OPEC bulletin

10–11/09

OPEC on the move

NIGERIA'S ROAD TO PEACE

The road to (and from) Copenhagen

In December the world will meet in Copenhagen for the latest round of climate change negotiations. It is an event that has already been discussed and debated in great detail. Not a day goes by without some reference to it in the international media. It is that important. And thus it is essential that we remind ourselves of the core issues; those that need to remain the basis of any outcome from the meeting.

Firstly, there is the need to reduce overall global greenhouse gas emissions.

Secondly, we need to deliver a sustainable energy future that enables both developed and developing countries to reap the benefits of economic development and social progress.

And thirdly, we must ensure mitigation response measures and emission reduction commitments are fair and just, taking into account the historical responsibility of Annex I countries, the huge developmental needs of developing countries, as well as the adverse impacts of climate change and of response measures, including the adverse impacts on fossil fuel exporting countries.

The goal is to effectively marry these issues to facilitate the full and sustained implementation of the UN Framework Convention on Climate Change (UNFCCC), and to enable the post-2012 Annex I commitment period to be a success.

From the perspective of reducing emissions, it is crucial to be comprehensive and take into account all greenhouse gases. It should be remembered that 43 per cent of anthropogenic greenhouse gas emissions stem from gases other than carbon dioxide (CO_2). And the world should draw on a variety of cost-effective abatement options, including reducing emissions from deforestation and forest degradation, utilizing carbon sinks, and taking advantage of the full range of technologies available.

From the technology standpoint, it is evident, given that fossil fuels are expected to remain the mainstay of the global energy mix for the foreseeable future, that any serious effort to achieve low net emission paths must include the use of cleaner fossil fuel technologies, such as carbon capture and storage (CCS). A number of issues related to CCS are discussed on page 20 of this issue.

It should also be remembered that the development and deployment of these types of technologies requires the coordinated support of governments, and given that Annex I countries have the financial and technological capabilities, there is a need for them to assume leadership.

This is nothing new. Indeed, the Kyoto Protocol states that "developed countries should take the lead in international action to combat climate change by fully implementing their obligations of reducing emissions and of providing additional financing and the transfer of cleaner, low-emission and cost-effective technologies to developing countries." The Bali Action Plan of December 2007 also calls for enhanced action on technology transfer.

The crucial issue of "obligations" also brings to mind the importance of looking at cumulative CO_2 emissions from a historical perspective. In 2006 Annex I countries accounted for almost 80 per cent of cumulative CO_2 emissions since 1900, and by 2030 they will still have contributed two-thirds.

Bringing this together, it is essential that these core issues are taken into account and that the future focuses on the overall goal of sustainable development, recognizing that priorities might vary for different people.

For developing countries, poverty alleviation, economic development and social progress are the overriding priorities and it is clear that people in such nations will need more energy, not less, to meet these needs. Climate change is providing these countries with yet more challenges and additional vulnerabilities, although they have contributed little to the current situation.

As we approach Copenhagen, we must remember the spirit that brought together the UNFCCC and the Kyoto Protocol. We reached agreement after years of negotiation because everyone had a stake, but perhaps more importantly, everyone perceived that their issues were recognized and taken on board.

This must be brought to the fore in Copenhagen. Agreements reached should be comprehensive and balanced, taking into account the past, present and the future; the fulfilling of current commitments; and the needs of those least able to help themselves.

Contents

On the Move 4

Closing the gate on Obere Donaustraße 93

Austria and OPEC amend Headquarters Agreement in build-up to move to new premises *(p6)*

A new chapter begins ... *(p8)*
Interviews:
Michael Spindelegger, Austrian Foreign Minister
Ambassador Ernst-Peter Brezovszky

Member Country Visit 10

Nigeria pledges continued support for OPEC objectives

Feature 14

Road to peace
Nigerian amnesty brings ray of hope for lasting end to hostilities in Niger Delta

Feature 20

Copenhagen or bust?
Agreement on CCS seen as vital to success of UN climate change talks

Spotlight 26

The sovereign wealth of nations: Turning foreign earnings into investments

OPEC bulletin

Cover
This month's cover captures the serenity of the Niger Delta region of Nigeria (see feature on pp14–19).
Photo: AP Photo.

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Publishers
OPEC
Organization of the Petroleum Exporting Countries
Obere Donaustrasse 93
1020 Vienna, Austria
Telephone: +43 1 211 12/0
Telefax: +43 1 216 4320
Contact: The Editor-in-Chief, OPEC Bulletin
Fax: +43 1 214 9827
E-mail: prid@opec.org

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

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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.

News Feature 32

A winning bid
Iraq hoping to turn corner with Rumaila oil field agreement

Newsline 36

Iran launches oil exchange
Qatar Airways plane first to fly on gas-blend fuel *(p38)*
House of Wisdom — Saudi Arabia inaugurates state-of-the-art university *(p40)*
Dubai Metro — an Emirate takes on 'mega-city' status with new urban rail network *(p44)*
OPEC Member Country news in brief *(p48)*
'Lula' wins OPEC logo design competition *(p51)*

Appointments 52

Secretary General's Diary 53

Arts & Life 54

Places in the heart

Reflecting upon Germany's centuries-old heritage *(p58)*

Reaching new heights in the lake district *(p60)*

OPEC Fund News 62

'Margarita Declaration' calls for closer regional cooperation — Venezuela hosts second Africa-South America Summit

Market Review 66

Noticeboard 78

Secretariat Visits 79

OPEC Publications 80

Corrigendum
In the August/September issue of the OPEC Bulletin, we mistakenly identified **Ali Obaid Al Yabhouni**, who is OPEC Governor of the United Arab Emirates, as Governor of Kuwait *(page 8)*. We apologize for any inconvenience caused.

Secretariat officials
Secretary General
Abdalla Salem El-Badri
Director, Research Division
In charge of Multilateral Relations Department
Dr Hasan M Qabazard
Head, PR & Information Department
Dr Omar Farouk Ibrahim
Head, Petroleum Studies Department
Mohammad Alipour-Jeddi
General Legal Counsel
Dr Ibibia Lucky Worika
Head, Data Services Department
Fuad Al-Zayer
Head, Finance & Human Resources Department
In charge of Administration and IT Services Department
Alejandro Rodriguez
Head, Energy Studies Department
Oswaldo Tapia
Head, Office of the Secretary General
Abdullah Al-Shameri

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Editorial staff
Editor-in-Chief
Dr Omar Farouk Ibrahim
Editorial Coordinator
Ulunma Angela Agoawike
Editor
Jerry Haylins
Associate Editors
Keith Aylward-Marchant, James Griffin, Alvino-Mario Fantini, Steve Hughes
Production
Diana Lavnick and Andrea Birnbach
Design & Layout
Elfi Plakolm
Photographs (unless otherwise credited)
Diana Golpashin
Distribution
Mahid Al-Saigh

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Keith Aylward-Marchant

Closing the gate on Obere Donaustraße 93

By Keith Aylward-Marchant

On November 25, staff members will say goodbye to the building that has housed the OPEC Secretariat for more than three decades.

When they next turn up for work, on Monday, November 30, they will be in a new, state-of-the-art office complex about a kilometre away, in the more central first district of Vienna.

OPEC moved into the present building alongside the Danube Canal at Obere Donaustrasse 93 in Vienna's second district in March 1977.

Just over a decade earlier, OPEC had relocated its Secretariat from its original site in Geneva, Switzerland. This was done at the invitation of the Federal Republic of Austria and the City of Vienna.

The signing of the original headquarters agreement on September 1, 1965, was a historic day for OPEC and the Federal Republic of Austria. It laid the foundation for a unique relationship between the two parties, which has gone from strength to strength over the years.

On the Austrian side, it was part of a plan to turn Vienna, already famous for its magnificent cultural heritage, into a major centre for intergovernmental organizations and other international bodies.

The Austrian authorities have achieved a remarkable amount of success with this initiative, and today the country hosts some 30 international organizations — many under the umbrella of the United Nations — as well as many important non-governmental organizations.

Their far-sighted, internationalist policy was a major source of attraction to OPEC and, when it was accompanied by the offer of a congenial working environment and by the warmth and hospitality of OPEC's hosts, then the Organization's decision to settle in the Austrian capital was hard to resist.

For OPEC's part, it believes that, over the years, the Organization and its staff members have made a solid contribution to the Viennese way of life, to its culture, its economy and its developing multicultural outlook. A similar situation applies at national level.

Austrian President, Dr Heinz Fischer, wrote in the September 2005 issue of the *OPEC Bulletin*, on the occasion of the Organization's 45th anniversary: "I would like to emphasize how much Austria appreciates being OPEC's host country. After all, OPEC chose Vienna as the seat of its Secretariat as early as 1965, shortly after the International Atomic Energy Agency (IAEA) established its headquarters in the Austrian capital. Thus, the IAEA and OPEC laid the cornerstone for Vienna to become a respected host city to other international organizations."

Initially, in 1965, OPEC's headquarters was housed in two small buildings, but it was later transferred to Dr Karl Lueger-Ring 10.

The present Secretariat was erected on a site previously occupied by a famous old swimming pool called the 'Dianabad', which was built in 1804–06. The pool had been seriously damaged during the fighting along the canal before the end of World War Two in April 1945. The complex was temporarily restored and eventually demolished in the 1960s. In its place, a new pool and several office buildings were put up, and this provided space for the Secretariat in 1977.

The three-storey concrete structure lost its relative anonymity in 1994, when cosmetic changes were made to its original featureless appearance. For the first time, the word 'OPEC' (twice) and the corporate logo appeared prominently on the outside of the building, in a bold blue design on the roof.

This was part of a new frontal elevation, which also comprised a steel and glass portico in the form of a cresting wave, complimented by blue-steel vertical ribbing, running around the sides of the building. It is understood that the portico represented the canopy above an oil rig, while the ribbing symbolized oil pipelines. A circular fountain was installed at the front of the building shortly after, and the water running down from the top of this depicted the distribution of oil around the world.

At the same time, a remodelling of the entrance area resulted in a spacious new lobby, and this was soon dominated by the installation of a large frieze, carved from solid blocks of teak and donated by the Indonesian Government.

The theme of the impressive five-metre-long, 2.5-metre-high work of art, which took three Balinese craftsmen three months to complete, before it was flown to Austria, is a scene from the Great Epic of Bharata. It was unveiled by OPEC's present Secretary General, Abdalla Salem El-Badri, in his then-capacity as OPEC Conference President and Secretary of the Libyan People's Committee of Energy. Staff members have been pleased to learn that the frieze will be transferred to the new building.

Other changes, of varying degrees of significance, have been made to the existing building over the years, such as the recent refurbishing of the conference room on the second floor.

Right (l–r): Unveiling the frieze in 1994 is (then) OPEC Conference President and present Secretary General, Abdalla Salem El-Badri; Dr Ramzi Salman, OPEC Deputy Secretary General; Dr Subroto, OPEC Secretary General; and Ida Bagus Sudjana, Indonesia's Minister of Mines and Energy.

Right: About 50 metres from the building is an imposing bronze sculpture donated by the Government of Venezuela to the City of Vienna in 2003. Entitled Mano Mineral (Mineral hand) and created by well-known Venezuelan sculptor, Paúl del Río, the sculpture symbolizes the oil that emerges from that country. 2.20 metres high, it is a casting of the emblem of the Second Summit of Heads of State and Government of OPEC Member Countries, which Venezuela hosted in Caracas on September 27–28, 2000.

Austria and OPEC amend Headquarters Agreement in build-up to move to new premises

By Keith Aylward-Marchant

OPEC Secretary General, Abdalla Salem El-Badri (seated left), and Austrian Foreign Minister, Michael Spindelegger (seated right), pictured at the signing ceremony.

As the countdown continues to the move of its Secretariat to a new purpose-built site in central Vienna, OPEC completed an important preliminary step on September 30.

This was the signing ceremony of the Protocol to the OPEC Headquarters Agreement between the Republic of Austria and OPEC, at the host country's Federal Ministry for European and International Affairs in Vienna.

The signatories were Austrian Foreign Minister, Michael Spindelegger, and OPEC Secretary General, Abdalla Salem El-Badri.

Their action amended the existing Headquarters Agreement between the two parties, a necessary step before the move, which will take place at the end of November, with the first day of work in the new building on Monday, November 30.

Spindelegger said that a new chapter had been opened between Austria and OPEC: "Ever since OPEC decided in 1965 to choose Austria as its host country, the relations have been sincere and fruitful. We are delighted that we can continue with this longstanding friendship and close partnership in the same spirit.

"I would like to express my deep gratitude to the Secretary General of OPEC for his leadership in making this new agreement possible."

He continued: "A new state-of-the-art headquarters

Above: Abdalla Salem El-Badri (l) and Michael Spindelegger.

Below (l–r): Abdullah Al-Shameri, Head, Office of the OPEC Secretary General; Abdalla Salem El-Badri; Ambassador Ernst-Peter Brezovszky; Michael Spindelegger; and Ambassador Dr Werner Druml, Head of Department for International Conferences and International Organizations based in Austria.

will enable the Organization to fulfil its challenging duties even better than in the past."

He assured the Secretary General of Austria's continuing support, adding: "Austria is not only your host country, but, at the same time, your partner and friend. May the new OPEC Headquarters also be a symbol of our fruitful partnership."

In his response, El-Badri said: "It is a great pleasure for OPEC and our Member Countries to be here in Vienna." He added: "We are here because … you invited us way back in 1965."

He also remarked: "I would like to thank the Austrian Government and people for hosting us here in Vienna. Vienna is a beautiful city, as I have told you many times."

He underlined the importance of the imminent move, when he pointed out that the Organization would be celebrating its 50th anniversary next year.

Indeed, OPEC was looking forward to "another 50 years or maybe more" to come, because, with its strong crude oil reserve base, "we can supply the world with enough oil, as much as they want."

Both the Foreign Minister and the Secretary General thanked all the people who had been involved in the project to relocate the Secretariat.

Also present at the ceremony was Ambassador Ernst-Peter Brezovszky, outgoing Head of the Ministry's Department for International Conferences and International Organizations, who led the Austrian side of the venture.

In another ceremony, on October 30, the new building was officially handed over. Seen here (l–r) are: Christian Ehrenreich, Managing Partner of Remco Real Estate Management & Consulting; Dr Anto Bondi de Antoni, Managing Partner of Bondi Immobilienconsulting; Alejandro Rodriguez, Head of OPEC's Finance & Human Resources Department; and Dr Ibibia Lucky Worika, OPEC's General Legal Counsel.

A new chapter begins ...

*After the signing ceremony, Keith Aylward-Marchant asked **Foreign Minister Michael Spindelegger** (below) and **Ambassador Ernst-Peter Brezovszky** (right) to comment upon the upcoming move of the OPEC Secretariat to its new purpose-built premises and the significance of this to the excellent relationship that has existed between Austria and OPEC since 1965.*

Minister, I picked up on one remark in your speech, when you said that Austria is not only OPEC's host country, but, at the same time, it is its partner and friend. What does such an occasion as this ceremony mean to the Federal Republic of Austria?

From my point of view, this is a wonderful start to a new level of cooperation between OPEC and Austria. We are the host country for OPEC, and I think that, with this new building and enough space for staff members and for the meetings of OPEC's Ministers, it is a strong sign of the readiness of Austria for strong cooperation with OPEC in the future.

At this time, cooperation in the international field, especially in energy matters, is needed so much. So we would like to give, with this ceremony, a sign that Austria, as a member of the European Union, is a base for cooperation between its states and OPEC and that we can proceed in one line in energy matters also in the future.

When OPEC came to Vienna in 1965, it was only five years old and the Austrian State Treaty was only ten years old. Both groups, so to speak, have developed together, over the past 50 years. What do you feel have been the benefits of this?

To have a country, where you are going to have your meetings in an atmosphere which makes you feel fine, is an important step for good decisions. So we hope that Austria has reached this point of providing a good atmosphere for OPEC's Member Countries. As I have heard from the Secretary General, you all feel very welcome in Austria, and it should stay this way also in the future.

Michael Spindelegger, Austrian Foreign Minister.

In OPEC, we have our 50th Anniversiary celebrations next year, and I am sure that Austria and the City of Vienna are both looking forward to them.

Of course. I have agreed with the Secretary General that we should have a celebration ceremony next year together, just to say, in this way, that we like OPEC to be in Austria, that we are also ready for good cooperation in the future and that we stay together to have direct talks and to think about our future challenges.

Ambassador, you have been involved with this project since its inception. Are you pleased with the progress that has been made during this time?

In my function as Austrian Ambassador for international organizations and conferences, I have had the privilege of negotiating with the OPEC Secretary General, His Excellency El-Badri, the vision — and not only the protocol — of a new OPEC headquarters. As Foreign Minister Michael Spindelegger emphasised, it was also the leadership of His Excellency the OPEC Secretary and, of course, the enormous goodwill of all the OPEC Member States which made this project happen. So my answer is very short and precise. I am very happy.

Is the end-result as you had expected, or have there been some surprising developments along the way?

First, I do hope that our OPEC friends are happy, because it will be your new OPEC headquarters. We are very happy, because it opens a real new chapter in the success story between OPEC and Austria. But, obviously, in such a huge project — it is enormous and it is a beautiful visionary project — there are always some surprises. Again, in this cordial and most friendly relationship between Austria and OPEC, it has been possible to overcome any difficulty. I am very glad about this too.

Do you think, Ambassador, that working from this new purpose-built headquarters will help OPEC enhance the role it plays in the world energy market?

I must say it is very impressive how OPEC is handling this enormous challenge of energy in the 21st century. After all, it is a very difficult issue and we are very happy to host OPEC. I do hope that the new premises — the beautiful headquarters, state-of-the-art — is safer than the old location, with more beautiful conference facilities. I do hope — and I am convinced — that it will help OPEC work even more efficiently.

If I may ask you a general question, as someone who has worked closely with Vienna's international organizations in recent years, what special contribution do you think OPEC brings to the Vienna business and cultural community?

Vienna is very privileged to be a host country to many organizations, and, quite obviously, OPEC, with its energy mandate, is a very important organization. Vienna is trying to be one of the hubs for international energy questions, and, in this context, the contribution OPEC is giving us is enormous and we are very grateful for what OPEC is doing.

This is why, of course, we are happy that some 140 people are working for OPEC. Around 500 people, I have learned — families and so on — live in Vienna, thanks to the Organization, and these 500 people are most welcome. I hope they sense the cordiality and all the happiness Vienna feels to have them as our co-citizens here in Austria.

Ambassador Ernst-Peter Brezovszky, former Head of the Austrian Foreign Ministry's Department for International Conferences and International Organizations.

Somebody told me today that this will be your last day of service in your present role. Is this correct and can you tell me what you will be doing in future?

Today's a wonderful day for me, because my function as the Austrian Ambassador for international organizations ends with this beautiful ceremony, which again opens a new chapter in the success story between OPEC and Austria.

From tomorrow on, I will be the new Austrian Consul-General in New York, with the competence of the whole east coast between Pennsylvania and Maine in the very north of the United States.

That really sounds like a major challenge, and I am sure I am joined by all my friends and colleagues in OPEC in wishing you every success with that.

You are very kind and, once more, I see it as symbolic that my last official act as Ambassador for international organizations has been today at the signing ceremony, which I have had the honour to prepare for the Minister.

I wish you and all OPEC's staff members and their families every happiness and good luck — and continue enjoying Vienna.

Nigeria pledges continued support for OPEC objectives

In continuation of his Member Country visits, OPEC Secretary General, Abdalla Salem El-Badri, made a trip to Nigeria on October 13–16. While there, he held talks with the country's President, Umaru Musa Yar'Adua, and officials of both the Petroleum Ministry and the National Oil Company, the NNPC. The OPEC Bulletin's Editor-in-chief, Dr Omar Farouk Ibrahim, who was in attendance, reports.

Nigerian President Umaru Musa Yar'Adua (r), welcomes OPEC Secretary General, Abdalla Salem El-Badri (l), during a courtesy visit to the Presidential Villa, Abuja. In the background is Habibu Baba Habu, Presidential Liaison Officer.

Nigeria has pledged continued support for the Organization of the Petroleum Exporting Countries (OPEC) as it pursues its objective of stabilizing the international oil market.

Nigeria's President, Umaru Musa Yar'Adua, made the pledge in audience with visiting OPEC Secretary General, Abdalla Salem El-Badri at Aso Rock, the Presidential Villa, in Abuja.

The Nigerian Head of State commended OPEC and its Member Countries for their steadfast commitment to the Organization's Statute, which seeks to protect the interests of Member Countries, ensuring an adequate and timely supply of oil to consuming countries and making the necessary investments to ensure that projected growth in global oil demand is met.

Commenting specifically on the decision of the OPEC Conference at Oran, Algeria, in December 2008, President Yar'Adua praised the Conference for its foresight in taking bold decisions that prevented the oil market from total collapse, in the wake of the global economic crisis.

He urged the Organization to be ever more vigilant. The President also briefed the Secretary General and members of his delegation on the major reforms being introduced in the Nigerian oil industry, which are aimed at repositioning the Nigerian National Petroleum Corporation (NNPC), and making it a truly viable commercial entity.

Abdalla Salem El-Badri during his visit to the NNPC.

He acknowledged that many OPEC Member Country national oil companies (NOCs) were doing well as commercial concerns and expressed confidence that by the time the reforms were implemented, the NNPC would join the league of the world's leading commercial NOCs.

Responding to the remarks, El-Badri commended President Yar'Adua for introducing the reforms, noting that "the NNPC cannot be a regulator and at the same time a commercial body." He further noted that reforming the oil sector was a herculean task in any society, as there were powerful vested interests that would work hard to frustrate the government's efforts.

He advised that the government must be focused on its objectives and that the benefits would be there for all to see.

El-Badri also commended President Yar'Adua for the recent amnesty he had granted militants, who had, for some years, been disrupting oil activities, as well as other efforts he was making to bring peace to the oil-producing areas of the country *(see feature on Niger Delta, pp14–19)*.

Secretariat team

El-Badri and his team, made up of Dr Omar Farouk Ibrahim, Head, PR and Information Department (PRID); Dr Ibibia Lucky Worika, General Legal Counsel; Fuad Al-Zayer, Head, Data Services Department; Abdullah Al-Shameri, Head, Office of the Secretary General; Dr Nimat Al-Soof, Senior Upstream Oil Industry Analyst; Safar A Keramati, Senior Refinery and Products Analyst; Haidar Khadadeh, Oil Supply Analyst; Ms Monika Psenner, Senior Statistician; and Ms Sally Jones, Media Relations Advisor, who were in Nigeria in continuation of the Secretary General's visits to OPEC Member Countries, had earlier been received at the NNPC Towers by their chief host and Head of Nigeria's Delegation to OPEC, Dr Rilwanu Lukman, Minister of Petroleum Resources, in the company of the Minister of State for Petroleum Resources, Odein Ajumogobia SAN, the Minister of Finance, Dr Mansur Muhtar, and the Minister of Information and Communications, Professor Dora Akunyili.

Also present were the Special Adviser to the President on Petroleum Matters, Dr Emmanuel Egbogah, the Group Managing Director of the NNPC and OPEC Governor, Mohammed Sanusi Barkindo, and other senior officials of the Petroleum Resources Ministry and the NNPC.

In a briefing to the ministers, ambassadors of OPEC Member Countries and oil industry officials, El-Badri said OPEC Member Countries must coordinate their positions as they prepared to go to Copenhagen for the climate change talks in December.

He said that as countries whose economies were heavily dependent on fossil fuel exports, they could not be indifferent to the outcome of the global talks on climate change. The OPEC Secretariat, he said, had been providing support, in the form of coordinating the views of Member Countries, to ensure effective articulation of the Organization's position on the issue.

El-Badri argued that OPEC Member Countries were as concerned as any country about the environment, but would not subscribe to proposed solutions that were

Nigerian President, Umaru Musa Yar'Adua (c); OPEC Secretary General, Abdalla Salem El-Badri (second l); Minister of Petroleum Resources, Dr Rilwanu Lukman (second r); Minister of State for Petroleum Resources, Odein Ajumogobia SAN (l); and Special Adviser to the President on Petroleum Matters, Dr Emmanuel Egbogah (r).

Delegates listening to a presentation in the NNPC boardroom.

Above (l–r) are NNPC officials: Aminu Baba-Kusa, Group Executive Director, Commercial and Investment; M A Arokodare, GED, Finance and Accounts; Dr A B Yusuf, GED, Corporate Services; P O Chukwu, GED, Exploration and Production; A O Oniwon, GED, Refineries and Petrochemicals.

Above (l–r): During the visit to the NNPC are Group Managing Director of the NNPC and OPEC Governor for Nigeria, Mohammed Sanusi Barkindo; Nigerian Minister of Finance, Dr Mansur Muhtar; OPEC Secretary General, Abdalla Salem El-Badri; Nigerian Minister of Information and Communications, Professor Dora Akunyili; and the Head of Nigeria's Delegation to OPEC and Minister of Petroleum Resources, Dr Rilwanu Lukman.

Pictured above (l–r) from the OPEC Delegation are: Fuad Al-Zayer, Head, Data Services Department; Safar Ali Keramati, Senior Refinery/Processing Analyst; Haidar Khadadeh, Oil Supply Analyst; Dr Nimat Abu Al-Soof, Senior Upstream Oil Industry Analyst; and Monika Psenner, Senior Statistician.

Above (l–r): Bright Okogu, Director General, Budget Office of the Federation; Mohammed Sanusi Barkindo, Group Managing Director of the NNPC and OPEC Governor; Ammuna Lawan-Ali and Ama Pepple, former Nigerian OPEC Governors.

discriminatory in nature, especially solutions that would have a greater negative impact on the Organization's Members and other poor developing countries.

He stressed that Annex 1 countries of the Kyoto Protocol bore historical responsibility for the current problems and that any solution must take that into account.

"We must not deny the vast majority of the world's population the energy they need to break out of the poverty cycle," he said.

The OPEC Secretary General argued that a win-win solution was possible and that the technology existed for making fossil fuels more environmentally friendly. "All that is needed is the political will and commitment from the developed countries to commercialize this technology," he added.

NNPC restructuring

Commenting on the restructuring of the NNPC, El-Badri, who had been at the helm of Libya's oil affairs for 17 years, and was Deputy Prime Minister, said the restructuring was absolutely necessary for the NNPC to become competitive in the international oil industry.

He noted that there were a number of NOCs that performed better than international oil companies, and that a restructured NNPC, would remove the obstacles to effective and efficient management of resources. He expressed confidence that Barkindo, the Group Managing Director of the NNPC, whom he had known for many years, as a dedicated professional, would take the Corporation to greater heights.

Referring to the presentations made by the NNPC to the visiting team, which covered areas such as Nigeria's crude production and lifting activities, as well as the institutional framework, the NNPC's transformation, fiscal policies, the country's gas master plan, and development of the downstream sector, as contained in oil and gas reform programme of the government, El-Badri, who was described as a man of unequalled experience in the oil industry by Dr Lukman, commended the NNPC for a thorough job in producing the National Gas Master Plan and expressed the hope that it would be implemented for the good of the people.

He assured that there were ample markets for gas, both domestically and internationally, and that Nigeria should make the necessary investments in that sector.

The Secretariat's presentations covered such areas as the short and medium term outlooks of recent oil market developments, the importance of data flow from Member Countries, international legal issues of significance to OPEC and its Member Countries, and the climate change negotiations.

Also, a well-received workshop entitled 'Reporting OPEC' was held for Nigerian journalists, in conjunction with the NNPC. The aim was to better acquaint journalists with the various processes and avenues through which they can access or confirm information on OPEC. Resource official was PRID Head, Dr Omar Farouk Ibrahim. He was assisted by Media Relations Advisor, Ms Sally Jones. Present were Secretary General El-Badri and other members of the delegation. A press conference was given by the OPEC Secretary General to round off the visit.

OPEC delegates, resplendent in national dress, join Nigerian officials at a dinner hosted by Dr Rilwanu Lukman.

All photographs courtesy NNPC.

Road to peace

Nigerian amnesty brings ray of hope for lasting end to hostilities in Niger Delta

By Yakubu Lawal

"I hereby grant amnesty and unconditional pardon to all persons who have directly, or indirectly, participated in the commission of offences associated with militant activities in the Niger Delta."

Those were the words spoken by Nigerian President, Umaru Musa Yar'Adua, as he announced a 60-day amnesty programme aimed at restoring peace and reinvigorating economic activities in the country's oil-producing Niger Delta region.

His proclamation, agreed after consultation with the Council of States, said the pardon would take effect upon the surrender and handing over of all equipment, weapons, arms and ammunition ... and would extend to "all persons presently being prosecuted for offences associated with militant activities."

The proclamation expired on October 4 and the early signs are that peace in the region is being maintained, with no major problems reported.

In fact, the situation looks more than promising with the main militant group in the Niger Delta announcing that it had started formal peace talks with President Yar'Adua, just three weeks after the ceasefire was declared.

The Movement for the Emancipation of the Niger Delta (MEND) said the talks, which lasted for over two hours, were "frank, cordial and useful".

"This meeting heralds the beginning of serious, meaningful dialogue between MEND and the Nigerian government to deal with and resolve root issues that have long been swept under the carpet," it stated.

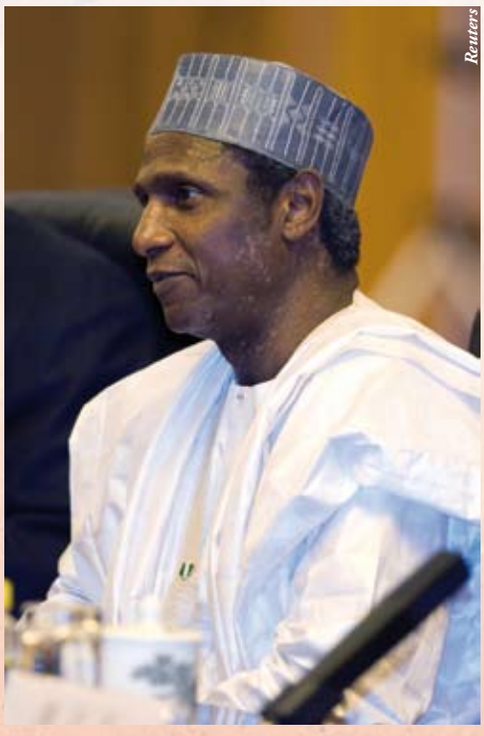
A team of representatives, including Nobel Prize-winning writer, Wole Soyinka, and two retired senior military officers attended the talks, while MEND leader, Henry Okay, who held "very fruitful" talks with the President at an earlier meeting in October, attended as an observer.

Olusegun Adeniyi, Presidential spokesman, in confirming that the latest discussions were "frank and fruitful", stressed that President Yar'Adua used the opportunity to restate his commitment to the overall peace plan and development of the region.

It is a development that is truly welcome. The Niger Delta region has been a troubled area for some considerable time. Militant activities, leading to attacks on oil and gas facilities, as well as general insecurity, have been pronounced in the area since 2006.

"I hereby grant amnesty and unconditional pardon to all persons who have directly, or indirectly, participated in the commission of offences associated with militant activities in the Niger Delta."

Umaru Musa Yar'Adua, Nigerian President


Reuters

For a nation that relies on oil for 85 per cent of its export earnings and 90 per cent of its total revenues, the government had become increasingly concerned about the dwindling level of income and, more importantly, the heightened tensions and restiveness in the region, including random kidnappings.

Against this background, the governors of the South-South geopolitical region, the theatre of the crisis and hub of the nation's oil wealth, were more than relieved when the Nigerian President launched the amnesty programme. They unreservedly pledged their support for its success.

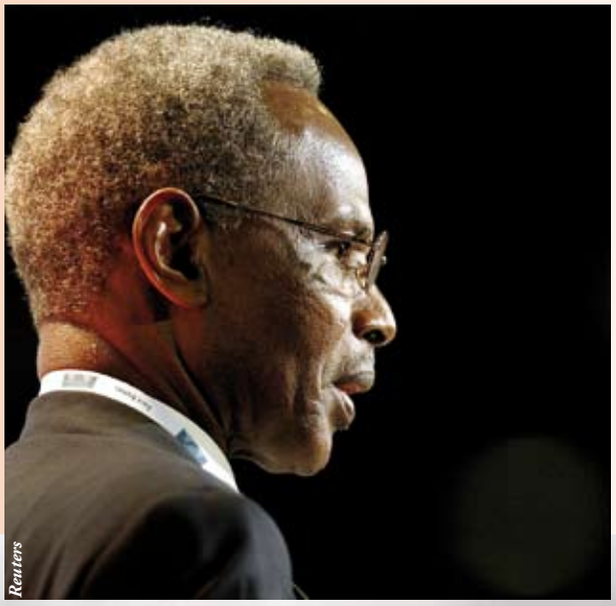
The governors — Timipre Silva of Bayelsa state; Adams Oshiomhole of Edo state; Godswill Akpabio of Akwa Ibom state; Rotimi Amaechi of River state; Emmanuel Uduaghan of Delta state; Liyel Imoke of Cross Rivers state; and Olusegun Mimiko of Ondo state — are now pinning their hopes on the success of the programme, since they have seen their finances dip sharply over the years, as a result of the problems in the region.

"We have to support the President because the country needs to be united. We have realized this even more as we have seen our monthly revenue allocation from the Federation Account being reduced by about 40 per cent," Governor Silva pointed out.

Nigeria, Africa's top oil producer and the sixth largest producer among the Members of the Organization of the Petroleum Exporting Countries (OPEC), has been struggling to meet its OPEC-assigned output allocation because of the troubles. Amid the violence, armed militants persistently sabotaged oil facilities and kidnapped foreign oil workers.

According to Nigeria's Central Bank, the unrest in the Niger Delta, one of the world's largest wetlands, was costing the country a mammoth $1 billion a month in lost revenues from exports, taxes and royalties. Output had declined from about 2.5 million barrels/day to as low as 1.3m b/d, a development that often contributed to volatility in world energy prices.

The unstable situation forced the government to cut back on development projects, salaries and allowances of political appointees. And virtually all the labour unions in key sectors of the region had, at various times, gone on strike, demanding pay rises.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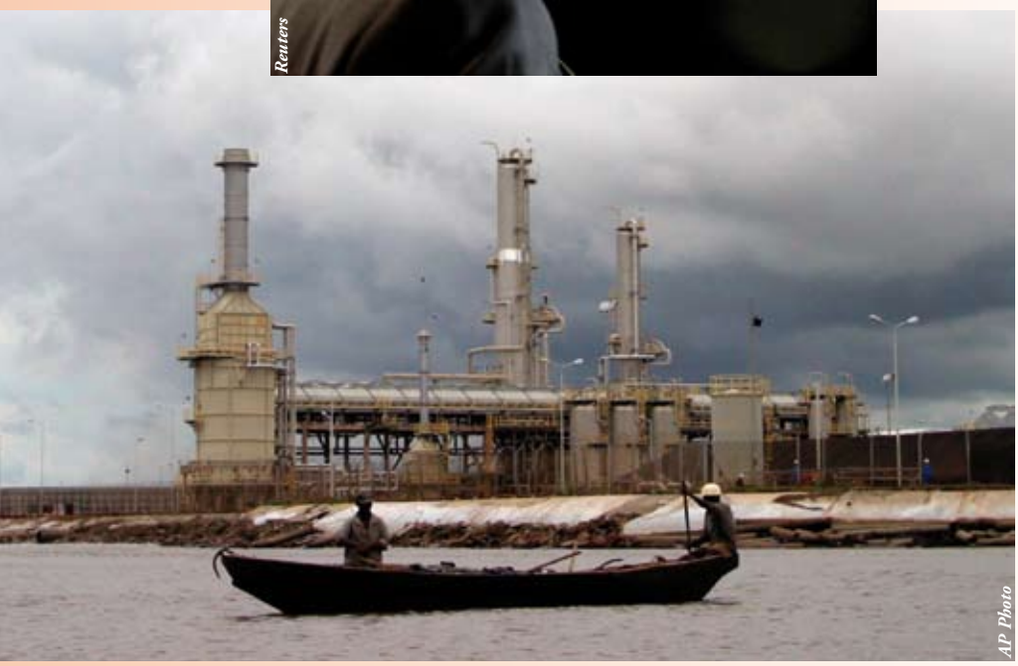
Left: Nigerian Petroleum Resources Minister, Dr Rilwanu Lukman.


AP Photo

Above: Locals fish on a canoe by the Mobil oil terminals at Bonny Island, near the oil city of Port Harcourt in the Niger Delta region.

Statistics issued by Nigeria's Department of Petroleum Resources (DPR) in 2007 showed that, as a result of the unrest, some 132 oil fields had been shut-in, leading to a loss of 1.9m b/d in crude oil production. The implication of this was that production actually nosedived to around 1.1m b/d. The DPR saw this development as a setback to Nigeria's aspirations of achieving an oil output capacity of 4m b/d and reserves of 40 billion barrels by 2010.

Latest DPR statistics, covering the first quarter of 2009, show that Nigeria's average daily crude oil production stood at 2,080,132 b/d, with the figure for January and February put at 2,024,418 b/d. A total of 174 fields were in production, with 127 fields shut-in.

The report indicated that the non-reconciled production deferment for January and February amounted to 1,101,488 b/d, translating into 475,705 b/d for January and 625,783 b/d for February.

The Department explained that the large crude deferments had resulted from militants' activities and operational hitches. Royal Dutch Shell, the report said, recorded the highest volume of deferment of 434,280 b/d, due to insecurity and gas-flaring restrictions, while ExxonMobil lost 87,752 b/d through an attack on the Qua Iboe terminal.

The decline in crude oil production has been without doubt a major area of concern for the government and the country in general. Minister of State for Petroleum Resources, Odein Ajumogobia, said in June: "It (production slide) is something we are all sad about. Nigeria has a production capacity of 3.2m b/d. Today, we are down to about less than half that in terms of production, with over 1m b/d lost through shut-ins."

Apart from Shell and ExxonMobil, other oil companies in Nigeria, including the state-run Nigerian National Petroleum Corporation (NNPC), have experienced their own share of the disruption.

The NNPC is the senior partner stakeholder in the joint ventures it operates with six multinationals, accounting for more than 80 per cent of Nigeria's oil output. Also included are Italy's ENI subsidiary, the Nigeria Agip Oil Company; Chevron Nigeria; Total; Pan Ocean Incorporated; and Addax Petroleum, which all have production-sharing contracts in place with the government.

Lamenting the regrettable situation in the domestic oil industry, NNPC Group Managing Director, Mohammed S Barkindo, said: "The period after the first quarter of this year witnessed a large-scale attack on oil installations, the kidnapping of oil workers, the withdrawal of oil workers from fields and the deployment of soldiers to the region, 12 of whom were killed in an ensuring confrontation."

Barkindo, who is OPEC Governor for Nigeria, said the average production from the joint-venture companies stood at barely 1.3m b/d. The situation was made worse when the authorities had to shut down the Port Harcourt and Warri refineries when militants sabotaged the Nembe-Port Harcourt and Escravos-Chanomi pipelines, leaving the plants without any crude supplies.

"The consequence was that no refining could take place. Also, no product was available from the Kaduna refinery because the pipeline that supplied crude to that plant was vandalized. Until it was repaired, the crude could not be pumped," the NNPC chief said.

Such was the seriousness of the country's energy

problems, as a result of the insecurity in the Niger Delta, Nigeria had not been able to capitalize on any rise in the price of crude oil on the international market, he said.

"What we would gain at one end would doubly exit, due to the attacks. And I am not sure whether marketers would be eager to import products in that environment," Barkindo stated. The critical situation with the refineries, he added, had meant that Nigeria had to import more than 85 per cent of its petroleum product needs, while its domestic plants lay idle.

Lost production

The DPR actually put the average capacity utilization rate of the nation's refineries at a paltry 18.9 per cent of installed capacity. Nigeria has four refineries with a total installed capacity of 445,000 b/d. There are two plants at Port Harcourt with a capacity of 210,000 b/d, the 125,000 b/d Warri refinery and the Kaduna plant, with 110,000 b/d.

Analysts have observed that the problems associated with the Niger Delta had cost the country its position as the seventh largest supplier of crude oil to the United States.

This was endorsed by the US Energy Department's Head of Africa and Middle East Affairs, George Parson, who announced that fellow OPEC Member Angola was now the fifth largest supplier of hydrocarbons to the American market, with Nigeria dropping to number eight.

With persistent attacks on the country's oil infrastructure, orchestrated by MEND, it is little wonder the country has seen its oil output reduced to less than two-thirds of its installed capacity.

The energy crisis sparked by the violence in the Niger Delta has spilled over to the power sector, which has posed another challenge for the government. It had planned to boost electricity output to 6,000 megawatts by the end of 2009, from the existing level of 2,000 MW.

In support of this goal, the government embarked on the construction of seven new gas-fired power plants. But the series of attacks on pipelines, coupled with the kidnapping of construction workers, effectively stalled progress on these projects.

After three years of escalating problems in the Niger delta, with no end in sight, the government felt it had to resort to drastic action to try and ameliorate the situation in the region — hence the proclamation of amnesty and pardons for the militants.

Understandably, at first, many of the locals in the region voiced skepticism over the success of such a bold move, especially since MEND initially rejected the offer and continued with its actions, including attacking a key fuel import terminal in Lagos, a loading jetty at Atlas Cove and Shell oil pipelines in Rivers state.

But the government has remained undaunted and steadfast in its pursuit of peace through the amnesty programme. In July, as a token of its intent, the government released MEND's leader, Henry Okay, who had been detained for 18 months, facing treason charges.

And following other deft political moves, coupled with appeals by community leaders in the Niger Delta, militants came out of their hideouts in the creeks in their thousands to embrace the amnesty and surrender large caches of arms and ammunition.

Of particular importance, the top militants, regarded as regional MEND commanders, also accepted the amnesty. By the time the proclamation period ended on October 4, over 8,000 militants had disarmed, surrendering numerous arms and countless rounds of ammunition.

According to Amnesty Programme Implementation Committee Chairman, Air Vice Marshall Lucky Ararile, the number of militants signing up to the peace programme could reach 15,000.

Needless to say, Nigeria has since been counting the gains and the change in fortunes brought about by the amnesty.

Petroleum Resources Minister, Dr Rilwanu Lukman,

Above: Olusegun Mimiko, Governor of Ondo state, gives the thumbs up to the amnesty deal.

announced in September that Nigeria's oil production had reached 1.7m b/d, bolstered by the declaration of peace in the Niger Delta.

And even though output had not reached the 2.5m b/d level seen prior to the outbreak of violence in 2006, it was, however, 31 per cent more than the 1.3m b/d recorded at the height of the Niger Delta crisis. For the first time in several months, Nigeria was actually able to reach its OPEC production allocation.

"We hope that output will continue to improve after the amnesty. We have a capacity of producing over 3m b/d — the more peace we have, the more stability we will have," Lukman asserted.

Yakubu Tanimu, Chief Economic Adviser to the President, expressed similar optimism for the future. He told reporters in Abuja that the amnesty offer would allow Nigeria to meet its OPEC quota on a regular basis.

Today, industry operators are of the view that following the end of hostilities in the Niger Delta, the country's oil production, including condensates, could rise to 2.5m b/d over the next six months. The only question is whether the government can sustain the amnesty deal.

"If the government can maintain peace in the Niger Delta, we will see Nigeria's oil production climbing to about 2.5m b/d," the Chairman of the Nigerian Council of the Society of Engineers, Bayo Ojulari, told participants at an industry conference in Lagos.

Speaking at the same conference, the President of the Nigerian Association of Petroleum Explorationists (NAPE), Victor Agbe-Davies, said oil companies expected activities in the region to pick up following the amnesty.

"There will be an appreciable increase in production, as well as the resuscitation of abandoned facilities," he noted.

But it is not only crude oil production that has benefited from the peace moves. The country's power output has also risen — by 45 per cent to 2,900 MW. This has followed the resumption of normal gas supply to the power plants in the region.

Minister of Power, Lanre Babalola, noted that the NNPC had commenced gas supplies to the Sapele and Geregu thermal stations, enabling the plants to resume electricity supplies to the national grid.

According to him, the newly built gas-fired power plant in the southwest town of Papalanto was billed to come onstream soon to make its contribution to the national grid and help meet the 6,000 MW capacity target set for December.

"The December deadline for 6,000 MW remains on course, especially now that the NNPC has resumed the supply of gas to some of the gas thermal stations, with some already contributing to the national grid," he said.

The Shell-operated Utorogu plant in southern Delta state, a key source of gas for most of Nigeria's power plants in the region, but which suffered frequently from militant attacks, has increased its production to over 270 million cubic feet of gas per day since August without suffering any incident.

And just as peace has returned to the region, so has the resuscitation of the Delta's commercial and economic activities.

The President of the Port Harcourt Chamber of Commerce, Industry, Mines and Agriculture, Billy Harry, disclosed that the number of proposals for business venture members received so far from foreign investors showed "that the amnesty is actually having a positive effect around the globe."

The Chamber, he said, had received delegations from Trinidad and Tobago, who were inquiring about investment opportunities in the Niger Delta.

Previously, foreign and local companies in sectors such as oil, telecommunications and construction either pulled out of the region, or scaled down their business activities, due to the increasing risk of kidnap.

"We, as a chamber of commerce, support the amnesty programme. From what we are seeing, it is already creating a peaceful atmosphere. It has given opportunities for proper consultation and dialogue," maintained Harry.

The government is fully cognizant of the fact that it has to make good on its promises. It recognized from

A condition of the amnesty was for militants to surrender their arms.

the outset that it must not let the opportunity for peace offered by the amnesty to slip by.

Minister of Information, Dora Akunyili, said the administration was determined to sustain the calm prevailing in the Niger Delta by taking the necessary steps to vigorously address the infrastructure development challenges in the region.

Oil share plan

It was in support of lasting peace that President Yar'Adua met in early October with former militant leaders, where he sought their help in maintaining the peaceful conditions witnessed in the region.

Stressed Presidential Spokesman, Olusegun Adeniyi: "The federal government has agreed to hold a dialogue with any and every person who can help bring lasting peace to the Niger Delta."

More good news for the region has come with the announcement by the authorities that they are working on a plan to share the nation's oil revenues with the communities there.

The move was confirmed by Petroleum Minister Lukman at the annual oil and money conference in London recently, where, in pointing to the early success of the amnesty programme, he revealed that the country's total oil production, including condensates, had risen to 2.2m b/d. He also disclosed that the country would soon restart three of its four refineries.

Under the oil-share initiative, which still has to be approved by parliament, Niger Delta residents would receive hundreds of millions of dollars each year in cash benefits, or through a "trust system".

Lukman told reporters: "Details are still being worked out. We are looking for an arrangement that would be good for the country and good for the Niger Delta people."

Sources said the proposal entailed allocating ten per cent of the proceeds from Nigeria's oil and gas joint ventures to the region's people.

Emmanuel Egbogah, Special Adviser to the President, was quoted as saying that the ten per cent would be taken from the NNPC's majority stake it held in the joint ventures with its Western partners.

"(The foreign oil companies) will not be affected. This is our thing to give back to the Niger Delta," he added.

As the *OPEC Bulletin* went to press, the news was received that Nigerian President Yar'Adua had announced the approval of $1.34 billion in federal funding to build roads, schools and hospitals in the Niger Delta.


AP Photo

Children of the Niger Delta, whose livelihoods and future welfare will improve as a result of the restoration of peace in the region.

The move is a further sign of his administration's determination to maintain peace and stability in the region.

"The projects range from the construction of bridges, roads, hospitals and schools. These projects will definitely accelerate the pace of development in the region," said Information Minister Akunyili.

The money will likely be taken from the federal government's share of a $2bn economic stimulus package released earlier this month. According to a report in the *Thisday* newspaper, the stimulus package was designed to help cushion the effects of the global economic crisis. It was also being viewed as a first installment in the President's post-amnesty contribution towards the development of the Niger Delta.

The government has already announced it intends to construct a major road and railway network that will link the region to other parts of the country. There will also be massive funding of the Niger Delta Ministry and the Niger Delta Development Commission to fast track development in the region.

Indeed, all sectors of society in the country are clinging to the hope that the amnesty succeeds as a permanent road for peace in the Niger Delta. And with the government hoping to fast-track through the National Assembly new legislation that will radically reform domestic oil and gas industry operations, it all bodes well for the future of the country and a rebound in Nigeria's economic fortunes, which is long overdue.

Copenhagen or bust?

Agreement on CCS seen as vital to success of UN climate change talks

By Jerry Haylins

In early December, world leaders will descend on the Danish capital, Copenhagen, for a landmark meeting that is viewed by many as being the last opportunity for reaching a meaningful, fair and lasting agreement on global climate change.

Much is expected of the December 7–18 United Nations Climate Change Conference (COP15), which is aiming to consolidate an action plan drawn up at the last meeting of the parties involved, in Bali, Indonesia in 2007, and more importantly to agree on a replacement for the Kyoto Protocol, which is due to expire in 2012.

The Danish authorities, who are putting considerable effort into making the event a success, are adamant that after almost three weeks of what will surely be intense negotiations, the 8,000 or so participants expected to attend the meeting will go away with fresh impetus and a new, and hopefully binding, accord.

"If the whole world comes to Copenhagen and leaves without making the needed political agreement, then I think it is a failure that is not just about climate. Then it is about the whole global democratic system not being able to deliver results in one of the defining challenges of our century. That is and should not be a possibility. It is not an option," incoming COP15 President, Connie Hedegaard, says in a pre-meeting statement.

Like many others, Ms Hedegaard, Danish Minister for Climate and Energy, views Copenhagen as being a window of opportunity that should not be missed, arguing that it may take years to rebuild the momentum, if it is lost.

OPEC Ministers will be in attendance at COP15. In fact, December will be a busy time for them since immediately after the Copenhagen talks, they will have to hot foot it to Angola for the end-of-year OPEC Ministerial Conference, which is being held on December 22 in Luanda.


Reuters

Incoming COP15 President, Connie Hedegaard.

The Organization's stance on climate change and the environment is well documented (see Bulletin Commentary). Like every concerned party, it wants a healthier planet and that inevitably means reducing the incidence and levels of harmful emissions, which will

grow unless constructive and lasting abatement measures are introduced.

However, it feels strongly about the need to deliver a sustainable energy future that enables both developed and developing countries to reap the benefits of economic development and social progress. At the same time, OPEC considers that recognition must be given to the fact that the priorities of different people will vary. For the developing countries, for example, poverty alleviation, economic development and social progress are deemed essential issues that demand attention, while it is clear that such nations will need more energy, not less, in the future to meet those needs.

The fact is climate change is already providing developing countries with additional challenges, even though they have actually contributed very little to the current situation of global warming.

OPEC is fully cognizant of the fact that with fossil fuels set to remain the mainstay of energy production well into the 21st century, the availability of cleaner, affordable products will be essential, not only for the good of the environment, but also for global prosperity in general.

But one of the salient points the Organization's Ministers will be keen to reiterate at COP15 is that all greenhouse gases — not just carbon dioxide (CO_2) — must be taken into account in the mitigation and reduction process.

Fair and just

As Dr Hasan M Qabazard, Director of the OPEC Research Division, recently pointed out at a conference in Vienna: "We must ensure that mitigation response measures and emission reduction commitments are fair and just. There is a responsibility on the part of the developed countries — the so-called Annex 1 nations under the Kyoto Protocol — to take the lead."

Speaking on behalf of OPEC Secretary General, Abdalla Salem El-Badri, he observed that the huge developmental needs of developing countries, already suffering from the adverse impacts of climate change, as well as the repercussions for the fossil fuel exporting countries themselves, were important elements that had to be considered when working out comprehensive solutions.

"When one considers that between 1990 and 2006 alone, the Annex I countries accounted for some 80 per cent of the world's cumulative CO_2 emissions, it becomes apparent where the main responsibility for mitigation measures lies," he maintained.

Ms Hedegaard also took this line on Annex I countries when she said that to effectively break the deadlock in the Copenhagen negotiations, the developed countries had to come forward with specifics on finance, while the politicians, including heads of state, needed to become more actively involved in the issue.

Dr Hasan M Qabazard, Director of the OPEC Research Division.

"They cannot just continue to talk about finance. They must show and prove to the developing world that they know that they are going to pay, or there will be no agreement. And the sooner the developed countries deliver on finance, the better," she affirmed.

For the oil industry, and from a technological point of view, it is clear that efforts to reduce harmful emissions must include processes that result in cleaner-burning fossil fuels. But along with reduced carbon content of fuels and improved efficiency of energy production comes the need to reduce concentrations of CO_2 particularly through their capture, separation, storage and reuse.

One of the cutting-edge technologies for achieving lower CO_2 emissions is carbon sequestration, or carbon capture and storage (CCS), a pioneering technology that is demonstrating the viability of industrial-scale geological storage of CO_2 as a greenhouse gas mitigation option in the global environmental effort.

The technology associated with CCS is relatively simple — it captures CO_2 emissions from the burning of fossil fuels by power stations and other industrial plants and units and then stores them in the ground in deep formations.

Such is the early success of this groundbreaking technology that the Intergovernmental Panel on Climate Change (IPCC) already rates the process as having the

potential to account for over half the global cumulative mitigation effort by 2100.

As Qabazard noted at the Vienna conference: "These types of technologies need the firm backing of governments, particularly the developed countries that possess the financial clout and technological expertise required. At present, more large-scale CCS demonstration projects are required to develop this pioneering process."

For the oil producers, CCS offers a win-win solution concerning both their operations and environmental responsibilities. On the one hand, the CO_2 they are trapping can be used to support enhanced oil recovery techniques, bringing previously inaccessible oil reserves to the surface, while, on the other, the harmful gas accumulations remain in underground storage and out of harms way.

The Sleipner gas scheme, Norway.

An installtion at the In Salah Gas project, Algeria.

CCS interest growing

Up until a few years ago, only three examples of large-scale commercial CCS projects were in existence — the giant In Salah scheme in Algeria, the Sleipner project owned by Norway's Statoil, and the Weyburn oil field project in Canada.

The impressive In Salah Gas (ISG) project, situated some 1,200 km south of the capital, Algiers, operates the world's first full-scale CCS scheme. Launched in December 1995, the three parties involved in the venture — the Algerian national energy company, Sonatrach (35 per cent), British Petroleum (33 per cent) and Statoil (32 per cent) — are developing seven proven gas fields in the southern Sahara. Onstream since July 2004, the scheme currently produces around nine billion cubic metres of gas a year.

Over the projected 15-year lifespan of the scheme, ISG will capture and inject some 20 million tons of CO_2 into underground geological storage formations. In practical terms, this represents a 60 per cent reduction in the release of harmful gases, a volume that is the equivalent of 200,000 cars travelling 30,000 km a year.

In 1996, Norway set up its commercial CCS project at the Sleipner gas field in the North Sea. And just recently,

the country's government announced it intended to almost double its funding of carbon capture research next year to $620 million.

Today, the future of this innovative, effective and increasingly essential technology is seemingly bright. As the Global CCS Institute told the third meeting of the Carbon Sequestration Leadership Forum (CSLF) in London recently, there are now 64 full-scale integrated CCS projects in the pipeline worldwide, with seven actually operational.

Interest is clearly growing in CCS, as demonstrated by the CSLF, which now comprises 22 member countries, including the world's two biggest polluters, China and the United States, as well as the European Commission. Total membership actually represents over 3.5 billion people, which is 60 per cent of the global population

And at the latest meeting, leading industry executives participated for the first time alongside ministers, in recognition of the importance of forming government-industry partnerships to make CCS a commercial reality. China has agreed to host the next CSLF meeting in 2012.

The forum specifically focuses on the development of improved cost-effective technologies for the separation and capture of CO_2 for its transport and long-term safe storage. The CSLF Charter, established in 2003, establishes a broad outline for cooperation and collaboration to make technologies available internationally, while addressing the key technical, economic, and environmental obstacles.

Delegates to the CSLF meeting heard how finance is still the biggest barrier to more full-scale integrated CCS projects being developed. However, several proposals are on the drawing board that could significantly reduce CO_2 capture costs, when compared with existing, conventional processes.

The London talks, co-chaired by the United Kingdom and Norway, agreed that whatever methods were utilized, financial incentives for the development of CCS technology must form part of any deal reached at the Copenhagen COP15 meeting.

UK Energy and Climate Change Secretary, Ed Miliband, told the meeting there was agreement that "we need countries around the world to finance demonstrations, as we are doing in the UK. We need technology cooperation for know-how and capacity-building and a financing agreement at Copenhagen which can drive CCS forwards in developing countries.

"Without CCS, there is no solution to climate change," he maintained. "As well as getting things in place in the UK and Europe, we need that consensus at the global talks in Copenhagen."

European Union (EU) Energy Commissioner, Andris Piebalgs, who also addressed the CSLF meeting, urged continued support for CCS, but stated that even though it was essential public authorities continued to back the promotion, development and deployment of new technologies, it was also time for significant private sector investment, in order to commercialize demonstration projects and "bring CCS technologies to the level of economic feasibility."

EU support for CCS

The EU is supporting CCS initiatives through a package of legal, administrative and financial incentives and the European Commission has already presented EU member states with proposals to fund seven specific CCS projects across Europe.

Ed Miliband, Energy and Climate Change Secretary, United Kingdom.

Looking at the broader picture, the aim of the Group of Eight industrialized countries is to have 20 CCS demonstration projects in place globally by 2010, as well as a firm understanding adopted on the way forward for CCS ahead of the Copenhagen meeting.

And if one heeds a report by the International Energy Agency (IEA), over the next decade the world will need to build at least 100 CCS demonstration projects, half of which need to be located in developing countries, to effectively combat climate change.

This was relayed to the London meeting by IEA Executive Director, Nobuo Tanaka, who went further by saying that, in 2050, thousands of CCS schemes would need to be up and running.

"We will need 100 large scale projects by 2020, 850 by 2030 and 3,400 in 2050," he maintained, adding that the industrialized countries must take the lead in financing the projects.

Huge investment needed

The IEA estimates that some $56 billion of investment in CCS technology will be required globally up to 2020, with another $646bn required over the following ten years.

Even though all fossil fuels will be subject to CCS schemes, the drive will mostly be to capture emissions from coal-fired power stations, the biggest polluter. However, the necessary technology has not yet been sufficiently developed and tested.

The UK's Miliband told the meeting: "The world's biggest coal-using nations recognize we cannot continue with business as usual on coal."

He said a mechanism was needed that would at least provide the opportunity for developing countries to get help with financing some of the incremental costs of their projects.

Speaking on the UK's CCS plans, Miliband told delegates that his ministry's studies showed there was enough potential under the North Sea to store more than 100 years' worth of CO_2 emissions from the UK's power operations. The government had committed over £400m towards developing low carbon technologies to meet national targets.

The government, he stated, would introduce legislation in the next session of parliament that would allow for a levy on energy bills that could then fund "between

Andris Piebalgs (l), European Union Energy Commissioner, with Martin Ferguson, Minister for Resources and Energy, Australia.

Reuters

two and four" CCS projects in the country. It was already running a competition to completely fund a £1bn CCS plant in the UK.

"We are also working closely with Norway and other countries to ensure the North Sea fulfils its potential in the deployment of CCS in Europe. We want to get the UK regulatory framework in place so we can harness that potential and make the North Sea part of the CCS revolution," he explained.

Subject to the outcome of consultations, his ministry aimed to introduce regulations in the first quarter of 2010, in order to bring the regime into force in April next year.

In the summer this year, the UK and Norway joined forces to commission a study on the role of the North Sea in providing storage space under the sea-bed for CO_2 from European countries.

The study is looking at how quickly the base of the North Sea could be needed for CO_2 storage and what the UK, Norway and other countries have to do to get it ready in time.

The specific aim of the study will be to build a profile for the whole of the North Sea, assessing each country's storage potential and projections of likely volumes and locations of CO_2 flows, against a rising price of carbon.

Nobuo Tanaka, IEA Executive Director.

CCS on industrial scale

At the CSLF talks, emphasis on developing suitable CCS technology for coal use was also made by Martin Ferguson, Minister for Resources and Energy of Australia, which is the world's biggest exporter of seaborne coal.

He told the meeting that demand for coal worldwide had been growing faster than any other energy source, so a successful global response to climate change depended upon the capacity to deploy CCS on an industrial scale.

He also echoed other ministerial statements in warning that any global response to climate change would remain ineffective if countries failed to accelerate the development and deployment of CCS technology on a widespread, commercial scale.

"Australia recognizes that CCS and renewable energies are not competing alternatives, which is why we are investing billions of dollars in both the commercialization of new solar, geothermal, wave, and energy storage technologies, and the lowering of emissions from traditional fossil fuels," he said.

Ferguson maintained that knowledge-sharing was one of the major challenges in making CCS a commercial reality, adding that even though national, cultural, institutional, commercial and personal issues often got in the way of progress "these barriers can be — and must be — overcome."

He said that was why Australia had launched the Global CCS Institute, an independent, well-funded agency that would act as a global broker of expertise.

"By sharing knowledge, the institute can help to spread the technology across the world, drive down costs, accelerate innovation and improve public awareness," he told delegates.

Ferguson made it clear that his country wanted to take a leadership role on global CCS expansion and development issues, with the express aim of establishing a comprehensive regulatory framework for the industry.

"We need a global community for CCS. Knowledge-sharing will foster the innovation, investment and integration necessary if we are to make this technology a commercial reality by 2020," he professed.

The sovereign wealth of nations:

Turning foreign earnings into investments

As macroeconomic experts continue looking for signs of a global economic recovery amid continuing financial uncertainty, one type of investment vehicle — sovereign wealth funds (SWFs) — may be gearing up for renewed activity. The OPEC Bulletin's Alvino-Mario Fantini takes a look at these massive global funds.

After months of turbulence and uncertainty, some observers of the global economic scene are suggesting that corporate earnings and financial markets are finally coming back to life. While this may be the case in some regions, the aggregate total amount of financial capital available worldwide has fallen — and remains dampened. Consider the fact that investment banks are charging higher underwriting fees to compensate for fewer deals and declining revenues; that venture capital fund raising in some regions has fallen to its lowest level in years; and that private equity firms are having a difficult time raising fresh capital.

Even the largest of the global pools of capital — sovereign wealth funds — are being forced to re-think the way they do business. Last month, representatives of some of the world's largest SWFs gathered in the city of Baku (Azerbaijan) for a two-day meeting of the International Forum of SWFs (IFSWF) to discuss the global outlook for their industry and the challenges that lie ahead. With some SWFs experiencing double-digit losses in the last six months, many funds have been forced into a re-evaluation of their investment priorities. Some funds have even started to collaborate on investment projects.

Founded earlier this year in Kuwait, participants at the IFSWF in Baku included top funds from Australia, China, New Zealand, Norway and the United Arab Emirates. It marks the first public meeting of these widely misunderstood funds. It may even signal the beginning of a more formal, open way of going about their business — after years of mystery and misunderstanding.

Compared with private equity or venture capital firms, SWFs are of special interest because of their size and the lack of information about them. They also appeal to one's sense of intrigue since the opportunities — and risks — that they may pose to the world's markets can be substantial. Their growing size — and the diversity of their investments across different sectors of many industrialized countries — have drawn attention for years. While numerous journalistic and scholarly articles about them have appeared (in, for example, *The Wall Street*

Journal or the *Journal of Private Equity)*, SWFs remain something of a mystery for most people.

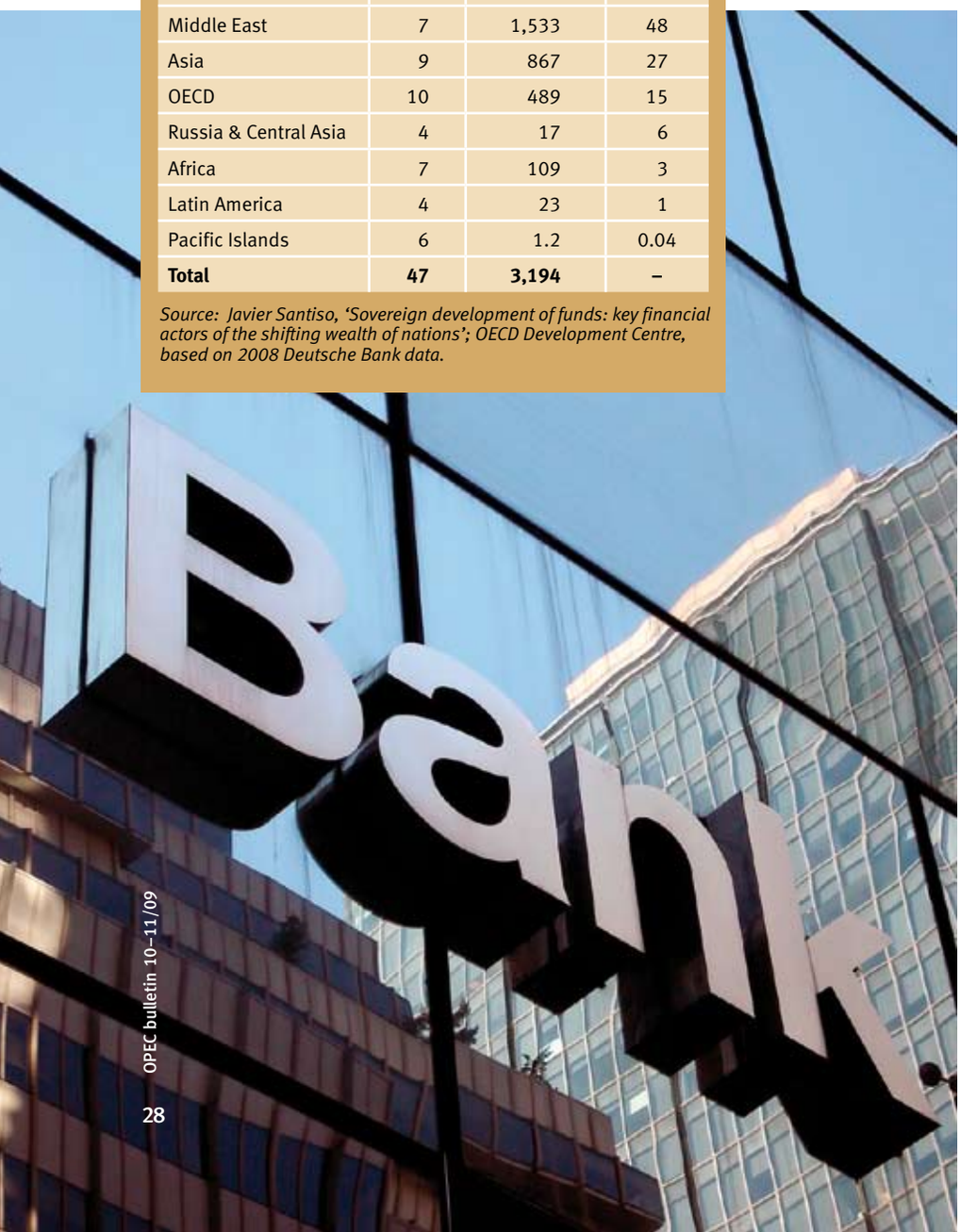
The origins of sovereign wealth

Defining SWFs and finding a precise origin is difficult. The task of determining what is — or is not — a SWF is made difficult since there are many pools of funds that may be considered a SWF. For example, state or central government pension funds, special stabilization funds, or any other government investment vehicle may all be considered a type of sovereign wealth fund. Some analysts cling to legalistic definitions; others suggest trying to understand SWFs by simply looking at their source of funding and their investment behavior. That seems to be the most reasonable approach to adopt.

Table 1: SWFs by origin, 2008 *(per cent)*

	Number	Assets *$ billion*	% of total
Middle East	7	1,533	48
Asia	9	867	27
OECD	10	489	15
Russia & Central Asia	4	17	6
Africa	7	109	3
Latin America	4	23	1
Pacific Islands	6	1.2	0.04
Total	**47**	**3,194**	**–**

Source: Javier Santiso, 'Sovereign development of funds: key financial actors of the shifting wealth of nations'; OECD Development Centre, based on 2008 Deutsche Bank data.



The actual term "sovereign wealth fund" didn't appear until 2006, according to a report from Agence France-Presse. But SWFs have been around since the 1950s when various countries took state revenues and created national investment funds. These funds were designed to tackle different national development challenges — for example, to help absorb the hazards posed by extreme price fluctuations for a country's raw material exports, to help finance the development of infrastructure, or to finance a country's pension fund system.

Today, SWFs typically arise as a consequence of the massive build-up of foreign reserves in a country's central bank (usually from the windfall profits from the export of some raw material, or commodity, such as oil). A country's government will often choose to channel these growing foreign reserves into special investment funds — which end up functioning as a SWF.

Some of these SWFs are truly massive. According to a report from Morgan Stanley, by the beginning of 2008, SWFs around the world had approximately $3 trillion in assets. The ten largest funds alone had assets of about $2.2tr at the end of 2008, according to consultancy RiskMetrics. Their huge size of course draws attention. And since about a third of their total assets — $1tr — is invested in international equities, their size can also move markets.

But where does this money come from? As any basic textbook on national accounts will explain, when a country's main exports — especially (but not exclusively) oil and gas, and other tradable (exportable) goods — generate foreign export earnings, they flow into the country's central bank reserves in the form of foreign currency (dollars, say, in the case of oil export earnings). These central bank reserves can be staggering. At the end of 2007, there were about $5.5tr in global central bank reserves.

Some of these reserves finance the government investment vehicles known as SWFs. Sometimes these foreign earnings held in a country's central monetary authority are used to simply back up the value of the local or national currency, which is then used to purchase foreign imports or run a trade deficit.

The risk of Dutch disease

As with any imbalance, running a trade deficit may eventually lead to greater problems. When the level of foreign

earnings is too large, there may be too much money flowing into a country's central bank. With excessive foreign reserves, the local currency will end up being overvalued — which makes foreign imports cheaper for locals, while raising the cost of exports. The level of exports (which are suddenly too expensive) will then drop, harming the country's export sector. At the same time, with an overvalued currency and cheaper foreign imports, the trade deficit will spike — and, soon, the country will be facing severe inflationary pressures.

This is very close to the classic definition of 'Dutch Disease', which is named after an earlier financial crisis. Holland's successful export of North Sea natural gas in the late 1950s brought in so much foreign revenue that it soon faced a terrible situation. The local currency became overvalued, the country's tradable goods and manufacturing sector slowed, and it soon entered an inflationary spiral.

Thus, SWFs were created in order to re-invest large amounts of financial capital outside of a revenue-rich country. It is not by accident that most of the world's SWFs originated in the Middle East. Due to the success of petroleum exports over the years, many of these countries had significant reserves that had to be put to use. In fact, it is Middle Eastern SWFs that have the largest number of assets (nearly $1.5tr in 2008). The accompanying **Table 1** provides a breakdown of the regional origins of the world's SWFs. The alternative — leaving these massive funds in central bank accounts in each country — would have posed significant problems.

Over the years, SWFs have taken large private equity positions in private-sector companies, industries and infrastructural projects around the world, especially in the advanced economies of the West. They have also invested in other, state-owned enterprises and government securities. Other entities and financial instruments can be of interest to SWFs too. Back in 2007, Qatar's SWF had a large 20 per cent stake in the London Stock Exchange. Many of the largest SWFs, especially in Asia, have invested heavily in US Treasuries.

There are also numerous examples of SWFs investing in key, growth industries in emerging and developing economies (although the limited absorptive capacity in these countries is often a constraint).

But some of the biggest transactions in the world in the past two years have been SWF acquisitions of equity in large corporations in the developed world. The government of Singapore's SWF, for example, had nearly ten per cent ownership of Swiss bank UBS, while the China Investment Corporation (CIC) previously had a similar stake in former US investment bank Morgan Stanley. CIC in particular, has shown remarkable strategic thinking. Originally set up with an initial investment of $200 billion in late 2007, CIC's assets eventually grew to nearly $300bn by the end of 2008.

But CIC outperformed most other SWFs — and pension funds and university endowments as well — around the world by taking an extremely cautious approach in 2008. The moment its managers noticed economic indicators weakening in early 2008, they began to slow the fund's investment rate. They shed many of the fund's equity positions. Thus, on average for 2008, a staggering 88 per cent of CIC's holdings were in cash; only three per cent were in equities and nine per cent in fixed-income instruments. This helped to protect the SWF from the severe downturn in late 2008.

The global financial landscape today is, of course, dramatically different from early 2008. Although there are signs now of some recovery in some of the industrialized nations, there is still a long way to go before the world's bourses and economies recover — and before SWFs regain the appetite for risk they had before the crisis. While it is true that many hedge funds and private equity funds have taken a beating over the past year, the financial capital in most SWFS still needs to be deposited somewhere.

Finance and development

But different approaches exist. One cannot generalize and say that all countries with large amounts of foreign reserves *must* set up a SWF. There are other paths that can be followed. Depending on the size and scale of a country's foreign reserves, one could keep things at home, in the domestic economy.

One need only look at Chile's recent handling of windfall mining profits. Rather than invest these abroad or to finance domestic social programmes, the Finance Minister, Andres Velasco, chose to keep the funds at home, safely invested and squirreled away for a rainy day. Though under intense political pressure to authorize payouts, Velasco stood firm and kept arguing for maintaining the funds in savings.

Fortunately for him, world events showed him to be wise beyond his years. When the 2008–09 crisis spread to the Latin American region and employment opportunities dried up, Chile had those savings on which to rely. Thanks to Velasco's prudence, they had not been

squandered on payouts, new social programmes — or SWF investments abroad. China's CIC, for example, in the past has also chosen to take large equity stakes in strategic Chinese banks at home, rather than investing abroad. But this is the exception, not the rule.

Sometimes SWFs are seen as a tool for national development. Angola, for example, an OPEC Member Country, recently announced that it would be setting up a SWF in order to put its oil wealth to good use — in the interests of the nation. It certainly has the resources on which to draw. In 2008, Angola earned $64bn from the sale of its petroleum exports, according to OPEC Secretariat figures. But for the past few years, the country has been simply using its National Oil Company, Sonangol, as a vehicle to invest in foreign shares. The creation of a SWF would formalize these investment efforts, allow it greater flexibility and help the country capitalize on its oil wealth.

Controversial funds?

As Javier Santiso, Director of the OECD's Development Centre, suggests, the growing clout of SWFs is really just a symptom of ongoing changes in the global arena — and shifting economic power, going from West to East, and from North to South. It is no longer the advanced, industrialized countries of the West that are taking equity positions in companies around the world; increasingly, resource-rich nations of the East and the South are participants.

It's important to remember that cross-border (and state-to-state) investments and government-backed investment funds have existed since the 1950s. What has really changed is the scale and size of the funds now in existence, and the sophistication with which some of them make their investment decisions.

Currently, the world's SWFs have more than $3tr in assets. According to some estimates, despite the current global downturn, SWFs are still predicted to reach $7tr in asset size by 2012; and by 2018 they could grow to $17.5tr. **Table 2** provides a partial listing of the top 15 most important SWFs around the world.

These staggering sums have raised concerns because many SWFs have channelled their investments into so-called strategic industries in other countries — industries such as shipping and transportation, or in public-sector entities. Many recipient country governments considered these industries "strategic assets" or important to national security. Since many SWFs often originate in countries not commonly associated with Western interests, such investments have raised concerns over indirect political pressures (ie, some countries are weary of becoming some kind of "plaything for the political whims of foreign powers").

But analysis by financial experts and the opinion of security experts in many recipient countries has not necessarily borne this out. Felix Chang, a partner at CVP Ventures, a private equity firm in the US, says: "SWFs have the potential to create genuine security concerns … but whether that potential is transformed into reality can only be seen on a case-by-case basis." In other words, one cannot paint all SWFs with a broad brush. Much depends on the exact nature of the relationship between the home country of the SWFs and the recipient country, he adds, as well as "the degree to which a SWF investment can influence economic or strategic outcomes in the host country."

In addition to their size and strategic investment destinations, it is the lack of transparency of SWFs that has contributed to suspicion about their activities. There are, for example, no formal requirements for SWFs to disclose their holdings or overall investment strategies. Most SWFs do not disclose any information at all. They thus have no obligation to make any disclosures and, furthermore, are not answerable to any international organization, or body.

In the face of such criticism and growing suspicion, 28 SWFs met late last year and adopted a set of guidelines called the 'Santiago Principles'. These made up a voluntary code of conduct which set disclosure requirements on SWFs on areas such as the source of funds, their investment objectives, their overall structure and governance. The adoption of these principles was taken as a sign, by some observers, that SWFs recognized their obligation to reassure the world's governments and capital markets.

Since the signing of the Santiago Principles, many of the largest SWFs have adopted meaningful self-imposed transparency policies. Such self-regulation has led to wider acceptance of SWFs, according to some media reports. But adoption of these principles by more SWFs, and compliance with the self-imposed requirements, still has a long way to go.

When size matters

According to media reports, the massive size of some SWFs has also been seen as a potential risk to the global financial architecture itself. But this has not been

Table 2: Partial listing of most important SWFs

Country	Fund	*$ bn*	Start year	Source of funds
UAE	Abu Dhabi Investment Authority (ADIA)	875	1978	Oil
Singapore	Government of Singapore Investment Corporation (GIC)	330	1981	Non-commodity
Norway	Government Pension Fund (GPFG)	322	1990	Oil
Saudi Arabia	*(various)*	300	*na*	Oil
Kuwait	Kuwait Investment Authority (KIA)	250	1953	Oil
China	China Investment Company	200	2007	Non-commodity
Hong Kong	Hong Kong Monetary Authority Investment Portfolio	140	1998	Non-commodity
Russia	Stabilization Fund of the Russian Federation (SFRF)	127	2003	Oil
China	Central Hujin Investment Corporation	100	2003	Oil
Singapore	Temasek Holdings	108	1974	Non-commodity
Australia	Australian Government Future Fund (AGFF)	50	2004	Non-commodity
Libya	Reserve Fund	50	*na*	Oil
Qatar	Qatar Investment Authority (QIA)	40	2000	Oil
United States	Alaska Permanent Reserve Fund Corporation (APRF)	40	1976	Oil

supported by evidence. Many analysts and economists actually point to the overall stabilizing effect which SWFs have had on the world's financial system at critical times. SWFs are seen as often providing liquidity to the global financial system and cash-strapped market participants. They are seen by some observers as helping the financial system because of their long-term 'buy-and-hold' approaches. Recently, for example, SWFs have helped to offset the effects of the credit crunch by providing key institutions with much-needed liquidity (ie, Singapore's Temasek's recent $5bn investment in Merrill Lynch and the Kuwait Investment Authority's decision to invest $3bn in Citigroup).

In addition, some observers point to the overall foreign policy benefits (eg, closer cooperation) of increased cross-border investments and financial ties between SWFs countries and Western nations. The benefits, one could say, flow two ways, with both SWFs and recipient countries — or companies or industries — benefitting from the investments made.

Proof that SWFs are increasingly being taken seriously can be seen in the Bank of New York Mellon's recent decision to set up a SWF advisory board which will help the institution attract clients from among the SWF universe. Recognizing their growing global clout, a representative of the Bank called SWFs a "key client segment". In addition, Edhec, the French business school, recently announced that it was joining forces with Deutsche Bank in the creation of a programme focusing on SWFs. Clearly, recognition of the importance of SWF is growing worldwide.

The current financial crisis has not meant the end of the SWF; it has primarily served to force a re-alignment of its priorities. While many SWFs have shed investments, opting for cash-heavy positions, they continue to operate. And after a temporary lull in global investment activity, reports indicate that SWFs are preparing for a fresh, new round of investment flows worldwide. Kuwait's KIA has recently expressed interest in investing in Germany's Porsche (which is in urgent need of capital, labouring under a net debt of €9 billion).

Furthermore, SWFs may not be limiting their investment horizons to established industries anymore, but may be casting their net wider — to include private equity and hedge funds. China's CIC, for example, recently announced that it is planning a $500 million investment in the US-based Blackstone hedge fund, a significant stake in a powerful US financial firm.

These are healthy signs pointing to the important role SWFs have in providing global liquidity. Clearly, as Ted Truman, a fellow at the Peterson Institute for International Economics in Washington, says, SWFs are definitely "here to stay."

Photographs: Shutterstock.

A winning bid

Iraq hoping to turn corner with Rumaila oil field agreement

Almost two decades after the eruption of the Gulf crisis, which effectively crippled Iraq's oil sector, the country is finally seeing a light at the end of what has been a very long tunnel. With the security situation improving, new oil legislation in the pipeline and crude oil production increasing, the outlook for the future is a good deal more promising. Although the much-needed influx of foreign investment is still uncertain, one contract just secured with two of the world's leading oil companies could pave the way for more deals in December's next oil bidding round. The OPEC Bulletin's ***Jerry Haylins*** *reports on the reasons for the current optimism.*

Iraqi workers operate the valves at the oil fields of Rumaila.

AP Photo

Dr Hussain Al-Shahristani, Iraqi Minister of Oil.

Iraq's determination to bring about a sustained recovery in its domestic oil sector is bearing some fruit with the news that oil production continues to increase with more contracts being lined up for the development of the OPEC Member Country's substantial petroleum resources.

The Oil Ministry, which is striving to boost Iraq's oil operations and international standing after years of conflict and destruction and neglect of its oil installations, has announced that crude output in September, as measured at the wellhead, rose to over 2.5 million barrels/day.

This was slightly higher than in August, but more importantly another sign that production continues along a path of recovery witnessed through much of this year so far.

Back in 1990, Iraq was producing around 2.1m b/d of crude. This slumped to just 280,000 b/d the following year with the eruption of the Gulf crisis. Over the ensuing years, it has slowly recovered, but one has to go back as far as 1979 to see the country's highest output at 3.7m b/d.

But the government can take heart that although output has been stagnant, there has been a significant reduction in the number of militant attacks on oil installations, while some $10 billion has already been pumped into infrastructure development.

And with just a fraction of the country's 80 or so known oil fields currently in operation, with very little new drilling, once the security and infrastructure problems have been ironed out, the future looks assured.

Oil Ministry officials have already estimated that investment in the region of $50bn will be required for Iraq to attain its goal of producing 6m b/d of oil by 2017.

But with crude prices falling from last year's high levels, coupled with lower production, the country's oil revenues have been hit substantially, resulting in the government announcing that it will have to seek funding for its plans from the World Bank and International Monetary Fund. Oil revenues pay for more than 90 per cent of Iraq's expenses.

Significant progress

Assim Jihad, Oil Ministry spokesman, pointed out that the main reason Iraq was not able to match previous output levels was because its domestic oil installations were all too old.

At the moment, significant progress is also being hampered by the lack of a new hydrocarbons law, but officials are confident that a few years down the line, Iraq will once more be a major contender in oil production circles.

"We need to speed up the hydrocarbons legislation to make it easier for international companies to come in and invest because we need money to be pumped in to develop the infrastructure," stressed Jihad.

In its drive to expand and modernize the domestic oil sector, the Iraqi government is striving to attract foreign investment, expertise and to access new technology to tap its estimated 115 billion barrels of oil reserves.

Oil workers at an installation at the Al Zubair oil field.

Oil Minister, Dr Hussain Al-Shahristani, was recently quoted as saying that investment of around $100bn was expected to be made in the country's oil industry by foreign firms in the coming years, stressing that no Iraqi government funds would be allocated to the industry.

He said he expected Iraq's oil production capability to eventually rise to 10–12m b/d, making the country one of the world's biggest oil producers.

The country's first oil bidding round in the summer this year proved to be disappointing, with oil firms seemingly still wary of the situation and prevailing conditions in the country. But the Oil Ministry, under Al-Shahristani, is optimistic the second round, scheduled for December, will be more forthcoming.

As officials learned at a two-day oil contract workshop in Istanbul, Turkey recently, the country is in the process of lining up a number of promising deals for the second bidding round. Such accords have the potential to virtually triple the country's production capability.

For example, Iraq's 5bn b Nassiriya oil field could see its output reach 200,000 b/d under a proposed $8bn development scheme. Officials are in final discussions with a consortium led by Japan's Nippon Oil.

Two further deals — for the development of the West Qurna and Al Zubair oil fields — are close to coming to fruition.

Increased rig activity

A group led by ExxonMobil is lined up to develop West Qurna, which has reserves of almost 9bn b. The proposal is to boost the field's production under phase one to 2.1m b/d.

Meanwhile, Italian energy firm, ENI, is to lead a consortium to develop the Al Zubair field in southern Iraq. Production at the 4bn b field is expected to rise to 1.13m b/d under the tentative plan signed recently.

In addition, the Iraqi Drilling Company (IDC) has announced it intends to drill some 150 wells during next year that could add 250,000 b/d to present oil production levels. Speaking at the Istanbul talks, IDC Director General, Idris Al-Yassiri, revealed that the wells would be both new and work-overs.

The firm currently had 33 drill and work-over rigs operating. By the end of this year, that number should rise to 53, with a further seven rigs added by the end of 2010.

Altogether, at the second bidding round in December, a total of ten undeveloped fields will be up for auction in the country. These possess an estimated 40bn b of crude reserves.

The one encouraging piece of news to come out of the June oil bidding round was that the Oil Ministry has now signed a deal with British Petroleum and the China National Petroleum Corporation (CNPC) to develop the super-giant class Rumaila oil field.

The field, which extends from Basra, Iraq's second largest city, south across the border into Kuwait, is listed as the fifth largest known single reserve of oil in the world. Discovered in 1953, it is thought to contain 65bn b of crude oil. The field is currently producing at around 1m b/d, but under the new 20-year deal, which will tap just under 20bn b of oil, BP and CNPC aim to boost output to a potential 2.85m b/d.

Iraq's cabinet recently approved the Rumaila development contract with the two companies to develop the field.

Abdul-Mahdy Al-Ameedi, Deputy Director of Iraq's Petroleum Contract and Licensing Directorate, was quoted by the *Reuters* news agency as saying that this sent a "strong signal" to other international oil companies thinking of trying to secure agreements with the country.

He disclosed that Iraqi oil officials were engaged in further talks with Royal Dutch Shell over the Kirkuk field development, after the firm failed to clinch a deal in the country's June bidding round.

At Rumaila, BP holds a 38 per cent stake, while CNPC has a 37 per cent share. Iraq's South Oil Company controls the remainder. BP's Chief Executive Officer, Tony Hayward, has estimated that the Rumaila development would cost anything up to $20bn.

Under the terms of the deal, BP and CNPC will be expected to conduct 3D seismic and geographical surveys, drill 20 new production and ten new injection wells, as well as rehabilitate 130 wells, build two water re-injection plants and rehabilitate, or construct, extra field gathering and processing facilities.

BP will utilize its expertise to tap the oil, while CNPC will be responsible for the provision of infrastructure above the surface.

Hayward was quoted as saying that his company expected to make a profit at Rumaila similar to its other investments. He said some 12bn b of the field's oil had already been exploited. They hoped to start work on the new project early in 2010.

Engineers working at a pumping station in the West Qurna oil field.

Iran launches oil exchange

New bourse aims to boost economic activity, investment

Iranian Petroleum Minister, Masoud Mir-Kazemi.

After repeated delays, Iran has launched its international oil exchange for trading in crude, oil products and petrochemicals. The facility is aimed at boosting the nation's economy and attracting investment.

The bourse, based in the Kish Island free trade zone, had been planned for years, but faced repeated delays. The first phase of the exchange for trading oil products was inaugurated in February 2008.

"Our aim is to shift oil market trade focus in the region to Kish Island," the country's student news agency (ISNA) quoted Iranian Economy Minister, Shamseddin Hosseini, as saying at the inauguration ceremony, held towards the end of October.

Iran, OPEC's second largest crude oil producer, hopes the new exchange will help boost the standing of its domestic downstream sector to match its upstream crude oil operations, the country's main foreign currency earner.

It stated that when plans for the exchange were first mooted, some analysts speculated that Iran might use it to undermine the importance of the US dollar, by pricing crude in euros, or other currencies. The report did not specify the currency in which trading would take place.

Iran wants to deregulate the prices of its petrochemicals and other oil products and create more transparency, as part of a privatization drive, aimed at attracting more foreign investment into the country's oil industry.

Iran, with production of over 20 million tons a year, is the fourth largest producer of petrochemical products in the world, controlling some five per cent of global output. It ranks second in the region after Saudi Arabia.

Unfortunately, commented ISNA, investors had shown limited interest in making inroads into Iran, mainly because of the effect of sanctions imposed on the country by the United Nations and the United States over its disputed nuclear programme.

Iranian Petroleum Minister, Masoud Mir-Kazemi, who is aiming to reinvigorate the country's hydrocarbons sector, has indicated that Iran needs foreign investment to develop its oil and gas industry, as well as its technical capabilities.

ISNA pointed out that Iran had struggled for years to develop its energy sector and now it had to contend with a lack of international credit, as well as the sanctions.

Refining capacity expansion

Sources maintain that the country's petrochemical capacity expansion is likely to mainly focus on the expansion

Petroleum Minister, Gholamhossein Nozari, stated that the bourse provided an economic opportunity for Iranians, other countries, and foreign customers.

"We have been a good seller of oil ... the aim we have today is higher — to have a share in oil trading," he said at the opening.

The Iranian rial was used for all transactions in the first phase, but, as the Minister explained, these could be converted into any currency in real time.

Nozari added that trading was based in the Kish Island free-zone so that investors could take advantage of easy transfer of money and be eligible for tax exemptions.

A statement posted on the Ministry's website said that the Exchange's first transaction last year involved 100 tons of polythene, a plastic used for packaging.

Former Iranian Petroleum Minister, Gholamhossein Nozari.

of the country's refining capacity. Iran does not possess sufficient refining capacity to meet its domestic gasoline needs, leaving it more vulnerable to the trade sanctions.

Ali Akbar Hashemian, Director General of Iran's Mercantile Exchange Company, was quoted as saying that the new exchange would help develop the national economy. He expressed hope that the bourse would increase the trade of oil products and encourage investment in the energy sector.

The Tehran-based Iran Mercantile Exchange is using 'spot', rather than futures trading, requiring immediate payment and the delivery of the physical product.

Iran, holder of the world's second-largest oil and gas reserves, is aiming to play a more active role in oil and petrochemical transactions in international markets. The country also wants to encourage local investors to participate in the oil market as it tries to reduce the state's role in domestic energy operations.

Iran had been expected to start its own oil-trading market as early as 2005, but the first phase of the Mercantile Exchange was not opened until February 2008. In the meantime, Dubai launched the Gulf's first bourse to trade in sour crude oil futures, which best reflects the type of oil produced in much of the region.

At the initial opening of the Exchange, the then

Iranian women shopping in Kish Island free trade zone, which is home to the new oil exchange.

Qatar Airways plane first to fly on gas-blend fuel

Shutterstock

Qatar Airways has become the first airline in the world to power a commercial passenger flight by a natural gas-based fuel.

According to the Qatar News Agency (QNA), the country, which it described as "the pioneer of many trailblazing ventures in the past," had, with the innovation, changed the course of the aviation industry for good.

At the same time, it had reinforced Qatar's commitment to safeguard the global environment.

The Airbus 340-600 aircraft in question, flown by two Qatari pilots, touched down at Doha International Airport to a rousing welcome after a six-hour flight from London Gatwick Airport.

"It marked a historic moment for the business of aviation, struggling as it is to cope with the effects of the worldwide recession, high aviation fuel prices and criticism for the environmental pollution it is causing," the English-language Gulf Times said in an editorial.

The fuel — a 50:50 blend of synthetic gas to liquids (GTL) kerosene and conventional oil-based kerosene — was developed and produced by Shell. It is the outcome of more than two years of scientific work carried out by a consortium consisting of Qatar Airways, Airbus, Qatar Petroleum, the Qatar Science and Technology Park, Rolls-Royce, Shell and Woqod.

"The flight opens the door to an alternative to oil-based aviation fuel," Malcolm Brinded, Royal Dutch Shell's Executive Director, Upstream International, commented.

"We are now well on the way to launching GTL on a world scale for the first time," he added.

Rainer Ohler, a spokesman for Airbus, said the development was a major breakthrough which "brings us closer


Reuters

Left: Abdullah bin Hamad Al Attiyah, Qatar's Deputy Prime Minister and Minister of Energy and Industry.

Below: Qatar Airways Chief Executive Officer, Akbar Al-Baker.


Reuters

AP Photo

to a world where fuels made from feedstocks, such as wood-chip waste and other biomass, are available for commercial aviation."

He pointed out that Airbus predicted that by 2030, up to 30 per cent of all jet fuel would be from alternative sources.

GTLjet fuel burns with lower sulphur dioxide and particulate emissions, which helps improve air quality at busy airports.

The QNA report said Qatar would become the world's leading producer of GTL kerosene when the fuel is put into commercial production from 2012. The country is already the world's top exporter of liquefied natural gas (LNG).

Qatar Petroleum and Royal Dutch Shell are building the Pearl GTL plant at Ras Laffan industrial park, which will have an annual output capacity of around one million tonnes, enough to carry 250 passengers around the world 4,000 times when used in a 50 per cent blend to make GTLjet fuel. The plant will produce cleaner-burning kerosene and diesel, among other products.

Qatar's position as the GTL capital of the world has been further enhanced by the latest achievement, as the country's Deputy Prime Minister and Minister of Energy and Industry, Abdullah bin Hamad Al Attiyah pointed out.

Qatar Airways Chief Executive Officer, Akbar Al-Baker, who was on the special flight, said he was thrilled with the development, stating that he was especially proud that his airline was associated with the world's first commercial passenger plane using a GTL fuel.

"This milestone flight is the first step in making this alternative fuel available to airlines," he added.

House of Wisdom

Saudi Arabia inaugurates state-of-the-art university

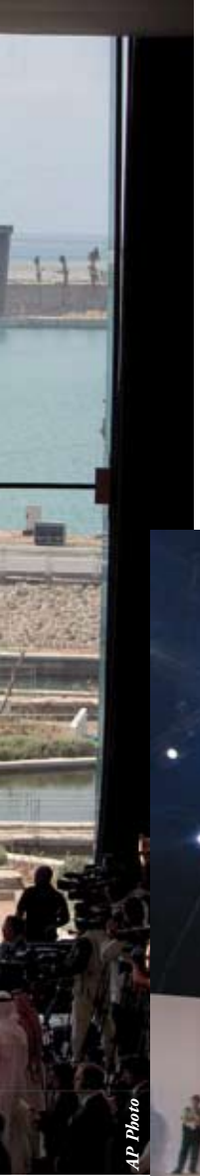
Saudi Arabia has inaugurated the King Abdullah University of Science and Technology (KAUST), a groundbreaking facility described as a "house of wisdom" aimed at "attracting the best minds in the world."

Covering a 9,000-acre area along the coast of the Red Sea at Thuwal, north of Jeddah, the international graduate-level research university opened its doors on the Kingdom's National day on September 23. It will provide state-of-the-art learning facilities for students and professors from around the world.

King Abdullah bin Abdul Aziz Al Saud, Custodian of the Two Holy Mosques, who led the inauguration ceremony, pointed out that KAUST was in keeping with Saudi Arabia's vision of developing a university where scholars could work together to help solve problems facing the world today, while also bridging gaps between various cultures.

Scientific centres, such as KAUST, that embraced all peoples, were also the first line of defense against extremists and would become a "beacon of tolerance", as well as a "house of wisdom" to all their peers, he stated.

The university has the personal backing of King Abdullah, who is seeking to "rekindle and spread the



AP Photo

Left: Room with a view ...
Officials address invited guests and members of the media at a press conference held in conjunction with the inauguration of the university.

AP Photo

Saudi King Abdullah bin Abdul Aziz Al Saud, at the inauguration ceremony.

Reuters

Above: Visitors look at a model of King Abdullah University of Science and Technology displayed at the opening ceremony.

great and noble virtue of learning that has marked the Arab and Muslim worlds in earlier times."

Around 3,500 guests, including Saudi royalty, foreign heads of state, academics and media representatives from around the world, attended the opening.

The campus, built in just two years, offers world-class facilities and programmes, including the region's fastest supercomputer, developed with IBM, and named 'Shaheen', which in Arabic means 'falcon'. KAUST is being funded by a $10 billion endowment from King Abdullah, which is seen as sufficient to support the university for years to come.

Officials in the Kingdom noted that the university was being launched at a time when Saudi Arabia was concentrating on boosting its education and development programmes to support economic growth.

"The Kingdom is determined not to be left behind as technology increasingly drives global development," commented one observer.

KAUST has already signed a memorandum of understanding with the Kingdom's Saudi Aramco to identify and fund the next generation of oil and gas technology. The national oil company was instrumental in constructing the university.

Reuters

King Abdullah bin Abdul Aziz Al Saud (l), and Ali I Naimi (r), Minister of Petroleum and Mineral Resources, attended the ground-breaking ceremony of the King Abdullah University of Science and Technology (KAUST) in Jeddah, on October 21, 2007.

Ali I Naimi, Chairman of the university's Board of Trustees, hailed the opening of KAUST as a pivotal step forward in the Kingdom's bid to strengthen its economic base.

Diversification

"With all the natural resources that God has endowed this land, the Kingdom is keen to diversify its sources of income for the future," Naimi, who is Saudi Arabia's Minister of Petroleum and Mineral Resources, said.

As Chairman, he heads the independent 20-member Board of Trustees that appoints the president of KAUST, approves rules that regulate the university's academic, financial, and administrative affairs, and provides support to the officers who manage its day-to-day operations.

Naimi pointed out that environmental research would be a priority at the university where more than 70 international faculties were already on board.

He noted that KAUST would focus on attracting world-class scientific and research talent, regardless of gender.

"... We have no quota for men or for women. We are out to attract the best minds in the world," he affirmed, in confirming that, for the first time in the Kingdom, men and women would take classes together.

"At KAUST, we do not focus on gender ...this is a house of wisdom. Here the focus is going to be on education and research, nothing else," he said.

Naimi maintained that the university would benefit the Kingdom's society in many ways. "First of all, it is located in Saudi Arabia, so definitely it will create great opportunities for Saudis who have the right qualifications."

He said graduates and researchers from the university "will go on to create a knowledge economy, which is what we are looking for. Also, the high standard of education here will lead to improvements in the overall standard of education in the Kingdom."

The university has already formed partnerships with some 27 other universities, including Harvard, Stanford and Caltech in the United States and Oxford, Cambridge and Imperial College in the United Kingdom. It has also joined forces with 11 industrial firms, such as Boeing, IBM and Schlumberger. The university currently has 71 faculty staff, a figure that it hopes will eventually rise to 225.

Dr Khaled Al-Anqari, Saudi Minister of Higher Education, told the inauguration ceremony that there were more than 70,000 students studying in the Kingdom on government scholarships

With the size and quality of the Saudi education system continuing to grow to meet the demands of its expanding population and diverse economy, there are now 24 government and eight private universities in the Kingdom.

Professor Choon Fong Shih, KAUST's President, a mechanical engineer and former President and Vice-Chancellor of the National University of Singapore, said KAUST wanted the best minds to compete from the best universities in the world.

"That is the only way of coming up with cutting-edge technology to solve many of our problems and issues," he professed.

Reuters

Entrance of the King Abdullah University of Science and Technology in Jeddah, Saudi Arabia.

In also stressing that KAUST would not be focusing on gender, he noted that women formed a small fraction of the world research community.

"This means we have to compete with the best universities in the world to get them to KAUST. This is a challenge. However, we have succeeded in getting the best faculty at our university," he said.

Shih added: "We have just embarked on a 1,000-mile journey, and we have taken the first steps."

Waste water treatment

Concerning KAUST's agreement with Saudi Aramco, it is felt the university's technological tools and applications could help the exploration and exploitation process by pinpointing subsurface oil concentrations and improving rates of recovery.

Saudi Aramco's President, Khaled Al-Falih, speaking on the sidelines of the inauguration, pointed out that, apart from petroleum, water, which was used in great quantities in the production of crude, was of huge interest to his company.

Al-Falih, who has a seat on the KAUST Board of Trustees, sees the treatment of industrial, residential and waste water as a main challenge of Aramco and the Kingdom in general.

The university also operates a catalysis unit, which is another interest of Aramco's as it seeks to desulphurize crude oil and products and convert crude directly into chemicals, bypassing the refining process.

KAUST's emphasis on interdisciplinary research is covering four main areas — materials science and engineering; resources, energy and environment; applied math and computer science; and biosciences and bioengineering.

Some 7,200 students from over 60 countries have already applied to study at the university. So far, over 800 students are currently enrolled, with more than 300 beginning classes this autumn. Over 40 of these will be studying for their PhD, while others will be taking their master's degree. The other students are scheduled to start their studies at the beginning of 2010.

The aim is to expand the enrollment figure to 2,000 students within eight to ten years. Of the total, 15 per cent are expected to be Saudi nationals. At the moment, the bulk of foreign students are Chinese, Mexican and American.

The university's ample financial backing will allow all students to receive full scholarships covering their tuition, plus a stipend. It will initially offer two types of graduate courses — an 18-month master's degree and a PhD, lasting three or four years.

The 70 or so faculty members have been recruited after a worldwide search led by the university's president. It all promises to provide an establishment that will serve the Kingdom's best interests as it diversifies its economy and stays abreast of global technological challenges.

Dubai Metro

An Emirate takes on 'mega-city' status with new urban rail network

Dubai Emirate has joined the list of the world's so-called 'mega-cities' with the opening of its trailblazing, state-of-the-art metro system, the first of its kind in the Gulf Arab region.

The 52-kilometer urban rail network was officially opened amid fireworks and loud celebrations on a significant September 9, 2009 (09/09/09 has been inscribed on the wall at the first station), by Dubai's Ruler, Sheikh Mohammed bin Rashid Al Maktoum, who paid tribute to all those involved in realizing the ambitious project.

"I thank everyone … for this great job. If it was not for a collective effort, we would not have achieved this," said Sheikh Al Maktoum, who is Vice-President and Prime Minister of the United Arab Emirates (UAE).

In purchasing the metro's first ticket, after which the first train left Mall of the Emirates station, Sheikh Al Maktoum said his message to the world was that "life is all about challenges and the people of the UAE … love challenges and we are up to them."

The opening of the metro comes after just four years of planning and construction, a major feat in itself. Across the entire Gulf region, only Iran already operates a similar rail network in its capital, Tehran.

The metro is part of the UAE's long-term vision to develop an integrated transport system that includes superior rail and bus networks, marine transport and advanced road infrastructure.

The rail service, which is fully automated and has no drivers, has been an expensive undertaking and at a time when the UAE, like other global economies, has been struggling to come to terms with the effects of the world economic downturn.

According to the Emirate's Roads and Transport Authority (RTA), construction costs on the scheme have almost doubled to $7.6 billion from the $4.3bn originally estimated. The increased expense was due to a marked change in the original design to incorporate changing development trends in the city.

However, the RTA expects the metro to generate $4.6bn over the next ten years. To raise additional cash, it has offered naming rights for 23 of the planned 47 metro stations, as well as the different sections of railway line. So far, some $490 million has been raised from these sales.

Mattar Al Tayer, RTA Board Chairman and Executive Director, stressed that the completion of such a massive project in a short period of time "speaks volumes about Dubai's economic strength and its commitment to the development of the city, regardless of the global economic crisis."

He pointed out that the aim of the metro was to deliver a modern, comfortable, reliable and safe mode of transport for the Emirate's commuters.

The metro provided an integrated public transport system capable of easing congestion, saving on travelling time, reducing pollution from traffic, improving mobility within the city, as well as offering a speedy connection to Dubai International Airport and important business and commercial hubs.

Reuters

Sheikh Mohammed bin Rashid Al Maktoum (c), Ruler of Dubai, and Vice President and Prime Minister of the United Arab Emirates, at the opening ceremony of Dubai Metro.

AP Photo

Shutterstock

Above: Early phases of the construction work at Sheikh Zayed Road, with Burj Dubai in the background.

Below: Another view of the construction work at Sheikh Zayed Road.

Shutterstock

Disclosed Al Tayer: "It took some 30,000 workers, five large contractors and 150 other contractors to make it possible to launch the project on schedule.

"We are very proud that the dream of having a metro is being realized today as it will benefit generations to come," he added.

Once fully operational, 79 trains will run on two lines — 62 on the 52.1 km Red Line and 17 trains on the 22.5 km Green Line. The metro is aimed at reaching all strategic areas of the city and the network will be developed with future extensions branching out into the suburbs. The future lines under study are the Purple and Blue Lines.

Each train has three classes: Golden Class, Women and Children Class and Silver Class. The Golden Class, which is open to all commuters at an extra cost, offers luxurious leather seating, while the Women and Children compartments have space for strollers and bags to ensure a safe and comfortable journey. Silver, or economy class, is given four out of five compartments. There are six wheelchair spaces in every train.

State-of-the-art

Compartments are equipped with LCD screens and wireless internet access. The driverless trains, which travel at between 40 and 45 km per hour, and can carry a near 900 people, 140 seated, are controlled from a main control room. The themes of the stations, interiors and the originality of the station exteriors give the metro a mix of Dubai's heritage and modern architecture.

The state-of-the-art trains make hardly any sound so passengers will not hear any rail noise, while residents in buildings along the elevated and underground tracks will not feel any vibration.

The seeds for the project were sown in 1992 after a feasibility study revealed that the Emirate could no longer rely solely on road expansion to cater to its escalating traffic demands. The findings recommended a transit system.

The contract to build the metro was awarded in July 2005 to a consortium called Dubai Urban Rapid Link (DURL).

Al Tayer noted that with the construction of the metro, property and land prices around the rail stations and route had increased by 30 per cent. The metro would also help Dubai save well over $1bn a year from traffic congestion.

"It is a way forward for sustainable development and provides an easy link between businesses," he said.

Al Tayer stated that one of the key benefits of the scheme was that the RTA had developed expertise that could be utilized to build metro networks in other Emirates of the UAE, as well as in other countries.

He said the integrated transport system, including introducing more public buses, feeder bus routes and water buses, was developed because it was the key to the success of the metro.

The RTA operates around 1,300 buses on 80 routes and 25 feeder bus routes in Dubai. The number of buses will increase to 1,800 by the end of the year and to 3,000 by the end of next year to serve almost all areas of the Emirate.

"We hope to carry 4.5 million passengers every day in our public transport by 2020," Al Tayer disclosed.

Ticket prices for the metro range between 49 cents and $1.80 depending on the distance travelled. The RTA forecasts 200 million passenger journeys on the metro each year, reducing road congestion by up to 17 per cent.

The opening of the metro has come at a good time for the Emirate. Unlike Abu Dhabi, Dubai has limited oil resources and has thus suffered a good deal more as a result of the financial crisis. This year, Dubai has budgeted for its first-ever deficit of $1.14bn, with government spending up by 42 per cent. Officials hope the new metro will help the economy to recover, as well as make commuting for thousands of the city's residents easier.

According to Simon Williams, Chief Economist for the Middle East at HSBC Holdings PLC, the metro is seen as a long-term investment. "Its value will show itself when Dubai eventually returns to growth," he pointed out.

Over the years, Dubai has invested in extensive infrastructure to attract investment from international companies. The Emirate is home to the region's largest airport and biggest container terminal, which both help in making it a bustling trading hub.

Now its new metro could spark a wave of rail projects across the region. The UAE recently set up a $360m company to manage the development of a countrywide rail network. Abu Dhabi, Saudi Arabia and Kuwait all have projects at various stages of planning. All in all, Dubai's metro spells future success for the tiny Emirate.

Passengers on the Dubai metro during the first run after the official opening ceremony.

A man buys a metro ticket after the official opening.

In brief

Algeria has invested almost $16bn in first half of 2009

Algiers — Algeria has invested a total of $15.88 billion in the first half of this year, according to an economic and social achievements report released by the Prime Minister's office. Investment financed by the state capital budget reached $12.45bn, while domestic private sector investment totalled $2.3bn. Several huge projects have been achieved during the period under review in the sectors of housing, energy and mining, agriculture, water resources, public works and transport. The report noted that 84,814 houses, of all kinds, had been built, almost half of which were in rural areas. Meanwhile, the National Agency for Investment Development has announced that 15,715 development projects had been received in the first nine months of 2009, compared with 11,177 projects over the same period a year earlier, an increase of 40 per cent, The Agency's Director General, Abdelkrim Mansouri, said the projects, worth 702 billion Algerian dinars ($9.81bn), were expected to create over 125,500 new jobs. *APS*

First Algerian gas pipeline testing expected in March 2010

Madrid — Work on a submarine gas pipeline linking Algeria to Spain is virtually finished, according to Pedro Miro, Chairman of the Medgaz consortium, which is in charge of the construction and management of the pipeline. He stated that in March 2010 everything would be set for the first testing of the Algerian gas transmission line. Quoted by the Spanish press, Miro also announced the transfer of the Medgaz head office to Almeria, in Spain, following a decision taken recently by its board of directors. *APS*

Angola signs strategic alliance accord with Ecuador

Quito — Angola and Ecuador have signed a letter of intent for the formation of a strategic alliance between their state-run oil firms, Sonangol and Petroecuador. The alliance aims at enhancing the development of exploration projects of common interest in block 29 of Ecuador's Amazon region, and blocks five and 39 off Ecuador's coast. The five-year agreement covers training in research and development, exploration, production, security, environmental matters, legal instruments, the resolution of conflicts and administration in the hydrocarbons sector. The document was signed by Angolan Petroleum Minister, Eng Jose Maria Botelho de Vasconcelos, and his Ecuadorean counterpart, Germânico Pinto. *AngolaPress*

Angola records positive economic growth — minister

Luanda — Angola will record gross domestic product growth of 1.3 per cent through to the end of this year, thanks mainly to a positive performance of the domestic non-productive sector, according to the country's Economy Minister, Manuel Júnior. Speaking to the press here after a budgetary meeting of the National Assembly, he said the country expected non-oil growth of 5.2 per cent, which would allow for the creation of jobs, better incomes and to ensure the implementation of the government's principal goals, which were focused on reducing poverty, hunger and misery. "We can say with satisfaction that the Angolan economy has not experienced a recession, neither has it contracted, unlike many economies in the world that, due to the effects of the crisis, had their production retracted," he said. The draft budget presented to Parliament set global revenues at about $30 billion, of which 30 per cent would be earmarked for the social sector. *AngolaPress*

Iran trade exchanges expand by ten per cent

Tehran — Iran's commercial exchanges in 2008 expanded by ten per cent, according to Mehdi Ghazanfari, Head of the country's Trade Development Organization. The volume of Iran's commercial transactions reached a value of $71.82 billion in 2008, compared with $63.72bn the previous year. The value of Iran's exports in 2007 and 2008 stood at $15.27bn and $16.80bn, respectively. Iran's major trade partners in 2008 included Iraq, the United Arab Emirates (UAE), China, India, South Korea, Japan, Afghanistan, Turkey, Belgium and Saudi Arabia. Liquefied propane, methanol, pistachio, liquefied butane, ethylene and carpets were among Iran's main exports to these countries, Ghazanfari disclosed. Iran imported goods from the UAE, Germany, China, Switzerland, South Korea, Britain, Italy, India, France and Turkey. *ISNA*

Iran offers best option for European gas supplies

Tehran — Iran has sufficient gas reserves for long-term exports and can deliver the fuel to Europe via the shortest and most economical route, according to Mehdi Safari, the country's Special Representative for Caspian Sea Affairs. He noted that Iran possessed the second-largest gas reserves in the world and had a leading strategic position that made exports to Europe possible. Iran was ready to hold talks on the issue and could provide all the necessary facilities for gas and oil transfer to Europe via the Caspian Sea. *ISNA*

Kuwait government expects surplus of at least $15.55 billion in 2009–10

Kuwait — The Kuwaiti government is expected to run a budget surplus of between 4.7 billion Kuwaiti dinars ($16.55bn) and 6.4bn dinars in fiscal 2009–10, before allocating ten per cent of the revenues to the Reserve Fund for Future Generations (RFFG). This is as long as the oil price average remains in the $65–68/b range, according to the National Bank of Kuwait. In its latest economic brief on the oil market and budget developments, it noted that the state's budget was estimated on an oil export price of $35/b, adding that the latest official data showed that budget revenues in the first half of fiscal 2009–10 stood at 8.2bn dinars and had already exceeded what the government had originally projected for the entire year. It noted that if, as expected, public expenditure came in at five to ten per cent below budget, the government would run a budget surplus of between 4.7bn and 6.4bn dinars. *KUNA*

Kuwait-based investment firm to open China office

Kuwait — The Kuwait-China Investment Company (KCIC), which specializes in investments in Asia, has announced that it will open an office in China, giving the company a platform to facilitate private equity opportunities for investors to access business outlets in one of the fastest growing economies in the world. The company, soon to be listed on the Kuwait Stock Exchange, plans to have the office operational in 2010. KCIC Managing Director, Ahmad Al Hamad, said in a press release: "This is a natural move for us and will provide us with a local platform to further our business and investment objectives in China, while building closer linkages to the business and government circles of China." *KUNA*

Nigeria considering offshore crude processing

Abuja — Nigeria is considering the possibility of processing its crude oil offshore for the purpose of direct repatriation, according to Odein Ajumogobia SAN, Minister of State for Petroleum. A statement from the Ministry of Petroleum Resources quoted him as making the remark when he received a six-man delegation from Senegal. Ajumogobia said Nigeria's economy had grown faster than its refining capacity, hence the need for the offshore processing, according to the statement signed by Florence Bolokor-Mohammed, Deputy Director (Press). He said the country had received many requests from African countries for crude allocation, adding that the country's President, Umaru Musa Yar'Adua, felt that those requests should be viewed positively, particularly where there was capacity for refining the crude oil. *NAN*

Nigerian governors support downstream sector reforms

Abuja — The Governors' Forum, a meeting of the 36 state governors in Nigeria, has declared its support for the planned deregulation of the downstream sector of the economy. A communiqué issued at the end of their meeting in Yenagoa, the Bayelsa state capital, called for mass sensitization and mobilization of the citizenry, as the government forges ahead with the new policy. The governors called for evolvement and enforcement of laws against illegal oil bunkering, resolving to prosecute anyone who engaged in such activities. They reiterated a resolve to collaborate with the National Economic Summit Group to chart a new course for economic development and expressed support for the amnesty and post-amnesty programmes of President Umaru Musa Yar'Adua to ex-militants in the Niger Delta region. *VON*

Qatari spending on electricity, water development increasing

Doha — The Qatari government has spent some seven billion Qatari riyals ($1.92bn) on the development of electricity and water networks in the country up until the end of the third quarter of 2009, according to Abdullah bin Hamad Al Attiyah, Deputy Prime Minister and Minister of Energy and Industry. In an inaugural address of the annual planning forum of the Qatar General Electricity and Water Corporation, delivered on his behalf by Dr Mohammed bin Saleh Al Sada, Minister of State for Energy and Industry, he said network development plans were matching growth in loads and production capabilities. Demand for electricity had increased this year by almost 14 per cent compared with the previous year, while demand growth for water had exceeded seven per cent. He emphasized that this remarkable growth in the electricity and water sectors was due to the country's economic strength and good planning. *QNA*

Qatar Telecom wins 'corporate treasury deal' award

Doha — Qatar Telecom (Qtel) has received the 'Corporate treasury deal of the year' award in the Middle East from the Association of Corporate Treasurers (Middle East), in recognition of the company's exemplary success in the financial markets in 2009. A press statement issued by Qtel said that in a year of challenging economic conditions, Qtel had successfully tapped the international finance markets with two pioneering initiatives. It had obtained investment grade ratings in the midst of the credit crisis towards the end of 2008, which provided the company with a firm platform to launch both a $1.5 billion dual tranche bond and a $2bn revolving credit facility. Dr Nasser Marafih, Chief Executive Officer, Qtel, said: "Qtel's successful financing strategy has ensured that we have gained the support of a broad international investor base, through the introduction of new financial instruments in the region. Our significant achievements in this area not only lend

credibility to our growth plans, but also further strengthen our already robust financial platform. This award reflects the effort and expertise that will continue to help Qtel achieve its wider strategy and goals." *QNA*

Construction work starts on Riyadh metro

Riyadh — Saudi Arabia has started construction work on its ambitious light-rail project for the capital city, where 36 stations will be built in the first phase. The scheme is aimed at reducing congestion in a city where 87 per cent of the population uses private cars as the primary mode of transport. Mohammed Abu-Zaid, spokesman for the Saudi Railways Organization, said his company would receive eight trains within 36 months from the Spanish company, CAF. "The total cost of these eight units is about 612 million Saudi rials ($163m)," he told the Jeddah-based Arab News. A total of 23 stations will be built on the first route, stretching 25 kilometres, while 13 stations will be constructed on the 14 km second rail link. It is expected that the first phase of the project will cover 30 districts of the city. *SPA*

Dubai firm records double-digit passenger, cargo growth in October

Dubai — Dubai International continued to buck the international trend in registering double-digit year-on-year growth in both passenger and freight traffic during October. Passenger traffic rose by 11.7 per cent, marking the fifth consecutive month of double-digit growth, while the airport handled a total of 3.5 million passengers in the month under review, compared with 3.13 m passengers during the same period last year. This raised the year-to-date passenger throughput to 33.56 m passengers — up by 8.3 per cent over the 30.98 m passengers recorded during the first ten months of 2008. After nine months of modest cargo growth, Dubai International registered a double-digit increase in freight traffic for the first time in 13 months as volumes surged by 17.7 per cent during October, due largely to traffic generated by meetings, incentives, conventions and exhibitions that took place in the month. Dubai Airports Cargo handled 185,867 tonnes of freight in October, compared with 157,968 tonnes during the same month last year. *WAM*

Dubai open to ideas, ready for partnerships

Dubai — Dubai Emirate is open to ideas and is ready to work with companies in partnership, according to Sheikh Ahmed Bin Saeed Al Maktoum, President of the Dubai Department of Civil Aviation and Chairman of Dubai Airport. Speaking at the 11th Dubai Air Show, he said Dubai stood ready to be at the forefront of the upturn in economic fortunes. "The air show comes at an important time for the aerospace industry as the world begins to see a revival in fortunes," he said. "During the past two years, the business has experienced unprecedented turbulence. However, I am very pleased that many of the organizations at the show this year were among those that continued to invest in the industry during the worst of times," he added. He pointed out that the Middle East — and the GCC in particular — had seen growth in air transport, while elsewhere there had been falling passenger numbers. "It is in the Gulf that we have seen customer deliveries of some of the finest business jets. It is Middle Eastern carriers that have been leading the way with the introduction of new cabin and in-flight communication technologies. It is also in this region that we see the greatest investment in ground infrastructure, such as airports and air traffic management systems," he stated. *WAM*

Venezuelan President announces new shipping company

Caracas — Venezuelan President Hugo Chávez Frías has announced the creation of a domestic shipping company aimed at strengthening commerce and regional integration. "There are no trade ships navigating from the Orinoco to the Amazon, and they are really close. I just signed a decree to create a shipping company," said Chávez from the Miraflores Presidential Palace, during a ceremony to give the national flag to the Venezuelan athletes that will represent the country in the next Bolivarian Games, to be held in Venezuela. Chávez underscored that the new, state-run shipping company would be of great benefit, due to its reach and purpose. He maintained that maritime and air transportation means were key elements for integrating the countries of the region. *ABN*

Venezuela-Iran agreements boosting construction of homes

Caracas — Thanks to agreements reached between Venezuela and Iran, the construction of new homes for the most needy in Venezuela has been considerably boosted, according to a report issued here. It said that through the accords, both governments were working towards improving the quality of life for Venezuelans. Engineers from the two countries were working together and sharing their experiences, knowledge and technologies to provide the new housing. So far, as a result of the agreements, the Venezuelan Ministry of People's Power for Public Works and Housing had started the construction of more than 10,000 homes in diverse areas of the country. This number formed part of the 83,000 homes the Ministry had included in its general house-building programme. *ABN*

Newsline articles are compiled from OPEC Member Country news agency and international wire service reports.

'Lula' wins logo design competition

A winner has emerged in the competition to design a logo for the 50th Anniversary celebration of the founding of the Organization of the Petroleum Exporting Countries, OPEC, which comes up next year. She is Ms Lourdes (Lula) Pilay Garcia of Ecuador.

By this achievement, Ms Pilay *(pictured above)*, 28, has won the €5,000 prize money, as well as an all expenses paid trip to the headquarters of OPEC in Vienna to participate in the activities to mark the event.

The winning logo was picked from more than 400 entries received from nationals of OPEC Member Countries. The rigorous process of choosing the best design involved staff of the OPEC Secretariat, National Representatives and Member Country Governors.

The design incorporates the spirit of the Golden Jubilee celebration which is anchored on OPEC's achievement in the last 50 years and its vision for the future.

The logo will be used on all OPEC official documents during the year-long celebrations, as well as on postage stamps to be released in Austria and the 12 Member Countries. It will also be used on all publications and stationeries during the period.

The anniversary celebrations, which kick off on January 1, 2010, will feature exhibitions in Vienna and Member Countries, quiz and drawing competitions for school children, and an anniversary symposium, among others.

The winning logo will be unveiled on the OPEC website on January 1, 2010.

Born in Guayaquil Ecuador on April 15, 1981, Lourdes (Lula) Pilay Garcia, 28, has a technical degree in Graphic Design from the Escuela Politecnica del Litoral, ESPOL. She is currently studying for her Licentiate in Graphic Design.

She is well versed in the area of corporate design in general, but specifically in the design of corporate identity, corporate communication and institutional image, webpage design and publishing design.

Lula is not new to winning awards, having previously designed the winning logo for the 2009 Carnival of Guayaquil, organized by the City Hall of Guayaquil. Her design was also adjudged the best of all the entries for the Institutional logo of RADES – the Alumni Network of Sustainable Economy. The competition was for countries in the Latin American network.

New Nigerian National Representative appointed

Suleman Ademola Raji, General Manager of the Nigerian National Petroleum Corporation (NNPC) office in London, has been appointed his country's new National Representative to OPEC, replacing Uthman Muhammad. Raji, who has a BSc in Chemical Engineering, has many years of service in the oil and gas industry, working with the NNPC since 1980.

UAE appoints new National Representative

Hamdan Mubarak Al Akbari, Director of the Petroleum Economics Department at the United Arab Emirates Ministry of Energy, is the country's new National Representative to OPEC. He takes over the duties from OPEC Governor, Ali Obaid Al-Yabhouni, who, for some time, had handled the responsibilities in an acting capacity.

Iran's Governor assumes National Representative responsibilities

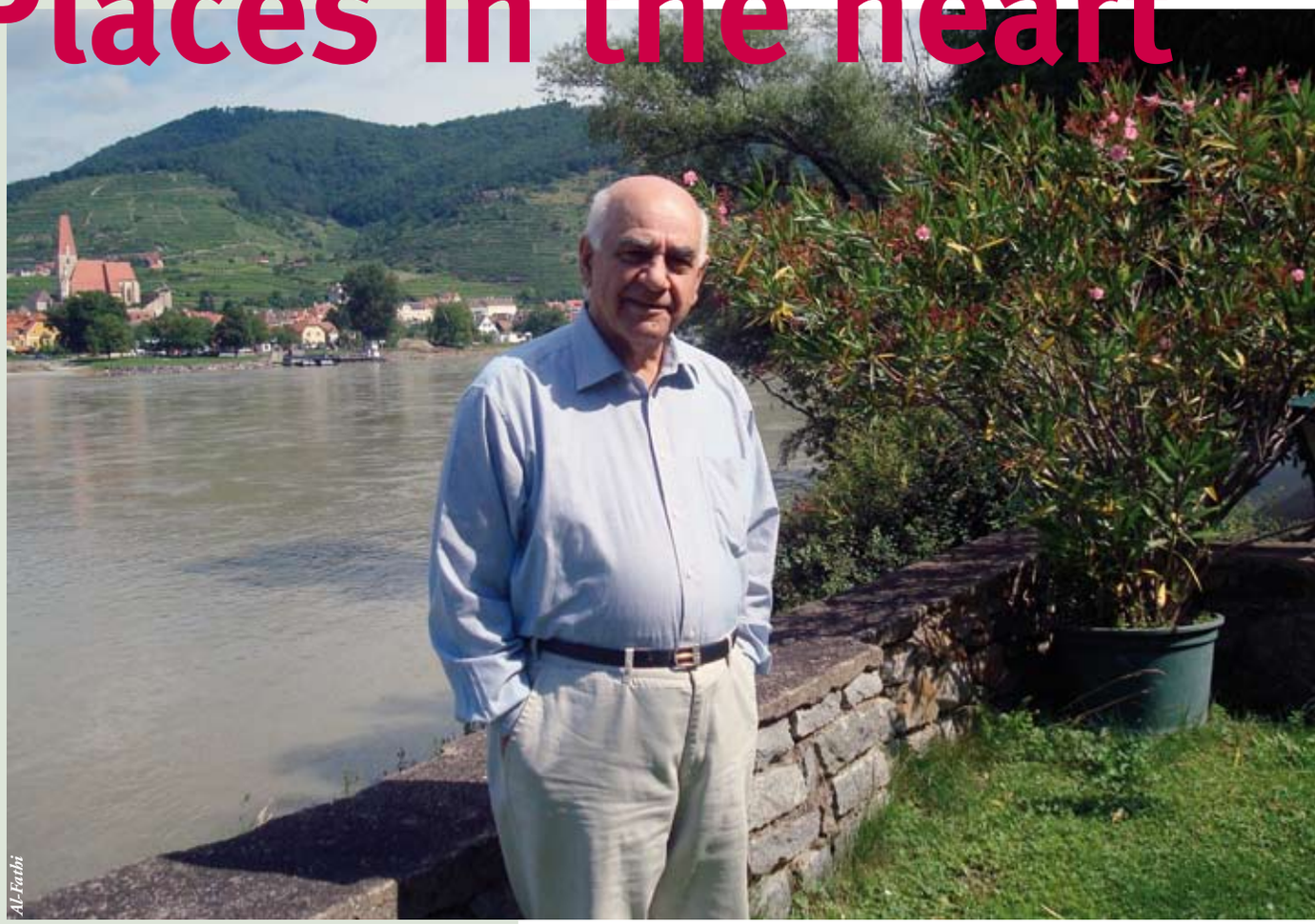
Iran's Governor for OPEC, **Seyed Mohammad Ali Khatibi Tabatabai**, has assumed the responsibilities of the country's National Representative to the Organization. He takes over from Javad Yarjani. A statement from the Iranian Petroleum Ministry said Tabatabai would attend to the duties of the National Representative until a new appointment was made for the position.

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.

Above: Mohammad Saad Oudah Al-Sallal (c), Kuwait's Ambassador to Austria, paid a courtesy visit to Abdalla Salem El-Badri (r), OPEC Secretary General, on November 2, 2009. Left is Abdullah Al-Shameri, Head of the Office of the OPEC Secretary General.

Mrs Silvia Davidoiu, Romanian Ambassador to Vienna, paid a courtesy visit to Abdalla Salem El-Badri, OPEC Secretary General, on October 8, 2009.

Places in the heart



Right: Al Fathi at one of his favourite spots, by the side of the Danube river in the Wachau.

Saadallah Al Fathi, who spent eight years as Head of the Energy Studies Department at the OPEC Secretariat from 1986, the year of the oil price crash, has gained vast knowledge during his long career in the oil industry. A former President of Iraq's Refinery and Gas Industry Administration, he was an Adviser to Iraq's Oil Minister and Deputies when he retired in 2002. But despite his undoubted and still undying commitment to the energy sector, he is a man who finds time to appreciate the other things in life. In fact, over the years of his extensive travels, he has compiled a list he likes to call 'places in the heart'. The OPEC Bulletin caught up with one of the Secretariat's most popular former employees when he returned to Vienna recently and asked him to reflect on some of his most memorable experiences and say just what those 'special' places were. He had this to say in his own words.

I am sure many people have seen the wonderful movie *Places in the Heart,* a tale of strength and determination against adversity, which won Sally Field her second Oscar. Well, what I am about to relay here may not have anything to do with her stirring portrayal, but the theme of the film does have great significance to one particular place in my heart. I saw that movie when it was released in the 1980s and, since then, I have been methodically drawing up my personal list of special places. I can assure you, there are many, but for the purpose of this article, I want to concentrate on just one special place, which still stirs me whenever I return to it.

As some readers of the *OPEC Bulletin* may know, I lived for eight years in Vienna, Austria. In fact, it was just a couple of years after *Places in the Heart* was released that I joined the OPEC Secretariat — in April 1986 as Head of the Energy Studies Department. It proved to be an excellent move for me. The Secretariat not only enabled me to broaden my experience in oil, OPEC affairs and management techniques, I also had the opportunity to meet and work with a multitude of new, as well as, old friends from all Member Countries that I met when they frequented the Organization's headquarters.

However, even though I think at that time the lure of the Secretariat entered my subconscious as a contender for one of those places in my heart, it was not until I returned to Baghdad, Iraq in July 1994, that it really began to hit home. I found myself not only missing the place for its friendly and accommodating staff, but also the unique work ethic employed there. It suddenly dawned on me the immense contribution the Secretariat makes in serving the interests of OPEC's Member Countries. I often called Vienna for information when following up reports received in Baghdad. And I know only too well that this would not have become so easily available for me, or the Ministry of Oil where I worked, if not for Iraq being a Member of the Organization.

The Secretariat, during my time there, may have been somewhat differently organized, but its core function was, and still is, the same — to provide timely and accurate information, together with valued opinions and reports for the various bodies of the Organization, all aimed at facilitating the important process of decision-making. My term at the helm of Energy Studies was actually during one of the most difficult periods OPEC has ever had to encounter in its near 50-year history.

Things were really not easy after the collapse of the oil market in 1986 and the differences that event generated among Member Countries. This was reflected even in the technical meetings and some of those discussions became really contentious. The Secretariat, of course, tried its best to be impartial and to present its finding in a professional way and I can say, without any fear of contradiction, that this was appreciated by the representatives of all Member Countries.

At that time, it was not unusual for some of our meetings to finish late after midnight and it was sometimes difficult to "order" our secretaries and support staff to go home before finishing the final report of a meeting because everybody wanted to give their best, even though we were aware of the modesty of our role during that difficult time. I still remember well the Conference held in Brioni, then Yugoslavia, which took 14 days to finish. For the diligent and hard-working staff of the Secretariat, it was no holiday, even though we were located at a beautiful seaside resort. Another meeting in Geneva lasted a mammoth 18 days. Most of that time was spent waiting while the debate among Members as to what action to take went on.

We sometimes met on weekends for the Economic Commission Board (ECB), which supports the Conference with up-to-date data, forecasts and projections. During one of those meetings, I remember during a brief interval going down to the front information desk in the lobby of the Secretariat to see the start of the San Marino Formula 1 grand prix at Imola in April 1989 (I am an avid F1 racing fan). I was tempted to stay a few minutes longer, only to see the race stopped after a horrible accident involving the Ferrari car driven by Austria's ace pilot, Gerhard Berger. I eventually had to drag myself back to the meeting, but virtually in tears, because I thought the incident had been fatal.

Computer transformation

On the technical side, we were making good progress in the Secretariat with the various models used in the Energy Studies Department and we received good support from the management in the form of equipment and a budget for consultants and software. We only had two personal computers at the time for the work required for preparing the OPEC World Energy Model (OWEM) as the Secretariat was still using the mainframe. I was therefore very happy to be in Vienna in July 2009 when the "World Oil Outlook 2009" was presented to the press and public. This was an unfulfilled wish in my time at the Secretariat when I tried to have at least a brief summary published, but to no avail. Some of our work was unnecessarily classified

confidential, while we often wanted some feedback to correct our stated positions.

The move to desktop computers was finally achieved in the early 1990s and it made a tremendous difference to our work and resulted in a huge reduction of paper use and printing. I will always admire the way the Data Services Department (DSD) embarked on that venture, in spite of the budgetary limitations, but always with the support and insistence of the rest of the Secretariat's Research Division. The desktop network was introduced throughout the whole building without anyone being unduly disturbed. It was for me personally gratifying to see, towards the end of my service, that every member of staff had a computer on his or her desk because this was the aim of DSD when they started the change.

Late in 1989, we started a daily oil report and then a weekly and eventually a monthly report. I was pursuing the introduction of these reports, not only because of their usefulness to management and Member Countries, but because it forced members of staff to become fully aware of the latest oil market trends and to follow up information on a daily basis. As a result, it then became very much easier to prepare the more elaborate general reports for the ECB, the Board of Governors, the Ministerial Monitoring Sub-Committee and the Conference itself.

The first issue of the monthly report was in January 1990. It was informative, but simple, and gained muscle and bones as we went along. By the time I left the Secretariat, it resembled other competitive monthly reports. I am certainly glad to see how this report has evolved over the years to its current outstanding form. The availability of these reports on the OPEC website, in addition to other publications, is certainly advantageous to every follower of the oil market.

Speaking of publications, the OPEC library at the Secretariat, which is probably one of the best of its kind, has held, and continues to hold, a place in my heart. The extensive information it receives and disseminates to the rest of the building is undoubtedly one of the best working tools for every researcher. Even for visitors, it is a great place to be in and I know some people that obtained higher degrees by studying in the OPEC library.

As a former officer of the Organization, I always spend time in the library when I visit Vienna and the help and hospitality offered by its experienced staff has been a constant over the years. However, one observation I do have is that it is fast running out of space for all the new books and references that are available. Admittedly, it does contain a large stock of publications and reports that are out of date, or at least out of regular and frequent usage. Perhaps when the Secretariat moves to its new building later this year, this will prove to be an opportune time to streamline the library and its content.

Committed support staff

I have to say that the most profound change in the Secretariat is the status given to its faithful and committed professional support staff, many of whom have been employed there for many years. In my time, it was unheard of for them to attend any meetings, or have their names on reports and publications. But those days are gone and, I feel, a vote of thanks must go to all those who were more successful than I was in bringing about this change.

The fact is, at the OPEC Secretariat, officers come and officers go (they have a set term of years) and they all bring and take good experiences with them. But the collective memory and experience stays with the permanent professional support staff, which is to the benefit of all — and that, by the way, includes the secretarial support staff, where it is difficult not to remember the important role they play, the effort they put in and the excellent quality of work they have shown over the years.

Leaving the serious work aside now, I remember how much my family and I enjoyed the Secretariat's social activities. No, it is not always about the work — there is also time for play, which I feel is a great way to build team spirit. I especially remember the football games — OPEC regularly played the local Austrian oil company, OMV — and the ski trips to those wonderful and beautiful resorts in Austria.

I was fortunate to be Chairman of the OPEC/OFID Social Committee in 1993–94 and, among other activities, to have organized the end-of-year staff party, which was held on the top floor of the Raiffeisenbank building next door. Some 300 people, comprising staff members and their families, attended. I was so busy that evening in making sure everything went smoothly that I forgot to eat. I ended up taking something from the children's menu! To this day, I still follow the activities of the Social Committee and whenever I am visiting Vienna, like in July this year when I attended a thoroughly enjoyable trip to Bad Aussee, I check out what is available.

When I talk about the special place in my heart occupied by the OPEC Secretariat, it is, of course, closely tied with my experience of living in Austria, a wonderful

Down memory lane ... during his most recent visit to Vienna, Al Fathi joined staff members on an OPEC/OFID Social Committee trip to Bad Aussee. Here he is seen at 'Omunduntn Hochseilkletterpark' climbing range.

country. I will not talk about the historical and architectural wonders of its capital, Vienna, because they are a given and my literary ability is not nearly good enough to give them justice. But I can tell you about the splendid nature and great outdoors on offer, particularly the Wachau valley, which I frequented for the eight years of my stay there and to where I am inevitably drawn whenever I visit today.

The area, which stretches some 30 km between the picturesque towns of Melk and Krems in Lower Austria Province, captivated me from day one of my first visit. I always found the valley's beauty fascinating. It has the amazing power of instilling in one peace of mind. As I looked across the Danube River in the early hours of the morning, or evening, I always felt calm and appreciative of life.

The towns and villages between the tourist magnet Duernstein, where, incidentally, King Richard the Lionheart of England was held captive by Duke Leopold V, and Spitz, on the left bank of the Danube, and between Melk and Mautern on the right, are an absolute delight to visit. My heart especially goes to the house just across the river from Weissenkirchen and to its people, where I was always made welcome during my visits.

But Austria's beauty does not end there. Once, on a long drive back from Cologne in Germany in 1987, I sought refuge and a place to rest. The turning for Mondsee came up ... I ended up staying there for some time — touring the Lake District. I simply could not pull myself away from the amazing scenery this area offered. Then I have fond memories of Wolfgangsee, with its stunning mountains and serene lake. That was during a trip with OPEC staff. They say that if one listens carefully, the 'Sound of Music' appears to float down from the rolling hills. And how could I forget Millstaettersee and the private tour we took of the whole lake in a small boat — that was something special. Our host and 'captain' was the owner of the flat in which we were staying. He was a renovator of old Austrian cars and after sitting down to a traditional Iraqi meal with us, he repaid the compliment with the boat ride.

Overcoming challenges

Of course, it would be remiss of me not to mention the house I stayed in with my family for the eight years we were in Vienna. It was on Karl Benz Weg, in the 21st district. In fact, we visit our former home on almost every trip to the capital. We had a wonderful time there and I resisted all temptation to change location, in spite of the high rent we paid. That decision was fitting since, on the last day of our stay, the neighbours lined the street and gave us farewell presents — a gesture that is very hard to forget.

Finally, I would like to say that all of us who work, or who have worked, at the OPEC Secretariat are indeed indebted to the establishment and all that it stands for. Just like the storyline in *Places in the Heart,* it too is involved in a constant struggle to overcome numerous obstacles and challenges, in its bid to bring about a stable oil market that is both fair and prosperous for all its stakeholders. I hope, in this regard, that during my years in Vienna, I paid my debt to the Secretariat.

But there is life after OPEC and I equally cherish the years I worked in the Ministry of Oil in Iraq until my retirement in 2002. Since that time, I have left behind many places in the heart, not least my home town of Mosul, Baghdad, where I worked and lived the majority of my life, and the rest of Iraq, where my career took me to almost all corners of the country. I just hope to live long enough to see all these places again.

Life in a foreign country can be greatly enriched by familiarizing oneself with the surrounding area, its people and their culture. The OPEC Secretariat helps staff members and their families do this from time to time through events organized by the OPEC/OFID Social Committee. **Keith Aylward-Marchant** reports on two events held at the height of this year's summer holiday season. The first visit — to Bad Aussee — took in the picturesque Austrian lake district of Salzkammergut, while the second trip — to Nuremberg, Germany — had a fairy tale theme, looking at the heritage of Bavaria.

Reflecting upon Germany's centuries-old heritage

Germany is not always given the recognition it deserves for its centuries-old heritage.

However, a group of OPEC and OFID Staff Members and their families was given a chance to reflect upon how Germany was in the dim and distant past, in a weekend trip to Bavaria in the south-east corner of the country in early August.

The first day was spent in Nuremberg, where participants learned that there was a far richer, deeper cultural texture to the city than that conveyed by the often too-pervasive modern image of the Nuremberg rallies and trials of the 1930s and 1940s.

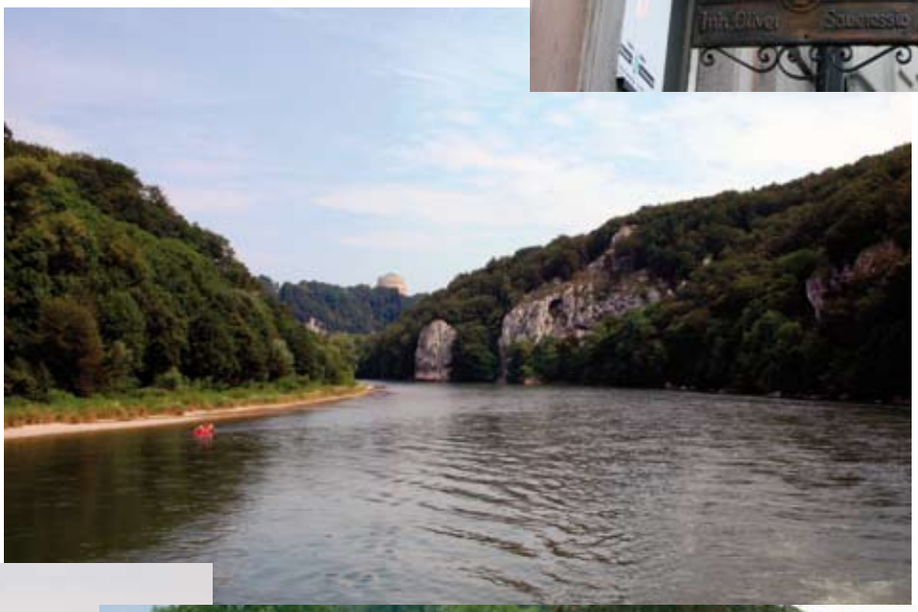
In medieval times, for example, because it was situated at the centre of key European trade routes, it was sometimes seen as the 'unofficial capital' of the Holy Roman Empire. Later, it became a key centre of the German renaissance.

Indeed, participants on the OPEC/OFID trip could experience a staged medieval festival in the city, and the day was rounded off by a 'Knights' dinner' in an evocative, dimly-lit cellar, with a minstrel in a piercing red frock, 'Hatz von Hatzenstein', playing period music on his lute.

A major effort was made, in the post-World War Two years, to restore the city centre to its original, centuries-old condition, after nearly all of it was destroyed near the end of the conflict, and the success of this gave added resonance to the resilience of its culture.

The towns of Bamberg and Rothenburg ob der Tauber, visited the next day, have been better preserved in their historic settings, and they enchanted the participants, as they wandered freely along the narrow stone-paved streets into the adjoining squares and past a multitude of colourful, well-maintained, centuries-old buildings. Even the omnipresence of 21st-century tourist attractions could not conceal the mysteries and charm of the past.

The trip ended with a boat-ride along the Danube gorge, from the small town of Kelheim, well-known for its large Iron Age archaeological site, to Weltenburg, with its famous Benedictine monastery, which some people claim to have the oldest monastery brewery in the world, dating from the 11th century.



Reaching new heights in the lake district

A treat was in store for intrepid staff members on two summer trips to Austria's picturesque lake district.

But they had to have a head for heights!

And some of them discovered that, much to their surprise, they had just that during the trips organized by the OPEC/OFID Social Committee to the Salzkammergut, with its quiet shimmering lakes set against the monumental splendour of the rugged Alpine landscape south-east of Salzburg.

The trips, which were held on two separate weekends due to the high demand for participation, were based in the small Styrian town of Bad Aussee, the geographical mid-point of Austria.

Indeed, 'mid-point', with its connotations of balance and centre of gravity, was an appropriate term for the antics enjoyed by the bolder participants, when they visited the Hochseilkletterpark (high-rope climbing park) at the Altaussee Loser Outdoor Centre.

These included: being winched about ten metres into the air before releasing a rope and swinging down from a central pivot left and right and back again, as if on the end of a pendulum; abseiling down a dip in the ground about 100 metres long; clambering up a 13-metre-high pole and jumping off the top; and scaling a climbing-wall.

The most stringent safety precautions were taken at all times, including the provision of the appropriate climbing gear and being under the tight supervision of qualified instructors.

Participants found it an invigorating and confidence-inspiring experience, tapping personal reserves of courage some had never known existed. They were both male and female, with ages ranging from the early-20s to the early-70s!

Other highlights of the trips included making one's own bread at the big Austrian 'Haubiversum' bakery, taking part in a 'Fun Olympics' next to the Grundlsee lake, visiting two other lakes — Toplitzsee and Kammersee — and having dinner on top of the Loser mountain, with its breathtaking panoramic views of the surrounding landscape.

Much appreciation was given to the trips' main organizer, Martin Hablecker, from OPEC's Administration and IT Services Department, as well as to the OPEC/OFID Social Committee, which had made them all possible.

Photographs: Keith Aylward-Marchant, Diana Golpashin, Diana Lavnick, Ahmed Najah, Dr Hasan M Qabazard, Eithne Treanor.

'Margarita Declaration' calls for closer regional cooperation

Venezuela hosts second Africa-South America Summit

A record 61 nations attended the Second Africa-South America (ASA) Summit of Heads of State and Government, held on the Venezuelan island of Margarita in the Caribbean on September 24–25, 2009. The countries' leaders discussed several topical issues under the South-South umbrella, including global power structures, cooperation in energy, finance, trade, regional security, agriculture and mining, as well as development prospects between the two regions. The first such meeting, convened in Abuja, Nigeria, in 2006, saw ASA leaders adopt a number of resolutions under the 'Abuja Declaration' and 'Plan of

Action' that called for wider cooperation between the two sides in different areas of economic development. Sam Ifeagwu, Information Officer at the OPEC Fund for International Development (OFID), reports on the latest Summit.

The two-day ASA Summit came right after the 64th Session of the United Nations General Assembly in New York and the meeting of the G20 states in Pittsburgh, Pennsylvania.

Some 28 of the 61 states at the Margarita gathering (eight South American and 20 African) were represented at the highest level — by heads of state and government. Others were vice-presidents, prime ministers, foreign ministers and other ranking officials. The delegates called for new links between the continents, including joint military, banking and mining efforts.

Summit host, President Hugo Chávez Frías of Venezuela, who is eminently popular among African countries, called for the setting up of a unified mining company, an oil firm and a bank, as his colleagues highlighted the benefits of their countries' resources, which they said they could individually contribute towards boosting regional cooperation.

The leaders also supported the establishment of a 'Special Fund' to help strengthen the capacity of developing countries to confront climate-related hardships.

Apart from President Chávez, other prominent leaders at the Summit included President Luiz Inácio Lula da Silva of Brazil; Cristina Fernández of Argentina; Ecuador's Rafael Correa; Chilean President Michele Bachelet; Abdelaziz Bouteflika of Algeria; Robert Mugabe of Zimbabwe; Evo Morales of Bolivia; and Moammar El Qaddafi of the Socialist Peoples Libyan Arab Jamahiriya, who currently chairs the African Union. This was Qaddafi's first visit to the Americas in his 40 years as Libyan leader.

A Declaration produced at the Summit touched on a wide range of global issues. It urged a reform of the UN Security Council; proposed wider cooperation in education, technology, mining, agriculture and energy; and

Above: Summit host, President Hugo Chávez Frías of Venezuela.

condemned piracy, nuclear weapons and illegal arms trade. A chapter expressed renewed commitment to collaboration in the fight against poverty and asserted ASA's desire for genuine development.

The 95-point, 30-page document also spoke of the need to solve, in a peaceful way, any problem or dispute that could endanger regional or global security. Furthermore, it said the two regions were committed to championing anti-drug initiatives, proposals and actions.

The Declaration, nevertheless, recognized the traditional use of coca leaves by the indigenous peoples of Bolivia as a cultural tradition that should be respected by the international community.

It furthermore reasserted the commitment of African and South American leaders to intensify efforts to eradicate poverty and hunger in the context of the Millennium Development Goals.

The Director-General of the UN Food and Agriculture Organization (FAO), Jacques Diouf, who attended the Summit, remarked that for the first time in history, more than one billion people in the world faced hunger.

On the sidelines of the Summit, the Presidents of seven South American countries — Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela — signed a 'foundation document' for a Bank of the South, or Banco del Sur, to be endowed with total start-up capital of $20 billion. Brasilia, Buenos Aires and Caracas will each provide $4bn.

President Chávez suggested that the bank, set up to primarily fund anti-poverty and development projects, will hold foreign reserves of countries of South America. He stressed that "keeping them in banks of the North so that they make loans using our own money will be silly."

Chávez also said the bank should forge an alliance with a similar institution in Africa, possibly the African Development Bank, to create a South-South bank that was financially strong enough to finance larger-scale development projects and programmes.

The Venezuelan leader suggested a name for the new South-South Bank — "Bancasa".

Along with the Margarita Declaration, a number of countries also signed bilateral agreements to establish, or boost, trade and finance.

Venezuela signed a memorandum of understanding with Sierra Leone to create a joint mining company. Venezuela will sign similar agreements with Mali, Mauritania, Niger and Namibia in the near future.

Several other leaders spoke in favour of regional cooperation in the areas of food and agriculture. They also expressed interest in taking part in the next FAO food security summit, scheduled for November 2009, in Rome.

Some key statements by the leaders at the summit were widely disseminated by the global media:

- Argentine President Christina Fernández was quoted as saying that the emerging cooperation between Africa and South America could give rise to a new model of cooperation that would include the transfer of technology and generate jobs. She declared that Argentina could offer technology, expertise and machinery, "so that Africa would not have to depend on charity from international organizations, but would produce its own food."

- Brazil's President Lula da Silva said: "We have to construct a new alliance, discover opportunities and help ourselves mutually." He summed up the general tenor of views among the 28 leaders at the Summit.

- Ecuador's Rafael Correa, who holds the rotating presidency of the Union of South American Nations (UNASUR), stated that, for the first time ever, there were sufficient resources in the world to solve the problem of hunger. He added: "We have the biggest permanent reservoir of clean water in the world and yet they call us the poor."

- Libyan Leader Moammer El-Qaddafi told delegates that, "for African countries, it is closer to visit our brothers in South America." He also reiterated

Assembled delegates at the Second Africa-South America Summit of Heads of State and Government, which was opened by Venezuelan President Hugo Chávez Frías.

criticism of the UN system which he made a few days earlier in New York.

- Venezuela's President Hugo Chávez Frías further underscored the potential of the two regions which, together, held one-quarter of the planet's oil reserves. Prior to the Summit, Venezuela and Equatorial Guinea, which produces nearly 400,000 barrels/day of oil, but has no refinery of its own, signed agreements with Mauritius and Niger to study the construction of a sub-regional refinery in West Africa. It is proposed that the refinery would eventually serve even OPEC Member Country Nigeria. President Chávez told the summit that the 21st century "will not be a bi-polar or uni-polar world." Instead, "it will be multi-polar ... Africa will be an important geographic, economic and social pole ... and South America will be too," he declared.

At the close of the Summit, Venezuela offered facilities to house an ASA Summit Secretariat on Margarita Island. The leaders agreed to a follow-up mechanism, to be based on sector-related working groups. These high-level officials will meet in the next few months to work out proposals to be presented to an assembly of foreign ministers within the next several months.

The Third ASA Summit will held be in Libya in 2011.

Photographs courtesy of the People's Ministry of Energy and Petroleum, Venezuela.

This section includes highlights from the OPEC Monthly Oil Market Reports (MOMR) for October 2009, published by the Petroleum Studies Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

Crude oil price movements

A sharp fall in Chinese equity markets, along with bearish reports on increasing supply, triggered technical sell-offs in the futures markets and exerted pressure on crude prices in early September. The appreciation in the value of the US dollar, resulting from worries over potential bank failures, also contributed to the downward price movement.

Following these developments, the OPEC Reference Basket fell to $67.56/barrel in the week ended September 4 from $71.42/b the previous week. Over the same period, US benchmark crude WTI and Dated Brent crude prices fell to $68.36/b and $68.33/b, respectively, from $72.48/b and $72.39/b. Dubai crude declined to $68.29/b from $71.44/b.

Market circumstances then began to improve amid mixed reports on US jobless claims and unemployment rates, coupled with increasing demand projections by the IEA, US dollar depreciation and surging equity prices.

A pledge by G20 leaders to keep stimulus measures in place for longer, as well as draft rules from China allowing more foreign portfolio investments, also provided support for crude prices.

The OPEC Basket rose by 84¢ to reach $70.27/b on September 17. WTI and Brent crude also improved – to $72.59/b and $70.77/b, respectively. Similarly, Dubai crude increased to $70.55/b.

However, in the latter part of September, crude oil prices fell again amid stock-building in the US and concerns about demand growth. Equity markets also lost some of their previous gains, prompting investors to trim their riskier portfolio assets.

It led to the OPEC Basket falling to $64/b on September 28. WTI and Dated Brent also slipped – to $66.86/b and $65.19/b, respectively, while Dubai crude fell to $63.92/b.

In early October, market sentiment improved significantly, following an upward revision by the IMF to world economic growth for 2010, together with a projected increase in demand for the latter part of 2009, as well as 2010.

A sharp depreciation of the US dollar against other major currencies, in addition to crude stockdraws, underpinned the market and lifted crude prices. In the first week of October, WTI crude prices surged to over $70/b.

"With growing optimism on economic growth and the positive impact on demand, the recent market strength is expected to consolidate further. However, it is worth noting that current ample distillate stocks across the world may cap any sharp upward movement in crude prices," commented the OPEC report.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that the IMF commodity price index declined by 3.4 per cent month-on-month in September on the back of a drop in both energy and non-fuel commodity prices. This was due to negative fundamental factors, primarily weak demand amid ample supply.

"The risk appetite for commodities declined in September in the middle of a mixed stream of macroeconomic data which pointed to a recovery in the long term, but remained discouraging about the short term," it observed.

"As already highlighted in our previous report, investors in commodities are waiting for new and more convincing signs of an economic recovery, especially in the OECD region, as other positive aspects have already been factored into commodity prices," it added.

It noted that the IMF had stated that the recession appeared to be over, but highlighted that a full recovery would depend on easing unemployment levels, which would likely take longer.

The IMF energy price commodity index (crude oil, natural gas and coal) fell by 4.3 per cent in September, compared with 8.8 per cent positive growth the previous month. Crude oil prices fell by 4.3 per cent.

The Henry Hub gas price declined by 4.9 per cent m-o-m in September, with the same negative factors that affected the price in the previous months continuing to impact the mar-

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

ket. These comprised weak industrial demand, strong production and large inventories.

Non-energy commodity prices decreased by 1.8 per cent m-o-m in September, compared with 5.8 per cent growth in August. Prices for all the main groups declined, even industrial metals.

The industrial metal price index fell by 1.8 per cent in September with only lead and zinc recording gains. Prices for this commodity group have been dropping since the second half of the month under review as a result of growing inventories on weak demand.

Concerns focused on slower Chinese imports of industrial metals in the second half of the year, due to the high growth in the first half. Total industrial metals inventories at the London Metal Exchange continued to increase in September.

"Despite the fact that prospects for the recovery of the US and OECD economies have improved, strong negative factors remain, such as increasing unemployment in the US in September. It seems that as far as the industrial metals markets are concerned, the market appears to have priced in a recovery in developed economies, whereas data for September was disappointing for employment and investment," said the report.

Aluminium prices fell by 4.8 per cent m-o-m in September, compared with 15 per cent a month earlier, driven by increasing stocks and aggressive re-starts of idle production in China.

Copper prices increased by 0.3 per cent in September, compared with 17.9 per cent in August, while nickel prices plunged by 11 per cent m-o-m, compared with 20.9 per cent the previous month.

Lead prices in September increased by 16.5 per cent, compared with 14 per cent in August, while gold prices rose by five per cent m-o-m in September, compared with 1.6 per cent in August, driven by strong investment demand, a weak dollar and inflation concerns.

The IMF food price index declined by a further 3.1 per cent m-o-m in September with major losers being grains, fats and oils. The grain markets remained bearish amid supply news from the US Department of Agriculture and record crops in a number of countries.

World oil demand

In its review of the market, the OPEC report said that with US consumption rebounding from its steep historical decline, the world oil demand forecast for 2009 was not as bad as previously expected. This resulted in an upward revision of 200,000 b/d to total world oil demand growth to 1.4 million barrels/day, with the global average set at 84.2m b/d.

As a result of a better performance in industrial production, industrial fuel consumption is increasing in the OECD, China and India. Transport fuel has also shown a mild increase this summer, mainly due to lower prices.

Given the improvement in US oil consumption, September world oil demand showed positive growth of 0.6 per cent year-on-year, due to not only better economic activities worldwide, but also the low base of last year.

OECD September oil demand reduced the decline by more than 600,000 b/d from last August. Non-OECD oil demand in September performed similarly to the month before.

Despite the large improvement in US oil demand, world oil demand is still negative in the third quarter, contracting by 520,000 b/d y-o-y.

"The risks to the forecast are seen on the upside. Should the US continue to show healthier oil demand levels, then world oil demand could increase by another 200,000 b/d before year's end," the report forecast.

Demand for OPEC crude in 2009 has been revised up by around 100,000 b/d to currently stand at 28.6m b/d, reflecting mainly the upward revision in the second half of the year. However, this still represents a decline of 2.3m b/d from the previous year.

The first half of the year experienced negative growth of around 3m b/d, compared with the same period last year, while the decline is seen narrowing in the second half to show a loss of about 1.1m b/d in the fourth quarter.

For 2010, demand for OPEC crude is forecast to average 28.4m b/d, representing an upward adjustment of 300,000 b/d from the previous assessment.

This revision comes on the back of an upward revision of demand as non-OPEC supply remains broadly unchanged.

Demand for OPEC crude growth in 2010 is currently projected at minus 200,000 b/d, with the first half of the year still showing a decline of around 500,000 b/d. The second half is expected to return to positive growth of about 100,000 b/d, providing a sign of recovery.

In OECD North America for 2009, conflicting signs are coming from the US economy, although there are noticeable improvements across the board. Some indicators are showing the country's industrial production is on the road to a slow recovery; however, diesel demand is still very weak.

Even though industrial production increased by 0.8 per cent in August m-o-m, on a yearly basis, it is still showing a decline of around ten per cent. Low gasoline prices of as much as minus 35 per cent resulted in strong growth in US gasoline consumption in September, with an increase of 6.5 per cent recorded. Recent data shows that California's gasoline demand grew for the first time since 2006.

The strong growth in September US oil demand of 1m b/d was the first substantial growth seen since May 2007. Although oil demand for the same month last year was very low, it is an indicator of enhanced oil demand within the US.

The country's third quarter oil demand is showing positive growth of 100,000 b/d, or 0.5 per cent, y-o-y.

"Should this performance hold for the rest of the year, then US oil demand will cut down its annual y-o-y loss to only 500,000 b/d," said the OPEC report.

"There is a downward risk factor aside from the economy, which is the weather. Should the weather become warmer in the fourth quarter, then reduced heating oil demand would impact the forecast," it added.

Mexican oil demand is still suffering from the downturn in economic activity, with industrial fuel use the most affected.

In addition, the swine flu epidemic is still affecting travel activities, pushing jet fuel demand down by 14.7 per cent in August y-o-y. August domestic sales of refined products declined by two per cent. The picture is worse when looking at cumulative oil demand for the first eight months of the year.

Canada is in no better shape. Economic turmoil has considerably affected the country's oil demand. August oil demand declined by 4.6 per cent y-o-y. Most of the decline was seen in industrial fuel, mainly residual and diesel fuel oil. Both products plunged by 50,000 b/d, reducing the country's total oil demand to 1.7m b/d.

As a result of the better-than-expected oil consumption in the US, North America's oil demand in the third quarter was revised up by 350,000 b/d, leading to the forecast for a yearly decline of 700,000 b/d in 2009 to average 23.5m b/d.

In OECD Europe, new car sales increased in the region during the summer as a result of various stimulus plans.

According to recent data, new car sales in the 27 European Union countries were up by almost three per cent in the summer. "This has been the first increase for the past 12 months. However, new car registrations for the first eight months of the year are still down by 8.2 per cent, reducing the expected region's vehicle pool by 9.5 million units."

European energy consumption has been hit badly by the economic turmoil, resulting in a total oil consumption decline of 550,000 b/d this year. Most of the drop occurred in the big four economies. The oil demand decline resulted from not only low industrial production, but also from a drop in new car sales across Europe of 6.6 per cent.

Italian oil demand fell by 8.1 per cent in August y-o-y. Residual fuel oil alone declined by 18 per cent, dragging the country's total oil demand down to average 1.3m b/d in the month. France experienced a similar decline.

Although the agricultural season supported diesel demand, which grew by five per cent in August, residual oil use plunged by a major 43 per cent in the same month.

The rest of OECD Europe is in the same situation, which has effectively dragged the region's total August oil demand down by 650,000 b/d y-o-y.

Given the dim outlook for the European economy, OECD Europe oil demand growth was revised down by another 100,000 b/d to show a total decline of 550,000 b/d y-o-y in 2009.

In the OECD Pacific, Japan's oil demand has been declining for a few years and is estimated to follow the same trend throughout 2010.

However, on a monthly basis, due to lower oil prices, consumers are hiking demand, mainly for middle distillates, leading to the first monthly increase of 1.3 per cent y-o-y in August. A big chunk of this growth came from gasoline, which increased by almost 17 per cent, adding 159,000 b/d to the demand pool.

Contrary to Japan, South Korea's oil demand has bounced back very quickly after a few months of contraction. The country's use of petroleum products grew by a strong 5.5 per cent in July y-o-y. Apart from fuel oil, all other products grew dramatically, led by gasoline. Gasoline demand in South Korea has been on the rise since the year began, achieving a 6.6 per cent gain in the first half of the year.

Recent indicators point towards more oil usage in South Korea. Oil imports in August increased by 3.5 per cent. The country is aiming to raise its oil stocks in anticipation of an increase in demand. Although South Korea's GDP shrunk by 1.5 per cent this year, oil demand is anticipated to grow by 33,000 b/d.

Demand in the OECD Pacific's third-largest consuming country is expected to remain flat with the previous year. Australian oil demand in 2009 will be broadly unchanged at 950,000 b/d.

As a result of unanticipated growth in Japan's August oil demand, OECD Pacific oil demand in the third quarter was revised up by 150,000 b/d. However, in annual terms, the region's oil demand is forecast to decline by 400,000 b/d to average 7.6m b/d.

In the group of Developing Countries, strong oil demand in India led to an increase in the country's oil imports by 7.1 per cent in August y-o-y, which was more than 11 per cent above the previous month.

Although the third largest oil importer in Asia, India exports some of its refined products. Indian economic activities, along with the agricultural season, pushed gasoil demand up by 15 per cent in August, leading to overall oil product demand growth of 6.2 per cent.

India has been introducing stimulus packages to enhance its economy this year, which have resulted in improved new car sales and higher gasoline consumption. Stimulus plans in India pushed up new passenger car registration by double digits in the third quarter of this year. This has led to a steep hike in the country's year-to-date gasoline consumption, exceeding 14 per cent y-o-y. Diesel demand from the industrial and transport sectors has been on the rise since January and is exceeding growth of 7.4 per cent so far this year.

Indian oil demand is forecast to grow by 140,000 b/d in 2009 to average 3m b/d.

Thailand's oil demand is stabilizing after a steep decline in the first half of the year. July demand declined by only 0.9 per cent; however, year-to-date the decline reached 25 per cent, compared with the same period last year. Thailand is projected to use more oil in the fourth quarter – up by 10,000 b/d.

Due to a better economic performance in Other Asia, the region's oil demand was revised up by 30,000 b/d in 2009.

In the Middle East, despite a slight slowdown in Iran's oil consumption in the third quarter, the region kept its oil demand on the positive side this year, not only because of its massive energy-intensive projects, but also because of subsidized transportation fuel.

However, due to the global economic downturn, Middle East oil demand is estimated to show growth of only around three per cent, or 200,000 b/d, y-o-y in 2009, which is almost half of what was seen the previous year.

Oil demand in the group of Developing Countries is largely suffering from the current downturn in economic activity; hence, oil demand growth is forecast at 300,000 b/d in 2009, averaging 25.5m b/d.

As in other countries in the region,

Argentina's oil demand not only stemmed its previous decline, but achieved growth of 2.2 per cent, or 13,000 b/d, in August y-o-y. Argentina's oil consumption is forecast to slowly stabilize and turn positive, starting in 2010, which counteracts the negative performance seen in the second quarter of this year.

Twelve per cent growth in industrial activity in China led to increased oil consumption in August. The 'cash-for-clunkers' programme almost doubled new auto registrations in the country in the month. As a result, China's oil demand grew by 4.2 per cent in August y-o-y, adding 300,000 b/d. Furthermore, the country's oil imports grew by 6.3 per cent; however, this is much lower than July's massive import growth of 27 per cent.

Growth in oil demand in the second half of the year is expected to more than offset the sharp decline seen in the first quarter. China's oil demand is forecast to grow by 100,000 b/d in 2009.

Looking at world oil demand for 2010, the OPEC report noted that the global economic picture is getting slightly better. However, as the economic recovery next year is forecast to be slow and weak, world oil demand growth is expected at only 700,000 b/d.

Given the recent improvement in the economic performance of the OECD region and China, oil demand is expected to be better than earlier forecast. Therefore, world oil demand growth for next year was revised up by 200,000 b/d. This upward revision is mainly for the first half of the year.

The bulk of the growth in next year's oil demand will take place in non-OECD countries, mainly China, the Middle East, India and Latin America. Furthermore, most of this demand will come as a result of the industrial, transport and petrochemical sectors.

In addition to the recovery of the world economy, the main factors that might play an important role in next year's oil demand picture are oil prices, taxes and the removal of price subsidies.

World oil demand is anticipated to halt its decline and register growth of 700,000 b/d in 2010 to average 84.9m b/d.

World oil supply

Preliminary figures indicate that global oil supply increased by 280,000 b/d in September to average 84.63m b/d. Non-OPEC supply experienced growth of 240,000 b/d, while OPEC crude supply increased by 40,000 b/d. The share of OPEC crude oil in global production remained steady at 34.2 per cent in September. 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 is forecast to average 50.86m b/d in 2009, representing growth of 410,000 b/d over the previous year and an upward revision of 50,000 b/d from the last OPEC report. A minor downward revision of 20,000 b/d was introduced to 2008 historical data to reflect revised figures, which positively influenced the estimate for 2009.

In addition, there were relatively more downward revisions to individual countries' supply predictions than upward revisions. However, the positive revisions outweighed the negative ones in terms of volume. Healthy production levels in different countries supported the upward revisions, although concerns regarding the durability of such supply levels raised the uncertainty in the forecast. On a quarterly basis, non-OPEC supply in 2009 now stands at 50.95m b/d, 50.57m b/d, 50.83m b/d and 51.09m b/d, respectively.

In the OECD region, total oil supply is estimated to decline by 120,000 b/d over the previous year to average 19.49m b/d in 2009, indicating a minor upward revision of 15,000 b/d from last month's report.

North America's oil supply forecast encountered an upward revision of 54,000 b/d from the previous month, with growth currently standing at 160,000 b/d over a year earlier to average 14.09m b/d in 2009.

OECD Western Europe's oil supply encountered a downward revision of 38,000 b/d from the last assessment and is expected to drop by 280,000 b/d in 2009 to average 4.77m b/d.

OECD Pacific supply is anticipated to remain flat, unchanged from the last review. Despite the revisions, the forecast supply decline in OECD Western Europe is seen to more than offset the growth in North America in 2009. On a quarterly basis, OECD supply now stands at 19.91m b/d, 19.21m b/d, 19.33m b/d and 19.51m b/d, respectively.

US oil supply is expected to average 7.94m b/d in 2009, representing growth of 440,000 b/d over the previous year and indicating an upward revision of 91,000 b/d from a month earlier. The US supply growth forecast remains the highest among all non-OPEC countries in 2009, due to the low base of last year's supply, influenced by the hurricane-related shutdowns in production in the Gulf of Mexico, raising anticipated growth in 2009. Preliminary data for September shows US total supply standing at 8.05m b/d, slightly higher than the previous month's figure.

Canada's oil supply is forecast to decline by 60,000 b/d over the previous year to average 3.19m b/d in 2009, a downward revision of 31,000 b/d from the previous month's assessment. The downward trend in Canadian oil production is driven mainly by the anticipated decline in conventional crude oil production, as well as slower-than-expected improvement in oil sands supply.

Mexico's oil supply is seen to average 2.95m b/d in 2009, a decline of 220,000 b/d from a year ago and a minor downward revision of 6,000 b/d from the previous month.

In OECD Western Europe, oil supply is expected to decline by 280,000 b/d over the previous year to average 4.77m b/d in 2009, indicating a downward revision of around 38,000 b/d from the previous month's report. A historical downward revision was introduced in the previous year, due to an update in actual production data which has affected the supply forecast for 2009. OECD Western Europe supply is seen to have 2009 quarterly figures of 5.11m b/d, 4.70m b/d, 4.58m b/d and 4.71m b/d, respectively.

Norwegian oil supply is predicted to drop by 100,000 b/d over a year ago to average 2.35m b/d in 2009, representing a minor upward revision of 9,000 b/d from the previous month. The revision was introduced to the third quarter supply to adjust for actual production figures

which were slightly higher than expected during the peak of the summer maintenance period.

The UK's oil supply this year is anticipated to decline by 90,000 b/d over a year earlier to average 1.48m b/d. The annual decline remains relatively unchanged from the previous month's report; however, cumulative production indicates a downward revision of 27,000 b/d compared with the previous month.

Other Western Europe supply is forecast to decline by 70,000 b/d in 2009 to average 670,000 b/d, representing a downward revision of 20,000 b/d from the previous OPEC assessment to adjust for actual production data.

OECD Asia Pacific oil supply this year is expected to remain unchanged over a year ago to average 630,000 b/d, flat from last month. On a quarterly basis, total oil supply in this region in 2009 is estimated to average 640,000 b/d, 610,000 b/d, 630,000 b/d and 630,000 b/d, respectively.

Australian oil supply is forecast to remain flat from a year ago and average 540,000 b/d in 2009, relatively unchanged from the previous month. The decline in mature producing fields, as well as maintenance, is seen to cap expected growth in new developments in the coming period, a new report from the Australian government has shown.

Oil supply from the group of Developing Countries in 2009 is estimated to grow by 160,000 b/d over the previous year to average 12.50m b/d, representing a downward revision of 50,000 b/d from last month's report. The expected growth is seen coming only from Latin America, while Other Asia, the Middle East and African supply is estimated to decline in 2009. On a quarterly basis, total oil supply in the Developing Countries in 2009 is seen to average 12.48m b/d, 12.49m b/d, 12.52m b/d and 12.53m b/d, respectively.

Oil supply from Other Asia is foreseen to decline slightly from a year ago to average 3.73m b/d in 2009, indicating a minor downward revision of 13,000 b/d from last month's assessment. On a quarterly basis, Other Asia supply this year is expected to average 3.71m b/d, 3.71m b/d, 3.75m b/d and 3.76m b/d, respectively.

Oil supply from Latin America is anticipated to increase by 230,000 b/d over last year to average 4.43m b/d in 2009, indicating a minor upward revision of 12,000 b/d from the previous month's report. Positive revisions were introduced to the annual figures of Brazil and Colombia, while there were minor downward and upward revisions to other countries' quarterly supply figures that did not change the annual estimates. On a quarterly basis, Latin America's supply in 2009 stands at 4.41m b/d, 4.44m b/d, 4.45m b/d and 4.42m b/d, respectively.

Oil supply from the Middle East is expected to fall by 40,000 b/d compared with the previous year to average 1.61m b/d in 2009, representing a downward revision of 23,000 b/d from the previous assessment. The downward revisions were experienced in Oman and Syria supply to adjust for actual production figures, mainly in the third quarter. On a quarterly basis, Middle East supply in 2009 is seen to average 1.63m b/d, 1.61m b/d, 1.59m b/d and 1.63m b/d, respectively.

Africa's oil supply is forecast to decline by 40,000 b/d this year to average 2.73m b/d, a downward revision of 25,000 b/d from previous month's level. The quarterly distribution average for Africa now stands at 2.73m b/d, 2.73m b/d, 2.74m b/d and 2.71m b/d, respectively.

Oil supply from the Former Soviet Union (FSU) is projected to increase by 330,000 b/d over the previous year to average 12.89m b/d in 2009, showing an upward revision of 92,000 b/d from last month's report. On a quarterly basis, total oil supply in the FSU in 2009 is expected to average 12.63m b/d, 12.90m b/d, 12.97m b/d and 13.05m b/d, respectively.

Other Europe's oil supply is estimated to decline by 10,000 b/d to average 130,000 b/d in 2009, indicating a downward revision of 7,000 b/d from last month's appraisal on the back of an adjustment to actual production data.

Russian oil production in 2009 is anticipated to grow by 100,000 b/d to average 9.89m b/d, representing an upward revision of 53,000 b/d from last month's forecast level. Preliminary figures indicate that Russian oil supply stood at 10.01m b/d in September, higher by 40,000 b/d than in the previous month.

In the Caspian region, oil supply from Kazakhstan is estimated to average 1.52m b/d in 2009, an increase by 100,000 b/d over the 2008 level, and an upward revision of 24,000 b/d from the previous month's estimate.

Azerbaijan's oil supply this year is forecast to average 1.04m b/d, up by 140,000 b/d over the 2008 figure and representing an upward revision of 28,000 b/d from the previous month's assessment.

Oil supply from China is seen to grow by a marginal 20,000 b/d over the previous year to average 3.87m b/d in 2009, flat from OPEC's last assessment. While the typhoon has shut down some production, increases from other producing areas have offset the drop so far. The quarterly figures for the Caspian are expected at 3.80m b/d, 3.86m b/d, 3.91m b/d and 3.89m b/d, respectively.

Looking at 2010, the OPEC report said non-OPEC supply is expected to increase by 350,000 b/d over the current year to average 51.21m b/d, indicating a minor downward revision of 13,000 b/d from the previous month's level. On a quarterly basis, non-OPEC supply in 2010 is expected to average 51.30m b/d, 50.93m b/d, 50.99m b/d and 51.61m b/d, respectively.

Total non-OPEC growth in 2010 was adjusted lower by 70,000 b/d from last month's figure, mainly on the back of historical changes to the 2009 base, as well as minor adjustments for 2010.

Oil supply forecasts for the US, Australia, Colombia and Russia experienced some upward revisions in 2010. While a downward revision was introduced to India's oil supply forecast, US and Australian production forecasts were revised up to account for some adjustments in project start-ups and ramp-ups.

Colombia's oil supply encountered a positive revision on the expectation of higher production levels as a new pipeline started operations, while Russia's oil supply forecast was revised higher on the back of increased

capital expenditures announced by a number of operators.

India's oil production was revised down following the redistribution of project ramp-ups.

OPEC oil production

Total OPEC crude oil production averaged 28.90m b/d in September, up by 43,000 b/d from the previous month, according to secondary sources. Crude oil output experienced a considerable increase from Nigeria, followed by Angola, while production fell in Venezuela and Saudi Arabia.

OPEC crude production, not including Iraq, stood at 26.42m b/d in September, an increase of 73,000 b/d over the previous month.

Meanwhile, output of OPEC NGLs and non-conventional oils are expected to average 4.78m b/d in 2009, an increase of 460,000 b/d over the previous year. In 2010, production of OPEC NGLs is forecast to average 5.33m b/d, representing growth of 540,000 b/d over the current year.

Downstream activity

Looking downstream, the OPEC report said product markets lost further ground in September, due to a narrowing gasoline crack spread and the continuation of distillate stock-building across the globe.

"Despite bullish reports about the economic recovery and its positive impact on market perception and demand growth, product markets still remain lackluster, forcing refiners to trim operation levels," said the report.

"An early cold snap in the Atlantic Basin may provide support for product and crude prices in the future, but ample distillate stocks are likely to cap any upward trend," it maintained.

Refining margins for WTI crude on the US Gulf Coast plummeted by $3.14/b to $3.12/b in September from $6.26/b the previous month. The drop was mainly due to the narrowing gasoline crack spread.

European refinery performance improved amid cautionary run cuts by refiners. Refining margins for Brent crude at Rotterdam rose by $1.27/b to $3.92/b in September from $2.65/b in August.

Dubai crude oil margins in Singapore fell by 29¢ to reach 5¢/b in September from 34¢ the previous month.

"Low margins in Asia may undermine refinery projects in the region and encourage Northeast Asian refiners to seek further rationalization, or to close down unprofitable units," said the report.

"Looking forward, amid recent positive developments in the world economy, the persisting bearish sentiment in the product markets is expected to improve in the next months.

"However, due to an overhang of middle distillates both onshore and offshore, as well as ample idle refining capacity, product markets are not expected to be able to lift crude prices significantly in the future."

The report noted that refinery throughputs usually increase during the driving season and then fall sharply from the middle of September because of the shoulder season and the beginning of autumn maintenance.

"This year, it appears that there were not many changes between refinery operation levels during the peak driving season and the start of the shoulder season amid the persisting economic downturn and its negative impact on product demand."

It said slowing product demand has encouraged refiners to adopt a more cautious operational approach, rather than simply following the typical seasonal pattern.

The refinery utilization rate in the US improved by 1.2 per cent in September, compared with the previous month, to reach 85.9 per cent from 84.7 per cent.

In Europe, refinery utilization rates were estimated to have fallen by 1.2 per cent, reaching 80.6 per cent from 81.8 per cent in August.

In Asia, refinery throughputs in China are still high, but remained muted in other countries. Refinery utilization rates in Japan were steady at around 80 per cent in September.

"Looking ahead, amid a continuation of the autumn maintenance season and huge stocks of middle distillates across the world, refinery utilization rates are not expected to increase significantly over the coming months," said the OPEC report.

Oil trade

According to latest official data, US crude oil imports rebounded in September to average 9.32m b/d, an increase of two per cent, or 220,000 b/d, compared with the previous month and ten per cent, or 870,000 b/d, higher than in the same month last year.

September crude oil imports bring US average imports for the first three quarters of 2009 to 9.34m b/d, four per cent, or 400,000 b/d, lower compared with the same period a year earlier.

US product imports also increased in September – by 11 per cent, or 260,000 b/d, from the previous month to average 2.62m b/d, 16 per cent lower than during the same month last year.

Finished motor gasoline imports stood at 171,000 b/d in September, a decline of 42 per cent from the previous month and 32 per cent lower than in the same month last year.

Average gasoline imports during the first three quarters of 2009 were gauged at 240,000 b/d, representing a decline of 31 per cent over the same period a year earlier.

Distillate fuel oil imports in September were put at 179,000 b/d, compared with 167,000 b/d in August. This level of imports indicates an eight per cent decline compared with the same month last year. Average distillate fuel oil imports during the first three quarters of 2009 were ten per cent higher than in the same period of 2008.

Residual fuel oil imports in September stood at 283,000 b/d, compared with 266,000 b/d the previous month and 289,000 b/d in the same month last year. Average residual fuel oil imports during the first three quarters of 2009 were steady, compared with the same period last year, at 253,000 b/d.

Jet fuel imports in September averaged

103,000 b/d, up from 89,000 b/d the previous month and 15,000 b/d higher than in the same period a year earlier. US product exports were two per cent higher in September, compared with the previous month, averaging 1.86m b/d. On a y-o-y basis, this volume of product exports is about 43 per cent, or 560,000 b/d, higher than a year earlier. US product exports during the first three quarters of 2009 averaged 1.74m b/d, a decline of five per cent from the same period a year earlier.

As a result, US net oil imports in September were five per cent, or 444,000 b/d, higher than in the previous month, averaging 10.04m b/d.

The 221,000 b/d increase in net crude oil imports in September was accompanied by a 223,000 b/d increase in net product imports, both compared with the previous month.

September net oil imports were two per cent lower compared with a year earlier and average net oil imports during the first three quarters of 2009 stood at 10.36m b/d, representing a decline of six per cent from the same period the previous year.

Stock movements

Concerning stock movements, US commercial oil inventories, after having fallen in August for the first time since September 2008, resumed their upward trend, increasing by 10.4m b in September to stand at nearly 1,109m b. This resulted in an overhang of around 90m b with the five-year average.

"It is worth noting that US commercial oil stocks have increased by more than 100m b since September 2008, compared with a draw of 22m b a year ago," commented the OPEC report.

The build in September is attributed to products, while crude oil stocks continued their downward trend. Crude oil inventories dropped by a further 2.4m b to 338m b, bringing the cumulative draw over the last five months to 32.6m b. However, despite this draw, US crude oil stocks remained above the upper end of the five-year range, keeping the overhang at 32m b.

Driven by both gasoline and distillates, product stocks increased by 12.8m b to offset the draw of the previous month. Gasoline inventories went against the seasonal trend and jumped more than 6m b to offset the draws of July and August and stand above 211m b. The build in gasoline inventories was driven by a decline in demand as the driving season ended.

Following the same trend, distillate stocks moved against the seasonal trend and continued increasing. They rose a further 7m b to move around 172m b, the highest level since December 1982.

"It is worth noting that 26m b have been added to distillate stocks since the beginning of the year, resulting in an overhang of 40m b, or 30 per cent, in September, compared with just 12m b, or ten per cent, in January," said the report.

Again, the ample level of distillate stocks is attributable to sluggish demand, due to the ongoing impact of the economic crisis.

Jet fuel oil stocks increased by 300,000 b to stand close to 46m b, up by 8m b, or 20 per cent, over September 2008, while residual fuel oil inventories reversed the downward trend and rose by 1.4m b to stand above 35m b, but remained lower than a year ago.

Due to weak demand, both crude oil and product stocks are very comfortable in terms of forward demand cover. However, crude oil stocks correspond to 23 days of forward cover, 1.5 days better than the average of the previous five years, while gasoline inventories corresponded to 23.7 days, almost two days higher than the five-year average.

Ample distillate stocks and sluggish demand has let days of forward cover reach a new record of almost 51 days, a gain of 18 days, or 55 per cent, over the five-year average.

The US Strategic Petroleum Reserve (SPR) resumed its upward trend and gained 1m b to stand at a new record of 725.1m b which approaches the total capacity of 727m b.

European oil inventories (EU-15 plus Norway) continued to alternate between the builds and draws seen since last May, dropping by almost 5m b to stand at around 1,142m b in September, the same level as seen five months ago.

Despite the draw, the overhang remained at around 16m b with the five-year average and 30m b higher than a year ago.

The draw in inventories was driven by distillates, which dropped for the first time since October 2008. Despite an increase in refinery runs, lower imports saw European distillate stocks lose 6m b, in line with the seasonal trend, but stood at more than 410m b to remain above the upper end of the five-year range for the seventh consecutive month.

Following the same trend, crude oil stocks dropped for the sixth month in a row. They lost 400,000 b to stand at 476m b, in line with the five-year average. The draw in crude oil inventories was due to an increase in refinery runs.

However, the rise in refinery runs was to some extent offset by an increase in supplies within the region, leaving stocks down by just a marginal 400,000 b.

Gasoline stocks rose by 1m b to 117m b, but remained 10m b below the five-year range. "It is worth mentioning that gasoline stocks moved within the five-year range for the first time in September, after having been below the range since the beginning of the year."

The build in gasoline inventories was attributed to the combination of higher production from refineries and weak demand within the region.

Similarly, weaker demand, in addition to closed arbitrage to the Asia-Pacific region, saw residual fuel oil stocks increase by a further 800,000 b to 111.3m b, whereas naphtha stocks fell by a marginal 100,000 b to 27.2m b, down by 1.3m b from a year earlier.

In Japan, preliminary data shows that the country's commercial oil inventories rose by almost 4m b between the last week of August and early September.

Again, the build was driven by distillates which added more than 2m b, while crude oil inventories fell by a further 4m b. Contrary to August, gasoline stocks recovered and posted a build of around 500,000 b, the first since the end of the third quarter of 2009.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2004**	**2005**	**2006**	**2007**	**2008**	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.6	45.4	46.9	45.9	46.2	44.4	45.4	46.9	45.7
North America	25.4	25.6	25.4	25.5	24.2	23.5	23.0	23.3	24.0	23.4	23.7	23.1	23.6	24.3	23.7
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.4	14.8	15.1	14.8	14.6	14.2	14.6	15.0	14.6
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.3	7.3	7.8	7.6	7.9	7.1	7.2	7.7	7.5
Developing countries	21.8	22.6	23.3	24.3	25.2	25.1	25.8	25.7	25.5	25.5	25.6	26.3	26.3	26.1	26.0
FSU	3.8	3.9	4.0	4.0	4.1	3.9	3.7	4.1	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.3	8.4	8.0	8.1	7.9	8.6	8.7	8.3	8.4
(a) Total world demand	**82.5**	**83.9**	**84.9**	**86.0**	**85.6**	**83.9**	**83.2**	**84.5**	**85.4**	**84.2**	**84.4**	**83.7**	**85.4**	**86.3**	**84.9**
Non-OPEC supply															
OECD	21.3	20.5	20.2	20.1	19.6	19.9	19.2	19.3	19.5	19.5	19.5	19.1	19.0	19.4	19.3
North America	14.6	14.1	14.2	14.3	13.9	14.2	13.9	14.1	14.2	14.1	14.2	14.0	14.0	14.2	14.1
Western Europe	6.2	5.7	5.4	5.2	5.0	5.1	4.7	4.6	4.7	4.8	4.7	4.5	4.3	4.5	4.5
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Developing countries	11.6	11.9	12.0	12.1	12.3	12.5	12.5	12.5	12.5	12.5	12.7	12.7	12.8	13.0	12.8
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	13.0	13.0	12.9	13.1	13.1	13.1	13.2	13.1
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.6	50.4	50.9	50.6	50.8	51.1	50.9	51.3	50.9	51.0	51.6	51.2
OPEC NGLS and non-conventionals	3.7	3.9	3.9	4.0	4.3	4.6	4.6	4.9	5.0	4.8	5.1	5.3	5.4	5.5	5.3
(b) Total non-OPEC supply and OPEC NGLS	**53.3**	**53.5**	**53.9**	**54.6**	**54.8**	**55.5**	**55.2**	**55.7**	**56.1**	**55.6**	**56.4**	**56.2**	**56.4**	**57.2**	**56.5**
OPEC crude supply and balance															
OPEC crude oil production[1]	29.6	30.7	30.5	30.2	31.2	28.4	28.5	28.8							
Total supply	82.9	84.2	84.4	84.8	86.0	84.0	83.7	84.5							
Balance[2]	0.3	0.3	-0.5	-1.2	0.3	0.1	0.5	0.0							
Stocks															
OECD closing stock level *m b*															
Commercial	2538	2585	2667	2567	2702	2747	2760								
SPR	1450	1487	1499	1524	1527	1547	1561								
Total	3988	4072	4166	4091	4229	4294	4321								
Oil-on-water	905	954	919	951	965	900	902								
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	62	61								
SPR	29	30	30	32	33	35	34								
Total	80	82	85	86	92	96	95								
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.8	8.9	8.9	9.2	9.3	8.9	9.0	9.1
[(a) – (b)]	**29.2**	**30.4**	**31.1**	**31.4**	**30.9**	**28.4**	**28.0**	**28.8**	**29.3**	**28.6**	**28.0**	**27.5**	**29.0**	**29.1**	**28.4**

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

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

Table 1 *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 74 while* ***Graphs 1 and 2*** *(on page 75) show the evolution on a weekly basis.* ***Tables 3 to 8****, and the corresponding graphs on pages 76–77 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, 2008–2009

$/b

Crude/Member Country	2008 Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Weeks 36–40 (week ending) Sep 4	Sep 11	Sep 18	Sep 25	Oct 2
Arab Light – Saudi Arabia	97.57	69.14	50.09	38.82	41.23	40.87	46.39	50.91	57.45	69.01	64.92	71.42	67.64	67.80	68.45	68.92	67.40	66.37
Basrah Light – Iraq	94.84	67.99	49.11	37.27	39.47	39.66	44.94	51.18	56.47	68.18	64.32	70.73	67.30	67.29	68.26	68.74	66.67	65.95
Bonny Light – Nigeria	100.48	74.57	56.11	43.10	45.44	45.07	49.70	52.24	57.87	69.55	66.31	73.84	68.74	69.61	69.86	69.69	68.28	67.13
Es Sider – SP Libyan AJ	97.28	71.22	51.86	39.60	42.74	42.37	46.35	50.24	56.87	68.15	64.51	72.89	67.44	68.38	68.56	68.39	66.98	65.83
Girassol – Angola	96.68	70.63	51.76	40.30	43.43	43.33	46.98	49.72	57.36	68.92	65.02	72.66	67.69	68.37	69.00	68.87	66.94	66.21
Iran Heavy – IR Iran	93.04	66.33	47.55	36.88	39.93	39.91	44.52	50.10	56.02	68.16	64.79	71.53	66.43	67.00	67.19	67.52	66.37	65.19
Kuwait Export – Kuwait	93.15	65.88	47.13	36.47	40.00	40.34	44.91	50.16	57.93	68.73	64.74	70.97	66.45	66.95	67.20	67.55	66.44	65.21
Marine – Qatar	97.78	68.94	50.58	41.24	44.62	43.74	46.58	50.82	58.09	69.94	65.31	72.02	68.44	68.89	69.07	69.31	68.62	66.97
BCF-17* – Venezuela	96.17	65.86	40.37	31.65														
Merey* – Venezuela					37.39	38.76	39.59	43.73	52.95	61.81	60.11	65.78	62.88	63.14	63.95	64.65	61.62	61.17
Minas – Indonesia[1]	101.63	76.80	56.48	41.80														
Murban – UAE	101.32	71.52	53.05	43.15	46.27	44.71	47.75	52.33	59.58	71.50	66.80	73.51	69.79	70.23	70.47	70.86	69.94	68.01
Oriente – Ecuador	89.52	60.57	40.17	29.56	35.12	35.83	42.45	42.41	53.56	63.62	58.10	65.26	63.67	62.56	65.70	66.18	61.61	62.03
Saharan Blend – Algeria	99.48	73.02	53.86	41.35	43.89	44.07	48.40	51.69	57.27	69.15	65.21	72.94	67.84	68.71	68.96	68.79	67.38	66.23
OPEC Reference Basket	**96.85**	**69.16**	**49.76**	**38.60**	**41.54**	**41.41**	**45.78**	**50.20**	**56.98**	**68.36**	**64.59**	**71.35**	**67.17**	**67.56**	**68.09**	**68.40**	**66.80**	**65.74**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2008–2009

$/b

Crude/country	2008 Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Weeks 36–40 (week ending) Sep 4	Sep 11	Sep 18	Sep 25	Oct 2
Minas – Indonesia[1]					44.98	45.04	49.06	54.11	61.69	72.71	67.23	75.88	70.25	72.03	72.26	70.44	68.64	69.07
Arab Heavy – Saudi Arabia	89.92	63.48	44.94	34.38	38.31	39.41	43.76	49.48	55.69	68.74	64.80	71.03	66.16	66.84	66.88	67.17	66.30	64.92
Brega – SP Libyan AJ	99.08	72.87	53.31	40.95	43.89	43.52	47.25	51.24	57.87	69.05	65.31	73.24	67.79	68.73	68.91	68.74	67.33	66.18
Brent – North Sea	98.13	71.87	52.51	40.35	43.59	43.07	46.55	50.44	57.27	68.55	64.61	72.84	67.39	68.33	68.51	68.34	66.93	65.78
Dubai – UAE	95.90	67.82	49.84	40.46	43.94	43.09	45.59	50.10	57.48	69.41	64.82	71.36	67.74	68.29	68.51	68.73	67.81	66.09
Ekofisk – North Sea	99.62	74.31	54.77	41.47	45.83	44.51	47.28	50.65	58.48	69.62	65.55	73.36	68.31	68.02	69.72	69.51	67.50	66.50
Iran Light – IR Iran	97.56	70.81	51.72	40.03	42.33	41.31	46.10	49.69	56.53	68.24	64.93	72.64	67.55	66.95	68.91	68.88	66.70	66.07
Isthmus – Mexico	100.15	71.96	49.77	37.27	40.15	39.39	46.98	50.38	58.51	68.52	63.70	71.04	67.16	66.95	68.23	68.87	65.97	66.25
Oman -Oman	96.13	68.34	50.04	40.91	44.28	43.52	45.83	50.16	57.59	69.47	65.08	71.59	68.27	68.54	68.93	69.30	68.48	66.70
Suez Mix – Egypt	94.76	67.57	48.86	36.66	40.08	39.44	42.89	46.26	54.33	65.35	62.15	69.53	64.35	64.03	65.58	65.49	63.60	62.84
Tia Juana Light[2] – Venez.	96.65	69.58	47.44	35.26	38.86	38.60	45.52	49.32	57.34	67.08	62.68	69.83	66.22	65.97	67.28	67.91	65.05	65.33
Urals – Russia	97.61	70.51	51.79	40.03	43.09	42.32	45.65	49.05	56.85	68.38	64.85	72.27	67.09	67.89	68.25	68.24	66.38	65.70
WTI – North America	104.15	76.62	57.12	41.45	41.50	39.08	48.00	49.82	59.21	69.68	64.23	71.05	69.34	68.36	70.36	71.34	68.22	68.79

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).

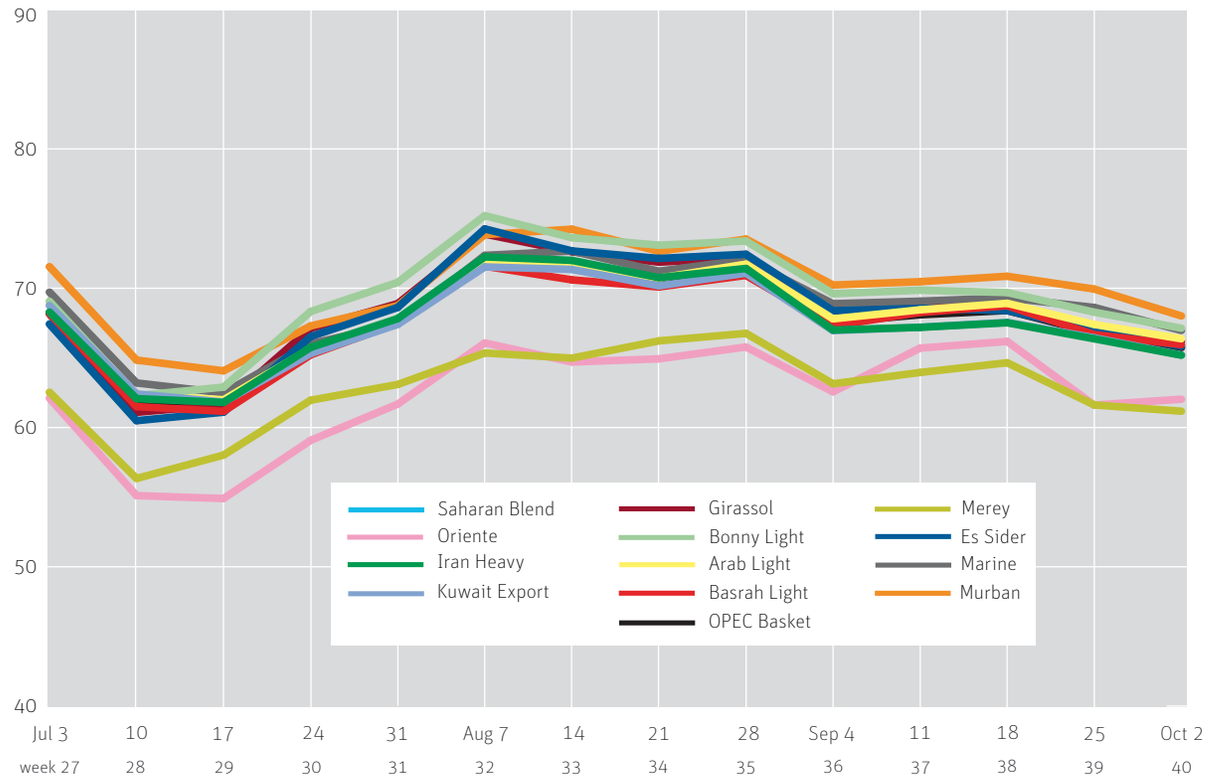
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

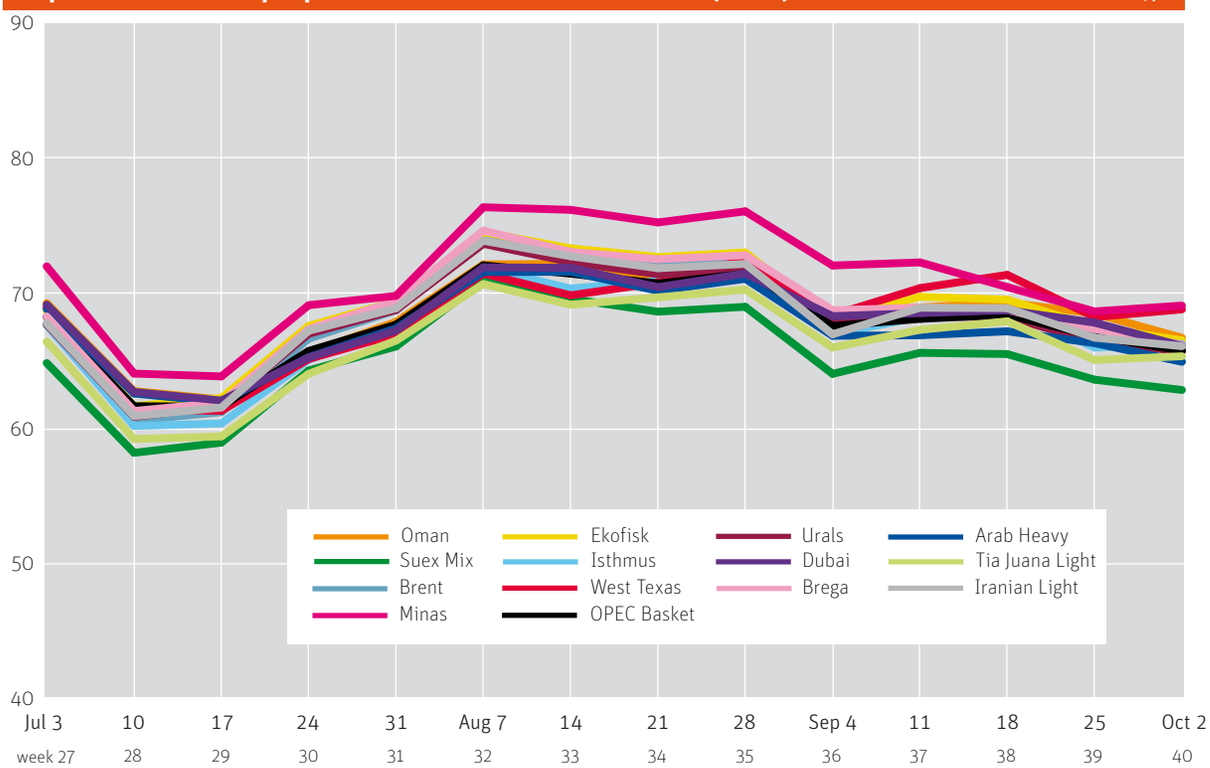
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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 (2009) $/b



Graph 2: Evolution of spot prices for selected non-OPEC crudes (2009) $/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 10ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2008	September	111.21	105.00	120.10	127.29	128.97	84.40	81.22
	October	69.23	73.36	82.48	100.15	98.63	65.67	54.12
	November	39.87	49.18	55.77	80.38	79.95	44.51	31.54
	December	33.53	39.21	46.33	62.38	59.70	32.67	26.78
2009	January	41.40	45.98	59.72	61.48	34.38	33.08	33.08
	February	45.39	46.48	55.32	51.13	41.82	36.50	36.50
	March	48.36	52.02	55.90	55.33	36.43	37.29	37.29
	April	48.77	57.85	59.72	60.25	43.80	42.35	42.35
	May	59.66	70.76	64.03	64.87	50.34	51.19	51.19
	June	71.18	81.07	75.69	78.47	59.46	59.14	59.14
	July	42.79	48.83	55.32	53.89	35.81	36.50	36.50
	August	72.78	83.06	79.99	79.89	67.78	66.21	66.21
	September	65.55	74.81	74.77	76.57	64.52	62.96	62.96

Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

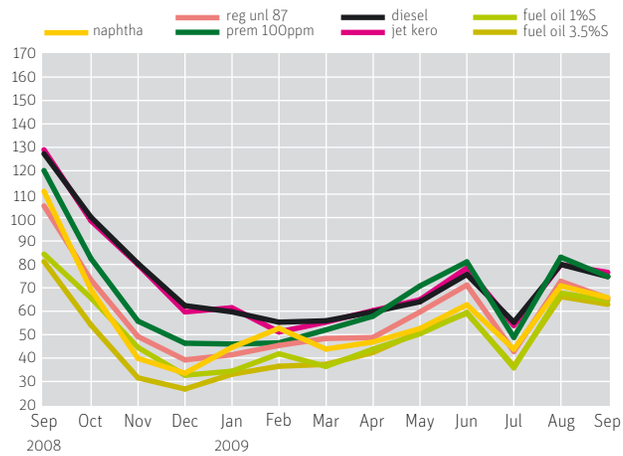


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2008	September	92.57	119.15	126.54	83.12	81.69
	October	56.67	84.00	98.56	61.31	54.87
	November	31.86	56.96	78.67	43.64	29.70
	December	26.29	45.78	60.72	34.94	23.42
2009	January	36.11	44.30	59.14	36.58	32.11
	February	45.21	28.66	38.26	38.63	35.42
	March	42.05	26.66	35.59	39.37	36.74
	April	45.57	27.46	35.69	44.42	42.54
	May	50.74	32.51	42.25	52.93	50.93
	June	61.16	36.23	47.09	60.64	59.47
	July	41.92	24.42	31.74	38.63	35.42
	August	69.32	24.55	31.98	68.04	66.86
	September	64.30	22.77	29.66	64.92	63.10

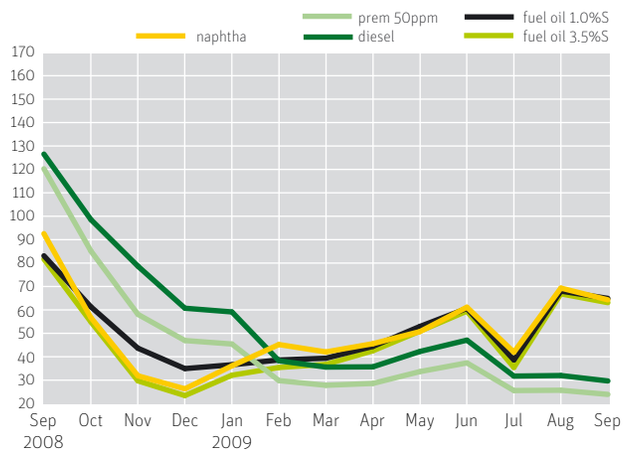
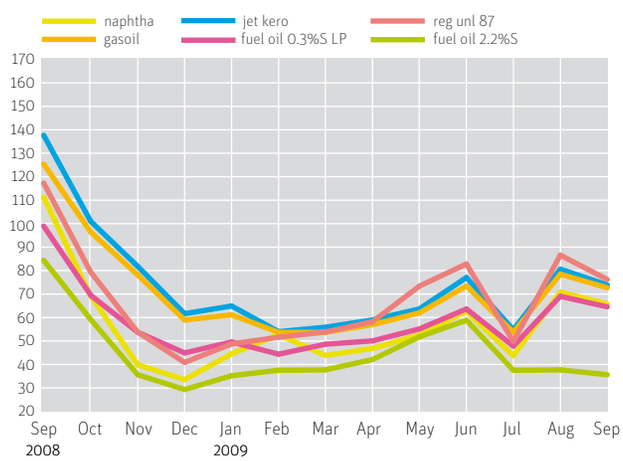


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2008	September	111.21	117.30	125.38	137.65	98.95	84.37
	October	69.23	79.36	96.40	100.98	69.51	59.18
	November	39.87	53.81	78.19	81.82	53.73	35.62
	December	33.53	40.87	58.93	61.64	44.92	29.33
2009	January	44.54	48.74	61.15	64.91	49.59	35.21
	February	52.70	51.61	53.68	53.98	44.37	37.55
	March	43.82	53.83	53.69	55.86	48.64	37.70
	April	46.84	58.24	57.00	58.98	50.05	42.10
	May	52.58	73.39	61.98	63.68	55.14	51.77
	June	62.74	82.83	73.45	77.05	63.67	58.85
	July	43.75	49.78	53.68	54.79	47.82	37.52
	August	70.85	86.58	78.49	80.62	69.05	37.71
	September	65.82	76.22	72.67	73.89	64.55	35.63



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2008	September	119.02	125.11	141.76	76.28	75.40
	October	68.55	94.64	99.09	52.42	51.29
	November	45.60	77.88	81.69	29.85	20.48
	December	31.78	56.26	58.88	22.46	20.48
2009	January	42.95	59.33	64.18	28.28	26.13
	February	15.95	15.95	54.21	31.66	29.92
	March	50.87	16.19	54.18	32.55	30.83
	April	51.75	18.02	59.42	36.95	35.25
	May	64.97	19.75	64.62	46.72	45.02
	June	74.02	23.47	77.63	54.73	53.24
	July	46.49	15.95	54.21	31.66	29.92
	August	74.51	24.93	80.47	64.29	62.76
	September	68.22	23.20	74.72	60.96	59.45

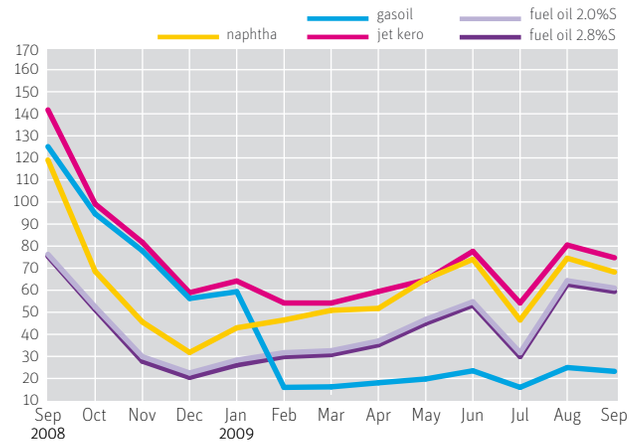


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2008	September	91.89	107.02	104.75	121.57	121.42	88.23	87.77
	October	51.04	79.38	77.07	90.00	89.97	59.99	59.08
	November	28.98	48.29	47.38	75.13	58.90	36.14	35.13
	December	30.90	40.97	38.80	62.97	58.90	34.00	33.27
2009	January	41.89	50.95	47.57	61.82	60.89	37.65	37.47
	February	46.84	63.61	55.42	39.76	52.85	40.66	50.48
	March	46.53	54.20	53.14	56.20	53.34	38.70	38.05
	April	49.35	60.46	58.27	61.14	59.10	45.66	44.90
	May	54.01	68.50	65.48	66.29	64.07	54.53	53.90
	June	65.86	77.15	75.01	77.92	76.45	62.77	62.34
	July	46.84	57.97	55.42	54.59	52.85	40.66	39.76
	August	70.37	82.13	80.13	80.34	78.67	68.23	68.03
	September	66.80	75.63	73.84	75.80	74.58	66.36	66.30

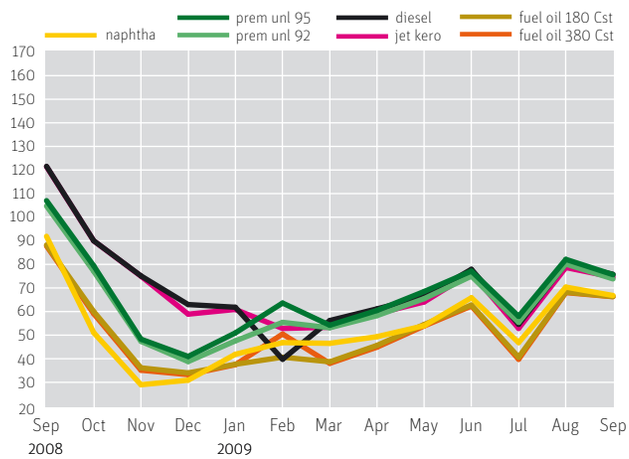
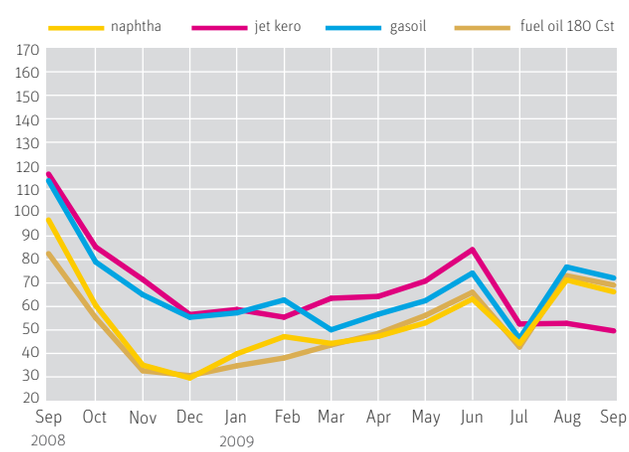


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2008	September	96.88	113.61	116.44	82.53
	October	60.48	78.97	85.35	55.21
	November	35.03	65.03	71.52	32.62
	December	29.53	55.41	56.56	30.54
2009	January	39.85	57.30	58.72	34.74
	February	47.16	62.80	55.44	38.07
	March	44.26	50.06	63.50	43.60
	April	47.28	56.69	64.29	48.51
	May	53.02	62.46	70.83	56.19
	June	63.19	74.25	84.21	66.06
	July	44.19	46.34	52.55	42.73
	August	71.30	76.83	52.83	73.11
	September	66.26	72.14	49.61	69.12



Source: Platts. Prices are average of available days.

Forthcoming events

10th Annual world LNG summit and conference, December 1, 2009, Barcelona, Spain. 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.

Power electronics and energy saving power and energy, December 1–3, 2009, Moscow, Russia. Details: ITE Group Plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

Production sharing contracts and international petroleum fiscal systems, December 1–3, 2009, Houston, TX, USA. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Global FPS 2009, December 2–3, 2009, London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; email: energycustserv@informa.com; website: www.ibcenergy.com.

Industry forecast forum: from downstream to upstream — a look at 2010, December 3, 2009, Houston, TX, USA. Details: Gulf Publishing Events. Tel: +1 713 529 4301; fax: +1 713 520 4433; e-mail: events@gulfpub.com; website: www.gulfpub.com/events.

Iraq petroleum 2009 conference, December 7, 2009, London, UK. 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.

Pacific gas insiders, December 7–8, 2009, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org

International petroleum technology conference, December 7–9, 2009, Doha, Qatar. Details: International Petroleum Technology Conference, c/o Society of Petroleum Engineers, Dubai Knowledge Village, Block 17, Offices S07-S09, PO Box 502217, Dubai, UAE. Tel: +971 4 390 3540; fax: +971 4 366 4648; e-mail iptcreg@iptcnet.org; website: www.iptcnet.org/2009/.

FPSO Rio training course, December 8–10, 2009, Rio de Janeiro, Brazil. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; email: energycustserv@informa.com; website: www.ibcenergy.com.

Middle East city gas conference 2009, December 8–10, 2009, Cairo, Egypt. Details: Jacob Fleming Group, Rossellon 174–176 Ent 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

Which technologies to diversify transportation fuels? December 9, 2009, Rueil-Malmaison, France. Details: IFP, 1 & 4, avenue de bois-Preau, 92852 Rueil-Malmaison Cedex, France. Tel: +33 147 52 60 00; fax: +33 147 52 70 00; website: www.ifp.com.

Kuwait international petroleum conference and exhibition, December 14–16, 2009, Kuwait City, Kuwait. Details: Society of Petroleum Engineers (SPE), SPE, PO Box 833836, Richardson, TX, 75083-3836, USA. Tel: +1 972 952 9393; fax: +1 972 952 9328; website: www.spe.org/events/erm/.

MENA-EX 2010, international exhibition and forum for mineral exploration, investment and applications, January 24–26, 2010, Jeddah, Saudi Arabia. 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.

Renewable energy finance and infrastructure summit, January 27–29, 2010, Vienna, Austria. Details: Jacob Fleming Group, Rossellon 174–176 Ent. 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

Global floating LNG summit, January 20–21, 2010, London, UK. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: + 44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

Oil and gas India conference and exhibition, January 20–22, 2010, Mumbai, India. Details: Society of Petroleum Engineers, Suite B-11-11, Level 11, Block B, Plaza Mont'Kiara, Jalan Bukit Kiara, Mont'Kiara, 50480 Kuala Lumpur, Malaysia. Tel: +60 36201 2330; fax: +60 36201 3220; e-mail: spekl@spe.org; website: www.spe.org.

Deep gas conference and exhibition, January 24–26, 2010, Manama, Bahrain. Details: Society of Petroleum Engineers, Dubai Knowledge Village, Block 17, Offices S07-S09, PO Box 502217, Dubai, UAE. Tel: +971 4 390 3540; fax: +971 4 366 4648; e-mail: spedub@spe.org; website: www.spe.org.

Secretariat activities

Visit of officials of the Petroleum Institute of Thailand (PTIT). Front row (l–r): Pala Sookawesh, Director, PTIT; Fuad Al-Zayer, Head of OPEC's Data Services Department; Sukon Kanchanalai, Advisor, PTIT; Dr Tongchart Hongladaromp, Director, PTIT. Back row (l–r): Dr Chokchai Asaranan, Director, PTIT; Dr Nimat Abu Al-Soof, Senior Upstream Oil Industry Analyst in OPEC's Energy Studies Department; Nabeel Almojil, Computer Systems Analyst in OPEC's Data Services Department; Siham Alawami, Public Relations Specialist in OPEC's PR & Information Department; Charlie Charuvastr, Assistant to the CEO, International Relations, PTIT.

Students of the Global International Relations Programme of Webster University. In a course on International Organizations students were familiarized with the mechanisms of Vienna-based international organizations such as OPEC, OSCE and the UN agencies. Here seen with Dr Karin Kneissl, standing behind Siham Alawami (seated second right), Public Relations Specialist in OPEC's PR & Information Department.

MBA students from the Moore School of Business, University of South Carolina, United States, are pictured with PRID Editor Keith Aylward-Marchant (seated, right) at the end of the last student presentation to be held in the OPEC Secretariat in Obere Donaustrasse, before the move across the Danube Canal to the new premises.

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