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Organization of the Petroleum Exporting Countries, Obere Donaustrasse 93, 1020 Vienna, Austria.
Telephone: +43 1 211 12/0;
Telefax: +43 1 216 4320;
Public Relations & Information Department fax: +43 1 214 9827.
E-mail: prid@opec.org
E-mail: OPEC News Agency: opecna@opec.org
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Membership and aims

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

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

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This month's cover ...

shows a refinery in Iran, which is planning to boost capacity at the Abadan plant (see Newsline beginning on page 9).

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OPEC bulletin

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2 NOTICEBOARD
Forthcoming conferences and other events

3 COMMENTARY
Co-operation in Cairo
The historic city of Cairo is the setting for a landmark agreement between OPEC and non-OPEC nations

4 FORUM
Forging towards a new order in the petroleum industry: the challenges ahead
By Dr Alí Rodríguez Araque, OPEC Secretary General

7 PRESS RELEASE
Consultative Meeting of the OPEC Conference in Cairo, Egypt

9 NEWSLINE
Energy stories concerning OPEC and the Third World

19 MARKET REVIEW
Oil market monitoring report for November 2001

36 MEMBER COUNTRY FOCUS
Financial and development news about OPEC Countries

41 OPEC FUND NEWS
Recent loans and grants made by the OPEC Fund

45 SECRETARIAT NOTES
OPEC Secretariat activities

47 ADVERTISING RATES
How to advertise in this magazine

48 ORDER FORM
Publications: subscriptions and single orders

49 OPEC PUBLICATIONS
Information available on the Organization

NOTICEBOARD

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Amsterdam, The Netherlands, **February 19–21, 2002**, *Effective Trading and Risk Strategies for the Online Energy Market* and *Emissions Trading Europe 2002: Profitable Emissions Strategies for a Sustainable Future.* Details: Eyeforenergy, 3rd Floor, Black Lion House, 45 Whitechapel Road, London E1 1DU, UK. Tel: +44 (0)20 7375 7575; fax: +44 (0)20 73757576; e-mail: hmundy@eyeforenergy.com; www.eyeforenergy.com.

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Cambridge, UK, **February 25–March 1, 2002**, *Training course on Price Risk Management in the Traded Gas and Electricity Markets.* Details: Kate Wright, Alphatania, EconoMatters Ltd, Rodwell House, 100 Middlesex Street, London E1 7HD, UK. Tel: +44 (0)207 650 1430/1402; fax: +44 (0)20 7650 1431/1401; e-mail: training@alphatania.com; Web site: www.alphatania.com.

London, UK, **February 26–March 1, 2002**, *Training course on Investment Profitability Studies in the Petroleum Industry.* Details: ENSPM Formation Industry, 232 avenue Napoleon Bonaparte, 92852 Rueil-Malmaison Cedex, France. Tel: +33 1 47 52 72 93; fax: +33 1 47 52 71 09; e-mail: Michael.howard@enspmfi.com; Web site: www.ifp.fr/enspmfi.

Frankfurt am Main, Germany, **February 26–27, 2002**, *Legal Problems of the Electricity and Gas Markets — Focus on Network Utilization.* Details: Energy Forum, Box 7222, 103 89 Stockholm, Sweden. Tel: +46 8 20 90 95; fax: +46 8 20 90 73; e-mail: info@ energyforum.net; Web site: www. energyforum.net.

Düsseldorf, Germany, **February 26–27, 2002**, *Risk Management — how to successfully apply methods to analyse the risk factors in electricity markets.* Details: Energy Forum, Box 7222, 103 89 Stockholm, Sweden. Tel: +46 8 20 90 95; fax: +46 8 20 90 73; e-mail: info@energyforum.net; Web site: www.energyforum.net.

Singapore, **February 27–28, 2002**, *7th Asia LNG & Natural Gas Markets Conference.* Details: Ms Cynthia Yeo, Centre for Management Technology. Tel: +65 346 9132; fax: +65 345 5928; e-mail: cynthia@cmtsp.com.sg.

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February 16–18, 2002

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Dubai, UAE, **March 4–5, 2002**, *Middle East Ship Repair.* Details: Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street, Singapore 068645. Tel: +65 226 5280; fax: +65 226 4117; e-mail: info@cconnection.org; Web site: www.cconnection.org/iogchome.htm.

Houston, Tx, USA, **March 4–8, 2002**, *Training course on Horizontal & Directional Drilling.* Details: GSM Training Services, Inc, PO Box 50790, Amarillo, Tx 79159-0790, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

Houston, Tx, USA, **March 11–15, 2002**, *Training course on Introduction to Drilling (non-technical).* Details: GSM Training Services, Inc, PO Box 50790, Amarillo, Tx 79159-0790, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

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Tbilisi, Georgia, **March 19–21, 2002**, *GIOGIE 2002, 1st Georgian International Oil, Gas, Energy and Infrastructure Exhibition and Conference.* Details: Dan Coberman, ITE Group PLC, 105 Salusbury Rd, London NW6 6RG, UK. Tel: +44 (0)207 596 5000; fax: +44 (0)207 596 5111; e-mail: dan.coberman@ite-exhibitions.com; www.ite-exhibitions.com.

Houston, Tx, USA, **March 19–21, 2002**, *Training course on Aviation Jet Fuel.* Details: QinetiQ Fuels and Lubricants Centre, Building 442, QinetiQ Pyestock, Cody Technology Park, Ively Road, Farnborough, Hants. GU14 0LX. Tel: +44 (0)1252 374772; fax: +44 (0)1252 374791; e-mail: pcarberry@QinetiQ.com; Web site: www.qinetiq.com.

London, UK
February 21–22, 2002

Nigeria Energy Summit

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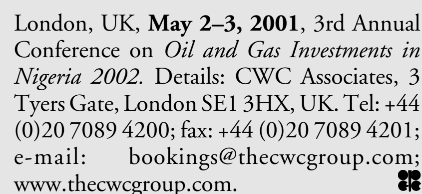
London, UK, **March 25–28, 2002**, *Training course on Introduction to Petroleum Geoengineering.* Details: NexT, Prof Patrick Corbett, Heriot-Watt University, e-mail: Patrick.Corbett@pet.hw.ac.uk.

London, UK, **May 2–3, 2001**, 3rd Annual Conference on *Oil and Gas Investments in Nigeria 2002.* Details: CWC Associates, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 7089 4200; fax: +44 (0)20 7089 4201; e-mail: bookings@thecwcgroup.com; www.thecwcgroup.com.



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

Editorial staff

Editor-in-Chief	*Farouk U Muhammed, mni*
Editor	*Graham Patterson*
Assistant Editor	*Philippa Webb*
Production	*Diana Lavnick*
Design	*Elfi Plakolm*
Circulation	*Damir Ivankovic*

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Co-operation in Cairo

The historic city of Cairo is the setting for a landmark agreement between OPEC and non-OPEC nations

It has become something of an unusual occasion in recent years when the OPEC Oil and Energy Ministers meet in a location away from the site of the Organization's Secretariat, the Austrian capital Vienna. Although such meetings were relatively common in the 1970s and 80s, they are much less frequent nowadays. It has thus become the case that when such gatherings do in fact take place, they tend to signify something special, something out of the ordinary, something of such importance that it cannot wait until the next scheduled Conference.

And so it was when the Ministers gathered in the historic setting of Cairo, Egypt, towards the end of December. The background to this meeting requires a brief recapitulation: at its 118th Conference in November 2001, OPEC agreed to cut a further 1.5 million barrels/day of production on top of the 3.5m b/d it had already cut during the earlier part of the year, but only on the condition that non-OPEC nations shared the burden and also made reductions in output themselves, to the tune of 500,000 b/d.

The rationale behind OPEC's decision to attach this conditionality should be summarized briefly. The Organization has always said that, even when prospects are bright on the economic front, the co-operation of non-OPEC is important in its efforts to stabilize the market. However, when the global economic prospects are darker and the storm clouds of recession are looming ever closer, then the need for this co-operation becomes even more critical than when the economic outlook is positive. The seriousness of the situation is illustrated by the fact that the OPEC Basket price fell from an average of just under $25/b for the January-August period to around $17.50/b for the final two months of the year — hence the outcome of the November Meeting.

By the time the Ministers gathered again in Cairo six weeks later, five non-OPEC oil-producing countries — Angola, Mexico, Norway, Oman and Russia — had announced cuts totalling 462,500 b/d, a figure which was very close to the 500,000 b/d OPEC had stipulated as the condition for its own reductions. The Ministers, therefore, decided on December 28 to confirm the previously announced production cuts of 1.5m b/d, effective from January 1, 2002.

In the wake of OPEC's decision, one question that was often asked in the media was: what significance does all this have for OPEC's price band of $22-28/b, given that oil prices have now been trading below the bottom level of the range for some time? Put briefly, it signifies that the twenty-first-century OPEC is a realistic and practical Organization. OPEC recognizes that global economic conditions can change rapidly, and this means not only that prices will inevitably at times stray outside the Organization's preferred range, but that OPEC must be constantly alert and proactive as it adapts to these ever-changing circumstances.

In the short-term at least, it is far better for OPEC and non-OPEC to co-operate in order to aim for a realistic, achievable goal than to keep striving in vain for a target that may currently be unattainable. The immediate aim of the latest cuts is to re-establish harmony and stability in the international oil market. That does not mean, however, that the original goal cannot be achieved some time in the future, when global economic conditions are more promising.

The Organization would therefore like to reiterate its gratitude to the Government of Egypt; to the nation's Petroleum Minister, HE Amin Sameh Fahmy, and his staff; to the City of Cairo; and to the Organization of the Arab Petroleum Exporting Countries (OAPEC), all of whom provided invaluable support to OPEC. Finally, of course, the Organization would like to express its sincerest thanks to those non-OPEC nations who, recognizing the gravity of the situation, have demonstrated their solidarity in the most concrete manner, by joining together with OPEC in its quest for market stability.

FORUM

Forging towards a new order in the petroleum industry: the challenges ahead

Although the world economy is currently experiencing a sharp slowdown, the long-term prospects for oil and gas remain promising, writes OPEC Secretary General, ***Dr Alí Rodríguez Araque****, in this article.**

Even before the attacks on the United States on September 11, the oil market was facing a situation of uncertainty due to the global economic slowdown. Since last September, these worldwide problems and uncertainties have become aggravated, with the attendant consequences for the oil market.

Now, in addition to those uncertainties, the world is facing a war situation, whose consequences no one can predict.

As we can see, the situation is indeed complex, as it is intertwined with political, ideological, religious and economic problems. This is the most relevant feature of the world today as a whole.

We live in a world that is becoming more interdependent, as no nation can afford to be an island onto itself. We are all witnesses to the dramatic economic and political changes that have occurred around the world over the years, such as the collapse of the Soviet Union. These developments have led to the emergence of competitive regional groups such as the European Union, and the Asia Pacific Economic Co-operation grouping.

Also, there has been an astonishing technological transformation, an information revolution, a rising awareness of the dangers posed to the global ecosystem, and indeed, the overall trend towards trans-nationalization of the world economic system.

World interdependence

As a consequence of these multiplicity of factors, a new structure can be said to be evolving that could give added meaning to the new world economic order, growing world interdependence, and the globalization process.

Undoubtedly, as in all aspects of human endeavour, globalization has its merits and demerits. We know that the added dimension of the global environment has made the globalization process more complex and frequently contradictory, which is now leading to a first positive step, as is the dialogue at both regional and global levels. All these are aimed at ensuring and sustaining world economic growth.

Although there are other important factors apart from oil which influence world economic stability, OPEC, since its inception in 1960, has had and will continue to have an abiding commitment to oil market stability in particular, with the aim of supporting global economic growth and stability in general.

Medium term outlook

According to OPEC's World Energy Model, which is updated yearly, world oil consumption will rise to an estimated 106 million barrels/day in 2020. Oil production by non-OPEC will hold steady at approximately 49m b/d in the first 20 years of this century.

Clearly, with about 77 per cent of the world's proven reserves, OPEC is best placed to play the role of reliable incremental supplier of oil. This is because, at the current rate of production, OPEC's 800 billion barrels of proven reserves, are projected to last for about 80 years.

On the other hand, even though non-OPEC nations have about 23 per cent of the world's proven reserves, they collectively account for approximately 60 per cent of total global output. At the present rate of production, their reserves are expected to be depleted in about 20 years.

As the statistics show, the future of global oil supply rests with OPEC. In that regard, OPEC will need to steadily but substantially augment its oil production capacity. In the next few decades, therefore, OPEC Member Countries will need to marshal and invest huge amount of funds running into billions of dollars in capacity expansion.

The important geo-political developments in East Asia and its rapid economic growth have made it the most dynamic region in the world, in terms of changing the balance of the energy market. Further-

* *Based on* ***Dr Rodríguez Araque's*** *keynote address to the 7th ASCOPE Conference and Exhibition, Kuala Lumpur, Malaysia, November 5–7, 2001.*

more, the region has been ranked as number one in energy demand growth in the world.

In analyzing the world's energy market, it is important to note the trends and weight that will exert a significant influence on the market in the coming years. One non-OPEC country that is of strategic importance to Asia in terms of oil and gas exports is Malaysia. This country is a significant exporter of petroleum and gas to Thailand and Singapore, among others.

Economic slowdown

Although the country was affected by the financial turmoil of the late 1990s, and while it may be experiencing some problems as a result of the present global economic slowdown, Malaysia's economy is generally well balanced. As such, Malaysia can be expected to play a crucial role in the new global economic dispensation, particularly regarding the production and consumption as well as the export of oil and gas.

Nevertheless, OPEC considers the Asian region to be a very important market for the future of oil supplies. In terms of demand expansion, about 92 per cent of global energy demand growth in 2000, came from Asia. In the same year, China alone (within Asia) accounted for 55 per cent of global incremental oil demand.

In fact, OPEC crude exports to Asia (excluding the Middle East) more than doubled from 3.4m b/d in 1987 to 7.9m b/d in 1999. It was between 1997–1998 that its oil consumption receded as a consequence of the financial and economic crisis that engulfed the region.

According to OPEC's projections, the region's demand for oil will increase from about 21m b/d in 2000 to 33m b/d in 2020. As oil demand in Asia is projected to surpass that of Europe and also North America in the coming years, the Asian region will establish itself as the world's leading consumer.

Undoubtedly, steady energy supply will be of paramount importance in sustaining the region's envisaged high economic growth rate. Mindful of the great challenges and opportunities to supply the world in general and the Asia Pacific region in particular with additional oil, OPEC production capacity is expected to increase by around 1.0m b/d per year, in the coming years.

In addition to the need for OPEC Member Countries to plan for their future output expansion projects, so as to meet projected demand in an orderly manner, there is an equal necessity for a long-term investment commitment to Asia. That is why some OPEC members, especially from the Middle East, have increased their interest in making additional investments in Asia.

For example, last year, Kuwait's Foreign Petroleum Exploration Company earmarked $450 million for oil prospecting and development in fellow OPEC Member, Indonesia, in addition to planning other projects in Malaysia, China and Pakistan. Furthermore, Saudi Aramco has a considerable stake in South Korea's S-Oil Corporation.

Thus, it can be seen that even the individual efforts by our Member Countries suggest a trend towards an increase in foreign investments, especially in the Asia Pacific region. OPEC has adopted the strategy of diversification, in terms of selling not only oil and gas to Asia, and buying their products, but also investing in some of the region's key development.

Growing role of gas

Gas is gradually taking hold as an environmentally friendly fuel. Consequently, many of our Member Countries are taking appropriate steps in tapping the enormous gas potential that exists within their borders, one of the aims being to satisfy the needs of Asia.

Even within the region itself, great opportunities abound for the development of its gas potential. For instance, having realized the importance of gas as a relatively clean energy source for Asia both in terms of production and consumption, Indonesia is doing quite well in exploiting this natural resource.

As the biggest LNG exporter in the world, Indonesia in 1999 shipped about 39 billion cubic metres to South Korea, Japan, and Taiwan, among others. This OPEC Member Country, which is one of the world's major gas producers, has proven reserves of 72 trillion cubic feet.

Iran, with an estimated 23 trillion cubic metres of gas, has the world's second largest reserves after Russia. The National Iranian Oil Company is planning a pipeline that will convey gas from the huge South Pars field to India. These projects are estimated to cost about $10 billion.

Another OPEC Member Country, Qatar, has an ambitious gas pipeline construction scheme that will pass through about six countries to Shanshan in China, at a cost of more than $10 billion.

The experience of Asia's recent economic and financial turmoil has taught us that while the region's appetite for energy consumption is projected to increase significantly in the years ahead — thereby providing opportunities for the supply of large volumes by OPEC Member Countries — we should note that the vulnerability factor could be lurking around, and must be kept at bay.

Although we may reflect on the experience of the past so as to better prepare for the future, the focus remains on Asia, in terms of global economic opportunities and challenges. In 1997, as economic activities were booming around the world, the Asian region was hit by a thunderbolt of a financial crisis. Later, there was hope that the region's economic growth would begin to accelerate again, but sadly, there are already signs of recession this year.

There are three important issues that could have a direct bearing on the efforts to continue providing the energy which the world needs in order to sustain and enhance its economic and technological strides.

Environmental debate

The environmental debate has been ongoing for some years now. OPEC will never tire of saying that as we all live on the same planet and breathe the same air, the Organization is as concerned as any other committed entity that wants the world's environment to be preserved for future generations, in a clean and healthy form. What OPEC is concerned about is that environmental treaties must be fashioned on the basis of the diverse nature and interests of all concerned parties. In general, we believe that more extensive research should be conducted, particularly regarding the uncertainty of predictions about global warming. This is because, even within the scientific community, there is a divergence of views on the subject.

OPEC's position about the need for caution and fairness in handling the environmental issue has been vindicated by

various commentators, including some from the world's largest energy consuming countries. The need for a fresh approach to the environmental debate was given impetus by the comments of US President George W Bush, who has remained adamant that his country will not sign the Kyoto Protocol in its present form.

OPEC has actively attended the series of Conferences of Parties (COP) to the UN Framework Convention on Climate Change. At COP 6 held in Bonn last July, four key elements were negotiated under the Bonn Agreement, namely, finance, mechanisms, land use change and forestry, and compliance. These decisions were forwarded for formal adoption at COP 7 in Marrakech in late 2001.

Several decisions that required additional work were due to be finalized at COP 7 and adopted as a package with those completed in Bonn. The Marrakech Conference was also expected to start setting up the Kyoto Institutions, so that the Protocol will be fully operational when it comes into force.

The issue of high taxes on petroleum products has been consistently underlined by OPEC at different fora over the years. As has been said many times, OPEC does not question the prerogative of consuming countries to tax imported commodities. What we seriously object to is the disproportionate taxes that are unfairly imposed on petroleum products, while other heavy pollutants are even subsidized.

Petroleum taxation

On the other hand, if any consuming country chooses to heap an excessive tax burden on its citizens, then OPEC should not be made the scapegoat. Statistics continue to show that the European Union is the region with the highest level of taxation, where on the average, oil taxes account for about 68 per cent of the final price of a refined barrel of oil, while refiners and markers get 16 per cent and producers also receive approximately 16 per cent. Therefore, from whatever perspective one looks at it, producers almost always end up receiving the least amount from a refined barrel of oil.

Despite these problems, OPEC will not slacken in its commitment of promoting dialogue and co-operation among the players in the oil and gas industry. Since its inception 40 years ago, the Organization has developed into a strong, reputable and relevant entity. In fact, in the last few years, OPEC has become more cohesive, agile and pro-active in tackling its challenges and opportunities, especially in bringing stability to the world oil market mainly through its price band mechanism. However, OPEC alone cannot guarantee oil market stability. We call for the support of non-OPEC producers, particularly in these times of uncertainties occasioned by the global economic downturn and the unfolding impact of the September 11 attacks on the United States, plus the possible implications of war.

On a more global scale, OPEC has been a consistent and active participant in the producer-consumer dialogue. The most recent of these gatherings, the 7th International Energy Forum, was held in Riyadh, Saudi Arabia, in November 2000, while the 8th Forum is scheduled for Japan in September 2002. The pro-active actions that OPEC has been taking in the recent past, suggest that the Organization has been repositioned to tackle more efficiently the challenges and opportunities which the new century is sure to bring.

Caracas Declaration

The Caracas Declaration of September 2000, which was agreed at the II Summit of OPEC Heads of State, emphasized the principles of trust, responsibility, equity and goodwill towards the major players including oil producers and consumers, national and international oil companies, non-governmental organizations, and relevant international institutions.

It should also be appreciated that one of the significant achievements of the original Summit of OPEC Heads of State, held in Algiers in 1975, was the establishment of the OPEC Fund for International Development to assist poorer, low-income developing nations. The Fund's activities since its foundation are a testimony to OPEC Member Countries' South-South solidarity.

OPEC today is better placed to deal with the challenges that the oil and gas industry is bound to continue facing. In spite of the present problems, OPEC has always made its principal objective abundantly clear, and that is to ensure the stability of the world market, including Asia with its growing importance. Although today we are facing the complex problems that accompany an economic recession, we are convinced that these problems are transitory and that the future prospects are bright.

Our Organization's commitment to Asia has been strengthened because the region constitutes about 50 per cent of the world's population, and economic development here is crucial to the long-term progress of the international oil market, in which OPEC is a key player. OPEC also recognizes that the key to achieving success in maintaining oil market stability lies in co-operation with non-OPEC oil producers.

Factors of concern

Among the factors that remain of concern to us are the excessive taxation of oil products in some consuming countries, particularly in Europe, and decisions that may come out of the environmental debate. Other problems that may affect oil prices are the acute shortage of refining capacity and the distribution network in the USA.

One of the main challenges that OPEC will have to face is securing huge investments in good time to meet the projected growth in oil demand in the years ahead, especially in Asia. It should be emphasized that one of OPEC's principal objectives is to guarantee an orderly and stabilized supply of oil to the world energy market.

As Asia has been and will be one of the most important contributors of the rise of oil demand, therefore, one of our commitments is to provide sufficient oil to this progressive and important region.

OPEC will continue with its commitment to guarantee oil supply, just as the Organization stated immediately after the tragic events of September 11, and will continue to fight against volatility and its negative effects. We will strive to do this within an environment of price stability and in making our contribution towards the forging of a new order in the petroleum industry based on equity, fairness, goodwill and co-operation.

OPEC remains committed to tackling the challenges and opportunities that are bound to come its way, in a responsible and pro-active manner, for the benefit of all key players in the industry.

OPEC Conference confirms reductions as non-OPEC also agrees to cut output

Press Release No 27/2001
Cairo, Egypt, December 28, 2001

Consultative Meeting of the OPEC Conference
Cairo, Egypt, December 28, 2001

A Consultative Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Cairo, Egypt, on December 28, 2001, under the Chairmanship of its President, HE Dr Chakib Khelil, Minister of Energy & Mines of Algeria and Head of its Delegation.

Having reviewed the recent positive announcements from non-OPEC oil producers, namely Angola, Mexico, Norway, Oman and the Russian Federation, regarding their pledged reductions, totalling 462,500 b/d, and the current oil market situation, the OPEC Conference confirmed its decision to implement the previously announced reduction of its overall production level by an additional 1.5 million barrels per day, for six months, effective January 1, 2002.

The Conference emphasized the importance of adherence on the part of all producers to their pledged reductions and the need for their continued co-operation to achieve lasting market stability at fair and equitable price levels that are good for the welfare of producers and consumers alike.

To this end, the Conference will continue to monitor both global economic developments and the supply/demand situation, in close consultation with other producers, in the coming months to ensure that the desired results are, indeed, realized.

Further, the Conference rescheduled its next Ordinary Meeting to convene in Vienna, Austria, on Friday, March 15, 2002.

The Conference expressed its appreciation to the Government of the Arab Republic of Egypt; to HE Amin Sameh Fahmy, Minister of Petroleum of Egypt, and his staff; and to the authorities of the City of Cairo for their warm hospitality and the excellent arrangements made for the Meeting. Finally, the Conference voiced its thanks to the OAPEC Secretariat, its Secretary General, HE Abdul Aziz Al-Turki, and its Staff, for their invaluable assistance and co-operation.

Above: The Ministers of Petroleum & Mineral Resources of Saudi Arabia and the United Arab Emirates, HE Ali I Naimi (seated right), and HE Obaid bin Saif Al-Nasseri (nearest camera) speak to the press in Cairo.

Individual production levels of Member Countries, signatories to this agreement, as of January 1, 2002, are as follows *(in barrels per day):*

	Current production	Decrease	New output level
Algeria	741,000	48,000	693,000
Indonesia	1,203,000	78,000	1,125,000
IR Iran	3,406,000	220,000	3,186,000
Kuwait	1,861,000	120,000	1,741,000
SP Libyan AJ	1,242,000	80,000	1,162,000
Nigeria	1,911,000	124,000	1,787,000
Qatar	601,000	39,000	562,000
Saudi Arabia	7,541,000	488,000	7,053,000
UAE	2,025,000	131,000	1,894,000
Venezuela	2,670,000	173,000	2,497,000
Total	**23,201,000**	**1,500,000**	**21,701,000**

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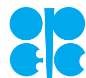


OPEC
PR & Information Department
Obere Donaustrasse 93
A-1020 Vienna, Austria
Tel: (+43 1) 21112 376
Fax: (+43 1) 214 9827
E-mail: opecna@opec.org

Iran plans to expand capacity of Abadan refinery to 555,000 barrels/day and orders ten new tankers worth $750 million

Tehran — Implementation of the Abadan refinery extension project in Iran will increase the production capacity at the plant to 555,000 barrels/day, a top official at the plant, Mohammad Reza Mousavi, announced last month.

Quoted by the English-language *Iran Daily*, Mousavi said: "The plan is aimed at boosting the refinery's production capacity, improving its quality, and creating more added value."

The planned objectives, he said, included decreasing furnace oil production, boosting gasoline output from 8 million to 10m litres, lowering production costs, observing environmental standards, and taking advantage of modern technology.

"The project will be implemented in two phases. Some $37m will be invested during the first phase," noted Mousavi, adding that feasibility studies for the first phase had already been completed.

"The second phase got under way once an agreement was signed with petrochemical design and engineering companies, and is expected to be put into operation within 34 months," he said.

An agreement for the basic design of the second phase had been signed with a structural engineering company for an estimated cost of around $5m.

Estimating the implementation cost of the next phase at $400m, Mousavi expressed hope this stage would be completed by 2006.

In a separate development, the National Iranian Tanker Company is to acquire 10 tankers of varying sizes ordered from South Korea and China by mid-2004, according to the firm's Managing Director, Mohammad Suri.

Quoted by the Islamic Republic News Agency (IRNA), he said the company had ordered five 30,000-tonne oil tankers from China and five 300,000-t vessels from South Korean firm Hyundai.

He noted that the Chinese Shipbuilding Company, located in Dalian, would deliver the first oil tanker to Iran by late March and would deliver the four remaining vessels at intervals by 2004.

Hyundai planned to hand over Iran's first ordered ship by June and the remaining four by the end of 2003, IRNA reported.

Suri noted that the first oil tanker ordered by Iran was launched in Dalian on November 1 in the presence of Iranian and Chinese officials.

The 10 ships were being built to the latest international standards and would be capable of transporting 3m t of crude oil, he added.

Once the vessels joined Iran's fleet, the number of oil tankers owned by the country would rise to 35 with a total displacement capacity of 30m t of crude oil.

Suri revealed that the 10 ships had cost Iran $750m. Seven per cent of this total had been paid in advance, while the remainder was due in installments over a period of 10 years.

Qatar plans to triple production of LNG, says Energy Minister

Abu Dhabi — Qatar is planning to triple its liquefied natural gas (LNG) production to some 30 million tonnes/year before the end of 2010, according to the Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah.

Addressing an international conference on privatization and project financing in Abu Dhabi, he noted that Qatar had attracted huge foreign investments, which had not only allowed the country to tap its natural resources, but also to diversify its national income sources, thus helping to protect it from market fluctuations.

The Minister said that the state-owned oil company, Qatar Petroleum, aimed to expand its operational projects, but would shy away from investing in new schemes. This approach would ensure lower costs.

Qatar had achieved fast rates of growth in crude and gas production, thanks to $15 billion worth of investments in the sector since 1990.

Since 1994, the country's oil production had risen by more than 65 per cent, while gas output, which started in 1996, had climbed to more than 10m t/y.

Qatar's proven oil reserves stood at 13bn barrels, or 1.3 per cent of the global total, the Minister said, but the country's gas reserves went far beyond this figure, standing at 500 trillion cubic feet, or 10 per cent of the world total.

The exploitation of gas reserves at the giant North field was not possible without new legislation and infrastructure facilities made to lure foreign investors.

Qatar, having successfully secured huge investments for the energy sector, had reformed other sectors, allowing full foreign ownership of projects in tourism, health, infrastructure, and education, the Minister added.

In a related development, a new report from the Qatar National Bank noted that the country's earnings from LNG exports could match revenues from oil by 2005.

LNG export earnings accounted for almost 30 per cent of the total in 2000, reaching a value of $3.5bn.

Qatar's export revenue from crude oil, meanwhile, accounted for 57 per cent of total earnings at $6.59bn, the Bank's report said.

The state exported 31.73m t of crude oil in 2000. The majority of Qatar's crude oil exports go to the Asian region.

While oil export revenues increase moderately, LNG export revenues had grown rapidly, primarily due to accelerated production, said the Bank.

In 2000, LNG production reached a level of 10.5m t, compared with 3.6m t in 1998 and 6.6m t in 1999. The report forecasts that production will reach 21.7m t by the second half of the decade.

Total export earnings were likely to reach $11.3bn in 2001 (based on an average crude price of $25/b), $11.8bn in 2002 (based on $22/b), and $12.8bn in 2003 (based on $18/b).

The report said that Qatar's imports in 2000 had increased by 30 per cent to reach a value of $3bn, compared with a decline of 27 per cent in 1999, and growth of 2.6 per cent in 1998 and 16 per cent in 1997.

The Bank added that these noticeable swings in import values were directly related to the progress of huge industrial

projects in the country, which required additional machinery.

The reduction in the value of imports in 1999 was primarily a reflection of the completion of certain phases of the QatarGas and RasGas projects and the near-completion of other petrochemical schemes.

The rise in 2000 last year was attributed to projects such as QVC, Q-Chem, NGL-4, the Nodco expansion, the QatarGas de-bottlenecking, QP's oil-related projects, and various other schemes.

The Bank estimated further strong growth in 2001 of around five per cent to $3.08bn as the RasGas II project, oil field expansion plans, and other projects gather pace.

Uncertainty surrounds enactment of new Indonesian oil law

Jakarta — Uncertainty continues to surround Indonesia's oil and gas industry, as regional representatives have said that they will not accepting the country's new oil and gas law, which the central government is determined to put into effect.

The *Jakarta Post* newspaper quoted the Regent for East Lampung and Secretary of the Consultative Forum for Oil-Producing Regencies, Irfan Nuranda, as saying that the bill should be reviewed, so as to better accommodate the wishes of the regencies, before the government implemented it.

The Forum had agreed to ask Indonesian President, Megawati Soekarnoputri, to delay the signing of the bill so as to accommodate the regencies' demands, he told the paper.

However, the Director General of Oil and Gas at the Energy and Mineral Resources Ministry, Dr Rachmat Sudibjo, stressed that the government would not delay signing the bill into law.

"It is not necessary to review the bill, because we had no intention of enacting a super law that would be capable of accommodating every demand," the paper quoted him as saying.

The government was now at the stage of discussing the executive regulations on implementing the law. All parties, including the Forum, were welcome to provide input, he pointed out.

Rachmat added that the government's regulations were expected to accommodate the demands of the regencies.

Under the new bill, the government will establish an independent implementation board, taking over the role of the national oil company, Pertamina, in regulating and managing the country's hydrocarbon resources.

The Forum's demand to have representatives on the board was rejected by the House of Representatives when it passed the bill.

The regencies, which were being allowed to have a share of the oil and gas revenue under the bill, claimed that the sharing of revenue lacked transparency.

Under the old law, Pertamina had a monopoly on all oil and gas reserves, revenues and profits for more than three decades.

Saudi Arabia announces new plan to open power transmission to investors

Riyadh — In a major move to further privatize the Kingdom's energy sector, the Saudi Arabian government has announced that power transmission activities will be thrown open to local and foreign investors.

"Power transmission will be open to the private sector," the Minister of Industry and Electricity, Dr Hashim Yamani, told an energy conference.

"Very soon, transmission will be removed from the negative list," he added, referring to the list of sectors that are closed to foreign investment.

Yamani said that restructuring of the power sector — where demand for electricity was set to soar by 150 per cent between 1999 and 2023 — was about to be completed, thus providing momentum to the privatization drive.

A milestone in the economic restructuring programme was reached with the amalgamation of the regional power companies into a single entity.

A proposal for a regulatory authority for the power sector, in the making for the past two years, would be put to the Supreme Economic Council soon, he said.

"This will complete the basic restructuring," noted the Minister, adding: "Now we are ready to talk to any investor on the generation side."

He said the regulatory body would seek to balance the interests of both suppliers and consumers. It would also regulate the tariff structure as part of its supervisory role.

Investment in power generation could generate a 12–15 per cent rate of return, the Minister estimated. Other steps to restructure the power sector were already well under way.

"Little by little, we have reduced the need for government intervention and subsidies. This is a major objective of restructuring to prepare for private sector involvement," he said.

The Kingdom modified its tariff system in April 2000 so that the power sector could sustain itself. It was full of lucrative opportunities for local as well as foreign investors, especially once the transmission sector was opened up.

Rapid expansion of the Kingdom's power sector would require some $90 billion in investment from 1999–2023, with generation needing $47bn, transport $24.5bn, and distribution $19bn, Yamani said.

The number of power connections, currently at 3.7 million, was projected to reach 8.5m by 2023.

Similarly, power consumption would increase from 25,000 megawatts to 66,000 mw, while the length of transmission cable would reach 31,000 km during the period.

Nigeria's NNPC mulls acquisition of stakes in refineries abroad

Abuja — The state-run Nigerian National Petroleum Corporation (NNPC) is set to invest in overseas refineries to enable it to become a "credible international player", according to the firm's Group Managing Director, Jackson Gaius-Obaseki.

"The Corporation is now actively looking at the option of buying into refineries in Kenya and other countries, as a viable inroad into product distribution

networks in those countries," he told an international trade fair in Lagos.

The NNPC had been granted "the required level of independence of policies and actions" by the government to explore available markets in the downstream sector at a continental level, he said.

The Corporation was studying the possibility of delivering gas by pipeline to Europe through Algeria, noted Gaius-Obaseki.

"This will have huge positive impacts on intra-African economic co-operation and development," added the NNPC Head.

"The corporation also plans to fast-track its efforts to be more and more technology-driven, utilizing modern technological resources to achieve higher levels of capacity utilization of its plants and other systems, higher quality, and cheaper products," he went on.

Regarding the NNPC's subsidiaries, Gaius-Obaseki explained that the National Engineering and Technical Company (NETCO) was directly involved in the engineering aspects of oil and gas and the non-oil sectors of the economy, in the areas of basic and detailed engineering, procurement, construction supervision, and project management.

Integrated Data Services (IDS) provided seismic data acquisition, processing and interpretation services, as well as petroleum and resources engineering data evaluation, computer and other ancillary services, which were vital to oil industry operations.

Apart from services to oil companies in Nigeria, IDS had successfully executed contracts for the Ghana National Petroleum Corporation and was poised to extend its services beyond West Africa to take full advantage of the steadily-growing need for geological and geophysical data interpretation services.

The Nigerian Gas Company, another subsidiary of the NNPC, was involved in gathering, treating and transmitting Nigeria's abundant natural gas and its by-products to major industrial and utility companies.

Gas exports were handled by Nigeria Liquefied Natural Gas (NLNG), which processed the country's natural gas into LNG and shipped it by tanker to customers in Spain, Italy, France and Turkey.

"The NLNG project is already being expanded to provide more gas and take advantage of the expanding market," Gaius-Obaseki said.

He also reiterated the Corporation's commitment to the implementation of the West African Gas Pipeline project, under which Nigerian gas was expected to be delivered to Ghana, Togo, the Republic of Benin, and Côte d'Ivoire.

Gaius-Obaseki added that investors were welcome to invest in exploration and production, project engineering and construction, crude oil and natural gas sales, petrochemicals and refined petroleum product operations.

UAE pumped $2.23bn into oil field projects in 2000, says Planning Ministry

Abu Dhabi — The United Arab Emirates (UAE) pumped nearly $2.23 billion into oil field development in 2000, compared with around $1.86bn in 1995, according to figures provided by the Planning Ministry.

Investments covered development and maintenance of onshore and offshore oil fields through water and gas injection, as well as updating of some operational systems, said a report in the *Gulf News*.

In a study on energy investment in the UAE, the Planning Ministry gave no figures for previous years, but oil executives estimated the UAE had invested at least $15bn in the oil sector over the past decade.

Various projects had added more than 500,000 barrels/day to the country's output capacity, now estimated at 2.6m b/d.

Further investments made under an ambitious expansion plan approved by the Supreme Petroleum Council would take capacity to 3.0m b/d within five years, the report noted.

Most of the past expansions had been carried out in Abu Dhabi, which accounted for nearly 85 per cent of the country's actual oil output, and more than 90 per cent of reserves, the figures showed.

Although the UAE's oil output was virtually unchanged in 2000, compared with 1995, the value of crude exports leapt by around 62 per cent to $20bn in 2000

In brief

US attacks spur EU energy review

BRUSSELS — In the wake of the September 11 attacks on the United States and subsequent events, the European Union (EU) is undertaking a wide-ranging review of its energy policy. In a paper delivered to the London School of Economics, European Commissioner for Transport and Energy, Loyola de Palacio, said that the EU was "importing more and more energy from beyond our borders. The figure today is around 50 per cent, but it could rise to 70 per cent in 20 years' time," she noted, adding: "The tragic events of September 11 and their aftermath have increased the urgency of keeping our energy security under control." De Palacio also said that the risk of supply disruption had escalated, and that therefore Europe needed to take a new look at its energy supply and its energy priorities.

Ecuador sees lower oil revenues

QUITO — The government of Ecuador has adjusted the fiscal budget for 2002 to allow for a reduction in projected revenues from the state oil company, PetroEcuador, it was reported last month. A fall in the oil price to $19/barrel translated into a loss of $115 million in income for the fiscal budget, according to government sources. They said that with this budget situation, PetroEcuador would not be able to realize its development plans for next year. The sources pointed out that the national oil firm had been planning to invest $180m on development in 2002, using its own resources. Of the development projects, the company was planning to drill 14 horizontal wells, as well as 10 vertical wells.

Angola attracts European oil companies

BRUSSELS — Angola looks set to become a major beneficiary of the political uncertainty in the Middle East as European oil firms, including Royal Dutch/Shell, BP, France's TotalFinaElf and Norway's Norsk Hydro have all announced new investments in the country. Angola currently pumps 750,000 barrels/day of crude and is the second largest producer in sub-Saharan Africa after Nigeria. In the next six months, crude oil production is due to reach 850,000 b/d and hit 950,000 b/d by 2003, when TotalFinaElf's Girassol project comes on line. Total production in the country is expected to reach 1.3m b/d by 2008. The BP/Shell block 18 has turned up six discoveries which are estimated to be capable of pumping 250,000 b/d when the project comes onstream in 2005 or 2006. In the refining sector, TotalFinaElf aims to increase capacity at its Luanda oil refinery by 50 per cent to a throughput of 3.0 million tonnes/year of crude oil by 2004.

In brief

US oil demand declined in October

New York — For the third consecutive month, US deliveries of major petroleum products, a key measure of consumer demand, declined by 1.7 per cent compared with a year ago, according to the latest figures from the American Petroleum Institute (API). The biggest decline was in residual fuel oil, used in heavy industry, where deliveries were 25 per cent below last year's level, the API noted. Deliveries of jet kerosene were 12 per cent below year-ago levels, marking the first double-digit decline for more than 10 years. This was attributable to the effect of the September 11 attacks on the US, which caused a substantial drop in jet kerosene demand for October of 1.56 million barrels/day. However, gasoline deliveries rose to 8.67m b/d, a jump of by three per cent compared with last year.

GCC producers face tough time — CGES

Dubai — Gulf Co-operation council (GCC) oil producers are counting their losses in the wake of the September 11 attacks on the United States and there is no let-up in the offing, according to the London-based Centre for Global Energy Studies (CGES). The GCC members had hardly recovered from the 1998 oil price collapse to have one of their best years in 2000, before the terrorist attacks happened. "Oil prices had to decline because global demand fell," Dr Manoucher Takin of the CGES was quoted as saying by the *Gulf News* of Dubai. "The attacks have hit consumers' confidence, so factories will produce less. Travel was also hit and this means demand for jet fuel will drop. Nobody knows when all this will end and that means we will never know when oil prices will recover," Dr Takin pointed out.

TotalFinaElf sees drop in 3Q profit

Paris — French oil major TotalFinaElf has reported a significant drop in its third-quarter net income, which fell by 17 per cent to Eur 1.76 billion from Eur 2.11bn in the same period a year earlier. The group said in a statement that per share earnings were down by 14 per cent at Eur 2.55 per share. Nevertheless, the company pointed out that the negative impact of lower oil prices only started to affect operations in the third quarter. Despite the more difficult conditions, net income in the first nine months of this year rose by 11 per cent to Eur 6.09bn from Eur 5.51bn in the same period in 2000. TotalFinaElf noted that oil prices had fallen by 17 per cent between the third quarter of 2000 and the corresponding period in 2001. Brent crude slid to an average of $25.30/barrel from $30.40/b a year earlier.

from $12.38bn in 1995. The surge was due to a sharp increase in oil prices, the study said.

"Investments in the oil sector in Abu Dhabi alone stood at $1.86bn, and they were concentrated on water injection to develop and maintain the capacity of some fields," it added.

Meanwhile, projects in the Emirates of Dubai and Sharjah covered drilling of new wells and maintenance of oil facilities.

The figures showed oil investments in the UAE last year formed nearly 16 per cent of the nation's total capital of around $14bn.

ChevronTexaco's Hamaca crude project in Venezuela produces 30,000 b/d of oil

New York — ChevronTexaco and its Hamaca project partners have marked first oil production from the field located in Venezuela's Orinoco belt with a ceremony attended by local dignitaries, partner company representatives and more than 200 guests.

The celebration, held in El Tigre, Venezuela, marked the first phase of production with a reception, the unveiling of a plaque, and a tour of the field.

Current production at the Hamaca field is 30,000 barrels/day of 8.5° API gravity crude oil. The oil is blended with lighter crudes and sold on the international market.

Production from the Hamaca project will be significantly enhanced when an upgrade unit, currently under construction at the Jose industrial complex on the northern coast of Venezuela, is brought onstream in early 2004.

When Hamaca's heavy crude is processed through the new unit, it will be upgraded to a lighter 26° API crude. At peak field production of 190,000 b/d, the upgrading process will yield 180,000 b/d of 26° API crude.

"Hamaca is an important component of our worldwide upstream portfolio, which will contribute to the long-term growth of ChevronTexaco over the 34 years of the project," said the President of ChevronTexaco Overseas Petroleum, Peter Robertson.

Venezuela's Orinoco belt contains the largest known hydrocarbons deposit in the world. The Hamaca project, encompassing 657 sq km, is estimated to contain over 30 billion b of oil, of which 2.1bn b can be produced from the reservoir over the project's 34-year life-span.

ChevronTexaco's Managing Director for Latin America, Ali Moshiri, added: "We are pleased that Hamaca production is onstream, delivering its benefits to our investors and to the Venezuelan communities in which we operate."

Algerian President urges US firms to invest in national energy sector

Algiers — Algerian President, Abdelaziz Bouteflika, has urged United States oil companies to participate in his country's energy sector activities.

Addressing US politicians and businessmen in Houston, Texas, he called on the firms to form joint-venture associations with the Algerian state oil company, Sonatrach, and the national electricity and gas enterprise, Sonelgaz.

Such projects could involve the production or sale of electricity and gas to Europe, noted the President, stressing that Algeria's new energy policy was opening up good prospects for foreign partnerships.

"We hope that triangular ways will be implemented to achieve such projects," he said, noting that Algeria was the world's third largest gas-exporting country.

Despite difficult circumstances, Algeria had grown to be a top player in the gas sector, and the country intended to further develop its gas industry, said Bouteflika.

He pointed out that the country's large gas reserves allowed it to continue to play a fundamental role in global gas operations, including boosting supplies to European nations.

Domestic studies had shown that Algeria was capable of boosting its gas exports by about 50 billion cubic metres/year from the 60bn cu m/y it currently exported.

The coming years would see a doubling of the country's gas production, as well as a noticeable rise in domestic oil

output capacity, which would climb from 1.0 million barrels/day at present to 1.5m b/d by 2005, said the President.

During his visit to the USA last month, Bouteflika also met with US President George W Bush and other top Administration officials in Washington to discuss bilateral economic ties and other international issues.

Talks with the US Treasury and Commerce Secretaries, Paul O'Neil and Donald Evans, which were also attended by Algerian Energy and Mines Minister Dr Chakib Khelil, were described by official sources as "very constructive" and covered "prospects of co-operation between the two countries and US investment opportunities in Algeria."

Iran, Russia call for presidential summit over Caspian Sea oil

Moscow — Senior Iranian and Russian negotiators last month called on the presidents of the five littoral Caspian Sea states to hold a summit to resolve the ongoing dispute over the region's oil reserves.

The Russian Foreign Ministry said in a statement that Iran's visiting Special Envoy for the Caspian Sea, Mehdi Safari, and his counterpart in Moscow, Viktor Kalyuzhny, had agreed to speed up the dialogue over the decade-long dispute.

The two sides "noted the especially important role in this process that the heads of the Caspian states must play in solving the dispute", the Ministry statement said.

Safari left Moscow without making any public comments after his talks with Kalyuzhny. The Russian Ministry statement made no mention about a potential date for a presidential summit, nor where it might be held.

The closed-door talks in Moscow represented the latest attempt at settling the dispute over the division of oil and gas drilling rights in the Caspian Sea.

Azerbaijan, Iran, Kazakhstan, Turkmenistan and Russia have been unable to agree on how to share the Caspian's wealth since the collapse of the Soviet Union 10 years ago.

Iran and Turkmenistan believe the Caspian should be divided into five equal portions, while Russia, Azerbaijan and Kazakhstan want the division to be made proportional to the length of each country's shoreline. Iran opposes this as it would reduce its share.

Failure to resolve the issue has hindered development of the region, which is thought to hold as much as 200 billion barrels of oil and 600 trillion cu ft of gas.

Indonesia looks at protecting budget by oil price hedging

Jakarta — The Indonesian government is considering using a hedging scheme to protect its targeted oil export price of $22/barrel, amidst increasing concern about a further decline in prices, according to a report in the *Jakarta Post* last month.

A hedging scheme was necessary to ensure that targeted oil revenue of $6.2 billion was achieved for next year's budget, said the paper, quoting Kardaya Warnika, an economic and financial affairs expert at the Ministry of Energy and Mineral Resources.

Oil revenue in next year's budget was based on a price of $22/b, he noted, although he added that the hedging idea still had to be discussed with the House of Representatives.

However, there were no plans to hedge the price of oil for the remainder of the current year, due to optimism that oil revenue would reach the target of $10.52bn.

"Our oil revenue target assumes an average oil price of $24/b for the entire year and so far we have seen favourable prices of more than $25/b during the first six months," he said.

In a related move, the Head of Indonesia's state oil and gas firm Pertamina, Baihaki Hakim, urged the government not to take any hasty decisions and to wait for a clearer oil price direction before taking any action.

Any possible change in the assumed oil price of $22/b for next year's budget should wait until at least January 2002, when the effect of the OPEC/non-OPEC output cuts would be more evident, said Baihaki.

In brief

More oil company mergers expected

Brussels — The planned merger between Phillips Petroleum and Conoco is expected to lead to a fresh round of such deals and the European Union regulatory authorities will be looking at the implications of any merger activity involving regional oil firms, according to industry sources. One European oil and gas company that is likely to be among the first to seek acquisitions is Italy's ENI, which stated last month that its aim was to become "one of the world's petroleum giants through acquisitions" and the intensification of hydrocarbon exploration. ENI's Chief Executive Officer, Vittorio Mincato, said: "Today we are among the first in the second tier, sixth in the world, and we want to enter into the realm of the super-majors." ENI has a particularly strong presence in Libya and sub-Saharan Africa. In 2003, the company is aiming to produce 1.6 million barrels/day of oil. Mincato also forecast oil prices stabilizing near $20/barrel.

OECD forecasts lower global growth

Paris — The Organization for Economic Co-operation and Development (OECD) said last month that global economic prospects for the second half of 2001 were bleak, with gross domestic product expected to decline by 0.3 per cent, before resuming timid growth in the first half of 2002. In its preliminary projections for the next two years, the OECD also predicted oil demand would slow significantly because of the economic slowdown. "Oil prices have recently fallen significantly below levels built into the projections finalized six months ago. World energy demand should fall off rather sharply with the global economic slowdown and the OPEC production cuts earlier this year may not prevent oil prices from remaining close to the lower range of the $22-28/barrel OPEC price band through 2002," it added.

Ecuador's oil output hit by problems

Quito — Operational problems in five oil wells owned by state oil company PetroEcuador have led to a 7,000 barrels/day reduction in the country's crude production, according to government sources. The loss had resulted in national oil output falling to 223,000 b/d, said the sources, adding that the development had prevented Ecuador from transporting crude oil along the trans-Andean pipeline. Technicians had reported problems in the Sewcoya 5, Shushufindi 95, Sacha, Sacha 61 and VHR wells. The sources also noted that in the case of Sacha and VHR, PetroEcuador was utilizing artificial pumping equipment to step up the extraction of crude oil.

In brief

US import dependency seen increasing

New York — United States energy demand is expected to grow by nearly one-third between 2000 and 2020, according to the latest figures from the US Energy Information Administration (EIA). In the reference case forecast of its *Annual Energy Outlook 2002*, the EIA sees demand increasing from 99 quadrillion British thermal units (Btu) in 2000 to 131 quadrillion Btu in 2020, four quadrillion Btu higher than it projected last year. Although the US economy is currently experiencing a slowdown, it is expected to recover by mid-2002 and increase at an average annual rate of three per cent through 2020, very similar to last year's forecast. US domestic crude oil production is forecast to decline slightly by 2020, reaching 5.6 million barrels/day, compared with 5.1m b/d projected last year.

Gulf gas producers refocus on region

Dubai — Much of the future gas development in the Gulf area is expected to be reoriented towards domestic and regional markets, according to the Senior Adviser at L'Observatoire Mediterranean de l'Energie, Dr Naji Abi Aad. The depressing impact of excess global supply on gas prices would lead to an expanded regional gas network, he was quoted by the *Gulf News* of Dubai as saying. Last year's estimates showed that proven natural gas reserves in the Gulf region stood at 52,230 billion cubic metres, or 35 per cent of the world total. The size of regional gas reserves ranged from 110bn cu m in Bahrain to as large as 23,000bn cu m in Iran. The regional reserves-to-production ratio for natural gas was relatively high at around 245 years, compared with a global average of 61 years, he noted.

Global drilling activity falls in October

New York — The worldwide rig count for October 2001 stood at 2,165, down by 111 from the 2,276 counted in September, but up by 30 from the 2,135 recorded in October 2000, according to the latest figures from Baker Hughes. The firm's monthly survey of rotary rig counts, which tracks the number of drilling rigs actively exploring for or developing oil or natural gas, noted that the international rig count (the whole world except the USA and Canada) for October was 750, down by 16 from the 766 counted in September, but up by 23 from the 727 registered in October last year. The international offshore rig count for the month was 230, up by four from the 226 in September and 11 higher than the 219 in October 2000. The US rig count for October stood at 1,111, while the Canadian rig count was 304.

He also disclosed that two banks, the Bank of America and Credit Suisse First Boston, had agreed to hedge the country's oil price at $22/b.

The Indonesian government had earlier said it was considering a downward revision to its targeted oil price, and that it would to cover any shortfall in oil and gas revenue not just through the planned hedging mechanism, but with other taxes, as well as by establishing contingency funds.

Nigeria set to hike price of petroleum products in 2002

Abuja — The long-awaited increase in the pump prices of domestic petroleum products is to be part of Nigeria's 2002 budget, it was announced last month.

However, the move is conditional on whether the country's National Assembly approves a government proposal to sell crude oil to the state-run Nigerian National Petroleum Corporation at $18/barrel.

Previous attempts by the Administration to hike pump prices from 22 naira/litre for gasoline have met with stiff resistance from the Nigerian Labour Congress, and students and human rights groups.

Nigerian Minister of Finance, Malam Adamu Ciroma said at a meeting with the Senate finance committee that rises in the crude oil price might not influence pump prices.

He added that in spite of the current volatile international oil market, the government anticipated that 1,350 billion naira, or 71.4 per cent, of its total revenue for the 2002 fiscal year would come from the sales of petroleum products.

"The total anticipated receipts of the federal government from both the oil and non-oil sectors for the 2002 budget is 1,832bn naira," he said.

The Minister announced that the government also projected 180bn naira as income from value-added tax and the inland revenue service, while proceeds from the privatization programme were estimated at 75bn naira.

Apart from the 327bn naira expected from the domestic sales of petroleum products, the customs service was expected to generate more than 180bn naira from tariffs and excise duty during the next fiscal year.

Regarding the framework for the execution of the 2002 budget, he said that 662.03bn naira was set aside to be shared by the three tiers of government from the federation account, while a 15 per cent share of the 13 per cent derivation fund would be given to the Niger Delta Development Commission for its services.

Some $1.5bn had been allocated to the settlement of Nigeria's foreign debts in 2002, but the Minister noted that this amount was less than the $3.1bn required for the period.

UAE firms bag $136m worth of deals at Iraqi oil-for-food trade fair

Dubai — United Arab Emirates (UAE) companies, participating in the 34th Baghdad international fair, have clinched deals worth $136.5 million from the Iraq Ministry of Trade, according to a report in the Dubai-based *Khaleej Times*.

The contracts cover the supply of various goods under the country's oil-for-food programme with the United Nations. The fair, which took place last month, attracted more than 2,000 companies from all over the world.

UAE firms would benefit a lot under the preferential trade agreement, signed at the beginning of this month, according to the UAE's Ambassador to Iraq, Ahmed Bin Saeed.

He added that the companies had secured the deals on the basis of the quality of their products, as the contracts had to be approved by a UN committee, the paper reported.

The Assistant Director General in the Research and Studies Department of the Dubai Chamber of Commerce and Industry, Ahmed Al Banna, said the Chamber would extend financial assistance to companies participating in exhibitions organized by itself and other government departments.

He pointed out that a number of companies were interested in participating in exhibitions held in other countries,

but some firms could not afford the cost.

The Chamber would contribute up to 50 per cent of the cost to make sure that local industries played a role in promoting UAE products, he noted.

Al Banna said that UAE companies should utilize the agreement signed with Iraq for scrapping customs duties and administrative restrictions governing the issue of import licences.

Kuwaiti oil refinery is seen returning to full production by October

Kuwait — The Al-Ahmadi oil refinery, owned by the Kuwait National Petroleum Company (KNPC), is expected to return to full output by October 2002, the official Kuwaiti News Agency (KUNA) reported last month.

The Director of the plant, Abdelhadi Bu Sakhar, said a production level of 430,000 barrels/day would be attained after the completion of filtration unit number five, which would produce 120,000 b/d.

The distillation unit would be completed in September 2002 and "whenever its production capacity is back, the refinery will also be back", he noted.

The KNPC refinery, which suffered a devastating explosion in June 2000, was currently producing 309,000 b/d, Bu Sakher was quoted by KUNA as saying.

He said the project, which was being financed by a group of insurance companies, would involve a payment schedule over an approved timetable, to be revised every three months.

KNPC is the refining subsidiary of the state-owned Kuwait Petroleum Corporation.

Venezuelan Ministry of Energy opens dialogue with private companies

Caracas — The Hydrocarbons Division of Venezuela's Energy and Mines Ministry has opened a dialogue with the local private and international oil companies that have expressed an interest in investing in offshore development plans, it was announced last month.

The initiative was launched at a recent meeting with representatives from UK firm BG, headed by its President for the Caribbean Region, Peter Dranfield, and members of the locally-based Oil Business Alliance, as well as officials from state oil firm Petroleos de Venezuela SA (PDVSA).

"The objective of the meeting was to begin an exchange regarding the capacity of companies regarding technologies, fields and services, for the construction and operation of offshore oil and gas installations," the Ministry said in a press communique.

In July 2001, BG told Venezuelan President Hugo Chavez of its interest in investing some $2 billion in oil fields located in the Deltana platform and that they would need to contract labour, goods and services to build pipelines to bring the gas to land if that initiative materialized.

The Ministry added that it was planning similar meetings with private Venezuelan and foreign oil businessmen regarding opportunities for joint ventures in the future.

Saudi Minister announces discovery of new oil field in Eastern Region

Riyadh — Saudi Arabian Minister of Petroleum and Mineral Resources, Ali I Naimi, announced last month that the state oil firm, Saudi Aramco, has discovered a new oil field in the eastern region of the Kingdom.

The field had produced at a rate of nearly 1,100 barrels/day of high-grade Arabian oil and 1.6 million cubic feet/day of sweet gas.

The Saudi Press Agency (SPA) quoted Naimi as saying that Saudi Aramco had drilled the Jefin no 1 well in June 2001.

He pointed out that the field was the ninth that had produced hydrocarbons at commercially-viable output rates in the area, situated to the south of the giant Al-Ghawar field.

Naimi added that the company would conduct a further assessment of the new well after reaching the final depth to determine the quantity of reserves.

In brief

Bush orders SPR to be filled to capacity

New York — US President George W Bush has directed Secretary of Energy Spencer Abraham to increase the country's Strategic Petroleum Reserve (SPR) to its 700 million barrel capacity, principally using royalty oil from federal offshore leases. The directive will mean 108m b of crude oil being added to the nation's emergency oil stockpile. Commenting on the move, Abraham said: "This marks a major step forward in our efforts to strengthen America's energy security. Americans count on the SPR as a readily available supply of emergency crude oil and the President's action should increase consumer confidence that we are prepared to protect this nation from economic harm in the event of significant energy disruptions."

Russia's Putin supports oil price band

Moscow — Russian President Vladimir Putin has said that his country supports a just range for world oil prices, according to the official Islamic Republic News Agency (IRNA). He noted that a range where prices fluctuated between $21/barrel and $26-27/b, very similar to OPEC's price band of $22-28/b, would be a fair one. "This is a price range which would create conditions for efficient economic development of the oil-consuming countries and would help producer countries to settle their problems of economic and social character," he was quoted by IRNA as saying. Putin said he believed that the recent fall in world oil prices could have a serious effect on the Russian economy, if prices continued to decline. However, he stressed that Russia had paid debts to the International Monetary Fund ahead of schedule, and there was "no panic" regarding the drop in oil prices.

IEA reports sharp drop in demand

Paris — The International Energy Agency (IEA) said last month that oil demand in the industrialized countries of the OECD region had fallen sharply in September. Nevertheless, the IEA said it was maintaining its demand forecast of 76 million barrels/day for 2001. In the third quarter, global demand contracted by 750,000 b/d, largely because of "the global economic downturn and the terrorist attacks of September 11", the Paris-based Agency noted. It observed that, despite the fall-off in air travel after the attacks in the United States, "jet fuel deliveries held up quite well." Overall September OECD demand fell by 2.5 per cent, the steepest decline so far in 2001. Despite these signs of flagging oil demand, the IEA said that demand growth this year could remain at earlier estimates, or between 100,000 b/d to 200,000 b/d, to reach 76m b/d.

In brief

Asia mulls eight new gas pipelines

KUALA LUMPUR — Eight new pipeline projects will be undertaken in Asia between 2001 and 2009, as part of the Association of South-East Asian Nations (Asean) gas pipeline grid. The schemes will transport gas between Indonesia, Malaysia, the Philippines, Singapore and Thailand, according to the Lead Co-ordinator of the trans-Asean gas pipeline task force, Dr Mohamad Farid Mohamad Amin. He told an industry conference that the first project, which involved transporting gas from Indonesia's West Natuna field to Malaysia's Duyon field in the South China Sea, was due for completion in 2002. This project would be followed by another pipeline from Indonesia's south Sumatra fields to Malaysia in 2002-05, East Natuna to Malaysia, and East Natuna to Singapore between 2002-10. Another two East Natuna pipelines would be built to Malaysia and the Philippines between 2008-15. There was also a planned Malaysia to Arun pipeline from 2005-10 and a second Malaysia-Thailand pipeline from the Gulf of Thailand from 2009-16.

UK, Norway boost oil, gas co-operation

BRUSSELS — Europe's two largest North Sea oil producers, Norway and the United Kingdom, which between them have a combined output of around 5.5 million barrels/day, have set up a joint working group to focus on co-operation in their respective oil and natural gas sectors. Speaking at a conference on the Norwegian oil and gas industry, UK Energy Minister Brian Wilson said the working group would take forward areas identified for future co-operation at an earlier offshore Europe seminar. The group would consist of government and industry members of Pilot, a UK initiative to revitalize its offshore sector, and the Toppleder Forum of Norway.

Petronas seeks new refinery partner

KUALA LUMPUR — The Malaysian national oil corporation, Petronas, is seeking a new partner for its 100,000 barrels/day Malacca refinery, according to industry sources attending an oil and gas conference in Kuala Lumpur. Petronas was looking for a partner to take over at least the 15 per cent stake it had taken together with partner Conoco of the United States from Statoil of Norway this year, the sources said. They added that low refining margins had badly affected the south-east Asian refining industry, and that Petronas was thus seeking a new partner with connections to a new market. In addition, the sources pointed out, the company was now focusing more on petrochemicals and the gas industry, especially in seeking a leading role in the establishment of regional gas trade.

Qatar Petroleum to sign final gas agreement with Dolphin Energy shortly

Abu Dhabi — State-owned Qatar Petroleum (QP) and Dolphin Energy Ltd (DEL) will soon sign a final development and production-sharing agreement for a multi-billion dollar project to deliver Qatari gas abroad, according to a senior official at France's TotalFinaElf.

The United Arab Emirates Offsets Group (UOG) has a 75.5 per cent stake in DEL, while the remaining 24.5 per cent is held by the French company.

UOG has invited major oil firms to bid for a 24.5 per cent stake in DEL to replace the bankrupt US energy giant Enron, which withdrew from the venture in May 2001 and transferred its stake to UOG.

"TotalFinaElf is very interested in increasing its stake in DEL," a senior TotalFinaElf official, Bernard de Combret, was quoted as saying by the official UAE news agency, WAM.

The Dolphin project will eventually produce 2.5 billion cubic feet/day of Qatari gas, which will be piped via a regional grid to Abu Dhabi, Dubai, Oman and also to Pakistan.

The natural gas would be transported through a planned undersea pipeline from Qatar to the Abu Dhabi coast.

Algeria's Sonelgaz signs undersea pipeline deal with Spanish company

Algiers — Algerian state electricity and gas firm Sonelgaz and Spain's Red Electrica last month signed an agreement relating to the laying of an undersea power line linking the two countries.

The two firms have assigned a feasibility study for the scheme to the Algerian Energy Company (AEC), a joint venture between Sonelgaz and the national oil and gas company, Sonatrach. AEC will be looking at the potential for marketing electricity and gas abroad.

The undersea line is part of a larger power project in Algeria, which comprises the provision of domestic plants to produce 2,000 megawatts of electricity, of which 1,200 mw will be exported. A similar link project is underway between Algeria and Italy.

Discussions are also progressing between Algeria and the two European countries for the construction of new gas pipelines to link Algeria's gas fields to Spain and Italy.

The two countries are already supplied with Algerian gas through the Maghreb-Europe gas pipeline and the trans-Mediterranean line, which have transport capacities of 8 billion cubic metres/year and 24bn cu m/y of gas, respectively.

Iran welcomes foreign direct investment in its natural gas sector

Tehran — Iran has indicated its interest in welcoming direct foreign investment in its natural gas sector, it was announced last month.

Petroleum Minister, Bijan Namdar Zangeneh, said that the investments were intended to boost Iran's gas production from the current 300 million cubic metres/day to 500m cu m/d by 2005.

Speaking at a conference on Middle East gas, Zangeneh said that Iran, with 26.3 trillion cu m of proven natural gas reserves, or 18 per cent of the world total, would play a major role in meeting global demand for the fuel in the future.

Iran currently accounted for only three per cent of global gas production, he pointed out, so there was plenty of growth potential.

"Further exploitation of natural gas is among the requirements of sustained development and this source of energy, given its unique characteristics as being environmentally friendly, will have the highest growth in demand among other energy sources," he noted.

The Minister also noted that Iran's geopolitical position was of special importance for the transfer of gas to global markets and for gas swap deals.

The development of the multi-billion dollar South Pars gas field was continuing according to schedule, phases two and three of which would be completed by

March 2002. Several other phases of the project were expected to be onstream by September the same year.

The Minister added that phases 1–10 of the South Pars project were intended to produce gas for domestic consumption, while phases 11 and 12 would be developed to produce between 7 million and 8m tonnes/year of gas for export.

He noted that said contracts for the development of phases nine and 10 of the field would be signed by the end of March 2002.

Indonesia and Philippines sign energy deals worth a total of $1.5 billion

Jakarta — Indonesia and the Philippines have signed energy contracts worth $1.5 billion as part of moves to further build bilateral relations, it has been announced.

The deals were signed during a visit to Indonesia last month by Filipino President, Gloria Macapagal Arroyo.

She and Indonesian President Megawati Soekarnoputri witnessed the signing of the deals after discussing a wide range of bilateral issues.

Indonesian Energy and Mineral Resources Minister, Dr Purnomo Yusgiantoro, announced that Indonesia had agreed to supply coal and natural gas to the Philippines.

The biggest portion of the deal was a $1bn pact between the two state-owned energy companies, Indonesia's Pertamina and the Philippines National Oil Corporation (PNOC).

The two firms would co-operate in geothermal energy development and development of supplies of liquefied natural gas from Indonesia's Tangguh gas field from 2005.

The Philippines had the second largest geothermal resources after the United States and PNOC had built on American technology of extracting steam for power generation. Indonesia had yet to fully exploit the country's geothermal reserves, said officials in Jakarta.

Among other deals, Indonesia had signed a long-term agreement to export $80 million worth of coal to the Philippines, which would require some 25m tonnes of coal by 2005.

The Indonesian petrochemical sector would sell $200m worth of fertilizers to the Philippines, which imported most of its hydrocarbon products, the officials noted.

In return, Filipino technical experts would help Indonesia modernize and computerize its bureaucracy, starting with passport and land-registration services. The deal was estimated to be worth $100m, according to the officials.

The two countries would also co-operate in developing tourism and fisheries, as well as undertake joint investment projects.

Macapagal Arroyo and Megawati also agreed to strengthen security co-operation to fight terrorism and curb transnational crime in the region by intensifying naval patrols along their joint border to counter the rising incidents of piracy and arms smuggling.

US company Emerson wins Kuwaiti contract for oil and gas terminal

New York — Emerson Process Management of the United States has announced a major contract with Hyundai Engineering and Construction of South Korea to supply an oil and gas terminal for the Kuwait National Petroleum Company (KNPC).

Emerson's Daniel Division has been contracted to provide the terminal's complete custody transfer measurement and operations system to be used at KNPC's new oil pier.

Several Emerson divisions, including Daniel, Micro Motion, Intellution, Rosemount, Asco and Appleton, are to supply the equipment. Hyundai is the general contractor for the entire project.

Emerson's Executive Vice-President for Process Management, John Berra, said: "This is a significant order for Emerson and a great example of how our organization is bringing the engineering and technology capabilities of its divisions together to provide innovative solutions for our customers."

The President of Emerson's Daniel

In brief

South Korean petroleum consumption up
SEOUL — South Korea's petroleum consumption reached 61.91m barrels in September 2001, up by 6.9 per cent from the same month a year ago, according to figures released by the Korea National Oil Corporation (KNOC). However, during the first nine months of this year, petroleum consumption was down by half a percentage point from 547m b, when compared with the same period in 2000. KNOC statistics showed that the country's power generating sector recorded the largest increase in petroleum consumption, surging by 33 per cent to 3.13m b. The transportation sector's September consumption rose by 16 per cent to 21.15m b, while industrial sector use was up by a marginal 0.8 per cent to 29.46m b in the month under review. Household and commercial sector use increased by 1.7 per cent to 7.41m b from a year earlier.

Unocal plans Bangladesh-India gas pipeline
NEW DELHI — The United States oil and gas company, Unocal, has announced an investment proposal of $1.2 billion to export natural gas from Bangladesh to India, the Press Trust of India (PTI) has reported. The proposed natural gas pipeline project would involve the construction of a 30-inch diameter pipeline, stretching 1,363 km from the Bibiyana gas field in north-east Bangladesh to the Indian capital New Delhi, Unocal said in a statement issued in Dhaka. "Unocal's export proposal is based on sound market, technical and economic studies and we believe that gas exports can play a significant role in helping Bangladesh to achieve its economic, social and energy goals," the statement noted. The project is expected to generate $3.7bn in revenue for the Bangladeshi government over 20 years and attract $500m-700m in immediate foreign direct investment, it added.

BP records big slump in 3Q profit
LONDON — UK oil giant BP has reported a third-quarter profit of $3.05 billion, down by 20 per cent from the $3.80bn recorded for the same period a year ago. The company said the fall reflected a less favourable trading environment of lower oil prices, which was offset by some performance improvements implemented earlier in the year. However, BP pointed out that although the third-quarter results were hit by a slump in crude prices, its profit for the first nine months of 2001 showed a small rise to a record $10.97bn, up from $10.11bn in the same period of 2000. Third-quarter oil and gas production was also three per cent higher than in 2000, the company noted.

In brief

UK could be net gas importer by 2005

LONDON — British Energy Minister Brian Wilson has said that his government was fully aware of the need to secure longer-term security for the supply of natural gas from a range of sources. "Current best estimates are that the United Kingdom is likely to become a net importer of gas from around 2005-06, with the possibility of 90 per cent of the UK's gas being imported by 2020," he said in a written reply to parliament. In response to a question as to when Norway would be unable to meet further UK demand for gas, he said it was difficult to give a meaningful estimate, due to the dependency on a number of factors. However, he did acknowledge that there would be a point at which this would occur.

Petronas to explore for oil in Bahrain

KUALA LUMPUR — The Malaysian national oil corporation, Petronas, has signed a memorandum of understanding with Bahrain for the exploration of blocks IV and VI in the latter country under a production-sharing contract. Visiting Bahraini Oil Minister, Sheikh Isa Ali Al-Khalifa, signed the agreement with Petronas President, Mohamad Hassan Marican, in the presence of Malaysian Prime Minister, Mahathir Mohamad, and Bahraini Premier, Sheikh Khalifa Salman Al-Khalifa, as well as other top officials from the two countries. Bahrain, which produces about 40,000 barrels/day of crude, recently completed a 3-D seismic survey on the blocks, which have not been explored since the 1960s. The two premiers also signed two other protocols, one of which will allow Malaysia to set up a centre for the marketing of its products in Bahrain, and the other covering greater co-operation between the two countries in the areas of Islamic finance and banking.

BP to fund Chinese energy research

LONDON — UK oil giant BP is to provide $10 million in funding for the Chinese Academy of Sciences for research into cleaner energy sources. BP said this was the largest agreement reached between a western company and the Chinese Academy. The British firm has agreed to fund the research for a 10-year period, covering strategic and technical issues relating to developing cleaner energy sources, including the development of natural gas and longer term issues related to the use of hydrogen as a fuel. "We hope that this is just the first step in a relationship that will become broader and deeper. The Chinese Academy of Sciences and Tsinghua University are world-class institutions undertaking ground-breaking research," commented BP's Chief Scientist, Dr Bernard Bulkin.

Division, Gene Perkins, added: "We appreciate this opportunity to work with Hyundai and KNPC to develop a complete and integrated measurement system for this vital infrastructure project in Kuwait."

Qatar seeks expansion of co-operation with Japan in oil and gas

Tokyo — Qatar and Japan have signed an agreement that seeks to boost bilateral co-operation in the energy sector, it was announced last month.

The accord was signed in Tokyo by Qatari Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah, who is also Chairman of Qatar Petroleum, and Japanese Minister of Economy, Trade and Industry, Takeo Hinaruma.

The agreement provides for co-operation between Qatar and Japan in oil, liquefied natural gas, and gas-to-liquids projects.

The two countries also said they recognized the importance of the World Trade Organization's recent conference, which was held in the Qatari capital, Doha, in November.

The meeting was crucial for the stability and prosperity of the world economy, according to a statement issued by Qatar Petroleum.

In addition, the two sides noted that the meeting of the International Energy Forum in Osaka in September 2002 would be significant for producers as well as consumers.

Venezuela's PDVSA expands its presence to Ecuadorian market

Caracas — State oil firm Petroleos de Venezuela (PDVSA) has opened Citgo Ecuador in the port city of Guayaquil, in a new step to strengthen its presence in Ecuador's lubricants market.

Citgo Ecuador is a unit of Citgo International Latin America (CILA), which is wholly owned by PDVSA and responsible for the marketing of PDV and Citgo brand products throughout Latin America and the Caribbean.

The announcement of the opening was made by CILA Lubricants President, Robert Kress and Vice-President Luis Felipe Sosa; Citgo Ecuador General Manager, Jesus Ivan Arrieche; and CILA Technology General Manager, Guillermo Rodriguez.

PDVSA said the opening of Citgo Ecuador underlined the company's plan to double its six per cent share of the Ecuadorian lubricants market in the medium term.

From Guayaquil, Citgo Ecuador would also service markets in southern Colombia and northern Peru, PDVSA noted.

Nigeria's NNPC signs production-sharing deal with three oil companies

Abuja — The state-run Nigerian National Petroleum Corporation (NNPC) signed a production-sharing agreement last month with three oil companies covering deep-water offshore operations.

The firms comprised Chevron Nigeria Deepwater (a subsidiary of Chevron Nigeria), Shell Nigeria Offshore Prospecting (a unit of the Shell Petroleum Development Company of Nigeria), and the Brasoil Services Company (part of Petrobras Nigeria).

An oil prospecting lease (OPL) and an oil mining licence (OML) are to be issued in the name of the NNPC, with whom the contractors signed the joint-venture accord.

Nigeria's Presidential Adviser on Petroleum and Energy, Dr Rilwanu Lukman, said at the signing ceremony that the agreement marked the finalization of the bidding process that took place in 2000.

Under the agreement, Chevron Nigeria was entitled to a 50 per cent holding, Shell got 35 per cent, and Brasoil 15 per cent, he noted, adding that the production-sharing ratio was 70 per cent for the contractors and 30 per cent for the NNPC.

The contract duration would span 30 years, 10 years for the OPL and 20 years for the OML.

November[1]

Crude oil price movements

The monthly price of the OPEC spot Reference Basket[2] continued its descending trend in November, losing $1.99/barrel, or more than ten per cent of its value, during the month, to register $17.65/b. Compared with November last year, the Basket lost almost 44 per cent of its value. Naturally, all the Basket's components experienced large losses. Leading the decline were Tia Juana Light and Arabian Light, which fell by $2.38/b and $2.34/b, followed by Isthmus and Dubai, which dropped by $2.33/b and $2.31/b. The Brent-related crudes, Bonny Light and Saharan Blend, were $1.68/b and $1.65/b lower than in October. Minas posted the smallest loss, decreasing by $1.24/b (see **Table A**).

On a weekly basis, the Basket behaved erratically, falling sharply in the first week and then reversing the trend during the second week to post a recovery; it fell again in the third week, to its lowest level for the year. Finally, it regained some ground to close higher in the last week. The Basket started the month by posting solid losses, amid concern over persistent weakening in oil demand, fuelled by bearish economic signals, especially US unemployment data, which showed a 0.5 per cent rise to 5.4 per cent, the highest level for five years. The Basket price strengthened during the second week, on bullish comments by Saudi Arabia's Minister of Petroleum and Mineral Resources, Ali I Naimi, that OPEC could cut production by 1.5 million barrels/day to balance market fundamentals. Meanwhile, markets reacted well to the US Administration's order to increase the Strategic Petroleum Reserve to full capacity. However, prices plummeted after OPEC, at its 118th (Extraordinary) Meeting of the Conference, announced that any output cut would be subject to a firm commitment from non-OPEC oil producers to implement production cuts of 500,000 b/d simultaneously. In the third week, the Basket fell by more than eight per cent to reach $16.86/b, the lowest level for the year. This decline could be attributed both to remarks by some OPEC Ministers expressing their firm position not to implement any production cuts unless major non-OPEC producers co-operated with concrete, proportional cuts and to Russia's reluctance to co-operate with any significant production cut. Nevertheless, prices recovered substantially later in the week, on positive signals that an OPEC/non-OPEC agreement to curb production and stabilize the market might be reached. The price recovery was consolidated on news that Norway's parliament had agreed to a 100,000–200,000 b/d output cut, subject to other non-OPEC producers also implementing cuts. Earlier comments by Russia's Deputy Prime Minister, Ilya Klebanov, who said that his country was ready to take further action to help OPEC's efforts to support the market, underpinned crude prices. Towards the month's end, prices firmed further on comments by the Deputy Prime Minister that Russia might consider a large production cut in January. Meanwhile, the price rise was capped by expectations that Iraq could sign a memorandum of understanding with the United Nations, dissipating concern over disruptions to oil exports.

US and European markets

The US market turned difficult in November as an outlet for North Sea grades and West African grades, amid weak refiners' margins and comfortable availability; however, low freight rates helped underpin demand. Sellers of West African crudes took advantage of low rates to move cargoes to the USA. Grades such as Brass River and Qua Iboe were offered at premiums to West Texas International (WTI); nonetheless, refiners requested discounts to get the oil moved. Towards the latter part of the month, the transatlantic arbitrage closed firmly, with January Brent moving near to parity with WTI. Refiners turned to domestic crudes, especially sweet grades, like Louisiana Light Sweet, with premiums soaring by more than 40¢/b against WTI. The European crude market was strong, with good end-user demand for North Sea grades. The Brent curve

Table A: Monthly average spot quotations of OPEC Reference Basket and selected crudes including differentials *$/b*

	October 01	November 01	Year-to-date average 2000	Year-to-date average 2001
Reference Basket	**19.64**	**17.65**	**27.88**	**23.59**
Arabian Light	20.16	17.82	27.15	23.48
Dubai	19.93	17.62	26.58	23.27
Bonny Light	20.60	18.92	28.74	24.98
Saharan Blend	20.65	19.00	28.99	25.21
Minas	19.53	18.29	29.07	24.65
Tia Juana Light	17.66	15.28	26.57	20.81
Isthmus	18.94	16.61	28.08	22.67
Other crudes				
Brent	20.54	18.80	28.72	24.95
WTI	22.20	19.49	30.54	26.54
Differentials				
WTI/Brent	1.66	0.69	1.82	1.59
Brent/Dubai	0.61	1.18	2.14	1.68

1. *This section is based on the OPEC Monthly Oil Market Report prepared by the Research Division of the Secretariat — published in mid-month and containing up-to-date analysis, additional information, graphs and tables. Researchers and other readers may download the publication in PDF format from our Web site (www.opec.org), provided OPEC is credited as source for any usage.*
2. *An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

remained in contango for most of the month, flipping into backwardation towards the last week, placing prompt prices at a premium to future ones and discouraging any stock-builds. In the physical market, dated Brent prices weakened towards the month-end, as the trader Vitol completed its play, buying 11 cargoes with loading dated for the first half of December. Other North Sea grade prices weakened on low demand, amid poor refiners' margins, which, in turn, gave a respite to suffering refiners.

Far Eastern markets

Asian refiners started buying December cargoes in the first week of November, halting a price slide that had taken Oman into a deep discount of as much as 20¢/b to the official selling price (OSP). Lower spot prices for regional grades strengthened refiners' margins, attracting refiners into the crude market. The market for Oman remained well supported, until the trading for December volumes came to an end; then, expectations that China could turn around and become a seller of its term supply moved the grade into discount territory. Meanwhile, demand for light sour grades (Abu Dhabi Murban) firmed, amid sustained buying of distillate-rich crudes by regional refiners. Later in the month, as usual, traders' attention started to focus on January loading, especially for light sweet grades. Naphtha-rich Australian Cossack's differential strengthened, as refiners sought to produce gasoline for the Australian high-demand season. Demand for Malaysian distillate-rich grades also firmed; however, buying interest for the remaining December volumes of heavy sweet grades dwindled. Towards the end of the month, and despite uncertainty about the OPEC/non-OPEC negotiations, buyers started acquiring Middle East crudes, raising differentials for January lifting to as much as 25¢/b above their respective OSPs. Demand was particularly strong for distillate-rich Abu Dhabi and some Asian grades.

Product markets and refinery operations

Product prices fell further in November, tracking the decline in crude prices. The combination of a slow-down in demand for distillates across all regions and, importantly, heating oil in the northern hemisphere, amid unseasonably warm weather, and rising stocks exacerbated the price falls. With product prices dropping more steeply than crude values, refiners' margins were negative, spurring further cuts in refinery runs (see **Table B**).

US Gulf market

Product prices experienced further losses in November. Tumbling crude markets were the underlying factor. Both the middle and the heavy ends of the barrel experienced considerable losses, falling by 13 per cent, compared with October's average prices; this was due essentially to sagging utility demand, because of unseasonably mild weather, amid substantial increases in both distillate and natural gas inventories. This, in turn, weakened natural gas prices, making this resource the primary choice for utility consumption, instead of both heating oil and low-sulphur fuel oil, if the weather turned cold. High-sulphur fuel oil, however, strengthened later in the month, on tight supply led by a couple of supporting factors. One was the shift of Latin American cargoes from their usual destination (ie, US harbours) to European markets, due to the price difference. This premium on fuel oil prices induced a high level of arbitrage from the USA to Europe. And secondly, there was an increasing magnitude of processed fuel oil, due to the start-up of a number of cokers. These factors conse-

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

		Sept 01	Oct 01	Nov 01	Change Nov/Oct
US Gulf					
Regular gasoline	*(unleaded)*	31.01	23.63	20.99	–2.64
Gasoil	*(0.2%S)*	30.14	25.42	22.13	–3.29
Fuel oil	*(3.0%S)*	19.79	15.59	13.62	–1.97
Rotterdam					
Premium gasoline	*(unleaded)*	29.54	23.50R	20.38	–3.12
Gasoil	*(0.2%S)*	30.87	27.41	23.03	–4.38
Fuel oil	*(3.5%S)*	19.23	16.07	14.67	–1.39
Singapore					
Premium gasoline	*(unleaded)*	29.47	22.23	20.75	–1.48
Gasoil	*(0.5%S)*	29.44	25.53	21.87	–3.66
Fuel oil	*(380 cst)*	21.85	18.72	15.46	–3.26

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*			**Refinery utilization** *(%)*[1]		
	Sept 01	**Oct 01**	**Nov**	**Sept 01**	**Oct 01**	**Nov 01**
USA	15.36	15.33	15.10	92.8	92.7	91.3
France	1.80	1.77	1.81	95.0	93.2	95.6
Germany	2.00R	2.01R	2.21	88.6R	89.1R	98.0
Italy	1.75R	1.81R	1.85	74.3R	76.9R	78.4
UK	1.67R	1.60	1.58	94.5R	90.4	89.3
Eur-16**	11.87R	12.16R	12.31	87.0R	88.7R	90.2
Japan	4.05	3.79	*na*	81.7	76.4	*na*

1. *Refinery capacities used are in barrels per calendar day.*
2. *European Union plus Norway.*

na *Not available.*
R *Revised since last issue.*

Sources: OPEC Statistics, Argus, Euroilstock Inventory Report/IEA.

quently averted further losses in fuel oil prices in the US Gulf Coast. The gasoline price dropped the least, despite rising stocks, and declined by 11 per cent, or $2.64/b; this was mitigated by a marginal recovery in gasoline demand, which seemed to be encouraged by lower retail prices. Preliminary government data on the weekly moving average showed demand to be 4.4 per cent higher than last year's level, but the monthly growth in demand was barely less than one percentage point (see **Table B**).

Refiners' margins in the US Gulf stood almost flat in negative territory, as the relative weakness of the WTI price was offset by an enormous fall in light product prices.

US refinery throughput declined by a further 230,000 b/d to register 15.10m b/d, in tandem with poor refiners' margins. The corresponding utilization rate was 91.3 per cent (see **Table C**).

Rotterdam market

Product prices decreased significantly in November, with particular severity for light products, as crude prices plunged, demand slumped and inventories rose. Gasoil was hit the hardest, losing $4.38/b, or 16 per cent, on a monthly basis. This reflected abundant supply, after a published survey showed that Germany's heating oil tertiary household stocks, estimated at 612m b, reached 72 per cent of their capacity at the start of the month, the highest level for 12 years. Gasoline fell by a substantial $3.12/b, down 13 per cent less on the previous month, as the surplus rose in Europe, due to less transatlantic activity and a sustained ebbing of regional demand.

Firm fundamentals supported the European fuel oil market, which did not experience enormous falls, like the other products, declining by only $1.39/b, or nine per cent. Tight Russian supply, to cover increased domestic demand and healthy bunker demand, constituted the main reasons for the less affected fuel oil markets.

A combination of relative weakness in light product prices and relative strength in the marker crude (Brent), compared with their US counterparts, led to refiners' margins turning negative (see **Table B**).

Refinery throughput in Eur-16 (EU + Norway) rose by 150,000 b/d to 12.31m b/d, on a spate of refinery restarts after a period of heavy autumn maintenance. Thus, the utilization rate increased by 1.5 percentage points to 90.2 per cent (see **Table C**).

Singapore market

For the second consecutive month, product markets plunged in November, driven essentially by the continually falling crude prices and well-supplied markets, gasoil and fuel oil in particular; hence, their prices plummeted by $3.66/b and $3.26/b, respectively. The fuel oil market, however, was firm during early December, as China, the main regional buyer of fuel oil, started to buy from the spot market, after two top South Korean refineries had scaled back their fuel oil exports as a result of slashing runs, in response to poor refiners' margins.

Unlike the middle and the heavy ends of the barrel, the gasoline market nonetheless was less well supplied, on a combination of curbing exports from China, due to poor refiners' profits, and healthy Indonesian demand. This restricted the gasoline price fall to $1.48/b (see **Table B**).

The refiners' margins on the marker crude (Dubai) weakened in November, fluctuating from break-even point to negative values and reflecting the steep declines in product markets.

Refinery throughput in Japan fell by a significant 250,000 b/d to 3.79m b/d in October, caused by weak product demand and, therefore, poor refiners' margins. The equivalent utilization rate was 76.4 per cent, which was 5.2 and 2.1 percentage points lower than the previous month's and year's levels, respectively (see **Table C**).

The oil futures market

NYMEX WTI started November on a weak note, under pressure from the deteriorating economic situation in the USA and technical selling, as the market settled below the bottom of the weekly moving average envelope. A build in US crude oil stocks, according to the American Petroleum Institute, and a report showing that OPEC was over-producing by 800,000 b/d caused prices to deteriorate further. However, since the market was oversold, with a very high number of short positions, a rally started which was based on improved demand figures in the USA. This rally received extra impetus from gains based on OPEC's determination to cut exports by 1.5m b/d, spearheaded by Saudi Arabia. Crude prices rose by more than $1/b in response to that.

The second week of November, in which the OPEC Conference took place, started high, as the Russian Prime Minister, Mikhail Kasyanov, expressed a readiness to cut crude production.

However, on the following day, prices retreated, as Russian companies expressed surprise at the Prime Minister's comments. Another crash of an airliner in New York also harmed sentiment. US President George W Bush's announcement of his intention to fill the SPR to 700m b caused a 50¢/b rally just before the OPEC Conference. The decision of the Conference to tie its proposed cuts to co-operation from non-OPEC producers caused prices to decrease by $4.22/b in two days, to a low of $17.45/b.

During the third week, prices were volatile, with statements from OPEC Ministers and non-OPEC producers taking centre stage. The agreement of the Norwegian parliament to reduce exports by 100,000–200,000 b/d and comments from Russian officials that the country would co-operate and cut production caused prices to rise to and stay around $19/b.

In the last week of November, NYMEX WTI displayed strong volatility, but traded within a limited range. The unclear position of Russia regarding the volume of its proposed production cut and the continued build in US product stocks increased uncertainty about the fundamental outlook.

The tanker market

OPEC area spot-chartering continued to decline in November, moving down by a further 1.89m b/d to a monthly average of 9.76m b/d. This was with an improved OPEC compliance level, especially after the disappointment of non-OPEC co-operation in cutting back production, which led to OPEC's decision of November 14

to implement a production cut of 1.5m b/d, effective January 1, 2002, subject to non-OPEC producers cutting their total supply by 500,000 b/d. Therefore, current OPEC fixtures are now running 2.16m b/d below the year-ago level.

However, non-OPEC chartering continued to rise and partially compensated for OPEC's cutback, increasing by a further 1.35m b/d to 9.18m b/d. Consequently, global spot-chartering moved just 640,000 b/d lower to a monthly average of 18.85m b/d; however, this volume was 2.45m b/d below last year's level, reflecting the current global economic slowdown.

OPEC area's share of global spot-chartering declined by 8.03 percentage points to 51.79 per cent, and this level was 4.18 percentage points below the previous year's share. Spot fixtures from the Middle East on the eastbound long-haul route improved by a slight 30,000 b/d to 3.13m b/d, while, on the westbound route, fixtures declined by 990,000 b/d to 1.00m b/d. Therefore, the share of the Middle East's eastbound fixtures of OPEC total fixtures improved by 5.51 percentage points to 32.06 per cent, while the westbound share worsened by 6.80 percentage points to 10.24 per cent; together, they accounted for 42.31 per cent of total chartering in the OPEC area, which was 1.29 percentage points lower than in the previous month.

Preliminary estimates of sailings from the OPEC area declined by 560,000 b/d to a monthly average of 22.30m b/d, which was 2.45 percentage points below the previous month's level. Sailings from the Middle East decreased by 310,000 b/d to a monthly average of 15.50m b/d, which was about 70 per cent of total OPEC sailings. Arrivals in the US Gulf Coast, East Coast and the Caribbean declined in November by 510,000 b/d to a monthly average 7.37m b/d. Arrivals in North-West Europe and Euromed also decreased, by 380,000 b/d to 5.96m b/d and 740,000 b/d to 4.75m b/d, respectively. The estimated oil-at-sea on November 12 was 447m b, which was 6m b above the level observed at the end of last month.

Crude oil tanker markets experienced a downward trend in November across all the major trading routes. The VLCC tanker market in the Middle East remained bearish amid reduced loading volumes and over-supply of tonnage, which weighed on freight rates and tanker activity. Consequently, VLCC freight rates on the Middle East eastbound and westbound long-haul routes continued their descents, reaching the lowest levels since September 1999, as they hit monthly averages of Worldscale 37 and W35, respectively; these were 25 points and 19 points below the respective levels of the previous month. The Suezmax markets in West Africa and North-West Europe weakened, after the improvements observed during the previous month, undermined by thin fixtures and weaker VLCC rates.

Thus, freight rates for cargoes from West Africa and North-West Europe to the US Gulf Coast dropped by 35 points to W68 and 27 points to W75, respectively. Aframax trading on the short-haul route from the Caribbean to the US Gulf Coast witnessed the biggest drop in rates, which plummeted by 81 points to W130, while the rates on the routes across the Mediterranean and to North-West Europe decreased by 27 points to W109 and 25 points to W68, respectively. Freight rates for 70–100,000 dwt tankers on the route from Indonesia to the US West Coast remained weak, moving down by a further eight points to W99.

Product tanker markets also displayed a weaker trend in November, as freight rates were depressed along the main routes, affected by fewer cargo movements on adequate product stock levels and weaker-than-expected demand. Rates from the Middle Eat and Singapore to the Far East reversed the previous month's trend and plunged by 53 points to W183 and 45 points to W187, respectively, on the back of rising East-West product prices which limited arbitrage movements.

On the route across the Mediterranean, clean tanker freight rates were driven down by 51 points to W185, while, on the route from the Mediterranean to North-West Europe, they plummeted by 59 points to W171, amid a build-up of product inventories in Europe, especially heating oil. Rates also declined on the route from North-West Europe to the US Gulf Coast, due to less activity, dropping by 34 points to W193. In the Caribbean, rates for cargoes to the US Gulf Coast softened by five points to W217.

World oil demand

Projections for 2001

World

Due to significant adjustments to 2Q, 3Q and 4Q figures, the projection for 2001 world oil demand has undergone a major downward revision, compared with that presented in the last report. Consumption is now estimated to average 75.73m b/d, which is nearly the same as in 2000. On a regional basis, demand is projected to decrease by 210,000 b/d in the OECD, but to increase by 90,000 b/d in developing countries and by 150,000 b/d in the 'other regions' (former CPEs).

On a quarterly basis, compared with the year-earlier figure, world demand grew by 0.80 per cent, or 610,000 b/d, to average 76.28m b/d in 1Q. It is estimated to have grown by 1.16 per cent, or 860,000 b/d, to average 74.84m b/d in 2Q. However, 3Q and 4Q are expected to experience negative growth. The reasons are the decelerating economic growth in both these quarters and the declining jet fuel consumption in 4Q. Third quarter demand is now estimated at 75.54m b/d, which is about 610,000 b/d, or 0.80 per cent, less than that of 3Q00. Likewise, 4Q demand is expected to be 76.27m b/d, nearly 710,000 b/d, or 0.93 per cent, less than that of 2000.

OECD

Having grown by as little as 0.3 per cent last year, OECD product deliveries are projected to post a decline of 210,000 b/d, or 0.4 per cent, to average 47.63m b/d in 2001. This drop is the sum of a 100,000 b/d decline, a 20,000 b/d rise and a 130,000 b/d decline in North America, Western Europe and the OECD Pacific, respectively. The declines in 3Q and, especially, in 4Q have contributed to the yearly drop in 2001 demand in the OECD. In addition to the weakening GDP growth rate prospects in OECD Europe and, especially, the OECD Pacific, the estimated reduced jet fuel consumption, particularly in the USA, will be responsible for the overall lower demand in the region. Our estimated 2001 GDP growth rates for Western Europe and the OECD Pacific were revised down by 0.08 per cent and

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

	1Q	2Q	3Q	4Q	Year
1998	2.77	3.02	3.18	3.20	3.04
1999	3.12	3.62	3.52	3.49	3.44
2000	3.97	4.13	4.47	4.01	4.14
2001[1]	4.29	4.64	4.81	4.59	4.58
2002[2]	4.85	5.19	5.13	4.89	5.01

1. *Estimate.*
2. *Forecast.*

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

	1999	2000	2Q01	3Q01*	Oct 01*	Nov 01*	Nov 01/ Oct 01
Algeria	766	808	815	831	812	813	2
Indonesia	1,310	1,279	1,220	1,209	1,211	1,183	–27
IR Iran	3,509	3,671	3,674	3,705	3,507	3,497	–10
Iraq	2,507	2,551	2,281	2,493	2,844	2,730	–114
Kuwait	1,907	2,101	2,024	2,014	1,947	1,939	–8
SP Libyan AJ	1,337	1,405	1,364	1,363	1,317	1,305	–12
Nigeria	1,983	2,031	2,056	2,087	2,170	2,129	–41
Qatar	641	698	693	693	635	628	–7
Saudi Arabia	7,655	8,247	7,931	7,898	7,582	7,592	11
UAE	2,077	2,252	2,179	2,122	2,027	2,024	–3
Venezuela	2,808	2,897	2,847	2,801	2,688	2,690	3
Total OPEC	**26,499**	**27,942**	**27,082**	**27,214**	**26,737**	**26,530**	**–206**

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

0.33 per cent, respectively last month; they now stand at 1.6 per cent and –0.5 per cent, respectively.

The total OECD oil requirement in September witnessed a 1.38m b/d, or 2.86 per cent, decline, compared with the same period last year. Significant drops of 4.79 per cent and 4.07 per cent in North America and the OECD Pacific, respectively were only partly offset by a 0.86 per cent rise in Western Europe. However, the total OECD oil requirement during the first nine months of the year was nearly the same as that of the comparable period last year. On a sub-regional basis, the less than 1 per cent growth in North America and OECD Europe was totally offset by drops in OECD Pacific oil demand during January–September.

Developing countries

Oil demand in developing countries has again been revised down slightly for 2001. It is now expected to rise by 90,000 b/d, or 0.5 per cent, to average 18.74m b/d for the year. The estimated growth rate in consumption has been lowered for the Asian group of countries, from the previous 0.2 per cent to –0.1 per cent. The fundamental factor behind the lower demand outlook is that Asian regional GDP is projected to grow at a substantially lower-than-anticipated rate. These economies are highly export-dependent and are extremely reliant upon the health of their trading partners. The demand growth rates for Latin America, the Middle East and Africa have also been revised down.

Other regions

Apparent demand in the former CPEs is projected to grow by 150,000 b/d, or 1.6 per cent, to average 9.37m b/d for 2001; this is slightly less than the previous projection of 9.42m b/d. Revisions to the trade and production data for 1Q show that apparent FSU demand grew by 7.4 per cent, or 270,000 b/d, compared with the year-earlier figure. The latest assessments indicate that there has been growth of 3.4 per cent, or 124,000 b/d, in 2Q. We anticipate a significant rise of 6.21 per cent, or 219,000 b/d, in apparent consumption in 3Q, coupled with a substantial decline of 5.65 per cent, or 237,000 b/d, in 4Q, due to a rise in the level of exports that will outpace any gain in production. During 1Q and 2Q, net exports were 319,000 b/d and 514,000 b/d higher than in the corresponding quarters of 2000. 3Q and 4Q could register substantial gains, of 337,000 b/d and 583,000 b/d, respectively. High international oil prices, the need for more revenue, in order to service international loans, and the switch to natural gas are expected to undermine 4Q internal consumption. Indigenous production and trade data for the first three months of the year show a considerable drop in Chinese apparent consumption. According to the latest figures, apparent demand declined by 7.5 per cent during the 1Q. Even though the decline seems huge, one should not forget that this comparison is made with the 1Q00, when demand surged by 17 per cent to reach a 1Q record level. 2Q apparent demand, however, demonstrated a significant rise of 14.42 per cent. This is in line with the considerable recovery in total imports, which registered an impressive 44.4 per cent rise in 2Q. Also, 3Q consumption is expected to register a 3.85 per cent decline, to be countered by a healthy 4.54 per cent gain in 4Q. Due to the size and the importance of China in the overall demand picture, we shall continue to monitor closely further developments.

Forecasts for 2002

Due to a further downward revision to the world economic growth rate, all quarterly oil demand forecasts have been revised down. As a result, the average 2002 world demand forecast has also been revised down to 76.23m b/d, compared with the previous forecast of 76.45m b/d. However, the average yearly increment stands at 500,000 b/d, or 0.7 per cent, which is nearly the same as the 510,000 b/d, equivalent to 0.7 per cent, mentioned in the previous report. This is due to a simultaneous similar downward revision to the 2001 average.

The estimated 2002 growth level is comparable to the 600,000 b/d, equivalent to 0.8 per cent, experienced in 2000, but it is significantly higher than that of 2001. However, this assessment would be subject to further adjustment as more information becomes available on major factors, such as the economic growth outlook, the trend in air travel and jet fuel consumption, prices and the weather.

World oil supply

Non-OPEC

Figures for 2001

The 2001 non-OPEC supply figure has been revised up by 110,000 b/d to 46.51m b/d. The quarterly distribution figure for 1Q remains unchanged at 46.28m b/d, while those for 2Q, 3Q and 4Q have been revised up by 20,000 b/d, 250,000 b/d and 170,000 b/d to 46.04m b/d, 46.67m b/d and 47.05m b/d, respectively, compared with the last report's figures. The yearly average increase is estimated at 730,000 b/d, compared with the 2000 figure.

Expectations for 2002

Our 2002 non-OPEC supply forecast has been revised up by 140,000 b/d and shows an increase of around 1.03m b/d, compared with the estimated figure for 2001. The expected 2002 quarterly distribution is 47.30m b/d, 47.07m b/d, 47.72m b/d and 48.10m b/d, resulting in a yearly average of around 47.55m b/d.

The FSU's net oil export forecast for 2001 has been revised up by 30,000 b/d to 4.58m b/d, compared with the last report. That for 2002 has also been revised up by 40,000 b/d to 5.01m b/d (see **Table D**).

OPEC natural gas liquids

OPEC NGL figures for 1998–2001 remain unchanged at 2.78m b/d, 2.86m b/d, 2.98m b/d and 3.01m b/d, respectively, compared with the last report's figures. Also, the forecast level for 2002 remains at 3.04m b/d.

OPEC NGL production — 1998–2001

	m b/d
1998	**2.78**
1999	**2.86**
2000	**2.98**
1Q01	3.01
2Q01	3.01
3Q01	3.01
4Q01	3.01
2001	**3.01**
Change 2001/2000	0.03
2002	**3.04**
Change 2002/2001	0.03

OPEC crude oil production

Available secondary sources indicate that, in November, OPEC output was 26.53m b/d, which was 210,000 b/d lower than the revised October level of 26.74m b/d (see **Table E**).

Stock movements

USA

US commercial onland oil stocks registered a contra-seasonal build of 5.7m b, or 200,000 b/d, to 1,029.2m b during November 2–30. This was the result of an increase in total major product inventories, led by distillates, which rose by 9.8m b to 138.0m b; this was about 15 per cent higher than the year-ago level. The persistent build in distillates was attributed to weakening demand, due to the mild weather.

Gasoline also showed a significant increase, of 5.2m b to 212.1m b, which was about seven per cent above least year's level. Higher gasoline production, as well as poor demand, were behind this build. A draw on 'other oils' of 9.7m b to 196.3m b put a cap on the overall product build. Crude oil stocks remained mostly unchanged from the previous month's level, with increasing imports being nearly offset by higher refinery throughput. Total stocks were 71.8m b, or about seven per cent, above last year's figure.

During the same period, the US Strategic Petroleum Reserve (SPR) moved up by 2.1m b to 547.3m b (see **Table F**).

Western Europe

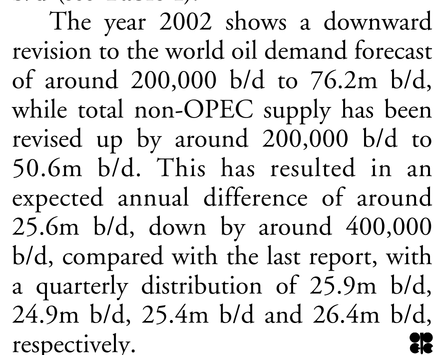
Commercial onland oil stocks in Eur-16 in November showed a slight seasonal draw of 4.4m b, or 150,000 b/d, to stand at 1,052.0m b. A draw of 5.6m b on crude oil stocks was the main contributor to this decrease, with increasing refinery runs of 200,000 b/d on completed autumn shutdowns behind the decline. Total major oil stocks increased by 1.2m b, which slightly diminished the impact of the draw on crude oil stocks. This rise was largely attributed to a build of 5.1m b in gasoline, due to lower demand, as well as closed Atlantic arbitrage and, to a lesser degree, a minor build of 400,000 b in naphtha. Fuel oil and middle distillates witnessed a draw of 2.7m b, due to reduced Russian exports to Europe on increasing utility demand in Russia. Continued healthy demand for distillates in Germany pushed stocks down by 1.7m b. The overall level was 14.6m b, or about one per cent, below the year-earlier figure (see **Table G**).

Japan

In October, commercial onland oil stocks in Japan witnessed a build for the third consecutive month, when they rose by 14.2m b, or 460,000 b/d, to 211.7m b. This rise was largely confined to a build in crude oil stocks of 11.3m b, due to a significant reduction of 250,000 b/d in refinery throughput, amid weak product demand, which put further pressure on refiners' margins. Product stocks showed some marginal builds, except for gasoline, which declined by 200,000 b, on relatively healthy demand and lower output. Total oil stocks were 22.6m b, or about 12 per cent, above last year's level (see **Table H**).

Balance of supply/demand

World oil demand for 2001 has been revised down by around 200,000 b/d since the last report, while non-OPEC oil supply has been revised up by 100,000 b/d, to estimates of 75.7m b/d and 49.5m b/d, respectively. The yearly average difference has been adjusted down by around 300,000 b/d to 26.2m b/d, with quarterly distributions of 27.0m b/d, 25.8m b/d, 25.9m b/d and 26.2m b/d, respectively. The balance for 1Q remains unchanged at 1.1m b/d, while that for 2Q has been revised up by around 200,000 b/d to 1.3m b/d. The balance for 3Q is 1.4m b/d. The 2000 balance remains unchanged at 1.0m b/d (see **Table I**).



The year 2002 shows a downward revision to the world oil demand forecast of around 200,000 b/d to 76.2m b/d, while total non-OPEC supply has been revised up by around 200,000 b/d to 50.6m b/d. This has resulted in an expected annual difference of around 25.6m b/d, down by around 400,000 b/d, compared with the last report, with a quarterly distribution of 25.9m b/d, 24.9m b/d, 25.4m b/d and 26.4m b/d, respectively.

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

	June 29, 01	October 5, 01	November 2, 01	November 30, 01	Change Nov/Oct	November 30, 00
Crude oil (excl SPR)	**310.7**	**307.4**	**311.9**	**311.5**	**–0.4**	**286.2**
Gasoline	221.6	206.1	206.9	212.1	5.2	198.0
Distillate fuel	112.8	124.6	128.2	138.0	9.8	119.9
Residual fuel oil	42.5	36.7	38.8	40.0	1.2	38.9
Jet fuel	43.0	44.0	40.5	40.6	0.1	42.3
Unfinished oils	90.4	88.9	91.1	90.6	–0.5	87.7
Other oils	191.4	219.7	206.0	196.3	–9.7	184.4
Total	**1,012.4**	**1,027.4**	**1,023.5**	**1,029.2**	**5.7**	**957.4**
SPR	543.3	544.8	545.2	547.3	2.1	548.1

1. At end of month, unless otherwise stated. *Source: US/DoE-EIA.*

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

	June 01	September 01	October 01	November 01	Change Nov/Oct	November 00
Crude oil	**438.5**	**436.6**	**438.2**	**432.5**	**–5.6**	**424.2**
Mogas	155.6	144.6	141.4	146.5	5.1	153.7
Naphtha	25.1	26.0	26.4	26.8	0.4	25.0
Middle distillates	331.4	323.4	329.6	327.9	–1.7	339.8
Fuel oils	122.2	121.0	121.0	118.3	–2.7	123.9
Total products	**634.3**	**615.0**	**618.3**	**619.5**	**1.2**	**642.4**
Overall total	**1,072.8**	**1,051.6**	**1,056.4**	**1,052.0**	**–4.4**	**1,066.6**

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

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

	March 01	June 01	September 01	October 01	Change Oct/Sept	October 00
Crude oil	**118.7**	**127.3**	**118.0**	**129.3**	**11.3**	**107.6**
Gasoline	14.6	14.3	13.8	13.6	–0.2	13.8
Middle distillates	31.4	33.6	45.7	48.3	2.6	47.4
Residual fuel oil	20.2	19.8	19.9	20.5	0.6	20.3
Total products	**66.3**	**67.7**	**79.5**	**82.4**	**2.9**	**81.5**
Overall total[2]	**185.0**	**195.1**	**197.5**	**211.7**	**14.2**	**189.1**

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

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

	1998	1999	2000	1Q01	2Q01	3Q01	4Q01	2001	1Q02	2Q02	3Q02	4Q02	2002
World demand													
OECD	46.8	47.7	47.8	48.8	46.5	47.5	47.7	47.6	48.6	46.4	47.4	48.5	47.7
North America	23.1	23.8	24.1	24.2	23.7	24.0	24.0	24.0	24.0	23.9	24.4	24.3	24.1
Western Europe	15.3	15.2	15.1	15.2	14.8	15.4	15.1	15.1	15.2	14.6	14.8	15.3	15.0
Pacific	8.4	8.7	8.7	9.4	8.0	8.1	8.6	8.5	9.4	7.9	8.2	8.9	8.6
Developing countries	18.2	18.5	18.6	18.3	18.9	18.9	18.8	18.7	18.5	19.2	19.1	19.2	19.0
FSU	4.3	4.0	3.8	4.0	3.8	3.7	4.0	3.9	3.9	3.7	3.9	4.2	3.9
Other Europe	0.8	0.8	0.8	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	3.8	4.2	4.7	4.4	5.0	4.7	5.0	4.8	4.5	4.9	4.9	4.9	4.8
(a) Total world demand	**73.8**	**75.1**	**75.7**	**76.3**	**74.8**	**75.5**	**76.3**	**75.7**	**76.3**	**75.0**	**76.1**	**77.5**	**76.2**
Non-OPEC supply													
OECD	21.8	21.3	21.9	21.8	21.6	21.9	22.2	21.9	22.0	21.9	22.1	22.4	22.1
North America	14.5	14.1	14.3	14.2	14.4	14.5	14.6	14.4	14.4	14.6	14.7	14.8	14.6
Western Europe	6.6	6.6	6.7	6.8	6.5	6.6	6.8	6.7	6.8	6.6	6.6	6.9	6.7
Pacific	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.8
Developing countries	10.5	10.8	11.0	11.1	10.9	11.1	11.2	11.0	11.3	11.1	11.3	11.4	11.3
FSU	7.3	7.5	7.9	8.2	8.4	8.6	8.5	8.4	8.7	8.9	9.0	9.0	8.9
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.2	3.3	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Processing gains	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total non-OPEC supply	44.5	44.6	45.8	46.3	46.0	46.7	47.1	46.5	47.3	47.1	47.7	48.1	47.5
OPEC NGLs	2.8	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
(b) Total non-OPEC supply and OPEC NGLs	**47.3**	**47.4**	**48.8**	**49.3**	**49.1**	**49.7**	**50.1**	**49.5**	**50.3**	**50.1**	**50.8**	**51.1**	**50.6**
OPEC crude oil production[1]	27.8	26.5	27.9	28.1	27.1	27.2							
Total supply	75.0	73.9	76.7	77.4	76.1	76.9							
Balance[2]	1.2	-1.2	1.0	1.1	1.3	1.4							
Closing stock level (outside FCPEs) *m b*													
OECD onland commercial	2698	2446	2527	2523	2598	2647							
OECD SPR	1249	1228	1210	1210	1207	1203							
OECD total	3947	3675	3737	3733	3806	3851							
Other onland	1056	983	999	998	1018	1030							
Oil on water	859	808	869	906	829	856							
Total stock	5861	5466	5605	5637	5653	5736							
Days of forward consumption in OECD													
Commercial onland stocks	57	51	53	54	55	55							
SPR	26	26	25	26	25	25							
Total	83	77	78	80	80	81							
Memo items													
FSU net exports	3.0	3.4	4.1	4.3	4.6	4.8	4.6	4.6	4.8	5.2	5.1	4.9	5.0
[(a) — (b)]	26.5	27.7	26.9	27.0	25.8	25.9	26.2	26.2	25.9	24.9	25.4	26.4	25.6

Note: Totals may not add up due to independent rounding.
1. Secondary sources.
2. Stock change and miscellaneous.

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

*The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in **Tables One** and **Two** on page 28, while **Graphs One and Two** (on pages 27 and 29) show the evolution on a weekly basis. **Tables Three to Eight,** and the corresponding graphs on pages 30–35, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Graph 1:
Evolution of spot prices for selected OPEC crudes, August to November 2001

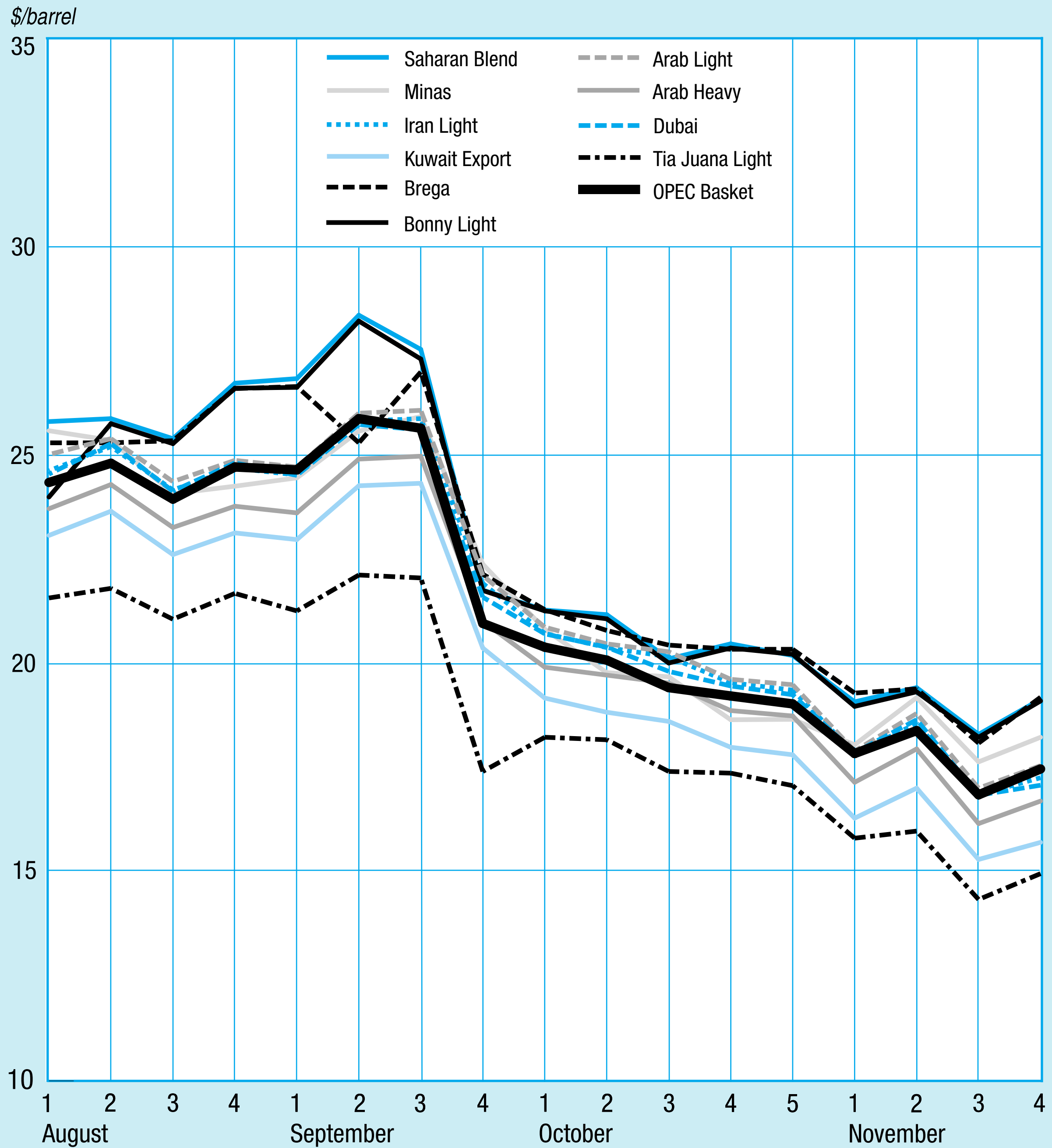


Table 1: OPEC spot crude oil prices, 2000–2001 *($/b)*

	2000		2001														
Member Country/	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**November**				
type of crude *(API°)*	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**5Wav**	**1W**	**2W**	**3W**	**4W**	**4Wav**
Algeria																	
Saharan Blend *(44.1)*	33.06	26.11	26.08	27.80	24.82	25.65	28.47	28.16	24.82	25.96	26.13	20.65	19.09	19.43	18.31	19.15	19.00
Indonesia																	
Minas *(33.9)*	31.07	24.87	24.03	25.62	25.64	27.64	28.21	27.86	25.32	24.82	24.59	19.53	18.06	19.19	17.65	18.24	18.29
IR Iran																	
Light *(33.9)*	29.75	22.66	22.63	24.65	23.58	24.05	25.58	25.80	23.78	24.68	24.54	20.04	17.85	18.57	16.86	17.27	17.64
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	28.20	21.11	21.08	23.10	22.03	22.50	24.03	24.25	22.47	23.13	22.99	18.49	16.30	17.02	15.31	15.72	16.09
SP Libyan AJ																	
Brega *(40.4)*	32.99	25.40	25.93	27.79	24.69	25.54	28.85	28.18	24.96	25.73	25.91	20.62	19.30	19.40	18.10	19.20	19.00
Nigeria																	
Bonny Light *(36.7)*	32.86	25.47	25.43	27.40	24.35	25.43	28.51	28.06	24.81	25.41	25.98	20.60	18.98	19.33	18.24	19.11	18.92
Saudi Arabia																	
Light *(34.2)*	29.81	22.65	22.31	24.82	23.77	24.24	25.77	26.17	24.03	24.92	24.73	20.16	17.91	18.81	17.02	17.56	17.82
Heavy *(28.0)*	27.94	20.83	20.74	23.32	22.57	23.15	24.60	24.88	22.61	23.77	23.63	19.36	17.16	17.96	16.17	16.71	17.00
UAE																	
Dubai *(32.5)*	30.25	22.27	22.56	24.79	23.67	24.06	25.40	25.86	23.45	24.70	24.37	19.93	17.87	18.66	16.85	17.09	17.62
Venezuela																	
Tia Juana Light[1] *(32.4)*	30.01	23.11	23.18	22.79	21.08	20.79	22.77	22.30	20.55	21.54	20.72	17.66	15.82	15.99	14.35	14.97	15.28
OPEC Basket[2]	**31.22**	**24.13**	**24.06**	**25.41**	**23.70**	**24.38**	**26.25**	**26.10**	**23.73**	**24.46**	**24.29**	**19.64**	**17.85**	**18.40**	**16.86**	**17.48**	**17.65**

Table 2: Selected non-OPEC spot crude oil prices, 2000–2001 *($/b)*

	2000		2001														
Country/	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**November**				
type of crude *(API°)*	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**5Wav**	**1W**	**2W**	**3W**	**4W**	**4Wav**
Gulf Area																	
Oman Blend *(34.0)*	28.97	22.76	22.43	24.29	23.26	23.82	25.55	25.53	23.61	24.44	24.49	19.93	17.62	18.56	16.95	17.54	17.67
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	29.06	21.11	22.09	22.61	19.73	21.58	24.56	23.83	21.37	22.48	23.11	17.75	16.25	16.35	15.25	16.50	16.09
North Sea																	
Brent *(UK, 38.0)*	32.67	25.07	25.60	27.30	24.42	25.37	28.35	27.96	24.66	25.78	25.84	20.54	18.95	19.19	18.15	18.90	18.80
Ekofisk *(Norway, 43.0)*	32.66	25.50	25.51	27.49	24.34	25.38	28.45	27.59	24.55	25.70	25.73	20.35	18.79	19.07	18.04	18.89	18.70
Latin America																	
Isthmus *(Mexico, 32.8)*	31.47	24.40	24.80	24.63	22.60	22.86	24.62	24.25	22.67	23.86	23.49	18.94	17.20	17.38	15.60	16.27	16.61
North America																	
WTI *(US, 40.0)*	34.65	28.39	29.42	29.48	27.27	27.37	28.60	27.67	26.53	27.41	26.40	22.20	20.30	20.44	18.31	18.91	19.49
Others																	
Urals *(Russia, 36.1)*	31.23	24.06	24.40	24.78	21.72	23.60	26.46	25.60	23.08	24.46	25.05	19.80	17.79	18.31	17.15	18.09	17.83

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.

*2. **OPEC Basket**: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

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

Sources: The netback values for TJL price calculations are taken from RVM; Platt's Oilgram Price Report; Reuters; Secretariat's calculations.

Graph 2:
Evolution of spot prices for selected non-OPEC crudes, August to November 2001

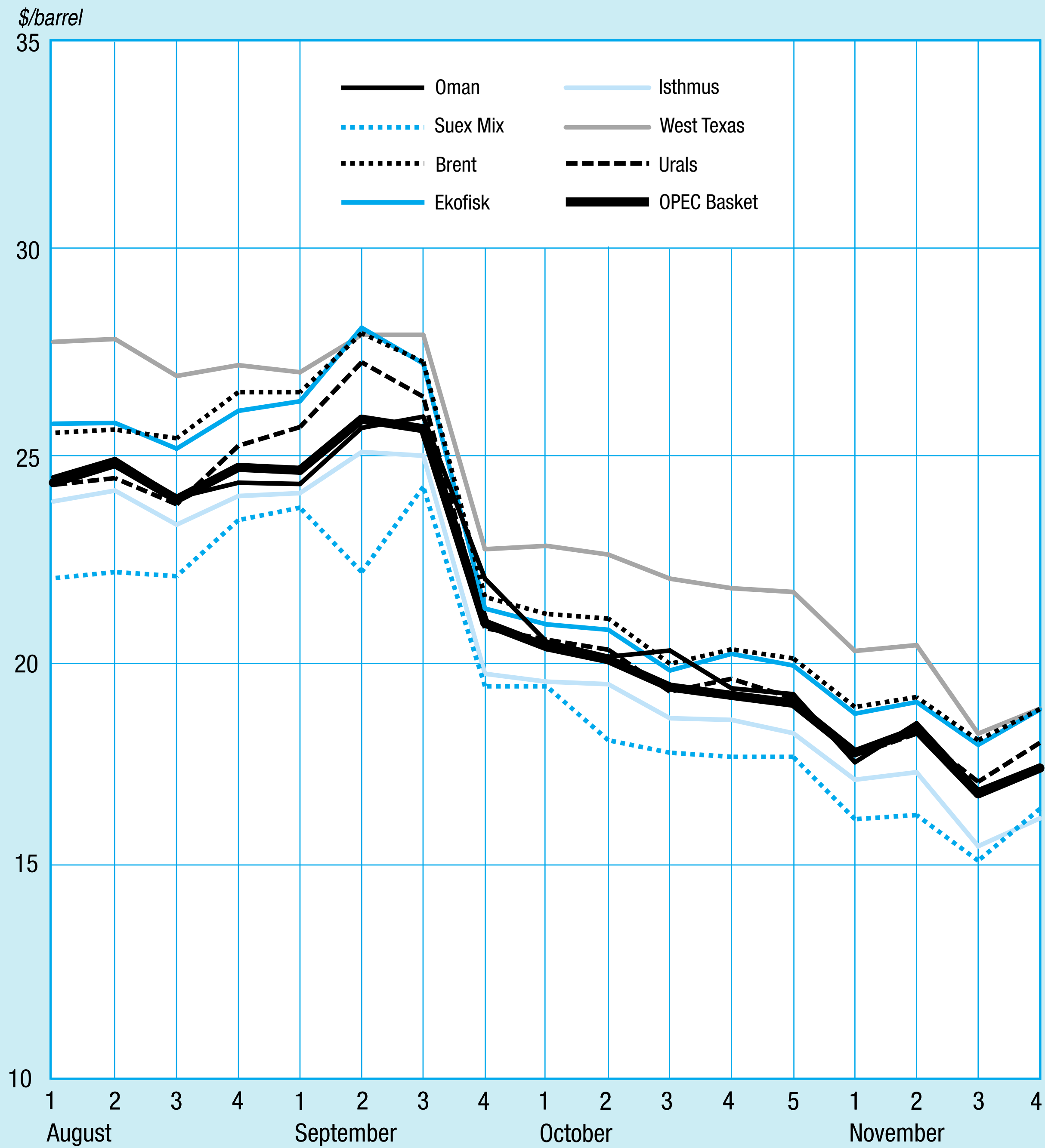


Table 3: North European market — bulk barges, fob Rotterdam *($/b)*

1999	naphtha	regular gas unleaded 87	premium gas unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
November	25.54	27.20	27.72	26.77	29.32	19.40	19.15
December	24.73	28.41	28.93	28.18	33.07	19.69	18.67
2000							
January	27.41	27.81	28.23	28.96	32.24	19.85	18.83
February	29.87	31.63	32.32	29.85	32.72	21.52	19.81
March	31.06	35.71	36.27	30.28	34.01	22.67	22.12
April	24.83	32.90	33.42	28.23	32.81	19.44	18.12
May	28.39	37.01	38.99	29.87	32.07	20.02	18.70
June	30.41	40.57	44.28	31.40	34.40	23.79	21.23
July	29.89	36.51	37.67	33.02	36.07	24.13	19.79
August	29.79	34.82	36.20	36.46	38.69	21.47	19.69
September	33.28	36.87	37.70	42.09	43.84	24.29	23.04
October	33.15	34.72	35.28	40.06	43.64	27.06	23.82
November	32.51	32.72	33.46	40.68	43.61	25.61	22.18
December	29.27	27.77	28.05	34.25	37.50	23.24	18.31
2001							
January	27.36	29.44	29.85	30.15	32.03	20.54	15.48
February	29.23	32.11	32.49	30.88	33.41	20.48	18.21
March	27.19	30.69	31.52	29.38	31.72	20.56	17.58
April	27.86	36.47	37.57	30.37	32.45	20.49	17.05
May	29.71	37.93	39.09	31.18	34.17	20.48	18.21
June	27.21	30.27	31.73	31.06	33.69	19.23	17.97
July	22.28	27.06	27.82	29.33	31.55	17.97	17.19
August	22.51	27.93	29.36	30.18	31.58	18.18	18.40
September	23.19	28.49	29.88	30.87	32.18	19.84	19.23
October	19.72	23.35	23.27	27.41	28.53	16.50	16.07
November	17.20	19.27	20.20	23.03	24.38	15.49	14.68

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

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

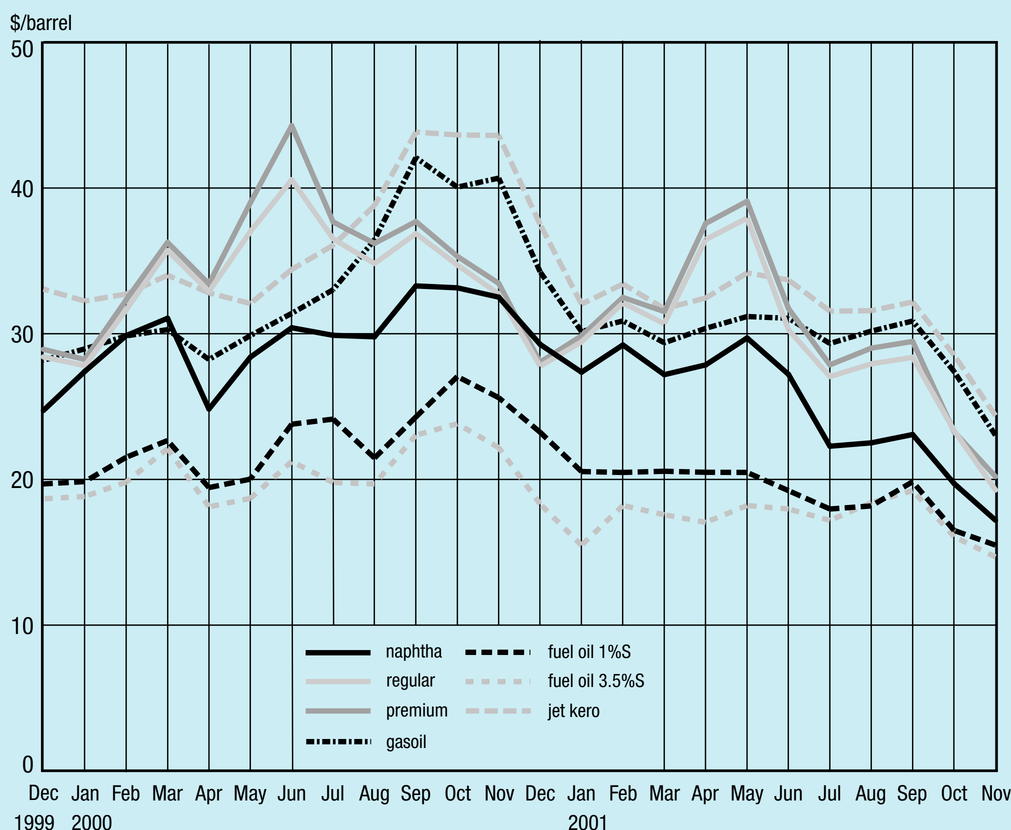


Table 4: South European market — bulk cargoes, fob Italy

($/b)

1999	naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
November	24.68	27.77	26.25	27.67	17.76	17.53
December	23.83	28.82	27.86	32.52	18.23	17.44
2000						
January	26.26	27.55	28.06	31.43	20.48	17.85
February	28.57	32.11	29.97	31.28	22.12	19.05
March	29.65	36.27	29.63	32.31	22.40	21.27
April	23.41	32.77	26.69	31.16	19.28	17.09
May	27.01	38.38	29.15	29.67	20.52	16.51
June	28.93	44.06	30.14	31.99	24.50	19.95
July	28.26	38.25	32.92	34.18	23.20	18.76
August	28.14	36.67	36.09	36.60	20.85	17.85
September	31.58	37.87	41.97	41.89	25.00	21.49
October	32.48	37.20	41.53	41.85	27.16	23.58
November	32.47	33.57	40.44	40.33	24.71	19.47
December	27.74	27.79	34.92	35.99	23.46	17.96
2001						
January	26.35	28.76	27.32	28.73	20.13	14.35
February	26.04	31.89	31.32	29.11	18.80	16.86
March	24.13	30.53	27.55	27.89	18.39	16.28
April	27.07	36.43	29.00	28.28	19.23	14.96
May	29.54	39.45	29.37	29.72	19.39	15.84
June	27.15	32.21	30.98	29.40	17.71	15.89
July	21.95	25.55	27.77	27.15	17.73	15.59
August	22.26	26.60	27.58	27.74	18.20	16.93
September	23.46	29.93	27.58	29.36	18.99	17.44
October	19.14	23.55	27.58	23.61	15.61	15.07
November	16.22	19.41	27.58	20.54	13.61	12.48

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

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

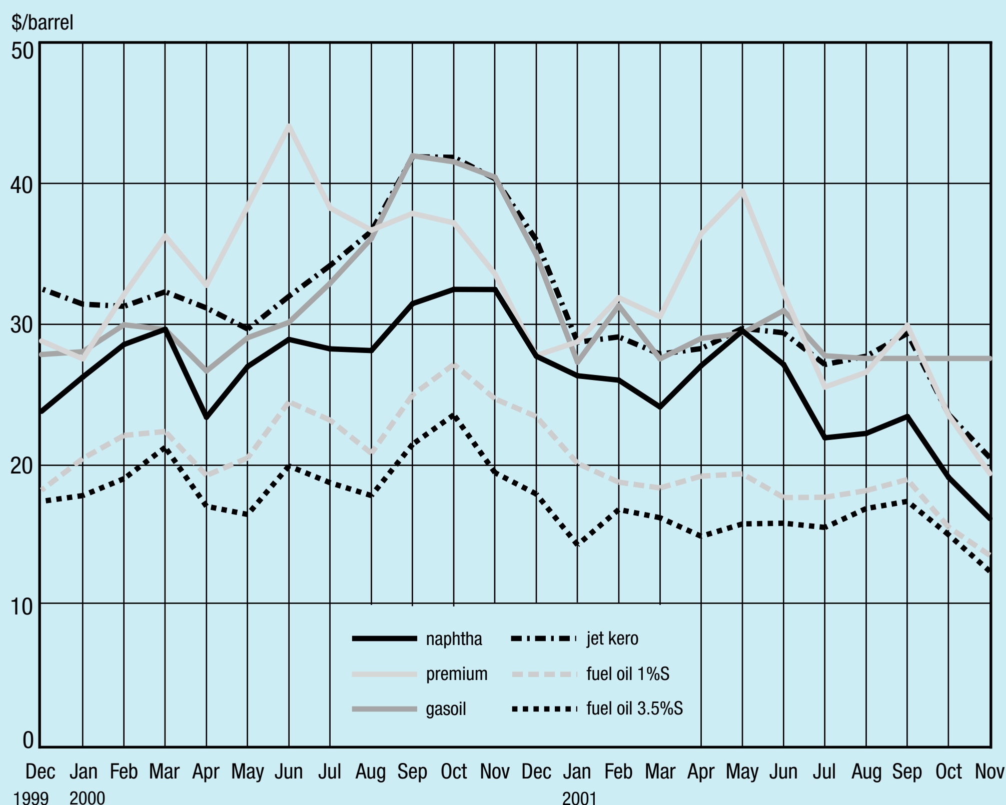


Table 5: US East Coast market — New York *($/b, duties and fees included)*

1999	gasoline regular unleaded 87	gasoil	jet kero	fuel oil 0.3%S LP	fuel oil 1%S	fuel oil 2.2%S
November	28.87	26.90	28.78	22.73	19.52	18.95
December	29.35	27.91	30.92	24.88	19.21	18.70
2000						
January	29.41	34.21	39.42	30.08	21.76	20.42
February	33.91	34.64	35.50	31.74	22.90	21.22
March	37.10	32.01	34.31	27.07	21.06	20.87
April	30.35	30.16	32.20	26.81	20.98	19.85
May	37.17	31.39	33.26	28.66	24.59	21.86
June	40.12	32.62	33.69	30.69	27.11	23.20
July	36.04	32.53	34.42	29.28	24.44	22.20
August	36.33	37.17	38.59	29.48	24.50	21.57
September	39.90	41.25	43.80	37.21	29.42	25.39
October	39.83	41.04	42.86	36.86	29.51	25.96
November	39.56	43.46	45.52	35.43	28.66	25.26
December	30.96	39.52	40.97	34.59	25.63	22.04
2001						
January	34.81	35.51	36.03	33.09	25.40	22.34
February	34.68	32.99	34.90	31.51	23.38	19.73
March	32.96	31.12	32.91	27.61	23.31	20.30
April	39.78	32.83	33.92	27.82	22.80	17.47
May	39.06	32.48	35.60	27.84	23.09	18.58
June	30.07	31.74	32.92	24.89	20.22	17.64
July	28.69	29.31	30.10	23.71	19.33	16.72
August	32.56	30.80	32.88	23.69	20.14	18.23
September	31.61	30.71	31.77	24.02	20.24	19.80
October	25.15	26.40	26.84	20.70	17.91	16.97
November	21.68	22.97	23.63	20.28	15.98	14.97

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 5: US East Coast market — New York

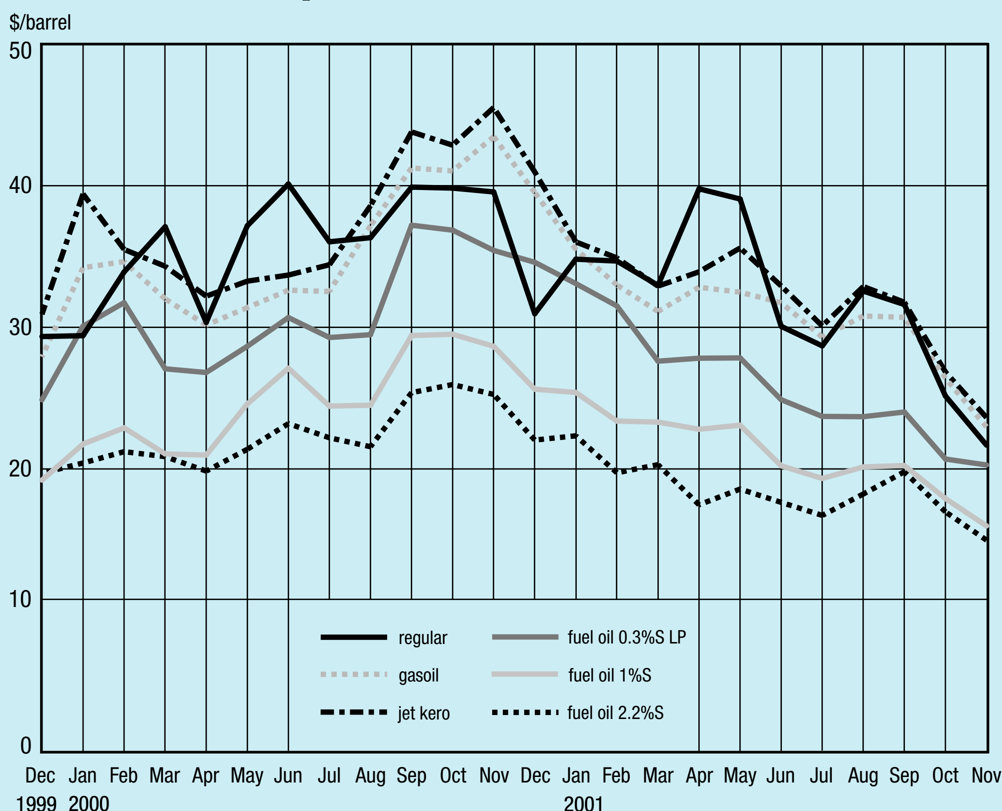


Table 6: Caribbean cargoes — fob *($/b)*

1999	naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
November	26.23	26.31	28.01	18.45	17.88
December	25.96	27.38	29.93	18.20	17.87
2000					
January	28.17	30.61	32.85	19.82	18.46
February	33.52	31.85	32.95	20.57	19.36
March	32.74	30.82	33.01	20.17	19.70
April	28.25	29.44	30.74	19.15	18.50
May	32.59	31.11	31.84	21.16	19.39
June	36.24	32.27	32.78	22.27	21.40
July	31.06	32.35	33.38	20.84	19.67
August	32.92	36.63	37.80	19.78	18.54
September	35.32	41.01	42.78	23.59	20.46
October	34.77	39.90	41.32	23.95	21.71
November	34.37	40.93	43.64	22.96	17.96
December	29.73	34.63	36.40	19.89	16.90
2001					
January	34.10	35.56	36.17	20.21	16.48
February	29.87	31.85	32.42	18.14	16.31
March	28.63	28.97	30.11	18.26	17.16
April	33.60	30.51	31.37	15.81	15.03
May	29.65	32.07	34.46	17.50	17.10
June	25.85	31.58	32.13	16.64	16.27
July	25.06	28.84	29.57	15.54	14.45
August	29.04	30.49	31.68	17.20	17.11
September	26.30	30.10	30.28	18.70	18.71
October	19.86	25.47	25.83	16.28	16.23
November	18.74	22.07	22.44	14.26	14.11

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 6: Caribbean cargoes — fob

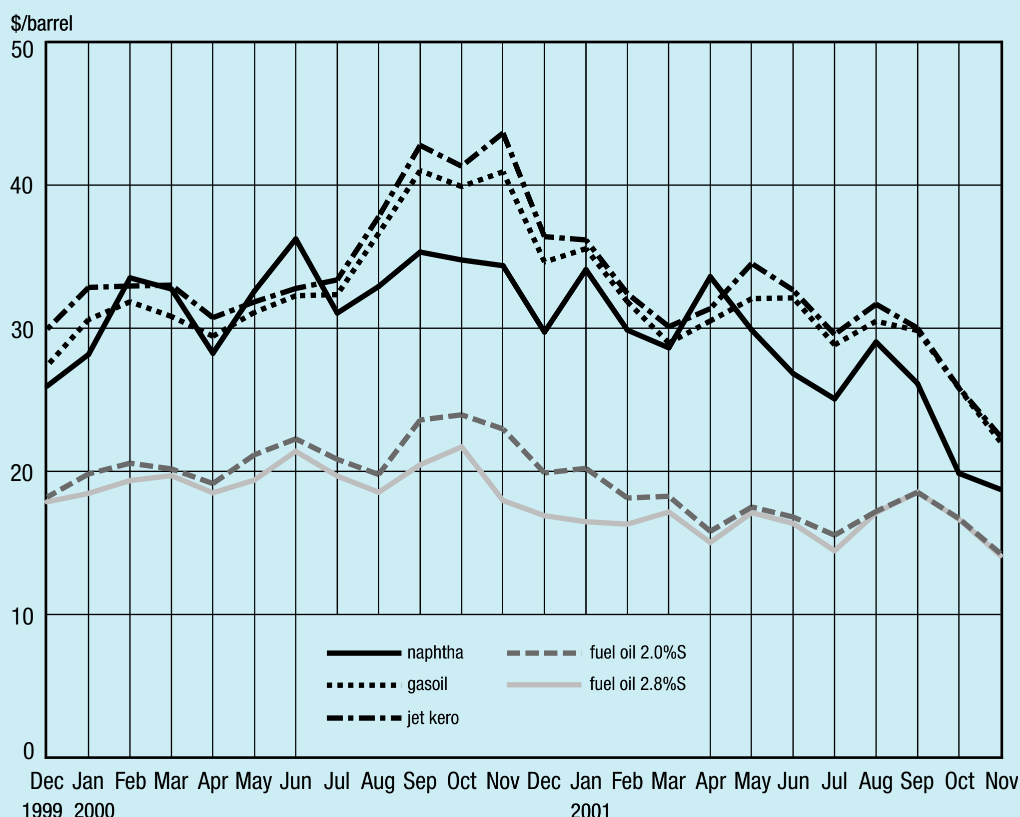


Table 7: Singapore cargoes *($/b)*

1999	naphtha	gasoline premium unleaded 95	gasoil	jet kero	0.3%S	fuel oil 180C	380C
November	25.86	25.88	24.74	27.56	21.23	20.68	21.19
December	25.03	25.46	25.63	29.53	21.47	20.47	20.98
2000							
January	25.02	28.36	28.14	31.30	21.58	19.66	19.95
February	27.09	31.16	29.90	31.14	23.43	20.76	21.15
March	29.08	32.58	32.94	32.37	25.85	24.66	24.69
April	25.01	28.01	26.73	27.99	24.54	22.13	22.39
May	27.27	31.90	28.12	29.09	26.62	23.62	23.60
June	28.13	33.08	30.69	31.23	26.78	25.30	25.31
July	27.80	36.05	31.86	33.25	25.45	22.00	22.09
August	30.19	38.31	37.46	37.98	27.08	21.57	21.64
September	34.53	35.05	40.13	42.21	28.44	24.81	24.87
October	33.50	33.03	38.96	43.30	26.77	26.35	26.55
November	30.43	32.96	34.85	39.88	26.50	24.36	24.49
December	25.52	29.97	29.61	32.92	24.45	19.78	19.74
2001							
January	25.50	30.02	28.41	29.70	22.54	18.37	17.99
February	27.83	31.33	27.57	30.48	22.68	19.91	19.69
March	27.43	29.88	26.83	28.72	22.43	20.08	20.04
April	28.14	32.76	29.80	30.25	22.60	20.48	20.47
May	28.89	32.64	30.79	30.74	23.72	22.02	22.07
June	27.57	26.89	30.00	30.84	25.11	20.26	20.16
July	24.38	24.36	28.54	28.93	24.08	19.03	19.19
August	24.33	26.68	28.71	29.37	21.03	20.70	20.94
September	24.67	29.47	29.44	31.05	20.38	21.74	21.85
October	20.58	22.23	25.53	25.92	19.10	18.53	18.72
November	18.15	20.75	21.87	22.40	15.84	15.47	15.46

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 7: Singapore cargoes

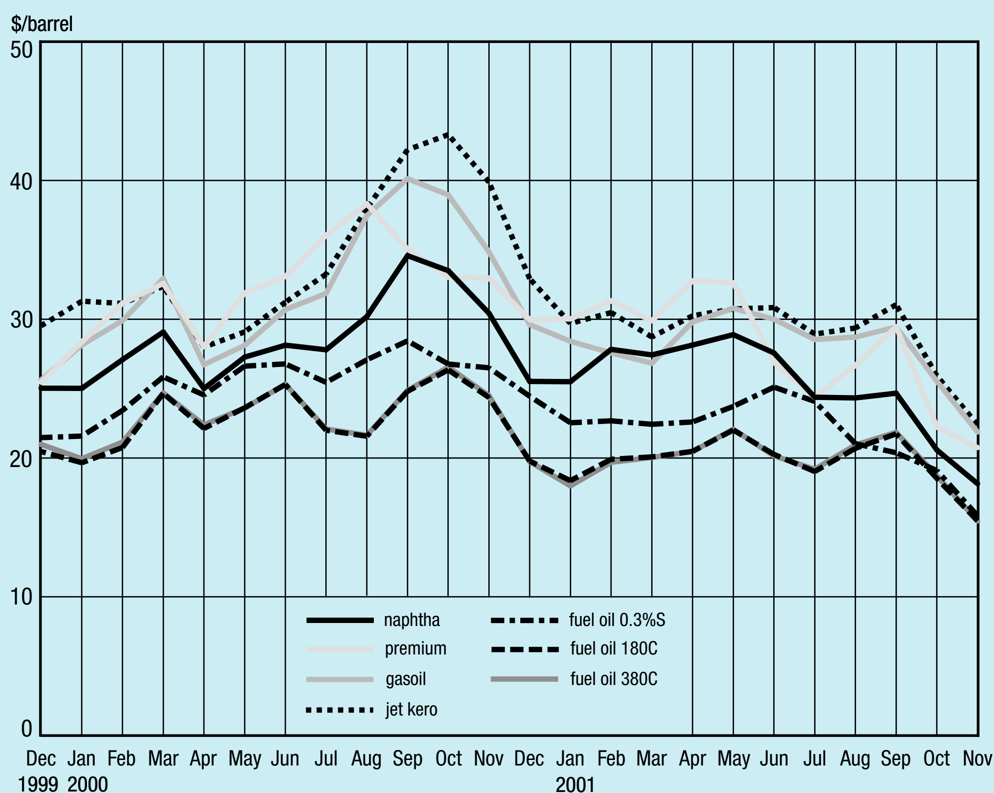
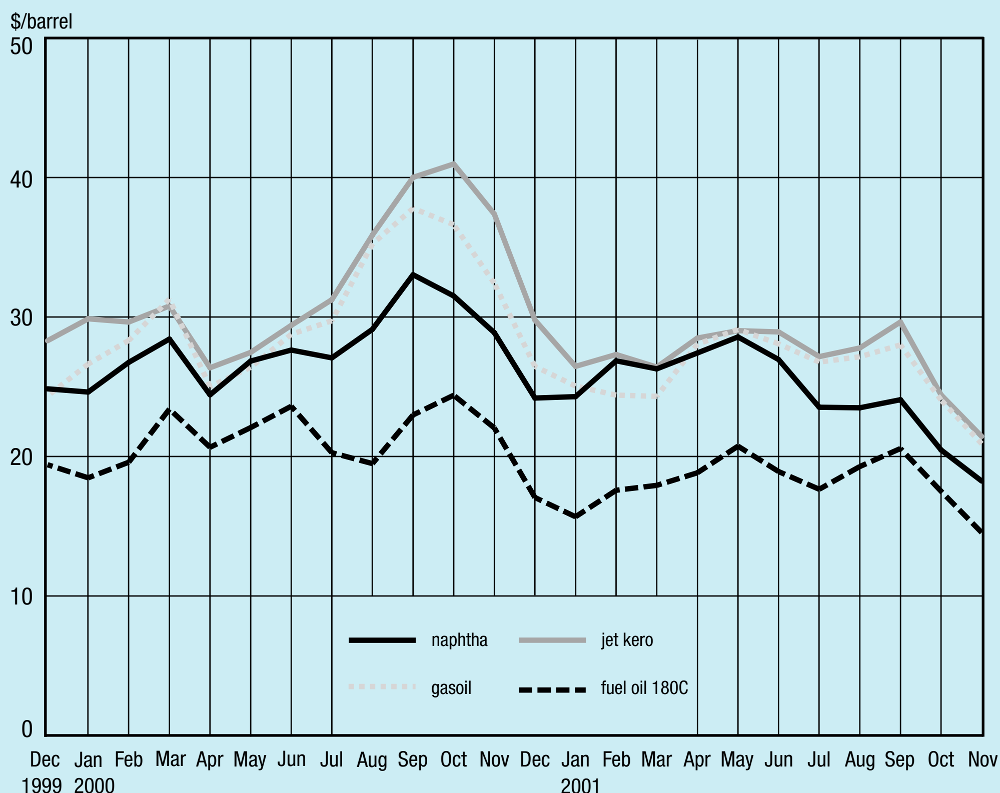


Table 8: Middle East— fob *($/b)*

1999	naphtha	gasoil	jet kero	fuel oil 180C
November	25.61	23.50	26.39	19.88
December	24.85	24.34	28.30	19.41
2000				
January	24.62	26.63	29.87	18.47
February	26.75	28.32	29.64	19.59
March	28.42	31.28	30.79	23.40
April	24.42	25.01	26.36	20.66
May	26.84	26.39	27.46	22.06
June	27.63	28.76	29.40	23.60
July	27.07	29.73	31.24	20.27
August	29.12	35.24	35.88	19.49
September	33.03	37.79	40.01	22.98
October	31.51	36.62	40.97	24.39
November	28.88	32.42	37.38	22.05
December	24.19	26.46	29.73	17.06
2001				
January	24.29	25.05	26.38	15.68
February	26.86	24.40	27.31	17.58
March	26.28	24.31	26.41	17.93
April	27.42	28.05	28.49	18.83
May	28.57	29.11	29.02	20.74
June	26.95	28.08	28.93	18.92
July	23.53	26.77	27.16	17.65
August	23.49	27.15	27.78	19.28
September	24.07	28.00	29.64	20.57
October	20.47	24.05	24.42	17.51
November	18.24	20.91	21.44	14.55

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 8: Middle East — fob



New Indonesian power bill expected by March 2002

Jakarta — The Indonesian House of Representatives is expected to pass a new power bill by next March to liberalize the electricity industry, which is estimated to need more than $37 billion in investment by 2010.

The new law would encourage domestic power plant owners to provide better services and an adequate supply of electricity at affordable prices, said the Director General of Electricity and Energy Utilization at the Energy and Mineral Resources Ministry, Luluk Sumiarso.

The bill, introduced earlier in 2001, would replace law no 15/1985 and end the monopoly held by state electricity company PT PLN.

It aimed to liberalize the power generation and retailing sectors, but would still leave transmission and distribution under state control.

It would not allow an integrated company to control all aspects of power businesses, as had been the case with PLN, stressed Luluk.

To avoid power shortages, Indonesia would need $37.26bn in new investment to increase its electricity generating capacity to 58,800 megawatts by 2010, from the current 22,732 mw.

Under the bill, the industry would have a new multi-buyer and multi-seller system, with power prices to be determined by free market mechanisms.

A special agency would be established to handle daily power bidding into the grid system from all electricity suppliers, including PLN. It would also charge a transmission fee.

On top of that, a regulatory authority would be formed to ensure fair competition in the industry and determine the transmission fee. The new system would need a seven-year transition period, said Luluk.

UAE determined to push ahead with economic diversification

Abu Dhabi — The United Arab Emirates (UAE) is determined to push ahead with a drive to diversify its economy, according to the Chairman of the country's Central Bank.

Mohammed Eid Al Muraikhi said the UAE had made progress in its efforts to expand its non-oil economic base, although crude sales had remained its key source of hard currency.

Nonetheless, the continuing diversification drive was aimed at providing the national economy with protection against unpredictable oil export earnings.

"The UAE is pressing ahead quietly, but with determination, towards expanding the private sector's contribution to gross domestic product (GDP)," said Al Muraikhi.

"We want the private sector to concentrate on sectors that could surpass the oil sector in GDP. These sectors mainly cover industry, tourism, information technology, services and productive ventures," he added.

Official figures showed that the UAE had pumped at least $10 billion into the manufacturing sector, pushing its share of GDP to nearly 12 per cent in 2000, from less than five per cent in the early 1980s.

Industrial exports almost doubled to around $3.28bn, but oil remained the main foreign currency earner, as the industrial projects involved mainly light products, including chemicals, home appliances, building materials, metals, spare parts, and other small items of equipment.

Officials hope recent incentives and plans to introduce more facilities will encourage local and foreign investors to set up joint ventures covering medium and heavy industries.

A planned free trade accord with the European Union could also be beneficial in attracting capital and technology to such projects.

Al Muraikhi said that strong expansion in non-oil sectors over the past years had ensured sustainable growth, despite sharp fluctuations in oil prices.

He noted that the oil sector, which had dominated the country's GDP during the oil boom, now accounted for only one-third.

"The non-oil sectors have continuously recorded positive growth and they are expected to grow again this year by at least four per cent in current prices," he said.

He put overall growth in GDP in 2000 at more than 20 per cent, compared with 13.3 per cent in 1999. The increase was due to a sharp rise in oil prices and growth in the private sector and other non-oil sectors.

The year 2000, he added, was one of the best economic and financial years for the UAE because of the surge in crude prices, which averaged more than $27/barrel.

The country's trade balance remained positive in 2000, while the current account recorded a mammoth surplus of more than $11.47 billion.

Nigeria's President Obasanjo inaugurates free trade zone

Abuja — Nigerian President Olusegun Obasanjo last month inaugurated the multi-million naira Calabar Free Trade Zone (CFTZ) in south-eastern Calabar, the capital of Cross River state. The inauguration had been postponed several times in the past during the period of military rule.

The CFTZ, Nigeria's pioneer export processing zone, aims to attract investors with one of the most suitable sites for export manufacture in Africa. It provides serviced industrial and administrative facilities at competitive rates.

Following the appointment of Alhaji Mustapha Bello as Minister of Commerce, the original concept of handling only export processing in the zone was altered to accommodate actual manufacturing of goods and other commercial activities.

Bello said that the transformation of the zone from a processing zone into a free trade zone would make it relevant to Nigeria's socio-economic needs.

Business activities at the CFTZ began about two years ago, with about 11 of the 34 local and foreign companies that had received provisional licences moving into the zone.

Several workshops and forums have been organized for stakeholders and state commissioners of trade and commerce in Nigeria to enable them to take full advantage of the scheme to reinvigorate their state economies.

Saudi Arabia to see lower economic growth in 2001

Dubai — Saudi Arabia's economy is still likely to record growth in 2001, although down sharply from the expansion seen in 2000, and far below the target set in the current development plan, according to economic experts.

The Chief Economist at the Saudi National Commercial Bank, Dr Saeed Al-Shaikh said the gross domestic product (GDP) of the Kingdom was forecast to grow by around three per cent in nominal terms and by 1.7 to 2.0 per cent in real terms in 2001.

This was far below the 15.5 per cent nominal growth and 5.5 per cent real growth recorded last year, which represented one of the best fiscal and economic years for the country.

"The slowdown is because of a decline in the oil sector, which accounts for nearly 40 per cent of the economy," Al-Shaikh said.

"The impact could have been stronger, but it was offset by high public and private spending and growth in the non-oil sector," he noted in an interview with the *Gulf News* of Dubai.

The Kingdom's economy recorded strong growth in 2000 to reach a value of around $170 billion, after crude prices shot above $27/barrel.

The rise in prices pushed the Kingdom's income up by nearly $20bn to around $66bn, turning an assumed deficit of $7.4bn into a surplus of nearly $12bn. The country's deficit-ridden current account also rebounded into a large surplus of around $14.8bn.

Al-Shaikh said the Saudi economy would be affected by the latest decline in global oil prices, but added that the drop would have only a limited impact on the budget.

"Saudi Arabia could still have a balanced budget, as it had planned, because oil prices were high in the first nine months and I believe they have generated sufficient revenue to cover the budget," he said.

Experts said that this year's forecast growth fell short of the three per cent real growth targeted by the government in the 2000-04 development plan.

That was the case in the previous five-year plan, when the economy grew by only one-third of the targeted figure, mainly because of unstable oil markets.

Another Saudi economist, Ihsan Bu Hlaika, told the paper: "The current plan should focus more on reforms, especially privatization, as this will partly offset the volatile oil exports and help achieve sustainable growth."

He went on: "Saudi Arabia needs a sustainable growth of at least three per cent to tackle its festering unemployment problem, as it has high growth in its population.

In other words, there should be a strategy to spur growth, instead of relying on high oil prices for high growth," he said.

The real growth in the Kingdom in 2000 was mainly in the non-oil sector, which grew by around 7.3 per cent, as it was boosted by high public expenditure and economic reforms.

Nominal growth was mainly in the oil sector, which leapt by 40 per cent, while there was 12 per cent growth in the government sector and 3.2 per cent growth in the private sector.

The paper said the oil sector was expected to shrink by at least four per cent in 2001, while it could continue to slide in 2002.

"There are indications that the non-oil sector has grown in 2001. This will combine with high public spending to offset a decline of at least four per cent in the oil sector," concluded Al-Shaikh.

Chiyoda and Greek firm jointly win Qatari water plant order

Tokyo — The Chiyoda Corporation of Japan and Greek firm Consolidated Contractors have jointly won an order from Qatar to build water-supply facilities to cool industrial plants.

Officials from Chiyoda, which is a major Japanese plant engineering firm, said that the deal was valued at over $249 million.

Chiyoda would be in charge of designing and procuring materials for the water-supply facilities, while its Athens-based partner would build them by the end of March 2004, the Japanese firm said.

The plants would be able to supply 300,000 cubic metres/hour of sea water to liquefied natural gas plants, power generation facilities, and other installations in north-eastern Qatar, the officials added.

Iraqi Electricity Minister holds talks with Syria on joint power project

Damascus — Iraqi Minister of Electricity, Sahban Mahboub, held talks last month with Syrian officials on a power link-up scheme forming part of a larger regional project including four other states, according to the Syrian News Agency (SANA).

Mahboub visited the country to discuss the project, which also involves Egypt, Jordan, Lebanon and Turkey, with his Syrian counterpart, Munib Saem, reported SANA.

The first phase of the scheme involves Egypt, Syria, Jordan and Turkey, while the second phase includes Syria and Iraq. The

third stage involves Iraq and Turkey. Most of the states involved signed the power agreement in 1993, while Lebanon joined later.

The Kuwait-based Arab Fund for Social and Economic Development, a large contributor to the venture, has paid $400 million to finance the first stage of the scheme.

Participating states hope that the project, which will require the laying of some 2,500 km of cable and produce around 400 kilowatts of power, will provide sufficient electricity reserves to cope with emergencies.

EU grants Algeria financing for economic reform programme

Algiers — The European Union (EU) has approved financing of about $130 million to support various projects in Algeria tied to the country's economic reform programme, according to an EU statement.

The financing would cover the 2002-04 period and would be used to support projects in the transport, education, and environmental sectors.

In addition, the EU has also released $80m, earmarked for a social programme to be implemented in the north-east of Algeria. This programme aims at improving socio-economic infrastructure and setting up micro-enterprises in targeted areas.

The two credits fall within the framework of the Meda 2 programme, conducted by the EU for southern Mediterranean countries.

Iran attracts investment of $5 billion in its free zones

Tehran — Iran has attracted almost $5 billion in foreign investment in its economic and free trade zones since their establishment in 1994, a top official at the zones, Hadi Semati, said last month.

He noted that the country's special economic zones attracted $3.96bn of the investment total between 1994 and December 2000, while the free trade zones accounted for the remainder.

Foreign entrepreneurs made $2bn of the investment in the special economic zones on the South Pars oil and gas development plans and $1.7bn from petrochemical projects.

The three Gulf islands of Kish, Qeshm and Chabahar attracted the largest share of the investment in the free trade zones, reaching a value of $1.18bn, Semati said.

Iran has launched an ambitious plan to attract foreign investment to develop its rich hydrocarbon reserves. The country has also been working to adjust its investment laws, which, in the past, have dampened foreign investors' interest.

Iran's parliament recently gave its approval to a new law to encourage direct foreign investment in the country. The law has been described by MPs as being modern and more transparent, allowing for a smooth flow of capital, goods and profits in and out of the country.

The bill was first tabled in May 2001, but was opposed by the Guardian Council, which said it was paving the way for foreign investors to dominate the country's economy.

The deputies had to make some minor changes to the bill, which still needs to get final approval from the Guardian Council before becoming law.

The present law on foreign investment dates back more than 50 years. Imprecise regulations and repeated changes are cited among its shortcomings.

European and Asian oil companies, however, have secured dozens of oil and gas deals worth billion of dollars with Iran, with more likely to be still in the making. US firms are barred from investing in the country.

Portugal keen to further develop economic links with Venezuela

Caracas — The President of the Portuguese Chamber of Industry, known as Madeira, visited Venezuela last month with the aim of laying the foundations for greater investment co-operation between the two countries.

Emanuel Machado, who is also Director of Portugal's Commercial and Industrial Association, noted that some contacts had been made with official institutions in both Venezuela and Portugal for furthering bilateral ties.

He took part in a seminar in Caracas on opportunities for bilateral investments between Madeira and Venezuela, which was hosted by the President of Banco del Comercio Exterior (Bancoex), Lieber Patino, and attended by entrepreneurs.

Machado said his goal was to study all possibilities of investment through an exchange of information, in order to determine which sectors had opportunities available.

"It is all about setting the foundations so that projects can bloom," he was quoted by the Venezuelan Press Agency as saying.

Bancoex's Patino said the purpose of the visit was to study ways of expanding bilateral commercial relations, and evaluating opportunities for business investments between the two nations.

Indonesian economy to get $3.14bn support from lenders

Jakarta — The World Bank's Consultative Group on Indonesia (CGI) has agreed to extend $3.14 billion in loans to the country to help contain next year's budget deficit at 2.5 per cent of gross domestic product (GDP).

However, the group, which brings together 32 of Indonesia's major creditors, including 21 countries and 11 multilateral lenders, has stressed that progress must be made on various aspects of policy performance, including poverty reduction and good governance.

"The pledges indicate continued support for Indonesia at a critical juncture in its economic recovery, but at the same time emphasize the importance of urgent and resolute policy action," said the World Bank's Vice-President for the East Asia and Pacific Region, Jemal-Ud-Din Kassum.

The Asian Development Bank (ADB) would be giving $1.15bn, the World Bank $1.0bn, Japan $720 million, and other institutions $270m, he noted.

The pledges also included $586m in grants and technical aid to cover next year's budget deficit. The CGI had pledged a total of $4.7bn last year.

Kassum pointed out that the disbursements had fallen significantly short of pledged amounts in the past, due to poor policy performance on the part of the Indonesian government.

Despite showing an understanding of the daunting tasks facing the government, he cautioned that inaction or a weak reform effort would carry its own severe cost.

In response, Indonesia's Finance Minister, Boediono, said that the government would carry out extensive tax reform, accelerate asset sales under the Indonesian Bank Restructuring Agency, and proceed with the privatization of state enterprises.

Saudi Arabia opens $100m power station in Jeddah

Jeddah — The Governor of Makkah, Prince Abdul Majeed, has opened a $100 million power station in Jeddah, Saudi Arabia, which has been described as one of the most important electricity projects ever to have been inaugurated in the province.

The station would help ease pressure on the existing network, which was being subjected to such extreme demand during the summer that power cuts often occurred, he said.

Majeed urged consumers to rationalize consumption, adding that the government intended to invest as much as $117 billion by the year 2020 to meet the growth in demand from the country's soaring population.

The Kingdom has also said it would grant concessions to the private sector to construct new power plants on a build-operate-transfer) basis.

The Saudi Minister of Industry and Electricity, Hashim Yamani, who attended the opening ceremony, said the project was part of a wider plan aimed at meeting the country's growing demand for electricity, which was expected to increase by 150 per cent over a five-year period ending in 2003.

He said the opening up of the electricity generating sector to competition would allow for this future development.

The privatization of the power sector resulted in the merger of the Kingdom's four regional electricity companies — Sceco East, West, Central, and South — leading to the creation of SEC. This company, one of the largest in the Kingdom run on a trade basis, incorporated 10 regional firms and had capital worth $9bn.

Electricity services in the Kingdom cover more than 7,000 cities and villages, in which there are more than three million subscribers.

At present, more than 70 per cent of the 27,000-plus workers in the electricity sector are Saudi nationals. The Kingdom is the largest producer of electricity in the Arab world.

UAE industrial sector could be set for massive growth

Dubai — The industrial sector in the United Arab Emirates (UAE) is expected to witness massive growth in the coming years, according to a report in the Dubai-based *Gulf News.*

The figures are based on estimates by the International Monetary Fund (IMF) that the country's non-oil sector would record 6.5 per cent growth, said the paper.

UAE non-oil sector growth in 2000 stood at 6.2 per cent, slightly lower than the figure of 6.9 per cent recorded in 1999.

With inflation not expected to exceed 1.1 per cent, the nation's industrial sector was set to grow in the coming years, the paper quoted UAE Minister of State for Financial and Industrial Affairs, Dr Mohammed Khalfan Bin Kharbash as saying.

Kharbash said his Ministry would fight dumping of products and protect local industries. He was replying to questions on the local cement sector, where an Omani company was said to have broken an anti-dumping agreement with local cement firms, leading to fears of a flooded market.

"Protection does not mean closing doors to other products. It means creating an environment that encourages industrial investment. Free movement of goods benefits consumers and investors alike," Kharbash said.

Nigerian government sells stake in telecomms firm for $1.32bn

Abuja — A 51 per cent government stake in Nigeria's state-run telecommunications firm, Nitel, has been won by a British company, Investors International, which submitted the winning bid of $1.32 billion.

In open bidding which was broadcast live on radio and television in Nigeria, the second-placed Telnet consortium, which offered $1.31bn, was put on the reserve list in the event that a final agreement is not reached between Investors International, the government-owned National Council on Privatization, and the Bureau of Public Enterprises (BPE).

Nigeria's Minister of Communications, Dr Bello Mohammed, said after the bidding that the sale of the government shares in Nitel was a flagship transaction in its privatization programme and expressed the hope that it would usher in a revolution in the sector.

He said that the new core investor would need to invest $1.5bn in the concern and provide the management skills needed to attain the full potential envisaged for the company.

According to the Minister, the core investor was expected to add a minimum of 1.4 million fixed lines to the existing

700,000 land lines, in addition to 1.5m GSM lines within the next five years.

He added that 300,000 of these land lines were slated to be completed in the first 12 months after the bidding, rising to 700,000 completed lines after 36 months, and 1.4m completed lines within 60 months.

Nitel is one of three firms that have been granted GSM licences to operate in Nigeria. The other two companies are MTN and Econet.

Mohammed noted that Nitel was expected to achieve a 95 per cent call completion rate and achieve 70 per cent fault clearance within 24 hours.

He added that the Nitel public bid was a reflection of the political will of the government and the affirmation of the transparency involved in the entire process.

The BPE's Director General, Nasir El-Rufai, said he was happy with the $1.32bn offer for the purchase of the government's stake in Nitel. The exercise was a watershed in the history of the country, he told reporters.

El-Rufai thanked investors who had participated in the privatization process so far, adding that such participation was an expression of confidence in the Nigerian economy.

With the completion of the Nitel divestiture, the BPE would commence preparation for the sale of government shares in the hotel industry, he said.

He added that the state-run power firm, the much-criticized National Electric Power Authority, could also be on the market in 2002.

Iran and Russia discuss greater co-operation in various sectors

Tehran — The Iranian Minister of Energy, Habibollah Bitaraf held co-operation talks last month with visiting Russian Minister of Property Affairs, Farit Ratikovich Gazizallin.

At the meeting, Bitaraf referred to the historic economic and political ties between the two countries and the determination of both sides to forge closer ties. He said the two countries should expand economic and trade relations, while preserving their respective national interests.

Bitaraf put the rate of growth of Iran's electricity sector at 6.5 per cent, noting: "Given the industrial and agricultural demand, and meeting better standards of living for the people, the electricity growth rate has hovered around eight per cent in the current Iranian year."

To meet domestic demand for electricity, an additional 2,000 megawatts of power was needed annually, he said, which necessitated the construction of new power plants and strengthening co-operation with other countries.

Bitaraf said financing provisions, transfer of technology, and making use of domestic capabilities were the principles that the Ministry was cognizant of when entering into agreements with foreign partners.

He said that with the government guarantees for foreign investment, and its purchase of electricity, the construction of power plants was a desired path of future co-operation between the two countries.

Gazizallin, who also is his country's Head of the Iran-Russia joint economic and trade commission, said his trip to Iran had been positive, adding that bilateral trade had topped a value of $1.0 billion in 2001.

He pointed to the Russian companies active in power plant construction in Iran and expressed his country's interest in boosting bilateral ties.

Iraq concludes transport and trade accords with Algeria

Algiers — Iraq and Algeria have signed trade and co-operation accords, including an agreement covering the establishment of a free trade area between the two countries, it was announced last month.

The accords were reached at the end of a four-day visit to Algeria by the Iraqi Vice-President, Taha Yassin Ramadhan. The agreement on the establishment of the free trade area was signed by Ramadhan and the Algerian Prime Minister, Ali Benflis.

Speaking at the signing ceremony, Benflis said the free trade accord would permit the two countries to reinforce their trade exchanges, as well as significantly boost political and economic relations.

He pointed out that it was the first time that Algeria had concluded such an accord with an Arab country. In addition to this agreement, the two sides signed an accord on transportation, covering passenger and goods transport.

During his stay in Algeria, Ramadhan also held talks with several high-ranking officials, including the country's President, Abdelaziz Bouteflika.

EIB grants Algeria $200 million for vast hydraulic scheme

Algiers — The European Investment Bank (EIB) has granted Algeria a loan of around $200 million, which is earmarked to part-finance a vast hydraulic project in the country.

According to sources in Algiers, the agreement was signed by Algerian Water Resources Minister, Aissa Abdellaoui, and EIB Vice-President, Francis Meyer.

The hydraulic project, estimated to cost $540m, is also being supported by Arab financial institutions and France's Agency for Development.

The scheme involves the transfer of water from the Taksebt dam, located 60 km east of Algiers, to the country's central provinces.

Since 1977, the EIB has supported various projects in Algeria, with financing amounting to a total of $1.6bn. It has already committed itself to contributing to other schemes associated with the country's development programme, estimated to cost about $7bn.

Governing Board of OPEC Fund approves 17 loans worth over $132 million at its 97th Session at headquarters in Vienna

At its 97th Session held in November 2001 in Vienna, the Governing Board of the OPEC Fund approved 17 public sector loan projects worth a total of $132.71 million. The loans will support projects in the transportation, education, water supply and sanitation, health and rural development sectors in 17 developing countries. At the same Session, the Fund also approved three new grants worth a total of $750,000. Details can be found in following press releases.

No 82/2001
Vienna, Austria, November 6, 2001

OPEC Fund Governing Board holds 97th Session

The Governing Board of the OPEC Fund for International Development convened its 97th Session at the Fund's headquarters in Vienna, Austria, in November.

Following adoption of the meeting's agenda, the Director-General of the Fund, HE Dr Y Seyyid Abdulai, reporting to the Board on the Fund's activities, indicated that on a cumulative basis, and as of the end of September 2001, $4,747.8 million had been approved in loans to the public sector and $3,045.1m disbursed.

These loans, which were extended for project and programme financing and balance of payments support, as well as within the framework of the HIPC Initiative, number 897. All major economic and social sectors have benefited from the Fund's assistance, including agriculture, transportation, health, education, water supply and sewerage, industry, energy, etc.

The Director-General further indicated that a total of 21 operations had been approved under the Fund's Private Sector Facility. As of the end of September 2001, cumulative commitments through this window totaled $96.8m.

In addition, the Fund has approved a total of 554 grants in support of various activities in the areas of technical assistance, food aid, emergency relief and research. Cumulative grant commitments, as of the end of September 2001, amounted to $250.4m, of which $169.6m has been disbursed.

Moreover, the Fund has contributed, in grant form, substantial amounts to the resources of other international development institutions benefiting the South; these contributions total $971.8m, most of which has been disbursed. To date, the Fund has provided development assistance to 108 countries in Africa, Asia, Latin America and the Caribbean, the Middle East and Europe.

In November's session, the Board approved 17 public sector project loans, under the Fund's 14th Lending Programme (2000–01), worth a total of $132.71m. They concern the transportation (7 projects), education (3), water supply and sanitation (2), health (3), rural development (1) and other (1) sectors and are detailed as follows:

Country/project	*$ million*
Angola	
Education II	9.39
Benin	
Akpro-Kpedekpo road	5.80
Cameroon	
Abong Mbang-Bonis road	9.00
Chad	
Second health	8.00
Djibouti	
Health	2.50
Ethiopia	
Gore-Gambella road	15.00
Ghana: Anyinam-Kumasi road rehabilitation	6.67
Haiti: Potable water and sanitation sector	6.60
Kenya	
Basic education improvement	13.70
Lesotho	
Health and social welfare	2.60
Malawi	
Liwonde-Naminga road	9.50
Mauritania	
Multisectoral poverty alleviation	3.50
Mozambique	
Education IV	9.20
Senegal	
Rural roads	6.25
Sri Lanka: Southern Province rural economic advancement	5.00
Tanzania	
Rural roads	8.00
Yemen	
Hodeida sanitation	12.00
Total	**132.71**

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All of the above loans have a maturity of 20 years, including a grace period of five years, and carry interest at rates ranging from one per cent to 1.5 per cent.

The projects will be co-financed with the governments of the beneficiary countries and with other donors including three OPEC/Arab/Islamic aid institutions: the Arab Bank for Economic Development in Africa, the Islamic Development Bank and the Saudi Fund for Development. Other contributors include the African Development Fund, the Asian Development Bank, the Inter-American Development Bank and the International Fund for Agricultural Development.

Three new grants

The Board also approved three new grants aimed at financing activities in the health and agriculture sectors. They total $750,000 (see press releases nos 83/2001-85/2001), and are broken down as follows:

— $400,000 in support of the second phase of a river blindness control programme in Africa;

— $200,000 towards the establishment of training facilities and programmes at the International Center for Biosaline Agriculture; and

— $150,000 to help finance the development of the Children's Town in Zambia.

The Board also discussed the Fund's Private Sector Facility; two new private sector investment proposals were approved and a number of proposals for operations under the Fund's Private Sector Facility examined.

Also in this session: the Board reviewed financial and budget matters and approved the administrative budget for 2002; considered a report on the implementation of the Fund's organizational strengthening programme; discussed an interim completion note on the 14th Lending Programme (2000–2001); and looked at operations under active consideration in the public sector.

The next Governing Board Session will take place in Vienna, Austria on March 19, 2002.

No 83/2001
Vienna, Austria, November 6, 2001

Fund extends $400,000 grant to support river blindness eradication

The OPEC Fund for International Development has approved a grant of $400,000 towards an ongoing campaign to eliminate onchocerciasis (river blindness) in Africa.

The aims of this campaign, the African Programme for Onchocerciasis Control (APOC), are to establish sustainable control measures in 19 African countries where the disease still poses a major public health problem.

Onchocerciasis is spread through the bite of a small, black fly that breeds in fast moving rivers and streams along fertile banks. When the fly bites its victim, millions of microscopic larvae are released into the bloodstream and cause incessant itching, rashes, skin lesions and de-pigmentation.

Migration to the eye region can cause either vision impairment or, in many cases, irreversible blindness. The socio-economic and health consequences are devastating, as adults cannot farm or care for their families. Fertile riverbanks are being abandoned for fear of contracting the disease, and people are moving to less productive ground, disrupting stable village economies.

Of the 120 million people worldwide who are at risk of contracting onchocerciasis, 96 per cent are in Africa alone. The first major containment campaign — the Onchocerciasis Control Programme (OCP) — was launched in 1974 by the World Health Organization, the United National Development Programme, the World Bank, the Food and Agriculture Organization of the United Nations and a coalition of more than 20 donor countries and agencies.

This programme has enjoyed considerable success. APOC was established in 1995 to expand the coverage of OCP to an additional 19 African countries that lie outside the OCP target area. APOC's principal strategies focus on the establishment of a technique called community-directed treatment (ComDT), which seeks to insure that high risk populations receive, at least once per year, the drug Mectizan, a medication that kills the larvae before they can cause damage. The programme also supports a number of prevention and protection schemes.

The initial phase (1995–2001) is still underway, with phase II being brought into effect in 2002. Objectives will remain the same, with the addition of goals to work at a district level to raise awareness of the entire programme and build support for future activities.

These efforts will enable APOC to eventually integrate ComDT into the national health system and expand its coverage to similarly treatable diseases such as elephantiasis.

At least 60 million people living in remote rural regions in Africa who are either infected with onchocerciasis or are at immediate risk of contracting the disease are expected to benefit from APOC.

The OPEC Fund has extended three earlier grants totaling $2.7 million in support of OCP and one grant of $300,000 to phase I of APOC.

Data summary

Sector:
Health.

Project:
African Programme for Onchocerciasis Control, phase II.

OPEC Fund grant:
$400,000

Beneficiaries:
Angola, Burundi, Cameroon, Central African Republic, Chad, the Congo, Equatorial Guinea, Ethiopia, Gabon, Kenya, Liberia, Malawi, Mozambique, Nigeria, Rwanda, Tanzania, Uganda, the Sudan, Zaire.

Total cost:
$67.6m

Co-financiers:
World Bank.

Donor countries:
Belgium, Canada, France, Germany, Hungary, Kuwait, Luxembourg, Netherlands, Poland, Portugal, Switzerland, United Kingdom

Executing agencies:
World Health Organization; Minis-

tries of 19 African countries; NGOs; local communities.

Grant administrator:
OPEC Fund.

Project duration:
Six years (2002–2007).

No 84/2001
Vienna, Austria, November 6, 2001

Fund extends $200,000 grant to strengthen biosaline agriculture

The OPEC Fund for International Development has approved a grant of $200,000 to support the establishment of training facilities and programmes at the International Centre for Biosaline Agriculture (ICBA), a non-profit resource centre for the development, co-ordination and dissemination of knowledge on biosaline agriculture technology.

Founded in 1998, and operational since 1999, the ICBA was set up to address the challenges facing arid and semi-arid regions of the African Sahel over the scarcity of water resources for drinking and agricultural purposes. Upgraded in February 2001, its objectives are to develop sustainable management systems for the irrigation of forage and food crops with saline water, and to identify salt-tolerant plant species.

Technical training is also a major focus for the institution, as professional personnel from the national agricultural research systems of member countries regularly need to update their knowledge on progress made in the field.

To improve its training capacity, the ICBA plans to establish an on-site training facility offering a wide range of courses for scientists, technicians, engineers and small farmers. Topics to be covered include: the design and management of irrigation systems for biosaline agriculture; the production and management of salt-tolerant forages and tree species; agro-ecological surveys and germplasm collection; and, the reclamation of salt-affected soils for sustainable agriculture.

Alongside these activities, the ICBA also intends to develop its newly established electronic global biosaline network, a tool designed to enhance technology exchange on biosalinity research among member countries, in order to avoid unnecessary duplication of efforts.

The OPEC Fund is one of the major partners in the establishment of the ICBA, having provided grants totalling $1.25 million towards its initial construction and later upgrading. This grant will directly support the attendance of participants from the least developed countries at the various training activities.

Data summary

Sector:
Agriculture.

Project:
Strengthening human resources in biosaline agriculture.

OPEC Fund grant:
$200,000

Beneficiaries:
Arid developing countries.

Total cost:
$1,350,000

Co-financier:
Islamic Development Bank.

Executing agency:
International Centre for Biosaline Agriculture

Grant administrator:
OPEC Fund.

Project duration:
Three years (2002–2004).

No 85/2001
Vienna, Austria, November 6, 2001

OPEC Fund extends $150,000 grant to help children in Zambia

The OPEC Fund for International Development has approved a grant of $150,000 to support a project aimed at developing the social, vocational, and academic potential of vulnerable children and adolescents in Zambia.

The initiative is the brainchild of Development Aid from People to People (DAPP), a non-governmental, charity organization dedicated to improving social conditions in the poorest regions of the world. In Zambia, more than 80 per cent of the population lives below the poverty line and over 600,000 children are currently threatened by homelessness, chronic illness and malnutrition. At the same time, the spread of HIV/AIDS has significantly increased the number of school-aged orphans, who struggle to make a living through casual labour, street vending or petty theft.

In 1990, DAPP established the Children's Town, a centre for education and development, in the marginalized rural district of Chibombo. Comprising six children's houses, primary and vocational schools and a community centre, the facility is home to 120 former street children.

In addition to educating resident children, the primary school offers tuition to 140 other orphans and disadvantaged local children. The youngsters also receive practical skills training and are encouraged to participate in the town's enterprises, which include vegetable growing, livestock raising, artistic pursuits and carpentry.

The vocational school is used as a training centre for some 50 vulnerable youths from all over Zambia and focuses on agriculture and business skills. These students are selected from rural communities and later return there to practice and disseminate their knowledge and establish small enterprises

By providing education and training in a stable and healthy environment, the Children's Town strives to help children grow into active and useful members of society. To date, the scheme has provided a basic education to over 1,400 children, the vast majority of whom have progressed to high school, obtained employment or established their own enterprises. Additionally, more than 1,000 orphans have benefited from the orphans programme, a local community initiative to address the basic needs of orphan children through return-to-school schemes, income generation, and skills workshops in 34 villages in the area.

Through this grant, the OPEC Fund will help cover the operating expenses of the Children's Town over the next two years, including educational and household materials and equipment, clothing and food.

Data summary

Sector:
Multi-sectoral.
Project:
Children's Town in Malambanyama, Zambia.
OPEC Fund grant:
$150,000
Beneficiary:
Zambia.
Total cost:
$378,670
Co-financiers:
Canadian International Development Agency, Ministry of Education and other donors.
Executing agency:
Development Aid from People to People.
Grant administrator:
OPEC Fund.
Project duration:
Two years (2002–2003).

No 86/2001
Vienna, Austria, November 12, 2001

Fund extends relief to hurricane victims in Cuba and Honduras

The OPEC Fund for International Development has approved an emergency assistance grant of $200,000 to help procure relief supplies for victims of Hurricane Michelle which struck the Caribbean region on November 4, causing tremendous damage, particularly in Honduras and Cuba.

In Honduras, Michelle dumped nearly two feet of rain causing some of the worst flooding seen since Hurricane Mitch struck in 1998. In addition to fatalities, over 7,000 people have been evacuated and more than 1,200 homes destroyed. Additionally, an estimated 22,000 hectares of cropland have been severely damaged. Temporary shelters are in operation in La Lima, La Ceiba, Progreso, La Maslca and Trujillo. In Cuba, the hurricane sliced through the country causing fatalities and widespread destruction, forcing at least 700,000 people from their homes. Worst hit are the central-western provinces of Matanzas, Villa Clara, Cienfuegos, Santi Espiritu and Municipio Especial Isla de la Juventudo. Torrential rains have seriously damaged buildings and communications networks, and the agricultural sector has been severely affected with huge crop losses. Interruptions of electrical power remain, and portions of the road network are blocked.

The UN inter-agency assessment mission represented by the Food and Agriculture Organization of the United Nations, the United Nations Development Programme, UNICEF and the World Food Programme, in co-operation with the Pan-American Health Organization, the Cuban Civil Defense and the International Federation of Red Cross and Red Crescent Societies are co-ordinating efforts to provide emergency supplies such as tents, blankets and plastic sheets, as well as food, drinking water and medicine.

The Fund grant will be channeled through the United Nations Office for the Co-ordination of Humanitarian Affairs and divided equally between Cuba and Honduras. The contribution will be used to procure emergency relief items, food and medical supplies.

No 87/2001
Vienna, Austria, November 12, 2001

OPEC Fund provides emergency relief to flood victims in Algeria

The OPEC Fund for International Development has approved an emergency assistance grant of $400,000 to help purchase relief supplies for victims of the floods and mudslides that struck several areas of northern and western Algeria in November. Heavy rains and damaging winds have created a disaster situation, resulting in large loss of life and destruction to vital infrastructure, affecting at least 34,000 people.

In the capital city Algiers, over 150 mm of rain fell within 24 hours. Torrential rains and winds are continuing and are expected to persist for a few days, with gusts reaching in excess of 120 km per hour. The storm has triggered a number of flash floods and mudslides, taking the lives of 345 people, injuring 300 others and destroying the homes of a further 4,000.

In other regions along the coast, 27 people have perished and some 2,000 have been left homeless. In addition, excessive damage has been inflicted on infrastructure such as roads, housing, schools, ports, vehicles and equipment, In Algiers, water, electricity and gas supplies have been cut off, and many roads are blocked, further hampering rescue operations.

The government has activated a national disaster plan, mobilizing human and material resources on a large scale for rescue works. Although the magnitude of needs has not yet been quantified, the most urgent requirements are for the 6,000 families left homeless by the disaster. Relief items needed include blankets, winter tents, medical kits, water purifiers, water pumps, kitchen utensils, clothes, heaters and portable chain saws.

The OPEC Fund's contribution to the aid effort will be used to procure some of these urgently-needed supplies and will be channeled through the International Federation of Red Cross and Red Crescent Societies.

No 88/2001
Vienna, Austria, November 22, 2001

OPEC Fund and São Tomé and Principe sign investment agreement

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and São Tomé and Principe. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialled by HE Maria dos Santos Tebús Torres, Minister of Planning and Finance of the Democratic Republic of São Tomé and Principe, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a financing window, endowed with its own resources, through which the Fund chan-

nels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets.

Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. The agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

São Tomé and Principe is composed of two small islands located in the Gulf of Guinea, and has a total population estimated at 149,000 in 2000 and a GNP per capita of $270. The economy is based almost exclusively on the production and export of cocoa, with the tourism sector developing slowly. The services sector accounts for 62 per cent of GDP, whereas agriculture contributes 21 per cent and industry 17 per cent. Thanks to a series of economic reforms, the country has been successful in reducing financial imbalances, liberalizing the economy and promoting real growth.

With respect to macroeconomic performance, São Tomé and Principe's real output increased by 2.5 per cent annually in 1998 and 1999, while inflation rate fell from 41 per cent in 1990 to eight per cent in 2000. Government is in the process of implementing measures to strengthen the legal and institutional framework for private investment, with a view to promoting the development of private enterprise in the country.

No 89/2001
Vienna, Austria, November 26, 2001

OPEC Fund supports leasing company in India

An agreement for a $5 million line of credit has been signed between the OPEC Fund for International Development and SREI International Finance, an Indian leasing company.

SREI's leasing activity is largely focused on earth-moving and construction equipment, and contributes to the development of both financial services and infrastructure sectors, both of which have been deemed high priority by the Indian government. The Fund's loan will allow SREI to increase its support to small and medium-sized private sector infrastructure projects through the provision of leased equipment and machinery.

This line of credit represents the OPEC Fund's first private sector operation in India. Substantial assistance totaling $222 million, however, has previously been directed to the public sector in the form of project loans in the health, agriculture, water supply and sewerage, energy and transportation sectors, as well as one loan for balance of payments support and one to finance a commodity imports programme. The country has also benefited from four technical assistance grants, three of which went towards regional programmes in the agriculture sector, while another was extended in the area of renewable energy. Additionally, emergency aid was given earlier this year to help earthquake victims.

The agreement was signed on behalf of SREI International Finance by Hemant Kanoria, Managing Director, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

November

Secretary General's diary

The *Seventh Conference of the Parties (COP7), the 15th Sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA) & Subsidiary Body for Implementation (SBI)* were organized by the UNFCCC and held in Marrakesh, Morocco, October 29–November 9, 2001.

A conference on *The Transformation of Norway's Oil and Gas Industry* was organized by CWC Associates and held in London, UK, November 1–2, 2001.

The *7th ASCOPE Conference and Exhibition* was held in Kuala Lumpur, Malaysia, November 5–7, 2001.

The *7th International Financial and Economic Forum* was organized by the IFW, and held in Vienna, Austria, November 29–30, 2001.

Secretariat missions

The 4th WTO Ministerial Conference was organized by the WTO and held in Doha, Qatar, November 9–13, 2001.

The 4th International Meeting on Oil Statistics was organized by the IEA/OECD, and held in Riyadh, Saudi Arabia, November 10–12, 2001.

The IIED's 30th Aniversary Conference was organized by the International Institute for Environment and Development (IIED), and held in London, UK, November 12–13, 2001.

A visit to Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) of the University of Dundee was organized in Dundee, Scotland, UK, on November 15, 2001.

OPEC Meetings

The *119th Meeting of the Conference* will be held at the OPEC Secretariat, Vienna, Austria, on March 15, 2002.

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2 Oil and gas data

More detailed information on the hydrocarbon industries of OPEC and non-OPEC countries, including oil and gas reserves, exploration and production, output and consumption of refined products, exports and imports. Most tables cover 1996-2000.

3 Transportation

A breakdown by size of the oil tanker and liquid gas carrier (LPG and LNG) fleets of OPEC Member Countries and the rest of the world, as well as freight rates for 1996-2000. Also includes data on all oil, gas and product pipelines in OPEC Member Countries.

4 Prices

Monthly average prices of the OPEC Reference Basket of crudes and its components for 1998-2000 and annual averages for 1991-2000, plus selected major crudes (OPEC and non-OPEC) for the same periods. Spot refined product prices and a breakdown of the composite barrel are also featured.

5 Major oil companies

Data on the operations of six oil majors: BP Amoco, ExxonMobil, TotalFinaElf, Royal Dutch/Shell, Chevron and Texaco. Tables show revenue, operating costs, taxation, net income and much more.

Packaged with the ASB is a 3.5-inch computer diskette (for Microsoft Windows only) containing all the data in the book and more. Many of the time series in the summary tables in Section 1 are extended back to 1960, the year of OPEC's founding, while much of the data in Sections 2-5 extends back to 1980. The application is simple to install and easy to manipulate and query. The data can also be exported to Microsoft Excel or other spreadsheets.

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