OPEC bulletin

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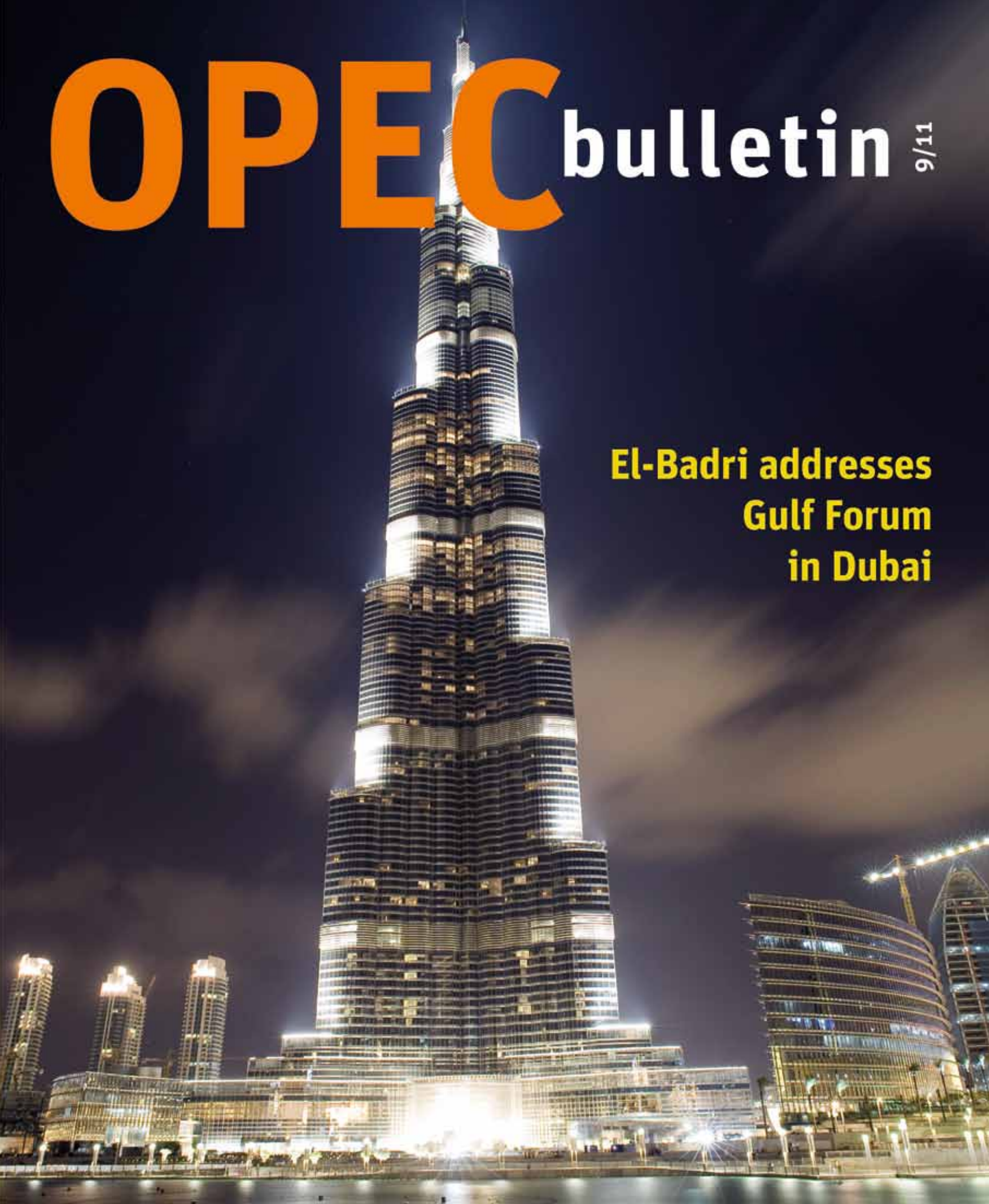

El-Badri addresses Gulf Forum in Dubai

The 20th World Petroleum Congress

4-8 December 2011, Doha, Qatar

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Keeping it simple, keeping it steady in September

September 2011 has been different to every other September so far this century. There has been no OPEC Conference.

This comes as no surprise following our decision late last year to revert to our former practice of holding Ordinary Meetings of our Conference in June and December, rather than in March and September which had been the case since 1999. Among other things, this enables us to review the market outlook from the more usual and convenient annual perspective.

However, the lack of even an Extraordinary Meeting in September highlights our recognition of the fact that the summoning of the supreme authority of our Organization must be done only when this is absolutely essential, outside of the Ordinary Meetings.

Our experience over many years has taught us two things.

First, there is the oft-repeated phenomenon that the build-up to an OPEC Conference can itself be a destabilizing factor in the market, as speculators try repeatedly to second-guess the outcome, which only adds to any volatility that may be around at the time. The same is true during the meeting itself and in its aftermath. So why rock the boat in a period of relative calm by holding extra Meetings of the Conference when they are not absolutely necessary? It is best to keep things as simple and as steady as possible.

And then there is the fact that, with markets well supplied with crude for the foreseeable future and with OPEC having sufficient excess capacity to make up for any unexpected shortfalls, there is little the Organization can do to affect the situation at times when prices are influenced so heavily by the actions of the financial sector.

OPEC's practice of choosing with utmost care when we hold our Conferences ties in fully with our time-honoured commitment to market order and stability. We are constantly monitoring market developments, and we are ready and able to act in a constructive and positive manner whenever we consider this to be necessary — as we did with much success in December 2008, when oil prices were spiralling downwards below levels considered healthy for the future welfare of the industry and for the ongoing interests of producers and consumers alike.

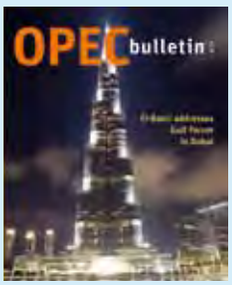
Of course, as we keep saying, other parties have a key role to play here too — both within the oil industry and in such outlying areas as the financial sector, which has been responsible for much of the price volatility seen over the past decade. While we welcome measures that are already being taken in some advanced consumer economies to tackle this, they do not seem to go far enough, judging from the amount of price volatility still apparent in the market. As our latest *Monthly Oil Market Report (MOMR)* puts it: "The high volatility could be explained by the large uncertainty surrounding market sentiment. The fluctuation in crude oil prices was in tandem with the movement in financial markets, in particular equities, suggesting that investors focused on broader macroeconomic risks and concerns of stagnating global economic growth."

As we look ahead to the final part of this year, our perception is that the market tightness and worries of supply shortages in the fourth quarter are easing, as is also pointed out by the *MOMR*, together with the reasons for this.

This reduces even further the need for our Conference to meet in the remaining part of September, or at any time between now and our Ordinary Meeting in Vienna on December 14. During this period, we shall, as ever, monitor market developments very carefully and respond, if necessary, in the best interests of all parties.

Contents

OPEC bulletin



Cover

This month's cover, the Burj Khalifa, reflects the growing prosperity of Dubai, venue of the Gulf Intelligence Energy Forum, which featured OPEC Secretary General, Abdalla Salem El-Badri, as guest (see story on page 6—11).

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OPEC Membership and aims

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

Contributions

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

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Organization of the Petroleum Exporting Countries
Monthly Oil Market Report
September 2011

With "dark clouds" hanging over the global economic recovery

OPEC points to rising challenges in months ahead

OPEC has reiterated the need to continue carefully monitoring oil market developments, in the light of growing uncertainty over the extent of the global economic recovery.

It stated in its *Monthly Oil Market Report (MOMR)* for September that while the current OPEC oil production profile provides sufficient flexibility to take into account the existing uncertainties and downside risks, it was of critical importance to continue carefully monitoring oil market developments.

In August, the Organization stressed in a similar feature article that the potential for a consequent deterioration in oil market stability required higher vigilance and close monitoring of developments over the coming months.

It observed that against a backdrop of continuing uncertainty, dark clouds over the global economy were already impacting the direction of the international oil market.

Also much deeper uncertainties and increasing risks to real growth were indications of a more prolonged economic recovery period than earlier anticipated, it added.

Crude oil production in OPEC Member Countries had surpassed the 30 million barrels/day mark in July — the highest so far in 2011 — and markets at present were benefitting from sufficient oil supply.

The August *MOMR* noted that the slower expansion of the global economy and trade, particularly in the United States and other OECD countries, had resulted in a downward revision in oil demand growth.

The increase in world oil demand for 2011 had been lowered by 150,000 b/d to stand at 1.2m b/d. This forecast was set to double in the September report.

"Expected higher demand in the US during the peak driving season has not materialized and gasoline consumption in July decreased, while the decline in total oil products reached nearly 500,000 b/d versus a year ago," the report observed.

OECD oil demand, it said, was now forecast to continue its contraction after a temporary rebound last year. The fall in Chinese apparent oil demand in June, for the first time in eight months, also confirmed a weakening of manufacturing activities worldwide.

The lead feature article explained that, since 2009, the world economy had been performing above pre-recession trend levels with average growth of more than four per cent.

This had been primarily due to the unprecedented government-led stimulus in the developed countries and dynamic growth in the emerging economies.

"However, most recent economic data and indicators point to a significantly higher risk of a broadening weakness in the OECD, with inevitable implications for the developing countries and the world economy as a whole," the report maintained.

Industrial activity, it added, was evidently slowing down at the global level and many OECD economies were struggling with rising sovereign debt and high unemployment.

"Given current escalated debt levels, further government-led stimulus appears to be straining its limits. In the light of these challenges, the market has seen a visible shift towards bearish sentiment, with a significant slide in equity and commodity prices which has gathered pace over the last few days," it affirmed.

The report stated that recent revisions to US GDP data had been rather surprising. They revealed that absolute GDP had not grown since 2007 and that growth in the first half of this year now stood at an annualized rate of barely one per cent.

"The slowdown is worrying, considering the fact that monthly consumption growth in the US has decelerated since February and even turned negative in June. This trend could have a serious impact on global growth, given that US private consumption accounts for around one seventh of global GDP."

The report said that, elsewhere, despite efforts to avoid the contagion risks from the Greek sovereign debt crisis, serious concerns had emerged about a worsening situation in Italy and Spain.

This had pushed the risk-spreads of these countries higher, which had the potential to further damage growth expectations for the Euro-zone. Meanwhile, Japan was trying to recover, with the most recent leading indicators showing a rebound was likely in the second half of the year.

In the emerging economies, continued the article, the challenge came from overheating and rising inflation, given the continued strong growth.

As expected, central banks in major developing countries had increased nominal interest rates to dampen the higher inflationary pressure. Nevertheless, real interest rates remained negative in many of these countries, potentially intensifying the overheating process, as this created an incentive for investment, consumption and speculative activity.

"However, most leading indicators point to a continued slowdown in industrial output, a scenario that would cool overheating and therefore be supportive for these economies, as long as growth does not fall far below target levels. This remains a risk, given the fact that developed economies continue to be the main markets for developing country goods," the report said.

The September *MOMR* pointed out that crude oil futures prices had plunged in August, with the Nymex benchmarker, West Texas Intermediate (WTI), weakening more than ICE Brent as reflected in the widening spread between the benchmarks to more than $26/b.

Crude oil futures experienced heightened volatility with the intraday range surpassing $7 on August 9.

The report said that during the first ten days of the month, crude oil prices declined significantly, before rising again moderately in the latter weeks of August. The high volatility could be explained by the large uncertainty surrounding market sentiment.

It observed that the fluctuation in crude oil prices was in tandem with the movement in the financial markets, in particular equities, suggesting that investors focused on broader macroeconomic risks and concerns of stagnating global economic growth.

"Under these circumstances, the stream of negative economic news significantly affected stock markets, causing volatility in oil prices as well," it maintained.

The report stated that oil price movements had been closely correlated with speculative activity, thus highlighting the continuing impact of the wider financial markets on crude oil prices.

Indeed, during the week ending August 23, money managers held 138,770 contracts — the lowest level in almost nine months — as investors reacted to the bearish signals from macroeconomic data. After settling below $80/b, the price of WTI recovered as traders continued to adjust their positions.

The *MOMR* pointed to the fact that uncertainties in the oil market were increasing at a time when the recovery of the global economy was losing momentum and was becoming less evident.

"Over recent months, a deceleration of economic growth was observed in almost every major economy. Among the developed countries, the US has experienced unexpectedly low GDP growth in the first half of this year at a time when the Euro-zone continues to be weighed down by its sovereign debt crisis, which is increasingly having a negative impact on the economy, via the growing magnitude of austerity measures in the region."

The report said that with Japan still suffering from the disasters that hit the country in March, the strength of the recovery in the remainder of the year continued to be uncertain, while the strong yen remained less supportive for the economy.

Developing countries continued to try to strike the right balance between their needs for a growing economy and lower inflation levels at the risk of an undesired economic slowdown.

"All these have led to a revision of world economic growth for 2011 since January from 3.9 per cent to now 3.6 per cent, with the major downward adjustment coming from OECD economies," the report said.

Again, the weaker economic recovery was negatively impacting oil demand. The global demand growth forecast for 2011 had been revised down by 300,000 b/d since the start of the year to stand at 1.1m b/d.

The US summer driving season missed its peak, sliding by two per cent year-to-date, compared with the same period last year.

The OECD economic slowdown had negatively affected oil demand in China, while India's oil consumption had been dampened, due to measures aimed at limiting the overheated economy in the country.

In the third quarter, Chinese oil demand growth is estimated to shrink by 200,000 b/d versus the last assessment.

The report said that, looking ahead, the perception of market tightness and worries of supply shortages in the fourth quarter appeared to be easing.

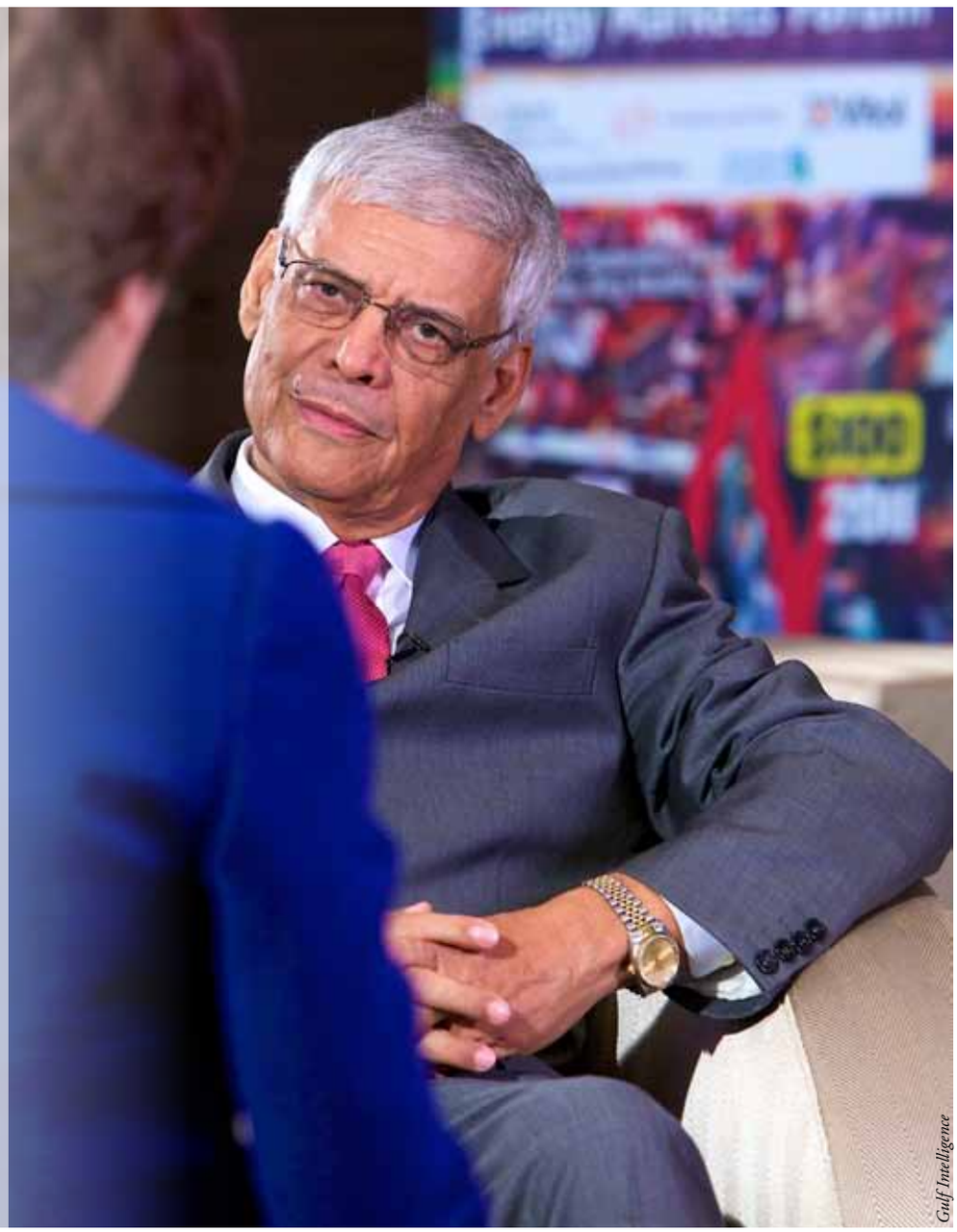
The increasing risk of the global economic slowdown was negatively impacting industrial sectors. The middle distillates market looked well supplied as US refineries ran at high levels. This had contributed to a build in inventories, which have been trending above the five-year average, providing a comfortable cushion ahead of the expected increase in heating oil consumption in the winter season.

"In the wake of reduced global economic growth, which has led to a downward revision in oil demand, the required crude supply has been revised down in the third and fourth quarters at a time when OPEC crude oil production continues to increase and the partial return of Libyan production is expected soon," the report said.

OPEC Secretary General addresses Gulf Intelligence Energy Forum

Oil market direction still plagued by global economic uncertainty

By Sally Jones



Gulf Intelligence

OPEC Secretary General, Abdalla Salem El-Badri, was the special guest at the Gulf Intelligence Energy Forum, which took place in Dubai, the United Arab Emirates (UAE), in mid-September.

In a wide ranging panel discussion with Sean Evers, Managing Director of Gulf Intelligence, the Secretary General spoke of his concerns about United States unemployment and the sovereign debt crisis in Europe.

He said OPEC is also watching China closely, where growth continues at a rapid pace, despite attempts by the country's government to apply the brakes.

Economic uncertainties, El-Badri told assembled delegates, were the reason why OPEC's Secretariat in Vienna had revised down its latest forecasts on economic growth for both 2011 and 2012.

He also warned that stimulus packages, particularly in the US, are simply not working.

"There are no new industries that can absorb unemployment. Something must be done to introduce new manufacturing and new activities," he maintained.

The Secretary General echoed his ongoing message that money managers continue to create volatility in the oil market. He told the audience, which included executives from energy trading company, Vitol, the Dubai Mercantile Exchange, senior executives from a number of international oil companies, banks and the media, that oil prices had, over recent months, seen a risk premium of between $16 and $20/barrel.

Turning to Libya, the Secretary General said he is confident that the country's crude oil production could soon be up and running again, especially from fields in the far east and far west of the country, which had suffered minimum damage during the recent conflict.

But he said it is imperative that Libya's National Oil Company works together with the international oil companies (IOCs) to quickly mobilize their workforces. "In Libya, we have excellent technicians, petroleum engineers and geologists," El-Badri, who is Libyan, pointed out.

Looking beyond OPEC Member Countries, the Secretary General said the Organization would like to have a similar level of dialogue and cooperation with the BRIC countries (Brazil, Russia, India and China) that it enjoys with the European Union (EU) and the Paris-based International Energy Agency (IEA).

"OPEC would like to have some more communication with them, some more data coming from them. It is good for us — it is good for them."

Such cooperation, he said, would help OPEC when it comes to forecasting oil market fundamentals.

Highlights of the Secretary General's panel discussion with Sean Evers

Sean Evers — Gulf Intelligence: *Your Excellency, we are what I would term in a year of two halves. The first half looked pretty good and OPEC was even considering raising output in the middle of the year. The second half looks a little concerning. We have come out of the summer with a great sense of uncertainty, particularly in Europe and America, and we are seeing a little bit of a China wobble. So the macro picture is changing.*

Abdalla Salem El-Badri: When we made our forecast for the June OPEC Ministerial Conference — for both the third quarter and fourth quarter — we were looking at some growth in demand; also, some growth in prices. We were indeed thinking the market may need between 1 million barrels to 1.5m b/d in extra production. Because at that time we were seeing much higher GDP and stronger oil demand, especially in China and in India. In the US, expectations were also higher for gasoline demand.

During the June meeting, we told our Ministers that there was an elephant in the room. That yes, there were some positive signs, but also we were seeing some negative signs. That is why there was a debate in the Conference between those who saw that there was a need for an increase and others who said that because of the various negative signals we were seeing, we had to wait. I personally take responsibility for the suggestion that we

OPEC's Secretary General, Abdalla Salem El-Badri (l) and Sean Evers of Gulf Intelligence.

needed to increase output at that time. Contrary to what some suggested, it was not Saudi Arabia who initiated this proposal, but the Secretariat.

However, there were and still are today a lot of precautions. The US economic recovery is not as expected and there is also the sovereign debt crisis in Europe. Unemployment in the US is also not improving and is a big problem.

And what we are saying right now is those negative elements are coming into the market. In OPEC's September *Monthly Oil Market Report (MOMR)*, we reduced our expectations for global economic growth for 2011 from 3.7 per cent to 3.6 per cent and for 2012 from 4.0 per cent to 3.9 per cent.

How that slowdown materializes further down the road, we do not know yet.

And what about China? We have seen OPEC's demand forecast for China decline quite significantly since the beginning of the year. In your last monthly report, you reduced Chinese oil demand growth down by 300,000 b/d since the beginning of the year.

That is true, yes. But China is still improving very, very much. Their economic growth is nine per cent. Yes, we think there is an overheating in Chinese growth and its government is trying to put some brakes on it. They certainly do not want to see an unhealthy inflation in their economy.

So here you have two currents. One current — China and Asia — is moving really fast, while the other current — the US and Europe — is moving very slowly.

So, I think from now until the end of the year, we will have to watch developments very carefully.

The August labour report in the US, the world's largest energy consumer, meanwhile is showing zero growth in jobs and employment.

Yes, I am surprised. But clearly the respective stimulus packages are not really working. There is no outward manufacturing, or new industries that can absorb unemployment.

So are oil prices just like an investment class rather than being a result of economic growth?

Yes, they are. In fact we were seeing that there was a risk premium of $16 to $20/b in the oil market over recent months. However, I must stress that this is very difficult to calculate.

OPEC Secretary General, Abdalla Salem El-Badri, pictured with Sean Evers (l), of Gulf Intelligence, and Thomas Leaver (r), CEO of the Dubai Mercantile Exchange.

Gulf Intelligence

Why was the price premium so high — supply risk?

Not from an actual supply shortage, but from a perceived supply risk.

Right. Prices did spike at the start of the Libyan crisis. But coming back to China, growth is still there at nine per cent. But I am wondering, can we trust China's statistics? Everybody seems to be very willing to take China's statistics at face value, but I am not so sure that one should do that so easily.

Let us talk about the GDP growth of China. For us, at the OPEC Secretariat, yes, Chinese growth is now nine per cent. But for 2012, it will be 8.5 per cent. If China puts some brakes on its economy, then that growth will decline. I cannot really tell you how accurate Chinese information is.

But in the same way we are meeting with the IEA and the EU to exchange data and information, we also need to talk to the Chinese and exchange data and information.

China is a very important market for us, as are all the BRIC countries. I need to be able to tell my Ministers with confidence, what my outlook is for the market. To bring oil onto the market takes a lot of time and money.

Well, speaking of the work entailed in bringing oil onto the market, we have seen OPEC forecast what I would consider, somewhat optimistically, that Libyan production will recover to 1m b/d within six months. Why do you think Libya can recover so quickly?

I spent all my life working in the Libyan oil industry, when I was a regular employee, when I was a section head, when I was coordinator, when I was Chairman of the Waha Oil Company and also Chairman of the NOC. I know all of the oil facilities by heart.

However, if I may become personal for a moment. The Libyan crisis was a very difficult time for me. My mother and my wife were in Benghazi, where I am originally from. My son was also in Tripoli, where he is an engineer. They were my priority, of course. But, at the same time, I was also thinking so much about my country, the people and the oil industry.

In Libya, we have the far eastern and the far western oil facilities. In my opinion, I do not see any real damage in these areas. Therefore, between the far east and far west, they should be able to produce from 550,000 b/d to 600,000 b/d fairly quickly.

Now, in the middle of the country, where most of the damage is likely, we could see another 200,000 b/d to 300,000 b/d coming onto the market fairly soon. So yes, I am estimating 1m b/d in six months, if the NOC and Libya are able to mobilize their workforces and also work closely with the IOCs.

Libya has some excellent technicians, petroleum engineers and geologists.

And what about after that? We have seen Libya's output hover around 1.6m b/d for quite some time. Could the country go beyond that and does it have the potential to produce around 3m b/d?

For Libya to go to 3m b/d, you have to explore more. You have to develop more. The potential is there, but you have to spend money. Also you have to cooperate with the IOCs.

El-Badri meets UAE Energy Minister, Governor

During his recent trip to Dubai, OPEC Secretary General, Abdalla Salem El Badri, also travelled to Abu Dhabi to meet with the Minister of Energy of the United Arab Emirates (UAE), Mohamed Bin Dhaen Al Hamli, and the country's Governor to OPEC, Ali Obaid Al Yabhouni.

The officials shared views about current uncertainties related to the global economy and their potential impact for the oil market.

They also touched base on OPEC's last Ministerial Conference, which took place in Vienna, Austria, in June.

In Dubai, speaking to delegates at the Gulf Intelligence Energy Forum, the Secretary General congratulated the UAE for its remarkable achievements and the way in which it has developed over the years.

"We talk about a country with vision. I would like to congratulate all who have contributed to this advancement," he stated.

El-Badri talks candidly with the UAE media

Fielding questions during the panel discussion.

During his visit to Dubai, OPEC Secretary General, Abdalla Salem El-Badri, gave a series of interviews to print, TV/radio journalists based in the United Arab Emirates (UAE). During those interviews, he spoke about his expectations for Libya to again soon be exporting oil to the international market. The OPEC Secretary General even spoke candidly about the impact the Libyan crisis has had on him personally.

In an interview with the *National* newspaper of Abu Dhabi, El-Badri explained that a critical part of Libya's rebuilding effort for now is reviving its domestic oil production.

Stressing that he was offering an opinion rather than advice, the Secretary General urged Libyan officials to, "concentrate on your first priority ... you need that money (oil revenue) to calm the country down, to pay your salaries, to buy your food and medicine."

Meanwhile, speaking to *BBC* presenter, Nima Abu-Wardeh, the Secretary General urged Libya's National Transitional Council and the country's National Oil Company to work with the international oil industry to ensure that adequate security is provided for Libya's core industry.

He also pointed out that although the Libyan crisis had created turmoil in the oil market, "OPEC had been able to compensate for much of this shortfall."

Turning to current oil prices, El-Badri explained to *Bloomberg TV* that the way oil prices are traded continues to keep oil prices high.

"There is a disconnect between fundamentals and the paper market. And it is the paper market that determines prices."

The Secretary General also reiterated his call on the United States and Europe to try and reduce excessive speculation in the oil markets.

Meanwhile, El-Badri explained to *Al Arabiya TV,* that OPEC's last Ministerial Meeting in the summer in Vienna had been made much more complex than usual, as it took place against many economic uncertainties.

"Of course (at the June meeting) we did not predict that the US would be downgraded, it was a shock to OPEC that it happened," he said.

Yet, despite the many uncertainties facing the global economy, the Secretary General told *CNBC* he was still not convinced that the world was heading towards a double dip recession.

"There will be a slowdown this year, but things should pick up at the start of 2012," he maintained.

And regardless of the many uncertainties and concerns surrounding the global economy today, including US unemployment, the European debt crisis and fears of over inflation in China, OPEC remains committed to its investment plans, the Secretary General told several representatives from the print media.

El-Badri, fielding numerous questions from the media as to whether he was planning to return to Libya to run its oil industry, said he is committed to his post of OPEC Secretary General and only when that term finishes would he return to Libya, not to work, but for retirement.

El-Badri also told the media that Libya's younger generation, many of whom had been heavily involved in the recent uprising, should now be given a chance to play a key role in their country's development.

He also talked of how difficult this year so far had been, mainly because of his concern for many of his family members who live in Libya and also for his fellow countrymen.

"I love Libya, I love my people, I spent all my (working) life in the oil industry there," he told the *National* newspaper.

Plain speaking ...

During the panel discussion at the Gulf Intelligence Energy Forum in Dubai, OPEC Secretary General, ***Abdalla Salem El-Badri,*** *took questions from the audience on topics of the day. Here the Bulletin shares some of his responses and insights.*

"I am very keen to have a similar dialogue with China that we enjoy with the EU. It would also be helpful for us to have a dialogue with the US. They are both extremely important countries for OPEC."

"Now that the United Nations formally recognizes Libya's National Transitional Council, the NTC will automatically represent Libya at OPEC. Any OPEC Member Country that does not recognize this UN decision, will deal with this matter bilaterally."

"I agree that OPEC Member Countries must look for other sources of income. But if we have the correct technology in place, this would help to prolong the lifespan of the oil industry for many more years to come."

"In OPEC, we never put a target on oil prices. We have to work on assumptions. This year, we are assuming an oil price for this decade of $85–95/barrel and $133/b by 2035."

"Taxes on petroleum products are unbelievably high in most OECD countries. In fact, more than 60 per cent of the price at the pump goes to taxes in countries like the United Kingdom."

"At OPEC, we are keen that the International Energy Agency's commercial stocks are kept for any emergency. Yes, there was a disruption in Libyan exports, but we, at OPEC, were able to solve this and we had said we were going to solve it."

"A new era between the international oil companies (IOCs) and the national oil companies (NOCs) should exist. IOCs have the money, they have the technology and they can help us — the NOCs. Both the IOCs and NOCs need to change the way they are thinking and work together for the benefit of the respective countries involved."

EU-OPEC energy initiative holds latest roundtable

Transportation —

At the top table — representing the European Union, Marcus Lippold, Directorate-General for Energy, Oil and Coal, and Fabrizio Barbaso, Deputy Director General, DG Energy, together with from OPEC Dr Hasan M Qabazard, Director, Research Division, and Oswaldo Tapia, Head, Energy Studies Department.

Transportation and the evolving nature of technology in the sector are essential to OPEC and its Member Countries when considering future global oil demand scenarios.

That was the view put forward by the Director of OPEC's Research Division, Dr Hasan M Qabazard, to a brainstorming meeting on transportation technologies at the Organization's Headquarters in Vienna in September.

In opening remarks to the talks, which followed a European Union-OPEC Roundtable on Transportation Technologies, he stated that transportation has been, and will remain, the main source of oil demand growth.

"Today, it accounts for around 55 per cent of oil consumption, and this figure is expected to grow," he told assembled delegates from the Organization's Member Countries and the Secretariat.

"For oil, it is the number one market, and thus, one we need to better understand and predict," he affirmed.

Qabazard said the focus of the brainstorming meeting was a report by the Ricardo Strategic Consulting Group and to assess its links to OPEC's Long Term Strategy.

The study, commissioned by OPEC, which looks at the potential of technological advances in the road transport sector, in terms of both passenger cars and trucks, and provides forecasts and scenarios over timeframes to 2035, was a core element of the EU-OPEC roundtable held earlier in the day.

"In fact, we could extend the links to include far more of the Secretariat's research, such as the World Oil Outlook, the Monthly Oil Market Report and reports to the OPEC Economic Commission Board (ECB)," said Qabazard.

key element in future global oil demand

Mhamed Mouraia, Director of Prospectives, Algeria's Ministry of Energy and Mines, and Eng Diego Armijos-Hidalgo, OPEC's Governor and National Representative of Ecuador.

Rod Roberts-Dear (l) and Markus Doerr, of Ricardo Strategic Consulting.

Fadi Kabboul (l), OPEC's Venezuelan National Representative, with Safar A Keramati, National Representative of IR Iran.

Mohammed Al-Shatti, Manager, CEO's Office, Kuwait Petroleum Corporation.

"All our work is interlinked, with analysis and data flowing between various publications, reports and strategies," he added.

Qabazard pointed out that OPEC's Long Term Strategy identifies key challenges that the Organization faces now and in the future and explores a number of coherent and consistent scenarios of the energy scene.

"And given the role of transportation in the oil sector, its links to the Long Term Strategy are numerous and deeply embedded," he maintained.

Qabazard said that in terms of the Organization's key challenges in the Strategy, transportation plays a role in, or is impacted by, a variety of elements and factors.

These, he stated, included global economic developments; oil prices; energy and environmental policies; technological developments; and investments in the face of supply and demand uncertainties.

"And it is clear from last year's Long Term Strategy and OPEC's World Oil Outlook that, in terms of transportation, there are a number of downside oil demand risks. It is essential we better understand these," he asserted.

Qabazard stressed that it was also important that OPEC Member Countries are involved in the Secretariat's research agenda.

"The Secretariat is, after all, a Member Country-focused organization," he said.

At the brainstorming, a presentation from the Secretariat on transportation was followed by Member Country views on transportation policies, both globally and in Member Countries, as well as their observations on evolving technologies in the sector.

The Joint EU-OPEC Roundtable on Transportation Technologies formed part of the joint activities of the "ongoing and expanding positive" EU-OPEC Energy Dialogue, at both ministerial and technical levels.

The roundtable was agreed upon at the eighth ministerial meeting of the dialogue that took place in Vienna, in June this year.

"There is much both of us can gain from this cooperation and collaboration. I am sure I speak for us all here at OPEC when I say long may this continue," Oswaldo Tapia, Head of OPEC's Energy Studies Department, said in welcoming comments to participants from the two sides.

"From the perspective of our key focus today — transportation technologies — there is evidently much for us to discuss, analyze and learn, given the importance of the transportation sector to both OPEC and the EU," he said.

"The transportation sector is clearly a central element to the issue we have much discussed over the years, that of energy security, which encompasses security of supply and security of demand."

Tapia stated that, for OPEC, this is emphasized in the fact that transportation has been, and will remain, the main source of oil demand growth.

"This is highlighted in our World Oil Outlook. The next edition, to be released in November this year, will pay close attention to this sector, examining such issues as the expected pace at which technologies and alternative fuels will penetrate the transportation sector in the coming years and decades.

"It is evident that developments, particularly in terms of policies, are creating a number of uncertainties concerning actual future oil demand. And these risks are clearly to the downside," he said.

Tapia said there are many drivers of technology change, such as energy security, as well as the environment, both globally, and in terms of local pollution.

Dr Maxime Schenckery (l), Qatar's representative, with Dr Ahmad M A Al-Ghamdi (r), Saudi Arabia's OPEC National Representative.

Fouzia Zouani (l) and Mhamed Mouraia (r), both of the Algerian delegation, with Dr Aziz Yahyai of the Secretariat.

"At OPEC, we fully embrace technological development in the energy field, from both supply and demand perspectives. And we recognize that a broad range of technologies needs to be explored.

"However, it is important that we better appreciate future advances in transportation technologies; in terms of their sustainability, penetration and commercialization, as well as their potential impact on oil demand.

"In this regard, it is essential we have a better comprehension of what is feasible and realistic."

Tapia said there has been growing recognition that some initial targets set, for example, for biofuels use, have been over-ambitious.

"It is crucial we have a better understanding of future oil demand figures, which, in turn, will allow investors to better plan future investments," he added.

Meeting participants assembled for a group photograph.

Ghasemi, an engineer with long experience

Eng Rostam Ghasemi has been appointed Iran's new Minister of Petroleum.

He took up his appointment, which was approved by Iran's parliament with a large majority, at the beginning of August.

Ghasemi also takes up the mantle of President of the OPEC Conference for this year, an annual role that his country took over in 2011.

Ghasemi, born in May 1964, takes over the petroleum portfolio after being Managing Director of the Khatam-Ul-Anbia Construction Group, which is involved in upstream and downstream oil, gas and petrochemical projects. He started with the company in 2001.

A civil engineer, his other appointments include Member of the Iran Chamber of Commerce, Industries and Mines, Member of the Board of Directors of the Industrial Development and Renovation Organization of Iran (IDRO), and Chairman of the Board of Directors of the Iranian Marine Industrial Company (SADRA).

Ghasemi's other positions comprise Chairman of the Board of Directors of the Khalij Fars Shipbuilding Complex (ISOICO), and Manager of the Iran Sepah Marine Engineering Division.

Iran does not need foreign know-how — Minister

Iran's new Petroleum Minister has stated that while his country might require foreign capital to finance its domestic energy projects, foreign know-how on how to develop its oil resources was not needed.

In his first interview since being handed the petroleum portfolio, Eng Rostam Ghasemi, who is also President of the OPEC Conference for 2011, pointed out that the country possessed very competent contractors on which it could depend for the development of the nation's oil and gas resources.

"For the development of oil and gas fields, we do not need foreign contractors," he was quoted as stating.

In an interview with the state-owned newspaper, *Iran*, Ghasemi was quoted as saying that, in order to launch the country's current development plans concerning joint fields, there was need for more than $40 billion in investment in the current (Iranian) year (ending late March 2012).

The Minister, who took up his new position at the beginning of August, noted that Iran would be looking to secure foreign capital, in the form of bonds, for its planned energy schemes, as well as being allocated proceeds from the government's general budget, from Iranian banks and from domestic bonds.

"There will be a great volume of various bonds issued during the current year," he said.

"We will be pursuing an active diplomacy to absorb foreign capital as they form part of the required financial resources for the projects to be developed," Ghasem added.

The Minister stated that one of his main priorities was to boost the production of natural gas from Iran's giant South Pars field. Development projects would again utilize the expertise of local contractors, rather than foreign concerns.

Eight phases of the lucrative South Pars field have so far been completed, each producing around one billion cubic feet/day of gas and 40,000 barrels/day of condensate.

Phases nine and ten, operated by Korean company, LG, are due to be finalized next year.

In fact, it was from one of the domestic firms associated with the South Pars development that Ghasemi came to take up his position as Petroleum Minister. Since 2008, he has headed engineering group, Khatam-Ul-Anbia, which took over parts of the South Pars development when oil majors Royal Dutch Shell and Total pulled out of their deals as a result of sanctions imposed on Iran over its disputed nuclear programme.

Iranian President Mahmoud Ahmadinejad, in endorsing Ghasemi's appointment, told parliament that the new Petroleum Minister was a "child of the revolution" with industrial, as well as military experience.

"He comes to the Petroleum Ministry with the mastery and full knowledge of this industry and wants to transform this complex in line with national interests," he said.

Eng Rostam Ghasemi, Minister of Petroleum of IR Iran.

The next oil frontier – East Africa shows promise

In Africa, oil and gas exploration and production have, up to now, been concentrated in the north, west, and south of the continent. However, things are changing. With Uganda's oil discoveries set to make it an exporter and successful gas wells completed in Mozambique and Tanzania giving the potential to underpin liquefaction export projects, operators are now shifting their attention to East Africa. **Tom Nicholls** *reports for the OPEC Bulletin.*

A few years ago, East Africa was considered an unproved, high-risk exploration play suitable perhaps for small, intrepid exploration companies, but too speculative for bigger players after more bankable prospects.

That image is changing: established commercial oil reserves in Uganda and new discoveries in Mozambique and Tanzania are starting to give East Africa the type of exploration profile associated with the Western region of the continent.

According to energy consultancy, Wood Mackenzie, one billion barrels of oil have been discovered in Uganda. Tanzania has discovered three trillion cubic feet of gas, Mozambique, around 15tr cu ft of gas and 100 million b of oil and Ethiopia 5tr cu ft of gas. No volumes of oil and gas have, as yet, been discovered in Kenya or Somalia.

In Uganda, the exploration spend hit $100m in 2009 and 2010; inevitably discoveries of this magnitude are attracting the attention of leading oil companies, such as ENI, Statoil, Total, ExxonMobil and Petronas. As little drilling is forecast this year, exploration investment is expected to drop significantly.

Within four years, Ugandan oil production could rise by 200,000 b/d, as large finds operated by Tullow Oil, an independent exploration and production company, come onstream in the Lake Albert area.

Further south, US-based Anadarko Petroleum, another medium-sized independent, believes it may have found enough gas offshore Mozambique to invest in a liquefied natural gas (LNG) project.

And the BG Group and its partner, Ophir Energy, might

be able to do the same thing in Tanzania, following recent gas discoveries there.

So, why has East Africa been neglected as an oil province?

There have been wars and political unrest in Mozambique, Uganda, Somalia, and Ethiopia, which have all deterred operators. Things have improved greatly in a geopolitical sense over the past decade and, coupled with improved exploration technology and higher oil prices, the province has now become very attractive.

The International Energy Agency forecasts that global demand for oil will rise to 99m b/d by 2035 — 15m b/d higher than in 2009m, and so operators need new resources to develop to satisfy this.

Mature areas like the Gulf of Mexico and North Sea are rarely delivering the huge finds they initially did when exploration first began. West African oil and gas output has served US and European customers and gas discoveries in East Africa, in particular, could serve energy hungry Asian markets.

Tullow Oil, though, has done as much as any firm to convert East Africa from a risky frontier region into an exploration hotspot. The Anglo-Irish explorer owns three licences in Lake Albert Rift Basin — into which China's CNOOC and Total are farming-in with one-third shares.

Located in north-west Uganda, the area stretches from the northern end of Lake Albert to the southern end of Lake Tanganyika. The acreage contains identified resources of around 2.5bn b of oil and could be producing as much as 200,000 b/d of oil by 2015, says Tullow.

Determined to replicate its Ugandan successes elsewhere in East Africa, the company has also bought a 50 per cent stake in five blocks in Kenya and one in Ethiopia, covering an area of around 100,000 square kilometres along the same East African Rift Valley system.

The blocks have much in common geologically with its Ugandan acreage, but are about ten times larger. The acreage, 500 km east of Lake Albert, has "good evidence of a live oil system", according to Tullow.

Kenya attracts interest

Operator of all six blocks, Tullow has started seismic work in Kenya and is planning to drill two wells by the end of the year — and is considering a third.

Meanwhile, initial results of a Full Tensor Gradiometry (FTG) gravity survey in Ethiopia show features similar to some of those seen in Uganda, says Tullow.

FTG surveys are planned for the Kenya blocks, as well as further seismic tests in both countries. Signalling its growing interest in Kenya, in the second quarter Tullow acquired 15 per cent of offshore Block L8 and plans to drill its first exploration well next year.

According to local reports, Total is in discussions with the Kenyan government to acquire acreage. Smaller explorers are flocking to Kenya too, although, so far, it has no proven reserves.

In August, Simba Energy, based in British Columbia, acquired a north-east Kenyan block under a production-sharing agreement.

UK-based Dominion Petroleum has secured rights to explore in the Lamu Basin and so too has BG for two blocks which cover more than 10,400 sq km.

Mozambique's LNG potential

Mozambique is also proving a popular destination for upstream investment. Since 2004, the country has been exporting gas via an 865 km pipeline from the Sasol-operated onshore Pande and Temane fields to Secunda, in South Africa.

The fields and the pipeline are being upgraded, in order to raise capacity from 3.1bn cu metres to 4.7bn cu m/year. Work is due for completion this year.

Discoveries by Anadarko in Offshore Area 1 of the Rovuma Basin have also significantly enhanced Mozambique's exploration profile.

In 2010, the company made its first find in the deep waters off the Mozambique coast, when its Windjammer well drilled into more than 480 net ft of natural gas pay.

In October, its Barquentine exploration well found more than 416 net ft of natural gas pay. And two months later the US firm in partnership with Mitsui, BPRL, Videocon, Cove Energy and state-owned Empresa Nacional de Hidrocarbonetos announced a third natural gas discovery, with the Lagosta discovery well encountering more than 550 net ft of natural gas pay.

Close to Windjammer and Barquentine, according to Anadarko's Senior Vice-President of Worldwide

Exploration, Bob Daniels, Lagosta "significantly expands this emerging world-class natural gas province."

Those three discoveries, Anadarko believes, "already exceed the resource size threshold necessary to support an LNG development."

This year, the outlook brightened further after the company announced its fourth big deep-water discovery offshore Mozambique. The Tubarão exploration well, also in Offshore Area 1, encountered more than 110 net ft of natural gas pay.

Significantly, said Daniels, the find is separate from the other three discoveries, opening an "entirely new play style". Seismic imaging indicates the discovery could extend over some 15,000 acres.

Optimism for further exploration success is running high; not only are the country's deep-water areas barely explored, but they are extensive in size.

The Rovuma basin measures 400 km by 160 km, while the nine-basin Mozambique Channel — stretching from Mozambique and southern Tanzania to Madagascar — covers over 1m sq km. Other deep-water investors include ENI, Statoil, and Petronas.

Exploration interest in Mozambique is starting to spill over into Madagascar's offshore sector too, where ExxonMobil and Sterling Energy hold acreage just off the north-west coast.

In 2008, privately owned Madagascar Oil claimed to have produced the country's first oil in six decades from its onshore Tsimiroro heavy oil project. The field's estimated reserves amount to at least 1.7bn b, according to Madagascar Oil.

Also in 2008, the company sold a 60 per cent stake and the operatorship of its Bemolanga bitumen project to Total, which believes the field could have reserves of around 10bn b. With appraisal work continuing, the companies have applied for a one-year extension of their exploration contract.

Tanzania's gas prospects

Tanzania, already a relatively small-scale gas producer from onshore reserves, is also attracting robust interest from international oil companies in its section of the offshore Rovuma basin and adjacent areas.

The Songo Songo project, an offshore venture operated by Canada's Orca Exploration, has been producing natural gas since 2004, supplying local power utilities and industrial customers.

But prospects have brightened in recent months after a consortium of Ophir and BG found gas within three consecutive wells.

The Ophir/BG venture has interests in Blocks 1, 3 and 4 offshore southern Tanzania — an area of over 27,000 sq km in water depths ranging from about 100 m to over 3,000 m. So far, 5,000 sq km of new 3-D seismic data have been acquired across the three blocks and a second drilling campaign will start later this year.

Last year, the two companies announced two gas discoveries — Chewa and Pweza — on block 4. This year, they notched up a third, this time in block 1.

According to Ophir's Managing Director, Alan Stein, the Chaza-1 well encountered a "high-quality gas-bearing reservoir". Detailed reserve estimates are yet to be issued, but early indications are that the acreage could hold enough gas for "one or more" LNG-processing facilities.

Meanwhile, to the north, Canadian firm Africa Oil and Range Resources of the US remain active in the Puntland region of Somalia.

In January, the companies extended their exploration agreement by a year and plan to drill at least two wells in the barely explored Dharoor Valley Block, with the first due to be spudded in late 2011.

That work will be undertaken by a new Puntland-focused exploration company, Horn Petroleum, which has brought in new investors. The two drilling prospects could contain over 300m b of oil each, says Africa Oil.

But the wider potential could be larger: Keith Hill, Africa Oil's Chief Executive, claims the region could hold similar potential to geologically related basins in Yemen that contain over 6bn b of discovered reserves.

A great deal of exploration and appraisal work will be needed to firm up these and other hypotheses. But the outlook for the region's oil and gas potential has never looked better.

The oil sector is always seeking the next big province; East Africa might just be it.

Africa's refining sector set to grow despite global capacity slowdown

Pricewaterhouse Coopers

Africa is this year expected to pass North America to become the third-largest oil-producing area after the Middle East and Central/Eastern Europe, according to an inaugural survey update by PricewaterhouseCoopers (PwC).

The consultancy noted that Africa currently supplies about 11 per cent of the world's oil and boasts significant untapped reserves estimated at between nine to tenper cent of global proven reserves.

The PwC update, which considers Africa's refining outlook amid the serious shortage of refining capacity to satisfy current oil product demand, said total global oil consumption decreased by around two per cent in 2009,

yet it remained steady in Africa and is expected to grow globally and in African nations.

The African oil and gas energy sector was not immune to the global recession and accompanying uncertainty over oil price direction which has resulted in the cancellation and deferral of projects, as well as layoffs, cost-cutting measures, and a general re-evaluation of many companies' strategies.

Respondents to PwC's Oil and Gas survey noted the effect of the crisis on available sources of capital, with 35 per cent of respondents indicating that capital shortages delayed exploration, production or refinery projects by more than one year.

However, 47 per cent of those asked said the crisis had had no impact. In terms of growth, 65 per cent said that a lack of refining capacity made realising their strategies difficult.

Globally, the refining market is in the doldrums with Europe, the United States, and Japan experiencing oversupply. A drop in refining margins, coupled with the availability of cheaper alternatives, biofuels taking limited market share from petroleum products, and improved fuel efficiency in passenger vehicles, have all contributed to the strain on the refining market. Some refineries in the above markets have been put up for sale, or mothballed.

In stark contrast, the Middle East, Asia (excluding Japan), Africa, Russia and Turkey have proposed increased refining capacity.

Many African countries see increased refining capacity as essential to their own national interests as it allows for greater security of supply, as well as a mechanism for reducing foreign exchange outflows.

Governments across Africa and other key stakeholders recognise the need for additional refining capacity to attain their strategic need for security of supply and to mitigate the risk of ageing refineries. The complex issues surrounding the debate will take some time to resolve.

Insufficient capacity

The reality is that refining capacity in Africa does not meet current demand for products in Africa. Demand is expected to continue growing, albeit more slowly than forecast in 2008.

Should all the proposed refineries across Africa reach fruition, total refining capacity would initially exceed the consumption needs in Africa by one million barrels/day and continue to exceed consumption needs for the next 10–20 years.

The reduction in global demand creates an interesting dilemma for refinery proposals in Africa as the export markets initially expected to take up the surplus product from these refineries have shrunk significantly over the last two years.

Reducing the scale of planned refineries across Africa is not a simple proposition, as the impact on the economies of scale and flexibility that made these planned refineries viable in the first place would be dramatically altered, or, in some cases, may even disappear.

The more developed markets in Africa are coming under pressure from governments, environmental groups, car manufacturers (eager to introduce more fuel efficient models from Europe) and others to introduce cleaner fuels and more stringent emissions standards.

Refining and marketing in Africa is undergoing a period of significant upheaval with BP and Royal Dutch Shell both recently announcing exits from the smaller markets in Africa.

Some of these assets have been snapped up by competitors and new entrants in the sector, leading to a change in the traditional competitive landscape.

Expanding capacity

While significant expansion of refining capacity (more than 2m b/d) is under debate across the continent, only one of the proposals has moved beyond the feasibility study phase.

Angola announced in late August 2010 that it will proceed with the construction of a 200,000 b/d refinery in the port city of Lobito at a cost of $8 billion with an expected completion date of 2014.

However, cost is a pressing problem and so Angola has delayed the construction of Lobito to explore ways of reducing the expenditure. Construction may commence later this year, with a forecast completion date of 2015.

South Africa is perhaps the best current example of the complexities influencing the debate around refining capacity in Africa.

PetroSA, the national oil company, concluded that it should develop a 400,000 b/d refinery. While the plant would ensure security of supply of products for the foreseeable future (a key part of the firm's mandate), the anticipated costs of building and commissioning the refinery are currently estimated at $10–12bn.

Some of PetroSA's competitors have spoken out vociferously against the proposal, arguing that the money could

be better spent on upgrading pipeline capacity and/or upgrading existing refineries. PetroSA is now reconsidering the capacity of the refinery, which could be scaled back to 360,000 b/d.

The refinery will be in the Coega Industrial Development Zone near the new deepwater port of Ngqura. Supporters of the project say it will be crucial in creating jobs around the Eastern Cape and providing additional refining capacity in an environment where ageing refineries are becoming more inefficient.

The pressure on South Africa to enhance its energy security is high: by 2015, it is expected to import 150,000 b/d, if there is no significant new investment in refining capacity. This would rise to 180,000 b/d by 2020 and doing so is costly, leaving it dependent on oil companies to develop refining projects which are, instead, pursuing upstream ventures.

Whatever the outcome, any new refinery in South Africa must meet increasingly stringent fuel standards; upgrading older refineries will be more costly.

The Department of Energy in South Africa has recently published a cleaner fuels discussion document, which calls for compliance with Euro V compliant fuel. Presently South Africa is at Euro II levels.

While the South African Petroleum Industry Association is largely supportive of the quantum leap from Euro II to Euro V compliant fuels, one of its key requirements is the development of a cost-recovery model, or incentive mechanism, that will allow the industry to recover the costs of investments required to comply with the proposed fuel specifications.

The South African government, the industry, and other interest groups have been debating the need to introduce cleaner fuels for several years. However, the costs of upgrading from Euro II to Euro V fuel standards are expected to approach $5bn without a significant increase in refining capacity standards by 2017.

New capacities

Elsewhere, both Zambia and Kenya are contemplating the future of their in-country refineries, while the government of Uganda has committed to constructing a plant to service the region, including Uganda, Southern Sudan, Rwanda, Burundi, Tanzania, the Democratic Republic of Congo (DRC), and parts of Kenya.

If Uganda's $2bn proposal comes to fruition, this will be the second refinery in East Africa. The 20,000 b/d plant will be built in Hoima to process the oil discoveries made by Tullow Oil and its partners. Capacity at the refinery is expected to climb to 200,000 b/d.

Uganda also wants to export oil via pipeline to its neighbours, the DRC, Rwanda, Burundi, Tanzania, and Kenya.

Nigeria-China partnerships

In May 2010, the Nigerian National Petroleum Corporation (NNPC) and the China State Construction Engineering Corporation (CSCEC) executed a memorandum of understanding to jointly seek an estimated $23bn in contractor financing and supplier credits from the China Export and Credit Insurance Corporation, SINOSURE, and a consortium of Chinese Banks, to establish three greenfield refineries and one petrochemical complex at various locations in Nigeria.

July last year saw further progress towards the realisation of the above agreement with a deal signed between the NNPC, CSCEC and the Lagos state government in relation to the first of the three proposed refineries, to be located in the Lekki free trade zone.

In Africa, exploration will continue to expand alongside some increases in refining capacity, which is contrary to the trends in the developed world. African countries are striving to have greater security of supply and increased export earnings from the sale of refined products.

Bridging East and West

For many years, the Nabucco gas pipeline has been talked of as the new gas bridge from Asia to Europe, connecting the Caspian region and the Middle East with the Turkish and European gas markets. The OPEC Bulletin's James Griffin recently met Reinhard Mitschek, Managing Director of Nabucco Gas Pipeline International, to discuss how the project is progressing.

Looking out from the 19th floor of the Florido Tower it is difficult to imagine a better view of Vienna. The sun streams through the city's patchwork of streets and buildings. The surrounding hills appear to almost cradle the city in a supportive embrace. And the River Danube, that the city rose around, meanders its way into the distance.

It is the river perhaps that offers something of an insight into what I am here to talk about. The Danube has for centuries been the key artery linking central and southeastern Europe, playing a vital role in the region's social and economic evolution.

The Nabucco gas pipeline hopes to do something similar. In fact, Nabucco will reach out further than the Danube — not only connecting the European countries of this region, but countries beyond.

The pipeline, with a capacity of 31 billion cubic metres/year, will run for over 3,900 km from the eastern borders of Turkey via Bulgaria, Romania and Hungary and onto the Baumgarten gas hub in Austria, directly connecting these countries to the Caspian and the Middle East.

It is something Reinhard Mitschek, in charge of bringing Nabucco to fruition, is keen to underline.

"This kind of large infrastructure project, connecting

Reinhard Mitschek, Managing Director of Nabucco Gas Pipeline International.

The Nabucco pipeline route stretches fom Turkey to Austria, crossing Romania, Bulgaria and Hungary.

countries, regions and continents, has considerable benefits — in this case for gas producers, gas consumers and those along the pipeline."

For producers, he says, it offers a supply route for their gas to Europe. For consumers, it enhances supply diversification. And for countries along the length of the pipeline, it can help support economic growth and has potential social benefits.

The upsides are clear, but given the history of the project and the delays it has experienced, is Mitschek confident with the current project timeline?

In mid-2010 it was stated that construction would start in 2011, with gas flowing in 2014. But this year, the timeframes have been put back to 2013 and 2017, respectively.

Since Mitschek took up his position at the company in 2009, I am sure it is a question he has fielded many times, but he was happy to discuss it and stressed he was confident from "the perspective of today that these timelines will be met."

He emphasizes that a lot of work has been done, particularly in 2010 and this year, in regards to the legal framework with an inter-governmental agreement signed in 2009 and ratified last year, project support agreements signed bilaterally between Nabucco Gas Pipeline International and the respective State Parties involved in June this year and the application of European energy law on the Turkish section of Nabucco, which, he says, is "unique".

Mitschek says the company is now a good way along the timeline to finalizing front-end engineering design, with preparation works for procurement now underway, and is currently undertaking an environmental and social impact assessment.

It will soon launch an 'Open Season' for the capacity marketing process, as well as, hopefully, conclude its first gas transportation agreements, he adds.

Mitschek is keen to espouse recent project developments, but also recognizes that there remain many significant stepping stones ahead.

We begin by discussing some of the challenges inherent with such a lengthy cross-border project. Mitschek states that "we know we are only as strong as our weakest part" and emphasizes the importance of "aligning all our operational and maintenance manuals, as well as our security and safety standards to the highest level, so as to ensure a constant flow of gas 24 hours a day, seven days a week, 365 days a year."

He does, however, state that the Nabucco consortium consists of six strong and very capable companies — Botas (Turkey), Bulgarian Energy Holding (Bulgaria), MOL (Hungary), OMV (Austria), RWE (Germany) and Transgaz (Romania) — in terms of technical, financial and project management.

"They all know how to handle and operate pipelines in a safe and efficient manner," he says.

The Nabucco pipeline will require 250,000 pipes and over two million tons of steel.

Two other issues I am eager to broach in more detail are the financing aspects and the sourcing of gas supplies, topics that have at times dogged the project and led some to cast doubt on the project's viability.

Mitschek is positive on both, but admits that the coming year is important in regards to these issues.

In terms of financing, he says the company has signed mandate letters with international financial organizations and is currently in an ongoing exchange with them as it prepares the due diligence process.

While appreciating the challenges of financing in the current global economic environment, he says he is "convinced that we can set up the financial and guarantees structure, as soon as we have concluded the gas sales and purchase agreements and have the transportation contracts in place."

His comment underscores the inter-linked relationship between financing and secure gas supplies, but Mitschek is keen to point out that "at the moment, I feel comfortable where we are, in terms of sourcing the gas."

He says that three of the countries that have been talked about for supplies — Azerbaijan, Iraq and Turkmenistan — could individually fill the Nabucco pipeline with their gas and adds that further potential supplies from other Central Asian countries and in the long term the Middle East are also being targeted.

In terms of the near-term, "in the coming months," he says "we expect supply commitments to be made."

While 'so-called' competing projects are also on the table, such as South Stream, the Trans Adriatic Pipeline, and the Turkey-Greece-Italy interconnector, Mitschek says that Nabucco is "by far the most advanced."

He is quick to stress that you would expect to hear this from the head of Nabucco Gas Pipeline International, but when looking at the status of the projects it is easy to see the validity of his comment.

Nonetheless, he believes there is room "for all competitive pipelines."

The point is brought home as Mitschek rattles off figures regarding Europe's need for more energy, its future declining indigenous gas production and the increased need for gas imports.

"By around 2025," he states "we see a gap of around 150bn cu m a year, which is five Nabuccos."

According to Eurogas, Europe will see an increase in demand for imported gas from 43 per cent today to 73 per cent by 2030. If Europe is to keep its lights on, imports will need to be ramped up significantly.

That is not to say that piped gas is the only option for Europe. We discuss the potential for shale gas, which Mitschek believes will have more of an impact in the United States than Europe. In Europe, the numbers certainly underline less potential.

Mitschek believes it will be harder for the region to develop shale gas into competitive commercial projects, but is quick to stress that it will have some role in the region's future gas supply.

There is also liquefied natural gas (LNG), with supply routes now being rethought given US expectations for more shale gas and less LNG.

Where might some of the LNG originally slated for the US end up? The Asia-Pacific is an obvious destination,

but there are also possibilities for it to end up in Europe, says Mitschek.

In the mid-term, he sees piped gas and LNG delivering the majority of Europe's 150bn cu m per year gap, "with around two-thirds from piped gas, and the rest from LNG." It reinforces the fact that Europe needs the Nabucco pipeline, and more.

The other potential 'game-changer' for gas, and Nabucco, is the future of nuclear. The Fukushima nuclear accident earlier this year in Japan has led many to question the role of nuclear.

In Europe, for example, it has led to Germany declaring that it will close all nuclear reactors by 2022. Prior to the accident, there was talk of new nuclear build.

Gas Distribution Node at Baumgarten, Austria.

In Switzerland, the government has decided to phase out nuclear and in Italy voters gave a clear statement of intent that they wanted no new nuclear build in a nationwide referendum. There have also been protests against nuclear elsewhere in the region.

Mitschek sees this as contributing to the need for more gas, particularly "as a bridge fuel to help develop a more sustainable future for power generation."

In terms of broader economic and social benefits, he views the pipeline's inter-linkages as leading to more investment, more jobs and more business.

For Nabucco alone, the company states that its construction is expected to directly create 7,000 new jobs and many more via the multiplier effect. It will also require 250,000 pipes and over two million tons of steel, along with several pieces of specialist equipment.

Mitschek adds that "energy projects are typically frontrunners, with other industries following," and thus there is significant upside for economies, imports and exports and labour markets.

The cross-border and international flavour of the pipeline is brought home at the company's headquarters in Vienna. Mitschek says that the 60 or so people who work at the office come from 15 countries, those along the pipeline route, as well as elsewhere.

The company also has subsidiaries located in the other countries along the pipeline route.

Looking at the project as a whole, Mitschek says that "Nabucco symbolizes the future of global energy cooperation, connecting businesses, consumers, countries, and cultures."

On a personal note, he feels extremely connected to the project himself. He has been involved with the scheme from its very early beginnings, being part of the OMV team that first had talks with Botas, which wanted to establish an energy hub in Turkey, back in February 2002.

These discussions then expanded to include Bulgarian Energy Holding, MOL, and Transgas. In October 2002, these companies signed a cooperation agreement that led to a feasibility study for the construction of the new gas pipeline.

At the time the pipeline had no name, but Mitschek says that this was soon to change. To celebrate, he says, we invited our new business partners to Vienna's State Opera. The performance that evening was one of Giuseppe Verdi's famous operas, Nabucco. And that, he says, is how the pipeline got its name. He suggests, it could quite easily have been Aida or Carmen, but I think we were both in agreement that it is difficult to imagine a gas pipeline with either of these names.

So Mitschek was there at the beginning, was involved in the naming of the pipeline and, in 2009, left OMV to take up the role as the head of the Nabucco group.

While he has been involved in a number of LNG and pipeline projects for OMV, it is clear that Nabucco represents Mitschek's biggest challenge. He is confident, however, that the project can, and will, be both profitable and sustainable, and adds that he intends to be part of the project until at least the first flow of gas. I do not doubt his word. After spending just over half an hour in his company, his commitment to the project is plain to see.

All pictures courtesy of Nabucco Gas Pipeline International.

Iraq's fourth bidding round to seek much-needed gas reserves

Reuters

Iraq's Oil Minister, Abdul-Kareem Luaibi Bahedh, speaks at a news conference at his Ministry.

Iraq is aiming to add 10 billion barrels of crude oil to its domestic reserves from its fourth international bidding round, which is expected to take place early next year, although gas is the main target for the country's latest auction.

The OPEC Member Country has so far qualified over 40 companies for the round, which will be centred on 12 new exploration blocks.

However, the fourth bidding round will focus mainly on gas exploration, a fuel the country needs for power generation. The round is expected to add 29 trillion cubic feet of gas to Iraqi deposits. The country auctioned three major natural gas fields to international companies last autumn.

Iraq is striving to develop its domestic petroleum industry after years of conflict. In August, the country's oil exports stood at an average of 2.2 million barrels/day, according to Oil Minister, Abdul-Kareem Luaibi Bahedh.

He was quoted as saying that the export figure was expected to reach 2.5m b/d in 2012. Exports have been steadily rising as repairs to damaged oil installations have been carried out and development plans implemented. In July, Iraqi crude exports were gauged at 2.1m b/d.

With so much activity taking place in the domestic oil sector, the country is in need of proceeds to support its current and future development plans.

Bahedh stated that the country's oil revenues were in line to reach over $80 billion by the end of this year. So far, a near $50bn had been generated from exports.

Iraq has budgeted for fiscal 2011 oil revenues to amount to $82.6bn, based on an average export price for its oil of $76.50/b. The country's overall budget carries a deficit of $13.4bn.

The Iraqi government is aiming to boost the country's oil output capability to 12m b/d by 2017 and has signed numerous contracts with oil companies over previous international bidding rounds. Iraq's oil production could get up to as high as 4m b/d by the end of next year, according to the country's Deputy Oil Minister, Ahmed Al-Shamma.

In an interview with Reuters Insider Television, while in London for an Iraqi mining conference, he said expanding his country's oil output would depend on

A gas installation in Basra, Iraq.

providing new infrastructure, the construction of which was underway.

"By the end of next year, I think it (production) could be in the region of 3.5m b/d to 4m b/d," he disclosed, adding that Iraq was on track for output of 3m b/d by the end of this year.

Al-Shamma pointed out that domestic demand for petroleum products was rising by such an extent that the country was having to import large amounts of gasoline and gasoil. The country had signed up to import around 950,000 tonnes of gasoline and gas oil in the fourth quarter of this year.

"In just one year, we have had a 50 per cent increase in gasoline and gasoil demand, just as a result of economic development," he revealed.

It was because of this growing demand that the Iraqi government had decided to add a fifth refinery project to the four new plants already planned. The extra plant was expected to cost around $5bn and would process "no less than 150,000 b/d of crude".

"We want to realize new projects as soon as possible," he said, adding that the new installations were aimed at catering for two decades of development.

This all formed part of Iraq's plan to invest over $20bn in expanding its downstream operations so that it could produce sufficient oil products to cover rising domestic demand and put a stop to costly imports.

Al-Shamma said the new plants, which together would add 740,000 b/d to the country's total refining capacity of 700,000 b/d, comprised a $6bn plant at Kerbala and other refineries to be located at Kirkuk, Missan and Nasiriyah.

Iraq currently has three main refineries — the Baiji plant with a capacity of 310,000 b/d, Daura, near Baghdad with 210,000 b/d and Basrah, which can refine around 140,000 b/d. Al-Shamma said the plan was to have these new refineries completed and then to overhaul existing plants that had been damaged during the country's conflicts over the years.

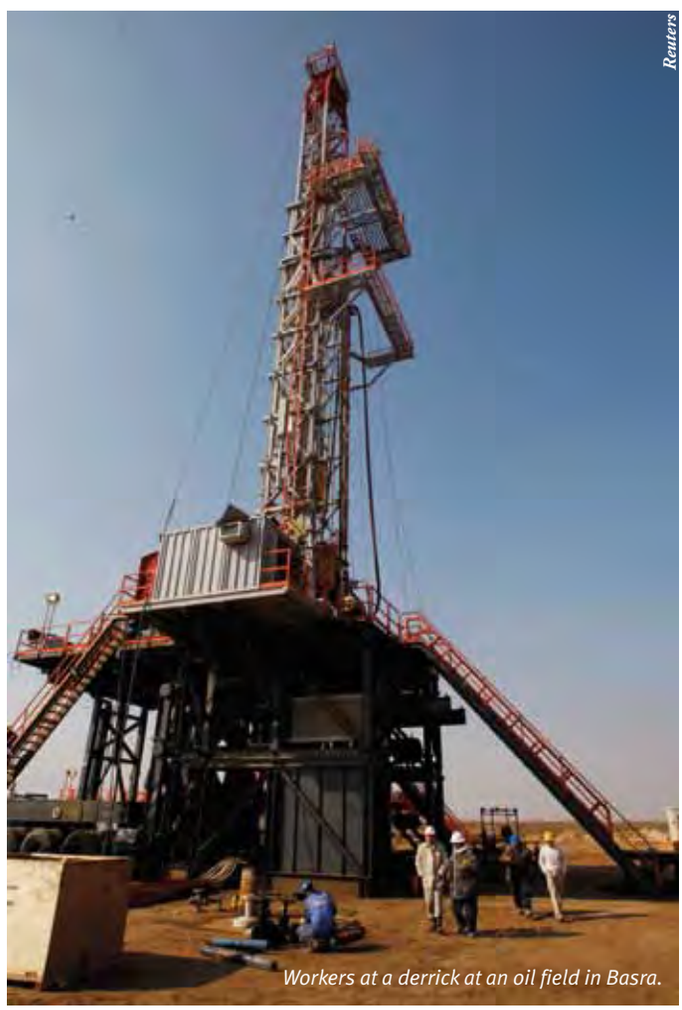
The Deputy Minister also spoke of Iraq's latest oil bidding round, stressing that the country needed to harness its gas resources as it strived to generate adequate power supplies for supporting the nation's overall expansion.

"The fourth round is basically for increasing our reserves," he was quoted as saying. "If gas is discovered, it will be developed immediately. If oil is discovered, there will be a delay before it can be developed," he noted.

Al-Shamma said it was hoped the bidding round would pinpoint reserves of non-associated gas, which could also be set aside for export.

"We need to have a stable supply of gas. That can only be achieved with free gas. That is what we hope to discover," he stated.

Al-Shamma said that, overall, things were improving in the oil and gas sector as the security situation in the country became more stable.



Workers at a derrick at an oil field in Basra.

Saudi investment firm sees oil prices holding relatively firm

A Saudi Arabian investment firm has forecast that international crude oil prices would probably not fall below $50/barrel, even though signs of a worsening global economy could push the price of crude lower.

Jadwa Investment, a closed joint stock company operating under the supervision of the Saudi Arabian Capital Markets Authority (CMA), said in a report on the current economic situation that its prediction contrasted sharply with 2008, when the price of crude slumped from a record high of over $147/b to around $30/b between July and December of that year.

Jadwa, based in the Saudi capital, Riyadh, observed that should the United States fall back into recession, it would be a more normal recession than in 2008, meaning the movement in oil prices would be much less acute.

"Even in this scenario, we do not think there would be much impact on Saudi government spending. Rather, the government would draw down its foreign assets to finance its spending, as it did in 2009," it was quoted as stating.

It maintained that current oil prices were still at a level that could comfortably support planned government spending in Saudi Arabia, saying that it expected only a limited impact on the Kingdom's economy as a result of the recent turmoil in international securities and commodities markets.

"We do not think ongoing events will have too great an impact on the Saudi economy as the growth momentum is coming from high government spending that can be afforded comfortably," Brad Gamble, Jadwa's Head of Research, was quoted as saying.

The firm noted that the average price of Saudi Arabia's export crude had fetched over $100/b so far this year and with the Kingdom setting an export price of $84/b in its fiscal budget, any budget deficit this year should be avoided.

However, Jadwa warned that the Saudi economy did not appear to be completely insulated from the recent international economic and market events with the shares of petrochemical companies leading a broader decline in shares traded on the Saudi stock market.

This was because the petrochemical sector was the most exposed to the global economy, the company added.

Jadwa also pointed to an "aggressive" market reaction to long-term global economic factors that were proving to be more prominent.

Most ominously for major oil exporters, it said, economic growth in the emerging markets had been slowing in response to central bank interest rate increases and other policy measures aimed at curbing inflation.

"Furthermore, general economic uncertainty and falling share prices are hitting consumer and business confidence throughout the world," it affirmed.

However, Jadwa said that US government bonds, which may constitute the bulk of the estimated $492 billion of net foreign assets held by the Saudi Arabian Monetary Agency (SAMA) at the end of June, had risen since the recent Standard & Poor's decision to downgrade its US government credit rating due to their continued standing as a "safe haven" for investors.

"While SAMA will closely monitor the situation, we do not expect a major change in its asset allocation policy," Jadwa was quoted as saying.

It stated that the downgrade was negative for the US dollar and therefore the Saudi riyal, which was pegged to the US currency.

However, it did not expect the downgrade to affect the exchange rate peg. "We think it would take a serious decline in the dollar sustained over several years for there to be any reconsideration of the peg," Jadwa said.

It forecast that any inflationary impact of a weaker US dollar on the Saudi economy, due to higher outlay for imports from regions that use other currencies, would be offset by lower commodity prices.

"In addition to the sharp fall in oil, which lowers the transportation costs of imported goods, prices of foods and construction raw materials have also dropped," it added.

Value of oil companies' upstream activities shows 23 per cent rise

The value of international oil companies' upstream activities has grown by 23 per cent in the past year to a value of $3.2 trillion, according to London-based Wood Mackenzie (Woodmac).

In its latest review of upstream oil value, the company, which provides research and consulting services for the global energy, mining, metal, oil, gas, coal, refining, power, and electricity industries, said its figures excluded exploration acreage, or assets owned by national oil companies and governments.

Woodmac maintained that of the total value, over $1.4tr was attributed to eight of the energy sector's major players, comprising ExxonMobil, Royal Dutch Shell, BP, Chevron, Total, ConocoPhillips, Statoil and Eni.

ExxonMobil's portfolio alone was valued at around $280bn after it overtook Shell.

Five companies — Shell, Chevron, Total, Eni and Statoil — made good headway during the year with the value of their portfolios increasing by between 16 per cent and 19 per cent. BP and Conoco were the two poor performers.

The study revealed that the world's largest oil firms now had 30–70 per cent of their future upstream value concentrated in four key areas — deepwater, LNG, and unconventional oil and gas projects.

"It has become increasingly difficult for international oil companies to access conventional, shallow-water and onshore projects, and where this is possible, prospects for value generation are often modest," Woodmac observed.

It continued: "The new themes and unconventional reserves that are rapidly becoming mainstream are providing revenues which justify the high technical risks and huge financial commitments. These new options have changed the face of an industry and set solid foundations for longer term growth."

The report pointed to the fact that deepwater areas were considered to be the key source of future upstream expansion. In terms of value, Woodmac said the US Gulf was still the most valuable deepwater province with a worth of $150bn.

However, it forecast that there would be significant upstream growth in the world's emerging provinces, such as Brazil and in West and East Africa.

But huge potential existed in the traditional producing areas of North America, Europe and Australia, which, when combined had a joint value of $1.7tr.

Woodmac noted that for the global gas industry, LNG provided the best solution for developing large-scale gas reserves in remote areas. Considerable growth in this direction was forecast for Australia over the next five years.

The report also highlighted the scope for shale gas, which, it said, had supported the recent expansion in unconventional gas development in the United States and was expected to be utilized in other areas as well, what with the advances made in technology, which offered lower operating costs.

In its long-term oil supply forecast, Woodmac said it saw a steady move toward heavier grades of crude, most notably from OPEC Members Saudi Arabia, Kuwait, Iran and Venezuela.

A major input in this direction came from Canada's oil sands, which the company considered as one of the most valuable sectors in the years ahead with an upstream value of $180bn.

Turning to the price of oil, Woodmac observed that most international oil firms were optimistic that it would remain in the region of $80/b in the medium term.

However, the report warned that the oil industry would have to contend with many threats and uncertainties, including restricted access to conventional oil resources and governments seeking a larger take of revenues when oil prices were high.

Oil sector antagonism one of industry's greatest concerns — Total head

Christophe de Margerie, Chairman and Chief Executive Officer, Total.

Excessive antagonism between oil stakeholders is one of the greatest concerns in the international energy sector.

That is the view of Christophe de Margerie, Chairman and Chief Executive Officer of French oil major, Total.

"We need to tone down — or indeed move away completely — from this antagonism between producers and consumers, among the international oil companies (IOCs) and between the IOCs and the contractors, because we all need to face completely new challenges," he said in an interview with *Oil Tabloid*, the quarterly publication of Italy's Eni.

De Margerie was echoing comments made by OPEC officials, who have been repeatedly calling for cooperation among the chief stakeholders in the industry, in order to avoid price volatility and to provide the incremental energy supplies the world will need in the future in an efficient and orderly manner.

The Total Chairman, who was appointed to his present position in May last year, pointed out that such important challenges facing the oil sector today included caring for the environment, and responding to the crisis in North Africa and the tsunami and nuclear disaster in Japan.

He said his greatest worry was what he called the "crisis of trust". Trust in governments, trust in democracies, and trust in oil and gas.

"Every day, we are confronted with this problem. The fact is that we need to inject trust into our work again. It is not just in nuclear power that there is a lack of trust — the same is true when it comes to renewables too."

De Margerie asked: do these represent the ideal solution at this point in time? Can we really trust renewable energy sources to meet our needs? The answer, he stated, was no.

He said the mistrust shown by public opinion was also directed at non-conventional energy sources, such as heavy oil, the Canadian bituminous sands, and shale gas, "on which the jury is still out — with particular concern about their environmental impact."

De Margerie, who has held several top positions in Total's Finance Department and Exploration and Production Division since joining the firm after graduating from the Ecole Superieure de Commerce in Paris in 1974, said that what he was most interested in, was to provide customers with enough energy.

"This is our greatest responsibility, our true concern, and to do so in the cleanest and most efficient way possible, paying particular attention to detail, to non-conventional resources and, all the while, asking ourselves what dangers we are facing ..."

De Margerie said that, today, if they really wanted to meet growing demand, they would need to develop new oil reserves and focus on non-conventional oil and gas.

"We now need to act so as to ensure that people understand that things can be done more cleanly," he affirmed.

"Furthermore, we need to continue to develop partnerships with producing countries and national oil companies (NOCs). What is crucial to reiterate is that we do not view NOCs as the enemy, but rather as potential partners. Of course, this does not mean that there will not be any competition," he said.

"Finally, we need to be aware that there is not enough oil or gas to meet demand for energy in the years ahead and that it is necessary to introduce a mix that also includes other sources."

De Margerie disclosed that Total was in the process of deciding to focus on solar, biomass and energy efficiency. By 2020, the company would be investing $5 billion in developing new energy sources.

Turning to the current state of the oil market, he said that, clearly, the international situation was delicate and it was clear that market reaction was pushing prices upwards.

"This is nothing new — this has always been the case — and it is now up to us to prove that there is no problem with shortages in that there is enough oil and gas and that, despite the current situation, there is no real reason for concern," he maintained.

De Margerie stated that, as usual, they needed to look to the long term. They could not simply try to find solutions for the next six months; rather they needed to understand what would happen over a much longer period.

"At the moment, we have a number of factors that are influencing prices. In the past, a fall in the price of oil had a relatively slight impact on the final price. So, it can be said that, this year, if all goes according to plan and the price remains around the $100/b mark, it will be a success," he said.

However, de Margerie said that the point was to make people understand that, in the short term, everything was fine and, in the long term, they needed to continue to invest.

Obviously, he continued, it had to be made clear that everything needed to be viewed in the long term since what was invested today would bear fruit in five to ten years time — optimistically speaking.

De Margerie noted that over the next few years, people were forecasting that there would be an additional 30 per cent rise in energy demand. "Whatever the outcome, this is a huge number in macro-economic terms."

He said that, in the ultimate analysis, the only way for consuming countries to balance supply with demand, and vice versa, would be to consume less.

This probably represented a new approach, he said, "drawing a line between what we can realistically achieve as far as things we are responsible for and simply sitting by waiting for others to take action that will benefit all of us."

Said de Margerie: "The fact is, there is nothing without energy — energy is life."

"Devastating" driving season sees eight-year dip in US gasoline use

Compounded by the slowdown in the global economic recovery, consumption of gasoline in the United States reportedly declined to the lowest level in eight years this summer.

Government data pointed to the fact that the sustained high price of domestic gasoline at the pump led motorists to use their automobiles far less than during a typical US summer driving season.

The figures from the US Energy Information Administration (EIA) showed that consumption of gasoline, which averaged a high price of $3.62/gallon, averaged just over nine million barrels/day from the first week of June to the first week of September.

According to Reuters calculations, gasoline demand throughout the summer fell by 1.8 per cent from a year earlier.

However, the latest OPEC *Monthly Oil Market Report (MOMR)* put the annual decline even higher at two per cent, stating that the US summer driving season fell short of its peak, with the economic slowdown contributing to "this devastating performance".

Looking at the summer period, in June, motorists, encouraged by, at that time, falling prices, filled up their tanks to make the month the highest in two years for gasoline demand.

However, prices rose strongly in July and by August gasoline consumption slumped, leading to the lowest gasoline demand average for that month since 2001.

The EIA also revealed that there had been a 1.94m b build in domestic gasoline stocks at a time when they are normally drawn down.

However, the EIA did reveal that US gasoline demand had increased to 9.17m b/d in August, representing a gain of 104,000 b/d over the previous month, but a drop of 86,000 b/d from the same month last year.

The situation in the US over the summer was highlighted in OPEC's September *MOMR*, which said that the country's economy appeared to be recovering much slower than expected with the latest data pointing to the ongoing challenges facing the economy.

It noted that GDP numbers in the first half of 2011 had been an unexpected disappointment and the recent dramatic debate on the debt ceiling had left the impression that it would be very challenging for the administration to be able to fight the slowdown in an efficient way.

The report noted that US monthly oil consumption data for June showed a contraction of around 1.3 per cent from last year and preliminary weekly data for July and August displayed similar contractions in consumption.

Transportation fuel demand, especially gasoline, accounted for the bulk of the decline and was attributed

to higher retail fuel prices, increased vehicle fleet efficiencies, as well as the ongoing pessimistic outlook for the economy.

"Transportation fuels were the product category mostly affected and this was throughout the traditional US driving season, including the Labour Day holiday, which ended in a quite disappointing dip," commented the report.

Furthermore, it added, the first eight months of 2011 showed decreasing year-on-year consumption for all product categories with the only exception being distillate fuel oil, jet/kerosene and some other products. Motor gasoline and propane/propylene showed the strongest contractions.

"... consumption over the driving season was certainly a key factor for the development of US oil demand during the second half of the year — unfortunately, most recent indications call for a rather strong downward risk."

Looking at other oil data, the OPEC report stated that, according to preliminary data, US oil imports declined by 263,000 b/d, or by 2.6 per cent, to average around 9.0m b/d in August.

Crude imports were gauged at 9.6m b/d in the week ending August 26, before falling sharply by more than 1m b/d, due to weather disturbance.

US crude oil imports in August were around 440,000 b/d below the level seen in the same month last year, when imports stood at 9.5m b/d.

Between January and August this year, US crude oil imports averaged 8.9m b/d, 5.1 per cent lower than the 9.4m b/d recorded for the same period a year ago.

Oil product imports in the world's largest consumer have dropped steadily since April this year and currently stand at a level of 2m b/d.

Compared with the month before, the decline is pegged at around 236,000 b/d, or 10.4 per cent. According to year-on-year data, there is a sharp drop of around 782,000 b/d, or 27.8 per cent.

Gasoline and jet fuel were the main contributors to the decline of products in August. Gasoline imports fell by 86,200 b/d, or 11.2 per cent, while jet fuel was 52,600 b/d, or 61.4 per cent, lower.

Barclays Capital heavily revises global oil demand forecasts

Barclays Capital has revised its projections for global oil demand sharply downwards for this year and next following slumping forecasts for economic growth, especially in the United States.

Until recently, the investment banking division of Barclays Bank was optimistic about global oil demand levels picking up, in keeping with the economic recovery, and was projecting figures far higher than those put forward by other authoritative sources.

However, in a recent report, it said that it had cut its estimates for global oil demand growth for 2011 and 2012 as a result of the latest economic slowdown.

Barclays now sees world oil demand rising by 1.1 million barrels/day this year to 88.68m b/d. This compares with its initial growth projections of 1.56m b/d and later 1.7m b/d for this year.

Barclays Capital oil analyst, Amrita Sen, was quoted as saying that given the general state of the macro-economy, the state of oil demand did not appear particularly healthy.

"Moreover," he said, "US GDP is two per cent lower than what everyone expected, due to recent revisions, and our economists have reduced a cumulative 1.8 per cent of US growth over this year and next. Hence, the revision."

Barclays oil demand growth forecasts for 2011, which were initially higher than those of the leading forecasters — OPEC, the International Energy Agency (IEA) and the Energy Information Administration (EIA) — are now equal or lower than the three groups.

OPEC has reduced its oil demand growth forecast for this year to 1.1m b/d, the IEA is at 1.2 m b/d, while the EIA is more optimistic of a recovery with its demand growth figure put at 1.43m b/d for this year.

Barclays has also reduced its oil demand growth projection for 2012. It now expects demand to increase by 1.34m b/d, compared with its previous forecast of 1.4m b/d.

The US Commerce Department recently announced that the US economy expanded by just 0.4 per cent in the first quarter of 2011, a considerable slump from the 1.9 per cent expansion expected. In the second quarter, the economy grew by only 1.3 per cent.

Consumer spending in the country, which represents some three-quarters of economic activity, only managed a 0.1 per cent gain in the second quarter. And in the month of June, consumer spending actually fell for the first time in nearly two years.

Barclays said it now sees real GDP in the US rising by an average of 1.7 per cent in 2011 and global economic growth averaging 3.8 per cent.

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

This page is dedicated to capturing those visits in pictures.

Xolisa Mabhongo, South Africa's Ambassador to the Republic of Austria, paid a courtesy visit to Abdalla Salem El-Badri, OPEC Secretary General, on August 29, 2011.

Ms Maria van der Hoeven, the new Executive Director of the IEA, visited Abdalla Salem El-Badri, OPEC Secretary General on September 8, 2011.

Mitsuyoshi Saito, Secretary General, and Masataka Sase, Executive Director of the Japan Cooperation Centre, Petroleum, Tokyo, Japan, with OPEC's Secretary General, Abdalla Salem El-Badri, at the Organization's Headquarters.

Energy Analyst, Adviser leaves OPEC

OPEC Energy Analyst, Dr Fuad Siala, has left the Organization after a period lasting over eight years.

Dr Siala, from Libya, who joined the Secretariat in Vienna, in March 2003, as an Alternative Sources of Energy Analyst, was promoted to a senior position in the post in January 2006.

Heavily involved in the work of the Secretariat's Energy Studies Department, he was, at various times, Officer in Charge of the Department.

He was also Chairman of the Secretariat's Academic Committee.

Dr Siala's official term as an OPEC Officer ended in March 2010.

However, he was asked to stay on in a consultancy capacity as Senior Alternative Sources of Energy Adviser, which lasted until the end of July this year.

Dr Siala proudly displays a commemorative plate from OPEC, presented to him by Secretary General, Abdalla Salem El-Badri (right).

SINOPEC engineers visit OPEC

Fuad Al-Zayer (fourth from left), Head of OPEC's Data Services Department, together with Angela Agoawike (third from right), Head of Public Relations and Information Department, and Mohammad Asali (third from left), Modelling and Forecasting Analyst, OPEC Secretariat, along with the SINOPEC visitors.

The People's Republic of China, which, in recent years, has emerged as a global powerhouse, can be proud of the remarkable economic progress it has made since the 1970s, according to the Head of OPEC's Data Services Department, Fuad Al-Zayer.

Addressing a group of engineers from the giant China Petroleum and Chemical Corporation (SINOPEC), which visited the OPEC Secretariat in Vienna in early September, he stated that the rapid growth seen over the years in the country had made it the world's second-largest economy.

And, he said, the expectation among many analysts was that it would take over the 'number one' spot later this decade.

"This is an amazing achievement and demonstrates again what countries can do with the right vision and sound guidance, even from a low economic base," he said.

Al-Zayer, who was representing the Director of OPEC's Research Division, Dr Hasan M Qabazard, told the group that when OPEC Secretary General, Abdalla Salem El-Badri, visited the Chinese capital, Beijing, in October 2007, he acknowledged the huge strides the Chinese economy had made.

"And he gave an assurance that OPEC Member Countries would continue to support China's economy by providing it with the petroleum it required in an adequate and timely manner."

El-Badri, he said, had stressed that OPEC Countries were committed to oil market stability and were investing heavily in production capacity to meet the market's future needs.

"This commitment is as strong today as it was then," commented Al-Zayer.

The occasion of El-Badri's visit was the second high-level OPEC-China Energy Roundtable in a formal energy

China praised for achieving "remarkable" economic progress

dialogue between the two parties that had begun two years earlier.

Al-Zayer explained that, at its inception, in December 2005, the OPEC-China Energy Dialogue was seen as building upon the existing oil and gas bilateral investment and trading relations between China and many OPEC Member Countries.

At the October 2007 roundtable, Zhao Xiaoping, Director General of the Energy Bureau, National Development and Reform Commission, commended the successes recorded so far by the energy dialogue. He said the initiative gave the partners the opportunity to exchange ideas and review issues, in order to enhance understanding and closer cooperation between China and OPEC.

The China-OPEC Energy Dialogue was one of several such processes entered into by OPEC since the middle of the past decade, he affirmed.

Other partners-in-dialogue, at one level or another, included the European Union, Russia and the International Monetary Fund.

Al-Zayer said that, in addition to this, OPEC had played a major role in establishing the International Energy Forum, which had a central coordinating role in global producer-consumer dialogue.

"We also work closely with the specialist consumer body, the International Energy Agency, in many important areas," he said.

Al-Zayer said that, all-in-all, in today's highly competitive, fast-paced, interdependent global energy industry, "we firmly believe that sound processes of energy dialogue among the major parties represent the only way forward as we seek, collectively, to meet the energy challenges of the future."

In stressing the similarities of OPEC and SINOPEC — in

SINOPEC engineers, who visited the OPEC Secretariat.

line with their names — Al-Zayer said the two organizations had a lot in common.

"To begin with, we are both important players in the international petroleum sector. Then there are the warm relations that exist between OPEC and the People's Republic of China, as well as among their associated companies," he maintained.

"On top of this, in recent decades, both OPEC and China have made their presence felt on the world stage, which was previously dominated by the established industrialized powers even more than it is today."

For example, said Al-Zayer, OPEC was proud of its achievements in the 1970s. With its support and encouragement, Member Countries had asserted their sovereign rights to develop and control their national oil sectors and to influence the way in which their indigenous commodity, crude oil, was marketed around the world.

"Such actions were unheard of in those early post-colonial days. They provided a beacon to other developing countries eager to modernise their economies and improve the welfare of their peoples.

"However, it should be stressed here that the conditions must be right for this; we should never overlook the severe plight of many other developing countries which cannot benefit from having indigenous resources which are much in demand across the world," he stated.

The 23-strong team from SINOPEC, headed by Ms Yi Teng, Director of the company's Human Resource Department, listened to several presentations given by OPEC officials.

SINOPEC, which was incorporated in February 2000, is today one of the largest integrated energy and chemical companies in China. It is the country's second-largest crude oil producer, but number one in domestic output and supplies of refined oil products and major petrochemical products.

It has integrated upstream, midstream and downstream operations, strong oil and petrochemical core businesses and a complete marketing network. Over the years, the company has capitalized on China's impressive economic growth and has achieved a remarkable performance across all businesses.

Last year, it recorded a historical high in operational results, despite the challenging operating environment. Total turnover and revenues increased by 42.2 per cent from the previous year, while annual profit stood at 12.8 per cent.

The company's domestic crude oil production in 2010 was recorded at 42.56 million tonnes, while gas output stood at 12.5 billion cubic metres, up by 0.3 per cent and 47.6 per cent, respectively.

SINOPEC's primary target under China's 12th five-year development plan, which ends in 2015, is to boost crude oil production to 45m t and gas production to 24bn cu m.

In addition, it is seeking annual refinery throughput of 255m t, domestic oil product sales of over 170m t, production of oil products of 156m t, ethylene production capacity to rise to 13.5m t and total sales of chemical products to reach 55–60m t.

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

Pictured here is a group of students from the Modellschule Obersberg, Germany, that visited the OPEC Secretariat on September 20.

Students from the Wirtschaftsuniversität, Vienna, who visited the OPEC Secretariat on September 22.

International relations students visited the OPEC Secretariat on September 26.

Interning: Perspective is the key in a valuable experience

Each year, the OPEC Secretariat in Vienna takes on a number of interns, who learn about the Organization and its activities, as well as further their own specific studies. International relations student, Lana Khattab, was one such intern, who spent a few months working in the Public Relations and Information Department, during her summer recess from the University of Birmingham, in the United Kingdom. Originally from Damascus, Syria, with her home now in the Austrian capital, Lana is passionate about politics, the world economy, diplomacy, human rights and global ethics issues. She has already interned at the International Aids Conference in Vienna in July 2010 and this year at the Academic Council on the UN System. Writing for the Bulletin, she gave this account of what interning means to her and the experience she gained at OPEC.

Internships have seemingly become an "unavoidable professional ritual" as formulated by author Ross Perlin in his opinion piece in the Washington Post.

Without opposing this claim, this article will highlight why internships, if looked at from a different angle, can be incredibly benefiting to interns, while highlighting a few aspects of my internship with OPEC's Public Relations and Information Department (PRID).

Internships tend to be regarded as 'free labour' for companies and organizations, where young interns take on routine tasks for other employees. The usual associations made with internships include bringing coffee, collecting the mail and answering the phone. However, an internship experience can be far more exciting and rewarding — if the effort is made.

Internships offer a great way to get a taste of working life. The direct step from university to the workplace can often be tough, as one will have to face different unfamiliar and sometimes challenging situations.

An internship acts as a bridge between university and professional life and is, at the same time, a healthy portion of disillusion about what work is really about.

Starting my internship at OPEC, I noticed how my knowledge of international relations helped me position the Organization and its role in the larger frame of global governance.

Nevertheless, working within such a well-known organization entailed similar tasks to all organizations. The tasks did not differ from similar office work — writing emails, drafting proposals and researching — and thus gave me a clear view into what work is about.

More specifically, an internship teaches one to understand the inner workings of the respective company or organization involved.

The evaluation of the level of dynamism, the atmosphere among employees and the amount of work involved are crucial and will influence the opinion of the intern to potentially seek a job at the company or organization in question, as well as recommending it to others.

In my case, the internship at OPEC gave me an excellent opportunity to assess the working environment there.

The Organization possesses a rather conservative working style and can sometimes represent a challenge for the introduction of radical changes.

Nevertheless, bright and efficient initiatives do end up being fruitful in this framework, which is slowly, but surely, starting to open up more.

Moreover, an internship offers the chance to develop skills necessary to furthering a successful professional career.

Lana Khattab

Although reading and learning about leadership, teamwork and communication skills is good, it is at best the theoretical basis for what is essential: practice.

Through various events and actions, an intern has the chance to develop his or her skills.

Working in the PRID team, organizing a charity initiative for a local Caritas refugee home, authoring comprehensive reports, such as a Guide for OPEC entering social media — all these things and more represented an important component of a valuable resource and constituted a chance to improve my skills

In all the above cases, however, the crucial actor is the intern, who needs to be aware of the benefits of the internship, as well as actively seeking to expand his or her perspectives.

My internship helped me to get an overall sense of what real working life is all about and to experience different situations, as well as to engage in a variety of activities.

Although an internship is only a short work experience, it can constitute a great opportunity in one's career and can open many doors which were previously closed.

In the end, it can be the intern who benefits many more times than the company or organization: perspective is the key.

1976-2011 35

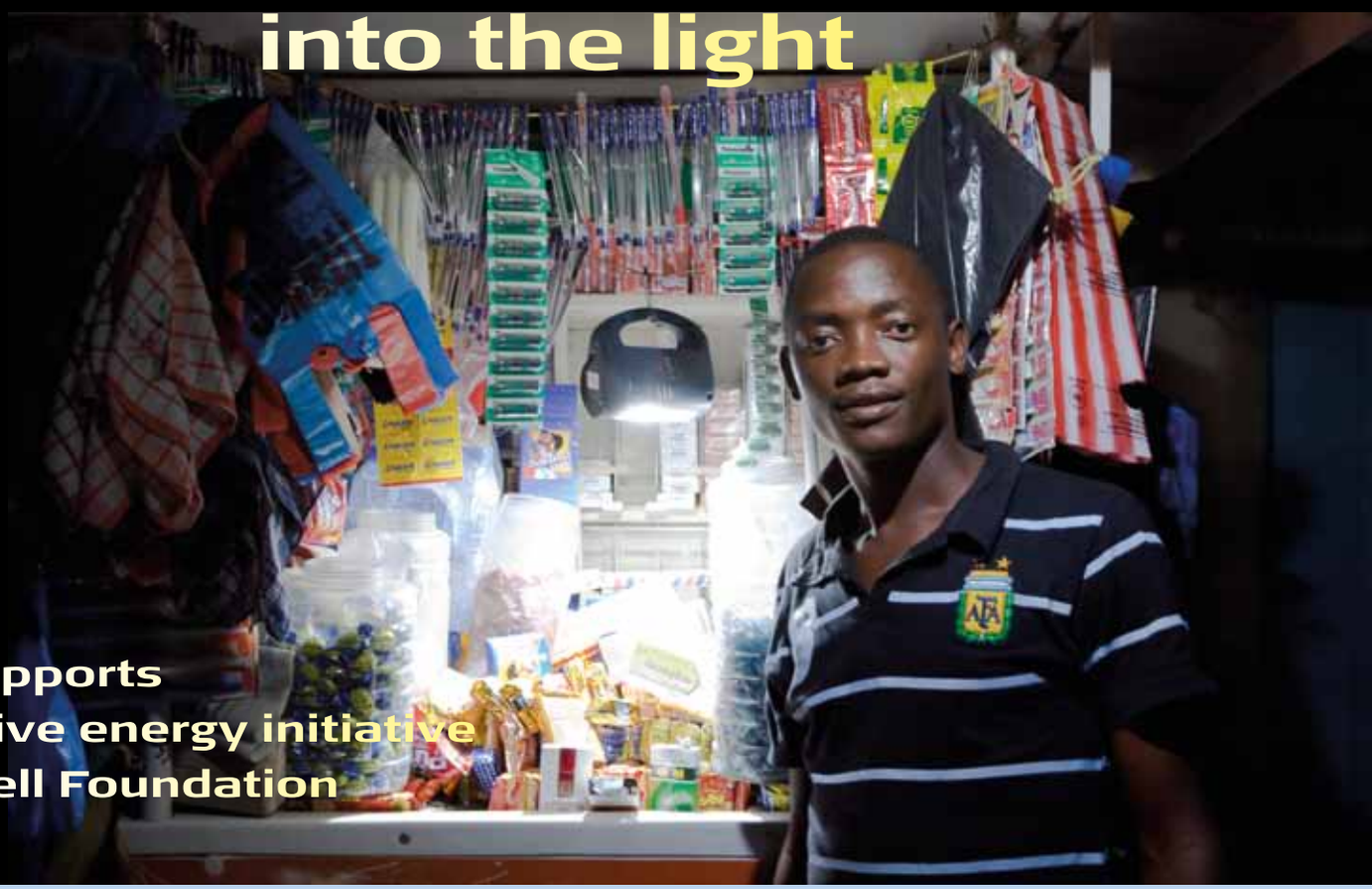
OFID

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

Uniting against Poverty

d.ligh design

Out of the darkness ... into the light



OFID supports innovative energy initiative with Shell Foundation

With his new solar light, this young stall holder can extend his opening hours, providing a better service to his customers and increasing his own earnings.

OPEC Fund for International Development (OFID)

The OPEC Fund for International Development (OFID) has teamed up with the Shell Foundation and a solar light manufacturer to offer a brighter future for thousands of rural poor in Africa.

The project, which is the replication of a scheme tried and tested throughout Asia, entails the distribution of solar lanterns to low-income, rural households in Kenya and Tanzania, where whole communities without electricity are currently forced to use candles, kerosene lamps, or LED-powered torches as their only source of lighting.

The OFID partnership comes at a time when innovative solutions are being sought to bring affordable energy to outlying populations on the continent.

Shell Foundation Director, Chris West, has overseen the implementation of the scheme in 40 other countries since 2007.

He describes the programme, which couples the benefits of cheap, user-friendly technology with an innovative partnership between social enterprise d.light, funders and local distributors, as "an exciting departure from traditional practice."

First push into Africa

The OFID-sponsored project represents the scheme's first push into Africa.

In terms of the global drive to eradicate energy poverty, rural electrification in Africa remains one of the greatest challenges.

According to widespread figures, only around 12 per cent of the rural population in sub-Saharan Africa has access to electricity. This equates to 110 million households, or 550m people, a number that is expected to grow to 630m by 2015, unless more concerted efforts are made.

While international action is focusing on the goal of universal access to electricity by 2030, it is widely recognized that more immediate solutions are needed to reach those communities where connection to the grid is still a long way off.

The solar lighting project is the first initiative launched under OFID's new Energy Poverty Grant Programme, which was approved by the Vienna-based institution's finance ministers at their last meeting in June.

The programme was set up specifically to channel financing to grassroots energy schemes in communities which are unlikely to benefit from the kind of large-scale power generation and distribution projects that are carried out through OFID's other financing windows.

OFID Director-General, Suleiman Al-Herbish, welcomed the move, saying: "As an institution we are fully committed to the eradication of energy poverty in all its manifestations.

"And this includes finding innovative ways to bring safe, affordable energy directly into the homes of the rural poor."

Al-Herbish noted that the partnership with the Shell Foundation was in direct response to the call made by OPEC Heads of State and Government at their 2007 Riyadh Summit for OFID to work with all stakeholders, including

The continuation of community life after nightfall is just one of the many benefits of the solar lanterns.

the energy industry, in the battle to combat energy poverty.

The new grant programme, which has received an allocation of $2.5m for 2011, will seek to work with experienced non-governmental organizations (NGOs) and other partners to meet cooking, heating and other household needs, as well as provide energy for tasks, such as irrigation and crop processing.

The solar lantern scheme operates through a revolving capital pool, which makes financing available to rural distributors to enable them to buy large quantities of the inexpensive and durable d.light products.

At present, rural distributors are hampered in their efforts by the high cost of borrowing from local banks to fund their working capital. This, in turn, inflates the pricing of the products and makes selling them to poor users extremely difficult.


Shell Foundation

"The continuation of community life after nightfall, in villages where, before, darkness meant bedtime, is a sight to behold. Quite simply, it changes society so completely, it is impossible to quantify."

– Shell Foundation Director, Chris West.

Shell's West estimates that the innovative scheme has already improved around three million lives, including those of some 600,000 children, who are now using solar lights instead of candles to study.

He attributes the success of the programme to the high quality of the products and to the huge and growing demand from rural households.

"People want them and they can afford them," he noted. "Equally important, however, is the efficiency of d.light in setting up effective links with local distributors who can get the products to market."

The partner countries involved in the project are two of the most severely energy poor in Africa.

In Tanzania, 90 per cent of the 43 million-strong population does not have access to electricity. The statistics are equally grim for Kenya, where an estimated 34m people are in the same situation.

> "As an institution we are fully committed to the eradication of energy poverty in all its manifestations. And this includes finding innovative ways to bring safe, affordable energy directly into the homes of the rural poor."
>
> – OFID Director-General, Suleiman J Al-Herbish.

In both countries, kerosene is the most widely used source of lighting, costing up to $7.50/month and placing a considerable strain on households with a typical per capita income of just $2/day.

For most people, solar alternatives have never been considered, either through a lack of awareness, or because they are deemed too expensive.

Potential distributors of the solar lights are expected to be attracted not just by the low cost of borrowing from the respective capital pools ($150,000 for Kenya and $125,000 for Tanzania), but also by the support provided to help maximize sales.

This will include tailored information campaigns in the targeted communities to raise awareness and understanding of the benefits of solar products, as well as assistance to the distributors to help them develop more professional business skills.

"There is a tremendous need for social marketing in all ventures of this kind. One needs to make people aware that there is a solution out there and how they can get the best benefit from it," commented West.

In the Foundation's experience, he said, the best approach was to actually go out into the field and allow potential customers to see and feel the product and understand how it worked.

He said he was consistently surprised how quickly people were prepared to purchase something once they were convinced of its value. Under the scheme, all loan repayments, including interest, will be re-injected into the revolving fund, which will continue to grow in value, thus allowing the project to expand with time far beyond the initial target group of 130,000 families.

For West, this sustainability factor is the real beauty of the scheme.

"Deploying grant funding in a way that it can be revolved to allow social enterprises such as d.light to grow and test and then use that money over and over again to roll out and scale-up is a much smarter way of using resources than a single, repayable type of instrument," he told the Quarterly.

In addition to the money saved on candles and batteries, families who buy solar lights can often see their income increase by up to 20 per cent as a result of the extension of the working day. There are also numerous safety aspects to consider.

West has witnessed the implementation of the scheme in countless energy-starved communities and remains amazed at how such a simple concept can transform lives literally overnight.

"The continuation of community life after nightfall, in villages where, before, darkness meant bedtime, is a sight to behold," he pointed out.

"Quite simply, it changes society so completely, it is impossible to quantify," he added.

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

August

Crude oil price movements

The OPEC Reference Basket moved within a narrower range of $106.5–$113.6/b in July as market volatility diminished, posting the first gain after having lost a total of more than $9/b in May and June.

The Basket reversed the downward trend seen over the three last weeks of June to follow an upward trend in July. It ended the first week of the month at $109.14/b, up $4.08/b from the previous week to add almost $3/b in the second week as an improvement in macroeconomic sentiment and the US dollar weakness lifted futures prices.

However, the recovery in the Basket slowed down in the second half of July where respective gains of the third and the fourth weeks of the month fell to 96¢ and 10¢.

In monthly terms, the Basket averaged $111.62/b in July, representing a gain of $2.58/b, or 2.4 per cent. over the previous month.

All Basket components strengthened in July, particularly Latin American crudes Oriente and Merey, which rose by 4.6 per cent and 3.3 per cent, respectively, as the transatlantic spread widened further in favour of Brent.

Middle Eastern crudes saw gains ranging from two per cent for Murban and Arab Light to three per cent for Basrah Light.

African grades experienced lower percentage gains than the other components. Saharan Blend rose by just $1.55/b, or 1.3 per cent, the lowest gain among the components, while Girassol and Bonny Light increased by around 2.1 per cent, versus 2.4 per cent for the Basket.

The OPEC Reference Basket averaged $107.41/b in the first seven months of 2011, an increase of around 42 per cent from the same period of a year ago.

Meanwhile, the futures market recovered in July with both Nymex WTI and ICE Brent increasing after two months of declines.

Despite the recovery, the Nymex WTI front-month contract remained below $100/b as it moved within a narrow range of $94.94–99.87/b. It settled at $94.94/b – the lower end of the range – on the first day of July.

In London, ICE Brent jumped by $2.85/b, or 2.5 per cent, to average the month at $116.75/b, the highest level since the $123.09/b of last April.

Commodity markets

Looking at trends in selected commodity markets, the report stated that energy and non-energy prices increased in July in the midst of high volatility supported by base metals (five per cent), precious metals (3.9 per cent) and crude oil (two per cent). Gold has seen record prices.

Commodity markets felt the negative influence of growing concern about the health of the US economy and Chinese demand, the European debt crisis and the high debt of the US.

Further negative factors were disappointing economic data from several key economies that prompted risk reduction exposure by investors and seeking the safe haven of the Swiss franc and gold.

The World Bank energy commodity price index (crude oil, natural gas and coal) rose by

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

two per cent m-o-m supported by crude oil in July, while the non-energy commodity price index increased by 1.3 per cent on the back of base and precious metals. Henry Hub natural gas prices dropped by three per cent.

Agricultural prices slipped by 0.7 per cent m-o-m in July, partly due to price dips in grains (two per cent) corn and wheat. Corn prices declined by three per cent in a very volatile environment.

Sugar prices kept rising in July (11.9 per cent) as a result of downward revisions to Brazil's production and delays in loading at Brazilian ports.

Base metal prices (LME) rose by five per cent in July due to some supply constraints, despite uncertainties on the macroeconomic front and Chinese demand.

Copper prices rose by 6.4 per cent, while the price of aluminium decreased by 1.3 per cent.

Nickel prices rose by six per cent m-o-m in July, while the price of gold increased by 2.8 per cent to a record average of $1,572.2 per ounce in July, reflecting its preference as safe haven. Silver also saw record prices.

World oil demand

In its review of the market, the OPEC report said that demand for OPEC crude in 2011 remained unchanged from its previous assessment as both global demand and non-OPEC supply were revised down by roughly the same amount.

With the exception of the fourth quarter, which saw an upward revision of 50,000 b/d, all other quarters remained unchanged.

At 30.0m b/d, demand for OPEC crude stood 200,000 b/d above 2010. The first quarter showed growth of 600,000 b/d, compared with the same period a year ago, while the second quarter remained unchanged. The third and fourth quarters are estimated to see positive growth of 100,000 b/d and 300,000 b/d, respectively.

Demand for OPEC crude in 2012 is projected to average 30.2m b/d, down 100,000 b/d from the previous report.

Within the quarters, the first and second quarters were revised down by 100,000 b/d and 300,000 b/d, respectively, while the third and the fourth quarters were revised up by 100,000 b/d.

Required OPEC crude in 2012 is forecast to increase by 200,000 b/d, compared with the current year.

The first quarter is estimated to see growth of 300,000 b/d, followed by negative growth of 200,000 b/d in the second quarter, while both the third and the fourth quarters are forecast to see an increase of 400,000 b/d.

Meanwhile, the OPEC report pointed out that economic worries had affected oil demand in the OECD region this year, leading to a decline in the summer driving season demand.

Should the situation see further deterioration in the US, then aggregate oil demand will see a further decline this year.

Chinese oil demand has been keeping the situation in a semi-balanced trend; however, recent weakening led to a decline in total oil demand.

In summary, weakening OECD economies are negatively affecting the oil market and imposing a high range of uncertainty for the short term.

Although there are some signs indicating a weakening oil demand world-wide, it is too early to adjust the existing forecast for world oil demand as risks are nearly balanced with regard to upward and downward movements.

The current situation in the weakening US summer driving season is affecting total world oil demand toward a downward revision by 150,000 b/d. Hence, world oil demand is forecast to grow by 1.2m b/d in 2011, averaging 88.1m b/d.

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

In OECD North America, the latest monthly US oil consumption data for May showed a substantial yearly contraction of 2.6 per cent. It is the largest decline in volume and per cent observed since January 2010.

Preliminary weekly data for June and July 2011 displayed even larger contractions and thus a more pessimistic picture, with the consumption of transportation and industrial fuels being in the minus. This was quite alarming to occur at the beginning of the driving season.

Furthermore, the first seven months of 2011 imply decreasing y-o-y consumption for all product categories with the only exception being distillate fuel oil and other products.

June Mexican oil consumption was up by one per cent, compared with last year, while May Canadian oil demand data indicated a contraction of three per cent.

For the whole of 2011, North American oil demand was revised down by 140,000 b/d leading to flat y-o-y oil demand changes. In 2012, North American demand is projected to grow by only 100,000 b/d.

In Europe, June oil consumption grew for the first time since February, up by 30,000 b/d. European Big Four oil demand increased by 80,000 b/d in the month, compared with June 2010.

However, the region's total contraction in oil demand stands at 70,000 b/d in 2011. For 2012, oil consumption is expected to shrink again, as a result of the rather pessimistic economic development at a slightly lower magnitude of 60,000 b/d.

In the OECD Pacific region, oil consumption is expected to fall by 20,000 b/d during 2011 and 50,000 b/d in 2012, while projections are heavily dependent upon the speed of recovery in Japan.

In the Developing Countries, the booming economy along with seasonal agricultural activity has hiked Indian oil demand growth in the second quarter to reach 160,000 b/d y-o-y.

India's oil demand forecast growth is expected to maintain the earlier assessment exceeding annual growth of four per cent y-o-y and averaging 3.4m b/d in 2011.

In Thailand, it is forecast that industrial use of oil will push the country's total oil demand up by 63,000 b/d in 2011 y-o-y.

The third-largest oil demand contributor in Other Asia is Singapore. The country's first quarter oil demand grew by 23,000 b/d y-o-y; however it is anticipated that oil demand growth for the whole year will be 16,000 b/d.

Indonesian oil demand has been in the growing mode this year, boosted by the country's economic growth of six per cent. It is forecast that the country's oil demand will inch up more in response to the country's latest move to put more subsidies for petroleum products.

"Preliminary figures indicate that global oil supply increased by 800,000 b/d in July to average 88.33m b/d. Non-OPEC supply experienced growth of 390,000 b/d, while OPEC crude production increased by 400,000 b/d."

The government assigned more funds to subsidize certain petroleum products for domestic consumption.

Other Asia oil demand growth is forecast at 280,000 b/d in 2011, averaging 10.4m b/d.

The summer season is the peak time for Middle East oil use. As forecast, summer heat is not only pushing Saudi Arabian oil demand up by six per cent in June y-o-y, but also boosting the whole Middle East region oil demand up by 200,000 b/d in June y-o-y.

Middle East oil demand growth is forecast at 200,000 b/d in 2011, averaging 7.5m b/d.

Brazilian oil demand in June kept May's upward growth trend. This growth trend is expected to last throughout the third quarter. Brazil's gasoline consumption already passed the 500,000 b/d level last month and is expected to keep its growing mode.

China's oil demand softened in the first month of the summer. The slowing economy, along with energy prices, led to both lower oil demand and weaker growth for new car registrations. Its oil demand for June grew by 0.75 per cent y-o-y, the lowest since March 2009. The country's net oil imports plunged by 10.75 per cent in the same month.

The country's oil demand is forecast to achieve 6.5 per cent y-o-y growth in 2011.

Looking at world oil demand in 2012, the OPEC report said that although the world economic picture is facing increasing uncertainties in 2011, world GDP for next year is forecast at a slightly higher base than this year.

Despite the enhanced economic outlook in the OECD, it is forecast that next year's oil demand growth will take place in the non-OECD region, mainly China, India, the Middle East and Latin America.

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

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

World oil demand is forecast to continue its growth during 2012 to reach 1.3m b/d y-o-y, to average 89.4m b/d, only a minor downward revision of 19,000 b/d from the previous report.

Chinese oil demand is expected to grow the most worldwide, despite the government's efforts to curb energy use within the country. Chinese oil demand is expected to rise by 5.4 per cent y-o-y.

Next year's global oil demand forecast implies two scenarios; however the probability varies between the upper and lower range. A better-than-expected outcome of the US economy might boost world oil demand growth by 200,000m b/d y-o-y.

On the other hand, the gloomy picture which would be supported by higher oil prices and further turbulence in oil markets might shave 15 per cent off the forecast growth.

World oil supply

Preliminary figures indicate that global oil supply increased by 800,000 b/d in July to average 88.33m b/d.

Non-OPEC supply experienced growth of 390,000 b/d, while OPEC crude production increased by 400,000 b/d.

The share of OPEC crude oil in global production remained steady at 34 per cent in July. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Meanwhile, non-OPEC oil supply in 2011 is forecast to grow by 580,000 b/d over the previous year to average 52.83m b/d. The projected increase represents a downward revision of 50,000 b/d compared with the previous report.

There were a few upward and downward revisions introduced this month to supply estimates, mainly on updated production data and changes in project start-ups and ramp-ups, in addition to a few historical revisions.

On a regional basis, North America experienced the largest revision, followed by Other Asia and Africa.

On a quarterly basis, non-OPEC supply in 2011 is expected to stand at 52.87m b/d, 52.23m b/d, 52.90m b/d and 53.33m b/d, respectively.

Total OECD oil supply is projected to increase by 80,000 b/d in 2011 to average 20.03m b/d, representing an upward revision of 25,000 b/d from the previous month.

North America remains the only region within the OECD with anticipated supply growth in 2011, while supply from OECD Western Europe and Pacific are expected to decline.

On a quarterly basis, OECD oil supply this year is seen to average 20.15m b/d, 19.82m b/d, 20.00m b/d and 20.14m b/d, respectively.

North America oil supply is anticipated to average 15.28m b/d in 2011, an increase of 320,000 b/d over the previous year. The forecast indicates an upward revision of 40,000 b/d over the previous month.

According to preliminary data, North America oil supply averaged 15.28m b/d during the first half of 2011, indicating significant

growth of 490,000 b/d, compared with the same period in 2010.

On a quarterly basis, North America oil supply in 2011 is estimated to stand at 15.32m b/d, 15.24m b/d, 15.25m b/d, and 15.30m b/d, respectively.

US oil supply is forecast to average 8.80m b/d in 2011, representing growth of 200,000 b/d over the previous year and an upward revision of 50,000 b/d from the previous report.

On a quarterly basis, US oil supply this year is expected to average 8.77m b/d, 8.86m b/d, 8.80m b/d and 8.79m b/d, respectively.

Canada's oil supply is expected to average 3.53m b/d in 2011, up by 130,000 b/d from the previous year.

On a quarterly basis, Canada's oil supply this year is seen to average 3.58m b/d, 3.42m b/d, 3.52m b/d and 3.60m b/d, respectively.

According to preliminary data, Canadian oil supply increased by 140,000 b/d during the first half of 2011 compared with the same period of 2010.

Mexico's oil supply is foreseen to average 2.95m b/d in 2011, steady from the previous year with a minor decline of 10,000 b/d, representing an upward revision of 10,000 b/d from the previous report.

According to recent production data, Mexico's oil supply averaged 2.96m b/d during the first half of 2011, indicating a decline of 10,000 b/d, compared with the same period of 2010.

On a quarterly basis, Mexico's oil supply this year is expected to average 2.97m b/d, 2.96m b/d, 2.94m b/d and 2.92m b/d, respectively.

Total OECD Western Europe oil supply is anticipated to drop 200,000 b/d from 2010 to average 4.19m b/d in 2011, flat from the previous month's assessment.

On a quarterly basis, the region's supply is expected to stand at 4.32m b/d, 4.06m b/d, 4.14m b/d and 4.25m b/d, respectively.

According to preliminary data, OECD Western Europe oil supply declined by 370,000 b/d in the first half of 2011, compared with the same period of 2010.

Norway's oil supply is expected to decline by 110,000 b/d over 2010 to average 2.03m b/d in 2011, representing a minor downward revision of 10,000 b/d from the previous report.

On a quarterly basis, Norway's oil supply this year is expected to average 2.15m b/d, 1.94m b/d, 1.98m b/d and 2.05m b/d, respectively.

According to preliminary data, Norway's oil supply dropped by 180,000 b/d during the first half of 2011 compared with the same period of 2010.

United Kingdom oil supply is forecast to decrease by 100,000 b/d over 2010 to average 1.26m b/d in 2011, representing a downward revision of 10,000 b/d from the previous month.

According to preliminary data, UK oil supply declined by around 240,000 b/d during the first half of 2011, compared with the same period in 2010.

On a quarterly basis, the UK's oil supply this year is seen to stand at 1.27m b/d, 1.19m b/d, 1.28m b/d and 1.31m b/d, respectively.

Denmark's oil supply is estimated to average 240,000 b/d in 2011, flat from the previous year and representing an upward revision of 15,000 b/d from the previous report.

OECD Pacific oil supply is foreseen to average 560,000 b/d in 2011, a drop of 40,000 b/d from 2010 and indicating a downward revision of 14,000 b/d over the previous month.

On a quarterly basis, the region's total oil supply is estimated to average 520,000 b/d, 530,000 b/d, 600,000 b/d, and 590,000 b/d, respectively.

Australia's oil supply is projected to decline by 30,000 b/d in 2011 to average 470,000 b/d, indicating a downward revision of 10,000 b/d from the previous report.

According to preliminary data, Australia's oil supply averaged 440,000 b/d during the first half of 2011, lower by 70,000 b/d from the same period of 2010.

On a quarterly basis, Australia's oil supply this year is expected to stand at 420,000 b/d, 450,000 b/d, 510,000 b/d and 500,000 b/d, respectively.

Total Developing Countries' oil supply is expected to average 12.95m b/d in 2011, representing growth of 240,000 b/d over 2010, and a downward revision of 80,000 b/d from the previous month.

Latin America and Africa are the only two regions with forecast growth, while the Middle East and Other Asia are projected to experience declines.

Latin America is now forecast to have the second largest increase among all non-OPEC regions supported by both Brazil and Colombia.

On a quarterly basis, Developing Countries' oil supply this year is seen to average 12.89m b/d, 12.64m b/d, 13.03m b/d and 13.22m b/d, respectively.

"Total Developing Countries' oil supply is expected to average 12.95m b/d in 2011, representing growth of 240,000 b/d over 2010, and a downward revision of 80,000 b/d from the previous month."

Oil supply from Other Asia is anticipated to remain relatively steady in 2011 compared with a year earlier, with a minor decline of 20,000 b/d, indicating a downward revision of 40,000 b/d from the previous month.

On a quarterly basis, Other Asia's oil supply this year is expected to stand at 3.69m b/d, 3.62m b/d, 3.67m b/d and 3.68m b/d, respectively.

Vietnam's oil supply is seen to remain relatively steady in 2011, with a minor decline of 10,000 b/d, and average 350,000 b/d, indicating a downward revision of 15,000 b/d from the previous month.

Malaysia's oil supply is seen to drop 50,000 b/d in 2011 to average 650,000 b/d.

Indonesia's oil supply is expected to average 1m b/d in 2011, a decline of 30,000 b/d from the previous year. During the first half of 2011, the country's oil supply declined by 30,000 b/d, compared with the same period of 2010, according to preliminary data.

Latin America's oil supply is expected to

increase by 240,000 b/d over 2010 to average 4.91m b/d in 2011, indicating a downward revision of 20,000 b/d from a month earlier.

According to preliminary data, Latin America's oil supply increased by 140,000 b/d during the first half of 2011 compared with the same period of 2010.

On a quarterly basis, Latin America's oil supply this year is expected to stand at 4.81m b/d, 4.77m b/d, 4.96m b/d and 5.09m b/d, respectively.

"Total OPEC crude oil production averaged 30.07m b/d in July, up by 400,000 b/d from the previous month, according to secondary sources."

Brazil's oil supply is anticipated to increase by 130,000 b/d over 2010 to average 2.79m b/d in 2011, indicating a downward revision of 25,000 b/d from the previous report.

According to the preliminary data, Brazil's oil supply increased by 70,000 b/d during the first half of 2011 compared with the same period of 2010.

On a quarterly basis, Brazil's oil supply this year is seen to stand at 2.72m b/d, 2.71m b/d, 2.83m b/d and 2.91m b/d, respectively.

Middle East oil supply is projected to decrease by 30,000 b/d over 2010 to average 1.74m b/d in 2011, relatively unchanged from the previous month.

Within the Middle East, oil supply from Oman and Bahrain is expected to indicate growth in 2011 while output of Yemen and Syria is seen to decline.

On a quarterly basis, Middle East oil supply this year is seen to average 1.78m b/d, 1.66m b/d, 1.75m b/d and 1.78m b/d, respectively.

Africa's oil supply is foreseen to grow by 50,000 b/d in 2011 to average 2.63m b/d, indicating a downward revision of 30,000 b/d from the previous report. The downward revision was introduced to Egypt and Gabon oil supply forecasts. Egypt's oil supply is expected to remain relatively flat in 2011, with a minor decline of 10,000 b/d, to average 700,000 b/d.

Gabon's oil supply experienced a minor downward revision of less than 10,000 b/d from the last report.

On a quarterly basis, oil supply from Africa this year is expected to average 2.62m b/d, 2.59m b/d, 2.66m b/d and 2.67m b/d, respectively.

Total former Soviet Union (FSU) oil supply is projected to increase by 130,000 b/d over 2010 to average 13.36m b/d in 2011, unchanged from the previous month.

According to preliminary data, FSU oil supply averaged 13.32m b/d in the first half of 2011, indicating growth of 140,000 b/d over the same period a year earlier.

On a quarterly basis, total oil supply in the FSU this year is foreseen to average 13.34m b/d, 13.30m b/d, 13.36m b/d and 13.43m b/d, respectively.

Preliminary data indicated that Russian oil supply was slightly shy of the record high seen in October 2010, averaging 10.27m b/d in July, the highest level in 2011.

The strong output figure in July prompted an upward revision of 15,000 b/d, compared with the previous report, impacting the second half of 2011.

Russian oil supply is projected to increase by 70,000 b/d to average 10.21m b/d in 2011.

According to preliminary data, Russia's oil supply averaged 10.23m b/d during the first seven months of the year, indicating an increase of 120,000 b/d over the same period of 2010.

On a quarterly basis, Russian oil supply this year is seen to average 10.21m b/d, 10.23m b/d, 10.20m b/d and 10.19m b/d, respectively.

In the Caspian region, Kazakhstan's oil supply is forecast to increase by 50,000 b/d over 2010 to average 1.65m b/d in 2011, indicating a downward revision of 10,000 b/d from the previous month.

According to preliminary data, Kazakh oil supply averaged 1.63m b/d in the first half of 2011, an increase of 50,000 b/d over the same period of 2010.

Quarterly supply figures for the country this year are estimated at 1.66m b/d, 1.60m b/d, 1.64m b/d and 1.69m b/d, respectively.

Azerbaijan's oil supply is anticipated to remain steady in 2011 compared with 2010 and average 1.07m b/d, unchanged from the previous month's assessment.

According to the preliminary data, Azerbaijan's oil supply declined by 50,000 b/d during the first half of 2011 from the same period of 2010. However, output is foreseen to increase in the second half of 2011.

The quarterly forecast level for the country this year stands at 1.03m b/d, 1.02m b/d, 1.10m b/d and 1.12m b/d, respectively.

Oil supply from China is forecast to average 4.23m b/d in 2011, representing growth of 90,000 b/d over the previous year and unchanged from the previous report.

According to preliminary data, China's oil supply averaged 4.21m b/d during the first half of 2011, an increase of 150,000 b/d over the same period of 2010.

On a quarterly basis, China's oil supply this year is seen to stand at 4.22m b/d, 4.19m b/d, 4.23m b/d and 4.27m b/d, respectively.

Other Europe's oil supply is expected to remain unchanged from 2010 and average 140,000 b/d in 2011.

Looking at 2012, the OPEC report said that non-OPEC oil supply next year is expected to grow by 730,000 b/d to average 53.57m b/d, unchanged from the previous report.

On a quarterly basis, non-OPEC supply next year is expected to average 53.58m b/d, 53.38m /d, 53.45m /d and 53.85m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 30.07m b/d in July, up by 400,000 b/d from the previous month, according to secondary sources.

Crude oil output experienced a considerable increase from Saudi Arabia, Angola and

Kuwait, while production fell in Libya, Iran, Nigeria, and Iraq.

According to the secondary sources, OPEC crude production, not including Iraq, stood at 27.39m b/d in July, an increase of 430,000 b/d over the previous month.

Output of OPEC NGLs and non-conventional oils in 2011 is expected to increase by 390,000 b/d over the previous year to average 5.29m b/d.

In 2012, the production figure for OPEC NGLs and non-conventional oils is forecast to grow by 360,000 b/d to average 5.65m b/d.

Oil trade

According to preliminary data, US crude oil imports jumped by more than 200,000 b/d, or three per cent, to average more than 9.3m b/d in July, the highest level since the 9.5m b/d of August 2010. Crude oil imports touched almost 9.9m b/d in the third week of the month.

However, despite the jump, US crude oil imports in July remained 500,000 b/d below last year, when imports stood at more than 9.9m b/d.

The same picture can be seen over the first seven months of the year. US crude oil imports averaged 8.9m b/d between January and July, compared with 9.4m b/d for the same period a year ago, implying a decline of 500,000 b/d. or 5.4 per cent.

The decline in crude oil imports from a year earlier reflected increasing growing local production and the slowing demand from refiners.

In contrast, oil product imports dropped for the third month in a row to average around 2.3m b/d, corresponding to a decline of 83,000 b/d from June's level. The decline was much higher when compared to a year ago. Product imports showed a y-o-y decline of 440,000 b/d, or 18 per cent, in July 2011.

Gasoline and distillates were the main contributors to the decline of products in July. Gasoline imports fell by almost 190,000 b/d, or 20 per cent, and distillates fell by 62,000 b/d, or 13 per cent.

Oil product exports also declined in July to 2.3m b/d, some 80,000 b/d less than in the previous month and 130,000 b/d below a year ago. Kerosene was the main contributor to the drop.

As a result, US net oil imports recovered in July to average more than 9.2m b/d, up by 265,000 b/d, or nearly three per cent, from the previous month. Nevertheless, net oil imports remained almost 8.5 per cent below the year ago level.

Japan's crude oil imports continued their downward trend and fell for the sixth consecutive month to average just 3.0m b/d in June.

Oil product imports, including LPG, edged up by 8,000 b/d to remain below 900,000 b/d. When compared with a year ago, product imports in June were 84,000 b/d, or 8.5 per cent, lower this year, reflecting the weakness in demand.

Japan's crude oil imports ran at an average of 3.5m b/d in the first half of 2011, compared with 3.7m b/d last year, while product imports averaged 1.0m b/d in the period, up by 60,000 b/d from a year earlier.

Oil product exports, including LPG, increased a further 100,000 b/d to average 560,000 b/d in June, the highest level since February.

As a result, Japan's net oil imports fell further to average 3.38m b/d, down by 130,000 b/d, or 3.7 per cent, from May.

China's crude oil imports plunged by 283,000 b/d, or 5.6 per cent, in June to move below 5m b/d for the first time so far this year, standing at 4.8m b/d. Compared with a year ago, Chinese crude imports were 629,000 b/d, or 11.6 per cent lower.

Similarly, the country's oil product imports fell to their lowest level since last October to average around 1.0m b/d.

Taken together, China's crude oil and product imports showed a total drop of more than 300,000 b/d, compared with May 2011, and 670,000 b/d, compared with a year earlier.

India's crude oil imports rose by 117,000 b/d, or 3.6 per cent, in June offsetting the loss of the previous month, to stand at 3.34m b/d. Crude oil imports also showed y-o-y growth of more than nine per cent.

Oil product imports followed a similar pattern, but jumped by 125,000 b/d, or 50 per cent, to average 375,000 b/d. Compared with a year ago, June's oil product imports were 32 per cent higher this year.

Similarly, India's oil product imports showed growth of 50,000 b/d, or 17 per cent, in the first half of 2011 compared with a year ago.

The country's oil product exports declined by 118,000 b/d, or 9.3 per cent, to stand at 1.15m b/d, the lowest level so far this year as growing local demand cut shipments for abroad. On an annual basis, the country's oil product exports increased by almost 11 per cent in June.

As a result, India's net oil imports increased by 360,000 b/d, or 16.3 per cent, to average 2.57m b/d in the month.

Total FSU crude oil exports dropped further in June to average almost 6.3m b/d, down by 81,000 b/d, or 1.3 per cent, from the previous month and 356,000 b/d, or 5.3 per cent, lower than a year earlier.

FSU oil product exports from also declined, but at the slower pace of 82,000 b/d, or 2.7 per cent, from the previous month to average 3.0m b/d. But when compared with a year ago, oil product exports showed strong growth of 280,000 b/d, or ten per cent.

As a result, total FSU oil exports fell to 9.3m b/d in June, down by 163,000 b/d, or 1.7 per cent, from May and 77,000 b/d, or 0.8 per cent, lower than the level seen in June 2010.

Stock movements

At end of July, US commercial oil inventories reversed the stock-draw incurred in the previous month, increasing by a considerable 22.1m b to reach 1087.7m b.

The build was attributed to products, which increased by 25.7m b. The draw in US commercial crude abated the build, with a drop of 3.6m b.

Despite the build, total US commercial oil inventories remained at 38.1m b, 3.4 per cent below a year ago. The surplus with the five-year average widened from the previous month to stand at to 19.5m b or 1.8 per cent.

At 15.4m b/d, US refineries operated at 89

per cent of their operable capacity, around one per cent higher than in the previous month.

In Japan, June commercial oil stocks dropped for the second consecutive month, declining by 4.5m b to stand at 175.9m b. With this draw, Japanese oil inventories narrowed the surplus with a year ago to 0.2 per cent from 2.7 per cent a month earlier.

At the same time, the deficit with the five-year average also narrowed from one per cent to stand at 2.5 per cent at the end of June.

The stock-draw was divided between crude and products, which declined by 3.4m b and 1.1m b, respectively.

In Singapore at the end of June, oil product stocks reversed the downward trend seen the previous month to rise by 1.5m b to 44.7m b. Despite the build, product stocks stood at 3.5m b, or 7.3 per cent, below a year ago at the same time.

Oil product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region in June rose slightly by 300,000 b, reversing four months of stock-draws.

At 36.3m b, ARA stocks stood 1.5m b, or four per cent, below last year at the same time.

September

Crude oil price movements

After experiencing a gain in July, the OPEC Reference Basket dropped in August by $5.30, or 4.7 per cent, the second largest percentage drop since the 9.5 per cent decline seen in May 2010.

Nevertheless, at $106.32/b, the Basket showed a y-o-y increase of $32.17/b, or 43.4 per cent. The Basket was volatile during the month of August, moving within a large range of $12.37/b, fluctuating between $101.20/b and $113.17/b.

Within the Reference Basket, all components decreased, with African crudes leading the losses. Nigerian Bonny Light crude lost more than $7/b, while Es-Sider, Saharan Blend and Girassol fell by more than $6/b.

In the first eight months of 2011, the Basket averaged $107.27/b, an increase of $31.94, or 42.4 per cent, over the same period a year ago.

During the first days of September, the OPEC Basket remained volatile, driven by fears that the Euro-zone debt crisis could suppress industrialized countries' economic growth and slow oil demand.

Opposing these factors was a Gulf of Mexico weather disturbance impacting supply, as well as tight North Sea production, which lifted crude oil prices.

The fluctuation in the US dollar versus the euro and the up/down movement of equity markets also impacted prices in both directions. On September 9, the Basket closed the day at $110.40/b.

Concerning crude oil futures prices, the US benchmark WTI front-month contract plunged by almost $11 on the Nymex in August over the previous month to stand at $86.34/b.

From August 1–9, US crude oil futures plunged by more than $16 to stand at $79.30/b, marking a ten-month low.

In London, ICE Brent lost $6.83/b, or six per cent, in August over July to stand slightly below $110/b. Brent also saw significant volatility, hovering between $102.57/b and $116.51/b.

During the first ten days of August, ICE Brent dropped by around $14 to end August 9 at $102.57/b. However, during the last days of August, ICE Brent rebounded to end the month at $114.85/b.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that commodity markets felt the negative influence of concern about the health of the global economy, Chinese demand and the European debt crisis.

The World Bank energy commodity price index (crude oil, natural gas and coal) decreased by 6.3 per cent m-o-m in August. The fall was witnessed across the complex.

The World Bank index for non-energy commodities dropped by 1.6 per cent m-o-m in August, led by a decrease in base metals, while record-high prices of gold, which breached $1,900/oz, and some gains in the agricultural markets, limited the decline.

Henry Hub natural gas prices plummeted by eight per cent m-o-m in August on continued weak fundamentals, while agricultural prices rose by 0.1 per cent in the month under review.

Base metal prices on the London Metal Exchange (LME) fell by seven per cent m-o-m in August, owing to the uncertain macroeconomic environment and regardless of some supply constraints.

Copper prices lost 6.7 per cent m-o-m, mainly on growing concern about the global economy, while aluminium prices decreased by 5.8 per cent in August.

As for most other base metals, nickel prices declined by eight per cent m-o-m in August owing to economic uncertainties, while gold prices increased by 11.8 per cent, fuelled by growing uncertainty about the global economic outlook amid low interest rates, the return of broad investor interest, and central banks swinging to the demand side.

Silver prices rose by 5.7 per cent in the month, also benefiting from the upward trend in gold prices.

World oil demand

In its review of the market, the OPEC report stated that demand for OPEC crude in 2011 has been revised down by 100,000 b/d from the previous assessment, as the downward adjustment in global demand outpaced the downward revision in non-OPEC supply.

All the quarters saw a revision with the bulk of the adjustment occurring in the third quarter. At 29.9m b/d, demand for OPEC crude stood at 200,000 b/d above the 2010 level.

On a quarterly basis, the first three months of the year showed growth of 600,000 b/d, while the second quarter remained unchanged. The third quarter is estimated to see negative growth of 400,000 b/d, while the final three months of the year are expected to see growth of 300,000 b/d, compared with the same period last year.

In 2012, demand for OPEC oil is projected to average 30.0m b/d, following a downward

adjustment of 100,000 b/d from the last report. This revision was due to lower than expected world oil demand.

Within the quarters, the bulk of the revision came for the third quarter. As a result, required OPEC crude is now forecast to increase by 100,000 b/d in 2012.

On a quarterly basis, the first three months of next year is estimated to see growth of 200,000 b/d, followed by a contraction of 500,000 b/d in the second quarter. The third and fourth quarters are forecast to see increases of 400,000 b/d and 500,000 b/d, respectively, compared with the same period this year.

The OPEC report said that in the US, the summer driving season fell short of its peak, sliding by two per cent year-to-date. The economic slowdown contributed to this poor performance.

The setback in the OECD economy has been affecting world oil consumption since the onset of the financial crisis.

"In our early oil demand forecast, we warned of a downward risk, due to a further weakening in the global economy. The effect is estimated at a 300,000 b/d reduction in the initial oil demand forecast. The projected downside risks are already materializing, dragging world oil demand growth down by 200,000 b/d from the initial estimate," it said.

The slowdown in the OECD region is negatively affecting China and India oil demand as well. China's oil demand was revised down by 200,000 b/d in the third quarter, which is typically the peak of the country's oil consumption, versus the last assessment.

The uncertainty for the short term still exists, with the US economy a key wildcard for oil demand this year.

The world oil demand forecast for 2011 was revised down by 100,000 b/d to show growth of 1.1m b/d in 2011, averaging 88.0m b/d.

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

The US introduced a new standard to reduce energy consumption in newer models of medium and heavy trucks. The new vehicles energy standard is aimed at reducing consumption by 20 per cent. This initiative is part of a larger plan to increase average vehicle mileage to 54.5/gal by 2025.

In the OECD North America, the latest US monthly oil consumption data for June showed a contraction of around 1.3 per cent y-o-y. It is a smaller contraction than what was seen in May. Preliminary weekly data for July and August displayed similar contractions in US oil consumption.

"As mentioned in last month's report, consumption over the driving season was certainly a key factor for the development of US oil demand during the second half of the year. Unfortunately, most recent indications call for a rather strong downward risk," the report stated.

Mexico's oil consumption in July was up by 3.4 per cent, compared with last year, while Canadian June oil demand contracted by 1.5 per cent.

For the whole of 2011, North American oil demand is expected to shrink by 30,000 b/d. In 2012, demand is projected to see marginal growth of only 140,000 b/d.

In OECD Europe, oil demand is following a declining trend, as is expected to be the case until year-end.

European oil consumption contracted strongly by 230,000 b/d in July, deepening the first seven months' decline to 120,000 b/d. This reflects the region's weak economy.

European Big Four oil demand decreased by 170,000 b/d in July, compared with the same month the year before.

OECD Europe's total contraction in oil demand stands at 110,000 b/d in 2011. For 2012, oil consumption is expected to shrink again, as a result of the rather pessimistic economic development at a slightly lower magnitude of 60,000 b/d.

In the OECD Pacific region, oil consumption is expected to fall by 40,000 b/d during 2011 and by 50,000 b/d in 2012, while projections are heavily dependent on the speed of recovery in Japan.

In the Developing Countries, oil demand growth is forecast this year at 640,00 b/d y-o-y, averaging 27.6m b/d.

Following disappointing oil consumption in June, India's oil demand inched up by 100,000 b/d y-o-y in July. The country's oil demand in 2011 is estimated to grow by 130,000 b/d, averaging 3.4m b/d.

Thailand's oil demand is expected to grow the most within the Other Asia region. The forecast for its oil demand was revised up by another 11,000 b/d to stand at 74,000 b/d for the year. As is the case in most non-OECD countries, oil demand in Thailand is expected to peak in the second and third quarters.

Due to weaker-than-expected Indian oil demand in the third quarter, the forecast for Other Asia oil demand growth was revised down slightly by 30,000 b/d to stand at 250,000 b/d in 2011, averaging 10.4m b/d.

Saudi Arabia's oil usage grew by a massive 200,000 b/d in July y-o-y as the summer heat called for extra crude burning. Crude burning power plants are the leading cause of the country's 6.3 per cent growth in oil demand in 2011 to average 2.6m b/d.

"Saudi Arabia's oil usage grew by a massive 200,000 b/d in July y-o-y as the summer heat called for extra crude burning."

Despite the contraction in oil demand in Iran, Middle East oil demand growth is forecast at 200,000 b/d in 2011, averaging 7.5m b/d.

In contrast to India, Brazil's oil demand performed slightly better than expected. Strong GDP growth is pushing Brazil's oil demand up by 70,000 b/d in 2011.

China's July domestic oil use rose by 2.3 per cent y-o-y. The country's oil demand growth is forecast at 500,000 b/d, or six per cent, in 2011, averaging 9.5m b/d.

Meanwhile, looking at 2012, the OPEC report noted that turbulence in the world

economic recovery has resulted in considerable uncertainty for demand growth next year.

Most of the uncertainty will be derived from the OECD region, particularly the US. As a result, next year's oil demand growth forecast has been revised down by 36,000 b/d to stand at 1.27m b/d.

World oil demand is forecast to continue its growth during 2012 to reach 1.3m b/d, averaging 89.3m b/d.

Next year's oil demand forecast is based on assumptions, such as higher GDP, higher retail petroleum product prices, a strong Chinese economy and uncertainty in the total world economy.

While the forecast for 2012 implies two scenarios, the lower direction is more likely. A worse-than-expected performance of the US economy might drag down world oil demand growth by 200,000 b/d.

World oil supply

Preliminary figures show that world oil supply averaged 88.09m b/d in August, an increase of 690,000 b/d over the previous month.

OPEC crude is estimated to have had a 34 per cent share in global supply, steady from the previous month. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production, according to secondary sources.

Meanwhile, non-OPEC oil supply is expected to increase by 500,000 b/d over the previous year to average 52.79m b/d in 2011. The forecast represents a downward revision of 40,000 b/d compared with the previous OPEC report.

The majority of the downward revisions concern the FSU, Developing Countries and China. Canada, the UK, Azerbaijan and Argentina received the largest downward revisions, compared with the previous month.

There were a few upward revisions that partially offset the downward moves. In addition, a few historical revisions were made to 2010 supply numbers to adjust for new data.

On a regional basis, North America is expected to exhibit the largest growth in 2011, followed by Latin America, while OECD Western Europe is expected to exhibit the largest decline.

On a quarterly basis, non-OPEC supply in 2011 is expected to stand at 52.85m b/d, 52.00m b/d, 52.89m b/d and 53.41m b/d, respectively.

Total OECD oil supply in 2011 is expected to increase by 50,000 b/d to average 20.03m b/d, unchanged from the previous report.

On a quarterly basis, OECD oil supply this year is seen to average 20.14m b/d, 19.68m b/d, 20.07m b/d and 20.24m b/d, respectively.

North America oil supply is anticipated to average 15.30m b/d in 2011, representing growth of 310,000 b/d and an upward revision of 20,000 b/d, compared with the previous report.

This upward revision means North America is expected to have the highest growth in 2011 among all non-OPEC regions. The forecast calls for healthy growth from the US and Canada, as well as relatively steady supply from Mexico.

According to preliminary data, North America oil supply increased by 390,000 b/d in the first half of 2011, compared with the same period in 2010.

On a quarterly basis, North America's oil supply in 2011 is expected to average 15.31m b/d, 15.16m b/d, 15.34m b/d and 15.39m b/d, respectively.

US oil supply is expected to experience growth of 210,000 b/d in 2011 to average 8.84m b/d. In spite of an upward revision of 40,000 b/d compared with the previous month, the anticipated growth in 2011 remains relatively flat, due mainly to historical upward revisions to 2010 supply numbers.

On a quarterly basis, US oil supply this year is seen to average 8.76m b/d, 8.91m b/d, 8.85m b/d and 8.84m b/d, respectively.

Preliminary production data for the first half of 2011 supports the forecast trend for Canadian oil supply, with growth backed by both conventional and non-conventional oil.

However, the various operational setbacks during the second quarter of the year hindered the materialization of expected growth.

Canada's oil supply is forecast to average 3.51m b/d in 2011, representing growth of 110,000 b/d over 2010 and a minor downward revision of less than 20,000 b/d from the previous report.

On a quarterly basis, Canada's oil supply this year is expected to average 3.57m b/d, 3.29m b/d, 3.55m b/d and 3.63m b/d, respectively.

Mexico's oil supply is anticipated to decline by 10,000 b/d in 2011 to average 2.95m b/d, flat from the previous month.

During the first seven months of this year, Mexico's oil supply averaged 2.96m b/d, relatively steady compared with the same period in 2010.

On a quarterly basis, Mexico's oil supply this year is seen to stand at 2.97m b/d, 2.96m b/d, 2.94m b/d and 2.92m b/d, respectively.

According to preliminary data, Mexico's oil supply averaged 2.93m b/d in July, the lowest monthly level so far in 2011.

OECD Western Europe total oil supply is predicted to decline by 200,000 b/d and average 4.18m b/d in 2011, relatively steady compared with the previous month, with a minor downward revision of 10,000 b/d.

On a quarterly basis, this region's oil supply this year is slated to average 4.31m b/d, 4.02m b/d, 4.13m b/d and 4.27m b/d, respectively.

Preliminary data indicates that OECD Western Europe oil supply stood at 4.17m b/d in the first half of 2011, a decline of 390,000 b/d, compared with the same period in 2010.

Norway's oil supply in July averaged 1.97m b/d, an increase of 70,000 b/d from the previous month. However for the whole of 2011, the country's oil supply is forecast to decline by 110,000 b/d to average 2.03m b/d, flat compared with the forecast a month earlier.

During the first seven months of this year, Norway's oil supply averaged 2.03m b/d, a decline of around 200,000 b/d from the same period last year.

On a quarterly basis, Norway's oil supply this year is seen to average 2.14m b/d, 1.94m b/d, 1.98m b/d and 2.05m b/d, respectively.

UK oil supply is predicted to average 1.25m b/d in 2011, a decline of 120,000 b/d from the previous year. This represents a downward revision of less than 15,000 b/d from the previous report.

On a quarterly basis, UK oil supply this year

is seen to average 1.27m b/d, 1.17m b/d, 1.25m b/d and 1.31m b/d, respectively.

Preliminary data indicated that oil supply from Denmark was slightly lower than expected in the second quarter, meaning that a downward revision was required.

However, Denmark's supply is expected to remain stable at second quarter levels during the second half of 2011. The country's oil supply is expected to average 250,000 b/d in 2011, steady compared with the previous year.

Similarly, the projection for Other Western Europe oil supply remained steady, compared with the previous report, despite minor changes, to average 660,000 b/d in 2011, which represents an increase of 20,000 b/d from the previous year. This was supported mainly by supply growth in biofuels.

Total OECD Pacific oil supply is expected to decline by 50,000 b/d in 2011, compared with the previous year, to average 550,000 b/d. This represents a downward revision of less than 10,000 b/d from the previous month's assessment.

OECD Pacific supply is expected to increase in the second half of 2011, supported by Australia. During the first half, oil supply averaged 510,000 b/d, a decline of 100,000 b/d from the same period last year.

On a quarterly basis, total OECD Pacific oil supply this year is seen averaging 520,000 b/d, 500,000 b/d, 600,000 b/d and 590,000 b/d, respectively.

Australia's oil supply is expected to decline by 40,000 b/d in 2011 to average 460,000 b/d, indicating a downward revision of 10,000 b/d from the previous evaluation.

On a quarterly basis, Australia's oil supply this year is expected to average 420,000 b/d, 420,000 b/d, 510,000 b/d and 500.000 b/d, respectively.

Total Developing Countries' oil supply is projected to increase by 210,000 b/d in 2011 to average 12.93m b/d, representing a downward revision of 20,000 b/d from the previous month's expectations.

Overall, supply conditions within this group remained unchanged with growth in 2011 coming from Latin America and Africa, while Other Asia and Middle East supply are expected to decline.

Colombia, Brazil, Ghana, India and Oman are the main contributors to anticipated regional supply growth.

On a quarterly basis, Developing Countries' oil supply this year is estimated to average 12.90m b/d, 12.60m b/d, 13.01m b/d and 13.20m b/d, respectively.

According to preliminary data, the region's first half oil supply showed growth of 70,000 b/d, compared with the same period last year.

Preliminary data indicates that output from Other Asia averaged 3.64m b/d during the first half of 2011, indicating a decline of 30,000 b/d from the same period of 2010.

The drop was mainly due to Indonesia and Malaysia, while India's supply in the first half of 2011 grew by 80,000 b/d. This offset some of the supply decline experienced by other countries in the region.

Oil supply from Other Asia is expected to decline by 30,000 b/d in 2011 to average 3.66m b/d, unchanged from the previous assessment.

India's oil supply is expected to increase by 60,000 b/d in 2011 to average 910,000 b/d, flat from the previous report.

On a quarterly basis, Other Asia oil supply this year is seen to stand at 3.69m b/d, 3.59m b/d, 3.67m b/d and 3.69m b/d, respectively.

Indonesia's oil supply is expected to average 1.0m b/d in 2011, representing a decline of 30,000 b/d over 2010 and flat from the previous report.

Malaysia's oil supply is projected to decline by 60,000 b/d in 2011 to average 640,000 b/d, unchanged from the previous forecast.

Vietnam's oil supply is expected to average 350,000 b/d in 2011, steady with the previous year, with only a minor decline of 10,000 b/d.

Latin America's oil supply is forecast to increase by 230,000 b/d in 2011 to average 4.89m b/d, indicating a downward revision of 15,000 b/d over the previous month.

Downward revisions to the forecasts for Argentina and Brazil were partially offset by an upward adjustment to Colombia's supply forecast.

Argentina's oil supply is expected to average 710,000 b/d in 2011, a decline of 30,000 b/d over 2010, indicating a downward revision of 10,000 b/d from the previous report.

Colombia's oil supply is expected to average 930,000 b/d in 2011, representing growth of 130,000 b/d over 2010, and an upward revision of less than 10,000 b/d, compared with the previous report.

On a quarterly basis, Latin America's oil supply this year is predicted to stand at 4.81m b/d, 4.77m b/d, 4.93m b/d and 5.06m b/d, respectively.

Brazil's oil supply is forecast to increase by 130,000 b/d in 2011 to average 2.79m b/d, representing a minor downward revision of less than 10,000 b/d from the last report.

On a quarterly basis, Brazil's oil supply this year is seen to average 2.72m b/d, 2.72m b/d, 2.81m b/d and 2.90m b/d, respectively.

The Middle East's oil supply is seen averaging 1.74m b/d in 2011, a decline of 30,000 b/d from the previous year.

The anticipated decline is attributable to Yemen and Syria, while Oman's oil supply is forecast to increase by 40,000 b/d in 2011 to average 910,000 b/d.

Syria's oil supply is expected to decline by 20,000 b/d to average 410,000 b/d in 2011, while Yemen's oil supply is expected to drop by 70,000 b/d to average 220,000 b/d.

"Preliminary figures show that world oil supply averaged 88.09m b/d in August, an increase of 690,000 b/d over the previous month."

On a quarterly basis, the Middle East's oil supply this year is expected to average 1.78m b/d, 1.65m b/d, 1.75m b/d and 1.78m b/d, respectively.

According to preliminary data, Africa's oil supply in the first half of 2011 increased by 20,000 b/d, compared with the same period a year ago.

Africa's oil supply is expected to average

2.63m b/d in 2011, representing an increase of 50,000 b/d over last year.

Chad's oil supply is expected to remain flat this year, averaging 140,000 b/d, while Equatorial Guinea's oil supply is anticipated to decline by 20,000 b/d to average 300,000 b/d, unchanged from the previous report.

Ghana's Jubilee oil development has encountered delays and now a phase one peak of 120,000 b/d is expected by the end of the year. Jubilee's production is currently estimated at 85,000 b/d and is expected to reach 105,000 b/d by October.

On a quarterly basis, Africa's oil supply this year is seen to average 2.62m b/d, 2.59m b/d, 2.66m b/d and 2.67m b/d, respectively.

Total FSU oil supply is projected to grow by 120,000 b/d in 2011 to average 13.34m b/d, indicating a downward revision of 15,000 b/d from the previous month.

In terms of regional growth, total FSU supply in 2011 is behind that of North America and Latin America.

During the first half of 2011, FSU oil supply increased by 110,000 b/d over the same period in 2010. Total FSU oil supply is expected to continue to experience modest growth during the second half of 2011, compared with the previous year.

On a quarterly basis, total FSU oil supply this year is estimated to average 13.32m b/d, 13.26m b/d, 13.34m b/d and 13.44m b/d, respectively.

Separately, Other Europe's oil supply is anticipated to remain flat to average 140,000 b/d in 2011.

Russia's oil supply is expected to increase by 80,000 b/d in 2011 to average 10.22m b/d, relatively steady compared with the previous month, with a minor upward revision of 10,000 b/d.

On a quarterly basis, Russian oil supply this year is expected to average 10.21m b/d, 10.23m b/d, 10.22m b/d and 10.21m b/d, respectively.

Russia's oil supply stood at 10.27m b/d in August, a new record and representing an increase of 20,000 b/d from a month earlier.

Kazakhstan's oil supply is estimated to increase by 40,000 b/d in 2011 to average 1.63m b/d, indicating a minor downward revision of 15,000 b/d from the last report.

During the first seven months of this year, Kazakhstan's oil supply averaged 1.61m b/d, relatively flat compared with the same period in 2010.

On a quarterly basis, Kazakhstan's oil supply in 2011 is estimated to average 1.66m b/d, 1.60m b/d, 1.60m b/d and 1.68m b/d, respectively.

Azeri oil supply is expected to drop by 10,000 b/d to average 1.06m b/d in 2011, representing a downward revision of 10,000 b/d from the previous month's assessment.

Azerbaijan's oil supply during the first seven months of the year indicated a decline of around six per cent, compared with the same period of 2010.

On a quarterly basis, Azeri oil supply this year is forecast to average 1.02m b/d, 1.00m b/d, 1.10m b/d and 1.12m b/d, respectively.

China's oil supply is projected to grow by 80,000 b/d in 2011 to average 4.22m b/d, representing a downward revision of 10,000 b/d from the previous month's evaluation.

On a quarterly basis, China's oil supply this year is seen to average 4.22m b/d, 4.19m b/d, 4.19m b/d and 4.25m b/d, respectively.

Looking at 2012, the OPEC report stated that non-OPEC oil supply next year is forecast to increase by 770,000 b/d to average 53.57m b/d, relatively flat from the previous report. The projected growth was revised upwards by 40,000b/d, compared with the previous assessment.

The majority of the revision was related to historical adjustments to 2010 data, as well as to changes in 2011 supply estimates. Brazil, Canada, Colombia, Ghana and the US are expected to be the major contributors to supply growth in 2012, while supply from Norway, Mexico and the UK is seen to continue to decline. Risks to the forecast remain high, due to natural decline, and technical, political and environmental factors.

On a quarterly basis, non-OPEC supply next year is anticipated to average 53.60m b/d, 53.39m b/d, 53.45m b/d and 53.83m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 29.92m b/d in August, up by 75,000 b/d from the previous month, according to secondary sources.

OPEC production, not including Iraq, in the month stood at 27.29m b/d, an increase of 85,000 b/d over the previous month. Crude oil production from Nigeria, Saudi Arabia, Kuwait, and the UAE supported the increase in August, while crude output from Angola and Libya fell.

Output of OPEC NGLs and non-conventional oils is forecast to grow by 390,000 b/d in 2011 to average 5.29m b/d, unchanged from the previous report.

In 2012, production of OPEC NGLs and non-conventional oils is expected to increase by 360,000 b/d over the previous year to average 5.65m b/d.

Downstream activity

US refining margins remained healthy, thanks to the relatively cheaper WTI crude, as a result not only of the situation in Cushing, Oklahoma, but also due to the economic worries in the US.

Despite inventories standing above the seasonal average – although lower than last year – and a drop in gasoline demand growth at the peak of the driving season, light distillates continued to receive support from export opportunities to Latin America.

The margin for WTI crude on the US Gulf Coast showed a sharp uptick of $4/b to stand at $23/b in August. This high margin was artificially inflated by the relatively low benchmark WTI price, which dropped $10/b, while Brent dropped just $5/b.

In Europe, distillates showed a slight gain on the back of a tighter market, while at the bottom of the barrel, fuel lost the ground gained last month due to weaker demand. However, the drop of the crude price allowed refinery margins in Europe to show an increase of 80¢ to stand at $3.6/b.

Asian refining margins continued gaining ground as Singapore product cracks rose without exception during the month, mainly

for fuel oil, as the market has become tighter due to lower western inflows, while light distillates were supported by stronger demand for gasoline blending. Refinery margins for Dubai crude oil in Singapore showed a gain of $1/b to stand at $5/b.

Concerning refinery operations, despite poor domestic product demand, US refinery runs stood at over 90 per cent of capacity in mid-August. However, the average for the month ended up at 89.7 per cent, as some refineries were affected by Hurricane Irene.

European refiners continued to increase their throughputs after the maintenance season and the improvement in margins resulted in an increase in refinery runs to around 83 per cent, the highest level seen since January.

Asian refiners continued to moderate the high run levels seen in previous months due to maintenance. Japan has been able to increase refinery throughputs to around 78 per cent.

"Looking ahead, the weak demand forecast and crude differentials give a competitive advantage to US refiners. Therefore, higher runs in the US and moderated runs in Europe are expected to continue," the report stated.

Oil trade

According to preliminary data, US crude oil imports declined by 263,000 b/d, or 2.6 per cent, to average more than 9.0m b/d in August. Crude oil imports touched almost 9.6m b/d in the week ending August 26, before falling sharply by more than 1.00m b/d, due to weather disturbance.

US crude oil imports in August remained around 440,000 b/d below the level seen last year when imports stood at 9.5m b/d. Imports averaged 8.9m b/d between January and August, compared with 9.4m b/d for the same period a year ago, implying a 5.1 per cent decline.

Oil product imports have dropped steadily since April this year and currently stand at a level of 2.0m b/d. Compared with the month before, the decline is around 236,000 b/d, or 10.4 per cent. According to y-o-y data, there is a sharp drop of around 782,000 b/d, or 27.8 per cent.

Gasoline and jet fuel were the main contributors to the decline in products in August. Gasoline imports fell by 86,200 b/d, or 11.2 per cent, and jet fuel by 52,600 b/d, or 61.4 per cent. The decline in gasoline imports reflects a weakness in demand.

US oil product exports rose slightly in August to 2.4m b/d, some 50,000 b/d, or 2.2 per cent, more than in the previous month and 0.4 per cent or 10,300 b/d lower than a year ago. Gasoline exports increased by 42.8 per cent or 110,000 b/d, whereas fuel oil and jet fuel declined by 4.6 per cent and 4.1 per cent, respectively.

As a result, US net oil imports declined in August to average around 8.7m b/d, down 530,000 b/d, or nearly 5.7 per cent, from the previous month. Nevertheless, net oil imports remained almost 12.2 per cent below the year-ago level.

In Japan, the downward trend in the country's crude oil imports stopped in July as an increase of 15.2 per cent, or 464,000 b/d, was observed. The increase pushed imports almost back to the level approaching 4.0m b/d, which Japan experienced at the end of 2010.

Japan's crude oil imports stood at an average of 3.5m b/d in the first seven months of 2011, compared with last year's 3.7m b/d, a decrease of 170,000 b/d, or 4.6 per cent.

Oil product imports, including LPG, edged up to 1.07m b/d, which represents an increase of 19 per cent, or 170,000 b/d, compared with the month before, and up 13.5 per cent, or 127,000 b/d, on a y-o-y basis.

Japan's oil product imports stood at an average of 1.01m b/d in the first seven months of 2011, compared with last year's 950,000 b/d. This represents an increase of 60,000 b/d, or 6.3 per cent.

Oil product exports increased slightly for the third consecutive month by 26,000 b/d to average 590,000 b/d. This is the highest level since February.

As a result, Japan's net oil imports in July increased to 4.0m b/d, rising by 607,000 b/d, or 17.9 per cent from June.

China's crude oil imports declined in July for the third consecutive month – by 218,000 b/d, or 4.5 per cent, to move further below 5m b/d this year, the lowest level since the 3.9m b/d recorded last October.

"Total OPEC crude oil production averaged 29.92m b/d in August, up by 75,000 b/d from the previous month, according to secondary sources."

Compared with a year ago, Chinese crude oil imports were 102,000 b/d, or 2.3 per cent, higher. The continuous decline can be attributed to the slowing growth in domestic crude refining, influenced by weaker demand from a cooling domestic economy.

Similarly, the country's oil product imports fell by three per cent, or 32,000 b/d, compared with the previous month, to around 1.02m b/d – the lowest level since last October.

Taken together, China's crude oil and product imports in July showed a total drop of around 250,000 b/d, or 4.3 per cent, and an increase of 181,000 b/d, or 3.3 per cent, compared with a year earlier.

Despite the recent decline, China's crude oil imports over the first seven months of 2011 showed an average increase of around 300,000 b/d, or 6.3 per cent, remaining slightly above 5.0m b/d, compared with last year's 4.7m b/d.

Oil product imports averaged around 1.1m b/d in the first seven months of 2011, some 163,000 b/d more than over the same period a year ago. This implies a combined growth in total oil imports of 500,000 b/d in the first seven months of 2011, compared with last year's levels.

In July, Chinese crude oil exports declined by 20,000 b/d to 47,000 b/d, while product exports rose by almost 57,000 b/d, or 9.2 per cent, to 670,000 b/d. Crude oil exports over the first seven months were around 52,000 b/d, or 13.6 per cent above last year.

As a result, China's total net oil imports fell a further 286,000 b/d, or 5.5 per cent, from the previous month to stand at 4.9m b/d. This is the lowest level since the 4.2m b/d figure recorded last October.

The drop was attributed to crude oil net imports, which fell by 198,000 b/d to 4.5m b/d and product net imports which fell 88,000 b/d, or 20.4 per cent, to end July at 340,000 b/d.

Looking at the first seven months of 2011, China's total net oil imports rose by 500,000 b/d, or 10 per cent, to a level of 5.6m b/d.

Saudi Arabia remained the main supplier of China's crude oil imports in July with 980,000 b/d, followed by Iran with 650.000 b/d, Angola with 450,000 b/d, Oman with 440,000 b/d and Sudan with 280,000 b/d.

India's crude oil imports declined by 146,000 b/d, or 4.4 per cent, in July, offsetting the increase seen the month before, to stand at 3.21m b/d, despite Indian refiners processing 3.9 per cent more crude in July than a year ago. Crude oil imports showed an increase of 2.6 per cent y-o-y.

India's crude oil imports in the first seven months of 2011 stood at 3.4m b/d, some 282,000 b/d, or 9.1 per cent, higher than in the same period the previous year.

Oil product imports declined more rapidly, by 16 per cent, or 60,000 b/d, to average 316,000 b/d. Despite this, India's product imports remained above the 250,000 b/d level of May. Compared with a year ago, July's product imports were 34 per cent lower.

India's oil product imports in the first seven months of the year stood at 342,000 b/d, some 19,000 b/d, or 6.0 per cent, higher than in the same period the previous year.

Oil product exports increased by 23,300b/d, or 1.8 per cent, compared with the month before to stand at 1.28m b/d, down from this year's high of 1.43m b/d in May. Oil product exports increased by 8.1 per cent y-o-y in July.

As a result, India's net oil imports decreased by 338,000 b/d, or 13.1per cent, to average 2.24m b/d in July.

Total FSU crude exports continued to fall in July – by 274,000 b/d, or 4.3 per cent – from the previous month. This can be mainly attributed to reduced supplies from Kazakhstan and Azerbaijan, caused by production and logistical problems.

Oil product exports from the FSU fell by 8.5per cent, or 257,000 b/d, to a level of 2.75m b/d in July.

Stock movements

In August, US commercial oil inventories continued to rise, however by less than in previous months. US commercial oil inventories rose by 300,000 b to reach 1,188.0m b, the highest level since November 2011.

The build was attributed to products, which increased by 2.2m b, while crude abated the build, declining by 1.9m b. Despite the increase, total US commercial oil inventories remained at 42.7m b, or 3.8 per cent, below a year ago. The surplus with the five-year average remained almost flat from the previous month at 19.2m b, or 1.8 per cent.

US commercial crude stocks fell in August for the third consecutive month to end the month at 353.1m b, the lowest level since February 2011. Despite this draw, US commercial crude oil stocks still indicated a surplus of 23.7m b, or 7.2 per cent with the five-year average, but remained slightly lower by 2.3m b, or 0.6 per cent, from year-ago stock levels.

US oil product stocks continued to climb, increasing by 2.2m b to end the month at 734.9m b, the highest level since the end of the last year. Despite the build, US product inventories remained at 40.5m b, or 5.2 per cent, below a year ago and 4.5m b, or 0.6 per cent, below the five-year average.

In Japan in July, commercial oil stocks rose by 1.7m b after two consecutive months of decline. At 177.6m b, Japanese commercial oil stocks stood slightly below the year-ago level and remained 8.5m b, or 4.6 per cent, below the five-year average. The stock build was divided between crude and products, which rose by 1.1m b and 700,000 b, respectively.

Japanese commercial crude oil stocks reversed the draw observed the previous month and rose by 1.1m b to end the month at 104.4m b. Despite this build, crude commercial oil stocks in Japan remained at 1.6m b, or 5.2 per cent, below year-ago levels, and 5.2m b, or 4.7 per cent, below the five-year average.

Japan's oil product inventories also saw a build in July, reversing two consecutive months of decline to stand at 73.2m b. The build left total products in July at a surplus of 1.3m b, or 1.8 per cent, compared with a year ago. However, they remained 3.3m b, or 4.4 per cent, below the five-year average.

In Singapore at the end of July, oil products stocks reversed the upward trend seen the previous month and declined by 1.1m b to 43.6m b.

With this draw, product stocks remained at 3.3m b, or 7.1 per cent, below year-ago levels for the same period.

Oil product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) area in July fell by 3.2m b, reversing the previous month's stock-build. At 33.1m b, ARA stocks stood at 3.9m b, or 10.7 per cent, below last year levels for the same period.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2006**	**2007**	**2008**	**2009**	**2010**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**	**1Q12**	**2Q12**	**3Q12**	**4Q12**	**2012**
OECD	49.5	49.3	47.6	45.6	46.2	46.3	44.6	46.3	46.7	46.0	46.4	44.6	46.2	46.7	46.0
North America	25.4	25.5	24.2	23.3	23.8	23.8	23.3	23.9	24.0	23.7	23.9	23.4	24.0	24.1	23.9
Western Europe	15.7	15.5	15.4	14.7	14.6	14.2	14.1	14.8	14.7	14.5	14.2	14.0	14.7	14.6	14.4
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.1	7.6	8.0	7.8	8.3	7.2	7.5	8.0	7.7
Developing countries	23.6	24.8	25.6	26.2	27.0	27.2	27.5	27.9	27.9	27.6	27.9	28.1	28.6	28.6	28.3
FSU	4.0	4.0	4.1	4.0	4.1	4.1	4.0	4.4	4.5	4.2	4.2	4.0	4.5	4.6	4.3
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.6	9.6	9.6	9.5	9.6	10.1	10.1	10.1	10.0
(a) Total world demand	**85.2**	**86.5**	**86.1**	**84.7**	**86.9**	**87.5**	**86.2**	**88.8**	**89.5**	**88.0**	**88.8**	**87.4**	**90.1**	**90.7**	**89.3**
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	20.0	20.1	19.7	20.1	20.2	20.0	20.2	20.1	20.0	20.3	20.1
North America	14.2	14.3	13.9	14.4	15.0	15.3	15.2	15.3	15.4	15.3	15.4	15.4	15.5	15.6	15.5
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.0	4.1	4.3	4.2	4.2	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Developing countries	11.9	11.9	12.2	12.4	12.7	12.9	12.6	13.0	13.2	12.9	13.3	13.3	13.4	13.4	13.3
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.3	13.4	13.3	13.5	13.4	13.5	13.5	13.5
Other Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1
China	3.7	3.8	3.8	3.9	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.2	4.3	4.3	4.3
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.8	52.0	52.9	53.4	52.8	53.6	53.4	53.4	53.8	53.6
OPEC NGLS and non-conventionals	3.9	3.9	4.1	4.3	4.9	5.1	5.3	5.4	5.4	5.3	5.5	5.6	5.7	5.8	5.7
(b) Total non-OPEC supply and OPEC NGLS	**53.8**	**54.4**	**54.4**	**55.5**	**57.2**	**58.0**	**57.3**	**58.3**	**58.8**	**58.1**	**59.1**	**59.0**	**59.2**	**59.6**	**59.2**
OPEC crude supply and balance															
OPEC crude oil production[1]	30.6	30.2	31.3	28.8	29.3	29.6	29.1								
Total supply	84.4	84.6	85.7	84.2	86.5	87.6	86.4								
Balance[2]	-0.9	-2.0	-0.4	-0.5	-0.5	0.1	0.2								
Stocks															
OECD closing stock level *m b*															
Commercial	2655	2554	2679	2641	2666	2631	2678								
SPR	1499	1524	1527	1564	1561	1558	1560								
Total	4154	4079	4206	4205	4227	4189	4238								
Oil-on-water	919	948	969	919	871	891	853								
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	58	59	58								
SPR	30	32	33	34	34	35	34								
Total	84	86	92	91	92	94	92								
Memo items															
FSU net exports	8.1	8.5	8.5	9.0	9.1	9.2	9.3	9.0	9.0	9.1	9.3	9.4	9.0	9.0	9.1
[(a) – (b)]	**31.4**	**32.2**	**31.6**	**29.3**	**29.7**	**29.5**	**28.9**	**30.5**	**30.7**	**29.9**	**29.7**	**28.4**	**30.9**	**31.1**	**30.0**

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

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 62, while* ***Graphs 1 and 2*** *on page 63 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 64–65 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2010

$/b

Crude/Member Country	2010 Sep	Oct	Nov	Dec	2011 Jan	Feb	Mar	Apr	May	June	Weeks 27–34 (week ending) Jul 8	Jul 15	Jul 22	Jul 29	Aug 5	Aug 12	Aug 19	Aug 26
Arab Light – Saudi Arabia	74.55	79.93	83.32	89.24	93.59	101.21	110.37	118.27	110.08	109.37	108.76	112.09	113.16	113.45	109.70	102.68	105.17	106.19
Basrah Light – Iraq	73.70	79.36	82.14	88.09	92.33	99.52	109.16	117.05	107.93	106.65	106.86	110.51	111.70	111.63	108.08	101.00	103.93	105.04
Bonny Light – Nigeria	79.65	84.35	86.83	93.08	98.10	105.66	116.75	127.12	118.88	117.27	117.55	120.86	121.42	120.39	114.53	107.49	111.66	113.13
Es Sider – SP Libyan AJ	77.15	82.60	84.93	91.13	96.10	103.51	114.35	124.52	115.90	114.84	115.55	118.86	119.42	118.39	113.38	106.34	110.51	111.98
Girassol – Angola	77.25	82.55	85.80	91.36	96.18	104.42	115.35	123.74	114.91	114.07	114.39	117.09	118.17	118.20	113.28	106.12	109.77	110.84
Iran Heavy – IR Iran	73.58	78.99	82.24	87.81	92.22	99.29	108.05	116.27	108.28	107.39	107.94	110.85	111.57	111.90	108.20	101.19	103.67	104.66
Kuwait Export – Kuwait	72.92	78.10	81.59	87.25	91.45	98.75	107.66	115.64	107.59	106.65	106.68	109.75	110.71	111.08	107.69	100.90	103.19	104.36
Marine – Qatar	75.26	80.31	83.41	88.98	92.69	100.18	108.87	116.41	109.10	107.83	107.92	110.82	111.57	111.88	108.28	101.64	103.87	105.06
Merey* – Venezuela	66.91	71.21	73.07	77.30	80.09	87.51	96.22	104.44	98.44	99.92	101.59	102.84	104.37	104.84	102.83	96.54	98.90	99.54
Murban – UAE	76.93	82.20	85.36	91.06	95.04	102.75	111.93	119.95	113.37	112.06	112.13	114.64	115.58	115.74	112.15	105.65	107.72	108.74
Oriente – Ecuador	70.69	76.42	77.45	82.99	84.80	90.14	105.04	112.82	104.63	98.87	100.45	103.17	105.47	106.06	99.94	92.16	95.59	98.91
Saharan Blend – Algeria	78.95	83.90	86.28	92.46	97.50	105.01	115.95	126.57	116.80	115.74	115.15	118.46	119.02	117.99	113.28	106.24	110.41	111.88
OPEC Reference Basket	74.63	79.86	82.83	88.56	92.83	100.29	109.84	118.09	109.94	109.04	109.14	112.12	113.08	113.18	109.35	102.44	105.17	106.28

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2010

$/b

Crude/country	2010 Sep	Oct	Nov	Dec	2011 Jan	Feb	Mar	Apr	May	June	Weeks 27–34 (week ending) Jul 8	Jul 15	Jul 22	Jul 29	Aug 5	Aug 12	Aug 19	Aug 26
Minas – Indonesia[1]	79.47	83.35	85.96	94.98	99.74	105.29	114.62	127.19	119.69	116.28	118.98	121.15	123.44	124.08	120.97	113.81	115.61	116.25
Arab Heavy – Saudi Arabia	71.88	76.98	80.62	86.11	90.26	97.20	105.80	113.74	105.56	104.34	105.04	107.93	108.83	109.26	106.35	99.74	101.87	103.16
Brega – SP Libyan AJ	77.95	83.00	85.58	91.78	96.75	104.16	115.00	125.62	117.00	115.94	116.65	119.96	120.52	119.49	114.48	107.44	111.61	113.08
Brent – North Sea	77.80	82.75	85.33	91.53	96.35	103.76	114.60	123.72	115.10	114.04	114.75	118.06	118.62	117.59	112.58	105.54	109.71	111.18
Dubai – UAE	75.13	80.22	83.72	89.17	92.33	99.93	108.71	116.01	108.76	107.77	107.52	110.21	111.27	111.79	108.12	101.48	103.55	104.89
Ekofisk – North Sea	78.87	83.68	86.33	92.72	97.54	104.65	116.27	124.98	116.34	116.01	116.30	119.29	120.00	119.77	114.88	107.54	111.48	112.75
Iran Light – IR Iran	76.82	82.32	84.38	90.60	94.90	100.91	111.44	118.93	109.86	110.45	111.29	114.67	115.42	115.10	110.32	103.18	106.74	107.21
Isthmus – Mexico	74.16	79.58	82.03	88.17	90.46	94.56	107.97	117.90	109.62	106.30	106.42	108.52	110.24	110.44	105.34	96.90	99.70	100.11
Oman – Oman	75.43	80.44	83.91	89.24	92.49	100.27	109.00	116.56	109.25	107.90	107.86	110.94	111.68	112.01	108.37	101.78	103.99	105.23
Suez Mix – Egypt	74.63	78.76	81.97	86.88	90.87	98.64	108.40	116.50	108.06	108.81	110.20	113.05	113.56	112.89	108.46	101.83	105.92	106.99
Tia Juana Light[2] – Venez.	72.60	77.91	80.14	85.97	88.37	92.85	105.60	115.31	107.97	104.28	104.50	106.57	108.25	108.45	103.45	95.16	97.91	98.30
Urals – Russia	77.39	81.53	84.74	89.74	93.56	101.49	111.50	119.60	111.50	111.68	113.03	115.89	116.39	115.71	111.29	104.67	108.78	109.84
WTI – North America	75.14	81.89	84.08	89.15	89.49	89.40	102.99	109.89	101.19	96.21	96.57	96.57	98.12	97.79	90.86	82.71	85.27	85.13

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

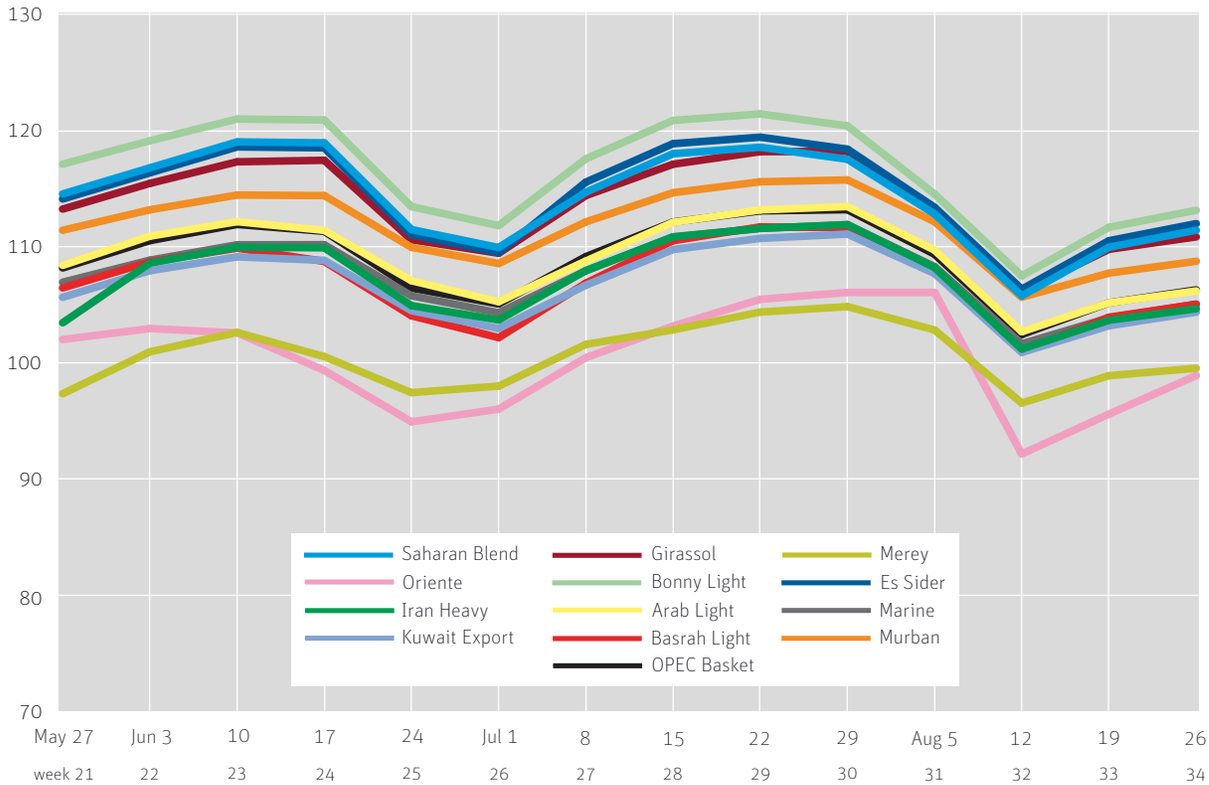
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

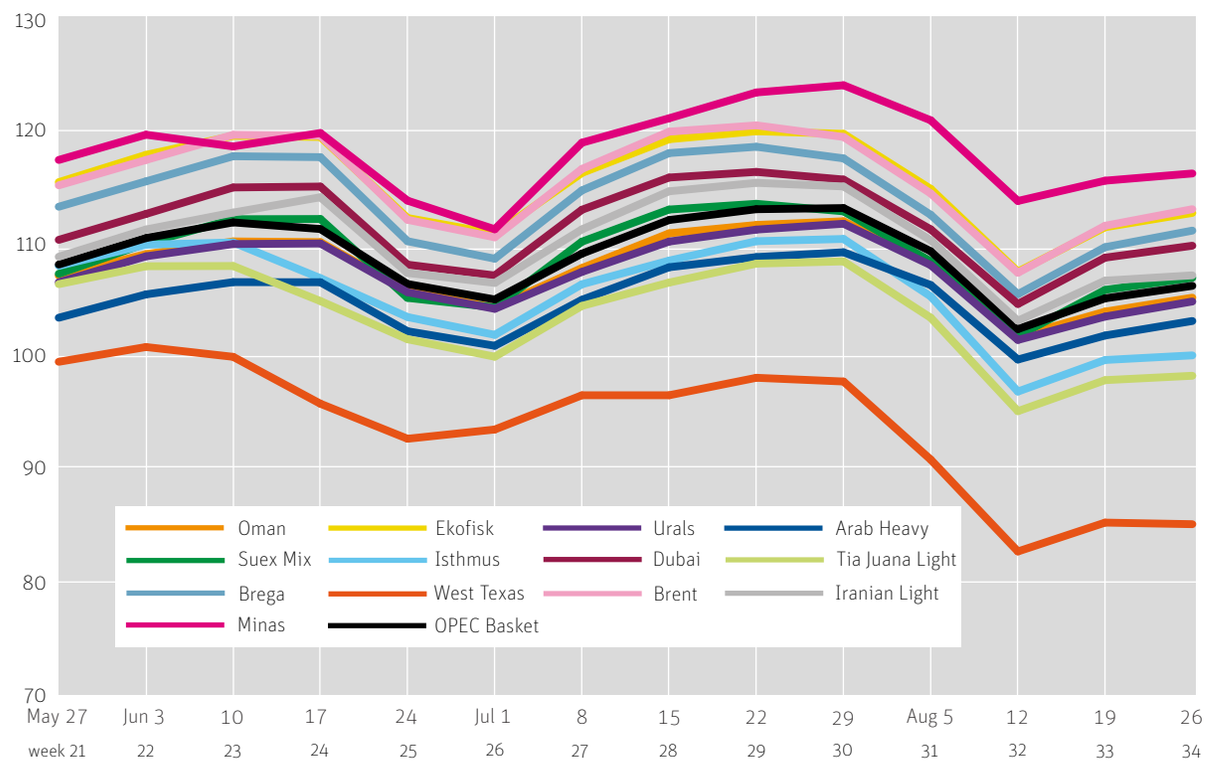
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, 2011 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2011 *$/b*

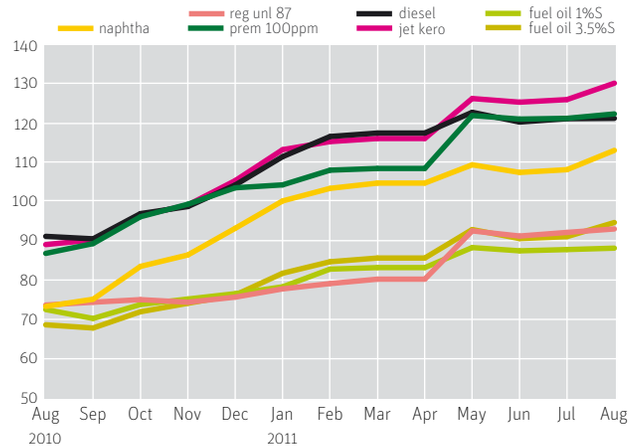


Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1 per centS	fuel oil 3.5 per centS
2010	August	73.29	72.97	86.77	88.21	89.01	70.33	66.24
	September	75.12	73.31	89.26	90.47	90.19	71.28	66.74
	October	83.47	73.65	96.08	96.88	96.35	72.50	68.62
	November	86.37	74.36	99.26	98.67	99.07	75.18	74.09
	December	93.15	75.66	103.44	104.15	105.26	76.54	76.19
2011	January	100.10	77.75	104.18	111.35	113.13	78.28	81.73
	February	103.29	79.10	107.91	116.47	115.17	82.77	84.65
	March	104.63	80.22	108.35	117.35	115.96	83.16	85.59
	April	108.74	84.22	112.96	121.62	118.96	85.36	87.66
	May	109.28	92.48	121.80	122.62	126.12	88.25	92.83
	June	107.34	91.18	120.90	120.14	125.19	87.42	90.53
	July	108.04	92.10	121.09	121.00	125.85	87.74	91.02
	August	112.95	92.98	122.21	121.09	130.02	88.10	94.62



Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

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

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1 per centS	fuel oil 3.5 per centS
2010	August	71.39	59.99	60.23	71.80	68.87
	September	73.69	60.19	60.26	70.21	66.78
	October	81.91	60.22	60.40	72.90	71.76
	November	84.55	61.15	60.52	74.36	72.38
	December	90.81	61.60	60.55	75.98	73.77
2011	January	93.16	64.63	67.86	78.79	75.93
	February	95.86	69.33	70.41	83.19	80.26
	March	96.09	69.49	71.14	84.82	81.40
	April	98.85	75.51	75.15	89.81	83.56
	May	105.53	85.08	82.59	96.46	92.40
	June	105.01	84.23	81.28	94.10	90.34
	July	105.72	84.41	82.14	94.35	90.48
	August	109.76	88.62	85.53	97.35	91.48

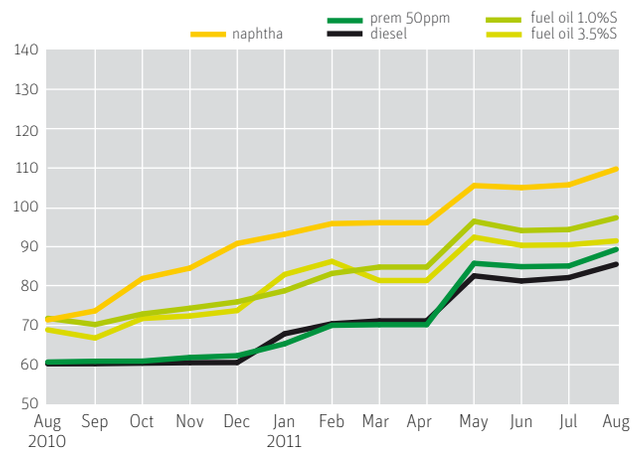
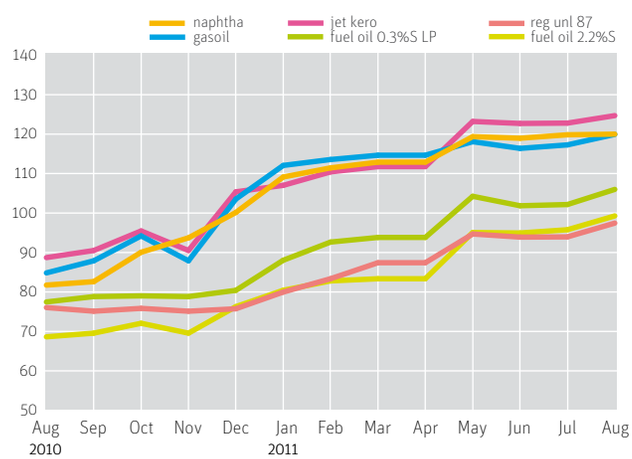


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3 per centS	fuel oil 2.2 per centS
2010	August	76.62	81.74	85.41	89.91	72.06	66.84
	September	75.19	82.62	83.14	86.31	73.83	67.26
	October	76.05	90.07	84.83	88.71	77.47	68.63
	November	75.12	93.72	87.90	90.51	78.83	69.56
	December	75.74	100.15	103.55	105.38	80.41	76.28
2011	January	79.97	109.14	112.07	107.02	88.04	80.43
	February	83.36	111.45	113.57	110.43	92.65	82.80
	March	87.41	112.90	114.66	111.77	93.82	83.35
	April	89.00	114.02	116.86	114.98	98.72	86.93
	May	94.69	119.37	118.09	123.22	104.25	95.07
	June	93.90	118.97	116.39	122.71	101.85	94.95
	July	93.96	119.84	117.28	122.80	102.16	95.77
	August	97.45	120.00	119.94	124.70	106.00	99.28



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2 per centS	fuel oil 2.8 per centS
2010	August	77.25	57.07	89.08	71.88	70.80
	September	79.04	57.72	89.93	68.79	67.39
	October	83.85	59.70	95.56	68.95	67.49
	November	86.27	60.57	98.63	70.47	69.02
	December	93.71	62.32	104.16	73.13	71.68
2011	January	98.29	62.38	104.78	82.79	77.74
	February	99.77	67.77	106.59	87.31	79.43
	March	100.55	69.12	107.04	88.24	81.57
	April	104.76	74.09	109.96	90.90	83.48
	May	107.65	77.26	117.36	95.93	86.48
	June	106.93	76.07	115.87	94.77	85.80
	July	107.19	76.88	115.89	95.62	85.99
	August	108.60	78.98	116.27	99.74	87.00

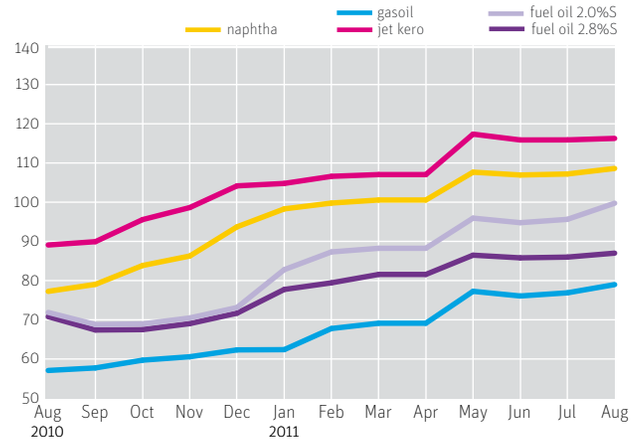


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2010	August	73.31	82.52	80.83	88.10	87.23	71.32	69.58
	September	74.52	82.55	80.58	88.53	87.81	70.07	68.92
	October	82.97	89.71	87.66	94.97	94.30	74.42	73.05
	November	87.26	93.21	91.15	98.59	97.87	77.71	75.85
	December	93.83	102.09	100.02	104.40	103.53	80.20	78.57
2011	January	96.87	110.17	108.52	108.17	110.43	82.59	82.95
	February	97.39	112.20	110.97	111.46	112.29	84.69	86.62
	March	98.13	113.95	111.25	112.94	113.07	85.17	87.14
	April	100.83	118.36	113.13	115.79	115.55	87.09	89.71
	May	104.41	120.14	113.49	122.91	117.39	94.34	91.92
	June	102.96	117.89	111.76	122.40	115.28	91.96	89.89
	July	102.96	117.89	111.76	122.40	115.28	91.96	89.89
	August	103.72	122.66	112.41	124.96	117.60	97.35	91.15

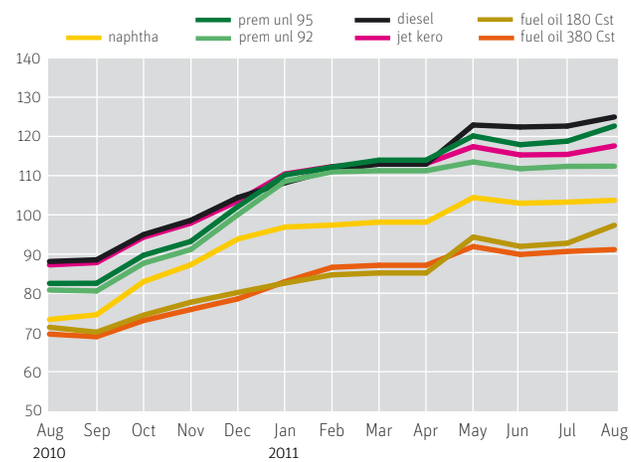
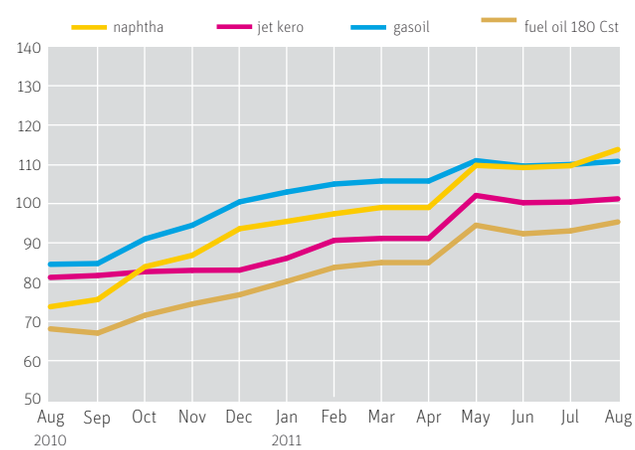


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2010	August	73.73	84.53	81.20	68.10
	September	75.56	84.73	81.68	67.01
	October	83.91	90.99	82.65	71.55
	November	86.82	94.47	82.99	74.43
	December	93.59	100.43	83.05	76.78
2011	January	95.46	102.94	86.08	80.18
	February	97.39	104.97	90.62	83.73
	March	99.00	105.74	91.12	84.97
	April	102.29	110.09	94.49	87.10
	May	109.72	110.92	102.06	94.48
	June	109.17	109.54	100.21	92.31
	July	109.17	109.54	100.21	92.31
	August	113.76	110.76	101.20	95.32



Source: Platts. Prices are average of available days.

Forthcoming events

Contact risk management training for oil and gas, October 10–11, Aberdeen, UK. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.contractrisktraining.com/Event.aspx?id=568774&mac=OGIQ_Events_Title_Listing_2011&utm_source=oilandgasiq.com&utm_medium=iq_partner&utm_campaign=iq_eventlist&utm_content=text&utm_term=eventpage_titlelink.

7th Annual HSE forum in energy, October 10–12, Doha, Qatar. Details: Details: Fleming Gulf FZE, Dubai Airport Free Zone, PO Box 54772, Dubai, UAE. Tel: +971 4 60 91 555; fax: +971 4 60 91 589; e-mail: eva.baskova@fleminggulf.com; website: www.hse-me.com.

32nd Annual oil and money conference, October 10–12, London, UK. Details: Energy Intelligence, Interpark House, 7 Down Street, 3rd Floor, London W1J 7AJ, UK. Tel. +44 207 518 22 00; fax +44 207 518 22 21; website: www.oilandmoney.net.

Energy conference 2011, October 10–12, Kuala Lumpur, Malaysia. Details: IIEC 2011 Secretariat, c/o The Institution of Engineers, Malaysia, PO Box 223 (Jalan Sultan), 46720 Petaling Jaya, Selangor Darul Ehsan, Malaysia. Tel: +603 796 84 001/4002; fax: +603 795 77 678; e-mail: sec@iem.org.my; website: www.iiec2011.com.

The international congress on energy and pPower, October 10–12, Beijing, PR of China. Details: IASTED Secretariat, Building B6, Suite #101, 2509 Dieppe Avenue SW Calgary T3E 7J9, AB, Canada. Tel: +1 403 288 11 95; fax: +1 403 247 68 51; e-mail: Calgary@iasted.org; website: www.iasted.org/conferences/home-745.html.

Economics and trading of the oil supply chain, October 10–14, Cambridge, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

Chad international oil, mining and energy 2011, October 11–13, N'Djamena, Chad. Details: Cubic Globe Ltd, Cubic Globe Ltd, Kingspark Business Centre, Unit 61, 152–178 Kingston Road, New Malden, Kingston upon Thames, Surrey KT3 3ST, UK. Tel: + 44 208 605 05 09; fax: + 44 208 605 05 12; e-mail: info@cubicglobe.com; website: http://www.ciome-chad.com/.

Arctic shipping North America conference 2011, October 12–13, St Johns, NL, Canada. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: http://www.informaglobalevents.com/event/arcticshippingnorthamerica.

Global renewable energy development, October 17, Brussels, Belgium. Details: InnoQube Ltd, Slovakia. Tel: +421 233 01 03 37; fax: +421 944 26 39 26; e-mail: info@inno-qube.com website: www.worldconferences.co.uk/conferences/renewable-energy-wind-solar-nuclear-biomass-hydro-development-investment-stora.

6th Middle East energy security forum, October 17–19, Doha, Qatar. Details: Details: Fleming Gulf FZE, Dubai Airport Free Zone, PO Box 54772, Dubai, UAE. Tel: +971 4 60 91 555; fax: +971 4 60 91 589; e-mail: eva.baskova@fleminggulf.com; website: www.fleminggulf.com/energy/middle-east/meesec-6.

World renewable energy congress Indonesia, October 17–19, Bali, Indonesia. Details: Secretariat, World Renewable Energy Congress, c/o Masyarakat Energy Terbarukan, Graha Niaga, 9th Floor, Jalan Jend. Sudirman Kav 58, Jakarta 12190, Indonesia. Tel: +6221 529 12 380-83; fax: +6221 529 12 382; e-mail: meti.ires@yahoo.com; website: www.wreeec2011bali.com.

Trading oil on international markets, October 17–21, Cambridge, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

2nd Annual global petrochemicals technology Conference, October 18–20, Doha, Qatar. Details: Fleming Gulf FZE, Dubai Airport Free Zone, PO Box 54772, Dubai, UAE. Tel: +971 4 60 91 555; fax: +971 4 60 91 589; e-mail: eva.baskova@fleminggulf.com; website:www.fleminggulf.com/energy/middle-east/2nd-annual-global-petrochemicals-technology-conference.

Queensland power and gas 2011, October 18–20, Brisbane, Australia. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

Planning and economics of refinery operations, October 18–21, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

The energy forum, October 19, London, UK. Details: Marketforce Business Media, 3 Sutton Lane, London EC1M 5PU, UK. Tel: +44 207 608 32 22; fax: +44 207 490 22 96; e-mail: conferences@marketforce,eu.com; website: www.marketforce.eu.com/Conferences/energy11/?utm_source=conferencealerts.com&utm_medium=CA_ad&utm_campaign=Ene.

4th China-Russia Central Asia oil forum, October 19–20, Hong Kong, PR of China. Details: Argus Media Ltd, Argus House, 175 St John Street, London EC1V 4LW, UK. Tel: +44 207 780 42 00; fax: +44 870 868 43 38; e-mail: london@argusmedia.com.; website: www.argusmedia.com/Events/Argus-CRC-2011.

2011 International conference on oil, gas and environment, October 21–23, Cairo, Egypt. Details: CBEES, Unit B on 15th Floor, EU YAN SANG Tower, Nos.11/15, Chatham Road South, Kowloon, Hong Kong, PR of China. Tel: +852 3069 72 91; e-mail: admin@cbees.org; website: www.icoge.org/.

Optimising enhanced oil Recovery 2011, October 24–26, Abu Dhabi, UAE. Details: Active Communication International, 5–13 Great Suffolk Street, 4th Floor, London SE1 0N, UK. Tel: +44 207 981 98 00; fax: +44 207 593 00 71; e-mail: amichael@acieu.net; website: http://www.acius.net/aci/conferences/eu-eor2.asp.

Strategic management of oil and gas assets and companies, October 24–26, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

Iraq mega projects 2011, October 25, Istanbul, Turkey. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

Latin American oil and gas 2011, October 25, Miami, FL, USA. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

Practical Nigerian content, October 25, Port Hartcourt, Nigeria. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

Offshore drilling conference, October 25–26, Stavanger, Norway. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.informaglobalevents.com/event/Offshore-Drilling-Rigs-Conference.

Natural gas demand summit, October 26, Houston, TX, USA. Details: Information Forecast Inc, 20931 Burbank Blvd., Suite B, Woodland Hills, CA 91367, USA. Tel: +1 818 888 44 44; fax: +1 818 888 44 40; e-mail: mail@infocastevents.com; website: http://infocastinc.com/index.php/conference/554.

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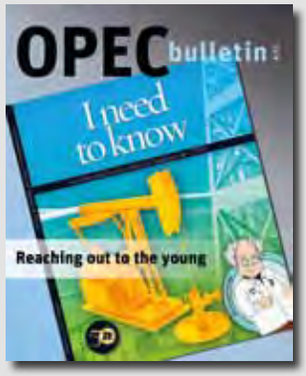

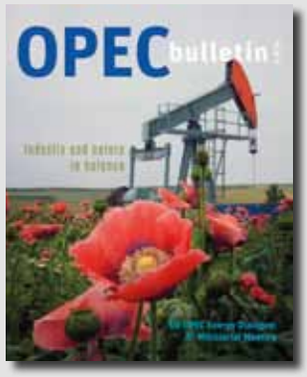

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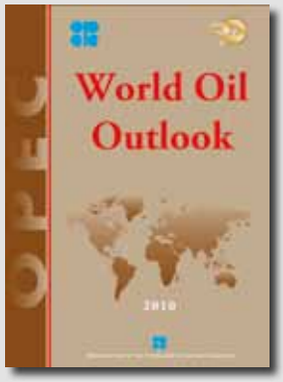

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