OPEC bulletin

7–8/05

Spotlight on Libya

Win-Win technology

Hit the road

King Fahd Bin Abdulaziz
1923–2005


Reuters

As this issue of the OPEC Bulletin was about to be published, it was announced that Saudi Arabia's King Fahd Bin Abdulaziz had died. He was born in 1923, the son of King Abdulaziz Al-Saud and died on August 1.

Here follows an official statement from the Saudi Ministry of Foreign Affairs received from the Royal Court:

"With all sorrow and sadness, the Royal Court in the name of Crown Prince Abdullah Bin Abdulaziz, the Deputy Premier and Commander of the National Guard and all members of the Royal Family and on behalf of the nation announces the death of the Custodian of the two Holy Mosques King Fahd bin Abdulaziz."

A further Ministry statement added: "In line with the fifth article of the basic rule system, members of the Royal Family pledged allegiance to Crown Prince Abdullah Bin Abdulaziz as the King of the Kingdom of Saudi Arabia."

King Fahd was the son of King Abdulaziz and became King of the Kingdom of Saudi Arabia on June 13, 1982, following the death of King Khalid. He was Minister of Education in 1953, Minister of Interior in 1962 and from 1967 Second Deputy Premier when he also started to chair cabinet meetings. He became Crown Prince and First Deputy Prime Minister on March 25, 1975.

He headed the following councils and commissions: The Cabinet, The National Security Council, The Supreme Petroleum Council, The Council of Higher Education and Universities, The Royal Commission for Jubail and Yanbu, The Supreme Youth Welfare Council, The Higher Commission for the Educational Policy, The Royal Commission for the Development of Madinah, The Higher Commission for King Abdulaziz City for Sciences and Technology. He was Head of the Council of the Royal Family and The Supreme Commander of the Armed Forces.

A TAXING ISSUE

The issue of downstream bottlenecks is very topical in the oil market at present and the direct impact this is having on industries and sectors that rely heavily on products to conduct their businesses is demonstrated in this issue of the *OPEC Bulletin on page 10.*

Here, the head of the International Road Transport Union (IRU) explains how high product prices are undermining operations for his members who are already subject to high levels of government taxation. As every driver knows, filling up your car can be an expensive business, but for road transportation companies, the costs of filling up fleets of lorries every day can be excessive.

The IRU believes that its members are being unfairly penalized by government fuel taxation policies. With road transportation mainly centered in consuming countries, the IRU says that many governments in these countries are not assuming their responsibilities with regard to transportation policy and thus affecting wider economic development. The future of the road transport sector is key to overall economic growth as it accounts for the transportation of 95 per cent of all goods around the world.

The IRU-OPEC meeting in Vienna is in line with the Organization's promotion of institutional co-operation with major stakeholders in the oil industry, including, of course, key consumers.

Win-Win Technology

Environmental issues are also covered in this edition *(see page 14),* namely, carbon dioxide (CO_2) capture and storage, whereby CO_2 is captured from stationary sources such as power plants and injected into geologic formations for long-term storage.

This is now viewed as one of the most promising technologies to reduce CO_2 emissions and, excitingly, the storage of CO_2 in depleting oil reservoirs could increase reserves through enhanced or improved oil recovery processes.

As this article explains, this technology represents a 'win-win' situation — offering the possibility to reduce a significant amount of emissions but at the same time to exploit oil reserves that would otherwise not be easy to access. OPEC is very interested in this technology for the obvious benefits it offers.

In today's world, oil must be cleaner, safer and more efficient than ever before. This means the focus must be on new technology. It is hoped that research now underway into CO_2 capture and its application for enhanced oil recovery will make it commercially viable on a widespread basis.

Technology will help expand sources of oil supply, reduce costs, improve oil-use efficiency and satisfy beneficial environment requirements. OPEC supports all efforts in this important area.


Reuters

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AP Photo

Vol XXXVI, No 7, July/August 2005, ISSN 0474–6279

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Hard copy subscription: $70/year

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

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

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Indexed and abstracted in PAIS International

Printed in Austria by Ueberreuter Print and Digimedia

UPSTREAM DOWNSTREAM

OPEC

The Socialist People's Libyan Arab Jamahiriya is hoping to encourage major investments in its oil and gas sector over the coming years as part of a plan to boost oil and gas production and also create integrated energy projects.

OPEC Bulletin spoke to Secretary of the People's Committee for Energy, HE Dr Fathi Hamed Ben Shatwan about these plans.

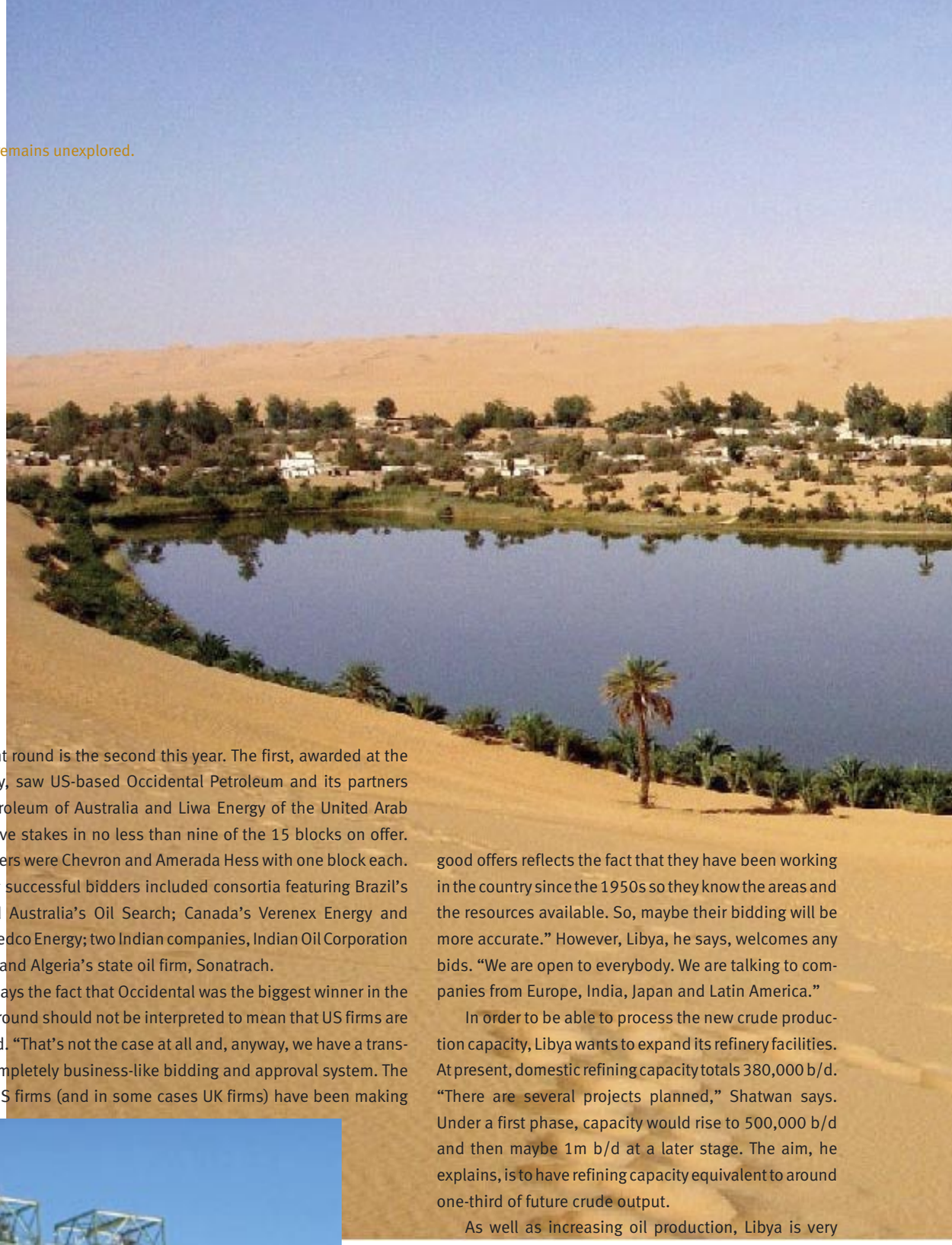
In April Libya's National Oil Corporation (NOC) invited bids for 44 blocks in the second international licensing round since the lifting of sanctions. According to Shatwan, the response received so far from international oil companies (IOCs) has been very positive.

The NOC has held two meetings in London and Tripoli and details and data relating to the blocks (see **Table 1**) have been viewed by over 120 companies. "We are now in the process of receiving the IOCs," Shatwan said. Bids have to be submitted by October 2 and an opening ceremony will be held — in public — with the winners announced at the end of that meeting. Contract agreements will be signed during the first half of November.

Shatwan said the round represented "a very big opportunity for Libya to increase reserves and production capacity" and that further rounds would be held in the future although no dates for these had yet been set.

The new acreage offered in the second round will, Libya hopes, help it achieve a planned target production capacity of 3 million barrels/day from 2010 although Shatwan admits, "it is difficult to put a precise figure on future production."

Libya's possible reserves are viewed as much higher than those already identified because large parts of the country remain unexplored. As a result, the potential for future oil and gas success is viewed as high, especially as the country has some of the lowest oil recovery costs in the world. As Shatwan points out, "one-third of the area of the eight basins in Libya is still viewed as virgin territory, so we have a lot of exploration work to do."



Much of Libya remains unexplored.

The current round is the second this year. The first, awarded at the end of January, saw US-based Occidental Petroleum and its partners Woodside Petroleum of Australia and Liwa Energy of the United Arab Emirates receive stakes in no less than nine of the 15 blocks on offer. Other US winners were Chevron and Amerada Hess with one block each. The remaining successful bidders included consortia featuring Brazil's Petrobras and Australia's Oil Search; Canada's Verenex Energy and Indonesia's Medco Energy; two Indian companies, Indian Oil Corporation and Oil India; and Algeria's state oil firm, Sonatrach.

Shatwan says the fact that Occidental was the biggest winner in the first licensing round should not be interpreted to mean that US firms are being favoured. "That's not the case at all and, anyway, we have a transparent and completely business-like bidding and approval system. The fact that the US firms (and in some cases UK firms) have been making good offers reflects the fact that they have been working in the country since the 1950s so they know the areas and the resources available. So, maybe their bidding will be more accurate." However, Libya, he says, welcomes any bids. "We are open to everybody. We are talking to companies from Europe, India, Japan and Latin America."

In order to be able to process the new crude production capacity, Libya wants to expand its refinery facilities. At present, domestic refining capacity totals 380,000 b/d. "There are several projects planned," Shatwan says. Under a first phase, capacity would rise to 500,000 b/d and then maybe 1m b/d at a later stage. The aim, he explains, is to have refining capacity equivalent to around one-third of future crude output.

As well as increasing oil production, Libya is very keen to continue to explore its gas potential. Here too, the country is viewed as under-explored. Several of the blocks in the current second round are gas-bearing.

"We are relatively new to gas production and we want to expand and increase this in the future." Reserves could be as high as 100 trillion cubic feet. As well as increasing domestic gas supplies, particularly for power gen-

Left: Polyethylene plant in Libya.

eration, Libya's location, just to the south of one of the world's major gas consuming markets, Europe, means there is great potential for the country to join fellow OPEC Member Country and neighbour, Algeria as a major supplier of gas (both liquefied natural gas (LNG) and pipeline) to the region and beyond.

In May, the NOC and Shell Exploration and Production Libya announced a long-term agreement for a major gas exploration and development deal. As well as exploration work on five blocks, Shell will modernize and upgrade the existing LNG plant at Marsa Al-Brega at a minimum cost of $105m, possibly rising to $450m to boost output from 700,000 to 3.2m tonnes per year. Depending on gas availability, Shell will also jointly develop with the NOC a new LNG plant.

"We are looking at several LNG projects and also some integrated upstream and downstream gas projects," Shatwan says, adding that he expects future ventures similar to the Western Libya Gas Project (WLGP) which exports gas to Italy under a 50:50 joint venture between the NOC and Italy's ENI.

"Previously, our power plants used heavy oil and now we are changing to gas and also want to increase local consumption through a domestic gas network," Shatwan says. "We also want to use the new gas as a feedstock for petrochemical projects as well as LNG and pipeline exports."

He adds: "We expect we will find very large gas reserves. We estimate them to be around 47tr cu ft right now but we think this figure could be trebled and our role as a gas supplier will become much bigger. We want to increase gas sales to our traditional market, Europe, but also create

Right: SPLAJ Secretary of the People's Committee for Energy, HE Dr Fathi Hamed Ben Shatwan (l) and Libyan OPEC Governor, Hammouda M El-Aswad (c) examine an oil facility.


OPEC

new supplies to the Middle East and China, India, Japan and even the US. We also want to work with our neighbours in Algeria and Egypt."

Shatwan explains that integrated gas projects are a main focus for Libya at present. "This is our new strategy in both oil and gas and energy in general. We want to connect the upstream and the downstream."

He adds: "Most [foreign] companies come to Libya for the upstream because obviously there's a lot of profit to be made but many don't like to work downstream. However, we want to see more integrated projects similar to the agreement we have with Shell."

Achieving all these new projects will not only require financing (this has been estimated at as much as $30 billion in the present decade alone) but also mean easing the path for foreign investors. Shatwan says much work in this area has been carried out such as the new terms and conditions and contract signing process.

"We want to make investment in Libya as easy as possible. We are working very hard on a new strategy for investments and also amending the existing hydrocarbon law. We have also speeded up the approval process for licensing rounds thanks to the open bidding system. We used to have direct negotiations, which could take years, but now they only take one month. The energy sector in Libya has changed, we have become more transparent and we are making life easy for the IOCs."

Contracts awarded under the first licensing round in January were made under the framework of Libya's Exploration and Production Sharing Agreement IV model (EPSA-IV). However, both this and the existing hydrocarbon law are under review, Shatwan says.

"We are open to all types of agreements. In the future, we are going to have two types of service agreement — one with risk and one without. Our future strategy is to have different agreements not just EPSA-IV — and the whole system will be transparent."

Transparency and a simplified bidding process as well as the various new agreement frameworks will all be enshrined in the new hydrocarbon law, Shatwan says. "We are going to simplify all the rules and procedures and that will be reflected in the new law."

Left: Ethylene plant in Libya.

Right: Libya wants to create major integrated energy projects in the country to develop its existing petrochemical sector.

All photos except otherwise credited NOC.

Table 1: Second licensing round details

			Exploration programme			
Basin	**Area no**	**Block no**	**2D seismic**	**3D seismic**	**wells**	**commitment $ m**
Offshore	2	1 + 2	1,000	1,000	1	21.0
	17	3		1,000	3	42.0
		4	1,000	500	1	18.0
	40	3 + 4	1,000	500	2	32.0
	44	1–4	1,000	1,000	1	22.0
Cyrenaica	42	1 + 3	2,500		1	21.5
		2 + 4	2,500		1	21.5
	94	1–4	3,000		1	24.0
Ghadames	81	1	500	500	1	12.5
		2	500	500	1	12.5
	82	3	1,200		1	10.0
		4	500	500	2	16.5
Sirte	102	3	1,000	500	1	17.0
		4	1,000	500	1	17.0
	121	2	1,500		1	13.5
	123	1	700	500	1	15.5
		2	500	500	1	14.5
		3	700	300	2	19.1
Murzuq	146	1	750		2	13.75
	147	3 + 4	500	300	2	16.1
	161	1	1,500		1	12.5
		2 + 4	2,000		2	20.0
	176	3	2,000		1	15.0
		4	2,000		1	15.0
Kufra	171	1–4	2,000		2	26.0
	186	1–4	2,000		2	26.0
Total		**44**	**32,850**	**8,100**	**36**	**494.45**

Source: NOC.

Reuters

Hit the Road

By Umar Gbobe Aminu and David Townsend

The Secretary General of the International Road Transport Union, Martin Marmy, has spoken of the need for co-operation between oil producers and consumers in order to ensure a more stable oil market. The OPEC Bulletin spoke to Marmy about this and other issues on his recent visit to the OPEC Secretariat.

The International Road Transport Union (IRU) was formed in 1948 with the mandate to "assist bus and coach as well as taxi and truck operators throughout the world" and "to ensure the mobility of people and goods." Based in Geneva, Switzerland, the Organization provides information on issues affecting the business of its members who include national road transport associations around the world as well as vehicle manufacturers, combined transport companies and similar bodies.

As Marmy explains, the road transport sector is unique in that it depends "100 per cent" on oil — it is also responsible for the transportation of 95 per cent of all goods around the world making it a vital component of the global economy.

"We have no alternative to oil and at the same time, we have a responsibility towards society to make road transport as reliable as possible. We have become a production tool, thanks to globalization and the increasing liberalization of economies and transport sectors. We are a fully integrated part of the production process and, therefore, it is our task to make transport possible for society at large."

Marmy says that any "penalties" imposed on the road transport sector — either in the form of government taxation, punitive transport infrastructure policies or, for that matter, high oil prices — "affect not just our members but wider economic development as a whole. Therefore, we need to work hand in hand with both governments and also oil suppliers because, I repeat, there can be no transport without oil."

Unfair taxes

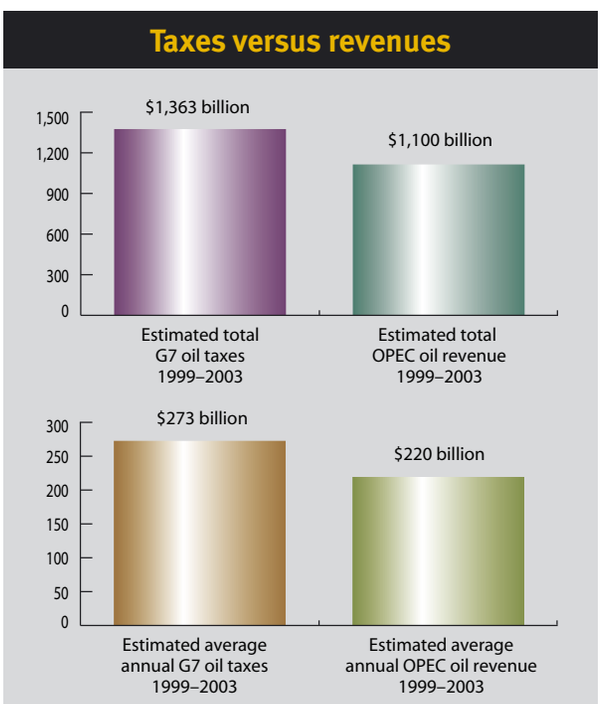
According to IRU data, the international road transportation sector accounts for between seven and eight per cent of total global oil consumption. "We are not the biggest consumer, but we are the only sector that depends 100 per cent on oil. Governments in consuming countries know that very well and so they tax us far more than other sectors."

In addition, if governments in consuming countries fail to correctly address issues such as road capacity and do not remove bottlenecks in transportation, this also affects IRU members. This, Marmy believes, is a form of "double taxation."

But what of the argument made by several governments that the reason road transportation is highly taxed is due to its environmental impact and the fact that it is a high user of government resources in terms of roads and transport links?

Marmy claims this argument is misleading. He points

Mr Martin Marmy (r) with OPEC Acting for the Secretary General, Dr Adnan Shihab-Eldin.



Source: Research Division, OPEC, Vienna, Austria, 2004.

Reuters

out that in the UK, which has a high level of road transportation, the government is taking £56 billion in road taxes but only spending something like £4bn on roads each year. "So, they're not investing in road infrastructure and thus creating bottlenecks, which, in turn, create problems with carbon dioxide."

Bottlenecks in refining capacity are also cause for concern for the IRU. A shortage, particularly in middle distillate supplies in key petroleum product consuming countries, is a major factor in the current high oil price. In addition, Marmy describes the present oil market as "a speculative one."

He adds: "There is too much talk of high oil prices and consumers are stock-piling unnecessarily. This is making it extremely difficult, from an analytical point of view, to evaluate how much product is available. This has created a very unstable situation and also represents another penalty for our industry because we cannot store fuel nor can we speculate because we have no alternative [to oil]."

Consuming governments, Marmy believes, should be using road tax revenues to diversify their oil consumption patterns or invest in new road infrastructure; but, this, he claims, is not the case today. Furthermore, value-added tax, also a large component of the fuel price paid by consumers, acts as a further penalty to the road transportation sector.

Consumer/producer co-operation

Against this background, Marmy says his visit to the OPEC Secretariat, where he met with Acting for the Secretary General, Dr Adnan Shihab-Eldin, had underscored the need for co-operation between oil producers and consumers in order to ensure a stable oil market.

"The main topic of our talks was to demonstrate that we share a responsibility in the stabilization of the oil market and that it is not the responsibility of just the IRU

or OPEC, it's also up to consuming countries. Road transportation is mainly centred in consuming countries and, in my view, many of the governments of these countries are not assuming their responsibilities, particularly when it comes to diversification of energy markets."

Dr Shihab-Eldin welcomed the views expressed by the IRU and noted that OPEC has always encouraged the promotion of this kind of institutional co-operation with major stakeholders in the oil industry, including, of course key consumers. He welcomed the opportunity afforded by the IRU's visit to interact directly with oil consumers in the transportation sector and said that OPEC had expressed its commitment to market stability.

Shihab-Eldin added OPEC was doing all it could to provide a stable supply of oil to the market but that current constraints due to refining bottlenecks in major consuming countries continued to affect the market. In addition, the failure of major consuming countries to invest in new refineries and upgrade existing capacity was a cause for concern. The ASG also said he had highlighted to the IRU some of the misconceptions surrounding crude oil prices and the price of petroleum products (see graphs).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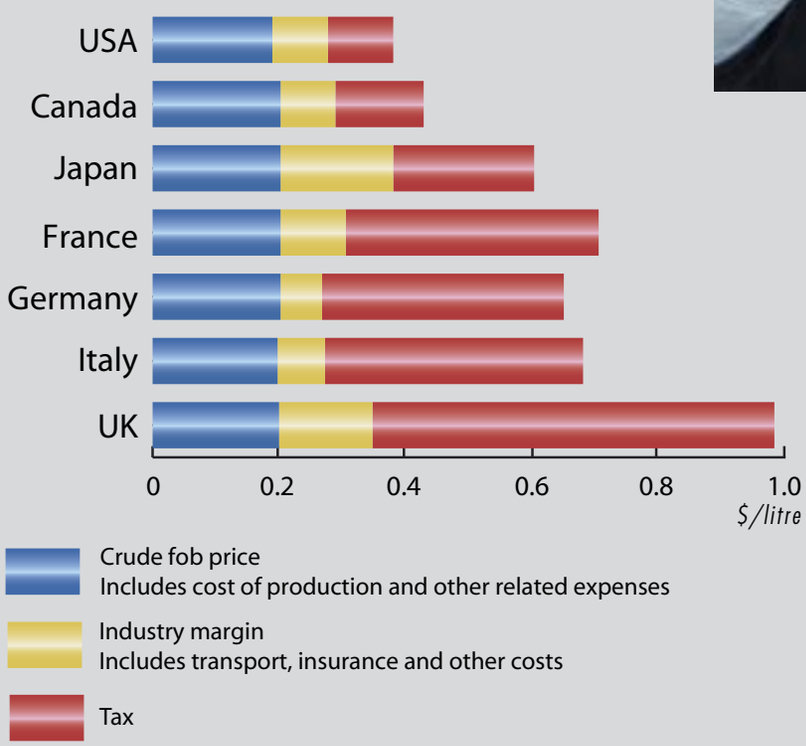
Who gets what from a litre of oil in the G7?



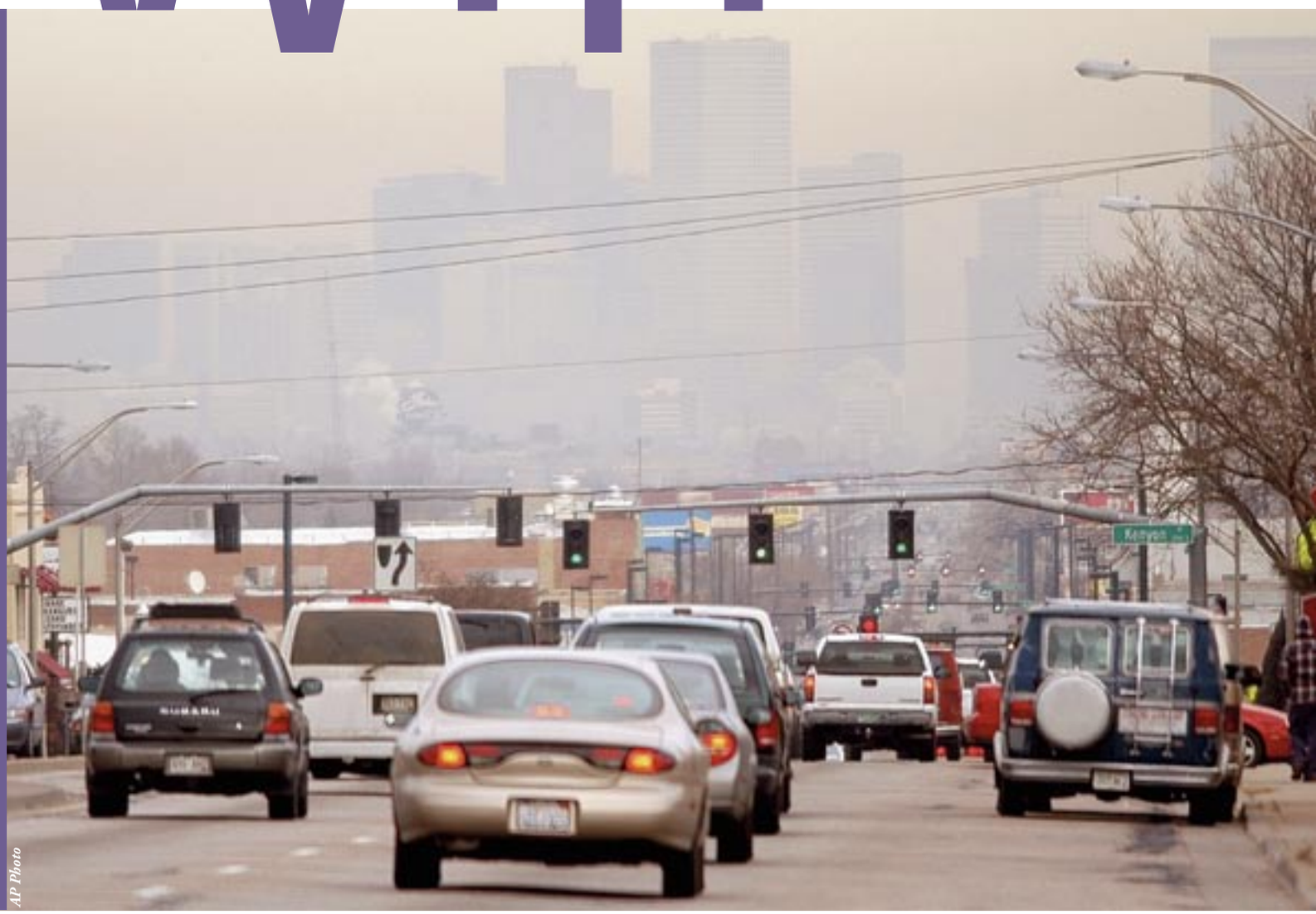
Figures are estimated prices in US dollars per litre for the year 2004 until the end of September 2004. Unleaded premium (95 RON) gasoline for France, Germany, Italy, UK; regular unleaded gasoline for Canada, Japan and USA.
Source: Research Division, OPEC, Vienna, Austria, 2004.

Win–

AP Photo

Carbon Dioxide (CO_2) Capture and Storage (CCS) whereby CO_2 is captured from stationary sources such as power plants and injected into geologic formations for long-term storage is viewed as one of the most promising technologies to reduce CO_2 emissions.

-Win



AP Photo

In addition, the storage of CO_2 in depleting oil reservoirs could increase reserves through enhanced or improved oil recovery processes.

The perceived threat of global warming caused by increasing emissions of CO_2, methane and other greenhouse gases is driving policies geared towards achieving reductions in the emission of these gases. This has led to considerable international resources being dedicated to the development of technologies and policies related to reducing greenhouse gas emissions.

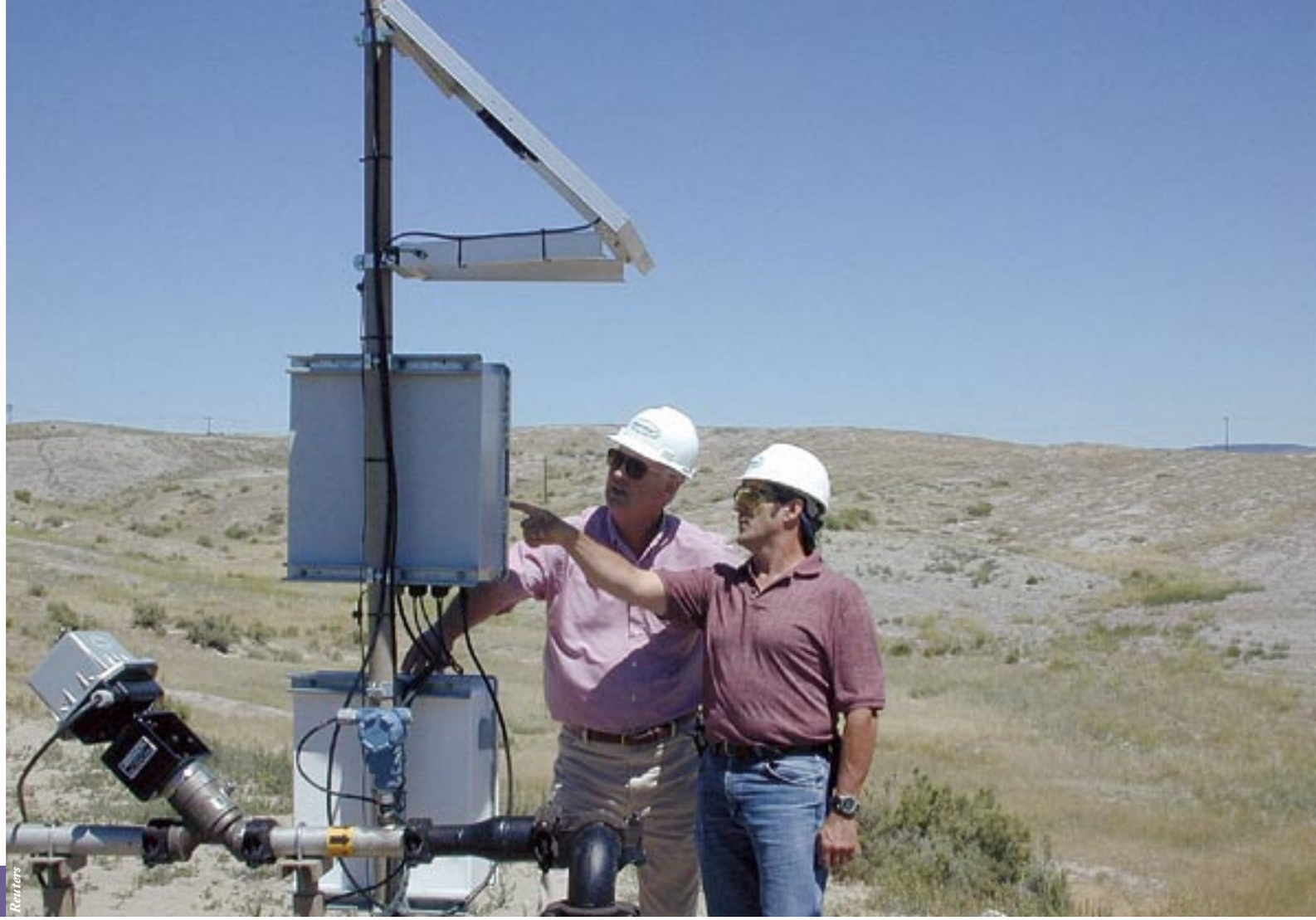
CCS is a means of reducing CO_2 emissions from power plants and stationary industrial sources. Over 60 per cent of global CO_2 emissions come from power plants and stationary industrial sources. If a large portion of these emissions could be captured and stored, then it would place the world on a path towards stabilization of CO_2 in the atmosphere. Also, if the CO_2 could be injected into depleting oil reservoirs, it could increase recovery through an enhanced oil recovery (EOR) process. The technology is of interest to both oil producers and consumers as it will help both to reduce CO_2 emissions and, in the case of producers, could also be of benefit in terms of EOR.

Capture technologies have been used for many years to remove CO_2 from natural gas prior to sales or liquefaction. Also, geologic formations are already commonly used to store natural gas and for waste disposal while CO_2 EOR is a mature technology widely used in parts of the US and Canada.

In the West Texas Permian, 28 million tonnes per year of CO_2 are being injected into oil reservoirs through a 2,500-kilometre pipeline network. EOR is responsible for 20 per cent of the region's oil production. However, what is new is the use of these technologies for the additional purpose of reducing CO_2 emissions.

OPEC is very interested in the possibilities the technology represents. The Organization, together with the World Petroleum Congress, held a workshop on CO_2 Capture and Storage, CO_2 for EOR and gas flaring reduction in Vienna in June 2004. The process was also highlighted at OPEC's first meeting in April of the officials of Petroleum Research and Development (R&D) Institutions

The CO_2 plant at the Weyburn Demonstration Project, Canada.



An Anadarko Petroleum well that pumps CO_2 into the old Salt Creek oil field in Wyoming, USA.

in OPEC Member Countries (MCs) and a Working Group of MC research officials has been formed to co-operate on the development of carbon management technologies.

The potential CCS offers is substantial; the International Energy Agency (IEA) estimates that the global CO_2 storage potential in depleting oil and gas reservoirs is close to 1,000 gigatonnes (gt) — about 25 years' worth of CO_2 emissions at today's rate. Storage potential in deep saline aquifers is even greater — up to 10,000 gt.

Three major hurdles, however, will have to be overcome before CCS can achieve widespread use as a means of reducing greenhouse gas emissions. These are: the high cost of capture — existing technologies are expensive and can reduce power plant efficiency; concerns over the safety and security of storage of large volumes of CO_2; and the absence of any commercial incentives to avoid CO_2 emissions.

Research into CCS has been under way for some time to find ways to overcome the cost and security of storage challenges. The IEA Greenhouse Gas Reduction Programme was formed in 1991 to conduct co-operative R&D on technologies capable of making large reductions in greenhouse gas emissions. Its primary role with respect to CCS is to review and report on technologies being developed by others, facilitate technology R&D, look for gaps in R&D efforts, and work to fill the gaps to ensure that all relevant aspects of the problem are being worked.

In 2002, the CO_2 Capture Project was formed by a consortium of eight energy companies and four government organizations which hope to achieve major reductions in CCS costs. The members of this group are: BP, Chevron, EnCana, ENI, Hydro, Shell, Statoil, Suncor, the US Department of Energy, the Norwegian Research Council (Norges Forskningsråd), the European Union

(EU) Research Directorate General Programme and the EU Energy and Transport Programme.

Another group carrying out research is the Carbon Sequestration Leadership Forum, initiated by the US government in 2003. This is focusing on facilitating international co-operation on the development of improved and cost effective technologies for the separation and capture of CO_2 transport and long-term safe storage. The group aims to make these technologies available internationally and identify and address wider issues relating to CCS. Members include: Australia, Brazil, Canada, China, Colombia, the European Commission, France, Germany, India and Italy

There are also two commercial-scale demonstration projects for the injection of captured CO_2 into saline aquifers — the In Salah project in Algeria and the Sleipner project in Norway. In Salah is a joint venture between Sonatrach and BP and is the first gas development in the region that will store CO_2 captured from a gas sales stream.

> The IEA estimates that the global CO_2 storage potential in depleting oil and gas reservoirs is close to 1,000 gigatonnes — about 25 years' worth of CO_2 emissions at today's rate.

The Sleipner project operated by Statoil was conceived in 1991 and, since it started in 1996, one million tonnes of CO_2 per year have been injected into the aquifer. The EU has also sponsored a research project to monitor the movement of CO_2 which has resulted in improved confidence that saline aquifers represent a long-term storage option.

Meanwhile, the UAE's Abu Dhabi National Oil Company (ADNOC) has carried out a CO_2 injection study in the western area of the Upper Zakum field and evaluated ways for its use in EOR, concluding that this is technically feasible.

ADNOC says the objective of its studies in this area are "in line with [our] long-term strategy to enhance oil recovery by injecting carbon dioxide into oil reservoirs to protect the environment by reducing emissions of greenhouse gases and to conserve hydrocarbon gas resulting from CO_2 use as a substitute of hydrocarbon gas for injection into reservoirs." Indonesia has also carried out CCS-EOR studies at one of its basins, East Kalimantan, and Qatar Petroleum has done research in the field.

There is one prominent demonstration project in using captured CO_2 for EOR, the Weyburn Demonstration Project in Canada *(see picture page 16),* which uses CO_2 captured from a gasification plant. Currently 105m cf/d of CO_2 is being purchased and injected and incremental oil production from the EOR process has reached 9,000 b/d out of 22,000 b/d in total for the field.

Although it was designed as a research project, the field response to CO_2 injection has been so positive that the project is economic on its own at 2004 oil price levels. In addition, an extensive data base has been compiled to assess the issues around risks of leakage and remediation.

Meanwhile, in April, the US DOE's Office of Fossil Energy released six basin-oriented studies which examined the potential to economically recover the oil remaining in mature fields in the US using CO_2 EOR technologies.

The six regions have a technically recoverable potential of 43 billion barrels using the latest CO_2-EOR technologies. The DOE believes that the emerging, advanced EOR technologies could double the incremental oil recovery.

The process was first attempted in 1972 in large scale at the SACROC unit of the Kelly-Snyder field in Scurry County, Texas. Today CO_2-EOR is only used in a few regions of the US, primarily in West Texas and southern Wyoming.

Elsewhere, the Norwegian Petroleum Directorate completed a study earlier this year on behalf of the Ministry of Petroleum and Energy into the possibilities of implementing projects with injection of CO_2 for IOR in the Norwegian Continental Shelf (NCS). This report concluded that although the process was technically feasible, it does not represent a commercial alternative for IOR at this moment in time. However, it should be noted that costs will be significantly higher offshore than onshore and NCS operators would not at present benefit from any government incentives to launch such projects.

The cost of CO_2 capture has fallen in recent years and new technology is expected to reduce this even further.

Reuters

Considerable international resources are being dedicated to the development of technologies and policies related to reducing greenhouse gas emissions.

Now, with the prospect that CO_2-based EOR projects could prolong global oil production and increase recovery in fields already discovered, interest in the technology is growing rapidly.

It is true that large-scale CO_2 EOR would require huge infrastructure investments to transport the captured CO_2 from major sources to the oil fields. However, these costs are expected to fall as technology improves and the overall cost has to be viewed against increased revenues from EOR not to mention, of course, the immeasurable benefits the technology could bring in helping reduce CO_2 emissions.

While research is relatively new and there are significant challenges to be overcome, the potential the technology offers makes it a very attractive prospect.

This article is part of an occasional series of features planned in the OPEC Bulletin that will look at areas of interest around technology in the oil and wider energy sector. The OPEC Bulletin would welcome contributions in this area for possible inclusion in future editions.

Iran, Iraq sign energy deal


Reuters

The Islamic Republic of Iran has signed an agreement with Iraq to swap crude for petroleum products. The deal was signed during a meeting in Tehran between Iraq's Minister of Oil, HE Dr Ibrahim Bahr Alolom, and his Iranian counterpart, HE Bijan Namdar Zangeneh.

The agreement will require the construction of three new pipelines running across the two countries' common border in the south. One will transport Iraqi crude from Basra to Iran's Abadan refinery with an initial capacity of 150,000 barrels per day although Zangeneh said a proposal to increase this to an eventual 370,000 b/d had also been agreed.

Of the two products' pipelines, one will carry imported gasoline from the Iranian port of Mahshahr to Basra, and the other, Iranian fuel oil and kerosene from the Abadan refinery to the southern Iraqi city. A contract for the construction of the pipelines was expected to be awarded by the end of August. All financing will be provided by Iran and construction of the pipelines is expected to be completed within 10 months. The deal will help alleviate Iraq's current shortage of refined petroleum products.

As well as the pipeline agreement, Iran is also extending a $1bn credit facility to Iraq to help increase Iranian exports to the country, in particular engineering and technical products. The facility will be backed by Iran's Export Guarantee Fund with repayment to be made by the Trade Bank of Iraq at low interest rates.

In addition, a memorandum of understanding was signed covering co-operation in industrial and mining activities between the two countries and five working groups are to be formed to study future areas of mutual interest, including economic, political and security issues. Alolom was reported as saying that talks would also begin on the possible linking of the two countries' electricity networks as well as future co-operation in Iraq's oil industry.

Iraq oil plans proceeding

Right: Discussions on various oil projects have already been held with IOCs.

Left: Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh (l), talks to Iraq's Minister of Oil, HE Dr Ibrahim Bahr Alolom, during their meeting in Tehran.

Iraq's Ministry of Oil is working on plans that will eventually permit the return of international oil companies (IOCs) to the country. Preliminary talks have been held in recent weeks based on the Ministry's already stated intention to build strong relations with IOCs and increase oil production to between 5 million and 6 million barrels per day by the end of this decade *(see OPEC Bulletin 5/05, page 4)*.

In July, Ministry spokesman, Asim Jihad, was quoted as saying that 11 oil fields were being considered as possible targets for IOC investment. These would be used to increase production to around 3m b/d — around the level prior to the US-led invasion of Iraq.

Options being considered include a possible licensing round similar to that being used by Libya this year *(see article on p4)*. Jihad suggested that the fields would be awarded on a competitive basis and that the Ministry was also interested in encouraging investment in Iraq's refining sector.

Initial discussions on upstream projects have been held with several IOCs including Russia's Lukoil, which met with Iraq's Minister of Oil, HE Dr Ibrahim Bahr Alolom, in early July. Ministry spokesman Jihad said the Russian company was interested in co-operating in both oil and power projects. Lukoil is one of several IOCs that had signed contracts with Iraq for oil field development in the years leading up to the US-led invasion. These contracts were unable to be realized because of sanctions imposed on Iraq.

Separately, Irish independent Petrel Resources said in July that it was in talks to extend its area of exploration interest in Iraq. Any new acreage will be under the transitional Technical Co-operation Agreement developed by the Ministry while future energy policy is being determined. The company also said that Ministry officials were satisfied with technical and commercial clarifications made to its Subba and Luhais oil field development tender of late 2004.

It has been suggested that Iraq will need as much as $25bn in foreign investment to rebuild its oil and gas sector and return output to its previous peak level of around 3m b/d. The Ministry has said that $11.5 billion of damage has been caused to the country's oil infrastructure since the US-led invasion.

The latest quarterly update from the US

Iraq's Ministry of Oil wants to encourage investment in the country's refining sector.

State Department to the US Congress, released by the Bureau of Resource Management, said that Iraqi crude production and exports had remained essentially unchanged from the previous quarter, at about 2.1m b/d and 1.4m b/d, respectively.

The report, which covers the three months to the end of June, noted that the Interim Transitional Government was addressing security, technical and operational issues and had assigned a capital budget to provide funds for field development and production facilities, pipelines for refining and export and increased refining capacity.

It said that the Ministry had been able to "move forward" on a number of rehabilitation and maintenance projects during the quarter. In particular, the restoration of the pipeline crossing over the Kirkuk canal and Tigris River at Bajii, has the potential to significantly increase Iraqi oil production. The Ministry has identified funding and contractors for this work, which, when completed, will allow Iraq to increase oil production and exports in the north by 200–300,000 b/d.

Meanwhile, the US-Iraq Joint Commission on Reconstruction and Economic Development (JCRED) held a meeting in Amman, Jordan in the middle of July. JCRED Regional Director, Carl Kress and Alolom, jointly announced the development of a $2m training programme for the Iraqi oil and gas sector. The programme was developed following a meeting in Washington, DC, last December, when the then Interim Government formally requested US Government assistance in modernizing the institutional and technical operations of its oil and gas sector.

The programme is the result of extended and close discussions between Iraqi and US Government officials to: develop a training programme that addresses the immediate term training needs of the Ministry of Oil; provide a road map for longer-term training that could be instituted by the Ministry as part of its human resources management and development strategy; and provide a foundation for continued linkage between the Ministry and US organizations in the areas of knowledge and expertise in oil sector management and operations. Specific training programmes have been designed in the areas of management, technical operations, and human resources.

Saudi-Chinese energy co-operation

China's rise as an economic power has been one of the most important global developments of recent decades.

Abdallah S Jum'ah

Reuters

The ground-breaking and signing ceremony for the $3.5-billion Fujian Integrated Refining and Ethylene joint venture Project (FREP) has been held in Quanzhou, China, with the President and Chief Executive of Saudi Aramco, Abdallah S Jum'ah, praising the level of co-operation between the two countries.

The ceremony marked the beginning of construction of the FREP and the formal signing of the joint-venture agreement for the project by partners Fujian Petrochemical Company, 50 per cent; ExxonMobil China Petrochemical, 25 per cent; and Aramco Overseas, 25 per cent.

"Given the tremendous economic growth of your nation, and the extensive petroleum reserves and production capabilities of ours," Jum'ah said, "the bonds that join us together are among the most important energy relationships on the planet. These strong ties have not only contributed to the economic well-being of our nations but have served to strengthen the global economy as a whole."

The Chinese government approved the project, located in QuanGang district in Quanzhou City in south-eastern China's coastal Fujian province, in September 2002, and in August 2004, the three joint- venture partners signed the front-end loading agreement and officially started the basic design of the project.

The Chinese Government's Ministry of Commerce is reviewing all documents, and the joint-venture company is expected to be formed by year's end with the project expected to be completely operational by the end of 2008.

It will dramatically increase Fujian Petrochemical Company's existing 4 million tons per year, or 80,000 barrels per day, refining facilities by adding 8m t/y (160,000 b/d) of refining capacity. The plant will be able to process sour crude mainly supplied by Saudi Aramco.

AP Photo

China's strong economic growth is fueling an unprecedented level of demand for energy in the country.

New processing units and corresponding utilities will also be built to support production of 800,000 t/y of ethylene, 650,000 t of polyethylene, 400,000 t of polypropylene, 700,000 t of paraxylene, and 1m t of aromatics. Construction is also under way on a 300,000 t/y crude terminal. Ultimately, the plant will produce 7m t/y combined of high-quality product, including gasoline and diesel that meet Euro-III Emission Standards.

Mechanical completion of the refining units is projected by the end of 2007, with commercial start-up one year later. Mechanical completion of the chemical units is planned by the end of July 2008, with start-up by December 2008.

Saudi Minister of Petroleum & Mineral Resources, HE Ali I Al-Naimi, said: "The Kingdom of Saudi Arabia and the People's Republic of China have strong mutual relations in the oil industry, and it is expected that such co-operation will grow stronger during the next few years, due to that fact that Saudi Arabia is China's largest supplier of oil." Currently, China's imports of Saudi oil have reached 450,000 b/d — a figure that is expected to increase.

Jum'ah said the rise of China as an economic power "has been one of the most important global developments of recent decades." In 2004, China accounted for one third of global growth in petroleum demand, overtaking Japan as the world's second largest oil consumer — behind the US.

"By 2030, Chinese oil consumption is expected to more than double, rising to over 13m b/d," he said. "Even more critically, China's oil imports will increase nearly five-fold over the same period, to nearly 10m b/d — roughly equivalent to the United States' current crude oil imports."

Saudi production plans

Jum'ah said that, in addition to Saudi Aramco's 260bn b of oil reserves, potential recoverable oil is expected to be in the range of 200bn b. "At current production levels our reserves will therefore translate into well over a century's worth of oil.

Production capacity is also expanding rapidly. "Before the end of the decade, we will expand Saudi Aramco's production capacity from 10.5m to 12m b/d — with scenarios to boost this to even 15m b/d, if required," Jum'ah said. "We already have in progress a half dozen oil production projects that represent a combined production capacity of more than 3m b/d, some of which will offset natural decline while the remainder will serve to expand our total production capacity." The initiatives will allow Saudi Aramco to maintain a surplus capacity of between 1.5–2m b/d.

Energy links between the two countries are well-established. In 2004, China's SINOPEC entered into a partnership with Saudi Aramco to explore for non-associated gas in the Kingdom's Empty Quarter. Saudi Aramco is also exploring the feasibility of developing a new grassroots refinery with Sinopec in Qingdao, Shandong Province, China.

Right: Kuwait is modernizing two of its existing refineries, including Al-Ahmadi, shown here.

Kuwait ups new refinery capacity

Kuwait's Supreme Petroleum Council has approved an increase in the production capacity of the new refinery to be built in the country to 600,000 barrels per day. When, the new project was announced in April, the capacity had been put at 450,000 b/d or above. As a result, the cost of the new refinery has also risen and is now estimated at 1.85 billion Kuwaiti dinars ($6.3bn).

Kuwait plans to increase refining capacity to over 1.2m b/d by 2010 from 930,000 b/d at present. Kuwait Petroleum Corporation (KPC) plans to spend over $8bn modernizing two of the countries existing three refineries — Al-Ahmadi and Mina Abdullah — as well as constructing the new facility. Once the new refinery comes on stream in 2010, Kuwait's 200,000 b/d Shu'aiba plant will be shut down.

In early July, international companies were invited to pre-qualify for the lump-sum turnkey contract to build the new refinery and, at the time of writing, eight were reported to have pre-qualified. The deadline for pre-qualification was in early August. Bids are expected to be invited early in 2006. KPC has selected the US Fluor Corporation to provide front-end engineering and design services for the new refinery.

While Shu'aiba's petroleum refining operations will end, the site is to become home to a major petrochemical complex. In July, the Kuwait Olefins Company awarded a contract to Technip for the construction of an 850,000 tonne per year ethylene plant at the new Olefins-2 Petrochemical Complex. The plant will play an important role in Kuwait's programme to significantly increase ethylene derivatives production by 2008.


AP Photo

Meanwhile, Kuwait Oil Company (KOC) has made a new 45° API, light-crude discovery at the Sabriya field in the north of the country on well SA-215, which flowed at over 3,000 b/d. The field is part of the Marat formation which the company believes will hold future significant hydrocarbon potential. KOC Chairman, Farouq Al Zanki said this was the second well on the field with another discovery made two years ago at the same depth producing 4,000–5,000 b/d. The two discoveries are an extension of the Jurassic layer in Al Sabriya field.

in brief

Nigeria ultra-deep discoveries

Shell has made discoveries in two 'Big Cat' prospects in deep-water frontier areas offshore Nigeria. Bobo-1X was drilled in block OPL 322, to a depth of 5,173 metres in 2,479 m of water, the second deepest well in offshore Nigeria. Drilling found over 140 m of hydrocarbon-bearing sands. Etan-1X was drilled in block OPL 245 to a total depth of 4,574 m in 1,720 m of water. The well logged 120 m of hydrocarbon bearing sands. The wells were drilled by Transocean's rig, the Deepwater Pathfinder, under a sharing initiative with other Nigeria-based operators.

Angola Kizomba B on stream

ExxonMobil has started production of the $3.5 billion Kizomba B project to develop 1bn barrels of oil from the Kissanje and Dikanza fields offshore Angola. The project, which includes the deployment of the world's largest floating production, storage and offloading vessel with a storage capacity of 2.2m b of oil, has come on stream five months ahead of schedule. The fields have combined estimated recoverable reserves of 2bn b of oil. Peak output of 550,000 b/d is expected by the end of this year.

New processing plant for UAE's Gasco

US firm Bechtel has signed a $1.24 billion lump-sum turnkey contract to build a giant gas processing plant for the Abu Dhabi Gas Industries (Gasco). Located in United Arab Emirates, the plant will be designed to treat nearly 23 million cubic metres of natural gas and produce 6,400 tonnes of liquefied natural gas (LNG) per day. Bechtel will perform engineering, procurement, construction, and commissioning work. The plant will be completed in 38 months. Bechtel is also working on the expansion of a big onshore gas development project for Gasco in Habshan, 130 km south-west of Abu Dhabi.

Project Kuwait vote due October

A vote in Kuwait's National Assembly on the draft law for Project Kuwait — the plan to boost output from northern oil fields with the help of international oil companies — will now be held in October. It had been hoped that the vote would take place before the Assembly's recess in early July. Now, it must wait for the next session in October. Kuwait's Minister of Energy and President of the OPEC Conference, HE Sheikh Ahmad Fahad Al-Ahmad, has said he expects to launch the project in 2006.

$80m exploration boost for Indonesia

Indonesia's attempts to increase oil and gas production have received a boost in the form of a new exploration joint venture agreement signed between Anadarko Petroleum of the US and Medco Energi International, Indonesia's largest independent exploration and production company.

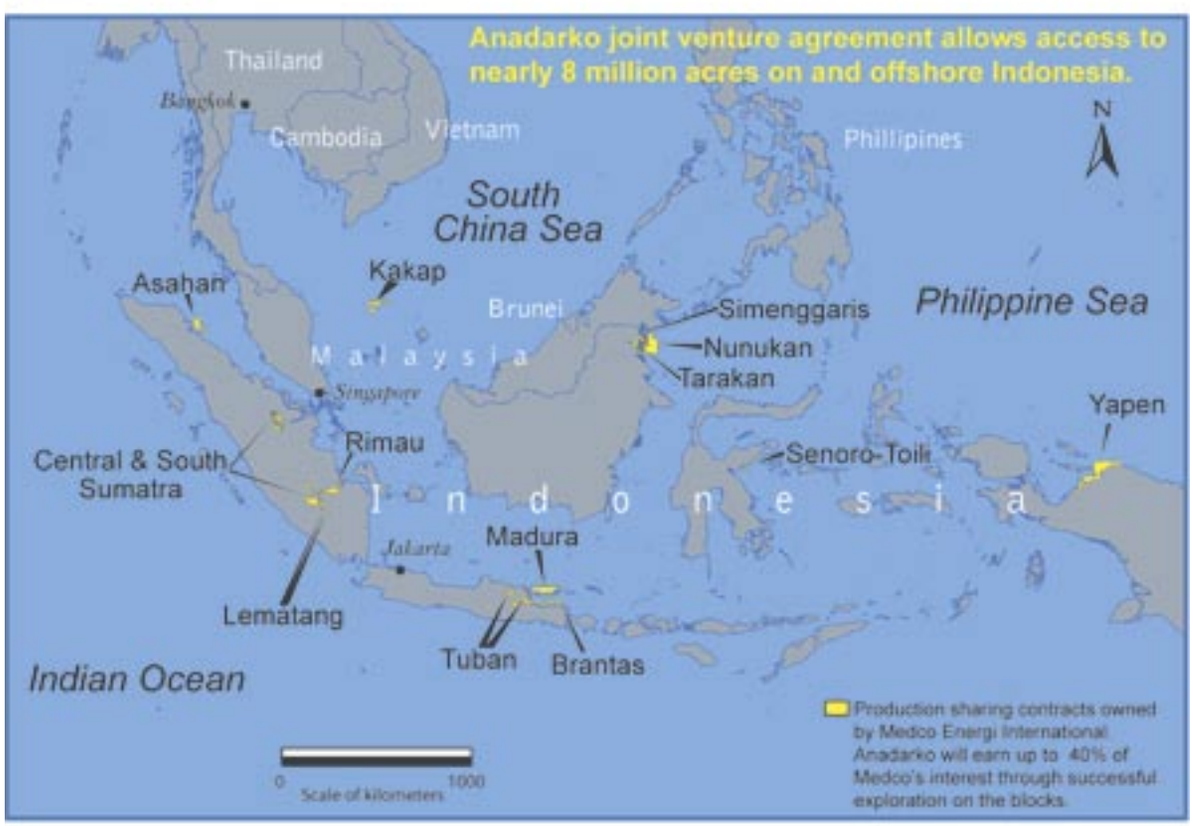
Under the agreement, Anadarko subsidiaries are gaining access to 13 production-sharing contracts covering 7.8 million acres onshore and offshore Sumatra, Kalimantan, Sulawesi, Java and Papua *(see map)*.

Anadarko has committed to a three-year work programme to fund exploration activities at a cost of $80m, subject to the satisfaction of certain conditions. The company has the opportunity to earn up to a 40 per cent interest in each production-sharing contract where a successful exploration well is drilled at Anadarko's cost and a plan of development is approved.

"Anadarko is very pleased to have reached this joint venture because it provides access to a large amount of highly prospective acreage in prolific basins across Indonesia where we look forward to applying our proven exploration expertise," said Anadarko Senior Vice President, Exploration & Production, Bob Daniels, "Medco Energi is a very experienced Indonesian operator, and this agreement, coupled with the offshore block we are currently exploring, strengthens Anadarko's commitment to the region and provides Anadarko a stronger foothold from which to explore in a proven hydrocarbon province."

In December 2004, Anadarko was awarded exploration and production rights to the North East Madura III (NEM III) Block by the government of Indonesia. Anadarko recently opened an office in Jakarta, Indonesia and is preparing to drill the initial two wells on the NEM III block.

Meanwhile, at the time of writing, Indonesia was expected to make an announcement any day on the results of bids it had received for 13 blocks subject to direct offers — part of the 27 announced in June *(see OPEC Bulletin, 6/05, page 24)*. It was reported that over 20 companies had submitted bids, of which at least 15 were foreign. Bids for the remaining 14 blocks being offered under an open tender system have to be received by November 10, 2005.



Gas from Qatar will be piped to Dubai under one of the Gulf's most important regional energy projects.

Dolphin Gas secures financing

The Dolphin Gas Project, which will process raw gas from Qatar's North Field and deliver it by pipeline to customers in the United Arab Emirates (UAE), has secured $4bn in binding financing commitments from 25 national, Islamic and international financing institutions for its forthcoming gas project.

Dolphin's Chief Executive Officer, Ahmed Ali Al Sayegh, said: "The financial markets for both Islamic financing and the conventional lending, have made a strong statement about the confidence they have in Dolphin Energy and the vision for regional energy integration behind it."

Dolphin will accept around $3.5bn of the four year commitments offered, which will cover the construction costs of the project in line with its scheduled completion in late 2006. The conventional lending facility amounts to $2.45bn and the Islamic financing is expected to be $1bn.

The Islamic facility will innovatively combine two Sharia'a compliant financing techniques, an Ijara (sale-leaseback of operational assets) and an Istisna'a (forward lease of assets not yet in service).

Al Sayegh said: "We are especially proud to offer Islamic institutions the opportunity to participate in the $1bn facility, the largest ever Islamically structured oil and gas financing. We are particularly pleased that our lead banks are making a special point to invite Islamic investors from across the Middle East and Asia to join the financing."

There are five Islamic Mandated Lead Arrangers (MLAs) and the conventional facility of $2.45bn is led by 15 MLAs

The funding comes one month after a ceremony to mark the formal start of construction work on the $1.6bn gas processing plant for the project in Ras Laffan City, Doha. This will come on stream in 2006 with gas from the plant being piped 370 km via Dolphin's dedicated two billion cubic feet per day, 48-inch pipeline to Taweelah in Abu Dhabi for distribution to customers throughout the UAE. A spur link will then carry 700m cu ft/d of gas onto Dubai.

Dolphin Energy is owned 51 per cent by Mubadala Development Company, on behalf of the Government of Abu Dhabi with Total of France and Occidental Petroleum of the US each holding a stake of 25 per cent in the company.

in brief

SABIC profits rise

Saudi Basic Industries Corporation (SABIC) reported firts half 2005 net profits of Saudi Riyals 9.84 billion ($2.6bn), up 84 per cent compared with the second half of 2004. Second quarter 2005 reported profits were SR4.76bn ($1.3bn) compared to SR5bn ($1.35bn). SABIC said that while 1Q 2005 sales volumes were higher than in 2004, earnings were lower because of a fall in petrochemical product prices. Sales during the first half were 17.4 million tonnes, an increase of 10 per cent over the same period last year while total production was 22.5m t, an increase of 10 per cent over the previous year. SABIC is aiming for total annual production capacity of 60m t by 2008.

Venezuela ethanol project

Venezuela plans to produce ethanol from sugar cane for use in domestic gasoline, PDVSA has announced. Around 300,000 hectares of sugar cane will be planted between now and 2012, and 14 sugar centres built around the country as part of the project, which is expected to create 400,000 new jobs. Until national production reaches sufficient levels, Venezuela will import ethanol from Brazil. It will be used to replace lead tetraethyl in gasoline, which was to be banned from the middle of August.

Total research in Qatar

Total has announced that it will establish new research and training facilities at the Qatar Science & Technology Park to support Qatar's growth in oil, gas and petrochemicals. The centre will be fully operational in late 2006 and Total plans to invest around $25m in the first five years on research and development of new technologies, training and technical assistance.

Nigeria Usan field development approved

Elf Petroleum Nigeria, a unit of France's Total has succesfully drilled two appraisal wells in the Usan field in deep-water oil prospecting licence 222, offshore south eastern Nigeria. The field is located 110 km offshore in water depths of 800 m. The Nigerian National Petroleum Corporation (NNPC), as concessionaire of the licence, has approved a field development plan which envisages 35 subsea wells connected to a 2 million barrel capacity floating production, storage and offloading vessel. The processing capacity is around 150,000 b/d and first oil is expected in 2010.

Iraq reconstruction meeting claims success

From l-r: Deputy Special Representative for the UN Secretary General in Iraq, Staffan Demistura, Chair of the IRFFI Donor Committee, Michael Bell, Iraqi Minister of Planning, HE Barham Salih and World Bank Vice-President, Middle East, Christian Poortman, attend a news conference after the meeting.

Dead Sea, Jordan — A meeting of the Donor Committee of the International Reconstruction Fund Facility for Iraq (IRFFI) held in Jordan in July ended with a "very strong commitment" on behalf of the attendees to advance the role of the Iraqi government in the country's reconstruction.

"I feel that we have had a remarkably successful two days," said Chair of the IRFFI and Canadian Ambassador, Michael Bell, "we have made important decisions. In particular, the Donor Committee has signaled its strong support for Iraqi ownership of the process of reconstruction. We strive to better align the work of the Trust Funds to Iraqi priorities and we have welcomed Iraq's stronger role in the IRFFI."

A delegation from the Iraqi government, headed by Minister of Planning and Development Co-operation, HE Barham Salih, presented its vision for the reconstruction of the country and identified governance and basic human needs as priorities for the near-term.

The government also called for an accelerated implementation of reconstruction efforts, "consistent with Iraqi priorities based on national execution and equitable distribution of developmental resources." The delegates also discussed how best to co-ordinate efforts to move the reconstruction process forward.

The IRFFI was established in Madrid in 2003 to facilitate the provision of reconstruction assistance to Iraq in a co-ordinated and effective manner. It has two trust funds, separately administered by the World Bank and the United Nations, which work in close co-ordination with the Iraqi authorities and donors.

To date, international donors have committed a total of $1 billion to the two funds. At the meeting in Jordan, Denmark became the newest member and made an additional pledge of $5.5m. Pledges were also announced from Australia ($20m), Greece ($2.4m), the European Commission ($150m), Italy ($10m) and Spain ($20m).

"This is good news and I thank the new donors for their generous contributions," Salih said. "I warmly welcome them and view these new pledges as a sign of the increasing international commitment to helping the people of Iraq."

The next IRFFI Donor Committee meeting will be held in February 2006 either in Erbil, Iraq or Istanbul, Turkey. Deputy Special Representative of the UN Secretary General for Iraq, Staffan de Mistura said, "We will now go forward in the next six months with clear key priorities to make a difference for the people of Iraq in their every day lives."

The meeting also saw the World Bank extend its first lending to Iraq in three decades. In response to a request from the Iraqi Government, up to $500m in soft loans will be made available over the next two years to finance development projects in priority sectors. The Bank's Country Director for Iraq, Joseph Saba, said it would "intensify efforts to support Iraq in providing basic services and deliver results on the ground."

Algeria tops EuroMed investments

Algiers — Investments in Algeria through the European Union's (EU) Euro-Mediterranean programme totaled $6 billion in 2004, making the North African country the largest recipient amongst programme members. Investments in Algeria were ahead of Morocco, ($4bn) and Turkey ($2bn). The high level of investment reflects the positive economic outlook in the country.

The majority of the investments were made in some 23 oil and gas projects, nine power projects, as well as desalination plants and tourism-related activities, including the construction of six new hotels in resort areas along Algeria's Mediterranean coast.

Algeria signed an Association Agreement with the EU in 2002. These agreements, which apply to certain nations bordering the Mediterranean, cover several areas of co-operation. The EU's Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner, recently conducted a two-day working visit to Algiers *(see picture below)* where she met with Algeria's President, Abdelaziz Bouteflika, to discuss the specific steps to be taken to implement and realize the Association Agreement.

Meanwhile, it has been announced that a ninth round of official negotiations between the Algerian government and the World Trade Organization (WTO) will be held in September. An informal meeting on Algeria's accession to the WTO was held at the Organization's headquarters in Geneva, Switzerland, in the middle of July.

EU Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner (l) meets with Algerian President Abdelaziz Bouteflika (r).

Libya praised for Darfur effort

Tripoli — The United Nations World Food Programme (WFP) has welcomed Libya's agreement to help cover the costs of its airlift of food to western Sudan's Darfur region, where up to 3.25 million people require its assistance.

"We thank the Libyan people and its government for this generous gesture which will allow for the continuation of WFP's humanitarian airlift of food from Al Kufra in Libya to Darfur," said WFP Deputy Executive Director, John Powell.

The Socialist People's Libyan Arab Jamahiriya has agreed to waive tariff increases on jet fuel for this humanitarian cargo. Without this help, the WFP said it would have been forced to suspend the airlift because rising jet fuel prices would have cost the agency an additional $1.5m to maintain the operation.

"It was money we don't have and we are extremely grateful to the Libyan government for their assistance," said WFP Regional Director for the Middle East, Central Asia and Eastern Europe, Amir Abdulla. The WFP said the Libyan offer had come "just in time" as airlifts are important during the rainy season, when roads in Darfur become impassable and the need for food aid peaks.

"The Libyan corridor has been a vital link to the refugees and internally displaced population by allowing us to dramatically increase the amount of food aid we can deliver," said WFP Sudan Country Director, Ramiro Lopes da Silva.

Since August 2004, Libya has provided a crucial transportation corridor which allows for substantial deliveries of WFP food aid to be moved by truck and air from the Libyan port of Benghazi into eastern Chad and the three Darfur states in western Sudan. The airlift began on May 7 with an aircraft carrying the first 38 tonnes of food from Al Kufra to Darfur. There are currently two daily flights to the North Darfur capital of El-Fasher and the South Darfur capital of Nyala. To date, the airlift has delivered a total of 5,623 t of food — enough to feed almost 150,000 people for two months.

"It is a relief not to have to suspend this airlift. We are already using all possible means to get food into Darfur. The loss of this route would have made it more difficult for WFP to provide for up to 3.25m people we plan to assist from August through to October," Abdulla said.

Sudanese women brush up cereal grains spilled from food aid bags dropped by aircraft under the UN World Food Programme (WFP) near Habilla, west Darfur.

Saudi Arabia boosts investment climate

Riyadh — Saudi Arabia has announced a series of measures to improve the country's investment climate, removing obstacles facing private investors, allowing foreign manpower recruitment and speeding up licensing procedures.

The Kingdom's Supreme Economic Council in charge of economic reform has already approved the implementation of 17 agreements between the Saudi Arabian General Investment Authority (SAGIA) and relevant government departments to make Saudi Arabia more investment-friendly.

SAGIA Chief Executive, Amr Al-Dabbagh, said the agreements encouraged the private sector to set up specialized universities and colleges in conjunction with renowned world universities, foster industrial projects by giving exemptions on customs tariffs, and grant facilities such as entry visas to foreign investors.

The agreements also call for the streamlining of judicial procedures to resolve trade disputes, strengthening guarantees for investors, promoting women's input in investment and speeding up the process of collecting imports from entry ports, he said.

Other measures include offering special incentives to locals and foreigners who invest in less developed areas of the Kingdom and drafting plans to raise the operational capacity of Saudi ports.

In addition, the time for getting investment permission and trade registration to launch foreign projects is to be reduced, while special incentives are to be offered for projects that contribute to GDP. The process of bringing in expatriate workers will be eased and incentives offered to attract projects that will employ large numbers of Saudis.

The mechanisms to improve the Kingdom's investment climate were prepared with the support of a number of government agencies including most Ministeries. Dabbagh said the challenge for SAGIA and the other agencies in the next stage was implementing the agreements. He added that the updates would be provided on the effect of the agreements on the Kingdom's investment competitiveness.

Saudi Arabia has unveiled a series of measures aimed at improving the investment climate in the Kingdom.

Reuters

Qatar Airways major aircraft order

Airbus

Qatar Airways' planned order is the largest to date for the new Airbus A350.

Doha — Qatar Airways has announced plans for a $15.2 billion order for new aircraft from both Airbus and Boeing as part of its ongoing expansion. The order for up to 60 Airbus A350s worth $10.6bn, makes Qatar Airways the largest customer for the aircraft so far. The airline said negotiations were under way with both Airbus and Boeing "subject to the resolution of certain important outstanding issues with each manufacturer."

The planned Airbus order is for a mix of two variants, A350-800s and larger A350-900s. Deliveries of the first type will begin in the third quarter of 2010 followed several months later by the larger version.

Qatar Airways is the largest all-Airbus operator in the Middle East with a 40-strong fleet that comprises aircraft from the A320, A300/A310 and A330/A340 families.

The airline said it would use the A350-800s and –900s to complement its A330s and A340s on regional and long-haul routes, respectively. Envisaged non-stop routes from Qatar Airways' Doha base include New York and Melbourne for the A350-800s, and Johannesburg, Manila and Tokyo for its A350-900s.

Qatar Airways Chief Executive Officer, Akbar Al Baker, said: "The order was made after a very detailed evaluation and a very extensive analysis. In the end, the commonality with the A330s already in our fleet and the advantage of the A350 in terms of seat mile cost were the decision factors."

The order with Boeing of the US is worth $4.6bn, with the airline planning to buy at least 20 Boeing 777 aircraft of three variants: B777-300ER, B777-200LR and B777-200F. Qatar Airways said it planned to make the B777 the airline's standard large wide-body aircraft with the B777-300ER version likely to account for around half of the orders.

Deliveries will take place between 2007 and 2010. The B777-300ER will be used to increase capacity on airport slot-constrained routes while the B777-200LR will be allocated to new routes in North America and Australasia. The B777-200F is a freight aircraft which, the airline said, would be used to increase cargo capacity once the new Doha International Airport opens in 2009 *(see OPEC Bulletin, March 2005, page 56)*.

IMF praises UAE economy

Abu Dhabi — An outward-oriented development strategy, a good record in macro-economic management, and a business-friendly environment have resulted in impressive economic growth in the United Arab Emirates (UAE) over recent years, according to a new report from the International Monetary Fund (IMF).

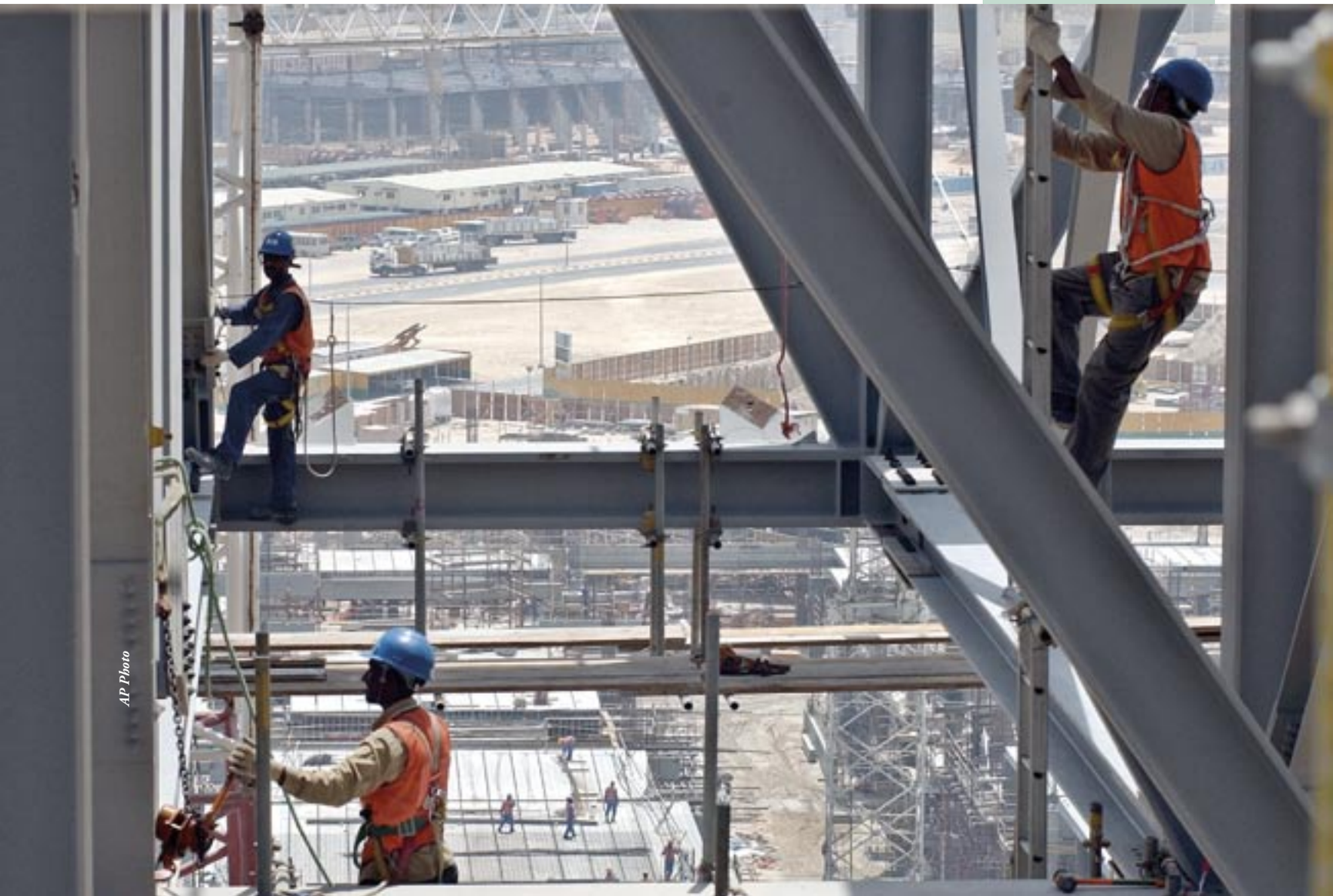
Economic diversification has advanced rapidly, it said, supported by an increased role of the private sector, which has laid the foundation for further economic and social progress in the period ahead.

"Reflecting sharply higher oil prices and increased oil production, strong investor confidence, and a significant increase in foreign direct investment (FDI), economic growth in the UAE is estimated to have been very strong in 2004," the report said.

Preliminary data from the IMF for 2004 suggests that real non-hydrocarbon GDP grew at 10 per cent, while hydrocarbon production rose three per cent. Growth was broad based with most sub-sectors growing at historically high rates, with manufacturing leading the way, followed by services and construction.

The IMF's Executive Directors said the medium-term economic outlook for the UAE was favorable and that it was "in a good position to consolidate the recent gains from the high oil prices", while "soaring assets prices and emerging inflationary pressures warrant close monitoring."

The UAE has seen impressive economic growth in recent years.



AP Photo

Iran's new energy exchange will be the first of its kind in the region.

Iran to launch energy stock market

Tehran — Iran's Bourse Council is to launch the first-ever oil, gas and petrochemical stock market in the Islamic Republic, according to a report from the Tehran-based Petroenergy Information Network (PIN).

Iran's Deputy Minister of Petroleum, Mohammad Javad Assemipour, told PIN the stock market would play a significant role in national revenues and transparency in oil deals. The idea for the new exchange originated in the government of outgoing President, Mohammad Khatami.

"We sought consultation from 180 stock markets and relevant institutes in the world before deciding to open this bourse in Iran. But we have not copied their structures and we have our own system in the country," Assemipour told PIN. "In the first stage, oil products and petrochemicals will be traded on this bourse." The new market will be located on Kish Island with branch offices at Assaluyeh and Ahvaz.

Nigeria to bid for Commonwealth Games

Abuja — Nigerian President, Olusegun Obasanjo, has inaugurated a committee that will supervise the country's bid to host the 2014 Commonwealth Games sporting event in Abuja. The 18-member committee to be led by Former Head of State, Yakubu Gowon, will be responsible for creating a bid package and documentation

Gowon said the task was "an enormous one — considering that five other Commonwealth countries — Canada, Scotland, New Zealand, Wales and Singapore had started their bid process more than one year ago."

Obasanjo, who is currently Chairman of the Commonwealth Heads of Government Meeting, said the decision to proceed with the bid was "based on the conviction that now was the right time for the country." He added that hosting the games would expose the Nigerian country and people to the outside world, involve the development of new road, telecommunications and sporting infrastructure, boost foreign exchange earnings and help promote tourism in the country. A successful bid would also represent Nigeria's "first critical step towards hosting the Olympics," sometime in the future.

The announcement of the bid comes after Nigeria successfully hosted the All-Africa Games in October 2003 at Abuja's modern sports' stadium. The Commonwealth Games, which see sportsmen and sportswomen competing from 53 countries, began in 1930, and are held every four years.

Nigeria hopes its successful hosting of the All-Africa Games in 2003 will support the new bid.

Venezuela helps tsunami victims

Caracas — The Government of the Bolivarian Republic of Venezuela has made a donation of $8.2 million to help victims of last December's tsunami in Sri Lanka and Indonesia. The donations, in the form of $6.2m to Sri Lanka and $2m to Indonesia, were handed over by the Foreign Ministry following a campaign initiated by President Hugo Chavez, called 'One Bolivar for Asia'.

Venezuelan citizens were asked to donate one Bolivar to the campaign as a gesture of solidarity with people whose lives were affected by the tsunami that hit countries surrounding the Indian Ocean on December 26, 2004. Over 180,000 people died in the disaster and a further three million were injured, displaced or suffered material losses as a result. Coastal areas of Indonesia and Sri Lanka were among the hardest hit.

The donations to Sri Lanka will go the country's Tsunami Relief Fund and will be used to build 100 new homes at various locations to be determined by the local government. The Sri Lankan government has officially thanked Venezuela for the donation.

Many tsunami survivors in Sri Lanka are living in temporary housing.

Reuters

Fund highlights

Developing countries in the southern hemisphere registered their highest aggregate growth rate in 2004 for almost three decades, according to the OPEC Fund for International Development's Annual Report.

Reuters

2004 achievements

In 2004 the OPEC Fund extended aid to countries affected by natural disasters, including the tsunami.

The Fund's Director-General, Suleiman J Al-Herbish, described 2004 as "encouraging" but also warned that "systemic vulnerabilities" remained along with "problems of sustainable growth with equity."

By the end of 2004, the Fund's cumulative commitments since its inception stood at $7,474.5 million and total disbursements had reached $4,925.8m.

During the year, $528.624m was committed in loans and grants and $287.722m was disbursed. In 2004, the Fund approved 42 project loans worth $413.4m to 37 countries, helping finance development operations in a range of sectors, with transportation (35.5 per cent) and agriculture (16.7 per cent) taking the largest shares. Substantial resources were also directed towards the multi-sectoral, energy, health, education and water supply and sewerage sectors.

Cumulatively, to the end of 2004, the Fund had approved 1,024 public sector loans, amounting to $5,845.7m. Countries in all developing regions of the world had benefitted from the Fund's lending activities with Africa receiving a total of 583 loans, Asia 272 loans, Latin America and the Caribbean 158 loans and Europe 10 loans. In line with its mandate to target the neediest nations, $3,143.9m or 54 per cent of the Fund's total lending commitments have been channelled to the least developed nations.

For the private sector, cumulative approvals had, by the end of 2004, reached $335.4m in support of 67 operations in Africa, Asia, the Middle East, Latin America, the Caribbean and Europe. Approvals for 2004 included 18 loans valued at $91.5m, one line of credit worth $5m and one equity investment of $810,000.

In 2004, the Fund approved 52 grants worth a total of $17.93m of which $2.95m went to finance technical

AP Photo

The OPEC Fund is working closely with the United Nations Relief and Works Agency to help Palestinian refugees.

assistance schemes; $6.59m supported projects within the framework of the HIV/AIDS Special Grant Account; $5.775m was committed from the Special Grant Account for Palestine; $761,000 went to fund research and similar activities; and $1.85m helped support emergency relief operations.

The technical assistance grants benefitted a diverse range of causes, covering primarily initiatives in the health, education and agriculture sectors. In the area of emergency assistance, aid was extended to a number of countries affected by natural disasters, including the tsunami as well as to victims of the humanitarian crisis in Darfur.

In all, some 711 grants valued at $321.6m had been cumulatively committed by the Fund as of December 31, 2004. Of this sum, $107.2m was made available as technical assistance; $21.2m was given to finance projects within the framework of the HIV/AIDS Special Grant Account; $20m was given to the Food Aid Special Grant Account; $13.3m was approved from the Special Grant Account for Palestine; $49.1m was provided in support of emergency relief operations; and $7.3m sponsored research and similar activities. In addition, a special grant of $20m was extended to the International Fund for Agricultural Development (IFAD) and a contribution of $83.6m was made to the Common Fund for Commodities.

Among the various international institutions which have received OPEC Fund support since 1976 are IFAD, which supports rural development ($861.1m) and the IMF Trust Fund, which benefits low-income member countries ($110.7m).

The 2004 Annual Report was adopted by the Fund's Ministerial Council which held its annual meeting in Seefeld, Austria, in June 2004. Al-Herbish reported that the Fund had successfully completed its 15th Lending Programme (2001–2004) and also highlighted a new Corporate Plan (2006–2015) which he described as "crafting a vision for the way ahead and shaping a new, more innovative and progressive OPEC Fund."

He also stressed the need for partnership and harmonization in achieving the eight Millenium Development Goals *(see OPEC Bulletin 5/05 page 38):* "As we strive to move toward their accomplishment, we would need to increase harmonization of our efforts with others, including strengthening of relations with partner countries and institutions." In this regards, 2004 saw the Fund hold productive discussions both with several partner countries and with other donors.

Al-Herbish has called for a re-thinking of trends in development co-operation and urged donors "to focus on basic needs and on areas of critical under-investment such as agriculture and infrastructure."

New resources for Palestine, HIV/AIDS

The Fund's Ministerial Council also approved the allocation of fresh resources to two Special Grant Accounts — one for Palestine and the other for HIV/AIDS operations.

Some $15m has been allocated to the Palestine account, which was established in 2002 with an initial endowment of $10m and designed to alleviate hardship and prevent further impoverishment and suffering among the Palestinian people. The Account has supported numerous initiatives, ranging from the rebuilding of damaged infrastructure and the provision of medical assistance to micro-credit and a wide range of capacity-building and social projects.

The OPEC Fund is working closely with leading Arab aid institutions in the selection and preparation of the projects supported under the special account. Partners include the Islamic Development Bank and the Arab Fund for Social and Economic Development, as well as the United Nations Relief and Works Agency for Palestinian Refugees.

Meanwhile, another $15m has been approved for the Special Grant Account for HIV/AIDS Operations. This account was established in June 2001 with initial resources of $15m and has subsequently been replenished twice. The new allocation boosts the account to $50m.

With its HIV/AIDS Programme, the Fund is currently implementing projects and programmes in all developing regions of the world, providing assistance to countries and communities in Africa, Asia, the Pacific, the Caribbean, Latin America and the Middle East. The Fund's primary areas of intervention cover prevention and reduction of vulnerability together with care and support to people living with the virus.

The Fund's initiatives are being carried out in close co-operation with leading international agencies such as UNAIDS, the World Health Organization, the United Nations Population Fund, the International Labour Office, UNESCO, UNICEF and the International Federation of Red Cross and Red Crescent Societies. A total of 64 countries are currently benefiting from these joint efforts.


Reuters

Ethiopian orphans who lost their parents through HIV/AIDS.

Fund extends $5m to Cameroon

In late June 2005, the OPEC Fund signed a $5 million loan agreement with the Republic of Cameroon in support of the Yaoundé-Kribi Road Project to upgrade the first section of the existing RN8 from the southern outskirts of the capital Yaoundé to the town of Olama. The project road stretches over 271 kilometres and consists of two sections. The Fund's loan will complement the recently upgraded 191 km section linking Olama to Kribi.

The rehabilitation of the National Road 8 linking Yaoundé to Kribi through Olama, is one of the development priorities of the government of Cameroon, due to its regional strategic importance for transit traffic from the landlocked neighbouring countries of Chad and the Central African Republic to the port of Kribi.

On completion, the enhanced road will serve in the transport of agricultural products of the region both to the capital city and the port of Kribi. Furthermore, the importance of the road stems from the need to develop the port of Kribi as a deep-sea port to complement the activities of the existing port of Douala, whose present location on the river Wouri constrains its expansion.

Other factors include the development of an industrial zone close to Kribi port and plans for processing and exporting liquefied natural gas (LNG) and an export terminal for the crude oil coming from Chad, in addition to meeting the export requirements for bauxite, steel and timber. This is the third loan approved by the Fund to Cameroon in support of transport.

Anajulia Tarter

New roads will help agricultural distribution and improve links for Chad and the Central African Republic.

Anajulia Tarter

Social, health and agricultural grants

In July, the Fund signed five grant agreements, totalling $4.6 million, for projects in the social, health and agriculture sectors. The recipient organizations are UNICEF, the League of Arab States (LAS), the International Center for Agricultural Research in the Dry Areas (ICARDA), the International Crops Research Institute for Semi-Arid Tropics (ICRISAT), and the International Center for Potato Research (CIP).

The $4m grant to UNICEF will co-finance a joint OPEC Fund/UNICEF Mother/Child Global Project to Fight HIV/AIDS. The initiative aims to assist orphans, street children and vulnerable mothers and will concentrate on three areas: care, protection and support for orphans; HIV prevention and life skills development for street children; and prevention of mother to child transmission of HIV. The grant will be drawn from the Fund's Special Grant Account for Combating HIV/AIDS.

A grant of $250,000 will support phase two of the Pan Arab Project for Family Health (PAPFAM). Spearheaded by the LAS, the project seeks to improve family and reproductive health in 16 Arab countries, by developing mechanisms for the implementation of effective health policies and programmes.

The remaining three grants will support agricultural research being carried out by member institutes of the Consultative Group on International Agricultural Research (CGIAR): $150,000 was extended to ICARDA to co-finance a major regional research project aimed at institutionalizing and scaling-up participatory barley breeding in West Asia and North Africa; ICRISAT received $100,000 for a four-year project to promote and improve groundnut production among poor farmers in Asia; and $100,000 to CIP for a capacity-building project designed to enhance potato crop management in Latin America and Africa.

Part of the grants will fund agricultural research in the dry areas.

JULY

This section includes the OPEC Monthly Oil Market Reports (MOMR) for July published by the Research Division of the Secretariat, containing up-to-date analysis, additional information, graphs and tables.
The publication may be downloaded in PDF format from our Web site (www.opec.org), provided OPEC is credited as the source for any usage.

Crude oil price movements

OPEC Reference Basket[1]

The crude oil market had a strong start in the month of June as tight downstream capacity and concern over distillates supply added bullish momentum to the market. In the first week, the Basket saw a gain of $2.55 or 5.5 per cent to average $48.57/barrel. A US refinery glitch also heightened concern over tight fuel supplies in the Western hemisphere. However, the narrowing Brent/Dubai spread opened arbitrage opportunities for western crude to flow eastward, which capped any further rise in prices amid a healthy build in the US distillates stocks. In the second week, the Basket rose a healthy $2.16 or 4.5 per cent to settle at $50.73/b as the daily price broke through the $51 level for the first time since early April. During the third week, the market moved steadily upward following an early start of the hurricane season in the Gulf of Mexico amid product concerns and varying opinions over the outcome of the OPEC's June Meeting of the Conference. While the market digested the OPEC decision to raise the production ceiling by 500,000 b/d to 28m b/d, a larger-than-expected drop in US gasoline stocks amid another hefty draw in crude oil inventories sent the Basket price soaring above the $52 mark. As a result, the Basket registered a weekly gain of 1.8 per cent or 89¢ to stand at $51.62/b (see **Table A**).

On June 15, the OPEC Meeting of the Conference adopted a new OPEC Reference Basket (ORB). The new Basket consists of 11 crudes, representing the main export crudes of the Member Countries weighted according to production and exports to the main markets. In that same week, concern over tight summer fuels continued to pressure prices, while a security alert in Nigeria added to market fears. The new ORB began on a bullish note surging $1.40 or 2.8 per cent, before gaining another $1.20 or 2.3 per cent. Accordingly, the fourth weekly average for the ORB closed 1.6 per cent higher for a gain of 83¢/b to settle at $52.45/b. Continued healthy demand growth into the final week amid concern over bottlenecks in downstream capacity kept bulls intact.

However, high outright prices prevented some regional markets from moving any farther while the futures market slumped on hefty profit taking. Bearish US weekly data amid weakened demand from China pressured prices further downward as the Basket dropped 2.5 per cent in one day, but still closed the week 74¢ higher at $53.19/b.

On a monthly basis, with the new calculation, the Basket averaged higher on concern over refinery bottlenecks amid several refinery glitches in the western hemisphere. Using a combination of the old and new Basket calculations, the monthly average for June rose to $52.04/b, a gain of $5.08/b or 11 per cent from the previous month. When solely applying the old methodology, the ORB rose average $52.72/b, a gain of $5.76 or 12 per cent for the month higher, while the new methodology would show an average of $50.92/b for a gain of $5.81 or 13 per cent. The Basket continued to move higher in the early part of July on concern over winter fuels amid an abrupt start to the hurricane season. As a consequence, the Basket peaked at an all time high of nearly $55/b on July 8.

US market

The US market began June on a bullish note following the inauguration of the driving season and prospect of tight distillate fuels amid strong demand for diesel oil. WTI cash crude surged by nearly five per cent on the first day of the month. However, petroleum data for the first week revealed growing stocks of gasoline and other fuels, which helped to ease the market with WTI cash crude plunging nearly two per cent in the second day. In contrast, strong implied demand growth inspired bullishness in the marketplace, furthered by tight refining capacity and concern that distillates stocks would not be sufficient to meet demand needs in the second half of the year. The first week average for WTI cash crude was up $3.38 or

1. An average of Saharan Blend (Algeria), Minas (Indonesia), Iran Heavy (IR Iran), Basra Light (Iraq), Es Sider (SP Libyan AJ), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (United Arab Emirates) and BCF-17 (Bachaquero, Venezuela).

nearly seven per cent to settle at $52.88/b with the WTI/WTS spread 9¢ lower at $2.64/b. In the second week, US stock data showed a draw in crude oil stocks, while distillates saw a healthy build. The higher distillate levels exerted downward pressure on US cash crude. The formation of tropical storm Arlene signaled an early start to the US hurricane season and raised supply fears in the Gulf of Mexico. In the second week, WTI rallied over two per cent to average $54.02/b and the West Texas Intermdiate/West Texas Sour (WTI/WTS) spread widened 26¢ to $2.90/b.

The market was divided over various aspects of the IEA's report which forecast slowing demand from China. Better weather in the US Gulf and an OPEC decision to increase the output quota by 500,000m b/d to 28m b/d also eased prices. Prices surged again in the third week on the back of an unexpected draw in crude stocks amid continuing market concern over tight refining capacity and the perception that surging global fuel consumption would stretch the production capacity of OPEC and other producers.

WTI cash crude surged another 2.2 per cent to close at $55.21/b, while the WTI/WTS spread edged 20¢ lower to $2.70/b. Volatility continued into the fourth week following a security alert in Nigeria amid concern over increasing demand in the second half of the year, which sent WTI up 3.7 per cent in the first day of the weekly period. The unexpected build in US distillates stocks stalled the bulls; however, a refinery glitch at BP's 460,000 b/d Texas City refinery revived fears of a supply shortfall. WTI weekly average surged 6.4 per cent to settle at $58.73/b while WTI/WTS spread inched up 4¢ to $2.74/b. In the final week, the stride continued as crude futures prices peaked over $60/b sending the message that higher prices were not yet choking the US economy.

However, fund sell-offs in the futures market amid weekly petroleum data revealing a healthy build in the US petroleum complex caused the market to slump by well over six per cent in the final three days of June. As a result, the weekly average for WTI cash crude plunged $3.67/b to settle at 56.73/b.

Table A: Monthly average spot quotations for OPEC's Reference Basket and selected crudes including differentials *$/b*

	May 05	Jun 05	2004	2005
OPEC Reference Basket	**46.96**	**52.04[a]**	**32.59**	**46.71[a]**
Arab Light[1]	47.09	52.47[a]	32.31	45.68[a]
Basrah Light	44.57	50.59[a]	31.72	44.37[a]
BCF-17	32.39	37.48	na	33.73[b]
Bonny Light[1]	50.23	55.93	33.72	50.43
Es Sider	47.90	53.16	32.76	47.47
Iran Heavy	43.25	49.60[a]	30.09	43.67[a]
Kuwait Export	46.36	51.15[a]	31.58	45.18[a]
Marine	46.66	52.27	31.36	45.47
Minas[1]	50.34	55.02	33.11	50.60
Murban	51.03	55.16	33.63	49.12
Saharan Blend[1]	48.69	54.41	33.73	49.66
Other crudes				
Dubai[1]	45.68	51.37	31.41	44.59
Isthmus[1]	45.05	51.48	33.39	45.12
Tia Juana Light[1]	41.67	48.19	30.45	41.61
Brent	48.90	54.73	33.70	49.59
West Texas Intermediate	50.25	56.60	36.82	51.45
Differentials				
WTI/Brent	1.35	1.87	3.12	1.86
Brent/Dubai	3.22	3.36	2.29	5.00

Based on the current Basket methodology, the average for May would be: $45.11/b
Based on the current Basket methodology, the average for June would be: $50.92/b
Based on the old Basket methodology, the average for June would be: $52.72/b

1. Old Basket components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T J Light.
a. June average and year-to-date average 2005: As of the third week of June, the price is calculated according to the current basket methodology that came into effect as of June 16, 2005.
b. As of March 1, 2005.
na not available
Source: Platt's, direct communication and Secretariat's assessments.

European market

The market in Europe mirrored movement in the paper market on unsold Brent barrels for second half June loading. Brent was out of favour in the north which forced sellers to raise their discounts, causing cargoes to clear quickly in the first decade. The market then saw hope for improvement in differentials as cargoes cleared ahead of the new programme amid an opening of the transatlantic window, which firmed sentiment into the third week. Several cargoes moved out of the region continuing to support the bullish market sentiment for North Sea grades inspired by refinery demand amid concerns following a security alert in Nigeria. Nevertheless, high outright prices kept buyers on the sidelines, pressuring price differentials in the final week of June, although concern over refined product supplies strengthened distillate margins. The market was briefly supported by a move by Norway to eliminate two July stems following output problems for Oseberg amid thin refinery interest for second decade July cargoes.

In the Mediterranean, strong Urals differentials on healthy refining margins supported the market for other grades amid availability and stronger demand in the Black Sea. However, a slip in refiner margins in the second week kept buyers on the sidelines in the hope that prices would fall. Widening fuel oil cracks and late month availability continued to pressure the market early in the third week. Nevertheless, the market regained balance as some barrels began to flow out of the region amid strengthening refinery interest due to improved margins. The sentiment softened into the fourth week amid a long-awaited sell tender for Iraq's Kirkuk crude, which left the market looking well

supplied. This put Urals under pressure and weakened refining margins amid the expectation that price differentials would narrow. Volatility in the futures market contributed to refiners' reluctance to buy late in the month.

Far East market

The market began June on hold, awaiting the release of retroactive Mideast prices. However, the last barrels of July Oman were assessed at a 1–8¢/b premium to MOG while Abu Dhabi Murban was heard to trade at as much as a $1/b discount to ADNOC's official selling price (OSP) amid high outright prices in the first weekly period. The narrowing Dubai/Brent swap furthered pressure on Middle East grades as rival western grades began to head eastward. August Oman was on offer at a 2¢ premium and bid at a 10¢/b discount to the MOG as the Brent/Dubai spread fell to its lowest level in 11 months in the second week. The bearish sentiment furthered into the third week on falling fuel crack spread, which left August Oman valued at 15¢/b discount. Moreover, despite a decline in May retroactive OSP for Abu Dhabi crudes, sentiment was bearish on the expectation for ample supplies for August loading amid the expectation of an increase in the OPEC output ceiling. At the end of the third weekly period, sentiment switched as the arbitrage opportunity for western barrels closed. August Oman was still assessed at an 8–15¢/b discount due to the overhang in the August programme. The bearishness sustained strength throughout the month on the narrowing Brent/Dubai spread amid an excess supply of fuel oil. Abu Dhabi crudes remained under pressure on the perception of larger allocation in July, while August Murban fetched a 15¢/b discount to OSP. The final week saw further weakening sentient as Taiwan failed to take up their normal procurement of Oman barrels. This left August Oman under pressure on overhanging supplies to sell at 20¢/b discount to MOG before being at a 55–60¢/b discount later in the week as refiners remained on the sidelines due to high outright prices. Moreover, Abu Dhabi slipped to –30¢/b to the OSP on indisposed prompt cargoes at the end of the trade window.

Asian market

The Asian-Pacific market got off to a slow start, despite the fact that the Tapis OSP for May was lower than April. Soaring outright prices hit Asian demand with India cancelling its import-tender for sweet crude and China shying away from Vietnamese grades. Hence, Malaysia's Petronas sold a July Tapis cargo at a lower premium of 5¢/b compared to 10¢ for the first cargo while they were on offer at a 30¢/b premium to Tapis Asian Petroleum Price Index (APPI). Overhanging July barrels forced Petronas to sell a Bintulu cargo at parity while the final cargo dipped into the negative territory to be sold at a 30¢ discount to the APPI quote. Moreover, in mid-month, the market focused on a Pertamina buy-tender which doubled the volume for August loading barrels amid an overhang in supply and high outright prices for benchmark Minas. Ongoing production problems at Australia's Cossack field where output was reduced by a third until October revived hopes of a stronger market and boosted regional crude differentials. Sellers of sweet regional crudes stayed on the sidelines awaiting higher premiums as August Tapis stood at 80¢/b over the APPI quote. Towards the end of the month, the market became concerned that the drought in eastern Thailand might affect the petrochemical sector. Healthier refining margins for distillate rich grades gave a kick to the market. Hence, August Australian grades saw a $1.80/b premium to Tapis APPI, while Malaysia Miri stood at $1.50/b above Indonesia's medium-sweet Widuri and Cinta fetched 60¢/b more than the Indonesian Crude Pricing (ICP). Nevertheless, high outright prices caused refiners to hold back in the hopes of opportunities for western crude and cheaper Mideast barrels.

Product markets and refinery operations

The choppy ride in crude prices has outpaced the performance of the product markets in June and undermined refinery margins for sweet and sour benchmark crudes across the globe compared to the previous month. Refinery margins for WTI in the US Gulf Coast dropped to $2.88/b in June from $5.81/b in May. Similarly, refinery margins for Brent and Dubai benchmark crudes in Rotterdam and Singapore declined from $4.33/b to $3.82/b and $4.96/b to $3.96/b. Despite the drop in June, refinery margins still looked healthy, especially in the wake of recent storms in the US Gulf Coast, which allowed margins to recover part of their earlier losses. Meanwhile, the abrupt start of the hurricane season has shifted market attention to the products and the potential for shortages in the months to come has lifted crude and product prices. These developments suggest that, despite the recent improvements in middle distillate product stocks across the globe, the market is highly sensitive to even small refinery outages, which signals a potentially new bullish factor for the product markets (see **Table B**).

Furthermore, following the completion of spring maintenance and due to attractive refinery margins for the light and middle cut of the barrel, the refinery utilization rate rose globally, particularly in the USA, where it reached 96.2 per cent in June from 93.2 per cent in the previous month. In Europe and Japan, margins surged by 1.6 per cent and 5.3 per cent to record 87.4 per cent and 82 per cent, respectively.

US market

Tropical storms, which resulted in the temporary outage of a few refineries in the Gulf Coast, further strengthened the sentiment of the product market and lifted product prices, particularly gasoline. The gasoline market has also been reinforced by rising demand. According to the Energy Information Administration (EIA) report of July 7, US gasoline demand increased to 2.5 per cent over the last four weeks compared to last year (see **Table C**).

Similarly, over the same period, distillate demand has surged four per cent. However, at the same time, the 8.5 per cent rise in output has resulted in higher stock builds, easing earlier acute concern about a potential shortage of distillates in the latter part of the year. As a result, distillate prices could not match the recent gains of crude and gasoline prices, but the crack spread for the middle of the barrel

remains strong. Despite the healthy situation for the top and the middle cut of the barrel, US market demand, particularly for high sulphur fuel oil, has deteriorated further compared to the previous month, although utility demand has lent some support to low sulphur fuel oil.

European market

The lack of favourable economic arbitrage opportunities for gasoline exports to the USA, ample diesel supply from the Baltic area and the return of regional refineries from maintenance had put pressure on clean and middle distillate products in Europe. The crack spreads for those products lost their earlier strength but have recovered recently, supported by fear of supply shortfalls due to the tropical storms in the Gulf of Mexico.

Among clean products, market sentiment for naphtha is still weak, as depressed conditions in Asia spurred traders to send surplus cargoes to Europe and competition from other alternative sources like propane and LPG, as feedstock for petrochemicals in replacement of naphtha remains strong. Furthermore, heavy products like high sulphur fuel oil, lost more ground to the Brent benchmark amid plentiful supply from the Baltic area and a lack of arbitrage opportunities to Asia. The crack spread for high sulphur fuel oil against Brent declined from –$15/b in mid-May to about –$24b on June 23, but this decline has been partially offset recently with the opening of export opportunities to the USA for use as feedstock (see **Table C**).

Table B: Selected refined product prices *$/b*

		Apr 05	May 05	Jun 05	Change Jun/May
US Gulf (cargoes)					
Naphtha		61.54	58.02	58.74	–3.52
Premium gasoline	*(unleaded 93)*	69.83	63.33	67.61	–6.50
Regular gasoline	*(unleaded 87)*	65.03	59.41	64.21	–5.62
Jet/Kerosene		66.24	61.94	69.69	–8.01
Gasoil	*(0.05% S)*	65.62	61.64	69.49	–3.98
Fuel oil	*(1.0% S)*	39.65	39.81	41.40	0.16
Fuel oil	*(3.0% S)*	34.74	36.96	37.41	2.22
Rotterdam (barges fob)					
Naphtha		61.62	54.65	57.23	–6.97
Premium gasoline	*(unleaded 50 ppm)*	68.55	62.85	69.54	–5.70
Premium gasoline	*(unleaded 95)*	61.36	56.26	62.17	–5.10
Jet/Kerosene		71.67	64.90	72.32	–6.77
Gasoil/Diesel	*(50 ppm)*	70.38	64.51	73.02	–5.87
Fuel oil	*(1.0% S)*	35.59	34.56	35.01	–1.03
Fuel oil	*(3.5% S)*	34.53	33.79	34.86	–0.74
Mediterranean (cargoes)					
Naphtha		51.05	44.97	46.94	–6.08
Premium gasoline	*(unleaded 95)*	59.51	53.58	59.95	–5.93
Jet/Kerosene		69.93	62.57	69.74	*na*
Gasoil/Diesel	*(50 ppm)*	71.44	64.90	73.65	–6.54
Fuel oil	*(1.0% S)*	38.31	35.99	38.33	–2.32
Fuel oil	*(3.5% S)*	33.67	32.20	33.59	–1.47
Singapore (cargoes)					
Naphtha		49.85	44.76	45.71	–5.09
Premium gasoline	*(unleaded 95)*	61.50	54.46	59.65	–7.04
Regular gasoline	*(unleaded 92)*	60.23	53.37	58.38	–6.86
Jet/Kerosene		71.40	63.39	68.93	–8.01
Gasoil/Diesel	*(50 ppm)*	69.39	63.83	72.42	–5.56
Fuel oil	*(180 cst 2.0% S)*	38.30	38.00	39.34	–0.30
Fuel oil	*(380 cst 3.5% S)*	37.75	37.18	38.11	–0.57

na: not available.

Asian market

The gasoline market, which has suffered from slowing regional demand since the beginning of April, recently recovered amid strong demand from south-east Asian buyers. The gasoline crack spread in the Singapore market versus its corresponding Dubai benchmark rebounded, rising to nearly $9/b from about $6/b in early June. However, despite the recent improvement in the reforming margin and petrochemical product prices, the market for naphtha remained as poor as it has been over the last two months. Heavy regional supply continued to dog the market and concerns about slowing regional demand pressured prices further, particularly in Thailand where a severe water shortage has affected petrochemical plant operations and feedstock requirements (see **Table B**).

With regard to distillates, the tight situation globally along with healthy Indian gasoil imports and recent robust demand from Indonesia, have overwhelmed the impact of sluggish diesel demand from China, which switched to become a net exporter of gasoil. As of June 25, China increased the retail price of transportation fuel with diesel rising 3.8 per cent and gasoline increasing 4.5 per cent. However, the market believed that this is not likely to encourage Chinese companies to import diesel as these gains are not significant enough to wipe out import losses. The jet kerosene market was relatively quiet in June, and its crack spread against Dubai crude remained almost flat compared to the previous month. Concerning high sulphur fuel oil, the Asian market looked more bearish, as Chinese buyers were absent from the market and over 2.5 million tonnes of arbitrage cargoes were expected to arrive in July. However, rising demand for thermal fuel oil from Japan and South Korea lent support to the low

Table C: Refinery operations in selected OECD countries

	Refinery throughput *m b/d*				Refinery utilization *per cent*			
	Apr 05	May 05	Jun 05	Jun/May	Apr 05	May 05	Jun 05	Jun/May
USA	15.35	15.63	16.14	0.52	91.5	93.2	96.2	3.1
France	1.58	1.65	1.70	0.06	81.1	84.5	87.3	2.8
Germany	2.17	2.28	2.24	–0.04	93.2	98.3	96.4	–1.9
Italy	1.90	1.85	1.92	0.07	81.8	79.7	82.8	3.1
UK	1.53	1.53[R]	1.56	0.03	84.0	83.9[R]	85.3	1.4
Eur-16	11.97	11.90[R]	12.13	0.22	86.2	85.8[R]	87.4	1.6
Japan	4.04	3.61[R]	3.86	0.25	85.8	76.7[R]	82.0	5.3

Sources: OPEC statistics, Argus, Euroilstock Inventory Report/IEA.

R Revised since last issue.

sulphur fuel oil. The crack spread for high sulphur fuel oil dropped from about –$7/b in late May to –$12/b recently.

The oil futures market

June began on a bullish note on concerns over tight downstream capacity. The New York Mercantile Exchange (NYMEX) WTI front month closed the first weekly period at an average of $54.30/b for a gain of $2.85 or 5.5 per cent on hefty fund buying. The Commodity Feature Trading Commission (CFTC) report for the week ending June 7 showed that non-commercials net positions turned longs after three weeks on the short side. Non-commercial net long positions increased by a hefty 19,000 lots to stand at well over 1,000 contracts. Open interest remained unchanged from the previous level of around 780,000 contracts as most of the speculative movement appeared to come from the commercial side of the equation.

Healthy distillate stocks in the USA eased the market's bullish sentiment despite Hurricane Arlene making its way towards the US Gulf Coast. OPEC's decision to raise the output ceiling by 500,000 b/d to 28m b/d amid the possibility of a further increase helped to calm the market. In the week ending June 14, the NYMEX WTI prompt month averaged 10¢ lower at $54.20/b. However, the contract was pushed to a ten-week high above $55/b on concern that distillates fuels which have the thinnest y-o-y surplus in the petroleum complex could tighten further due to strong demand for diesel and jet fuels as refineries focus on gasoline to meet high summer demand. Accordingly, the fourth through the ninth month contracts closed over $60/b on June 17. The buying spree continued in the energy futures market inspired by the security alert in Nigeria. The speculative positions for the week closed June 21 was up by some 7,000 lots to bring net longs to nearly 20,000 contracts while commercials heavily reduced their positions to bring overall open interest down by some 35,000 lots to 772,000 contracts. NYMEX WTI third weekly average closed $3.58 or 6.6 per cent higher at $57.78/b.

The final weekly period of the month saw another boost in the futures market. Strong speculative buying was triggered by a glitch at BP's 460,000 b/d Texas City refinery reviving concerns that gasoline and distillates stocks might not be able to meet demand in the second half of the year. Nevertheless, fund liquidation for profit taking capped the rally. Hence, the CFTC's non-commercial for the fourth weekly period revealed a slower pace rise in the net long positions of 2,000 lots to 22,000 contracts. Although commercials dropped both long and short positions, open interest rose by some 11,000 lots to 783,000 contracts, which was attributed mainly to the activity of non-commercials. The NYMEX WTI front month closed the weekly period averaging $59.22/b for a rise of $1.42 after the front month peaked at an all time high of well over $60/b. Nevertheless, in the final two days of the month, a healthy build in US petroleum stocks triggered another sell off on profit taking, and the NYMEX WTI slipped $1.70 or three per cent. On a monthly basis, the prompt month average was $6.07 or 12 per cent higher at $56.42/b with open interest at some 81,000 lots over same period last year to average 786,000 contracts.

The forward structure remained in contango in its eight consecutive month, yet at a narrower pace. The first/second month spread widened from late May to peak in the first decade of June, rising to $1.29/b. The healthy build in US crude oil stocks to a six-year high at 330m b helped the contango to remain wide. Nevertheless, the start of the seasonal drawdown in US crude oil stocks helped the spread to narrow. Hence, the first/second month's spread widened to –14¢/b towards the end of the second decade. The sentiment changed as crude oil stocks remained at healthy levels. The monthly average for the first/second month spread was a contango of $1.42/b, which was 52¢/b narrower than in May. The first/sixth month contango was at $2.30/b while the first/12th spread reached –$1.74/b. The first/18th month stood at –74¢/b.

Tanker market

OPEC spot fixtures reversed the downward trend of the last three consecutive months by showing a growth of 1.56m b/d or 12 per cent to reach 14.27m b/d, which was 1.5m b/d higher than the same month last year. With this jump, OPEC's share of total spot chartering moved up from 62 per cent to 64 per cent. OPEC Countries

outside the Middle East accounted for most of the increase in OPEC's spot fixtures, contributing 1m b/d or two thirds of the growth. Middle East/eastbound long-haul fixtures increased by 460,000 b/d to 5.23m b/d, while Middle East/westbound fixtures remained relatively stable at 2m b/d. However, the Middle East/east- and westbound share in OPEC spot fixtures fell to 51 per cent from 53 per cent in the previous month due to the sharp increase in spot fixtures from OPEC Countries outside the Middle East. Non-OPEC spot fixtures increased by 350,000 b/d to 8.04m b/d, which was 340,000 b/d higher than the same month last year. Despite the growth in volume, non-OPEC share in global spot chartering moved down from 38 per cent to 36 per cent. The 1.9m b/d growth in OPEC and non-OPEC spot fixtures pushed up global fixtures to 22.3m b/d, which was nearly 1.9m b/d higher than the June 2004 level.

Preliminary data showed that sailings from the OPEC area moved up slightly by 100,000 b/d to settle at 27.2m b/d. Middle Eastern sailings, which represented 70 per cent of OPEC's sailings, remained stable at around 19m b/d. Compared to the same month last year, sailings from OPEC were up 3.6m b/d with the Middle East contributing 80 per cent to the growth. According to preliminary estimates, arrivals in the USA and the Caribbean went down by 240,000 b/d to stand at almost 11m b/d. However, despite this decline, arrivals were 900,000 b/d higher than the June 2004 level. Arrivals at north-west Europe and Euromed regions dropped by 500,000 b/d and 400,000 b/d to stand at 7.1m b/d and 4.3m b/d, respectively, while arrivals in Japan remained almost stable at around 4m b/d, but 500,000 b/d higher than the June 2004 figure.

Crude oil spot freight rates displayed mixed patterns with very large crude carrier (VLCC) rates plunging to late 2003 levels in the Worldscale 50s. VLCC freight rates continued their downward trend for the fourth consecutive month with Middle East/east- and westbound rates declining by 14 and 16 points to monthly averages of W56 and W53, respectively, due to a glut in tanker supply following the entry into the market of 15 new vessels since the beginning of this year. In addition, the widening spread between the fuel oil crack and the Dubai price and lower refining margins in Asia encouraged regional refiners to reduce their fixtures from the Middle East. Compared to the same month last year, VLCC freight rates were more than 50 per cent lower. VLCC freight rates strengthened at the end of the month following the chartering of four VLCCs to the US market by Vela International Marine.

For the Suezmax, freight rates on both the West Africa/US Gulf Coast and the north-west Europe/US East and Gulf Coasts routes declined by two and 19 points, respectively, reversing the growth to almost the same levels as displayed in May. However, rates for cargoes moving from West Africa to the US Gulf Coast, which fell by just two points, remained quite stable at W126 thanks to strong US demand for light sweet African grades. The north-west Europe/US East and US Gulf Coast routes showed a higher drop of 19 points or 13 per cent, resulting in a monthly average of W127 due to limited transatlantic arbitrage opportunities for North Sea crudes. According to secondary sources, in June just 33,000 b/d were lifted from Sullom Voe for delivery to the US East Coast while no barrels were sent to the US Gulf Coast, sharply down from the 49,000 b/d and 173,000 b/d seen in May. Freight rates in the Aframax sector showed mixed patterns with the Mediterranean/NW Europe route plummeting by 61 points or 27 per cent to average W161, while the Caribbean/US East Cost route lost 35 points to settle at W236 as a result of low levels of activity and growing tonnage availability.

In contrast, freight rates within the Mediterranean continued to increase for the second consecutive month, gaining 17 points to stand at a monthly average of W231 due to increased activity following the return of some refineries to the market with the end of the maintenance season. After displaying huge declines of 53 points and 62 points over April and May, freight rates on the Indonesia/US West Coast route recovered slightly by three points to W127, to move up from the 20-month lows level seen in May. Compared to the same month of the previous year, freight rates were lower on all routes, except for the Caribbean/US East Coast route, where they were 31 points or 15 per cent higher.

Similarly to crude oil, product freight rates continued to weaken on all routes except for the Mediterranean/north-west Europe route amid limited activity freight rates for tankers moving from the Middle East to the East and from Singapore to the East continued to fall for the third consecutive month, hitting their lowest levels in 10 months. Rates for tankers carrying 30,000–50,000 dwt moving along the Middle East/East route slipped from W236 to W215 losing 21 points, whilst rates for those carrying 25,000–30,000 dwt on the Singapore/East route declined by 33 points or 12 per cent to settle at an average of W253, due essentially to a slow-down in Chinese imports. In addition, maintenance on some petrochemical plants has exerted downward pressure on freight rates. Similarly, the Caribbean/US Gulf Coast route lost 10 points to average W240, an 18-month low, and the north-west Europe/US East and Gulf Coasts route dropped 25 points to W258. In contrast, the Mediterranean region saw healthy activity resulting in a jump of 30 points in freight rates on the Mediterranean/north-west Europe route to reach an average of W320, while within the Mediterranean region rates remained stable at W276. Product freight rates were lower than the June 2004 figures, except within the Mediterranean region and from there to north-west Europe. However, it is worth noting that freight rates began to improve towards the end of the month.

World oil demand

Revisions to previous years (1997–02)

World oil consumption figures from 1997 to 2002 saw minor downward revisions, averaging 70,000 b/d per year and originating mainly in OECD countries. The latest data indicates a significant downward adjustment of 310,000 b/d for 2003. The largest part of the revisions (250,000 b/d) took place in OECD, in particular Western Europe (120,000 b/d) and Pacific (60,000 b/d). Marginal downward changes of 40,000 b/d and 20,000 b/d have also been observed in Other Asia and Latin America, respectively. Likewise, oil demand for 2004 has been revised by 130,000 b/d. Downward revisions of 170,000 b/d in Western Europe and 100,000 b/d in OECD Pacific have counteracted upward adjustments of 160,000 b/d in North America. Developing countries consumption fell a slight 50,000 b/d and increased by 20,000 b/d each in the Middle East and Africa.

Forecast for 2005

World oil demand in 2005 is estimated to average 83.66m b/d, with growth of 1.62m b/d or 1.98 per cent.

With world economic activity indicating a slowdown – the latest estimate shows only a 4.09 per cent growth rate versus 4.14 per cent last month – and latest preliminary demand figures from some major consuming countries pointing to significantly lower consumption for the first half of the year, global demand growth has been revised down. Thus, world oil demand growth is projected to rise by 1.62m b/d – 150,000 b/d lower than the June estimate – to 83.66m b/d which translates into two per cent y-o-y growth.

On a regional basis the OECD countries saw a negligible 0.56 per cent y-o-y growth or 280,000 b/d to average 49.73m b/d. The rise in consumption is concentrated in the North American region with the USA accounting for most of the growth, while Western Europe and OECD Pacific continue to show negative growth rates. In contrast, developing countries estimated growth of 820,000 b/d for the whole year constitutes more than half of the total projected global demand growth. Most of the revisions to global demand growth for the present year originated in the group 'Other regions'. Demand is estimated to increase by 530,000 b/d or 4.7 per cent to 11.75m b/d contributing with one-third of total growth.

Apparent demand from China, the major consuming country in this group, was extensively revised down as trade and production data for the first half of the year revealed a slowdown in product imports and at the same time a rise in exports. All quarters suffered downward revisions, in part due to revisions made to the previous year's data but also on projected lower growth for the present year. World oil demand is projected to rise by 1.85m b/d or 2.26 per cent to 83.51m b/d during 1Q while rising by 910,000 b/d or 1.12m b/d to 81.92m b/d in 2Q. Slightly higher y-o-y growth rates of 2.14 per cent and 2.36 per cent, respectively, are estimated for 3Q and 4Q.

OECD

Demand of crude and products is forecast to grow by 0.6 per cent or 280,000 b/d to 49.73m b/d. According to the latest preliminary data, oil consumption in North America has been sluggish in the first half of 2005 – growth rates were slightly lower than one per cent y-o-y for 1Q and 2Q. Demand growth rates for the last two quarters have been estimated at 1.3 per cent and 1.6 per cent based on the higher US GDP figure and good demand in Mexico. The EIA's Weekly Petroleum Status Report showed that total US product supply for the period January-June 2005 stood at 20.55m b/d, 1.2 per cent higher compared to the same period of 2004.

The major product categories for the first six-month period show the following y-o-y growth: gasoline 1.3 per cent, distillates 1.9 per cent, fuel oil 8.3 per cent and kerosene 2.8 per cent. Canada's demand fell by 1.6 per cent in April following a 2.7 per cent rise in 1Q2005 and there are indications of a further decline in May. In contrast, Mexico's appetite for oil has been growing rapidly with consumption rising by 6.1 per cent in April after a three per cent rise in 1Q2005. Oil demand in Western Europe appears to have picked up in April and May following a contraction in 1Q2005 – 1Q preliminary figures point to a 0.5 per cent contraction versus the same period last year. The increased dieselization of the transportation sector, lower gasoline consumption and ongoing fuel oil substitution continue unabated. Unexpectedly, demand strength is also coming from OECD Pacific countries. Oil demand grew by a solid 2.2 per cent y-o-y during the 1Q2005 and preliminary data for April indicates that consumption rose by 0.8 per cent; however, initial May inland delivery figures suggest that demand contracted in the major consuming countries in this group (Japan and South Korea).

Developing countries

Oil demand growth in developing countries is forecast to increase by 820,000 b/d or 3.8 per cent to average 22.18m b/d for the whole of 2005. However, the latest forecast has been revised down to reflect lower GDP rates in three of the four sub-regions: Asia (excluding China), Latin America and Africa. Sustained robust international oil prices seem to have begun to erode demand in some countries, especially in Asia, who have recently implemented a series of measures designed to mitigate the negative effects of oil prices on their national coffers, eg subsidies phase-out, new transport technology (flex-fuelled vehicles), fuel substitution, and higher domestic retail product prices.

Oil demand growth rates in the four sub-regions Asia, Latin America, the Middle East and Africa, based on income and price elasticity and forecast GDP growth rates of 5.5 per cent, 3.8 per cent, 7.4 per cent and 4.8 per cent, are estimated at 4.8 per cent, 2.1 per cent, 4.4 per cent and 2.7 per cent, respectively. It is important to reiterate the increasing risk that developing countries pose to any demand assessment due to the quality, availability and timeliness of data. The forecast for this group depends greatly on past income and price elasticity of demand which is applied to forecast economic growth rates. Therefore, extreme caution must be exercised as 820,000 b/d, or more than half of the total 1.62m b/d global consumption growth for 2005, is assumed to originate in this group. Very preliminary data for the first quarter of

2005, which shows 4.2 per cent y-o-y growth or 880,000 b/d, seems to corroborate the projections for the whole year.

Other regions

The bulk of revisions to demand growth originated within the Other regions group, with apparent demand in China suffering a particularly sizeable downward adjustment. Other regions apparent demand growth for the year is projected at 530,000 b/d or 4.7 per cent to average 11.75m b/d – significantly lower than the 660,000 b/d or 5.5 per cent projected in the last months' report. Apparent demand in the FSU came up strong in 1Q2005 rising by more than eight per cent y-o-y to 3.9m b/d. Of course these are very preliminary figures and as such subject to extensive revisions. Available preliminary trade and production figures suggest that apparent demand grew in 2Q2005 but at a slower pace of 2.5 per cent. The pace of growth is estimated to slow further in 3Q but then rebound towards the end of the year. Apparent demand growth in the group Other Europe – which includes many Central European countries – is projected to remain flat or show marginal growth of less than one per cent.

China: so far not so good

Many things are said by market gurus, analysts and commentators about China, a huge and complex country inhabited by 1.3 billion people. Some of them are probably true while some are certainly exaggerated. However, the compelling evidence from the hard data on production and trade points to a less than rosy start to 2005 – certainly far less optimistic than initially believed by just about all forecasts –and here is why. To summarize, apparent demand measured by production and net crude and product trade (imports) indicates that for the period January–May 2005 domestic consumption rose by a mere two per cent compared to the same period last year. Initial estimates were pointing to growth rates of around seven to nine per cent for the first two quarters of the year, based on and justified by GDP growth of 8.6 per cent and above for 2005. Perhaps, these growth rates were overly optimistic if we take into account that Chinese domestic consumption rose by 15 per cent and 24 per cent in the first two quarters of 2004, and it would be extremely unlikely for further two-digit growth rates.

Closer scrutiny on the figures shows that the fall in apparent demand was in most part due to the substantial decline in product imports. According to the latest figures, product imports for the first five months of the year fell by 38 per cent compared to the same period of 2004. Exports of gasoline and other products have been on the rise this year while imports of LPG and diesel have declined. But it would not be too wise to radically change the outlook for Chinese demand for the remainder of the present year – even last year's experience would tell us that it would be a mistake.

After the rise in apparent demand of 24 per cent in 2Q2004 came a sharp drop to ten per cent in 3Q of the year but in the last three months of 2004, demand growth rebounded by an astounding 20 per cent. For the second half of 2005 demand is expected to grow by around ten per cent, in part due to the low growth rate seen in 3Q2004 and the possibility that China will commence filling its Strategic Petroleum Reserve. Plans to build strategic reserves in China are well under way with the first 9.5m b storage scheduled to be completed by August of this year.

The remaining capacity at Zhenhai (a Sinopec project), which will hold 33m b, will be ready by the second half of 2006. Filling up of this depot will depend on international crude prices, according to statements by Chinese officials, but from the purely operational stand point, reserve building could start in 4Q of the current year. China will continue to be the biggest headache for anyone who attempts to assess demand for oil in the years to come; all that we can do is to continue to closely monitor developments and hope to learn from them.

Forecast for 2006

A preliminary forecast for world oil demand has been drawn on the basis of the following set of assumptions:

- World economic expansion is assumed at 4.0 per cent for 2006 (1995 on a PPP basis), which is marginally lower than the present 4.1 per cent estimate for 2005. The world economy will continue to grow but at a slightly slower pace than that seen in the present year.
- Temperatures are assumed to return to normal conditions.
- The Chinese economy, which was the major engine behind the abnormally high growth in oil demand in the recent past, has shown signs of more moderate growth. The pace of economic expansion will slow from the 8.6 per cent projected for 2005 to 8.2 per cent next year.
- Economic expansion in developing countries, a major source of demand growth in 2004 and 2005 (estimate), is forecast to contract significantly to 4.8 per cent in 2006 following 6.1 per cent in 2004 and 5.2 per cent in 2005 (estimate).
- Sustained robust international oil prices seem to have begun to erode demand. Several countries, especially in Asia, have recently implemented a series of measures designed to mitigate the negative effects of oil prices, eg subsidies phase-out, new transport technology (flex-fuelled vehicles), fuel substitution, and higher domestic retail product prices.
- Economic growth in the USA is forecast to contract further in 2006 to 2.9 per cent, while total OECD Europe GDP will rise to two per cent.

Average world oil demand is projected at 85.2m b/d, implying a rise of 1.5m b/d or 1.9 per cent over total 2005 consumption. This preliminary assessment is indeed subject to further adjustments as new information becomes available on key factors such as the economic growth outlook, weather conditions, unforeseen social and geopolitical events, and variations in crude and product prices. Oil consumption is expected to grow in all major regions with the sole exception of Other Europe where demand will remain almost flat. North America, especially the USA, will contribute the bulk of demand growth within the OECD but some growth is

expected in Western Europe and OECD Pacific. China will make up about one-fourth of total world oil demand growth in 2006. Demand is projected to rise in each single quarter versus 2005 reaching 87.31m b/d by 4Q of the year. The seasonality effect has somehow been flattened by the rise in Chinese demand, which has offset the seasonal decline in the spring quarter of the northern hemisphere.

World oil supply

Non-OPEC

Forecast for 2005

The full year estimate for non-OPEC supply growth in 2005 has been revised slightly down from last month's report. Non-OPEC supply (including processing gains) is expected to average 50.55m b/d, which represents an increase of 770,000 b/d over the previous year and a revision of 40,000 b/d from last month's report. On a quarterly basis, non-OPEC supply is now expected to average 50.3m b/d, 50.6m b/d, 50.3m b/d and 50.9m b/d in 1Q, 2Q, 3Q and 4Q. The revisions are distributed as follows: down 22,000 b/d in 1Q, up 11,000 b/d in 2Q, down 83,000 b/d and 68,000 b/d in 3Q and 4Q, respectively. Revisions in the outlook for Russia account for the bulk of the negative revisions in 3Q and 4Q2005.

OECD

OECD production has been revised up to reflect actual and preliminary data for 2Q2005 for the USA and OECD Pacific combined with better expectations for Canada in 4Q2005. OECD oil production is now estimated to average 20.9m b/d in 2005, which represents a decline of 370,000 b/d from 2004 and a positive revision of 48,000 b/d from last month's report. The full year outlook for the USA has marginally improved (up 10,000 b/d) as a result of better-than-expected production in 1Q2005. However, US oil production is still expected to average 7.65m b/d, which represents a decline of 20,000 b/d. The outlook remains subject to downward revisions that may result from weather-related shut-downs in the Gulf of Mexico. During the first weeks of July, five tropical storms, including hurricane Dennis, have reached the USA resulting in the shutdown of production across several facilities. In particular, on July 12, the US Minerals Management Service reported that 1.4m b/d – 99 per cent of total production – were shut in which lasted until July 14 resulting in the loss of over 5m b.

More importantly, the impact of weather-related events is now expected to delay installation work on new and ongoing projects, most notably at the giant 250,000 b/d Thunder Horse platform which was expected to start in late 2005 and is now more likely to start early 2006. It is worth noting that prior to hurricane Ivan, which hit the US Coast last year, Gulf of Mexico production was close to 1.7m b/d, but now it is close to 1.5m b/d, a significant reduction of 200,000 b/d.

The outlook for Mexico and Canada remains broadly unchanged and both countries are expected to show a net decline. However, Canadian oil production is expected to benefit from a faster ramp up than previously thought in two new project start-ups in 4Q2005 including Primrose North and White Rose. Total Canadian output is now expected to average 3.05m b/d in 2005.

The outlook for OECD Europe remains broadly unchanged. Oil production is expected to average 5.9m b/d, which represents a decline of 240,000 b/d versus last year. Preliminary data for Norway shows lower-than-expected production in 2Q2005 and this has led to a downward revision for that quarter of around 70,000 b/d. Production in Norway is lagging due to ongoing shut-downs and production restrictions across several facilities, but the full year outlook remains unchanged as fields return to capacity in 3Q and 4Q2005.

For the UK there are no changes in the data or outlook. OECD Pacific is expected to show a decline of 20,000 b/d versus a previous expectation of a decline of 50,000 b/d, driven by an improved outlook for Australia. The latest data for 1Q and 2Q prod is showing that production is performing just above expectations and this has led us to revise our outlook for the remainder of the year.

Developing countries

The full year outlook for developing countries (DCs) remains unchanged from last month's report. Oil production is estimated to average 12.48m b/d in 2005, which represents an increase of 610,000 b/d from 2004. Major production increases are expected in Angola, Brazil, and Sudan contributing 500,000 b/d to the full year average, or 80 per cent of the total for DCs. The project Kizomba B in Angola is expected to start producing in July, adding 250,000 b/d and should reach plateau by October of this year. In the second half of 2005, two more deepwater projects are also expected to start in Brazil (Albacora Leste and Jubarte Phase I), adding another 240,000 b/d in the latter part of 2005 and 2006. In Sudan, the Dar project is also expected to start in July at 140,000 b/d rising to 200,000 b/d by the end of the year/early 2006. The outlook for the countries expected to experience a decline in production, notably Oman, Colombia, Syria, Egypt, Yemen, and Argentina, remains unchanged.

Other regions

The forecast for Other regions (FSU, Other Europe, and China) has been revised down primarily due to lower expectations in 3Qand 4Q2005 for Russia. Total oil production is estimated to average 15.3m b/d in 2005, which represents an increase of 500,000 b/d from 2004 and a downward revision of 82,000 b/d from last month's report . The new forecast sees Russian oil production growing 170,000 b/d in 2005 versus 250,000 b/d last month for the same reasons presented in the May and June reports. Data for 1Q and 2Q indicate that Russian cumulative production growth was just 45,000 b/d in 2005 compared to 440,000 b/d in the same period last year. Evidence of declining production at Yukos and other producers, lagging investment in the Russian oil and gas sector, and the impact of higher export taxes (via pipeline and rail) on margins, cash flow, and near term expectations of the typical Russian producers/exporters are likely to continue to

impact investment plans and operations for the remainder of the year and into 2006. Very few companies have potential to grow production significantly in the near term, mainly Sibneft and TNK-BP, whilst others such as Rofneft and Gazprom, are preoccupied with complex corporate transactions.

The outlook remains unchanged for Azerbaijan, Kazakhstan, other FSU and European producers. Full year average oil production growth is expected to reach 80,000 b/d and 100,000 b/d in Azerbaijan and Kazakhstan, respectively. Caspian producers are now expected to show a combined growth that is twice the level of Russia for the first time in several years. The outlook for China has been revised slightly down to reflect a lower than expected performance in 2Q2005. The new forecast sees China growing at 140,000 b/d in 2005 versus a previous expectation of 150,000 b/d.

Forecast for 2006

Non-OPEC oil production is expected to average 51.7m b/d, an increase of 1.08m b/d over 2005. And including processing gains, OPEC NGLs and non-conventional oils, non-OPEC oil supply is expected to average 56.2m b/d, an increase of 1.4m b/d over 2005. On a regional basis, the largest contributor is expected to be the African region, followed by the FSU, Latin America and North America (mainly Canada), whilst OECD Europe and Pacific and the Middle East are expected to show a net decline. The net contribution from Russia is expected to be just 80,000–100,000 b/d and is considered the main risk factor for non-OPEC growth next year. Oil production growth is underpinned by the start-up of several projects in deepwater, bitumen extraction and syncrude projects, and the continuing expansion of the Caspian region. In terms of overall crude quality, the net increase is expected to be overwhelmingly medium sweet, in contrast to recent years when increases have been mainly medium sour.

Oil production in the African region is expected to grow by 430,000 b/d driven by additions in Angola, Sudan, Côte d'Ivoire, and Mauritania. Only Egypt, Gabon and South Africa are expected to show moderate declines. The main projects that will contribute to Africa's growth include Baobab (Côte d'Ivoire), BBLT Phase I (Angola), Dalia (Angola), Adar Yale/Tale (Sudan), and Chinguetti (Mauritania). Angola continues to be the main engine of growth in the region followed by Sudan. In 2006, Angolan oil production is expected to average 1.47m b/d and to reach a record high of 1.66m b/d in 4Q. Angola's deepwater oil production is expected to increase to around 700,000 b/d by 2006. In Sudan, several onshore projects are being developed on a fast track basis, the most important of which is the Adar Yale/Tale project with a capacity of 200,000 b/d which is expected to reach peak production in 2006.

The FSU region is expected to grow by 330,000 b/d, slightly less than in 2005. For the first time in years the bulk of the increase will come from the Caspian region rather than from Russia. In the period 2000–2004, Russia represented around 65 per cent of total non-OPEC growth, but in 2005/2006, it is expected to represent just 15 per cent of the total. In 2006, Russian production growth is estimated at just 80,000–100,000 b/d, compared to 730,000 b/d in 2004 and 170,000 b/d in 2005. Ongoing field ramp ups, brownfield developments, and new field start-ups offshore Sakhalin are expected to offset Russia's estimated decline of 150,000 b/d per year and further production losses at Yukos and other producers. In contrast, oil production in Azerbaijan is expected to increase by 140,000 b/d versus 2005. The bulk of the additions will come from the continuing ramp up of the ACG Phase I project that started in 1Q of this year and Phase II which is scheduled to start in 3Q2006. Kazakhstan is expected to show an increase of 100,000 b/d, most of which is expected to come with the expansion of the Tengiz oil field in the second half of next year.

Oil production in Latin America is expected to grow by 220,000 b/d, driven primarily by significant increases in Brazil and minor additions in Trinidad and Peru. Only Argentina and Colombia are expected to show a net decline. Brazilian oil production is expected to increase by 250,000 b/d in 2006 on top of an increase of 160,000 b/d in 2005. There are seven important greenfield projects in deepwater starting between 2005 and 2006 with an average oil capacity of 120,000 b/d each at peak, all of which will make significant contributions in the two-year period. Two projects have already started in 2005 (Barracuda and Caratinga), two more are expected to start before the end of this year (Albacora Leste and Jubarte Phase I), and three projects are expected in 2006 (Golfinho, ESS 132 and Espadarte). Trinidad and Peru are expected to show minor increases, mainly due to the addition of condensates related to the expansion of gas-condensate fields. Argentina and Colombia have seen their production drop on average 30,000 b/d per year for four consecutive years, and this trend is not expected to reverse in 2006.

North America is expected to show an increase of 150,000 b/d driven by significant additions in Canada. The USA is expected to show a decline of 80,000 b/d, broadly similar to 2005. Interestingly, there are only two large greenfield deepwater projects in the Gulf of Mexico that are expected to start in 2006 (Thunder Horse and Atlantis), compared to five in 2005. Deepwater is the main source of new oil in the USA but 2006 is going to be a light year for new deepwater start-ups. The production of condensates, NGL and unconventional oils, which together account for around 30 per cent of US production, is expected to remain flat y-o-y. Canadian oil production is expected to increase by 230,000 b/d in 2006 underpinned by the start-up of six new projects, mainly extraction and syncrude projects. The projects are Syncrude Phase III, Surmont Phase I, Kirby, Fire Bag II, Deer Creek Phase I, and Foster Creek P II. Mexican oil production is expected to remain broadly flat relative to 2005. However, production is expected to show an increase in 4Q2006 with the start-up of several projects, but in particular the Sihil Pa and Akal Q/W platforms.

OECD Europe is expected to show a net decline of 60,000 b/d. However, Norway is forecast to show an increase of 60,000 b/d underpinned by growth in condensates and

Table D: FSU net oil exports *m b/d*

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	4.59
2002	5.14	5.84	5.85	5.49	5.58
2003	5.87	6.75	6.72	6.61	6.49
2004	7.17	7.30	7.38	7.37	7.31
2005[1]	7.49	7.64	7.61	7.46	7.55
2006[2]	7.62	7.88	7.97	7.84	7.83

1. *Estimate.*
2. *Forecast.*

Table E: OPEC NGL production, 2001–05

m b/d

2002	2003	204
3.62	3.71	3.95

1Q05	2Q05	3Q05	4Q05
4.13	4.18	4.23	4.28

2005	05/04	2006	06/05
4.21	0.21	4.53	0.33

ongoing field enhancements. There are no new greenfield oil projects starting in Norway next year, but there are several brownfield developments that are expected to keep the base relative flat. The UK is expected to show a decline of 80,000 b/d, which is better than in previous years. This improvement is primarily due to the start-up of the Buzzard field (190,000 b/d at peak) in 4Q2006, which should provide a positive kick to oil production later in the year. In Denmark, oil production is expected to decline by 30,000 b/d due to field maturity and the lack of new projects.

OECD Asia in expected to show a minor decline of 20,000 b/d. Oil production in Australia is expected to decline 40,000 b/d despite the start-up of the Vincent/Laverda and the Geograph fields in 4Q of the year given ongoing field declines elsewhere and the extended ramp up period of these two fields. However, New Zealand may add around 20,000 b/d of new production with the start-up of the Pohokura condensate field later in 2006.

Non-OPEC Middle East is expected to show a decline of 110,000 b/d, similar to 2005. Oman, Syria and Yemen are all expected to see its production decline whilst Bahrain is expected to keep production flat. The multi year decline trend in Oman is unlikely to be reversed until 2007 at the earliest. Syria is looking to maintain its total output flat at current levels for the foreseeable future but y-o-y fluctuations are expected. In 2006, Syria is likely to lose 30,000 b/d, while output from Bahrain is expected to continue at the previous year's level.

FSU net oil export (crude and products)

FSU net oil exports are expected to average 7.55m b/d, an increase of 240,000 b/d over the previous year. The outlook has been revised down following the downward revision of Russian production. The latest available data – April 2005 – shows Russian net oil exports averaging 6.3m b/d, compared to 5.7m b/d in the same month last year. Exports from Kazakhstan are estimated at 365,000 b/d for April 2005, slightly higher than last year. Exports from Kazakhstan are expected to increase moderately in 2005 versus 2004 due to ongoing pipeline bottlenecks and modest growth in production. However, exports from Azerbaijan are expected to increase significantly, particularly in the second half of 2005, underpinned by volume growth in Phase I of the ACG project via the newly inaugurated BTC pipeline, a trend that is expected to continue in 2006. In 2006, FSU net oil exports are expected to average 7.83m b/d, an increase of 280,000 b/d over 2005 (see **Table D**).

OPEC NGLs and non-conventional oils

The 2005 forecast for OPEC NGLs and non-conventional oils remains broadly unchanged at 4.21m b/d, representing an increase of 210,000 b/d over 2004. The quarterly distribution is projected at 4.13m b/d, 4.18m b/d, 4.23m b/d and 4.28m b/d, respectively. A minor upward adjustment of 18,000 b/d for 2004 has been applied to reflect the latest data, which has impacted the 2005 base and growth number. In 2006, OPEC NGLs is expected to increase by around 330,000 b/d (see **Table E**).

OPEC crude oil production

Total OPEC crude production averaged 30.01m b/d in June, which represents an increase of 90,000 b/d from last month, according to secondary sources. Year-to-date OPEC production has increased 900,000 b/d. Production increased primarily in Algeria, IR Iran and Nigeria and remained broadly flat in the rest of OPEC. Iraqi oil production averaged 1.8m b/d, broadly unchanged from last month (see **Table F**).

Rig count

Non-OPEC

Non-OPEC rig count stood at 2,282 rigs, which represents an increase of 96 rigs compared to the previous month. Of the total, 306 rigs were operating offshore and 1,976 onshore and in terms of the oil and gas split, there were 705 oil rigs and 1,554 gas rigs.* Regionally, North America gained 87 rigs versus last month. The sharp movements either way of rig count in North America is generally attributed to Canadian rig activity which tends to vary significantly from month to month, particularly in gas operations. Western Europe gained six rigs over the previous month, whilst OECD Pacific lost three rigs. The Middle East, Africa, Latin America and rest of Asia gained a total of six rigs.

* *The oil and gas split now includes Canada.*

OPEC

OPEC rig count was 279 which represents a decrease of one rig from last month. Increases took place in Libya (three), Saudi Arabia (three), and Nigeria (one). These gains were offset by declines in other OPEC Countries. Of the total, 209 rigs were operating onshore and 70 rigs offshore and in terms of oil and gas split, there were 218 oil rigs whilst the remainder was gas and other rigs.

Stock movements

USA

US commercial oil stocks (total crude and petroleum product excluding SPR) in June exceeded the one billion barrel mark for the first time since August 2002 to stand at 1,015.5m b, which was about two per cent higher than the level registered in the previous month and about five per cent above last year's level. Two thirds of this build came from distillate inventories, while other major product stocks contributed marginally, except for gasoline inventories which showed a slight draw. Crude oil inventories lost the previous month's gain, decreasing by 4.5m b to 324.9m b on the back of lower imports which declined by 200,000 b/d to 10.48m b/d in June compared with 10.46m b/d in May. Further support came from higher refinery runs which observed an increase of two per cent to stand at 96.4 per cent compared with the previous month. This draw on crude oil stocks narrowed the y-o-y surplus to seven per cent from the nine per cent registered last month but still remained seven per cent higher than the five-year average. At 20.1, the days of forward cover at the end of June were three per cent or 0.5 days higher than last year's level and were two per cent or 0.4 days above the five-year average (see **Table G**).

The most significant stock movement change in June happened with distillates which showed a very strong build despite healthy demand six per cent above last year. Higher distillate production, which stood at 4.52m b/d or eight per cent above last year and 18 per cent higher than the five-year average, was the main reason behind a massive build in distillate inventories of 9.5m b to 1,172m b. A marginal increase of distillate imports added to this build. At 28.6, the days of forward consumption remained one per cent or 0.3 days and seven per cent or two days below last year and the five-year average respectively. A well supplied crude oil market combined with high utilization rates should help distillate inventories to continue heading up in the next few months ahead of the winter season when consumption traditionally peaks, especially for heating oil. Gasoline stocks behaved contrary to distillates reaching their highest level especially ahead of the long July 4 Independence holiday weekend and lifting implied demand to 9.72m b/d or four per cent higher than the previous period and about three per cent above last year's level. Gasoline imports, which stagnated at 1.01m b/d by the end of June, which was about 200,000 b/d below a month ago and about seven per cent higher than the five-year average, also contributed to the draw on gasoline inventories. At 215.3m b or 1.3m b below the previous period, gasoline inventories remained about four per cent above last year's figure and two per cent higher than the five-year average.

During June, the SPR continued to approach its full capacity of 700m b, increasing by 2.4m b to 696.3m b. Full capacity is expected to be reached by the end of August.

In the week ending July 8, total commercial oil stocks continued to move upward, standing at 1,016.44m b or 1m b higher than the previous week. Distillate stocks remained almost the sole contributor to this build, rising by 3.19m b to stand at 120.43m b due to sustained high production and imports while demand stayed relatively stagnant. Crude oil and gasoline inventories experienced expected draws as refinery runs remained high and imports of crude oil dipped below 10m b, an uncommon development in 2005. The draw on gasoline stocks was mainly due to strong demand and lower production and imports as well.

Western Europe

Total oil stocks in Eur-16 (EU plus Norway) in June remained almost unchanged at 1,114.0m b compared with the previous month. The build in crude oil stocks was nearly cancelled out by marginal draws on product inventories. Despite this situation, the y-o-y surplus rose slightly to about four per cent from two per cent registered last month. Increasing imports as refiners benefited from the contango market of the North Sea grades to fill their depleted tanks were the main reason for a build of 4.3m b to 479.5m b in crude oil stocks. Lower refinery runs, as some refineries were shut down due to seasonal maintenance, were another factor responsible for this build although most of them started to return to normal run levels by the end of June (see **Table H**).

The picture was differed for product inventories where lower refinery runs forced product stocks to head south especially seasonal fuels such as gasoline and distillates. Gasoline registered the highest draw among its peers, declining by 1.8m b to 146.0m b. But this draw does not affect the y-o-y average which widened to about 10 per cent from about eight per cent last month. Distillate inventories lost a small part of the previous month's gain, decreasing by 400,000 b to 359.6m b on the back of healthy seasonal demand. This slight draw resulted in a minor change of the y-o-y surplus, which narrowed marginally by 0.2 per cent, to stand at 2.2 per cent. Fuel oils stocks showed a moderate draw of 1.2m b to 108.2m b due to higher exports to the US and Asia-Pacific markets where opened arbitrage encouraged traders to ship European materials to benefit from high prices.

Japan

Total commercial oil stocks in Japan during May witnessed a significant build of 470,000 b/d to stand at 174.1m b. Crude oil and product inventories contributed nearly equally to this rise. Last month's y-o-y deficit turned to a surplus of about three per cent. The strong build in crude oil stocks of 7.5m b to 110.8m b has not been seen since October 2004. The reason for such a high stock-build was the sharp decline in refinery runs which dropped by about nine per cent to 76.9 per cent in May. Continued flow of crude oil imports also helped inventories to

Table F: OPEC crude oil production, based on secondary sources *1,000 b/d*

	2003	2004	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05	Jun/May
Algeria	1,134	1,229	1,289	1,316	1,339	1,332	1,337	1,349	12.3
Indonesia	1,027	968	963	948	941	945	942	937	–5.1
IR Iran	3,757	3,920	3,947	3,900	3,957	3,914	3,958	3,998	39.8
Iraq	1,322	2,015	1,960	1,834	1,833	1,857	1,821	1,822	1.6
Kuwait	2,172	2,344	2,448	2,438	2,513	2,519	2,513	2,508	–5.3
SP Libyan AJ	1,422	1,537	1,608	1,613	1,633	1,628	1,633	1,639	6.5
Nigeria	2,131	2,352	2,344	2,332	2,424	2,418	2,406	2,447	40.9
Qatar	743	781	798	789	796	796	795	796	1.2
Saudi Arabia	8,709	8,982	9,450	9,220	9,463	9,438	9,473	9,478	5.2
UAE	2,243	2,360	2,486	2,396	2,421	2,455	2,405	2,403	–2.0
Venezuela	2,305	2,580	2,617	2,699	2,636	2,630	2,641	2,637	–-3.8
OPEC-10	**25,644**	**27,052**	**27,950**	**27,653**	**28,123**	**28,074**	**28,103**	**28,192**	**89.7**
Total OPEC	**26,965**	**29,067**	**29,910**	**29,487**	**29,956**	**29,932**	**29,923**	**30,015**	**91.3**

Totals may not add, due to independent rounding.

grow to the same level as last year, canceling out the y-o-y surplus of last month.

Despite lower refining output, gasoline inventories managed to build modestly by 300,000 b to 144.3m b due to weak demand and higher imports. But this slight build changed the y-o-y deficit of the last report to a very wide surplus of about 14 per cent. The picture was brighter for distillate inventories which rose by 4.5m b to stand at 27.7m b on the back of increasing imports and very weak local consumption. This rise also helped the y-o-y deficit to turn to a considerably surplus of six per cent. Residual fuel oil inventories followed the general upward trend, showing an increase of 2.6m b to 21.7m b, a level not seen since January 2004 (see **Table I**).

Balance of supply/demand

Forecast for 2005

Table J for 2005 has been revised significantly following downward revisions to the base and growth of world oil demand. As indicated in the demand section, demand is now expected to average 83.7m b/d, or around 300,000 b/d less than in our previous forecast. On the supply side, total non OPEC supply is expected to average 54.8m b/d, unchanged from last month's report. As a result, the estimated demand for OPEC crude in 2005 [(a)+(b)] is now forecast at 28.9m b/d, which represents a reduction of approximately 260,000 b/d versus last month's report. On a quarterly basis, the estimated demand for OPEC crude has been revised down 280,000 b/d in 1Q, 430,000 b/d in 2Q, 220,000 b/d in 3Q and 120,000 b/d in 4Q.

OPEC crude production averaged 29.5m b/d in 1Q2005 and 30m b/d in 2Q, approximately 400,000 b/d and 2.7m b/d, respectively, more than the estimated OPEC crude requirements for these two periods. As anticipated and reported in the stock section, such production levels have translated into crude inventory builds in the OECD, particularly in the USA where total oil stocks (commercial and SPR) are at record highs surpassing the level of 1.7bn b as well as allowing for forward cover to improve to close to the last five-year average.

In terms of OPEC capacity, taking into account the supply/demand balance, the resulting required OPEC crude production levels and the projected production capacity, OPEC's spare capacity is estimated to average around 7.9 per cent in the second half of 2005, compared to 4.9 per cent in the same period of 2004.

Forecast for 2006

For 2006, demand is expected to average 85.2m b/d whilst non-OPEC supply is expected to average 56.2m b/d. This results in an average estimated demand for OPEC crude [(a)+(b)] of 29m b/d, or 100,000 b/d more than in 2005. Furthermore, the quarterly distribution shows that the demand for OPEC crude is expected to be 29.4m b/d in 1Q, 27.7m b/d in 2Q, 29.1m b/d in 3Q and 29.9m b/d in 4Q representing a y-o-y increase of 300,000 b/d, 500,000 b/d, 200,000 b/d for 1Q, 2Q and 3Q, respectively. In 4Q, the estimated requirements for OPEC crude [(a)+(b)] at 29.9m b/d is expected to be significantly less than in 4Q2005.

In terms of OPEC capacity, in 2006 OPEC capacity is expected to average around 33.4m b/d, representing an average increase of 710,000 b/d from 2005. Taking into account the supply/demand balance for 2006, the resulting required OPEC crude production levels and the projected production capacity, OPEC's spare capacity in 2006 is estimated to average around 12 per cent assuming there is no significant improvement in Iraq.

Table G: US onland commercial petroleum stocks[1]

m b

	Apr 29, 05	Jun 3, 05	Change Jul 1, 05	Jun/May	Jul 1, 04
Crude oil (excl SPR)	**327.0**	**330.8**	**324.9**	**-5.9**	**304.5**
Gasoline	213.5	216.6	215.3	-1.3	208.8
Distillate fuel	102.3	107.7	117.2	9.5	114.0
Residual fuel oil	37.2	36.5	37.5	1.0	37.5
Jet fuel	40.3	40.7	41.2	0.5	38.8
Total	**972.2**	**998.6**	**1,015.5**	**16.9**	**966.5**
SPR	691.2	693.9	696.3	2.4	662.4

1. *At end of month, unless otherwise stated.*

Source: US/DoE-EIA.

Table H: Western Europe onland commercial petroleum stocks[1]

m b

	Apr 05	May 05	Jun 05	Change Jun/May	Jun 04
Crude oil	**468.7**	**475.2**	**479.5**	**4.4**	**464.8**
Mogas	148.8	147.7	146.0	-1.7	132.9
Naphtha	31.7	31.7	30.8	-0.9	23.6
Middle distillates	351.8	350.0	349.6	-0.4	342.0
Fuel oils	108.9	109.4	108.2	-1.2	112.6
Total products	**641.2**	**638.7**	**634.5**	**-4.2**	**611.1**
Overall total	**1,109.8**	**1,113.8**	**1,114.0**	**0.2**	**1,075.9**

1. *At end of month, and includes Eur-16.*

Source: Argus, Euroilstock.

Table I: Japan's commercial oil stocks[1]

m b

	Mar 05	Apr 05	May 05	Change May/Apr	May 04
Crude oil	**112.8**	**103.6**	**110.8**	**7.2**	**110.8**
Gasoline	13.9	14.0	14.3	0.4	12.6
Middle distillates	21.7	23.2	27.7	4.5	26.2
Residual fuel oil	17.1	18.7	21.3	2.7	18.8
Total products	52.7	55.9	63.3	7.5	57.6
Overall total[2]	165.5	159.5	174.1	14.6	168.4

1. *At end of month.*
2. *Includes crude oil and main products only.*

Source: MITI, Japan.

Table J: World crude oil demand/supply balance *m b/d*

World demand	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD	48.0	48.0	48.7	49.5	50.5	48.3	49.4	50.8	49.7	50.9	48.8	49.9	51.2	50.2
North America	24.0	24.1	24.5	25.4	25.5	25.3	25.7	26.1	25.7	25.9	25.7	26.1	26.3	26.0
Western Europe	15.3	15.3	15.4	15.6	15.5	15.1	15.6	15.9	15.5	15.6	15.2	15.7	15.9	15.6
Pacific	8.6	8.6	8.7	8.5	9.5	7.9	8.1	8.8	8.5	9.4	7.9	8.1	8.9	8.6
Developing countries	19.7	20.2	20.4	21.4	21.7	22.2	22.2	22.6	22.2	22.4	22.7	23.0	23.2	22.8
FSU	3.9	3.7	3.8	3.8	3.9	3.9	4.0	4.2	4.0	4.0	3.8	3.9	4.4	4.0
Other Europe	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.9	0.8	0.8	0.9	0.9
China	4.7	5.0	5.6	6.5	6.5	6.8	7.1	7.3	6.9	7.0	7.2	7.3	7.7	7.3
(a) Total world demand	**77.1**	**77.7**	**79.2**	**82.0**	**83.5**	**81.9**	**83.4**	**85.7**	**83.7**	**85.2**	**83.4**	**84.9**	**87.3**	**85.2**
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	21.0	21.1	20.6	20.9	20.9	21.2	20.9	20.5	21.3	21.0
North America	14.3	14.5	14.6	14.6	14.5	14.6	14.4	14.4	14.5	14.7	14.6	14.5	14.7	14.6
Western Europe	6.7	6.6	6.4	6.1	6.0	6.0	5.7	6.0	5.9	6.0	5.9	5.5	6.0	5.8
Pacific	0.8	0.8	0.7	0.6	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5
Developing countries	10.9	11.2	11.3	11.9	12.2	12.3	12.5	12.8	12.5	12.9	12.9	13.1	13.4	13.1
FSU	8.5	9.3	10.3	11.2	11.4	11.5	11.6	11.6	11.5	11.6	11.6	11.9	12.2	11.8
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.7	1.8	1.8	1.9	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	**46.4**	**47.7**	**48.6**	**49.8**	**50.3**	**50.6**	**50.3**	**51.0**	**50.6**	**51.4**	**51.2**	**51.3**	**52.7**	**51.7**
OPEC NGLs and non-conventionals	3.6	3.6	3.7	4.0	4.1	4.2	4.2	4.3	4.2	4.4	4.5	4.6	4.7	4.5
(b) Total non-OPEC supply and OPEC NGLs	**50.0**	**51.4**	**52.3**	**53.8**	**54.4**	**54.7**	**54.6**	**55.3**	**54.8**	**55.8**	**55.7**	**55.8**	**57.4**	**56.2**
OPEC crude supply and balance														
OPEC crude oil production[1]	27.2	25.4	27.0	29.1	29.5	30.0								
Total supply	77.2	76.7	79.3	82.8	83.9	84.7								
Balance[2]	**0.1**	**–1.0**	**0.1**	**0.8**	**0.4**	**2.8**								
Stocks														
Closing stock level (outside FCPEs) *m b*														
OECD onland commercial	2,630	2,476	2,520	2,556	2,551									
OECD SPR	1,285	1,345	1,408	1,444	1,456									
OECD total	3,915	3,821	3,928	4,000	4,007									
Oil-on-water	830	816	887	909	929									
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	51	53									
SPR	27	28	28	29	30									
Total	**82**	**79**	**79**	**80**	**83**									
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.5	7.6	7.5	7.5	7.6	7.9	8.0	7.8	7.8
[(a) – (b)]	**27.1**	**26.4**	**26.9**	**28.3**	**29.1**	**27.2**	**28.9**	**30.5**	**28.9**	**29.4**	**27.7**	**29.1**	**29.9**	**29.0**

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

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

Table J *above, prepared by the Secretariat's Energy 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 One and Two*** *on page 57, while* ***Graphs One and Two*** *(on page 58) show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 59–60, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Table 1: OPEC spot crude oil prices, 2004–05

$/b

Member Country/ Crude (API°)	2004 Oct 4Wav	Nov 5Wav	Dec 4Wav	2005 Jan 4Wav	Feb 4Wav	Mar 5Wav	1W	2W	April 3W	4W	4Wav	May 5Wav	1W	2W	June 3W	4W	4Wav
Algeria																	
Saharan Blend (44.1)	50.48	42.97	39.61	44.39	45.44	52.59	53.92	50.65	50.78	52.55	51.98	48.69	51.79	53.18	56.27	56.40	54.41
Indonesia																	
Minas (33.9)	49.68	37.25	34.76	42.55	44.56	54.30	58.60	55.73	54.26	55.25	55.96	50.34	55.35	54.68	55.26	54.77	55.02
IR Iran																	
Light (33.9)	43.59	37.81	34.77	39.87	40.56	48.50	52.02	46.82	46.58	48.24	48.42	45.53	48.91	51.49	54.41	54.68	52.37
Iraq																	
Kirkuk (36.1)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Kuwait																	
Export (31.4)	38.81	35.87	34.91	38.55	40.09	46.42	50.33	47.46	45.88	47.89	47.89	46.36	50.19	51.03	51.43	51.95	51.15
SP Libyan AJ																	
Brega (40.4)	50.14	43.21	37.98	43.61	44.97	52.11	54.27	50.56	50.13	51.73	51.67	48.36	51.23	52.61	56.15	56.14	54.03
Nigeria																	
Bonny Light (36.7)	49.91	43.60	39.08	44.01	45.43	53.15	55.70	51.91	51.72	53.40	53.18	50.23	53.51	54.76	57.71	57.74	55.93
Saudi Arabia																	
Light (34.2)	39.00	35.56	34.64	38.26	40.10	46.85	50.83	48.35	46.77	48.78	48.68	47.09	50.87	51.71	53.50	53.80	52.47
Heavy (28.0)	33.79	30.17	29.34	33.41	35.62	41.81	45.63	42.95	41.37	43.38	43.33	42.21	46.57	47.41	49.33	50.04	48.34
UAE																	
Dubai (32.5)	37.61	34.87	34.16	37.78	39.35	45.60	49.76	46.76	45.25	47.19	47.24	45.68	49.49	50.40	52.35	53.23	51.37
Venezuela																	
Tia Juana Light[1] (32.4)	43.55	37.37	32.36	35.75	36.77	43.50	45.80	42.41	41.76	43.11	43.27	41.67	45.76	46.97	50.13	49.91	48.19
OPEC Basket[2]	45.37	38.96	35.70	40.24	41.68	49.07	52.07	48.86	48.00	49.60	49.63	46.96	50.81	51.70	52.45	53.19	52.04

Table 2: Selected non-OPEC spot crude oil prices, 2004–05

$/b

Country/ Crude (API°)	2004 Oct 4Wav	Nov 5Wav	Dec 4Wav	2005 Jan 4Wav	Feb 4Wav	Mar 5Wav	1W	2W	April 3W	4W	4Wav	May 5Wav	1W	2W	June 3W	4W	4Wav
Gulf Area																	
Oman Blend (34.0)	39.81	36.65	35.40	39.04	40.54	46.95	50.59	47.84	46.19	48.27	48.22	46.70	50.55	51.31	53.21	53.74	52.20
Mediterranean																	
Suez Mix (Egypt, 33.0)	39.56	35.34	32.48	36.37	36.98	44.58	46.72	43.21	43.75	45.56	44.81	43.11	46.68	47.72	50.76	50.34	48.88
North Sea																	
Brent (UK, 38.0)	49.74	42.80	39.43	44.01	44.87	52.60	54.47	50.76	50.33	51.93	51.87	48.90	51.93	53.31	56.85	56.84	54.73
Ekofisk (Norway, 43.0)	49.75	42.23	39.26	43.92	44.70	52.34	53.82	50.46	50.23	52.20	51.68	48.85	52.21	53.57	57.16	57.16	55.03
Latin America																	
Isthmus (Mexico, 32.8)	47.40	41.10	35.315	38.89	40.08	47.52	49.89	46.19	45.49	46.95	47.13	45.05	48.88	50.18	53.55	53.32	51.48
North America																	
WTI (US, 40.0)	53.32	48.22	43.12	46.64	47.69	54.09	56.05	52.04	51.59	52.69	53.09	50.25	54.02	55.21	58.73	58.45	56.60
Others																	
Urals (Russia, 36.1)	42.12	37.52	35.52	38.89	40.46	47.16	49.82	46.30	46.77	48.65	47.89	46.27	49.74	50.76	53.66	53.30	51.87

Note: As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

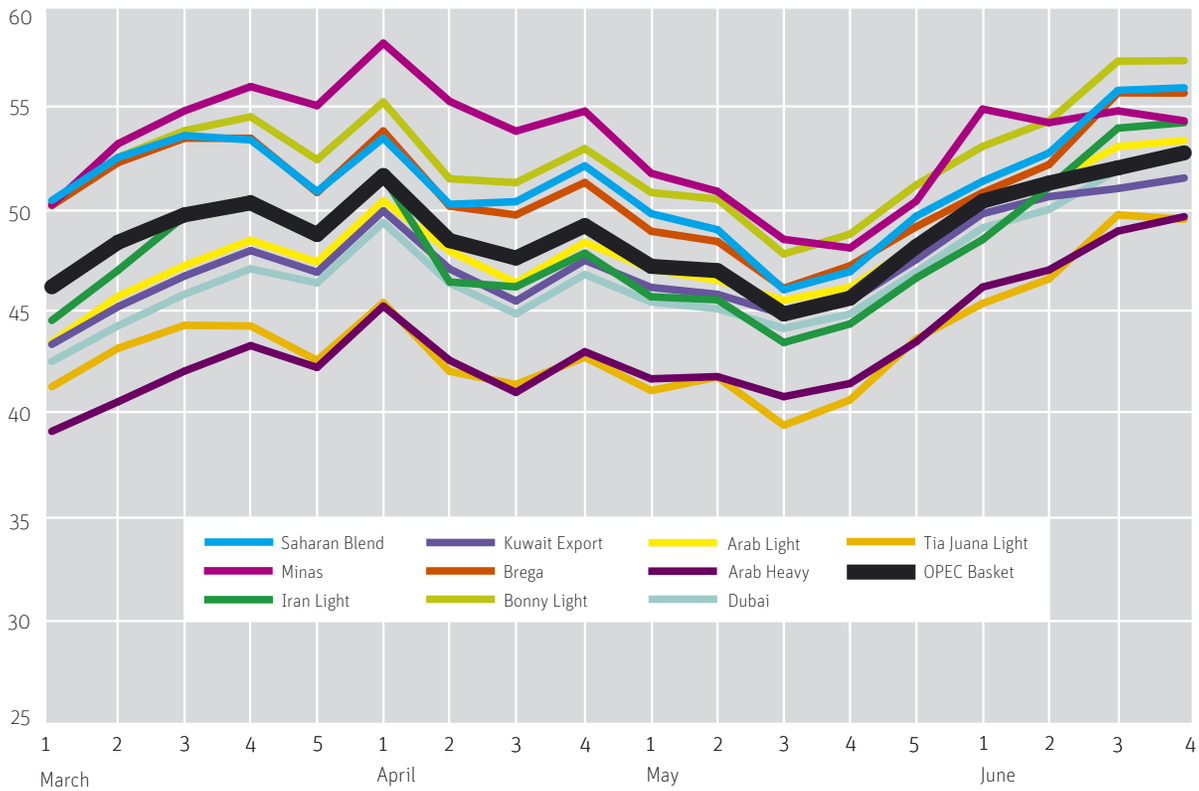
1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.

2. OPEC Basket: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.

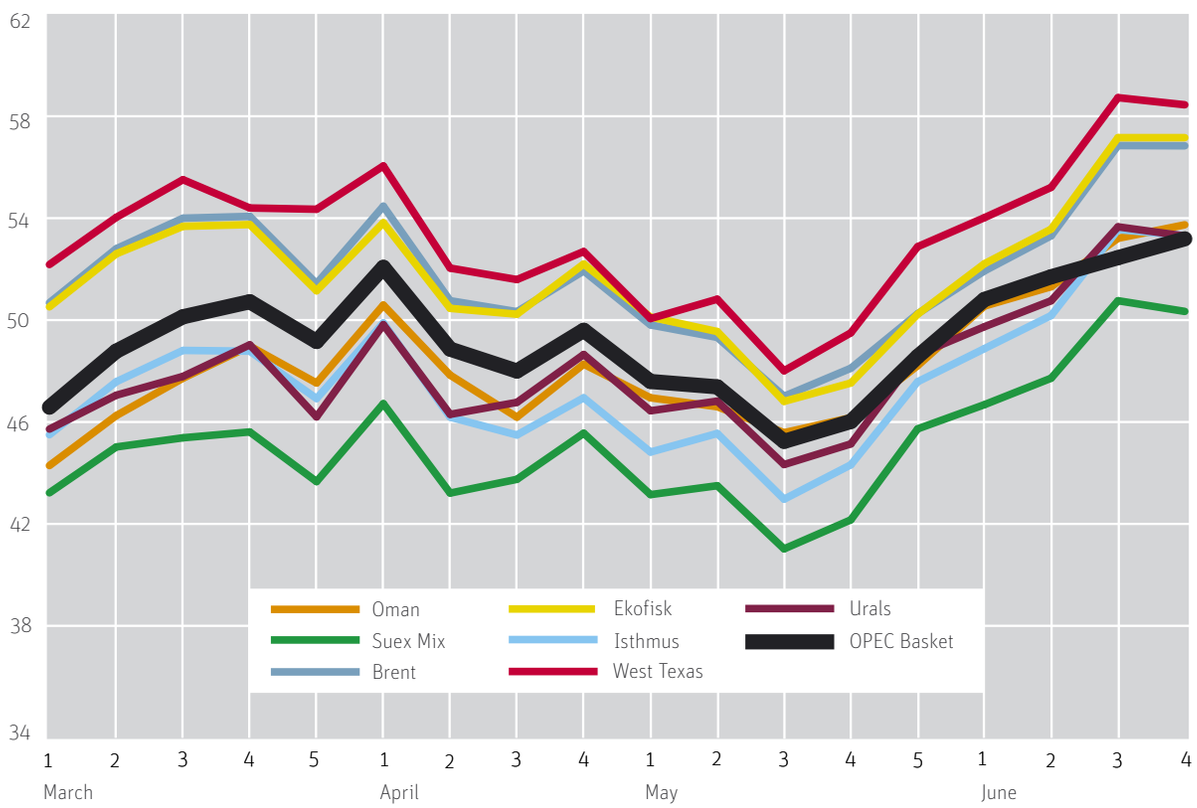
Kirkuk ex Ceyhan; Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of spot prices for selected OPEC crudes, March to June 2005



Graph 2: Evolution of spot prices for selected non-OPEC crudes, March to June 2005



Note: As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

Table and graph 3: North European market — spot barges, fob Rotterdam *$/b*

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2004	June	45.70	45.79	50.95	44.31	45.26	24.21	23.39
	July	48.87	52.01	57.43	49.51	49.88	24.28	24.44
	August	54.96	51.06	55.95	55.88	55.74	23.73	24.62
	September	54.88	50.73	56.15	58.04	58.49	23.40	24.12
	October	61.21	55.81	61.90	66.82	65.91	28.10	25.88
	November	56.49	50.64	56.00	63.76	60.31	25.23	21.49
	December	50.20	42.42	46.52	60.36	54.05	24.96	20.93
2005	January	51.32	47.72	52.89	55.54	55.05	26.68	23.54
	February	54.49	49.69	55.53	58.33	58.05	27.78	25.48
	March	62.33	55.94	62.03	69.30	68.81	34.06	30.09
	April	61.62	61.29	68.55	70.38	71.67	35.59	34.53
	May	54.65	56.14	62.85	64.51	64.90	34.56	33.79
	June	57.23	61.88	69.54	73.02	72.32	35.01	34.86

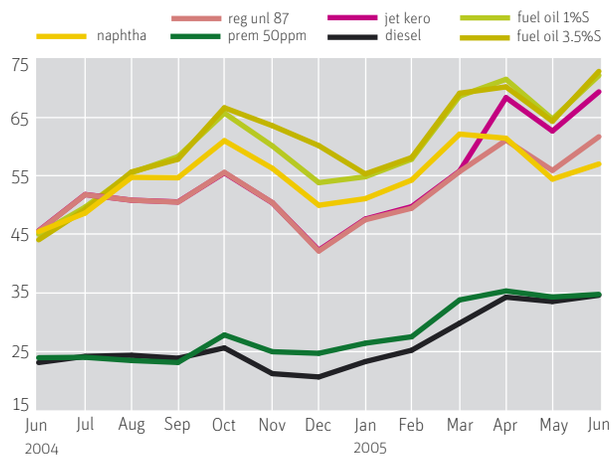


Table and graph 4: South European market — spot cargoes, fob Italy *$/b*

		naphtha	premium gasoline unl 95	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2004	June	37.48	44.64	*na*	*na*	26.54	21.07
	July	40.37	49.37	57.28	50.30	26.47	23.03
	August	45.94	48.76	56.30	56.17	25.47	23.59
	September	45.90	49.84	57.04	58.93	25.66	22.81
	October	50.76	54.43	62.14	67.84	29.03	24.20
	November	45.68	48.70	55.83	64.72	26.72	18.65
	December	39.98	39.72	46.58	62.29	25.65	18.62
2005	January	41.69	45.72	53.17	58.75	28.69	21.80
	February	44.26	48.28	56.09	59.29	29.59	24.79
	March	51.34	54.23	62.87	73.26	35.31	29.07
	April	51.05	59.51	68.88	71.44	38.31	33.67
	May	44.97	53.58	61.99	64.90	35.99	32.20
	June	46.94	59.95	68.85	73.65	38.33	33.59

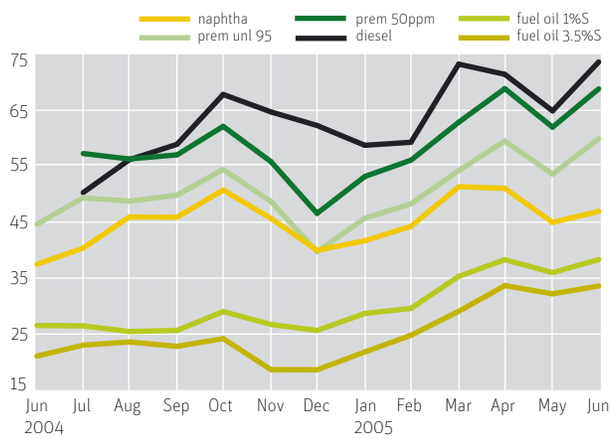
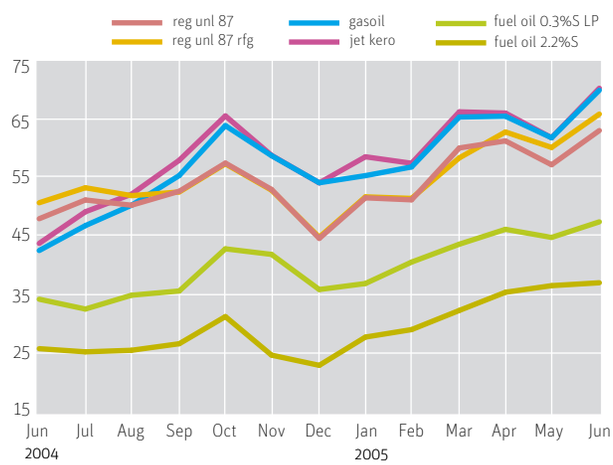


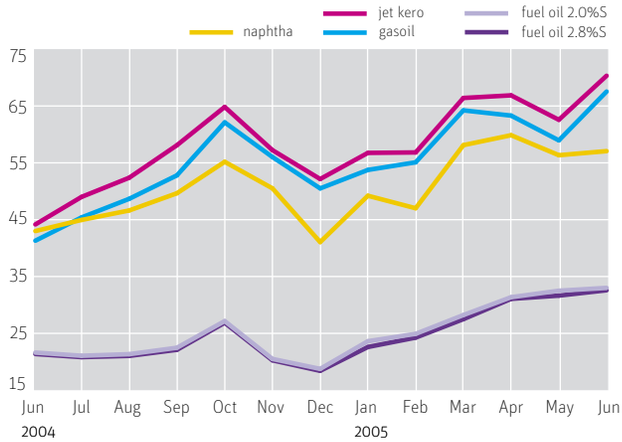
Table and graph 5: US East Coast market — spot cargoes, New York *$/b, duties and fees included*

		regular gasoline unleaded 87	regular gasoline unl 87rfg	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2004	June	48.06	50.82	42.57	43.80	34.16	25.62
	July	51.30	53.41	46.87	49.26	32.46	25.07
	August	50.39	52.05	50.39	52.29	34.85	25.34
	September	52.80	52.68	55.52	58.16	35.58	26.47
	October	57.67	57.54	64.14	65.82	42.86	31.16
	November	53.12	52.99	58.95	59.01	41.90	24.50
	December	44.66	44.87	54.27	54.25	35.83	22.74
2005	January	51.67	51.84	55.50	58.76	36.87	27.62
	February	51.32	51.57	57.00	57.64	40.57	28.91
	March	60.28	58.57	65.62	66.52	43.66	32.22
	April	61.50	63.04	65.76	66.31	46.23	35.36
	May	57.38	60.37	62.04	62.05	44.83	36.50
	June	63.29	66.13	70.25	70.60	47.52	37.00



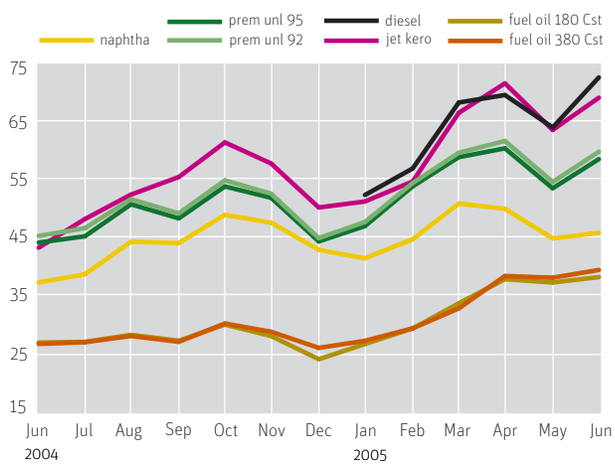
na not available.
Source: Platts. Prices are average of available days.

Graph and table 6: Caribbean market — spot cargoes, fob $/b



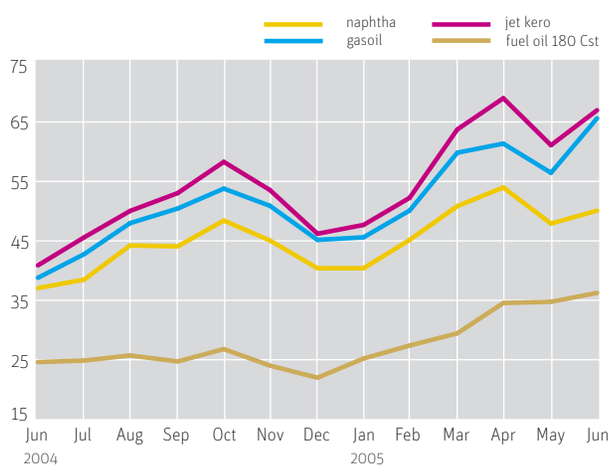
		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2004	June	43.00	41.30	44.16	21.62	21.37
	July	44.95	45.39	49.00	21.06	20.82
	August	46.62	48.67	52.38	21.34	21.04
	September	49.65	52.80	58.10	22.47	26.87
	October	55.18	62.12	64.83	27.16	26.87
	November	56.02	56.02	57.23	20.50	20.26
	December	41.06	50.50	52.15	18.75	18.41
2005	January	49.21	53.75	56.75	23.62	22.60
	February	47.01	55.09	56.83	24.91	24.25
	March	58.11	64.23	66.41	28.22	27.50
	April	59.86	63.31	66.87	31.36	31.07
	May	56.34	58.95	62.57	32.50	31.64
	June	57.06	67.54	70.32	33.00	32.58

Graph and table 7: Singapore market — spot cargoes, fob $/b



		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 2%S	fuel oil 3.5%S
2004	June	37.19	45.19	44.04	0.00	43.17	27.43	26.87
	July	38.60	46.52	45.12	0.00	48.08	27.64	26.98
	August	44.19	51.50	50.62	0.00	52.29	28.82	28.19
	September	43.95	49.06	48.20	0.00	61.25	27.84	27.18
	October	48.81	54.73	53.68	0.00	61.25	30.96	29.95
	November	47.46	52.45	51.74	0.00	57.64	29.40	27.99
	December	42.79	44.81	44.24	0.00	50.07	26.93	24.00
2005	January	41.34	47.57	46.87	52.21	51.10	28.08	26.61
	February	44.61	54.27	53.70	56.72	54.54	30.35	29.28
	March	50.74	59.47	58.72	68.34	66.33	34.13	33.61
	April	49.85	61.50	60.23	69.39	71.40	38.30	37.75
	May	44.76	54.46	53.37	63.83	63.39	38.00	37.18
	June	45.71	59.65	58.38	72.42	68.93	39.34	38.11

Graph and table 8: Middle East Gulf market — spot cargoes, fob $/b



		naphtha	gasoil	jet kero	fuel oil 180 Cst
2004	June	40.08	38.79	40.88	24.61
	July	42.83	42.75	45.58	24.86
	August	48.11	47.98	50.03	25.72
	September	48.04	50.44	53.04	24.71
	October	53.53	53.79	58.29	26.79
	November	49.44	50.90	53.56	24.02
	December	44.01	45.16	46.20	21.97
2005	January	44.99	45.60	47.68	25.20
	February	47.71	50.10	52.24	27.39
	March	54.66	59.83	63.74	29.44
	April	53.98	61.36	69.00	34.54
	May	47.91	56.45	61.09	34.75
	June	50.08	65.62	66.98	36.24

na not available.
Source: Platts. Prices are average of available days.

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Forthcoming events

Production forecasting in upstream oil and gas, August 23–24, 2005, Kuala Lumpur, Malaysia. Details: IQPC, 1 Shenton Way #13-7, 068803 Singapore. Tel: +65 6722 9388; fax: +65 6720 3804; e-mail: enquiry@iqpc.com.sg; Web site: www.oilandgasiq.com.

Shutdowns and turnarounds, August 24–25, 2005, Sydney, Australia. Details: IQPC, Level 6, 25 Bligh Street, Sydney NSW 2000, Australia. Tel: +61 2 9223 2600; fax +61 2 9223 2622; e-mail: registration@iqpc.com.au; Web site: www.iqpc.com.au/MaintenanceIQ.

National oil companies: briefing and summit, August 31–September 2, 2005, The Hague, The Netherlands. Details: Global Pacific & Partners, 264 Groot Hertogrnnelaan, 2571 EZ, The Hague, The Netherlands. Tel: +31 70 324 6154; fax: +31 70 324 1741; e-mail: babette@glopac.com; Web site: www.petro21.com.

Heavy oil development, September 4–8, 2005, Sanya, Hainan Island, China. Details: Society of Petroleum Engineers (SPE), Suite B-11-1, Level 11, Block B, Plaza Mont'Kiara, Jalan Bukit Kiara, Mont'Kiara, Kuala Lumpur 50480, Malaysia. Tel: +60 3 6201 2330; fax: +60 3 6201 3220; e-mail: spekl@spe.org; Web site: www.spe.org.

Understanding and modelling the near wellbore, September 4–9, 2005, Dubrovnik, Croatia. Details: SPE, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK.Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelon@spe.org; Web site: www.spe.org.

Gas commercialisation Asia 2005, September 6–7, 2005, Kuala Lumpur, Malaysia. Details: IQPC, 1 Shenton Way #13-7, 068803 Singapore. Tel: +65 6722 9388; fax: +65 6720 3804; e-mail: enquiry@iqpc.com.sg; Web site: www.oilandgasiq.com.

Offshore Europe 2005, September 6–9, 2005, Aberdeen, UK. Details: The Offshore Europe Partnership, Oriel House, The Quadrant, Richmond TW9 1DL, UK. Tel: +44 20 8439 8890; fax: +44 20 8439 8897; e-mail: oe2005@spearhead.co.uk; Web site: www.offshore-europe.co.uk.

Introduction to the upstream petroleum industry, September 12–13, 2005, Calgary, Canada; September 29–30, 2005, Montreal, Canada. Details: Canadian Energy Research Institute (CERI), #150, 3512-3 Street NW, Calgary T2L 2A6, Canada. Tel: +1 403 220 2357; fax: +1 403 284 4181; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca/training.

Upstream government petroleum contracts, September 12–13, 2005, Singapore. Details: The Conference Connection Inc, PO Box 1736, Raffles City, 911758 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: psc@cconnection.org; Web site: www.cconnection.org.

Natural gas market fundamentals, September 12–13, 2005, Toronto, Canada; **September 15–16, 2005,** Edmonton, Canada. Details: CERI, #150, 3512-3 Street NW, Calgary T2L 2A6, Canada. Tel: +1 403 220 2357; fax: +1 403 284 4181; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca/training.

An introduction to upstream economics and risk analysis, September 12–15, 2005, London, UK. Details: Petroleum Economist Ltd, 15/17 St. Cross Street, London EC1N 8UW, UK. Tel: +44 20 7831 5588; fax: +44 20 7831 4567/5313; e-mail: steward@petroleum-economist.com; Web site: www.petroleum-economist.com.

Asia Pacific refining 2005, September 13–14, 2005, Bangkok, Thailand. Details: Centre for Management Technology, 80 Marine Parade Rd, #13-02 Parkway Parade, 449269 Singapore. Tel: +65 6345 7322; fax: +65 6345 5928; e-mail: nancy@cmtsp.com.sg; Web site: www.cmtevents.com.

LNG terminals, September 13–14, 2005, Costa Mesa, CA, USA. Details: IQPC, 555 Route 1 South, Iselin, NJ 08830, USA. Tel: +1 973 256 0211; fax: 1 973 256 0205; e-mail: enquire@oilandgasIQ.com; Web site: www.oilandgasIQ.com.

13th Asia petrochemical summit, September 15–16, 2005, Bangkok, Thailand. Details: Centre for Management Technology, 80 Marine Parade Rd, #13-02 Parkway Parade, 449269 Singapore. Tel: +65 6345 7322; fax: +65 6345 5928; e-mail: nancy@cmtsp.com.sg; Web site: www.cmtevents.com.

Advance price risk management, September 15–16, 2005, Singapore. Details: Conference Connection Administrators Pte, 105 Cecil Street, #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: linda@cconnection.org; Web site: www.cconnection.org.

Production sharing contracts and international petroleum fiscal systems, September 15–17, 2005, Singapore; **September 21–23, 2005,** Houston, TX, USA. Details: The Conference Connection Inc, PO Box 1736, Raffles City, 911758 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: psc@cconnection.org; Web site: www.cconnection.org.

Pacific petroleum insiders, September 16–17, 2005, Singapore. Details: The Conference Connection Inc, PO Box 1736, Raffles City, 911758 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: psc@cconnection.org; Web site: www.cconnection.org.

Understanding the natural gas and LNG industry, September 19–21, 2005, London, UK. Details: Petroleum Economist, 15/17 St. Cross Street, London EC1N 8UW, UK. Tel: +44 20 7831 5588; fax: +44 20 7831 4567/5313; e-mail: steward@petroleum-economist.com; Web site: www.petroleum-economist.com.

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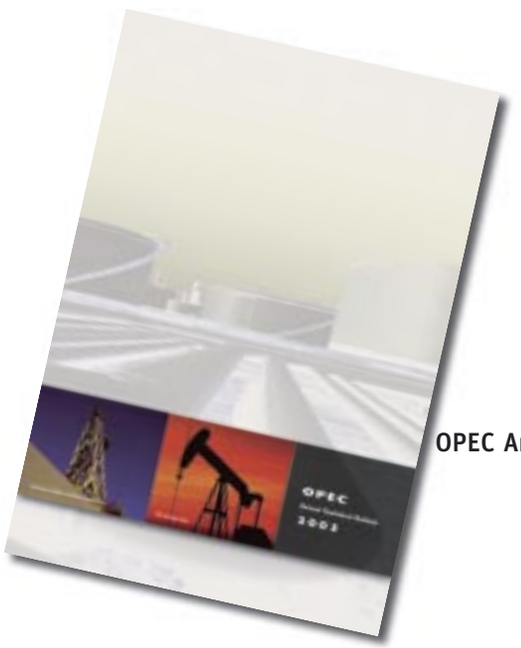

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