This month's cover …
shows a close-up of the Iraqi Constitution after it was signed in Baghdad (Photo: Reuters/Peter Andrews). The back cover shows the OPEC Secretariat with the sculpture 'Mano Mineral' by Venezuelan sculptor Paul del Rio in the foreground (Photo: Reuters/Heinz-Peter Bader).

OPEC bulletin

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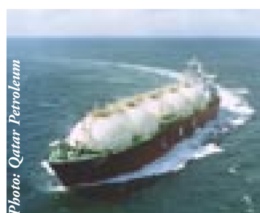

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Publishers

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
Hard copy subscription: $70/year

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.

Secretariat officials

Secretary General
HE Dr Purnomo Yusgiantoro

Indonesian Governor for OPEC Acting for the Secretary General
Dr Maizar Rahman

Director, Research Division
Dr Adnan Shihab-Eldin

Head, Data Services Department
Dr Muhammad A Al Tayyeb

Head, Administration & Human Resources Department
Senussi J Senussi

Head, Energy Studies Department
Mohamed Hamel

Head, PR & Information Department
Dr Omar Farouk Ibrahim

Head, Petroleum Market Analysis Department
Mohammad Alipour-Jeddi

Senior Legal Counsel
Dr Ibibia Lucky Worika

Head, Office of the Secretary General
Karin Chacin

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Editorial staff

Editor-in-Chief
Dr Omar Farouk Ibrahim
Editor
Graham Patterson
Deputy Editor
Lizette Kilian
Philippa Webb-Muegge (maternity leave)
Production
Diana Lavnick
Design
Elfi Plakolm

Web site: www.opec.org

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In a US election year, oil often becomes a political football
There are, however, more co-operative alternatives

Oil and politics don't mix

Photo: Reuters/Lou Dematteis

Every time OPEC meets, there is no shortage of pundits eager to advise the Organization what the correct course of action is (often one that our would-be advisers believe, rightly or wrongly, will lower oil prices), and things were no different in the run-up to the 130th OPEC Conference at the end of March. With prices having remained firm in recent months, OPEC-watchers were keen to see whether the one million barrels/day cut announced in February would be implemented, or perhaps — as some were suggesting — delayed or even abandoned altogether.

The decision, therefore, to go ahead with the cuts as originally planned was doubtless not the one that some parties were hoping for but, seen objectively, it was the right thing to do. It must be remembered that while there are a great variety of factors — both fundamental and non-fundamental — that can affect oil prices, OPEC's efforts to stabilize the market by adjusting production in order to balance supply and demand operate strictly on the fundamental level. It would be risky at best and foolhardy at worst for the Organization to try and address problems caused by other factors such as massive speculation, US gasoline specifications and lack of refinery capacity, crude and product stock levels and so on, which lie clearly outside its sphere of influence.

These factors are worth examining in more detail, since some of the loudest voices calling for OPEC to abandon its output cut have been coming from the United States. It is, of course, an election year in the US, and with forecasts from the Energy Information Administration showing that consumers will have to pay record prices for gasoline of around $1.76/gallon this summer, politicians are looking for scapegoats. It therefore seems inevitable that oil will remain a political football in the US — at least until the election campaign is over.

However, while it may be convenient to blame OPEC for high gasoline prices, it is also misguided. Gasoline price levels in the US are affected by a number of factors unrelated to the fundamentals of crude oil supply and demand. There is a lack of domestic gasoline-producing capacity to satisfy the steady demand growth, as many smaller refineries have closed down and no new ones have been built. There is a patchwork of gasoline specifications that vary greatly from state to state, making the transfer of supplies in the event of a shortage (perhaps due to a refinery outage) impossible. The recent introduction of stringent new specifications for reformulated gasoline, mandating the reduction of sulphur levels and the elimination of MTBE, has only served to make a complex situation worse, and some states may need to be granted exemptions from the new laws to enable them to meet gasoline demand this summer.

It is clear from the above that US gasoline price levels are influenced by a wide variety of factors, and that the country's oil industry and government will need to work closely together in to order to seek solutions to these problems. OPEC, for its part, will do what it has always done — to ensure that prices remain stable by seeking a balance between supply and demand. For the Organization to try and use market fundamentals to dampen prices that are mainly driven by non-fundamentals would be, as the saying goes, like trying to put out the fire with gasoline.

In this US election year, we expect oil to remain in the limelight one way or another. It is surely not asking too much for all the participants in the campaign to abandon the simplistic finger-pointing and recognize the US gasoline situation for what it is — a complex one requiring all parties to work together to find a solution. OPEC is concentrating on the fundamental issue of balancing supply and demand, as indicated by reported OPEC production levels of over 28m b/d. Let us hope that the US will seek a similar balance in its complex gasoline market.

CONFERENCE NOTES

130th OPEC Conference confirms production cut of 1.0 million barrels/day from April 1

Qatar's Second Deputy Prime Minister and Minister of Energy & Industry, HE Abdullah bin Hamad Al Attiyah (l), talks to Libya's Secretary of the People's Committee for Energy, HE Dr Fathi Hamed Ben Shatwan (c), and Nigeria's Presidential Adviser on Petroleum & Energy, HE Dr Edmund M Daukoru.

Indonesia's Minister of Energy and Mineral Resources, OPEC Conference President and Secretary General, HE Dr Purnomo Yusgiantoro (r), listens to the Director of OPEC's Research Division, Dr Adnan Shihab-Eldin.

The United Arab Emirates' Minister of Petroleum and Mineral Resources, HE Obaid bin Saif Al-Nasseri (r) and Algeria's Minister of Energy & Mines, HE Dr Chakib Khelil (c) greet Mexican delegate Raúl Cardoso.

Kuwait's Minister of Energy, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah (r), welcomes Oman's Minister of Oil and Gas, HE Dr Mohammed Bin Hamad Al-Rumhy.

The 130th OPEC Conference has confirmed the output cut of 1.0 million barrels/day, effective from April 1, which was agreed at the previous Conference in Algiers in February this year.

The final communiqué from the 130th Conference, held on March 31 in Vienna, noted that high oil price levels were "predominantly a consequence of long positions of market speculators in the futures markets, coupled with a tightening in the US gasoline market in some regions."

The situation, it added, had been exacerbated by uncertainties arising from geopolitical concerns rather than being a reflection of supply/demand fundamentals.

This view was confirmed at the closing press briefing by the OPEC Conference President and Secretary General, HE Dr Purnomo Yusgiantoro.

"Today's prices are not due to fundamentals, or to the interaction of supply and demand, but to a variety of other factors that one has to examine," Dr Purnomo, who is also Indonesia's Minister of Energy and Mineral Resources, told reporters.

He identified a number of non-fundamental factors that were influencing prices, including the actions of speculators, the highly fragmented nature of the US gasoline market, and the level of crude and product stocks.

Elaborating on this, the Director of OPEC's Research Division, Dr Adnan Shihab-Eldin, noted that in the futures markets, net long positions for WTI on the NYMEX were at a record level, as were gasoline futures.

The underlying cause of this, he said, was the hedge funds which were piling into the market and investing in all sorts of commodities, not just crude oil but also copper, nickel, and so on.

Contributing to the high gasoline price in the US was the fact that some 22 states have different gasoline specifications. This had the effect of fragmenting the market and making it more volatile since, in the event of supply difficulties, the numerous different specifications meant that gasoline supplies were not transferable from state to state.

On the subject of stock levels, the Director of Research noted that overall, crude stock levels were not in bad shape but specialty gasoline stocks were very low. Gasoline stocks were about 200m b in the US, but a change of about 10m b could have a major impact on the price.

"The fundamental problem is the shortage of refinery capacity and the fragmented gasoline specifications in the US, and that is not something that can be addressed by putting more crude on the market," Shihab-Eldin said.

Earlier, in his opening address, the Conference President had noted that the success of OPEC's market stabilisation measures depended, to a large extent, on the support that the Organization received from other oil producers.

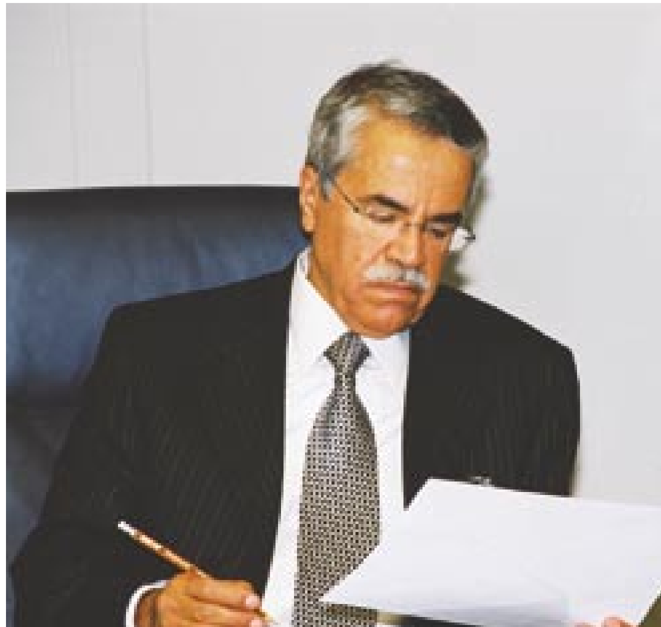
"We are all in the oil business together and, as a result, we share the responsibility for sustained order and stability in the market, with secure supply, reasonable prices and fair returns for investors.

"While noting the very real progress that has been made in recent years in the field of co-operation, we nevertheless, once again, call upon all producers to acknowledge this responsibility and actively support our market stabilisation measures, since we all stand to benefit from them," he said.

Angola, Mexico, Oman, Russia, Sudan and Syria also attended the Conference.

The Organization's next Meetings will take place on June 3, in Beirut, Lebanon, and on September 15, in Vienna.

CONFERENCE NOTES


Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi, studies a document.

Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh, makes notes.

Venezuela's Minister of Energy and Mines, HE Rafael Ramirez (c), is seen here with his country's Ambassador to Austria, HE Gustavo Márquez Marin (l) and Dr Bernard Mommer.

Indonesia's Ambassador to Austria, HE Thomas Aquino Samodra Sriwidjaja, answers journalists' questions.

Above: Iraq's Minister of Oil, HE Dr Ibrahim Bahr Alolom, speaks to the press.

Below: At the closing press conference are (l-r): Indonesian Governor for OPEC and Acting for the Secretary General, Dr Maizar Rahman; Dr Purnomo Yusgiantoro; Dr Adnan Shihab-Eldin and the PR & Information Department's Media Relations Officer, Dr Abdulrahman Al-Kheraigi.

Decision of 130th Conference will stabilize the market, says Qatari Minister of Energy & Industry

Question: The Conference has decided to reaffirm the planned cut of 1.0 million barrels/day, effective from April 1 — are you satisfied with this outcome?

Answer: Yes, we are very satisfied, the decision will serve to stabilize the market and prevent a price fall due to weaker demand in the second quarter.

Q: Prices have been above the OPEC price band of $22–28/barrel for some time now. What target price is OPEC aiming at; is it still around $25/b (the middle of the band) or is it towards the higher end of the band?

A: The band is still $22–28/b and that hasn't changed. The price is above that level right now, but that is related to the abnormal market situation and not to fundamentals. Today's prices aren't related to supply and demand, but to other factors outside OPEC's control. In fact supply could be higher than demand by as much as 3.0m b/d in the second quarter. The prices we see today are more related to geopolitics than to fundamentals.

Q: In your deliberations, did you take into account the increasing production and exports from Iraq, and can you foresee a time when Iraq will rejoin the OPEC quota system?

A: Yes, we did. The Iraqi Minister informed us that Iraqi production will reach about 3.0m b/d by year-end, and exports are now about 1.7–1.8m b/d, which they are planning to increase further. In other words, Iraq will reach its pre-war production level quite soon. I can say that we are all very happy that Iraq is able to return to the market.

Q: And is there a timeline for Iraq rejoining the quota system?

A: This will be discussed at the appropriate time, but we can't say precisely when that will be at the moment.

Q: How you do see the market shaping up in the third and fourth quarters after the period of relatively weak demand in the second quarter is over?

A: In these two quarters we should continue to watch the market very carefully in order to maintain a balance between demand and supply. It's a very difficult task — look at what happened in late 1997, when the market collapse began and it didn't recover until 1999. We certainly don't want a repeat of 1997, when we waited too long to secure co-operation, and we are determined that this won't happen again.

Q: There are six non-OPEC nations present at this Meeting, but the present price levels have been achieved without concrete co-operation from non-OPEC in terms of production restraint. Is such co-operation less of a priority nowadays, given the recent price strength?

A: Co-operation with non-OPEC is still very much a priority for us. After all, OPEC's market share is about 30 per cent at the moment, while non-OPEC is producing over 60 per cent, so we have no choice but to work closely with them if we want to achieve market stability.

Immediately after the end of the 130th OPEC Conference in Vienna on March 31, the Qatari Second Deputy Prime Minister and Minister of Energy & Industry, HE Abdullah bin Hamad Al Attiyah, spoke exclusively to the OPEC Bulletin's editorial team of Lizette Kilian and Graham Patterson on topics including the outcome of the Conference, OPEC/non-OPEC co-operation and his country's extensive plans to utilize its natural gas reserves.

As I mentioned, we have already seen one price collapse that began in late 1997 and continued through 1998. It was only in March 1999, when we secured co-operation from Mexico, Norway, Oman and Russia, that we managed to turn the market around. That shows us how important co-operation is. If and when it becomes necessary again, we will certainly ask our non-OPEC friends to convert their oral support into physical support.

Q: Turning now to the gas sector, you announced recently at the LNG 14 conference in Doha that you would be increasing LNG exports from around 18 million tonnes/year today to about 60m t/y by 2010. Can you give us some more detail on this?

A: That's the beauty of gas, that it is a fuel very much in demand. Next year we will add another 4.7m t/y of production capacity, so by 2005–06 we will be producing over 25m t/y and then we will increase it further to 60m t/y by 2010.

Q: Who have you got lined up to purchase this increased LNG production?

A: Our big customers will include the UK, which will take about 15m t/y, and the US with another 23m t/y.

Q: You also said recently that this expansion of LNG production capacity will require a lot of investment, up to $30m. Where will this investment come from?

A: The investment will come a variety of sources, including our partners in these projects, the international financial institutions, the major banks and so on.

Q: You mentioned that you have two big industrialized nations, the US and the UK, lined up as LNG customers, but what about developing countries, especially since you recently exported your first cargo of LNG to India?

A: Our relationship with India is a very successful one, and the first cargo of LNG left from Qatar to India just a few weeks ago. We are confident that the Indian LNG market will increase in size in the future, and this will be good for us, since the sailing time from Qatar to India is just a few days, so that gives us a big geographical advantage in supplying the Indian market.

In the meantime we are also exporting LNG to such countries as Japan, South Korea, Italy, the UK, Belgium, the US and Taiwan. That means that Qatar sells LNG on three continents — Asia, Europe and the US — and we are the only country to do so.

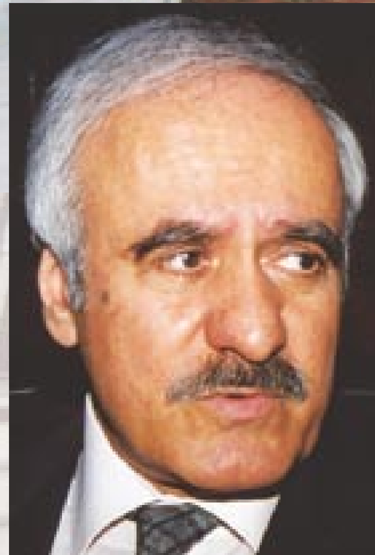
Q: Gas-to-liquids (GTL) technology has become increasingly important for Qatar. Can you outline some of the recent developments in the GTL sector for us?

A: Yes, our GTL joint venture between Qatar Petroleum and South Africa (with Sasol Chevron) should start about December 2005. Then there is our contract with Shell to produce about 140,000 b/d and the agreement we have with ExxonMobil. All of these together will add to about 400,000–500,000 b/d of GTL production. In this respect, we can say that Qatar is really introducing GTL to the world.

Above and below: HE Al Attiyah (above right) talks to OPEC Bulletin Editor, Graham Patterson, and Deputy Editor, Lizette Kilian.

The challenge of sustainability:

Director-General outlines vision for OPEC Fund



The new Director-General of the OPEC Fund for International Development, Suleiman Jasir Al-Herbish, outlines his vision and the future thrust of the institution in an interview with OPEC Bulletin's Deputy Editor, Lizette Kilian and OPEC News Agency Editor, Umar Aminu.

Question: It has been five months since you assumed office as Director General of the OPEC Fund for International Development. How has it been adjusting from OPEC Governor and Chairman of several key establishments in your home country, Saudi Arabia, to being the Chief Executive Officer of the OPEC Fund?

Answer: As you know, I have served OPEC Member States in various capacities for over 30 years, and I see my position at the OPEC Fund simply as an extension of that mission. In that sense, the transition is more of a natural progression than a change of direction. So, the 'adjustment', if that's what you want to call it, has been quite straightforward. It is, of course, an enormous help knowing that I have the confidence and trust of our Member Countries. I have to say, too, that I have been impressed by the level of co-operation and professionalism shown by the Fund's management and staff. That said, however, it is clear that I am facing new challenges and goals and it goes without saying that I will do my best to fulfill them.

Q: As an economist and technocrat with a huge wealth of management experience, could you give us an insight into the direction, in terms of priority, of how you intend to move the Organization forward?

A: I believe one of the principal challenges will be to continue carrying out the Fund's mandate while, at the same time, safeguarding the institution's long-term sustainability. Let me just quote some figures here: To date, the Fund has committed close to $6.9 billion in development assistance. That is an impressive sum for what is, after all, a modest-sized institution. In line with our mandate, the bulk of this (around 79 per cent) has gone in the form of highly concessional public sector lending, primarily to the poorest countries in the world. On top of that, a substantial amount has been given in outright grants for technical assistance, research and emergency aid, or in contributions to the resources of other development institutions. In terms of income that can be recycled and used to finance more operations, the returns on our commitments are therefore very small.

Clearly, it would be imprudent to believe that we could continue indefinitely in this vein. And this is one of the reasons, among others of importance, why the Fund's Private Sector Facility was set up five years ago. Here, although still containing elements of concessionality, our financing is market-oriented and generates a higher rate of return. Of course, the challenge now is to strike the right balance, and I firmly believe that prudent management of the Fund's resources will be essential if the institution is to maintain both its level of assistance and viability.

Q: The OPEC Fund was created as a response to the OPEC Member Countries' yearning and aspirations to support and share the concerns of the less privileged, poorer countries of the world. Do you feel it has fulfilled its efforts in this direction?

A: I believe the Fund's record speaks for itself. We shouldn't forget that it was originally conceived as a temporary institution with a lifespan of just a few years. That it is still flourishing almost three decades later is a powerful testament to its success. This success is due in no small part to the unique relationship the Fund enjoys with its beneficiary — I prefer to call them *partner* — countries. As an organization of developing countries ourselves, we have a special understanding of the problems associated with poverty and have built alliances with our partners based on foundations of equality, solidarity and respect. This makes for a very healthy working environment on both sides.

The feedback from our partner countries also shows how much they appreciate the Fund's flexibility and its readiness to respond to the shifting demands of the development arena.

An overriding priority of the Fund over the years has been to remain *relevant*. As needs change in the developing world, so we must adapt to meet them. Indeed, the scope and nature of the Fund's activities has always been needs-based. In the early years, the demand was for fast-disbursing balance of payments support, then we moved into large-scale infrastructure projects. Over the past decade, the focus has shifted to smaller-scale, community-based projects that address basic needs. More recently, the call has been for greater investment in private enterprise — hence, our Private Sector Facility. Nor should we forget our special grant accounts for HIV/AIDS, Palestine and Food Aid. So, one can see, all along, that we have tried to anticipate the circumstances at any given point in time and prepare ourselves to tackle them.

Q: One of the areas that the Fund has scored impressive success in, besides its public sector operations, loans and grants, is the private sector loan initiative to support low-income entrepreneurship development. What is your assessment of the institution's private sector window? Ultimately, how big might a shift in the Fund's focus from the public sector to the private be, in terms of the relative percentages of each?

A: When the Private Sector Facility was officially launched five years ago, it was a major departure for the Fund. However, it was a decision based, in part at least, on an increasing number of requests from our recipient countries, so it was one we felt we had to make. Although the large majority of developing countries have entrusted the management of their economy to the private sector, they lack access to the necessary capital to foster its growth. The role of the Fund is to provide this capital.

As one can imagine, the logistics of setting up a new window like this are quite staggering. So, initially it was a fairly slow process while we got a policy framework in place and took care of all the necessary institution building requirements. In the beginning, we concentrated on the financing of small- and medium-scale enterprises through financial intermediaries, including micro-finance institutions, regional and national development banks, leasing companies and commercial banks. Now that the Facility is on a sounder footing, we have diversified into a much broader range of operations in sectors as varied as pharmaceuticals, telecommunications, textiles, tourism, manufacturing and industry. We are also expanding the range of financing products we offer. Total commitments to date stand at $238 million, an amount I believe to be satisfactory. But, perhaps an even greater measure of the Facility's success is the fact that our Ministerial Council approved a replenishment of its resources in June last year (2003) — an additional $250m.

Regarding the suggestion that we may witness a shift from public to private sector financing, I should stress that this is not the case. The Private Sector Facility is an *additional* window drawing on *additional*, dedicated resources. The two windows deal with different demands and apply to different circumstances. They are complementary and are called upon to work together where public-private partnership is deemed appropriate. Their growth is envisaged separately and not competitively.

Q: The Food Aid Programme and the HIV/AIDS global support initiative are two of the Fund's initiatives that have endeared it to the international community and thereby portrayed OPEC Member Countries as caring and sharing. Do you intend to extend such humanitarian causes to other equally important areas such as other health problems and education?

A: The Fund's special accounts for food aid and HIV/AIDS were set up specifically to address serious emergency situations. Nor is it the first time we have responded in this way and on such a scale. However, one has to be careful to make a distinction between emergency, humanitarian aid and our regular grant operations. When the need arises, as in the case of any human or natural disaster, we stand ready to do what we can to support the international relief effort. But, when it comes to *ongoing* assistance to areas of basic need, this is covered by our technical assistance grant programme. And, indeed many of our activities in this field are in the very areas you mention, ie, education and health, as well as in other vital sectors such as water supply, sanitation and rural development.

For example, we have helped finance mass immunization programmes; we have been instrumental in battling the African scourge *onchocerciasis* — or 'river blindness' as it is more commonly known; and we have supported numerous literacy and vocational training programmes in poor communities all over the world. So, while ready to provide emergency, humanitarian assistance on an *ad hoc* basis, the Fund's main focus is on supporting projects with *long-term* impact. Indeed, this is a view shared by almost all developing countries. By and large, they will tell you that they yearn to be self-sufficient and to be responsible for their own destinies. This can only be achieved through assistance that promotes *sustainable development*.

Q: Are you satisfied with the achievements so far of the Special Grant Account for HIV/AIDS Operations? And how do you see the future of the Account?

A: Yes, we are more than satisfied with the achievements of the Account. We are currently providing direct benefits to 32 countries, and another 22 countries are receiving assistance through regional components. Additional projects, programmes and initiates in the pipeline will increase our reach to some 75 countries worldwide. So, from an operational perspective, the Account is certainly achieving what it set out to do. We are working in partnership with established international networks, such as WHO, UNFPA, IFRC and UNECA.

HIV/AIDS is an insidious disease out to jeopardize the accomplishments of the past several decades in development. I do no think it is in anybody's interest to allow this or any other epidemic whatsoever to dictate the human agenda. The OPEC Fund is committed to supporting the ongoing global campaign against the disease; and this remains a priority.

Q: The Fund has traditionally been a strong supporter of developing countries less fortunate than the OPEC Members, but you have spoken of expanding its sphere of influence. What kind of projects do you envisage expanding your support for in the economies in transition and elsewhere (for example, the FSU, China, India, South Africa and so on)?

A: In keeping with its mandate, the Fund has been a strong supporter of *all* developing countries, with the exception, of course, of its own Member States. Today we have a presence in 111 countries around the world, including many of the transition economies of the Commonwealth of Independent States and some of the less developed countries in Europe. With some of our traditional partners 'graduating' out of our concessional window, efforts are being made to continue working with them in the private sector. As far as the nature of the projects is concerned, our policy has always been to respond to the needs of the recipients. This could range from modernizing the railway system in Uzbekistan to upgrading Albania's Durres port to supporting the development of economic infrastructure in the Maldives.

Q: Continuing on the theme of expanding the Fund's sphere of activity, could you envisage supporting/financing projects in the developed nations, while avoiding a possible clash with the Fund's mandate?

A: There is no plan to support projects in *developed* countries. There may be an issue as to where one draws the line between developing and developed countries, as all indicators are relative. However, our mandate is clear on this matter and we have no intention of moving outside it.

Q: Barely a few days after your assumption of office as CEO of the Fund, you were keen about strengthening the level of co-operation among Member Countries of the Fund, as well as beneficiary states. Can we share your vision on this?

A: It is the fundamental mission of the Fund to reinforce co-operation between its Member Countries and other developing countries. And I believe, in this respect, the OPEC Fund should consider working closer with its sister institution OPEC to help complete the circle that joins OPEC nations to the rest of the developing world. I am thinking, in particular, about the fact that a major share of future incremental oil demand will be assumed by developing countries.

This will create a certain interdependence between those countries (the oil consumers) on the one hand and OPEC Member States (the oil producers) on the other. When we bring the OPEC Fund into the equation, with its mandate to foster the social and economic advancement of the developing countries, there is a further convergence of interests. It seems clear to me, therefore, that there could be much to gain all round from strengthened co-operation.

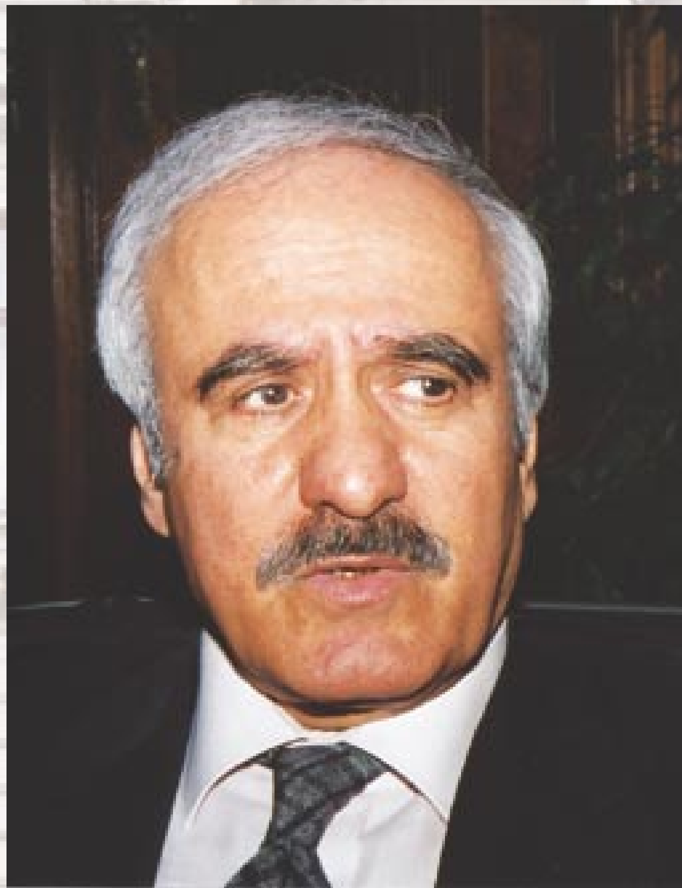
Q: You have also stressed the need to promote greater awareness of the Fund's global development efforts. How do you envisage achieving this, especially with regard to gaining greater recognition from the private sector?

One possible way of enhancing the Fund's profile could be through greater co-operation with other OPEC aid organizations. Do you think this is a viable option, or are you thinking of another approach, and if so, what might this be?

A: It is true that I am fully committed to doing all I can to give the Fund greater visibility. This is particularly vital within our Member Countries as we have to be seen to living up to our mandate and using their contributions wisely. With this in mind, we are looking at ways of creating greater awareness of our work through public relations exercises such as journalists' workshops. We also have to do more to raise our profile in beneficiary countries and clarify the widespread confusion between OPEC and the OPEC Fund. This is perhaps a task our two institutions could undertake jointly. However, a lot of brainstorming still needs to be done to identify exactly how such a 'partnership' could work, particularly as we face different challenges — for OPEC the problem is one of 'image', while for the OPEC Fund the issue is more one of 'visibility'.

With regard to the private sector, our involvement here has led us, for the first time, into a 'competitive' arena, and we face having to develop more pro-active marketing strategies to secure a niche in the market.

Co-operation with other institutions is always a preferred option as we can share expertise and experience (as well as some of the risk in the private sector). We have a long history of collaboration with the regional development banks, with UN agencies, NGOs and, of course, with our sister institutions. Indeed, of the 26 public sector projects we approved in 2003, for example, 17 of them were co-financed with other development institutions. As far as visibility is concerned, there are certainly benefits through association to be gleaned from working closely with like-minded agencies.



Q: There have been suggestions in recent years that the Fund should consider assisting Member Countries in need of its support. Do you think that the mandate of the Fund should be expanded to include assistance to Member Countries?

A: The mandate of the Fund is very specific in this regard and with good reason. If I can take you back to the first OPEC Summit of Heads of State and Government which was held in Algiers back in 1975, the Solemn Declaration emanating from this meeting committed OPEC Member Countries to helping spur social and economic development in their sister developing countries as a means of narrowing the gap between rich and poor and protecting international stability. The OPEC Fund was conceived as their *collective* instrument (in addition to bilateral channels) for carrying out this commitment, a commitment I should add which was re-affirmed at the Second Summit in Caracas in 2000. The Fund's mandate states clearly that it may extend assistance to *all* developing countries, with the exclusion of Member Countries. The explicit intent was — and still is — to strengthen South-South solidarity. That said, however, the Fund does not ignore its Member States in times of dire need. In the past few years alone, for example, we have extended emergency aid to Algeria, Indonesia, IR Iran and Venezuela in the aftermath of natural disasters, and will do so again in similar situations should the need arise. In addition, many Member Countries have benefitted from regional programmes financed through our grant window.

Q: Over the years, the Fund has been a staunch supporter of the Common Fund for Commodities, although some say that the CFC's limited membership also limits its effectiveness. Do you believe that the CFC is deserving of the Fund's continued support, or could you envisage a more effective way of achieving the aims of the CFC? What alternatives might be considered to achieve these or similar aims?

A: Firstly, I would have to disagree on the comment about the CFC's membership. It currently has 104 member countries, in addition to the European Community, the African Union/African Economic Community and the Common Market for Eastern and Southern Africa. Its membership could not therefore be described as limited, despite the absence of a few major countries.

As far as the OPEC Fund's support for the CFC is concerned, there is a clear community of purpose between the two institutions. The CFC seeks to strike a balance between the economic interests of its member countries, whether producers or consumers — an objective that is easy to marry with the OPEC Fund's global objective of reinforcing financial co-operation between the OPEC Members and other developing countries. Thus, in supporting the broad objectives of the CFC, the Fund is being true to its own mandate, as indeed it was when it helped establish the CFC. In total, we pledged support amounting to $83.56m. Some $37.16m of this was given to cover the subscriptions of 35 least developed countries to the CFC's First Account, and a further voluntary contribution of $46.3m was given towards the Second Account.

However, it has to be said, from the OPEC Fund's point of view, that it is disappointing that the objectives of the First Account have so far proved to be elusive. Its intended purpose was to contribute towards the financing of buffer stocks as well as internationally co-ordinated national stocks within the framework of International Commodity Agreements or Arrangements (ICAs). Regrettably, this has not happened. The explanation given for this is the subsequent market developments which no one had anticipated at the time the CFC was conceived in 1981 or, for that matter, by the time it eventually became operational in 1990. As a result, by the late eighties and early nineties, the issue of buffer stocking, as an economic imperative in the commodities arena, was already in serious decline. This inevitably led to the unraveling of the various ICAs which had been previously set up to modulate swinging fluctuations in commodity prices and assure price stabilization.

Regarding our continued support to the CFC, it should be reiterated that the OPEC Fund's mandate enjoins it to co-operate with international development agencies set up to benefit developing countries. In that respect, it should be noted that the CFC's Second Account operations cover activities that are very similar in nature to those carried out by the OPEC Fund.

Turning to the question of alternatives that could help revitalize the objectives of the CFC, I believe that this is better left for the member countries of the CFC to decide upon.

Q: The Fund has signed numerous agreements for the protection and encouragement of investment with various countries. Can you elaborate on what the function of these agreements is, and whom do they benefit in concrete terms?

A: To date, 53 Agreements for the Encouragement and Protection of Investment (AEPI) have been entered into between the Fund and host countries. In essence, they exist to support and protect our engagement in the private sector by according the Fund the same privileges as would normally be given to international development institutions in which the host country holds membership. In practical terms, these privileges and immunities extend to preferred creditor status and special tax treatment of investments.

In the public sector, the required immunities and privileges are secured by the agreements signed for every project between the Fund and the sovereign borrower. However, in private sector operations, the Fund generally deals directly with private companies and other entities which have no legal power to confer any such privileges and immunities. The resulting gap is therefore filled by the governments of the host countries through the conclusion of individual protection treaties.

Q: On a slightly more personal level, how much autonomy does the Director General of the Fund have in his day-to-day work? In other words, what kind of decisions can you make on your own, and what requires the approval of the Fund's Governing Board before it can be implemented?

A: The main agreement of the Fund sets out very clearly the responsibilities of the Director-General as well as those of the Governing Board and Ministerial Council. We operate within these set boundaries. Fortunately, at the Fund, Management enjoys an extremely good relationship with its superior bodies.

Q: Finally, could you describe the OPEC Fund that you inherited? How daunting is the task? How easy or difficult has it been made by the structure you inherited? Should we expect any restructuring of the Fund?

A: The OPEC Fund is an institution that has been evolving continuously since its inception 28 years ago. The OPEC Fund you see today bears little resemblance to the institution of 20 years ago or even of 10 years ago. This has been partly by necessity — the development arena is constantly shifting — and partly by design — it is in the Fund's interest to accommodate change if it is to remain relevant. Personally, I believe that change is healthy and that a dynamic organization has the potential to be a successful organization. It is early days yet, but I will certainly be looking to see that management copes with challenges in a pro-active manner in order to achieve an even better performance for the institution.

Saudi Arabia's Crown Prince Abdullah makes three-day state visit to Austria

Photo: Reuters/Herwig Prammer

Left: Saudi Arabia's Deputy Premier and Commander of the National Guard, HRH Crown Prince Abdullah (r), and Austrian President Dr Thomas Klestil (l) review a guard of honour.

Below: Crown Prince Abdullah with Dr Klestil and his wife Dr Margot Klestil-Löffler.

Photo: Reuters/Herwig Prammer

Vienna — Saudi Arabia's Deputy Premier and Commander of the National Guard, HRH Crown Prince Abdullah Bin Abdul Aziz Al Saud, arrived in Austria on March 31 for a three-day official visit. The Crown Prince was greeted on arrival with full military honours, and was welcomed by Austrian President Dr Thomas Klestil and other top officials.

After talks between Crown Prince Abdullah and Klestil, they witnessed the signing of a bilateral agreement on technology, industry, information and scientific research. The signing was followed by a state banquet for the Crown Prince.

In his banquet speech, Klestil emphasized the importance of the signing of the bilateral agreement, stating that "… these are important signs of mutual interest to broaden and deepen relations between the two countries. For Austria, the Kingdom is the most important trade partner in the region."

Also speaking at the banquet, the Crown Prince stressed that "… Islam is a religion of peace, love and tolerance, and that terrorists who spill the blood of the innocent are a small minority, who have nothing to do with Islam or with Muslims.

"We in the Islamic world have suffered greatly, just like all our friends have suffered," he added.

The Royal visit also included talks with Austrian leaders on economic co-operation, the Middle East roadmap to peace, Iraq and international terrorism. Crown Prince Abdullah also held discussions with Austrian Chancellor Dr Wolfgang Schüssel during the course of his visit.

On June 30, 2001, the Kingdom and Austria signed an agreement covering the encouragement and reciprocal protection of investments. According to figures from the Austrian Trade Commission, imports from the Kingdom stood at €139.5m in 2001 and exports from Austria to the Kingdom exceeded €168.5m in the same year.

Left: Saudi Foreign Minister, HRH Prince Saud Al-Faisal (seated at table), and Austrian Federal Minister for Economic Affairs and Labour, Dr Martin Bartenstein (also seated), sign a trade agreement between Austria and the Kingdom of Saudi Arabia, as Crown Prince Abdullah and Dr Klestil look on.

Right: Dr Klestil (standing) speaks at the banquet, together with (seated, l-r): Prince Saud Al-Faisal, Dr Margot Klestil-Löffler, Crown Prince Abdullah, Saudi Arabian Director of General Intelligence, Nawaf bin Abdel Aziz, and Austrian Chancellor, Dr Wolfgang Schüssel.

Qatar plans to increase liquefied natural gas exports to 60 million tonnes/year by 2010

*Qatar, which has already made impressive strides in the gas sector, is planning a further huge expansion of its gas industry, according to the country's Second Deputy Prime Minister and Minister of Energy & Industry, **HE Abdullah bin Hamad Al Attiyah***.*

** Based on **HE Al Attiyah's** speech to the LNG 14 conference in the Qatari capital Doha on March 21, 2004.*

One decade ago, the Emir of Qatar, His Highness Sheikh Hamad Bin Khalifa Al-Thani, anticipated the major economic role that liquefied natural gas (LNG) would play as a clean source of energy, which has become a priority in the consuming societies.

That importance is reflected in the number of delegates from various fields in this industry who have shown their keen interest in participating in this conference — LNG 14 — and it is timely that it is being held in Qatar, which is establishing itself as the world capital of the gas industry.

In recent years, Qatar has achieved impressive strides in the gas sector, mainly in production, manufacturing and marketing. The government's continuous efforts to boost the gas sector, in co-operation with international companies that possess expertise and advanced technology, have contributed to Qatar's ranking as a major global LNG producer.

The country has benefited from its huge reserves, favourable geographical location, stable investment climate and above all, the confidence that the Emir has placed in us to pursue all projects that assist in achieving our objectives.

These words are exemplified by such major achievements as the establishment of plants, including LNG and gas-to-liquids (GTL) trains, agreements with major oil and gas companies, establishing major projects like QatarGas and RasGas, building the port of Ras Laffan, which is the world's largest port for exporting gas, in addition to investment in infrastructure, large carriers and receiving terminals in the consumer markets.

The LNG industry, the GTL projects and the Dolphin gas project, in addition to other projects under way or under negotiation, stand as models of regional and international co-operation and as a unique strategic initiative for gas exploration, production and processing.

All these major achievements are part of the government's efforts to enhance revenue through our policy for the optimal utilization of the nation's natural resources, mainly gas. We anticipate that, following the introduction of the third LNG train at RasGas last month, our gas exports will exceed 60 million tonnes/year by 2010, significantly up from the current production of 18m t/y.

Other projects we are pursuing are the two exploration and production-sharing (EPSA) deals with ExxonMobil to build two large LNG trains to supply Europe with a total capacity of 15m t/y, and three similar trains — two with ExxonMobil and one with ConocoPhillips — to supply the American market. Further expansion projects are being pursued to supply LNG to other markets as and when conditions allow.

Such major projects will require a massive investment of around $30 billion, including the cost of production field development, plant construction, port expansion and the building of huge LNG carriers, as well as the receiving terminal infrastructure in those consumer markets.

The basic pillars through which optimal utilization of the country's resources can be accomplished include providing the proper climate, continuous support for industry while taking into consideration scientific and technological developments, the ability to compete and cope with consumption requirements, and making the gradual transfer to an industrial society while adopting and maintaining existing values.

We have succeeded in implementing the basic elements of the strategy and have been able to secure long-term contracts — a major requirement for this industry — as well as open new markets and proceed in the expansion process of our two gas companies to meet the needs of our customers in different parts of the world.

Qatar will continue with the development necessary for the gas industry to satisfy the requirements of investors and consumers of natural gas, and to play its part in meeting the needs of the world and future generations for clean, economical energy.

A few weeks ago, the first shipment of Qatari LNG was exported to India under a 25-year contract to supply 7.5m t/y, subject to increases in demand in the Indian market. We believe this will enhance future co-operation and potentially increase demand for Qatari LNG, mainly in the light of the growth of the Indian market as it seeks to cope with technological development.

It goes without saying that Qatar presents an ideal place for business and investment opportunities, particularly in gas-related industries.

Achieving environmental goals requires, among other things, a switch to clean energy resources, of which natural gas is the most significant, in addition to its technical and economic advantages that promote increased utilization.

I would like to conclude by noting that Qatar is proud to have contributed to the rapid development of the natural gas industry during the last few years, and we pledge to maintain this high standard of commitment and excellence.

info box

World's top LNG exporters

	million tonnes/year
Indonesia	34.33
Algeria	26.88
Malaysia	20.52
Qatar	18.59
Australia	10.03
Brunei	9.14
Oman	7.96
Nigeria	7.84
UAE	6.85
Trinidad & Tobago	5.32
USA	1.70
Libya	0.63
Japan	0.15
South Korea	0.05
Total	**149.99**

Source: BP Statistical Review 2003.

"It goes without saying that Qatar presents an ideal place for business and investment opportunities, particularly in gas-related industries."

Qatar's gas export plans receive major boost as world's largest LNG train is inaugurated

by Graham Patterson

Qatar's plans to increase its liquefied natural gas (LNG) exports have received a major boost with the inauguration of the third LNG train at the RasGas plant in Ras Laffan industrial city in March.

Speaking at the inauguration ceremony, Qatar's Second Deputy Prime Minister and Minister of Energy & Industry, Abdullah bin Hamad Al Attiyah, noted that the move marked a significant achievement by Qatar Petroleum (QP) in implementing the country's strategy for the optimal utilization of its natural resources.

The new train is the world's largest, with a production capacity of 4.7 million tonnes/year. It has been built to supply Qatari LNG to India as part of a contract with Indian firm Petronet.

The addition of the third train, said the Minister, would be a significant step in enabling Qatar to realize its plans to boost gas exports to more than 60m t/y by 2010, up from the current production of 18m t/y.

The first phase of the deal envisages deliveries of 5.0m t/y of LNG to Petronet, of which 4.7m t/y will come from the new train and the remaining 300,000 t/y from the two previously-built trains at RasGas. The amount is seen rising later to 7.0m t/y.

The LNG, produced at the RasGas liquefaction plant in Ras Laffan industrial city, draws its gas supply from Qatar's enormous North field, containing in excess of 900 trillion cubic feet of gas.

"The Petronet-RasGas deal has been a ground-breaking agreement, due to the sheer size of supplies involved and due to the vision that the Qatari and Indian governments share to transfer a safe, reliable and environmentally friendly source of energy from one country with an abundance of supply to another with a huge and growing demand," said Al Attiyah.

"The State of Qatar is proud to be associated with the Indian government's vision and we look forward to contributing to that vision and expanding our co-operation with India in all areas of mutual interest," he added.

The Minister went on to outline some of the key technological enhancements and synergies associated with the new third train. They include:

— The adoption of big bore wells, which currently have the largest offshore completion in the world. The wells are each capable of producing up to 200m cu ft/day.
— The laying of wet offshore pipelines designed to handle three phases: water, condensate and gas. This enables savings to be made by building the water processing units onshore rather than offshore.
— The optimization of the design of the gas turbines, where the capacities of the associated equipment are built around such optimization.
— Maximization of the synergies with trains one and two and the marine loading facilities in Ras Laffan port.

"The addition of RasGas train three to Qatar's capacity to supply the world's markets with what has become the fuel of choice of the twenty first-century, is another proof of our commitment to take the lead in developing the required infrastructure and facilities to help meet future energy demand and fuel economic growth," said Al Attiyah.

Successful delivery

The first cargo of gas under the Qatar-Petronet agreement has already been successfully delivered to India's first operational LNG receiving terminal, which is located at Dahej, in Gujarat State. The cargo was transported on the LNG tanker *Disha.* The tanker is appropriately named, since *disha* is a Hindi word signifying direction, especially in a forward-thinking capacity.

The vessel was built by Korean firm Daewoo Shipbuilding & Engineering Co. It is capable of delivering 2.5m t/y of LNG, equating to 40 cargoes per year. A sister ship is due for delivery next year, enabling the target of 5.0m t/y to be reached.

The ship is a membrane-type LNG tanker, with a very specific cargo containment system to hold LNG at sub-zero temperatures. Such ships have been safely trading for over 25 years and have an excellent safety record. The 138,000 cu metre capacity tanker can complete the round trip between Qatar and India in 8.5 days.

The ship-owner is a Japanese/Indian/Qatari consortium comprising Mitsui OSK (responsible for initial ship management), K-Line, NYK, the Shipping Corporation of India (SCI) and Qatar Shipping. After approximately five years, it is expected that SCI will take over the management of the ship.

RasGas was established in 2001 to operate and maintain all facilities established and owned by the Ras Laffan Liquefied Natural Gas Company (trains one and two) and RasGas II (trains three and four). RasGas II is a joint venture owned 70 per cent by state oil firm Qatar Petroleum and 30 per cent by ExxonMobil.

Photo: Qatar Petroleum

Photo: Qatar Petroleum

Above: An aerial view of Ras Laffan.

Opposite page: A Qatari LNG tanker at sea.

This section is compiled from various sources, including the OPEC News Agency (OPECNA), which transmits three daily bulletins of news, analysis and features from OPEC Member Countries and emerging economies. Those interested in news on oil, energy and economic development issues can e-mail opecna@opec.org for more details.

In brief

ExxonMobil makes new Angolan find
Irving, Texas — ExxonMobil subsidiary Esso Exploration Angola and Angola's state oil firm Sonangol have announced that they have made a seventeenth deep-water oil discovery on offshore block 15. The Bavuca-1 well was drilled in 3,589 feet of water to a total depth of 10,613 ft, and tested at a flow rate of 2,726 barrels/day of oil with an API gravity of 17-18°. Located approximately 215 miles north-west of Luanda, block 15 could yield about 4.5bn boe, the company said in a statement. The new find, together with other discoveries previously announced on blocks 15, 17, 31 and 32, represents a significant addition to the company's total resource base in Angola, which now stands at more than 11.5 billion boe. In addition to Esso with 40 per cent, other participants in block 15 are BP (26.67 per cent), Italy's ENI (20 per cent) and Norway's Statoil (13.33 per cent).

Giant Kashagan project gets go-ahead
London — The Kazakh petroleum authority, Kazmunaigaz, and the North Caspian Sea production-sharing agreement consortium have approved the development plan for Kashagan, a giant oil field in Kazakhstan. The Kashagan field was discovered in 2000 and is estimated to have 38 billion barrels of oil in place, making it one of the largest discoveries in the last 30 years. First oil from Kashagan is currently targeted for 2008. Initial production is expected to be 75,000 barrels/day, rising to an estimated 450,000 b/d during the first phase of development. Subsequent phases are expected to result in full field production of an estimated 1.2 million b/d. The partners in the consortium and their shareholdings are Shell with 16.67 per cent, Agip Caspian Sea (16.67 per cent), BG (16.67 per cent), ExxonMobil (16.67 per cent), Total (16.67 per cent), ConocoPhillips (8.33 per cent) and Inpex (8.33 per cent).

BP shuts Welsh petrochemicals plant
Port Talbot — BP Chemicals has announced the closure of the last petrochemicals plant at its Baglan Bay site in Port Talbot, South Wales. Production of isopropanol is scheduled to cease this month, marking the end of over 40 years of petrochemicals manufacturing at the site. Making the announcement, BP's Works General Manager, Gareth James, said that although the staff at Baglan Bay had worked "exceptionally hard" to make the operation profitable, its small scale and the lack of feedstock or product integration had ultimately made this impossible. "A review of our business strategy has made it clear that it is not viable to continue operations at Baglan," James said in a statement.

Indonesian government to get huge revenues from gas pipeline project

The Indonesian government could receive around $11 billion in revenue for 20 years from a massive gas pipeline project linking East Kalimantan with the island of Java, according to a feasibility study.

The *Jakarta Post* quoted the study, which was carried out by consulting firm PT Pendawa, as saying that the government share represented 36 per cent of the total $31.1 billion in revenue expected from the project, which will start operations in 2008.

"The government would get the bulk of the revenue," commented the President of PGN, the state-owned natural gas distribution company, W M P Simanjuntak.

PGN will start construction of the 1,780-km pipeline in 2005. The pipeline will distribute gas from producers in East Kalimantan mainly to industrial users in East and West Java. According to the study, the gas producers will be charged a toll fee for the gas distributed through the pipeline.

The study added said that another 27 per cent of the revenue would go to the investors financing the project, while the remaining 37 per cent would be used to cover the costs.

The pipeline project would be carried out in two phases. The first involves the construction of a 1,100-km transmission pipeline from East Kalimantan to East Java, with a planned capacity of between 700 million and 1.0 billion cubic feet/day.

The second phase would be the construction of a 680-km transmission pipeline from East Java to West Java, with a planned capacity of between 300–350m cu ft/d.

The project requires an estimated investment of around $1.7bn. Simanjuntak said that PGN would try to get commercial loans of around $1.2b, while the remaining $500m would be from PGN's own equity, investors and multilateral lenders.

He added that PGN had approached companies who operate natural gas fields in East Kalimantan asking them to sell their gas to PGN.

The Director General of Oil and Gas at the Ministry of Energy and Mineral Resources, Iin Arifin Takhyan, said that the project was timely given the increasing demand for natural gas on Java island and the need to replace oil as fuel.

The *Jakarta Post* report also said that if the country's economy grew at between 3 to 6 per cent, natural gas demand in Java would also grow by between 4.9 and 8.3 per cent annually.

The study projects that gas demand in Java could reach between 1.8–2.4bn cu ft/d 2010 and between 3.0–6.0bn cu ft/d by 2025.

Natural gas demand in Java in 2002 was 1.48bn cu ft/d, mostly for power plants and industry. Major natural gas consumers in Java include steel company PT Krakatau Steel, fertilizer company PT Pupuk Kujang, and the Muara Karang and Muara Tawar power plants.

Saudi Aramco officials refute claims of problems with Kingdom's reserves

Senior officials from Saudi Arabia's state oil firm Saudi Aramco have vigorously refuted claims by Houston-based consultant energy consultant Matthew Simmons that the Kingdom could be facing long-term problems with its oil production.

Speaking at a conference in Washington DC, the firm's Vice-President of Exploration, Mahmoud Abdul-Baqi, and its Manager of Reservoir Management, Nansen G Saleri, presented Saudi Aramco's outlook for its crude oil production over the next 50 years to a standing-room-only crowd.

More than 150 people attended the event, organised by a respected Washington-based think-tank, the Centre for Strategic and International Studies (CSIS), at which Abdul-Baqi and Saleri presented the case for Saudi Aramco's role as a reliable long-term supplier of oil to global markets.

Saudi Aramco, they said, could strongly increase production if markets required additional supplies. If needed, the firm could raise production to 10 million, 12m or even 15m barrels/day and sustain those production levels for 50 or more years.

Abdul-Baqi began by citing the company's 70-year history of reliability, adding that there would be "at least another 70 years" of service to global oil markets. He drew attention to the vast areas of the Kingdom that remain unexplored, noting that the country's currently known oil initially in place is 700 billion b.

Saudi Aramco's own studies, which are consistent with the US Geological Survey's 2000 estimate, indicate that the company expects to expand its volume of oil initially in place by an additional 200bn b by 2025.

Saleri emphasized the company's use of first-class reservoir management practices, citing their implementation as one of Saudi Aramco's most strategic assets in assuring maximum recovery of crude oil.

He discussed the company's use of real-time reservoir management, intelligent wells and superior diagnostics using state-of-the-art computer models, and explained how these methods have allowed Saudi Aramco to continually reduce operating costs and increase recovery.

Saleri concluded the team's presentation by emphasizing three points:

- Saudi Aramco's oil reserve figures are conservative and have significant upward potential.
- The company has a capacity and commitment to continue as a reliable and cost-effective global supplier.
- The company is confident that, if warranted by market conditions, sustained production levels at 10m, 12m and 15m b/d are achievable through 2054. In all three scenarios, prudent reservoir management practices, oil-focused exploration efforts and cutting-edge technology can extend the plateau period well beyond 2054.

During a question-and-answer session that followed, Abdul-Baqi and Saleri said the company can expand production readily using its own financial resources and organizational and technical capabilities.

During their visit to Washington, the two also spoke at an energy seminar attended by more than 60 academic leaders, students, media and energy consultants at the invitation of the International Energy and Environmental Program at Johns Hopkins University's School for Advanced International Studies.

They provided a summation of points presented at the CSIS and answered questions at the American Petroleum Institute for industry experts and association staff, and also visited the US Department of Energy and shared their views with experts there.

The CSIS is considered one of America's most distinguished think-tanks. The event was attended by industry and government representatives, analysts and think-tank officials, and was widely covered by Dow Jones, Reuters, Energy Intelligence Group, Platts, the *Wall Street Journal* and the *New York Times*, among others.

The event was supported by the Washington office of the Aramco Services Co (ASC) and attended by the ASC's President and CEO, Mazen I Snobar, and the Director of its Washington office, David D Bosch.

Transcripts of the event are available on the CSIS website at www.csis.org. The presentations can also be found on the Saudi Aramco website at www.saudiaramco.com.

Iraq's oil industry makes steady progress as both output and exports rise

Iraq's oil industry has continued to make steady progress in recent months, and production and exports have closed the gap with the planned levels for the end of the first quarter of this year, according to a statement released by Iraq at the 130th OPEC Conference in Vienna in March.

Total oil production stands now close to 2.5 million barrels/day, with some 2.0m b/d coming from the southern oil fields, and about 500,000 b/d being produced from oil fields in the north, said the statement.

Oil exports have received a boost with the re-opening of the Al-Amaya export terminal in the Gulf and the restarting of exports of Kirkuk crude oil from the Ceyhan terminal in Turkey on the Mediterranean.

Although crude oil exports from these new outlets are still below their full potential, they nevertheless represent a significant milestone in Iraq's efforts to restore its previous export levels.

"Presently, the level of oil exports of

In brief

Shell's Watts quits after reserves debacle
London — Royal Dutch/Shell has announced that Sir Philip Watts has quit as Chairman of the Board of Shell Transport and Trading and as Managing Director of the company. Another top executive, Walter van de Vijver, has stepped down from the board of management of Royal Dutch Petroleum and as a Group Managing Director, Shell said in a statement. The moves, which Shell said were "by mutual consent", came in the wake of an announcement by the company of a cut of around 20 per cent in its oil and gas reserves, which sent the stock price tumbling. Jeroen van der Veer, the President of Royal Dutch Petroleum, will succeed Watts as Chairman of the Committee of Managing Directors.

North Slope field to get output boost
Houston — ConocoPhillips and Anadarko have announced plans to increase oil production capacity at the Alpine field on Alaska's North Slope to 140,000 barrels/day. The field, which started production in November 2000, is currently producing about 100,000 b/d. The expansion project, which is expected to be completed by mid-2005, will increase both the oil handling and seawater injection capacities of the field facilities. Alpine is the largest onshore oil field discovered in the US in more than a decade, and is also the westernmost producing oil field on Alaska's North Slope. The field is located in the Colville River area, 34 miles west of the Kuparuk River field, near the border of the National Petroleum Reserve Alaska. It is operated by ConocoPhillips, which also has a 78 per cent stake in the field, with the remaining 22 per cent held by Anadarko.

IEA raises oil demand assessment
Paris — Surging oil demand in China and other non-OECD Asian economies has raised the International Energy Agency's (IEA) assessment of global oil demand growth in 2004 by 220,000 barrels/day to 1.65 million b/d, the Paris-based organization said in its latest *Oil Market Report*. Non-OECD Asian demand is now expected to grow by 1.0m b/d in 2004, said the IEA. On the supply side, February OPEC-10 crude supply was seen holding steady at 25.8m b/d, 1.3m b/d above November's target and 2.3m b/d above that set for April 1. Despite progress at the end of February in expanding Iraq's export potential, loading delays at the Basrah oil terminal cut 100,000 b/d from Iraqi supply. World oil supply rose 60,000 b/d in February to 82.0m b/d. Non-OPEC production increased 140,000 b/d while OPEC crude supply fell 90,000 b/d, said the IEA, adding that US gasoline stocks tightened in February.

In brief

Shell makes oil find off Malaysia
KUALA LUMPUR — Shell Malaysia has announced that its joint venture with Petronas Carigali and ConocoPhillips has made a significant oil discovery located in deep-water block J, in the waters to the north-west of Sabah, Malaysia. The Gumusut-1 exploration well encountered what Shell described in a statement as "a long gross oil column in excellent reservoir quality rock", although it gave no figures. Initial indications are that the Gumusut crude oil is light and of high quality, added Shell. The discovery well was drilled in a water depth of 1 km and was completed in December 2003, after 80 days of drilling operations. A vertical well and two sidetracks were also drilled. The joint venture partners in block J are Shell Malaysia (the operator with 40 per cent), ConocoPhillips (40 per cent) and Petronas Carigali (20 per cent).

BP sells stake in Singapore refiner
SINGAPORE — BP and the Singapore Petroleum Company (SPC) have announced that they have reached an agreement for SPC to purchase BP's refining interests and one-third stake in the Singapore Refining Company (SRC) for $140 million. The refining interests include BP's one-sixth equity interest in the Tanker Mooring Services Company. Subject to receiving the necessary approvals and consents, the companies anticipate completing the transaction by June 30, 2004. SPC already owns a one-third share of the 285,000 barrels/day refinery, with the remaining one-third being owned by Caltex. "This acquisition is a logical step for SPC to consolidate its asset base, strengthen its earnings capability and add to shareholder value. With healthier refining margins, this acquisition is expected to enhance SPC's earnings," commented SPC's Chairman, Choo Chiau Beng.

Tillerson elected ExxonMobil President
IRVING, TEXAS — The board of US major ExxonMobil has elected Senior Vice-President Rex Tillerson as company President and a member of the board with effect from March 1. Tillerson has held a number of senior positions in ExxonMobil, including Executive Vice-President of ExxonMobil Development Company, and is a member of the Society of Petroleum Engineers and the American Petroleum Institute. With the addition of Tillerson, the ExxonMobil board is now comprised of 13 directors, 10 of whom are non-employees. The appointment does not affect Lee Raymond, who continues in the role of Chairman and Chief Executive Officer of the corporation. Raymond, 65, had originally been due to retire in August 2003, but agreed to defer his retirement.

about 1.9m b/d is higher than the export level just prior to the war, and we are planning to increase it still further to reach some 2.2–2.3m b/d during the next quarter and hope to maintain this level for the rest of the year. This implies a production target of about 2.8–3.0m b/d over the rest of the year," noted the statement.

Iraq also said that it views the recent OPEC decision to reduce the ceiling by 1.0m b/d from April 1 as a positive one that would support oil prices.

"The supply and demand situation has also improved in OPEC's favour, with the demand on oil showing good growth in both industrial and developing countries, while there are increasing doubts on non-OPEC extra production. This has resulted in a lower supply surplus in the second quarter," it noted.

Rodríguez Araque retains post as PDVSA President in internal reorganization

Venezuela's Energy and Mines Minister, Rafael Ramirez, has announced that Dr Alí Rodríguez Araque *(pictured above)* has been reappointed as the President of state oil firm PDVSA.

A new organizational structure has been adopted that includes three new Vice-Presidents, two Internal Directors, and four External Directors who make up the new 10-member board of directors, according to a PDVSA statement quoted by the OPEC News Agency.

The new Vice-Presidents are Ivan Hernandez, who will be responsible for refining; Jose Rojas, responsible for finance; and Felix Rodriguez, responsible for exploration and production.

Dexter Rodriguez and Nelson Martinez were named Internal Directors, while Luis Vierma, Nelson Nunez, Rafael Rosales and Victor Alvarez have been appointed as External Directors.

The main objective of the organizational transformation is the separation of accounts required under Venezuela's Hydrocarbons Law, said Ramirez.

He noted that in this regard, the country's state-owned oil industry had been unified from exploration and production to the final sale, marketing and supplies.

From now onwards, the profits and losses of each of the business units will be known with precision. The units will meet their fiscal commitments separately, which means that a considerable increase in tax contribution will be expected from the country's hydrocarbons sector, Ramirez explained.

Additionally, cross-subsidies among PDVSA companies or the transfer of costs from one company to another will be avoided, he noted.

Under the new company structure, PDVSA subsidiaries Citgo and Cila will fall under the vice-presidency responsible for refining, while Intevep and PDVSA Gas activities and marketing and supplies will be co-ordinated by a managing director.

Petrochemicals is subject to a study, but in the meantime has been included as a priority area within the corporation's 2004–09 business plan.

Shell signs landmark deal to re-enter Libya as US firms get OK to return

The Libyan unit of Anglo-Dutch oil giant Royal Dutch/Shell and Libya's National Oil Corporation (NOC) have signed a framework agreement for the establishment of a long-term strategic partnership in the country's upstream oil and gas industry.

The accord was signed in the Libyan capital Tripoli by the Chairman of the Management Committee of the NOC, Abdalla Salem El Badri, and the Chief Executive Officer of Shell Exploration & Production and Shell Gas & Power, Malcolm Brinded, according to a Shell statement.

The signing coincided with the visit of the British Prime Minister, Tony Blair, to meet with the Libyan leader, Colonel Moammar Gadhafi *(see Member Country Focus section for details)*.

The accord consists of a preliminary understanding of the parties regarding key principles for participation by Shell Libya Petroleum Development BV in the Libyan upstream, including onshore exploration, and the development of liquefied natural gas facilities. It could, said the Shell statement, lead to the development of world-class integrated upstream and LNG export projects.

Commenting on the signing of the agreement, Malcolm Brinded said: "I am delighted by the warm invitation to Shell from the Libyan NOC to participate in the country's oil and gas industry.

"I look forward to our co-operation becoming a cornerstone in a renewed trade relationship between the UK and Libya. This landmark agreement provides a roadmap for future developments, which would involve Shell contributing to the efforts to enhance the country's production capabilities, and particularly its LNG export capacity," he added.

Royal Dutch/Shell was active in the Libyan upstream from the 1950s until 1974, and conducted exploration in the country in the late 1980s.

In a separate development, US oil companies with holdings in Libya are eyeing their return now that the US has granted permission for them to renegotiate deals that were put on hold by the imposition of sanctions in 1986, according to reports from the BBC and the Associated Press (AP).

Three US firms — ConocoPhillips, Marathon Oil and Amerada Hess — participated in the Oasis Group with Libya's NOC to produce about 850,000 barrels/day until the sanctions were imposed. The NOC had a 59.16 per cent stake in the project, with ConocoPhillips and Marathon holding 16.33 per cent each, and Amerada Hess having the remaining 8.16 per cent.

"We will have a team go over shortly to begin the negotiation of the terms of our re-entry," said Amerada Hess spokesman Jay Wilson. "What we've had is a green light but not the green light," he added.

ConocoPhillips was also cautiously optimistic, saying: "Our return to active participation in the Oasis group's Waha concession area remains dependent upon further authorisation from the US government."

Marathon Oil commented that "a return to normalized relations will not only benefit Marathon and its partners, but will also protect US business interests in Libya."

Another US firm, Occidental Petroleum, also has frozen assets in Libya. Occidental's Chairman, Ray Irani, recently visited Libya and said that the company was planning to reopen an office there as soon as possible.

AP quoted Jim Placke, a Senior Analyst with Cambridge Energy Research Associates in Washington who was also a petroleum officer with the US embassy in Tripoli from 1969–71, as saying that he thought the firms "could produce on the scale of the past."

Libya, he added, was "a tidy, significant oil exporter, but it's not going to change the character of the oil market."

Any increase in output as a result of the return of US firms would mean more to the companies and their shareholders than to consumers, said Placke.

Iran's NIOC signs deal with Total and Petronas to create new LNG firm

French oil giant Total announced the signing in February of an agreement with the National Iranian Oil Company (NIOC) and Malaysia's Petronas for the creation of a new joint venture company, Pars LNG.

The accord is the first step towards the development of a long-term partnership between the three companies to produce LNG. NIOC will hold 50 per cent of the new venture, Total will have 30 per cent and Petronas the other 20 per cent.

In brief

Total to upgrade Normandy refinery
PARIS — France oil major Total is to invest €500 million to increase the conversion capacity at its Normandy refinery near Le Havre, the firm said in a statement. A distillate hydrocracker with a capacity of 2.4 million tonnes/year and a steam methane reformer will be built at a total cost of around €500m. The hydrocracker will convert heavy fractions of petroleum into very low sulphur distillates, such as automotive diesel and kerosene, to meet growing European demand for these fuels. The new hydrocracker will also enable the Normandy refinery to significantly reduce its output of heavy fuel oil. It will also produce high-quality bases for lubricants and specialty fluids.

ChevronTexaco gets Deltana block licence
SAN RAMON, CALIFORNIA — ChevronTexaco's affiliate in Venezuela has been officially informed by the Ministry of Energy and Mines that the company will be awarded the exploration license for block 3 in the Deltana Platform. The block is located in an offshore region with significant natural gas potential on Venezuela's Atlantic continental shelf. Commenting on the award, the President of ChevronTexaco Overseas Petroleum, George Kirkland, said: "We are pleased with the Ministry's recent announcement, which adds to our existing exploration position in the Deltana Platform. A successful exploration programme in block 3 coupled with our ongoing activities in block 2 could lead to a commercially viable resource base and an LNG business in Venezuela. Additionally, efforts continue to create gas market access to the US for Atlantic basin LNG that are in alignment with our strategy to grow an integrated global gas business."

New IEA report examines energy use
BRUSSELS — The Paris-based International Energy Agency (IEA) has released a new report which examines how energy efficiency and factors such as economic structure, income, lifestyle, climate, prices and fuel mix have shaped developments in energy use and carbon dioxide emissions in member countries since the organisation was founded 30 years ago. Speaking at the launch of the publication, entitled *Oil crises and climate challenges: 30 years of energy use in IEA countries*, the Agency's Executive Director, Claude Mandil, commented: "There is an urgent need to consider ways to accelerate the decoupling of energy and carbon dioxide emissions from economic growth." One of the major findings of the report is that IEA countries have significantly reduced the need for energy to fuel economic growth.

In brief

Total buys stake in Indian LNG terminal
PARIS — French oil major Total has announced that it has signed an agreement with Shell Gas, a subsidiary of Royal Dutch/Shell, to acquire a 26 per cent stake in a liquefied natural gas regasification terminal project in India. The terminal, which is located in Hazira, on the north-west coast of India in Gujarat State, is expected to receive its first LNG cargo by the end of the year. The transaction remains subject to approval of the relevant Indian authorities. Once the deal is completed, Total will hold a 26 per cent interest in the three project companies: the port company, which is in charge of the construction and operation of the port under a 30-year concession; the terminal company, which is building and will operate the terminal; and the marketing company, which will sell the gas. The terminal will have an initial capacity of 2.5 million tonnes/year, which could later be expanded to 5.0m t/y.

The project is designed to have two trains with an initial capacity of 4.0 million tonnes/year of LNG each. The gas will be produced on block SP11 of Iran's giant South Pars gas field, on which negotiations are presently under way between NIOC, Total and Petronas.

For the development of this project, Total will put into practice the company's expertise in the domain of LNG, as well as its knowledge of the South Pars field, acquired during the construction and entry into production of phases two and three.

ExxonMobil donates medical supplies
JAKARTA — ExxonMobil Oil Indonesia has announced that it has donated emergency medical supplies to Budhi Asih district hospital in Jakarta to assist those affected by the recent outbreak of dengue hemorrhagic fever. The President of Indonesia, Megawati Soekarnoputri, has declared the dengue fever outbreak as a national disaster and asked various parties to provide assistance. Budhi Asih hospital is located in East Jakarta, where the highest numbers of dengue fever cases have been reported, and has been identified as one of the hospitals that most urgently needs assistance to handle the outbreak of the disease.

Shell Egypt announces two offshore finds
CAIRO — Shell Egypt and its joint-venture partners, Petronas Carigali Overseas and the Egyptian Natural Gas Holding Company, have made two hydrocarbon discoveries in their offshore concession in the north-east Mediterranean. Three wells were drilled, (KG45-1, KJ49-1 and LA52-1) and a variety of hydrocarbon plays were successfully tested in the south-west of the concession area. Hydrocarbon discoveries have been made in two locations, and an extensive evaluation programme has been completed. A large volume of new data is now being integrated into the partnership's geological models for the area, Shell said in a statement. Commenting on the discoveries, Shell's Global Exploration Director, Matthias Bichsel, said: "The drilling results have demonstrated that this ultra-deepwater area is a rich hydrocarbon province. The priorities now are to commercialise the discoveries as rapidly as possible."

UAE and Oman sign first cross-border gas transmission agreement

The United Arab Emirates (UAE) and Oman have signed an agreement to regulate the transmission of natural gas between the two countries and to confirm Dolphin Energy as owner and operator of the gas pipeline connecting Oman with the emirate of Fujairah in the UAE.

This accord signifies the first occasion that a cross-border gas transmission agreement has been signed between two Gulf Co-operation Council nations, and strengthens the economic relations between the two countries, according to a statement from Dolphin Energy quoted by the *Khaleej Times*.

The deal was signed in Abu Dhabi by the UAE's Minister of State for Foreign Affairs and Chairman of Dolphin Energy, Sheikh Hamdan bin Zayed Al Nahyan, and Oman's Minister of Commerce & Industry and Chairman of the Oman Oil Company, Maqbool bin Ali Sultan.

In January this year, Dolphin Energy began to supply up to 135 million cubic feet/day of gas from Oman to the Union Water Electricity Company (UWEC) in Fujairah. This gas is the main energy source for UWEC's 656-megawatt power station and 100m gallons/day desalination plant.

In order to meet UWEC's requirements, Dolphin has constructed a 182-km, 24-inch pipeline which crosses desert and mountainous areas belonging to both Oman and the UAE. This connects the border tie-in with Oman's gas pipeline near Al Ain, to Qidfa on the east coast.

The gas supplies from Oman to UWEC will subsequently be replaced by Dolphin gas from Qatar and the border connection can thereafter be used to supply Qatari gas to Oman, as and when required.

The pipeline agreement establishes a joint Oman-UAE pipeline commission to oversee its implementation, and also establishes the necessary mechanisms for the supervision of its construction and operation by Dolphin Energy.

The benefits of the Dolphin pipeline for the UAE are expected to be considerable. UWEC will supply much-needed fresh water to the northern emirates, to Dhaid in Sharjah and to Sweihan in Abu Dhabi, as well as providing up to 500 mw of power to the Federal Electricity and Water Authority.

Nigeria's NNPC signs deal to take operational control of six oil fields

The Nigerian National Petroleum Corporation (NNPC) is to take over sole operational control of six oil fields under a ground-breaking deal with the Anglo-Dutch oil giant Royal Dutch/Shell and US major ChevronTexaco, according to an NNPC statement.

The NNPC has a number of joint ventures with multinational oil companies covering oil exploration and production. Although it has a majority stake in these joint ventures, actual operation has hitherto been carried out solely by the oil majors.

However, Shell and ChevronTexaco have now agreed to cede control of the Egbema West/East, Utapake, Orogho, Aroh, Oghareki and Yorla South oil fields off the Niger Delta, according to the NNPC statement.

The fields, which have total reserves of 457 million barrels, will be operated by an NNPC subsidiary, the Nigerian Petroleum Development Company (NPDC).

"SPDC (the Shell Petroleum Development Company) and ChevronTexaco have nominated some fields in which NPDC will be the operator," NNPC spokesman Levi Ajuonuma was quoted as saying in the statement.

"Some of these fields have substantial potential which will require huge investments in financial and human resources in addition to deployment of cutting-edge technology," he said.

In view of the NPDC's aim to become an independent, world-class exploration and production firm, Ajuonuma said the NNPC and the two oil giants had recently held a workshop to discuss capacity-building for the Nigerian firm.

A committee was set up to devise strategies, determine the resources required and make plans for the transfer of technology to enable NPDC to operate the fields and to manage the new business relationships that will result, he added.

Algeria announces start of its fifth oil and gas licensing round

Algeria's Ministry of Energy & Mines and state oil firm Sonatrach have announced the opening of the country's fifth international licensing round for oil and gas exploration and appraisal opportunities, according to a statement from the Ministry.

A total of ten perimeters are on offer, located within seven different Algerian petroleum basins: Benoud, Oued Maya, Amguid Messaoud, Berkine, Illizi, Melrhir and Gourara. All blocks have very high upside petroleum resources, said the statement.

Technical information and main contractual terms related to the blocks on offer will be presented on April 14 in Algiers. An information package will be available, containing a technical summary of the blocks, data room organization and modalities, and the main contractual terms.

A complete data package (including geological and geophysical data) for the selected perimeters will be available for review during a data room session in Algiers, for a period of one month from April 15.

A company profile will be requested for the data room participation, which will also require payment of fees. Companies will be allowed to duplicate the data for accurate in-house evaluation.

A model contract for each of the perimeters on offer, together with related bid round documentation, will be delivered during the data room session.

Companies may suggest changes to the model contract until May 31, although no changes to the contract will be accepted after this date. All the companies will be informed and receive the final contract draft before June 14.

The closing date for the fifth licensing round will be July 27. Bids will be opened on July 28 in the presence of all bidders.

The signing of contracts will take place within fifteen days following the award. The proposed signing date is August 11.

More details are available on the websites of the Ministry of Energy & Mines at www.mem-algeria.org, or Sonatrach at www.sonatrach-dz.com.

UK's AMEC wins major contract to manage oil field projects in Kuwait

The UK-based project management and services firm AMEC has won a major contract to manage oil field projects in Kuwait, according to a company statement.

The contract with the Kuwait Oil Company (KOC) confirms AMEC's position as a major project manager in the region. This is the first time that the contract, previously held by Parsons and Bechtel, has been awarded to a non-US company.

The five-year contract, which is for an undisclosed sum, covers project management of KOC's upstream oil assets in the south of the country, and there is an option to extend the contract by two years.

Commenting on the award, AMEC's Chief Executive, Sir Peter Mason, said: "We are delighted to be supporting KOC on this exciting and complex contract. This win endorses our expertise in oil and gas, project management and the Middle East, where we already have extensive operations."

Working closely with KOC personnel, AMEC will manage all KOC activity in the south of the country, where the Kuwaiti

In brief

ConocoPhillips added to reserves in 2003
HOUSTON — US major ConocoPhillips has announced that it made a net addition of 650 million barrels of oil equivalent to its proven reserve base during 2003. The company replaced 106 per cent of its 2003 production, or 133 per cent excluding sales and acquisitions, bringing its total reserve base to 7.8 billion boe, excluding 300m b associated with its Canadian Syncrude operation. As a consequence of the additions, the firm's reserves-to-production ratio is now 12.6 years. "ConocoPhillips had a very successful 2003, in terms of project approvals," commented Executive Vice-President of Exploration and Production, Bill Berry.

US refiners face challenges, says API
WASHINGTON — The President of the American Petroleum Institute, Red Cavaney, has written to members of Congress outlining the challenges faced by US refiners in the coming months. The complex process of shifting from producing wintertime fuels to summertime fuels would, wrote Cavaney, be complicated further this year by the new requirements for gasoline reformulations. "The additive MTBE was banned in California, New York and Connecticut; and a new, national low-sulphur gasoline (Tier 2) was also required. As a result of the MTBE bans, refineries must produce a different blend of gasoline, using more crude oil in the process and, because gasoline with ethanol cannot be carried through pipelines, refiners have been forced to use other transportation modes to bring ethanol to consumers. While the substitution of ethanol for MTBE has been successful, the annual springtime transition to summer-blend gasoline could pose significant supply challenges to the industry in integrating the new, expanded ethanol volumes and producing new Tier 2 gasoline," he noted.

Unocal sells geothermal stake to PLN
EL SEGUNDO, CALIFORNIA — US energy firm Unocal has announced that its subsidiary, Unocal North Sumatra Geothermal (UNSG) has sold its interests in the Sarulla geothermal project to the Indonesia state electricity company PLN for $60 million. Under the terms of the transfer, PLN acquired UNSG's interest in the joint operation contract with state oil firm Pertamina and the energy sales contract with PLN. Unocal is one of the world's leading geothermal energy producers, with more than 30 years' experience in the field. In 2000, Unocal's daily geothermal energy production averaged 16m kWh, or the equivalent of 25,000 barrels of crude. The firm's net proved geothermal reserves at year-end 2000 were the equivalent of 170m b of oil.

In brief

Russia's Lukoil to raise output

Moscow — Russian oil giant Lukoil has revised its production plan for 2004 upwards, setting a new annual growth target of 6–7 per cent. The firm's earlier target had been to increase crude production by 4.3 per cent in 2004 to 84.9 million tons, against 81.5m t in 2003. According to the new plan, 2004 output is estimated at the level of 86.2–87.0m t, depending on the availability of transport capacity. Lukoil's domestic subsidiaries will account for around 80 per cent of total output growth, while overseas production will cover the remaining 20 per cent. The fastest-growing subsidiaries are Lukoil West Siberia (38 per cent of total expected growth); Naryanmarneftegaz and Lukoil-Komi, which operate in Timan Pechora oil and gas province (31 per cent); and Ritek (11 per cent). All production increases in 2004 comprise only natural growth in output.

EnCana's sales, reserves up in 2003

Calgary, Alberta — Canada's EnCana chalked up strong reserves and sales growth in 2003, adding 482 million barrels of oil equivalent of proved reserves, net of royalties, the firm has announced. EnCana achieved 203 per cent production replacement, essentially all of which was the result of its successful 5,600 net well drilling programme and positive revisions. Daily oil, natural gas and natural gas liquids sales increased by more than nine per cent to about 650,200 boe after royalties. "During EnCana's second year of operations, we have increased the intrinsic value of each share," said the firm's President and Chief Executive Officer, Gwyn Morgan. "Adding 1.7 trillion cubic feet of North American gas entirely through the drill bit is the clearest possible demonstration of the growth potential of our huge resource play assets," he noted. EnCana was formed from the merger of PanCanadian and Alberta Energy in 2002.

Repsol to build Mexican LNG terminal

Mexico City — The Mexican authorities have awarded Spanish major Repsol-YPF land for the construction of an LNG regasification plant in Port Lázaro Cárdenas, on Mexico's Pacific coast. The Lázaro Cárdenas terminal will be the first to be sited in west Mexico, and will play an essential role in energy development on the Pacific coast, since gas will be supplied from this facility to the gas markets in the area. The land on which the terminal will be built was granted to Repsol-YPF by the Lázaro Cárdenas port administration for the sum of $10.1 million. The plant will have an initial capacity of over 4.0 billion cubic metres/year, with an upgrade potential of up to 10bn cu m/y.

firm is seeking to develop existing oil fields using enhanced recovery techniques.

AMEC will assess the oil fields and how to improve their performance, develop budgets, draw up contracts for KOC to award, and oversee all engineering work as well as providing environmental consultancy, risk management advice and training.

The contract covers not only oil fields and related assets but also the infrastructure KOC needs to support its 5,000 staff working in the region. It is expected to involve 70–80 AMEC people based in the UK and up to 160 in Kuwait.

KOC is the upstream subsidiary of the Kuwait Petroleum Corporation, which is in turn owned by the Kuwaiti government.

AMEC has also recently completed the $400 million Berri ethane plant for Saudi Aramco at Al-Jubail on the Gulf coast, where it has been working since January 2000.

OPEC plays constructive role in stabilizing market, says Norwegian Minister

Leading non-OPEC oil producer Norway has said that it favours a crude price range of $20-30/barrel and has acknowledged that a joint OPEC/non-OPEC effort is needed to keep prices at acceptable levels for both producers and consumers.

Speaking to the OPEC News Agency in Abu Dhabi, the Norwegian Minister of Oil and Energy, Einar Steensnaes, said: "By now, oil prices are high, but you have to take into account the weak value of the US dollar against other major world currencies, as well as the need of producing countries to achieve some income from oil exports."

During what was his first visit to Abu Dhabi, the Minister held talks with his UAE counterpart, Obaid bin Saif Al-Nasseri, on the latest developments in the world oil market and prospects for joint co-operation in the oil and gas sectors.

"A high oil price, combined with a weak US dollar, guarantees a sort of stable income for oil-producing countries in the Middle East. We understand why they are concerned about a decline in prices in the second quarter of the year," said Steensnaes.

"Any price range between $20–30/b will be acceptable. We should leave it to the market fundamentals to decide the price. However, we will not allow the market to have prices that jump to extreme high levels, or low prices," he added.

Concerning OPEC's recent decision to trim 1.0m b/d from the Organization's output ceiling from April 1, Steensnaes said that Norway respects OPEC's actions because it has its own reasons for doing so.

"OPEC has been responsible and constructive in stabilising the world oil market, and we have good communications with them.

"We have different opinions on the need for production cuts, but we have a very constructive open dialogue with the Organization, so I think we respect the decision made by OPEC," he said.

Shell awards FEED contract for $5 billion gas-to-liquids project to Japan's JGC

Qatar Shell GTL has announced the award of the front-end engineering and design (FEED) contract for the onshore design of the $5 billion gas-to-liquids (GTL) project in Qatar to JGC of Japan.

The contract, which will require almost 500,000 design man-hours, will further refine the design of the onshore GTL plant in preparation for the implementation phase. JGC will execute the majority of the work at the MW Kellogg office in Greenford, north-west London. MW Kellogg is a joint venture company between JGC and US firm Kellogg Brown and Root.

Speaking at an industry conference in London on the theme of investment in Qatar, the Chief Executive Officer of Shell Exploration & Production and Shell Gas & Power, Malcolm Brinded, said: "The award of this contract marks another major milestone on this ground-breaking GTL project.

"This challenging project will require us to work with the very best contractors in the global engineering and construction market. We are pleased to have selected JGC to further define the project," he added.

In October 2003, Shell and Qatar Petroleum announced that they had reached agreement on a framework accord for the GTL project. The project includes the development of a block within Qatar's vast offshore North field, producing 1.6 billion cubic feet/day of gas.

Last month, Shell announced that appraisal drilling in this block had started. The two wells to be drilled will determine the reservoir properties and structure as well as validate the composition of the gas in the area of the North field provisionally allocated to the project.

Shell plans to invest around $5bn to develop the offshore gas and an onshore GTL plant that will produce 140,000 b/d of GTL products (primarily naphtha and transport fuels, with a smaller quantity of normal paraffins and lubricant base oils), as well as significant quantities of associated condensate and liquefied petroleum gas.

The project will be developed in two phases with the first phase operational in 2009, producing around 70,000 b/d of GTL products. The second phase will be completed less than two years later.

OPEC not responsible for US gasoline prices, says Saudi official

A senior Saudi Arabian official has said that record high gasoline prices in the US are a consequence of America's tough environmental laws and lack of refining capacity, and not the result of OPEC's oil production policies.

OPEC's confirmation of its 1.0 million barrels/day production cut coincided with the average price that US consumers pay for gasoline hitting a record $1.76/gallon, according to a Reuters report.

Speaking to Wolf Blitzer on CNN's *Late Edition*, the Foreign Affairs Adviser to Saudi Crown Prince Abdullah, Adel Al-Jubeir, defended the OPEC output cut, saying global crude oil production and demand are in balance.

"In fact, there's a slight surplus and that's why OPEC cut back," Al-Jubeir told the 24-hour news channel.

The Bush administration said it was disappointed with OPEC's move to reduce production. US lawmakers have accused OPEC of gouging American consumers at the gas pump.

However, Al-Jubeir said that the lack of refining capacity in the US was a key reason that gasoline prices were rising there.

"There has not been a refinery built in America in the last 20 years. So if you produce more crude oil but you can't refine it, it's not going to translate into gasoline," he said.

Al-Jubeir added that it was difficult for foreign oil companies and domestic suppliers to sell gasoline in the US market, because federal environmental regulations require dozens of different fuel blends to be sold across the country.

He pointed out that a refinery in Springfield, Illinois cannot sell gasoline in the Chicago market because the fuel formulas are different.

"Unless the US begins to simplify this area, and unless the US deals with its refining shortage, there will always be a problem (with) gasoline," Al-Jubeir said.

Algeria delays restart of LNG trains at Skikda complex after explosion

Algeria has delayed the resumption of LNG exports from the surviving trains at its Skikda complex, which was badly damaged in a massive explosion in January, according to media reports.

Three of the six trains at Skikda were destroyed in the explosion. It had originally been hoped to restart exports from the other three trains in April, but this date has now been put back until May at the earliest, according to the Minister of Energy and Mines, Dr Chakib Khelil.

Meanwhile, natural gas transmission through existing pipelines has been boosted to replace lost LNG deliveries to Algeria's main customers for Skikda LNG in Europe, Italy's ENI and Gaz de France.

Supplies to ENI have been hiked through the Transmed pipeline, while Gaz de France will also benefit from an increase in transportation capacity of the Maghreb-Europe gas pipeline.

In brief

Petrobras sets new refining records

Rio de Janeiro — Brazilian oil firm Petrobras set two oil processing records at its refineries in February, the company has announced. The first record was set on February 11, with a throughput of 1,800,628 b/d, which was later surpassed on February 25 with 1,818,711 b/d. The latter figure corresponds to 99.6 per cent of the total installed processing capacity at the company's eleven Brazilian refineries. The achievement, said Petrobras in a statement, was its response to strong domestic demand, due to high prices for major oil products on the international market. Factors including the excellent performance of its refineries and the integrated strength of its logistics chain enabled Petrobras to meet the challenge, the statement added.

Russia's Sibneft posts strong results

Moscow — Russian oil firm Sibneft recorded another year of robust production growth in 2003, according to the firm's operating results. Crude oil output for the year rose by 19.4 per cent to 641,000 barrels/day versus 537,000 b/d in the previous year. Crude oil exports rose in line with production, reaching 12.46 million tons, or 39.6 per cent of total output, compared to 10.75m t in 2002. Sibneft also boosted exports of refined petroleum products by 50 per cent to 5.40m t in 2003 from 3.59m t the previous year. Downstream, Sibneft boosted refinery throughput by 11.8 per cent 360,000 b/d from 322,000 b/d in 2002. The company also continued to expand its retail network to a total of over 1,250 filling stations in Western Siberia, the Urals region, and newer markets in European Russia, with total retail sales growing by 14 per cent. Production figures do not take into account Slavneft, which Sibneft jointly acquired with TNK-BP in January of last year.

Total announces start of Skirne field

Paris — French oil giant Total has announced the start of production from the North Sea Skirne gas and condensate field in block 25/5 (PL 102), located around 140 kilometres north-west of Stavanger, Norway. Discovered in 1990, the Skirne field consists of two sub-sea wells, Skirne and Byggve, tied back to the Heimdal platform. Planned peak production is 150 million cubic feet/day of gas, and 6,900 barrels/day of condensate. Total said in a statement that the Skirne project confirmed its commitment in the North Sea to investing in the exploration and development of fields that permit the maximum utilization of existing infrastructure. Total is the operator with a 40 per cent interest, and its partners are Marathon (20 per cent), Petoro (30 per cent) and Norsk Hydro (10 per cent).

Ninth Conference of the Parties to the UNFCCC in Milan, Italy reviews progress on Marrakech accords

The OPEC Secretariat established its own Environmental Task Force (ETF) in 1994 to monitor developments in the field of energy use and the environment. Its principal objective is to keep OPEC's Ministers continuously informed about the status of the energy/environmental debate, as it affects the Organization and its Member Countries. The ETF's work is also seen as adding impetus and authority to the discussions at high-level meetings involving OPEC.

A Quarterly Environmental Report (QER) is circulated to Member Countries, in which the ETF reviews recent activities in the various international environmental fora, monitors changes in energy taxation, and provides background information on relevant forth-coming events, etc. Although this is an internal OPEC document, selected extracts from the publication appear regularly in the OPEC Bulletin for the benefit of a wider readership.

This month's selection comes from the QER published at the end of the fourth quarter of 2003. It features the highlights of the issue, including details of COP9 in Milan and a calendar of events.

Issue highlights

The Ninth Conference of the Parties (COP9) to the United Nations Framework Convention on Climate Change (UNFCCC) was held in Milan, Italy, from December 1–12, 2003. This session was to review progress on the implementation of the Marrakech accords. On December 10, immediately following the opening session, in a section for intergovernmental organizations, the OPEC Secretary General, Dr Alvaro Silva-Calderón, delivered a statement on behalf of the Organization. No ministerial declaration was adopted at the end of COP9. The next meeting in the series, COP10, will be held from November 29 to December 10, 2004. Argentina has offered to host COP10 in Buenos Aires.

- The ratification status of the Kyoto Protocol is still unchanged. The countries that have ratified the Protocol account for 44.39 per cent of 1990 emissions from Annex 1 countries (mainly the developed nations). The Annex 1 countries that have still not ratified are the USA (which accounts for 36.1 per cent), Russia (17.4 per cent) and Australia (2.1 per cent).
- The World Climate Change Conference was held in Moscow from September 29–October 3, 2003. Speaking at the event, the Managing Director of the International Council for Capital Formation, Dr Margot Thorning, said that GDP losses to the European Union nations could be in the order of 1.5–2.0 per cent over the second commitment period of the Kyoto Protocol.
- The President of the World Bank, James Wolfensohn, has called on global business leaders to encourage environmentally and socially sustainable wealth creation as part of the global fight against poverty. "The issues of environment and social responsibility and the issues of development are getting pushed back from the front burner," he told the annual meeting of the World Business Council for Sustainable Development (WBCSD) in Washington.
- Despite the delay in ratification of the Kyoto Protocol, the WBCSD (a coalition of 170 companies committed to sustainable development) says it is continuing to make headway by providing businesses with the necessary tools to enable companies to rise to the challenge of reducing emissions. Through its Energy and Climate project, the WBCSD is giving companies the means to account for their emissions and envision a carbon-free future.
- Many electric utilities are not ready for the EU Emissions Trading Scheme in 2005, according to a report from Innovest Strategic Value Advisors, a company that researches and rates firms based on their environmental performance. Innovest said that the utilities remained unprepared despite the fact that they could face additional carbon-related generating costs running into the tens of millions.
- French oil major Total has hosted a workshop to advance understanding of the role of carbon dioxide capture and geological storage, and strategies to improve its performance and prospects. The workshop brought together experts from academia, business and government, as well as inter- and non-governmental organizations, to examine carbon dioxide capture and storage as an option for reducing emissions.
- The senior partner in Germany's ruling coalition, the SPD, has proposed extending subsidies for the country's coal mining industry until 2012. The SPD's junior coalition partner, the Green Party, is committed to the abolition of coal subsidies by 2010, but could support the new proposal with strings attached, said an energy policy spokesman for the party.
- The European parliament has warned that the EU will not reach its goal of making new cars substantially more fuel efficient by 2010 unless it backs up existing measures with tax changes. In a non-binding report, Euro-MPs said that there was an "urgent need" for changes to the taxation of passenger cars in Europe.
- Canada is funding a controversial eucalyptus plantation in Brazil in order to get Kyoto credits for reducing greenhouse gas emissions, according to the David Suzuki Foundation. The Plantar project, in the state of Minas Gerais, hopes to become the first project to qualify for carbon credits under the Protocol. More than 70 Brazilian organizations are calling on Canada to stop funding the project, which has displaced indigenous people and clear-cut a diverse area of forest.
- Brazil, South Africa and India are increasing their collaboration in science and technology as part of their efforts to form a new trading bloc, according to an editorial on the SciDev.net website. The failure of the latest round of trade talks in Cancún, Mexico, has had the effect of spurring development countries to enhance mutual co-operation, it added.
- Although global climate change is expected to increase the risk on extreme floods, evidence from the two largest rivers in central Europe suggests a more complicated relationship, according to a report in *Nature* magazine. The authors note that while extreme floods occurred in central Europe during the summers of 1997 and 2002, there is no evidence for recent upward trends in their rate of occurrence.
- Most of the Arctic warmed considerably in the 1990s compared with the 1980s, according to new research from NASA's Goddard Space Flight Center. Researcher Josefino Comiso used satellite measurements of Arctic surface temperatures collected between 1981 and 2000 for the analysis, which was published in the November 1, 2003 issue of the *Journal of Climate.*

Calendar of meetings

May 2–6, 2004
3rd Annual Conference on Carbon Capture and Sequestration.
Building on the current technology base to provide viable options to reduce carbon intensity. Hilton Alexandria Mark Centre, Alexandria, Virginia, USA. Contact: ExchangeMonitor Publications & Forums, 1725 K St, NW, Suite 1203, Washington, DC 20006, USA. Tel: +1 202 296 2814; fax: +1 202 296 2805; e-mail: carbonsq@exchangemonitor.com; Web site: www.carbonsq.com

May 2–13, 2004
13th Session of the Commission on Sustainable Development.
New York, USA. The dates for this meeting are tentative. CSD-13 will be a 'policy year' to decide on measures to speed up implementation and mobilize action to overcome these obstacles and constraints for the thematic clusters of water, sanitation and human settlements. For more information contact: Federica Pietracci, Major Groups Programme Coordinator, UN DSD/DESA. Tel: +1 212 963 2803; fax: +1 212 963 4260; e-mail: pietracci@un.org; Web site: www.un.org/esa/sustdev

June 9–11, 2004
First Global Carbon Trade Fair.
Riga, Latvia. The First Global Carbon Trade Fair will be organized in conjunction with meetings of the International Emissions Trading Association and the Carbon Finance Business at the World Bank. The 2004 annual shareholder meeting of the PCF, CFCF and BioCF as well as the host country committee meeting and the donor's meeting for the (PCFplus, CDCFplus, BioCFplus) will be held in Riga at that time as will a series of IETA workshops on a broad range of topics. The focus of the event will be on deal-making and knowledge sharing. The trade fair will experiment with bringing host country private sector intermediaries and investment agencies into this context to offer carbon assets and partnerships for market development. For further information, contact: IETA, 4 Chemin de Conches, CH1231 Conches, Geneva, Switzerland. Tel: +4122 839 31 91; Web site: www.ieta.org

June 14–25, 2004
20th Session of the Subsidiary Bodies.
Bonn, Germany (to be confirmed). For more information, contact the FCCC Secretariat. Tel: +49 228 815 1000; fax: +49 228 815 1999; e-mail: secretariat@unfccc.de; Web site: www.unfccc.de

January

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 OPEC Reference Basket[1] started 2004 on a firm footing with an average of $30.33/barrel in January. The Basket gained 89¢/b on the previous month and averaged 1¢/b lower than in January 2003. On a weekly basis, the Basket put in a strong performance early in the month gaining 55¢/b or 1.9 per cent during the first week, followed by another rise of 67¢/b or 2.2 per cent in the second. Then it made a downturn losing 8¢/b to average $30.67/b in the third week, followed by a hefty 85¢/b loss at the end of January, averaging $29.82/b in the final week. The fall extended into the first week of February when the Basket shed another 3.5 per cent of its value to average $28.76/b, yet remained comfortably above the upper limit of the price band mechanism (see **Table A**).

Crude oil prices surged continuously in January, with the US benchmark WTI topping $36/b as stocks in the USA fell to their lowest levels in three decades. Crude oil inventories dipped to 264m b at mid-month, or 6m b below the minimum operational level established in 1998. Prices were also boosted by a cold snap that hit the US East Coast in early January. Despite the wide spread between West Texas Intermediate (WTI) and Brent, Forcados and Oseberg (BFO), West African and North Sea crudes did not flow into the US market as sky-high freight rates ate into arbitrage economics. Very large crude carrier (VLCC) rates from the Middle East and West Africa were at record 30-year highs in January due to rising supply and weather disruptions that delayed vessels going through the Bosporus Strait. Crude markets cooled down towards the end of the month as the northern hemisphere approached mid-winter and interest in heating oil receded, while the inventory situation in the USA seemed more relaxed. Arbitrage movements from the African west coast improved as the unusually wide WTI spread to BFO neighboured $4/b and buying interest by US refiners for distillate-rich sweet grades improved. Despite low crude oil stocks and the decline in refinery runs due to maintenance, refiners kept distillate output high, which in turn reduced output of other products and might prevent the normal replenishment of gasoline ahead of the driving season and of diesel fuel for agricultural use ahead of spring. Nonetheless, the large premiums on forward prices compared to prompt deliveries seen in the gasoline contract late in January (contango), along with the change in specification, began to encourage refiners to shift from a high distillate output to gasoline mode. In Europe, refining margins were supported by firm gasoline prices amid strong US demand which kept the transatlantic arbitrage wide open. On the crude side Urals came under pressure late in January on ample February availability and the fall in fuel oil demand in north-west Europe. Increased flows of Basrah Light have also undermined demand for Russian Urals in the Mediterranean market. In the Asia-Pacific region, demand for eastbound shipments was reduced on the fall in Chinese buying interest, firm naphtha demand and strong sour-benchmark Dubai prices which have narrowed the BFO/Dubai spread.

US and European markets

US crude oil inventories were at the forefront of the market during January. Crude prices surged as evidence of declining crude stocks trickled out throughout the month. According to the API weekly statistics, crude stocks broke through the psychological minimum level of 270m b in the last week of December and continued to fall to a 30-year low of 264.6m b at mid-month. Other factors underpinning crude prices were the low temperatures and snow storms that hit the north-east region of the US early in the month. Nonetheless, forecasts of milder temperatures later in January and the recovery of crude oil inventories prompted a price decline. Despite wide WTI/BFO arbitrage, which reached more than $3/b at mid-month, westbound movement of North Sea grades was curtailed by extremely high freight rates. Late in January, West African crudes began to move to the US Gulf Coast as gasoline margins induced refiners to step up their buying. In contrast, the switch to lower-sulphur gasoline specifications and the fall in fuel oil demand weakened demand for heavier sour crudes, with Colombian Vasconia and Ecuador's Oriente grades selling at deep discounts. High freight rates also distorted regular trade in the US West Coast. Lack of Latin American exports together with declining cargoes from the Pacific on unworkable freight rates prompted demand for the only available substitute, Alaska North Slope (ANS) cargoes. North Sea grades remained within the region as healthy demand from European refiners absorbed most available volumes. Strength in gasoline demand spurred premiums of light-sweet Forties over the BFO benchmark, while heavier sour grades came under pressure from competing volumes of Russian Urals and the weakness in fuel oil demand.

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

	Dec 03	Jan 04	Year-to-date average Jan 03	Year-to-date average Jan 04
Reference Basket	29.44	**30.33**	30.34	30.33
Arabian Light	29.20	**29.83**	29.10	29.83
Dubai	28.06	**28.93**	28.02	28.93
Bonny Light	29.64	**30.94**	30.78	30.94
Saharan Blend	29.77	**31.29**	31.29	31.29
Minas	32.09	**30.27**	32.32	30.27
Tia Juana Light	27.60	**29.28**	30.14	29.28
Isthmus	29.71	**31.78**	30.74	31.78
Other crudes				
Brent	29.82	**31.33**	31.31	31.33
WTI	32.15	**34.33**	33.08	34.33
Differentials				
WTI/Brent	2.33	**3.00**	1.77	3.00
Brent/Dubai	1.76	**2.40**	3.29	2.40

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

Far East market

Healthy refining margins on the back of strong product prices stimulated demand for regional as well as Atlantic Basin crudes. Strong gasoil and gasoline demand out of China and firm buying interest for naphtha from Japan, South Korea and China boosted premiums of Australian light-sweet grades to the regional marker crude, Tapis. Middle Eastern medium sour grades like Murban were supported by strong Asia-Pacific naphtha demand but heavier sour Oman was under pressure by falling demand and high official selling prices. Dubai's differential to BFO widened enough in several instances during January to discourage inflows of West African crudes but neither this nor the prevailing high freight rates prevented cargoes from moving into the region. Later in the month, the start of March trade gave a boost to light sweet regional grades. Tighter crude availability, high freight rates and competition for West African crudes from the USA reduced inflows from the Atlantic Basin, providing further support to regional and Middle Eastern crudes.

Product markets and refinery operations

Most product gains outpaced the price rises of their underlying crudes in January in all three major product markets, which reflected two main factors: strong weather-related demand in the USA and tight product supply amid a sharp rise in Asian demand. Thus, refinery margins were healthy in the US Gulf, increasingly profitable in Rotterdam and at historical highs in Singapore (see **Table B**).

Table B: Selected refined product prices $/b

		Nov 03	Dec 03	Jan 04	Change Jan/Dec
US Gulf					
Regular gasoline	*(unleaded)*	34.71	35.97	41.57	+5.60
Gasoil	*(0.2% S)*	34.10	35.72	39.84	+4.12
Fuel oil	*(3.0% S)*	24.00	22.35	22.64	+0.29
Rotterdam					
Premium gasoline	*(unleaded)*	33.54	33.84	37.33	+3.89
Gasoil	*(0.2% S)*	34.21	35.02	36.58	+1.56
Fuel oil	*(3.5% S)*	22.56	19.55	20.75	+1.20
Singapore					
Premium gasoline	*(unleaded)*	35.78	39.52	44.25	+4.73
Gasoil	*(0.5% S)*	35.08	36.67	41.42	+4.75
Fuel oil	*(380 cst)*	24.02	23.79	24.98	+1.19

US Gulf market

Average spot product prices rose in the US Gulf market in January. Gasoline led the gain, with a massive 15 per cent increase in the average price, while gasoil also saw a surge of 12 per cent. Both outperformed the seven per cent hike in the marker crude, WTI. However, the average price for high sulphur fuel oil (HSFO) lagged behind, showing a marginal increase of only one per cent for the same period. The preliminary four-week average, representing the bulk of US January refinery and product activities, as published by the Energy Information Administration, indicated the following developments. US gasoline demand declined for the third consecutive month, falling a further 400,000 b or five per cent to stand close to 8.5m b/d for a loss of one per cent from the corresponding month last year.

The sharp decline in gasoline demand can be explained by the twin effects of freezing weather and very high retail prices, which trimmed motorist activity. Two major driving forces were behind this jump in prices at a time of continuously falling demand. One was the start of implementation of new stringent gasoline specifications, which mainly mandate lowering sulphur content to 150 ppm in New York and Connecticut. This hampered gasoline imports, which were already suffering from high freight costs, causing them to fall 18 per cent to an average of 620,000 b/d for the month. The second driving force behind the spike was the market perception that heating oil stocks were adequate to cover the remaining heating season, while US gasoline stocks of nearly 206m b at end-January were low, lagging behind both last year's level and the five-year average. Jet fuel demand also declined four per cent y-o-y and plunged eight per cent below the preceding month to hover close to 1.52m b/d (see **Table B**).

Nevertheless, falling gasoline and jet fuel demand were offset by the take-off in demand for other products, essentially driven by the Arctic weather, which covered the north-east and the Midwest regions throughout most of January. Distillate demand, for instance, surged by 11 per cent to reach last year's robust level of nearly 4.3m b/d. More remarkably, fuel oil rose more than 20 per cent above last year's level, which also represented strong growth of 40 per cent compared to the previous month's level.

Average refining margins for WTI in the US Gulf Coast in January exceeded $4/b, underpinned by a strong increase of the gross product worth over the month, as a result of significant rises in gasoline and distillate product prices.

US refinery throughput fell by roughly 330,000 b/d to close at 15.21m b/d in January, in tandem with the start of the maintenance season. Despite a decline of 2.4 to 91.1 per cent on the month, the utilization rate increased two per cent above the previous year's level (see **Table C**).

Table C: Refinery operations in selected OECD countries

	Refinery throughput (m b/d)			Refinery utilization (%)[1]		
	Nov 03	Dec 03	Jan 04	Nov 03	Dec 03	Jan 04
USA	15.49	15.54	15.21	93.2	93.5	91.1
France	1.84	1.84	1.76	96.5	96.5	90.5
Germany	2.29	2.22R	2.24	100.9	98.1R	97.7
Italy	1.87	1.79	1.81	81.4	77.8	78.4
UK	1.58	1.58	1.55	88.5	88.2	85.5
Eur-16	12.41	12.27R	12.29	90.4	89.3R	89.0
Japan	4.10	4.30	4.33	86.0R	90.3R	91.0

1. Refinery capacities used are in barrels per calendar day.
R Revised since last issue.
Sources: OPEC statistics, Argus, Euroilstock Inventory Report/IEA.

Rotterdam market

The average spot gasoline price led Rotterdam product price rises in January, improving a hefty 11 per cent. This outpaced the four per cent and six per cent increases in gasoil and HSFO, respectively, amid a five per cent hike in the average price of the marker crude, Brent, over the previous month. Nevertheless, the European product market was mainly shaped by the following developments: supply was better than in the previous month, due to rising regional refinery throughput, which translated into an inventory build of 6m b for gasoline and 4.5m b for distillates. Transatlantic gasoline arbitrage was hindered by stringent new US gasoline specifications, although the eastbound movement of gasoline and naphtha cargoes to the more lucrative Asian market contributed to the strengthening of their respective prices. Increased European refinery runs boosted their main product, distillates, at a time of sufficient heating oil stocks in the USA, together with persistent high freight costs, which subdued westward movements of both Russian and European distillate cargoes, and consequently, resulted in abundant supply. Continuing strong Russian fuel oil exports constituted the main factor in the prevailing excess fuel oil supply amid slowing fuel oil shipments to the Far East, hampered by soaring freight rates and the absence of Chinese activity (see **Table B**).

Brent's average refining margins advanced further into positive territory to reach almost $1.50/b in Rotterdam, largely reflecting soaring gasoline and naphtha prices.

Refinery throughput in the Eur-16 countries averaged 12.29m b/d in January, edging up 30,000 b/d over the previous month. The corresponding refinery utilization rate of 89 per cent represented a 1.3 per cent increase over the previous year (see **Table C**).

Singapore market

Driven by a combination of lower product supply and prevailing robust regional demand, average spot product prices in Singapore in January registered levels that had not been seen since the fourth quarter of 1990. As result, Singapore's average monthly product values kept their premiums over the two above-mentioned markets for the third consecutive month. The sharp rise in product prices offset soaring freight rates and tempted regional refiners to boost throughput, helping the Asian market to become a magnet for crude and product cargoes from the Middle East, Mediterranean and Europe. Compared to an increase of three per cent in the average marker crude Dubai, the gasoline and gasoil counterparts faired best, with 12 per cent and 13 per cent surges, respectively, followed by a five per cent rise in the average HSFO price over the previous month. Nonetheless, an overall analysis of Asian product fundamentals shed light on the following developments. On the supply side, product output was sharply reduced by a spate of planned and unplanned refinery outages in a number of countries, including Kuwait, Saudi Arabia, UAE, India, Indonesia and Taiwan, with particular severity at the light and middle ends of the barrel, ie, naphtha, gasoline and gasoil. At the same time, operating refineries tried hard to compensate for these product shortfalls, with Chinese refinery runs hitting a new record of 5.25m b/d in December, and refineries in Singapore exceeding 1m b/d, the highest January level in six years. On the demand side, prevailing robust gasoline consumption in China, linked to booming car sales, pushing domestic gasoline demand to almost 2m b/d in 2003, a rise of 75 per cent over the previous year. This reduced gasoline exports from China, Asia's largest exporting country. Meanwhile, a glitch in a gasoline-producing unit at Indonesia's Balongan refinery forced the country to import one million barrels. Gasoline gained additional strength from robust demand in Australia during the country's driving season, which saw increased consumption over the previous year. Sustained gasoil demand forced China to turn to imports to meet increased domestic requirements, although record-high refinery runs are expected to alleviate tightness in distillate supply in the near future. Naphtha demand also remained robust amid record intakes by the petrochemical sector in Japan and South Korea. Asian fuel oil is anticipated to start showing strong demand, driven by two main factors: the imminent renewal of Chinese imports and the increased processing of straight-run fuel oil into much-needed diesel products, which are now being widely used as petrochemical feedstock instead of the more expensive naphtha (see **Table B**).

As result of the strengthened gross product worth, which was driven by robust price rises, average refining margins for Dubai peaked in Singapore in January at over $4/b in the hydroskimming refineries.

In Japan, average refinery throughput crept higher by 30,000 b/d to register 4.33m b/d in January to meet increased heating requirements due to extremely cold weather. The equivalent utilization rate was nearly 91 per cent, representing a drop of 3.3 per cent from the previous year (see **Table C**).

The oil futures market

Non-commercials continued to build up their long positions throughout the month of January, pausing only in the week of January 20. However, this decline was most likely the result of the expiration of the February WTI contract. Speculators began to build their long positions back in September of last year from around 30,000 lots to just below 140,000 lots by the second week of January. Meanwhile, open interest — an indication of market's depth — rose to an all-time high of 663,890 lots on February 3, 2004. Last year there were two instances when non-commercials disposed of their large long positions: the first occurred following the start of the Iraq conflict and the second after the end of the Labour Day weekend in the USA which signalled the end of the peak gasoline demand season. In both cases WTI futures fell drastically — more than $7/b in the former and around $5/b in the latter.

Thus, judging from the recent past, it is evident that there is an imminent danger from the size of the long positions in the hands of speculators. It was also surprising to observe the reaction of non-commercials to two recent events: the latest OPEC production agreement and the US weekly stock figures. Therefore, we believe that speculators' beliefs that they should hold massive long positions is losing momentum and there is the danger that an event (stock build-up, rising supply or a fall in demand) could trigger a massive liquidation, pushing crude prices down by several dollars per barrel. OPEC's decision to curb output by 1m b/d as of April 1 might have prevented or at best delayed speculators from triggering a sell-off but at some point they have to start reducing their long positions and take profits.

When this might happen is anybody's guess; however, the drop in seasonal demand as we approach the spring, which usually becomes apparent in the second half of February, might become the trigger for the sell-off. Finally, because non-commercials have the ability to create prices on marginal trades, the reversal of their positions has enormous repercussions on price levels. Thus, a massive unwinding in WTI futures could trigger a fall of several dollars per barrel within a relatively short period of time. We also believe that sound market fundamentals will put a cap on any short-term fall in crude prices.

OPEC's latest action, calling on its Members to fully comply with the Organization's production ceiling of 24.5m b/d and further reduce output to 23.5m b/d, effective from April 1, are steps in the right direction.

The tanker market

OPEC area spot-chartering regained last month's hefty losses, rising by about 35 per cent or 5.80m b/d to stand at an all-time high of 16.73m b/d in January, for a substantial 4.80m b/d increase over a year ago. The return of charterers to the market from their long year-end holidays resulted in a jump in chartering activity, with both Middle East eastbound and westbound long-haul fixtures contributing to this rise. Most of the bookings happened in the second half of the month, where a large part of February and some March fixtures were made to avoid anticipated high freight rates. OPEC's share of global spot fixtures rose three per cent to stand at 64 per cent or ten per cent above the same time in 2003. Middle East westbound fixtures rose 46 per cent or 1.45m b/d to 3.18m b/d, just over the previous high of July 2003. Middle East eastbound long-haul fixtures increased by 34 per cent or 2.06m b/d to 6.12m b/d, the highest level seen since June 2000. Together, these routes accounted for about 56 per cent of total chartering in the OPEC area, or an increase of three per cent over last month and about six per cent above the year-ago level. Non-OPEC spot chartering also displayed some improvement, recovering by 26 per cent or 2.38m b/d to 9.22m b/d. This brought non-OPEC's share of global spot fixtures to 36 per cent, a drop of six per cent from the month before. Accordingly, global spot fixtures surged a considerable 32 per cent or 8.18m b/d to 25.95m b/d, which is a little higher than the figure registered in March 2001. Estimated sailings from the OPEC area in January 2004 lost nearly half of last month's increment, declining by 640,000 b/d to stand at 24.23m b/d. For the second consecutive month, sailings out of the Middle East behaved contrary to general movements in the OPEC area, showing an increase of 920,000 b/d to 17.09m b/d, which placed their share of OPEC area sailings at about 71 per cent, down six per cent from the previous month. Arrivals in the US Gulf, East and the Caribbean and in NW Europe rose 1.12m b/d to 11.14m b/d and 310,000 b/d to 7.42m b/d, respectively. Arrivals in the Euromed and Japan fell by 650,000 b/d to 3.69m b/d and 80,000 b/d to 4.27m b/d, respectively.

Crude oil freight rates had a mixed month, falling at the start of the year, especially in the first week, before reviving on increasing activity and the return of charterers from their long Christmas holiday. The only significant drop came from the monthly average level of VLCC freight rates, especially on the Middle East eastbound long-haul route, which sank 23 points to an average of Worldscale 130, while the quiet period at the end of the month pushed rates further down. On the Middle East westbound long-haul route, rates held firmer as the monthly average declined by just one point to an average of W128. High activity due to strong demand, especially from the USA, and decreased 30-day availability of VLCCs, helped rates along the westbound long-haul route to maintain the high levels at the start of the year. Suezmax freight rates managed to finish the month with hefty gains, increasing by 84 points to stand at a monthly average of W264 along the West Africa/US Gulf Coast route. This massive rise was due to a buoyant period in the middle of the month, where rates touched the level of W300 before easing on slow activity in the last week of January. A similar rise was registered on the NW Europe/US East-Gulf Coast route, with rates moving up 65 points to W259. The Aframax sector fluctuated strongly, except within the Mediterranean, where rates rose steadily to a monthly average of W372, which was 99 points higher than the previous month. From the Caribbean to the US Gulf Coast, freight rates enjoyed strong gains, rising 70 points to stand at a monthly average of W328, despite a drop at the end of the month on lower activity. On the route from the Mediterranean to NW Europe, Aframax freight rates rose 37 points to W272 as activity was lower than in other areas such as the Baltic Sea. Along the Indonesia/US West Coast route, the increase was lower than that seen along other Aframax routes, rising only by 12 points to average W183.

The product tanker market witnessed high freight rates along almost all routes except from Singapore to the East where rates lost 24 points to stand at a monthly average of W217. The highest gains occurred within the Mediterranean and from there to NW Europe, where freight rates jumped by 69 and 52 points to monthly

averages of W327 and W360, respectively. Freight rates for clean medium-range tankers along the Middle East/Far East route also managed to rise 31 points to a monthly average of W207 on strong demand, especially from China. Freight rates along the NW Europe/US East-Gulf Coast route benefited from the continuing opened arbitrage due to high US product prices, rising 29 points to a monthly average of W297. A small gain of 6 points lifted the monthly average of rates along the Caribbean/US Gulf route to W333 on the back of healthy demand from US buyers.

World oil demand

Estimates for 2003

World

The average demand estimate for 2003 has been revised up by 100,000 b/d to 78.51m b/d compared with the 78.41m b/d presented in the last report, due to upward revisions of 70,000 b/d in 3Q and 300,000 b/d in the 4Q estimates. This is mainly on higher-than-expected consumption in North America in 3Q as well as upward revisions in the FSU's and China's economic growth rate estimates. These latter revisions have resulted in higher apparent 4Q demand estimates for those countries of 80,000 b/d and 210,000 b/d, respectively. Further evidence also points to a slightly higher-than-expected 4Q consumption in developing countries. As a result, the yearly increment — or the difference between the 2002 and the 2003 averages — has likewise been adjusted upwards by 100,000 b/d to read 1.52m b/d, as there has been no adjustments to the average consumption for 2002.

On a regional basis, OECD demand for 2003 is estimated to have risen 740,000 b/d or 1.56 per cent following a minor fall of 70,000 b/d in 2002. Only a moderate 110,000 b/d or 0.55 per cent rise in consumption is forecast in 2003 in developing countries, following a much higher 180,000 b/d growth in 2002. Apparent demand in the former CPEs is estimated to have increased a considerable 670,000 b/d or seven per cent, more than triple in volume and growth rate compared with the 210,000 b/d or 2.21 per cent rise seen in 2002.

With the revised 3Q estimate, the quarterly increment has reached the same level as that of 2Q. A substantial upward revision in the 4Q estimate elevated the growth rate to a robust 2.07 per cent. Compared with the exceptionally weak 1Q02, world demand is estimated to have grown significantly by 2.97 per cent or 2.28m b/d to average 79.08m b/d in 1Q03. This is the net effect of much colder than normal weather in most parts of the northern hemisphere, fuel substitution in Japan brought on by nuclear power reactor maintenance, stockpiling ahead of the anticipated Iraq war, and record high natural gas prices in the USA. The 2Q03 consumption is estimated to have risen 1.45 per cent or 1.09m b/d compared to the exceptionally weak 2Q 2002, due to robust economic growth in China and the continuation of fuel substitution in Japan. The 3Q consumption is assumed to have grown similarly by 1.09m b/d or 1.41 per cent, while 4Q is expected to witness much higher growth of 1.63m b/d or 2.07 per cent.

OECD

The OECD consumption estimate of 48.48m b/d constitutes 62 per cent of the total world demand in 2003, unchanged from the previous report. Of the forecast 1.52m b/d world oil consumption increment for 2003, about 740,000 b/d or nearly 49 per cent is expected to happen in the OECD. Within the group, North America ranks first in forecast demand growth with 420,000 b/d, close to 56 per cent of the group demand increment. OECD Pacific ranks second with 180,000 b/d, or 24 per cent and Western Europe ranks third with 150,000 b/d, nearly 20 per cent.

Actual consumption data suggests that OECD January-November oil requirements were 710,000 b/d higher compared to the corresponding 2002 period. As in the January-October period given in the last report, the leading volume gainer product was gasoil/diesel with a 330,000 b/d or 2.76 per cent rise in consumption. This is because of fuel switching in the USA and throughout Europe. The second volume and highest percentage gainer product was naphtha which experienced a 90,000 b/d or 2.96 per cent growth thanks to healthy margins in the petrochemical sector. Direct use also underwent exceptionally high growth of 82.35 per cent due to nuclear reactor maintenance in Japan. The only product to lose was LPG, which dropped 50,000 b/d or 0.98 per cent, due mostly to sustained high prices which led to a decline in consumption in the USA.

Developing countries

In developing countries, oil demand is estimated to have grown by 110,000 b/d or 0.55 per cent to 19.81m b/d. Consumption in Latin America is estimated to have contracted by 80,000 b/d or 1.58 per cent to average 4.67m b/d, indicating a relative improvement over the last year when demand weakened by 120,000 b/d due to persistent economic and financial problems. Other Asia is estimated to have registered the highest volume and percentage growth of 140,000 b/d or 1.82 per cent, followed by Africa and the Middle East with 20,000 b/d or 0.88 per cent and 20,000 b/d or 0.50 per cent, respectively.

Other regions

Apparent demand in the former CPEs in 2003 is now forecast at 10.22m b/d, an increase of almost 70,000 b/d from the last report, although its share of world oil consumption remains unchanged at 13 per cent. Due to another in an ongoing series of upward revisions in forecast consumption for China, demand growth estimate now stands at 550,000 b/d or 10.89 per cent, equivalent to 36 per cent of the total world demand increment, and more than double the country's consumption growth in 2002. Within the group, China is forecast to register the highest volume and percentage growth with apparent demand rising to 5.58m b/d. The FSU, with an average 3.90m b/d, is expected to experience the second highest demand increase of 120,000 b/d or 3.21 per cent. Apparent demand in Other Europe is expected to experience a negligible change.

Forecast for 2004

Based on slightly higher prospects for economic growth, the average world oil demand forecast for 2004 has been revised up 170,000 b/d to 79.83m b/d, compared with the 79.66m b/d presented in the last report. However, anticipated oil demand growth for 2004 only saw an upward revision of 70,000 b/d to 1.33m b/d, reflecting the simultaneous increase in the average 2003 oil demand forecast. All of the quarterly averages have been revised up, with those of 3Q and 4Q mainly due to the upward revisions in their 2003 quarterly averages. The 4Q forecast has been significantly raised by 370,000 b/d, mostly to reflect the upward revision in the corresponding 2003 period and also to account for higher consumption prospects in China and the FSU.

Table D: FSU net oil exports m b/d

	1Q	2Q	3Q	4Q	Year
2000	3.97	4.13	4.47	4.01	4.14
2001	4.30	4.71	4.89	4.47	4.59
2002	5.14	5.76	5.85	5.49	5.56
2003[1]	5.87	6.75	6.72	6.13	6.37
2004[2]	6.36	7.16	7.15	6.57	6.81

1. Estimate.
2. Forecast.

On a regional basis, oil demand is forecast to register solid growth in all three major country groups. Demand in the OECD is now expected to grow at the lowest rate of 0.72 per cent or 350,000 b/d, due to lower consumption prospects in the OECD Pacific. Demand growth in the developing countries is forecast to rank first with 500,000 b/d or 2.54 per cent growth, equivalent to 38 per cent of the total world demand increment. The highest percentage growth of 4.62 per cent is attributable to the former CPEs, which rank second in volume and share of the world demand growth at 470,000 b/d, equivalent to 36 per cent of the world increment.

Every single quarter of 2004 is forecast to share in oil demand growth. The 1Q is expected to account for the lowest growth rate of 1m b/d or 1.27 per cent, 2Q and 3Q are forecast to enjoy much higher increases of 1.43m b/d and 1.37m b/d, respectively. The highest growth of 1.49m b/d or 1.85 per cent is expected in 4Q.

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

	2002	3Q03	Dec 03	4Q03	2003	Jan 04*	Jan 04/ Dec 03
Algeria	864	1,160	1,183	1,178	1,134	1,176	–7
Indonesia	1,120	1,011	990	1,000	1,027	984	–6
IR Iran	3,416	3,784	3,870	3,856	3,757	3,860	–10
Iraq	2,000	1,046	1,960	1,845	1,311	2,048	88
Kuwait	1,885	2,130	2,202	2,195	2,171	2,217	15
SP Libyan AJ	1,314	1,425	1,447	1,445	1,422	1,453	6
Nigeria	1,969	2,182	2,288	2,271	2,130	2,323	36
Qatar	648	740	756	751	746	758	3
Saudi Arabia	7,535	8,533	8,410	8,409	8,708	8,487	77
UAE	1,988	2,261	2,246	2,210	2,243	2,266	20
Venezuela	2,586	2,565	2,535	2,548	2,290	2,527	–8
Total OPEC	**25,323**	**26,839**	**27,885**	**27,708**	**26,939**	**28,099**	**214**

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

World oil supply

Non-OPEC

Estimate for 2003

The 2003 non-OPEC supply figure was revised down to 48.63m b/d. The downward revisions made to the first three quarters were mainly contributed by Canada, following data revisions by the source itself. The significant downward revision in 4Q was mainly contributed by the UK (down 130,000 b/d), Australia (40,000 b/d) and Yemen (30,000 b/d), partially offset by upward revisions made to the USA (80,000 b/d) and Ecuador (50,000 b/d). Minor revisions also took place in other countries. The quarterly distribution now stands at 48.55m b/d, 47.82m b/d, 48.62m b/d and 49.51m b/d, respectively. The yearly average increase stands at 890,000 b/d, compared with the 2002 figure.

Forecast for 2004

Non-OPEC supply for 2004 is forecast to rise 1.32m b/d. Russia is expected to be the main contributor with around 540,000 b/d, followed by Chad with 200,000 b/d, Angola with 110,000 b/d, Kazakhstan with 70,000 b/d and Colombia adding 70,000 b/d. The quarterly distribution now stands at 49.78m b/d, 49.11m b/d, 49.99m b/d and 50.90m b/d, respectively. The yearly average is forecast at 49.95m b/d.

The FSU's net oil exports for 2004 are expected at 6.81m b/d. The 2003 figure was revised down 10,000 b/d to 6.37m b/d, while figures for 2000–2002 remain almost unchanged from the last report (see **Table D**).

OPEC natural gas liquids

The OPEC NGL figure for 2004 is forecast at 3.71m b/d, an increase of 130,000 b/d over the 2003 figure of 3.58m b/d. Figures for 2000-2002 remain unchanged at 3.34m b/d, 3.58m b/d and 3.62m b/d, respectively, compared with the figures in the last report.

OPEC crude oil production

Available secondary sources indicate that OPEC output for January was 28.10m b/d, an increase of 210,000 b/d from the revised December figure of 27.88m b/d. **Table E** shows OPEC production as reported by selected secondary sources. OPEC 4Q production averaged 27.71m b/d, and the 2003 yearly average stands at 26.94m b/d.

OPEC NGL production, 2000–04 m b/d

	m b/d
2000	**3.34**
2001	**3.58**
2002	**3.62**
1Q03	3.44
2Q03	3.59
3Q03	3.64
4Q03	3.64
2003	**3.58**
Change 2003/2002	–0.04
2004	**3.71**
Change 2004/2003	0.13

Rig count

Non-OPEC

Rig activity rose in January. North America gained 127 rigs, compared with the December figure. Canada's rig activity increased by 137 rigs to 554, Mexico added 2 rigs to 110, and the USA dropped 13 rigs to 1,101. Western Europe's rig activity declined by 14 rigs to 64, mainly on the

UK's loss of 6 rigs to stand at 15 and Other West Europe shedding the same amount to total 30 rigs. Africa witnessed a decline of 10 rigs to 46.

OPEC

OPEC's rig count was 244 in January, an increase of 15 rigs compared to the December figure. Indonesia and Venezuela were the major contributors, each gaining seven rigs over the month before to stand at 49 and 52, respectively, over last month's figures.

Stock movements

USA

Commercial oil stocks continued the downward trend observed last month, decreasing by 19.4m b or a rate of 650,000 b/d during the period January 2–30, 2004. The main contributors to this decline were distillate fuel and other oils. Despite this draw, commercial oil stocks remained at 4.8m b or 0.5 per cent above the same period last year. Crude oil stocks registered a build of 2.6m b to 271.6m b in January, recovering from a low of 264.0m b in the week ending January 9. Crude oil imports registered a slight increase of 40,000 b/d to 9.47m b/d, while crude oil refinery inputs decreased by 510,000 b/d to average 14.81m b/d at the start of the heavy maintenance season. With the expected decline in crude runs, crude inventories may see a significant build at the end of February. Distillate fuel inventories fell 11.3m b to 124.2m b, with a large decrease seen in both low-sulphur (diesel fuel) distillate fuel and high-sulphur (heating oil) distillate fuel. Despite this seasonal draw, distillates remained at a comfortable level of 10.6m b or 9.3 per cent above a year ago, which was still within their seasonal range. Apparent demand saw growth of about 430,000 b/d to 4.30m b/d, confirming cold weather, while imports also increased by 130,000 b/d to average 410,000 b/d.

Gasoline stocks showed a slight contra-seasonal draw of 700,000 b to 205.6m b. This was 2.7 per cent or 5.8m b below a year earlier, due to lower imports, which declined by 17.6 per cent to 620,000 b/d, mainly on the reduction of Venezuelan gasoline exports to the USA, as PDVSA shut the 77,000 b/d fluid catalytic cracker and 54,000 b/d reformer at its 305,000 b/d Cardon refinery for repairs. Gasoline demand registered a decline of around 4.6 per cent to average 8.47m b/d, which was 1.25 per cent below this time last year.

During this period, the Strategic Petroleum Reserve (SPR) continued its upward trend, increasing by 2.9m b to 641.1m b, widening the y-o-y surplus to about 42m b.

During the week ending February 6, total commercial oil stocks registered a draw of 10.3m b to 902.2m b, but still showed a y-o-y surplus of 5.3m b. Commercial crude oil stocks fell by 2.7m b to 268.9m b, mainly due to a sharp drop in imports combined with a surprise increase in refinery inputs. Indeed, crude oil imports showed a loss of 1.0m b/d to 8.4m b/d in the previous week. Crude oil imports in the Gulf Coast (PADD III) were at 4.5m b, the lowest level since the week ending February 7, 2003. Crude runs averaged 14.8m b/d for a rise of 320,000 b/d, the first weekly increase since the week ending January 2, 2004, which corresponded to a utilization rate of 90.3 per cent. The repeated fall of commercial crude oil stocks below the mark set in 1998 by the US National Petroleum Council as the minimum for smooth domestic refinery operations indicates that the actual minimum number may be lower than 270m b as several mergers and acquisitions have increased efficiency and reduced the need for refiners to hold such high commercial crude stocks. Traders, however, seem not to have figured this out yet. As expected, distillate fuel stocks saw a draw of 5.9m b to 118.3m b due to colder weather, but remained 8.8m b or eight per cent above last year's level at the same time. Gasoline stocks continued to counter the seasonal decline, decreasing by 1.2m b to 204.4m b to stand at 5.7m b or 2.7 per cent below a year ago.

The SPR registered a slight increase of 800,000 b to 641.9m b, leaving the y-o-y surplus at 42.7m b (see **Table F**).

Western Europe

Total stocks in EU-16 (EU plus Norway) reversed the trend observed last month, increasing by 10.1m b or 340,000 b/d to 1,068.0m b, mainly due to a large build in products. Product stocks registered an increase of 11.4m b to 633.1m b, their highest level since May 2002. Crude oil stocks showed a draw of 1.3m b to 434.9m b for the third successive month, but remained at a comfortable level of 5.2m b or 1.2 per cent above last year at the same time. This decline was mainly due to a rise in crude runs which increased by 30,000 b/d to 12.29m b to stand 450,000 b/d over last year's level. Gasoline stocks increased seasonally by 6.1m b to 145.8m b on the back of healthy demand and high freight rates which restricted transatlantic trade. Gasoline inventories were 1.6m b or 1.1 per cent above the same time last year. Distillate stocks showed a contra-seasonal build of 4.5m b to 348.4m b, placing them at a comfortable 15.3m b or 4.6 per cent over the previous year and at the highest January level since 1999. This build was mainly due to the unusually warm weather as well as the rise in Russian exports. Residual fuel oil stocks remained almost unchanged at 112.5m b, which was roughly 2.4m b or 2.2 per cent above last year at the same time (see **Table G**).

Japan

At the end of December 2003, Japan's commercial oil stocks regained the previous month's loss, increasing by 3.5m b or 120,000 b/d to 182.6m b, which was a rise of 17.0m b or 10.2 per cent compared to the end of 2003. Crude oil stocks registered a huge build of 11.2m b to 108.4m b compared to the low level observed in November. This build came on the back of strong crude imports which outpaced a rise in crude inputs to refineries. Indeed, crude oil imports increased by more than 1m b/d to 4.78m b/d, mainly from Iran and the UAE, while crude runs registered only a slight rise of 300,000 b/d to 4.31m b/d. Crude oil inventories were 5.5m b or 5.3 per cent higher than last year's level at the same time. Distillate stocks experienced a considerable draw of 7.4m b to 40.6m b, but despite this draw, the y-o-y surplus remained at 7.9m b or 24 per cent. The distillate component, kerosene, which is used for heating oil in Asia, declined a significant 24 per cent, but was still about 35 per cent above last year's level on the back of healthy demand, indicating that kerosene stocks were sufficient to meet winter demand. The other component of distillate fuel, gasoil, showed a build of five per cent on weak demand or around 17 per cent up on the previous year. Gasoline stocks fell a slight 800,000 b to 12.5m b on rising domestic sales, despite the increase in gasoline imports (see **Table H**).

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

	Nov 28, 03	Jan 2, 04	Jan 30, 04	Change Jan/Dec	Jan 30, 03	Feb 6, 04[2]
Crude oil (excl SPR)	**284.3**	**269.0**	**271.6**	**2.60**	**273.3**	**268.9**
Gasoline	197.1	206.3	205.6	–0.70	211.4	204.4
Distillate fuel	131.1	135.5	124.2	–11.30	113.6	118.3
Residual fuel oil	35.3	38.8	37.1	–1.70	31.3	37.2
Jet fuel	37.8	38.1	39.2	1.10	40.5	39.2
Unfinished oils	84.0	76.1	82.0	5.90	80.0	83.9
Other oils	184.3	168.1	152.9	–15.20	157.6	150.4
Total	**953.8**	**931.9**	**912.5**	**–19.40**	**907.7**	**902.2**
SPR	633.4	638.2	641.1	2.90	599.2	641.9

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

	Nov 03	Dec 03	Jan 04	Change Jan/Dec	Jan 03
Crude oil	**441.3**	**436.2**	**434.9**	**–1.3**	**429.7**
Mogas	138.8	139.7	145.8	6.1	144.2
Naphtha	25.5	25.5	26.4	0.9	23.1
Middle distillates	345.8	343.9	348.4	4.5	333.1
Fuel oils	112.9	112.7	112.5	–0.1	110.1
Total products	**623.1**	**621.7**	**633.1**	**11.4**	**610.5**
Overall total	**1,064.4**	**1,057.9**	**1,068.0**	**10.1**	**1,040.2**

1. At end of month, and includes Eur-16.

Source: Argus Euroilstock.

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

	Oct 03	Nov 03	Dec 03	Change Dec/Nov	Dec 02
Crude oil	**111.9**	**97.2**	**108.4**	**11.2**	**102.9**
Gasoline	12.9	13.3	12.5	–0.8	12.4
Middle distillates	46.0	48.0	40.6	–7.4	32.7
Residual fuel oil	21.0	20.7	21.2	0.5	17.7
Total products	**79.9**	**82.0**	**74.3**	**–7.7**	**62.8**
Overall total[2]	**191.8**	**179.2**	**182.6**	**3.5**	**165.7**

1. At end of month.
2. Includes crude oil and main products only.

Source: MITI, Japan.

Balance of supply/demand

For 2003, **Table I** shows a downward revision to total non-OPEC supply of 100,000 b/d to 52.20m b/d and an upward revision to world oil demand of 100,000 b/d to 78.51m b/d, resulting in an estimated annual difference of around 26.30m b/d. This represents a significant increase of 200,000 b/d from the last report's figure, with a quarterly distribution of 27.09m b/d, 24.90m b/d, 25.93m b/d and 27.29m b/d, respectively. Accordingly, downward revisions were made to the quarterly balance of 100,000 b/d, 170,000 b/d, 120,000 b/d and 330,000 b/d, respectively. The quarterly balance figures now stands at –350,000 b/d, 1.56m b/d and 910,000 b/d and 420,000 b/d, respectively.

For 2004, **Table I** shows world oil demand expected at 79.83m b/d and total non-OPEC supply expected at 53.65m b/d. This has resulted in a difference of around 26.18m b/d, with a quarterly distribution of 26.65m b/d, 24.95m b/d, 25.83m b/d and 27.28m b/d, respectively.

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

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	47.7	47.8	47.8	47.7	49.4	47.2	48.0	49.3	48.5	49.6	47.5	48.4	49.8	48.8
North America	23.8	24.1	24.0	24.2	24.6	24.2	24.9	24.7	24.6	24.8	24.4	25.2	25.1	24.9
Western Europe	15.2	15.1	15.3	15.1	15.2	15.0	15.3	15.4	15.2	15.3	15.1	15.4	15.6	15.3
Pacific	8.7	8.6	8.5	8.5	9.6	8.0	7.9	9.2	8.7	9.6	8.0	7.9	9.1	8.6
Developing countries	18.9	19.2	19.5	19.7	19.5	19.6	20.0	20.1	19.8	19.9	20.2	20.5	20.7	20.3
FSU	4.0	3.8	3.9	3.8	4.0	3.3	3.7	4.5	3.9	4.1	3.5	3.9	4.7	4.1
Other Europe	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.8	0.8	0.7	0.8	0.8
China	4.2	4.7	4.7	5.0	5.4	5.5	5.8	5.7	5.6	5.7	5.7	6.0	6.0	5.9
(a) Total world demand	75.5	76.2	76.7	77.0	79.1	76.3	78.2	80.4	78.5	80.1	77.7	79.6	81.9	79.8
Non-OPEC supply														
OECD	21.3	21.9	21.8	21.9	22.1	21.2	21.5	21.9	21.7	22.2	21.3	21.6	22.0	21.8
North America	14.0	14.2	14.3	14.5	14.7	14.4	14.7	14.8	14.7	14.9	14.6	15.0	15.1	14.9
Western Europe	6.6	6.8	6.7	6.6	6.7	6.2	6.1	6.4	6.4	6.6	6.1	6.0	6.4	6.3
Pacific	0.7	0.8	0.8	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6
Developing countries	10.7	10.9	10.9	11.2	11.2	11.1	11.3	11.6	11.3	11.8	11.7	12.0	12.2	11.9
FSU	7.5	7.9	8.5	9.3	9.9	10.1	10.4	10.7	10.3	10.5	10.7	11.0	11.3	10.9
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Processing gains	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total non-OPEC supply	44.5	45.7	46.4	47.7	48.5	47.8	48.6	49.5	48.6	49.8	49.1	50.0	50.9	49.9
OPEC NGLS and non-conventionals	3.2	3.3	3.6	3.6	3.4	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
(b) Total non-OPEC supply and OPEC NGLS	47.7	49.1	50.0	51.4	52.0	51.4	52.3	53.1	52.2	53.4	52.8	53.7	54.6	53.7
OPEC crude supply and balance														
OPEC crude oil production[1]	26.5	28.0	27.2	25.3	26.7	26.5	26.8	27.7	26.9					
Total supply	74.2	77.1	77.2	76.7	78.7	77.9	79.1	80.9	79.1					
Balance[2]	-1.4	0.9	0.5	-0.3	-0.4	1.6	0.9	0.4	0.6					
Stocks														
Closing stock level (outside FCPEs) *m b*														
OECD onland commercial	2446	2530	2621	2465	2407	2525	2563	2521						
OECD SPR[3]	1284	1268	1285	1343	1357	1361	1379	1396						
OECD total	3730	3798	3906	3807	3764	3886	3942	3916						
Other onland	997	1016	1045	1018	1007	1039	1054	1047						
Oil-on-water	808	876	831	815	857	886	874	875[e]						
Total stock	5535	5690	5782	5641	5629	5811	5870	5839						
Days of forward consumption in OECD														
Commercial onland stocks	51	53	55	51	51	53	52	51						
SPR	27	27	27	28	29	28	28	28						
Total	78	79	82	79	80	81	80	79						
Memo items														
FSU net exports	3.4	4.1	4.6	5.6	5.9	6.7	6.7	6.1	6.4	6.4	7.2	7.2	6.6	6.8
[(a) — (b)]	27.9	27.1	26.7	25.6	27.1	24.9	25.9	27.3	26.3	26.7	24.9	25.8	27.3	26.2

1. Secondary sources.
2. Stock change and miscellaneous.
3. Korean government stocks are now included in Total OECD.
e Estimated.
Note: Totals may not add up due to independent rounding.

***Table I** above, prepared by the Secretariat's Energy Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids. The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in **Tables One and Two** on page 42, while **Graphs One and Two** (on pages 41 and 43) show the evolution on a weekly basis. **Tables Three to Eight**, and the corresponding graphs on pages 44–49, 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 October 2003 to January 2004

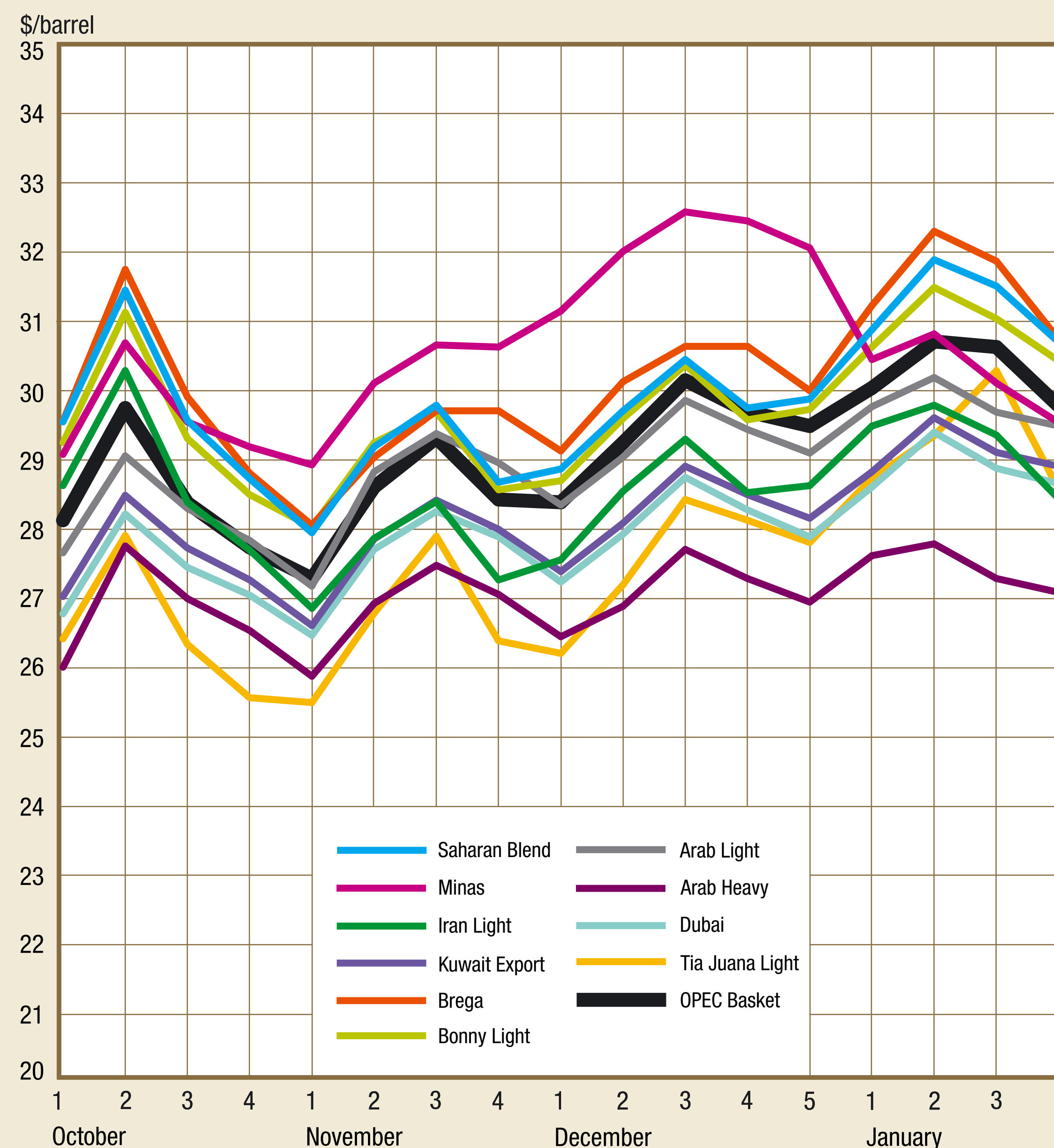


Table 1: OPEC spot crude oil prices, 2003–04 *($/b)*

Member Country/ Crude (API°)	2003 Jan 4Wav	Feb 4Wav	Mar 4Wav	Apr 5Wav	May 4Wav	Jun 4Wav	Jul 5Wav	Aug 4Wav	Sep 5Wav	Oct 4Wav	Nov 4Wav	Dec 5Wav	2004 January 1W	2W	3W	4W	4Wav
Algeria																	
Saharan Blend *(44.1)*	31.29	32.43	31.21	25.19	25.24	27.20	27.91	29.59	27.29	29.87	28.94	29.77	30.92	31.93	31.55	30.74	31.29
Indonesia																	
Minas *(33.9)*	32.32	31.89	30.70	29.66	28.76	27.19	27.33	28.38	26.74	29.67	30.12	32.09	30.49	30.86	30.15	29.58	30.27
IR Iran																	
Light *(33.9)*	29.13	29.89	27.94	22.85	23.06	24.43	26.03	28.62	26.66	28.79	27.64	28.55	29.53	29.83	29.40	28.48	29.31
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	28.08	30.02	27.81	23.78	24.35	25.50	26.70	27.78	25.78	27.67	27.76	28.25	28.87	29.65	29.15	28.95	29.16
SP Libyan AJ																	
Brega *(40.4)*	31.86	32.89	31.21	25.35	25.72	27.29	28.21	29.53	27.29	30.05	28.98	30.02	31.27	32.34	31.91	30.78	31.58
Nigeria																	
Bonny Light *(36.7)*	30.78	32.33	30.83	25.27	25.78	27.46	28.39	29.79	27.47	29.59	28.93	29.64	30.67	31.53	31.08	30.47	30.94
Saudi Arabia																	
Light *(34.2)*	29.10	31.11	28.98	24.70	24.92	26.15	27.24	28.36	26.41	28.26	28.63	29.20	29.81	30.23	29.73	29.53	29.83
Heavy *(28.0)*	27.78	29.86	27.33	23.50	24.19	25.37	26.68	27.63	24.92	26.87	26.88	27.10	27.66	27.83	27.33	27.13	27.49
UAE																	
Dubai *(32.5)*	28.02	29.94	27.76	23.59	24.31	25.46	26.66	27.66	25.52	27.42	27.62	28.06	28.65	29.44	28.92	28.70	28.93
Venezuela																	
Tia Juana Light[1] *(32.4)*	30.14	31.21	29.04	23.97	24.56	26.23	26.71	27.52	24.64	26.60	26.69	27.60	28.78	29.39	30.33	28.62	29.28
OPEC Basket[2]	***30.34***	***31.54***	***29.78***	***25.34***	***25.60***	***26.74***	***27.43***	***28.63***	***26.32***	***28.54***	***28.45***	***29.44***	***30.08***	***30.75***	***30.67***	***29.82***	***30.33***

Table 2: Selected non-OPEC spot crude oil prices, 2003–04 *($/b)*

Country/ Crude (API°)	2003 Jan 4Wav	Feb 4Wav	Mar 4Wav	Apr 5Wav	May 4Wav	Jun 4Wav	Jul 5Wav	Aug 4Wav	Sep 5Wav	Oct 4Wav	Nov 4Wav	Dec 5Wav	2004 January 1W	2W	3W	4W	4Wav
Gulf Area																	
Oman Blend *(34.0)*	28.54	30.31	28.06	24.14	24.53	25.64	26.80	27.96	26.09	27.97	27.93	28.43	29.06	29.82	29.34	29.15	29.34
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	27.67	29.04	27.81	21.87	22.84	24.07	25.69	27.59	24.70	27.02	26.17	25.89	26.88	27.52	26.42	25.37	26.55
North Sea																	
Brent *(UK, 38.0)*	31.31	32.54	30.98	25.07	25.79	27.44	28.34	29.78	27.32	29.85	28.68	29.82	31.02	32.09	31.66	30.53	31.33
Ekofisk *(Norway, 43.0)*	31.43	32.80	31.15	25.17	25.85	27.48	28.43	29.83	27.40	29.94	28.86	29.62	30.66	31.79	31.49	30.47	31.10
Latin America																	
Isthmus *(Mexico, 32.8)*	30.74	31.90	29.96	24.99	25.61	27.48	27.79	29.08	26.18	28.38	28.24	29.71	31.24	31.90	32.92	31.07	31.78
North America																	
WTI *(US, 40.0)*	33.08	35.63	33.88	28.40	28.23	30.71	30.61	31.60	28.55	30.43	30.94	32.15	33.76	34.30	35.29	33.97	34.33
Others																	
Urals *(Russia, 36.1)*	29.56	30.76	28.38	22.48	23.96	25.68	26.92	28.67	25.88	28.17	27.30	27.90	28.28	29.36	28.92	27.95	28.63

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.

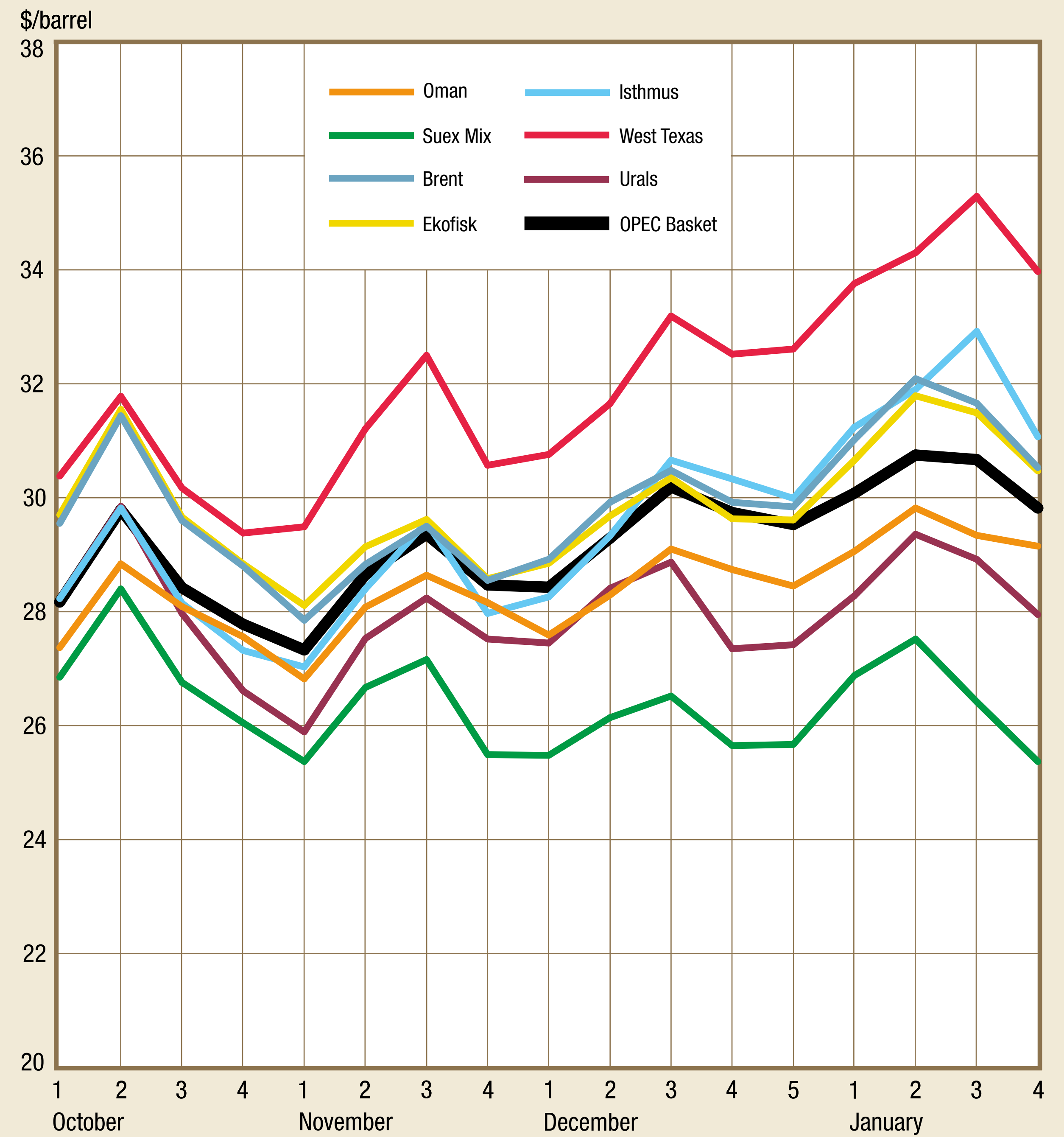


Table 3: North European market — spot barges, fob Rotterdam ($/b)

		naphtha	regular gasoline unleaded	premium gasoline unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
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
	November	28.67	27.75	27.88	28.52	30.48	23.59	18.40
	December	34.20	31.17	31.34	32.63	33.21	26.11	19.99
2003	January	40.35	35.19	35.31	35.22	36.66	26.83	25.97
	February	43.96	39.13	39.15	41.16	43.08	30.77	25.93
	March	40.60	35.98	36.06	39.61	42.75	26.86	21.91
	April	29.40	34.09	34.38	29.59	31.66	23.10	18.61
	May	28.03	31.74	32.06	29.00	30.30	21.68	20.29
	June	32.26	32.92	33.15	30.57	31.72	25.14	21.57
	July	32.81	35.17	35.36	31.08	32.98	25.56	24.15
	August	34.97	38.00	38.04	32.47	34.52	25.86	23.72
	September	32.66	33.64	33.70	29.84	32.23	23.84	21.64
	October	35.69	33.66	33.71	33.92	36.35	24.23	22.63
	November	37.49	33.51	33.54	34.21	37.57	23.08	22.56
	December	39.45	33.78	33.84	35.02	39.08	20.63	19.55
2004	January	43.00	37.66	37.73	36.58	40.35	22.05	20.75

Source: Platts. Prices are average of available days.

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

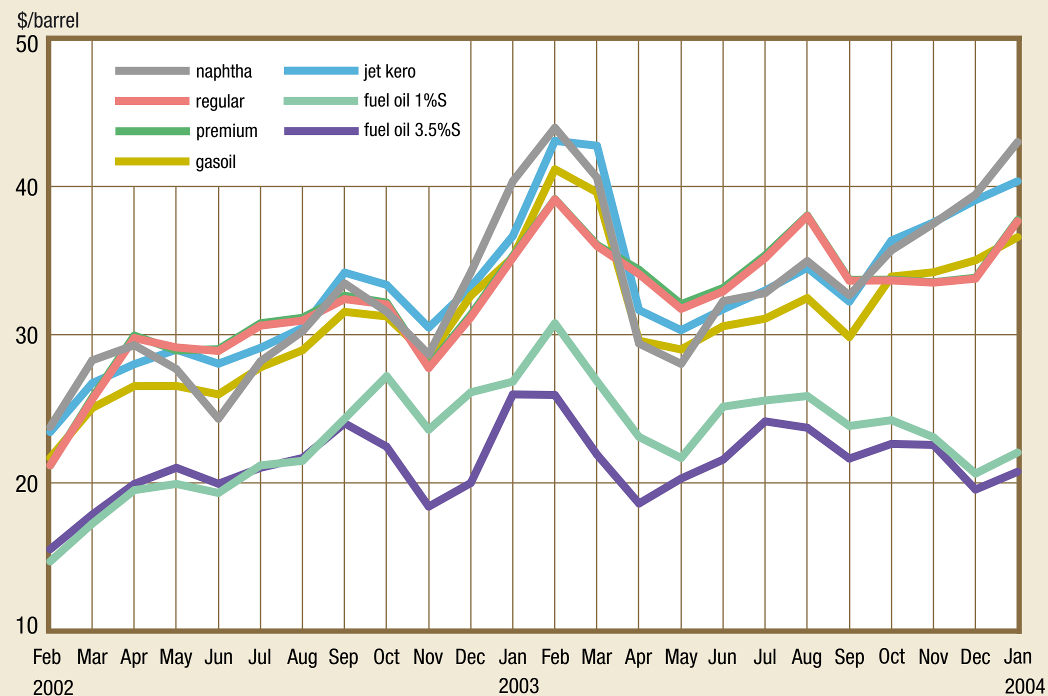


Table 4: South European market — spot cargoes, fob Italy ($/b)

		naphtha	gasoline premium unleaded 95	gasoline premium 0.15g/l	gasoil	fuel oil 1%S	fuel oil 3.5%S
2002	January	17.55	19.89	20.67	22.37	17.26	14.18
	February	19.42	20.06	21.47	21.29	15.37	14.77
	March	23.43	24.07	26.34	24.15	17.99	16.33
	April	24.48	28.27	30.24	28.27	20.31	18.39
	May	22.88	27.80	29.46	25.48	20.01	19.18
	June	22.05	26.23	29.31	25.48	20.21	18.56
	July	23.79	28.45	30.40	26.92	20.43	19.27
	August	24.92	29.21	30.82	28.23	21.45	20.04
	September	27.95	31.79	32.26	30.56	25.07	22.53
	October	26.18	31.13	31.41	29.86	24.28	20.58
	November	23.45	26.78	27.11	27.91	21.26	16.99
	December	27.71	30.57	30.86	32.02	24.07	18.32
2003	January	33.02	34.20	34.44	35.05	29.15	23.71
	February	35.86	38.05	38.22	40.11	31.05	24.65
	March	32.05	33.75	33.99	39.45	28.10	20.94
	April	22.88	29.69	29.96	29.69	21.14	18.18
	May	22.24	28.97	29.28	26.72	21.57	18.46
	June	26.31	31.51	31.78	29.88	25.01	20.94
	July	26.84	34.10	34.33	29.50	27.39	23.29
	August	28.57	37.21	37.40	31.49	27.66	22.64
	September	26.78	32.33	32.59	29.46	22.91	20.49
	October	29.45	33.18	33.43	34.99	24.81	21.48
	November	30.43	32.79	33.05	33.79	23.93	20.33
	December	31.90	33.08	33.33	33.87	21.60	16.68
2004	January	34.41	37.04	37.24	35.80	23.16	19.39

Source: Platts. Prices are average of available days.

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

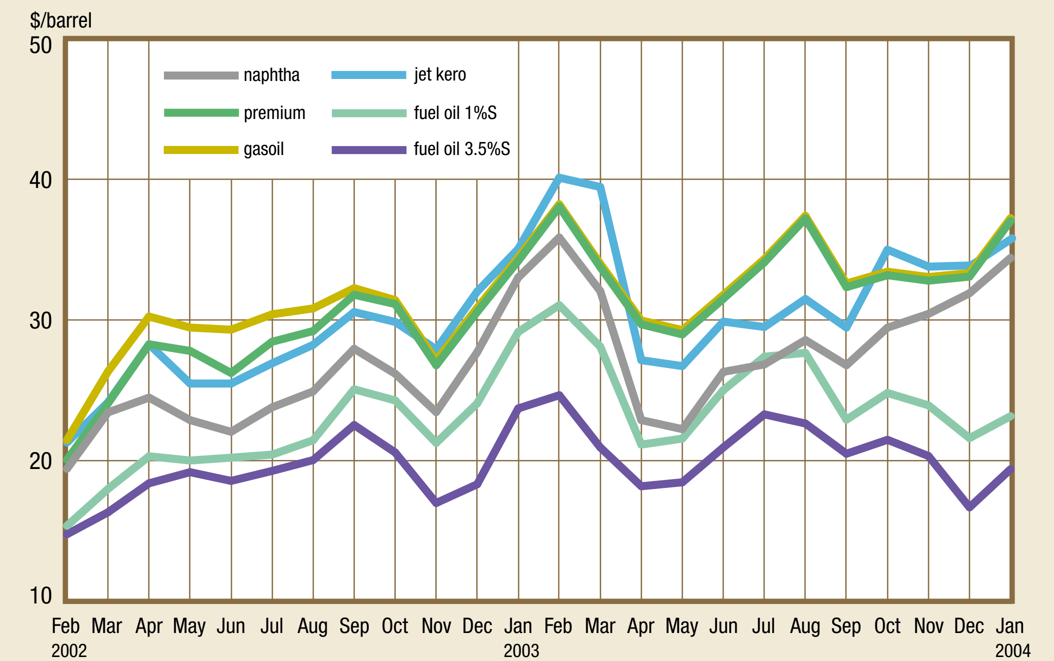


Table 5: US East Coast market — spot cargoes, New York *($/b, duties and fees included)*

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 1%S	fuel oil 2.2%S
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
	November	31.43	29.98	30.79	26.94	23.86	21.46
	December	33.59	34.21	34.67	32.62	26.68	24.30
2003	January	36.60	37.78	38.17	37.87	31.53	30.04
	February	41.65	47.11	48.11	46.52	35.06	30.61
	March	39.86	40.82	40.92	38.71	31.71	27.13
	April	33.37	32.66	32.88	27.29	23.98	20.51
	May	31.65	30.79	31.66	29.58	24.51	21.79
	June	33.58	31.69	32.21	28.40	25.18	22.46
	July	36.45	32.76	33.71	30.45	27.53	26.26
	August	41.92	33.96	35.36	30.97	27.74	26.43
	September	37.51	30.52	31.67	28.53	24.88	23.15
	October	36.24	34.10	35.21	29.94	25.93	24.22
	November	36.52	34.75	35.94	30.01	26.14	24.65
	December	36.97	37.06	38.28	31.28	25.76	22.91
2004	January	41.77	40.88	42.83	34.39	28.05	23.99

Source: Platts. Prices are average of available days.

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

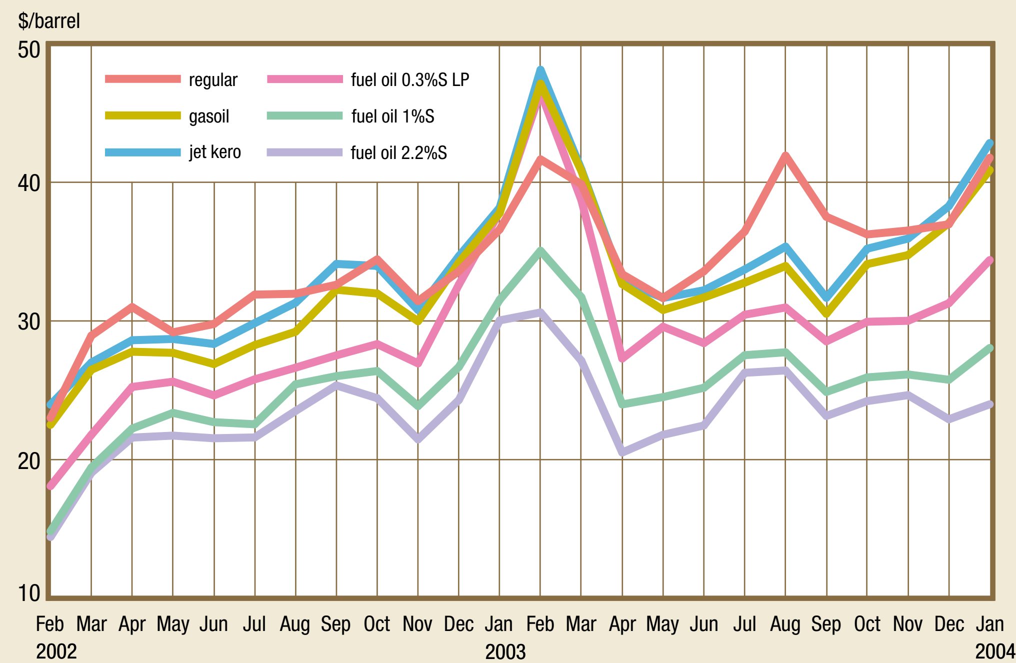


Table 6: Caribbean market — spot cargoes, fob *($/b)*

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2002	January	19.63	21.49	22.24	14.50	13.89
	February	21.30	21.79	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
	November	24.39	29.65	29.51	20.73	19.97
	December	31.43	33.64	34.27	23.58	23.18
2003	January	37.00	37.44	37.87	29.31	28.51
	February	40.53	45.21	44.77	29.89	28.43
	March	36.78	37.87	37.94	26.05	24.18
	April	29.03	30.65	31.62	19.01	18.45
	May	28.84	29.84	30.36	20.27	19.62
	June	28.91	31.30	31.79	20.95	20.19
	July	30.95	32.35	32.97	24.71	24.64
	August	34.67	33.69	34.72	24.89	24.81
	September	30.23	30.28	31.21	21.60	21.51
	October	33.95	33.72	34.74	22.36	22.10
	November	33.90	34.24	35.16	22.65	22.33
	December	35.64	35.89	37.44	20.34	19.99
2004	January	39.72	40.21	42.44	19.99	19.56

Source: Platts. Prices are average of available days.

Graph 6: Caribbean market — spot cargoes, fob

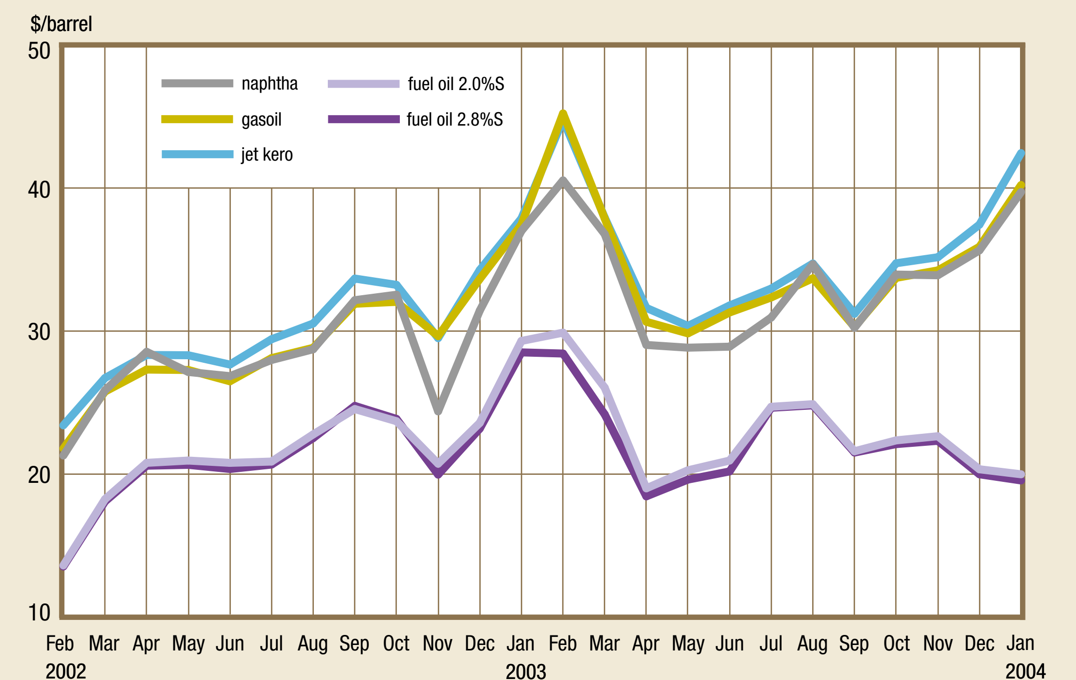


Table 7: Singapore market — spot cargoes, fob ($/b)

		naphtha	gasoline premium unleaded 95	unleaded 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2002	January	18.97	21.00	20.30	21.66	22.93	16.07	16.24
	February	21.04	24.16	22.95	22.54	22.54	17.04	17.37
	March	24.92	27.93	26.43	25.71	25.16	19.37	19.73
	April	26.11	30.11	28.80	28.64	27.27	21.45	21.75
	May	24.90	29.73	28.81	28.76	27.85	22.60	22.98
	June	23.84	28.54	27.45	27.82	26.49	21.66	21.99
	July	24.64	28.19	26.95	28.19	27.56	22.47	22.88
	August	25.52	28.17	26.65	28.79	29.28	23.39	24.10
	September	27.52	30.49	29.21	31.43	32.92	24.70	25.34
	October	26.87	29.62	28.37	33.10	32.43	23.13	23.46
	November	25.06	27.80	29.38	29.37	29.38	21.77	21.83
	December	29.57	30.25	29.35	31.88	32.10	23.95	24.24
2003	January	32.21	34.34	33.52	34.23	34.37	26.51	26.97
	February	37.34	40.14	39.28	39.35	39.27	29.05	29.33
	March	33.78	37.51	36.67	37.87	35.33	26.19	26.65
	April	23.58	28.74	27.79	30.03	28.35	22.55	23.12
	May	23.77	28.73	27.74	29.12	28.25	23.18	23.15
	June	26.66	31.59	30.84	29.33	28.48	24.20	24.51
	July	27.77	34.59	33.41	29.57	29.78	25.54	26.18
	August	29.67	37.30	35.95	33.27	33.58	24.27	24.92
	September	27.86	33.11	32.14	32.42	31.40	23.13	23.80
	October	30.46	35.55	34.39	33.58	33.84	23.88	24.38
	November	32.54	35.78	34.25	35.08	35.89	23.53	23.99
	December	34.67	39.52	38.43	36.67	37.50	23.38	23.79
2004	January	39.49	44.25	43.25	41.42	39.60	24.73	24.98

Source: Platts. Prices are average of available days.

Graph 7: Singapore market — spot cargoes, fob

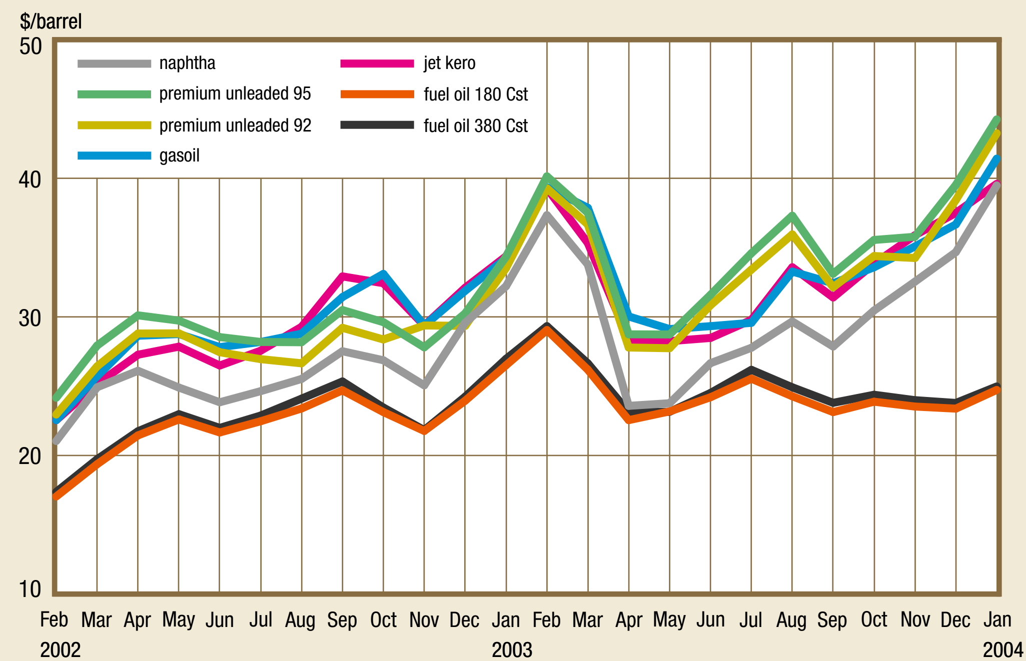
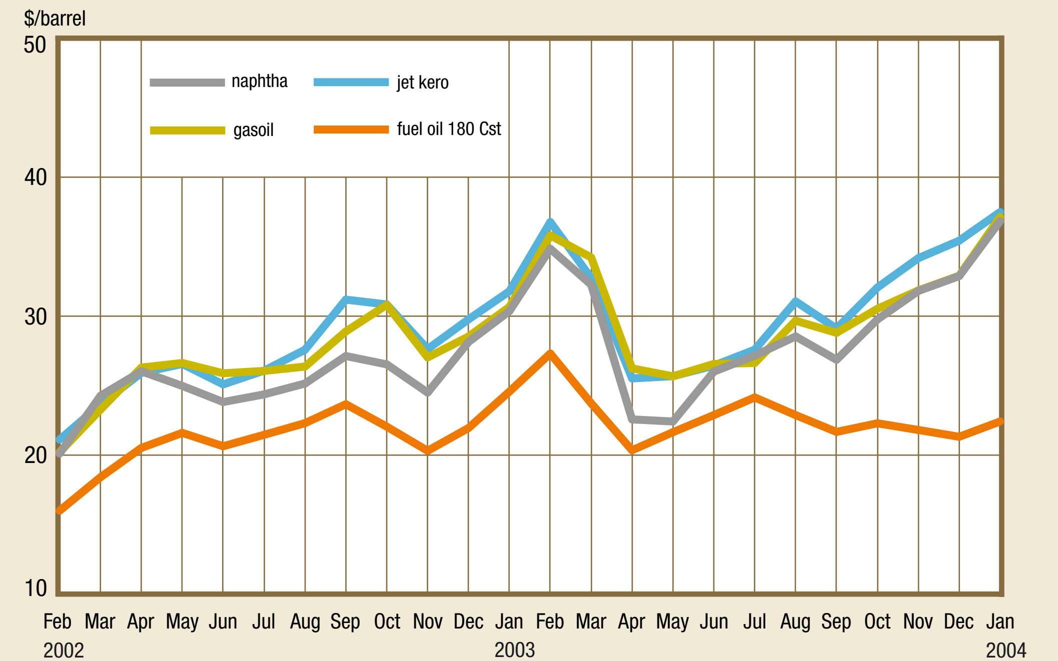


Table 8: Middle East Gulf market — spot cargoes, fob ($/b)

		naphtha	gasoil	jet kero	fuel oil 180 Cst
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
	November	24.50	27.03	27.63	20.31
	December	28.14	28.53	29.77	21.95
2003	January	30.36	30.66	31.79	24.57
	February	34.85	35.81	36.77	27.31
	March	32.26	34.22	32.74	23.73
	April	22.57	26.24	25.52	20.35
	May	22.42	25.67	25.68	21.65
	June	26.01	26.56	26.44	22.88
	July	27.16	26.63	27.59	24.15
	August	28.54	29.67	31.06	22.88
	September	26.86	28.80	29.11	21.67
	October	29.76	30.53	32.06	22.29
	November	31.81	31.85	34.17	21.81
	December	32.88	32.91	35.43	21.32
2004	January	36.84	37.13	37.49	22.42

Source: Platts. Prices are average of available days.

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



Iraqi authorities sign interim constitution in preparation for transition of power

by Lizette Kilian

The Iraqi Governing Council (GC) and the Coalition Provisional Authority (CPA) announced the signing of an interim constitution on March 8, after the country's most powerful cleric, Grand Ayatollah Ali Al-Husseini Al-Sistani, gave the green light.

Al-Sistani had initially objected to a clause in the draft charter that gave Iraq's Kurdish minority the power to veto a permanent constitution even if the Shiite majority approved it in a referendum. However, the clause, which Al-Sistani had objected to, remained unchanged.

The disputed clause in the charter grants Kurds and Sunni Arabs (who make up 30–40 per cent of Iraq's 25 million inhabitants, compared to the 60 per cent Shiites), a de facto veto. The draft charter stipulates that if two-thirds of voters in any three of Iraq's 18 provinces reject it, then the document cannot be adopted, parliament is dissolved and general elections are held. Kurds make up the majority of three Northern provinces, where they have enjoyed self-rule since 1991.

Photo: Reuters/Ceerwan Aziz

Kurds and Sunnis consider the clause a safeguard against Shiite domination, while Shiite politicians believe that the clause grants 10 per cent of the population the power to block the voice of the remaining 90 per cent.

However, the GC's President, Dr Seyyid Muhammed Bahr Ul-Uloom, said prior to the signing ceremony that Iraqis "must put the interests of our nation above all of our interests. The world is waiting and expecting us to work in the service of our nation."

The interim constitution is part of US plans to hand power to the Iraqis on June 30 this year. The charter will remain in force until a permanent constitution is approved in a referendum planned for late 2005. Iraq's permanent constitution will be drafted by a legislature, which will be elected by January 31, 2005.

Meanwhile the UN Security Council has strongly supported Secretary-General Kofi Annan's decision to send UN experts to Iraq to help with the handover of power and future elections.

"The Security Council calls on all parties in Iraq to co-operate fully with these United Nations teams, and welcomes the security and other support provided to them by the Iraqi GC and the CPA," the current Security Council President, Ambassador Jean-Marc de La Sabliere of France, said in a statement delivered at an open meeting.

The Secretary-General's Special Adviser, Lakhdar Brahimi, together with his aides and an electoral assistance team, will head to Iraq "as soon as possible", according to the statement. They will assist the Iraqi people in the formation of an interim Iraqi government to which sovereignty will be handed over on June 30, while supporting preparations for direct elections "to

Executive Summary of the interim constitution

The Transitional Administrative Law will be the Supreme Law of Iraq, during the transitional period. It will expire once a government is elected under a permanent constitution and take office. This will happen no later than December 31, 2005. The transitional period will consist of two phases:

– *Phase I:* On June 30, 2004, an Iraqi interim government will be vested with full sovereignty and the CPA will dissolve. This Iraqi government will be formed through a process of widespread consultation with the Iraqi people and will govern according to the Transitional Administrative Law and an annex to be issued before the beginning of the transitional period.
– *Phase II:* The Iraqi transitional government will take office after elections for the National Assembly. These elections will take place as soon as possible, but no later than January 31, 2005.

The Fundamental Principles of the Law include the following:

– The system of government in Iraq will be republican, federal, democratic, and pluralistic. Federalism will be based on geography, history, and the separation of powers and not on ethnicity or sect.
– The Iraqi armed forces will fall under the control of Iraq's civilian political leadership.
– Islam will be the official religion of the state and will be considered a source of legislation. The Law will respect the Islamic identity of the majority of the Iraqi people and guarantee the freedom of religious belief and practice.
– Arabic and Kurdish will be the official languages of Iraq.

The people of Iraq are sovereign and free. All Iraqis are equal in their rights and without regard to gender, nationality, religion, or ethnic origin and they are equal before the law. Those unjustly deprived of their citizenship by previous Iraqi regimes will have the right to reclaim their citizenship. The government will respect the rights of the people, including the rights:

– To freedom of thought, conscience, and expression;
– To assemble peaceably and to associate and organize freely;
– To justice; to a fair, speedy, and open trial and to the presumption of innocence;
– To vote, according to law, in free, fair, competitive and periodic elections; and
– To file grievances against officials when these rights have been violated.

The Transitional Iraqi Government will contain checks, balances, and the separation of powers. The federal government will have the exclusive right to exercise sovereign power in a number of critical areas, including the management and control of the following:

– National security policy. Independent militias shall be prohibited.
– Foreign policy, diplomatic representation, and border control.
– National fiscal, monetary and commercial policy.
– National resources, revenues from which must be spent on the needs of all of Iraq's regions in an equitable manner.

The Transitional Legislative Authority will be vested in a National Assembly, which will pass laws and help select and oversee the work of the executive authority. The National Assembly will be freely elected by the people of Iraq, under an electoral system designed to achieve representation of women of at least one-quarter of its members, as well as fair representation of all of Iraq's communities.

The Transitional Executive Authority will consist of the Presidency and the Council of Ministers, including the Prime Minister.

– The Presidency Council will consist of the President and two Deputy Presidents, and will be elected by the National Assembly as a group. The Presidency Council will represent the sovereignty of Iraq, may veto laws, and make appointments. All decisions of the Presidency Council will be taken unanimously.
– The Presidency Council will nominate the Prime Minister and, on the recommendation of the Prime Minister, will also nominate the Council of Ministers. All ministers will need to be confirmed in a vote of confidence by the National Assembly.
– The Prime Minister and the Council of Ministers will oversee the day-to-day management of the government.

The Federal Judicial Authority will be independent. A Federal Supreme Court will be created to hear judicial appeals and to ensure that all laws in Iraq are consistent with the Transitional Administrative Law. It will consist of nine members, who will be appointed by the Presidency Council upon the recommendation of an impartial Higher Juridical Council.

Federalism and local government will ensure a unified Iraq and prevent the concentration of power in the central government that enabled decades of tyranny and oppression. This will encourage the exercise of local authority in which all citizens are able to participate actively in political life.

– The Kurdistan Regional Government will be recognized as an official regional government within a unified Iraq, and will continue to exercise many of the functions it currently exercises. Groups of governorates elsewhere in Iraq will be permitted to form regions, and take on additional authorities.
– The governorates will have Governors and Governorate Councils, in addition to municipal, local, and city councils as appropriate.
– All authorities not reserved to the Federal Government may be exercised as appropriate by the governorates and the Kurdistan Regional Government.
– Elections for Governorate Councils throughout Iraq, and also for the Kurdistan National Assembly will be held at the same time as elections for the National Assembly, no later than January 31, 2005.

Iraq's security will be defended by the Iraqi armed forces, working together with the Coalition. Consistent with Iraq's sovereign status, the Iraqi armed forces will play a leading role as a partner in the multinational force helping to bring security to Iraq in the transitional period. The Iraqi Transitional Government will also have the authority to negotiate a security agreement with Coalition forces.

The National Assembly will be responsible for drafting the permanent constitution. After consulting with the Iraqi people and completing a draft, the proposed constitution will be submitted to the public in a referendum, which will occur no later than October 15, 2005. If the constitution is adopted, elections for a new government under the constitution will be held, and the new government will take office no later than December 31, 2005.

Source: www.cpa-iraq.org/government/TAL.html

be held before the end of January 2005", de La Sabliere said.

Kofi Annan based his decision on an exchange of letters with the GC President, in which the latter wrote of the Council's continuing belief that the UN must play an important role in Iraq.

Annan also received a similar letter from the Administrator of the US-led CPA, Paul Bremer, in which he expressed the belief that the UN has a significant role to play in assisting Iraq.

UK Prime Minister Tony Blair embarks on historic visit to Libya

Tripoli — In a move widely seen as symbolizing the return of Libya to the international fold, British Prime Minister Tony Blair met with the country's leader, Colonel Moammar Gadhafi, on March 25. Blair was the first British leader since 1943 to visit Tripoli.

Relations between Britain and Libya improved last year after Libya accepted responsibility for the 1988 bombing of Pan Am flight 103 over Lockerbie, Scotland, and agreed to pay compensation to the families of the 270 victims.

In a separate development in December 2003, Libya also pledged to dismantle all of its nuclear, chemical and biological weapons programmes.

Below: Britain's Prime Minister Tony Blair (l), walks with Libyan leader Colonel Moammar Gadhafi

AP Photo/Alastair Grant

A day prior to the meeting, Blair praised Gadhafi for his decision to renounce the weapons programmes and said that, despite a history of strained relations between Libya and Britain, it was now time to move on.

"Let us offer to states that want to renounce terrorism and the development of weapons of mass destruction, our hand in partnership to achieve it, as Libya has rightly and courageously decided to do," Blair told a news conference in Lisbon.

"That does not mean forgetting the pain of the past. But it does mean recognizing it is time to move on," added Blair, who was in Portugal to meet Prime Minister Jose Durao Barroso and President Jorge Sampaio, after attending a state funeral in Madrid for the victims of the Spanish railway bombings earlier in March.

Meanwhile, as Blair met with Gadhafi, Anglo-Dutch oil giant Royal Dutch/Shell announced that it had reached a framework deal with Libya for onshore exploration, and the development of liquefied natural gas facilities *(see Newsline section for more details).*

Blair's meeting followed a visit earlier in the week by US Assistant Secretary for Near Eastern Affairs, William Burns, in efforts to continue the dialogue with Libyan officials to review the next phase in American-Libyan relations.

Earlier, on February 26, the White House announced in a press statement that Libya had taken significant steps in implementing its commitment to disclose and dismantle its weapons of mass destruction (WMD) programmes, as well as the missile systems to deliver them, and that the country welcomed experts from the US, the UK, and relevant international organizations to assist in this effort.

The statement said that in recognition of Libya's concrete steps to abandon its WMDs and to build the foundation for its economic growth and reintegration with the international community, the United States would take a number of steps to encourage the country to continue on this path. The steps include the following:

— The US Secretary of State has rescinded the restriction on the use of American passports for travel to Libya.

— The Treasury Department has issued a general license for all travel-related expenditures in Libya. In practical terms, this means that American citizens, for the first time in 23 years, will be able to travel to Libya, including for tourism, academic research, and family visits.

— US companies with pre-sanctions holdings in Libya are authorized, with immediate effect, to negotiate the terms of their re-entry into operations in Libya, subject to the requirement of a further US approval for implementation of any agreements, if sanctions have not otherwise been lifted.

— The US has invited Libya to establish an Interests Section in Washington, to facilitate co-operation in the elimination of WMDs and to lay the foundation for more extensive diplomatic relations in the future. The US will continue to augment its own Interests Section in Tripoli, to reflect the increasing depth of the bilateral relationship.

— The US is committed to increasing contacts between Libyan and American societies and exploring co-operation in humanitarian projects. For example, a delegation of US medical specialists from the Department of Health and Human Services and the US Agency for International Development arrived in Tripoli on February 28, for consultations on health care delivery and disease prevention. The US has also invited Libya to send a delegation to the States for discussions on educational opportunities for Libyan students in the US.

"The United States will approach relations with Libya on a careful, step-by-step basis. We have made clear that progress in our bilateral relationship will depend upon continued, good faith implementation by Libya of its own public commitments on WMDs, missiles, and terrorism," the statement added.

Kuwaiti petrochemical firm announces record year in 2003

Kuwait — The President and Chief Executive Officer of Kuwait's Equate Petrochemical Company, Hamad Al-Terkait, has announced a record net profit of $276 million for 2003, according to a company statement.

The firm also saw earnings increase by 160 per cent compared to 2002, added the statement. The general assembly of Equate has approved a dividend distribution to shareholders after allocating the required reserves.

"The year 2003 was a banner year for the company with excellent all-round results," Al-Terkait stated. "Simply, it was the year of records. We kept our promise to our customers, employees and stakeholders, and we are very proud of our accomplishments."

Al-Terkait added that many significant milestones were surpassed during 2003, of which the safety and security of the firm's people and environment were among the most important.

"Equate sustained its safety record and achieved 5.8m safe work hours during the year. It is to be noted that in 2003 we have also included our contractor laborers (who represent about 30 per cent of our total workforce) into our safe work hour count," said Al-Terkait.

"Even with such a calculation, we have achieved a recordable injury frequency rate of 0.30. It is an excellent, world class achievement," he said.

The Equate boss also pointed out that the business climate in 2003 was volatile and world economies were slow to recover due to the conflict in Iraq and slow global growth.

Despite these limitations, Equate's total sales in 2003 continued to grow for the sixth consecutive year, topping all previous peaks. Strong demand strengthened commodity prices and gave an added advantage for the year.

Equate is a leading producer of ethylene glycol and a broad variety of linear-low and high-density polyethylene. Ethylene glycol is a key intermediate for polyester fiber and container resin. Polyethylene is used in a broad variety of packaging and agricultural film and container moulding applications.

The company was established in 1995 as a joint venture between the government-owned Petrochemical Industries Company and the Union Carbide Corporation, which is now a wholly owned subsidiary of the Dow Chemical Company. Each holds a 45 per cent stake in Equate, with the remaining shares belonging to the Boubyan Petrochemical Company.

Saudi monetary reserves climb back up to levels of 1980s

Riyadh — Saudi Arabia's monetary reserves, minus gold, have returned to the levels last seen in the 1980s, according to the Saudi Arabian Monetary Agency (SAMA), the country's central bank.

The reserves reached the equivalent of $24.46 billion last November, with US dollars accounting for the lion's share of $19.62bn, reported the Saudi-owned *Al-Hayat* daily, quoting SAMA figures.

In 1992, the country's total reserves, minus gold, plunged to just $2.9bn. In 2003, however, the Kingdom's economy registered a record surplus of $12bn, due to high oil prices. Nonetheless, Riyadh still has a public debt of more than $178bn, the report added.

US signs trade agreements with the UAE and Qatar

Washington — In a bid to assist in its ongoing efforts to liberalize and diversify the economies in Middle East countries, the US this month signed trade and investment framework agreements (TIFAs) in March with Qatar and the United Arab Emirates (UAE), according to a statement from the Office of the US Trade Representative.

The agreements are aimed at fostering more trade and investment by establishing senior-level discussions on commercial and economic issues between the Gulf countries and which could lead to bilateral free-trade arrangements.

According to the statement, last year the US exported $3.5 billion worth of goods to the UAE, including machinery, aircraft, vehicles, optical and medical instruments, live animals and tree nuts. The US imported $1.1bn worth of goods from the UAE in the same year, including mineral fuel, woven and knitted apparel.

Also in 2003, the US exported $408 million worth of goods to Qatar, a 200 per cent increase from a decade ago, according to the statement. Those goods included machinery, aircraft, vehicles, optical and medical instruments. The US imported $331m worth of goods from Qatar in the same year, including mineral fuel and fertilizers, the report said.

In announcing the agreement, US Trade Representative, Robert Zoellick, said: "Expansion of trade with the United

Arab Emirates is part of our efforts to promote democracy and economic vitality in the Middle East and the Gulf region."

He noted that in May 2003, US President George W Bush had proposed the creation of a Middle East free trade area by 2013.

"This month's FTA (free trade agreement) with Morocco and the completion of the second round of FTA negotiations with Bahrain puts us in good standing to achieve that goal," Zoellick said, adding that previously-negotiated trade and investment accords have served as a "springboard" for FTA negotiations with Bahrain, Jordan and Morocco.

He added that the first step is to work closely with peaceful nations that want to become members of the World Trade Organization in order to expedite their accession. As these countries implement domestic reform agendas, institute the rule of law, protect property rights (including intellectual property), and create a foundation for openness and economic growth, the US will take a series of graduated steps with countries in the region tailored to their level of development.

The US will expand and deepen economic ties through further TIFAs, FTAs and bilateral investment treaties, and will enhance the Generalized System of Preferences programme for eligible countries, the report added.

High oil prices turn GCC budget deficit into surplus in 2003

Dubai — Strong oil prices have helped GCC countries to turn their budget deficits in 2003 into surplus, but a projected fall in oil prices in 2004 may turn the picture upside down, according to a study by the Emirates Industrial Bank (EIB).

"The improvement in the GCC annual budgets in 2003, which were based on moderate oil prices ranging between $17–19/barrel, was due to the rise in world oil prices, with an average price of $27/b last year," the study noted.

"This has led to the total deficit in GCC annual budgets turning into a surplus in 2003," said the EIB report.

"Figures showed that the GCC budget surplus last year was $16.1 billion, the highest since the end of the second Gulf War in the early 1990s. However, the study expected this surplus to turn into a deficit of $10.6bn in 2004 on predictions of a decline in oil prices," it added.

"The declared data of the GCC budgets for the current year, based on conservative low oil prices between $19–21/b, projected a 24.5 per cent drop in income to $90.8bn this year, as against $120.2bn in 2003, as a result of a possible decline in oil prices," said the study.

At the same time, it noted that expenditure was projected to fall by 2.6 per cent in 2004 to $101.4bn from $104.1bn in 2003.

The report urged the GCC nations to consider restructuring their annual budget resources and spending methods, in order to strike a balance in their budgets.

"In the UAE's case, the country's federal budget ended last year with a balance between spending and revenues, while in other GCC members, the deficit was slashed or turned into a large surplus.

Actual revenues in the UAE were put at around $6.5bn last year, while actual spending was reduced to the same level, leaving a zero deficit in the budget," the study added.

The UAE had forecast a deficit in its federal budget of around $599m, but it was wiped out, apparently because of cuts in actual expenditure through the year.

In Saudi Arabia, income was $78.5bn in 2003, as against expenditure of $66.5bn, leaving a surplus of $12bn. However, the 2004 budget is projected to suffer an $8bn deficit, the study said.

Kuwait reported a surplus of around $5bn in 2003. There was a surplus of $1.1bn in Qatar, despite an increase in expenditure. The study noted the surplus was caused by a sharp rise in earnings from exports of crude oil and LNG.

Bahrain had a shortfall of nearly $1bn, while Oman also suffered from the same gap, although its crude output fell by nearly 22 per cent last year.

Italy's Tecnimont signs contract for Saudi Arabian polypropylene plant

Riyadh — Italian engineering and construction company Tecnimont has announced that it has signed a lump-sum EPC contract with the National Petrochemical Company (Natpet) to build a polypropylene plant at Yanbu, in Saudi Arabia.

The unit will produce 400,000–420,000 tonnes/year of polypropylene using Basell's Spheripol process technology and is due to be completed in 28 months. The value of the contract with Natpet is about $215 million.

Tecnimont is a recognized international leader in polymers, particularly in polypropylene. It has built more than 80 plants worldwide, of which 60 use Spheripol technology.

KNPC signs data management deal with hi-tech firm STMI

Kuwait—The Kuwait National Petroleum Company (KNPC) has announced the signing of a $1.5 million agreement with Strategic Technology Management Inc (STMI) to manage and protect sensitive company data, according to a report carried by the Kuwait News Agency (KUNA) earlier in March.

The new data storage system stores and allows access to data from KNPC's three refineries. In addition, a storage area network is connected to two of the refineries for retrieval of data in case of emergency or unexpected malfunction.

The new technology enables those concerned to obtain round-the-clock access to fiscal, supply, reserve, and warehouse department data from any company office or refinery, the KUNA statement added.

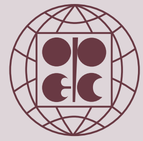
KNPC is the downstream subsidiary of the state-owned Kuwait Petroleum Corporation.

The SP Libyan AJ has appointed **HE Dr Fathi Hamed Ben Shatwan** as the country's new Secretary of the People's Committee for Energy. Born in 1951, the new Minister graduated in electrical engineering from El-Fateh University in 1975 and earned his PhD from the University of Strathclyde, Glasgow, Scotland, in 1983.

After working in Libyan television, he became first a Reader in the Faculty of Engineering and later Chancellor of Garyunis University. He has held various government posts in Libya, the most recent of which were Secretary of Industry and Minerals (1994–95), Head of the Industrial Research Centre and Secretary of the Public Commission of Industry. He is also the author or translator of numerous books and studies in the field of technology.

Nigeria has appointed **Ammuna Lawan Ali** as the country's new Governor for OPEC. Born in Nigeria on January 13, 1953, she obtained her Bachelor of Arts degree from the Ahmadu Bello University in Zaria and her Masters degree in Public Administration from the University of Maiduguri. She is a member of the National Institute for Policy and Strategic Studies in Kuru.

Ammuna Lawan Ali has served the Government of Nigeria in various capacities. From 1995 to 1999, she was Director, Federal Ministry of Women Affairs and Social Development, and held various other posts in the Ministries. In January, 2004 she became Permanent Secretary to the Federal Ministry of Petroleum Resources.



News from the OPEC Fund

Libyan Prime Minister visits OPEC Fund headquarters

The Prime Minister of Libya, HE Dr Shokri Ghanem *(pictured right),* paid a courtesy call on the OPEC Fund and was received by the Director-General, Suleiman Jasir Al-Herbish *(pictured left),* and senior staff. Al-Herbish welcomed Dr Ghanem to "familiar premises," as a former senior OPEC official. He told Dr Ghanem that the Fund was privileged to enjoy the support of its Member Countries, including Libya, which have been unwavering in their commitment to the institution.

The Prime Minister was briefed about the operations of the OPEC Fund, especially its lending and grants programmes and the growing involvement in the private sector. The Director-General spoke about the forthcoming 16th Lending Programme of the Fund and touched upon grants extended to help humanitarian causes. Al-Herbish commended the achievements and unfolding developments in Libya.

Responding, Dr Ghanem said his visit was more like home-coming. He assured the OPEC Fund of Libya's continued backing and said the country valued very much the work of the institution, which Libya finds to be in its interest. Dr Ghanem said that the contributions of the OPEC Fund to development co-operation were needed more than ever, "because a huge gulf still exists between the aspirations of developing countries and the aid resources available to them, to help bridge the widening gap between rich and poor." It was important, Dr Ghanem asserted, that OPEC Member Countries are seen to be continuing to assist fellow developing countries, even though economic circumstances in OPEC countries are becoming difficult. He called on the OPEC Fund to do more to make itself better known within the international system. He would, indeed, wish to see the role of the Fund expand: "More resources should be channelled by Member Countries and their financial institutions through the mechanism of the OPEC Fund, rather than via bilateral arrangements, because delivery through the multilateral OPEC Fund has greater impact."

Fund Director-General meets with Austrian Chancellor

The Director-General of the OPEC Fund, Suleiman Jasir Al-Herbish, paid a courtesy call on Dr Wolfgang Schüssel, Chancellor of the Republic of Austria, to pay his respects and convey his appreciation of the "outstanding hospitality" extended over the years to the Fund by the Austrian government.

Dr Schüssel said that Austria was proud to host both the OPEC Fund and OPEC, and described the two sister institutions as among the "most important" of the many international organizations headquartered in the Austrian capital, Vienna.

After a short briefing by Al-Herbish on the work of the Fund, the Director-General and the Chancellor discussed issues of common concern in the field of international development, and identified possible areas of future co-operation. At the close of the meeting, the Director-General extended an invitation to Dr Schüssel to visit the Fund.

Al-Herbish meets with BANDES to ratify co-operation agreement

The Director-General of the OPEC Fund, Suleiman Jasir Al-Herbish, met with the Banco de Desarrollo Económico y Social de Venezuela (BANDES) in Caracas, Venezuela on March 24, to discuss matters of mutual interest and concern. The meeting was conducted within the framework of a co-operation agreement that was signed at the Third Summit of Heads of State and Government of the States and Territories of the Association of Caribbean States (ACS) in December 2001.

Al-Herbish was leading the Fund delegation on his first official visit to the Bolivarian Republic of Venezuela from March 23–26. BANDES was represented by HE Dr Nelson J Merentes, Minister of State for Economic and Social Development and President of BANDES, as well as the Governor for Venezuela of the OPEC Fund's Governing Board.

Within the framework of the co-operation agreement, which was entered into between the OPEC Fund, BANDES and the ACS, the three organizations agreed, to the fullest extent practicable, to encourage, develop and facilitate joint activities through lending and other forms of investment activity. To further this objective, the institutions also agreed to co-ordinate their financial assistance in support of development programmes and projects in eligible ACS member countries in priority sectors.

The OPEC Fund Director-General delivered the ratification of the agreement, thus completing the prerequisites for its entry into force. Each participant of the delegation outlined their organization's present activities, focusing on areas such as loans to the public sector, private sector investments and grants, with a special emphasis on the Latin American and Caribbean region. Both organizations expressed their readiness in swiftly setting the processes into motion required to commence joint operations in both public and private sectors.

Fund extends aid to earthquake victims in Morocco

The OPEC Fund has extended an emergency assistance grant of $250,000 to the Kingdom of Morocco to help purchase relief items for victims of a massive earthquake. Registering 6.5 on the Richter scale, the quake is the most powerful one to have hit the area in four decades, and has taken hundreds of lives and rendered thousands homeless.

Six villages have been severely affected by the earthquake, among them the Mediterranean port city of Al Hoceima and the village of Ait Kamara, which was completely destroyed. The epicentre was in the Strait of Gibraltar separating Morocco and Spain, some 300 km north-east of Rabat. Exposure to freezing night temperatures and rain poses a real threat to the thousands of people forced to sleep outdoors in makeshift shelters.

The government of Morocco has requested international assistance to help the thousands of individuals without homes. United Nations appeals have called for items such as tents, blankets, medication, food, household materials, clothing, heating equipment and first aid kits.

The OPEC Fund's contribution to the aid effort will be used to support emergency operations, and will be channelled through the International Federation of Red Cross and Red Crescent Societies.

Al-Herbish calls for support for rural development in low income countries

Rural populations in developing countries are in need of greater empowerment to lift them out of poverty, and progress can only be achieved if effective measures are put in place to boost sustainable agriculture and hasten rural development. These were the views expressed by OPEC Fund Director-General, Suleiman Jasir Al-Herbish, at the 27th Session of the Governing Council of the International Fund for Agricultural Development (IFAD) in Rome, Italy.

Referring to the plight of the rural poor, the Director-General revealed that the OPEC Fund had dedicated almost 80 per cent of its lending to low-income countries, most of which had agriculture-based economies. One-fifth of that amount had directly supported the agriculture sector, while the bulk of the remainder had gone to operations such as rural electrification, rural roads, dams and water supply, all of which had contributed to the growth of an enabling environment for agriculture.

Al-Herbish noted the shared goals and activities of IFAD and the Fund. "To date, the Fund has co-financed some 69 IFAD projects — in financial terms, a contribution on our part of close to $200 million," he said. In addition, the Arab Fund and Islamic Development Bank, in which OPEC Member Countries were majority shareholders, had together contributed over $320m to IFAD operations.

The Director-General was highly critical of the "one billion dollars a day" spent on agricultural subsidies in the rich countries, a practice he described as imposing a high cost on poorer countries where agriculture accounted for one-third of GDP, and was the major exporter and employer. The daunting economic challenges faced by impoverished countries would never be resolved, he asserted, unless they were placed on a more equal footing with developed countries, particularly in the area of world trade.

March 2004

Grants approved

Fund supports Bangkok AIDS conference

The OPEC Fund has approved a grant of $90,000 to help support the XV International AIDS Conference to be held in Bangkok, Thailand in July 2004. Organized by the International AIDS Society (IAS), the theme of the Conference, Access for All, will focus on equitable access to treatment, care and human rights — regardless of gender, social status or geographical location.

Based in Stockholm, Sweden, IAS represents the world's professional society for scientists, health care and public health workers and others engaged in HIV/AIDS control, prevention and care.

The International AIDS Conference links community and science to galvanize the world's response to HIV/AIDS through increased commitment, leadership and accountability. Aims of the event are to create a forum for the exchange of ideas and experiences, which will result in improving HIV/AIDS projects worldwide, as well as developing new, sustainable initiatives.

Major activities in Bangkok will include a New Leadership Forum that will entail sessions and workshops to create a forum for dialogue and discourse on the commitment needed to combat HIV/AIDS; Expanded Skills Building, to complement large plenary lectures and sessions; and Media Outreach and Co-ordination to maximize the impact of the conference in all parts of the world.

The OPEC Fund supports the global campaign against HIV/AIDS. An OPEC Fund HIV/AIDS Programme has been on track since June 2001, funding projects, programmes and initiatives worldwide to help check the advance of the pandemic. The Fund has been working in co-operation with leading institutions such as the World Health Organization, the United Nations Fund for Population Activities and the International Federation of Red Cross and Red Crescent Societies, financing interventions in several countries in Africa, Asia, Latin America, the Caribbean and the Pacific. In 2002, the OPEC Fund chaired a Leadership Forum of the XIV International AIDS Conference held in Barcelona, Spain.

The Fund's contribution to the Bangkok Conference will finance the attendance of 20 participants from developing countries in Latin America and sub-Saharan Africa. A portion of the grant will also be used to fund a session of the Leadership Forum.

Fund extends grant to assist Namibian youth affected by HIV/AIDS

Amount: $250,000.
Total cost: $793,000.
Implementing agency: United Nations Alliance of Mayors and Municipal Leaders on HIV/AIDS in Africa (UN-AMICAALL).
Project administrator: UN-AMICAALL.
The OPEC Fund has approved a grant of $250,000 to assist an initiative of the Alliance of Mayors and Municipal Leaders on HIV/AIDS in Africa (AMICAALL) to support orphaned and vulnerable children in Namibia.
HIV prevalence among young adults in

Namibia is estimated at 24 per cent, making it one of the highest rates in sub-Saharan Africa. Recent studies have highlighted the devastating impact of the epidemic on children, many of whom have lost one or both parents to AIDS. The majority of households taking care of orphaned children are suffering financial hardship, and equally worrisome is the rising number of child/youth-headed households.

AMICAALL was established in 1998 to promote an expanded, multi-sectoral response to the HIV/AIDS epidemic at the local level. It works in partnership with governments, civil society organizations, the private sector and local communities. In co-ordination with the Organization for Educational Resources and Technological Training International Co-operation, AMICAALL's present initiative will focus on three heavily-affected districts in Namibia; namely, Otjiwarongo, Rehoboth and Windhoek. Envisaged activities will include: vocational training, youth development activities and documenting and sharing lessons and experience.

The OPEC Fund, with its Special Grant Account for HIV/AIDS Operations, is working with several international organizations engaged in the global campaign against the pandemic. AMICAALL thus joins the partnership, which includes the World Health Organization, the United Nations Fund for Population Activities and the International Federation of Red Cross and Red Crescent Societies.

The Fund's grant will be drawn from the HIV/AIDS Special Grant Account, which was initially endowed with $15 million in 2001, and replenished with an additional $15 million in 2003. Fund-sponsored HIV/AIDS interventions are currently ongoing in sub-Saharan Africa, Asia and the South Pacific, the Middle East and Latin America and the Caribbean.

Fund, UNAIDS to jointly combat HIV/AIDS epidemic

OPEC Fund grant: $4m.
Total cost: $8 m.
Co-financier: UNAIDS ($4m).
Implementing agency: UNAIDS.
Project administrator: UNAIDS.

The OPEC Fund has approved a grant of $4m to help finance a joint OPEC Fund/UNAIDS Global Initiative on HIV/AIDS. The initiative covers the Middle East and North Africa, the Asia-Pacific region, Latin America and the Caribbean. Its primary aims are to strengthen leadership and mobilize greater commitment, support and resources for action to accelerate and intensify local, national and regional responses to the pandemic.

HIV/AIDS continues to do damage around the world. Sub-Saharan Africa is the hardest hit of all regions and sub-regions, but prevalence is growing in other parts of the world. Population migration, burgeoning birth rates and civil strife are contributing factors to this risk. To address this situation, the OPEC Fund and UNAIDS are joining forces to carry out a multi-faceted campaign in areas requiring close attention. The campaign will support projects that reach and assist the most vulnerable populations, and develop strategic, focused and performance-related interventions that will increase resources in all three regions.

The $8m joint initiative entails the following components: in the Middle East and North Africa, access will be increased to HIV/AIDS prevention, care and support services for at-risk groups, particularly those displaced as a result of civil conflict. In Asia and the Pacific, political and civil society leadership will be strengthened to help reduce the spread and impact of the pandemic; and in Latin America and the Caribbean, the campaign will boost the capacity of the regional and national programmes, with a focus on women living with HIV/AIDS.

UNAIDS, the Joint United Nations Programme on HIV/AIDS, is the world's premier advocate for global action against the epidemic. It brings together nine other UN organs and specialized agencies and leads the international response to the pandemic. As a co-ordination body, UNAIDS works to strengthen and support interventions, prevent further transmission, provide care and support and reduce the vulnerability of individuals and communities.

The OPEC Fund grant will be drawn from its HIV/AIDS Special Grant Account, which was initially endowed with $15m in 2001, and replenished with an additional $15m in 2003. Fund-sponsored projects and programmes are currently ongoing in Africa, Asia and the South Pacific, selected Arab countries and Latin America and the Caribbean.

Fund helps finance training programme in Asia

The OPEC Fund has approved a grant of $50,000 to co-finance a "training for trainers" programme on Community Based Natural Resources Management (CBNRM) organized by the Asian Institute of Management (AIM).

The programme, which will be held in Bangladesh, India, the Philippines and Vietnam, will be offered to 15 trainers selected from each country. Participants will be equipped with management skills, tools and the theoretical framework needed for the successful implementation of CBNRM schemes. The five-day programme will use methodology based primarily on case studies and complemented by lectures and workshops. After its completion, the trainers will then conduct similar courses within their respective local communities.

Based in the Philippines, AIM was established in 1968 as a non-profit institute with a view to developing and training competent, responsible managers from Asian countries.

Fund supports guinea worm eradication efforts in Africa

Amount: $350,000.
Total cost: $18.7m.
Co-financiers: UNICEF; World Bank; The Bill and Melinda Gates Foundation; Governments of Canada, Denmark, the USA, Japan and Kuwait.
Executing agencies: World Health Organization; Carter Center; Ministries of Health of beneficiary countries;NGOs.

The OPEC Fund has approved a grant of $350,000 towards the final phase of a programme to eliminate the guinea worm, and with it the debilitating disease Dracunculiasis, in Africa. Sponsored by the Carter Center, efforts will focus on maintaining case containment and detection methods in the 13 remaining endemic countries, as well as in areas reporting zero cases, for a three year-period to insure full eradication.

Dracunculiasis is caused by drinking water contaminated with the guinea worm (Dracunculus medinensis) and is primarily found in deprived rural communities of sub-Saharan Africa. Although the disease is seldom fatal, its effects are devastating as it can incapacitate its victims for months at a time, bringing vital income-generating activities to a standstill. In affected villages, school attendance rates decline considerably, either because the children have contracted the disease or because they are needed to take over the work of sick parents.

Since 1986, the Carter Center has played a leading role in guinea worm eradication through its extensive support to national prevention campaigns. Containment efforts have been implemented in 20 endemic African countries, and entail: the provision of cloth filters for removing the larvae from drinking water; treating potable water sources with the larvicide Abate; and establishing case surveillance measures through national and local health education programmes. As a result, incidence of Dracunculiasis has dropped from 3.5 million cases to less than 35,000 in 2003, with seven countries being declared guinea worm free.

The highest percentage of remaining cases exists in areas where civil conflict has hampered containment measures and in remote, difficult to reach communities. Objectives of the final phase, therefore, are to achieve full elimination of the parasite by strengthening containment methods and assisting endemic countries in maintaining intensified national awareness schemes. Strong emphasis will be placed on preventing the disease from spreading to neighboring countries by providing nomadic populations with medical supplies and training and intensifying active detection. Training programmes will also be stepped up, particularly among health workers and village volunteers.

The OPEC Fund has worked in close partnership with the Carter Center for over a decade, and has previously extended three grants totaling $600,000 towards guinea worm eradication efforts.

Fund supports water supply scheme in North Korea

Amount: $250,000.
Total cost: $2.9m.
Co-financiers: European Community Humanitarian Office; United Nations Children's Fund (UNICEF).
Executing agencies: Ministry of Local Management; UNICEF; local communities; international and local NGOs.

The OPEC Fund has approved a grant of $250,000 in support of a water and environmental sanitation (WES) programme in Korea DPR. Spearheaded by the United Nations Children's Fund (UNICEF), the initiative aims at securing safe water supplies, improving sanitation facilities and promoting hygiene in vulnerable provinces in the east and north-east.

North Korea's water supply and sewerage sector continues to be an area of great concern. Infrastructure is old and underfunctioning, with a significant amount of water lost due to worn, leaky pipes. The occurrence of water-related diseases, particularly among infants and children, is inordinately high as drinking water quality is poor. UNICEF, in co-operation with other UN and international agencies, is carrying out a major emergency campaign with a number of components including its WES programme, which to date has directly benefited some 350,000 people.

In 2004, works will continue by rehabilitating piped-in water systems for an additional 400,000 individuals from five counties in the east and northeast provinces. Low cost, energy efficient gravity-fed systems will be utilized in mountainous regions, obviating the need for expensive pumping equipment. In addition, water supply and sanitation facilities will be improved in 30 children's homes and 15 remote branch schools. Chemicals and replacement parts will be delivered to 10 urban water treatment stations that serve some two million people. Additionally, 200 boreholes with hand pumps will be drilled. Rehabilitation works will also take place in two additional disadvantaged counties, which will be selected at a later date, benefiting around 100,000 individuals. Extensive training will be provided to 17 local water authority management teams and one central team in areas such as water and sanitation assessments, rehabilitation planning, leak detection and water testing. Another important component entails the continuation of a country-wide information dissemination campaign. A study that outlines household hygiene knowledge, attitudes and practices is also being prepared.

Fund supports programme to combat red palm weevil in the Middle East

Amount: $350,000.
Total cost: $5.55m.
Co-financiers: Islamic Development Bank; Arab Organization for Agricultural Development (AOAD); Arab Fund for Economic and Social Development; Arab Authority for Agricultural Investment and Development; Governments of beneficiary countries.
Grant administrator: OPEC Fund.

The OPEC Fund for International Development has approved a grant of $350,000 to help finance Phase III of a red palm weevil elimination programme spearheaded by the Arab Organization for Agricultural Development (AOAD). The aim of the initiative is to step up integrated pest management (IPM) activities to strengthen coverage of present national control campaigns.

The date palm is vital to the Middle East, with an estimated 50 million trees producing some 1.2m tons of dates annually, of which around one half is exported. Additionally, the fruit provides a staple food source. Date palms also help prevent desertification as they are highly adaptable to drought and poor soil conditions. One of its biggest threats, however, is the red palm weevil pest, which was first detected in the United Arab Emirates in 1985. Since then, the insect has spread to surrounding countries and has decimated thousands of trees. Although chemical insecticides are effective in controlling the pest, concerns have arisen over their environmental impact.

In 1996 the AOAD, in co-operation with national research institutions, launched the programme *Bio-control technologies as essential components of IPM to combat red palm weevils in the Middle East.* Phases I and II (1997–2002) were successful in reducing insect numbers using several bio-containment methods. Other achievements included building fully-equipped bio-control laboratories and implementing a wide range of capacity building and institution strengthening measures.

Under phase III, emphasis will be geared towards technology transfer of bio-control methods to farmers through the assistance of specially trained agricultural engineers and extension agents. National teams, which will be provided with operational supplies and equipment, will be formed to carry out technology transfer in the nine participating countries; namely, Bahrain, Jordan, Kuwait, Oman, Palestine, Qatar, Saudi Arabia, the UAE and Yemen. Additional research will be conducted to develop in-vitro, mass production of the pathogen, and toxicological studies carried out. Establishing linkages with other national programmes in the region and international institutions in developed countries is also envisaged.

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Forthcoming events

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Calgary, Canada, **April 26–27, 2004**, *Introduction to the Canadian natural gas industry.* Details: Canadian Energy Research Institute, #150, 3512-33 Street NW, Calgary, Alberta T2L 2A6, Canada. Tel: +1 403 220 2357; fax: +1 403 289 2344; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca.

Aberdeen, UK, **April 26–27, 2004**, *Offshore asset risk management.* Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 (0) 20 7368 9300; fax: +44 (0) 20 7368 9301; e-mail: enquire@iqpc.co.uk; Web site: www.oilandgasiq.com/2159a.

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January/February

OPEC Meetings

The *47th Meeting of the Ministerial Monitoring Sub-Committee* was held in Algiers, Algeria, February 10, 2004.

The *129th (Extraordinary) Meeting of the Conference* was held in Algiers, Algeria, February 10, 2004.

Secretariat missions

The *Indian Oil and Gas Conference (IOGC)* was organized by The Conference Connection and held in New Delhi, India, January 12–14, 2004.

A *World Energy Outlook Symposium,* organized by Merrill Lynch, took place in London, UK, January 26, 2004.

A *Forecast presentation by the National Institute of Economic and Social Research* was held in London, UK, January 28–29, 2004.

The *2004 Sanderstølen conference* was organized by the Energy Policy Foundation of Norway and took place in Valdres, Norway, February 4–6, 2004.

The International Energy Agency's *Seventh energy experts' meeting* was organized by the IEA and took place in Bangkok, Thailand, February 5–6, 2004.

The *CERA Week 2004* was organized by Cambridge Energy Research Associates (CERA) and held in Houston, Texas, USA, February 9–13, 2004.

A training course on *Understanding global energy supply logistics* was organized by Petroleum Economist and held in London, UK, February 12–15, 2004.

The *IP Week 2004* was organized by the Energy Institute (formerly the IP) and took place in London, UK, February 16–19, 2004.

A conference on *Sustainable development in the WTO: trade, investment and environment after Cancun* was organized by the Royal Institute of International Affairs (RIIA) and held in London, UK, February 23–24, 2004.

Forthcoming OPEC Meetings

An *OPEC/IEA Joint Workshop* will be held at the IEA headquarters in Paris, France, April 28, 2004.

The *49th Meeting of the Ministerial Monitoring Sub-Committee* will take place in Beirut, Lebanon, June 3, 2004.

The *131st (Extraordinary) Meeting of the Conference* will take place in Beirut, Lebanon, June 3, 2004.

The *4th Meeting of Deputy Ministers of Petroleum/Energy on LTS* will be held in Beirut, Lebanon, June 4, 2004.

A *WPC and OPEC Workshop* will be held at the OPEC Secretariat in Vienna, Austria, June 8–9, 2004.

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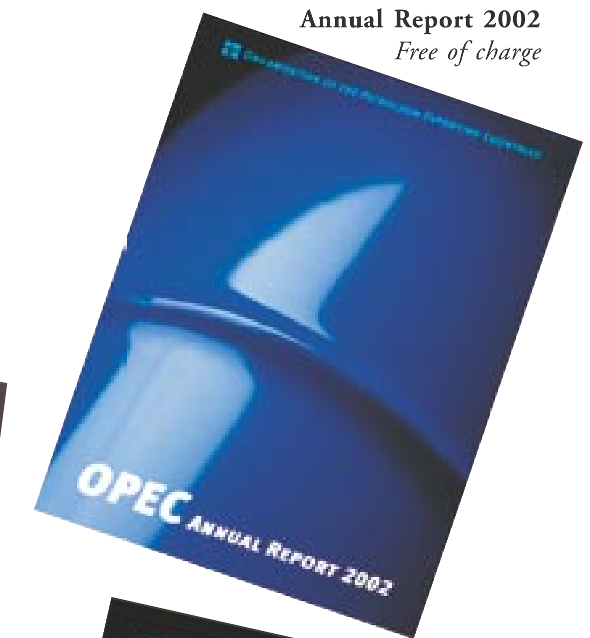

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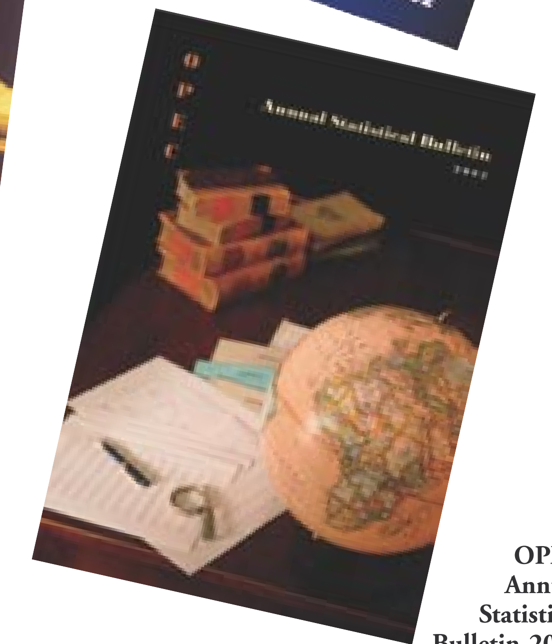

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