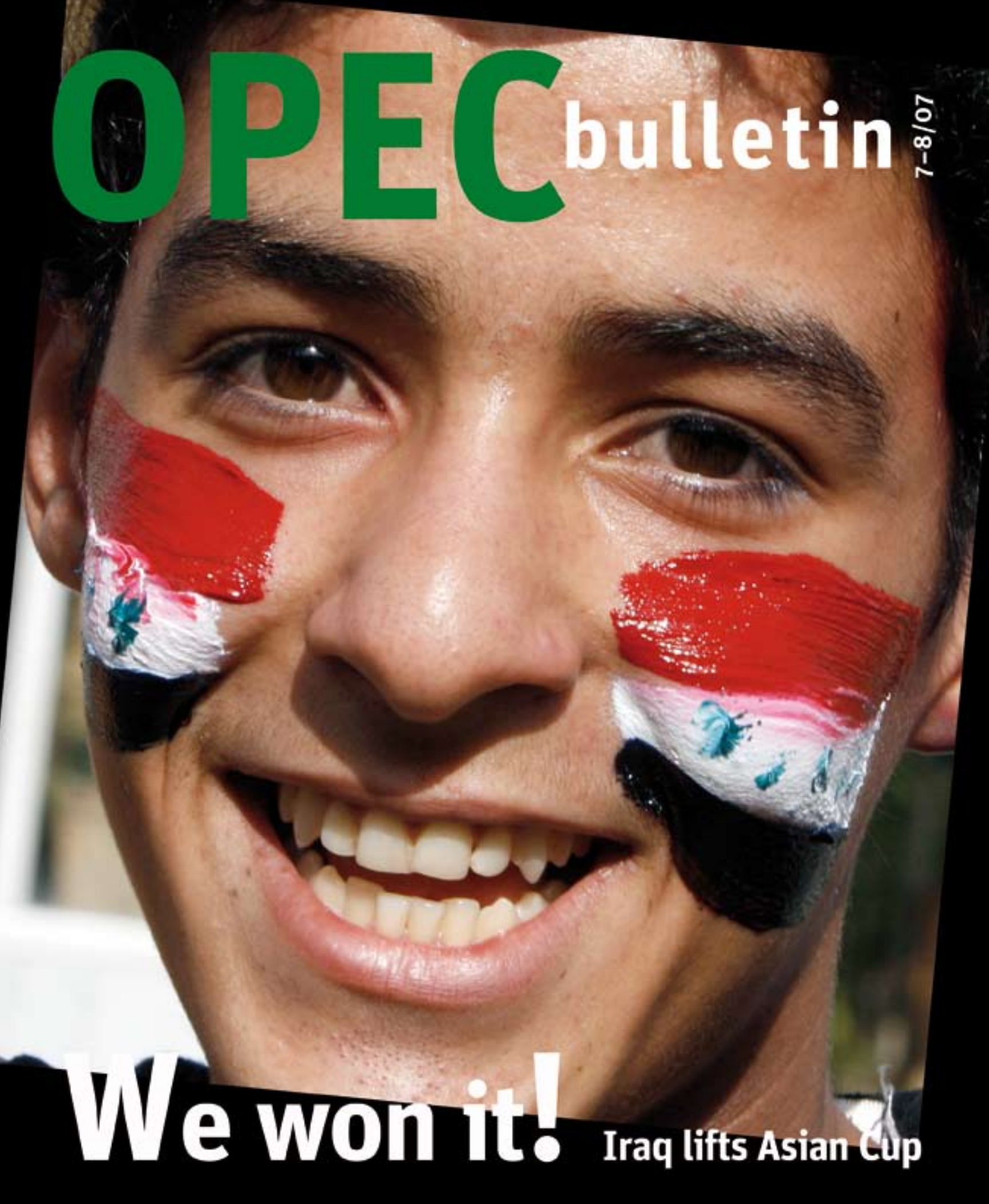
# OPEC bulletin

7–8/07



## We won it!

Iraq lifts Asian Cup

# Keeping an eye on everything

Wouldn't it be great to have an accurate handle on the future? Yet even though the human brain is described by many as a miraculous and magical creation, it is not a crystal ball and none of us have 20:20 vision. It means that we all require the best available information and data to make the most accurate judgments and decisions about any short-, medium-, and long-term futures.

This is notably apparent in the oil industry, where data and information are the heartbeat of any decision-making process. All stakeholders need to take into account every facet of the industry and this is something OPEC places much credence on. It's not about keeping an eye on some things; it's about keeping an eye on everything.

The focus is on maintaining a supply and demand equilibrium. This is what OPEC's actions, and its actions throughout history, have aimed to achieve. This balancing act needs to take into account both upstream and downstream, including actual crude supply and demand, oil inventories, economic growth, current and future investments, prices, refining bottlenecks, available spare capacity, speculation on futures exchanges, typical seasonal differences and the various timeframes. All the data and information pieces have to be fitted together like a jigsaw, to elicit the best way forward. Though, as we have seen in recent years, unforeseen happenings, such as geopolitical events, can play a significant role too.

For OPEC, this means utilizing the broad expertise of its Secretariat and the inputs from professionals in OPEC Member Countries, leveraging the feedback from its Economic Commission Board, and helping develop various outside fora. The latter includes the Joint Oil Data Initiative (JODI), based at the International Energy Forum (IEF) in Riyadh, Saudi Arabia, of which OPEC is extremely proud to have played a significant development role. The initiative has quickly evolved into an internationally-respected initiative focused on advancing the transparency, quality, timeliness and flows of energy market data.

The analysis and evaluation provide indicators as to how the energy landscape may evolve and many of the findings can be viewed in OPEC's numerous publications, including the Monthly Oil Market Report (MOMR), the World Oil Outlook (WOO) and the Annual Statistical Bulletin (ASB). And on top of this, they also form an integral part of the Organization's decision-making process and underscore that OPEC has, and will continue to monitor global oil markets closely and remain vigilant to any changing circumstances.

It all points to the need to be flexible and adaptive over all the various timeframes. From OPEC's viewpoint, the Organization's commitment to ensuring order and stability in the international oil market, with secure supply, reasonable prices and fair returns to investors, is unequivocal. Alongside this, a broad, practiced commitment from all players in working towards such stability is also imperative.

That is not to say that everyone will agree with every decision made by the various stakeholders. We do not live in a uniform society and the key term 'energy security' means different things to different people. Yet the concept is so essential to life in the 21st century. It is important that as an industry we all appreciate the role energy plays in the lives of many varied stakeholders: oil producers and consumers, oil exporters and importers, the people of developed and developing nations, and present and future generations.

Energy security impacts us all and any decisions must take this global outlook into account. The concept of energy independence is just that, a concept. It bears little relation to the realities on the ground. It is energy interdependence that is the guiding light.

At OPEC we recognize the importance of a holistic view and it is critical that as an industry we push forth inclusiveness and continue to develop and explore existing and new avenues of cooperation with innovative thinking, collaboration, timely adaptation and swift action. Clear, concise and timely information, covering all the various industry's components, is the backbone of any decision-making process.

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**Cover**
Proudly wearing the colours ... a historic day for Iraq *(see pp52–57)*.
*Photo: Reuters*


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

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



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

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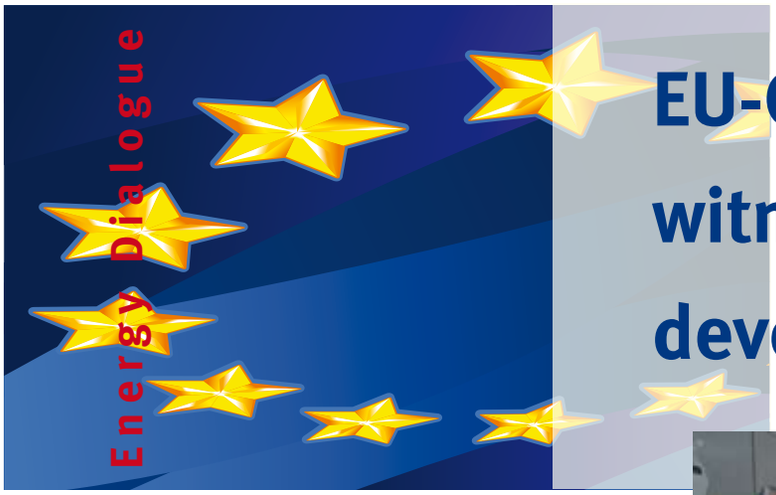



# EU-OPEC Energy Dialogue witnesses 'significant' developments

By Jerry Haylins

*OPEC and the European Union (EU) held the 4th ministerial-level meeting of their Energy Dialogue at the OPEC Secretariat in Vienna towards the end of June, marking another year of significant developments towards the establishment of an enhanced and lasting understanding of the two sides' views on major issues affecting energy supply and demand.*

*Above: Dr Chakib Khelil (l), Alternate President of the OPEC Conference and Minister of Energy and Mines of Algeria, and Abdalla Salem El Badri (r), Secretary General of OPEC.*

"The energy dialogue has helped strengthen key channels of communication across the two groups, and its accompanying joint roundtables, workshops and studies provide the facility to take an in-depth look at specific topics," said a joint press release issued after the one-day meeting.

Delegates from the two sides again paid tribute to the progress made under the initiative, a process of cooperation that was only established in December 2004, yet has made considerable inroads in producer-consumer relations.

They noted that since their third annual meeting in Brussels, in June 2006, EU and OPEC officials had staged several joint events, including a roundtable on carbon capture and storage, held in Riyadh, Saudi Arabia, in September 2006; a workshop on the impact of financial markets on oil price and volatility, held in Vienna in December 2006; a roundtable on energy policies, held in Brussels in May 2006 *(see page 18);* the launch of a joint study on refining; and other meetings and discussions.

The two sides reiterated the substantial contribution the energy dialogue could make to broader-based challenges facing mankind, notably environmental harmony, sustainable development and the eradication of poverty.

They agreed that cleaner fossil fuel technologies should be promoted, to help foster economic growth and social progress, while contributing to the protection of the environment. They stressed, in particular, the need

for the further development and deployment of carbon capture and storage (CCS) technology, since this would have a key role in reducing net emissions of greenhouse gases. Both sides recognized once again the essential nature of the Millennium Development Goals and the fact that access by the poor to modern energy services facilitated the achievement of these goals.

"The two parties believed that the world is becoming increasingly interdependent, with a complex energy system that is steadily developing into a more global and interconnected one, through physical infrastructures and markets. Dialogue, partnerships and transparency were, therefore, considered essential in addressing the world's energy needs, in a predictable, stable and harmonious manner," commented the joint press release.

In this connection, the two sides reaffirmed their recognition of the reciprocal nature of energy security, with security of supply and security of demand considered "two faces of the same coin". It was emphasized that every effort should be made to minimise uncertainties along the supply chain, in order to reduce investment risks and support long-term market stability.

"In noting that oil will remain the world's leading energy source for the foreseeable future, the meeting agreed that, in the long run, on the basis of present information, there are enough conventional and non-conventional oil resources globally to meet the expected significant growth in demand," said the release.

Both sides also welcomed the growing diversity in the energy mix, including renewables. With regard to biofuels specifically, their sustainability was discussed, especially the many potential impacts of their large-scale trade and use for energy purposes. The EU highlighted the scope for tackling such problems through an appropriate policy framework.

Both sides emphasized the importance of continuously monitoring oil market developments and taking appropriate actions if necessary.

## Timely investment

Stated the press release: "Participants expressed once again their mutual interest in stable, transparent and predictable oil markets, with reasonable prices that are consistent with the need for healthy world economic growth and steady revenue streams for producing countries, and that are conducive to the expansion of capacity to meet rising oil demand."

Delegates also recognized the importance of secure future demand for crude and products in spurring timely investment, both upstream and downstream, thus contributing to greater security of supply.

The meeting also addressed the current shortages in skilled labour, equipment and services, both upstream and downstream, and the rapidly rising costs, the industry is currently facing, as well as the issue of human resources.

"A shortage of skilled labour for drilling, engineering, procurement, construction and other services and a downturn in the number of students in energy fields are seen as hampering the industry's orderly expansion and thus constituting a serious reason for concern," said the release.

The meeting decided to address this issue in the energy dialogue. It also reiterated the importance of energy technology and its decision to set-up a task force for examining the establishment of an EU-OPEC energy technology centre.

The first session of the meeting featured presentations by the EU on its recently adopted energy policy and by OPEC on oil market developments and prospects.

The EU presented the energy policy and action plan adopted in March 2007 by the European Council, focusing on sustainability, security of supply and competitiveness.

It said the policy aims to enhance cooperation with key energy producers, transiting countries and major consumers, and calls for further development of bilateral and multilateral energy negotiations and agreements on energy.

In addition, climate change is considered a key driver of the intimately combined EU energy and environment policy, while energy technology is seen as becoming increasingly instrumental in improving efficiency and renewable energy sources for addressing climate change, by promoting clean fossil fuel and CCS technologies.

With regard to the oil market situation, the EU expressed its concern about the expected seasonal increase in demand, coupled with possible supply disruptions, over the next few months which could lead to a tightening in the oil market.

OPEC, in its presentation, reiterated that the oil market remains well supplied, with commercial crude oil stocks above their five-year average. Its Members also had an increasing level of upstream spare capacity.

However, the Organization pointed out that in addition to geopolitical constraints, tightness in the refining sector, which has been recognized as a matter for concern since the second EU-OPEC meeting in

December 2005, continues to increase volatility and exert pressure on crude and product prices, in particular on gasoline prices.

OPEC reaffirmed its longstanding commitment to ensuring sound supply fundamentals at all times, and to offering an adequate level of spare capacity, for the benefit of the world at large.

The fifth ministerial meeting of the EU-OPEC Energy Dialogue will be held in Brussels in June 2008.

## Interdependence

OPEC Conference President, **Mohamed Bin Dhaen Al Hamli** *(pictured below),* Minister of Energy of the United Arab Emirates (UAE), in opening the meeting, said that since its establishment just two-and-a-half years ago, great strides have been made within the EU-OPEC Energy Dialogue.

"Today's meeting provides us with the chance to build upon this. Indeed, in the space of just one year, I have been able to see for myself just how much the energy dialogue has come on," he told assembled delegates.

In stressing the importance and necessity of such a dialogue, he stated: "We are living in a fast-moving world with a steadily shifting international landscape."

Al Hamli noted that a continuous rise in world energy demand is being witnessed, which is widely forecast to continue for at least the next two decades.

"There is the challenge of development, for which energy is fundamental. And there is a heightened awareness of the qualitative values of energy, both with regard to environmental factors and over the importance of the provision of modern energy services to help sustainable development and the eradication of poverty," he affirmed.

The Minister pointed out that interdependence is "the name of the game" and the scope to "go it alone" has been reduced drastically in recent years.

"This is why I consider the EU-OPEC Energy Dialogue as a practical way to cope with energy challenges, building on our interdependence as a means of improving the well-being of our citizens, in a peaceful and harmonious way."

Highlighting the success of the dialogue, Al Hamli said the very existence of the initiative has opened doors which did not exist in the past between the two groups.

"And where such doors did exist, the energy dialogue has made the openings a little wider."

In addition, he said, the dialogue has enhanced understanding among the two sides of their respective positions on some of today's major energy issues.

"The joint roundtables, workshops and studies, which have already been held, or are underway, have provided valuable insights on specific topics and have, accordingly, added to the large body of research that each of our groups possesses on energy matters," he maintained.

Al Hamli stated that the two sides are at an advanced stage of discussing the establishment of a joint energy technology centre. "Without any doubt, this will bring huge, lasting benefits to both parties in the future."

He concluded by saying that the success seen so far is a fine record of achievement for a comparatively young process of dialogue, and "we have an excellent opportunity to add to it today."

Opening for the EU side, **Andris Piebalgs**, European Commissioner for Energy, stressed that peace, prosperity and security are the foundations of the EU and also formed the basis for the energy dialogue with OPEC.

He said that building on these foundations, the EU over the last 50 years has developed into a large community of interests and strategies.

"This is also the direction which I would like our energy dialogue to follow," he contended.

*Mohamed Bin Dhaen Al Hamli, President of the OPEC Conference and Minister of Energy of the United Arab Emirates.*

*Dr Chakib Khelil, Alternate President of the OPEC Conference and Minister of Energy and Mines of Algeria.*

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

"I welcome the progress we have made together over the last two-and-a-half years. This has deepened our mutual understanding, enhanced the transparency in our relations, and improved the framework for energy trade between our regions," he said.

Piebalgs stressed that 2007 is a crucial year for energy policy in the EU. He explained that, in March, the European Council endorsed the most wide-ranging and forward-looking energy policy package in the history of the Union.

"This is founded on a firm conviction that, by working together, Member States will be more able to resolve the challenges we face —energy security, climate change and investing for the future," he said.

But these challenges, Piebalgs told the meeting, are not only European. "They are universal. They are faced, I believe, by every country represented here today."

He said that as well as shared challenges, "we also have common goals. We both aim to lay the foundations for prosperity and sustainable economic growth. We also share the desire to cooperate internationally for a more secure world."

The Energy Commissioner professed that the EU has set itself ambitious targets for the year 2020 — to reduce greenhouse gas emissions by 20 per cent and to triple the share of renewable energy, while saving one-fifth of expected energy use.

"But even when we achieve these goals, we will still need large volumes of oil and gas to power our economies for the foreseeable future. Our domestic supplies are in decline. Therefore, it is likely that we will become more, not less, dependent on oil and gas from your (OPEC) Countries than we are today," he affirmed.

Piebalgs assured the meeting that the EU's new policy should not be seen as a threat to future oil and gas security.

"Quite the opposite — the new policy provides a predictable political and legal framework for investment in future supplies. Clear and quantified energy and economic targets, improved internal market legislation, a strategic framework for clean and renewable energy technology and a better articulated external policy: each and every element of the new policy provides greater stability and certainty for investors to make the large capital investments which our energy system needs in the 25 years to come."

## Investment more attractive

Piebalgs said the new policy will enable stable and sustainable economic growth. "This will create steady and predictable demand. And this is the basis for stable prices, leading to investment certainty."

He said recent developments have also helped make new investment in the oil and gas sector more attractive. Higher oil prices have stimulated investment in both conventional and non-conventional areas.

"Climate policies have focussed attention on the potential for cleaner and more efficient oil and gas extraction and low carbon fossil fuel use," he noted.

Piebalgs maintained that the climate change issue is global and measures should be global too. "Enhancing cooperation on this matter with other global players, such as OPEC, is crucial in this respect."

*Michael Glos, President of the EU Energy Council and Federal Minister of Economics and Technology of Germany.*


*Caimoto Duarte, Ambassador of Portugal to Austria, representing the incoming Presidency of the EU.*

*Andris Piebalgs, European Commissioner for Energy.*

He stated that carbon capture and storage, for example, could play a major role in enabling the world's fossil fuel resources to be used in a clean and more sustainable manner.

"I am delighted at the cooperation which has developed between the EU and OPEC on this subject, particularly since the roundtable on carbon capture and storage in Saudi Arabia in September 2006. I welcome OPEC's willingness to broaden cooperation on this issue within the UN framework," he said.

Piebalgs maintained that access to information is crucial to the dialogue process. "In this context, the Commission's new Energy Observatory must play a role.

He said he would also like to encourage further work to understand each other's scenarios on oil supply and demand. And he welcomed further study on the complex issue of the relation between oil prices and financial markets.

"Our initial analysis suggests that financial markets may affect oil price stability in the short term, but in the longer term, the opposite may be the case. This is clearly an area where greater understanding will help us both," he said.

Piebalgs said he would also like to encourage more technical and educational exchanges between the two sides and to see initiatives established for energy education and training.

He said he also wanted to invite OPEC to join a major new initiative which the EU is driving — for an international agreement on energy efficiency.

"Finally, we have to address in more concrete terms the energy poverty issue. In our previous meeting we concluded that both sides are investing substantial funds and effort. It is time to explore whether we could join efforts for making our contribution more efficient," he stated.

In reiterating his commitment to building up the energy dialogue with OPEC "to the best of my efforts and in a spirit of openness and mutual benefit," Piebalgs concluded by saying that while the EU celebrates its 50th birthday in 2007, "our dialogue (with OPEC) is less than three years old. But when the EU looks back on its key achievements in another 50 years, I hope that this dialogue will be one of them."

In supporting Piebalgs' remarks, **Michael Glos**, President of the EU Energy Council and Federal Minister of Economics and Technology of Germany, said cooperation with OPEC is very important for the EU's external relations.

"It deepens our understanding *vis-à-vis* an essential partner and it makes us even more aware of how closely interrelated our interests already are — and will be in the future," he said.

Glos said that according to all reliable forecasts, oil demand in the EU will not decline in the foreseeable future, while OPEC's share in global oil production will continue to increase. "This will further increase OPEC's significance for the EU," he stressed.

The Community, he said, has set itself very high targets, especially in further improving energy efficiency.

"High priority is also given to renewable sources of energy, including biofuels, but we must, however, face

the fact that, realistically seen, fossil fuels will continue to be indispensable for the EU for a long time to come," he said.

"Therefore, we will in the future continue to have a joint interest in a transparent oil market, with a price that is as stable as possible. In this connection I should like to highlight and acknowledge the importance of OPEC's role in contributing to the stability of the market," he affirmed.

Glos said he did not want to conceal the fact that high oil prices are still causing concern, since they pose a risk to economic growth and could hinder secure access to energy. This, he stated, is the case for all countries, both developed and less developed.

"I should like to encourage you to send signals to the market at times of increased nervousness, reaffirming your ability to provide sufficient supplies to the market," he told the OPEC delegates.

*Above: Visiting delegates for the EU-OPEC Ministerial Meeting hold informal talks in the office of the OPEC Secretary General.*

*Right: Ioannis Samouilidis (l), of the European Commission Directorate General of Energy and Transport, pictured with Jean-Arnold Vinoirs also of the Directorate General of Energy and Transport.*

*Below: Jean-Paul Decaestecker (l), of the European Council, with Klaus Gretschmann, Director-General, Council, Directorate-General for Internal Market, Industrial Policy, Telecom, Research, Energy and Transports.*


Glos said the EU also regrets OPEC's recent production cuts and the fact that the time frame has been left open.

"We have a joint interest in reducing uncertainty on both sides of the market. We could reach this objective through an intensive exchange of information about our individual policies, or also through specific factors which influence the market, such as the financial markets or the refining industry," he maintained.

Glos said given the fact that strong growth in demand is expected to continue, a sufficiently high reserve capacity needed to be maintained. "This reserve capacity could pull the rug out from under speculators who are counting on a shortfall of supply at times of political tension."

He said the EU recognizes that investment in bringing reserves to market is expensive. "Such investment is, however, justified and necessary, because it creates

confidence, both in the functioning of the market and in OPEC, especially in the longer term," he stated.

Glos said the EU-OPEC Energy Dialogue has provided a basis for both sides to think about possibilities for cooperation in areas other than oil supply.

"New technologies in the energy sector could be a particularly interesting field. This is where our mutual interest in a secure, economic and environmentally friendly energy sector meets. I am confident that today's discussions will deepen our mutual understanding of one another's concerns," he concluded.

In congratulating all those involved in the development of the EU-OPEC Energy Dialogue over the past two-and-a-half years, **Dr Chakib Khelil**, Alternate President of the OPEC Conference and Minister of Energy and Mines of Algeria, said he believes that its success to date has exceeded all expectations.

"This indicates, of course, that it is filling a need in the energy sector, which was perhaps not being met adequately in the past. It also encapsulates the spirit of producer-consumer dialogue, which has also found expression in other international channels in recent years, especially the International Energy Forum (IEF)," he said.

Khelil said that what has been particularly impressive has been the choice of themes undertaken. "They are all direct and to the point, with regard to issues which concern both the EU and OPEC."

For example, he said, energy policies was an issue that strikes at the very heart of concerns OPEC Member Countries have about possible impediments to the investment strategies they need to develop, in order to ensure that consumers receive adequate supplies of oil in the years ahead, as and when they need them.

"There has been the workshop on the impact of financial markets on the oil price and volatility. This theme was tailor-made to address a very real concern that manifested itself with some considerable force three years ago, with wide-ranging effects that were felt well beyond the confines of the oil sector."

## Environmental harmony

Khelil noted that the roundtable on carbon capture and storage in Riyadh last year saw the two parties tackle an issue which, in a sense, welded together a combination of diverse interests from very different backgrounds, in a manner that was harmonious and highly beneficial to the development and deployment of the very important technology.

"And then there is the proposed joint Energy Technology Centre. This could, with time, turn out to be the jewel in the EU-OPEC Energy Dialogue, due to the ambitious, visionary, highly focused nature of this project.

"Naturally enough, as one would expect of any scheme of this sort, it will take longer to get off the ground than the other joint activities. But I have found boundless enthusiasm for it from all the parties involved in the dialogue," he said.

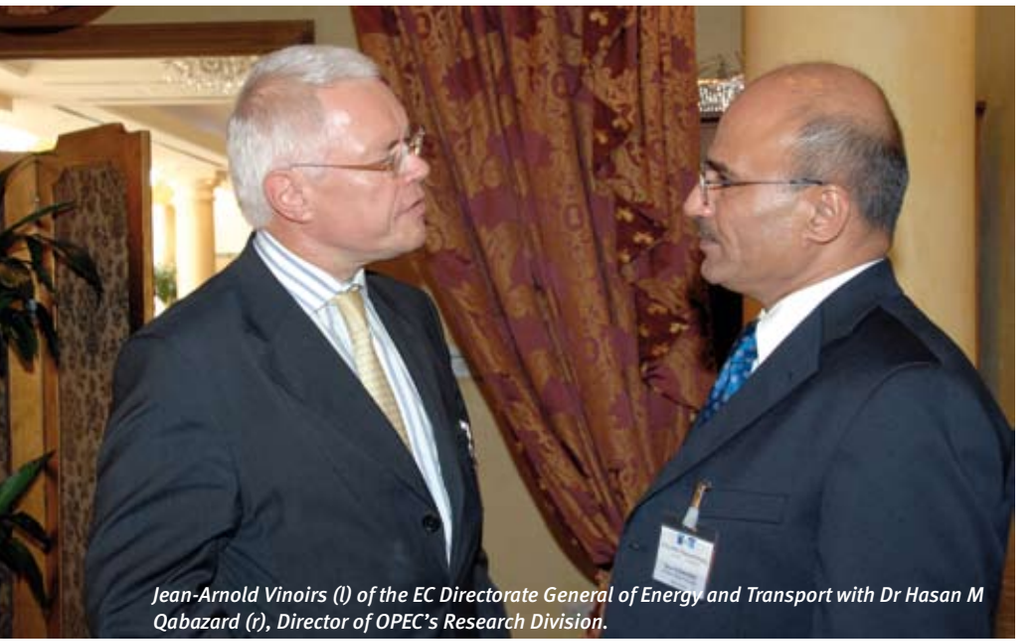
Khelil stressed that technology is the true driver of many ambitions to ensure that the consumer receives his or her oil in the future, in a manner that must now satisfy such a vast array of criteria.

"Not only are we looking at the time-honoured targets of sufficiency, timeliness, price, security, stability and sustainability, but, not too long ago, we also added environmental harmony. More recently, a new and much-overdue focus emerged embracing the other two pillars of sustainable development — economic development and social progress.

"Somehow, globalization, regionalism and instant communications must be added to all of this," he asserted.

Khelil said that with such a large number of challenges facing "all of us in the energy sector, and with the progress we have achieved so far, I believe that the EU-OPEC Energy Dialogue will have a major role to play for many more years to come."

*Members of the EU team assembled at the OPEC Secretariat.*



*Jean-Arnold Vinoirs (l) of the EC Directorate General of Energy and Transport with Dr Hasan M Qabazard (r), Director of OPEC's Research Division.*


*Mohammad Alipour-Jeddi (l), Head of OPEC's Petroleum Market Analysis Department and Fuad Al-Zayer, Head of OPEC's Data Services Department.*


**Caimoto Duarte**, Ambassador of Portugal to Austria, representing the incoming Presidency of the EU, emphasized that the ministerial meeting represents a new demonstration of the commitment of both EU and OPEC to pursue a constructive dialogue.

"Dialogue goes along with information-sharing and, as we know, information is a key to sound planning and timely decision-making, which, in turn, are conditions for guaranteeing stable markets with secure supplies at affordable prices," he stated.

Duarte said energy security is a concern that is common to both the EU and OPEC — security of supply for one side, security of demand for the other, but both sides belonged to a world of interdependence.

"Transparent and reliable information on markets and fundamentals is a main answer to concerns on demand security. Apart from data publication, which is performed through the Joint Oil Data Initiative (JODI), information on energy policies is of the utmost relevance," he maintained.

"We must recognize that, in this aspect, the EU is extremely transparent, as its energy policy is very publicly discussed and formulated: the presentations and discussions during this meeting are a proof of that. That is why these meetings have an enormous added-value, being an opportunity to explain the rationale of EU energy policy and, concurrently, being an opportunity for OPEC to convey its views and concerns," he said.

Duarte said that, besides dialogue, cooperation in projects of common interest must go on. "Some areas of cooperation have already been identified — we must give to those projects the orientation and the support required to get useful outcomes."

In informing delegates of the meeting's agenda, aims and objectives, **Abdalla Salem El Badri**, Secretary General of OPEC, said the ministerial talks prove, once again, to be a good, first-hand example of the effective, committed and progressive cooperation established between the two parties.

"The issues which will be raised and discussed in this meeting clearly underline the need for such a dialogue and are a fine source of encouragement for us all to develop it further," he stated.

After the opening addresses, the meeting was divided into two sessions and concluded with a joint press conference.

The first session began with a presentation by **Heinz Hilbrecht**, Director for Conventional Energies at the

*Left: Hamid Dahmani (l), Algerian Governor for OPEC with Taous Feroukhi, the Algerian Ambassador to Vienna.*

European Commission, who talked about the EU's new policies concerning energy and climate change.

OPEC then took the floor with a presentation from the Director of its Research Division, **Dr Hasan M Qabazard**, who covered oil market developments in the near term. In his report, he sought to reassure the EU of OPEC's continuing commitment to a stable and well-supplied oil market.

The second session reviewed the status of the Energy Dialogue's joint activities and mapped out their development over the coming year.

From the OPEC side, the Head of the Secretariat's Energy Studies Department, **Mohamed Hamel**, reported on the roundtable on carbon capture and storage, which was held in Riyadh in September 2006, while the Head of the Petroleum Market Analysis Department, **Mohammad Alipour-Jeddi**, gave an overview of the progress made at the workshop on the impact of financial markets on the oil price and volatility, which was convened in Vienna three months later.

From the EU team, **Jean-Arnold Vinois**, of the Directorate General of Energy and Transport of the European Commission, reported on the roundtable on energy policies, which took place in Brussels, in May, as well as the proposal to set up an EU-OPEC Energy Technology Centre, while **Ioannis Samouilidis**, also of the Directorate General of Energy and Transport, gave an update on the status of the joint study on refining.

*Above: Mohamed Bin Dhaen Al Hamli (r), President of the OPEC Conference and Minister of Energy of the UAE, with Abdalla Salem El Badri, Secretary General of OPEC.*

*Left: Andris Piebalgs (l), European Commissioner for Energy, with Heinz Hilbrecht (r), Director for Conventional Energies at the European Commission.*

*Below: Chawki Rahal, Vice-President of Marketing at Algeria's Sonatrach (l), with Mohamed Hamel (c), Head of OPEC's Energy Studies Department, and Ibibia Worika, OPEC's Senior Legal Counsel.*

*Pictured at the press conference (l–r), Andris Piebalgs, Caimoto Duarte, Michael Glos, Mohamed Bin Dhaen Al Hamli, Dr Chakib Khelil, Abdalla Salem El Badri*

## Joint actions agreed

"We have made much progress today, for our common interests and also I am sure you would agree with me for the interest of the world at large. Indeed, the world is becoming increasingly interdependent and the energy system more and more global. This underlines the importance of such processes as the EU-OPEC Energy Dialogue, as well as the dialogues we are having and you too are having with other countries and groups. I am also very pleased with the set of planned joint activities that we have agreed upon today, covering the key areas of refining, financial markets, carbon capture and storage, energy policies, education and training, and the proposed Energy Technology Centre."

*— Abdalla Salem El Badri, Secretary General of OPEC, in his closing remarks*.

The 4th Ministerial Meeting of the EU-OPEC Energy Dialogue, held in Vienna on June 21, 2007 agreed upon the following specific joint actions:

- A workshop on the oil refining sector, including the implications of biofuels, to take place in Brussels at the end of 2007 or early in 2008.
- A study on the impact of financial markets on the oil price and volatility, with the terms of reference to be developed jointly in the coming months.
- An enhanced discussion on carbon capture and storage cooperation, leading up to a roundtable in the first quarter of 2008.
- The development by the task force of the concept and operations of an EU-OPEC Energy Technology Centre, including the cooperative framework on education and training in the energy sector, with a report to be presented to the next annual ministerial meeting of the EU-OPEC Energy Dialogue.

# EU closer to understanding how OPEC acts

*"OPEC cares that the market is well supplied"*

*"OPEC does not like low prices, but it also does not like high prices"*

*— Andris Piebalgs, EU Energy Commissioner*

*On June 21,2007, the OPEC Secretariat hosted the fourth in the series of ministerial-level meetings of the EU-OPEC Energy Dialogue. Established four years ago, the initiative has the objective of providing an enabling environment for the two groups, representing consumers and producers, to regularly rub minds on how to ensure security of energy supply and demand and enhance an orderly oil market.*

*On the sidelines of the meeting, the Commissioner in charge of Energy at the EU,* ***Andris Piebalgs*** *(pictured above), granted an interview to OPEC's livestreaming. In this edition of the OPEC Bulletin, we bring you an edited version of his comments, which can still be found on the OPEC Website.*

## *On the productivity of the 4th EU-OPEC Ministerial Meeting:*

Some progress has been made, on the basis of which we have seen some achievements. The first meeting of the dialogue was basically held just to discuss issues of mutual interest. Both sides were a bit worried and had some reservations about such a move and the ice needed to be broken.

Today (in the fourth meeting), I think we clearly reflected on two basic elements that are of interest to both sides — supply security and security of demand — and whether we should stay on the same wavelength. We then moved on to the issue of the level of cooperation needed for going into depth about what is influencing the oil market. One of the influences could be refining. We know that the biggest (price) increase now for the motorist is coming as a result of shortages in refining capacity. Secondly, we need to ask what the financial markets, like hedge funds, have to do with the price of oil? There is a lot of speculation and talk on that, but nobody knows for certain. There are positive and negative sides. Then we reflected on the biggest challenge of our time, which I would say represents a new beginning for us. That is the pact concerning preventing climate change. Both of us are eager to contribute to this issue and definitely, to achieve a breakthrough, we need something badly.

*What makes me more optimistic is that OPEC and the EU both share the same approach in agreeing that the market should be well supplied.*

One area is carbon capture and storage (CCS). I think there are experiences on the EU side and also on the side of OPEC Member Countries. But I do not think we should stop there. There is a proposal for an EU-OPEC Technological Centre and we should continue to work on this. Basically, I believe there are several areas in which we can work together. The first is related to policy, then there are two issues that influence the oil market — the financial markets and refining — and we have new technology, particularly carbon capture and storage.

## *On the issue of refining capacity and the feeling that no new investment in Europe is needed:*

It is not that I believe or do not believe this because at the end of the day, it is the industry that makes the investment. To be frank, industry says that at this stage, there is no need for additional investment in refining inside the European Union. They agree that there is some disequilibrium because there is more refining capacity for producing petrol and less for diesel. But as a global market, there is enough activity and so they believe that this balance is not detrimental to Europe. There could be some developments, for example, the huge push towards biofuels in the United States and the need for European ethanol.

There is also huge dependence on Russian diesel producers. If something goes wrong, or some units are not able to deliver, the situation would be different. But I believe this issue needs more study because the industry is afraid of investing in refining. This is basically for two reasons. First, it represents a long-term investment and potential investors still do not believe that the good marketing margins will continue forever, or for a long time, because in previous years, refining was starved. Second, and this is what is very discouraging, it involves the authorization procedure, one that takes years and years to complete.

It is very difficult to get positive answers even to upgrade existing facilities, not to think of building new ones. So, I think that what the Commission is intending to do is to first of all see what the needs are and second to streamline the authorization procedure, because each refinery should be built to the best environmental standards. However, they should also be given a reasonable time-scale because it could go on for a very long time. If that happens, nobody will try to explore the possibilities of making investment in new refining capacity.

## *On what the EU and consumers can generally do to ensure security of demand:*

There is a general moving away from the traditional market, where everything is decided by supply and demand. This is because the climate change debate will definitely

influence the market very strongly — to suit carbon trading and also all types of regulations and incentives for renewables, and for energy efficiency. So, in a way, things are getting away from the classic market perception. But this perhaps gives us more of a chance because we will be monitoring market developments much more keenly and measuring our progress towards goals that we imposed on ourselves. Secondly, we are working towards a better monitoring system inside the EU. This means that data from the EU will be available to the market, just as data from the US is.

When one speaks about factors that influence oil prices, you always find mentioned the level of stocks in the US and the effects of the driving season there etc. This is very good because the US is the biggest consumer. But it is not any more indicative of the market, and I believe we need the same accuracy of data from countries such as India and China, because only then will security of demand actually be guaranteed. It is the long-term policy that gives predictability for the owners of that resource to invest and to get supplies to the market. What makes me more optimistic is that OPEC and the EU both share the same approach in agreeing that the market should be well supplied. Market supply means that we both have an interest to really study the development of demand and that means getting more data from the EU. This would definitely give input towards granting more certainty. Having said that, I also recognize that the EU is not the biggest consumer and not the largest-growing consumer. The real challenge definitely comes from China and India.

## *On climate change and the environment:*

We are working on only two issues now — not the whole range of issues — and we should not forget that OPEC is still a producer organization and not every issue should be discussed. We are working with the Gulf Cooperation Council (GCC), we are working bilaterally with the countries involved and that is why I cannot say whether the whole issue of the environment was covered, or whether we are also debating climate change. We debated some elements of climate change that are very crucial — that if you burn fossil fuels, it produces silt.

We need to address this issue and that means our focus will fall particularly on carbon capture and storage. It is the key word we are addressing because we have an interest and also OPEC Member Countries have an interest for two reasons. First, it is in the interest of their own well-being, because more emissions definitely damage these countries a lot. It is clear that while they are using fossil fuels, they will also like to store the carbon. Second, it also offers the opportunity for more enhanced oil and gas recovery. That means a heightened commercial interest and the extension of supplies to the market. I think this is where we will continue to focus our attention on because it is the technology that we both need and is definitely needed if we want to stage an effective fight against climate change.

## *On International Energy Agency (IEA) calls for more OPEC oil:*

I think it is not for me to comment on what the IEA is doing, but from our side, we have this dialogue — for four years now — and we really are closer to understanding, at least in our opinion, how OPEC acts. I know from all our meetings that OPEC really cares that the market is well supplied. There is also the fact that OPEC does not like low prices, but it also does not like high prices, because that means the demand situation changes rapidly. I believe the market is currently well supplied.

Today's information says there is 3.8 million barrels per day of spare capacity (in OPEC), while stocks are very high. It really gives us some confidence, but where this confidence is lacking is in the medium and long-term perspective. What makes consumers worry sometimes is that decisions are taken for cutting or capping the volumes of oil produced. This is always worrying. Recently, I had the chance to speak with (ENI CEO) Paolo Scaroni and we discussed oil prices. I said: "What's your expectation for the future?" He replied: "We just made a huge study, which says that in 20 years, the price will be 40 dollars per barrel. But don't worry, we always make our estimations and whatever the prognosis may be, it has always been wrong."

That is an important lesson from a market participant's point of view. I would also join others by saying that there is no need to artificially cap the production of oil because all countries are responsible. And I think it is important that nobody takes undeserved benefits if others are acting more responsibly. But, I feel the market is well supplied at this stage. However, there are other factors that influence the oil price that I would like to see removed, but at the same time, I would say it is definitely good to have high oil prices, because it encourages having technologies that can also be very efficient.

*I would say it is definitely good to have high oil prices, because it encourages having technologies that can also be very efficient.*

Roundtable on petroleum policies looks at both sides of the energy coin

# Security of oil demand equally as important as security of supply

*Secure oil demand is as important to oil producers as secure supply is to the consumers. That was one of a range of issues put forward by OPEC at a joint Roundtable on Energy Policies with the European Union (EU), held in Brussels, Belgium, at the end of May.*

*Dr Hasan M Qabazard, Director of OPEC's Research Division, said, for its part, OPEC has demonstrated repeatedly its willingness to keep markets well-supplied with crude at all times.*

The roundtable was held under the auspices of the EU-OPEC Energy Dialogue, which was established in December 2004 to exchange views on energy issues of common interest, including oil market developments and the potential this has for contributing to stability, transparency and predictability in the market.

"Our supply policy has seen us increase production by roughly four million barrels a day since 2002, meeting the relentless rise in demand and working to establish a sizeable spare capacity," stated Qabazard.

Qabazard, who led OPEC's delegation to the talks, said it is crucial that "we understand that energy security encompasses both demand and supply."

He continued: "Indeed, security of demand is as central a concern to exporters as security of supply is to importers. There are considerable uncertainties about how future demand will evolve, and behind much of this are policy developments that are currently underway. One of our main points of focus today, therefore, will be on how policies affect future demand."

Qabazard said the much talked-about concepts of energy interdependence and energy security are "very much in play in our conversations today and at future meetings.

"There is a duality to these notions. Where, on the one hand, oil-consuming and oil-importing countries

rely upon oil for their economic health, this precious finite hydrocarbon also plays a vital role in the continued growth and advancement of producing nations. Both parties have a desire for stability and security in the market," he affirmed.

"However, with supply security involving the entire supply chain, we must also keep an eye on the downstream sector. We are, indeed, encouraged by the fact that the EU and OPEC are undertaking a joint study on this important subject."

## Shortage of skilled labour

Qabazard listed other oil market issues as including the "disturbing impact" of uncertainties on investment and, in particular, how these can relate to policy decisions taken in consuming countries; the potential benefits for the industry at large of energy efficiency and conservation; the need to accommodate environmental protection in our energy profiles, and especially the development of new technologies, such as carbon capture and storage; the restrictions imposed by the shortage of skilled labour, particularly on the future growth of the oil sector; and the need to ensure that the international oil industry develops in a way that accommodates the pressing needs of sustainable development and the eradication of poverty.

"We have witnessed a great deal of consensus between the EU and OPEC on this broad range of issues under discussion today, as well as much to build upon in those areas where differences remain," commented Qabazard.

"This, of course, underlines the importance and the purpose of the EU-OPEC Energy Dialogue in today's increasingly interdependent world. What is more, the benefits of enhanced dialogue will extend beyond our two groups and their respective Member Countries, into the world economy at large. This fact alone increases the burden of responsibility on all of us, with regard to establishing a mutually harmonious way forward in the energy sector," he said.

"We have already, of course, made significant strides in this direction, as our energy dialogue goes from strength to strength and as we have witnessed here in Brussels today," he added.

Qabazard pointed out that the Organization's concern about the impact of consumer country policies on the oil market has been a longstanding one.

"In fact, one could say that actions by consumer countries — and companies and institutions associated with them — resulted in the birth of our Organization nearly half a century ago," he said.

Qabazard, who co-chaired the roundtable with Heinz Hilbrecht, Director of the EC's Directorate for Conventional Energies, pointed out that OPEC has long recognized the concern of consumer countries about security of supply.

## Complex and dynamic

"Accordingly, we have been only too happy to, once again, provide assurances about OPEC's longstanding commitment to secure supply, with reasonable prices and sustained stability. We have also recalled the measures we have taken throughout our history to meet this commitment, as well as our firm resolve to continue with this in the future. This will ensure that consumers receive their crude as and when they need in the years and decades to come," he told delegates.

OPEC, said Qabazard, welcomed the opportunity to discuss "this extremely important issue" with one of the world's foremost economic and political groups — the EU — in a cordial and constructive manner.

"However, as has also been stated during this roundtable, the oil sector is a complex and dynamic sector, with many dimensions to it and functioning at the heart of a

world economy which, in turn, is becoming increasingly interdependent and globalized," he stated.

Hilbrecht, in his opening remarks, said the EU-OPEC partnership offers a unique framework to develop energy projects and secure greater energy security.

"We both represent a distinct constituency with strategies, programmes and instruments. We both have our eyes on the medium to long-term perspective. And we are both committed to a constructive producer-consumer relationship, demonstrated not least by meetings like today.

"In a way the EU is a precursor by choosing a bilateral more regional dialogue, which in the end will lead to international integration later on," he said.

Hilbrecht asserted that energy policy and international relations are inextricably linked. Relations with OPEC have improved a lot in the last years. "They are based on mutual confidence and will form an integral part of our energy policy."

He pointed out that European consumers have appreciated the practical and timely response of OPEC to oil market volatility in the past.

## Commitment to dialogue

Hilbrecht said he realized there is concern among OPEC Members about how the new energy and climate policies in Europe might affect demand for OPEC oil.

"We are ready to open the door to give OPEC a deeper insight into our policies, but as it is a dialogue we expect also to get insight into OPEC Member Country policies and strategies," he stated.

Qabazard praised the carefully targeted nature of the joint roundtables, workshops and studies arising from the EU-OPEC Energy Dialogue and paid tribute to the willingness of both sides to ensure that the process is both productive and meaningful.

"Today's roundtable has demonstrated how far the EU-OPEC Energy Dialogue has advanced in a relatively short time — less than two-and-a-half years.

"In recent years, OPEC has affirmed its commitment to dialogue between oil-producing and — consuming parties, and our ongoing dialogue with the EU has been buttressed by enhanced relations with other nations and organizations."

Qabazard said that in examining some of the shared accomplishments of the EU-OPEC Energy Dialogue, clearly both sides have benefited from enhanced understanding and communications in an increasingly interdependent world.

"We can point to increased exposure to each other's interests and this is very helpful for stability in the market. We have also held three significant ministerial meetings, organized workshops on the oil market and the impact financial markets have upon this key sector of the global economy, and taken a long look at carbon capture and storage in Riyadh last year. Furthermore, both parties are working together on a study on refining," he affirmed.

In highlighting the joint importance of oil demand and supply security, Qabazard said that even the most conservative of projections demonstrates that interdependence in the world oil industry will increase further in the decades to come. In volume terms, global trade in crude and oil products is expected to rise by more than 25 per cent by 2020.

"We anticipate increased involvement from the national and international oil companies, distribution outlets, traders, financial institutions and other leading parties. Dialogue, partnerships and a transparent approach to addressing the world's energy needs are of paramount importance," he professed.

Speaking on climate change, Qabazard said OPEC recognises that, in the decades to come, many different types of fuel will play a part in the global energy mix. Realistically, however, fossil fuels will continue to meet the major share of the world's energy needs.

"The goal is to make this consistent with a carbon-constrained world. One key technology, carbon capture and storage (CCS), has shown great promise in this respect. OPEC, he stressed, considers CCS to be an important part of the answer, in reducing greenhouse gases.

Hilbrecht told the roundtable that "we cannot be serious about climate change unless we are prepared to change our energy policy."

That is what EU leaders agreed to do, he said. The targets are clear — the EU aims to secure a 20 per cent share of renewables in the energy mix by 2020. "As renewables are indigenous and clean resources it is almost natural to exploit and use them."

He explained that he European drive towards renewable energy is largely targeted at the electricity and heating sector, which in many countries has already switched away from oil.

"In the EU, most of the oil is used in the transport sector. The objective is that by 2020 almost ten per cent of transport fuel will be biofuel. But that is against a background of rising demand and declining oil production within the EU," he affirmed.

In its conclusions from the spring Summit, the European Council, the highest EU committee of heads of state and government, underlined the vital importance of achieving the strategic objective of limiting the global average temperature increase to not more than 2°C above pre-industrial levels and called for an integrated approach to climate and energy policy.

## Challenges are global

Hilbrecht said Europe could and should save one-fifth of its energy consumption by further increasing energy efficiency.

"Both producers and consumers have an interest in the efficient use of energy. Stable and predictable demand for energy is of interest to us all. So if we can get our demand under control, cut wastage and get the greatest economic value from the resources we use, it is better for all of us. Europe has become a mature energy market by constantly optimizing the use of energy and can therefore provide much more stability," he said.

"The challenges we face are not only European — they are global. If we do nothing, the global economy and millions of people across the globe will suffer. Of course, limiting climate change will not be for free ... (but) if we rise to the challenges, the opportunities for sustainable economic development, peace and prosperity are truly global," he added.

As a joint press release issued at the end of the roundtable aptly stressed, notable successes have already been achieved under the umbrella of the EU-OPEC Energy Dialogue, in enhancing understanding between the two groups on key topical issues, as well as setting-up joint roundtables, workshops and studies to gain deeper insights into such issues.

The roundtable on energy policies included sessions on the energy outlook over time-horizons up to 2030; the EU's energy, transport and climate policies; and OPEC's capacity-expansion objectives and market-stabilisation measures.

It recognized the importance of the Millennium Development Goals and the fact that access by the poor to modern energy services facilitates the achievement of these goals.

Both parties welcomed the growing diversity in the energy mix, in both the EU and OPEC countries, including renewables and biofuels. The sustainability of biofuels was discussed, in particular the potential impacts of the large-scale trade and use of biomass for energy purposes, in terms of land-use changes, competition with food supply and other biomass uses, biodiversity, and competition for water resources. The scope to tackle these problems through an appropriate EU policy framework was also discussed.

"Nevertheless, while both parties welcomed an enhanced diversification of the energy mix, they also noted that, under all reputable scenarios, the world would continue to rely on oil as its dominant source of energy, to foster economic growth and social progress," said the press release.

"They also noted that, according to most reputable international institutions, there are enough conventional and non-conventional oil resources to meet demand."

Environmental protection, on both the local and global scales, was also a prominent topic of discussion. Both sides believe that cleaner fossil fuel technologies should be promoted and following the joint roundtable on carbon capture and storage held in Riyadh, Saudi Arabia, in September 2006, delegates underlined the need to make this technology commercially viable.

## Improving understanding

OPEC and some of its Member Countries made presentations about capacity expansion. In this connection, the risk of unneeded idle capacity stemming, inter alia, from the uncertainties over future levels of oil demand, was discussed.

It was noted that government policies related to the environment and the production of cleaner fuels, also had an impact on the downstream sector. A joint EU-OPEC study on investment needs in the refining sector and the role of the oil refining industry in oil markets is now in progress.

"The parties concluded that continued dialogue and exchanges of views between the EU and OPEC constituted an important element in improving understanding among all parties and that this was in line with the mutual interests of supporting oil market stability and predictability, for the benefit of the world at large," concluded the release.

Equal treatment for oil

# Producers, consumers must work together on energy security

*Energy security is an issue that continues to attract much attention within oil industry circles. In this presentation, Indonesia's OPEC Governor, **Dr Maizar Rahman**, looks at the topic from an OPEC perspective. He gave the address to a Conference on 'Energy security: a defining issue in East Asia', held in Jakarta, Indonesia towards the end of July 2007.*

Let me start by thanking the organisers for the invitation to speak here today on behalf of OPEC. It is an honour to be here before you in Jakarta as Indonesia's Governor for OPEC and also a pleasure to be in front of such an esteemed gathering.

The overall theme of this conference focuses on energy security, particularly in the East Asian region. It is easy to see why the issue is important to the region and the Asian continent as a whole. Going forward, Asia is expected to witness tremendous development and expansion; in a similar manner to recent years. For example, in terms of gross domestic product (GDP) growth over the past year, China has grown over ten per cent, India over eight per cent, Indonesia and Malaysia over five per cent, and South Korea and Thailand just under five per cent.

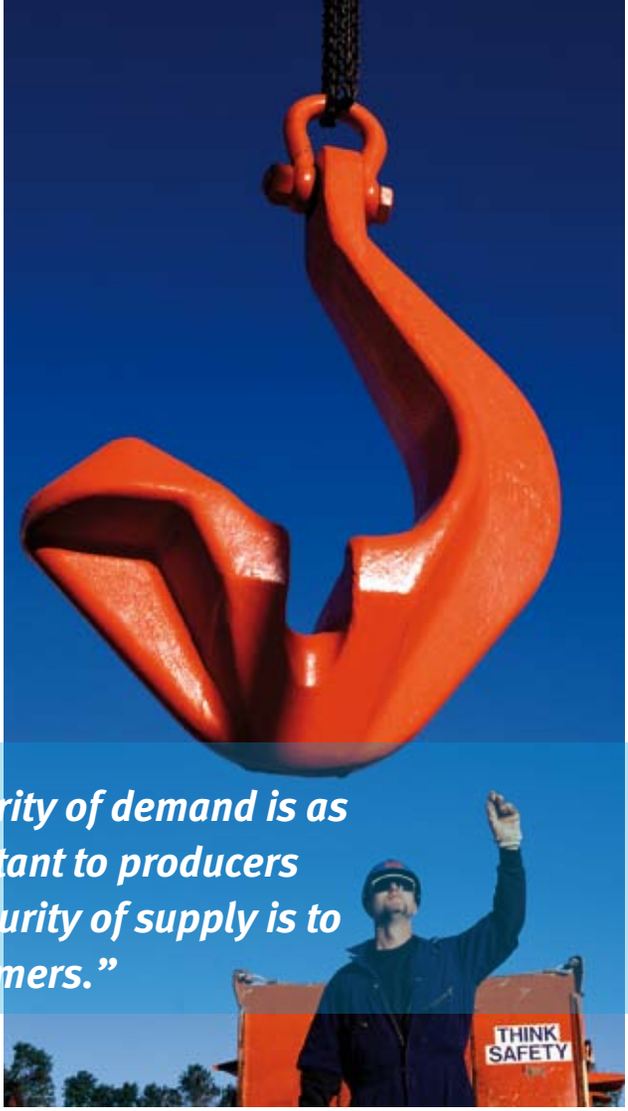
Supporting this economic development is energy, with the Asian region anticipated to witness the largest energy and oil demand growth rates of any region in the world over the next two decades. In OPEC's reference case scenario, world oil demand is expected to climb from 85 million barrels per day in 2007 to 118m b/d in 2030. Developing countries comprise most of this rise and more than two-thirds of this growth will be in Asian developing countries. By 2030, Asian oil demand is expected to rise to 43m b/d, an increase of almost 18m b/d.

Yet what needs to be recognized is that any talk of regional energy security needs to take into account global energy security. Globalization is bringing us all closer together and there is no getting away from the fact that we live in an increasingly intertwined and interdependent world. From the energy perspective, there is a shift away from longstanding self-interested views of energy security to a greater appreciation of its broader, more universal nature. We are gradually witnessing the development of a more integrated global energy industry, with many traditional lines of demarcation between functions and functionaries becoming increasingly blurred.

So today, I will take a look at this broader picture of global energy security, with a specific focus on OPEC's view. So where do I start? Well, I think initially it is important to put forward some sort of clarification as to what is meant by energy security. What is interesting is that if you asked ten people to define the term, you would probably have ten varied answers. Yet the concept of 'global energy security' is so fundamental to life in the 21st century that every effort must be made to clarify its meaning, to gain a consensus on this, and to ensure that its true principles are embodied in the decision-making processes of all major stakeholders across the energy sector.

That is not to say there is a simple definition, but allow me to put forward an OPEC perspective focused on a number of energy security dimensions. This includes:

- it should be reciprocal. Security of demand is as important to producers as security of supply is to consumers;
- it should be universal, applying to rich and poor nations alike. In particular, it should seek to honour the spirit of Johannesburg 2002, the UN World Summit on Sustainable Development, with a focus on the three pillars of sustainable development;
- it should apply to all energy sources in a manner that is free from prejudicial regulatory and legislative measures;
- it should apply to the entire supply chain. Downstream is as crucial as upstream, as we have seen that refinery bottlenecks can have a major impact on steady, secure supplies to the consumer;
- it should cover all foreseeable time-horizons. Security tomorrow is as important as security today;
- it should focus on providing all consumers — rich and poor — with the most modern energy products, meeting the highest environmental standards and benefiting from the application of the latest technology;
- it should be openly receptive to dialogue and cooperation among the leading players in the market, to facilitate the market's sound evolution in a balanced and equitable manner, both now and in the future. Efforts at expanding dialogues are something OPEC has, and continues to devote much energy to.




***"Security of demand is as important to producers as security of supply is to consumers."***

I should now like to take the opportunity to elaborate upon one or two of the points I have just made. Firstly, it is important to underscore the reciprocal nature of energy security. Security of supply and security of demand are mutually supportive and must go hand-in-hand. The role of oil is equally important to the economic growth and prosperity of consuming-importing countries, as well as to the development and social progress of producing-exporting countries.

The concern for consuming countries is for the secure and predictable flow of oil at reasonable prices. I would like to stress up front that OPEC is ready, willing and able to supply oil — as it always has done — and there is no physical shortage of the necessary conventional and non-conventional resources to meet demand. The resource base is also likely to continue to grow.

***"The industry's expansion is also being significantly constrained in the area of human resources."***

For producing countries, concerns centre on demand uncertainties. For example, to 2020, scenarios developed by the OPEC Secretariat highlight that the additional amount of oil required from OPEC could range by close to 9m b/d. In monetary terms, the corresponding range for Member Countries is somewhere between $230 billion and $500bn, representing a huge uncertainty for Member Countries upstream investment requirements, all with competing needs in such areas as health, education and infrastructure.

With these figures in mind, it is easy to appreciate the importance of producers and other investors having a fair idea of how much will be required and who their main consumers will be, so that they may invest with confidence.

In fact, the risks have heightened recently. For example, recent policy initiatives that discriminate against oil, involving subsidies for competing fuels and higher tax rates, may see even lower demand for oil products in general, and for OPEC oil in particular. In the European Union, Member States have agreed to adopt a binding 2020 target to increase renewable fuel use by 20 per cent. And the US is promoting the use of ethanol with subsidies and has set out ambitious targets for increasing the use of alternative fuels. One of the most recent proposals in the US — the Alternative Fuels Standard Programme — sees alternative transport fuel hitting almost 2.3m b/d by 2017. This is approximately 1.5m b/d more than what has been laid out in OPEC's reference case over the same period.

It begs the question: will producing countries need to revisit their investment plans, in the face of policies that lean towards a movement away from oil? Investments in capacity that will just lie idle do not make sense. While OPEC has offered in the past, and will continue to offer in the future, adequate levels of spare capacity for the benefit of the world at large, it cannot be expected to invest in what might be deemed a back-up security policy in case alternative fuel policy initiatives fail to materialize.

The uncertainties I have just described also impact the downstream. Our analysis reveals tightness in the refining sector in the form of inadequate refining capacity, which has been putting much pressure on oil prices generally. The extent to which refining tightness will ease will depend on the evolution of what is currently a neck-and-neck race between refinery capacity growth and demand growth.

OPEC's assessment of existing refinery projects indicates that investments, including new units and maintenance and replacement, total $455bn, with the largest number of capacity additions and investment taking place in the Middle East. As with the upstream, however, timely investment needs to take into account policy initiatives. Uncertainties related to the levels of future products demand and non-refined supplies are currently resulting in additional risks, for a sector traditionally characterized by low margins and high volatility.

Alongside the investment issues I have highlighted, it must also be appreciated that we are presently in a period when costs are significantly inflated, in part, as a result of the low oil price environment ten years or so ago. This led to the implementation of downsizing and cost-cutting strategies in particular in the services sector. According to analyst group CERA, upstream costs have increased by 53 per cent over the last two years. It leads me to the question: is this cost behaviour structural or cyclical? Whatever the answer, it is a huge challenge facing the industry and an issue that needs to be continually monitored.

The industry's expansion is also being significantly constrained in the area of human resources. A shortage of skilled labour for drilling, engineering, procurement, construction and other services and a downturn in the

number of students in energy fields are serious reasons for concern.

Let me stress at this juncture that despite the many uncertainties surrounding the future demand for its oil, in spite of the extremely high costs and the shortage of skilled labour, OPEC Member Countries are investing heavily in maintaining existing capacity and building new capacity, to ensure that markets are adequately supplied at all times and there is a comfortable level of spare capacity.

Going forward, OPEC crude capacity expansion plans already in place are expected to result in almost 40m b/d of crude capacity by the end of 2010, underpinned by more than 130 projects totalling more than $130bn. In addition, many Member Countries are investing in the downstream, both inside and outside of their borders, thus contributing to alleviating the current downstream tightness. OPEC is doing its share and is committed to ensuring order and stability in the international oil market, with secure supply, reasonable prices and fair returns to investors.

Today, any talk of on energy security would not be complete without highlighting an extremely important challenge for the future of our industry: the protection of the environment, both locally and globally. Let me stress that OPEC is committed to maintaining the oil industry's long history of successfully improving the environmental credentials of oil and to being actively involved in UN climate change meetings. The key for our energy future is making sure an increase in fossil fuels use, as painted by all scenarios, can be made compatible with the objective of limiting or reducing the level of greenhouse gas emissions. We need to look at technological options that help push energy security, by allowing the continued use of fossil fuels in a carbon-constrained world.

One promising option is carbon capture and storage (CCS), applied to large stationary sources of $CO_2$ emissions, and which can also be used in conjunction with $CO_2$-enhanced oil recovery. Last year, OPEC held a workshop with the EU in Riyadh on CCS, a demonstration of its commitment to this technology. In the area of CCS and similar technologies, however, industrialized countries, having the financial and technological capabilities, should take the lead, by promoting large-scale demonstration projects.

Allow me to finish by highlighting the key point that energy security means different things to different people: oil producers and consumers, oil exporters and importers, developed and developing nations, and present and future generations. Yet as an industry we must be inclusive and continue to develop and explore, existing and new avenues of cooperation with innovative thinking, collaboration, timely adaptation and swift action on the issue of energy security. And this must take into account each and every one of us.


***"We must continue to develop and explore existing and new avenues of cooperation with innovative thinking."***

The key is remembering the importance of the three pillars of sustainable development: economic development; social development; and environmental protection. And here I am specifically referring to the 1.1 billion people are currently living on less than $1 a day, the almost two billion have no electricity and the many people rely on traditional biomass for cooking and heating in unsustainable ways. For them, energy security is not just about the pumps being full, the public transport infrastructure ticking over, or the DVD player being to hand. It is about having the basic energy services to help eradicate poverty, support health care and education, provide the basic conditions for economic development and enhance living standards. These are the very rudiments of energy security and must be to the fore in any future decisions.

# No regrets whatsoever

**Former Nigerian Head of State General Yakubu Gowon speaks on his country's OPEC Membership**

He is best known as the leader who got Nigeria through a civil war and kept it as one. However, one thing that is not quite as well known is the fact he was also the man who took Nigeria to the Organization of the Petroleum Exporting Countries (OPEC) back in 1971.
He is General **Yakubu Gowon** (l), a retired army general and holder of a PhD in Political Science from Warwick University, UK, who was Head of the Federal Military Government of Nigeria from August 1966 to July 1975.

In June, while on a visit to Vienna, General Gowon paid a courtesy call on OPEC Secretary General, **Abdalla Salem El-Badri** (r), who briefed him on the activities of the Secretariat and took him on a tour of the Organization's headquarters. The OPEC Bulletin's **Angela Agoawike** caught up with the General briefly and asked him why and how he took Nigeria to OPEC.

## On why he took the decision to take Nigeria into OPEC and if, with hindsight, he feels it was a good decision

It was in 1971 and the decision had to be taken on whether we should accept the invitation to join OPEC. There was quite a lot of argument over this at that time and some pressure from certain parties saying that Nigeria should not accept the offer because it would restrict Nigeria's ability to do what it wanted to with its oil. The world powers at that time felt that if you formed a group like OPEC, it would go against their interests. But we discussed it very thoroughly — among us in government — and I can assure you that it was quite democratic. The general opinion was that it would be very good for us because if one is alone, one can be manipulated by the powers or interests that be. But if one is with a group, one will be better able to exert influence in the industry. So, I let the Supreme Military Council, as the highest body then, know about the proposal and they endorsed the idea. With that, Nigeria applied for membership and I can assure you, there is no regret whatsoever.

## On how he sees OPEC 47 years after it came into being

I have always followed the history of OPEC and I have always had the greatest respect for what the Organization is doing. I believe it has done very well. Many of the Secretary Generals I have seen or known have done exceptionally well. I remember people like Rilwanu (Dr Rilwanu Lukman, Conference President and OPEC Secretary General) and Feyide (Chief Meshach Otokiti Feyide – the first Nigerian OPEC Secretary General). The Organization in general has done well.

## Looking ahead — at OPEC ten years from now

I believe that OPEC will continue to grow in strength and I hope it will be able to get more numbers, especially from developing countries. Quite a number of countries in Africa are now becoming producers and I hope that they can look at what OPEC has done for those countries that are Members and be able to join.

I think OPEC should also, on its own, go to them. They wrote to invite us to join, so I think they should go to these countries, make them see the goodness in OPEC. If they are all together, they will be able to face the countries that would like to control production, the sale of oil, as well as the price.

*General Yakubu Gowon pictured with Abdalla Salem El-Badri; and (l–r) Dr Omar Farouk Ibrahim, Head of OPEC's PR & Information Department; Angela Agoawike, Senior Editorial Coordinator; Dr Ibibia Lucky Worika, OPEC's Senior Legal Counsel; and E O Efretvei, Minister at the Nigerian Embassy in Vienna.*

# G8 Summit 2007
## Heiligendamm

# Climate change negotiations: Remembering the original goals

**G8 summits are always full of much pre-event hullabaloo and the recent June meeting in Heiligendamm, Germany, was no different. In this instance, the major talking point, beyond US and Russian relations, was the possibility of making advances to a post-2012 climate change agreement. Whilst nothing definitive was agreed, the G8's collective announcement on the issue certainly offered up numerous discussion points.** ***James Griffin*** *reports.*

**WHILST THE HEADLINE NEWS** from the G8 Summit in Heiligendamm was the fact that G8 nations had declared an aim to at least halve their global $CO_2$ emissions by 2050, perhaps the most significant statement — for the present — was hidden away towards the middle of the 37-page document released. It says: "We acknowledge that the United Nations climate process is the appropriate forum for negotiating future global action on climate change. We are committed to moving forward in that forum and call on all parties to actively and constructively participate in the UN Climate Change Conference in Indonesia (Bali) in December 2007 with a view to achieving a comprehensive post-2012 agreement (post-Kyoto agreement) that should include all major emitters."

What this underlines is the fact that the event witnessed a shift in the previously held positions of a number of G8 countries. Firstly, the announcement marks the first time the US has agreed to the goal of developing a new global accord on climate change. The US will now be sitting around the bargaining table in Bali to discuss what forms a post-2012 agreement. Secondly, it states that "we" will look to achieve this goal as part of a UN process, a point that was much deliberated by some parties in the weeks and months before the Summit. Ahead of the meeting, US President George W Bush had proposed the establishment of a process of climate control negotiations outside of the UN. And finally, it talks about "all major emitters".

The first two points offer up little contention; all par-


*Far left: Hundreds of press photographers wait for the Heads of State or Government in front of the assembly rooms.*

*Left: The G8 Heads of State and Government on the pier at Heiligendamm (l—r):*
*Tony Blair, (then) Prime Minister of the United Kingdom;*
*Romano Prodi, Prime Minister of Italy;*
*Vladimir Putin, President of Russia;*
*Nicolas Sarkozy, President of France;*
*Angela Merkel, Chancellor of Germany;*
*George W Bush, President of the United States;*
*Stephen Harper, Prime Minister of Canada;*
*Shinzo Abe, Prime Minister of Japan;*
*José Manuel Barroso, President of the European Commission.*

*Angela Merkel talking to Vladimir Putin at the start of the second working session.*

*Group photo of the G8 leaders with members of Outreach Africa.*

ties talking together under the umbrella of the UN — obvious and straightforward. It is the last point, however, that throws up many variables and begs the questions — who is to bear what responsibility and how might this decision potentially impact developing countries?

## The G5 developing nations

Though the G8 plan does not require specific reduction targets from developing countries, it does ask the so-called G5 countries — Mexico, Brazil, India, South Africa, and China — to set their own national emissions reduction goals. The implication appears to be that when negotiations on specific details for a post-2012 agreement begin, it may involve a number of developing countries setting some sort of target.

In response, the G5 nations were unanimous in their rejection of mandatory emission targets. India stressed that it had not changed its attitude and that it was up to the developed world to take the initiative, with Prime Minister Manmohan Singh stating that whilst the country would continue to look at means to protect the environment, "the time is not ripe to fix any quantitative targets as far as we are concerned." In China, only a few days before the Summit, the government had announced its first national strategy to address climate change. It reiterated China's core objective of sustainable economic development and rejected mandatory caps, but did acknowledge the importance of climate change and pledged to combat it.

In a statement after the Summit, the G5 also said that climate change "has, and for the foreseeable future, will continue to have a profound impact on the development prospects of our societies." It added, however, that as specified under the Kyoto Protocol, "developed countries should take the lead in international action to combat climate change by fully implementing their obligations of reducing emissions and of providing additional financing and the transfer of cleaner, low-emission and cost-effective technologies to developing countries." The issue of unimpeded access to fuel-efficient technologies without onerous intellectual property requirements, in order to help curb emissions without undermining development, is an important point and something that will be discussed later.

## What is fair?

It is never easy pinpointing what is fair and just, but in this debate there are a number of key pointers that jump out. Firstly, it is clear that income levels in developing countries are far below those of developed nations, and in turn, *per capita* emissions in developing countries are only a fraction of those released into the atmosphere by developed nations. G8 countries emit more than 40 per cent of the world's greenhouse gases, but represent only about 13 per cent of the global population. Secondly, historical cumulative emissions are also much lower. And thirdly, the principle of "common, but differentiated responsibilities and respective capabilities" is a critical element of the climate change process, and one that cannot be ignored.

That is not to say that developing countries should not be part of the process, but the issue of fairness really comes down to one of the key points of the UN's Climate Change Convention, which "establishes economic and social development and poverty eradication as the first and overriding priorities of developing countries." We all want sustainable development, based on the three pillars — economic growth, social development and environmental protection — but this means different things to different people.

*Angela Merkel talking to George W Bush.*

*Following the working session, Angela Merkel and Vladimir Putin talk on the terrace.*

It needs to be remembered that the UN's very first Millennium Development Goal (MDG) is the eradication of poverty. For the 1.1 billion people currently living on less than $1 a day, the 1.6 billion people currently lacking access to modern energy services and the almost two billion who have no electricity — what do emission reductions and climate change mean to them?

Well, the first issue means little, as many of these people produce little or no emissions. Though, that is not to say that nothing can be done, but the focus must be on economic and social development. There is no doubt that many of these people could reduce their reliance on traditional biomass for cooking and heating, but this needs to be done in conjunction with increasing their access to modern energy services. If these were not achieved hand-in-hand, reducing reliance on traditional biomass would leave these people in a poorer state than they are now! The second issue — climate change — could, however, potentially have a dramatic impact as it is often developing countries, and the poorest people who live in them, that are often the most vulnerable to climate change.


*Angela Merkel at the final press conference in Heiligendamm.*

For those countries developing rapidly, such as China and India, there is national governmental recognition that the protection of the environment and mitigating the possible impact of climate change is important. But these countries are only treading the development path previously trodden by developed countries. A path many other developing countries are following too; and many others are expected to follow in the future. It is also interesting to note that in many cases, it is industrialized nations that are moving their factories to developing countries, where cheap labour allows them to manufacture at lower costs than at home.

Thus, why should those countries and their populations that are the late-starters in the development-dynamic be asked to pay a price that would severely undermine their development prospects? It must come down to what you have, and what you can achieve.

## The role of fossil fuels and new technologies

What is also clear, according to most reliable experts and estimates, is the fact that fossil fuels will continue to provide the majority of the world's total commercial energy needs for the forthcoming decades, with oil remaining the leading source in the global energy mix. That is not to say that alternatives, such as wind, solar and biofuels, will not have a role, but this is anticipated to be minor for the foreseeable future. The world cannot rely on these alternatives as primary fuel sources. What this means is that not only will oil and other fossil fuels continue to support the economic development of industrialized countries, it will also help fuel the growth of today's developing nations.

Thus, there is a clear need to develop state-of-the-art fossil fuel efficient technologies. In this regard, and perhaps the single best technology to reduce $CO_2$ emissions, there is Carbon Capture & Storage (CCS). The Intergovernmental Panel on Climate Change (IPCC) stresses that CCS has the potential to meet 15–55 per cent of the global $CO_2$ mitigation effort by 2100. And in addition, CCS can also be used in conjunction with $CO_2$-enhanced oil recovery.

To push these types of technologies requires coordinated governmental support and given that it is industrialized countries that have the financial and technological capabilities, there is a clear need for them to take the lead. This could be through the promotion of large-scale demonstration projects and potentially through the Kyoto Protocol's Clean Development Mechanism (CDM).

A key focus needs to be on adaptation measures and the transfer of technology in developing countries. The G8 leaders in Heiligendamm acknowledged that "consider-

*The G8 leaders also met with representatives of the G8 youth summit, the J8.*

able funds will be needed to enable the most vulnerable to adapt to the inevitable effects on climate change." It is extremely important that industrialized countries, particularly the largest ones, abide by their commitments and take a decisive lead in combating climate change, both today and tomorrow.

## Remembering the original goal

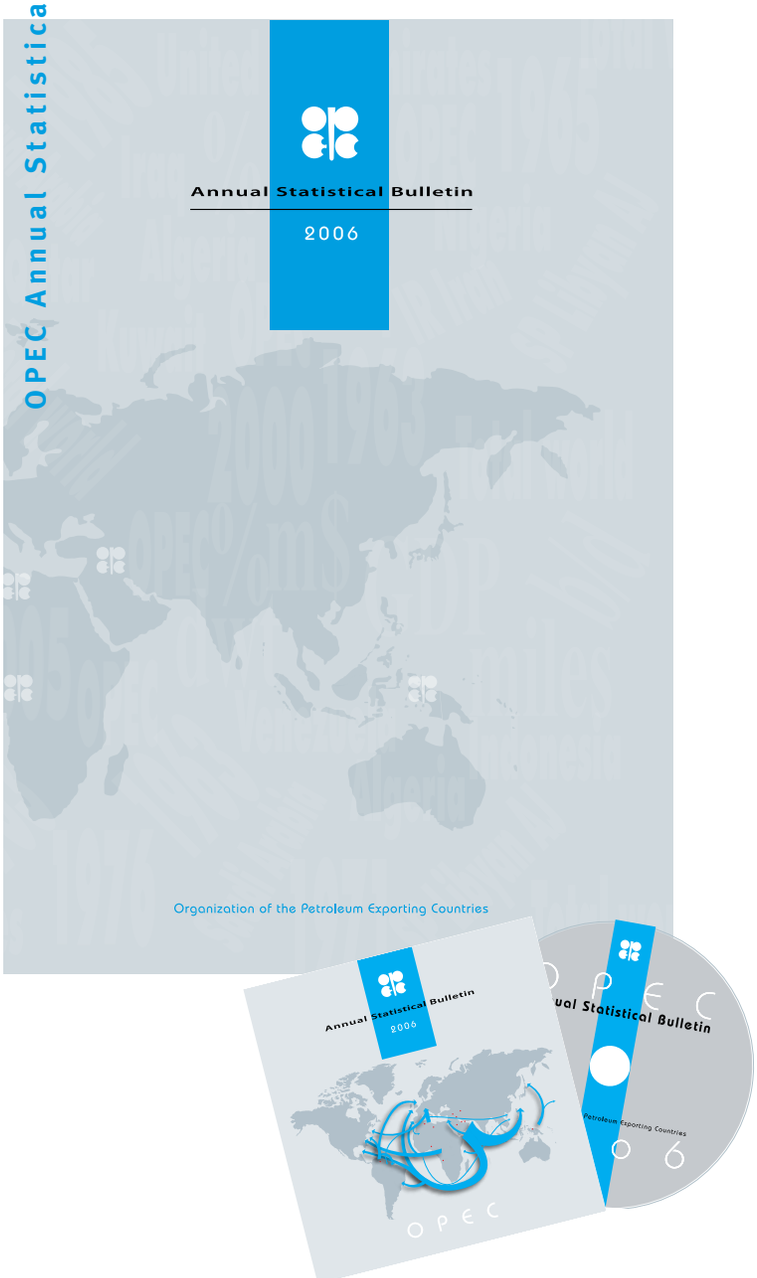
The next stop under the UN Framework Convention on Climate Change (UNFCCC) is Bali and with everyone now around the table there appears to be an opportunity to develop the most attractive system of economic and other incentives that brings about the desired investment, as well as the introduction of the required new technologies; a system that balances the three pillars of sustainable development.

For developing countries, poverty alleviation, economic development and social progress are the overriding priorities. What climate change is adding are more challenges and additional vulnerabilities for these countries, although they have had little to do with the current situation.

The spirit that brought together the UNFCCC and the Kyoto Protocol needs to be recalled in any successful second commitment period beyond 2012. Though with any new agreement, the devil is always in the detail, the original goal of "common, but differentiated responsibilities and respective capabilities," should be to the fore. What has gone before, and where each country's overall development is now, are critical elements in the process.

*Photographs courtesy: The Press and Information Office of the Federal Government of Germany.*

# OPEC Annual Statistical Bulletin 2006: a unique window into the oil industry




*The Annual Statistical Bulletin (ASB) is one of the major publications of the OPEC Secretariat. Since it was first published in 1965, the Data Services Department (DSD) has shouldered the responsibility of producing this wide-ranging and comprehensive book of data on behalf of the Organization and its Member Countries.*

*For the 2006 edition, there was an added touch: the publication date was the earliest ever recorded, with the PDF format released on the OPEC Internet by the end of July. It also came with further improvements, which become apparent when going through a copy. There is no question that a great deal of work goes in to each year's publication to maintain the very high standards the ASB has already set.*

*Compiling the 2006 edition proved no exception. But what is involved in gathering this all-important data and just how did DSD manage to break the jinx of the late publication date? In addition, who decides what statistics readers might be hoping to see in the publication, or looking forward to seeing in subsequent editions? These are some of the questions* ***Angela Agoawike****, Senior Editorial Coordinator, sought answers to in this interview.*

***Fuad Abdul-Majeed Al-Zayer,*** *Head of DSD, is the man responsible for coordinating the production of the ASB. Before he came to OPEC, Al-Zayer, an electrical engineer with a post graduate degree in Industrial Management, was with the Saudi Arabian national oil company, Saudi Aramco, where he worked for 20 years. While there, he held different positions in Information Technology, Project Management and Corporate Planning.*

*As well as head of DSD, he is also OPEC's Coordinator for the Joint Oil Data Initiative (JODI), based in the Saudi Arabian capital, Riyadh. It all combines to make him a very busy man. But he did make time to provide some answers to the questions posed by the OB on both JODI and the ASB 2006, which is soon to be launched in book form.*

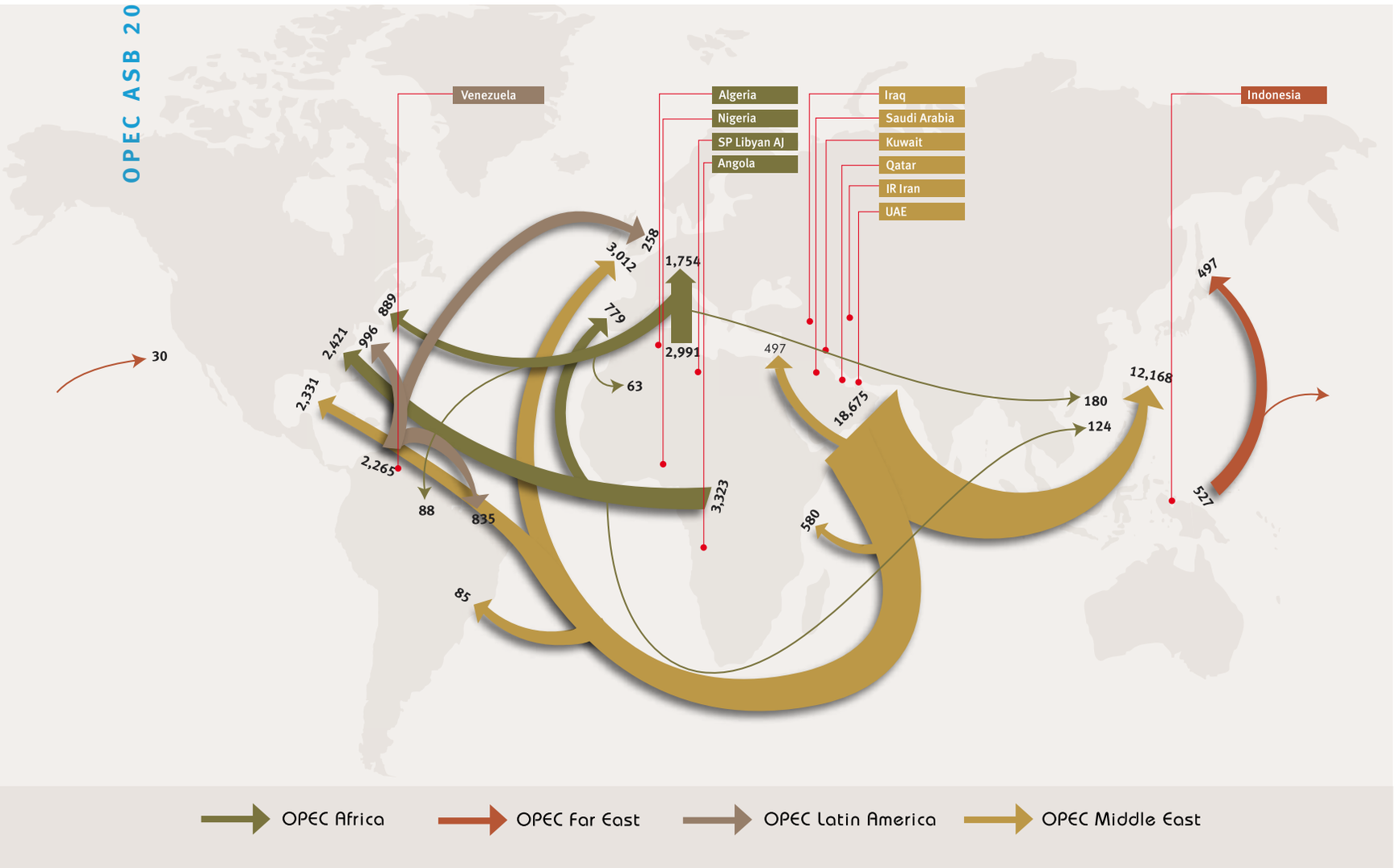
***What is the role of the Data Services Department (DSD) within the OPEC Secretariat?***

Data Services is one of the departments in the Research Division at the OPEC Secretariat. Its central task is the provision of reliable statistical information and data related to the oil industry, which assists in conducting researches, studies and analysis, in addition to providing OPEC with valuable support in arriving at decisions to ensure a stable oil market. Data reported by different countries and international organizations are investigated and verified before they are compiled and utilized by the OPEC research teams and before being presented to the public. Also, the 12 Member Countries of OPEC rely on the timely availability and accuracy of these data to support the decisions they make.

***What avenues does the DSD utilize in the provision of these services for the Secretariat, Member Countries and the public?***

We deploy various IT tools to achieve this. For instance, we are increasingly utilizing the Internet and Intranet to improve networking within OPEC and with market experts. The Secretariat also recognizes that having high quality and transparent petroleum data is critical in support of sound decision-making, which is why we are involved in different initiatives, such as the Joint Oil Data Initiative

**Major OPEC flows of crude and refined oil, 2006** *(1,000 b/d)*




(JODI), which has six international organizations as partners, to ensure oil data transparency. You may wish to know that OPEC is not only a partner in JODI, but also one of its founders, with the Data Services Department representing the OPEC Secretariat. We also collect and collate data through our regular visits to Member Countries. These visits afford us the opportunity to meet and compare data with experts from Member Countries and specialized international organizations. Within the Secretariat, the publication of the Annual Statistical Bulletin (ASB) is a major task undertaken by the DSD.

***Talking about the Annual Statistical Bulletin, the 2006 edition was recently released by the Secretariat. Can you give an overview of this publication?***

The ASB offers accurate and wide-ranging data on the oil and gas industry as a whole, with emphasis on the official data of OPEC Member Countries. It also gives a broad overview of the performance of the major international oil companies. From 1965, when OPEC started publishing the ASB to now, the aim has remained unchanged — to provide accurate and reliable oil and gas data with an emphasis on Member Countries. The high quality of this publication makes it an invaluable reference tool for the industry as a whole.

***How do you source data for the ASB?***

A great share of overall data published in the ASB is obtained from OPEC Member Countries through direct communication. This makes the ASB a unique publication in the oil industry, as it contains official OPEC Member Country data; the OPEC Secretariat will continue in its efforts to increase the quantity of directly communicated data from Member Countries. It is because of this that the Secretariat organizes annually, a meeting between experts from OPEC Member Countries and DSD staff during which they review the Annual Questionnaire, who forms the basis for data acquisition, and suggest further improvements. Moreover, like I said earlier, we visit four or five Member Countries every year, in order to meet the responsible statisticians and experts in Member Countries and review their related data collection systems. Finally, we perform intensive data quality checks on all submitted data and contact Member Countries for any pending issues before publishing.

### *What challenges does your Department face in this task of data collection?*

When we talk about the challenge of data collection in the oil industry, it is important to know that it is not exclusive to OPEC; it is a challenge faced by the industry as a whole. For example, recording of oil production or demand would involve many parties as oil flows through complex systems that start from a well-head in a producing country, transported via pipeline and tankers, processed in a refinery, before finally reaching the end-user in a consuming country. The result of this can be illustrated by the several oil production figures reported by different agencies.

For instance, one of the challenges is the issue of definition. OPEC takes an active role in efforts to harmonize data definitions, working together with experts from other specialized organizations in the oil industry. To achieve this, the Data Services Department continues to work closely with Member Countries to tackle issues of the definition of OPEC data.

Another factor is the current situation where countries are at different stages in terms of their reporting infrastructure and policy frameworks. The OPEC Secretariat, together with its JODI partners, has succeeded in raising international awareness on this issue. Policymakers, including those in developing countries, have shown their commitment to improving the reporting procedure at national administration level. There is also the issue of the time-lag between data reports and historical data revisions. We place a lot of emphasis on collecting data from Member Countries. For example, investment and capacity data from OPEC Member Countries is now available on the web.

### *Can you brief us on the highlights of the ASB 2006?*

The ASB 2006 is divided into five sections, each focusing and providing detailed insights into the different sectors of the oil and gas industry. As in previous editions, the 2006 ASB comes in different formats; — a hard copy, a PDF format and an interactive CD-ROM attached on the

inside front cover of the book. While the data time series in Section 1 covers the last 21 years, the series extends back to 1960 in the CD-ROM version. In the rest of the sections, the time series cover the last five years, while the electronic format covers the period from 1980 to 2006. This depth of coverage, which has been well received in the past, provides reliable historical data that forms a sound base for any far-reaching analysis and study on OPEC's activities. It further enhances the publication's status as the most complete source of available oil and gas statistics of our Member Countries.

***There has been intensive preparation for the formal release of the ASB this year. Does that mean that there is something uniquely different about the 2006 edition?***

As of this year, the publication includes detailed historical information on OPEC's newest Member, Angola. This is a noteworthy improvement from last year's publication. Also, the publication has been redesigned and further enhanced aesthetically, while considerable improvement in the timing of its publication (July 2007) has been recorded, compared with previous years, in line with the timing of other publication benchmarks in the oil industry. The 2006 ASB PDF version and the interactive CD-ROM, which can now be accessed through the OPEC website, contain additional graphs and links to OPEC Member Country profiles.

***What should readers expect in the 2007 edition of the ASB?***

The OPEC Secretariat will continue to seek further improvement to the ASB. Some examples to be considered for next year's publication include the promotion of Member Countries' National Oil Companies (NOCs) and energy related institutions. We will also continue to enhance the packaging of the publication.

***In addition to the ASB, you did mention JODI. Can you elaborate on that and what it means to OPEC and its Member Countries?***

The Joint Oil Data Initiative (JODI) is a concrete manifestation of the producer-consumer dialogue and an excellent example of international cooperation. It promotes oil data transparency, which is needed to ensure world oil market stability. OPEC's participation signifies key elements of our Long-Term Strategy in re-emphasizing our commitment to supporting market stability, to further develop and strengthen producer-consumer dialogue on security of demand and supply, as well as exchange information and enhance cooperation with non-OPEC producers and consumers. As the representative of OPEC in JODI, the Data Services Department is in direct correspondence with Member Countries and other JODI partners. We receive and monitor the JODI monthly questionnaires from each OPEC Member Country and we coordinate any JODI-related issue for our Member Countries.

***Observers notice the release of dissimilar data by the IEA, EIA, and OPEC in their monthly reports, apart from the release of some contradicting data from other research institutes and energy centres. How do you, in the Data Services Department, look at the obvious repeated differentials in oil supply and demand data?***

By nature, any statistical data always has an element of uncertainty, and it becomes more apparent in the data reporting of complex systems such as oil flows. In this regard, we always examine any published statistical data to ensure that the Secretariat selects sources and utilizes data with the least degree of uncertainty and which is consistent with the Secretariat's definition of data. We always apply the confidence interval analysis when comparing OPEC's data with those published by others and we will continue to do so to ensure that any data used by OPEC is accurate and of high quality in our attempt to minimize speculation and to create a more stable oil market.


## Kuwait appoints Acting Oil Minister

**Eng. Mohammed Abdullah Al-Aleem**, currently Minister of Electricity and Water of Kuwait, has been appointed the country's Acting Oil Minister.

Born in 1960, Al-Aleem has a PhD in Strategic Planning. Earlier, he attained a BA in Industrial Engineering from North Carolina University in the United States in 1982.

A Member of the Kuwait Society of Engineers, Al-Aleem, who is married, also attained a certificate in planning and administration capitalism projects from Japan, a certificate in financial analysis for projects from the US and a certificate in strategic planning.

Al-Aleem, who assumed his new position as Oil Minister on June 30, 2007, is a Member of the High Institute for Counseling, a Member of the International Organization for Petroleum Negotiations and a Member of the Engineers Society for American Industry.

## Angolan OPEC National Representative appointed

**Luis Neves**, an oil market analyst with the national oil company, Sonangol, has been appointed Angola's National Representative for OPEC.

Born in Benguela, Angola in December 1969, Neves has a degree in business management, which he gained from Universidade Internacional, Lisbon, Portugal in 1998. In 2003, in Luanda, he attained a post-graduate diploma in finance and accounting from Universidade Portugeusa.

Neves joined Sonangol as a Junior Market Analyst in October 1998 and worked in the company's International Marketing Directorate at the Market Policies and Analysis Department. He was later promoted to Senior Market Analyst, in charge of crude oil trading and financial analysis.

In January 2004, Neves moved to Sonangol's London office as a crude oil trader.

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

### Algeria calls on EU to open up gas market further

Algiers — Algeria has called on the European Union to open its gas market further. An Energy and Mines Ministry statement said national energy company Sonatrach wanted to be able to set up marketing firms, a move that would enable it to sell directly to European markets. The statement stressed that such a move would help assure energy security in Europe. Said the statement: "European Commission support is obviously desirable and expected so as to make the liberalization conditions of the energy market in Europe, and that of gas in particular, of a kind that would allow Sonatrach to be an active player in a transparent and non-discriminatory environment." The EC and Algeria reached an agreement in July to scrap "destination clauses" from all current and future gas contracts between EU firms and Sonatrach. Such restrictions prevent the original buyer of gas from reselling it outside a designated area, usually national borders. The Commission has said that the clauses were anti-competitive. Algeria is the third biggest provider of gas to the European Union after Russia and Norway, both of whom have already relinquished their destination clauses. *APS*

### Algeria investing $20 billion in petrochemicals sector

Oran — Algeria's planned investments in its petrochemicals industry currently amounts to $20 billion, according to the country's Energy and Mines Minister, Dr Chakib Khelil. Speaking on the sidelines of a presentation detailing major projects in the province of Oran, made to Algerian President, Abdelaziz Bouteflika, Khelil said: "We have achieved two projects, one with Total and the second with Armalt, and we have four to five other petrochemical projects." *APS*

### Angolan government wants greater participation of non-oil sector in GDP

Luanda — The Angolan government, in implementing a strategy of diversifying its economy, is aiming at greater participation of the non-oil sector in the nation's gross domestic product, according to the Assistant Minister of the Prime Minister, Aguinaldo Jaime. Speaking to the National Radio of Angola, he said that only with an increase in non-oil production can citizens directly feel the benefits of the Angolan economy's growth, since it is a field that creates the most direct employment. "The mineral, oil and diamond sectors … do not allow citizens to directly feel the benefits of the country's growth, since they are intensive in capital, rather than intensive in manpower. Although in constant growth, it is a sector that does not offer a lot of employment," he explained. To this effect, he said, the state has been rehabilitating basic infrastructure towards attaining sustainable growth and development of the economy. This action was helping citizens' living conditions improve and the rates of unemployment to be reduced. By reducing the unemployment rate, he said, "people will have better profits and opportunities to carry out trade activities in Angola and, obviously, with these changes, their living standards will improve." *AngolaPress*

### Indonesia's GDP growth said higher in second quarter

Jakarta — Indonesia's gross domestic product (GDP) was estimated to be 6.0–6.2 per cent higher than in the second quarter of 2006, and up from the 6.0 per cent in the first three months of 2007, propelled by higher private consumption and net exports, according to economists. Data from the National Investment Coordinating Board showed that the value of foreign direct investment in the first half was 36.9 trillion rupiah, more than the 31.59tr rupiah recorded in the same period of 2006. "Better purchasing power, due to a milder inflation rate in the second quarter of 2007, and declining interest rates have driven up private consumption spending, especially the non-food durable components," Citigroup economist Anton Gunawan commented. He said he expected the delayed rice harvest, much of which took place in the second quarter, to have boosted growth in agricultural output, and sectors such as the construction, commerce, telecommunications, transportation, financial and services to have played a leading part in expanding the nation's GDP. *AntaraNews*

### Indonesian-Japanese firms to build $2 billion refinery

Jakarta — Indonesian energy companies Pertamina and Medco Energi Internasional, along with Japan's Mitsubishi Corporation, are to begin building a liquefied natural gas (LNG) refinery next year, the companies have announced. Indonesia is Japan's biggest LNG supplier. Tokyo has been seeking to secure its supplies from Jakarta, which has warned it cannot guarantee rolling over contracts expiring in 2010–11 due to growing domestic demand. The Donggi-Senoro refinery on eastern Sulawesi island is expected to cost $2.01bn and will have a capacity to refine two million tons of LNG per year, the Energy and Mineral Resources Ministry said in a statement. The plant is expected to start commercial operations in 2010 and will use reserves from the Senoro field operated by Medco's unit, Medco EP, and from other fields in the Matindok block run by Pertamina EP. LNG from the refinery will be shipped to Mitsubishi in Japan. Mitsubishi holds a 60 per cent stake in the project, while Medco and Pertamina each have a 20 per cent interest. The refinery project was among $4bn worth of energy projects inaugurated by Indonesian President, Susilo Bambang Yudhoyono, and visiting Japanese Prime Minister, Shinzo Abe. *AntaraNews*

### Iran to export gas to Europe via Turkey

Tehran — Iran will export 35 billion cubic metres of gas to Europe annually once a pipeline is laid to Europe through Turkish territory, according to Acting Petroleum Minister, GholamHossein Nozari. Speaking at the end of his talks with a Turkish delegation, headed by Turkish Energy Minister Helmi Guler, he said that based on a deal signed with Turkish energy officials, the Turkish side will undertake development of phases 22, 23 and 24 of Iran's South Pars gas field. "The project for development of three phases of the South Pars gas field will be implemented on a buy-back basis by the Turkish entrepreneurs," he added.

Among other points of the Iran-Turkey agreement, said Nozari, is the formation of a joint company in charge of handling a project for laying a pipeline for the transfer of gas from Assalouyeh (Bushehr province) to Europe via Turkey. Meanwhile, the Turkish Energy Minister said that Tehran and Ankara have agreed on establishing three thermal power plants, which will be established in both Iran and Turkey. He added that fresh investment will be made in the project to boost the voltage of power transfer networks. *IRNA*

**Iran-Iraq trade stands at $2 billion — Ambassador**

Arak — Iran's Ambassador to Baghdad Hassan Kazemi Qomi has said that current trade exchanges between Iran and Iraq amounted to a value of $2 billion, 97 per cent of which constituted Iranian exports to Iraq. Pointing to the current potential for increasing the volume of trade exchanges, he noted that cooperation between the two countries is turning into bilateral economic ties, and considered a great success for Iran. He said a project involving a Baghdad power plant with a capacity of 300 megawatts is to be implemented under a $150 million contract, adding that Iran is conducting feasibility studies for two pipeline projects for transferring 350,000 b/d of oil and derivatives from Basra to Abadan. In addition, a 400 MW electricity transmission project from Abadan to Alharasa will become operational in four months' time. This represented one of the biggest joint ventures being undertaken by Iran and Iraq. "Iraq needs to expand its railroad network and the Arak Pars Wagon Company is capable of playing a decisive role in this regard," he stated. "Iran and Iraq are to sign 65 memoranda of understanding in the field of railway industry," he added. *IRNA*

**Kuwait exports up by 1.9 per cent in second quarter**

Kuwait — Kuwait's oil and non-oil exports increased by 1.9 per cent during the second quarter of 2007, compared with the same period last year, reaching a value of KD 4.29 billion. According to the Central Bank of Kuwait's quarterly statistical bulletin, the country's imports in the period increased by 33.3 per cent to reach a value of KD 1.6bn. As for oil exports, they reached a value of KD 4.09bn in the quarter, compared with KD 4.02bn for the same period last year, while non-oil exports rose to KD 198.5 million from the previous KD 188m. The overall performance was helped by stability in global oil prices. The country's re-exports were valued at KD 52.5m, up from the KD 4.5m seen in the second quarter of 2006. Exports were split into three types: manufactured fertilizers, valued at KD 17m, ethylene products worth KD 92m, and other products worth KD 37m. Kuwait's total exports for 2006 stood at KD 16.1bn, while its imports were worth KD 4.62bn. *KUNA*

**UAE-US trade declines by 16 per cent in first half of 2007**

Dubai — Trade exchanges between the United Arab Emirates (UAE) and the United States declined by 16 per cent to a value of $5.43 billion (Dhs19.9bn) during the first half of this year, compared with $6.49bn (Dhs23.81bn) during the same period of 2006. According to the US Bureau of Statistics, the value of the UAE's imports from the US declined by 17 per cent to $4.8bn (Dhs17.62bn) in the period under review, down from $5.8bn (Dhs21.3bn) during the first half of 2006. The UAE's exports to the US fell by eight per cent — from $687.4 million (Dhs2.5bn) during the first half of 2006 to $625.8m (Dhs2.3bn) during the first half of this year. The trade deficit between the two countries slumped by 18 per cent to $4.187bn (Dhs15.34bn), compared with nearly $5.1bn (Dhs18.76bn) in the same period last year. *WAM*

**Total gold demand in UAE reached 29.8 tons in second quarter**

Dubai — Total gold demand in the UAE in the second quarter of this year reached 29.8 tons, according to figures released by the regional office of the World Gold Council (WGC) in Dubai. In its second report on gold demand in the Middle East, Gulf region and worldwide for the second quarter of 2007, the WGC said demand for gold jewelry in the UAE was strong with second-quarter consumer demand rising 15 per cent above the year-earlier figure, with jewelry demand 18 per cent higher. "This is because the economy remained very strong and tourist numbers continued to grow — especially towards the end of the quarter when the Dubai Summer Surprises Festival was held," the report indicated. *WAM*

**Venezuela expects 2007 GDP growth of "not lower than eight per cent"**

Caracas — The growth of the Venezuelan economy in 2007 will not be lower than eight per cent of gross domestic product (GDP), according to the country's Minister of the People's Power for Finances, Rodrigo Cabezas. He told the television programme *En Vivo* that the high rate is due to the excellent showing of the economy in the second semester of the year, growth which was unprecedented. "We will produce not less than eight per cent of GDP," he stated, adding that this compared with average Latin American growth of 3.5 per cent. In stressing that Venezuela has the highest minimum wage of Latin American states, he added that the reduction in interest rates has allowed for better conditions for the population to have access to credit and "we are thus stimulating investment." One key indicator is unemployment and this is currently running at eight per cent and expected to fall to seven per cent at the end of the year. *ABN*

**Ecuador and Venezuela sign agreements on energy security**

Quito — Venezuela's Ambassador to Ecuador, Oscar Navas Tortolero, has confirmed the signing of three energy agreements with Ecuador as part of the recent official visit of Venezuelan President Hugo Chávez to Ecuador. An energy security treaty has been jointly reached, including an agreement to build a refinery in the Ecuadorian province of Manaví. The two sides have also agreed to the joint exploitation of mature fields. Navas Tortolero underscored the advancing state of relations between the two nations, adding that the Venezuelan Development Bank (Bandes) is expected to open an administrative office in Quito, among other concrete issues in the integration process between both nations. Officials from the two sides have been mandated to set up technical sub-committees in charge of identifying specific areas of interest on energy, cooperation, telecommunications, health, agriculture, commerce and industry, tourism and culture, disaster assistance, labour issues, and education. *ABN*

# BP: A year in review

*The release of British Petroleum's annual Statistical Review of World Energy always garners much media attention. Its 56th edition, released in June this year, was no different. To delve deeper into BP's analysis, the OPEC Bulletin's James Griffin attended a press conference in Vienna, led by Kevin Goodwin (pictured right), Head of Refining Analysis, BP plc, London.*

The **BP Statistical Review of World Energy 2007** stated that 2006 was another year of high and volatile energy prices, but despite the price levels world energy consumption growth remained above average, continuing the trend of recent years. It did highlight a shift away from OECD countries and that energy use was becoming more carbon-intensive, particularly with significant growth in demand for coal.

Overall, world energy growth slowed a little, rising by 2.4 per cent, down from 3.2 per cent in 2005, but was still above the ten-year average. Broadening this out, it highlighted that the pattern of recent years, which has seen robust demand in the Asia-Pacific and China in particular, was repeated, with Chinese energy consumption rising by more than eight per cent, taking the country's share of total global consumption to more than 15 per cent. Continued

*"Global economic growth last year was 5.3 per cent — the highest rate since 1973."*

high energy prices resulted in slower consumption growth amongst some of the main energy importers, particularly the United States, where primary energy consumption fell by one per cent in 2006, compared with 2005, despite relatively strong economic growth.

## Energy and economic growth

It is this last point that Kevin Goodwin, Head of Refining Analysis, at BP in London, elaborated on first when reviewing 2006. He stressed that over the last five years the world economy has grown strongly. Measured at purchasing power parity (PPP) exchange rates, global economic growth last year was 5.3 per cent — the highest rate since 1973, he added. Yet, he was keen to stress that 2006 appears to differ a little from previous years. In the years 2002–04, "energy growth mirrored global growth almost one-to-one, but in 2006 — and to some extent 2005 — energy elasticity has decreased. In 2006, primary energy consumption grew 2.4 per cent, when GDP grew 5.3 per cent," he said.

With this in mind, Goodwin asked the question: does the data tell of structural change in the long-term relationships, or a cyclical aberration — part of the ups and downs that tend to be wiped out over the longer term? Supplementary to this, he also highlights the importance of factoring in global carbon emissions. To best spotlight on these issues, Goodwin was keen to focus on last year's energy developments fuel-by-fuel.

## Oil

Goodwin initially focused on the oil price volatility experienced in 2006. He stated that prices rose from the start of the year at around $58, to an early August peak of over $78, before falling back again to around $59 at year-end. The price increase, he stressed, was mainly driven by geopolitical concerns and the markets responded by stock-building. "Forward prices remained in contango throughout 2006 and into 2007, and OECD commercial inventories, already at five-year highs, ballooned to 120 million barrels above their ten-year average by September. Crude stocks also rose to their highest level for almost eight years," he said. What followed was an adjustment in perceptions that contributed to a fall in prices of more than $20 from their August peak, and all in less than seven weeks.

Goodwin stated that BP viewed the price rises as a


Questioned during the follow-up question and answer session, Goodwin pointed to the fact that the refining business is inherently cyclical and he believed that margins will fall somewhat going forward as they come down the other side of the curve. He added that by 2009, he expects to see new upgrading capacity, particularly in the Asia-Pacific region, which may narrow the light-heavy spreads.

## Gas

In comparison to the more integrated oil market, gas markets are segmented, and regional developments are therefore particularly important for understanding global outcomes. This is highlighted in Goodwin's acknowledgement that gas consumption grew by 2.5 per cent in 2006, above the ten-year average, but at the same time there was significant country and regional divergence.

factor behind the slowdown in oil consumption growth, which, according to the Review, fell from 1.5 per cent to 0.7 per cent in 2006. Other factors he highlighted included milder weather, the reduction of fuel subsidies in parts of Asia, and switching from residual fuel to natural gas in the US. The most significant impact was witnessed in OECD oil consumption, which fell by 400,000 b/d.

The Review also stated that global oil production was up some 0.4 per cent to 81.7 million b/d, the lowest increment in five years. Outside OPEC, the biggest growth came from Russia, up by some 220,000 b/d, Azerbaijan and Canada. Oil production was down in the United Kingdom for the seventh successive year, and in the US for the sixth year in a row.

Moving on to refining, Goodwin said global refining margins remained healthy in 2006. However, he added that "the global refining system is still constrained by a lack of upgrading capacity and … upgrading capacity additions in 2006 did not resolve this bottleneck." He added that refinery availability remained an issue in 2006, with the US industry starting the year with 800,000 b/d of Gulf Coast capacity still out of action, following the 2005 hurricanes. Global refining throughputs increased by about 500,000 b/d, in support of oil demand growth of 640,000 b/d, but the throughput growth was concentrated mainly in the Former Soviet Union countries, the Middle East and Asia.

Goodwin stressed that "to the extent that these regions are dominated by simple capacity, this added to excess fuel oil supply and maintained the pressure on global light-heavy spreads, which remained wide by historic standards."

The strongest demand growth was witnessed in Russia and China. Russian gas demand increased by some seven per cent in 2006, accounting for 40 per cent of the global increase. This is five times higher than the ten-year average and faster than any other fuel. China's consumption grew by more than 20 per cent, the second largest increment after Russia.

Declines were experienced in the US and Europe. The European fall was due to a combination of higher prices and warmer-than-normal weather. In the US, warm weather, alongside industrial sector consumption declines, were the main factors; though it was noted that

whilst overall US gas consumption fell, it did rise in power generation.

On the production side, Goodwin noted that global gas production rose by three per cent, leaving markets well supplied during the mild winter of 2006–07. The Review stated that the two largest contributors to this were Russia, up by 2.4 per cent, and the US, some 2.3 per cent higher. On the other side, UK production fell for the sixth year in a row.

## Coal

What is interesting to note, is that according to the 2006 Review, for the fourth year running, the world's fastest growing fuel was coal. Though, if China is excluded, the fastest growing fuel is gas. It shows just how China dominates growth in coal consumption. For the eighth year in a row, China's demand for this fuel grew, but at 8.7 per cent was well down on the double digit expansion seen in recent years. However, China still accounted for 70 per cent of global growth in coal consumption.

The Review also noted that global coal consumption grew in all regions except North America and the Middle East. Particularly strong growth was witnessed in India, Indonesia and the UK. This was driven in part by strong economic growth, which raised demand for electricity consumption, as well as the relatively high European natural gas prices, though these have fallen back recently. That led to increased demand for relatively cheaper coal as a substitute for gas.

## Nuclear, hydro and renewables

Whilst Goodwin acknowledged that interest in non-fossil fuels has grown in recent years, these fuels remain small in the global energy mix. Hydropower and nuclear each account for about six per cent of global primary energy consumption, and these shares have been broadly constant for the last 15 years. Global nuclear output rose 1.4 per cent in 2006, mainly through increased capacity utilization and capacity upgrades. Hydropower output in 2006 was above the decade average at 3.2 per cent, with notable capacity-related increases in China, India and Brazil. Increased rainfall in the US also offset declines in Canada and Scandinavia.

Concerning renewables, Goodwin explained that wind, solar, geothermal and ethanol were not reported separately, due to the lack of consistent global data, but developments were tracked. "The (available) data shows that renewable energy continues to grow rapidly — aided by government incentives — but from a very small base. Ethanol output, for example, grew by more than 20 per cent last year, but is equivalent to just 0.5 per cent of global oil consumption," he stressed. Fielding questions, Goodwin also underlined the potential impact of ethanol and other biofuels on agricultural land and water availability.

From the perspective of wind and solar, wind power capacity was up by some 25 per cent in 2006, but still accounts for less than one per cent of worldwide electricity production. Solar power remains an even smaller contributor.


## Reserves

In his final section, Goodwin concentrated on a brief review of reserves. This issue was also underlined at the London launch of the Review with Peter Davies, BP's outgoing Chief Economist, who rejected "peak oil" claims that oil production is already at or near its peak. "We don't believe there is an absolute resource constraint," he said.

With fossil fuels expected to remain the dominant energy source for the foreseeable future, Goodwin stressed that global proved oil and natural gas reserves have been following an increasing trend since 1980, when BP's data sets began. He added that oil reserves are some 15 per cent higher than a decade ago, while gas reserves in 2006 were one trillion cubic metres higher than the year previous, with the US and several OPEC Member Countries showing increases.

## Technologies for a more carbon constrained world

In his summing up, Goodwin brought it down to the fundamental relationship between GDP, energy consumption and carbon emission growth. "The last five years or so have been characterised by an acceleration of economic growth outside the OECD, almost matched by an acceleration of energy consumption growth," he affirmed. Alongside this, he stressed that the tiny gap between primary energy consumption and the growth of carbon emissions is closing as energy growth has become more carbon intensive over the last five years.

With these links in mind, Goodwin was questioned about possible ways forward to maintain economic growth, while at the same time reducing emissions. One specific response was the importance of technologies for a carbon constrained world, particularly carbon capture & storage (CCS). Goodwin stressed that this had huge potential, but would require government support if it was to make a significant impact.

*All photographs courtesy BP.*

# AZERBAIJAN

## Small business sector thrives under oil boom

by Audrey Haylins


*The micro-finance Bank of Azerbaijan.*

**As the oil flows out of Azerbaijan by the million-barrel load, so the petro-dollars are flooding into this former Soviet Republic on the shores of the Caspian Sea. The resulting foreign exchange earnings have galvanized the country's economy, which grew by a phenomenal 35 per cent in 2006 — higher than anywhere else in the world. The catalyst for this remarkable transformation is the giant Baku-Tblisi-Ceyhan (BTC) oil pipeline, which unlocked one of the world's biggest energy reserves when it came online in July 2006. Today, Azerbaijan is basking in an economic climate that is brighter than at any time in its history.**

As the hydrocarbons industry develops apace, the spill-over effect on other sectors is becoming ever more visible. Construction and trade are booming, while major rehabilitation programmes are underway to improve public infrastructure, especially in the areas of transportation and telecommunications. At the same time, demand for

labour is increasing, pushing up incomes and making more money available for consumer spending.

All this is great news for Azerbaijan's private sector, according to Andrew Pospielovsky, General Manager of the Micro-finance Bank of Azerbaijan (MFBA), who spoke to the OPEC Fund for International Development (OFID) Newsletter during a recent visit to Vienna.

"There is a direct link between Azerbaijan's oil income and the small- and micro-business sector," he said. "The money now coming into the country is providing funding and demand in the services sector, as well as in light manufacturing and the agro-industry."

Pospielovsky was at OFID Headquarters to sign an agreement for a $5 million line of credit. The financing is OFID's first private sector investment in Azerbaijan.

At present, the Azeri economy is heavily dependent on oil, with the sector providing an estimated 90 per cent of export earnings and more than 50 per cent of GDP. For long-term sustainable growth, however, this narrow base needs to diversify.

"In terms of job creation and developing the domestic economy, micro and small businesses offer the greatest prospects," said Pospielovsky, who identified the agro-industry and services sectors as providing the biggest potential.

## Ripe for expansion

"Azerbaijan is traditionally an agricultural country. It's extremely fertile and produces all kinds of fruits and vegetables that could be processed for export. Russia, for example, is a huge export market. Instead of importing its red peppers or tomatoes from much farther afield in winter, Russia could get these more cheaply from Azerbaijan. The services sector is also ripe for expansion. As the economy grows, so will the need to service the local requirements of the country."

Despite the favourable economic environment, how-

*Above: The small and micro-business sector is also benefiting from the oil boom.*
*Below: A busy office at the micro-finance Bank.*

### The BTC pipeline — fact file

- Stretching 1,760 km from the Azeri capital, Baku, to the Turkish port of Ceyhan on the Mediterranean Sea, it is the second longest oil pipeline in the world.
- Construction began in September 2002. It was officially inaugurated on July 13, 2006.
- It was constructed from 150,000 individual joints of line pipe, each measuring 12 metres in length.
- It crosses more than 1,500 rivers and climbs to an elevation of 2,800 metres before returning to sea level at Ceyhan.
- It holds a total of ten million barrels of oil, which flows at the rate of two metres per second.
- The first oil pumped from the Baku end of the pipeline on May 10, 2005, took 12 months and 18 days to reach Ceyhan.
- Pipeline throughput is expected to reach one million barrels per day by 2008.
- The first tanker loaded with crude oil from the pipeline sailed from Ceyhan on June 4, 2006, marking the start of the export of Azerbaijan's oil to world markets.


*Andrew Pospielovsky, General Manager of the Micro-finance Bank of Azerbaijan (MFBA), who spoke to OFID Information Officer, Audrey Haylins.*

ever, micro and small businesses still have to overcome one major obstacle — access to financing and financial services. This, explained Pospielovsky, is where MFBA is breaking new ground.

"When MFBA opened its doors in 2002, nobody was interested in lending to micro or small businesses. There was a belief that one couldn't work in this sector profitably and manage the risk. We have proved the doubters wrong and in doing so paved the way for other banking institutions to follow suit."

Today, there are over 20 micro-finance institutions in Azerbaijan. MFBA, however, remains the only specialist micro-finance bank, providing a full spectrum of financial services to clients, including current, deposit and savings accounts, and remittance transfers, together with more sophisticated products, such as trade financing.

"We are the only bank that is really lending at the micro-level," explained Pospielovsky. "Around 95 per cent of all loans are under $5,000, although you can borrow as little as $300, which is the kind of small sum that street traders need to buy stock for their stalls or kiosks. In fact, the vast majority of our portfolio finances small enterprises of this kind."

## Family businesses

For many traders, this modest start is just a beginning. Pospielovsky cited various examples of small ventures that have been able to expand, thanks to the financing made available by MFBA.

"A trader might initially take a small loan to set himself up in furniture sales, for example. As demand grows, he branches out into importing. After a while, he realizes that he could cut out transportation costs by producing the goods locally and so moves into manufacturing."

Pospielovsky expressed satisfaction over the numerous small family businesses he has seen flourish over a very short period of time.

"We have a customer — a bakery in Baku — to whom we have just given a ninth loan. They were one of our first clients in 2002 with an initial credit of $10,000. Today, they have a whole chain of bakeries and employ over 100 people. Now, we're giving them loans of several hundred thousand dollars."

## Network to expand

Evidence that MFBA's services are in great demand can be found in the bank's astonishing growth. In just four years, it has extended a remarkable 47,000 loans. Over the past 12 months alone, the value of its portfolio has more than tripled, rising from $17m to $57m. Its client base has mushroomed from 5,000 to 15,000 customers.

"In February [2007]," said Pospielovsky, "We disbursed 2,500 business loans, of which 1,700 were to new clients. That's almost 100 clients a day — an amazing rate."

Since setting up its main office in Baku, MFBA has opened 12 other branches, a network that will be expanded over the next few years to cover the entire country.

MFBA's success is all the more exceptional given the history of corruption in Azerbaijan and the people's inherent mistrust of the banking system. Pospielovsky attributed the bank's success to its quality of service.

"We're very quick at processing loans. We turn around micro-loans in less than 24 hours from the client coming into the bank to him having the cash in his hand. For larger loans, especially if it's a repeat loan to a client, we can do it in two to three days, whereas other banks might take months. We also operate very transparently. We're bringing European standards to the Azeri banking community and this is what our customers appreciate us for."

For MFBA, the greatest challenge seems to be growing fast enough to satisfy demand for its services. This means securing more financing and recruiting and training the staff to manage its burgeoning portfolio.

*Small businesses, such as this leather shop, are receiving support from the MFBA.*

"We're currently having to find an additional $5m every month to feed the demand we're servicing. If we had the money and sufficient staff, we could be doing $10m a month. These two requirements are the only things that are limiting our growth at the moment," said Pospielovsky.

"Nevertheless, we can derive great satisfaction from the impact we have had so far on the small business community. We are pleased as well that, having taken the lead in working with the sector, we have encouraged other competing banks to downscale their business and also start lending to micro and small entrepreneurs.

"I believe MFBA is making the largest single contribution to the development of the Azeri economy and to the development of people's lives and job creation through the financing we're providing. Our aim is to continue to grow, not only in terms of numbers, of portfolio size and penetration, but also in terms of the services we offer. And not just to our micro and small business clients, but to ordinary Azeris as well."

# OFID recognized for helping the world's

## Al-Herbish accepts prestigious Prix de la Fondation


*The OPEC Fund for International Development (OFID) has had its achievements honoured by the influential Crans Montana Forum. OFID Director-General,* ***Suleiman J Al-Herbish*** *(pictured above), accepted the prestigious Prix de la Fondation "on behalf of OFID and its partners in 119 countries" at a special ceremony at the end of June during the Forum's 18th annual session in Monte Carlo, Monaco. The Prize is awarded for special contributions to society.*

*(Photographs: Crans Montana Forum)*

# poorest countries lead better lives

Conferring the Award, Jean-Paul Carteron, Chairman and Founder of the Crans Montana Forum, described OFID as an organization with "a strong sense of social responsibility." Although "rarely seen in the spotlight," OFID had made a valuable contribution over the years towards helping people in the poorest regions of the world "lead better lives," he said.

In a brief acceptance speech, Al-Herbish said the award was not just an acknowledgement of OFID's achievements, but also served as "broader recognition" of the contributions being made by all OPEC Member Countries towards "world peace, security, stability and development." These efforts, he noted, were often misunderstood, or overlooked.

During the Forum's plenary session, the OFID Director-General delivered the keynote address at a panel session covering the theme Industrial development and poverty eradication with particular emphasis on Africa.

Al-Herbish noted that a "one-size-fits-all solution" could not be applied to African countries because of the diversity of their economies. He affirmed, however, that certain general ideas could be considered key to helping the continent achieve the Millennium Development Goals.

The first of these involved fostering both North-South and South-South cooperation wherever relevant and appropriate. The second entailed the creation of a suitable environment for attracting foreign direct investment, a goal that would only be reached with a concurrent "massive boost in public sector investments." The third strategy involved the development of the agricultural sector, which forms the "backbone of many African economies." In particular, said Al-Herbish, it was crucial to encourage the growth of micro, small and medium-sized enterprises for the processing of primary agricultural products.

Finally, the OFID Director-General emphasized the need to focus on an industrial development strategy tailored to Africa's needs.

After the session, Al-Herbish chaired a lunch for 20 VIP guests of the Forum, where many issues of mutual interest were discussed.

Created in 1986, the Crans Montana Forum is an international organization that works for the promotion of international cooperation and contributes to global growth, while ensuring a high level of stability, equity and security. Its aims include the fostering of best practices and the encouragement of global dialogue.

*Al-Herbish (left) with fellow Crans Montana Forum award recipients.*

## Cup of cheer


# Iraq celebrates historic victory in Asia's premier soccer tournament

Reuters

## Iraq's national soccer stars

upset the formbook and defied all the odds to lift the Asian Cup for the first time in July. Showing remarkable spirit and unity, they beat fellow OPEC Member Country Saudi Arabia 1–0 in an enthralling final held in Jakarta, Indonesia. The victory sparked scenes of joy and jubilation rarely seen around troubled Iraq and among Iraqi communities abroad.

It was a fairytale ending for the Iraqi team — a group of dedicated and determined players who had to overcome numerous obstacles associated with the continuing security problems back home just to even get to the tournament.

Iraqi Prime Minister Nuri Al-Maliki hailed the win as "a lesson in how to triumph over the impossible to realize victory." He immediately announced that each player on the Iraqi team would receive $10,000 for the achievement.

Waleed Tabra, Media Officer for the Iraqi national team, was quoted as saying that words could not describe the joy brought by the win.

*Left: Iraq's captain Younis Mahmoud kisses the trophy in Jakarta.*


*Fans spray foam as they wait in Baghdad airport for the arrival of their heroic team.*

"It is the first time we made it. These are fantastic moments for Iraqi football … for all Iraqi people," he was quoted as saying by newsmen assembled in the Indonesian capital.

He pointed out that hundreds of thousands of people in every city in Iraq were celebrating the victory. "My family said it is something unbelievable … people don't know what to do — they're all crying with happiness."

Hoda Abdel-Hamid, of the Al Jazeera news service, in describing the celebrations seen throughout Iraq, said: "The scenes are incredible. I have been in Iraq for more than 15 years, and I have never seen anything like this."


AP Photo

*Iraqi team members warming up during one of their training sessions in Jakarta.*


Reuters

*Iraq's Karim and Mahmoud celebrate after winning the final against Saudi Arabia.*

The illustrious path to the final saw Iraq defeat South Korea in the semis and Vietnam in the last eight to record the country's best-ever showing in the competition.

"This is not just about football … this is more important than that," Iraq's jubilant Brazilian coach, Jorvan Vieira, told a news conference afterwards. "This has brought great happiness to a whole country. This is not about a team — this is about human beings."

What is remarkable is that Vieira only had two months in which to work with his team, made up of players from differing factions — including Shi'ites, Sunnis and Kurds. Three prospective coaches turned down offers to train the national squad before Vieira agreed to take on the job virtually at the final hour.

However, disappointingly for the Iraqi team, Vieira said after lifting the Asian Cup that the victory marked the end of his short time as coach of the national team.

"This victory is most important for the Iraqi people," he said. "It is not for me, or my CV. But I will never forget this because it was a special situation in special circumstances," he added.

Few people had given Iraq any chance of doing well in the tournament — let alone winning it. Their preparations were severely hampered by the violence back home. The team physiotherapist was killed in a bombing just weeks before the first match and two of the team's players also suffered tragic losses. Goalkeeper Noor Sabri's brother-in-law died just before the competition started, while the stepmother of midfielder Hawar Mulla Mohammed was killed in the days leading up to the quarter-final stage.

Because of the security threat, the Iraqi team was forced to train and compete in qualifiers in neutral countries. They actually played all their home games in the

Qatari capital Doha. Jordan hosted the squad for its pre-Cup training camp before they headed to Korea for some friendly matches. They eventually arrived in Bangkok for the start of the tournament.

FIFA President, Sepp Blatter, who was at the final, said: "It is tremendous what has happened with Iraq," stressing that the country's achievement had inspired millions and was proof of sport's unique power to unite people in the most desperate circumstances.

"It is tremendous, exceptional and good for football. It shows how a country, or a football association, can do a wonderful job when there is the will — the power of football."


Reuters

AP Photo

*Saudi Arabia's soccer team warms up during a training session at the Gelora Bung Karno stadium in Jakarta.*

***Above: Saudi Arabia's head coach Helio Cesar dos Anjos:***
***"Iraq deserved to win."***

***Below: Iraq's head coach Jorvan Vieira of Brazil:***
***"This is not just about football ... this is about human beings."***

The Qatari newspaper Arrayah summed up the feeling in an editorial by saying that the Iraqi national soccer team had achieved in uniting all sections of the Iraqi people.

Iraq began the tournament in Group A, along with hot favourites Australia, Thailand and Oman. All the Group A games were played at the Rajamangala National Stadium, in Bangkok. Other groups played matches in the three other co-host nations — Malaysia, Vietnam and Thailand.

In their first encounter, Iraq drew 1-1 with Thailand, before stunning Australia 3-1. In their final group game, Iraq played out a goalless draw with Oman.

That gave the team five points, enough to head the group and book a place in the quarterfinals. By this time, the Iraqis were well into their stride and gaining in confidence with each game. They marched into the next round with a 2-0 victory over Vietnam.

The semi-final against Korea proved to be a nail-biting affair. After two hours of high-tension excitement in regular and extra time, the match went into penalties. But it was the less-experienced Iraqis who kept

Reuters


Reuters

AP Photo

*The champions celebrate: Above, Iraq's Prime Minister Nouri Al-Maliki, embraces Asian Cup soccer champion Hayder Abdul Razak as the Iraqi national soccer team arrives at the Al-Rashid hotel.*

their nerve, winning 4-3 on penalties. The decisive breakthrough came when Iraqi keeper Sabri, voted man of the match, pushed Yeom Ki-hun's attempt around the post. Then Kim Jung-woo's shot hit the post and bounced away.

Iraq had previously reached the semi-finals in 1976, when they lost to Kuwait in extra time. Korea was chasing a third Asian Cup title.

For the final, played at the Gelora Bung Karno Stadium in Jakarta, the Iraqis seemed to be facing an even more daunting task, although on paper tournament statistics pointed to an intriguing match-up.

Saudi Arabia had been the best attacking team in the tournament, scoring 12 goals on their way to the final. But, in the same vein, Iraq, having just conceded two goals in six matches, proved to have the best defense in the competition.

Consequently, Saudi Arabia, bidding to become the first ever team to win the Asia Cup four times, could not find a way through a midfield marshaled brilliantly by subsequent man-of-the-match Nashat Akram. Iraq thoroughly deserved their win, dominating play for the most part. They could have won more comfortably if they had capitalised on their many scoring chances, only to be denied by a combination of poor finishing and excellent saves from Saudi goalkeeper Yasser Al Mosailem.

Iraq was also boosted by the 60,000 fans at the stadium who, sensing something special, got firmly behind the underdogs.

The breakthrough came in the 71st minute, courtesy

Reuters

*Above right: Iraq's President Jalal Talabani receives the AFC Asian Cup soccer tournament trophy from goalkeeper, Noor Sabri in Baghdad .*

fittingly of Iraqi captain Younis Mahmoud. From a Hawar Mulla Mohammed corner, he rose majestically above the Saudi defence at the far post and headed into the net. Mahmoud was later named player of the tournament.

Commented an exuberant Akram after the game: "We played with one unity — regardless of our beliefs, or sects, and this is what should be the case back in Iraq."

Another outstanding player in the Iraqi midfield was Mahdi Karim, whose constant runs down the right flank proved a major problem for the Saudis.

He said afterwards: "This is a big achievement for Iraqi football because we won the title despite all the bad circumstances back home these days.

"We gave life back to Iraqi people and we made them happy throughout this month with all the great results we had. It is an honour for all Iraqi people," he added.

The Iraqi back line of Jasim Mohammed, Bassim Abbas and Haider Abdul Amer was solid throughout, while keeper Sabri pulled off some remarkable saves.

Up front, the battle of the strikers was won by Iraq, with Saudi Arabia's pairing of Yasser Al Qahtani and Malek Maaz making little impact, whereas Younis and Jassim were a constant threat. In the dying seconds, Malek had a chance to equalise when Iraq failed to clear the ball, but his downward header bounced over the bar. With the ensuing goal kick, Iraq were Asian champions.

Saudi Arabian coach Helio dos Anjos was gracious in defeat, conceding that Iraq were worthy winners. "Iraq deserved to win today because of their desire and strength to get possession. They saw that our strength is in ball possession and they did a lot to prevent us from holding on to the ball."

However, he predicted a bright future for his team, who previously won the Asian Cup in 1984, 1988 and 1996.

"I have only spent two months working with this team and football in Saudi Arabia is currently in a state of transition. This is a young team and I am confident for the future," he added.

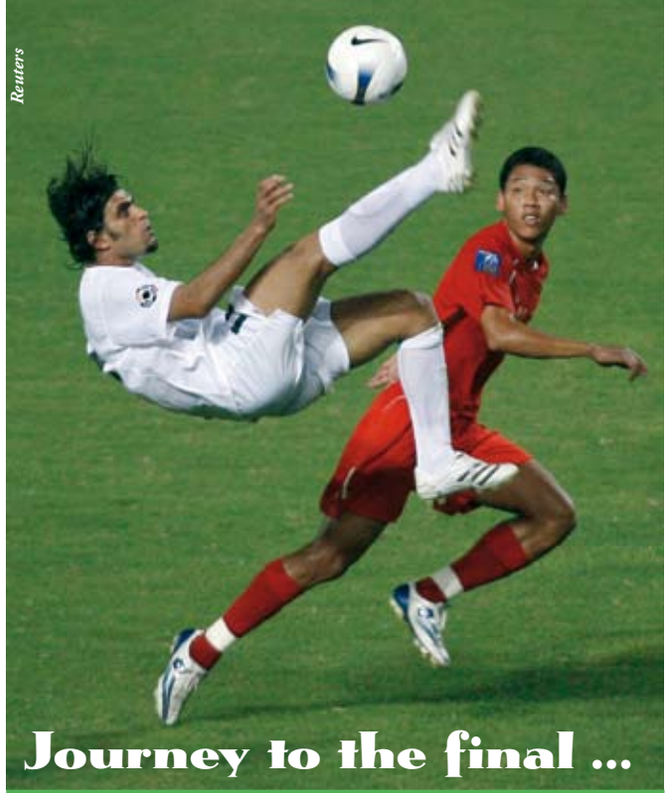
Success has not come easy for the Iraqi team. Yet amazingly, against a constant background of domestic turmoil, they have already had their share of good fortune. In 2004, the national team reached the semi-finals of the Olympic Games, while at the end of last year the country was beaten in the final of the Asian Games by hosts Qatar.

They also received a welcome surprise while waiting for their flight to Jordan at Bangkok airport after the Asian Cup success. Sheikh Mohammed bin Rashid Al-Maktoum, United Arab Emirates (UAE) Vice President and Ruler of the Emirate of Dubai, sent his private plane for the Iraqi team along with an invitation to a celebration party. He also awarded the squad a cash prize of 20 million dirhams ($5.45 million).

"It's a big honour to celebrate the team's victory in the UAE," Hussein Saeed, Chairman of the Iraqi Football Federation, said at the Dubai reception attended by more than 5,000 people.

Meanwhile, Qatar has been confirmed as the host nation for the 2011 Asian Cup, the Asian Football Confederation announced. The Gulf state was the only country to submit a formal bid to host the event but had to satisfy the AFC of their ability to stage the tournament before being confirmed as hosts.

Qatar hosted the Asian Cup in 1988 and will join Iran (1968 and 1976) as the only country to stage the tournament on more than one occasion.




*Iraq's Rehema kicks the ball past Vietnam's Nguyen Anh Duc during their quarter-final clash in Bangkok.*

## Journey to the final ...

### Group A

| | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Iraq | 3 | 1 | 2 | 0 | 4 | 2 | 5 |
| Australia | 3 | 1 | 1 | 1 | 6 | 4 | 4 |
| Thailand | 3 | 1 | 1 | 1 | 3 | 5 | 4 |
| Oman | 3 | 0 | 2 | 1 | 1 | 3 | 2 |

### First round

| 7/7/07 19:35 | Rajamangala National Stadium, Bangkok | |
|---|---|---|
| **Thailand**<br>Sutee Suksomkit 6-pen | **1–1** | **Iraq**<br>Younis Mahmoud 32 |

| 13/7/07 17:20 | Rajamangala National Stadium, Bangkok | |
|---|---|---|
| **Iraq**<br>N Akram 23, H Mohammed 60, K Jassim 86 | **3–1** | **Australia**<br>Mark Viduka 47 |

| 16/7/07 19:35 | Supachalasai Stadium, Bangkok | |
|---|---|---|
| **Oman** | **0–0** | **Iraq** |

### Quarter-Final 1

| 21/7/07 20:20 | Rajamangala National Stadium, Bangkok | |
|---|---|---|
| **Iraq**<br>Younis Mahmoud 2, 66 | **2–0** | **Vietnam** |

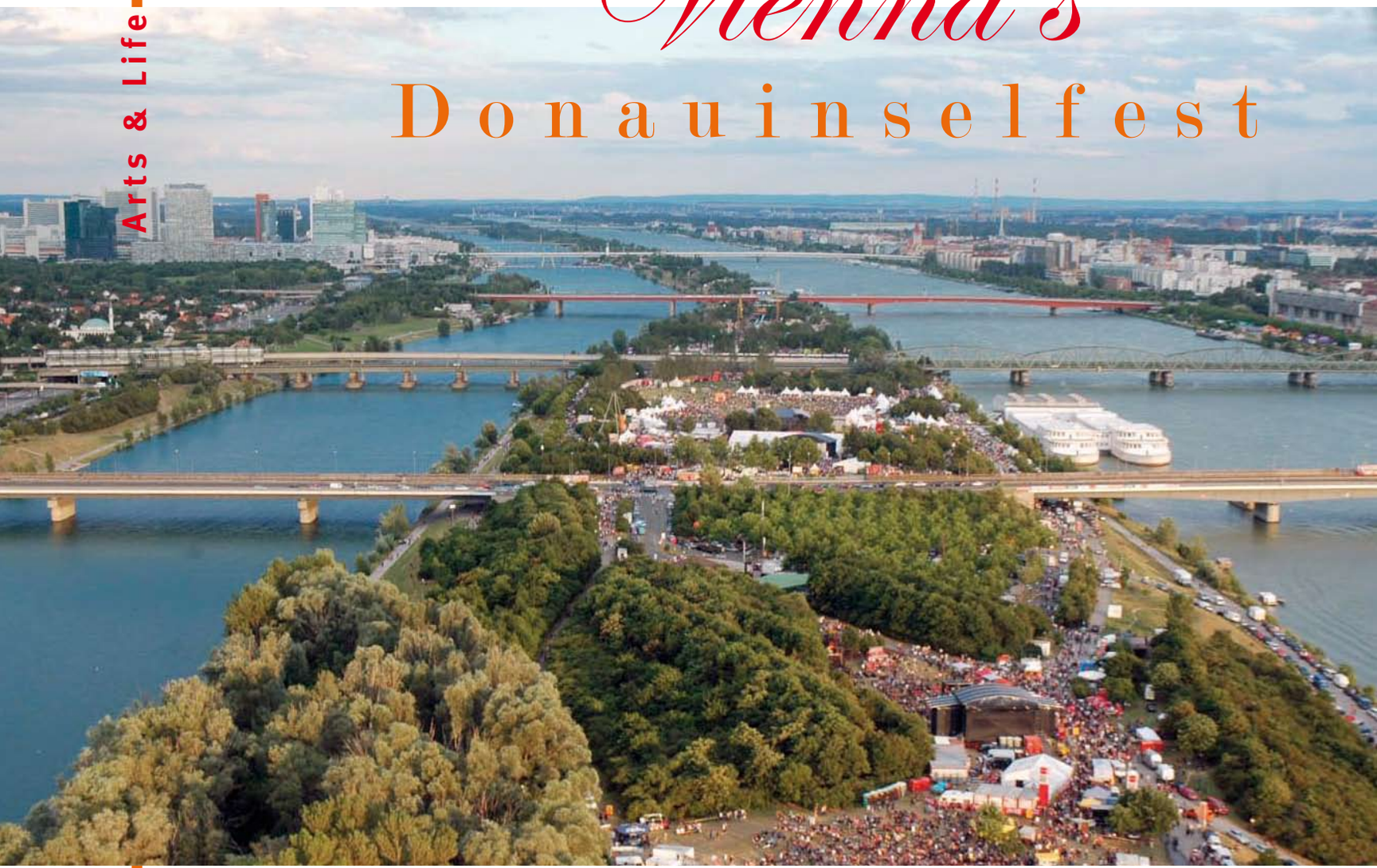
### Semi-Final 1

| 25/7/07 18:20 | National Stadium Bukit Jalil, Kuala Lumpur | |
|---|---|---|
| **Iraq**<br>0–0 AET, Iraq wins 4–3 on penalties | **0–0**<br>**(pens 4–3)** | **Korea Republic** |

### Final

| 29/7/07 19:35 | Gelora Bung Karno Stadium, Jakarta | |
|---|---|---|
| **Iraq**<br>Younis Mahmoud 71 | **1–0** | **Saudi Arabia** |

# Vienna's Donauinselfest



## Bringing people together ... sometimes against all the odds

*Imagine the scene. The giant stage is set, the tents — all 130 of them — are up, hundreds of metres of snaking electricity cables have been safely laid. The fire brigade is at the ready, so are the police, and the food stalls that have sprung up all over the public area are putting the finishing touches to attracting customers to their respective wares. And with everything coming together, there is a heightened feel of expectancy in the air. Even the most confirmed cynic could not deny the atmosphere — the feeling that something huge is about to take place.*

By Siham Alawami

**Then it came** — 120 kmh winds, followed by a huge storm. All totally unpredicted and not planned for. After all, this was the month of June — summer. But before one could say Michael Häupl, the festival site was transformed into a scene more reminiscent of a small village caught in the path of a hurricane. The winds and rain threatened one month of painstaking work put in by Vienna city's authorities, who, with the assistance of some 300 willing workers and volunteers were responsible for making preparations for the 24th Danube Island Festival, or the Donauinselfest, as it is known locally, organized by the Social Democratic Party of Austria (SPÖ).

This was at about 5pm on Thursday, June 21 — just one day before kick-off (the festival ran from June 22 to 24). The situation looked hopeless — all around was devastation. But before anyone could even so much as entertain the thought as to whether the festival would go ahead, the never-say-die spirit of the organizers shone through. The workers flocked back in again, the stage was once again readied, the tents — all 130 of them — were counted and erected, the power cables rerouted, and some 260 portable public toilets, which had scattered in the storm, were put back in their allocated places, ready to receive the more than 2.5 million revelers that were expected to attend the festival. The scene was once again set — and this time thankfully it was caressed by a gentle breeze coming off the Danube River.

Stretching some 21 kilometres, Danube Island (the Donauinsel) is an artificial strip of land situated between the Danube River and the New Danube Canal. It was created in the 1970s with materials excavated and dumped between the two stretches of water to help solve the problem of flooding of the Danube into the city. Indeed, it was put to test in 2002 when many parts of Austria were hit by extensive flooding. Yet, thanks to the divide, Vienna's flood protection system saved the city from unthinkable damage. Today, the Donauinsel serves as an island of leisure and recreation for old and young alike. It is a regular haunt for cyclists, roller-bladers, joggers and a permanent venue for the annual festival, at least for now.

The Donauinselfest is a great, traditional event. And if anyone had any doubts about Vienna being a truly international city, then just one visit to the festival will do the trick. The festival really is a cultural potpourri, which is reflected in the 200 varieties of food available throughout at the festival site, spanning Thai, Greek, Italian, African, Indian, Turkish and — of course — Austrian cuisines. Add this to the diverse and splendid array of national costumes and music from some 2,000 artists and 300 groups that performed over the weekend, and you have the flavour of the Austrian capital's international setting.

## Music

As one of Europe's leading cultural cities, Vienna is steeped in history and plays host to a variety of arts and music from all corners of the world. Just to name a few there is reggae (made famous by the late Bob Marley), rap, pop, hip-hop, jazz, classical and, of course, traditional Austrian music. They were all represented at the festival, just as there were various works of art from Kenya, India, Korea and the host country.

The locals proudly refer to the annual Danube event as 'Europe's largest open-air free festival'. They might be right, they might be wrong, but for those who were there, it was 600 hours of solid entertainment, spread customarily over Friday, Saturday (with a splendid fireworks display) and Sunday.

*The Mayor of the City of Vienna, Dr Michael Häupl (l), says the objective of the Donauinselfest is to bring Viennese residents together in a relaxed environment. Pictured here with the 'father of the Donauinselfest', Professor Harry Kopietz.*

Following on the heels of the Year of Mozart, celebrated by Vienna over 12 calendar months in 2006, and with the city recognized as the centre of classical music, it was not surprising that the organizers decided to bring back the nostalgia of the celebration by adding a touch of classical music, to end the an otherwise physically exhausting but, extremely fulfilling festival.

And so, the organizers decided to bring together the Vienna Symphonic Orchestra for Monday evening for those who either did not have enough entertainment during the festival's three days, or found the festival too hectic to cope with. But, unfortunately, the storm made a return journey and so the concert had to be cancelled.


Speaking to the *OPEC Bulletin* on this year's festival, the Mayor of the City of Vienna, Dr Michael Häupl, said the objective of the Donauinselfest was to bring Viennese residents together in a relaxed environment, and then to use the opportunity to provide them with information on a range of services offered by the Vienna City Authority.

In previous years, the task of selecting some suitable social issues that would form the highlight of the festival, fell on the man they call the 'father of the Donauinselfest', Professor Harry Kopietz, who also headed the organizing team. His focus has touched on issues such as the plight of immigrants and understanding and assisting the aged, just as fitness training has become an integral part of the festival, not only for the young, but for 90-year-olds as well. Of note here, Sepp Resnik, 53, Austria's best known extreme sports athlete, who is reputed to have circumvented the world three times by bike, officially started his 100, 000 km journey at the island festival.

## Environment

As is the case with other major cities nowadays, if Vienna wants to continue to attract visitors and tourists to events like the Donauinselfest, then it has to do more than just pre-




serve its cultural heritage to making the city safer. Events like the festival, which attracts a huge number of people, have the capacity to unleash bad eggs on society. Luckily, so far the Donauinselfest has not been subjected to this problem. Security for the event was indeed tight, but very discrete. It was therefore very pleasing to hear from the Vienna Police Authority at the

end of the event that the three days of celebration was free of crime or incident. And of note, in this time of making our planet greener, special effort was made to keep the environment free of litter through the use of cups and plates made from corn starch. This was a novel idea since at the end of the festival, all these utensils ended up as compost for flowers and plants. A great innovation that meant the problem of disposing tons of garbage accumulated over the three days was eliminated. People were also encouraged to leave their cars at home and use the ever-reliable public transport that ran into the early hours to help the party-goers get home safely. It seems the organizing committee thought of everything ... but the weather!

See you next year.

*All photos courtesy www.donauinselfest.at and www.oe4.com.*

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

**July 2007**

## Crude oil price movements

The OPEC Reference Basket[1] in June rose by $2.41, or nearly four per cent, from May to close at $66.77/b. Concern over adequate gasoline supplies dominated movements in the marketplace, while geopolitics and refinery glitches also played their part in keeping prices buoyant. In addition, the market firmed on planned oil strikes by Nigeria and Brazil.

The bullish sentiment heightened in early July, which sent global prices soaring to a ten-month high. Consequently, the price of the OPEC Basket rallied above $70/b to average $70.86/b for the first two weeks of July.

On the US market, benchmark crude WTI was also supported by the prevailing conditions affecting the market. It ended the month $3.98, or 6.3 per cent higher, at $67.44/b,

In the North Sea, prices were underpinned by tight June supply as a result of upstream maintenance, which saw crude production from the nine main North Sea crude streams falling by 422,000 b/d from May. Marker crude Brent's monthly average was pegged at $71.55/b for a gain of $4.17, or over six per cent.

In the Mediterranean market, poor refining margins affected prices at the start of June. However, this sentiment was short-lived and, as in other oil trading centres, prices began to pick up. For the month, Urals crude averaged $67.83, $3.42 higher than in the previous month.

## World oil demand

In its review of the market, the OPEC Report for July left 2007 world oil demand growth unchanged at 1.3 million barrels per day, 1.5 per cent higher than in 2006.

Looking specifically at the second half of this year, it said demand in the third and fourth quarters should see healthy growth of 1.4m b/d and 1.7m b/d, respectively.

Demand for OPEC crude in 2007 is forecast to average 30.78m b/d. On a quarterly basis, demand is expected at 31.18m b/d, 30.02m b/d, 30.79m b/d and 31.13m b/d, respectively.

For 2008, demand for OPEC is slated to average 30.70m b/d, some 79,000 b/d less than this year. On a quarterly basis, the forecast puts demand for OPEC crude at 30.99m b/d, 29.65m b/d, 30.55m b/d and 31.65m b/d, respectively.

Concerning the OECD region, oil demand in 2007 is estimated to grow by 0.1m b/d to average 49.31m b/d, compared with 2006. Of note, in the United States, oil demand expanded by 0.34m b/d, or 1.7 per cent, in the first half of 2007 to average 20.78m b/d.

In the developing countries, booming economic activity in the Middle East is supporting strong oil demand. In fact, oil demand from this group of countries is contributing the most to total world oil demand growth in 2007. It is forecast to see growth of 0.6 m b/d to average 23.81m b/d.

India's oil demand for the first five months of this year grew by 0.12m b/d, or 4.5 per cent, to average 2.84m b/d.

In the other regions grouping, China's crude imports rose by 147,000 b/d, or 2.7 per cent, in May, compared with last year, with the

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

country's apparent demand expanding by 0.4m b/d, or 5.4 per cent, in the month to average 7.7m b/d.

Turning to 2008, world oil demand is forecast to grow by 1.34m b/d with no major differences to OPEC's 2007 growth estimate. Transportation and industrial use are the major growth sectors of world oil demand next year. Non-OECD countries will account for the largest share of world oil demand growth with 1.05m b/d.

The report noted that North America will be prominent in next year's OECD growth figures. Oil demand in OECD Europe is not expected to show strong growth, while the OECD Pacific is forecast to suffer a slight decline, due to slower growth in Japan.

"Higher energy taxes, energy conservation, efficiency, alternative fuel, and other factors are the main reasons for next year's moderate world oil demand growth, especially in the OECD," commented the OPEC report.

North America's oil demand is slated to grow by 0.3m b/d in 2008 to average 25.9m b/d year-on-year, while other Asia and the Middle East are estimated to show oil demand growth of 0.15m b/d and 0.3m b/d for next year.

The report pointed out that China, expected to contribute the most to world oil demand growth, is aiming to reduce its energy use by 20 per cent by 2010 from 2005 levels through the implementation of various measures that might have a slightly negative impact on its oil demand expansion for 2008.

China's apparent oil demand is forecast to grow by 0.4m b/d in 2008, which is almost 60,000 b/d lower than OPEC's estimate for 2007. New vehicle sales are expected to show strong annual growth of around 27 per cent next year.

The OPEC report said that its world oil demand forecast for 2008 is based on a number of assumptions, including that world GDP will grow at almost the same pace as in 2007 and that normal weather conditions will prevail worldwide.

It also assumes that the Chinese economy will grow by 9.6 per and that the government will step up its energy conservation measures and increase the use of alternative fuel.

The report reckons on the Middle East economy continuing to show healthy growth, although witnessing a slight slowdown in consumption as a result of expected governmental measures.

OPEC contends that various factors will slightly soften oil demand growth in the other Asia group, while it is expecting the relationship between economic growth and energy consumption to continue to weaken and energy-price elasticity of demand strengthening, mainly affecting developed countries.

The report said that given the uncertainties in forecasting oil demand in 2008, two more scenarios have been developed to highlight the upward and downward risks. The upper range for world oil demand growth is forecast at 1.45m b/d, while the lower range is put at 1.2m b/d.

"One important factor that might affect world oil demand is natural gas prices. Should natural gas prices in 2008 move up, then fuel oil consumption would increase worldwide," said the report.

## World oil supply

OPEC's preliminary figures indicate that world oil supply averaged 83.70m b/d in June, a decline of 0.39m b/d from the May figure. The Organization's Members were estimated to have accounted for 35.8 per cent of the total.

Looking at the full year, oil deliveries from non-OPEC producers are expected to average 50.42m b/d in 2007, an increase of 0.95m b/d over 2006. This represents a net downward revision of 191,000 b/d from OPEC's last assessment.

On a quarterly basis, non-OPEC supply this year is expected to average 50.26m b/d, 49.95m b/d, 50.24m b/d and 51.22m b/d, for the four quarters respectively.

"In general, non-OPEC supply has performed weaker than expected in 2007 due to projects start-up and ramp-up delays, technical problems, early and heavier maintenance, the shutdown of some fields, rising field service costs, policy changes and other factors playing a major role in cutting the optimistic initial growth forecast for the year."

For 2008, non-OPEC oil supply is expected to average 51.42m b/d, an increase of 1.01m b/d over this year. On a quarterly basis, non-OPEC supply is expected to average 51.58m b/d, 50.99m b/d, 50.99m b/d and 52.13m b/d, respectively.

Total OECD oil supply next year is expected to average 20.38m b/d, an increase of around 0.15m b/d over the 2007 figure. On a quarterly basis, OECD oil supply is expected to average 20.68m b/d, 20.10m b/d, 19.97m b/d, and 20.77m b/d respectively.

Oil supply in the US is forecast to average 7.67m b/d, 0.21m b/d more than in 2007. The quarterly distribution is expected to average 7.61m b/d, 7.58m b/d, 7.64m b/d and 7.83m b/d respectively.

Of other countries in the North America OECD, Mexican oil supply is expected to average 3.56m b/d in 2008, a decline of around 66,000 b/d from this year, whereas Canadian oil supply is forecast to average 3.36m b/d, an increase of 0.08m b/d over this year.

In OECD Europe, average supply of 5.05m b/d is slated for 2008, lower by 0.20m b/d from the 2007 figure. Most of the decline is expected to come from the United Kingdom where total crude output is forecast to average 1.54m b/d, 0.16m b/d down from 2007.

At the same time, Norway's production in 2008 is expected to average 2.61m b/d, down 10,000 b/d from 2007.

Oil supply in the OECD Asia Pacific region is forecast to average 0.74m b/d in 2008, 123,000 b/d higher than this year.

Australia is expected to see growth of around 65,000 b/d over 2007, while New Zealand's production is forecast to grow by 58,000 b/d over this year.

In the developing countries, OPEC expects oil supply to average 12.10m b/d in 2008, an increase of 0.38m b/d over 2007. On a quarterly basis, total oil supply is expected to average 12.09m b/d, 12.02m b/d, 12.11m b/d and 12.19m b/d, respectively.

The other Asia group is slated to see oil supply growth of 88,000 b/d next year to around 2.81m b/d, with the quarterly breakdown set at at 2.79m b/d, 2.75m b/d, 2.82m b/d and 2.87m b/d, respectively.

In Africa, oil supply is expected to increase by 59,000 b/d over 2007 figures to reach 2.86m b/d. The quarterly distribution stands at 2.83m b/d, 2.85m b/d, 2.85m b/d and 2.89m b/d, respectively.

Latin America is likely to see a significant increase in oil supply of around 289,000 b/d over 2007 to reach 4.82m b/d with quarterly figures of 4.82m b/d, 4.79m b/d, 4.82m b/d and 4.84m b/d, respectively.

**OPEC crude oil output in June averaged 29.98m b/d, a decline of 96,600 b/d from the previous month.**

In the Middle East, oil supply is expected to decline by 58,000 b/d to an average of 1.62m b/d with a quarterly breakdown of 1.65m b/d, 1.63m b/d, 1.62m b/d and 1.60m b/d, respectively.

In other regions, oil supply in the Former Soviet Union is forecast to average 13.08m b/d in 2008, an increase of 0.46 b/d over 2007. On a quarterly basis, FSU supply is pegged at 12.92m b/d, 13.00m b/d, 13.07m b/d and 13.31m b/d, respectively.

Of note, Russian oil supply is expected to average 10.07m b/d in 2008, an increase of 0.18m b/d over 2007. The quarterly breakdown is 9.99m b/d, 10.02m b/d, 10.08m b/d and 10.17m b/d, respectively.

In the Caspian, Azeri oil supply is forecast to average 1.09m b/d next year, up by 0.18m b/d from 2007, while Kazak oil production is slated to average 1.48m b/d, a rise of 0.10m b/d from this year.

Total oil supply in high-growth China is expected to average 3.78m b/d in 2008, almost unchanged from 2007.

## OPEC oil production

OPEC crude oil output in June averaged 29.98m b/d, a decline of 96,600 b/d from the previous month, according to secondary sources. Excluding Angola and Iraq, who are not subject to the Organization's quotas, production averaged 26.38m b/d in the month under review, a decline of 22,000 b/d from May.

Of note, Iraq's oil production was gauged at 1.96m b/d, around 78,300 b/d less than in May, while Nigeria's output stood at 2.06m b/d, an increase of 77,000 b/d over the previous month.

OPEC 's second-quarter crude oil production was said to have averaged 30.06m b/d.

In 2007, OPEC's production of NGLs and non-conventional oils is expected to average 4.39m b/d, up by around 0.3m b/d over last year. In 2008, the level for OPEC NGLs is expected to average 4.80m b/d, around 0.41m b/d more than the 2007 figure.

## Downstream activity

Looking downstream, refining margins for WTI crude oil on the US Gulf Coast plummeted by $6.89/b to $17.97/b from the unprecedented level of $24.86/b seen in May. The same trend occurred in the European market, with margins for Brent in Rotterdam plunging by $4.77/b to $6.25/b from $11.02/b the previous month. In Asia, margins also moderately declined over the same month, sliding to $6.41/b from $8.11/b in May.

The refinery utilization rate in the US fell by 1.5 per cent in June to 88.1 per cent. The utilization rate in Europe improved by a slight 0.8 per cent from May to 83.8 per cent, while the Japanese refinery utilization rate improved by 2.7 per cent in June to 75.4 per cent.

## Oil trade

Regarding oil trade, US crude oil imports increased by just under one per cent in June from the previous month to over 10.5m b/d, the highest level since September 2006. However, on an annual basis, the June imports suffered a decline of 1.5 per cent.

US product imports declined in June by around six per cent from May, but were up by more than six per cent compared with the same period in 2006.

The rise in crude imports was not sufficient to offset the product decline, meaning that US net oil imports fell in June. However, on an annual basis, they registered an increase of just over one per cent.

Japan's crude oil imports rebounded in June with an increase of more than six per cent after two months of decline, according to the preliminary estimates.

On the other hand, product imports remained steady with a marginal decline of just over two per cent compared with May figures.

Consequently, Japan's net oil imports increased for the second consecutive month by more than five per cent in June over May. However, on average, Japan's net oil imports showed a decline of seven per cent for the first half of 2007.

## Stocks

Regarding stock movements, US total commercial oil inventories increased by a further 20 million barrels in June to stand at 1,027m b, the highest level since January this year. However, they were still showing a deficit of 15m b from the same month a year ago, but displayed a surplus of 18m b compared with the five-year average.

Crude oil stocks continued their upward trend, rising by 11.3m b to 354m b, their highest level since mid-1998.

"The continuous build in crude oil stocks remained driven by low refining utilization rates due to extended maintenance and outages,"

commented the OPEC report. Increasing US imports also contributed to the stock-build.

For gasoline, larger than normal imports saw stocks increase for the second consecutive month to stand at 204.4m b, up by 6.4m b from the previous month, while the gap with the five-year average narrowed to less than 7m b, compared with around 15m b at the end of April. In terms of forward cover, gasoline stocks represented an equivalent of almost 22 days, one day below a year earlier and the five-year average.

US distillate stocks in June dropped by 0.5m b to 121.8m b, but remained above the five-year average. Heating oil inventories showed a deficit of 15m b from the five-year average, while diesel enjoyed a surplus of more than 17m b.

In Western Europe, June total commercial oil stocks in EU-16 (Eur-15 plus Norway) fell by 16.3m b, the biggest decline since March 2006, to stand at 1,153m b, but remained above the upper range of the five-year average. Both crude oil and product inventories declined.

With refineries continuing to recover from seasonal maintenance, crude oil stocks dropped by almost sixm b to 483.4m b, showing a deficit of 9.6m b from a year ago and a surplus of 16m b over the five-year average.

Product inventories followed the same trend with a drop of 10.4m b half of which came from distillates. However, distillate stocks remained at very comfortable levels of 18m b above last year's level and 45m b above the five-year average.

Gasoline inventories fell for the third consecutive month to settle below 127m b, the lowest level since June 2006 and ninem b below the five-year average.

Residual fuel oil stocks declined by 0.6m b to 114.8m b, but remained above the year-ago level. Naphtha inventories fell by 1.8m b to 26.4m b.

In Japan, according to preliminary data, crude oil stocks in June increased by a further 5.5m b to stand at 111m b at the end of the month. However, they still remained below last year's level and the five-year average. Gasoline stocks dropped by around onem b, due to low refinery runs, while distillate inventories rose by nearly 3m b to around 32m b, due to sluggish demand.

**August 2007**

## Crude oil price movements

The OPEC Reference Basket closed July at a record-high average of $71.75/b. This was $4.98, or 7.5 per cent, more than in the previous month. A supply disruption from West Africa, a draw on US crude oil stocks, coupled with strong US economic growth boosted market sentiment.

However, over the first two weeks of August, the Basket lost almost $5 to stand at $68.27/b, as a result of rising concerns about a possible US economic slowdown in the second half of 2007. This was fuelled by reports of reduced expansion in the services sector, as well as a slowdown in employment figures.

On the US market, the Nymex WTI front-month contract averaged $74.15/b in July for a gain of $6.62, or nearly 10 per cent, but remained 34¢ lower than the same month last year. In the North Sea, dated Brent closed July at an average of $77.01/b, an increase of $5.46 from the previous month.

## World oil demand

In reviewing world oil demand in the first half of 2007, the OPEC monthly report for August said it grew by just under one m b/d, or 1.1 per cent, compared with 2006 to average 85.05m b/d.

OECD oil demand, affected by the warm winter, led to a decline in oil consumption in both Europe and the Pacific.

North America's oil demand grew by 0.42m b/d, or 1.7 per cent, in the first half of 2007, while OECD Europe, which also experienced a mild winter, saw its oil fall by 0.5m b/d to average 15m b/d. The OECD Pacific also experienced an unusually warm winter which reduced consumption of residual oil and kerosene, commonly used for heating in Japan.

Non-OECD oil demand in the first half proved to be as strong as expected. Booming economic activity pushed demand up by 1.22m b/d, or 3.5 per cent. China, the Middle East, and India accounted for the largest share of the demand growth.

Demand for diesel fuel grew by 6.4 per cent to average 10.8m b/d on industrial and agricultural consumption, while jet kerosene and gasoline were also in high demand, expanding by 0.16m b/d and 0.1m b/d to average 2.6m b/d and 6.6m b/d, respectively.

The OPEC report noted that the Chinese economy showed strong growth in the first six months, which, in turn, called for more oil to be used in all sectors. The country's new car registrations surged by 23 per cent over July 2006 figures.

China's oil demand for the first quarter was actually below expectations. which was attributed to weak demand in February. However, strong second-quarter oil demand boosted first-half apparent demand to show growth of 0.4m b/d, or 5.5 per cent, to average 7.6m b/d.

Strong economic activity in the Middle East again led to strong oil demand. Oil demand growth in the first half reached 0.32m b/d to average 6.44m b/d. Transport fuel subsidies, along with the construction and petrochemical sectors, were the main drivers behind Middle East oil demand.

India also benefited from increased oil demand in the first six months. Although the rainy weather disrupted transportation activities in the north of the country, causing demand for diesel to weaken, consumption picked up to show growth of 0.12m b/d, or 4.5 per cent, in the first six months to average 2.8m b/d.

Global oil demand in July followed a typical summer seasonality trend. July oil demand grew the most in the USA, China, the Middle East, and other Asia, especially India. Agriculture, transport, and power plant fuels are the products that are mostly consumed in summer.
World oil demand in the third quarter is forecast to expand by 1.5m b/d to average 85.68m b/d, while for the second half of the year it is

expected to show growth of 1.6m b/d. For the whole of 2007, demand is pegged at 1.3m b/d, 1.5 per cent more than in 2006.

Demand for OPEC crude in 2007 is forecast to average 31.00m b/d, an increase of 0.1m b/d over the previous year. On a quarterly basis, demand for OPEC crude is expected at 31.22m b/d, 30.30m b/d, 31.14m b/d and 31.32m b/d, respectively.

For 2008, OPEC crude demand is expected to average 30.76m b/d, around 239,000 b/d below the 2007 figure. The quarterly breakdown is put at 31.00m b/d, 29.65m b/d, 30.90m b/d and 31.47m b/d, respectively.

Total OECD countries' oil demand growth in 2007 is estimated to increase by 0.1m b/d to average 49.29m b/d. The world's largest energy consumer, the US, saw its oil demand in July rise by 0.42m b/d, or two per cent, higher at 21m b/d.

OECD Europe's oil demand growth for the third quarter is estimated to be flat at 15.57m b/d, while in the OECD Pacific third and fourth-quarter oil demand was revised up to show an increase of 0.07m b/d and 0.1m b/d, respectively.

**Preliminary figures for July indicate that world oil supply averaged 84.73m b/d in the month, representing a gain of one m b/d over June.**

Regarding developing countries, oil demand in this group is estimated to contribute the most to total world oil demand growth in 2007, reaching an expansion level of 0.66m b/d to average 23.94m b/d.

Middle East third-quarter year-on-year oil demand growth is forecast at 0.32m b/d to average 6.67m b/d, while the other Asia group is forecast to see third-quarter oil demand growth of 0.19m b/d to average 8.83m b/d.

In other regions, China's third-quarter apparent oil demand is forecast to expand by 0.5m b/d to average 7.7m b/d year-on-year, while the FSU's demand over the same period is expected to grow by 0.04m b/d to average 4m b/d.

In 2008, world oil demand is forecast to grow by 1.3m b/d to average 87.06m b/d, with non-OECD countries accounting for 1.1m b/d, or 79 per cent, of the total. OECD oil demand growth next year will mostly come from North America which is forecast to enjoy expansion of 0.3m b/d to average 25.9m b/d.

China, the Middle East, and other Asia are expected to contribute 0.8m b/d, or 62 per cent, to next year's world oil demand growth.

## World oil supply

Preliminary figures for July indicate that world oil supply averaged 84.73m b/d in the month, representing a gain of one m b/d over June. OPEC's crude share was estimated at 35.9 per cent. This estimate is based on data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Non-OPEC oil supply is expected to average 50.33m b/d in 2007, an increase of 0.88m b/d over the previous year and a net downward revision of 85,000 b/d from OPEC's July assessment.

On a quarterly basis, expected non-OPEC supply now stands at 50.23m b/d, 49.79m b/d, 50.14m b/d and 51.16m b/d, respectively.

For 2008, non-OPEC oil supply is slated to average 51.40m b/d, an increase of 1.07m b/d over 2007 and a downward revision of around 25,000 b/d from OPEC's last assessment. The quarterly breakdown sees non-OPEC supply next year at 51.54m b/d, 50.97m b/d, 50.96m b/d and 52.13, respectively.

Total OECD oil supply in 2007 is forecast to average 20.27m b/d, 84,000 b/d more than last year. A quarterly breakdown puts OECD oil supply at 20.38m b/d, 19.98m b/d, 20.09m b/d and 20.64m b/d, respectively.

Of note, oil supply in the US is expected to average 7.48m b/d in 2007 89,000 b/d higher than in 2006 and an upward revision of 17,000 b/d from OPEC's last report.

Total Mexican oil supply is expected to average 3.62m b/d in 2007, a decline of around 72,000 b/d compared with 2006, while Canadian oil supply is slated to average 3.29m b/d, up by 120,000 b/d over 2006.

Oil supply in OECD Europe is forecast to average 5.25m b/d this year, down by 127,000 b/d from 2006. Most of the decline is expected to come from Norway and Denmark. Output in Norway is expected to average 2.61m b/d, a decline of 172,000 b/d from 2006. UK production in 2007 is forecast to average 1.70m b/d, virtually unchanged from 2006.

Oil supply in the OECD Asia Pacific region is slated to average 0.63m b/d in 2007, higher by 74,000 b/d over 2006. Australia is expected to show growth of around 49,000 b/d over the 2006 figure, while New Zealand is also set to see growth.

Oil supply in the developing countries is expected to average 11.61m b/d in 2007, up by 82,000 b/d over 2006, while other Asia is forecast to have oil supply growth of around 15,000 b/d to 2.72m b/d.

African oil supply is slated to increase by 97,000 b/d over 2006 to a level of around 2.71m b/d, a downward revision of around 90,000 b/d from the last OPEC assessment.

Latin America is expected to see an oil supply increase of 63,000 b/d this year to a level of 4.50m b/d, while Middle East oil supply is expected to decline by 93,000 b/d to 1.68m b/d.

Oil supply in the FSU is expected to average 12.59 b/d, higher by 0.57 b/d than in 2006 and a downward OPEC revision of around 33,000 b/d. China is expected to see growth of 125,000 b/d in 2007 to 3.80m b/d.

Russian oil supply is forecast to average 9.89m b/d in 2007, an increase of 239,000 b/d from 2006, while, in the Caspian, Azeri oil supply is expected to average 0.92m b/d this year, up by 267,000 b/d from 2006.

Kazak oil production is slated to average 1.35m b/d in 2007, 47,000 b/d higher than in 2006 and a downward revision of around 31,000 b/d from OPEC's last report.

In China, total oil supply is expected to average 3.80m b/d this year, 125,000 b/d more than in 2006 and a net upward revision of around 29,000 b/d from last month.

## OPEC oil production

Total crude oil production in July averaged 30.38m b/d, an increase of 241,700 b/d over the June figure, according to secondary sources. Excluding Angola and Iraq, which are not subject to OPEC quotas, the Organization's July production averaged 26.57m b/d, a gain of 44,700 b/d over June. Iraq's oil production averaged 2.15m b/d in July, an increase of 177,200 b/d over the previous month, while Nigeria's output stood at 2.18m b/d, up by 128,100 b/d over June.

OPEC's production of NGLs and non-conventional oils is expected to average 4.39m b/d in 2007, an increase of around 0.3m b/d over last year. In 2008, the level for OPEC NGLs is expected to average 4.91m b/d, an increase of around 0.52m b/d over 2007. The increase is mainly due to the introduction of various projects in Iran, Saudi Arabia, Qatar and the UAE.

## Downstream activity

Downstream, a combination of factors in July, including the completion of planned refinery maintenance and fewer plant problems, resulted in higher refinery use in most parts of the world.

However, refining margins for benchmark WTI crude on the US Gulf Coast market declined by $6.32/b to $11.65/b in July from $17.97/b the previous month.

Europe experienced the same downward trend with margins for benchmark Brent dropping by a significant $4.44/b to $1.81/b from $6.25/b in June.

"This situation may encourage European refiners to cut their throughput levels and might dampen crude demand in the near future," commented the OPEC report.

In Asia, due to a recovery in fuel oil demand and prices, largely as a result of the earthquake in Japan, refining margins were somewhat stronger, although still lower. Benchmark Dubai crude on the Singapore market in July fell by $1.17/b from the previous month.

Refinery utilization in the US rose by 3.6 per cent to 91.7 per cent from June, while in Europe the rate increased to 86.3 per cent from 84 per in June. Similarly, Asian refiners, especially those in Japan, boosted their utilization rates in July to 85.6 per cent from 75.44 per cent the previous month.

"The recent bearish momentum of the product markets may adversely affect refinery runs in major markets, particularly in Europe, over the coming months," noted the OPEC report.

## Oil trade

Concerning oil trade, US crude oil imports declined by three per cent in July from the previous month. On an annual basis, the July imports remained steady with an increase of around one per cent, according to preliminary data.

US product imports in the month under review remained steady with a decline of less than one per cent from June levels. The increase in plant utilization rates was one of the main reasons behind the decrease, a situation which allowed product stocks, except gasoline, to build in July.

Heating oil, residual fuel oil and gasoline all saw higher imports in July, while US imports of jet fuel and other products declined in the month.

US total net crude oil and product imports were around two per cent lower in July compared with June, driven mainly by the decline in crude oil imports. However, on an annual basis, US net oil imports saw an increase of two per cent.

In Japan, preliminary data show that Japan's crude oil imports continued their upward movement in July, rising by a further seven per cent from the previous month. This represented an annual gain of 3.4 per cent.

Product imports in July remained steady with an increase of just under two per cent. On an annual basis, Japan's product imports fell by 10 per cent.

However, Japan's product exports saw an overall increase of nine per cent in July. Gasoline, jet fuel and fuel oil exports declined, but gasoil exports increased sharply to counterbalance the other product declines. As a result, product exports in July remained within the annual level, increasing by just under one per cent.

**The recent bearish momentum of the product markets may adversely affect refinery runs in major markets, particularly in Europe, over the coming months.**

Meanwhile, total FSU net oil exports are expected to average 8.63m b/d in 2007, an increase of 0.50m b/d over the previous year. In 2008, total net oil exports are forecast to average 9.10m b/d, 0.47m b/d more than this year.

## Stocks

Looking at stock movements, US total commercial oil stocks stood at 1,034.1m b at the end of July, the highest level seen since the end of January this year. The level was 20m b above the five-year average. The increase of 6.8m b from the end of June was driven by products, while crude oil inventories fell for the first time since the end of February. The build in product stocks and the drop in crude oil

inventories came as a result of the improvement seen in refinery utilization, coupled with increasing gasoline imports.

US crude oil stocks dropped by 12m b to stand at 341.6m b in July, but still remained 35m b the five-year average and close to a nine-year high.

Gasoline inventories expanded for the third consecutive month to stand at around 205m b, up by 0.3m b from June, due to the rise in the refinery utilization, which, in the last week of July, reached almost 93 per cent for the first time in eight months.

The gap with the five-year average declined to just 3.2m b, or two per cent, compared with around 15m b during the first half of May.

**US total commercial oil stocks stood at 1,034.1m b at the end of July, the highest level seen since the end of January.**

US distillate stocks rose by 5.4m b in July, offsetting the draw seen the previous month, to stand at 127.2m b, the same level as the five-year average and the highest level since January. The rise in distillate stocks was due to higher production from refineries, particularly in the second half of the month.

Heating oil showed a deficit of 15m b with the five-year average, while diesel oil enjoyed a surplus of the same amount. Similarly, stocks of residual fuel oil and jet fuel rose by 3.2m b and 0.5m b to 38.2m b and 41.3m b, respectively, which corresponded to four per cent and five per cent above the respective five-year averages.

"The return of refineries to normal activity, in combination with continuous high imports, is expected to leave product stocks – gasoline and distillates – at comfortable levels for the remainder of the driving season and ahead of winter," contended the OPEC report.

In Western Europe, latest data for July showed that total commercial oil stocks in EU-16 (Eur-15 plus Norway) slipped by 2.3m b to 1,150m b, but, with a surplus of 15m b, still remained well above the five-year average.

Both crude oil and product stocks declined, with crude accounting for 86 per cent of the loss with nearly two m b to stand at 485m b.

Despite a marginal draw of 0.3m b, product stocks remained at extremely high levels in July at 665m b, which saw a surplus over the five-year average amounting to 33m b.

Distillate inventories declined by just under 0.4m b, ending the month slightly below 399m b. This was a surplus of eight m b over last year's level and 35m b above the five-year average.

Following the same trend, residual fuel oil inventories fell by 0.3m b to 113.5m b, which was slightly higher than last year's level, whereas naphtha stocks increased by almost 0.9m b to 27.3m b, helped by higher production from refineries.

In Japan, preliminary data for July from the Petroleum Association of Japan (PAJ) indicate that inventories of crude oil and products each increased by more than four m b in the month under review, driven by higher crude oil imports and refining runs. Crude oil stocks rose a further 4.1m b to stand at 115m b in the week ended July 28, the highest level seen so far this year, and the same level as in 2006. Product stocks rose by 4.6m b.

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

| World demand | 2003 | 2004 | 2005 | 2006 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OECD | 48.6 | 49.4 | 49.7 | 49.2 | 49.6 | 48.1 | 49.1 | 50.3 | 49.3 | 50.3 | 48.1 | 49.1 | 50.9 | 49.6 |
| North America | 24.5 | 25.4 | 25.5 | 25.3 | 25.7 | 25.4 | 25.6 | 25.8 | 25.6 | 26.0 | 25.6 | 25.8 | 26.2 | 25.9 |
| Western Europe | 15.4 | 15.5 | 15.6 | 15.6 | 15.1 | 14.9 | 15.6 | 15.7 | 15.3 | 15.3 | 14.8 | 15.5 | 15.9 | 15.4 |
| Pacific | 8.6 | 8.5 | 8.6 | 8.4 | 8.8 | 7.8 | 7.9 | 8.8 | 8.3 | 8.9 | 7.6 | 7.8 | 8.9 | 8.3 |
| **Developing countries** | 20.6 | 21.7 | 22.5 | 23.3 | 23.7 | 24.0 | 24.0 | 24.1 | 23.9 | 24.2 | 24.5 | 24.6 | 24.7 | 24.5 |
| **FSU** | 3.7 | 3.8 | 3.9 | 3.9 | 3.9 | 3.7 | 3.9 | 4.3 | 4.0 | 3.9 | 3.8 | 4.0 | 4.3 | 4.0 |
| **Other Europe** | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 0.9 | 0.9 | 1.0 |
| **China** | 5.6 | 6.5 | 6.5 | 7.1 | 7.5 | 7.8 | 7.7 | 7.4 | 7.6 | 7.8 | 8.1 | 8.2 | 7.8 | 8.0 |
| **(a) Total world demand** | 79.3 | 82.3 | 83.5 | 84.4 | 85.7 | 84.4 | 85.7 | 87.1 | 85.7 | 87.2 | 85.5 | 86.8 | 88.7 | 87.1 |
| **Non-OPEC supply** | | | | | | | | | | | | | | |
| **OECD** | 21.7 | 21.3 | 20.5 | 20.2 | 20.4 | 20.0 | 20.1 | 20.6 | 20.3 | 20.8 | 20.2 | 20.0 | 20.8 | 20.5 |
| North America | 14.6 | 14.6 | 14.1 | 14.2 | 14.3 | 14.3 | 14.3 | 14.6 | 14.4 | 14.8 | 14.4 | 14.5 | 14.9 | 14.6 |
| Western Europe | 6.4 | 6.2 | 5.8 | 5.4 | 5.5 | 5.1 | 5.1 | 5.3 | 5.3 | 5.3 | 5.1 | 4.8 | 5.1 | 5.1 |
| Pacific | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 |
| **Developing countries** | 10.8 | 11.0 | 11.3 | 11.5 | 11.5 | 11.5 | 11.6 | 11.8 | 11.6 | 11.9 | 11.8 | 11.9 | 12.0 | 11.9 |
| **FSU** | 10.3 | 11.1 | 11.5 | 12.0 | 12.5 | 12.5 | 12.6 | 12.8 | 12.6 | 12.9 | 13.0 | 13.1 | 13.4 | 13.1 |
| **Other Europe** | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **China** | 3.4 | 3.5 | 3.6 | 3.7 | 3.7 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| **Processing gains** | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 2.0 | 1.9 | 1.9 | 2.0 | 1.9 |
| **Total non-OPEC supply** | 48.1 | 49.0 | 49.0 | 49.5 | 50.2 | 49.8 | 50.1 | 51.2 | 50.3 | 51.5 | 51.0 | 51.0 | 52.1 | 51.4 |
| **OPEC NGLS and non-conventionals** | 3.7 | 4.0 | 4.1 | 4.1 | 4.2 | 4.3 | 4.4 | 4.6 | 4.4 | 4.7 | 4.8 | 4.9 | 5.1 | 4.9 |
| **(b) Total non-OPEC supply and OPEC NGLS** | 51.8 | 53.0 | 53.1 | 53.5 | 54.4 | 54.1 | 54.5 | 55.8 | 54.7 | 56.2 | 55.8 | 55.9 | 57.3 | 56.3 |
| **OPEC crude supply and balance** | | | | | | | | | | | | | | |
| **OPEC crude oil production[1]** | 27.8 | 30.0 | 31.1 | 30.9 | 30.0 | 30.1 | | | | | | | | |
| Total supply | 79.6 | 83.0 | 84.2 | 84.4 | 84.4 | 84.3 | | | | | | | | |
| **Balance[2]** | 0.3 | 0.7 | 0.7 | 0.0 | –1.3 | –0.2 | | | | | | | | |
| **Stocks** | | | | | | | | | | | | | | |
| **OECD closing stock level** *m b* | | | | | | | | | | | | | | |
| Commercial | 2517 | 2547 | 2597 | 2685 | 2606 | 2673 | | | | | | | | |
| SPR | 1411 | 1450 | 1487 | 1499 | 1503 | 1505 | | | | | | | | |
| Total | 3928 | 3997 | 4083 | 4184 | 4108 | 4178 | | | | | | | | |
| Oil-on-water | 882 | 905 | 958 | 908 | 912 | *na* | | | | | | | | |
| **Days of forward consumption in OECD** | | | | | | | | | | | | | | |
| Commercial onland stocks | 51 | 51 | 53 | 54 | 54 | 54 | | | | | | | | |
| SPR | 29 | 29 | 30 | 30 | 31 | 31 | | | | | | | | |
| **Total** | 80 | 81 | 83 | 85 | 85 | 85 | | | | | | | | |
| **Memo items** | | | | | | | | | | | | | | |
| FSU net exports | 6.5 | 7.3 | 7.7 | 8.1 | 8.6 | 8.8 | 8.6 | 8.5 | 8.6 | 9.0 | 9.3 | 9.1 | 9.0 | 9.1 |
| **[(a) – (b)]** | 27.5 | 29.3 | 30.4 | 30.9 | 31.2 | 30.3 | 31.1 | 31.3 | 31.0 | 31.0 | 29.7 | 30.9 | 31.5 | 30.8 |

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

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

***Table E*** *above, prepared by the Secretariat's Petroleum Market Analysis Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

*The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in* ***Tables One and Two*** *on page 70 while* ***Graphs One and Two*** *(on page 71 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 72–73 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

## Table 1: OPEC Reference Basket crude oil prices, 2006–2007

$/b

| Crude/Member Country | 2006 Jul | Aug | Sep | Oct | Nov | Dec | 2007 Jan | Feb | Mar | Apr | May | Jun | Jul | Weeks 26–30 (week ending) Jun 9 | Jul 6 | Jul 13 | Jul 20 | Jul 27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Arab Light** – Saudi Arabia | 69.06 | 68.76 | 59.72 | 55.64 | 55.53 | 57.70 | 50.86 | 54.29 | 58.08 | 62.83 | 64.15 | 65.92 | 71.05 | 66.58 | 69.20 | 70.96 | 71.89 | 71.85 |
| **Basrah Light** – Iraq | 66.49 | 65.42 | 56.40 | 51.53 | 52.31 | 55.23 | 47.64 | 51.19 | 55.99 | 59.74 | 61.79 | 64.09 | 70.53 | 65.31 | 68.62 | 70.13 | 71.65 | 71.07 |
| **BCF-17** – Venezuela | 58.72 | 60.29 | 50.96 | 46.99 | 46.86 | 48.56 | 42.68 | 48.04 | 50.27 | 54.93 | 56.06 | 60.68 | 65.79 | 62.33 | 63.56 | 64.78 | 66.79 | 67.09 |
| **Bonny Light** – Nigeria | 75.49 | 75.29 | 63.87 | 58.75 | 60.32 | 64.28 | 56.18 | 59.58 | 64.59 | 70.01 | 70.03 | 74.45 | 79.21 | 75.41 | 77.33 | 80.23 | 80.61 | 78.83 |
| **Es Sider** – SP Libyan AJ | 71.42 | 70.72 | 61.54 | 56.20 | 57.32 | 60.73 | 52.08 | 55.83 | 60.60 | 66.06 | 66.03 | 70.25 | 75.81 | 71.21 | 73.93 | 76.83 | 77.21 | 75.43 |
| **Iran Heavy** – IR Iran | 66.59 | 66.42 | 57.14 | 53.27 | 53.97 | 55.75 | 47.91 | 51.87 | 56.39 | 61.41 | 62.72 | 64.77 | 69.65 | 65.11 | 67.71 | 70.01 | 70.59 | 70.21 |
| **Kuwait Export** – Kuwait | 66.35 | 66.02 | 56.75 | 53.02 | 53.56 | 55.69 | 48.42 | 52.33 | 56.22 | 61.07 | 62.06 | 63.61 | 67.73 | 64.10 | 66.09 | 67.79 | 68.45 | 68.54 |
| **Marine** – Qatar | 70.21 | 70.05 | 60.90 | 57.15 | 57.33 | 59.25 | 52.58 | 55.86 | 59.39 | 64.79 | 65.34 | 66.15 | 70.20 | 66.55 | 68.88 | 70.19 | 70.66 | 70.86 |
| **Minas** – Indonesia | 74.13 | 75.42 | 63.32 | 54.87 | 56.93 | 62.55 | 55.39 | 58.44 | 62.83 | 68.74 | 68.12 | 68.41 | 76.88 | 68.79 | 73.23 | 76.99 | 78.33 | 78.11 |
| **Murban** – UAE | 73.70 | 73.66 | 65.01 | 61.04 | 60.94 | 63.12 | 56.42 | 59.58 | 63.19 | 68.39 | 69.21 | 70.74 | 74.40 | 71.18 | 73.04 | 74.67 | 75.00 | 74.92 |
| **Saharan Blend** – Algeria | 74.37 | 74.50 | 63.27 | 58.55 | 59.77 | 63.55 | 55.78 | 59.58 | 64.30 | 69.71 | 70.13 | 74.05 | 78.21 | 75.01 | 76.33 | 79.23 | 79.61 | 77.83 |
| **OPEC Reference Basket** | **68.89** | **68.81** | **59.34** | **54.97** | **55.42** | **57.95** | **50.73** | **54.45** | **58.47** | **63.39** | **64.36** | **66.77** | **71.75** | **67.49** | **69.86** | **71.86** | **72.72** | **72.32** |

## Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2006–2007

$/b

| Crude/country | 2006 Jul | Aug | Sep | Oct | Nov | Dec | 2007 Jan | Feb | Mar | Apr | May | Jun | Jul | Weeks 26–30 (week ending) Jun 9 | Jul 6 | Jul 13 | Jul 20 | Jul 27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Arab Heavy** – Saudi Arabia | 63.74 | 63.57 | 54.56 | 50.49 | 51.54 | 53.72 | 46.15 | 50.21 | 54.40 | 59.16 | 60.07 | 61.44 | 64.99 | 61.84 | 63.47 | 65.13 | 65.65 | 65.81 |
| **Brega** – SP Libyan AJ | 73.26 | 72.81 | 61.51 | 57.50 | 58.62 | 62.23 | 53.78 | 57.53 | 62.30 | 67.71 | 67.73 | 71.90 | 77.36 | 72.86 | 75.48 | 78.38 | 78.76 | 76.98 |
| **Brent** – North Sea | 73.66 | 73.11 | 61.71 | 57.80 | 58.62 | 62.23 | 53.78 | 57.43 | 62.15 | 67.51 | 67.38 | 71.55 | 77.01 | 72.51 | 75.13 | 78.03 | 78.41 | 76.63 |
| **Dubai** – UAE | 69.17 | 68.92 | 59.82 | 56.36 | 58.92 | 62.33 | 53.68 | 55.61 | 58.80 | 63.97 | 64.59 | 65.79 | 69.49 | 66.21 | 68.07 | 69.80 | 70.07 | 70.21 |
| **Ekofisk** – North Sea | 73.74 | 73.09 | 62.24 | 58.17 | 56.72 | 58.69 | 51.92 | 58.41 | 62.84 | 67.73 | 68.36 | 72.09 | 77.76 | 72.74 | 75.91 | 78.97 | 79.33 | 77.07 |
| **Iran Light** – IR Iran | 68.81 | 68.49 | 58.56 | 55.42 | 59.15 | 62.17 | 53.93 | 53.64 | 57.92 | 63.87 | 64.05 | 67.99 | 73.70 | 68.80 | 71.22 | 74.79 | 75.05 | 73.71 |
| **Isthmus** – Mexico | 68.30 | 67.47 | 57.18 | 52.46 | 55.39 | 56.98 | 49.12 | 53.48 | 56.78 | 60.60 | 60.60 | 65.40 | 71.11 | 66.81 | 69.58 | 71.09 | 72.08 | 71.07 |
| **Oman** -Oman | 70.22 | 70.12 | 61.01 | 57.32 | 53.34 | 56.82 | 48.90 | 55.82 | 59.19 | 64.45 | 65.04 | 66.08 | 70.09 | 66.46 | 68.48 | 70.06 | 70.82 | 71.00 |
| **Suez Mix** – Egypt | 66.51 | 65.78 | 56.96 | 52.91 | 57.37 | 59.35 | 52.38 | 51.38 | 56.16 | 61.27 | 61.34 | 65.42 | 71.44 | 65.92 | 68.87 | 72.78 | 72.98 | 71.09 |
| **Tia Juana Light**[1] – Venez. | 60.93 | 60.99 | 52.35 | 48.05 | 53.60 | 55.05 | 47.19 | 51.82 | 54.90 | 58.60 | 58.54 | 63.31 | 68.98 | 64.67 | 67.50 | 68.96 | 69.92 | 68.93 |
| **Urals** – Russia | 69.20 | 68.49 | 59.47 | 55.68 | 51.63 | 54.89 | 47.83 | 53.82 | 58.81 | 63.92 | 64.29 | 67.83 | 73.90 | 68.26 | 71.31 | 75.26 | 75.46 | 73.56 |
| **WTI** – North America | 74.33 | 73.01 | 64.00 | 58.82 | 55.95 | 57.95 | 50.13 | 59.21 | 60.63 | 63.85 | 63.46 | 67.44 | 73.98 | 69.12 | 71.69 | 72.69 | 74.99 | 75.17 |

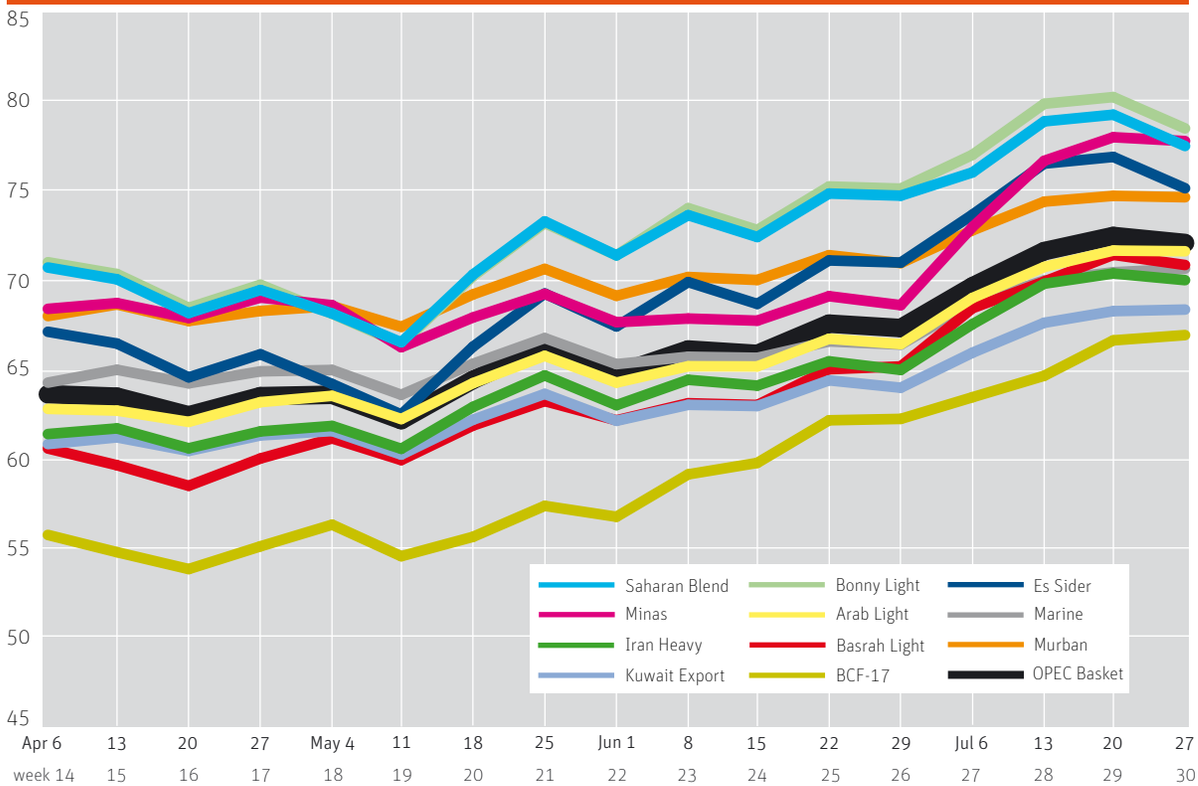
*Note: As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.*

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

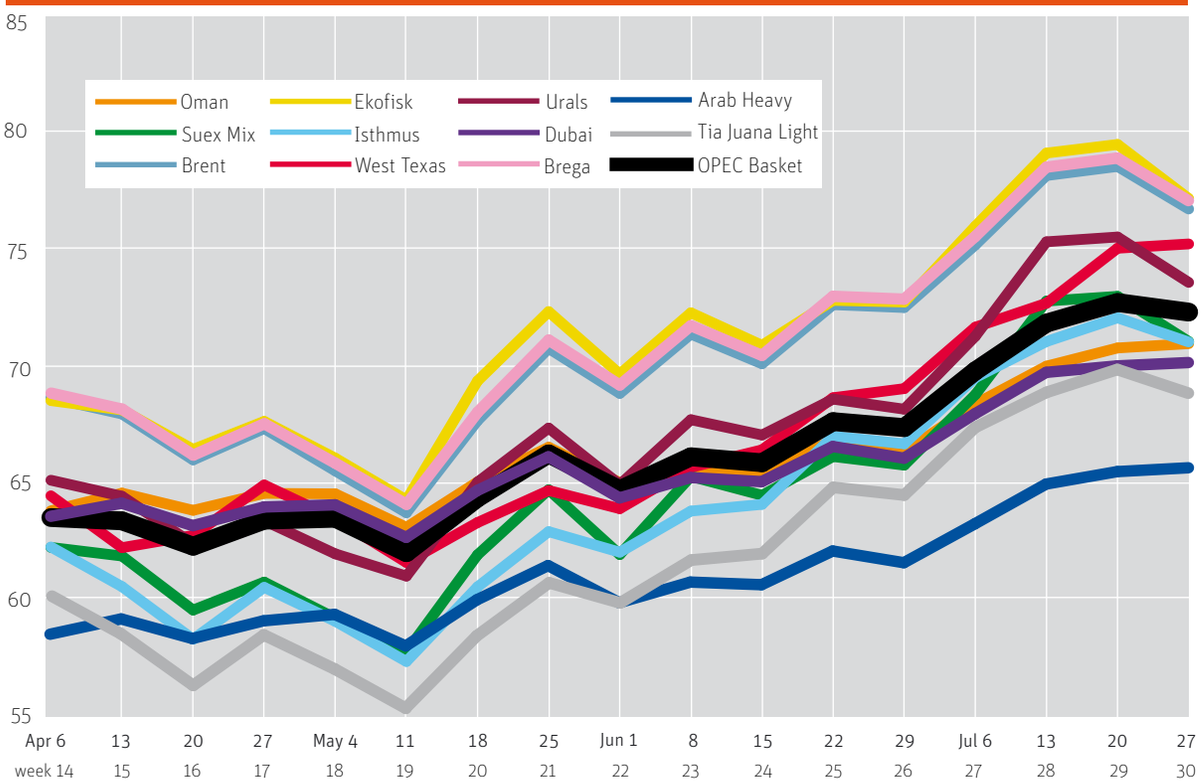
*Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.*

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

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




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

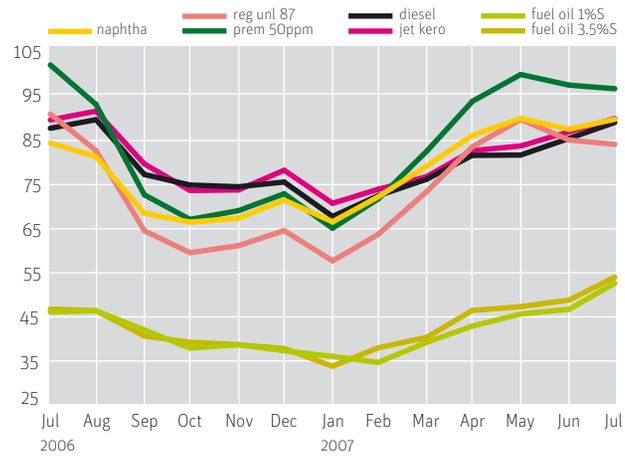



*Note: As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.*

## Table and Graph 3: North European market — spot barges, fob Rotterdam

*$/b*

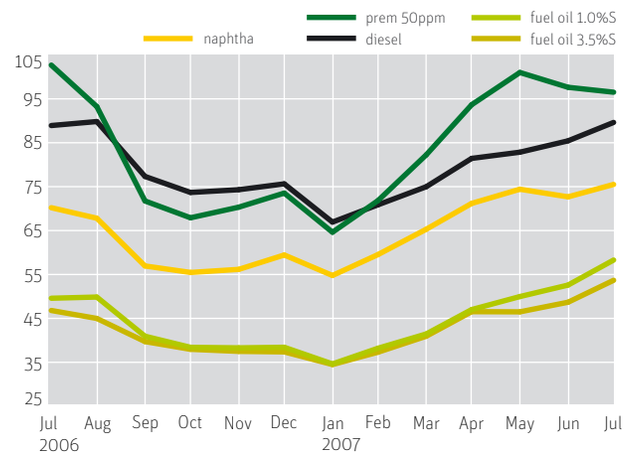
| | | naphtha | regular gasoline unleaded | premium gasoline 50ppm | diesel ultra light | jet kero | fuel oil 1%S | fuel oil 3.5%S |
|---|---|---|---|---|---|---|---|---|
| 2006 | July | 84.43 | 91.03 | 102.17 | 87.80 | 89.69 | 46.10 | 46.79 |
| | August | 81.35 | 82.74 | 93.21 | 89.75 | 91.68 | 46.38 | 46.41 |
| | September | 68.51 | 64.54 | 72.69 | 77.31 | 79.71 | 42.04 | 40.67 |
| | October | 66.51 | 59.57 | 67.12 | 74.92 | 73.68 | 37.91 | 39.25 |
| | November | 67.40 | 61.17 | 69.11 | 74.53 | 73.81 | 38.69 | 38.70 |
| | December | 71.49 | 64.58 | 72.94 | 75.60 | 78.27 | 37.32 | 37.82 |
| 2007 | January | 66.59 | 57.72 | 65.11 | 67.79 | 70.78 | 36.04 | 33.81 |
| | February | 72.25 | 63.74 | 71.76 | 72.51 | 73.96 | 34.67 | 37.99 |
| | March | 79.22 | 73.41 | 82.57 | 76.23 | 76.82 | 39.24 | 40.35 |
| | April | 86.19 | 83.57 | 93.90 | 81.65 | 82.71 | 42.91 | 46.46 |
| | May | 90.03 | 89.81 | 100.00 | 81.72 | 83.79 | 45.66 | 47.33 |
| | June | 87.58 | 85.13 | 97.59 | 85.50 | 87.00 | 46.72 | 48.83 |
| | July | 89.84 | 84.15 | 96.78 | 89.12 | 90.01 | 52.66 | 54.01 |




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

*$/b*

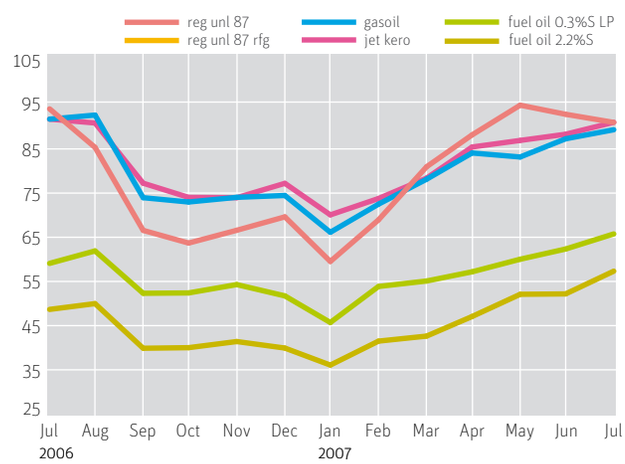
| | | naphtha | premium gasoline 50ppm | diesel ultra light | fuel oil 1%S | fuel oil 3.5%S |
|---|---|---|---|---|---|---|
| 2006 | July | 70.21 | 102.69 | 88.92 | 49.59 | 46.80 |
| | August | 67.81 | 93.24 | 89.83 | 49.86 | 44.99 |
| | September | 56.94 | 71.74 | 77.33 | 40.94 | 39.72 |
| | October | 55.46 | 67.91 | 73.68 | 38.41 | 37.96 |
| | November | 56.16 | 70.33 | 74.31 | 38.29 | 37.49 |
| | December | 59.44 | 73.54 | 75.64 | 38.42 | 37.37 |
| 2007 | January | 54.77 | 64.62 | 66.93 | 34.63 | 34.49 |
| | February | 59.53 | 71.82 | 70.87 | 38.20 | 37.30 |
| | March | 65.29 | 82.23 | 74.98 | 41.45 | 40.93 |
| | April | 71.19 | 93.67 | 81.44 | 47.01 | 46.53 |
| | May | 74.42 | 101.00 | 82.85 | 49.97 | 46.49 |
| | June | 72.68 | 97.63 | 85.44 | 52.59 | 48.68 |
| | July | 75.51 | 96.51 | 89.63 | 58.29 | 53.68 |




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

*$/b, duties and fees included*

| | | regular gasoline unleaded 87 | gasoil | jet kero | fuel oil 0.3%S | fuel oil 2.2%S |
|---|---|---|---|---|---|---|
| 2006 | July | 94.07 | 91.74 | 91.74 | 59.09 | 48.67 |
| | August | 85.35 | 92.66 | 90.87 | 61.91 | 49.98 |
| | September | 66.56 | 73.96 | 77.24 | 52.32 | 39.88 |
| | October | 63.69 | 72.98 | 74.03 | 52.40 | 40.01 |
| | November | 66.58 | 74.04 | 73.96 | 54.29 | 41.40 |
| | December | 69.62 | 74.46 | 77.21 | 51.73 | 39.92 |
| 2007 | January | 59.52 | 66.13 | 70.07 | 45.71 | 36.07 |
| | February | 68.93 | 72.49 | 73.77 | 53.86 | 41.49 |
| | March | 80.96 | 78.14 | 78.39 | 55.10 | 42.63 |
| | April | 88.17 | 84.08 | 85.43 | 57.18 | 47.06 |
| | May | 94.90 | 83.17 | 86.92 | 60.03 | 52.09 |
| | June | 92.84 | 87.29 | 88.32 | 62.34 | 52.18 |
| | July | 91.00 | 89.34 | 91.03 | 65.76 | 57.33 |

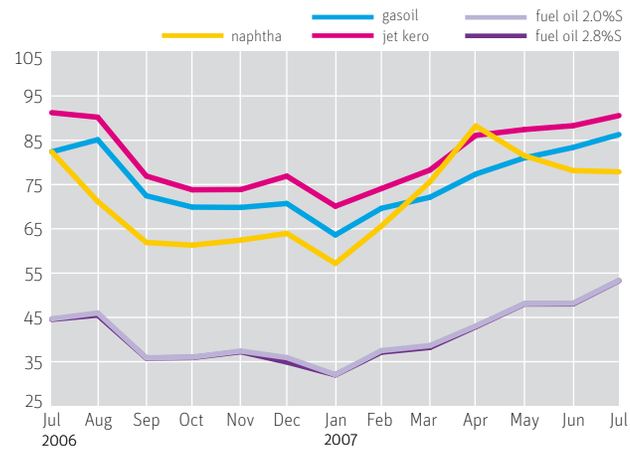



*Source: Platts. Prices are average of available days.*

## Table and Graph 6: Caribbean market — spot cargoes, fob

$/b

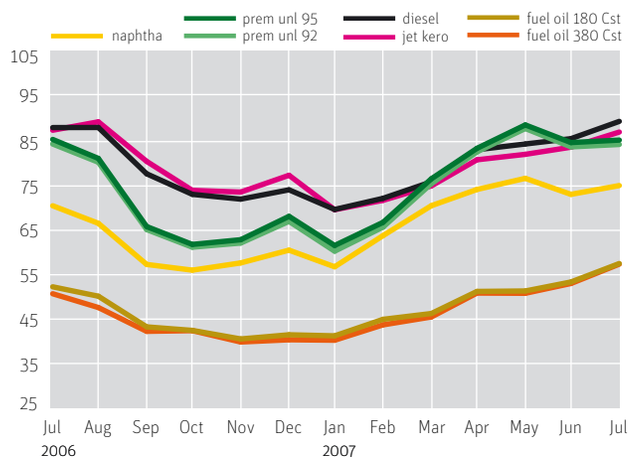
| | | naphtha | gasoil | jet kero | fuel oil 2%S | fuel oil 2.8%S |
|---|---|---|---|---|---|---|
| 2006 | July | 82.38 | 82.39 | 91.23 | 44.67 | 44.55 |
| | August | 71.17 | 85.12 | 90.20 | 46.00 | 45.51 |
| | September | 61.91 | 72.46 | 76.92 | 35.88 | 35.81 |
| | October | 61.31 | 69.90 | 73.81 | 36.01 | 37.24 |
| | November | 62.44 | 69.83 | 73.86 | 37.40 | 37.24 |
| | December | 70.72 | 70.72 | 76.90 | 35.92 | 34.92 |
| 2007 | January | 57.18 | 63.61 | 70.10 | 32.07 | 32.02 |
| | February | 65.59 | 69.62 | 74.07 | 37.49 | 37.14 |
| | March | 75.60 | 72.12 | 78.27 | 38.63 | 38.22 |
| | April | 88.22 | 77.36 | 86.11 | 43.06 | 42.90 |
| | May | 81.49 | 81.02 | 87.42 | 48.09 | 48.03 |
| | June | 78.14 | 83.37 | 88.28 | 48.18 | 48.05 |
| | July | 77.87 | 86.29 | 90.57 | 53.33 | 53.28 |




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

$/b

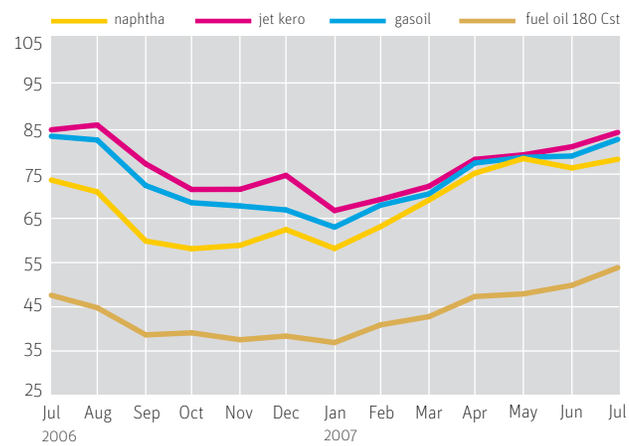
| | | naphtha | premium gasoline unl 95 | premium gasoline unl 92 | diesel ultra light | jet kero | fuel oil 180 Cst | fuel oil 380 Cst |
|---|---|---|---|---|---|---|---|---|
| 2006 | July | 70.55 | 85.50 | 84.47 | 88.17 | 87.57 | 52.28 | 50.72 |
| | August | 66.59 | 81.22 | 80.36 | 88.19 | 89.47 | 50.16 | 47.61 |
| | September | 57.32 | 65.86 | 65.18 | 77.75 | 80.55 | 43.25 | 42.24 |
| | October | 56.03 | 61.83 | 61.21 | 73.12 | 73.63 | 42.46 | 42.40 |
| | November | 57.66 | 62.89 | 62.14 | 72.04 | 73.63 | 40.53 | 39.84 |
| | December | 60.54 | 68.16 | 67.03 | 74.14 | 77.42 | 41.47 | 40.34 |
| 2007 | January | 56.79 | 61.59 | 60.31 | 69.71 | 69.66 | 41.23 | 40.24 |
| | February | 63.81 | 66.80 | 65.73 | 72.22 | 71.77 | 44.95 | 43.70 |
| | March | 70.56 | 76.62 | 75.52 | 75.94 | 75.02 | 46.26 | 45.48 |
| | April | 74.22 | 83.49 | 82.69 | 83.18 | 80.91 | 51.24 | 50.87 |
| | May | 76.73 | 88.77 | 87.96 | 84.47 | 82.14 | 51.34 | 50.82 |
| | June | 73.12 | 84.79 | 83.82 | 85.67 | 83.75 | 53.37 | 53.03 |
| | July | 75.10 | 85.35 | 84.36 | 89.57 | 87.16 | 57.53 | 57.39 |




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

$/b

| | | naphtha | gasoil | jet kero | fuel oil 180 Cst |
|---|---|---|---|---|---|
| 2006 | July | 73.66 | 83.57 | 85.02 | 47.60 |
| | August | 70.99 | 82.72 | 86.11 | 44.79 |
| | September | 59.86 | 72.42 | 77.31 | 38.65 |
| | October | 58.12 | 68.54 | 71.53 | 39.12 |
| | November | 58.90 | 67.80 | 71.56 | 37.55 |
| | December | 62.45 | 66.90 | 74.72 | 38.38 |
| 2007 | January | 58.19 | 63.00 | 66.76 | 36.91 |
| | February | 63.11 | 67.96 | 69.27 | 40.90 |
| | March | 69.14 | 70.52 | 72.24 | 42.77 |
| | April | 75.19 | 77.50 | 78.33 | 47.32 |
| | May | 78.52 | 78.79 | 79.36 | 47.92 |
| | June | 76.39 | 79.09 | 81.19 | 49.86 |
| | July | 78.36 | 82.86 | 84.43 | 53.85 |




*Source: Platts. Prices are average of available days.*

## Forthcoming events

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**IORS 2007, India oil and gas review symposium and international exhibition, September 3–4, 2007,** Mumbai, India. Details: Oil Asia Journal, 530, Laxmi Plaza, 5th Floor, Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai 400 053. Tel: +91 22 2637 4034 39/2630 2640/2630 2734; fax: +91 22 2636 7676; e-mail: oilasia@vsnl.com; website: www.oilasia.com.

**Upstream government petroleum contracts, September 3–4, 2007,** Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**LNG supplies for Asian markets, September 3–5, 2007,** Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**Advanced global biofuel Summit 2007, September 3–6, 2007,** Bangkok, Thailand. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

**Offshore Europe 2007, September 4–7, 2007,** Aberdeen, UK. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelon@spe.org.

**North African oil and gas summit 2007, September 5–6, 2007,** Paris, France. Details: The Energy Exchange, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

**Production sharing contracts and international petroleum fiscal systems, September 5–8, 2007,** Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org.

**Pacific petroleum insiders, September 6–7, 2007,** Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**3rd Asia refining, September 6–7, 2007,** Singapore. Details: Centre for Management Technology, 80 Marine Parade Road #13-02, Parkway Parade 449269 Singapore. Tel: +65 6345 7322/6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

**Iraq petroleum 2007, September 8–10, 2007,** Dubai, UAE. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16-18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

**Oil and gas exchange, September 8–10, 2007,** Dubai, UAE. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk.

**Oil and gas project finance summit 2007, September 9–12, 2007,** Manama, Kingdom of Bahrain. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

**Crude oil marketing and valuations, September 10–11, 2007,** Singapore. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7100; fax: +44 207 255 1472; e-mail: info@energyinst.org.uk; website: www.energyinst.org.uk.

**Enterprise-wide asset management for the oil and gas industry, September 10–11, 2007,** Berlin, Germany. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com.

**Oil and gas exchange US 2007, September 12–13, 2007,** Houston, TX, USA. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

**Production sharing contracts and international petroleum fiscal systems, September 12–14, 2007,** Houston, USA. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**Carbon captures and storage, September 13–14, 2007,** Berlin, Germany. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com or www.marcusevans.com.

**$CO_2$ emissions reduction strategies for the power industry, September 13–14, 2007,** Berlin, Germany. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com.

**Acquisition and divestiture in oil and gas: West Africa summit, September 17–18, 2007,** London, UK. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

**LNG: Understanding the strategic, commercial and legal fundamentals, September 17–21, 2007,** Port of Spain, Trinidad. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16-18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

**Downstream project development and optimization, September 18–19, 2007,** Barcelona, Spain. Details: Jacob Fleming Group, Rossellon 174-176 Ent. 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com, website: www.jacobfleming.com.

**Alternative fluids for improved oil recovery processes, September 18–20, 2007,** Maracaibo, Venezuela. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: +1 972 952 9435; e-mail: spedal@spe.org; website: www.spe.org.

**Oil and gas transportation in the CIS & Caspian region, September 18–20, 2007,** Vienna, Austria. Details: The Energy Exchange, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

**Commercial and trading aspects of oil refining, September 18–21, 2007,** London, UK. Details: The Petroleum Economist Ltd; 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

**ECOTEC 2007, September 19–21, 2007,** Almaty, Kazakhstan. Details: ITE Group plc, Oil & Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: enquiry@ite-exhibitions.com; website: ite-exhibitionis.com.

**Interstate gas transmission risk management, September 20–21, 2007,** Barcelona, Spain. Details: Jacob Fleming Group, Rossellon 174-176 Ent. 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

**Procurement forum 2007: Proven strategies and effective opportunities for the oil and gas industry, September 20–21, 2007,** Amsterdam, The Netherlands. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com.

**Developing local content in oil and gas, summit 2007, September 24–25, 2007,** London, UK. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

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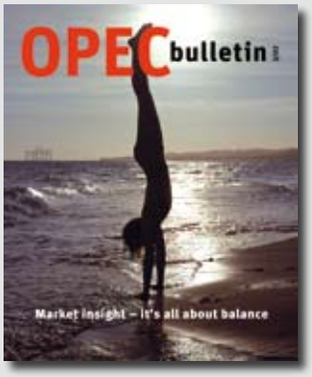


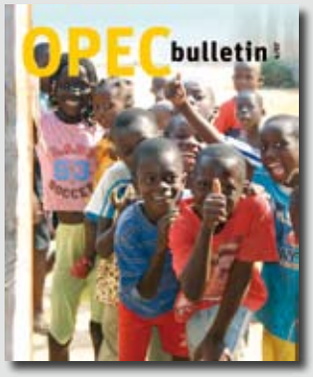


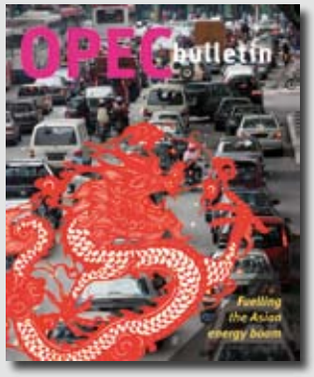


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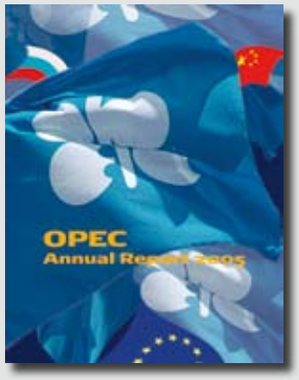


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