OPEC bulletin

7/09

Taking a fresh approach to market challenges

Getting away from it all from time to time is essential, if we are to perform better in our chosen lines of work.

This gives us a chance to reflect upon our day-to-day lives and view things from a broader and more detached perspective than is usually possible, when absorbed in our regular affairs and routine activities.

Thus we have welcomed the arrival of the Northern hemisphere summer, when we can escape for a while from such matters and relax among family and friends.

Life, of course, has gone on in the oil industry during this period. But — save for a sudden or unexpected dramatic event — the dynamics have been more subdued. There are fewer meetings and conferences, there are not so many demands at the sharp end of decision-making, there is less call for intensive research and analysis, many staff are away and most centres of learning are closed.

Even though the well-aired, 'hot' issues remain — such as the high levels of speculation and price volatility — the seasonal lull permits more time for pondering over deeper, less fleeting topics.

Indeed, those of us based in Vienna were set on the path for this by two events that occurred in the OPEC Secretariat within a fortnight of each other in the final run-up to the holiday season.

The first was the 6th Ministerial Meeting of the EU-OPEC Energy Dialogue on June 23 and the second was the launch of OPEC's third annual World Oil Outlook (WOO) on July 8, together with our latest Annual Statistical Bulletin.

While both events dealt at length with the impact of the current financial turmoil and widespread recession on the near-term oil market outlook, the overriding focus was broader than this and was aimed further into the future.

As the joint press release from the EU-OPEC meeting put it: "For both parties, it was axiomatic for the industry to maintain a firm focus on meeting longer-term challenges, in spite of the many hardships caused by the present world economic crisis.

"If this were not done, then the ability of the industry to invest in new production capacity to meet rising demand in future would be seriously impaired, and, among other things, this could lead to a perpetuation of damaging boom/bust cycles. This would benefit no one — neither producers nor consumers."

OPEC Secretary General, Abdalla Salem El-Badri, in his foreword to the WOO, described it as "an important tool that helps further the common interest among all stakeholders for energy market stability, as we look to bring more clarity to the oil market and develop solutions and ways forward in the years ahead."

In short, attending to the future is as important as attending to the present. We are all clear about that. The present and the future go hand in hand.

With this in mind, we have identified two specific topics for us to think about with the more relaxed, receptive, meditative and creative minds that come from 'getting away from it all'. These concern areas that cannot always receive the desired levels of attention in our regular busy, stressful day-to-day working lives.

The first concerns the fundamental shift in the declared energy policy of the new United States Administration, as well as its explicit tie-in with environmental policy. If the Administration's measures win the support of Congress and become law, this may turn out to have a profound impact on how the world economy, including the energy sector, performs for years to come.

The second topic is related to this and concerns the search for a post-Kyoto treaty in Copenhagen in December. The complex array of issues involved in this have been around for a long time and the particular platforms are well-known, highlighting, once again, clear divisions between the developed and developing worlds, when it comes to adopting practical, realistic, meaningful measures. Again, the outcome — if an outcome can, indeed, be found in the Danish capital — may have a big effect on the way mankind progresses in the coming decades.

When considered together, and taking into account other shifts in the global balance of interests that may be underway in the present fractured, jittery, unpredictable international economic arena, then clearly we can all benefit from the fresh visions and new insights that can come from relaxed and refreshed minds.

As oil producers and as developing countries, we must ensure at all times that we are fully integrated into the process of global change, in whatever shape or form it manifests itself, and that we have a sound grasp of the underlying issues and dynamics.

Extensive dialogue and sound research are fully supportive of this and will continue to form the cornerstone of OPEC's policies and actions.

Contents

OPEC bulletin

Cover
This month's cover reflects the EU-OPEC Energy Dialogue, which held its 6th Ministerial Meeting in Vienna in June (see pp4–13).
Design: Elfi Plakolm.
Photos: Shutterstock.

Vol XXXX, No 6, July 2009, ISSN 0474–6279

Publishers
OPEC
Organization of the Petroleum Exporting Countries
Obere Donaustrasse 93
1020 Vienna, Austria
Telephone: +43 1 211 12/0
Telefax: +43 1 216 4320
Contact: The Editor-in-Chief, OPEC Bulletin
Fax: +43 1 214 9827
E-mail: prid@opec.org

Web site: www.opec.org
Visit the OPEC Web site for the latest news and information about the Organization and back issues of the *OPEC Bulletin* which are also available free of charge in PDF format.

Hard copy subscription: $70/year

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.

Secretariat officials
Secretary General
Abdalla Salem El-Badri
Director, Research Division
In charge of Multilateral Relations Department
Dr Hasan M Qabazard
Head, PR & Information Department
Dr Omar Farouk Ibrahim
Head, Petroleum Studies Department
Mohammad Alipour-Jeddi
General Legal Counsel
Dr Ibibia Lucky Worika
Head, Data Services Department
Fuad Al-Zayer
Head, Finance & Human Resources Department
In charge of Administration and IT Services Department
Alejandro Rodriguez
Head, Office of the Secretary General
Abdullah Al-Shameri
Energy Studies Department
Dr Fuad Siala, *Officer-in-charge*

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
The OPEC Bulletin is published by the PR & Information Department. The contents do not necessarily reflect the official views of OPEC nor its Member Countries. Names and boundaries on any maps should not be regarded as authoritative. No responsibility is taken for claims or contents of advertisements. Editorial material may be freely reproduced (unless copyrighted), crediting the OPEC Bulletin as the source. A copy to the Editor would be appreciated.

Editorial staff
Editor-in-Chief
Dr Omar Farouk Ibrahim
Editorial Coordinator
Ulunma Angela Agoawike
Editor
Jerry Haylins
Associate Editors
Keith Aylward-Marchant, James Griffin, Alvino-Mario Fantini, Steve Hughes
Arts & Life Contributor
Siham Alawami
Production
Diana Lavnick and Andrea Birnbach
Design & Layout
Elfi Plakolm
Photographs (unless otherwise credited)
Diana Golpashin
Distribution
Mahid Al-Saigh

Indexed and abstracted in PAIS International

Printed in Austria by Ueberreuter Print GmbH

EU and OPEC:
On the same page of the book

The OPEC Secretariat played host to the 6th Ministerial Meeting of the EU-OPEC Energy Dialogue in June. The OPEC Bulletin's Steve Hughes was on hand to examine just how important the relationship, started in 2005, has become.

During the 6th OPEC Energy Dialogue are (l–r): Andris Piebalgs, European Commissioner for Energy; Hans Lundborg, Swedish Ambassador to Austria, representing the incoming President of the EU Energy Council; Vladimír Tošovský, President of the EU Energy Council and Czech Minister of Industry and Trade; José Maria Botelho de Vasconcelos, OPEC Conference President and Angola's Minister of Petroleum; Germánico Pinto, Alternate President of the OPEC Conference and Ecuador's Minister of Mines and Petroleum; Abdalla Salem El-Badri, OPEC Secretary General.

The world's press thronged the OPEC Secretariat recently, when leading energy industry figures from across the globe sat shoulder-to-shoulder to deliver a joint briefing on the outcome of the 6th Ministerial Meeting of the EU-OPEC Energy Dialogue. Camera crews jostled for position, flash photography peppered proceedings and news reporters tapped their stories furiously into laptop computers, showing just how important a Dialogue this has become to the world at large.

In their opening remarks delivered during the meeting itself, EU representatives — comprising Vladimir Tošovský, President of the EU Energy Council, Minister of Industry and Trade of the Czech Republic; Hans Lundborg, Swedish Ambassador to Austria, representing the incoming President of the EU Energy Council; and Andris Piebalgs, European Commissioner for Energy — praised the continued successful relationship between the two parties, recognized its growing importance in the face of increasingly global challenges and acknowledged oil's importance with regards to the global economy.

OPEC representatives were similarly positive. President of the OPEC Conference, José Maria Botelho de Vasconcelos, who is Angola's Minister of Petroleum, drew attention to the "special role" of the Dialogue in providing insights into the impact of the current financial crisis; Alternate President of the OPEC Conference, Germánico Pinto, Ecuador's Minister of Mines and Petroleum, noted the "essential role" of dialogue and cooperation to ensure

José Maria Botelho de Vasconcelos.

Abdalla Salem El-Badri (l) and Andris Piebalgs.

the healthy development of the oil industry; and similarly, OPEC Secretary General, Abdalla Salem El-Badri, said the meeting represented "another step" on the path toward achieving greater understanding and mutual appreciation between producers and consumers.

Both parties were also quick to note that this year's meeting was taking place against the backdrop of the most severe global economic contraction since the 1930s. This was having a profound impact on the Member Countries of both parties, and served to underline the importance of the Dialogue. Both sides agreed that it was important for the industry to maintain a "firm focus" on meeting longer-term challenges, however, in spite of the many hardships caused by the present crisis. If this were not done, "the ability of the industry to invest in new production capacity to meet rising demand in future would be seriously impaired." This could lead to "a perpetuation of damaging boom/bust cycles."

Searching questions

Botelho de Vasconcelos explained to eager reporters that the meeting, held immediately before the press conference, had addressed some of the most pressing issues that the global energy market faces today — oil price volatility, industry investment, the impact of the financial crisis and sustainability issues to name but a few. The floor was then opened to the press, and distinguished panel members began tackling searching questions.

Dealing with a question on the impact of the financial markets, European Commissioner for Energy, Andris Piebalgs, said there had been agreement that the supervision of the financial sector needed strengthening.

He pointed out that, from 2006, the EU had worked with OPEC on studying the impact of the financial markets on commodity markets.

"We have clearly seen there is an impact. But we need to strengthen the supervision factor of the financial markets and not create special instruments. In the EU we have already prepared a major legislative initiative that will cover this supervision, which, I believe, will guarantee that the impact of the financial markets will not be so strong in the future," he said.

El-Badri added that OPEC had long been alerting the world to the problems of speculation in the paper oil markets: "As you know, oil reached $147/barrel, not because there was a shortage of supply, but because of excessive speculation."

Indeed the meeting itself endorsed calls for an urgent and global response to the challenges posed by today's financial markets. It heeded warnings from a recent EU-OPEC joint workshop *(see OPEC Bulletin, June 2009)* that the speculation issue had not been resolved and that the 2008 bubble could be repeated, if adequate regulatory reforms were not made.

Piebalgs also addressed the current oil price (the OPEC Basket price on the day of the meeting was $66.34), noting that it posed no threat to a global economic

Vladimír Tošovský, President of the EU Energy Council and Czech Minister of Industry and Trade.

recovery — and also made the link between oil prices and investment. On this front, Botelho de Vasconcelos said that while the current oil price was at a comfortable level, a higher price would better enable investments to be made. Similarly, El-Badri commented that the low prices witnessed for much of the first half of the year jeopardized investment. Indeed, during the meeting, OPEC stressed that oil prices at low levels would not sustain the industry and could lead to underinvestment, thus sowing the seeds for future market tightness and instability.

In line with this, OPEC pointed out that the economic recession, together with new regulations in many consuming countries, had added to longstanding uncertainties about future oil demand, leading to downward revisions to the long-term oil and energy outlook to 2030. This reemphasized the importance of security of demand, as it could have implications for future upstream and downstream investment requirements. Accordingly, both parties agreed on the importance of sharing information on future demand and supply scenarios.

President of the EU Energy Council, Vladimír Tošovský, drew attention to the meeting's focus on "new goals, challenges and technologies." In the meeting, both OPEC and the EU reaffirmed their commitment, for example, to the principles of sustainable development. They also recognized the impacts of climate change mitigation response measures on developing countries, with a particular emphasis on those for oil producing countries, and noted the importance of the development and deployment of cleaner fossil fuel technologies — and in particular carbon capture and storage (CCS).

Germánico Pinto, Alternate President of the OPEC Conference and Ecuador's Minister of Mines and Petroleum.

Indeed, a review of the EU-OPEC Dialogue on CCS, which began back in 2006 — and which has included joint roundtables, site visits to CCS projects and more — was presented during the meeting. In concluding remarks, the report noted the need for appropriate policy initiatives that will better enable CCS to be implemented on a wider scale. Similarly, both parties noted the recommendations of the roundtable of October 2008 that CCS should be given more prominence in the Energy Dialogue, as well as the need for more research and development, deployment and transfer of technology, and enhanced communication to ensure better public acceptance.

Hans Lundborg, Sweden's Ambassador to Austria, representing the incoming President of the EU Energy Council.

Too many cooks

In answer to a journalist's question, El-Badri also clearly reiterated OPEC's views about the need for any new energy agency or organization. "Let me be clear about the OPEC position," he explained. "The International Energy Forum (IEF) already exists. I think we should utilize that vehicle for any new ideas. We have too many agencies in the market now ... OPEC does not need any new instrument to deal with the market situation." Piebalgs also questioned the merits of any new structure. "Do we really need a new organization?" he asked.

In his closing remarks, Botelho de Vasconcelos noted the further good progress made and expressed appreciation for the "constructive exchange of views". He was also pleased, he said, that a "concrete plan" had been agreed for the coming year.

The Dialogue is set to continue apace, with the meeting agreeing on a joint work programme ahead of the 7th EU-OPEC Ministerial Meeting, scheduled for June 2010 in Brussels. On the list are ambitious targets, including the launch of a study on the impact of biofuels on the refining industry, a roundtable on the impact of the global financial crisis on the oil sector and a feasibility study on the potential for an EU-OPEC Energy Technology Centre.

Reports relating to the 6th Meeting were carried by news agencies and networks across the world, emphasizing the joined-up thinking of the EU and OPEC, and hinting at the huge press interest that will likely be drummed up next year.

The art of balancing the timely with the timeless

The Energy Dialogue between the European Union and OPEC was hailed as a milestone event when it was launched in 2005. It has since gone from strength to strength, enhancing understanding and collaboration between the two intergovernmental groups, as they seek to meet the challenges facing the energy industry in the years and decades to come. The OPEC Bulletin's Keith Aylward-Marchant looks at the story so far.

Germánico Pinto (l), Alternate President of the OPEC Conference; and Abdalla Salem El-Badri, OPEC Secretary General.

This year's meeting of the EU-OPEC Energy Dialogue was held against the background of the worst peacetime crisis to hit the global economy since the Great Depression of the 1930s, with the financial meltdown and deepening economic recession that had dominated global affairs over the previous nine months.

With energy accounting for around 15 per cent of the world's total merchandise exports, in value terms, this

Andris Piebalgs (l), European Commissioner for Energy; José Maria Botelho de Vasconcelos, OPEC Conference President and Angola's Minister of Petroleum.

sector is highly exposed to developments in the world economy.

And with oil being the leading energy source, feeding 36 per cent of the global mix, and with OPEC supplying 45 per cent of the crude, this year's meeting had a timely role to play, in providing insights into the deep and troubling crisis from the perspectives of both the developing and industrialized worlds.

Its value was understandable, because of the symbiosis between the EU and OPEC in the energy world. Notably, the EU receives nearly two-fifths of its crude from OPEC, and about a fifth of OPEC's crude goes to the EU. In addition, there is the expanding trade in gas between the EU and OPEC, supported by the development of the associated infrastructure — such as the pipelines and LNG terminals — to bring this to consumers.

However, the present economic crisis was not allowed to dominate proceedings at the sixth high-level meeting.

Like its predecessors, this year's event also handled important topical matters of a longer-term, more fundamental nature affecting the two parties, such as carbon capture and storage.

Other themes featured in the Energy Dialogue since 2005 include the following: market developments, data transparency, energy policies, security of supply and demand, technology, energy-related multilateral issues, the refining sector, biofuels, financial markets, investment, the environment, sustainable development, energy poverty and resource shortages.

Joint roundtables, workshops and studies have been used throughout this period to enhance knowledge and understanding of many of these issues and provide the basis for frank, open and constructive exchanges.

For the future, to provide a focal point for launching joint cooperation and research on such issues, the two parties agreed at this year's meeting on the execution of a feasibility study on the establishment of an EU-OPEC Energy Technology Centre.

All these actions have been in line with the abiding characteristics of the Energy Dialogue, which have been: its purposeful, business-like manner; its ability to get straight to the heart of issues; its eagerness to achieve results; and its continued willingness to progress and cover new areas.

The EU-OPEC Energy Dialogue has succeeded in finding the right balance between moving with the times and evaluating timeless fundamental issues. Both qualities are essential, in handling the complexities of today's rapidly evolving energy sector.

Parallel development over half a century

Both the EU and OPEC were established in the middle of the 20th century, their origins stemming from the post-World War II period of reconstruction in industrialized countries and the era of decolonization in the developing world.

Landmark treaties for Europe were signed in Paris, Rome and Maastricht in 1951, 1957 and 1992.

The Treaty of Rome was perhaps the most significant, with regard to the EU-OPEC Energy Dialogue, since this

OPEC delegates during the Dialogue.

set up a customs union among the original six members and provided the general economic base to the EU's activities. This union has since expanded greatly in terms of size and scope, into the shape that is familiar to us today.

OPEC's establishment three-and-a-half years later in Baghdad — in 1960 — meant that the two intergovernmental groups have been developing in parallel for half a century, and the Energy Dialogue can be seen as a natural consequence of this.

Membership of the EU — which was formally established with the coming into force of the Maastricht Treaty in 1993, incorporating the European entities created by the earlier treaties — has grown to 27 states, covering most of the continent, while that of OPEC now stands at 12, stretching across three continents — America, Africa and Asia.

Build-up to first 'milestone' meeting

The idea to set up the EU-OPEC Energy Dialogue was agreed upon in meetings and contacts between the Dutch EU Presidency, the European Commission and the OPEC Conference President at the end of 2004, in recognition of their mutual dependence.

The EU saw the initiative as part of a broader approach to strengthening energy dialogues with the main oil and gas suppliers, while OPEC viewed it as a significant further step in its continued efforts to encourage dialogue and cooperation among oil producers and consumers.

Officials from the EU and OPEC undertook an extensive amount of preparatory work in the six months up to the first high-level meeting in Brussels on June 9, 2005. This witnessed two special meetings, one in Brussels on February 25 and the other in Vienna on April 29, as well as numerous exchanges throughout.

The main purpose of these two preparatory meetings was to facilitate discussions at the Brussels meeting in June and help the participants agree on the purpose of the Dialogue and on areas of mutual interest, where both organizations anticipated there would be direct benefits.

The February meeting noted that Dialogue would be more effective when it was "structured, regular and at the highest policy-making levels."

The June 2005 issue of the *OPEC Bulletin* described the 'historic' first high-level meeting of the Dialogue as "yet another milestone in the pursuit of co-operation and dialogue between oil producers and consumers," and added that both parties would benefit from it.

'EU-OPEC' embellishes OPEC ethos

For its part, OPEC was founded on the premise of dialogue and cooperation in September 1960. As the OPEC Statute

puts it: "The principal aim of the Organization shall be the coordination and unification of the petroleum policies of Member Countries and the determination of the best means for safeguarding their interests, individually and collectively."

OPEC's five Founder Members — all oil-producing, developing countries — joined forces to safeguard their legitimate national interests at a time when the international oil industry, outside the former Soviet Union, was dominated by the established industrial powers, with minimal returns for the host states and little control of their domestic oil sectors.

Eight other oil-producing, developing countries joined OPEC in the next decade-and-a-half, to benefit from the collective approach towards supporting their national energy interests in the world at large, together with the development of their economic and social infrastructures.

The oil price erosion and collapse in the early-to-mid 1980s saw a broadening-out of dialogue to include non-OPEC producers, with a growing level of solidarity with OPEC, in its efforts to restore and retain reasonable prices and a better market balance.

It was not long before this predisposition towards greater dialogue attracted leading consumer countries and extended beyond the oil sector into energy generally, embracing, at the same time, the closely related multilateral issues of environmental harmony and sustainable development.

This dovetailed with the establishment and development of the foremost producer-consumer body, the International Energy Forum, whose roots extend back to a meeting in Paris in 1991 and owe much to OPEC's initiative and drive. Its Secretariat was later set up in an OPEC Country, Saudi Arabia.

The formation of the EU-OPEC Energy Dialogue in 2005 was a subsequent embellishment of this process.

OPEC always for fruitful dialogue

OPEC is always ready to engage in fruitful dialogue with consuming nations, in order to acquire a greater understanding of the challenges facing the different parties involved and to determine the best means of meeting such challenges in a constructive and harmonious manner.

This is what the then OPEC Conference President and Minister of Energy of Kuwait, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, told the first Ministerial Meeting of the EU-OPEC Energy Dialogue in Brussels in June 2005.

"We believe that, through such dialogue, measures can be adopted that will lead to an open, transparent and stable market, beneficial to all participants, producers and consumers alike."

His opening statement to that meeting continued: "The EU-OPEC Energy Dialogue is a natural extension of the warm relations that have existed for decades in many areas of activity involving Members of the two organizations.

"Indeed, dialogue has long been an important feature of relations between EU and OPEC Countries and this has been to the mutual benefit of all the parties involved — examples of this include the Euro-Mediterranean dialogue and meetings between the EU and the Gulf Cooperation Council. Trade exists in many areas and the countries involved already derive much benefit from the flow of goods and services.

"The EU is OPEC's main trading partner and accounts for an increasing share of our Organization's total trade," Al-Sabah pointed out. "We want to build upon all of this.

"At the same time, however, there are some areas — some key areas — where a closer examination of topical issues is required, and this is where we expect the new Dialogue to come into its element.

"Energy security issues are a case in point, where producer concerns about steady predictable outlets for their crude must be addressed with the same vigour as consumer concerns about security of supply.

"Energy and environmental policies, that unwittingly can have profound negative impacts on demand on investments in the upstream and downstream, are another example.

"These and other important matters, such as collaboration in energy/oil technology and research, will feature prominently in the Dialogue, and we look forward to progress being made on many fronts at this and future meetings."

These central tenets of the EU-OPEC Energy Dialogue remain as true today.

Other new dialogues in 2005

OPEC also set up energy dialogues with China and Russia in the final ten days of 2005. It was agreed that these would include ministerial-level meetings and technical exchanges, and the accent would be placed on their being pragmatic and sustained. They have met several times since then.

Above: Abdalla Salem El-Badri, OPEC Secretary General, answering reporters' questions.

Above (l–r): Hans Lundborg, Sweden's Ambassador to Austria, representing the incoming President of the EU Energy Council; Abdalla Salem El-Badri, OPEC Secretary General; Vladimír Tošovský, President of the EU Energy Council and Czech Minister of Industry and Trade; José Maria Botelho de Vasconcelos, OPEC Conference President and Angola's Minister of Petroleum; Germánico Pinto, Alternate President of the OPEC Conference and Ecuador's Minister of Mines and Petroleum; Andris Piebalgs, European Commissioner for Energy.

Honesty is the best policy

European Commissioner for Energy, Andris Piebalgs *(pictured above and right)*, has been instrumental in the development of the EU-OPEC Energy Dialogue since its inception in 2005. The OPEC Bulletin's Steve Hughes caught up with him at the recent 6th Ministerial Meeting in Vienna for his views on the Dialogue's progress to date, its focus going forward, and to wish him future success as he prepares to leave office.

"It was a rather difficult start, because there was a lot of mistrust from both sides," says European Commissioner for Energy, Andris Piebalgs, candidly, of the beginnings of the EU-OPEC Energy Dialogue. But fast-forward four years to today, and it is a very different story. Piebalgs, who took up the Commissioner post back in 2004 and has been a major force throughout the Dialogue, now sees the EU-OPEC relationship in very different terms. These days, he believes it is characterized by honesty and understanding. "We don't try to accuse each other," he says. "We are trying to really be honest and say, well, the other side is doing what it

is able to do." The blame game is gone — "I think this is history," he adds.

The 6th EU-OPEC Ministerial Meeting held in Vienna in June was Latvian-born Piebalgs' last, since his Commissionership is nearly at an end. But he seems pleased with what he is leaving behind, particularly with respect to the achievements of the Dialogue — these are real and tangible, he explains, rather than just political. "We have established constructive Dialogue on the basis of expert opinion," he says. He refers to the Dialogue's work concerning measuring the impact of the financial markets, the impact of biofuels and more. "We are really concerned with the facts," he says, instead of what he calls "political perception".

No illusions

But Piebalgs is under no illusions that the challenges facing the global energy industry have been overcome. When it comes to climate change, he is clear that "it is not about a fight against fossil fuels". Rather, it is about "living with realities". People will drive cars, he points out, just as they are likely to continue to demand climate control in their homes and other such goods and services that rely on oil and other energy sources. We need to adjust, explains Piebalgs, so that we can still consume energy without negatively impacting the environment.

In this respect, Piebalgs believes carbon capture and storage (CCS) is the key. "CCS in my opinion is really the make or break of this two degrees centigrade target," he explains, referring to the EU target of limiting the increase in global temperature to a maximum of 2°C over pre-industrial levels. CCS, he says, is a "critical element to get climate change under control" and the developed world needs to bring this technology forward. This echoes OPEC's calls for CCS to be commercialized quickly and the Organization's belief that developed countries should take the lead in this respect. OPEC also believes that the developed world should take the lead in the greenhouse gas mitigation effort more generally as well, given its historical responsibility and technological and financial capabilities.

Perplexed by puzzles

Looking to the future, Piebalgs believes the Dialogue should continue to focus on the impact of the financial markets. He seems genuinely perplexed by the extreme oil prices of summer 2008 — "It still puzzles me that we have had this huge spike, it still puzzles me … It does not somehow leave my mind" — and appears determined that we should learn lessons from it, to prevent a reoccurrence. He says it is obvious that financial market speculation played its part, but he would like to be sure about the extent of its responsibility.

You get the strong impression that just because Piebalgs is moving on (he says he is off back to Latvia and would like to use his experience to help serve his country again), he will not stop worrying about oil industry issues. He sees oil as "the backbone" of today's energy world and would like to see transparency increased so that better investments can be made. He urges more progress on this front, and suggests that the Joint Oil Data Initiative and the International Energy Forum have a role to play.

Latvia will most likely welcome Piebalgs back with open arms. He has already served his country in the past, not least as Minister of Finance, Minister of Education and during the 1980s, as a secondary school headmaster in Valmiera, his place of birth. If the determination he has shown throughout the EU-OPEC Energy Dialogue is anything to go by, no doubt he will continue to make his mark in his homeland — and further afield — for many years to come.

Eng Germánico Pinto, Ecuador's Mines and Petroleum Minister and ex officio OPEC's Alternate President of the OPEC Conference.

OPEC's main challenge is dealing with volatility and speculation

'Quick off the mark' is an apt way of describing ***Eng Germánico Pinto's*** *appointment as Ecuador's Mines and Petroleum Minister and ex officio OPEC's Alternate President of the OPEC Conference. Just over a fortnight after becoming Minister, Pinto was part of OPEC's three-man Delegation at the 6th Ministerial Meeting of the EU-OPEC Energy Dialogue in Vienna. During his visit, he told* ***Eithne Treanor***

of the OPEC Secretariat's webcast team about Ecuador's energy developments and looked ahead to 2010, when he will be OPEC Conference President during the Organization's 50th anniversary year.

What did you take from today's meeting, in terms of the challenges that OPEC has, with regard to cooperation and the need to be engaging more in the producer/consumer dialogue?

These kinds of meeting are very important, because they help us understand that it is possible to sit at the same table — both producers and consumers, in this case, of oil — and share our ideas, our difficulties, our fears sometimes. Sharing gives us the possibility of beginning to understand that there are ways of solving these problems, instead of just fighting. You sit at the table, you have technical people meeting for a whole year dealing with specific issues, and then you have the chance to say: "Okay, we have worked on that, we have discussed this, we still have an agenda in the future." This is good for both parties.

You are no stranger to oil, energy, and environmental issues, having worked in the strategic areas before. But now you are taking over the mines and petroleum portfolio, which incorporates a lot of this. Give us a feel for the background and the work you have been doing in the last few years.

I am dealing now specifically with mines and petroleum. But before that, I had this open view and the possibility of looking at the whole of the strategic sectors in Ecuador — electricity, mines, petroleum, communications and transportation, and water also as a strategic sector. We oversaw what all the Ministers in their specific areas were doing, and we were able to make a plan and design strategies for the future.

When the President called for tougher conditions and tougher dealings with the oil companies and the oil services companies, you said that you saw no reason to nationalize the oil industry in your country.

There is no need, because it is already nationalized. The oil belongs to Ecuadoreans. We already own the oil. What we have are some contracts between companies, which help us take the oil out of the ground. That is it. We have some sorts of contract right now, and, in the future, we are going to have other contracts. We are going to change the way we deal with these companies.

But you welcome cooperation with the international oil companies in your country?

Of course. What does a company normally offer us, for example, in Ecuador? Technology and finance/investment. If some company comes up with these two, for example, it could be interesting for us. So we say: "Okay, let's sit down, negotiate a contract, and we are going to hire you." That is the way it should be. We hire a company to do something very specific for us. We call that 'service'. For that service, we are going to pay you. That is the way we understand a contract in the petroleum industry — not a contract where the oil company, the foreign company, owns the oil. The oil is state-owned. It is part of what we own, as people, in Ecuador.

Looking at the state of the global economy, what are the big challenges facing Ecuador and its industry right now, in petroleum and natural resources?

I think the main issue is to have an industry which can be stable over time. We need a big state-owned company, which can do what it has to do, in terms of developing the oil industry in Ecuador. We have to give that company all the resources it needs. We also have to provide all the possibilities of being able to do its job in the best way. What does this mean?

It means that our policy is to have strong public companies, which are able to establish contracts with privately owned companies, foreign or not. We need the income that comes from oil. This is very important, and our current constitution — the one we approved last year — states very clearly that all the income we get from selling oil, for example, should go specifically to projects, for example, infrastructure projects.

Above: Germánico Pinto (l); with José Maria Botelho de Vasconcelos, OPEC Conference President and Angola's Minister of Petroleum.

Above: Germánico Pinto (r), with Abdalla Salem El-Badri, OPEC Secretary General.

Next year, you will have the opportunity to highlight your country and, indeed, to highlight the oil business in Ecuador, when you take over the Presidency of OPEC — again, another big, demanding job within just a few months of your appointment. Give us your thoughts on this and the challenges.

I think this is a very big challenge for Ecuador. We rejoined OPEC in 2007. We were part of OPEC for a long time (before suspending our Membership in 1992). But now it has been a very good decision by our President to rejoin the Organization. The possibility OPEC offers, in terms of establishing altogether a new policy on oil and producing and developing the oil industry, is very important. So I think what Ecuador could do for OPEC and for the other countries which are Members of OPEC, is to have (another) voice from South America, from a developing country.

Another issue on the OPEC agenda is taking care of the environment. For Ecuador, let us talk about the Yasuni national park. You are foregoing oil revenue there, to preserve the forest. Tell us a little about that decision.

We have a big oil reserve, something like 1,000 million barrels of oil, which is a huge amount. It is inside the national park, and it is very sensitive in terms of the environment, in the rainforest in Ecuador. We have been trying to tell the world that we can keep that oil underground, if we are able to get compensation from the international community. We are establishing right now some kind of carbon market solution, so that we can say that, instead of taking the oil out of the ground, burning it and producing tonnes of carbon, we will keep it underground. This means that these tonnes of carbon will not go into the air. And so somebody can pay for that.

I heard today that a German company is looking at that, right?

Of course, there are many companies that are very interested in that. If this mechanism works, also for the oil which stays underground, I am sure that many companies and governments will be able to help us with this.

Looking at the oil price at the moment and the investment you talked about that is needed for your country and, indeed, everywhere else, I think we heard today from the EU and from OPEC that we are getting to a reasonable price and we need, maybe, a higher price for sustained investment. This is absolutely essential for the future, isn't it?

Of course. I would say that the real problem for prices is the volatility. If you have a low price, consumers will be happy, maybe. If you have a high price, producers are going to be happy, maybe. The problem is that, if prices change so much over time, nobody knows how to deal with this. You cannot plan anything. For example, in Ecuador, we are planning the development of our country for the next four years, for the next 16 years. So you need to know what is going on with our main resource, oil. Volatility, in this case, is very, very dangerous. This is something which showed up in the meeting with the EU this morning. Both the EU and OPEC are saying: "Price volatility is not good." Therefore, if we establish some policies to create price stability, this could be good for both parties. I think the main challenge, which comes from this meeting, is to be able to define which policies can be established to get to that situation. We do not want the market to be turned around by the people who are just speculating. This harms the way the market should be working. Volatility and speculation — these are the main issues we have to fight.

Looking now to the year ahead and the year in which you will be taking over the Presidency, you will also be there on OPEC's 50th anniversary. This is a huge occasion in many ways. Give me your thoughts on this and the significance of 50 years of OPEC.

I think OPEC has had a very important role in the world — being an Organization which comes from the South, from less-developed countries. This was something new 50 years ago, absolutely new, unheard-of. At that time, policy-makers only came from the big developed countries. And then, suddenly, some oil-producers came together and were making decisions and establishing common policies. This was a strong idea. There had been nothing like that before. And so I think OPEC opened a way, with this new possibility of being part of the world's policy-makers. This was very important.

And no more so than today, when we are looking at oil being so important in the world. OPEC is very much there on the international stage, isn't it?

It is still very important. And it is going to continue to be important, and oil will continue to be important, for many years to come.

Pete Oxford/Renee Bish

Pete Oxford/Renee Bish

The Yasuni-ITT Initiative is a project that aims to forego the possible development of the Ishpingo–Tambococha-Tiputini (ITT) oil reserves, located in Ecuador's Yasuni National Park.

Abdalla Salem El-Badri, OPEC Secretary General.

Linking the past, present and future

In a world where energy interdependence among nations seems to advance year-on-year, it is essential to have a handle on just what is happening, as well as where, when and why. It is without doubt a challenge, given the increasing scope and intricacies of the global energy system, but one that needs to be undertaken. For OPEC, meeting this challenge is clearly evidenced in two of its annual publications — the Annual Statistical Bulletin and the World Oil Outlook. ***James Griffin*** *and* ***Alvino Mario Fantini*** *report on the press conference that marked the release of the latest issues of these two publications.*

The Annual Statistical Bulletin (ASB), now in its 44th year, and the World Oil Outlook (WOO), first published in 2007, are part of OPEC's efforts to advance awareness and provide a better understanding of the major issues that are of concern to the Organization and the oil market in general. The ASB ties in the past and the present, bringing together time-series data for a wide variety of oil market and energy indicators. The WOO links the present and the future, with state-of-the-art economic modelling and forecasting used to present information, projections and concepts for the medium- and long-term outlooks.

The Organization's efforts are visible in comments expressed by OPEC Secretary General, Abdalla Salem El-Badri, in the forewords of both publications. In the ASB, El-Badri says the publication "is meant to further enhance transparency through data-sharing amongst all stakeholders in the oil industry". As for the WOO, he stresses that the publication's "goal is to provide a useful reference guide for the coming year: it is an important tool that helps further the common interest among all stakeholders for energy market stability as we look to bring more clarity to the oil market and develop solutions and ways forward in the years ahead."

This year, the release of the two publications took place at a press conference in early July, in front of assembled press and analysts at the OPEC Secretariat in Vienna, as well as a global online audience. The event was presided over by El-Badri, who was joined by Dr Hasan M Qabazard, Director of the OPEC Research Division, Fuad Al-Zayer, Head of the Data Services Department, Mohamed Hamel, Senior Adviser, and Dr Fuad Siala, Alternative Sources of Energy Analyst, and currently Officer-in-Charge of the Energy Studies Department.

Following introductions by Dr Omar Farouk Ibrahim,

L–r: Dr Fuad Siala, Alternative Sources of Energy Analyst, and currently Officer-in-Charge of the Energy Studies Department; Dr Hasan M Qabazard, Director of the OPEC Research Division; Abdalla Salem El-Badri, OPEC Secretary General; Fuad Al-Zayer, Head of the Data Services Department; Mohamed Hamel, Senior Adviser.

Head of OPEC's PR & Information Department, and brief preambles from El-Badri and Qabazard, the floor was given to Al-Zayer, to present the key findings and main messages of the ASB.

Rising levels of reserves

In presenting the publication's findings, Al-Zayer began by highlighting that the data indicates that proven oil reserves in OPEC Member Countries have risen by 75 billion barrels in 2008. This occurred despite an overall increase in production, he noted. Specifically, OPEC's proven reserves reached 1,027bn b at the end of 2008, compared with 952bn b at the end of 2007. This is more than double OPEC's cumulative oil production since the beginning of productive activities in Member Countries (448bn b), he added.

With OPEC's current proven reserves in Member Countries representing 79 per cent of the global total, the 2008 data appears to underscore the ongoing importance of the Organization's activities for meeting world energy needs. The balance of 21 per cent represents non-OPEC reserves (about 268bn b), said Al-Zayer.

Data for proven natural gas reserves is also included in the ASB, noted Al-Zayer. At the end of 2008, OPEC Member Countries held 93 trillion cubic metres of gas, or 51 per cent of total world gas reserves, he said. Non-OPEC reserves, on the other hand, were 89tr cu m, or 49 per cent.

Continued production

In addition, as Al-Zayer explained, OPEC continues to be a reliable supplier of crude oil to the world, with Member

Country crude oil production in 2008 increasing "on average" by more than one million barrels/day, while non-OPEC production fell by more than 500,000 b/d. This demonstrates the Organization's commitment to ensuring that the market is always well-supplied.

In fact, in a slide showing production levels going back to 1962, Al-Zayer explained that OPEC Member Countries accounted for nearly half of all world production, with their share accounting for more than half in the mid-1970s. Currently, OPEC's share of world crude production stands at 45.9 per cent, he said.

Consumption levels, too, are reflected in the ASB data. For example, in 2008, decreasing oil consumption in North America and Europe was offset by growth in developing countries in the Middle East and China, noted Al-Zayer. In fact, lower oil consumption in the OECD economies last year led to the first decline — by 350,000 b/d — in world oil consumption since 1993. The price of crude was also significantly volatile in 2008, he added, making it an especially difficult environment in which to make investment decisions.

Upstream and downstream activities

The 2008 ASB data also shows that OPEC Member Countries continued to increase their investments in exploration and production, despite noticeably rising costs. One measure of the growth in production activities in the ASB is the data regarding the number of active drilling rigs in both OPEC and non-OPEC countries. The number of rigs reached its highest level in 2008 with 400 active rigs in Member Countries, Al-Zayer said. However, he added that "the picture has changed during the latter part of 2008," with figures showing a sharp decline, due to the global economic downturn.

The figures also showed that OPEC Member Countries have also continued to invest in downstream refineries, both at home and in major consuming countries. The data in the ASB show that the growth of refinery capacity over the past 20 years has taken place primarily in OPEC Member Countries and in Asia. Other areas, like Europe and the United Sates, "have remained relatively stagnant", Al-Zayer said.

OPEC's investments in downstream activities are also reflected in the increased amount of OPEC exports of refined products — with 4.4m b/d exported in 2008, compared with 4.3m b/d in 2007. The majority of the export growth, said Al-Zayer, has been witnessed in Asia.

Oil revenues and development

Another of the ASB's important features is the inclusion of summary data for all of OPEC's Member Countries. GDP per capita levels, for example, show that the average income in each Member Country is $4,700 per capita — compared with the OECD average of $36,400. This simple fact may remind people that OPEC's Members are developing countries.

In fact, as Al-Zayer noted, OPEC Member Countries continue to be highly dependent on oil exports. Oil exports remain the primary means for OPEC Member Countries to generate revenue for the development of their people and economies. In fact, for seven of the 12 Member Countries, oil export earnings represent more than 90 per cent of total exports, noted Al-Zayer. The OPEC average is 74.3 per cent.

Due to significant price increases in 2008, the value of all OPEC exports increased by $304bn over 2007, reaching $1,356bn (versus $1,052bn in 2007). The value of OPEC's petroleum exports alone increased by about $261bn in 2008, reaching more than $1,000bn, noted Al-Zayer.

The increasing value of oil exports, however, was partly offset by higher levels of imports, with their value reaching $757bn in 2008. "It is worth mentioning that 75 per cent of petroleum revenues — and 56 per cent of all exports — were required for importing goods from other countries," said Al-Zayer. And the ongoing price volatility has made it a challenge for Member Countries to plan their national budgets, he added.

A turbulent year

Following the conclusion of the ASB presentation, the baton was passed to the WOO. In its third year, the WOO is now widely recognized as one of the industry's premier publications; one that receives widespread media coverage and one drawn upon by a wide variety of industry stakeholders. And given, as the WOO 2009 describes, that "the year that has passed between the publication of the 2008 edition and the finalization of this year's has been one of unprecedented turbulence", there was much for the new publication to analyze and comment on.

This was clearly evident in the presentation delivered by Mohamed Hamel. He underscored the extreme volatility in the oil market "with OPEC's Reference Basket price reaching more than $140/b last summer, before falling by 75 per cent to close to $30/b by the end of 2008,"

with the central element linked to this freefall, "the global financial crisis, which was triggered by the sub-prime mortgage crisis in the US, before rapidly spilling across the world."

Additionally, Hamel noted that it was now recognized that the extreme volatility witnessed by oil markets had been exacerbated by speculation and was not helpful for market stability. This was taken further in El-Badri's foreword in which he stated: "OPEC has repeatedly called for better regulation and increased transparency in these (commodity) markets, for the benefit of both producers and consumers alike. This call had a prominent place in the foreword of last year's WOO. There is evidently a need for this to be repeated here."

The downturn has impacted both economic activity and international trade, leading to a choking of demand for oil. "World oil demand fell in 2008 and our expectation is that we will see a further significant decline this year. It is the first time since the early 1980s that oil demand has declined in two successive years," Hamel said.

Nevertheless, he was quick to point out that a recovery will follow, although its timing and strength remain somewhat uncertain. In this year's WOO Reference Case it is assumed that the end of 2009 represents the bottom of the cycle with global output declining by 1.3 per cent. In 2010 and 2011, recovery is underway, but far from complete. And it is only by 2012 that economic growth is back to trend values. Once the recovery is complete, economic growth averages 3.4 per cent *per annum* (pa) for the next decade, with the average rate falling in the following decade in line with demographics and productivity gains.

This will obviously have implications for future energy and oil use and Hamel also added that policies, such as the US Energy Independence and Security Act, and the European Union climate and energy legislative package, constitute key drivers in this regard. In 2009, both policies are incorporated into the WOO.

With this base in mind, there are a number of key findings.

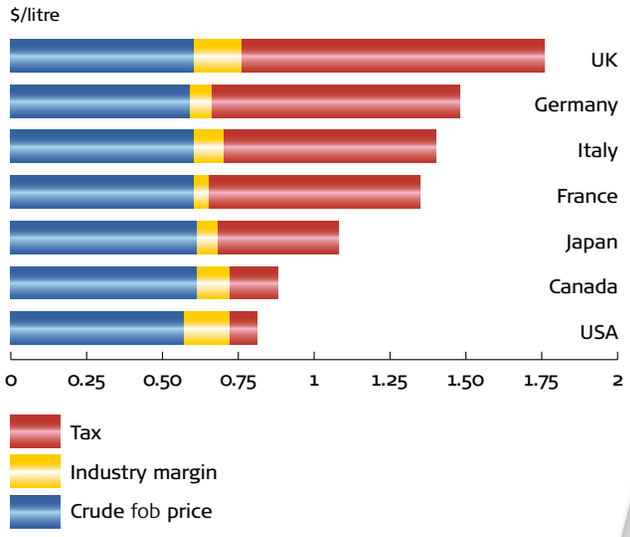
A demand viewpoint

From a demand perspective, energy demand in the Reference case increases by 42 per cent by 2030,

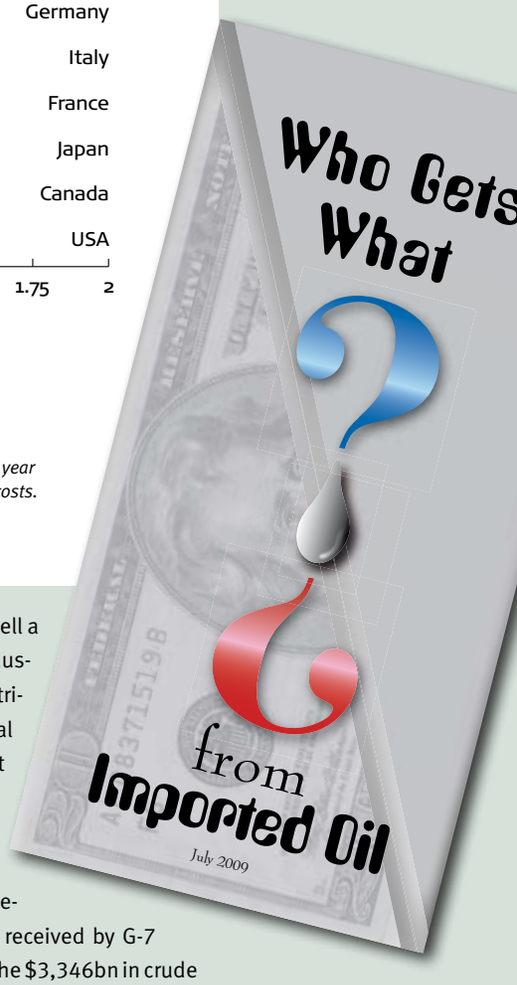
Who gets what from oil?

Fuad Al-Zayer, Head of OPEC's Data Services Department, concluded his presentation of the ASB with a quick look at the updated version of the OPEC document, Who Gets What from Oil? Offering a breakdown of the actual price of a litre of oil, the publication graphically illustrates the tax burden imposed on the final consumer of oil in G-7 countries.

Who gets what from a litre of oil in 2008?



Notes: Figures are estimated prices in US dollars per litre for the year 2008. Industry margin includes transport, insurance and other costs. Crude fob oil price includes cost of production and other related expenses.
Source: Research Division, OPEC , Vienna, Austria, 2009.



Al-Zayer explained that the cost to produce and sell a litre of oil consists of the actual price of crude, the industry margin (including refinery, transportation and distribution costs) and the taxes imposed by the national governments of consuming countries. He noted that with the exception of Japan, Canada and the US, all G-7 countries make more money from taxes on oil than oil producers make from the sale of crude.

In aggregate, Al-Zayer highlighted that for the five-year period 2004–08, the total revenue from taxes received by G-7 country governments was $3,418bn, compared with the $3,346bn in crude oil sale revenues received by OPEC producers.

In the United Kingdom, in particular, the tax on a litre of oil represents nearly 57 per cent of the cost of a litre, with only 34 per cent going to the actual price of the crude and nearly nine per cent to cover industry margins. In other words, the UK government makes nearly 1.7 times more off a litre of oil than the producers of that oil.

In summary, Al-Zayer said that what the information in the brochure indicates is that, in general, the real price burden on consumers comes from taxation in consuming countries.

or 1.5 per cent pa on average, with fossil fuels continuing to satisfy most of the world's energy needs. Looking at oil demand specifically, Hamel said that "medium-term prospects (to 2013) for oil demand are adversely impacted by the economic recession and the expected slow recovery." OECD demand falls in this period, with the main source of incremental demand coming from developing countries. Overall, there is a major reassessment from last year, with oil demand by 2013 projected to be 5.7m b/d lower.

Looking long-term, oil demand, with the transportation sector remaining the main source of the increment, is expected to grow from 85.6m b/d in 2008 to close to 106m b/d by 2030, although this 2030 figure is around 8m b/d lower than last year. Once again, developing countries are set to account for most of this rise.

Hamel said that "OECD countries' demand actually peaked in 2005 and sees a steady future decline, by around 4m b/d in 2030, compared with 2008." Nevertheless, Hamel underlined that, even by 2030, oil use per capita in developing countries will remain far below that of the developed world.

In fact, Hamel stated, despite the increase in energy use, a large share of the world population will continue to lack access to modern energy services.

Supply is sufficient

On the supply side, Hamel stressed that the resource base is sufficient and there would be a wide range of conventional and non-conventional sources of oil to satisfy demand. He said: "The key issues are not related to availability, but more to deliverability and sustainability, as well as to uncertainties surrounding the extent to which increases in the demand for crude will actually materialize."

In the medium-term, total non-OPEC supply, mainly from non-conventional oil, is expected to continue to see a modest rise, increasing by just over 1m b/d from 2008–13. From OPEC's viewpoint, the Reference Case points to OPEC's crude oil supply having fallen dramatically in 2009 in the face of the global recession, then rising slowly over the medium-term and returning to 2008 levels by around 2013. And in the long-term, non-OPEC supply rises to 2030, due to non-crude sources, OPEC natural gas liquids also increase, which means that demand for OPEC crude will increase from 31.2m b/d in 2008 to 41m b/d in 2030. This is 2.5m b/d lower than the projection in last year's WOO.

This year's WOO also emphasizes that large investments are currently underway in OPEC Member Countries to expand upstream capacity. Hamel said: "This should be sufficient to not only satisfy demand for OPEC oil, but also to provide a comfortable cushion of spare capacity, of around 6m b/d by 2013." However, he also stressed that this is inextricably connected to the assumption that oil prices in the Reference Case are assumed to be sufficient to ensure that investments are undertaken in a timely manner.

Alternative scenarios explored

The concept of a deeper and longer recession than currently envisaged, coupled with a medium-term low oil price environment in the medium-term, is explored in a 'Protracted Recession' scenario. Although Hamel stated that the likelihood of an extended recession had recently subsided, the scenario depicts a future where businesses face tight and expensive credit conditions, world output is reduced by an additional six per cent by 2013, world demand is lower by around 2.4m b/d, albeit demand for OPEC crude is slightly higher, and crude oil prices are significantly softer than in the Reference Case.

The upshot is that this has all had an adverse impact upon companies' cash flows and financing conditions and thus upon oil supply prospects, in both OPEC and non-OPEC countries. And in turn, Hamel highlighted, "spare capacity could fall to around two per cent of world demand, compared with around four per cent last year and almost eight per cent this year." He added that the message from this scenario is that, "as history has shown in the past, too low oil prices are not sustainable. They would lead to tightness and thus much higher prices when the global economy recovers."

In the long-term, the WOO also explores the huge uncertainties over demand for OPEC oil and how much investment is required. This is delved into in two further alternative scenarios: one depicts higher economic growth and the other lower, compared with the Reference Case. Hamel stated that by as early as 2020, demand could be as low as 29m b/d, or as high as 37m b/d, which "translates into an uncertainty gap for upstream development investment requirements in OPEC Member Countries of over $250bn."

These are significant numbers, underlining the importance of security of demand. Hamel asserted that there was a "real prospect of wasting resources on unneeded capacity."

Fuad Al-Zayer and Mohamed Hamel, who gave the respective presentations.

Downstream challenges

The WOO also explores the downstream, with the economic downturn and shrinking product demand having damaging impacts on the sector, with falling utilization rates and weakened refining margins. This is occurring alongside an increase in refineries' potential to run crude, because of investments decided during the previous high margin cycle. It results in a projected distillation capacity surplus in the Reference Case of around 5m b/d by 2012, pointing "to the increasing likelihood of refinery closures over the coming years, particularly in the Atlantic basin, in order to restore margins and reach satisfactory utilization rates," stressed Hamel.

In the longer term, however, the global refining system will require substantial capacity additions. Current projections indicate the need for around 18m b/d of new distillation capacity, 10m b/d of conversion capacity and more than 20m b/d of desulphurization capacity. Hamel said investments in conversion capacity should be mainly geared to hydro-cracking and more than 70 per cent of new desulphurization capacity will be oriented to diesel sulphur reduction."

Approaching Copenhagen

This year is also an important one for climate change with negotiations set for Copenhagen in December. This is both within the United Nations Framework Convention on Climate Change (UNFCCC) track to enhance the implementation of the Convention and inside the Kyoto Protocol track, to agree on further commitments for Annex-I countries. The importance of these is evident in the WOO, which explores the implications for future CO_2 emissions.

Hamel said this edition "stresses again the historical responsibility of developed countries in the current state of the Earth's atmosphere. Cumulative greenhouse gas emissions even by 2030 are still largely from developed countries." Moreover, he added that developed countries, having the financial and technological capabilities, should take the lead in mitigation and adaptation efforts, including through the provision of adequate financial resources and the transfer of technology to developing countries. "This is enshrined in the UN Framework Convention on climate change and its Kyoto Protocol," he said.

Linking the past, present and future

The ASB and the WOO provide linkages across the past, present and future. They are valuable resources that detail how the oil industry got to where it is today and what challenges remain for the development of a sustainable energy future in an increasingly interdependent world. They are also important elements in the furthering of pragmatic dialogue and cooperation among all stakeholders.

Both the ASB and the WOO are available for free download at the OPEC website: www.opec.org.

BP releases Statistical Review of World Energy for 2009

Non-OECD energy consumption exceeds OECD use for first time ever in 2008

The 2009 edition of BP's Statistical Review of World Energy was recently presented in Vienna, Austria, as part of a European "road show" that BP organizes to publicize the publication. This year, the company's Head of Refining Analysis, **Kevin Goodwin**, noted that, among other interesting developments, global primary energy consumption in non-OECD countries had surpassed OECD levels for the first time in history — despite the global economic downturn. The OPEC Bulletin's **Alvino-Mario Fantini** looks at the presentation's main points.

As in previous years, Kevin Goodwin, Head of Refining Analysis of BP's Economics team, came to Vienna to present his company's 2009 Statistical Review of World Energy at K-47, a private rooftop club that looks out over Vienna's Donaukanal. Somehow, the venue seemed an appropriate place for a representative of one of the world's largest international oil companies to elaborate on how his company sees the vast global energy landscape. However, Goodwin did point out at the outset, lest he be misunderstood, that "this is a review of last year's energy data. It is fact-based and is not an essay in predictions."

Beginning with a broad summary of the contents of the Review, Goodwin noted that 2008 was a "year of high volatility — and the worst global economic contraction" in many years. He added that "energy prices played a role in exacerbating the recession."

Conversely, Goodwin also explained that a recession did not automatically result in a slump in energy demand. The United States, for example, had been in a recession since December 2007 — but world output did not fall until after the onset of the global financial crisis, he said.

Very quickly, "the world really did discover that it is more closely linked than thought," he said. But it is "wrong to attribute the decline in oil demand entirely to the economic slump." Goodwin also said he thought the recovery would be "slow and anaemic." A "return to high rates of growth may prove elusive," he added. He also elaborated on the main points contained in the Review, sector by sector. The comprehensive Statistical Review brings together data from 2008 for all energy sectors — including oil, natural gas, coal, nuclear, and hydroelectricity. But the main emphasis is, of course, on oil.

Oil consumption levels

Continuing, Goodwin noted that "global oil consumption fell for the first time since 1993," declining by about 420,000 b/d, or 0.6 per cent, over 2007. This was the largest decline since 1982, he noted.

A breakdown of this aggregated decline shows that oil consumption in the US fell by about 1.3 million barrels/day, or 6.4 per cent. Consumption in OECD countries fell by 1.5m b/d, or 3.2 per cent. This was the third consecutive yearly drop in consumption levels in the OECD, Goodwin said.

In contrast, consumption of oil in the countries of the former Soviet Union actually increased by 72,000 b/d, or 1.5 per cent, the data showed. But, in general, oil consumption growth outside of the OECD slowed to about 1.1m b/d.

Looking at the broader panorama of world primary energy consumption, Goodwin noted several interesting developments. The data in the Review shows that overall primary energy consumption nudged up by just 1.4 per cent, the smallest and slowest rise since 2001. Energy consumption in the US fell by nearly three per cent, while

in the Middle East it remained solid and above-average, he said.

But what Goodwin found particularly noteworthy in last year's data was that the figures show that "non-OECD energy consumption was 51.2 per cent of global consumption," with non-OECD consumption exceeding OECD energy consumption for the first time ever. This was unprecedented, he said. The Asia-Pacific region accounted for 87 per cent of the world's energy consumption growth, according to the Review.

Earlier this month, at the official BP launch of the Review in London, BP's chief executive officer, Tony Hayward, had sent a similar message. The media reports of the event quoted Hayward as saying: "The centre of gravity of the global energy markets has tilted sharply and irreversibly towards the emerging nations of the world." This will have important implications for the future.

Oil resources and production levels

With regards to world resources, Goodwin sounded the optimist. "We at BP have long held the view that the world is not resource-constrained," he said. He noted that the Review shows remaining proven reserves (excluding Canadian oil sands) of 1,258 billion barrels — which, assuming 2008 production rates, is enough for 42 years. Similarly, Goodwin noted that natural gas reserves are sufficient for 60 years and coal for an impressive 122 years.

In short, the world's resources look sound. There is a sufficiently large energy resource base, Goodwin said, adding that, as always, cutting-edge technology and innovation help to change and improve that resource base. In addition, Goodwin noted the importance of good investment regimes that help to channel necessary investments to exploration and production.

Pivotal, of course, is production levels. Last year's data shows that overall (global) oil production increased by 380,000 b/d, or 0.4 per cent, Goodwin said.

According to BP, OPEC's average annual production increased by about 990,000 b/d, or 2.7 per cent, in the year, despite the production cuts announced in the latter half of 2008. However, he noted that the full impact of OPEC's production cuts will be felt this year, in 2009, especially since compliance standards among Member Countries have been "solid" by historical standards.

Production in non-OPEC countries, in contrast, fell by 610,000 b/d, or 1.4 per cent, Goodwin said, the largest decline in global production since 1992. The Review notes in its executive summary that the world's largest decline occurred in Mexico, with production there falling by a staggering 310,000 b/d. In Russia, production fell for the first time since 1998, by 90,000 b/d. The one bright spot among non-OPEC countries was Brazil, which saw continued growth in output of 70,000 b/d.

Price levels

With regard to prices, Goodwin explained that the Review data shows that — until the sharp fall in the latter half of 2008 — oil prices had been trending upwards for seven years. In fact, prices for all types of energy showed a marked increase for 2008 as a whole. But it was old-fashioned coal that showed the steepest price rise, compared with all other fuel types, Goodwin said.

Delving into the specifics, Goodwin said the price of dated Brent averaged $97.26/barrel for the year as a whole. This was an increase of about 34 per cent over 2007, he explained, a trend that was also seen in other types of crude around the world. The price of crude oil reached record highs in July, before falling to below $40/b by the end of the year.

Overall, however, last year's high prices were detrimental to everyone, said Goodwin, echoing a message that OPEC has long held. The developed economies of the OECD in particular, he added, are especially sensitive to rising prices.

Looking ahead

Like last year, Goodwin pointed to basic development indicators — such as GDP and population growth — for the developing world which illustrate the scale of the challenge for the mid to long term. The populations in many of these developing countries will eventually increase their levels of energy consumption. Though it will not happen at the same time, the scale of the future challenge in terms of energy provision is enormous.

This fundamental idea is one that complements OPEC's message. The Organization has consistently held the view that the developed world needs to pay more attention to the energy needs of developing societies around the world and that the international community – and the oil industry in particular — must face the challenge of protecting the environment, while not jeopardizing production or future supply levels.

These are questions for everyone — consuming country governments, international organizations like OPEC and the international oil companies, like BP — to consider in earnest as we face the future.

The 2009 BP Statistical Review of World Energy is available online at www.bp.com/statisticalreview.

Kevin Goodwin, Head of Refining Analysis of the BP Economics team.

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

Right: Germánico Pinto (l), Alternate President of the OPEC Conference and Ecuador's newly appointed Minister of Mines and Petroleum, paid a courtesy visit to Abdalla Salem El-Badri, OPEC Secretary General.

Below: Germánico Pinto (c); Abdalla Salem El-Badri (second right); with (l–r) Dr Diego Stacey, Ecuador's Governor for OPEC and Ambassador of Ecuador to Austria; Iván Garcés-Burbano, Second Secretary, from the Embassy of Ecuador in Vienna; and Abdullah Al-Shameri, Head of the Office of the OPEC Secretary General.

Left: Visiting Abdalla Salem El-Badri (r), OPEC Secretary General; on June 22, 2009, is Kasit Pirom, Thailand's Foreign Minister.

Below: Jamal El-Gharabli (c), Executive Director of the International Organization for Peace, Care and Relief (IOPCR), based in Libya, and Osama El-Sedik (l), Programmes Coordinator at IOPCR, visited the OPEC Secretary General, Abdalla Salem El-Badri, on June 18, 2009.

Below: Meeting with Kasit Pirom (r), Thailand's Foreign Minister, are Members of the OPEC Management (left, l–r): Dr Omar Farouk Ibrahim, Head, PR & Information Department; Abdalla Salem El-Badri, Secretary General; Dr Hasan M Qabazard, Director, Research Division; and Abdullah Al-Shameri, Head of the Office of the Secretary General.

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

Algeria one of few emergent countries with "low external vulnerability"

Algiers — Algeria is one of the few emergent countries with a "low external vulnerability", due to the various actions taken to strengthen its international financial position in the face of the global financial crisis, the Governor of the Bank of Algeria said in an interview. Among the key indicators of the "strength" and "resilience of the Algerian economy to external shocks," Mohamed Laksaci mentioned the low external debt, high foreign exchange reserves, low inflation and considerable funding resources, especially through the Revenue Regulation Fund. Algeria's early repayment of its foreign debt, which began in 2004 and continued in 2008 when the equivalent of $10.9 billion was repaid, led to a "substantial reduction" of its external debt. According to the bank, Algeria achieved a "historical financial performance" in 2008, particularly through the significant net external financial position. It noted that after eight years of sound macro-economic management, 2008 was characterized by historical financial performances, judging from the significant net external financial position. *APS*

Angola's Parliament approves 2009 budget, plan

Luanda — Angola's National Assembly (Parliament) has approved the draft law that revises the State Budget and the National Plan for 2009. The drafts were approved with 143 votes in favour, 16 against and three abstentions. The two documents, which reached the Assembly on June 16, were analyzed by the Parliament's specialized commissions, after their prior general approval. The State Budget draft includes a near 15 per cent drop in projected revenues and sets the price of the country's export crude at $37/barrel, as against the initially planned $55/b. The National Plan report indicates a relaxation in Angola's economic growth, mainly stemming from a drop in oil production, in view of the country's commitment to OPEC output allocations. The draft forecasts indicate a rise in inflation from 10 per cent to 12 per cent and a significant drop in exports from 47.2 per cent to 23.5 per cent and in imports from 29.7 per cent to 23.7 per cent. The average growth rate of the nation's gross domestic product is expected to fall from 11.8 per cent to 6.1 per cent. The Plan makes provision to keep its 320,000 new job goal and maintains its focus on such areas as public health, food production, training, and boosting job opportunities and revenues. *AngolaPress*

Nigerian Government sets limit for planned expenditures

Lagos — An expenditure limit has been set and approved by the Federal Executive Council in Nigeria for the 2010 fiscal strategy plan. The country's Finance Minister, Mansur Mukhtar, said the spending limit was arrived at after careful consideration of some critical growth in economic indices. He identified some of these indices to include changes to the benchmark price of Nigeria's crude oil to $50/barrel in the 2009 budget and a decline in oil production. He noted that oil output had fallen from 2.29 million b/d in 2008 to 2.09m b/d in 2009. *VON*

Qatar's electricity network projects successfully completed

Doha — The interconnectivity of the Qatar, Bahrain and Kuwait electricity networks has been completed successfully. Ali Jassim Al-Najjar, Manager, Electricity Transmission Department, Qatar General Electricity and Water Corporation, who is also a member of the Gulf Cooperation Council (GCC) Interconnection Authority, said the project was part of Phase I of the GCC Interconnection Grid. He added that the completion of the full GCC rid was expected in 2011 and would represent a large boost for the Council's six member states in terms of exchanging electricity to meet their growing needs, while utilizing the surplus output. *QNA*

Saudi Arabia's Makkah Chamber draws up new ten-year plan

Makkah — The new board of directors of the Makkah Chamber of Commerce and Industry has approved a ten-year strategy for the chamber aimed at upgrading its performance and creating a modern atmosphere conducive with investments in the holy city. Chamber spokesman, Mahir Saleh Jamal, said the strategy includes constructing a new, modern and fully automated building for the Chamber, establishing a business club to provide services to businessmen and holding an annual investment forum with the objective of attracting investments to the city. "The strategy is aimed at making Makkah an Islamic centre of trade by making use of the large number of Muslims coming to it from various parts of the world for Hajj or Umrah," he was quoted as saying. *SPA*

UAE's non-oil sector grew by 3.9 per cent in 2008

Dubai — A sharp rise in public and private investment boosted the real non-oil sector of the United Arab Emirates (UAE)

Key figure in Austrian energy research sector dies

It was with much sadness that I learned of the sudden death of Dr Leo Schrattenholzer in Stockholm, Sweden, on April 23, writes Keith Aylward-Marchant.

Leo, 60, was known to many staff members of the OPEC Secretariat for his organization of, and participation in, the insightful, high-calibre International Energy Workshops, held just south of Vienna, particularly in the 1980s and 1990s. He also published six papers in the OPEC Review during that period.

He collapsed while delivering a lecture, as a guest professor, at the Royal Institute of Technology in Stockholm, and died shortly afterwards in hospital. He had just started giving the first of two two-month intensive PhD courses at the institute.

His sister, Elisabeth, commented afterwards: "He always enjoyed helping young researchers."

This is a sentiment I can share, from my own experiences with him.

Leo first came to my attention in 1986, when he submitted a paper entitled 'International Energy Workshop (IEW): a progress report' to the OPEC Review.

This paper, like its five successors in 1988, 1989, 1991, 1996 and 1998, presented and analysed the results of the IEW's latest annual poll of energy projections, based on a survey conducted among leading international energy specialists.

In 1991, for example, the analysis compared different groups' projections of crude oil prices, economic growth and primary energy flows, and there were more than 220 responses from about 60 organizations and individuals from across the world.

Leo was heavily involved in this activity, working closely with the late distinguished academic, Prof Alan S Manne, one of the founding fathers of energy economics and a long-time professor at Stanford University, the United States, who had organized the first IEW in December 1981.

As I understood it, during that period, Leo played a leading role in organizing the annual meetings of the IEW, when they were held, in early summer every second year, at the headquarters of the International Institute of Applied Systems Analysis, in the picturesque setting of a large park in Laxenburg, a few kilometres south of Vienna.

Dr Leo Schrattenholzer

Leo was always very approachable and helpful to me and other OPEC staff members at these meetings.

In the run-up to them, he would brief me, in his quiet, level-pitched, clearly enunciated English, about their content and highlights, with a view to preparing the subsequent papers for the OPEC Review and indicating special areas of interest, which was especially useful for preparing articles we sent to the former OPEC News Agency, or had published in the OPEC Bulletin.

I once had the pleasure of spending a week skiing with Leo and his friends in the Austrian resort of Kitzbühel. This was in the late 1980s, during my early days on the slopes, when I was venturing out of ski-school for the first time.

Like most sporty Austrians, he was an accomplished skier, and yet he never tired of helping me get to grips with what was then a formidable ordeal, and his remark "ski down the slope and not across it" is one of the defining moments of my sporting life and remains with me to this very day!

I am sure I am joined by all those people in OPEC, past and present, who knew him, in expressing our deepest condolences to his family and friends on their sad loss.

by around 3.9 per cent in 2008, despite a slowdown in the second half because of the global fiscal crisis, official figures have shown. According to the Ministry of Economy, the non-oil sector's contribution to the country's gross domestic product rose from about 282.9 billion dirhams ($77bn) in 2007, to nearly Dh294bn in 2008. Growth last year was slightly lower than in 2007, when the real non-oil GDP expanded by four per cent. Despite a sharp increase in the hydrocarbons sector, because of higher output and prices, the non-oil sector remained the dominant component of the GDP, accounting for nearly 54.9 per cent last year, the figures showed. Unlike the oil sector, which has fluctuated over the past decade, the non-oil sector has recorded steady growth and experts said this was due to high investments and progress in diversification efforts. *WAM*

Venezuela and China to set up joint railway factories

Caracas — The governments of Venezuela and China will this year cement an agreement endorsing the establishment of several joint railway factories, to be located in Venezuela. Venezuela's Minister of Public Works and Housing, Diosdado Cabello, has undersigned an agreement between the Venezuelan state-run railway company, IFE, and the Chinese Railway Engineering Corporation (Crec), covering the construction of a railway section at Tinaco-Anaco (between the states of Cojedes and Anzoategui). "The technological transfer is to take place in the nature of the joint companies, with a participation of 60 per cent from Venezuela and 40 per cent from the People's Republic of China," said Cabello. Among companies to be created, there would be operations for railway cars, sleepers, and railway welding, among others. The joint factories would lead to the creation of more than 3,000 direct jobs. Cabello added that some 100 Venezuelan personnel would travel to China to be trained in the area of railroad techniques, through Crec. *ABN*

OFID excels in maintaining aid volumes despite financial crisis

Kurt Wurtsteiner

The global financial crisis and its effects on sustainable development in the world's poorest countries was the underlying theme at the 30th Session of the OPEC Fund for International Development (OFID) Ministerial Council, held at the institution's headquarters in Vienna in June.

Above (seated, l–r): Abdalla Salem El-Badri, OPEC Secretary General; Jamal Nasser Lootah, Chairman of the OFID Governing Board; Dr Seyed Shamseddin Hosseini, Chairman of the OFID Ministerial Council and Minister of Economic Affairs and Finance of the Islamic Republic of Iran; Suleiman J Al-Herbish, OFID Director-General; and Dr Kanayo F Nwanze, President of the International Fund for Agricultural Development.

Newly elected Council Chairman, Dr Seyed Shamseddin Hosseini, Minister of Economic Affairs and Finance of the Islamic Republic of Iran, highlighted the many development constraints and challenges facing OFID, especially in connection with the institution's efforts to fight global poverty and hunger.

He pointed out that, due to the ongoing financial crisis, the prospects for the global economy had hardly improved since 2008. World output was forecast to contract by 1.3 per cent this year, down from growth of 3.4 per cent in 2008, and was only expected to expand by 1.9 per cent in 2010.

Output growth for the developing countries as a whole, he said, was projected to drop markedly to 1.6 per cent in 2009, down from 6.3 per cent the previous year, reflecting a sharp reversal of private capital inflows, worker remittances, as well as weaker demand and investment.

All of these factors, said Hosseini, were compounded by consistently high food prices. And although food prices had fallen from their peak highs of 2008, the food crisis *per se* had not abated. Contributing to the crisis, he maintained, had been the increased use of food crops to satisfy the needs of a rapidly growing biofuels industry.

Hosseini professed that the global economic and food crises were rapidly reversing hard-won gains toward debt sustainability and the United Nations Millennium Development Goals (MDGs). Such gains, he said, had been made possible from external assistance extended by OFID and other institutions.

Jamal Nasser Lootah, Chairman of the OFID Governing Board, said that since he last addressed the Council, in Isfahan, Iran, a year ago, the world had witnessed a swift unravelling of the global financial system, with the impact of the crisis dimming economic prospects for the rest of 2009, 2010 and some time to come.

He said that if the downturn persisted, the new economic environment could influence OFID's work patterns.

Nevertheless, he stated, and despite the difficulties, OFID had concluded another eventful year. It "has continued to implement the objectives of its mandate, addressing itself to the changing priorities of its beneficiary countries which are deemed essential for poverty eradication, sustainable development and the achievement of the MDGs."

Lootah said that despite the economic crisis, "OFID has demonstrated its strength in critical times by making available an assortment of financial products for development purposes."

Since lending operations began, and as of the end of March 2009, the Governing Board had approved a total of 1,223 public sector loans worth some $8.1 billion. These loans were extended to 121 countries, including 20 under the Blend Facility and 25 under the Heavily Indebted Poor Countries Initiative.

Troubled times

Over the past year, he reported, the Governing Board had approved 53 public sector loans worth $616 million, out of which $107m were under "blend" terms.

Lootah also spoke on OFID's Grants Programme, under which total assistance of $447m had been approved. This sum included $84m destined for the first and second accounts of the Common Fund for Commodities. Since June 2008, the Board had approved a total of $5.8m to be used for technical assistance, research-related activities, as well as humanitarian relief and food aid following natural and other disasters.

The Board Chairman pledged that, for the future, "OFID will continue to operate to benefit the world's poor, the vulnerable and underserved population groups."

In his address, Suleiman J Al-Herbish, OFID Director-General, said the Ministerial Council was meeting today "in very troubled times, with the world economy experiencing its deepest downturn for 60 years."

According to projections by the International Monetary Fund, per capita GDP was expected to fall by 2.5 per cent this year, compared with an average drop of 0.4 per cent in the recessions of 1975, 1982 and 1991.

Against this background, he said, "our work as a development finance institution has become more challenging than before, not least because of the impact of the global financial crisis on OFID investments."

Al-Herbish noted that, along with the rest of the financial community, OFID had not escaped the fallout from the crisis, which had wiped trillions of dollars off world stock markets, leaving no country untouched.

However, throughout 2008 and into 2009, OFID, he stressed, had rigorously maintained its aid volumes, often providing supplementary financing for projects that had encountered cost overruns as a direct result of spiralling prices.

The Director-General touched on other issues such as energy and biofuels; food security and OFID's Public Information Strategy. He also spoke about the biofuels study conducted on behalf of OFID by staff of the Vienna-based International Institute for Applied Systems Analysis (IIASA).

The study had concluded that, if energy consumption targets — such as the one fixed by the European Union of reaching a share of ten per cent of biofuels in transport fuels by 2020 — were maintained, millions of people would be put at risk of hunger, Al-Herbish said.

This issue, he declared, raised the related difficulty of energy poverty. He recalled the Jeddah Energy Summit of 2008, at which King Abdullah of Saudi Arabia had announced an Energy for the Poor Initiative which was aimed at helping developing countries confront a lack of access to energy.

Core operations

For OFID, said Al-Herbish, the placement of energy poverty on the global agenda was a welcome rally-call. "As an institution, we have long recognized the importance of energy to the development process."

The OFID Director-General told the Council that the institution had continued to pursue its mandate to the best of its ability in 2008.

In terms of core operations, in the course of the year OFID approved $815m in fresh financing for some 140 operations. From this amount, a total of $527m was given as public sector loans, including $96m from

the Blend Facility, with the bulk going to low-income countries.

Investments in the area of private sector financing amounted to $216m; an increase of two-thirds over 2007, while operations worth $149m were approved under the Trade Finance Facility.

A further $27m was committed through the grants window, the lion's share going to support emergency operations in Gaza, Palestine. Total disbursements for the year reached $484m.

Touching on OFID's Public Information Strategy, Al-Herbish said heightened visibility was the primary aim. New developments included a second scholarship scheme — the Careers Development Programme; a Media Guest Programme; and sponsorship of the high-profile Vienna City Marathon. Evaluating the benefits of the strategy, he said it was always difficult to quantify the dividends from investment in communications activities.

"What we can say with certainty is that OFID has risen from a position of limited visibility just five years ago, to an institution with a respected public profile," he added.

The Ministerial Council, OFID's highest policy-making body, which meets to review the work of the institution and set policies for the coming year, elected Dr Ali Rodríguez Araque, Minister of the Peoples Power for Economy and Finance, Venezuela, as its Vice Chairman.

Longstanding relationship

It welcomed, as special guests, Abdalla Salem El-Badri, Secretary General of OPEC; Dr Kanayo F Nwanze, President of the International Fund for Agricultural Development (IFAD); and Leonida Zurita Vargas, Executive Secretary and Representative of the National Confederation of Peasant Indigenous Native Women of Bolivia (Bartolina Sisa), winner of this year's OFID Annual Award for Development.

Nwanze *(see story on p34)* addressed the opening ceremony of the Council Session. He recalled the longstanding relationship between IFAD and OFID and OPEC Member Countries. Leonida Zurita Vargas received, with gratitude, the OFID 2009 Award in recognition of her organization's continuing endeavours to bring to global attention the life and work of rural folk, especially women, in Bolivia, drawing strategic response from the authorities *(see story on opposite page)*.

The Ministerial Council went on to adopt OFID's 2008 Annual Report and mandated the Governing Board to further discuss issues relating to the negative impact of the current financial crisis on OFID's resources.

Three new countries — the Democratic Republic of Congo, Senegal and Mozambique — were added to the list of eligible countries to benefit from subscriptions (and obtain subscription payments) to the Common Fund for Commodities' First Account.

The Council approved a further replenishment of OFID's Special Grant Accounts for HIV/AIDS Operations and for Palestine for an implementation period of two years (June 2009–11). The Special Grant Account for Palestine was replenished with $20m, while the HIV/AIDS account received $15m in its replenishment.

The Palestine Account was established in 2002 with an initial endowment of $10m. Subsequent replenishments have boosted the account to $90m. The account is a special initiative to address the needs of the Palestinian population in the West Bank and Gaza Strip and accelerate the delivery of social and economic assistance.

Under the Special Account, grant operations in Palestine are carefully planned in close coordination and partnership with leading specialized and Arab aid institutions, such as the Arab Fund for Social and Economic Development; the Islamic Development Bank; and the United Nations Relief and Works Agency.

The HIV/AIDS account was launched in June 2001, with an initial endowment of $15m. Subsequent replenishments have boosted the account to $80m.

OFID has entered into partnership with a number of lead agencies to fight the AIDS pandemic. Joint initiatives are currently underway in countries across Africa, Asia, the Pacific, the Caribbean, Latin America and the Arab world.

OFID's primary areas of intervention cover prevention and awareness activities, care and support to people living with HIV/AIDS, and reduction of vulnerability.

It was agreed that the 31st Annual Session of the Ministerial Council would be held on June 17, 2010, in the Bolivarian Republic of Venezuela.


Rana Wintersteiner

The National Confederation of Peasant Indigenous Native Women of Bolivia (Bartolina Sisa) has won this year's OPEC Fund for International Development (OFID) Annual Award for Development. OFID Director-General, Suleiman J Al-Herbish (r), and Dr Seyed Shamseddin Hosseini (l), Chairman of the OFID Ministerial Council, presented the award to Leonida Zurita Vargas (c), Executive Secretary of the group. She was accompanied by Dr Horacio Bazoberry Otero, Ambassador of Bolivia to Austria.

Bolivian NGO wins OFID award for development

Bartolina Sisa, a non-governmental organization, was established in January 1980. It became a confederation in November 2008. Its core activities include the promotion of land ownership rights as a basic principle of sovereignty for the indigenous and rural populations; the participation of women in the economic, social and political life of Bolivia; the improvement of food sovereignty; and the reduction of illiteracy in rural areas.

Al-Herbish said the award was given in recognition of Bartolina Sisa's commendable efforts at improving the quality of life among Bolivia's poor indigenous women.

He added that such efforts were in accord with OFID's commitment and assistance toward raising living standards among the poorest segments of society, particularly women.

Ms Vargas, in thanking OFID for its recognition, conveyed the gratitude of Bolivian women, especially the indigenous, most of whom lived in the rural areas of the country.

She assured OFID that the award money would be used to further assist indigenous women in Bolivia, as well as other poor women in some adjoining countries.

The OFID Annual Award for Development was instituted in 2006. The first winner was Humana People-to-People, a Zimbabwe-based NGO. The second recipient was an Austria-based NGO, SOS Children's Villages. Last year's winner was the Grameen Bank of Dhaka, Bangladesh.

The Award carries a prize of $100,000, this year, was presented on the sidelines of the 30th annual session of the OFID Ministerial Council.

IFAD President praises "vision and leadership" of OPEC Member Countries

By Farouk U Mohamed,
Editor and Officer-in-charge, Department of Information, OFID


Rana Wintersteiner

The President of the International Fund for Agricultural Development (IFAD), Dr Kanayo F Nwanze (l), has paid tribute to OPEC Member Countries, stating that his institution owed its very existence to their vision and leadership.

Addressing the 30th session of the OPEC Fund for International Development (OFID) Ministerial Council at OFID's headquarters in Vienna, it was the first time an IFAD President had addressed the Council in many years.

OFID and IFAD go back a long way. Established roughly at the same period in time — OFID in 1976 and IFAD the following year — OFID was instrumental in bringing about the establishment of IFAD. The relationship since has been close and fruitful.

On this "common history", Nwanze said it was useful to step back and recall that the two institutions had now worked together for some three decades to achieve their common goal of empowering poor people throughout the world, and especially in rural areas, to secure a better life.

With nearly $420 million in co-financing, OFID is the third largest co-financier of IFAD-sponsored projects and programmes in all developing regions of the world.

Nwanze, who is from Nigeria, told the Ministerial Council that IFAD owed its very existence to "the vision and leadership of OPEC nations."

He called June 16, 2009 (the day he addressed OFID) as "a particularly special moment" for himself and for IFAD because it was the first time since 1984 that a President of his institution was addressing the OFID Ministerial Council. The event, he said, "signified a reaffirmation of the bonds between our two organizations."

Only two months into his presidency, Nwanze told assembled OFID Ministers that deepening IFAD's relations with OPEC Nations would be one of the priorities of his tenure.

He reported that he had been in the Gulf region in May and had been warmly received by the leadership of Gulf countries. He spoke of the desire of officials in Saudi Arabia and Qatar to strengthen relations between IFAD and bilateral, as well as multilateral finance institutions of Gulf countries. He said it was his intention to visit other OPEC Countries in the near future to equally strengthen existing ties.

IFAD, Nwanze asserted, shared with OFID and OPEC Member States a determination to achieve the Millennium Development Goals, particularly the first goal of halving the proportion of people living in extreme poverty and hunger.

"Today, our partnership is more important and vital than ever, as we jointly seek to improve global food security," he stressed.

He recalled last year's unexpected global food crisis, when world prices of basic food staples, such as wheat and rice, virtually doubled, pushing essential food crops out of reach of the poor.

Hundreds of millions of poor people around the world were pushed deeper into poverty. The situation had become worse this year, he said, with developing coun-

tries also facing the brunt of the global financial and economic crisis. Various estimates indicated that there were now close to one billion people living in extreme poverty and becoming more vulnerable to hunger each day.

The IFAD President called for fresh initiatives to avert a worsening of the food security crisis. "It is in this spirit that I urge a new global partnership to protect core investments in agriculture."

He said such a partnership would help developing countries improve food production by supporting smallholder agriculture, fostering a mutually beneficial relationship between land-poor and land-rich countries and according special attention to the sustainable use of scarce natural resources.

In the light of the food security challenge, Nwanze expressed the hope that "a new push will be made by OECD and OPEC Countries to address the challenge." In this regard, "we very much welcome the renewed interest that many Arab Funds and the Islamic Development Bank are giving to agriculture programmes."

The IFAD President went on to express gratitude for the eighth replenishment of IFAD, which, he said, had resulted in an unprecedented 67 per cent increase in the institution's resources.

This had been made possible "by the generous pledges of many of our OPEC partners and will enable us to support millions of poor smallholder farmers to increase their productivity and incomes."

Nwanze acknowledged, especially, the leadership role that Saudi Arabia had taken at the replenishment by announcing a $50m contribution, which represented a five-fold increase in the Kingdom's assistance.

Other OPEC Member Countries also announced contributions, including $15m from Nigeria and $10m from Algeria. OFID Member Indonesia contributed $5m.

Above (l–r): Dr Seyed Shamseddin Hosseini, Chairman of the OFID Ministerial Council and Minister of Economic Affairs and Finance of the Islamic Republic of Iran; Suleiman J Al-Herbish, OFID Director-General; and Dr Kanayo F Nwanze, President of the International Fund for Agricultural Development.

Nwanze expressed confidence that other OPEC Member Countries that had yet to announce their pledges to IFAD would do so soon. It was his "fervent hope that such actions will result in OPEC Countries assuming once again, a role in the affairs of IFAD similar to the one they had at its establishment."

The IFAD President argued that poverty and hunger were inhumane and not to be tolerated. He recalled that it was an earlier food crisis that actually brought about the creation of IFAD at which OPEC took a leadership role.

It was IFAD's wish, he added, that a major global food security initiative would be launched this year and that OPEC Countries would again play a major part.

"I am confident that with your continued generosity and our strong partnership and with a renewed global commitment, we will indeed reduce human poverty and eradicate the scourge of hunger," Nwanze concluded.

Peddle power!

OPEC duo complete 300 km charity cycle race for Gaza

by Jerry Haylins

Watching the Tour de France cycle race each year, one can only admire the determination, dedication and superior fitness levels every competitor must possess just to be able to complete this gruelling feat, which covers over 3,000 km of demanding country, town and mountain roads.

But to one OPEC employee, the annual endurance event represents a little more. Because it was after watching the race riders going through their paces six years ago as a spectator, whilst on a visit to Paris, that Fuad Al-Zayer saw a change in his life coming — at the age of 45.

"Yes, I was 45, but my appetite for cycling was immediately whetted when I saw these guys passing by. I was so taken by the sport that after returning home, I went out and bought myself a racing bike and began cycling regularly," he said.

Al-Zayer, a Saudi national, who at that time worked for the national oil company, Saudi Aramco, recalls that his first outing was just eight kilometres — and he barely managed that. But within one year, he was competing in 100 km races.

Because of the extreme summer temperatures in the Kingdom, he had to do his cycling in the early mornings. "I used to get up at 4.30 am on weekends and a group of us belonging to the Dhahran Cycling Club used to cycle from 5 am until 8 am."

But working in Saudi Aramco for 25 years, where he began his day in the office at 7 am, Al-Zayer was well used to early morning starts.

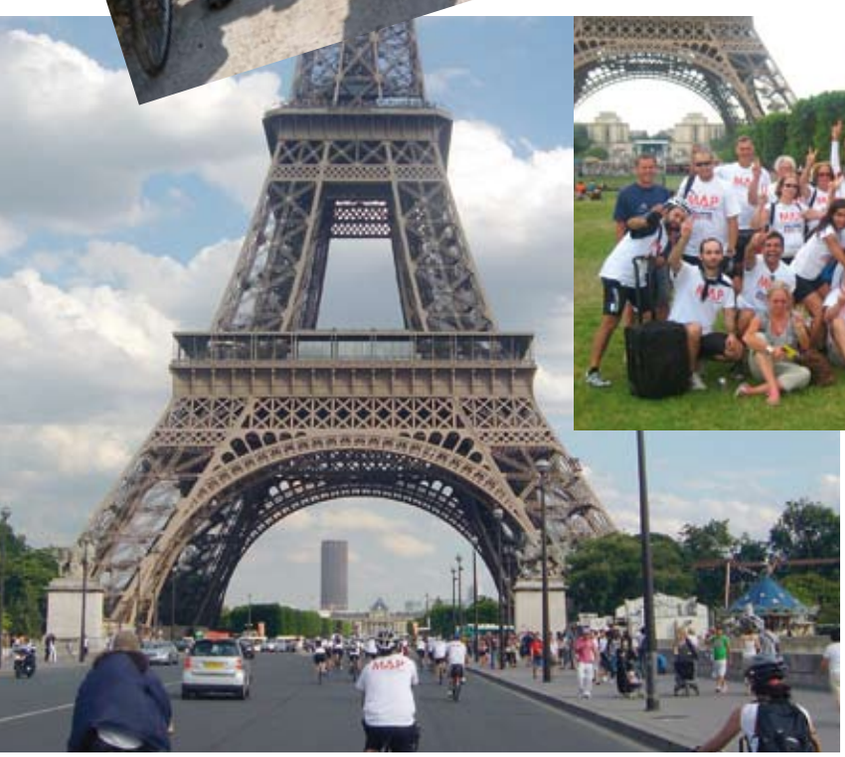
"The thing I liked so much about cycling was that in it, I had a sport that offered me speed, the great outdoors and complete freedom — I could do it anywhere and from any point — one just got on the bike and went," he explained.

Now 51, and with several years of cycling experience under his belt, Al-Zayer returned to those same streets of Paris at the beginning of July this year — not as a spectator, but this time on his own two wheels. And no, he was not competing in this year's Tour de France, but something equally as rewarding for him — a charity challenge.

Helping Palestinian children

He was one of 27 riders who successfully completed a three-day, 300 km cycle trip from London to Paris to help raise money for medical care and equipment for Palestinian children caught up in the shocking conflict seen in Gaza at the beginning of 2009.

Right: Fuad Al-Zayer (l) and Faisal Ayoub during a photo stop in the Normandy leg of their ride.



Together with Faisal Ayoub, a colleague from the OPEC Secretariat in Vienna, Al-Zayer signed up for the three-stage challenge after receiving an e-mail at his office in May.

"I did not pay too much attention to the notification at the time, since I was just about to leave on a high-level OPEC visit to Ecuador. But when I got back, one of my circle of friends said he would sponsor me £500 if I completed the challenge."

Al-Zayer, who is Head of the OPEC Secretariat's Data Services Department, then set about finding someone who was interested in joining him. His cycling partner, Faisal, needed no second invitation.

"We already cycle together every Sunday — we regularly ride the 14 km of winding road leading up to the top of the Kahlenberg, the mountain that overlooks Vienna, which is pretty tough — so I knew he had the capability to complete such a challenge," he said.

Satisfying a personal desire

And, apart from the personal desire to make such a ride, helping to raise funds for such a worthy cause greatly appealed to the two keen cyclists.

After contacting the organizers and signing up for the challenge, the enthusiastic pair raised the funds needed to guarantee entry and then embarked on extra endurance training. Initially, they were worried that their level of fitness would not be good enough for such a trip, but their minds were put at rest when they were told that this was not a 'race' *per se,* but a 'ride' with all levels of competence accommodated. One could go at one's own pace.

But then the logistics had to be worked out. Both their mountain bikes had to be modified to be suited to road use, so the chunky tires had to go to be replaced by the thinner tread variety. Good lights had to be fitted for the night cycling required and then the bikes had to be dismantled and shipped to England in preparation for the start.

"We proved to be a good team. As an engineer, I took care of the logistics and planning, while Faisal, more a technician and used to working with his hands, was the mechanical brains. In fact, I turned out to be his assistant — passing him the tools he required to keep our bikes in tip-top shape," joked Al-Zayer.

The charity ride was split over three days from July 2. The first stage took the riders from London city centre to the port of Newhaven, near Brighton, a distance of some 95 km, while, after a ferry trip and very little sleep, the second stage, stretching 80 km, saw the cyclists weave their way through the beautiful countryside of Normandy to arrive at their second overnight stop of Gournay en Bray in France.

The last and longest stage — some 114 km — took the riders through the suburbs of Paris, onto the wide boulevards, where they had to negotiate heavy traffic. A great cheer went up as their final destination — the Eiffel Tower — came into view.

"It was tough, especially the first stage which just happened to be held on the hottest day of the year in England. It was also quite hilly along the way, with lots of traffic," said Al-Zayer.

"Our ferry at Newhaven was delayed until 2 am and we eventually arrived in Dieppe at 6 am. Two hours later, after a shower and some food, we hit the road again. But the second day was much quieter on the roads and passing through Normandy and the different villages was wonderful."

The third day was obviously exciting as the riders moved towards Paris. "On the busy roads, it was a bit strange for some of the British cyclists who had to get used to cycling on the other side of the road, but we did okay. Cars were honking their horns and people were cheering," said Al-Zayer.

The group, which created a special bond over the three days, was made up of all ages and ten different nationalities. Special mention must be made of an Oxford professor from Israel, who was over 65, and his wife, who successfully completed the trip.

Physical achievement

A total of €85,000 was collected from the ride alone, with more donations hopefully being added later. These funds were collected by BMyCharity, on behalf of the UK Medical Aid for Palestinians (MAP), who will use the money to provide medical care in the Gaza region.

Al-Zayer said the challenge had proved to be very satisfying. "It was a personal physical achievement for me. After completing a total of 300 km, which I have never done before, I realized that one can push one's body to do a lot more. I also appreciate now just how hard a 3,000 km ride must be. Luckily, Faisal and I were quite advanced in the group since we cycle regularly. And cycling in the Vienna woods is great preparation for such endurance. For such a trip you need to have good lungs, as well as strong legs," he said.

It was also idealistic to go from London to Paris — to be on the road for three days and for a good cause. "Vienna to Salzburg is a little under the same distance we travelled — but somehow it does not have the same ring to it."

The idea for the ride came from a young Arab couple living in London. They had seen the harrowing pictures of the Palestinian children on television and thought they should do something to help.

"It was not really a big plan — just an initiative by a concerned couple," said Al-Zayer. "The cause was obviously very important to both Faisal and myself. It was aimed at bringing awareness to a great tragedy that occurred. And this was an opportunity for us to do something to help. We had all seen pictures of the suffering on children's faces and as a father of three (Faisal has two children), this was a great motivator, since we knew the money raised would be used to help them.

Identifying with the suffering

"In an awkward sort of way, by putting ourselves through this physical and mental challenge, we were somehow identifying and sharing some of the difficulties they face in Gaza in their everyday lives," he added.

Al-Zayer was particularly impressed with the innovation of the charity set-up and organization of the event. There were a few minor scrapes and bruises — and they did manage to lose one of the cyclists for three hours on the first stage when he took a wrong turn — but for the most part the ride was completed without any great mishap.

"Logistically, it was really interesting for me to see how they approach staging such a road event in cycling, in marking out the route etc. We were sandwiched — albeit loosely — between two official cars and a doctor and mechanic were on hand to help out if required," he said.

Al-Zayer, who has been Head of the busy data services operation at the OPEC Secretariat since July 2005, had to take a few days out of his busy schedule to make the trip to London and Paris.

But any thoughts he had of completely escaping his work quickly disappeared when, while cycling, he found himself rehearsing his speech for the press launch of the OPEC Annual Statistical Bulletin (ASB), which he was due to make two days after he arrived back in Vienna.

"I actually had a lot of time to think about it and I am sure it helped improve my presentation, which I was really pleased about. It was quite a bit of pressure since I knew I had to get back on time and in one piece. I had no stand in," he said.

In fact, he likened his whole experience with the charity ride to OPEC, an Organization that, he explained, also helped people through the supply of vital energy resources. It also had to overcome many challenges and obstacles and was very much international in composition.

"Those elements all existed in the cycle challenge. Riding with people from ten nationalities was similar to my work at the Secretariat," he said.

On a final note, the day the charity ride ended in Paris, this year's Tour de France, with its 21 stages, began. Did Al-Zayer feel this was in any way significant for his future sporting endeavours?

"Okay, I will never make the Tour de France, but after completing this 300 km ride, I already feel I can do a lot more and I am already looking to see whether we can plan our next challenge," he added.

Long live pedal power!

All photographs courtesy Fuad Al-Zayer and Faisal Ayoub.

This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for July 2009, 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 averaged June at $68.36/barrel, which was $11.38/b, or almost 20 per cent, higher than in the previous month and the highest monthly average since October last year.

The market was mostly driven by fluctuation in the US dollar, which pushed the Basket to over $70/b. Crude oil draws capped the market bullishness, while refined product stocks swelled as demand was seen to be lower. Production disruptions from West Africa, home of gasoline-rich crude, ignited fears over a potential supply shortfall during the driving season, which also supported the bullish momentum.

The petroleum market entered June on a bullish note. Weakness in the US dollar and a recovery of Wall Street funds inspired investment in energy futures, which dominated market sentiment. Perceptions of petroleum demand picking up on hopes for an economic recovery supported the bullishness seen in the market, which saw a good deal of volatility. The Basket averaged the first week of the month at $66.67/b, up by $6/b, or nearly ten per cent.

Market volatility continued into the second week of June amid fluctuations in the US dollar exchange rate. Hopes for an economic recovery to boost demand for petroleum products supported the market, but concerns over high unemployment remained in the background. The Basket averaged the second week at $69.17/b, up by $2.50/b, or 3.8 per cent, peaking at well over $70/b for the first time since October.

In the third week of the month, concern over the economy, coupled with a recovery in the US dollar and equity losses supported market bearishness. However, supply disruptions helped to halt any further price deterioration. The Basket averaged the third week at $69.50/b, up by 33¢.

In the final week of June, a weak economic outlook and the recovery in the US dollar exchange rate prompted fund sell-offs for profit-taking in the futures market. The clearing of barrels from floating storage also added to market bearishness. Hence, in the fourth week, the Basket averaged $67.70/b, down by $1.80/b, or 2.6 per cent.

This downtrend continued into July with the Basket giving back more ground as recessionary fears mounted amid weak economic indicators with unemployment peaking and product stocks continuing to rise in the US. On July 13, the Basket had slipped towards $60/b to stand at $59.66/b.

On the United States market, benchmark crude WTI averaged June at $69.68/b, rallying by $10.47/b, or 17.7 per cent, from the previous month's close.

In the North Sea market, Brent averaged $68.55/b in June, $11.28/b, or nearly 20 per cent higher, than the previous month's close.

In the Mediterranean market, Russia's Urals crude averaged the month at $68.40/b, $11.53/b, or well over 20 per cent higher, than the May figure.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report disclosed that the IMF commodity price index increased by 11.4 per cent in June, but down by more than 40 per cent from a year ago. "This growth compares with ten per cent in May and 4.1 per cent in April," it noted.

Non-fuel commodity price growth stood at 3.7 per cent in June month-on-month, down from 5.9 per cent in May, while the monthly growth in energy prices was gauged at 16.5 per cent, compared with 13 per cent a month earlier.

Both equity and commodity markets experienced corrections in June after the mixed signals on the strength and timing of the recovery in the US and the world economy.

"The persistent tumble of Japan's exports in

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).

May, cautious statements from the US President, combined with indicators that US housing and manufacturing sectors and employment remained weak, as well as negative global GDP growth estimates published by the IMF and World Bank, resulted in a collapse of confidence in the economic recovery and a strong sell-off in most commodities, especially by the end of June," commented the OPEC report.

As a result, it said, consumer confidence was badly damaged. "Although some positive indicators were recorded in China during June, such as higher fixed asset investments, home and car sales, this was not enough to encourage a rapid end to the global recession," it added.

"Continuing anaemic demand in the OECD and a likely correction of extremely high Chinese metal imports in the coming months may bring about a downward price trend in commodity groups," it maintained.

The IMF energy commodity index (crude oil, natural gas and coal) experienced growth of 16.5 per cent m-o-m in June, compared with 13.1 per cent in May and three per cent in April, sustained by a 19 per cent increase in crude oil prices (average petroleum spot price), compared with 15.6 per cent the previous month.

The Henry Hub natural gas price lost all gains in June from the previous month. The price declined by 0.9 per cent m-o-m in June amid high volatility and on the back of an eight per cent decline in industrial consumption amid weak US industrial production and rising inventories.

Non-energy commodity prices grew by 3.7 per cent m-o-m in June, lower than the five per cent registered in the previous month. Contrary to the path showed in May, growth was due to industrial metal prices, as food prices suffered a sharp deceleration.

The industrial metal price index growth rate recovered in June, standing at 7.1 per cent m-o-m, up from four per cent in May.

Of the commodities, copper prices climbed by 9.1 per cent in June, up from 3.6 per cent a month earlier, while aluminium prices jumped by 8.3 per cent m-o-m, compared with 2.3 per cent a month earlier.

Lead prices were mostly bullish in the first half of June, before dropping in the second part of the month. Thus, the price rise of 15.1 per cent m-o-m compared favourably with the four per cent seen a month earlier. However, volatility was a feature of the market in June.

Zinc prices grew by 4.3 per cent in June, compared with 7.5 per cent the previous month, while nickel prices further increased by 17.2 per cent m-o-m, compared with 12.6 per cent a month earlier.

The World Bank's agricultural price index rose by only 0.3 per cent m-o-m in June, compared with 6.3 per cent a month earlier. It was dragged down by a hefty decline in grain prices.

The IMF food price index edged up by 0.27 per cent in the month under review, which represented considerable sluggishness, compared with the pace of growth of 5.8 per cent seen in May.

Agricultural commodities were affected by the massive sell-offs across the agricultural complex. The corn market was one of the worst performers during June showing negative growth rates, despite bullish supply news.

Gold prices went up by 1.8 per cent in June, representing significantly slower growth than the 4.3 per cent seen in May.

World oil demand

In its review of the market, the OPEC report pointed out that demand was settling down in line with the current world economic situation.

"Although oil demand in the US is showing a slight improvement month-to-month, reflecting better industrial production activities, there is no sign of a recovery in the other OECD regions," it noted.

"US gasoline demand is returning to show growth, however, US oil demand will remain the wild card and any further downward revision will impact world oil demand as a whole," it added.

It said that June world oil demand reduced the loss by 1.0m b/d year-on-year to show a decline of –2.0m b/d, up from –3.0m b/d in May y-o-y. Most of this was as a result of US oil consumption.

World oil demand reached a steep low of –2.5m b/d in the second quarter y-o-y. However, third quarter oil demand is estimated to decline by only –1.0m b/d y-o-y worldwide.

Given the considerable decline in OECD oil demand, world oil demand is forecast to decline by –1.6m b/d to average 83.8m b/d in 2009, unchanged from the last OPEC report.

Although oil demand in the US is showing a slight improvement ... there is no sign of a recovery in the other OECD regions.

US oil demand is starting to pick up and has reduced the sharp monthly decline. For the first time in the past 14 months, gasoline demand showed moderate growth of 0.65 per cent in June. "The decline in industrial production, which was once the main cause of the huge decline in US oil demand, seems to be easing up," commented the report.

Industrial fuel showed less of a drop in June compared with May. "However, poor economic data coming out of the US is an indicator that the country's recent oil demand recovery is not going be strong enough to make a big difference in the third quarter."

The swine flu epidemic took a strong toll on Mexico's oil demand in April and May. In addition, the economic crisis has had a considerable impact on the country's oil consumption. May data showed a total decline of 12.8 per cent. Although June oil usage is expected to be slightly better, Mexico's total oil demand will show a decline of 7.5 per cent, or 151,000 b/d, in the second quarter.

Canadian oil demand is no different from the rest of North America. May data showed a

massive drop in oil usage by –6.4 per cent y-o-y. Most of this decline was as a result of reduced fuel use by the industrial sector; however, transport fuel usage was almost flat. Canadian sales of refined petroleum products dipped by 5.3 per cent, or 93,000 b/d, in the first five months of this year from the previous year.

North America oil demand is forecast to decline by 900,000 b/d in 2009 to average 23.4m b/d.

In Europe, the weak economy is taking its toll on the continent's oil demand. OECD Europe oil demand is still showing signs of deterioration in all products, mainly industrial. Given the dim outlook for Europe, second quarter oil demand was revised down by 150,000 b/d, leading to a total decline of almost three per cent, or 440,000 b/d, y-o-y.

North America oil demand is forecast to decline by 900,000 b/d in 2009 to average 23.4m b/d.

Due to declining demand, Japanese oil imports plunged steeply by 17 per cent in May y-o-y. The country's oil demand has been on the decline for the past few years. Following a five per cent demand decline in 2008, this year's oil consumption is forecast to drop by another ten per cent. It is anticipated that the deterioration will continue throughout 2010 by an amount of 4.8 per cent. Japan's May domestic sales of petroleum products showed a huge y-o-y reduction reaching 15.5 per cent, or 540,000 b/d.

Indian May oil demand was unexpectedly weak. As a result of negative diesel consumption, the country's total oil demand grew by only 0.6 per cent y-o-y to average 3.0m b/d. Although demand for all products was very weak, most of the decline was in the transport fuel sector. Despite the weak performance in May, India's oil demand is expected to pick up again to grow by 100,000 b/d y-o-y in 2009, as forecast earlier in the year.

Middle East energy-intensive projects kept oil demand on the positive side this year, while most of the world's oil demand turned negative. Subsidized transportation fuel also kept demand for gasoline and diesel growing in the region. Given the relatively low GDP growth this year, Middle East oil demand is estimated to show growth of around three per cent, or 200,000 b/d, y-o-y in 2009.

Latin American countries are forecast to achieve moderate growth this year, which presents an improvement over the last report. Brazilian oil demand, which was once the catalyst for the region's oil demand growth, is losing steam, but not as bad as initially expected. Latin America's second quarter oil demand was revised up by 30,000 b/d y-o-y, resulting in positive growth.

Despite the global economic crisis, Africa's oil demand is growing this year by 1.15 per cent. The two largest consuming countries are Egypt and South Africa. Africa's oil demand is forecast to grow by 40,000 b/d y-o-y in 2009.

Developing countries are suffering from the current downturn in economic activities; hence, oil demand growth is forecast at 300,000 b/d y-o-y in 2009, averaging 25.4m b/d.

China's May apparent oil demand grew by only 0.6 per cent y-o-y, down from a strong 1.3 per cent growth last April. Although first quarter oil demand declined by 370,000 b/d, the second quarter is expected to grow by 100,000 b/d y-o-y. This positive trend is anticipated to be maintained throughout the second half of the year. However, Due to the poor performance of the first quarter, China's oil demand is forecast to grow by only 50,000 b/d y-o-y in 2009.

The poor economy of the Former Soviet Union (FSU) is taking its toll on the region's oil usage. First and second quarter apparent oil demand was revised down by 120,000 b/d and 50,000 b/d y-o-y, respectively.

Looking ahead, the OPEC report stressed that with the global economic recovery expected to be moderate over the first half of the year, the bulk of the oil demand recovery is seen taking place in the second half, leading to overall moderate world oil demand growth in annual terms.

Most of the growth will take place in non-OECD countries, mainly China, India, the Middle East and Latin America. Demand for industrial fuels is expected to be weak and mostly coming from transportation fuels and petrochemicals. US gasoline demand is expected to be back in growth; however it will remain the wild card in 2010. Any further delay in the country's economic recovery is likely to lead to a downward revision in total world oil demand.

Other factors that will potentially play an important role in next year's oil demand are oil prices, taxes and removal of retail price subsidies, which will lead to a moderate recovery in oil demand. World oil demand is anticipated to stem the decline and incur growth of 500,000 b/d y-o-y, 2.1m b/d higher than the current year to average 84.3m b/d in 2010.

Industrial fuel, mainly diesel and naphtha, will be the products growing the most in 2010 as the industrial sector will be the key oil consumption driver. Coming out of a very low base in 2009, gasoline and jet fuel consumption will show small increases, yet the bulk will come from the growing transport sector in non-OECD countries, as well as some amounts from North America and the Pacific.

Non-OECD oil demand growth of 800,000 b/d will once again account for all of world oil demand growth next year, whereas the OECD is projected to show a demand contraction of 300,000 b/d.

"The financial turmoil and the crisis in the world economy have affected oil demand in the first half of 2009 and will continue to do so next year as recovery in the world economy is expected to take place at a slower pace than initially anticipated," said the report.

Total OECD demand is projected to decline by 300,000 b/d with Europe and the Pacific down by 300,000 b/d and 200,000 b/d, respectively. North America's oil usage is expected to increase by 200,000 b/d. Oil demand in OECD Europe is expected to decrease by 300,000 b/d, mainly due to a weaker trans-

portation sector and decreasing demand for motor gasoline and diesel.

Winter product growth will only partly offset declining gasoline, diesel and other industrial products throughout the year. Furthermore, the OECD Pacific is expected to show a continued decline, due to lower oil demand in Japan.

Apart from the world economic crisis, higher energy costs and taxes, energy conservation, efficiency, alternative fuels and other factors are the main reasons for the decline in OECD demand.

As a result of the crisis in the US economy, North America oil demand is forecast to increase by only 200,000 b/d in 2010 to average 23.6m b/d.

India and the Middle East are estimated to show y-o-y oil demand growth of 100,000 b/d and 200,000 b/d, respectively, in 2010. Although the agriculture and transport sectors are expected to be strong in India next year, the partial removal of price subsidies and other governmental policies are downside risks for oil demand growth in 2010.

The transport, construction and petrochemical sectors will be the main drivers behind the strong Middle East oil demand next year, as was the case in 2009.

China is expected to contribute the most to world oil demand growth in 2010. China is currently trying to minimize the impact of the global economic crisis by introducing several measures to support its economy. China's increasing retail fuel prices, biofuels usage and the building of more electric powered inter- and intra-city railroads will to a certain degree affect the consumption of transport fuel next year. China is also planning to increase the use of nuclear and hydropower plants, which will negatively influence the consumption of coal and oil.

"It should be noted, however, that other sectors in China, which serve as major energy drivers, such as industrial production, inland cargo, agriculture, construction, transportation and fishing, will show stronger growth in 2010 than in the current year," said the report.

"China is trying to achieve its pre-set goal to reduce energy intensity by five per cent in 2010 through the implementation of various efficiency agendas. China's apparent oil demand is forecast to grow by 300,000 b/d y-o-y in 2010, some 250,000 b/d higher than the estimate for the current year," it added.

The report stated that its world oil demand forecast for 2010 was based on the following assumptions:

- World GDP will grow at a slow pace from the contraction in 2009.
- The world economic recovery will strengthen in the second half of the year.
- Normal weather is expected worldwide.
- The Chinese economy is will grow by 7.5 per cent in 2010, up slightly from the current year, with further domestic price and tax hikes.
- The Chinese government will place emphasis on energy conservation and increased use of alternative fuels.
- China's current stimulus plans will have little effect on oil demand in 2010.
- The Middle Eastern economy will show double growth compared with 2009, boosting incremental oil demand to second place behind China.
- Apart from the slow economic recovery, various factors will slightly thin oil demand growth in Other Asia, such as the removal of price subsidies, fuel switching and energy conservation programmes.
- There will be stronger utilization of nuclear power plants.
- Usage of biofuels will grow rapidly, adding another 150,000 b/d.
- The world will see strong movement toward the use of smaller and more economical vehicles.
- Most of the growth in oil usage will be in the transport fuel and petrochemical sectors.
- Industrial oil consumption will show only moderate growth as a result of delayed and slow economic growth.
- The OECD economic recovery will be moderate and steady.

The report observed that variables affecting the 2010 oil demand forecast suggested alternative scenarios as an upper and lower range for oil demand growth.

The upper range for world oil demand growth is forecast at 800,000 b/d, which reflects strong oil demand growth in the US, as a result of a rapid and healthy economic recovery.

"It is suggested that the quick recovery of the US economy, along with a stronger dollar, will lead to cheaper oil. A healthy US economy will speed up recovery in other economies as well," it stated.

The transport, construction and petrochemical sectors will be the main drivers behind strong Middle East oil demand next year.

Also, China's economic recovery might call for 100,000 b/d higher-than-expected consumption. "One important factor that might affect world oil demand is the price of natural gas. Should the natural gas price in 2010 move higher, then fuel oil consumption would increase worldwide as a result of reduced fuel switching."

The report said that the lower range for world oil demand growth was forecast at 200,000 b/d, reflecting a much slower recovery in the US economy, which would affect many other economies.

"Should the winter be warm, then a further decline in winter products will be seen. Should oil prices see some unanticipated strength throughout 2010, this will lead to lower transport fuel demand. Weaker gasoline consumption alone could trim at least 100.000 b/d from expected oil demand growth next year," it said.

The report added that China's new price increase for transportation fuel in 2010 would have a further negative effect on the country's fuel usage.

World oil supply

Preliminary figures for the month of June indicate that global oil supply averaged 83.11m b/d, down by 90,000 b/d from the previous month. OPEC's crude share is estimated at 34.2 per cent. Compared with the previous year, the share of OPEC in world oil supply indicated a drop of 2.3 per cent in June. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Compared with the previous year, the share of OPEC in world oil supply indicated a drop of 2.3 per cent in June.

Meanwhile, non-OPEC supply growth is expected to reach 230,000 b/d in 2009, representing an upward revision of 20,000 b/d from the previous month to average 50.62m b/d. The adjustment was due to upward revisions to the US, the UK, India, Brazil, Colombia, Other Latin America, Russia, Azerbaijan and China. Downward revisions were made to Canada, Norway, Other Western Europe, Brunei, Indonesia, Oman, Syria, Congo, Kazakhstan and Other FSU.

The majority of the revisions were introduced to adjust for actual production data. In addition, the absolute level was raised, due to a revision to 2007 historical data for Brazil. On a quarterly basis, non-OPEC supply in 2009 now stands at 50.89m b/d, 50.37m b/d, 50.43m b/d and 50.81m b/d, respectively.

Since the initial forecast, non-OPEC supply projections have experienced various downside revisions to accommodate the economic downturn and price drop. The current forecast of 230,000 b/d growth is supported by significant supply increases from the US, Brazil, Azerbaijan and Kazakhstan.

US oil supply is seen to increase by 270,000 b/d in 2009 over the previous year to average 7.77m b/d, representing an upward revision of 14,000 b/d from last month's estimate.

Canadian oil supply is expected to decline by 20,000 b/d in 2009 to average 3.23m b/d, a downward revision of 59,000 b/d from the previous month.

Oil supply from Norway is anticipated to decline by 150,000 b/d in 2009 to average 2.30m b/d, a downward revision of 33,000 b/d from the previous month.

In contrast, UK oil supply was revised up by 26,000 b/d to adjust for actual data and accommodate the startup of the Don Southwest. UK supply is now estimated to decline by 100,000 b/d in 2009 to average 1.47m b/d.

Brazil's oil supply forecast went through a historical revision of 75,000 b/d, based on 2007, in addition to a 25,000 b/d upward revision to adjust for healthy production data. Oil supply from Brazil is now expected to average 2.57m b/d in 2009, an increase of 220,000 b/d over the previous year.

Colombia's oil supply is now projected to average 650,000 b/d in 2009, representing growth of 60,000 b/d and indicating an upward revision of 13,000 b/d from last month. Oman, Syria and Congo went through minor downward revisions of 7,000 b/d to adjust for new production data.

Russia and Azerbaijan oil supply experienced upward revisions of 45,000 b/d and 26,000 b/d on healthy production data from previous month estimates. Russian oil supply is now expected to average 9.74m b/d in 2009, a decline of 40,000 b/d, while Azerbaijan's supply is seen to grow by 90,000 b/d to average 990,000 b/d in 2009.

Kazakhstan experienced a minor downward revision of 9,000 b/d since last month's estimate to adjust for actual data that came slightly short of expectations, due to maintenance.

China's oil supply is expected to average 3.86m b/d in 2009, an increase of 10,000 b/d over 2008, and an upward revision of 10,000 b/d from the previous assessment.

Looking ahead, non-OPEC supply is forecast to increase by 330,000 b/d over the current year to average 50.96m b/d in 2010.

"This forecast will be affected by various risks and uncertainties associated with the ongoing financial crisis, in addition to the traditional factors that influence oil production forecasts, such as technical difficulties, policies and weather conditions," said the report.

"Furthermore, lower oil prices and the continuing fluctuation in commodity prices might not provide sufficient incentive to encourage operators to bring more volume to the market. Hence, the risks and uncertainties remain intact on both sides," it added.

On a quarterly basis, non-OPEC supply in 2010 is expected to stand at 51.04m b/d, 50.68m b/d, 50.77m b/d and 51.34m b/d, respectively.

Total OECD oil supply is anticipated to average 19.09m b/d in 2010, indicating a decline of 220,000 b/d from the current year.

Oil supply from North America is estimated to increase by 70,000 b/d over the current year to average 14.03m b/d in 2010.

OECD Western Europe supply is expected to drop by 290,000 b/d in 2010, while OECD Pacific supply estimated to remain flat.

The expected supply increase in North America is foreseen to offset the decline in OECD Western Europe in 2010. On a quarterly basis, OECD supply for next year stands at 19.29m b/d, 18.99m b/d, 18.87m b/d and 19.23m b/d, respectively.

US oil supply is forecast to increase by 140,000 b/d over the current year to average 7.91m b/d in 2010. A major part of the supply increase is expected to come from biofuels, which are projected to grow by around 90,000 b/d in 2010, as the steep decline in expected upstream spending in North America in 2009 affects output. However, there are a few projects that are foreseen to start up and add barrels to US supply in 2010. On a quarterly basis, US oil supply next year is foreseen at 7.91m b/d, 7.87m b/d, 7.87m b/d and 7.99m b/d, respectively.

Canada's oil supply is expected to increase

by around 80,000 b/d over the current year to average 3.31m b/d in 2010. The anticipated growth is expected to come from startups and ram-ups of non-conventional oil projects; conventional crude oil production in Canada is expected to decline in 2010.

"The recent oil price drop and the economic downturn have forced many companies to suspend, delay or cancel various projects as the profitability came into question, due to the high extraction costs required," commented the report.

The quarterly oil supply distribution for Canada next year stands at 3.34m b/d, 3.28m b/d, 3.28m b/d and 3.33m b/d, respectively.

Oil supply from Mexico is projected to decline by 150,000 b/d over the current year to average 2.81m b/d in 2010. Natural decline is the main factor behind the expected drop, despite startups and ramp-ups of different projects. In addition, the impact of the weaker exchange rate between the peso and the dollar might slow the pace of upstream operations in 2009 and 2010 with a direct effect on output. On a quarterly basis, Mexico oil supply next year is expected to average 2.85m b/d, 2.79m b/d, 2.80mb/d and 2.81m b/d, respectively.

OECD Western Europe oil supply is seen to decline by around 290,000 b/d over the current year to average 4.43m b/d in 2010. Supply declines are expected for all OECD Western Europe major producers with quarterly figures expected to stand at 4.59m b/d, 4.45m b/d, 4.27m b/d and 4.43m b/d, respectively.

Oil supply from Norway is predicted to decline by 130,000 b/d over the current year to average 2.17m b/d in 2010. The natural decline of mature producing areas is anticipated to have a great impact on Norwegian oil supply. On a quarterly basis, Norway supply in 2010 is expected to average 2.25m b/d, 2.16m b/d, 2.07m b/d and 2.21m b/d, respectively.

UK oil supply is projected to decrease by 150,000 b/d from the current year to average 1.32m b/d in 2010. Small volumes will be coming from new developments, while natural decline is expected to remove a significant volume from oil output. On a quarterly basis, UK oil supply next year stands at 1.39m b/d, 1.34m b/d, 1.26m b/d and 1.29m b/d, respectively.

Denmark's oil supply is expected to continue its declining trend in 2010 and drop by 20,000 b/d to average 240,000 b/d.

Other Europe oil supply next year is estimated to increase by 20,000 b/d to average 710,000 b/d, supported mainly by biofuels growth.

OECD Asia Pacific oil supply is estimated to average 630,000 b/d in 2010, unchanged from the current year. On a quarterly basis, OECD Pacific oil supply is seen to average 600,000 b/d, 600,000 b/d, 650,000 b/d and 660,000 b/d, respectively.

Australia's oil supply is expected to decline by 20,000 b/d from the current year to average 510,000 b/d in 2010. On a quarterly basis, Australia supply next year is foreseen to average 480,000 b/d, 490,000 b/d, 540,000 b/d and 550,000 b/d, respectively.

Oil supply from New Zealand is also projected to increase by around 20,000 b/d over the current year to average 110,000 b/d in 2010. The increase is supported by the Maari and Kupe developments.

Developing Countries are expected to see an increase in supply of 340,000 b/d over the current year to average 13.01m b/d in 2010.

The majority of the growth is coming from Latin America and Other Asia, while Africa and Middle East supply are expected to increase slightly. On a quarterly basis, Developing Countries' total oil supply next year is projected to stand at 12.95m b/d, 12.93m b/d, 13.02m b/d and 13.12m b/d, respectively.

Other Asia oil supply is foreseen to grow by 100,000 b/d from 2009 to average 3.90m b/d in 2010. India's oil supply is expected to increase by 60,000 b/d in 2010 to average 890,000 b/d. The increase is supported by the Mangala project, which is part of the Rajasthan development of three fields. The three fields are expected to have a capacity of 180,000 b/d, while Mangala will peak at 130,000 b/d.

Indonesia is estimated to add around 20,000 b/d in 2010 to its oil supply, supported by the Cupe and Bukat developments, while Vietnam's oil supply is anticipated to grow by around 50,000 b/d next year.

Brunei and Thailand's oil supply are estimated to remain flat from 2009, while Malaysia's supply is foreseen to drop by around 30,000 b/d in 2010 on the back of natural decline. On a quarterly basis, Other Asia oil supply next year is seen to stand at 3.91m b/d, 3.92m b/d, 3.89m b/d and 3.90m b/d, respectively.

Oil supply from Latin America is forecast to increase by 190,000 b/d over the current year to average 4.32m b/d in 2009. Brazil is expected to be the main contributor to the growth, with an estimated supply increase of 210,000 b/d in 2010.

Developing Countries are expected to see an increase in supply of 340,000 b/d over the current year to average 13.01m b/d in 2010.

"Among all non-OPEC countries, Brazil is seen to be on the top of the list in terms of supply growth," said the OPEC report.

Various fields will start up and ramp up in Brazil, while biofuels production is anticipated to grow by around 60,000 b/d in 2010. Average oil supply from Brazil is estimated to stand at 2.79m b/d in 2010.

Oil supply from Colombia is forecast to grow by 30,000 b/d in 2010 to average 680,000 b/d, supported by new projects, while Argentina's oil supply is expected to decline by 40,000 b/d in 2010 on the back of natural decline and reduced investment. On a quarterly basis, Latin America supply for next year stands at 4.57m b/d, 4.57m b/d, 4.68m b/d and 4.76m b/d, respectively.

Middle East oil supply is projected to remain relatively unchanged in 2010 from the current year, with a minor increase of 1,000 b/d. Oman's oil supply is expected to increase by 20,000 b/d, while Yemen's supply is estimated to decrease by 20,000 b/d on natural

decline. On a quarterly basis, Middle East supply for next year stands at 1.67m b/d, 1.66m b/d, 1.65m b/d and 1.64m b/d, respectively.

Oil supply from Africa is expected to increase by 30,000 b/d over the current year to average 2.81m b/d in 2010. Congo's oil supply is expected to increase by 30,000 b/d to average 320,000 b/d, supported by the Azurite and Moho Bilondo developments.

Other Africa's oil supply is seen to increase by 40,000 b/d in 2010 to average 450,000 b/d, supported by a supply increase in Ghana from the Jubilee project, which is expected to start-up in the second half of 2010 with a capacity of 120,000 b/d.

Total OPEC crude oil production averaged 28.44m b/d in June, a slight increase of 39,000 b/d over the previous month, according to secondary sources.

Oil supply from Egypt, Equatorial Guinea and South Africa is anticipated to drop by 10,000 b/d, all on the back of natural decline, despite some volume addition from different projects. On a quarterly basis, Africa's oil supply next year stands at 2.80m b/d, 2.79m b/d, 2.81m b/d and 2.83m b/d, respectively.

FSU oil supply is estimated to grow by 160,000 b/d over the current year to average 12.83m b/d in 2010. The expected supply growth from Kazakhstan and Azerbaijan is seen to offset the anticipated decline in Russia in 2010. Total oil supply in the FSU next year is estimated to stand at 12.77m b/d in the first and second quarters, 12.83m b/d in the third quarter and 12.96m b/d in the fourth quarter.

Oil supply from Russia is projected to drop by 110,000 b/d over the current year to average 9.63m b/d in 2010. The decrease is expected on the back of natural decline in mature production areas. On a quarterly basis, Russian oil supply next year is seen to average 9.65m b/d, 9.61m b/d, 9.65m b/d and 9.62m b/d, respectively.

Oil supply from Kazakhstan is forecast to increase by 110,000 b/d over the current year to average 1.60m b/d in 2010. The expected growth is supported by projects such as Komsomolskoye, Uzen, Karachaganak and Tengiz. Improved access to export pipelines is seen to back the anticipated output rise in 2010. On a quarterly basis, Kazakhstan's oil supply next year is seen to stand at 1.59m b/d, 1.59m b/d, 1.56m b/d and 1.64m b/d, respectively.

Azeri oil supply is estimated to grow by 130,000 b/d over 2009 to average 1.12m b/d in 2010. The Azeri-Chirag-Gunashli (ACG) expansion project is expected to support the anticipated supply increase with plans to reach a capacity of 1.0–1.2m b/d in 2010–11. On a quarterly basis, Azerbaijan's oil supply next year is expected to average 1.05m b/d, 1.09m b/d, 1.13m b/d and 1.19m b/d, respectively.

Other Europe supply oil is predicted to remain relatively steady in 2010, compared with 2009, at an average of 120,000 b/d.

China's oil supply is expected to increase by 60,000 b/d over the current year to average 3.92m b/d in 2010. Projects, such as the Bo Zhong South, Yendong Laiohe and Penglai, are seen to add new volumes to China's oil supply. Additionally, biofuels and coal-to-liquid volume will also add some barrels to supply in 2010. Natural decline is anticipated to reduce output from mature production fields, yet the new additions are foreseen to more than offset this. On a quarterly basis, China's il supply next year is estimated to average 3.91m b/d, 3.88m b/d, 3.94m b/d and 3.93m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 28.44m b/d in June, a slight increase of 39,000 b/d over the previous month, according to secondary sources. Not including Iraq, OPEC output in the month under review averaged 26.03m b/d for a gain of 56,000 b/d. The increase came mainly from Angola, Iran and Saudi Arabia, while crude oil production from Nigeria declined. OPEC crude production in the second quarter averaged 28.33m b/d.

Production of OPEC NGLs and non-conventional oils are estimated to average 4.72m b/d in 2009, representing growth of around 410,000 b/d over the previous year. In 2010, output of OPEC NGLs and non-conventional oils are forecast to increase by 540,000 b/d to average 5.36m b/d. Growth in 2010 is coming from Qatar, Saudi Arabia, the United Arab Emirates, Iran, Nigeria and Kuwait.

Downstream activity

Looking downstream, the OPEC report said that gasoline stock-builds in the US, along with higher refinery runs in the Atlantic Basin, had changed product market sentiment and exerted pressure on refining margins, especially in the US.

"The continuation of these circumstances amid uncertainty over gasoline demand growth during the driving season and unseasonably high stocks for middle distillates could heighten the current bearish sentiment in product markets. This would encourage refiners to cut runs earlier than usual for autumn maintenance, which would have a negative impact on crude fundamentals," it noted.

Refining margins for WTI crude on the US Gulf Coast slid to $5.28/b in June from $9.43/b the previous month. "Current refining margins in the US may deteriorate further in the coming months, due to a narrowing of the gasoline crack spread in the last weeks," said the report.

The market in Europe followed a similar trend and refining margins for Brent crude fell to $3.14/b from $4.54/b in May.

In Asia, refining margins improved, compared with the previous month, but remained at very low levels, which was insufficient to encourage refiners to lift throughputs on completion of seasonal maintenance schedules. Refining margins for Dubai crude oil in

Singapore rose to $1.27/b from 19¢/b the previous month.

The report said that, looking ahead, the major concerns of the downstream sector were currently ample stocks of distillates and growing idle refining capacity across the globe.

"A combination of these bearish factors with a lower risk of refinery outages and product supply disruptions, due to a moderate projection for hurricanes along the US Gulf Coast, should limit the impact of product market developments on crude prices in the coming months," it maintained.

Refiners, especially in the US, usually accelerate throughputs during the driving season. In line with this trend, Atlantic Basin refiners increased inputs in June, but they were still much lower than typical levels. The current bearish outlook for refining margins could adversely affect refinery operational levels in the future.

Refinery utilization rates in the US in June increased by 2.1 per cent over the previous month, reaching 86.5 per cent from 83.4 per cent in May.

In Europe, refinery utilization rates rose by 0.6 per cent to reach 81.1 per cent in June from 80.5 per cent in May.

But in Asia, the refinery throughput level dropped further, due to increasing new refinery capacity and run cuts for economic reasons. Refinery utilization rates in Japan fell by 1.6 per cent to 78.6 per cent in June from 80.2 per cent the previous month.

"Looking forward, with the approach of the peak driving season and completion of maintenance schedules, refinery utilization rates are expected to remain relatively high in the coming months. However, due to the ongoing economic crisis and its negative impact on product demand, refinery operational levels are not expected to rise significantly next month," said the report.

It noted that a combination of higher refinery runs with switching refinery modes in favour of gasoline and increasing gasoline imports had led to gasoline stock-builds in the US and had resulted in lower prices for gasoline, both in the futures and cash markets. The recent bearish developments in the gasoline market had significantly narrowed refining margins in the US.

Oil trade

According to official data, US crude oil imports increased in June to average 9.19m b/d, up by two per cent, or 213,000 b/d, from the previous month, yet they were some eight per cent, or 800,000 b/d, lower compared with the same month a year ago.

"Crude imports in June bring US average imports for the first half of 2009 to about 9.35m b/d, some five per cent, or 450,000 b/d, lower compared with the same period the previous year," observed the report.

In contrast, US product imports declined by six per cent, or 178,000 b/d, in June, compared with the previous month, to average 2.62m b/d, 22 per cent lower than in the same month last year.

Finished motor gasoline imports stood at 281,000 b/d, mostly steady with May figures, but 39 per cent lower than in the same month a year earlier. Average gasoline imports during the first half of 2009 were 35 per cent lower than in the same period of 2008.

Distillate fuel oil imports increased in June by 15,000 b/d, or eight per cent, compared with the previous month, to average 209,000 b/d. This level of imports indicates a 16 per cent increase over the same month last year, while average distillate fuel oil imports during the first half of 2009 were eight per cent higher than in the same period of 2008.

Residual fuel oil imports in June were gauged at 333,000 b/d, down by 15 per cent from the previous month and 13 per cent lower than in June 2008. Average residual fuel oil imports during the first half of 2009 were three per cent higher than in the same period last year.

Jet fuel imports in June averaged 74,000 b/d, down from 97,000 b/d in the previous month and 18 per cent lower compared with June 2008.

US product exports were steady in June, averaging 1.83m b/d, up by 17,000 b/d, or less than one per cent, compared with the previous month, but about 15 per cent lower than their levels a year earlier. US product exports during the first half of 2009 averaged 1.69m b/d, down by nine per cent from the same period in 2008.

As a result, US net oil imports in June were steady over the previous month at 9.96m b/d. The 213,000 b/d increase in net crude oil imports in June was offset by the 195,000 b/d decline in net product imports, compared with the previous month.

June's net oil imports were 11 per cent lower than a year earlier, while average net oil imports during the first half of 2009 were five per cent lower than in the same period last year.

Stock movements

Concerning stock movements, the OPEC report pointed out that the imbalance between supply and demand continued to push oil inventories up.

US commercial oil stocks increased by a further 11m b in June, the ninth build in a row, to hit 1,113m b, the highest level seen since mid-1990.

Nevertheless, excluding September 2008, when stocks dropped by a marginal 1.4m b, inventories have been increasing since March 2008. Following this recent build the overhang with the previous five years stood at around 100m b.

"However, it is worth noting that the composition of the overhang has changed tremendously. In January, crude oil accounted for more than 70 per cent of the overhang, while, in June, crude oil stocks represented just 25 per cent, implying that inventories are essentially building due to weak product demand," observed the report.

Again, the build in oil inventories was driven by products, while crude oil inventories fell by a further 16m b to stand below 350m b for the first time this year, while also moving within the five-year range. The draw was attributed to a recovery in refinery runs. The overhang with the five-year average has been narrowing since

the beginning of the year. It dropped from 52m b in January to just 24m b as a result of lower OPEC production.

In contrast, product inventories continued their upward trend and rose by a massive 27m b in June, with gasoline and distillates contributing 60 per cent to the build. Gasoline stocks reversed the downward trend and jumped by 8m b to stand in line with the five-year average of around 211m b. They remained very comfortable considering the weak demand.

On the other hand, distillate inventories continued their upward trend and added some 8m b to hit 158m b in June, widening the overhang with the five-year average to almost 36m b, or 30 per cent.

"The build in distillate stocks took place despite a drop in production to reflect the weak demand of both heating oil and diesel," said the report.

Residual fuel oil stocks declined by 3m b to offset the build of the previous month. Both residual fuel oil and jet fuel inventories remained comfortable with respect to demand.

The US Strategic Petroleum Reserve (SPR) continued its upward trend and rose by a further 1.7m b, the sixth build in a row, to hit a new record of 723.4m b and approach the capacity level of 727m b.

"With this trend, it is expected that capacity will be reached very soon, even before the schedule fixed by the Department of Energy earlier," said the report.

US commercial oil inventories have increased by almost 78m b during the first six months of 2009 – 56m b in products – compared with just 12m b a year ago, with 2m b in products. At the same time, some 22m b have been added to the SPR during the first half, compared with just 9m b a year earlier.

The latest data shows that US commercial oil stocks increased by 5.1m b in the week ending July 3 to move above 1,114m b. This build was driven by products, while crude oil fell by 2.9m b, the fifth draw in a row to stand at 347.3m b.

Since the beginning of May, 28m b have been removed from crude oil inventories. In contrast, distillate stocks followed the opposite trend and added 3.7m b to stand at a very high level of nearly 159m b. Similarly, gasoline stocks added 1.9m b to stand around 213m b.

All the main components of US commercial oil inventories are very comfortable considering demand, especially distillates, which correspond to almost 49 days of forward cover, 19 days, or 63 per cent, higher than the previous five-year average.

Crude oil and gasoline stocks corresponded to 23.3 days each, implying 4.3 days and a half-day higher than their corresponding five-year average.

In Europe (EU-15 plus Norway), total oil inventories added 7.8m b in June to stand at around 1,156m b and moved above the upper end of the five-year range again. With this build, European stocks widened the overhang to almost 40m b, or 3.5 per cent. As in the US, the build was driven by products.

Crude oil inventories increased by just 1.2m b to 488.4m b, but remained higher than last year and the five-year average.

Product inventories rose by 6.7m b, corresponding to 86 per cent of the total build. At 667m b, product stocks were 32m b, or five per cent, above the seasonal average.

Both gasoline and distillate stocks increased in June. Gasoline stocks recovered from the downward trend and gained 5.1m b, the first build since January, to stand at 123m b. The build helped gasoline stocks to move back into the five-year average for the first time this year. The recovery in gasoline stocks was attributed to higher production from refineries as refinery margins strengthened. Additionally, reduced opportunities for transatlantic arbitrage also contributed to the recovery in gasoline stocks.

Ample supply in the absence of healthy demand and a strong contango continued to push distillate stocks up to move above 403m b for the first time and display an overhang of 36m b, or ten per cent, compared with just 5m b in January.

Residual fuel oil stocks inched up by 200,000 b, while naphtha inventories fell by 1.3m b to stand at around 113m b and 27m b, respectively.

"It is worth mentioning that due to weaker demand, European oil stocks gained almost 30m b, with products accounting for 80 per cent in the first half of 2009, compared with a draw of 200,000 b during the same period a year earlier," the OPEC report observed.

In Japan, total commercial oil inventories continued to alternate between gains and losses but remained very comfortable. They rose by 3.5m b in May to stand at 179m b, higher than a year earlier, but slightly below the previous five-year average.

"As in the US and Europe, distillate stocks are very high and were the main contributor to the build," said the report.

However, crude oil stocks continued their downward trend and fell by 1.6m b to stand at 101.6m b, the lowest level since August 2008. They also moved slightly below the lower end of the five-year range.

"The low level of crude oil inventories does not imply high demand as refinery runs seasonally remained very low. In contrast, the drop in crude oil stocks is attributed to a very low level of imports, which fell due to sluggish demand in products to almost 3.4m b/d in May, 720,000 b/d, or 17.5 per cent, lower than a year earlier."

Contrary to crude oil, product inventories increased by 5.1m b and remained very comfortable. The build came as result of a rise of 4.0m b in distillates to move beyond 33m b, the highest level seen so far this year, displaying a surplus of 5m b, or 18 per cent, over last year and the five-year average.

Gasoline stocks fell by 800,000 b, the first draw so far this year, essentially on the back of lower production from refineries. Despite this draw, gasoline stocks remained high and above the seasonal average.

Residual fuel oil and naphtha stocks in May both increased by 1.4m b and 500,000 b to stand at comfortable levels of 18.5m b and 11.1m b, respectively.

Preliminary data shows that Japan's commercial crude oil stocks increased by a further 4.5m b in June, while gasoline and distillate inventories remained almost unchanged, while other products, like naphtha and fuel oil, lost almost 2m b each.

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	49.4	49.8	49.6	49.2	47.5	46.6	44.6	45.1	46.5	45.7	46.0	44.2	45.0	46.5	45.4
North America	25.4	25.6	25.4	25.5	24.3	23.6	23.1	23.1	23.7	23.4	23.7	23.2	23.4	24.0	23.6
Western Europe	15.5	15.7	15.7	15.3	15.2	14.8	14.3	15.0	15.0	14.8	14.4	13.9	14.8	14.9	14.5
Pacific	8.5	8.6	8.5	8.3	8.0	8.1	7.3	7.1	7.8	7.6	7.9	7.1	6.9	7.6	7.4
Developing countries	21.8	22.6	23.3	24.2	25.1	25.0	25.5	25.6	25.5	25.4	25.4	25.9	26.1	26.0	25.9
FSU	3.8	3.9	4.0	4.0	4.1	3.9	3.7	4.2	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	8.3	8.3	7.9	8.0	7.9	8.5	8.6	8.2	8.3
(a) Total world demand	**82.5**	**83.9**	**84.9**	**85.8**	**85.5**	**83.8**	**82.8**	**83.9**	**84.8**	**83.8**	**83.9**	**83.0**	**84.7**	**85.7**	**84.3**
Non-OPEC supply															
OECD	21.3	20.5	20.2	20.1	19.6	19.9	19.1	19.1	19.2	19.3	19.3	19.0	18.9	19.2	19.1
North America	14.6	14.1	14.2	14.3	13.9	14.2	13.7	13.9	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Western Europe	6.2	5.7	5.4	5.2	5.0	5.1	4.7	4.5	4.6	4.7	4.6	4.5	4.3	4.4	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	0.6
Developing countries	11.6	11.9	12.0	12.1	12.3	12.5	12.5	12.8	12.9	12.7	13.0	12.9	13.0	13.1	13.0
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	12.5	12.7	12.7	12.8	12.8	12.8	13.0	12.8
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.6	50.4	50.9	50.4	50.4	50.8	50.6	51.0	50.7	50.8	51.3	51.0
OPEC NGLS and non-conventionals	3.7	3.9	3.9	4.0	4.3	4.5	4.6	4.8	4.9	4.7	5.0	5.2	5.3	5.5	5.3
(b) Total non-OPEC supply and OPEC NGLS	**53.3**	**53.5**	**53.9**	**54.6**	**54.7**	**55.4**	**55.0**	**55.2**	**55.7**	**55.3**	**56.1**	**55.9**	**56.1**	**56.9**	**56.2**
OPEC crude supply and balance															
OPEC crude oil production[1]	29.6	30.7	30.5	30.1	31.1	28.3	28.3								
Total supply	82.9	84.2	84.4	84.7	85.8	83.8	83.3								
Balance[2]	0.4	0.3	-0.6	-1.1	0.3	–	0.5								
Stocks															
OECD closing stock level *m b*															
Commercial	2538	2585	2666	2567	2700	2743									
SPR	1450	1487	1499	1524	1526	1547									
Total	3988	4072	4165	4091	4225	4290									
Oil-on-water	905	958	916	948	929	888									
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	61									
SPR	29	30	30	32	33	35									
Total	80	82	85	86	92	96									
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.3	8.5	8.7	8.9	9.1	8.6	8.7	8.8
[(a) – (b)]	**29.2**	**30.4**	**31.1**	**31.2**	**30.8**	**28.3**	**27.8**	**28.7**	**29.1**	**28.5**	**27.9**	**27.2**	**28.6**	**28.8**	**28.1**

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 50 while* ***Graphs 1 and 2*** *(on page 51) show the evolution on a weekly basis.* ***Tables 3 to 8****, and the corresponding graphs on pages 52–53 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, 2008–2009 $/b

Crude/Member Country	2008 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Weeks 23–27 (week ending) May 29	Jun 5	Jun 12	Jun 19	Jun 26
Arab Light – Saudi Arabia	129.35	132.75	113.69	97.57	69.14	50.09	38.82	41.23	40.87	46.39	50.91	57.45	69.01	61.13	67.17	69.79	70.27	68.39
Basrah Light – Iraq	124.46	127.00	109.16	94.84	67.99	49.11	37.27	39.47	39.66	44.94	51.18	56.47	68.18	60.36	66.54	69.15	69.31	67.32
Bonny Light – Nigeria	136.44	137.64	116.93	100.48	74.57	56.11	43.10	45.44	45.07	49.70	52.24	57.87	69.55	62.14	68.21	70.64	70.69	68.52
Es Sider – SP Libyan AJ	131.69	132.14	111.98	97.28	71.22	51.86	39.60	42.74	42.37	46.35	50.24	56.87	68.15	61.14	66.81	69.24	69.29	67.12
Girassol – Angola	130.89	131.35	110.26	96.68	70.63	51.76	40.30	43.43	43.33	46.98	49.72	57.36	68.92	62.04	67.54	70.01	69.94	67.98
Iran Heavy – IR Iran	124.66	126.75	108.10	93.04	66.33	47.55	36.88	39.93	39.91	44.52	50.10	56.02	68.16	59.55	66.32	68.82	69.48	67.62
Kuwait Export – Kuwait	124.37	127.57	108.84	93.15	65.88	47.13	36.47	40.00	40.34	44.91	50.16	57.93	68.73	61.38	66.80	69.41	70.06	68.24
Marine – Qatar	129.25	132.73	113.53	97.78	68.94	50.58	41.24	44.62	43.74	46.58	50.82	58.09	69.94	61.37	68.06	70.54	71.15	69.56
BCF-17* – Venezuela	116.16	124.51	110.48	96.17	65.86	40.37	31.65											
Merey* – Venezuela								37.39	38.76	39.59	43.73	52.95	61.81	55.85	60.47	62.37	62.13	61.55
Minas – Indonesia[1]	136.49	139.76	119.07	101.63	76.80	56.48	41.80											
Murban – UAE	134.56	137.94	119.50	101.32	71.52	53.05	43.15	46.27	44.71	47.75	52.33	59.58	71.50	62.87	69.41	71.95	72.70	71.34
Oriente – Ecuador	119.13	119.43	102.13	89.52	60.57	40.17	29.56	35.12	35.83	42.45	42.41	53.56	63.62	58.38	62.76	65.56	64.29	61.70
Saharan Blend – Algeria	133.94	134.49	114.33	99.48	73.02	53.86	41.35	43.89	44.07	48.40	51.69	57.27	69.15	61.54	67.81	70.24	70.29	68.12
OPEC Reference Basket	**128.33**	**131.22**	**112.41**	**96.85**	**69.16**	**49.76**	**38.60**	**41.54**	**41.41**	**45.78**	**50.20**	**56.98**	**68.36**	**60.70**	**66.67**	**69.17**	**69.50**	**67.70**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2008–2009 $/b

Crude/country	2008 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Weeks 23–27 (week ending) May 29	Jun 5	Jun 12	Jun 19	Jun 26
Minas – Indonesia[1]								44.98	45.04	49.06	54.11	61.69	72.71	65.53	70.92	73.13	74.13	72.23
Arab Heavy – Saudi Arabia	120.62	124.09	105.47	89.92	63.48	44.94	34.38	38.31	39.41	43.76	49.48	55.69	68.74	59.01	66.75	69.36	70.10	68.33
Brega – SP Libyan AJ	133.29	133.94	113.78	99.08	72.87	53.31	40.95	43.89	43.52	47.25	51.24	57.87	69.05	62.14	67.71	70.14	70.19	68.02
Brent – North Sea	132.44	133.19	113.03	98.13	71.87	52.51	40.35	43.59	43.07	46.55	50.44	57.27	68.55	61.54	67.21	69.64	69.69	67.52
Dubai – UAE	127.82	131.27	112.86	95.90	67.82	49.84	40.46	43.94	43.09	45.59	50.10	57.48	69.41	60.80	67.42	70.03	70.77	69.00
Ekofisk – North Sea	135.26	136.66	115.20	99.62	74.31	54.77	41.47	45.83	44.51	47.28	50.65	58.48	69.62	63.35	68.22	70.71	70.74	68.62
Iran Light – IR Iran	127.89	128.19	110.95	97.56	70.81	51.72	40.03	42.33	41.31	46.10	49.69	56.53	68.24	61.12	65.83	69.22	69.85	67.71
Isthmus – Mexico	129.90	130.98	112.63	100.15	71.96	49.77	37.27	40.15	39.39	46.98	50.38	58.51	68.52	62.83	67.07	69.73	69.54	67.35
Oman -Oman	128.32	132.81	113.28	96.13	68.34	50.04	40.91	44.28	43.52	45.83	50.16	57.59	69.47	60.91	67.48	70.09	70.84	69.05
Suez Mix – Egypt	124.58	126.68	109.32	94.76	67.57	48.86	36.66	40.08	39.44	42.89	46.26	54.33	65.35	59.69	64.16	66.66	66.24	64.07
Tia Juana Light[2] – Venez.	125.62	127.71	110.04	96.65	69.58	47.44	35.26	38.86	38.60	45.52	49.32	57.34	67.08	61.57	65.66	68.27	68.08	65.94
Urals – Russia	127.73	130.06	112.17	97.61	70.51	51.79	40.03	43.09	42.32	45.65	49.05	56.85	68.38	61.69	66.86	69.44	69.44	67.52
WTI – North America	133.93	133.82	116.58	104.15	76.62	57.12	41.45	41.50	39.08	48.00	49.82	59.21	59.21	63.67	68.09	70.92	70.68	68.60

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).

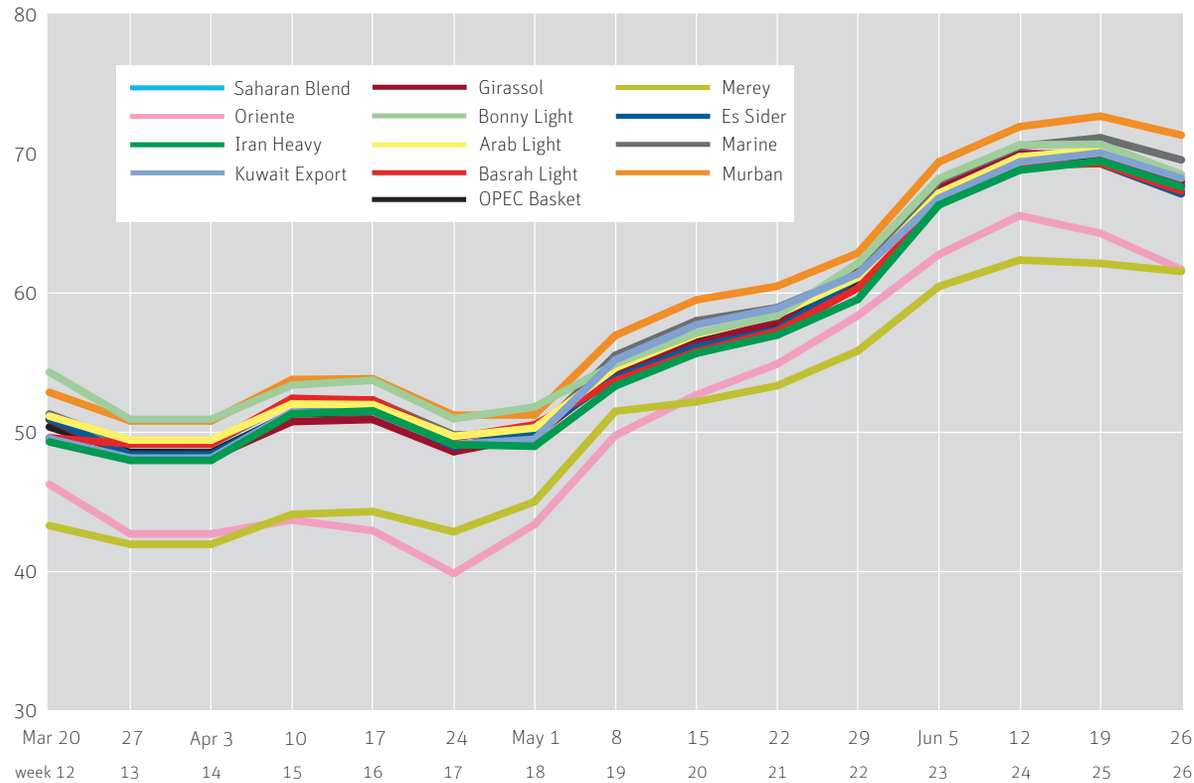
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

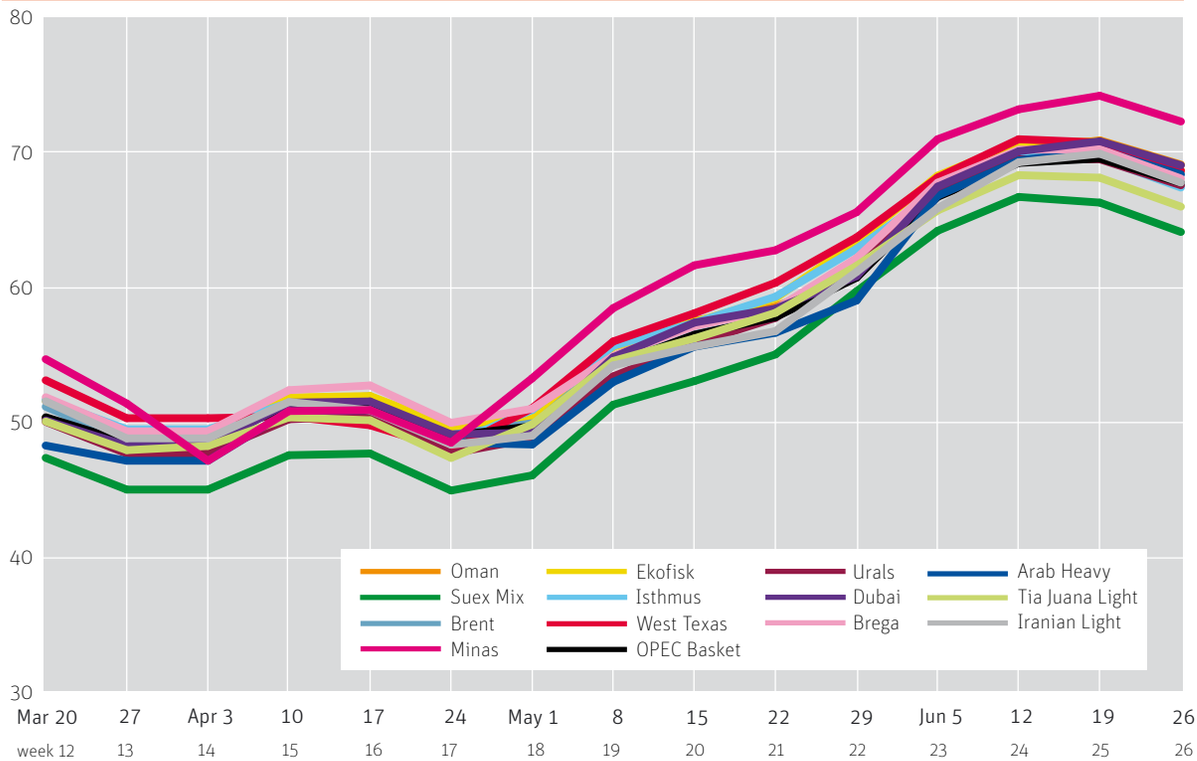
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes (2009) *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes (2009) *$/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 10ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2008	June	143.54	134.53	150.09	166.80	166.50	101.66	89.47
	July	142.28	130.36	145.48	165.10	169.44	114.61	100.80
	August	125.53	116.45	129.93	138.28	142.59	101.99	92.38
	September	111.21	105.00	120.10	127.29	128.97	84.40	81.22
	October	69.23	73.36	82.48	100.15	98.63	65.67	54.12
	November	39.87	49.18	55.77	80.38	79.95	44.51	31.54
	December	33.53	39.21	46.33	62.38	59.70	32.67	26.78
2009	January	44.54	41.40	45.98	59.72	61.48	34.38	33.08
	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

Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

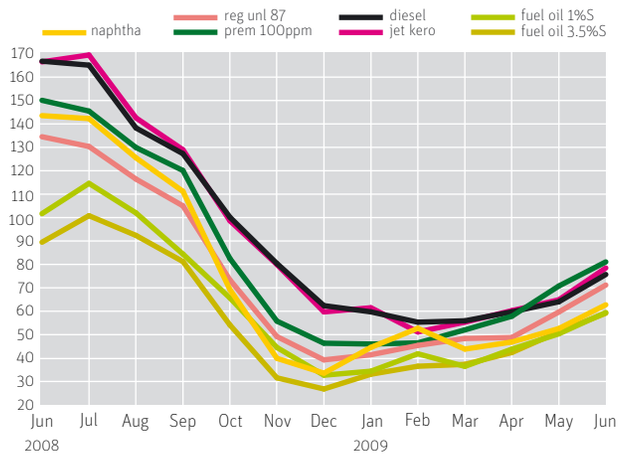


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2008	June	119.81	151.71	167.17	101.76	89.64
	July	119.76	146.11	166.44	111.35	100.95
	August	105.72	130.39	139.48	97.12	92.32
	September	92.57	119.15	126.54	83.12	81.69
	October	56.67	84.00	98.56	61.31	54.87
	November	31.86	56.96	78.67	43.64	29.70
	December	26.29	45.78	60.72	34.94	23.42
2009	January	36.11	44.30	59.14	36.58	32.11
	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

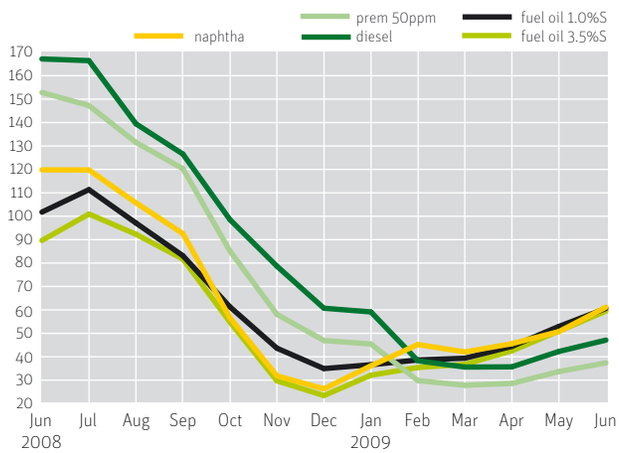
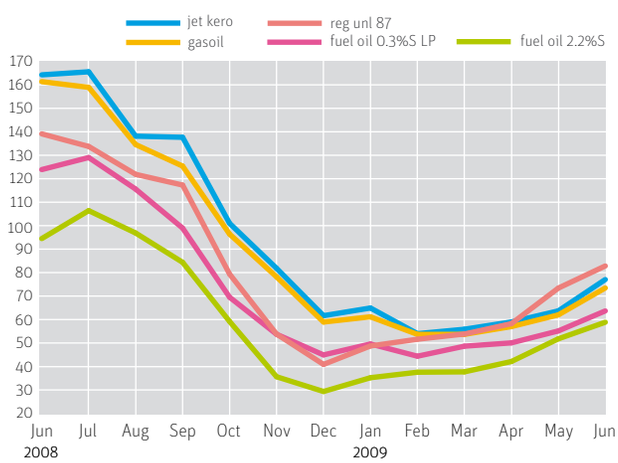


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2008	June	139.12	161.37	164.26	123.89	94.48
	July	133.75	158.93	165.57	129.03	106.40
	August	121.86	134.56	138.13	115.57	96.86
	September	117.30	125.38	137.65	98.95	84.37
	October	79.36	96.40	100.98	69.51	59.18
	November	53.81	78.19	81.82	53.73	35.62
	December	40.87	58.93	61.64	44.92	29.33
2009	January	48.74	61.15	64.91	49.59	35.21
	February	51.61	53.68	53.98	44.37	37.55
	March	53.83	53.69	55.86	48.64	37.70
	April	58.24	57.00	58.98	50.05	42.10
	May	73.39	61.98	63.68	55.14	51.77
	June	82.83	73.45	77.05	63.67	58.85



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
2008	June	134.09	164.35	162.69	83.45	83.12
	July	130.10	162.05	164.78	95.24	94.52
	August	120.15	136.29	140.10	88.27	87.52
	September	119.02	125.11	141.76	76.28	51.29
	October	68.55	94.64	99.09	52.42	51.29
	November	77.88	77.88	81.69	29.85	27.83
	December	31.78	56.26	58.88	22.46	20.48
2009	January	42.95	59.33	64.18	28.28	26.13
	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	45.02
	June	74.02	23.47	77.63	54.73	53.24

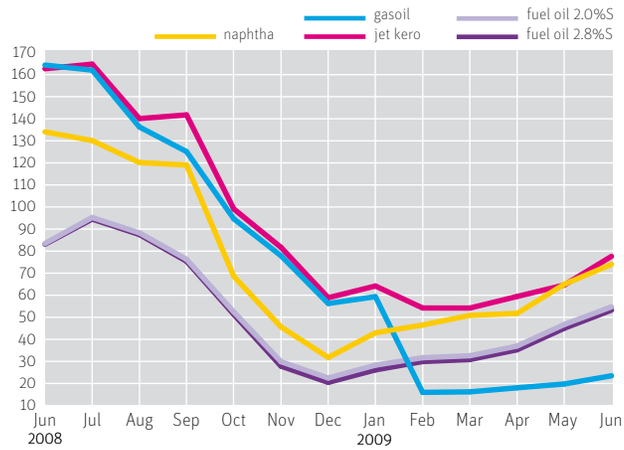


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2008	June	125.18	140.23	138.72	170.00	164.76	96.23	94.58
	July	125.41	135.19	134.60	168.64	167.21	109.53	108.05
	August	108.24	115.42	113.91	135.87	137.57	101.07	99.84
	September	91.89	107.02	104.75	121.57	89.97	88.23	87.77
	October	51.04	79.38	77.07	90.00	89.97	59.99	59.08
	November	28.98	48.29	47.38	75.13	75.01	36.14	35.13
	December	30.90	40.97	38.80	62.97	58.90	34.00	33.27
2009	January	41.89	50.95	47.57	61.82	60.89	37.65	37.47
	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	64.07	54.53	53.90
	June	65.86	77.15	75.01	77.92	76.45	62.77	62.34

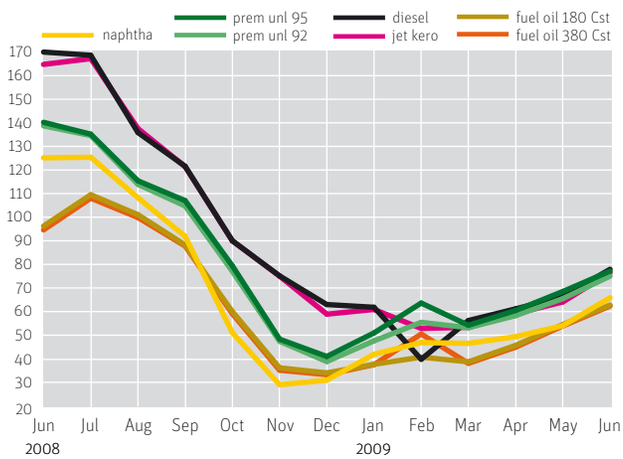
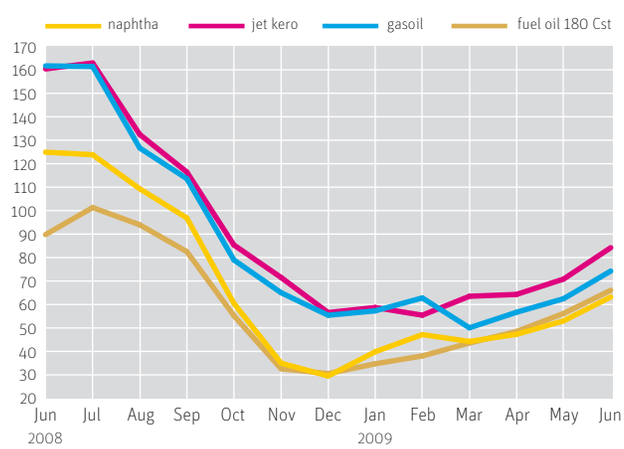


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2008	June	124.91	161.68	160.38	89.79
	July	123.82	161.39	162.92	101.29
	August	109.30	126.68	132.46	93.96
	September	96.88	113.61	116.44	82.53
	October	60.48	78.97	85.35	55.21
	November	35.03	65.03	71.52	32.62
	December	29.53	55.41	56.56	30.54
2009	January	39.85	57.30	58.72	34.74
	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



Source: Platts. Prices are average of available days.

Vacancy announcements

Head, PR & Information Department

Application deadline: August 18, 2009

Job description:
The PR & Information Department is responsible for presenting OPEC's Objectives, decisions and actions in their true and most desirable perspective. It disseminates news of general interest regarding the Organization and the Member Countries on energy and related matters and it carries out a central information program and identifies areas for the promotion of the Organization's aims and image. The Head plans, organizes, coordinates, manages and evaluates the work of PR & Information Department in accordance with the work program and the Department's budget so as to optimize its support to the Secretariat in achieving its objectives. The work aims at creating and maintaining a positive image of the Organization and at ensuring the dissemination of publications and journals at highest professional standard.

Required competencies and qualifications:
Advanced University degree (PhD preferred) in Media Studies, Journalism, Public Relations, International Relations or relevant Social Sciences; a minimum of 12 years (ten years in case of an advanced degree) in Journalism, Information Management and/or Public Relations in the media or in an energy-related establishment with a minimum of four years in a managerial position, preferably at large national, regional, or international institutions; training/specialization in modern information practice and techniques; professional management and leadership; knowledge of energy development issues is an asset and Membership of a professional body (PR or Journalism) is an advantage; excellent communication and analytical skills, strategic thinking, motivation/planning skills, problem solving skills.
The post is at grade B reporting to the Director, Support Services Division.

Upstream Oil Industry Analyst

Application deadline: September 12, 2009

Job description:
Within the Research Division, the Energy Studies Department is responsible for monitoring, analyzing and forecasting world energy developments in the medium and long term. It provides studies and reports on energy issues, monitors developments, energy demand and production-related technology, and assesses implications for OPEC. It facilitates and supports planning and implementation of collaborative energy-related R&D programs of OPEC Member Countries, as well as identifies prospects for OPEC participation in major international R&D activities. It provides effective tools for and carries out model-based studies for analyses and projections of medium and long-term energy supply/demand and downstream simulation, and elaborates OPEC's Long Term Strategy. It monitors, analyzes and reports on relevant national or regional policies, such as fiscal, energy, trade and environmental, and assesses their impact on energy markets. The Upstream Oil Industry Analyst carries out studies and analyses on medium- to long-term oil supply, as well as assesses potential medium- to long-term supply capacity of OPEC and non-OPEC countries, and analyzes its main determinants (reserves, investment trends, technology advances, etc.). He/she monitors and analyzes the evolution of upstream-related costs and investments and their impact on exploration and production activities worldwide and contributes to the World Oil Outlook.

Required competencies and qualifications:
University degree (advanced degree preferred) in Petroleum Engineering, Petroleum Geology or related sciences; a minimum of eight years (six years in case of an advanced degree) in the field of oil exploration, production or reservoir engineering in an oil company or petroleum-related government agency; training/specialization in forecasting techniques and advanced upstream technology; good knowledge of planning and analyzing upstream activities, including modelling and/or project evaluation; basic knowledge of the environmental impact of upstream activities is an asset.
The post is at grade E, reporting to the Head of Energy Studies Department.

Alternative Sources of Energy Analyst

Application deadline: September 22, 2009

Responsibilities:
Within the Research Division, the Energy Studies Department is responsible for monitoring, analyzing and forecasting world energy developments in the medium and long term. It provides studies and reports on energy issues, monitors developments, energy demand and production-related technology, and assesses implications for OPEC. It facilitates and supports planning and implementation of collaborative energy-related R&D programs of OPEC Member Countries, as well as identifies prospects for OPEC participation in major international R&D activities. It provides effective tools for and carries out model-based studies for analyses and projections of medium and long-term energy supply/demand and downstream simulation, and elaborates OPEC's Long Term Strategy. It monitors, analyzes and reports on relevant national or regional policies, such as fiscal, energy, trade and environmental, and assesses their impact on energy markets. The Alternative Sources of Analyst studies, analyzes and evaluates developments of world non-fossil primary energy sources with particular attention to their technical and economic potential, technology, economics and drivers, such as policies, taxation, market structuring, strategies of key players, etc. He/she conducts studies on relevant issues of non-fossil sources of energy, including production, use by sector and region, as well as potential for fuel substitution. In addition, he/she assesses their impact on the world energy mix and on the demand for oil, and contributes to the World Oil Outlook.

Qualifications:
University degree (advanced degree preferred) in Energy Management, Economics, or in a relevant Engineering discipline; a minimum of eight years (six years in case of an advanced degree) in the field of energy studies; training/specialization in renewable and/or nuclear energy, as well as full-cycle cost evaluation and interfuel competition; knowledge of related environmental issues is an asset.
The post is at grade E reporting to the Head, Energy Studies Department.

Refinery and Products Analyst

Application deadline: September 12, 2009

Job description:
Within the Research Division, the Petroleum Studies Department is responsible for providing pertinent and reliable information and analyses in support of decision-making and policy-making in Member Countries. It carries out research programs and studies on short-term petroleum market developments with the aim of issuing reports on a regular, as well as ad-hoc basis, highlighting important issues for their use and consideration. It conducts regular forecasts, elaborates and analyzes oil market scenarios and prepares and publishes reports on these findings. It promotes OPEC's views and technical analysis on short-term oil market developments to the industry at large and the general public via the OPEC Monthly Oil Market Report, as well as other reports, presentations and related podcasts. The Department also prepares and contributes to reports to be submitted to the Economic Commission Board, the Board of Governors, the Ministerial Monitoring Sub-Committee, as well as papers for various OPEC publications. The Refinery & Product Analyst studies and analyzes refining operations and the product market. He/she studies short-term developments in the product markets, capacity expansion in the oil refining industry and other related industry for the support of petroleum products, and prepares periodic reports for meetings of OPEC organs.

Required competencies and qualifications:
University degree (advanced degree preferred) in Chemical Engineering or related Engineering with specialization in Energy Economy; a minimum of eight years (six years in case of an advanced degree); training/specialization in refining and analysis of international developments with emphasis on crude and product fundamentals; knowledge of energy modelling and basic knowledge of product markets.
The post is at grade E, reporting to the Head of Petroleum Studies Department.

Status and benefits for all officer positions:
Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Applications:
For all officer positions, applicants must be nationals of Member Countries of OPEC and should not be above 58 years of age. OPEC has a policy of non-discrimination which encourages qualified men and women to apply. Applicants are requested to fill in a résumé and an application form which can be received from their country's Governor for OPEC (see www.opec.org/home/vacancies/index.htm).

The Organization of the Petroleum Exporting Countries (OPEC) is seeking an experienced

Secretary

Main responsibilities: handles internal and external mail; drafts internal and external correspondence; follows up pending matters; finalizes Department's reports and presentations to meetings; schedules appointments; ensures maintenance of proper filing system.

Requirements:
Secondary school certificate plus special courses; five years work experience; proficiency in written and spoken English; knowledge of German an asset.

Skills and knowledge:
Proficient in Microsoft Office software (Word, Excel, PowerPoint, and Outlook); good communicator with very good interpersonal skills; able to take initiative.

Offer:
Commensurate remuneration package with tax-free benefits and six weeks annual leave.

Applications:
Applicants should send their updated curriculum vitae, recent photograph, current salary and referees to:

OPEC
Finance & Human Resources Department
Obere Donaustrasse 93
A-1020 Vienna, Austria
Or e-mail: recruitment@opec.org

Secretariat activities

Students from the King Fahd University in Saudi Arabia visited the OPEC Secretariat on July 8, 2009. Here accompanied by Dr Omar Farouk Ibrahim *(seated left)*, Head of OPEC's PR & Information Department; Fuad Al-Zayer *(seated right)*, Head of OPEC's Data Services Department; and Siham Alawami *(standing fourth from right)*, OPEC's PR Specialist.

OPEC Bulletin

is published ten times/year and a subscription costs $70. Subscription commences with the current issue (unless otherwise requested) after receipt of payment.

❒ **I wish to subscribe to the OPEC Bulletin for a one-year period**

OPEC Monthly Oil Market Report

Published monthly, this source of key information about OPEC Member Country output also contains the Secretariat's analyses of oil and product price movements, futures markets, the energy supply/demand balance, stock movements and global economic trends. $525 for an annual subscription of 12 issues.

❒ **I wish to subscribe to the MOMR for a one-year period** ❒ **Please send me a sample copy**

OPEC Annual Statistical Bulletin 2008

This 144-page book, including colour graphs and tables, comes with a CD-ROM featuring all the data in the book and more (for Microsoft Windows only). The book with CD-ROM package costs $85.

❒ **Please send me ..... copies of the OPEC Annual Statistical Bulletin 2007 (book plus CD-ROM)**

OPEC Energy Review

contains research papers by international experts on energy, the oil market, economic development and the environment.
Available quarterly only from the commercial publisher.
For details contact: Blackwell Publishing Ltd, 9600 Garsington Road, Oxford OX4 2DQ, UK. Tel: +44 (0)1865 776868; fax: +44 (0)1865 714591; e-mail: jnlinfo@blackwellpublishers.co.uk; www.blackwellpublishing.com. Subscription rates for 2007: **UK/Europe:** individual €143, institutional £350; **The Americas:** individual $159, institutional $589; **Rest of world:** individual £95, institutional £350.

Shipping address (please print in block letters):

Name:
Address:

Invoicing address (if different from shipping address):

Name:
Address:

How to pay:
Invoice me ❒ Credit card ❒ (Visa, Eurocard/MasterCard and Diners Club)
Credit card company: Credit card no: Expiry date:

Holder: Signature:

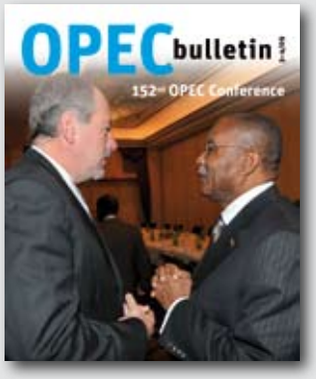
Please mail this form to:
PR & Information Department
OPEC Secretariat
Obere Donaustrasse 93, A-1020 Vienna, Austria

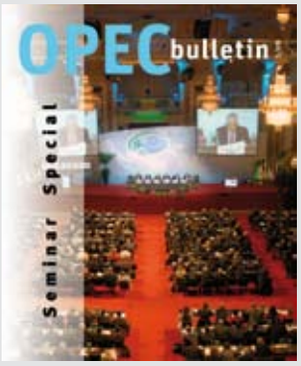
or telefax to:
PR & Information Department
+43 1 214 98 27

All prices include airmail delivery.

OPEC offers a range of publications that reflect its activities. Single copies and subscriptions can be obtained by contacting this Department, which regular readers should also notify in the event of a change of address:

PR & Information Department, OPEC Secretariat
Obere Donaustrasse 93, A-1020 Vienna, Austria
Tel: +43 1 211 12-0; fax: +43 1 214 98 27; e-mail: prid@opec.org





OPEC Bulletin
Annual subscription $70

To order, please fill in the form

OPEC Annual Statistical Bulletin 2008

144-page book with CD
Single issue $85
The CD (for Microsoft Windows only) contains all the data in the book and much more.

- Easy to install and display
- Easy to manipulate and query
- Easy to export to spread-sheets such as Excel

OPEC Monthly Oil Market Report

- Crude oil and product prices analysis
- Member Country output figures
- Stocks and supply/ demand analysis

Annual subscription $525 (12 issues)

OPEC Energy Review

(published quarterly) annual subscription rates for 2009:

UK/Europe:
individual €143
institutional £350

The Americas:
individual $159
institutional $589

Rest of world:
individual £95
institutional £350

Orders and enquiries:
Blackwell Publishing Journals,
9600 Garsington Road,
Oxford OX4 2DQ, UK.
Tel: +44 (0)1865 776868
Fax: +44 (0)1865 714591
E-mail: jnlinfo@
blackwellpublishers.co.uk
www.blackwellpublishing.com

Annual Report 2008
Free of charge

World Oil Outlook 2009
Free of charge