OPEC bulletin

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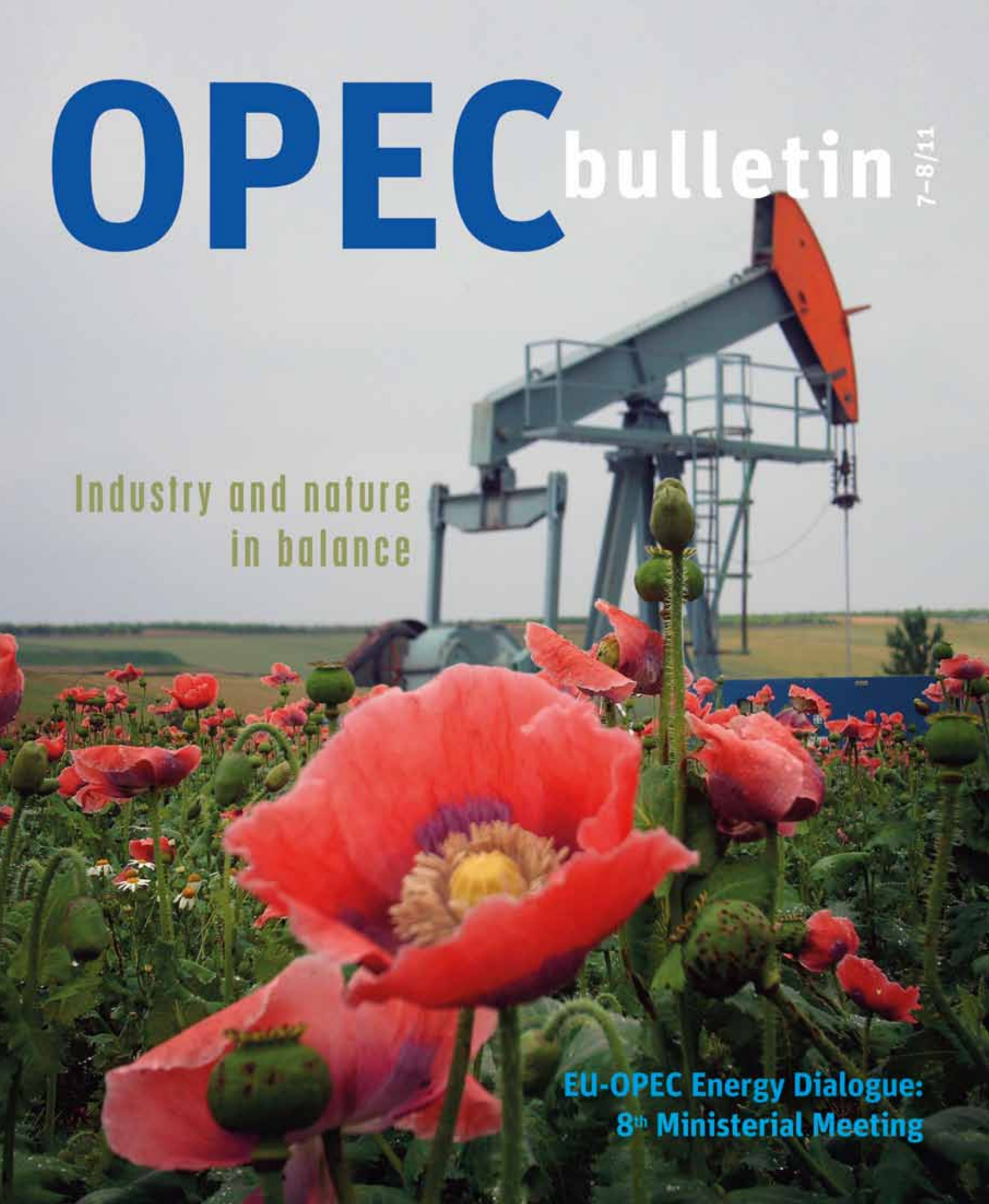

Industry and nature in balance

EU-OPEC Energy Dialogue: 8th Ministerial Meeting

The 20th World Petroleum Congress

4-8 December 2011, Doha, Qatar

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This was a very constructive, very good meeting

The immediate build-up to the meeting may not have been an easy one. But its outcome was a reaffirmation of the commitment of the participants to sound, constructive dialogue.

This was the general verdict on the Eighth Ministerial Meeting of the EU-OPEC Energy Dialogue, held in Vienna on June 27.

The sudden announcement made by the International Energy Agency just four days before — to release 60 million barrels of oil to the international oil market in the coming month from its members' emergency stocks — was still fresh in everyone's minds as the meeting began. Indeed, this was the first formal meeting between leading representatives of each group since the announcement, in the context of about two-thirds of the EU's members also being IEA members. For its part, the EU drew attention to OPEC's not reaching a production agreement at its 159th Conference on June 8.

All this was set against the backdrop of a difficult first half of the year for the oil market, which had seen a general upward surge in prices amid excessive volatility and speculation, despite supply and demand fundamentals remaining sound throughout.

Overall, this has so far been a difficult year for the energy industry, which has been affected by a rise in political tensions in some key producing regions, some acute natural disasters, particularly the epoch-changing events in Japan, and continued economic doubt and turmoil, especially with regard to the industrialised world's emergence from global recession and its return to sustained recovery.

"We now have the unique opportunity to show that our dialogue has the capability to face those challenges as partners, joined by mutual respect and trust," the European Commissioner for Energy, Günther Oettinger, told the meeting.

While the two delegations clarified their views about the present situation and their recent actions, they were at the same time intent on developing and strengthening the energy dialogue, which has already achieved much success since its establishment in 2005. The energy dialogue has already examined such key topical issues as the effects of the global financial crisis on the oil sector, the impact of financial markets on oil price volatility, energy policies, biofuels and their impact on the refining sector, and energy technologies, including carbon capture and storage. Moreover, the benefits have been felt not just by the EU and OPEC, but also by the global energy community as a whole.

As OPEC Secretary General, Abdalla Salem El-Badri, pointed out to the meeting, "the EU-OPEC Dialogue is a prime example of constructive cooperation on energy between groups of countries."

He continued: "Both OPEC and the EU have learned much about each other since our dialogue began back in 2005. Its development has allowed us to better understand our energy challenges, identify areas of common ground, discuss our respective viewpoints, develop areas of mutual interest and expand our contacts across various levels of our organizations." He stressed that it was "essential we continue to build on what we have achieved."

Accordingly, this year's Ministerial Meeting continued to deliver the goods. The parties agreed to hold a workshop on technological advances in the road transportation sector, to complete preparations for a joint Energy Technology Centre and to hold a roundtable on oil and gas exploration and production activities.

Looking further into the future, Oettinger told the press conference afterwards that he had invited OPEC to take part as an expert in the EU process to develop a long-term energy road map to 2050, mainly for the decades 2020–30.

With these achievements in place, perhaps the President of the EU Energy Council, Tamás Fellegi, also Hungary's Minister for National Development, best summed up proceedings when he said afterwards: "This was a very constructive, very good meeting."

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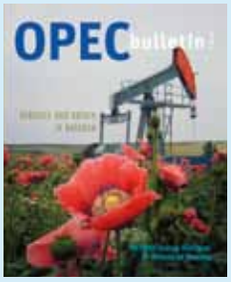

Cover
This month's cover shows an oil field in Zistersdorf, Austria, where the country's first oil discovery was made in 1937 (see page 20).

Vol XLII, No 6, July/August 2011, ISSN 0474–6279

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

Hard copy subscription: $70/year

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

Contributions

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

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Indexed and abstracted in PAIS International

Printed in Austria by Ueberreuter Print GmbH

EU–OPEC Energy Dialogue

8th Ministerial Meeting

The fundamental strength of energy dialogue

The Eighth Ministerial Meeting of the European Union-OPEC Energy Dialogue was held in Vienna on June 27, at a time of rising tensions between producers and consumers over supply in the international oil market. However, as the OPEC Bulletin's ***Keith Aylward-Marchant*** *reports, this did not stop further solid progress being made with the energy dialogue, which was being held in the OPEC Secretariat's new premises for the first time.*

The strength of energy dialogue between the European Union (EU) and OPEC was demonstrated on June 27, when the participants at this process's Eighth Ministerial Meeting ensured that fundamental issues took precedence over differences in opinion about recent market developments.

The annual ministerial meeting was held for the first time in the spacious main conference room of OPEC's new Secretariat building in Vienna's central First District.

However, just days before the meeting, the International Energy Agency (IEA) — around two-thirds of whose members are also EU members — had unexpectedly announced the release of 60 million barrels of oil to the market in the coming month from its members' emergency stocks.

This move was criticized by OPEC at the meeting. For its part, the EU expressed its disappointment with OPEC's failure to reach a production agreement at its 159th Conference, held in the Austrian capital on June 8.

The concluding joint press release generalized upon the situation as follows:

"Participants ... acknowledged that this year's meeting was taking place against the backdrop of challenging developments and ensuing initiatives in the world economy and the energy scene, as well as in some oil-consuming and oil-producing regions, with a significant impact on both parties to the dialogue."

It also referred to "the renewed increase in price volatility, which impacts all parties in both the short term and the medium and longer terms, especially with regard to the adverse effects on energy investment."

However, despite the expressed differences between the two intergovernmental groups about recent market developments, one could nevertheless detect an underlying resolve among the participants to focus on the enduring fundamentals of the energy dialogue and not to allow this process to be derailed by the more fleeting factors.

Constructive cooperation

Indeed, OPEC Secretary General, Abdalla Salem El-Badri, reflected the views of both groups in his keynote address when he described the energy dialogue as "a prime example of constructive cooperation on energy between groups of countries."

He went on: "Both OPEC and the EU have learned much about each other since our dialogue began back in 2005. Its development has allowed us to better understand energy challenges, identify areas of common ground, discuss our respective viewpoints, develop areas of mutual interest and expand our contacts across various levels of our organizations."

Above (l–r): Mohammad Aliabadi, OPEC Conference President and Acting Iranian Minister of Petroleum; Günther Oettinger, European Commissioner for Energy; Dr Falah J Alamri, Iraq's Governor for OPEC; and Abdalla Salem El-Badri, OPEC Secretary General.

The Secretary General explained how the energy dialogue had provided important insights into such topical issues as "the effects of the global financial crisis on the oil sector, the impact of financial markets on oil price volatility, energy policies, biofuels and their impact on the refining sector, and energy technologies, including carbon capture and storage." Both parties had benefited from these insights.

Later, at a press conference, El-Badri said he would like to thank his colleagues from the EU.

"It was a very quiet meeting. It was a very productive meeting. We really enjoyed it. I don't know how many hours were spent, but it went very fast."

Addressing the issue of security of supply, he said: "We have the potential that we can supply the world with enough oil. We have it and we can do it. But we need security of demand, so we can invest."

Above: OPEC delegates to the Ministerial Meeting.

Below (l–r): Abdullah Al-Shameri, Head, OPEC's Office of the Secretary General; Mohamed Hamel, OPEC's Senior Advisor; and Dr Mohammad Taeb, OPEC's Environmental Coordinator.

Below right (l–r): Dr Hasan M Qabazard, Director, Research Division, OPEC; Ali Nasir, Legal Advisor, International Matters, in charge of the Legal Office, OPEC; and Dr Fuad Al-Zayer, Head, Data Services Department, OPEC.

Below (l–r): Alejandro Rodriguez, Head, Finance and Human Resources Department, in charge of the Administration and IT Services Department, OPEC; Oswaldo Tapia, Head, Energy Studies Department, OPEC; Dr Hojatollah Ghanimi Fard, Head, Petroleum Studies Department, OPEC; and Angela Agoawike, Head, PR and Information Department, OPEC.

Above: EU delegates to the meeting.

Left (l–r): Dr Ziad Tareq Khelel; Seyed Mohammad Ali Khatibi Tabatabai, Iran's Governor for OPEC; Dr Falah J Alamri, Iraq's Governor for OPEC; Mohammad Aliabadi, OPEC Conference President and Acting Iranian Minister of Petroleum; and Abdalla Salem El-Badri, OPEC Secretary General.

Below (l–r): EU representatives Jan Panek; Fabrizio Barbaso; Paula Pinho; and Marcus Lippold.

Above: Tamás Fellegi (l), President of the EU Energy Council and Minister for National Development of Hungary; and Günther Oettinger, European Commissioner for Energy.

Above: Mohammad Aliabadi (l), OPEC Conference President and Acting Iranian Minister of Petroleum; and EU representative, Maciej Kaliski, Polish Undersecretary of State.

Left: Dr Ali Asghar Soltanieh (c), Iran's Ambassador Permanent Representative to the United Nations (Vienna), UNIDO and CTBTO; Hossein Nejabat (r); and Ehsan Taghavenejad (l), of the Iranian Mission.

Turning to the broader mandate of the energy dialogue, El-Badri said the European Commissioner for Energy had agreed with OPEC on the need for "us exchanging ideas, exchanging data."

Working together

He continued: "Okay, you cater for us, we cater for you. We are living in the same world. There is no way that you can divide between OPEC (and other stakeholders). Not only that, you cannot divide between the producers and the consumers. We are in the same boat. We have to work together."

OPEC, however, he stressed, needed a reasonable price it could support: "This is the only income we have in our Member Countries. This is no secret. So we need income. We need to invest well, investing a lot of money to have more supply."

To do this, El-Badri concluded, "we have to live together. We have to fight, we have to quarrel, we have to debate, we have to (have) dialogue.

"But, at the end of the day, we reach a positive conclusion that will satisfy our people back home and will satisfy the people in Europe and all round the world."

Meanwhile, returning to the opening session, from the EU side, Günther Oettinger, the European Commissioner for Energy, stated that the Energy Dialogue, since its inception, had significantly contributed to improving our joint understanding of the oil market and had strengthened security of supply, due to enhanced producer-consumer cooperation.

He added: "Our ongoing cooperation has already yielded concrete results in many specific areas and topics of mutual interest."

Also delivering keynote addresses for OPEC were: the Organization's Conference President, Mohammad Aliabadi, Acting Minister of Petroleum of the Islamic Republic of Iran; and Dr Falah J Alamri, Iraqi Governor for OPEC, on behalf of the Alternate Conference President, Abdul-Kareem Luaibi Bahedh, Minister of Oil of Iraq.

The EU's other keynote addresses were delivered by: Tamás Fellegi, President of the EU Energy Council and Minister for National Development of Hungary; and Maciej Kaliski, Deputy State Secretary for Economy of Poland, on behalf of Waldemar Pawlak, Incoming President of the EU Energy Council and Minister of Economy of Poland.

The outlook was elaborated upon in the first main session of the meeting, which looked at oil market developments, energy policies and the long-term situation.

The session began with a presentation by OPEC on recent oil market developments and prospects.

This highlighted the robust rebound in the global economy in 2010, albeit at an uneven pace across different regions. The momentum, however, was expected to moderate this year, due to such issues as debt burdens, particularly in some parts of the EU region, inflationary pressures in major economies and prolonged unemployment, thus creating downward risks with regard to the level of oil demand in the near future.

On the supply side, the presentation noted that the physical market continued to be supported by above-average trend growth in major producing regions, as well as sufficient stock levels. Additionally, OPEC continued to offer an adequate level of spare capacity for the benefit of all.

The EU then took the floor, addressing the issue of the impact of recent developments on EU energy supplies and policies, including offshore safety.

The impact that the unrest in some parts of the Middle East and North Africa (MENA) region had generated on energy prices, policies and security was underlined, as well as the subsequent sharp rise in benchmark crude prices since the beginning of the unrest.

The initiatives developed by the EU in taking up the challenges posed by these events were presented. The Commission recalled important communications laying down the guidelines for future cooperation with the MENA region.

Energy roadmap

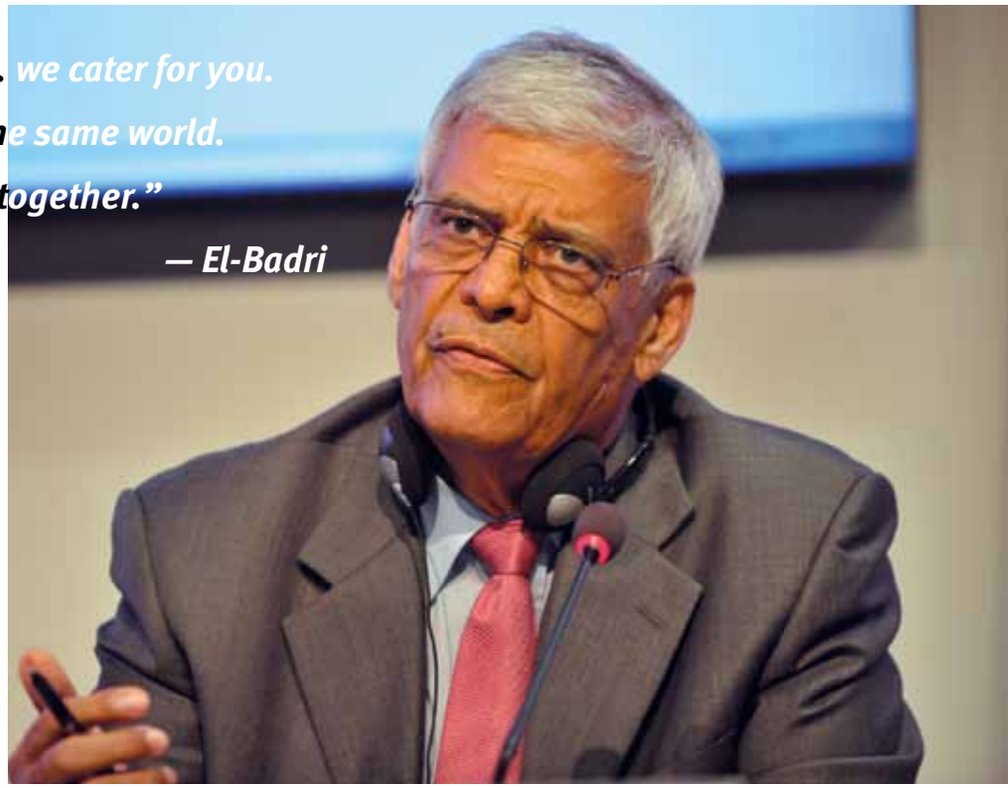
Current EU policy developments were then described, with a particular emphasis on the following three: *'Energy Roadmap 2050'*, the internal energy market and offshore safety.

OPEC made a presentation on its long-term strategy, together with an assessment of the long-term oil outlook.

It was stated that, in the reference case, oil was expected to remain the leading fuel type in satisfying the world's growing energy needs, with oil demand growing steadily and oil resources largely sufficient.

Alternative scenarios painted a different picture, however, with oil demand facing significant risks stemming from uncertainties related to, among other things, lower economic growth paths, consumer country policies and discriminatory taxation. Other challenges included industry costs, technology and human resources.

Both parties agreed on the importance of sharing



"You cater for us ... we cater for you. We are living in the same world. We have to work together."

— El-Badri

information and data covering all time-frames: historical, current and possible future demand and supply scenarios. They also re-emphasized the benefits of continued participation in the specialist international oil data enhancement facility, the Joint Organizations Data Initiative (JODI).

Recent joint studies

The second of the two sessions focused on the conclusions of two recent joint studies and the accompanying meetings, as well as the status of future activities.

The first item related to the roundtable of March 29 in Brussels that examined the joint study 'Impact of the use of biofuels on oil refining and fuel specifications'.

This study, launched in 2009, had reviewed current developments in biofuels, as well as possible impacts on crude demand, carbon emissions and refining economics.

It had concluded that there was a large number of interrelated factors impacting upon the outlook for biofuels, such as evolving engine technologies and logistical and sustainability challenges.

The second looked at the results of the May 25 workshop in Vienna on the 'Impact of the economic crisis on oil investment'.

The accompanying study had been requested after the global financial crisis and the deepest recession for six decades, with knock-on effects for investment, oil demand and prices.

The report offered a number of insights and lessons that could be derived from the impact of the financial and economic crises and their aftermath.

OPEC then provided some initial findings from a joint study on technological advances in the road transportation sector. This study covered automotive technologies and fuels, bottlenecks, policies and future changes.

Next, the EU updated OPEC on the Union's actions regarding the crucial issue of offshore safety in oil and gas exploration and production activities.

The EU also presented a report of the joint taskforce on the establishment of an OPEC-EU Energy Technology Centre (ETC). The taskforce discussed various issues surrounding the establishment of a virtual ETC and both parties agreed to continue to develop this concept further.

Finally, after thorough discussions and a review of the energy dialogue's overall progress, the two parties agreed upon the following joint EU-OPEC activities for 2011/12:

- A workshop to discuss the findings of the study on technological advances in the road transportation sector.
- The completion of preparations with regard to the proposed ETC.
- A roundtable on oil and gas exploration and production activities addressing key challenges, such as the safety of offshore operations and shortage of human resources.

Reports on these activities will be submitted to the Ninth EU-OPEC Ministerial Meeting of the Energy Dialogue, which is scheduled to be held in Brussels, Belgium, in June 2012.

Officials discuss IEA stock release at press conference

Above (l–r): Tamás Fellegi, President of the EU Energy Council and Minister for National Development of Hungary; Günther Oettinger, European Commissioner for Energy; Mohammad Aliabadi, OPEC Conference President and Acting Iranian Minister of Petroleum; and Abdalla Salem El-Badri, OPEC Secretary General.

The press conference that followed the Eighth EU-OPEC Ministerial Meeting provided the first opportunity for journalists to meet jointly with leading representatives of both producers and consumers to ascertain their views about the controversial release over the following 30 days of 60 million barrels of oil from the emergency stocks of the IEA's member countries, as announced by the Agency on June 23.

The IEA had said in its accompanying press release that this action had been taken "in response to the ongoing disruption of oil supplies from Libya." It added: "Greater tightness in the oil market threatens to undermine the fragile global economic recovery."

The four members of the panel meeting the press were asked in turn to answer the question: "How do you feel about the IEA's decision on stock release?" Here are edited highlights of their replies.

OPEC Secretary General, Abdalla Salem El-Badri, began: "As you know, at the last meeting (of the OPEC Conference on June 8), we were not able to reach a decision, but some Member Countries (had committed) themselves (to) increase production."

He emphasized that the stocks involved in the (IEA) release were supposed to be for emergencies only and not for commercial activities; that was part of the common understanding between OPEC and the IEA.

"As a Secretariat," continued El-Badri, "we see no reason for this release, because if you use strategic stocks for commercial purposes then it is going to be a problem."

El-Badri added: "I hope that the IEA will refrain from using this practice. If they continue using it, then we will enter into a management of oil in the market, and that is not the purpose of these stocks."

OPEC Conference President Mohammad Aliabadi, Acting Minister of Petroleum of the Islamic Republic of Iran, stressed the following point, using an interpreter: "We think OPEC is capable of meeting oil requirements and we believe, in the past two months, the market has been balanced (and that) production was there according to the needs of the market."

As he understood it, the IEA had declared in its statute that it should not intervene commercially.

Aliabadi went on: "Even consumers generally … tell us … that there should be no behaviour where they play with the price and (they should) allow the market to determine … the price and prevent unwanted fluctuations and volatility in the market."

Günther Oettinger, European Commissioner for Energy, saw the meeting as "a good opportunity" to exchange views and information and expectations of market development at this important time.

He said: "The EU called today on producing countries to give full consideration to the involvement for clear OPEC action in providing additional oil supplies to the market, in order to avoid negative impacts on the global economic recovery.

"I think it is in the interest of both OPEC and the EU to jointly try to resolve market tensions and seek efficient and effective responses to market imbalances."

Looking further ahead, he added: "Let me say we spoke about meeting long-term developments of the EU oil market and the global oil market. We gave an invitation to our colleagues from OPEC to take part as an expert in our EU process to develop a long-term energy road map to 2050, mainly for the decades 2020–30.

"There are so many common interests, (such) as security of supply and of demand," he stated.

Therefore, he was sure that "we will come to a common position for (current) issues and for long-term issues as well."

Tamás Fellegi, President of the EU Energy Council and Minister for National Development of Hungary, agreed that it was "an extraordinarily constructive meeting between the two parties.

"We even had the chance to discuss in a very frank way the disagreements. With this issue (of the IEA stock release), obviously there was a disagreement between the parties."

Fellagi noted that it should be an extraordinary measure limited in time. "Our view was very clear on this," he noted, "that the instability of the markets and the volatility of the price situation requested … action to normalize the markets.

"The long-term solution should be in the cooperation of the two parties." He continued: "We agreed on very concrete steps to discuss issues and to solve problems, while, at the same time, on behalf of the EU, I had to express our disappointment about the decisions of the June 8 OPEC meeting."

Left: Journalists and EU and OPEC staff gather for the concluding press conference.

We set direction for future cooperation

— EU Energy Council Head

*After the Ministerial Meeting, **Keith Aylward-Marchant** asked the President of the EU Energy Council, **Tamás Fellegi** (pictured right), Hungary's Minister for National Development, to comment upon the afternoon's proceedings.*

Are you pleased with the outcome of today's Ministerial Meeting?

Very much so. I think this was a very constructive, a very good meeting. The two parties delivered the expected result. We agreed on two groups of things: one is all the issues we disagree on and the other issue is: What to do next. We very clearly set the direction for future cooperation, and we strengthened the mutual wish to cooperate and deepen the line of cooperation between the two parties.

What, in your opinion, were the major issues at the meeting?

There are several major issues. One is the instability and volatility of the markets. That is a very important short-term issue for both parties. The second is how to establish forums where we can discuss the future of the energy markets for the next 20, 30 years. Europe is in the business now to establish its long-term strategy up to 2050. We are working on the road maps for climate policy, energy and transportation. All three are very critical issues of energy consumption and, therefore, energy production as well. So we have to provide OPEC with the necessary information about our plans and the future of industrial developments and directions in Europe to see what kind of energy mix they can count upon on the European side, which is very important for long-term investment. The third issue, of course, is investment. We (have) a very good basis for good business decisions, in the field of energy production and transportation. So it is a widespread issue of upstream and downstream problems.

And finally, what is your overall view of the EU-OPEC Energy Dialogue? It has been running now for seven years.

It is time to speed up the process and to make it even more constructive and more productive. So I think that today's meeting was very productive, and even the disagreements were very clear and very frank. This is very promising, that here are two parties with, at certain points, very clear disagreements and they can talk to each other very frankly, very openly and with the purpose and the intention to resolve the problems.

OPEC seeks stable, predictable markets with reasonable oil price levels

– *El-Badri*

The following opening address was made by OPEC Secretary General, ***Abdalla Salem El-Badri*** *(pictured), to the Ministerial Meeting.*

The EU-OPEC Dialogue is a prime example of constructive cooperation on energy between groups of countries. And at OPEC, we welcome the positive and productive nature of the dialogue between our two Organizations.

Both OPEC and the EU have learned much about each other since our dialogue began back in 2005.

Its development has allowed us to better understand our energy challenges, identify areas of common ground, discuss our respective viewpoints, develop areas of mutual interest and expand our contacts across various levels of our organizations.

This has been achieved through a variety of means, including Ministerial Meetings, roundtables, workshops and joint studies.

Over the years this has included discussions and work in such areas as the effects of the global financial crisis on the oil sector, the impact of financial markets on oil price volatility, energy policies, biofuels and their impact on the refining sector, and energy technologies, including carbon capture and storage.

As OPEC Secretary General I have very much appreciated — as I am sure participants from both organizations have — the open and frank exchanges, and the collaboration at both Ministerial and technical levels.

And this has not only been of benefit to our two Organizations and their Member Countries, it has also served to help enhance oil and energy market stability, and bring benefits to the world as a whole.

It is essential we continue to build on what we have achieved, particularly given the ever-evolving nature of the energy scene.

This can be viewed in the present unsettled oil market situation. The first six months of this year have not been easy for any of us.

It has been a period that has witnessed a high level of price volatility due in part to excessive speculation. This has been in spite of supply and demand fundamentals remaining sound.

The continued treatment of oil as a mainstream financial asset is not beneficial to either OPEC or the EU. And this should not only be viewed as a short-term issue; it evidently has medium- and longer-term implications, particularly in relation to the future of oil demand and supply, as well as the potential adverse impact on investments. Our energy dialogue has already dedicated two workshops to the impact of financial markets on the oil price, in 2006 and 2009, but it is important we continue to restate our message.

We need stable and predictable markets with reasonable oil price levels that are not damaging to either exporting or importing countries.

Let me take this opportunity to emphasize that, whenever there is a real shortage of crude oil in the market, OPEC will do all that it can and [that is] within its power to restore market stability.

As we have a very rich and full agenda before us this afternoon, I can but wish you all success in the deliberations ahead of us.

Energy Dialogue can thrive through mutual trust and collaboration

— Oettinger

***Günther Oettinger** (pictured left), European Commissioner for Energy, made the following comments to the Ministerial Meeting.*

This EU-OPEC Energy Dialogue, since its inception, has significantly contributed to improving our joint understanding of the oil market and has strengthened security of supply, due to enhanced producer-consumer cooperation.

This dialogue is the logical regional continuation of our participation in the International Energy Forum (IEF).

We meet today in very special circumstances. The European Commission (EC) has been closely observing recent developments in its neighbourhood.

A number of important producing countries and Members of OPEC are located there. The EU recognizes the need for maintaining a stronger commitment to the region. Therefore, last spring, the EC set guidelines for closer future cooperation. As a result, the EC intends to step up its energy cooperation through increased policy dialogue.

The aim is to advance the EU's Mediterranean partnership in the renewable energy field. We also wish to evaluate the possibility of developing new partnerships, including a greater integration of energy markets around the Mediterranean.

Engaging more actively with EU partners in the energy field will be inevitable also for the success of the Union's internal policies and priorities on the way to a low-carbon energy future.

Important structural changes in energy demand and supply lie ahead for the EU. The scale of the challenge is evident.

By the end of the year, I intend to present an energy-focused road map for the energy sector. This 'road map for 2050' should look not only at the likely evolution of EU energy demand, but also at the possible future sources of energy supply and associated infrastructure implications.

I am very keen to involve in this initiative OPEC Member Countries, as major energy stakeholders, and I invite you to join us in our efforts to assess the likely path the EU energy sector could follow.

This requires a consideration not only of the technical parameters of the EU's future energy demand and the future of supplies from countries like yours. It also requires serious discussions about our use of future policy decisions in your, as well as our, member states.

We should try to jointly assess the impact of major events and policy changes on medium- and long-term oil demand.

We should not shy away from discussions over the recent global shifts in the prospects of nuclear power. We should equally honestly look at the impact of global economic conditions on medium- and long-term oil supply.

The recent global financial crisis had a serious impact on oil investment, both upstream and downstream, and it has come on top of extreme price volatility, which is very harmful for both the producer and consumer economies.

Since early 2011, oil prices are yet again well above sustainable levels and highly volatile. We now have the unique opportunity to show that our dialogue has the capability to face those challenges as partners, joined by mutual respect and trust.

During the last period of excessive volatility, OPEC stabilized prices, due to production cuts, and thus ensured a halt to rapidly falling prices of oil. This was highly commendable as it also allowed continued industry investments to go ahead.

Now the reverse is most probably needed and production needs to be increased again, in order to counter the increased global oil demand and its effect on current high prices on the OECD economies.

The world economy is in a fragile state and current price levels pose a real risk of leading to a repeat of the negative developments seen in 2008, where record oil prices partially choked the global economy.

In this regard, we have taken notice of OPEC's decisions taken at the OPEC Conference on June 8 not to adjust production quotas.

While we understand the difficulty with which the decision was taken, we cannot hide from voicing our disappointment. The EC considers that the recent heights achieved by oil prices again pose a threat to a global economy and the fragile recovery of the OECD in particular.

Recent analysis by the International Energy Agency shows that global oil demand is currently running ahead of supply. This was also stated in OPEC's latest monthly oil market report.

The consuming countries are taking steps to alleviate the pressures on the market. It will be important that the producing countries join those efforts and provide further oil to the market.

Above: Günther Oettinger (l), European Commissioner for Energy; with Mohammad Aliabadi, OPEC Conference President and Acting Iranian Minister of Petroleum.

We should use our meeting today to assess what is jointly achievable by producers and the consumers to calm the market.

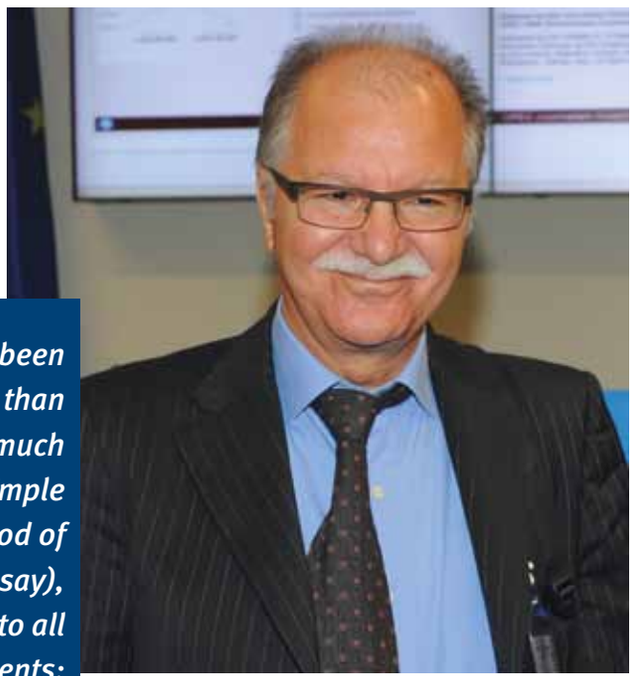
I am looking forward to a frank exchange of views on what can be done. I am confident that our close interaction at a political level today can bear fruit in the near future. This is a priority for me and for this meeting.

At the same time, we should keep in mind that our ongoing cooperation has already yielded concrete results in many specific areas and topics of mutual interest. Current events should not prevent us from looking also at the longstanding agenda of our dialogue.

In sum, I expect this ministerial meeting to yield some concrete results in an enhancement of our mutual understanding of producer and consumer needs and priorities, including the effects on the economies of current oil price levels and possible action that can be taken by either side and an agreement on our short-term joint action programme with regard to a joint roundtable on offshore safety to be hosted in Brussels this year and the launch of the energy technology centre.

To conclude, let me repeat that I am fully committed to actively participating in this very important dialogue and to help it progress further for the benefit of all participants. I am confident that our dialogue will continue to develop in this period of mutual trust and collaboration.

EU-OPEC Energy Dialogue: ambitious, yet always pragmatic



"... oil, which has been around for more than a century, is much more than just a simple commodity (the blood of our society, some say), and quite sensitive to all sorts of developments: economic, geopolitical and social."

***Ioannis Samouilidis** (pictured) has been heavily involved in the EU-OPEC Energy Dialogue from day one. In fact, the Policy Officer in the European Commission Directorate General for Energy and Transport, based in Brussels, who has just retired from the EC, was instrumental in helping shape the Dialogue when it was established in the middle of the last decade. In this interview with the **OPEC Bulletin's Keith Aylward-Marchant** after the last EU-OPEC Meeting in June, he speaks about the importance and value of having such a Dialogue and how there will always be new joint challenges for the EU and OPEC to tackle.*

How and when did you first become involved in the EU-OPEC Energy Dialogue? What was your precise role?

The EU-OPEC Energy Dialogue was jointly initiated at the end of 2004, following the unprecedented global oil demand surge, which saw an increase of around 3.8 million barrels/day of crude in that same year. At the time, both producers and consumers were caught by surprise, unable to foresee such a development. We realised that direct and active energy dialogue was required, in order to improve the transparency of our markets and assist in tackling extreme oil price volatility, which is deemed harmful to all economies.

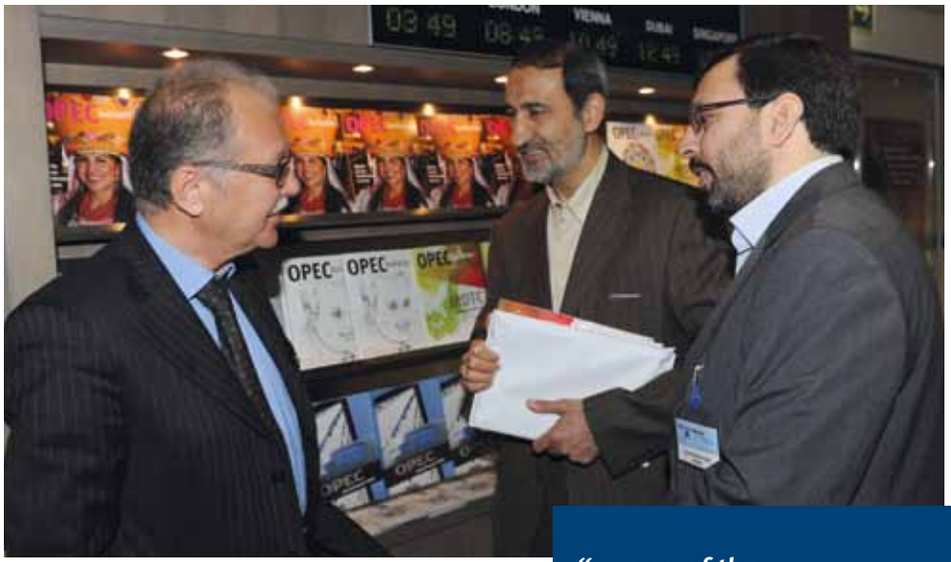
Along with my colleagues from the OPEC Secretariat, my role was to facilitate the energy dialogue by preparing the annual discussions at Ministerial level between the two Troikas (Presidencies and incoming Presidencies of the EU Energy Council and OPEC, as well as the OPEC Secretary General and EU Energy Commissioner), launching studies and organizing round tables, workshops and site visits, etc.

What expectations did you have for the Energy Dialogue then?

Our expectations then were to improve our common understanding on a number of crucial themes that were shaping the oil market. The list was long, almost inexhaustible. So far, we have tackled such issues as the impact of both sides' energy policies on oil supply and demand; policies and technologies for carbon capture and storage; the impact of refining on the oil price; the role of biofuels; the role of the financial markets; and transportation challenges and their impact on oil demand. But surely more will come.

To put it into context, oil, which has been around for more than a century, is much more than just a simple commodity (the blood of our society, some say), and quite sensitive to all sorts of developments: economic, geopolitical and social. In addition, the maturity period of investments for discovering new reserves varies from

Right: Ioannis Samouilidis (l) with Seyed Mohammad Ali Khatibi Tabatabai (c), Iran's Governor for OPEC; and Ehsan Taghavenejad (r), of the Iranian Mission.



between five and 15 years, so it is hard to plan for the future under extremely volatile price environments.

In order to minimize any adverse impact that extreme price volatility may have on the global economy, it was essential to improve communication between the two parties (the EU and OPEC), especially under today's exponentially growing integration of our societies. The challenges and opportunities posed by the oil markets are of planetary dimension and we are reminded every day that any bi-polar or multi-polar way of reasoning is simply old-fashioned and should be replaced by a global approach.

For some sectors, our results were final — or at least clear-cut — like the refining sector, for which a study and a stakeholders' round table showed that the market for refined products is global, thus equating to any regional imbalances. For others, like, for example, the impact of financial markets on oil prices and volatility, we may claim that we made progress in reaching a better understanding of their interaction. More research work lies ahead on this subject.

Has the Energy Dialogue lived up to your expectations? Or has it even exceeded them?

Most of the expectations at the launching of the Energy Dialogue were met; communication has been much improved, joint research on a number of dividing issues has either ended a sterile debate, or laid the foundations for this to come, and prospects now are clearly seen by both parties.

What has been the greatest achievement of the Energy Dialogue so far, in your opinion?

We have succeeded in establishing, over the years, a direct, open and friendly communication channel between the two organizations. Today, having set high professional standards, we are able to efficiently tackle all issues in relation to the oil business.

What outstanding challenges remain for the Energy Dialogue? Is it realizing its full potential?

In my opinion, one of the outstanding characteristics of the Energy Dialogue is that, although ambitious, it was and remains humble, in the sense that our objectives remain pragmatic. Both parties realize that the oil market is a multifaceted subject, having global repercussions and that it is highly technological and capital demanding.

On technology, we have just laid the foundations for conducting joint research. The future is promising as undiscovered oil reserves lie in increasingly difficult environments. When I started my career as an oil engineer, 200 metres of water depth was the limit for production, while one out of 12 wells was discovering oil or gas and the average recovery was in the order of 25 per cent. Today, the figures for these three categories are 2,000m, one out of three, and 38 per cent, respectively. And more progress is being made.

Market stakeholders — administration, academia and the industry — from both sides face promising opportunities ahead as oil should be produced and used with the leasti-impact environmental footprint, safely and to the benefit of all societies.

> ***"... one of the outstanding characteristics of the Energy Dialogue is that, although ambitious, it was and remains humble, in the sense that our objectives remain pragmatic."***

At a personal level, I understand that you are taking up a new post this summer. Can you tell us what this is?

As from July, I will be in pension from the European Commission, although I prefer to use the Spanish term *'jubilación'*, which describes in a more promising manner the opportunities ahead for me. However, any future activities will surely relate to oil and gas as with these subjects, you fall in love for life.

El-Badri explains Ministers' actions at Reuters Energy and Climate Summit

OPEC not in crisis

"I am sure that at the end of the day and at our Meeting in December, we will agree on a course of action to take for 2012."

OPEC Secretary General, Abdalla Salem El-Badri, has refuted suggestions that the Organization he heads is in crisis following the inconclusive outcome of the last OPEC Ministerial talks in Vienna in June.

Difficult times

Speaking to Reuters television on the sidelines of the news agency's Global Energy and Climate Summit 2011 in London in June, he pointed out that OPEC had been through many difficult times in the past.

He was referring to the 159th Meeting of the OPEC Conference, held at the Organization's Headquarters in the Austrian capital on June 8, at which Ministers failed to agree on a possible production increase for the third and fourth quarters of this year.

El-Badri, when asked about the Meeting, stated that the Ministers had discussed the OPEC Secretariat report on the oil market, as well as forecast GDP growth, supply and demand and the position with global petroleum stocks.

"This report observed that there will be a shortage in market supply of two million barrels/day in the third quarter and a shortage of 1.5m b/d in the final three months of the year," he disclosed.

Experts to assess numbers

El-Badri noted that the Ministers then discussed the numbers, which some agreed with, but others voiced their uncertainty.

"That is why we had a disagreement. OPEC is not in crisis," he stressed.

El-Badri said he felt the Ministers would go back to their countries and digest the numbers with their experts.

"I am sure that at the end of the day and at our Meeting in December, we will agree on a course of action to take for 2012," according to him, "the numbers we have put forward are very clear. They are the Secretariat's numbers, but they are being discussed and digested by 33 experts from our Member Countries," he explained.

Rather than push for an extraordinary meeting before December, a move the Ministers did not agree on, El-Badri said he was going to continue to watch the market and see if something unusual is happening.

"If I see something that is out of control, then I will have to alert Member Countries and they will then take the right decision," he stated.

Asked about the level of oil price OPEC was looking for, the OPEC Secretary General reiterated what he had always said, which was that the Organization was not interested in a very high price, but at the same time, did not want a low price.

"We are looking for a reasonable price. We want a price that is fair and at which our Member Countries can invest in further supplies. We do not want to see a very high price. It is not in the benefit of OPEC to have very high oil prices," he said.

Prices likely to rise

Asked what he thought might happen to oil prices by the end of the year, El-Badri said that if the OPEC Secretariat's prediction on supply and demand was correct, prices would go up.

"However, there are a lot of other elements that are contributing to the high price, including speculation."

Concerning oil investment by OPEC, including Iraq, which is not party to the Organization's production ceiling, El-Badri told Reuters that between 2011 and 2015, Member Countries were committed to investing $290 billion which would add a net additional 10m b/d of oil capacity.

"Our Member Countries are investing a lot of money to add more supply to the market and that is why we do not want to see a low oil price. Low prices will not encourage us to have more investment in more supply, in either oil or gas," he said.

Concerning OPEC's current spare capacity level, El-Badri said that it normally stood at over 6m b/d, but with Libya out of the equation at the moment, it stood at about 4.5m b/d.

"And even though different countries have different numbers, the bulk of the spare capacity lies in Saudi Arabia," he observed.

El-Badri, who was one of the guest speakers at the Global Energy and Climate Summit, said during the event that if the supply shortage materialized later in the year, oil prices would surely rise.

But he said he did not expect prices to once again reach the record levels seen in the summer of 2008, when the price of crude soared to over $147/barrel. That kind of level, he added, could affect world economic growth.

"We are looking for a reasonable price. We want a price that is fair and at which our Member Countries can invest in further supplies."

Reuters

El-Badri said he did not think an oil price of $100/b would hurt the global economy, stating that so far this year the Organization's Reference Basket had averaged $106/b.

He said that, in any case, if prices did move to very high levels, OPEC had the capacity to bring oil quickly onto the market and help relive the situation.

While he agreed with the need for more oil supplies, El-Badri was critical of the recent actions of the Paris-based OECD energy watchdog, the International Energy Agency (IEA), which indicated it was releasing some of its strategic reserves onto the market to drive prices lower.

"Strategic reserves should be kept for their purpose — emergencies," he said, in disputing the need for such action by the IEA at this time.

El-Badri was one of around 60 of the world's leading names and decision-makers in the energy sector that attended this year's Reuters Global Energy and Climate Summit.

In a series of exclusive interviews, carried out at Reuters bureaus in Houston, New York, London, Bonn, San Francisco and Singapore during June, the invited officials discussed the outlook for oil and energy and the challenges facing the 21st century.

Perfect harmony

*OPEC Secretary General, **Abdalla Salem El-Badri,** marvels at the balance between industry and nature in one of Austria's oldest wine regions, just a short journey from the country's capital city. Steve Hughes reports.*

Abdalla Salem El-Badri (l), OPEC Secretary General, with KR Wolfgang Peischl, Mayor of Zistersdorf.

Left: DI Markus Mitteregger, RAG Managing Director.

On leaving Vienna's northern suburbs, discount stores and car yards quickly give way to a gently undulating agricultural landscape; the patchwork browns and greens of crops and vineyards surround small, picturesque towns and villages. Just an hour or so from the city heading north-east is Zistersdorf; a good-looking town in one of Austria's oldest wine regions.

OPEC Secretary General, Abdalla Salem El-Badri, visited the area recently, but in keeping with his position as head of the Organization of the Petroleum Exporting Countries (OPEC), he was every bit as interested in a different aspect of the region's history. As well as having an abundance of grapes, Zistersdorf is home to something else that occurs naturally: oil. As a result, pumpjacks (the oil installations better known as nodding donkeys) rock quietly to an idyllic backdrop of vines and ploughed fields, woodpigeons and other wildlife.

El-Badri was invited to Zistersdorf by RAG, Austria's oldest oil and gas exploration and production company, which this year celebrates its 75th year of business success. The OPEC Secretary General was struck by the

Abdalla Salem El-Badri (fourth left), OPEC Secretary General; pictured with Dipl Ing Marcus Mitteregger (second left), CEO, RAG Austria; Superintendent Karl Stoiber (third left), Chief of Police, Zistersdorf; KR Wolfgang Peischl (fifth left), Mayor of Zistersdorf; Bernhard Schmidt (c); Mag Dr Michael Längle (sixth right), CFO of RAG; and staff of RAG Austria's production site in Zistersdorf.

balance between the natural beauty of the area and its importance in relation to oil production; something that provides employment, as well as energy. He commented that there was a feeling of perfect harmony about the region.

After a guided walk through the oil field where the first oil discovery was made way back in 1937, the tour continued to the Hausberg, one of the most beautiful wine hills in the area. A visit to one of the area's many wine cellars concluded a memorable visit.

Securing Austria's supply

"For many decades, RAG has made a substantial contribution to securing Austria's supply with crude oil and natural gas, and has become a regional employer with a high impact on the country's economy," writes DI Markus Mitteregger, RAG Managing Director, on the company's website. "We believe it is our mission to ensure efficient and responsible use of precious natural resources — oil and gas — and to create optimal value."

As well as Mitteregger, El-Badri was accompanied by Mag Dr Michael Längle, CFO of RAG, KR Wolfgang Peischl, Mayor of Zistersdorf, Superintendent Karl Stoiber, Chief of Police, Bernhard Schmidt and staff of RAG Austria's production site in Zistersdorf.

During the past 75 years, RAG has turned from being a pioneer in Austrian oil production to one of the largest operators of underground gas storages in Europe, which now hold volumes of approximately five billion cubic metres.

"Austria is — compared with other countries in Europe — in the fortunate position to have unique geological boundary conditions for underground gas storage," writes Mitteregger. "In the years ahead, Austria will have the chance of becoming Europe's leading gas storage country."

The company's business portfolio includes ongoing exploration and production of crude oil and natural gas in Upper Austria, Salzburg and Lower Austria, as well as in Germany, Hungary, Ukraine and Poland.

Images courtesy of RAG and Steve Hughes.

African NOCs eager to shape their oil projects

With the world's energy demand increasing, African governments are becoming determined to increase their share in project returns and exercise control over the management of their oil and gas assets. They are creating and improving their national oil companies to secure foreign investment and scout the world for new development opportunities — posing a challenge to their relationships with Western super-majors. This article looks at the changing dynamics of African oil.

Africa's potential as an oil and gas producer continues to excite, interest and attract global investment. Historically, production on the continent has been dominated in the North by Algeria, Egypt and Libya, and by Angola and Nigeria in the Sub-Saharan region.

But the landscape is rapidly changing. Other African countries, including Gabon, Cameroon, Congo, the Democratic Republic of Congo, Equatorial Guinea, Ghana and Côte d'Ivoire, are now firmly established as significant producers of oil and gas.

Elsewhere, exploration is already underway in as yet untried parts of Africa, including Chad, Madagascar, Mozambique, Sudan, Benin and Togo.

If all the oil industry experts are correct in their assumptions about Africa's untapped reserves, the future will see existing producers scaling up production, while fields in new countries will soon come onstream.

Creating African NOCs

The scale of exploration and production activity is already having a transformative effect on the African economy.

Even in countries where significant quantities of oil and gas have yet to be found, governments are already establishing national oil companies (NOCs) and local organizations to work alongside foreign players.

New and potential producers in Africa are following the examples of Nigeria and Ghana, which have established a broad template for the creation of a successful NOC.

However, on a continent where oil industry expertise is relatively scarce, NOCs typically defer to the knowledge and technical skills of foreign companies when it comes to managing African oil production.

Traditionally, this has meant holding only minority stakes in exploration and production, creating a situation whereby NOCs are not in charge.

But as Africa's importance as a producer of oil and gas grows, the picture is slowly changing. Governments and NOCs alike are flexing their muscles and seeking a greater share in returns, as well as having more of a say in the running of their oil fields.

Furthermore, many African NOCs have the potential to develop into integrated oil companies that can compete with, or partner, their international colleagues.

Before this can happen, however, the governments of Africa's oil-producing countries must first review the role of the NOC and its relationship with both national administrations and the regulators.

Africa's hydrocarbons importance

In a world hungry for oil and gas, Africa has emerged as a hotspot for production and exploration. The statistics tell at least part of the story.

Back in 1999, the continent's proved reserves represented 7.8 per cent of the global total, according to *BP's Energy Statistical Review*. Today, that figure has risen to 9.6 per cent.

This total remains dwarfed by the 56.6 per cent share enjoyed by the Middle East, but still outstrips North America (5.5 per cent) and the Asia Pacific region (3.2 per cent).

The excitement around Africa is that new discoveries continue to be made in Uganda and Ghana, for example, and Ghana's offshore Jubilee field turned out to be far richer than initially estimated.

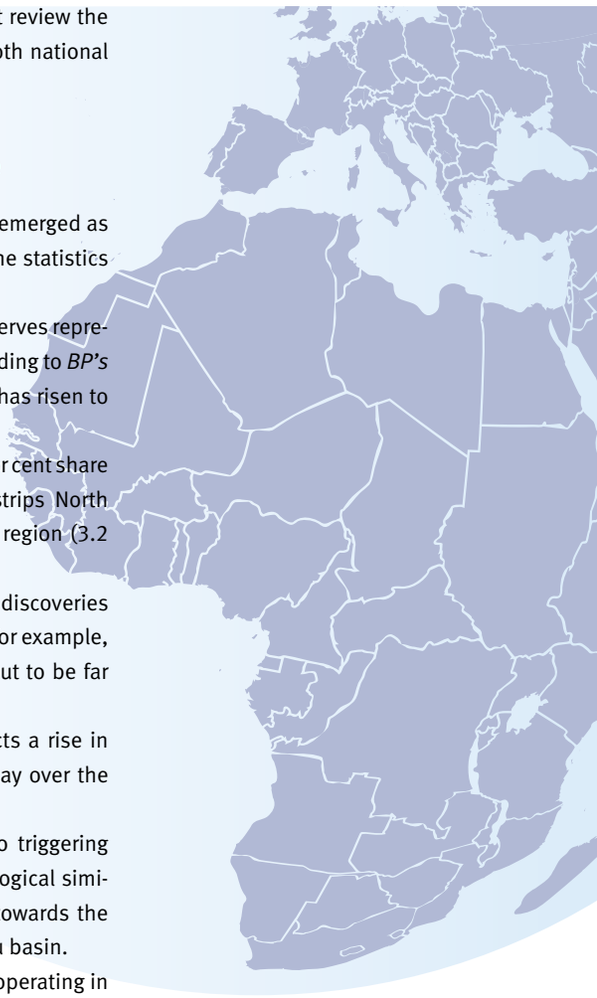
The Ghanaian Ministry of Energy predicts a rise in production to around one million barrels/day over the next five to seven years.

The success of the Jubilee field is also triggering exploration companies to consider the geological similarities and extend their search westward towards the Mauritania/Senegal/Gambia/Guinea-Bissau basin.

Lured by geology, oil explorers are now operating in previously overlooked areas. The Senegal and Guinea-Bissau margin remains relatively unexplored with only a few wells drilled so far. It is a similar story in Togo and Benin, where intensive exploration has yet to begin.

As Africa's geology is attractive, so too is its geography. Africa's western coast — notably the Gulf of Guinea — is well situated to supply the markets of Europe and North America.

Elsewhere, the eastern edge of the continent is ideally located to ship oil and gas to the rapidly growing economies of Asia, bypassing the need to use the Suez Canal and the Strait of Hormuz.



Historical NOCs' role

In terms of overseas players, Africa's oil and gas market comprises not only small and large independents — which undertake much of the exploration — but also big international oil companies (IOCs), such as ExxonMobil, Eni, Shell, Repsol, Lukoil, Petrobras and Petronas.

NOCs are a feature of the oil and gas industry, not only in countries where oil has been discovered, but also in previously untapped states, such as Sierra Leone, Gabon, Uganda, Zambia, Congo and Madagascar, where governments are beginning to award exploration licences.

Typically, NOCs will hold a minority (and non-controlling) stake, but their importance should not be underestimated.

While IOCs must deliver returns for their shareholders, NOCs represent the interests of their governments and by extension the people of their respective nations.

In practical terms, this should mean constructing a skills-base within the country, building capacity and ensuring security of oil supplies.

NOCs — and their sponsoring governments — must also balance national interests against the reality of ensuring that their countries remain attractive to international investors.

It is a complex task and there is no 'one-size-fits-all' approach. Indeed, as investor interest in Africa rises and more production facilities start, the likelihood is that the approach of both NOCs and government will change accordingly.

From the evidence we have seen so far, this will mean a shift of emphasis, with governments seeking to extract more value from their oil reserves and the NOCs playing a greater participatory role.

But the willingness of IOCs and independents to invest cannot be taken for granted, as investors tend to favour countries that can demonstrate a high degree of political stability.

A number of other factors also affect the willingness of oil companies to fund exploration and production. Perhaps chief among these is the governance of the industry, particularly in terms of the relationship between governments and NOCs.

The NOCs of the future

More and more NOCs are being established to better manage their country's mineral resources. But how should these companies be structured and governed, in order to obtain the best possible deal for themselves, while remaining an attractive prospect for foreign investment?

Against a backdrop of rising oil and gas production and renewed interest in exploration, African governments are taking the opportunity to negotiate better returns and a higher degree of national participation.

With oil from the Jubilee field being produced, the Ghana National Petroleum Corporation (GNPC) raised its stake from 10 per cent to 13.75 per cent.

Declaring its sovereign right to manage its own assets, the government not only signalled its intention to renegotiate its share of the revenue upwards, but also announced a national energy policy designed to ensure that at least 80 per cent of those involved in production would be Ghanaians.

Elsewhere in Africa, other NOCs have also been fighting for a better deal. Chad has announced that its new NOC — the Société des Hydrocarbures du Tchad (SHT) — will take a 60 per cent equity stake in the oil sector.

In the Democratic Republic of Congo, a proposed hydrocarbons bill suggests the creation of an NOC named Petreco, which will negotiate the stake of the current incumbent company, Cohydro.

Extracting greater value from proven, or potential, mineral reserves, while keeping foreign oil companies on board, remains a challenge for African governments, particularly in terms of securing the investment required to build capacity and secure supplies.

Good governance of the oil industry is clearly a major factor here.

International aspirations

As things stand, Africa's NOCs are focused on their own national markets, their roles clearly defined by their respective governments. The exception to this rule is the Angolan state-owned oil company Sonangol, which is pursuing a strategy of internationalization, initially through an oil exploration joint-venture in Gabon.

It is a model that other African NOCs aspire to follow, although capital remains a considerable obstacle. Governments that have been reluctant to fund exploration on their home turf are unlikely to invest in overseas partnerships involving their own NOCs.

One possible way forward is the creation of NOCs that can raise money on international capital markets. The precedent here is Brazil's Petrobras, which in September 2010 raised $70 billion through the sale of 1.87 million preferred shares, with US mutual funds and sovereign

wealth funds from the Middle East among the buyers.

Could Africa's NOCs follow the Petrobras route? In theory, the answer is yes, but they will have to address a number of issues: creating governance regimes that satisfy international investors, building the skills and expertise in the country, having a clear strategy of what they want to achieve, and drawing a clear distinction between the strategy of the NOC and the role of the state.

In some cases, the Petrobras model may not be the right one, though the next decade will surely see the emergence of new African NOCs looking to expand on the global stage.

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Kuwait's SPC gives green light to ambitious downstream projects


KNPC

Kuwait is this year expected to embark on a series of downstream oil projects worth over $40 billion that will effectively boost the country's oil refining capacity to 1.4 million barrels/day.

According to the state-owned news agency, KUNA, the schemes will include building Kuwait's fourth oil refinery.

Other projects will comprise upgrading two of the nation's other three refineries and providing clean fuels schemes.

Hatem Al-Awadhi, Deputy Managing Director of the Kuwait National Petroleum Company (KNPC), was quoted by KUNA as saying that the projects also included constructing a fifth gas production unit.

Clean fuels project

The announcement follows approval by Kuwait's Supreme Petroleum Council (SPC) of the construction of the long-delayed Al-Zour refinery, which had been expected to start up in 2016.

The Council also gave the green light to the clean fuels project. KNPC operates the country's three existing refineries, which together have the capacity to process 930,000 b/d.

Kuwait's recently appointed Oil Minister, Dr Mohammad Al-Busairi, is reported to have won approval for the $14bn Al-Zour refinery, as well as for the $16.25bn clean fuels project, which will involve the extensive upgrade of Kuwait's existing refineries.

According to the Kuwait Petroleum Corporation (KPC), the new projects were required to help refine the country's heavy crude production, which was in the process of being stepped up.

Kuwait is looking at securing partners to develop its heavy oil fields in the north of the country. ExxonMobil, Total and BP are all in the running to land deals.

Kuwait's 11—15° API heavy oil forms part of the government's plans to boost crude production capacity to 4m b/d by 2020.

The aim is to increase the country's heavy oil capacity to 60,000 b/d by 2016 and to 270,000 b/d by 2030.

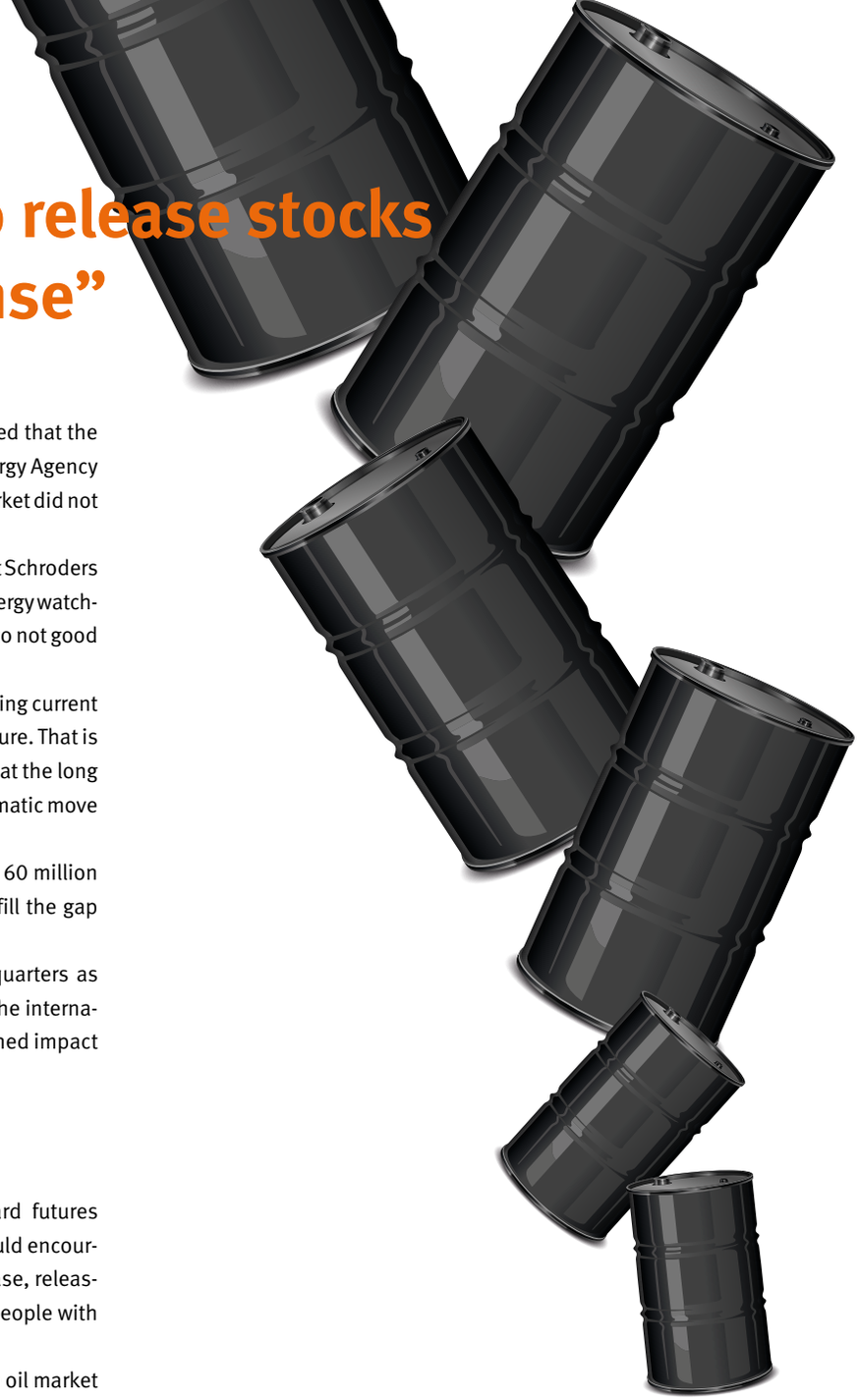
Kuwait's downstream plans are in line with expected growth in global refining capacity amounting to over 9m b/d in the next five years, with almost a quarter of the total coming from the Middle East region.

Fellow OPEC Member Country, Saudi Arabia, is working on three new refineries to add extra capacity.

Kuwait's parliament has already approved a budget of over $60bn for the national oil concern, KPC and its subsidiaries to cover spending in fiscal 2011—12.

The country's cabinet still has to give its final approval to the proposed schemes, but once this stage is completed, KNPC will start preparing to issue tenders.

IEA decision to release stocks "makes no sense"



A London-based investment analyst has stated that the decision by the Paris-based International Energy Agency (IEA) to release petroleum stocks on to the market did not appear to make much sense.

Robert Farrago, Head of Asset Allocation at Schroders Private Banking, said the move by the OECD energy watchdog, aimed at cooling crude oil prices, was also not good for the market.

"By taking oil from stocks, they are satisfying current demand, but creating more demand in the future. That is why we have not seen much of a shift in price at the long end of the curve, but you have had quite a dramatic move at the short end," he was quoted as saying.

The 28-member IEA said it would release 60 million barrels of oil over an initial 30 days to help fill the gap created by the disruption to Libya's output.

The move has been criticized in some quarters as being a politically motivated interference in the international oil market that would not have a sustained impact on prices.

Storage capacity

Farago said the United States crude forward futures curve was in a very steep contango, which could encourage people to buy oil and store it, in which case, releasing more from stocks would just feed those people with storage capacity.

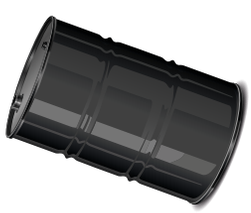
He said he saw little spare capacity in the oil market over the next three years as demand growth in emerging markets increased.

"... the market will be tight and that should be good for energy equities," he maintained.

Farago was quoted as saying that he thought oil and gold had a strategic role to play in the portfolios of investors, but agricultural commodities did not. "Oil is an essential driver of modern society and in a number of forms is irreplaceable," he stressed.

Meanwhile, the IEA has announced that not a single one of its 28 members had asked for more oil to be released onto the market. "No country asked me to release additional barrels," IEA Executive Director, Nobuo Tanaka, was quoted by Reuters as saying.

In a statement, however, the Agency stated that a number of uncertainties remained which demanded vigilance, notably the duration of Libya's oil disruption, the future evolution of OPEC supply, as well as the final impact of the initial stock release, which was only now just entering the physical market.



Indonesia forced to lower target for oil production

Indonesia's Energy Minister, Darwin Saleh.

Former OPEC Member, Indonesia, is still struggling to raise its oil production capacity and has reduced the target set out for production in this year's budget.

The country, which joined OPEC in 1962, suspended its Membership in December 2008, citing its falling production and export capability.

The Indonesian parliament's energy commission has now agreed to cut the oil output target included in this year's budget, but has stipulated an increase in the expected oil price.

The original budget saw oil and condensates production put at 970,000 b/d. This has now been reduced to 945,000 b/d.

According to official Energy Ministry data, the country saw average output of just 906,000 b/d between January and May this year.

At the same time, the oil price assumption in the budget has been hiked to $95/barrel from the original $80/b.

New production target

Energy Minister, Darwin Saleh, told reporters that his Ministry would make all out efforts to achieve the new production target.

"There are problems with land clearing and also licensing problems in various areas. We have to solve those problems if we want to achieve the new target," he was quoted as saying.

However, while the target for crude oil has been lowered, that for domestic oil products has been increased, due to growing demand.

The energy commission has said that the new target for oil products output should be 40.5 million kilolitres (697,600 b/d), up from the previous 38.6m kl.

Indonesia, a respected and influential Member of OPEC for 46 years, has become a net oil importer in recent years. Its output has continued to decline, while demand for domestic oil products keeps increasing.

One Energy Ministry source has estimated that the country's crude oil production is decreasing by around 12 per cent annually.

Fuel subsidies, which have long been in operation in Indonesia to help the poor obtain fuel, have presented a growing problem to the government in devising its fiscal budget.

And because of higher international crude prices, the cost of the subsidies for the current year has risen by 25 per cent to around $14 billion.

But despite the higher cost, the government refuses to hike the prices of subsidized fuels, even though there are some on the energy commission that think it should.

Aim for nuclear non-dependent society — Naoto Kan

Japanese Prime Minister, Naoto Kan.

Japan, still recovering from the earthquake and *tsunami* that devastated the country earlier this year, is having to rethink its energy policy, with Prime Minister, Naoto Kan, publicly announcing that the country may have to do without nuclear power at all in the years ahead.

Before the March disaster, the government had been planning to boost domestic nuclear power capacity in the country from the existing 30 per cent to satisfy half of Japan's electricity demand. Japan's total power capacity is put at 241,470 megawatts.

But at a recent news conference, the Japanese Premier was quoted as saying that the Fukushima nuclear crisis had convinced him that the country should phase out nuclear generation in the country all together.

Following the radiation leak at the Fukushima plant of the Tokyo Electric Power Company, 35 of the Japan's total 54 nuclear reactors now cease to operate. According to official figures, only 37 per cent of the nation's nuclear capacity is in operation at present, the lowest level in over 30 years.

Safety measures

Kan told reporters that given the enormity of the risks associated with nuclear power generation, he had realized that nuclear technology was not something that could be managed by conventional safety measures alone.

"I believe we should aim for a society that is not dependent on nuclear power generation," he stated.

The Premier said it was premature to set a time frame for achieving such a goal, but it would be a gradual process.

Kan has reassured the public that power demand can be met through conservation efforts and from companies' own supplies.

He announced that the government would draw up a comprehensive plan for power supply and generation for 2012 and beyond.

The plan would include constructing more gas-fired plants and concentrate more on boosting the use of renewables, which he described as being a key pillar of future energy policy.

The March disaster has understandably put a huge strain on securing the energy requirements of the world's third-largest oil consumer and with the years ahead expected to see a growing need for energy supplies, it is a real predicament for the government.

In fact, analysts have already forecast that Japan's demand for crude and oil products to fuel its power plants could triple if the country closes all its nuclear reactors.

According to global financial services firm, Morgan Stanley, Japan may need to import an additional 350,000 barrels/day of crude oil and products to make up for the nuclear generation loss. That translates into around eight per cent of the country's total oil consumption.

A worst-case scenario by the group, with all reactors shut, sees oil demand for power generation rising to 540,000 b/d up to the end of this year. This compared with an average of 192,000 b/d in 2010.

Morgan Stanley observed that even if all reactors returned to production, the country would still need to cover estimated oil demand of 300,000 b/d to make up for the electricity generating capacity already lost.

The country could need an additional 20 million tonnes of liquefied natural gas (LNG), to help ease the situation.

Figures from the Federation of Electric Power Companies of Japan have shown that the country's utility plants consumed more LNG in June than in the same month in 2010 to generate electricity. The utilities used 4.03m t of LNG in the month, up from 3.08m t a year earlier.

Meanwhile, the Japan Centre for Economic Research has warned in a report that the country would face an acute shortage of electricity if all nuclear reactors were closed.

The Centre pointed out that fossil fuels could only meet around 30 per cent peak electricity demand, resulting in a large shortfall.

Qatargas signs LNG delivery accord with Malaysia's Petronas

Pictured above is the Qatargas headquarters in Doha.

Qatar is to supply 1.5 million tons of liquefied natural gas (LNG) annually to the national oil company of Malaysia in a deal seen as further securing the OPEC Member Country's future gas potential.

Under a heads of agreement reached between Qatargas and Petronas, the LNG deliveries will start in 2013 and last over a 20-year period.

A statement released by Qatargas said the LBG would be sourced from its Qatargas 2 production complex.

Qatargas 2 comprises two output trains — the first is owned by Qatar Petroleum (QP), with a 70 per cent share and ExxonMobil with the remainder, while the second is owned 65 per cent by QP, 18.3 per cent by ExxonMobil and 16.7 per cent by Total.

Sheikh Khalid Al Thani, Chief Executive Officer of Qatargas, was quoted as saying that his company was extremely pleased since the agreement represented the first long-term accord for supplying LNG to one of the world's fastest-growing LNG markets.

Qatar, already the world's leading LNG exporter, accounting for some 26 per cent of global supply in 2010, has been busy boosting its LNG capability even further.

At the end of this year, it will see full export capacity reached in its LNG industry when the country's output capability will hit a new record of 77 million tons annually.

The country is in the process of ramping up output at its seventh LNG production train, which made its first shipment in February this year. When that has reached its targeted output, the new overall production level will be achieved. This train is the last in the existing expansion programme for Qatar's LNG sector.

The latest train has the capacity to export 7.8m t of LNG a year. It is run by Qatargas, one of two firms in the country responsible for LNG operations. The other company is Rasgas.

Of Qatargas and Rasgas, the former is the largest, controlling LNG production amounting to 42m t a year, while Rasgas has the remainder. Last year, the two companies had a liquefaction capacity of a near 70m tons a year.

Malaysia, which had a production capacity of 24m tons annually in 2010, is the world's third-largest supplier of the super-chilled fuel, with ten per cent of the market. The country's domestic demand for gas is growing by an estimated six per cent a year.

Petronas Executive Vice President, Anuar Ahmad, was quoted as saying over the new deal with Qatar that his company saw Qatargas as a strategic long-term supplier of LNG for Malaysia.

He stated that Petronas would receive the LNG at the country's first import terminal. The 3.8m t facility, currently being built at Melaka, on peninsular Malaysia, is due to be commissioned in April 2012.

Natural gas is taking on an ever-growing importance in the global energy mix and demand is set to rise significantly in the years ahead, especially for use in power generation. Asia is slated to take a large proportion of that share.

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.

Ambassador Maria Oyeyinka Laose (l) paid a courtesy visit to Abdalla Salem El-Badri, OPEC Secretary General, on July 28, 2011. Ms Laose is the new Ambassador Extraordinary and Plenipotentiary of the Federal Republic of Nigeria to the Republic of Austria. She is also the Permanent Representative of Nigeria to the United Nations Offices and other international organizations in Vienna.

Cheng Jing Ye (l), Ambassador and Permanent Representative of the People's Republic of China to the United Nations and other International Organizations in Vienna, visited Abdalla Salem El-Badri, OPEC Secretary General, on July 28, 2011.

Above: Eng Diego Armijos-Hidalgo, Ecuador's Governor for OPEC and National Representative.

Ecuadorean officials visit OPEC Secretariat on fact-finding mission

A team of Ecuadorean professionals visited the OPEC Secretariat in Vienna at the end of July on a fact-finding mission aimed at providing a broad overview of the work of the Organization and its aims and objectives.

The seven-person team made the visit following a request from the country's Minister of Non-Renewable Natural Resources, Wilson Pastor-Morris, who was keen for officials from Ecuador to attain a better understanding of the Secretariat's activities.

In a letter to OPEC Secretary General, Abdalla Salem El-Badri, requesting the visit, Pastor-Morris said that Ecuador's President, Rafael Correa, had asked for his Ministry to come up with more detailed analysis of available oil data, so that the likely path future oil prices would take in the short term could be ascertained more accurately.

The Minister pointed out that he considered that one of the main sources of such information and knowledge was in the hands of the professionals working at the OPEC Secretariat, hence his request for the visit.

Delegates who made the trip were drawn from the country's Ministry of Finance, the Central Bank of Ecuador, the state oil concern, PetroEcuador, the Coordinating Ministry of the Economic Sector, and the Ministry of Non-Renewable Resources.

Over two days, during a packed programme, they listened to presentations by various Department Heads on the Secretariat's work, including an introduction to the Organization, an overview of the Research Division and its work in energy and petroleum studies, data acquisition and dissemination, and environmental matters.

In addition, the visiting team was shown the film 'OPEC: Instrument of Change', depicting the historical life of the Organization over its 51 years.

Welcoming the officials on behalf of OPEC Secretary General, Abdalla Salem El-Badri, Dr Hasan M Qabazard, Director of the Research Division, stressed that the Secretariat very much encouraged such visits from Member Country experts that helped facilitate technical interactions and contributed to enhancing the image and understanding in Member Countries of the vital role of the Organization.

"The next two days will provide you with a broad overview of the Secretariat's structure, an in-depth analysis of the research we provide to Member Countries and some historical perspective for the Organization," he affirmed.

"I hope that your time here is both of benefit to you personally and to your country and helps establish a positive and effective long-term relationship with the OPEC Secretariat," he added.

Qabazard paid tribute to Ecuador, which, he said, had played an active and important role in the Secretariat's activities over the years.

The country first joined OPEC in 1973 and, in its initial years as a Member of the Organization, it hosted OPEC Conferences in 1974 and 1982. In addition,

Right: Dr Hasan M Qabazard (l), Director of OPEC's Research Division, with María del Carmen Jibaja, Vice Minister at the Ministry of Finance in Quito, who led the visiting delegation.

Above (l–r): Puguh Irawan, Statistical Systems Coordinator; Madeleine Abarca, Assistant, Ministry of Finance; Eng Diego Armijos-Hidalgo, Ecuador's Governor for OPEC and National Representative; Angela Agoawike, Head, of OPEC's PR and Information Department; Dr Hasan M Qabazard, Director of OPEC's Research Division; María del Carmen Jibaja, Vice Minister at the Ministry of Finance, who led the visiting delegation; Jaime Fernández, Assistant, Coordinating Ministry of the Economic Sector; Abdullah Al-Shameri, Head of the Office of the OPEC Secretary General; Katiuska Yánez, Assistant, Coordinating Ministry of the Economic Sector; Alejandro Rodriguez Rivas, Head, Finance and HR Department, In Charge of the Admin and IT Services Department; Oswaldo Tapia, Head of OPEC's Energy Studies Department; Celsa Rojas, Assistant at Petroecuador; Daniel Falconi, Assistant, Ministry of Finance.

Left: The Ecuadorean delegation with (l–r): Jaime Fernández, Assistant, Coordinating Ministry of the Economic Sector; Celsa Rojas, Assistant at Petroecuador; Madeleine Abarca, Assistant, Ministry of Finance; María del Carmen Jibaja, Vice Minister at the Ministry of Finance, who led the visiting delegation; Katiuska Yánez, Assistant, Coordinating Ministry of the Economic Sector; Daniel Falconi, Assistant, Ministry of Finance.

through Rene Ortiz, it held the position of OPEC Secretary General between January 1979 and June 1981.

Important moment

"In 1992, however, Ecuador voluntarily suspended its Membership, although, at that time, the OPEC Conference hoped that it would continue to be associated with OPEC in one form or another," noted Qabazard.

Then, 15 years later, following an announcement at the Third OPEC Heads of State Summit in Riyadh, the country resumed its OPEC membership.

"It was an important moment in our history. Ecuador is the only country to suspend its Membership and then subsequently rejoin the Organization," Qabazard noted.

He said that since its return, Ecuador had assumed the role of the OPEC Conference President, with Wilson Pástor-Morris taking the role in 2010, and in Quito, it hosted the OPEC Conference at the end of 2010.

"Looking ahead, I very much hope to see Ecuador continue to play an active and prominent role in the Organization's future," Qabazard added.

Below: María del Carmen Jibaja, Vice Minister at the Ministry of Finance in Quito, who led the visiting delegation.

OPEC Finance Officer completes term

Presenting the parting gift to Endro Guritno is Fuad Al-Zayer (l), Head of the Data Services Department (DSD), who represented OPEC Secretary General, Abdalla Salem El-Badri.

Endro Guritno, Finance Officer at OPEC Headquarters in Vienna, has completed his term of office after seven years with the Organization.

An Indonesian national, Endro took up his position as the Head of the Finance Section, which is now part of the restructured Finance and Human Resources Department, in July 2004.

At a special staff gathering held in his honour, he was presented with his parting gift by Fuad Al-Zayer, Head of the Data Services Department (DSD), who was representing the OPEC Secretary General, Abdalla Salem El-Badri.

Endro, who came to OPEC from the Indonesian national oil company, Pertamina, will now be returning to the state-owned firm.

Indonesia suspended its Membership in OPEC in December 2008 after joining the Organization in 1962.

Above: Endro Guritno (second right) with Human Resources colleagues (l–r) Layla Abdul-Hadi, Etsuko Groth and Alejandro Rodriguez Rivas.

Endro Guritno (third right) with Finance and other colleagues (l–r) Ali Nasir, Günther Fercher, Alejandro Rodriguez Rivas, Glorija Sipka, Hana Stummer, Nii Martey Korley, Abiodun Ayeni and Puguh Irawan.

Students and professional groups wanting to know more about OPEC visit the Secretariat regularly, in order to receive briefings from the Public Relations and Information Department.

Students from across the world, who were part of the recently held Global Young Leaders Conference, visited the OPEC Secretariat for a briefing on July 4, 2011.

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OFID

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

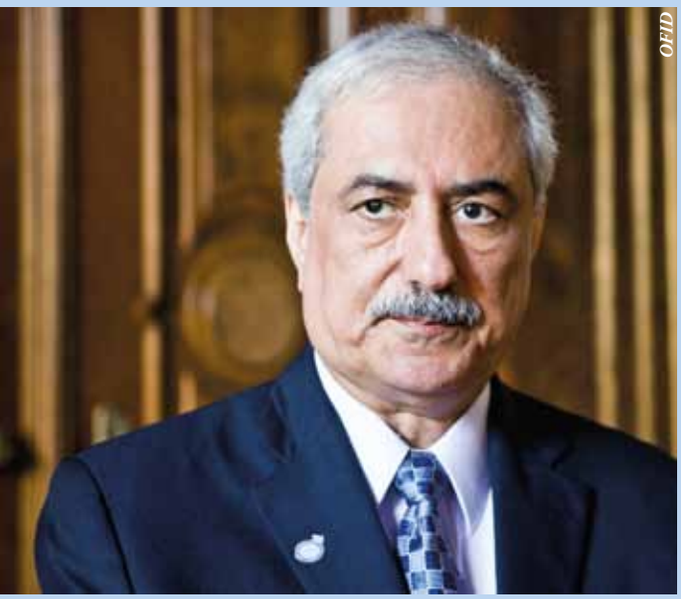
Uniting against Poverty

Landmark Ministerial Council Meeting agrees on fresh resources

$1 billion cash injection

OFID

OPEC Fund for International Development (OFID)



Saudi Arabia's Minister of Finance, Dr Ibrahim Al-Assaf.

The OPEC Fund for International Development (OFID) is to benefit from a cash injection from its Member Countries.

The Vienna-based institution's highest policy-making body — the Ministerial Council — agreed at its 32nd Session, held in the Austrian capital in June, to increase OFID's resources "by an additional amount of $1bn".

According to a press release issued after the landmark meeting, the move comes in response to the growing and urgent needs of the world's developing nations, in the wake of the global financial crisis.

It is further viewed as a renewed gesture of South-South solidarity on the part of OPEC Member Countries with their less privileged neighbours.

"Subject to Member Countries taking all the necessary internal legal procedures, these additional resources will enable OFID to step up its contribution to development over the next decade, in particular to the global Energy for the Poor initiative and accompanying efforts to achieve universal energy access by 2030," commented the release.

"It is the first fresh commitment to the institution in 30 years," it pointed out.

Flagship role

Addressing the Council, OFID Director-General, Suleiman J Al-Herbish, stressed that the additional financial support will strengthen the institution's aspirations to discharge its mandate and play a flagship role in the cooperation strategy of OPEC Member Countries.

"The fresh funding will provide the needed impetus to our institution to buttress its successes and drive forward its plans," he said.

Saudi Arabia's Minister of Finance, Dr Ibrahim Al-Assaf, has praised the outcome of the Meeting, stating that it is a tangible sign of the keenness of the institution's Member Countries on aiding nations in need of financial aid.

Speaking to the Kuwait News Agency (KUNA), he said the tentative agreement reached by the ministers to increase their voluntary financial contributions by $1bn still requires some legislative endorsement in the respective Member Countries.

OFID, which was established in 1976, and this year is celebrating its 35th Anniversary, comprises Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates (UAE), and Venezuela.

> "The fresh funding will provide the needed impetus to our institution to buttress its successes and drive forward its plans." – Al-Herbish

Securing energy for the poor

Al-Assaf disclosed that the Ministerial Council also agreed on expanding the scope of assistance for peoples and communities, with parts of the grants made available

to be specialized for securing energy for the poor, particularly in rural areas where electricity is not available.

He indicated that, at the meeting, he sensed satisfaction among those attending of the accomplishments and work of OFID, especially considering its significant role in aiding developing nations.

He pointed to the fact that since its inception, OFID has launched 17 lending programmes, as well as carrying out various infrastructural ventures, supporting the private sector and assisting inter-trade among developing nations.

> "Working with our partners, we shall continue to strive towards realizing our vision of a world where sustainable development, centred on human capacity-building is a reality for all."
> – Al-Herbish

Al-Assaf stressed that OFID has so far given up to $12.2bn worth of aid in support of sustainable development to 129 nations, including 51 countries in Africa, 40 in Asia, 31 in Latin America and the Caribbean and seven in Europe.

OFID's Ministerial Council, which comprises the Finance Ministers and other high-level representatives of OFID Member Countries, meets annually to review the achievements of the institution and to set future policies.

At its 32nd Session, the State of Qatar was elected to the Chair for one year. The country was represented at the meeting by Yousef Hussain Kamal, Minister of Finance.

The State of Kuwait was elected Vice-Chair for the same period. Mustafa Al-Shamali, the country's Minister of Finance, attended the meeting.

OFID's Annual Report 2010

Regarding other matters, the Council reviewed OFID's financial statements for fiscal 2010 and approved its *Annual Report* for the same year.

The Report, which is published in English, Arabic, French and Spanish, details OFID's performance during 2010, highlighting its activities by sector, geographical region and financial mechanism.

In a *Foreword* to the Report, OFID Director-General Al-Herbish highlighted the importance of partnerships in optimizing the impact of OFID's contribution to international development.

"In 2010, OFID strengthened its ties with key strategic partners, signing cooperation agreements with the World Bank, the International Fund for Agricultural Development and the Andean Development Corporation.

"Working with our partners, we shall continue to strive towards realizing our vision of a world where sustainable development, centred on human capacity-building is a reality for all."

The Director-General especially thanked OFID's Member Countries, whose support, he stressed, despite the setbacks suffered in the global crisis, remains steadfast.

The Report disclosed that, during 2010, the total amount committed by the institution in development financing amounted to $1.37bn.

Assistance to Africa represented the largest share, accounting for 54 per cent of the total. The energy sector attracted the lion's share (24 per cent) of approvals, supporting 18 projects in 11 countries.

In terms of distribution by financial mechanism, the Fund's Public Sector initiative continued to be the main channel of support, with approvals through this window amounting to $673.9 million for projects in 38 countries.

The Report, in highlighting OFID's focus areas in support of the Millennium Development Goals (MDGs), revealed that, through its operations, energy took $324.2m, transportation $257m (18.7 per cent), agriculture $187m (13.5 per cent), industry and telecommunications $123.7m (nine per cent), water supply and sanitation $119m (8.6 per cent), and health and education $100m (7.3 per cent).

Commenting on OFID's activities in 2010, the OFID Director-General pointed out that energy access must be a global priority.

"OFID agrees in granting the goal of universal energy access by 2030 the priority it deserves, working towards heightening international recognition of energy poverty alleviation for growth and sustainable development."

He stressed that OFID believes that universal energy access should be the "missing ninth" MDG.

A press release said that in keeping with OFID's mandate to give priority to low-income countries, the Africa region, with $737m, secured more than half of the total commitments for the year. These funds supported 52 projects in 27 countries.

Of the other regions, Latin America and the Caribbean received 25 per cent of approvals, equivalent to $343m, for 23 projects in 15 countries; Asia accounted for $261.3m, representing 19 per cent of total commitments, distributed among 18 countries for 28 operations; and four emerging countries in Europe shared the remaining $29m.

It stated that while the Public Sector continued to attract the bulk (46 per cent) of commitments last year, substantial sums were also delivered through the Private Sector ($227.3m) and Trade Finance ($481m) facilities. Private Sector operations included financing to enhance the availability of credit to small- and medium-sized enterprises, while the majority of trade transactions supported the import and export of energy and food products.

Some $28.1m was approved in outright grants for 45 projects across all developing regions of the world. By far the largest share of this amount went to HIV/AIDS operations and to activities in Palestine.

The Annual Report also highlighted the achievements of OFID's 17th Lending Programme (2008–10), which represents the framework for the institution's Public Sector operations.

Over the three-year period, close to $1.9bn was committed in support of 136 projects in 72 partner countries.

Annual Award for Development

The Ministerial Council Meeting also witnessed the presentation of OFID's Annual Award for Development for 2011, which went to Dr Mazen Al-Hajri of the United Arab Emirates, a philanthropist and a pioneer in the field of ear, nose and throat medicine.

The press release noted that the recipient of the award is known for his charitable work, performing countless cochlear implant operations on Palestinian children, who have suffered hearing damage.

Above: Yousef Hussain Kamal, Qatar's Minister of Finance, who was elected Chairman of the Council.

Al-Hajri is renowned in the Middle East healthcare arena and is widely recognized amongst his peers for his dedication in operating on children and training surgeons in Gaza.

Scholarship Award

On the sidelines of the Ministerial Council Meeting, the OFID Director-General announced the institution's Scholarship Award winners for 2011–12 — Anthony Bayega, aged 26 and from Uganda, who will pursue a Master's degree in Biomedical and Molecular Science Research at King's College, in the United Kingdom, and Didier Kadjo, aged 30, from Côte d'Ivoire, who plans to study a Master's in Agricultural Economics at Purdue University, in the United States.

The 33rd Session of the Ministerial Council will be held in Vienna on June 14, 2012.

This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for July 2011, published by the Petroleum Studies Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

Crude oil price movements

The OPEC Reference Basket moved within a large range of $102–114/barrel in June, but on average fell for the second consecutive month to stand at $109.04/b, down 90¢ from the previous month.

Nevertheless, when compared with a year ago, the OPEC Reference Basket showed a year-on-year increase of $36.09/b, or nearly 50 per cent.

The decline in the OPEC Reference Basket came in line with the weakness of futures prices as macroeconomic sentiment deteriorated.

All Basket components decreased with Ecuadorean crude leading the losses and tumbling by $5.76, or 5.5 per cent, followed by the Venezuelan grade, Merey, which lost almost $1.5, or 1.5 per cent.

Latin American crudes were the most affected because of weaker markets for heavy-sour grades within the region.

African grades also continued to drop, despite the loss of Libyan crude. Nigerian Bonny Light lost more than $1.6/b and Saharan Blend and Es Sider fell by more than $1/b each on the back of relatively ample supply of July-loading crude and some prompt offers.

Additionally, prices were pressured by reduced opportunities of arbitrage to the United States and Asia.

African crudes weakened further during the last trading days of June when premiums for Nigerian light sweet crude for spot cargoes hit a four-month low amid increasing supplies and expectations of further available crude in the coming weeks, following the decision by the International Energy Agency (IEA) to release oil from its members' strategic reserves.

Nigerian benchmarks Bonny Light and Qua Iboe continued to weaken in early July when they were discussed below dated Brent plus $2.0/b for the first time since last January.

Middle Eastern crudes followed the same trend and fell, particularly Murban, which lost a further $1.31/b.

Similarly, the weakness in Middle Eastern crudes was attributed to ample available spot supplies, which pushed the Dubai swaps curve to flip into contango, while the Brent-Dubai Exchange of Futures for Swaps (EFS) jumped to its highest level since 2005.

In addition, crude oil market sentiment in the Middle East was also pressured by weak naphtha cracks because of reduced demand for petrochemicals, particularly from Japan, where plants remained affected by the earthquake and tsunami of last March.

Furthermore, Middle Eastern crude was also pressured by the weakening Russian grade ESPO.

As for other crudes, Middle Eastern grades were hit in the last week of June by the IEA's decision to release oil from its emergency oil reserves. That led the Dubai curve to shift into deep contango and made Oman crude trade on the Dubai Mercantile Exchange at a discount to Dubai after months of steady premiums.

However, despite a total decline of more than $9/b during May and June, the OPEC Basket posted a gain of $10.91/b, or 11 per cent, in the second quarter of this year, compared with the first quarter.

At $112.18/b in the second quarter, the Basket was up $35.65/b, or 47 per cent, from the same period a year earlier.

Year-to-date, the Basket averaged around $106.7/b, up some 40 per cent from the $76/b seen a year earlier.

In the first weeks of July, the OPEC Basket drifted slightly higher to stand at $111.35/b on July 11.

Meanwhile, in futures trading, on the Nymex, the US benchmark crude WTI

OPEC Reference Basket: 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).

front-month contract fell a further $5.07/b, or five per cent, to average the month at $96.29/b, the lowest level since the $102.98/b recorded last March.

Over two months – May and June – the WTI contract tumbled by $13.75/b, or 12.5 per cent, as market sentiment deteriorated on the back of rising concerns about global economic growth and its implications on oil demand.

In London, ICE Brent also dropped, but at a slower pace than Nymex WTI, as it remained relatively supported by reduced supplies of North Sea grades, as well as the ongoing outage of Libyan crude.

The Brent front-month contract lost just 62¢ in June to average $113.90/b, compared with a loss of $8.57/b in the previous month.

The $113.90/b recorded was the lowest monthly average since the $114.67/b of last March.

However, it is worth mentioning that ICE Brent moved within a wide range of $105–120/b in June as the market became increasingly volatile amid growing uncertainties.

The small decline in ICE Brent, compared with Nymex WTI, resulted in a wider trans-Atlantic spread in favour of Brent. Thus, the Brent-WTI spread widened to a record high, on a monthly basis, of around $17.60/b in June. This compared with a premium of $7.24/b last January.

Trading activities on the exchanges were stable until June 23, the day the IEA announced that it will release 60 million barrels of oil from its members' strategic reserves over a period of 30 days – or roughly two million barrels/day – to offset the disruption to Libya's output and keep prices from rising significantly.

More than 2m contracts were traded on the exchanges (Nymex and ICE), compared with around just 1m contracts a day before. On the same day, the WTI front-month contract fell to a four-month low.

The sharp increase in trading volume came as traders rushed to liquidate positions on expectations that the IEA's decision to release stocks will result in a weakness in the market over the coming days.

However, trading volume dropped in the following days to be in line with averages seen before the announcement of the IEA. This coincided with prices moving back to within their previous range.

Commodity markets

Both energy and non-energy prices experienced a drop in June amid high volatility, but this compared favourably with the hefty decline seen the previous month.

Commodity markets have been receiving the negative influence of the Greek debt situation and sovereign debt concerns in other European Union economies, global inflationary pressures and the ongoing growth restraint in China to fight inflation.

Further, the still mixed macroeconomic panorama across several key economies and a severe risk reduction in financial markets also added to this context.

The World Bank energy commodity price index (crude oil, natural gas and coal) retreated by 1.7 per cent m-o-m in June, reversing mostly on falling crude oil prices.

Henry Hub (HH) natural gas prices increased by 5.6 per cent m-o-m in June, due to a price rebound in the first week of June, associated with an early heat wave, but prices declined later owing to colder summer temperatures. Fundamentals point to a further decline.

The World Bank non-energy commodity price index fell by 0.4 per cent m-o-m, compared with a 4.7 per cent drop in May. Copper, lead and zinc, as well as some agricultural items, showed a stronger recovery from May, registering positive growth. Gold price growth ameliorated in June, compared with May.

Base metal prices declined at a slower pace in June (0.2 per cent m-o-m), compared with a near six per cent fall in May.

As with other commodities, this group was hit by financial and macro uncertainty and especially by concerns over Chinese demand and lower imports in May.

Nevertheless, some recovery, with positive price growth, was seen in copper and lead as a result of supply side constraints. Some observers forecast a rebound in industrial metal prices for the second half of the year. The pace of inventory drawdown is increasing.

Aluminium prices decreased by 1.5 per cent m-o-m in June, compared with a three per cent drop in May.

Copper prices rose by 1.2 per cent m-o-m in June, compared with a near six per cent fall in the previous month.

Lead was the best price performer in June, increasing by four per cent m-o-m, compared with a ten per cent drop the previous month.

Zinc prices rose by three per cent m-o-m in June, compared with an eight per cent drop in May.

Gold prices increased by one per cent m-o-m in June, compared with two per cent in May.

The World Bank Agriculture price index fell by 0.7 per cent m-o-m in June, compared with 5.5 per cent in May. Grain prices declined by 0.1 per cent in June, coming under pressure from uneasy macroeconomic concerns and lower Chinese imports in May.

Highlights of the world economy

While the US economy is expected to see stronger growth in the second half of this year, compared with the first half, most recent indicators have pointed to a lower level than previously anticipated.

After the most recent increase in the unemployment numbers, the expectation is currently that this development might continue at least during July.

Consumer sentiment has therefore as well moved back a little bit in June, while on the positive side, manufacturing related indicators have improved and pointed to the expected pick-up of activity in the second half, while growth in the services sector – constituting around two-thirds of the economy – is decelerating.

So the economy continues to expand, while indicators highlight the continued weakness in

the labour market and, at the same time, raising hopes that with the increased activity, in particularly the manufacturing sector, this dynamic might have a positive effect on job creation, lowering unemployment and supporting consumer spending.

One of the biggest short-term concerns remains to be the still not finalized discussion to raise the US federal debt ceiling, which is adding to the worries of the economy.

This is in combination with the most recent ending of quantitative easing by the Federal Reserve Board (Fed) and is providing evidence that the ability of the government to support the economy by various measures of stimulus is fading.

Most of the stimulus has been spent, or has been eaten up by inflation, and with the decision of the Fed not to extend the quantitative easing – at least for the time being – the stimulus has broadly come to an end, with only the exception of some extraordinary monetary facilities still provided by the Fed and certainly the historically low interest rates.

Therefore, the underlying economy, not influenced by governmental support, now seems to be in a position to further lift growth.

The second half is expected to be stronger than the first half of this year, but due to the ongoing concern regarding the labour market with its latest deterioration and the deceleration in the services sector, combined with the effect of Japanese supply and demand on the economy, the growth is expected to be lower than anticipated and now stands at 2.5 per cent for 2011, compared with 2.6 per cent the previous month.

The development in 2012 should be positively affected by a rebound in Japan and improvements in the labour market situation. Therefore, consumption and exports are expected to have a positive impact then.

Despite the almost inexistent governmental-led stimulus, which still had an impact on this year's growth, the expansion in the next year is being considered to be slightly healthier, ie most of it should come from the underlying real economy.

This effect should support the economy to expand by 2.9 per cent, slightly higher than this year.

The Japanese economy is still suffering from the tragic events seen in the country in March this year, but continues to recover.

Latest indicators suggest that the supply disruptions are coming to an end soon and that a pick-up in domestic demand and exports should mitigate the massive output decline from the previous months.

Industrial production growth is highlighting the recovery since the economy has reached its trough levels in March this year. While it had declined by 13.1 per cent y-o-y in March, it slightly improved in February to minus 12.3 per cent y-o-y and now in May it has moved back to the single digit territory of minus 7.2 per cent y-o-y, which on a monthly comparison represents strong growth of 5.7 per cent, which has been the strongest monthly increase over the last 50 years.

The number of machinery orders is supporting the likelihood that in the coming months the rebound will turn out to be able to at least compensate to a certain extent for the shortfall from the first half of 2011.

On the export side, there is still room for the upside with the three most recent months all being in negative growth areas and with the latest number for May recorded at minus 9.3 per cent.

The most recent lead indicators have pointed to a recovery in the second half of 2011. The PMI for manufacturing remained above the 50 level in June and now stands at 50.8, a slight decline compared with the May level of 51.3.

The reconstruction of the affected areas should furthermore lift production and demand in the second half of this year.

By taking the more-than-expected decline of the economy in March and April into consideration, the 2011 GDP forecast has been revised from minus 0.5 per cent to minus 0.8 per cent.

It is obvious that many uncertainties remain and hopefully things will turn out better, but currently it seems as though the shortfall from the first half of 2011 cannot be entirely compensated in the second half.

By applying the average growth capability of the Japanese economy and assuming the extraordinary effects of the reconstruction, 2012 growth is estimated to stand at 2.5 per cent.

The Euro-zone remains to be primarily focused on solving the sovereign debt crisis. While the underlying real economy continues to expand, the economies in the peripheral countries and the effects of austerity measures, in order to bring back the debt levels, are starting to dent the expansion.

Mainly Germany and France continue to grow, while others – specifically the highly indebted economies – are lagging.

While the rating agencies have continued warning about the debt situation in many of the peripheral countries in the Euro-zone, the European Commission has issued an estimate of the bail-out needs for Greece in the three-year rescue plan.

The current estimate is for €172 billion over three years. Of this, €57bn are covered in the already signed off first bail-out programme, which was originally scheduled to be processed until mid-2013. Some €30bn of the remaining €115bn are expected to be raised by Greece itself through primarily the privatization of government assets.

The Euro-zone countries, the European Central Bank (ECB) and the IMF are then being asked to shoulder €85bn.

The undertakings – led by Germany – to include the private sector, ie primarily banks that are holding government debt to participate in the bail-out and as well share some of the burden, are still undergoing and it is not clear in which way and to which amount the banking sector is willing and able to participate.

The underlying Euro-zone economy is, however, expanding nicely, although an expected deceleration in the second half of 2011 is expected, due mainly to the austerity measures that have been implemented across the Euro-zone and the interest rates that the ECB has just recently increased from 1.25 per cent to 1.50 per cent, in order to control inflation, which stood again at 2.7 per cent in June.

Furthermore, some slowdown in exports should be expected, due to the measures that the main developing economies have

implemented, in order to manage the expansion to avoid overheating.

For the next year, a considerable slowdown is currently expected. The ongoing concerns regarding the fiscal situation of many Euro-zone countries and the austerity measures that had to be implemented, in order to bring back the debt levels to more reasonable levels, is providing the reasoning for lower growth in 2012.

Furthermore, the increase in interest rates into most probably next year of up to 2.0 per cent, compared with this year's average level of around 1.25 per cent, will most probably as well keep growth from significantly expanding.

Therefore, the current growth estimate for 2012 stands at 1.5 per cent, 0.5 per cent lower than this year's forecast.

Developing countries, including emerging markets, constitute about 48 per cent of global GDP on purchasing power parity terms.

According to the IMF World Economic Outlook (2011), China with 13.6 per cent of world GDP is the largest emerging market by far, followed by India, Russia and Brazil with 5.4 per cent, 3.0 per cent and 2.9 per cent, respectively.

The IMF predicts that in 2016 China will become the world's largest economy on a purchasing–parity basis. On the basis of market exchange rates, it would take longer – up to 2020 – for China to attain that position.

Rapid expansion of emerging economies is particularly interesting for commodity and energy-exporting countries, since the main portion of the incremental increase in demand for commodities and oil stems from developing economies' growth.

Currently, in many emerging and developing economies, GDP growth is above pre-crisis levels. Inflation, however, emerges as a main concern in developing countries as there have been signs of overheating in some major developing economies.

Since the second half of 2010, accelerating food and energy prices have contributed to rising CPI in the developing countries. Curbing inflation is particularly important in those countries where the share of food and fuel costs in household expenditure is significant.

The main challenges facing developing and emerging countries in the current circumstances range from accelerating inflationary pressures, particularly in food and energy prices, capital inflow in emerging markets with open financial markets and the appreciation of exchange rates. Unemployment is also still high in some developing countries, specifically among the young.

In South America, economic growth has been decelerating towards potential rates. Monetary policy is being tightened to control inflationary pressures. Capital inflow has been driven by low interest rates in the US and other OECD countries.

This has been a major contributor to the region's economic rebound, following the downturn of 2009. However, this has had a mixed impact, prompting concern over currency appreciation of the major currencies in the region, strengthened by positive terms of trade, caused by upward commodity price movements.

In developing Asia, despite moderation, the economy is still expanding at a promising pace. In China, manufacturing PMIs have eased to some extent in May, but the economy is expected to grow close to eight per cent in the second quarter. Inflation remains high and is expected to peak in July or August.

In India, the main concern is high inflation, particularly after the government decision to increase petroleum product prices. A chronic budget deficit is another major problem affecting India's economy and it is feared that the situation could worsen considering the rising trend seen in commodity prices.

However, the government has appeared to be in good control of its spending, despite having to eliminate five per cent of custom duties on crude oil.

GDP growth is expected to remain higher than its potential trend and close to eight per cent in the second quarter of the year.

In ASEAN countries, domestic demand has remained resilient, despite the shocks to the automobile industry in recent months after the Japanese earthquake. The high trade dependency of most economies in Asia means that they are vulnerable to an extension of the soft patch seen in Western economies.

Economic growth in the Middle East and North Africa (MENA), which accelerated in 2010 on the back of the recovery in oil prices and a stronger global economy, has been negatively affected by civil unrest in many countries of the region since early 2011.

For MENA, economic growth of around 3.5 per cent is expected in 2011, accelerating to 4.5 per cent in 2012, assuming a resolution to current political turmoil in the region can be found and the global economic recovery continues with favorable oil prices.

Meanwhile, the South African economy is experiencing robust growth in consumer spending on the back of steady economic growth of around 3.5 per cent this year and next.

Inflation is expected to slow down to 4.9 per cent (from five per cent) in 2011, although it is likely to rise again if interest rates are not increased by the end of the year.

In 2011, it is expected that major emerging economies, including China, will see their rate of growth moderated, compared with last year. The Indian economy is struggling with inflation and there have been signs that fighting inflation is taking its toll on the country's economic growth.

The same applies to Brazil where a strong real (Brazil's national currency), amid a widening foreign trade deficit and fiscal surplus, have left raising interest rates the only effective tool for curbing inflation, although tightening monetary policy is bound to dampen economic growth in an economy that enjoys low unemployment and faces wage inflation.

Price inflation is a main source of concern in Russia too. The Russian economy, which is still recovering from its worst recession in recent years in 2009, has to deal with its public sector deficit, particularly when it comes to the non-oil budget deficit.

While Brazil enjoys a budget surplus, the other three members of the BRIC group have emerged from the recent economic crisis with significant public sector deficits, accumulated mainly as a result of fiscal expansion and stimulus packages introduced by their governments

to rescue the respective economies from recession.

Brazil, like other commodity exporters of the region, has benefited both from favourable terms of trade and from growing capital inflows and easy external financing conditions. It is projected that Brazil's economic growth can even improve to 4.2 per cent in 2012 from 4.1 per cent in 2011, considering growing domestic demand and investment and the government's strong performance in its fiscal stance.

Brazil now has a budget surplus more than its target of 3.1 per cent of GDP. This gives the government the capability of easing its fiscal expenditure if it was needed as a stimulus. Surprisingly, growth picked up speed in the first quarter of 2011, despite government efforts to cool the expansion.

GDP increased by 1.3 per cent in the first quarter from the previous three-month period and by 4.2 per cent from a year ago.

After growing by 10.3 per cent in 2010, China's economic expansion is projected to remain firm at 9.0 per cent this year.

For 2012, forecast economic growth stands at 8.5 per cent in China. It is worth noting that the official target of GDP growth, reflected in the country's 12th five-year economic plan, finalized in March 2011 by the National People's Congress (NPC), is to achieve an average 7.0 cent GDP growth per year in 2011–15.

The government has taken measures, in monetary and fiscal policies, to curb inflation and prevent an overheating of the economy.

Many provinces have already set targets higher than 7.0 per cent for their regional economic growth and other indicators, such as investment to GDP ratio, also suggest higher GDP growth as well.

The Chinese government realizes that the current economic growth path is not sustainable and therefore finding a way for less resource-intensive growth has become crucial for China's sustainable development.

One of the salient features of China's 12th five-year economic plan is its emphasis on energy conservation.

China is now the largest energy-consuming nation in the world with 20 per cent of global consumption. This surpasses the US with 19 per cent, according to the Statistical Review of World Energy 2011, published by BP in June 2011.

Because of rapidly growing demand and its sluggish domestic supply of energy, China has become heavily dependent on imports of energy, particularly imported oil and gas.

Around 54 per cent of its oil needs was imported in 2010, with 13 per cent of its natural gas also supplied by imports. Long range forecasts, prepared by BP, show China becoming 80 per cent dependent on imported oil by 2030 and 40 per cent dependent on gas imports in the same time frame.

In the light of these worrisome predictions, the government has outlined ambitious plans for lower energy intensive growth. China will aim to cut energy intensity by 16 per cent in 2011–15.

A corresponding reduction by 17 per cent of its carbon intensity over the same period is viewed as being in line with China's existing goal of slashing carbon intensity by 40–45 per cent from 2005 levels by 2020.

It is also aimed that, by 2020, some 15 per cent of the country's energy mix should come from non-fossil fuel sources.

China's GDP growth is expected to moderate in the third quarter to around 8.5 per cent, before increasing again to around 9.0 per cent in the fourth quarter.

Indian economic growth has been robust in the first quarter of 2011 and is expected to remain above trend, albeit with some moderation, compared with last year.

The rate of GDP growth for 2011 is forecast to be around 8.0 per cent, slowing marginally to 7.7 per cent in 2012.

The Central Statistical Organization (CSO) has made a significant revision to its growth figures and GDP growth in the first quarter of 2010-11 has been revised up to 9.3 per cent and in the third quarter to 8.4 per cent.

The agricultural sector has made a strong contribution to overall economic performance, growing by 6.6 per cent. The manufacturing sector grew by 8.3 per cent, down from 8.8 per cent in the previous 12-month period. Services expanded by 10.3 per cent, up from 9.7 per cent in fiscal 2009–10.

The latest data from the CSO confirm that the economy is slowing with real GDP growth in the final quarter of fiscal 2010–11 declining to 7.8 per cent y-o-y from 8.4 per cent in the third quarter.

The Planning Commission has set 9.0–9.5 per cent as its target for average GDP growth in the 12th five-year plan period (2013–14 to 2017–18). The Central Bank of India, on the other hand, estimates 8.0 per cent GDP growth for 2011–12, but some private sector economists in India expect growth in the current fiscal year to be lower at around 7.5 per cent.

More recent economic indicators suggest a further moderation in activity. The industrial sector rose by 6.3 per cent in April, down from 8.9 per cent in March and 6.9 per cent compared with a year ago.

The services sector expanded at its lowest pace in 20 months in May, according to the HSBC Business Activity Index.

Meanwhile, the HSBC purchasing Managers' Index for the manufacturing sector fell to 57.5 in May from 58 in April.

Domestic car sales growth also slowed sharply for the second consecutive month in May amid rising input costs, higher fuel costs and increased borrowing costs.

The overall projection for India's budget deficit in fiscal 2010–11 is about 4.7 per cent, slowing slightly to 4.6 per cent in the next fiscal year.

The Russian economy is forecast to grow by 4.1 per cent in 2011 and by 4.5 per cent in 2012. Last year, the Russian economy experienced a swift recovery, pulling out of a deep recession in 2009, when real GDP contracted by minus 7.2 per cent; arguably the deepest economic downturn since 1991.

Among the BRICs, the Russian economy suffered most from the global recession. A review of the Russian economy suggests that the recovery in 2011 is expected to remain moderate.

While growth in the first quarter of 2011 accelerated to 4.1 per cent y-o-y from 3.1 per cent in the last quarter of 2010, it is expected

to reach 3.6 per cent y-o-y in the second quarter of the year and 4.1 per cent for 2011 as a whole.

The economy and the government budget both remain very dependent on oil price developments. Income from oil and gas accounts for about 25 per cent of GDP and every $1/b rise in the oil price translates into about $2bn in revenue, according to official estimates.

Apart from this factor, the fragility of the banking sector, burdened with bad-loan problems and the substantial under-employment in the economy, may limit improvements in investment and private consumption.

The Russian economy is expected to grow by 4.1 per cent in 2011. However, the pace of industrial growth slowed in April. The manufacturing sector grew 0.6 per cent m-o-m, while machinery and equipment output continued to rise rapidly by 3.9 per cent.

This has been driven by a recovery in car output, which rose 64 per cent y-o-y in April. There have been signs of a recovery in domestic demand, with investment and retail sales showing robust growth.

Foreign trade data suggest strong investment growth with machinery and equipment increasing by 55 per cent y-o-y in the first quarter of 2011. Private consumption indicated by retail sales also grew significantly, rising by 5.8 per cent, compared with a year ago.

Concerning OPEC Member Countries, GDP growth in 2009 for the Middle East and North Africa (MENA) was around 2.1 per cent, less than half the rate seen the previous year.

However, very few countries in the region experienced negative growth. Economic growth recovered to 3.9 per cent in 2010 and is forecast to stabilize at around 3.5 per cent this year.

Growth will continue to be supported by loose domestic policies and the moderate global recovery; however, spreading social unrest, rising sovereign risk premium and elevated inflation will constrain growth prospects in several countries of the region.

We expect an economic growth close to 4.2 per cent for the region, assuming a continuation of current oil and gas prices.

Higher commodity prices and external demand are boosting production and exports in the region. In addition, government spending, particularly in the oil-exporting countries, is fostering economic recovery.

However, political uncertainties, unemployment, particularly amongst the youth, and inflationary pressures marked by rising food prices, are affecting economic developments negatively.

In the group of oil exporters, economic growth is expected to be higher, compared with the average of the region. Amongst energy exporters, Qatar and Saudi Arabia are particularly expected to perform well on the back of the continued expansion of natural gas projects and government investment in infrastructure, respectively.

In the oil-importing countries, the economies of Egypt and Tunisia are prone to slower growth, due to political turmoil and the events' impact on these economies' leading financial and tourism sectors.

Inflation is high in most countries of the region, being elevated by rising commodity and food prices. In most countries of the region, food constitutes a significant share of household expenditure.

According to the IMF, inflation across the region could be projected as high as ten per cent. Inflationary pressures in the energy-exporting counties of the region are mainly due to expansion of the monetary base of the economies, induced by oil dollars incurred by the governments, and the significant increase in public sector spending.

The overall regional current account surplus is now projected to rise by over 12 per cent of GDP, compared with 15 per cent in 2008. Should the global economic recovery prove to be slower than expected, the export earnings of the region and prospects for its economic growth would be adversely affected.

Fiscal policy has played a critical role in cushioning the impact of the global economic crisis on the region. Public sector spending on infrastructure and their support of the lower income groups of society will continue to boost domestic demand in the near term in many oil-exporting countries.

To shield populations from surging food and fuel prices, many governments in the region have increased social transfer and fuel and food subsides. However, high unemployment, particularly among the young and educated population, remains the main economic challenge of the region.

According to the IMF, unemployment rates in the region range from around ten per cent to more than 30 per cent. The fact that unemployment has remained so high for so long suggests that the problem is largely structural.

The industrial production index, as a proxy for economic activity, indicates that in most economies of the sample group, industrial production has been almost stagnant for the last several years and has only started to pick up in recent months.

A lasting solution to the region's unemployment problem will require a combination of permanently higher and inclusive economic growth and reforms to improve the responsiveness of the labour markets.

For OPEC as a whole, economic expansion is expected at 3.5 per cent in 2011 and 4.7 per cent in 2012.

World oil demand

Demand for OPEC crude for 2011 has been revised up by 100,000 b/d to currently stand at 30.0m b/d.

This reflects an upward revision in world oil demand as well as a slight downward revision in non-OPEC supply.

On a quarterly basis, with the exception of the first quarter which remained unchanged, all other quarters saw an upward revision of around 100,000 b/d.

Demand for OPEC crude represents an increase of 400,000 b/d from the previous year. The first quarter shows growth of 700,000 b/d, followed by an increase of 200,000 b/d in the second and third quarters, while the fourth quarter is expected to see positive growth of around 300,000 b/d.

Based on the initial forecast for demand and non-OPEC supply (including OPEC NGLs

and non-conventional oils) for the year 2012, demand for OPEC crude next year is projected to increase for two consecutive years by 300,000 b/d to average 30.3m b/d.

All quarters are expected to see an increase, with the bulk of the growth expected in the first and the fourth quarters on gains of 400,000 b/d each.

The oil market has been volatile, making future oil demand estimates hard to predict. An unsteady world economy is negatively affecting the oil market and imposing a high range of uncertainty for the short term.

The most influencing factor is the fate of the US economy for the next 12 months. US oil demand has been in the negative since May, causing year-to-date total US oil demand growth to become almost flat.

Another factor that might add more ambiguity to the country's oil demand is the summer driving season. Given easing oil prices, transport fuel demand might exceed expectations, leading to more upward risk.

As for Japan, the effect of its natural disaster has been hammering the country's economy, hence putting a huge downward pressure on the country's oil demand.

The Chinese oil situation is also creating more uncertainty as the government is placing more emphasis on energy efficiency, while the booming economy is calling for more energy.

Furthermore, anticipated electricity shortages will push for more diesel use by independent power generators. Other non-OECD countries are increasing their use of oil, offsetting the decline in the OECD region.

That said, it is too early to alter the existing forecast for world oil demand as risks are nearly balanced with regard to upward and downward movements.

However, should higher international oil prices persist, or should further setbacks in the OECD economies occur, then it might impose a stronger reverse elasticity on oil demand, putting more weight on the downward risk. This risk might be translated into a reduction of current growth by 200,000 b/d.

World oil demand is estimated to have grown by 2.1m b/d in 2010 and is forecast to expand by 1.4m b/d in 2011, averaging 88.1m b/d.

According to the latest weekly US oil demand data, the country's oil consumption has been in the negative since May, squeezing the second quarter into the red. Gasoline usage declined by 1.7 per cent in the second quarter, as opposed to a normal growth of 1.6 per cent.

Industrial products are also not performing well, reflecting the slowing economy. The weakness in the second quarter caused the first half of the year's growth to be flat.

US oil demand is the wild card in this year's world oil demand growth assessment. Despite this pre-summer trend, the total year forecast aims at a growth of a little over 100,000 b/d.

Moreover, the latest monthly US oil consumption data considerably revised the picture for April, showing a substantial yearly contraction of 1.5 per cent, the largest observed since January 2010.

The main reason for this decrease was the lower consumption of motor gasoline, which was attributed partly to higher fuel prices and thus lower mileage, as well as pessimistic expectations about the economy.

In addition, growth in distillate consumption was very weak, while jet/kerosene, residual fuel oil and propane/propylene were continuously on the plus side during the first fourth months of 2011.

As mentioned during last month's report, the development of the US driving season is certainly a challenge for the fate of US oil consumption during the summer. Unfortunately, up-to-date indications call for a rather downward risk.

May Mexican oil consumption was down by 2.2 per cent, compared with last year, a fact that is basically due to decreasing consumption in all products, with the exception of diesel, and largely fuel oil and gasoline; lower industrial activity is reflected in the non-growth of industrial fuels consumption.

The latest available April Canadian oil demand data indicated weaker y-o-y growth in the first quarter, due to less consumption in heating fuels, while, at the same time, consumption of industrial and transportation fuels remained strong.

Affected by the recent decline in US oil demand, the North American oil demand forecast was revised down by 600,000 b/d to show growth of only 100,000 b/d. In 2012, North America is projected to see demand growth of only 150,000 b/d.

US car sales rose by 7.1 per cent in June; however this increase was weaker than expected as consumers were faced with higher prices for many vehicles after US automakers reduced deals.

In addition, automakers raised the prices of their cars and trucks after the catastrophic Japan earthquake that reduced inventories. The segments of small- and mid-sized cars marked the biggest increases, while sales of large and luxury cars contracted.

Furthermore, as a result of incentives, sales of SUVs recorded a remarkable increase of almost 25 per cent y-o-y.

During the first six months of 2011, the US auto market grew by 13 per cent, with SUVs being the segment with the highest increase.

The latest available Canadian data shows auto sales in Canada falling by 3.8 per cent in May as high gasoline prices influenced truck sales; however as the Canadian auto market usually lags behind the US, June is expected to see a reverse of May trends.

According to the Mexican Automobile Industry Association, Mexico's auto sales, exports and production grew robustly in May by 11.4 per cent, 21.0 per cent and 19.0 per cent, respectively.

European oil consumption continued to fall during May, reaching minus 900,000 b/d, with declines occurring in France, Italy and the UK.

The short-term development of European oil consumption will be most determined by the continuing debt problems in several European economies, in particular Greece, Ireland and Portugal, as a further deterioration of these economies will substantially influence the whole region.

European Big Four oil demand decreased by 700,000 b/d in May, compared with the same

month last year. However, French and UK oil consumption were down by two per cent and 0.9 per cent, respectively.

Big Four oil consumption of transportation fuels continued to be in the minus during May, while industry fuels were on the plus side.

Given the deep dip in the second quarter, the region's total contraction in oil demand stands at 700,000 b/d in 2011. For 2012, oil consumption is expected to shrink again, as a result of the rather pessimistic economic developments in a slightly higher magnitude of 600,000 b/d.

According to the latest information by ACEA, European demand for new passenger cars in May contracted by 7.1 per cent, compared with the same month in 2010, while the first five months of the year saw a fall of 0.8 per cent over the same period last year.

During the first months of 2011, most markets expanded, including Germany and France. However, during the same period, the British, Spanish and Italian markets contracted, leading to an overall slight decrease for the whole region.

During May, all major markets increased with the only exceptions being Spain and the UK, which showed contractions of 23.3 per cent and 1.7 per cent, respectively.

Demand for new cars was up in May by 22.0 per cent in Germany, 6.1 per cent in France and 3.6 per cent in Italy.

The impact of the catastrophic earthquake on Japan became evidently weaker in May as the latest monthly data implies, showing a decrease in oil consumption y-o-y of only 700,000 b/d.

All product category contractions were smaller and for some, like diesel and LPG, consumption grew slightly. Furthermore, natural gas seems to be the largest alternative to the nuclear problem for the production of electricity, as crude direct burning was flat during May in comparison with last year.

As mentioned previously, further development of Japanese oil consumption during 2011 is heavily dependent upon the speed of resolving the ongoing nuclear crisis at the Fukushima plant.

Unfortunately, up to now, there is no concrete information as to how long it will take until the nuclear crisis is resolved. Plant by plant, Japan's nuclear power industry is gradually shutting down.

At least 35 reactors across the country are out of operation at this time. Many are down for routine inspection, maintenance, refueling, or for other reasons, with no immediate prospect that they will be allowed to restart.

In South Korea, April data indicated a sharp decrease in the consumption of all products, largely fuel oil and LPG, as a result of fuel switching.

As a result of a better-than-expected performance in Japan oil usage, OECD Pacific oil consumption is now expected to be almost flat during 2011 and 2012, while projections are heavily dependent upon the speed of recovery in Japan.

Japan's auto sales continued to fall by 22 per cent in June y-o-y. It remains to be seen when the Japanese auto industry will recover from the effects of the March earthquake; the most optimistic views consider this to take place late this year.

Indian oil demand has been picking up, reaching average growth of 4.3 per cent, or 146,000 b/d, in the first five months of the year. May's growth was the highest this year.

Diesel demand was the reason behind the strength in India's oil demand. Diesel is used mainly by the transport, industrial and agricultural sectors.

The country's oil usage inched up by 5.5 per cent, or 180,000 b/d, in May y-o-y. Diesel demand alone contributed 63,000 b/d to total demand, followed by LPG with 56,000 b/d of growth.

This strength in demand came about despite the 23 per cent decline in fuel oil usage. India's oil consumption averaged 3.4m b/d in May.

India's oil demand accounts for one-third of Other Asia total oil demand. As mentioned last month, India's retail petroleum product price increase is not expected to dent the country's oil demand this year.

The booming Indian economy is calling for more energy this year; hence, India's oil demand forecast growth is expected to maintain our earlier assessment, exceeding annual growth of four per cent y-o-y, averaging 3.4m b/d for 2011.

Indian domestic auto sales in May grew by only seven per cent over the same month last year. This is the lowest monthly growth since May 2009. The market trend is heading toward a downturn, caused by a combination of the following factors: the impact of Japan's earthquake, higher fuel prices and rising inflation.

Thailand's oil demand is maintaining its strength with the support of all products, except fuel oil. Latest data indicated growth of 12.2 per cent in April. Industrial usage of LPG pushed demand for such products up by 20 per cent y-o-y. Diesel demand grew by seven per cent as well.

The industrial sector increased total oil demand in the first four months by six per cent, averaging 930,000 b/d.

However, oil demand in Taiwan, the second-largest oil-consuming country in Other Asia, has been in the negative since the start of the year. Most of the decline is attributed to the industrial sector, while the transport sector's oil usage is barely above flat level.

Taiwan's oil demand in the first four months of the year declined by three per cent y-o-y.

Given the recent strength in India's oil demand, Other Asia oil demand growth is forecast at 250,000 b/d in 2011, averaging 10.4m b/d.

Summer heat pushed Saudi Arabia's oil demand up by 7.8 per cent in May y-o-y. Summer is the high season for oil consumption within the Middle East as electricity demand peaks and, therefore, fuel oil and diesel needs skyrocket.

Other factors that are moving up the region's oil demand are economic activities, mainly construction projects. A contraction in gasoline and fuel oil usage dampened Iran's oil demand by 2.9 per cent in May y-o-y.

Middle East oil demand growth is forecast at 200,000 b/d in 2011, averaging 7.4m b/d.

The rebound in Brazilian oil demand in May changed the trend which has been seen since March. The growth in the third and fourth

quarters is expected to be much stronger than what was seen in the second quarter.

Brazil's gasoline consumption already passed the half-a-million b/d level and is expected to maintain its growing mode.

Developing Countries' oil demand growth in 2011 is forecast at 620,000 b/d y-o-y, averaging 27.5m b/d.

China's net oil imports exceeded expectations, increasing by 1.2m b/d, or 27 per cent, in May y-o-y. This has led to an increase in the country's apparent oil demand.

China's summer oil demand has been following an expected trend, reaching high growth of 6.5 per cent, or 600,000 b/d, y-o-y in May. It is expected that the country's third-quarter oil demand will perform strongly, reaching growth of 570,000 b/d and denoting an upward revision of 40,000 b/d.

China's oil demand has always surprised analysts, despite the official announcement of curbing the country's oil usage. Despite last month's announcement of applying a new tariff on electricity, in order to reduce demand ahead of the peak season, the expectation is that the country might have a supply shortage.

Hence, independent diesel-power generators will be used. Diesel demand will be affected to a certain degree. The product that grew the most in the first six months of the year is diesel. Diesel demand grew by more than 400,000 b/d y-o-y, reflecting activities in the industrial, transport and agricultural sectors.

Gasoline demand growth was the second-largest growing product after diesel. This came about despite the government's limitations on new car registrations. Gasoline demand rose by ten per cent in the first half of the year. This strong growth trend is expected until year-end.

However, government efforts to close the gap between domestic and international oil prices might have a slight effect on the consumption of certain products.

Resulting from strong economic growth, China's oil demand is expected to grow by 620,000 b/d in 2011, averaging 9.6m b/d.

Data from the China Association of Automobile Manufacturers (CAAM) showed that the country's automobile sales slowed to only 10.9 per cent growth in June from a year earlier.

This trend is continuing for the third month in a row, after the Chinese government introduced limits on new car procurements, stopped offering incentives and imposed a new ten per cent tax on new car sales.

The Chinese auto industry is also being affected by the impact of Japan's earthquake, higher fuel prices and rising inflation.

The global economic recovery has been facing turbulence across the OECD and this is placing a great rate of uncertainty for next year.

World GDP for next year is forecast at a slightly higher base than this year. It is forecast that next year's oil demand growth will take place in the non-OECD region, mainly China, India, the Middle East and Latin America.

By sector, the industrial and transport sectors will contribute the most to expected oil demand growth. Petrochemical activities are expected to push oil demand up next year in the non-OECD region.

US gasoline demand is expected to be back in its normal growing mode; however, it will remain the wild card for 2012 as it could also be negatively influenced by the country's economic turbulence, state policies and retail petroleum product prices.

World oil demand is forecast to continue its growth during 2012 to reach 1.3m b/d y-o-y, averaging 89.5m b/d.

Like this year, industrial fuels, mainly diesel and naphtha, will be the products growing the most in world oil demand in 2012.

The industrial sector will be the key oil consumption driver. The year 2012 will not enjoy the low baseline seen in 2011; however more stable economic activities will push gasoline and jet fuel consumption up.

Yet, the bulk is coming from the growing transport sector in non-OECD countries, as well as some amounts from North America and the Pacific.

Non-OECD countries' oil demand growth of 1.28m b/d will account once again for almost all the world's oil demand growth next year, whereas the OECD region will show a moderate demand increase.

The OECD region's oil demand is projected to show a slight increase with Europe and the Pacific showing a decline of around 50,000 b/d each. North America's oil usage is expected to increase by 150,000 b/d.

The decline in OECD Europe oil demand comes as a result of debt problems on the continent, leading to a slowing economy. These factors are putting the transportation sector fuel use in a stagnant mode.

Furthermore, the OECD Pacific, mainly Japan, will continue to show a further decline of 2.6 per cent, as a result of not only normal efficiency trends, but mainly the effect of March's natural disaster.

Higher energy taxes, energy conservation, efficiency, alternative fuels, and other factors are also contributing to the decline in OECD oil demand.

As a result, OECD oil demand is forecast to increase slightly by only 40,000 b/d in 2012 to average 46.3m b/d.

China has issued a new policy, part of which is dedicated to support and encourage technology that aims to increase energy diversification, renewables, and energy storage.

Of course, these laws are aimed at long-term goals. China's government will interfere in the country's oil consumption next year. However, the effect is expected to be limited.

China's 2012 oil demand will be a bit lower than this year as the country's GDP estimate is lower to start with. The upward risk does exist as the country's economy might show a better performance than anticipated.

All economic sectors are expected to perform strongly, calling for more energy usage. The main sectors that will affect energy demand the most are transportation, industry and agriculture.

China is expected to contribute the most to world oil demand growth in 2012. China's successful measures to minimize the negative effects of the world economic crisis will also continue during 2012.

It should be noted, however, that other sectors in China, which serve as major energy drivers, such as industrial production, in-land cargo, agriculture, construction,

transportation and fishing, will show strong growth in 2012.

An expected government push to curb energy usage, such as the increase in its retail fuel prices and taxes, ending the new vehicle registration incentive, more biofuels usage and the building of more electric powered inter- and intra-city railroads, will affect, to a certain degree, the consumption of transport fuel next year.

As part of China's long-term planning, the country is increasing the use of nuclear- and hydro-powered plants, which will negatively influence the consumption of coal and oil.

China's apparent oil demand is forecast to grow by 500,000 b/d y-o-y in 2012, 80,000 b/d less than the estimate for the current year.

India and the Middle East are estimated to show y-o-y oil demand growth of 100,000 b/d and 200,000 b/d, respectively, for 2012.

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

Although the agricultural, industrial and transportation sectors are expected to be strong in India next year, the partial removal of price subsidies and other government policies are downside risks for oil demand growth in 2012.

The world oil demand forecast for 2012 is based on the following assumptions:

- World GDP will grow at a higher pace than last year.
- Oil prices will have an impact on transport fuel demand.
- Normal weather is assumed.
- The Chinese economy is forecast to grow by 8.5 per cent in 2012, down slightly from last year, and further domestic price and tax hikes are expected.
- Most governments will place emphasis on energy conservation and will increase the use of alternative fuels.
- World stimulus plans, if any, will have little effect on oil demand in 2012.
- The Middle Eastern economy will show the same growth this year as last year.
- Apart from the slow economic recovery, various factors will slightly thin oil demand growth in Other Asia, such as price subsidy removal, fuel switching and energy conservation programmes.
- There will be a stronger utilization of nuclear power plants.
- Japan's disaster will affect the country's next year recovery.
- Usage of biofuels will grow rapidly, adding another 200,000 b/d.
- The world will see a strong movement toward the use of smaller and more economical vehicles.
- Most of the growth in oil usage will be in the transport, industrial and petrochemical sectors.
- Oil demand is expected to grow; however it will remain as a wild card in 2012 oil demand.
- The OECD economic recovery will have a major rate of uncertainty.

There is a great range of uncertainty affecting next year's oil demand forecast. This is suggesting two more scenarios as an upper and lower range for oil demand growth:

The upper range for world oil demand growth is forecast at 1.5m b/d, which will reflect settlement in oil prices, strong oil demand growth in the US, improvements in OECD Europe economies and a serious recovery in Japan.

It is suggested that a quick recovery of the US economy, along with a stronger dollar value, will lead to cheaper oil for US consumers.

A healthy US economy will speed up other non-OECD economies as well, such as the Middle East, Other Asia and Latin America.

One important factor that might affect world oil demand is the price of natural gas. Should gas prices in 2012 move to the upper side, then fuel oil consumption would increase worldwide as a result of less fuel-switching, especially during a strong winter.

A more pessimistic approach suggests lower oil demand growth of 1.1m b/d, reflecting a delay and more turbulence in the economic recovery within OECD countries, which, in the end, would affect many other economies. Higher gasoline prices would have a reflex effect on US motorists.

The Japanese nuclear problem might cause further delays for the country's rebuilding efforts and dampen not only Japanese oil demand, but also that of the entire Pacific region.

Strong retail petroleum products would suppress transport fuel consumption mostly in the OECD. Weaker gasoline consumption alone could trim at least 100,000 b/d from expected oil demand growth next year.

Efforts by China and India to remove price subsidies and place more taxes on fuel would put a dent in oil usage, mainly transport fuel. Should the winter be warm, then a further decline in winter products will be seen.

World oil supply

Preliminary figures indicate that global oil supply averaged 87.82m b/d in June, around 1.25m b/d higher than in the previous month.

The estimated increase was supported by both non-OPEC and OPEC crude oil output.

OPEC crude is estimated to have had a 33.7 per cent share in global supply, relatively steady from the previous month. The estimate is based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Meanwhile, non-OPEC oil supply is expected to average 52.89m b/d in 2011, an increase of 620,000 b/d over 2010, indicating a downward revision of 30,000 b/d from the previous month.

The revisions were introduced partially to adjust for updated production data for the second quarter that came in lower than expected.

Additionally, there were few events that caused supply disruptions, such as strikes, that further affected the forecast. Moreover, various changes were introduced in the third and fourth quarter forecasts that collectively resulted in the subsequent downward revision.

All quarters experienced downward revisions from the previous month, except the first three months which encountered an upward revision.

The downward revisions affected the

supply forecasts for the UK, Malaysia, Vietnam, Argentina, Brazil, Yemen, Kazakhstan and Azerbaijan, while the US, Canada, Mexico, Norway, Colombia and Russia experienced upward revisions.

On a quarterly basis, non-OPEC supply in 2011 is expected to stand at 52.89m b/d, 52.55m b/d, 52.78m b/d and 53.32m b/d, respectively.

The non-OPEC supply forecast in 2011 remains associated with a high degree of risk, due to various factors, such as the hurricane season, maintenance and decline rate developments.

OECD oil supply is expected to average 20m b/d in 2011, showing growth of 60,000 b/d, compared with 2010, and representing an upward revision of 36,000 b/d from the previous month.

US oil supply for 2011 encountered an upward revision of 30,000 b/d from the previous assessment to stand at 8.75m b/d, representing growth of 150,000 b/d in 2011.

The revision affected US supply in the first half of 2011, due to updated production data. The upward revision came on reports of lower Alaskan output in May.

US oil supply is still expected to increase in the second half of 2011, supported by new volume from shale developments. Additionally, the start-up of the first deepwater well from the Gulf of Mexico since the moratorium further supported the upward revision.

However, the US oil supply forecast remains coupled with a high risk, due to the hurricane season.

Mexico's oil supply is expected to average 2.94m b/d in 2011, a drop of 20,000 b/d from the previous year and an upward revision of 5,000 b/d, compared with the previous month.

Canada and Norway supply experienced upward revisions of 10,000 b/d each, due to adjustment to updated production data in the first half of the year.

UK supply experienced a heavy downward revision of 30,000 b/d on updated production data in the first half of the year.

Compared with the previous month, the forecast for Latin America's oil supply in 2011 experienced a downward revision of 30,000 b/d, compared with the previous month.

Latin America's oil supply is forecast to increase by 260,000 b/d in 2011 to average 4.92m b/d.

Brazil's oil supply is anticipated to increase by 160,000 b/d in 2011 to average 2.82m b/d, a downward revision of 30,000 b/d, compared with the previous assessment.

Argentina's oil supply is forecast to average 730,000 b/d in 2011, a decline of 20,000 b/d and a downward revision of 10,000 b/d, compared with the previous month.

Colombia's oil supply is foreseen to increase by 120,000 b/d in 2011 to average 920,000 b/d, indicating an upward revision of 10,000 b/d, compared with the previous month.

Former Soviet Union (FSU) oil supply is foreseen to average 13.36m b/d in 2011, representing growth of 130,000 b/d over the previous year and a downward revision of 10,000 b/d, compared with the previous month.

Russia's oil supply is anticipated to average 10.19m b/d in 2011, representing growth of 50,000 b/d over the previous year and an upward revision of less than 10,000 b/d from the previous month.

The adjustment came as preliminary data showed that June supply remained at a healthy level of 10.2m b/d.

Kazakhstan and Azerbaijan oil supply forecasts encountered downward revisions on the back of updated output data. Kazakh output during part of the second quarter was affected by a strike.

The overall growth trend for non-OPEC supply is expected to continue in 2012, supported by Latin America, North America and the FSU and partly offset by declines in OECD Europe.

The forecast is associated with a very high level of risk. While the expectation of capital expenditure (capex) in 2011 and 2012 indicates a rising trend, other risk factors, such as political and technical developments, continue to cast uncertainties over the supply growth expectation.

The forecast growth of biofuels, which is expected to increase by around 160,000 b/d in 2012, is also connected to a high degree of risk.

On a quarterly basis, non-OPEC supply in 2012 is expected to average 53.60m b/d, 53.39m b/d, 53.45m b/d and 53.84m b/d, respectively.

Total OECD oil supply is anticipated to average 20.04m b/d in 2012, representing an increase of 30,000 b/d from 2011. Expected supply growth from the US, Canada and Australia are seen to offset the decline anticipated from other OECD countries.

On a quarterly basis, OECD oil supply in 2012 is expected to average 20.11m b/d, 19.98m b/d, 19.91m b/d and 20.15m b/d, respectively.

North America's oil supply is foreseen to increase by 130,000 b/d in 2012 to average 15.37m b/d. The anticipated growth from the US and Canada is expected to offset the projected decline in Mexico.

On a quarterly basis, North America's oil supply in 2012 is seen to stand at 15.30m b/d, 15.32m b/d, 15.37m b/d and 15.47m b/d, respectively.

US oil supply is forecast to average 8.82m b/d in 2012, an increase of 70,000 b/d, compared with 2011. The expected US supply increase in 2012 marks the third-highest among all non-OPEC countries.

The growth is supported by the expected strong increase in capex. The outlook in 2012 is backed by the anticipated healthy onshore shale developments, aided by rising investment.

In 2010 and 2011, oil drilling overtook gas drilling in the US, where drilling for gas has exceeded oil drilling since 1995. Furthermore, the number of operating rigs in the US has increased by 25 per cent since the beginning of 2011.

Despite the anticipated strong growth from shale developments in 2012, a certain level of risk remains on the horizon, given the current oil price environment and the logistical problems encountered in the spring of 2011 at the Bakken operations, due to weather conditions.

Moreover, the weather conditions in the Gulf of Mexico could have a major effect on US supply in 2012 during the hurricane season.

Biofuels production is projected to further support US output in 2012. Despite a possible change to subsidies and import tariffs, biofuels

supply is expected to continue to increase in 2012 to meet the renewable fuel requirements of around 80,000 b/d growth in 2012, compared with 2011.

However, price level and blending economics remain a risk factor for biofuels growth in 2012.

On a quarterly basis, US oil supply in 2012 is expected to average 8.77m b/d, 8.79m b/d, 8.82m b/d and 8.91m b/d, respectively.

Oil supply from Canada is anticipated to grow by 140,000 b/d over 2011 to average 3.68m b/d in 2012. The expected growth is supported by both oil sand and shale projects.

The foreseen increase in capex is supporting the anticipated growth in 2012. Additionally, the record high land sale in Alberta, as well as the increase in drilling activities in Western Canada, is further supporting the anticipated growth in 2012.

Moreover, the output surge in the Bakken region in Canada provided a solid ground for the growth in 2012. The anticipated increase is supported by new technologies, such as horizontal drilling and multi-stage fracturing.

The start-up and ramp-up of oil sands projects, such as Christina Lake C, Firebag 3, Jack Pine and Scotford, is seen to contribute to the expected growth of Canadian oil supply. The risk and uncertainties remain related to price level, environmental and technical issues.

On a quarterly basis, Canada's supply in 2012 is predicted to average 3.63m b/d, 3.67m b/d, 3.70m b/d and 3.74m b/d, respectively.

Mexico's oil supply is foreseen to average 2.86m b/d in 2012, a decline of 80,000 b/d from 2011. Despite the vow by Mexico's national oil company to maintain and increase oil production in 2012, it is forecast to decline.

The limited new volume in 2012 is not seen to offset the decline in mature producing areas. The notion that Ku-Maloob-Zaap production has peaked supports the anticipated decline in 2012, as the growth from the Chicontepec field is projected to be slow and be limited.

Moreover, the Cantarell field's output is expected to remain stable and tending to decline in 2012, despite having the largest portion of the upstream budget in 2011.

On a quarterly basis, Mexico's oil supply in 2012 is anticipated to average 2.90m b/d, 2.85m b/d, 2.86m b/d and 2.83m b/d, respectively.

Total OECD Western Europe oil supply is predicted to decline by 140,000 b/d over 2011 to average 4.05m b/d in 2012. Declines are anticipated in all major OECD Europe producers, with quarterly figures expected at 4.20m b/d, 4.03m b/d, 3.91m b/d and 4.08m b/d, respectively.

Norway's oil supply is forecast to decline by 80,000 b/d over 2011 to average 1.95m b/d in 2012. The projected output drop in 2012 is driven mainly by the continuing decline in mature producing fields, while limited new volume is expected.

On a quarterly basis, Norway's oil supply in 2012 is seen to average 2.03m b/d, 1.94m b/d, 1.88m b/d and 1.97m b/d, respectively.

UK oil supply is estimated to average 1.24m b/d in 2012, a drop of 30,000 b/d from 2011.

There are few projects that are expected to add new barrels in 2012, such as Cheviot, Burghley, Rochelle and Huntington. However, the anticipated decline at mature producing areas is seen to more than offset the new volume.

Additionally, the effect of the maintenance and technical difficulties are seen to further support the anticipated decline. Moreover, the recently increased tax on supplementary corporate profits on oil and gas, from 20 per cent to 32 per cent, is expected to negatively affect investment levels.

On a quarterly basis, UK oil supply in 2012 is expected to stand at 1.30m b/d, 1.22m b/d, 1.17m b/d and 1.26m b/d respectively.

Denmark's oil supply is forecast to decline by 20,000 b/d over 2011 to average 210,000 b/d in 2012. A decline in mature producing areas is seen driving the anticipated drop with limited new developments.

Other Western Europe's oil supply is seen to remain steady in 2012, compared with the previous year, to average 650,000 b/d. Biofuels growth is expected to offset the decline seen in mature areas.

The OECD Pacific's oil supply is forecast to average 620,000 b/d in 2012, indicating growth of 40,000 b/d, compared with 2011.

On a quarterly basis, total OECD Pacific oil supply next year is estimated to average 650,000 b/d, 650,000 b/d, 660,000 b/d and 660,000 b/d, respectively.

Australia's oil supply is predicted to increase by 50,000 b/d in 2012 to average 540,000 b/d. The growth is supported by the assumption that minor weather-related shutdowns will ensue during the cyclone season in 2012.

The quarterly distribution for Australia's oil supply next year stands at 530,000 b/d, 550,000 b/d, 550,000 b/d and 520,000 b/d, respectively.

New Zealand's oil supply is estimated to decline by 10,000 b/d over 2011 to average 80,000 b/d in 2012. The expected decline at mature fields is seen to more than offset the limited new output coming from the Taranaki basin.

Total developing countries' oil supply is anticipated to average 13.44m b/d in 2012, representing an increase of 410,000 b/d over the current 2011 estimate.

The growth is coming mainly from Latin America, supported by anticipated growth in Brazil and Colombia, followed by the Middle East, Africa and Other Asia.

On a quarterly basis, total oil supply in the developing countries in 2012 is forecast to average 13.40m b/d, 13.39m b/d, 13.47m b/d and 13.51m b/d, respectively.

Oil supply from Other Asia is projected to increase by 30,000 b/d over 2011 to average 3.74m b/d in 2012.

Vietnam is expected to lead the supply growth in Other Asia. Oil supply from Vietnam is expected to average 420,000 b/d, an increase of 60,000 b/d from 2011, supported by output growth from the Su Tu Trang, Te Giac Trang and Dai Hung developments.

India's oil supply is expected to remain steady in 2012, with a minor increase of 10,000 b/d to average 930,000 b/d. The minor growth is supported by the ramp-up of the Mangala development.

Indonesia's oil supply is anticipated to decline by 30,000 b/d in 2012 to average

970,000 b/d. The supply drop in 2012 is anticipated, due to limited new volume failing to offset the foreseen natural decline in the mature producing areas.

Malaysia's oil supply is forecast to decline by 40,000 b/d in 2012 to average 630,000 b/d. The anticipated heavy decline rate in mature producing areas, although improving at the Sabah field, is seen to drive the supply drop in 2012, especially when coupled with limited new developments.

On a quarterly basis, Other Asia's oil supply in 2012 is seen to stand at 3.73m b/d, 3.73m b/d, 3.74m b/d and 3.75m b/d, respectively.

Latin America's oil supply is foreseen to increase by 260,000 b/d over 2011 to average 5.19m b/d in 2012, the highest regional growth among all non-OPEC regions.

The anticipated supply increase is supported by Brazil and Colombia, while other countries' supply within the region is seen to remain relatively flat in 2012.

Colombia's oil supply is expected to experience healthy growth of 70,000 b/d over 2011 to average 990,000 b/d in 2012.

Argentina's oil supply is expected to remain relatively flat in 2012, with a minor decline of 10,000 b/d, to average 720,000 b/d.

On a quarterly basis, Latin America's oil supply in 2012 is seen to average 5.14m b/d, 5.15m b/d, 5.22m b/d and 5.25m b/d, respectively.

Brazil's oil supply is estimated to average 3.01m b/d in 2012, indicating growth of 190,000 b/d over 2011. The growth is supported by a long list of project start-ups and ramp-ups, such as Baleia Azul, Golfinho, Jubarte, Peregrino, Roncador, and Marlim Sul, where P-56 has started up recently.

On a quarterly basis, Brazil's oil supply in 2012 is expected to average 2.97m b/d, 2.97m b/d, 3.03m b/d, and 3.05m b/d, respectively.

The Middle East's oil supply is forecast to increase by 80,000 b/d in 2012 to average 1.82m b/d. The projected increase is supported by the anticipated growth in Oman and Yemen, while Syria's oil supply is seen to decline in 2012.

Oman's oil supply is expected to increase by 40,000 b/d in 2012 to average 960,000 b/d. The growth is supported by the Mukhaizna, Qarn Alam, and Harweel developments.

Yemen's oil supply is estimated to increase by 50,000 b/d in 2012 to average 260,000 b/d. The growth is coming from the assumption that output will be restored at the country's shutdown fields, where output was halted on the back of political unrest.

Syria's oil supply is estimated to decline by 20,000 b/d in 2012 to average 380,000 b/d. The expected output drop is coming from the decline in mature producing areas, coupled with limited new volume. However, the ongoing political circumstances could lead to a significant downward revision in 2012.

On a quarterly basis, The Middle East's oil supply in 2012 is expected to average 1.82m b/d in each of the four quarters.

African oil supply in 2012 is anticipated to average 2.70m b/d, an increase of 40,000 b/d over 2011. Most of Africa's major producers are expected to experience steady supply in 2012, with a minor decline.

However, the expected growth is supported mainly by Ghana and Uganda, in addition to a small volume from Niger. In Ghana, the Jubilee oil project is expected to reach its peak production by the end of 2011, or in early 2012, which will support the growth.

Uganda's oil production is expected to encounter an increase from the Kasamene and Kingfisher developments, which are anticipated to start up in 2011 and ramp up in 2012. Political risk factors could bring a significant supply reduction in 2012, especially from Sudan.

On a quarterly basis, total oil supply in Africa in 2012 is estimated to average 2.71m b/d, 2.70m b/d, 2.70m b/d and 2.69m b/d, respectively.

Total FSU oil supply is projected to average 13.48m b/d in 2012, representing an increase of 120,000 b/d versus 2011.

Growth is seen coming from Russia, Azerbaijan and Kazakhstan. The growth is supported by the increase of capex in 2011, compared with the previous year.

On a quarterly basis, total oil supply in the FSU next year is expected to average 13.47m b/d, 13.43m b/d, 13.47m b/d and 13.54m b/d, respectively.

Other Europe oil supply is foreseen to remain relatively steady in 2012, with a minor increase of 10,000 b/d, to average 150,000 b/d.

Russia's oil supply is forecast to remain relatively steady in 2012, with a minor increase of 30,000 b/d, to average 10.23m b/d.

The expected growth is supported by the increase in capex in 2011 from 2010. The minor increase estimated in 2012 is supported by anticipated new barrels coming from project start-ups and ramp-ups, which are seen exceeding the natural decline from mature areas.

The expected new barrels in 2012 are supported by the Vankor, Prirazlom, Pyakyakhimskoye, Uvat, and Verkhnechonskoye projects. Additionally, a further supply increase is foreseen to come from NGL output.

On a quarterly basis, Russia's oil supply in 2012 is seen to average 10.20m b/d, 10.22m b/d, 10.24m b/d and 10.25m b/d, respectively.

Kazakhstan's oil supply is foreseen to average 1.71m b/d in 2012, indicating an increase of 50,000 b/d over 2011. The expected growth is supported mainly by the ramp up of the Tengiz and Karachaganak projects.

On a quarterly basis, Kazakhstan's oil supply figures for 2012 are expected at 1.72m b/d, 1.68m b/d, 1.70m b/d and 1.73m b/d, respectively.

Azerbaijan's oil supply is forecast to average 1.11m b/d in 2011, representing an increase of 50,000 b/d versus 2011. The expected growth is supported by the continuing ramp-up of the Azeri-Chirag-Guneshli (ACG) projects.

With limited new developments, the ACG will be the main driver of the foreseen growth in 2012. Accordingly, technology and safety concerns will be major factors for the Azeri supply forecast in 2012.

On a quarterly basis, Azerbaijan's oil supply in 2012 is estimated to average 1.13m b/d, 1.10m b/d, 1.10m b/d, and 1.12m b/d, respectively.

FSU Others' oil supply is forecast to average 430,000 b/d in 2012, a minor decline of 10,000 b/d over 2011. The drop is projected on the back of natural decline at mature producing areas, coupled with limited new developments.

Other Europe's oil supply is seen to increase by 10,000 b/d in 2012 to average 150,000 b/d. The minor growth is supported by the Patos Marinza developments in Albania.

China's oil supply is expected to increase by 50,000 b/d over 2011 to average 4.28m b/d in 2012. The forecast growth is supported by the expected start-up and ramp-up of different offshore projects, such as Beibu Gulf WZ 6-12 and WZ-12-8, Nanpu, Penglai 19-3 II, 19-9 and 25-6, and the Tarim expansion.

On a quarterly basis, total oil supply in China next year is expected to stand at 4.28m b/d, 4.25m b/d, 4.26m b/d and 4.31m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 29.60m b/d in June, representing a significant increase of 520,000 b/d, compared with the previous month, according to estimates by secondary sources.

OPEC crude oil production, excluding Iraq, averaged 26.90m b/d, a gain of around 500,000 b/d over the same period.

Saudi Arabia led the crude oil output increase, followed by the UAE, Kuwait, Venezuela and Iraq, while crude oil output from Angola, Nigeria, and Libya experienced the largest declines in June.

Production of OPEC NGLs and non-conventional oils are estimated to have grown by 390,000 b/d over 2010 to average 5.29m b/d in 2011.

In 2012, output of OPEC NGLs and non-conventional oils is projected to increase by 360,000 b/d over 2011 to average 5.65m b/d. The expected growth next year is foreseen to come mainly from Algeria, Iran, Nigeria, Qatar, Saudi Arabia and the UAE.

Downstream activity

Product markets continued being impacted by weaker-than-expected demand growth at the onset of the driving season and, additionally, the bearish sentiment in the light distillates market was further fuelled by the sharp drop in naphtha demand across the board. The disappointing situation at the top of the barrel was partially offset by tightness at the bottom of the barrel.

The expected higher summer power requirement could be offset by increased refinery runs and keep product markets under pressure.

US refining margins continued on the healthy side on the back of support coming from the bottom of the barrel and better developments in the middle distillate cracks, which managed to maintain healthy levels, despite inventories standing above the seasonal average and the drop in gasoil demand, which again generated concern about the risk of a slowdown in US economic growth.

On the other hand, the top of the barrel has been negatively impacted by the decrease in naphtha demand worldwide amid lower-than-expected seasonal increases in demand for gasoline, evidenced by the stock-build seen during the Memorial Day weekend, the start-off point for the US driving season.

The margin for WTI crude on the US Gulf Coast showed a slight drop of $1 to stand at $24/b. However, this high margin has been artificially inflated by the relatively low benchmark WTI crude price. The margin for Arab Heavy crude on the US Gulf Coast was around $11/b.

In Europe, product market performance was mixed, with the top of the barrel reversing the previous month's strength – affected by weak naphtha demand and closed arbitrage to the Asia-Pacific – while fuel oil recovered.

Additionally, the European market has been under pressure, due to higher refinery runs in the US, making the most of relatively cheap feedstock. Refinery margins in Europe showed a loss of $1 to stand at $1.5/b

Asian refining margins continued losing ground as gains in fuel oil were surpassed by a sharp decline suffered by light distillates, which were hit by the drop in demand in the petrochemical sector. The refinery margins for Dubai crude oil in Singapore showed a loss of 80¢ to stand at $2.8/b.

American refiners continued increasing their run rates after the end of the maintenance season, encouraged by healthy margins.

Refinery runs increased, from 84.3 per cent a month earlier to an average of 87.7 per cent in June, the highest level seen this year.

Gasoline demand has remained unchanged from last year, with disappointing growth expectations. However, the market was balanced by rising exports and lower imports, which kept inventories from building further in the US.

On the other hand, gasoil managed to remain strong, despite the weak demand, which, along with gains at the bottom of the barrel, helped refining margins to remain on the healthy side in the US.

European refiners continued at low throughputs – around 81 per cent – on the back of low refinery margins and weaker light distillate demand.

Asian refiners started to moderate the high run levels seen in the previous month after replenishing distillate inventories. Chinese and Indian refineries are running at below 90 per cent, while Japan has been able to keep refinery throughputs at around 65 per cent.

Looking ahead, demand is expected to improve during the driving season, and also due to utility requirements, which will encourage an increase in refinery runs.

US gasoline demand increased to 9.28m b/d in June, according to the Energy Information Administration (EIA), 195,000 b/d higher than in the previous month, although almost flat from the same month last year.

The gasoline market managed to partially reverse the downward trend seen since the middle of May when gasoline stock-builds caused gasoline prices to decline.

However, since mid-June, US gasoline stocks have stopped their build. Although they remain above the historical average, some operational problems in midcontinent refineries and strong export opportunities to Latin America, mainly to Mexico, Uruguay and Argentina, have caused bullish sentiment in the market, despite higher refinery runs and lower-than-expected growth in US gasoline demand.

These bullish factors, which have been prevalent since the middle of the month, have

improved the crack spread from $28/b by the end of May to $36/b, representing a very sharp rise.

Middle distillate demand stood at around 3.6m b/d in June, a sharp drop of 210,000 b/d from the previous month and 165,000 b/d lower than in the same month last year.

Middle distillates showed a mixed performance during the month, starting off with sharp gains, due to the draw in distillate inventories reported since the end of May, which reversed in mid-June when reports on temporary lower demand indicated that economic growth could slow down.

However, this negative news was offset by reports on increasing cargo movements in some ports, as well as strong export opportunities to Latin America (spot cargos to Colombia, Chile, Peru and Argentina).

The US gasoil crack on the Gulf Coast continued to increase and reached an average of $27/b in June from $22/b the previous month.

Stronger regional fuel oil demand, mainly for bunkers, offset the lack of arbitrage opportunities to Asia and allowed the fuel oil market to remain on the rise. The fuel oil crack increased sharply from a premium of 40¢/b over WTI in May to $6/b in June, the highest value seen in months, due to the WTI price distortion.

Product market sentiment in Europe continued to be mixed and light distillates (naphtha and gasoline) turned weak, despite the driving season, while middle distillates and fuel oil showed a strong recovery.

The European gasoline market continued its downward trend which began mid-May and has been losing ground further this month until a brief respite last week.

Since mid-May, when positive market sentiment led to a record-high crack spread, the gasoline market turned bearish, due to a lack of export opportunities to the US East Coast, despite the onset of the summer driving season and less workable arbitrage opportunities to West Africa. Additional pressure came from higher ARA gasoline stock levels.

At the end of the month, the market showed signs of recovery on the back of increasing requirements from the Middle East, mainly from Saudi Arabia for the summer stock build-up.

The gasoline crack spread against Brent crude showed a sharp loss of $6/b from an average of $15.2/b in May to drop to an average of $9.2/b this month.

European naphtha market sentiment remained bearish, being pressured from the supply side, due to higher ARA stock levels at the beginning of June and higher refinery runs in the region amid weak naphtha demand for the petrochemical sector, as a result of lower ethylene requirements in Europe and lower export opportunities to Asia.

Middle distillates recovered on the back of stronger regional demand (Turkish requirements) and export opportunities. Additional support came from the relatively lower inflows from outside the region and from the expectation of incremental demand from the agricultural and transportation sectors.

At the end of the month, the start of the holiday season attracted some gasoil cargoes from Asia (Singapore, South Korea and India). However, the market remained strong on news of the Bilbao refinery strike.

The gasoil crack spread against Brent crude at Rotterdam showed a sharp rise of $2.9/b from an average of $10.8/b in May to $13.7/b in June.

The European fuel oil market recovered ground lost during last month on the back of stronger regional demand, higher bunker demand in Singapore and arbitrage opportunities to the Asia-Pacific, amid tight sentiment, despite increasing Russian exports from refineries returning from maintenance.

The fuel oil crack spread against Brent showed a sharp gain of $4.6/b this month to stand at minus $9.5/b, the highest value seen during this year. The upcoming summer electricity demand in the region, amid expectations of increasing Japanese requirements for power generation, will keep sentiment bullish in the fuel oil market.

The Asian naphtha market plummeted in June, due to the drop in demand in the petrochemical sector. The crack went deeper into negative terrain to mark the lowest level seen so far this year. This was following a sharp drop of $6/b, due to the bearish sentiment generated in May after the shutdown of the Formosa naphtha cracker was reinforced by news about the unexpected shutdown of Japan's naphtha cracker at the Chiba petrochemical complex.

The market will be under pressure from rising supplies from India and the Middle East, where refineries are returning from maintenance, until the naphtha crackers are back online.

The gasoline market continued receiving support from demand in the region, mainly from Pakistan, India, Vietnam and Sri Lanka. However, this support was offset by increased supply as a consequence of the surplus of naphtha, due to the lack of demand amid the closing of westbound arbitrage.

The gasoline crack spread against Dubai crude oil in Singapore remained at a similar level of around $10/b from the end of May and throughout the month of June.

The gasoil crack spread in Singapore against Dubai remained flat from the previous month to stand at around $20/b, supported by the strong regional demand amid increasing exports from South Korea, which have been exerting pressure on stocks in Singapore. Additionally, lower seasonal Indian demand has been outweighed by stronger Indonesian and Malaysian demand.

The Asian fuel oil market continued the upward trend on the back of reduced inflows from the West, which have been on the low side (around 3m tonnes) over the last months, which, along with less volume coming from the Middle East, have kept the supply side tight.

Following these developments, the high sulphur fuel oil crack spread in Singapore against Dubai rose from minus $7.5/b, on average in May, to minus $4.2/b, on average in June.

Summer power demand could offset the expected incremental arbitrage from the West and keep the market supported.

Oil trade

According to preliminary data, US crude oil imports remained almost unchanged in June at 9.1m b/d. At this level, US crude oil imports

remained at their highest level since last September. Nevertheless, when compared with a year earlier, crude oil imports where 800,000 b/d, or eight per cent, lower in June 2011.

It is worth mentioning that US crude oil imports jumped to almost 9.9m b/d during the last week of June, more than 1m b/d higher than in the weeks-ending June 3 and 10, as refinery throughput increased.

US crude oil imports averaged 8.8m b/d in the first half of 2011, down 440,000 b/d, or 4.7 per cent, from a year earlier, reflecting slowing demand from refiners, as confirmed by utilization rates, which remained below historical levels.

In contrast to crude oil, product imports fell sharply in June to average 2.35m b/d, down 360,000 b/d, or 13.5 per cent, from April's level. At 2.35m b/d, US product imports were at their lowest level since March 2010. The decline in imports was driven by gasoline, which lost more than 230,000 b/d in June, compared with May.

When comparing imports over the first half period, the US imported around 100,000 b/d more products in the first half of 2011 than a year earlier.

On the export side, the US exported nearly 2.4m b/d on average in June, some 230,000 b/d, or 10.6 per cent, more than in April and the highest level since the 2.5m b/d recorded last February. The rise in exports was attributed, essentially, to distillates.

Therefore, US net oil imports fell by almost 600,000 b/d, or 6.2 per cent, to average 9.0m b/d, the lowest level so far this year. When compared with a year ago, the decline was much higher – at more than 1.0m b/d.

US oil trade shows an average of 9.0m b/d of net oil imports in the first half of 2011, some 560,000 b/d less than a year ago.

The US imported around 4.0m b/d of crude oil from OPEC Member Countries in April, which corresponds to a share of 46.7 per cent, compared with 45.9 per cent in March. In April 2010, US crude oil imports from OPEC Member Countries accounted for more than 51 per cent.

Canada was the main supplier of US imported crude with 2.08m b/d, or 23.9 per cent, in April, followed by Saudi Arabia with 1.09m b/d (12.5 per cent) and Mexico with 970,000 b/d (11.2 per cent).

On the products side, US imports from OPEC Member Countries remained stable at 440,000 b/d in April, which corresponds to a share of 15.3 per cent. Canada and Russia were the main suppliers, accounting for 19 per cent and 14.5 per cent, respectively, followed by Algeria with nine per cent.

Japan's crude oil imports declined for the fifth month in a row to average around 3.0m b/d in May, the lowest level since April 1991.

However, the drop in Japan's crude oil imports is becoming much higher since the earthquake-tsunami of March. Japan reduced its crude oil imports by 374,000 b/d, or 11 per cent, compared with 330,000 b/d in April and around 100,000 b/d in March.

The country's crude oil imports were also lower than the level of May 2010 by 380,000 b/d. The low level of crude oil imports is attributed to a sharp decline in refineries' throughput as installations remained affected by the natural disaster.

The downward trend of this year left Japan's crude oil imports within the period January-May running at an average of 3.7m b/d, down 200,000 b/d, or 5.1 per cent, from the same period last year.

Following the same trend, product imports, including LPG, dropped by 250,000 b/d, or 22 per cent, in May to move below 900,000 b/d for the first time so far this year.

At this level, product imports were also lower than a year ago by 142,000 b/d, or 13.8 per cent. All main products saw imports drop in May with kerosene leading the loss with 94 per cent. Imports of LPG, the main imported product, fell by nearly 13 per cent.

However, in contrast to crude oil, product imports over the first five months of this year remained higher than a year ago.

Japan imported, on average, 1.0m b/d of products in the period January–May 2011, compared with 940,000 b/d in the same period of 2010, implying an increase of 88,000 b/d, or 9.4 per cent.

The difference in the trend between crude oil and products was attributed to the fact that Japan required less crude oil as refiners were severely affected by the earthquake-tsunami and, at the same time, fewer products were available because of the damage to refineries, implying that more products needed to be imported from abroad.

Product exports, including LPG, jumped by 187,000 b/d, or 70 per cent, in May to average 450,000 b/d, which is not far from levels seen before the natural disaster.

The surge in product imports was driven by gas oil and jet, which more than doubled to average 110,000 b/d and 140,000 b/d, respectively. Exports of gasoline also recovered to move from 10,000 b/d in April to more than 36,000 b/d in May.

As a result, Japan's net oil imports fell by more than 810,000 b/d in May to more than offset the decline of the previous month. At 3.5m b/d, Japan's net oil imports were at their lowest level in almost two years.

No major changes took place in May regarding the ranking of the main suppliers of crude oil to Japan.

Saudi Arabia remained the largest supplier with more than 1.0m b/d, or 33.3 per cent, followed by the United Arab Emirates with nearly 800,000 b/d (25.8 per cent) and Qatar with 310,000 b/d (10 per cent).

Total imports from OPEC remained almost stable at around 2.7m b/d, which corresponds to a share of 87.6 per cent of Japan's total crude oil imports.

Imports from non-OPEC countries fell by 42 per cent in volume, resulting in a drop in their share to 12.4 per cent from 19.2 per cent in April.

On the products side, non-OPEC countries were the main suppliers to Japan with 62 per cent, as against 38 per cent for OPEC Member Countries.

By country, the US was at the top of the list with 117,000 b/d (13.1 per cent), followed by Korea (12.1 per cent), Qatar (11.4 per cent) and Saudi Arabia (10 per cent).

China's crude oil imports fell by almost 170,000 b/d, or 3.2 per cent, in May, offsetting the gain seen the previous month, to average 5.1m b/d, the second-lowest level since the

4.9m b/d of last December. However, despite the decline, China's crude oil imports remained almost 21 per cent higher than a year earlier.

In the first five months of this year, China imported an average of 5.17m b/d of crude oil, more than 500,000 b/d, or 11 per cent, higher than a year ago, reflecting the sustained growing demand in the Asian country.

Product imports remained almost stable at 1.1m b/d in May, but showed y-o-y growth of 56,000 b/d, or 5.5 per cent. LPG imports increased for the fourth month in a row to approach 120,000 b/d in May, a six-month high.

Product imports where even higher in percentage terms in 2011, when compared with a year ago. China's product imports averaged almost 1.2m b/d in the period January-May, up by 21 per cent from the same period of 2010.

Exports saw a mixed pattern. Crude oil and products fell by almost 60,000 b/d to just 12,000 b/d, whereas product exports rose by 89,000 b/d, or 14 per cent, but remained below the level of March.

The rise in product exports was attributed essentially to jet fuel and fuel oil. Chinese product exports over the period January-May remained almost stable in 2011, compared with the same period of 2010, at around 670,000 b/d.

Therefore, China's total oil imports fell by 200,000 b/d, or 3.5 per cent, in May to average 5.45m b/d. That was the lowest level since the 4.1m b/d of last October.

Nevertheless, when compared with a year ago, net oil imports were almost 1m b/d, or 22 per cent, higher in May 2011. Again when considering the first five months of the year, Chinese net oil imports stood at 740,000 b/d, 15 per cent higher than a year earlier.

Saudi Arabia remained the main supplier of China's crude oil imports in May with 18.1 per cent, although in terms of volume, imports from the Kingdom dropped slightly. Angola remained the second main supplier with 13 per cent, followed by Iran (10.5 per cent) and Russia (8.3 per cent).

India's crude oil imports declined by 647,000 b/d, or 16.7 per cent, in May to average almost 3.2m b/d, the lowest level since December 2010. When compared with a year earlier, India's crude oil imports still showed y-o-y growth of 55,000 b/d, or 1.7 per cent, in May 2011.

Product imports followed a similar trend and declined by 150,000 b/d, or 38.4 per cent, from the previous month to average 240,000 b/d, the lowest level since January 2010.

Almost all products saw import declines, particularly diesel oil and gasoline, which were the main contributors to the drop after having halved. Imports of naphtha, LPG and fuel oil declined by 15.3 per cent, 20.3 per cent and 22.6 per cent, respectively. The exception was kerosene, which rose by 3.5 per cent to an average of 33,700 b/d. When compared with a year earlier, product imports displayed a decline of around 40.3 per cent.

India has imported 11.4 per cent more crude oil and 13.5 per cent more products in the past five months, compared with the same period the previous year, reflecting the country's continued robust demand.

On the export side, India exported 1.27m b/d of products in May, up by 110,000 b/d, or 9.5 per cent, from the previous month. At 1.27m b/d Indian product imports were in line with the levels of the first quarter of 2011.

On a y-o-y basis, exports increased by 31 per cent in May. The growth is much higher if one considers the first five months of the year. Yet, India exported 1.24m b/d on average in the first five months of the current year, up by 370,000 b/d, or 43 per cent, from the same period a year ago.

As a result, India's net oil imports averaged 2.2m b/d in May, a decline of 907,000 b/d, or 29 per cent, from the previous month and 15.6 per cent down from a year earlier.

Despite this strong decline in May, India's net oil imports so far this year (January-May) remained slightly higher than a year earlier by one per cent.

Total crude oil exports from the FSU to non-CIS destinations dropped by 7.7 per cent in May to average 6.38m b/d, compared with 6.91m b/d in April. The decline was attributed to lower supplies from the region.

Pipeline exports from Russia fell by 4.4 per cent to 4.17m b/d after demand from local refineries increased, following the completion of maintenance.

Exports through the Transneft rail system showed a strong decline of around 46 per cent, leaving exports through this route at just 100,000 b/d.

This reflects reduced supplies of Russian crude to the Caspian Pipeline Consortium (CPC) system as well, but is mainly due to the result of the Tengizchevroil consortium cutting their supplies of Kazakh-Tengiz crude to Ukrainian ports.

Sakhalin Energy exports of light sweet Vityaz grade from the Prigorodnoye terminal in the south of Sakhalin Island were down by 30,000 b/d. and Lukoil exports from its Varandey terminal in Timan-Pechora fell by 20,000 b/d as production seems to continue to decline.

Exports of CPC Blend fell again to average 629,000 b/d because of field maintenance at Tengiz and a reduction in Russian supplies after Transneft blocked Rosneft shipments from the Tikhoretsk rail rack, citing quality problems in its system concerning the API grade.

BTC Blend loadings at Turkey's Ceyhan were also down. Exports through Black Sea terminals are increasing.

FSU product exports fell by 1.2 per cent to 3.09m b/d during May. The trend was mixed among products. Vacuum gasoil (VGO) exports jumped by more than 15 per cent to 316,000 b/d because of higher river supplies, but the increase through the river came at the expense of rail supplies to ports, which were down from the previous month.

Gasoline exports rose by 4.6 per cent as product stockpiled over the last few months was loaded. .Exports of jet fuel steadily increased over the past four months to 17,000 b/d, mainly as a result of increased shipments from Tallinn.

Naphtha increased as well to a level of 321,000 b/d from the previous months, driven by rising exports from the terminals at Kaliningrad, Arkhangelsk and Murmansk.

In contrast, gasoil exports fell by 7.1 per cent, due to higher domestic demand in

Russia. In addition, maintenance at refineries in Ryazan, Yaroslavl, Achinsk, Samara and Ufa in April and early May undermined production. Fuel oil exports fell slightly by 2.7 per cent.

Stock movements

At end of June, US commercial oil inventories continued the seasonal build observed during the last two months and increased by 4.1m b to end the month at 1,065.6m b.

The build was attributed to products as they increased by 19.4m b, while the draw in US commercial crude abated the build as they declined by 15.2m b.

Despite this build, total US commercial oil inventories remained at 46.5m b, or 54.2 per cent below last year at the same period, while the surplus with the five-year average stood at 7.1m b, or 0.7 per cent.

After reaching the highest level ever in May since 1990, US crude commercial stocks fell in June for the first time since the end of last year to 358.6m b.

Despite this draw, US commercial crude oil stocks still indicated a surplus of 19.3m b, or 5.7 per cent, with the five-year average. However, this draw has resulted in a deficit with last year of 4.1m b from a surplus observed a month ago.

The draw came back solely from the increase in crude runs as they went up by around 640,000 b/d in June when compared with the previous month. However, they are slightly higher than a year ago at the same period.

At 15.2m b/d, refineries operated at 88 per cent of their operable capacity, 3.7 per cent higher than in the previous month. The increase in US crude oil imports, which averaged 9.1m b/d in June, has limited the recent fall in US commercial crude oil stocks, especially in the last week of the month when crude oil imports reached 9.8m b/d, nearly a 1.0m b/d jump from last week, touching their highest level since last August.

Cushing stocks fell a further 500,000 barrels at the end of the month; however they are expected to recover with rising Canadian imports and a recovery in North Dakota production.

Looking forward, the picture should look less bullish as rising imports and the release of light sweet crude from the SPR in coming weeks are likely to contribute to keeping crude fundamentals neutral.

On the product side, product stocks continued their build for the second consecutive month, increasing by 19.5m b to end the month at 707.0m b, the highest level since January 2011.

Despite this build, US product inventories remained at 42.4m b, or 5.7 per cent, below a year ago at the same period and 12.3m b, or 1.7 per cent, less than the five-year average.

With the exception of residual fuel, all products experienced a stock build, with the bulk coming from propylene and other unfinished products.

Gasoline stocks rose slightly by 200,000 b to end the month at 212.5m b. With this build, the US gasoline deficit with last year narrowed to 1.1 per cent from 1.6 per cent a month earlier, while it remained almost in line with the seasonal trend.

The slight increase in US gasoline stocks came despite heading into the peak of the driving season, indicating a bearish trend for the rest of the summer.

Gasoline production averaged 9.4m b/d in June, around 234,000 b/d higher than a month ago, offsetting the growth in demand which stood at 9.3m b/d.

During the week ending July 1, US gasoline stocks dropped slightly by 600,000 b. However, the drop would be more pronounced at the peak of the summer driving season.

Distillate stocks increased by 2.0m b, reversing the drop that has occurred since the beginning of this year. At 142.1m b, distillate stocks stood at 15.8m b, or 10 per cent, below the five-year average, while they remained at 2.9m b, or 2.1 per cent, above the seasonal trend.

This build could be attributed to the rise by 234,000 b/d in distillate output to an average of 4.4m b/d. The depressed distillate demand also contributed to the build in distillate inventories.

Indeed, during the month of June, distillate demand averaged 3.6m b/d, almost 200,000 b/d less than a month earlier. In the coming weeks, distillates will remain relatively stable as refineries continue to produce for export, while demand is not expected to emerge in the summer period.

Jet fuel oil stocks saw an increase of 3.2m b at the end of June to 43.3m b, still indicating a deficit of 3.5 per cent with last year, while they stood at 3.1 per cent above the five-year average.

Residual fuel stocks went down slightly by 200,000 b to end the month at 37.8m b. Residual fuel stocks stood at 10.7 per cent below last year at the same period, and indicated a deficit of 5.2 per cent with the seasonal norm.

In May, commercial oil stocks in Japan reversed the large build that occurred last month and declined by 700,000 b to stand at 180.4m b.

With this draw, Japanese oil inventories have narrowed the surplus with a year ago to 2.7 per cent from 8.6 per cent a month earlier. At the same time, the surplus with the five-year average that occurred during the previous month has now switched to a deficit of 1.9m b, or 1.0 per cent.

Crude and products showed a mixed picture as crude oil stocks rose by 1.7m b, while total product inventories dropped by 2.3m b.

Japanese crude oil stocks rose in May for the third consecutive month to stand at 106.7m b, the highest level since December 2008. At this level, Japanese crude oil stocks remained at 5.6 per cent above a year ago. However, they showed a deficit with the five-year average at 800,000 b or 0.7 per cent.

The build in crude oil stocks in May came from very low refinery utilization rates, which reached 62.8 per cent, or 7.8 per cent lower than the previous month and 6.8 per cent down from a year ago. This corresponds to a crude throughput of 2.9m b/d, around 350,000 b/d, or 11 per cent, lower than the previous month and 13 per cent below last year at the same period.

The fall in crude oil imports has limited the build in crude oil stocks. Indeed, crude oil

imports in May fell by almost 500,000 b/d to average 2.9m b/d. At this level, Japanese crude oil imports stood 11 per cent below last year's level.

The ongoing refinery shutdowns after the quake led to a substantial reduction in crude oil imports.

In contrast to the build in crude oil, total product inventories dropped in May after a significant build last month to stand at 73.7m b. This stock-draw left total products in May at a deficit of 1.0 per cent versus a year ago, after showing a surplus last month.

The surplus with the last five-year average incurred last month has also switched to a deficit of 1.1 per cent.

The fall in product inventories could be attributed mainly to the decline in refinery output outpacing the fall in total product sales. Indeed, refinery output dropped by 6.0 per cent in May from the previous month, averaging 2.7m b/d, 10.5 per cent less than a year ago at the same time.

The massive earthquake and tsunami on March 11 disrupted refinery operations and battered economic activity in the world's third-biggest oil consuming country.

As a result, Japanese oil product sales continued to fall and declined in May by 6.0 per cent from a month earlier to stand at 2.8 per cent below last year at the same time.

All products saw a drop, with the exception of distillates. Within the components of distillates, jet fuel and kerosene stocks rose by 10.3 per cent and 14.3 per cent, respectively, while gasoil stocks increased by 7.6 per cent.

The build in jet fuel stocks could be attributed to the rise of 22 per cent in output, combined with the fall in domestic sales by almost 27 per cent.

The build in kerosene stocks is due solely to the decline by almost half in domestic sales. The rise in gasoil stocks also came as domestic sales went down by 6.0 per cent, combined with the increase in gasoil production by 6.2 per cent.

At 32.8m b, distillate stocks stood at comfortable levels, 15 per cent above a year ago at the same time and 10.8 per cent more than the seasonal average.

Gasoline stocks fell by 1.5m b to end the month at 13.4m b, reversing the build that occurred last month and showing a deficit of 14.4 per cent with a year ago and 8.1 per cent with the five-year average.

The stock-draw in gasoline is attributed mainly to the increase in domestic sales, which dropped by 9.0 per cent. Higher imports limited the fall in gasoline stocks.

Residual fuel oil stocks also went down by 1.0m b, after two consecutive months of increase. At 17.1m b, residual fuel oil stocks stood at 3.6 per cent below a year ago and 9.9 per cent less than the seasonal trend.

Within the components of fuel oil, fuel oil A inventories saw a build of ten per cent, while fuel oil BC experienced a drop of 5.4 per cent. Naphtha saw the highest stock-draw, declining by 3.1m b and ending the month at 10.3m b. With this draw, naphtha stocks switched the surplus incurred last month to a deficit of 18 per cent with a year ago over the same period.

At the end of May, product stocks in Singapore reversed the upward trend incurred over the last three months and declined by 1.2m b to stand at 43.2m b.

Despite this draw, product stocks remained at 500,000 b, or 1.2 per cent, above a year ago at the same time.

Within products, the picture was mixed. Fuel oil and light distillates saw a drop of 2.2m b and 800,000 b, respectively, while middle distillate stocks rose by 1.9m b.

At 12.6m b, middle distillate stocks stood at 1.5m b, or 13.6 per cent, above a year ago at the same time. Higher gasoil imports from India and Singapore were behind the build in stocks.

However, distillate stocks in Singapore could decline in the coming weeks on the back of tighter supply from China, due to power shortages and the peak summer season, which likely requires more use of gasoil.

Fuel oil stocks saw a decline in May, putting them at 20.4m b and representing a deficit of 3.3 per cent with last year over the same period. This stock draw could be attributed to reduced imports.

However, the level above 20m b could be considered a comfortable level, as a result of a higher western influx during the last months. Light distillate inventories also declined for the second consecutive month to end the month at 10.3m b, remaining at 2.7 per cent below a year ago over the same period. This trend is expected to continue as more gasoline exports from Singapore are required to meet the shutdown of the 130,000 b/d Dung Quat refinery.

Product stocks in the ARA area in May dropped for the second consecutive month as they declined by 3.2m b to stand at 36.1m b. With this draw, they switched their surplus with a year ago last month to a deficit of 3.8 per cent.

Within products, with the exception of naphtha, all products saw a drop, with the bulk coming from gasoline. Indeed, gasoline stocks fell by 1.4m b to stand at 5.0m b, almost 40 per cent less than a year ago at the same time.

This stock-draw could be attributed to higher gasoline imports to the US amid the driving season.

Gasoil inventories declined by 0.9m b to end the month at 21.1m b. But despite this drop, they remained at comfortable levels, indicating a surplus of 19 per cent with a year ago. The fall in gasoil stocks could be attributed to a reduction in demand, mainly from heating oil.

Fuel oil stocks fell slightly by 100,000 b to finish the month at 5.3m b, but they remained almost 19 per cent higher than a year ago at the same time.

However, the latest indication for the month of June shows a build in fuel oil stocks surpassing 6.0m b, driven by higher deliveries, especially from Russia.

Naphtha stocks went up by 400,000 b to stand at 800,000 b, driven by incoming cargos from Russia. With this build, naphtha stocks remained well above a year ago at the same time.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2006**	**2007**	**2008**	**2009**	**2010**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**	**1Q12**	**2Q12**	**3Q12**	**4Q12**	**2012**
OECD	49.6	49.3	47.6	45.6	46.1	46.5	44.9	46.6	46.8	46.2	46.6	45.0	46.6	46.8	46.2
North America	25.4	25.5	24.2	23.3	23.9	24.0	23.7	24.3	24.2	24.1	24.2	23.8	24.5	24.3	24.2
Western Europe	15.7	15.4	15.3	14.7	14.5	14.2	14.0	14.7	14.6	14.4	14.2	13.9	14.6	14.5	14.3
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.2	7.6	8.0	7.8	8.2	7.2	7.5	7.9	7.7
Developing countries	23.6	24.7	25.6	26.1	26.9	27.1	27.4	27.7	27.8	27.5	27.8	28.0	28.4	28.4	28.2
FSU	4.0	4.0	4.1	4.0	4.1	4.1	3.9	4.4	4.5	4.2	4.2	4.0	4.5	4.6	4.3
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.7	9.8	9.6	9.6	9.7	10.2	10.3	10.1	10.1
(a) Total world demand	**85.2**	**86.5**	**85.9**	**84.7**	**86.8**	**87.5**	**86.6**	**89.1**	**89.4**	**88.2**	**88.9**	**87.9**	**90.5**	**90.7**	**89.5**
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	19.9	20.1	20.0	19.8	20.1	20.0	20.1	20.0	19.9	20.2	20.0
North America	14.2	14.3	13.9	14.4	15.0	15.3	15.3	15.1	15.2	15.2	15.3	15.3	15.4	15.5	15.4
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.1	4.1	4.2	4.2	4.2	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Developing countries	11.9	11.9	12.2	12.4	12.7	12.9	12.8	13.1	13.3	13.0	13.4	13.4	13.5	13.5	13.4
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.3	13.4	13.4	13.5	13.4	13.5	13.5	13.5
Other Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1
China	3.7	3.8	3.8	3.9	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3	4.3	4.3
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.9	52.5	52.8	53.3	52.9	53.6	53.4	53.5	53.8	53.6
OPEC NGLS and non-conventionals	3.9	3.9	4.1	4.3	4.9	5.1	5.3	5.4	5.4	5.3	5.5	5.6	5.7	5.8	5.7
(b) Total non-OPEC supply and OPEC NGLS	**53.8**	**54.4**	**54.4**	**55.5**	**57.2**	**58.0**	**57.8**	**58.1**	**58.7**	**58.2**	**59.1**	**59.0**	**59.2**	**59.6**	**59.2**
OPEC crude supply and balance															
OPEC crude oil production[1]	30.6	30.2	31.3	28.8	29.3	29.6	29.2								
Total supply	84.3	84.6	85.7	84.3	86.4	87.6	87.0								
Balance[2]	-0.9	-1.9	-0.3	-0.4	-0.4	0.2	0.3								
Stocks															
OECD closing stock level *m b*															
Commercial	2656	2555	2679	2641	2664	2633									
SPR	1499	1524	1527	1564	1561	1558									
Total	4154	4079	4206	4205	4225	4191									
Oil-on-water	919	948	969	919	871	891									
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	58	59									
SPR	30	32	33	34	34	35									
Total	84	86	92	91	91	93									
Memo items															
FSU net exports	8.0	8.5	8.5	9.0	9.1	9.2	9.4	9.0	9.0	9.1	9.3	9.4	9.0	9.0	9.2
[(a) – (b)]	**31.5**	**32.1**	**31.5**	**29.2**	**29.6**	**29.5**	**28.8**	**31.0**	**30.7**	**30.0**	**29.8**	**28.9**	**31.3**	**31.0**	**30.3**

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

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

Table A *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 62, while* ***Graphs 1 and 2*** *on page 63 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 64–65 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 $/b

Crude/Member Country	2010 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2011 Jan	Feb	Mar	Apr	May	June	Weeks 22–26 (week ending) Jun 3	Jun 10	Jun 17	Jun 24	Jul 1
Arab Light – Saudi Arabia	73.84	72.63	74.21	74.55	79.93	83.32	89.24	93.59	101.21	110.37	118.27	110.08	109.37	110.90	112.15	111.40	107.07	105.26
Basrah Light – Iraq	72.09	72.14	73.39	73.70	79.36	82.14	88.09	92.33	99.52	109.16	117.05	107.93	106.65	108.69	109.87	108.73	104.05	102.17
Bonny Light – Nigeria	76.00	77.04	78.82	79.65	84.35	86.83	93.08	98.10	105.66	116.75	127.12	118.88	117.27	119.11	120.98	120.90	113.44	111.81
Es Sider – SP Libyan AJ	73.65	74.84	76.27	77.15	82.60	84.93	91.13	96.10	103.51	114.35	124.52	115.90	114.84	116.35	118.58	118.50	111.04	109.49
Girassol – Angola	74.85	74.78	76.55	77.25	82.55	85.80	91.36	96.18	104.42	115.35	123.74	114.91	114.07	115.44	117.30	117.43	110.60	109.43
Iran Heavy – IR Iran	71.83	71.07	73.20	73.58	78.99	82.24	87.81	92.22	99.29	108.05	116.27	108.28	107.39	108.58	109.95	109.90	104.93	103.69
Kuwait Export – Kuwait	72.03	70.69	72.42	72.92	78.10	81.59	87.25	91.45	98.75	107.66	115.64	107.59	106.65	107.93	109.12	108.82	104.49	102.96
Marine – Qatar	73.97	72.54	74.48	75.26	80.31	83.41	88.98	92.69	100.18	108.87	116.41	109.10	107.83	108.84	110.16	110.17	105.77	104.31
Merey* – Venezuela	65.10	65.99	67.19	66.91	71.21	73.07	77.30	80.09	87.51	96.22	104.44	98.44	99.92	100.95	102.62	100.54	97.44	98.00
Murban – UAE	75.90	74.42	76.12	76.93	82.20	85.36	91.06	95.04	102.75	111.93	119.95	113.37	112.06	113.17	114.44	114.39	109.94	108.55
Oriente – Ecuador	69.19	68.72	69.27	70.69	76.42	77.45	82.99	84.80	90.14	105.04	112.82	104.63	98.87	102.95	102.58	99.35	94.93	96.02
Saharan Blend – Algeria	75.05	76.49	78.22	78.95	83.90	86.28	92.46	97.50	105.01	115.95	126.57	116.80	115.74	117.25	119.48	119.40	111.94	110.39
OPEC Reference Basket	**72.95**	**72.51**	**74.15**	**74.63**	**79.86**	**82.83**	**88.56**	**92.83**	**100.29**	**109.84**	**118.09**	**109.94**	**109.04**	**110.52**	**111.91**	**111.32**	**106.44**	**105.07**

Table 2: Selected OPEC and non-OPEC spot crude oil prices $/b

Crude/country	2010 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2011 Jan	Feb	Mar	Apr	May	June	Weeks 22–26 (week ending) Jun 3	Jun 10	Jun 17	Jun 24	Jul 1
Minas – Indonesia[1]	78.87	75.59	77.93	79.47	83.35	85.96	94.98	99.74	105.29	114.62	127.19	119.69	116.28	119.69	118.65	119.84	113.84	111.30
Arab Heavy – Saudi Arabia	71.19	69.59	71.42	71.88	76.98	80.62	86.11	90.26	97.20	105.80	113.74	105.56	104.34	105.52	106.61	106.60	102.25	100.96
Brega – SP Libyan AJ	74.35	75.49	77.12	77.95	83.00	85.58	91.78	96.75	104.16	115.00	125.62	117.00	115.94	117.45	119.68	119.60	112.14	110.59
Brent – North Sea	74.85	75.64	77.07	77.80	82.75	85.33	91.53	96.35	103.76	114.60	123.72	115.10	114.04	115.55	117.78	117.70	110.24	108.69
Dubai – UAE	73.99	72.49	74.28	75.13	80.22	83.72	89.17	92.33	99.93	108.71	116.01	108.76	107.77	108.90	109.99	110.04	105.71	104.24
Ekofisk – North Sea	76.15	76.75	78.22	78.87	83.68	86.33	92.72	97.54	104.65	116.27	124.98	116.34	116.01	117.90	119.59	119.49	112.30	110.91
Iran Light – IR Iran	73.13	73.39	75.06	76.82	82.32	84.38	90.60	94.90	100.91	111.44	118.93	109.86	110.45	111.28	112.78	114.14	107.42	106.54
Isthmus – Mexico	73.41	74.30	75.50	74.16	79.58	82.03	88.17	90.46	94.56	107.97	117.90	109.62	106.30	109.93	110.13	106.96	103.51	101.93
Oman – Oman	74.18	72.59	74.57	75.43	80.44	83.91	89.24	92.49	100.27	109.00	116.56	109.25	107.90	109.09	110.22	110.16	105.79	104.34
Suez Mix – Egypt	71.47	70.91	72.58	74.63	78.76	81.97	86.88	90.87	98.64	108.40	116.50	108.06	108.81	110.05	112.19	112.21	105.21	104.37
Tia Juana Light[2] – Venez.	71.65	72.74	74.07	72.60	77.91	80.14	85.97	88.37	92.85	105.60	115.31	107.97	104.28	108.02	108.04	104.93	101.54	99.99
Urals – Russia	74.37	73.80	75.45	77.39	81.53	84.74	89.74	93.56	101.49	111.50	119.60	111.50	111.68	112.66	115.01	115.09	108.16	107.20
WTI – North America	75.29	76.11	76.62	75.14	81.89	84.08	89.15	89.49	89.40	102.99	109.89	101.19	96.21	100.85	99.98	95.82	92.71	93.53

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).

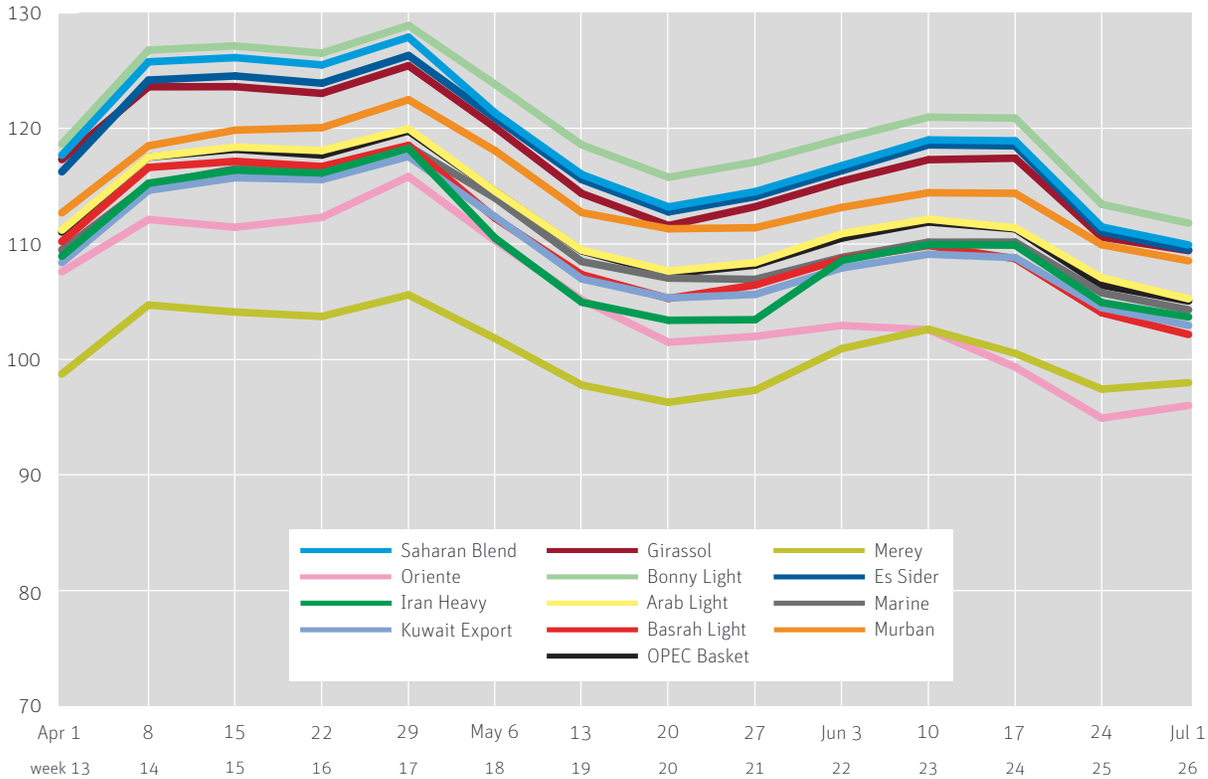
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

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

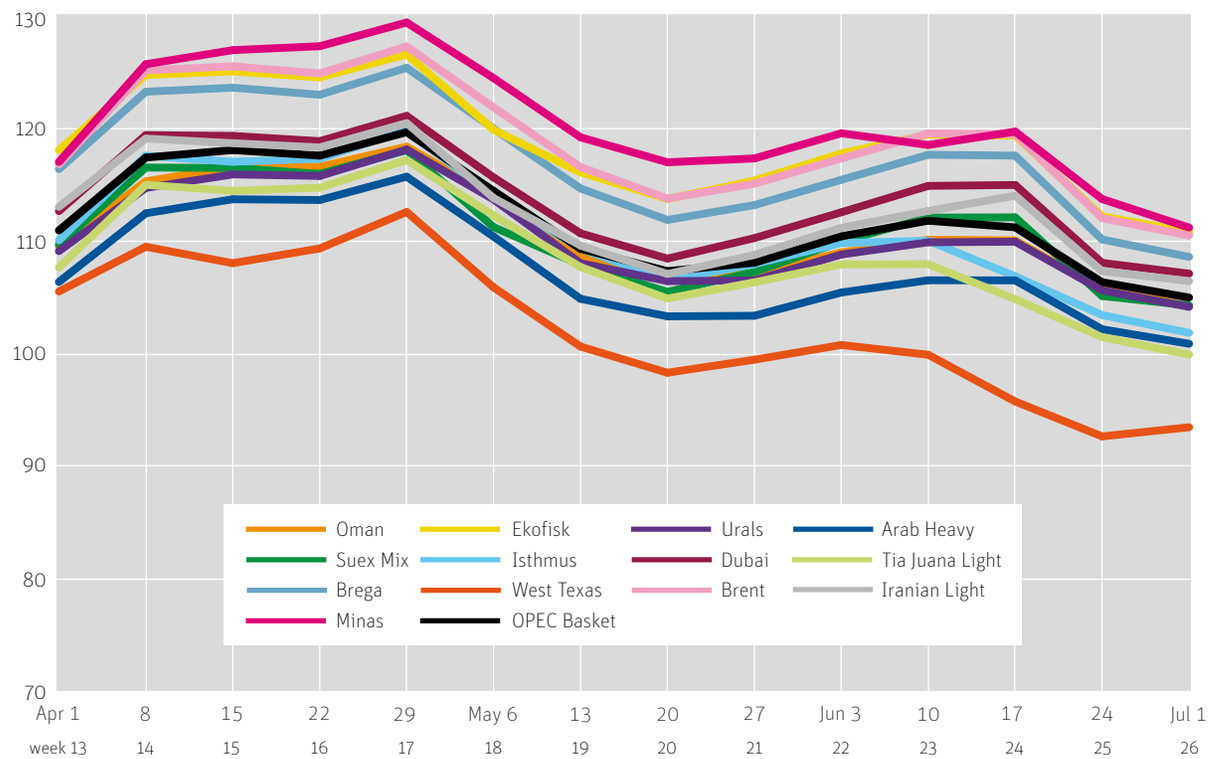
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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, 2011 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2011 *$/b*

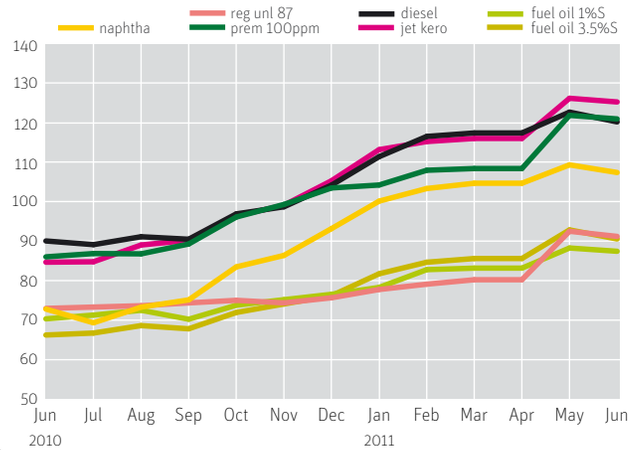


Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, 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
2010	June	72.81	71.29	85.50	87.03	84.66	76.70	73.31
	July	69.33	72.22	85.63	89.10	84.77	70.16	67.44
	August	73.29	72.97	86.77	88.21	89.01	70.33	66.24
	September	75.12	73.31	89.26	90.47	90.19	71.28	66.74
	October	83.47	73.65	96.08	96.88	96.35	72.50	68.62
	November	86.37	74.36	99.26	98.67	99.07	75.18	74.09
	December	93.15	75.66	103.44	104.15	105.26	76.54	76.19
2011	January	100.10	77.75	104.18	111.35	113.13	78.28	81.73
	February	103.29	79.10	107.91	116.47	115.17	82.77	84.65
	March	104.63	80.22	108.35	117.35	115.96	83.16	85.59
	April	108.74	84.22	112.96	121.62	118.96	85.36	87.66
	May	109.28	92.48	121.80	122.62	126.12	88.25	92.83
	June	107.34	91.18	120.90	120.14	125.19	87.42	90.53



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
2010	June	70.99	59.98	60.01	68.04	65.99
	July	66.56	59.99	60.23	70.62	65.61
	August	71.39	59.99	60.23	71.80	68.87
	September	73.69	60.19	60.26	70.21	66.78
	October	81.91	60.22	60.40	72.90	71.76
	November	84.55	61.15	60.52	74.36	72.38
	December	90.81	61.60	60.55	75.98	73.77
2011	January	93.16	64.63	67.86	78.79	75.93
	February	95.86	69.33	70.41	83.19	80.26
	March	96.09	69.49	71.14	84.82	81.40
	April	98.85	75.51	75.15	89.81	83.56
	May	105.53	85.08	82.59	96.46	92.40
	June	105.01	84.23	81.28	94.10	90.34

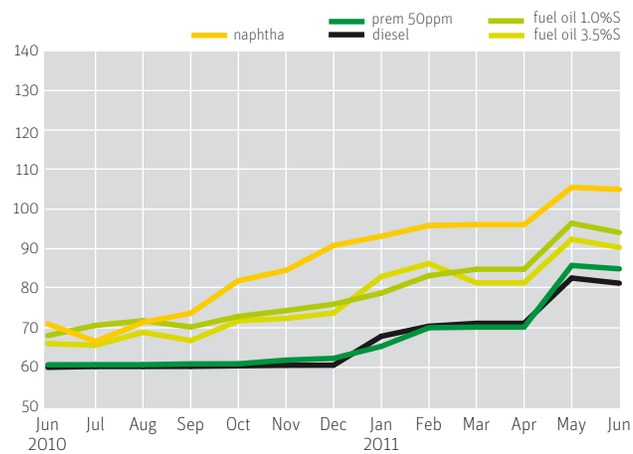
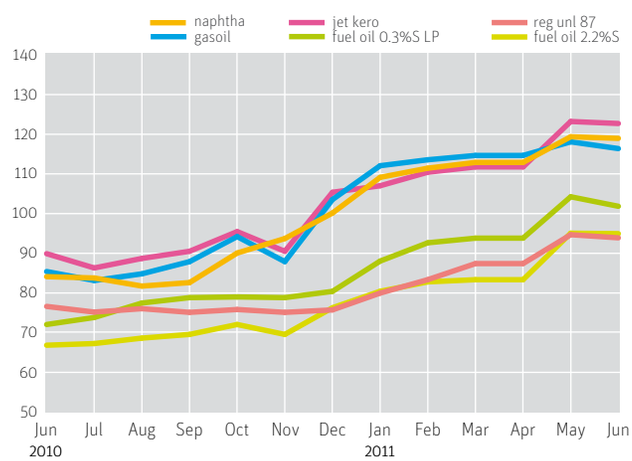


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2010	June	76.76	84.12	92.79	95.13	79.53	62.63
	July	75.77	83.78	85.69	88.03	80.00	62.95
	August	76.62	81.74	85.41	89.91	72.06	66.84
	September	75.19	82.62	83.14	86.31	73.83	67.26
	October	76.05	90.07	84.83	88.71	77.47	68.63
	November	75.12	93.72	87.90	90.51	78.83	69.56
	December	75.74	100.15	103.55	105.38	80.41	76.28
2011	January	79.97	109.14	112.07	107.02	88.04	80.43
	February	83.36	111.45	113.57	110.43	92.65	82.80
	March	87.41	112.90	114.66	111.77	93.82	83.35
	April	89.00	114.02	116.86	114.98	98.72	86.93
	May	94.69	119.37	118.09	123.22	104.25	95.07
	June	93.90	118.97	116.39	122.71	101.85	94.95



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
2010	June	81.67	56.93	87.77	70.14	68.99
	July	79.60	56.29	86.41	70.51	69.36
	August	77.25	57.07	89.08	71.88	70.80
	September	79.04	57.72	89.93	68.79	67.39
	October	83.85	59.70	95.56	68.95	67.49
	November	86.27	60.57	98.63	70.47	69.02
	December	93.71	62.32	104.16	73.13	71.68
2011	January	98.29	62.38	104.78	82.79	77.74
	February	99.77	67.77	106.59	87.31	79.43
	March	100.55	69.12	107.04	88.24	81.57
	April	104.76	74.09	109.96	90.90	83.48
	May	107.65	77.26	117.36	95.93	86.48
	June	106.93	76.07	115.87	94.77	85.80

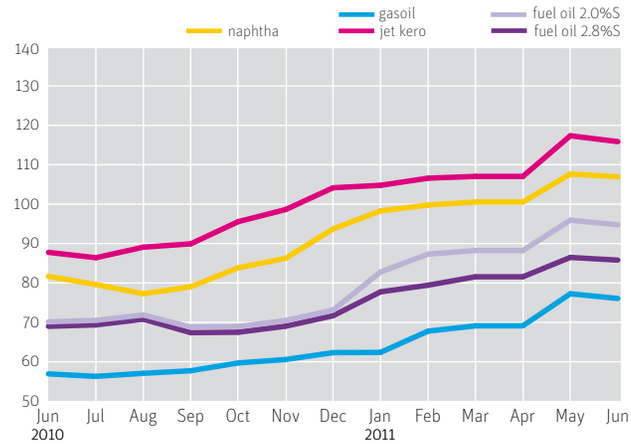


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2010	June	72.42	83.26	81.54	87.36	86.64	71.45	68.31
	July	68.57	82.42	81.99	86.32	85.32	69.68	68.46
	August	73.31	82.52	80.83	88.10	87.23	71.32	69.58
	September	74.52	82.55	80.58	88.53	87.81	70.07	68.92
	October	82.97	89.71	87.66	94.97	94.30	74.42	73.05
	November	87.26	93.21	91.15	98.59	97.87	77.71	75.85
	December	93.83	102.09	100.02	104.40	103.53	80.20	78.57
2011	January	96.87	110.17	108.52	108.17	110.43	82.59	82.95
	February	97.39	112.20	110.97	111.46	112.29	84.69	86.62
	March	98.13	113.95	111.25	112.94	113.07	85.17	87.14
	April	100.83	118.36	113.13	115.79	115.55	87.09	89.71
	May	104.41	120.14	113.49	122.91	117.39	94.34	91.92
	June	102.96	117.89	111.76	122.40	115.28	91.96	89.89

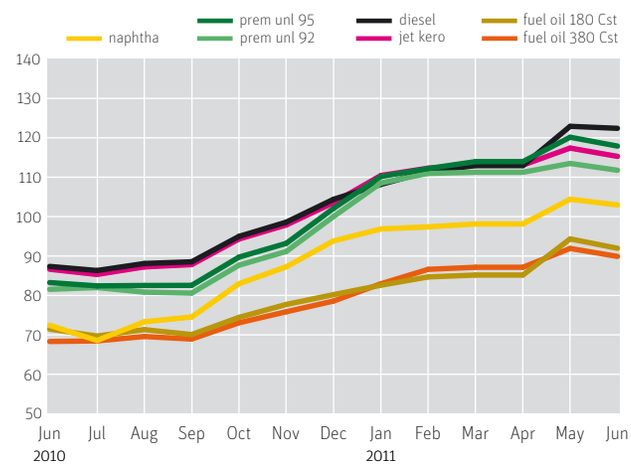
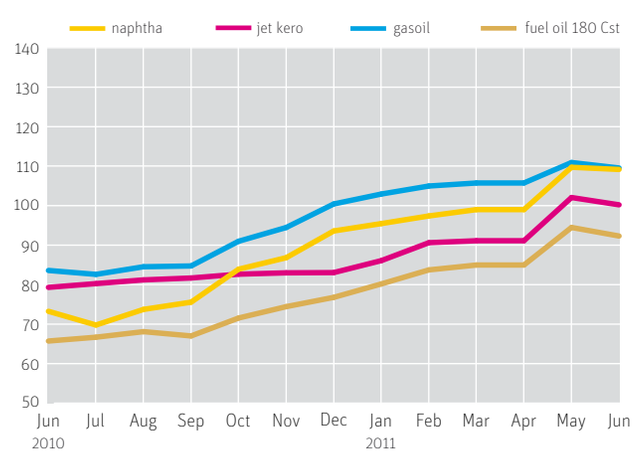


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2010	June	73.25	83.59	79.31	65.72
	July	69.77	82.60	80.26	66.69
	August	73.73	84.53	81.20	68.10
	September	75.56	84.73	81.68	67.01
	October	83.91	90.99	82.65	71.55
	November	86.82	94.47	82.99	74.43
	December	93.59	100.43	83.05	76.78
2011	January	95.46	102.94	86.08	80.18
	February	97.39	104.97	90.62	83.73
	March	99.00	105.74	91.12	84.97
	April	102.29	110.09	94.49	87.10
	May	109.72	110.92	102.06	94.48
	June	109.17	109.54	100.21	92.31



Source: Platts. Prices are average of available days.

The OPEC Award for Research 2012

Call for nominations

The call for nominations for the 2012 OPEC Award for Research has begun. The OPEC Award for Research recognizes past efforts and encourages future endeavours. In this regard, it honours individuals who have made outstanding contributions to knowledge of the petroleum industry and oil-related issues. Instituted in 2004, the Award is conferred by the President of the OPEC Conference on the occasion of the biennial OPEC International Seminar.

The presentation of the fourth prestigious OPEC Award for Research will take place in Vienna, Austria, in June 2012. Organizations and institutions are invited to nominate qualified candidates to be considered for this Award.

Objective of the Award

The OPEC Award for Research recognises past efforts and encourages future endeavours. In this regard, it honours individuals who have made outstanding contributions to knowledge of the petroleum industry and oil-related issues.

Frequency of the Award

Instituted in 2004, the OPEC Award for Research is conferred by the President of the OPEC Conference on the occasion of the biennial OPEC International Seminar.

Eligibility

To be eligible for the OPEC Award for Research, the recipient must:

i. Be well-known in the energy industry and/or academia;
ii. Have consistently maintained high achievement levels over many years, including the production of a substantial record of publications;
iii. Have shown dedication to research and analysis of important oil-related issues;
iv. Have contributed to an improved understanding of key determinants that support oil market stability;
v. Have played a role in enhancing dialogue between producers and consumers;
vi. Have demonstrated a high level of objectivity and integrity in his/her work;
vii. Have consistently presented a critical, yet impartial view on oil-related issues in public debates and discourse;
viii. Have furthered knowledge in the oil industry by encouraging and promoting young researchers within OPEC Member Countries and the developing world;
ix. Have demonstrated innovative thinking throughout his/her career.

Nominations

Candidates for the OPEC Award for Research can be nominated by individuals, institutions and/or organizations by filling out the nomination form. This can also be downloaded from the OPEC Website www.opec.org. Completed nomination forms, accompanied by a 500-word biography of the candidate and a list of some of his/her publications, should be sent either by e-mail to prid@opec.org or by post to:

The Chairman
The OPEC Award for Research
Organization of the Petroleum Exporting Countries
Helferstorferstrasse 17, A-1010 Vienna, Austria

Deadline for nominations is Wednesday, August 31, 2011.

Winner

The recipient of the OPEC Award for Research will be chosen by a panel of professionals in the industry from within and outside OPEC Member Countries and the OPEC Secretariat.

Presentation of the Award

The OPEC Award for Research will be presented at the Fifth OPEC International Seminar in Vienna, Austria, on June 13–14, 2012.

Nomination form for Research Award 2012

Name of the nominee: _____

Position: _____

Company/Organization: _____

Street address: _____

_____

City: _____ Country: _____

Telephone: _____ E-mail: _____

Nominating Institution: _____

Address: _____

City: _____ Country: _____

Telephone: _____ E-mail: _____

Please send completed nomination forms and samples of published work by e-mail to prid@opec.org or by post:

The Chairman
The OPEC Award for Research
Organization of the Petroleum Exporting Countries
Helferstorferstrasse 17
A-1010 Vienna
Austria

All material should be received by August 31, 2011.

The OPEC Award for Journalism 2012

Call for nominations

Nominations for the second OPEC Award for Journalism have been extended until October 3, 2011. Interested journalists, analysts and media organizations are invited to nominate individual candidates, media organizations or teams for this Award, which will be presented in Vienna, Austria, in June 2012.

Objective of the Award

The OPEC Award for Journalism honours journalists, analysts and news organizations that have devoted their careers and time to objective, balanced reporting on — and analysis of — the oil market. Such work would have contributed to a greater understanding of the workings of the global oil market over a significant period.

Eligibility

The competition is open to all print and broadcast journalists and analysts (including those from OPEC Member Countries) that have reported on — and analysed — the industry for ten years or more.

Nominations

Completed nomination forms, available on the OPEC website, www.opec.org, — together with five samples of work previously published or broadcast (CDs/DVDs) covering the required time-frame — should be e-mailed to prid@opec.org or posted to:

The Chairman
The OPEC Award for Journalism
c/o Public Relations and Information Department
Organization of the Petroleum Exporting Countries
Helferstorferstrasse 17
A-1010 Vienna, Austria

All material should be received by Monday, October 3, 2011. Eligible candidates may nominate themselves, while third-party nominations are also permitted.

Winner

All entries will be judged by a panel of academics, journalists and oil industry experts. The winner will receive a plaque and a cheque for 5,000 euros which will be donated on his/her behalf to any institution or charity of his/her choice.

Presentation of the Award

The OPEC Award for Journalism will be presented at the Fifth OPEC International Seminar in Vienna, Austria, on June 13–14, 2012.

Nomination form for Journalism Award 2012

Name of the nominee: _____

Position (for individuals/groups): _____

Company/Organization: _____

Street address: _____

_____

City: _____ Country: _____

Telephone: _____ E-mail: _____

Nominating Organization (if applicable): _____

Address: _____

City: _____ Country: _____

Telephone: _____ E-mail: _____

Please send completed nomination forms and five samples of published/broadcast (CDs and DVDs) work by email to prid@opec.org or by post:

The Chairman
The OPEC Award for Journalism
c/o Public Relations and Information Department
Organization of the Petroleum Exporting Countries
Helferstorferstrasse 17
A-1010 Vienna, Austria

All material should be received by October 3, 2011.

Forthcoming events

Marine drilling, September 1, 2011, London, UK. 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.

Subsea engineering, September 1, 2011, London, UK. 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.

Pacific petroleum insiders, September 5–6, 2011, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

International Nordic bioenergy conference, September 5–9, 2011, Jyväskylä, Finland. Details: FIBIO – The Bioenergy Association of Finland, Vapaudenkatu 12, Jyväskylä 40100, Finland. Tel: +358 207 639 600; fax: +358 207 639 609; e-mail: info@finbio.fi; website: www.nordicbioenergy.finbioenergy.fi.

26th European photovoltaic solar energy conference and exhibition, September 5–9, 2011, Hamburg, Germany. Details: WIP – Renewable Energies, Sylvensteinstr 2, 81369 Munich, Germany. Tel: +49 89 720 1 2735; fax: +49 89 720 12 791; e-mail: wip@wip-munich.de; website: www.photovoltaic-conference.com.

Production sharing contracts and international petroleum fiscal systems Module I and Module II, September 5–9, 2011, Singapore. 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; www.terrapinn.com.

Offshore Europe, September 6–8, 2011, Aberdeen, UK. Details: Society of Petroleum Engineers, 10777 Westheimer, Suite #335, Houston, TX 77042, USA. Tel: +1 713 779 9595; fax: +1 713 779 4216; e-mail: spehou@spe.org; website: www.spe.org.

Pipeline engineering, September 7, 2011, London, UK. 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.

18th annual India oil and gas review summit and international exhibition, September 8–9, 2011, Mumbai, India. Details: Oil Asia Publications Pvt Ltd, 530, Laxmi Plaza, Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai 400 053, India. Tel: +91 022 4050 4900; fax: +91 022 2636 7676; e-mail: oilasia@vsnl.com; website: www.oilasia.com.

3rd annual Middle East production optimization, September 11, 2011, Fahaheel, Kuwait. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

R&D Middle East summit 2011, September 11–14, 2011, Abu Dhabi, UAE. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

Offshore pipeline integrity management course, September 13–14, 2011, London, UK. 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.

The energy event, September 13–14, 2011, Birmingham, UK. Details: Emap Connect, Greater London House, Hampstead Road, London NW1 7EJ, UK. Tel: +44 78 1857 4300; fax: +44 207 728 4200; e-mail: steve.swaine@emap.com; website: www.theenergyevent.com.

9th Maghreb and Mediterranean oil week, September 14, 2011, Marrakech, Morocco. 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.

2011 Heavy oil technical symposium, September 14–15, 2011, Lloydminster, SK, Canada. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: +1 972 952 9435; e-mail: spedal@spe.org; website: www.spe.org.

Oil and gas project and operations management, September 14–16, 2011, London, UK. 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.

Business breakfast – uncovering oil and gas opportunities in the Caspian region, September 16, 2011, Rotterdam, The Netherlands. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

Offshore facilities integrity management 2011, September 18, 2011, Doha, Qatar. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com or www.marcusevans.com.

Oman oil and gas congress, September 18–21, 2011, Muscat, Oman. Details: IQPC Ltd, Anchor House, 15-19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

World LNG series: Asia Pacific summit, September 19, 2011, 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.

3rd International gas technology conference and exhibition, September 19–20, 2011, Moscow, Russia. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 357 8394; fax: +44 207 357 8395; e-mail: enquiries@europetro.com; website: ww.europetro.com.

10th Russia and CIS petrochemicals technology conference, September 19–20, 2011, Moscow, Russia. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 357 8394; fax: +44 207 357 8395; e-mail: enquiries@europetro.com; website: www.europetro.com.

18th Asia petrochemical summit, September 19–20, 2011, Phuket, Thailand. Details: Centre for Management Technology, 80 Marine Parade Road #13-02, Parkway Parade, 449269 Singapore. Tel: +65 6345 7322/6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

21st World Upstream, September 19–21, 2011, Geneva, Switzerland. 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.

International conference on carbon reduction technologies (CaRe_Tech 2011), September 19–22, 2011, Hucisko, Poland. Details: Silesian University of Technology, Institute of Thermal Technology, Konarskiego 22, Gliwice 44-100; Poland. Tel: +48 32 237 10 41; fax: +48 32 237 28 72; e-mail: care_tech@polsl.pl; website: www.itc.polsl.pl/caretech.

Africa energy week, September 20, 2011, Accra, Ghana. 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.

Call for papers

We invite you to submit a well researched scholarly paper for publication in OPEC's relaunched quarterly academic journal, the OPEC Energy Review, which specializes in the fields of energy economics, law, policy, the environment and international relations.

The OPEC Energy Review, which is prepared by the OPEC Secretariat in Vienna, is distributed to universities, research institutes and other centres of learning across the world.

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Abstracts of up to 150 words should be included. In the covering letter, or on a separate sheet, the following details of the principal author should be given: full name (and, if different, desired name for publication purposes), title, affiliation, full postal address, e-mail address and telephone numbers. Similar details should be provided for all co-authors. Authors will retain copyright to their papers, while giving the Publishers' Exclusive Licence to publish.

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Endnotes should be indicated in the text consecutively, with superscript numbers, and should be explained in a list at the end of the text. Reference citations in the text should be by last name(s) of author (s) and date (for joint authorship of three or more names, the words *'et al'* should be inserted after the first name); references should be spelt out and listed in alphabetical order at the end of the paper (after the endnote listings). For more details of style, please refer to a recent issue of the OPEC Energy Review.

Submissions should be made to: Executive Editor, OPEC Energy Review, OPEC Secretariat, Helferstorferstrasse 17, 1010 Vienna, Austria (tel: +43 1 211 12-0; e-mail: prid@opec.org).

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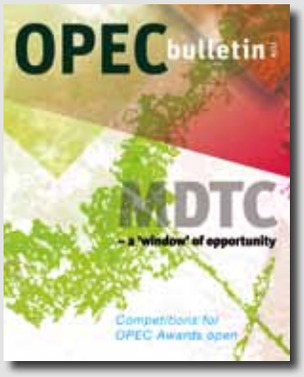

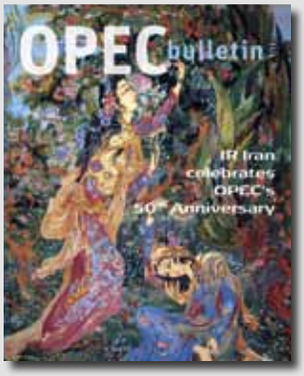

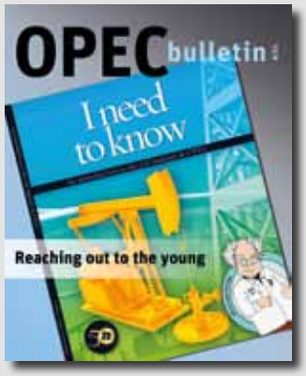

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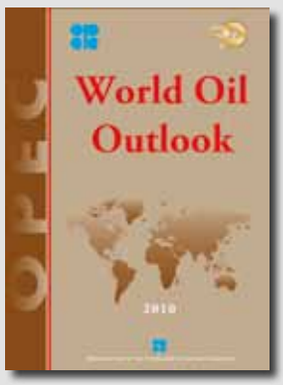

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