OPEC bulletin

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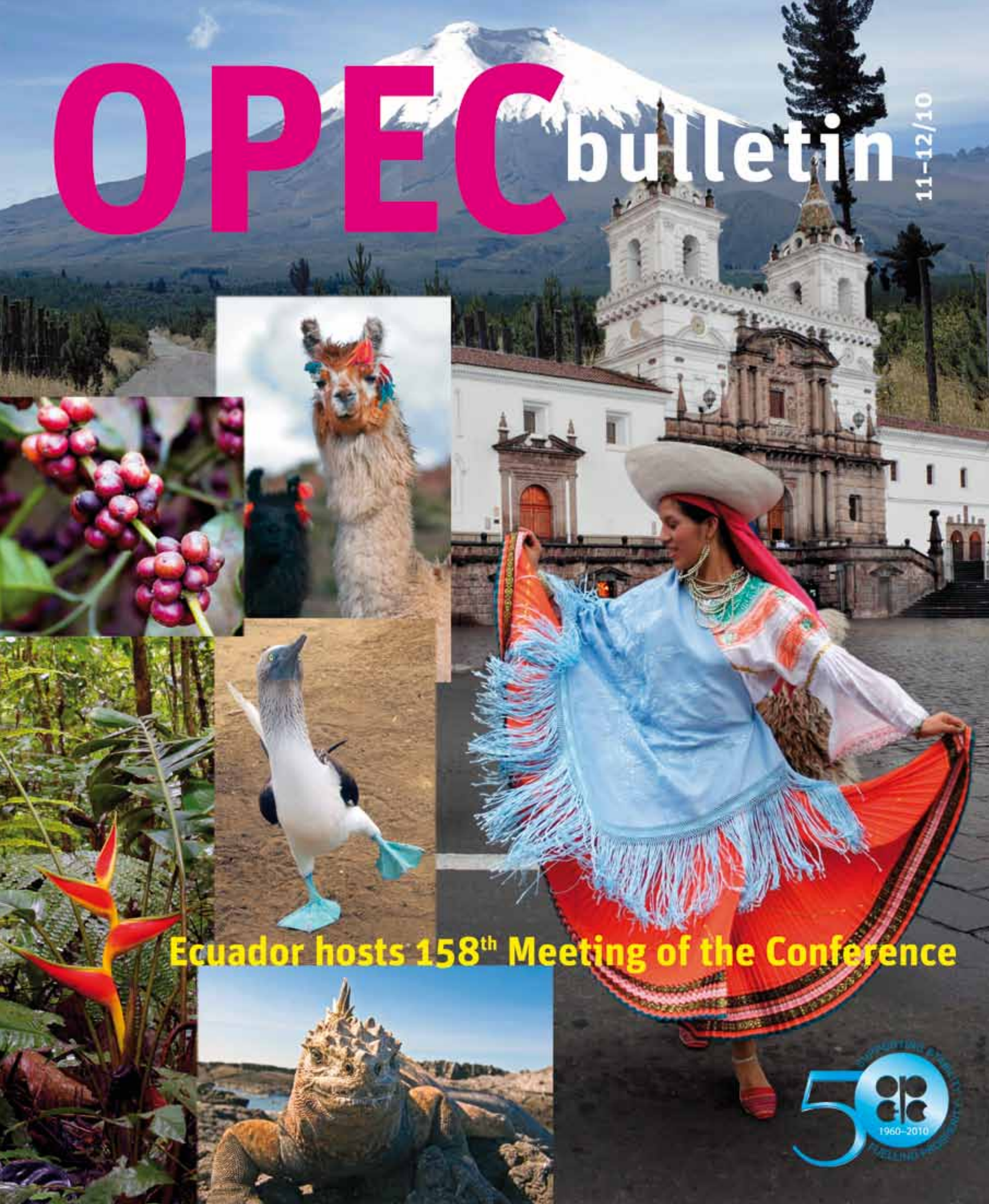

Ecuador hosts 158th Meeting of the Conference

OMV Austria Exploration & Production GmbH is the biggest employer in Austria's wine-growing region Marchfeld. There and in 20 other countries on five continents we're not just looking for new sources: anyone can do that. Extracting every last drop of oil is what our effort for sustainability is all about. We find oil and gas in fields which were supposedly exhausted decades ago. This active commitment is an important contribution towards ensuring the supply of energy to Austria and Europe. And that's something not everyone can do.

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OPEC, its insights and the number 34

There are 34 of them and they stand out in their bold turquoise blue italics. Each is significant in its own way.

Collectively, their significance reaches new heights when it comes to understanding what motivates OPEC, what lies behind its decisions and what drives its actions.

And this has gained added resonance in this 50th anniversary year of the Organization, which is now drawing to a close.

The '34' refers to the number of perceptive insights highlighted in the executive summary of the 2010 issue of OPEC's annual research study, the *World Oil Outlook (WOO),* which was launched at the Organization's Vienna-based Secretariat on November 4. The purpose of this book is to provide a better understanding of the major issues that are of concern to OPEC in particular and the industry in general at the present time.

Thirty-four perceptive insights. This is a big number for insights. Why are there so many? Are they ***all*** that crucial for gaining a deeper understanding of the challenges facing OPEC and the industry today?

Their scope is extensive, as can be seen on *page 53 of this OPEC Bulletin*. They cover the oil supply chain, other types of energy, the world economy, financial institutions, transportation, trade, cost trends, technology, climate change, sustainable development, energy poverty, dialogue and so on.

They cut across time-horizons, with scenarios extending from the present day to 2030. Some issues are longstanding and well-known, while others are new and pressing. Indeed, some may turn out to be ephemeral — here today, gone tomorrow.

These are all matters of interest to oil analysts. OPEC and its teams of experts in both Member Countries and its Secretariat are no exception.

The oil matrix has evolved into a highly complex one since the Organization was established in 1960.

Globalization. Interdependence. Cooperation. These are all familiar words to us. Quite rightly so.

We are in a world of dynamic, substantive interlinkages. Everything fits together with everything else. Or at least it should do in a well-functioning global oil industry. This is what we strive for in OPEC.

We need to study issues individually and in-depth. At the same time, we need to perceive the fuller, holistic picture. It all matters.

When viewed this way, 34 perceptive insights do not seem to be so many. And, let us remember, these insights are selections. There are more within the 282 pages of this year's WOO.

Each insight is significant. And then, on top of this, there is their collective significance. The acquisition of each insight is a further demonstration of OPEC's unyielding commitment to its longstanding objective of market order and stability. This was expressed in its very first Conference resolution of September 14, 1960, and remains as relevant today.

OPEC's Anniversary year has given us the chance to reflect on the achievements of the past. These are many and diverse and have had a positive impact on the development of the industry over the past 50 years.

The distance we have travelled so far as an Organization can be surmised from the data-rich pages of the other publication launched on November 4 — the 2009 issue of OPEC's *Annual Statistical Bulletin (ASB)*. This provides detailed historic time-series data on many aspects of the global petroleum industry, with a heavy emphasis on our Member Countries. Much of this data, in the ASB's interactive electronic format, reaches back to OPEC's birth.

The ASB and the WOO complement each other well, linking the past with the present and then the present with the future.

It is all one long continuum, and its latest expression will be found in the 158th (Extraordinary) Meeting of the Conference in Quito on November 11. There, our Ministers will review the current state of the oil market, benefiting from the lessons of the past and guided by the perceptions of the future. These are all a product of the extensive research carried out by the Organization and brought to the attention of the world at large through our publications and other carefully tailored information outlets.

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This month's cover depicts the cultural splendour of Ecuador, which will host the 158th (Extraordinary) Meeting of the OPEC Conference, in Quito, in December (see page 4).

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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.

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

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OPEC Ministers convene in Quito for end-of-year Conference

Ecuador in the spotlight

Along with Venezuela, Ecuador is one of only two OPEC Member Countries located in the western hemisphere. It might be OPEC's smallest producer, but Ecuador is big in stature and an active participant in the Organization's work. This year, it is hosting the 158th (Extraordinary) Meeting of the OPEC Conference, which will take place on December 11 in the country's capital, Quito. In a run-up to the Meeting, the OPEC Bulletin's Alvino-Mario Fantini provides a glimpse of life in this unique Andean nation.

A panoramic view of the Ecuadorean capital, Quito.

Too often it seems like the only thing people know about the countries that make up the membership of the Organization for the Petroleum Exporting Countries (OPEC) is that they export crude oil.

But each country counts with rich, cultural traditions and other sources of pride that are worth noting. In the case of Ecuador, which first joined OPEC in 1973, the country's dazzling biodiversity and centuries-old history makes it a veritable gem, straddling the equator and nestled among the Andean peaks of South America.

Ecuador's biological richness makes the small nation — it only covers an area of 280,000 square kilometres — a treasure trove of flora and fauna, which has made it of growing interest to academics and scientists the world over.

Above: Ecuadorean President, Rafael Correa Delgado.

Left: Wilson Pástor-Morris, Ecuador's Minister of Non-Renewable Natural Resources and OPEC Conference President in 2010.

According to the environmental organization, Conservation International, Ecuador is one of 17 "mega-diverse" countries in the world, boasting 15 per cent of the planet's known bird species, as well as 16,000 varieties of plants, 6,000 kinds of butterflies and more than 200 types of amphibians and reptiles.

More specifically, as reported by *The New York Times,* a new study on global conservation efforts notes that

Ecuador is keen to preserve its Yasuní National Park.

Ecuador's Yasuní National Park offers the world's "most diverse array of plants and animals in South America and possibly the planet."

The study, which was carried out by an international group of scientists, underscores the country's importance to biological research.

Biodiversity

However, it also underscores its importance for environmental efforts to offset the effects of greenhouse gas emissions. With one of the world's wettest forest areas, Ecuador serves as a bulwark against atmospheric pollution, offering thousands of acres of forests to help offset things such as carbon dioxide emissions.

Were one to focus solely on the country's biodiversity, however, one would be doing the country a disservice — for Ecuador offers the world much, much more.

On the one hand, it has several cities that have stayed true to their historic urban centres admirably, preserving the architecture of the country's Spanish colonial past. It has done this while also ensuring the preservation of the autochthonous cultures of its original and indigenous communities, an impressive feat on a continent with countries long known for doing otherwise.

On the other hand, Ecuador offers impressive crude oil and natural gas reserves, which have allowed it to become a growing presence on the world's energy stage, enticing growing oil consumers, such as China, to engage in trade negotiations and qualifying Ecuador, as a net oil exporter, for membership in OPEC.

However, things were not always so rosy. As recently as five decades ago, Ecuador seemed mired in institutional difficulties as it tried to reform its institutions of government, too often hampered by remnants of its more bureaucratic Spanish colonial past. Several decades of reform — often under the aegis of the World Bank — have since allowed it to restructure its legislative, judicial and executive branches.

In recent years, since the 2006 election of President Rafael Correa Delgado, an economist trained in Europe, the country has successfully amended its constitution and passed a series of innovative laws.

Ecuador's sacrifice

In 2008, for example, a constitutional amendment gave the country's forests, rivers, air and land the same rights extended to its people, demonstrating just how important the environment is to the culture and patrimony of the country.

In fact, the environment is so valuable to Ecuadoreans that it is pushing an initiative that will, if successful, prevent any and all oil exploration from a large section of its north-eastern forests.

The initiative, known as Yasuní-Ishpingo-Tambococha-Tiputini (Yasuní-ITT), promises to keep 2.5 million acres of prime rainforests protected and in a perpetual state of nature. In return, the Ecuadorean government is seeking monetary support from overseas sources to compensate for the revenues it will lose by not exploiting the area.

While final implementation of the ambitious initiative is still pending, the Yasuní-ITT scheme underscores the high importance that Ecuador's 14 million inhabitants attach to the country's environment.

Ecuador: a country rich in culture

Before the environment became such a hallowed realm, Ecuador pursued all manner of projects to develop its natural resources, which are plentiful, and actively sought ways to increase its export earnings. However, while it is rich in many raw materials — as well as banana, shrimp and fish — it was crude oil that changed the course of its history.

Promising economy

When crude oil was discovered onshore in the early 20th century — with production at the country's first oil well in the Santa Elena Peninsula beginning in 1921 — Ecuador, like Venezuela, rapidly became one of the most promising economies of Latin America.

Over the years, as additional reserves were found, the country became a net exporter of oil.

Today, after several decades of additional investments in oil exploration and production, and with the advent of new technologies, Ecuador has become an active participant in the global trading system. Its growing crude oil reserves have made it a major supplier to the Chinese market.

In fact, in early September this year, Ecuador signed a cash-for-crude deal with China for $1 billion. The terms of the deal, as reported by different media outlets, stipulate that Ecuador will receive $200 million, followed by another $800m. In return, PetroEcuador, the country's national oil company, will sell an undisclosed amount of crude to PetroChina in the coming years.

It was the country's rapidly developing crude oil reserves that helped make it eligible for membership in OPEC in 1973. At the time, Venezuela, one of OPEC's five Founding Members, was the Organization's only Latin American Member.

But Ecuador offered not only an expanded presence for the Organization in the southern cone — it also shared a common interest with other Member Countries in finding ways to avoid the vicissitudes of international oil prices.

Coordinating its petroleum policies with the world's leading exporters seemed not only to make good

After centuries of local indigenous rule and civilizations, Ecuador became part of the Inca Empire in 1463. Many of its traditions — from dress to food — are still part of that rich culture.

Today, Ecuador's culture is a mestizo culture, in which you can trace both Spanish and Indian culture. The people of Ecuador share many physical characteristics and traits similar to the people from other Andean countries, like Bolivia and Peru.

The traditional language spoken by the people was quechua. Today, the language spoken by the majority of people is Spanish. But there are numerous Indian words still in use. These are mostly in food terms, and in references to flora and fauna.

Ecuador's traditional music, too, which is mostly played on flutes and drums, derives influences from that culture.

Ecuadorean handicrafts typically consist of woven cloths and colourful textiles, hand-carved wood artefacts and miniature, sculpted figurines made of breadcrumbs. They are sold all over the world.

The country has many picturesque towns. The town of Otavalo, just outside Quito, is known for its Sunday market, with local people using traditional clothing and selling a wide variety of locally-made goods. Many Otavaleños have found their ways to many other cities around the world where they sell their beautiful handicrafts and play their traditional music.

Right: Ecuador's 'Centre of the world' memorial located on the equator (Mitad del Mundo).

Above: Renovated historical housing in La Ronda district of Quito.

economic sense, it offered the small country a chance to join the international community in the pursuit of actions and policies that would enhance its reputation.

To be sure, there have been times when the country saw its levels of crude oil production drop. Questions about the country's future petroleum policies resulted in the voluntary suspension of its Membership in OPEC in December 1992.

But in October 2007, OPEC Secretary General, Abdalla Salem El-Badri, invited the country to participate in the Third Summit of OPEC Heads of State and Government, held that same November in the Saudi Arabian capital, Riyadh. As a consequence, Ecuador rejoined the Organization.

Currently, according to OPEC's 2009 Annual Statistical Bulletin, Ecuador's proven crude oil reserves stand at 6.5bn barrels and its production level reached 465,000 barrels/day last year. This figure may be expected to rise in the coming years, especially if the global economic recovery is consolidated and aggregate demand levels for OPEC crude continue to grow.

Since 2007, Ecuador has shown all the marks of a leader truly coming into its own. Under the robust presidency of Rafael Correa, it has passed a series of legal reforms

Right: The cathedral of Cuenca. The city of Cuenca has been declared a world heritage by UNESCO.

Above left: An example of modern architecture in Quito.

Above: Inside the la Merced courtyard in Quito.

covering the energy sector and has obtained millions of dollars in loans from multilateral organizations like the Inter-American Development Bank.

Active OPEC Member

With regard to OPEC, Ecuador has also increasingly been held in high esteem. In 2010, it has held the rotating Presidency of the Organization, mostly through Wilson Pástor-Morris, who became his country's Minister of Non-Renewable Natural Resources at the end of April this year. But in the last three years, it has been active in a variety of other events involving OPEC.

In May 2008, OPEC Secretary General El-Badri visited the country, as part of his visit to South America's two OPEC Member Countries. In April 2009, OPEC convened its Fourth Annual Meeting of Officials of Petroleum Research and Development Institutions in Member Countries in Ecuador. Then, in June 2009, the country played host to the Seventh International Joint Oil Data Initiative (JODI) Conference, with about 90 participants from 27 countries in attendance.

It seems all the more appropriate then that, in December, Ecuador will play host to the OPEC Conference with Member Country Oil and Energy Ministers arriving in Quito for discussions and analysis of the current state of the oil market.

A summary of the Organization's new Long-Term Strategy (LTS) will also be released on the occasion of the Conference. This promises to be an important Meeting, with the Secretariat working hard to provide logistical support to the country's Minister and Ecuador's Governor and National Representative for OPEC, Diego Armijos-Hidalgo.

Given the continuing effects of the global economic recession, with its concomitant impact on aggregate oil demand, the Ministers will have much to talk about. In recent months, there certainly has been a more positive outlook on the global economy than, say, two years ago. But questions still remain about the extent of the recession and the timing of recovery efforts on the part of the advanced economies of the world.

Still, OPEC Ministers may be expected to remain somewhat optimistic by the stability seen this year with regard to oil prices. This, of course, has been an encouraging sign for investments in production capacity to ensure future supply and some projects that had earlier been suspended, or cancelled, in some Member Countries have resumed.

Thus, given events in the global economy in the last year, and ongoing concerns about continuing investments in global production capacity, December's meeting in Quito promises to be important, again underscoring the role the Organization plays in working to ensure stability in the global oil market.

The fact that the context this time around will be the beautiful colonial city of Quito, surrounded by the extensive richness of the country's magnificent and abundant natural beauty, only belies the great things that can be expected from the Meeting.

157th Meeting of the Conference leaves production ceiling intact

OPEC again exercises caution amid uncertain economic climate

"OPEC encourages a fair price where our Member Countries can have a decent income, where we can invest in new supply and where the consumers also become comfortable with this price."

— Abdalla Salem El-Badri

At the press conference: HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud (r), Saudi Arabia's Assistant Minister of Petroleum and Mineral Resources and Chairman of the Deputy Ministers' Committee on the LTS; Wilson Pástor-Morris (l), Ecuador's Minister of Non-Renewable Natural Resources and President of the Conference; OPEC Secretary General, Abdalla Salem El-Badri (c).

OPEC's Oil and Energy Ministers, wary of the prevailing uncertainty surrounding the extent and pace of the global economic recovery, again decided to leave the Organization's oil production ceiling unchanged at their latest Ministerial talks, in Vienna, in October.

The 157th Meeting of the OPEC Conference decided that, in the light of the current economic climate, coupled with conditions in the international oil market, the current output ceiling of 24.845 million barrels/day would remain intact for the foreseeable future.

The current ceiling has now been in force for almost two years. It was put in place during the 151st (Extraordinary) Meeting of the Conference, in Oran, Algeria, when Ministers responded to the effects of the financial crisis and recession and subsequent slump in oil demand by cutting production by 4.2m b/d.

At their latest Meeting, and after reviewing a series of reports and analyses over current oil market conditions and prospects for the immediate future, the Ministers agreed that, whilst the economic recovery was underway, there was still considerable concern about the magnitude and pace of the recovery, especially in the major industrialized countries of the OECD region.

"Moreover, whilst there has been some easing of the overhang in crude oil stocks, market fundamentals remain weak, refinery utilization rates are low and product inventories have risen considerably," said a communiqué issued at the end of the one-day Meeting.

"Accordingly, based on its detailed analysis of important market drivers, which clearly reveals that the market remains well supplied, and given the persisting significant downside risks to world economic recovery, the Conference decided to leave current production levels unchanged."

The communiqué said that, in taking the decision to maintain the *status quo,* the Conference reaffirmed its determination to ensure reliable supply to the market, at reasonable and fair prices, supported by an adequate level of spare capacity for the benefit of the world at large.

"Indeed, the Organization remains cognizant of the consuming countries' concerns over security of supply and its Members are committed to optimizing the pace of their capacity expansion so that they are able to respond to expected growing global demand and increased calls on OPEC crude in the future," the communiqué pointed out.

It stated that, at the same time, Member Countries remained firm in their intention to swiftly respond to any developments which might jeopardize oil market stability and their interests.

"Therefore, in addition to continual monitoring of supply/demand fundamentals, the Conference agreed to reassess the market situation at its 158th (Extraordinary) Meeting, to be held in Quito, Ecuador, on December 11, 2010," it informed.

In reaffirming Member Countries' commitment to maintaining oil market stability, OPEC Secretary General, Abdalla Salem El-Badri, told a press conference after the Meeting that it was because of OPEC's actions in December 2008 that crude oil prices had recovered from a low of around $35/b to the acceptable level of $70–80/b, where they remained right now.

"At the time, we considered that the market was oversupplied by around 4m b/d, so, in Oran, Algeria, in December 2008, the Conference decided to reduce the Organization's production ceiling by 4.2m b/d," he said.

El-Badri told newsmen that in his opinion, the Oran agreement was one of the best decisions ever taken by OPEC.

"It gave us the stability we needed at that time. I think what we are doing at this time is perfect," he affirmed.

Asked about compliance by Member Countries to that agreement, he noted that for the first five to six months of the accord, Members managed to achieve a compliance level of 75–80 per cent.

"Today we are at a level of 61 per cent and we still need to work hard to improve that figure, especially in view of the continuing overhang in commercial petroleum stocks. We have made a decision that we have to adhere to our allocations and if we want to change these allocations we must do that together," he said.

The OPEC Secretary General said that despite the fall in the compliance level, the positive thing was that crude oil prices were remaining within a comfortable range.

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

Dr Youcef Yousfi, Algerian Minister of Energy and Mines.

Pictured opposite:

Top left: Dr Hussain Al-Shahristani, Iraq's Minister of Oil.

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

Centre left: Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah, Kuwait's Minister of Oil and Minister of Information.

Centre right: Rafael Ramirez, Venezuela's Minister of Energy and Petroleum.

Bottom left: Abdullah bin Hamad Al Attiyah, Qatar's Deputy Premier and Minister of Energy and Industry.

Bottom right: Eng José Maria Botelho de Vasconcelos, Angola's Minister of Petroleum.


CNBC

Left: Mohamed Bin Dhaen Al Hamli, UAE's Minister of Energy.

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

Above: Masoud Mir-Kazemi, Iran's Minister of Petroleum.

Right: Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources.

"Of course the market situation right now is more relaxed and apparently everyone is happy. But I assure you that if and when difficult times come, OPEC will take a concrete decision to restabilize the market.

"However, I doubt there will be any real change between now and the end of this year.

"OPEC encourages a fair price where our Member Countries can have a decent income, where we can invest in new supply and where the consumers also become comfortable with this price. All things being equal at the moment, prices at this time are comfortable for the Organization's Member Countries," he pointed out.

Concerning investment levels in OPEC Member Countries, El-Badri said that when prices went down to $30/b some projects were postponed and delayed; however, once prices had recovered to $60–70/b, the schemes had been reactivated and they we were now proceeding without interruption.

Dollar depreciation

"But what is extremely important for us for the future is to know what the energy mix will be — to know just how much we have to invest. For example, we could invest heavily over the next three years, only to find that demand is not forthcoming. Alternatively, we could not invest enough and find that demand becomes too tight," he explained.

El-Badri said that one of the areas of concern for the Ministers right now was the depreciation of the US dollar against other major currencies.

"Not just OPEC, but the whole world is watching this situation right now. We see that effects of the stimulus packages in the US and one of these is the fluctuation in the dollar. We do not know what will happen, but it is one of the concerns we have for 2011.

"We are now hearing of another stimulus package and we do not know how this will affect the dollar. Then there is the problem with the speculators in the market who will be taking advantage of the cheap money and they will start trading in the commodities, one of which is oil," he said.

Asked about the accident in the Gulf of Mexico and whether OPEC Member Countries would insist on some kind of control over oil companies operating within their boundaries, El-Badri pointed out that most of OPEC's crude oil production was onshore.

"Up to now, we do not really know the cost of this incident in the Gulf of Mexico. Even before the accident there was regulation in the US and maybe it was a question of simply being a lack of supervision.

"Of course, our Member Countries are looking at their offshore production, regulations and guidelines to see if there is any deficiency which they would obviously wish to remedy.

"But even now, we still do not know the real reason for the blow-out in the Gulf of Mexico. Was it technical, was it reservoir pressure ... until we receive the final report

Iranian Minister elected OPEC Conference President for 2011

Masoud Mir-Kazemi, Minister of Petroleum of the Islamic Republic of Iran, has been elected OPEC Conference President for 2011.

His unanimous election to the one-year post was endorsed by the 157th Meeting of the OPEC Conference, in Vienna, in October.

OPEC's Oil and Energy Ministers also elected Dr Hussain Al-Shahristani, Minister of Oil of Iraq, as Alternate Conference President, for the same period.

The Conference decided to reconstitute its Ministerial Monitoring Sub-Committee (MMSC) under the Chairmanship of Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah, Minister of Oil and Minister of Information of Kuwait, with Dr Youcef Yousfi, Minister of Energy and Mines of Algeria, Diezani Alison-Madueke, Minister of Petroleum Resources of Nigeria, and Abdalla Salem El-Badri, OPEC Secretary General, as its Members.

The Conference recorded its deep appreciation of the valued contribution made by the Islamic Republic of Iran during its many years as a Member of the MMSC.

In other administrative matters, the Conference appointed Engineer Goni Musa Sheikh, Governor for Nigeria, as Chairman of the Board of Governors for 2011.

Issa Shahin Al Ghanim, Governor for Qatar, was elected as Alternate Chairman for the same period.

At the press conference (l–r): Mohamed Hamel, Senior Advisor to the OPEC Secretary General; Dr Hasan M Qabazard, Director of OPEC's Research Division; Wilson Pástor-Morris, Ecuador's Minister of Non-Renewable Natural Resources and President of the Conference; Abdalla Salem El-Badri, OPEC Secretary General; HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Saudi Arabia's Assistant Minister of Petroleum and Mineral Resources; Angela Agoawike, Head of OPEC's PR & Information Department.

as to the cause of the incident we cannot judge at this time," he added.

Long-Term Strategy approved

The Conference, which decided that its next Ordinary Meeting would convene in Vienna in the first week of June 2011, also approved and adopted a new and comprehensive Long-Term Strategy (LTS) for the Organization.

The LTS, which has been prepared over the past year, provides a clear and consistent framework for the Organization's future. It defines overall objectives, identifies the key challenges that the Organization faces now and in the future and explores a number of coherent and consistent scenarios that depict plausible and contrasting futures of the energy scene.

HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Chairman of the Committee of Deputy Ministers set up to oversee the LTS, told newsmen that the objectives of the strategy were not different to the Organization's objectives as contained in the OPEC Statute.

Answering questions on the LTS at the press briefing with El-Badri, Prince Abdulaziz, Saudi Arabia's Assistant Minister of Petroleum and Mineral Resources, explained that the three basic objectives comprised, firstly, maximizing the revenue of OPEC Member Countries in the long term, in particular through fair and stable prices, while enhancing the role of oil in meeting future energy demand.

Secondly, it involved supporting the stability of world oil markets, ensuring security of regular supply to the consumers, as well as security of demand for the producers.

Thirdly, it set out to enhance the collective interests of OPEC Member Countries in global negotiations in future multilateral agreements.

"The challenges are diversified. Some of them are external and some of them are indigenous. We are trying, with this strategy, to amalgamate the three different scenarios defined to find a middle-of-the road scenario and to see what the consequences of the scenarios are.

"We then come up with collective policy proposals to enable us to deal with the scenarios as they prevail in

the future. Unfortunately, dealing with the unknown is difficult in today's environment and uncertainty.

"For the producers, this has become even more challenging because of the economic crisis in 2008. It is now crucial for everybody, the other producers, the consumers, the developed countries, and the developing states, to understand that for a producer in today's environment, there are even more challenges," he stressed.

Prince Abdulaziz pointed out that the oil producer was in a more difficult situation today in trying to work out the impending uncertainties and subsequently dedicate the right amount of resources to satisfying future demand levels.

"Uncertainty of demand is one of our big challenges. However, a greater and graver concern that we have as producers is the situation with the energy mix and the uncertainty over what that will be in the future — what will demand for oil be and what will be the call on OPEC," he added.

Right signals for oil demand

Prince Abdulaziz said that the consumers were looking for certain signals that allowed them to plan their investments and economic activities with the assurance that energy prices in general were stable.

"But it is equally important that the producers also get the right signals for oil demand, both in the short term and the long term. You cannot ask a producer to continue investing when there is so much confusion over the future trajectory of demand, especially if the confusion is added to by so-called policy strategies as a result of international negotiations.

"Much of the fuel switching that takes place, or does not take place, is dependent on policy directives — it is not a case of supply and demand, it is not economics that dictates it, it is a preference of the policy-makers," he maintained.

The development of the LTS was entrusted to Member Countries' Deputy Ministers of Petroleum/Energy and was carried out through a series of high-level meetings held throughout the year.

It is the second LTS approved by the Organization, following the adoption of the first document at the 137th Meeting of the OPEC Conference in September 2005. This year's LTS also coincided with the 50th Anniversary of the establishment of OPEC.

A press release issued by the OPEC Secretariat said that the new LTS was timely, given the major upheavals

HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Chairman of the Deputy Ministers' Committee on the LTS.

the world and the oil market had faced in recent years. "The onset of the global financial crisis in 2008 and the ensuing economic recession, which was the deepest and most widespread in more than six decades, have clearly had, and continue to have, significant structural impacts upon the oil market. World demand for oil has declined in two successive years; a situation unseen since the early 1980s," it stated.

The release said that, moreover, prices had witnessed a rollercoaster ride, particularly towards the end of 2007, throughout 2008 and in early 2009.

Oil had increasingly emerged as an asset class, with excessive speculation adding appreciably to market volatility.

Demand uncertainty

"There are significant changes under way in terms of financial regulations. Some regions have witnessed an expansion in non-crude fuels. And the ambiguity of a number of energy and environmental policies, often with

HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, speaking with journalists.

evidently over-ambitious targets, particularly in developed regions, has led to uncertainty in regards to future oil demand requirements," it observed.

The release pointed out that the LTS was designed to be robust and adaptive throughout the various possible futures and would undergo "wind tunnel" testing over the next five years to identify implementation gaps and ensure it continues to remain effective and efficient.

"As with the first LTS, the strategy sets objectives in relation to the long-term petroleum revenues of Member Countries; fair and stable prices; the role of oil in meeting future energy demand and the share of OPEC in world oil supply; the stability of the world oil market, the security of regular supply to consumers, and the security of world oil demand; and in seeking to secure and enhance the collective interests of Member Countries in global negotiations and future multilateral agreements."

The strategy, it said, established the key issues that may constitute constraints for OPEC, or help in the attainment of the objectives. These included global economic developments; oil as an asset class; oil prices; energy and environmental policies; technological developments; non-OPEC supply; and investments in the face of supply and demand uncertainties.

Strategy objectives

"Overall, the LTS builds upon the 50 years of OPEC's experience in the global oil market. It will be instrumental for OPEC in its goal to help fuel world prosperity and contribute to market stability for the benefit of all, while safeguarding the legitimate interests of its Member Countries," said the release.

Asked at the press conference about the effects of climate change policies on OPEC's oil demand, Prince Abdulaziz said what was important to understand from the whole exercise of the LTS was that OPEC Member Countries were very much integrated into the negotiations and debate over climate change.

This was due to the importance of the subject and

Pictured above are members of the LTS Committee after their last meeting in Vienna.

the fact that Member Countries needed to know how they would be impacted by the mitigation policies being considered.

"It has been agreed, as a general principal, that there is common but differentiated responsibilities within the negotiations. It is also agreed that developing countries should not bear the brunt of the responsibility of the mitigation effort. It is important for people to understand the concern that OPEC has with regard to the climate change negotiations," he affirmed.

Questioned on OPEC's stand on carbon capture and storage (CCS), Prince Abdulaziz said that the Organization was keenly pursuing the idea of promoting CCS as an important technological endeavour. It was probably the most important technology that would help in mitigating our efforts in containing emissions.

"However, we still need to facilitate this process by making it part of the CDM mechanism. Therefore, it is important that in the negotiations that follow, due recognition is given to CCS. That will be quite a booster to convince industry to push ahead, not just with pilot CCS plants, but also to move forward with mega-projects," he said.

Mitigation policies

"There are quite a few initiatives in this direction right now and what is interesting about them is that they tend to be complementary to each other. This represents a collective effort in approving CCS as a part of the CDM, and a collective effort in enhancing this form of technology and improving it. This will be a good basis for the collaborative effort to be pursued by the producing countries and the consumers," he added.

Some of the results and recommendations from the strategy will be made more widely available later this year with the publication of a summary of the LTS. This will be released on the occasion of the 158th (Extraordinary) Meeting of the OPEC Conference, in Quito, Ecuador, in December.

Responsibility for oil market stability lies with all stakeholders

"The achievement of market order and stability is the responsibility of all parties. It is not just a burden for OPEC alone. We all stand to gain from market stability, and so we must all contribute to achieving it and maintaining it."

— Wilson Pástor-Morris

All parties in the international oil industry must redouble their efforts to counter future volatility in crude oil prices, especially with so much uncertainty about the world economic outlook as winter in the northern hemisphere sets in.

That was the clear message given by OPEC Conference President, Wilson Pástor-Morris, to the Organization's Oil and Energy Ministers at their 157th Meeting of the Conference, in Vienna, in October.

Pástor-Morris, Minister of Non-Renewable Natural Resources of Ecuador, said that, indeed, for oil producers assessing the oil market outlook, the focus of attention was now more on the rate, the size and the global spread of economic recovery than on the usual seasonal factors for this time of year.

In his opening address to the Conference, he stressed that the production agreement OPEC reached in Oran, Algeria, nearly two years ago had served its purpose well.

"It quickly reduced volatility at a critical time for the world economy and supported price growth to the more sustainable levels we see today. We shall be looking at the agreement again at today's Meeting, to see how this matches up with the uncertain market outlook for the coming months," he said.

Pástor-Morris noted that the oil market had experienced a modest degree of price stability since the last OPEC Conference in March.

The price of the Organization's Reference Basket had averaged around $75/barrel so far in 2010. The weekly average price had remained within a range of $70–76/b since the beginning of June, apart from one week in early August and in the first two weeks of October.

"The current average price level appears to receive a positive reaction from producers and consumers at a time of much economic uncertainty in the world at large," he observed.

However, the Conference President warned that the potential for a return to high price volatility remained.

"As recently as May, for example, the Basket price fell by 20 per cent in just over three weeks — from $84.36/b on the third day of the month to $66.84/b on May 25. Such a turn of events could easily happen again, if we are not careful," he stated.

Pástor-Morris noted that 'compliance' (to production allocations) was a word that had been on many people's lips throughout the period of the two-year OPEC agreement. It was also an issue that would feature in the Ministers' discussions, as they reviewed the production accord.

"But we shall not lose sight of the bigger picture. Neither should anyone else. The achievement of market order and stability is the responsibility of all parties. It is not just a burden for OPEC alone. We all stand to gain from market stability, and so we must all contribute to achieving it and maintaining it," he maintained.

The OPEC Conference President, who was attending an OPEC Conference for the first time as Head of Ecuador's Delegation, said that since the Ministers last met in March, OPEC had celebrated a landmark occasion — its 50th Anniversary on September 14.

"This has given us a chance to reflect upon our achievements over the past half-century," he stated.

Looking back to September 14, 1960, when OPEC was born in Baghdad, Iraq, Pástor-Morris said that, notably, the Organization began as a group of five heavily exploited, oil-producing developing countries seeking to assert their sovereign rights in an oil market dominated by the established multinational oil companies.

"Today OPEC is a major player on the world energy stage. Our 12 Member Countries are masters of their own destiny in their domestic oil sectors and their influence reaches out into the energy world at large," he said.

These countries, he continued, had shared both the good times and the bad times over the past 50 years. However, a common desire to ensure that sales of their oil on world markets helped finance their economic and social development had provided the foundation for their unity.

"This is strengthened by their continuing commitment to objectives that were defined on the very day that OPEC was born … stable markets, reasonable prices, secure supply and fair returns to investors," he said.

Pástor-Morris said the expansion of OPEC's objectives to cover causes of a broader, more humanitarian nature illustrated another healthy aspect of the Organization "of which we can all be proud."

The three Summits of OPEC's Heads of State and Government, he said, had played a significant role in this.

The First Summit, in Algiers, in 1975, addressed the plight of the poorer nations and called for a new era of cooperation in international relations. It led directly to the creation of the OPEC Fund for International Development (OFID).

The Second Summit, in Caracas, in 2000, covered such key topical issues as security of supply and demand, producer and consumer dialogue and the protection of the environment, and emphasized that economic and social development and the eradication of poverty should be the overriding global priority.

The Third Summit, in Riyadh, in 2007, took the process further when it defined the three guiding themes for OPEC actions: stability of global energy markets; energy for sustainable development; and energy and environment.

"OPEC has come a long way over the past 50 years. And we shall continue along this path over the next 50 years," Pástor-Morris stated.

The OPEC Conference President reiterated that 2010 had been a memorable year for OPEC, celebrating its Golden Jubilee with a series of special events in both Vienna and Member Countries.

"We hope these have led to a better understanding among the public at large of our Organization, its aims and activities," he affirmed.

Pástor-Morris concluded his address by saying that, as the dust settled and life returned to normal, "we shall remain true to the task of ensuring that the oil market functions as well as it can at all times — in the best interests of producers and consumers alike and in support of sound world economic growth."

Earlier in his address, the Ecuadorean Minister extended a special welcome to Diezani Alison-Madueke, Nigeria's Minister of Petroleum Resources, who, in her Ministerial capacity, was attending her first OPEC Conference, becoming the first-ever female Head of Delegation to attend an OPEC Meeting.

"We are also pleased to welcome back Algeria's Minister of Energy and Mines, Dr Yousef Yousfi, who previously attended our Conference as Head of Delegation in 1997–99. For some of that time, he served with distinction as OPEC Conference President," stated Pástor-Morris.

He also expressed the Organization's appreciation to the new Ministers' predecessors — Dr Chakib Khelil of Algeria, Germánico Pinto of Ecuador and Dr Rilwanu Lukman of Nigeria.

Early start

As has been customary recently, OPEC Secretary General, Abdalla Salem El-Badri, set aside time to breakfast with the world's media following the OPEC Conference and had the opportunity to elaborate on OPEC's key messages, ***Steve Hughes*** *writes.*

Journalists from around the world gathered in the OPEC Secretariat recently for what has become a tradition in recent years — an informal yet informative breakfast briefing with OPEC Secretary General, Abdalla Salem El-Badri, the morning following the OPEC Conference.

'Comfortable' meeting

Around a board table strewn with recording devices, notepads and laptops — not to mention croissants and coffee — El-Badri welcomed the reporters and briefly recounted the previous day's events. The 157th Meeting of the OPEC Conference, which decided to leave production levels unchanged, had been 'comfortable', he said. "We discussed the economy, we discussed supply and demand, compliance and we discussed the timings for our future meetings," he added, before opening the floor to questions.

Asked by one journalist about reports relating to new reserve figures in Member Countries, El-Badri explained that he was expecting more details in the near future and that any revisions would be reflected in forthcoming OPEC publications. In line with this, a number of questions focused on the issue of Iraq's reserves and the timings and logistics in relation to a potential OPEC quota.

"Iraq will be accommodated — it is a Founder Member. It is very important, they have huge reserves even before they add these new reserves," said El-Badri. "They went through a lot of difficulties. Our Member Countries will accommodate them — when, I do not know. I am sure they need time before they reach a level where we have to discuss this issue."

When on the topic of oil prices, El-Badri said OPEC believes that $75–$85/b — or even $90/b for that matter — would not hinder the growth of the global economy. He did say, however, that some Member Countries were concerned about the value of the US dollar. "Member Country income is being affected by this low level of the dollar compared with other currencies," he said. "Most of them receive their income in dollars and they pay in other currencies and that is why some of the ministers are asking for this problem to be addressed."

El-Badri also explained that it was necessary to increase OPEC compliance to eliminate the stock overhang, which he estimated to be at around 196 million barrels, including floating storage. "I stress to the ministers that compliance must be improved," he said. He reiterated that he would not discuss the production of any individual country. What mattered, he explained, was the production of OPEC as a whole.

El-Badri also took the opportunity to highlight the importance of technology: "Our Member Countries have enough reserves," he said. "We can supply the world with enough oil for the unforeseeable future. But we need technology — it is very important. We have to go to frontiers and to deepwater and we have to increase recovery rates from existing fields."

Schedule of meetings

In future, explained El-Badri, ordinary meetings of the Conference will be held in June and September, reflecting to some extent the growing importance of developing nations with respect to energy demand. Such nations, explained El-Badri, do not have the same definite summer/winter seasonality shifts in demand as developed countries, and the new schedule is suitable for both types of nation.

The 158th (Extraordinary) OPEC Meeting of the Conference is set for Saturday, December 11, 2010, in Quito, Ecuador. El-Badri hoped to see the same journalists, and more, then.

Oran output agreement "one of OPEC's best" — El-Badri

The following interviews were conducted during the 157th Meeting of the Conference, held in Vienna, Austria, on October 14, 2010, by the OPEC Secretariat webcast team.

"Everyone has become aware of the goings on in the paper market so they are trying to put some guidelines for the oil market which we greatly appreciate."

Abdalla Salem El-Badri

Secretary General, OPEC

Asked about the level of compliance being shown by OPEC Member Countries to their respective oil production allocations, Abdalla Salem El-Badri said the compliance average for the year so far stood at 61 per cent. "We hope we can improve on that," he said.

Their compliance was to the 4.2 million barrels/day output cut agreed to by the OPEC Conference in Oran, Algeria, in December 2008, which the OPEC Secretary General referred to as being "one of the best decisions ever taken by OPEC."

Asked about the situation in the United States with the stimulus packages and the fall in the value of the US dollar, El-Badri said he did not think the situation there would depress crude oil prices. In fact, he said, they could even increase.

"My worry is about the value of the dollar itself and how much that will affect the income of our Member Countries," he stated.

Regarding the release of OPEC's updated Long-Term Strategy (LTS), El-Badri pointed out that there was a lot of uncertainty going into the future and, through the LTS, they had tried to work out these uncertainties.

"The problem is that market behaviour has changed. It is no longer the physical market — now it is a paper market and we have to be very careful about this type of market, because it does not represent fully the physical side," he affirmed.

"We were right a few years ago when we said that speculation was in the market and causing prices to rise to very high levels, such as we saw in the summer of 2008.

"Now there is a lot of regulation being introduced. Everyone has become aware of the goings on in the paper market so they are trying to put some guidelines for the oil market which we greatly appreciate," he added.

Diezani Alison-Madueke

Minister of Petroleum Resources, Nigeria

Questioned about her first ever OPEC Conference as Head of her country's Delegation, Diezani Alison-Madueke said that in her new position, she was looking to ensure that Nigeria fulfills its obligations to the Organization, as well as its responsibilities within the entity that OPEC represents.

"In doing that, we want to ensure that we lend our support to the current stability in the oil market globally, which we are all very pleased about and we would like to see continue well into 2011," she said.

Asked about the reforms taking place in the domestic oil and gas sector in Nigeria, the Minister said the Petroleum Industry Bill (PIB) represented a major piece of legislation for Nigeria and "we expect it to be promulgated into law within the next seven to eight weeks."

She said that, on top of that, in Nigeria right now, "we have put in place a lot of other reforms."

There was the Nigerian Content Act, which had opened up indigenous participation in the oil and gas industry and "we intend to implement that very stringently over the next few months and years as we go along."

The Minister continued: "In support of the country's power programmes, we have put in place a new cost regime for gas-to-power to ensure sustainability of gas supply to the power plants. in order to support the President's energy initiatives for the country.

"At the same time, we have put in place a new cost regime for gas-to-industry to ensure that the manufacturing sector is well accounted for in terms of gas supplies.

"We have for the first time in our history created a new gas supply agreement and, in working with the World Bank, we have attached to that accord securitization for gas supplies, so that suppliers are comfortable in the

"We have done a lot to ensure that, at this time, the Nigerian oil and gas sector is up and moving in a very aggressive manner."

knowledge that they will be paid for the gas they supply to our gas companies," she affirmed.

"So we have done a lot to ensure that, at this time, the Nigerian oil and gas sector is up and moving in a very aggressive manner. This is something that might seem very simple to the outside world, but we have managed over the last few months to steady our supplies of fuel.

"In Nigeria, this is actually a first because, hitherto, there were long queues at the petrol stations that could go on for days. But, at this time, there is an abundant supply of petrol all across the country.

"So, all in all, the oil and gas sector in Nigeria over the last five months of the administration of President Goodluck Jonathon has actually been thriving, and we want to keep it that way," added the Minister.

Questioned about the importance of the amnesty bill attached to the Niger Delta region, the scene of considerable unrest in the recent past, Mrs Alison-Madueke said it was absolutely critical that the Bill was maintained and that the amnesty itself was kept in place "in a positively progressive manner."

So far, she said, the federal government had managed to work effectively with the ex-militant leaders of the region and they had come on board with their support.

"This has obviously parlayed into higher oil production and enhanced our ability to re-enter many of the old fields there, and, of course, to improve the integrity of our structures, which we were hitherto unable to do. This also parlays into the global field," she concluded.

See also interview on page 26.

HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud

Assistant Minister of Petroleum and Mineral Resources, Saudi Arabia

Asked about the key points of OPEC's just-released updated Long-Term Strategy (LTS), HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud said the document basically maintained the same objectives as the previous version of the strategy.

"The way we formulated it was to try and guess more about what is going to happen in the future and with all the diversity that we could come up with," he explained.

"Scenario planning is nothing more than trying to come up with extreme cases and then, somewhere in the middle, try to see how you would relate to these scenarios if they ever come to reality.

"This is in no way showing our preference for a certain scenario, but more to simulate what could be the future we are faced with. As a result of this approach, we came up with a variety of possible suggestions as to how OPEC could conduct itself to survive in the case of the various scenarios. That is basically what the LTS is in a nutshell," he said.

In fielding a question about the environment and how important it was for the oil-producing countries to be involved in the environmental mitigation response, Prince Abdulaziz, Chairman of the Deputy Ministers' Committee on the LTS, said if one referred to the many statements made by the CCS forum, carbon capture and storage was probably the best technology to be developed in trying to mitigate the concern of climate change emissions.

"We feel that the world should dedicate the right resources to CCS and that the climate change negotiations should allow CCS to be accepted as part of the CDM mechanism because that will give it greater support.

"We are approaching it as Member Countries with a cooperative collective spirit — we want to be engaged in every forum possible to enable us to advance the technology and also attend to the inhibitions that are preventing it from being pursued, either on a technical or political basis," he said.

"We feel that the world should dedicate the right resources to CCS and that the climate change negotiations should allow CCS to be accepted as part of the CDM mechanism because that will give it greater support."

Nigeria aiming to become major gas producer – Minister

*Nigeria's Petroleum Resources Minister, **Diezani Alison-Madueke** (pictured left), attended her first OPEC Conference in October. And as she explains in this article, which is based on a press briefing she gave after the Meeting, the experience did not prove at all daunting, even though she made a piece of history by becoming the first female Ministerial Head of Delegation to attend an OPEC Conference in its 50 years of existence. The Minister, who assumed office in April this year, spoke to the media about her country's new reform measures for the petroleum sector, stressing that, in the years ahead, Nigeria would become equally as well known as a top gas producer as it has for its crude oil production.*

Nigeria's all-important gas master plan, which forms part of new government legislation aimed at revamping and enhancing the country's petroleum sector operations, will take the West African nation to new heights and, significantly, no longer dependent on just its crude oil resources.

This was made clear by Nigeria's new Petroleum Resources Minister, Diezani Alison-Madueke, who convened a "get to know you" press briefing at OPEC's Headquarters in Vienna, after attending her first OPEC Conference.

Speaking about the government's Petroleum Industry Bill (PIB), which the Nigerian government is due to bring into force before the end of the year, she said that embedded within the legislation was a gas master plan, which, when promulgated into law, "will blow open the face of gas exploration in Nigeria, in fact, in all of sub-Saharan Africa, in a way that has never happened before."

The Minister said the move would ensure that Nigeria would begin to be known as a gas-producing country, as opposed to just being a nation with crude oil production.

She pointed out that, at the present time, Nigeria possessed 187 trillion cubic feet of gas in proven reserves. This was associated gas that had been discovered along with the crude oil exploration activities conducted over the years.

"We have projected reserves of up to 600tr cu ft, which is a major figure, particularly compared with what we have in crude oil reserves," she told assembled newsmen.

The Minister said the gas master plan "will change the face of gas exploration and production in Nigeria and it will ensure that smaller companies, both indigenous and international firms, are able to enter into the oil and gas sector and take up some of the smaller fields that the

larger international oil concerns previously found unprofitable to work.

Asked about the main sticking points of the PIB and whether further concessions had been considered for international oil companies (IOCs) operating in the country, Mrs Alison-Madueke stressed that the Bill was one of the major pieces of oil and gas legislation to come out of sub-Saharan Africa in a long period of time.

"It actually comprises 16 different pieces of legislation which have been amalgamated to one holistic major piece of legislation," she explained.

There had been a number of pertinent issues associated with its formulation, especially concerning the IOCs, in terms of deepwater production-sharing contracts and the fiscal terms, but also from some of the country's indigenous operators.

"We have gone a long way to try and take on board all the relevant stakeholders. The National Assembly, which actually put the proposed legislation out in an open hearing that lasted one week, invited all relevant stakeholders to make their input.

"In fact, up to 120 amendments to this particular piece of legislation have been taken on board — and they are still working on it as we speak. So they are trying in every way to ensure that all stakeholders are taken on board to a very large extent.

"But, of course, this is a bill that will ensure more royalties for the federal government of Nigeria, so it will not be possible to please all of the people all of the time. We are simply trying to ensure that everybody who is a stakeholder feels they are a part of the process.

"So, yes, certain concessions have been taken into consideration for the IOCs. We are now in the stages of concluding the PIB and we hope that all stakeholders will feel they have a very necessary and critical part to play in the making of this bill by the time we promulgate it into law in six or seven weeks' time," she said.

Asked about the reform of the Nigerian National Petroleum Corporation (NNPC), to transform it into an international national oil company, the Minister explained that this was happening as part of the PIB.

"As the PIB is promulgated into law, the various reforms that surround the national oil company will also begin to go into effect. We are working them simultaneously. It is our hope that by the time we finish, the NNPC will function as an independent national oil company, just as other similar companies all over the world do. It will be competitive, both nationally and internationally, as it should be," she said.

Above: Eng Goni Musa Sheikh (l), Nigeria's Governor for OPEC; and Suleman Ademola Raji, Nigeria's OPEC National Representative; who accompanied the Minister at the press conference.

Fielding a question about Nigeria's higher domestic crude oil production of late, following the amnesty and subsequent cessation of hostilities in the Niger Delta region and whether she would be asking OPEC for a higher output allocation under the Organization's quota system, Mrs Alison-Madueke replied that, in terms of the domestic production increase, Nigeria had gone through "a very dire period over the last few years."

She continued: "We suffered a lot of integrity losses to our infrastructure and a number of our fields were obviously abandoned, due to the militancy (in the Niger Delta).

"We are now in the business of recovering those fields and also ensuring the integrity of our infrastructure is maintained and sustained going forward. This, to some extent, has explained the increase in production, which today stands at about 1.9 million barrels/day.

"We are expecting that once we have taken care of the integrity issues and some of the fields we have had to re-enter, we will certainly achieve a certain level of stability in our production figures and that will be kept holistically in line with the parameters that OPEC has outlined for us and other Members," she affirmed.

Questioned about Nigeria's next oil-licensing round and what the government hoped to gain from it financially, the Minister said the country did have a round of bidding coming up before the end of the year.

However, this was for the industry's marginal fields, so there was no figure to announce at the time on the estimates of the amounts coming to the government for those fields.

Asked for her impressions regarding her first OPEC Conference, Mrs Alison-Madueke said it had certainly been most interesting.

"At any time, when a woman enters into a forum that has been totally male-dominated for many years, it is always going to be an interesting challenge.

"I have actually been and worked in areas that were male-dominated for many, many years and I think that, like most women in my position, it has become a necessary challenge in what we do.

"But it is also a privilege, I think, and hopefully it opens up many more vistas of opportunity for women everywhere, all over the world," she added.

Saudi Symposium marks 50th Anniversary of a "dynamic" Organization

by Angela Agoawike

OPEC @ 50: a success story ... but it should not rest on its laurels

At the opening of the Symposium were l–r: HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia and Chairman of the Kingdom's 50th Anniversary Committee; Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources; and Abdalla Salem El-Badri, OPEC Secretary General.

One central theme that emerged from the International Energy Symposium in Riyadh, Saudi Arabia, held in October, was that, at 50 years of age, the Organization of the Petroleum Exporting Countries (OPEC), had managed to weather the storm to become a dynamic institution in the global petroleum sector, in particular, and across the wider energy spectrum, in general.

The symposium, held over three days (October 18–20) at the Riyadh Intercontinental Hotel, formed part of the International Petroleum, Gas and Petrochemical Industries Exhibition, hosted by the Saudi Arabian Ministry of Petroleum and Mineral Resources to mark OPEC's 50th Anniversary, celebrated on September 14, 2010. All Member Countries were encouraged to organize activities locally to mark the year-long celebration.

It had in attendance HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia and Chairman of the Kingdom's 50th Anniversary Committee, and Ali I Naimi, the Kingdom's Minister of Petroleum and Mineral Resources. Also in attendance were Abdalla Salem El-Badri, OPEC Secretary General, Nobuo Tanaka, Executive Director of the International Energy Agency (IEA), and Noe van Hulst, Secretary General of the International Energy Forum (IEF), as well as other dignitaries. This was followed by the cutting of the table to declare the Kingdom's version of the 50th Anniversary Exhibition open and a press conference, addressed by Naimi and El-Badri.

Numerous presentations were made to the symposium over its two main days, which served to confirm that OPEC's dynamism over the years has undoubtedly been achieved through its varied studies of the oil market and its ability to make decisions (which are sometimes difficult). These decisions have greatly assisted in stabilizing the oil market, especially during difficult times.

Since it was established a half century ago, in Baghdad, Iraq, by five Founding Members — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — OPEC has had to face numerous challenges, some of which would have proved extremely daunting for a less-focused intergovernmental organization.

The Riyadh symposium, therefore, offered up a good opportunity for OPEC to both analyze its past and look to the future with a new sense of direction.

Split into four sessions, each with a chairman and four speakers (except for the first session which had five speakers), the symposium witnessed a turn-out of major players in the energy sector in Saudi Arabia, the Gulf region and beyond.

Speakers during the first session entitled 'OPEC and the Kingdom of Saudi Arabia, a historical perspective' and chaired by Hisham Nazer, Ambassador of Saudi Arabia to Egypt and the Kingdom's former Petroleum and Mineral Resources Minister, were current Minister Ali I Naimi, Abdullah S Juma'a, former CEO of Saudi Aramco, Pierre Terzian, Director of PetroStrategies, Dr Saad Al-Garni, Professor at Imam Muhammad Ibn Saud Islamic University, and Ivan Sandrea, Vice President of Strategy for International Exploration and Production at Norway's Statoil.

Session speakers

Session two, concerning 'The present and future role of Saudi Arabia within OPEC' was chaired by Mohammed Abalkhail, the Kingdom's former Minister of Finance and National Economy. Speakers comprised Natik Aliyev, Azerbaijan's Minister of Fuel and Energy, Leonardo Maugeri, Chairman of Polimeri Europa, Eni's petrochemical branch, Bernard Haykel, Professor of Near Eastern Studies, Princeton University, and Dr Ibrahim A Al-Muhana, Advisor to Saudi Arabia's Minister of Petroleum and Mineral Resources.

HRH Saudi Prince Abdulaziz Bin Salman Al-Saud took charge of proceedings for the third session. Titled 'The relationship between OPEC and other international organizations', speakers comprised OPEC Secretary General El-Badri, the IEA's Nobuo Tanaka, Noe van Hulst of the IEF and Fauzi Bensarsa, Advisor for International Energy Cooperation to the Director General of DG Energy of the European Union.

The fourth and final session, on the subject of 'The future of OPEC and the international oil market', was chaired by Dr Abdullrahman A Al-Tuwaijri, Chairman and CEO of the Capital Market Authority of Saudi Arabia. It had as its speakers Mohamed Hamel, Senior Advisor to the OPEC Secretary General, Prof. Bassam Fattouh, Director of Oil and Middle East Programme at the Oxford Institute for Energy Studies, Ra'ad Al-Kadiri, Senior Director for Country Strategies and a partner at PFC Energy, and Dr Ali Aissaoui, Senior Consultant, Arab Petroleum Investments Corporation (APICORP).

During the first and second sessions, speakers traced the history of OPEC, noting how it had succeeded in overcoming an oil market environment that was initially hostile to become a voice for stability in that very same market.

According to the speakers, this role stemmed mostly from the various sound and well-reasoned policy decisions made by the Organization over the years. These have, even in very difficult times, brought a sense of calm to the market.

The speakers also looked at the benefits to OPEC and Saudi Arabia of the leading role the Kingdom has played in the Organization, especially as one of the five Founding Members that set up the Organization 50 years ago.

As Naimi said in his comments, OPEC has "evolved and interacted with the political and economic changes in the international order and the energy industry and market, maturing into an international energy organization of global reach, rather than a mere organization of a number of oil-exporting countries."

He added that the Organization takes its policy decisions based on economic factors and academic approaches, while distancing itself from the political and ideological differences among its Members, or at the international level in general.

On the relationship between Saudi Arabia and OPEC, Naimi said: "The Kingdom has derived tremendous benefits from its OPEC membership. It has equally done a lot in favour of OPEC interests, whether by maintaining a redundant and unexploited production capacity, or by operating as a swing producer, depending on the market circumstances, in its efforts to stabilize the market" *(see full text on page 40)*.

Common ground

A couple of decades back, it would have been unheard of for the chief executives of OPEC and the IEA to sit together and address energy issues. At the symposium, they not only sat together, as they have done many times in recent years, but they continued to explore and find common ground on such issues as the importance of dialogue and cooperation and the need to ensure both security of supply and security of demand.

Both El-Badri and Tanaka spoke during the symposium's third session on the 'Relationship between OPEC and other international organizations'.

First to speak was El-Badri, who pointed to OPEC's

Chairman and panelists during the first session.

long recognition of the "importance of adopting a pluralistic approach to addressing major topical issues, involving dialogue and cooperation with other international organizations and interested parties."

This, he said, applied to both direct oil industry matters, as well as related areas, such as environmental protection and sustainable development.

"At first, OPEC found it difficult, if not impossible, to establish dialogue and start cooperation outside of OPEC circles," he stated. This was due mainly to the hostile environment that prevailed when OPEC was born.

"Gradually it changed. And there was a coming together and an understanding that in many respects our interests, particularly in regard to market stability, were, if not identical, at least similar. We have come a long way, from the early confrontation to the cooperation we see today," he added *(see full text on page 42)*.

A general view of the conference venue at the Riyadh Intercontinental hotel.

Cooperation not confrontation

For Tanaka, in quoting former US Secretary of State, Henry Kissinger, who in 1974 said that "cooperation, not confrontation must mark our relations with the producers", he said one of the main objectives in the founding of the IEA stemmed from the desire to "promote cooperative relations with oil-producing countries ... through a purposeful dialogue ... to further the opportunities for a better understanding between consumer and producer countries."

He added: "We cannot abolish the difference between our points of view: producers worry about loss of demand, excess capacity and low prices. Consumers worry about

Above: Speakers at the third session were l–r: Noe van Hulst, Secretary General of the International Energy Forum (IEF); Abdalla Salem El-Badri, OPEC Secretary General; HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia and Chairman of the Kingdom's 50th Anniversary Committee; Nobuo Tanaka, Executive Director of the International Energy Agency (IEA); and Fauzi Bensarsa, Advisor for International Energy Cooperation to the Director General of DG Energy of the European Union.

Mohamed Hamel, Senior Advisor to the OPEC Secretary General.

short supply and high prices. But we can seek to improve mutual understanding and avoid unnecessary anxieties and prejudices."

Tanaka maintained that these formed part of the lessons learned from the "two oil shocks of the 1970s, which plunged the industrialized world into a recession; energy demand — and particularly oil demand fell sharply, but local consumption came on strongly."

Importance of stability

This led to very low crude oil prices and the sustenance of inefficiency (so many energy projects stagnated in the process, including some in the major producing countries) and reduced investment (including in the oil and gas industries of IEA members) proved to all that stability in the oil price was in everyone's interest.

Tanaka also drew parallels with the experience of Hurricane Katrina in 2005, during which every country — be they producers or consumers — were ready and willing to release more oil stocks, in an attempt to stem whatever shortages were threatened as a result of the disaster and its impact on oil installations. Stability, he stated, was in everyone's interest. "We have learned the lesson that one cannot enhance one's energy security by risking others." In the case of short term solutions, he said, "we are working together."

Cooperation, he continued, had extended to such a level that the first thing he did in an emergency was to pick up the phone and speak with the OPEC Secretary General and Saudi Arabia's Petroleum and Resources Minister. This pointed to the need for closer cooperation and dialogue as both had proved to be essential tools in crisis management situations.

Tanaka said the 1990s opened the way to closer cooperation with the convening of the producer-consumer countries' meeting by France and Venezuela. This resulted in the establishment of the International Energy Forum. Since those early talks, both OPEC and the IEA had developed a healthier relationship that took cognizance of the view points of both the producers and the consumers.

Today, he noted, the distinction between producer and consumer had become less clear-cut.

The IEF's van Hulst, in his paper on 'OPEC, the IEF and the producer-consumer dialogue', recounted the

mission of the Organization, which, he said, included the enhancement and deepening of the global producer-consumer dialogue and the promotion of a more stable and transparent energy market.

How to achieve these aims, he noted, would be through high level platforms, involving governments and industry which would assist in finding practical ways to improve market transparency in oil and improve investment conditions and ensure sustainability.

He also used the opportunity to recount the key results from the 12th IEF Ministerial Meeting held earlier in the year in Cancun, Mexico, and input to the 13th session of the Forum, scheduled to take place in Kuwait, in 2012.

Delivering concrete results

For van Hulst, drafting an IEF Charter, delivering an IEA/IEF/OPEC cooperation programme, strengthening the IEF's neutral role as facilitator of the dialogue and delivering concrete results on transparency, investment and sustainability for the IEF in Kuwait 2012 and the G20 upon request, were some of the Forum's forwarded-looking strategies towards achieving its goal.

On his part, Fauzi Bensarsa pointed to the existing cordial and open relationship between the EU and OPEC Member Countries, a development he attributed to the Ministerial-level energy dialogue established between the two sides.

The dialogue, which he described as being "open and transparent", had enabled the EU to outline and explain its energy policies to OPEC, and vice versa.

He stressed that the EU's emphasis on energy efficiency was not about stopping the use of oil and gas, as, according to him, all "assessments for future global demand of oil and gas by the most prominent oil analysts and modelists, including those from OPEC and the EU, indicate that hydrocarbons use will continue to increase in the decades ahead."

This increase, he said, would also come from the EU, where although consumption was stagnating, demand would continue to increase.

Bensarsa went on to stress the EU's reassurance on security of demand, just as the bloc also demanded security of supply from the producers.

"We want to reassure suppliers on their security of demand and we would like to be reassured on our security of supply. We have a clear relation of mutual interdependence which is only going to increase in the future," he maintained.

Above: Badr Al-Saddoun (third right), of the Ministry of Petroleum and Mineral Resources, and some members of the media committee.

In the last session, which looked at the future role of OPEC and the international oil market, Mohamed Hamel, Senior Advisor to the OPEC Secretary General, noted that "OPEC will remain with us for many decades to come, still relevant, and playing an important role for its Member Countries, oil producers, consumers and the world at large."

This, of course, was easy to fathom, he stated. OPEC played an important role in safeguarding its Member Country interests and in ensuring oil market stability. Moreover, OPEC was about oil and "there are enough remaining oil resources to satisfy demand for decades to come," although "crude oil is a non-renewable exhaustible natural resource and this is at the very heart of OPEC's existence."

Hamel continued: "Energy use has progressively increased as a result of economic growth, rising population levels and social progress. And of course, on the other hand, the reliable, efficient and economic supply of energy has helped economies grow, facilitated the creation of jobs and assisted in improving the living conditions of billions of people."

Since 1960, he said, primary energy consumption had quadrupled, reaching 225 million barrels/day of oil equivalent in 2009. Oil was today the fuel of choice in the transportation sector and demand for mobility would also be a key oil demand driver, especially in developing countries where vehicle ownership levels remained much lower than in OECD countries, he affirmed.

Left: Ali I Naimi, Minister of Petroleum and Mineral Resources of Saudi Arabia, cutting the tape to declare the exhibition open. On his right is Abdalla Salem El-Badri, OPEC Secretary General, and behind, HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia and Chairman of the Kingdom's 50th Anniversary Committee.

Looking ahead, Hamel maintained that the world would need increased levels of energy to provide heat, light and mobility for its growing population — the vast majority of this being in developing countries, expanding economies, and the desire for improved living standards.

Primary energy demand was expected to increase by 40 per cent by 2030 in the 'dynamics-as-usual' scenario. Oil would remain the leading energy source, although its share would decline slightly. With oil playing such a dominant and important role in the future energy scene, it was therefore only begging the question as to whether OPEC would still have a role to play in the future energy scene.

Hamel said there was, however, the need for OPEC not to be complacent about its leading position because future energy use, which would drive demand, would also be subject to heightened uncertainties stemming from "important drivers, such as energy and environmental policies in consuming countries and technological developments that tend to push towards a reduction in demand."

For those countries, such as OPEC Member States, whose economies were heavily dependent on petroleum export revenues, this constituted a significant risk, he contended.

On the issue of oil pricing and OPEC's future role, Hamel, a former Head of the OPEC Secretariat's Energy Studies Department, recounted the various changes that had occurred in the pricing of oil in the international market.

"Prior to OPEC's birth, when the 'Seven Sisters' were dominating the oil industry, global trading was mostly limited to those companies. This was through the use of secret internal transfer prices and, for royalty and income tax calculations, the so-called 'posted price' was used. This was often fixed by the oil companies, without proper consultation with the host countries.

In the early 1970s, however, equity participation by some OPEC governments and nationalization by others, provided opportunities for Member Countries to sell their own oil.

This led to the emergence of the OPEC-administered pricing system where the selling price for OPEC Member Country oil was determined in relation to the Arabian Light marker, using differentials that mainly reflected quality and location. It was a period in which OPEC succeeded in adjusting the price of oil to better reflect its strategic character.

This period, said Hamel, did not last very long as the sharp demand decline of the early 1980s, coupled with significant non-OPEC supply growth, made it practically

Right: HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia and Chairman of the Kingdom's 50th Anniversary Committee, visits the OPEC stand. He poses for a picture with the OPEC team, Angela Agoawike (second l), Head, PR and Information Department; Alaa Al-Saigh (l), Design and Production Coordinator; and Eithne Treanor (r), Webcast Moderator.

impossible to administer OPEC's marker price and differentials.

The short-lived period of netback pricing in 1986 was so damaging that it hastened the move to a totally new price determination mechanism — the market-related pricing system.

This regime had seen major structural changes in the last two decades. This included the shift from spot to futures; the increased participation of non-commercials in regulated and over-the-counter commodity markets, particularly over the past decade; and the increased financialization of the derivatives markets, especially after the US Commodity Futures Modernization Act in 2000.

"Today, much attention is being paid to the functioning of derivatives markets, given the sharp oil price swings observed in recent years," observed Hamel.

He recalled that the long history of oil price determination was a clear demonstration that a pricing regime could not be sustained if it did not respond satisfactorily to the needs of both producers and consumers. And it also evidently reflected the political power balance and the overall economic thinking of the time.

Today, continued Hamel, in the aftermath of the Great Recession, ideas were emerging, or in some cases re-emerging, that expectations of market participants were not only set by rational drivers, but that they were influenced by their ideas and feelings … a gradual shift of the economic and energy gravity centre towards large

emerging countries was irreversibly ongoing. Information technology was opening up new avenues for industries and individuals that would deeply impact businesses and lifestyles. It begged the question: how would these changes affect the oil pricing regime in the future?

"Whatever the impacts are," Hamel concluded, "OPEC will continue to be an important organization and its role will remain crucial in the years ahead in ensuring market stability and fuelling prosperity, for the benefit of all."

For Bassam Fattouh, who delivered a paper on 'OPEC and the market', four events formed the turning point for the Organization in its role as "market signaler and provider of focal points of stability in uncertain markets.

They included the "collapse of the OPEC-administered pricing system in 1986, a development that ushered in a new era in the international pricing system where the responsibility shifted to the market," the emergence of deep and liquid financial layers around the physical market; the entry of a large number of financial players in the oil market, a process which, he said, started in 1986, but was consolidated from 2004 onwards and, finally, the partial financialization of oil.

While the nature of this financialization and its implication were not yet clear, Fattouh pointed out that the elements that had attracted most attention had been the outcomes of this trend.

All the above, Fattouh said, "have combined with an important structural feature to produce a unique market which is prone to instability and volatility ... this structural feature relates to the co-existence of both low-cost and high-cost producers in the oil market."

Continuing, Fattouh noted: "Due to OPEC investment policy, as well as other factors related to technological developments and energy security concerns, investment flows have shifted to high-cost producers, with OPEC playing, on many occasions, the role of residual producer. This market structure has important implications on oil price behaviour."

Looking at the role of OPEC as a market signaler, Fattouh referred to events surrounding the second half of 2008, which he described as the "OPEC dance with the market." During this period, he noted, "if oil prices fell below a certain level which was deemed unacceptable, OPEC would announce a cut, which was basically a signal to the market that OPEC was not happy with the decline in prices, as too low an oil price would threaten the stability of the oil market."

The market could act on this signal, or decide to ignore it, he said. In weak market conditions, he continued, market participants considered such signals as not being credible. Instead, financial players demanded to see actual cuts in production. As oil prices continued to fall, OPEC would succeed in implementing production cuts. Despite the different needs and interests of Member Countries, the source of the pain of falling oil revenues was the same and eventually all Members would realize the common interest of stabilizing the market.

This, said Fattouh, suggested that stabilizing the market had become more difficult with the presence of financial players and that OPEC could no longer escape the fact that it needed to engage in a more proactive manner with the market and develop effective signalling mechanisms over time.

Since the second half of 2009, he continued, the oil price had oscillated within an implicit band of $70–80/b. Stabilizing the oil price within such a narrow range, "despite the volatile macroeconomic condition we have passed through in the last two years, is a remarkable achievement."

Fattouh said that towards the end of 2008, oil prices undershot to very low levels. There was wide recognition that the oil industry could not operate at such low prices. While the market expected prices to adjust from the very low levels reached in December 2008, there was uncertainty as to the price, or price range, needed to stabilize market expectations. The market needed a focal point. The oil market was ready to provide such a focal point ... Saudi Arabia played a key role in stabilizing market expectations by providing a focal point to a confused market.

The Saudi signal was picked up and supported by many market players, providing a credible signal to the market that helped stabilize market expectations and prices.

"As OPEC begins the next decade of its existence, the issue, therefore, is not whether OPEC will be with us in the next 50 years ... but about what roles OPEC will assume in the future and whether it will show enough flexibility to adjust to changing volatile market conditions," added Fattouh.

Also during this session, Al-Kadiri of PFC Energy, after outlining some of OPEC's past achievements and highlighting its present standing, which, he said, would have amazed its Founders, said the Organization must not rest on its laurels, having learned from past experience the dangers of complacency when it came to developing potential new non-OPEC crude oil provinces.

"Perhaps more importantly it has learned the hard way that managing internal cohesion is as critical an element to its success as any other ... disagreements have

Front row (l–r): Noe van Hulst, Secretary General of the International Energy Forum (IEF); HRH Prince Abdulaziz Bin Salman Al-Saud, Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia; Abdalla Salem El-Badri, OPEC Secretary General; Nobuo Tanaka, Executive Director of the International Energy Agency (IEA); pictured with media representatives.

arisen — and will still do so — but the success that OPEC has had in managing the markets since the oil price crash of the late 1990s has been achieved through a focus on oil market fundamentals and the collective discipline of Member States in pursuing a common market strategy," he maintained.

Another issue that would be of major concern to OPEC, he said, would be consumer countries' policies linked to both energy security and environmental/climate change.

Energy security, he said, was not just an issue in the United States, but also in China, where the need to fuel accelerated economic growth was keenly understood. In both countries, this has led to a growing emphasis on rationalizing consumption, a shift that was further exacerbated by climate change concerns.

These factors looked set to alter oil markets in a structural fashion, he said, but just how much the changes would impact growth in crude oil demand and how quickly consumption habits would change, depended on technology.

Al-Kadiri concluded by noting that even under the most propitious of policy and technological circumstances, oil would remain the mainstay of global energy demand for the next decade at least and its importance would not diminish overnight.

As a result, "OPEC will remain at the heart of the global economy for some time to come, as the key supplier of this energy source," he added.

Last to speak during the session was APICORP's Ali Aissaoui. His presentation was on 'Taking a long-term view beyond the market: bringing ethics into the economics and politics of oil prices.'

Expanding on the angles of fairness and ethics, Aissaoui, whose 13-page power-point presentation looked at what he called Saudi King Abdallah's ethical stance on fairness, and quoting his statement during the 2008-09 crisis, when the Monarch said that "in our view, $75/b would be a fair price", pointed out that from the producers' perspective a "fair price should lie at the confluence of upstream projects" and that OPEC should take the "ethical lead in defining boundaries of tolerable market behaviour and its market power to keep to a 'sweet spot'."

The exhibition

Around 30 minutes after the formal opening of the International Energy Symposium participants, led by Ali I Naimi, moved over to the ballroom of the Intercontinental Hotel in Riyadh to cut the ribbon and declare open another event — the Riyadh International Petroleum, Gas and Petrochemical Industries Exhibition, put together

by the Ministry of Petroleum and Mineral Resources of Saudi Arabia and Ramtam: Exhibition and Conference Organizing.

The two-day exhibition, which provided an opportunity for participants to mingle and network, had in attendance national oil companies, international oil companies, oil service firms, as well as telecommunications companies. They included Saudi Aramco, the Abu Dhabi National Oil Company of the United Arab Emirates, Pertamina of Indonesia, the Bahrain Petroleum Company, Qatar Petroleum, Shell Petroleum, ExxonMobil, Chevron, Total, ConocoPhilips, Halliburton, Alhamrani-Fuchs Petroleum Saudi Arabia Limited, Petromin, the Emirates General Petroleum Corporation, the National Petrochemical Industrial Company and the Arab Petroleum Investment Corporation. Also represented were the Saudi Telecommunication Company, and METSCCO Heavy Steel Industries Ltd.

The OPEC Secretariat and the OPEC Fund for International Development (OFID) also had stands at the exhibition. The OPEC stand received a lot of guests who asked questions about the Organization and its activities. Information was given to them by a team from the Public Relations and Information Department of the Organization. Visitors to the stand received special OPEC-branded souvenirs such as t-shirts, coffee mugs, scarves, ties, key holders, as well as publications like the *General Information booklet, Frequently Asked Questions, OPEC Secretaries General,* among others.

Riyadh experience

For a first time visitor to Saudi Arabia, the feeling of trepidation is not out of the ordinary. There is that sense of wanting to get it right and not do anything that will come across as disrespectful to the revered social and religious norms of the Kingdom. No amount of prep talk can have you fully prepared when you feel you are ready to take the plunge.

As the Lufthansa flight began to descend into Riyadh and the pilot and cabin attendants issue last-minute instructions — no alcohol, no suggestive publications — one wanted to hear what one considered most important — that women should cover themselves properly before exiting the plane.

But that advice never came, even though travelling as a team that included OFID's Director of Information, Mauro Hoyer, and Information Officer, Reem Aljarbou, we were indeed, well prepared with our 'Abayas' (Alaa Al-Saigh of PRID) and long coats (Diana Golpashin, also of PRID, and I) and scarves hanging around our necks.

As we exited the plane and waited for those who sat further back from us, Reem emerged already fully clothed in an Abaya and scarf, while Diana and I, in our long coats, wondered if indeed we had dressed sufficiently well enough.

However, the reception team at the airport assured us that, indeed, we were quite "decently" dressed and having picked up our luggage, our almost one hour drive into the city began.

The traffic between the airport and the Riyadh Intercontinental Hotel at around 10pm was indicative of the city's pace — it comes alive at night! Also, compared with the 20 minute drive from Vienna's International Airport into the city, one began to have an idea of the sheer size of the Saudi capital.

We were warmly received at the hotel by a team led by Badr Al-Saddoun of the Ministry of Petroleum and Mineral Resources, who was almost unrecognizable in his white gown and red/white scarf (the last time we saw Badr at OPEC's 50th Anniversary Exhibition in Vienna in September, he was dressed in a suit).

From him, we received further tips on how to dress while in the Kingdom. In the hotel, he advised, we did not have to put on Abayas and scarves, but once outside, we should ensure that we had those two essential pieces of clothing in place.

This advice proved very helpful throughout our stay in Riyadh as it would have been a bit challenging for us to struggle with our "Abayas" and scarves, while busy trying to get the OPEC stand prepared in time for the opening, ensuring that we had all the souvenirs we needed.

Where business comes alive at night

The next day (Sunday) we (Mauro Hoyer and Barrak Al-Qallaf from OFID, Diana and I) made our first foray into the city. From the taxi driver to all the people we met in the four shopping malls we visited in our search for more gift items to boost our stock, the residents of Riyadh showed us so much warmth and kindness.

Our questions were answered; helpful hints and directions were given. As all businesses are closed from 2.00–4.30pm, this offered us a good opportunity to visit the Al Faisaliah tower for some snacks and drinks. Sitting at the topmost floor of the 60-storey building, one could get a clear view over the city. Riyadh is big and densely

populated. Businesses in Riyadh are open till about midnight and being there, one could indeed understand the reason for this nocturnal behaviour.

Though the month of October is said to be winter in Riyadh, with a temperature at almost 30° Celsius and above, one can only imagine what high summer is like. The sweltering heat and the sun are factors why in Riyadh doing business at night when the temperature is a bit cooler is such a practicality.

We also had the opportunity to attend a dinner hosted by HRH Prince Abdulaziz Salman Al-Saud at a typical Saudi restaurant setting. Decorated with local crafts, carpets and offering an incense-filled welcome, this gave us the chance to witness another aspect of Saudi culture and hospitality.

Riyadh's streets are well laid-out (though traffic can be quite chaotic even with traffic lights) with walkways in some areas. Prince Abdulaziz, our escort for the night (Diana, Eithne Treanor and I) told us the story behind the construction of the walkways.

Walking the walkways

Pregnant women, he said, were advised by their doctors to take regular walks. As the women cannot walk alone, their husbands drove them to the point and followed behind in the cars to pick them up at the end of their walk.

As this became a growing trend, including among non-pregnant women (in addition to men), the government decided to construct real walkways to enable people to take regular exercise.

We (Diana and I) had an opportunity to again visit one of the shopping malls before leaving Riyadh on the night of Wednesday October 21. Packed and loaded up in a taxi and ready to begin our almost seven-hour journey back to Vienna, we felt going to the airport by 11pm for a 2.50am flight was stretching our timely arrival and check-in formalities a bit too far.

So, we asked our driver to swing by a mall for at least 30 minutes. He did so and we wandered around the centre (it was like a Saturday afternoon shopping scene) but ended up buying nothing.

During such travels to places as traditional as Saudi Arabia one looks out for typical souvenirs. But confronted by the same shops that we see all over Europe and in Vienna, we ended up only browsing through the malls and ultimately consuming about 45 minutes of our expected long airport waiting time before we boarded our Lufthansa flight on time for the journey back to Vienna.

Naimi points to Organization's growing maturity in 50th Anniversary year

OPEC expected to assume greater responsibility in years ahead

OPEC has matured into an international energy organization of global reach, rather than a mere organization of a number of oil-exporting countries, Saudi Arabia's Minister of Petroleum and Mineral Resources, Ali I Naimi, told an International Symposium in Riyadh, in October.

"Based on this premise, the Organization takes its policy decisions based on economic factors and academic approaches, while distancing itself from the political and ideological differences among its Members, or at the international level in general," he told the gathering, organized to mark OPEC's 50th Anniversary.

Naimi stressed that, over the past half century, OPEC had evolved and interacted with the political and economic changes in the international order and the energy industry and market.

In listing three key points in support of his opinion, the Minister said the first factor involved OPEC's decisions, which, whether they involved production, prices, or other issues, were based on precise scientific data developed by OPEC's Secretary General with the participation of experts from Member States.

"This data is collated against similar data issued by prestigious international institutions and the petroleum industry. In taking such decisions, the Organization is not oblivious to the interests of its 12 Members, the interests of petroleum-producing countries in general, of the global petroleum industry and the interests of the consumer countries, which represent the main market for the production of our Member States," he stated.

"Besides, OPEC's decisions do heed the status and growth of the world economy, especially that of the developing countries. Similarly, OPEC always seeks to strike a balance between the immediate interests and future interests and needs."

In moving to his second point, Naimi said that OPEC focused on moderated scientific studies and research, published numerous studies, organized scientific symposia and monitored the various developments in the oil industry.

"The symposium we are organizing in tandem with this celebration is only a part of the intellectual brainstorming undertaken by the Organization, where the ideas will be put forward for open and candid discussion with utmost transparency and in the best interest of all parties for the integrity and growth of global economy," he affirmed.

The third point, said the Minister, involved the Organization's trending in recent years to synergize with the international organizations concerned with energy and economic affairs.

"As everybody knows, OPEC and other similar economic organizations at a certain period in time used to act from a limited and narrow perspective, motivated by the lack of desire to cooperate with the international organizations with similar or dissenting activities.

"However, this state of affairs started to change during the past two decades when the first conference, which brought together OPEC and the International Energy Agency, was held in Paris with the participation of most major producers and consumers.

"This meeting evolved from one year to the next until it crystallized with the establishment of the General Secretariat of the International Energy Forum, whose new charter is expected to be ratified early next year," Naimi told delegates.

He said that, besides the IEF Secretariat, which formalized the dialogue and cooperation between all states, organizations and the companies with interest in petroleum and energy affairs and where OPEC played a key role, OPEC, represented by the Secretary General, had established cooperation and dialogue with international and regional organizations, with oil consumers and producers, such as the European Union, China and Russia.

"The Kingdom of Saudi Arabia provides support and contributes to the promotion of OPEC's policies and

cooperation with the various parties," he stressed.

In speaking about his country's relationship with OPEC, Naimi stressed that the Kingdom had derived tremendous benefits from its membership in the Organization.

"The Kingdom has equally done a lot in favour of OPEC interests, whether by maintaining a redundant and unexploited production capacity, or by operating as a swing producer, depending on the market circumstances, in its efforts to stabilize the market.

"I wish to underscore the fact that the Kingdom will continue to keep this responsible and balanced role," he stated.


Ali I Naimi

The Minister said that Saudi Arabia's standing as a Founding Member of OPEC, boasting the largest petroleum reserves in the world, the greatest production capacity, and the largest oil exports was a position it would continue to occupy for many years to come.

However, he added, what was more important was the Kingdom's policy towards its crude oil. The paramount objective of the Kingdom's petroleum policy was to harness the resource for the service of the people and its future generations.

"The second objective, which is based on the Kingdom's higher policy, namely global peace, cooperation and prosperity, is to adopt a balanced and moderate petroleum policy that focuses on common interests, market stability and maximization of returns in the long range, rather than immediate and temporary gratification," he professed.

"... the Kingdom is the greatest country in terms of reserve and production capacity, yet it operates on the premise that all Member States of OPEC are sovereign states with equal responsibilities and commitment to the decisions which emanate from the common interests of the Members," he noted.

Naimi said that OPEC, in its capacity as the custodian of one of the most important commodities, with a far-reaching impact on the global economy, growth and prosperity of the universe, was a necessary organization for the stability of the market and its sustained equilibrium since it played a positive role in favour of the international economy and its growth, especially the economies of developing countries, including OPEC Member States themselves and a large number of petroleum-producing countries.

He stressed that OPEC was one of the pioneering and successful organizations of the world that had played a constructive role in favour of its Member States, other producers, consumers, the international oil industry and the global economy as a whole.

"The Organization is expected to carry on with its positive role at a deeper level and greater responsibility to the world over the coming decades," added Naimi.

OPEC Secretary General addresses Saudi Anniversary Symposium

Cooperation, dialogue remain key element in OPEC's future


Abdalla Salem El-Badri

Cooperation and dialogue, which formed an essential part of OPEC's foundation 50 years ago, have been fundamental to the Organization's evolution and will be a key element in its future, according to OPEC Secretary General, Abdalla Salem El-Badri.

Addressing an International Energy Symposium marking OPEC's 50th Anniversary, in Riyadh, Saudi Arabia, in October, he said that OPEC had long recognized the importance of adopting a plurilateral approach to addressing major topical issues, involving dialogue and cooperation with other international organizations and interested parties.

"This applies to both direct oil industry matters, as well as related areas, such as environmental protection and sustainable development," he commented in his speech on 'The relationship between OPEC and other international organizations'.

El-Badri said that, at first, OPEC found it difficult, if not impossible, to establish dialogue and start cooperation outside of OPEC circles.

This was due mainly to the hostile environment that prevailed when OPEC was born.

"Gradually, this changed," he said. "And there was a coming together and an understanding that in many respects our interests, particularly in regard to market stability, were, if not identical, at least similar.

"We have come a long way, from the early confrontation to the cooperation we see today."

The OPEC Secretary General told delegates that, today, the importance of dialogue between international organizations, particularly in terms of bringing together producers and consumers, had never been greater.

"The reason is that globalization, international trade and mass communication are bringing us all closer together. We live in an increasingly interdependent world."

El-Badri pointed out that this fact was clearly evident during the global financial and economic crisis. The knock-on impacts had been felt in almost all industries and in all countries across the world.

"And, with energy central to each and every one of us, it is critical that all stakeholders work together for market stability. This is vital for the effective and efficient functioning of the global energy market."

El-Badri said that in the global oil market, while demand for oil was clearly set to grow in the coming years, a number of factors that could have both medium- and long-term impacts on supply existed.

This included the policies of a number of consuming countries that offered an unclear picture of their impact on future oil consumption levels and overall energy demand.

"There is a need to provide clearer policies that are reliable, predictable and not discriminatory. Market stability is essential for both producers and consumers," El-Badri stressed.

"In addition, there is the need for a better understanding of such matters as the effects of excessive market volatility, the role of speculation, the future requirements for human resources, as well as the impact of climate change and of mitigation policies and measures," he said.

El-Badri said that one should also never forget that it was a world in which energy poverty continued to blight the lives of billions of people. This was an issue that needed the urgent and critical attention of world leaders.

"To help meet some of these challenges and uncertainties facing the global oil market and the world, in general, we at OPEC believe in continually looking to

explore and evolve our dialogue and cooperation with other international organizations.

"We recognize the value of strong and mutually-beneficial relationships," he affirmed.

In this regard, said El-Badri, OPEC continued to maintain a strong and positive relationship with the European Union (EU). In the latest EU-OPEC Ministerial Dialogue that took place in June this year, the two sides highlighted a number of relevant and topical areas where cooperation could be furthered.

This included the need to continue to analyze and discuss the root causes of the recent financial crisis and economic recession; to organize roundtables on the challenges facing offshore oil and gas exploration and production activities and the causes of the skilled workforce shortage in the energy and oil industry; and to develop a study to explore the potential of technological advances in transportation.

"OPEC and the EU also remain in discussions about enhancing cooperation through the development of an OPEC-EU Technology Centre, with energy technologies identified as one of the most important areas for cooperation," said El-Badri.

He continued that cooperation between OPEC and the Paris-based International Energy Agency (IEA) stretched back many years and had advanced considerably. In recent years, a number of joint workshops on a variety of topical issues had been held.

"OPEC sees the dialogue between the two as an important element in improving the understanding of the concerns of all parties for oil market stability and predictability," noted El-Badri.

He said that OPEC had also been proud to have played an active part in the formation of the International Energy Forum, whose Secretariat was now located in Riyadh.

"It was founded as a platform that helps informal dialogue between producers and consumers and OPEC continues to support the IEF in providing this function.

"This can be seen in the Organization's active participation in the IEF's Joint Oil Data Initiative, set up to enhance the transparency, quality, timeliness and flows of oil market data. We remain committed to furthering this project," said the OPEC secretary General.

He said that the Cancun Declaration, the result of the initiative begun by Saudi Arabia when it held an ad-hoc energy meeting in June 2008, mapped out a path for a strengthened IEF, specifically through the development of an IEF Charter.

"Furthermore, it outlines specific areas of cooperation between the IEF, the IEA and OPEC. This covers present and future market trends; the functioning and regulation of energy markets; and data."

El-Badri said OPEC and its Member Countries had also been, and continued to be, actively involved with many United Nations organizations. This included the UN Commission on Sustainable Development and, of course, the long-standing negotiations within the framework of the UN Framework Convention on Climate Change and its Kyoto Protocol.

"I think we all appreciate that the climate change negotiations can, at times, feel extremely complex and, on occasion, appear to be never-ending. However, OPEC recognizes the importance of being part of these negotiations and of working with all parties and organizations to develop solutions that safeguard the legitimate interests of all parties," he stated.

El-Badri said that, in this regard, he was sure all stakeholders agreed that any future agreement should be balanced, fair and equitable.

"It needs to take into account the past, present and future; the fulfilling of current commitments and obligations; address the net emissions of all greenhouse gases; use all available cost effective abatement options and technologies, including cleaner fossil fuel technologies, such as carbon capture and storage; and remain focused on the priority of sustainable development, particularly in regard to those least able to help themselves," he maintained.

Additionally, he said, OPEC had furthered dialogue this past decade with countries such as China, Russia and a number of other non-OPEC producers, as well as with other international organizations, such as the World Bank, the International Monetary Fund, and the World Trade Organization.

"We also hope to expand our dialogue with other international organizations, as well as countries, such as India and Brazil," he added.

Turning to OPEC's history, El-Badri said that when the Organization was set up in Baghdad, Iraq, on September 14, 1960, there were some who predicted that the new grouping would not last long.

"Fifty years on, however, that initial small group of developing oil-producing countries has evolved into a group of 12. These come from across the world and have brought more strength and diversity to the Organization.

"It has certainly not been an easy task to advance the Organization's standing and influence, particularly given the nature of the oil industry at the time of its establishment," he said.

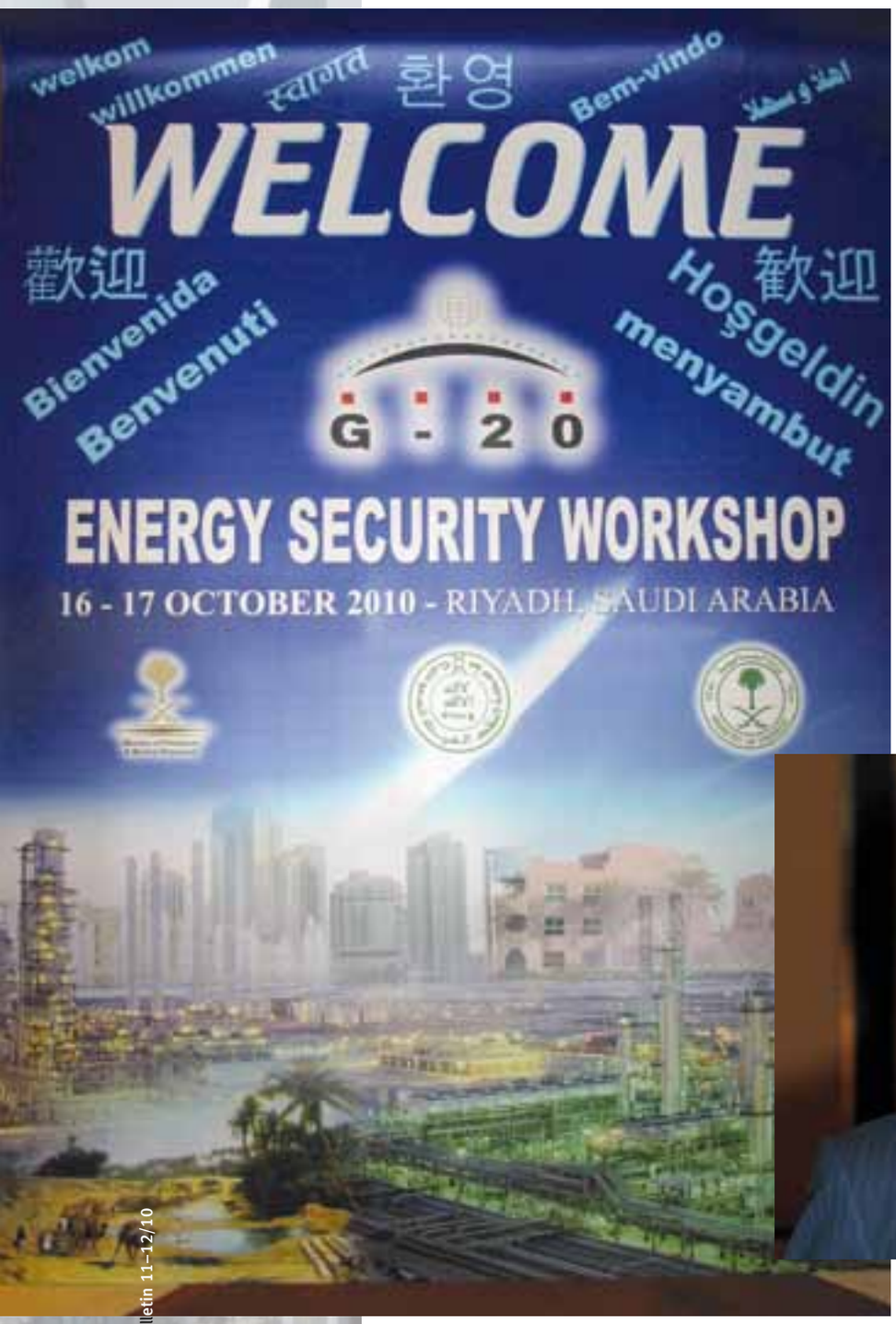
Over the years, the cooperation that had been so instrumental in establishing OPEC had grown stronger as the Organization evolved and become an established and respected member of the global energy community.

"In the years ahead, OPEC's dedication to the welfare of its Member Countries, the international energy market and the global economy will of course continue," he said.

"OPEC, in its 50th Anniversary year, remains faithful to the cooperation and the commitments that were agreed in Baghdad, 50 years ago — to ensure market stability, efficient and regular supplies of petroleum to consumers, a steady income to producers, and a fair return on capital for those investing in the petroleum industry," he concluded.

OPEC's Research Director addresses G20 energy workshop

Energy security at the heart of OPEC's actions



Security of oil supply and security of demand are at the heart of everything that OPEC has done during its 50-year history, according to the Organization's Director of Research, Dr Hasan M Qabazard.

In addressing a G20 Workshop on Energy Security in Riyadh, Saudi Arabia, in October, on behalf of OPEC Secretary General, Abdalla Salem El-Badri, Qabazard pointed to the importance of ensuring continuity of global crude oil supplies, while also reducing uncertainty of demand, which he referred to as being "two sides of the same equation".

The workshop, held alongside an OPEC 50th Anniversary Symposium, launched by Saudi Arabia, was convened in the lead-up to the Fifth G20 Summit of Heads of State, held in Seoul, Korea on November 11–12.

Dr Hasan M Qabazard

Organized by the Kingdom's Ministry of Petroleum and Mineral Resources, the Finance Ministry and the Saudi Arabian Monetary Agency, the workshop attracted officials from G20 countries, international organizations, as well as the World Bank and the International Monetary Fund (IMF).

In introductory comments to his speech on 'Energy markets and energy security', Qabazard highlighted the importance of energy security, particularly after the recent turmoil in the global economy sparked by the financial crisis.

He said that energy — and in particular oil — had always fuelled prosperity and was presently playing a particularly important role in the recovery of the global economy.

"The relative stability of oil prices this year has been conducive to the signs of recovery which we have seen in some leading economies. While some are still struggling

"Expanding access to energy among poor populations is vital. In fact, when some people speak of energy security, what they have in mind is the fight against energy poverty."

to consolidate recent fiscal reforms; others seem to be on track for growth," he observed.

However, he stressed that it was important to remember that developing countries continued to face many challenges to their national aspirations.

Important poverty-reduction and sustainable development efforts in these countries were supported by energy.

"Expanding access to energy among poor populations is vital. In fact, when some people speak of energy security, what they have in mind is the fight against energy poverty," he said.

"The oil industry, with its long lead times and capital-intensive phases, requires certainty and predictability. Without this, upstream investments and the future needs of consumers is put at risk."

Energy security, however, also had other important characteristics, said Qabazard. It could, for example, refer to independence from foreign sources of energy.

"But such a self-interested view may no longer apply given today's interdependent world," he professed.

Looking at the supply side of the security equation, Qabazard said that since its founding in 1960, OPEC had consistently tried to ensure security of supply, particularly during moments of market tightness.

"It has done this through informed decisions and prompt actions," he contended.

Reserve growth and production increases in OPEC Member Countries since that time had also helped to provide a basis for security of supply.

In the past 50 years, the Organization's crude oil reserves had multiplied by a factor of five, reaching one trillion barrels, while daily production had multiplied by nearly four, reaching 29 million barrels/day, he noted.

"This growth is, of course, due in part to OPEC's membership having increased from five to 12 Members. But even if we limit ourselves to the five Founding Members, the growth is impressive," he affirmed.

Qabazard explained that, in addition to conventional oil, there was also a vast resource base of non-conventional oil, such as tar sands, oil shale, gas-to-liquids, coal-to-liquids and biofuels.

Resource base sufficient

"It is clear that there are ample reserves. The resource base is sufficient — and we have not even counted non-OPEC supply, which has shown similar growth. All this challenges the alarmist scenarios of peak-oil theorists," he said.

Qabazard told delegates that the focus was often on OPEC supply. However, with the Organization's Members holding more than 75 per cent of the world's proven recoverable crude oil reserves (about 1tr b), this was understandable.

"Given the under-explored status of most of our Member Countries and new technologies which have contributed to improved recovery rates, OPEC supply will certainly increase in the future," he maintained.

Qabazard said that this was not to say that there was not concern over energy security from a broader energy supply perspective.

"In China and the United States, for example, there have been recent brown-outs in the electricity generation sector, pointing to bottlenecks in their supply chains. And natural events like hurricanes have also raised supply concerns," he stated.

"But when we speak of security of oil supply, the challenge is not related to the availability of reserves; there are enough to satisfy consumers for decades to come. The challenge, as OPEC has long argued, really has to do with deliverability," he said.

Turning to the demand side of energy security, Qabazard said that recent global trends had heightened uncertainties in this regard.

"The widespread economic crisis has choked demand for oil," he pointed out, stating that in 2008 and 2009, world oil demand fell by 2m b/d, the first time since the early 1980s that demand had declined in two successive years.

In particular, this had exacerbated the downward trend in the OECD region, where the contraction in oil demand had reached nearly 4.5m b/d since 2005, he said.

"While it is true that we have seen signs of modest recovery as a result of the massive fiscal and monetary interventions of many governments, the strength and pace of this recovery remain uncertain," he said.

Unemployment in OECD countries was high; credit

remained tight and private-sector spending had yet to recover, he explained. As a result, expectations for future demand had been revised downward.

Qabazard told the workshop that they might actually be seeing a 'two-tiered' recovery. In contrast to the OECD region, there was significantly more growth — and solid expansion forecasts — in developing countries. This provided a cushion for future demand.

"There is broad recognition that, in the long term, energy consumption in these countries, especially the BRIC economies, is set to increase significantly."

However, said Qabazard, the overall uncertainties generated by the economic downturn and their impact on security of demand remained significant. In addition, the long-term policy-driven uncertainties in industrialized countries had also resulted in downward revisions to long-term demand forecasts.

"The oil industry, with its long lead times and capital-intensive phases, requires certainty and predictability. Without this, upstream investments, and the future needs of consumers, is put at risk," he stressed.

Qabazard said that all this underlined the importance of investments and their dependence on the certainty provided by security of demand.

Uncertainty gap

OPEC calculations showed that, by 2020, and under reasonable growth assumptions, demand for OPEC crude could be as low as 29m b/d or as high as 37m b/d.

"This translates into an uncertainty gap of over $250 billion for required upstream investments in OPEC Member Countries. This does not even include the need for massive infrastructure, such as ports, pipelines and so on. Thus, wasting financial resources on unneeded capacity is a real possibility," he said.

Qabazard said that, given the mixed outlook for future demand, current upstream investments should be enough to satisfy demand for OPEC crude, as well as provide a comfortable cushion of spare capacity, which currently stood at more than 6m b/d.

He told delegates that the other important factor that had implications for future investments and, thus, future supply, was crude oil prices. In fact, prices and market stability were at the heart of the entire energy security discussion.

"Stability of prices and markets benefit everyone," he said. "Prices today have remained in the $70–80/b range for most of the year, which seems reasonable and comfortable at this time. In contrast to the extreme price volatility of 2008, these prices are conducive both to investments and global economic recovery."

Qabazard said that very low or high oil prices did not benefit anybody, neither consumers nor the producers.

"It is important to limit volatility and make sure oil prices continue to stay at reasonable levels. We have to make sure that the experiences of 2008 are prevented by advocating for useful guidelines for the oil market," he stated.

"In addition, we believe better quality information and data — on how demand and stocks are developing — is also needed. In this, the Joint Oil Data Initiative (JODI) and the International Energy Forum (IEF), both of which have their headquarters here in Riyadh, have achieved a lot. But more can always be done."

"It is important to limit volatility and make sure oil prices continue to stay at reasonable levels. We have to make sure that the experiences of 2008 are prevented by advocating for useful guidelines for the oil market."

Concluding his address with comments on energy poverty, Qabazard said that this aspect was as important to developing countries as security of supply was to the consumers.

He noted that in the Riyadh Declaration of the Third Summit of OPEC Heads of State and Government in 2007, one of the priority areas for the Organization was the role of energy in development. This had to do with not just poverty reduction and sustainable development, but energy poverty.

The environment, he said, had already been treated at the highest multilateral levels. OPEC had been supportive of such efforts.

"But energy poverty should also be accorded the same importance — and it should be high on the agenda of the G20," he maintained. "Perhaps energy poverty is something that we can all begin to list as a priority. Remember that it is the people and populations of the developing world, along with all their economic hopes and aspirations, who are in the balance. As we talk about energy security today, may we all keep this in mind," he added.

Facts, figures & futures

On September 14, 1960, when OPEC was founded in Baghdad, Iraq, there were some who predicted that the Organization would not last long. Fifty years on, however, it has evolved into a robust and diverse organization that is an established and respected member of the global energy community. This is in part due to the strong research, modelling and analysis undertaken by the OPEC Secretariat, which, in turn, helps support the Organization's decision-making processes. This in-depth focus is underscored in two recent publications — the Annual Statistical Bulletin (ASB) 2009 and the World Oil Outlook (WOO) 2010. ***Alvino Mario Fantini*** *and* ***James Griffin*** *report on the November 4 press conference in Vienna marking their release.*

In a world that is increasingly inter-linked, with globalization, international trade and mass communication seemingly bringing all corners of the globe closer together, it is ever more important to appreciate and understand the scope and intricacies of the global energy system. It is essential to have a handle on just what is happening — as well as where, when and why and to better understand the possibilities surrounding the energy future the world may face.

The ASB, now in its 45th year, and the WOO, in its fourth, are part of OPEC's efforts to advance awareness and provide a better understanding of the major issues that are of concern to the Organization, in particular, and the oil market, in general.

The ASB ties in the past and the present, bringing together time-series data for a wide variety of oil market and energy sector indicators. The WOO links the present and the future, with state-of-the-art economic modelling and forecasting used to present information, projections and concepts for the medium- and long-term outlooks.

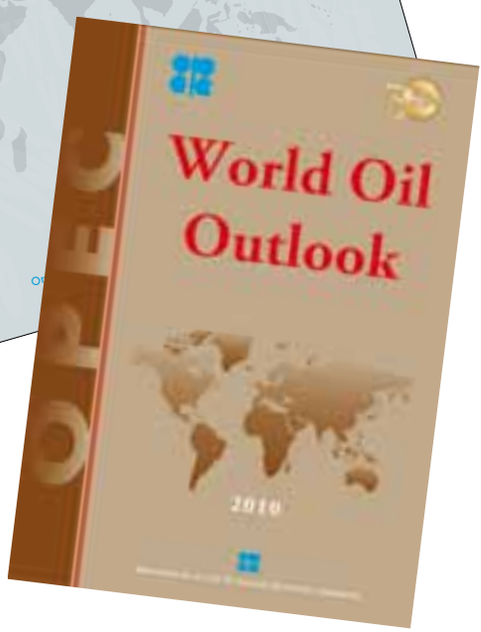
The Organization's efforts are visible in comments expressed by OPEC Secretary General, Abdalla Salem El-Badri, in the forewords of both publications.

In the ASB, the Secretary General explains that the data-rich publication "is meant to further enhance transparency through data sharing." With information on the global petroleum industry and comprehensive data on regional imports and exports, as well as upstream and downstream data, he adds, that the ASB provides the public with important raw data with which they may better understand the stocks and flows in Member Countries, in oil-consuming countries and around the world.

As for the WOO, he stresses that the publication "provides all interested parties with a better understanding of how decisions, policies and trends might impact the industry's future. He is clear, however, that "it is not about predictions, but a tool of reference to aid both OPEC and other industry stakeholders."

The publications were released in front of assembled press and analysts at the OPEC Secretariat in Vienna. The event was presided over by El-Badri, who was joined by Dr Hasan M Qabazard, Director of the OPEC Research Division, Oswaldo Tapia, Head of the Energy Studies

Abdalla Salem El-Badri (second r), OPEC Secretary General; Dr Hasan M Qabazard (c), Director, OPEC Research Division; Oswaldo Tapia (r), Head, Energy Studies Department; Puguh Irawan (second l), Statistical Systems Coordinator in the Data Services Department; and Zorely Figueroa, PR Coordinator, PR and Information Department.



Department. and Puguh Irawan, Statistical Systems Coordinator in the Data Services Department. Following introductions by Zorely Figueroa, PR Coordinator in the Public Relations and Information Department, and a brief preamble from El-Badri, Irawan presented the ASB's key findings and main messages.

Reserves growth

In presenting the publication's findings, Irawan indicated that proven oil reserves in OPEC Member Countries have risen by 41 billion barrels in 2009. This occurred despite an overall increase in production, he noted. Specifically, OPEC's proven reserves reached 1.06bn b at the end of 2009, compared with 1.03bn b at the end of 2008. This is more than double OPEC's cumulative oil production (436bn b) since the beginning of productive activities in Member Countries, he noted.

With OPEC's current proven reserves in Member Countries representing 80 per cent of the global total of 1.34 trillion b, the 2009 data underscores the ongoing importance of the Organization's activities for meeting future world energy needs.

Proven natural gas reserve data are also included in the ASB, said Irawan. At the end of 2009, OPEC Member Countries held 91tr cubic metres, or 48 per cent of total world gas reserves, he stated. Non-OPEC reserves, on the other hand, were 99tr cu m and 52 per cent.

Rigs and refineries

The 2009 ASB data showed that the global financial crisis and rising production costs had a noticeable impact on the number of active rigs worldwide. In OPEC Member Countries, the number of active rigs dropped by 12 per cent, while in non-OPEC countries there was a 27 per cent fall. The total number of producing wells in OPEC Member Countries was 32,194 in 2009, added Irawan.

The figures also showed that OPEC Member Countries

Oswaldo Tapia, Head, Energy Studies Department.

have continued their downstream investments, both at home and in major consuming countries. ASB data shows that refinery capacity has consistently maintained positive growth, reaching 8.8 million barrels/day. In fact, in 2009 OPEC refining capacity grew 2.7 per cent more than in OECD countries, Irawan noted.

Consumption and export levels

The ASB also provided a look at worldwide consumption levels. In 2009 consumption dropped by 1.5m b/d, said Irawan, to a level of 78m b/d. This reflects the largest decline in consumption since 1981. Moreover, in OECD countries, consumption levels dropped by 2m b/d between 2008 and 2009 and by 4m b/d between 2005 and 2009.

In addition, the ASB provided summary export data for all OPEC's Member Countries. Oil exports remain the primary means for Member Countries to generate export revenues, with an average of 75 per cent of total export revenues coming from oil. Furthermore, due to the ongoing effects of the global economic crisis, the value of all OPEC exports in 2009 decreased by $427bn, a 43 per cent drop over 2008, noted Irawan.

Who Gets What from Imported Oil?

Irawan concluded the ASB presentation with a look at the latest version of the OPEC publication, 'Who Gets What from Imported Oil?' The publication graphically illustrates the tax burden imposed on oil in G7 consuming countries and provides a breakdown of the average price per litre of imported crude oil, the industry margin, which includes the costs of refining, transportation and distribution, and the taxes charged on different oil products in oil consuming countries.

Irawan explained that the price end-users pay per litre of oil is not only made up of the actual crude price along with the industry margin, but also the taxes imposed by the national governments of the biggest oil-consuming countries. According to the data gathered, the portion of the cost of a litre of oil that goes to taxes in the majority of G7 countries (with the exception of Japan, Canada and the United States) is higher than the actual price of a litre of crude.

In aggregate, Irawan noted, for the five-year period 2005–09, the total level of oil taxes received by G7 governments was $3,522bn, compared with the $3,459bn in revenues received by OPEC Members.

In the United Kingdom, the tax on a litre of oil represented nearly 64.1 per cent of the cost of a litre in 2009, with only 29.2 per cent going to the actual price of crude oil and nearly 16.6 per cent to cover industry margins. Thus, the UK government ends up making nearly 1.9 times more off each litre of oil than the producers of that oil.

In conclusion, Irawan noted that the data in the brochure indicates that the real price burden on consumers comes not from the prices charged by oil-producing countries, but from the oil tax burden placed by the governments of oil-consuming countries.

Supply and demand

Following the conclusion of the ASB presentation, the floor was given to Tapia to present the WOO. It was clear from his initial comments that much of the focus for this year's WOO was the global economic recession, which he said had "turned out to be the deepest and longest in more than six decades." Over the past year, however, he added "that the pace of recovery has been swifter than initially expected."

In turn, he said, this has led to a faster rise in oil demand than previously expected, with demand growth in 2010 "more that double that in the World Oil Outlook 2009". In fact, after the fall in demand in 2008 and 2009, oil demand levels of 2007 are reached once more by 2011. "Over the medium-term period to 2014, oil reaches close to 90m b/d, which is almost 1m b/d higher than in the last outlook," he added.

In the longer term, oil will remain the leading fuel type in satisfying the world's growing energy needs, but its share will decline. In the Reference Case, oil demand by 2030 is essentially unchanged from last year's publication, reaching 105.5m b/d.

OECD demand continues to fall throughout the period to 2030 and the net long-term demand increase is driven by developing countries.

Of the total global oil demand growth in the long-term, 75 per cent is in developing Asia. However, the WOO stresses that a key aspect of the outlook is that energy poverty will remain a major global issue, "that needs the urgent and critical attention of world leaders."

On the supply side, in the medium-term to 2014, it is expected that there will be a continued expansion in non-OPEC supply, partly as a reflection of the oil prices that have been witnessed this year. Tapia added that what this means for OPEC crude is a slow rise over this period, "from just under 29m b/d in 2009 to 30.6m b/d by 2014."

Looking further ahead, he stressed that it is widely recognized that resources are sufficient and that future supply will come from a wide range of sources. "Non-crude liquids supply, from both OPEC and non-OPEC sources, such as non-conventional oil, condensate and natural gas liquids, biofuels, gas-to-liquids and coal-to-liquids will rise fast, from 15m b/d in 2009 to almost 31m b/d by 2030."

As a result, although the amount of OPEC crude needed will rise throughout the projection period, it will still be less than 37 per cent of global supply by 2030, not much more than today.

Investments

OPEC, for its part, is investing in accordance with perceived demand for its crude. Currently, considerable investments are underway in OPEC Member Countries to expand upstream capacity: around 140 projects should come on stream in Member Countries by 2014, the result of an investment of $155bn.

Tapia said that "the Reference Case thereby foresees stable and comfortable OPEC crude oil spare capacity of 6–7m b/d, around seven to eight per cent of world demand."

It is important to stress, he added, that this picture is consistent with oil prices remaining around current levels. "It is not that long ago that we witnessed how a slump in prices can affect investment activity, in both OPEC and non-OPEC countries."

Puguh Irawan, Statistical Systems Coordinator, Data Services Department.

Downstream realignment

From the downstream perspective, this year's WOO highlights that there is evidence that the coming years will see a significant refocusing and reshaping of the downstream. Tapia said: "The refining industry is now suffering from the past demand collapse and surplus capacity, especially in the OECD regions." On top of this, he stressed, "it is estimated that more than 7m b/d of new crude distillation capacity will likely be added to the global refining system in the period to 2015, supported by additional secondary processes."

Thus, the WOO highlights that the medium-term outlook is for an extended period of low utilization rates and depressed profitability. In the long-term, however, capacity additions will be required because of changing regional needs and increases in global crude runs that are driven by a further shift towards middle distillates and light products.

From a regional perspective, the Pacific basin is expected to grow in importance, with new capacity primarily placed in the Asia-Pacific and Middle East regions. On the other hand, the Atlantic basin is expected to suffer from a surplus in capacity. There is also an increasing potential for refinery closures, said Tapia, "especially in the US, Europe and Japan, with the refining industry in the US being likely the most adversely affected."

Abdalla Salem El-Badri, OPEC Secretary General, speaking to the media.

Uncertainties cloud the picture

The WOO underlines the fact that there remain great uncertainties that continue to cloud the outlook for the future. The economy is at the forefront of these uncertainties. Tapia said that "while we are currently witnessing a more rapid recovery from the global crisis than previously expected, risks are skewed towards the downside."

The publication stresses the concern about the "timing and pace of the exit from the unprecedented — and in some cases increasingly burdensome — stimulus measures." And looking longer term, the question arises: what might the implications of these events be on economies? For example, Tapia asked whether structural reforms that place a new emphasis upon regulation may dampen economic growth?

There is also much discussion on policy announcements, specifically those related to energy and the environment, which Tapia said "continue to send confusing signals to investors." One issue, he added, "is the extent to which long-term demand projections should also reflect possible policies and measures that are linked to greenhouse gas emission reduction or limitation targets."

The potential impacts of these uncertainties is highlighted clearly in the WOO. Alternative scenarios, documented in the publication, show that oil demand by 2030 could be as high as 113m b/d, or as low as 93m b/d. This means that very different paths for required OPEC crude could emerge: the higher growth scenario sees this rising by more than 14m b/d to 2030, while the lower growth one sees essentially flat demand for OPEC crude over the next two decades.

The implications for OPEC Member Country upstream investment needs are significant, said Tapia. "The difference between the higher and lower growth scenarios over the next decade reaches $230bn in real terms." This is a considerable sum, particularly given the socio-economic needs of these countries, he added, and "demonstrates that security of demand is a real and genuine concern."

Climate change

The WOO also addresses what increased fossil fuel use means for future carbon dioxide (CO_2) emissions. The rise in fossil fuel use in the Reference Case implies an increase in global CO_2 emissions of 38 per cent from 2009 to 2030. However, on a per capita basis, by 2030, Annex I countries emit, on average, 2.6 times more CO_2 than non-Annex I countries.

Moreover, said Tapia, cumulative emissions are more relevant to possible impacts upon the climate. Despite stronger expected emissions growth from developing countries in the Reference Case, the cumulative contribution from Annex I countries will continue to dominate.

By 2030, they account for almost two thirds of the cumulative CO_2 emissions since the year 1900. This underscores, he stressed, "the need to fully reflect the historical responsibility in reaching an agreed outcome in the current climate change negotiations."

Helping chart a future path

Together, the ASB and the WOO provide a detailed look at the past, present and future of the global oil industry and underscoring the links among the industry's different stakeholders. With the publication of the 2009 ASB, OPEC continues to provide statistical data about all aspects of the industry in their ongoing effort to generate greater transparency in the market. And with the WOO, the organization once again demonstrates its commitment to research and to understanding and anticipating some of the challenges in developing a more sustainable energy future in an increasingly interdependent world.

Both publications are available for free download at: www.opec.org. The ASB is also available as an interactive on-line version with time-series data going back to 1960.

WOO shows complexity of challenges facing OPEC in the years ahead

OPEC's World Oil Outlook (WOO) was first published in 2007. Its purpose is to give an annual in-depth review and analysis of various scenarios for the short, medium, and long-term development of the oil industry, covering both the upstream and downstream sectors.

The publication is regarded as an important reference tool that critically analyses a wide range of key industry issues, such as supply and demand, investments, costs, policies and the environment. It also maps out some of the challenges, as well as opportunities facing the industry.

In summarizing the content of this year's WOO, the publication's executive summary shows just how extensive and complex global energy activities and dealings have become.

It highlights a total of 34 observations covering the challenges facing OPEC and its Member Countries in the coming decades. It then briefly elaborates upon each of these perceptive insights, which are listed below (see also Bulletin Commentary). The WOO can be downloaded from the OPEC website at www.opec.org.

1. The emergence of oil as an asset class has led to higher price swings
2. Oil price assumptions largely reflect economic recovery and upstream costs
3. Recovery from the global recession has been swifter than previously thought, but remains fragile
4. Long-term economic growth is assumed to be robust
5. Energy policies add considerable uncertainty to the outlook
6. Energy use will continue to rise, but energy poverty will remain
7. Despite renewables growth, fossil fuels remain dominant in the energy mix
8. The rising potential of shale gas poses new questions for the future energy mix
9. Oil demand rises more swiftly in the medium-term due to the rapid economic recovery
10. Long-term oil demand rises to 105.5 mb/d by 2030 in the Reference Case
11. The transportation sector is key to oil demand growth
12. Changes to road transportation technologies will be evolutionary, not revolutionary
13. Supply patterns suggest little room for additional OPEC crude over the medium term
14. The consequences of the Gulf of Mexico oil spill on future supplies is limited
15. OPEC will increasingly be called upon to supply the incremental barrel
16. The outlook points to large upstream investment requirements
17. Security of demand is a genuine concern
18. Refining overcapacity will depress medium-term profitability
19. Capacity rationalization in the refining sector appears inevitable
20. Declining crude share leaves little room for further refining expansion
21. A new downstream outlook is emerging
22. Demand patterns point to a further move to middle distillates and light products
23. Middle distillates and light products drive capacity expansion
24. Oil trade continues to expand
25. Tanker market remains in oversupply for most of the decade
26. Upstream and downstream face many challenges
27. There is a need to satisfactorily address speculation
28. Industry costs remain high
29. The human resource issue remains a key concern
30. Technology challenges in the oil industry
31. Recognizing the historical responsibility for GHG emissions
32. Energy and climate change policies could substantially impact the industry
33. Sustainable development is an over-arching objective
34. Dialogue and cooperation the way forward

OPEC needs assurances on future oil demand levels

— El-Badri

OPEC Secretary General, Abdalla Salem El-Badri.

OPEC Member Countries require assurances about future crude oil demand levels so that they do not unnecessarily invest in production capacity that will remain idle in the years ahead, according to the Organization's Secretary General, Abdalla Salem El-Badri.

Answering questions at a press conference in Vienna, following presentations marking the release of the *Annual Statistical Bulletin* (ASB) for 2009 and the *World Oil Outlook* (WOO) for 2010, he said OPEC saw real uncertainty as far as global oil demand was concerned.

"The problem is not supply — that is there — we have the resources and we can satisfy the world with enough oil for the consumption it requires.

"We can invest in the future and we can provide more oil and gas for the market if and when it is needed. But we need some certainty about future demand levels," he said.

"One must not forget that our Member Countries are developing countries and some are very poor — they cannot afford to invest in capacity that will remain idle," he stressed.

At the moment, said El-Badri, OPEC had 6m b/d of spare output capacity, a figure that would rise to 7m b/d in 2014. This was a comfortable cushion, representing around eight per cent of world oil demand, and was essential for responding to any form of emergency.

OPEC Member Countries were in the process of implementing around 140 investment projects, costing a total of $155bn, which would give the extra capacity in 2014.

El-Badri said that, as the WOO highlighted, the prevailing uncertainty over future demand levels meant that, according to OPEC's calculations, global oil demand in 2030 could be as low as 92m b/d, or as high as 113m b/d — "it is unclear to us."

Reference case scenario

The publication's reference case scenario was for oil demand to be at 105.5m b/d in 2030 and this was the figure the Organization was basing its investments on.

However, in monetary terms, the difference between the high growth and low growth scenarios translated into an amount of $230bn — "which is a lot of money", said El-Badri.

He said the Organization held regular dialogue and was continually talking to the consumers, for example the European Union (EU), to ascertain some certainty about future oil demand levels.

"It is very difficult, even for them, but the fact is that, as producers, we need some sort of assurance that a certain level of demand will be there between now and 2030 because it takes time to make the investments needed to bring the oil onstream," he explained.

"Obviously, some of our Member Countries do not want to make these investments if they just lead to idle capacity. They would prefer to spend the revenues they receive on other essentials, such as education, transportation and welfare projects," he added.

"We are talking to the consumers and we will talk to the high-growth countries, such as China and India, but at the end of the day, we need some sort of assurance that if we do invest, there will be demand for our products," he said.

Asked about crude oil prices, the OPEC Secretary General said that a price between $75/b and $85/b was comfortable for both the producers and the consumers.

"For the producers, it is comfortable because we can invest in more supply and we can have decent income for our Member Countries. And for the consumers, with this range it can be business as usual. Such a price will not hinder their activities," he maintained.

El-Badri said that even if the oil price reached $90/b, he did not consider it would hurt world economic growth.

"The $75–85/b range is not a target for us, it is just a range within which we think producers and consumers are comfortable with," he stated.

"We are not in favour of a very high price, or alternatively a very low price. We do not want a price that is so high that it will hinder global economic growth, or one that will add more obstacles or problems to the recovery, or to individuals in the consuming nations because oil is already heavily burdened by taxes.

"On the other hand, a low price will not allow the producers to invest in the future. We need to have a price which will allow us to invest and give our Member Countries a reasonable income and a price that can be tolerated by the consumers."

El-Badri said that even though they were seeing some sort of economic recovery right now, the situation was still fragile and it was not really certain whether the recovery would continue unsupported, without the need for further stimulus. "The uncertainty is still there."

Asked about the dangers of the effects of further speculation in the oil market, he pointed out that speculation had been a dominant force in 2008 and in early 2009.

"As a result, at that time, even though there was sufficient supply in the market, crude prices shot up to $147/b at one point," he said.

Speculation damaging

El-Badri said that even before the financial crisis erupted, "we were talking in OPEC about the damaging effects of speculation in the market. No one took any notice of us at the time, but now, after the effects of the last two years, they are listening."

He said there was some liquidity back in the market right now and investors were looking at commodities, including oil, "but thankfully speculation in the market is not as aggressive as in 2008, even though there is an element of speculation in the price the market sees today."

El-Badri said that when he looked at the state of the world economy at this time, it was really difficult to judge what level crude oil prices would go to since there was a lot of uncertainty.

"But I do not think we will see oil prices at $100/b in 2011," he said in answer to a question.

The OPEC Secretary General stressed that fossil fuels would continue to meet the principal energy needs of consumers until 2030 and beyond.

"There is no possible way to eliminate fossil fuels from the equation. There are no other energies available to compete with them right now," he added.

Qatar orchestra thrills packed house with OPEC Anniversary concert

By Siham Alawami

Around 1,400 people packed into the world-famous Vienna Konzerthaus in October to see the Qatar Philharmonic Orchestra put through its paces in a musical programme that had something for everyone — east and west.

The special one-off performance, arranged as part of OPEC's 50th Anniversary celebrations, formed part of a gala dinner held after the 157th Meeting of the OPEC Conference.

It meant that all Ministerial Delegations were able to attend the concert, along with other high-level dignitaries and guests, as well as staff from the OPEC Secretariat.

Over 100 musicians

The young and dynamic multi-cultural orchestra, which is based in the Qatari capital, Doha, boasts over 100 musicians, representing 30 nationalities.

It came together in 2008 with the aim of forming a union between eastern and western music, as well as promoting peace the world over.

In a message in the orchestra's programme for the evening, Abdullah Bin Hamad Al Attiyah, Qatar's Deputy Premier and long-serving Minister of Energy and Industry, said it was fitting that the orchestra had been selected to pay tribute to a half century of OPEC's achievements.

Like Qatar, he said, which was the first new Member to join OPEC in 1961 after the five Founding Members established the Organization the year before, the orchestra was relatively new to the international stage, yet was already widely renowned for its quality.

"It also seeks out world-class talent to provide a world-class product and exemplifies a unique understanding of both Arab and western cultures," he stated.

"Tonight we celebrate 50 years of OPEC and what better way to celebrate an organization with such global influence than with the universal language of mankind — music," he added.

In a similar message, Abdalla Salem El-Badri, OPEC Secretary General, said it gave him great pleasure to welcome the orchestra to Vienna, a city where music held a privileged place.

"Some of Europe's greatest classical music has been written and performed here by the likes of Brahms, Haydn, Mozart and Schubert, to name just a few of the masters," he said.

"I have no doubt that during their stay in Vienna, the dedicated musicians who make up the Qatar Philharmonic Orchestra will feel especially inspired," he added.

El-Badri paid tribute to the orchestra, which, he said, since its inaugural performance two years ago, had already established itself as an energetic and youthful interpreter of great works from different musical traditions.

"In fact, when it was formed by the Emir of Qatar, Sheikh Hamad Bin Khalifa Al Thani, the encouragement and promotion of a greater understanding of both classical Arab and western music was part of the founding vision," he explained.

The Qatar orchestra performing at the Vienna Konzerthaus, with its music director, Nader Abbassi, pictured (r) during the press conference given at the OPEC Secretariat the day before.

He said the diverse international mix of musicians that made up the orchestra embodied the kind of international cooperation and solidarity that OPEC encouraged so keenly.

"Vienna has been home to the OPEC Secretariat for 45 years and we are glad that our presence here is providing the opportunity for the city of Vienna to learn about musical traditions from different regions of the world," he stated.

Issa Shahin Al-Ghamin, Qatar's OPEC Governor, who welcomed guests to the Konzerthaus on the night of the concert, said that with the gala evening and performance Qatar was paying tribute to OPEC's many achievements through the music of the world-renowned Qatar Philharmonic Orchestra.

"We have selected the QPO to perform tonight, since, like OPEC, the orchestra illustrates that great achievements are possible when committed people come together in the pursuit of a common goal," he stated.

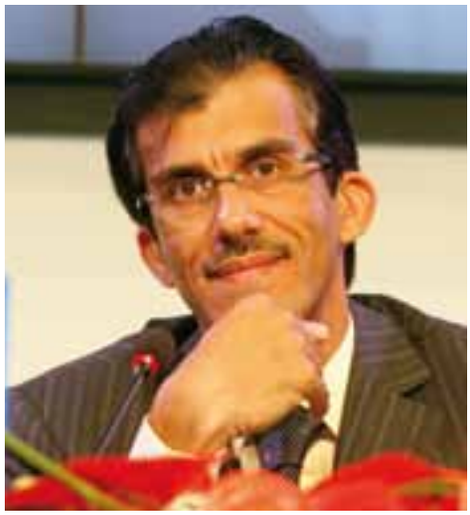
Al-Ghamin said his country was very proud of its long and fruitful association with the Organization and looked forward to many years of productive involvement in the future.

"Many of you will also be aware that OPEC's 50th Anniversary coincides with another achievement for which the State of Qatar is justifiably proud — this year Qatar will reach its production target for liquefied natural gas (LNG) of 77 million tonnes. Qatar has already been the largest producer and exporter of LNG in the world," he affirmed.

Important milestone

"Tonight, I offer my congratulations to all OPEC Member Countries and to the OPEC Secretariat for the large role they have played in reaching this important Anniversary milestone," he added.

The orchestra, under the baton of its Music Director,



Sultan Abdulla Ali Al-Abdulla, Manager, Public Relations and Communications, Qatar Petroleum.

Kurt Meister, QPO Managing Director.

Marcel Khalife, composer.

Siham Alawami, PR Specialist in OPEC's PR & Information Department, who moderated at the press conference, co-organized arrangements for the concert.

Nader Abbassi, included eight pieces in the evening's programme, beginning the performance with a rendition of Scheherazade Op 35 by Nikolai Rimsky Korsakov.

After an intermission, the orchestra continued with Leonard Bernstein's Candide Overture; The Doha Secret Symphony, Second Movement by Haamed Naama; The Chinese Spring Festival Overture by Li Huanzhi; Dance for Peace by Nader Abbassi; The Masquerade Waltz by Aram Khachaturian; The Return Symphony, Fourth Movement by Marcel Khalife; and Huapango by Jos Pablo Moncaya.

First moves towards setting up the orchestra were made in 2007, when auditions were held in Berlin, Dortmund, Munich, Vienna, Zurich, Madrid, London, Moscow and Cairo.

Since its opening performance, the orchestra has performed in many countries, including Washington, Paris, London, Palermo, Milan and Lucca.

World-famous soloists

In May this year, it was invited to play for the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris.

It then gave a performance in Damascas, Syria, under its principal conductor, Nader Abbassi.

During the 2009–10 concert season, the orchestra has given some 30 performances in Doha, with such esteemed soloists as Placido Domingo and conductors Gerd Abrecht, Dmitro Kitajenko, James Gaffigan, Marc Minkowsky, Emanuel Krevine, with guests Emanuel Kouider, and Ahmed el Saedi.

An important feature of the orchestra is its commitment to children's programmes. In fact, children in Qatar are actively encouraged to help in such areas as sketching designs for clothing and stage scenery.

They also feature in special performances. One of these was Hansel and Gretel from Humperdinck, in which children in the choir originated from 15 different nations. A further production featured the children in the Mozart's Magic Flute.

At a press conference held before the concert, Sultan Abdulla Ali Al-Abdulla, Manager, Public Relations and Communications, Qatar Petroleum, said the orchestra, even though it had only been in existence for two years, showed that Qatar was more than just an oil and gas country — it also had its music.

QPO Managing Director, Kurt Meister, in giving a brief overview of the formation of the orchestra, said that when, in June 2007, he was asked to form an orchestra with a high musical standard for Qatar the next few months saw 3,200 applications coming in from interested musicians.

A quartet from the orchestra played during the press conference.

Of this number, 2,700 musicians were asked to attend auditions in ten different cities around the world, with the aim of finding the best candidates.

Meister stressed that the idea behind the orchestra was to build bridges between Arab culture and western classical music. "I think it is very important to combine the two and we already have many examples that this can happen. The orchestra has already proven to be very successful," he said.

Music Director, Nader Abbassi, told the press conference that the Arab world had many composers that few knew about. One of the missions of the orchestra was to show to the world just what a high level of composers in classical music the region actually possessed.

"In our musical programme, we have quite a mix with an American composer, a Chinese composer, an Austrian composer and we have music from three different Arab countries," he added.

OPEC Ministers were among the guests who attended the Anniversary concert.

OPEC Secretary General, Abdalla Salem El-Badri, cutting the tape to declare the Exhibition open. On his right are OFID Director-General, Suleiman J Al-Herbish, Algeria's Ambassador to Austria, Taous Feroukhi, and Dr Elisabeth Vitouch, President, European Affairs Commission of Vienna City Council, who represented the City of Vienna. On El-Badri's left are OPEC Governor for Saudi Arabia, Dr Majid A Al-Moneef, OPEC Governor for Kuwait, Siham Abdulrazzak Razzouqi, OPEC Governor for Iraq, Dr Falah J Alamri, and the Ecuadorean Ambassador to Austria, Dr Diego Stacey Moreno.

OPEC Anniversary Exhibition puts Member Country culture firmly in the spotlight

OPEC's 50th Anniversary Exhibition, which was held in the Austrian capital, Vienna, in September, proved to be a resounding success in showcasing the other side of the Organization and has set a precedent for the future in OPEC's unwavering commitment to dialogue and cooperation.

The event, which has received high praise from many quarters, provided the opportunity for the Organization's Member Countries to display a side of their existence not generally seen by the outside world.

As extensively reported in the October edition of the OPEC Bulletin, for ten days, at Vienna's stately Kursalon, OPEC's 12 Member Countries put their daily dealings in petroleum to one side to focus more on the cultural aspects of their DNA, with an abundance of song, dance, fashion and culinary delights.

It all proved to be a feast of entertainment, knowledge and understanding and a welcome awakening for thousands of visitors that attended the Exhibition in the heart of Vienna.

OPEC Secretary General, Abdalla Salem El-Badri (r), with Michael Spindelegger, Austrian Foreign Affairs Minister.

OPEC Member Country Ambassadors pictured at the opening ceremony of the Exhibition.

Also attending the opening ceremony were (above) Members of the OPEC Board of Governors, and (below) Members of OPEC's Management.

Each Member Country that had a stand at the event, also put on colourful live shows, depicting traditional customs, pastimes, diverse ways of life and just how people in these especially endowed nations enjoy themselves during their leisure time.

Many letters of congratulation have since been received by the OPEC Secretariat confirming the success and effectiveness of the Exhibition.

The Exhibition, the result of nine months of hard work and organization, was officially opened by OPEC Secretary General, Abdalla Salem El-Badri, on September 20, just six days after OPEC celebrated its Golden Jubilee on September 14.

And as the large attendance and subsequent positive response have confirmed, it more than lived up to its billing as the 'main event' of the Organization's Anniversary year, which saw many events and activities being held.

At the official opening, El-Badri said the Exhibition set out to effectively showcase the cultural, ethnic and historical richness of the Organization's Member Countries.

"The photographs, national costumes, music and

food on display will help visitors learn more about each country and I hope visitors will find the displays here both educational and enjoyable," he told assembled guests.

Ten days later, it appeared that the Exhibition had done just that — and more.

In remarks at the closing ceremony, OPEC's Research Division Director, Dr Hasan M Qabazard, stressed that the Exhibition had been an important event for the Organization.

"It has helped us to commemorate the founding of our Organization 50 years ago ... OPEC has always emphasized the importance of good, working relationships and dialogue, and this has been especially evident during the ten days of this Exhibition. May this establish a precedent," he said.

The event, he continued, had given everyone present the opportunity to look at Member Countries' photographs and artefacts, to dance to their music, watch their films and sample their food.

"This Exhibition has not been about oil. Our Member Countries have a lot of other attractions to offer the world, which this event was meant to highlight. In doing so, we hope to have helped the world understand us better," he affirmed.

"... I hope all present were able to learn a little bit more about our Member Countries," he said.

It was the first time that OPEC had staged such an Exhibition and, as Qabazard pointed out: "We hope that its success and the relationships formed because of it will set the pattern for additional opportunities in the future."

A broad spectrum of the public showed an interest in the Exhibition and OPEC — from high-level dignitaries and ambassadors, to the Viennese general population, numerous groups of schoolchildren and tourists.

An added attraction was the location of the event — the Kursalon — situated on the verge of Vienna's historic Stadtpark.

It all combined to bring people into the Exhibition hall and to find out more about a renowned and respected international organization that was founded in Baghdad, Iraq, in September 1960, and first made Austria its home 45 years ago.

El-Badri's opening comments were echoed by invited guest Dr Michael Spindelegger, Austria's Minister of Foreign Affairs, who said he was full of admiration for the cultural richness and diversity of the Exhibition.

"It clearly shows the different cultural roots and styles of the distinguished OPEC family. The festival of African, Latin American and Middle Eastern art, dance, fashion, food and music which you are launching today will be a remarkable contribution to Vienna's cultural offerings and attract a wide public," he stated.

Other invitees comprised SP Libyan AJ OPEC Governor and Chairman of the OPEC Governing Board, Ahmed M Elghaber, and Dr Elisabeth Vitouch , President, European Affairs Commission of Vienna City Council, who represented the City of Vienna.

In addition to the 12 OPEC Member Countries, the OPEC Secretariat, the OPEC Fund for International Development (OFID) and the City of Vienna also had stands at the Exhibition, from which they provided information and handed out publications, gifts and Anniversary souvenirs.

The Exhibition's doors were open daily from 10:00–20:00 hours. Member Countries were assigned special days to stage their live shows. Two shows — featuring dancers and singers in traditional costume, as well as fashion displays and performances by other artists — captivated the attention of visitors each day.

Generous financial support for the Exhibition was forthcoming from the National Oil Companies of some OPEC Member Countries.

On the following pages of this special feature, The OPEC Bulletin offers a pictorial tribute to the Anniversary Exhibition, depicting the stands, the personalities in attendance and a sampling of the performers who made the event such a success.

Left: Some of the children from OPEC Member Countries who took part in the Exhibition, held at the Kursalon.

Far left: A group from Kuwait, who performed during the country's 'live' day.

Algeria, the second-largest country on the African continent, is bordered by Tunisia in the north-east and the SP Libyan AJ in the east. The country joined OPEC in 1969. Algeria's rich cultural allure is enhanced by its Berber history, which stretches as far back as 10000 BC, mixed with its Arab-Islamic influences. The country is known for its variety of modern popular music, its literature and art, as well as its foodstuffs, such as the world-renowned couscous.

Left to right: Mohamed Hamel, Senior Advisor to the OPEC Secretary General; Mohamed Taourit, Algerian delegate; Taous Feroukhi, Algerian Ambassasdor to Austria; Hamid Dahmani, Algerian Governor for OPEC; Abdalla Salem El-Badri, OPEC Secretary General; Ahmed Mohamed Elghaber, Libyan Governor for OPEC.

Speaking during Algeria's day at the Exhibition is Taous Feroukhi (l), Algeria's Ambassasdor to Austria.

Algeria is famous for its dates.

Hamid Dahmani (l), Algerian Governor for OPEC talking to a guest.

Angola, a former Portuguese colony, lies on the Atlantic coast in south-central Africa. It is bordered by Zambia in the east, Namibia in the south, and the Democratic Republic of Congo in the north. It is one of OPEC's newest Members, joining in 2007. Angolans are lovers of music, which is apparent throughout the country. In fact, one of the shining stars of Angolan culture is Capoeira Angola, a game and dance that incorporates martial arts, known the world over.

Félix Manuel Ferreira, Angola's Governor for OPEC, welcoming guests to Angola's day.

Dr Fidelino Loy de Jesus Figueiredo (l), Angola's Ambassador to Austria; and Félix Manuel Ferreira, Angola's Governor for OPEC.

Dr Fidelino Loy de Jesus Figueiredo (r), Angola's Ambassador to Austria, speaking with a guest.

Guests at the celebratory dinner hosted by Angola.

Guests enjoying their meal during Angola's day.

L–r: Félix Manuel Ferreira, Angola's Governor for OPEC; Mohamed Hamel, Senior Advisor to the OPEC Secretary General; Abdalla Salem El-Badri, OPEC Secretary General; Dr Fidelino Loy de Jesus Figueiredo, Angola's Ambassador to Austria.

Angolan Embassy officials, delegates to the exhibition, OPEC Secretariat staff and visitors to the Angolan stand with Dr Fidelino Loy de Jesus Figueiredo, Angola's Ambassador to Austria, and Félix Manuel Ferreira, Angola's Governor for OPEC.

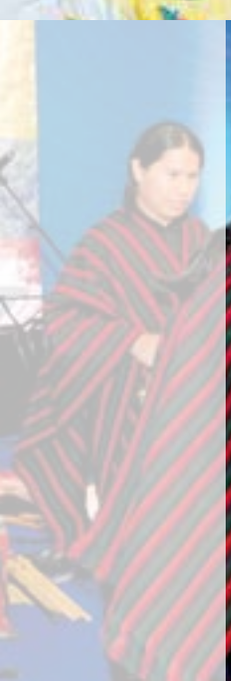
Dr Fidelino Loy de Jesus Figueiredo (r), Angola's Ambassador to Austria, pictured with Siham Abdulrazzak Razzouqi Kuwait's Governor for OPEC.

Ecuador, one of two OPEC Member Countries from South America, is bordered by Colombia in the north and Peru in the east and south. It initially joined OPEC in 1973, suspended its membership in 1992, and then rejoined in 2007. Ecuador is considered one of 17 mega-diverse countries in the world. Its Galápagos Islands are unique. The country is rich in musical tradition and its cultural mix is reflected in the various foods available in the different regions.

Eng Diego Armijos-Hidalgo (r), Ecuador's Governor and National Representative for OPEC; Diego Stacey Moreno (c), Ecuador's Ambassador to Austria, with Oswaldo Tapia (l), Head of OPEC's Energy Studies Department; Angela U Agoawike (third l), Head, PR & Information Department; 'Lula' Pilay Garcia (third r) winner of the 50th Anniversary logo competition; Lula's mother (second r); a guest (r); and two members of the Ecuadorean musical entertainment (see also right).

Eng Diego Armijos-Hidalgo (l), Ecuador's Governor and National Representative for OPEC; Diego Stacey Moreno (r), Ecuador's Ambassador to Austria, with Abdalla Salem El-Badri, OPEC Secretary General, at the Ecuadorean stand.

Right and below: The group Nueva Expressions, which performed during Ecuador's day.



The Islamic Republic of Iran, one of OPEC's Founder Members, which shares borders with fellow OPEC Member Iraq, as well as Pakistan and Turkmenistan, is one of the world's oldest continuous major civilizations, with historical and urban settlements dating back to 4000 BC. Its art and literature are reminders of the country's deep traditional and literary history. Iranian culture has impacted many other countries. Iran is famous for its caviar, pistachio nuts and Persian carpets.

Dr Ali Asghar Soltanieh, Iranian Ambassador, Permanent Representative to the United Nations (Vienna), UNIDO and CTBTO, speaking during Iran's day at the Exhibition.

Above (l–r): Dr Bernard Mommer, OPEC Governor for Venezuela; Ahmed Mohamed Elghaber, Libya's Governor for OPEC; Nawal Al-Fuzaia, Kuwait's OPEC National Representative; Dr Falah J Alamri, Iraq's Governor for OPEC; Abdalla Salem El-Badri, OPEC Secretary General; Dr Ali Asghar Soltanieh, Iranian Ambassador, Permanent Representative to the United Nations (Vienna), UNIDO and CTBTO; Dr Hojatollah Ghanimifard, Head of OPEC's Petroleum Studies Department; Dr Ebrahim Sheibani, Iran's Ambassador to Austria; Seyed Mohammad Ali Khatibi Tabatabai, Iranian Governor for OPEC.

Cast of the Iranian traditional sport. Right and right below, traditional Iranian music on display.

Iraq, another OPEC Founder Member, has borders with three other OPEC Member Countries — IR Iran, Kuwait and Saudi Arabia. It is known the world over for its musical instruments — the oud, which is similar to the lute, and the rebab, similar to the fiddle. The country is also famous for its handicrafts, its music and it is home to many influential poets, painters and sculptors. Iraq's cuisine is testimony to its years of interaction with other ancient cultures in the Middle East.

L–r: Suleiman J Al-Herbish, Director-General of the OPEC Fund for International Development; Dr Falah J Alamri, Iraq's Governor for OPEC; Abdalla Salem El-Badri, OPEC Secretary General; Ziad Al-Adhamy, (then) Charge d'Affaires, Iraq Embassy in Vienna.

Display of spectacular Iraqi fashion and dance during Iraq's day at the Exhibition.

Left: Asmaa Yanerz, Coordinator of the Iraqi Anniversary events, with Iraqis at the Iraqi day.

Kuwaiti delegates pictured (l–r) with Tareq A Amin, Public Relations Team Leader, Kuwait Petroleum Corporation; Dr Hasan M Qabazard, OPEC's Director of Research; Ali Hassan Murad, Public Relations Manager, KPC; Abdullah Al-Shameri, Head, Office of the OPEC Secretary General; Fawzi Al-Farah, Counsellor, Embassy of the State of Kuwait, Vienna; Nawal Al-Fuzaia, Kuwait's National Representative to OPEC; Hadi Al-Muterey from the Kuwait Embassy in Vienna; Nawaf Al-Rajib, Third Secretary at the Kuwait Embassy in Vienna.

Kuwait, also a Founder Member of the Organization, is bordered by Saudi Arabia in the south and Iraq to the north and west. Its history dates back to the Stone Age. Although it has not experienced colonial rule, some aspects of its culture are shaped by foreign influences. A popular genre of music, known as swat is very popular in the country. Machboos, a specially prepared rice meal with chicken, lamb or fish, with added spices, is a well known dish.

Below: Nawal Al-Fuzaia, Kuwait's National Representative to OPEC, welcoming guests to Kuwait day.

Below: Abdalla Salem El-Badri (l), OPEC Secretary General; with Mohammad Saad Al Sallal, Kuwait's Ambassador to Austria.

Below: Joining the festivities on stage are (l–r) Abdullah Al-Shameri, Head, Office of the OPEC Secretary General; Dr Hasan M Qabazard, OPEC's Director of Research; Nawal Al-Fuzaia, Kuwait's National Representative to OPEC.

The SP Libyan AJ, which lies in North Africa between Egypt and Sudan, is the 16th largest country in the world, in terms of land area and is the international route between Europe and Africa. In the west, it shares a border with fellow OPEC Member, Algeria. It joined OPEC in 1962. The country's culture is influenced by the tradition of the Bedouin, as well as Islam. One of the most prominent cultural art forms is Tuareg music and dance, originating from its Berber ethnic background.

Seen on the Libyan stand are Abdalla Salem El-Badri (r), OPEC Secretary General; with Ahmed Mohamed Elghaber, Libya's Governor for OPEC.

Abdalla Salem El-Badri (back r), OPEC Secretary General, and Dr Ahmed A Mnesi (back l), Libya's Ambassador to Austria, accompanied by children in traditional costumes, who took part in the live show.

Nigeria, located on Africa's west coast in the Gulf of Guinea, is the most populous country on the continent. It has over 150 million inhabitants and more than 250 ethnic groups, which gives a rich blend of culture, manifested in its art, dance, language, literature, folklore and music. The country has rightfully been called 'the heart of African Music'. Nigeria joined OPEC in 1971. Its people have an extensive history. Evidence shows that human habitation of the area dates back to at least 9000 BC.

L–r: OPEC staff members, Bernard Gyane, Systems Administrator; Ayodeji Adeosun, IT Services Coordinator; with Edo Jacobs, Computer Systems Officer, OFID.

Left: K L Ekedede, Nigeria's Charge d'Affaires in Austria, welcoming guests to Nigeria's day.

Right: Abdalla Salem El-Badri, OPEC Secretary General (l); with Suleman Ademola Raji (c), Nigeria's OPEC National Representative; and Ibibia Lucky Worika, OPEC's General Legal Counsel.

At the Nigerian stand are (l–r): Members of the Nigerian delegation to the Exhibition, Uzo Ejidoh; Fidel Pepple; Elizabeth Enwengah; Hector Igbikiawubo; Angela Agoawike; Dr Omar Farouk Ibrahim; Clara Nwachukum.

Qatar, which is bordered by Saudi Arabia in the south, is the smallest Member of OPEC, in both land area and population. It joined the Organization in 1961. The country has a rich blend of culture and has introduced foods into the local cuisine from all over the world. Qatar is keen on preserving its national heritage and has built many museums to display its arts and culture. The traditional dish, machbous, a richly spiced rice with meat or seafood, is very popular.

Left: Ali Khalfan Al-Mansouri, Qatar's Envoy in Austria.

Right: Siham Alawami (second r), OPEC's PR Specialist, with Hend Khalid Fakhroo (l), Mohammed Mubarak Al-Jattal Al-Maadeed (r), and Nouf Murtada Al-Najar (second l).

Below: Omayamah Khraisheh (r), a pupil of Alandalus School, Vienna, presenting a poster created by her four-year old sister Muawia Khraisheh to mark OPEC@50 to Angela Agoawike (l), Head, PR & Information Department, and Siham Alawami (c), OPEC's PR Specialist.

Saudi Arabia, another Founder Member of OPEC, is the largest country on the Arabian Peninsula. The Kingdom is sometimes called the Land of The Two Holy Mosques in reference to Mecca and Medina, the two holiest places in Islam. Apart from its religious hallmarks, Saudi Arabia also has a vibrant culture. For example, one of the Kingdom's most compelling folk rituals is the national dance, Al Ardha, a sword dance that is based on ancient Bedouin traditions.

Below: HH Prince Mansour Bin Khalid AlFarhan Al-Saud (third l), Saudi Arabia's Ambassador to Austria, with Abdalla Salem El-Badri, OPEC Secretary General (third r). Also pictured are Suleiman J Al-Herbish (fourth l), Director-General, OFID; and Abdullah Al-Shameri (second r), Head, Office of the OPEC Secretary General.







The United Arab Emirates (UAE) is a Middle Eastern federation of seven emirates situated in the south-east of the Arabian Peninsula. They are Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Quwain. The UAE (as Abu Dhabi) joined OPEC in 1967. The country has a rich mix of traditional Arab and Islamic culture, with music and dance. Its traditional sport, falconry, is well known throughout the world.

Below: Ali Obaid Al-Yabhouni (l), UAE Governor for OPEC, with Abdalla Salem El-Badri, OPEC Secretary General.

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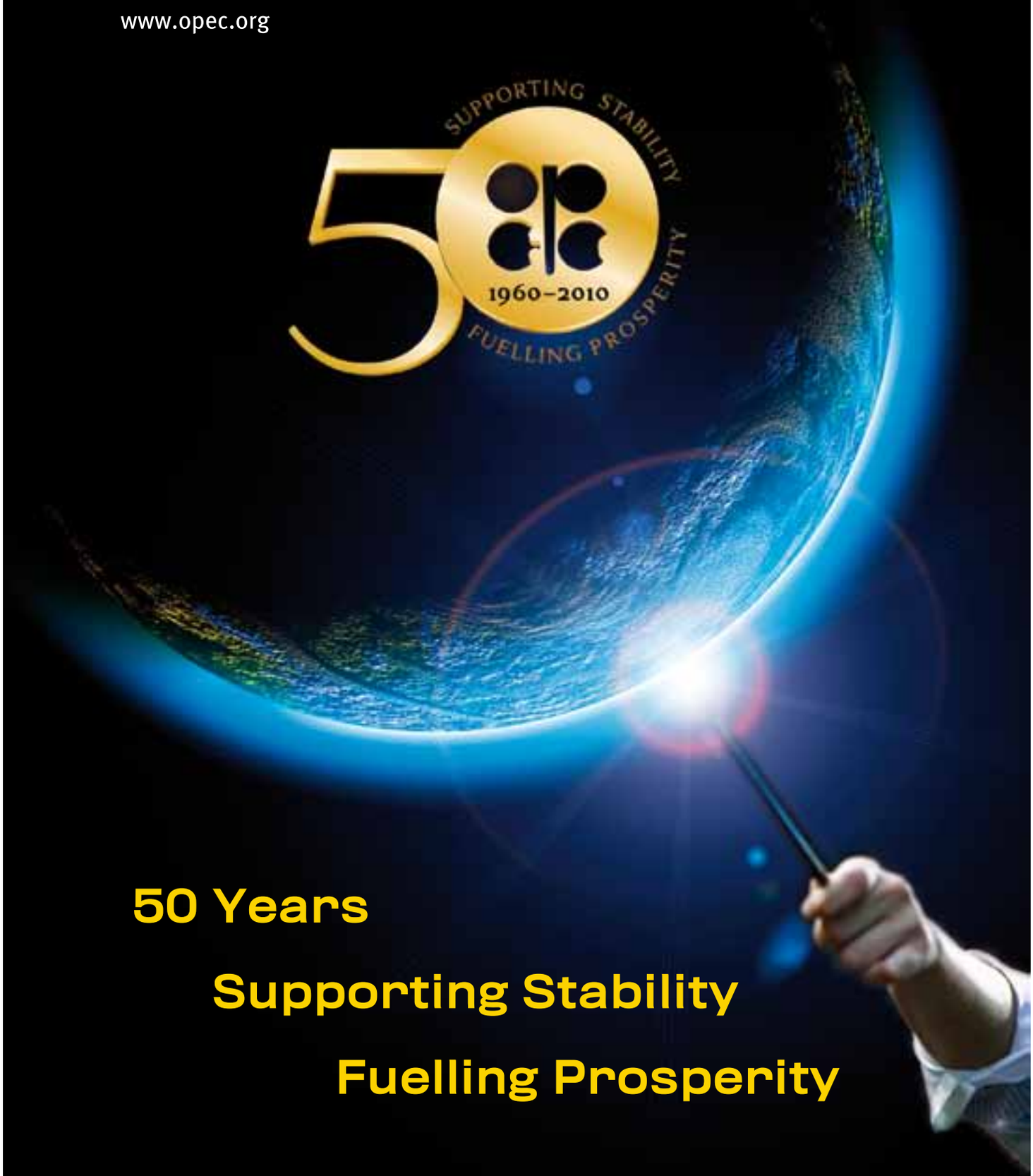

50 Years

Supporting Stability

Fuelling Prosperity

The Bolivarian Republic of Venezuela, also a Founder Member of OPEC, lies along South America's Caribbean coast and is bordered by Brazil, Colombia and Guyana. Its culture has been shaped by indigenous, Spanish and Italian, and some African influences. As with Ecuador, it is also rated as one of the world's 17 mega-diverse countries. The country has a thriving art scene. Graphic and performing arts are popular, as is the country's music. Venezuelan cuisine is varied and delicious.

Alí Uzcátegui Duque (r), Venezuela's Ambassador to Austria, with Abdalla Salem El-Badri, OPEC Secretary General.

Abdalla Salem El-Badri (r), OPEC Secretary General, with Gustavo Fernandez from the Venezuelan delegation.

R–l: Dr Bernard Mommer, Venezuelan Governor for OPEC; Alí Uzcátegui Duque, Venezuela's Ambassador to Austria; Abdalla Salem El-Badri, OPEC Secretary General; HH Prince Mansour Bin Khalid AlFarhan Al-Saud, Saudi Arabia's Ambassador to Austria; Ali Khalfan Al-Mansouri, Qatar's Envoy in Austria; Suleiman J Al-Herbish, Director-General, OFID.

The OPEC Fund for International Development (OFID) was established in Vienna, in 1976, as a multilateral development finance institution. Its mandate is to promote cooperation between OPEC Member Countries and other developing states. This entails extending assistance to needy countries in the form of concessional loans and grants. Up until August 2010, 127 countries in Africa, Asia, Latin America, the Caribbean, the Middle East and Europe had benefitted from OFID's aid.

Suleiman J Al-Herbish (l), Director-General of the OPEC Fund for International Development (OFID), with Abdalla Salem El-Badri, OPEC Secretary General.

Active painting by the Fund's Jorge Goncalves during the OFID day.

Members of the Vorlaut Children's Choir that took part during OFID's live show.

Dr Michael Spindelegger (l), Austria's Minister of Foreign Affairs; with Suleiman J Al-Herbish (r), OFID's Director-General.

The City of Vienna, the home of the OPEC Secretariat for 45 years, is one of nine federal provinces in Austria. As an international centre, it has become a pivotal point for European traffic. The city lies at the junction of all major traffic arteries, such as the east-west course of the Danube river and the historic north-south Amber route. Over the years, Vienna has developed into one of Central Europe's most important cities, due to its favourable geographical location.

Dr Oskar Wawra, Director, Chief Executive Office of the City of Vienna, welcoming guests to the City of Vienna's day of celebrations.

Ahmed Mohamed Elghaber (c), Libya's Governor for OPEC; Dr Elisabeth Vitouch (r), President, European Affairs Commission of Vienna City Council; Regina Wiala-Zimm (l), from the Chief Executive Office of the City of Vienna.

The main OPEC display stand was the first point of call for visitors as they entered the 50th Anniversary Exhibition, held at Vienna's Kursalon. The stand was manned primarily by staff from the Public Relations and Information Department (PRID), which was responsible for organizing the ten-day event. They were assisted by staff from the Administration and IT Services Department. The Exhibition represented nine months of intensive work for PRID, which worked closely with outside contractors to make it a success.

Left: Abdalla Salem El-Badri (r), OPEC Secretary General, visits the Secretariat's stand at the Exhibition, manned by PRID's Alaa Al-Saigh (l) and Ghada Sahab.

Many groups of students visited the Kursalon during the ten-day Exhibition.

Double celebration ... Peter and Jane Excell of Maidstone, England, had good reason to visit OPEC's 50th Anniversary Exhibition — they were celebrating 50 years of marriage. Seen here with PRID's Mahid Al-Saigh (l).

Abdalla Salem El-Badri, OPEC Secretary General, pictured with staff members of the Secretariat at the OPEC stand.

OPEC staff members Garry Brennand (l) and Douglas Linton (r) performing on the OPEC day with their band 'Strange Fruit'. On the drums is Stephan Rodler.

Pictures taken during different stages of construction and preparation at the venue of the Anniversary Exhibition.

OPEC Secretary General inspects Kursalon preparations

Members of the Veech Media team, Stuart Veech, Mascha Veech, Gregory Stolz and Peter Mitterer, speaking with OPEC Secretary General, Abdulla Salem El-Badri, during his inspection of the setting up of the Exhibition.

R–l: Abdalla Salem El-Badri, OPEC Secretary General; Stuart Veech, Veech Media; Angela Agoawike, Head, PR & Information Department at OPEC; and Alaa Al-Saigh, Design and Production Coordinator, OPEC.

Dr Hasan M Qabazard, Director of the OPEC Research Division, meets Mascha Veech of Veech Media.

A round of applause for the Exhibition

These two pages offer a cross-section of the personalities, guests and visitors who took the time to visit and enjoy the Anniversary Exhibition at the Kursalon.

OPEC staff in the spotlight

The Anniversary Exhibition proved to be a great meeting place for OPEC staff members and officials from Member Countries, who all enjoyed the live performances given over the ten days of the event.

OPEC 'Oilers' take to the field for Anniversary match

The OPEC Secretariat's 'Oilers' soccer team members dusted off their football boots and donned their Anniversary shin pads to compete in a special Golden Jubilee match against arch rivals, the 'OPEC Police', in Vienna, in September.

The tricky away game for the Oilers, which was held at the Polizei Sports Stadium in Kaisermuehlen, proved to be a very competitive and close affair, and rather fittingly finished at 7–7.

Regular soccer matches between the Oilers and the Police have been held for decades. The idea for the games, which have proved to be very entertaining, came as a result of the fact that Vienna's special police have provided round-the-clock security at OPEC's Headquarters since the Organization arrived in the Austrian capital from Geneva.

The Oilers coach, Nii Martey Korley, of the Secretariat's Finance Section, has established a special relationship with the Police team over the years. They were delighted to take part in this year's OPEC 50th Anniversary celebrations.

Before the senior game, OPEC's 'Young Oilers' took to the pitch to play a specially arranged game for children up to the age of ten against a team from FC Penzing. That match also resulted in a draw at 5-5, but they were keen to determine a winner so a penalty shoot-out, involving all 22 players, ensued with Penzing proving victorious.

During the feature match, due to the presence of many female players, a special 'OPEC rule' was introduced, whereby the ladies could not be ruled offside. Not surprisingly, it made for quite an interesting game!

Many keen supporters made it along to the match, including Member Country delegates, notably Qatar's OPEC Governor, Issa Shahin Al Ghanim, who is seen above with the team.

The senior team members included: Dr Hasan M Qabazard, Abdullah Al-Shameri, Mohamed Alipour Jeddi, Ali Nasir, Ayodeji Adeosun, Diana Lavnick, Sally Jones, Margaret Amande, Gareth Hutton, Siham Alawami, Ruhul Amin, Manal Amin, Zaher Nizar, Khaled Chouchane, Nii Martey Korley, Khaled Aliakbar, and George Ahingwa.

After the match, Anniversary souvenirs and t-shirts were exchanged and the Police presented a special Anniversary trophy to the Oilers. There then followed a celebration buffet dinner.

In February, the Oilers made first preparations for their Anniversary game with the Police with an indoor five-a-side 'training' against the OPEC Fund for International Development (OFID).

Then, in May, the OPEC and OFID squads teamed up to take on a team from the Indonesian Embassy in Vienna, also in an indoor five-a-side match.

Strategic thinking

In less than two years as Academic Director of Vienna University's MBA in Energy Management, Professor Jonas Puck has helped shape the programme into one of the most unique and dynamic MBAs in the world. The OPEC Bulletin's Steve Hughes finds out more ...

I am waiting for Professor Jonas Puck in one of Vienna's newest waterside eateries, Motto Am Fluss. It's a restaurant located in a kind of pier complex on the Danube Canal. Thanks to a wall of near complete glass running down the restaurant's length, I have an unobstructed view of a large swathe of Vienna. It stretches from the iconic Urania, a historic observatory-cum-cultural venue, to the Ringturn and beyond. The latter is a tower-block topped by a 20-metre weather station that warns the Viennese of storms and more via a complex system of coloured, flashing lights.

On the opposite side of the canal, atop another of the city's towering office complexes, sits a giant digital display screen. In between adverts, it tells me that today's temperature is eight degrees centigrade. It is a great view; a real snapshot of the city.

Puck, in his position as Academic Director of the MBA in Energy Management at the Vienna University of Economics and Business (WU), gets a similarly high-level overview; but of an entire industry, rather than a mere section of city. One of the first things he says, arriving a little flustered after losing his way, is: "I am not an economist, I am not an energy expert ... I am a curriculum expert." He sees himself as more of a generalist than a specialist, with a focus on strategy and international business.

Since arriving in WU in April 2009, Puck has set about making improvements to the MBA programme so that it better reflects the energy industry of today. His access to some of the world's most important and experienced energy players is impressive. Among the MBA's advisory board members are Dr Majid Al-Moneef, Saudi Arabia's Governor for OPEC, Dr Adnan Shihab-Eldin, OPEC's former acting for the Secretary General and Ivan Sandrea, Head of Strategy at Statoil Hydro, not to mention former representatives of the International Monetary Fund, the World Bank and the International Atomic Energy Agency. As a result, despite his claim that he is no expert, he is learning fast.

Well travelled

Before being called to Vienna last year, Puck, who is originally from Berlin, was completing his post-doctoral qualification at Nuremburg University. He initially commuted to Vienna two or three times a week, before he could move his young family to join him. He has held appointments at the University of International Business and Education in China, as well as at the University of New South Wales in Australia.

But he began to focus on the energy industry only by chance, accepting a project at an energy firm in Russia to examine stakeholder relations, and one in the remote mountains and deserts of Turkey and Azerbaijan, where he investigated the dynamics of multicultural teams working together for weeks at a time on pipeline infrastructure.

Since his appointment in Vienna, though, he has immersed himself more completely in the energy industry, attending courses and conferences and building relationships throughout the industry.

WU Wien

WU Wien

Professor Jonas Puck.

"There is hardly a more dynamic industry than energy," he says. "And that is why I find it so interesting."

One of the smartly-dressed waiters — the uniform here is all black; a more-modern take on the black-tie garb of traditional Viennese waiting staff — takes our order. I have a few moments to look around as Puck considers his options. Wood-panelled walls, an intricate black and white-tiled floor and swish, chrome lights that look like something half way between Christmas baubles and industrial-scale ball-bearings.

Nearly everyone here is wearing a suit, or at least a jacket; it seems Motto am Fluss has quickly become popular with the business crowd. It is not surprising, given its proximity to Schwedenplatz, a central hub for city commuters and First District office workers alike. Puck chooses a Wiener Schnitzel and for me, it is a Kürbis risotto.

Heavyweight minds

While Puck's exposure to heavyweight energy minds is fast-tracking him to gaining expert knowledge, it is also one of the reasons he believes the MBA programme is so unique. Developing the curriculum has been a joint effort. "I talk to the advisory board and seek their ideas on what I am proposing," he says. "I think we can offer something that is extremely different — simply because we have so many high-profile people involved in the programme, either on the board or as teachers or guest speakers."

This is also what makes the programme so dynamic. Though the MBA has core and specialist elements such as Ethics and Corporate Social Responsibility, Energy Regulation and Globalization and Energy Economics, a number of 'Energy Lab' days means it is constantly addressing up-to-the minute issues. "In this next class, for example, we are going to focus on the Macondo oil spill because it is a major happening in the industry; one that needs to be addressed from many different perspectives," he explains.

One of the repercussions of an incident such as Macondo, he says, is increased media and public scrutiny: "People are much more aware of what is happening in this industry and they care more and look much more closely at new developments," he explains. "This presents a lot of challenges to management. For example, how is it best to communicate in times of crisis?" Puck invites experts to lead sessions on topics like this; sometimes the labs take the form of group discussions, sometimes they are moderated sessions with multiple speakers.

The programme also focuses on new technology — something Puck believes is central to the energy industry's future. Other challenges the MBA addresses include responding to the move in demand from the West to Asia, and the implications this may have on transporting energy. More generally, it considers potential responses to the predicted massive increase in energy demand to 2050 and beyond.

"We need new energy, new sources and new technologies," he says. He finds it fascinating how the industry is dealing with these challenges. "You have some firms who are investing very much in new technology to exploit the resources they have always exploited, and others trying to diversify their business model by investing partly in renewables or gas, for instance."

Puck has two young children, but says it is a toss up between what gets him out of bed in the morning fastest — them, or his enthusiasm to get to work. When our food arrives, Puck seems far too interested in discussing the ins and outs of energy to pay it much attention. He appears genuinely fascinated by the complexities that the oil industry throws up; both captivated and concerned by the growing influence of the financial markets, for instance, and the recent examples of rising oil prices despite a well-supplied market: "The prices actually went up and not down — it is totally against the theory of supply and demand."

And as for the question of what the global energy mix will look like in the years ahead? "If we are talking about the next decade, I personally do not think we will see a very strong change, but if we are talking about the next century, this is something totally different," he says.

Puck's MBA is not solely about oil, but this is one of its strengths, he says. "I think it is very relevant that it is not just focusing on oil because if you're working in the oil industry, it is very important to learn about other types of energy … it may make you look at oil again from a different perspective." Oil makes up maybe 25 per cent of the curriculum, but he says that 100 per cent of the curriculum is relevant for the oil industry. Gas, nuclear and all types of renewables also feature heavily. "These are the four pillars," says Puck.

Top of the class

He believes that it is the MBA's uniqueness and dynamism that sets it apart from the competition. He's been dedicated in his quest to turn it into one of the most sought after courses in the world. "I have really committed to that," he says. "I think it is important, because it can give something to people. This is where my motivation comes from." And his commitment has paid off. September 2010 saw only the second intake, but already there is a full class.

"It is doing very well in terms of market success," he says. "And we seem to be globally attractive, with

just two participants from Austria and 21 others from 17 different nations." He recognizes there are a number of other MBA programmes focusing on energy, but he is not overly concerned by the competition: "I do not want to say that they are not good academically," he says. "It is just that we can offer something that I think is absolutely unique in terms of having such a strong industry involvement."

Having a full quota of participants is not a sign of lax entry requirements. "We are not admitting everyone," says Puck. "It is quite a competitive process." The average age of participants is 38 and each person usually has eight years of industry experience under their belt before enrolling.

"It is generally the upper-middle manager or people who already have a business education and who want to specialise or intensify their knowledge," he explains.

Generally, participants are from energy firms, service providers, or financial institutions in the energy industry. But increasingly, applications are being received from energy project technicians that are taking over managerial responsibility and want to improve their management skills.

Change of perspective

Puck believes that the state of today's energy industry adds to the MBA's appeal — to participants and employers alike. "There is so much change in the industry at the moment," he says. "Management skills are in high demand." He acknowledges that in recent years, the oil industry has not always seemed the most attractive to graduates, but he believes programmes such as his can change perspectives.

"I think that MBAs can play a strong role," he says. "I do not want to say that every firm needs to have an MBA associated with a new position, but I think it would really increase the image of a position — and the industry as a whole — if companies or institutions were to invest in people's future more."

We finish our food and order a coffee. I ask Puck if he is happy as an academic — rather than working within the industry itself: "There are a lot of advantages about being an academic," he says. "The biggest one is that you can detach from things and look at them from a distance — not just in the energy business, but everywhere."

"This is a great opportunity," he adds, gazing out at Vienna.

MBA in Energy Management

What

A unique, tailor-made programme setting world-class standards and enabling executives and their companies to succeed in the global energy market. Participants learn to apply state-of-the-art management and leadership techniques to cope with current and future challenges. A special focus is on non-technical management issues covering key energy markets (oil, gas, nuclear, renewable). It brings together the best in both academic expertise and hands-on management approaches from energy leaders, OPEC and other international energy organizations.

Duration

Part-time, 15 months plus master thesis
Five residencies (approximately ten days each)

Location

Four residencies in Vienna and one international

Target group

- Executives from governmental/non-governmental energy companies
- Industry professionals (middle- and top-management) in all forms of energy management (eg oil, gas, nuclear, water, wind, solar)
- Professionals from international organizations (such as OPEC, OECD, IAEA, etc)
- Technical professionals moving to a general management position
- Professionals from international financial institutions (researcher, analysts etc)

Application requirements

- Undergraduate degree, equivalent to a bachelor degree
- Minimum of five years of relevant work experience
- Proficiency of written and spoken English
- Completed application forms
- Curriculum vitae
- Two letters of recommendation

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Kazakh Prime Minister praises OPEC's "significant" market stability role


Reuters

Karim Massimov


Reuters

As an oil-exporting country, Kazakhstan recognizes the significant role OPEC plays in supporting stability of world oil markets, according to the country's Prime Minister, Karim Massimov.

Addressing the Fifth Eurasian Energy Forum 'Kazenergy' in the Kazakh capital, Astana, in October, he also pointed to the importance of cooperation OPEC and non-OPEC nations, such as his own country, as well as between oil-producing and oil-consuming nations.

Massimov paid tribute to OPEC nations in marking an important milestone in September this year — the Organization's 50th Anniversary.

Turning to international oil affairs, he said the forum was meeting during a period of great uncertainty for the energy industry.

"The global financial and economic crisis has

A general view of artificial island on Kashagan offshore oil field in the Caspian sea in western Kazakhstan.

forced many in the industry to reassess their strategies in the light of the shifting demand patterns, extreme price volatility and restricted access to capital," he professed.

The Kazakh Prime Minister told delegates that questions persisted about where tomorrow's supplies of energy would come from and how the traditional oil and gas chain would evolve.

"At the same time, the Deepwater Horizon incident in the Gulf of Mexico is redefining public perception of the oil and gas industry, as well as governments' attempts to regulate it," he affirmed.

"These opportunities have opened up the gap between risk and opportunity in the energy sector, which has had a corrosive effect on investment in the short run. As a result, the industry's ability to meet expected long-run demand growth has been brought into question," he stated.

Massimov maintained that the energy industry was facing a set of challenges that no one company, or government, could address alone.

In this direction, he stressed, Kazakhstan was working hard to reduce the uncertainty gap, namely in addressing issues related to security, safety and sustainability.

Massimov said his country recognized the common interest of energy suppliers, consumers and transporters in promoting global energy security.

"Kazakhstan will vigorously defend its role as a reliable and secure supplier of energy to world markets," he said.

As Chairman of the Organization for Security and Cooperation in Europe (OSCE), he stated, his country was focused on maintaining regional security to prevent disruption of energy supplies.

He said another dimension of energy security was ensuring diversity of energy supply, adding that Kazakhstan "remains firmly committed to its strategy of diversification of export routes."

Looking forward, Massimov said that his country represented a significant source of incremental non-OPEC oil supply, but reaching its full production potential hinged on Kazakhstan's ability to attract new investments — and foreign investments, in particular.

"That is why the government is working hard to continue to improve the investment environment and cultivate win-win partnerships with the private sector," he affirmed.

Touching on the safety aspects of the oil industry, Massimov told the forum that the Gulf of Mexico incident had created an environmental tragedy with far-reaching economic and social consequences.

"The implications of this incident have reverberated loudly here in Kazakhstan as we develop substantial offshore oil production capacity. When it comes to environmental safety, Kazakhstan will uphold the highest standards. The only practice welcome in Kazakhstan is international best practice," he asserted.

Massimov said that as well as establishing a joint working group to ensure safety and guard against and mitigate the risks associated with offshore drilling, Kazakhstan also intended to sign an inter-governmental protocol with its Caspian neighbours on the safety of offshore oil production.

"We will work closely with the industry to ensure that the highest standards are applied in Kazakhstan and an appropriate balance between environmental preservation and exploitation is achieved," he said.

The Kazakh Prime Minister said that his country was committed to developing its energy resources in a sustainable way.

"Our long-term economic prosperity depends on the sustainable production and consumption of energy."

Massimov said that, in this regard, the government was making significant investments to modernize and reconstruct local energy generation facilities, using the latest technologies and know-how.

The country recognized the opportunities provided by renewable energies and the government was supporting several large, progressive projects in this area.

Kazakhstan was also committed to meetings its commitments under the Kyoto Protocol and supported the creation of low-carbon, climate-resilient economies.

Concluded Massimov: "Kazakhstan will continue to work closely with the energy industry to address our common long-term challenge of meeting future energy demand. To this end, we are committed to reducing short-term uncertainty and thus support the industry as it invests in the future."

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

These pages are dedicated to capturing those visits in pictures.

Left: Diezani Alison-Madueke, Nigerian Minister of Petroleum Resources, visited Abdalla Salem El-Badri, OPEC Secretary General, on October 13, 2010. The Minister presented 50th Anniversary souvenirs produced by Nigeria to El-Badri.

Right: Aleksander Geržina, Ambassador of Slovenia to Austria, visited Abdalla Salem El-Badri, OPEC Secretary General, on November 9, 2010.

Left: Lord David Howell, Minister of State at the Foreign and Commonwealth Office, visited Abdalla Salem El-Badri, OPEC Secretary General, on November 5, 2010.

Below: Mykola Azarov, Prime Minister of the Ukraine, visited Abdalla Salem El-Badri, OPEC Secretary General, on November 8, 2010.

Above: Takeshi Kamiyama, Japanese Ambassador to Austria, visited Abdalla Salem El-Badri, OPEC Secretary General, on October 8, 2010.

Right: Taous Feroukhi, Algerian Ambassador to Austria, visited Abdalla Salem El-Badri, OPEC Secretary General, on October 8, 2010.

More must be done to combat

Stronger and concerted efforts are needed from governments, development agencies, the private sector, the media, research institutions and civil society organizations to turn the HIV/AIDS epidemic around and ensure that the next generation is AIDS-free.

That is the view expressed by the Vienna-based OPEC Fund for International Development (OFID).

In the latest edition of the institution's Quarterly, the Fund stresses that unless adequate interventions are made, backed by robust leadership and sustained financing, the virus will continue its relentless spread.

The article points out that despite measured progress being made the HIV/AIDS pandemic is still a long-term threat to the human race.

The Quarterly dedicates some 30 pages — half the publication — to the subject of HIV/AIDS, which comes following the AIDS 2010 Conference, held in the Austrian capital in July this year.

OFID has a particular interest in the subject and closely follows global developments aimed at easing the situation, which contributes to global poverty levels in developing countries.

Special HIV/AIDS account

The Fund has operated a special HIV/AIDS account since June 2001. Launched with an initial endowment of $15 million, subsequent replenishments have boosted the facility to $80m.

The Quarterly points to the sheer scale of the global problem in noting that HIV/AIDS has infected some 33.4 million people worldwide, claiming 22m lives.

Around 7,400 new cases are reported every day, many of them in newborns. In its wake, it has left millions of children without parents and whole communities without an effective workforce.

The publication points out that HIV/AIDS affects more people than it infects, posing formidable health, economic and social policy concerns.

"The human toll of the pandemic is not easily quantifiable, as it includes not only those who are infected, or have died of the disease, but also their families and communities," the report notes.

HIV/AIDS in developing countries – OFID

It says the pandemic has deprived countries of manpower and left behind a generation of orphans. In countries worst affected, where the workforce is either too weak or dying in large numbers, productivity and the quality of services in all sectors have declined.

Vicious cycle of poverty

"The disease puts massive pressure on already stretched public health budgets, systems and services. HIV/AIDS also cripples the private sector as expenditures increase and revenue bases are eroded, due to prolonged AIDS-related absenteeism and shrinking labour supply, together with the impact of healthcare, pension and death-related benefits."

The Quarterly notes that by slowing output growth in all economic sectors and reducing income and wealth, the epidemic has created a vicious cycle of poverty and macroeconomic degradation.

"It makes families poor as they try to meet the escalating costs of healthcare and pay for the funerals of family members. They become poorer still as they try to cope with the loss of income following the death of a breadwinner. Less money forces them to cut spending on food and health, leaving them more vulnerable to infection and facilitating the spread of HIV/AIDS and other diseases."

The publication says that in addition to causing great human suffering, the HIV/AIDS pandemic is deferring many developing countries' hopes for advancement by slowly unraveling decades of progress in raising life expectancy, improving public health systems and developing human resources.

"Schools are losing teachers and students, reversing hard-won gains from investment in human capital; losses that will, in turn, impoverish the next generation. By slowly strangulating economies, the HIV/AIDS pandemic is jeopardizing efforts to reach the first Millennium Development Goal (MDG) of reducing by half the number of people living in absolute poverty by 2015," it points out.

The Quarterly concedes that, in recent years, the HIV/AIDS pandemic seems to have stabilized, with the number of newly-infected people globally dropping from a high of 3.5m in 1996 to 2.7m in 2008. The number of AIDS-related deaths declined from a record 2.2m a year in 2004 to 2m a year in 2008.

Giving a regional breakdown, it says that Sub-Saharan Africa — home of the majority of the world's poorest countries — has been, by far, the hardest hit by the pandemic. Out of the 2.7m new infections worldwide in 2008, 1.9m people, or 71 per cent, were in sub-Saharan Africa. The number of people living with HIV in the sub-region rose slightly to 22.4m in 2008, due in part to improved access to treatment prolonging life. HIV/AIDS is the leading cause of death in the sub-region, claiming 1.4m lives in 2008.

With about 4.7m HIV-positive people, the Asia region comes second to Sub-Saharan Africa in terms of the number of people living with HIV, with India alone accounting for roughly half of Asia's HIV prevalence.

Growing threat

"Since Asia accounts for 60 per cent of the world's population, the region will likely come to dominate the HIV/AIDS picture in terms of the total number of people infected. This will force millions of people and households into poverty by 2015 unless global, regional and national responses are significantly strengthened," the Quarterly maintains.

It says the disease also poses a growing threat to the Latin America and Caribbean regions, with two million and 240,000 people, respectively, testing HIV-positive in 2008. In North Africa and the Middle East, 310,000 people were infected in the same period.

In Eastern Europe and Central Asia, HIV prevalence continues to increase rapidly, with the number of persons living with HIV/AIDS rising to 1.5m in 2008.

"One of the major causes of increased prevalence in the region is the rapid growth in injecting drug use, which accounts for around ten per cent of all new HIV infections worldwide. In Eastern Europe and Central Asia, intravenous drug use is the main route of HIV transmission — accounting for over 80 per cent of all HIV/AIDS cases."

A comment in the Quarterly points out that ten years ago, headlines about AIDS sent shock waves around the world.

"Today, the pandemic causes barely a ripple — at least in the mass media. To all intents and purposes, HIV/AIDS has dropped off the public radar," it states.

"Thanks to the advent of highly active antiretroviral treatment (HAART), the pandemic is no longer the threat it once was — at least in the developed world, where HAART is readily available. Hence, apparently, the lack of urgency in containing it elsewhere."

The comment notes that at the July AIDS Conference in Vienna, the G8 nations were chastised for this ambivalence. Dr Julio Montaner, President of the International AIDS Society, condemned their failure to live up to the "universal access" pledge they made in 2005.

That pledge, part of the Millennium Development Goals, had promised that HIV/AIDS prevention, treatment and care would be universally available by 2010.

"So far, though, HAART has been rolled out to barely one-half of the 8.8m people in developing countries who need treatment for HIV. The reason? A lack of funding and political will, for the most part," the comment stresses.

"Indeed, access to treatment is still one of the biggest stumbling blocks in the fight to contain the spread of AIDS. Stigma and discrimination is another. As long as HIV and AIDS remain 'dirty' words, people at risk will be reluctant to come forward for testing or treatment for fear of losing their jobs or being ostracized within their communities."

The comment notes that as early as the mid-1990s, OFID was expressing its concern about the enormous economic and social repercussions of AIDS.

The institution started contributing to the global dialogue and offering financial support to conferences and other forums. In 2001, OFID took steps to consolidate its involvement by creating the special grant account with its own dedicated resources. Regular replenishments have followed, as the funds have been quickly used up.

"Today, OFID is proud to count itself a partner in the broad coalition of stakeholders who are working to stop the spread of the disease and win back some of the

development gains lost over the past decade," the comment affirms.

Due to the extent of the problem, scientists, practitioners and activists attending AIDS 2010 called on world leaders to commit at least $20 billion in new money to the Global Fund to Fight AIDS, Tuberculosis and Malaria.

The Global Fund's replenishment committee subsequently met in October, in New York, where donors pledged a total of $11.7bn towards the campaign for the period 2011–13.

"While this is definitely a step in the right direction, it falls well short of the amount needed. Donors may have dug deep, but not deep enough," the Quarterly comment maintains.

A matter of priorities

"Such reluctance certainly was not the case when it came to finding bailout cash at the height of the financial crisis — a fact Julio Montaner pointed out during his opening address in Vienna.

"Why are the coffers always empty when it comes to global health?" he asked, noting the €110bn that had "appeared from nowhere" to rescue the Greek economy earlier this year.

The comment continues: "OFID shares Dr Montaner's frustration, especially since his statement applies not just to health, but to the wider issue of poverty in general.

"Strong, healthy populations are a prerequisite of economic and social progress. What better investment can there be in our common future? What mindset puts personal, institutional or national wealth-building ahead of the physical wellbeing of mankind? As Montaner boldly put it: "It is a matter of priorities, and priorities have to change.

"OFID could not agree more, which is why we will continue to work with our partners to promote HIV prevention and testing and to provide care, counseling, treatment and support for those affected.

"This we shall do for as long as it takes. Anything less is simply not good enough," the comment concludes.

Since launching its HIV/AIDS account, the Fund has entered into partnership with a number of lead agencies to fight the pandemic, including the ILO, the IFRC, UNAIDS, UNESCO, UNFPA, UNHCR, UNICEF, UNODC and WHO.

Joint initiatives are underway in countries across Africa, Asia, the Pacific, the Caribbean, Latin America and the Arab World.

OFID's primary areas of intervention cover prevention and awareness activities, care and support to people living with HIV/AIDS, and reduction of vulnerability.

The Fund's latest commitment made under the account was approved by its Governing Board in September. It involves a $2m grant which will support a scheme with the United Nations Office on Drugs and Crime (UNODC) aimed at responding to the prevention of HIV/AIDS among drug users in East Africa, countries such as Ethiopia, Kenya, Uganda, Tanzania and Zambia.

It was the second grant to be approved for a joint project with UNODC this year. The first, approved in March, and valued at $3m, is designed to help HIV/AIDS prevention and care among vulnerable groups in Central Asia and Eastern Europe. Activities will be carried out in Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

In June, OFID's Governing Board also approved a grant of $3m in support of a joint project with the UN Children's Fund (UNICEF) for scaling up assistance to children affected by HIV/AIDS in Africa (Botswana, Cameroon, Kenya, Lesotho, Malawi, Namibia, Swaziland, Tanzania and Zambia).

Total OFID commitments

And with another grant of $350,000, extended to help sponsor the 18th International AIDS Conference in Vienna, in July (the assistance enabled some 135 delegates from least-developed countries to attend the event), it brings total commitments made by the Fund under its HIV/AIDS account so far in 2010 to $8.35m.

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

October

Crude oil price movements

The OPEC Reference Basket strengthened in September to move within a $72–78/barrel range, supported by improving global macroeconomic sentiment.

The Basket generally followed an upward trend in September, moving from $72.49/b on the first day to $77.48/b on the last day of the month, the highest level since the first week of August.

Consequently, the upward trend lifted the Basket's monthly average by 48¢ to hit a five-month high of $74.63/b in September.

So far this year, the OPEC Basket has averaged $75.25/b, compared with $56.60/b for the same period a year ago.

All Basket components increased in September with the exception of Merey, which retreated by 28¢. The gains were led by Ecuadorean crude Oriente, followed by the African crudes, Murban and Qatar Marine.

African grades were supported by bullish sentiment in Europe, on the back of tight supply, due to oil field maintenance in the North Sea. In addition, concerns over tighter Iraqi supplies amid Kirkuk-Ceyhan pipeline problems also contributed to the positive trend.

Moreover, continued healthy appetite from Asian buyers for West African crudes, particularly China and India, and weak freight rates added more support to African crudes. Es Sider showed the largest gain of 88¢, or 1.2 per cent, over the previous month, to average $77.15/b, followed by Bonny Light, which gained 83¢.

Algerian crude, Saharan Blend, rose by 73¢ and stood at the top of all Basket components with a monthly average of $78.95/b. Angolan crude, Girassol, showed the lowest gain of 70¢, pressured by relatively higher supply.

Middle East crude market sentiment remained strong in September, supported in the first week by an increase in Saudi Arabia's official selling price formula for its crude to Asia for October, followed by a tightness in Iraqi crude supplies to Asian term buyers, with Abu Dhabi's Murban crude for November loading sold at a premium.

Middle Eastern crudes were also supported by growing demand from Asian buyers, particularly for medium heavy grades for utilities. In addition, a strong distillate crack also contributed to the bullish sentiment of the Middle East crude oil market.

Murban and Qatar Marine rose by around 80¢ and Kuwait Export by 50¢, while Arab Light, Basrah Light and Iran Heavy gained less than 40¢ each.

Latin American crudes showed a mixed pattern with Oriente rising by $1.42 to move above $70/b, whereas Merey fell by 28¢ to average less than $67/b.

Driven by bullish sentiment in the oil market, the OPEC Reference Basket increased further in early October to move above $80/b for the first time since May.

United States crude oil futures moved within a range of $74-80/b in September, rising from nearly $72/b on the last day of August to $77.19/b on September 13.

The upward trend, which was in line with the strength in equity markets, was essentially driven by encouraging macroeconomic data from China, the US and Europe, followed by a shutdown of the Enbridge pipeline from Canada to the US Midwest, causing a supply disruption.

Despite the early positive sentiment, the Nymex WTI front-month crude contract ended September with an average of $75.55/b, down by $1.12/b from August. It was the first decline on a monthly basis since the strong loss of more than $10/b seen in May.

However, the WTI front-month contract rose in early October to settle at $82.82/b on October 5, the highest level since the first week of May.

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).

ICE Brent crude traded above the WTI front-month contract in September, moving within a range of $76–82/b. With the exception of five days, ICE Brent followed an upward trend in September to move from $76.35/b – the lowest of the range – on the first trading day, to $82.31/b on the last day, resulting in a monthly average of $78.42/b, up by $1.30/b from August, the highest monthly average since April and the third-highest so far this year.

ICE Brent gained more than $3.60/b in the last trading days of September, following a port workers' strike in France. The momentum continued into early October with the Brent front-month contract closing at a five-month high of $85.06/b on October 6.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that commodity prices in the third quarter showed a strong performance in the agricultural markets, followed by growth in base and precious metals.

Grain prices remained at high levels in September, but there were some corrections in these markets related to the more bearish view from the supply side for some grains, like wheat. The rally in corn continued in September as US and global corn stocks remained tight. A surge in China's corn imports was also supportive.

The growth in industrial metals prices improved in September. Conditions in these markets are still dependent on expectations of growth in the US and China.

As in August, commodity market performance was diverse, affected by macro-economic data releases and associated sentiment.

"Although there was some positive macro-economic news in September, some fears remain with regard to the pace of recovery," commented the OPEC report.

The World Bank energy commodity index (crude oil, natural gas and coal) eased by 0.8 per cent month-on-month in September, compared with 1.1 per cent in August. The slowing in the current month was due to the disappointing performance of WTI crude and Henry Hub natural gas, which outpaced the positive turn in coal prices.

HH natural gas declined by 9.3 per cent m-o-m in September, compared with a seven per cent fall in August, the third drop in a row, which again reflected poor fundamentals on both the supply and demand sides.

The World Bank non-fuel commodity price index rose by 3.9 per cent m-o-m in September, compared with 4.6 per cent in August and 5.6 per cent in July. The development was essentially on the back of a correction in grain and industrial metals, although prices still remain high.

The World Bank industrial metal price index increased by 5.3 per cent m-o-m in September, lower than the 8.5 per cent growth reported in August and down from the highs seen in earlier months.

"It seems that base metal price movements have been mixed through September as moderate macro headwinds have muffled potential gains for all except those metals with the strongest fundamentals," the report observed.

Copper and tin were the two metals showing better performances. "Nevertheless, it must be noted that given the stream of new favourable news from the macro front, it seems that such moderation in prices is only a temporary phenomenon.

"The outlook for the industrial metal markets relies upon the performance of the Chinese economy and the improvement in global growth prospects with those metals with the strongest fundamentals, such as copper and tin, being in better positions," the report maintained.

Gold prices kept growing in September – by 4.5 per cent m-o-m – driven by concerns over the pace and strength of the global recovery and inflation, rather than by worries about an economic downturn.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report noted that the US economy continued its steady expansion and, despite the recovery losing steam, the expansionary trend was continuing.

The 1.7 per cent growth figure released for the second quarter was still below the five-year annual average of 2.3 per cent and the 20-year annual average of 2.8 per cent.

"The current growth momentum is certainly at the lower end, but the most recent detailed economic indicators at least support these levels as they have not declined on average. Thus, this trend should be expected to continue inn the second half of 2010," the report said.

The economic structure of the US depends very much on private household consumption, which contributes around 70 per cent to US GDP. To classify the recovery as sustainable, one would have to see consumption pick up over an extended period of time.

Consumption contributed 1.54 per cent of the 1.7 per cent growth seen in the second quarter, a contribution level of 90 per cent. This came after a contribution level of only 36 per cent in the first quarter of the year and only 14 per cent in the last three months of 2009.

The US consumer price index (CPI) grew by only 0.3 per cent m-o-m in August. Core CPI was flat in August, after an increase of only 0.1 per cent in July. "These can be considered as dangerously low levels," said the report.

"The World Bank energy commodity index (crude oil, natural gas and coal) eased by 0.8 per cent month-on-month in September, compared with 1.1 per cent in August."

The level of unemployment in the US remained at 9.6 per cent in September and was not seen improving significantly in the near future.

After picking up in August, activity in the US manufacturing sector suffered a decline in September, according to the ISM index for

manufacturing. After the August level hit a comfortable 56.3, the September level fell to 54.4, although still considered in an expansion mode.

The slightly worrying decline of the ISM for the services sector in August was reversed in September. From a level of 51.5 in August, it rose again in September to 53.2.

Pending home sales in the US improved in August by 4.3 per cent m-o-m, the second monthly gain.

The sovereign debt situation in the US could have further implications for the nation. The US is running the highest level of public debt for 60 years. This, in combination with obligations to the pension and the health system, was highlighted as a major challenge by the Federal Reserve.

The country's budget deficit is now running at 9.5 per cent, compared with 2.0 per cent for the fiscal years 2005 to 2007.

"Considering the challenges, the fiscal stimulus package coming to an end soon and the current limits the monetary support is experiencing in an economy that is being earmarked by de-leveraging and fiscal constraints, the growth forecasts for the US for 2010 and 2011 remain unchanged at 2.6 per cent and 2.3 per cent, respectively," said the OPEC report.

"Overall, our 2010 growth estimate for China is unchanged from last month at 9.5 per cent. For 2011, OPEC projects the country's growth at 8.6 per cent."

It said that, in Japan, the economic situation has improved from the lows of last year, but at a time when its main two pillars – exports and stimulus-induced domestic demand – are facing considerable headwinds, the second-half growth should be at lower levels than in the first half and this deceleration can already be seen in the most recent GDP numbers.

Annualized growth for the second quarter was put at 1.5 per cent, after an increase of 5.0 per cent in the first quarter.

"It remains to be seen how the second half will finally develop, but expectations are relatively low, with exports on a decelerating trend and domestic demand mainly fuelled by short-term incentives for consumers. Expectations for growth in this period have been widely lowered and the Japanese economy is expected to see some growth, but only on a minor scale," maintained the report.

Export growth declined for a sixth consecutive month, corresponding to the strong increase of the Japanese yen to new record highs.

Exports increased by 15.8 per cent year-on-year, the lowest level since December 2009, according to the Finance Ministry. This translates into a monthly decline of 2.3 per cent in August.

Exports to China, Japan's biggest market, climbed by 18.5 per cent y-o-y in August, representing a decline from the 22.7 per cent recorded in July. Exports to the US gained 8.8 per cent y-o-y, a sharp drop from July's expansion of 25.9 per cent, while shipments to Europe increased by 13.7 per cent, a small deceleration from the July level of 13.3 per cent y-o-y.

Japan's unemployment rate improved by 0.1 per cent in August to stand at 5.1 per cent, but with the economy losing steam it is not expected to decline from that level any time soon.

The country's household spending increased by 0.7 per cent m-o-m in August, although the nationwide consumer price index (CPI) for the same month continued to fall. The general CPI was minus 0.3 per cent m-o-m on a seasonally adjusted basis and core CPI (excluding fresh food) declined by 0.1 per cent m-o-m.

On a yearly basis, the general CPI declined by 0.9 per cent, while core CPI fell by 1.0 per cent.

"Due to the increase in the second quarter GDP growth number, the growth forecast for 2010 has been revised up to 2.8 per cent, while the expectation of lower growth in the coming quarter remains intact. The 2011 growth forecast remains at 1.3 per cent," said the OPEC report.

It said that the news on economic developments in the Euro-zone has been relatively more resilient in recent weeks, compared with the previous months, when sovereign debt worries and concerns about the banking system were overshadowing other important developments, notably a strong recovery in exports, primarily in Germany.

Second-quarter Euro-zone GDP numbers demonstrated a solid economic rebound, but fresh concerns were seen emerging.

"While the improvement in economic growth came from a relatively low level and the Euro-zone, as a whole, still remains at muted growth levels, the tender improvements are challenged by renewed sovereign debt worries, by the still-high level of unemployment, which might put a break on recovery in domestic demand and the again rising Euro, which might be a weakening factor for exports," said the report.

The debt levels of the Euro-zone have been a major concern in the first half, after the near-bankruptcy of Greece and worries that many of the southern-hemisphere members might follow.

The Euro-zone unemployment rate was recorded at 10.1 per cent in August having remained at this elevated level since May 2010. The unemployment rate in Spain was again the highest of the four big Euro-zone economies, reaching a level of 20.5 per cent. Germany's unemployment fell to 6.5 per cent in August from 6.9 per cent in the previous month, while France recorded a level of 10.1 per cent, an increase from the July rate of 10.0 per cent.

The industrial order index in the Euro-zone declined by 2.4 per cent m-o-m in July, after an increase of 2.4 per cent in June and 4.2 per cent in May.

"Considering that this is a lead indicator for manufacturing, this should translate into a slowing momentum on the manufacturing side in the coming months," the report observed.

"Furthermore, it remains to be seen how the announced and soon to be implemented steep cuts in spending by most of the Euro-zone countries will affect the already low domestic consumption levels," it stated.

"While first-half developments have been encouraging, it remains to be seen if this dynamic can be extended into the second half. Therefore, the growth outlook for the Euro-zone remains at 1.2 per cent for 2010 and 1.0 per cent for 2011," the report added.

In Russia, economic growth remains fragile and the recovery trend uneven. Experts rightly fear that Russia's recovery this year from its worst recession in a decade in 2009 has been losing steam, weakened by the summer's heat wave, which has slowed the pick-up in consumer demand.

Economists expect a slower economic expansion in the second half of 2010, compared with the first.

Russia's Economic Development Ministry forecasts Russia's GDP growth this year at four per cent, but assumes that the summer drought could lower these numbers to 3.5–3.7 per cent.

"OPEC's GDP forecast for Russia remains at four per cent in 2010 and 3.8 per cent in 2011," the report said.

It noted that China's manufacturing sector picked up pace in September, easing some fears that the world's second-largest economy might be slowing down its rate of expansion too fast. This was reflected in a higher score of the seasonally adjusted Purchasing Managers' Index (PMI) for the month of September to 52.9, up from 51.9 in August.

"The rise in purchasing activity in September reflects further gains in new business creation and an associated increase in production requirements, despite the observation that staff numbers rose only slightly and supplier delivery times increased to the greatest extent since April 2010," the report pointed out.

It said that it came to light more clearly this year that China is becoming an important export destination for most developed countries across the world.

Chinese customs data shows that US exports to China rose by 35 per cent y-o-y to a value of $64bn in the first eight months of 2010.

In the January-August period, EU exports to China increased at about the same rate as those from the US, to stand at around $110bn.

Japan also expanded its exports to China to a value of $112bn — an increase of 41 per cent y-o-y.

Other indicators continue pointing to the country's rapid economic expansion.

China's electricity consumption was up by 14.7 per cent in August y-o-y, as reported by the National Energy Administration (NEA). Consumption was two per cent higher than in July. The August data brought total power use in the first eight months of the year to more than 2.79 trillion kWh, up by 19.3 per cent over the same period last year. Industrial use of electricity in August was recorded at 287.8 kWh, up by 14.9 per cent, while household power consumption rose by 12.8 per cent from one year earlier to 51.7bn kWh, according to the NEA statement.

The China Association of Automobile Manufacturers (CAAM) reported that the country's auto sales in August rose by 6.29 per cent m-o-m to 1.322m units after declines in the previous three months.

According to CAAM, August auto sales at the wholesale level represented an increase of 16.14 per cent y-o-y.

The Chinese auto industry expanded by nearly 50 per cent last year after the government introduced $15bn in auto incentives, about five times the size of the US auto industry's cash-for-clunkers programme.

China's consumer price index (CPI) grew by 3.5 per cent in August y-o-y, compared with 3.3 per cent a month earlier. This is the fastest price increase since October 2008. The pick-up in consumer price inflation was largely the result of higher food prices, which rose by 7.5 per cent y-o-y in August. Rising food prices accounted for about 68 per cent of the headline CPI inflation year-to-date.

According to China's National Bureau of Statistics, the country's producer price index (PPI) increased by 4.3 per cent in August y-o-y.

"Overall, our 2010 growth estimate for China is unchanged from last month at 9.5 per cent. For 2011, OPEC projects the country's growth at 8.6 per cent," said the OPEC report.

It said that manufacturing in India slowed down somewhat in September, after being steady for the past two months as new orders and output registered relative decline.

India's PMI for September decreased to 55.1 from 57.2 a month earlier. "Capacity constraints may be partly responsible for this, in addition to the fading fiscal stimulus."

While the PMI for September also showed a continued, albeit slow, decline in employment for three months, manufacturing in the country is defined by strong overall activity, with all-time high car sales in the same time frame being the evidence of robust consumer demand.

India's wholesale price inflation slowed from 9.8 per cent in July, but remains high at 8.5 per cent, while consumer prices for industrial workers eased to 10.1 per cent from 11.3 per cent.

"Our forecast for GDP growth this year for India remains unrevised, standing at 8.2 per cent. The GDP growth forecast for 2011 remains unchanged at 7.7 per cent," the report said.

It noted that in Brazil, after reporting considerable expansion in the first half of the year, the country's economy is moving to a more moderate pace of growth for the rest of 2010.

The Brazilian government reported that the consumer price index went up 0.45 per cent in September, a slight rise from the 0.04 per cent posted one month earlier. Prices for food, beverage and housing were a major contributing factor in this dynamic.

Following a modest fall in August, September saw little change in the volume of incoming new work to the Brazilian manufacturing sector.

At the beginning of October, the government made further steps to stave off the appreciation of the national currency to keep Brazil's trade competitiveness. The National Monetary Council introduced an additional set of rules on taxes for foreign investors, and effectively eliminated a loophole used by some investors to lessen their tax obligations.

Looking at selected OPEC Member Countries, the report said that Saudi Arabia's robust economic activity in September was reflected in its PMI for the whole economy, published by Markit Economics. The figure stayed above 55 for a 14th straight month.

PMI survey participants commented on good market demand and favourable business conditions. However, expansions in both

total new orders and new work from overseas slowed since August. The index fell to 58.4 in September from 59.1 in August. The services sector activity in the country expanded at a slower pace in September.

Saudi Arabia's National Commercial Bank estimates that despite the recent rise in the prices of food and housing, inflation in the country would stand at 5.2 per cent this year, compared with 5.1 per cent in 2009.

In the United Arab Emirates (UAE), PMI numbers for September indicate that production growth in the country's private sector improved again in September.

A surge in business activity was the main factor supporting this increase. Total new order receipts increased solidly and at the sharpest rate for nine months, which PMI panelists linked to improving economic conditions.

Surveyed companies stated that demand from the region's trading partners had improved, particularly from Saudi Arabia and Qatar.

The IMF expects the UAE's GDP to grow by 2.4 per cent in 2010, a notable change from the 2.5 per cent decline suffered in 2009.

World oil demand

In its review of the market, the OPEC report said demand for OPEC crude in 2010 is estimated at 28.6m b/d, representing a downward revision of 100,000 b/d from the previous report, mainly due to adjustments in the third and fourth quarters.

The demand for OPEC crude represents a decline of 300,000 b/d from the previous year. The first quarter of the year is still showing a strong drop of 1.0m b/d, followed by a decline of 200,000 b/d in the second quarter, while the third quarter is estimated to see positive growth of around 100,000 b/d. The fourth quarter is projected at 100,000 b/d below the same quarter last year.

Demand for OPEC crude in 2011 is projected to average 28.8m b/d, unchanged from the previous assessment.

Required OPEC crude is forecast to increase by about 200,000 b/d, following three consecutive annual declines. The bulk of the growth is expected to be seen in the first half of the year, indicating an increase of 500,000 b/d and 400,000 b/d in the first and second quarters, respectively. The second half is forecasted to remain unchanged, compared with the same period last year.

The OPEC report stated that the world economy is on its way to recovery, despite serious turbulence and setbacks. However, the recovery is not expected to be as good as in the second quarter.

It said that apart from the seasonality, recovery in industrial activities is positively affecting industrial fuel across the globe. The petrochemical industry is supporting naphtha consumption and is expected to do so for the rest of the year.

The fourth quarter, known for its high seasonality, is forecast to experience a usual cold winter. Heating and fuel oil demand are expected to take a normal consumption path, following two years of slowdown.

"Furthermore, the world economic recovery will help stabilize total oil demand in the fourth quarter; however, not as well as in the first half of the year. Phasing out of government stimulus plans within OECD countries is the reason behind the easing in the oil demand growth in the second half of the year," said the report.

It said that the world economy received a rally of government aid in the first half of the year, helping world oil demand to grow by more than 1m b/d.

"However, depletion of government funds will leave oil demand forecasts for the second half a little below previously anticipated growth, assuming no additional government support."

Almost all of the anticipated growth in oil demand this year is attributed to the non-OECD region. China's overheating economy has pushed the country's oil demand up by more than 5.6 per cent, which is almost half of total world oil demand growth. The rest of the non-OECD region is also pulling for more oil usage this year, exceeding 500,000 b/d.

"An upward risk exists, pending further government aid to OECD economies. Furthermore, should China fail somewhat in cooling its economy in the fourth quarter, then projected oil demand might exceed expectations," the report stated.

It said that due to the positive government support seen in the first half of the year, the forecast for world oil demand growth was revised up by 100,000 b/d to 1.1m b/d, or 1.3 per cent.

Recent US September weekly data showed solid growth in the country's oil consumption across all product categories. The largest observed growth was in distillates, gasoline and jet/kerosene.

However, the preliminary character of this data requires caution as to whether the indications will remain after monthly data is available.

In August, new vehicle sales in the US decreased sharply after the expiration of government incentives, while growth in industrial production has been on a declining trend since May.

Mexico's August oil demand followed July's negative trend, falling by 2.7 per cent y-o-y. The country's energy use has been fluctuating as a result of economic instability.

Canada's oil demand in July continued its high monthly growth trend of the year, in which transportation fuels denoted the strongest growth. Canadian oil demand growth has been on an upward move since November of last year.

For the whole of 2010, North American oil demand is expected to grow by 400,000 b/d, while fourth-quarter growth is expected to be lower than in the previous quarters.

Europe's August petroleum data indicated the first growth in oil consumption for almost two years.

Nevertheless, debts in several European economies and continued application of rigorous state tax policies on oil could impose additional future sharp declines in the continent's oil consumption.

The European 'Big Four' oil demand increased in August by 260,000 b/d, as opposed to only 20,000 b/d in June and July. Stronger distillate demand in Germany, Italy and France, resulting from an increase in industrial

production, were the main reasons behind this recovery.

On the other hand, transportation fuels are still on the decline. In August, French oil consumption was up by four per cent, while Italian oil consumption was higher by three per cent. In both countries, transportation fuel shrank and offset increases in industrial fuel.

"Once again, despite the signs of setbacks in several European economies, the risk exists mostly in the upward trend. Should Euro-zone governments intervene again and pour more funds into their economies, this would positively affect the continent's oil demand for the rest of the year," the report maintained.

The total contraction in OECD Europe oil demand for 2010 is forecast at 300,000 b/d.

Japanese energy demand seems to be recovering well, reaching an increase of around two per cent in the first eight months; if this growth materializes for the whole year it would be the first observed increase since 2005. Petrochemical industry fuel usage, especially naphtha, and transportation fuel usage are the main reasons for this yearly increase.

Despite this positive performance, further development of Japanese oil consumption is heavily dependent upon the implementation of an additional economic stimulus plan, which is expected to take place in the remaining months of 2010.

August data indicated energy growth of 3.5 per cent y-o-y, which resulted from higher demand for electricity as the summer heat intensified in August.

In South Korea, the second-largest oil-consuming country in the OECD Pacific region, oil demand increases were observed in the consumption of gasoline, distillates and jet/kerosene. This offset the decrease in the consumption of LPG and other products, leading to almost flat consumption changes during the first seven months of 2010 y-o-y.

Given the unexpected increase in Japan's oil consumption, OECD Pacific oil demand is forecast to wipe out the earlier forecast decline in 2010, averaging 7.7m b/d.

Heavy seasonal flooding affected India's transport and agricultural sectors in August; consequently, the country's use of diesel showed the lowest growth since May 2009.

Not only the weather, but also economic turbulence, has affected India's oil consumption. Diesel is the most consumed petroleum product in India, totaling 1.07m b/d and is expected to grow strongly this year. Diesel is widely used by transport, agricultural, and industrial sectors. Diesel consumption within India has grown by more than 7.8 per cent, or 90,000 b/d, in the first eight months of this year.

Controlled gasoline prices, along with a massive increase in new car registrations, have made growth in gasoline use the highest in India so far this year.

However, although India's economy has been enjoying sturdy growth this year, the country's oil demand is lagging far behind.

India's fourth-quarter oil demand is expected to perform better than in the third quarter as several economic drivers are pushing the economy forward.

Taiwan's oil demand had an early strong start this year; however it has slowed down from May onwards. Not only have some economic drivers pushed oil demand further down, but also other alternatives in the transportation sector have reduced diesel and gasoline demand.

Diesel alone, which is shared by the transport and industrial sectors, declined by 13.5 per cent in July y-o-y.

Despite the negative performance in the second quarter, Taiwan's total oil demand recorded seven per cent growth in the first seven months of this year.

Similarly, Hong Kong's oil demand slipped by 17 per cent in July y-o-y, resulting from weak diesel usage.

Given the strength of the continent's oil consumption, Other Asia oil demand growth for 2010 is forecast at 200,000 b/d, or 2.2 per cent, y-o-y to average 10m b/d.

Saudi Arabia's oil demand is fluctuating in its high seasonality. August data indicated y-o-y growth of only 50,000 b/d, as opposed to 220,000 b/d in July. Major products, such as gasoline and transport diesel, did not show a normal increase; in addition, fuel switching among some power plants reduced the use of oil to 2.38m b/d during August.

Nevertheless, the Kingdom's oil use is expected to grow this year, exceeding the rate of the country's GDP growth.

Iran's oil demand, on the other hand, continued its weakness, which started early this year. The country's oil demand in the first half dipped by 26,000 b/d; however, the second half is expected to perform better, ending the year with a minor y-o-y decline.

"Developing Countries' oil demand growth is forecast at 600,000 b/d y-o-y in 2010 to average 26.6m b/d."

Given the weakness in both Saudi and Iranian oil consumption, the Middle East oil demand was revised down by 40,000 b/d to show y-o-y growth of 200,000 b/d in 2010.

High demand in transport fuel pushed Argentina's oil demand up by six per cent in July y-o-y. The country's oil demand has been on an upward trend since September 2009. Nevertheless, the accumulation of oil demand growth is weak and barely reached one per cent in the first half of the year.

Brazil's oil demand, on the other hand, is highly active, achieving year-to-date growth of five per cent. This situation is expected to last until the year end. Economic activities, along with certain subsidies, are supporting the country's energy consumption.

Developing Countries' oil demand growth is forecast at 600,000 b/d y-o-y in 2010 to average 26.6m b/d.

China is gearing towards changing its pricing mechanism for retail petroleum products. The country is planning to reduce the grace period for price change to ten days, instead of 22 days. This price change flexibility will affect

consumer demand, if prices go up. The first part of flexible pricing, which took effect in 2009, considers any international oil pricing fluctuation that exceeds four per cent and has lasted more than 22 days.

Increased petrochemical activity hiked China's apparent naphtha demand for August by 30 per cent, leading to stronger y-o-y growth for the country's total oil demand. However, not all the imports were meant for demand – some were deposited in the country's strategic and commercial stocks. Almost six per cent of total August crude imports went directly to the country's stocks for future use.

Demand for all other major products experienced growth as the country's GDP hit double digits. China's third-quarter oil demand is subject to high seasonality by nature. Not only are normal industrial activities high, but also summer transportation and agricultural activities are at their annual peak.

The country's August oil demand grew by 7.2 per cent, or 600,000 b/d, y-o-y, averaging 8.9m b/d.

China's crude production increased in August by 160,000 b/d y-o-y; in addition, crude imports exceeded 15 per cent y-o-y growth.

Given the government's recent initiative to cool down the economy, the country's third-quarter oil demand, which shows the highest seasonality, is not expected to outperform the second quarter.

Strong data for August petroleum demand has placed a question mark as to the government's ability to cool down the country's energy consumption.

Car sales in China increased sharply in August by almost 90 per cent y-o-y, or 860,000 units, according to the China Association of Automobile Manufacturers. Sales were supported by government subsidies and tax incentives. Growth is expected to continue in the next months as a result of incentives; however, it is not definite as to whether these stimulus plans will also continue in 2011.

Considering China's economic indicators, which are exceeding expectations, pushing not only the country's GDP to 9.5 per cent growth, but also the country's oil usage as well, China's oil demand growth is forecast at 460,000 b/d in 2010 averaging 8.7m b/d.

Turning to 2011, the OPEC report maintained that while the world economic recovery has been slow in 2010 and has met with unexpected turbulence, next year's oil demand will be affected mainly by the following:

- GDP, which is forecast to be lower than this year, resulting in lower expected energy use;
- Oil demand will not enjoy the low base line seen in 2010. Therefore, the expected recorded growth won't be as high as this year;
- Energy efficiency is increasing further next year;
- Alternative fuel usage worldwide is in a growth mode.

"Should there be no further government stimulus, then world oil demand next year is expected to be around 1.2 per cent y-o-y. This expected growth will materialize on normal seasonality over all four quarters. It is anticipated that the second half of the year will experience better economic activity leading to stronger oil usage," the OPEC report said.

"Although US oil demand will remain the wild card, the bulk of next year's oil demand growth will take place in the non-OECD, mainly China, India, the Middle East and Latin America where almost 90 per cent of the total expected growth in energy use will occur," it added.

The report stated that total world oil demand growth next year will be highly sensitive to China's energy policies. Should China emphasize its energy consumption policy, then this move will negatively affect world energy usage.

On the product side, despite its low share, demand for industrial fuel will be strong as a result of the continuing economic recovery. Industrial fuel, mainly diesel and naphtha, will be the products growing the most in world oil demand in 2011.

Furthermore, demand for transportation fuels and petrochemicals are also expected to be strong in world oil demand in 2011. Other factors that might play an important role in next year's oil demand are retail oil product prices, taxes, and removal of retail price subsidies worldwide, which will lead to moderate oil demand recovery.

"World oil demand is projected to continue its growth during the year, sustaining growth of 1.05m b/d y-o-y, averaging 86.6m b/d in 2011," said the report.

World oil supply

Preliminary figures show that global oil supply averaged 86.20m b/d in September, a gain of 620,000 b/d from the previous month, supported by estimated increases in non-OPEC supply. OPEC crude is estimated to have had a 33.7 per cent share in September global supply, steady from the previous month. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production according to secondary sources.

Meanwhile, non-OPEC oil supply is expected to grow by 1.01m b/d in 2010, the highest growth level since 2002, to average 52.23m b/d. The forecast increase represents an upward revision of 170,000 b/d, compared with the previous month. Historical revisions to US supply in 2008 and 2009 affected the forecast of 2010. Additionally, various revisions were introduced to the forecast in 2010, with the majority affecting the second half.

North America is now expected to have the highest growth among all non-OPEC regions in 2010, followed by Latin America and the Former Soviet Union (FSU), while OECD Western Europe is projected to be the region with the biggest decline.

OECD supply is expected to grow in 2010, as the growth in North America is seen to more than offset the decline in Western Europe. On a country basis, the US, China, Brazil, Russia and Colombia are anticipated to be the main drivers of growth in 2010, while UK and Norway supply is seen to have the largest decline.

On a quarterly basis, non-OPEC supply in 2010 is seen to average 52.26m b/d, 52.25m b/d, 52.03m b/d and 52.38m b/d, respectively.

OECD total oil supply is forecast to grow by 100,000 b/d and average 19.81m b/d in 2010, representing another significant upward

adjustment, following last month's revision of 90,000 b/d over the previous month.

Canada, Mexico and Denmark supply forecasts encountered upward revisions that offset the downward adjustments in Norway and the UK.

On a quarterly basis, OECD oil supply in 2010 is expected to average 20.02m b/d, 19.85m b/d, 19.51m b/d and 19.86m b/d, respectively.

North America oil supply is anticipated to increase by 380,000 b/d in 2010 to average 14.74m b/d, a significant upward revision of 120,000 b/d compared with the previous month.

"The upward revision is confirming North America as the region with the highest growth in 2010 among all non-OPEC regions. Healthy growth is now expected from the US and Canada, while Mexico supply is seen to encounter a moderate decline in 2010," said the report.

On a quarterly basis, North America oil supply this year is seen to average 14.72m b/d, 14.86m b/d, 14.68m b/d, and 14.69m b/d, respectively.

US oil supply is projected to grow by 300,000 b/d in 2010 to average 8.44m b/d. Growth is supported strongly by increases in non-conventional oil output including, biofuels and NGL supply, in additional to conventional crude output.

On a quarterly basis, US oil supply in 2010 is estimated to average 8.44m b/d, 8.52m b/d, 8.41m b/d and 8.40m b/d, respectively.

Oil supply from Canada is forecast to increase by 90,000 b/d in 2010 to average 3.34m b/d, an upward revision of 70,000 b/d, compared with the previous assessment.

On a quarterly basis, Canada's oil supply this year is expected to average 3.29m b/d, 3.37m b/d, 3.31m b/d and 3.37m b/d, respectively.

Mexico's oil supply is estimated to decline by 20,000 b/d in 2010 to average 2.96m b/d, indicating an upward revision of 40,000 b/d over the previous month.

On a quarterly basis, Mexico's oil supply in 2010 is seen to stand at 2.99m b/d, 2.97m b/d, 2.96m b/d and 2.92m b/d, respectively.

OECD Western Europe's total oil supply is expected to drop by 270,000 b/d in 2010 to average 4.44m b/d, representing a downward revision of 30,000 b/d compared with the previous month.

On a quarterly basis, oil supply from this region this year is estimated to average 4.69m b/d, 4.39m b/d, 4.19m b/d and 4.49m b/d, respectively.

Norway's oil supply is projected to decline by 180,000 b/d in 2010 to an average of 2.17m b/d.

On a quarterly basis, the country's oil supply this year is seen to average 2.31m b/d, 2.10m b/d, 2.00m b/d and 2.25m b/d, respectively.

UK oil supply is foreseen to decline by 80,000 b/d in 2010 to average 1.40m b/d, representing a downward revision of 10,000 b/d from the previous month. On a quarterly basis, UK oil supply this year is expected to average 1.51m b/d, 1.40m b/d, 1.31m b/d and 1.39m b/d, respectively.

Denmark's oil supply is expected to decline by 20,000 b/d in 2010 and average 250,000 b/d, an upward revision of 10,000 b/d, compared with the previous month.

Meanwhile, Other OECD Western Europe oil supply is expected to remain flat in 2010, averaging 620,000 b/d, an upward revision of 10,000 b/d from the previous month.

Total OECD Pacific oil supply is forecast to remain unchanged in 2010 and average 630,000 b/d, flat from the previous month.

On a quarterly basis, total OECD Pacific supply this year is slated to average 610,000 b/d, 600,000 b/d, 640,000 b/d and 680,000 b/d, respectively.

Australia's oil supply is expected to remain flat in 2010, with a minor decline of 10,000 b/d to average 530,000 b/d, unchanged from the previous month. On a quarterly basis, Australia's oil supply this year is seen to average 510,000 b/d, 500,000 b/d, 540,000 b/d and 580,000 b/d, respectively.

Developing Countries (DC) oil supply is forecast to grow by 330,000 b/d in 2010 to average 12.90m b/d, indicating an upward revision of 30,000 b/d from last month's report.

On a quarterly basis, oil supply from this group of countries this year is expected to average 12.88m b/d, 12.91m b/d, 12.90m b/d and 12.90m b/d, respectively.

According to preliminary data, first-half oil supply from the Developing Countries indicated growth of 410,000 b/d, compared with the same period a year ago.

Other Asia's oil supply, on a quarterly basis, is forecast this year to stand at 3.73m b/d, 3.71m b/d, 3.69m b/d and 3.67m b/d, respectively.

"Preliminary figures show that global oil supply averaged 86.20m b/d in September, a gain of 620,000 b/d from the previous month."

Latin America's oil supply is forecast to increase by 300,000 b/d in 2010 to average 4.71m b/d, unchanged from the previous month.

On a quarterly basis, Latin America's oil supply in 2010 is seen to average 4.64m b/d, 4.71m b/d, 4.71m b/d and 4.78m b/d, respectively.

Middle East oil supply is estimated to increase by 40,000 b/d in 2010 to average 1.77m b/d, indicating an upward revision of 10,000 b/d from the previous month.

On a quarterly basis, the Middle East's oil supply is seen to average 1.77m b/d, 1.77m b/d, 1.78m b/d and 1.74m b/d, respectively.

Africa's oil supply is forecast to remain relatively flat in 2010, compared with the previous year, with a minor decline of 10,000 b/d, representing an upward revision of 10,000 b/d, compared with the previous month's assessment.

On a quarterly basis, Africa's oil supply this year is estimated to average 2.74m b/d, 2.71m b/d, 2.72m b/d and 2.70m b/d, respectively.

The FSU's total oil supply is projected to increase by 280,000 b/d in 2010 to average 13.24m b/d, unchanged from the previous month's report.

On a quarterly basis, FSU oil supply this year is estimated to average 13.12m b/d, 13.18m b/d, 13.27m b/d and 13.37m b/d, respectively.

Other Europe's oil supply is seen to remain flat from 2009 and average 140,000 b/d in 2010.

Russia's oil supply is expected to increase by 180,000 b/d in 2010 to average 10.10m b/d, indicating a minor upward revision of 10,000 b/d compared with the previous month.

On a quarterly basis, Russia's oil supply this year is estimated to average 10.09m b/d, 10.12m b/d, 10.12m b/d and 10.06m b/d, respectively. Russia's oil supply averaged 10.16m b/d in September, higher by 100,000 b/d from a month earlier.

Kazakhstan's oil supply is foreseen to increase by 80,000 b/d in 2010 to average 1.62m b/d, unchanged from the previous month.

On a quarterly basis, Kazakhstan's oil supply this year is seen to average 1.61m b/d, 1.56m b/d, 1.62m b/d and 1.67m b/d, respectively.

Azerbaijan's oil supply is forecast to grow by 40,000 b/d in 2010 to average 1.10m b/d, unchanged from the previous month's evaluation.

On a quarterly basis, Azeri oil supply this year is seen to stand at 1.01m b/d, 1.09m b/d, 1.12m b/d and 1.19m b/d, respectively.

"Total OPEC crude oil production averaged 29.08m b/d in September, down by around 30,000 b/d from the previous month, according to secondary sources."

China's oil supply is expected to increase significantly by 220,000 b/d in 2010 to average 4.07m b/d, indicating an upward revision of 40,000 b/d compared with the previous month.

On a quarterly basis, China's oil supply this year is expected to average 4.02m b/d, 4.09m b/d, 4.13m b/d and 4.04m b/d, respectively.

Turning to 2011, the OPEC report stated that non-OPEC oil supply next year is projected to increase by 360,000 b/d to average 52.59m b/d, representing an upward revision of 170,000 b/d over the previous month.

On a quarterly basis, non-OPEC supply in 2011 is expected to average 52.44m b/d, 52.35m b/d, 52.48m b/d and 53.08m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 29.08m b/d in September, down by around 30,000 b/d from the previous month, according to secondary sources.

OPEC crude oil production, not including Iraq, averaged 26.67m b/d in September, a decline of 140,000 b/d from the previous month. Crude output of Algeria, Angola, Iran, Nigeria and Saudi Arabia experienced a decline of more than 20,000 b/d in September, compared with the previous month, while crude production from Iraq and Venezuela showed an increase of more than 20,000 b/d.

OPEC's output of NGLs and non-conventional oils is forecast to increase by 440,000 b/d over 2009 to average 4.79m b/d in 2010.

In 2011, output of OPEC NGLs and non-conventional oils is anticipated to grow by 450,000 b/d over 2010 to average 5.24m b/d.

Downstream activity

Looking downstream, the OPEC report stated that despite product stocks standing considerably above historical levels, strong demand for distillates across the world improved market sentiment.

"However, this has been partially offset by the weakness in the gasoline market and the oversupply in the fuel oil market. In the US, the drop in the WTI crude price allowed refinery margins to recover in September, while, in Europe, high crude prices pressured the margins by $1/b," it noted.

"High light distillate stocks, amid refinery maintenance, combined with the oversupply in fuel oil, will keep product market sentiment bearish and continue to weigh on refinery margins over the coming months," it added.

Refining margins for WTI crude oil on the US Gulf Coast recovered the ground lost over the last months, rising from $4/b in the last month to $7.6/b in September.

In Europe, the refining industry kept restraining product supply by moderating crude runs and maintenance work in an effort to protect margins. However, the recovery in gasoline and distillate prices was outpaced by the bearish fuel oil market, amid expensive crude, causing the margin for Brent crude in Rotterdam to continue losing ground by $1/b.

In Asia, the bearish fuel oil sentiment created by the oversupply and the continued weak naphtha market, has also been pressured by low demand from the petrochemical sector, causing margins to narrow further.

Refining margins for Dubai crude oil in Singapore fell from $1.4/b in August to 80¢/b in September.

American refiners continued to moderate runs in an effort to recover margins lost since July and a combination of strong distillate demand and the lower cost of crude oil improved the economics in the US refining system in October.

However, weakness in gasoline and fuel oil has affected refinery margins in other areas. European refiners maintained moderate throughputs. With the fuel oil market oversupplied, Asian refiners have kept utilization rates at moderate levels despite the end of the maintenance period. Some operational limitations due to bad weather have also played a role.

The refinery utilization rate in the US dropped to 87.4 per cent in September, the lowest level in the last months, which has led to a slight drop in record-high stock levels, while European refiners have kept utilization rates moderated in a sustainable effort to protect the margins.

According to preliminary data, European refinery utilization rates have been set at a similar level as the previous month, at around 86 per cent.

In Asia, despite the end of seasonal refinery maintenance, the refinery run levels have

remained moderate at 77 per cent in Japan and around 82 per cent in China.

"Looking ahead, the maintenance season for some refineries and run cuts could not offset the high refining spare capacity around the world and in an environment of an oversupplied fuel oil market and weak margins, operation levels are not expected to rise significantly over the coming months," the OPEC report maintained.

Oil trade

According to preliminary data, US crude oil imports dropped by 6.1 per cent m-o-m in September to around 9.0m b/d, down by 2.1 per cent compared with the same month last year.

From January to September, US crude oil imports averaged 9.37m b/d, up by 1.9 per cent from the same period last year.

"Crude oil imports in the US have experienced mixed patterns during 2010 with drops during the period January to March and also during September, resulting in an annual moderate increase which reflects a modest economic recovery," the report noted.

US product imports slumped by 14.1 per cent to 2.49m b/d during September. Most of the decline is attributed to the significant drop in gasoline consumption during this month.

Gasoline imports fell by 306,600 b/d to 847,700 b/d, or by 26.6 per cent, and were down by 12.1 per cent compared with September 2009, whereas jet fuel imports increased to 113,400 b/d, or by 46.3 per cent, during September over August levels. Fuel oil imports decreased by 12.4 per cent to 528,800 b/d, while propane imports increased by 24.1 per cent to 78,700 b/d.

US oil product exports increased by 4.9 per cent in September from the previous month to 2.14m b/d.

Fuel oil exports during September jumped by 52,700 b/d to 1.14m b/d, while gasoline exports grew by 10.6 per cent m-o-m to 209,000 b/d as a result of higher international demand as well as weak domestic consumption.

During the first nine months of the year, US product exports averaged 2.16m b/d, up by 9.6 per cent from the same period last year.

As a result, US crude oil and total net product imports averaged 9.3m b/d during September, down by 10.5 per cent from the previous month.

Net crude oil imports were 592,000 b/d lower than in August, averaging 9.02m b/d, while net product imports reached 313,000 b/d, 61.7 per cent less than in the previous month.

According to the latest official data, during July US crude oil imports from OPEC averaged 4.8m b/d, down by 3.3 per cent from the previous month, but 13.7 per cent more than in the same month a year earlier.

OPEC oil product imports from the US reached 124,000 b/d in July. On the other hand, US product imports from OPEC in the same month reached 344,000 b/d.

Japan's crude oil import in August averaged 3.59m b/d, up by 0.2 per cent from July and 0.3 per cent higher than in the same month last year, according to preliminary official data.

Year to date, Japanese crude oil imports averaged 3.69m b/d, up by 1.1 per cent from the same period last year.

OPEC crude oil deliveries to Japan decreased by 3.74 per cent in August, compared with the same month last year, to 2.97m b/d.

Japan's oil product imports reached 983,000 b/d in August, up by 2.7 per cent from the same month last year and 4.5 per cent higher than in July. In the period January-August, Japanese oil product imports averaged 951,000 b/d, up by 12.8 per cent from the same period last year.

Japan's oil product exports increased by 15.4 per cent m-o-m in August to 699,000 b/d. Year-to-date, Japanese oil product exports averaged 540,000 b/d, down by 2.3 per cent from the same period in 2009.

As a result, Japanese net oil and product imports in August stood at 3.87m b/d, representing a decrease of 43,000 b/d, or 1.1 per cent from July, and 39,000 b/d, or 0.9 per cent, less than in the same period last year.

Year-to-date, Japanese net oil imports averaged 4.1m b/d, 4.1 per cent higher than in the same period last year.

According to official data, China imported 4.94m b/d of crude oil in August, up by ten per cent from the previous month and 13.2 per cent higher compared with the same month last year.

The country's crude oil imports during the first eight months of this year reached 4.76m b/d, 22.5 per cent higher than in the same period of 2009.

China's crude oil exports increased sharply in August by 40.7 per cent m-o-m to 58,000 b/d.

China imported 858,000 b/d of oil products in August, down 8.4 per cent from July, but up by 4.5 per cent from a year earlier. Its oil product exports in August amounted to 655,000 b/d, down by 5.1 per cent from the previous month but up by 3.6 per cent from last year.

OPEC oil deliveries to China in August amounted to 65.5 per cent of the country's total crude oil imports, reaching 3.2m b/d. Chinese crude imports from OPEC Members increased by 14.4 per cent m-o-m during August.

China's net oil imports reached 5.1m b/d in August, up by 8.3 per cent from the previous month and 15 per cent higher than a year earlier. The average of net oil imports during 2010 so far has been 5.01m b/d, 16.7 per cent higher than the same period last year.

According to preliminary data, India's crude oil imports dropped by 14.3 per cent y-o-y in August to 2.26m b/d. Compared with the previous month, imports declined by a record-high 27.4 per cent, or 856,000 b/d.

During the first eight months of the year, India's crude oil imports averaged 2.92m b/d, up by 8.7 per cent from the same period last year.

During August, India's oil product imports increased by 38.7 per cent from the same month last year to 250,000 b/d, but experienced a decrease of 46.7 per cent compared with the previous month.

On the other hand, the country's oil product exports more than doubled to 1.09m b/d, compared with a year earlier, but decreased by 7.1 per cent from the previous month.

The significant increase in imports during the year is attributed to the increase of the car fleet, while the impressive increase in exports

reflects the poor base level of exports last year due to the fact that the domestic demand for diesel during August 2009 in major agriculture states was hit by the worst drought in 37 years.

India's net oil imports reached 1.42m b/d in August, down by 41.1 per cent from the previous month and 39.6 per cent less than the same month a year earlier. The average of net oil imports during the year was 2.37m b/d, just 2.1 per cent less than over the same period of 2009.

FSU crude oil exports slipped by 2.3 per cent in August to 6.83m b/d, but were 312,000 b/d above the volume exported in the same month last year.

During the first eight months of the year, FSU crude oil exports averaged 6.80m b/d, 2.7 per cent up from the same period last year.

Oil product exports from the FSU fell by 5.2 per cent in August to 2.82m b/d, while on a yearly basis, they increased by 1.1 per cent.

During the first eight months of the year, oil product exports from the FSU averaged 2.87m b/d, a decrease of 0.9 per cent from the same period last year.

Stock movements

Concerning stock movements, the OPEC report said that US commercial oil inventories at the end of September reversed the upward trend of the last five months, declining by 4.4m b.

Despite the drop, inventories have actually risen by 73m b since April 2009. At 1,139m b, US commercial oil stocks remained at very high levels compared with the five-year average, indicating a surplus of almost 118m b, or 12 per cent.

The bulk of the draw came from oil products, which declined by 3.7m b, while crude stocks went down slightly by 800,000 b.

"It should be highlighted that total commercial oil inventories reached a new record-high during the week ending September 17," the report noted.

Despite the drop in crude oil stocks, at 360.9m b they remained 56m b, or 18.2 per cent, above the five-year average, and 26m b, or 7.8 per cent, above a year ago during the same period.

US oil product stocks declined by 3.7m b to nearly 778m b, reversing the build of the last five months.

Despite the draw, product stocks remained 62m b, or 8.7 per cent, above the five-year average. However, they stood 10m b, or 1.3 per cent, below last year during the same period.

Commercial oil inventories in Japan reversed the increase observed the previous month to decline by 6.7m b in August, ending the month at 171.3m b.

The drop widened the deficit with a year ago to 20 per cent from eight per cent a month earlier. Similarly, the gap with the seasonal average also increased to 11 per cent from 4.3 per cent a month ago.

Crude and oil products moved in opposite directions as crude stocks saw a strong drop of 9.1m b, while product inventories increased by 2.4m b.

At 97.0m b, Japanese crude oil inventories stood at their lowest levels since March 2010, reversing the upward trend of five consecutive months.

In contrast to the strong decline in crude, Japanese oil product stocks increased by 2.4m b to reach 74.3m b.

In Singapore at the end of August, oil product stocks reversed the draw observed the previous month to rise by 1.19m b to 48.11m b, representing a gain of 3m b, or 6 per cent, above a year ago at the same time.

Preliminary data for the end of September, based on weekly information, showed that product inventories in Singapore fell by 1.5m b to 46.6m b, leaving them still 2.7m b, or six per cent, above a year ago during the same period.

Oil product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region at the end of August reversed the trend observed the previous month and rose by almost 1.5m b to 38.54m b.

With this build, product stocks in ARA remained 2m b, or five per cent, above a year ago.

Preliminary data for the end of September, based on weekly information, showed oil product stocks in ARA falling by 780,000 b to 37.76m b. With this draw, product stocks in ARA stood lower than the previous year over the same period, showing a deficit of 2m b, or 5.5 per cent.

November

Crude oil price movements

The OPEC Reference Basket maintained its positive momentum in October to trade within a higher, but narrow, range of $78.50–81.50/b. The upward movement came in line with the increase in the futures market, where macroeconomic sentiment and the financial markets continued to be the major drivers for the price of oil.

The OPEC Basket increased for the third consecutive month to average the month at $79.86/b, up by $5.23, or seven per cent, from September, the second-highest level so far this year after the $82.33/b recorded in April.

Compared with a year earlier, the OPEC Basket showed an increase of $7.19/b, or ten per cent, in October. However, the Basket increased by just $2.26/b, or 2.9 per cent, from the last trading day of 2009 to the last trading day of October 2010. The Basket stood at $77.16/b on December 31, 2009 and at $79.42/b on October 29, 2010.

All Basket components in October increased. Contrary to the previous months, when African crudes showed higher growth than the Basket average, due to their higher quality, this time, African crudes, with the exception of Libya's Es Sider, showed lower growth than the Basket.

While the OPEC Basket rose by seven per cent, Nigerian Bonny Light improved by just 5.9 per cent, Algerian Saharan Blend increased by 6.3 per cent, while Angolan Girassol was up by 6.9 per cent. Libya's Es Sider rose by 7.1 per cent.

The main reason behind the lower gains of African crudes relative to other crudes was attributed to lower European crude oil demand because of the strikes in France. Many vessels remained unloaded for weeks and 11 of 12 refineries went on strike.

Middle Eastern light and heavy crudes were the main drivers for the OPEC Basket, thanks to their bullish sentiment on the back of strong Asian demand and a surge in crack spreads for naphtha and middle distillates, in combination with the expected peak demand season for heating oil in Asia which required more storage.

Basrah Light crude rose by 7.7 per cent, followed by Iran Heavy with 7.4 per cent, Arab Light with 7.2 per cent and Kuwait Export with 7.1 per cent. Only Qatar Marine and Murban witnessed lower growth compared with the Basket with 6.7 per cent and 6.4 per cent, respectively.

Latin American crudes also increased in October. Ecuador's Oriente jumped by $5.73/b, or 8.1 per cent, the largest gain among the Basket components, to average $76.42/b. The Venezuelan component recovered from the loss of the previous month to rise by $4.30/b, or 6.4 per cent, the lowest increase, to average $71.21/b.

The OPEC Basket continued its upward trend in early November to stand at $85.27/b on November 10, the highest level since the $84.36/b recorded on May 3, 2010.

The strong increase in the OPEC Basket came in line with the strength in futures contracts of WTI and Brent, which also hit multi-month highs in the first week of November.

Crude oil futures prices for the Nymex WTI and ICE Brent front-month contracts broke the $70–80/b range in October. Nymex WTI settled below $80/b on just one day, October 19, after falling by 4.32 per cent, the largest one-day percentage loss since February 4 when it dropped by almost five per cent.

ICE Brent followed the same trend, but traded in a higher range of $81–85/b in October.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that the IMF commodity price index increased by 5.6 per cent m-o-m in October, compared with 1.4 per cent the previous month.

The energy commodity price index increased by 6.3 per cent m-o-m in October, compared with 0.4 per cent in the previous month. Non-energy commodities rose by 3.3 per cent m-o-m in October, compared with four per cent a month earlier. A substantial price rise took place in several base metals at the LME and important increases took place in agriculture and precious metal prices.

Grain prices remained at high levels in October, but there were some corrections in these markets related to the more bearish view from the supply side for some grains like wheat. Corn markets continued the rally seen in September rising by 14.3 per cent m-o-m in October, supported by strong demand and a lower production forecast. US and global corn stocks remained tight and greater imports from China and Argentina offset the decrease in US imports.

The growth in industrial metals prices improved in October, while conditions in these markets we seen still very dependent on the expectations of growth in the US and China.

The IMF energy commodity index (crude oil, natural gas and coal) gained 6.3 per cent in October, compared with 0.8 per cent in September on the back of the recovery in WTI and Brent prices, which outpaced the negative performance of Henry Hub (HH) natural gas and coal prices.

HH natural gas declined further by 12 per cent m-o-m in October. This compared with 9.7 per cent the previous month, 14 per cent lower than the same month a year ago. The market remained pressured by high production and weak demand, amid moderate temperatures, minimal tropical storm activity and larger-than-expected injections into already considerable stocks which, according to the US Energy Information Administration, were higher than the five-year average.

The IMF non-fuel commodity price index rose by 4.6 per cent m-o-m in October, compared with 2.8 per cent in September, as a result of some corrections in the wheat markets, a drop in iron ore prices and some restraint in fertilizer prices which were offset by higher growth in some agricultural products, industrial metals and precious metals, silver in particular.

The IMF industrial metal price index gained 6.7 per cent m-o-m in October. Except for nickel, all base metals considered registered a faster growth rate, led by tin. As a whole, base metals reacted positively to tight fundamentals, improved macroeconomic news, the dollar devaluation against the euro and further encouraging data from China.

"The OPEC Basket increased for the third consecutive month to average the month at $79.86/b, up by $5.23, or seven per cent, from September."

Tin was the best performer within the base metal complex, soaring by 16 per cent m-o-m in October, compared with 9.4 per cent in September, and up by 56 per cent on an annual basis, an all-time record price.

"The factors behind tin's boosted prices were the recovery in the computer and car industries during this year, fostered by public incentive plans. It is likely that the US quantitative easing may represent an additional source of demand for the tin market," the report maintained.

Copper prices increased by 7.2 per cent m-o-m in October, compared with 5.8 per cent in the previous month, while the price of aluminum registered an increase of 7.9 per cent m-o-m in October.

Zinc prices saw a rally from five per cent in September to ten per cent in October, due to a recovery in demand from the EU and China.

Cotton was at a historically high price after rising by 20.8 per cent, fuelled by bad weather conditions and high demand from China together with lower inventories.

Corn prices increased by 14.5 per cent, which reacted to lower production estimates, stronger demand and increasing demand for the biofuels industry.

Gold prices rose by 5.6 per cent m-o-m in October, compared with 4.5 per cent in September, due to closing of the hedge book fostered by record prices in the later months.

The price of silver jumped by 13.9 per cent m-o-m marking historic record levels owing to increased demand and the low ratio to the gold price in the year.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report said that the US economy had entered the second half of 2010 with a lower growth momentum, compared with the first six months, but it was managing to sustain a better-than-expected dynamic.

"The economy seems to still be supported by the fading fiscal stimulus measures, but with renewed monetary support the economy enjoys some more assistance to potentially grow itself out of the recession," it said.

"However, it remains to be seen to what extent it is able to do so as the fiscal stimulus effects are still helping the economy," it added.

The recent momentum reflected in the October ISM release was also encouraging. ISM manufacturing improved to 56.9 from 54.4 and remained comfortably above the 50 level. ISM services improved again to a level of 54.3 from 53.2 in September.

"This is an important increase as the sector is responsible for around 80 per cent of US GDP and the index stood at only 51.5 in August and at 54.3 in July, when it matched the current encouraging level," the OPEC report observed.

It stated that the US economy seemed to depend on monetary and fiscal support, but considering the better-than-anticipated current momentum of the economy and the renewed monetary stimulus package, growth for both 2010 and 2011 had been revised up by 0.1 percentage point to 2.7 per cent for 2010 and to 2.4 per cent for 2011.

While the economic situation of Japan improved significantly in the first half of 2010, compared with 2009, with the beginning of the second half it had begun to deteriorate with growth in the domestic and the foreign trade markets both decelerating.

According to Japan's Ministry of Finance, on a value base, exports declined by 0.1 per cent m-o-m in September, for the fifth consecutive month. Correspondingly, imports fell by 0.5 per cent, the fourth month of decline.

On a yearly basis, exports rose by 14.4 per cent in September, compared with 15.5 per cent the previous month.

The country's retail sales decreased by three per cent m-o-m in September, compared with an increase of 1.4 per cent a month earlier, an increase of 0.7 per cent in July and 0.4 per cent in June.

The combination of slowing exports and domestic consumption was reflected in a drop in industrial production of 1.9 per cent m-o-m, marking a fourth consecutive month of decline.

Accordingly, the slowdown was reflected in the most recent composite PMI number, issued by Markit, that remains below the 50-level and was now at 47.2 for October, compared with 49.3 in September.

The rather muted underlying momentum was again being reflected in September's Consumer Price Index (CPI) numbers. General CPI declined by 0.6 per cent y-o-y in September, which compared with minus 0.9 per cent y-o-y in August.

The OPEC report noted that the slightly better-than-expected momentum of the third quarter had been reflected in its forecast update. The growth forecast for 2010 had moved from 2.8 per cent to 2.9 per cent, while the 2011 forecast remained at a level of 1.3 per cent.

It said that the Euro-zone recovery had lost some momentum, but was still considerably stronger than many would have expected in the first half, considering the many issues the Euro-zone economy had had to deal with.

Most recent data supported the expected scenario of a slowdown from the first half, but also indicated that, while the growth dynamic seemed to decelerate, the expansion continued at a lower level.

Furthermore, recent data underscored the fact that the two-tier economy continued, with primarily Germany and, to some extent, France adding most of the growth momentum, while other economies – mostly in southern Europe – continued to weaken.

Recent Markit PMI numbers showed that the manufacturing PMI for the Euro-zone had risen to 54.1 in October from 53.7 a month earlier. This dynamic was in contrast to the services sector which was still in decline and reached an eight-month low at 53.2, compared with the September level of 54.1.

"Still, both numbers are relatively comfortably above the level of 50, indicating expansion in both sectors. Most of this positive momentum is coming from Germany and France," the report observed.

Due to the better-than-expected performance in the second half, the growth forecast for the Euro-zone was increased by 0.2 per cent to 1.4 per cent in 2010.

"While it remains to be seen that this momentum will be continued in 2011, the forecast was only increased by 0.1 per cent to 1.1 per cent," the report stated.

Russia's economy continues its expansion on the back of higher numbers for industrial growth and capital investment. Capital investment rose by 0.9 per cent m-o-m in September, while industrial production increased by 1.5 per cent. Consequently the country's economy was reported to have expanded by 0.2 percentage point in September, according to the Ministry of Economic Development.

However, the excessive drought in the country continued to impact consumer prices, which increased by 0.5 per cent m-o-m in October, which was 7.5 per cent on an annual basis.

The purchasing managers index (PMI) for Russia's services sector in October showed the strongest reading since May 2010 at 55.4, up from 52.2 in September and 48.8 in August.

The driving force behind this increase was the expansion of new business, whose index rose strongly to 56.6 in October from 50.9 in September.

Russia's manufacturing sector similarly showed expansion in October, rising to 51.8 from a six-month low of 51.2 in September.

"Taking into consideration the above

challenges, while at the same time acknowledging the momentum in the economy, the GDP forecast for Russia remains unchanged at four per cent for 2010 and at 3.8 per cent for 2011," said the OPEC report.

Turning to China, it said that the country's administration had so far successfully managed the process of decelerating the economy from the elevated levels registered in the first half of 2010.

GDP in the third quarter was recorded at a level of 9.6 per cent y-o-y, down from 10.3 per cent in the second quarter.

"This number and its breakdown by sectors shows robust consumption growth, while at the same time growth in investments is moderating. However, the rebalancing of the country's growth has a long way to go, but this shift towards domestic consumption can be considered as the right direction in balancing the global growth pattern," the report stated.

Domestic consumption continued to expand, with retail sales in September up by 18.8 per cent y-o-y, or by 0.4 per cent on a monthly base.

Exports also expanded further. October's external trade had increased by 22.9 per cent y-o-y from 25.1 per cent in September. However, seasonally-adjusted data showed an expansion for both months. In September, the increase was put at 3.2 per cent m-o-m, while in October the rate was at 2.9 per cent.

"This is certainly a decelerating trend, but still a strong performance, particularly when considering that in August exports declined by 1.4 per cent m-o-m."

Imports similarly showed a stronger-than-expected performance in October, when they increased by 5.6 per cent m-o-m. This compared with 7.5 per cent m-o-m in September.

In the third quarter, China's foreign exchange reserves surged by $194 billion to a record $2.65 trillion.

While the rate of growth of industrial production in September slowed to 13.3 per cent y-o-y, the seasonally-adjusted HSBC China Manufacturing Purchasing Managers' Index increased from 52.9 to 54.8 for the month of October, a considerable m-o-m rise.

China's consumer price index (CPI) remained a challenge for the economy, hitting a 23-month high of 3.6 per cent y-o-y and 0.6 per cent m-o-m in September.

"Taking into consideration that China has successfully managed to so far avoid overheating, while at the same time continuing to grow considerably, the growth forecast for 2010 remains unchanged at 9.5 per cent and at 8.6 per cent for 2011," the OPEC report said.

It stated that India's economy also continued to face the risk of overheating and rising inflation. Therefore, a moderation of industrial output and a stricter monetary policy remained the key highlights for the economy.

Headline inflation in India stood at 8.6 per cent y-o-y in September, as against 8.5 per cent the previous month. Higher food prices, which increased at a rate of 16.4 per cent y-o-y in October, continued to be the major driver for inflation in the rest of the economy.

October's purchasing managers' index showed that the growth of India's manufacturing sector gained pace. The PMI stood at 57.2 in October, versus September's reading of 55.1.

"This momentum transfers into a rise in the GDP forecast for 2010 to 8.5 per cent from 8.2 per cent previously, while the forecast for 2011 remains at the same level of 7.7 per cent," said the report.

In Brazil, it said, the country's high level of expansion continued, but the nation was showing its first signs of moderating growth.

Activity in the manufacturing sector in the country contracted slightly in October, after a slight improvement in the month before. HSBC's seasonally-adjusted Purchasing Managers Index for manufacturing decreased to 49.5 in October from 50.4 the previous month.

Brazil's exports rose faster than imports for the first time since January. The Trade Ministry announced that the country's trade surplus rose to $1.85bn in October from $1.09bn in September. Exports were registered at a value of $18.4bn in October, while imports swelled to $16.5bn. Both numbers showed a roughly 30 per cent y-o-y increase.

"Taking into consideration Brazil's stronger than anticipated most recent growth, the forecast for 2010 was revised upward from the earlier estimate of 6.8 per cent to 7.0 per cent. Due to the deceleration that can be observed currently in the economy, the forecast for 2011 remains unchanged at four per cent," the report said.

Looking at selected OPEC Member Countries, it said that for Saudi Arabia, the seasonally adjusted headline HSBC Purchasing Managers' Index increased in October to 59.9, making up for the decline seen the previous month.

"This is a positive indicator that economic activity continues the growth momentum, largely due to state-powered economic stimulus measures. The private sector expansion has slightly lagged behind, chiefly because of tight credit conditions," the report observed.

Meanwhile, the Saudi Arabian General Investment Authority (SAGIA) announced that it intended to spend as much as $500bn by 2020 on investments in industrial projects, transportation and education.

That should come in addition to $400bn that the Saudi government had already earmarked for the Kingdom in the coming years. SAGIA's investments would target the Kingdom's less developed provinces, in order to achieve a more balanced growth across the country.

Saudi Arabia's consumer price inflation slowed marginally to 5.8 per cent y-o-y in October from 5.9 per cent in September, although monthly inflation remained at 0.5 per cent m-o-m for the third consecutive month, according to the Central Department of Statistics.

Food prices, which accelerated by 8.3 per cent y-o-y and 1.6 per cent m-o-m remained the core driver. Housing and related categories also remained high, increasing by 8.9 per cent y-o-y, although down marginally from the nine per cent recorded in September.

"The latest data shows that imported inflation remains relatively muted with prices in the clothing and footwear, as well as the home furnishing categories, declining. However, this development might change with a further weakening of US dollar," the report said.

It stated that in Qatar, the country's Statistics Authority reported that consumer

price deflation retracted to 0.9 per cent in September y-o-y, down from 2.1 per cent the previous month.

Higher prices for food and many imported goods were a key factor in this dynamic. Falling rents, caused by oversupply of housing, continued to be the biggest suppressant of upward movement of consumer prices.

World oil demand

In its review of the market, the OPEC report said that demand for OPEC crude in 2010 had been revised up by 300,000 b/d to stand at 28.8m b/d.

"This revision reflects mainly the upward adjustment in world oil demand as non-OPEC supply figures remained broadly unchanged. The main revision occurred in the third quarter due to actual data."

It stated that the demand figure for OPEC crude represented a decline of 200,000 b/d from the previous year. The first quarter of the year was still showing a drop of 1.0m b/d, while the second quarter was estimated as being flat. The third quarter was estimated to have positive growth of 700,000 b/d while the fourth quarter remained flat.

Demand for OPEC oil in 2011 was projected to average 29.2m b/d, showing an upward revision of 400,000 b/d from the previous assessment. All quarters saw an upward revision with the bulk of the revision coming in the third quarter, followed by the second quarter.

Required OPEC crude was forecast to increase by 400,000 b/d, following three consecutive annual declines. The bulk of the growth was expected to be seen in the first half of the year, indicating an increase of 700,000 b/d and 500,000 b/d in the first and second quarters, respectively. The second half was forecast to see average growth of 100,000 b/d, compared with a year ago.

The OPEC report stated that despite initial economic assessments that underestimated the second half of the year's economic activities, global oil demand was seen to be picking up in the third and fourth quarters.

OECD oil demand beat expectations, resulting from better economic activities that had been boosted by various stimulus plans.

"The upward risk mentioned in our earlier assessment materialized in the third quarter. North America, Europe, and the Pacific region have shown strength in oil consumption. This has resulted not only from the summer driving season, but also from recovered industrial production activities," said the report.

As a result, an additional 200,000 b/d were added to the demand forecast of the OECD.

"A somewhat steady increase in OECD oil demand in the third quarter poses a signal of recovery for the economy. Another factor that will likely affect world oil demand is the weather in the fourth quarter. A swing in retail petroleum product prices could also affect consumption in the near future to some degree," the report maintained.

It said that although there was a stronger-than-expected recovery in OECD oil demand that had led to an upward revision in the second half, the non-OECD region came in as expected.

"Still, there is a risk in US oil usage, which depends upon to what degree the economy will march ahead and how cold the winter will be."

Given the positive government intervention during the year, the world oil demand growth forecast was revised up by 190,000 b/d to 1.3m b/d, higher by 1.6 per cent.

US industrial activity put pressure on industrial fuel consumption in the third quarter. An additional 7.7 per cent of distillate fuel was consumed in the third quarter, followed by an increase in gasoline demand by 1.2 per cent, resulting from seasonal summer driving.

"This strong growth is partly attributed to an improved economy but also to the low base line of last year. The US has announced another new stimulus plan which will positively affect the country's oil usage in the next six months," the report stated.

October weekly data indicated a slowdown in the usage of energy with contractions in some industrial fuel products, such as residual fuel oil and propane/propylene; however, October had a low seasonality for energy usage.

Year-to-date, 2010 displayed an increasing trend for US oil consumption, following a disappointing first-quarter contraction, mainly due to declining gasoline and weak distillate demand.

"However, demand rebounded later, resulting mainly from a better economy and a low baseline. New government stimulus plans will further call for more oil demand in the near future," the OPEC report said.

Based on almost ten months of data from 2010, and coming from a low baseline, US oil consumption showed growth of 2 per cent, or 300,000 b/d compared with the same period last year.

New US vehicle sales in October increased sharply, while growth in industrial production was flat, or declining, since May this year. New truck sales in the US increased by 23 per cent as a sign of a recovering economy. Auto sales in October were the highest since August last year.

Mexico's September oil demand declined by 90,000 b/d y-o-y to average 2.0m b/d. Due to a slow economy, Mexico's oil demand had been on the decline since July and was expected to achieve slight growth of less than one per cent for the year.

In Canada, oil demand had been on a strong growth trend since February; however this trend was interrupted in August with a sharp decline in jet/kerosene use, which led to minor overall growth. The country's total oil demand growth in August managed to rise by only 19,000 b/d.

Given the slowdown in the US economy, North America's oil demand was expected to expand by only 100,000 b/d in the fourth quarter of this year. Nevertheless, total yearly growth in North America was expected to exceed 350,000 b/d y-o-y in 2010.

European oil demand in September indicated the third consecutive growth in oil consumption for the first time in almost two years. Europe's 'Big Four' oil demand increased in September by 100,000 b/d, compared with 400,000 b/d a month earlier.

Stronger distillate demand in Germany and France, as a result of increased industrial production, was the main reason for the recovery, while transportation fuels were still on the decline.

OECD Europe's total contraction in oil demand was expected to be less than previously forecast; hence, an upward revision of 100,000 b/d was added to show an annual decline of 200,000 b/d in 2010.

The OPEC report said that, in Japan, oil demand had been on the decline for the past few years and was expected to follow the same trend, despite this year's positive growth. The country had been dismantling its excess refining capacity and was embarking on cutting another 1.3m b/d of refining capacity in the next three years.

The year 2010 seemed to be developing into a recovery year for Japan, with the country showing a year-to-date increase of around 2.5 per cent in oil consumption.

"Should this growth continue for the whole year then it would be the first observed growth since 2005," commented the OPEC report.

It stated that the petrochemical industry and thus naphtha, transportation fuels, direct crude burning and residual fuel oil were contributing to the noticeable growth with the help of a low baseline.

"Despite this positive performance, further development of Japanese oil consumption is heavily dependent upon the implementation of an additional economic stimulus plan, which is expected to take place in the remaining months of 2010," added the report.

It noted that in South Korea, the second-largest oil consumer in the OECD Pacific region, there had been observed increases in demand for all oil products, especially gasoline, distillates and naphtha.

"South Korea's oil demand has been fluctuating since the beginning of the year; however it stabilized to a certain degree in the beginning of the second quarter as the country's economy has been pulling out of a prolonged stagnant period."

OECD Pacific oil demand was forecast to show minor growth of 70,000 b/d in 2010, averaging 7.7m b/d, following a devastating decline last year.

India's oil demand in September marked the second month of decline, resulting from weak naphtha use. The country's oil demand fell by 0.5 per cent in September y-o-y. India used four per cent less naphtha in September as a result of fuel switching to gas in the power plant sector.

Nevertheless, the booming Indian economy would consume more energy, not only in the short term, but also in the foreseeable future. The country's oil demand would maintain growth, despite the government's decision to partially remove price subsidies from certain petroleum products.

Despite the slow growth in the third quarter, India's fourth-quarter oil demand was expected to perform better as several economic drivers were pushing the economy forward. India's oil demand was forecast to grow by 80,000 b/d in the fourth quarter, averaging 3.3m b/d.

Thailand's oil demand dipped into the negative at the end of the summer, resulting from reduced use of not only industrial fuel, but also transport fuel. Nevertheless, the country's oil use during the first three quarters of the year showed slight growth of two per cent as a result of higher demand for LPG from the manufacturing sector.

Given the unexpected slowdown in demand by power plants in India, Other Asia's oil demand growth was revised down to show growth of 200,000 b/d, or 1.9 per cent, y-o-y, averaging 10m b/d.

Saudi Arabia's oil demand in September was pushed up by strong fuel oil consumption to achieve growth of 6.5 per cent y-o-y. Following unexpected weak growth in August, September's total oil consumption reached 2.2m b/d.

The Kingdom's oil demand in the third quarter was considered the high season because of the peak consumption of electricity. Summer driving consumed eight per cent more gasoline in September to average total gasoline demand at 412,000 b/d. Year-to-date, Saudi Arabia's oil use grew by 7.3 per cent, or 135,000 b/d.

Iran's oil demand continued to fluctuate with September data showing a 1.4 per cent y-o-y decline. The drop came as a result of a strong decrease in gasoline demand, which exceeded 18 per cent. Year-to-date, the country's gasoline demand dipped by 3.3 per cent, suppressing total oil use down to a decline of 20,000 b/d y-o-y.

Middle East oil demand growth was forecast at 180,000 b/d in 2010.

In South America, Argentina's oil demand had been on an upward trend since September 2009, accumulating total oil demand growth of 1.7 per cent in the first three quarters of this year.

"Demand for OPEC oil in 2011 was projected to average 29.2m b/d, showing an upward revision of 400,000 b/d from the previous assessment."

Brazil's oil demand was highly active as well, achieving growth of 114,000 b/d in the third quarter. This trend was expected to last until the end of the year. Economic activities, along with certain subsidies, were boosting the country's energy consumption.

Developing Countries' oil demand growth was forecast at 600,000 b/d y-o-y in 2010, averaging 26.6m b/d.

China's energy demand was seen booming, despite government wishes to curb energy use. China had also been filling its oil storage.

September data indicated strong growth in gasoline, reaching 8.3 per cent y-o-y. New auto sales increased in China, putting pressure on transport fuel demand. Other economic activities were also pushing the country's energy consumption sharply higher.

Net oil import growth reached 32.7 per cent, averaging 1.4m b/d in September, leading to an apparent use of oil of 9.35m b/d, recording growth of nine per cent y-o-y.

Both transport and industrial sector activity led to an increase in oil demand. Due to the unexpected high oil demand, China's oil demand growth forecast was revised up by 70,000 b/d in 2010 to show growth of 530,000 b/d.

"This massive increase in oil use came about despite government efforts to curb energy use," the OPEC report pointed out.

China's growth in oil demand was also affected by the 17 per cent growth in auto sales in September. The country's new car registrations had been on a steep rise for a few years, which made China the largest auto market in the world.

Russian oil demand was seen back on track with a strong growth trend. The country's oil demand during the first half of the year grew by 160,000 b/d, or 7.6 per cent y-o-y, resulting from high consumption of transport fuel, mainly gasoline. Given strong Russian oil demand, Former Soviet Union (FSU) oil consumption was forecast to show positive growth in 2010 totaling 60,000 b/d, or 1.6 per cent y-o-y.

Looking at 2011, the OPEC report stated that optimism about the outlook for world economic activity next year was growing to some degree.

"However, the expected economic recovery is moving in slow motion and experiencing surprising turbulence. The forecast for world oil demand in 2011 is affected mainly by GDP estimates. Furthermore, oil demand growth will be less than the current year, due to the higher baseline," it stated.

Energy efficiency policies, along with the use of biofuels, would be affecting the use of oil worldwide. An enhanced picture of the OECD economic outlook was resulting in an upward revision for the region's oil demand by 100,000 b/d. Hence, world oil demand growth was now forecast at 1.2m b/d to average 86.9m b/d.

"... global oil supply increased by 780,000 b/d in October to average 86.76m b/d."

The petrochemical and transport sectors were dominant in world oil demand growth in 2011.

The non-OECD region was expected to keep the previous year's oil demand growth pattern, led by Chinese oil demand growth of 5.1 per cent. The region was expected to consume 1.0m b/d more oil than this year. Other Asia and the Middle East would contribute 200,000 b/d each, while Latin America would add 1.5m b/d to total world oil demand growth.

World oil supply

Preliminary figures indicate that global oil supply increased by 780,000 b/d in October to average 86.76m b/d.

Non-OPEC supply experienced growth of 640,000 b/d, while OPEC crude production increased by 140,000 b/d. The share of OPEC crude oil in global production remained steady at 34 per cent in October. The estimate was based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Meanwhile, non-OPEC oil supply was expected to increase by 1.03m b/d in 2010 to average 52.16m b/d, representing a minor upward revision to the supply growth figure of 20,000 b/d from the previous month's report.

Norway, Gabon, and the Ivory Coast supply profiles encountered historical revisions from 2008 that drove the downward revision to total non-OPEC supply in 2010, while upward revisions within 2010 quarters slightly offset the historical revision and increased growth in 2010.

Within 2010, the supply forecasts for the US, Canada, Malaysia, Argentina, Brazil and China experienced upward revisions, while the outlook for the UK, Norway, Denmark, Australia, and Kazakhstan encountered downward revisions.

According to preliminary actual and estimated data, total non-OPEC supply increased by 900,000 b/d during the third quarter of 2010, compared with the same period a year earlier.

On a quarterly basis, non-OPEC supply in 2010 was expected to average 52.18m b/d, 52.17m b/d, 51.99m b/d and 52.30m b/d, respectively.

Total OECD oil supply was forecast to increase by 90,000 b/d to average 19.81m b/d in 2010, following a minor upward revision of less than 10,000 b/d.

According to preliminary actual and estimated data, OECD supply averaged 19.52m b/d in the third quarter, a decline of 350,000 b/d from the previous quarter and a drop of 60,000 b/d from the same quarter last year.

During the first three quarters of 2010, OECD oil supply indicated an average increase of 150,000 b/d, compared with the same period a year earlier.

On a quarterly basis, OECD oil supply in 2010 was seen to average 20.03m b/d, 19.86m b/d, 19.52m b/d and 19.86m b/d, respectively.

Oil supply from North America is expected to increase by 430,000 b/d in 2010, the highest among all regions, to average 14.79m b/d, indicating an upward revision of 50,000 b/d compared with the previous month.

The expected healthy supply growth from the US and Canada and the relatively low anticipated decline from Mexico all supported the North America supply forecast in 2010. On average, North America's oil supply increased by 530,000 b/d during the first three quarters of 2010, compared with the same period of 2009, according to preliminary data.

On a quarterly basis, North America's oil supply in 2010 is expected to stand at 14.71m b/d, 14.86m b/d, 14.86m b/d and 14.72m b/d, respectively.

The report noted that, in the US, the deepwater drilling moratorium had been lifted, yet the resumption in deepwater drilling was seen to be slow as the processing of granting drilling permits was expected to be delayed by tough rules and regulations.

US oil supply was forecast to increase by 330,000 b/d in 2010 to average 8.48m b/d, indicating an upward revision of 30,000 b/d, compared with last month's appraisal.

On a quarterly basis, US oil supply in 2010 was estimated to average 8.44m b/d 8.52m b/d, 8.53m b/d and 8.41m b/d, respectively.

During the first three quarters of 2010, Canadian oil supply indicated an average increase of 110,000 b/d, compared with the same period last year. Oil supply from Canada was projected to grow by this amount in 2010

to average 3.35m b/d, indicating an upward revision of 20,000 b/d compared with last month.

According to preliminary data, Canada's oil supply averaged 3.38m b/d in the third quarter of 2010, representing significant growth of 150,000 b/d compared with the third quarter of 2009.

On a quarterly basis, Canada's oil supply in 2010 was expected to average 3.27m b/d, 3.37m b/d, 3.38m b/d and 3.39m b/d, respectively.

In Mexico, the country's oil supply was put at 2.97m b/d, although for ther whole of 2010 it was expected to decline by 20,000 b/d to average 2.96m b/d.

On a quarterly basis, Mexico's oil supply in 2010 was seen to average 2.99m b/d, 2.97m b/d, 2.95m b/d and 2.92m b/d, respectively.

OECD Western Europe total oil supply was forecast to decline by 320,000 b/d in 2010 to average 4.41m b/d, indicating a downward revision of 30,000 b/d from the previous month.

OECD Western Europe remained the region with the biggest decline among all non-OPEC regions. According to preliminary data, OECD Western Europe's oil supply averaged 4.04m b/d in the third quarter, a decline of 360,000 b/d from the second quarter and a drop of 430,000 b/d from the same quarter in 2009.

On a quarterly basis, OECD Western Europe's oil supply was seen to stand at 4.70m b/d, 4.40m b/d, 4.04m b/d and 4.50m b/d, respectively.

In Norway, maintenance and unexpected shutdowns continued to influence oil production. The country's oil supply was anticipated to decline by 200,000 b/d in 2010 to average 2.1m b/d, representing a downward revision of 10,000 b/d from the previous month.

On a quarterly basis, Norway's oil supply in 2010 was expected to average 2.33m b/d, 2.12m b/d, 1.91m b/d and 2.27m b/d, respectively.

In the UK, the country's oil supply was expected to decline by 90,000 b/d in 2010 to average 1.39m b/d, indicating a downward revision of 10,000 b/d from the previous month. The downward revision came only in the third quarter.

During the first three quarters of 2010, the UK's oil supply declined by an average of 100,000 b/d, compared with the same period last year.

On a quarterly basis, the UK's oil supply in 2010 was expected to average 1.51m b/d, 1.40m b/d, 1.26m b/d and 1.38m b/d, respectively.

Denmark's oil supply was estimated to average 240,000 b/d in 2010, a drop of 20,000 b/d and representing a downward revision of 10,000 b/d from the previous month.

In the OECD Pacific, total oil supply was anticipated to decline by 20,000 b/d in 2010 to average 620,000 b/d, indicating a downward revision of 20,000 b/d from the previous month. The downward revision came from Australia, while New Zealand's oil supply estimate remained unchanged.

On a quarterly basis, total OECD Pacific oil supply in 2010 was seen to average 610,000 b/d, 600,000 b/d, 620,000 b/d and 640,000 b/d, respectively.

Oil supply from Australia was predicted to decline by 20,000 b/d in 2010 to average 520,000 b/d, a downward revision of 20,000 b/d compared with the previous month.

On a quarterly basis, Australia's oil supply in 2010 was seen to stand at 510,000 b/d, 500,000 b/d, 520,000 b/d and 540,000 b/d, respectively.

Developing Countries' oil supply was projected to increase by 350,000 b/d in 2010 to average 12.82m b/d, indicating a minor upward revision of 20,000 b/d to growth, while the absolute level saw a downward revision of 80,000 b/d, compared with the previous month.

In general, the Developing Countries' supply profile remained unchanged from the previous month, with growth expected from Latin America and the Middle East, while Other Asia supply was seen to remain steady, whereas African supply was forecast to decline.

Latin America, supported by Brazil and Colombia, remained the main growth driver within the group. Other Asia and Latin America experienced minor upward revisions of 10,000 b/d and 20,000 b/d, respectively.

On a quarterly basis, Developing Countries' oil supply in 2010 was expected to average 12.79m b/d, 12.82m b/d, 12.85m b/d and 12.81m b/d, respectively.

According to preliminary data, during the first three quarters of 2010, oil supply from this group of countries increased by 400,000 b/d, compared with the same period of 2009.

Other Asia's oil supply was forecast to remain relatively steady with a minor increase of 10,000 b/d in 2010 to average 3.71m b/d, an upward revision of 10,000 b/d compared with the previous month's evaluation.

On a quarterly basis, Other Asia's oil supply in 29010 was seen to stand at 3.73m b/d, 3.71m b/d, 3.73m b/d and 3.68m b/d, respectively.

Latin America's oil supply was projected to increase by 320,000 b/d in 2010 to average 4.73m b/d, representing an upward revision of 20,000 b/d compared with the previous month.

Within the group, during the first three quarters of 2010, Brazil's oil supply increased by 210,000 b/d, compared with the same period a year earlier. In Colombia, oil supply continued to show strong growth in the third quarter, with supply indicating an increase of 120,000 b/d, compared with the same quarter in 2009.

On a quarterly basis, Latin America's oil supply in 2010 was seen to average 4.66m b/d, 4.74m b/d, 4.73m b/d and 4.79m b/d, respectively.

In the Middle East, Oman remained the only country with expected oil supply growth in 2010. Supply from Syria was expected to remain flat, while Yemen's supply was seen to decline.

Middle East oil supply was forecast to increase by 40,000 b/d in 2010 to average 1.76m b/d, flat from the previous month. During the first three quarters of 2010, Middle East oil supply increased by an average of 40,000 b/d, compared with the same period a year earlier.

On a quarterly basis, Middle East oil supply in 2010 was estimated to average 1.77m b/d, 1.77m b/d, 1.77m b/d and 1.74m b/d, respectively.

Africa's oil supply was anticipated to remain relatively flat this year and average 2.61m b/d. On a quarterly basis, supply from the continent was seen averaging 2.63m b/d, 2.60m b/d, 2.62m b/d and 2.60m b/d, respectively.

Total FSU oil supply was forecast to increase by 260,000 b/d in 2010 to average 13.22m b/d,

representing a minor downward revision of less than 20,000 b/d, compared with the previous month.

Supply growth was expected from all the major producers within the FSU in 2010, with Russia at the top of the list. During the first three quarters of this year, FSU oil supply increased by 290,000 b/d on average, compared with the same period of 2009.

On a quarterly basis, total oil supply from the FSU in 2010 was estimated to average 13.12m b/d, 13.18m b/d, 13.23m b/d and 13.35m b/d, respectively.

According to preliminary data, Russia's oil supply registered a new record in October, exceeding the previous month's high by 100,000 b/d. In 2010, Russia's oil supply continued to show solid resilience with monthly output breaking previous record highs six times so far in the year.

Russia's oil supply was projected to grow by 180,000 b/d in 2010 and average 10.10m b/d, unchanged from the previous month. During the first three quarters of 2010, Russia's oil supply increased by 240,000 b/d on average, compared with the same period in 2009.

"Total OPEC crude oil output averaged 29.30m b/d in October, up by 140,000 b/d from the previous month, according to secondary sources."

On a quarterly basis, Russia's oil supply in 2010 was seen averaging 10.09m b/d, 10.12m b/d, 10.13m b/d and 10.07m b/d, respectively.

In October, Russia's oil supply averaged 10.28m b/d, up by 100,000 b/d from September.

Kazakhstan's oil output was anticipated to increase by 60,000 b/d in 2010 to average 1.60m b/d, indicating a downward revision of 20,000 b/d from the previous month. During the first three quarters of 2010, Kazakhstan's oil supply increased by 70,000 b/d on average, compared with the same period of 2009.

On a quarterly basis, Kazakhstan's oil supply in 2010 was estimated to average 1.61m b/d, 1.56m b/d, 1.57m b/d and 1.66m b/d, respectively.

Azerbaijan's oil supply was expected to increase by 40,000 b/d in 2010 to average 1.10m b/d, flat from the previous month. Azeri oil output was expected to increase during the fourth quarter. During the first three quarters, Azerbaijan's oil supply increased by an average of 10,000 b/d over the same period of 2009, lower than the 70,000 b/d average achieved in the same period of 2009 over 2008.

On a quarterly basis, Azerbaijan's oil supply in 2010 was expected to stand at 1.01m b/d, 1.09m b/d, 1.12m b/d and 1.18m b/d, respectively.

According to preliminary data, China's oil supply reached a record high in September, with an increase of 80,000 b/d over the previous month.

The country's oil supply was foreseen to increase by 240,000 b/d in 2010 to average 4.09m b/d, indicating an upward revision of 20,000 b/d from the previous month.

Supply growth forecasts in 2010 were placing China as the country with the second-largest growth to the US among all non-OPEC countries. During the first three quarters of 2010, China's oil supply increased by 250,000 b/d, compared with the same period the previous year.

On a quarterly basis, China's oil supply in 2010 was estimated to average 4.03m b/d, 4.10m b/d, 4.18m b/d and 4.06m b/d, respectively.

Other Europe's oil supply was estimated to remain flat from 2009 and average 140,000 b/d in 2010.

Turning to 2011, the OPEC report stated that non-OPEC oil supply next year was expected to increase by 360,000 b/d to average 52.52m b/d.

The overall outlook for non-OPEC supply in 2011 remained relatively unchanged with strong growth anticipated from Latin America, driven mainly by Brazil and Colombia.

OECD Western Europe was seen to have the largest decline, while US oil supply was expected to remain relatively flat. Russia's oil supply was projected to show a minor decline in 2011; however, given the strong production level in October, the forecast might experience an upward revision over the coming period, depending on supply developments in the fourth quarter.

China's oil supply was anticipated to experience a minor decline, yet could encounter an upward revision in the coming period, depending on output in the fourth quarter.

Canada, India, Oman, Ghana, Kazakhstan and Azerbaijan, in addition to Brazil and Colombia, were expected to continue to drive growth in 2011.

On a quarterly basis, non-OPEC supply in 2011 was seen to average 52.39m b/d, 52.29m b/d, 52.41m b/d and 53.00m b/d, respectively.

OPEC oil production

Total OPEC crude oil output averaged 29.30m b/d in October, up by 140,000 b/d from the previous month, according to secondary sources. Crude oil production experienced a considerable increase from Nigeria and Angola, while output fell from Saudi Arabia and Iraq.

Also according to secondary sources, OPEC crude production, not including Iraq, stood at 26.89m b/d in October, an increase of 160,000 b/d over the previous month.

Output of OPEC natural gas liquids and non-conventional oils was forecast to grow by 440,000 b/d in 2010 to average 4.79m b/d. In 2011, production of OPEC NGLs and non-conventional oils was expected to increase by 450,000 b/d to average 5.24m b/d.

Downstream activity

Looking downstream, the OPEC report said that the strike that started at the Fos-Lavera oil terminal in France and continued for most of October forced the temporary shutdown of more than 1m b/d of refining capacity in the country

and created a shortage of product availability, due mainly to a disruption in the distribution systems, rather than a supply shortage.

"The open arbitrage created to Europe, due to the French strike, has driven the positive market sentiment this month, giving some respite to the weak gasoline market and lending support to refinery margins. However, in some areas, this support has been cancelled out by soft fuel oil demand," it observed.

"Looking ahead, with the approaching end of the refinery maintenance season, moderated runs in some areas will not offset the imbalance in light distillates and the oversupply of fuel oil could pressure refining margins in the coming months," it added.

Refining margins for WTI crude oil on the US Gulf Coast kept part of the gains seen in recent months, showing only a slight drop of $1.5 to stand at around $7/b in October.

In Europe, the refining industry took advantage of the tight supply situation generated by the strike in France and the maintenance season. This temporary shortage increased arbitrage from Asia and the US to Europe and the market was strong enough to allow the recovery in gasoline and distillate gains and the margin for Brent crude in Rotterdam recovered by around $1/b.

Refining margins for Dubai crude oil in Singapore were supported by the gains in light and middle distillate cracks, due to higher naphtha demand from the petrochemical sector and open arbitrage to Europe. Despite the bearish fuel oil sentiment created by the oversupply inflows, refinery margins rose by $1/b in October.

North American refiners continued to keep refinery runs low in an effort to protect the margins. In October, due to the tight situation of products in Europe, gasoline and distillate stocks dropped, causing a recovery of the gasoline crack in the US, which, in combination with stronger distillate demand on both sides of the Atlantic, allowed the US to protect its refining margins.

European refiners kept moderated throughputs, while Asian refiners faced an oversupplied fuel market, however taking advantage of the open arbitrage to Europe. China increased utilization rates.

Refinery utilization rates in the US dropped again during the month to 83 per cent, the lowest level in recent months, which allowed for an additional drop in record-high stock levels.

In contrast, European refiners kept moderated utilization rates, although some refineries raised throughputs to partially compensate for the shutdown in France. According to preliminary data, European refinery utilization rates maintained a similar level from the previous month of around 85 per cent.

In Asia, after the end of the seasonal refinery maintenance in China, refinery run levels increased from 82 per cent to around 85 per cent, while Japan continued with moderated levels of 74 per cent.

"Looking ahead, the seasonal maintenance of some refineries and run cuts cannot offset the high refining spare capacity around the world and in an environment of a fuel oversupplied market and weak margins, operation levels are not expected to rise significantly during the coming months," the report maintained

Oil trade

According to preliminary data, US crude oil imports dropped by 3.9 per cent m-o-m in October to 8.7m b/d, but were 1.6 per cent higher compared with the same month last year.

In the period January-October, US crude oil imports averaged 9.28m b/d, up by 1.7 per cent from the same period last year. US crude oil imports have experienced mixed patterns in 2010 with y-o-y drops during January–March and also in September, resulting in a moderate annual increase, which reflected the modest economic recovery.

US oil product imports in October remained almost at the same level as in September, only 1,000 b/d higher; nevertheless, compared with the same month last year, product imports jumped by 6.3 per cent to 2.46m b/d.

Gasoline imports declined by four per cent, or 33.7,000 b/d, m-o-m to 814,000 b/d, while jet fuel imports declined by 50.1 per cent to 56,600 b/d. Fuel oil imports dropped by six per cent to 497,000 b/d, mostly due to lower refining runs.

On the other hand, propane imports jumped by 67.2 per cent and other products increased by 7.9 per cent, offsetting the decrease in imports shown in gasoline, jet fuel and fuel oil.

Year-to-date, US oil product imports averaged 2.58m b/d, 6.1 per cent less than in the same period last year.

Despite the slowdown in refining runs, US oil product exports increased by just 0.5 per cent m-o-m in October to 2.15m b/d. Fuel oil exports remained almost at the same level as in September, recording 1.14m b/d, just 0.2 per cent less than in the previous month.

Gasoline exports dropped by two per cent in October to 204,000 b/d from a month earlier, while propane and propylene exports fell by 1.3 per cent to 78,000 b/d.

In contrast, jet fuel exports increased by 5.6 per cent, while imports of the Other Products category grew by 2.2 per cent. The increase of these products exports offset the decrease in the export of propane, fuel oil and gasoline.

From January to October, US oil product exports averaged 2.19m b/d, 10.1 per cent more than during the same period last year.

As a result, US net crude oil imports fell by 356,000 b/d in October m-o-m to 8.67m b/d, while net product imports dropped by three per cent to 303,000 b/d. Together, US net crude oil and product imports averaged 8.97m b/d in October, down by 3.92 per cent from a month earlier.

According to preliminary official data, Japan imported 3.45m b/d of crude oil in September, down by 4.1 per cent from August, but 5.2 per cent higher than a year ago, becoming the third consecutive month with a y-o-y gain.

From January to September this year, Japanese crude oil imports averaged 3.66m b/d or 1.6 per cent up from the same period last year. Crude imports in February and June offset the yearly growth during other months.

Japan's oil product imports decreased by four per cent y-o-y in September to 494,000 b/d, down by 15.4 per cent from a month earlier.

The country's oil product exports were also

down by 9.9 per cent m-o-m in September and lower by 3.3 per cent from the same month last year, totaling 625,000 b/d. The increase in refining activity and the decrease in domestic demand were not enough to offset the seasonal decline in exports.

Gasoline imports showed a decrease of 35.8 per cent compared with the previous month at 18,000 b/d, while exports remained almost at August levels of 32,000 b/d.

Gasoil imports fell by 6.4 per cent on the month to 10,000 b/d, while exports increased by 1.8 per cent to 249,000 b/d. Kerosene imports declined by 84.4 per cent to 1,260 b/d, while exports jumped to 11,000 b/d in September from zero exports in August.

Naphtha imports reached 370,000 b/d in September, down by 17.1 per cent from a month earlier. Fuel oil imports stood at 92,000 b/d in September, up by 3.9 per cent from the previous month, while exports dropped by 25.8 per cent m-o-m to 113,000 b/d. Jet fuel exports fell by 211,000 b/d, 15.8 per cent less than in August.

As a result, Japanese net oil and product imports in September stood at 3.69m b/d, representing a decrease of 186,000 b/d, or 4.8 per cent, from August, and 154,000 b/d, or 4.4 per cent, higher than in the same period last year.

Year-to-date, Japanese net oil imports averaged 4.06m b/d, 4.2 per cent higher than in the same period last year.

China's crude oil imports surged to a new high of 5.7m b/d in September, up by 15.1 per cent from August and 35.4 per cent more than in the same month last year.

During the January-September period, China imported 4.86m b/d of crude oil on average, 24 per cent more than during the same period last year.

The country's crude oil exports increased sharply by 64.7 per cent m-o-m during September to 96,000 b/d.

China imported 947,000 b/d of oil products in September, up by 10.4 per cent from August and 4.8 per cent higher than in September 2009. Product exports in September amounted to 620,000 b/d, down by 5.3 per cent from August, but up by 5.6 per cent from a year ago.

China exported 109,700 b/d of gasoline in September, up by 8.7 per cent from the previous month, but down 23.7 per cent compared with a year earlier.

Fuel oil imports in China were put at 384,300 b/d in September, up by 4.7 per cent from August, and 0.8 per cent higher than in the same month last year.

China exported 91,500 b/d of gasoil in September, down by 4.2 per cent from August, while gasoil imports jumped by 35.76 per cent m-o-m to 36,800 b/d.

Naphtha exports slumped by 53.8 per cent in September m-o-m and were 70.4 per cent lower than a year ago. Imports of the product reached 66,400 b/d, up by four per cent m-o-m and down 34.8 per cent y-o-y.

China exported 136,700 b/d of jet fuel in September, up by 11 per cent from the previous month. Imports of the product increased by 17.6 per cent m-o-m to 110,200 b/d.

China's net oil imports reached 5.9m b/d in September, up by 16.4 per cent from August and 33.8 per cent higher than in the same month in 2009. The year-to-date average for net oil imports stood at 5.1m b/d, 18.6 per cent higher than in the same period last year.

India's crude oil imports fell by 3.5 per cent in September from the same month last year, according to preliminary data. On a monthly basis, India's crude oil imports were up by 8.6 per cent m-o-m to 2.67m b/d.

From January to September, India's crude oil imports averaged 2.93m b/d, 8.5 per cent up from the same period last year.

The country's oil product imports increased by 31.6 per cent during September, compared with the same month last year, reaching 321,000 b/d. Indian product imports experienced growth of five per cent.

In contrast, India's oil product exports dropped by 7.3 per cent y-o-y in September to 548,000 b/d and decreased by 7.4 per cent from August levels.

India's oil product exports year-to-date averaged 819,000 b/d, up by 36.8 per cent compared with the same period last year. Oil product imports increased by 8.3 per cent during the same period to 347,000 b/d.

Diesel imports were down by 85.2 per cent in September m-o-m, whereas exports grew by 27.6 per cent to 104,400 b/d; nevertheless, y-o-y gasoil exports slumped by 77.4 per cent.

India's imports of gasoline were 3.3 per cent up in September from the previous month to 34,800 b/d, while exports decreased by 25.6 per cent to 101,600 b/d. Compared with the same month last year, gasoline exports dropped by 47.1 per cent.

The country's LPG imports declined by 12.8 per cent m-o-m to 67,120 b/d, while naphtha imports decreased by 25.6 per cent to 44,750 b/d. Kerosene imports jumped to 44,750 b/d, while naphtha exports slumped by 14.5 per cent m-o-m to 139,800 b/d. India's fuel oil imports increased by 3.3 per cent to 17,400 b/d, while exports dropped by 20.9 per cent to 106,000 b/d.

India's net oil and product imports reached 2.45m b/d in September, up by 12.4 per cent from August and 0.9 per cent higher than the average recorded a year earlier.

During January-September this year, India's average net oil and product imports amounted to 2.45m b/d, 1.5 per cent more than in the same period last year.

FSU crude exports slipped by 6.8 per cent m-o-m in September to 6.36m b/d, the lowest level since November 2008. Compared with the same month last year, the decline was 4.9 per cent.

Year-to-date, crude exports from the FSU region reached an average of 7.57m b/d, an increase of 14.4 per cent over the same period last year.

Russian pipeline exports fell to 3.79m b/d in September from 4.07m b/d in August, the lowest level since February. Exports of Urals crude from the Black Sea ports fell considerably, triggering record-high differentials in the Mediterranean and 14-year highs in Northwest Europe.

From Ukraine's port of Pivdenne, crude oil exports declined by 94.8 per cent compared with August to reach 4,800 b/d.

FSU oil product exports declined by 5.1 per cent in September to 2.68m b/d from a month earlier. Only gasoline and vacuum gasoil experienced some increase, while naphtha remained

at similar levels and other product exports declined.

Fuel oil exports dropped by 8.3 per cent to 1.27m b/d, due to higher domestic demand, while utilities started to stock up ahead of the heating season.

Gasoil and diesel exports declined in September to their lowest level in two years. Moscow refinery recorded the sharpest reduction with around a 240,000 b/d cut in response to maintenance.

During the first nine months of the year, oil product exports from the FSU averaged 2.85m b/d, a decline of 1.2 per cent from the same period last year.

Stock movements

Concerning stock movements, the OPEC report stated that US commercial inventories at the end of October declined by 11.6m b, reversing the revised build of 8.2m b the month before.

Crude and oil product stocks moved in opposite directions as crude stocks built by 7.2m b, while products saw a substantial drop of 18.8m b.

Despite the drop, US commercial inventories stood 27.2m b, or 2.5 per cent, above a year ago and remained at a comfortable level, representing a surplus of 107m b, or 10.5 per cent, over the five-year average.

With the revised monthly data, US commercial inventories in October showed the first drop since the 2.8m b decline recorded in February 2010.

At the end of October, US crude stocks rose by 7.2m b for the third consecutive month to stand at the highest level since May 2009. The build was driven by lower utilization rates as US crude oil refinery input declined by 210,000 b/d to 13.9m b/d, but remained at almost the same level as a year ago.

The level corresponded to a refinery utilization rate of 81.8 per cent, 1.3 per cent lower than in the previous month. Refiners were operating at their lowest level in just over eight months, but with refinery turnaround in the US coming to and end and units coming onstream, refiners were expected to increase runs and US crude stocks may begin to ease.

However, the build in October was limited by a sharp drop in crude oil imports, which fell by over 600,000 b/d to average 8.7m b/d, but still remained above a year ago. Cushing inventories continued to slide, falling by 1.6m b to 33.5m b.

In contrast to the continued build in crude, total US oil product stocks fell to 759.2m b for the first time in six consecutive months of build. The draw was driven by the fall in gasoline and distillates and to a lesser extent to jet fuel.

Despite the draw, total oil product stocks remained healthy at 53m b, or 7.4 per cent, above the five-year average, but stood 1.1 per cent below a year ago at the same time.

US gasoline stocks fell by 7.7m b to 212.3m b as refineries cut crude runs and gasoline production declined. US gasoline demand remained relatively strong.

Although falling back from the strong spike of 9.3m b/d seen in the week ending October 22, gasoline consumption stabilized at a level consistent with the seasonal trend at 9.0m b/d.

Despite the draw, US gasoline stocks remained 12m b, or six per cent, above the seasonal norm and slightly above a year earlier.

The drop of 7.6m b in middle distillate stocks could be attributed to higher exports. In fact, middle distillate stocks arbitrage from the US Gulf Coast to Latin America and Europe was one main factor adding momentum to the drawdown as US distillate production remained higher at 4.2m b/d, almost 100,000 b/d more than in the previous month.

An improvement in distillate demand averaging 4.0m b/d also provided some support to the decline in distillate stocks.

The improvement was not only supported by increasing heating oil consumption, but also by some bullish news of economic growth. Recent economic reports indicated stronger durable goods orders, which would support demand for transportation fuel.

At 164.9m b, total distillate inventories remained at a very comfortable level of 35m b, or 27 per cent, above the five-year average.

Jet fuel stocks dropped by 1.4m b to 45.8m b, while residual fuel oil inventories rose by 1.0m b to 40.6m b, reflecting lower demand. The products indicated a surplus of 5.8 per cent and 14 per cent, respectively, with the five-year average.

European total oil inventories (EU plus Norway) in October rose by 8.5m b, reversing the substantial drop seen in the previous month. They were driven by the build of 10.7m b in crude, while oil products declined by 2.2m b.

At 1,128.4m b, European inventories stood 6.3m b, or around one per cent, above the five-year average. However, they remained 2.8m b below a year ago at the same time.

The region's crude oil stocks stood at 470.9m b in October, up from the previous month, but still 5.4m b, or 1.1 per cent, below the seasonal norm. However, the stocks remained almost at the same level as a year ago.

The build was mainly on the back of weakening refinery runs which declined by nearly 1.0m b/d to average 10.16m b/d from a month earlier. They were almost 500,000 b/d down from October 2009.

The strikes in France, which resulted in the closure of most of the country's refining system, combined with large-scale refinery maintenance in Europe, cut crude runs in EU countries. The weak supply environment in the North Sea also contributed to the decline in demand for crude.

On the product side, gasoline stocks rose by just 800,000 b to stand at 112.7m b despite supply disruptions. Gasoline inventories remained 15.8m b, or 12.3 per cent, below the five-year average and 6m b, or 5.1 per cent, below year earlier level.

"However, as French refiners emerge from the strike, leading to higher gasoline output, combined with weak demand, this should result in a gasoline inventory build in the coming weeks," the OPEC report observed.

Middle distillates saw the bulk of the drop, declining by 1.4m b to 400.0m b, but remained at a very comfortable level with a surplus of 25.7m b, or seven per cent, over the five-year average, but still 8.9m b, or 2.2 per cent, below a year ago in the same period.

"The improvement in heating oil demand in Europe, due to the winter season, will result in a further draw in middle distillate stocks. This development may happen even despite the expectation of a strong rebound in refinery output," the report stated.

Residual fuel oil stocks fell by 300,000 b in October to 117.4m b, reversing the build that occurred the previous month. Fuel oil stocks stood 6.2m b above a year ago, but 4.0m b lower than the historical norm.

In Japan, preliminary indications, based on weekly data published by PAJ, showed that commercial oil stocks reversed the trend observed in September to rise by 7.9m b in October to 168.8m b.

The build was divided between crude and oil products, which increased by 3.8m b and 4.1m b, respectively. Despite the build, Japanese oil stocks remained 15.5 per cent below the five-year average and slightly below a year ago at the same time.

The build in crude oil stocks could be attributed to the decline of 2.4 per cent in crude runs, which corresponded to a refinery utilization rate of 73.9 per cent. This rate was expected to improve in the coming weeks as refineries in Japan often finished seasonal maintenance work before winter demand arrived.

At 92.9m b, Japan's crude oil stocks at the end of September were 21 per cent below the five-year average, but 1.6 per cent above a year ago.

"The improvement in heating oil demand in Europe ... will result in a further draw in middle distillate stocks."

Within products, all components rose with the bulk of the increase coming from middle distillates, which gained 2.8m b to stand at 35.1m b. Kerosene stocks peaked to their highest level since December 2009, while gasoil stocks rose by 4.7 per cent to their highest level since September 2009.

Gasoline stocks rose by 200,000 b to 12.7m b at the end of October as gasoline demand fell with the Japanese yen appreciation continuing to weigh on the domestic economy. Fuel oil stocks rose by 500,000 b to 16.4m b, driven by weak fuel oil demand.

At 75.9m b, total oil product stocks at the end of October remained 3.3 per cent below a year ago and 11.6 per cent less than the five-year average.

In Singapore at the end of September, oil product stocks fell by 1.4m b, reversing the build recorded the previous month.

At 46.71m b, Singapore product stocks stood 2.3m b, or 5.1 per cent, above a year ago. All products saw a drop with the bulk of the decrease coming from fuel oil inventories, which declined by 1.15m b, followed by light and middle distillates which fell by 140,000 b and 110,000 b, respectively.

At 22.13m b, fuel oil stocks showed a surplus of 3.1m b, or 16 per cent, above a year ago. Middle distillate stocks fell to 13.09m b, leaving them 1.5m b, or ten per cent, below 2009.

Light distillate stocks fell to 11.49m b, but remained 600,000 b, or 5.9 per cent, above a year ago in the same period.

Preliminary data for the end of October, based on weekly information, showed that oil product inventories in Singapore rose by 430,000 b to 47.14m b leaving them 1.7m b, or 3.8 per cent, above a year ago.

Within products, the picture was mixed. Light distillates and fuel oil stocks fell by 700,000 b and 800,000 b, respectively, while middle distillates rose strongly by 2m b.

However, distillate stocks were expected to fall in coming months as Chinese plants turned to diesel for power generation.

At 15.02m b, middle distillate stocks stood 1.4m b, or 10.6 per cent, above the previous year at the same time. Light distillates stood at 10.83m b at the end of October, representing a surplus of 5.5 per cent compared with a year earlier, while fuel oil stocks stood at 21.29m b, 1.3 per cent above a year ago.

In the Amsterdam-Rotterdam-Antwerp (ARA) area, oil product stocks at the end of September reversed the trend observed the previous month to fall by 300,000 b to 38.28m b.

With the draw, ARA products stocks stood lower than a year ago, showing a deficit of 1.5m b, or 3.8 per cent.

The picture was mixed with gasoline, fuel oil and jet fuel seeing a build, while naphtha and gasoil indicated a draw. Gasoil stocks saw a large drop of 2.8m b to stand at 18.0m b, representing a deficit of 3.8m b and 17 per cent versus a year ago.

The draw in gasoil stocks came on the back of higher gasoil exports, which outpaced imports coming from Norway and Russia.

Fuel oil stocks rose by 1.6m b to 6.19m b, indicating a surplus of 1.8m b, or 39 per cent, over a year ago.

Gasoline inventories rose by 800,000 b to 7.81m b in the transition to winter grades. Gasoline stocks stood 1.8m b, or 29 per cent, above a year ago.

Jet fuel oil stocks increased by 340,000 b to 5.91m b as imports coming from France, Norway and the UK outpaced exports, mainly to the US.

Preliminary data for the end of October, based on weekly information, showed that product stocks in ARA continued to fall for the second consecutive month, declining by nearly 3m b to stand at 35.3m b.

The draw widened the deficit with a year ago to 5.4 per cent from 3.8 per cent a month earlier.

With the exception of naphtha, all other products experienced draws. The bulk of the drop came from gasoline, which declined by 1.6m b to 6.23m b, but remained at the same level as a year ago.

The draw in gasoline stocks to a year-low was influenced by the strike at France's main oil port of Fos-Lavera.

Gasoil stocks fell by 900,000 b to 17.1m b, leaving them 2.9m b, or 13.6 per cent, below a year ago.

Jet fuel oil stocks dropped by 530,000 b to 5.7m b, but remained 600,000 b, or 11.2 per cent, above a year ago.

On the upside, naphtha stocks rose by 100,000 b to 450,000 b, showing a surplus of three per cent compared with a year ago.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2005**	**2006**	**2007**	**2008**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**
OECD	49.9	49.6	49.3	47.6	45.5	45.8	45.1	45.8	46.1	45.7	46.1	45.2	45.8	46.3	45.8
North America	25.6	25.4	25.5	24.2	23.3	23.5	23.7	23.8	23.7	23.7	23.8	23.8	24.0	24.0	23.9
Western Europe	15.7	15.7	15.5	15.4	14.5	14.2	14.1	14.6	14.4	14.3	14.2	14.1	14.5	14.3	14.3
Pacific	8.6	8.5	8.4	8.0	7.7	8.2	7.3	7.4	8.0	7.7	8.2	7.3	7.4	8.0	7.7
Developing countries	22.7	23.5	24.6	25.5	26.0	26.2	26.6	26.8	26.8	26.6	26.8	27.1	27.3	27.4	27.2
FSU	3.9	4.0	4.0	4.1	4.0	4.0	3.8	4.2	4.2	4.0	4.0	3.8	4.2	4.3	4.1
Other Europe	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.6
China	6.7	7.2	7.6	8.0	8.3	8.2	8.9	9.2	8.8	8.8	8.7	9.4	9.7	9.2	9.2
(a) Total world demand	**84.1**	**85.2**	**86.4**	**85.9**	**84.5**	**84.9**	**85.1**	**86.6**	**86.6**	**85.8**	**86.2**	**86.1**	**87.6**	**87.8**	**87.0**
Non-OPEC supply															
OECD	20.4	20.1	20.0	19.5	19.7	20.0	19.9	19.5	19.9	19.8	19.8	19.6	19.5	19.9	19.7
North America	14.1	14.2	14.3	13.9	14.4	14.7	14.9	14.9	14.7	14.8	14.8	14.8	14.8	15.0	14.9
Western Europe	5.7	5.3	5.2	5.0	4.7	4.7	4.4	4.0	4.5	4.4	4.4	4.2	4.1	4.3	4.2
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6
Developing countries	11.9	12.0	12.0	12.3	12.5	12.8	12.8	12.9	12.8	12.8	13.0	13.1	13.2	13.4	13.2
FSU	11.6	12.0	12.5	12.6	13.0	13.1	13.2	13.2	13.4	13.2	13.3	13.3	13.4	13.4	13.4
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.1	4.1	4.0	4.1	4.1	4.1	4.1
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	49.9	50.4	50.3	51.1	52.2	52.2	52.0	52.3	52.2	52.4	52.3	52.4	53.0	52.5
OPEC NGLS and non-conventionals	3.9	3.9	4.0	4.1	4.4	4.6	4.8	4.8	5.0	4.8	5.1	5.2	5.3	5.4	5.2
(b) Total non-OPEC supply and OPEC NGLS	**53.5**	**53.8**	**54.4**	**54.5**	**55.5**	**56.8**	**56.9**	**56.8**	**57.3**	**57.0**	**57.5**	**57.5**	**57.7**	**58.4**	**57.8**
OPEC crude supply and balance															
OPEC crude oil production[1]	30.7	30.5	30.2	31.2	28.7	29.2	29.1	29.2							
Total supply	84.2	84.4	84.6	85.7	84.2	86.0	86.0	86.0							
Balance[2]	0.1	-0.8	-1.9	-0.2	-0.3	1.1	0.9	-0.6							
Stocks															
OECD closing stock level *m b*															
Commercial	2587	2668	2572	2697	2676	2676	2761	2771							
SPR	1487	1499	1524	1527	1567	1567	1563	1563							
Total	4073	4167	4096	4224	4242	4242	4324	4334							
Oil-on-water	954	919	948	969	873	873	876	905							
Days of forward consumption in OECD															
Commercial onland stocks	52	54	54	59	59	59	60	60							
SPR	30	30	32	34	34	35	34	34							
Total	82	84	86	93	93	94	94	94							
Memo items															
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.2	9.4	9.1	9.1	9.2	9.3	9.5	9.2	9.2	9.3
[(a) – (b)]	**30.6**	**31.4**	**32.0**	**31.4**	**29.0**	**28.1**	**28.1**	**29.8**	**29.3**	**28.8**	**28.8**	**28.6**	**29.9**	**29.4**	**29.2**

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 138 while* ***Graphs 1 and 2*** *on page 139 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 140–141 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2010

$/b

Crude/Member Country	2010 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Weeks 36–43 (week ending) Sep 10	Sep 17	Sep 24	Oct 1	Oct 8	Oct 15	Oct 22	Oct 29
Arab Light – Saudi Arabia	76.46	73.32	77.24	82.75	75.50	73.84	72.63	74.21	74.55	79.93	73.82	75.28	74.71	76.44	80.44	80.49	79.13	79.72
Basrah Light – Iraq	75.74	72.25	77.17	81.35	73.15	72.09	72.14	73.39	73.70	79.36	72.86	74.41	73.88	75.92	80.16	79.91	78.31	79.06
Bonny Light – Nigeria	77.39	75.04	80.40	86.14	76.87	76.00	77.04	78.82	79.65	84.35	78.80	80.36	80.15	81.75	85.62	84.77	82.97	84.01
Es Sider – SP Libyan AJ	76.14	73.59	78.85	84.49	74.87	73.65	74.84	76.27	77.15	82.60	76.30	77.86	77.65	79.40	83.87	83.02	81.22	82.26
Girassol – Angola	76.78	73.95	79.45	84.38	75.53	74.85	74.78	76.55	77.25	82.55	76.51	77.41	77.84	79.73	83.45	82.95	81.36	82.42
Iran Heavy – IR Iran	75.72	72.54	76.93	82.09	74.09	71.83	71.07	73.20	73.58	78.99	72.94	74.31	73.82	75.25	79.38	79.52	78.33	78.85
Kuwait Export – Kuwait	75.69	72.27	76.29	81.64	74.23	72.03	70.69	72.42	72.92	78.10	72.28	73.68	73.11	74.54	78.49	78.64	77.41	77.95
Marine – Qatar	77.07	73.91	77.35	83.62	76.58	73.97	72.54	74.48	75.26	80.31	74.65	76.00	75.55	76.65	80.67	80.92	79.62	80.17
Merey* – Venezuela	71.27	68.47	70.65	73.12	65.86	65.10	65.99	67.19	66.91	71.21	66.50	67.21	66.50	68.69	71.89	71.43	70.32	71.27
Murban – UAE	78.19	75.22	79.18	85.38	78.57	75.90	74.42	76.12	76.93	82.20	76.34	77.67	77.20	78.37	82.57	82.77	81.53	82.09
Oriente – Ecuador	72.94	69.38	72.11	75.45	68.62	69.19	68.72	69.27	70.69	76.42	69.78	70.64	70.86	73.15	77.10	77.05	75.77	75.84
Saharan Blend – Algeria	76.79	74.54	79.70	84.99	75.67	75.05	76.49	78.22	78.95	83.90	78.10	79.66	79.45	81.10	85.17	84.32	82.52	83.56
OPEC Reference Basket	76.01	72.99	77.21	82.33	74.48	72.95	72.51	74.15	74.63	79.86	73.93	75.28	74.86	76.53	80.52	80.36	78.95	79.66

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2010

$/b

Crude/country	2010 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Weeks 36–43 (week ending) Sep 10	Sep 17	Sep 24	Oct 1	Oct 8	Oct 15	Oct 22	Oct 29
Minas – Indonesia[1]	79.82	76.12	81.60	90.24	82.47	78.87	75.59	77.93	79.47	83.35	78.15	80.20	80.28	81.86	84.85	83.96	81.77	82.58
Arab Heavy – Saudi Arabia	75.60	71.98	75.87	81.13	73.72	71.19	69.59	71.42	71.88	76.98	71.30	72.66	72.09	73.33	77.29	77.52	76.36	76.88
Brega – SP Libyan AJ	76.49	73.84	79.10	84.89	75.37	74.35	75.49	77.12	77.95	83.00	77.10	78.66	78.45	80.12	84.27	83.42	81.62	82.66
Brent – North Sea	76.19	73.64	78.90	84.79	75.57	74.85	75.64	77.07	77.80	82.75	76.95	78.51	78.30	79.95	84.02	83.17	81.37	82.41
Dubai – UAE	76.69	73.40	77.31	83.59	76.49	73.99	72.49	74.28	75.13	80.22	74.56	75.89	75.30	76.60	80.56	80.74	79.56	80.13
Ekofisk – North Sea	77.39	74.48	79.71	85.59	75.96	76.15	76.75	78.22	78.87	83.68	78.00	79.58	79.42	81.07	85.05	84.29	82.52	82.80
Iran Light – IR Iran	75.62	72.87	77.70	82.70	73.21	73.13	73.39	75.06	76.82	82.32	75.34	77.95	77.78	79.45	83.61	82.69	81.22	81.75
Isthmus – Mexico	76.10	74.06	79.00	83.42	73.73	73.41	74.30	75.50	74.16	79.58	73.54	74.62	73.60	76.86	80.34	79.92	78.59	79.42
Oman – Oman	77.01	73.85	77.72	83.67	76.75	74.18	72.59	74.57	75.43	80.44	74.83	76.22	75.68	76.84	80.72	80.99	79.86	80.32
Suez Mix – Egypt	73.12	70.04	74.00	79.70	70.42	71.47	70.91	72.58	74.63	78.76	74.34	75.47	74.82	76.08	79.89	79.44	77.40	78.30
Tia Juana Light[2] – Venez.	74.66	72.87	77.50	81.67	72.04	71.65	72.74	74.07	72.60	77.91	71.99	73.05	72.05	75.25	78.66	78.24	76.94	77.76
Urals – Russia	76.09	72.84	77.04	82.51	74.10	74.37	73.80	75.45	77.39	81.53	77.07	78.25	77.59	78.85	82.66	82.21	80.17	81.07
WTI – North America	78.30	76.34	81.25	84.44	73.65	75.29	76.11	76.62	75.14	81.89	74.70	75.50	73.73	78.33	82.36	82.14	81.17	81.96

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

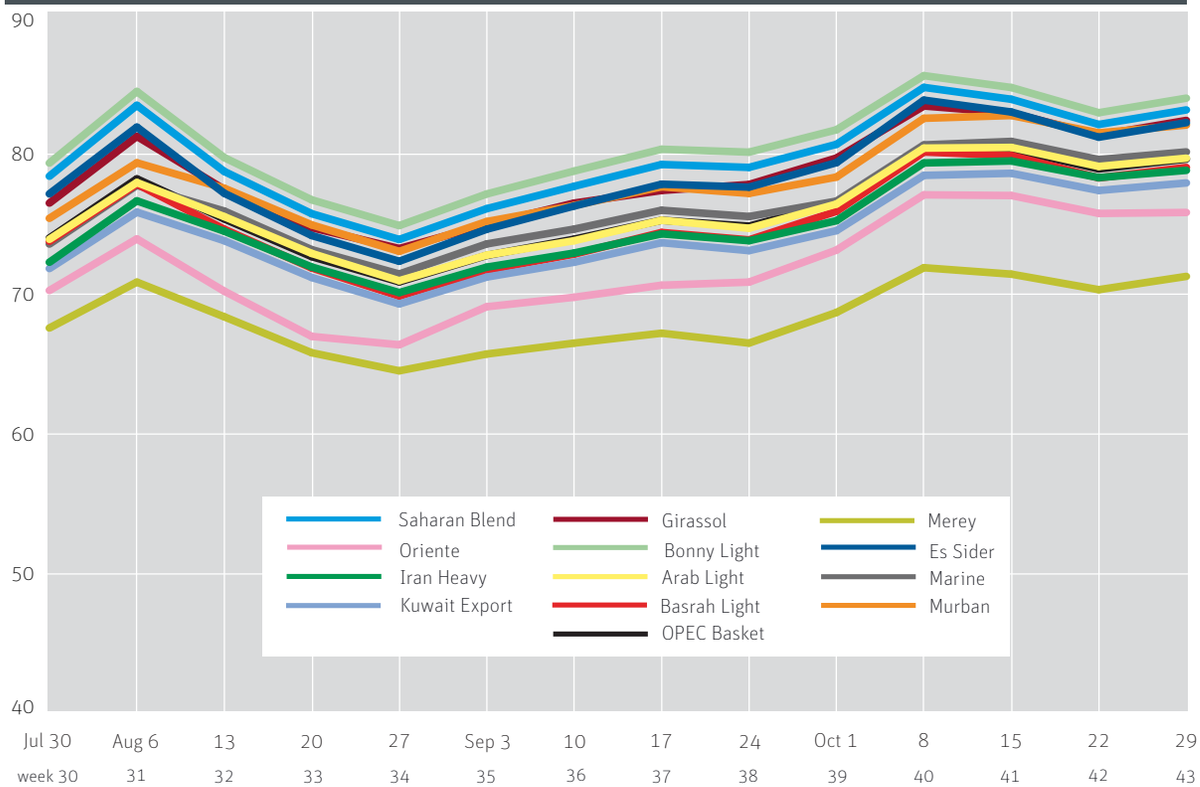
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

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

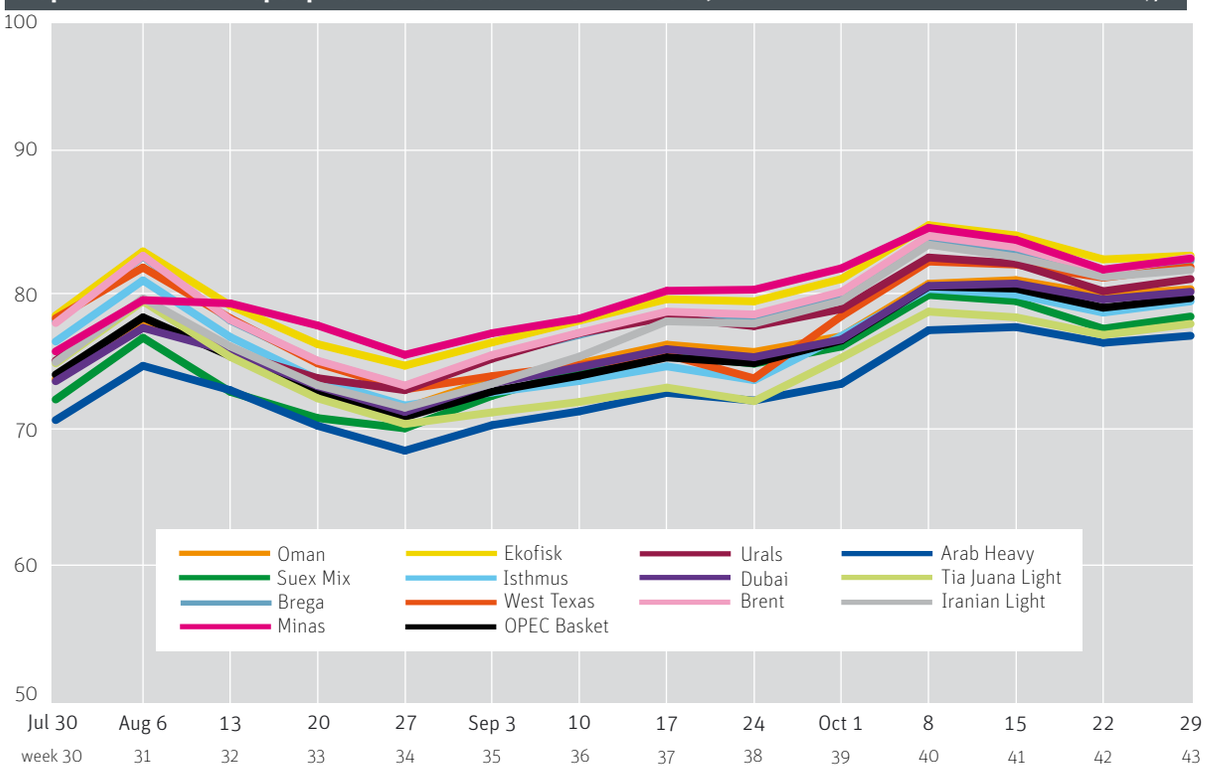
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket crudes, 2010 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2010 *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

Table and Graph 3: North European market — spot barges, fob Rotterdam

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2009	October	69.17	68.89	79.16	81.60	82.53	68.35	66.93
	November	74.60	72.67	83.50	83.25	85.40	73.68	71.03
	December	75.35	70.59	79.68	81.62	83.56	69.02	68.36
2010	January	79.05	71.54	84.65	84.11	86.46	72.55	71.29
	February	75.07	72.19	83.11	81.53	83.38	69.94	67.51
	March	80.82	71.87	92.38	88.75	89.50	73.25	70.47
	April	81.43	71.29	94.75	95.83	96.16	76.70	73.31
	May	75.25	72.22	85.03	87.79	88.68	70.16	67.44
	June	72.81	72.97	86.01	90.03	84.66	70.33	66.24
	July	69.33	73.31	86.85	89.10	84.77	71.28	66.74
	August	73.29	73.65	86.77	91.10	89.01	72.50	68.62
	September	75.12	74.36	89.26	90.47	90.19	70.23	67.81
	October	83.47	75.02	96.08	96.88	96.35	73.78	71.94

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

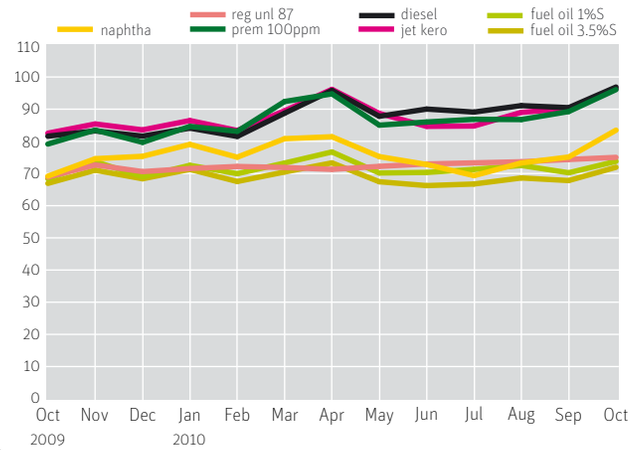


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2009	October	67.57	54.32	61.68	68.18	67.11
	November	72.83	56.21	64.15	72.97	71.00
	December	73.04	56.29	64.25	69.92	68.20
2010	January	76.30	57.10	65.18	72.10	70.82
	February	72.61	58.00	65.31	69.58	67.38
	March	78.63	57.55	65.24	72.39	68.79
	April	79.52	56.58	64.30	76.90	73.02
	May	73.26	59.76	59.76	69.78	66.58
	June	70.99	59.98	60.01	68.04	65.99
	July	66.56	59.99	60.23	70.62	65.61
	August	71.39	59.99	60.23	71.80	68.87
	September	73.69	60.19	60.26	70.21	66.78
	October	81.91	60.22	60.40	72.90	71.76

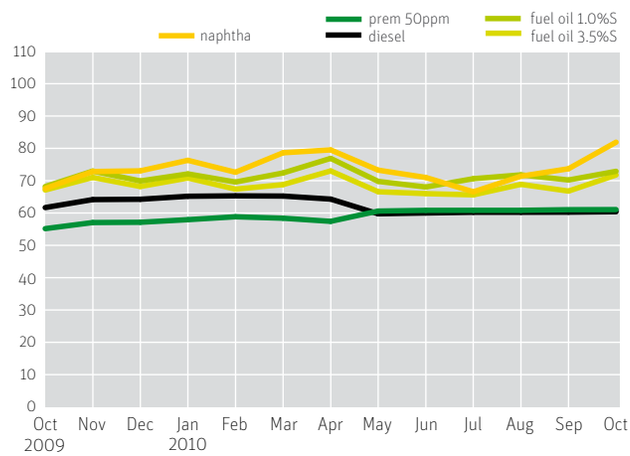
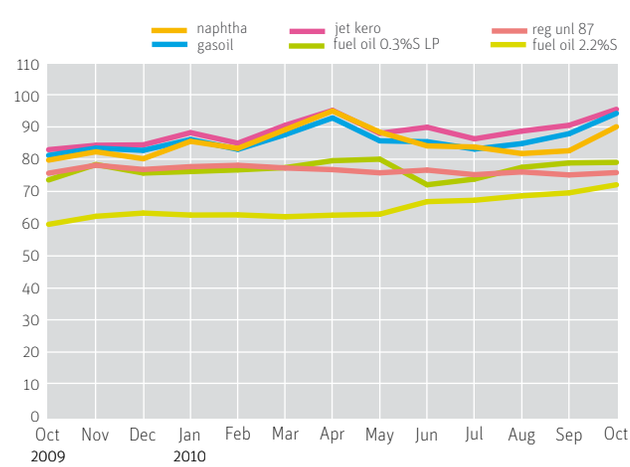


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2009	October	75.66	79.71	81.17	82.95	73.56	59.80
	November	78.12	82.30	83.42	84.31	78.34	62.29
	December	76.81	80.13	82.73	84.44	75.70	63.29
2010	January	77.68	85.54	86.11	88.23	76.17	62.67
	February	78.10	83.34	83.05	84.96	76.68	62.74
	March	77.27	89.13	87.63	90.51	77.38	62.16
	April	76.76	94.96	92.79	95.13	79.53	62.63
	May	75.77	88.39	85.69	88.03	80.00	62.95
	June	76.62	84.12	85.41	89.91	72.06	66.84
	July	75.19	83.78	83.14	86.31	73.83	67.26
	August	76.05	81.74	84.83	88.71	77.47	68.63
	September	75.12	82.62	87.90	90.51	78.83	69.56
	October	75.84	90.07	94.21	95.47	79.01	72.06



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2009	October	74.90	55.78	82.99	65.50	63.97
	November	77.85	56.46	84.70	70.04	68.39
	December	78.45	56.18	84.67	68.60	66.96
2010	January	82.37	57.12	87.67	70.31	70.57
	February	80.25	56.18	84.94	71.75	70.57
	March	85.40	57.63	89.96	74.99	73.99
	April	88.59	59.41	96.02	77.41	76.40
	May	81.08	57.03	88.07	70.78	69.65
	June	81.67	56.93	87.77	70.14	68.99
	July	79.60	56.29	86.41	70.51	69.36
	August	77.25	57.07	89.08	71.88	70.80
	September	79.04	57.72	89.93	68.79	67.39
	October	83.85	59.70	95.56	68.95	67.49

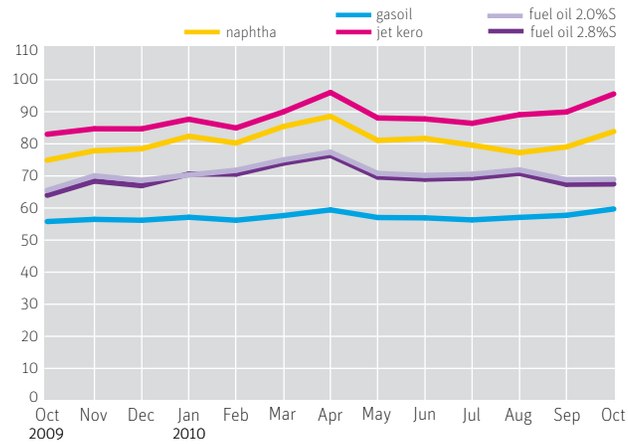


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2009	October	69.20	77.71	76.05	81.95	80.07	68.85	68.86
	November	76.21	81.89	79.88	85.29	84.95	72.84	72.90
	December	78.28	81.85	78.95	82.69	83.24	72.79	72.65
2010	January	80.66	88.01	84.87	85.89	82.23	75.55	75.11
	February	75.76	86.49	83.55	83.30	82.23	71.88	71.15
	March	80.84	90.86	88.48	88.63	87.49	73.04	71.89
	April	83.13	94.06	95.24	95.91	94.82	76.33	75.57
	May	77.43	85.12	88.30	89.24	88.12	71.10	71.15
	June	72.42	83.26	81.54	87.36	86.64	71.45	68.31
	July	68.57	82.42	81.99	86.32	85.32	69.68	68.46
	August	73.31	82.52	80.83	88.10	87.23	71.32	69.58
	September	74.52	82.55	80.58	88.53	87.81	70.07	68.92
	October	82.97	89.71	87.66	94.97	94.30	74.42	73.05

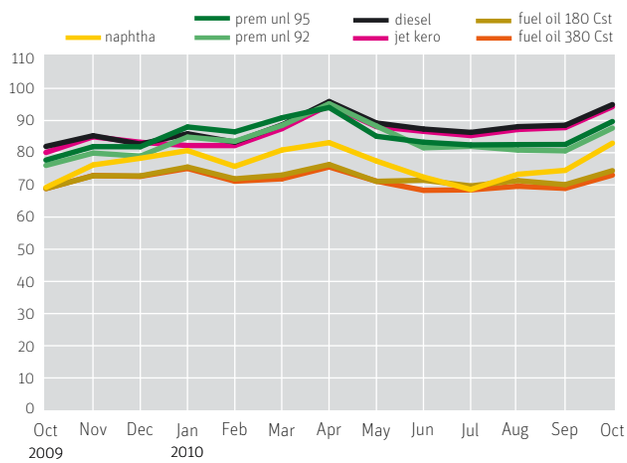
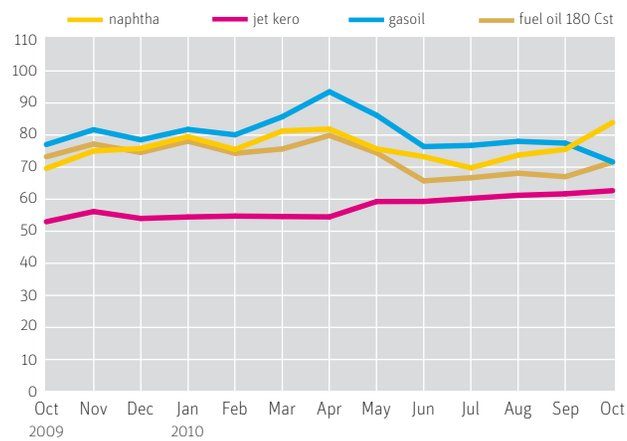


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2009	October	69.61	77.04	52.97	73.24
	November	75.04	81.66	56.15	77.20
	December	75.80	78.51	53.99	74.57
2010	January	79.49	81.77	54.45	78.10
	February	75.51	80.07	54.73	74.31
	March	81.27	85.71	54.59	75.66
	April	81.87	93.51	54.48	79.88
	May	75.69	86.17	59.27	74.46
	June	73.25	76.40	59.31	65.72
	July	69.77	76.77	60.26	66.69
	August	73.73	78.03	61.20	68.10
	September	75.56	77.47	61.68	67.01
	October	83.91	71.63	62.65	71.55



Source: Platts. Prices are average of available days.

Forthcoming events

Global floating production systems 2010, conference and exhibition, **December 14–15, 2010,** London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

9th Annual gas storage outlook, January 10–11, 2011, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

9th Annual strategic supply chain management for utilities, January 17–19, 2011, Sunny Isles Beach, FL, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

World future energy summit, January 17–20, 2011, Abu Dhabi, UAE. Details: World Alliance for Decentralized Energy, Edinburgh Quay, 133 Fountainbridge, Edinburgh EH3 9BA, UK. Tel: +44 31 625 33 33; e-mail: infor@localpower.org; website: http://localpower.org.

Oil products forum Asia 2011, January 20–21, 2011, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

FPSO commercial contracting and procurement seminar, January 24–25, 2011, London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

Middle East TECH 2011, January 24–26, 2011, Dubai, UAE. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 35 78 394; fax: +44 207 35 78 395; e-mail: enquiries@europetro.com; website: www. europetro.com.

11th Annual Caribbean energy, January 27–28, 2011, Miami, FL, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

5th Annual Central and Eastern European power, January 27–28, 2011, Prague, Czech Republic. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Efficient concepts for energy, January 25–27, 2011, Leipzig, Germany. Details: Enertec Project Team, Messeallee 1, 04356 Leipzig, Germany. Tel: +49 341 678 82 93; fax: +49 34 1 678 82 92; e-mail: info@enertec-leipzig.de; website: www.enertec-leipzig.com.

Russia and CIS executive summit, January 27–28, 2011, Dubai, UAE. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 35 78 394; fax: +44 207 35 78 395; e-mail: enquiries@europetro.com; website: www. europetro.com.

Middle East and North Africa energy, investment prospects, January 31–February 1, 2011, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710: e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

5th Annual European gas storage, January 31–February 1, 2011, Budapest, Hungary. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Middle East unconventional gas conference and exhibition, January 31–February 2, 2011, Muscat, Oman. 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.

The global LNG forum, February 2–3, 2011, Barcelona, Spain. Details: Jacob Fleming Group, Rossellon 174–176 Ent 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

E&P information and data management, February 7–8, 2011, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk.

Middle East electricity, February 8–10, 2011, Dubai, UAE. Details: IIR Middle East Conferences and Training, Office 320, Sultan Business Centre, PO Box 21743, Dubai, UAE. Tel: +9714 336 5161; fax: +971 4 335 2438; e-mail: info@iirme.com; website: www.middleeastelectricity.com.

5th International conference on application of biomass gasification, February 11, 2011, Stuttgart, Germany. Details: REECO GmbH, Unter den Linden 15, 72762 Reutlingen, Germany. Tel: +49 7121 30 16 0; fax: +49 7121 30 16 100; e-mail: redaktion@energie-server.de; website: www.cep-expo.de.

LNG: Fuel for shipping seminar, February 15–16, 2011, London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

The European gas market summit 2011, February 15–16, 2011, London, UK. Details: FC Business Intelligence, 7–9 Fashion Street, London E1 6PX, UK. Tel: +44 207 375 72 27; fax: +44 207 375 75 76; email: josh@eyeforenergy.com; website: www.eyeforenergy.com/gasmarkets.

6th Russia offshore, February 15–18, 2011, Moscow, Russia. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

FPSO training courses Europe, February 16–18, 2011, Oslo, Norway. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

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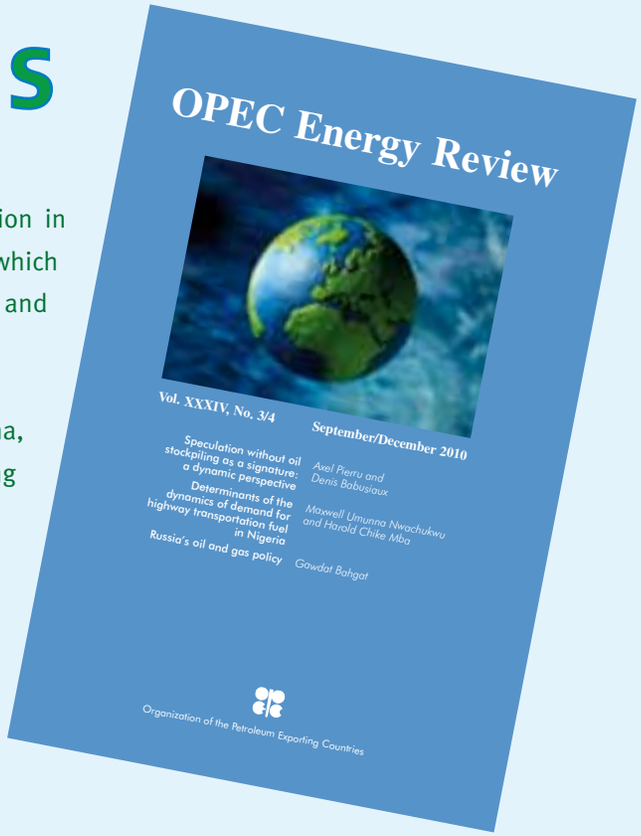

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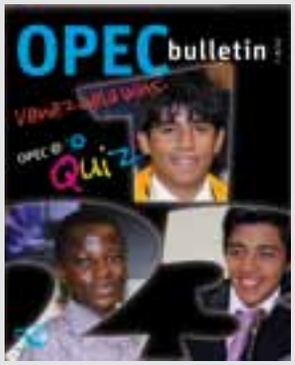

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