OPEC bulletin

4/10

SUPPORTING STABILITY
1960-2010
FUELLING PROSPERITY

156th OPEC Conference: Headquarters inaugurated

Inauguration day and OPEC's brighter future

When the big day came, everything went as planned. But this came as no surprise, with the meticulous preparation that had been the hallmark of the success of the entire venture.

The inauguration of the OPEC Secretariat's new home in the heart of Vienna on March 17 was a memorable occasion for all those attending the special ceremony, which attracted top officials from the Organization, host country Austria and other international bodies based in the historic city.

It marked the culmination of a quest for a new headquarters building that had begun late last century, but had received its vital conclusive impetus from the arrival of Secretary General, Abdalla Salem El-Badri, in 2007, with the full support of the Federal Republic of Austria and the City of Vienna.

Under his guiding hand, the project took shape and was steered through to completion on November 30, 2009, when the staff moved in for their first day of work in the state-of-the-art premises tailored to the Secretariat's specific needs. El-Badri warmly praised the staff and associated outside parties for their hard work and dedication to the success of the venture.

The impact of the new premises on staff morale was immediate. There was the feel-good factor of having brand new, congenial surroundings. And there were the practical benefits of working in an environment better equipped to cope with the hectic demands of life in today's fast-paced, constantly evolving energy sector.

With enhanced morale comes enhanced performance — and the enhanced ability to meet the endless cascade of challenges that characterise the oil industry and related areas, such as sustainable development and environmental harmony.

Furthermore, the mid-March inauguration had an inherent symbolism, in taking place both at the start of a new decade and at an early stage of OPEC's 50th anniversary year.

This trilogy of circumstance is suggestive of reflection, the consolidation of basic principles, a willingness for change, a reassessment of corporate vision and a reaffirmation of solidarity, as well as renewed energy, drive and ambition for the future.

When El-Badri cut the ribbon in the red-carpeted lobby of the new building to conclude the inauguration ceremony, he was, by that very act, acknowledging the coalescence of these virtues and the responsibilities they instil in OPEC and its Member Countries, as the Secretariat settles into its day-to-day tasks in the new premises.

The commitments and responsibilities which OPEC and its Member Countries have undertaken over the past half-century remain as valid and as crucial today as they did in Baghdad on September 10–14, 1960. What is more, they have grown in number, diversified and intensified, in line with the evolution of the energy landscape in the years since.

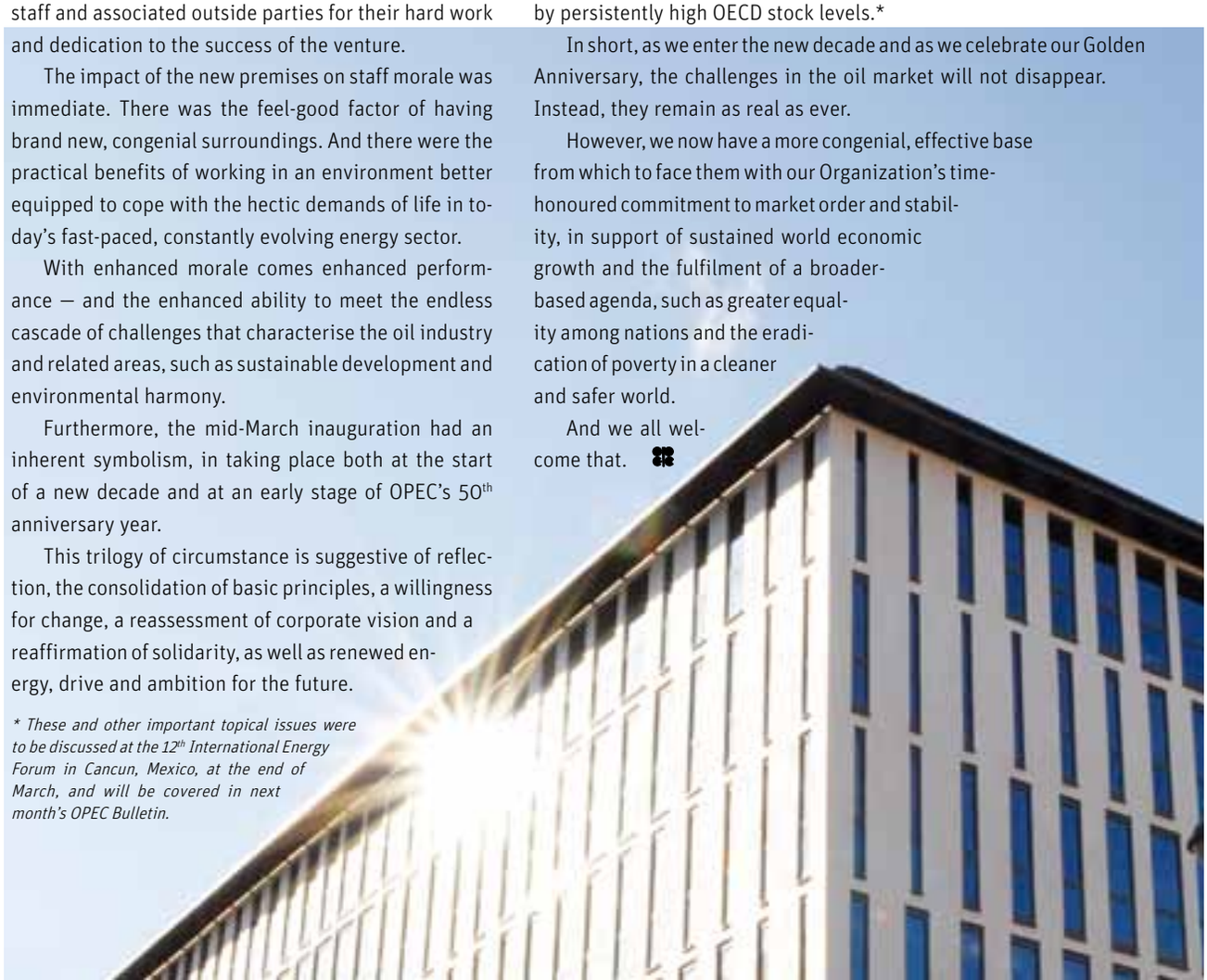
Meanwhile, in the world at large, life goes on as usual. This is as true for the international oil market as it is for any other business sector, as was seen at the 156th Meeting of the Conference, which took place on the same day as the inauguration.

The Conference reminded us that serious threats to the oil market are still apparent at the present time, with mounting public debt in the most advanced economies, the possible tightening of fiscal and monetary policy, high unemployment, persistent global imbalances and rising protectionism. Closer to home, there is weak oil demand, while there is the possibility that rising non-OPEC supply may lead to a decline in the call for OPEC crude for the third successive year; indeed, this situation is likely to be compounded by persistently high OECD stock levels.*

In short, as we enter the new decade and as we celebrate our Golden Anniversary, the challenges in the oil market will not disappear. Instead, they remain as real as ever.

However, we now have a more congenial, effective base from which to face them with our Organization's time-honoured commitment to market order and stability, in support of sustained world economic growth and the fulfilment of a broader-based agenda, such as greater equality among nations and the eradication of poverty in a cleaner and safer world.

And we all welcome that.



** These and other important topical issues were to be discussed at the 12th International Energy Forum in Cancun, Mexico, at the end of March, and will be covered in next month's OPEC Bulletin.*

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This month's cover shows the cutting of the ribbon during the inauguration of OPEC's new Headquarters (see story on page 4).
Photo: Diana Golpashin.

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

Contributions

The OPEC Bulletin welcomes original contributions on the technical, financial and environmental aspects of all stages of the energy industry, research reports and project descriptions with supporting illustrations and photographs.

Editorial policy

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Months of preparation culminate in grand opening ceremony

OPEC officially inaugurates new state-of-the-art Headquarters

At the opening: Germánico Pinto (c), OPEC Conference President and Ecuador's Minister of Non-Renewable Natural Resources; Dr Michael Spindelegger (second left), Austria's Minister for European and International Affairs; Dr Michael Häupl (second right), Mayor and Governor of the City of Vienna; Abdalla Salem El-Badri (r), OPEC Secretary General; Ahmed Mohamed Elghaber (l), SP Libyan AJ Governor for OPEC and Chairman of the OPEC Board of Governors.

The official inauguration of OPEC's new state-of-the-art headquarters in Vienna's historic First District took place on March 17 during the 156th Meeting of the OPEC Conference.

Cutting the ribbon during the Organization's 50th Anniversary year was OPEC Secretary General, Abdalla Salem El-Badri, who, along with OPEC Conference President, Germánico Pinto, hosted the event. It was attended by many dignitaries and high-level officials, including Austria's Minister for European and International Affairs, Dr Michael Spindelegger, on behalf of the host government, while the City of Vienna was represented by its Mayor and Governor, Dr Michael Häupl.

"This is a landmark year for OPEC and I am happy to say that our Organization now has a building it can be truly proud of. It is a fitting setting from which to celebrate our 50th Birthday," Pinto, who is Ecuador's Minister of Non-Renewable Natural Resources, said in his inaugural address.

"From here, in Vienna's historic centre, our 12 Member Countries will together continue to face the ever-more complex challenges confronting the global energy industry of today. We will strive — as we have done for the past half century — to bring stability to the global oil market and to support growth and development all around the world," he affirmed.

Spindelegger, who was appointed to his current post in December 2008, said the inauguration of OPEC's new, state-of-the-art premises was a symbol of the fruitful cooperation that the Organization and Austria had enjoyed since the establishment of the OPEC Secretariat in Vienna 45 years ago.

"This is a historic day in the partnership between OPEC and Austria and a good start for the festivities marking OPEC's 50th Anniversary. The premises, however, do not only represent an impressive new home for OPEC, they will also enhance the Organization's capacity to carry out its mandate even more effectively for the next 50 years — as we hope — and beyond," he stated in his address to delegates.

Meanwhile, Häupl, Mayor of Vienna since 1994 and described as a "friend of OPEC and other international organizations in Vienna", stressed: "The presence of international organizations such as OPEC in the Austrian capital has enriched the cultural diversity of the city, as well as adding an important economic factor.

"This year, we celebrate the 50th anniversary of the founding of OPEC. We all know about its importance for the world economy. The policies and production quotas of its Member States have been coordinated in Vienna for more than four decades now. It is a great privilege for our city that OPEC has had its headquarters in Vienna for 45 years, already," he said.

Other distinguished guests attending the inauguration included ambassadors from several non-OPEC producing countries, as well as the heads or high-ranking representatives of several international organizations based in the Austrian capital. These included Suleiman Jasir Al-Herbish, Director General of the OPEC Fund for International Development (OFID), Joshiteru Uramotu, Deputy Director General of the United Nations Industrial Development Organization (UNIDO), Professor Detlof von Winterfeldt, Director of the International Institute for Applied Systems Analysis (IIASA) and Marc Perrin de Brichambaut, Secretary General of The Organization for Security and Cooperation in Europe (OSCE).

OPEC's new eight-storey building was actually opened for business at the end of November last year, but the Organization wanted to wait until its Oil and Energy Ministers came for their first Conference in 2010 to officially mark the event.

The Organization moved to the new Headquarters from its Secretariat across the Danube Canal, in the Second District, which it had occupied since March 1977.

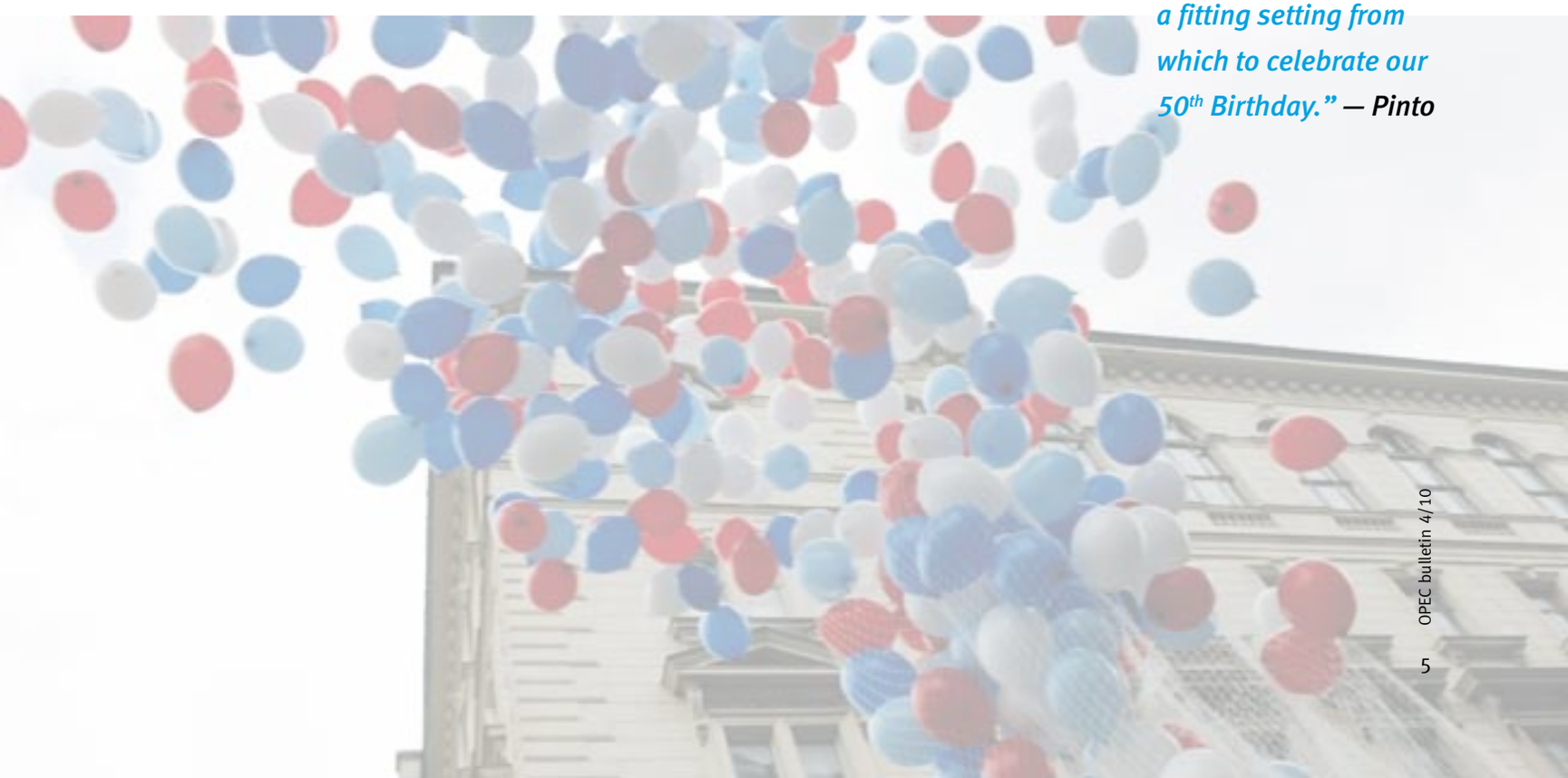
Founded in Baghdad, Iraq in September 1960, OPEC initially had its offices in Geneva, Switzerland. It moved to Vienna in 1965, at first occupying premises in the central First District.

Since moving from the Secretariat at Obere Donaustrasse 93 last year, the three-storey building has been completely demolished. A large gap now exists between the multi-storey office blocks of the Raiffeisenbank on the left and IBM on the right.

The vacant plot will eventually be occupied by a 78-metre high skyscraper belonging to the bank, which bought the old Secretariat building in 2007.

The inauguration of the new OPEC building was conducted during an adjournment of the OPEC Conference. Officiating over the ceremony was Fuad Al-Zayer, Head of the Organization's Data Services Department, and Chairman of the Inauguration Taskforce.

"This is a landmark year for OPEC and I am happy to say that our Organization now has a building it can be truly proud of. It is a fitting setting from which to celebrate our 50th Birthday." — ***Pinto***



"The presence of international organizations such as OPEC in the Austrian capital has enriched the cultural diversity of the city, as well as adding an important economic factor." — ***Häupl***

Following a film documenting the history of the buildings OPEC has occupied since its inception, two special events were used to mark the inauguration and the Organization's Anniversary year.

During the first event, El-Badri, assisted by Spindelegger and Häupl, unveiled a set of 50th Anniversary commemorative postage stamps, carrying the official logo design that is being used by the Organization throughout 2010.

Master of ceremonies at the inauguration, Fuad Al-Zayer, Head of OPEC's Data Services Department.

"These stamps, which will no doubt be used to speed correspondence across international boundaries, are a fitting way to celebrate an Organization that has worked so hard to promote dialogue and effective communication throughout its history," Al-Zayer told guests assembled in OPEC's new Conference room.

The second event saw OPEC's most senior Minister, Abdullah bin Hamad Al Attiyah, Deputy Premier and Minster of Energy and Industry of Qatar, click a computer mouse that officially launched the Organization's new and improved Website.

Commented Al-Zayer "We might be visited in our new building by thousands of visitors every year — but we also exist in virtual space at www.opec.org, where we receive millions of visitors."

He pointed out that in recent months, staff at the OPEC Secretariat had been working to enhance the look and quality of this virtual space, making it better fit in line with OPEC's new 'modern' physical space.

"We hope that you will agree that, just like our new Secretariat, our new Website will be a fitting representation of our Organization," he added.

The official cutting of the ribbon by El-Badri was made in the main lobby of the building and was accompanied by the release of festive balloons. Guests were then invited to attend an inauguration lunch in the adjacent Vienna Börsesaal.

The move to new premises on the corner of Helferstorferstrasse and Wipplingerstrasse, between the old Stock Exchange and Vienna University's modern Faculty of Law, was deemed essential for supporting OPEC's ever-demanding workload.

The facilities have been tailored to the Organization's increasing requirements to better equip it to meet the many challenges facing the industry in the 21st century.

The new building has eight upper floors, a ground floor and a basement, car parks and storage facilities below. Its total usable area comprises around 9,000 square metres and is ample for the Secretariat's 138 staff members, allowing for expansion in the future.

Work began on the premises in January 2007 with the demolition of the old building, which had previously housed the Austrian Association of Trade Unions. The lease agreement between OPEC and the owner, Euro-PRISA, was signed in September of that year.

It was followed by a special signing ceremony marking the amendment of the Headquarters Agreement between the Republic of Austria and OPEC at the Federal Ministry for European and International Affairs in Vienna.

Signatories to the Protocol were El-Badri and Spindelegger, who, at the time, described the move as opening a new chapter in relations between Austria and OPEC. Also present was Ambassador Ernst-Peter Brezovszky, Head of the Ministry's Department for International Conferences and International Organizations, who led the Austrian side of the venture.

OPEC formally took possession of the new building in October last year. Under the leadership of the Secretary General, various committees and teams were set up to plan the move, oversee its execution and coordinate with the numerous outside parties involved.

"This is a historic day in the partnership between OPEC and Austria and a good start for the festivities marking OPEC's 50th Anniversary."

— ***Spindelegger***

In the final build-up to the relocation, 'move coordinators' were appointed for each office and department of the Secretariat, to liaise with the staff at a more direct, localized level.

The new building's architects were Atelier Hayde Architekten from Vienna's 15th district, while a consortium carried out the construction. Bene Consulting was responsible for the interior design and logistics of the move, ACP for the IT work and several companies for the audio-visual arrangements.

OPEC, which will officially turn 50 on September 14, is planning several other activities this year to mark its Anniversary, including cultural exhibitions, special publications, and a high-level symposium.

New Headquarters will enhance OPEC's work — Conference President

OPEC's new Headquarters will provide the environment needed to support the Organization's work in the years ahead as its role and responsibilities continue to grow in importance, according to Germánico Pinto, OPEC Conference President.

"As we prepare to formally declare our new building open, I would like to say how pleased I am that today, our many months — and even years — of planning have yielded the desired results," he told delegates and officials assembled in the Organization's new and spacious Conference room.

"This is a landmark year for OPEC and I am happy to say that our Organization now has a building it can be truly proud of. It is a fitting setting from which to celebrate our 50th Birthday."

Pinto, who is Ecuador's Minister of Non-Renewable Natural Resources, said that from Vienna's historic centre, OPEC's 12 Member Countries would together continue to face the ever-more complex challenges confronting the global energy industry today.

"We will strive — as we have done for the past half century — to bring stability to the global oil market and to support growth and development all around the world," he affirmed.

In paying tribute to the host country, Pinto pointed out that OPEC would not be in Vienna were it not for the generosity and continued support of the people and Government of the Republic of Austria and the authorities of the City of Vienna.

"We are very pleased that our longstanding relationship is still as strong as ever and we look forward to many more years of cooperation," he told Austria's Minister for European and International Affairs, Dr Michael Spindelegger, and Vienna's Mayor, Dr Michael Häupl, who were both in attendance, representing their country.


Germánico Pinto

Pinto also extended a warm welcome to the heads of other international organizations based in Vienna that were present at the inauguration.

"Thank you for helping us to celebrate. And I am sure you will second my remarks about the generosity of Austria and Vienna — we are all privileged to be based in such a historic, beautiful and supportive country and city," he said.

The OPEC Conference President then went on to pay tribute to those involved in the move from the old Secretariat in the Second District to the new Headquarters.

"The seamless move from our previous home on Obere Donaustrasse was only possible thanks to the careful planning and hard work of a dedicated OPEC staff, under the expert guidance of the Secretary General.

"Overcoming logistical challenges and managing something so complex, with such comfort, is testimony to the ability of our staff, the Austrian Government and the City of Vienna. I would like to thank you all for such a concerted effort," he said.

After running through the programme of activities planned for the inauguration, Pinto concluded: "Excellencies, ladies and gentlemen, thank you for helping us to celebrate another new beginning for OPEC. Please join me in wishing all those who work here a very successful future."

Dr Michael Spindelegger

OPEC plays pivotal role in securing energy stability — Austrian Minister

Austria's Minister for European and International Affairs has praised OPEC for the pivotal role it has played over the years in stabilizing global energy markets, as well as ensuring secure and timely oil supplies to consumers and a steady income for producers.

Dr Michael Spindelegger, in representing host country, Austria, at the ceremony marking the official inauguration of OPEC's new Headquarters, said that over the 50 years of its existence, stability of global energy markets had become a main focus of OPEC's planning and coordinating activities.

"Market and price volatility, with its disturbing, disruptive and damaging effects on both economic growth and investment in the energy industry, which is so vital for future supply at affordable prices, have been addressed by the Organization," he stressed.

"This is especially true with regard to OPEC's efforts to counter the erratic ups and downs of prices, as well as of demand in a volatile crisis-stricken financial and economic environment," he added.

At the present moment in time, continued Spindelegger, when the world was slowly emerging from recession, the strong stabilizing role of OPEC was of even greater importance.

"In carrying out this role, to contribute to a more secure, stable and sustainable world, OPEC has chosen the avenue of engaging in and promoting an enhanced dialogue between all stakeholders, consumer and producer countries, and international organizations," he noted.

Spindelegger noted that enhanced energy dialogue with consumer, producer and transit countries was also at the heart of the European Union's new energy policy.

"I am happy to note that in this context, a meaningful dialogue between the EU and OPEC has been initiated to control market volatilities and foster cooperation.

"That the EU representation is your direct neighbour here should augur well for this cooperation," he added, referring to the fact that the EU's offices in Vienna were situated next door to the new OPEC building.

"I would also like to welcome the informal dialogue on energy issues which has recently been initiated between the Vienna-based international organizations with energy mandates, such as the United Nations Industrial Development Organization (UNIDO), the International Atomic Energy Agency (IAEA), the Organization for Security and Cooperation in Europe (OSCE), the Renewable Energy and Energy Efficiency Partnership (REEEP), and Energy Community, Vienna," he said.

Spindelegger said he was very impressed with OPEC's new state-of-the-art premises, adding that their inauguration was a symbol of the fruitful cooperation that OPEC and Austria had had since the establishment of the OPEC Secretariat in Vienna 45 years ago.

"As a result of joint efforts between the OPEC Secretariat, the Austrian Government and the City of Vienna over the last years, we have succeeded in finding — and I am sure I can say so for all involved — an excellent solution," he said.

"This is a historic day in the partnership between OPEC and Austria and a good start for the festivities marking OPEC's 50th anniversary. The premises, however, do not only represent an impressive new home to OPEC, they will also enhance the Organization's capacity to carry out its mandate even more effectively for the next 50 years — as we hope — and beyond."

He concluded: "Let me once again congratulate you on the inauguration of the new premises and let me assure you that we will continue our support for you and your staff in the future. May the modernity of the building be a symbol of the constant reinvigoration of our partnership."

OPEC a valuable asset for Austria
— Viennese Mayor


Dr Michael Häupl

The presence of OPEC and so many other international organizations and their staff in Vienna is a very valuable asset for Austria and its federal capital, according to the city's Mayor and Governor, Dr Michael Häupl.

Addressing the inauguration ceremony for OPEC's new Headquarters, he said: "This is why we will continue to put all our efforts into making Vienna a second home for the people who represent their organizations and countries here with so much commitment."

Häupl, who has been Mayor of Vienna since 1994, pointed out that OPEC, the United Nations and the International Atomic Energy Agency were the clearest signs of "our successful efforts to establish Vienna as an international hub."

He stressed that the many international organizations based in Vienna, as well as their staff, had contributed a lot to Austria's great reputation in the world.

"They are also an important economic factor for our city. What is even more important for Vienna is that the presence of international organizations such as OPEC has enriched the cultural diversity of our city," he maintained.

"This year, we celebrate the 50th Anniversary of the founding of OPEC. We all know about its importance for the world economy. The policies and production quotas of OPEC Member States have been coordinated in Vienna for more than four decades now. It is a great privilege for our city that OPEC has had its Headquarters in Vienna for 45 years, already," he affirmed.

Häupl noted that more than 140 OPEC employees from 37 countries had found a second home in Vienna.

"We cordially welcome them to our city and we are happy that Vienna is a great place to work and live, for so many people from all parts of the world.

"We all know that Vienna has a very high quality of living. It ranks first on the Mercer quality of living index, and we are very proud of this result, which is, at the same time, a great challenge for us," he said.

Häupl said he wanted to wish all employees at the new OPEC Headquarters all the best and every possible success for their services on behalf of the international community of states.

Many members of the press attended the inauguration ceremony.

The inauguration ceremony conducted in the new Conference room.

The OPEC 50th anniversary stamp is unveiled.

Abdullah bin Hamad Al Attiyah (c), Deputy Premier, Minister of Energy & Industry of Qatar, who launched the new OPEC Website.

Ministers and delegates viewing an OPEC 'Wall of History', located outside the Conference room.

At the official ribbon-cutting ceremony are (r–l) Germánico Pinto, OPEC Conference President and Ecuador's Minister of Non-Renewable Natural Resources; Abdalla Salem El-Badri, OPEC Secretary General; Dr Michael Spindelegger, Austria's Minister for European and International Affairs; Dr Michael Häupl, Mayor and Governor of the City of Vienna; accompanied by other OPEC Ministers and officials.

Cutting the ribbon is Abdalla Salem El-Badri, OPEC Secretary General, assisted by (l–r): Dr Michael Häupl, Mayor and Governor of the City of Vienna; Dr Michael Spindelegger, Austria's Minister for European and International Affairs; Abdullah bin Hamad Al Attiyah (background), Deputy Premier, Minister of Energy & Industry of Qatar; Germánico Pinto, OPEC Conference President and Ecuador's Minister of Non-Renewable Natural Resources.

Right and below: OPEC Ministers and Heads of Delegation gather for group photos after the inauguration and ribbon-cutting ceremonies.

Above and left: Celebratory ballons are released as Ministers and Heads of Delegation watch, after declaring the new OPEC Headquarters officially open.

Right: Abdalla Salem El-Badri (l), OPEC Secretary General, seen with Dr Michael Häupl (r), Mayor and Governor of the City of Vienna, during the luncheon after the inauguration ceremony.

156th Conference leaves production ceiling unchanged

OPEC exercises caution over economic recovery

"While the global economy is clearly rebounding from the late 2008 and early 2009 recession, with continued positive signals coming from the manufacturing and services sectors, serious threats remain." — communiqué

OPEC's Oil and Energy Ministers, meeting for the first time in their new Headquarters in Vienna's First District in March, again decided to leave the Organization's oil production ceiling unchanged as concerns over the extent of the global economic recovery continued to weigh on the market outlook.

The 156th Meeting of the OPEC Conference agreed that the existing output ceiling of 24.845 million barrels/day for 11 of the Organization's 12 Member Countries (Iraq is exempt) should remain in force for the foreseeable future while "serious threats" remained about the world economy as it came out of recession.

This course of action was recommended by the Organization's Ministerial Monitoring Sub-Committee (MMSC), which customarily meets ahead of the Conference to examine Member Countries' oil output levels and to assess market conditions.

Comprising the delegations of Nigeria, Kuwait and Iran, together with the Secretary General, the MMSC said there was no need to change the ceiling in the current economic environment and oil market conditions.

Oil demand remained subdued, while supplies were more than covering requirements. The Sub-Committee also called for stricter compliance by OPEC Member Countries to individual production allocations.

The latest decision means that the existing OPEC ceiling has been left intact since December 2008, when the Conference decided in Oran, Algeria, to reduce OPEC's production by 4.2m b/d in response to a sharp decline in oil demand, brought on by the financial crisis and the subsequent worst global recession in 70 years.

In maintaining the status quo on production, OPEC has once again demonstrated the cautious approach adopted by its Members throughout the financial meltdown and recessionary period. The Organization has received widespread praise for the manner in which it has responded to the crisis, implementing decisions that have aided the economic recovery.

Uppermost in the minds of the Ministers has been an overriding determination to ensure that any decision the Organization takes must not hinder the recovery, which is still considered fragile with many potential pitfalls, as

Pictured during the opening ceremony of the 156th OPEC Conference are Germánico Pinto (c), OPEC Conference President and Ecuador's Minister of Non-Renewable Natural Resources; Abdalla Salem El-Badri (r), OPEC Secretary General; Ahmed Mohamed Elghaber, SP Libyan AJ Governor for OPEC and Chairman of the OPEC Board of Governors.

attested to in a communiqué issued by OPEC after the Meeting.

"While the global economy is clearly rebounding from the late 2008 and early 2009 recession, with continued positive signals coming from the manufacturing and services sectors, serious threats remain," it said.

Public debt a problem

After reviewing, in closed-session talks, the customary Secretariat reports covering oil market developments and the outlook for 2010, in particular supply/demand projections, the Ministers agreed that there were still considerable downside risks to the recovery.

These, said the communiqué, included the mounting and potentially unsustainable public debt in the most advanced economies; a degrading fiscal position that might lead OECD governments to tighten fiscal and monetary policy, despite rising unemployment; weak demand; persistent global imbalances; and rising protectionism.

"Looking at the overall economy right now … there are signs, very clear signs that we are coming out of the difficulties that appeared with the financial crisis. And this is good news for everybody," said OPEC Conference President, Germánico Pinto, who is Ecuador's Minister of Non-Renewable Natural Resources.

He told a press conference after the Meeting that in terms of the numerous stimulus packages implemented by governments to help correct the financial imbalance, "I think we have to assess the real economic situation and see what will happen when the stimulus packages are removed."

He continued: "We do expect the situation to get better and better and maybe the stimulus packages, which were really necessary during the crisis, will continue, depending on each government's viewpoint.

"But I do think the decisions each government takes on removing the stimulus packages will correspond to the fact that they feel the economy is really coming out of recession," he added.

The Conference President's remarks were backed by

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1. Dr Chakib Khelil, Algeria's Minister of Energy & Mines.

2. Eng José Maria Botelho de Vasconcelos (l), Angola's Minister of Petroleum; Félix Manuel Ferreira, Angola's Governor for OPEC.

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

4. Sheikh Ahmad Abdullah Al-Jaber Al-Ahmad Al-Sabah, Kuwait's Minister of Oil and Minister of Information.

5. Dr Hussain Al-Shahristani, Iraq's Minister of Oil.

6. Eng José Maria Botelho de Vasconcelos (l), Angola's Minister of Petroleum; Dr Chakib Khelil (c), Algeria's Minister of Energy & Mines; Mohamed Bin Dhaen Al Hamli (r), the United Arab Emirates Minister of Energy.

7. Mohamed Bin Dhaen Al Hamli, UAE Minister of Energy.

8. Dr Rilwanu Lukman (c), Nigeria's Minister of Petroleum Resources; Mohammed Sanusi Barkindo (l), Nigeria's Governor for OPEC; and Suleman Ademola Raji, Nigeria's OPEC National Representative.

9. The Ecuadorean Delegation with Eng Alecksey Mosquera (c); Ambassador to Austria and OPEC Governor, Dr Diego Stacey (r); and Ivonne A-Baki (l), President of the Negotiation Group of Yasuni-ITT.

10. Masoud Mir-Kazemi (c), IR Iran's Minister of Petroleum and Alternate President of the OPEC Conference, with the Iranian Ambassador to Austria, Dr Ali Asghar Soltanieh (l); and H Nejabat, Member of the Iranian Parliament.

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

Top left: Abdullah bin Hamad Al Attiyah, Qatar's Deputy Premier, Minister of Energy & Industry.

Above: Ali I Naimi (c), Saudi Arabia's Minister of Petroleum & Mineral Resources; HRH Prince Abdulaziz Bin Salman (l), Saudi Arabian Assistant Minister of Petroleum and Mineral Resources; Mansour Bin Khalid Al-Farhan (r), Saudi Arabia's Ambassador to Austria.

Left: Germánico Pinto, OPEC Conference President and Ecuador's Minister of Non-Renewable Natural Resources; Abdalla Salem El-Badri, OPEC Secretary General.

Right: Dr Bernard Mommer, Venezuela's Governor for OPEC and Head of its Delegation.

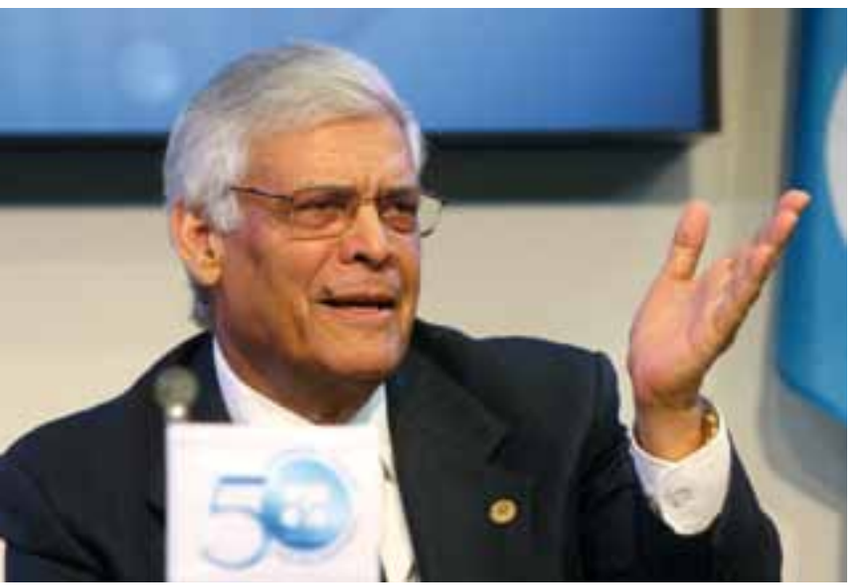
Below: Journalists talk to Ministers ahead of the opening of the plenary session of the Conference.

Below right: OPEC Ministers during their closed session talks.

Left: Abdalla Salem El-Badri, OPEC Secretary General, answering a question from a member of the press during the opening of the Conference.

Below: Management Members of OPEC's Research Division — (l–r) Oswaldo Tapia, Head, Energy Studies Department; Fuad Al-Zayer, Head, Data Services Department; Mohammad Alipour-Jeddi, Head, Petroleum Studies Department; Dr Hasan M Qabazard, Director, Research Division.

"I think we have to assess the real economic situation and see what will happen when the stimulus packages are removed." — Pinto



"Global oil reserves will not be depleted in the foreseeable future and if we look at the technology that is being introduced throughout the world, the recovery rate for oil is actually improving." — El-Badri

Continued from page 15.

OPEC Secretary General, Abdalla Salem El-Badri, who told newsmen that the Organization felt that the current return to economic growth being witnessed in parts of the world was being driven by the stimulus packages.

"We are therefore watching very carefully when governments exit these stimulus packages. I am sure they are talking about it right now, but we do not know when the exits will be made," he said.

However, El-Badri said he was confident that the governments involved would proceed carefully and the exits would be made gradually.

The Conference also expressed concerns over world oil demand. Although it was now projected to increase by 900,000 b/d during 2010, the communiqué observed that the rise would be more than offset by an expected increase in non-OPEC supply.

"This means that 2010 is likely to witness a decline in demand for OPEC crude oil for the third consecutive year," it said.

In addition, there had been a contra-seasonal stock-build in the first quarter of the year and the overhang in terms of forward cover was expected to continue throughout 2010. This, said the communiqué, was evidenced by

the persistently high OECD inventory levels, which were estimated to stand at 59–61 days of forward cover — well above the five-year average.

Members pledge commitment

El-Badri told the press conference that normal forward cover was usually around 52 days. "The world is full of oil and products," he added.

Said the communiqué: "In the light of the foregoing, the Conference again decided to maintain the current oil production ceiling unchanged."

Member Countries pledged to comply fully with the decision taken by the Oran Conference, by reiterating commitment to their individually agreed production allocations.

Asked about compliance by Member Countries, which had slipped in recent months, Pinto replied that the Ministers were constantly scrutinizing the level of compliance.

"We always stress in our Meetings that the decisions of the Conference must be met by everyone. This time around, we made that very clear since it is an agreement," he affirmed.

El-Badri conceded that the compliance level had fallen from an initial 80 per cent to around 54 per cent of late.

"We have urged our Member Countries to adhere to the decisions of the Conference. But I do think that at the present time and because of the state of the world economy, we try to push, but perhaps not that much, since the current level of oil prices makes it comfortable for all of us," he explained.

El-Badri added that the current price range for the OPEC Reference Basket of $70–80/b was a level everyone was happy with.

During their Meeting, the Ministers also reaffirmed their readiness to swiftly respond to any developments that might place oil market stability in jeopardy.

The communiqué stressed that, given the uncertainty in the macroeconomic environment and world oil demand, the Secretariat would continue to closely monitor developments in the months ahead, keeping Member Countries abreast of developments as they occurred.

"As always, in taking its decisions, the Conference emphasized the commitment by the Organization and its Members to stabilizing the market, providing a regular supply of petroleum to consumers at price levels which not only are equitable for the world economy and consumers, but which also secure adequate future supply, in line with OPEC's statutory objectives," the communiqué said.

It noted that the situation in the oil market would be reviewed at the next Ordinary Meeting of the

Reading the final communiqué is Angela Ulunma Agoawike (r), in charge of the PR & Information Department, with (l–r) Dr Hasan M Qabazard, Director, OPEC Research Division; Germánico Pinto, OPEC Conference President; and Abdalla Salem El-Badri, OPEC Secretary General.

Conference, scheduled to be convened in Vienna, on October 14, 2010.

In fielding other questions from the media, the OPEC Conference President and Secretary General were asked to comment on a report stating that there would be a shortfall in oil supplies in the next five years.

The Conference President replied that such a report was unfounded and that the Organization did not foresee any shortages in the foreseeable future.

"OPEC's offer of oil supplies is sustained in all the investments Member Countries are making right now. We expect to continue to produce at the current level planned by the Organization," he said.

No shortage of oil

El-Badri supported the argument by pointing out that there were huge oil reserves located within and outside OPEC.

"Global oil reserves will not be depleted in the foreseeable future and if we look at the technology that is being introduced throughout the world, the recovery rate for oil is actually improving.

"Also, the new policies of production and consumption and having alternative energy sources means there will be no shortage as far as oil or energy itself is concerned," he professed.

"Some of the reports one sees are done for commercial reasons, but I can assure everyone here that there will be no shortage of oil for the foreseeable future."

In a related question about the effects of shale oil and shale gas, as well as electric cars, on the oil industry in the future, El-Badri replied that the Organization was not overly concerned.

"OPEC has 80 per cent of the world's oil reserves and is producing 40 per cent of global oil production. We are constantly monitoring everything carefully, but we do not think these other sources, or new technologies, will affect OPEC's production levels," he said.

Pinto added that one needed to be careful when saying that new technology was going to change everything.

"That will not be the case, since the global economy has a particular rhythm (for using oil) which will not change as fast as some people are saying," he said.

Questioned as to whether Iraq would be assigned an output allocation any time soon, El-Badri reiterated that as a Founder Member and a very important Member of OPEC, Iraq possessed huge reserves. The country had the right to develop those reserves, because it had been facing many problems for so many years.

Dr Hasan M Qabazard, Director of OPEC's Research Division, answering questions after the press conference.

The allocation issue would be discussed at a later stage. "It will take some time, but at the end of the day, OPEC will eventually accommodate Iraq into the allocation system," he stated.

Asked about OPEC investment in future capacity, El-Badri disclosed that all projects that had been delayed or abandoned due to the financial crisis were now back on track. As prices had moved up, schemes had been restarted.

Currently, he said, OPEC had more than 6m b/d of spare capacity, which meant the Organization was ready for any increase in oil supplies the world required.

The Conference's first Meeting in the new Headquarters was adjourned for a few hours in the middle of the deliberations to allow for the official inauguration of the premises to take place *(see story on page 4)*.

The ceremony was attended by Dr Michael Spindelegger, Austria's Federal Minister of European and International Affairs, accompanied by Dr Michael Häupl, Mayor and Governor of the City of Vienna.

Other dignitaries joining OPEC's Ministers and Ambassadors included the Heads of other Vienna-based international organizations and numerous high-level officials.

The Conference used its communiqué to officially record its appreciation to the Government of the Federal Republic of Austria and the Government of the State of Vienna for providing the Organization with its new, state-of-the-art eight-storey office block.

The Ministers also discussed the various events scheduled to mark OPEC's 50th Anniversary in 2010. They agreed that an Anniversary Symposium would be held on a date to be coordinated between Iraq and the Secretary General.

The Conference also listened to an updated presentation on Ecuador's Yasuni-ITT initiative and reiterated its expression of support and interest, agreeing that the proposal was consistent with the energy and environment-protection objectives established at the Third Summit of OPEC Heads of State and Government.

New National Representatives appointed

Omar M Gazal, the newly appointed SP Libyan AJ's National Representative to OPEC.

Fadi Kabboul, Venezuela's new National Representative to OPEC.

New chapter in OPEC's history marked


Reuters

***Germánico Pinto** (pictured), Minister of Non-Renewable Natural Resources of Ecuador and President of the OPEC Conference, gave the following opening address to the 156th Meeting of the OPEC Conference in Vienna, on March 17, 2010.*

"This landmark event highlights a new chapter in OPEC's history. It is always nice to move forward, and the relocation of one's place of work serves as a source of renewal and inspiration to all our lives."

It gives me great pleasure to welcome you to the first OPEC Conference at our new Headquarters.

It is also a privilege for my country Ecuador to hold the post of OPEC Conference President at such a special time, since 2010 is also the year of OPEC's Golden Anniversary. This is all happening just two years after Ecuador rejoined the OPEC family.

Allow me to take this opportunity to express, on behalf of the OPEC Members, our deepest condolences and solidarity with the governments and people of Haiti and Chile, which recently suffered devastating earthquakes that left countless victims and material damage.

After more than three decades on the edge of Vienna's historic city centre, the OPEC Secretariat has now crossed the Danube Canal and set itself up in the heart of the Austrian capital. I understand from some staff members working here that they already feel a stronger attachment than ever before to our host city.

This landmark event highlights a new chapter in OPEC's history. It is always nice to move forward, and the relocation of one's place of work serves as a source of renewal and inspiration to all our lives.

A few hours from now, we shall be taking part in the opening ceremony for the new building. A special programme of events will mark the occasion. We shall be honoured by the presence of the Austrian Foreign Minister, the Mayor of Vienna and the Heads of other Vienna-based international organizations, together with other distinguished guests.

Some of our special anniversary activities will be in evidence there too: the anniversary logo, the new Website and the commemorative stamps, for example. Indeed, the Secretariat has been hard at work preparing for the anniversary. Other attractions to come during the year include some special publications, youth competitions, cultural exhibitions in Vienna and Member Countries, as well as a high-level symposium.

A memorable year

Clearly, we intend to make this a memorable year for our Member Countries, for our staff members and for all those who believe in the vision, the integrity and the objectives of our Organization. These were refined into three guiding themes at the Third Summit of OPEC Heads of State and Government in Riyadh in 2007: stability of global energy markets; energy for sustainable development; and energy and environment. They provide us with a solid base upon which to carry out our activities in the oil industry.

The main challenges today concern market stability at a time of much uncertainty in the world economy. While there has been an improvement in the oil market outlook in recent months, there is still a long way to go before we can feel at ease with the situation. Developments in the world economy, which remains balanced on a knife-edge of uncertainty, will continue to have a direct impact on the outlook in the coming months.

The strength of the global economic recovery in 2010 remains uncertain and uneven. The firmer growth is expected to occur in the non-OECD areas, but even this may be affected by government measures to address overheating emerging economies.

"Clearly, we intend to make this a memorable year for our Member Countries, for our staff members and for all those who believe in the vision, the integrity and the objectives of our Organization."

However, the recovery is far from self-sustaining in the major OECD countries and fears of a double-dip recession remain a threat. The issue of exit strategies from the stimulus packages of a year ago and the right timing of adjustment is becoming a key factor in the recovery process.

Oil prices have held up since we last met in Angola in December 2009. The decision we took one year earlier, at the height of the financial and economic crisis in late-2008, has been widely credited with helping to restore order and stability in the oil market. Prices have remained within a range of around $70–80/barrel for our Reference Basket for five months.

This stability is, however, very fragile and requires all parties — OPEC and non-OPEC producers, as well as consumers — to play their role in ensuring that the stability is maintained and strengthened.

OPEC's market stabilization measures, whilst successful to-date, need to be supported by appropriate action from all other producers. There is a need for more consistency and greater predictability in global oil and, indeed, energy markets, allowing producers and consumers alike to have a clearer vision of the way ahead, but this can only be achieved through the pursuit of dialogue, at regional and global level — dialogue to which the Organization is firmly committed.

These are all issues that concern us as we enter today's meeting. They will also feature prominently in the 12th International Energy Forum in Mexico at the end of this month. We shall be well represented there, both as an Organization and as individual Member Countries. And we expect real progress to be made in meeting the challenges facing the industry both today and in the future.

Competing forces keeping oil prices stable

During the OPEC Conference, the Secretariat provides a detailed assessment highlighting the situation in the global economy and international oil market, including projections for the coming quarters. This is presented to the Ministers at their plenary session. The following report is based on the presentation delivered to the156th Meeting of the OPEC Conference in Vienna, Austria, on March 17, 2010, by ***Mohammad Alipour-Jeddi,*** *Head of the Secretariat's Petroleum Studies Department (PSD).*

The oil market has seen some stability since the previous Ministerial Conference last December, with prices moving within the range of $70–80/barrel, Alipour-Jeddi told the plenary session of the Conference. "The key question now facing the oil market is whether this range is sustainable over the coming months," he said.

The main factors capping prices have been the slower-than-expected economic recovery, rising debts, weaker-than-expected demand growth, the energy policies of the consuming countries, excess crude and product inventories, both onshore and offshore, and higher spare capacity in both the upstream and downstream sectors, he noted.

As for factors setting a floor on the price range, Alipour-Jeddi said these were mainly to do with the weak outlook for non-OPEC supply, the higher marginal cost of production, the effective role of OPEC in balancing the market, a perception of future tightness in fundamentals, and geopolitical concerns, amplified by speculative activity.

"At the same time, developments in the wider financial markets, particularly in equities and the value of the US dollar, have impacted the market in both directions.

"All in all, it appears that, in the absence of unexpected surprises, these competing forces are likely to continue to support prices around the current range over the coming quarter," he said.

Sentiment supporting market

In his review of recent oil market developments, Alipour-Jeddi noted that from October 2009 onwards, crude oil prices had gradually shifted upwards. Since the Ministers last met in Luanda, Angola, in December last year, the price of OPEC's Reference Basket of crudes had moved within a range of $70–80/b.

"There has been a fluctuation of around $10/b in various cycles, mainly due to weather, changes in economic sentiment, and demand uncertainty, which have been amplified by speculative activity. But it is important to note that the volatility has declined, relative to last year, despite the continuing uncertainty in the market," he observed *(see Graph 1)*.

When measured, he said, this volatility had declined to 0.03 from an average of 0.23 in 2009. "This is a huge reduction in volatility."

Alipour-Jeddi said economic sentiment had continued to have a strong impact on the oil market. The manufacturing sector, which led the downturn during the recession, had been leading the recovery since the middle of 2009, with the service sector lagging behind *(see Graph 2)*.

Among other indicators, he said, employment in the OECD region had begun to show some improvement, even though it was still at a high level of just below ten per cent. Retail sales had also begun to pick up, but were still well below pre-crisis levels and remained heavily dependent on fiscal stimulus and employment levels.

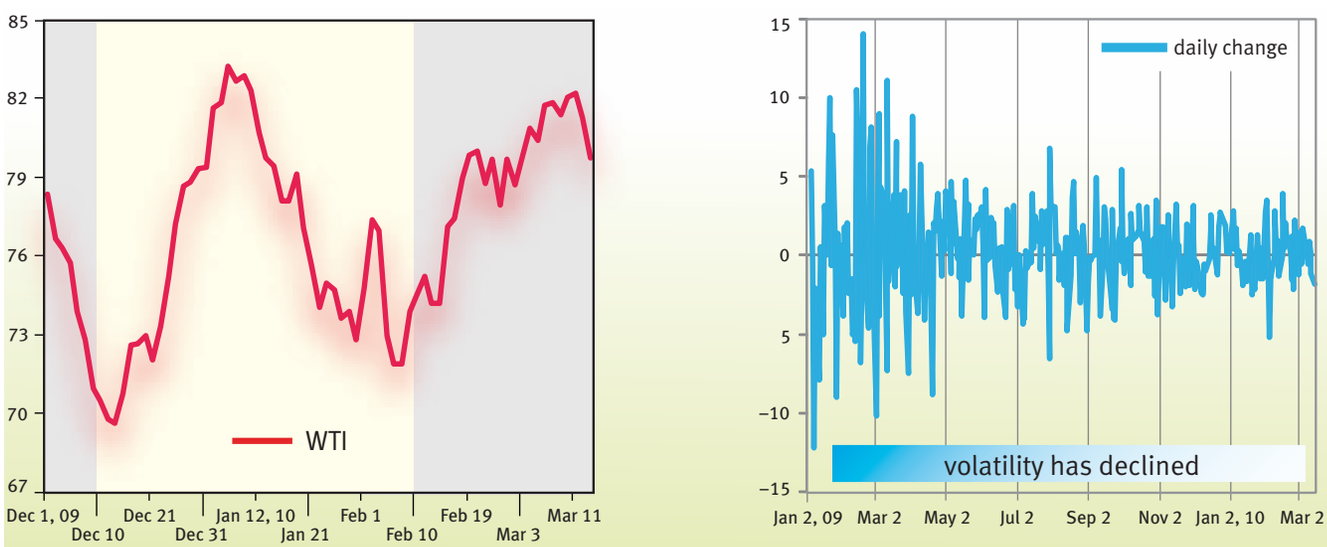
Impact of financial markets

Switching to the broader financial markets, Alipour-Jeddi said that since the onset of the global financial crisis in October 2008, oil prices (benchmark WTI) had shown a close co-movement with equities *(see Graph 3)*.

"Since the crisis, this relationship has been strengthened and has come to a much higher level with a strong correlation of 0.84 over this period."

As stated at the Luanda Conference, in December 2009, the price-earning ratio, which measured whether the market was correctly valuating stocks, approached an excessive level close to that seen during the dot.com bubble.

Graph 1: Price developments since last Conference *($/b)*



"This has fuelled concerns that the market might have gone too fast, too far on the expectation of the pace of economic recovery that might not materialize," Alipour-Jeddi explained. However, since then, the price-earning ratio had seen a sharp correction, before again edging higher in recent weeks.

As for the correlation between West Texas Intermediate and the exchange rates, he said this had changed significantly since the beginning of 2010, moving from 0.81 in 2009 to 0.15, "a huge reduction in the correlation" *(see Graph 4)*.

This, he said, was partly due to credit worries in the Eurozone, which had pushed up the value of the US dollar against the euro. The dollar had subsequently moved to a nine-month high, which had exerted some downward pressure on prices.

Regarding the futures market, Alipour-Jeddi said the co-movement between WTI prices and speculative net long positions on the Nymex clearly demonstrated the influence of speculative activity on the oil market and prices *(see Graph 5)*.

"The increased uncertainty has been fuelling the inflow of speculative investment into the commodity markets, particularly oil," he affirmed.

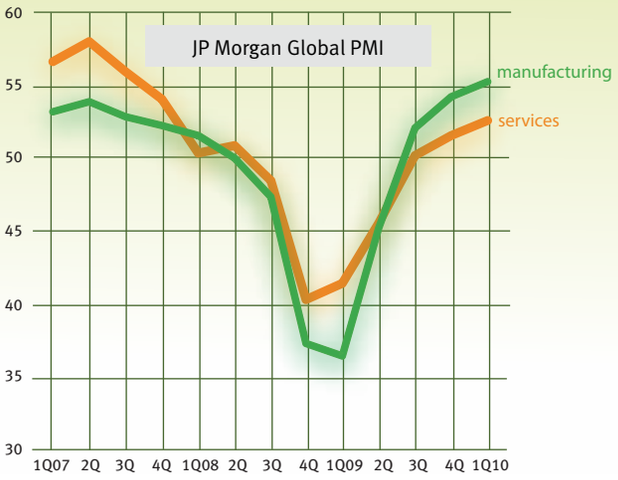
Fiscal stimulus supporting growth

In looking at the oil market outlook for 2010, Alipour-Jeddi told the Ministers that the world economy was expected to grow by 3.4 per cent this year, after a decline of 0.9 per cent in 2009 *(see Graph 6)*.

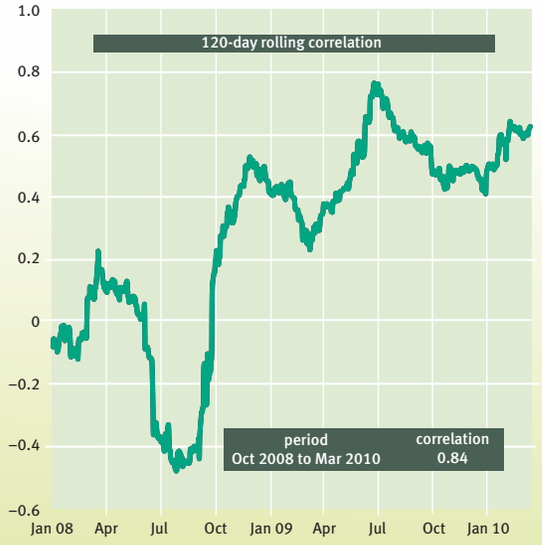
The main contribution of the growth would come from developing Asia, with China expected to expand by 9.1 per cent in 2010, after an increase of 8.7 per cent in 2009. India was forecast to grow by seven per cent in 2010, compared with 6.2 per cent in 2009.

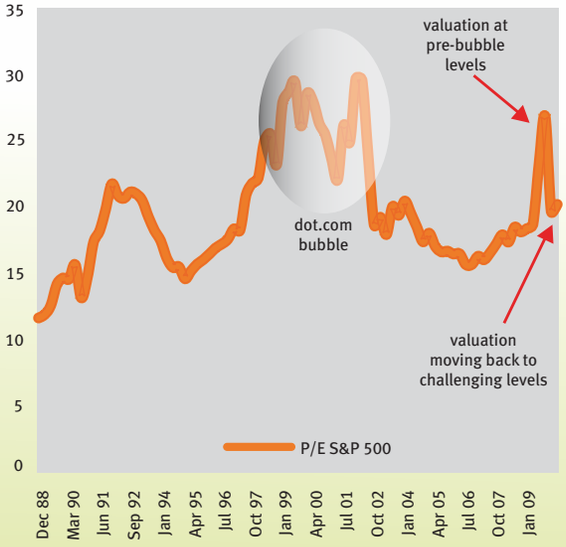
In contrast, he said, the OECD region was expected to see growth of only 1.7 per cent in 2010, following a decline of 3.4 per cent in 2009.

Graph 2: Improved sentiment: recovery led by manufacturing

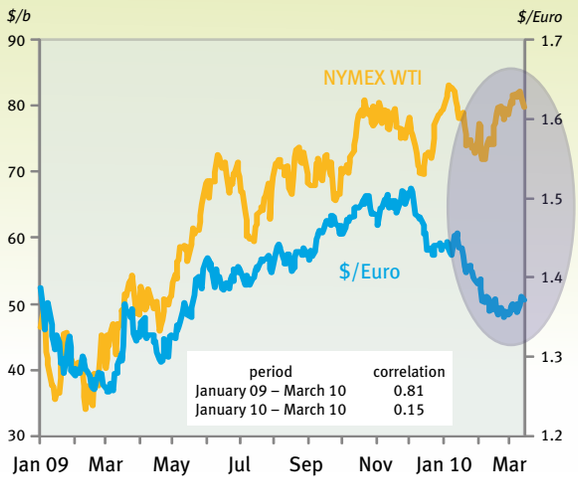


Graph 3: Strong correlation between WTI price and equities since global financial crisis





Graph 4: US $/crude price correlation diminishing



"It should be highlighted that out of the global growth figure of 3.4 per cent for 2010, only 0.9 per cent will be generated by the OECD region. The remaining 2.5 per cent will come from non-OECD countries," he said.

Alipour-Jeddi added that China would contribute the biggest country share to this figure with 1.2 per cent, while the US would contribute 0.5 per cent.

He pointed out that the recovery had only been made possible by the massive support provided through fiscal and monetary stimulus. This, combined with support for the global banking system, had resulted in a prolonged recession being avoided.

However, going forward, he stated, additional government-led support was still needed, but it was becoming more difficult to finance these efforts. "The rapidly worsening level of government debt, compared with income, will be increasingly difficult to sustain. There is a shift from expansionary monetary policy to a tightening," he observed *(see Graph 7)*.

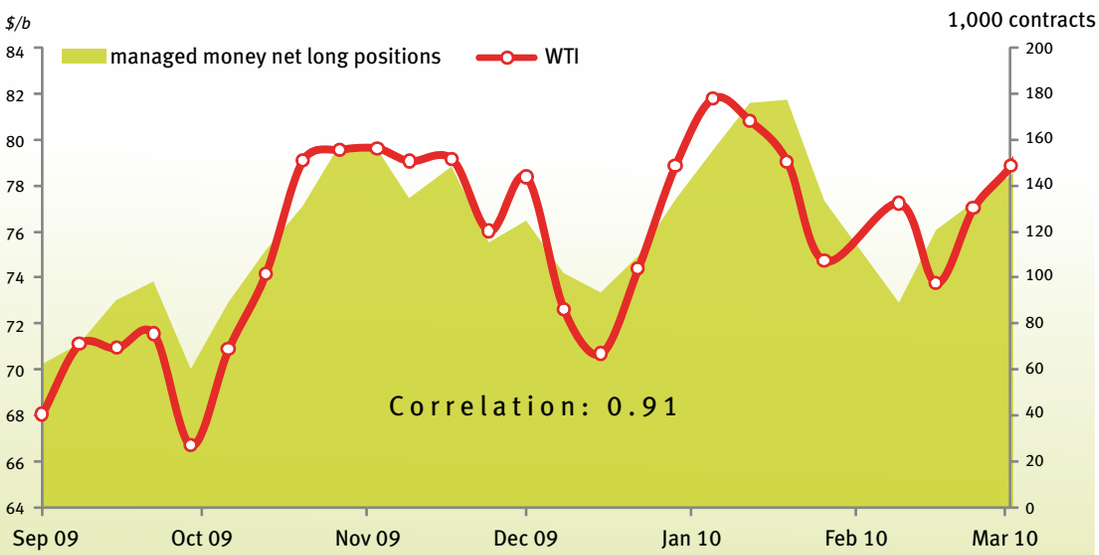
For China, the danger of the economy overheating had forced the central bank to start tightening its monetary expansion by increasing reserve requirements and to begin considering a possible increase in interest rates.

In the US, the Federal Reserve had begun increasing the discount rate, but was still considering keeping interest rates at their current level for the foreseeable future.

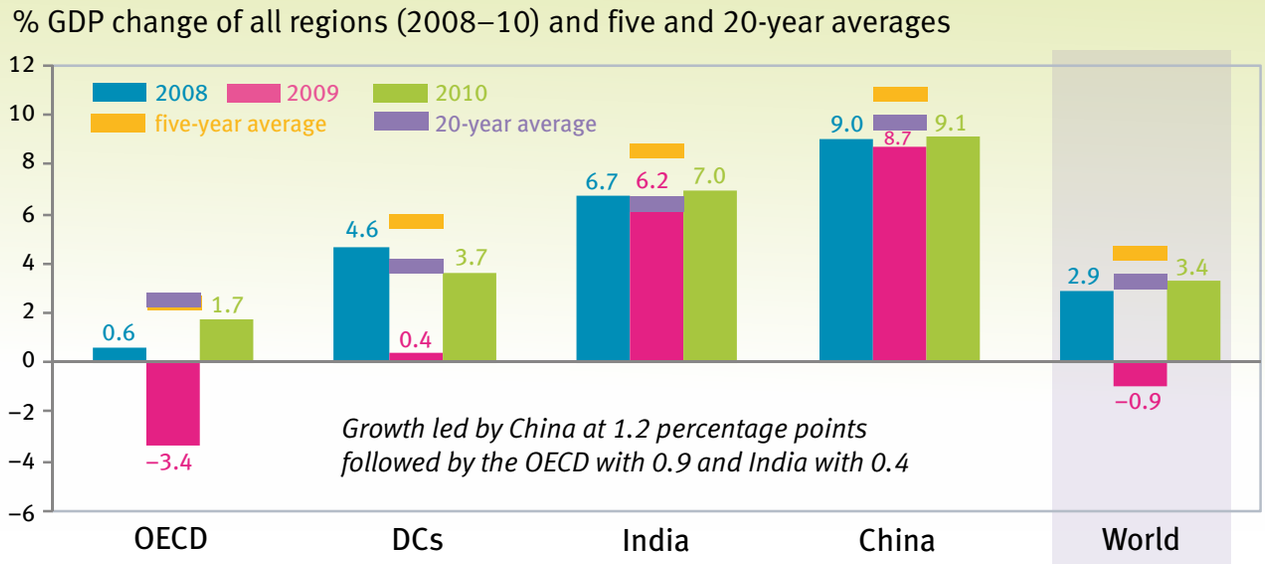
Demand uncertainties

Turning to oil demand, Alipour-Jeddi said that following two years of consecutive contraction, oil demand in 2010 was forecast to return to positive growth of 900,000 b/d. This was benefiting from the improved economic sentiment.

Graph 5: Increasing co-movement with speculative activity

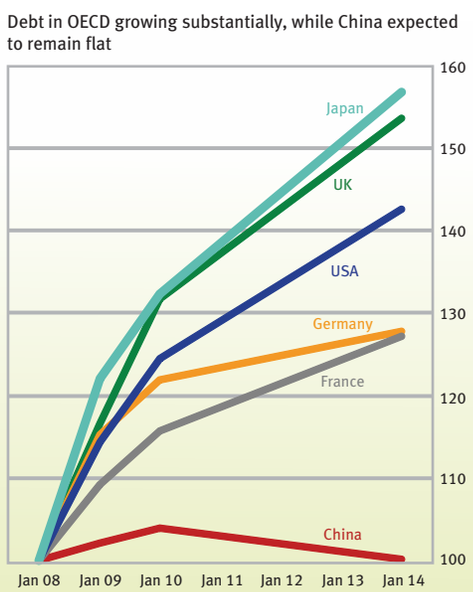


Graph 6: Global economy to rebound by 3.4 per cent in 2010 driven mainly by China and India

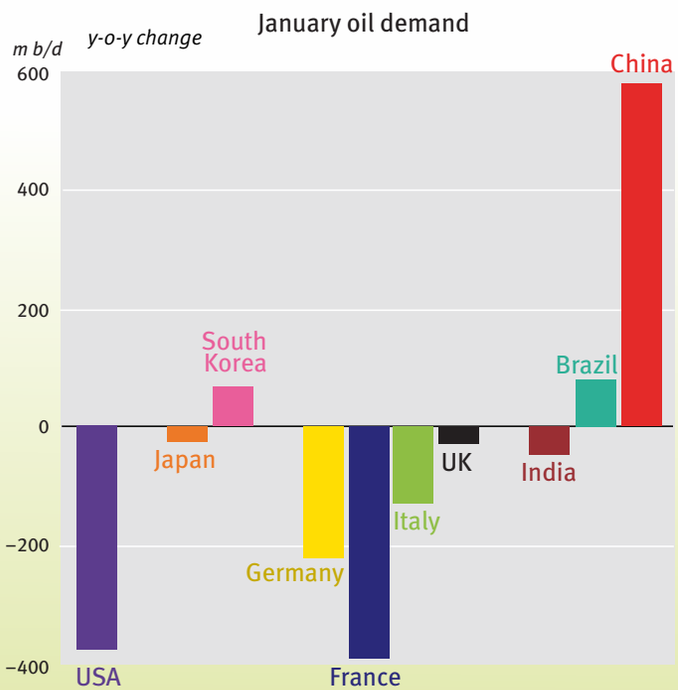


Source: National Bureau of Statistics US, Consensus Forecast, OECD, OPEC Secretariat.

Graph 7: Fiscal and monetary policy facing constraints

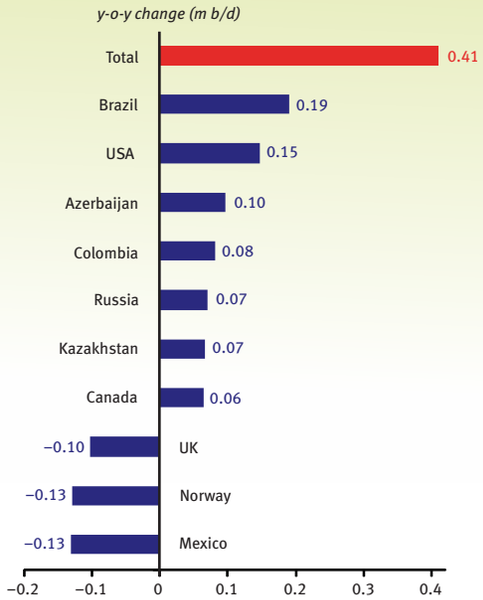


Graph 8: Oil demand returning to growth — uncertainties persist

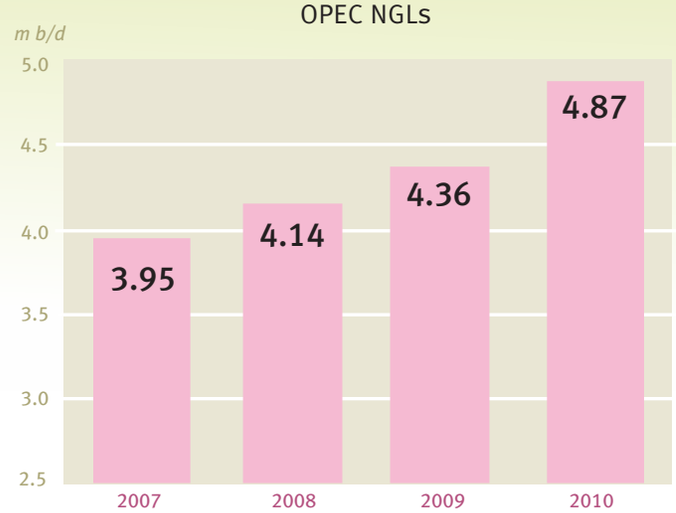


Graph 9: Non-OPEC supply growing at a slower pace — OPEC NGLs contributing a large share, steady rise in biofuels

Contributors to change in non-OPEC supply in 2010



OPEC NGLs



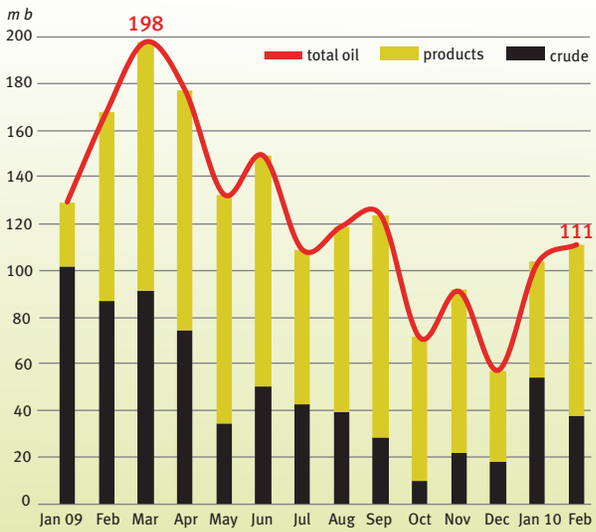
Total OECD demand was expected to continue to contract with only North America showing growth, although US gasoline demand remained a key uncertainty.

Demand was expected to remain below pre-crisis levels for the coming years, mainly due to increase efficiency, substitution and government policy.

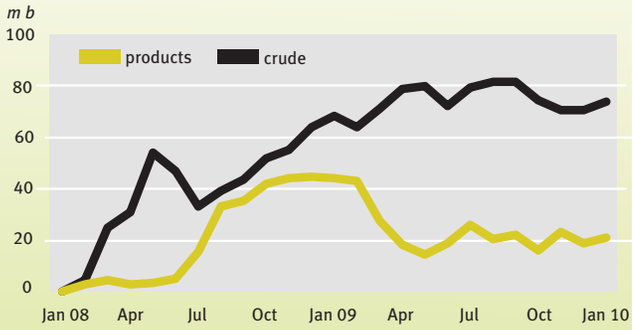
"I should highlight that, in our demand forecasts, we do not expect there to be a sharp rebound in consumption. The latest data available for January confirms this approach as oil demand in the key consuming countries, except China, has been much lower than expected," commented Alipour-Jeddi *(see Graph 8)*.

Graph 10: Global inventories remain high

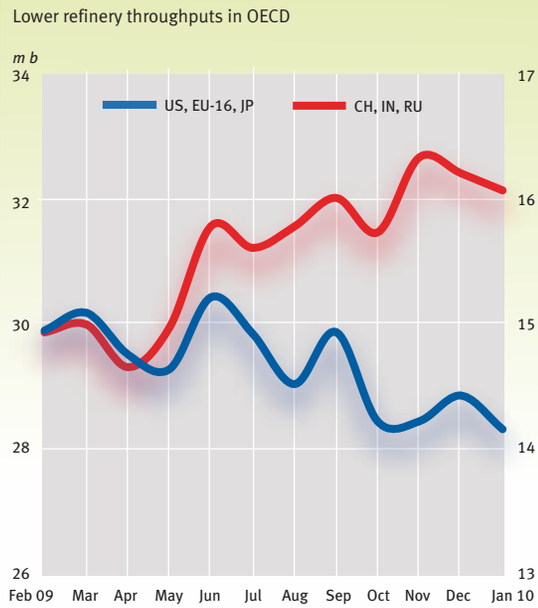
OECD commercial stocks, deviation from five-year average

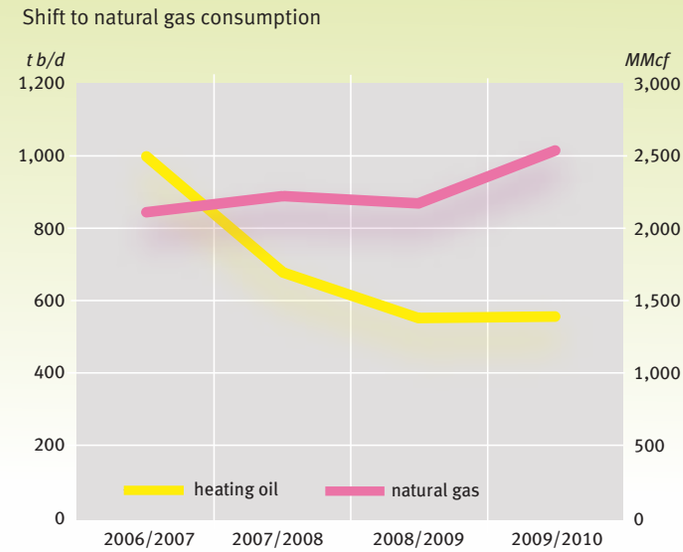


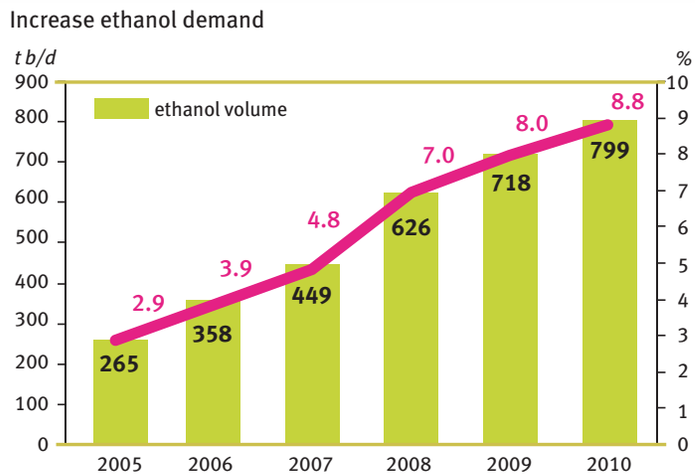
Cumulative stocks in China — increase since January 2008



Graph 11: Slowing refinery throughputs and increasing fuel substitution







Growing contribution of OPEC NGLs

As for non-OPEC oil supply, he said that although it was increasing, growth was expected to remain below the five-year average. For 2010, the forecast was for an extra 400,000 b/d in supply. This compared with 600,000 b/d in 2009.

The main contributors to the growth in 2010 were Brazil, the US, Azerbaijan, Colombia, Kazakhstan, Russia and Canada, while the United Kingdom, Norway and Mexico would continue to see declines as a result of losses from their mature fields.

Alipour-Jeddi said there had been a huge development in the share of OPEC natural gas liquids (NGLs). With each passing year, their importance had become more relative and more significant to non-OPEC supply *(see Graph 9)*.

"OPEC NGLs now represent more than 60 per cent of the supply growth if one excludes OPEC crude oil production," he explained.

Looking at biofuels, Alipour-Jeddi said they were showing steady gains, despite the growing concern over their adverse effects on agriculture and the environment.

Continued overhang in supply

Regarding petroleum inventories, he noted that the excessive overhang seen in total OECD commercial stocks had decreased from its peak in March 2009 of 200 million barrels to around 60m b in December *(see Graph 10)*.

"However, it should be highlighted that in 2010 they rebounded to stand at more than 100m b in February. Inventories are likely to build further with the end of the winter and the start of seasonal refining maintenance, which reduces crude runs," he said.

Crude and oil products in floating storage had also shown a decline, as a narrowing contango had made it less profitable to store oil on tankers.

"Having said that, floating storage remains at a high level of around 110m b and this surplus should be watched carefully. These volumes are ready to be supplied to the market when the demand starts to recover."

Alipour-Jeddi said that with the growing importance of demand in the non-OECD region, inventories had steadily increased in the emerging markets, particularly China.

Since January 2008, the accumulative increase in crude oil stocks in China had reached over 80m b.

"China has plans to move towards the OECD standard, which will be accomplished by 2020, and covering 90 days of consumption."

Alipour-Jeddi said there had been a lot of discussion concerning the current contango, which started in 2008. The recent narrowing of the contango had raised questions as to whether the market was heading towards backwardation.

"Our assessments show that the market indicators do not support the possibility of a switch to backwardation in the coming quarter. This is primarily due to the prevailing low cost of storage onshore, which is still below the current contango level. This should encourage further builds in crude stocks.

"The recent rise in crude inventories, particularly in the US, does not support a switch to backwardation, especially in the well-supplied spot market," he affirmed.

Mixed picture in the downstream

Turning to the downstream sector, Alipour-Jeddi said developed and emerging markets were showing different trends. In the OECD, throughputs had fallen, due to weak demand, whereas in China they had increased *(see Graph 11)*.

At the same time, due to intensified and coordinated policy initiatives in the OECD countries, substitution fuels, such as natural gas and ethanol, were taking an increasing share of oil product consumption. Emerging markets were being encouraged to follow a similar approach, he said, although this would be challenging.

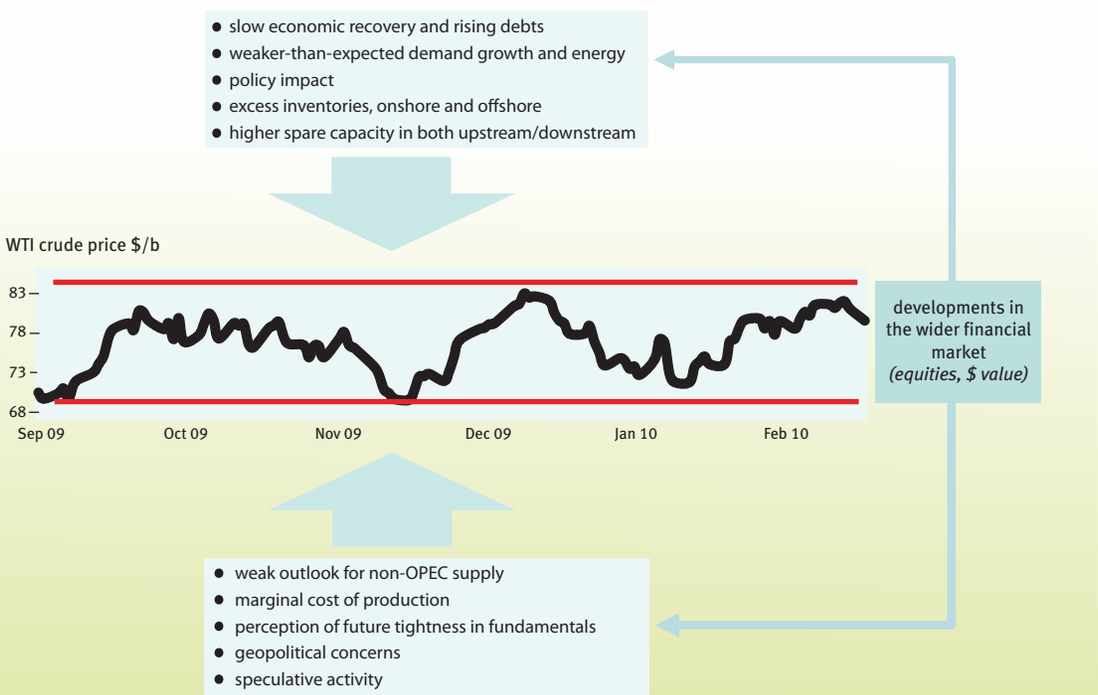
Market balance

Looking at the supply-demand balance for 2010, Alipour-Jeddi said the expected positive growth in demand would be, more or less, offset by the increase in non-OPEC supply and OPEC NGLs.

"As a result, it is expected that demand for OPEC crude will remain unchanged, leaving little room for additional crude. In looking at the coming quarter, demand for OPEC crude still shows a contraction and it is below current OPEC production by around 1.5m b/d," he said.

In conclusion, Alipour-Jeddi said prices were likely to continue to fluctuate around a range of $70–80/b over the coming months, due to a host of competing factors *(see Graph 12)*.

Graph 12: Competing forces impacting price range



OPEC Ministers express further optimism over economic recovery

The following interviews were conducted during the 156th Meeting of the OPEC Conference by the OPEC webcast team, based at the Organization's Secretariat in Vienna.

Germánico Pinto

Minister of Non-Renewable Natural Resources, Ecuador, OPEC Conference President

Speaking after the OPEC Conference, Germánico Pinto said the Meeting had been very important — first for celebrating the Organization's new Headquarters, and also with regard to the continuation of OPEC's policies in terms of "how and what we must produce in the next seven months."

He stated: "For the moment, the policy is unchanged. The current price range we are seeing is good because it provides investment for the industry and it also gives Member Countries the income they need to carry out their public investment projects."

Concerning the global economy, Pinto said: "We are not out of the woods yet. We still have to be very attentive as to what happens and we have to be aware of how the market is developing. But we do think that the situation we have seen recently will prevail in the next few months. That is why OPEC did not change its policy at this meeting."

The Conference President said OPEC had already predicted there would be a slight increase in oil demand in 2010, but because of the crisis, things were still not certain.

"The crisis is not yet over, but we do expect governments and financial institutions to establish policies that will help the economy to come out of recession. This is something that is happening right now and it will continue in the next few months."

Asked how important he thought OPEC had been to the international community, Pinto said it was a very specific and special Organization. None of its Members came from the developed world, which was very interesting.

"An Organization, such as OPEC, coming from the South, and being able to continue to have a clear policy

"An Organization, such as OPEC, coming from the South, and being able to continue to have a clear policy and a world presence for 50 years, is really something to celebrate."

and a world presence for 50 years, is really something to celebrate," he said.

Pinto said that for his country, he always thought that Ecuador should never have left OPEC. "We came back in 2007 and we are very happy about that. We expect to continue our discussions within OPEC, looking at the market and defining common policies in terms of oil production."

Asked what he thought about OPEC's future, Pinto said the Organization should continue having its own identity and it should continue discussing all issues connected to the needs of its Member Countries.

"If OPEC is able to do that, I am sure it will be able to strengthen its role in the world."

Concerning the challenges ahead, Pinto said the development of clean technologies was very important.

"That is something we are developing in our Member Countries. We need to do everything that is related to producing oil that improves the quality of life of our citizens. These are things that are very deep and concern everyone in OPEC Member countries."

Importance of IEF

Concerning the importance of the meeting of the International Energy Forum (IEF) in Mexico, he said the talks again offered the chance to have a broader discussion on energy matters, not just on oil or prices, but energy in general.

"I think all the issues that will be discussed in Cancun are very important and very relevant to OPEC. I think one of the strengths of OPEC is its awareness of what is going on in the market and the possibility of looking ahead and being able to make decisions that are good for our Member Countries," he maintained.

Speaking on Ecuador's Yasuni ITT oil project, Pinto said it represented a complete preservation and conservation programme for a very particular area in the Amazon region.

"When we say 'let us protect Yasuni' we are not just saying, protect its biodiversity, but also 'let us protect the forests', which is also very important in our days. We expect through this project to develop a new way of understanding how to deal with our natural resources and how to deal with conservation.

"We believe that Ecuador has a proposal that is being much discussed everywhere. I know that some universities in Europe are looking at it because it is a new initiative, something the world has never heard about before.

'We expect that with Yasuni we are going to develop renewable energies, clean technologies — it is all connected to a whole new way of understanding how to deal with our natural resources," he said.

Dr Rilwanu Lukman

Minister of Petroleum Resources, Nigeria

Concerning the economic recovery, Dr Rilwanu Lukman noted that from the indications they were having, the global economy was at last reviving, particularly in China and India, and that was good news.

"This can only be good for the oil market and we are very happy with this development."

He stated that both China and India appeared to be the growing end of demand for oil and gas, while in Europe and the Americas there was not much room for higher demand at the moment.

"What is most welcome is the fact that the acute oil price volatility is no longer with us. Things have been improving since the second half of last year and right now conditions in the market are not bad.

"There is still a little bit of worry in the sense that the market is somewhat oversupplied and we should not take the market for granted. We should still keep an eye on the situation to ensure that we do not do anything to upset the balance we are having right now."

Lukman said the current price levels were again supporting investment in the oil industry. He considered it

dangerous for the market for players and investors in the oil and gas industry to relent on their investments when the market turned against them.

"The fact is, if we do not invest now, the only thing that is going to happen in the future is that we will wake up one morning and find that we do not have the capacity to meet demand. Having a period of high demand with low supply would result in prices shooting up. So it is very important to continue to invest, at least in maintaining what capacity we have and also to have a little bit extra for the future," he affirmed.

"What is most welcome is the fact that the acute oil price volatility is no longer with us. Things have been improving since the second half of last year and right now conditions in the market are not bad."

Domestically, he said, Nigeria was expecting more investment, even though some people were saying that the country's Petroleum Industry Bill was going to impact on investment, "which we do not believe is a fact."

He said: "In spite of what they say, there are a very large number of people interested in coming to invest in Nigeria. These people have had the chance to look at the Petroleum Industry Bill and if it is, as the others say, so bad for investment, then how come there are still people who are trying to come in and how come the people that have been here all these years are not planning to abandon Nigeria?"

Lukman said that, in Nigeria, they were trying to put things in place, first of all to make the industry more effective and more up-to-date.

"The reform of the Nigerian National Petroleum Corporation (NNPC) will allow it to operate as a commercial entity and divested of the policy regulative function which has encumbered it in the past. If it is not able to do that well, then the country will suffer and we will lose the advantage of having a national oil company.

"What we are trying to do is to make sure that we have a national oil company that is worth having," he stressed

Ahmed Mohamed Elghaber

Governor for OPEC, SP Libyan AJ
Chairman of the OPEC Board of Governors

Questioned about OPEC's relevance today, Ahmed Mohamed Elghaber, said more hands were needed to help regulate the variables seen in today's oil market and OPEC was a good player in this respect with all its Members.

"The markets nowadays have become very global. Back in the 1950s and 1960s they were regionalized and there were many countries we did not even hear about.

"What OPEC has done has been miraculous — the world should really appreciate what the Organization has done."

Today, when you talk about the oil business everyone gets to hear about it — whether in Austria, the Philippines or Argentina," he maintained. And, he added, every factor of the market affected everything in the world.

Elghaber said there was an impasse in the market at the moment, with fundamentals that were not that strong, but there was a huge amount of optimism and players in the market were showing an eagerness to go forward.

"What OPEC has done has been miraculous — the world should really appreciate what it has done.

"And it was not a matter of price, or revenue, or who buys, or who sells, who loses or who wins — the intervention OPEC made to stabilize the market proved to be very helpful," he said.

Elghaber said they now needed to get the financial services and banking institutions — the reasons for the crisis — in order. "When things started to get loose we needed to have more control over the financials. That, of course, then affected the oil market."

He said that looking back ten or 15 years, one could not really blame the speculators — they were just trying to make a living. "But then they lost control with the appetite of just making money and now everybody expects some form of regulations. We are expecting more regulation and more rationalization in the buying and selling of oil."

Speaking on Libya, Elghaber said his country had always been an active Member of OPEC.

Domestically, investors in the country made a decent income, while Libya also benefitted. The country had always tried to utilize its natural resources in the best way it could.

"Lately, we have intensified the search for oil and investments and a good number of new companies have expressed an interest in the country. Many of them have already found new oil and gas deposits.

"Libya is also expanding its downstream operations, to produce more from the oil products, while its international activities are also being expanded.

"Libya is proving to be dynamic in this direction and a fair amount of activity is going on right now," he said.

Asked what benefits Libya had gained from its Membership to OPEC, Elghaber said that any producer that was a Member of the Organization — and with such a viable commodity as oil — stood to benefit when going into the market.

"As producers, we always want to take our oil to a stable and secure market and where one can get the revenue one is looking for," he concluded.

Abdalla Salem El-Badri

OPEC Secretary General

Asked about OPEC's decision to leave its output ceiling unchanged, Abdalla Salem El-Badri explained that the first and second quarters of any year were low demand periods.

"We are seeing prices at a comfortable level between $70/b and $80/b, which is good for both producers and consumers. So we thought why change it — just leave the production ceiling as it is and if there is any change, we can meet at any time and take action," he said.

El-Badri noted that various stimulus packages were still in place in countries such as the United States, Japan, China and Europe, and "we can see that the growth being registered now is mainly because of these packages."

He continued: "These packages can be withdrawn at any time and we have to look at the real growth when the stimulus packages have been withdrawn.

"There is no doubt that volatility will stay with us, but we hope that we are out of the woods. The recession is over, we have some growth and we hope this growth will continue in the future."

"There is no doubt that volatility will stay with us, but we hope that we are out of the woods. The recession is over, we have some growth and we hope this growth will continue in the future. We also hope that the current level of prices will also continue," he said.

Questioned about the IEF meeting in Mexico, El-Badri said that this particular meeting would be different because the ministers attending would approve a new framework of cooperation between OPEC and the Paris-based International Energy Agency (IEA).

"This is something new and we will see, starting in late 2010, more cooperation between the IEA and OPEC," he observed

Turning to oil investments, El-Badri said these would continue, but prices would need to stay above $70/b because Member Countries would not invest when they were lower. "Our Members have already activated their projects and they are all in motion now."

Dr Hasan M Qabazard

Director, OPEC Research Division

"At the moment the big wild card we have is the state of the world economy and how things will move in the second half of 2010 and also into next year."

Posed a question about the effectiveness of OPEC's Research Division in Vienna, Dr Hasan M Qabazard said the Organization's research function, in monitoring the numbers and data and reading the oil market, the global economy and assessing the uncertainties, was a big job.

"At the moment the big wild card we have is the state of the world economy and how things will move in the second half of 2010 and also into next year. Demand is still subdued and we see flat demand in the short term, although we think it will pick up in the second half of the year."

Qabazard said current projections were for 900,000 b/d of extra demand in 2010, mainly coming from the consuming centres in developing countries, while the OECD region would have negative demand, except maybe for the US where up to 200,000 b/d of new demand may be forthcoming.

"Total demand in the OECD region now is probably lower than in the 1970s," he maintained.

Qabazard said that today the composition of demand was different. "Oil as a commodity is much different today than it was many years ago. Now it is affected not only by supply and demand and world economic fundamentals, there are also a lot of non-fundamental factors, including the price of gold, the value of the US dollar and the movement in equity markets.

"We are watching all this very carefully — how it will affect prices and how it will affect demand for OPEC oil," he stated.

Qabazard said that, in moving into its new building, which was very functional with a good working environment, there were much bigger expectations from Member Countries for the work of the Secretariat and the Research Division.

"We are involved in many issues, ranging from economic policy to the fundamentals and non-fundamentals of the market. We have a very formidable think-tank and we have professionals and very experienced people who are doing a wonderful job in bringing results and studies to the Ministers for their decision-making process," he noted.

Citing examples of the Division's work, Qabazard said the *Monthly Oil Market Report,* in addition to other reports, scrutinized the world oil outlook. The Secretariat would also soon be publishing the investment portfolios of Member Countries.

"We are currently working on many studies that we will be presented to our Board of Governors, but the more important annual publications are the *World Oil Outlook* and the *Annual Statistical Bulletin,"* he said.

The *Monthly Oil Market Report,* he added, was followed by many in the industry. It was a professional publication, which a lot of people used. In the latest issue,

for example, it forecast that there would be a 900,000 b/d increase in oil demand in 2010 and a 500,000 b/d rise in OPEC natural gas liquids. Non-OPEC supply for the year was predicted to improve by 400,000 b/d.

"This means we will most probably have flat demand for OPEC this year at around 29m b/d," he said.

Asked about price levels, Qabazard said stable prices were very important, as well as having much lower volatility than in 2009.

"Last year, we saw volatility of plus or minus $16/b at one stage. Today, we do not have more than $2.5 or $3/b volatility and the stable prices we are seeing are very important for investment.

"Such a range of price induces investment in OPEC and non-OPEC countries and we are seeing a lot of investments coming onstream and being planned and executed, especially in our Member Countries," he added.

"I can only congratulate all OPEC Members for having such a new building and this is surely a good sign for the future."

Dr Michael Spindelegger

Federal Minister for European and International Affairs, Austria

Asked how important he thought OPEC was to the European economy, Dr Michael Spindelegger said the Organization played a very important role in the oil market and the economy and at the present moment in time with the financial crisis, OPEC was "one of the most important Organizations we have."

Concerning the European Union-OPEC dialogue and whether it had improved relations between oil producers and consumers, he said he was certain that was the case.

He stated that the cooperation established between OPEC and the EU was firmly established and it was somehow novel that OPEC's new Headquarters was situated next door to the EU offices in Vienna.

"I feel that OPEC will have wonderful cooperation with the EU in the future," he affirmed.

Speaking on OPEC's new Headquarters, the Minister, who attended the inauguration ceremony, said he was particularly impressed with the Conference room where OPEC's Minister would meet.

'It is really modern, very practical and it has a very nice atmosphere for the Ministers to work in, to make their decisions. I can only congratulate all OPEC Members for having such a new building and this is surely a good sign for the future."

Spindelegger said he thought Austria and Vienna needed to take advantage of the many organizations that were represented in Vienna, including OPEC. "We can promote a dialogue between OPEC and the other institutions and I think this is really necessary because we have to cooperate more in the future, just to deal with energy issues, and not only in the oil sector, but to get more green energy in the future.

"This is one of the plans of the EU. We should have a regular dialogue with OPEC and the other institutions and this will be an advantage for us. If Vienna can be the place where you bring all these organizations together, then this is a wonderful idea," he added.

Asked about OPEC on its 50th birthday, the Minister said the Organization had seen a lot of success over the years — success it would continue to have in the future.

"It is very important at this time and I hope we will have a lot of anniversaries with OPEC in Vienna in the future. We would like to have them forever in our country, and we will cooperate and support OPEC very much so in the future," he stated.

Regarding OPEC's future challenges, Spindelegger said that with oil being a finite resource, it needed to be used responsibly and there needed to be plans drawn up for the future in order to safeguard this.

"One also has to have fair prices for the producers and consumers and I think that is a real challenge for the future. I think OPEC is the right framework for that challenge," he concluded.

Lukman applauds 'unique' Organization in Anniversary year

Commitment to ideals key to OPEC's success

With OPEC celebrating its 50th Anniversary this year, there is no one better qualified to speak on the Organization than Nigeria's ***Dr Rilwanu Lukman*** *(pictured). As OPEC's longest-serving Secretary General and Conference President, and twice appointed his country's Petroleum Minister, he has many years of experience in the petroleum sector and OPEC affairs under his belt. The OPEC Bulletin's* ***Jerry Haylins*** *caught up with the Organization's elder statesman at the 156th Meeting of the OPEC Conference in Vienna in March and asked him for his impressions about the Organization, past and present, in this special year, as well as about some exciting developments taking place back home in Nigeria.*

In your opinion, what do you feel has been OPEC's major achievement in its 50 years of existence?

I would have to say that the greatest achievement of OPEC over this half century is the fact that it survived. This was despite all the forces that were against OPEC and in spite of all the influences that were trying to bring it down and create confusion within the Organization. The fact that we have survived this length of time is in itself a major achievement.

At its foundation, OPEC had to contend with not only the elements that considered it to be a cartel, but also more importantly with the major international oil companies, who posed such a threat in the way they had been controlling the lifeline of Member Countries — their oil — over a long period of time. Naturally, you would not have expected them to take OPEC's emergence for granted. They quite literally wanted to protect their interests, which, at that time, were diametrically opposed to those of OPEC Members. There is also the extent to which the Organization has been able to achieve its objectives of helping to refine the policies of its Member Countries. This is also an achievement. So, despite all the forces that were trying to get OPEC disbanded, and to make it difficult for the Organization to survive, the fact that it is still here today is, in my view, quite a feat.

Despite the many detractors that were prevalent in the early years of OPEC's formation, the Organization's international standing has increased markedly in recent years. What would you put this down to?

As time went on, I believe those people — the consumers and international oil companies — who were against the formation of OPEC and considered it to

be the enemy, discovered that the Organization was faithful to its statute in stabilizing the oil market in the interests of both producers and consumers. For example, when there was a real catastrophe in the market — when prices collapsed — both the producers and the consumers suffered to a certain extent. That was particularly the case with the international oil companies, who saw their share prices declining and their balance sheets going haywire.

It was only the action taken by OPEC that eventually restored some form of stability and sanity to the oil market. It was at this time I think that these parties realized that OPEC had a value, especially in times of crisis. Another example can be seen of late when the price of oil went up to the roof and started to impact negatively on growth in the world economy.

OPEC was again in a position to do something — to put more oil into the market, thus calming the turbulence and bringing prices back down to a more realistic level. No one else could have done that. OPEC was the only single organization that, at that time, maintained the level of spare production capacity that was able to bring this oil into service when prices went too high. If not for OPEC, who would have done that? The international economy would certainly have suffered a great deal more as a result because there would not have been anyone else to help moderate the economy, to bring prices downwards.

On the other hand, when prices became too low, investment in the oil and gas industry diminished. And we know that this lack of investment is going to come back on us later on down the road in the form of the inability of producers to supply the demand. Then you will get into a period of negative supply and hence higher prices. In either case of low or high prices, someone has to move to make the correction necessary. And only OPEC can do that.

Over the years, OPEC has pursued the road of cooperation with other market players as a way of getting its message across. Do you think it has been this persistence that has led to a better relationship today with the consumers, and with the International Energy Agency (IEA), or do you feel that they are now more receptive to the Organization, due to the fact they now understand OPEC better?

I think it is actually both. OPEC has preached the gospel of cooperation for a long period of time. We have always tried to promote cooperation with the consumers. We started to do this through the dialogue we set up between the producers and the consumers, which developed over time to become the International Energy Forum (IEF). And concerning the IEA, even though it has a different agenda to our own, we have managed to cooperate with them in the way that we can. For example, we share data and information, we look at the market, we attend

conferences, debate together and again, over time, the relationship has developed into a situation where we now have more confidence in one another, and more respect for one another's views. We still do not agree all the time, but that is to be expected. But this has been due to OPEC's own persistence to promote cooperation with all concerned in the market. It is also the fact that our intervention in the market has been helpful to all sides.

How do you envisage OPEC's role developing in the years ahead? What are the major challenges?

In my opinion, the major challenge is to ensure that the market is stabilized at a level that will continue to encourage investment in exploration and new developments that can make more hydrocarbons available for the consuming public. We have other challenges now, of course. One of them involves alternative energy sources, such as wind energy, solar energy and hydrogen cells.

These are challenges that we in OPEC have to be able to prepare ourselves for because as time goes on alongside the very serious debate concerning the environment, we need to reduce greenhouse gas emissions in order to preserve the planet. We cannot exist apart from the rest of the universe, so we have to find a way of making hydrocarbons and energy resources cleaner and more environmentally friendly. For the time being, of course, the economics and costs of providing alternative fuels are still in oil's favour, but that being said, there is no basis for us to be complacent and to take things for granted. We have to continue to persist in research — to make fossil fuels more environmentally friendly. Also, in our own interests, we also have to think of the days many years ahead when hydrocarbons will no longer be available. These resources are not infinite and sooner or later we will run out of hydrocarbons. Fortunately, this will not happen any time soon. But that day will come, maybe not in our generation, but perhaps in the time of our great-grandchildren.

Of course nothing is certain and we are discovering new ways of finding more hydrocarbons. It will be a long time before the world as a whole is exhausted of all hydrocarbon possibilities, but until that time comes, we can be reasonably confident that we will continue to supply the world with the energy that it needs. Gas, for instance, is proving to be an energy carrier of the future. Fortunately for OPEC, a lot of Member Countries also have plenty of gas, so what we loose on the swings we can gain on the roundabouts.

As an elder statesman of OPEC, you have gleaned wide experience of the industry and the Organization. What do you feel have been the benefits to Nigeria of its Membership of OPEC and vice versa?

First of all, Nigeria is a major producer and is still finding reserves of oil. It is therefore inconceivable that an Organization such as OPEC could not have benefitted from the Membership of the biggest oil and gas producer in Africa. Of course, it is two-way traffic.

For our part, we have greatly benefitted from our Membership to OPEC because we are so heavily dependent on oil revenues. If anything happens in the oil market, if there is a downturn for example and the price of oil crashes, then our budget suffers. So we are happy to be here — we have benefitted and we hope also that our participation in the Organization, in helping to keep it going over the years, has been of overall benefit to OPEC.

Looking at domestic developments in Nigeria, it is a very interesting time for you at the moment with the petroleum industry being restructured. How is work on the new Petroleum Industry Bill progressing?

It is going very well. We are very confident that the National Assembly will very soon enact the Bill. They have done the first and second readings and have had the public hearing. We are now talking about various committees of both Houses — the National Assembly and the Senate — that are putting final touches to what they are going to eventually present to the plenary for final enactment. We hope this will happen soon. Of course, we cannot hurry the National Assembly, but what we hear is that they are working on it and sooner, rather than later, the Bill will be passed. We look forward to that.

What are the overall objectives of this restructuring and what do you hope to achieve by it?

The Petroleum Industry Bill sets out to put the oil and gas industry on a more even keel. We are looking to renew the laws and the legal infrastructure under which the oil and gas industry operates. We want to bring it more up to date vis-à-vis other countries that are in the same position. At the moment, we are operating laws that are literarily archaic, outdated and out of place and we want Nigeria to continue to be relevant and to benefit more fully from its oil and gas resources. So, we have to

renovate the law. Also we want to make it in such a way that we attract additional investment from our current investors and also bring in new investors, hopefully to support us in finding and developing new sources of oil and gas. Very importantly, we want to encourage a more robust indigenous local participation in the oil and gas industry, which so far has been dominated by foreign partners, who have done really well, but we think the time has come for Nigeria to take a more active role in managing its oil and gas resources. This is what we are hoping to achieve through the Petroleum Industry Bill.

This obviously involves restructuring the Nigerian National Petroleum Corporation (NNPC). How do you see this developing? Will the move increase the profile of the NNPC internationally?

This is the whole idea — to make the NNPC more effective and to separate it from the role it has been unwittingly made to play. It is an evolutionary process over a period of time. The NNPC has been lumbered with the commercial supervisory responsibility of the oil industry and it has also regulated the oil industry. It is not possible for one organization to do all this, so what we hope to do is through the Petroleum Industry Bill, separate policy formulation from regulatory function and from commercial responsibility. The NNPC is going to be allowed to concentrate purely on commercial responsibility. It will be our international, national oil company, if you like. In this way the country can develop its oil resources more effectively. It will also be able to go internationally and do some other things, as our sister international oil firms are doing.

Concerning the Niger Delta region and the amnesty declared there, how is this progressing?

We are happy with the developments so far. Don't forget the amnesty is only about six months old and many of the plans and provisions of the amnesty agreement between the government and the former militants will take time

Dr Rilwanu Lukman — OPEC's longest-serving Secretary General

Dr Rilwanu Lukman, OPEC's longest-serving Secretary General and Conference President, was appointed Minister of Petroleum Resources of Nigeria by President Umaru Yar'Adua in January 2009.

It was the second time in his career that Lukman, born in 1938, headed his country's petroleum operations — the first time being in 1986, when he held the position for three years.

Lukman was OPEC Secretary General from 1995 to 2000 and President of the OPEC Conference from 1986 to 1989 and then again in 2002.

In 1984, he was made Nigeria's Minister of Mines, Power and Steel, and in 1989 became Minister of Foreign Affairs. He held both positions for one-year terms.

In 1993, Lukman was appointed Chairman of the Board of Directors of the National Electric Power Authority (NEPA).

From 1999 until November 2003, he was Presidential Adviser on Petroleum and Energy to the Federal Government.

Lukman, who holds a Bachelor of Science degree in Engineering/Mining, attended the Imperial College of Science and Technology in London, where he also obtained a Postgraduate Certificate in Mining and Mineral Exploration. He was later awarded a Doctorate in Chemical Engineering from the University of Bologna.

A Commander of the Federal Republic of Nigeria, he was also made a Knight of the British Empire (KBE) in 1989 and an Officer of the Legion d'Honneur of France in 1990, as well as being conferred with the First Class rank of the Order of the Liberator from the Republic of Venezuela.

Lukman is a member of several professional bodies and was the first African ever to be honoured with the Fellowship of the Imperial College, University of London.

to put into place effectively. The government is doing all it can to ensure that the provisions of the amnesty are put in place. It will take time and a lot of patience, on both sides, and of course a lot of the responsibility will fall on the state governments of the oil-producing areas to cooperate fully with the federal government, in addition to supporting the oil and gas industry itself, including with the NNPC, and the joint-venture partners, who are operating in the Niger Delta region. The idea is to give the population of the Niger Delta a sense of belonging and participation. The Petroleum Industry Bill is trying in a very real way to do this and if it comes into effect, it will go a long way to ensuring that the inhabitants of the oil-producing areas will benefit maximally from the developments of the oil and gas resources there. But for them to benefit fully, it takes not only the Federal Government or the oil companies, but also more importantly the local governments and the state governments — everybody must be able to come together and work together for the common purpose of making life better for the people living in the Niger Delta.

Finally, if I can return to OPEC — what would you like to say to the Organization on its 50th birthday?

My answer would be for it to stay on course. Keep trying and to continue to develop the ideals and principles that have brought it success in the past. We should stick by these and follow our Statute, which is well thought out and well prepared.

If we look at the Solemn Declarations we made at our three Summits of Heads of State and Government — in Algiers, Caracas and Riyadh — these provide an excellent blueprint of what OPEC should continue to aim at. If we stick by our Statute and those Declarations, I think, we will continue to do very well in the future.

Can you envisage OPEC celebrating its Centenary in 2060?

I believe that the way it is going, the flexibility and the adaptability shown by the Organization will hopefully see it through another 50 years.

OPEC Conference President, Germánico Pinto.

Energy dialogue must focus on eliminating speculation — Pinto

It is essential that the international oil market is justified by the fundamentals of supply and demand and not speculation, as has been the case in recent years, according to OPEC Conference President, Germánico Pinto.

Addressing a Global Commodities Forum organized by the United Nations Conference on Trade and Development (UNCTAD), in Geneva, in March, he said that although a more stable and realistic oil price had been witnessed in the past few months, "we should not forget the extreme volatility that has characterized the recent past."

Pinto, Ecuador's Minister of Non-Renewable Natural Resources, reminded delegates that increased speculative activity had led to acute and excessive price fluctuations, whereby the market had been driven by factors totally unrelated to supply and demand.

"It is something that creates major difficulties for both consumers and producers," he affirmed.

Pinto said that to counter the effects of speculation, he was encouraged to see some countries taking steps to introduce regulatory reforms to financial markets and commodity trading practices. "It is a step in the right direction," he added.

But the OPEC Conference President maintained that any successful dialogue on global energy needed to focus on helping to eliminate the excess speculation that had plagued the market in recent years.

In line with this, he said, last year saw the Sixth Ministerial Meeting of the European Union-OPEC Energy Dialogue, at which both parties endorsed calls for an urgent and global response to the challenges to the stability of the oil market posed by the financial markets.

"This and previous EU-OPEC workshops on the subject have helped both producers and consumers to better understand the problems posed by excess speculation," he stated.

Pinto said that the energy industry, like the rest of the global economy, was today experiencing a period of enormous uncertainty.

The pace of the global economic recovery and its impact on energy demand was still far from certain. "We believe that now, more than ever before, a global dialogue on energy is essential to a stable and sustainable energy future."

Dialogue and cooperation was something that his country, Ecuador, and OPEC as an organization, had been pursuing for many years. And it was something they remained committed to for the future.

Pinto stressed that the responses of governments to the economic crisis had demonstrated the importance of coordinated efforts. Ever-more complex challenges, such as energy security and environmental sustainability, could not be met by individual industries, or even countries, alone.

"We live in an interconnected world where dialogue and cooperation are vital to promote the openness and transparency required for

producers and consumers to be attuned with each other's needs. We must work together to create a stable environment in which properly-grounded decisions about the future can be made," he professed.

Such dialogue, he said, needed to have at its fore the key issues of security of energy demand and supply. Consumers must be sure that their future oil requirements would be met, while producers must be certain there would be demand for their product.

Pinto said that, from OPEC's perspective, its Third Summit of Heads of State and Government, in Riyadh, in 2007 called for developing existing and new avenues of cooperation with all stakeholders.

"It is in this spirit that our Organization will continue to operate. And my country, as a Member of OPEC, embraces all efforts to enhance dialogue with all stakeholders throughout the energy industry.

"We will strive to promote understanding between producing and consuming countries and we urge others to do the same. It is only through joint efforts that we can successfully tackle the complex and emotive challenges of energy security, and contribute to a more stable, equitable and sustainable world," he said.

Realistic oil price

Pinto stressed that an essential ingredient to stable oil markets was a realistic oil price. Thanks to recent dialogue and communication, it was now widely accepted that an oil price high enough to encourage producers to invest, and low enough to support economic growth, was of benefit to all.

Turning to the uncertainties that surrounded the future of alternative energies and the role of national and international environmental policies, coupled with other industry challenges, such as inflated costs and a lack of qualified oil personnel, he said these created big challenges for oil producers when it came to future planning.

"An open and honest dialogue has the potential to stop governments from unfairly discriminating against different energy sources. At present, some countries subsidize coal, while imposing heavy taxes on petroleum products. From an environmental perspective, this clearly does not add up," maintained Pinto.

He said there needed to be more objectivity and transparency when it came to how energy sources were treated. Consumers also needed to ensure their oil demand forecasts were accurate and reliable. These forecasts were often influenced by unrealistic expectations regarding alternative sources of energy.

Pinto pointed out that OPEC Member Countries played a vital role in meeting the world's energy needs.

"We are not alone in our belief that fossil fuels will remain the main source of energy well into the future. While the Organization welcomes diversity in the overall energy mix, we also believe that both alternative sources of energy and technologies will be slow to gain momentum and thus slow to gain a concrete share of the global energy market. Therefore, we need to be cautious about how to proceed."

Pinto told the conference that despite all the uncertainties surrounding the oil industry today, large investments to expand both the upstream and downstream sectors were underway in OPEC Member Countries.

"We are confident that current investments will satisfy demand for OPEC crude and also continue to provide a comfortable cushion of spare capacity. Today, current spare capacity in Member Countries already exceeds six million barrels/day. We are playing our part — we look to other stakeholders for equal commitment," he said.

Reuters

The OPEC Conference President said the Organization's Member Countries had worked hard to improve the environmental credentials of oil over the years, and continued to do so.

In this respect, carbon capture and storage technology had the potential to significantly help abate the growth in carbon dioxide emissions.

"But again, dialogue and cooperation are essential to properly harness the potential and to develop even more win-win technologies. The industrialized world — having the financial and technological capabilities — must lead the way and commercialize such technologies quickly," he asserted.

A bite with the Bulletin ...

Herbert Lechner

— Austrian Energy Agency

*The second in a series of interviews with energy industry professionals based in Vienna, Austria, sees the OPEC Bulletin's **Steve Hughes** meet Austrian Energy Agency Deputy Director and Chief Scientific Officer, **Herbert Lechner** (pictured above), to talk about the big issues of the day.*

Left: The headquarters of the Austrian Energy Agency in Vienna.

Herbert Lechner looks more like the Deputy Director part of his job title than the Chief Scientific Officer bit, as he strides toward my table with a smile. We have arranged to meet in the restaurant cum wine-bar, M-ART, a modern, well-used eatery near the old Bourse in central Vienna. Despite the plethora of well-dressed lunching business people here, Lechner still cuts an impressive figure in an elegant grey suit, conservative blue shirt and tie, and thick, fashionable, black-rimmed glasses.

I have come to meet Lechner to find out how Austria is getting to grips with some of the more weighty energy challenges of today: climate change, energy efficiency and energy security. As the man in charge of the scientific coordination and strategic development of the Austrian Energy Agency — the non-profit research institution that helps Austria's government, and other public and private institutions, meet energy policy objectives — Lechner is well-placed to take my questions.

As we peruse a typically modern Austrian lunch menu (the blackboard above offers *Kürbiscremesuppe* and other seasonal fare), Lechner begins explaining the agency's remit; it gets involved with all energy issues, but places "a special focus" on energy efficiency, energy security and renewables. Since it is a membership organization, it is part funded by fees (in addition to the Austrian government, it counts the likes of corporate giants Wien Energy and OMV among its members), but the agency is also expected to generate the lion's share of its revenue by undertaking commercial projects.

This 'commerciality' is something that gets Lechner motivated: "I am more interested in implementation, not just in writing some policy paper," he says. The agency initiates real projects to show that its recommendations are viable. "To say, okay, I made this study and I showed that this is beneficial and this is economically viable, is great," he says. While it undertakes projects across Europe and further afield (it is currently working on biomass projects in Mongolia), Lechner also gets excited about smaller, national projects. An agency study showed that Austrian saw mills could turn their waste energy into electricity, he says, efficiently and cost effectively. "I think eight or ten plants like this have now been built. To think we made these calculations and worked with the politicians to put in place something that makes good sense is very rewarding."

We are brought back to our menus by the first of many crashes and bangs that punctuate our interview intermittently from the busy kitchen. I select the poached trout, and although Lechner protests that he rarely eats during the day — normally he works through lunch, or at the very most, grabs something light at his desk — he makes an exception today and selects the veal *Tafelspitz*.

Tough targets

Perhaps he's celebrating; just yesterday he submitted the first findings from an evaluation that the agency is conducting of Austria's national energy strategy, a project that is being driven by the ministries for the economy and environment.

Taking into account considerations such as EU-targets and energy security, the assessment considers the ways and means by which Austria hopes to stabilize energy use at around 2005 levels, and its likely success. The target is for final energy consumption to be 1,100 PJ in 2020.

Also, under the EU climate and energy package, Austria aims to increase the share of renewable energy sources in its gross final energy consumption to 34 per cent by 2020 (in 2005 it was about 24 per cent, says Lechner) and simultaneously reduce its greenhouse gas emissions in the non-emissions trading sector by 16 per cent from 2005.

instance, nuclear energy is not an option. When I ask if it all feels like a bit of a juggling act, he laughs: "As a scientific institution you cannot say you are juggling," he says, but he concedes that it is always "a very difficult task" to balance things, especially with targets in the foreground.

Because of this, Lechner remains realistic. Where renewables are concerned, he recognizes limitations:

"We need more than just a new global energy contract."

As our food arrives, Lechner continues: "The general mission is to have an efficient — not only energy efficient, but economically efficient too — energy supply that is secure and ecologically sustainable." What is also important, he says, is that any technologies employed are socially acceptable. Because of public resistance, for

"Take the biomass sector as an example — you use wood not only to burn, but also to produce paper, cardboard and such, so you have competition," he says. "The amount of woodland we have is also limited. There is potential to produce additional wood and to use it in the energy sector, but we see restrictions."

What we must do, therefore, argues Lechner, is stabilize and reduce our energy consumption. "It is just not possible to let consumption develop as in the past 'business as usual' case and to say we want to cover it with renewables." To make a "real change" says Lechner, Austria must increase its energy efficiency. And he is under no illusions that this will be easy. "It is a very tough job," he says. "If you build a new power plant, you know that this will give you x megawatts. But convincing people — often single consumers — to be more efficient with energy is challenging and you do not know exactly what savings you will realize."

Steady progress

Given that the agency is tasked with being Austria's official energy efficiency monitoring body — and reporting on the matter to the European Commission — Lechner is a good judge of the challenges involved. Despite them, he says, progress is steady. Voluntary agreements with the branches of energy suppliers have been made — building codes are being revisited to better govern how new buildings are erected, new directives are to be introduced to improve the regulation of electric appliances and public funding programmes have been launched to speed up the renovation of buildings.

"The top issue at the moment though is e-mobility," says Lechner, who, though living in Lower Austria, near to where he was born, would rather travel to Vienna by train each morning than drive. But he recognizes the challenges with electricity-powered vehicles too. "The big challenge is with the battery — it costs about the same as the rest of the car at the moment — and its capacity needs to be expanded." Two essential points, he says, but he still hopes that by 2020, perhaps up to five per cent of Austria's car fleet could be powered by electricity.

With this in mind, I ask Lechner for his views on the future of fossil fuels. "Of course, we see real importance of fossil fuels in Austria," he says. But he also notes that the energy measures now being introduced to Austria — electric cars, efforts to reduce the heating demands of buildings and a concentration on renewables to name just three — are likely to reduce the country's call on fossil fuels in the future. He sees this trend continuing across Europe, but says that, globally, it is a very different story. "Worldwide, oil will be a very important source — all the projections you see from the developing countries show this."

Our table faces the restaurant's high, domed windows, and outside on Esslinggasse, snow is beginning to fall. It's not hard to imagine Viennese all over the city cranking up their heating systems in response.

Given that fossil fuels remain important to Austria, as Lechner points out, I ask how much of a concern energy security poses. While he admits it may sound contradictory to be seeking energy independence in a global, interconnected world, he says it remains a big issue and explains that past media reports about disruptions in Russia's supply to Europe fan the flames of these fears: "I think this has had a real effect on thinking." The focus on renewables and on efficiency is a symptom of this, as is the drive to realize the Nabucco project — a new gas pipeline connecting the Caspian region, Middle East and Egypt via Turkey, Bulgaria, Romania and Hungary with Austria and Central and Western European gas markets.

Global obligations

Lechner then, like all other leaders in the energy industry, has his work cut out: attempting to support the evolution of the global energy system so that it fulfils ever more strict ecological criteria in an equitable and socially responsible manner. And all this when the world's energy demand is on the up. Does he believe it is doable?

"I think this requires an agreement which is about more than just energy," he says. "It is a question of global power and of how OECD countries and developing countries share the obligations." He recognizes that developing countries will be pursuing economic growth — something that will increase energy demand — and says that without some very significant financial shifts to boost investments in new technologies and energy efficiency — "much, much more than the EU has now proposed" — getting the balance right will remain a tough, and perhaps even insurmountable, task. He calls for "more than just a new global energy contract" and "significant financial support from the OECD countries".

At the moment, Lechner doubts we have the proper tools to handle such a big issue. "My fear is that we lose too much time," he says "When people realize, ah, this is a real danger, and they really want to act, maybe then it is too late."

"That is a very cheerful note on which to end our interview," I say, and we both laugh — nervously.

Photographs courtesy Austrian Energy Agency.

Saudi Aramco head offers "tripple-A" solution to future energy challenges

Reuters

Khalid Al-Falih, President and Chief Executive Officer of Saudi Aramco.

A "triple-A triangle" of imperatives, comprising adequacy, affordability and acceptability, are necessary for meeting the challenges facing the international energy industry in the years ahead.

That was the view put forward by Khalid Al-Falih, President and Chief Executive Officer of Saudi Aramco, to the CERAWeek 2010 Conference in Houston, Texas, in March.

In the opening keynote address to the gathering, he listed the three requirements as adequacy of energy supplies for a growing world population and global economy; affordability of the energy required for economic prosperity; and acceptability of energy production in terms of environmental sustainability.

Al-Falih explained that adequacy meant ensuring sufficient and reliable supplies of energy to meet the growing needs of an expanding global population that would inevitably demand higher living standards and greater prosperity.

"We must be able to meet those expectations, all of which hinge on the provision of adequate energy supplies," the Saudi national oil company head maintained at the conference, hosted by IHS Cambridge Energy Research Associates.

On the second requirement, he stated that because energy was an essential component in almost every type of economic activity, it must be affordable.

Should energy supplies in the future turn out to be prohibitively expensive, global economic stability and growth could be jeopardized. That could lead to a scenario of "haves and have nots" that carried with it serious financial, political and social risks.

By acceptability, Al-Falih said he was referring to the protection of natural ecosystems and making oil "cleaner and greener".

In this regard, he said, "stewardship is a moral duty for energy providers ... our consumers will not be secure until they know the industry is doing a good job as nature's stewards."

Governments, he said, also had a role to play in addressing environmental issues by avoiding excessive taxation on the energy industry, or applying cross-subsidies for new technologies that distorted signals to investors.

In addition, said Al-Falih, rules and regulations governing environmental protection and sustainability must be applied fairly to all sources of emissions.

"To put things in perspective, emissions from the entire transport sector only contribute 13 per cent of man-made greenhouse gas emissions, yet most policy initiatives are directed toward them," he observed.

The Saudi Aramco head said natural gas should also play a bigger role in fuelling power generation.

In listing actions necessary to satisfy the three requirements stipulated, he said a pragmatic approach to energy development, using facts, not wishful thinking

was required. This involved hard work, money and sufficient time to implement projects.

There was also a need to encourage "wise and timely" investments in petroleum, given its continuing importance in meeting the energy needs of both developed and developing nations. That would require more spending on infrastructure and investing in the people needed to run the industry.

Al-Falih pointed out that future investments must include alternative energy sources, but on a level playing field that encouraged innovation, while maintaining that the focus on greenhouse gas reduction should not only be on the transportation sector.

The transformation to alternative forms of energy, he said, would not be immediate. The pace of their growth and development, as well as the costs involved, remained uncertain.

Today, there were assumptions that "we will change the face of energy overnight" via renewables, Al-Falih added.

"But it is vital that we recognize that, while the continued development of alternative energy sources is not in question — and I am very optimistic about the long-term prospects for some of them — the pace of their development and deployment does remain an open question," he said.

Environmental footprint

Al-Falih said that he had concerns that all the emphasis on clean energy investment today would create a "green bubble", similar to the dot-com bubble of the 1990s. That bubble might burst with disastrous consequences that would not only hurt the economy, but the future development of the technologies involved.

"Saudi Aramco recognizes that while renewable and alternative energy sources hold long-term promise, they face considerable technical, environmental and commercial hurdles. Their development should be pursued wisely and on the basis of commercial viability and technical feasibility," he said.

Saudi Aramco, stated Al-Falih, would be working to improve the environmental footprint of its own operations and of fossil fuels in general.

"The company believes that improving the efficiency and lightening the environmental footprint of fossil fuels are among the most important steps that can be taken to preserve the natural world for future generations," he said.

Al-Falih stressed that even though oil continued to underpin the modern economy and underground resources of petroleum were plentiful, the world would need energy from all sources — conventional fossil fuels, renewables and other unconventional fuels — in the future.

"We think there is room for plenty of players in the oil industry. Saudi Arabia still accounts for only about ten per cent of global oil production. That leaves 90 per cent of the load for others to shoulder, even as that load increases to some 105 million barrels/day of demand by 2030," he said.

There was a danger, however, that the petroleum industry was not making the necessary investments to prevent supply bottlenecks in the future, he affirmed.

Fossil fuels would still satisfy 80 per cent of global energy requirements over the next two decades and even though the percentage share of fossil fuels in the overall energy mix may decline, the absolute level of fossil fuel consumption would continue to expand as a result of population growth and rising living standards.

"None of us in our lifetimes will see this figure fall below 70 per cent," he said.

Al-Falih maintained that the world energy industry should be managed in the same way that nutritionists approached human development — through a balanced diet, in utilizing the complete range of energy sources available.

Turning to Saudi Arabia's plans for the future, Al-Falih said Aramco planned to invest $90 billion over a five-year period, with much of that directed towards natural gas exploration, production and processing.

In the last five years, it had spent $62bn to increase its oil production capacity to 12m b/d. It had a target of maintaining 1.5m b/d of spare capacity. Domestic oil demand had been growing by five to seven per cent annually in recent years, but Al-Falih said the Kingdom wanted to see that growth cut in half through employing greater energy efficiency and by substituting natural gas for oil.

Gas, he said, currently accounted for less than half of the Kingdom's energy consumption. The objective was to increase Saudi Arabia's gas capabilities in both production and consumption. This would free up more crude oil for export.

Al-Falih stressed that Saudi Arabia wanted to be a global leader in energy in general, not just petroleum. The Kingdom was particularly interested in developing its solar potential, although he admitted that "the economics of solar energy are still a challenge."

Iran aiming to double value of trade with Iraq

Iran is aiming to double its value of trade with neighbouring Iraq to over $8 billion in 2010, according to Mohammed Reza Baghban, the country's Consul in the southern oil hub of Basra.

Speaking to reporters at a trade fair in Basra, he commented: "We are sure that, if there are no obstacles to Iraq-Iran economic relations, bilateral trade between the two countries will be double what it was in 2009." Last year, the figure stood at $4bn.

The two countries have signed a number of bilateral agreements designed to boost trade, which primarily involves the construction, industrial and food sectors.

Iran is already a major trading partner of Iraq and one of the largest investors in the country. Iraq is striving to rebuild its freed-up economy and infrastructure after years of unrest, sanctions and under-investment.

However, Iran is also the subject of economic sanctions — applied by the United States, its European allies and the United Nations — who dispute that the country's nuclear programme is for peaceful purposes.

Meanwhile, Iran and Iraq are due to set up a joint free trade zone in the near future to further promote economic cooperation.

Following a recent meeting between officials from the two sides, Mostafa Matourzadeh, Chief MP of Iran's Khouzestan Province, was quoted by the Fars News Agency (FNA) as saying: "The existence of a joint free trade zone between Iran and Iraq will facilitate the transit of goods."

He pointed out that a number of plans had also been proposed to form a joint industrial zone along the two countries' common borders.

"The industrial zone between the two countries will bring about the development and growth of products and will also help attract foreign investments in the industrial sector," Matourzadeh added.

Iran and Iraq have enjoyed growing ties since the overthrow of Iraq's former President, Saddam Hussein, in 2003.

As an example of the improving relations, Iran was due to inaugurate a trade centre in the northern Iraqi city of Soleimaniyeh.

"With the inauguration of Iran's trade centre in Iraq by the end of the (Iranian) year (March 20), exporters can use Iran's transit facilities and potentials to send their commodities to Iraq," Hossein Rahmaninia, Secretary-General of Iran's Chamber of Cooperatives, told FNA earlier this year.

Iran's non-oil exports to Arab and African states have undergone a tangible increase in recent months.

According to Seyed Hossein Hosseini, Director General of the Trade Promotion Organization's Trade Office for Arab and African Affairs, Iran's exports to Iraq over the past nine months of the Iranian year had increased by 64 per cent, while those to Syria had risen by 31 per cent.

The country's non-oil exports to Morocco over the same period had expanded by 145 per cent, he said. Its exports to Egypt had shown a 50 per cent rise.

Hosseini added that Iran's non-oil exports to Ivory Coast and Senegal had risen by eight and 12 per cent, respectively.

News in brief

Total to invest $920 million in Algeria's Timimoun field

Paris — Total's investment budget for Algeria's Timimoun field development has been put at $920m. Total Group Director for North Africa, Jean-François Arrighi de Casanova, said: "We are going to develop, with Sonatrach, eight deposits over a vast area. The project includes technical challenges because gas is contained in very compact formations." He said the objective was to bring the field, located between Timimoun and Adrar in south-western Algeria, into production by the second semester of 2013, if the GR5 gas pipeline was operational. The capacity was estimated at 1.6 billion cubic metres of gas per year, he said in an interview with Arab Oil and Gas. *APS*

Angolan government prioritizes rural development programme

Luanda — The priority of the Angolan government's poverty-alleviation programme is based on the implementation of its rural development integrated programme, as well as on its food and nutritional security strategy, according to Secretary of State for Rural Development, Filomena Delgado. Addressing a roundtable, she listed the main causes of poverty as including strong demographic pressure, resulting in a high rate of fertility, the destruction and degradation of economic and social infrastructure, as well as the poor functioning of services like education, health and social production. She main-

tained that emphasis had to be placed on social integration, based on assistance to the most needy, food security and rural development. *AngolaPress*

Iranian enterprises, private sector keen to set up joint ventures with Algeria

Algiers — Iranian companies and the private sector are willing to contribute to joint-venture projects in Algeria, according to Iran's Foreign Minister, Manouchehr Mottaki. In talks with Algerian Prime Minister, Ahmed Ouyahia, he said the two countries had abundant capacities for cooperation in trade, investment, and the oil and gas sectors. Mottaki pointed out that Iran was keen on sharing its experience with friendly countries in the fields of industry, agriculture, technology and science. It was ready to put its experience at the disposal of Algerians. Ouyahia said Algeria viewed its relations with Iran as "strategic" because the two countries followed a unique goal with regards to regional and international issues. He noted that the two countries' Presidents had drawn up frameworks for the expansion of mutual ties. *IRNA*

Kuwait funds port project in Yemen

Sanaa — Yemen and the Kuwaiti Fund for Arab Economic Development (KFAED) have inked a deal for bankrolling the country's Socotra Port project, worth $41 million. The deal was signed by Yemen's Deputy Prime Minister for Economic Affairs and Minister of Planning and International Cooperation, Abdel-Karim Al-Arhabi, and KFAED Director General, Abdulwahab Al-Bader. The project is intended to help meet Yemen's growing local maritime transport demand for cargo and passengers between Socotra Island and Yemeni and international seaports. *KUNA*

Nigeria's Acting President tasks stakeholders on development

Abuja — Nigeria's Acting President, Goodluck Jonathan, in a message to the opening ceremony of the 21st Enugu International Trade Fair, has called on the country's stakeholders to join hands in strengthening and re-engineering the national economy. He said this had become necessary in order to make life comfortable for Nigerians. The present government was determined to address the challenges facing the real sector of the economy, he said. "The government will continue to work with the private sector to resuscitate, through structural rehabilitation, the adoption of better technology, improved operational guidelines and focused strategy on some of the industries which have failed," he said. *VON*

Qatar launches aluminum melting plant

Doha — The Qatar Aluminum Company (Qatalum) is set to launch its aluminum melting plant in Mesaeed Industrial City in April. It has announced that preparations were underway for a new historical era that ushered in a new industrial sector through aluminum. In a press release issued by Qatalum, Qatari Deputy Premier and Minister of Energy and Industry, Abdullah bin Hamad Al Attiyah, who is also Board Chairman of Qatar Petroleum, said the new plant would play an effective role in applying development-related strategies in Qatar. Its inauguration coincided with the country's vision of optimally exploiting Qatar's natural resources and achieving economic diversity. A joint venture between QP and Hydro of Norway, the plant will begin producing 585,000 tonnes of aluminium products per annum by December 2010. *QNA*

IDB approves $120 million for Jubail refinery and petrochemical project

Jeddah — The Islamic Development Bank (IDB) has approved $120m in financing for the Jubail refinery and petrochemical project, one of the largest schemes of its kind, in Saudi Arabia. The total cost of the project amounts to $12.8bn. Financed by Saudi banks, the Saudi Fund for Industrial Development, the General Investment Fund, and other financial institutions, the refinery will be established within four years. *SPA*

Confidence in Dubai growing — UAE newspaper

Abu Dhabi — It looks increasingly likely that creditors will accept Dubai World's proposal to restructure around $24bn of its debt, according to the UAE daily Gulf News. It quoted the CEO of the Royal Bank of Scotland, Stephen Hester, as describing the offer as "a positive development". Other bankers have also expressed confidence in Dubai World's plan to restructure some of its debt. HSBC and the Abu Dhabi Commercial Bank have said the debt offer was "very reasonable" and "extremely positive". *WAM*

Venezuela, Ecuador build project network for integral development

Caracas — Venezuela and Ecuador are building a network of projects that are gradually embracing a great part of the social, economic and cultural life of both nations, according to Venezuela's Foreign Minister, Nicolas Maduro, in Quito. "Carrying out presidential encounters reaffirms our will of being free, independent and sovereign," he said at the 7th Ecuador-Venezuela Presidential Meeting. His Ecuadorean counterpart, Ricardo Patiño, said the latest meeting of the Presidents would look at such issues as energy sovereignty, security and defense, development of the productive sector, and commercial and financial activities. *ABN*

OPEC's Long-Term Strategy under review

Left: Chairman of the LTS, HRH Prince Abdulaziz Bin Salman (c), Saudi Arabian Assistant Minister of Petroleum and Mineral Resources; Abdalla Salem El-Badri (l), OPEC Secretary General; Dr Hasan M Qabazard (r), Director, OPEC Research Division.

OPEC's Long-Term Strategy (LTS) was discussed during a second meeting of the Organization's Deputy Ministers of Petroleum and Energy, held at the new OPEC Headquarters in Vienna, Austria, in March.

A series of such meetings are planned for this year to look at the LTS, which was first adopted by the OPEC Conference in September 2005.

As with the first meeting in January 2010, the March talks were chaired by HRH Prince Abdulaziz Bin Salman, Head of the Saudi Arabian delegation.

The LTS, which carries OPEC's overall objectives, its major challenges and possible future scenarios, is reviewed every five years, following a recomendation of the 137th Meeting of the OPEC Conference.

OPEC's Ministers decided to begin a review of the LTS under the supervision of the Deputy Ministers in September 2009.

Delegates to the 2nd Meeting of the High-Level Group of Deputy Ministers to review OPEC's Long-Term Strategy, and below the OPEC Secretariat team.

OPEC presentation made to diplomats in Vienna

Layla Abdul-Hadi.

The Head of OPEC's Human Resources Section gave a presentation on the Organization to the United Nations Institute for Training and Research (UNITAR) in Vienna towards the end of March.

Layla Abdul-Hadi, who forms part of the Finance and Human Resources Department at the OPEC Secretariat, based in the Austrian capital, was invited to address an orientation briefing on Vienna's multilateral working environment.

In her presentation 'An introduction to the Organization of the Petroleum Exporting Countries', she gave an overview of the history and structure of OPEC, its aims and objectives and listed some of the achievements made over the past 50 years — 2010 marks the Organization's Golden Anniversary.

UNITAR regularly organizes training activities that target diplomats accredited to UN headquarters and its offices — New York, Geneva, Nairobi and Vienna — as well as the host cities of UN regional commissions, namely Addis Ababa, Bangkok, Beirut, and Santiago de Chile.

Such training programmes, it says, help raise awareness on the structure and functioning of the UN system and help answer specific training needs that the institute receives from permanent missions accredited to the UN.

In this context, UNITAR's Multilateral Diplomacy Programme organizes every year an orientation briefing on Vienna's multilateral working environment, a free-of-charge service that is offered to Vienna-based diplomats accredited to the UN Office at Vienna (UNOV). OPEC has been located in the Austrian capital since 1965.

This year's UNITAR briefing, held at the Vienna International Centre on March 24–26, was aimed at helping diplomats better understand the differences between the UN organization and the system.

It entailed defining the structure, mandate and functions of the major international organizations operating in the Austrian capital and recognizing and analyzing the linkages between them.

The briefing also had the goal of relaying the make-up and governance system of the respective organizations and looking at their respective decision-making processes. On the last day of the briefing, a session was held on decision-making in multilateral conferences.

During her presentation, Ms Abdul-Hadi spoke on the formation in September 1960 of OPEC by its five Founding Members — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — and went on to describe how today's Membership of 12 Countries was spread over three continents — Asia, Africa and Latin America.

She outlined OPEC's mission and in looking at the organizational structure of the Secretariat, the executive arm of the Organization, went on to describe the functions of the Conference — OPEC's highest policy-making body — the OPEC Board of Governors and the OPEC Economic Commission Board.

In describing some of OPEC's main achievements, Ms Abdul-Hadi stressed that the fact the Organization was 50 years old was "a success in itself".

OPEC had and continued to provide a secure and steady supply of oil to the consumers and was concerned about sustainable development, caring for the environment, encouraging dialogue and cooperation with other market players and strengthening Member Country National Oil Companies.

In concluding her address, Ms Abdul-Hadi noted that OPEC planned a series of Anniversary events in 2010, including special publications, exhibitions in both Vienna and Member Countries, various competitions and an Anniversary Symposium.

She said that at the official inauguration of its new Headquarters in Vienna's First District in mid-March, OPEC released commemorative Anniversary stamps and launched the Organization's new Website.

Before her presentation to UNITAR, Ms Abdul-Hadi showed the OPEC film *'Instruments of change'*, which documents the Organization's existence so far.

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

These pages are dedicated to capturing those visits in pictures.

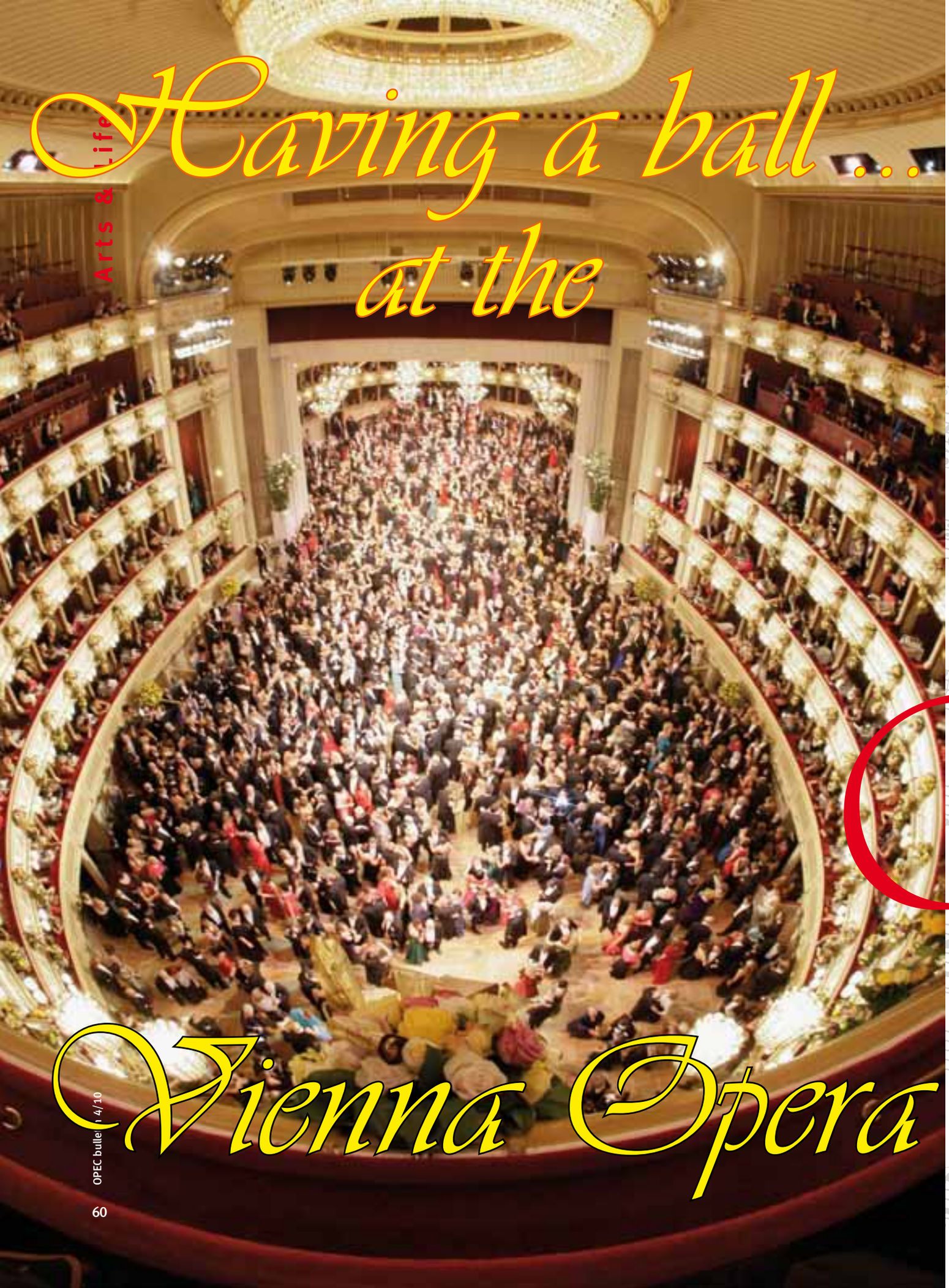
Above: Dinkar Khullar, Ambassador of India to Austria and Permanent Representative of India to UN Offices and International Organizations in Vienna, visited the new OPEC Secretariat on February 18, 2010. He was received by Abdalla Salem El-Badri, OPEC Secretary General.

Above (r–l): Abdalla Salem El-Badri, OPEC Secretary General; Dinkar Khullar, Ambassador of India to Austria; Shri Dinesh K Patnaik, Deputy Chief of Mission, Embassy of India; Abdullah Al-Shameri, Head, Office of the OPEC Secretary General.

Abdalla Salem El-Badri (l), OPEC Secretary General, with Kuwait's Ambassador to Austria, Mohammad Saad Al-Sallal, at the festivities for Kuwait's National Day on February 25, 2010.

Abdalla Salem El-Badri (c), OPEC Secretary General, with Noureddine Ait-Laoussine (l), former Algerian Minister of Oil; and Dr Alirio Parra (r) former Venezuelan Oil Minister and currently Director at CWC Associates.

Having a ball ... at the Vienna Opera



The Vienna State Opera Ball is a tradition in Austria. First held in 1936, it has proved so successful that, apart from during World War II and in 1991, as a result of the Gulf conflict, it has been staged every year since. Together with Vienna's New Year Concert, it is known the world over. The highlight of the Viennese 'Fasching' carnival season, the ball gives men and women the opportunity to don their finest clothes and dance into the early hours. The OPEC Bulletin's ***Siham Alawami****, who attended her first Opera Ball 25 years ago, is now a regular face at the annual event. In this article, she takes a detailed look at the international spectacle and just what makes it such an attraction.*

When I first came to Austria 30 years ago, I naturally heard about the Vienna Opera Ball, or *Opernball*, as it is known locally. But I have to admit now, with some embarrassment, that, at the time, my naivety got the better of me when I found myself thinking: "Do they really play football in the Opera house in this country?" But, despite my blushes, at least I found it was good to be inquisitive, since when I investigated further, I came to realize just what this famous annual event meant to the country I have since adopted. The fact is the 'Wiener *Opernball*' is the most prestigious and elegant function of its kind to be found anywhere in the world. I attended my first *Opernball* in 1985. It was a wonderful experience. Steeped in tradition, it attracts a diverse section of the population, from a who's who of stars, high-profile politicians and prominent business people, right down to the ordinary man on the street, lucky enough to get tickets, which are like gold. In fact, I was so taken by the occasion, with all its glitz and glamour, that I went on to help organize 20 similar balls in Kuwait, Dubai, Abu Dhabi and Muscat between 1988 and 1996, on behalf of the City of Vienna. I felt like a true ambassador!

But one thing that has intrigued me over the years is just what it is that compels people from all over the globe to come to the *Opernball*. Of course, due to its proximity,

Ballet children perform at the opening ceremony of every Opernball.

Helmut Kotrc, who heads the police department that provides security for the annual event.

Saif al-Islam Qaddafi (r), son of the SP Libyan AJ Leader, Colonel Moammer El Qaddafi, with Siham Alawami.

most visitors are European — German, French or Swiss — but they also come from as far afield as Japan and the United States. Is it the dancing? Is it the music? Is it a combination of the two, or is it just simply the in-place to be? Whatever the particular calling, one thing is always certain — the excitement and anticipation that can be found on the face of each and every individual as they wait for the 'dance master' to declare the ballroom open. The words: "Let the dancing begin", is the signal for the men, resplendent in their formal evening dress of white tie and tails, to escort their female partners in their long flowing gowns, on to the floor to display their prowess in the waltz, polka, or quadrille — the three most popular dances on show.

Of course, the Viennese waltz, or Wiener Waltzer, is the dance of choice. Thought to have evolved from the *Ländler* rural folk dance, which was popular throughout the Germanic countries in the 18th century, the waltz has developed with time to become the most elegant of traditions in Austria today.

During the Austrian carnival season, known locally as *'Fasching'*, which starts every year on November 11 and runs until the day before Ash Wednesday, depending on the date of Easter, dancing the waltz becomes a way of life as people from all walks of society attend a variety of balls that can have many themes.

But it was only recently that I heard a good explanation as to why the Viennese waltz is so popular at the *Opernball*.

Generally, the waltz is danced with a one, two, three step, with equal pauses inbetween. However, in Vienna, and especially when the philharmonic orchestra is being put through its paces, the music takes on a slightly different beat, resulting in the third step of the one, two, three coming deliberately late. This delay, though subtle, gives the dance a unique and gracious movement. One just melts into the routine.

And it was the lure of the Viennese waltz that made Dieter Grazer from Kassel in Germany decide to visit the *Opernball* this year for the second time. Dieter is one of those I speak to when I take it upon myself to ask a few of this year's participants just what makes the *Opernball* tick for them. He says of the waltz: "It is played out the nicest possible way at the Opera Ball. I just come to dance the waltz here — there is nothing like it anywhere in Europe."

This interesting point aside, what other impressions do people have of the *Opernball?*

Having a good dance partner is very important, maintains Brigitte Hausmann from Graz. "That really makes the evening special."

Realizing a life-long ambition, replies German couple, Winfried and Marianne Skoropa from Hamburg. Winfried, in his early 70s, always wanted to dance at the ball with his wife. Marianne made the same dream wish when she was just 12, although, at such a young age, she did not know her dance partner would be Winfried! They paid €230 each, just for the tickets — and without any seating! Not important — who sits at the *Opernball?*

Another couple, the Spikers from Munich, are gracing the dance floor of the *Opernball* for the 23rd time. "There is nothing even similar to this event anywhere in the

world," they agree. And after showing such commitment and support over the years, they receive special treatment in 2010. In sharing a box with friends, they are invited to have breakfast the following morning with the Mayor of Vienna, who customarily asks all box guests to join him at City Hall. Referred to locally as *'Gabel Frühstück'*, those invited are greeted by the 'Lady of the Opera Ball', the Austrian Cultural Minister and the Mayor.

We have heard a bit about the dancing, but what about the music? Well, after Johann Strauss composed the Blue Danube Waltz in 1867, it became so famous over the years that no Austrian ball would be complete without it being the highlight of the programme. More than 300 balls are organized every year in Austria during *Fasching* and every society has its own event. Guests vary between 300 and 6,000, depending on the location. And in addition to the country-wide balls, Austria organizes some 50 events in different cities around the world every year.

What of the logistics? With so many famous people and dignitaries attending the *Opernball*, I often wonder how difficulty it is for the Austrian authorities to organize security for the event.

Andreas Spörri, conducting the orchestra at the Opernball this year.

Opernball security

Helmut Kotrc, who heads the police department that provides security to all the country's politicians and VIPs, puts me at ease when he says that his department mobilizes many uniformed officers for the event. They effectively form a human barricade around the outside of the Opera House. "This year, we had no registered demonstration so the area we cordoned off was much smaller than usual," he explains.

"We oversee and control the complete operation, including the refurbishment and decoration of the Opera House throughout the week. We monitor the workers attending to the inside and outside of the building and, for the VIPs, we provide extra bodyguards, who accompany them, making use of different exits, when necessary.

"We also have criminal police officers on hand who patrol the interior areas. They are stationed in different strategic positions. We have officers from the special group, from *'Cobra'*, and others in civilian dress. We check the building for explosives, using sniffer dogs and other methods. The security control is not so obvious, although it is always very tight," he adds.

Back to the guests, standing on the elegant stairs of the Opera House, admiring the beautiful decoration of red roses and awaiting the arrival of the Austrian President,

No football at the Opera House ... except in 2008, when dancers of the Austrian state opera ballet performed to celebrate Austria's hosting of the European soccer championship.

Reuters

Right: Austria's Chancellor, Werner Faymann (l), President Heinz Fischer (r) and his wife Margit, wait for the opening of the Opernball on February 11, 2010.

Uwe Thaimer

Above: Uwe Theimer, normally the orchestra's artistic manager and chief conductor. In 2010, he did not appear.

Professor Harry Kopiez, First President of the Viennese State Parliament.

The Opernball *Orchestra.*

Left: Reinhardt Polt, who owns the only Viennese dance school outside Austria.

my eye catches Saif al-Islam Qaddafi, son of the SP Libyan AJ Leader, Colonel Moammer El Qaddafi. I ask him how he feels about the *Opernball*. "I love the ball and I enjoy being in Vienna very much. This is a wonderful event and every year I have a great time watching the opening ceremony, taking in the whole atmosphere — it is truly wonderful," he says.

I remind him that during an interview a few years back he said he wanted to make the Libyan capital, Tripoli, a copy of Vienna. "Yes," he replies, "I am working on several projects and the aim is to make Tripoli the Vienna of North Africa."

Of course, I have to ask him about the 50th anniversary of OPEC, which the Organization is celebrating in 2010. Qaddafi says it is a very happy occasion. "I would like to congratulate OPEC and especially Secretary General Abdalla Salem El-Badri, who, as you know, is from my country."

Above: Views of the Viennese balls held in Dubai (l) and Abu Dhabi (r).

My attention is then drawn by Austrian Chancellor, Dr Werner Faymann. I ask what the *Opernball* means to him. "This is the most important event for Austria where a window to the world is open. There are many people around the world who know Austria because of the *New Year's Concert* and the *Opernball*. It is great advertising for the country and a wonderful event to enjoy."

I enquire as to whether Austria's reputation for classical music and dance forms part of the 'excellent quality of life' rating recently awarded to Vienna: "Yes, it also represents the old Austrian tradition, as well as the modernity. They are both important and we should not pit one against the other — we should be proud of both of them," he says.

Asked for his impressions on OPEC's 50th birthday, he says: "I want to say congratulations to the Organization. I am preparing to attend to many important appointments and meetings with high-level guests who will be coming to celebrate the occasion."

Austrian President arrives

Just at this time, Austrian Federal President, Dr Heinz Fischer, and his wife, Margit, enter the Opera House and, like all the other guests, proceed up the stairs. They take a moment to pose for the throng of photographers present, and I choose my opportunity to ask the President what the *Opernball* means to him. "It is a beautiful ball over which all Austria is happy. It is an old tradition and well kept and one we should appreciate."

Later in the evening, I join the Mayor of Vienna, Dr Michael Häupl, in his box and ask him the same question. He says, for him personally, the *Opernball* represents a great deal of work and requires a lot of concentration. Is it not meant to be fun? I ask. "Yes, the *Opernball* is an event where you can dance, eat, and drink — and let all the stress go, but for me it is pure work."

I also ask him about OPEC's special year. "I will be there for the celebration. OPEC is an international organization and we are happy that it is based in Vienna."

Next on my list is Professor Harry Kopiez, First President of the Viennese State Parliament. He says the state *Opernball* is an event where one can meet people, the media and business associates. Asked if the occasion has any impact on the political landscape of the country, he replies: 'Of course, all the political parties are represented here and this gives us a chance to interact outside our offices. This has a healthy impact on our relations."

And how does the *Opernball* impact on Vienna's foreign relations? Kopiez answers: "We organize 50 such balls all over the world. I was last week at the Viennese ball in Brussels and in Amsterdam and such events are the ambassadors of Vienna worldwide. We also invite politicians from other countries to the Vienna *Opernball* and this is one of the ways through which we strike political deals."

I happen across Edmund Stoiber, former Prime Minister of Bayern, Germany. He first visited the *Opernball* 30 years ago. He says that then, as now, he continues to be impressed at the way the Viennese people participate in the event with such open enthusiasm. "The whole city is full of the *Opernball* atmosphere during that week."

I then bump into Arabella Kiesbauer, who used to present the *Opernball* for the Austrian television station, ORF. We speak about her experiences of the event as a teenager. "I remember the first time I was at the *Opernball*. I was just 16 and a friend of mine brought me along. His father was an opera singer and we managed to get an invitation. Of course, I was totally overwhelmed by the occasion and the beautiful Opera House.

Robert Soulek

Bass player, Mario Schott-Zierotin, who also appeared with the Opernball Orchestra in the Gulf country performances.

State Opera Director, Ioan Holender (c), seen with opera singers during this year's Opernball, which was his last before retiring.

Reuters

"For many years I presented the *Opernball* for Austrian television and that was tough work. But tonight I am here with my husband and I have no work to do. I can just relax. I am looking forward to enjoying myself."

Apart from the politicians and VIPs, many young people can be found at today's *Opernball*. I ask Arabella for her impressions on this: "It is such a tradition that belongs to Austria and Vienna," she answers. "Many young people dream to be part of the opening ceremony — to be one of the debutants. I think my husband was twice in the opening ceremony and my parents were expecting to see me joining it also. But I was always a young rebel.

"Now I am a wife and a mother and I would love to see my daughter be part of the opening ceremony. Let's see what happens in 14 or 17 years' time!"

On the stairs, the pomp and ceremony of the high-society event continues with the arrival of more prominent people. I greet Reinhardt Polt, who owns the only Viennese dance school outside Austria. He left his career in Bank Austria to work part-time for the famous Viennese dancing school — Ellmayer. He later went on to set up his own school in Portugal. So far, he has taught more than 15,000 people how to ballroom dance. It was with him that I organized the balls in the Gulf region. We engaged the services of the *Vienna Opernball Orchestra,* together with a ballet troupe made up of performers from the State Opera and Volks Opera, including a choreographer and tenor and soprano singers.

This reaching out overseas has enabled us to build cultural bridges between Austria and the Gulf countries. We have since invited guests and debutants from the region to come to Austria and be part of the opening ceremony of the *Opernball*. Last year, six couples were invited to attend from Malaysia and next year we will bring couples from Brazil. We intend to organize the first Viennese ball in São Paulo.

Observes Polt: "The Wiener *Opernball* is the social event of the year and the Republic of Austria should be very proud to be able to organize such an event. I organize such events in New York and London every year, but such an atmosphere — you only get that in Vienna."

Polt says he still remembers with great passion his experience in the Gulf. "We tried to copy the *Wiener Opernball* — to bring a bit of the Viennese touch to the region. We first looked in the local private schools to get young people interested, to train them and prepare them for the opening with dance lessons — the waltz, the polka and the quadrille. I also offered dance lessons for the guests."

He continues: "I recall that when we found the young boys and girls from the private schools in Dubai, Abu Dhabi and Muscat they had no experience in ballroom dancing — they only knew disco. But after three weeks of dance and etiquette training, the transformation was amazing — they showed up in their white ties and suites and the girls in their long white gowns and behaved in a very elegant manner."

And what of the media's reaction to the *Opernball?* Well, as one would expect, the event attracts a great deal of attention. Apart from the intense coverage made by the


Reuters

Desiree Treichl-Stürgkh, Supervizing Organizer of the Opernball since 2008.

local media, international newsmen from the United States, Switzerland, the United Kingdom, China and Japan are always on hand. Around 120 journalists and photographers jockey for position around the VIPs, stars and personalities, trying to get the best shot and a few defining words.

ORF today covers the event with 100 staff, split between 14 camera teams and numerous reporters, who are designated to specific areas of the Opera House. It takes *Opernball* General Secretary, Eva Dintsis, affectionately known as the 'Press Lady', about two months to organize the media coverage. She receives requests for accreditation already in October of a given year and requests continue right up to the last day before the event, which is always on the Thursday before Ash Wednesday.

At first a soiree

The idea for an *Opernball* in Vienna stretches back to the 1870s when performing artists wanted to have their own event at the Opera House, which was completed in 1869. Initially, Austria's Emperor, Franz Josef I, did not approve of the idea, but he later allowed performers to have a 'soiree', with the condition there was no dancing.

At first, everyone heeded the Emperor's wishes, but, as one can imagine with the music of Strauss playing, it is difficult not to dance. So, after midnight the revelers took to the floor — and they have been having a ball at the Opera House ever since!

"Balls are the answer to the winter season," explains Eva Dintsis. "The weather outside is cold and grey, so you need a way of making entertainment indoors, where it is nice and warm. You would not do something like this in summer, because everyone is happy to be outside. Nobody would visit a ball in summer in Austria. But in winter, there are several hundred balls in Austria," she adds.

Understandably, organizing the *Opernball* is extremely demanding and requires order and precision. Many things have to be factored in, even though tradition demands that every annual ball basically follows the same programme. Each year, the auditorium of the Vienna State Opera is — virtually overnight — transformed into a large ballroom. All the rows of seats are removed and the floor is raised up by one metre, so that it becomes level with the stage.

"The work starts on the Monday evening after the last performance of the opera," comments Eva. "We start with taking away the seats and turning the auditorium into a ballroom. That takes until Wednesday afternoon, at which time we have a general rehearsal."

She notes that around 7,500 people will be in attendance on the night, including guests, musicians, waiters, security personnel, and general helpers.

"We spend €2.4 million to prepare and decorate the Opera House — and we earn €3.5m from the event, so we make a profit of €1.1m on the night," reveals Eva.

Opernballbüro

Right: Choreographer, Giorgio Madia, was ballet director of the Opernball in 2010.

Opernballbüro

The Opernball's General Secretary, Eva Dintsis.

Right: Krysztof Jablonski, the famous Polish pianist, during the rehearsal.

The outside decor of the Opera House is naturally always the same — but the interior decoration and flowers used on the night always change. This year, everything was in pink, while, at the entrance, there were dark red roses. The flowers are later donated to charity.

Desiree Treichl-Stürgkh, Supervizing Organizer of the *Opernball* since 2008, has the unenviable job of ensuring that everything runs smoothly on the night. Her many responsibilities include choosing the colours and flowers for each ball, arranging advertisements, as well as finding sponsors for the complementary gifts handed out.

One of her primary concerns is finding the young ladies and gentlemen — the debutants — that will appear during the opening ceremony. She receives countless letters from the world over and suitable candidates are invited to attend a rehearsal at the Opera House. A committee, comprising dance teachers and dance experts from the Opera House, act as a jury in watching the hopefuls go through their paces — of course, dancing the waltz.

After one week, the committee meets to evaluate each participant. And it is not just the dancing — every aspect has to be taken into account, including the type of personality and whether he or she will be able to cope with the cameras and the importance of the occasion. Around 140 couples participated in 2010.

"We prefer it if they come as couples, so we do not have to worry about the dance partner," Desiree notes.

Two weeks before the *Opernball*, participants chosen from within Austria come together to learn the choreography, while, in the last week before the event, any foreign participants selected arrive in Vienna to join the others. They have to learn the choreography in just two days. All the training is carried out in the Mahler Hall at the Opera House.

Each year, the official opening of the *Opernball* is conducted after the arrival of the Austrian President, the Chancellor, and the Mayor of Vienna. Held under the patronage of the federal government, the evening's programme starts at exactly 10 pm.

To the accompaniment of different hymns, members of the opening committee enter the ballroom doing the polonaise, a stately Polish march-like ceremonial dance that has been used to open balls since the 17th century. This is followed by the entrance of the debutants, the young ballet couples and their older colleagues, together with the singers — the tenors and sopranos. All this takes place within 40 minutes, after which everybody is invited to dance.

In addition to the main auditorium, where the *Opernball* Orchestra is assembled on one side and the Axel Rot orchestra on the other, playing alternately every half an hour, there are six other halls, which have different themes, one of them usually being a disco in the cellar. This year a South American band played in the Marble Hall, a German group was in the Gustav Mahler Hall, while, on the sixth floor, another orchestra and piano player performed. It makes for a great atmosphere and means you can dance everywhere. It takes around three hours to see everything.

Obviously, with such an event, the music is very important. And the late Wolfgang Jelinek, who founded the *Opernball* Orchestra some 26 years ago, was an old hand with much experience. He appeared at the Opera House every year, specializing in music that accompanies the Viennese waltz. Today, there are 60 musicians in the orchestra.

Mario Schott-Zierotin, one of his double-bass players, explains that they perform mainly polkas, quadrilles, Mozart, Hayden and all waltzer music. He has also appeared with the orchestra in the Gulf countries.

"I personally like the Arab world very much and

This year's red roses used for the decoration of the Opernball came from a Fair Trade plantation in OPEC Member Country, Ecuador.

remember well when we played in Abu Dhabi, Dubai and Oman. That was great. We all loved those countries," he says.

Uwe Theimer is the orchestra's artistic manager and chief conductor, but on this occasion, he is not down to appear.

"We play twice a year in Lucerne, Switzerland with Andreas Spörri, who was the chief conductor at the Cairo opera. We thought it would be good to invite him to conduct the orchestra at the *Opernball* this year," Mario discloses.

And it is under Spörri's capable direction that the orchestra plays the fanfare — the Austrian Hymn — and then the Hymn of the European Union, which is taken from Beethoven's Ninth Symphony. This is followed by the polonaise, which got its name from one of the French kings, after the dance was performed at his royal court. His Polish guests did not have a name for the dance, so the King called it the polonaise.

"Alles Walzer"

The opening programme ends with the young ladies and gentlemen performing the Wiener Waltz. This is followed by the dance master declaring the floor open with an accompanied cry of "Alles Walzer".

Italian freelance choreographer, Giorgio Madia, was ballet director of the *Opernball* opening this year. The performance included 20 children and 16 older dancers, as well as two soloists, one from Poland to celebrate Chopin's 200th anniversary. He tells me it took him 30 hours in just one month to train the ballet dancers for the set pieces they performed.

After the opening comes the music programme. This does not change much from year to year, comprising the traditional waltzes, polkas and quadrilles. The first waltz is the *'Wienerblut Waltz'*. Some modern repertoire is also performed, such as the English waltz and the foxtrot. The orchestras play 53 pieces in four hours.

"The Viennese music incorporates many fine tunes and the conductor's job is to bring this out to the musicians together with the concert master, who is the first violin of the violins, the conductor's left hand," Spörri explains. "The conductor injects the spirit into the orchestra when he is directing."

The guests especially look forward to the midnight quadrille, a formation dance featuring four couples, which often results in seemingly chaotic, but actually, well-organized, fun. The whole party goes on until 5 am.

The 2010 *Opernball* was the 54th such event since World War II and this year had a special theme in honour of the bicentennial of the birth of the great Polish/French composer and pianist, Frédéric Chopin, who lived in Vienna.

One of the choreographies performed featured Chopin's famous Minute Waltz. Some people think the piece has to be played in just one minute, so it has to be fast. But in reality, it is not like that. I learned that Chopin actually wrote the waltz because he was inspired by a dog named 'Minute', which he saw running in circles trying to bite its tail. The young performers of the ballet school of the Vienna Opera House danced to this piece.

The second offering was Scherzo (pronounced Skerzo) no 1, which, in Italian means 'joking'. This piece connects Chopin to Vienna. It was not composed in the capital, but conceived there during the time the composer was in exile and thinking about his homeland Poland, which at the time was in turmoil.

Krysztof Jablonski, the famous Polish pianist, played the piece with great passion, referring to it as *'Chopin in Vienna'*. Jablonski, who has lived in Canada since the age of 11 and now holds the position of professor at the Chopin University in Warsaw, Poland, tells me later that Chopin did not name his pieces — other people did that later.

When I speak to him about the misconception over its title later, he explains that the Minute Waltz is actually very short and it is possible to perform the piece in one minute — "if you play incredibly fast. But one never plays that fast. It was just the name — it is one of the shortest of Chopin's waltzes."

He says that although Scherzo means joking, Chopin was far from making fun when he wrote the four Scherzo pieces. "None of them is about joking — they are all very dramatic."

Also this year, the *Opernball* programme featured a potpourri of all the famous arias and operettas that have been performed at the Vienna State Opera during the past 19 years. The 15-minute performance was conducted by the Director of the State Opera, Ioan Holender, whose contract will end in August 2010.

This was a kind of farewell for him. It started with Carmen, went on to include La Bohème, Don Carlos, and Rigoletto, ending with the Fledermouse.

And, at 5am, as the tired, but very satisfied *Opernball* attendees disperse, work begins on the next event. Tickets go on sale the very next day. Individual entrance costs €320, boxes, which can hold eight to ten people, can be acquired for €17,000, plus the price of a ticket, while tables for eight people will set you back €8,500. However, a place on a table where you cannot see the opening will cost just €160/person.

It all means that the cycle starts again for Desiree Treichl-Stürgkh, Eva Dintsis and their very capable team. See you in 2011!

Photos unless otherwise credited courtesy Siham Alawami.

Good vibrations

OFID sponsors scheme to help Viennese schoolchildren

Bernhard Kerres (in the background left), Director of the Konzerthaus, with Suleiman J Al-Herbish (background centre), Director-General of OFID, with children of the elementary school, Svetelskystraße Landhausschule, after the signing of the sponsorship agreement.

OPEC Fund for International Development (OFID)

For The OPEC Fund for International Development (OFID), the promotion of integration in multi-cultural societies is a way to facilitate tolerance and respect among peoples, regardless of cultural, religious or ethnic differences. With this aim, the Vienna-based institution is co-sponsoring VORLAUT, an innovative project which hopes to demonstrate that the vicious circle of poverty can be broken when a child, poor in material possessions, acquires spiritual wealth through music.

In mid-March, Suleiman J Al-Herbish, Director-General of OFID, signed a sponsorship agreement with Vienna's Konzerthaus for the VORLAUT project. The sponsorship, which will run for three years, is valued at €150,000 and will be directed at the elementary school, Svetelskystraße Landhausschule, in Vienna's 11th District.

Through this sponsorship, the school will receive musical instruments and provide education to 100 children between the ages of six and ten and representing 17 different nationalities.

VORLAUT primarily aims at supporting children from marginalized society groups in Vienna by integrating them into choirs and other musical activities, in order to enhance their overall capabilities.

The VORLAUT project was inspired by the Venezuelan music education system for children 'El Sistema', which strives to use music to improve the livelihood of future generations by creating an effective social inclusion system.

This model was founded by José Antonio Abreu, a former economist and classical music enthusiast, who believed that all poverty-stricken children should have free access to music and that their lives would be transformed as a result.

Established in 1975, the scheme has been a spectacular success in Venezuela and has already acquired international fame and recognition. Using the safe haven of music, it helps to save children from a life of delinquency and crime in poor communities.

The power of music as a language which transcends boundaries has been instrumental in instilling long-lasting social skills of self-esteem and confidence.

VORLAUT is a social project developed by the Wiener Konzerthaus, Caritas Vienna and the Vienna Boys' Choir. It has been implemented in three Viennese schools since the autumn 2009, and already benefiting over 240 children.

"We would like to encourage as many children as possible to actively and jointly make music together," Bernhard Kerres, Director of the Konzerthaus, declared.

"The idea is to foster free music education for all children, regardless of nationality, educational background or religion," he said.

Reiterating the power of this unique social concept, Al-Herbish stated at the signing ceremony that the "life of an individual is enriched by an appreciation of the arts."

He continued: "The quality of our children as individuals depends on the quality of education and experiences to which they have been exposed, whether at home or in formal institutions.

"Music is known to add a little something to the soul. Our children are the leaders of tomorrow and whatever we can do to contribute to their well-being now will impact upon the decisions they make tomorrow."

Al-Herbish pointed out that the initiative was additionally directed towards the grateful support OFID had been receiving from the Government of Austria and the City of Vienna over the years. The Fund set up its offices in the capital in 1976.

Together with the Vienna State Opera and the Musikverein, the Vienna Konzerthaus is among the most prestigious institutions of the international music scene.

Ever since its opening in 1913 by Emperor Franz Joseph I of Austria, the Konzerthaus has pursued its mandate "to be a place for the cultivation of superior music, a focus of artistic endeavors, a building for music and a building for Vienna." It organizes around 800 performances a year.

This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for March 2010, published by the Petroleum Studies Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

Crude oil price movements

The OPEC Reference Basket declined in February, fluctuating in a narrower range than in the previous month. Prices moved between $69/barrel and $76/b, compared with $71/b to $80/b in January.

After reaching around $80/b in the second week of January, and supported by colder weather in the northern hemisphere, prices started to decline after the weather turned milder. The Basket fell to $71/b at the end of January and continued its downward trend to a four-month low of less than $69/b in the first week of February.

The bearish market sentiment was fuelled by rising concerns about the global economic recovery, together with a plunge in equity markets and a stronger US dollar, which hit a seven-month high against the euro following Greece's debt concerns.

The Basket lost more than $3/b on February 5, when futures fell significantly on the back of sell-offs in the markets, marking the largest decline in a single day since mid-August 2009. The Basket recovered in the following days as equity markets improved, settling at around $75/b in late February.

For the month, the Basket averaged $72.99/b, down by $3.02, or four per cent, from the previous month, but was $31.58/b, or 76 per cent, higher than at the same time a year earlier.

All Basket components declined in February, compared with January, particularly Middle Eastern and Latin American crudes. Ecuadorean crude, Oriente, suffered the largest loss of $3.56/b, or 4.9 per cent, followed by Basrah Light with 4.6 per cent and Kuwait Export with 4.5 per cent.

Brent-related crudes also declined, but by a slower pace – ranging from 2.9 per cent to 3.7 per cent.

Meanwhile, in the first week of March, the OPEC Basket moved up to hover around $76/b, supported by bullish market sentiment, due to positive macroeconomic data. The basket stood at $77.38/b on March 9.

Of other international crudes, US benchmarker, West Texas Intermediate, averaged $76.45/b in February, representing a decline of $1.95/b, or 2.5 per cent, from the previous month. However, this represented a gain of $37.19/b, or nearly 95 per cent, over a year earlier.

February ICE Brent averaged the month at $74.79/b, down by $3.12/b, or four per cent, from the previous month. A year earlier, the North Sea benchmark crude averaged just $43.87/b.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that, according to the International Monetary Fund (IMF), commodity prices dropped by 2.3 per cent in February month-on-month, with most of the markets affected.

Industrial metals, together with grains and oil, were the worst performers. All commodity prices exhibited great volatility throughout the month under review with prices in most markets declining in the first half of February, but recovering somewhat in the second half.

"Commodity prices have been strongly influenced by an unfavorable stream of macroeconomic data," commented the report.

At the beginning of February, the Greek debt crisis exerted a strong negative impact on the markets, prior to the announcement by the European Community of the debt relief plan. Other problems for the commodity markets comprised poor (zero per cent) GDP growth in Germany and the prevailing 10 per cent unemployment rate in Europe, the same as in the US. Furthermore, the news of a further monetary tightening in China also weighed on commodity prices. One positive sign came from the strong US GDP growth of 5.7 per cent in the fourth quarter of 2009.

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

The IMF energy price commodity index (crude oil, natural gas and coal) reported 2.9 per cent negative growth in February. Natural gas declined by 8.7 per cent and crude oil by 2.9 per cent.

The Henry Hub spot gas price plunged by 8.9 per cent in the month, driven by the increasing rig count, combined with stable production data, which outpaced the bullish news coming from an improvement in economic conditions in the US and record inventory withdrawals.

The IMF non-fuel commodity price (food and beverages and industrial inputs) lost 1.3 per cent in February, compared with 2.2 per cent in January. Considerable price drops were seen in grains and oils, which were partially counterbalanced by increases in other food items.

The weaker trend for industrial metal prices in January worsened further in February when the index plummeted by 5.6 per cent – the strongest decline since February 2009. The same factors that weighed on the industrial metals markets in the previous months continued in February, especially in the first half.

Prices were driven by macro uncertainties, related to European sovereign debt and announcements by the US administration on banking sector regulation, as well as monetary tightening in China. Other negative factors included data showing weaker imports from China for January, which, despite a competitive advantage for the LME price in some base metals, declined by 21 per cent m-o-m.

"It seems that price trends for industrial metals will remain very volatile and driven by macro-trends and economic policy decisions," the report noted.

Aluminium prices declined by 7.9 per cent m-o-m in February, compared with 2.2 per cent positive growth in January. The fall was driven by unfavourable macroeconomic data and a 17 per cent m-o-m decline in Chinese aluminium imports in January.

Copper prices fell by 6.8 per cent m-o-m in February, compared with 5.8 per cent growth in January. The major drop took place in early February when prices were pressured by negative macroeconomic data and lower imports from China, which went down 21 per cent in January.

Gold prices continued the bearish trend initiated in January, falling by 2.0 per cent m-o-m in February on the same factors – a rise in US bond yields and US real interest rates, as well as a stronger dollar and lack of interest by investors.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report noted that the release of mixed data for the US economy continued. And even though it was slightly geared towards the positive side, further signs of caution emerged.

The country's GDP figure for the fourth quarter of 2009 gave a strong hint that the stimulus in the US was having a positive effect. The initial numbers released at the beginning of the quarter were already at the upper level of a 5.7 per cent seasonally adjusted annualized rate (saar). This solid number was later increased to 5.9 per cent in the second reading.

"However, the details show a more mixed picture, especially in the revised figure. While the personal expenditures in the first reading have been at 2.0 per cent, they are now revised down again to 1.7 per cent, a relatively sharp decline from the third quarter, when they were up by 2.8 per cent. Thus, the positive trend for consumption has declined. On the positive side it seems that households are spending and are willing to continue to do so," said the report.

It stated that this was of particular importance as government expenditures had declined by 1.2 per cent in the fourth quarter, after having peaked in the second quarter at a level of 6.7 per cent and were still increasing by 2.6 per cent in the third quarter.

"This is a lower government spending number than in the first reading, when it was at only minus 0.2 per cent. In general, this could be a sign that the US economy is moving towards a healthier spending pattern, in which consumption could be the driving force of the economy and the role of the government is limited to keeping the economy afloat."

The report said that the numbers for household consumption and government spending had been revised down in the second reading, while the total number increased.

"This raises the question as to the source of the upward revision, which is inventories. Their contribution was revised up to 3.9 per cent from 3.3 per cent in the last reading, when they already were estimated to contribute 60 per cent of GDP. This time it is even higher with a contribution of almost 70 per cent. This can hardly continue and it will be important that private household consumption is again taking a more prominent role."

The report said that after only a minor increase in January at 0.8 per cent, the key support of the US economy – the housing market – showed a declining trend with pending home sales at a level of minus 7.6 per cent in February. Pending home sales were considered an important lead indicator as they tracked contract signings of houses not finally sold.

Foreclosures added to the concerns. These rose by 15 per cent year-on-year in January and exceeded 300,000 for the 11th consecutive month, according to RealtyTrac Inc. Existing home sales declined by 7.2 per cent m-o-m in January after a record decline in December of 16.2 per cent.

"This is the worst two-month decline on record. At 5.05 million annualized units, turnover was well below the consensus expectation of 5.50 million units, back to a seven-month low," commented the report.

It said that with an unemployment rate of 9.7 per cent, consumption could hardly be expected to grow significantly. The conference board consumer confidence fell to a level of 46.8 in February, compared with 56.5 in January, the lowest level for more than half a year.

Since July 2008, there had been 15 monthly declines in consumer credit. In fact, there were as many in the past 18 months as there had been in the last 18 years, according to Gluskin, Sheff + Associates Inc. Bank credit, in general, was still in decline. Credit outstanding was down $33 billion (–0.5 per cent) again, the seventh

weekly contraction at the week ending February 17. The cumulative decline had now come to an astounding $150bn.

The report said that one of the brighter spots was that business sentiment in the services sector had improved – a sector that was responsible for more than 70 per cent of US GDP. The Services-ISM for February stood at 53, after recording 50.5 in January.

On the other hand, ISM manufacturing was again in decline after having improved to 58.4 in January, which was the highest level since the recession started two years ago, recording only 56.5 in February.

"As the manufacturing sector is usually leading, particularly in an economy moving out of a recession, this could mean that the services sector has reached a peak, at least in the short-term."

As more warning signs emerged with regard to the depth and sustainability of the current recovery, the 2010 forecast for GDP growth was therefore lowered to 2.4 per cent from 2.5 per cent. The figure for 2009 remained at minus 2.4 per cent.

Looking at Japan, the OPEC report said that the country had recently managed to put together some encouraging data. The high level of government spending continued to be the driving force behind the economy.

Japan had implemented $1,350bn in support for the economy since the economic crisis started in September 2008. Despite the positive effects being felt so far, it was not clear whether this spending would have any lasting impact.

Machinery orders, a leading indicator for capital expenditures, came in at 20.1 per cent m-o-m for December, which compared with a market expectation of 8.0 per cent, which already would have been a high number. Total fourth quarter machinery orders rose by 0.5 per cent as the December number outweighed the substantial declines recorded in November and October, at minus 11.3 per cent and minus 4.5 per cent, respectively.

"This quarterly increase was the first one in seven quarters. This positive development is fuelled by a surge in external demand along with recent improvements in exports. Foreign demand for machineries – also a leading indicator for exports – surged by 297.4 per cent y-o-y in January," said the report.

Industrial production grew by 2.5 per cent m-o-m in January, exceeding the consensus expectation of a 1.1 per cent rise. The numbers, however, projected a possible slowdown ahead.

Firstly, the production forecast index for February, compiled by the Ministry of Economy, Trade and Industry (METI), predicted a decline of 0.8 per cent, which would be the first such downturn since March 2009. Secondly, the inventory ratio climbed 1.0 per cent, which would be the highest growth since a 5.5 per cent increase in February 2009.

Exports still supporting industrial production indicated little chance of a double dip in production, but the buoyant rebound maintained since the global economic crisis might have reached an end, the report maintained.

Exports in January showed a positive trend, rising by 40.9 per cent y-o-y. Imports also increased – by 8.6 per cent y-o-y. After seasonal adjustment, exports and imports were up 8.6 per cent and 8.2 per cent m-o-m, respectively.

By region, the recovery of exports to Asia at 68.1 per cent y-o-y stood out compared with the previous month, when they reached 31.1 per cent y-o-y. Exports to China showed a particular surge of 79.9 per cent y-o-y.

The report noted that while machinery orders and industrial production had been widely supported by the strong export business of Japan, the domestic side of the economy remained weak.

The household survey showed real consumption spending rose for the sixth consecutive month on a yearly basis, rebounding from the sharp decline in the previous year. However, core spending – which excluded highly volatile items such as housing or car sales – slid for the second month at minus 1.9 per cent m-o-m in January, indicating a weak start to the first quarter. That came after a drop of 0.2 per cent m-o-m in December.

"This is indeed consistent with January's industrial production data which showed the shipment of consumer goods declining by 1.4 per cent from the fourth-quarter average."

Japan's unemployment rate dropped to 4.9 per cent in January from 5.2 per cent in December and 5.3 per cent in November, a significant decline. The result was better than the market expectation of 5.1 per cent. The lower unemployment in January resulted from a shift of the jobless and non-labour force to employment. The number of jobless and the non-labour force decreased by 160,000 and 480,000, respectively, from December, while total employment increased by 540,000, according to Citigroup.

The nationwide CPI was down 1.3 per cent y-o-y in January. The result showed no significant change in the CPI downtrend. High-level government officials continued to voice their concern regarding deflation in Japan.

"While there have been some improvements in the economy, challenges remain. In the light of this development, the forecast was raised to 1.3 per cent in 2010 and to minus 5.0 per cent for 2009," said the report.

Turning to the Euro-zone, the report said the situation had not improved significantly in recent weeks. While the Greek dilemma seemed to have been resolved for the short-term, the long-term effect and its outcome was still unknown.

"For now, the issue seems to be contained after the EU voiced its support for Greece and the government announced deep budgetary cuts. The current support of the EU for Greece comes with a demand for tough measures to improve its budgetary situation."

Greece won a crucial vote of confidence from financial markets recently when investors widely supported a government bond issue on easing fears that the debt crisis could prevent Greece from raising money.

Adding to the weakness of the Euro-zone had been recent lower-than-expected output numbers. Euro-zone fourth quarter GDP was up by only a 0.1 per cent seasonally adjusted rate.

"This number was unexpectedly lower, while a low number was already indicated by recent industrial production and order numbers."

Germany's GDP was recorded stagnating, but better than some had expected at declining levels. France was again leading the Euro-zone

as the second-biggest economy with a growth rate of 0.6 per cent. Spain, Italy and Greece were all negative at minus 0.1 per cent, minus 0.2 per cent and minus 0.8 per cent, while Portugal also stagnated.

"The major reason why growth was flat compared with the previous quarter was that government spending declined at minus 0.1 per cent, compared with 0.8 per cent in the third quarter and 0.6 per cent in the second quarter of last year."

While Germany's recovery seemed to have come to a halt, business confidence surveys had shown optimism continued to rise. Export numbers for December increased by 3.0 per cent m-o-m, compared with 1.1 per cent in November. This was the fourth consecutive rise.

In contrast, a GDP level of 0 per cent indicated the very weak domestic demand picture and the high dependency of Germanys' growth on exports. At the same time, the fiscal problems of some southern Euro-zone countries had added to the uncertainty over the outlook.

"The necessary and ambitious government programmes to reduce budget-deficits in Spain, Portugal and Greece are likely to dampen growth this year," said the report.

Unemployment, it noted, seemed to remain a big issue for the Euro-zone, holding back consumption and, therefore, growth. The Euro-zone unemployment rate remained at 9.9 per cent, slightly below the 10 per cent threshold for the second consecutive month in January.

Germany seemed to be fighting unemployment relatively successfully by keeping the rate at 7.5 per cent for the fourth consecutive month. Levels in Spain came down for the second time to a level of 18.8 per cent, after having peaked at 19.0 per cent in September 2009.

Retail sales in the Euro-zone were down by 0.3 per cent m-o-m in January, after increasing by 0.5 per cent in December.

"This pattern has further added to the volatility in retail sales which could have been observed over most of the recent months, indicating that there is still no clear trend and consumers seem to still lack the confidence to spend." Non-food products were hit the hardest, declining by 0.6 per cent m-o-m.

The weak consumer market was being reflected further in the Consumer Price Index (CPI) numbers for February, with inflation recorded at 0.9 per cent y-o-y, 0.1 per cent lower than the corresponding January number.

"Considering the muted growth, combined with declining price levels, any early exit from the current low interest rate regime of the European Central Bank (ECB) seems to be remote, despite efforts to press ahead with the dismantling of its emergency support for financial markets," said the report.

Industrial orders were up by 0.8 per cent m-o-m in December, although this was lower than the strong November figure of 2.7 per cent. Order numbers in Germany declined by 1.8 per cent m-o-m, while in France, they were up by 17.1 per cent m-o-m.

The report stated that given that the Euro-zone recovery was still relatively fragile, the GDP forecast for 2010 remained unchanged at 0.6 per cent, while the 2009 number was lowered to 4.0 per cent from 3.9 per cent previously.

Asian countries, such as Thailand, Taiwan, Hong Kong and Malaysia, published February data showing a return to growth y-o-y for the last quarter of 2009.

"This seems a successful end to their efforts in fighting the damage caused by the global economic downturn," said the report. "The strong performance of China in 2009 appears to have helped those countries to return to growth. While domestic demand in those countries is showing steady growth, the recovery still depends on the external sector."

In the fourth quarter of 2009, Taiwan's exports soared by 20 per cent y-o-y; Thailand's external sector contributed 7.1 per cent to growth; and Malaysia's exports grew by 7.3 per cent.

"It is no accident that all of these economies are closely linked to China, where stimulus efforts have been the greatest and domestic demand has held up most impressively. It is early to say that decoupling from the developed economies is happening in a two-track recovery where domestic consumption would compensate for the decline in exports. China still is the final assembly point of goods which then are destined for the US and EU," observed the report.

In China, it said, the government was shifting towards tackling challenges, such as surging housing prices and potential bad debt after focusing last year on reviving the economy.

"It is no accident that all of these economies are closely linked to China, where stimulus efforts have been the greatest and domestic demand has held up most impressively."

The country's GDP expanded by 8.7 per cent last year, helped by a credit boom and government investments. Credit in China rose in 2009 by 31 per cent from the previous year, equivalent to 33 per cent of GDP. This compared with an average growth rate of 16 per cent since 2001.

"The government is widely expected to have the will and the resources to curb credit growth early and deal with bad loans. It has to strike the correct policy balance."

To support economic growth, the government was forecast to keep the credit-growth target for 2010 intact, while avoiding a further build-up of non-performing loans.

The central bank had twice ordered banks to keep a bigger portion of deposits on reserve this year to curb loan growth, without changing the monetary policy stance.

India's economy slowed in the last quarter of 2009, with the growth rate reaching six per cent y-o-y, compared with a rate of 7.9 per cent in the third quarter.

According to the Reserve Bank of India, the slowdown was attributed to the agriculture and forestry sector as others, such as manufacturing and large parts of the services sector, had expanded in the fourth quarter, compared with the previous three months.

On the expenditure side, investment remained the driving force; private consumption growth lost momentum, while government spending fell by 10.3 per cent.

Inflation in India (as measured by the wholesale price index) rose to a 15-month high of 8.6 per cent y-o-y in January. Data for February showed that food prices continued to rise rapidly, placing further pressure on the headline rate.

Looking at selected OPEC Member Countries, the report said that the Central Bank of Kuwait cut its benchmark interest rate by 50 basis points to 2.5 per cent in February, in order to stimulate the non-oil economy.

The bank said that inflationary pressures were in retreat, while the local currency remained at a competitive level. Kuwait's parliament approved a 30.8bn dinar ($107bn) four-year development plan that included investment to increase oil and gas production and to build a railway network, cities and a port.

Libya, it stated, would issue a budget for 2010 worth about 58bn dinars ($47bn). Spending in the 2009 budget law stood at 44bn dinars.

"Thus, the government plans to increase expenditure in 2010 by a robust 32 per cent. It is expected to continue to subsidize some consumer goods and spend on investment in infrastructure and public services."

World oil demand

In its review of the petroleum market, the OPEC report pointed out that 2009 marked the worst year in the industry for oil demand since the oil crisis of the 1980s.

"Oil consumption was severely hit across all regions, especially in the OECD, and affected all product categories. The only product showing a y-o-y increase during 2009 was gasoline with all of the growth taking place in the non-OECD region, specifically China."

LPG consumption was also slightly positive, compared with 2008, due to demand from Other Asia.

The bulk of the decline during 2009 occurred in industrial fuel and jet/kerosene. These two products accounted for 75 per cent of the total decrease in world oil demand in 2009. Led by North America and Europe, all OECD regions recorded reductions in industrial fuel. Within the non-OECD, industrial fuel was mostly affected in the Former Soviet Union (FSU) and in non-OECD Europe.

The report noted that various stimulus plans across the globe managed to increase energy demand in the fourth quarter of 2009. China, the Middle East and India consumed more oil, leading to total growth of 600,000 b/d in 2009.

As a result of a massive decline of 1.9m b/d in the OECD region, total world oil demand declined by 1.4m b/d to average 84.4m b/d last year.

"World oil demand has been highly dependent upon the world economy, supported by government-led stimulus plans. These stimulus plans have already done a great job of jump-starting many sectors of the economy, including energy. However, questions remain as to how long governments will be able to afford supporting their economies.

"Should this support diminish, then world oil demand would, of course, be impacted."

Turning to 2010, the OPEC report stated that demand for the Organization's crude this year was projected to average 28.9m b/d, about 200,000 b/d higher than the previous month and reflecting adjustments made to the base year of world oil demand and non-OPEC supply, as well as to OPEC NGLs. On a quarterly basis, all quarters saw almost the same upward revisions.

Required OPEC crude in 2010 was forecast to fall slightly by 40,000 b/d, following two consecutive annual declines. The first half of the year was still showing a drop of 200,000 b/d, while the second half was estimated to see positive growth of around the same amount, indicating a slow, but steady, recovery.

For 2009, the report said demand for OPEC crude had been revised up by around 200,000 b/d to stand at 29.0m b/d, reflecting an upward revision in global demand, as well as the downward revision in OPEC NGLs, as recent data from Member Countries had become available.

It noted that the upward revision impacted all quarters. However, demand for OPEC crude in 2009 still showed a considerable decline of 2.2m b/d from the previous year. The first half of last year experienced negative growth of around 3.0m b/d, compared with the same period in 2008. The decline was seen narrowing in the second half to show a loss of only 1.0m b/d in the fourth quarter.

The report stressed that US oil demand would play a major role in total world oil demand growth this year.

"Should the US economy have the strength to pull up from the recession early in the year, then the country's oil demand would show some growth. However, should the stimulus plans fade prior to a complete economic recovery, then the country's energy demand could be negatively affected by slow industrial production and high unemployment.

Should the latter happen, then this might slightly affect oil demand in other regions as well, shaving world oil demand in total."

The report said that in non-OECD regions, the picture was somewhat better than previously thought. Hence, there was now a slight upward revision to the oil demand growth of Other Asia, Latin America and China, totaling 70,000 b/d.

It stated that given the slow global economic recovery, world oil demand growth was forecast at 900,000 b/d, or 1.1 per cent, to average 85.2m b/d.

Weak US demand for oil dominated the first two months of 2010, as indicated by official weekly data. In both months, transport and distillate fuels continued showing declines, while cold weather in February caused increases in the consumption of fuel and heating oil.

In January, consumption of gasoline and distillate fuel declined by 47,000 b/d and 370,000 b/d, respectively, while kerosene consumption remained flat and propane/propylene increased by 13.6 per cent. The latter was a consequence of increased petrochemical activity.

In total, January oil demand in the US closed again with a contraction 374,000 b/d.

Cold weather in February and the low base in 2009 brought about a y-o-y increase in US

oil consumption of 608,000 b/d, the first (substantial) increase since September 2009.

Transport, and essentially industrial fuel, remained low, while heating fuel showed some increase.

In 2009, US oil demand declined the most in the world, contracting by 800,000 b/d. Most of this decline came as a result of low consumption of industrial and transport fuels.

Despite expectations for a continuing positive momentum, Mexican oil demand during January recorded the first y-o-y decline in the last four months of 3.7 per cent.

All product categories were negatively affected with the most severe being transportation and industrial fuels. Nevertheless, LPG demand grew by 5.5 per cent.

As in the US, Mexican oil consumption has been affected by the world economic recession, resulting in a decline of 55,000 b/d in 2009.

"As Mexican industry is highly dependent upon the US market, expectations for a recovery in oil consumption during the first half of the year seem to be rather optimistic," commented the report.

North American oil demand was expected to grow by 200,000 b/d y-o-y to average at 23.5m b/d in 2010, with most increases taking place during the second half of the year.

European oil consumption continued its strong contraction during January, despite numerous government stimulus plans in the 'Big Four' economies. German oil consumption decreased strongly in January by 200,000 b/d y-o-y with transportation and industrial fuel being the most affected.

Similarly, French and Italian oil consumption contracted during the same month by 390,000 b/d and 128,000 b/d, respectively.

In Germany, transport and industrial fuel showed the largest decreases, even though this took place prior to the expiration of most government financial incentives.

In the United Kingdom, the picture was no different from the rest of the 'Big Four'. Cold weather during February slightly lifted oil consumption in the region; however, the general picture remained gloomy, as a result of the challenging economic situation on the continent.

"All recovery expectations are forecast to take place during the second half of the year; however, total oil demand for the entire year is expected to show a decline."

OECD Europe's 2009 third and fourth quarter oil demand decline was stronger than expected. The decrease continued at least through January 2010 with the development of the economy to remain the most challenging factor behind oil demand growth during the year.

OECD Europe oil demand was forecast to decline by 200,000 b/d in 2010 to average 14.7m b/d, following a decline of 700,000 b/d in 2009.

In Japan, petrochemical naphtha sales during January lifted demand to almost flat y-o-y. However all other product categories registered contractions – the largest observed in kerosene and crude direct use, as a result of the country's fuel substitution plans.

"Oil consumption in Japan has been constantly decreasing during the last 14 years as a result of increasing efficiencies, government policies and a declining population. For 2010, Japanese oil consumption is expected to decline by four per cent y-o-y."

In South Korea, latest January oil demand data showed less-than-expected growth of only 65,000 b/d. This, however, did not stop the country's oil imports from falling by more than 19 per cent as a response to weak demand. Decreasing transportation fuel was more than offset by growing industrial fuel.

"Cold weather during the first quarter of 2010 may further increase oil consumption by approximately 100,000 b/d. In general, South Korea has been showing strong signs of economic recovery since the third quarter of 2009. Hence, South Korean oil demand is forecast to grow by 20,000 b/d during 2010."

The report said that due to enhanced economic activities in South Korea and colder weather during the first quarter, OECD Pacific oil demand growth for 2010 was revised up slightly by 20,000 b/d. OECD Pacific oil demand was forecast to decline by 100,000 b/d in 2010 to average 7.6m b/d.

India's economy maintained its good performance during 2009, despite the setback in most of the world. Growth in the country reached 6.2 per cent.

In addition, controlled retail petroleum product prices caused oil demand to grow. Nevertheless, some tax adjustments along with fuel switching among power plants left January oil demand showing a contraction.

"Oil consumption in Japan has been constantly decreasing during the last 14 years as a result of increasing efficiencies, government policies and a declining population."

Fuel oil use plunged, reducing the country's fuel oil consumption by 50,000 b/d in January y-o-y.

Furthermore, a rainy climate reduced road construction work and agricultural use of irrigation and farming fuel. Transport fuel growth declined sharply as well. January gasoline and diesel growth were shaved by half compared with December.

"This unexpected decline in India's oil demand will be offset by growth in the upcoming months. India's economy, along with several incentive plans and controlled prices, is expected to increase the country's oil demand for the year by 4.5 per cent."

The OPEC report said that the rest of Other Asia was no different from India with respect to oil usage. Economic growth in several countries was expected to hike the region's oil demand this year. Taiwan and Singapore oil demand was forecast to grow by more than two per cent each.

"Given the fact that Other Asia's thirst for energy is more than expected, its forecast oil demand growth was revised up by 15,000 b/d in 2010. This put Other Asia oil demand for the total year at growth of 200,000 b/d, averaging 9.8m b/d."

The report noted that as in Other Asia, Latin America's enhanced economic recovery was leading to higher oil demand this year.

Brazilian oil demand inched up by 4.8 per cent last January adding another 80,000 b/d to total oil consumption this year. Most of the growth was in the transport sector where gasoline and diesel consumption grew by 20 per cent and six per cent, respectively, y-o-y.

As a result of stronger energy demand in the region, Latin America oil demand growth forecast was revised up by 40,000 b/d in 2010 to indicate growth of 100,000 b/d y-o-y in 2010.

As a consequence of the strong Asian and Latin American oil demand, the group of Developing Countries' oil demand growth was forecast at 600,000 b/d y-o-y in 2010, averaging 26.4m b/d, an increase of 50,000 b/d from the last OPEC report.

China's oil demand was expected to react to the government stimulus plans aimed at achieving positive refinery margins. Despite the preset goal to reduce the country's energy use by 20 per cent, which started in 2006 and ends in 2010, China's oil demand had experienced strong growth since then.

China's apparent oil demand this year was expected to rise by 4.7 per cent y-o-y, exceeding last year's growth by 160,000 b/d.

"China's plans to continue the development of its rural areas will call for more oil demand this year as well."

As a result, China's refinery throughput increased in January by 29 per cent, leading to strong growth in the country's oil imports. The country imported 3.9m b/d in January, an extra 720,000 b/d compared with the same month last year.

January oil demand grew substantially to a 7.6 per cent high, adding another 578,000 b/d to China's oil demand.

"It is not only the transport sector that contributes to this growth but also the petrochemical and the agricultural sectors, as well. There are risks which might negatively affect the country's total oil demand growth forecast; however, chances are limited given the 9.3 per cent GDP growth estimate for this year.

"The government is keen to protect the economic growth this year and it possesses the mechanism to do so."

The FSU region was expected to come out from last year's negative oil demand in early 2010. The region's oil demand growth was forecast to be slightly positive at 33,000 b/d for the year 2010.

World oil supply

Preliminary figures indicate that world oil supply increased by 630,000 b/d in February over the previous month to average 85.79m b/d. Non-OPEC supply experienced an increase of 440,000 b/d and OPEC crude also moved higher. OPEC' crude oil share in global production remained steady at 34 per cent in February. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources. Meanwhile, non-OPEC supply was estimated to have averaged 51.02m b/d in 2009, representing growth of 610,000 b/d over the previous year.

"This month's estimate indicates a minor upward revision of 70,000 b/d over the previous month. The revisions were introduced only to the fourth quarter with a total of 23,000 b/d. Updated actual production data for some countries required the revisions as did various historical revisions dating back to 2007. " Additionally, the estimation of processing gains was updated, resulting in an upward revision of 30,000 b/d for 2009. On a quarterly basis, non-OPEC supply in 2009 was estimated at 50.98m b/d, 50.68m b/d, 50.90m b/d and 51.49m b/d, respectively.

With the exception of historical revisions, all adjustments were concentrated in the fourth quarter. Supply estimates for the US, the UK, Denmark, Australia, Thailand, and Azerbaijan experienced revisions in the fourth quarter, with some of the adjustments being minor, thus not affecting the annual figures.

US oil supply was revised up by 7,000 b/d on an annual basis, mainly to reflect updated production figures that indicated improved NGL output.

The Azerbaijan oil production estimate was revised down by 8,000 b/d on updated production data that indicated the effect of the recent maintenance on supply.

Historically, supply data for both Syria and Yemen were updated and carried over to 2009 and 2010. Syria's oil supply in 2009 experienced an upward revision of 40,000 b/d and Yemen encountered an upward revision of 5,000 b/d.

Additionally, the data for refinery processing gains was updated and the estimation was revised up historically as well as for 2009 and 2010. Accordingly, refinery processing gains in 2009 were estimated at 2.01m b/d, an increase from 2008 and an upward revision of 30,000 b/d.

Non-OPEC supply in 2010 was expected to increase by 410,000 b/d over the previous year to average 51.43m b/d, representing an upward revision of 150,000 b/d from the previous month.

Total non-OPEC supply growth remained relatively steady compared with a month earlier, while the historical revisions, as well as the estimated processing gains, were responsible for the upward change.

Despite the steady state of non-OPEC total supply, there were various revisions that took place, although these cancelled out one another. On a quarterly basis, non-OPEC supply for 2010 was expected to average 51.47m b/d, 51.29m b/d, 51.21m b/d and 51.74m b/d, respectively.

Total OECD countries' oil supply was forecast to decline by 170,000 b/d in 2010 to average 19.36m b/d, representing a minor upward revision of 10,000 b/d from last month. The minor upward revision was a result of changes to the supply forecast of the US, Canada, Mexico, Norway, the UK, and Denmark, due to different factors, in addition to adjustment to actual production data for the early part of 2010.

US, Mexico and UK supply forecasts were revised higher and the upward revisions were more than enough to offset the downward revision to other OECD countries.

Western Europe experienced an upward revision compared with the previous month, while North America remained relatively

unchanged. North America and the OECD Pacific were still expected to display a supply increase in 2010, mainly from the US, Canada, Australia and New Zealand, while Mexico supply was expected to decline.

The degree of risk and uncertainty remained, due to weather conditions, as well as the progress of the decline rate, among other factors. On a quarterly basis, OECD oil supply in 2010 was expected to average 19.55m b/d, 19.34m b/d, 19.13m b/d and 19.45m b/d, respectively, which indicated a downward revision of 30,000 b/d in the first quarter and upward revisions of 30,000 b/d in the second, third, and fourth quarters.

North America oil supply was projected to increase by 80,000 b/d over 2009 to average 14.26m b/d in 2010, relatively unchanged from the previous month. Oil production forecasts for the US and Mexico were revised up slightly, while Canada's supply forecast was revised down. On a quarterly basis, North America oil supply in 2010 was expected to stand at 14.27m b/d, 14.27m b/d, 14.18m b/d, and 14.31m b/d, respectively.

US oil supply was foreseen to increase by 150,000 b/d over the previous year to average 8.21m b/d in 2010, indicating an upward revision of 20,000 b/d from the previous month.

The revisions were applied to all quarters to reflect recent actual production data, as well as project start-up and ramp-up updates. A handful of projects were anticipated to start up and ramp up in 2010, in addition to the biofuels volume. On a quarterly basis, US oil supply in 2010 was estimated at 8.22m b/d, 8.19m b/d, 8.18m b/d, and 8.25m b/d, respectively.

According to preliminary data, US oil supply was estimated to have averaged 8.17m b/d in January and February, lower than the average of the fourth quarter.

Oil supply from Canada was anticipated to average 3.20m b/d in 2010, showing growth of 60,000 b/d from the 2009 estimate, representing a downward revision of 40,000 b/d from the previous month. On a quarterly basis, Canada's supply in 2010 was foreseen to average 3.13m b/d, 3.22m b/d, 3.18m b/d and 3.27m b/d, respectively.

Mexican oil supply was expected to average 2.85m b/d in 2010, a decline of 130,000 b/d from a year earlier and an upward revision of 20,00 b/d from the previous month. On a quarterly basis, Mexico's oil supply in 2010 was seen to average 2.92m b/d, 2.86m b/d, 2.82mb/d and 2.79m b/d, respectively.

Oil supply from OECD Western Europe was forecast to decline by 280,000 b/d in 2010 over the previous year to average 4.45m b/d, indicating an upward revision of 20,000b/d from the previous month.

Norway and Denmark encountered annual downward revisions, while the UK supply forecast experienced an upward revision.

OECD Western Europe remained the region with the biggest decline among non-OPEC regions in 2010. On a quarterly basis, OECD Western Europe supply in 2010 was anticipated to stand at 4.63m b/d, 4.43m b/d, 4.28m b/d, and 4.46m b/d respectively.

Preliminary January estimates suggest a production level of 4.73m b/d, in line with the fourth quarter.

Norway's oil supply was projected to average 2.21m b/d in 2010, a drop of 130,000 b/d from a year earlier and a downward revision of 10,000 b/d from the previous month. On a quarterly basis, Norway's supply in 2010 was expected to average 2.31m b/d, 2.20m b/d, 2.10m b/d and 2.25m b/d, respectively.

UK oil supply was anticipated to decrease by 100,000 b/d over a year earlier to average 1.38m b/d in 2010, indicating an upward revision of 40,000 b/d from the previous month. On a quarterly basis, UK oil supply for 2010 stood at 1.46m b/d, 1.38m b/d, 1.33m b/d and 1.37m b/d, respectively.

Denmark's oil supply was revised down by 10,000 b/d across all quarters in 2010, due to a revision carried out to the base forecast for 2009, as well as other factors. Oil supply from Denmark was estimated to average 230,000 b/d in 2010, a drop of 30,000 b/d from the previous year.

OECD Asia Pacific oil supply was forecast to average 660,000 b/d in 2010, an increase of 20,000 b/d over the previous year and relatively flat from the previous month. On a quarterly basis, OECD Pacific oil supply in 2010 was anticipated to average 620,000 b/d in the first three quarters and 610,000 b/d in the final three months of the year.

Australia's oil supply was foreseen to grow by a minor 10,000 b/d over a year earlier to average 550,000 b/d in 2010, unchanged from the previous month. On a quarterly basis, Australia's oil supply in 2010 was expected to average 530,000m b/d in the first two quarters, 560,000 b/d in the third quarter and 570,000 b/d in the final three months.

Developing Countries supply was expected to average 12.76m b/d in 2010, an increase of 20,000 b/d over the previous year.

Developing Countries supply was expected to average 12.76m b/d in 2010, an increase of 20,000 b/d over the previous year and representing an upward revision of 60,000 b/d from a month earlier. The revision affected the total volume in 2010, while the growth encountered a minor upward revision of 10,000 b/d, due to historical revisions.

Latin America remained the region with the highest annual growth among the group with 210,000 b/d, despite a minor downward revision of 10,000 b/d over the previous month.

Supply from Other Asia was estimated to grow by 10,000 b/d over the previous year to average 3.72m b/d in 2010.

Supply from the Middle East was foreseen to average 1.72m b/d in 2010, flat from a year ago, yet indicating an upward revision of 50,000 b/d since the previous month, due mainly to the historical changes.

Oil supply from the African region was anticipated to decrease by 10,000 b/d over a year earlier to average 2.71m b/d in 2010, unchanged from the previous month. On a quarterly basis,

Developing Countries' total oil supply in 2010 was projected to stand at 12.66m b/d, 12.71m b/d, 12.80m b/d and 12.88m b/d, respectively.

Oil supply from Other Asia was slated to average 3.72m b/d in 2010, a minor increase of 10,000 b/d over the previous year and flat from a month earlier. On a quarterly basis, Other Asia supply in 2010 was foreseen to stand at 3.74m b/d, 3.72m b/d, 3.72m b/d and 3.71m b/d, respectively.

Oil Supply from Latin America was projected to average 4.61m b/d in 2010, an increase of 210,000 b/d from a year earlier, indicating a minor downward revision of 10,000 b/d from the previous month.

Brazil's oil supply experienced a downward revision of less than 10,000 b/d mainly on an adjustment to actual production data for January, which came in lower than the previous month due to maintenance at different projects. Additionally, the lowering of the blending mandate for ethanol by the government is pointing toward lower biofuels production.

Currently, Brazil's supply was foreseen to increase by 190,000 b/d from the previous year, the highest expected growth among all non-OPEC countries, to average 2.70m b/d in 2010.

Colombia's oil supply was expected to increase by 80,000 b/d from the previous year to average 760,000 b/d in 2010.

On a quarterly basis, Latin America's oil supply in 2010 stood at 4.51m b/d, 4.56m b/d, 4.64m b/d and 4.75m b/d, respectively.

Middle East oil supply was foreseen to remain flat from a year earlier to average 1.72m b/d in 2010, indicating an upward revision of 50,000 b/d from the previous month.

The upward revisions were made to Syrian and Yemen supply forecasts, on the back of historical adjustment to production data. Despite the upward revision, the predicted annual growth remained relatively steady, with Syria and Yemen expected to decline and Oman supply forecast to increase. Omani oil supply was expected to increase by 40,000 b/d over the previous year to average 850,000 b/d in 2010.

On a quarterly basis, Middle East oil supply in 2010 stood at 1.73m b/d, 1.73m b/d, 1.72m b/d, and 1.71m b/d, respectively.

Africa's oil supply was forecast to decrease by 10,000 b/d from the previous year to average 2.71m b/d in 2010, indicating an upward revision of 10,000 b/d from the previous month. On a quarterly basis, Africa's oil supply in 2010 stood at 2.69m b/d, 2.69m b/d, 2.72m b/d and 2.72m b/d, respectively.

The FSU's oil supply was anticipated to grow by 260,000 b/d over the previous year to average 13.18m b/d in 2010, indicating a downward revision of 20,000 b/d from the previous month. On a quarterly basis, total oil supply in the FSU in 2010 was estimated to stand at 13.15m b/d, 13.16m b/d, 13.14m b/d, and 13.27m b/d, respectively.

Other Europe oil supply in 2010 was expected to remain unchanged compared with the previous year at 140,000 b/d.

Russia's oil supply was forecast to increase by 70,000 b/d over the previous year to average 9.99m b/d in 2010, indicating an upward revision of 20,000 b/d from the previous month. On a quarterly basis, Russia's oil supply in 2010 was anticipated to average 10.06m b/d, 10.02m b/d, 9.97m b/d and 9.93m b/d, respectively.

February preliminary data suggests that Russia's production stood at 10.09m b/d, higher than the previous month.

Kazakh oil supply was projected to average 1.60m b/d in 2010, an increase of 70,000 b/d over a year earlier and representing a downward revision of 30,000 b/d from the previous month. On a quarterly basis, Kazakhstan's oil supply in 2010 was expected to stand at 1.60m b/d, 1.60m b/d, 1.57m b/d, and 1.65m b/d, respectively.

Azeri oil supply in 2010 was seen averaging 1.12m b/d, an increase of 100,000 b/d over the previous year and representing a minor downward revision of less than 10,000 b/d from the previous month. On a quarterly basis, Azerbaijan's oil supply in 2010 was estimated to average 1.04m b/d, 1.08m b/d, 1.13m b/d, and 1.21m b/d, respectively.

China's oil supply was forecast to increase by 40,000 b/d over the previous year to average 3.89m b/d in 2010, indicating a downward revision of10,000 b/d from the previous month. On a quarterly basis, China's oil supply in 2010 was anticipated to average 3.88m b/d, 3.86m b/d, 3.92m b/d, and 3.91m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 29.36m b/d in February, an increase of 192,000 b/d from the previous month, according to secondary sources. Production from Iraq, Angola, and Venezuela indicated the highest increase in February, while output from Nigeria experienced the biggest decline. OPEC crude production in the month under review, not including Iraq, stood at 26.81m b/d, an increase of 113,000 b/d over the previous month.

Production of OPEC NGLs and non-conventional oils in 2010 were foreseen to increase by 510,000 b/d over the previous year to average 4.87m b/d. Output of OPEC NGLs and non-conventional oils were estimated to have averaged 4.36m b/d in 2009, representing growth of 220,000 b/d over the previous year.

Downstream activity

Looking downstream, the OPEC report noted that the continuation of cold weather, along with refinery strikes in France and lower crude prices, provided support for refining margins in February.

Seasonal refinery turnaround and the continuation of discretionary run cuts also contributed to the positive developments seen in the product markets. With the approaching end of winter and a lack of robust demand for major products, market sentiment was not expected to gain significantly in the near future.

"This situation may encourage refineries to continue their policy of low refinery runs, exerting pressure on crude market fundamentals," said the report.

The European refining industry performance improved in February, compared with the previous month, amid increasing export opportunities to the US, West Africa and fewer regional supplies, due to maintenance and strikes in France.

Refining margins for Brent crude oil at Rotterdam soared by $1.58/b to $2.75/b in February from $1.17/b in January.

In the US, higher prices for WTI crude overwhelmed product prices and refining margins slightly narrowed compared with the previous month. Refining margins for WTI crude oil on the US Gulf Coast fell by 12¢ to stand at $5.18/b in February from $5.30/b in january.

In Asia, refining margins were back in positive territory for the first time since October 2009 amid higher regional demand and export opportunities to other markets. However, they were not considered strong enough yet.

Refining margins for Dubai crude oil in Singapore soared by $1.59/b to $1.35/b in February from minus 24¢/b the previous month.

"Looking ahead, given the approaching end of winter, the slow recovery of demand for light products, comfortable gasoline stocks in the US and idle refining capacity, product market sentiment is not expected to strengthen in the coming months to provide sufficient support for crude prices," commented the report.

It said refiners in the US and Europe were continuing their cautious operations approach and the continuation of cold weather in the Atlantic Basin had failed to encourage any change in their current conservative operational policy.

The extensive strikes in France's refining industry also could not tempt other refiners in the Atlantic Basin to boost operations amid the huge volume of product stocks both onshore and offshore.

As a result, refinery throughputs in the major consumer areas increased only slightly in February.

The refinery utilization rate in the US rose by 1.4 per cent to reach 80.5 per cent in February from 79.1 per cent the month before, whereas typically it should have been close to 90 per cent.

Refinery maintenance and the strikes in France also affected European refinery utilization rates, which rose marginally by 0.2 per cent to 81.6 per cent in February from 81.4 per cent the previous month.

In Asia, while Chinese refiners were running at their maximum capacity, Japanese refiners also increased their throughputs following product stock-draws in the last months. The refinery utilization rate in Japan surged by 2.6 per cent in February to record a level of 88.1 per cent, compared with 85.5 per cent in January.

"By the end of winter and the continuation of the spring turnaround, especially in the Atlantic Basin, refinery utilization rates are expected to remain low in the next month," observed the report.

A combination of higher imports and higher production outpaced slow seasonal demand and led to a higher stock-build for gasoline.

According to the Energy Information Administration, US gasoline demand based on a four-week average was two per cent lower in the week ended February 26, compared with the same period a year earlier.

Oil trade

In the US, crude oil imports averaged 8.84m b/d in February, 410,000 b/d higher than in the previous month. On an annual basis, February data showed a decline of four per cent, or 70,000 b/d, compared with the same month in 2009.

"For the last two months, US crude oil imports showed a constant rising trend after the sharp decline in December," noted the report.

US product imports declined in February by 1.2 per cent, or 34,000 b/d, compared with the previous month, to average 2.76m b/d and showed a decline of eight per cent, or 230,000 b/d, from the same month a year ago.

Finished motor gasoline imports stood at 217,000 b/d, compared with 214,000 b/d in January, and were 20.6 per cent higher than in the same month a year ago.

Distillate imports in February stood at 441,000 b/d, compared with 476,000 b/d in the previous month and 327,000 b/d a year earlier.

US oil product exports fell in February compared with the previous month, averaging 1.67m b/d. On an annual basis, product exports were eight per cent, or 149,000 b/d, lower.

As a result, US net oil imports in February were 4.7 per cent, or 460,000 b/d, higher than in the previous month, averaging 9.89m b/d.

"This was the result of an increase of 460,000 b/d in net crude oil imports and 40,000 b/d in net product imports, both compared with the previous month. February net oil imports were 4.4 per cent lower than a year earlier, representing a decline of 450,000 b/d from a year ago.

According to the latest official data, Japan's crude oil imports increased by one per cent, or 28,000 b/d, in January to 4.08m b/d. This was eight per cent, or 288,000 b/d, higher than in the same month a year ago.

Japan's product imports continued to increase in January to reach 960,000 b/d and showed annual growth of 34 per cent compared with a year ago.

Japan mainly imports naphtha and LPG, which increased in January by 30,400 b/d, or 6.7 per cent, and 32,700 b/d, or 8.8 per cent, respectively. Naphtha and LPG imports accounted for 50.1 per cent and 42 per cent of the country's total monthly product imports in January, respectively.

The country's fuel oil imports in January averaged 28,000 b/d, compared with 41,000 b/d the previous month and 32,000 b/d a year ago.

Japan's product exports averaged 445,000 b/d in January, down by 13.6 per cent, or 70,000 b/d. from the previous month and 13 per cent lower than in the same month a year ago.

In January, gasoil, fuel oil and jet fuel, the country's main product exports, accounted for 86 per cent of total product exports. Gasoil exports represented 37 per cent of Japan's total product exports in January, jet fuel 20 per cent and fuel oil 29 per cent.

Japan's net oil imports in January were put at 4.60m b/d, indicating an increase of 166,000 b/d, or 3.7 per cent, compared with the previous month and an increase of 600,000 b/d, or15 per cent. from a year earlier.

The increase in total oil imports and lower total oil exports supported the increase in net oil imports which were up by 137,000 b/d, or 36 per cent, in January, compared with a month earlier.

Saudi Arabia was Japan's top crude oil supplier in January with 1.21m b/d, or 29.5 per cent, of its total crude oil imports. The United Arab Emirates (UAE) was next, supplying 770,000 b/d, or 18.9 per cent. Qatar supplied Japan with 500,000 b/d, or 12.2 per cent, of its oil, followed by Iran with 410,000 b/d, or 10.1 per cent.

OPEC Member Countries together supplied 3.42m b/d, or 83.8 per cent, of Japan's crude oil imports in January, down from 87 per cent the previous month.

Top non-OPEC crude oil suppliers to Japan in January included Oman with 240,000 b/d, up from 170,000 b/d a month earlier, and Russia with 150,000 b/d, down from 160,000 b/d the previous month.

On the product-side, with the exclusion of LPG imports, preliminary data indicated that Saudi Arabia was Japan's top supplier in January with 171,000 b/d, down from 210,000 b/d the previous month. The UAE followed with 111,000 b/d, down from 137,000 b/d in December.

OPEC Member Countries supplied 390,000 b/d, or 72 per cent, of Japan's product imports in January.

Top non-OPEC product suppliers in the month included Russia with 26,000 b/d, followed by Oman with 21,000 b/d and Indonesia with 12,000 b/d.

According to official data, China's crude oil imports declined in January to 4.04m b/d, representing a loss of 20 per cent from the record high imports of the previous month, but were still 33 per cent higher than in the previous year's 3.03m b/d.

China's imports of oil products stood at 790,000 b/d, 25 per cent lower than the month before and six per cent lower than during the same period the previous year.

Diesel imports remained the top product import in January, with an average of 320,000 b/d, indicating a decline of 85,000 b/d, or 20 per cent, from the previous month. Jet fuel followed with 119,000 b/d in January, lower by 7,000 b/d from the previous month. The increase in import tax for some products supported the decline in product imports.

China's total product exports in January averaged 721,000 b/d, a decline of 250,000 b/d, or 25 per cent, from the previous month.

Exports of gasoline on average stood at 165,000 b/d, compared with 269,000 b/d the previous month. Average exports of diesel declined to 112,000 b/d for January, compared with 269,000 b/d the month before.

As a result, China's net oil imports in January averaged 4.08m b/d, a decline of 944,000 b/d, or 19 per cent, from the previous month. The decline in both crude oil and product imports was behind the drop in January.

Angola was China's top crude oil supplier in January, supplying 800,000 b/d, or 20 per cent, of its total crude imports. Angola's crude exports to China declined from the previous month's 950,000 b/d, but increased from the 520,000 b/d recorded for the same month last year.

Saudi Arabia supplied China with 690,000 b/d, down from 1.2m b/d in December, which represented a share of 17 per cent. Iran supplied 260,000 b/d, down from 350,000 b/d a month earlier, which represented a 6.3 per cent share.

Altogether, OPEC Member Countries supplied China with 2.47m b/d, or 61 per cent, of its crude oil imports in January, down from 3.31m b/d the previous month.

Top non-OPEC crude oil suppliers to China in January included Russia with 300,000 b/d, Sudan with 270,000 b/d and Oman with 160,000 b/d.

According to preliminary data, India's crude oil imports rose sharply in January, compared with the previous three months, to average 2.92m b/d. January's crude imports were also 440,000 b/d higher compared with the same month a year ago, which represented an increase of 18 per cent.

India's crude oil imports during the fourth quarter of 2009 averaged 2.53m b/d, virtually unchanged on an annual basis.

India's product imports increased in January for the fourth consecutive month. They were up by 34,000 b/d, or 14 per cent, from the previous month to average 270,000 b/d, yet were 20 per cent lower compared with the same month a year ago.

For the sixth month in a row, there were no gasoline imports in January. After picking up in November, gasoil imports rose further in January to 31,300 b/d, compared with 9,620 b/d in December 2009.

India's LPG imports continued to increase in January, averaging 82,000 b/d, compared with 75,000 b/d the previous month and 60,000 b/d a year earlier. The higher import figure was due to an increase in gasoil, LPG and naphtha imports, which were revived in the fourth quarter after a period of low product import levels due to sluggish global market conditions.

India's total product exports In January stood at 501,000 b/d, 91,000 b/d, or 15 per cent, lower than in the previous month and 32.7 per cent down from a year earlier.

Despite the increase in naphtha exports, which averaged 186,000 b/d in January, gasoil exports in January averaged 58,000 b/d, down from 118,000 b/d the previous month and 327,000 b/d a year earlier.

As a result, India's net crude oil imports in January averaged 2.92m b/d, indicating an increase of 18 per cent, or 454,000 b/d, from the previous month and an 18 per cent increase compared with a year ago.

Net product imports rose by 125,000 b/d on increased imports and reduced exports. India's net oil imports for the year averaged 2.70m b/d, an increase of 27 per cent, or 615,000 b/d, over 2009.

FSU crude oil exports in January to non-Commonwealth of Independent States destinations fell by 2.7 per cent in the month to 6.66m b/d after a drop in BTC Blend shipments along the Baku-Tbilisi-Ceyhan (BTC) pipeline.

However, the full-scale launch of ESPO Blend exports from the Pacific port of Kozmino partly offset reductions elsewhere.

Russian crude exports through the Transneft system in January were little changed on the month.

Seaborne exports of Russian crude were scheduled at 2.63m b/d in February, up by 1.9 per cent on the month. FSU product exports were little changed in January.

Stock movements

Concerning stock movements, the OPEC report stated that US commercial inventories at the end of February fell slightly by 300,000 b to 1,046.6m b.

"This slight drop was much less than the seasonal decline of around 11m b. Crude and products moved in different directions as crude stocks built by 11.6m b, while total product stocks fell by almost the same amount," it observed.

At the end of February, US commercial oil inventories stood at comfortable levels of 73m b, 7.5 per cent higher than the surplus observed in January. However, they remained around 35m b below the same period last year.

Over the last two months, US crude commercial stocks built at a relatively high rate, with around 5m b in January, followed by around 11.6m b in February. Driving this development was the continued increase in crude imports, which reached 8.8m b/d in February, or close to 400,000 b/d more than the January level.

"However, crude oil imports still remained below the same period last year. It is worth noting that US crude oil imports reached 9.2m b/d in the week ending February 26, more than 1.2m b/d above the average last year. If the trend continues, this will contribute to a further build in crude oil inventories in the coming months."

Crude runs rose in February by 170,000 b/d to 13.9m b/d, corresponding to a refinery utilization rate of just over 80 per cent.

During the week ending February 26, US refinery utilization increased by 0.7 per cent to almost 81.9 per cent, a high unseen since the start of October last year.

"However, this upward move is likely to be reversed with the approaching end of winter and upcoming seasonal maintenance," the report pointed out.

At 341.6m b, US crude commercial inventories in February stood at around 32m b, or 10.3 per cent, above the five-year average, but remained 24m b below the highest level seen in February last year.

In contrast to the build in crude oil, US total product inventories declined by 11.9m b. At the end of February, US product inventories stood at 705m b, around 41m b, or 6.2 per cent, above the seasonal norm, but still below a year earlier by 11m b.

Within products, the picture was mixed. US gasoline continued its upward trend, increasing by 3.8m b for the fourth consecutive month, putting inventories at about 11m b above the seasonal average and 15m b above a year earlier at the same period.

"The continued build in US gasoline stocks can be attributed to lower demand, which remained almost flat at 8.8m b/d over the previous year. However, data for the week ending February 26 indicates weekly gasoline demand was down to 8.88m b/d from 9.01m b/d the week before, representing a decline of two per cent. If gasoline demand does not pick up in the coming months, it is hard to see a reversal of the build trend in gasoline inventories," maintained the report.

Distillate stocks, which include heating oil and diesel, dropped for the third consecutive month in February – by 4.6m b to 151.8m b – but remained at a very comfortable level of 30.5m b above the five-year average and 8.2m b over a year earlier at the same time.

"This drop can be attributed mainly to the heating oil component as colder weather increased demand. However, total distillate demand in February remained weak, averaging 3.7m b/d, around 200,000 b/d below the same period in 2009, which was considered a very low base year for diesel demand, reflecting the weak economy."

Residual fuel oil and jet fuel oil stocks increased by 400,000 b to 40.0m b and to 43.3m b, respectively, reflecting the decline in demand. Both products remained at a healthy level above the seasonal average and higher than a year earlier in the same period.

In January, Japan's commercial oil inventories reversed the downward trend observed during the last two months and increased by 2.5m b to 166.8m b. Despite this build, Japanese oil inventories remained at 7.6m b, or 4.4 per cent, below last year, but narrowed the deficit with the five-year average to 16m b, or 7.7 per cent, from 25m b in December. The build in January came mainly from crude, which increased by 2.1m b, while total products saw a slight build of 500,000 b.

At 94.6m b, Japan's crude stocks stood at their highest level since September last year, adding almost 9m b during the course of the last four months. This build came as crude imports increased by 0.7 per cent to average 4.1m b/d in January. Crude imports were also 7.6 per cent higher from the same period the previous year.

"However, this build came despite the increase in crude throughput by 1.8 per cent to almost 4.0m b/d, which corresponds to a refinery utilization rate of 81.3 per cent, 1.5 per cent above the December rate. With the January build, the deficit with the seasonal norm narrowed to 11.4m b, or 11 per cent, compared with 14.5m b, or 15.7 per cent, a month earlier."

Additionally, the gap to the previous year had also diminished to stand at 8.1m b, or eight per cent, compared with 15 per cent.

Total stocks of products in January reversed the sharp drop seen in December and rose by 500,000 b to 72.2m b. The build could be attributed to the decline in Japanese refined product sales, which dropped by 3.7 per cent to average 3.7m b/d. An increase of 6.4 per cent in total product imports also contributed to the build.

"It is worth noting that Japanese domestic product consumption inched up by 0.3 per cent in January over the same period last year, rising for the first time in three months. Oil demand has been falling for several years in Japan as manufacturers move operations abroad and the drop has continued even as the country's economy picked up in the latter half of 2009.

"This picture will not encourage refiners to build more inventories in the coming months and to return to the levels of 90-100m b reached at the end of 2006 and beginning of 2007."

Total product inventories ended January at 4.4m b, or 5.8 per cent, below the five-year average, narrowing the deficit of 11 per cent incurred in the previous month. The stocks remained slightly above the level of the same period a year earlier.

Within the products, the picture was mixed. Gasoline stocks saw a significant build of 2.2m b to 14.3m b as gasoline sales – which make up

over one-fifth of total fuel use in Japan — fell by 3.5 per cent in January, due to cold weather as snow limited driving. A drop of 3.9 per cent in gasoline output also contributed to the build in gasoline stocks, which remained in line with the seasonal average.

In contrast to the build in gasoline, middle distillate stocks declined by 1.0m b to 32.3m b, driven by the drop of 10.8 per cent in kerosene inventories, as well as a fall of 3.6 per cent in jet fuel, while gasoil, the third component of middle distillates, rose by eight per cent, limiting the whole draw.

The drop in kerosene stocks could be mainly attributed to the increase in exports as kerosene sales fell by 7.9 per cent on the back of Japanese consumers switching to electric heaters, rather than kerosene for heating.

Jet fuel stocks declined as domestic sales increased by 12.1 per cent, while the build in gasoil inventories came on the back of lower domestic sales by 13 per cent.

In January, total middle distillate stocks stood 4.3 per cent above a year ago over the same period, but still around 12 per cent below the five-year average.

Naphtha inventories declined by 700,000 b to 9.4m b as demand jumped by ten per cent, due to robust petrochemical demand from China.

With this draw, naphtha stocks remained 12 per cent below a year earlier. Fuel oil stocks remained unchanged in January at 16.2m b. However, within this product, stocks of fuel oil category A went up by 3.2 per cent, driven by a 3.3 per cent increase in output; while fuel oil BC stocks fell by 2.1 per cent, as domestic sales rose by 5.6 per cent.

Total fuel oil stocks remained at 6.4 per cent below a year ago and 16.3 per cent lower than the seasonal norm.

Preliminary indications based on weekly data published by the Petroleum Association of Japan (PAJ) showed that at the end of February, Japan's commercial oil inventories dropped by more than 10m b to stand at 156m b, around 26m b below last year at the same time.

The draw was split between crude and products, which declined by 7.3m b and 3.5m b, respectively. At 87.3m b, Japan's commercial crude oil stocks fell for a sixth consecutive week to hit a four-month low and remained well below the seasonal norm.

"This draw could be attributed to refiners trying to minimize inventories before the fiscal year ended on March 31," said the report.

Total product stocks fell by 3.5m b to 68.7m b, remaining around 7m b below the year-ago level.

All products saw a drop, with the exception of fuel oil stocks, which rose by 1.3m b, driven by the decline in sales, mainly for the C-fuel oil product.

Distillate stocks fell by 3.5m b to 28.8m b, driven by a drop in kerosene stocks on the back of lower production. Gasoline inventories also fell, but only slightly to 14.1m b as sales rose by nearly two per cent.

In Singapore at the end of January, product stocks dropped by 100,000 b to 44.93m b, but remained 5.8m b above the same period a year ago.

Within products, the picture was mixed with light and middle distillates declining by 1.2m b and 300,000 b, respectively, while fuel oil saw an increase of 1.4m b.

At 10.0m b, light distillate stocks reached a seven-month low on strong regional imports. However, despite the draw, light distillate stocks remained around 1.0m b above a year ago.

Middle distillate inventories fell slightly to 14.6m b, but remained around 2m b above a year earlier. Strong demand from Indonesia helped to reverse the stock-builds seen over the last four months.

Fuel oil stocks reversed the drop experienced last month, rising to 20.4m b and supported by higher supply, mainly from the Middle East. Fuel oil inventories ended January at 2.9m b above last year in the same period.

"Looking ahead, Singapore product stocks could stay high on the expectation of increasing inflows from the West in coming months. Additionally, the current spare capacity of around 37 per cent indicates that the market in Singapore could still absorb more supply," said the report.

Preliminary data for the week ending February 25 put total product stocks in Singapore at 46.8m b, 3.5m b higher than a week earlier and around 1.9m b above January.

The weekly build was driven by an increase of 2.3m b in middle distillate stocks and by a 1.3m b build in fuel oil stocks, while light distillate stocks indicated a slight draw of 200,000 b.

At 22.9m b, fuel oil inventories reached the highest level since December 16, supported by higher imports from the West.

Middle distillate stocks jumped to 14.4m b from a week earlier, driven by lower demand, especially from India, which moved to cleaner diesel.

Light distillates declined slightly to 9.5m b on the back of higher demand, mainly from India.

Product stocks in ARA in January fell by 2.1m b to 40.0m b, reversing the build of more than 4.0m b incurred in December.

Product inventories remained at 4.4m b above a year earlier in the same period. With the exception of gasoline, which showed a build, all other products indicated a draw.

Gasoil stocks totaled 19.5m b, a decline of 700,000 b, but remained 2.8m b higher than a year earlier. The fall could be attributed to higher exports to Europe, which outpaced inflows into tanks from Russia and also from floating storage.

Fuel oil stocks fell by 1.1m b to 5.1m b, slightly above a year ago, while jet fuel oil stocks fell by 400,000 b to 6.5m b, in line with last year and driven by higher outflows to regional markets.

Gasoline inventories rose by 600,000 b to 8.5m b, around 800,000 b above a year earlier. The build was mainly driven by the rise in imports. Preliminary data for the week ending February 25 indicated a drop of 2.2m b in ARA product stocks over the previous week and 4.2m b compared with January. At 35.9m b, product stocks remained at almost the same level as a year ago.

With the exception of fuel oil, which rose slightly by 300,000 b, all other product stocks declined on the back of higher exports and increased regional demand, following a week-long strike at Total's refineries in France.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2004**	**2005**	**2006**	**2007**	**2008**	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.4	45.1	46.3	45.6	46.1	44.3	45.1	46.4	45.5
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	23.2	23.4	23.3	23.6	23.1	23.5	23.7	23.5
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.2	14.6	14.8	14.6	14.5	14.0	14.5	14.7	14.4
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.3	7.3	8.0	7.7	8.1	7.1	7.1	7.9	7.6
Developing countries	21.9	22.7	23.4	24.4	25.3	25.3	25.9	26.1	26.0	25.8	25.9	26.5	26.7	26.6	26.4
FSU	3.8	3.9	4.0	4.0	4.1	3.8	3.7	4.1	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.4	8.6	8.3	8.2	8.1	8.7	8.9	8.6	8.6
(a) Total world demand	**82.6**	**84.0**	**85.0**	**86.0**	**85.7**	**84.0**	**83.2**	**84.7**	**85.5**	**84.4**	**84.7**	**83.9**	**85.7**	**86.6**	**85.2**
Non-OPEC supply															
OECD	21.3	20.4	20.1	20.1	19.5	19.9	19.3	19.3	19.7	19.5	19.5	19.3	19.1	19.4	19.4
North America	14.6	14.1	14.2	14.3	13.9	14.2	14.0	14.2	14.3	14.2	14.3	14.3	14.2	14.3	14.3
Western Europe	6.2	5.7	5.3	5.2	5.0	5.1	4.7	4.5	4.7	4.7	4.6	4.4	4.3	4.5	4.4
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Developing countries	11.6	11.9	12.0	12.0	12.4	12.5	12.5	12.6	12.7	12.6	12.7	12.7	12.8	12.9	12.8
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	13.0	13.1	12.9	13.1	13.2	13.1	13.3	13.2
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	49.6	50.0	50.5	50.4	51.0	50.7	50.9	51.5	51.0	51.5	51.3	51.2	51.7	51.4
OPEC NGLS and non-conventionals	3.7	3.9	3.9	3.9	4.1	4.2	4.3	4.5	4.5	4.4	4.6	4.8	4.9	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLS	**53.3**	**53.5**	**53.9**	**54.5**	**54.5**	**55.2**	**55.0**	**55.4**	**56.0**	**55.4**	**56.1**	**56.1**	**56.1**	**56.9**	**56.3**
OPEC crude supply and balance															
OPEC crude oil production[1]	29.6	30.7	30.5	30.2	31.2	28.5	28.5	28.9	29.0	28.7					
Total supply	82.9	84.2	84.4	84.7	85.8	83.6	83.5	84.2	85.0	84.1					
Balance[2]	0.3	0.2	-0.6	-1.4	0.0	-0.4	0.3	-0.4	-0.5	-0.3					
Stocks															
OECD closing stock level *m b*															
Commercial	2511	2538	2585	2667	2566	2747	2762	2778	2678	2678					
SPR	1411	1450	1487	1499	1524	1547	1561	1564	1564	1564					
Total	3921	3988	4072	4166	4090	4294	4323	4342	4242	4242					
Oil-on-water	882	905	954	919	951	901	902	871	912	912					
Days of forward consumption in OECD															
Commercial onland stocks	50	51	53	56	56	62	61	60	59	59					
SPR	28	29	30	32	33	35	35	34	34	34					
Total	79	81	83	88	90	97	96	94	93	93					
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.9	8.9	9.0	9.3	9.4	9.0	9.1	9.2
[(a) – (b)]	**29.3**	**30.5**	**31.1**	**31.5**	**31.2**	**28.9**	**28.2**	**29.3**	**29.6**	**29.0**	**28.7**	**27.8**	**29.5**	**29.7**	**28.9**

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

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

Table 1 *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 86 while* ***Graphs 1 and 2*** *on page 87 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 88–89 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2009–10

$/b

Crude/Member Country	2009 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb	Weeks 5–9 (week ending) Feb 5	Feb 12	Feb 19	Feb 26	Mar 5
Arab Light – Saudi Arabia	40.87	46.39	50.91	57.45	69.01	64.92	71.42	67.64	73.36	76.54	74.38	76.46	73.32	72.76	70.98	73.93	75.60	76.17
Basrah Light – Iraq	39.66	44.94	51.18	56.47	68.18	64.32	70.73	67.30	72.63	75.55	73.03	75.74	72.25	71.29	69.79	73.15	74.78	76.23
Bonny Light – Nigeria	45.07	49.70	52.24	57.87	69.55	66.31	73.84	68.74	74.41	77.96	75.68	77.39	75.04	74.23	72.09	76.23	77.59	79.52
Es Sider – SP Libyan AJ	42.37	46.35	50.24	56.87	68.15	64.51	72.89	67.44	72.71	76.61	74.23	76.14	73.59	72.78	70.64	74.78	76.14	77.97
Girassol – Angola	43.33	46.98	49.72	57.36	68.92	65.02	72.66	67.69	72.97	76.89	74.53	76.78	73.95	73.03	71.02	75.11	76.65	78.43
Iran Heavy – IR Iran	39.91	44.52	50.10	56.02	68.16	64.79	71.53	66.43	72.54	76.72	74.34	75.72	72.54	71.93	70.12	73.15	74.95	75.83
Kuwait Export – Kuwait	40.34	44.91	50.16	57.93	68.73	64.74	70.97	66.45	72.50	76.54	74.03	75.69	72.27	71.81	69.98	72.76	74.52	75.23
Marine – Qatar	43.74	46.58	50.82	58.09	69.94	65.31	72.02	68.44	73.61	77.78	75.36	77.07	73.91	73.55	71.71	74.47	75.90	76.31
Merey* – Venezuela	38.76	39.59	43.73	52.95	61.81	60.11	65.78	62.88	66.90	70.09	68.63	71.27	68.47	67.73	66.54	69.23	70.37	70.76
Murban – UAE	44.71	47.75	52.33	59.58	71.50	66.80	73.51	69.79	75.06	79.00	76.84	78.19	75.22	74.75	72.89	75.68	77.55	78.10
Oriente – Ecuador	35.83	42.45	42.41	53.56	63.62	58.10	65.26	63.67	68.57	70.05	68.93	72.94	69.38	68.59	67.88	70.21	70.85	72.30
Saharan Blend – Algeria	44.07	48.40	51.69	57.27	69.15	65.21	72.94	67.84	73.36	77.16	74.98	76.79	74.54	73.73	71.59	75.73	77.09	78.82
OPEC Reference Basket	41.41	45.78	50.20	56.98	68.36	64.59	71.35	67.17	72.67	76.29	74.01	76.01	72.99	72.33	70.55	73.75	75.32	76.29

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2009–10

$/b

Crude/country	2009 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb	Weeks 5–9 (week ending) Feb 5	Feb 12	Feb 19	Feb 26	Mar 5
Minas – Indonesia[1]	45.04	49.06	54.11	61.69	72.71	67.23	75.88	70.25	76.43	80.51	78.67	79.82	76.12	74.36	73.59	77.07	79.48	79.44
Arab Heavy – Saudi Arabia	39.41	43.76	49.48	55.69	68.74	64.80	71.03	66.16	72.35	76.72	74.00	75.60	71.98	71.61	69.74	72.39	74.19	74.83
Brega – SP Libyan AJ	43.52	47.25	51.24	57.87	69.05	65.31	73.24	67.79	73.06	76.96	74.58	76.49	73.84	73.03	70.89	75.03	76.39	78.22
Brent – North Sea	43.07	46.55	50.44	57.27	68.55	64.61	72.84	67.39	72.76	76.66	74.28	76.19	73.64	72.83	70.69	74.83	76.19	78.02
Dubai – UAE	43.09	45.59	50.10	57.48	69.41	64.82	71.36	67.74	73.15	77.69	75.42	76.69	73.40	73.06	71.13	73.78	75.64	76.23
Ekofisk – North Sea	44.51	47.28	50.65	58.48	69.62	65.55	73.36	68.31	73.71	77.56	75.24	77.39	74.48	73.72	71.59	75.68	76.91	78.67
Iran Light – IR Iran	41.31	46.10	49.69	56.53	68.24	64.93	72.64	67.55	72.86	76.72	73.87	75.62	72.87	72.03	70.00	73.96	75.51	77.18
Isthmus – Mexico	39.39	46.98	50.38	58.51	68.52	63.70	71.04	67.16	72.91	75.99	73.05	76.10	74.06	72.76	71.53	75.16	76.77	78.01
Oman – Oman	43.52	45.83	50.16	57.59	69.47	65.08	71.59	68.27	73.34	77.85	75.48	77.01	73.85	73.44	71.64	74.29	76.04	76.73
Suez Mix – Egypt	39.44	42.89	46.26	54.33	65.35	62.15	69.53	64.35	69.83	73.42	70.83	73.12	70.04	69.48	67.36	71.11	72.21	73.58
Tia Juana Light[2] – Venez.	38.60	45.52	49.32	57.34	67.08	62.68	69.83	66.22	71.74	74.85	71.81	74.66	72.87	71.60	70.39	73.96	75.55	76.76
Urals – Russia	42.32	45.65	49.05	56.85	68.38	64.85	72.27	67.09	72.67	76.32	73.88	76.09	72.84	72.30	70.15	73.89	75.01	76.41
WTI – North America	39.08	48.00	49.82	59.21	69.68	64.23	71.05	69.34	75.73	77.84	74.41	78.30	76.34	74.77	73.91	77.48	79.20	80.30

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

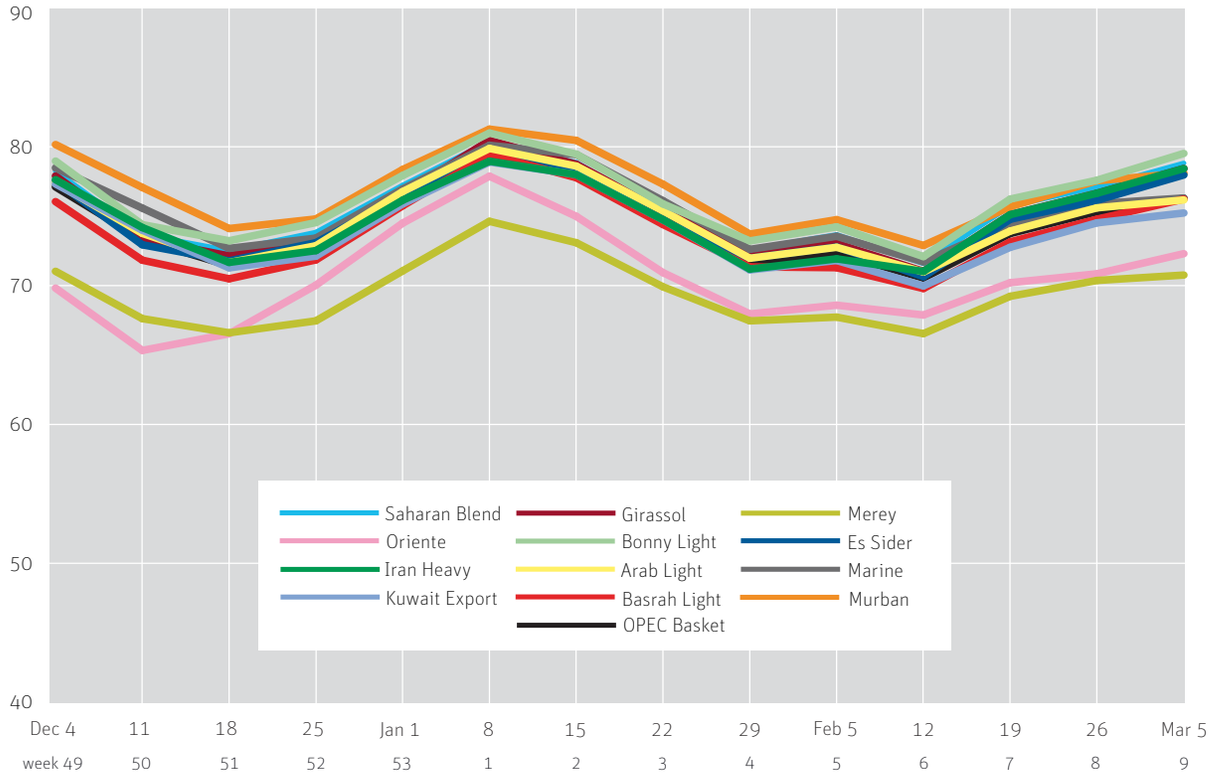
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

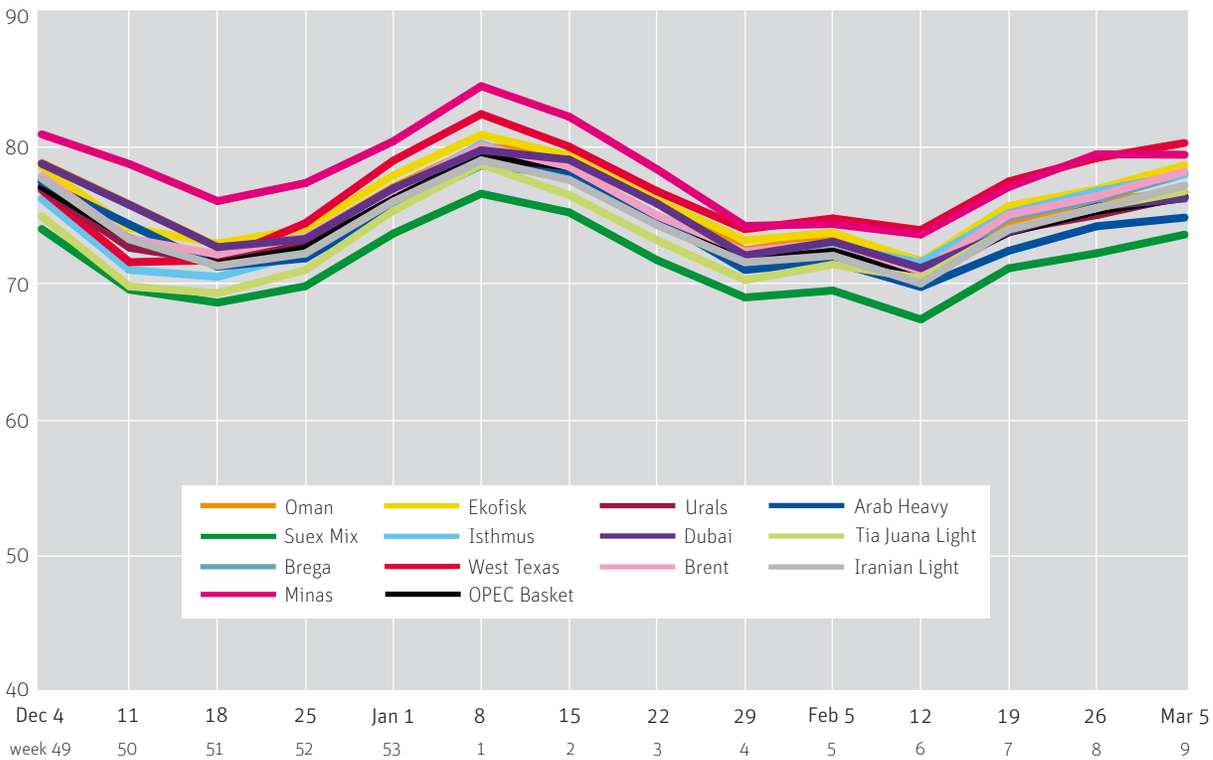
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, 2009–10 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2009–10 *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

Table and Graph 3: North European market — spot barges, fob Rotterdam

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2009	February	52.70	45.39	46.48	55.32	51.13	41.82	36.50
	March	43.82	48.36	52.02	55.90	55.33	36.43	37.29
	April	46.84	48.77	57.85	59.72	60.25	43.80	42.35
	May	52.58	59.66	70.76	64.03	64.87	50.34	51.19
	June	62.74	71.18	81.07	75.69	78.47	59.46	59.14
	July	43.75	42.79	48.83	55.32	53.89	35.81	36.50
	August	70.85	72.78	83.06	79.99	79.89	67.78	66.21
	September	65.82	65.55	74.81	74.77	76.57	64.52	62.96
	October	69.17	68.89	79.16	81.60	82.53	68.35	66.93
	November	74.60	72.67	83.50	83.25	85.40	73.68	71.03
	December	75.35	70.59	79.68	81.62	83.56	69.02	68.36
2010	January	79.05	71.54	84.65	84.11	86.46	72.55	71.29
	February	75.48	72.19	83.11	81.53	83.38	69.94	67.51

Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

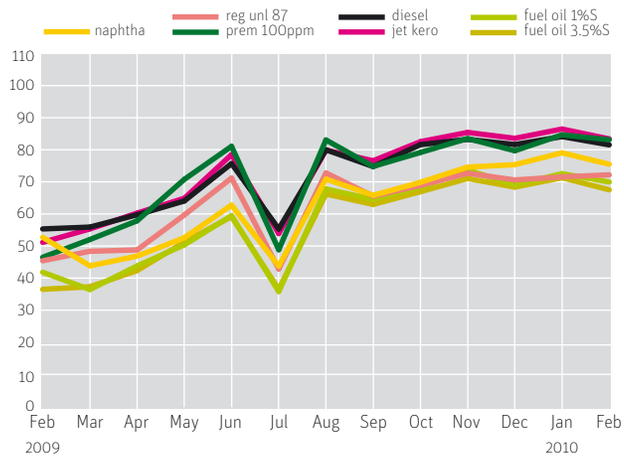


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2009	February	45.21	28.66	38.26	38.63	35.42
	March	42.05	26.66	35.59	39.37	36.74
	April	45.57	27.46	35.69	44.42	42.54
	May	50.74	32.51	42.25	52.93	50.93
	June	61.16	36.23	47.09	60.64	59.47
	July	41.92	24.42	31.74	38.63	35.42
	August	69.32	24.55	31.98	68.04	66.86
	September	64.30	22.77	29.66	64.92	63.10
	October	67.57	24.32	31.68	68.18	67.11
	November	72.83	26.21	34.15	72.97	71.00
	December	73.04	26.29	34.25	69.92	68.20
2010	January	76.30	27.10	35.18	72.10	70.82
	February	72.61	28.00	35.31	69.58	67.38

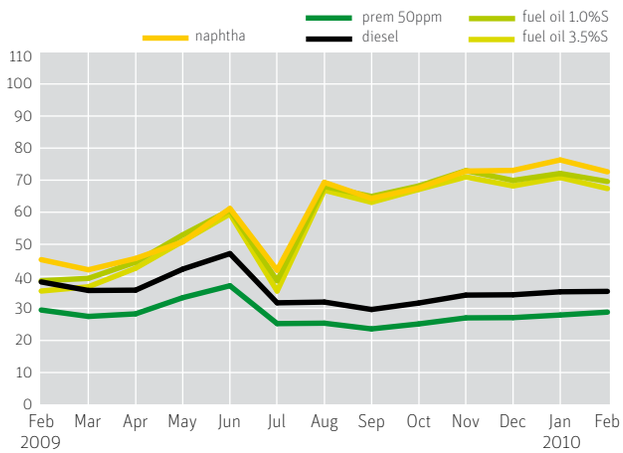
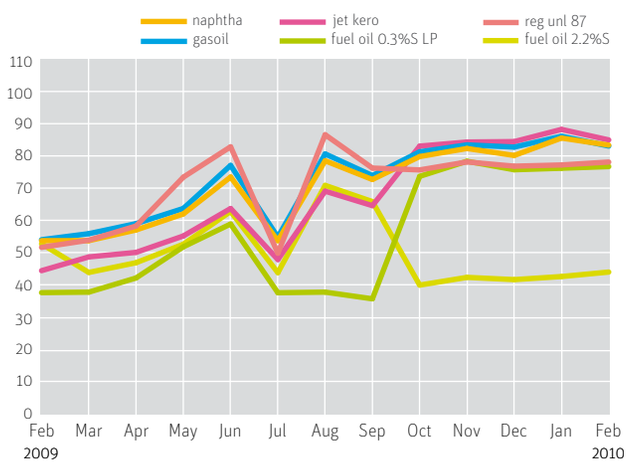


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2009	February	47.88	51.61	53.68	53.98	44.37	37.55
	March	51.79	53.83	53.69	55.86	48.64	37.70
	April	52.45	58.24	57.00	58.98	50.05	42.10
	May	65.60	73.39	61.98	63.68	55.14	51.77
	June	74.77	82.83	73.45	77.05	63.67	58.85
	July	70.12	49.78	53.68	54.79	47.82	37.52
	August	75.27	86.58	78.49	80.62	69.05	37.71
	September	68.97	76.22	72.67	73.89	64.55	35.63
	October	75.66	79.71	81.17	82.95	73.56	39.80
	November	78.12	82.30	83.42	84.31	78.34	42.29
	December	76.81	80.13	82.73	84.44	75.70	41.59
2010	January	77.68	85.54	86.11	88.23	76.17	42.55
	February	78.10	83.34	83.05	84.96	76.68	43.94



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
2009	February	46.49	15.95	54.21	31.66	29.92
	March	50.87	16.19	54.18	32.55	30.83
	April	51.75	18.02	59.42	36.95	35.25
	May	64.97	19.75	64.62	46.72	53.24
	June	74.02	23.47	77.63	54.73	53.24
	July	15.95	15.95	54.21	31.66	29.92
	August	74.51	24.93	80.47	64.29	62.76
	September	68.22	23.20	74.72	60.96	59.45
	October	74.90	25.78	82.99	65.50	63.97
	November	77.85	26.46	84.70	70.04	68.39
	December	78.45	26.18	84.67	68.60	66.96
2010	January	82.37	27.12	87.67	70.31	68.83
	February	80.25	26.18	84.94	71.75	70.57

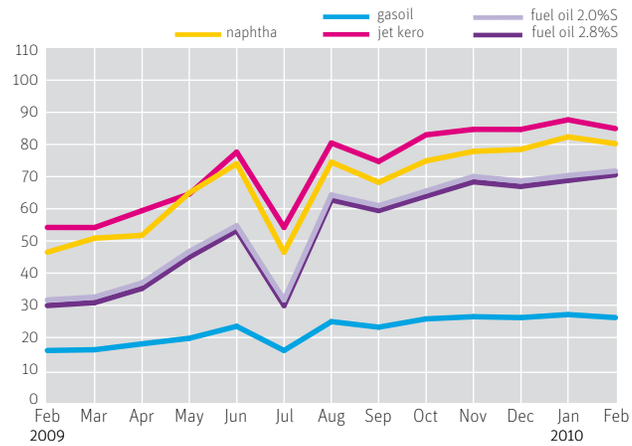


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2009	February	46.84	63.61	55.42	39.76	52.85	40.66	50.48
	March	46.53	54.20	53.14	56.20	53.34	38.70	38.05
	April	49.35	60.46	58.27	61.14	59.10	45.66	44.90
	May	54.01	68.50	65.48	66.29	76.45	54.53	53.90
	June	65.86	77.15	75.01	77.92	76.45	62.77	62.34
	July	46.84	57.97	55.42	54.59	52.85	40.66	39.76
	August	70.37	82.13	80.13	80.34	78.67	68.23	68.03
	September	66.80	75.63	73.84	75.80	74.58	66.36	66.30
	October	69.20	77.71	76.05	81.95	80.07	68.85	68.86
	November	76.21	81.89	79.88	85.29	84.95	72.84	72.90
	December	78.28	81.85	78.95	82.69	83.24	72.79	72.65
2010	January	80.66	88.01	84.87	85.89	85.87	75.55	75.11
	February	75.76	86.49	83.55	83.30	82.23	71.88	71.15

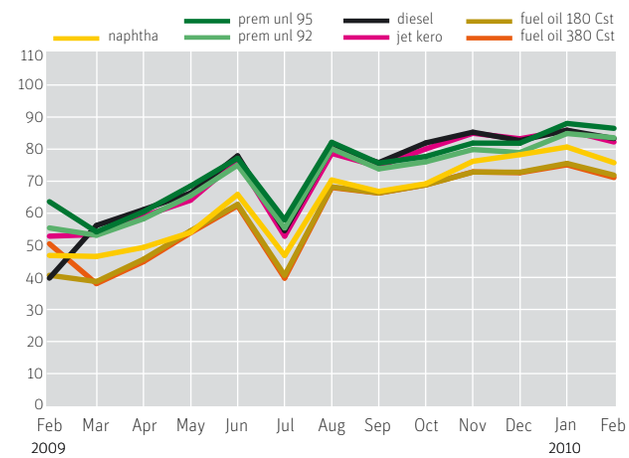
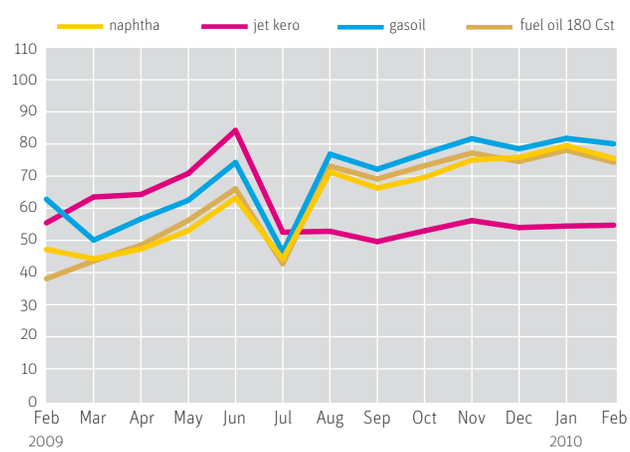


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2009	February	47.16	62.80	55.44	38.07
	March	44.26	50.06	63.50	43.60
	April	47.28	56.69	64.29	48.51
	May	53.02	62.46	70.83	56.19
	June	63.19	74.25	84.21	66.06
	July	44.19	46.34	52.55	42.73
	August	71.30	76.83	52.83	73.11
	September	66.26	72.14	49.61	69.12
	October	69.61	77.04	52.97	73.24
	November	75.04	81.66	56.15	77.20
	December	75.80	78.51	53.99	74.57
2010	January	79.49	81.77	54.45	78.10
	February	75.51	80.07	54.73	74.31



Source: Platts. Prices are average of available days.

Forthcoming events

ERTC coking and gasification conference, April 20–21, 2010, Prague, Czech Republic. 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.

15th Asia oil week, April 20–22, 2010, Singapore. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

Production sharing contracts and international petroleum fiscal systems, April 20–22, 2010, Morocco. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Gasoline, diesel and bunker fuel blending: technology and economics, April 24–25, 2010, Kuwait City, Kuwait. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Middle East petroleum insiders 2010, April 24–25, 2010, Kuwait City, Kuwait. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

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Middle East petroleum and gas conference 2010, April 25–27, 2010, Kuwait City, Kuwait. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Arctic oil and gas North America 2010, April 26–27, 2010, Houston, TX, USA. 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.

Advances in drilling technology and performance: drilling the limit, April 26–28, 2010, Abu Dhabi, UAE. Details: Society of Petroleum Engineers, Dubai Knowledge Village, Block 17, Offices S07-S09, PO Box 502217, Dubai, UAE. Tel: +971 4 390 3540; fax: +971 4 366 4648; e-mail: spedub@spe.org; website: www.spe.org.

Improved oil recovery symposium, April 26–28, 2010, Tulsa, OK, USA. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: 1 972 952 9435; e-mail: spedal@spe.org; website: www.spe.org.

Optimized field development planning through improved reservoir and facility engineering integration, April 26–28, 2010, Aberdeen, UK. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelon@spe.org; website: www.spe.org.

APEC, April 27–28, 2010, Astana, Kazakhstan. 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: www.ite-exhibitions.com.

Oil and gas Siberia, April 27–29, 2010, Novosibirsk, Russia. 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.

Oil and gas outlook North Sea 2010, April 27–29, 2010, London, UK. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

Tight gas completions: technology applications and best practices, April 27–29, 2010, Denver, CO, USA. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: 1 972 952 9435; e-mail: spedal@spe.org; www.spe.org.

Commercial impact of competition laws in the oil and gas industry, April 28–29, 2010, Kuwait City, Kuwait. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Oil products forum Middle East 2010, April 28–29, 2010, Kuwait City, Kuwait. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

FPSO Houston training course, April 28–30, 2010, Houston, TX, USA. 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.

5th annual north-east power markets forum, April 29–30, 2010, Alexandria, VA, 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.

Offshore technology conference 2010, May 3–6, 2010, Houston, TX, USA. Details: 222 Palisades Creek Drive, Richardson, TX, 75080-2040, USA. Tel: +1 972 952 9494; fax: +1 972 952 9435; e-mail: service@otcnet.org; website: www.otcnet.org.

Biomass to liquids conference, May 5–6, 2010, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk.

ERTC improving refinery profit margins, May 5–7, 2010, London, UK. 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.

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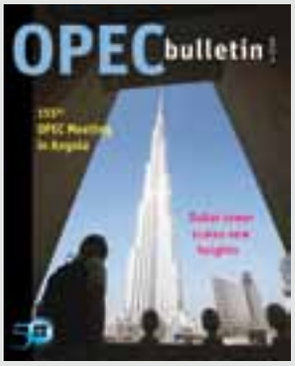

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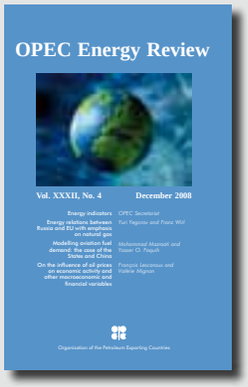

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