This month's cover ...
shows a rig in Algeria, where the Oughroud oil field will soon be capable of producing 230,000 b/d

OPEC bulletin

Vol XXXIII, No 10 ISSN 0474-6279 December 2002

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Publishers

OPEC
Organization of the Petroleum Exporting Countries, Obere Donaustrasse 93, 1020 Vienna, Austria
Telephone: +43 1 211 12/0
Telefax: +43 1 216 4320
Public Relations & Information Department fax: +43 1 214 9827
E-mail: prid@opec.org
E-mail: OPEC News Agency: opecna@opec.org
Web site: http://www.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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The *OPEC Bulletin* welcomes original contributions on the technical, financial and environmental aspects of all stages of the energy industry, including letters for publication, research reports and project descriptions with supporting illustrations and photographs.

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Head, Petroleum Market Analysis Department
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Dolores Dobarro

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Editor-in-Chief
Dr Omar Farouk Ibrahim
Editor
Graham Patterson
Deputy Editor
Philippa Webb-Mügge
Assistant Editor
Douglas Linton
Production
Diana Lavnick
Design
Elfi Plakolm

Web site: www.opec.org

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Thinking out of the box

The market needed an unusual and bold solution to the many challenges it faced in December. Thanks to OPEC, it got one

As the OPEC Oil and Energy Ministers gathered in wintry Vienna for the 122nd Meeting of the Conference in mid-December, they faced a critical decision that had to be taken in unusual circumstances. Many factors had to be borne in mind, including the reported level of overproduction (which some sources claimed was as high as 3 million barrels/day), the possible effect of the strike action in Venezuela on oil output, market fears of a new conflict in the Middle East, and the influence of the changing seasons on demand.

This last factor deserves a closer examination. The time lag between oil being produced and arriving at its final destination is especially important at the turn of the year, since it means that oil produced in the depths of winter sometimes does not arrive at its final destination until the spring. Extreme caution is therefore required in order to avoid excess supply in the market just when demand is slackening off as the weather warms up in the northern hemisphere. This, in combination with the other factors mentioned above, made the decision one requiring very fine judgment.

Unusual problems often require unusual solutions, and the solution adopted by the Ministers was indeed a novel one. They decided to tackle the problem of excess production by increasing the Organization's official output ceiling by 1.3m b/d to 23m b/d, but at the same time to bring down actual production to this new level. Underlining their collective determination to pursue market stability, the OPEC Member Countries pledged firm commitment to the new output ceiling.

At the same time, the Organization made another pledge in support of stability in the market: to assist Venezuela's state oil firm, PDVSA, in meeting its commitments to customers if the strike action in that country should affect oil output. This, after all, is fully consistent with one of OPEC's main aims, as laid out in its Statute: to ensure the reliability of supplies to consumers at fair and reasonable prices.

Contrast this with the Organization's refusal to be swayed by market fears of a renewed conflict in the Middle East, which has added a war premium of several dollars per barrel to prices, thus increasing opportunities for speculators.

Blindly raising output in response to speculation driving up prices would not stabilize the market: on the contrary, it would have a highly destabilizing effect, risking a possible price crash as the period of high winter demand ends.

OPEC's prompt and bold reactions to the various situations it has faced throughout 2002 have been vindicated by the level of market stability that has been witnessed. The average Basket price for the whole year stood at $24.36/b, close to the middle of the price band range of $22-28/b.

While outside circumstances may sometimes complicate the Organization's pursuit of its goals, it deserves praise for having risen to the challenge of doing just what it has always said it would do: providing secure supplies of oil to consumers, while maintaining a level of price stability that all parties can be satisfied with.

Forthcoming events

Prague, Czech Republic, **March 9–14, 2003**, *The gas chain — from reservoir to burner tip.* Details: Alphatania Group, Rodwell House, 100 Middlesex Street, London E1 7HD, UK. Tel: +44 (0)20 7650 1402; fax: +44 (0)20 7650 1401; e-mail: training@alphatania.com; Web site: www.alphatania.com.

Rio de Janeiro, Brazil, **March 10–11, 2003**, *9th annual international Latin oil & gas 2003.* Details: Global Pacific & Partners. Tel: +27 11 778 4360; fax: +27 11 880 3391; e-mail: info@glopac.com; www.petro21.com.

Houston, Texas, USA, **March 10–13, 2003**, *2nd annual LNG North America strategic conference, workshop & training course.* Details: The CWC Group, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 708 94200; fax: +44 (0)20 708 94201; e-mail: info@thecwcgroup.com; Web site: www.thecwcgroup.com.

Warwickshire, UK, **March 11–16, 2003 & October 19–24, 2003**, *Liquefied natural gas — the commercial imperatives.* Details: Alphatania Group, Rodwell House, 100 Middlesex Street, London E1 7HD, UK. Tel: +44 (0)20 7650 1402; fax: +44 (0)20 7650 1401; e-mail: training@alphatania.com; Web site: www.alphatania.com.

Tripoli, SP Libyan AJ, **March 15–18, 2003**, *The African Petroleum Producers Association Congress and Exhibition (APPACE).* Details: The CWC Group, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 708 94200; fax: +44 (0)20 708 94201; e-mail: info@thecwcgroup.com; Web site: www.thecwcgroup.com.

Cambridge, UK, **March 24–28, 2003**, *Economics of the oil supply chain.* Details: Alphatania Group, Rodwell House, 100 Middlesex Street, London E1 7HD, UK. Tel: +44 (0)20 7650 1402; fax: +44 (0)20 7650 1401; e-mail: training@alphatania.com; Web site: www.alphatania.com.

Singapore, **March 25–26, 2003**; Kuala Lumpur, Malaysia, **March 27–28, 2003**, *Commercial perspectives on petroleum marine transportation.* Details: Conference Connection, Telok Ayer Street, Singapore 068645. Fax: +65 6226 4117/4092; e-mail: facts@cconnection.org; www.cconnection.org.

Bangkok, Thailand, **March 25–27, 2003**; Bahrain, **March 29–31, 2003**, *International gas sales & LNG contracts.* Details: Conference Connection, Telok Ayer Street, Singapore 068645. Fax: +65 6226 4117/4092; e-mail: facts@cconnection.org; www.cconnection.org.

San Antonio, Texas, USA, **March 25–27, 2003**, *World fuels conference USA: Refining 2003 and beyond — technology paving the way in the new millennium.* Details: World Fuels Conference, tel: +1 301 354 2046; fax: +1 301 424 7260; Web site: www.worldfuels.com.

Frankfurt, Germany
May 22–23, 2003

The chemical and petrochemical industries of Russia, the CIS and CEE

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Yulia Khoroshilova
5/F, 63-66 Hatton Garden
London EC1N 8LE, UK
Tel: +44 20 7404 2430
Fax: +44 20 7405 5913
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London, UK, **March 26–27, 2003**, *LNG V.* Details: SMi Group, 1 New Concordia Wharf, Mill Street, London SE1 2BB, UK. Tel: +44 (0)207 827 6000; fax: +44 (0)207 827 6001; Web site: www.smi-online.co.uk.

London, UK, **March 26–27, 2003**, *UK gas — energy supplies and investment opportunities.* Details: The CWC Group, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 708 94200; fax: +44 (0)20 708 94201; e-mail: info@thecwcgroup.com; Web site: www.thecwcgroup.com.

Aspen, Colorado, USA, **March 26–28, 2003**, *Investment in clean, sustainable energy and mobility.* Details: Andrew W Bermingham, Managing Director, Montreux Energy LLC, 518 17th Street, Suite 1750, Denver, CO 80202 USA. Tel: +1 303 534 0193l; fax: +1 303 534 0195; e-mail: aberm@montreuxenergy.com; Web site: www.montreuxenergy.com.

Kuala Lumpur, Malaysia, **March 27–28, 2003**, *Petroleum marine transportation 2003.* Details: The Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street Singapore 06845. Tel: +65 6226 5280; fax: +65 6226 4117; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Kuala Lumpur, Malaysia, **April 7–8, 2003**; Dubai, UAE, **April 12–13, 2003**; Moscow, Russia, **June 30–July 4, 2003**; Singapore, **September 18–20, 2003**; Norway, **October 29–31, 2003**; Houston, Texas, USA, **November 3–5,2003**; *Production sharing contracts and international petroleum fiscal systems.* Details: Conference Connection, Telok Ayer Street, Singapore 068645. Fax: +65 6226 4117/4092; e-mail: facts@cconnection.org; www.cconnection.org.

Dubai, UAE, **April 12–13, 2003**, *Production sharing contracts and international petroleum fiscal systems.* Details: Conference Connection, Telok Ayer Street, Singapore 068645. Fax: +65 6226 4117/4092; e-mail: facts@cconnection.org; www.cconnection.org.

Salvador, Bahia, Brazil, **April 29–30, 2003**, *Oil and gas in Brazil: new perspectives, new proposals and new players.* Details: The CWC Group, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 708 94200; fax: +44 (0)20 708 94201; e-mail: info@thecwcgroup.com; Web site: www.thecwcgroup.com.

Brussels, Belgium, **May 19–21, 2003**, *World fuels conference Europe: European refining and automotive issues — what's next for refiners, automakers and technology suppliers?* Details: World Fuels Conference, tel: +1 301 354 2046; fax: +1 301 424 7260; Web site: www.worldfuels.com.

Tokyo, Japan, **June 1–5, 2003**, *22nd World gas conference.* Details: Petroleum Economist Ltd, 15/17 St. Cross Street, London EC1N 8UW, UK. Tel: +44 (0)20 7831 5588; fax: +44 (0)20 7831 4567 or 7831 5313; e-mail: guitaut@petroleum-economist.com; Web site: www.petroleum-economist.com.

London, UK, **June 2–6, 2003**, *World fiscal systems for oil and gas.* Details: The CWC Group, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 708 94200; fax: +44 (0)20 708 94201; e-mail: info@thecwcgroup.com; Web site: www.thecwcgroup.com.

Baku, Azerbaijan, **June 3–6, 2003**, *Caspian Oil & Gas 2003.* Details: Spearhead Exhibitions, 8th Floor, Apex Tower, 7 High Street, New Malden, Surrey, KT3 4DN, UK. Tel: +44 (0)20 8949 9222; fax: +44 (0)20 8949 9897; e-mail: caspian@spearhead.co.uk; Web site: www.caspianoilgas.co.uk.

Resolutions of the 121st Meeting of the OPEC Conference

The 121st Meeting of the Conference of the Organization of the Petroleum Exporting Countries, held in Osaka, Japan, on September 19, 2002, adopted the following Resolutions, which, in accordance with customary procedures, have been ratified by the Member Countries and are issued herewith:

No 11/2002
Vienna, Austria, October 19, 2002

Resolution No 121.395

The Conference,

having regard to the rules laid down in the Statute of the Organization, in particular Article 21; whereas in accordance with the provisions of Resolution 117.388, the term of office of the Governor for Saudi Arabia as Chairman of the Board of Governors expires on December 31, 2002;

appoints

Mr Said Bin Ahmed Al-Ghafly, the Governor for the United Arab Emirates, as Chairman of the Board of Governors for a period of one year from January 1, 2003; and

appoints

Dr Gloria Mirt Hernandez, Governor for Venezuela, as Alternate Chairman for the same period.

Resolution No 121.396

The Conference,

upon the recommendation of the Board of Governors

approves that the Secretariat withdraw an amount of €400,000 from the Reserve Fund Account to cover the Budget deficit projected for the year 2002.

Resolution No 121.397

The Conference,

resolves

that the next Ordinary Meeting of the Conference shall be convened in Vienna, Austria, on March 11, 2003.

Done in Osaka, Japan, this 19th Day of September 2002.

Head of the Delegation of Algeria
Dr Chakib Khelil

Head of the Delegation of Indonesia
Dr Purnomo Yusgiantoro

Head of the Delegation of the Islamic Republic of Iran
Bijan Namdar Zangeneh

Head of the Delegation of Iraq
Saddam Z Hasan

Head of the Delegation of Kuwait
Ahmad F Al-Ahmad Al-Sabah

Head of the Delegation of the Socialist People's Libyan Arab Jamahiriya
Dr Abdulhafid Mahmoud Zlitni

Head of the Delegation of Nigeria
Dr Rilwanu Lukman

Head of the Delegation of Qatar
Abdullah Bin Hamad Al-Attiyah

Head of the Delegation of Saudi Arabia
Ali I Naimi

Head of the Delegation of the United Arab Emirates
Obaid Bin Saif Al-Nasseri

Head of the Delegation of Venezuela
Rafael Ramirez

122nd Conference underlines determination to adhere to new production ceiling of 23 million barrels/day

Vienna — OPEC's Oil and Energy Ministers agreed to boost the Organization's oil production ceiling by 1.3 million barrels/day when they met in Vienna on December 12 for the 122nd (Extraordinary) Conference.

Speaking to reporters at the end of a closed session meeting of the Ministers, the Conference President, Dr Rilwanu Lukman, stressed that the new production ceiling was conditional on the Organization reducing its over-production.

Lukman, who is also Nigeria's Presidential Adviser on Petroleum and Energy, noted that the move would increase OPEC's production ceiling from the previous 21.7m b/d to 23.0m b/d, effective from January 1, 2003.

The decision to boost the ceiling was the course of action recommended to the Ministers by the Organization's Ministerial Monitoring Sub-Committee, which met just prior to the Conference, the OPEC News Agency reported.

Sources close to the talks explained that the Organization's production ceiling hike was being made to take account of excess crude supplies already witnessed on international markets in recent weeks. The distribution of the extra output would be on a pro rata basis, they noted.

In its closing communiqué, OPEC noted that the decision was taken after having reviewed the oil market situation, including the overall demand/supply picture for the year 2003, as well as the quarterly seasonal variations.

It also observed that the relative strength in current market prices was partially a reflection of the prevailing political situation, particularly with regard to

Above: The Chairman of the Board of Governors for 2002, HE Suleiman Jasir Al-Herbish of Saudi Arabia (l), talks to Nigeria's Presidential Adviser on Petroleum & Energy and President of the Conference, HE Dr Rilwanu Lukman (r).

OPEC production quotas *(1,000 b/d)*

	Previous quota	increase	new quota
Algeria	693	42	735
Indonesia	1,125	67	1,192
Iran	3,186	191	3,377
Kuwait	1,741	104	1,845
SP Libyan AJ	1,162	70	1,232
Nigeria	1,787	107	1,894
Qatar	562	34	596
Saudi Arabia	7,053	423	7,476
United Arab Emirates	1,894	113	2,007
Venezuela	2,497	150	2,647
Total	**21,700**	**1,300**	**23,000**

Right: Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh, faces a crowd of reporters.

Left: Qatar's Minister of Energy and Industry, HE Abdullah bin Hamad Al Attiyah (l), is seen here with Iraq's Minister of Oil, HE Dr Amer Mohammed Rasheed (c), and Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi (r).

Below: Algeria's Minister of Energy and Mines, HE Dr Chakib Khelil (l), shares a joke with Libya's Secretary of the People's Committee of the NOC, HE Dr Abdulhafid Mahmoud Zlitni (r).

tensions in the Middle East, and events in Venezuela.

The Conference voiced its support for the government and people of Venezuela and expressed the hope that that an amicable and peaceful solution could be rapidly found to the unfortunate civil unrest, in the interests of all concerned.

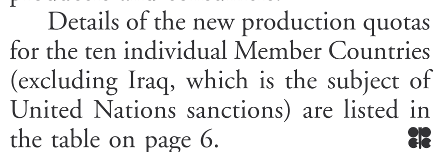
The other OPEC Members also indicated their readiness to temporarily assist Venezuela's state oil firm PDVSA in the supply of hydrocarbons to its domestic and international customers, if supplies should be disrupted by strike action.

Bearing in mind all of the above, the

Organization noted that the market would be continuously and carefully monitored and OPEC remained firm in its intention to take any measures deemed necessary to maintain market stability.

The Conference also repeated its standing call on other oil producers and exporters to continue to co-operate with OPEC for the continuing welfare of the market and the good of both producers and consumers.

Details of the new production quotas for the ten individual Member Countries (excluding Iraq, which is the subject of United Nations sanctions) are listed in the table on page 6.



Above: OPEC Secretary General, HE Dr Alvaro Silva Calderón, talks to reporters.

Left: Venezuela's Ambassador to Austria and Head of Delegation, HE Gustavo Márquez Marín (c), in discussions with the United Arab Emirates' Minister of Petroleum and Mineral Resources, HE Obaid bin Saif Al-Nasseri (l), and the Chairman of the Board of Governors for 2003, Saif Bin Ahmed Al-Ghafly (r).

Right: Kuwait's Minister of Information and Acting Minister of Oil, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah (r), listens to his country's Ambassador to Austria, HE Nabeela Abdulla Al-Mulla (l).

Left: Indonesia's Minister of Energy and Mineral Resources, HE Dr Purnomo Yusgiantoro (r), in discussions with his Delegation.

Right: Nigeria's Ambassador to Austria, HE Abdulkadir Bin Rimdap, answers questions from journalists.

Left: Dr Lukman (l) answers questions at the closing press conference, watched by the Director of OPEC's Research Division, Dr Adnan Shihab-Eldin (c), and the PR & Information Department's then Officer-in-Charge and Media Relations Officer, Dr Abdulrahman Al-Kheraigi (r).

OPEC and the role of energy security in meeting future world oil demand

*The issues of security of supply and demand must be addressed jointly by producing and consuming countries if the future of world energy supplies is to be ensured, notes the OPEC Secretary General, **Dr Alvaro Silva Calderón***, in this article.*

One of the most pressing challenges facing decision-makers today is to ensure that energy is provided to all people in the world — both rich and poor. The future growth in energy demand will come primarily from developing nations, and this increase will be met, largely, by fossil fuels.

The ultimate question is, therefore, will there be adequate supplies to meet this anticipated increase in demand? The answer is yes. There is enough oil and gas to last for the foreseeable future. But in order to provide this energy, oil prices need to be stable to attract adequate levels of investment that will support supply increases, especially in fast-growing regions like Asia.

At the same time, substantial investment is needed to develop cleaner fossil fuel technologies. This would make them sustainable over the long-term, as they would be able to meet growing environmental regulatory measures.

Security of supply is the major themes in the global energy arena today, and OPEC has a very good record in delivering adequate oil supplies to world markets. In addition, OPEC Member Countries have sufficient security in place to ensure their oil is delivered to world markets.

Considering the Organization's history of consistent supplies, I believe that the type of pessimistic discussion we sometimes hear could divert serious attention away from developing constructive ways, and providing positive solutions, to collectively meet the world's future energy needs. Many of OPEC's Members have invested billions of dollars in spare capacity to counter any risk of security of supply, and have also built diverse export routes to alleviate any threats of shortfall.

Let us look at the Organization's track record. In 1991, during the Gulf crisis, OPEC Member Countries increased their output to make up for any shortfall at the time. At the turn of the century, when the United States suffered inadequate refining capacity due to clean fuel legislation, coupled with the Californian energy crisis, which saw oil prices rise over $30/barrel, OPEC put an additional 3.7 million barrels/day on the market.

More recently, after September 11, the Organization made it clear that should prices rise excessively, they would act immediately to make up for any shortage. As it turned out, prices headed in the other direction, which I shall examine later.

While the right of consumers to formulate their own policies concerning security must be recognised, they also need to recognise that OPEC Member Countries are proactive in their desire to provide solutions to the world's energy challenges. In this sense, we need to widen the dialogue on the topic of security of demand.

Although contrasting philosophies appear to exist between consuming and producing nations, as to how energy markets should evolve, I believe that some of these issues can be solved through dialogue. It is often a matter of respecting the concerns of each side.

For example, the European Union seems convinced that the liberalisation of energy markets will bring with it cheaper prices. OPEC Member Countries believe that energy markets should have a degree of regulation to deliver stable prices over the long-term. Basically, OPEC Member Countries are doing what the United States did for many years, that is, regulate their crude oil sector.

We ought to recognise the differences in the philosophies between developing and developed countries. Surely, we can all understand that in order for energy to be a healthy, functioning sector, certain levels of prices are needed, and are in fact crucial for future supply. I believe that over recent years, the relationship between oil producing and consuming countries has improved considerably.

Both sides have moved closer to un-

derstanding the other's concerns. At the World Petroleum Congress in Rio de Janeiro earlier in 2002, the IEA and OPEC held their very first press conference together. The two organizations share similar projections concerning the future outlook on energy. And, while we may have differing philosophies, we respect one another's opinions and are willing to work together in the future.

This type of co-operation was enhanced further at the 8th International Energy Forum, held in Osaka, Japan. The Forum concluded with an agreement to share global oil data. The decision was also made to establish a permanent IEF Secretariat in Riyadh, Saudi Arabia, to facilitate future dialogue between producers and consumers. These are landmark steps towards achieving better oil market security, transparency and stability, which, ultimately, is what everyone is striving for.

Reducing fluctuations

As regards the issue of oil market stability, OPEC has made a considerable effort over recent years to reduce excessive fluctuations in oil prices. The Organization's policy of keeping prices within the price band range of $22–28/b has proved to be most successful. However, this success would not have been possible if OPEC had acted alone. Co-operative efforts by non-OPEC countries lent a lot of weight to OPEC's market stabilisation measures.

Let us briefly examine oil prices over the past two years. From January to September 2001, the average price of the OPEC Basket of seven crudes was just below $25/b — practically the desired target of the Organization at that point in time. After the tragic events of September 11, oil prices started to fall dramatically. If it had not been for the co-operation between OPEC and its non-OPEC partners (Angola, Mexico, Norway, Oman and Russia) at the beginning of 2002, prices could have dropped to dangerously low levels — similar to what was experienced at the time of the Asian financial crisis, when they fell to $9/b.

These efforts had their desired effect. Specifically, over the last year, from November 2001 to October 2002, the average of the OPEC Basket was just below $23/b. I stress that such a price is at the lower end of the OPEC price band, which is acceptable considering that world economic growth is still slow. I would like to emphasise that our perception of oil prices should not get too influenced by recent world events, which has added a war premium of several dollars to prices.

Crude does fall prey to such wild fluctuations because of its strategic nature. This is why the Organization decided to create a price band that was wide enough to allow for fluctuations, as well as being able to account for seasonal adjustments. The band guarantees revenue for producing countries and provides a fair return on capital for investors in the industry. It also ensures price stability for consumers.

It should be noted that a convergence in views has emerged between consumers and producers on the desired price band, although consumers may be closer to the lower end of it. At the 8th IEF in Osaka, the EC Energy Commissioner, Loyola de Palacio, drew attention to the dangers of low prices. She made it clear that prices lower than $20/b would lead to a sizeable reduction in capital expenditure in the oil industry, as well as tensions on the supply side.

This is exactly what we need to avoid if we examine the long-term estimates for energy usage. Forecasters agree that world energy demand will continue to grow for the foreseeable future. The OPEC World Energy Model (OWEM) projects growth of around two per cent a year, up to 2020, with demand in developing countries rising at three to four times the rate of that of industrialised countries. In absolute numbers, world oil demand is forecast to rise from 76m b/d in 2000 to an estimated 106 million b/d in 2020.

Ninety-five per cent of the additional energy demand is expected to be met by fossil fuels, which will account for 91 per cent of demand in 2020. This market share is slightly higher than in 2000. The reason is a five percentage point swing towards gas — mainly due to its favourable environmental credentials, its sound reserve base and the technological advances made in combined-cycle generation.

Gas will capture market share from each of the other main commercial energy sources to reach a figure of 28 per cent by 2020. But this will still be below the 38 per cent of oil, although it will have overtaken that of solids, which will fall to 25 per cent. Therefore, around two-thirds of the world's commercial energy is expected to come from petroleum — in other words, oil and gas — in 2020.

As oil-producing countries invest in costly capacity expansion to account for this future demand, consuming countries talk about diversification of supplies, at what will be an increased cost if undertaken in non-OPEC countries. It is anticipated that OPEC Member Countries, alone, will need around ten billion dollars a year in investment to account for future demand increases.

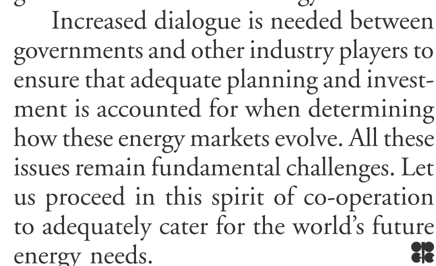
The figure for non-OPEC investment is estimated to be around four times as high as that for OPEC. The substantial difference in these figures can be explained by both the lower costs for expanding capacity in OPEC, as well as the differences in decline rates, since net requirements will need to cover not only additional capacity, but also maintenance of existing production potential.

Increased investment

It is clear, then, that solving the world's energy challenges will involve closer contact between all parties. Increased investment and technology transfer are needed in OPEC Member Countries to continue to research and develop cleaner fuels, better gas infrastructure and transport, and the development of carbon dioxide sequestration technology. These steps will ensure that fossil fuel use is entirely compatible with sustainable development.

It should be emphasised that the responsibility for security of supply rests with both consumers and producers. This is especially critical for regions like Europe at this point in time, considering its plans for greater liberalisation of energy markets.

Increased dialogue is needed between governments and other industry players to ensure that adequate planning and investment is accounted for when determining how these energy markets evolve. All these issues remain fundamental challenges. Let us proceed in this spirit of co-operation to adequately cater for the world's future energy needs.



* *Based on* ***Dr Silva Calderón's*** *address to the 12th annual session of the Committee on Sustainable Energy of the UN Economic Commission for Europe, Geneva, Switzerland, November 20–22, 2002.*

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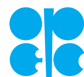


OPEC
PR & Information Department
Obere Donaustrasse 93
A-1020 Vienna, Austria
Tel: (+43 1) 21112 376
Fax: (+43 1) 214 9827
E-mail: opecna@opec.org

Giant Algerian field with reserves of 2bn barrels due to begin oil production soon

Algiers — Algeria's giant Oughroud oil field, in the south-east of the country, is due to enter into production soon, it was officially reported last month.

The field, seen as the most important oil concession in the country after the Hassi Messaoud field, is estimated to be capable of producing at 230,000 barrels/day. Its reserves have been put at two billion b in place, of which 1.2bn were recoverable.

According to the official is in charge of the field's development, Abdelkader Hasni, work on Oughroud was almost 95 per cent completed. First oil was scheduled to be seen in early December 2002.

The project, which straddles three blocks — 404, 405 and 406 — is being jointly developed by the Algerian state oil and gas firm, Sonatrach, and six international oil companies.

On block 404, Sonatrach is working in association with Anadarko of the USA, Italy's Agip and Denmark's Maersk. On block 405, the Algerian firm's partners are another US company, Burlington Resources, and Talisman of Canada, while on block 406, Sonatrach is working with Cepsa of Spain.

The companies are due to take delivery in the coming weeks of the plant and three production trains, provided by JGC of Japan, at a cost of $700 million. The whole project has required investment of about $1.5bn.

A senior Anadarko official, Bill Sullivan, told the Paris-based *Arab Oil and Gas* magazine that the start-up of the Oughroud field would boost his company's production in Algeria to around 24m b in 2004, from an estimated 19m b for 2003.

Sullivan, who is a Vice-President at Anadarko, added that the firm's net oil production in Algeria would expand further when other fields on blocks 404 and 408, in the Berkine Basin, came on stream in a few years' time.

Numerous discoveries

His company, which made numerous discoveries in the Berkine area in the 1990s, was now in the process of drilling development wells, in addition to completing a major exploration well on the concession.

The firm's development plan, currently under review by the Algerian Energy and Mines Ministry, covered the exploitation of all the fields discovered by means of centrally located shared production facilities, added Sullivan.

He said the fields were scheduled to come on stream in 2003 or 2004. Their level of production would be between 100,000 and 200,000 b/d.

Sullivan noted that 17 per cent of Anadarko's proven global hydrocarbons reserves were located in Algeria. The remaining deposits were in the USA (61 per cent), Canada (14 per cent), while the remaining eight per cent were in other countries.

In a separate development, Algeria's customs office has announced that the country's hydrocarbon export revenues amounted to $11.72bn in the first eight months of 2002, down by over 17 per cent from the same period in 2001.

It said that the volume of hydrocarbons exported represented about 97 per cent of the country's total exports during the period under study.

Total Algerian exports in January-August 2002 were worth $12.09bn, while imports cost the country $7.31bn, resulting in a trade surplus of $4.78bn for the eight-month period.

This compared with exports worth $14.63bn and imports costing $6.70bn for the same period in 2001, giving a trade surplus of $7.93bn.

Qatar Petroleum signs two deals with US firm Occidental to boost oil output

Doha — Qatar Petroleum (QP) has concluded two agreements with US firm Occidental Petroleum to boost oil production at two fields, the Idd Al Shargi North and South Domes, it was announced last month.

The accords were signed by the Qatari Energy and Industry Minister, Abdullah bin Hamad Al Attiyah *(pictured),* and the President and General Manager of Occidental Petroleum Qatar, Carey Lowe.

The total cost of the work on the North Dome field, where new reserves would also be developed, would be around $566 million, while the South Dome field development costs were estimated at $212m.

Al Attiyah, who is also QP Chairman, said at the signing ceremony that Occidental would be undertaking phase two development of the North Dome field and full field development of the South Dome field, targeting additional production by 2006.

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

When phase two development activities were completed, the production level at North Dome would rise to 127,000 barrels/day from the current 90,000 b/d. It was also targeting the development of 144m b of new reserves.

The full field development of South Dome was being implemented under a separate development and production-sharing agreement signed between the government of Qatar and Occidental in December 1997.

It was anticipated that the full field development of South Dome would boost production by about 17,000 b/d to reach a level of 25,000 b/d by 2006.

Al Attiyah noted that the facilities required for full field development of South Dome would be integrated with North Dome phase two for maximum synergies and cost savings.

Occidental started developing the North Dome field after the conclusion of the development and production-sharing agreement with the Qatari government in July 1994.

Production peaked in June 1998 when it touched a record level of 140,000 b/d. The current production capacity was around 90,000 b/d.

Occidental has also been involved in Qatar's North Field through the acquisition of 24.5 per cent equity in the Dolphin Project, which is developing a tract of the field to export some two billion cubic feet/d of Qatari gas to the UAE.

OPEC and UNCTAD hold joint technical workshop in Vienna

Vienna — OPEC and the United Nations Conference on Trade and Development (UNCTAD) have held a technical workshop at the OPEC Secretariat in Vienna, Austria.

In opening the workshop, the OPEC Secretary General, Dr Alvaro Silva Calderón, noted that globalization was proving to be a powerful force of transformation in today's economy.

But he warned that the transformation could leave developing countries much worse off than they were now, unless they moved to counterbalance the potentially adverse effects through careful deliberation.

"I am afraid that while certain regions are getting stronger and wealthier, by interconnecting in a variety of ways — from finance to trade and energy to the environment — others are being marginalized, and even isolated," he observed.

Silva Calderón said it was therefore imperative that with this rapid social, political and economic change, efforts should be combined to protect the interests of developing countries in the advancement of this new world order.

"Unless we act now — and as a joint force — we will be in danger of seeing our terms of trade further eroded and our economies put under more pressure. OPEC, as part of the developing world, has always been mindful of the difficulties facing developing countries," he noted.

"And with poverty eradication now recognised as being the single biggest challenge to the global community, I know I speak for all of us when I say we are deeply concerned about conditions for trade and development in the world's less privileged nations, as well as alleviating the crippling debts that are stifling their progress."

Meeting at the OPEC/UNCTAD joint workshop are OPEC Secretary General, Dr Alvaro Silva Calderón (r) and Senior Adviser to the SG of UNCTAD, Reinaldo Figueredo.

Silva Calderón pointed out that, over the years, OPEC Member Countries had contributed significantly to world Official Development Assistance (ODA) through multilateral institutions such as the OPEC Fund for International Development, and through national development bodies.

"But, however admirable these contributions have been, they are unfortunately just the tip of the iceberg. The cold, hard truth is that the gap between the world's rich and poor has widened, in fact to such an extent that today more than half the world's entire population — over 2.8 billion people — currently live a life of poverty and deprivation, existing on less than $2 a day.

"It is, therefore, essential that those of us that can make a difference — especially the developed nations, UN organizations, and international institutions — take decisions that will improve access to markets in the developed countries and bring better terms of trade for developing states," the Secretary General noted.

The workshop on technical co-operation between OPEC and UNCTAD was the first of its kind, as stipulated under the terms of a memorandum of understanding, signed by the two sides earlier in 2002.

Attending the one-day event were delegates from OPEC, UNCTAD, the OPEC Fund, as well as the United Nations Economic and Social Commission for Western Asia (ESCWA).

Indonesia considering complete removal of all fuel subsidies

Jakarta — The Indonesian government will remove fuel subsidies entirely and raise prices by an average of six per cent every quarter, starting in 2003, according to a report in the *Jakarta Post* newspaper last month.

The plan would raise the maximum prices of fuel sold at domestic gas stations from the current 75 per cent to 100 per cent of international market prices, said the report.

"We will reduce fuel subsidy spending in 2003 to 15.87 trillion rupiahs (about $1.74 billion), or down by 52 per cent from this year's spending of 30.5tr rupiahs," the Minister of Energy and Mineral Resources, Dr Purnomo Yusgiantoro *(pictured above),* was quoted as saying.

Kerosene for household use was exempt from the new pricing policy, with the government planning to maintain the kerosene subsidy until 2004. The fuel was currently sold at 600 rupiahs per litre.

Industry sources pointed out that fuel-pricing policy was a politically sensitive issue in Indonesia as consumers had long been accustomed to generous subsidies. Previous attempts to reduce fuel subsidies have triggered violent protests.

The decision to remove the subsidy entirely is still to be deliberated by the House of Representatives. The government made paying off its debts a priority following the 1997 economic crisis, and plans to eliminate fuel subsidy spending from the state budget.

Purnomo said the subsidies on electricity would also be reduced, with an average six per cent increase in power charges every quarter, again starting in 2003.

Nigeria's Obasanjo lays foundation stone for first private refinery

Abuja — The Nigerian President, Olusegun Obasanjo, has laid the foundation stone of the country's first privately-owned refinery, at Agge, in south-eastern Bayelsa State.

Obasanjo, who was represented by his Special Assistant on Petroleum, Funsho Kupolokun, said the establishment of private refineries in the country had the potential to inject massive funds into the economy.

He said the setting up of the Tonwei refinery would end product scarcity in the immediate community area, just as it would also facilitate the formation of ancillary industries.

"When the Tonwei refinery becomes operational, and even during the construction stage, it will generate hundreds of employment opportunities for Nigerians, including people in the local community," noted Obasanjo.

He said that in opting for the liberalisation of the oil industry, his administration intended to rid the sector of monopoly in the supply and distribution chains.

The aim was to encourage private individuals and corporate bodies with the expertise and technical capability to invest in the petroleum sector, so that, over time, the problems associated with the industry would be solved.

Against this backdrop, Obasanjo said that all the barriers hindering the entry of new investors into the Nigerian oil sector were to be removed. He advised the promoters of the proposed refinery to spare no efforts in ensuring that it came on stream on schedule.

Deputy Senate President Ibrahim Mantu described the project as a dividend of democracy, which would trans-

In brief

UKOOA cuts output forecast

BRUSSELS — The UK Offshore Operators' Association (UKOOA) has cut its forecast for total UK oil and gas production for the period 2001–10 by 370 million barrels of oil, equivalent to 12.9 billion boe. At the same time, operating costs on the UK continental shelf will rise by 20 per cent to $4.90/boe, said UKOOA in its annual investment survey. The association, which groups oil companies producing in British waters, noted that there were 64 fewer fields planned for future development in the UK than there were 12 months ago. It pointed out that new developments were now subject to a 40 per cent corporation tax, the UK having raised the rate from 30 per cent in the budget. UKOOA said that if the government and industry objective of raising UK production to 3.0m boe/day of oil equivalent by 2010 was to be met, the early abolition of royalties on mature fields was essential.

Volcano damages Ecuador pipeline

QUITO — Construction work on a heavy crude oil pipeline in Ecuador has been suspended, following damage to equipment in the area from the El Reventador volcano. According to government sources, pipeline firm OCP Ecuador was currently evaluating the potential impact of the damage and reassessing construction costs. Neither OCP, nor the main contractor for the project, Techint, has yet confirmed the amount of damage to equipment and facilities caused by falling material from the volcano. According to OCP, due to problems gaining access to the affected area, the full extent of the damage could not be determined. The company pointed out that any future volcano activity or bad weather could cause further delays in construction.

OMV to spend $1.0bn on acquisitions

VIENNA — The Austrian oil and gas group OMV is to spend up to $1.0 billion on acquisitions in the near future. Although the firm will be looking at purchasing refinery and petrol station interests, it is also expected to target upstream assets. OMV already has a significant presence in the central and eastern European fuel markets, where it has built up an average nine per cent market share. But it is also aiming to double its oil and gas production volumes to 160,000 barrels/day by 2008, in an effort to balance its downstream operations. The group is understood to be looking for more oil and gas production in Australia and New Zealand. It is also considering acquisitions in Europe, and is bidding for INA, the Croatian state oil company, in a bid to gain refining capacity on the Adriatic coast.

In brief

US gasoline demand up in October

New York — Gasoline deliveries, the best measure of United States consumer demand, increased by 3.3 per cent in October, compared with the same month a year ago, according to the latest figures from the American Petroleum Institute (API). Deliveries also rose by 3.1 per cent for the January through October period, for the first time since 1998. However, overall total demand for the four major fuels was on the downside, as it had been for most of 2002. Total demand was 19.6 million barrels/day, the lowest October level in four years, noted the API in its *Monthly Statistical Report.* Deliveries of distillate fuel, used for home and business heating and diesel engines, averaged 3.72m b/d, 4.2 per cent less than last October and the second drop in the last three months.

SGX introduces new futures contract

Singapore — The Singapore Exchange (SGX) has launched a new futures contract based on Middle East crude oil, it was announced last month. SGX Meco, as the new contract is called, offers a new hedging tool to the Asia Pacific market, which imports significant volumes of crude from the Middle East. The SGX Meco contract is denominated in US dollars and has started trading in lots of 1,000 barrels under six contracts based on forward months with last trading on the last business day of the month. The contract, which began trading on 12 November, was designed in co-operation with the Tokyo Commodity Exchange (Tocom) and follows similar contract specifications as the Tocom Meco futures. SGX Meco contracts will be settled in cash on the last day of each trading month based on the monthly average of daily Dubai and Oman crude oil prices issued by Platts, said SGX in a statement.

Norway, Russia postpone oil talks

Brussels — A scheduled meeting between the Russian and Norwegian oil ministers in Oslo was postponed with no new date set, according to the Norwegian Oil and Energy Ministry. The Russian Fuel and Energy Minister, Igor Yusufov, who visited Oslo last month as part of a delegation accompanying President Vladimir Putin, had to return to Moscow before the scheduled talks. "They have talked about a new meeting. We do not know when it will be," Lars Nermoen, a spokesman for the Norwegian Oil Ministry, said. Russia is the world's second largest oil exporter after Saudi Arabia, while Norway ranks third. However, there are signs that Norwegian oil production is on the increase, which at a time of sluggish demand has helped to depress oil prices.

form the landscape of Agge. He called on the people of Bayelsa State to see the project as theirs.

The Chairman of the Board of Directors of the refinery, Timi George Tongubor, said the project would cost around $1.5 billion to complete.

UAE earnings from oil and gas exports forecast to decline in 2002

Abu Dhabi — Earnings from crude oil and gas exports in the United Arab Emirates (UAE) are expected to decline by around eight per cent to $23.2 billion in 2002, according to the latest figures released by the Arab Monetary Fund (AMF).

A report in the *Gulf News* newspaper quoted the AMF as saying in its quarterly economic bulletin that this compared with oil and gas revenues totaling nearly $25.3bn in 2001.

"The decline is due to developments in the oil market, mainly fluctuating prices and production cuts by most producers," noted the AMF.

The Fund, which is the Arab League's main financial organization, forecast that the UAE economy would grow by around 1.7 per cent in 2002 and pick up by 3.1 per cent in 2003, following a decline of around 3.7 per cent in nominal terms in 2001.

"Regarding inflation, this will grow from 1.4 per cent in 2001 to two per cent in 2002, as government spending and private consumption play a key role in the domestic economy," the report added.

It put the UAE's external debt at around $18bn, stating that it expected this level to remain unchanged by the end of 2002. It also forecast that the country's financial reserves (excluding gold) would stabilize at around $14bn, the third largest cash reserve in the Arab world after Saudi Arabia and Algeria.

According to the AMF bulletin, the decline in export earnings would combine with an estimated 1.5 per cent increase in imports, reducing the UAE's trade surplus to nearly $13.1bn this year, from around $15.2bn in 2001, and $14.7bn in 2000.

"As a result, there will be a deficit in the balance of payments of around $6.2bn in 2002, accounting for nearly 8.7 per cent of GDP," the report observed.

The deficit in the consolidated fiscal account, which covered the federal budget and government expenditure by each of the seven Emirates, was also forecast to nearly double, from around 6.4 per cent of GDP in 2001 to 12.4 per cent in 2002.

Iran granted observer status to the Energy Charter Conference

Brussels — Iran has become the seventh OPEC Member to be granted observer status to the Energy Charter Conference, a Brussels-based intergovernmental organization promoting energy co-operation, in which over 50 European and Asian states participate.

The move follows discussions in Tehran in late 2002 between the Iranian government and the Secretary General of the Energy Charter Secretariat, Ria Kemper, according to the official Iranian News Agency (IRNA).

During her visit, Kemper held meetings with senior Iranian officials, including the Minister of Petroleum, Bijan Namdar Zangeneh, and the Head of the National Iranian Oil Company (NIOC), Seyed Mehdi Mirmoezi.

The discussions focused on the Energy Charter's current activities, which are aimed at strengthening international co-operation with regard to energy trade, transit, investments and energy efficiency.

Kemper explained the scope and content of the Charter's legal foundation, and the 1994 Energy Charter Treaty (ECT), which provides a multilateral framework for energy relations, based on a common commitment to establish an open, competitive energy market among its member states. Procedures for accession to the ECT by non-member states were also discussed.

Prior to its being granted observer status, Iran was the only littoral state of the Caspian Sea that was not a member of the Energy Charter process. Accord-

ing to Kemper, this was one reason why Iran's participation would be a welcome development.

The other six OPEC Member Countries which have observer status to the Energy Charter Conference are Algeria, Kuwait, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

Venezuelan President announces oil discovery, new gas investments

Caracas — The Venezuelan President, Hugo Chávez, has announced the discovery of a giant oil field at Lake Maracaibo, in the western state of Zulia, containing sizeable reserves of medium-grade crude oil.

Speaking on his weekly radio programme *Hello President*, Chávez said state oil corporation Petroleos de Venezuela (PDVSA) had discovered the new oil field, known as Tomoporo, which contained an estimated 500 million barrels of crude of about 20° API.

Test production in the area currently recorded output of about 120,000 b/d, noted the President, adding that several foreign oil companies had already expressed an interest in working with PDVSA in the exploitation of the Tomoporo field. He did not name the firms.

Chávez also announced a series of gas projects expected to attract billions of dollars in investments with the participation of several foreign oil companies.

The Venezuelan leader said his government would soon grant the first set of licences to private companies for the development of the huge Deltana Platform, offshore eastern Venezuela. The Deltana Platform involves an area of some 27,000 sq km and is believed to contain some 20-30 trillion cubic feet of gas reserves.

Chávez said that he had reviewed this and other projects with the country's Energy and Mines Minister, Rafael Ramirez, and the PDVSA President, Dr Alí Rodríguez Araque.

Last August, the government and representatives from six leading international oil companies signed a framework agreement for the development of the huge natural gas resources of the Deltana Platform, which is located off Venezuela's north-eastern coast, close to the maritime border with Trinidad.

Development of the Deltana Platform, which is crucial to Venezuela's national gas plan, will involve estimated investment of more than $4 billion and is expected to generate between $600–800 million a year in revenues for the national treasury, beginning in 2007.

Companies listed to secure blocks for development in the Deltana Platform include US firms ExxonMobil, ChevronTexaco and El Paso, the UK's BG, Norway's Statoil, and France's TotalFinaElf.

Under the agreement, once specific blocks are assigned to companies for development, PDVSA will secure a stake ranging from 1–35 per cent in each of the blocks, while other conditions include an entry fee, guaranteed financing, and the development of domestic Venezuelan capital.

Apart from the development of the Deltana Platform, other plans include the construction of a complex at Guiria, eastern Venezuela. The Gran Mariscal de Ayacucho project would consist of a liquefied gas plant and a petrochemical plant, from where the processed gas would be exported. The total investment was estimated at about $2.75bn.

Another major project on the drawing board was the construction of a 200-km gas pipeline from Barbacoa, in central Venezuela, to the island of Margarita in the Caribbean Sea, at a cost of some $90m.

Chávez also announced plans to build a refinery at Caripito, in Monagas state, eastern Venezuela, at a cost of about $350m.

Saudi Aramco mulls possible privatization of some operations

Riyadh — The Saudi Arabian government is studying the viability of privatizing some of the operations of state oil and gas firm Saudi Aramco, according to a report in the *Arab News* last month.

The report quoted a source at the Ministry of Petroleum and Mineral Resources in Riyadh as saying that the government

In brief

Omani oil production seen falling

MUSCAT — Oman's oil output declined by nearly nine per cent in the first eight months of 2002, while the average price of its crude fell by more than 4.5 per cent, according to figures released last month by the Ministry of National Economy. Oil production in the period totalled 204.5 million barrels, compared with 223.9m b in the corresponding period of 2001, down by 8.6 per cent. Total production of crude oil and condensates stood at 220.2m b, a decline of six per cent from 2001. The average price of Omani oil in the period fell to $23.36/b, compared with $24.49/b for the same period in 2001. Japan topped the list of countries importing oil from Oman, with deliveries totalling 54.03m b, compared with 63.4m b between January and August 2001. Oman's production of liquefied natural gas rose by 8.1 per cent to reach 447.6 million cubic feet, up from 414.2m cu ft for the same period in 2001.

Australia to ratify Timor Sea Treaty

CANBERRA — The Australian parliament's treaties committee has recommended the ratification of the Timor Sea Treaty, covering seabed oil and gas reserves between Australia and East Timor. The committee said the treaty on resource revenue sharing with East Timor was in Australia's national interest. Revenue from the Bayu-Undan field, one of the main oil and gas fields in the shared zone of the Timor Sea, should be worth up to $3.0 billion for East Timor and $2.0bn for Australia, it noted. The committee also stressed that the construction of a gas pipeline from the Timor Sea to Darwin would require investment of $1.5bn. It also recommended that an agreement be reached with East Timor on the future of the Greater Sunrise fields, 80 per cent of which were in Australian waters. The Sunrise development would generate another $1.0bn of investment, according to the committee.

Norwegian LNG project hits snag

BRUSSELS — The latest in a series of delays to Norway's multi-billion dollar Snoehvit liquefied natural gas project in the Arctic Barents Sea has led some analysts to question whether the project will now ever see the light of day. The original $5.35 billion budget for the LNG project, the largest industrial scheme in the Arctic, has now been exceeded by more than $400 million. Kristofer Hetland, a spokesman for Norway's oil and gas company, Statoil, said the total cost of the field was now running 7.5 per cent over the original budget set in March. Snoehvit is meant to start up in 2006 and produce 5.7bn cubic metres/year of LNG for 25 years.

In brief

Malaysia strengthens Middle East trade
PETALING JAYA, MALAYSIA — The volume of trade between Malaysia and Middle Eastern nations has been on an upward trend in the past few years, according to the Vice-President of the Federation of Malaysian Manufacturers, Datuk Mustafa Mansur. He told a conference on trade with the region that figures showed that in 2001 alone, Malaysia's trade with Middle East countries amounted to 13.75 billion ringgits. "The balance of trade has been in favour of Malaysia, with exports to Middle East amounting to 6.89bn ringgits, compared with imports from Middle East at 6.0bn ringgits. Exports to Saudi Arabia and the United Arab Emirates alone amounted to 64.8 percent of total exports," he said.

ASEAN oil officials mull stockpiling
SINGAPORE — ASEAN energy officials discussed crude stockpiling on a regional basis at a meeting in Thailand last month, according to the President of the Philippines National Oil Company (PNOC), Thelmo Y Cunanan. Among the subjects under consideration were the question of stocks and the possible use of the storage facility at the former US naval base at Subic Bay in the Philippines, which the country has offered as a safeguard against any disruption in supply from the Middle East. The Philippines, which imports all of its crude requirements, has been working out bilateral agreements with Indonesia, Malaysia and Brunei for supply of additional crude during any energy crisis, including the disruption of supplies. Cunanan said that PNOC has sought a commitment of supplies totalling of 600,000 barrels from Indonesia and was discussing similar arrangement with Malaysia and Russia. ASEAN has been reviewing its 18-year old petroleum security agreement since the beginning of 2002.

BG opens office in Caracas
CARACAS — BG Venezuela, which was recently picked as the preferred bidder to develop a block in Venezuela's gas-rich Deltana Platform, has officially opened its first dedicated office in Caracas. Last August, BG Venezuela, along with ChevronTexaco, was selected as the preferred bidder for block 2 in the Deltana Platform, offshore eastern Venezuela. Block 2 contains the significant undeveloped gas discovery known as the Loran field, which was discovered in 1982. BG Venezuela and ChevronTexaco are currently in discussions with the Venezuelan government to finalize the work programme and commercial terms of the venture. BG Venezuela will operate the block on behalf of the group, which will also include state oil corporation Petroleos de Venezuela.

share in the newly-proposed companies would be 20 per cent.

The Ministry sought to establish a holding company with the aim of setting up support industries and services in the oil and energy sector, both in the Kingdom and in international markets, in collaboration with private investors, according to the source.

The proposed company would serve as an umbrella for a group of subsidiary firms, providing scope for international companies to invest in joint projects.

The source added that the privatization would involve the sale of government shares in private companies. The proceeds of such sales would be used for the payment of public debts.

The Saudi Minister of Petroleum And Mineral Resources, Ali I Naimi, said at a recent seminar on the future of the country's economy that his Ministry was playing a role to encourage private sector participation in the petroleum industry.

Proposed projects would be in such areas as engineering services, manufacturing operations, seismological survey, and the excavation of oil and gas wells, which are areas that come under the scope of the government's privatization plan.

Iraq signs crude oil drilling contract with Russian firm Tatneft

Baghdad — Russian energy firm Tatneft has signed a contract with Iraq's Oil Ministry to drill for oil in the southern Iraqi province of Basra, the weekly *Al-Zawra* newspaper reported last month.

Under the terms of the deal, Tatneft would drill 15 wells for Iraq's state-owned South Oil Company, the paper said. A team of engineers and technicians from the Russian firm had already arrived in Iraq to carry out research and exploration works.

The paper did not say if work would start immediately, or only after the lifting of the United Nations economic sanctions which were imposed on Iraq in 1990.

Two years ago, Tatneft won a contract to drill 45 wells in the oil-rich city of Kirkuk, in northern Iraq. That deal was approved by the UN.

The newspaper said the necessary equipment for drilling, as well as technicians and experts, had arrived in northern Iraq to start drilling operations.

Algeria mulls ways of increasing LNG exports to USA

Algiers — Algeria and the USA have agreed to examine ways of increasing supplies of Algerian liquefied natural gas (LNG) to the USA in the coming years, it was reported last month.

The move was announced in a joint statement signed by the Algerian Energy and Mines Minister, Dr Chakib Khelil *(pictured above),* and his US counterpart, Spencer Abraham, at the end of a two-day Algeria-USA LNG conference in Washington.

The gathering attracted more than 140 participants representing the two countries' governments, Algeria's national oil and gas company, Sonatrach, US energy firms, the World Bank, research institutes, and other organizations.

According to the statement, delegates agreed that Algeria, with its strategic geographical location and position as a leading global LNG exporter, had the assets to supply the American market.

The conference, which examined the

legal, financial and environmental aspects of world LNG trade, also agreed that Algeria had the means to cater for more exports to the USA.

However, officials pointed out that there were problems resulting from a lack of gas terminals in the USA and by the limited storage capacity and treatment units available.

In this regard, Khelil and Spencer agreed that by working in partnership, the two countries' governments and gas companies could enable Algeria to become a major, reliable supplier of LNG to the US market in the coming years.

During his stay in Washington, Khelil also attended a conference at the Library of Congress, where he spoke on the Algerian economy, and the progress achieved in the government's reforms and privatization moves.

KNPC studies ways to boost output at its three refineries

Kuwait — The Kuwait National Petroleum Company (KNPC) has announced that it is undertaking a study to maximize production at its three refineries.

The aim was to accelerate production to reach one million barrels/day, noted KNPC's Chairman and Managing Director, Hani Abdulaziz Hussein.

In a statement following a ceremony to lay the cornerstone of the new KNPC building in Al Ahmadi, Hussein said that the goal to increase energy production requires producing material with specific standards that would cater to the needs of both local and global markets.

Enhancing the production of the KNPC, said Hussein, was imperative if the company was to meet the global changes it was facing, including competition in the petroleum industry.

The KNPC head ruled out the idea of a fourth refinery in Kuwait, as the agreement to import Qatari gas would, he said, meet Kuwait's needs for low-sulphur fuel. A fourth refinery would only be necessary if this gas supply was not available, he added.

Outlining the company's performance in the first half of 2002, Hussein said that financial results were not positive due to the decline in refinery revenue. The global refinery sector was facing difficulties, he noted, and that had complicated matters for KNPC.

KNPC is the downstream subsidiary of the state oil firm, the Kuwait Petroleum Corporation (KPC), and operates three refineries in Kuwait.

Shell Nigeria on target to phase out natural gas flaring by 2008

Abuja — The Shell Petroleum Development Company (SPDC) of Nigeria has completed a number of projects designed to achieve its target of ending gas flaring by 2008.

The schemes included the gas utilisation projects at Soku, Nember, Ekulama, Oyigbo, Imo River and Odidi, the completion of which meant that routine flaring of gas in those areas had stopped, according to the latest issue of the company's *Shell Bulletin*.

SPDC's General Manager of Production (East), Samuel Inyang, said his company was boosting efforts to enhance the environmental situation in the Niger Delta area.

"The SPDC wishes to assure the government and the people of Rivers State and all other stakeholders of our sustained commitment to the Niger Delta. This has informed our current emphasis on better environmental practices," he stressed.

Inyang described the launching in Port Harcourt of environmental guidelines, published by the Rivers State government as part of a framework for environmental management, as "a major contribution by the government to create a balanced focus between managing the environment and the urgent pursuit for economic development.

"Coming in the current democratic dispensation, we hope that the guidelines have harmonized existing regulations to avoid duplication and conflict. In addition, the guidelines will provide a good framework for addressing the challenges in the environment," he noted.

"This can only be so when the process is fully consultative and truly partici-

In brief

OMV wins Bulgarian exploration licence

Brussels — The Austrian oil and gas group, OMV, has won an exploration licence in a Bulgarian offshore block, and will invest $2.5 million in the three-year exploration phase of the concession, the company said in a statement. The firm said it would begin exploration in the 13,110 sq km Verna Deep Sea block in the western Black Sea basin in 2003, and expected to start drilling an exploratory well by 2006. "This is in line with our strategy to double our daily oil and gas production to 160,000 barrels/day equivalent by 2008," the statement noted. OMV operates 60 petrol stations in Bulgaria, a market share of more than 10 per cent. The company has also been awarded a petroleum exploration licence by the Pakistani government, as part of a joint venture led by a subsidiary of UK oil and gas company, Tullow Oil.

Indian power firm could assist Iran

New Delhi — India's National Thermal Power Corporation (NTPC) said last month that it was ready to give assistance and provide electricity services in Iran. NTPC's Deputy Chief Engineer, A K Ray, was quoted by the Iranian News Agency as saying that his corporation could render services to Iran in terms of generation, distribution and transmission of thermal power. Speaking on the sidelines of an electricity conference in India, Ray said that NTPC, which accounted for 25 per cent of the country's power generation, could be involved in the installation of thermal and hydro-power projects in Iran. In India, he noted, NTPC's installed capacity stood at 20,000 megawatts. It was envisaged that this would be increased to 40,000 mw by 2012.

UK okays old field development plan

Brussels — In a bid to extend the lifespan of the United Kingdom North Sea oil industry, the government has given the green light for some of the older oil fields to go back into production, years after they were abandoned. According to industry sources, the first of the old fields to go back on stream was the Argyll field, the first ever UK North Sea field to produce oil. It started production in 1975, three months ahead of BP's Forties field, but was closed in 1992, together with the nearby Duncan and Innes fields, because they were no longer considered economically viable. However, when the decision was taken to close the three fields, more than half of their oil reserves remained untapped. Now, new technology will enable oil to start flowing again with reduced production costs. The three fields are to be redeveloped by Aberdeen-based oil company, Tuscan Energy, and its partner, Acorn.

In brief

India's crude oil production rises
NEW DELHI — India's crude oil production rose by 5.2 per cent to 16.53 million tonnes during the first half of the current fiscal year, as against 15.71m t in the same period of 2001, according to the latest figures released by the country's Petroleum Ministry. It said India's refinery production was up by 5.6 per cent to 55.53m t in the period April-September 2002, compared with throughput of 52.57m t in the corresponding period in 2001. Crude throughput rose by 2.8 per cent to 9.04m t in September 2002, as opposed to 8.79m t processed in September 2001. The country's refinery capacity utilization rate was higher at 96.6 per cent in the first half, over the 93.2 per cent recorded in the April-September period of 2001.

Singapore firm's oil revenue falls
SINGAPORE — The Singapore Petroleum Company (SPC) has said that its revenue from Indonesian oil and gas production fell to 21.48 million Singapore dollars (S$) in the first nine months of 2002, compared with S$26.63m for the same period in 2001, due to declining output. Profit before interest and tax was put at S$9.85m for the January-September period, down from S$14.51 million for the same period in 2001, from its share of oil and gas from the Kakap block in Indonesian waters. SPC has a 15 per cent stake in the Kakap block, which has estimated reserves of 27m barrels of oil and 340 billion cubic feet of gas. The block's 10 fields produced an average of 10,700 b/d of oil and 20m cu ft/d of gas in 2001, but the company has not given production figures for the first nine months of 2002.

UK output may peak in 2002
BRUSSELS — The latest report by the United Kingdom-based firm, Mackay Consultants, claims that oil production in the British sector of the North Sea will reach its peak in 2002. The report further concludes that UK oil production will decline by more than 12 per cent over the next three years. Gas production in the British North Sea sector will reach its peak in 2003, before beginning a slow fall, it claims. The North Sea as a whole, however, will continue to be the most important offshore production region in the world until at least 2005, because of the flow of oil and gas from Norwegian fields, the report notes. Tony Mackay, Head of Mackay Consultants, said: "The North Sea will continue to be the most important offshore region in the world in the period to 2005. However, that importance is declining slowly. I expect North Sea oil production to peak in 2002, and North Sea gas production to peak in 2005."

patory for all stakeholders. It will enable all stakeholders to help manage the Niger Delta environment in a more positive manner," Inyang added.

ENOC, TotalFinaElf sign agreement on technical co-operation

Dubai — The Dubai-based Emirates National Oil Company (ENOC) and TotalFinaElf of France have signed a technical co-operation agreement, the official United Arab Emirates News Agency (WAM) reported last month.

Under the terms of the accord, ENOC is able to mix its oil and lubricants at TotalFinaElf's advanced industrial plant in Jebel Ali, making it the only firm in the Middle East to enjoy that right.

ENOC's Chief Executive, Hussein Sultan, said that the agreement was in line with the company's vision to strengthen relations with large international companies in the oil sector, with the aim of improving the quality of ENOC products.

Commenting on the accord, ENOC Chairman, Tayyeb Al Mulla, said that the company's efforts were currently focused on strengthening its position both in local UAE markets and abroad.

Indonesian Ministry okays Tangguh LNG environmental study

Jakarta — Indonesia's Environment Ministry has approved an environmental impact study for the country's new liquefied natural gas (LNG) project at Tangguh, after consulting the local community, the government and non-governmental organizations.

The country's oil and gas upstream authority, BP Migas, said in a statement that the study contained analysis on the environmental and social impact of the giant project on the surrounding communities, as well as the project owners' strategies to manage any impact it would have on them.

The Tangguh LNG plant, located at Berau Bintuni bay, is designed to tap 14.4 trillion cubic feet of proven gas reserves. Plans are to build two LNG trains at the complex with a combined output capacity of 7.0 million tonnes/year.

The $1 billion project is owned by a consortium comprising BP and BG of the United Kingdom, and four Japanese firms: Mitsubishi, Nippon Oil Exploration, Kanematsu Corp and LNG Japan.

The China National Offshore Oil Corporation has also taken a 12.5 per cent stake in the project, having recently signed a contract to buy 2.6m t/y of LNG for the province of Fujian.

According to industry observers, the Fujian contract would generate a total of $8.5bn in sales revenue for the government throughout the contract period of 25 years. The two trains, if running at full capacity, would generate $21bn in revenue.

Papua, one of the least developed eastern regions of Indonesia, would be entitled to 70 per cent of the government's revenue from the project.

Iran issues tender for $2 billion natural gas extraction project

Tehran — Iran has launched an international tender for a project to extract 700 million cubic feet/day of gas from oil wells in regions managed by the National Iranian Continental Shelf Oil Company, the official Iranian News Agency (IRNA) said last month.

The firm's Managing Director, Abolghasem Hassani, was quoted by IRNA as saying that project studies had been completed and the tender had been launched for the selection of an appropriate contractor.

He said his company had been authorized by the Majlis (Iran's parliament) last year to implement the project at a cost of $2.0 billion, to be financed from domestic sources.

The scheme would yield 600m cu ft/d of associated gas from the Behregan and Kharg fields, while 100m cu ft/d of gas would come from the Sirri field. The extraction of 50m cu ft/d of gas from the Lavan field had not been included in the project, Hassani noted.

Part of the extracted gases would be reinjected into oil fields, while the remainder would go for domestic consumption, he said, adding that liquefied gas would be exported.

Once the project for the collection of the gases came on stream, the Iranian continental shelf would be able to eliminate gas flaring, and the country would also earn around $1.0m a day from the gas, he added.

Saudi Minister warns against dependence on oil revenues

Riyadh — The Saudi Arabian Minister of Finance and National Economy, Ibrahim Al-Assaf, has cautioned the Kingdom against continuing to rely heavily on oil revenues.

Al-Assaf was addressing a high-level symposium in the Saudi capital Riyadh, the role of which was to draw up guidelines for the Saudi economy over the next two decades.

"Dependence on oil revenues and consequently public spending as the main driving force for economic activity has made our economy vulnerable to changes in the international oil markets," Al-Assaf said.

"Heavy dependence on a main source of revenue linked to developments in the world economy and conditions on the oil markets constitutes a major challenge to fiscal policy planners in the Kingdom," he told the symposium's opening session.

"The size of public revenues and eventually government spending are not determined in accordance with domestic economic activity, but on the basis of external economic developments," he went on.

"As a result, the budget has experienced continuous deficits because revenues failed to match expenditure, and the accumulation of public debt has created pressure on the state treasury," the Minister observed.

The five-day gathering on the future of the Saudi economy was launched by Crown Prince Abdullah, and is intended to help planners work out the Kingdom's long-term development strategy until 2020.

Saudi Arabia recorded a $6.3 billion surplus in its 2000 budget, the only time it was in the black over the past 20 years. For 2002, the Kingdom is projecting a deficit of $12bn, but preliminary financial results point to better-than-expected revenues, thanks to firm oil prices.

The Kingdom's public debt stood at $168bn at the end of 2001 and, although all of it is domestic, economists believe it is hindering healthy economic development.

ExxonMobil looking at UK sites for Qatari gas import terminal

Doha — ExxonMobil, which recently concluded a deal with Qatar to supply liquefied natural gas to the United Kingdom, is examining several potential sites in the UK for the construction of an LNG import terminal.

The agreement on the supply of LNG was reached in June 2002 between Qatari Energy and Industry Minister and Chairman of Qatar Petroleum, Abdullah bin Hamad Al Attiyah, and ExxonMobil Executive Vice-President, Harry J Longwell.

The LNG will be supplied by Qatar-Gas for a period of 25 years, beginning in 2006–07. Two LNG production trains are to be developed for the purpose.

Qatar Petroleum and ExxonMobil are now looking to finalize various outstanding issues on the project, including the choosing of the site for the LNG receiving terminal. Locations being considered for the terminal include the Isle of Grain and Mill Haven. Also under discussion are prospective off-takers for the gas and shipping requirements.

The next major milestone in the project's development would be the signing of a joint-venture agreement between the two parties, according to newspaper reports.

Longwell noted that the UK's indigenous gas supplies were expected to decline in the near future. By the end of the decade a shortfall was anticipated, meaning that gas demand would have to be met from other sources, such as LNG imports.

In brief

Tehran records rise in fuel use

TEHRAN — Automobile fuel consumption in Tehran rose by eight per cent in the first seven months of the current Iranian year (which started on 21 March 2002), compared with the same period the year before, reported the official Iranian News Agency (IRNA). According to the Director General of the Oil Derivatives Distribution Company in Tehran province, Ali-Akbar Darbandi, daily gasoline consumption in the capital stood at about 10.70 million litres for the period. IRNA quoted Darbandi as saying that about 2.2 billion lt of fuel were consumed in Tehran in the period under consideration. He said the overall increase was due to a higher number of cars and vehicles, which had spurred consumption of gasoline in particular. Ageing cars were a key factor for the increase in fuel use in general.

Japanese firm to strengthen UAE ties

ABU DHABI — The Japan Oil Development Company (JODCO) is planning to enhance its oil recovery in Abu Dhabi and strengthen its partnership with the Abu Dhabi National Oil Company, according to the Japanese firm's Chief Executive, Takashi Nonouchi. "Our annual sales volume of crude oil is now around 100 million barrels and we have grown to achieve a prominent position in supplying crude oil to Japan and the Asian market," Nonouchi pointed out. JODCO had lifted 1.9 billion barrels of crude oil from offshore Abu Dhabi over the last 30 years, most of which was exported to Japan, he was quoted as saying by the *Gulf News*. "We hope the United Arab Emirates will continue to be the number one exporter of crude oil to Japan in the future," added the JODCO boss.

Philippines to diversify LNG supply

DOHA — The Philippines is seeking Qatar's help in developing its petrochemical sector, as well as setting up joint ventures in its liquefied natural gas (LNG) industry. Filipino Energy Secretary Vincent Perez Jr, who held talks last month with the Qatari Minister of Energy and Industry, Abdullah bin Hamad Al Attiyah, said his country would like to see Qatar become a potential partner in the construction of an LNG terminal on the Bataan peninsula. Rapid industrial development in the Philippines warranted the production and supply of more energy, said Perez, adding that his government was therefore promoting the use of natural gas, both for the power and non-power sectors. In line with its policy to diversify energy supply, the country was currently looking for possible LNG suppliers, he added. Gas demand in the Philippines is seen growing to 200bn cu ft/d by 2010.

In brief

Algeria, Equatorial Guinea boost ties

Algiers — Algeria and Equatorial Guinea are to strengthen ties in various sectors following a visit to the latter country by Algeria's Energy and Mines Minister, Dr Chakib Khelil. According to an Algerian Energy and Mines Ministry statement, the purpose of the visit was to examine modalities for co-operation in the hydrocarbons sector, as well as reinforcing existing relations between the two countries. Khelil was also due to discuss the implementation of a programme related to technical assistance granted by the Algerian national oil company, Sonatrach, to the Equatorial Guinea energy company Gepetrol. The two countries are already bound by an accord signed in 2000, which allows Sonatrach to operate in Equatorial Guinea, and also provides for the training of Gepetrol executives in various aspects of the oil and gas industry.

Gulf gas pipeline to Europe urged

Abu Dhabi — The Gulf Co-operation Council (GCC) and European Union (EU) must engage in serious dialogue in the areas of gas exports and improving the functioning of international oil markets, according to an Italian energy expert. The GCC states must focus on a gas pipeline to Europe as demand in the EU was projected to rise four-fold by 2030, according to the Co-director of the Robert Schuman Centre for Advanced Studies in Florence, Dr Giacomo Luciani. He went on to tell a conference at the Emirates Centre for Strategic Studies and Research in Abu Dhabi that several proposals had been discussed for a pipeline from Qatar to Turkey and onward to the European markets for gas delivery, but political and other issues had yet to be sorted out.

Esso awards Nigeria offshore contracts

Abuja — Esso Exploration and Production Nigeria, a subsidiary of the United States oil giant, ExxonMobil, has started the development of its Erha oil field, offshore Nigeria, with the award of construction contracts worth $1.1 billion. The Erha field, which lies in 1,200 metres of water in oil prospecting lease 209, is expected to raise Nigeria's crude oil reserves by 500m barrels. The company said in a statement in Lagos that the construction and fabrication contracts were for offshore facilities for the field. "Full field start-up is scheduled for late 2005 and will include a floating production storage and offloading vessel," the company noted. Esso holds a 56.25 per cent interest in the Erha development project under a production-sharing contract with the state-run Nigerian National Petroleum Corporation and Shell Nigeria.

Chinese, Venezuelan Orimulsion venture commences operations

Caracas — A joint venture to build a new unit that will produce some 6.5 million tonnes/year of Venezuelan power plant fuel Orimulsion for export to China is now under way, state oil firm Petroleos de Venezuela (PDVSA) has announced.

The venture, known as Sinovensa, is a strategic association involving Bitor, the PDVSA subsidiary responsible for the production and marketing of Orimulsion, the China National Oil and Gas Exploration and Development Corporation (CNODC) and Petrochina.

The start of operations by Sinovensa followed the outcome of the second meeting of the high-level joint commission between China and Venezuela, at which a special commemorative plaque was unveiled, said PDVSA.

The event was attended by Venezuela's Planning and Development Minister, Felipe Perez Marti, and senior Chinese officials including the country's Ambassador to Venezuela, Wang Zhen.

Sinovensa was created around the end of 2001 when Bitor, CNODC and Petrochina signed an agreement to build the new Orimulsion production unit.

PDVSA said the initial investment for the construction of the unit is estimated at about $330 million. The new facility is scheduled to be completed and operational during the first half of 2004.

Iraq signs contracts to supply natural gas to neighbouring states

Baghdad — The Iraqi Ministry of Oil had signed agreements to supply natural gas to Turkey, Syria and Jordan, according local press reports quoting an Iraqi parliamentary official.

The Head of Parliament's Oil and Energy Affairs Committee, Abdul Rahaman Al-Juboori, said that Iraq had signed accords with the three neighbouring countries to set up gas projects, which would make Iraq a major supplier in the region.

He said negotiations had also been held between Iraq and outside companies to prepare the studies required to implement the projects.

Al-Juboori also noted that Iraq and Turkey had concluded an agreement in 1997 to extend a 1,380-km natural gas pipeline connecting the two countries, at an estimated cost of $2.5 billion.

Under the terms of the accord, Baghdad would supply Turkey with 10 billion cubic metres/year of natural gas annually from five Iraqi fields.

According to the most recent figures, Iraq has proven natural gas reserves of around 3,000bn cu m.

Iranian Vice-President urges more investment in national oil industry

Lavan, Iran — Iran's First Vice-President, Mohammad Reza Aref, last month underlined the need for more investments to be made in the country's oil industry.

Addressing a ceremony marking the inauguration of a catalytic cracking unit at the Lavan refinery on Lavan Island, 16 km off the mainland, he stressed that the oil industry enjoyed special importance in the country's economy.

However, although Iran's economic policy was aimed at decreasing the country's dependence on oil revenues, he said, this aim had not been successfully carried out, due to several reasons.

Referring to efforts made by the Iranian President, Mohammad Khatami, to curb dependence of the country's national budget on oil revenues, Aref called for making use of oil resources as capital for investment in infrastructure.

He expressed hope that the country's dependence on oil revenues would become weaker in the coming years. Elsewhere in his speech, he underlined a preference for exports of oil products, rather than that of crude oil.

Aref also underscored the need for the renovation of the oil industry and remarked that this was essential, in order to make the country competitive in world markets, and supported the idea of privatising the oil industry.

October

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

Crude oil price movements

The price of OPEC's Reference Basket[1] of seven crudes slipped by 6¢/b in October, from $27.38/b in September to $27.32/b, ending a three-month recovery. Unless a major unforeseen event happens in the remainder of the year, it is most likely that the yearly average price of the Basket for 2002 will exceed that of 2001, when crude prices started to collapse at the end of September (see **Table A**).

The average weekly price of the Basket peaked at $28.24/b in the first week of October, but made a downturn in the second week, losing 36¢/b to average $27.88/b. The Basket firmed in the third week, averaging $27.97/b; however, it went in a tail-spin when it lost $1/b in the week ending October 24 and another $1.45/b in the following week. The sharp fall was extended into the first week of November (latest data available at the time of publication), with the weekly average price falling by another $1.13/b to stand at $24.39/b. The free-fall that started in the second half of October seemed to have reached a bottom during the second week of November, with daily prices showing signs of recovery.

In October, crude oil markets were dominated by the discussions about the US-drafted resolution at the United Nations Security Council. In other words, crude prices responded to developments in the political arena, neglecting the underlying market fundamentals. In October, undoubtedly, the efforts to bridge the differences between the US Administration and some of the permanent members of the Security Council with veto power (France, Russia and, to some extent, China) over the final text of the resolution, resulted in a considerable swing in crude prices.

The so-called "political/war premium" was at its peak at the beginning of the month, when the NYMEX sweet crude contract exceeded $30/b and its European counterpart hovered at around $29/b. Market attention focused on diplomatic maneuvering by the US Administration to gain support for a new and tougher resolution in the UN; at the same time, the US Administration was closer to getting domestic endorsement of the issue from the US Congress. Crude prices retreated in the second week, as US President George W Bush's statement on October 7 was regarded as a postponement of a possible military operation in the Middle East. Losses were capped, as traders' expectations of considerable crude oil stock- draws in the USA, as a consequence of the two-week disruption in normal oil operations in the US Gulf area, went unfulfilled, and the reports from both the American Petroleum Institute and the US Administration's Department of Energy showed lower-than-anticipated crude oil stock draws.

Crude oil markets plunged, with NYMEX futures reaching a seven-week dip on October 21, after the USA had reduced the intensity of its demands and in spite of the significant builds in crude oil inventories reported in the last two weeks. According to the API, crude stocks rose by 14.31 million barrels between the weeks ending October 11 and October 18. The easing in tensions over the Iraqi issue and preliminary reports of a significant rise in OPEC production resulted in a further weakening in crude oil prices.

US and European markets

During the first part of the month, the aftermath of hurricane Lili and tropical storm Isidore, that had caused nearly 1.5 million barrels/day (m b/d) of crude oil production to be shut down, and the closure of the Louisiana offshore oil port for two weeks, sent the front-month futures contract for West Texas Intermediate (WTI) close to the $31/b mark. The storms sparked a wave of refinery closures along the US Gulf Coast, with throughput falling by as much as 1m b/d. The closure of the deep-water terminal prevented the unloading of foreign crude shipments, and that sent crude oil stocks to a 20-year low. According to the API, refinery utilization rates dropped by 6.8 percentage points to 84.70 per cent in the first week, which was then followed by another drop, of 3.4 percentage points to 81.30 per cent, in the second. Arbitrage opportunities arose, as the WTI premium over Brent, Forties and Oseberg (BFO) climbed early

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

	September 02	October 02	Year-to-date average 2001	Year-to-date average 2002
Reference Basket	27.38	27.32	24.13	23.91
Arabian Light	27.10	26.95	24.00	24.10
Dubai	26.72	26.41	23.78	23.66
Bonny Light	28.46	27.90	25.53	24.78
Saharan Blend	28.17	27.78	25.78	24.47
Minas	27.58	29.69	25.23	24.56
Tia Juana Light	26.31	25.40	21.31	22.07
Isthmus	27.33	27.08	23.22	23.74
Other crudes				
Brent	28.28	27.69	25.51	24.69
WTI	29.52	29.00	27.19	25.72
Differentials				
WTI/Brent	1.24	1.31	1.68	1.03
Brent/Dubai	1.56	1.28	1.73	1.03

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

in the month; but, when the worst of the stormy weather was over, WTI fell back to the mid-$29/b level, closing the arbitrage window. Prices began to deteriorate considerably in the latter part of the month, as markets interpreted a softening in the US Administration's stand on the Iraqi issue as a signal that a conflict in the Middle East might be delayed, if not avoided. Adding to the bearish mode were reports of OPEC's weakening level of compliance with its production agreement. In the North Sea market, positive refining margins, healthy demand by regional refiners and open transatlantic opportunities supported North Sea grade prices during the first half of the month. Margins in both the USA and Europe held up on firm US gasoline demand, but the end of the European refining maintenance season, combined with builds in US gasoline stocks, will, most likely, result in a softening of gasoline prices.

Far East market

Market sentiment for Middle East crudes remained bullish, on the back of healthy demand from the Asia-Pacific region. Healthy buying interest was supported by strong demand from Japanese refiners, in particular ahead of the northern hemisphere winter. Troubles at Japan's Tepco nuclear power plant also boosted demand for fuel oil-rich heavy Asia Pacific crudes. As this market was also vulnerable to political factors, the US-UN-Iraqi tensions kept sentiment bullish for November and December cargoes, in an attempt to secure supplies in the event of a military operation in the Middle East. The high BFO premium over the regional benchmark Dubai closed the arbitrage opportunities for West African grades and provided support for Middle East grades. Heavy regional grades drew support from the shut-down of Japan's Tepco refinery, but local supply disappeared fast, forcing buyers to turn to arbitrage cargoes.

Product markets and refinery operations

Table B: Selected refined product prices — $/b

		Aug 02	Sept 02	Oct 02	Change Oct/Sept
US Gulf					
Regular gasoline	*(unleaded)*	31.77	33.03	34.82	1.79
Gasoil	*(0.2%S)*	28.77	31.98	31.90	–0.08
Fuel oil	*(3.0%S)*	22.78	24.81	23.19	–1.62
Rotterdam					
Premium gasoline	*(unleaded)*	31.14	32.63	32.16	–0.47
Gasoil	*(0.2%S)*	28.95	31.54	31.23	–0.31
Fuel oil	*(3.5%S)*	21.68	24.02	22.44	–1.58
Singapore					
Premium gasoline	*(unleaded)*	28.17	30.49	29.62	–0.87
Gasoil	*(0.5%S)*	28.79	31.43	33.10	1.67
Fuel oil	*(380 cst)*	24.10	25.34	23.46	–1.88

The combination of a sharp reduction in refinery throughput and rising demand for gasoline and distillates, amid falling stocks in the Atlantic basin, alleviated product price losses, compared with their underlying crudes, in October. Thus, refinery profits improved considerably in the US and European markets (see **Table B**).

US Gulf market

US product markets displayed divergent trends in October. The gasoline price enjoyed an unseasonable gain, when it soared by five per cent above the preceding month's level. There were two driving forces. First, there was a sharp fall in US refinery throughput, caused by the lingering impact of stormy weather in the US Gulf Coast region until mid-month, and the combined effects of planned and unplanned refinery outages. And secondly, there was buoyant US gasoline demand, which rose by nearly three per cent and close to four per cent, compared with the levels of the previous month and the corresponding period last year, respectively, as per the moving weekly averages that were published by the US Energy Information Administration (EIA).

Nonetheless, strong gasoline cracks, the differential between gasoline and crude oil prices, inducing the operating US refineries to boost gasoline output at the expense of distillates, thus tightening distillate output, combined with a surge in distillate demand of seven per cent, compared with the September level, and of 7.6 per cent, compared with last year's delivery, alleviated the impact of falling crude oil prices on its counterpart, gasoil, as it dropped by just 0.25 per cent below the previous month's figure. The price of high sulphur fuel oil (HSFO) plunged by a hefty six per cent over the course of the month, falling behind losses in the underlying marker crude and undermined by lower Mexican demand and scarce fuel oil cargoes to the Far East market, due to soaring freight costs, on top of sagging regional demand — although low sulphur fuel oil (LSFO) enjoyed healthy utility demand.

A combination of the rising price of the main US refined product, gasoline, and the falling underlying crude price enhanced refining margins in the US Gulf centre, hovering at their highest level for the year (see **Table B**).

The triple effect of weather-related refinery shut-downs, planned autumn maintenance and unexpected outages reduced sharply US refinery throughput to 14.38m b/d in October, which was 960,000 b/d below the previous month's level. Accordingly, the US refinery utilization rate moved down considerably to 86.8 per cent, which was the lowest level for that period during the last ten years (see **Table C**).

Rotterdam market

European product prices reversed the previous two months' gains when they fell in October, with particular severity for HSFO, which dropped in tandem with crude prices. Gasoline and gasoil prices, however, displayed moderate losses, compared with

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*			Refinery utilization *(%)*[1]		
	Aug 02	**Sept 02**	**Oct 02**	**Aug 02**	**Sept 02**	**Oct 02**
USA	15.67	15.39	14.38	94.6	92.9	86.8
France	1.64R	1.70	1.53	86.6R	89.8	80.7
Germany	2.25R	2.13R	2.02	99.7R	94.3R	89.6
Italy	1.68R	1.75R	1.67	73.6R	76.7R	73.2
UK	1.63R	1.56	1.47	91.6R	87.3	80.5
Eur-16	11.84R	11.66R	11.16	86.7R	85.4R	81.7
Japan	3.97	3.92	*na*	82.8	82.0	*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.

their underlying crudes, which fell by two per cent, since they were both in the vicinity of one per cent below the previous month's levels, although both products had different market fundamentals. Gasoline, for instance, benefited from the strong US gasoline market, causing higher activity in transatlantic arbitrage than in the previous month. Gasoil received considerable support from strong buying during most of the month by a major, whose refineries were upgraded to meet the stringent new European transport fuel specifications. The diversion of Russian distillate exports to the USA also mitigated the decline in the gasoil price. The heavy end of the barrel, ie HSFO, lost much ground, almost seven per cent, throughout the month, hampered by a lack of regional demand, as most Western European utilities switched to burn LSFO, and an influx of Russian cargoes, despite the doubled export tariff on fuel oil, amid a slowdown in shipments to the Far East market.

Brent fell at a faster pace than the moderate decrease in its product counterparts, particularly gasoil, which comprised the European key refined product, and consequently led to a large rise in refining margins, which enjoyed their first hefty profits this year (see **Table B**).

Refinery throughput in Eur-16 (EU and Norway) experienced another significant fall, of 500,000 b/d to 11.16m b/d in October, owing to heavy refinery turnarounds, together with several refinery glitches. Thus, the equivalent utilization rate of 81.7 per cent constituted its lowest level since October 1991 (see **Table C**).

Singapore market

Prices at the opposite ends of the barrel, gasoline and fuel oil, fell in October, tracking the slump in the underlying marker crude, but with different magnitudes, while gasoil enjoyed another big rise in October. Gasoline decreased by three per cent throughout the month, due also to fewer Indonesian monthly purchases and bearish market sentiment, on reports of an expected increase in Chinese gasoline exports during November.

The export of fewer distillates from South Korea, as refiners maximised kerosene output for heating purpose ahead of the winter, strong buying by local traders, and the anticipation of buying from Japan, after the outage of several nuclear reactors that used to generate electricity, were the main reasons for a five per cent increase in the gasoil price above the previous month's level.

The price of HSFO dropped by a considerable seven per cent, compared with the previous month's level, reflecting crude oil price losses and the lack of Chinese demand at the time of the arrival of a number of fuel oil cargoes; this, consequently, caused further fuel oil stock-builds in Singapore (see **Table B**).

Refining margins rose further, boosted by the strong gasoil price that offset the declines in gasoline and fuel oil, together with Dubai's sliding price.

Refinery throughput in Japan retreated by 42,000 b/d to 3.92m b/d in September, with a refinery utilization rate at 82.0 per cent, almost the same as the preceding year's level (see **Table C**).

The oil futures market

With the exception of a minor recovery during the second week of the month, the WTI NYMEX front-month contract nosedived in October; registering $30.83/b on the first day of the month, it lost $3.61/b, to stand at $27.22/b on October 31. WTI prices began the month close to the $31/b mark, underpinned by heavy draws on crude oil stocks and falling refinery throughputs, in the aftermath of hurricane Lili and tropical storm Isidore. The forward price structure was in backwardation during the first week, with the front-month higher than the second month, reflecting the market's perception of tightness. During the second half of the month, prices weakened consistently, with WTI's first-month prices sinking below the $27/b mark on October 29. The easing of tensions, preliminary reports of a notable rise in OPEC's production and significant builds in US crude oil stocks were the main factors behind the market price fall.

The dilution of the war premium was evident in October, as the prospects of an imminent war began to dissipate, with the cooling of US war rhetoric and the pursuance of diplomatic negotiations within the UN Security Council. Speculators in the futures markets, aware of the political developments and their implications for oil flows from the region, started to unwind their long positions as the prospects of a price rise vanished. According to the weekly Commitments of Traders report (Commodity Futures Trading Commission), the ratio of long versus short, that had stood at 2.07:1 in the week of October 1, moved to 1.37:1 by the week of October 15, clear evidence of a less bullish mode by speculators.

But speculators' perception of the market became bearish during the third week of the month, when they sold off their long positions and, at the same time, increased their net shorts, resulting in the reversion of the long versus short ratio to 1:1.02. By the end of the month, speculators' perceptions became clearly bearish, as they continued to dispose of their longs, while, at the same time, increasing their shorts (speculating that prices will fall in the future), with a ratio of 1:1.54. Open interest, as a measure of investor commitment,

fell from 549,039 in the week of October 8 to 481,858 by the week of October 29. With the final approval by the UN Security Council of resolution 1441 on November 7 and its unconditional acceptance by Iraq on November 13, the prospects of war have been reduced at the present time.

The tanker market

The OPEC area's spot chartering slowed down in October, after a sharp rise in the previous month, softening by 2.20m b/d to a monthly average of 11.89m b/d. This reduction was attributed mainly to high tanker freight rates, which undermined demand for terminal-loading cargoes. However, compared with the same period last year, the current level of OPEC's spot fixtures was 230,000 b/d, or about two per cent, higher. In contrast, non-OPEC spot-chartering partially compensated for the reduction in OPEC's spot-fixtures, rising by 550,000 b/d to a monthly average of 11.56m b/d and boosting its market share by a significant 5.43 percentage points to 49.29 per cent, which almost matched OPEC's level.

As a consequence, global spot fixtures decreased by a slight 1.65m b/d to a monthly average of 23.44m b/d, but registered a rise of 3.96m b/d, compared with the same month last year. The OPEC area's share of global spot chartering fell in October by a significant 5.43 percentage points to 50.71 per cent; however, this level was 9.11 percentage points below the previous year's share, due to the increase in non-OPEC spot chartering. Spot fixtures from the Middle East on the eastbound long-haul route continued to decline, as they edged 940,000 b/d lower to 3.98m b/d, while spot chartering on the westbound long-haul route improved slightly, by 50,000 b/d to 2.14m b/d.

Therefore, the Middle East eastbound share of OPEC's total fixtures worsened further by 1.50 percentage points to 33.46 per cent, while the share of westbound chartering recovered by 3.10 percentage points to 17.97 per cent, on increased loading volumes to western markets. Together, they accounted for 51.43 per cent of total chartering in the OPEC area, which was 1.59 percentage points above the previous month's level. According to preliminary estimates for September, sailings from the OPEC area continued to improve, rising by 1.69m b/d to a monthly average of 23.67m b/d. Sailings from the Middle East also edged higher, by 1.64m b/d to a monthly average of 16.39m b/d, about 69 per cent of total OPEC sailings. Additionally, preliminary estimates for September arrivals in the US Gulf Coast, the East Coast and the Caribbean reversed the previous month's trend, rising by 920,000 b/d to a monthly average of 8.09m b/d. Arrivals in North-West Europe and Euromed also increased in September, by 820,000 b/d to 5.82m b/d and by 990,000 b/d to 5.84m b/d, respectively. The estimated oil-at-sea at the end of September was 440m b, which was 3m b below the level observed at the end of the previous month.

Crude oil tanker freight rates enjoyed a sharp upturn in October for all tanker sizes trading along the major routes. In the Middle East, the very large crude carrier (VLCC) market continued its upward trend on tight prompt October tonnage availability, which resulted from noticeable delays in vessel arrivals, combined with the increased tonnage volume used as floating storage, amid concern over a possible supply disruption.

Furthermore, the VLCC Limburg explosion off the Yemeni coast at the beginning of the month raised insurance costs and sent freight rates straight up, for certain positions, from the mid-Worldscale 40s to W100 by the third week of the month, although the rates softened slightly during the fourth week. Thus, the monthly average spot freight rates for VLCC voyages from the Middle East on the eastbound and the westbound long-haul routes surged by a remarkable 37 points to W75 and by 24 points to W60, respectively, the highest levels since September 2001, according to our data.

The Suezmax market on the routes across the Atlantic experienced an upward trend on sustained fixture volumes and lack of immediate tonnage positions, amid limited VLCC availability on the back of the booming Middle East VLCC market. Therefore, freight rates for one million barrel crude oil cargoes from West Africa and North-West Europe to US destinations gained 21 points each to W91 and W88, respectively. Meanwhile, generally tighter supply of Aframax vessels, as well as increased Aframax fixtures in the Mediterranean, as Suezmax tonnage dried up for certain positions, left Suezmax charterers no option but to split the cargoes into two Aframax vessels. Freight rates on the route across the Mediterranean and from the Mediterranean to North-West Europe rose by 14 points to W126 and by 27 points to W117, respectively. Additionally, in the Caribbean, freight rates for Aframax cargoes to US destinations surged by 31 points to W135, on a very tight market. Freight rates for 70–100,000 dwt tankers on the route from Indonesia to the US West Coast increased by 12 points to W104.

The product tanker market continued to maintain the previous two months' mixed trends in October. Lower cargo demand in the Asian market and plenty of tonnage availability for October loading dates pushed the clean tanker freight rates lower on the routes from the Middle East and Singapore to the Far East, by 17 points to W167 and by 36 points to W182, respectively. In the Mediterranean market, freight rates almost stabilized, as they moved up by one point to W153 on the route across the Mediterranean and by seven points to W179 on the route from the Mediterranean to North-West Europe. The improvement in transatlantic activity by the second half of the month helped freight rates gain 12 points to reach W160 for gasoline cargoes from North-West Europe to the US East Coast. Along the route from the Caribbean to the US Gulf Coast, freight rates partially recovered, rising by five points to W152.

World oil demand

Historical data

No changes have been made to the historical data since the previous report. Average world oil demand for 2001 is assessed at 76.32m b/d, growing by 350,000 b/d, or 0.46 per cent. In the FSU, demand rose by a remarkable 170,000 b/d, or 4.53 per cent. While developing countries also experienced healthy demand growth, of 270,000 b/d, or 1.39 per cent, the OECD witnessed a minor decline of 70,000 b/d, or 0.14 per cent. On a quarterly basis for 2001, world demand enjoyed healthy growth of 1.05m b/d, or 1.38 per cent,

and 930,000 b/d, or 1.25 per cent, in 1Q and 2Q, respectively. The 3Q and 4Q, however, saw declines of 100,000 b/d, or 0.14 per cent, and 450,000 b/d, or 0.58 per cent, respectively, due to the worldwide economic slowdown, the effects of which were accelerated by the tragic events of September 11. The resulting quarterly averages were 77.10m b/d, 75.20m b/d, 76.02m b/d and 76.97m b/d, respectively.

Projections for 2002

World

For the current year, the projected volume of world oil demand has been revised up slightly to an average of 76.47m b/d, compared with the previously projected 76.46m b/d. This has been mainly due to a minor upward revision to 3Q data, which has been partly offset by a minor downward revision to 2Q figures. The world demand increment for 2002 is now estimated at 150,000 b/d, or 0.20 per cent, which is marginally higher than the 140,000 b/d, or 0.18 per cent, presented in the last report.

On a regional basis, demand is projected to decrease by 140,000 b/d in the OECD. This decline is totally offset by an expected moderate rise of 140,000 b/d in developing countries. The 'other regions' (former CPEs) are expected to witness consumption growth of 150,000 b/d.

On a quarterly basis, compared with the year-earlier figure, world demand declined by 0.55 per cent, or 420,000 b/d, to average 76.67m b/d in January–March. 2Q consumption is estimated to have dropped by a further 0.70 per cent, or 530,000 b/d, to 74.67m b/d. For the remainder of the year, demand is projected to rise at a significantly accelerating pace during 3Q and 4Q. The anticipated growth rates are 450,000 b/d, or 0.59 per cent, and 1.09m b/d, or 1.41 per cent, respectively.

OECD

Based on estimates for 1Q, the OECD was solely responsible for the fall in world oil consumption, with a substantial 870,000 b/d decline, which was partly offset by rises of 150,000 b/d and 300,000 b/d in demand in the developing countries and former CPEs. Within the OECD, the highest drop, of 3.56 per cent, was experienced by the OECD Pacific, followed by 2.02 per cent in North America and a minor 0.30 per cent in Western Europe.

Data for 2Q points to a drop of 350,000 b/d, or 0.74 per cent, in OECD consumption, due to a steep decline of 310,000 b/d in the OECD Pacific, combined with a moderate 130,000 b/d drop in Western Europe, which was partly offset by a slight rise of 100,000 b/d in North America.

OECD consumption data for January–August indicates a 540,000 b/d, or 1.14 per cent, decline, compared with the corresponding period in 2001. All three regions within the OECD shared the experience with the OECD Pacific, which led with a significant fall of 250,000 b/d, or 2.90 per cent. North America and Western Europe, followed, with 170,000 b/d, or 0.71 per cent, and 130,000 b/d, or 0.83 per cent, respectively. Except for residual fuel oil, all petroleum products, and even refinery own-use, witnessed consumption declines in the OECD Pacific.

On a product basis, during the period January–August 2002, residual fuel oil led the decline, in both volume (450,000 b/d) and percentage (13.90 per cent), mostly due to a shift back to natural gas consumption, as the price of the latter moderated. Aviation fuel consumption also continued to see significant weakness (minus seven per cent), compared with the similar period last year, as subdued air travel persisted. LPG and gasoline consumption, however, enjoyed positive growth, mostly due to substantial rises, of seven per cent and 2.82 per cent, respectively, in consumption in North America, assisted by relatively low natural gas prices and robust growth in automobile-use.

Developing countries

Oil demand in developing countries is expected to grow by 140,000 b/d, or 0.71 per cent, to 19.44m b/d. The outlook in Latin America continues to be weaker than last year, due to persistent economic and financial problems. 'Other Asia' is anticipated to enjoy the highest volume growth of 90,000 b/d, followed by the Middle East and Africa, with 80,000 b/d and 10,000 b/d, respectively.

Other regions

Apparent demand in the 'other regions' is expected to rise by 150,000 b/d, due almost entirely to a promising demand outlook for China. In the FSU, except for 3Q demand, which is estimated to show growth of 130,000 b/d, demand in the other three quarters is anticipated to demonstrate declines, in comparison with the consumption patterns in 2001. The overall yearly average is expected to drop by 60,000 b/d, or 1.46 per cent. In contrast, Chinese demand is anticipated to undergo healthy growth in every quarter of the current year, leading to an average annual growth rate of 200,000 b/d, or 4.26 per cent.

Forecast for 2003

To reflect a somewhat slower-than-expected economic recovery pace and a slightly lower-than-anticipated GDP growth rate, our demand forecast for 2003 has been adjusted down to 77.17m b/d, versus the 77.22m b/d as shown in the previous report. The increment has also been revised down slightly to 700,000 b/d, equivalent to 0.92 per cent, from the previous 760,000 b/d, equivalent to one per cent. Further adjustments are expected, as more information becomes available on major factors, such as the economic growth outlook, prices and the weather.

All three major consuming groups are forecast to experience stronger demand, with similar growth in volume. Demand in both the OECD and developing countries is forecast to grow by 230,000 b/d. The remaining 240,000 b/d of the 700,000 b/d world growth will be registered by the other regions.

All four quarters are forecast to register gains in consumption over the corresponding periods of 2002. A remarkable 950,000 b/d level of growth is expected to mark 4Q, as the highest rise of 2002. The 1Q will follow, with a significant 870,000 b/d gain. 2Q and 3Q demand are expected to see growth of 620,000 b/d and 360,000 b/d, respectively.

World oil supply

Non-OPEC

Forecast for 2002

The 2002 non-OPEC supply figure has been revised down by 40,000 b/d to 47.91m b/d since the last report. The 3Q figure has been revised down considerably, by 180,000 b/d to 47.62m b/d, while 4Q

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

	1Q	2Q	3Q	4Q	Year
1999	3.12	3.62	3.52	3.49	**3.44**
2000	3.97	4.13	4.47	4.01	**4.14**
2001	4.30	4.71	4.89	4.47	**4.59**
2002[1]	5.00	5.66	5.63	5.24	**5.39**
2003[2]	5.28	5.86	5.98	5.71	**5.71**

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

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

	2000	2001	2Q02	Sept 02*	3Q02*	Oct 02*	Oct/ Sept
Algeria	808	820	829	945	892	955	10
Indonesia	1,278	1,214	1,128	1,126	1,118	1,105	–21
IR Iran	3,671	3,665	3,360	3,410	3,422	3,585	175
Iraq	2,552	2,383	1,511	1,909	1,755	2,425	516
Kuwait	2,100	2,030	1,878	1,938	1,919	1,962	24
SP Libyan AJ	1,405	1,361	1,309	1,350	1,332	1,362	12
Nigeria	2,031	2,097	1,932	1,997	1,961	1,986	–11
Qatar	698	683	632	671	654	690	19
Saudi Arabia	8,272	7,944	7,388	7,680	7,607	7,827	146
UAE	2,251	2,163	1,967	2,010	1,996	2,032	22
Venezuela	2,897	2,831	2,630	2,905	2,804	3,022	117
Total OPEC	**27,963**	**27,192**	**24,566**	**25,941**	**25,459**	**26,949**	**1,008**

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

has witnessed a minor downward adjustment of 30,000 b/d to 48.36m b/d. The 2Q has been revised up by 30,000 b/d to 48.00m b/d, and 1Q remains almost unchanged at 47.68m b/d. The yearly average increase is estimated at 1.44m b/d, compared with the 2001 figure.

Expectations for 2003

2003 non-OPEC supply is expected to rise by 820,000 b/d over the 2002 level. The major contributors to the rise are North America and the FSU. The 2003 quarterly distribution is estimated at 48.48m b/d, 48.81m b/d, 48.45m b/d and 49.19m b/d, respectively, resulting in a yearly average of 48.73m b/d.

The FSU's net oil export estimate and forecast for 2002 and 2003 remain almost unchanged at 5.39m b/d and 5.71m b/d, respectively, compared with the last report (see **Table D**).

OPEC natural gas liquids

The OPEC NGL figures for 1999–2003 remain unchanged at 3.16m b/d, 3.34m b/d, 3.67m b/d and 3.70m b/d, respectively, compared with the last report.

OPEC NGL production, 1999–03

	m b/d
1999	**3.16**
2000	**3.34**
2001	**3.58**
1Q02	3.64
2Q02	3.64
3Q02	3.67
4Q02	3.74
2002	**3.67**
Change 2002/2001	0.09
2003	**3.70**
Change 2003/2002	0.03

OPEC crude oil production

Available secondary sources indicate that, in October, OPEC output was 26.95m b/d, which was 1.01m b/d higher than the revised September figure of 25.94m b/d. **Table E** shows OPEC production, as reported by selected secondary sources.

Rig count

Non-OPEC

Rig activity was lower in October. North America, the major contributor, saw a decline of 35 rigs, compared with September. The rig count fell by 30 to 220 in Canada and by eight to 852 in the USA, while Mexico's rig activity rose by 3 to 68. Western Europe's activity witnessed a minor increase of two to 80 rigs.

OPEC

OPEC's rig count rose by two to 226 in October, compared with September. Most of the change was contributed by Nigeria, where the count increased by three rigs to 16, compared with last month's figure.

Stock movements

USA

US commercial onland oil stocks reversed the previous month's trend, increasing by just 1.3m b, at a rate of 50,000 b/d, to 983.4m b during the period October 4–November 1. Crude oil stocks rebounded, regaining most of the previous month's draw, which had been affected by the interruption of the oil flow due to two heavy tropical storms. Stocks shot up by 20.0m b to 290.5m b, as imports resumed their flow into storage tanks, particularly in the US Gulf Coast (PADD3) and US East Coast (PADD1), narrowing the year-on-year deficit to about seven per cent, from the approximate 13 per cent observed last month. The massive build in crude stocks was almost balanced by a large draw of 13.2m b to 192.1m b on gasoline inventories, due to unseasonable buoyant demand, and a decline of 7.9m b to 213.4m b in 'other oils'.

Distillates also experienced a draw, of 5.5m b to 121.9m b, amid tight supply, as US refiners, benefiting from higher gasoline prices, were forced to produce more gasoline at the expense of distillates. This decrease turned the situation of distillates from a slight surplus of less than one per cent, which had occurred in the previous month, to a shortage of about five per cent. Other major product stocks, notably jet kerosene and fuel oil, registered moderate builds, due to stagnant demand. The overall slight build in total oil stocks maintained the year-on-year deficit, mostly at the previous month's level of about five per cent.

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

	June 28, 02	October 4, 02	November 1, 02	Change Oct/Sept	November 1, 01	Nov 8, 02[2]
Crude oil (excl SPR)	321.2	270.5	290.5	20.0	313.2	283.6
Gasoline	216.4	205.3	192.1	–13.2	207.8	194.0
Distillate fuel	128.3	127.4	121.9	–5.5	128.9	121.4
Residual fuel oil	34.6	33.6	33.8	0.2	38.2	33.5
Jet fuel	40.3	40.6	42.5	1.9	40.3	42.2
Unfinished oils	89.9	83.5	89.1	5.6	92.3	92.1
Other oils	200.7	221.3	213.4	–7.9	211.1	211.4
Total	**1,031.4**	**982.1**	**983.4**	**1.3**	**1,031.8**	**978.4**
SPR	575.4	586.2	589.1	2.9	545.2	590.6

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

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

	March 02	June 02	September 02	October 02	Change Oct/Sept	Oct 01
Crude oil	440.9	444.1	443.0	449.2	6.2	445.8
Mogas	156.5	145.3	138.8	133.6	–5.2	136.0
Naphtha	24.2	24.6	21.1	21.1	0.0	25.6
Middle distillates	340.9	345.4	346.2	338.7	–7.5	323.4
Fuel oils	111.7	109.5	109.5	107.9	–1.6	119.3
Total products	**633.3**	**624.8**	**615.6**	**601.3**	**–14.3**	**604.2**
Overall total	**1,074.2**	**1,069.0**	**1,058.6**	**1,050.6**	**–8.1**	**1,050.1**

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

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

	March 02	June 02	August 02	September 02	Change Sept/Aug	Sept 01
Crude oil	106.8	118.3	113.5	106.4	–7.1	118.0
Gasoline	15.8	14.2	12.4	13.1	0.7	13.8
Middle distillates	29.5	30.2	40.4	41.9	1.5	45.7
Residual fuel oil	18.7	20.1	19.7	17.7	–2.0	19.9
Total products	**64.0**	**64.4**	**72.5**	**72.6**	**0.1**	**79.5**
Overall total[2]	**170.9**	**182.7**	**186.1**	**179.0**	**–7.1**	**197.5**

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

During the week ending November 8, total oil stocks in the USA witnessed a slight draw of 5.0m b to 978.4m b. Most of the decline came from crude oil, which fell by 6.9m b, on the back of improved refinery throughput, as well as interrupted oil flows from Alaska, due to the earthquake.

In October, the Strategic Petroleum Reserve sustained its upward trend, increasing by a further 2.9m b to 589.1m b and lifting the year-on-year surplus to about eight per cent, from the approximate seven per cent registered during the previous month (see **Table F**).

Western Europe

Commercial onland oil stocks in the Eur-16 (EU plus Norway) continued to decrease in October, declining by a further 8.1m b, at a rate of 260,000 b/d, to 1,050.6m b. Total major product inventories contributed solely to this draw,

where distillates and gasoline led the decline, falling by 7.5m b to 338.7m b and by 5.2m b to 133.6m b, respectively. This moderate seasonal draw was mainly due to lower refinery runs, which affected especially distillates. The overall fall in total major product stocks reversed the previous month's year-on-year surplus of about three per cent to a deficit of about one per cent for this month. Gasoline also turned from an excess of about four per cent to a shortage of about two per cent, while distillates widened their deficit to about 18 per cent, from the 16 per cent which had been observed the previous month. Crude oil reduced the overall draw, rising by 6.2m b to 449.2m b and changing from last month's year-on-year deficit of about one per cent to a surplus of about one per cent. Heavy refinery shut-downs, coupled with closed arbitrage across the Atlantic basin, due to increasing freight rates, were behind the build in crude stocks. The overall moderate draw on total stocks in Eur-16 cancelled most of last month's excess, bringing them nearly to the same level as last year (see **Table G**).

Japan

In September, commercial onland oil stocks lost almost two-thirds of the previous month's build, decreasing by an unseasonable 7.1m b, at a rate of 240,000 b/d, to 179.0m b. Most of the draw occurred on crude oil, which fell by a considerable 7.1m b to 106.4m b, on the back of higher refinery runs, as well as lower imports. This fall widened the year-on-year deficit of crude oil to about 10 per cent. Increasing refinery throughput resulted in a rise of 1.5m b to 41.9m b for middle distillates, and of 700,000 b to 13.1m b for gasoline. The overall draw widened further the year-on-year deficit to about 10 per cent, from about two per cent registered the previous month (see **Table H**).

OECD

In 3Q02, OECD commercial onland oil stocks (the USA, Eur-16 and Japan) are estimated to have registered a contra-seasonal draw of 63.4m b, at a rate 690,000 b/d. to 2,219.7m b, compared with 2Q. US oil led the draw, declining by 49.3m b, at a rate of 540,000 b/d, to 982.1m b. This unseasonable draw took place mainly on the back of the interruption of crude oil flows, due to the storms Isidore and Lili, coupled with improved refinery runs, on relatively healthy refining margins, after weeks of falling into negative territory. Eur-16 stocks also contributed to this fall, decreasing by 10.4m b, at a rate of 110,000 b/d, to 1,058.6m b. Gasoline lay behind the Eur-16 decline during 3Q, due to low production, because of poor refining margins, together with increasing movements across the Atlantic, which benefited from the opened arbitrage and strong US gasoline demand. Oil stocks in Japan declined by a slight 3.7m b, at a rate of 40,000 b/d, where most of the draw occurred with crude oil, due to increasing refinery runs, as well as fewer arrivals (see **Table I**).

Table I: Estimated stock movements in OECD* third quarter of 2002 *m b*

	June 02	September 02	Change June/Sept *m b*	*m b/d*
USA	1,031.4	982.1	–49.3	–0.54
Eur-16	1,069.0	1,058.6	–10.4	–0.11
Japan	182.7	179.0	–3.7	–0.04
OECD total	**2,283.1**	**2,219.7**	**–63.4**	**–0.69**

** Includes USA, Eur-16 and Japan only.* *Data as at end of month.*

Balance of supply/demand

Table J shows a minor upward adjustment to the world oil demand forecast of 10,000 b/d to 76.47m b/d for 2002, while total non-OPEC supply has been revised down by 40,000 b/d to 51.59m b/d, resulting in an expected annual difference of around 24.88m b/d, up by 50,000 b/d, compared with the last report figure. This leaves a quarterly distribution of 25.36m b/d, 23.03m b/d, 25.18m b/d and 25.97m b/d, respectively. The balance for 1Q remains almost unchanged at –250,000 b/d, while that of 2Q has been revised up by 40,000 b/d to 1.53m b/d. The balance for 3Q has been revised down considerably, by 270,000 b/d to 280,000 b/d. The 2001 balance remains almost unchanged at 920,000 b/d.

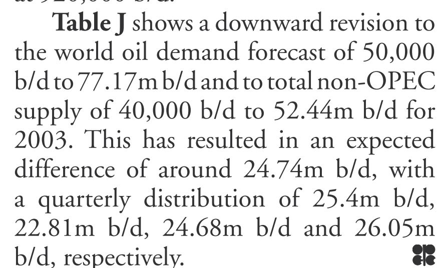


Table J shows a downward revision to the world oil demand forecast of 50,000 b/d to 77.17m b/d and to total non-OPEC supply of 40,000 b/d to 52.44m b/d for 2003. This has resulted in an expected difference of around 24.74m b/d, with a quarterly distribution of 25.4m b/d, 22.81m b/d, 24.68m b/d and 26.05m b/d, respectively.

Table J: World crude oil demand/supply balance

m b/d

	1999	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003
World demand													
OECD	47.7	47.7	47.7	47.9	46.1	47.5	48.7	47.5	48.3	46.1	47.4	49.3	47.8
North America	23.8	24.0	23.9	23.7	23.8	24.1	24.0	23.9	23.9	23.8	24.1	24.3	24.0
Western Europe	15.2	15.1	15.3	15.2	14.6	15.3	15.8	15.2	15.3	14.7	15.3	15.9	15.3
Pacific	8.7	8.6	8.6	9.1	7.7	8.0	8.9	8.4	9.2	7.6	8.0	9.1	8.5
Developing countries	18.7	19.0	19.3	19.3	19.2	19.6	19.7	19.4	19.5	19.5	19.8	19.9	19.7
FSU	4.0	3.8	3.9	3.9	3.5	3.8	4.2	3.9	4.0	3.7	3.9	4.2	4.0
Other Europe	0.8	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.8	0.7
China	4.2	4.7	4.7	4.7	5.1	4.9	4.8	4.9	4.9	5.2	5.1	4.9	5.0
(a) Total world demand	**75.4**	**76.0**	**76.3**	**76.7**	**74.7**	**76.5**	**78.1**	**76.5**	**77.5**	**75.3**	**76.8**	**79.0**	**77.2**
Non-OPEC supply													
OECD	21.3	21.8	21.8	22.1	22.2	21.5	22.1	22.0	22.3	22.4	21.7	22.3	22.2
North America	14.1	14.2	14.4	14.6	14.6	14.4	14.5	14.5	14.8	14.8	14.6	14.6	14.7
Western Europe	6.6	6.7	6.7	6.7	6.8	6.3	6.9	6.7	6.8	6.8	6.3	6.9	6.7
Pacific	0.7	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.8	0.8	0.8	0.7	0.7
Developing countries	10.8	11.0	11.0	11.4	11.4	11.3	11.5	11.4	11.6	11.6	11.5	11.7	11.6
FSU	7.5	7.9	8.5	8.9	9.2	9.5	9.5	9.3	9.3	9.5	9.9	9.9	9.7
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.3	3.4	3.4	3.4	3.4
Processing gains	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Total non-OPEC supply	**44.6**	**45.7**	**46.5**	**47.7**	**48.0**	**47.6**	**48.4**	**47.9**	**48.5**	**48.8**	**48.4**	**49.2**	**48.7**
OPEC NGLS	3.2	3.3	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.7
(b) Total non-OPEC supply and OPEC NGLS	**47.7**	**49.1**	**50.1**	**51.3**	**51.6**	**51.3**	**52.1**	**51.6**	**52.1**	**52.5**	**52.2**	**53.0**	**52.4**
OPEC crude supply and balance													
OPEC crude oil production[1]	26.5	28.0	27.2	25.1	24.6	25.5							
Total supply	74.2	77.0	77.2	76.4	76.2	76.8							
Balance[2]	–1.1	1.1	0.9	–0.2	1.5	0.3							
Stocks													
Closing stock level (outside FCPEs) *m b*													
OECD onland commercial	2446	2530	2622	2599	2645	2570							
OECD SPR	1228	1210	1222	1237	1247	1252							
OECD total	3674	3740	3844	3837	3892	3822							
Other onland	983	1000	1028	1026	1041	1022							
Oil on water	808	876	843	835	842	*na*							
Total stock	**5465**	**5617**	**5715**	**5698**	**5775**	***na***							
Days of forward consumption in OECD													
Commercial onland stocks	51	53	55	56	56	53							
SPR	26	25	26	27	26	26							
Total	77	78	81	83	82	79							
Memo items													
FSU net exports	3.4	4.1	4.6	5.0	5.7	5.6	5.2	5.4	5.3	5.9	6.0	5.7	5.7
[(a) — (b)]	27.7	26.9	26.3	25.4	23.0	25.2	26.0	24.9	25.4	22.8	24.7	26.1	24.7

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

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

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

*The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in **Tables One and Two** on page 33, while **Graphs One and Two** (on pages 32 and 34) show the evolution on a weekly basis. **Tables Three to Eight**, and the corresponding graphs on pages 35–40, 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).*

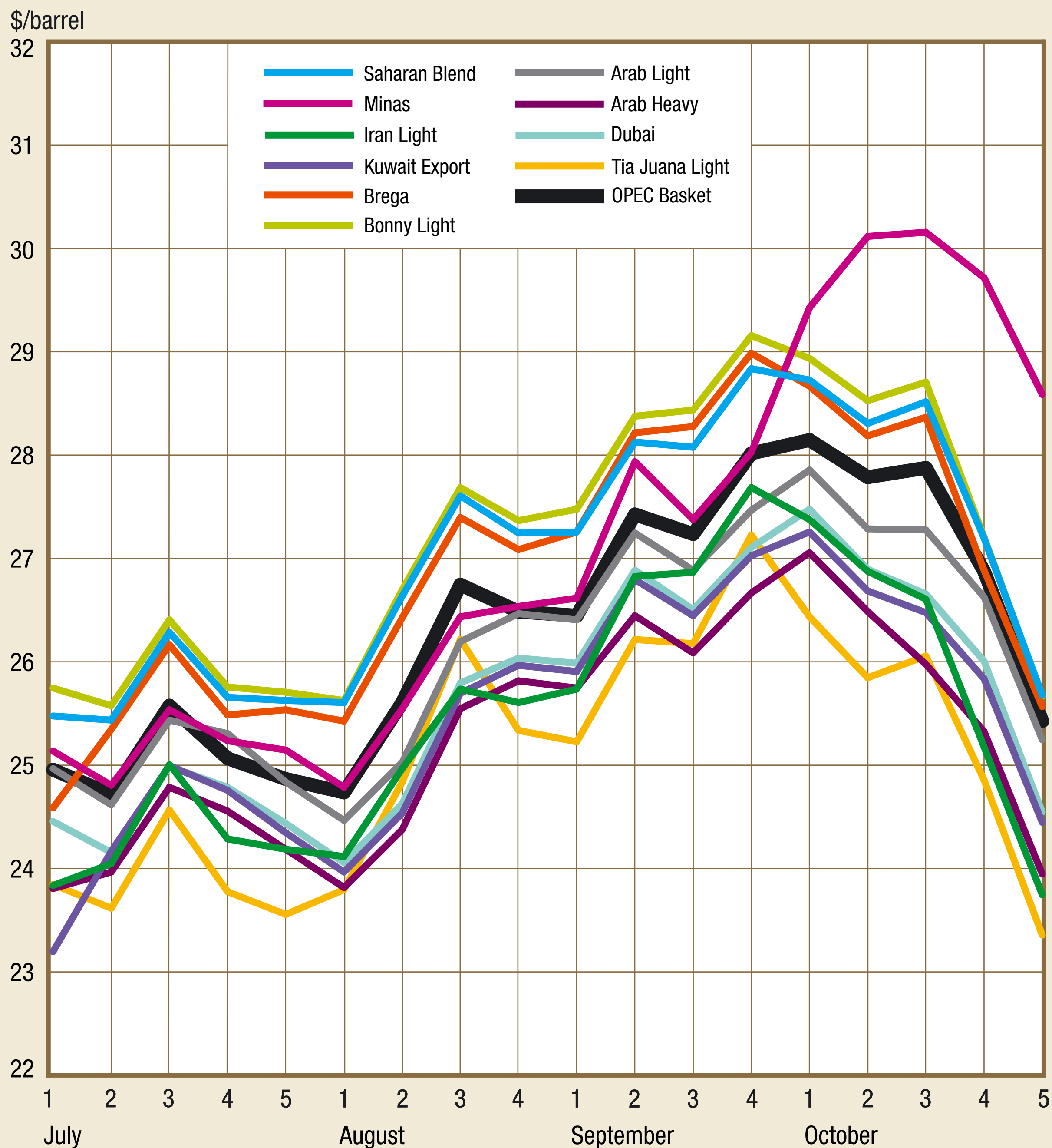

Graph 1:
Evolution of spot prices for selected OPEC crudes
July to October 2002
$/barrel
32
31
30
29
28
27
26
25
24
23
22
Saharan Blend
Minas
Iran Light
Kuwait Export
Brega
Bonny Light
Arab Light
Arab Heavy
Dubai
Tia Juana Light
OPEC Basket
1 2 3 4 5 1 2 3 4 1 2 3 4 1 2 3 4 5
July
August
September
October

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

Member Country/ Crude (API°)	2001 Nov 4Wav	Dec 4Wav	2002 Jan 5Wav	Feb 4Wav	Mar 4Wav	Apr 5Wav	May 4Wav	June 4Wav	July 5Wav	August 4Wav	Sept 4Wav	October 1W	2W	3W	4W	5W	5Wav
Algeria																	
Saharan Blend *(44.1)*	19.00	19.08	19.64	19.73	22.84	25.34	24.77	23.60	25.79	26.87	28.17	28.82	28.40	28.61	27.29	25.77	27.78
Indonesia																	
Minas *(33.9)*	18.29	17.64	18.88	18.91	22.92	25.78	25.66	24.60	25.27	25.92	27.58	29.52	30.21	30.25	29.81	28.68	29.69
IR Iran																	
Light *(33.9)*	17.64	17.69	18.95	18.95	22.31	24.10	23.76	22.52	24.37	25.20	26.87	27.47	26.97	26.70	25.27	23.84	26.05
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	16.09	16.14	18.11	18.69	22.74	24.28	24.48	23.80	24.39	25.14	26.64	27.35	26.78	26.57	25.93	24.54	26.23
SP Libyan AJ																	
Brega *(40.4)*	19.00	18.81	19.71	20.32	23.00	25.48	24.96	23.69	25.73	26.68	28.28	28.76	28.28	28.46	26.98	25.66	27.63
Nigeria																	
Bonny Light *(36.7)*	18.92	18.78	19.65	20.30	23.76	25.79	25.10	23.98	25.93	26.94	28.46	29.03	28.62	28.80	27.30	25.76	27.90
Saudi Arabia																	
Light *(34.2)*	17.82	17.99	18.83	19.47	23.33	24.98	25.33	24.42	25.13	25.63	27.10	27.95	27.38	27.37	26.72	25.34	26.95
Heavy *(28.0)*	17.00	17.21	18.00	18.61	22.51	24.02	24.41	23.49	24.36	24.98	26.33	27.15	26.58	26.07	25.42	24.04	25.85
UAE																	
Dubai *(32.5)*	17.62	17.60	18.54	19.02	22.97	24.54	24.77	23.87	24.66	25.22	26.72	27.57	26.99	26.75	26.10	24.64	26.41
Venezuela																	
Tia Juana Light[1] *(32.4)*	15.28	14.89	15.37	16.05	20.15	23.01	22.87	22.54	23.97	25.14	26.31	26.53	25.94	26.15	24.95	23.45	25.40
OPEC Basket[2]	**17.65**	**17.53**	**18.33**	**18.89**	**22.64**	**24.88**	**24.76**	**23.80**	**25.13**	**25.99**	**27.38**	**28.24**	**27.88**	**27.97**	**26.97**	**25.52**	**27.32**

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

Country/ Crude (API°)	2001 Nov 4Wav	Dec 4Wav	2002 Jan 5Wav	Feb 4Wav	Mar 4Wav	Apr 5Wav	May 4Wav	June 4Wav	July 5Wav	August 4Wav	Sept 4Wav	October 1W	2W	3W	4W	5W	5Wav
Gulf Area																	
Oman Blend *(34.0)*	17.67	17.87	18.54	19.06	23.02	24.62	24.87	24.03	24.74	25.25	26.75	27.63	27.07	26.88	26.25	24.94	26.55
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	16.09	16.68	16.74	17.11	20.38	23.26	22.57	21.63	23.61	24.49	25.69	26.18	25.70	25.81	24.36	22.97	25.00
North Sea																	
Brent *(UK, 38.0)*	18.80	18.58	19.48	20.22	23.73	25.75	25.31	24.04	25.79	26.68	28.28	28.86	28.38	28.56	27.08	25.56	27.69
Ekofisk *(Norway, 43.0)*	18.70	18.51	19.35	19.88	23.35	25.07	24.87	23.87	25.87	26.90	28.25	28.74	28.30	28.53	27.00	25.56	27.63
Latin America																	
Isthmus *(Mexico, 32.8)*	16.61	16.73	17.42	18.74	22.54	24.72	24.80	23.57	25.18	26.18	27.33	28.28	27.65	27.87	26.60	25.00	27.08
North America																	
WTI *(US, 40.0)*	19.49	19.40	19.71	20.67	24.35	26.32	27.13	25.42	26.87	28.41	29.52	30.41	29.43	29.70	28.41	27.06	29.00
Others																	
Urals *(Russia, 36.1)*	17.83	18.37	18.58	18.95	22.47	24.12	23.98	23.04	24.80	25.59	26.77	27.19	26.70	27.00	25.70	24.22	26.16

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
July to October 2002

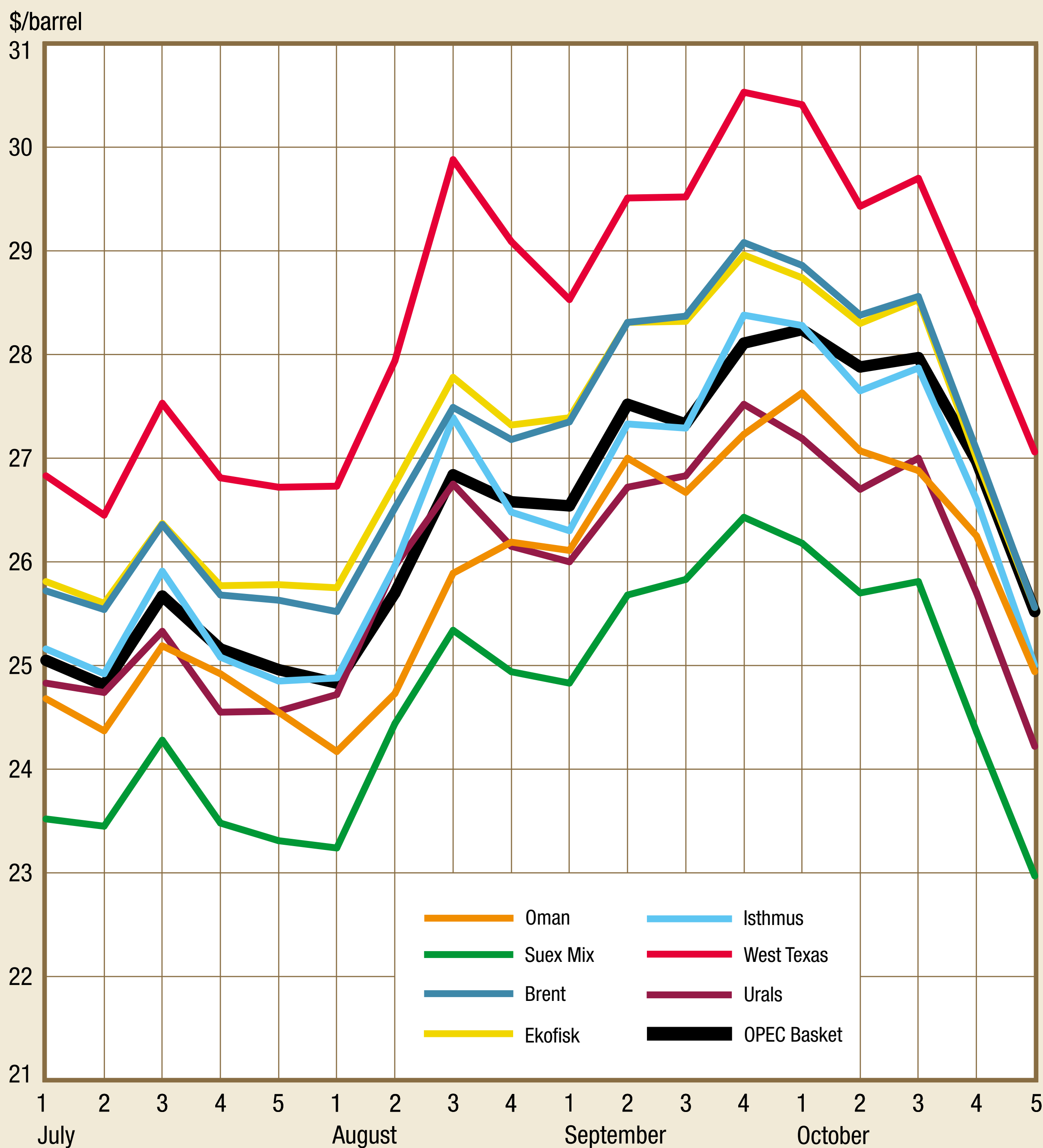


Table 3: North European market — bulk barges, fob Rotterdam ($/b)

		naphtha	regular gas unleaded 76	premium gas unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
2000	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	22.36	23.27	27.41	28.53	16.50	16.07
	November	16.88	19.27	20.20	23.03	24.38	15.49	14.68
	December	17.48	18.41	19.16	21.35	23.11	14.98	14.95
2002	January	21.42	20.87	20.93	21.55	23.46	16.20	15.25
	February	23.77	21.18	21.17	21.69	23.43	14.70	15.52
	March	28.27	25.63	25.74	25.05	26.73	17.25	17.86
	April	29.29	29.77	29.94	26.53	28.01	19.51	19.93
	May	27.68	29.14	28.94	26.54	28.99	19.93	21.02
	June	24.33	28.90	29.02	25.97	28.04	19.32	19.94
	July	28.20	30.61	30.77	27.80	29.11	21.18	21.02
	August	30.23	30.95	31.14	28.95	30.46	21.49	21.68
	September	33.46	32.40	32.63	31.54	34.19	24.33	24.02
	October	31.55	32.04	32.16	31.23	33.36	27.20	22.44

Source: Reuters. Prices are average of available days.

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

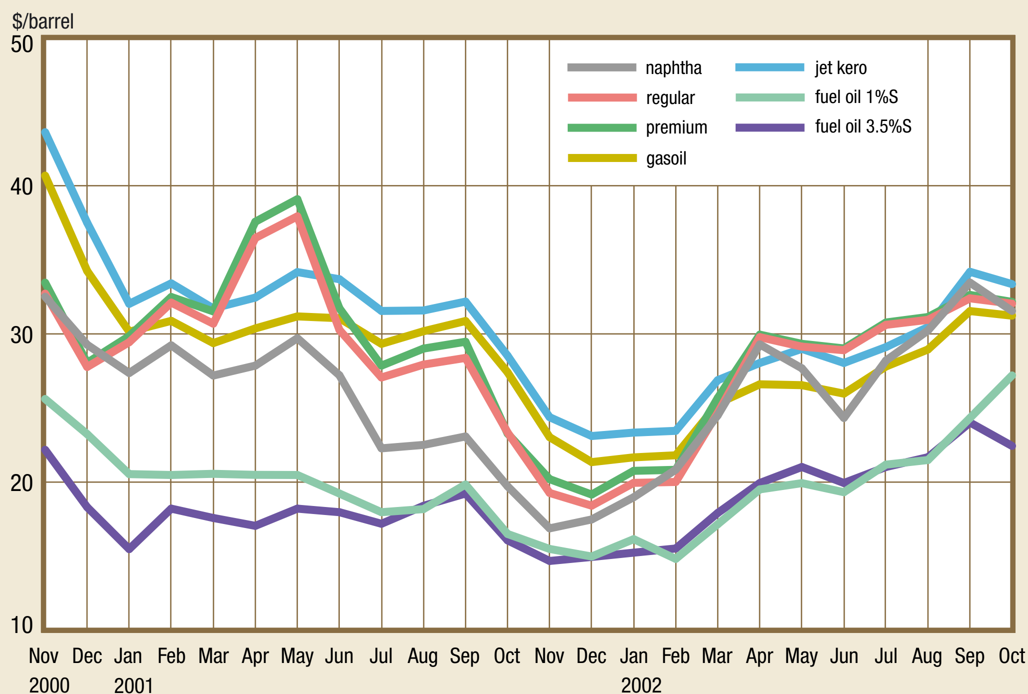


Table 4: South European market — bulk cargoes, fob Italy *($/b)*

		naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
2000	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	18.8	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	29.4	17.71	15.89
	July	21.95	25.55	27.77	27.15	17.73	15.59
	August	22.26	26.6	*na*	27.74	18.2	16.93
	September	23.46	29.93	*na*	29.36	18.99	17.44
	October	19.14	23.55	*na*	23.61	15.61	15.07
	November	16.22	19.41	*na*	20.54	13.61	12.48
	December	16.91	19.11	*na*	19.16	15.15	13.15
2002	January	17.55	19.89	*na*	21.50	17.26	14.18
	February	19.42	20.06	*na*	21.88	15.37	14.77
	March	23.43	24.07	24.15	25.07	17.99	16.33
	April	24.48	28.27	25.51	26.22	20.31	18.39
	May	22.88	27.80	25.48	26.29	20.01	19.18
	June	22.05	26.23	25.48	25.59	20.21	18.56
	July	23.79	28.45	26.92	26.85	20.43	19.27
	August	24.92	29.21	28.23	28.46	21.45	20.04
	September	27.95	31.79	30.56	32.48	25.07	22.53
	October	26.18	31.13	29.86	31.50	24.28	20.58

Source: Reuters. Prices are average of available days. na = not available.

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

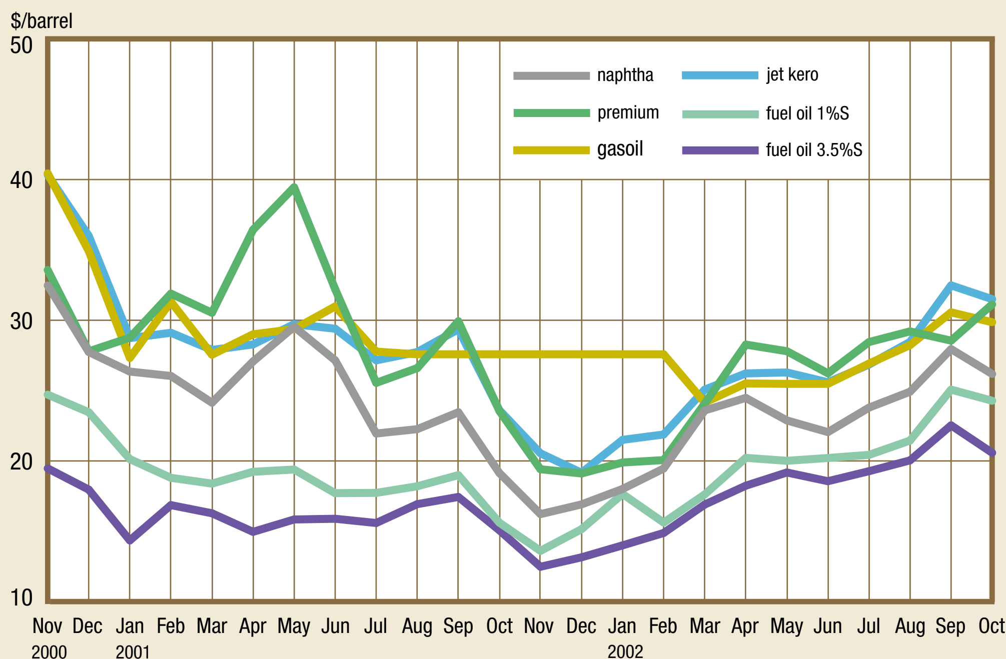


Table 5: US East Coast market — New York

($/b, duties and fees included)

		gasoline premium unleaded 95	gasoil	jet kero	fuel oil 0.3%S LP	fuel oil 1%S	fuel oil 2.2%S
2000	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
	December	21.73	21.90	22.52	20.01	16.52	15.28
2002	January	22.53	22.23	23.35	19.23	16.08	15.30
	February	23.01	22.51	23.96	18.09	14.83	14.42
	March	28.94	26.48	27.00	21.79	19.43	19.05
	April	31.00	27.78	28.61	25.24	22.24	21.59
	May	29.18	27.70	28.70	25.62	23.37	21.73
	June	29.78	26.89	28.34	24.63	22.70	21.54
	July	31.90	28.26	29.84	25.79	22.55	21.60
	August	31.96	29.22	31.31	26.63	25.43	23.51
	September	32.61	32.25	34.11	27.52	26.02	25.35
	October	34.44	31.98	33.97	28.33	26.39	24.43

Source: Reuters. Prices are average of available days.

Graph 5: US East Coast market — New York

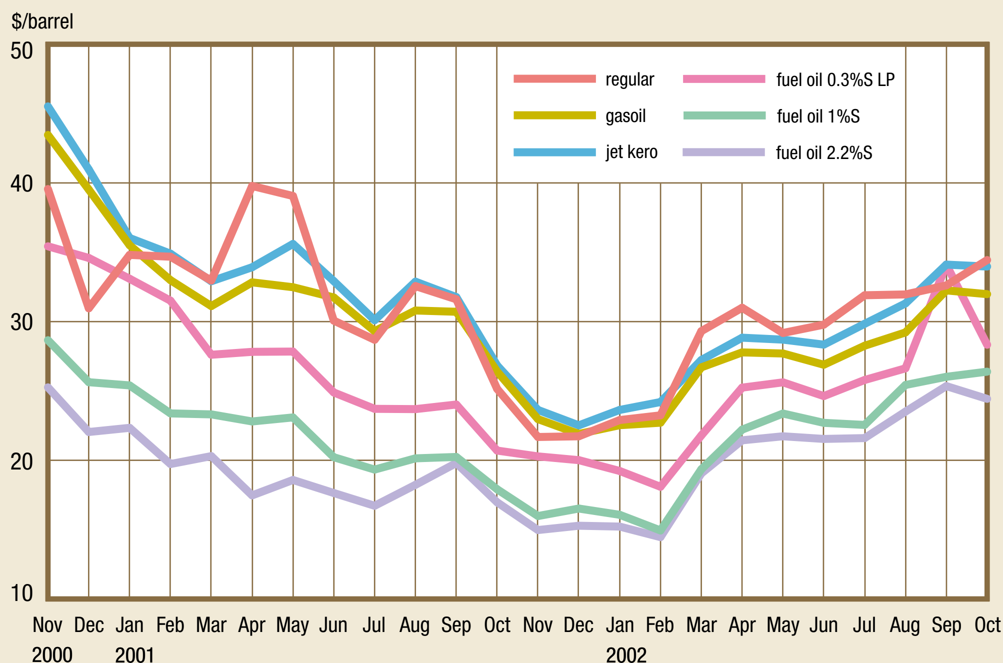


Table 6: Caribbean cargoes — fob ($/b)

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2000	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
	December	19.32	21.10	21.26	14.35	13.88
2002	January	19.63	21.49	22.24	14.50	13.89
	February	21.30	21.80	23.41	13.62	13.54
	March	25.86	25.77	26.72	18.25	18.09
	April	28.55	27.31	28.33	20.79	20.59
	May	27.14	27.28	28.31	20.95	20.65
	June	26.85	26.49	27.66	20.79	20.36
	July	27.98	28.11	29.43	20.88	20.67
	August	28.73	28.83	30.53	22.78	22.52
	September	32.16	31.91	33.67	24.55	24.77
	October	32.54	32.04	33.23	23.70	23.86

Source: Reuters. Prices are average of available days.

Graph 6: Caribbean cargoes — fob

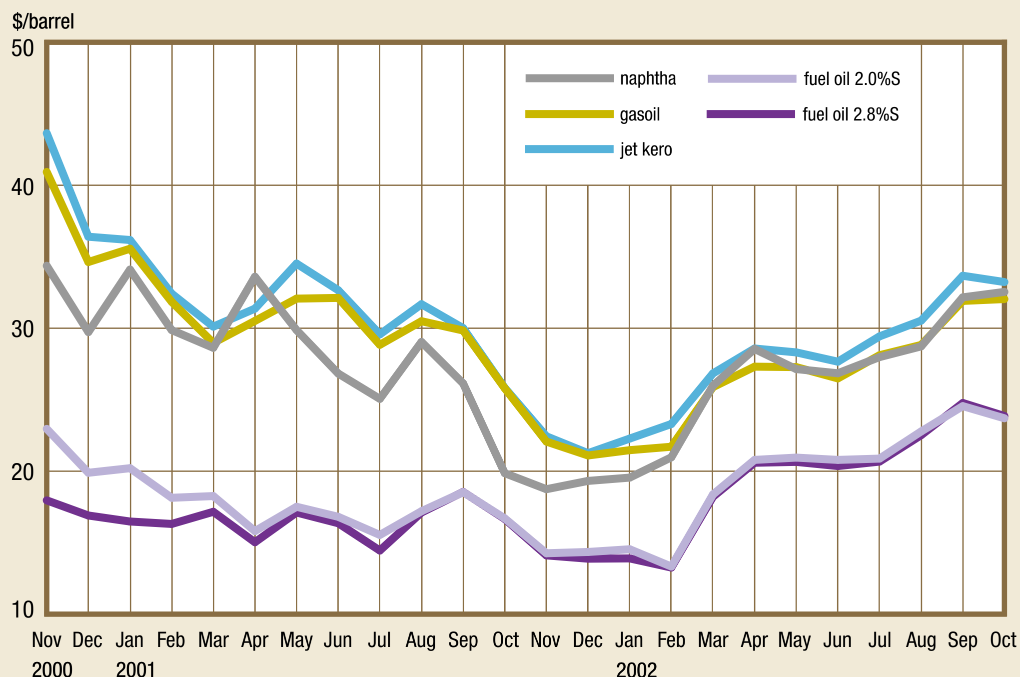


Table 7: Singapore cargoes ($/b)

		naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 0.3%S	fuel oil 180C	fuel oil 380C
2000	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
	December	18.36	22.61	20.11	21.77	15.78	16.15	16.44
2002	January	18.97	21.00	21.66	22.93	16.30	16.07	16.24
	February	21.04	24.16	22.54	22.54	16.83	17.04	17.37
	March	24.92	27.93	25.71	25.16	17.28	19.37	19.73
	April	26.11	30.11	28.64	27.27	19.23	21.45	21.75
	May	24.90	29.73	28.76	27.85	19.45	22.60	22.98
	June	23.84	28.54	27.82	26.49	19.95	21.66	21.99
	July	24.64	28.19	28.19	27.56	21.37	22.47	22.88
	August	25.52	28.17	28.79	29.28	21.67	23.39	24.10
	September	27.52	30.49	31.43	32.92	21.35	24.70	25.34
	October	26.87	29.62	33.10	32.43	*na*	23.13	23.46

Source: Reuters. Prices are average of available days. na = not available.

Graph 7: Singapore cargoes

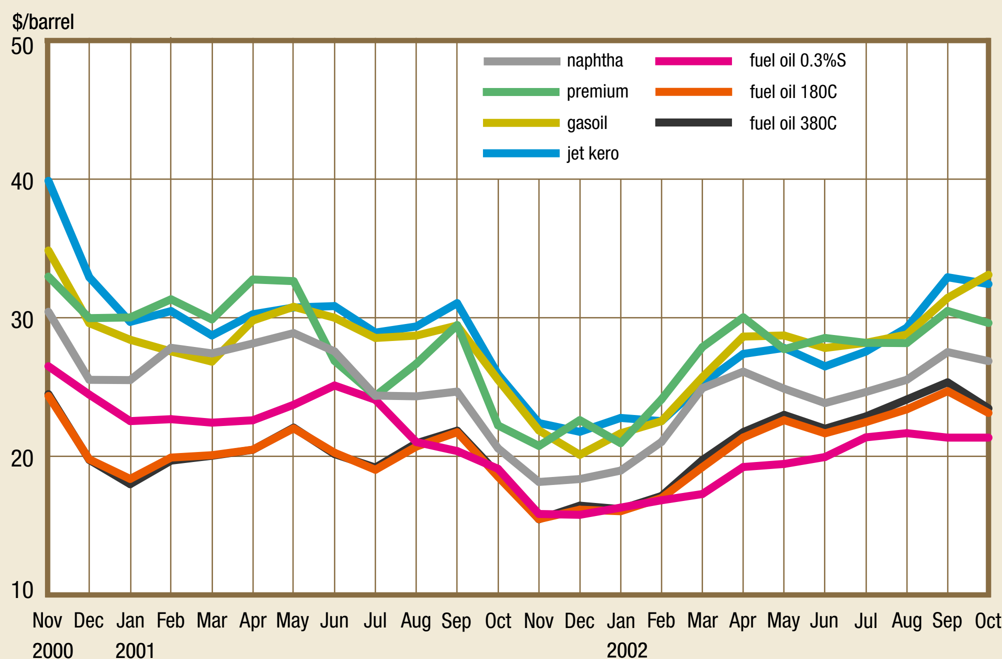
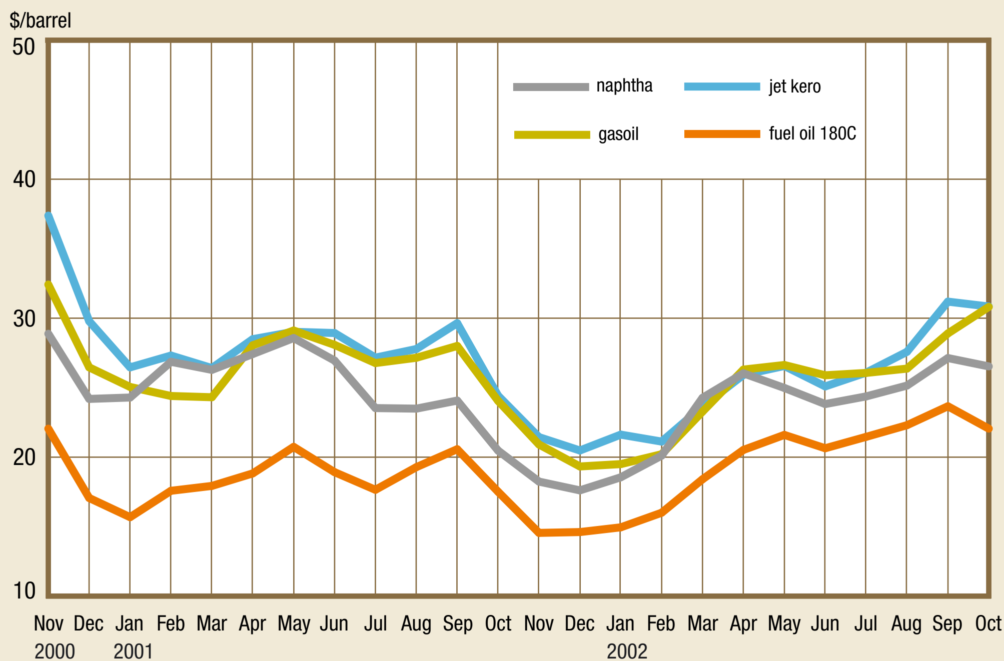


Table 8: Middle East— fob *($/b)*

		naphtha	gasoil	jet kero	fuel oil 180C
2000	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
	December	17.61	19.33	20.48	14.61
2002	January	18.55	19.50	21.62	14.95
	February	20.11	20.21	21.12	16.00
	March	24.27	23.28	23.65	18.41
	April	26.03	26.30	25.92	20.52
	May	24.98	26.63	26.56	21.60
	June	23.82	25.89	25.09	20.64
	July	24.37	26.06	26.08	21.46
	August	25.15	26.37	27.58	22.30
	September	27.13	28.90	31.19	23.66
	October	26.53	30.81	30.84	22.05

Source: Reuters. Prices are average of available days.

Graph 8: Middle East — fob



Privatization to cut public debt in Saudi Arabia — Minister

Riyadh — Saudi Arabia's plan to privatize 20 vital sectors will help reduce pressure on the state budget and pay off the government's huge public debt, according to the Minister of Finance and National Economy, Dr Ibrahim Al-Assaf.

"It will reduce pressure on the government. The private sector will provide services previously offered by the state. This will affect public spending," Al-Assaf *(pictured right)* said.

The Minister's comments followed the recent Cabinet announcement that the Kingdom would open up 20 vital economic sectors to privatization, a step expected to generate tens of billions of dollars.

The Saudi budget is faced with a chronic deficit. In the past two decades it has only once finished in the black — in 2000, due to high oil prices.

Al-Assaf said that the revenue generated from the sell-off plan would be used to meet the domestic debt, which reached $180 billion at the end of last year.

According to the plan, state utilities and public services, including certain health, municipal and social services, would be privatized.

Government stakes in Saudi shareholding companies, including the Saudi Basic Industries Corporation (SABIC), the Saudi Electricity Company (SEC) and banks would also be sold off.

Other sectors expected to be privatized are telecommunications, water desalination, air transport, airport services, construction and the management of highways, seaport services and local oil refineries.

Al-Assaf stressed that the door was open for foreign investors in all sectors not included on the "negative list", which contained activities closed to foreign investment.

He said no timetable had been set for the privatization drive. However, the Supreme Economic Council (SEC) privatization panel would study the priorities and set out the timeframe for privatization, *Arab News* reported last month.

The Minister said the list of 20 sectors targeted for privatization was by no means conclusive. "In the future, new sectors will be added," he noted.

Al-Assaf added that the impact of selling state shares in joint stock companies and banks on the stock market had been taken into consideration.

The government holds around 32 per cent of the Saudi stock exchange, which has a market capitalization of $79bn. It also owns 16 per cent of the banking sector.

"Suitable methods and timing are necessary before floating the shares for public subscription, so that it will not affect the stock market," he observed.

Concerning the privatization of oil refineries set up with the support of foreign companies, Al-Assaf said this needed approval of those firms.

Economic recovery could boost Indonesia's non-oil growth target

Jakarta — A relatively weak currency and a likely recovery in the global economy in 2003 could boost the Indonesian government's five per cent growth target for non-oil and non-gas exports, the English-language daily *Jakarta Post* newspaper reported last month.

The Chief Economist at Indonesia's Bank Mandiri, Martin Panggabean, was quoted in the report as saying: "The target should not be too hard to meet because our products remain competitive under a weak rupiah, while demand is expected to rise on the back of a probable speedier recovery among developed countries."

Boosting sales depended on an economic recovery in the United States and Japan, both of which were Indonesia's largest export markets, he noted, adding that the rupiah's current level had made the country's export commodities more competitive.

The country's September export sales grew by 4.21 per cent, after falling for two straight months since June.

September sales totalled $5.1 billion, with non-oil and non-gas exports reaching $3.9bn, close to a four per cent rise, compared with the previous month.

In the nine months to September, exports hit a value of

$43.7bn, which was, however, $2.78bn less than over the same period last year.

Still, the *Jakarta Post* said the outlook could improve, considering the United States' economic expansion of 3.1 per cent during the third quarter, compared with 1.3 per cent during the previous quarter.

Meanwhile, the President Director of Bank Danamon Indonesia, Arwin Rasyid, said local banks could inject some 50 trillion rupiahs ($5.4bn) into new projects to rejuvenate the country's economic growth.

He noted that risk-shy banks preferred to invest in Bank Indonesia promissory notes, rather than risk new loans, which, however, could support new investment in infrastructural projects.

Arwin pointed out that fresh loans were badly needed to drive the expansion needed in a number of sectors where consumption was recovering from the 1997 economic crash.

Electricity demand, for instance, had regained its double-digit growth, but the absence of new power plants, due to a lack of funds, now threatened the country with a power crisis.

To compound matters, banks had yet to resume their lending role after the banking industry crashed under a mountain of bad debts from the 1997 economic crisis.

Five years on, debt restructuring amongst companies was slow, and a more cautious approach to banking had taken a foothold within the industry.

"Bankers sleep better knowing their money is with Bank Indonesia, rather than somewhere out there," the newspaper quoted Arwin as saying.

This had resulted in most banks stashing their clients' money with Bank Indonesia, even though promissory notes carried lower interest rates than loans.

Banks had accumulated around 800tr rupiahs in public funds, but of that amount, less than half was channelled to the private sector as loans.

The banks had injected some 40tr rupiahs in fresh loans into the economy last year and were expected to invest another 60tr in loans throughout this year, according to Bank Indonesia.

Iran's economic growth forecast at 6.6 per cent this year

Tehran — Preliminary data indicates that Iran's economy will expand by 6.6 per cent in the current fiscal year (which started on March 21, 2002), according to the Governor of the Central Bank of Iran (CBI), Mohsen Nourbakhsh.

He said it was expected that the agricultural sector would witness growth of 6.1 per cent, industries and mines (11.2 per cent), and the services sector (5.1 per cent).

Speaking at the CBI's monthly meeting, Nourbakhsh underscored the need to reform the country's economic structure.

"By providing financing alternatives, the government will ensure that the economy will have solid growth prospects," he said.

He noted that oil and financial market developments and competition in the area of exports were all factors that influenced Iran's economy.

Nourbakhsh pointed out that Iran's economic growth stood at 4.8 per cent in the last financial year.

"Given the economy's stable condition, government commitments in implementing the right policies and enforcing fiscal discipline have all contributed to the creation of a conducive atmosphere for implementing monetary policies," he was quoted by the official Iranian News Agency (IRNA) as saying.

He referred to the 20 per cent growth in imported goods and services last year, saying "the balance of the trade surplus stood at $5.6 billion and the net capital account at $1.1bn."

Nourbakhsh added that a reduction in deposits for opening letters of credit and a lowering of the rate for banking deposits were among steps taken by the CBI to boost real economic growth.

He expressed hope that reform policies would continue, including the implementation of a uniform foreign exchange rate and the elimination of non-tariff barriers.

On sectoral growth, he said industrial output saw 11 per cent growth in the first quarter of the current fiscal year, followed by mining (11.8 per cent), steel output (9.3 per cent) and cement production (11.9 per cent).

Nigeria needs 10 per cent annual non-oil growth for development

Abuja — Nigeria needs to achieve 10 per cent annual growth in its non-oil sector over the next 10 years to achieve sustainable economic development, according to the World Bank's Country Director for Nigeria, Mark Tomlinson.

He said at a media briefing in Lagos last month that Nigeria's total reliance on oil had led to the limited development of the non-oil sector.

He described Nigeria "as the most dependent on oil of all countries in the world," pointing out that oil was contributing about 96 per cent of its total foreign exchange earnings.

The major challenge facing the country was how to achieve a 10 per cent growth rate for the non-oil sector, which, he asserted, was the only sector that could boost the economy.

Tomlinson said neglect of the non-oil sector was evident by the widespread poverty in the country, stressing that over 70 per cent of Nigerians still lived below the poverty line. In fact, he said, the poverty rate in Nigeria had doubled in the last 20 years.

He called for a "bottom-up" approach to poverty reduction. Such an approach was collaborative, involving rural people recognizing their needs and how to achieve them.

But Tomlinson expressed optimism on the adequacy of the government's new economic blueprint in dealing with poverty in the country.

"The new programme will go a long way in restructuring the economy and starting the economy on a growth process," he maintained.

The World Bank official said there had been a change in development strategies all over the world and countries no longer adopted a "top-down" approach because of its fundamental flaws of not reaching the communities who are ultimately affected by poverty.

He blamed Nigeria's woes on "the legacy of the military period," pointing out that instead of working for the people, those in military governments had worked for themselves.

Tomlinson was pleased that the current government in Nigeria had realized that there should be a change of strategy, but pointed out that a lot still needed to be done.

Algeria announces privatization of more public companies

Algiers — The Algerian Minister of Participation and Promotion of Investment, Hamid Temmar, announced last month that more public companies would be privatised.

He made the disclosure at a press conference, held in the Algerian capital, which was attended by the United Nations Co-ordinator in Algiers, Paolo Lembo, as well as ambassadors and representatives of the country's financial backers.

Temmar indicated that the companies, which were slated to be privatised, included 70 firms involving several sectors. Already, potential local and foreign concerns had shown an interest in their acquisition, he said.

He noted that the privatization process for these firms would be based on Germany's experience of selling off public companies of the former German Democratic Republic.

According to Temmar, the public banking sector also would be involved in the operation. In a first step, he said the government would open up to private investment the capital of the Algerian Popular Bank.

Speaking at the press conference, Lembo highlighted the interest shown by UN multilateral organizations and financial backers for the liberalization of the Algerian banking sector.

For that to materialize, the UN Co-ordinator urged the acceleration of reforms and the modernization of the sector.

Iraq signs deals worth $500m at Baghdad fair

Baghdad — Iraq signed several trade contracts worth $500 million with firms taking part in the 2002 Baghdad International Trade Fair, which was held late in October.

The Iraqi Minister of Trade, Dr Mohammed Mehdi Saleh, in a ceremony attended by foreign diplomats and businessmen, praised the 1,200 firms from 49 Arab and European countries that had attended the fair.

"Despite (the) United States' threats to attack our country, these countries and companies decided to take part in the fair," Saleh pointed out.

"The number of contracts just signed by the Ministry of Trade have exceeded 20, at a value of more than $500m," he noted.

Saleh said the deals were signed with companies from Saudi Arabia, Iran, the United Arab Emirates (UAE), France, Spain and Germany.

They included contracts for food goods, construction material, cars, trucks and machinery used in construction. The Minister gave two examples of the signed contracts.

"We signed a contract with a German company to buy 5,000 cars worth $80m. We also signed a contract with Saudi Arabia to buy trucks, air conditioning systems, and construction material," he observed.

The Minister said three trade agreements were also reached with Iran, Yemen and Syria during the 10-day fair.

Iraq, he pointed out, was looking forward to signing a free-trade agreement with Saudi Arabia, which took part in the fair for the first time since the 1990 Gulf crisis.

Iraq signed several free-trade accords with a number of Arab countries which meant that commodities exported by these nations were exempt from tariffs, he noted.

Saleh said that the 2002 trade fair was the largest held since the United Nations trade sanctions were imposed on the country in August 1990.

"The number of countries participating in this fair reached 49. It used to be 52 to 55 countries on average," he added.

Emirates iron and steel firm to boost output

Abu Dhabi — The Emirates Iron and Steel Factory, which is owned by the General Industries Corporation (GIC), plans to double its output of steel reinforcing bars in 2003 from the current 250,000 tonnes/year, according to a company official.

The Acting General Manager of the Emirates Iron and Steel Factory, Sultan Al Zaabi, said the plan would involve exporting around 15 to 20 per cent of production to neighbouring Gulf Co-operation Council (GCC) markets.

The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Al Zaabi told reporters that the design capacity of the plant, the largest such facility in the United Arab Emirates (UAE), stood at 700,000 t/y.

"Right now, utilization of the plant capacity is around 70 per cent. But next year we expect production to go up to 500,000 t/y," he said.

"In the coming years, depending on demand, we will increase production to full design capacity," he added.

The state-of-the-art plant, utilizing German technology, started production in November 2001. It produces mainly steel reinforcing bars in sizes of 10–32 millimetres. Currently, the factory caters for the local market.

"When we increase production, we definitely have plans to export, mainly to neighbouring GCC markets," Al Zaabi said.

Billets (the raw material) for producing the bars is sourced from Turkey, Brazil, Egypt and Qatar.

The finished product is used mainly for the construction of buildings, bridges and similar projects, as means of reinforcement.

"There are smaller mills producing such products, but the Emirates Iron and Steel Factory is the largest producer in the country," he noted.

US agency to finance non-hydrocarbon projects in Algeria

Algiers — A United States government agency, the Overseas Private Investment Corporation (OPIC), has undertaken to finance non-hydrocarbons projects worth $250 million in Algeria, it was officially reported in the country's capital last month.

According to the Algerian private financing group, Union Bank, which is supervisor of the programme, the schemes would involve the construction of luxurious housing complexes around the capital, Algiers.

Union Bank's Managing Director, Brahim Hadjas, told the media that the financing, through long-term loans, would be made in two installments, each of $125m.

The financing constituted the first sizeable commitment of US capital in the country's non-hydrocarbon sector, he noted.

Meanwhile, a team of entrepreneurs from the USA is expected to arrive in Algeria soon to discuss agricultural projects, including schemes in the southern regions of the Sahara.

The announcement was made following a meeting between the Algerian Minister for Participation and Promotion of Investments, Hamid Temmar, and the Executive President of the Algeria-US Business Council, Robert Holms.

According to a Ministry statement, the US team would discuss the granting of concessions to develop Saharan agriculture.

The US team would also examine with Algerian authorities the possibility of investing in the packaging, transformation and marketing of agricultural products.

Three giant petrochemical projects due onstream in Iran

Shiraz, Iran — Three giant petrochemical projects are expected to become operational in Iran's Special Petrochemical Economic Zone and the Imam Khomeini Port by March 2003, it was announced last month.

The Head of the Public Relations Department at the Petrochemical Construction and Installation Company, Mohammad Mohsen Fakhimi, said the projects would supply the additives needed for the production of MTBE (used in lead-free petrol).

The projects would also supply material used in the production of PTE (synthetic fibres), and raw materials required for providing water, steam, gas and electricity in the Special Petrochemical Economic Zone.

The scheme's annual supply of additives required for MTBE production amounted to 500,000 tons, Fakhimi was quoted by the official Iranian News Agency (IRNA) as saying.

He pointed out that a total of $310 million had been invested in the project so far.

"The input of the production unit includes 7,000 cubic metres/hour of water and 7.0m cu m/day of natural gas," he noted.

"The main products of the petrochemical unit include 585 megawatts of electricity, 860 tons of steam, 400 cu m of water, and 250 cu m of fresh water," he added.

Middle East poised to double polyethylene output by 2005

Doha — The Middle East hopes to more than double its polyethylene production by 2005, with the 2000 output level of 3.45 million tonnes/year set to hit a new target of 7.65m t/y, according to the Head of Marketing at the Qatar Petrochemical Company (QAPCO), Saoud Y Jaidah.

The overall production capacity of the region is, however, estimated to rise to an impressive 8.75m t/y by 2005, the QAPCO official said, adding that exports were expected to increase to 5.7m t/y.

World demand for polyethylene was projected to grow from 52.1m t/y in 2000 to 80.3m t/y by 2010, he noted.

Jaidah said the main driving force for the rise in the demand for polyethylene was the film market, with packaging poised to emerge as the strongest segment.

Within the packaging industry, there was a shift from rigid to flexible packaging, calling for a focus on film application development, he noted.

Of the expected 30m t/y global rise in polyethylene production by 2010, Asia was likely to account for more than half, he said.

About 90 per cent of the growth volume was forecast to be shared by eight Asian countries alone — China, India, Thailand, South Korea, Malaysia, Taiwan, Indonesia and the Philippines. The strongest area of growth was expected in China.

Demand for polyethylene in Asia stood at 14.7m t/y in 2000, a figure that was set to more than double to 31.8m t/y by 2010.

Demand in Europe was 14.6m t/y in 2000, quite close to the Asian level, but this was poised only to grow to 21.2m t/y by 2010.

In Qatar, QAPCO is the major producer of ethylene (a feedstock for polyethylene) and polyethylene, followed by the Qatar Chemical Company (Q-Chem).

Jaidah said that while QAPCO's focus was on producing low-density polyethylene (LDPE), Q-Chem produced the high-density version of polyethylene.

Algeria, World Bank sign $94 million loan agreement

Algiers — Algeria and the World Bank last month signed a $94 million loan agreement, earmarked for economic and social projects in the country.

The accord, comprising two credit agreements — $88.45m and $5.5m, respectively — was signed by the Director of External Relations at the Algerian Ministry of Finance, Abdelhak Bedjaoui, and the Head of the World Bank's Maghreb and Middle East Department, Theodore Ahlers.

The $88.45m loan will be used to help safeguard the urban population's vulnerability to floods, earthquakes and other natural disasters.

The project will seek to boost the country's ability to respond to and cope with natural disasters, introduce long-term preventive measures, as well as undertake reconstruction and reforestation schemes.

The second credit is designed to help Algeria develop a mortgage loan market, designed to allow up to 70 per cent of households to purchase, build and renovate homes.

Speaking at the signing ceremony, the Algerian Minister of Finance, Mohamed Terbeche, noted that the loans were a concrete demonstration of the co-operation that existed between Algeria and the World Bank.

Ahlers disclosed that other World Bank credits amounting to around $715m also were under discussion between the two sides.

Iraq seeking to enhance trade relations with Arab countries

Baghdad — Iraq's Minister of Finance, Hikmat Ibrahim Al-Azawi, held talks last month with the Lebanese Minister of State and Algeria's Minister of Industry.

According to the Iraqi News Agency (INA), Al-Azawi, who is also a Deputy Prime Minister, told the two ministers that Baghdad would give priority to Arab countries in its trade dealings under the oil-for-food programme with the United Nations.

The oil-for-food programme enables Iraq to sell its crude over renewable six-month periods to buy food, medicine and other humanitarian needs for the Iraqi people.

He stressed that the trade accords Iraq had concluded with a number of Arab countries were a step towards Arab economic integration, which was necessary to protect the interests of these countries at a time when the world was witnessing a strengthening of regional economic groupings, such as the European Union.

Al-Azawi said Arab nations should invest inside the region and stand united against the dangers which threatened members' interests.

Meanwhile, the Iraqi Vice-President, Taha Yassin Ramadan, held a meeting with Austrian politician, and former leader of the right-wing Freedom Party, Jörg Haider, who visited the country recently.

Ramadan affirmed that Iraq valued greatly its friendly relations and co-operation with Austria, pointing out that Austrian firms could play a prominent role in implementing projects in Iraq and boosting economic and trade co-operation.

Foreign direct investment in Indonesia falls by 11 per cent

Jakarta — Foreign direct investment (FDI) approvals in Indonesia dropped by 11 per cent to $5.4 billion from January to September 2002, compared with $6.08bn in the same period in 2001, according to the country's Investment Co-ordinating Board (BKPM).

BKPM Board Chairman, Theo F Toemion, said the drop was due mainly to lingering social unrest, labour disputes, and a lack of confidence in the legal system in Indonesia. He warned that approvals could fall further, due to the October bombing tragedy in Bali.

"The fall in investment approvals is very tragic. I believe the above factors have led to the drop in investor confidence in Indonesia," Theo was quoted as saying by local media.

Domestic investment approvals saw an even steeper decline — slumping by about 70 per cent to 15.99 trillion rupiahs ($1.75bn) in the first nine months of this year, from 50.74tr rupiahs in the same period of 2001.

UAE approves more funds for development projects

Abu Dhabi — The United Arab Emirates has boosted allocations for development projects and subsidies by more than $19 billion in 2001 in an attempt to sustain economic growth and ensure the provision of basic services, according to official statistics released by the Ministry of Finance and Industry.

The increase boosted overall expenditure to its highest level in 2001 coupled with low revenue which created a wide budget deficit by almost three times.

But the shortfall was easily covered through the return of the country's massive overseas investments.

Figures by the Ministry of Finance and Industry showed development spending in the fiscal consolidated account, which includes the federal budget and spending by each Emirate, increased to around $3.59bn in 2001 from $3.03bn in 2000, while allocations for subsidies and transfers jumped to nearly $5.33bn from $3.81bn.

The figures, published in the Central Bank's 2002 economic bulletin, showed local and foreign grants also surged to around $1.33bn from nearly $468 million in the same period.

Wages and salaries for civil servants grew slightly to around $3.72bn from around $3.65bn. Higher subsidies boosted the overall current expenditure to $20.6bn from $19.4bn.

OPEC Fund establishes special grant account for Palestine

In view of the magnitude of the crisis engulfing the Palestinian territories, the OPEC Fund in November created a special grant account to address the needs of Palestine. Endowed initially with $10 million, the special account will be used to speed enhanced humanitarian and economic assistance to the beleaguered, and increasingly impoverished, inhabitants of East Jerusalem, the West Bank and Gaza.

The special account was approved by the Ministerial Council, the Fund's highest decision-making body, on November 20, prompted by a sense of solidarity with the Palestinian people and the conviction that the Fund's assistance must be increased significantly in light of the impending economic collapse in the occupied areas.

Emergency assistance stressed

Gravely concerned about the high level of violence and intense suffering afflicting the Palestinian population, the Fund began shifting the emphasis of its grant assistance to Palestine from long-term, growth-oriented development projects to immediate survival aid only a few months after the intifada began in late September 2000. By October 2002, the Fund had extended 14 emergency grants, totalling $2.55m, in support of various non-governmental organizations and international organizations that work to deliver humanitarian assistance and social services in Palestine.

Twelve of these grants helped finance projects that aimed to fill the rapidly growing need for emergency medical and health care. In addition to providing treatment for the severely injured, therapy for the physically handicapped, and care for traumatized women and children, these grants furnished ambulances, blood banks, medicines, medical equipment and supplies. Other grants during this period financed initiatives such as a charity bakery in Jenin, designed to raise food security among destitute families, especially in households headed by women.

Prior to the establishment of the special grant account, the OPEC Fund had extended a total of 67 grants, worth over $18m, in support of projects benefiting the Palestinian population. The Fund's overall assistance to Palestine, however, also includes two public sector loans, amounting to a further

Photo: Al-Najah University/Ahmed Ersheid

Left: A street scene in the West Bank city of Nablus, where two-thirds of the population now live below the poverty line because of closures-related unemployment and the massive destruction of housing and other assets.

Right: The Al-Najah University library. The first grant extended from the special account will help needy students pay education fees.

$18m, which were extended after 1998 as co-financing for a major two-phase community development programme.

Poverty widespread and growing

As the conflict continued, it became clear that the volume of grant assistance the Fund extended to Palestine was no longer adequate. By mid-2002, the unemployment rate in the territories had soared to over 60 per cent of the workforce, as the most comprehensive closures since 1967 kept some 125,000 Palestinians who relied on jobs inside Israel from getting to work. Another 60,000 people employed in the autonomous areas also became jobless as Palestinian firms were forced to cut production or close.

With incomes drastically reduced, savings exhausted and private assets destroyed or confiscated, more and more families became destitute. By early 2002, poverty in the occupied territories had tripled to nearly 67 per cent. In Gaza alone, an estimated 70 per cent of the population was subsisting on less than $2 a day. Hunger and malnutrition increased alarmingly, especially in rural communities. Over 13 per cent of the children in Gaza and four per cent of those in the West Bank were described as suffering from severe, chronic malnutrition, and the World Food Programme concluded that 51 per cent of the population already required food assistance.

Deepening humanitarian crisis

During the Israeli re-occupation of the West Bank during March and April 2002, the humanitarian crisis intensified. Within weeks, the number of Palestinians who were killed increased to over 1,600. Of some 19,000 Palestinians injured during this period, hundreds were permanently disabled. Public and private property was destroyed at an unparalleled rate, and tens of thousands of people were made homeless. According to assessments by the United Nations Relief and Works Agency (UNRWA) for Palestine Refugees in the Near East, 4,400 dwellings were ruined in March and April alone, including 660 that were razed in Gaza and 2,880 within the refugee camps.

Photo: Al-Najah University

Essential infrastructure was wantonly and systematically destroyed, leaving communities without water, electricity, telephones, schools, or medical care. In March alone, 141 refugee shelters, 22 UNRWA schools, four health clinics and two ambulances were demolished. During the same period, 134 wells were contaminated or bulldozed; thousands of hectares of crops and cultivated land were ruined or laid waste; and 34,600 olive and fruit trees uprooted, thereby depriving thousands of families of their main or sole source of income.

Co-operation with other organizations

As the intifada entered its second year, the Fund stepped up its search for ways to increase and enhance its assistance to Palestine, partly through intensified co-operation with other organizations, especially its sister institutions. These efforts culminated in a special meeting on Palestine, held in Abu Dhabi in May 2002. The participating members of the Co-ordination Group of Arab/OPEC/Islamic Aid Development Institutions reviewed plans for unified emergency aid to Palestine and agreed to work together to alleviate poverty, improve living conditions, and prevent the collapse of essential social services, especially in the healthcare sector.

Four institutions — the Arab Monetary Fund, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa (BADEA) and the Arab Authority for Agricultural Investment and Development — signalled their readiness to allocate a total of $39.8m for a joint programme to provide emergency assistance to the Palestinian people and help rebuild housing and vital infrastructure.

Unified aid efforts planned

The proposed programme will include five principal components: support for educational institutions and poor students; financial assistance to hospitals, clinics and health centres; reconstruction and rehabilitation of infrastructure; rebuilding or repair of housing; and support to needy families and orphans. The OPEC Fund has expressed an interest in financing projects within the first two components, thereby reaffirming a long-standing commitment to improving health and education in the West Bank and Gaza.

At its December meeting, the Fund's Governing Board approved the extension of the first grant to be drawn from the special account for Palestine. This grant will provide $2m in assistance to nine non-governmental, non-profit universities and establish a revolving credit fund to help needy Palestinian students pay their education fees. On the same occasion, the Board approved, in principle, a proposal for drawing on the special grant account to provide financial support in the form of micro-credits to artisans in Palestine.

News from the OPEC Fund

HIV/AIDS

November 2002

OPEC Fund and IFRC launch HIV/AIDS prevention campaign in Asia and the Pacific

The OPEC Fund for International Development has joined forces with the International Federation of Red Cross and Red Crescent Societies (IFRC) to combat HIV/AIDS in the Asia Pacific region. The partnership, which was formally sealed November 12 in a signature ceremony at the IFRC headquarters in Geneva, Switzerland, pledges a joint $4 million towards reducing household vulnerability to HIV/AIDS. The Asia Pacific region has witnessed one of the highest increases in HIV/AIDS prevalence rates in the world, with over one million people becoming infected in 2001 alone. China and India will soon overtake South Africa as the country with the highest number of people living with AIDS. Under the current OPEC Fund/IFRC initiative, funds will be allocated to support programmes in Nepal, Sri Lanka, Cambodia, Laos, Vietnam, Papua New Guinea and to 22 other countries in the Asia Pacific region.

HIV/AIDS campaigns launched in Arab, Central American and Caribbean regions

The OPEC Fund and the United Nations Population Fund (UNFPA) launched their joint initiatives to combat HIV/AIDS in the Arab, Central American and Caribbean regions. The Fund has pledged a total of $4.2m towards the two campaigns to fight the pandemic. Concern has grown worldwide over the stubborn spread of the HIV/AIDS virus, which has so far infected some 60m people and claimed the lives of an estimated 22m, one-fifth of them children. Although the Middle East and North Africa has been, up until recently, a relatively unscathed region, the incidence of HIV/AIDS is increasing with an estimated half a million people living with the virus. Statistics in the Latin American and Caribbean regions have indicated that at least 190,000 people acquired the disease in 2001 alone, bringing the level of infection to 1.8m people. The two OPEC Fund/UNFPA campaigns will run concurrently over a three-year period and target a total of 13 countries. Strategies will be implemented on a regional, national and global level and will include, amongst others things, the upgrading of national prevention capacities, strengthening detection and surveillance systems, promoting public awareness, and boosting prevention, care and support services.

Photo: IFRC

Above: OPEC Fund Director General, HE Dr Y Seyyid Abdulai (l), and the Secretary General of the International Federation of Red Cross and Red Crescent Societies, Didier Cherpitel, met in Geneva to initiate a joint HIV/AIDS initiative.

Grants

December 2002

OPEC Fund extends grant for radiotherapy services in Africa

Member countries of the African Regional Co-operative Agreement for Research, Development and Training Related to Nuclear Science and Technology (AFRA). $200,000. Management of the most common cancers in AFRA. Executing agencies: IAEA; recipient governments; AFRA field management. Co-financiers: IAEA; beneficiary governments.

The OPEC Fund approved a grant of $200,000 to help strengthen clinical radiotherapy services in 20 member states of AFRA. As an extension of an ongoing initiative, the project's principal objectives are to optimize use of available facilities, strengthen personnel training and generally improve the standard of radiotherapy practices in Africa for the most commonly diagnosed cancers. Although most African countries have radiotherapy centres, the standard and quality of available treatment vary widely. As a result, a large proportion of cancer sufferers, many of them women, do not receive appropriate therapy. There is a dire shortage of radiotherapy machines across the continent, caused by high equipment costs, inadequate infrastructure and untrained personnel.

IOI receives $56,000 research grant from OPEC Fund for coastal management

The OPEC Fund has approved a research grant of $56,000 to sponsor the attendance of eight participants from developing countries at an International Ocean Institute (IOI) training programme scheduled to take place from May 26–August 1, 2003, at Dalhousie University in Halifax, Canada. Based on similar programmes previously carried out by IOI, the ten-week workshop will cover the theme *Ocean governance: policy, law and management.* Participants will learn about coastal zone management, the development of ports and harbours, shipping and navigation, as well as the sustainable development of living and non-living resources. Activities will also include seminars, roundtable discussions and field trips. The course is specifically designed to enhance the knowledge and strengthen the capabilities of mid-career professionals from developing countries in improved ocean management and decision-making skills. Taking into account the under-representation of women in the upper levels of administration and policy-making, special emphasis will be placed on achieving an equal number of male and female participants.

Credit line

November 2002

JAMAICA. $5 million credit line. The credit was signed between the OPEC Fund and the Development Bank of Jamaica (DBJ). With the aim of boosting private sector growth, the financing will be used for lending-on, through approved intermediaries, to small and medium scale enterprises (SMEs). Formed in April 2000 as a result of a merger between the Agricultural Credit Bank of Jamaica and the National Development Bank of Jamaica, DBJ seeks to assist in the development and modernization of enterprises in the agricultural, agro-industrial, information technology, manufacturing and tourism sectors of the economy. It does this by providing medium-term funding at competitive rates to approved financial institutions, peoples' co-operative banks and credit unions, which in turn lend-on to SMEs. Only projects that generate employment and/or are a foreign currency earner or saver will qualify for assistance through the Fund credit line.

Investment

November 2002

AZERBAIJAN. An agreement for the encouragement and protection of investment was signed between the OPEC Fund and the Republic of Azerbaijan. Azerbaijan's macroeconomic performance remains strong, with continuing high growth and low inflation. In 2000, real GDP growth reached 11 per cent, with the non-oil economy increasing by 13 per cent, trends which continued during the first quarter of 2001. The country's gross national income (GNI) amounted to $5.3 billion and GNI per capita was estimated at $660 during 2001. The government is implementing a number of structural reforms that include developing the non-oil sector, strengthening governance, fostering private sector development and enhancing financial discipline in order to achieve a more balanced economic growth. This and other measures have greatly enhanced openness and competitiveness, and have helped create a hospitable, enabling environment for the promotion of enterprises in the country's private sector, which is regarded by the government as critical to the economic development of the country.

Photo: P Pavlicek/IAEA

Left: A grant to AFRA will help expand access to radiotherapy treatment for cancer patients in 20 African countries.

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

November

OPEC Meetings

The *First Workshop under the MOU with the United Nations Conference on Trade and Development (UNCTAD)* (OPEC and the World Trade Organization [WTO]) was held at the OPEC Secretariat, Vienna, Austria, November 4, 2002.

Secretary General's diary

The *Oil & Money Conference* was organized by the *International Herald Tribune* and held in London, UK, November 5–6, 2002.

The *12th Annual Session of the Committee on Sustainable Energy of the United Nations Economic Commission for Europe (UN ECE)* was organized by the UN ECE and took place in Geneva, Switzerland, November 20–22, 2002.

Secretariat missions

An *UN ECE Meeting of the Ad Hoc Group of Experts on the Harmonization of energy reserves/resources terminology* (Second session) was organized by the UN ECE and took place in Geneva, Switzerland, November 14–15, 2002.

The *26th Session of the Industrial Development Board of the United Nations Industrial Development Organization* (UNIDO) was held in Vienna, Austria, November 19–21, 2002.

The *Ripon TransAtlantic Conference 2002* was organized by the Austrian Federal Ministry for Economic Affairs and Labour and held in Vienna, Austria, November 22, 2002.

A seminar on *Oil and gas fluctuations in the changing international landscape* was organized by the Moscow State Institute of International Relations (MGIMO) and the Ministry of Foreign Affairs of the Russian Federation and was held in Moscow, Russian Federation, November 29, 2002.

Forthcoming OPEC meetings

The *108th Meeting of the Board of Governors* will be held at the OPEC Secretariat in Vienna, Austria, February 18, 2003.

The *3rd Joint Meeting of OPEC/non-OPEC Experts* will be held in Bergen, Norway, February 28, 2003.

The *99th Meeting of the ECB* will be held at the OPEC Secretariat in Vienna, Austria, March 3, 2003.

The *42nd Meeting of the MMSC* will be held at the OPEC Secretariat in Vienna, Austria, March 11, 2003.

The *124th (Ordinary) Meeting of the OPEC Conference* will be held in Vienna, Austria, March 11, 2003.

The *4th (Annual) Multi-Disciplinary Training Course for Member Countries' Trainees* will be held at the OPEC Secretariat in Vienna, Austria, April 7–11, 2003.

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