward revision of 56,000 b/d from last month's OPEC assessment. The quarterly distribution is put at 4.10m b/d, 4.19m b/d, 4.31m b/d and 4.33m b/d, respectively.

Brazil is the major contributor to the growth with supply of around 353,000 b/d. Preliminary figures for January-February put supply at around 2.27m b/d.

Africa is expected to supply around 2.81m b/d of crude in 2008, representing growth of 122,000 b/d over the 2007 figure and an upward revision of 31,000 b/d over last month's OPEC assessment. On a quarterly basis, oil supply from this group is expected to average 2.81m b/d, 2.81m b/d, 2.80m b/d and 2.81m b/d, respectively.

The Middle East is the only group expected to see its supply remain broadly flat in 2008 at around 1.70m b/d, with a quarterly distribution of 1.69m b/d, 1.70m b/d, 1.71m b/d and 1.72m b/d, respectively.

In the Former Soviet Union, oil supply is expected to average 12.96m b/d, which represents growth of 410,000 b/d over the 2007 figure and a downward revision of 43,000 b/d compared with last month's OPEC assessment. On a quarterly basis, FSU oil supply is expected to average 12.77m b/d, 12.85m b/d, 12.92m b/d and 13.13m b/d, respectively.

Other Europe supply is expected to stay flat at around 0.150,000 b/d.

Russian oil supply is expected to reach 9.98m b/d this year, which represents growth of 118,000 b/d over 2007 and a downward revision of 37,000 b/d compared with last month's OPEC assessment.

In the Caspian region, oil supply in Kazakhstan is forecast to grow by 93,000 b/d to reach 1.44m b/d, a minor downward revision from last month's OPEC assessment.

Oil supply in Azerbaijan is expected to grow by 200,000 b/d over the 2007 figure to reach 1.06m b/d in 2008, unchanged from last month's assessment.

Oil supply in China is expected to average 3.88m b/d in 2008, representing growth of 112,000 b/d.

OPEC oil production

Total OPEC crude oil production in February averaged 32.09m b/d, an increase of 83,000 b/d from the January figure, according to secondary sources. OPEC output (not including Iraq) averaged 29.76m b/d, down by 64,000 b/d from the January figure Production in Iraq saw a significant increase of 146,000 b/d, while Angolan and Indonesian output rose by 35,000 b/d and 27,000 b/d, respectively.

OPEC's production of NGLs and non-conventional oils are expected to reach 4.93m b/d in 2008, an increase of 530,000 b/d over the 2007 estimate.

Downstream activity

Looking downstream, the OPEC report noted that sentiment in the product market had improved slightly following the recent cold snap in the Atlantic Basin, coupled with lower refinery runs due to the seasonal maintenance schedule.

"A combination of slowing demand for middle distillates, gasoline stocks building across the globe, especially in the US, and high crude oil prices may limit the impact of seasonal refinery turnarounds on refining margins in the coming months," it stated.

"However, the potential risk of refinery snags may change the current circumstances of the product market and support both product and crude prices." added the report.

Refining margins for benchmark WTI crude on the US Gulf Coast surged by $2.03 to $6.05/b in February, from $4.02/b the previous month.

In Europe, refining margins for Brent crude

on the Rotterdam market remained mostly steady compared with January, due to the weakness of the gasoline and fuel oil markets.

In Asia, higher regional demand for the light and middle-of-the-barrel components supported product prices and also lifted refining margins Margins for Dubai crude oil on the Singapore market soared to $5.04/b in February from $3.04/b in January.

The decline in refining margins over the last few months negatively affected refinery operations across the board, leading to early refinery maintenance, particularly in the Western Hemisphere.

"The current circumstances of the product markets and refining margins may encourage further discretionary cuts in the future," observed the OPEC report.

The refinery utilization rate in the US declined by 1.5 per cent in February, compared with the previous month, to 85.6 per cent. In Europe, the rate decreased by 1.8 per cent to 84.6 per cent from 86.4 per cent in January. In Asia, refiners followed the same trend, with operation levels falling. In Japan, the refinery utilization rate dropped by 1.3 per cent to 92 per cent.

The OPEC report said that, looking ahead, with the scheduled spring refinery maintenance and the approaching shoulder season, global refinery utilization rates are expected to remain relatively low in the coming months.

Oil trade

Regarding oil trade, US crude oil imports declined by four per cent in February from the previous month to average 9.8m b/d, according to preliminary data. The decline came as the refinery utilization rate dropped in the month under review.

However, despite the decline in crude oil imports, US crude oil stocks rose in February compared with the previous month. Preparations for the upcoming maintenance season supported the decline. However, on an annual basis, US crude oil imports displayed an increase of four per cent in February.

US product imports in February decreased by three per cent from the previous month, despite a decline in product output. All major elements of product imports declined, with fuel oil imports indicating a drop of 22 per cent in February. The decline in fuel oil demand supported the decline in imports, despite a drop in fuel oil production in February.

Similarly, gasoline imports decreased by 15 per cent in February over the previous month. Imports of both kerosene and distillates also declined, even with demand increasing slightly for both products and refinery output falling. Compared with the same period last year, US product imports experienced a seven per cent increase in February.

US total net oil imports declined by four per cent in February from the previous month. The decrease of both crude oil and product imports supported the decline in total net oil imports, in addition to the increase in product exports. Despite the drop, on an annual basis, US total net imports displayed an increase of four per cent in February.

In Japan, according to estimated data, crude oil imports fell by five per cent in February from the previous month. The decrease came on the back of reduced crude throughput by different refiners as the kerosene demand season for heating drew to a close.

Additionally, many Japanese refiners announced they will continue to operate on a reduced throughput during March, due to weak domestic demand, which influenced margins.

Japan's February product imports increased by five per cent, or 28,000 b/d, from the previous month. However, product imports in February represented a y-o-y decline of 10 per cent. Accordingly, total oil imports in February averaged 5.0m b/d, a decline of four per cent from the previous month.

Japan's product exports decreased by eight per cent in February on the back of reduced refinery runs. Fuel oil exports declined from January, while exports of gasoline and kerosene increased over the same period. Despite the decline in February, Japan's product exports indicated annual growth of five per cent.

Japan's net oil imports decreased in February by three per cent from the previous month. The drop came as a result of reduced crude oil imports, which outweighed the increase in product imports.

In February, US commercial oil stocks remained comfortable at 977m b, and well above the average of the previous five years.

The decline in product exports partially offset the drop in Japan's net oil imports, with Japan's net product imports falling by 42 per cent in February from the previous month. On an annual basis, Japan's net oil imports rose by two per cent in February.

Stock movements

Regarding stock movements, despite a drop of around 4m b in February, US commercial oil stocks remained comfortable at 977m b, unchanged from the previous year, and well above the average of the previous five years.

The drop of 4m b, which is marginal compared with the draw of 58m b witnessed a year ago, resulted from an increase of around 6m b in crude oil and a drop of 10m b in products as maintenance continued to push down refinery runs in February.

Crude oil commercial stocks added a further 6.4m b, bringing the total build since the beginning of the year to more than 20m b.

Crude oil stocks reversed the downward trend displayed during the second half of 2007 and began increasing at the beginning of the year before dropping for the first time in the last week of February.

At 306.3m b, US commercial crude oil inventories moved back above the five- year average and in terms of days of forward cover are at 21.3 days, half a day above the average.

Product stocks followed their seasonal trend, falling by 10m b, but remaining very comfortable above the level of the corresponding month of the previous year due to gasoline stocks, which hit a 14-year high of 234m b following 17 consecutive weeks of increase.

With a build of 400,000 b in February, the SPR is close to its all-time high of 700m b, reached before hurricanes Katrina and Rita hit in August 2005.

The surge in gasoline stocks translated into an improvement in days of forward cover, which now corresponds to around 26 days, almost two days or seven per cent above the average.

In contrast to gasoline, distillate stocks fell for the third consecutive month to stand at 117.5m b, but remained within the upper end of the five-year range, corresponding to almost 27 days of forward cover, implying more than half a day above the average seen a year ago.

A decline of 9.6m b was shared by heating oil and diesel inventories. Residual fuel oil stocks remained stable at around 37m b, while jet fuel stocks fell by 1.9m b, offsetting the build of the previous month, to stand at 39.3m b, the lowest level in a year.

The Strategic Petroleum Reserve (SPR) continued to rise for the seventh consecutive month. With a build of 400,000 b in February, the SPR is close to its all-time high of 700m b, reached before hurricanes Katrina and Rita hit in August 2005.

However, the SPR is likely to set new records if the US government continues to fill stocks as planned with 70,000 b/d in the first half of 2008 to reach the objective of 727m b as required by the 2005 Energy Policy Act.

"Nevertheless, criticisms continue to be raised against the plan and a proposal initiated by Democrats to stop filling stocks at current crude oil price levels is gaining popularity within the Senate," commented the OPEC report.

The latest data shows that US commercial stocks increased further in early March with crude oil jumping by 6.2m b to 311.6m b in the week-ending March 7, implying a surplus of 8m b above the five-year average.

The gains were mainly due to strong imports. Increased imports also helped gasoline stocks to build by 1.7m b, the 18th increase in a row, to hit 236m b, a 14-year high, which left stocks very comfortable at 24m b, or 11 per cent over the five-year average.

In contrast, distillate inventories, due to strong demand for heating oil amid cold weather, dropped by 1.2m b to 116.4m b, but remained comfortable within the upper end of the five-year range.

Consequently, total US commercial stocks stood at 983m b, a gain of 1m b over a year earlier, but displayed an overhang of 34m b from the average of the previous five years.

In Western Europe, EU-16 (EU-15 plus Norway) total oil stocks fell by 12m b, or one per cent, in February, offsetting the build of the previous month, to stand at 1,116m b, which corresponds to a drop of 57m b from a year earlier. Nevertheless, compared with the previous five-year average, inventories showed a surplus of 7m b.

The decline was attributed to crude oil which fell by more than 10m b from its high January level, the sharpest decline since last June, to close the month at 471m b, in line with the five-year average. The drop was in line with the seasonal trend over this period. Lower imports were the main reason behind the draw on crude oil inventories, and a cut of around two per cent in the refinery utilization rate could not prevent stocks from falling.

Product stocks dropped by nearly 2m b on the back of lower production from refineries, but jumped above the five-year average as the decline was small compared with the typical seasonal draw of around 14m b.

Within products, gasoline stocks reversed the previous month's losses, rising 800,000 b to move back to 128.6m b, the December level, and the highest since last April. The small build of 27,000 b/d did not help gasoline stocks to move from a very low level and they continued to show a deficit of 11m b from a year earlier and 19m b, or 13 per cent, from the five-year average.

The drop in refinery runs did not affect distillate stocks as refiners maximized production amid healthy margins. Thus, distillate stocks remained almost unchanged at a comfortable level of 374m b, implying a surplus over the five-year average of 21m b, or six per cent.

Residual fuel oil inventories fell 3m b to 112m b, down 3m b from a year earlier, whereas naphtha stocks stayed at 29m b, 1m b higher than a year ago.

In Japan, preliminary data shows that both crude oil and product inventories declined in February. Crude oil stocks fell by around 4m b to return to their all-time low, whereas distillates lost more than 8m b to stand below 30m b for the first time since May 2007. However, products such as gasoline, residual fuel and naphtha, remained stable.

Table A: World crude oil demand/supply balance														*m b/d*
World demand	**2003**	**2004**	**2005**	**2006**	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	49.9	49.1	50.0	48.2	48.6	50.3	49.3
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.5	25.8	25.6	25.6	25.9	25.7
Western Europe	15.4	15.5	15.6	15.6	15.2	15.0	15.4	15.6	15.3	15.3	14.9	15.3	15.8	15.3
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.7	8.3	8.9	7.7	7.7	8.7	8.2
Developing countries	20.6	21.8	22.5	23.3	23.8	24.1	24.2	24.5	24.1	24.5	24.6	24.8	25.1	24.7
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.3	83.6	84.6	85.9	84.6	85.5	87.0	85.8	87.2	85.6	86.6	88.5	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	19.8	20.1	20.1	20.2	19.6	19.4	20.3	19.9
North America	14.6	14.6	14.1	14.2	14.4	14.4	14.2	14.2	14.3	14.3	14.0	14.1	14.6	14.3
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.2	5.2	5.2	4.9	4.5	4.8	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.8
Developing countries	10.3	10.5	10.8	10.9	11.0	10.9	10.9	11.0	11.0	11.4	11.5	11.7	11.8	11.6
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.8	12.9	12.9	13.1	12.9
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.0	49.5	49.5	50.3	50.0	50.0	51.2	50.4
OPEC NGLS and non-conventionals	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLS	51.4	52.5	52.6	53.0	54.0	53.8	53.4	54.2	53.9	55.0	54.8	55.0	56.4	55.3
OPEC crude supply and balance														
OPEC crude oil production[1]	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0					
Total supply	79.7	83.1	84.2	84.4	84.5	84.4	84.4	85.9	84.8					
Balance[2]	0.3	0.7	0.6	-0.2	-1.4	-0.2	-1.1	-1.1	-0.9					
Stocks														
OECD closing stock level *m b*														
Commercial	2517	2547	2597	2679	2603	2675	2669	2585						
SPR	1411	1450	1487	1499	1507	1509	1523	1526						
Total	3928	3998	4083	4177	4110	4183	4192	4111						
Oil-on-water	882	905	958	910	912	909	930	940						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	55	54	55	53	52						
SPR	29	29	30	30	31	31	30	31						
Total	80	80	83	85	85	86	84	82						
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.8	9.1	8.9	8.8	8.9
[(a) – (b)]	27.9	29.8	31.1	31.6	31.8	30.8	32.1	32.9	31.9	32.2	30.8	31.6	32.1	31.7

1. *Secondary sources.*
2. *Stock change and miscellaneous.*

Note: Totals may not add up due to independent rounding.

Table A *above, prepared by the Secretariat's Petroleum Market Analysis 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 One and Two*** *on page 82 while* ***Graphs One and Two*** *(on page 83 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 84–85 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Table 1: OPEC Reference Basket crude oil prices, 2007–2008

$/b

Crude/Member Country	2007 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Jan	Feb	Weeks 6–10 (week ending) Feb 8	Feb 15	Feb 22	Feb 29	Mar 7
Arab Light – Saudi Arabia	54.29	58.08	62.83	64.15	65.92	71.05	68.76	74.28	79.31	89.02	86.29	88.75	91.26	86.30	90.45	93.63	95.35	97.42
Basrah Light – Iraq	51.19	55.99	59.74	61.79	64.09	70.53	66.83	72.14	77.47	86.26	82.79	85.21	88.80	83.42	88.13	91.28	93.23	95.45
BCF-17 – Venezuela	48.04	50.27	54.93	56.06	60.68	65.79	62.78	66.35	72.20	81.87	79.79	80.59	80.36	75.02	80.17	82.50	83.97	87.67
Bonny Light – Nigeria	59.58	64.59	70.01	70.03	74.45	79.21	73.34	79.87	85.60	95.32	93.55	94.85	96.98	91.76	97.13	98.70	101.10	105.07
Es Sider – SP Libyan AJ	55.83	60.60	66.06	66.03	70.25	75.81	69.84	76.07	81.80	91.92	90.75	91.40	94.28	89.06	94.43	96.00	98.40	101.42
Girassol – Angola	56.66	60.77	66.44	66.52	69.00	74.42	69.81	75.48	80.23	90.21	88.98	88.68	92.13	86.44	91.73	94.28	96.88	99.65
Iran Heavy – IR Iran	51.87	56.39	61.41	62.72	64.77	69.65	66.60	72.63	77.30	87.17	86.31	86.36	88.51	83.75	87.84	90.63	92.37	94.87
Kuwait Export – Kuwait	52.33	56.22	61.07	62.06	63.61	67.73	65.91	71.94	76.33	86.23	84.37	85.63	87.77	83.17	87.07	89.92	91.45	93.84
Marine – Qatar	55.86	59.39	64.79	65.34	66.15	70.20	69.43	73.78	78.68	87.94	87.54	88.35	90.12	85.71	88.98	92.18	94.06	95.80
Minas – Indonesia	58.44	62.83	68.74	68.12	68.41	76.88	73.67	76.98	84.96	93.64	94.53	95.33	95.55	91.31	94.45	97.36	99.28	103.22
Murban – UAE	59.58	63.19	68.39	69.21	70.74	74.40	71.80	77.16	81.98	90.95	90.72	92.04	94.25	89.04	93.24	96.56	98.70	100.32
Oriente – Ecuador	49.97	52.88	55.58	55.58	59.81	65.36	59.29	65.90	71.77	80.01	78.40	79.38	80.80	74.51	79.97	84.03	86.04	87.99
Saharan Blend – Algeria	59.58	64.30	69.71	70.13	74.05	78.21	73.44	78.60	84.45	94.57	93.15	93.60	96.73	91.51	96.88	98.45	100.85	104.07
OPEC Reference Basket	**54.56**	**58.59**	**63.55**	**64.48**	**66.89**	**71.89**	**68.71**	**74.18**	**79.32**	**88.84**	**87.05**	**88.35**	**90.64**	**85.58**	**90.06**	**92.82**	**94.74**	**97.29**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2007–2008

$/b

Crude/country	2007 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Jan	Feb	Weeks 6–10 (week ending) Feb 8	Feb 15	Feb 22	Feb 29	Mar 7
Arab Heavy – Saudi Arabia	50.21	54.40	59.16	60.07	61.44	64.99	63.55	69.86	73.99	83.96	82.51	82.85	84.96	80.57	84.31	86.99	88.40	90.99
Brega – SP Libyan AJ	57.53	62.30	67.71	67.73	71.90	77.36	71.29	77.42	83.10	93.22	91.85	92.50	95.48	90.26	95.63	97.20	99.60	102.62
Brent – North Sea	57.43	62.15	67.51	67.38	71.55	77.01	70.74	76.87	82.50	92.62	91.25	92.00	94.98	89.76	95.13	96.70	99.10	101.97
Dubai – UAE	55.61	58.80	63.97	64.59	65.79	69.49	67.36	73.36	77.12	86.96	85.79	87.35	89.40	84.74	88.70	91.52	93.09	95.07
Ekofisk – North Sea	58.41	62.84	67.73	68.36	72.09	77.76	72.00	78.08	83.38	93.24	92.12	93.51	96.38	90.96	96.10	98.42	100.81	103.49
Iran Light – IR Iran	53.64	57.92	63.87	64.05	67.99	73.70	69.34	74.88	79.74	89.92	89.12	89.21	91.76	85.84	91.48	94.24	96.36	98.16
Isthmus – Mexico	53.48	56.78	60.60	60.60	65.40	71.11	66.60	72.65	78.79	88.59	87.53	88.07	90.28	84.63	89.50	92.48	95.64	98.14
Oman -Oman	55.82	59.19	64.45	65.04	66.08	70.09	68.34	73.56	77.55	87.16	86.82	88.54	90.12	85.99	89.52	92.05	93.30	96.10
Suez Mix – Egypt	51.38	56.16	61.27	61.34	65.42	71.44	66.94	71.41	76.90	87.60	85.80	86.38	88.49	83.34	88.20	90.27	92.79	94.72
Tia Juana Light[1] – Venez.	51.82	54.90	58.60	58.54	63.31	68.98	64.93	70.69	76.90	86.55	84.73	85.52	87.93	82.43	87.17	90.08	93.15	95.20
Urals – Russia	53.82	58.81	63.92	64.29	67.83	73.90	69.25	73.78	79.52	90.24	89.02	89.22	91.14	86.06	90.94	92.84	95.34	97.34
WTI – North America	59.21	60.63	63.85	63.46	67.44	73.98	72.37	79.69	85.87	94.91	91.69	92.87	95.32	89.05	94.00	98.66	100.84	103.38

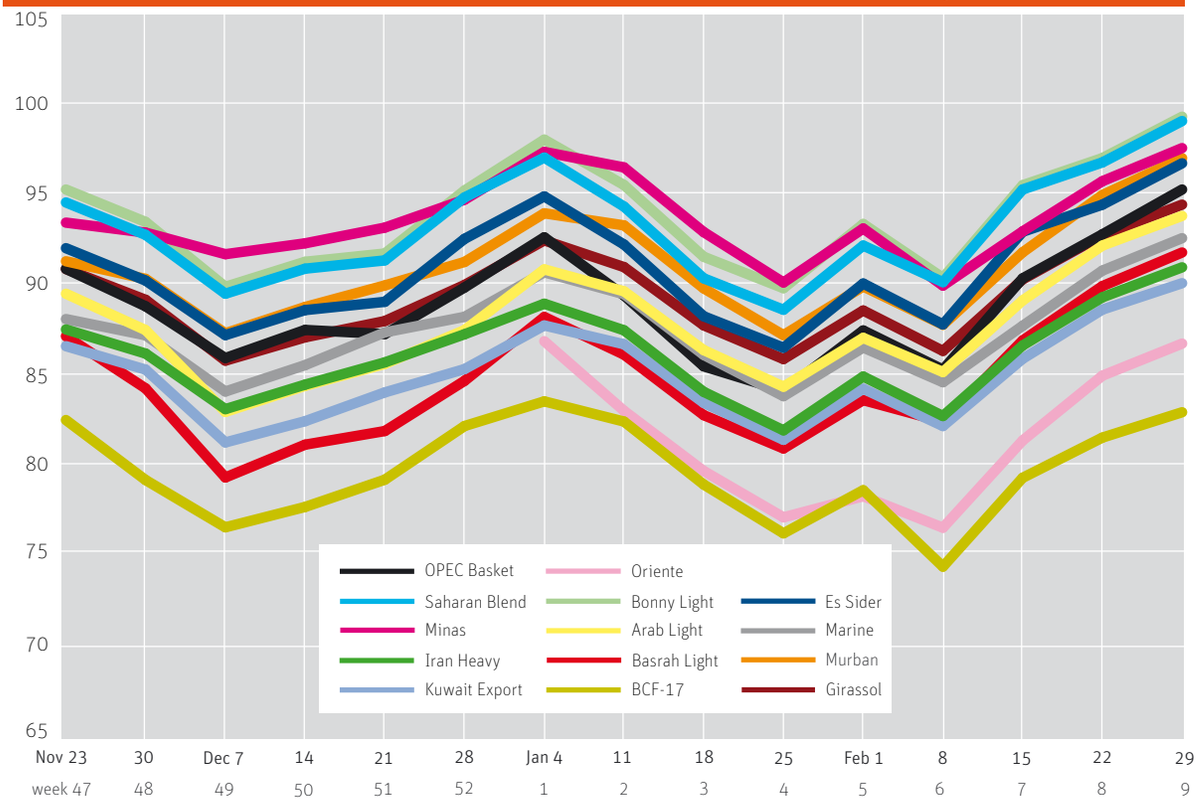
Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 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 OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.

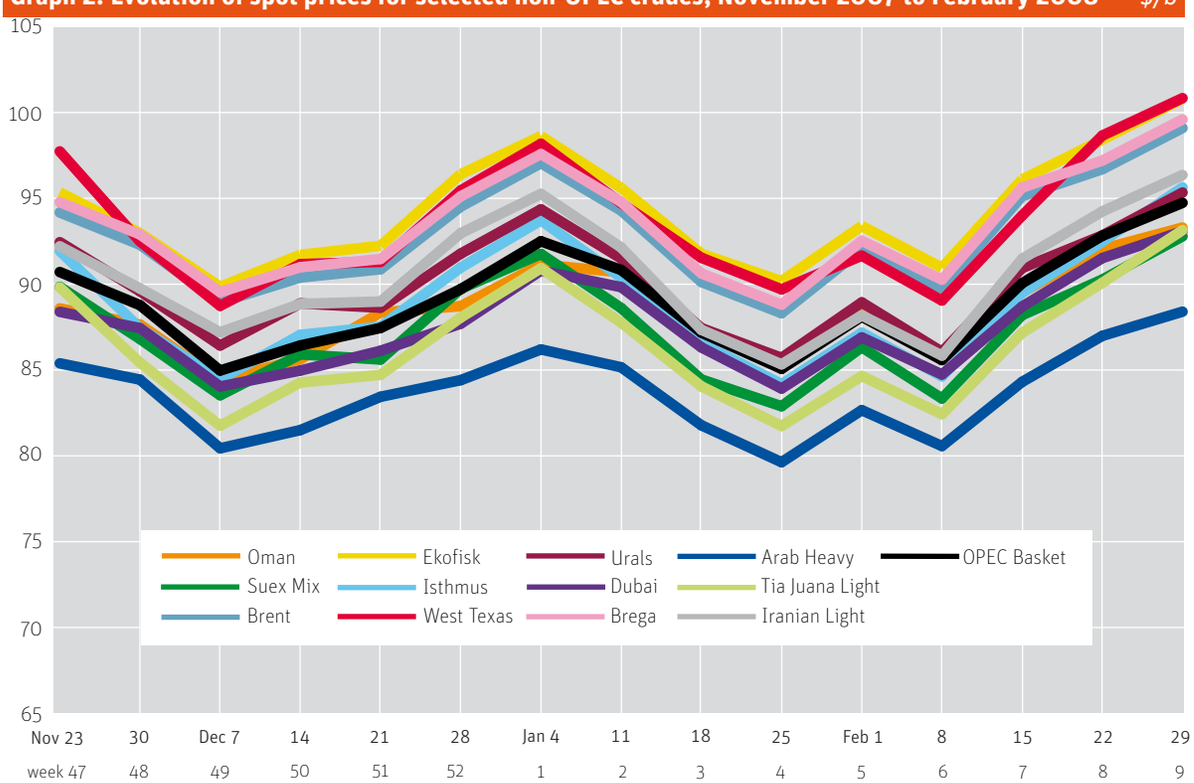
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Reuters; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket crudes, November 2007 to February 2008 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, November 2007 to February 2008 *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the basket 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 OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

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
2007	February	72.25	63.74	71.76	72.51	73.96	34.67	37.99
	March	79.22	73.41	82.57	76.23	76.82	39.24	40.35
	April	86.19	83.57	93.90	81.65	82.71	42.91	46.46
	May	90.03	89.81	100.00	81.72	83.79	45.66	47.33
	June	87.58	85.13	97.59	85.50	87.00	46.72	48.83
	July	89.84	84.15	96.78	89.12	90.01	52.66	54.01
	August	84.70	78.85	90.16	86.40	87.03	54.39	52.23
	September	91.24	84.36	94.47	94.83	93.42	54.49	55.65
	October	97.94	86.55	97.25	99.44	100.40	64.34	62.26
	November	108.46	97.79	109.03	118.34	115.45	72.16	70.61
	December	110.06	94.04	105.68	109.94	111.11	75.17	66.06
2008	January	108.66	93.74	95.82	108.70	109.32	74.81	65.73
	February	109.36	98.52	100.30	115.98	116.97	73.26	64.89

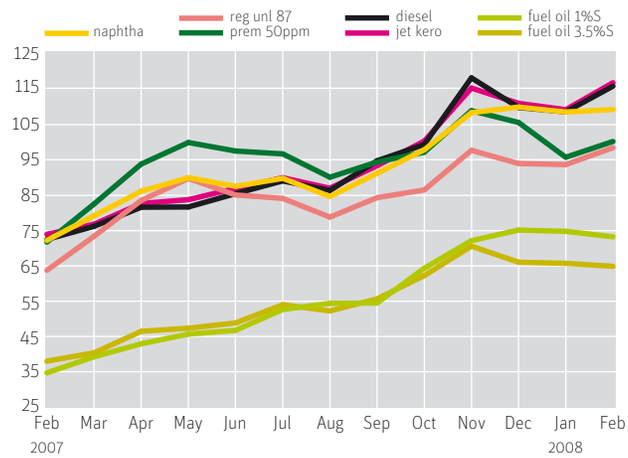


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2007	February	59.53	71.82	70.87	38.20	37.30
	March	65.29	82.23	74.98	41.45	40.93
	April	71.19	93.67	81.44	47.01	46.53
	May	74.42	101.00	82.85	49.97	46.49
	June	72.68	97.63	85.44	52.59	48.68
	July	75.51	96.51	89.63	58.29	53.68
	August	71.54	89.06	87.56	55.92	52.70
	September	77.52	93.63	95.31	58.59	56.10
	October	82.97	96.73	99.29	64.04	62.37
	November	90.71	109.76	117.22	74.37	70.01
	December	92.01	106.35	111.52	73.12	65.28
2008	January	91.81	107.01	109.47	73.04	63.97
	February	92.56	110.83	117.20	72.13	64.09

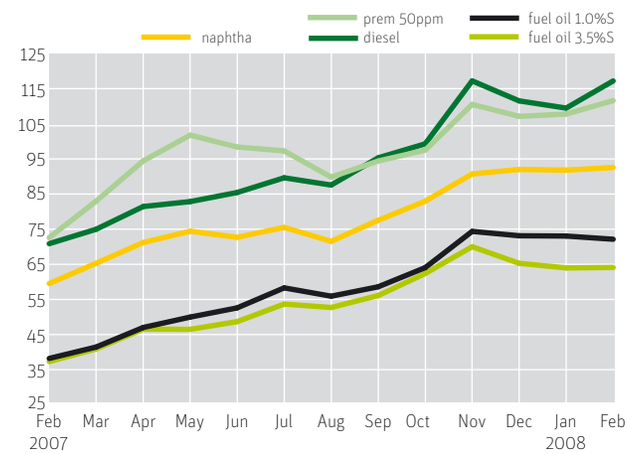
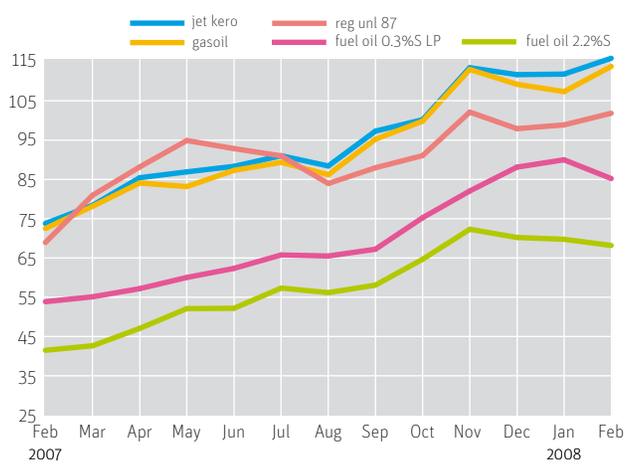


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2007	February	68.93	72.49	73.77	53.86	41.49
	March	80.96	78.14	78.39	55.10	42.63
	April	88.17	84.08	85.43	57.18	47.06
	May	94.90	83.17	86.92	60.03	52.09
	June	92.84	87.29	88.32	62.34	52.18
	July	91.00	89.34	91.03	65.76	57.33
	August	83.95	86.19	88.42	65.49	56.16
	September	87.97	95.23	97.29	67.22	58.08
	October	91.05	99.82	100.20	75.24	64.66
	November	102.14	113.00	113.45	82.05	72.30
	December	97.92	109.23	111.68	88.12	70.22
2008	January	98.88	107.35	111.81	89.99	69.75
	February	101.85	113.77	115.85	85.22	68.18



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
2007	February	65.59	69.62	74.07	37.49	37.14
	March	75.60	72.12	78.27	38.63	38.22
	April	88.22	77.36	86.11	43.06	42.90
	May	81.49	81.02	87.42	48.09	48.05
	June	78.14	83.37	88.28	48.18	48.05
	July	86.29	86.29	90.57	53.33	53.28
	August	74.95	83.03	88.49	52.16	52.11
	September	84.08	91.46	96.31	54.06	54.03
	October	85.92	95.79	100.35	60.66	60.61
	November	95.46	108.38	112.97	68.30	68.09
	December	90.75	106.60	110.05	65.77	65.05
2008	January	94.38	110.58	110.12	65.23	65.00
	February	94.51	115.08	115.52	63.63	63.88

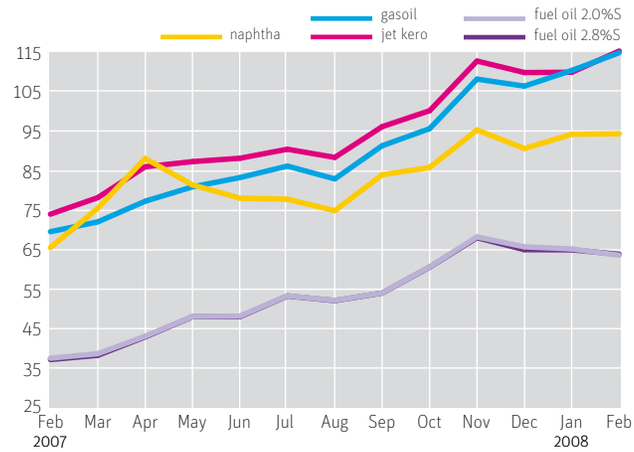


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2007	February	63.81	66.80	65.73	72.22	71.77	44.95	43.70
	March	70.56	76.62	75.52	75.94	75.02	46.26	45.48
	April	74.22	83.49	82.69	83.18	80.91	51.24	50.87
	May	76.73	88.77	87.96	84.47	83.75	51.34	50.82
	June	73.12	84.79	83.82	85.67	83.75	53.37	53.03
	July	75.10	85.35	84.36	89.57	87.16	57.53	57.39
	August	71.34	77.15	76.05	86.33	84.28	56.34	55.71
	September	75.28	82.51	81.35	93.78	90.44	58.90	58.15
	October	81.18	88.71	87.46	98.11	96.62	65.70	65.67
	November	91.38	100.29	98.94	112.26	112.77	74.21	73.95
	December	92.24	98.38	97.09	111.33	108.31	70.37	70.89
2008	January	93.12	100.49	99.56	108.94	106.17	70.04	70.56
	February	94.99	104.97	104.04	114.97	111.03	70.00	70.26

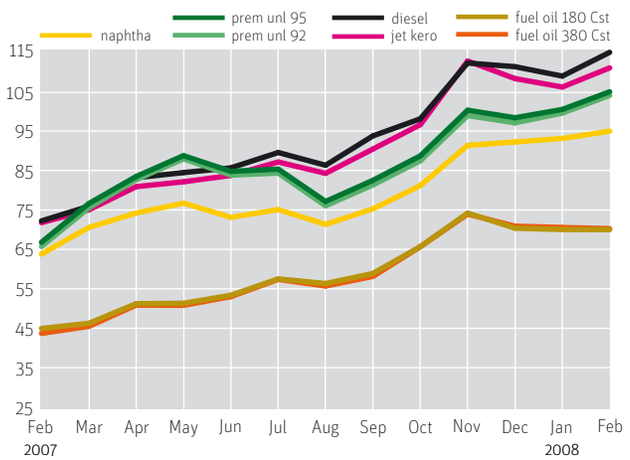
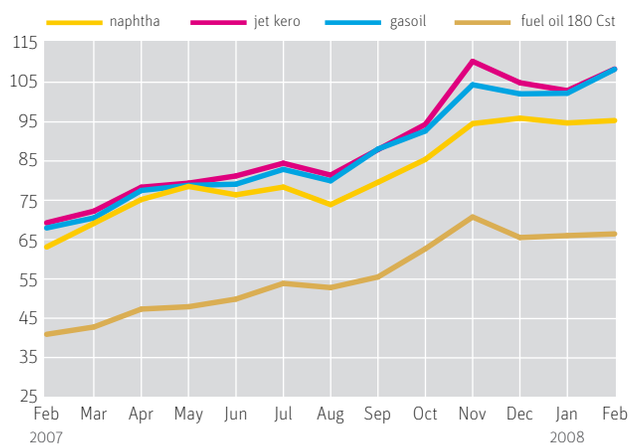


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2007	February	63.11	67.96	69.27	40.90
	March	69.14	70.52	72.24	42.77
	April	75.19	77.50	78.33	47.32
	May	78.52	78.79	79.36	47.92
	June	76.39	79.09	81.19	49.86
	July	78.36	82.85	84.43	53.85
	August	73.90	79.95	81.40	52.78
	September	79.57	88.02	87.89	55.48
	October	85.38	92.62	94.29	62.64
	November	94.50	104.39	110.34	70.75
	December	95.88	102.07	104.89	65.52
2008	January	94.67	102.23	102.90	66.01
	February	95.28	108.33	108.39	66.45



Source: Platts. Prices are average of available days.

Forthcoming events

Asia oil trade and supply 2008, April 21–22, 2008, Singapore. Details: Centre for Management Technology (CMT), 80 Marine Parade Road #13-02, Parkway Parade 449269 Singapore. Tel: +65 6345 7322 / 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

Essentials of gas trading, April 21–22, 2008, London, UK. Details: International Faculty of Finance (IFF), 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Global contract risk management for the oil and gas industry, April 21–22, 2008, Barcelona, Spain. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com or www.marcusevans.com.

2nd Annual Middle East petrochemicals forum 2008, April 21–22, 2008, Doha, Qatar. Details: Jacob Fleming Group, Rossellon 174-176 Ent. 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com, website: www.jacobfleming.com.

ERTC coking and gasification conference, April 21–23, 2008, Rome, Italy. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

3rd International pipeline technology conference 2008, April 21–23, 2008, Hannover, Germany. Details: Deutsche Messe, Messegelände, 30521 Hannover, Germany. Tel: +49 511 90 99222; fax: +49 511 90 99269; e-mail: fandrich@eitep.de; website: www.eitep.com/ptc2008.

Creating a single European energy market, April 22–23, 2008, London, UK. Details: City and Financial, 8 Westminster Court, Hipley Street Old Woking, Surrey GU22 9LG, UK. Tel: +44 1483 720 707; fax: +44 1483 740 603; e-mail: info@cityandfinancial.com; website: www.cityandfinancial.com.

MENA Nuclear energy forum, April 22–23, 2008, Cairo, Egypt. 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.

NexGen bio-ethanol, April 22–23, 2008, Bangkok, Thailand. Details: Centre for Management Technology (CMT), 80 Marine Parade Road #13-02, Parkway Parade 449269 Singapore. Tel: +65 6345 7322 / 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

World energy dialogue, April 22–23, 2008, Hannover, Germany. Details: Deutsche Messe, Messegelände, 30521 Hannover, Germany. Tel: +49 511 89 31156; fax: +49 511 89 31302; e-mail: internetteam@messe.de; website: www.hannovermesse.de

LNG 2008, April 23–24, 2008, 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; web: www.smi-online.co.uk.

Risk management in gas trading, April 23–24, 2008, London, UK. Details: International Faculty of Finance (IFF), 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Rockies gas and oil, April 24–25, 2008, 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.

ERTC hydrocracking, May 4–6, 2008, Bahrain. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

Offshore technology conference 2008, May 5–8, 2008, Houston, Texas. Details: Offshore Technology Conference, 222 Palisades Creek Drive, Richardson, Texas, USA 75080-2040. Tel: +1 972 952 9494; fax: +1 972 952 9435; e-mail: service@otcnet.org; website: www.otcnet.org.

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Power 2008, May 6–9, 2008, Prague, Czech Republic. Details: Worldwide Business Research, Anchor House, 15-19 Britten Street, London, SW3 3QL, UK. Tel: +44 20 7368 9400; fax: +44 20 7368 9401; e-mail: power@wbr.co.uk; website: www.wbr.co.uk.

Biomass to liquids, May 7, 2008, 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; web: www.smi-online.co.uk.

Advanced biofuels, May 7–8, 2008, San Francisco, CA, 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.

Biofuels — markets, technology and issues, May 8, 2008, 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; web: www.smi-online.co.uk.

8th World GTL summit, May 12, 2008, London, UK. 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.

MENA drilling technology forum, June 1–4, 2008, Doha, Qatar. Details: Jacob Fleming Group, Rossellon 174-176 Ent. 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com, website: www.jacobfleming.com.

Olefins market dynamic, June 2–3, 2008, Brussels, Belgium. 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.

Fundamentals of the oil and gas industry, June 2–4, 2008, London, UK. Details: The Petroleum Economist Ltd; 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

Refining management forum, June 2–4, 2008, Copenhagen, Denmark. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

NIOC IOC 2008, June 3, 2008, Surrey, UK. 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.

15th Caspian international oil and gas exhibition and conference, June 3–6, 2008, Baku, Azerbaijan. 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.

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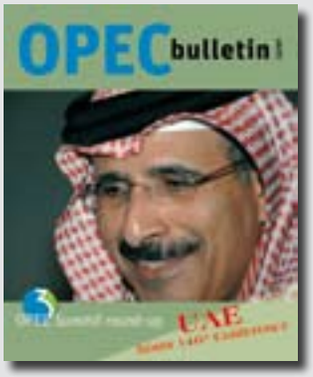

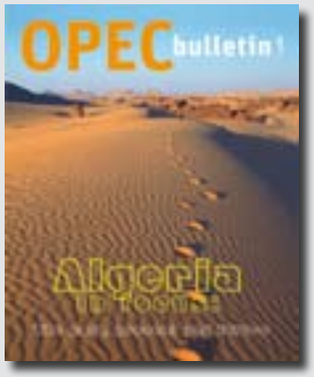

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