OPEC bulletin

7–8/10

Venezuela wins!

OPEC @ 50 Quiz

Learning from Deepwater Horizon

The April 20 explosion on the Deepwater Horizon rig off the coast of Louisiana was a tragic event. Its impact and the aftermath have been felt by many. There are the 11 workers who died and their families, the residents along the Gulf of Mexico affected by the spill, the companies involved and the oil industry in general. As Steve Westwell, BP's Executive Vice President and Chief of Staff said at June's World National Oil Companies Congress in London *(see page 20)*, the incident and resulting spill has been "hugely shocking for us, for America, and for the rest of the world."

The event has led to much debate among industry stakeholders, politicians, analysts and the media. The initial focus obviously centred on stopping the leak — something that now appears to have been achieved — and cleaning up the spill. This is clearly the priority for all those involved. There has also been much dialogue about the potential consequences for the offshore oil industry, particularly in the Gulf of Mexico, in the years ahead. How will it be impacted? It is a simple question, but one with no straightforward answers. It is evident that the events of April 20 have left the industry with much to take on board.

While the specifics of the incident and the actual implications still remain unclear, there are a number of broader issues that can be explored.

Much talked about at the Congress in London was the need for the industry to learn lessons from the incident and to make sure it acts accordingly. In terms of imperatives, Westwell underscored the need for better safety technology, the urgent need to develop more effective deepwater sub-sea intervention capability and the more general need to revisit business models.

Then there is the US Government's most recent moratorium on deep-water offshore drilling. This was in response to a federal court's rejection of its first ban, with the government saying that the new moratorium is based on new evidence about drilling safety. While safety is of course paramount, the possible short- and long-term implications of any ban, in terms of exploration and production in the deepwater Gulf of Mexico, need to be recognized.

Additionally, there is the cost issue. While the incident has not deterred project developers and financiers from the offshore industry, the possible knock-on impacts certainly raise the spectre of increased costs.

What is not in doubt is that fossil fuels will continue to provide the lion's share of the world's energy for many years to come, with oil maintaining a leading position. The offshore oil industry is expected to play a significant role in this. To do this though, it needs to evolve and develop. The events of April 20 should never be forgotten. They should not, however, prevent the industry from its broader, longer-term undertaking of contributing to a sustainable energy future for all.

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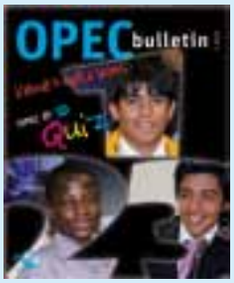

Cover
This month's cover shows the three winners of the OPEC 50th Anniversary Quiz, which was held at the Secretariat in Vienna (see story on pages 24–31).

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

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EU-OPEC
Energy Dialogue
7th meeting

28 June 2010
Brussels, Berlaymont

Brussels hosts 7th Meeting of Energy Dialogue

EU-OPEC to organize roundtable on hazards of offshore drilling

The European Union (EU) and OPEC are to organize a roundtable discussion on the challenges facing offshore oil and gas exploration and production activities, especially the issue of offshore safety.

The move was agreed at the 7th Ministerial Meeting of the EU-OPEC Energy Dialogue, held in Brussels, towards the end of June, and follows the drilling rig tragedy that occurred in April off the United States coast in the Gulf of Mexico.

The roundtable, which will be convened in Brussels in early 2011, will be attended by national and international experts and representatives from regulatory authorities from the two sides, as well as officials from the industry, who will exchange views on what is still needed and possible for increasing safety in offshore oil and gas installations.

Eleven workers were killed and 17 injured during the explosion at the Deepwater Horizon drilling rig, located off the Louisiana coast, which subsequently led to the worst oil spill in the history of the US. It has sparked a major review of the feasibility of drilling for oil offshore and especially at such extreme depths.

The accident and its repercussions for the industry also proved to be the central talking point at the latest EU-OPEC ministerial talks which are held annually.

Collective interest

In his opening address, OPEC Conference President, Wilson Pástor-Morris, who is Ecuador's Minister of Non-Renewable Natural Resources, stated that the catastrophe "is disturbing to all of us in an industry whose collective interest is providing secure, steady supplies of oil to consumers."

He said many lessons had already been learned and these were bound to affect future behaviour in the industry. But, for the time being, the priorities for the parties concerned revolved around stopping the oil flow and minimising the damage to the environment.

In similar remarks, OPEC Secretary General, Abdalla Salem El-Badri, told the meeting: "We are deeply saddened by the injuries and loss of life. We offer our condolences to the families and friends of those who have suffered. We also express our sympathy to all those in the region whose livelihoods have been affected by the incident. In addition, we are very much concerned about the damage to the environment."

El-Badri maintained that the longer-term implications of the accident for offshore drilling, as well as for the industry as a whole, were currently being assessed.

He said it would be premature "at this stage" to jump to conclusions before the true causes of the tragedy were fully known.

"When that happens, hopefully soon, then necessary measures should be taken to avoid the occurrence of such a catastrophe in the future," he added.

From the EU side, Günther Oettinger, Commissioner for Energy, highlighted the need for the EU to respond "in a compelling manner" to those European citizens who felt uncertain, or threatened, by oil production activities in EU waters.

The best answer to these rightful concerns was, he said, to openly discuss all relevant factors and express the will to take all necessary measures to improve safety.

"This is what the Commission, the European Parliament and EU member states are doing currently. To ensure the highest quality of actions taken, the EC considers that close cooperation with all relevant partners is a crucial factor," he stated.

Wilson Pástor-Morris, OPEC Conference President, and Ecuador's Minister of Non-Renewable Natural Resources.

Abdalla Salem El-Badri (l), OPEC Secretary General, with Günther Oettinger, EU Commissioner for Energy.

It was in this connection that the Commission was proposing to organize the joint EU-OPEC roundtable on the subject.

The EU also chose the opportunity of the discussions to present a more detailed paper listing some of its views and observations on the tragedy *(see story on page 14)*.

During their one-day meeting, the ministers also agreed to address two other pressing issues they felt needed their attention.

In the first of these, they called for a study to be made into the potential of technological advances in transportation, which represents a huge growth area in oil use, and the time-frame for their introduction in different regions, as well as assessing their impact on oil demand.

Secondly, they agreed to hold a roundtable to examine the causes of the skilled workforce shortage in the energy and oil industry, as well as to address the conditions needed to sustain the development of long-term skilled human resources.

The meeting, which was divided into three sessions comprising presentations on recent energy policies and oil market developments; economic and energy perspectives; and the status of the Dialogue and its future activities, underlined the important role the initiative, already in its sixth year, had been playing in facilitating constructive exchanges between the parties to help restore stability to the energy markets, in the interests of producers and consumers alike.

"This is also in the spirit of the 12th International Energy Forum, held in Cancun, Mexico, in March, the conclusions of which the participants fully support," a joint statement issued at the end of the meeting said.

The EU's chief representatives at the talks comprised: Oettinger and Alonso Gonzalez Finat, Special Advisor for Energy, Ministry for Industry, Tourism and Trade of Spain.

Financial constraints

The opposite side of the table was occupied by Pástor-Morris and El-Badri, along with Masoud Mir-Kazemi, Alternate President of the OPEC Conference, Minister of Petroleum of the Islamic Republic of Iran.

The participants also drew attention to the fact that this year's meeting was taking place against a backdrop of continued financial constraints and economic concerns, although there were signals that the global economy was emerging from the crisis, albeit at different paces in different regions.

"This crisis has been having a profound impact on the Member Countries of both parties to the dialogue," the final statement pointed out.

A view of the EU side of the table at the Energy Dialogue Ministerial talks.

Masoud Mir-Kazemi, Alternate President of the OPEC Conference, Minister of Petroleum of the Islamic Republic of Iran.

The first session of the meeting included a presentation on the latest set of policies recently adopted by the Commission to enable it to effectively further the EU's energy policy, in line with its three goals — sustainability, competitiveness and secure energy.

The Commission commented that EU oil demand would be affected by the efforts to increase energy efficiency, decoupling oil demand to a certain degree from economic growth, while imports were expected to remain broadly stable through 2030.

"In order to minimize the risk of facing excessive oil price volatility in the future, the Commission highlighted the importance of all parties taking part in joint actions that improve transparency in oil and gas data, as well as concerning investments in the whole oil and gas value chain," the statement observed.

The OPEC Secretariat presented its current assessment of oil market developments to the meeting.

It observed that in the aftermath of the global financial crisis, all major economies had returned to positive growth, albeit at different paces in different areas.

"Nevertheless, real challenges lie ahead. These include high unemployment, the temporary nature of stimulus packages, rising debt, and the lagging recovery in household consumption," it said.

The report maintained that global demand for oil was expected to resume growth in 2010, attributed entirely to the non-OECD area. On the supply side, the current state of fundamentals reflected ample oil supply, as seen in the significant level of the oil stocks' overhang, in addition to a sizable cushion of OPEC spare capacity, exceeding six million barrels/day.

The OPEC Secretariat also noted that the influence of financial markets on crude prices deserved further attention with crude prices closely following movements in equity markets and the US dollar, and higher liquidity providing more investment opportunities in the futures market.

"Persistent volatility and larger uncertainties deserve careful attention, to dampen their negative impact on market stability," it said.

Delegates reiterated their mutual interest in stable, transparent, and predictable oil markets, repeating their

conviction that, in order to minimise the risk of facing excessive market volatility, adequate regulatory reforms, including greater transparency, needed to be part of an overall reshaping of the global financial sector.

"The EU-OPEC Energy Dialogue will continue to analyze and discuss the root causes of the recent financial crisis and economic recession, including the financial losses incurred by producing countries. In addition, actions which help prevent a repetition of damaging economic downturns are needed," said the report.

In the second session, the emphasis shifted further into the future with participants looking at global economic developments and the longer-term energy outlook.

Longstanding uncertainties

The EU gave a presentation on the most recent economic and financial developments, while OPEC offered its views on the long-term oil prospects.

Participants agreed that the economic recession, together with the introduction of new energy and environmental policies in many consuming countries, could add to longstanding uncertainties about future demand.

"This could have considerable implications for future upstream and downstream investment requirements, re-emphasising again the issue of security of demand," said the joint statement.

However, both OPEC and the EU stressed that fossil fuels would continue to meet most of the world's energy needs in the future, with oil playing the leading role.

Both parties maintained a firm focus on meeting longer-term challenges, in spite of the many hardships caused by the world economic crisis. Moreover, the reciprocal nature of energy security was emphasized, with security of demand recognized as being as important to producers as security of supply was to consumers.

Delegates agreed on the importance of sharing information on future demand and supply scenarios and recognised the benefits and increasing importance of the Joint Oil Data Initiative, in which both institutions were participating.

Turning to broader-based global issues, both sides reaffirmed their commitment to the principles of sustainable development with its three mutually supportive pillars of economic development, social progress and protection of the environment, as well as recognition of the special needs of the world's poorest communities.

In the third session, the meeting's representatives welcomed the progress made on joint activities held since the sixth meeting of the Dialogue, held in Vienna, in June last year.

Progress reports were submitted on the study "Impact of the use of biofuels on oil refining and fuels specifications" and "The impact of the economic crisis on oil investments". Concerning the latter, a workshop will be organized during the second quarter of 2011 to present the conclusions of this report.

In addition, participants received a summary of conclusions of the feasibility study on establishing an EU-OPEC Energy Technology Centre. A dedicated joint EU-OPEC task force will oversee the completion of the study. Both sides will also pursue the identification of adequate budgetary sources.

The 8th EU-OPEC Ministerial Meeting of the Energy Dialogue is scheduled to take place in Vienna, in June 2011.

OPEC production policies bringing stability to oil prices — *Conference President*

Wilson Pástor-Morris

OPEC's production policies over the past two years have been instrumental in maintaining stability in global oil markets, according to the Organization's Conference President, Wilson Pástor-Morris.

The Ecuadorean Minister of Non-Renewable Natural Resources said in an opening address to the 7th Ministerial Meeting of the European Union/OPEC Energy Dialogue, in Brussels, at the end of June, that, specifically, the OPEC agreement reached in December 2008 had played a big part in keeping crude oil prices at a reasonable level since then.

He was referring to the 151st Meeting of the OPEC Conference in Oran, at which the Organization decided to take 4.2 million barrels/day of its crude oil off the market to prop up ailing prices and stabilize the market.

Pástor-Morris, who took over Ecuador's energy portfolio at the end of April this year, replacing Germánico Pinto, pointed out that when the annual EU-OPEC Energy Dialogue met in June 2009, crude oil prices, which collapsed as a result of the financial crisis, had just passed the $70/barrel mark for the OPEC Reference Basket. They had remained in that region ever since.

Nevertheless, he stressed, there had still been too much price volatility in the marketplace, where the main drivers had been uncertainty, anxiety and speculation.

The Minister warned that the impact of volatility on sound investment planning in oil production capacity could lead to future supply shortages, or gluts, and perpetuate damaging boom/bust cycles.

Reducing price volatility

A successful outcome to the financial reform measures currently under consideration on both sides of the Atlantic would go some way towards reducing oil price volatility, he maintained.

Also looking at the market, Pástor-Morris noted that earlier OPEC measures to accelerate production capacity expansion, designed to handle the very different market conditions of the middle of the decade, had led to more than six million barrels/day of spare capacity today, as a result of the recent fall in demand.

Reviewing developments over the past 12 months, Pástor-Morris said it had been a difficult period on the economic front, especially in Europe, where the outlook remained an uncertain one.

"In particular, we share the EU's concern about the sovereign debt crisis and the wider implications of this. This affects all of us, far beyond the boundaries of Europe. And so we look forward to greater economic stability returning to this region soon," he told assembled delegates.

He noted that, in the oil market, demand was growing again, after declining for two successive years. Before 2008, demand had grown every year for about a quarter of a century.

"So we see the return to growth as being both significant and encouraging. However, this is happening outside this region. Our latest figures show that oil demand will contract again in Western Europe this year, by more than three per cent," he said.

The Minister said that the recent crisis in the Gulf of Mexico "is disturbing to all of us in an industry whose collective interest is providing secure, steady supplies of oil to consumers."

He said many lessons had already been learned and these were bound to affect future behaviour in the industry. But, for the time being, the priorities for the parties concerned revolved around stopping the oil flow and minimising the damage to the environment.

Continuing with the environment, Pástor-Morris said the Copenhagen climate change talks in December last year had come and gone since the last meeting of the Energy Dialogue.

Sadly, he observed, the parties to the framework convention were not ready to reach agreement at the time, with a wide divergence of views on some fundamental issues. These revolved around the principle of common but differentiated responsibilities, respective capabilities and equity.

"OPEC is specifically concerned about the impact of mitigation response measures on developing countries, especially oil producers," he professed.

"Our Energy Dialogue will provide us with the chance to examine in depth these and other important topical issues today," he added.

Despite uncertainty, OPEC continues to invest in the future — Secretary General

Despite the disruptions and uncertainty caused by oil price volatility, OPEC Member Countries are still investing in the industry and remain confident about meeting the oil demand requirement both now and in the future.

Abdalla Salem El-Badri.

That was the message conveyed by the Organization's Secretary General, Abdalla Salem El-Badri, to the 7th Ministerial Meeting of the European Union/OPEC Energy Dialogue, in Brussels, at the end of June.

He said this approach by OPEC was is in line with the Organization's long-standing commitment to market stability.

El-Badri told the annual meeting that, in 2009, around 30 projects came onstream in OPEC Member Countries, resulting in an increase of 1.5 million barrels/day in net crude and liquids capacity. And over the next five years, he added, the completion of another 140 projects was expected to add about 12m b/d of gross crude and liquids capacity.

"This represents a huge level of investment, estimated at $160 billion. However, it should be enough to satisfy growing demand for OPEC crude, as well as provide a comfortable cushion of capacity, which already exceeds 6m b/d," he stated.

However, the OPEC Secretary General stressed that Member Countries, which were all developing nations, could not continue to invest such large sums unless they were convinced that the demand would be there when the capacity came onstream.

"This is why we keep appealing to consumer governments to recognise the interests of producers when they make their energy policies," he affirmed.

El-Badri maintained that such policies should be more transparent and predictable, to support producers as they invested in the future of the industry.

"This will, after all, benefit all parties. Indeed, when it comes to fiscal policies, oil is taxed enough as it is in most industrialized countries," he said.

El-Badri said it was also important to note that OPEC Member Countries were not just concerned with upstream activities. They had also been taking the initiative to invest downstream, where appropriate. Over the next decade, Members were expected to invest around $40bn in refining capacity expansion.

Touching on the recent tragic accident in the Gulf of Mexico, he said: "We are deeply saddened by the injuries and loss of life. We offer our condolences to the families and friends of those who have suffered. We also express our sympathy to all those in the region whose livelihoods have been affected by the incident. In addition, we are very much concerned about the damage to the environment."

The OPEC Secretary General said the longer-term implications of the accident for offshore drilling, as well as for the industry as a whole, were currently being assessed.

"However, it would be premature at this stage to jump to conclusions before the true causes of the tragedy are fully known. When that happens, hopefully soon, then necessary measures should be taken to avoid the occurrence of such a catastrophe in the future," he added.

Turning to more general issues of the environment, El-Badri said climate change and the evolution towards a more carbon-constrained world presented a growing global challenge for the oil industry.

Historic responsibility

"Our Member Countries continue to work hard to improve the environmental credentials of the industry. However, we believe developed countries should take the lead in this area, given their historic responsibility and their technological and financial capabilities," he stated.

Technology, he said, had a central role to play. In particular, carbon capture and storage had enormous potential and offered a real 'win-win' solution.

"We have already examined this potential in the joint

roundtables and site-visits undertaken by the Energy Dialogue. However, even the most advanced technology must be supported by adequate levels of skilled manpower. Serious shortages have appeared in recent years."

Therefore, said El-Badri, the industry must make itself more attractive to young, skilled people setting out on their careers. Moreover, once they were in the industry, their careers must be developed with wisdom and care.

"These remarks have allowed me to mention some of the main challenges facing today's oil industry. The EU-OPEC Energy Dialogue provides us with an important channel for discussing such issues. It has already been successful in this regard," he said.

Looking specifically at the success of Dialogue, El-Badri told delegates that, once again this year, further progress had been made with the process going from strength to strength.

In particular, he said, new insights had been gained from two important joint studies. One was on the impact of biofuel use on oil refining and fuel specifications, while the other assessed the effects of the economic crisis on oil investment.

"We shall be studying future joint activities later today," he added.

El-Badri also expressed the sincere thanks of OPEC to former EU Energy Commissioner, Andris Piebalgs, who, he said, had played a big part in developing the Energy Dialogue after it was set up in 2005. Piebalgs had left that post earlier in 2010 to take up his new position as EU Development Commissioner.

Abdalla Salem El-Badri (l), greeting EU Energy Commissioner, Günther Oettinger.

OPEC Secretary General meets the press in Brussels ...

Briefing the press on the eve of the 7th Ministerial Meeting of the EU-OPEC Energy Dialogue in Brussels, OPEC's Secretary General, Abdalla Salem El-Badri, called on the Organization's Member Countries to show more discipline in keeping to their production allocations. But he also added that crude oil prices – which were close to $79/barrel — were comfortable.

"There is a lot of oil in the market and we need better adherence to our production quotas," El-Badri said.

He added that compliance by Member Countries stood at around 53 per cent, warning that it should not go lower.

The Secretary General explained that the existing global inventory overhang and floating storage of about 244 million barrels was an indication that the market was oversupplied.

He also warned that economic growth prospects were uncertain, especially in the Western Hemisphere, where he described the situation as being fragile.

"The economic recovery is sluggish, unemployment is still high and the debt crisis is causing a lot of uncertainty. So, if you look at all these factors, the current price is comfortable," he said.

The Secretary General explained that the global economic outlook was so ambiguous because "right now we are seeing strong growth in one part of the world and a sluggish response from the advanced countries."

He told the media that he saw no need to call an OPEC Conference before the Meeting scheduled for October 14, nor did he see a need to change production levels between now and then.

Responding to questions about the rig explosion and oil spill in the Gulf of Mexico, El-Badri said the situation could impact oil prices in the long term if regulation became too strict and projects were delayed or cancelled.

The Secretary General said he felt President Obama was in limbo following his moves to ban drilling in the region for six months. "He is not certain there is the regulation to prevent another accident, so he took that decision. I hope he will revisit his decision and let things go back to normal."

However, in the long-term, El-Badri said, "we will see a lot more discipline, more regulation, difficulties to go for deeper drilling — and deeper drilling is another frontier we should really go for with a lot of potential."

Left: Masoud Mir-Kazemi (r), Iran's Minister of Petroleum and Alternate President of the OPEC Conference; with Alireza Hamidi Younessi from the Iranian delegation.

Below left: Heinz Hilbrecht (l), Director for Security of Supply and Energy Markets at the European Commission; with Dr Hasan M Qabazard, Director of OPEC's Research Division.

Below (l–r) are members of the OPEC delegation: Abdalla Salem El-Badri, OPEC Secretary General; Dr Hasan M Qabazard, Director, Research Division; Mohammad Alipour-Jeddi, Head, Petroleum Studies Department; Oswaldo Tapia, Head, Energy Studies Department; Abdullah Al-Shameri, Head, Office of the Secretary General; Angela U Agoawike, Senior Editorial Coordinator, in charge of the Public Relations & Information Department.

Right: Günther Oettinger (c), EU Commissioner for Energy; with members of the EU delegation, Heinz Hilbrecht (l) and Paola Pinho.

Below centre: Members of the European Commission (l–r), Loukas Stemitsiotis, Eero Ailio and Heinz Hilbrecht.

Below right: Conducting the press conference are (l–r), Masoud Mir-Kazemi, Wilson Pástor-Morris, Abdalla Salem El-Badri and Günther Oettinger.

Below (l–r): Members of the OPEC delegation, Dr Fuad Siala, Senior Alternative Sources of Energy Analyst, Energy Studies Department (ESD); Garry Brennand, Research Analyst, ESD; Nadir Guerer, Research Analyst, Office of the Director of the Research Division; Sally Jones, Media Relations Advisor.

EU takes in-depth look at oil operations in European waters

Offshore regulation, supervision deemed "irreplaceable"

Alfonso Gonzalez-Finat, Special Advisor for Energy at the Ministry of Industry, Tourism and Trade of Spain.

The European Commission stands ready to resort to both legislative and non-legislative action if it finds such a course is required to prevent an accident similar to that which occurred in the Gulf of Mexico in April this year from happening in European waters.

That was the message given by Alfonso Gonzalez-Finat, Special Advisor for Energy at the Ministry of Industry, Tourism and Trade of Spain, who was part of the European Union (EU) team at the 7th Ministerial Meeting of the European Union-OPEC Energy Dialogue, held in Brussels, in June.

In calling for the EU and OPEC to organize a joint roundtable to assess the challenges facing offshore oil and gas exploration and production activities, especially the issue of offshore safety, he conceded that, today, it would be premature to proceed with formal regulatory activities, without knowing the true cause of the incident in the Gulf of Mexico.

EC ready to act

"However, should the subsequent activities of the Commission or the US investigation reveal the need for action on both a legislative and non-legislative level, the Commission is ready to act," stressed Gonzalez-Finat.

He pointed out that European Energy Commissioner, Günther Oettinger, who was also at the Brussels EU-OPEC meeting, had already held a meeting with industry representatives to get a deeper understanding of the industry's view of the incident and to seek assurances that every effort was being made to prevent a similar tragedy occurring in Europe.

"The next meeting with them will be held soon to discuss recent developments and also the industry's replies to a questionnaire distributed in the course of the first meeting."

Gonzalez-Finat stated that the development of the investigation into the accident in the US had drawn the Commission's attention closer to the importance of regulatory and supervisory bodies.

"As much as we believe in the crucial importance of the responsible approach by the industry, we are also convinced that proper regulation and supervision is irreplaceable," he said, adding that a meeting with European regulatory bodies would take place in the coming weeks to check on measures for possible improvement of safety.

In highlighting the EC's concern over the issue, Gonzalez-Finat informed delegates that shortly after the rig catastrophe off Louisiana, in the Gulf of Mexico, which resulted in the death of 11 platform workers and caused the worse oil spill in the history of the United States, the European Commission launched a review of the current

state of play of the European offshore industry, including the relevant EU legislative framework.

"Our findings confirmed that the current operational conditions in European waters indeed differ fundamentally from those of the recent Deepwater Horizon tragedy."

He said that unlike in the US, European operators were not in general forced to operate at the edge of currently available technology, while maintaining a similar level of safety measures.

"It is, however, our duty to learn as much from the tragedy in the US, not only to improve the safety of our current operations, but also for possible future operations at greater depths," he affirmed.

He said the EC's initial assessment revealed that the EU was already well equipped for the response to a similar tragedy. Several emergency response systems operated by the European Maritime Safety Agency (EMSA), including the satellite monitoring system and a fleet of emergency response vessels, were ready to be utilized to coordinate efforts to combat the effects of an offshore incident in European waters.

Public expects safety

Gonzalez-Finat noted that, at present, these services were in touch with US authorities to participate in efforts to mitigate the effects of the Deepwater Horizon tragedy.

"This is a good message to give, as the public rightly expects to be safe from similar incidents in Europe. The Commission's effort is focused on getting the European public all the information and assurances they need to trust the quality and safety of the European offshore industry.

But, he said that aside from the obvious importance of the preparedness to respond to such an incident, it was the prevention of similar accidents where the Commission was focusing its efforts.

"EU legislation complements the international legal requirements and national legislation, resulting in a complex legal system. The Commission now reviews safety and environmental standards provided by this system looking for possible places for improvement." he explained.

Gonzalez-Finat said he was fully aware that the events in the Gulf of Mexico would have an impact on the offshore oil industry on a global scale.

And apart from its own initiatives in this area, he said, the EC considered it very important to discuss the topic also with its international partners.

"The Commission would like to propose to include offshore safety questions in our future dialogue. And in concrete terms, we would propose a roundtable to be held in 2011 to discuss and compare the practices in the offshore oil industry between EU and OPEC Member Countries.

"I trust that the interest in the maximum safety of the offshore industry is a goal that we all share and that such exchange of opinions would be mutually beneficial," he added.

OPEC — from idea

*Former OPEC Secretary General and Venezuelan elder statesman, **Dr Álvaro Silva Calderón** (pictured left), can attest to what it was like when the Organziation was born almost 50 years ago. As a member of the advisory team of the then Venezuelan Minister of Mines and Hydrocarbons, Dr Juan Pablo Pérez Alfonzo, he was party to the early negotiations that eventually led to the formation of the Organization on September 14, 1960. Himself a past Energy and Mines Minister, as well as head of the national oil company, Petroleos de Venezuela SA, the 81-year-old Doctor of Law gives us his account of how a simple idea for a group of oil exporters could grow into something so significant and lasting.*

When, at the end of the 1950s, Venezuela was struggling to improve its economic participation in the exploitation of the country's hydrocarbon resources which, since the beginning of the century, had been conducted at will by a group of transnational oil companies, the idea of creating an organization of oil-producing and oil-exporting countries that could confront the practices of these firms, especially in the matter of pricing, appeared at best just a mere idea.

One felt at the time that any attempt to create such an entity would just be a testimonial to the aspirations of underdeveloped populations wanting to be treated with fairness, and would prove to be nothing more than a utopian approach which, apart from the slim possibility of its implementation, would bring the risk of collapse to those governments that attempted to be part of it. The misfortunes of others that had attempted similar measures that were lower even in scope — to try and improve national participation in the production and exploitation of hydrocarbon resources — had already been observed.

Ideas such as not granting further concessions, in order to find a more appropriate legal concept for the exploitation of the oil; creating national companies for the said purpose; increasing taxes to improve public participation; setting up agencies for the control of hydrocarbons commercialization; and implementing measures aimed at governing the physical and economic conservation of the oil fields, resulted in clashes between the governments of the producing countries, on the one hand, and, on the other, the oil companies and the governments of the consumer countries from where they originated.

These clashes not only had economic characteristics, such as the manoeuvre of investments and disinvestments, fiscal artifice to counter such measures, the massive dismissal of workers, or other acts and threats to frighten the administrations involved, they also resulted in political or military action aimed specifically at deposing governments, either by subsidizing their opponents to give them undue advantages, arming them, or participating in methods of destabilization, such as coups, civil wars and invasions.

In Venezuela, we have clear proof of such methods. Armed internal revolts, *coups d'état,* and electoral or other malpractices were generated and funded by oil companies. The situation prompted our famous author and President of the Republic, Don Rómulo Gallegos, to say when, in 1948, he was overthrown in a coup, that the coup "smelled more of oil than gunpowder".

On the other hand, there was also the perception and firm idea created that the large international oil companies were irreplaceable, intertwined as they were in their operations as a cartel and bent on defending their greatly advantageous common interests, their enviable performance and the huge profits they generated from the exploitation of hydrocarbons.

Potential calamity

So when there was talk about improving the participation of the oil-producing countries in these exploitation activities, only a few of them actually signed up to the concrete possibility of replacing these companies. There was also the fear that such action would result in the firms in question withdrawing their presence and abandoning the countries, which was viewed as being a potential calamity. The fact was that the countries that held the petroleum reserves did not have the technological and economic capacity to deal with the challenge of exploiting their own hydrocarbon resources.

Similar situations were occurring in other underdeveloped oil-bearing countries and the general opinion was that if it was difficult to act within one individual country, the work of coordinating a group of countries for joint action was seen as posing a threat which would be answered with all the power the transnational oil corporations possessed, backed by the developed countries that fathered them.

Therefore, a great deal of caution and discretion was shown during the early talks and at congresses held regarding the establishment of a compact and organized oil entity for the producers. The idea was discussed, a consensus was reached, a confidential pact between government leaders was made, and then, convinced it was the right approach, a few nations signed a treaty, stating that they were willing to advance control over their oil wealth, a treaty that was later signed up to by other oil-producing and exporting countries.

The idea of creating an oil conglomerate was, however, shared by progressive thinkers and politicians. Even ordinary people gave it their support. They saw it as an instrument of defense for the countries involved. A broad spectrum of these thinkers and supporters was at the side of Dr Juan Pablo Pérez Alfonzo, the Venezuelan Mines and Hydrocarbons, Minister, when he first relayed the idea for such a grouping. This is evidenced by the various committees that accompanied him, both internally and externally, on his 'journey', as he set out to promote the idea. Those of us who were close to this process, can attest to the widespread support he gained.

And so OPEC was born. Today, 50 years on, it is a prominent and respected international organization. However, the five decades that have passed have been marked by numerous difficulties. It started

"... a great deal of caution and discretion was shown during the early talks and at congresses held regarding the establishment of a compact and organized oil entity for the producers."

Above: Dr Álvaro Silva Calderón (l) with Abdullah bin Hamad Al Attiyah, Qatar's Deputy Premier and Minister of Energy and Industry.

zation with an institutional vocation running the length of time.

And today it continues to strengthen and develop. As stipulated and reiterated in successive Summits of OPEC Heads of State and Government, the Organization persists in monitoring the guiding principles and purposes that gave rise to OPEC, as well as looking to the expansion of its social functions and preserving its prominent and rightful place in the international community. It all appears to be a necessary and appropriate way for strengthening the Organization and securing its future.

I had the opportunity and privilege to occupy the post of OPEC Secretary General at a time when the Organization was striving to overcome the effects of the sharp oil price fall seen in 1996. This was done through the restoration of internal discipline regarding production cuts among Member Countries. Venezuela, unfortunately, contributed to the excess output with the governing party at the time seemingly determined to increase production volumes, despite the falling crude price. It saw OPEC as an obstacle.

President Hugo Chávez Frías, when he came into power, changed that policy, taking up the defense of prices and agreeing to significant cuts in internal production. He also promoted the establishment of a price band system for the Organization and called for the Second Summit of Heads of State and Government to be held in Caracas in 2000.

It was during this time that I had the opportunity, as Vice President of the Preparatory Commission, to visit every OPEC Member Country to request their support for the proposal and to coordinate technical meetings to determine the content of the Summit's proceedings, at which the principles and fundamentals of the creation of the Organization were reiterated and where important challenges to be met by the OPEC Secretariat, were outlined.

It was during this period that, in seeking to achieve the overall objectives of the Organization, we placed special emphasis on establishing and furthering cooperation between OPEC Member Countries themselves and

"My term as OPEC Secretary General was an enriching experience for me personally, particularly as someone who was close to the birth of the idea for the Organization and its eventual creation."

in 1960, at its birth, when the usual conceptual and functional problems manifested themselves, as is typical in the beginnings of any organization. Political and economic differences, even war — but none of the problems that surfaced proved to be insurmountable in the prosecution of OPEC's main purpose, its guiding aims, or its firm objectives.

Both internal and external attacks on its very existence were repelled over the years as the Organization continued to mature, strengthen and consolidate its position, transforming into the global entity it is today. But not only does it nurture and oversee the interests of its Member Countries, it effectively works alongside other oil producers and the consumers, who, after taking a longstanding derogatory position against the Organization, now recognize its work and even call for its action to ensure that the world's energy security is intact and the international oil markets remain stabilized. Admittedly, there are still those that wrongly see OPEC as acting as a cartel and not an international organization, but they are a minority.

The fact is that OPEC's compromise on energy security, its commitment to ensuring oil market stability, its continual fight against underdevelopment and poverty, and its involvement and legitimate defense in the environmental debate, not only consolidates a reality, but gives one the perspective of an international organi-

between OPEC and non-OPEC oil producers and the consumers. This was expressed in various fora, seminars, international meetings and other events in which OPEC participated, where it stipulated that its commitment to energy security and stability was one the Organization could not carry out alone.

Also during my term at the Secretariat in Vienna, the unfortunate events surrounding the invasion of Iraq took place, which resulted in us exploring ways of helping the people of Iraq through visits to the region.

At this difficult time, OPEC was quick to act, reiterating its commitment to ensuring security of oil supply and maintaining contacts with the Paris-based International Energy Agency (IEA), which were aimed at obtaining assurances that the industrialized countries' strategic reserves would not be released, thereby threatening oil price levels, unless there was the eventuality of a severe disruption of supplies.

My term as OPEC Secretary General was an enriching experience for me personally, particularly as someone who was close to the birth of the idea for the Organization and its eventual creation. I count myself as one of the Organization's defenders as an example and useful tool for the struggle of the underdeveloped countries of this world in the exploitation of their natural resources. I have also over the years seen one particular misguided argument put forward by OPEC's opponents and detractors at the beginning refuted — that there were such cultural differences between Member Countries that would make the functioning of an entity such as OPEC impossible. My contacts with these countries over the years and my work with their peoples allow me to say that just the opposite has occurred.

"I count myself as one of the Organization's defenders as an example and useful tool for the struggle of the underdeveloped countries of this world in the exploitation of their natural resources."

Members of the OPEC management in 2003: Dr Álvaro Silva-Calderón (seated), OPEC Secretary General. L/r: Karin Chacin Castellanos, Head of the Office of the Secretary General; Dr Adnan Shihab-Eldin, Director of the Research Division; Javad Yarjani, Head of the Petroleum Market Analysis Department; Dr Muhammed A Al-Tayyeb, Head of the Data Services Department; Dolores Dobarro de Torres, Legal Officer; Dr Omar Farouk Ibrahim, Head of the PR & Information Department; Mohamed Hamel, Head of the Energy Studies Department; Senussi J Senussi, Head of the Administration and Human Resources Department.

WORLD National Oil Companies CONGRESS

Getting to grips with the Gulf of Mexico spill

The event had been billed as an opportunity to discuss 'investment and strategy for national oil companies (NOCs) and their partners'; a chance to talk and debate a broad gamut of issues impacting the entire oil industry. While many of these issues provided active and informative discussion among attendees, it quickly became clear that one issue would dominate proceedings: the Gulf of Mexico oil spill. ***James Griffin*** *reports from the recent World National Oil Companies Congress in London.*

From the media scrum outside the conference venue, to the initial chit-chat over coffee on the first morning, it was swiftly evident that both journalists and attendees expected one issue to play a central role in the conference's presentations and deliberations: the explosion at BP's Deepwater Horizon oil rig on April 20, and the subsequent oil spill.

In the weeks leading up to the conference, the incident and its fallout had fast become global in scope. It was garnering much debate among industry stakeholders, politicians and analysts and, through the media, a whole host of words and pictures were being relayed to homes across the world. There was undoubtedly much to take on board: the loss of lives, the implications for those living on the Gulf coast and the environment as a whole, the ways and means available to clean up the spill, the possible repercussions for the companies operating the rig and the consequences for the industry in the years ahead.

Prior to the conference, much attention was also focused on one of the keynote speakers, BP's Chief Executive Officer, Tony Hayward, the man who had until then been the face of BP's efforts to stem the spill. He had been expected to underline BP's commitment to stop the spill, repair the damage and restore the Gulf coast communities, as well as look at some of the short- and long-term impacts for BP and the oil industry in general. However, given his schedule and the incredible pressure of recent events, said BP's Chief of Staff, Steve Westwell, Hayward had to offer the conference his apologies for not being able to attend. It was thus left to Westwell to deliver BP's address.

BP's response

Westwell said the Deepwater Horizon accident and the resulting spill had been "hugely shocking for us, for America, and for the rest of the world." He added that the company "deeply regrets" what has happened and that it is doing and continues to do everything in its power "to put the damage right, and to learn the lessons that will prevent anything like this happening again."

From the perspective of being a responsible party, as defined under US legislation, he said BP's responsibilities were now underpinned by its agreement to devote $20 billion to a claims fund to meet its obligations over the next several years. However, he would not be drawn on the causes of the accident, stating that these "are

still being investigated and it is too early to draw final conclusions."

Nevertheless, looking at the wider impacts on the industry, Westwell did state that "there is no doubt that this terrible accident will have a profound impact not only on how we run BP, but also on the rest of the energy industry." The latter point was one that many presenters elaborated on.

Deepwater: the present and the future

While all speakers expressed their sadness at the tragic events that had taken place in the Gulf of Mexico, there was also an unmistakable feeling that the deepwater oil industry would recover. In fact, with global oil and energy needs expected to grow, there was a clear recognition that it had to. Westwell said BP's projections show that the world could need as much as 45 per cent more energy in 2030 than today, and stressed that there was no way to meet future energy needs without continuing to look for oil and gas in deepwater areas. This was emphasized in a number of other presentations that underscored the huge potential for deepwater exploration and production in other areas of the world, particularly off Brazil and West Africa, as well as potentially in the Arctic.

These views were largely echoed by Jay Pryor, Chevron's Global Vice President for Business Development, who said shutting down the deepwater Gulf of Mexico in reaction to the accident "would constrain supplies for world energy" and "be a step back for energy security." Following the incident, the US Government's Department of the Interior imposed a six-month ban on deepwater drilling in the Gulf of Mexico. The moratorium was then overturned by the courts and a US government appeal was rejected by a federal court. However, the Obama administration reacted to this decision by imposing a new moratorium, arguing that a break was needed to ensure that oil and gas companies implement safety measures and are prepared to handle spills. The US House of Representatives has recently voted to end the moratorium for oil companies that meet new federal safety requirements. The next vote on this is with the US Senate.

It is clear that the Gulf of Mexico incident has raised some major questions about the risks the industry faces at its frontiers, but as Westwell stressed, it is also clear that it is imperative to continue to invest in creating a sustainable deepwater business. In this regard, there was much talk of restoring confidence, learning from what had happened, and implementing measured regulations and safeguards to support the industry's future.

Steve Westwell, Executive Vice President and Group Chief of Staff, BP.

Jay R Pryor, Vice President, Corporate Business Development, Chevron.

Learning from Deepwater Horizon

Westwell admitted that restoring confidence "won't be easy", but was keen to point out the industry had a strong safety record during the previous 20 years of deepwater drilling. It should also be viewed as an opportunity for the industry to learn, said Dr Shokri M Ghanem, Chairman of the Management Committee of the Libyan National Oil Corporation. Additionally, Ghanem offered his support for BP, stating that Libya would continue to allow BP to drill for oil and gas in the country. And Pryor believed that there would "be some adjustments in

regulations" in the same way the 1988 Piper Alpha disaster in the North Sea changed the offshore industry around the world. He added, however, that the governments and regulators needed "to make sure that these do not have unintended consequences."

Looking ahead, Westwell said that certain imperatives stood out. Firstly, the need for better safety technology, with Westwell stating that "the blow-out preventer is not the failsafe device it was thought to be." Secondly, he underlined the urgent need to develop more effective deepwater sub-sea intervention capability. He too highlighted an earlier disaster, that of the Exxon Valdez 20 years ago, which prompted the industry to come together to create a significantly enhanced surface response capability. "We need the same approach in the subsea and BP intends to play a key role in making it happen," he said. And finally he emphasized the need to revisit business models "to ensure that companies work with contractors in ways that mean risks are fully understood and managed."

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

There is clearly much the industry can learn and act on from the Deepwater Horizon incident, as it did from both the Piper Alpha and Exxon Valdez accidents. However, as Pryor noted, the energy industry is one that has to accept there is an element of risk in its activities. "There is no zero probability here. There is always going to be that one in ten million chance something will happen," he said.

The issue of costs

An additional possible knock-on impact of the Gulf of Mexico accident, the spectre of increased costs, was also touched upon by a number of people. Fatih Birol, Chief Economist of the International Energy Agency, highlighted the possibility raised by a number of companies of the need to drill a simultaneous relief well as an insurance policy alongside every deepwater well in future, which would add a "significant cost" to exploration. On top of this, he said, there are likely to be significantly higher insurance costs, which "may well have implications for the competitiveness of the offshore industry in the future."

How the possibility of increased costs impacts the deepwater industry remains to be seen, but it was evident from a variety of speakers, both project developers and financiers, that the deepwater industry remains a viable short-, medium- and long-term option.

Other challenges

There were also plenty of other industry challenges, as well as opportunities, given an airing. And these covered the entire remit of the industry; upstream, downstream and service companies. Despite much attention currently being focused on the Gulf of Mexico, the undeniable feeling was that the industry needed to remain committed to addressing all the issues it faced both now and in the years ahead.

The current global economic situation was obviously one of the issues on everyone's mind. Economic growth remains the major determinant of oil demand, and many were keen to discuss the possibilities for the pace and strength of the economic recovery.

There was generally an optimistic tone, particularly in regard to emerging markets, with Will Rathvon, Group Head of Resources and Energy Group at HSBC, stating that "trade between emerging markets is growing twice as fast as global world trade." On the flip side, worries remained over Europe and the ongoing debt crisis in a number of the continent's nations. As Rathvon summed up, "growth is headed south; debt is headed north."

Another challenge was one already widely acknowledged to be a potential constraint on the industry's growth — human resources. Sami Al-Rushaid, Chairman

Dr Fatih Birol, Chief Economist and Head of the Economic Analysis Division of the International Energy Agency.

Sami Fahad Al-Rushaid, Chairman and Managing Director of the Kuwait Oil Company.

and Managing Director of the Kuwait Oil Company (KOC), underscored the global nature of this issue. He talked about the "unprecedented skills shortage" with particular reference to "insufficient expertise on EOR, unconventional oils, and offshore gas." From a national oil company perspective, Ghanem also stressed that capacity building is a big issue. He said that a lot of Libya's trained people are taken by IOCs and while he was not against this, it was "a challenge for the national oil company."

Al-Rushaid said it was important to have a plan in place to recruit and retain talented people. He added that KOC wanted to become an employer of choice in the Gulf region and with this in mind, it is providing "a highly performance oriented environment that motivates and supports development of leadership and technical capabilities." Others mentioned similar frameworks, with Huda Al-Ghoson, General Manager of Training and Development at Saudi Aramco, underscoring her company's extensive talent management and development programme. This includes 10,000 employees in full time training, ten million training hours annually, 23 major training centres locally and 2,500 graduates each year.

In this area and others, there was also discussion of the need to increase cooperation. Westwell said "it is widely recognized among NOCs and IOCs alike that the issues we face are common to us all. No-one has all the answers and it makes sense to work together." The issue was elaborated on further by Bernard Duroc-Danner, President and CEO of oil field services company, Weatherford, who stressed the importance of partnerships among all stakeholders in the industry's drive to continually bring down costs. Putting it succinctly, Al-Rushaid recalled an African proverb: "If you want to run fast, run alone. However, if you want to run far, run together," he said.

Keeping an eye on everything

It is understandable why the Gulf of Mexico and the Deepwater Horizon accident remains centre stage at present. While the spill has now been stopped, the event is still impacting lives and livelihoods and the actual implications for the industry are uncertain. However, the conference was clear and unambiguous about the role the deepwater oil industry will play in the future. It will be a big one, if the world's future energy needs are to be met.

In concluding his speech, Westwell said he would ask people not to take this whole event out of context. "It was an unexpected and tragic incident that took place at the leading edge of our industry's efforts to provide society with the energy it needs," he said. He reiterated the importance of finding out exactly what went wrong and preventing a repetition, but added that "we must not let it deter us from the wider, longer-term task of providing secure, sustainable, affordable energy for people around the world." It was a view expressed by a number of speakers; the accident cannot become all consuming and the industry cannot come to a standstill.

All photographs courtesy Terrapinn.

OPEC @ 50 Quiz

Venezuela victorious in OPEC's international quiz

Students from OPEC Member Countries and host country Austria displayed some impressive knowledge in OPEC's international quiz, but none could better a perfect performance from Venezuela's Luis de la Hoz. The Bulletin's Steve Hughes reports.

The OPEC Secretariat's press room is normally reserved for delivering serious messages about market stability or supply and demand. Ministers and officials make speeches that move the markets and studious journalists huddle over laptops, or hurriedly relay messages to editors down mobile phones. Apart from the odd jostling for position among camera crews and roving reporters, the atmosphere is more academic than adrenalin-fuelled. It is no library, but situated in the basement of the new OPEC headquarters, there is a definite air of gravitas about the place.

Recently though, the press room underwent a transformation. At more than one stage in proceedings, it was filled with whoops, whistles and chants. At other times, it was engulfed by tense silence. And when the final scores were read out, there was an eruption of emotion. A Venezuelan flag was unfurled in a celebration more akin to something at the recent football World Cup in South Africa. There were even tears of joy.

The reason for the rumpus? An inundation of students from around the world, drawn to the Secretariat for the OPEC international quiz to mark OPEC's 50th Anniversary. Ten competitors — all 18 years of age or under — represented nine OPEC Member Countries (Ecuador, IR Iran, Iraq, Kuwait, SP Libyan AJ, Nigeria, Qatar, Saudi Arabia and Venezuela), as well as host country Austria, in a grand finale that lived up to months of preparations.

After two rounds of questions about OPEC and its Member Countries (the most

Above: The winner, Venezuela's Quiz contestant, Luis de la Hoz, celebrates his victory.

Right: Angela Agoawike, Officer-in-Charge of OPEC's PR & Information Department, during the prize-giving ceremony.

Right: Zoreli Figueroa, the PR Coordinator welcoming guests to the event, and the Quiz Master, Dr Eric Arn (above right). Below are the ten contestants.

Left: Quiz winner, Luis de la Hoz (l), with Venezuela's Ambassador to Austria, Alí Uzcátegui Duque.

Below left: Libya's contestant, Esra Ahmed Mohamed Murad, with her father.

Bottom left: The youngest quiz contestant, the Islamic Republic of Iran's Parasto Mohajer, with her mother.

Layla Abdul-Hadi, Head, Human Resources Section, during her presentation.

populous Member Country anyone? Or the world's highest waterfall?), ten became four, as the six lowest scoring students bowed out. Students representing Ecuador, the SP Libyan AJ, Nigeria and Venezuela were left to be grilled by quiz master Dr Eric Arn — a Vienna-based communications teacher and musician — about the oil industry in the third and final round. LNG, LPG, 'sweet and light' and CCS were just some of the phrases and acronyms being flung about.

The competition, which was broadcast live on the OPEC website, was enjoyed by an audience that included Ambassadors, local press and other students from both Austria and overseas. All were treated to an impressive display of knowledge from the contestants, but in the end, 17-year-old Luis de la Hoz from Venezuela proved unbeatable, sweeping to victory after answering all of his questions correctly.

"I feel very proud of representing my country," said Luis, who hails from western Venezuela and hopes to be a systems engineer when he finishes studying. "It has been a huge experience for me. I studied a lot for this, but my teachers and family and friends helped me too. My mother was very proud — she cried when I won."

Kehinde Olatunde, 16, from Nigeria took second place and Jose Andres Yanchapaxi, 18, from Ecuador took third, but all contestants — many of whom were visiting Europe

Below: The Vorlaut children's choir, which performed at the Quiz.

Above (l–r): Timekeeper, Steve Hughes; the jury with Claude Clemenz and Keith Aylward-Marchant; and the record keepers James Griffin and Diana Lavnick.
Left: The translators (l–r) Julio Arboleda Larrea, Alvino-Mario Fantini, Diana Khoury.

for the first time — were winners in their own right; all had won qualifying rounds in quiz-related competitions in their own countries.

The grand finale was the culmination of a fun and culture-filled two days for the contestants. After being welcomed to Vienna by OPEC officials, they were given a guided tour of the capital and were received in the city's majestic Rathaus (City Hall). After the quiz, contestants were awarded prizes, souvenirs and certificates by OPEC's Secretary General, Abdalla Salem El-Badri, and were treated to a rousing performance by the Vorlaut children's choir, a joint project sponsored by the OPEC Fund for International Development (OFID) and the Vienna Konzerthaus, Caritas Vienna and the Vienna Boys Choir. The project aims to support children from marginalized groups in Vienna by integrating them into musical activities to enhance their overall capabilities.

The quiz was just one of many activities being held this year to mark OPEC's Golden Jubilee. Other activities include exhibitions, soccer matches, anniversary stamps and a range of special publications. It highlighted the power of bringing together people from different cultures — something OPEC and sister organization OFID have long championed — as well as the dynamism, energy and enthusiasm of people like Luis; the prospective leaders of tomorrow.

The group of contestants and their accompanying relatives and friends toured Vienna during their visit to the OPEC Secretariat. Above they are pictured visiting Vienna City Hall and below, the castle of Schönbrunn.

OPEC @ 50 Quiz

Luis de la Hoz

Official ranking

1. Venezuela
2. Nigeria
3. Ecuador
4. SP Libyan AJ
5= Qatar
5= Saudi Arabia
7. IR Iran
8. Kuwait
9. Austria
10. Iraq

OPEC Secretary General, Abdalla Salem El-Badri, handing out certificates to all the contestants. Below he presents the cheques to the winners.

Kehinde Olatunde

José Andrés Yanchapaxi Novillo

Quiz contestants

Ecuador

José Andrés Yanchapaxi Novillo was born in Ecuador in January 1992. He studies at the Integral School and his best subject is social studies. José wants to be an environmental engineer when he completes his education. His hobbies include jogging, tennis, listening to music and reading.

Islamic Republic of Iran

Parasto Mohajer was born in the Iranian capital, Tehran, in July 1998. She is a pupil of the Narges Guidance School and her favourite subject is mathematics. When she completes her studies, Parasto would like to become an astronomer. She lists her hobbies as including painting and playing computer games.

Iraq

Raghad Nazar Saudi, who was born in the Iraqi capital, Baghdad, in 1994, attends the Gifted Students' School in Baghdad. She says her best subject is mathematics. The profession she would like to pursue in the future is in the field of engineering. She lists her hobbies as drawing, reading and swimming.

Kuwait

Mohammad Aref Ata Mohammad Mohammadi was born in the Kuwaiti capital, Kuwait City, in August 1994. He attends the Abdallah Asaosy Secondary School. His best subject is mathematics. Mohammad would like to become a captain. He lists his hobbies as including soccer and swimming.

SP Libyan AJ

Esra Ahmed Mohamed Murad was born in the Libyan capital, Tripoli. She attends the Shaidat El Wajib high school. She is very keen on English and would like to major in the language. She lists her hobbies as including basketball, reading and surfing the internet.

Nigeria

Kehinde Olatunde was born in May 1994 in Ibadan, Oyo State, Nigeria. He attends the Wesley College of Science, in Ibadan. His best subject is physics and he would like to become a petroleum engineer when his studies are completed. Kehinde lists his hobbies as including playing football and reading novels.

Qatar

Bashaer Awad Sh M Al-Saadi was born in Doha, in October 1993. She attends the Amna Bint Wahab Secondary school and lists her best subjects as being English, biology and history. She would like to pursue a career in the media, or in engineering. Bashaer's hobbies include going to the cinema, looking at YouTube, writing, shopping and photography.

Saudi Arabia

Bader Al-Mandeel was born in Saudi Arabia, in July 1992. He attends the Saudi School in Vienna, Austria. He would like to major in business administration. Bader's hobbies include watching movies, keeping up with world news and swimming.

Venezuela

Luis de la Hoz was born in Punto Fijo, in Falcon State, Venezuela, in December 1992. He attends the UEA 'Simon Bolivar' School and would like to pursue a career in electrical engineering, or systems engineering. Luis lists his hobbies as including computers and playing soccer.

Austria

Imran Kambal was born in Austria. He attends the Al-Andalus Privathauptschule/Kooperative Mittelschule and his favourite subject is mathematics. When he completes his studies, Imran would like to become a software engineer. His hobbies include swimming and playing basketball.

Kuwait looking to develop its heavy oil reserves

Sami Fahad Al-Rushaid, Chairman and Managing Director of the Kuwait Oil Company (KOC).

The latest negotiations between Kuwait and Exxon over the development of the OPEC Member Country's heavy oil fields have been described as "encouraging".

Sami Fahad Al-Rushaid, Chairman and Managing Director of the Kuwait Oil Company (KOC), was quoted by reporters as saying: "We are progressing well with Exxon. The latest negotiations were encouraging."

Good progress made

Speaking at an oil conference in London, he pointed out that Kuwait was in discussions with all international oil companies (IOCs) to assist it in developing the heavy oil reserves located in the north of the country.

He said they had made "some very good progress in our negotiations" and hoped to reach at least one contract before the end of 2010.

Exxon of the United States and Total of France were the only majors to successfully pre-qualify for a contract to exploit some 13 billion barrels of ultra-heavy oil in northern Kuwait. Exxon is understood to have signed a heads of agreement on the deal in 2007, but a final contract has not as yet been forthcoming.

Total Chief Executive Officer, Christophe de Margerie, visited Kuwait at the end of April, expressly to lodge his company's interest in developing the same heavy oil reserves.

Kuwait's upstream oil sector has become the centre of a lot of international attention since the country reached a landmark gas development accord in February with Royal Dutch Shell.

The country has announced that it plans to invest over $10 billion in upstream developments over the next five years, in its bid to expand its oil production capacity from the current three million barrels/day to 4m b/d by 2020.

Developing its heavy oil resources is seen as one way of supporting that goal, but analysts point out that the country needs the expertise of the international oil companies to process the 11–15 degrees API crude.

Al-Rushaid was quoted earlier as saying that the development of the heavy oil resources in the north over the next five years was essential for meeting the industry's target.

The plan, he said, was to develop its heavy oil capacity to between 250,000 b/d and 300,000 b/d by 2030 and to produce 60,000 b/d in 2015–16.

He stressed that they realized in Kuwait that as the country's fields matured, they would be facing greater challenges. "We are soon going to move from an era of easy oil to difficult oil," Al-Rushaid said.

They would also be utilizing enhanced oil recovery techniques to help meet the production goals.

Al-Rushaid said that despite the technical and operational challenges, he was convinced they would reach the 4m b/d capacity target by 2020.

SP Libyan AJ planning to boost gas deposits

The SP Libyan AJ is looking to boost its gas reserves, in order to satisfy its domestic needs, especially for electricity generation, according to Dr Shokri M Ghanem, Chairman of the Management Committee of the National Oil Corporation (NOC).

Speaking at a conference in Rome in early July, he said the country's gas reserves currently totalled 55 trillion cubic feet. However, he was hopeful this figure would be expanded to between 75tr cu ft and 100tr cu ft following new discoveries.

He noted that the reserves could climb to around 60tr cu ft should an additional estimated 5tr cu ft be proved at offshore Block 54, which was being worked by Hess of the United States.

Eliminate gas flaring

NOC General Manager for Exploration and Production, Abdelgasem Shengeer, also told the conference that the gas reserves at the Hess acreage were estimated at 5–7tr cu ft, although they were still awaiting confirmation.

He noted that flows from the two wells drilled so far had amounted to 50 million cu ft/day. Additional wells were envisaged and Hess had already asked for an extension to its exploration period, Shengeer was quoted as saying to the *International Oil Daily*.

He added that the government aimed to totally eliminate gas flaring in the country by 2020. Around 300m cu ft a day of gas was flared in 2009.

Libya currently exports around 8bn cu metres a year of gas via the Greenstream pipeline to Italy.

The NOC has a 75 per cent stake in the pipeline, while Italy's Eni holds the remainder. The two companies are joint shareholders in the West Libya Gas Project, which feeds the pipeline.

The government is hoping the additional exploration efforts will pinpoint more gas deposits, thus also boosting its export capability.

Royal Dutch Shell has drilled two onshore wells in the Sirte Basin, which unfortunately came up dry, and is now working on two others. In addition, BP is set to drill the first of five offshore wells in the Basin, while, in the third quarter, it plans an onshore well in the Ghadames Basin.

According to the latest *OPEC Annual Statistical Bulletin (ASB)*, the nation's gas reserves have expanded over the years — from 827bn standard cu m in 1988 to 1,549bn cu m in 2009.

The country has earmarked multi-billion dollar spending to expand its oil production capability to at least $2.5 million barrels/day in five years' time.

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

Nigeria takes steps to solve domestic oil product shortage

Nigeria's Petroleum Resources Minister, Diezani Alison-Madueke.

Nigeria is moving to solve its domestic oil refining problems with the construction of three new plants.

The Nigerian National Petroleum Corporation (NNPC) said the new refineries — to be located in the states of Bayelsa, Kogi and Lagos — would provide a total of 885,000 b/d of new capacity.

The plants, due to be onstream in 2014, would triple the country's total refining capability to around 1.3m b/d and help overcome a shortage of domestic oil products. At the moment, the country imports a large amount of its fuel needs.

A memorandum of understanding covering the construction of the new plant was signed with the China State Construction Engineering Corporation (CSCEC) in May.

Nigeria's four existing state-owned plants have a combined capacity to refine 440,000 b/d of products, but have been stricken by problems over the years and have rarely matched their capabilities.

Imports meet demand

The NNPC already plans a separate refinery with India's state-run Oil and Natural Gas Corporation (ONGC) and the Mittal Group near the commercial capital, Lagos.

According to industry sources, because of the lack of local refining, Nigeria currently has to import as much as 80 per cent of its fuel needs to meet demand, at an annual cost of around $10bn.

However, moves to restructure the industry are already in motion. The government's Petroleum Industry Bill, once in force, will effectively deregulate domestic fuel markets.

Under other reforms, The NNPC will also be restructured. Nigerian President, Goodluck Jonathan, in April appointed Shehu Ladan to head the Corporation.

Following his appointment, Ladan was quoted as saying that over the next decade, the NNPC would set out to eliminate completely the current flood of imported petroleum products into Nigeria for domestic consumption.

He also stated that that deal over the new refineries would deepen the existing technical and commercial relationships between China and Nigeria.

The China National Offshore Oil Corporation (CNOOC) was the first Chinese oil firm to break into the Nigerian upstream sector in a big way when it bought a 45 per cent interest in Nigeria's OML 130 concession.

In 2009, it launched a drive to acquire more oil blocks, targeting acreage that included expiring licenses.

Other Chinese firms, the China National Petroleum Corporation, and Sinopec, both have involvement in the Nigerian oil sector, which they are seeking to expand.

Nigeria's oil production has stabilized at around 2.4m b/d since an amnesty was signed with militants in the Niger Delta region.

The country's Petroleum Resources Minister, Diezani Alison-Madueke, said at a recent industry seminar in Lagos that the current production figure compared with just 1.3m b/d in 2009 before the amnesty was signed.

"The amnesty programme is the most successful policy to date to ensure peace in the Niger Delta region. The success has enabled operators to restore shut facilities, allowing them to pursue new prospects and drive down the cost of doing business," she was quoted as saying.

Venezuela to expand its crude oil reserves further

OPEC Member Country Venezuela is expecting to announce the certification of further oil reserves when it completes the registration of deposits contained in the country's vast Orinoco oil belt at the end of this year.

In 2009, according to the latest *OPEC Annual Statistical Bulletin,* the country increased its proven reserves by 20.5 per cent to over 211 billion barrels. In the previous year, its reserve figure expanded to 172bn b from 99bn b in 2007.

And in a recent statement released by the government of President Hugo Chávez, by the end of 2010, the nation's authorities expected to announce the addition of a further 105bn b to the total reserve figure.

Saudi Arabia currently possesses the world's largest crude oil reserves with deposits amounting to almost 256bn b.

However, the differences in the quality of the two countries' oil are acute. Saudi Arabia's crude is mostly light, which means it can be refined very easily. In Venezuela, the heavy oil deposits of the Orinoco oil belt have to go through a complicated refining and conversion process.

In January this year, the United States Geological Survey supported Venezuela's claim that the oil belt contained up to 513bn b of crude that could potentially be exploited.

Developing the Orinoco Oil Belt

Since then, the country, a Founder Member of OPEC, has been busy signing deals to further develop the oil belt. The national oil company, Petroleos de Venezuela SA, which has a majority stake in all Orinoco concessions, signed several contracts with energy companies for schemes that are expected to add some 2.1 million barrels/day of new production capacity to the country's oil operations.

The projects, which have been signed with such companies as Italy's Eni, Chevron of the US, Repsol of Spain, China's CNPC and a Russian consortium, as well as firms from India, Vietnam, Japan, and Malaysia, are mostly set to begin producing the tar-like Orinoco crude by 2013.

Oil upgraders will then be used to turn the crude into lighter synthetic oil, which will be ready to market a few years later. Venezuela will receive a combined total of almost $6bn in bonuses and financing from its partner companies.


Reuters

Venezuela's President, Hugo Chávez.

The four upgraders that are currently working in the belt are already producing at over 500,000 b/d, which is 80 per cent of their capacity.

Pedro Leon, a Director at PDVSA, was quoted as saying at an oil conference in Maturin, in the eastern region of Venezuela, that PDVSA hoped to add 60,000 b/d of production from the Orinoco oil belt this year through the revival and maintenance of existing fields.

Industry analysts say a lot of the future success of the Orinoco oil developments will depend on the level of international crude prices. With the exploitation of the belt's reserves being complex and costly, a price of $75-85/b is considered necessary for a profitable outcome.

President Chávez was quoted on state television recently as saying that the country's crude oil prices should not drop below $80/b.

"A fair price for our crude oil should not drop below $80/b, but the global crisis keeps hitting the price of (Venezuelan) oil, which is averaging $59/b this year," *Venezolana de Televisión* quoted him as saying.

"We have been recovering the oil price ... but it is not enough," he added.

Upstream spending forecast to rebound after 2009 slump

After the marked slump seen in 2009, spending on exploration and production in the international oil sector is set to rebound strongly this year, supported by stable crude prices, according to an industry study.

Excluding new acquisitions, spending in exploration and production is slated to amount to $353 billion in 2010, an increase of eight per cent, the report by energy research company, IHS Herold, said. Its findings were based on a survey conducted with more than 100 of the world's largest publicly traded oil and gas firms.

The 2010 Global Upstream Capital Spending Report, compares favourably with the results of a similar survey released in February, in which 65 oil and gas firms were questioned, and which pointed to a seven per cent rise in such spending this year.

The latest survey showed that after falling by around 40 per cent in 2009, capital spending by exploration and production companies was set to jump by over 20 per cent this year in response to higher oil prices and the need to increase production capacity.

Aliza Fan Dutt, Senior Equity Analyst at IHS Herold, said the 2010 forecast compared with a 22 per cent decline in upstream spending in 2009, when the global recession and tight credit markets forced companies to cut back on such investments.

Dutt pointed out that, in 2010, steadier crude oil prices, coupled with an uncertain near-term outlook for natural gas prices, were driving exploration and production companies to focus more on oil developments.

Shift in operations

The report noted that many firms in the US that usually focused on natural gas activities had been seen shifting their operations to oil drilling.

Such oil investments, it added, were also being supported by lower oil industry costs. A decline in upstream spending over the last couple of years had resulted in reduced demand for equipment, which now meant that oil field service costs were up to one-fifth lower than the inflated levels seen in 2007–08, when oil demand was still high.

IHS Herold said that these lower oil service costs should help companies better manage their investment programmes. The danger was that with upstream investment increasing in 2010, service costs could again rise in tandem.

Capital spending

It maintained that the turnaround in spending in 2010 was expected to be particularly noticeable among the smaller US oil firms that had to drastically reduce their capital spending in 2009 when the credit crunch prevented access to the necessary funding.

Dutt was quoted as saying: "The improved economy has opened up new sources of capital, which should result in a 62 per cent increase in spending for these smaller companies."

However, the HIS Herold Global study noted that the integrated oil companies, which represented some 28 per cent of the total spending commitments among firms questioned in the survey, were likely to reduce capital spending by about two per cent in 2010.

Dutt also referred to the growing uncertainty in the oil exploration industry over possible changes in regulations, following April's explosion and subsequent oil spill in the Gulf of Mexico, stating that her firm expected some shift in exploration and production spending from deepwater concessions to onshore in the US, but, to a lesser extent, in overseas activities.

Brazil sets ambitious investment programme for oil sector

Brazil is planning to plough some $224 billion into an investment programme aimed at expanding its oil production capacity, mainly through the exploitation of deepwater reservoirs.

The programme, which will run over the next five years, replaces the previous 2009–13 plan that carried estimated investment of around $175bn.

"No other company in the industry has a programme to boost oil and gas output like the one Petrobras has," the state firm's Chief Executive Officer, Jose Sergio Gabrielli, was quoted as saying at a news conference.

Deepwater activity

Brazil sees deepwater exploration as vital to the continued economic development of its oil sector, despite the concerns thrown up over such offshore activity following the rig accident and giant oil spill that occurred in the Gulf of Mexico in April.

In fact, Petrobras is seeking to push offshore drilling into waters even deeper than BP's ill-fated Macondo well and to total depths of as much as 7,000 meters (23,000 feet).

A breakdown of the new programme shows that an 18 per cent increase in investments in the subsalt region to $33bn has been called for.

Petrobras is looking to expand its oil production capacity in Brazil to around 3m b/d by 2014, rising to an estimated 3.95m b/d in 2020. Deep water concessions, known locally as subsalt, are expected to provide over 240,000 b/d of that amount in the next five years, increasing to over 1m b/d in ten years' time.

Also in the programme, refining, transport and marketing will receive 33 per cent of the investments, compared with 25 per cent in the previous plan. Exploration and production will account for 53 per cent of the total investment, which is lower than the 59 per cent earmarked in the 2009–13 programme.

Jose Sergio Gabrielli, Chief Executive Officer of Petrobras.

Investment in downstream operations will be focused on several major refining schemes, which are slated to bring 800,000 b/d of new capacity onstream by 2015. Two of the projects, both with 300,000 b/d capacities, will enable the country to become a fuel product exporter.

Meanwhile, Petrobras shareholders have been busy mulling over a plan to raise the capital needed for the programme through the sale of shares to minority shareholders and to a stock offering that would give the government shares in exchange for rights to develop up to 5bn b of offshore oil.

GECF Secretary General on gas market risks, challenges

Gas exporters need to draw up supply model — Bokhanovsky

AP Photo

GECF Secretary General, Leonid Bokhanovsky.

The ultimate goal of the Gas Exporting Countries Forum (GECF) is to create an in-house supply model that will enable the group's members to better foresee potential gas market risks and challenges.

That was the view put forward by the Forum's Secretary General, Leonid Bokhanovsky, when he was addressing the Russian Petroleum and Gas Congress in Moscow recently.

He said that even though, for the time being, the primary role of the GECF was to monitor the gas market, the next step for the Forum and its members would be to establish a data centre to forecast and monitor gas market developments.

Established in 2001, the Forum represents and promotes the interests of the world's leading gas producers.

Currently comprising 11 members — Algeria, Bolivia, Egypt, Equatorial Guinea, IR Iran, Libya, Nigeria, Qatar, Russia, Trinidad and Tobago and Venezuela, along with three observers (Norway, the Netherlands and Kazakhstan) — it exchanges expertise in gas exploration and transportation and looks to draw up frameworks for global gas markets.

Four-year plan

The GECF has embarked on a four-year plan (2010–13) to promote the increased use of gas, as well as enhance the industry through the utilization of state-of-the-art technologies and improved pipeline and tanker infrastructure.

Bokhanovsky, who was appointed to head the GECF at the Forum's 9th Meeting, held in Doha, Qatar, in December 2009, pointed out at the Moscow meeting that the GECF's top priority at the moment was to intensify international dialogue between gas producers and consumers, in order to address the security challenges and the position of gas in the energy balance.

Other priorities, he said, included defending the fuel's share in the global energy mix amid a shift to unconventional sources of energy, such as shale gas, solar power and biofuels.

Bokhanovsky, who is Vice President of the Russian engineering and construction firm, Stroytransgaz, stressed: "Natural gas produced by conventional means has a definite competitive edge compared with other fossil fuels."

He maintained that the GECF's task was to ensure that the balance of power did not shift to any particular type of fuel.

Many parallels have been drawn within the industry and in the media about the GECF acting like OPEC, but Bokhanovsky, who has a two-year term as head of the Forum, said he did not feel that turning the grouping into an OPEC-style organization for the gas industry would be of benefit to its members

He explained that the key function of the gas forum was "a far cry" from the OPEC producer group, that, he stressed, some consumer countries originally feared.

According to Bokhanovsky, an OPEC-style grouping would also not be in the political interests of GECF members. What the GECF should do, he maintained, was to allow its members freedom to set their own gas policies.

However, even though each member had its own gas policy, he said, certain principles were the same across the board.

Long-term contracts

The first of these, he added, was that the GECF remained committed to long-term gas contracts, linked to oil prices, as a means of establishing a more predictable, reliable long-term market at a time when the spot market's importance was growing.

"Long-term contracts are a reliable mechanism to balance the interests of all participants in the gas market," he was quoted as saying.

From a consumer perspective, continued Bokhanovsky, such contracts guaranteed stable prices and supplies. And from a producer perspective, they were prerequisites for investing in new industrial projects.

"Moreover, we are certain that oil [price] parity is another important element for securing gas supply," Bokhanovsky added.

An LNG carrier.

Shutterstock

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

This page is dedicated to capturing those visits in pictures.

Yoon Joe Shim (l), Ambassador of the Republic of Korea to Austria, visited Abdalla Salem El-Badri, OPEC Secretary General, on June 24, 2010.

Makram Mustafa Queisi (l), Ambassador of Jordan to Austria, visited Abdalla Salem El-Badri, OPEC Secretary General, on August 3, 2010.

Abdalla Salem El-Badri, OPEC Secretary General, received a Libyan utility services delegation, who were guests of the City of Vienna. They visited the OPEC Secretariat on June 21, 2010.

Secretariat activities

Experts from OPEC Member Countries and Mexico met at the Secretariat for a Coordination Meeting on Climate Change, June 30, 2010. Inset is Dr Hasan M Qabazard, Director of the OPEC Research Division.

Participants from OPEC Member Countries, who attended the Organization's Summer Fellowship Programme this year. Pictured with their supervisors at the Secretariat.

Students from the University of Houston visited the OPEC Secretariat on July 15, 2010. Pictured here with Siham Alawami (front row, fourth right), OPEC PR Specialist.

Record year!

OFID responds to credit crunch with highest ever development financing

The OPEC Fund for International Development (OFID) last year approved record development financing for projects and grant aid in some of the world's poorest countries, despite the lingering after-effects of the global financial crisis and the worst economic recession in 70 years.

While most other lending institutions were struggling to find resources at a time of financial turmoil, escalating debt problems and bankruptcies, OFID's Governing Board gave the green light to development financing amounting to $1.382 billion.

According to the just-released OFID *Annual Report* for 2009, this amount represented an increase of almost 70 per cent over the 2008 figure. The commitments were pro-

vided primarily as concessional loans and grant financing, as well as private sector and trade finance funding.

It brought OFID's cumulative development assistance since the institution's inception in 1976 to the end of last year to $11.7bn.

The OFID *Annual Report,* which is published in English, Arabic, French and Spanish, was endorsed at the 31st Session of the Fund's Ministerial Council, held in Caracas, Venezuela, in June.

In marking its release, Suleiman J Al-Herbish, OFID Director-General, was quoted as saying that despite the world undergoing the "biggest financial meltdown in recent history," when other development channels were "drying up," OFID had stepped up its financing to help its partner countries mitigate the impact of the credit crunch.

The institution had also assumed "a catalytic role" in the global Energy for the Poor Initiative by channelling increased resources to help improve poor populations' access to affordable, clean energy sources.

OFID, he stressed, would continue to "push forward" in this direction by adopting the initiative as a "central pillar" of its 18th Lending Programme, just approved by the Ministerial Council, and which would be implemented during the period 2011–13.

Al-Herbish pointed out that OFID would not have been able to realize its latest achievements without the "dedicated support" of its Member Countries, many of which were themselves feeling the adverse effects of the global economic crisis.

Addressing the Ministerial Council, the OFID Director-General pointed out in his customary statement to the meeting that as a direct result of last year's crisis, OFID found itself confronted with an onslaught of challenges.

"As well as coping with the impact on our own investments, we were faced with appeals from our partner countries to shore-up banking systems and beleaguered economies. Combined, these developments serve to place unprecedented pressure on OFID's resources," he said.

In underlining the significance of the greater operational growth in private sector and trade financing, both of which were relatively new operational windows for the institution, Al-Herbish said that despite the unprecedented economic climate, the Fund had continued diligently with its day-to-day business and operations throughout 2009, the second year of its 17th Lending Programme.

"A record $1.4bn was approved in otherwise scarce development financing … the bulk of this went to core activities in the public sector, which saw an increase of 25 per cent in commitments, mostly for transportation and energy projects," he affirmed.

According to the Annual Report, OFID approved 42 project loans worth a total of $664.7m to 38 countries in 2009, helping to finance development operations in a range of sectors, with transportation (45 per cent) and energy (23 per cent) taking the largest share.

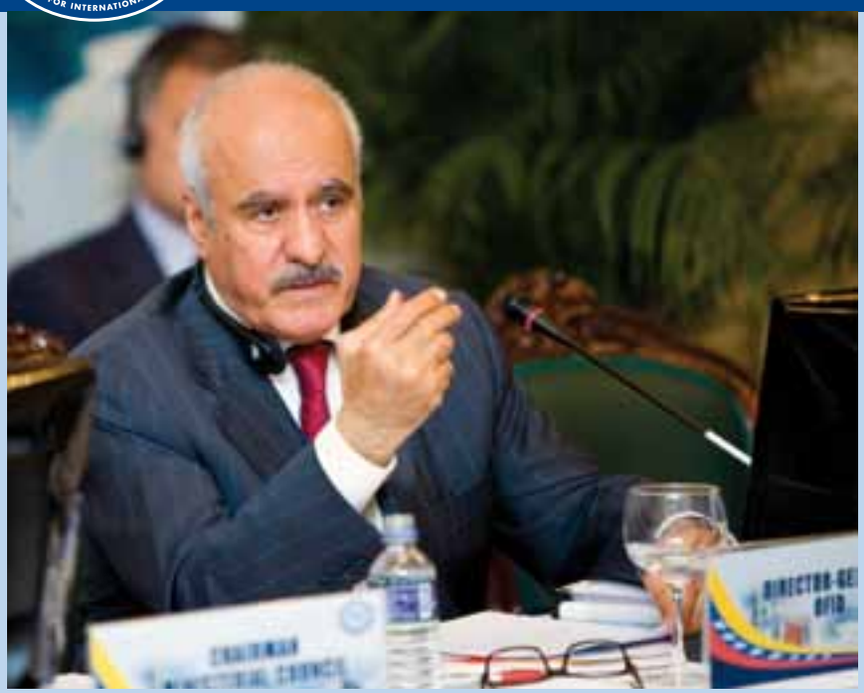
Substantial resources were also directed towards the multi-sectoral, water supply and sewerage, agriculture, education and health sectors. In addition, $9.3m supported a commodity imports programme and $18.5m was approved in debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

The publication revealed that through its Private Sector window, OFID approved $286.5m in fresh commitments in 2009, which was shared equally between the financial and non-financial sectors.

This, it said, reflected an increase of nearly 25 per cent over the amount recorded in 2008.

Left: Newly elected Council Chairman, Gustavo Hernandez, Vice Minister of Finance of the Bolivarian Republic of Venezuela (c) flanked by Jamal Nasser Lootah (l), Governing Board Chairman and Suleiman J Al-Herbish (r), OFID Director-General.

Below: Council Chairman, Gustavo Hernandez (l), with Suleiman J Al-Herbish, OFID Director-General.



Suleiman J Al-Herbish, OFID Director-General.

Al-Herbish relayed to the Ministerial Council that the total approved through this window last year was the highest commitment in any single year since the facility's inception in 1998.

He added that the heightened activity in the private sector came partly as a result of natural growth and also in response to the financial crisis.

The funds would support activities ranging from microfinancing and telecommunications, to airport expansion and the construction of a container terminal, a sugar refinery and a phosphate production plant, among others.

Within the framework of the Fund's Trade Finance Facility, total approvals last year for funded operations amounted to $364m. Guarantees were issued for a maximum revolving amount of $480m.

Al-Herbish highlighted the considerable boost in transaction volumes in this sector of the Fund's operations, stating that the performance represented an eight-fold increase in funded operations and a four-fold rise in guarantees over 2008 figures.

The *Annual Report* also disclosed that the Fund's grant financing commitments, which totalled $39.5m in 2009, represented an increase of one-third over 2008, supporting 137 projects.

Substantial approvals were made through the Special Accounts for HIV/AIDS and Palestine. Furthermore, 19 grants were provided as technical assistance for a diverse range of causes. Research grants numbered 23, while $3m was given in emergency aid, following a spate of natural disasters.

Of special note, Al-Herbish noted that in January this year, OFID was one of the first international donors to respond to the devastating earthquake in Haiti, providing $500,000 in emergency aid.

He continued that as the reconstruction process progressed, OFID was working with the Haitian government and the international donor community to help address the country's longer-term needs.

Emphasis on energy

During his statement to the meeting, which also covered the institution's plans for the year ahead, the OFID Director-General spoke on the Fund's Energy for the Poor Initiative, stating that in keeping with directives contained in the 'Riyadh Declaration' of the Third OPEC Summit of Heads of State and Government, it had pushed ahead with efforts to do more in the area of modern energy supply.

He said contributions in 2009 amounted to $154m, supplementing funding from partner institutions to improve access to electricity and natural gas in seven countries.

Al-Herbish said that with the Ministerial Council's approval of OFID's 18th Lending Programme (2011–13), energy projects would play a more substantive role in the years ahead.

Also in Caracas, the OFID Board of Governors, which met one day after the Ministerial Council, approved some $180m in new financing for development.

The funds will support 14 projects in Africa, Asia, Latin America and the Caribbean. Energy and transportation schemes represent almost 60 per cent of the funds to be allocated, with the remainder supporting projects in the water supply and sewerage, health and agriculture sectors.

Commenting on the new approvals, Al-Herbish said

OFID had "long recognized" the importance of energy to human development and economic progress, adding that the institution was prepared to take on the challenge of helping low-income countries overcome one of the "greatest hurdles they face to achieve the *Millennium Development Goals* — obtaining access to modern energy services."

Five grants, totalling $7.65m, were also approved at the meeting.

In dealing with administrative matters, the Ministerial Council elected Gustavo Hernandez, Venezuela's Vice-Minister of Planning and Finance, as Chairman for the coming year, while the Gabonese Republic was appointed Vice-Chair.

In his outgoing statement, incumbent Chairman, Dr Seyed Shamseddin Hosseini, Minister of Economic Affairs and Finance of the Islamic Republic of Iran, stressed that the world faced several global challenges in the future, including overcoming volatility and returning to a stable economic situation, reducing unemployment and boosting economic growth in the developed countries, as well as improving access by the developing countries to international financial resources and foreign investment.

He stated: "The role of international financial organizations, multilateral banks and development funds is crucial in addressing the needs of the least-developed and developing countries in this process."

Jamal Nasser Lootah, Chairman of OFID's Governing Board, touched on the energy issue, as well as the global financial and economic crisis, stating that the "economic slowdown has increased global poverty levels."

He contended that in spite of the crisis and "the unprecedented economic challenges which the world has been facing and the increased financial demands being made on our institution, OFID was able to respond to these requests and successfully execute its 2009 programme."

Elias Jaua (r), Vice President of the Bolivarian Republic of Venezuela, with outgoing Chairman, Dr Seyed Shamseddin Hosseini (l), Minister of Economic Affairs and Finance of the IR Iran.

Other important reports endorsed by the Ministerial Council were those on the Energy for the Poor Initiative and the 18th Lending Programme, as well as the institution's three ongoing Special Grant Accounts — for Emergency Relief Operations, for HIV/AIDS, and for Palestine.

The Council also attended the presentation of OFID's Annual Award for Development, 2010, which went to the Yéle Haiti Foundation, a non-governmental humanitarian assistance group founded by Haitian singer, Wyclef Jean *(see page 46)*.

The next meeting of the OFID Ministerial Council will be convened in Austria, in June 2011.

Yéle Haiti wins 2010 OFID Annual Award for Development

Hugh Locke, President of Yéle Haiti.

This year's Annual Award for Development presented by the OPEC Fund for International Development (OFID) has gone to the Yéle Haiti Foundation.

The award was presented on the sidelines of the 31st Session of the OFID Ministerial Council, which was held in the Venezuelan capital, Caracas, in June.

Yéle Haiti *(pictured above)* was set up by Grammy Award-winning musician and humanitarian, Wyclef Jean, in 2005. He is currently the United Nations Goodwill Ambassador to Haiti.

The foundation is a grassroots operation that builds global awareness for Haiti, while helping to transform the country through programmes in education, sports, the arts and the environment.

The award to the foundation was made by Elias Jaua, Vice President of the Bolivarian Republic of Venezuela, and Dr Seyed Shamsedin Hosseini, outgoing Chairman of the OFID Ministerial Council, in the presence of Jamal N Lootah, Chairman of the Fund's Governing Board, and OFID Director-General, Suleiman J Al-Herbish.

Yéle's community service programmes include food distribution and the mobilization of emergency relief. Its fundamental mission is to create small-scale, manageable and replicable projects to contribute to Haiti's long-term progress.

Each of Yéle Haiti's projects is aimed at renewing hope for Haitians to help rebuild their nation following the devastating earthquake that hit the country at the beginning of this year.

According to an OFID press release, the foundation was seeking to project a new forward-thinking image that accurately reflected Haiti's youthful population and its unique and irrepressible spirit, considered an integral part of their culture.

It said that at the core of every project was the notion that given a genuine opportunity to shape the future, youth would be enabled to take Haiti to the next level.

"This is signified through the name of the foundation, Yéle, which was coined by Wyclef in a song and means 'a cry for freedom'," the release stated

In its first year of operation, the foundation provided scholarships to 3,600 children in Gonaïves, after the devastation of Hurricane Jeanne. In its second year, Yéle almost doubled the amount of the scholarships provided, spreading them throughout Haiti and assisting with tuition in five regions.

Speaking at the award ceremony, Al-Herbish said it was made in recognition of the foundation's tireless efforts in promoting and enhancing the economic and social conditions of the people of Haiti.

Such efforts, he affirmed, were in tandem with OFID's commitment and assistance towards raising living standards among the poorest segments of society, particularly youth.

He urged Yéle Haiti to carry on with its noble work, saying "the various programmes targeting youth are essential in providing long-term social and tangible means for rehabilitation."

Accepting the award, Yéle Haiti President, Hugh Locke, thanked OFID for the recognition and pledged that the prize money would be used to further assist the various programmes which renewed hope for Haitians to rebuild their nation.

He said: "In the midst of the tragedy following the earthquake, having the work of Yéle Haiti recognized by OFID is tremendous encouragement to us, because when you are working in the slums to provide food, shelter and water, you lose sight of the big picture."

In pointing to the foundation's work, Locke highlighted the relationship between Yéle Haiti and a Venezuelan programme called El Sistema which provided music education to children from impoverished backgrounds.

The El Sistema movement, he said, was spreading across the world and had been in Haiti since December 2009. With the high levels of illiteracy in Haiti, Yéle Haiti was using music and entertainment to inform the public about social issues, while at the same time providing training to "at-risk" youths.

In practical terms, Yéle Haiti's efforts translated into over 3,000 new jobs, the enrolment of 7,000 children in school, with more than 8,000 people a month receiving food and some 2,000 young people learning monthly about HIV/AIDS prevention.

In addition, through the l'Athletique d'Haiti programme, Yéle Haiti supported a tutoring scheme for 650 youths from disadvantaged communities.

The OFID Annual Award for Development was instituted in 2006. The first winner was Humana People-to-People, a Zimbabwe-based NGO. The second award went to the Austria-based NGO, SOS Children's Villages, while the third was given to Grameen Bank of Dhaka, Bangladesh. Last year's award went to Bartolina Sisa of Bolivia.

The Award carries a prize of $100,000. Haiti has been an OFID partner country since 1977 and has received assistance for over 15 projects in the country's public sector. OFID extended an emergency grant of $500,000 to the country after the devastating earthquake at the beginning of this year.

Elias Jaua (second r), Vice President of the Bolivarian Republic of Venezuela, and Dr Seyed Shamseddin Hosseini (l), outgoing Chairman of OFID's Ministerial Council, presented the Award to Hugh Locke (second l), President of Yéle Haiti, in the presence of Jamal N Lootah (c), Chairman of the OFID Governing Board, and Director-General, Suleiman J Al-Herbish (r).

OFID stages exhibition on Venezuela in bicentennial year

The exhibition was officially declared open by Venezuela's Ambassador to Austria, Alí de Jesús Uzcátegui Duque (l), assisted by OFID Director-General, Suleiman J Al-Herbish.

The Headquarters of the OPEC Fund for International Development (OFID) in Vienna was the venue in early July of the opening of an exhibition on the Bolivarian Republic of Venezuela, which this year is celebrating its bicentennial.

Organized by OFID, in conjunction with the Venezuelan Embassy in Austria and Permanent Mission to the International Organizations in Vienna, the event was attended by government officials, ambassadors and members of the diplomatic corps, along with special guests and management and staff of OFID.

The exhibition, 'Venezuela: a multicultural and multiethnic state', was held until early August at the Headquarters of OFID, on Parkring in the First District of the Austrian capital. It came within the larger framework of celebrations marking 200 years of Venezuela's independence, which was marked in Caracas on April 19 this year.

In his welcoming address, OFID Director-General, Suleiman J Al-Herbish, referred to Venezuela, a Founding Member of OPEC, as a truly multicultural and multi-ethnic nation.

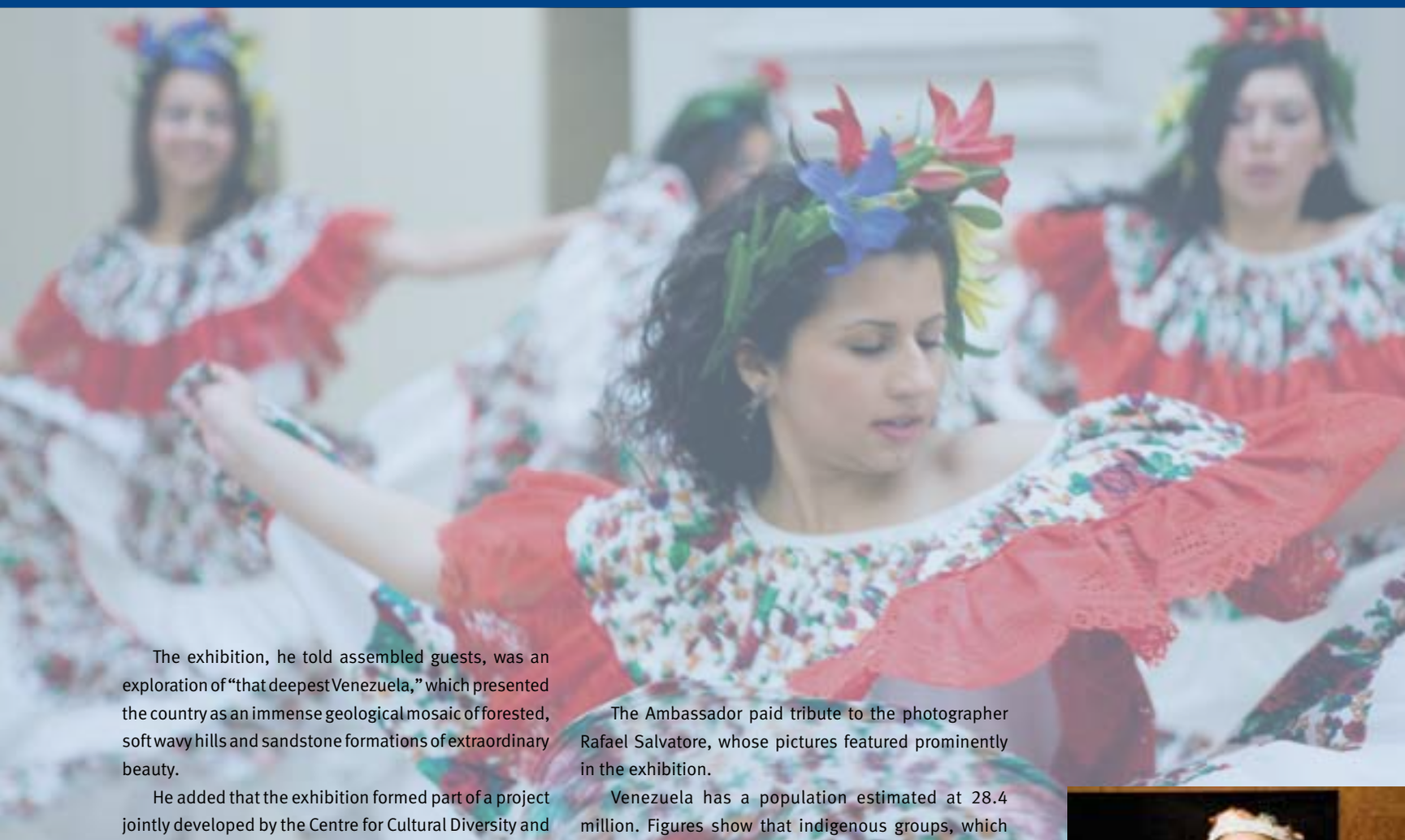
He commended the country for its role in OFID, adding that the occasion offered him the opportunity to pay tribute to the instrumental role of Venezuela in the establishment of both the institution and OPEC.

Al-Herbish said OFID welcomed the opportunities offered by this and similar exhibitions to display the rich cultural heritage of OFID Member States, all of which contributed to global understanding and inter-cultural dialogue.

The latest exhibition, he said, included handicrafts, photographs and hammocks, among other items.

OFID, he pointed out, was running a series of such displays, showcasing the art of Member Countries.

Also addressing the gathering, Venezuela's Ambassador to Austria, Alí de Jesús Uzcátegui Duque, spoke of his desire to share his country's culture, its richness, complexity and joy with the citizens of the world.



The exhibition, he told assembled guests, was an exploration of "that deepest Venezuela," which presented the country as an immense geological mosaic of forested, soft wavy hills and sandstone formations of extraordinary beauty.

He added that the exhibition formed part of a project jointly developed by the Centre for Cultural Diversity and the Museum of Fine Art of Venezuela providing an up-to-date depiction of the men and women who lived in the territory.

The Ambassador paid tribute to the photographer Rafael Salvatore, whose pictures featured prominently in the exhibition.

Venezuela has a population estimated at 28.4 million. Figures show that indigenous groups, which number around 28, comprise some two per cent of the total number. Only four of the groups — the Wayuú, Warao, Pemón, and Añu — have populations in excess of 10,000.

All photographs courtesy Rana Wintersteiner/OFID.

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

June

Crude oil price movements

The OPEC Reference Basket price dropped by almost $8/barrel, or 9.5 per cent, in May to average $74.48/b, underscoring continued volatility in the marketplace. The loss, the largest since December 2008, was attributed to bearish market sentiment, driven by a disappointing macroeconomic environment, in particular, Greece's debt woes and its possible spread to other countries and the eventual implications for the global economic recovery and oil demand.

The OPEC Basket started the month above $84/b, before falling to a near eight-month low of less than $67/b on May 25, representing a loss of $17.52/b, or 21 per cent, in just 16 trading days.

However, despite the sharp decline, the OPEC Basket remained some 30 per cent higher than the excessively low levels seen a year earlier, following the financial crisis.

All the Basket's components followed a downward trend in May with Brent-related crudes leading the loss with more than ten per cent. Light sweet crudes were the most affected, along with WTI and Brent, because of ample supplies and weak demand, particularly in the Atlantic Basin.

Middle Eastern market sentiment strengthened in early May after Saudi Arabia raised the price of its Arab Light crude for June loading cargoes to a five-month high and hiked Arab Medium after cutting it to its lowest level in 15 months in May.

Stronger demand for fuel-oil rich grades in the Asia-Pacific gave some support to Middle Eastern crudes. Nevertheless, a surplus weighed on prices as Qatar notified its Asian term buyers that it would offer full volumes for June loading, while Saudi Arabia kept crude supply at full volumes in June.

Middle Eastern crudes were also under pressure from Russia's ESPO Blend, which has been gaining acceptance among Asian buyers since its launch last December.

Latin American crudes, Merey and Oriente, were also under pressure on the back of lagging demand and increasing availability of crude. They dropped in the month by 9.9 per cent and 9.1 per cent, respectively.

The OPEC Reference Basket showed some recovery in early June, in line with the futures market, supported by stronger equity markets. It stood at $72.09/b on June 4. Nevertheless, renewed concerns about the Euro-zone sovereign debt crisis and its potential implications on global economic growth pushed the Basket below $70/b on June 7.

"Macroeconomic data will remain the main factor for oil price developments over the coming months. Price movements will largely depend on the evolving Euro-zone sovereign debt crisis," said the OPEC report.

"A spread to other countries will likely undermine global economic growth and negatively impact world oil demand. Oversupply from increasing production at a time of already high inventories remains another downward risk for the oil market," it added.

On the Nymex market, US benchmark crude WTI averaged the month of May at $74.12/b, which was $10.46/b, or 12.4 per cent, below the previous month. However, even though the average was the lowest since September's figure of $69.47/b, it remained $14.91/b above a year

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

earlier, when prices were hovering within the range of $50–65/b amid the economic crisis.

The ICE Brent contract was similarly affected in May, but less than WTI. The ICE Brent front month settled just one day below $70/b and averaged $77.12/b for the month, with the loss compared with the previous month amounting to just $8.64/b, or ten per cent.

"Growing uncertainties about the oil market outlook, with signs of a moderation in the pace of the economic recovery and stronger growth in supply, has reduced investors' appetite for oil and dampened prices," the report commented.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that prices dropped sharply in May in the middle of the EU public debt crisis and concerns about the impact on demand of China's tightening policy in the property sector.

According to the World Bank, the non-energy price index declined by 4.7 per cent month-on-month in May, compared with a rise of 8.7 per cent in April, while the energy index lost 8.9 per cent, compared with 5.1 per cent, the previous month

In the non-energy group, base metals experienced the sharpest decline in May in response to the European debt crisis, the end of the stimulus package for the property market in China and the slowdown in private residential construction. Concern was also heightened by the softening of the PMI and slower car sales growth in May.

The World Bank energy commodity index (crude oil, natural gas and coal) fell by 8.2 per cent in the month, compared with 5.1 per cent in April, driven by a hefty 10.2 per cent drop in crude oil prices (the average petroleum spot price of WTI, Brent and Dubai) and no growth in coal. Natural gas prices saw some monthly gains.

Henry Hub (HH) gas rose by 3.7 per cent m-o-m in May, up from a 6.7 per cent drop in April. "Despite still weak fundamentals, some positive signs contributed to the price recovery, such as higher power generation demand from seasonal maintenance at nuclear and coal power facilities amid a cold outbreak in a part of the US," said the report.

The World Bank non-energy commodity index reported a 4.7 per cent m-o-m decline in May with the fall taking place across almost all the commodities considered.

The Bank's base metal price index recorded the deepest decline in May, plummeting by 12.3 per cent, down from 5.1 per cent in April. Every metal, base or ferrous, suffered from the Chinese announcement of the end of the stimulus package for the property market.

"There is concern in the markets over the possibility of a Chinese slowdown, especially in private residential construction and the inflow of data, which points to a slower pace of growth in China, such as the weaker PMI and the slower car sales growth in May."

Copper prices declined by 11.7 per cent m-o-m in May, down from 3.8 per cent in April, affected by concerns over the possibility of slower growth in China and the European public debt crisis.

The price of aluminium plummeted by 11.9 per cent in May, essentially due to expanding supply, while lead prices slumped by 16.9 per cent m-o-m on an increasing surplus, which expanded by 44 per cent in the first quarter of the year, according to the World Bureau of Metal Statistics.

Zinc prices tumbled by 16.8 per cent in May, due to a surplus estimated at 27 per cent, while the price of nickel collapsed by 15.5 per cent m-o-m.

Gold prices increased by 4.9 per cent in May, compared with three per cent in April, essentially on safe-haven buying by investors.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report stated that the US recovery was continuing, supported by monetary and fiscal stimulus.

The latest GDP numbers for the first quarter of the year – although revised down slightly in the second estimate – were a reflection of the momentum that started in the second half of last year. The second estimate of the GDP number for the first quarter was at a three per cent annualized rate, slightly lower than the first estimate of 3.2 per cent, but still representing a solid level.

The first half of 2010 was expected to keep this momentum as recent indicators supported the trend. Industrial production was up by 0.8 per cent m-o-m in April, higher than the 0.2 per cent seen in March. Capacity utilization increased to 73.6 per cent in April from 73.2 per cent the previous month, which marked the highest level since November 2008, although still far from the average level of around 80 per cent.

Pending home sales were up again in April, increasing by six per cent m-o-m, after the 7.1 per cent rise recorded in March.

Construction spending was higher by 2.7 per cent in April, compared with only 0.4 per cent in March.

The weight of personal consumption expenditure in the first quarter was seen to have returned to normal levels, representing 80 per cent of the GDP growth and therefore constituting the main source of expansion for the US economy.

"This is an encouraging sign as personal consumption was negative in the third quarter of 2009 and constituted only 30 per cent of GDP growth in the fourth quarter, compared with an average of 70 per cent before the recession. The high volatility in those numbers reflects the fragility of the US economy and might demonstrate that more positive indications might be needed before this is seen to be a substantial turnaround," said the report.

The services-ISM for May stood at 55.4, the same level as in the previous two months. Although having retreated a little, the ISM for manufacturing remained at an elevated level of 59.7, down from 60.4 in April.

The report noted that the still high unemployment rate was certainly not supportive for the economy. Joblessness declined to 9.7 per cent in May from 9.9 per cent in April.

Concerns that the growth potential would be limited, due to the high unemployment levels and the still relatively tight credit supply by banks, was being shared by the capital markets. The S&P 500 has lost around ten per cent since the peak levels of April and the yield of ten-year treasuries was seen declining from four per cent at the beginning of April to 3.4 per cent, with both markets being characterized by very high and increasing volatility.

"Thus, while the economic development in the US is continuing its positive trend, it might be still inflated by various government-led support measures. By acknowledging the positive momentum, but also taking into account the challenges for the coming months, the forecast for 2010 has been left unchanged at 2.8 per cent," the OPEC report commented.

Turning to Japan, it said the country's economy grew by 4.9 per cent in the first quarter of the year, which was much higher than expected by most observers. The main contribution came again from exports, which were responsible for 3.9 per cent, or almost 80 per cent, of the quarter's GDP growth.

"This underlines the current dependence of the Japanese economy on exports and as China constitutes the main export market for Japan, it further underlines the dependence on the health of this particular market," said the report.

Exports remained solid in April at 2.3 per cent m-o-m and could lead the way to continued firm growth in the second quarter. Exports to China, which were the main growth engine in the first quarter and the fourth quarter of last year at 12.8 per cent and 11.2 per cent, respectively, recorded a 2.5 per cent m-o-m increase in April, after 1.9 per cent in March.

Domestically, the economy was also supportive. April retail sales data surprised to the upside again, while household spending declined by 0.7 per cent m-o-m, after a 4.4 per cent gain in March.

On a monthly basis, retail sales increased by 0.5 per cent, which was the fourth consecutive month of growth. On a yearly basis, this was up by 4.9 per cent, which came after 4.7 per cent y-o-y growth in March and 4.2 per cent in February, seen as a strong trend of expansion.

"The strong export-led growth of Japan is having an effect on the domestic economy, certainly in combination with the government-led stimulus. While policy stimulus still plays an important part in the recovery of domestic demand, it seems that underlying demand is recovering, even without those policy measures," said the report.

Motor vehicle sales, for example, increased by 7.9 per cent m-o-m in April, despite the fact that tax-incentives were seen tapering off. This suggested that other factors, such as an improvement in labour conditions, could be a supportive factor as well.

The unemployment rate in Japan rose slightly to 5.14 per cent in April from 5.01 per cent in March. The job offers-to-applicants ratio fell for the first time in eight months in April, but declined by only 0.01 per cent. However, the number of new job offers, a leading indicator, increased by 0.9 per cent m-o-m, continuing the growth seen in March of 5.6 per cent.

"The positive momentum in the job market, despite some small downtrend movement in April, seems to be still intact. This gives hope that the trend in the declining consumer price index (CPI) might soon come to an end. The CPI declined by 1.5 per cent y-o-y in April, widening the magnitude of the March level of minus 1.2 per cent y-o-y," observed the report

Japan's industrial production in April grew by 1.3 per cent m-o-m, after a 1.2 per cent increase in March. The manufacturer survey compiled by the Ministry of Economy, Trade and Industry (METI), indicated an increase in May of 0.4 per cent and 0.3 per cent in June.

"The economy in Japan has recovered significantly in the the first quarter of this year. This, combined with some caution about growth prospects in the second half of 2010, has led to an increase in the GDP forecast from 1.5 per cent to 2.7 per cent," the report noted.

Looking at the Euro-zone, the report said the challenges appeared to be far from being solved and continued to derail the region's recovery to some extent.

"However,it noted that a distinction should be made between those Euro-zone economies that were facing serious debt issues with regards to their public financial situation, and those economies that were in a relatively sound situation.

"Furthermore, when analyzing the economic situation in the Euro-zone, the sovereign debt challenges should be analyzed separately from the recovery in the real economy, while certainly one area is impacting the other."

Mostly, the report said, countries with a strong export base were currently leading the Euro-zone recovery, as domestic demand still seemed sluggish.

Industrial new orders for the total Euro-zone were up by 5.2 per cent in March m-o-m. On a yearly basis, the comparison was even more impressive at a rate of 19.8 per cent.

The Euro-zone's exports grew by 16 per cent y-o-y in the first quarter and by 22 per cent y-o-y in March. Exports to China expanded by 46 per cent for the first two months of the year, which was by far the highest growth rate, the latest available data from Eurostat showed.

The most recent data for Germany underpinned this supportive trend. Industrial orders continued their momentum, growing by 2.8 per cent m-o-m in April, after a revised March figure of 5.1 per cent.

Comparing with the low activity of last year, industrial orders grew by almost 30 per cent. It was mainly the trade activity outside the Euro-zone that was boosting exports, indicating that the low Euro was possibly having a positive effect already.

"This is also a positive signal, at a time when Euro-zone business and consumer confidence is waning. Exports could offset lower domestic activity and Germany should be expected to be the prime beneficiary of this situation," the report maintained.

Euro-zone retail sales in April declined by 1.2 per cent from March, when they rose by 0.5 per cent m-o-m. This again corresponded with the latest unemployment rate of 10.1 per cent, which compared with ten per cent in March.

Again, Germany took the lead of the four big economies in the Euro-zone. German unemployment fell to 7.1 per cent in April from 7.3 per cent in March. France's level remained at the Euro-zone average of 10.1 per cent, while

Spain was the highest of the big economies at 19.7 per cent, following an increase of 0.2 per cent from March.

In the light of the current challenges, the European Central Bank kept its key interest rate unchanged and was not expected to alter it soon, as inflation was still under control at 1.6 per cent in May, only slightly higher than April's level of 1.5 per cent.

The preliminary release of the Euro-zone's GDP confirmed the low growth trend. GDP growth in the first quarter was recorded at a seasonally adjusted level of 0.2 per cent, with Germany and France – constituting the majority of the Euro-zone – growing at 0.2 per cent and 0.1 per cent, respectively. Spain grew at this level and Italy enjoyed most of the growth at 0.5 per cent.

"Taking the slight improvement in exports and industrial orders into account, while considering as well the continued pressure by the sovereign debt situation in the Euro-zone, the growth forecast for 2010 was slightly increased from 0.6 to 0.7 per cent," the report stated.

Regarding Russia, the report said the Russian economy was witnessing a brisk recovery in the second quarter following the deep recession of 2009 when output fell by almost eight per cent, marking the sharpest contraction since 1999.

Factors supporting growth included the government fiscal stimulus and higher oil prices, while growth may be constrained by the banking sector's burden from non-performing loans, as well as the still high rate of unemployment.

"Despite positive developments so far this year, the near-term outlook may be impacted by the fallout from the Euro-zone debt crisis on commodity prices and through worsening access to international credit markets," the report said.

Second quarter growth in Russia was expected to exceed the soft expansion seen in the first quarter on the back of stronger retail sales and improved business confidence.

Russian GDP rose by an annual two per cent in May, following 1.2 per cent growth in April, marking the fastest pace since November 2008.

A solid performance was recorded by industrial production in April when it rose by 10.4 per cent y-o-y from 5.7 per cent in March, mainly due to stronger manufacturing growth. Moreover, capital expenditure and construction also began to recover in March and April after deep declines at the start of the year.

In China, the report said the country's economic growth was set to moderate from the very strong 11.9 per cent expansion registered in the first quarter of the year.

"China may be affected by the fallout from the Euro-zone debt crisis and slower growth in the Euro-zone region as Europe is the most important market for Chinese goods, absorbing around 20 per cent of total Chinese exports," the report observed.

Early signs that growth in China was moderating could be seen from the latest figures for manufacturing. According to the Federation of Logistics and Purchasing, the purchasing managers' index fell to 53.9 from 55.7 in April, while remaining above the threshold 50 level that separated expansion from contraction.

A separate purchasing managers' index from HSBC Holdings Plc and Markit Economics also showed a decline to 52.7 in May from 55.2 in April.

Another sign was the sharp drop in property sales registered in May. After property prices in 70 major cities surged by 11.7 per cent y-o-y in March, the Chinese government took measures in mid-April to deflate the property bubble. The measures included raising mortgage rates for second homes. The government also urged Chinese banks to stop lending for third-home purchases in cities with excessive property price gains and to suspend lending to non-residents. Tighter controls over developers' financing were also put in place.

"These policies have shown rapid success as witnessed by the sharp drop in May property sales in key cities like Beijing, Shanghai and Shenzhen," said the report.

China's GDP was forecast to expand by 9.5 per cent in 2010, unchanged from last month's OPEC report.

India's economic growth, it said, was proceeding apace as manufacturing expansion accelerated and exports boomed.

The country's GDP rose by 8.6 per cent in the first quarter from a year earlier, following a revised 6.5 per cent gain in the fourth quarter of 2009, despite consumer spending having slowed.

The Purchasing Managers' Index for manufacturing compiled by HSBC Holdings Plc and Markit Economics, rose to 59 in May from 57.2 in April, marking the highest level since February 2008.

"China may be affected by the fallout from the Euro-zone debt crisis and slower growth in the Euro-zone region as Europe is the most important market for Chinese goods ..."

Meanwhile, India's exports posted a 36.2 per cent increase in April, according to the Commerce Ministry.

The OPEC report said that Brazil was set to tighten its monetary policy further as inflationary pressures rose.

The Central Bank, it said, was determined to fight inflation as stronger growth had fuelled inflationary expectations. GDP growth was expected to reach five per cent this year, following an estimated contraction of 0.2 per cent in 2009.

Looking at selected OPEC Member Countries, the report said that in Algeria, economic growth was expected to pick up this year, supported by strong government spending.

The recently adopted Algerian five-year economic development programme over the period 2010–14 foresaw spending on projects of $286 billion, involving large increases in investment and in social spending.

"This will also help to reduce the unemployment rate further. It has already fallen from over 29 per cent in 2000 to around ten per cent in 2009," it said.

Similarly, GDP growth in Saudi Arabia was

set to accelerate in 2010 to a forecast 3.7 per cent, following near stagnation in 2009, on the back of the ongoing government fiscal stimulus.

In its 2010 budget, the Saudi government planned to increase investment spending by 16 per cent to bolster the economic recovery and help support job creation.

Meanwhile, consumer prices in Saudi Arabia rose by 0.3 per cent m-o-m in April, following a rise of 0.5 per cent in both February and March. The price rise was mainly driven by higher food prices, which accounted for 26 per cent of the CPI basket in weight.

Annual inflation stood at 4.9 per cent in April, compared with 4.7 per cent in March.

World oil demand

In its review of the market, the OPEC report stated that 2010 had started with a weak economic recovery that led to stabilized oil demand in most of the world.

However, as the year progressed, many regions showed negative performance in oil consumption, resulting from the economic turbulence.

"US oil demand will play a major role in total oil consumption this year. China's oil demand has been acting as a back up and offsetting, to a certain degree, the loss in OECD oil demand."

World oil demand in the first quarter grew by a marginal 400,000 b/d. The non-OECD region consumed 1.2 million b/d more oil in the first quarter y-o-y; however this strong growth was partially offset by a strong contraction in the OECD.

Despite oil demand growth in both North America and the Pacific, the massive 1.0m b/d decline in European oil consumption led to a 800,000 b/d decline in the OECD in the first quarter y-o-y.

Although the first five months of 2010 indicated a slight recovery in oil consumption, the OECD region was not expected to show oil demand growth this year, given the current economic circumstances, especially in the Eurozone.

"With half of the year already almost passed, economic signs are not that rosy; nevertheless hope remains. Despite the weak economic recovery, future economic prospects are pushing world GDP to a positive side, which will support world oil demand growth, mainly in the transport and petrochemical sectors," said the report.

"US oil demand will play a major role in total oil consumption this year. China's oil demand has been acting as a back up and offsetting, to a certain degree, the loss in OECD oil demand," it added.

The non-OECD region was fuelling oil demand growth this year by an amount of 1.1m b/d.

Given the slow world economic recovery, world oil demand growth was forecast at 900,000 b/d, or 1.1 per cent, unchanged from the last OPEC assessment.

Demand for OPEC crude in 2010 was projected to average 28.8m b/d, following a downward revision of 70,000 b/d from the previous assessment.

Required OPEC crude was forecast to decline by 175,000 b/d from a year earlier, following two consecutive annual declines. The first quarter of the year was still showing a drop of 1.3m b/d, followed by a decline of 500,000 b/d in the second quarter, while both the third and the fourth quarters were estimated to see positive growth of around 400,000 b/d and 600,000 b/d, respectively.

This, said the OPEC report, would leave no room for additional crude oil supplies in the market.

Demand for OPEC crude for 2009 was revised down slightly to 28.9m b/d, representing a considerable decline of 2.4m b/d from the previous year. The first half of the year experienced negative growth of around 3.0m b/d, compared with the same period the previous year. The decline in the second half was seen narrowing with losses of 2.1m b/d in the third quarter and 1.1m b/d in the fourth quarter.

The report noted that world oil demand growth in 2009 had been revised marginally lower by 10,000 b/d, due to a downward revision from the fourth quarter of last year, while other quarters were unchanged.

As a result, world oil demand in 2009 was estimated to have expanded by 1.47m b/d, or 1.71 per cent, to stand at 84.43m b/d.

Recent data published in April indicated a rather pessimistic picture of most of the OECD countries' oil consumption.

While North American and Pacific oil demand seemed to have finally stabilized for the year, basically due to an extremely low base in 2009, in combination with some economic recovery, oil consumption in OECD Europe was still deep in the red. This had resulted from the massive Euro-zone debt crisis, which had put the region into the worst recession since World War II.

Recent May US weekly data showed some recovery in the consumption of industrial fuels (distillates, as well as propane/propylene), resulting not only from a very low 2009 base, but also from an increase in industrial activity.

On the other hand, the consumption of transportation fuels in May was still at very low levels, due to lower driving mileage, in combination with higher fuel prices.

Although the developments in industrial fuels were promising, the continuing low consumption in transportation fuels and the nature of weekly data imposed some caution as to whether these preliminary indications would actually materialize.

May weekly data indicated annual growth of 1.5m b/d, led by 17 per cent growth in distillate fuel oil.

US second quarter oil demand growth was estimated at 420,000 b/d; however if June consumption turned out as strong as in May, then the estimate would be revised up.

Mexican and Canadian oil consumption stood at higher levels during the first four months of 2010, compared with the same period in 2009, with all products showing

increases – the biggest seen was in industrial and transportation fuels.

Oil demand in Mexico was forecast to show growth of 34,000 b/d in the second quarter, almost double the expansion seen in the first three months. All the extra oil consumption was seen related to enhanced economic activity.

Furthermore, the improved economy was affecting Canadian oil usage as well. It was forecast that transport fuel, along with industrial fuel, would show some growth this year, leading to overall growth in Canadian oil demand of 30,000 b/d y-o-y.

North American oil demand was expected to grow by 300,000 b/d y-o-y to average 23.6m b/d in 2010, with most increases taking place during the second half of the year.

Debt in several European economies and the continued application of rigorous state tax policies on oil were causing an additional sharp decline in European oil consumption.

European 'Big Four' oil demand contracted strongly, led by Germany and the United Kingdom. Oil demand in these key economies declin-ed by 600,000 b/d, or eight per cent, y-o-y.

Most of the decline was attributed to transportation fuel. Gasoline, jet fuel/kerosene and diesel usage plunged by 160,000 b/d, 150,000 b/d and 130,000 b/d, respectively.

The April data indicated that Germany's oil demand declined by 250,000 b/d, exceeding the first quarter decline by 50,000 b/d. Distillates and heating fuel fell by 16 per cent and 14 per cent in the month.

Slow economic activity negatively affected transport fuel use, reducing both gasoline and diesel use by 4.6 per cent and 0.8 per cent, respectively. This massive decline pushed Germany's total oil consumption down by 300,000 b/d, compared with the same month in 2009. German oil consumption was not expected to show a recovery anytime soon.

Official UK April data reported a reduction in oil consumption of about 300,000 b/d with the transport sector being most affected. French and Italian oil consumption in April also decreased compared with last year.

In France, heating fuel substitution along with less driving mileage accounted for most of the decline, while in Italy less industrial production and hence reduced use of residual fuel in the industrial sector accounted for most of the drop. The negative data caused a downward revision in OECD Europe oil demand of 50,000 b/d.

"OECD Europe's total contraction in oil demand is forecast at 500,000 b/d in 2010. However, the decline in oil demand is expected to ease in the second half of the year," said the report.

In South Korea, the second largest oil-consuming country in the OECD Pacific region, an increase was observed in the consumption of transportation and industrial fuels in April, offsetting the decrease in residual fuel oil consumption, as a result of fuel switching.

This left overall oil consumption during the first four months of the year almost flat, compared with 2009.

Japanese oil consumption seemed to have stabilized since January, reaching 2.7 per cent growth in the first four months of the year. However, this was up from the exceptionally low levels seen in 2009. This growth occurred despite the reduction of crude use by power plants.

Furthermore, the Pacific region experienced colder weather conditions, causing higher consumption of heating fuel. Despite the positive performance, Japan was not expected to see overall growth in its oil use this year. The economic slowdown has had a strong dampening affect on the country's energy use this year.

As a result of stabilized Japanese oil demand, OECD Pacific oil demand was revised up by 27,000 b/d in 2010 to average 7.7m b/d.

For the first time this year, Indian oil demand showed normal growth in April, reaching 3.8 per cent y-o-y. As the summer heat coincided with the farming season, the irrigation pumps increased demand for diesel by 13.5 per cent in April.

Furthermore, new car registrations jumped by 39 per cent in April, pushing gasoline demand up by 9.8 per cent. Diesel, used not only for transportation, but also by the agricultural and industrial sectors, expanded the most, adding another 159,000 b/d to total Indian oil demand.

Gasoline, as well as LPG demand, grew sharply, exceeding nine per cent. Despite the slowdown in India's oil demand in the first quarter, the country's demand would offset the slowdown in the second half of the year. As a result of a booming economy, India's oil demand was forecast to grow by 130,000 b/d in 2010.

Taiwan's strong consumption of oil by the industrial sector pushed the country's total oil use up by 13 per cent in March. This was achieved despite the contraction in transport fuel.

Taiwan's oil consumption exceeded 1.0m b/d with the transport sector's consumption being the strongest.

Like Taiwan, enhanced economic activity pushed Thailand's use of industrial oil up, elevating the country's total demand by eight per cent in March y-o-y.

"Given the recent improvement in India's oil demand, Other Asia's oil demand growth for the year is forecast at 22,000 b/d, averaging 10m b/d," said the report.

It noted that Middle East oil demand was being positively influenced by the region's healthy economy. The region was maintaining its forecast growth of 230,000 b/d, despite the minor slowdown in Iran's gasoline use.

Iran's April gasoline demand declined by 50,000 b/d y-o-y, suppressing the country's total oil consumption by 1.7 per cent. The country's January to April consumption declined by 36,000 b/d, averaging 1.5m b/d.

Saudi Arabia's gasoline and diesel consumption increased by 8.3 per cent and 3.5 per cent, respectively, in April, putting the Kingdom's total oil demand growth at 163,000 b/d.

Growing summer demand for electricity had not affected fuel oil consumption so far. Fuel switching to LNG pushed the usage of fuel oil into the red by 6.7 per cent in April y-o-y.

Middle East oil demand in April was, as predicted, leading to growth of 230,000 b/d in 2010, averaging 6m b/d. Middle East oil demand would exceed the hurdle of 6m b/d in the third quarter this year.

Developing Countries' oil demand growth was forecast at 630,000 b/d in 2010 to average 26.7m b/d.

The report stated that China's booming economy had been keeping the country's appetite for energy in the growth mode. China's oil demand had beaten all expectations so far this year, putting first quarter growth at 620,000 b/d y-o-y.

However, this was supported by the low base of oil demand seen in the first quarter of last year.

The strong trend in consumption continued in April as well. April oil demand grew by 8.6 per cent, adding another 680,000 b/d to the country's oil demand pool.

"This high demand is purely consumption without domestic oil stock filling," the report commented.

New car registrations were higher in April, pushing gasoline demand up, while net oil imports jumped by more than 14 per cent in the month. In April, China consumed an average of 8.75m b/d of oil.

"Should China's oil demand maintain this unexpected strength, then the year's total consumption will be revised up. The preparation for the summer heat, along with the start of the agricultural season, is expected to push China's oil demand growth higher in the third quarter, reaching 420,000 b/d," the report observed.

Given the strong economic activity, China's oil demand growth was forecast at 450,000 b/d in 2010 to average 8.6m b/d.

Following a devastating oil demand performance in the Former Soviet Union (FSU) last year, the region was seen recovering and switching to moderate growth.

FSU oil demand was following the region's economic recovery and was forecast to grow by one per cent y-o-y.

On the other hand, the Other Europe region was dogged by the slowing European economy and was not expected to consume more oil in 2010 than last year.

World oil supply

According to preliminary figures, global oil supply averaged 85.75m b/d in May, around 250,000 b/d lower than in the previous month.

OPEC crude was estimated to have had a 34.1 per cent share in global supply, slightly higher than in the previous month, due to an increase in OPEC crude production and lower non-OPEC supply. The estimate was based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production were derived from secondary sources.

Meanwhile, non-OPEC supply was expected to average 51.78m b/d in 2010, representing growth of 640,000 b/d over 2001, and an upward revision of 110,000 b/d compared with the last OPEC report.

Updates on actual production data in the first quarter, as well as healthy supply figures for the early part of the second quarter by many non-OPEC suppliers, required the upward revision.

Similar to the previous month's revisions, the upward revisions were concentrated in the first half of 2010, with more weight placed on the second quarter.

"It is worth highlighting that the associated risk and uncertainties in the forecast are on the high side given the current global market situation, as well as the factors influencing supply," the report stated.

On a quarterly basis, non-OPEC supply in 2010 was expected to average 52.21m b/d, 51.91m b/d, 51.29m b/d and 51.70, respectively.

Total OECD supply was forecast to average 19.57m b/d in 2010, representing a decline of 70,000 b/d over 2009 and an upward revision of 80,000 b/d from the previous month.

The upward revision came on the back of updated strong production figures in the early part of the second quarter, as well as in the first three months.

"Yet the risk and uncertainties remain high, especially in North America, which requires careful monitoring over the coming period," the report said.

On a quarterly basis, OECD oil supply in 2010 was forecast to average 19.90m b/d, 19.35m b/d, 19.41m b/d and 19.89m b/d, respectively. Total OECD supply stood at 19.49m b/d in May, according to preliminary estimated data, indicating an increase of around 250,000 b/d compared with the same period in 2009.

Oil supply from North America was projected to increase by 160,000 b/d to average 14.45m b/d in 2010, representing an upward revision of 50,000 b/d from the previous month.

US and Mexico oil supply forecasts experienced an upward revision, while Canada's forecast remained steady on an annual basis. The anticipated growth in North America was seen to be supported mainly by the US and to a lesser extent by Canada, while Mexico was expected to decline and offset some of the growth in the other countries.

On a quarterly basis, North America oil supply in 2010 was foreseen at 14.69m b/d, 14.55m b/d, 14.25m b/d and 14.31m b/d, respectively.

US oil supply was expected to average 8.26m b/d in 2010, representing growth of 190,000 b/d over 2009 and an upward revision of 40,000 b/d from the previous report.

The upward revision affected the first half with both the first and second quarters encountering upward revisions of around 130,000 b/d each.

Additionally, strong biofuel figures supported the upward revision with the spread between ethanol and RBOB shrinking, giving ethanol production a favourable position, which supported the high ethanol export numbers in March.

Additionally, expectations for a bigger corn harvest were providing biofuel supply with a positive outlook. On the other hand, the forecast for US supply in the second half experienced a downward revision in both the third and fourth quarters with more weight on the fourth quarter.

The OPEC report said that a number of developments had taken place since its last update.

Among the important factors was the extension of the deepwater moratorium in the US to include all wells of more than 500 ft in depth.

"This action, which was driven by the accident at the Macondo well, is now seen to have had a negative impact on US oil supply by delaying the start-up and ramp-up of many projects."

It said that while last month, the effect of the accident on US supply was seen to be minor,

since then, the drilling ban had completely changed the perception about the repercussions of the accident.

During the early part of May, the US Mineral Management Service reported that only five oil and gas platforms were shut down due to the oil slick, representing a production cut of only 2,300 b/d.

However, the announced drilling ban on May 27 had changed the picture of the forecast, with expectations of a stronger effect on 2011 supply than in 2010.

According to various reports, the extension of the moratorium was affecting wells that were being drilled with orders to halt operations at the "first safe stopping point".

This direction was affecting, as per the current report, around 35 wells, 25 of which were development wells, which would have a heavy influence on production in 2010 and 2011 and would delay new volumes going onstream.

Additionally, recent reports suggested that this year's Atlantic hurricane season was expected to be one of the most active on record with a projection of 8-14 hurricanes negatively affecting supply expectations for the second half of the year.

"It is worth highlighting that none of the downward revisions introduced to the second half forecast came in response to the weather forecast, as it is very difficult to quantify the effect of any hurricane on US supply since many of the available statistical methods to assume an effect on the supply in the past were not very accurate.

"Hence, it should be highlighted that the future holds a very high risk to the forecast of US oil supply due to the above mentioned factors, including weather disruptions," said the report.

On a quarterly basis, US oil supply in 2010 was seen averaging 8.41m b/d, 8.33m b/d, 8.15m b/d, and 8.17m b/d respectively. According to preliminary estimated data, US oil supply was seen to have averaged 8.24m b/d in May, down from the previous month.

Canadian oil supply was foreseen to increase by 50,000 b/d over 2009 to average 3.29m b/d in 2010, flat from the previous month. Oil supply growth from Canada was expected to be driven mainly by its oil sands development.

On a quarterly basis, Canada's oil supply this year was put at an average of 3.29m b/d, 3.28m b/d, 3.27m b/d and 3.33m b/d, respectively.

Oil supply from Mexico was predicted to decline by 80,000 b/d over 2009 to average 2.90m b/d in 2010, indicating an upward revision of 10,000 b/d compared with the previous month.

The upward revision was supported mainly by healthy production data that indicated higher-than-expected supply.

On a quarterly basis, Mexico's oil supply in 2010 was expected to average 2.99m b/d, 2.94m b/d, 2.84m b/d, and 2.81m b/d, respectively. According to preliminary data, Mexico's oil supply in May stood at 2.98m b/d, relatively unchanged from the previous month.

Total OECD Western Europe oil supply was seen averaging 4.45m b/d in 2010, representing a decline of 260,000 b/d over 2009 and a minor upward revision of 20,000 b/d from last month's report.

The upward revisions were concentrated in the first half of 2010, with the second quarter encountering the only upward revision that more than offset the downward revision in the first quarter. The revisions were necessary to adjust for actual production data, as well as estimated data.

"OECD Western Europe remains the region with the highest expected decline among all non-OPEC regions," the report stated.

On a quarterly basis, OECD Western Europe supply in 2010 was seen to average 4.66m b/d, 4.50m b/d, 4.24m b/d and 4.42m b/d, respectively.

Oil production from Norway was predicted to drop by 140,000 b/d to average 2.20m b/d in 2010, relatively flat from the previous month. There was a minor upward revision to the second quarter forecast that was introduced to adjust for preliminary data for the early part of the quarter.

In terms of volume, Norway's oil supply was expected to experience the largest decline among all non-OPEC countries in 2010. The second quarter oil supply forecast was seen lower than the first quarter, due to the summer maintenance season.

The decline was expected to continue in the third quarter before increasing in the fourth as the maintenance season came to an end.

On a quarterly basis, Norway's oil supply in 2010 was anticipated to average 2.31m b/d, 2.19m b/d, 2.08m b/d and 2.23m b/d, respectively. Preliminary data indicated a further decline in production in April, compared with the previous month, with the figure standing at 2.24m b/d. On an annual basis, April supply indicated a decline of 140,000 b/d.

"Total OECD Western Europe oil supply was seen averaging 4.45m b/d in 2010, representing a decline of 260,000 b/d over 2009."

UK oil supply was slated to average 1.40m b/d in 2010, representing a drop of 80,000 b/d over 2009 and an upward revision of 10,000 b/d compared with the last OPEC report.

The upward revision was introduced to adjust for the preliminary estimated production figure for the second quarter.

On a quarterly basis, UK oil supply in 2010 was expected to stand at 1.49m b/d, 1.45m b/d, 1.32m b/d and 1.36m b/d, respectively.

Denmark's oil supply was foreseen to average 250,000 b/d in 2010, representing a decline of 10,000 b/d over 2009 and an upward revision of less than 10,000 b/d compared with the previous month.

The OECD Asia Pacific's oil supply was expected to average 660,000 b/d in 2010, an increase of 30,000 b/d over 2009 and a minor upward revision of less than 10,000 b/d from a month earlier. The upward revision was due to updated production data.

On a quarterly basis, OECD Pacific oil supply in 2010 was seen averaging 620,000 b/d,

660,000 b/d, 670,000 b/d and 700,000 b/d, respectively.

Oil supply from Australia was expected to average 560,000 b/d in 2010, a minor increase of 20,000 b/d over 2009 and broadly unchanged from the previous month.

There were minor downward and upward revisions to the first and fourth quarter supply forecasts, respectively. Yet the revisions offset each other on an annual level.

On a quarterly basis, Australia's oil supply in 2010 was seen averaging 520,000 b/d, 540,000 b/d, 570,000 b/d and 600,000 b/d, respectively.

New Zealand's oil supply forecast encountered a minor upward revision to adjust for estimated data. It was now projected that New Zealand oil supply would increase by 10,000 b/d over 2009 to average 110,000 b/d in 2010.

Total Developing Countries' oil supply was forecast to increase by 290,000 b/d over 2009 to average 12.86m b/d in 2010, indicating a minor upward revision of 20,000 b/d compared with the previous month.

The revisions were concentrated in the first half of 2010, mainly to adjust for actual and estimated production data. There were upward and downward revisions among the countries, which mostly offset one other.

The anticipated growth was supported mainly by Latin America, while other regions' supply within the group was expected to either increase or decrease slightly.

Latin America, Africa and Middle East supply forecasts encountered upward revisions, compared with the previous month, while Other Asia experienced the only downward revision.

On a quarterly basis, Developing Countries' total oil supply in 2010 was seen standing at 12.87m b/d, 12.82m b/d, 12.86m b/d and 12.90m b/d, respectively.

Other Asia oil supply was estimated to remain relatively flat from the previous year, with a minor increase of 10,000 b/d, to average 3.73m b/d in 2010, indicating a downward revision of less than 20,000 b/d compared with a month earlier.

The downward revision came mainly from Malaysia and Thailand. Malaysia's oil supply was expected to decline by 30,000 b/d over 2009 to average 700,000 b/d in 2010, while Thailand's oil supply forecast encountered a downward revision on the back of an adjustment to preliminary production data.

In India, oil supply was predicted to grow by 60,000 b/d in 2010, supported by the Mangala project, which reported that supply had reached 60,000 b/d in May from around 18,000 b/d in the first quarter.

Vietnam's oil supply was expected to remain flat in 2010, compared with the previous year, to average 340,000 b/d.

On a quarterly basis, Other Asia supply in 2010 was seen amounting to 3.76m b/d, 3.72m b/d, 3.73m b/d and 3.72m b/d, respectively. Preliminary data indicated that Other Asia's oil supply in the first quarter indicated y-o-y growth of 50,000 b/d.

Oil supply from Latin America was anticipated to increase by 290,000 b/d over 2009 to average 4.70m b/d in 2010, indicating an upward revision of 20,000 b/d from the previous month.

The upward revision came from Argentina and Trinidad and Tobago supply forecasts. Argentina's oil supply was expected to remain flat in 2010, with a minor decline of 10,000 b/d over 2009, to average 750,000 b/d.

Similarly, in Trinidad and Tobago, supply forecasts experienced a minor upward revision of 10,000 b/d to adjust for updated production data in the first half of 2010, with supply anticipated to average 150,000 b/d.

Brazil's oil supply was expected to increase by 200,000 b/d over 2009 to average 2.7m b/d in 2010, the highest anticipated growth among all non-OPEC countries. The growth was supported by various projects, as well as biofuels production.

It was reported that 2010 was expected to post the highest record of sugar cane yield, hence supporting the biofuels supply growth. Additionally, Petrobras reported record-high domestic production in April, supported by the ramp-up of several platforms that were installed a year ago.

Colombia's oil supply was anticipated to increase by 100,000 b/d over 2009 to average 780,000 b/d in 2010. In April, its oil supply averaged 770,000 b/d, indicating y-o-y growth of around 20 per cent.

On a quarterly basis, Latin America's oil supply in 2010 was seen to stand at 4.63m b/d, 4.67m b/d, 4.71m b/d and 4.77m b/d, respectively.

Middle East oil supply was estimated to average 1.74m b/d in 2010, a minor increase of 20,000 b/d over 2009, indicating a minor upward revision of 10,000 b/d compared with the previous month.

The upward revision came from Syria as the updated production data indicated slightly higher supply than previously expected. Syrian oil supply was expected to remain flat in 2010 over 2009, supported by developments at the Khurbet oil field.

Oman's oil supply remained the only country in the region to post a supply increase in 2010, supported by its EOR developments.

On a quarterly basis, Middle East oil supply in 2010 was foreseen to average 1.75m b/d, 1.75m b/d, 1.74m b/d, and 1.73m b/d, respectively.

Africa's oil supply was expected to average 2.69m b/d in 2010, a drop of 30,000 b/d over 2009, indicating a minor upward revision of 10,000 b/d from the previous month.

There were various small upward and downward revisions within the region that mostly offset each other. Supply forecasts for Chad, Congo and South Africa encountered upward revisions, while those for Equatorial Guinea and Gabon experienced downward revisions. Most of the revisions were introduced to adjust for updated production data.

On a quarterly basis, Africa's oil supply in 2010 was expected to average, 2.72m b/d, 2.68m b/d, 2.68m b/d and 2.68m b/d, respectively.

FSU oil supply was projected to average 13.15m b/d in 2010, representing growth of 230,000 b/d over 2009 and unchanged from the previous month.

Despite the steady forecast, there were a few upward and downward revisions that offset each other. The introduced revisions came

to adjust for production data and were partially carried over throughout 2010.

In terms of volume, the FSU region remained the second region with the highest supply after North America. The expected growth in 2010 FSU supply also showed the second highest growth after Latin America. FSU growth remained supported by all the major producers in the region.

On a quarterly basis, total oil supply from the FSU in 2010 was expected to stand at 13.12m b/d, 13.14m b/d, 13.10m b/d and 13.24m b/d, respectively.

Other Europe's oil supply was slated to remain steady over 2009 to average 130,000 b/d in 2010.

Preliminary data indicated that average FSU supply stood at 13.13m b/d in April, indicating y-o-y growth of 240,000 b/d and a monthly decline of 80,000 b/d.

Oil supply from Russia was forecast to average 10.02m b/d in 2010, an increase of 100,000 b/d over 2009, indicating a minor upward revision of less than 10,000 b/d compared with the previous month.

The upward revision was introduced to second quarter supply forecasts and carried over throughout the rest of the year. Slightly higher-than-expected supply in the first two months of the second quarter required the minor upward revision.

However, Russian oil supply was expected to decline from the peak seen in March in the coming period on the back of a decline in mature production areas.

On a quarterly basis, Russia's oil supply in 2010 was estimated to average 10.09m b/d, 10.04m b/d, 10.00m b/d and 9.96m b/d, respectively. According to preliminary data, Russia's oil supply averaged 10.05m b/d in May, slightly lower than in the previous month.

Kazakh oil supply was expected to increase by 70,000 b/d over 2009 to average 1.61m b/d in 2010, unchanged from the previous month.

On a quarterly basis, Kazakhstan's oil supply in 2010 was seen to stand at 1.61m b/d, 1.61m b/d, 1.56m b/d and 1.65m b/d, respectively. Actual supply data in April, which averaged 1.57m b/d, indicated a monthly decline of 30,000 b/d while on an annual basis, April supply indicated growth of 60,000 b/d.

Oil supply from Azerbaijan was anticipated to increase by 60,000 b/d over 2009 to average 1.08m b/d in 2010, representing a minor upward revision of less than 10,000 b/d compared with the previous month.

On a quarterly basis, Azerbaijan's oil supply in 2010 was estimated to average 1.00m b/d, 1.06m b/d, 1.10m b/d and 1.16m b/d, respectively.

China's oil supply was slated to average 3.97m b/d in 2010, an increase of 120,000 b/d over 2009 and unchanged from the previous month.

Despite the steady figure, there were minor upward and downward revisions in the first half that offset each other. The revisions came mainly to adjust for updated production data.

However, the strong growth experienced in China's oil supply was expected to shrink in the coming months as the decline of mature producing areas was expected to increase.

On a quarterly basis, China's oil supply in 2010 was projected to average 4.02m b/d, 4.01m b/d, 3.94m b/d and 3.90m b/d, respectively. Preliminary data indicated that China's oil supply averaged 4.02m b/d in April, slightly lower than the previous month, yet indicating y-o-y growth of 160,000 b/d.

Looking back at last year, the report stated that non-OPEC oil supply was estimated to have averaged 51.14m b/d in 2009, an increase of 740,000 b/d over the previous year. Among non-OPEC suppliers, the OECD displayed growth of 130,000 b/d over 2008. The supply increase came after six years of constant decline.

The reverse of the trend was supported only by growth in US oil supply, which was estimated at 570,000 b/d in 2009, the highest so far in the decade.

The rest of the OECD region varied between decline and stagnant, with more weight on the decline. On a quarterly basis, non-OPEC supply in 2009 was estimated to have averaged 51.00m b/d, 50.76m b/d, 51.02m b/d and 51.74m b/d, respectively.

Among the main factors affecting supply were the decline in oil prices and the financial crisis that led to capital expenditure cuts. On a regional basis, North America experienced the largest growth among all non-OPEC regions, supported by the supply increase in the US.

FSU supply growth came next, with slightly lower growth than in North America, supported by healthy growth in all major producers in the region. Russian oil supply experienced significant growth in 2009, which came as a surprise for most forecasters.

"OPEC's total crude oil production averaged 29.26m b/d in May, representing growth of 141,000 b/d over the previous month, according to secondary sources."

Latin America held third place on the back of growth experienced in Brazil and Colombia. The Middle East, Other Asia, the OECD Pacific, Africa, and China supply remained relatively flat in 2009, with only minor changes.

OECD Western Europe maintained its declining trend, with supply losing five per cent on an annual average.

Developing countries indicated lower growth than in the previous year with support coming only from Latin America.

OPEC oil production

OPEC's total crude oil production averaged 29.26m b/d in May, representing growth of 141,000 b/d over the previous month, according to secondary sources.

The increase came mainly from Iraq, while crude production from other OPEC Member Countries experienced only minor changes from the previous month.

OPEC crude oil production, not including Iraq, stood at 26.83m b/d in May, up 20,000 b/d from the previous month.

Output of OPEC NGLs and non-conventional oils were estimated to grow by 480,000 b/d over the previous year to average 4.83m b/d in 2010. In 2006, their production averaged 4.35m b/d, an increase of 2190,000 b/d over the previous year.

Downstream activity

Looking downstream, the OPEC report stated that a combination of growing demand for top and middle components of the barrel complex with the lower cost of crude lifted refining margins across the globe in May and encouraged refiners, particularly in the US, to increase throughput levels.

"With the start of the driving season and predictions for a more active hurricane season, gasoline market sentiment may gain further in the future. However, due to comfortable stocks and persisting spare refinery capacity in various parts of the world, product markets are not expected to lead the market and provide significant support for the crude market in the coming months," it said.

"Output of OPEC NGLs and non-conventional oils were estimated to grow by 480,000 b/d over the previous year to average 4.83m b/d in 2010."

"As mentioned in the previous report, there is still an inter-product imbalance in the market which potentially may limit any significant improvement in refinery throughputs. This situation could not provide sufficient support for crude market fundamentals in the future," it added.

Refining margins for WTI crude oil on the US Gulf Coast rose by 38¢ to reach $7.18/b in May from $6.80/b the previous month.

In Europe, refining economics followed suit, with margins for Brent crude in Rotterdam surging to $3.58/b in May from $1.74/b the previous month.

In Asia, middle distillates' performance was relatively good and supported refining margins. The lower cost of Dubai crude oil also contributed to positive developments in refinery economics.

Refining margins for Dubai crude oil in Singapore increased by 35¢ to reach $4.04/b in May from $3.69/b in April.

"Looking ahead, given the uncertainty in the financial market and its negative impact on market players' perception, it appears that product market sentiment may not be able to gain significantly in the coming months," commented the report.

It noted that, historically, refiners used to try to end their spring maintenance schedule as quickly as possible and to build gasoline stocks prior to the peak driving season.

But due to increasing efficiency and slowing demand, resulting from the economic crisis in 2009, refiners had changed their typical operational trend over the last few quarters.

Increasing manufacturing sector activities had led to higher demand for transportation fuel and encouraged refiners, particularly in the US, to increase operation levels over the last two months. However, refinery throughputs to the rest of the world were still lower than their seasonal level.

Refinery utilization rates in the US rose by 1.1 per cent and reached 87.9 per cent in May from 86.9 per cent in April.

The recent bearish developments in Europe had adversely affected European refiners' activities and they had not yet increased their operation levels. Despite the completion of the maintenance schedule, European refinery utilization remained steady versus the previous month at around 80 per cent of nominal capacity.

In Asia, the maintenance schedule was ongoing and would finish by the end of June. According to preliminary reports, Japanese refinery utilization fell marginally in May compared with the previous month to around 82 per cent.

"Looking ahead, with the start of the driving season and the completion of maintenance schedules, refinery utilization rates are expected to increase over the coming months," maintained the report.

Middle distillate demand in the US started to rise from the beginning of March and was reinforced in May. According to the Energy Information Administration (EIA), distillate demand in the US surged by 578,000 b/d to reach almost 4m b/d in May from 3.42m b/d in the same month last year.

Increasing demand for distillates lifted the gasoil crack spread versus WTI crude oil on the US Gulf Coast to about $12/b in the latter part of May from around $9/b the previous month.

Despite the bullish developments in the physical market, the futures market was negatively affected by bearish developments in the financial market.

The report said that the US gasoline market was also doing well and with the start of the driving season it was expected to strengthen further in the coming months.

According to the EIA, the pace of growth in US gasoline demand slowed in May from the previous month, but it extended its y-o-y growth in May. This consolidated the gasoline crack spread at around $16/b and provided support for refining margins in the US.

Expectations for an active hurricane season this year highlighted the risk of an operational disruption for US refineries operating along the Gulf Coast sometime over the peak hurricane season, which stretches from August until the end of October.

"However, the risk of a very severe product shortage is relatively low amid ample stocks and available spare refinery capacity across the world," the report stated.

It noted that US fuel oil demand remained sluggish and with higher regional supply, fuel oil market sentiment was expected to deteriorate further in the coming months. Rising regional output and stocks may also lead to a lower discount of fuel oil versus crude oil in the next month.

European product market sentiment gained further in May, as refinery runs were capped at

around 80 per cent. Among different components of the barrel complex, both gasoline and distillate market momentum gained compared with previous months.

The gasoline market benefited from positive developments in the US market and expected arbitrage flows to the US during the driving season.

Higher spot requirements from South Africa had also given support to the European gasoline market.

The gasoline crack spread against Brent crude oil at Rotterdam surged by about $2/b to reach over $16/b in late May from around $14/b in April. With the start of the driving season, the European gasoline market may remain relatively strong in the coming months.

The European naphtha market remained weak, but export opportunities to Asia extended support to the market in the last few weeks. Increasing demand from petrochemical units in the Mediterranean area also gave support to the European naphtha market in May and its crack spread edged closer to break-even levels from negative ground in the last months.

Overall, the European distillates market was seen still suffering from high stock levels. But sentiment had been boosted over the last few weeks amid reduced export opportunities to the US and Asia.

"With increasing refinery throughputs and surging exports, especially from the US, the European distillates market may lose part of its current ground," said the report.

The European jet/fuel market, which was adversely affected by the volcanic ash cloud in April, had also recovered over the last few weeks. Less arbitrage cargoes from the Middle East had also contributed to the rapid recovery in the jet fuel market.

The European fuel oil market situation remained weak, due to ample regional supply and sluggish demand, especially for bunker fuel. However, arbitrage opportunities to Asia lent some support to the European fuel oil market. Despite strength in the petrochemical market, the Asian naphtha market lost ground, due to huge arbitrage cargoes from Europe and less interest on the spot market. Chinese buyers also deferred their shipments, which contributed to bearish developments in the naphtha market.

The Asian gasoline market remained relatively weak amid higher exports from China and less demand from Indonesia, while gasoil market fundamentals remained relatively firm amid tight regional supplies.

The Asian fuel oil market performed better than in the previous month amid increasing demand for bunkering and the continuation of purchasing by BP.

Oil trade

According to preliminary data, US crude oil imports averaged 9.73m b/d in May, a small gain of two per cent compared with the previous month. On an annual basis, May crude oil imports increased by 794,000 b/d, or 8.9 per cent, over the same period last year.

Most of the increase in imports was due to higher refinery runs, due to the upcoming summer driving season, as well as high stock levels, which were above the seasonal average. A lower retail price for products also contributed to higher domestic consumption.

Over the first five months of the year, US crude oil imports declined by 2.8 per cent, or 261,000 b/d, over the same period last year to average 9.11m b/d. May and April increases were not enough to offset the January–March decrease.

US product imports in may decreased by 10 per cent over the previous month to stand at 2.46m b/d for a decline of 7.9 per cent, or 211,000 b/d, over the same month last year. During the first five months of the year, product imports reached 2.63m b/d, down 9.9 per cent from a year ago.

Gasoline and propane/propylene were the only products with increasing imports, while jet fuel, fuel oil and others declined. Gasoline imports increased, due to the retail price decrease seen nationwide in May.

US product exports in May increased by 3.7 per cent, or 63,000 b/d, from the previous month to average 1.74m b/d. The monthly increase was supported by higher refining runs. On an annual basis, US product exports fell sharply by 13.7 per cent, or 277,000 b/d, compared with the same month last year.

With the 188,000 b/d increase in net crude oil imports and the decrease of 334,000 b/d in net product imports, US net oil imports in May fell by 1.4 per cent, or by around 146,000 b/d, over the previous month to 10.41m b/d. May net oil imports were 9.2 per cent, or 879,000 b/d, higher than in the same month a year ago.

According to latest data, Canada remained the top supplier of crude to the US in March with 2.02m b/d, representing an increase of 123,000 b/d over the previous month. Saudi Arabia moved up to second position with 1.15m b/d, up 30.4 per cent from February.

US crude oil imports from Mexico increased by 9.04 per cent m-o-m to 1.09m b/d, while Venezuela, Nigeria, Angola and Iraq were next in the ranking with deliveries of 984,000 b/d, 939,000 b/d, 490,000 b/d and 475,000 b/d, respectively.

OPEC countries in total supplied the US with 4.74m b/d of crude oil during March, up by 12.48 per cent from the month before.

Canada also remained the lead supplier of oil products to the US in March with 497,000 b/d, despite a 96,000 b/d decline from the previous month. Russia was second with 239,000 b/d, 13.81 per cent higher than in February. The Virgin Islands was next with 228,000 b/d, followed by Algeria with 179,000 b/d.

OPEC Member Countries supplied a total of 326,000 b/d of oil products to the US in March, a decrease of 12.13 per cent over a month before. In addition to Algeria, Venezuela supplied 77,000 b/d, falling by 20.62 per cent over the previous month, while Nigeria supplied 24,000 b/d.

Japan's crude oil imports rose by 8.7 per cent in April from the same month last year, reaching 3.83m b/d, according to preliminary official data.

Compared with March, the country's crude oil imports declined by five per cent, or 202,000 b/d. The year-on-year increase was supported by growth in arrivals from Russia, Indonesia and OPEC Member Countries.

Among the OPEC deliveries, Iran and Iraq

were the only countries with smaller deliveries compared with a year ago. On a monthly basis, Japan's crude imports from OPEC Member Countries fell by 3.98 per cent.

During the first four months of 2010, Japan's crude oil imports remained stable with a small increase of 66,000 b/d, or 1.7 per cent, compared with the same period last year. However, the decline in February slowed the increase recorded during the first four months of the year.

Japan's product imports declined in April by 9.9 per cent from the previous month to 828,000 b/d. On an annual basis, they jumped by 3.6 per cent.

From January to April, average oil product imports into Japan rose by 14.6 per cent compared with the same period last year to average 916,000 b/d. The decline was the result of weak demand, which also affected refining operation rates.

Gasoline imports increased by 9,700 b/d m-o-m, while exports decreased by 41,300 b/d, as result of increasing domestic demand for the summer driving season, as well as the lower refining operation rates.

Gasoil, naphtha and LPG imports also declined – by 15,700 b/d, 30,200 b/d and 31,700 b/d, respectively, reflecting weak product consumption in Japan.

Despite the small increase in fuel oil consumption, due to the incremental thermal power production to offset the halted operations at the Chugoku Electric Nuclear Power Plant, fuel oil imports decreased by 31,300 b/d.

Japanese oil product exports increased by 1.4 per cent, or 7,000 b/d, to 526,000 b/d. The increase was the result of firm Asian product demand, especially for fuel oil. which experienced an impressive increase of 97,600 b/d compared with the month before. Gasoil exports decreased by 14.3 per cent, mainly due to the reduction in refining operation rates.

During the first four months of the year, product imports averaged 916,000 b/d, 14.6 per cent higher than last year. Product exports fell by 499,000 b/d, or 3.5 per cent, compared with the same period a year ago.

As a result, Japan's net oil imports in April stood at around 4.14m b/d, representing a decrease of 300,000 b/d, or 6.8 per cent, from the March figure and 351,000 b/d, or 7.4 per cent, higher than in the same month a year ago.

During the first four months of the year, Japanese net oil imports averaged 4.35m b/d, 4.8 per cent higher than in the same period last year.

In April, Saudi Arabia remained Japan's top crude supplier with 1.2m b/d, 17.8 per cent more than in the same month a year ago. The UAE was second with 800,000 b/d, representing a y-o-y increase of 7.9 per cent. Imports from Qatar rose by five per cent to 507,000 b/d, to maintain third place, while imports from fourth-placed Kuwait stood at 409,000 b/d.

In total, OPEC Member Countries accounted for 86.1 per cent of Japanese imports in April.

China imported 5.17m b/d of crude oil during April, the highest on record. The figure was 30.9 per cent more than a year earlier. The previous record-high was 5.03m b/d, reached in December 2009.

In April, the country's crude oil imports increased by 3.9 per cent from March. During the first four months of the year, its overall crude oil imports grew by 36.4 per cent y-o-y to 4.76m b/d, up from the 3.49m b/d recorded during the same period last year.

Despite the aggressive increase in upstream investment, China's crude oil imports continued their upward trend.

Newly installed refining capacity and higher operation rates (close to 87 per cent), motivated by improved refinery margins after the rise in gasoline and gasoil retail prices, were the core reasons for the increase in crude oil imports in China.

China exported 47,000 b/d of crude oil in April, down 40 per cent from a year earlier and 28.6 per cent lower than in March. Crude oil exports averaged 50,000 b/d between January and April this year, down 56.5 per cent from a year ago.

China's oil product exports in April rose by 20.2 per cent from a year ago to 699,000 b/d. However, they were 0.2 per cent down from the March figure.

In the first four months of the year, China reported a 33.8 per cent surge in oil product exports, compared with a year earlier, reaching an average of 658,000 b/d.

China's oil product imports during April rose by 10.9 per cent from March to 1.08m b/d, but fell by 12.8 per cent from April 2009. Its imports of oil products averaged 950,000 b/d during the first four months of this year, down by 8.8 per cent from a year earlier.

China imported 591.6,000 b/d of fuel oil during April, around 23.3 per cent higher than in March, but 0.26 per cent down compared with the same month last year.

The country's gasoil imports during April declined by 60.9 per cent on a monthly basis and were 47 per cent lower y-o-y, reaching 25,600 b/d, while gasoline imports were at almost zero.

China's gasoil exports reached 139,800 b/d, while those of gasoline averaged 198,200 b/d. Gasoline exports were expected to decrease in May due to increasing domestic demand forecast for the summer season.

Jet fuel imports increased by 1.39 per cent compared with March, averaging 86,900 b/d, while exports fell by 41.97 per cent m-o-m to 100,700 b/d. The country's jet fuel exports returned to an average level for the year after the surge seen in March.

Naphtha imports dropped by 16.55 per cent m-o-m to 50,800 b/d, mainly due to Chinese chemical plants being inclined to consume LPG instead of naphtha during April, as LPG prices were more competitive than the latter. LPG imports increased by 41.31 per cent to 85,600 b/d.

China's crude oil imports from Angola in April were down by 6.2 per cent compared with March, but increased on an annual basis by 181 per cent to average nearly 1.05m b/d. For the first four months of 2010, Chinese crude oil imports from Angola averaged 903,000 b/d, more than double the volumes seen during the same period last year. Angola has overtaken Saudi Arabia as China's top supplier for three out of the first four months of this year.

China's crude oil imports from Saudi Arabia fell by 17 per cent in April from a year ago, while, during the first four months of 2010, China's

crude appetite for Saudi oil showed a modest increase of more than two per cent y-o-y to average 784,000 b/d.

Imports from Iran continue to slide, with a drop of 21 per cent in April y-o-y to average 424,000 b/d. So far this year, Iranian imports by China have declined by more than 20 per cent. Imports from Brazil, Iraq and Kazakhstan more than doubled y-o-y.

China's net oil imports in April stood at around 5.50m b/d, representing an increase of 211,000 b/d, or 4.3 per cent, over the previous month and 1.26m b/d, or 32.7 per cent, higher than the same month last year.

During the first four months of the year, Chinese net oil imports averaged 4.99m b/d for a gain of 27.5 per cent over the same period last year.

According to preliminary data, India's crude oil imports in April increased by 492,000 b/d, or 20.7 per cent, compared with March, to average 2.87m b/d. On an annual basis, the country's crude oil imports in April were 20.8 per cent higher than in the same month last year.

Higher refining operating rates and strong domestic fossil fuel consumption contributed to the increase.

During the first four months of the year, India's crude oil imports averaged 2.74m b/d, 8.4 per cent higher than in the same period last year.

Indian's oil product imports fell by 18.3 per cent from a month ago and were 42.7 per cent lower than in April 2009, reaching 254,000 b/d.

Gasoil imports experienced the biggest decline among product imports, despite domestic consumption having increased. The decline of 36,000 b/d, or 93.5 per cent, m-o-m in gasoil imports reflected the improved refinery activity in the country. Gasoil exports declined by 35.4 per cent on a monthly basis to 37,290 b/d.

Gasoline imports also declined – by 58.7 per cent – m-o-m as a result of higher refinery activity and on the export side fell by 12.7 per cent from March to 107,240 b/d, due to higher domestic demand.

Naphtha imports increased by 5,900 b/d, or 20.6 per cent, and exports declined by 87,600 b/d, or 51.8 per cent, as the largest state-run refinery, the Indian Oil Corpoartion, commissioned its naphtha cracker at the end of March.

LPG imports stood at 79,550 b/d, keeping almost the same level as the previous month at only 0.2 per cent higher.

On the export side, all products fell to an average of 342,680 b/d, 39.3 per cent lower than in March. The strong decline in product exports was occasioned by increased domestic demand, which reflected the economic recovery of the country.

During the first four months of the year, India's oil product imports averaged 289,000 b/d, a decrease of 16.4 per cent from the same period last year.

The country's oil product exports declined by 23.7 per cent from January to April, compared with the same period last year, reaching 493,000 b/d.

India's net product imports increased by 166,000 b/d from the previous month, but the balance was still negative, reflecting an increase on the export side over the import side. The crude oil and total products net balance was 2.78m b/d, with an increase of 31 per cent over the previous month.

FSU crude oil exports to non-Commonwealth of Independent States (CIS) nations in April remained at 6.82m b/d, no change from the previous month and just 23,000 b/d below December's record high of 6.85m b/d.

During the first four months of this year, FSU crude oil exports rose by two per cent to 6.74m b/d from the same period a year earlier.

Russian crude exports in April to CIS countries increased by 22.6 per cent, or 111,000 b/d, compared with the previous month, to average 602,000 b/d.

FSU oil product exports in April increased by 2.9 per cent from March. Higher refinery runs in Ukraine and Belarus contributed to the increase.

Stock movements

Concerning stock movements, the OPEC report said US commercial inventories at the end of May rose for the third consecutive month. They increased by 7.7m b to reach 1,090.9m b, the highest level since November 2009.

This represented an overhang of 86.0m b, or 8.6 per cent, above the five-year average, but 16.4m b below year-ago levels. Product stocks contributed to the bulk of the build, increasing by 5.4m b. Crude inventories rose by 2.3m b.

"The continued build in US commercial crude was mainly driven by strong crude imports, which rose to 9.7m b/d, about 200,000 b/d more than in the previous month."

At 363.2m b, US crude oil commercial stocks continued their climb from the beginning of this year, accumulating more than 38.0m b and reaching the highest level in a 12 month period.

"It is worth noting that on a weekly basis, US crude oil stocks stood at an even higher level of 365.1m b in the week ending May 21, before ending the month at 363.2m b."

The continued build in US commercial crude was mainly driven by strong crude imports, which rose to 9.7m b/d, about 200,000 b/d more than in the previous month and 800,000 b/d above a year ago.

The build came despite a further increase in crude inputs to refiners by around 200,000 b/d to average 15.1m b/d. Refineries were running at 87.9 per cent of their operable capacity, four per cent higher than in the previous year during the same period.

Although overall inventories rose, the strong build pattern in Cushing stocks showed some signs of abatement, with a 300,000 b decline during the week ending May 21.

However, by the end of the month, crude oil stocks at Cushing reversed direction to again reach a record high of 37.9m b. The stock-build in Cushing implied that the WTI contango structure may widen further, putting pressure on prompt prices.

At the end of May, US crude oil inventories stood at a comfortable level of 35.6m b, 11 per cent above the seasonal norm. This represented a slight increase of 1.2m b above a year ago during the same period.

"Looking ahead, with refinery runs expected to increase further, reflecting some improvement in demand, this will lead to an increase in demand for crude. As a result, the rise in US crude inventories could slow, moderating the build that has occurred since the beginning of this year," the OPEC report maintained.

US products continued their build for the second consecutive month to stand at 727.7m b at the end of May.

Within products, the picture was mixed. Gasoline stocks fell by 6.0m b to 219.0m b, prior to the Memorial Day holiday, which kicks off the driving season. This decline was mainly driven by lower production, which declined by 150,000 b/d to 9.1m b/d.

At 100.0m b, Japanese crude oil stocks stood at their highest level since August 2009, adding more than 13m b to inventories over the last two months.

During May, gasoline demand averaged 9.1m b/d, up by 0.5 per cent from the same period last year, but below the April level.

"Looking ahead to the coming months, and with expectations for additional demand during the driving season, inventories should see some decline, but the current gasoline surplus of 9.2m b, or 4.4 per cent, compared with the seasonal norm and additional supply coming from refiners, should limit the upside pressure on the gasoline market," the report stated.

In contrast to gasoline, distillate stocks rose by 400,000 b to 153.0m b for the second consecutive month to stand at a very comfortable level of 36m b, 31 per cent above the five-year average. This build could be attributed to a higher refinery utilization rate with distillate production averaging 4.26m b/d, almost 200,000 b/d more than in the previous month.

In fact, distillate demand in May rose by 370,000 b/d versus the previous month to average 4.0m b/d, almost 600,000 b/d above a year ago.

Residual fuel and jet fuel stocks decreased slightly by 200,000 b to 45.9m b and by 100,000 b to 44.4m b, respectively, leaving them still at very healthy levels above a year ago and higher than the seasonal norm.

In Japan in April, commercial oil stocks continued their upward trend for the second consecutive month, increasing by 7.1m b to 166.7m b.

The build narrowed the deficit with the five-year average to 2.3 per cent from seven per cent a month earlier. The gap with last year also fell to five per cent from ten per cent in March.

Almost all the build in total commercial inventories came from crude, which increased by 6.9m b, while products saw a slight rise of 200,000 b.

At 100.0m b, Japanese crude oil stocks stood at their highest level since August 2009, adding more than 13m b to inventories over the last two months. The build came on the back of lower crude runs as refiners were operating at 76.2 per cent, a decline of three per cent from the previous month, but still 3.6 per cent above a year ago.

This build also came despite a five per cent drop in crude oil imports, which averaged 3.83m b/d.

"Crude oil inventories could post further builds as refiners should remain under pressure, due to depressed domestic demand," the OPEC report observed.

At the end of April, Japan's crude oil stocks stood 3.1 per cent below a year earlier and 5.1 per cent lower than the seasonal norm.

On the product side, Japanese inventories saw a slight increase to 66.7m b after two consecutive months of decline, remaining at 7.9 per cent below a year ago, but the surplus with the five-year average improved to 2.3 per cent.

The build in total products could be attributed to the 6.8 per cent decline in total refined oil product sales. However, demand in Japan for the month of April was 4.2 per cent above a year earlier, driven by a surge in kerosene and higher sales of motor fuels.

However, the overall rise this year in April came against a 21-year low for the same month the previous year. Despite this rise, Japanese oil consumption was not expected to return to levels seen before the start of the global recession as structural changes and policies introduced were expected to keep demand low.

Within products, the picture was mixed. Gasoline and residual fuel oil stocks saw a build of 1.5m b and 500,000 b, respectively, while distillate and naphtha inventories fell by 1.4m b and 400,000 b.

The build in gasoline stocks to 14.7m b put them at the highest level since May 2009 and came as the result of lower gasoline demand by 3.3 per cent as bad weather kept some drivers off the road.

Higher gasoline imports, especially from China, also contributed to the build. At the end of April, gasoline inventories showed a deficit of 5.6 per cent from the previous year, while remaining 7.1 per cent above the seasonal norm.

Fuel oil stocks increased to 16.5m b, driven by a 2.9 per cent and 3.1 per cent increase in Fuel Oil A and Fuel Oil B,C, respectively.

In contrast to the build in gasoline and fuel oil, distillate and naphtha stocks experienced a draw at the end of April. Total distillate inventories have declined for five consecutive months to 24.6m b, driven mainly by a 19 per cent drop in kerosene stocks.

Lower kerosene imports, combined with reduced output, were behind the kerosene stock-draw. Total distillate stocks ended the month of April at 15.4 per cent below a year ago and 2.8 per cent below the seasonal norm.

Naphtha stocks fell to 10.9m b, but remained 2.4 per cent above a year earlier. The fall could be attributed to lower output, which declined by 13 per cent, combined with a reduction by almost ten per cent in naphtha imports.

Preliminary indications, based on weekly data published by PAJ for the end of May,

showed Japanese total commercial oil stocks had expanded further for the third consecutive month, reaching 174.5m b.

The build of 7.8m b in total inventories came from products, which increased by 10.8m b, while crude inventories partially offset the build, declining by 3.0m b.

As a result of the build, the deficit with the five-year average narrowed to 3.3 per cent, while inventories were still 2.6 per cent below a year ago.

At 97.0m b, crude oil stocks at the end of May stood 4.6 per cent and 12.8 per cent below the previous year and the seasonal norm, respectively.

On a weekly basis, crude oil stocks rose at the end of May from the previous week, driven by lower refinery utilization rates, as refiners were operating at 63.8 per cent, 2.4 per cent down from a year earlier, as several units were shut for turnaround.

On the product side, all product inventories increased to total 77.5m b, the highest level recorded since December 2009, leaving them in line with a year ago and 12.1 per cent above the seasonal norm.

Gasoline stocks rose by 1.3m b, approaching 16.0m b, a level not seen in 11 years and reflecting a massive deterioration in refined product demand. The build put gasoline stocks at healthy levels of 8.5 per cent and 11.3 per cent above a year ago and the five-year average, respectively.

Distillate inventories rose by 4.3m b to 29.0m b at the end of May. However, they remained 12.5 per cent below a year ago, but improved the surplus with the five-year average to 3.1 per cent from 0.9 per cent in April.

Fuel oil and naphtha stocks rose by 3.2m b and 1.9m b to 19.7m b and 12.8m b, respectively, leaving them well above the level seen during the same period the previous year.

In Singapore at the end of April, product stocks rose for the third consecutive month. They improved by 650,000 b to reach a record level of 49.34m b.

With the build, the surplus over a year earlier widened to 21.3 per cent from 16 per cent a month earlier.

Middle distillates and fuel oil inventories indicated a build of 880,000 b and 570,000 b, respectively, while light distillates showed a draw of 800,000 b. Fuel oil stocks in April soared to a new high of 24.38m b, to stand at 3.6m b, 17.2 per cent above the year-ago level.

The build came as western inflows to Asia kept supply ample, outpacing relatively stable regional demand. It was reported that total western inflows for April rose to a six-month high of 3.7m tonnes, up from 3.3m t a month earlier.

Middle distillate inventories increased in April to 13.49m b, reversing the decline observed the previous month. Middle distillate stocks remained at a healthy level of 2.8m b, 26 per cent above a year ago.

Light distillate stocks fell to 11.47m b, but remained 2.3m b, or 24.9 per cent, above the previous year. On a weekly basis, light distillate stocks were at the highest level in two weeks, driven by ample fuel supplies coming from South Korea and China, combined with lower demand from the main two importing countries – Indonesia and Vietnam.

Preliminary data for the end of May, based on weekly information, showed that product inventories in Singapore had dropped by around 6.8m b to 42.5m b.

Despite the fall, inventories were still representing a surplus with a year ago of 2.3m b, or 5.6 per cent.

All products indicated a fall at the end of May, with fuel oil inventories declining by 3.7m b, followed by middle distillates with 2.6m b and, to a lesser extent, by light distillates with a decrease of 500,000 b.

The fall in fuel oil stocks to 20.64m b was mainly due to lower arbitrage inflows from the West, combined with steady demand for bunkers in Singapore.

Middle distillate stocks fell to 10.9m b on the back of higher exports to China meeting strong demand in the country. Light distillates went down to 11.0m b, the lowest level for three months, resulting from stronger demand in China, which cut exports to Singapore, supporting local consumption.

Product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region at the end of April rose for the second consecutive month, increasing by 1.74m b to 39.12m b, the highest level in three months.

With the exception of fuel oil, all other products saw a build. Gasoline stocks rose by 570,000 b to 8.72m b as a result of higher imports outpacing outflows.

The contango structure in the gasoline futures market also encouraged gasoline stockpiling. By the end of April, gasoline stocks stood at 1.9m b, 28 per cent above a year ago.

Gasoil inventories rose by 1.0m b in April after falling for the previous three months. This build could be attributed to higher imports, mainly from Taiwan, combined with lower exports going to France and the UK. At 17.37m b, gasoil stocks remained almost flat from a year ago.

Fuel oil stocks went down by 300,000 b to 6.1m b, but remained higher versus a year ago. The drop was as a result of increased exports to Singapore and some volume moving into floating storage.

At the end of April, jet fuel inventories rose by 350,000 b to 6.17m b, after falling at the beginning of the month, due to the disruption of air traffic from the volcano in Iceland, which cut consumption by around 1m b. Jet fuel inventories were at 1.2m b, 23 per cent above a year earlier at the end of April.

Naphtha stocks rose by 100,000 b to 760,000 b, remaining almost in line with a year ago.

Preliminary data for the end of May, based on weekly information, showed product inventories in ARA reverse the upward trend observed in the last two months, declining by 2.1m b to 37.0m b, but remained 11 per cent above a year ago.

All products saw a drop with the exception of jet fuel, which remained almost at the same level as in the previous month.

Fuel oil stocks fell by 1.26m b to 4.84m b as exports to Singapore outpaced imports, which were mainly from Europe.

Gasoline inventories fell by 500,000 b to 8.25m b after two consecutive months of build, leaving them still at very comfortable levels,

more than 50 per cent above the previous year at the same time.

Gasoil inventories fell by 100,000 b to 17.17m b as exports to Argentina and Poland were much higher than imports from Norway and Russia. Gasoil inventories remained seven per cent below last year's level at this time.

July

Oil price movements

The OPEC Reference Basket fell by a further $1.53/b in June to stand at $72.95/b, the lowest level since October 2009. However, the figure represented an easing of the sharp decline of $7.85/b seen in May. The Basket was also less volatile in June, fluctuating between $70/b and $75/b, while in the previous month it moved within a much larger $67-84/b range.

With the exception of just a few days, the Basket has moved within a range of $70-$80/b over the first half of 2010 to average $76/b.

The decline in the OPEC Basket for the second consecutive month in June, with a total loss of $9.34/b, or 11.4 per cent, was attributed to ample supply in the market and the ongoing high oil inventories.

Nevertheless, despite the loss, the Basket remained $4.60/b, or 6.7 per cent, higher than at the same time a year earlier.

Middle Eastern crudes were the main contributors to the decline, led by Murban with a loss of $2.67/b. African crudes showed less of a decline, with losses ranging from 62¢/b for Algerian Saharan Blend and $1.22/b for Libyan Es Sider. Latin American crudes showed a mixed pattern with Oriente gaining 57¢/b and Merey losing 76¢/b.

In early July, the OPEC Basket weakened to again move below $70/b on the second day of the month as the market turned bearish because of poor macroeconomic data. The Basket recovered in the second week to stand at $71.86/b on July 8 on the back of bullish sentiment, driven by expectations of higher global demand after the IMF revised up its forecast for global economic growth.

On the Nymex, the WTI front-month crude contract moved within a range of $71/b and $79/b, ending the month of June with a gain of $1.29/b to average $75.40/b.

In contrast to WTI, ICE Brent futures dropped for the second month in a row in June. The front-month contract fell by a further $1.34/b to average $75.66/b.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that commodity prices continued to decline in June, weighed down by the European sovereign debt crisis, bearish macroeconomic data, a tightening policy in China and slowing manufacturing growth in emerging Asia.

The World Bank non-energy price index declined in the month by 1.7 per cent m-o-m, while the energy index fell by 0.6 per cent.

"As in the previous month, the commodities more closely linked to the economic cycle, such as base metals, suffered the major impact of the complicated macroeconomic panorama with worries about the pace of the global economic recovery and a moderation in manufacturing growth in China and emerging Asia, leading to slowing Chinese demand growth rates," the report said.

Among the disappointing data for June was a further softening of the Purchasing Managers Index (PMI) for manufacturing in China, a drop in import demand for commodities, reflecting the easing level of growth of the fixed investment cycle and inventory correction in the industrial sector, as well as slower growth in car sales for May.

In the United States, the Conference Board's Consumer Confidence Index tumbled in June. Initial claims for unemployment insurance jumped by 13,000 in the week ended June 26 and the Pending Home Sales Index plummeted by 30 per cent to an all-time low during May. The June employment report showed a declining work week.

The IMF estimated slower growth for the second half of 2010 and although the forecast for 2011 was unchanged, it was recognized that downside risks had risen sharply amid renewed financial turbulence.

"Therefore, the forecast relies on the sound implementation of economic policies aimed to bring up confidence and stability, especially in the euro area," the report observed.

Henry Hub natural gas surged by 15.4 per cent in June on rising temperatures that fuelled demand, regardless of weak fundamentals, ample inventories, growing non-conventional production and surplus LNG capacity.

As in May, the World Bank base metal price index was a major loser in June, falling by 5.9 per cent m-o-m.

Copper prices decreased by 4.9 per cent in June on concerns over moderating demand in China and the European public debt crisis, while aluminium prices lost 5.3 per cent as a result of growing supply and expectations of slowing demand in the second half of the year.

Lead prices fell by 5.3 per cent m-o-m in June, owing to expanding production and slowing demand, while the price of zinc sank by 11.5 per cent, owing to weakening demand, mainly from China.

Nickel prices tumbled by 11.9 per cent in the month, while the price of gold rose by 2.3 per cent, essentially on safe-haven buying by investors.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report said the US economy was entering a critical stage. It had enjoyed a fast recovery after the recession's end in the third quarter of 2009, but since then quarterly GDP growth had been recorded at levels of 2.2 per cent in the third quarter of 2009, 5.6 per cent in the fourth quarter and 2.7 per cent in the first quarter of this year.

"Expectations for relatively solid growth in the second quarter are still on track, but most indicators point to a slowdown in economic activity. Developments in the third quarter will

be crucial to see if this momentum might continue," the report maintained.

"While there are still some positive and encouraging developments in US economic growth, the momentum seems to still be significantly supported by fiscal stimulus, which is being accompanied by the unprecedented monetary support measures of the Federal Reserve," it added.

Government consumption expenditure and gross investments had started to decline. Although growing in early 2009, they turned negative in the fourth quarter of last year and contracted by a further 1.9 per cent in the first quarter of 2010.

"It remains to be seen whether these shortfalls can be compensated by private household consumption," the report said.

It noted that the US unemployment rate was still at an elevated level of 9.5 per cent in June and current deflation had added to concerns that growth in consumption would probably remain muted at best.

The Conference Board Consumer Confidence Index was recorded at a level of 52.9 in June, representing a three-month low, after standing at 63.3 in May. This raised expectations that retail sales may decline again after a drop of 1.2 per cent in May.

The services-ISM stood at 53.8 for June, compared with 55.4 in May. ISM manufacturing retreated from its elevated levels of 59.7 in May and 60.4 in April to stand at 56.2 in June.

The US economy was now expected to expand by around 3.5 per cent this year and at a somewhat faster pace in 2011.

The downside risks to the pace of recovery were the subdued employment situation and the housing market, which had been excessively supported by first-time home buyer tax credits in recent months.

Concerns of relatively limited growth potential were also shared by the capital markets. The S&P 500 had lost more than ten per cent since the peak levels of April and the yield on ten-year treasuries had declined from four per cent at the beginning of April to below three per cent in early July.

"Considering the expected end of most of the positive effects of the fiscal stimulus package and the current limits to monetary support in an economy earmarked by de-leveraging of private households, many uncertainties prevail," the OPEC report said.

"While the 2010 forecast for the US was kept unchanged at 2.8 per cent, those challenges that are expected to unfold by the second half of the year might mainly be felt in 2011. Therefore, the expected growth in the US in 2011 is slightly lower than the growth expectations for 2010 and now stands at 2.5 per cent," it added.

Turning to Japan, the report said that having seen stellar growth in the first quarter of the year, there were some signs of weakening. However, even with meager growth in the coming quarters, Japan was expected to show substantial growth in 2010.

The strong growth in the first quarter was mainly driven by exports and domestic demand, which was supported by the government stimulus package. Both exports and domestic demand were facing a slowdown that would probably continue in the coming quarters.

Japanese export growth fell in May, the third consecutive month of decline. On a monthly basis, exports fell by 1.2 per cent in the month, after 2.3 per cent growth in April. On a yearly basis, the moderation was more obvious in May with a growth rate of 32.1 per cent, compared with 40.4 per cent in April.

Exports to China, Japan's biggest and most important export partner, decelerated considerably, increasing by 25.3 per cent y-o-y in May, compared with 41.4 per cent a month earlier. Other export markets were in decline as well. Shipments to the US rose by 17.7 per cent in May from 34.5 per cent y-o-y in April. The declining trend was also noticeable in forward looking indicators, such as machinery orders, which saw the sharpest drop since August 2008. Orders fell by 9.1 per cent in May from the previous month. Industrial production also slipped in May by 0.1 per cent m-o-m.

Moreover, the domestic demand situation deteriorated. Retail sales fell in May by two per cent m-o-m, the first decline since December 2009.

Real spending of households was also weakening. It rose by 0.7 per cent m-o-m in May, but only after a significant decline of 6.3 per cent m-o-m in April.

The unemployment rate stood at 5.2 per cent in May, up by 0.1 per cent, while the Japanese core CPI fell by 1.2 per cent in the month, after a decline of 1.5 per cent in April.

"The uncertainties in the Japanese economy are rising and the remainder of the year might not produce such high growth numbers as were recorded for the first quarter. If, surprisingly, this were to be the case, it would lead to a higher-than-currently-expected growth of 2.7 per cent for 2010, unchanged from last month's forecast.

"The uncertainties in the Japanese economy are rising and the remainder of the year might not produce such high growth numbers as were recorded for the first quarter."

"The remaining uncertainties and the end of the significant contribution of exports and government support measures might lead to a slowdown of growth in 2011. Combining those factors with the expectation of a moderation in Japan's largest trade partner China in the coming year, the forecast for 2011 GDP growth is considerably lower at 1.4 per cent," the OPEC report forecast.

It said that the situation in Europe was improving somewhat. While the motor of this improvement in the real economy was Germany's success in exports, the Euro-zone's sovereign debt crisis and the weakness of its banking system were overshadowing this positive development.

"Furthermore, it has to be seen if this growth momentum in the real economy is sustainable, or if it has peaked around current levels."

The report said the main challenge remained the weak situation in public finance of mainly the southern countries in the Euro-

zone and the fragility of the banking system, which had been affected by the sovereign debt situation of some of the region's countries.

Of the region's countries, Germany, in particular, had surprised on the upside with exports jumping in May, in line with the country's industry-led recovery. Seasonally adjusted exports increased by 9.2 per cent m-o-m, after a decline of 6.3 per cent in April, which caused concern about the German and hence the Euro-zone's recovery.

Compared with May last year, Germany's exports were up by 28.8 per cent. "This is certainly an indication that the weakening euro has had a substantial positive effect on the German export-oriented economy. Exports outside the European Union were up by 39.5 per cent y-o-y in May," the report noted.

"The Euro-zone is still considerably challenged by the sovereign debt crisis and the weakness of its banking system."

German industrial production was in line with this development. It rose by 2.8 per cent m-o-m in May, after an increase of 1.2 per cent in April. Industrial orders increased by 61 per cent y-o-y, according to the VDMA, the German engineering association.

The positive momentum in the German economy was also illustrated by the widely watched Ifo business sentiment Index. The index rose from the already high level of 101.5 in May to 101.8 in June.

Unemployment in the Euro-zone was unchanged at ten per cent in May for the third consecutive month. Again, Spain took the lead of the bigger regional countries with 19.9 per cent, 0.2 per cent above April and a new record high. In contrast, Germany recorded a decline in its rate from 7.1 per cent in April to 7.0 per cent in May.

"The Euro-zone is still considerably challenged by the sovereign debt crisis and the weakness of its banking system. The outcome of the banking-system stress test has to be closely watched and any new developments of the sovereign debt situation should be carefully analyzed," the report observed

It noted that most of the Euro-zone countries had announced steep cuts in spending and austerity packages were set to be implemented by 2011.

It added that Euro-zone growth in 2010 was now seen at 0.7 per cent, unchanged from the previous month's forecast.

"In 2011, growth might turn out to be slightly higher as the peak of the sovereign debt crisis probably will have played out. Therefore, in 2011, growth of 0.9 per cent is forecast."

Looking at Russia, the report said its economic recovery was proceeding apace from a sharply lower base. Real GDP expanded by an annual 2.4 per cent in June, the fastest level since November 2008, while consumer confidence in the second quarter advanced by three per cent to minus seven per cent, the highest level since the third quarter of 2008, after improving by ten per cent in the first quarter.

Consumers had become more optimistic as bank lending was seen revived, while unemployment fell in May to 7.3 per cent. Consumer price inflation also moderated to 5.8 per cent y-o-y in June, the lowest level in 12 years, and down from 11.9 per cent a year ago.

The report said that, overall, the recovery in Russia in 2010–11 was expected to be moderate. Apart from the general sensitivity of the economy and the government budget to oil price developments, the fragility of the banking sector, loaded with bad-loan problems and the substantial under-employment in the economy, may limit improvements in investment and private consumption.

It said Russia's GDP growth was expected to reach 4.2 per cent this year, moderating to 3.8 per cent in 2011.

In China, most indicators confirmed the moderation in the very rapid pace of growth the country had seen.

The government's Purchasing Managers' Index (PMI) declined for the second month, falling in June to 52.1 from 53.9 in May, while PMI for services, as measured by HSBC Holdings Plc and Markit Economics, fell to a 15-month low of 55.6 from 56.4 in May.

In addition, passenger car sales grew at a sharply lower pace of 10.9 per cent y-o-y in June from 25 per cent in May, while electricity consumption was reported to have fallen significantly in June, after exceeding 20 per cent y-o-y in the first five months of 2010.

In the housing sector, property prices in 70 major cities in China rose at a slower pace for the second month. Prices increased by 11.4 per cent y-o-y in June, compared with 12.4 per cent in May, down from the record 12.8 per cent recorded in April. From a month ago, prices slid by 0.1 per cent.

"This reflects the success of government policies introduced in mid-April to slow down home sales and avert an asset bubble," the report contended.

However, not all indicators were pointing down. China's exports rebounded in June by 43.9 per cent to a value of $137.4 billion and the trade surplus reached an eight-month high of $20bn.

The effects of the sovereign debt crisis on demand from the Euro-zone were still to be felt. Sales to the EU and the US, China's two biggest markets, rose by 40 per cent, while exports to emerging markets surged as China attempted to diversify export destinations to compensate for reduced demand from the advanced economies.

"Overall, as the fiscal stimulus is slowly withdrawn and the government continues in its efforts to avoid overheating, and given the slowing pace of growth in OECD countries next year, the Chinese economy is expected to achieve a growth rate of 9.5 per cent this year, but moderating to 8.8 per cent in 2011," the OPEC report said.

Turning to India, it said growth remained strong, despite recent signs of a slowing in the rapid pace of expansion. Industrial production expanded by a smaller-than-expected 11.5 per cent y-o-y in May, following a revised 16.5 per cent rise in April.

Manufacturing output declined to 12.3 per cent from 17.9 per cent in April, with mining climbing by 8.7 per cent and electricity by 6.4 per cent.

Despite the slowdown, the Indian economy was seen growing by 7.8 per cent this year, falling marginally to 7.7 per cent in 2011.

The Brazilian economy expanded at a faster-than-expected annual rate of nine per cent in the first quarter of this year, fuelled by strong private consumption, exports and investment.

"Our growth forecast for Brazil in 2010 has been revised up to 5.8 per cent and moderating to four per cent in 2011," said the report.

It noted that the IMF in July had lifted its forecast for growth in Brazil this year to a high of 7.1 per cent from 5.2 per cent in April, but similarly expected growth to slow down to 4.2 per cent next year.

"Being a large exporter of commodities, Brazil has benefited from the rise in world trade and in commodity prices as the global economy emerged from recession," the OPEC report stated.

World oil demand

In its review of the market, the OPEC report said demand for OPEC crude for 2010 had been revised down by 100,000 b/d to currently stand at 28.7m b/d.

"This revision reflects mainly the upward adjustment in non-OPEC supply as demand figures remain broadly unchanged. The demand for OPEC crude represents a decline of 300,000 b/d from the previous year," it said.

It noted that demand for OPEC's crude in the first quarter of the year showed a drop of 1.1m b/d, followed by a decline of 600,000 b/d in the second quarter. Both the third and the fourth quarters were expected to see positive growth of around 300,000 b/d and 400,000 b/d, respectively.

For 2011, based on the initial forecast for demand and non-OPEC supply, including OPEC NGLs and non-conventional oil, the report said demand for OPEC crude was projected to average 28.8m b/d, an increase of 200,000 b/d over 2010 and following three consecutive years of negative growth.

"The bulk of the growth is expected to come in the first half of the year, while the second half is forecast to see a small decline, compared with a year ago," it added.

The report pointed out that the current economic situation in most developed countries remained sluggish.

"The economic recovery is not only slow, but also facing considerable uncertainty. The OECD region is not expected to achieve any oil demand growth this year, due to a deep decline in European consumption," it maintained.

Recent May data indicated a cautiously improving picture for most of the OECD, compared with the first four months of the year. North American oil demand seemed to have finally stabilized for the year, basically due to an extremely low base in 2009, in combination with some economic recovery, whereas oil consumption in OECD Europe showed some improvement during May, but was still in the red.

In the OECD Pacific, strong April demand was followed by a weaker May, mainly due to easing consumption in Japan and South Korea.

"All the growth this year in oil demand will be attributable to non-OECD, where consumption will exceed 1.0m b/d," the report pointed out.

It said world oil demand in the first quarter grew by 500,000 b/d, leading to stronger growth exceeding 1.0m b/d in each of the following three quarters of the year.

"Given the slow world economic recovery, world oil demand growth in 2010 is forecast at 900,000 b/d, or 1.1 per cent, unchanged from the previous market report."

It said US oil product consumption was not as high in June as in May, due to the higher base from last year. In general, US oil demand had stabilized and moved out of the declining trend seen last year.

"Given the shaky economy, the country's oil demand has a strong chance of experiencing turbulence in the second half of the year. The summer driving season has started, which would normally play a major role in oil consumption; however it is not expected to do much this season, as the country is still suffering from the economic crisis."

The report said the industrial sector experienced a massive decline last year as a result of slow manufacturing activities; nevertheless, it was expected to improve in the second half of 2010.

"The potential for growth over the next two months lies with the industrial sector, leading to higher industrial fuel consumption, as well as the summer driving season."

US auto sales remained positive in May, achieving growth of 17.3 per cent y-o-y; however June sales slid below May, reaching only 11.08 million units, representing 14.3 per cent growth.

The report said the US auto industry had been on the road to recovery since the beginning of the year. Sales grew by 19 per cent in the first five months of the year, due to the slight economic improvement, but also government incentive plans.

"This growth is faintly reflected in the country's gasoline consumption since driving mileage is not growing as much. It is not expected that this industry will see a quick recovery anytime soon," it said.

In July, US weekly data showed some recovery in the consumption of industrial fuels, such as distillates and propane/propylene, due not only to the very low base last year, but also from a moderate increase in industrial activity.

"Despite the recovery, the downward risk still exists, especially if the summer driving season does not yield its usual performance. Hence, total US demand growth for the year is forecast at 300,000 b/d."

Canadian oil demand experienced a contraction of as much as 100,000 b/d in the second quarter of 2010 as a result of decreasing industrial activity and less oil usage in transportation.

In contrast, Mexican oil consumption was seen to be on an upward trend since the start of the year, reaching 2.5 per cent growth over the first half. Most of the growth was attributed to strong demand for gasoline.

For the whole of 2010, North American oil demand was expected to grow by 300,000 b/d y-o-y to average 23.6m b/d, with most increases taking place during the second half of the year.

In Europe, although May consumption data showed an improvement, debt in several European economies and the continued application of rigorous state tax policies on oil, were seen suppressing European oil consumption. The situation was expected to remain that way until the end of the year.

The contraction in demand in the 'Big Four' European economies – Britain, France, Germany and Italy – was reduced in May, declining by only 84,000 b/d, compared with 420,000 b/d in April.

"Almost all of China's economic indicators exceeded expectations, pushing not only the country's GDP to 9.5 per cent growth, but also the country's oil use to approach growth of 5.5 per cent in 2010."

Stronger distillate demand in the Big Four, driven by increased industrial production in Germany, was the main reason for the recovery in oil demand growth.

Nevertheless, transportation fuel was still seen to be on the decline. Gasoline, jet fuel/kerosene and diesel consumption plunged by 115,000 b/d, 79,000 b/d and 59,000 b/d, respectively. Data for May indicated that Germany's oil demand increased by 68,000 b/d with distillates having the biggest share, due to higher industrial production.

Official UK data for May showed a reduction in oil consumption of 100,000 b/d with the transport sector being most affected. French and Italian oil consumption was both slightly down in the month. In both countries, transportation fuel accounted for the bulk of the decline, whereas industrial fuel experienced slight growth.

The region's total contraction in oil demand was forecast at 500,000 b/d in 2010. However, the decline was expected to ease in the second half of the year.

The OPEC report noted that the economic downturn was still hammering the continent's auto industry. Growth in auto sales late last year and early this year was attributed mainly to government stimulus plans.

"However, they are hesitant about continuing such plans, basically because they cannot afford bailing out the auto industry any further."

May data indicated a decline in EU auto sales of 9.3 per cent. However, in total, the first five months of the year still showed minor growth of 1.9 per cent.

The expiration of the stimulus plan in Germany caused the country's auto sales to plunge by more than a third. "The German auto market is the largest in Europe and any large swing will certainly affect the whole European auto industry."

The report said that in Japan, oil consumption seemed to have stabilized since January, reaching 1.3 per cent growth in the first half of the year. However, this was up from the exceptionally low levels seen last year.

The growth occurred due to the increase of crude use by power plants in May. Furthermore, the Pacific experienced colder weather conditions in the first quarter, causing higher consumption of heating fuel.

"Despite this positive performance, Japan is not expected to see overall growth in its oil use this year. The economic slowdown has had a strong dampening effect on the country's energy use this year," the report maintained.

An increase in consumption in transportation and industrial fuels was observed in the second-largest oil-consuming country in the OECD Pacific region, South Korea, in April. This offset the decrease in residual fuel oil consumption due to fuel switching. As a result, the country's overall oil consumption during the first half of the year was almost flat, compared with 2009.

OECD Pacific oil demand was forecast to show minor growth in 2010, averaging 7.7m b/d.

In India, the latest May data indicated strong demand, especially in transport fuel. Gasoline sales were positively affected by the country's growth in new car registrations, which increased by 12.6 per cent y-o-y in the month.

India's oil demand in the first quarter was unusually lower than normal; however, in April and May, it was extremely strong. The country's total May oil consumption increased by 200,000 b/d, or 6.3 per cent y-o-y. India's oil demand for the whole year was forecast to exceed last year's consumption by around four per cent.

Given the strength in India's oil consumption, oil demand growth in Other Asia for the total year was forecast at 230,000 b/d, or 2.3 per cent y-o-y, averaging 10m b/d.

The report said that long-term projects were keeping Middle East oil demand on the rise. The region was maintaining its forecast growth of 230,000 b/d, or 3.2 per cent, over 2009.

Iran's recent data indicated minor growth in the country's oil consumption, ending a four-month decline. Most of May's increase in oil use was attributed to both gasoline and fuel oil.

Saudi Arabian oil demand cooled its over-heating growth trend in May to just two per cent. However, cumulative growth for the first five months reached 10.5 per cent y-o-y, averaging 1.8m b/d. Gasoline and diesel growth reached a level of eight per cent and seven per cent, respectively.

Brazilian oil demand was estimated to have grown sharply by 12 per cent, adding another 200,000 b/d to the country's oil demand. Gasoline and diesel oil demand were up by 18 per cent and 15 per cent, respectively.

Due to the healthy growth in both Brazilian and Venezuelan oil consumption, Latin America's oil demand was expected to grow by 2.3 per cent, in 2010, averaging 6.0m b/d.

Developing Countries' oil demand growth was forecast at 630,000 b/d in 2010, averaging 26.7m b/d.

In China, the country's over-heating economy was seen to have kept oil demand growth

down. Year-to-date growth was pegged at an average of around four per cent, with the country using its oil storage off-and-on, which made it hard to estimate demand accurately.

In June, the country imported less oil; however it used its own stocks to satisfy its oil product needs, which saw 3.9 per cent growth y-o-y to average 8.7m b/d.

China's second-quarter oil demand was estimated to have grown by 390,000 b/d y-o-y. Almost all of China's economic indicators exceeded expectations, pushing not only the country's GDP to 9.5 per cent growth, but also the country's oil use to approach growth of 5.5 per cent in 2010.

Given the strong economic activities, China's oil demand growth was forecast at 450,000 b/d in 2010, to average 8.6m b/d.

Looking ahead to 2011, the OPEC report said the global economic recovery, which was expected to start during the second half of 2010, was projected to continue through the whole of next year with more or less even distribution among the four quarters.

"Consequently, the bulk of the recovery in oil demand will be seen approximately at the same pace in all four quarters, with the exception of the first quarter, due to the low base in 2009 and 2010," it observed

As in the current year, it said, next year's oil demand growth would take place in the non-OECD region, mainly China, India, the Middle East and Latin America.

On the product side, demand for industrial fuel would be strong as a result of the continuing economic recovery. Furthermore, demand for transportation fuels and petrochemicals were also expected to be strong.

US gasoline demand was slated to be back into its normal growing mode; however there was considerable uncertainty about the pace of growth.

"Any further delay in the country's economic recovery will, of course, lead to a downward revision in world oil demand in total. Other factors that might play an important role in next year's oil demand are retail oil product prices, taxes and the removal of retail price subsidies worldwide."

The report said world oil demand was expected to grow by 1.0m b/d in 2011 to average 86.4m b/d.

Industrial fuel, mainly diesel and naphtha, would be the products with the most growth in 2011 as the industrial sector would be the key driver of oil consumption.

Coming from a rather low base in 2010, gasoline and jet fuel consumption would show increases, yet the bulk would come from the growing transport sector in non-OECD countries, as well as some amounts from North America and the Pacific.

Non-OECD oil demand growth of 950,000 b/d would once again account for almost all the global growth figure for next year, whereas the OECD would show a moderate demand increase of 100,000 b/d.

Europe and the Pacific were expected to essentially see no changes from their 2010 volumes.

North America's oil use was expected to increase by 200,000 b/d. Oil demand in OECD Europe was forecast to remain at 2010 levels, showing a minor decrease, mainly due to the very low base in 2009 and 2010.

"There will be a stagnant transportation sector and hence slightly decreased demand for motor gasoline and diesel. Winter product growth will partly offset declining gasoline, diesel and other industrial products throughout the year," the report stated.

It said OECD Pacific demand would continue to show a further decline, as seen in 2010, due to less oil demand in Japan. Higher energy taxes, energy conservation, efficiency, alternative fuels and other factors were the main reasons for the decline.

As a result of the continuing crisis in the US economy, North America's oil demand was forecast to increase by only 200,000 b/d in 2011 to average 23.8m b/d.

India and the Middle East were estimated to show y-o-y oil demand growth of 100,000 b/d and 200,000 b/d, respectively, for 2011.

Although the agriculture, industrial and transport sectors were expected to be strong in India in 2010, the partial removal of price subsidies and other government policies were downside risks for oil demand growth in 2011, the report pointed out.

It maintained that the transport, construction and petrochemical sectors would be the main drivers behind the strong Middle East oil demand next year, as had been the case so far in 2010.

China was expected to contribute the most to world oil demand growth in 2011. The country's successful measures to minimize the negative effects of the world economic crisis would also continue in 2011.

China, said the report, would continue to achieve more energy efficiency in 2011 through the implementation of various efficiency agendas. Its apparent oil demand was forecast to grow by 400,000 b/d in 2011, 20,000 b/d lower than the growth estimate for the current year.

World oil supply

Preliminary figures indicate that global oil supply averaged 85.74m b/d in June, some 320,000 b/d lower than in the previous month. OPEC was estimated to have had a 34.1 per cent share in global oil supply, slightly higher than in the previous month, due to the steady rate of OPEC crude oil production and lower non-OPEC supply. The estimate was based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production were derived from secondary sources.

Meanwhile, non-OPEC oil supply was expected to average 51.86m b/d in 2010, an increase of 740,000 b/d over 2009, indicating an upward revision of 90,000 b/d from the previous OPEC report.

On a quarterly basis, all quarters experienced upward revisions from the previous month, except the first three months which encountered a minor downward revision. The upward revisions affected the supply forecasts for the US, Mexico, Vietnam, Brazil, Russia, Azerbaijan and China, while Canada, Norway, the UK and Kazakhstan experienced downward revisions.

On a quarterly basis, non-OPEC supply

in 2010 was put at 52.17m b/d, 52.03m b/d, 51.46m b/d and 51.80m b/d, respectively.

However, the forecast for non-OPEC supply remained associated with a high degree of risk, due to various factors, such as the hurricane season, fiscal developments, the maintenance season and a decline in the rate of developments.

OECD oil supply was expected to average 19.58m b/d in 2010, a decline of 50,000 b/d from 2009 and representing an upward revision of 20,000 b/d from the previous month.

US oil supply for 2010 encountered an upward revision of 30,000 b/d from the previous assessment to stand at 8.29m b/d, representing growth of 230,000 b/d over 2009.

The revision affected supply projects in all quarters with updated production data for the first half driving the upward revision. US oil supply was still expected to decline in the second half of 2010.

"The overall growth trend for non-OPEC supply is expected to continue in 2011, supported by Latin America and the FSU and partly offset by declines in OECD Europe."

Mexico oil supply was expected to average 2.93m b/d in 2010, a drop of 50,000 b/d from the previous year and an upward revision of 30,000 b/d compared with the previous month.

Healthy production data in the first half entailed the upward revision as the data showed a slowing decline. Canada, Norway and UK supply experienced downward revisions of 30,000 b/d, 10,000 b/d and 20,000 b/d, respectively, due to adjustment to updated production data in the first half of the year.

Compared with the previous month, the forecast for Other Asia supply in 2010 remained relatively steady with a minor upward revision to Vietnam of less than 10,000 b/d.

In Latin America, Brazil's supply in 2010 experienced an upward revision in the first half of 2010 due to healthy production data for both crude oil and biofuels.

Russia's oil supply was anticipated to average 10.05m b/d in 2010, representing growth of 130,000 b/d over the previous year and an upward revision of less than 30,000 b/d from the previous month. The adjustment came as preliminary data showed that June supply marked a new supply record for Russia.

Azerbaijan's oil supply encountered a similar upward revision on the back of a historical revision in 2008 and 2009, as well as an adjustment to preliminary actual production data for the first half of 2010.

Kazakhstan's oil supply encountered a minor downward revision of less than 10,000 b/d, compared with the previous month, due to lower-than-expected production in the first half of the year.

China's oil supply was foreseen to average 4.0m b/d in 2010, representing growth of 150,000 b/d over the previous year and an upward revision of 30,000 b/d from the previous month. The upward revision came on the back of healthy supply data for the first part of the second quarter, which continued to exceed the 4m b/d mark.

Looking at 2011, the OPEC report said that non-OPEC oil supply next year was expected to increase by 340,000 b/d over the current year to average 52.21m b/d.

"The overall growth trend for non-OPEC supply is expected to continue in 2011, supported by Latin America and the Former Soviet Union (FSU) and partly offset by declines in OECD Europe. The forecast is based on a careful assessment of non-OPEC supply developments; however, the resulting figure is associated with a very high level of risk," the report observed.

It stated that while the expectation of capital expenditure in 2010 and 2011 indicated a rising trend, economic risks contributed to the uncertainty regarding expected growth.

"Moreover, the anticipated growth of biofuels, which is expected to increase by around 200,000 b/d in 2011, is also linked to a high degree of risk," it added.

Other factors contributing to risks in both directions included weather conditions, technical factors, decline rate developments, the political environment and price movements.

"Hence, the forecast is subject to revisions following the materialization of supply developments," the report noted.

On a quarterly basis, non-OPEC supply in 2011 was expected to average 52.11m b/d, 51.99m b/d, 52.03m b/d and 52.69m b/d, respectively.

Total OECD oil supply next year was expected to average 19.39m b/d, representing a drop of 190,000 b/d from 2010. Expected supply growth from Canada and Australia were not seen to offset the decline anticipated from other OECD countries.

On a quarterly basis, OECD oil supply in 2010 was expected to average 19.53m b/d, 19.33m b/d, 19.15m b/d and 19.55m b/d, respectively.

North America's oil supply was anticipated to remain relatively flat in 2011, compared with 2010, averaging 14.48m b/d. Foreseen growth from Canada was expected to offset the projected decline in the US and Mexico.

"The risk associated with the North America supply forecast remains on the high side given the effect of weather conditions, decline rates and technical issues," said the report.

On a quarterly basis, North America's oil supply in 2011 was foreseen at 14.42m b/d, 14.43m b/d, 14.44m b/d and 14.61m b/d, respectively.

US oil supply next year was forecast to average 8.27m b/d, a slight decline of 30,000 b/d from 2010. Increased US output supported non-OPEC supply the previous year, with growth mostly coming from the Gulf of Mexico.

"However, the deepwater drilling moratorium is seen to slow new projects and dent current output in 2011. Recently, the US Gulf rig count showed a heavy drop in activity, which is expected to have a negative effect on supply in 2011," the report said.

"It is worth emphasizing that the US oil supply forecast is associated with a very high level of risk, the effect of which could lead to changes in supply in either direction. One of

the main risk factors is the development of the weather situation, both in 2010 and 2011, and the extent of the effect on fields and infrastructure."

The report said that, additionally, the economic situation and the price environment could have varying influences on margins, as well as on production and growth in biofuels.

"Furthermore, the impact of policy changes on oil supply is another important risk factor that could alter supply expectations," the report said.

On a quarterly basis, US oil supply next year was expected to average 8.24m b/d 8.24m b/d, 8.27m b/d and 8.33m b/d, respectively.

Oil supply from Canada was anticipated to grow by 110,000 b/d over 2010 to average 3.37m b/d next year. The expected growth was supported mainly by oil sands projects.

On a quarterly basis, Canada's oil supply in 2011 was predicted to average 3.33m b/d, 3.35m b/d, 3.36m b/d and 3.44m b/d, respectively.

Mexico's oil supply was foreseen to average 2.84m b/d in 2011, a decline of 90,000 b/d from 2010.

On a quarterly basis, Mexico's oil supply next year was anticipated to average 2.85m b/d, 2.84m b/d, 2.82m b/d and 2.85m b/d, respectively.

Total OECD Western Europe oil supply in 2011 was slated to decline by 200,000 b/d over 2010 to average 4.24m b/d. Declines were anticipated in all major OECD Europe producers, with quarterly figures expected at 4.45m b/d, 4.22m b/d, 4.02m b/d and 4.27m b/d, respectively

Norway's oil supply was foreseen to decline by 100,000 b/d over 2010 to average 2.09m b/d in 2011. The contraction was due to a continuing decline in its mature producing fields, while most new developments were tending towards small and satellite projects.

On a quarterly basis, Norway's oil supply next year was predicted to average 2.23m b/d, 2.06m b/d, 1.94m b/d and 2.14m b/d, respectively.

The UK's oil supply was predicted to average 1.30m b/d in 2011, a drop of 90,000 b/d over 2010. A low level of drilling in the early part of 2010, which was expected to continue, was partially driving the forecast.

On a quarterly basis, the UK's oil supply next year was expected to stand at 1.35m b/d, 1.30m b/d, 1.26m b/d and 1.29m b/d, respectively.

Denmark's oil supply in 2011 was forecast to decline by 30,000 b/d over 2010 to average 220,000 b/d. A natural decline in existing fields was expected to reduce output with limited new developments.

Other Western Europe supply was expected to drop slightly in 2011 with the decline rate affecting production, except for Italy where supply was expected to increase slightly. The growth in biofuels supply was seen to partially offset the decline.

Oil supply in the OECD Pacific region was forecast to average 670,000 b/d in 2011, indicating minor growth of 10,000 b/d, compared with 2010. On a quarterly basis, total oil supply in the region next year was estimated to average 670,000 b/d, 680,000 b/d, 680,000 b/d and 670,000 b/d, respectively.

Australia's oil supply in 2011 was expected to display growth of 30,000 b/d over the current year. The quarterly distribution stood at 570,000 b/d, 590,000 b/d, 600,000 b/d and 590,000 b/d, respectively.

New Zealand's oil supply was slated to decline by 20,000 b/d over 2010 to average 90,000 b/d in 2011, with limited new developments.

Developing Countries' oil supply next year was projected to average 13.23m b/d, up by 370,000 b/d over the 2010 level. The majority of the growth was seen coming from Latin America, supported by anticipated growth in Brazil and Colombia, followed by Africa and Other Asia, while the Middle East's supply was expected to remain steady in 2011 with just a minor decline.

On a quarterly basis, total oil supply in the Developing Countries in 2011 was forecast to average 13.05m b/d, 13.12m b/d, 13.27m b/d and 13.46m b/d, respectively.

Oil supply from Other Asia was forecast to show growth of 50,000 b/d over 2010 to reach 3.78m b/d in 2011, with an average quarterly distribution of 3.77m b/d, 3.75m b/d, 3.79m b/d and 3.81mb/d, respectively.

India was expected to lead the supply growth in Other Asia. Oil supply from India was forecast to average 890,000 b/d in 2011, an increase of 40,000 b/d over 2010 and supported by the Mangala development, which was expected to reach peak capacity of 170,000 b/d in 2011 as the Bhagyam and Aishwarya projects entered into production.

Vietnam was seen to be second on the growth list of Other Asia, with an anticipated supply increase of 40,000 b/d in 2011.

Latin America's oil supply next year was seen increasing by 270,000 b/d over 2010 to average 4.98m b/d with an average quarterly distribution of 4.87m b/d, 4.92m b/d, 5.01m b/d and 5.11m b/d, respectively.

The expected growth was supported by Brazil and Colombia, while other countries' supply within the region expected to remain relatively flat. Brazil's oil supply was forecast to average 2.93m b/d in 2011, indicating an increase of 210,000 b/d over 2010.

The growth was supported by a long list of project start-ups and ramp-ups, but, additionally, strong biofuels production was expected in 2011, further supporting growth.

"However, the risk on the outlook continues to be high, especially due to technical aspects, as the forecast growth is supported by the new sub-salt developments," observed the OPEC report.

On a quarterly basis, Brazil's oil supply in 2011 was expected to go through a gradual increase and average 2.86m b/d, 2.88m b/d, 2.95m b/d and 3.02m b/d, respectively.

Colombia's oil supply next year was foreseen to experience healthy growth of 70,000 b/d over 2010 to average 860,000 b/d, supported by new fields and ramp-ups.

Argentina's oil supply was forecast to suffer a minor loss of 20,000 b/d in 2011, mainly on natural decline and limited developments.

Additionally, small output growth was expected from Peru in 2011.

The Middle East's oil supply in 2011 was slated to remain steady with an expected minor decline of 10,000 b/d over 2010.

Oman's oil supply was expected to experience the only growth in 2011 – with some 40,000 b/d – to average 900,000 b/d and supported by enhanced oil recovery developments.

Oil supply in both Syria and Yemen was expected to drop slightly on natural decline with few new developments.

On a quarterly basis, the Middle East's oil supply in 2011 was expected to average 1.72m b/d, 1.73m b/d, 1.73m b/d and 1.75m b/d, respectively.

Africa's oil supply in 2011 was foreseen to average 2.73m b/d, an increase of 60,000 b/d over 2010. Growth was supported mainly by Ghana and Uganda, while other major producers in the region were seen remaining flat, or experiencing declines.

Ghana's oil supply was expected to experience healthy growth, supported by the Jubilee oil project, while Uganda's oil supply was anticipated to encounter an increase from its Lake Albert developments.

Natural decline was seen affecting other countries' supply with limited new developments.

On a quarterly basis, total oil supply in Africa in 2011 was estimated averaging 2.69m b/d, 2.72m b/d, 2.74m b/d and 2.79m b/d, respectively.

Total FSU oil supply next year was expected to average 13.36m b/d, up by 160,000 b/d over 2010. Growth was seen coming from Azerbaijan, Kazakhstan and Turkmenistan, while Russia's supply was anticipated to experience a minor decline.

On a quarterly basis, total oil supply in the FSU in 2011 was expected to average 13.32m b/d in the first and the second quarters, and 13.38m b/d and 13.44m b/d in the third and fourth quarters, respectively.

Russia's oil supply was projected to remain relatively steady with a minor drop of 20,000 b/d over 2010 to average 10.03m b/d in 2011. An anticipated natural decline from mature production was seen exceeding new barrels coming onstream.

On a quarterly basis, Russia's oil supply next year was expected to average 10.02m b/d, 10.01m b/d, 10.02m b/d and 10.07m b/d, respectively.

Kazakhstan's oil supply was forecast to average 1.66m b/d in 2011, indicating an increase of 60,000 b/d over 2010. The anticipated growth was supported mainly by the expansion of the Tengiz field with a gradual ramp-up during the year.

However, ongoing policy developments, as well as a limited export capacity, were seen increasing the forecast risk. The quarterly supply figures for next year were estimated at 1.64m b/d, 1.65m b/d, 1.68m b/d and 1.69m b/d, respectively.

Oil supply from Azerbaijan was expected to average 1.21m b/d in 2011, representing an increase of 100,000 b/d over 2010. The quarterly forecast for 2011 was estimated at 1.21m b/d, 1.20m b/d, 1.21m b/d and 1.21m b/d, respectively.

FSU Others' oil supply next year was forecast to average 460,000 b/d, an increase of 20,000 b/d over 2010, while Other Europe oil supply was seen to remain relatively steady in 2011, compared with 2010, at an average of 140,000 b/d.

China's oil supply in 2011 was foreseen to remain steady, averaging 4.01m b/d and indicating minor growth of 10,000 b/d over 2010. A few new projects were seen supporting the supply volume, but the risk remained high as it was very difficult to assess the ability of mature oil fields to continue to add new volumes.

On a quarterly basis, total oil supply in China next year was expected to stand at 4.00m b/d, 4.02m b/d, 4.02m b/d and 4.02m b/d, respectively.

OPEC oil production

Total OPEC crude oil production in June averaged 29.20m b/d, relatively steady with the previous month, according to secondary sources.

OPEC crude oil production, excluding Iraq, in the same month, averaged 26.85m b/d, a gain of 60,000 b/d. Crude oil supply from Saudi Arabia, Nigeria, Venezuela and Kuwait experienced increases of more than 10,000 b/d, while production from Iraq, Angola and Iran suffered declines of more than 10,000 b/d in June, compared with the previous month. OPEC crude oil production in the second quarter was said to have averaged 29.17m b/d.

Output of OPEC NGLs and non-conventional oils was forecast to grow by 490,000 b/d over 2009 to average 4.84m b/d in 2010. Next year's production was projected to increase by 530,000 b/d over 2010 to average 5.36m b/d. The expected growth in 2011 was foreseen coming from Iran, Nigeria, Qatar, Saudi Arabia and the UAE.

Downstream activity

Looking downstream, the OPEC report said increasing demand for middle distillates, signs of improving economic growth and positive sentiment for gasoline demand during the driving season, had combined to support product market sentiment and prices in early June.

However, with the completion of refinery maintenance, increasing product supplies and rising concerns about the pace of world economic growth over the last few weeks, both the physical and futures product markets had lost part of their earlier strength.

"The current situation in the product markets may change, due to improving economic growth indicators and operational disruptions during the hurricane season. These circumstances could provide sufficient support for crude markets in the coming months," commented the report.

Refining margins for WTI crude on the US Gulf Coast fell slightly by 8¢ to $7.10/b in June from $7.18/b the previous month.

In Europe, refiners enjoyed relatively better performances, with margins for Brent crude in Rotterdam rising to $3.83/b from $3.58/b the previous month.

In Asia, bearish developments, especially for naphtha, exerted pressure on refining margins. A lack of resilience in the performance of the fuel oil market also contributed to negative developments in Asian refinery economics.

Refining margins for Dubai crude oil in

Singapore fell by 7¢ to stand at $3.97/b in June, compared with $4.04/b in May.

"Looking ahead, given the ample stocks for both distillates and gasoline, and barring extensive unplanned supply disruptions, the risk of a product supply shortage during the upcoming peak season is very limited.

"Additionally, by having 1.1m b/d of new refinery capacity in 2011, it appears that spare capacity in the downstream sector remains relatively high in the short to medium term and the likelihood of product market developments lifting crude pieces in the future is very marginal," the report maintained.

It pointed out that slowing demand in 2009 had combined with new refinery capacities, resulting in higher spare refinery capacity across the globe in recent months.

Having ample distillate stocks had also contributed to low refinery runs, even in the severe winter of the Atlantic Basin.

With improving economic conditions and the easing of previous imbalances in product markets, American refiners started to increase throughputs and benefit from positive developments in the market.

Despite increasing runs in the US, said the report, European refiners had not yet shown any interest in increasing throughputs. Asian refiners, with the exception of China and India, had followed the same policy and their utilization rates were still relatively low.

The refinery utilization rate in the US in June increased by 1.6 per cent to 88.7 per cent, compared with 87.1 per cent in May.

In Europe, despite the completion of the maintenance schedule, refiners had not yet increased utilization rates amid increasing middle distillate exports from the US and Russia.

According to preliminary data, the European refinery utilization rate fell by 0.7 per cent to 80.3 per cent in June, compared with the previous month.

In Asia, it was observed that the major part of the seasonal refinery maintenance had already been completed, but plant throughputs, with the exception of China, had not yet increased.

According to PAJ, Japanese refinery utilization rates on average remained at around 78 per cent in June.

"Looking ahead, with the completion of the maintenance season and the approaching peak driving season, refinery utilization rates are expected to improve in the next month," said the report.

It stated that with the approaching peak driving season and improving economic conditions, US gasoline demand had increased, encouraging refiners to increase throughputs. According to the EIA, US gasoline demand rose to over 9.3m b/d in June.

Meanwhile, although storms in the US Gulf in June had not affected refinery operations and product markets significantly, there was still the risk of operational disruptions for US refineries along the Gulf Coast, especially given the forecast for an active hurricane season.

Middle distillate demand growth in the US slowed to 221,000 b/d in June from 578,000 b/d in May. However, it surged significantly in the last week of the month, jumping to 3.95m b/d. Increasing distillate output and stocks also exerted pressure on market sentiment and encouraged traders to liquidate net long positions on the Nymex futures market.

European product market sentiment eased slightly compared with the previous month amid increasing middle distillate exports from the US and limited export outlets for gasoline and fuel oil.

Gasoline market sentiment weakened in the middle of June, compared with earlier in the month, amid depressed local demand and limited arbitrage opportunities. But in the latter part of June, European gasoline prices and cracks rose, supported by unplanned regional refinery outages and Hurricane Alex.

The European naphtha market also lost ground amid a lack of export opportunities to Asia and less regional demand from the petrochemical sector. Due to the persistently slow economic recovery, the European naphtha market would likely remain weak in the coming months.

Supply restraints by European refiners provided support for the distillate market and diesel's discount to gasoline narrowed, while the jet fuel market improved amid a tightening of the distillate complex and increasing seasonal demand.

European high sulphur fuel oil market conditions deteriorated further, compared with the previous month, due to increasing Russian exports, less outflows to Asia and increasing fuel oil stocks at Rotterdam. But the performance of the low sulphur fuel oil market was relatively better, supported by regional demand.

"Slowing demand in 2009 had combined with new refinery capacities, resulting in higher spare refinery capacity across the globe in recent months."

Asia's gasoline market sentiment gained slightly, supported by higher demand from India, Indonesia and an increasingly bullish perception for seasonal export opportunities to the US West Coast market. With the completion of refinery maintenance and plants returning to normal operation, it was expected that Asian gasoline output would outpace regional demand, exerting pressure on gasoline prices.

The gasoil market was relatively strong amid higher regional demand and tight supplies because of the maintenance season and steady demand from India, Indonesia and Vietnam.

"The Asian gasoil market may lose part of its current strength in the next months as fear of heavier supplies resulting from post-spring refinery maintenance and limited export opportunities to Europe may cap persisting bullish developments in the distillates market," said the report.

The Asian jet fuel market overall remained weak, as higher regional supplies and limited export outlets weighed on prices. The market was still fundamentally weak, as inflows from Europe and Latin America had combined with

sluggish regional demand, leading to higher inventories in Singapore.

"Looking ahead, due to increasing substitution of natural gas for fuel oil at power plants and the continuation of arbitrage flows from the west, sentiment in the Asian fuel oil market is not expected to improve significantly in the coming months," the report maintained.

Oil trade

According to preliminary data, US crude oil imports in June averaged 9.68m b/d, just 0.4 per cent lower than the May volume. On an annual basis, June crude oil imports increased by 5.5 per cent.

"In the first half of the year, average US crude oil imports declined by 0.8 per cent, or 74,000 b/d, over the same period last year."

"The high level of crude oil imports is supported by high refinery runs, as well as the start of the summer driving season; nevertheless, the small decrease compared with May was due to the increased use of crude oil inventories to meet demand," the OPEC report noted.

In the first half of the year, average US crude oil imports declined by 0.8 per cent, or 74,000 b/d, over the same period last year. May, April and June yearly increases were not enough to offset the decline experienced from January to March.

In June, US oil product imports decreased by 7.9 per cent from a year earlier to stand at 2.42m b/d. Compared with a month earlier, they were lower by just 0.3 per cent, or 8,000 b/d.

From January to June this year, US oil product imports stood at 2.53m b/d, down by 12.6 per cent over the same period of 2009.

Gasoline, propane/propylene, jet fuel and fuel oil imports decreased by 1.3 per cent, 50.4 per cent, 0.7 per cent and 24.9 per cent, respectively, reflecting the increase in prices, compared with the previous month, as other product imports increased.

US oil product exports in June increased by 9.5 per cent, or 165,000 b/d, from the previous month, to average 1.9m b/d. The rise was supported by higher refining runs. On an annual basis, US product exports increased by four per cent.

Gasoline, propane/propylene and jet fuel exports declined, due to firm domestic demand. Other product exports increased, resulting in a general rise in total product exports.

With the 173,000 b/d decrease in net product imports and the 37,000 b/d decline in net crude oil imports, US net oil imports in June fell by two per cent, or 209,000 b/d, over the previous month to stand at 10.16m b/d. June net oil imports were 2.5 per cent, or 247,000 b/d, higher than in the same month a year ago.

According to the latest data, US crude oil imports from OPEC Member Countries averaged 5.0m b/d in April, 5.6 per cent higher than a month earlier and 15.2 per cent more than a year earlier.

Canada remained the top supplier of crude to the US in April with 1.88m b/d, down 6.8 per cent m-o-m. Saudi Arabia continued in second place with 1.25m b/d, up by 8.4 per cent. US crude oil imports from Mexico, the third largest supplier, improved by 4.4 per cent m-o-m to 1.13m b/d. Nigeria, Venezuela, Angola and Iraq were next in line with supplies of 1.09m b/d, 851,000 b/d, 508,000 b/d and 490,000 b/d, respectively.

Canada also remained the lead supplier of oil products to the US in April with 603,000 b/d, up by 106,000 b/d, or 21.3 per cent, from a month earlier. The Virgin Islands jumped into second place, due to a 38.6 per cent rise in deliveries to 316,000 b/d. Russia dropped into third place, despite a 60,000 b/d increase in product supplies, which averaged 299,000 b/d.

Algeria was the top product supplier among OPEC Member Countries and fourth on the imports list with 172,000 b/d, showing a decline of 3.9 per cent.

Oil product supplies from all OPEC Member Countries to the US in April stood at 406,000 b/d.

Mexico continued to be the top importer of oil products from the US in April with 504,000 b/d, up by 12.2 per cent from the previous month and the third increase in a row. Canada was second with an average of 187,000 b/d. Brazil jumped to third place with a 40.4 per cent, or 42,000 b/d, increase over the previous month, reaching 146,000 b/d.

Imports from the US by Singapore and Japan amounted to 98,000 b/d and 88,000 b/d, respectively.

OPEC Member Countries imported 109,000 b/d of oil products from the US, 12.1 per cent less than in the previous month. Most of the decrease was attributed to Ecuador, whose product imports from the US declined by 10,000 b/d to 61,000 b/d in April.

Japan's crude oil imports fell by 9.8 per cent in May from the previous month, to 3.46m b/d, according to official data. Compared with May last year, the country's crude oil imports increased by 1.8 per cent, or 60,000 b/d.

The m-o-m decrease was the result of a reduction in imports from OPEC Member Countries. OPEC crude oil deliveries to Japan decreased by 456,000 b/d, or 13.9 per cent, from April, as OPEC's share of total crude oil imports declined from 85.4 per cent in April to 81.6 per cent in May.

Supplies of crude from Saudi Arabia, the UAE and Qatar fell by 14.5 per cent, 3.8 per cent and 26.9 per cent, respectively, m-o-m. Nevertheless, they remained the three biggest suppliers of oil for Japan, despite the decrease in May.

Iran supplied 4.4 per cent more crude oil to Japan, becoming the fourth-highest supplier, while crude imports from Iraq and Ecuador experienced an increase, but not enough to offset the total decline.

"The drop in crude oil imports is partly attributed to higher import prices in May, which rose by 7.2 per cent over the previous month.

Another reason for the decline is accredited to lower refinery runs. Japanese refiners' monthly crude import volumes fluctuate due to seasonal demand factors," said the report.

From January to May this year, Japan's crude oil imports averaged 3.84m b/d, 1.7 per cent more than in the same period last year. The increase during the first five months was slowed by a sharp decline in February.

Japan's oil product imports increased in May by 24.6 per cent from the previous month to 1.03m b/d. On an annual basis, they jumped by 24.8 per cent. During the first five months of the year, the country's product imports rose by 16.8 per cent to an average of 940,000 b/d. The increase was supported by the May increase, which offset the weak product demand seen in the previous months.

Gasoline imports surged by 87.9 per cent to 37,000 b/d as result of increasing domestic demand for the summer driving season. Fuel oil imports rose significantly by 118.3 per cent to 59,000 b/d, mainly due to incremental thermal power production.

LPG and naphtha imports increased by 19.3 per cent and 21.9 per cent, respectively, as gasoil and kerosene imports fell by 10.9 per cent and 38.6 per cent.

In May, Japan's oil product exports decreased by 6.1 per cent from a month earlier to 494,000 b/d. The decrease reflected firm domestic product demand, as well as lower refinery runs.

Over the first five months of 2010, Japan's oil product exports fell by 2.7 per cent over 2009 levels. Gasoil, fuel oil, LPG and kerosene exports declined by 13.2 per cent, 19.1 per cent, 27.7 per cent and 26 per cent, respectively, while gasoline and jet fuel exports increased.

As a result, Japan's net oil imports in May stood at 3.99m b/d, representing a decrease of 141,000 b/d, or 3.4 per cent, from April and 261,000 b/d, or seven per cent, higher than in the same month last year.

From January to May 2010, Japanese net oil imports averaged 4.28m b/d, 5.3 per cent higher than in the same period last year.

China's crude oil imports fell sharply by 18.4 per cent to 4.22m b/d in May, compared with April's historical record high, but they were still 4.4 per cent more than in the same month last year. The decrease in imports came despite higher refinery operation rates. Refiners decided to take advantage of the previously stored crude oil and feed their refineries with it.

"Despite the monthly drop, China's average crude oil imports during the first five months of 2010 are still strong at 4.65m b/d, 29 per cent up from the same period last year and mainly due to newly installed refinery capacity and higher operation rates during the present year. China remained the second-largest importer of crude oil after the US.

Oil product imports in May decreased by 5.2 per cent from the previous month to 1.02m b/d. On an annual basis, they declined by 12 per cent.

China's imports of crude oil products averaged 961,000 b/d during January to May, 2010, which were lower by 9.5 per cent from the same period a year earlier.

China exported 46,000 b/d of crude in May, down by 58.9 per cent from May 2009 and 3.3 per cent lower than in April 2010. Crude oil exports averaged 49,000 b/d between January and May this year, down 57 per cent from the same period a year ago.

China's oil product exports in May rose by 54.6 per cent over the same month in 2009 to 734,000 b/d. They were 4.9 per cent up from April 2010. During the first five months of the year, China reported a 37.9 per cent increase in oil product exports, which reached an average of 674,000 b/d.

The country's fuel oil imports decreased by 17.1 per cent, compared with April, due to shrinking demand in the domestic market, as well as declining supply from some very important providers.

Fuel oil imports averaged 449,840 b/d in May, 10.4 per cent less than in the same month a year ago, as fuel oil exports also declined by 5.0 per cent to 179,970 b/d.

Gasoil imports rose by four per cent to 25,770 b/d, partly due to strong domestic demand, while exports decreased by 0.4 per cent or 480 b/d to 134,830 b/d.

China's gasoline exports in May fell by 25.6 per cent m-o-m, mainly due to two state-owned oil companies reducing gasoline exports to guarantee domestic supply during the week-long May Day holiday. Negative export margins also contributed to the decline.

The nation's naphtha exports increased significantly in May to 47,500 b/d from 14,300 b/d a month earlier, as imports decreased by 19 per cent m-o-m. The higher exports against the lower imports came as domestic demand of naphtha shrank.

China's jet fuel imports rose by 47.9 per cent in May, as did exports – by 41.48 per cent. Jet fuel demand picked up in May due to Expo 2010 in Shanghai and the May Day holiday period. LPG imports and exports increased reflecting the development of the domestic market, as well as a price difference compared with other substitute products.

China's oil imports from OPEC declined by 27.9 per cent in May to 2.26m b/d. Of all OPEC Member Countries, only Saudi Arabia experienced an increase in exports to China, regaining the top position among China's crude suppliers with supplies of 886,000 b/d, 17.4 per cent higher than a month earlier.

Angola's crude supplies to China declined to 297,000 b/d, for a loss of 28.4 per cent, pushing it into second place. Oman, Russia and Brazil were the next three top crude suppliers with each experiencing significant increases. Oman's crude supplies increased by 41.97 per cent, Russia by 16.09 per cent and Brazil by 32.99 per cent.

China's net oil imports in May stood at around 4.46m b/d, reflecting the impressive decrease of 1.04m b/d, or 18.9 per cent, over the previous month. On an annual basis, China's net oil imports decreased by 156,000 b/d, or 3.4 per cent. From January to May, the nation's net oil imports averaged 4.88m b/d for a gain of 20.3 per cent over the same period last year.

According to preliminary data, India's crude oil imports decreased by 137,000 b/d, or 4.8 per cent, m-o-m in May to 2.73m b/d. On an annual basis, its crude oil imports showed a decline of 14.1 per cent from the same month last year.

During the first five months of the year,

India's crude oil imports fell to 2.74m b/d, 22,000 b/d down from a year ago. The decreases in March and May were enough to bring the five-month average down by 0.8 per cent from the same period last year.

In May, India's oil product imports increased significantly by 45.6 per cent, or 128,000 b/d, from April to 409,000 b/d, while, on an annual basis, they increased by 1.5 per cent.

Gasoil imports experienced the most important m-o-m increase among the products, due to the significant increase seen in domestic demand. Diesel imports increased by 57,100 b/d, or by 287.1 per cent, but on an annual basis, they showed a decline of 50 per cent.

Naphtha imports also experienced a considerable increase, due to the start-up of a naphtha cracker unit at the Panipat refinery. Naphtha imports rose by 18,000 b/d, or 48.4 per cent, over April levels. Compared with a year earlier, naphtha imports increased by 96.3 per cent, reflecting the rising refinery activity.

India's gasoline and kerosene imports also rose to reach 19,250 b/d each, reflecting increasing domestic fuel demand.

In contrast, the nation's fuel oil imports fell by 15.3 per cent m-o-m, while LPG imports fell by 9.3 per cent, as a result of higher domestic crude oil production.

India's oil product exports in May remained almost at the same level from a month earlier, with just a small decline of 4,100 b/d. On an annual basis, India exported 40.2 per cent less products than in May last year at 427,400 b/d. Diesel exports saw a significant increase of 226.6 per cent m-o-m to 64,960 b/d, as a result of increasing activity at the Reliance refineries.

Gasoline exports increased by 12.1 per cent m-o-m to 120,160 b/d, while naphtha, jet fuel and fuel oil exports declined by 10.4 per cent, 45.6 per cent and 32 per cent, respectively, from the previous month.

During the first five months of the year, India's oil product exports averaged 497,000 b/d, resulting in a decline of 29.4 per cent, compared with the same period last year.

India's net product imports in May increased by 132,000 b/d from the previous month, but the balance was still negative, reflecting that the strength in exports was outpacing imports. The crude oil and total products net balance was 2.71m b/d with a decrease of 5,000 b/d over the previous month.

According to preliminary data, FSU crude oil exports to non-CIS countries in May increased by 2.8 per cent, or 191,000 b/d, over the previous month and reached a new record high of 7.01m b/d. On an annual basis, FSU crude oil exports increased by 3.8 per cent.

During the first five months of the year, FSU crude oil exports rose by 2.4 per cent to average 6.79m b/d over a year ago.

In May, Russian crude exports to CIS destinations fell by 23.14 per cent, compared with the previous month, to stand at 463,000 b/d. Belarus imported 35,000 b/d less crude in May at 241,000 b/d. Ukraine imports also declined – to 73,770 b/d.

FSU oil product exports increased by 6.2 per cent in May from April to stand at 3.1m b/d.

Stock movements

Concerning stock movements, the OPEC report said that US commercial oil inventories at the end of June continued their upward trend for the third consecutive month, increasing by 10.2m b and accumulating more than 35m b over this period.

At 1,101.1m b, US commercial oil stocks were at their highest level since September 2009, but remained below a year ago, indicating a deficit of 13.8m b, or 1.2 per cent. However, they stood at a very comfortable level with a surplus of 87m b, or 8.6 per cent, higher than the seasonal norm. The total build came from oil products, which increased by 10.4m b, as crude declined by 100,000 b.

After climbing since the beginning of the year by more than 38m b, US crude oil inventories showed a slight decline to end the month at 363.1m b, as imports remained almost unchanged at 9.7m b/d versus the previous month.

Crude oil inputs to refineries remained flat from a month earlier, averaging 15.1m b/d, which corresponded to a refinery utilization rate of 88.4 per cent, a 1.4 per cent increase over a year earlier.

"It is worth noting that Cushing inventories continued the decline seen since the beginning of the month, falling by nearly 2m b to finish the month at 35.8m b, putting some upward pressure on WTI prices," the report noted.

"Overall, the US crude oil market remained well supplied, with an overhang of 39.2m b, or 12.1 per cent, above the seasonal norm," it added.

US oil product stocks rose significantly in June, ending the month at 738.0m b, their highest level since November 2009.

"US oil product inventories have been rising since April 2010, accumulating almost 28m b, a sign that US demand is not peaking as expected."

With the build, US product stocks showed a surplus of nearly 48m b, or seven per cent, compared with the seasonal norm, but remained 28m b, or four per cent, lower than at the same time last year.

Middle distillate stocks led the build in US product inventories, increasing by 6.4m b to 159.4m b to stand at a very comfortable level of 37.5m b, or 30.8 per cent above the five-year average.

The build could be attributed to the fall in distillate demand of around 230,000 b/d to average 3.8m b/d. Higher distillate output – by 120,000 b/d to 4.4m b/d – also contributed to the build in stocks.

"With the diverging trend of production strength and weak demand, distillate inventories will probably be pushed to more than 160m b in the coming weeks, indicating a bearish distillate market," the report maintained.

US gasoline inventories fell by 900,000 b to end the month at 218.1m b, the lowest level since October 2009. The draw could be attributed to some improvement in gasoline demand, which was 180,000 b/d more than in May.

Although demand was seen to be strengthening, it remained well below the seasonal average. At the end of June, US gasoline stocks stood at 4.1m b, or 1.9 per cent, above a year ago and 7.0m b, or 3.3 per cent, higher than the five-year average.

Residual fuel and jet fuel oil stocks moved

in opposite directions with the former declining by 2.6m b to 43.3m b, while jet fuel oil inventories rose by 2.2m b to 46.6m b. Both products remained above a year earlier and their five-year average levels.

European total oil inventories (EU plus Norway) declined by 4.8m b to 1,152.1m b in June. The draw was driven by a fall of 3.0m b in oil product stocks, followed by a drop of 1.8m b in crude oil. Despite the draw, European inventories remained 7.5m b, or 0.5 per cent, above a year ago and showing a surplus of 36.0m b, or 3.2 per cent, above the seasonal norm.

The region's crude oil stocks stood at 487.6m b in June, down from the previous month, but still 3.5m b above the same time in 2009 and 7m b more than the average for the last five years.

The draw was mainly due to a jump in refinery crude runs after refiners started returning from maintenance. In fact, refinery runs rose by 560,000 b/d to nearly 11m b/d, the highest level since July 2009.

Despite the increase in refinery throughput, total product inventories declined to end the month at 664.5m b, the lowest level since October 2009. However they remained at a healthy level, showing a surplus of 3.9m b, or 0.6 per cent, with a year earlier and 29m b, or 4.6 per cent, compared with the seasonal norm.

With the exception of fuel oil, all other product stocks saw a fall. Gasoline stocks fell by 600,000 b for the fourth consecutive month to end June at 112.0m b, driven largely by higher exports to the US to meet increasing demand during the driving season. The decline widened the deficit with a year earlier to 3.2m b and to 17m b with the seasonal norm.

Middle distillate inventories fell by 2.0m b to 409.5m b with the bulk of the decline coming from Germany as distillate demand in this country strengthened for the third consecutive month. Despite the draw, distillate inventories remained at a very comfortable level of 4.5m b above a year ago and 42m b more than the five-year average.

Residual fuel oil inventories rose by 500,000 b to end the month at 108.7m b. The build came on the back of an increase in exports from Russia, combined with weak demand, especially in Germany and Italy, the two biggest European consumers for the product. Despite the build, fuel oil stocks remained below a year ago and their seasonal average by 3.8m b and 4.6m b, respectively.

Commercial oil stocks in Japan in May continued their upward trend for the third consecutive month, adding 9.0m b and ending the month at 175.7m b, the highest level since September 2009.

Since March, total oil stocks in the country have accumulated by more than 20m b. The build reduced the deficit with the five-year average to 2.6 per cent, while the gap with last year narrowed to 1.9 per cent from five per cent a month earlier.

Almost all the build in total commercial inventories came from oil products, which increased by 7.9m b, while crude oil stocks saw a moderate rise of 1.1m b.

"At 101.1m b, Japanese crude oil inventories are at their highest level since August 2009, but remain nine per cent below the seasonal norm and in line with a year ago," the report stated.

The build came on the back of lower crude runs, which declined by 8.8 per cent to average 3.34m b/d. The level corresponded to a refinery utilization rate of 69.6 per cent in May, much lower than the 76.2 per cent observed in the previous month.

The build in crude oil stocks came despite lower crude imports by 9.8 per cent to 3.46m b/d, compared with a month earlier, but crude oil imports remained 1.8 per cent above the same month in 2009.

Total oil product inventories in Japan saw a considerable build, ending the month at 74.6m b. The expansion was due to a strong fall of 14.5 per cent in domestic oil sales to average 2.86m b/d. Despite 2009 being a low base year, local oil sales in May were 1.1 per cent below the same time a year ago.

"The recovery in the Japanese economy, which started in 2010, has helped domestic oil demand to recover. But it was not strong enough to push product demand above year-ago levels. This could be explained by more efficient cars, as well as an increasing switch to natural gas and electricity, especially in the power generation and heating sectors," the report said.

All oil products saw a build, with almost half of the total coming from distillates. Distillate inventories rose by 3.9m b to 28.5m b after five consecutive months of decline to stand close to the seasonal level, but still 14 per cent below a year earlier.

European total oil inventories declined by 4.8m b to 1,152.1m b in June. The draw was driven by a fall of 3.0m b in oil product stocks, followed by a drop of 1.8m b in crude oil.

All components of the distillate stocks went up with kerosene inventories building by 25 per cent, followed by gasoil with a 15.5 per cent increase, while jet fuel inventories saw a moderate build of 1.8 per cent. The build in kerosene could be attributed to the strong decline in domestic sales by more than 40 per cent.

Gasoline stocks rose by 1.0m b to 15.7m b, which represented a surplus of 6.7 per cent over a year ago and 9.5 per cent higher than the seasonal norm. The build came on the back of falling domestic demand by 2.1 per cent.

"It is worth noting that gasoline demand represents a third of total fuel use in Japan," the report stated.

Fuel oil stocks increased by 1.2m b to 17.8m b, slightly below a year ago, but remained 10.7 per cent below the average norm. Both components of fuel oil increased with fuel oil A rising by 13.5 per cent, while fuel oil B.C went up by 4.2 per cent.

Lower domestic sales by 24 per cent of fuel oil A products, combined with higher imports by almost 40 per cent, contributed to pushing inventories higher.

The strong imports, which almost doubled in May, were the main reason behind the build in fuel oil B.C inventories.

Naphtha stocks rose by 1.7m b to 12.6m b, but remained at a healthy level of 13.6 per cent above a year ago. The build could be attributed to higher imports, which increased by almost 26 per cent.

Preliminary indications, based on weekly data published by PAJ for the end of June, showed Japanese total commercial oil stocks reversing the upward trend observed during the last three months to decline by around 4m b to 171.0m b.

Preliminary data for the end of June, based on weekly information, showed product stocks in ARA rising by 300,000 b to 37.33m b, representing a surplus of 4m b.

The draw was divided between crude and products as both components declined by about 2m b. As a result, total commercial stocks stood at 1.9m b, 1.1 per cent below a year ago and representing a deficit of 2.6m b, or 5.3 per cent, with the five-year average.

At 98.7m b, Japanese crude oil stocks at the end of June stood 4.2 per cent below a year ago and 12.1 per cent lower than the seasonal norm. The draw in crude oil stocks could be attributed to higher crude throughput, which rose to a five-week high, after falling to its lowest level since 1991 the week before.

The rise in crude throughput came on the back of the restart of refineries after a period of maintenance.

Within oil products, with the exception of fuel oil stocks, which rose by 1.4m b, all other products declined in the range of 1m b to 1.4m b.

At 72.4m b, total oil products stood 3.5 per cent above a year ago and 5.8 per cent more than the five-year average.

In Singapore, May oil product stocks reversed the upward trend observed during the last three months, declining by 6.6m b to 42.71m b, their lowest level since August 2009.

Despite the draw, oil product stocks remained 2.5m b, or 6.1 per cent, above a year ago. All products saw a draw with fuel oil inventories falling by 3.3m b, followed by middle distillates, which dropped by 2.4m b, while light distillates saw a draw of 900,000 b.

At 21.1m b, fuel oil inventories fell to a four-month low, largely driven by lower arbitrage inflows from the West, combined with steady demand for bunkers. Western exports for May reportedly fell to around 3.2 million tons, more than half a million tons less than the April level. Fuel oil stocks ended the month at 2.1m b, or 10.8 per cent, above a year earlier.

Middle distillate inventories dropped to a 13-month low, ending the month at 11.0m b, as robust demand in China trimmed exports to Singapore to support domestic demand.

The draw pushed middle distillate stocks to a slight deficit of 600,000 b, or 5.5 per cent, with a year ago. Singapore light distillate inventories fell to 10.6m b, almost the year-ago level. The decline could be attributed to lower imports as stronger domestic demand in China cut its exports to Singapore.

Preliminary data for the end of June, based on weekly information, showed oil product inventories in Singapore reversing the draw observed the previous month to record a build of 5.7m b to 48.2m b. The build widened the surplus with the same period a year ago to 9.4 per cent from 5.6 per cent a month earlier.

All products indicated a build at the end of June, with middle distillates enjoying the bulk of the expansion, increasing by 4.1m b, followed by fuel oil with a 1.2m b increase, while light distillate stocks saw a moderate build of 400,000 b.

At 14.9m b, middle distillate inventories surged to a near six-month high, due to healthy exports from China and South Korea as some refineries came back from maintenance.

Fuel oil stocks also rose to end the month at 21.9m b on higher Western inflows in June. Light distillate stocks improved to 11.42m b.

Oil product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region at the end of May fell by 460,000 b to 38.44m b, after two consecutive months of build. Despite the draw, product stocks in ARA remained 5.1m b, or 15.4 per cent, above the same period a year ago.

With the exception of a build in gasoil inventories, all other products observed a draw at the end of May. Gasoil inventories rose by 1.4m b to 18.77m b on the back of higher imports from Russia and South Korea, which outpaced exports to Africa. With the build, gasoline stocks remained almost in line with the year-ago level.

Gasoline inventories fell by 1.36m b to 7.36m b, their lowest level in five months, but remained 2.1m b, or 40 per cent, above the same period the previous year. Substantial exports, ahead of the driving season, combined with limited imports were behind the fall in gasoline inventories.

Fuel oil stocks declined by 100,000 b to 6.0m b, representing a surplus of 2.8m b over the same time the previous year.

Jet fuel inventories fell by 300,000 b to 5.86m b, representing a surplus of 400,000 b over a year earlier, while naphtha stocks declined by 100,000 b to 440,000 b, indicating a deficit of 50 per cent from a year ago.

Preliminary data for the end of June, based on weekly information, showed product stocks in ARA rising by 300,000 b to 37.33m b, representing a surplus of 4m b, or 11.8 per cent, above the same time a year ago.

Within products, the picture was mixed. Gasoline and naphtha saw a drop, while gasoil, fuel oil and jet oil saw a build.

Gasoline inventories declined by 600,000 b to 7.7m b, mainly due to higher gasoline exports to the US. Despite the draw, gasoline inventories remained with a comfortable surplus of 27 per cent over a year ago.

Gasoil stocks rose by 100,000 b to 17.37m b, but remained five per cent below the same period a year ago.

Fuel oil and jet oil inventories rose by 500,000 b and 300,000 b to 5.34m b and 6.45m b, respectively, driven by higher imports. Both products stood well above their year-ago levels.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2005**	**2006**	**2007**	**2008**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**
OECD	49.8	49.5	49.2	47.6	45.5	45.8	44.5	45.0	46.0	45.3	45.9	44.5	45.0	46.1	45.4
North America	25.6	25.4	25.5	24.2	23.3	23.6	23.4	23.6	23.8	23.6	23.9	23.5	23.8	24.0	23.8
Western Europe	15.7	15.7	15.3	15.3	14.5	13.9	13.8	14.2	14.3	14.0	13.8	13.6	14.0	14.2	13.9
Pacific	8.6	8.5	8.4	8.1	7.7	8.3	7.4	7.2	8.0	7.7	8.2	7.3	7.2	7.9	7.7
Developing countries	22.7	23.5	24.6	25.5	26.1	26.2	26.7	26.9	26.9	26.7	26.8	27.3	27.4	27.4	27.2
FSU	3.9	4.0	4.0	4.1	4.0	3.8	3.7	4.2	4.2	4.0	3.9	3.8	4.2	4.3	4.0
Other Europe	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7
China	6.7	7.2	7.6	8.0	8.2	8.2	8.8	9.0	8.6	8.7	8.7	9.2	9.4	9.1	9.1
(a) Total world demand	**84.0**	**85.1**	**86.2**	**85.9**	**84.4**	**84.8**	**84.4**	**85.7**	**86.5**	**85.4**	**85.9**	**85.3**	**86.7**	**87.6**	**86.4**
Non-OPEC supply															
OECD	20.4	20.1	20.1	19.5	19.6	19.9	19.7	19.2	19.5	19.6	19.5	19.3	19.1	19.6	19.4
North America	14.1	14.2	14.3	13.9	14.3	14.6	14.6	14.3	14.3	14.5	14.4	14.4	14.4	14.6	14.5
Western Europe	5.7	5.3	5.2	5.0	4.7	4.7	4.4	4.2	4.4	4.4	4.4	4.2	4.0	4.3	4.2
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Developing countries	11.9	12.0	12.0	12.3	12.5	12.9	12.8	12.9	12.9	12.9	13.0	13.1	13.3	13.5	13.2
FSU	11.5	12.0	12.5	12.6	13.0	13.1	13.2	13.2	13.3	13.2	13.3	13.3	13.4	13.4	13.4
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.0	3.9	4.0	4.0	4.0	4.0	4.0	4.0
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	50.0	50.5	50.4	51.1	52.2	52.0	51.5	51.8	51.9	52.1	52.0	52.0	52.7	52.2
OPEC NGLS and non-conventionals	3.9	3.9	3.9	4.1	4.3	4.6	4.8	4.9	5.1	4.8	5.2	5.3	5.4	5.5	5.4
(b) Total non-OPEC supply and OPEC NGLS	**53.5**	**53.9**	**54.5**	**54.5**	**55.5**	**56.8**	**56.8**	**56.3**	**56.9**	**56.7**	**57.3**	**57.3**	**57.4**	**58.2**	**57.6**
OPEC crude supply and balance															
OPEC crude oil production[1]	30.7	30.5	30.2	31.2	28.7	29.2	29.2								
Total supply	84.2	84.4	84.7	85.7	84.2	85.9	86.0								
Balance[2]	0.2	-0.7	-1.6	-0.1	-0.2	1.2	1.6								
Stocks															
OECD closing stock level *m b*															
Commercial	2587	2668	2572	2697	2665	2678	2759								
SPR	1487	1499	1524	1527	1564	1567	1563								
Total	4073	4167	4096	4223	4229	4245	4322								
Oil-on-water	954	919	948	969	906	873	n.a.								
Days of forward consumption in OECD															
Commercial onland stocks	52	54	54	59	59	60	61								
SPR	30	30	32	34	35	35	35								
Total	82	85	86	93	93	95	96								
Memo items															
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.3	9.4	9.0	9.1	9.2	9.4	9.5	9.2	9.2	9.3
[(a) – (b)]	**30.5**	**31.3**	**31.8**	**31.4**	**28.9**	**28.0**	**27.6**	**29.4**	**29.6**	**28.7**	**28.6**	**28.0**	**29.3**	**29.5**	**28.8**

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

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

Table 1 *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 82 while* ***Graphs 1 and 2*** *on page 83 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 84–85 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2009–10

$/b

Crude/Member Country	2009 Oct	Nov	Dec	2010 Jan	Feb	Mar	Apr	May	Jun	Weeks 18–26 (week ending) May 7	May 14	May 21	May 28	Jun 4	Jun 11	Jun 18	Jun 25	Jul 2
Arab Light – Saudi Arabia	73.36	76.54	74.38	76.46	73.32	77.24	82.75	75.50	73.84	81.99	78.75	72.00	69.82	72.84	72.00	74.81	75.09	72.70
Basrah Light – Iraq	72.63	75.55	73.03	75.74	72.25	77.17	81.35	73.15	72.09	79.06	75.98	69.55	68.44	70.82	70.19	73.05	73.44	71.27
Bonny Light – Nigeria	74.41	77.96	75.68	77.39	75.04	80.40	86.14	76.87	76.00	83.15	79.69	73.11	72.00	74.26	73.77	76.83	77.97	75.41
Es Sider – SP Libyan AJ	72.71	76.61	74.23	76.14	73.59	78.85	84.49	74.87	73.65	81.15	77.69	71.11	70.00	71.98	71.42	74.48	75.62	73.12
Girassol – Angola	72.97	76.89	74.53	76.78	73.95	79.45	84.38	75.53	74.85	81.68	78.42	71.77	70.66	73.16	72.66	76.19	76.74	73.92
Iran Heavy – IR Iran	72.54	76.72	74.34	75.72	72.54	76.93	82.09	74.09	71.83	81.03	77.53	70.62	67.80	70.87	69.91	72.78	73.20	70.92
Kuwait Export – Kuwait	72.50	76.54	74.03	75.69	72.27	76.29	81.64	74.23	72.03	81.11	77.80	70.74	67.88	71.23	70.21	72.96	73.23	70.92
Marine – Qatar	73.61	77.78	75.36	77.07	73.91	77.35	83.62	76.58	73.97	83.63	80.40	73.16	69.78	73.31	72.16	75.06	75.14	72.90
Merey* – Venezuela	66.90	70.09	68.63	71.27	68.47	70.65	73.12	65.86	65.10	71.16	68.62	62.76	61.31	63.75	63.59	65.87	66.33	64.33
Murban – UAE	75.06	79.00	76.84	78.19	75.22	79.18	85.38	78.57	75.90	85.65	82.38	75.10	71.81	75.21	74.07	77.03	77.06	74.86
Oriente – Ecuador	68.57	70.05	68.93	72.94	69.38	72.11	75.45	68.62	69.19	74.73	71.01	63.87	64.98	67.32	67.56	70.88	70.42	67.91
Saharan Blend – Algeria	73.36	77.16	74.98	76.79	74.54	79.70	84.99	75.67	75.05	81.95	78.49	71.91	70.80	73.26	72.82	75.88	77.02	74.62
OPEC Reference Basket	72.67	76.29	74.01	76.01	72.99	77.21	82.33	74.48	72.95	80.91	77.66	70.94	68.95	71.77	71.04	73.86	74.36	72.01

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2009–10

$/b

Crude/country	2009 Oct	Nov	Dec	2010 Jan	Feb	Mar	Apr	May	Jun	Weeks 18–26 (week ending) May 7	May 14	May 21	May 28	Jun 4	Jun 11	Jun 18	Jun 25	Jul 2
Minas – Indonesia[1]	76.43	80.51	78.67	79.82	76.12	81.60	90.24	82.47	78.87	88.73	86.68	79.16	75.95	77.11	76.03	80.71	81.32	78.04
Arab Heavy – Saudi Arabia	72.35	76.72	74.00	75.60	71.98	75.87	81.13	73.72	71.19	80.82	77.50	70.24	66.98	70.54	69.40	72.10	72.34	70.04
Brega – SP Libyan AJ	73.06	76.96	74.58	76.49	73.84	79.10	84.89	75.37	74.35	81.65	78.19	71.61	70.50	72.64	72.12	75.69	76.32	73.80
Brent – North Sea	72.76	76.66	74.28	76.19	73.64	78.90	84.79	75.57	74.85	81.85	78.39	71.81	70.70	73.08	72.62	76.19	76.82	74.16
Dubai – UAE	73.15	77.69	75.42	76.69	73.40	77.31	83.59	76.49	73.99	83.59	80.24	72.98	69.79	73.32	72.19	75.07	75.16	72.93
Ekofisk – North Sea	73.71	77.56	75.24	77.39	74.48	79.71	85.59	75.96	76.15	81.69	79.32	72.59	71.40	73.76	73.58	77.67	78.51	75.67
Iran Light – IR Iran	72.86	76.72	73.87	75.62	72.87	77.70	82.70	73.21	73.13	79.27	76.77	69.72	68.30	70.32	70.27	75.25	75.58	72.44
Isthmus – Mexico	72.91	75.99	73.05	76.10	74.06	79.00	83.42	73.73	73.41	79.92	75.82	69.65	69.81	71.65	71.38	74.44	74.95	72.76
Oman – Oman	73.34	77.85	75.48	77.01	73.85	77.72	83.67	76.75	74.18	83.84	80.55	73.30	69.96	73.55	72.41	75.29	75.32	73.00
Suez Mix – Egypt	69.83	73.42	70.83	73.12	70.04	74.00	79.70	70.42	71.47	75.40	73.29	67.19	66.80	69.83	69.71	73.06	73.03	70.04
Tia Juana Light[2] – Venez.	71.74	74.85	71.81	74.66	72.87	77.50	81.67	72.04	71.65	78.08	74.07	68.05	68.21	69.95	69.67	72.65	73.15	71.01
Urals – Russia	72.67	76.32	73.88	76.09	72.84	77.04	82.51	74.10	74.37	79.21	76.49	70.64	70.24	72.86	72.50	75.87	76.08	72.93
WTI – North America	75.73	77.84	74.41	78.30	76.34	81.25	84.44	73.65	75.29	79.98	74.88	69.28	70.34	73.22	73.33	76.66	76.97	74.77

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

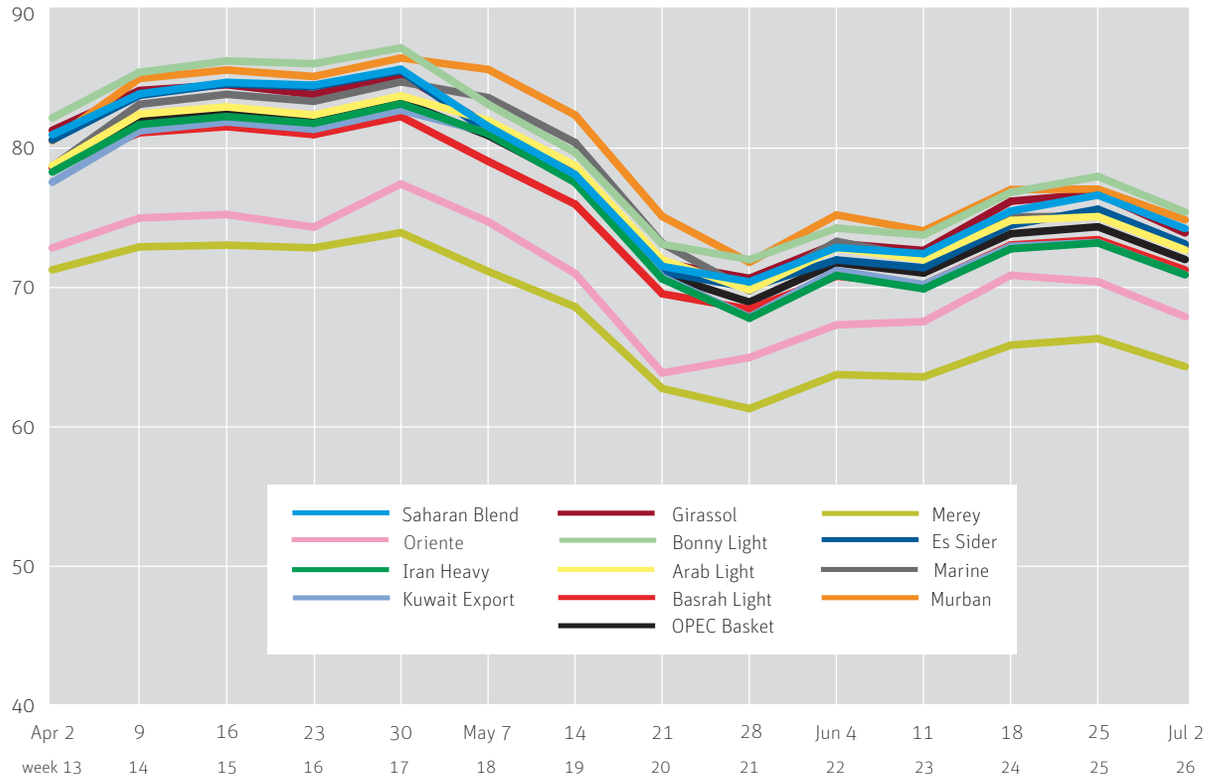
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

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

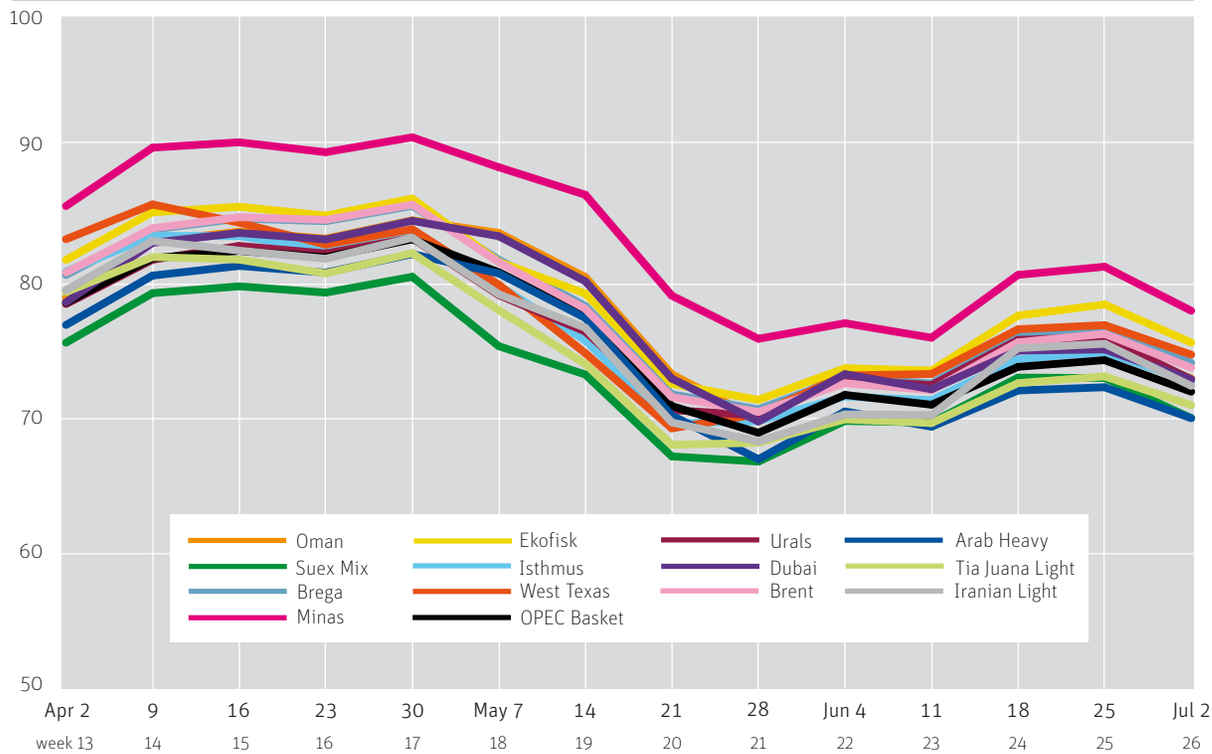
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, 2010 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2010 *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2009	June	62.74	71.18	81.07	75.69	78.47	59.46	59.14
	July	43.75	42.79	48.83	55.32	53.89	35.81	36.50
	August	70.85	72.78	83.06	79.99	79.89	67.78	66.21
	September	65.82	65.55	74.81	74.77	76.57	64.52	62.96
	October	69.17	68.89	79.16	81.60	82.53	68.35	66.93
	November	74.60	72.67	83.50	83.25	85.40	73.68	71.03
	December	75.35	70.59	79.68	81.62	83.56	69.02	68.36
2010	January	79.05	71.54	84.65	84.11	86.46	72.55	71.29
	February	75.07	72.19	83.11	81.53	83.38	69.94	67.51
	March	80.82	71.87	92.38	88.75	89.50	73.25	70.47
	April	81.43	71.29	94.75	95.83	96.16	76.70	73.31
	May	75.25	72.22	85.03	87.79	88.68	70.16	67.44
	June	72.81	72.97	86.01	70.03	64.66	70.33	66.24

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

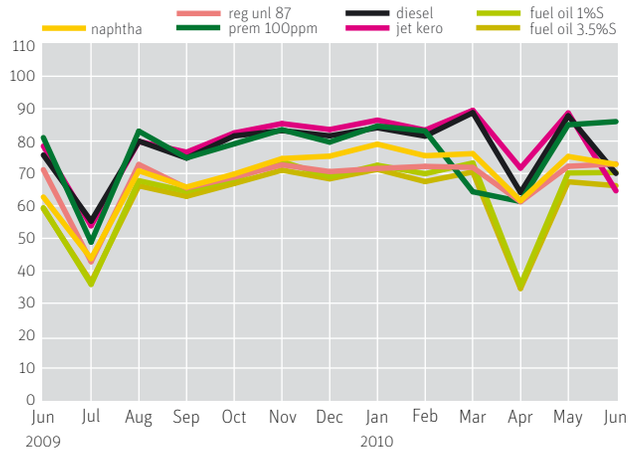


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2009	June	61.16	36.23	47.09	60.64	59.47
	July	41.92	24.42	31.74	38.63	35.42
	August	69.32	24.55	31.98	68.04	66.86
	September	64.30	22.77	29.66	64.92	63.10
	October	67.57	24.32	31.68	68.18	67.11
	November	72.83	26.21	34.15	72.97	71.00
	December	73.04	26.29	34.25	69.92	68.20
2010	January	76.30	27.10	35.18	72.10	70.82
	February	72.61	28.00	35.31	69.58	67.38
	March	78.63	27.55	35.24	72.39	68.79
	April	79.52	26.58	34.30	76.90	73.02
	May	73.26	89.27	89.27	69.78	66.58
	June	70.99	89.95	90.04	68.04	65.99

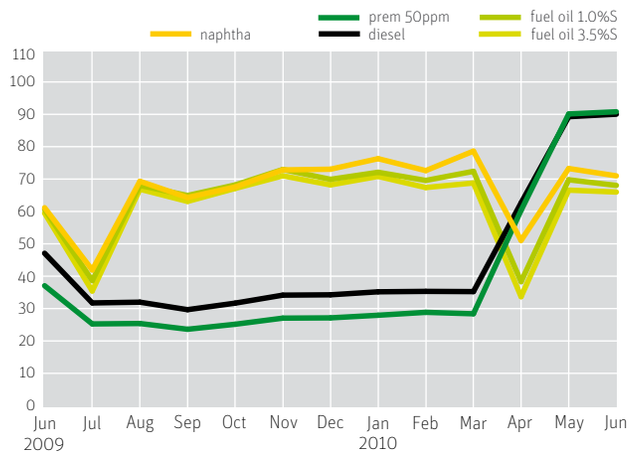
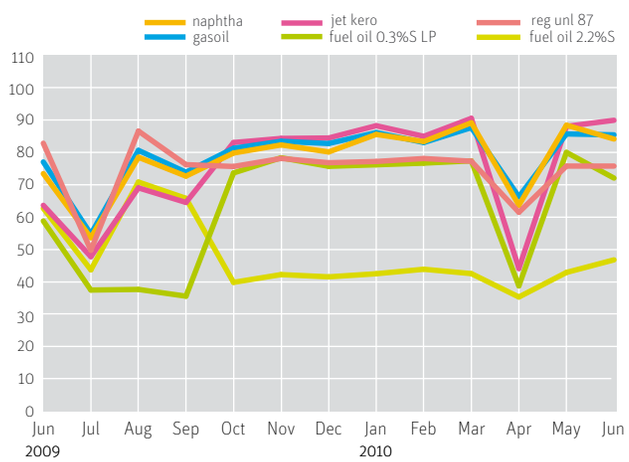


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2009	June	74.77	82.83	73.45	77.05	63.67	58.85
	July	70.12	49.78	53.68	54.79	47.82	37.52
	August	75.27	86.58	78.49	80.62	69.05	37.71
	September	68.97	76.22	72.67	73.89	64.55	35.63
	October	75.66	79.71	81.17	82.95	73.56	39.80
	November	78.12	82.30	83.42	84.31	78.34	42.29
	December	76.81	80.13	82.73	84.44	75.70	43.29
2010	January	77.68	85.54	86.11	88.23	76.17	42.67
	February	78.10	83.34	83.05	84.96	76.68	42.74
	March	77.27	89.13	87.63	90.51	77.38	42.16
	April	76.76	94.96	92.79	95.13	79.53	42.63
	May	75.77	88.39	85.69	88.03	80.00	42.95
	June	75.77	84.12	85.41	89.91	72.06	46.84



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2009	June	74.02	23.47	77.63	54.73	53.24
	July	46.49	15.95	54.21	31.66	29.92
	August	74.51	24.93	80.47	64.29	62.76
	September	68.22	23.20	74.72	60.96	63.97
	October	74.90	25.78	82.99	65.50	63.97
	November	77.85	26.46	84.70	70.04	68.39
	December	78.45	26.18	84.67	68.60	66.96
2010	January	82.37	27.12	87.67	70.31	68.83
	February	80.25	26.18	84.94	71.75	70.57
	March	85.40	27.63	89.96	74.99	73.99
	April	88.59	29.41	96.02	77.41	76.40
	May	81.08	27.03	88.07	70.78	69.65
	June	81.67	26.93	87.77	70.14	68.99

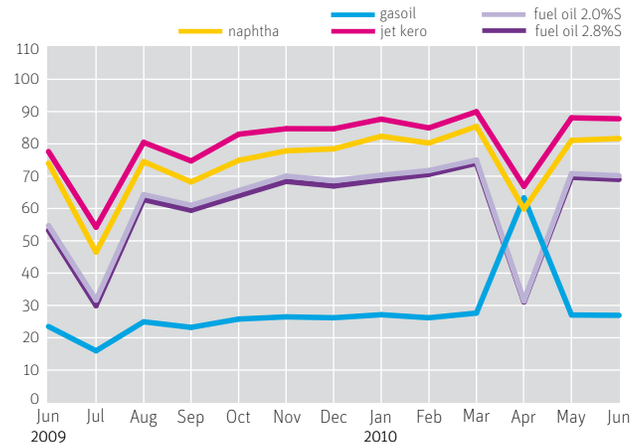


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2009	June	65.86	77.15	75.01	77.92	76.45	62.77	62.34
	July	46.84	57.97	55.42	54.59	52.85	40.66	39.76
	August	70.37	82.13	80.13	80.34	78.67	68.23	68.03
	September	66.80	75.63	73.84	75.80	80.07	66.36	66.30
	October	69.20	77.71	76.05	81.95	80.07	68.85	68.86
	November	76.21	81.89	79.88	85.29	84.95	72.84	72.90
	December	78.28	81.85	78.95	82.69	83.24	72.79	72.65
2010	January	80.66	88.01	84.87	85.89	85.87	75.55	75.11
	February	75.76	86.49	83.55	83.30	82.23	71.88	71.15
	March	80.84	90.86	88.48	88.63	87.49	73.04	71.89
	April	83.13	94.06	95.24	95.91	94.82	76.33	75.57
	May	77.43	85.12	88.30	89.24	88.12	71.10	71.15
	June	72.42	83.26	81.54	87.36	86.64	71.45	68.31

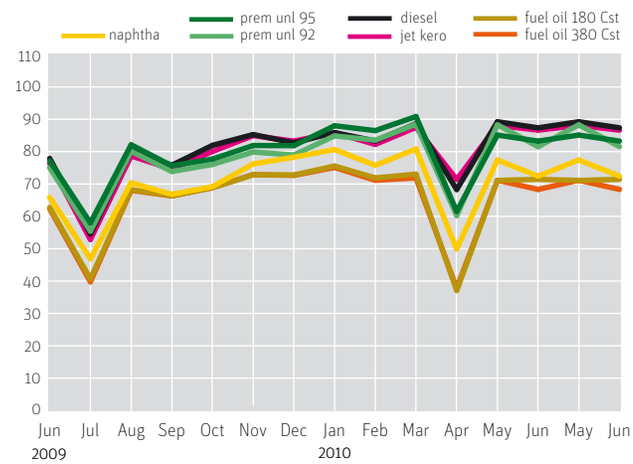
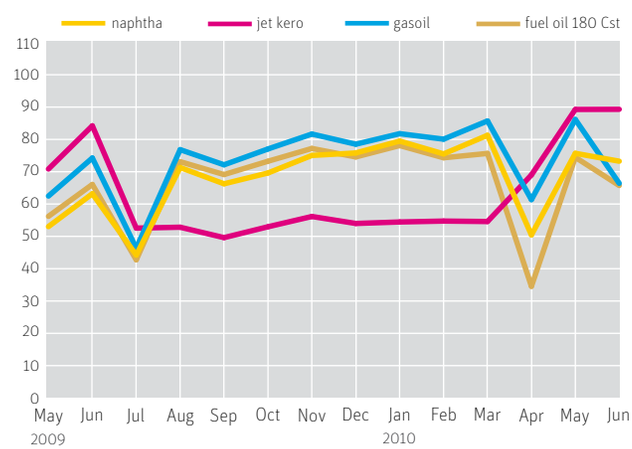


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2009	June	63.19	74.25	84.21	66.06
	July	44.19	46.34	52.55	42.73
	August	71.30	76.83	52.83	73.11
	September	66.26	72.14	49.61	69.12
	October	69.61	77.04	52.97	73.24
	November	75.04	81.66	56.15	77.20
	December	75.80	78.51	53.99	74.57
2010	January	79.49	81.77	54.45	78.10
	February	75.51	80.07	54.73	74.31
	March	81.27	85.71	54.59	75.66
	April	81.87	93.51	54.48	79.88
	May	75.69	86.17	89.27	74.46
	June	73.25	66.40	89.31	65.72



Source: Platts. Prices are average of available days.

Forthcoming events

FLNG technical masterclass Rio 2010, September 2–3, 2010, Rio de Janeiro, Brazil. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

Oil and gas project finance, September 6–8, 2010, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel: +44 207 017 7190; fax: +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

25th European photovoltaic conference and exhibition/5th world conference on photovoltaic energy conversion, September 6–10, 2010, Feria Valencia, Spain. Details: WIP-Renewable Energies, Sylvensteinstrasse 2, 81369 Munich, Germany. Tel: +49 89 720 12 735; fax: +49 89 720 12 791; e-mail: pv.conference@wip-munich.de; website: www.photovoltaic-conference.com.

The energy event 2010, September 8–9, 2010, Birmingham, UK. Details: Western Business Exhibitions, 33-35 Cantelupe Road, East Grinstead, West Sussex RH19 3BE, UK. Tel: +44 1342 316 390; website: www.theenergyevent.co.uk/Contact.asp.

FPSO Rio training course 2010, September 8–10, 2010, Rio de Janeiro, Brazil. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

17th annual India oil and gas summit and international exhibition, September 9–10, 2010, Mumbai, India. Details: Oil Asia Publications Pvt Ltd, 530, Laxmi Plaza, Laxmi Indutrial Estate, New Lonk Road, Andheri (W), Mumbai 400 053. Tel: +91 022 4050 4900; fax: +91 022 26367676; e-mail: oilasia@vsnl.com; website: www.oilasia.com.

4th annual HSE excellence Europe, September 13–14, 2010, 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; www.jacobfleming.com.

Essentials of power training, September 13–14, 2010, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Oil trading and risk management forum, September 13–14, 2010, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Mastering oil and gas commercial contracts, September 13–15, 2010, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel: +44 207 017 7190; fax: +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

World energy congress, September 13–16, 2010, Montreal, Canada. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

Oil sands trade show and conference, September 14–15, 2010, Fort McMurray, AB, Canada. Details: DMG World Media, 302, 1333 8th Street SW, Calgary, AB, T2R 1M6 Canada. Tel: +1 403 209 35 55; fax: +1 403 245 8649; e-mail: michaelpeace@dmgworldmedia.com; website: www.dmgevents.com.

Gas infrastructure world Caspian 2010, September 14–16, 2010, Baku, Azerbaijan. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

World LNG series: Asia-Pacific summit, September 20, 2010, Singapore. 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.

Bioten 2010, September 21–23, 2010, London, UK. Details: Bioten Conference Team, Bioenergy Research Group, Aston University, Birmingham, B4 7ET, UK. Tel: +44 121 204 3420; fax: +44 121 204 3680; e-mail: c.a.manhood@aston.ac.uk; website: www.energysolutionsexpo.co.uk.

Natural gas dynamics, September 22–23, 2010, Bangkok, Thailand. 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.

Climate change 2010, September 23–24, 2010, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710: e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

5th annual pipeline development and expansion, September 23–24, 2010, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Unconventional gas, September 23–24, 2010, London, UK. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

World renewable energy congress and exhibition 2010, September 25–30, 2010, Abu Dhabi, UAE. Details: World Renewable Energy Congress/Network, c/o Prof A Sayigh, PO Box 362, Brighton BN2 1YH, UK. Tel: +44 1273 625643; fax: +44 1273 625768; e-mail: asayigh@wrenuk.co.uk; website: www.wrenuk.co.uk.

Atlantic ocean oil and gas, September 27–28, 2010, Lisbon, Portugal. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

4th annual European refining markets, September 27–28, 2010, Brussels, Belgium. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

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Application deadline: September 4, 2010

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The Economic Analyst analyzes key indicators and forecasts global economic development in the short- to medium-term with emphasis on developing countries and countries in transition and consolidates findings for inclusion in the Monthly Oil Market Report, as well as reports for OPEC Governing Bodies and prepares occasional and topical reports and studies as requested.

Required competencies and qualifications:
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The post is at grade E, reporting to the Head of Petroleum Studies Department. The compensation package, including expatriate benefits, is commensurate with the level of the post.

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Application deadline: 27 August 2010

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— Builds up frameworks and quantitative models for monitoring and assessing recent/future technological developments
— Searches for, identifies, collects and maintains data/information on energy-related technologies and other relevant issues and conducts studies on energy technologies
— Develops technology-rich scenarios as input to OPEC's World Oil Outlook and other model-based studies
— Assists in establishing and maintaining a network of experts from Member Countries related to technological research and identifies potential areas of co-operation between Member Countries on technological issues
— Contributes to and/or delivers speeches, articles and presentations to both internal meetings and various international forums

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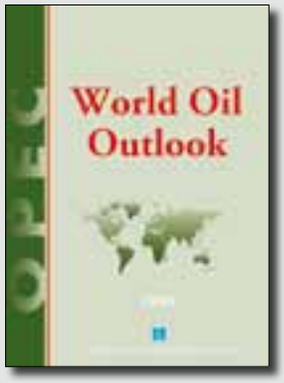

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