This month's cover ...
shows three Iraqi firemen standing next to a blazing pipeline near Beji in northern Iraq (pp64–66).
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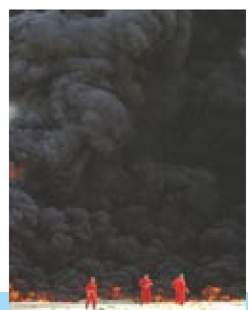

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Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to co-ordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry.

The Organization comprises the five Founding Members and six other Full Members: Qatar (joined in 1961); Indonesia (1962); SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); and Nigeria (1971). Ecuador joined the Organization in 1973 and left in 1992; Gabon joined in 1975 and left in 1995.

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

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Investing in OPEC

OPEC's Member Countries — including Iraq, despite the problems it currently faces — offer many promising opportunities for investors

The recent upsurge in security problems in Iraq — including the horrific attack on the United Nations headquarters in Baghdad — has served as a harsh reminder that even though the US-led war is over, the situation there is still anything but stable. The country's oil, water and electricity installations have been subject to a seemingly unending series of attacks. And the major international oil companies have made it clear that they are not interested in investing in Iraq while security problems persist and there is no internationally recognized government.

Iraq urgently needs a stable source of income with which to rebuild its economy, shattered by war and long years of sanctions, and revenues from oil exports are the only realistic source of this. However, even though everybody agrees that the country's oil industry will require a massive infusion of capital before it can even begin to approach pre-1990 levels, the continuing security problems and the vagueness of the timetable for a hand-over to an internationally-recognized government are deterring investors.

There is no easy solution to this, and it would be idle to pretend that one is at hand. Many have suggested greater involvement by the United Nations and the international community. Nonetheless, one thing does seem clear: the sooner the security issues are resolved and Iraq is governed by the Iraqi people, for the Iraqi people, the sooner international investors will regain their confidence in the country and its oil industry, and the sooner Iraq will be on the road to economic recovery.

The question of investment in the oil industry is a highly topical one, for it was also the theme of a one-day joint workshop organised by OPEC and the Paris-based International Energy Agency, which was held at the OPEC Secretariat in June.

A great variety of differing views from industry experts were expressed at the workshop, but the participants agreed on one thing: oil and gas demand will continue to rise in the coming years, and the size of the OPEC Member Countries' reserves (including those of Iraq, which remains a full Member of the Organization) means that — given sufficient investment — they are well positioned to meet that demand.

In times where the buzzword is 'reform', examples of international oil majors investing in and working together with OPEC Member Countries are numerous. And the trend is clearly towards greater interdependence. Even those countries that have long been closed to investors have recently started to open their doors.

There is no doubt that the technical expertise and financial resources of the international oil companies make a formidable partnership when combined with the massive oil and gas reserves of the OPEC Member Countries. And that includes, of course, a fully sovereign Iraq with a government recognized by the international community. It is a partnership that can continue to meet the world's energy needs for many years to come.

Forthcoming events

Singapore, **September 11–13, 2003**, *PSC roundtable III 2003.* Details: Conference Connection Administrators Pte, 105 Cecil Street #07–02, The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Bangkok, Thailand, **September 15–16, 2003**, *11th Asia petrochemicals summit.* Details: Sandy Leong, Event Manager, 80 Marine Parade Road, #13-02 Parkway Parade, Singapore 449269. Tel: +65 6345 7322; fax: +65 6345 5928; e-mail: sandy@cmtsp.com.sg; Web site: www.cmtevents. com.

London, UK, **September 16, 2003**, *Floating production systems.* Details: IBC Energy Conferences, Informa House, 30–32 Mortimer Street, London W1W 7RE, UK. Tel: +44 (0)20 7017 4027; fax: +44 (0)20 7436 8377; e-mail: jessica.jones@informa.com; Web site: www.ibcenergy.com.

Singapore, **September 16–17, 2003**, *Government petroleum contracts.* Details: Conference Connection Administrators Pte, 105 Cecil Street #07–02, The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

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Surrey, UK, **September 16–19, 2003**, *Commercial, economic and trading aspects of oil refining.* Details: Petroleum Economist, 15/17 St Cross Street, London EC1N 8UW, UK. Tel: +44 (0)20 7831 5588; fax: +44 (0)20 7831 4567 or 7831 5313; e-mail: jones@petroleum-economist.com; Web site: www.petroleum-economist.com.

Milan, Italy, **September 17, 2003**, *Italian energy summit 2003.* Details: IBC Energy Conferences, Informa House, 30–32 Mortimer Street, London W1W 7RE, UK. Tel: +44 (0)20 7017 4027; fax: +44 (0)20 7436 8377; e-mail: jessica.jones@informa.com; Web site: www.ibcenergy.com.

Bangkok, Thailand, **September 17–18, 2003**, *Risk management in the oil and petrochemical business.* Details: Sandy Leong, Event Manager, 80 Marine Parade Road, #13-02 Parkway Parade, Singapore 449269. Tel: +65 6345 7322; fax: +65 6345 5928; e-mail: sandy@cmtsp.com.sg; Web site: www.cmtevents.com.

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Singapore, **September 18–20, 2003**, *Production sharing contracts and international petroleum fiscal systems.* Details: Conference Connection Administrators Pte, 105 Cecil Street #07–02, The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Singapore, **September 19–20, 2003**, *Pacific petroleum insiders 2003.* Details: Conference Connection Administrators Pte, 105 Cecil Street #07–02, The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Washington, DC, USA, **September 21–23, 2003**, *World fuels conference: the US refining and automotive industries: 2003 and beyond — coming together on energy, environmental and economic issues.* Details: Hart World Fuels Conferences, 1201 Seven Locks Rd, Suite 300, Potomac, MD 20854, USA. Tel: +1 301 354 2045; fax: +1 301 424 7260; e-mail: registration@worldfuels.com.

Cambridge, UK, **September 21–26, 2003**, *The gas chain — from reservoir to burner tip.* Details: Alphatania, EconoMatters, Rodwell House, 100 Middlesex Street, London E1 7HD, UK. Tel: +44 (0)20 7650 1430/1402; fax: +44 (0)20 7650 1431/1401; e-mail: training@alphatania.com; Web site: www.alphatania.com.

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Warsaw, Poland, **September 24–26, 2003**, *1st Polish international oil and gas conference.* Details: ITE Group PLC, 105 Salusbury Rd, London NW6 6RG, UK. Tel: +44 (0)20 7596 5233; fax: +44 (0)20 7596 5106; e-mail: julia.romanenko@ite-exhibitions.com; Web site: www.ite-exhibitions.com/og.

Singapore, **September 25–26, 2003**, *Crude oil marketing and valuation.* Details: Conference Connection Administrators Pte, 105 Cecil Street #07–02, The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Houston, TX, USA, **September 29–October 1, 2003**, *Training course on floating production, storage and offshore systems.* Details: IBC Energy Conferences, Informa House, 30–32 Mortimer Street, London W1W 7RE, UK. Tel: +44 (0)20 7017 4027; fax: +44 (0)20 7436 8377; e-mail: jessica.jones@informa.com; Web site: www.ibcenergy.com.

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Hamburg, Germany, **October 1–2, 2003**, *Maritime Security Expo Europe*. Details: Maritime Global Net, PO Box 207, Bristol, Rhode Island 02809, USA. Tel: +1 401 247 7780 or +1 301 493 5500; fax: +1 401 247 7756; Cory Capps at capps@ejkrause.com, or Carol Fleming at fleming@ejkrause.com, or Chris Merola at merola@ejkrause.com; Web site: www.maritimesecurityexpo.com/europe/index.html.

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OPEC maintains output ceiling unchanged at 25.4m b/d at 126th (Extraordinary) Conference in Vienna

Inset: Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh (left) in conversation with Qatar's Minister of Energy and Industry and President of the Conference, HE Abdullah bin Hamad Al Attiyah.

Main picture: A working breakfast was held with representatives of five non-OPEC nations (Angola, Egypt, Oman, Russia and Syria) before the Meeting.

Vienna — OPEC decided to keep its production ceiling unchanged at 25.4 million barrels/day when it met in the Austrian capital Vienna on July 31.

Addressing a press conference at the end of the 126th (Extraordinary) Meeting, the Conference President and Qatari Minister

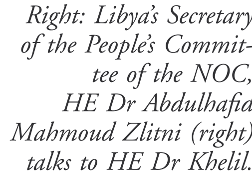
Right: OPEC Secretary General, HE Dr Alvaro Silva-Calderón (left) with Indonesia's Ambassador to Austria and Head of Delegation, HE Thomas Aquino Samodra Sriwidjaja.

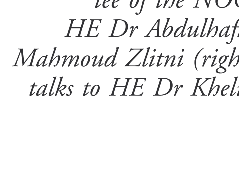
Right: Nigeria's Presidential Adviser on Petroleum & Energy, HE Dr Rilwanu Lukman (right) is seen here with Qatar's OPEC Governor, HE Abdulla H Salatt.

Above left: Kuwait's Ambassador to Austria and Head of Delegation, HE Nabeela Abdulla Al-Mulla (right), talks to Egypt's Minister of Petroleum, HE Amin Sameh Fahmy.

Opposite page: Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi, is surrounded by news-hungry reporters.

Left: Algeria's Minister of Energy and Mines, HE Dr Chakib Khelil (right) makes a point to Venezuela's Minister of Energy and Mines, HE Rafael Ramirez.





Right: Libya's Secretary of the People's Committee of the NOC, HE Dr Abdulhafid Mahmoud Zlitni (right) talks to HE Dr Khelil.

Left: The United Arab Emirates' Minister of Petroleum and Mineral Resources, HE Obaid bin Saif Al-Nasseri, talks to reporters.

At the closing press conference are (left to right) HE Dr Silva-Calderón, HE Al Attiyah, the Director of OPEC's Research Division, Dr Adnan Shihab-Eldin, and the Head of OPEC's PR & Information Department, Dr Omar Farouk Ibrahim.

of Energy and Industry, HE Abdullah bin Hamad Al Attiyah, said that the market was well supplied and prices had remained within the OPEC price band of $22–28/barrel, so there was no need to adjust output.

He added that one element in the decision to roll over the ceiling was the fact that Iraqi oil had not returned to the market as fast as had previously been thought.

"The market situation is complicated, and everybody is still waiting for the return of Iraqi oil. Things are still unclear," said the Minister.

A statement released at the end of the Conference noted that prospects "for the fourth quarter of 2003 and for 2004, however, indicate that estimated demand growth is less than the expected increase in supplies."

Asked to put a figure on this, Al Attiyah said that OPEC estimated demand in the fourth quarter of 2003 at 79.3m b/d, but supply was expected to outstrip demand by 800,000 b/d, which was unusual as the fourth quarter supply/demand balance was normally negative.

Return of Iraq

On the question of when Iraq, which has not attended the last few Meetings, would once again take part in OPEC Conferences, Al Attiyah said that he hoped Iraq would soon have a government that was recognised by the international community, at which point the country would be welcomed back into the OPEC fold.

The Minister added that he had been in touch with the Iraqi official in charge of the country's oil industry, Dr Thamir Ghadhban, and that a possible visit to Iraq in September was being discussed, although it was not yet confirmed.

Asked whether OPEC was worried that non-OPEC countries would increase output and cut into the Organization's market share, Al Attiyah said that non-OPEC nations understood the need for co-operation in order to stabilize the market.

The Minister also confirmed September 24 as the date of OPEC's next Conference.

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AN OPEC PERSPECTIVE

on the geopolitics of oil after the Iraq conflict

*The recent war in Iraq is unlikely to result in a long-term shift in the balance of power in the world energy industry, writes OPEC Secretary General, **Dr Alvaro Silva-Calderón***, in this article.*

There is little doubt that the recent war in Iraq could have significant consequences for the geopolitics of the global energy industry. There has been a great deal of media speculation in recent weeks that one possible consequence of the war could be weaker prices, were Iraq to rapidly restore its oil output capacity and pump at will. Some have even claimed that Iraq might quit the Organization. We in OPEC, however, are confident that this will not happen.

First of all, there are very strong historical ties between Iraq and OPEC. Iraq is one of the five Founder Members of the Organization, along with Iran, Kuwait, Saudi Arabia and Venezuela. Indeed, the very first OPEC Conference, at which the Organization was created, was held in the Iraqi capital Baghdad in September 1960. Such ties are not merely historical — they run deep even today.

Secondly, the fact that Iraq does not participate in the OPEC quota system at the present time is not an issue of concern. Iraq has, in any case, not been a part of our quota system since 1990, when the first Gulf War broke out. For the first half of the 1990s, Iraq exported no oil, and it was only at the end of 1996 that the oil-for-food deal with the United Nations came into effect.

Naturally, we recognize that Iraq currently has special circumstances and, therefore, special needs. First of all, the country presently has no internationally recognized government. In addition, not only has Iraq been involved in three destructive conflicts since the 1980s, it has also been the subject of UN sanctions for over twelve years. Thankfully, these sanctions have now been lifted.

It will, of course, take some time for Iraq to rebuild its oil output capacity. We are closely monitoring the process of reconstruction of the Iraqi oil industry. OPEC is fully aware of the difficult situation in which Iraq — which is a Full Member of OPEC — presently finds itself and the Organization intends to maintain informal contacts with Iraq in order to help the country wherever possible. To this end, the President of the OPEC Conference is due to visit Iraq in September this year, where he will meet with senior officials, and we believe it will be a very fruitful trip.

In the meantime, we and our partners in non-OPEC, such as Mexico, Norway, Russia and others, will continue our proactive efforts to stabilize the oil market for the benefit of producers and consumers alike. And this will be good for Iraq as well.

In the short term, what Iraq needs most of all is a stable stream of revenues with which to fund its reconstruction. Since oil is presently the country's only significant source of revenues, it needs healthy oil prices. Quite possibly nobody understands this better than the Iraqis themselves.

While Iraq, of course, is and remains a Full Member of OPEC, we do foresee that the country may take a while to rehabilitate its oil industry and to have a government recognised by the international community.

Economic outlook

Turning now to the outlook for the world economy, global economic growth over the next two decades will of course mean a consequent rise in oil demand. In OPEC's reference case scenario, we see demand rising from 76 million barrels/day in 2000 to 89m b/d by 2010 and further to 107m b/d by 2020. There is thus no doubt that the market will, in the coming years, require significant amounts of extra oil. And hydrocarbons — oil and gas — can provide clean fuel for decades to come.

Additionally, there is little prospect of other fuels besides oil and gas emerging to account for the future increase in demand. Even though some progress has been made in the field of renewable energy, there is still no realistic alternative to oil. This is especially the case in the transport sector, where oil is the dominant fuel and will remain so for the foreseeable future. It is also possible, if technologies such as carbon dioxide sequestration continue to make advances, that oil will become an even more environmentally friendly fuel, further enhancing demand.

Finally, it should be noted that the reserves of the non-OPEC nations are only around one-quarter of the world total, and since many of those non-OPEC fields are mature, a gradual levelling-off in their

Photo: Reuters/Herwig Prammer

output growth rate can be expected. The OPEC nations — and that of course includes Iraq — with their vast reserves of cheap-to-produce oil, are excellently positioned to meet the predicted rise in global demand.

From all of the above, one thing is clear: the recent conflict in Iraq, although it made dramatic headlines, will not result in a lasting shift in power in the world oil industry, as some pundits would have us believe. Iraq was one of the Founder Members of our Organization, and there is no doubt that its people understand the benefits of a strong OPEC. They understand, too, that OPEC's actions to stabilize the oil market benefit are not in any way selfish, but benefit producers and consumers of oil alike.

Stability and predictability

Producers need a steady stream of revenues for their economic development. In no country is this more true than in Iraq today. And consumers need stability and predictability in oil prices. OPEC's actions provide all of these things. We are of the opinion that those who say that the war in Iraq will disrupt the market and weaken prices are simply wrong. We also firmly believe that, in the fullness of time, a rehabilitated Iraq will once again play its part in our Organization.

Of course, all this will take time. It is difficult to say exactly what shape the infrastructure of Iraq's oil industry is in, or how many billions of dollars may be needed to restore it. Nor do we know what its eventual capacity might be, once the investment starts flowing in.

What we do know, however, is that Iraq has been a Member of OPEC from day one, and we have no reason to think that will change. This is why we believe that OPEC will eventually be strengthened by the full return of Iraq to its ranks, to the benefit of us all.

* *Based on **Dr Silva-Calderón's** address to the Aspen Institute Italia Conference on 'The geopolitics of energy: the Asian shift', in Florence, Italy, on July 8–9, 2003.*

The role of Pertamina in assisting the development of small and medium-sized businesses

Although the Indonesian government has recently cleared the way for state oil firm Pertamina to become a limited liability company, it can still play a role in helping small and medium-sized businesses, writes Dr Bachrawi Sanusi in this article.*

At first sight, it may seem that Indonesia's state oil and gas firm, Pertamina, has no connection with small businesses run by the poor. However, looking at the company's operational structure, it becomes apparent that Pertamina can and has played a role by creating jobs for the Indonesian people, especially for many small and medium-sized entrepreneurs. For example, a number of small entrepreneurs have had the opportunity to become suppliers and/or distributors of essential goods and other products to Pertamina.

For many years, the government of Indonesia has tried to support the development of small and medium-sized entrepreneurs through various programmes and policies. The government has also instructed all state-owned companies (Badan Usaha Milik Negara, or BUMNs), including Pertamina (Perusahaan Pertambangan Minyak dan Gas Bumi Negara, which means State Oil and Natural Gas Mining Enterprise) to assist small and medium-sized businesses.

History of Pertamina

In 2001, the government issued Law no 22/2001 on Oil and Gas Mining, paving the way for Pertamina to eventually become a limited company. The firm's history, however, stretches back much further.

On December 10, 1957, PT Exploitasi Tambang Minyak Sumatera Utara (which means North Sumatra Oil Mining Exploitation Inc, abbreviated to PT ETMSU) became PT Perusahaan Minyak Nasional (the National Oil Company, or PT Permina for short), because it was considered that oil and gas would play a very important role in the future, especially in enhancing the people's welfare, based on the Indonesian constitution of 1945.

In order to improve the efficiency and productivity of the oil and gas business in Indonesia, in August 1968 the government merged PN Permina (Perusahaan Negara Pertambangan Minyak Nasional, or the State National Oil Mining Company) and PN Pertamin (Perusahaan Negara Pertambangan Minyak Indonesia, or the State Indonesian Oil Mining Company) under the new Law no 27/1968. The meger produced PN Pertamina (Perusahaan Negara Pertambangan Minyak dan Gas Bumi Nasional, or the State Company for National Oil and Natural Gas Mining). At that time, PN Pertamina enjoyed a monoply on the oil and natural gas mining business in Indonesia.

On September 15, 1971, the government issued the Pertamina Law (Law no 8/1971), which was effective from January 1, 1972. This law established a new corporation — Pertamina (Perusahaan Pertambangan Minyak dan Gas Bumi Negara, or State Oil and Natural Gas Mining Enterprise) — in place of the old PN Pertamina.

The issuance of Law no 8/1971 was based on several considerations. Firstly, oil and natural gas were considered strategic commodities, as they were important for the national economy, defence and security. Secondly, due to the significant progress achieved by PN Pertamina since its establishment by Law no 27/1968, the government needed to provide new work-

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Motorists queue to get gasoline at a petrol station in Jakarta.

Photo: Reuters/Beawiharta

ing guidelines in order to increase capacity and business prospects. Thirdly, in a bid to produce greater benefits for the Indonesian people, the government needed to restructure the state-owned oil and natural gas mining industry.

Law no 8/1971 underlined the strategic role of oil and natural gas in Indonesia's development. Article no 13 of the law sets out the two roles of Pertamina: firstly, to conduct oil and natural gas exploration in the framework of producing as much income as possible for the welfare of the people; and secondly, to ensure sufficient supplies to fulfil domestic demand for oil and gas.

It is therefore the responsibility of Pertamina to implement the articles of Law 8/1971 in an bid to boost national economic growth. This includes assisting small and medium-sized entrepreneurs, who often suffer from lack of capital, and may not have professional management skills or relevant experience.

"Oil and natural gas businesses need not only investment and the latest technology, but also professional human resources."

The growth of small entrepreneurs and co-operatives has expanded the labour force and provided job vacancies, strengthening economic fundamentals and encouraging BUMNs to continue their assistance to small entrepreneurs and co-operatives. The state-owned companies have thus contributed to an increase in gross domestic product (GDP) in Indonesia's provinces.

This increase in GDP is a consequence not only of the rising labour force, but also of the variety of products in various sectors produced by small entrepreneurs and co-operatives. The increasing contribution of BUMNs to these people-based businesses will provide further opportunities for the creation of new jobs in other sectors.

Photo: Reuters/Dadang Tri

Indonesians line up for cheap kerosene distributed by Pertamina in a poor area of Jakarta.

Partners in business

Besides offering funding or low-interest loans to small enterprises and co-operatives, state-owned companies also have the opportunity to educate and train the small firms' staff, giving the latter the ability to work effectively with or to become partners of the BUMNs (including Pertamina), thanks to their entrepreneurial skills. After all, oil and natural gas businesses need not only investment and the latest technology, but also professional human resources and the ability to shoulder a certain degree of risk.

To minimize the risk on both sides, Pertamina is expected to provide jobs that are suited to the abilities of the people, while at the same time being advantageous for Pertamina's own activities, its contractors and its other business partners. Pertamina is a capital-intensive company which can support many kinds of businesses and provide employment opportunities in sectors ranging from oil exploration to the sale of oil products to domestic consumers, as well as exports.

Pertamina's activities include not only crude oil, but also products such as lubricant oil, asphalt and gas. All the firm's business activities have a multiplier effect, which is beneficial for businessmen and small and medium-sized entrepreneurs. The existence of many oil and gas stations and the increasing number of kerosene agencies and distributors throughout the country reflects the ability of Pertamina to provide jobs for the people and to enhance their welfare.

The company can also co-operate with small and medium enterprises and co-operatives in the supply of various non-oil and gas products such as staple foods, building repair services, uniform supplies, as well as in the transportation sector. These

> ***"Along with the other state-owned firms, Pertamina has been making a considerable contribution to national economic development."***

are just a few examples of the many kinds of business links that can be found and created in the oil and gas sector.

Article 6a of Law no 8/l971 also underlines that Pertamina operates in various sectors such as oil exploration, exploitation, processing, transportation, sales and marketing to end-users. This article reflects the fact that all Pertamina's activities — from oil exploration to product sales — are links in a chain of economic activity involving numerous companies and individual businesses. Pertamina and other state-owned companies therefore have the responsibility to empower small and medium-sized enterprises through training, capital support and business co-operation.

The social role of Pertamina is likely to increase after the issuance of the new Oil and Natural Gas Law in November 2001. The company is expected to increase its role in assisting small and medium-sized enterprises and co-operatives, which are likely to see an increase in their status.

The existence of laws on the use of domestic commodities, products and services in the oil and natural gas sector reflects the seriousness of Pertamina in opening business opportunities for small enterprises and co-operatives, especially to fulfil the state oil firm's non-oil and natural gas needs. Pertamina may therefore ask small businesses to supply local products in order to meet the demand from its domestic and foreign partners and contractors.

Illustrative examples

In 1994-95, about 180 state-owned companies were obliged to assist small and medium-sized enterprises and co-operatives in order to accelerate economic development in all sectors. Data from the National Bureau of Statistics (Biro Pusat Statistik, or BPS) shows that in 1992 there were about 32.6 million small businesses in Indonesia with a turnover of less than 50m rupiahs/year.

These small businesses were spread over several sectors, including agriculture (21.3m); trade (5.4m); processing industries (2.4m); other services (1.3m); transportation (1.2m); construction (847,600); mining (87,200); finance and insurance (19,600); and electricity, gas and water (16,500).

In 1994, there were about 44,294 co-operatives in Indonesia consisting of 35,273 non-village co-operatives and 9,021 village co-operatives (Koperasi Unit Desa, or KUD). In the first year of the sixth five-year development plan (Repelita VI) the number of co-operative members reached 25.4m people, of which 13m were KUD members and 12.4m were non-KUD members.

In the same year, the BUMNs distributed between one and five per cent of their net income in supporting small and medium enterprises, which amounted to 230.3 billon rupiahs, an increase of 27.9 per cent over the previous year.

These funds were used for various purposes including capital assistance and credit guarantees for small entrepreneurs. The number of small entrepreneurs who received financial assistance rose by 11 per cent from 36,035 people in 1993 to 39,993 people the following year.

During the period, the BUMNs also increased their assistance to co-operatives, and in 1994 a total of 135.7bn rupiahs was distributed to the latter, an increase of 14.3 per cent over the previous year. What about the role of Pertamina in all this? Pertamina's own data shows that the company has been distributing financial assistance to the so-called Poor Economy Group (PEG) — consisting of small and medium-sized enterprises and co-operatives — since 1987.

In 1987-88, the number of Pertamina's business partners was about 16,720 small enterprises and co-operatives, and 4,974 other partners classified as 'rich'. During this period, the value of transactions between Pertamina and its partners reached 235.6bn rupiahs, of which small enterprises and co-operatives accounted for 71.3bn rupiahs. By 1993-94 the total transactions were valued at 948.3bn rupiahs, of which the PEG firms accounted for 214.5bn rupiahs.

Conclusion

Pertamina has given numerous opportunities to small and medium-sized enterprises and co-operatives to become the company's business partners, thus supporting the development of PEG firms in Indonesia. Along with the other state-owned firms, Pertamina has been making a considerable contribution to national economic development.

Even though the government has now granted approval for Pertamina to become a limited company, it is hoped that the firm will continue to increase its contributions to small and medium-sized enterprises and co-operatives, so that the PEG companies can optimize their potential. Nevertheless, only those firms which meet the criteria and conditions as financially healthy enterprises and institutions deserve this assistance.

Small enterprises and co-operatives can optimize the business opportunities provided by Pertamina in all sectors of the oil industry, from upstream to downstream. Additionally, they can play a role as suppliers of non-oil and gas products to Pertamina and its domestic and foreign partners and contractors.

It is expected that Pertamina will continue to give not only capital, but also technical and managerial assistance to the staff of small and medium-sized enterprises and co-operatives, so that the latter can implement their knowledge and skills in the appropriate business sectors.

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OPEC and IEA join forces to hold workshop on investment in the global oil industry

Dr Silva-Calderón (right) listens to Ambassador Ramsay deliver his address.

*In June this year, OPEC and the International Energy Agency (IEA) scored a unique first with the holding of a one-day joint workshop on investment in the international oil industry at the OPEC Secretariat in Vienna, Austria. The OPEC Bulletin's Editor, **Graham Patterson**, reports on the meeting.*

Opening the workshop, OPEC's Secretary General, **Dr Alvaro Silva-Calderón**, welcomed the participants and noted that the objective of the gathering was to analyse the investment needs of the oil sector, especially the diverse challenges that would have to be overcome in order to secure the necessary investment in capacity expansion that would be needed to meet future demand.

Investment was the key factor linking hydrocarbons and their present and future role, said the Secretary General. In this respect, there were many areas of uncertainty to be faced, including changing regulations, fiscal regimes, strategic and political factors, evolving life-styles, natural disasters and human error. Meeting the challenges presented by all these uncertainties required transparency, consultation, meticulous planning and careful scheduling, he went on.

"We must have in mind the need for stability in the long term, and this means harmony in upstream expansion, in downstream facilities, and in supply/demand, with clarity and consistency about future levels of demand, together with assurances of secure supply. This, in turn, requires prices that allow and attract investment and guarantee sufficient revenues to both the countries owning the oil resources and the investors to ensure the availability of money for reinvestment," said Silva-Calderón.

The IEA's Deputy Executive Director, **Ambassador William C Ramsay**, said that the topic of energy investment was one of great interest to the Agency, since although its analysis indicated that the world's energy resources were adequate to 2030 and beyond, mobilising the investment that would be required to develop those resources would be a major challenge. To inform and stimulate debate on this challenge, the IEA was preparing the *World energy investment outlook*, a major study that was scheduled for publication in November 2003.

The preliminary results of this study, said Ramsay, indicated that given the geographic distribution of proven resources, a growing share of future investment would

Professor Mabro makes a point during his presentation.

be required in OPEC Members and the transition economies. This money would not only boost upstream output levels, but would percolate further downstream to tankers, pipelines and refineries. The downstream sector could account for as much as one quarter of total investment through 2030. Nonetheless, there were questions as to whether this investment would be forthcoming, due to factors including technical, economic and geopolitical risks, regulatory barriers and inadequate access, he noted.

"If these investment obstacles can be overcome, there will be clear benefits to both parties in the consumer-producer relationship. Global energy security will be enhanced and capital inflows into producer countries will contribute, in some cases significantly, to their economic development," said Ramsay.

The Director of OPEC's Research Division, **Dr Adnan Shihab-Eldin**, noted that OPEC and the IEA shared similar longer-term views of oil markets. Oil demand was expected to increase at an annual rate of 1.7 per cent, reaching some 107 million barrels/day by 2020; there was an emerging consensus that the oil resource base was sufficient to meet this rising demand; and over this period, the OPEC Members would increasingly be called upon to supply the incremental barrel.

"A reasonable price level is needed to secure adequate sources for investment. OPEC, often in close collaboration with some non-OPEC countries, has played its part to the full in ensuring such stability in the oil market. The positive role of the OPEC price band mechanism towards market stability has been broadly recognized and welcomed," said Shihab-Eldin.

There were, he went on, a broad set of conditions that would affect the patterns of future investment in the oil industry, including the role of financial institutions and the fiscal conditions under which projects would operate. In this regard, there was a need for a fair balance between the interests of the host governments and those of investors. Moreover, the fact that international oil companies were becoming increasingly involved in some OPEC Members should not impede the latter's ability to stabilize the market, nor should it undermine the capacity of the state oil firms to continue to play a leading role.

The investment challenge

Opening the first session, **Professor Robert Mabro** of the Oxford Institute for Energy Studies noted that both national oil companies (NOCs) and the international oil majors faced investment challenges, although of a very different kind. The NOCs were sometimes starved of funds by the governments who own them. The majors, on the other hand, were under constant pressure to produce returns for shareholders, leaving less money for exploration and development. In addition, majors were sometimes denied access to large reserves. However, even in cases where access was granted, the majors often found it difficult to get good terms from resource owners, since the latter were aware of the ease of recovery of their oil. From the majors' perspective, therefore, oil exploration in deep offshore waters could be a better bet in terms of return on investment than lower-return projects in easy access regions.

On the question of security of supply, Mabro said that consumers' concerns over this were exaggerated. From a historical perspective, wars were getting shorter, and thus the possibility of a major conflict that disrupted supplies dragging on for a long time was very remote, he argued. Oil prices were not so much influenced

Olivier Appert (right) prepares to speak, watched by (left to right) Nordine Ait-Laoussine, Ambassador Ramsay, Dr Silva-Calderón, Dr Shihab-Eldin and the Director General of the Norwegian Ministry of Petroleum and Energy, Marit Engebretsen.

by supply and demand as by US inventory levels, since traders were short of good information, and therefore tended to place undue attention on the regularly-released US stock data.

Investment in the oil industry, noted Mabro, always went in cycles, and there was a possibility that the market could be oversupplied around 2005–2007. There was a lot of new oil likely to come onto the market from regions like Russia, Iraq and the deep waters off West Africa, which could lead to severe downward pressure on prices in the years to come, Mabro said.

The Chairman and CEO of the Institut Français du Pétrole, **Olivier Appert**, noted that there had been dramatic changes in the oil industry over the past decade. Many of the areas that had previously been closed to investment by international oil companies were now open, although a few exceptions remained, such as Iraq, Mexico and Saudi Arabia. Meanwhile the companies themselves had become more capable, with the recent wave of mergers creating a small number of super-majors like ExxonMobil, Royal Dutch/Shell, ChevronTexaco and BP that were able to compete everywhere, even rivalling the big state-owned companies in oil-producing nations. Russian firms too were expanding and some of them were now comparable the Seven Sisters, the US and UK firms that dominated the oil industry before OPEC's rise to prominence.

Advances in technology had also brought many changes in recent years, noted Appert. Wells could be drilled deeper than ever, opening up whole new oil-rich provinces such as offshore West Africa and the Gulf of Mexico for exploration. The widespread adoption of techniques such as 3-D seismic surveying and horizontal drilling had made exploration and production more efficient.

Other fuels besides conventional crude had also benefited from the technological revolution, added Appert. Reductions in liquefaction and transport costs had made gas in the form of LNG more competitive, especially in the power sector. Gas-to-liquids was an emerging technology which could make it possible for gas to compete with oil in the latter's traditional stronghold, the transport sector. Heavy oil was also becoming a more realistic possibility, with new processes enabling it to be converted into syncrude at competitive prices, he said.

Dr Herman Franssen of London-based consultants Petroleum Economics noted that the OPEC price band of $22–28/barrel fitted in well with the desire of all parties for stable oil prices, including the consuming nations, even though the latter often proclaimed the desirability of allowing market forces to rule. The events of early 2003 had demonstrated the resilience of the oil market, with prices remaining under control in the face of supply disruptions from several countries, including three OPEC Members: Iraq, Nigeria and Venezuela.

However, in examining the future growth in world oil demand and the capacity expansion that would be necessary to meet it, there remained a number

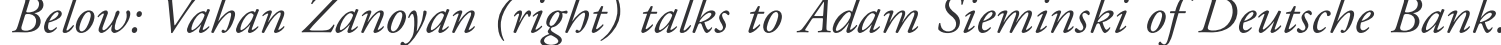
of uncertainties. Future demand itself could not be accurately predicted. In addition, it was debatable whether the continuing increases in non-OPEC output that many projections showed were in fact sustainable. Optimistic forecasts of rapid increases in Iraqi output were also open to question, since it was unlikely that the necessary massive investment would be forthcoming without an internationally-recognized government in place.

Thanks to their massive reserves, there was no doubt that the key areas as regards future capacity increases were the OPEC Members and the countries of the former Soviet Union, said Franssen. With the likelihood that international oil companies would play a greater role in these countries' upstream sectors, there might be a need to re-examine the question of how best to achieve OPEC's aims of balancing supply and demand and stabilizing the oil market, he noted.

The investment climate

Kicking off the second session, **Professor Michael Lynch** of the Massachusetts Institute of Technology stated that although adequate capital was available to finance capacity expansion in the oil industry, the issue of return on investment would be a key one. The bursting of the dot-com bubble of the late 1990s meant that even though the technology sector no longer had so much potential to attract capital away from other industries with lower rates of return like energy, the upstream oil industry still did not offer outstanding returns to investors. However, what Lynch termed

Above: Herman Franssen (left) in conversation with Ismail Abdulla Al-Emadi of Qatar.



Below: Vahan Zanoyan (right) talks to Adam Sieminski of Deutsche Bank.

the "Enron effect" — the perception by Wall Street of the energy sector as a risky one for investment — was likely to be gone in two to three years, he said.

Oil prices in the short term were likely to be more volatile than during the period from 1980 to 1995, partly as a consequence of the reduction in spare capacity in OPEC Members, and partly as a consequence of lower crude inventories, especially in the USA. This kind of short-term volatility could reduce investment, especially by the smaller oil companies that did not have the deep pockets of super-majors like ExxonMobil or BP.

Key consideration

A key consideration in the next few years would be the continuing robust expansion in non-OPEC production. Despite OPEC's greater reserves, investors might view non-OPEC areas as less risky, since investment in OPEC Members carried with it the possibility that projects might not be able to produce at anticipated levels due to OPEC quota restrictions, thus reducing the return on investment. This, said Lynch, was a scenario that OPEC Members would have to learn how to manage effectively.

There was often a unique dynamic between state oil companies and governments, according to the President and CEO of PFC Energy, **Vahan Zanoyan**. Some of the key questions included what determines the government's hydrocarbon agenda, and where does investment by the international oil majors fit into the picture?

Despite the fact that around 75 per cent of the world's reserves were controlled by state oil firms, there were still considerable upstream investment opportunities for the international oil majors in both OPEC and non-OPEC countries, said Zanoyan. Necessary conditions for investment included the resource base and access to it, a legal framework, the right 'comfort level' and the perceived risk. Before making an investment decision, the majors would be looking at factors such as profitability, repeatability, and a good strategic fit with their existing portfolios.

The issue of repeatability was an important one for investment, since it was of benefit both to the majors and the governments of the oil-producing countries. The majors were looking for ways to build up core areas rapidly, and governments could greatly stimulate investment if they offered profitable repeat business. As an example, Zanoyan offered the case of Apache, which had quickly built up a very good core area in Australia's offshore north-western shelf region, in precisely this manner.

A perspective on investment in the Russian oil industry was offered by the Head of the Energy Ministry's Investment Policy Department, **Oleg G Antonov**. Following the approval in May this year by the Russian government of the country's energy strategy to 2020, planned investment in the energy sector over the period was estimated to total $540–630bn. The oil industry would account for $230–240bn of this, broken down as follows: $176–183bn in production, $20-25bn in refining and $30bn in transportation.

Investment in oil production would encompass traditional areas like western Siberia, the Volga region and the northern Caucasus, as well as new provinces such as the Timano-Pechorskiy region, eastern Siberia, the Far East and the northern Caspian, said Antonov. Subject to various internal and external factors, Russia's total oil output could climb as high as 520 million tonnes by 2020.

In order to handle the projected increase in output, refining capacity would be expanded and the transportation infrastructure would be upgraded, with the building of new ports and the expansion of existing ones, as well as the construction of new export pipelines. This would require major investment, the main source of which would be the oil companies themselves, since direct government support for such projects was limited to those of strategic significance, said Antonov.

Financing options

Opening the third session, the Director of the World Bank's Infrastructure and Energy Department, **Dr Hossein Razavi**, noted that a seeming window of opportunity for investment in the 1990s — as a result of factors including the collapse of the Soviet Union, the US economic boom and the easy availability of capital — had led to a lot of investment decisions being taken without the necessary due diligence. As a result, many investors had got burned due to corporate scandals like Enron, or country-specific factors such as the Asian financial crisis of 1997–98 and the economic problems in countries like Russia, Turkey and Argentina.

Slow-down in privatization

This, said Razavi, had led to a slowing-down of the privatization process as investors become more cautious about where they put their money. The solution was proper accountability on all levels and thorough due diligence, in order to reassure nervous investors that their money was safe.

As an example of how to correct such problems, he cited the case of Russia. In the early 1990s after the break-up of the Soviet Union, the country's economy was in total disarray and corruption was rife. The picture today was very different, with Russia having improved its macroeconomic performance and adopted western business practices, while keeping corruption largely in check. This transformation meant that since Russia had adopted the rules of the game in international business, it was likely to attract substantial investment in its energy sector in the coming years, said Razavi.

The Head of Energy Analysis in BP's Economics Unit, **Mike Smith**, offered a look at investment from the point of view of an international oil major. The wave of oil industry mergers in the late 1990s had created a number of super-majors: BP (including Amoco and Arco), ExxonMobil, Royal Dutch/Shell, ChevronTexaco, ConocoPhillips and Total (including Elf and Petrofina). These mergers were largely about cutting costs by eliminating duplication, and had resulted in estimated annual cost savings of more than $20bn, said Smith.

With the mergers completed, the trend was towards continued growth in the next few years, with particular hotspots for oil industry investment being Russia, the Caspian region, and deep-water provinces such as offshore West Africa. Trends such as the freer movement of capital and continuing advances in technology would

The OPEC/IEA workshop in full swing.

mean that the demand for the package of skills and finance that the majors could offer was likely to increase.

Remaining barriers

In addition to this, noted Smith, some areas that were currently closed to investors were likely to open up in future years. Nonetheless, he added, some barriers to energy investment still remained, including resource nationalism, internal politics, inadequate commercial terms and the lack of a proper legal framework.

The final speaker in the third session, **Michael Hamilton** of the Arab Petroleum Investments Corporation (Apicorp), discussed energy investment in the Arab countries. Around 60 per cent of the world's proven oil reserves and 25 per cent of its gas was located in the Arab region, although their share of world production was only around 30 per cent for oil and 11 per cent gas. This implied significant investment in Arab oil and gas production capacity in the coming years.

Apicorp had calculated that as much as $24bn per year could be invested in the Arab energy sector over the next five years, for a total of $120bn. Most of this (around 75 per cent) would take place in Saudi Arabia, Qatar, Algeria, Libya, Egypt and the United Arab Emirates, said Hamilton. Iraq would also need substantial investment, first to restore its pre-war oil output capacity, and then to expand it over the longer term.

On the question of where the necessary financing would come from, Hamilton noted that since the local banks had limited lending capacity, there would be a high level of dependence on external banks and other sources of funding. The recent IPO of Industries Qatar, which raised some $350m, provided an interesting alternative and was being studied closely in the region, noted Hamilton.

Conclusion

Wrapping up the day's proceedings, the former Algerian Energy Minister and Head of Geneva-based consultants Nalcosa, **Nordine Ait-Laoussine**, noted that many of the speakers had been reassuring on key points. It was generally agreed that the reserve base was more than sufficient, the playing field was opening up, technology was improving and costs were coming down, OPEC spare capacity was increasing and barriers to the free movement of capital were also falling.

Why, asked Ait-Laoussine, should anyone worry about investment in the oil industry, especially given that there had never been a generic shortage of oil in history, and the few actual disruptions to supply had successfully been handled?

Despite these reassurances, there were a number of uncertainties that remained a source of concern, since they could have an impact on investment decisions, concluded Ait-Laoussine. These included the prospects for world economic growth and the impact on future oil demand; the level of oil prices and the fact that volatility was increasing; the barriers to investment that still remained in some countries; and the competition to oil from other fuels such as natural gas.

US President Bush meets with Nigeria's Obasanjo, describes Africa as "a continent of possibilities"

Photo: Reuters/Jason Reed

Abuja — US President George W Bush described Africa as "a continent of possibilities" when he met with Nigerian President Olusegun Obasanjo in the capital Abuja in July.

Speaking at the Leon H Sullivan summit, a gathering of African and African-American business leaders, Bush said: "We believe that the relationship between America and Africa will benefit both our people. The work of the summit to promote commerce and understanding across the Atlantic is important work.

"And I'm determined that the American government will do its part. We will help nations on this continent to achieve greater health and education and trade with the world. Working together, we can help make this a decade of rising prosperity and expanding peace across Africa," said the US President.

Bush thanked the citizens of Nigeria for the warm welcome he had received and their gracious hospitality. Nigeria, he noted, was a nation not only of great diversity, but also of great promise.

"I have confidence in Africa's future because I believe in the goodness and the compassion and the enterprise of the men and women on this continent. With greater opportunity, the peoples of Africa will build their own future of hope. And the United States will help this vast continent of possibilities to reach its full potential," added the President.

Vision for Africa

For his part, Nigeria's Obasanjo praised the original vision of the late Leon Sullivan for a prosperous and peaceful Africa, and urged the participants to dedicate themselves to building on that legacy.

"I challenge all of you here to see yourselves as midwives for the rebirth of Africa," said Obasanjo. Introducing President Bush, he added: "Who can be a more respected midwife than the president of the greatest nation in the world?"

At a photo opportunity with President Bush earlier in the day at the presidential villa in Abuja, Obasanjo noted that most Africans realized the extent to which they were ultimately responsible for their own development.

"We are the architects of our fortune

Photo: Reuters/Kevin Lamarque

Above: President Bush meets with an HIV-positive mother at the national hospital in Abuja, home to a programme for the prevention of mother-to-child transmission.

Opposite page: President Bush joins Nigerian President Obasanjo on stage after his African farewell speech in Abuja.

Photo: Reuters/Jason Reed

President Bush and First Lady Laura Bush receive the key to the city of Abuja from Nigerian Federal Territory Head, Babangida Aliyu.

or misfortune. Nevertheless, it is also generally true that hardly any country has transformed its fortunes without external support from friends and well-wishers.

"That is why we acknowledge with deepest appreciation the role that the United States has played and continues to play, particularly within the G8, in supporting the vision of the New Partnership for African Development, NEPAD," said Obasanjo.

"As you are well aware, NEPAD is our vision, as well as our blueprint for making our continent great. Through the NEPAD, African leaders have made a commitment to the African peoples and to the world to work together in developing the continent by consolidating democracy, good governance, and implementing such general social, economic development programmes.

"Implicit in the NEPAD programme are all the universal values, such as democracy, human rights, rule of law, eradication of corruption, conflict resolution, and fight against terrorism. We are hopeful that NEPAD will strengthen Africa's position in the emerging world order.

"Here, in Nigeria, we are making bold strides to consolidate democracy and reform our government structures, as well as the national economy. We also have continuing and new regional responsibili-

President Bush receives flowers from a Nigerian girl at the Presidential villa in Abjua.

ties, especially in the area of maintaining security.

"These areas require global understanding, cooperation and substantial financial support. You will agree with me that sustainable national reforms are central to regional and global transformation and for development," concluded Obasanjo.

At a press briefing in Abuja, a Bush administration official told journalists that the two presidents had discussed a wide range of issues, including Nigeria's economic reform plans, the situation in Liberia, and the problem of how best to address the HIV/AIDS pandemic.

The official said Bush had asked Congress to extend the term of the African Growth and Opportunity Act (AGOA) to enable African countries like Nigeria, which has yet to benefit from the programme, to do so.

While in Abuja, Bush also visted the national hospital, where he met with some of the doctors and nurses, as well as with Nigerian mothers who are benefiting from an initiative to prevent mother-to-child transmission of the HIV/AIDS virus.

President Bush was in Nigeria on the last leg of his five-nation African tour, which also took in Senegal, South Africa, Botswana and Uganda.

Saudi Arabia
signs landmark deal with Royal Dutch/Shell and Total to explore for natural gas in the Kingdom

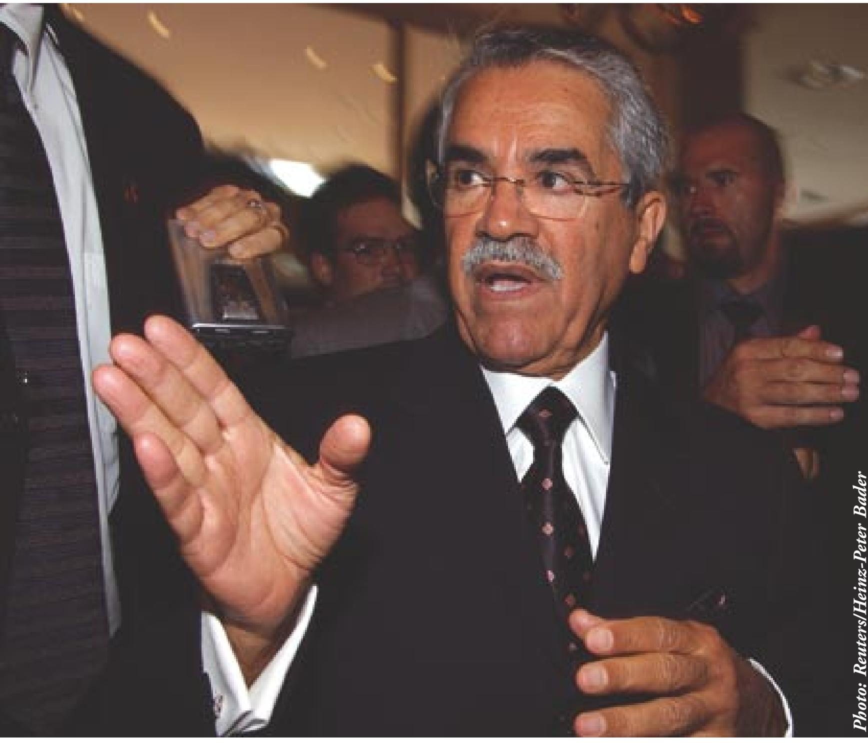


Photo: Reuters/Heinz-Peter Bader

Jeddah — Anglo-Dutch oil giant Royal Dutch/Shell and France's Total have signed a landmark deal to form a joint venture with state oil and gas firm Saudi Aramco to explore for gas in a 200,000 sq km region of the southern Rub Al-Khali (the Empty Quarter) of Saudi Arabia.

The deal was signed by the Saudi Minister of Petroleum and Mineral Resources, Ali I Naimi *(pictured),* and the Vice-Chairman of Shell's Committee of Managing Directors, Jeroen van der Veer, at a meeting in July in the Minister's office in Riyadh. Total's Vice-President, Alain Lechevalier, was also present.

Shell, as leader of the consortium, will hold a 40 per cent stake in the joint venture, while Saudi Aramco and Total will have 30 per cent each.

"This project is a vital step and represents a vigorous start to international investment in gas exploration and development in the Kingdom," Naimi was quoted as saying by the official Saudi Press Agency.

"It is one in a series of upstream gas projects that were envisioned by the Crown Prince and which will be executed by international oil companies," he added.

The Ministry of Petroleum and Mineral Resources would also be offering other potential areas to oil and gas majors, said Naimi.

"This agreement is an important breakthrough as it heralds the first time after the creation of Saudi Aramco that foreign international oil companies have gained access to gas acreage in the Kingdom of Saudi Arabia, holder of the world's largest reserves of oil and gas. Shell, on behalf of the consortium, is naturally proud to be part of this historic moment," added Shell's van der Veer.

The President and CEO of Saudi Aramco, Abdallah S Jum'ah, said in a statement that the agreement with Shell and Total was a milestone in the Kingdom's quest for new gas reserves and subsequent production.

Jum'ah emphasized that Saudi Aramco had invested enormous resources, in terms of both capital and manpower development, to support the government's natural gas initiative.

"The company will continue exerting its utmost efforts toward making the government's gas initiative a success," he added.

The new partnership between Shell, Total and Saudi Aramco complements the Saudi firm's pioneering role in supporting the government's goal to develop and exploit the Kingdom's gas sector, which was born more than 25 years ago with the creation of the Master Gas System, said Jum'ah.

Just a few days after announcing the Shell/Total deal, Saudi Arabia held a roadshow in London at which it briefed more than 40 invited international oil and gas firms on the future possibilities in the Kingdom's upstream gas sector.

The event's programme detailed the attractive investment climate in the gas sector, highlighted the projected future domestic demand for natural gas and provided details of the acreage on offer to prospective investors.

Representatives of the companies also learned more about the rules and regula-

This section draws on the output of the OPEC News Agency (OPECNA), which transmits three daily bulletins of news, analysis and features from OPEC Member Countries and emerging economies. For those who are interested in oil, energy and economic development issues, more details on OPECNA can be found in the advert on p5.

tions governing the upstream gas sector, the tax framework, and the bid package and contracting procedures. A series of open discussions allowed meeting participants to pose questions to the conference speakers.

In his keynote address to the conference, Naimi called the event an important landmark in the history of the Kingdom's petroleum industry. Describing the possibilities for foreign direct investment in the upstream gas sector, the Minister said it was a tangible expression of Saudi Arabia's commitment to building long-lasting, mutually beneficial partnerships.

Naimi concluded his remarks by assuring potential investors of the government's full commitment to the economic reform process, to the policy of industrialization and diversification of the economy, and to the success of this initiative in particular.

Naimi's address was followed by a series of presentations on the Kingdom's economy, its legal and fiscal framework, and an overview of the gas sector. Another session focused on the geology and prospectivity of the acreage on offer, while details of the contracting and bidding process were also covered.

The conference speakers came from the Saudi Ministry of Petroleum and Mineral Resources, the Ministry of Finance, the Shura Council, the Saudi Arabian General Investment Authority, Saudi Aramco and leading financial services firm J P Morgan.

Following the close of the formal conference, the companies had an opportunity to meet with representatives of the Kingdom for a series of private face-to-face discussions.

Qatar Petroleum reaches accord with ConocoPhillips to develop major LNG project

Washington — Qatar Petroleum and US major ConocoPhillips have announced the signing of a framework accord to develop QatarGas 3, a large-scale liquefied natural gas project to supply the US gas market.

The agreement, which provides the basis for the necessary project agreements and the completion of feasibility studies, was signed at a ceremony at the Qatari Embassy in Washington DC, attended by US Energy Secretary Spencer Abraham.

QatarGas 3 is to be an integrated project, jointly owned by Qatar Petroleum (70 per cent) and ConocoPhillips (30 per cent). Gas from Qatar's North Field will be converted into about 7.5 million tonnes/year of LNG by a new plant to be constructed at Ras Laffan Industrial City.

The LNG will be shipped from Qatar in a fleet of state-of-the art tankers. The LNG will be purchased by ConocoPhillips, which will also be responsible for regasification and marketing within the United States.

Photo: Qatar Petroleum

Average sales volumes are expected to be approximately one billion cubic feet/day, and the start-up of the project is scheduled for around 2008–2009.

"We welcome this prospect of a long-term partnership with ConocoPhillips," said Qatar's Minister of Energy & Industry and Chairman of Qatar Petroleum, Abdullah bin Hamad Al Attiyah.

"World-scale projects such as these are crucial to the continued long-term economic development of Qatar. Our strategy is to diversify our market portfolio and the US market being not only the largest gas market in the world but also the most liquid market, is an important step in that direction," he added.

"Qatar's abundant gas resources can provide a secure and much-needed long-term supply for the growing US gas market before the end of the decade," added the President and Chief Executive Officer of ConocoPhillips, Jim Mulva.

"In keeping with ConocoPhillips' strategy, this project will be a significant near-term addition to our portfolio, enabling our company to be major player in helping to meet the growing world-wide demand for clean energy," he noted.

Total LNG production capacity in Qatar is currently around 14m t/y from the two established gas companies, QatarGas and RasGas. This is slated to rise to 26m t/y by the end of 2005, and there are further expansion plans to reach over 40m t/y by 2010.

In brief

Russia plans to boost oil exports

BRUSSELS — European oil industry sources believe that Russia could raise its oil exports by up to 40 per cent by 2010, compared with this year's level, if it builds new pipelines. The country is currently producing 8.2 million barrels/day of oil and exporting around 4.0m b/d. Most of its exports go to European markets via the state pipeline monopoly Transneft, and along the railways or rivers. However, Russian producers have appealed to the state to permit the construction of pipelines to China, the Pacific coast, and the northern port of Murmansk on the Kola peninsula. The country is planning to produce 9.0–9.8m b/d of oil by 2010 and 9.0–10.4m b/d by 2020. Oil export growth is put at 5.0–5.6m b/d by 2010 and 5.4–6.2m b/d by 2020.

British govt, majors reach new deal

BRUSSELS — A new deal between the UK government and international oil companies has been reached to boost investment in the North Sea. The agreement between the two sides involves a commercial and legal framework, known as a master deal, which is designed to cut red tape and speed up asset sales to new entrants in the North Sea. As part of the new arrangement, oil companies have agreed to shorten the amount of time taken for the sale of stakes in joint ventures in which they are partners. The UK Offshore Operators Association said that the first major deal to use the new master deal transfer arrangement was the sale by BP of its southern North Sea gas assets to France's Perenco for $162 million. The government is keen to encourage the sale of undeveloped areas held by larger companies to smaller firms that are interested in developing them.

US SPR passes 600m b mark

NEW YORK — The United States Strategic Petroleum Reserve (SPR) has achieved a new milestone, with the nation's emergency crude oil stockpile passing the 600 million barrel mark. The 600 millionth barrel arrived at the reserve's Big Hill site in Texas, in a cargo of Santa Barbara sour crude from Venezuela. In November 2001, President George W. Bush ordered the use of royalty oil transfers to fill the reserve to its capacity, calling it "an important element of our nation's energy security." Royalty oil is oil owed to the US government by producers who operate on the federally-owned outer continental shelf. Since the directive was issued, the Department of Energy has co-ordinated an exchange of over 21m b of federal royalty oil for oil that meets the reserve's quality specifications. The total capacity of the SPR is around 700m b.

Iran announces discovery of three new oil fields with 38 billion barrels

Tehran — Iran has discovered three new oil fields near the city of Bushehr which are estimated to hold a total of more than 38.5 billion barrels of heavy crude oil, according to local media reports.

The Managing Director of Iran's Engineering and Oil Development Company, Abolhassan Khamoushi, was quoted by the *Kayhan* newspaper as saying that the three fields — Ferdows, Kuh-e Mond, and Zagheh — were currently being studied to assess their development potential.

According to preliminary estimates, Ferdows holds around 30.6bn b of heavy crude, Kuh-e Mond is estimated to hold 6.6bn b, and Zagheh 1.3bn b, Khamousi noted.

"The exact volume of the reserves in the fields will be determined once seismographic studies and characterization of the fields are over," he said.

"Besides significant investment, producing oil from heavy crude fields requires special technology," Khamoushi added.

In a separate development, Iran has also announced that it is close to finalizing a deal with Japan to develop another giant but as yet unexploited oil field, Azadegan, which was discovered in 1999 and is estimated to hold some 26bn b of crude.

"Despite American pressures, the Azadegan oil deal with Japan is nearing finalization," the daily *Khorassan* quoted Petroleum Minister Bijan Namdar Zangeneh as saying, dispelling speculation that Tokyo had bowed to US pressure to pull out of the venture.

Tehran offered preferential rights on the Azadegan field to Japanese consortia during Iranian President Mohammad Khatami's visit to Japan in 2000. In return, Japan pledged to grant a $3.0 billion credit line to Iran over three years.

However, progress on Azadegan has been slow, and when the latest deadline expired at the end of June, Iran said it retained the right to enter into negotiations with other firms for the development of the field.

"It is clear that Iran reserves the right to enter into negotiations with other companies after the expiry of the deadline," Iranian Foreign Ministry spokesman Hamid Reza Asefi told reporters in Tehran.

Zangeneh said that although the Petroleum Ministry had held negotiations with Chinese, Indian and Russian consortia, "the chances of concluding a deal with Japan are high."

Unocal Indonesia invests $500 million/year to hike oil and gas production

Kuala Lumpur — Unocal Indonesia is spending around $500 million a year on upstream investment and covering operational costs in the country, according to the company's President, Brian W G Marcote.

Some $300m was being invested on exploring and developing deep-water blocks, $50m was earmarked for maintaining the firm's upstream activities in shallow waters, while the remainder covered operating costs, Marcote told an industry conference in Kuala Lumpur.

The investments will help Unocal Indonesia raise its production capacity to 1.5 billion cubic feet/day of natural gas by 2015 from the current level of about 300m cu ft/d, he said.

Unocal is set to commence production of 40,000 barrels/day from phase one of its deep-water West Seno field soon. The second phase of development will lift production to 60,000 b/d when it is completed in about two years' time.

The field will also produce 150m cu ft/d of gas, of which some 60m cu ft/d will be re-injected into the field. The rest will be marketed in the Bontang industrial region.

Emphasising Unocal's commitment to hydrocarbons development in Indonesia, Marcote said that his company would be spending at least $700m on developing three more fields — Merah Besar, Ranggas and Gendalo.

"We are proceeding with detailed development planning for our oil discoveries at the Merah Besar and Ranggas fields and for our currently most well-defined gas discovery in Gendalo," he said.

The Merah Besar development would be accelerated with first production by 2006. It would be followed by Ranggas in 2007, and Gendalo in 2010, noted Marcote.

Unocal Indonesia produces 60,000 b/d of oil and 300m cu ft/d of natural gas, some of which is declining, due to depleting reserves. The firm's reserves in Indonesia amount to about 250m b of oil equivalent, including eight trillion cu ft of natural gas.

Unocal currently accounts for about eight per cent of the gas supply to Indonesia's Bontang liquefied natural gas plant, but plans to raise this to 40 per cent in 2015, when most of the new discoveries will start producing.

Marcote added that Unocal was interested in further developing Indonesia's LNG exports, including supporting the construction of a new train at the Bontang LNG plant.

The firm is also looking at drilling a wildcat well in the Sangkarang Block, off south-west Sulawesi, later this year, which Marcote said was expected to yield oil and gas.

Nigerian strike called off after government, unions reach compromise deal

Abuja — A general strike in Nigeria in early July over rises in petroleum product prices has been called off after the government and unions reached a compromise deal over the price hikes.

The President of the union umbrella body, the Nigeria Labour Congress (NLC), Adams Oshiomhole, said that the unions affiliated with the NLC, including the two main oil unions Pengassan and Nupeng, had agreed to call off the strike after negotiations with the government resulted in a reduction in the price rises.

"Given the sacrifices and the privations which Nigerians have had to make or contend with over the past eight days, the NLC has a compelling duty to avail people some relief by suspending the strike action," he told reporters.

Photo: Reuters/George Esiri

The President of the Nigeria Labour Congress, Adams Oshiomhole (l), is pictured here at talks in Abuja with government representative Deji Omotade (c).

In brief

ExxonMobil plans Malaysian investment
Kuala Lumpur — ExxonMobil Malaysia Chairman Rob Fisher has said that his company is planning to invest more than $1.05 billion in the next three years, mostly on enhancing production from maturing fields offshore Malaysia. The investment would be funded through a combination of borrowings and internal funds, he said, adding that ExxonMobil earned about $500 million a year from its Malaysian operations. Much of the investment would go towards upstream activities, where a large number of its 16 fields are maturing, Fisher noted. ExxonMobil, which operates six production-sharing contracts and holds an interest in 1.7 million offshore acres, would also be bidding for new acreages, he said.

Bahrain sets up gas development agency
Manama — The King of Bahrain, Sheikh Hamad Bin Isa Al-Khalifa, has issued a decree establishing a national agency for natural gas. The Kingdom's Crown Prince, Sheikh Salman Bin Hamad Al-Khalifa, will manage the new agency, which will take care of all matters related to the nation's resources of natural gas, and will conduct related studies. It will also study the Kingdom's demand for natural gas and draw up appropriate policies. Bahrain is a small independent oil producer. It imports crude oil from neighbouring Saudi Arabia through pipelines for refining. Bahrain also shares an offshore field with Saudi Arabia, where the country gets the field's entire output of around 140,000 b/d. The state-owned Bahrain oil refinery has a capacity of around 250,000 b/d. The country's gas production was put at 406.4 bn cu ft in 1999.

US imports hit new record, says API
New York — Imported crude and products accounted for more than 65 per cent of US demand in May, a new record for import dependence, according to the latest figures from the American Petroleum Institute (API). Total imports in May were 12.6 million barrels/day, a 9.1 per cent increase compared to May last year and 5.4 per cent higher for January to May this year compared to the same period a year ago, according to the API's *Monthly statistical report*. Compared to May 2002, crude oil imports of almost 10m b/d were up 7.9 per cent and constituted one of the highest volumes in history. Imports of distillate fuel oil were up 60 per cent, gasoline and blending components rose 15 per cent, and jet kerosene was up by 56 per cent. However, gasoline demand has been tepid so far this year, declining 0.2 per cent from January through May and down 1.5 per cent from May 2002, the API report said.

In brief

USA signs carbon sequestration accord
New York — The US Secretary of Energy, Spencer Abraham, along with energy ministers from around the globe, has signed the first international charter in support of the Carbon Sequestration Leadership Forum. The charter sets the framework for international co-operation in research and development for the separation, capture, transportation and storage of carbon as a means of reducing greenhouse gas emissions. "Because sequestration may ultimately prove to be an essential element in limiting global carbon emissions, we must have a global effort devoted to marshalling the talents and resources from around the world," Abraham said. Other countries and organizations taking part include Australia, Brazil, Canada, China, Colombia, India, Italy, Japan, Mexico, Norway, Russia, the United Kingdom, and the European Commission.

BP welcomes Trinidad LNG approval
London — UK oil giant BP has welcomed the government of Trinidad and Tobago's approval for the proposed fourth train of the Atlantic liquefied natural gas project. According to a BP statement, the move keeps the $1.2 billion project on schedule for completion by the end of 2005. The UK firm will be the largest shareholder in the new plant, as well as the largest supplier of gas for liquefaction at the unit. "We expect BP's gas production for LNG from Trinidad to double to over one billion cubic feet/day by 2005, as Atlantic LNG's trains two and three increase production," said BP's Chief Executive for exploration and production, Tony Hayward. "The addition of train four could raise this to a minimum of 1.5bn cu ft/d by 2006," he added.

Danish oil industry faces radical change
Brussels — Talks between the Danish government and the main stakeholder in the oil and gas operator, the Danish Underground Consortium (DUC), could radically transform the domestic oil industry, according to local sources. Denmark is the third-largest North Sea and western European oil producer after Norway and the United Kingdom, producing more than 300,000 barrels/day through the DUC. The Danish government has said it is in talks with the main North Sea oil and gas operator, A P Moeller-Maersk, which runs the DUC, over raising taxes, or taking a stake in the consortium. A P Moeller-Maersk operates and owns 39 per cent of the DUC, while partners Royal Dutch/Shell and ChevronTexaco hold 46 per cent and 15 per cent, respectively. The consortium operates 14 fields in the North Sea.

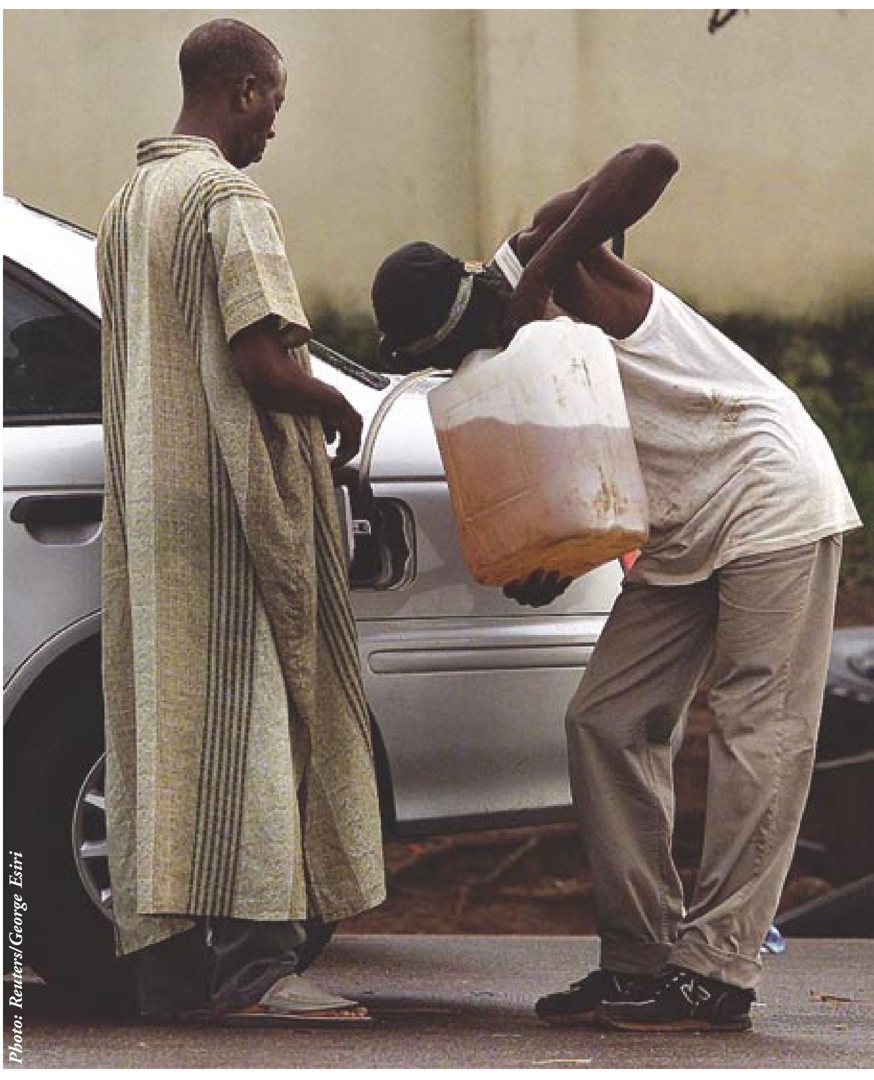


Photo: Reuters/George Esiri

A Nigerian buys petrol from a street hawker in Abuja during the general strike in July.

In late June, Nigeria's Petroleum Products Pricing Regulatory Agency (PPPRA) announced a 53 per cent increase in the pump price of petrol, taking it from the old price of 26 naira/litre to 40 naira/lt.

The price of diesel also rose by 46 per cent from 26 naira/lt to 38 naira/lt, and the price of kerosene rose by 42 per cent from 24 naira/lt to 38 naira/lt, said the PPPRA.

However, Oshiomhole said that the negotiations had resulted in the unions accepting the government's offer to reduce the petrol price from the new 40 naira/lt to 34 naira/lt. The prices of the other products would also be adjusted, he said.

The strike paralysed economic and social activities in Nigeria's cities, with most people resorting to buying petrol on the black market and the few commercial vehicles operating in the city raising fares by more than 100 per cent.

Union officials picketed some petrol stations to prevent the sale of petroleum products to consumers. Although most filling stations were not selling products, long queues of vehicles, stretching for two or three kilometres, were formed at many stations in anticipation of sales starting.

The calling-off of the strike came just prior to the arrival in Nigeria of US President George W Bush, on the last leg of his five-nation African tour.

Libyan-owned oil refinery to reopen soon following modernization programme

Brussels — The Libyan-controlled Holborn oil refinery in Hamburg, Germany, is set to reopen soon after being closed for much of June and July to undergo a modernization programme.

The upgrading of the 100,000 barrels/day plant, which is majority-owned by the Libyan Oilinvest group, is expected to cost some $229.6 million.

The modernization work will enable the Holborn refinery to manufacture low-sulphur diesel and petrol. Production of low-sulphur diesel and petrol is required by a European Union clean air directive that comes into effect on January 1, 2005.

European traders said that the refinery's closure had resulted in a tightening of the north German market for the fuel during a seasonal demand downturn and in a period when Russian exports traditionally surged via the Baltic ports.

UAE company GASCO embarks on two major gas development projects

Abu Dhabi — The Abu Dhabi Gas Industries Company (GASCO) has embarked on two major gas development projects at an estimated cost of over $2.0 billion, according to a report in the local *Gulf News* newspaper.

The front-end engineering and design (FEED) contract for the two projects — the Onshore Gas Development (OGD-3), and the Asab Gas Development (AGD-2) — have been completed and the selection of an EPC (engineering, procurement and construction) contractor is now under way.

"We have pre-qualified many international companies for the EPC contract. The FEED has just been completed by Bechtel of the United States," the paper quoted a senior GASCO official as saying.

"The main aim of the plant is to generate additional revenue by the production of both condensate and natural gas liquids (NGLs)," said the official, who declined to be named.

OGD-3 involves the construction of a new gas plant in the Habshan area (where the Bab field is located) to process some 1,310 million cubic feet/day of well stream fluids into 11,000 tonnes/day of NGLs, 3,400 t/d of ethane, and 125,000 b/d of condensate.

Feed gas for OGD-3 will come from the Thammama F reservoir, similar to the existing train at the OGD-1 gas plant.

AGD-2 involves the supply and installation of two gas treatment plants and two NGL recovery units. The new plant will be able to process 743m cu ft/d of sour gas into 4,700 t/d of NGLs, and 1,700 t/d of ethane.

"There are plans to expand facilities at Ruwais to process the additional condensate and NGLs produced at OGD-3 and AGD-2 and a new pipeline system will be built to transport the NGLs and condensate to Ruwais," added the GASCO official.

GASCO's General Manager, Mohammed Sahoo, said the firm had achieved good progress and was on the right track to tackle future challenges. With the merger of Atheer with GASCO in 2001, the company's size had doubled and its scope widened to become one of the biggest gas firms in the world, he pointed out.

"Through several projects, we are doubling the gas-processing capacity in the coming years," said Sahoo.

Algeria includes offshore blocks in launch of new oil, gas licensing round

Algiers — The Algerian Energy and Mines Ministry has launched its 2003 licensing round for oil and gas exploration and appraisal opportunities, in partnership with the state oil and gas company, Sonatrach.

According to a Ministry statement, the selected acreage on offer is located within a total of 10 onshore and two offshore oil and gas basins with very high potential for undiscovered petroleum resources.

The new licensing round represents the first time that Algeria has offered off-

In brief

GCC energy needs will require $100bn
DUBAI — Industry analysts estimate that the Gulf Co-operation Council (GCC) region will have to invest $100 billion over the next decade to meet its energy needs. The World Energy Council has said that GCC countries would require 100,000 megawatts of additional power over the next 10 years. The United Arab Emirates alone would have to install an additional 8,000 mw, while Saudi Arabia would need to add 2,000 mw every year to meet double-digit growth in demand. Elsewhere in the region, annual capacity expansion is forecast to range between seven per cent and 10 per cent. "The International Monetary Fund's prediction of continued strong economic growth in the region means that the regional power sector will remain very buoyant," commented the Exhibitions Director for the power sector of IIR Exhibitions, Sarah Woodbridge, in the *Khaleej Times* of Dubai.

NYMEX, TOCOM sign co-operation deal
NEW YORK — The New York Mercantile Exchange (NYMEX) and the Tokyo Commodity Exchange (TOCOM) have signed a memorandum of understanding to explore possible areas of co-operation. These include making available trading in each exchange's contracts via computer, and help in securing appropriate regulatory approval from the Ministry of Economy, Trade, and Industry in Japan and the Commodity Futures Trading Commission in the United States for trading each other's contracts. The two exchanges are also seeking to establish a procedure to communicate and share information on conditions that could affect each other's marketplace.

EC okays OMV purchase of BP assets
BRUSSELS — The European Commission (EC) has approved the acquisition by Austrian oil and gas company OMV of part of BP's assets in southern Germany. The acquisition mainly concerns 247 BP service stations in Germany, a non-controlling shareholding in the Bayernoil refinery, as well as output rights from this refinery and a non-controlling interest in the Trans-Alpine oil pipeline. The sale of BP's assets arises from a decision by the German Federal Cartel Office, under which the UK firm was required to divest certain assets as a condition for the approval of its acquisition of Germany's Veba Oil. The EC's investigation showed that the activities of BP and OMV in southern Germany presented only limited overlaps and that their combined market shares in the markets for crude oil, fuel retail and heavy fuel oil, among other products, did not give rise to competition concerns.

In brief

CNOOC offers ten offshore blocks

HONG KONG — The China National Offshore Oil Corporation (CNOOC) is offering several new exploration offshore blocks to international oil and gas firms. The new blocks cover a total area of 30,388 sq km. Six of them are located in the East China Sea, three in the Pearl River Mouth basin, and three in the Beibuwan basin. Promising structures have been identified and mapped out in the previously explored blocks, said CNOOC. Also offered this time are two new broad prospective areas in the South Yellow Sea basin and the Eastern Pearl River Mouth basin on a contract or agreement basis. "We encourage our friends to take a serious look at these assets," said CNOOC's President, Shouwei Zhou.

Another discovery made offshore Angola

NEW YORK — ExxonMobil subsidiary Esso Exploration Angola has participated in a deep-water oil discovery on block 32, offshore Angola. The discovery well, named Gindungo-1, was drilled in 1,445 metres of water. The well, which flowed at 7,400 barrels/day and 5,700 b/d from two separate zones, is the first exploration well on block 32, which is located 165 km offshore Angola. Sonangol, the Angolan national oil company, is the concessionaire of the block, while Esso Exploration Angola has a 15 per cent interest. Other firms with a stake in block 32 are Total, Marathon Oil and Petrogal. In Angola, Esso holds interests in six offshore deepwater blocks covering in excess of seven million gross acres.

Oman LNG sees fall in 2002 profit

MUSCAT — The net profit of Oman LNG fell by 16 per cent to $581 million in 2002, compared with $692m a year earlier, according to a report in the *Khaleej Times* of Dubai. Oman LNG attributed the lower profit to a decline in LNG prices last year. "In spite of the volatile oil and gas market, Oman LNG achieved a remarkable financial success in 2002. Profits and returns to shareholders were higher than anticipated," the firm said. Operating revenues were slightly lower at $1.1 billion last year, compared with $1.2bn in 2001. The report also noted that Oman LNG exported 105 cargoes in 2002, compared with 96 cargoes the previous year. In total, the company has exported 250 cargoes since it was commissioned. The Oman LNG plant currently has a production capacity of 6.6 million tonnes/year from two trains. The firm has awarded the US-Japanese joint venture Chiyoda Foster Wheeler a contract to build a third train, which is expected to start producing in 2006.

shore blocks. The two offshore blocks in question — 143-2 and 145-1 — cover areas of 8,794 sq km and 6,924 sq km, respectively.

Another two blocks are situated in the regions of Chellif and Sud-Est Constantinois, in the centre and the east of the country. Their areas are 9,923 sq km and 6,661 km, respectively.

The remaining blocks are situated in the southern regions of Bechar, Ahnet, Illizi, Amghid Messaoud, Oued Mya, and Berkine, and extend over an area of more than 50,000 sq km.

Technical information and the main contractual terms for the blocks on offer will be available soon. The opening of the sealed tenders will take place on November 11 this year, while contract signing with the successful companies will take place 15 days after the awards are made.

Iraq could produce as much as six million b/d of crude by 2010

Kuala Lumpur — Iraq could be capable of producing six million barrels/day of crude by 2010, according to Sharjah-based oil consultant and senior Iraqi official, Dr Saadalla Al-Fathi.

That figure could rise to as much as 7.0m b/d in 2015 and 8.5m b/d in 2020, Al-Fathi told an industry conference in Kuala Lumpur.

"Iraq has great oil potential with its vast reserves, but the oil industry, and particularly its production capacity, is not commensurate with its oil resource base of 112 billion barrels, or its economic needs, and that should be expanded," he said.

"Factors in support of raising the production capacity of Iraq are that Iraq's potential is the least utilized and few of the discovered fields are developed," he noted, adding that the importance of oil in Iraq's economy could not be underestimated and Iraq's foreign currency income was largely generated from its oil exports.

"To raise the standard of living to an acceptable level, the connection with oil exports and production capacity is obvious. Iraq's debts are also a factor of major influence," said Al-Fathi.

The downstream sector of Iraq's oil industry would also see expansion and modernization to produce more light products with improved specifications in the light of environmental requirements. He put the cost of such a programme at around $40bn.

Iraq would need to resort to all types of financing schemes, including co-operation with international oil companies, not just for financing, but also for the technology that would come with it, said Al-Fathi.

Saudi Arabia to introduce new grade of lower priced gasoline in 2006

Riyadh — Saudi Arabia is to introduce a new and cheaper grade of gasoline in service stations throughout the Kingdom by the end of 2006, according to a report in the local *Saudi Gazette*.

To be priced at 0.82 riyals/litre, the new octane 91 gasoline will be cheaper than the currently available octane 95, which costs 0.90 riyals/lt. Octane 91 will be suitable for all vehicles, while octane 95, due for a 13 per cent price rise to 1.02 riyals/lt on December 31, 2006, will be specifically for luxury cars.

The Saudi Minister of Petroleum and Mineral Resources, Ali I Naimi, said that the decision to make two grades of gasoline available followed a recommendation by the Ministry of Oil and Petroleum Resources.

That recommendation was based on a study that examined the types of vehicles used in the Kingdom, and came to the conclusion that according to the manufacturers' specifications, around 85 per cent of the vehicles on Saudi roads were designed for octane 91.

The three-year period for the introduction of octane 91 is designed to enable fuel stations, oil transport companies and Saudi Aramco to meet operational requirements. These include construction of tanks, supply pipes and related facilities at gas stations, and acquisition of transport trucks.

The new two-grade system would also mean higher profits for gas station operators, which in turn would encour-

age better services, improved safety systems and employment of Saudis, said the Minister.

Maintenance work at Venezuela's Puerto La Cruz refinery completed

Caracas — PDVSA Oriente, the eastern division of state oil corporation Petroleos de Venezuela (PDVSA), has announced the completion of maintenance work at the catalytic cracker and alquilation units and gas treatment systems at the Puerto La Cruz refinery in eastern Venezuela.

PDVSA Oriente's Refining Director, Nelson Martinez, and the refinery's General Manager, Alejandro Granado, told reporters that all the objectives of the maintenance work were achieved within the estimated time frame.

Martinez explained that the halt in operations at the refinery's plants formed part of a preventative maintenance plan at the units aimed at optimizing their operations. Granado added that the maintenance work had been carried out within the original estimates.

"We completed the work programme that involved about 80,000 man-hours, which included 3,000 hours of training in security, hygiene and environment, particularly in the area of handling chemical substances and working in confined spaces," said Granado.

Some 600 people were hired for the maintenance work, among them craftsmen and technicians, who belong to communities located close to the oil installation with no reported accidents, he noted.

The Puerto La Cruz refinery currently processes some 183,000 barrels/day of crude, offering clients high-quality fuel that meets national and international standards.

UK major BP sets up North Sea joint venture with Iran's NIOC

London — UK oil giant BP has confirmed that it is to set up a joint venture with the National Iranian Oil Company (NIOC) to develop the Rhum natural gas field in the North Sea.

"It is a 50:50 joint-venture deal worth $525 million. NIOC has established an Iranian Oil Company (IOC) UK office in Aberdeen for the project," a BP spokeswoman was quoted as saying by the official Iranian News Agency.

BP Vice-President and Technical Director, Ian Vann, said the development of the field, first discovered in 1972, was the result of innovative thinking to make it viable. The support and advice that BP had received from its Iranian partner was crucial in bringing the development forward, he noted.

British Energy Secretary Brian Wilson has described the project as one of the most significant developments in the North Sea in the last 12 months. Work on the field is to start immediately, with the first gas expected in late 2005.

BP said the expected life of the field was around 16 years, with production scheduled to reach a plateau of 8.5 million cubic metres/day. Rhum's estimated recoverable reserves are put at around 23 billion cu metres.

The development of the technically-challenging field was delayed due to the extreme down-hole temperatures of 150° C and the high pressure of 12,000 pounds per square inch.

Gas production from Rhum is to be tied to the adjacent Bruce field by a special pipeline made in Japan to withstand the extremes in temperature and pressure.

Plans to expand output at Kuwait's northern fields under way, says Minister

Kuwait — Plans for developing Kuwait's northern oil fields have not been suspended and work on them is continuing, according to the country's Minister of Energy, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah.

The Minister, who was speaking during a tour of installations of the southern Burgan oil field, added that the legal and financial regulations relevant to the project to develop the northern oil fields were being mapped out.

In brief

Petronas to explore in Ethiopia
Kuala Lumpur — The Malaysian national oil corporation Petronas has signed a production-sharing agreement with Ethiopia to explore block G in the Gambela basin. Under the accord, Petronas's upstream unit, Petronas Carigali Overseas, will conduct geological and geophysical studies on the 15,356 sq km block, acquire 800 km of 2-D seismic data, and drill one exploration well during the first phase of the project. Petronas, which is to spend some $5 million on the initial exploration stage, will also provide technical training to a group of Ethiopians in Malaysia in the area of upstream operations and related fields. The Malaysian company and the Ethopian Ministry of Mines have also signed an agreement under which Petronas will conduct geological and geophysical studies in the Ogaden basin, which covers an area of about 350,000 sq km.

Whitman quits as head of US EPA
New York — The Administrator of the United States Environmental Protection Agency, Christie Whitman, has resigned unexpectedly. The former governor of New Jersey, who had held the cabinet-level position since the start of the Bush Administration, was reportedly unhappy with the government's environmental policies. Industry sources said that the Administration, led by neo-conservatives, was pro-business and not very keen on environmental protection. Whitman was said to have repeatedly clashed with the White House and Congress over environmental affairs and was reportedly ignored by the Administration on key issues. After the announcement of her resignation, Whitman played down her differences with the White House and praised the Bush Administration.

BP sees strong non-OPEC supply growth
London — World oil supply is becoming more diverse as non-OPEC output continues to rise, according to BP's Chief Economist, Peter Davies. "The story is one of supply momentum that looks set to continue. Russian oil production is up 25 per cent in three years and Russia has been joined by a new group of oil-producing basins, across several continents and regions, that have begun to grow rapidly," said Davis at the launch of this year's edition of the *BP Statistical Review of World Energy.* Production from Russia, the Caspian, the deep-water Atlantic basin, and Canada was up by a total of 3.3 million b/d (26.5 per cent) in three years and had the potential to increase by another 5.0m b/d by 2007, he said. Global oil consumption increased from 75.5m b/d to 75.7m b/d.

In brief

EIA sees 1.7 per cent demand rise

New York — The United States Energy Information Administration (EIA) has said that total US petroleum demand is projected to increase by an average of 340,000 barrels/day, or 1.7 per cent, between 2002 and 2003. In the latest update of its *Short-term energy outlook,* the EIA said that petroleum consumption was forecast to vary widely by product, in a manner similar to the contrasting product-specific demand patterns seen during the previous two years. This variability was due to weakness in industrial activity, the effects of the terrorist attacks of September 11, year-to-year shifts in weather patterns, and substantial shifts in product prices.

IEA head sees shift in gas supply

Tokyo — With 70 per cent of global gas reserves concentrated in the Middle East and the transition economies, the future is likely to see a significant geographic shift in supply patterns, according to the Executive Director of the International Energy Agency, Claude Mandil. OECD countries would become increasingly dependent on gas imports as their domestic reserves depleted and demand steadily increased, he told delegates at an industry conference in Tokyo. Noting the geographical location of the large untapped gas reserves in the Middle East — close to deep waters and a large distance to the main markets, Mandil added that liquefied natural gas trade was projected to reach the level of cross-border pipeline trade. He called for a reduction in transportation costs of both piped gas and LNG, and said that this would enable gas supplies to supply global markets, instead of only regional ones.

UK ranked as best E&P country

Brussels — A new survey by British consultants Robertson Research International has placed the United Kingdom as the number one country for new exploration and production investment in 2003, ahead of Australia and Libya. In last year's survey, which is compiled on the basis of votes by more than 200 international oil companies, the UK was in second place behind Libya, which was ranked third in 2003. Australia, with a similar infrastructure to the UK and equally stable terms, moved from third position in 2002 to second place this year. Commenting on the results, UK Energy Secretary Brian Wilson said: "The North Sea is not just a mature basin, but also an evolving one. To reclaim our top spot for exploration with international companies is no mean feat. For the first time in five years, the UK continental shelf is now recognized, outside North America, as a global centre for new ventures."

"The Supreme Petroleum Council has approved the economic plan for the project. It will be referred to the concerned companies soon," he was quoted as saying by the official Kuwaiti News Agency (KUNA).

Project Kuwait, as the plan to expand northern output is called, envisages the doubling of production from Kuwait's northern fields from the current level of around 450,000 barrels/day to some 900,000 b/d.

Al-Sabah ruled out the possibility that the project would be referred to the National Assembly during its current term. The plan would be executed according to the Kuwaiti constitution and relevant laws, KUNA quoted him as saying.

Anadarko installs new output facility at Qatar's Al Rayyan oil field

Doha — Qatar's oil production has received a boost with the installation and first oil from Anadarko's new permanent production platform in the Al Rayyan oil field, according to local media reports.

The new Al Morjan platform has a processing capacity of up to 45,000 barrels/day, although its start-up capacity will be around 30,000 b/d.

Anadarko said that Al Morjan was the largest jack-up permanent production facility ever built in the Gulf region. It replaces the Amina platform, which was installed as a temporary early production facility.

The Al Morjan platform was constructed by Maritime Industrial Services in the emirates of Dubai and Sharjah. The work took 15 months to complete and included the refurbishment of a six-leg jack-up rig, fabrication and installation of new topsides, processing facilities and living quarters for 50 personnel.

In early March, the completed platform was towed to the Al Rayyan field and installed at its new location. In addition to the platform, the field also has a permanently moored tanker, the *Pacific Jewel,* with a capacity of 1.3 million barrels.

Speaking to reporters after switching on the facility, the Qatari Minister of Energy and Industry and Chairman of Qatar Petroleum (QP), Abdullah bin Hamad Al Attiyah, said that Anadarko deserved praise for the job it had done in a relatively short period of time.

"We are hopeful that this accomplishment is the first of many achievements Anadarko is set to carry out in partnership with QP," he said.

"The realisation of a production-sharing agreement between QP and Anadarko is a very important project for us. It means we have made a lot of headway in our mutual efforts," said Al Attiyah.

He added that Anadarko would begin a seismic survey of block 13 in the Al Rayyan field early next year, and was also planning to explore in block 11 in the field.

Houston-based Anadarko is operator of the field with a 92.5 per cent share, under an exploration and production-sharing agreement with Qatar. The remaining 7.5 per cent is held by Germany's Preussag Energie.

Investors line up for new oil and gas concessions offered by Indonesia

Jakarta — At least 36 potential investors are ready to bid for the 11 oil and gas concessions in Indonesia that have been on offer since February, according to local press reports.

"So far, 36 investors have shown interest in the 11 new concessions. We expect more to come by the end of July," the Director General for Oil and Gas at the Ministry of Energy and Mineral Resources, Iin Arifin Takhyan, was quoted as saying by the *Jakarta Post.*

To make the new concessions more attractive, the government is to increase the production share for contractors from 15 per cent to between 20 per cent and 25 per cent for oil, and from 30 per cent to between 35 per cent and 45 per cent for gas.

For example, the government is offering a 20 per cent production share to contractors for offshore areas in south and north Madura and 25 per cent for areas in Sumatra and Kalimantan.

Even though there is no certainty

that the government will reach agreements with the investors on the signing of the 11 concessions, the interest shown by the potential investors is a good sign for the Indonesian oil and gas industry after it saw a bleak period last year, the *Post* said.

Last year, Indonesia's Oil and Gas Implementing Body (BP Migas) reportedly signed only two contracts — one new deal and one extension — compared to 28 contracts signed in 1997 and eight in 2001. Earlier this year, oil and gas investors said they wanted better contractual terms that would assure greater rewards for investors.

The higher percentage of shares for the investors offered by the government shows that the country wants to promote new investment as soon as possible to develop the country's oil and gas reserves, which has remained one of the country's main sources of revenue, said the *Post*.

Oil and gas experts have said the country will probably become a net oil importer soon. After the government secures the contracts for the 11 concessions, it plans to open tenders for nine other oil and gas blocks in October, the report indicated.

UAE oil income set to reach $17.6 billion in 2003, says report

Dubai — Strong crude prices and an increase in production will boost oil income in the United Arab Emirates (UAE) this year to around $17.6 billion, according to a report published by the Economist Intelligence Unit (EIU), an offshoot of the London-based Economist Group.

The 2003 estimate represents a rise from last year's figure of around $16.6bn, before falling to a projected $13.8bn next year, because of an expected drop in crude prices, said the report.

The EIU put the UAE's average crude output at 1.99 million barrels/day last year and forecast it at 2.15 million b/d in 2003, and almost the same level next year. This year's output was higher because the UAE and other major Gulf producers had to hike crude supplies in the first months of this year to make up for a loss of exports from war-hit Iraq.

The report said Iraq now needed time to return fully to the oil market and this meant that supplies from the UAE, Saudi Arabia and other key producers would remain relatively high.

Despite the expected rise in the UAE's income this year, it remained far below the record earnings of nearly $22bn seen in 2000, when the country's oil output climbed to one of its highest levels and crude prices shot above $27/b, their highest average in 20 years.

"2002 was an exceptional year for the UAE and other Gulf countries as their economies recorded one of their highest levels, and revenues reached oil boom levels. I don't think it will be repeated in the near future," the report quoted Kuwaiti economist Jassim Al Saadoun as saying.

Citgo refineries collect 11 safety awards from USA's NPRA in 2002

Caracas — Citgo Petroleum, the US subsidiary of Venezuela's state oil corporation PDVSA, received a total of 11 safety awards in 2002 from the National Petrochemical & Refiners Association (NPRA), the company has announced.

Commenting on the awards, Citgo's Manager of Corporate Health, Safety and Security, Rizio Medina, said: "One of our main goals at Citgo is to keep it safe, keep it clean, and keep it running. By doing these things our employees make a direct contribution to the operational efficiency and overall safety of each refinery.

"We are exceptionally proud of all the people who make safety a top priority at each one of our facilities. These awards belong to them," said Medina.

Citgo's Corpus Christi refinery in Texas received four awards, while the Lake Charles manufacturing complex in Louisiana received three awards. The Paulsboro asphalt refinery in New Jersey received three awards, and the Lemont refinery in Illinois was recognized with one award.

The Lyondell-Citgo refinery in Houston, Texas, of which Citgo owns 41 per cent, received three awards.

In brief

USA to invest $100bn in gas infrastructure

Tokyo — The American gas industry is to invest $100 billion in downstream infrastructure, including pipelines and storage facilities, through 2020, to cope with increasing demand for the fuel, according to the Chairman of the American Gas Association, Richard Reiten. Most of the investment would be made in the first 10 years, in preparation for the new demand, which was averaging at two per cent a year, Reiten told delegates at an industry conference in Japan. The investment would largely be on downstream pipelines, distribution and storage facilities, as well as the expansion of existing facilities. Natural gas demand was expected to grow by 50 per cent by 2020 from the current level, said Reiten.

US oil industry supports sulphur cuts

New York — The US petroleum industry supports the Environmental Protection Agency's (EPA) proposal to reduce non-road diesel sulphur in two stages, according to an official from Marathon Ashland Petroleum, Clifford Cook. Speaking on behalf of the American Petroleum Institute (API) at the first of three regional EPA hearings on the proposal, Cook noted that the first stage would reduce the sulphur content in diesel for all non-road engines to a maximum of 500 parts per million (ppm) by mid-2007. The petroleum industry strongly supported this approach, which would provide environmental benefits a year earlier than the one-step alternative that the EPA considered. The second step would achieve a maximum of 15 ppm sulphur content in diesel for farm and construction use by mid-2010, Cook said.

LNG seen growing in importance

Kuala Lumpur — The importance of liquefied natural gas will increase in the future, with gas demand in Asia and Oceania expected to reach 700 billion cubic metres by 2020, compared with 284bn cu m in 2000, according to the Chief Economist of Tokyo Gas, Tadahiko Ohashi. "Supply-side potential is quite sufficient to prevent demand-pull inflation in the foreseeable future, while declining costs at each stage in the LNG supply chain, from production to liquefaction, transportation and receiving terminals, have also made it possible to re-write the terms of LNG contracts," Ohashi told an industry conference. LNG importers had called for more flexible specification of prices and transaction volumes to counter growing uncertainty and competition from new entrants. "This coincidence of demand-side requirements and supply-side capacity has substantially increased downside flexibility," noted Ohashi.

Switzerland becomes latest European country to ratify the Kyoto Protocol

The OPEC Secretariat established its own Environmental Task Force (ETF) in 1994 to monitor developments in the field of energy use and the environment. Its principal objective is to keep OPEC's Ministers continuously informed about the status of the energy/environmental debate, as it affects the Organization and its Member Countries. The ETF's work is also seen as adding impetus and authority to the discusssions at high-level meetings involving OPEC.

A Quarterly Environmental Report (QER) is circulated to Member Countries, in which the ETF reviews recent activities in the various international environmental fora, monitors changes in energy taxation, and provides background information on relevant forthcoming events, etc. Although this is an internal OPEC document, selected extracts from the publication appear regularly in the OPEC Bulletin for the benefit of a wider readership.

This month's selection comes from the QER published at the end of the second quarter of 2003. It features the highlights of the issue, including the status of the Kyoto Protocol ratification process and a calendar of events.

Issue highlights

Switzerland has become the latest European country to ratify the Kyoto Protocol. The countries that have ratified the Protocol now account for 44.39 per cent of emissions from Annex 1 countries (essentially the developed nations).

Uncertainty is continuing over Russia's delay in ratifying the Protocol. At a meeting in the former German capital Bonn in June, Russian delegates explained the delay by saying that "full and precise evaluation of the economic and social impacts" of ratification was needed, although they added that the work was well under way. Nonetheless, it does seem that there is an anti-Kyoto ratification campaign being orchestrated in Russia.

Russia's Kyoto dilemma is also the subject of a new report from the Massachusetts Institute of Technology's (MIT) Joint Program on the Science and Policy of Climate Change. The MIT report argues that Russia has a dual role in the Protocol, since it is not only a major oil producer, but also stands to benefit from a large volume of emissions credits. The country therefore faces the problem of achieving a trade-off between maximising its revenues from fossil fuels versus income from permits.

A new paper by Benito Müller, Senior Research Fellow at the Oxford

Institute for Energy Studies, examines the increasing interest in 'adaptation measures', reflected in the creation of several funds encouraging these measures, especially in developing countries, which are likely to bear the brunt of climate impacts. An integrated systematic approach to disaster response can only be achieved through a new instrument under the UN Framework Convention on Climate Change, such as the Adaptation Protocol first tabled by the Indian government at COP8 in New Delhi last year, notes the author.

A new accord between the USA, the European Union, Canada, Russia, Brazil and China has established the Carbon Sequestration Leadership Forum, which aims to boost co-operation in data gathering, information exchange and joint projects on carbon sequestration. The Forum, which first met in June in northern Virginia, will bring together government and private sector representatives from the participating countries.

The Energy Future Coalition, an independent, privately-funded US initiative, has issued a new report presenting a set of policy recommendations that could cut US carbon emissions by 180 million tons/year. Measures taken to achieve this aim would include greater use of ethanol fuel and the adoption of hybrid electric and other technologies in the transport sector, reducing electricity use and deployment carbon capture and sequestration technologies.

After examining 1,000 years of data on global temperatures and reviewing hundreds of scientific journals from the past 40 years, a team of scientists from Harvard University has concluded that current global temperatures are not as warm as in the Middle Ages. This contradicts the findings of the Intergovernmental Panel on Climate Change, which believes the opposite.

A new paper by Dr Bo Nordell of Lulea University of Technology in Sweden says global warming is due to heat dissipation from the use of energy from non-renewable sources. One-third of thermal pollution is emitted into space, but a further global temperature increase of 1.8°C is required for the Earth to reach thermal equilibrium, notes the paper.

The US Historical Climatology Network, which regularly publishes historical temperature records from weather stations, has released figures showing that Anderson, South Carolina, in fact cooled by 2°F over the period from 1930-2000.

New figures from the US Department of Energy's Carbon Dioxide Information Analysis Centre show that US emissions were relatively constant until 1987, rose from 1987–89, fell from 1990–91, registered record highs in the late 1990s, and have declined somewhat since 2000.

Calendar of meetings

September 23–24, 2003
Third Annual Workshop on Greenhouse Gas Emission Trading

Paris, France. Sponsored by the IEA, IETA, EPRI and IDDRI, this workshop will have sessions on allocation issues, government trading and interactions between GHG emissions trading and other policies. For more information contact: IEA, 9 Rue de la Fédération, 75015 Paris, France. Tel: +33 1 40 57 65 00; fax: +33 1 40 57 65 59; Web site: www.iea.org/workshop/2003/ghgem/agenda.pdf.

September 24–26, 2003
Grove Fuel Cells Symposium 2003

London, United Kingdom. Organized by Elsevier Science, this major conference and exhibition will provide an up-to-date review of developments in all types of fuel cells worldwide, with progress in implementing them in stationary and mobile applications, and the infrastructure which is emerging. For further information contact: Sarah Wilkinson, The Boulevard, Kidlington Langford Lane, Oxford, United Kingdom. Tel: +44 (0)1865 843691; fax: +44 (0)1865 843958; e-mail: sm.wilkinson@elsevier.co.uk; Web site: www.grovefuelcell.com.

September 29–October 3, 2003
Third World Conference on Climate Change

Moscow, Russia. The main objective of the Conference is to provide a forum for extensive discussion of the climate change problem addressing both natural and anthropogenic factors; to provide a scientific basis for the steps taken to adapt people and economy to the changes currently occurring; to select reasonable cost-effective approaches, which allow mitigation of adverse anthropogenic impact on the climate system and fruitful cooperation and understanding between governments, scientists, businessmen and the wider public. Main topics of the conference include assessment of regional and global climate change and observation, simulation and prediction; capacity limits of the climate system; contribution of anthropogenic impacts; impact of climate change on human activity and health and on biosphere; steps required for adaptation; reduction of the anthropogenic load on the climate system and socio-economic approaches. For more information contact: Conference Secretariat, Novovagan'kovskiy pereulok 12, Moscow, 123995, Russia. Tel: +7 (095) 255 2143; fax: +7 (095) 255 1507; e-mail: wccc2003@hydromet.ru; Web site: www.wccc2003.org.

11–14 October
EnerEnv 2003 Conference, Energy & Environment, A World of Challenges and Opportunities

Changsha, China. The conference will provide an international forum for researchers from academia, industry and government to share experience and knowledge of energy and environment research and offer opportunities for establishing new and strengthening existing partnerships among researchers, institutions and industries. For further information, contact: Wei Sun, Department of Environmental Science & Engineering, Hunan University, Changsha, 410082, PR of China. Tel: +86 731 882 1697; fax: +86 731 882 3701; e-mail: sunwei@hnu.net.cn; Web site: EnerEnv2003.hnu.net.cn or env.uregina.ca/EnerEnv2003.

May/ June

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

Crude oil price movements

May

OPEC's Reference Basket[1] recovered slightly during May, rising 26¢ per barrel or just over one per cent to average $25.60/b. Although the monthly average was just slightly higher than the mean of the price band mechanism, the year-to-date average of $28.37/b exceeded that of 2002 by almost 30 per cent as the Basket registered record highs during the first three months of the year. The Basket displayed a consistent upward trend for the entire month, rising a marginal 22¢/b or around one per cent during the first week, followed by a more pronounced $1.54/b or 6.4 per cent increase in the second week (see **Table A**).

The Basket continued to rise in the last two weeks, albeit at a slower pace, advancing 80¢/b or slightly above three per cent in the third week, while the fourth week saw a marginal rise of less than half a percentage point. The pace of the recovery extended well into the month of June when the Basket gained almost 1.5 per cent or 39¢/b in the first week of the month to be followed by a further 2.5 per cent increase in the second week, which took the weekly average to $27.54/b, or a notch below the upper limit of the price band mechanism. With the exception of Indonesian Minas, all of the Basket components posted gains. Light sour Dubai led the rise, up 72¢/b, followed closely by Mexico's Isthmus and Venezuela's light sour Tia Juana Light.

The pronounced price slide that started in mid-March and continued during April came to a halt in early May. The new month was a time for the market to forget about war headlines and focus more on market fundamentals, which remained tight. In the Atlantic basin, crude oil stocks in the USA were stuck at roughly 35 million barrels below last year's level, despite imports running at close to 10m b for the past eight weeks. Gasoline stocks in the USA started to approach levels similar to the average of the last five years, but stocks of reformulated gasoline (RFG), which accounts for one third of total US gasoline consumption, continued to languish at roughly 20 per cent below last year's level. A closer look reveals that RFG stocks were 38 per cent lower y-o-y in the US West Coast region (PADD5), while in the Midwest (PADD2) they were down almost 50 per cent. Even though the heating oil season is over, distillate stocks were depleted by a winter that was longer and colder than expected. Distillate stocks were 17 per cent lower, and refiners will have to start rebuilding inventories while at the same time increasing gasoline yields to cope with gasoline demand. On the other side of the Atlantic, fundamentals seem equally tight. According to the most up-to-date figures, oil stocks in the EU were 2.5 per cent higher, while product stocks remained 4.2 per cent lower. Total EU oil stocks showed a 1.3 per cent decline with respect to the last seven-year average. The weakness of the US dollar against the euro helped boost demand growth as imports became cheaper. North Sea grade prices firmed as US and north European end-users competed for the tight supplies due to summer field maintenance. Nonetheless, refiners in both the Mediterranean and north-west Europe cut runs late in the month in response to deteriorating margins. Demand for direct-burning crude remained strong in Japan, where the restart of nuclear power plants is not expected to avert high consumption. The bombings in Saudi Arabia on May 12, combined with difficulties in resuming Iraqi production in the face of rampant looting and the lack of security, as well as the implementation of OPEC's April 24 production restraints effective as of June 1, contributed to a sustained price recovery in the second half of May. On the other hand, the negative effect of the SARS epidemic on world oil consumption could lower demand by 300,000 b/d in 2Q03.

US and European markets

The absence of Iraqi exports began to be felt in the USA at mid-March, with the prices of sour grades closing the differential to the more expensive sweet grades. The tightness in sour crude supply was

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

	May 03	June 03	Year-to-date average 2002	2003
Reference Basket	25.60	26.74	22.17	28.11
Arabian Light	24.92	26.15	22.66	27.38
Dubai	24.31	25.46	22.23	26.39
Bonny Light	25.78	27.46	23.07	28.60
Saharan Blend	25.24	27.20	22.64	28.61
Minas	28.76	27.19	22.76	30.07
Tia Juana Light	24.56	26.23	19.94	27.38
Isthmus	25.61	27.48	21.90	28.31
Other crudes				
Brent	25.79	27.44	23.05	28.70
WTI	28.23	30.71	23.86	31.52
Differentials				
WTI/Brent	2.44	3.27	0.81	2.82
Brent/Dubai	1.48	1.98	0.82	2.31

1. *An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

exacerbated by a lack of Venezuela's Mesa, which failed to materialize, and a break in Ecuador's main pipeline, caused by a landslide. The weakness in sweet crude prices seen in early May, due to the overhang of cargoes scheduled to arrive in the US Gulf, reversed later in the month as refiner demand surged. The open arbitrage to the US Gulf Coast, with WTI's premium to Brent exceeding $2/b, supported the flow of West African and to a lesser extent North Sea grades. The bombings in Saudi Arabia, further draws on US oil stocks, and the possibility that OPEC would curb supplies at its 125th (Extraordinary) Meeting of the OPEC Conference in Doha, Qatar, on June 11, caused crude prices to soar. Nonetheless, expectations of a speedy return of Iraqi supplies, following the lifting of UN sanctions, capped the price rise late in the month. North Sea grades strengthened as European and US buyers competed for distillate-rich supplies, which were tight due to the summer field maintenance. The fall in output came to the rescue of collapsing refining margins as refiners cut runs. The Russian Urals price firmed in north-west Europe, as arbitrage induced considerable flows to the Asia Pacific region.

Far East market

The closing of the spread of dated Brent and Dubai early in May triggered a flood of arbitrage cargoes to the region from Russia, West Africa and the North Sea. Around 20m b of West African and North Sea crudes were sold to Asia-Pacific in late April/early May, with Russian Urals adding another 6–7m b of supplies to the region. Strong Japanese demand kept the Middle Eastern benchmark crude Dubai at a discount of less than $1/b to dated Brent, leaving the arbitrage window wide open for grades to move eastwards. During the second half of May the limited resumption of nuclear power production in Japan reduced the pressure on regional crudes, which caused the differential to slip thereby shutting the arbitrage window.

June

The OPEC Reference Basket[1] made hefty gains in June, surging $1.14/b, or 4.5 per cent, to average $26.74/b, which extended May's recovery from April's $25.34/b, the lowest level of the year. June's rise maintained the Basket's year-to-date average above the upper limit of the price band mechanism, which stood at $28.11/b at the end of June, or 27 per cent higher when compared to the first half of 2002. Gross revenues of OPEC Member Countries have risen by around 36 per cent in the first five months of the year compared to the same period in 2002, which translates into an increase of approximately $30 bn (see **Table A**).

The Basket started the month with a 1.44 per cent, or 38¢/b rise, before advancing further by another 2.5 per cent, or 67¢/b, during the second week. The Basket then made a sudden U-turn, losing five per cent of its value in a single week. In the final week of June the Basket returned to recovery mode, albeit at a slower pace, rising by just over one percentage point or 27¢/b to $26.42/b. This recovery extended into the first two weeks of July, when the Basket rose 72¢/b in the first week to $27.14/b, followed by a gain of 16¢/b in the second week, which put the weekly level at less than $1/b below the upper limit of the price band. All Basket components, with the exception of Indonesia's Minas, posted gains. Algeria's light-sweet Saharan Blend led the gains, followed closely by Mexico's Isthmus and Nigeria's light-sweet Bonny Light. Tia Juana Light, Arabian Light and Dubai posted the smallest recoveries, albeit gaining more than $1/b each.

Atlantic basin benchmark crudes started to build momentum early in June with the front-month NYMEX sweet crude contract breaking well above the $30/b mark, while London's IPE Brent contract came a few cents per barrel short of the $28/b level. Crude prices drew strength from the fall in US crude inventories, which declined 3m b to 285.6m b in the week ending June 6, despite industry efforts to rebuild after the loss earlier in the year of supplies from Venezuela, Nigeria and Iraq.

US crude oil imports surged to 10.5m b/d in the last week of May, but a rise in crude runs to 15.87m b/d early in June prevented the replenishment of inventories. Crude oil prices continued to rise ahead of OPEC's 125th (Extraordinary) Meeting of the Conference in Doha, Qatar, on June 11. WTI futures prices surged to $32.36/b on June 11, reaching an intra-day high of $32.50/b with a volume of 224,500 contracts traded. As OPEC's decision to keep output levels unchanged was largely anticipated, markets focused mostly on Iraq and US stock levels. Crude oil markets came under pressure during the third week of June, dragged down by sluggish gasoline demand, rising US crude oil stocks and the perception of a faltering global economic growth. US gasoline demand, typically the engine of the market during the driving season, has yet to materialize at expected levels in the current year, with apparent gasoline demand running some five per cent below 2002 levels. Meanwhile, according to the API's latest weekly report for the week ending June 13, crude oil stocks showed a build of 4m b to reach 289.60m b, still 34.54m b lower on the y-o-y basis. Crude oil prices remained persistently firm late in the month, in spite of soft market fundamentals.

Demand for crude and products was subdued in the Asia Pacific region, where cuts in refinery runs due to maintenance have compounded the effects of the economic slow-down. The increment in Japanese oil consumption for direct burning to compensate for the closure of several nuclear reactors is returning to its normal levels with the restart of a second reactor and plans to re-open two more in July. Meanwhile, US gasoline consumption remained weak in the middle of the driving season, while the government reported an unexpected and sizable build in natural gas inventories. Iraq continued to pose the biggest challenge to the oil market, as developments seem not to be progressing as expected. Production has been considerably below early assessments, with May, June and July seeing only 360,000 b/d, 480,000 b/d and 800,000 b/d, respectively, while exports amounted to 320,000 b/d in June and 260,000 b/d in July, the former representing pre-war inventories.

US and European markets

Early in June, falling US oil stocks pushed WTI prices above the $32/b level, causing the spread over North Sea Brent and Brent, Forcados and Oseberg (BFO) to widen and prompting the eastbound shipping of West African, Urals and North Sea cargoes. End-users took around 12m b of Nigerian gasoline-rich Bonny Light and Qua Iboe, which pushed premiums

to more than 60¢/b over dated BFO. On the sour side, an armada of medium-sour Russian Urals cargoes landed on US shores amid the lack of Iraqi and Venezuelan volumes that prompted the narrowing of the sweet-sour differential. Later in the month, the demand for sour crudes dissipated due to languishing refinery margins, less competitive shipping economics and refinery glitches at several US Gulf Coast plants. In Europe, North Sea grades, as mentioned earlier, were supported by the open arbitrage to the USA, field problems and field maintenance scheduled for July. During the second half of the month, recovering refining margins revived regional demand.

Far East market

Almost everything that could dampen demand for crude oil and bring out the bearish sentiment in the Asia-Pacific market was present during June. Slow economic growth and weak demand for lighter gasoline-rich crudes during the Asia Pacific driving season eroded demand.

Japanese thirst for direct burning crude, which reached 180,000 b/d a month earlier, started to fall as nuclear plants came back into operation, with another plant scheduled to restart in the coming months. End users were sidelined, and unworkable refining margins prompted run cuts and refinery shut-downs for maintenance purposes. Regional benchmark crudes were offered at deep discounts to their official selling prices. Murban, which traded at ADNOC minus 20¢/b at mid-month, was valued at ADNOC minus 27¢/b later in June; while Oman sold for MOG minus 15¢/b at the beginning of the fourth week in June versus a 20–25¢/b discount at the end of that week.

Product markets and refinery operations

May

Product prices displayed divergent trends in May, shaped largely by regional fundamentals rather than crude price movements. Refining margins, despite sliding in all three centres, ended mixed. The refinery throughput rose in the USA, replenishing the country's product stocks, but declined in Western Europe on negative margins and in Japan because of ongoing maintenance programmes (see **Table B**).

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

		Apr 03	May 03	Jun 03	Change Jun/May
US Gulf					
Regular gasoline	*(unleaded)*	34.24	33.20	34.96	+1.76
Gasoil	*(0.2% S)*	30.47	29.65	31.07	+1.42
Fuel oil	*(3.0% S)*	19.59	21.16	22.35	+1.19
Rotterdam					
Premium gasoline	*(unleaded)*	34.38	32.06	33.15	+1.09
Gasoil	*(0.2% S)*	29.59	29.00	30.57	+1.57
Fuel oil	*(3.5% S)*	18.61	20.29	21.57	+1.28
Singapore					
Premium gasoline	*(unleaded)*	28.74	28.73	31.59	+2.86
Gasoil	*(0.5% S)*	30.03	29.12	29.33	+0.21
Fuel oil	*(380 cst)*	23.12	23.15	24.51	+1.36

US Gulf market

Average product prices for May in the US Gulf market moved in different directions, characterized essentially by regional fundamentals, as the marginal slide in the monthly average price of their marker crude, WTI, had only a minor effect on its product counterparts. Both gasoline and gasoil lost around three per cent off last month's levels, while the average value of high sulphur fuel oil (HSFO) surged by eight per cent for the same period. Nevertheless, a look at the US product markets as a whole shows a prevailing rise in refinery throughput, as refiners rushed to replenish both gasoline and distillate inventories. US gasoline stocks remained slightly below last year's volume, as one of their main components, the seasonally important reformulated gasoline, displayed a much lower volume than in the preceding year, after Venezuela failed to resume exports of reformulated grades in May. However, other conventional gasoline import flows were robust.

Meanwhile, gasoline demand weakened slightly from the month before and fell around one per cent on the year, as deliveries in the first half of the month outpaced an upturn in demand for the remainder of May, according to the EIA's four-week moving average. Persistently high crude prices, and the resulting poor crude refining margins, encouraged US refiners to enhance gasoline output by processing various feedstocks, such as the distillate products vacuum gasoil and heating oil, in addition to HSFO. Increased demand for HSFO, together with the diversion of Latin American fuel oil cargoes to the Far East, resulted in a poorly supplied fuel oil market during some parts of the month, which consequently underpinned prices.

In May, average refining margins in the US Gulf Coast continued to slide for the third consecutive month, as the drops in gasoline and distillate values were more pronounced than the slight decline in their marker crude price WTI. The average WTI refining margin dipped to approximately $1/b (see **Table B**).

The average US refinery throughput surged a further 370,000 b/d to reach 15.96m b/d in May. The corresponding utilization rate was 96 per cent, representing a three per cent increase on the preceding year, but roughly on a par with the May 2001 level (see **Table C**).

Rotterdam market

Average monthly product values displayed mixed trends in May. The gasoline price fell the most, losing seven per cent, while its counterpart gasoil dipped less than two per cent below the previous month's level (see **Table B**). The HSFO price experienced the greatest surge at nine per

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*			Refinery utilization *(%)*[1]		
	Apr 03	May 03	Jun 03	Apr 03	May 03	Jun 03
USA	15.59	15.96	15.93	93.8	96.0	95.8
France	1.51	1.61	1.69	79.3	84.7	88.8
Germany	2.24	2.10R	2.11	98.8	92.5R	92.8
Italy	1.76R	1.74R	1.70	76.7R	75.8R	74.0
UK	1.61	1.59	1.51	89.8	88.9	84.4
Eur-16[2]	12.07R	11.74R	11.80	87.9R	85.5R	85.9
Japan	4.22	3.85R	3.81	88.6	80.8R	79.8

1. Refinery capacities used are in barrels per calendar day.
R Revised since last issue.
2. European Union plus Norway.
Sources: OPEC statistics, Argus, Euroilstock Inventory Report/IEA.

cent, thereby outperforming the three per cent increase in the monthly average of its underlying crude, Brent.

Nonetheless, an overall analysis of product markets in north-west Europe sheds light on a number of factors. Firstly, transatlantic gasoline cargoes enjoyed higher activity than in the previous month, which partially offset receding demand throughout the region, except for the UK, which showed signs of an increase in deliveries. Secondly, European distillate markets were assisted by German end-users, who took advantage of the strong euro to replenish their heating oil inventories. Thirdly, an intensive fuel oil shipping programme to Asia during the first three weeks of May was followed by sporadic arrivals of Russian fuel oil cargoes, hampered by logistical constraints at Baltic Sea ports. These, combined with solid bunker demand throughout the latter part of the month, only further tightened the European fuel oil market.

The Brent price's relative strength, coupled with a sharp loss in the gasoline price and to a lesser extent gasoil value, constituted the main reasons for the plunge by refining margins into negative territory in May.

Undermined by poor economics, the average refinery throughput in Eur-16 countries fell by 360,000 b/d to register 11.82m b/d in May. The equivalent utilization rate was 86.1 per cent, or almost four per cent above the year-ago level (see **Table C**).

Singapore market

Average May prices for the opposite ends of the barrel — gasoline and HSFO — were almost unchanged from the previous month's levels (see **Table B**). The gasoil counterpart fell by three per cent, while the corresponding average of its underlying crude, Dubai, rose by almost the same percentage. Lacklustre regional demand afflicted most Asian products. Gasoline, for instance, suffered from the decreased interest of key buyers Indonesia and Vietnam, with the former's Pertamina purchasing only half the previous month's gasoline requirements for June delivery. Moderate activity in trans-Pacific arbitrage to the US West Coast, however, helped balance thin regional trading.

Gasoil was prevented from tracking the surge in crude oil prices by the well-supplied distillate market facing receding demand, linked to gloomy Asian economics exacerbated by concern about the SARS epidemic. The HSFO market in Singapore was under pressure in the first two weeks of May, owing to worries over the influx of foreign arbitrage. As the month progressed, the number of fuel oil arrivals were found to be smaller than anticipated, and a large portion of them had to be diluted to match the required specifications. However, the absence of strong demand from China, the largest regional buyer, pushed up regional fuel oil stocks in Singapore.

The surge of the marker crude, Dubai, hampered its margins in May, which managed to remain in positive territory, despite moderate losses in distillate values.

The average refinery throughput in Japan declined 420,000 b/d to 3.80m b/d in May, in keeping with seasonal turnaround maintenance. The utilization rate was nearly 80 per cent, or around six per cent higher than in the previous year, as the continued outage of nuclear power generators lent considerable support to the consumption of refinery-produced low sulphur fuel oil (see **Table C**).

June

Product price rises tracked continuous crude price gains in June, although at different paces, as regional fundamentals were also at work. Refinery throughput remained almost unchanged in all three centres, despite differing economic performance (see **Table B**).

US Gulf market

Although average product prices in the US Gulf market enjoyed significant rises in June, they were overwhelmed by an almost nine per cent surge in their marker crude, WTI. Average values of both gasoline and gasoil rebounded five per cent, whereas HSFO was pushed up six per cent. Nevertheless, the EIA's four-week moving average, which represents the bulk of US refinery and product activities for June, showed that US refinery throughput compared to the previous month remained almost unchanged to slightly lower, with demand for its main product gasoline almost flat throughout the two-month period. Despite the prevailing drop in retail prices, gasoline demand was weak compared to the corresponding period last year, largely due to the poor state of the economy, stormy weather in the northeast region and a prolonged school year in many US districts.

Meanwhile, gasoline imports averaged 900,000 b for the month, with the first reformulated gasoline shipment loading from Venezuela after a delay in exports of more than six months. The US distillate prices moved up with two driving forces working in tandem: firstly, the need to replenish the country's low distillate inventories, induced by the prevailing situation of a contango in the market; and secondly, increased demand for distillate products such as low-sulphur gasoil and vacuum gasoil for use as a cheap alternative to very costly crude oil for refinery feedstock to enhance gasoline output. Consequently, distillate demand rose one per cent over the previous month and two per cent over the preceding year. Firm natural gas prices

continued to support low-sulphur fuel oil (LSFO) as a favourable utility fuel. Supply of its sister product HSFO tightened, as Latin American fuel oil cargoes were diverted to the lucrative Asian markets from their original US destinations at the time of solid bunker demand. These factors led fuel oil demand to surge by 44 per cent m-o-m and 53 per cent y-o-y.

The exceptional strength of WTI's average price in June eclipsed product value increases, resulting in negative refining profit margins in June. Nonetheless, Brent, which is also processed in the US Gulf Coast, edged up close to $1.50/b, reflecting both its lower average monthly rise and falling freight rates.

The US refinery throughput crept marginally lower in June to 15.93m b/d. This was below the previous month's record high level, but one per cent higher than the preceding year. The utilization rate rose to almost 96 per cent (see **Table C**).

Rotterdam market

Average product price rises were led by a six per cent increase in the European marker crude, Brent, in June. Average gasoline and gasoil prices regained last month's losses and moved higher by three per cent and five per cent, respectively. The HSFO counterpart strengthened a further six per cent over the same period. Gasoline and gasoil prices were largely determined by German activity, as refinery turnarounds there triggered heavy gasoline purchases, which outstripped ebbing transatlantic arbitrage.

European distillate markets were further supported by robust purchases of heating oil by German end users looking to replenish their stocks, along with several delays in the arrival of Russian distillate cargoes. HSFO continued to be in tight supply as available spot materials were delivered to very large crude carriers (VLCCs) heading for the Asian markets, and whatever was left behind was utilized as feedstock refinery intakes.

Brent's refining margins were nudged slightly into positive territory in June, induced by healthy product buying.

The refinery throughput in the Eur-16 increased slightly to 11.80m b/d in June. The refinery utilization rate stuck close to 86 per cent, indicating a one per cent drop from the previous year (see **Table C**).

Singapore market

In Singapore, average June prices for the opposite ends of the barrel, gasoline and HSFO, surged by ten per cent and six per cent, respectively, thereby outperforming a five per cent rise in their underlying crude, Dubai. The price increase of the counterpart gasoil, however, was limited to just one per cent during the same month.

Gasoline experienced the greatest gains on a number of supporting factors. Firstly, a fresh tender from Indonesia's Pertamina to double its previous month's purchase to 600,000 b; secondly, demand was strong from Middle East countries, particularly Saudi Arabia and Oman; and thirdly, transpacific arbitrage to the USA saw modest activity. The Asian distillate market continued to be amply supplied, facing persistent lacklustre regional demand. Firm crude prices, sporadic HSFO buying from China, and regional refinery maintenance tightened fuel oil supply and constituted the main reasons for a further surge in Asian fuel oil prices (see **Table B**).

The refining margins for Dubai rose moderately in Singapore in June, as a further surge in gasoline and HSFO prices outpaced the marginal increase in distillate prices and the modest rise in crude costs.

In Japan, June refinery throughput dipped slightly to a still impressive 3.81m b/d. This left the equivalent utilization rate at almost 80 per cent, or 13 per cent above the corresponding period last year, due mainly to higher fuel oil demand for power generation as many of Japan's nuclear reactors remained shut (see **Table C**).

The oil futures market

May

The bearish mode prevailing in the market since mid-March, following the start of the war on Iraq, began to wind down in the first half of May. Nonetheless, the Commodity Futures Trading Commission's (CFTC) Commitments of Traders report showed that during the first week of May non-commercials, the technical name for speculators, reduced their long positions by 3,270 contracts while at the same time adding 3,132 lots to their shorts, resulting in an increased net-short position of 45,183 lots.

In the following week speculators' view of the market brightened. According to the CFTC Commitments of Traders report for the week ending May 13, non-commercials added 11,904 contracts to their long positions and reduced their shorts by 7,867 lots, with net-shorts falling by 19,771 lots to 25,412. Meanwhile, crude prices surged $2/b on a range of factors, such as the bombings in Saudi Arabia, draws on US crude oil stocks, and a less optimistic outlook for Iraq's crude oil production and exports.

Non-commercials continued to dispose of their short positions in the third week, reducing the net-shorts by 7,101 lots to 18,311. The NYMEX front month sweet crude contract gained $1.75/b during the week. The CFTC Commitments of Traders report for the week ending May 27 showed that speculators reduced their net-short positions further by 1,968 lots to 16,343. This was a result of a 4,006 lot increase in the long positions and a 2,038 lot rise in the number of shorts. Immediate supply worries and the implementation of OPEC's April 24 production agreement as of June 1 provided support to crude oil prices but the lifting of UN sanctions against Iraq capped the upward momentum.

The biggest shift in speculators' perception about the market took place during the first week of June. The CFTC Commitments of Traders report for the week ending June 3 showed a huge rise in the number of longs of 19,632 lots, while shorts only rose 1,233. For the first time since early February the number of longs exceeded the number of shorts by a ratio of 1.04 to 1. Expectations that the upcoming 125th (Extraordinary) Meeting of the OPEC Conference scheduled for June 11 in Doha, Qatar, would yield no concrete action and the tight inventory situation in the USA and Japan made non-commercial players turn net-long in WTI futures. The NYMEX WTI front-month contract continued to escalate during the week, closing above the $31/b level on June 6.

June

Non-commercials (speculators) turned bullish for the first time in more than

four months at the beginning of June on expectations that OPEC's 125th (Extraordinary) Meeting of the Conference on June 11 in Doha, Qatar, would not bring about any changes to the Organization's actual production policy. The CFTC report for the week ending June 3 showed a significant 19,632 increase in the number of longs, which implies the assumption that prices will rise in the future, while shorts rose by only 1,233 to bring the long-short balance to 2,056 net long contracts. Open interest in WTI futures increased that week by 37,805 to 492,015 contracts. Meanwhile, the WTI front-month futures contract broke through the $30/b mark to close at $30.67/b on June 3.

The bullish mode continued in the following week, with speculators adding another 18,708 lots to the number of longs, while those with a pessimistic view of the market added only 3,838 short contracts. Thus, net-longs rose by 14,865 lots to 16,921 in the week of June 10. Non-commercials' huge build of long WTI positions pulled up the contract prices with the front-month contract rising above $32/b. The fall in US crude inventories combined with OPEC's unchanged output policy at the June 11 Doha Meeting provided more ammunition for the bulls.

Non-commercials slashed long positions by almost 7,000 contracts in the week of June 17, bringing down the largest speculative net long position since December 2002. Funds took profits following the previous rally, disregarding preliminary data showing increasing OPEC-10 compliance with the April 24 agreement.

Net-long positions shot up in the following week, this time as a result of heavy short covering, in which futures are used to offset a short position. Non-commercials liquidated 15,006 short contracts, while longs also fell by 3,123 lots, bringing the net long position to 17,960. Speculators looking at the market outlook might have concluded that, with the high-demand season approaching (3Q and 4Q) and the uncomfortable crude, gasoline and distillate stock levels in the USA, it was too risky to hold on to their shorts.

Non-commercials became increasingly more bullish in July with net-long positions rising to 27,283 contracts in the week of July 1 and further to 30,475 in the week of July 8.

The tanker market

May

OPEC area spot-chartering rose 1.94m b/d to 14.17m b/d during May 2003, exceeding last year's level by 930,000 b/d. As freight rates declined following the end of the war on Iraq, especially in the VLCC sector, traders and refiners, particularly in Asia, rushed back to the market to try to make up for the previous month's losses. A jump in West African fixtures added to this rise, as Nigeria's oil production regained pre-protest losses. OPEC's share of global chartering moved slightly up by 2.21 per cent to stand at 59.41 per cent, while non-OPEC fixtures increased a marginal 530,000 b/d to 9.68m b/d, bringing their market share to 40.59 per cent. This increase in OPEC and non-OPEC fixtures moved global spot-chartering up 2.47m b/d to stand at 23.85m b/d, just above the year-ago level. Both eastbound and westbound long-haul fixtures contributed to the increase in OPEC spot-chartering, rising 790,000 b/d to 5.31m b/d and 550,000 b/d to 1.65m b/d, respectively. Compared with the year-ago figures, eastbound long-haul fixtures were 570,000 b/d higher, while westbound long-haul spot-chartering moved down 720,000 b/d. The month-to-month rises were reflected in each route's share of total OPEC fixtures, with the eastbound share rising 0.51 per cent to 37.47 per cent and the westbound share 2.65 per cent to 11.64 per cent. Together these routes accounted for 49.11 per cent of total OPEC spot-chartering, up 3.16 per cent over April. Estimated sailings from the OPEC area during May rose 2.19m b/d to 26.08m b/d, mostly on Middle Eastern sailings, which showed an increase of 1.73m b/d to 18.69m b/d. The share of Middle Eastern sailings in the OPEC area moved up a slight 0.67 per cent to stand at 71.66 per cent. Preliminary estimates of long-haul arrivals in the Atlantic basin showed a marginal decline of 1.58m b/d to 9.52m b/d. NW Europe, Euro-Med and Japan followed the same downward trend, decreasing 680,000 b/d to 7.06m b/d, 440,000 b/d to 4.28m b/d, and 750,000 b/d to 3.42m b/d, respectively.

Despite the rise in spot fixtures, crude freight rates on nearly all routes and sectors continued to head downward, except for Suezmax tankers which benefited from increased cargoes out of West Africa, especially from Nigeria as its oil production regained the losses of the previous two months, and on the NW Europe to US Gulf Coast route as the open arbitrage allowed North Sea grades to move to the US market. Aframax rates from the Mediterranean to NW Europe also benefited from robust trade. These trends added 14 points to the Suezmax freight rates on the West Africa/US Gulf route for a monthly average of Worldscale 124, while on the NW Europe/US Gulf route, they jumped 21 points to W136. Aframax freight rates outpaced them all, surging 41 points to W169. However, the slide in VLCC freight rates was not as large as in the previous month, losing only 19 points to W74 on the eastbound long-haul route and 20 points to W61 on the westbound long-haul route. The heaviest losses in crude oil freight rates took place on the Indonesia/US West Coast route where they fell 42 points to W144, and on the Caribbean/US Gulf Coast route where they tumbled 46 points to W169. Within the Mediterranean basin, steady activity kept rates near the previous month's level, declining only three points to W217.

The product tanker market remained very weak on all routes as product shipments dried up, especially in the Caribbean where rates plunged 105 points to W220, and in Venezuela where refiners were not able to product enough to meet high demand from the US market. A lack of products also affected rates on the NW Europe/US Gulf route, which lost 75 points to W230. Rates for medium range tankers did not fare any better, dropping 31 points to W254 on the Middle East/Far East route, while rates on the Singapore/east route lost 63 points to W271, all on weak demand. Thin trading also pushed down rates within the Mediterranean and from there to NW Europe, sliding 33 points to W273 and 81 points to W244, respectively.

June

OPEC area spot-fixtures lost the previous month's gain, falling 3.50m b/d to 10.67m b/d, a level not seen since December 2002 when OPEC spot chartering plunged to 10.61m b/d. Most of the decline happened on the Middle East eastbound long-haul route, where spot fixtures fell 1.21m b/d to

4.10m b/d on the back of weak demand, exacerbated by high crude prices, which forced traders, who loathe accumulating expensive barrels, to wait for the market to drop with the resumption of Iraqi exports. However, as Iraqi exports are expected to take longer than originally thought to reach pre-war levels, the market does not foresee any big change in spot fixtures in July, especially if crude oil prices remain at the current high levels.

OPEC's share of global chartering decreased considerably by 10.62 per cent to 48.79 per cent. Non-OPEC spot fixtures rose 1.52m b/d to stand at 11.20m b/d, which represents 51.21 per cent of global chartering, an increase of from the previous month. The massive fall in OPEC spot chartering resulted in a significant decline of global spot chartering, which fell by 1.97m b/d to 21.87m b/d, still 1.63m b/d higher than the level a year ago. As noted, the fall in eastbound long-haul spot fixtures was the main reason behind this decrease, while the minor 40,000 b/d increase of spot fixtures to 1.69m b/d on the Middle East westbound long-route failed to provide much of a counterweight. Compared with last year's figures, eastbound long-haul fixtures were up 1.05m b/d, while westbound long-haul spot chartering increased 610,000 b/d.

The rise on both routes resulted in an increase of 0.95 per cent to 38.42 per cent in the eastbound share of total OPEC fixtures, while the westbound share rose more strongly by 4.20 per cent to 15.84 per cent. Together both routes accounted for 54.26 per cent of total OPEC spot-fixtures, which stood at 5.15 per cent above the month-ago level. Estimated sailings from the OPEC area in June decreased 1.50m b/d to 24.69m b/d, with nearly half of this decline taking place on the Middle East eastbound long-haul route, which fell 690,000 b/d to 17.96m b/d. The share of Middle Eastern sailings in the OPEC area showed a slight increase of 1.08m b/d to 72.74m b/d. Long-haul arrivals in the US Gulf Coast, the US East Coast, and the Caribbean were estimated to grow by 1.53m b/d to 11.83m b/d. North-West Europe and Japan also showed some increases, with the former moving up a slight 210,000 b/d to 7.10m b/d and the latter rising a more substantial 600,000 b/d to 4.07m b/d.

The month of June began with a huge number of accumulated available tankers which combined with slower July chartering at the beginning of the month to keep freight rates for crude vessels near the previous month's level. This was especially true for VLCCs which lost just one point to register W60 on the westbound long-haul route, while on the eastbound long-haul route rates moved only one point up to stand at W75. Increased activity in the second half of the month helped maintain the monthly average once traders started to book July cargoes and even to some extent August barrels. The rise of seven points to a monthly average of W131 in Suezmax tankers on the route from West Africa to the US Gulf Coast reflected strong activity during the first half of June, where rates reached highs of W150.

The second half of the month, however, was dominated by thin trading, which brought down rates to below W80, the lowest level seen this year. Suezmax freight rates on the NW Europe/US Gulf route decreased by 13 points to a monthly average of W123 on weak demand. Aframax freight rates from Indonesia to the US West Coast also headed downward, losing 14 points to W130 on the back of slackening business. Within the Mediterranean, rates also followed the general downward trend, dropping 26 points to a monthly average of W191, mostly on quiet trade early in the month while rates took a steady trend between W180 to W190 once the month drew to a close.

The picture was different for cargoes from the Mediterranean to the NW Europe where Aframax freight rates gained on average 24 points to stand at W193 on steady activity. From the Caribbean to the US Gulf Coast, Aframax freight rates managed to pick up 33 points to stand at a monthly average of W202, due to gains earlier in the month before dropping to the W100 level at the end of the month, the lowest level seen this year.

Product freight rates did not show any signs of improvement during June. Instead, they continued downward at a more accelerated speed than expected, especially from the Middle East and within the Mediterranean where rates registered very big losses due to the lack of sufficient trade. Rates fell 65 points to a monthly average of W189 on the Middle East/east route, and by 78 points to W195 within the Mediterranean basin.

Other routes showed less than half the above losses as some areas enjoyed a little activity, especially in the second half of June. The least losses were seen in the Caribbean, where rates from there to the US Gulf Coast fell 27 points to W193, while from Singapore to the East they moved down 25 points to W246. From NW Europe to the US East Coast and to the US Gulf Coast, rates sank 41 points to W189. Rates for 25-30,000 dwt tankers on the Mediterranean/NW Europe route moved down 37 points to a monthly average of W207.

World oil demand

May

Estimates for 2002

World

Marginal changes in the quarterly averages of 10,000 b/d in opposite directions have led to an average 2002 world consumption of 76.56m b/d, the same figure as given in the previous report. The world demand increment, ie, the difference between the 2001 and 2002 averages, has likewise remained unchanged at 190,000 b/d. Given these minor changes in the estimates, the regional and quarterly analysis is basically the same as that presented in the last report.

On a regional basis, demand in the OECD is estimated to have decreased 100,000 b/d following a smaller decline of 70,000 b/d in 2001. The former CPEs' consumption, on the other hand, is estimated to have grown a considerable 190,000 b/d, or 2.0 per cent, higher than the 150,000 b/d in 2001. In developing countries, only a moderate 100,000 b/d or 0.52 per cent rise in consumption is estimated for 2002, following a significant 290,000 b/d growth in 2001.

On a quarterly basis, compared with the corresponding 2001 figures, world demand declined by 0.61 per cent, or 470,000 b/d, to average 76.60m b/d in 1Q, mostly due to milder than normal weather. 2Q consumption is estimated to have dropped even further, shedding 0.65 per cent or 490,000 b/d to 74.74m b/d,

mostly on lacklustre economic performance. However, compared with the exceptionally weak consumption in 2001, partly due to the attacks of September 11, 3Q and 4Q demand is estimated to have risen at a significantly accelerated pace. The estimated growth rates are 460,000 b/d, or 0.60 per cent, to 76.53m b/d and 1.23m b/d, or 1.59 per cent, to 78.33m b/d, respectively.

OECD

Actual data indicates that the OECD registered a substantial 850,000 b/d decline in 1Q consumption, making it the sole contributor to the fall in world consumption. Demand in developing countries and former CPEs, up 220,000 b/d and 160,000 b/d, respectively, partly offset the decline in that of the OECD. Within the OECD, the highest drop rate of 3.59 per cent was experienced by OECD Pacific, followed by 1.91 per cent in North America and a minor 0.32 per cent in Western Europe.

Data on actual consumption in 2Q also points to a drop of 320,000 b/d, or 0.68 per cent, in OECD consumption. This was due to a steep decline in OECD Pacific demand of 320,000 b/d combined with a moderate 130,000 b/d drop in Western Europe's consumption, which was partly offset by a slight rise of 130,000 b/d in demand in North America.

The latest available data on actual 3Q consumption points to a moderation of the downward trend seen in 1Q and 2Q. Total OECD consumption is estimated to have dropped a marginal 120,000 b/d, or 0.25 per cent. Within the OECD, the 190,000 b/d rise in North America's consumption is estimated to have been more than offset by the 310,000 b/d decline in demand in Western Europe.

Actual data on OECD 4Q consumption indicates an impressive gain of 860,000 b/d. Demand in North America picked up a robust 580,000 b/d or 2.45 per cent, while OECD Pacific demand registered a 500,000 b/d or 5.70 per cent increase. On the other hand, demand continued to be weaker in Western Europe, dropping 220,000 b/d or 1.40 per cent.

On a product basis, during the year 2002, residual fuel oil continued to rank as the leading decliner in volume (270,000 b/d) and percentage (5.0 per cent), mostly due to the shift to natural gas consumption in North America. The weakness in aviation fuel consumption also continued with an average 2.5 per cent decline from 2001, as subdued air travel persisted on a global basis. The leading volume gainers were gasoline and LPG consumption, with rises of 220,000 b/d, or 1.5 per cent, and 120,000 b/d, or 2.6 per cent, respectively, mostly due to a substantial growth in consumption in North America of 2.8 per cent and 4.7 per cent, respectively.

Developing countries

Oil demand in developing countries is estimated to have grown a marginal 100,000 b/d, or 0.52 per cent, to 19.45m b/d. The demand performance in Latin America continued to be significantly weaker than in the previous year — declining by 110,000 b/d, or 2.29 per cent, — due to persistent economic and financial problems. Other Asia is estimated to have registered the highest volume and percentage growth at 120,000 b/d and 1.65 per cent, followed by the Middle East and Africa with 50,000 b/d and 30,000 b/d, respectively.

Other regions

Apparent demand in the Other Regions group of countries is estimated to have grown at a healthy 190,000 b/d or a 2.0 per cent rate. Within the group, the FSU registered a considerable decline in consumption of 190,000 b/d or 4.71 per cent, while China experienced the world's highest consumption growth rate at a significant 350,000 b/d or 7.40 per cent. This remarkable estimated growth rate is nearly twice the estimated average rise in world demand. Apparent demand in Other Europe also underwent a minor 20,000 b/d volume rise, representing a relatively high 3.42 per cent growth rate.

Projections for 2003

World

The world demand forecast for 2003 has been revised upwards by 70,000 b/d to average 77.45m b/d, compared with the 77.38m b/d given in the previous report. The increment has also been revised up by 80,000 b/d to 890,000 b/d, equivalent to 1.17 per cent, from the previous 820,000 b/d, equivalent to 1.07 per cent. The incorporation of the actual 1Q consumption figures for OECD and some preliminary assessments of the actual 1Q consumption for non-OECD have resulted in an upward revision of the 1Q average of total world consumption. A further downward revision to 2Q demand forecast has become necessary as the outbreak of SARS continues to undermine oil consumption.

All of the three major groups of countries are forecast to register positive demand growth. The OECD is expected to rank first in demand volume growth with 540,000 b/d, or 1.14 per cent. At 250,000 b/d, or 2.63 per cent, the rise in the former CPEs' demand is expected to be the second highest in volume but first in percentage terms, while developing countries are forecast to follow with a 100,000 b/d, or 0.53 per cent, demand increase.

Consumption is forecast to grow in every single quarter of 2003 compared with the corresponding quarter in the year 2002. 1Q and 4Q are expected to experience the highest growth of 1.98m b/d and 710,000 b/d, respectively. One should bear in mind that 1Q02 registered exceptionally weak consumption, while 1Q03 has seen both colder-than-normal weather in many regions and nuclear reactor maintenance in Japan, creating much higher demand for oil. The SARS epidemic has affected 2Q consumption, which is expected to experience a rise of 470,000 b/d, marginally lower than previously forecast. 3Q is forecast to register slightly lower growth at 440,000 b/d.

OECD

Preliminary OECD oil consumption data for 1Q03 indicate that total inland consumption grew by a healthy 1.31m b/d or 2.7 per cent over consumption in 1Q02. This was partly due to the colder-than-normal weather in most regions of the OECD. The leading volume gainer was gasoil/diesel which registered a 740,000 b/d, or 6.0 per cent, rise. The leading percentage gainer was naphtha with a 7.5 per cent, or 230,000 b/d, growth. Spiking natural gas prices in the USA encouraged petrochemical producers to utilize more naphtha, while healthy margins in the downstream industries, ie, ethylene production, induced higher naphtha intake percentages in Europe and Asia. All other major products such as LPG, gasoline, kerosene and residual fuel oil also experienced healthy gains.

June

Revisions to 2001 and 2002 historical consumption data

Historical data are usually revised in July. Out of the 170,000 b/d upward revision to the 2001 average, the bulk, 120,000 b/d, is related to the OECD, while developing countries account for only 50,000 b/d. For 2002, again OECD gets the lion's share, 160,000 b/d out of the total 230,000 b/d, while developing countries and former CPEs account for 50,000 b/d and 20,000 b/d, respectively.

Estimates for 2002

World

A considerable 230,000 b/d upward revision to the historical data has led to an average 2002 world consumption of 76.78m b/d, compared to the 76.56m b/d given in the last report. Therefore, the world demand increment has undergone little change from the previous 190,000 b/d to the current 240,000 b/d because of the simultaneous upward revision to the 2001 average.

On a regional basis, following a minor rise of 10,000 b/d in 2001, demand is estimated to have decreased 60,000 b/d in the OECD. In contrast, consumption in former CPEs is estimated to have grown a considerable 210,000 b/d, or 2.21 per cent higher than the 150,000 b/d growth seen in 2001. In developing countries, only a moderate 100,000 b/d, or 0.50 per cent, rise in consumption is estimated in 2002, following a significant 280,000 b/d growth in 2001.

On a quarterly basis, compared with the corresponding 2001 figures, world demand declined by 620,000 b/d, or 0.81 per cent, to average 76.64m b/d in 1Q, mostly due to milder than normal weather. 2Q consumption also deteriorated, but less severely, falling 400,000 b/d, or 0.53 per cent, to 75.05m b/d, mostly due to lacklustre economic performance. However, demand rose at a significantly accelerated pace during 3Q and 4Q compared with the exceptionally weak 2001 consumption, partly due to the attacks of September 11. The estimated growth rates are 640,000 b/d, or 0.84 per cent, and 1.33m b/d, or 1.72 per cent, respectively.

OECD

Actual data indicates that the OECD registered a substantial 800,000 b/d, or 1.63 per cent, decline in 1Q consumption, making it the single contributor to the fall in world consumption. Within the OECD, the highest drop rate of 3.58 per cent was experienced by OECD Pacific, followed by 1.65 per cent in North America and a minor 0.38 per cent in Western Europe.

2Q data also points to a drop of 280,000 b/d, or 0.59 per cent, in OECD consumption, due to a steep decline in OECD Pacific demand of 330,000 b/d combined with a moderate 140,000 b/d drop in that of Western Europe, which was partly offset by a 190,000 b/d rise in North America.

By registering a marginal 50,000 b/d or 0.09 per cent drop, 3Q consumption nearly stopped the downward trend seen in 1Q and 2Q. Within the OECD, the 270,000 b/d rise in North America's consumption was more than offset by the 320,000 b/d decline in Western Europe's demand.

Actual data on OECD 4Q consumption indicates an impressive gain of 860,000 b/d, or 1.79 per cent. This was the net result of a pick-up in demand in North America, which rose a robust 590,000 b/d or 2.45 per cent, and in the OECD Pacific, which increased by 500,000 b/d or 5.70 per cent, although partly offset by the weaker consumption in Western Europe, which fell 230,000 b/d or 1.46 per cent.

As noted in the previous report, on a product basis, during the year 2002, residual fuel oil continued to score the leading volume (360,000 b/d) and percentage (11.24 per cent) decliner, mostly due to the shift to natural gas consumption in North America.

The weakness in aviation fuel consumption also continued with an average 2.5 per cent decline compared with that in 2001, as subdued air travel persisted globally. The leading volume gainers were gasoline and LPG consumption, with rises of 210,000 b/d, or 1.46 per cent, and 120,000 b/d, or 2.46 per cent, respectively, due mostly to a substantial growth in consumption in North America of 2.72 per cent and 4.75 per cent, respectively.

Developing countries

In developing countries, oil demand grew marginally by 100,000 b/d, or 0.50 per cent, to 19.50m b/d. Consumption in Latin America continued to be significantly weaker — declining by 100,000 b/d, or 2.09 per cent — due to the persistent economic and financial problems. Other Asia registered the highest volume and percentage growth of 110,000 b/d, or 1.53 per cent, followed by the Middle East and Africa with 50,000 b/d and 30,000 b/d, respectively.

Other regions

In total, the former CPEs registered a healthy 210,000 b/d, or 2.21 per cent, growth in apparent demand. Within the group, FSU experienced a considerable decline in consumption of 170,000 b/d, or 4.21 per cent. China, on the other hand, experienced the highest consumption growth rate in the world at a significant 350,000 b/d, or 7.40 per cent. This remarkable estimated growth rate surpasses the estimated average rise in world demand by 110,000 b/d. Apparent demand in Other Europe also underwent a minor 20,000 b/d volume rise, representing a relatively high 3.42 per cent growth rate.

Projections for 2003

World

The world demand forecast for 2003 has been revised up 340,000 b/d to average 77.79m b/d compared with the 77.45m b/d given in the previous report. This is due to substantial upward revisions in the 2001 and 2002 historical data, as well as revisions of 180,000 b/d and 250,000 b/d in 1Q apparent consumption for FSU and China, respectively. The increment has also been revised up 120,000 b/d to 1.01m b/d or 1.32 per cent from the previous 890,000 b/d or 1.17 per cent. The quarterly averages also reflect the effects of the above-mentioned revisions.

World oil demand is forecast to register positive growth in all the three major groups of countries. The OECD is forecast to rank first in demand volume growth with an increase of 510,000 b/d, or 1.06 per cent. At 380,000 b/d, or 3.98 per cent, the rise in demand in former CPEs is expected to be the second highest in volume, but the first in percentage terms. Developing countries are forecast to follow with a 120,000 b/d, or 0.64 per cent, increase in demand.

Consumption is forecast to grow in

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

	1Q	2Q	3Q	4Q	Year
1999	3.12	3.62	3.52	3.49	3.44
2000	3.97	4.13	4.47	4.01	4.14
2001	4.30	4.71	4.89	4.47	4.59
2002[1]	5.14	5.76	5.85	5.49	5.56
2003[2]	5.87	6.54	6.53	6.08	6.26

1. Estimate.
2. Forecast.

every single quarter of 2003 compared with the corresponding quarter in the year 2002. 1Q and 4Q are expected to experience the highest growth of 2.33m b/d and 750,000 b/d, respectively. The considerably high consumption growth rate in 1Q03 can be explained as follows: 1Q02 registered exceptionally weak consumption, while 1Q03 consumption was forced up by much colder than normal weather in many regions and the increased Japanese demand brought about by reactor maintenance.

These pressures were exacerbated by the war in Iraq, which is said to have led to exceptionally high oil imports by China, while the growth in FSU production is reported to have surpassed that of exports by nearly 230,000 b/d, causing a significant rise in apparent consumption. 2Q, which was somewhat affected by the SARS epidemic, is expected to experience a 510,000 b/d rise in consumption, while 3Q is forecast to register a slightly lower growth of 480,000 b/d.

OECD

The latest available data indicate that OECD inland oil consumption during January-April 2003 grew by 1.05m b/d, or 2.20 per cent, versus consumption in the corresponding 2002 period. This was partly due to the colder than normal weather in most regions of the OECD, the spiking natural gas prices in the USA and nuclear reactor maintenance in Japan. The leading volume gainer was gasoil/ diesel which registered a 590,000 b/d, or 4.94 per cent, rise. The leading percentage and the second volume gainer was residual fuel oil, which registered a 7.40 per cent, or 230,000 b/d, growth. Most of the other major products, such as LPG, naphtha and kerosene, also experienced healthy gains.

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

	2001	2002	1Q03	May 03*	Jun 03*	2Q03	Jun/ May 03
Algeria	820	864	1,069	1,128	1,144	1,130	17
Indonesia	1,214	1,120	1,072	1,024	1,016	1,025	–8
IR Iran	3,665	3,428	3,701	3,685	3,688	3,693	3
Iraq	2,381	2,006	2,106	288	485	297	197
Kuwait	2,021	1,885	2,108	2,287	2,124	2,253	–163
SP Libyan AJ	1,361	1,314	1,394	1,423	1,425	1,425	2
Nigeria	2,097	1,969	2,081	2,033	2,111	1,984	78
Qatar	683	648	743	758	737	751	–21
Saudi Arabia	7,939	7,535	8,874	9,151	8,562	9,028	–589
UAE	2,163	1,988	2,203	2,315	2,245	2,294	–70
Venezuela	2,862	2,586	1,449	2,624	2,596	2,583	–28
Total OPEC	**27,207**	**25,342**	**26,800**	**26,717**	**26,133**	**26,462**	**–584**

* Not all sources available.
Totals may not add, due to independent rounding.

World oil supply

May

Non-OPEC

Estimate for 2002

The non-OPEC supply figure for 2002 remains almost unchanged at 47.94m b/d, with a quarterly distribution of 47.67m b/d, 48.05m b/d, 47.60m b/d and 48.42m b/d, respectively. The yearly average increase stands at 1.49m b/d, compared with the 2001 figure.

Forecast for 2003

Non-OPEC supply for 2003 is forecast to rise by 1.0m b/d, with the FSU and North America being the major contributors. 2Q shows a significant 120,000 b/d downward revision, accumulated from those made to the USA, Norway and Africa at 110,000 b/d, 70,000 b/d and 40,000 b/d, respectively, to take into account technical problems and maintenance, minus a 70,000 b/d upward revision for the UK on better-than-expected performance despite maintenance. The 2003 quarterly distribution for the other three quarters has been revised up 80,000 b/d each over last month's figures, resulting in a yearly average of around 48.93m b/d.

The FSU's net oil export forecast for 2003 remains almost unchanged at 6.35m b/d, while the 2002 figure stands unrevised at 5.58m b/d. The figures for 1999–2001 have also been carried over from the last report (see **Table D**).

OPEC natural gas liquids

OPEC NGL figures for the years 1999–2001 remain unchanged at 3.16m b/d, 3.34m b/d and 3.58m b/d, respectively, compared to those in the last report. The figures for both 2002 and 2003 have been revised up by 70,000 b/d to 3.72m b/d and 3.71m b/d, respectively on new data released by some Member Countries.

OPEC NGL production, 1999–03

	m b/d
1999	**3.16**
2000	**3.34**
2001	**3.58**
1Q02	3.72
2Q02	3.72
3Q02	3.75
4Q02	3.69
2002	**3.72**
Change 2002/2001	0.14
2003	**3.71**
Change 2003/2002	–0.02

OPEC crude oil production

Available secondary sources indicate that OPEC output for May was 26.64m b/d, or 90,000 b/d higher than the revised April figure of 26.56m b/d. **Table E** shows OPEC production, as reported by selected secondary sources.

June

Estimate for 2002

The 2002 non-OPEC supply figure was revised down to 47.80m b/d, mainly due to a significant downward revision of 240,000 b/d made to 4Q supply in the USA.

The quarterly distribution now stands at 47.55m b/d, 47.93m b/d, 47.55m b/d and 48.14m b/d, respectively. The yearly average increase stands at 1.39m b/d compared with the revised 2001 figure.

Forecast for 2003

Non-OPEC supply for 2003 is forecast to rise 960,000 b/d. The major contributors to this rise are FSU and North America. 2Q shows a significant 370,000 b/d downward revision, mainly due to maintenance in Norway and the UK, contributing a loss of 130,000 b/d and 200,000 b/d, respectively.

The other three quarters were also revised down 150,000 b/d to 48.72m b/d, 100,000 b/d to 48.83m b/d, and 100,000 b/d to 49.13m b/d, respectively. Consequently, the 2003 figure witnessed a downward revision of 180,000 b/d to 48.75m b/d compared with the last report, which still resulted in a yearly average increase of 960,000 b/d over the downwardly revised 2002 figure.

The FSU's net oil export forecast for 2003 was revised down to 6.26m b/d, similar to the 2002 figure which now stands at 5.56m b/d. Figures for 1999–2001 remain unchanged compared with the last report (see **Table D**).

OPEC natural gas liquids

OPEC NGL data remain unchanged at 3.16m b/d, 3.34m b/d, 3.58m b/d, 3.72m b/d and 3.71m b/d, respectively, compared with last report's figures.

OPEC NGL production, 1999–03

	m b/d
1999	**3.16**
2000	**3.34**
2001	**3.58**
1Q02	3.72
2Q02	3.72
3Q02	3.75
4Q02	3.69
2002	**3.72**
Change 2002/2001	0.14
2003	**3.71**
Change 2003/2002	–0.02

OPEC crude oil production

Available secondary sources indicate that OPEC output for June was 26.13m b/d, or 580,000 b/d lower than the revised May figure of 26.72m b/d. **Table E** shows OPEC production as reported by selected secondary sources.

Rig count

May

Non-OPEC

Non-OPEC rig activity rose in May. North America gained 53 rigs over the month before to 1,268, as the US rig count increased 52 rigs to 1,035, Mexico added two rigs to 83, and Canada's activity remained unchanged at 150 rigs.

Western Europe dropped two rigs to 76, as a rise in rig activity in the UK and Denmark was not enough to overcome losses, mainly in Norway and Other Western Europe.

OPEC

OPEC's rig count for May stood at 215, down four rigs from the April figure. Kuwait added four rigs for a total of five, while Venezuela dropped three rigs to 34, compared with last month's figures.

June

Non-OPEC

Non-OPEC rig activity rose in June. North America saw a significant rise of 194 rigs, compared with May. In Canada, the rig count rose 158 to 308 rigs.

The USA witnessed an increase of 32 rigs to 1,067, while Mexico added four to reach 87 rigs. Western Europe's rig activity increased by five rigs to 81, mainly from Norway and Other Western Europe, with a partial offset from the UK. Australia gained two rigs to arrive at 10.

OPEC

OPEC's rig count stood at 214 in June, one rig lower than in May. Nigeria added two rigs to 10, after having lost three rigs to 43 in the previous month.

Stock movements

May

USA

US commercial onland oil stocks continued the upward trend observed last month, rising a seasonable 16.5m b at a rate of 590,000 b to 921.7m b during the period May 2–30. This build left the y-o-y deficit at 11.8 per cent. Despite an increase in imports, which exceeded 10m b/d for the last three weeks of the month, crude oil stocks rose a slight 1.8m b to 289m b as the US refinery runs hit a new high of 16m b/d at the end of the month. This showed that refiners were concentrating more on increasing product levels at the expense of crude oil stocks, which resulted in total major products registering a build of 16.5m b.

All products contributed to this build with the exception of seasonably important gasoline, which registered a slight draw of 500,000 b to 207.3m b, despite a noticeable tightness in reformulated gasoline, which was down 2.3m b.

This drop was mainly due to the increase in apparent demand in the weeks leading up to the Memorial Day holiday on May 26, which offset increased gasoline production. However, rising output helped spur a 2.3m b build in the last week of May, which left the y-o-y shortage at around 5.2 per cent. Distillate fuel reversed last month's trend increasing 7.2m b to 104.5m b on the back of increased production and low apparent demand, but still left a strong shortage of 17.8 per cent.

The Strategic Petroleum Reserve (SPR) continued to rise during the same period, increasing 2.9m b to 602.5m b.

In the week ending June 6, US commercial stocks showed an increase of 2.4m b to 924.2m b, leaving the y-o-y deficit at around 11 per cent. The main contributors to this build were gasoline and distillate fuel, which increased 2.6m b to 209.9m b and 2.8m b to 107.3m b, respectively, narrowing the y-o-y shortage to 3.8 per cent for gasoline and a strong 16.2 per cent deficit for distillate stocks. Despite the increase in apparent demand for both products, this build is mainly due to rising imports.

Crude oil fell 6.4m b to 284.4m b, brought down by declining imports,

which averaged 9.9m b/d, or 640,000 b/d below the figure at the end of May, indicating that refiners had decided to bring product stock levels back to normal before building commercial crude oil stocks. However, SPR levels continued to move higher, increasing 1.5m b to 604.0m b.

Western Europe

Total oil stocks continued the upward trend observed in the last four months, rising 4.6m b at a rate of 150,000 b to 1,071.52m b, just 0.3 per cent below last year's level. Total products were the main contributor to the build, moving up 7.0m b to 621.3m b, while crude oil stocks provided the cap, declining 2.4m b to 450.3m b. The dip in crude oil stocks came despite a cut in crude runs, down 360,000 b/d to 11.81m b/d, as weak refining margins encouraged exports to the USA.

However, crude oil inventories remained 2.1 per cent higher than the year-ago level. In products, gasoline stocks rose 1.2m b to 147.7m b, 3.3 per cent above this time last year, while distillate stocks increased a substantial 6.6m b to 334.7m b, mainly on increased Russian gasoil deliveries, which offset lower distillate output. Although narrowed, the y-o-y deficit remained a strong 16.4 per cent. Fuel oil stocks displayed a slight decrease of 800,000 b to 113.4m b on the back of lower-than-expected arrivals from Russia, but remaining 1.3 per cent above last year's level.

Japan

At the end of April, commercial onland stocks regained the previous month's loss, rising 10.8m b at a rate of 360,000 b/d to 171.4m b, solely on a 7.7m b increase in major oil products to 63.3m b and a 3.1m b rise in crude oil to 108.1m b. This build left the y-o-y surplus at 0.22 per cent for the first time since the end of 2001.

Crude oil's build came despite low crude imports as the maintenance season saw a slowdown in refinery runs. Crude oil inventories are now 1.84 per cent higher than a year ago. Despite low production, gasoline, middle distillate and residual fuel oil registered builds of 900,000 b to 14.5m b, 4.6m b to 28.0m b, and 2.2m b to 20.8m b, respectively. Product imports and weak domestic sales were the main reasons for this increase.

June

USA

US commercial onland oil stocks continued to increase, adding 2.9m b to reach 924.6m b at a rate of 100,000 b/d during the period May 30–June 27, 2003. Despite this build, the y-o-y deficit remained around 11 per cent. Crude oil stocks registered a strong decrease of 6.9m b to average 282.1m b, widening the y-o-y deficit to 11.5 per cent. This was mainly due to the heavy fall in crude oil imports, which dropped from over 10m b/d to 9.7m b/d in the four-week period ending June 27, 2003.

Crude oil runs experienced a slight decline of 100,000 b/d to 15.7m b/d. On the product side, gasoline stocks fell 2.3m b to 205.5m b, mainly on a decline in imports coupled with low outputs. This draw left the y-o-y deficit at around 5.4 per cent.

Residual fuel oil and jet fuel stocks also decreased by 2.6m b to 34.3m b and 1.3m b to 39.2m b, respectively, while distillate fuel inventories moved up a substantial 5.2m b to 109.7m b on a strong increase in imports for the second consecutive month. Despite this increase, distillate stocks remained roughly 17 per cent below last year's level.

The SPR continued to grow, increasing 4.8m b to 607.3m b during the same period.

In the week ending July 4, US commercial stocks rose 900,000 b to 925.5m b, or about 10 per cent below last year's level, while commercial crude oil stocks grew a meagre 100,000 b to 282.7m b. This moderate build in crude oil stocks was due to a 130,000 b/d increase in crude oil imports to average 9.6m b/d, offsetting the slight 50,000 b/d increase in crude oil input to 15.6m b/d. Crude oil inventories were still about 11.0 per cent lower compared to the same time last year.

Gasoline stocks rose a slight 500,000 b to 205.5m b but remained 4.3 per cent below the year-ago figure. Even with the considerable increase in demand, the rise in gasoline stocks was due mainly to growing gasoline imports.

Distillate inventories dropped 500,000 b to 109.2m b, as the decline in diesel fuel more than compensated for a small increase in heating oil. This draw occurred contrary to the typical seasonal build of 300,000 b during this time of year. The y-o-y deficit remained stronger at about 17 per cent. The SPR continued to move upward, rising 1.4m b to 608.7m b.

Western Europe

Total oil stocks reversed the upward trend observed over the last four months and fell 22.0m b to 1,047.23m b at a rate of 730,000 b/d to reach their lowest level since February 2003, widening the y-o-y deficit to about 2.9 per cent.

Crude oil and product stocks contributed to this draw, declining 7.2m b to 444.2m b, and 14.8m b to 603.0m b, respectively. The draw on crude oil stocks came as refinery crude runs rose 50,000 b/d to 11.8m b/d and exports to the US market increased. This draw left the level of crude oil stocks at 0.7 per cent below last year's figure.

Gasoline stocks also registered a draw of 7.0m b to 136.8m b, due to increasing exports to the US market and healthy demand, which left the inventories 5.6 per cent below last year's figure.

Middle distillates also fell, down 5.8m b to 329.0m b, after an increase in heating oil consumption, mainly in Germany, as well as some delays in loading to Russian cargoes. This contra-seasonal draw put the y-o-y deficit at 7.2 per cent. Fuel oil stocks were the only product that experienced a marginal draw of 0.7m b to 113.1m b and remained 9.0 per cent above last year's figure.

This build in fuel oil inventories came on the back of increasing cargoes from Russia, undercut by demand for power generation due to high temperatures and low hydroelectric supply.

Japan

At the end of May, commercial oil stocks continued their seasonal build for the second consecutive month, rising 6.3m b to 177.9m b at a rate of 200,000 b/d. Total major product inventories were mainly responsible for this build, increasing 6.0m b to 69.5m b, while crude oil registered a marginal build of 300,000 b to 108.4m b, widening the y-o-y surplus to 2.7 per cent. The build in crude oil stocks came despite low imports, which were seven per cent below last month's figure. This decline in crude oil imports offset the decrease

in refinery runs due to the maintenance season, which brought the utilization rate to about 79.8 per cent.

Crude oil inventories ended the month 3.0 per cent higher than a year ago. On the product side, middle distillate stocks led the build, increasing 5.1m b to 33.2m b, 3.8 per cent higher than the same period last year.

This build was mainly due to an increase in gasoil imports, as well as a decline in kerosene consumption. Gasoline stocks showed a marginal draw of 300,000 b to 14.3m b, which left the y-o-y deficit at 8.4 per cent. Residual fuel stocks experienced a moderate build of 1.1m b to 22.0m b, but stood at a comfortably high level of 7.9 per cent compared to this time last year.

Balance of supply/demand

May

Table I shows an upward revision to total non-OPEC supply of 70,000 b/d to 51.66m b/d for 2002.

This resulted in an estimated annual difference of around 24.90m b/d, down 70,000 b/d from the last report's figure, with a quarterly distribution of 25.21m b/d, 22.98m b/d, 25.18m b/d and 26.21m b/d, respectively.

The quarterly balance was revised up by 60,000 b/d, 60,000 b/d, 70,000 b/d and 110,000 b/d to 60,000 b/d, 1.61m b/d, 280,000 b/d and -60,000 b/d, respectively. The average 2002 yearly balance is estimated at 440,00 b/d, up 70,000 b/d from the last report's figure.

Table I shows an upward revision to the world oil demand forecast of 70,000 b/d to 77.45m b/d for 2003.

Total non-OPEC supply was revised up by 100,000 b/d to 52.64m b/d, resulting in an expected difference of around 24.81m b/d, with a quarterly distribution of 26.20m b/d, 22.88m b/d, 24.21m b/d and 25.98m b/d, respectively. The 1Q balance was revised downward by a significant 360,000 b/d to 600,000 b/d.

June

Table I shows a downward revision to the total non-OPEC supply of 140,000 b/d to 51.52m b/d and an upward revision to the world oil demand of 230,000 b/d to 76.78m b/d for 2002. This resulted in an estimated annual difference of around 25.26m b/d, up 370,000 b/d from the last report's figure, with a quarterly distribution of 25.37m b/d, 23.39m b/d, 25.60m b/d and 26.69m b/d, respectively.

The quarterly balance was revised down significantly by 160,000 b/d, 420,000 b/d, 410,000 b/d and 470,000 b/d to –220,000 b/d, 1.20m b/d, –130,000 b/d and –530,000 b/d, respectively. The average 2002 yearly balance is estimated at 80,000 b/d, down 360,000 b/d compared with the last report's figure.

Table I shows an upward revision to the world oil demand forecast of 340,000 b/d to 77.79m b/d and a downward revision to the total non-OPEC supply of 180,000 b/d to 52.46m b/d for 2003. This resulted in an expected difference of around 25.34m b/d, with a quarterly distribution of 26.75m b/d, 23.58m b/d, 24.71m b/d and 26.32m b/d, respectively.

The 1Q balance has been revised down significantly by 550,000 b/d to 50,000 b/d, while the 2Q balance, introduced for the first time, has been estimated at 2.88m b/d.

Table F: US onland commercial petroleum stocks[1] *m b*

	May 2, 03	May 30, 03	Jun 27, 03	Change Jun/May	Jun 27, 02	Jul 4, 03[2]
Crude oil (excl SPR)	**287.2**	**289.0**	**282.1**	**–6.90**	**318.8**	**282.2**
Gasoline	207.8	207.3	205.0	–2.30	216.8	205.5
Distillate fuel	97.3	104.5	109.7	5.20	132.3	109.2
Residual fuel oil	31.3	36.9	34.3	–2.60	32.9	39.2
Jet fuel	35.8	40.4	39.1	–1.30	39.3	34.7
Unfinished oils	88.0	84.3	88.6	4.30	88.3	87.0
Other oils	157.8	159.4	165.8	6.40	211.3	167.7
Total	**905.2**	**921.7**	**924.6**	**2.90**	**1,039.7**	**925.5**
SPR	599.6	602.5	607.3	4.80	575.8	608.7

1. At end of month, unless otherwise stated. 2. Latest available data at time of publication. *Source: US/DoE-EIA.*

Table G: Western Europe onland commercial petroleum stocks[1] *m b*

	Apr 03	May 03	Jun 03	Change Jun/May	Jun 02
Crude oil	**452.7**	**451.4**	**444.2**	**–7.2**	**447.6**
Mogas	146.5	143.8	136.8	–7.0	144.8
Naphtha	25.52	25.5	24.2	–1.3	23.6
Middle distillates	329.6	334.7	329.0	–5.8	354.5
Fuel oils	114.1	113.8	113.1	–0.7	107.7
Total products	**615.8**	**617.8**	**603.0**	**–14.8**	**630.7**
Overall total	**1,068.4**	**1,069.2**	**1,047.2**	**–22.0**	**1,078.3**

1. At end of month, and includes Eur-16. *Source: Argus Euroilstock.*

Table H: Japan's commercial oil stocks[1] *m b*

	Mar 03	Apr 03	May 03	Change May/Apr	May 02
Crude oil	**105.1**	**108.1**	**108.4**	**0.3**	**105.2**
Gasoline	13.6	14.5	14.3	–0.3	15.6
Middle distillates	23.3	28.0	33.2	5.1	32.0
Residual fuel oil	18.6	20.9	22.0	1.1	20.4
Total products	**55.6**	**63.5**	**69.5**	**6.0**	**67.9**
Overall total[2]	**160.6**	**171.6**	**177.9**	**6.3**	**173.2**

1. At end of month.
2. Includes crude oil and main products only. *Source: MITI, Japan.*

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

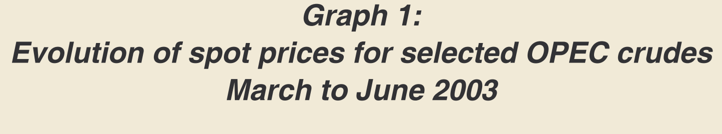
	1999	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003
World demand													
OECD	47.7	47.8	47.8	48.1	46.3	47.5	49.0	47.7	49.3	46.6	47.6	49.4	48.2
North America	23.8	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.1	24.5	24.5	24.4
Western Europe	15.2	15.1	15.3	15.1	14.6	15.2	15.3	15.1	15.2	14.7	15.1	15.6	15.1
Pacific	8.7	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	7.8	8.0	9.3	8.7
Developing countries	18.7	19.1	19.4	19.2	19.5	19.7	19.6	19.5	19.4	19.7	19.8	19.7	19.6
FSU	4.0	3.8	3.9	3.8	3.4	3.6	4.3	3.8	4.0	3.5	3.7	4.3	3.9
Other Europe	0.8	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.8	0.8	0.8
China	4.2	4.7	4.7	4.7	5.1	5.3	5.0	5.0	5.5	5.1	5.5	5.2	5.3
(a) Total world demand	75.4	76.1	76.5	76.6	75.0	76.9	78.5	76.8	79.0	75.6	77.4	79.3	77.8
Non-OPEC supply													
OECD	21.3	21.8	21.8	22.0	22.2	21.5	21.9	21.9	22.2	21.7	21.9	21.9	21.9
North America	14.1	14.2	14.4	14.6	14.7	14.4	14.4	14.5	14.7	14.7	14.7	14.6	14.7
Western Europe	6.6	6.7	6.7	6.7	6.8	6.3	6.8	6.6	6.7	6.3	6.6	6.7	6.6
Pacific	0.7	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7
Developing countries	10.7	10.9	10.9	11.3	11.3	11.2	11.2	11.3	11.2	11.2	11.3	11.3	11.3
FSU	7.5	7.9	8.5	8.9	9.2	9.5	9.7	9.3	9.9	10.0	10.2	10.4	10.1
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5
Processing gains	1.6	1.7	1.7	1.7	1.7	1.7	1.8	1.7	1.8	1.8	1.8	1.8	1.8
Total non-OPEC supply	44.5	45.7	46.4	47.6	47.9	47.5	48.1	47.8	48.7	48.3	48.8	49.1	48.8
OPEC NGLs	3.2	3.3	3.6	3.7	3.7	3.8	3.7	3.7	3.5	3.7	3.8	3.8	3.7
(b) Total non-OPEC supply and OPEC NGLs	47.7	49.0	50.0	51.3	51.7	51.3	51.8	51.5	52.2	52.0	52.7	53.0	52.5
OPEC crude supply and balance													
OPEC crude oil production[1]	26.5	28.0	27.2	25.1	24.6	25.5	26.2	25.3	26.8	26.5			
Total supply	74.2	77.0	77.2	76.4	76.2	76.8	78.0	76.9	79.0	78.4			
Balance[2]	–1.2	0.9	0.7	–0.2	1.2	–0.1	–0.5	0.1	0.1	2.9			
Stocks													
Closing stock level (outside FCPEs) *m b*													
OECD onland commercial	2446	2530	2622	2598	2644	2568	2466	2466	2409				
OECD SPR	1228	1210	1222	1237	1247	1250	1271	1271	1284				
OECD total	3674	3740	3843	3835	3891	3818	3738	3738	3693				
Other onland	983	1000	1028	1026	1041	1021	1000	1000	988				
Oil on water	808	876	829	808	818	819	828	828	869				
Total stock	5465	5617	5701	5669	5750	5659	5565	5565	5550				
Days of forward consumption in OECD													
Commercial onland stocks	51	53	55	56	56	52	50	51	52				
SPR	26	25	26	27	26	26	26	26	28				
Total	77	78	81	83	82	78	76	77	79				
Memo items													
FSU net exports	3.4	4.1	4.6	5.1	5.8	5.9	5.5	5.6	5.9	6.5	6.5	6.1	6.3
[(a) — (b)]	27.7	27.1	26.5	25.4	23.4	25.6	26.7	25.3	26.7	23.6	24.7	26.3	25.3

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

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

***Table J** above, prepared by the Secretariat's Energy Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

*The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in **Tables One and Two** on page 56, while **Graphs One and Two** (on pages 55 and 57) show the evolution on a weekly basis. **Tables Three to Eight**, and the corresponding graphs on pages 58–63, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*



Graph 1:
Evolution of spot prices for selected OPEC crudes
March to June 2003

$/barrel

35
34
33
32
31
30
29
28
27
26
25
24
23
22
21
20

Saharan Blend
Minas
Iran Light
Kuwait Export
Brega
Bonny Light
Arab Light
Arab Heavy
Dubai
Tia Juana Light
OPEC Basket

1 2 3 4 1 2 3 4 5 1 2 3 4 1 2 3 4

March
April
May
June

Table 1: OPEC spot crude oil prices, 2002/03 ($/b)

Member Country/ Crude (API°)	2002 Oct 5Wav	Nov 4Wav	Dec 5Wav	2003 Jan 4Wav	Feb 4Wav	Mar 4Wav	April 5Wav	May 1W	May 2W	May 3W	May 4W	May 4Wav	June 1W	June 2W	June 3W	June 4W	June 4Wav
Algeria																	
Saharan Blend *(44.1)*	27.78	24.19	29.34	31.29	32.43	31.21	25.19	23.09	25.32	26.43	26.12	25.24	27.17	28.04	26.50	27.08	27.20
Indonesia																	
Minas *(33.9)*	29.69	28.11	32.80	32.32	31.89	30.70	29.66	27.97	28.40	29.07	29.60	28.76	28.24	27.98	26.37	26.16	27.19
IR Iran																	
Light *(33.9)*	26.05	22.24	26.40	29.13	29.89	27.94	22.85	21.92	23.07	23.71	23.54	23.06	24.31	25.06	23.74	24.62	24.43
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	26.23	22.97	25.65	28.08	30.02	27.81	23.78	23.21	24.29	24.77	25.14	24.35	25.23	25.81	25.24	25.73	25.50
SP Libyan AJ																	
Brega *(40.4)*	27.63	24.09	29.02	31.86	32.89	31.21	25.35	23.72	25.86	26.91	26.37	25.72	27.58	28.31	26.38	26.87	27.29
Nigeria																	
Bonny Light *(36.7)*	27.90	24.07	29.27	30.78	32.33	30.83	25.27	23.97	25.85	26.61	26.70	25.78	27.44	28.31	26.81	27.29	27.46
Saudi Arabia																	
Light *(34.2)*	26.95	23.87	26.56	29.10	31.11	28.98	24.70	23.93	24.81	25.28	25.65	24.92	25.73	26.51	25.93	26.42	26.15
Heavy *(28.0)*	25.85	22.42	25.42	27.78	29.86	27.33	23.50	23.13	24.11	24.58	24.95	24.19	25.03	25.71	25.13	25.62	25.37
UAE																	
Dubai *(32.5)*	26.41	23.28	25.81	28.02	29.94	27.76	23.59	23.18	24.23	24.67	25.14	24.31	25.20	25.78	25.19	25.65	25.46
Venezuela																	
Tia Juana Light[1] *(32.4)*	25.40	22.92	27.09	30.14	31.21	29.04	23.97	22.49	24.59	25.66	25.51	24.56	26.44	27.37	25.53	25.56	26.23
OPEC Basket[2]	27.32	24.29	28.39	30.34	31.54	29.78	25.34	24.01	25.55	26.35	26.47	25.60	26.85	27.52	26.15	26.42	26.74

Table 2: Selected non-OPEC spot crude oil prices, 2002/03 ($/b)

Country/ Crude (API°)	2002 Oct 5Wav	Nov 4Wav	Dec 5Wav	2003 Jan 4Wav	Feb 4Wav	Mar 4Wav	Apr 5Wav	May 1W	May 2W	May 3W	May 4W	May 4Wav	June 1W	June 2W	June 3W	June 4W	June 4Wav
Gulf Area																	
Oman Blend *(34.0)*	26.55	23.37	26.21	28.54	30.31	28.06	24.14	23.38	24.48	24.99	25.25	24.53	25.36	25.93	25.37	25.89	25.64
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	25.00	21.57	26.64	27.67	29.04	27.81	21.87	20.97	23.12	23.96	23.30	22.84	24.31	24.96	23.23	23.78	24.07
North Sea																	
Brent *(UK, 38.0)*	27.69	23.99	28.83	31.31	32.54	30.98	25.07	23.82	25.91	26.96	26.47	25.79	27.73	28.46	26.53	27.02	27.44
Ekofisk *(Norway, 43.0)*	27.63	24.08	28.92	31.43	32.80	31.15	25.17	23.75	25.91	27.06	26.67	25.85	27.78	28.44	26.47	27.21	27.48
Latin America																	
Isthmus *(Mexico, 32.8)*	27.08	23.63	27.82	30.74	31.90	29.96	24.99	23.45	25.64	26.75	26.60	25.61	27.70	28.68	26.75	26.78	27.48
North America																	
WTI *(US, 40.0)*	29.00	26.31	29.66	33.08	35.63	33.88	28.40	26.22	28.34	29.15	29.22	28.23	30.34	31.61	30.60	30.29	30.71
Others																	
Urals *(Russia, 36.1)*	26.16	22.68	27.75	29.56	30.76	28.38	22.48	21.80	24.12	25.14	24.77	23.96	25.85	26.64	24.86	25.36	25.68

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.
2. OPEC Basket: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.
Kirkuk ex Ceyhan; Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.
Sources: The netback values for TJL price calculations are taken from RVM; Platt's Oilgram Price Report; Reuters; Secretariat's calculations.

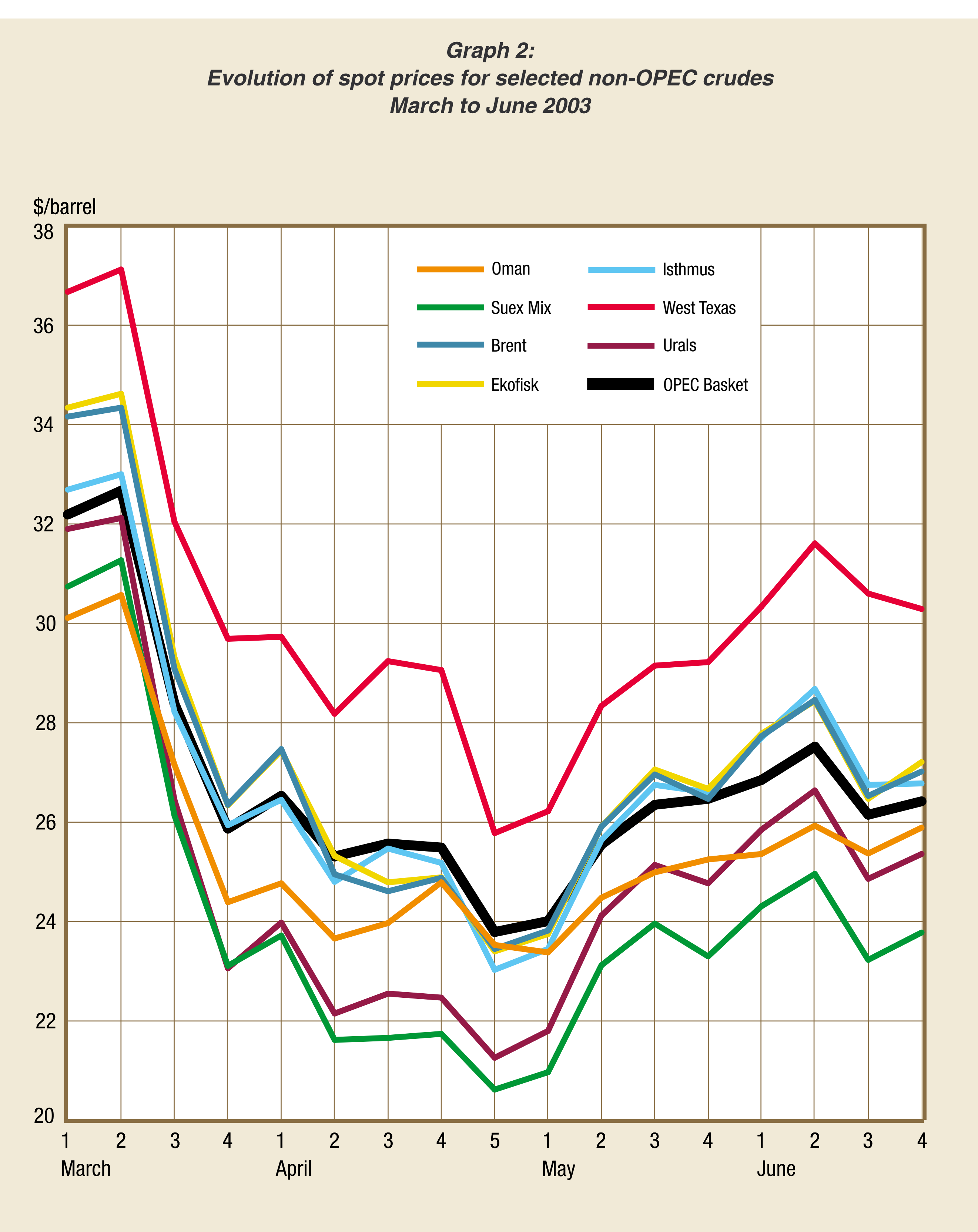

Graph 2:
Evolution of spot prices for selected non-OPEC crudes
March to June 2003
$/barrel
38
36
34
32
30
28
26
24
22
20
Oman
Suex Mix
Brent
Ekofisk
Isthmus
West Texas
Urals
OPEC Basket
1 2 3 4 1 2 3 4 5 1 2 3 4 1 2 3 4
March
April
May
June

Table 3: North European market — bulk barges, fob Rotterdam ($/b)

		naphtha	regular gasoline unleaded	premium gasoline unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
2001	June	27.21	30.27	31.73	31.06	33.69	19.23	17.97
	July	22.28	27.06	27.82	29.33	31.55	17.97	17.19
	August	22.51	27.93	29.36	30.18	31.58	18.18	18.40
	September	23.19	28.49	29.88	30.87	32.18	19.84	19.23
	October	19.72	23.35	23.27	27.41	28.53	16.50	16.07
	November	16.88	20.76	20.20	23.03	24.38	15.49	14.68
	December	17.48	19.77	19.16	21.35	23.11	14.98	14.95
2002	January	21.42	20.87	20.93	21.55	23.46	16.20	15.25
	February	23.77	21.18	21.17	21.69	23.43	14.70	15.52
	March	28.27	25.63	25.74	25.05	26.73	17.25	17.86
	April	29.29	29.77	29.94	26.53	28.01	19.51	19.93
	May	27.68	29.14	28.94	26.54	28.99	19.93	21.02
	June	24.33	28.90	29.02	25.97	28.04	19.32	19.94
	July	28.20	30.61	30.77	27.80	29.11	21.18	21.02
	August	30.23	30.95	31.14	28.95	30.46	21.49	21.68
	September	33.46	32.40	32.63	31.54	34.19	24.33	24.02
	October	31.55	32.04	32.16	31.23	33.36	27.20	22.44
	November	28.67	27.75	27.88	28.52	30.48	23.59	18.40
	December	34.20	31.17	31.34	32.63	33.21	26.11	19.99
2003	January	40.35	35.19	35.31	35.22	36.66	26.83	25.97
	February	43.96	39.13	39.15	41.16	43.08	30.77	25.93
	March	40.60	35.98	36.06	39.61	42.75	26.86	21.91
	April	29.40	34.09	34.38	29.59	31.66	23.10	18.61
	May	28.03	31.74	32.06	29.00	30.30	21.68	20.29
	June	32.26	32.92	33.15	30.57	31.72	25.14	21.57

Sources: Reuters; as of 2002 Platts. Prices are average of available days.

Graph 3: North European market — bulk barges, fob Rotterdam

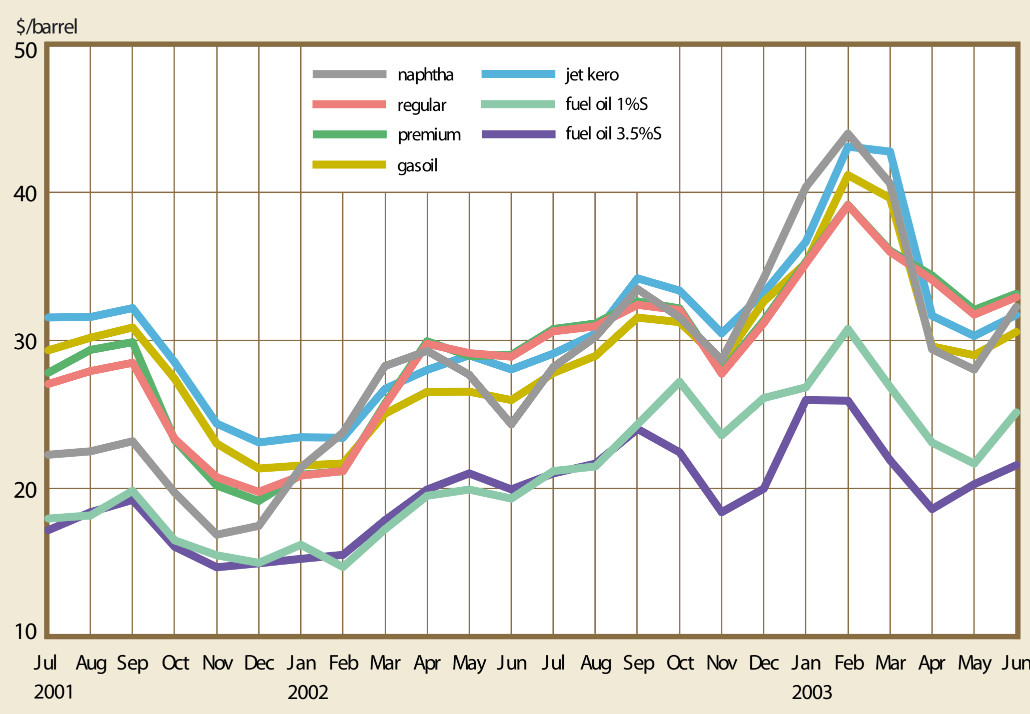


Table 4: South European market — bulk cargoes, fob Italy ($/b)

		naphtha	gasoline premium unleaded 95	0.15g/l	gasoil	fuel oil 1%S	fuel oil 3.5%S
2001	June	27.15	32.21	39.69	30.98	17.71	15.89
	July	21.95	25.55	39.69	27.77	17.73	15.59
	August	22.26	26.60	39.69	27.58	18.20	16.93
	September	23.46	29.93	39.69	27.58	18.99	17.44
	October	19.14	23.55	39.69	27.58	15.61	15.07
	November	16.22	19.41	39.69	27.58	13.61	12.48
	December	16.91	19.11	39.69	27.58	15.15	13.15
2002	January	17.55	19.89	20.67	22.37	17.26	14.18
	February	19.42	20.06	21.47	21.29	15.37	14.77
	March	23.43	24.07	26.34	24.15	17.99	16.33
	April	24.48	28.27	30.24	28.27	20.31	18.39
	May	22.88	27.80	29.46	25.48	20.01	19.18
	June	22.05	26.23	29.31	25.48	20.21	18.56
	July	23.79	28.45	30.40	26.92	20.43	19.27
	August	24.92	29.21	30.82	28.23	21.45	20.04
	September	27.95	31.79	32.26	30.56	25.07	22.53
	October	26.18	31.13	31.41	29.86	24.28	20.58
	November	23.45	26.78	27.11	27.91	21.26	16.99
	December	27.71	30.57	30.86	32.02	24.07	18.32
2003	January	33.02	34.20	34.44	35.05	29.15	23.71
	February	35.86	38.05	38.22	40.11	31.05	24.65
	March	32.05	33.75	33.99	39.45	28.10	20.94
	April	22.88	29.69	29.96	27.14	21.14	18.18
	May	22.24	28.97	29.28	26.72	21.57	18.46
	June	26.31	31.51	31.78	29.88	25.01	20.94

Sources: Reuters; as of 2002 Platts. Prices are average of available days.

Graph 4: South European market — bulk cargoes, fob Italy

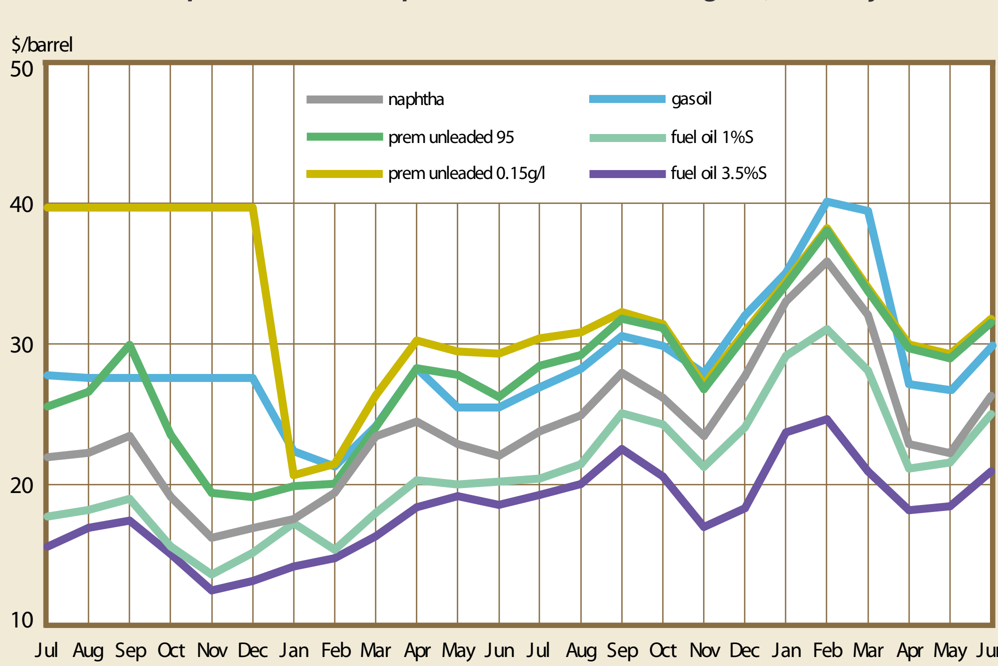


Table 5: US East Coast market — New York *($/b, duties and fees included)*

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 1%S	fuel oil 2.2%S
2001	June	30.07	31.74	32.92	24.89	20.22	17.64
	July	28.69	29.31	30.10	23.71	19.33	16.72
	August	32.56	30.80	32.88	23.69	20.14	18.23
	September	31.61	30.71	31.77	24.02	20.24	19.80
	October	25.15	26.40	26.84	20.70	17.91	16.97
	November	21.68	22.97	23.63	20.28	15.98	14.97
	December	21.73	21.90	22.52	20.01	16.52	15.28
2002	January	22.53	22.23	23.35	19.23	16.08	15.30
	February	23.01	22.51	23.96	18.09	14.83	14.42
	March	28.94	26.48	27.00	21.79	19.43	19.05
	April	31.00	27.78	28.61	25.24	22.24	21.59
	May	29.18	27.70	28.70	25.62	23.37	21.73
	June	29.78	26.89	28.34	24.63	22.70	21.54
	July	31.90	28.26	29.84	25.79	22.55	21.60
	August	31.96	29.22	31.31	26.63	25.43	23.51
	September	32.61	32.25	34.11	27.52	26.02	25.35
	October	34.44	31.98	33.97	28.33	26.39	24.43
	November	31.43	29.98	30.79	26.94	23.86	21.46
	December	33.59	34.21	34.67	32.62	26.68	24.30
2003	January	36.60	37.78	38.17	37.87	31.53	30.04
	February	41.65	47.11	48.11	46.52	35.06	30.61
	March	39.86	40.82	40.92	38.71	31.71	27.13
	April	33.37	32.66	32.88	27.29	23.98	20.51
	May	31.65	30.79	31.66	29.58	24.51	21.79
	June	33.58	31.69	32.21	28.40	25.18	22.46

Sources: Reuters; as of 2002 Platts. Prices are average of available days.

Graph 5: US East Coast market — New York

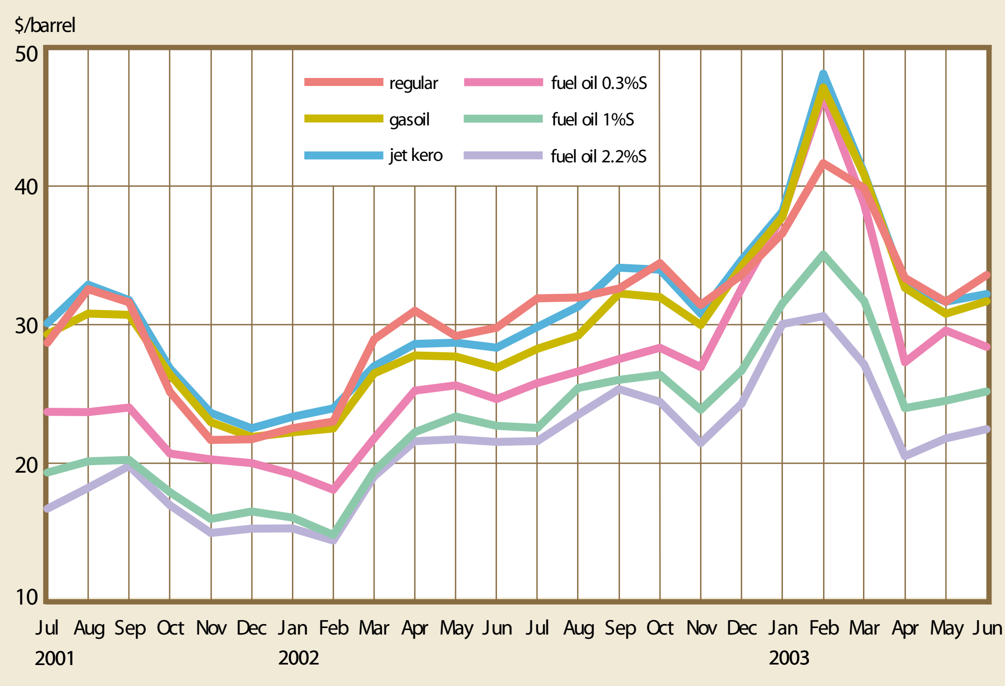


Table 6: Caribbean cargoes — fob

($/b)

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2001	June	25.85	31.58	32.13	16.64	16.27
	July	25.06	28.84	29.57	15.54	14.45
	August	29.04	30.49	31.68	17.20	17.11
	September	26.30	30.10	30.28	18.70	18.71
	October	19.86	25.47	25.83	16.28	16.23
	November	18.74	22.07	22.44	14.26	14.11
	December	19.32	21.10	21.26	14.35	13.88
2002	January	19.63	21.49	22.24	14.50	13.89
	February	21.30	21.79	23.41	13.62	13.54
	March	25.86	25.77	26.72	18.25	18.09
	April	28.55	27.31	28.33	20.79	20.59
	May	27.14	27.28	28.31	20.95	20.65
	June	26.85	26.49	27.66	20.79	20.36
	July	27.98	28.11	29.43	20.88	20.67
	August	28.73	28.83	30.53	22.78	22.52
	September	32.16	31.91	33.67	24.55	24.77
	October	32.54	32.04	33.23	23.70	23.86
	November	24.39	29.65	29.51	20.73	19.97
	December	31.43	33.64	34.27	23.58	23.18
2003	January	37.00	37.44	37.87	29.31	28.51
	February	40.53	45.21	44.77	29.89	28.43
	March	36.78	37.87	37.94	26.05	24.18
	April	29.03	30.65	31.62	19.01	18.45
	May	28.84	29.84	30.36	20.27	19.62
	June	28.91	31.30	31.79	20.95	20.19

Sources: Reuters; as of 2002 Platts. Prices are average of available days.

Graph 6: Caribbean cargoes — fob

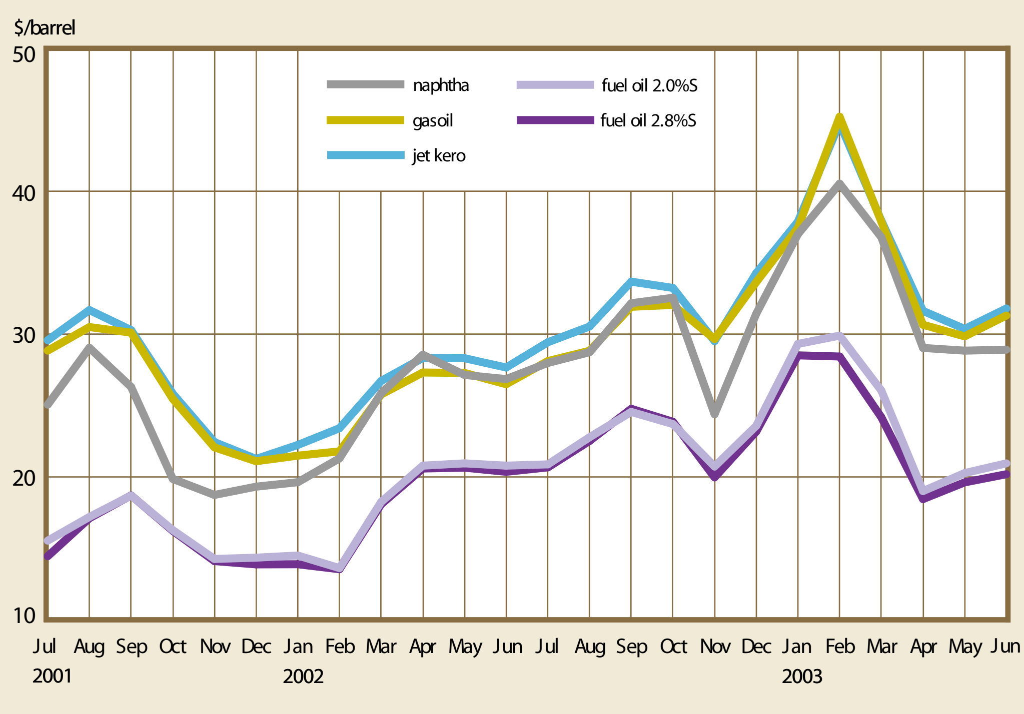


Table 7: Singapore cargoes ($/b)

		naphtha	gasoline premium unleaded 95	unleaded 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2001	June	27.57	26.89	25.70	30.00	30.84	20.26	20.16
	July	24.38	24.36	23.28	28.54	28.93	19.03	19.19
	August	24.33	26.68	25.50	28.71	29.37	20.70	20.94
	September	24.67	29.47	28.16	29.44	31.05	21.74	21.85
	October	20.58	22.23	21.24	25.53	25.92	18.53	18.72
	November	18.15	20.75	22.40	21.87	22.40	15.47	15.46
	December	18.36	22.61	21.60	20.11	21.77	16.15	16.44
2002	January	18.97	21.00	20.30	21.66	22.93	16.07	16.24
	February	21.04	24.16	22.95	22.54	22.54	17.04	17.37
	March	24.92	27.93	26.43	25.71	25.16	19.37	19.73
	April	26.11	30.11	28.80	28.64	27.27	21.45	21.75
	May	24.90	29.73	28.81	28.76	27.85	22.60	22.98
	June	23.84	28.54	27.45	27.82	26.49	21.66	21.99
	July	24.64	28.19	26.95	28.19	27.56	22.47	22.88
	August	25.52	28.17	26.65	28.79	29.28	23.39	24.10
	September	27.52	30.49	29.21	31.43	32.92	24.70	25.34
	October	26.87	29.62	28.37	33.10	32.43	23.13	23.46
	November	25.06	27.80	29.38	29.37	29.38	21.77	21.83
	December	29.57	30.25	29.35	31.88	32.10	23.95	24.24
2003	January	32.21	34.34	33.52	34.23	34.37	26.51	26.97
	February	37.34	40.14	39.28	39.35	39.27	29.05	29.33
	March	33.78	37.51	36.67	37.87	35.33	26.19	26.65
	April	23.58	28.74	27.79	30.03	28.35	22.55	23.12
	May	23.77	28.73	27.74	29.12	28.25	23.18	23.15
	June	26.66	31.59	30.84	29.33	28.48	24.20	24.51

Sources: Reuters; as of 2002 Platts. Prices are average of available days.

Graph 7: Singapore cargoes

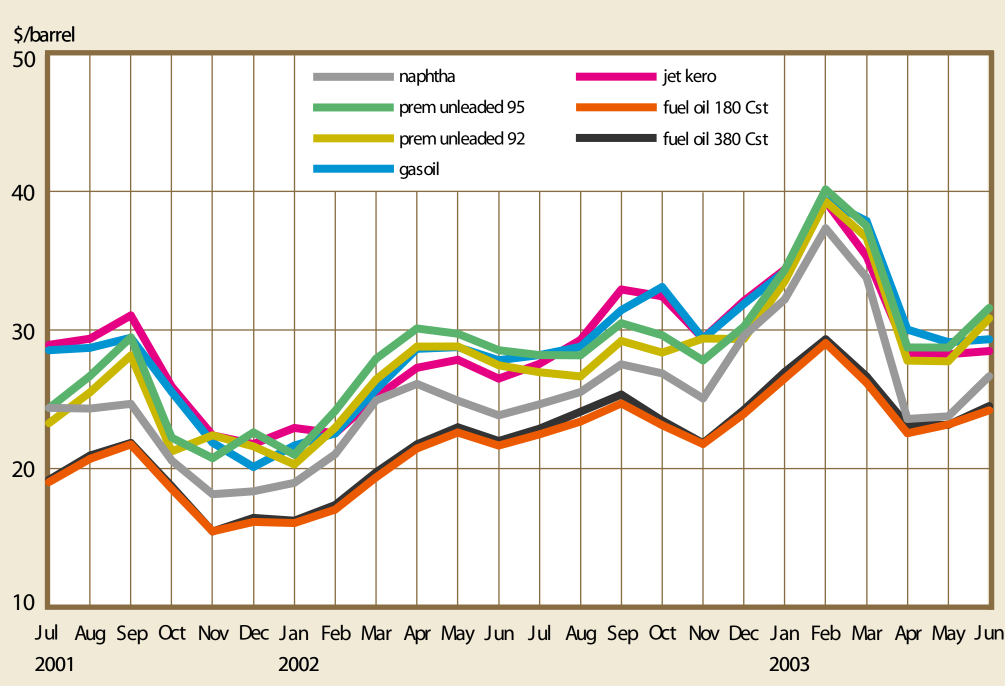
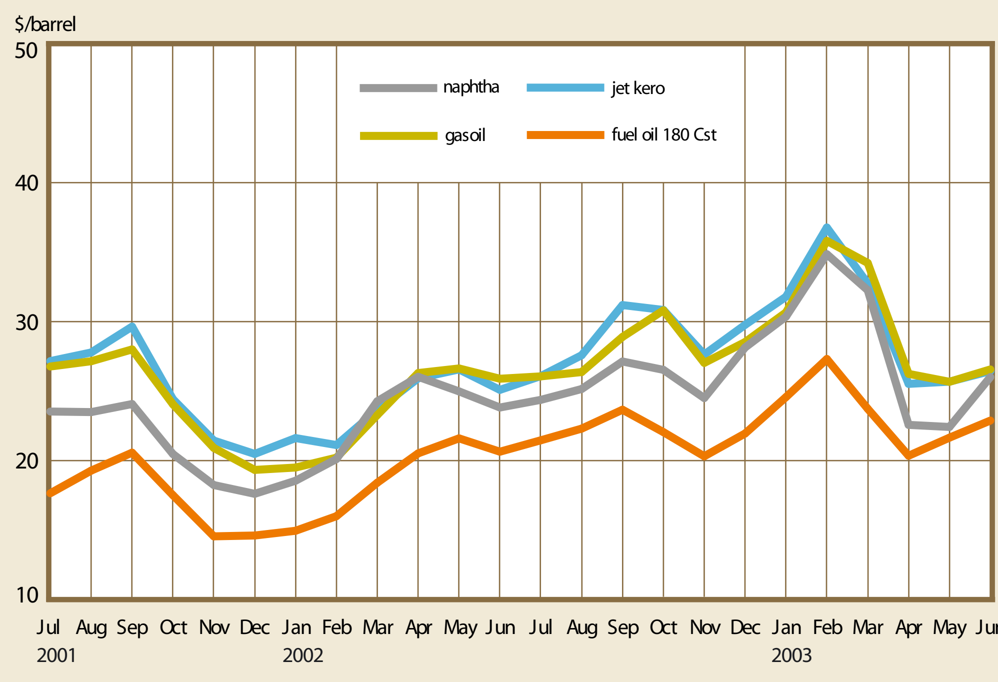


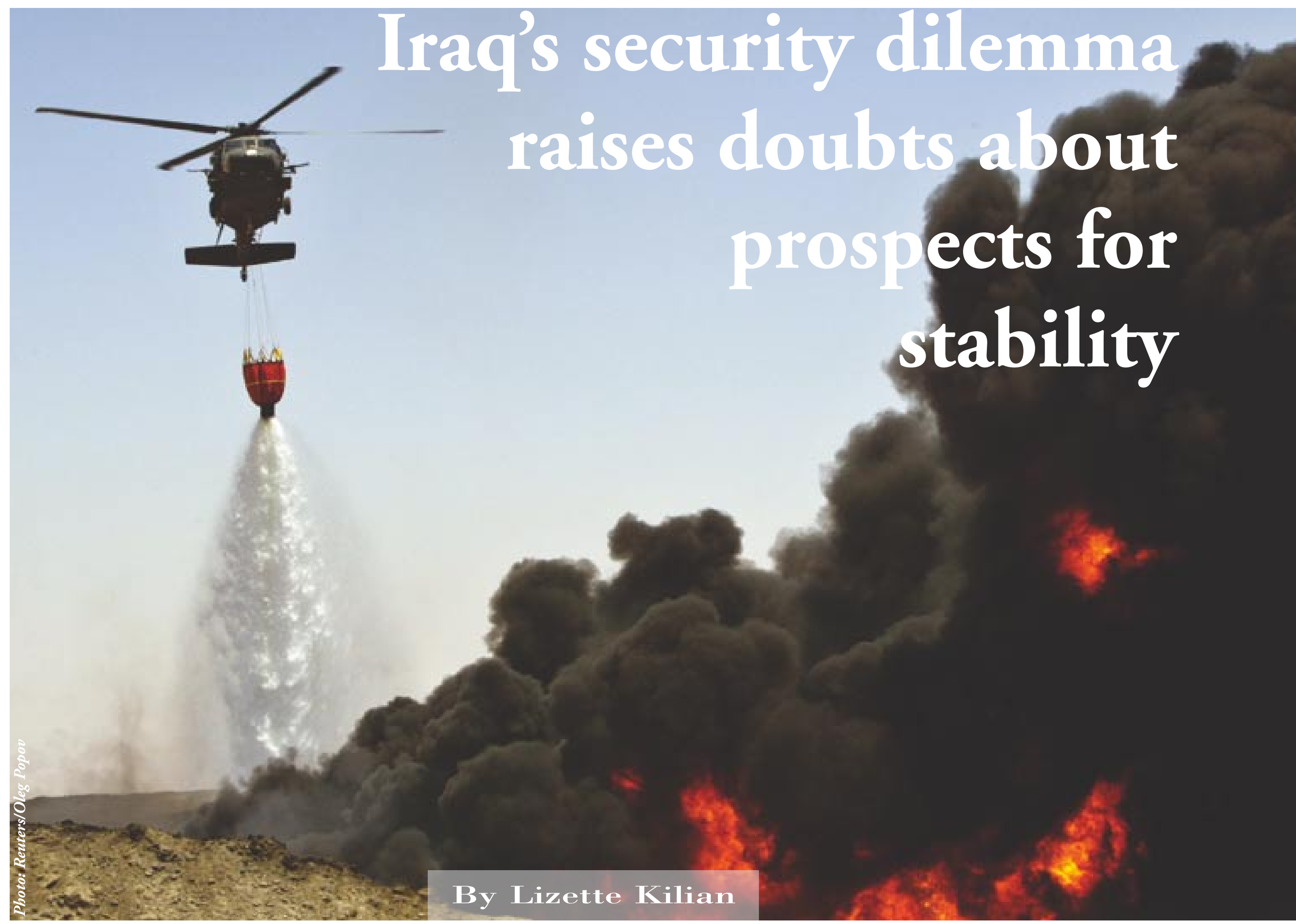
Table 8: Middle East — fob ($/b)

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2001	June	26.95	28.08	28.93	18.92
	July	23.53	26.77	27.16	17.65
	August	23.49	27.15	27.78	19.28
	September	24.07	28.00	29.64	20.57
	October	20.47	24.05	24.42	17.51
	November	18.24	20.91	21.44	14.55
	December	17.61	19.33	20.48	14.61
2002	January	18.55	19.50	21.62	14.95
	February	20.11	20.21	21.12	16.00
	March	24.27	23.28	23.65	18.41
	April	26.03	26.30	25.92	20.52
	May	24.98	26.63	26.56	21.60
	June	23.82	25.89	25.09	20.64
	July	24.37	26.06	26.08	21.46
	August	25.15	26.37	27.58	22.30
	September	27.13	28.90	31.19	23.66
	October	26.53	30.81	30.84	22.05
	November	24.50	27.03	27.63	20.31
	December	28.14	28.53	29.77	21.95
2003	January	30.36	30.66	31.79	24.57
	February	34.85	35.81	36.77	27.31
	March	32.26	34.22	32.74	23.73
	April	22.57	26.24	25.52	20.35
	May	22.42	25.67	25.68	21.65
	June	26.01	26.56	26.44	22.88

Sources: Reuters; as of 2002 Platts. Prices are average of available days.

Graph 8: Middle East — fob





Iraq's security dilemma raises doubts about prospects for stability

Photo: Reuters/Oleg Popov

By Lizette Kilian

Above: A US army Black Hawk helicopter drops water on the blazing pipeline near the northern Iraqi town of Beji.

The recent upsurge in security problems in Iraq has heightened doubts about the prospects for restoring stability to the country.

On August 19, a massive truck bomb ripped through the United Nations headquarters in Baghdad, killing at least 23 people, including the UN's top envoy in Iraq, Sergio Vieira de Mello, and injuring more than 100 others.

UN Secretary General Kofi Annan expressed shock at the bombing but vowed that the UN would not be intimidated by the violence and would stay in Iraq.

"If there is one way to honour the memory of colleagues murdered in the line of duty, it is to carry on with our work, determined and undaunted," Annan told a memorial meeting of staff at UN headquarters in New York, transmitted live by videoconference to UN offices around the world.

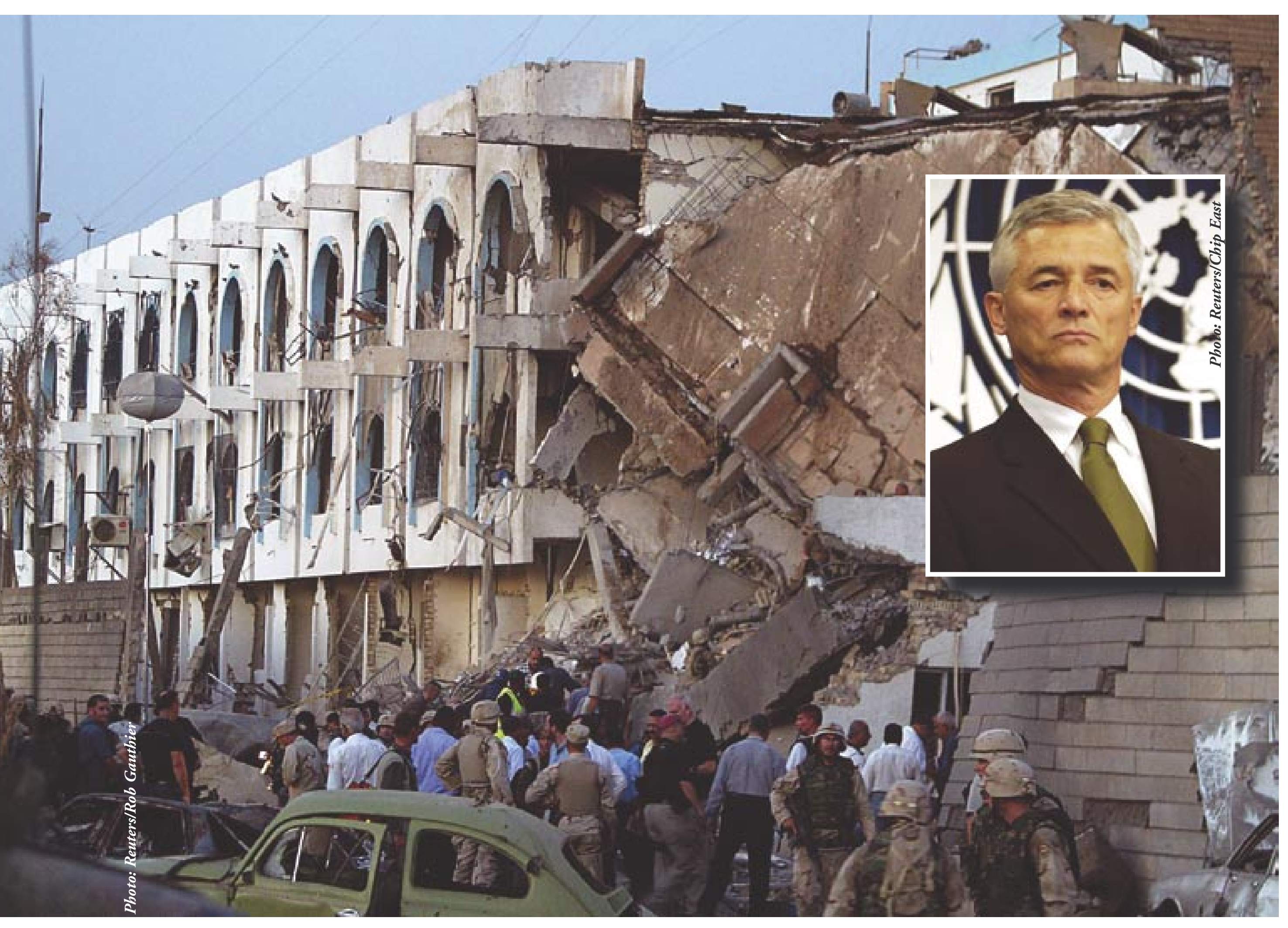
"The United Nations will not be reckless. Nor, however, will it be intimidated. The service of the UN is not simply a job. It is a calling, and those who have attacked us will not deflect us from it. We shall find a way to continue our work — that is, to continue helping the Iraqi people to rebuild their country and regain their sovereignty, under leaders of their own choosing," he added.

He said he hoped those responsible for the attack would be quickly identified and brought to justice, and he offered his wishes for a speedy recovery to the injured and his condolences to the families of the dead.

"Most of all I hope to see Iraq restored as soon as possible to peace, security and full independence. The United Nations will make every effort to bring that about," Annan said.

The bomb attack on the UN offices in Baghdad was met with universal condemnation around the world.

Speaking to reporters at his ranch in Texas, US President George W Bush said: "Iraq is on an irreversible course toward self-government and peace. And America and our friends in the United Nations will stand with the Iraqi people."



Above: The ruins of the UN headquarters in Baghdad, which was devastated by a bomb attack in August.

Inset: The UN's top envoy in Iraq, Sergio Vieira de Mello, was among those killed in the blast.

Chronology of recent attacks in Iraq

August 7 Jordanian embassy in Baghdad bombed
August 16 Oil pipeline sabotaged in northern Iraq
August 17 Water pipes sabotaged in Baghdad
August 19 UN headquarters in Baghdad hit by truck bomb

The death of de Mello was keenly felt in Indonesia. Jakarta had worked closely with the Brazilian diplomat over the years on Vietnamese refugee issues and during his term as head of the UN transitional administration in East Timor.

The Indonesian Foreign Ministry said in a statement that de Mello "personified the high dedication and bravery of those serving humanity under the banner of the UN, often in the most difficult circumstances."

The Arab League condemned the bombing as a "dangerous terrorist crime", and urged "all national forces in Iraq to join forces and work to prevent these acts which do not serve the interests of the Iraqi people."

The bombing of the UN headquarters was only the latest in a series of recent attacks that has raised questions about the prospects for restoring stability to the country.

The main oil pipeline from the northern Kirkuk fields to the Turkish port of Ceyhan was bombed twice earlier in August, and water facilities in Baghdad were sabotaged. The Jordanian embassy in Baghdad was also attacked.

The upsurge in security problems is hampering efforts to restore oil production back to its pre-war levels of 2.4 million barrels/day. Revenues from oil production had been expected to help subsidise the reconstruction of the country, but exports have struggled to rise above 500,000 b/d.

In addition, daily power supply cuts have delayed the load-

ings of Basrah Light crude onto tankers in recent weeks. The US-appointed head of Iraq's Oil Ministry, Thamir Ghadhban, attributed the recent events to the lack of proper security.

"Under the previous regime, we had the oil police, the army and the co-operation of the tribes, as well as what we call internal security," he said, adding: "Now all this has disappeared. There is a void in security."

The recent attacks on water and oil pipelines, power grids, and the attack on the UN headquarters seem intended to create chaos and instability, and increase dissatisfaction among the population, and stretch the coalition forces' nerves even thinner.

The attack, the worst in UN history, is another sign that the increasingly unstable postwar situation is discouraging foreign investment in Iraq until security is fully restored and the country has an internationally recognized government.

Iraq has the second-largest crude oil reserves in the world, but its pipelines, pumping stations and oil reservoirs are dilapidated after more than 10 years of neglect and foreign investment is desperately needed.

Meanwhile, concerns over world supplies and the fact that US oil stocks are running at historic lows, have kept oil prices at the upper end of OPEC's price band range of $22-28/b for the Reference Basket.

World Bank calls for economic reforms in Middle East and North Africa

New York — The Middle East and North Africa (MENA) could ward off a major unemployment crisis in the coming years by expanding trade and private investment and generating millions of new jobs, according to a World Bank report.

The report warns that public sector-driven and protected economies supported by oil, aid and workers' remittances can no longer generate sufficient growth or jobs. Instead, it calls on countries to embrace trade and investment reform, which promise faster growth, and much-needed employment opportunities in the region.

Forecasts estimate that the number of new entrants to the labour force will average four million a year between 2000-10, double the rate of the last two decades. Unemployment rates in the region, which average 15 per cent, have doubled in the past two decades and are now among the highest in the world.

Unemployment rates for the young, educated, female and first-time job seekers are even greater with countries facing a steady decline in per capita oil revenues, aid inflows and workers' remittances, and the need for a viable alternative to public sector employment has become critical.

"Today's entrants into the labour market are young and better educated, which means that with the right economic environment, they could provide the basis for rapid and sustained growth, as in the rest of the world," said the World Bank's Chief Economist for the Middle East and North Africa, Mustapha Nabli.

"But if the environment is constrained, a potential demographic gift could turn into a demographic curse and give way to a social crisis," he added.

The report recommends that MENA moves its economies from oil to non-oil sectors, from state-dominated to market-driven activities, and from protected import-substitution to competitive export-oriented activities. Intensifying trade and investment lies at the heart of the prescribed reform, the reported indicated.

Violence and conflict have a negative influence on trade and investment integration with large spill-over effects that extend beyond the conflict-ridden countries, the report concluded.

World economy held back by trade slump and unemployment

New York — Political uncertainties that sidetracked a once-promising economic recovery are easing, but the persisting slowdown in trade and investment, as well as rising unemployment, continue to hold back world growth, according to the United Nations' *World Economic and Social Survey.*

A complicating factor in the recovery is the long-anticipated decline in the value of the dollar, largely in reaction to the ballooning external deficit of the United States. A robust recovery would need to be built on a broader base than just the US economy, the survey said.

According to the survey forecast, the world economy is expected to grow by only 2¼ per cent in 2003, following two per cent growth over the course of 2002. Trade is expected to pick up incrementally to four per cent growth in 2003, compared with two per cent last year.

With globally weak effective demand, the over-capacity created by excessive investment in the 1990s, especially in the information, communications and technology sector, has been reduced more slowly than expected, and the political shocks of the past year have resulted in a large degree of slack in other sectors, most notably in the travel industry, the survey stated.

"Over-capacity will continue to have a dampening effect on the business investment that is necessary to sustain recovery," it added, but even so "most of the negative consequences of the earlier geopolitical uncertainties are expected to dissipate by the third quarter of 2003."

Among elements of a return to strong growth that are in place, according to the survey, is a low-inflation world environment, which has allowed policy makers to launch simulative macroeconomic and fiscal policies.

Other factors include the need to replenish reduced inventories brought on by protracted weakness since 2000, thus bolstering demand and the fact that many developing countries are benefiting from improved, albeit still historically low, commodity prices, and those able to borrow in international capital markets are able to take advantage of low interest rates.

The Director of the Development Policy Analysis Division, UN Department of Economic and Social Affairs, Ian Kinniburgh, said at a news conference that the delay in recovery had imposed costs on the world economy, particularly in

developing countries in terms of the long term and achieving the UN's development goals of halving poverty by 2015.

In developing countries, growth in 2003 had been one half per cent less than anticipated, Kinniburgh said, adding that it would take a while for them to get back to former growth rates. But the most populous countries, India and China, had achieved high rates of growth, which was important, as those two countries also have the largest number of the world's poorest people.

Indonesia to issue bonds to help finance state budget

Jakarta — As part of a strategy to manage the country's domestic debt, the Indonesian government is set to issue medium-term bonds, or T-bonds, worth 7.7 trillion rupiahs ($850 million).

The House of Representatives has already approved the plan, following the successful issue of 2.7 trillion rupiahs' worth of bonds in April.

The Minister of Finance, Dr Boediono *(pictured below)*, said that the government preferred the T-bonds because they were less of a burden on the cash-strapped state budget and would mature between six months and a year.

"The market is liquid enough to absorb the bonds. More importantly, we've seen capital inflow into the country, which will create another source of demand," the *Jakarta Post* quoted him as saying.

Photo: Reuters/Enny Nurabeni

Indonesia's large domestic debt stems from the 1997-98 Asian financial crisis, which resulted in the substantial depreciation of the rupiah, and a subsequent deterioration of the economic situation.

However, the country's increasingly stable macroeconomic position has attracted foreign funds to the government bonds, according to financial analysts.

UAE says deficit in delayed federal budget "under control"

Abu Dhabi — The United Arab Emirates (UAE) has issued a delayed federal budget for fiscal 2003 with projected higher spending, but has kept the deficit under control and again ruled out rises in government fees.

The increase in expenditure, despite unstable crude oil export earnings, is expected to send a positive signal to the private sector and encourage it to pump in more investment that will spur economic growth and create new jobs.

The deficit was forecast at $599 million, slightly higher than last year's shortfall, and almost equivalent to the deficits seen over the past six years, according to a report in the local paper *Gulf News*.

Economists described the 2003 deficit as small and controllable, since it accounted for just 0.8 per cent of projected gross domestic product of around $70.8 billion this year.

Spending for fiscal 2003 was projected at $6.34bn, slightly higher than last year's $6.30bn. Revenues were forecast at $5.74bn, also higher than 2002's earnings of $5.71bn.

The increase in spending was caused by higher current expenditure, mainly on education, health, social aid, and salaries to civil servants.

Experts said such an increase reflected the government's concern in expanding and developing services to the citizens and creating more jobs for nationals. However, they also expected it to spur economic growth and private investment since the private sector still relied heavily on public spending, despite its expanding role.

Speaking to reporters after the cabinet approved the federal budget, the Minister of State for Financial and Industrial Affairs, Dr Mohammed Khalfan bin Kharbash, said that there were no plans to increase government fees, despite the rise in the projected deficit this year.

A revenue breakdown showed that around $1.85bn would come from contributions by the UAE's seven emirates, while some $2.01bn would come from the Federal Ministry.

An expenditure breakdown indicated that $6.06bn was in current spending, more than 95 per cent of the total expenditure. Allocations for education were increased to around $1.59bn, from $1.55bn, while there was an increase of 2.7 per cent and 1.2 per cent in allocations for health and social services, respectively.

Nigerian Ambassador to Austria praises improvement in bilateral relations

Vienna — Relations between Nigeria and Austria have seen a remarkable improvement in recent years, especially since the return of the West African country to democratic rule, according to the outgoing Nigerian Ambassador to Austria, HE Abdulkadir Bin Rimdap *(pictured below).*

Speaking to the OPEC News Agency, Rimdap said that several Austrian companies, which in the past had withdrawn from Nigeria, had now returned — a clear indication of Nigeria's growing potential as an investment friendly country.

"We have in particular a company called Voest Alpine and another called Vamed to which the federal government of Nigeria awarded various contracts worth between €800,000 and €100 million, respectively," he pointed out.

Commenting on his country's international profile and contribution to world development, Rimdap said that during his tenure, deliberate efforts were made to actively involve Nigerians in the activities of various international organizations.

He noted that, for the first time, Nigeria had been appointed Chairman of the Board of Governors of the Vienna-based International Atomic Energy Agency. In addition, a Nigerian was elected to become the Chairman of the UN Committee on the Peaceful Uses of Outer Space, the first African country to be chosen to the post.

Rimdap also participated in various activities of OPEC, which he described as being highly reputable and respected, in view of its role and contribution to global oil market stability.

He described the OPEC market monitoring mechanism, based on production discipline and the price band system, as an effective and predictable approach to the monitoring of the international oil market. His exposure to the workings of the Organization had been most rewarding for him and his country, he stressed.

"OPEC is a formidable Organization. It is a platform for fostering our own foreign policy objectives, and to be able to make our position clear and contribute to the work of the Organization," he stated.

Rimdap also commended the role of OPEC's sister Organization, the OPEC Fund for International Development, also based in Vienna, for its contribution to poverty alleviation and the fostering of socio-economic development in the poorer developing countries around the world.

Asked what had been his most exciting moment during the three-and-a-half years he spent as a diplomat representing his country in Austria, Rimdap pinpointed the current efforts in negotiating a convention against corruption.

He said that he was happy that this initiative was initially taken by Nigerian President Olusegun Obasanjo during his first address to the United Nations in 1999, when he called for an international instrument to combat corruption.

The Ambassador said final details on the convention were being put together and would soon be presented. He has also served as a past chairman of the convention.

IMF approves of Indonesian economic reform policies

New York — The Executive Board of the International Monetary Fund (IMF) has completed its ninth review of Indonesia's performance under an Extended Fund Facility arrangement of nearly $5.0 billion, according to an IMF statement.

This opens the way for release of a further $486 million, bringing the total amount drawn under the arrangement to about $4.0bn.

At the conclusion of the IMF Executive Board's discussion on Indonesia's economic and structural reform programme, the Deputy Managing Director and Acting Chair, Shigemitsu Sugisaki, said: "The Indonesian authorities are to be commended for their continued strong policy performance under their arrangement with the Fund. The economy is sustaining steady growth despite a number of external and domestic shocks; inflation has continued to decline, and there has been an additional build-up of international reserves."

"These developments have contributed to a further improvement in financial market sentiment, manifested in a strengthening of the rupiah, and a sharp rise in the stock market," he added.

Indonesia's fiscal policy, he continued, remains geared toward achieving a significant fiscal consolidation and reduction in public debt. Budget performance through the first quarter was well within the programme's target and is on track to achieve the full-year target of 1.8 per cent of gross domestic product (GDP).

Sugisaki said that the Bank Indonesia's prudent conduct

of monetary policy has contributed to a sustained decline in inflation and appreciation of the rupiah.

"These developments have allowed interest rates to decline in support of economic recovery, and a continued cautious monetary stance will help achieve a further and lasting decline in inflation," he noted.

Progress has also been made in structural areas, including on Indonesian Bank Restructuring Agency (IBRA) recoveries, which are on track to meet the annual target, the Deputy Managing Director said.

Going forward, the priority is to ensure a transparent disposition of the assets of IBRA's largest debtors, and enhance recoveries from the bank shareholder settlement agreements through intensified efforts to ensure compliance. The authorities are also encouraged to keep up the momentum of the privatisation programme.

He said that the financial sector reforms continued to advance on schedule with the recently concluded divestment of Bank Danamon, and the announced timetable for the divestment of Bank Lippo. The initial public offering of the country's largest bank, Bank Mandiri, is expected to be concluded shortly.

He pointed out that a comprehensive plan to strengthen the financial sector safety net has been completed, and that sustained progress on the government's comprehensive reform agenda will be key to improving Indonesia's investment climate and maintaining market confidence.

Meanwhile, in a separate development, the Director General of Taxation, Hadi Purnomo, has announced that the Indonesian government plans to raise the country's tax ratio to 13.5 per cent of GDP next year, in a bid to help secure domestic financing for the state budget, according to Indonesia's state news agency Antara.

"With an economic growth assumption of 4.0 per cent to 5.0 per cent, the tax ratio is projected at 3.1 per cent to 3.5 per cent of GDP," Purnomo said.

Increasing tax revenue is particularly crucial next year, given the expectation of a decline in foreign financial support following the termination of the existing IMF programme. Without the presence of the IMF, the country would be unable to obtain around $3.0 billion in debt rescheduling facility from the Paris Club of creditor nations.

The country's tax ratio is currently among the lowest in the region, and analysts have said that there is great scope for the government to boost it.

Saudi Arabia donates ten water purification plants to Iraq

New York — The Kingdom of Saudi Arabia has donated ten water purification plants to Iraq, according to an announcement by the Saudi Embassy in Washington.

Each station will have the capacity to purify 520,000 gallons/day of water, giving them a total capacity of over 5.0 million gal/d of water.

"The Kingdom of Saudi Arabia continues to respond to the needs of the Iraqi people. We have set up a comprehensive aid package," said the Saudi Ambassador to the United States, Prince Bandar bin Sultan.

"We have provided a field hospital along with ambulances, doctors, medical supplies and foodstuffs. The purification facilities are absolutely necessary due to growing concerns about the lack of potable water in Iraq," he added.

According to the World Health Organization, existing clean water resources have been destroyed or contaminated in most cities and villages. Since the disruption of clean water supplies, waterborne illnesses such as cholera, dysentery and diarrhoea have proliferated, especially among children.

Qatar, Air Liquide sign deal to set up first helium plant

Doha — QatarGas and RasGas, two affiliates of Qatar Petroleum (QP), have signed an agreement with French industrial gases group Air Liquide to set up the first helium plant in Qatar.

The Qatari Minister of Energy & Industry and QP Chairman, Abdullah bin Hamad Al Attiyah, signed the agreement, which covers design, selling and procurement related aspects of the project.

The $115 million project will be financed by QatarGas and RasGas, which will also supply the liquefied natural gas feedstock for the plant.

In a statement after signing the deal, Al Attiyah said that the plant's projected production would be about 650 million cubic feet/year, or about 10 per cent of the world's helium supply.

Asked about the economic feasibility of the helium project, Al Attiyah said that it was excellent, as the gas had numerous commercial and industrial uses.

Helium's safe and non-reactive properties make it ideal for use in controlled atmospheres, purging operations, arc weld shielding, breathing mixtures for deep sea diving, and leak testing. It is also used in the manufacture of magnets which are vital components in medical tools such as magnetic resonance imagery scanners.

Iran, Indonesia sign deal to boost bilateral ties

Tehran — Iran and Indonesia have signed a memorandum of understanding to establish a consultative committee that will work to establish friendly ties between the two countries.

The accord was signed by the Iranian Deputy Foreign Minister for Asia-Pacific Affairs, Mohsen Aminzadeh, and his Indonesian counterpart, Makarim Wibisono.

According to Aminzadeh, the two sides discussed key regional and international issues, particularly developments in post-war Iraq, the current situation in Afghanistan, and the continuing campaign against terrorism.

Aminzadeh and Wibisono reviewed political, economic, cultural, regional and international issues, including bilateral co-operation within the framework of the United Nations and the Organization of the Islamic Conference.

They also looked at relations between the member countries of organizations including the Association of South East Asian Nations, the Economic Co-operation Organization, and the Non-Aligned Movement.

Iran and UAE officials discuss possibility of tariff breaks

Tehran — Senior officials from Iran and the United Arab Emirates (UAE) have discussed agreements to enhance the level of bilateral relations and co-operation between the two countries, it was recently announced.

The talks were held between the Deputy Head of the Iranian Chamber of Commerce, Industry and Mines (ICCIM), Allaedin Mir-Mohammad Sadeqi, and the Head of the UAE's Chamber of Commerce and Industry, Abid Hamid Altayer,

According to the official Iranian News Agency (IRNA), Sadeqi said that given the UAE's huge industrial and trade potential, Iran's Chamber of Commerce was keen on expanding trade discussions with the country.

He said that the ICCIM was ready to discuss the UAE's proposals for a reduction of tariffs and customs duties on its goods to Iran.

Altayer noted that the aim of the talks was to boost bilateral trade and that the UAE was well aware of Iran's potential in the transit of goods to Central Asian countries, "but it needs to improve its infrastructure to expand transit traffic."

He added that some of the remaining snags, notably in customs clearance, would also be overcome, in order to expand bilateral trade.

Iran's exports to the UAE are estimated at approximately $780m annually, according to the IRNA report.

Nigerian debt burden hampering development, says Central Bank

Abuja — The current size of the Nigeria's debt burden is affecting the ability of the federal government to undertake development projects, according a report from the Nigerian Central Bank (CBN).

The Bank stated that the size of the domestic debt was excessive and unhealthy. Currently, the government owed about $28 billion in external debt, and a domestic debt of about one trillion naira.

The government's fiscal imbalance has hampered its economic performance and has imposed a large burden on future generations, particularly since the bulk of the debts have not been properly allocated, said the CBN.

"The solution to Nigeria's deficit and debt problems should underscore the need for spending reductions, while borrowing, if any, should be undertaken through the capital markets, and only for capital projects that would generate future streams of income that would be capable of repaying the borrowed funds," the report said.

The CBN decried the absence of fiscal discipline and non-adherence to planning guidelines in the country, and advised that these lapses should be corrected if the country wants to move forward.

"The lingering problem of unpaid pensions and monies owed local contractors should be comprehensively addressed with a view to finding a lasting solution to the problem and in the process erase the impression that Nigeria is a callous society," the report added.

The Bank, however, commended the government for some ongoing institutional reforms, particularly the movement of the Debt Management Office (DMO) from the CBN to the Presidency.

The report said that this relocation would allow the DMO to build a comprehensive database on the profile of the country's debtors and also facilitate the design of appropriate policies.

Algeria and Iran get financial aid for reconstruction after earthquakes

Algiers — Following the recent earthquake in Algeria, the European Investment Bank (EIB) has announced that it will contribute €250 million to the reconstruction efforts, in order to prevent lasting economic disruption.

EIB Vice-President, Philippe de Fontaine Vive Curtaz, announced the loan move after he met with high-ranking Algerian officials to discuss the deployment of the aid. According to an EIB statement, the financing would focus primarily on the reconstruction of infrastructure, such as water supply, electricity, gas, and public transport.

The funds will also be used to rebuilt hospitals, community clinics, schools and public buildings in the towns of Boumerdes, Reghaia, Zemmouri, and certain districts of Algiers, including Bab Ezzouar and Dar El Beida.

In addition, French President Jacques Chirac, attending the G-8 summit in Evian, France, announced that the G-8 had agreed to give financial support to Algeria, following the earthquake.

He said that the summit had charged G-8 finance ministers to examine concrete proposals for supporting Algeria in the short, medium, and long-term.

In a separate move, the World Bank has approved a $180 million loan for Iran following the devastating effects of earthquakes that struck the province of Kermanshah in April 2002 and the provinces of Qazvin, Hamedan, and Zanjan in June.

The Bank said in a statement that the project would focus on the reconstruction of houses, and rebuilt the social and economic infrastructure in line with earthquake resistant safety standards.

The project would also strengthen capacity building by developing effective systems and institutions for earthquake disaster monitoring, mitigation and management, in order to minimize the impact of future earthquakes.

Qatar, UAE companies to build aluminium smelter at Ras Laffan

Doha — The United Development Company (UDC) of Qatar and the Dubai Aluminium Company (Dubal), have announced a joint venture to build an aluminium smelter on a greenfield site at Ras Laffan Industrial City.

The smelter will initially produce 516,000 tonnes/year of aluminium, with the potential to expand in phases to over one million t/y. It will use Dubal's CD 26 technology, developed jointly with Comalco Aluminium of Australia, and will benefit from Dubal's technical, operational and marketing know-how.

Its electricity requirements will be met by a dedicated power plant with natural gas supplied from Qatar's North field. Industry sources said that the project's strength was derived from a combination of the partners' respective abilities.

Dubal is one of the world's leading aluminium smelters. The modern plant at Jebel Ali, in Dubai, consists of six pot-lines with a current capacity of 536,000 t/y, which will be raised to 710,000 t/y under the current expansion programme.

The facility also has a dedicated 1,450 megawatt power station, and a desalination plant, capable of producing 30m gallons/day of fresh water.

UDC was established in 1999 and is the largest private sector shareholding company in Qatar. Its founders own 45 per cent of the firm.

Dow Chemical is partner for second Kuwaiti olefines project

Kuwait — The Kuwait Petroleum Corporation (KPC) and Dow Chemical are planning to build their second ethylene and derivatives complex in Shuaiba, Kuwait, according to the official Kuwait News Agency (KUNA).

The new facility, to be called Olefins II, is expected to be completed by early 2007. It will have an 850,000 tonnes/year ethane-based ethylene cracker and a 600,000 t/y ethylene oxide/glycol plant that will use Dow's Meteor technology.

Kuwait's Energy Minister, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah *(pictured),* was quoted by KUNA as saying that the new project would expand the successful partnership between Kuwait and Dow Chemical, which were already working together in the Equate Petrochemical Company.

Photo: Reuters/Heinz-Peter Bader

The two sides also agreed on establishing a plant for the production of styrene, using feedstock from the second olefins complex and the aromatics plant, added the Minister. Both parties will make contributions to the project, such as securing the crude materials, providing the infrastructure, technology, and the skilled labour.

Al-Sabah pointed out that the project was a further step towards implementing the long-term strategy of Kuwait's Petrochemical Industries Company. PIC is one of six specialized subsidiaries of KPC, and produces fertilizers and petrochemicals.

Currently, PIC is investing in the modernization of its fertilizer complex in Kuwait. It also runs a 100,000 t/y polypropylene plant through a special arrangement with Equate.

The Equate Petrochemical Company owns and operates a state-of-the-art petrochemical complex in Kuwait. It was established in 1995 as a joint venture between PIC and the Union Carbide Corporation (now a subsidiary of Dow Chemical).

Algerian President appoints Ouyahya as country's new Prime Minister

Algiers — The Algerian President, Abdelaziz Bouteflika, has appointed 51-year-old Ahmed Ouyahya as the country's new Prime Minister, replacing Ali Benflis.

Ouyahya occupied the post of Prime Minister in a previous administration between 1995-98, and was also the Minister of Justice in two successive governments from 1999 to 2001.

Before his new appointment to the post of Prime Minister, he served as Minister of State and Personal Representative of the President.

OPEC Fund and Rwanda join forces to rehabilitate power plants

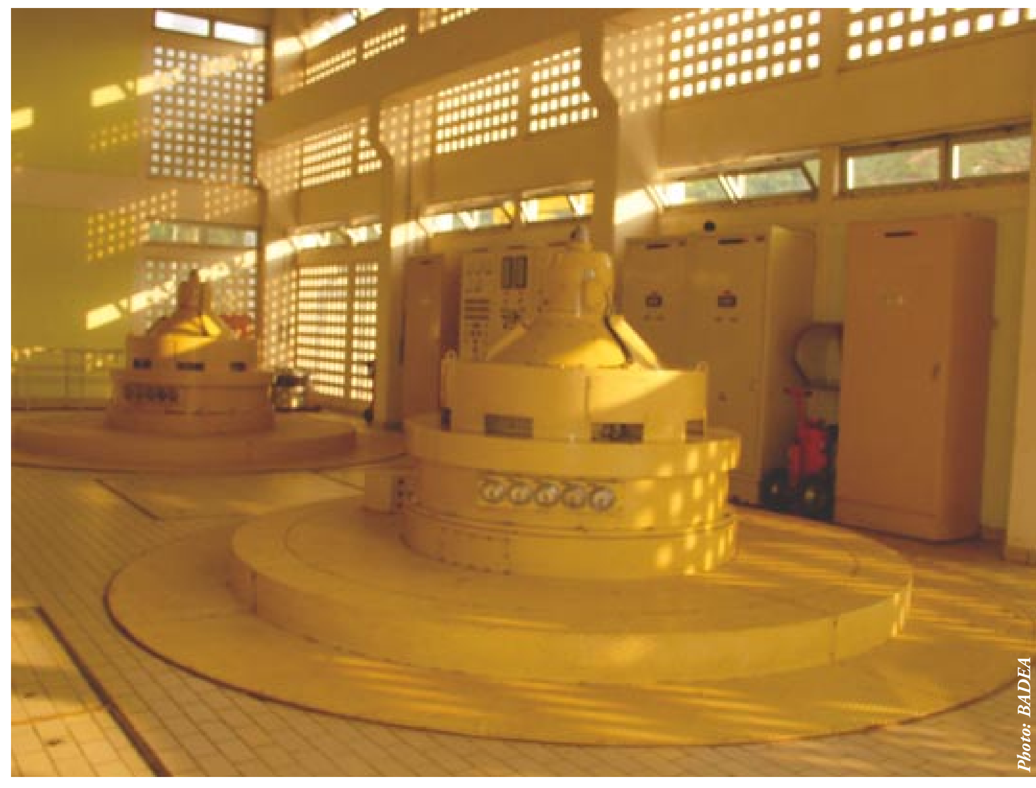


Photo: BADEA

The turbine room at one of the power plants. The renovated plants will help prevent deforestation in Ruhengeri and Gisenyi provinces by providing a reliable source of affordable energy.

In direct response to concerns over the need to preserve Rwanda's depleting forests, the OPEC Fund is working closely with the tiny African republic to help develop other, renewable sources of energy. With this aim in mind, a $5 million loan agreement was concluded in February to co-finance rehabilitation of three hydroelectric power plants.

by Audrey Haylins

Like many of its African neighbours, Rwanda relies heavily on the use of fuel wood for its energy requirements. Of the total energy consumed, over 90 per cent is from wood and charcoal. With trees covering about a quarter of the country's overall land area, it is a practice that, until now, has been relatively sustainable. Since the repatriation of over a million refugees, however, and the added impact of an unusually high population growth rate, significant imbalances have emerged between consumption and supply. As a result, deforestation has become widespread and, in some areas, severe. Land degradation, too, is a serious problem, and one that the government wishes to avoid, given the importance of the agricultural sector, which generates about 45 per cent of the country's export earnings.

Householders are by far the main consumers of energy in Rwanda, with the commercial sector satisfying its needs primarily through imports. This arrangement is a massive burden on the economy, particularly as imports of petrol and diesel fuel have soared in recent years, and now cost the country upwards of $46m per year.

Against this background, the government has launched a 10-year energy sector investment programme, the overriding aim of which is to increase efficiency in both the production and utilization of energy, principally to help minimize its cost to the economy. The Fund-sponsored project is the first priority investment under the programme, and involves the ex-

tensive rehabilitation of ageing hydroelectric power plants in the western provinces of Ruhengeri and Gisenyi.

The plants are currently operating well below capacity due to worn-out equipment, lack of maintenance and damage sustained from flooding. For the local population, this means chronic power shortages and frequent blackouts that necessitate the use of expensive-to-operate backup generators. It is a situation that compromises economic activity and perpetuates poverty among people who are already living in extreme hardship.

Under the project, each plant will be completely renovated and modernized, and repairs made to the associated dams and all connecting canals. In order to prevent damage to the plants' powerhouses, erosion and flood protection measures will also be undertaken. Other components include the construction of access roads and workshops, and the implementation of capacity building schemes. As well as raising living standards by improving access to basic services, the project will also foster socio-economic growth in the beneficiary communities and create employment opportunities.

Photo: BADEA

In western Rwanda, a Fund loan will co-finance the rehabilitation of three hydroelectric plants together with the associated dams and canals.

OPEC Fund supports vocational training for women in Paraguay

Scattered in crudely-built shanty towns on the outskirts of the capital Asunción, thousands of Paraguay's poor fight a daily battle for survival. Poverty here is absolute. Most 'homes' are no more than hastily-constructed shacks devoid of even the most basic amenities, and hunger and disease maintain an ominous presence. The majority of households are headed by women, who possess little education and struggle to support their families on barely $2 per day.

by Anna Ilaria-Mayrhofer

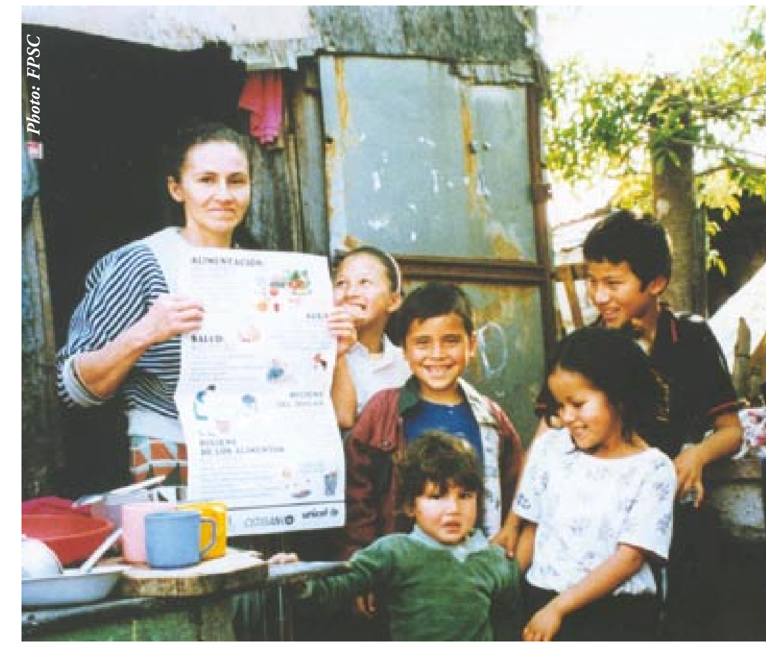


Photo: FPSC

This is an all-too-common snapshot of many peri-urban areas in developing countries. Fortunately, thanks to non-profit non-governmental organizations (NGOs) such as the Foundation for the Social Promotion of Culture (FPSC), it is a picture that is beginning to change. As a result of an ongoing programme spearheaded by the FPSC, and in coordination with the Association for the Promotion of Craftswomen and Women Workers (PROMU), hundreds of Paraguayan women now have the chance to create a brighter future for themselves and their children. Through the provision of free vocational

A Fund grant to the FPSC, a local NGO in Paraguay, will help finance the expansion of a school that provides poor women with the skills and vocational training they need to become self-sufficient.

training at a school established by PROMU, these women have been able to learn a trade and find steady jobs. In April, the Fund extended a $150,000 grant to help the FPSC and PROMU finance the expansion of the school.

FPSC and PROMU

Since 1987, the FPSC has given its unwavering support to projects that foster women's involvement within their communities and boost their role in society. Established by PROMU in 1985, the Escuela de Formación para Asistentes de Empresas de Servicio (EFAES), a women's vocational training facility situated in the deprived Asunción suburb of Las Mercedes, is one such initiative. Both NGOs share the vision of fighting poverty in a long-lasting, permanent way by empowering the poor with the tools and education needed to become self-sufficient. Over the years, vulnerable populations, not just in Paraguay, but in needy countries around the globe, have been able turn their lives around thanks to the efforts of these organizations.

Creating careers

The EFAES offers theoretical and practical training in areas such as micro-enterprise management, computer literacy and business skills, as well as in the hostelry-gastronomy trade — cooking, restaurant services, housekeeping, receptionist skills and sewing. The only prerequisite for acceptance into the school is a four-year basic education, with priority accorded to the neediest women.

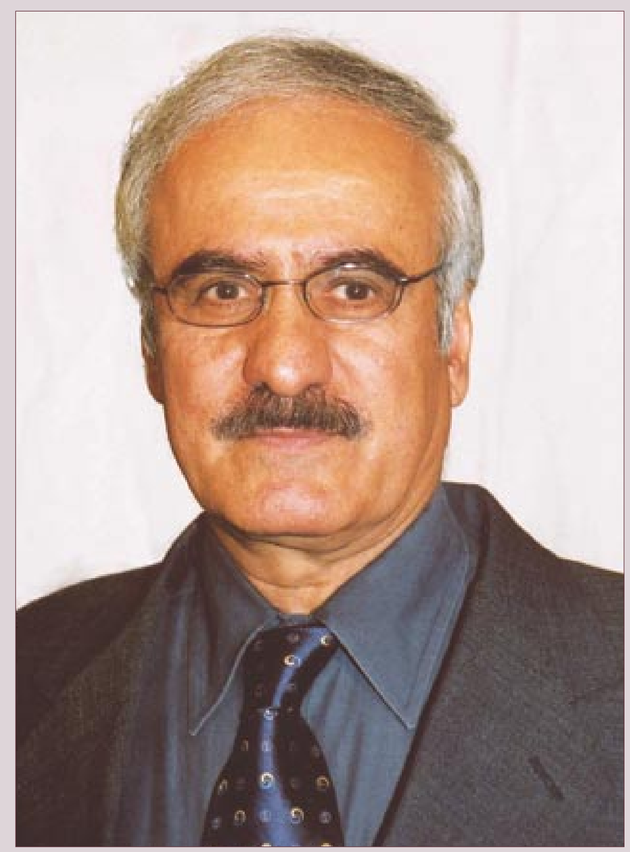
EFAES has been such a success that enrolment rates have increased five-fold in only two-and-a-half years. This achievement, however, has lead to overcrowded classrooms, and many applicants must be turned away for want of space and teaching supplies. The aims of the current EFEAS/PROMU project, therefore, are to enhance existing facilities so that at least 350 additional women will be able to attend classes.

A 1,200 sq m three-storey annex will therefore be constructed, which will house four workshops, an audio-visual room, a multi-purpose hall, a warehouse, a conference room, teachers' offices and a dining area. All the appropriate equipment, furniture and teaching supplies will be purchased. Within the framework of the existing curriculum, new classes and short-term courses will be created that offer an even wider array of career choices, and more instructors hired to handle the extra class loads. When each student completes her training, she will receive a qualification that is recognized by the Ministry of Education and Culture.

On-the-job training

In order to contribute to the sustainability of the project, students are given a working post at the EFAES relating to their field of study — something that instills them with a great sense of pride and responsibility. For instance, those taking classes in food preparation work in the dining hall, while those learning secretarial or computer skills are employed in the administration office. Hours worked at the school are then considered as 'cash payment' for tuition and/or living expenses. This system enables women to play an integral role in the school's activities and learn how to perform job duties in a 'real' situation — thereby preparing them for a smooth transition into the workplace.

PROMU has taken great pains to insure that the school curriculum keeps pace with the ever-changing needs of the job market by obtaining regular feedback from various food and hostelry enterprises. As the EFAES also offers a comprehensive job placement service, almost all graduates are able to secure employment soon after completing their studies.



OPEC Fund Ministerial Council appoints new Director-General

Finance Ministers of OPEC Member Countries, meeting as the Ministerial Council of the OPEC Fund, have appointed HE Suleiman Jasir Al-Herbish *(pictured)* as the new Director-General of the OPEC Fund. He succeeds HE Dr Y Seyyid Abdulai, who has been Chief Executive Officer of the Fund for 20 years. Dr Abdulai had earlier indicated a decision not to seek reappointment.

Al-Herbish is a Saudi national. He is currently Chairman of the Board of Directors of the Arabian Drilling Company; Chairman of the Executive Committee of Saudi Arabian Texaco Inc; and Governor for Saudi Arabia at OPEC. Al-Herbish also chairs the National Shipping Company (NSCSA) of Saudi Arabia, a joint stock company owned by the Saudi government and public.

Hitherto, Al-Herbish had been an Assistant Deputy Minister and Director of several Saudi companies, including the Saudi Company for Precious Metals and the Saline Water Conversion Corporation. He has headed many official Saudi delegations to key international conferences and negotiations on energy-related matters. He represented the Kingdom in committees to formulate OPEC strategies and help establish unified positions on issues regarding oil supply and demand, as well as OPEC market share, production and price level arrangements.

Al-Herbish, 60, is married with four children. He holds a Master of Economics degree from Trinity University, San Antonio, Texas.

In his acceptance speech, Al-Herbish thanked the Ministerial Council and paid tribute to his predecessor, Dr Abdulai. He said that he would continue the "excellent work" of the Fund and pledged to maintain its "high standards of professionalism."

Al-Herbish will assume his position on November 1, 2003. The OPEC Fund Ministerial Council is the institution's highest policy-making body.

News from the OPEC Fund

May 2003

Loans signed

Fund extends loans worth over $99m

Some 16 agreements for loans totalling $99.2 million have been extended to Bolivia, Burkina Faso, Cambodia, Egypt, The Gambia, Ghana, Grenada, Lebanon, Mauritania, the Maldives, Nicaragua, Pakistan, Senegal, Tanzania and Tunisia. Twelve of the loans will help support public sector projects in the areas of education, multi-sectoral, transportation and water supply and sewerage. Through the Fund's private sector window, an agreement for a line of credit was concluded with Banco Bisa, and three loan agreements signed with Lister Medical Services, the Pakistan International Container Terminal and Villa Shipping and Trading.

All 12 public sector projects will be co-financed by the concerned governments and by a number of international development institutions, including OPEC aid agencies such as the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Islamic Development Bank, the Kuwait Fund for Arab Economic Development and the Saudi Fund for Development. Other contributors include the Asian Development Bank, the African Development Fund, the Nigerian Trust Fund (administered by the African Development Bank) and the International Fund for Agricultural Development.

Maldives.
Amount: $3.5m.
Project: Villa Shipping and Trading Company.
A private sector loan agreement has been signed with the largest operator of tourist resorts in the Maldives. Villa Shipping and Trading is also involved in a wide range of other activities, particularly trading and distribution. The primary purpose of this loan is to help Villa Trading diversify through further expansion of its trading operations, and will help finance the development of a land-based fuel storage depot, and a centre for packaging and storing cement and other items for distribution. These activities will make Villa Shipping more competitive in traded goods, thus helping the company to meet the needs of the Maldives' rapidly-growing economy.

Egypt.
Amount: $10m.
Project: Grain silo complexes.
Interest rate: three per cent per annum.
Executing agency: General Authority for Commodities and Supply; Ministry of Supply and Internal Trade.
Total cost: $104.569m.
Co-financiers: IsDB; government of Egypt.
The loan will help finance the construction of grain silos in 20 governorates. The scheme will support the government's aim of increasing grain storage capacity and improving the speed and efficiency of its handling. Under the current project, 20 metal silos will be constructed on sites selected according to their proximity to main roads and cultivation areas, and where the incidence of grain lost is highest. Each silo will have a storage capacity of at least 30,000 tons, and each complex will be equipped with truck and railway receiving pits, delivery portals and scales, as well as tunnels and modern conveyance systems. It is anticipated that the project will save the government almost $19m per year, which will be used for purchasing additional silos until a network is established across the entire country.

Nicaragua.
Amount: $6m.
Project: Poverty reduction and local development.
Interest rate: one per cent per annum.
Executing agency: Emergency Social Investment Fund (FISE).
Total cost: $7.5m.
Co-financiers: Government of Nicaragua.
The loan will co-finance a series of small-scale, sub-projects, selected by FISE in co-ordination with municipalities, community organizations and NGOs. These will include the rehabilitation and construction of infrastructure such as schools, health care units, water supply and sanitation systems, roads, dams and irrigation systems; the establishment of capacity building and institution strengthening measures across ministries and municipalities; and provision of applicable equipment and training.

Grenada.
Amount: $3m.
Project: Road rehabilitation, phase three.
Interest rate: four per cent per annum.
Executing agency: Ministry of Works, Communications, Public Utilities and Energy.
Total cost: $10m.
Co-financiers: Kuwait Fund; government of Grenada.
The loan will help finance an ongoing road rehabilitation scheme. The project will comprise the following: paving of two road sections totaling 20.4 km, including 6 m-wide carriageways and 0.6 m shoulders on either side; reconstruction of five bridges; installation of drainage and safety works; and consultancy services.

Burkina Faso.
Amount: $4m.
Project: University of Ouagadougou campus facilities.
Interest rate: one per cent per annum.
Executing agency: PIU, at the General Directorate of the National Centre for University Works; Ministry of Secondary/Higher Education and Scientific Research.
Total cost: $4.46m.
Co-financiers: Government of Burkina Faso.
The loan will help finance the construction of student dormitories at the University of Ouagadougou. Under the present project, three 2,772 sq m multi-storey dormitories, each with a capacity to house 250 students, will be built at the university, along with annexes ranging from 87–278 sq m to house laundry facilities, a restaurant, administrative offices, infirmary and sports area. All related furniture and equipment will also be provided. In order to meet the university's present and long-term housing needs, a study will be conducted to assist government in creating a policy to involve the private sector in the construction of additional student lodgings.

Cambodia.
Amount: $10m.
Project: Road improvement.
Interest rate: one per cent per annum.

Executing agency: Ministry of Public Works and Transport.
Total cost: $73.8m.
Co-financiers: AsDB; government of Cambodia.
The loan agreement will help finance a scheme to upgrade and rehabilitate roads and damaged bridges in the north-west. Once completed, the project is expected to help reduce poverty by providing year-round access to employment opportunities, marketplaces and social services. Under the project, sections totalling 150 km of the NR5 and NR6 will be upgraded with an asphalt surface and widened to accommodate two lanes, including paved shoulders for both motorized and non-motorized traffic. Drainage structures will be installed and embankments raised to counteract flooding, and 45 bridges along the roads will be rehabilitated. Additionally, some 50 bridges along the Sisophon-Samrong-Kralanh route (NR56 and NR68), a region with enormous agricultural potential, will be reconstructed. To prevent excessive wear and tear on the newly upgraded system, weigh stations will be built in areas with high traffic loads.

The Gambia.
Amount: $2.75m.
Project: Serrekunda-Mandina Ba road, phase two.
Interest rate: one per cent per annum.
Executing agency: Department of State for Works, Construction and Infrastructure.
Total cost: $9.5m
Co-financiers: IsDB; government of The Gambia.
The loan will help finance the second phase of a road rehabilitation scheme. Once completed, the country's economic development will improve from facilitated transport of goods for export, and at least 900,000 people living in the project area will benefit from more efficient, less expensive and safer travel. Under phase two, a 14.4 km, two-lane highway will be added alongside the busiest stretch between Serrekunda and Banjul International Airport, converting it to a four lane dual carriageway. A concrete barrier will be built to separate the existing road from the new highway, which pedestrians will be able to cross safely by using one of four steel overpasses. Also planned is the provision of sidewalks and the installation of drainage works, as well as safety features such as signs, street lighting and traffic signals.

Lebanon.
Amount: $15m.
Project: Pan-Arab highway.
Interest rate: four per cent per annum.
Executing agency: Council for Development and Reconstruction; Ministry of Public Works.
Total cost: $246.3m.
Co-financiers: Arab Fund for Economic and Social Development; Kuwait Fund; Saudi Fund for Development; Government of Lebanon.
The loan will co-finance an extensive scheme to rehabilitate and construct new sections of a major artery linking the capital city Beirut to the Syrian border. Once completed, the project will facilitate the transport of goods for export, improve economic activity and encourage trade opportunities between the two countries. Under the project, a 26 km section of the existing Beirut-Damascus Road connecting Hazmieh (a Beirut suburb) to the town of Saoufar will be widened and upgraded to a divided, six-lane dual carriageway, including lighting and traffic signs. Three new sections totaling 36.5 km linking Saoufar to Masnaa will be constructed and paved with a bitumen surface. Other related works will entail the construction of overpasses, viaducts, drainage structures, interchanges and concrete barriers. The highway sections will be designed with a 20-year life span, with the built-in potential to extend the useful life by another 20–25 years.

Tanzania.
Amount: $5m.
Project: Singida water supply.
Interest rate: one per cent per annum.
Executing agency: Singida Water Supply and Sewerage Authority.
Total cost: $12.43m.
Co-financiers: BADEA; government of Tanzania.
The loan will help finance expansion and rehabilitation of the water supply network in the city of Singida. This project falls within the framework of a government initiative to provide urban and rural areas with equitable access to safe drinking water. The project will comprise the following: dredging and enlargement of the Itampka Lake, and installation of a 16 km pipeline from the lake to the Mawanga Water Storage Centre; construction of a water treatment plant; installation of 156 km distribution system, and connecting pipes to selected households; construction and rehabilitation of storage tanks; purchase and installation of meters; implementation of capacity-building schemes; and consultancy services.

Tunisia.
Amount: $7m.
Project: Agro-pastoral integrated rural development.
Interest rate: 3.5 per cent per annum.
Executing agency: Ministry of Agriculture.
Total cost: $36.6m.
Co-financiers: IFAD; beneficiaries; micro-finance institutions; government of Tunisia.
The loan will help finance a multi-faceted rural development project. Aims of the scheme are to improve the productivity of rangeland, boost agricultural production and promote socio-economic development among some 18,000 families in the south-east. Works carried out under the project will include the construction and installation of rural infrastructure such as water storage tanks, dams, irrigation systems, boreholes and 245 km of paved feeder roads. Other components include the rehabilitation of drought-affected orchards, plantations and pastureland; planting of fruit trees and fodder crops; establishment of small-scale community development activities; procurement of livestock fattening units; the setting up and management of agricultural development groups; and extending support to farmers' organizations. Additionally, training and technical assistance will be provided for the creation of 350 micro-enterprises in agricultural and non-agricultural activities such as handicrafts. Proceeds from the Fund's loan will go towards the road rehabilitation component.

Ghana.
Amount: $1.4m.
Project: Finance completion of healthcare centre.
Total cost: $2.9m.
The loan with Lister Medical Services will help finance the completion of a new medical and healthcare centre in Accra, Ghana. The health centre will provide specialized medical services, primarily in obstetrics and gynaecology, to patients from both Ghana and neighboring West African countries. By offering other general healthcare services as well, including cancer screening, menopause management, surgery, internal medicine, pediatrics, and family practice, the new facility will support the government's strategy of encouraging the private sector to participate in the medical sector in order to raise the quality of care to international standards and to help alleviate under-capacity in the public system.

OPEC Fund for International Development, Parkring 8, PO Box 995, 1011 Vienna, Austria. Tel: +43 1 515640; fax: +43 1 513 9238; cable: opecfund; e-mail: info@opecfund.org; Web site: www.opecfund.org.

May/June

OPEC Meetings

A seminar on *The application of the United Nations Framework Classification (UNFC) for energy reserves/resources to OPEC Members* was held at the OPEC Secretariat in Vienna, Austria, May 6, 2003.

A meeting of *OPEC Deputy Ministers of Petroleum/Energy* to discuss long-term strategies was held at the OPEC Secretariat in Vienna, Austria, June 4, 2003.

The *43rd Meeting of the Ministerial Monitoring Sub-Committee (MMSC)* was held in Doha, Qatar, June 10, 2003.

The *125th Meeting of the OPEC Conference* was held in Doha, Qatar, June 11, 2003.

A joint *OPEC/International Energy Agency (IEA) workshop on oil and investments* was held at the OPEC Secretariat in Vienna, Austria, June 25, 2003.

Secretary General's diary

A workshop on *Venezuelan oil policy* was organized by the Ministry of Energy & Mines, Venezuela, and held in Caracas, Venezuela, May 25, 2003.

An official visit to Oman was organized by the Omani Ministry of Oil & Gas and took place from June 13–16, 2003.

Secretariat missions

A *Seminar on protocol* was held at the Diplomatic Academy, Vienna, Austria, on May 4, 14 and 30, 2003.

An international dialogue on *Making special and differential treatment effective and responsive to development needs* was organized by the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) and held in Geneva, Switzerland, May 6–7, 2003.

The *2nd Meeting of the International Energy Forum* (IEF) Executive Board was held in Riyadh, Saudi Arabia, on May 11, 2003.

The United Nations Framework Convention on Climate Change (UNFCCC) workshops on *Insurance, risk assessment and related actions (Articles 4.8 and 4.9)* were held in Geneva, Switzerland, May 12–16, 2003.

The *4th Meeting on oil data transparency* was organized by the IEA, Eurostat, APERC, the Latin American Energy Organization, OLADE, and OPEC, and held in Cairo, Egypt, May 13–15, 2003.

The 1st international conference on *Energy and the environment — sustainable energy, planning and technology in relationship to the environment* was organized by Wessex Institute of Technology, UK, and held in Chalkidike, Greece, May 14–16, 2003.

The 9th annual World Fuels conference on *European refining and automotive issues* was organized by Hart Publications, USA, and took place in Brussels, Belgium, May 19–21, 2003.

A training course on *An overview of the energy market* was organized by the International Petroleum Exchange (IPE), and held in London, UK, June 4–5, 2003.

The *8th Session of the Subsidiary Body for Scientific and Technological Advice (SBSTA)* and the *Subsidiary Body for Implementation (SBA)* was organized by the UNFCCC, and held in Bonn, Germany, June 4–13, 2003.

The 6th annual conference on *A tale of three seas: towards a new energy future in the Caspian, Middle East, and Russia* was organized by Cambridge Energy Research Associates (CERA) and held in Istanbul, Turkey, June 10–12, 2003.

The 8th annual *Asia Oil & Gas* conference was organized by Petronas of Malaysia and held in Kuala Lumpur, Malaysia, June 15–17, 2003.

The Montreux Energy Roundtable on *OPEC and energy markets after Iraq* took place in Montreux, Switzerland, June 16–18, 2003.

A training course on *Introduction to oil industry operations* was organized by the Institut Français du Pétrole (IFP) and held in London, UK, June 18–20, 2003.

An *International energy workshop* was organized by the International Institute for Applied Systems Analysis (IIASA) and held in Laxenburg, Austria, from June 24–26, 2003.

The *Global gas flaring reduction partnership's second steering committee and workshop* was organized by the World Bank and International Finance Corporation (IFC) and held in London, UK, June 30–July 1, 2003.

Forthcoming OPEC Meetings

The *100th Meeting of the ECB* will be held at the OPEC Secretariat in Vienna, Austria, on September 16–19, 2003.

The *45th Meeting of the MMSC* will be held at the OPEC Secretariat in Vienna, Austria, on September 23, 2003.

The *127th Meeting of the OPEC Conference* will be held at the OPEC Secretariat in Vienna, Austria, on September 24, 2003.

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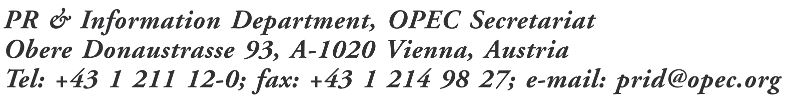

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