

OPEC bulletin ^{4/07}

A group of children in Angola, smiling and giving thumbs up. One boy in a red shirt is prominently giving a thumbs up. A girl in a pink shirt with 'LADY 63 SOCCER' is visible on the left.

Thumbs up for Angola

Dependence is a two-way street

Commentary

Recently, leaders from consuming countries have spoken at length about the ills of oil dependence and the need for increased energy security. By this, they mean the need to secure abundant, uninterrupted supplies of affordable oil. The loudest calls for increased energy security and an end to oil dependency have come from the United States, which is not surprising given that US citizens consume one quarter of the world's energy. According to the US Department of Energy (DoE), 40 per cent of this energy demand and over 99 per cent of transportation fuel needs are met by oil. Over 50 per cent of this oil is imported. As the DoE states candidly on its website, "oil is the lifeblood of America's economy". In the US and some other key consuming countries, the fear that supplies of oil might be interrupted is the main reason why governments have decided to support the development of alternatives, such as solar and wind power, nuclear energy and biofuels.

What the leaders and opinion makers of consuming countries seem to have overlooked in their frenzied search for energy security is that producing countries need security of demand since they too are dependent on oil. Maybe even more than they are. Producers need the revenue that oil exports bring in: in OPEC Member Countries, for example, oil accounted for 73 per cent of total exports in 2005. In some of these countries, the percentage was much higher: 95 per cent in Kuwait, 98 per cent in Nigeria and 99 per cent in Libya. In most of these countries, oil revenues are

used to fund educational and health programmes, as well as to build crucial civil and communications infrastructure. Given this dependence, it would hinder, not bolster, their interests to withhold oil from world markets and to drive prices up so high as to hurt the global economy.

OPEC is committed to supporting oil market stability, a commitment that is built "upon the fundamental recognition that extreme price levels, whether too high or too low, are damaging for both producers and consumers". As it has done since it was established in 1960, the Organization will continue to work towards ensuring uninterrupted supplies to consumers at reasonable prices. But in the light of recent developments regarding the stated move away from traditional fossil fuels — and oil in particular — OPEC Member Countries feel that they ought to review their future expansion plans. It would, in fact, make no sense for them to spend money unnecessarily on building or improving facilities when their customers are telling them they intend to minimize dependence on OPEC supplies.

The way forward is through increased cooperation and transparency, particularly with regards to data on demand. If consumers are clearer about their intentions, producers will be better equipped to meet current and future needs without disruptions. At the same time, greater transparency will also help them gauge how much capital should be invested in upstream activities to avoid plants remaining idle or over-producing.



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Thumbs up for Angola's OPEC membership (see pp16–27).

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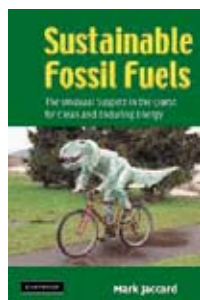
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Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to co-ordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. The Organization now comprises 12 Members: Qatar joined in 1961; Indonesia and SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); and Angola (2007). Ecuador joined the Organization in 1973 and suspended in 1992; Gabon joined in 1975 and left in 1995.

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Please send your letters to: obletters@opec.org

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Mohamed Bin Dhaen Al Hamli, OPEC Conference President, and Minister of Energy of the United Arab Emirates.

Balanced oil market prompts OPEC to leave current production ceiling unchanged by Jerry Haylins

“Balance” was the key to the decision by OPEC Oil and Energy Ministers not to implement any further changes to the Organization’s production ceiling at the 144th Meeting of the OPEC Conference, held in Vienna, on March 15.

The general opinion was that OPEC’s goal of balancing the market and steadying prices at reasonable levels was being achieved by the Organization’s existing production agreements.

OPEC’s two recent Meetings — in Doha, Qatar, in October last year and then in Abuja, Nigeria, two months later — committed 10 of OPEC’s 12 Members (Angola and Iraq are exempt) to withdraw a total of 1.7 million barrels per day of crude oil from the international market.

The first accord, which came into effect on November 1, reduced the production ceiling by of 1.2m b/d

to 26.3m b/d, while the second agreement entailed a further cut of 500,000 b/d and came into force on February 1.

The Conference, which convened at the Organization’s Secretariat in the Austrian capital, decided that the current output ceiling for the OPEC-10 should remain at 25.8m b/d for the summer months.

Conference President Mohamed Bin Dhaen Al Hamli told a press conference after the Meeting that the Ministers were happy with the level of compliance shown by Members to the Doha and Abuja decisions.

He refuted claims attributed to secondary sources that compliance was only running at around 67 per cent.

“We believe the numbers are higher than that and we are quite happy with the compliance level,” stressed

Al Hamli, who is also the Energy Minister of the United Arab Emirates (UAE).

Also speaking at the press conference, OPEC Secretary General Abdalla Salem El-Badri said the Ministers had arrived at their decision after carefully reviewing the market outlook, including the fundamentals of supply and demand, and inventories. He pointed out: “The market is stable, healthy and we do not need to touch things at this time.”

Speaking a few days before the Conference, Al Hamli had said it was the strong compliance to the agreements that had effectively “contributed to restoring market balance”.

In his opening remarks to the Conference, Al Hamli noted that since the Ministers last met in Abuja, the price of OPEC’s Reference Basket initially fell by around US\$10 a barrel in the space of one month. It stayed low for a short while and then gradually rose again to almost the same level it was three months ago. The price on January 17 was \$47.92/b, the lowest recorded for 20 months.

“However, a combination of factors since late January have helped prices rally. These include a cold winter spell in North America, plans to refill a strategic petroleum reserve, geopolitical tensions and refinery shortfalls,” he noted.



Angolan Minister of Petroleum, Desidério da Graça Veríssimo e Costa.



Rafael Ramírez, Minister of Energy and Petroleum of Venezuela.

Al Hamli said that throughout this period, the market was supported by OPEC’s two agreements, although the second set of adjustments were still working their way through the system.

He reminded delegates that in reviewing the market outlook for the months ahead, they needed to seek prices that were stable, sustainable and acceptable to producers and consumers alike.

“Only in this way will the oil market have a solid base upon which to grow and meet the rising levels of demand that have been forecast for the opening decades of this century,” he stated.

Al Hamli said they were also keenly watching developments on world stock markets, to assess their possible impact on the global economy and, in particular, on energy demand.

Asked at the press conference about the effect of the US dollar’s depreciation against other major currencies on OPEC’s activities, Al Hamli said the Organization is closely monitoring the changes in the financial markets because the dollar is the currency of the oil market.



Sayed Kazem Vaziri Hamaneh, Minister of Petroleum, Islamic Republic of Iran.



Right: Dr Shokri M Ghanem, Chairman of the People's Committee, Socialist People's Libyan Arab Jamahiriya.

“We remain concerned about the continuing weakness of the US dollar against other major currencies, notably the euro and the pound sterling, because this is having a significant effect on the purchasing power of oil-producing developing countries in many parts of the world,” he added.

In reviewing the oil market outlook at the one-day Meeting, the OPEC Ministers noted that all indicators clearly showed that the international oil market remains well-supplied with crude and that the commercial oil stocks of the Organization for Economic Cooperation and Development (OECD) are healthy.

The Conference also observed that the global economic performance in 2007 is widely expected to remain relatively firm, albeit slightly lower than in 2006, which is a reflection of the impact of higher interest rates.

Speaking to OPEC live streaming at the end of the Meeting, the Director of the OPEC Secretariat's Research

Division, Dr Hasan M Qabazard, explained why the Ministers had decided to roll-over the current production agreement: “Supply is meeting demand, we have robust economic growth, and stocks are also at very comfortable levels - above the five-year average; prices are at a reasonable level for both the producers and consumers,” he stated.

He noted that the world economy is moving quite comfortably, pointing to the most recent data from the International Monetary Fund (IMF), which now forecasts global growth in 2007 at 4.9 per cent, up from its initial assessment of 4.6 per cent. However, this is still lower than the 5.3 per cent expansion recorded in 2006.

Qabazard conceded that there are still downside risks, such as the state of the US economy, but because of the broad base of global growth in other areas, such as in Europe, or in the developing countries, led by China and India, “we are seeing a sort of decoupling of the US economy from the world economy”.



Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources, Indonesia (l), speaking with Saudi Arabian National Representative, Dr Majid A Al-Moneef (c) and Suleiman J Al-Herbish, Director-General, OPEC Fund for International Development.



Sheikh Ali Jarrah Al-Sabah, Kuwaiti Minister of Energy (l), seen here with Ali I Naimi, Minister of Petroleum and Mineral Resources, Saudi Arabia.

Continuing, Qabazard said: “OPEC has a mission of stabilizing the world oil market. Its Members clearly demonstrated that in 2003 and 2004 when demand suddenly shot up by more than four m b/d and OPEC made the extra crude available.”

In highlighting the importance attached to OPEC’s decision-making process of the close scrutiny of oil market movements, he pointed out that a large group of Secretariat experts, including economists and supply and demand analysts, monitor the oil market on a daily basis and hold a series of meetings before publishing their findings in the OPEC Monthly Oil Market Report.

“We believe we have a good handle on the oil market around the world. We look at OPEC and non-OPEC supply, country-by-country, sometimes field-by-field, and we have the support of a lot of consultants worldwide. We believe our numbers are accurate as far as the market is concerned,” he commented.

“It is in our interest to keep prices stable and it is also good for the Organization to have prices that are at levels

conducive to global economic growth,” he affirmed.

The Conference observed, however, that, overall, oil market volatility is likely to continue.

“In the light of this volatility, the Conference decided to continue monitoring market developments closely to ascertain that oil market stability is achieved and that global economic growth is sustained,” said an OPEC communiqué, issued at the end of the Ministerial talks.

The Organization is confident that its decision to roll-over the present production agreement will be



Hamid Dahmani, Algerian Governor for OPEC (r), who headed his Country's delegation to the Conference with Mrs Taous Feroukhi, Algerian Ambassador, Austria.

Below: Dr Hussain Al-Sharistani, Minister of Oil, Iraq.



Above: Abdullah bin Hamad Al Attiyah, Second Deputy Prime Minister and Minister of Energy and Industry, Qatar.



Dr Edmund M Daukoru, Minister of Energy, Nigeria, speaking to the media.

sufficient to maintain current market stability throughout the summer months.

During their consultations, OPEC Ministers, in reviewed their output policies and agreed that a good indicator of the effectiveness of the agreements can be gauged by the level of global oil stocks, which have been above their five-year average for some time.

OPEC data shows that despite recent draw-downs, inventories in the US and Europe still remain 16m b and 51m b, respectively, above the five-year average.

OPEC production

OPEC's decision not to undertake any further action at its March talks was widely expected. Ahead of the Meeting, virtually all OPEC Ministers agreed that supply and demand were in balance, stocks were at good levels and prices, although still volatile, had levelled off in a range deemed acceptable to producers, consumers and investors alike.

OPEC crude oil production for all 12 Members in February, according to secondary sources, was said to be hovering at just under 30m b/d. Non-OPEC supply, which has been making strong progress with the completion of new projects, is expected to average 50.6m b/d in 2007, 1.2m b/d higher than last year. Supply growth from these producers only expanded by some 500,000 b/d in 2006.

Regarding projected upstream investment by OPEC, Qabazard told the press conference that Member Countries have more than 100 projects in the pipeline worth more than \$100 billion. The outlook is that by 2010 the Organization will have an onstream capacity of more than 38m b/d.

He added that OPEC estimates that global demand for crude oil in 2007 will be around 1.3m b/d higher than in 2006, with non-OPEC supply estimated to be around 1.2m b/d more.

With oil price volatility expected to continue and prospects for an economic downturn emerging, the watchword for OPEC will continue to be monitoring — to ensure that market developments stay in tune with the Organization's objectives.

Both the IMF and the OECD have published figures predicting a slowdown.

The IMF has forecast that global economic growth is likely to slip to 4.9 per cent this year and in 2008 after expanding last year to 5.3 per cent. The US economy is forecast to grow by 2.6 per cent this year, compared with

3.4 per cent in 2006. However, in 2008, it is forecast to improve.

These projections are in tandem with forecasts from the OECD, which contends that the US slowdown will be offset by continued healthy growth in Europe.

OPEC's own estimates for global economic growth are a bit more conservative. According to the April edition of the Monthly Oil Market Report, economic expansion in 2007 will amount to 4.7 per cent, compared with 5.3 per cent in 2006.

It states that the OECD area is expected to grow by 2.5 per cent this year, compared with 3.1 per cent in 2006, while developing country expansion is slated to remain strong, led by growth of 9.7 per cent in China and 8 per cent in India.

Concerning the US economy, the OPEC report says there are mixed signals, but from present data, the world's top energy consumer is expected to see an expansion of 2.3 per cent in 2007.

Questioned at the press conference as to whether OPEC is concerned about a possible economic downturn, Al Hamli stated that the Organization is carefully looking at all the economic indicators because they form an important part of OPEC's decision-making process.

What is also important, he added, is not to overreact to single developments in the financial markets. "We want to base our decisions over a longer timeframe and not just over a day or two of developments."

Lessons learned

In the months ahead, and with the US summer driving season drawing closer with its accompanying traditional boost to gasoline demand, OPEC will monitor the market situation and inventory levels with keen interest.

In the past three years or so, conditions in the international oil market have changed markedly and OPEC Ministers know full well from past experiences just how quickly things can alter course.

One of the lessons learned is that oil prices can change significantly virtually overnight. And, such is the complexity of today's international oil market, this can happen despite there being no apparent shortage of prompt oil supply.

At the same time, it is important to stress that global economies are nowadays far more resilient to oil price fluctuations than in the past. For example, an oil price of over \$60/b does not have the same crippling effect on the global economy that it would have had just ten years ago.

But the very fact that conventional market rules no longer seem to apply when determining price direction makes OPEC's job of ensuring market stability even more difficult, since it has to contend with an array of other factors that influence prices, such as refining bottlenecks, geopolitical developments, and even weather patterns.

OPEC and the environment

With climate change and the environment “rising high on the international agenda” in recent months, OPEC Conference President Al Hamli used part of his opening address to restate OPEC's position on the issue.

He stressed that the Organization is as concerned as anyone about global environmental issues since the citizens of its Member Countries also desire a cleaner, safer world in which to live.

In emphasizing OPEC's stand on the environment, he said it is in keeping with Member Countries' concerted fight against alleviating poverty in the developing world and their quest to secure improved socio-economic conditions for their own peoples.

Regarding the current dominant paradigm associating climate change with the burning of fossil fuels, Al Hamli pointed out that the global oil industry has a long history of successfully improving its environmental credentials, for both the production and use of the world's leading energy source.

“Our Member Countries have played a big part in this and it remains a priority for the future,” he affirmed.

Al Hamli reminded delegates that OPEC Member Countries have invested billions of dollars over the past decades in flared gas recovery projects. This has represented a significant contribution to a drastic reduction since the early 1970s of the amount of gas that has been flared through oil operations.

“With regard to climate change specifically, OPEC collectively and our Member Countries individually, devote a lot of time and effort to this issue. We are, after all, committed to reconciling the forecast rising use of hydrocarbons with a cleaner, safer global environment,” he professed.

Al Hamli stressed that OPEC is well-represented at all the major meetings of the United Nations-sponsored climate change negotiations, just as it participates in and organizes other conferences and seminars, as well as undertakes many studies on climate change and the energy sector.

In September 2006, for instance, OPEC held a joint roundtable with the European Union on the promising technology of carbon capture and storage (CCS).

“OPEC strongly believes that if this pioneering response takes off in a big way, there will be huge benefits for the world at large, on both the energy supply and environmental fronts,” said Al Hamli.

“Not only will the world be able to continue using its most commercially viable energy sources — oil and gas — in a carbon-constrained environment for decades to come, but it will also help increase output from many mature fields,” he maintained.

“We often hear about the impact of energy use on the environment. But far too little is said about the positive effects of a sound energy system on people's day-to-day lives, especially in the poorer nations.” This is even as, according to him, the provision of modern energy services means fewer smoke-filled dwellings, less carrying of heavy firewood, less deforestation, more efficient cooking, easier access to doctors, and greater mobility for jobs.

“This is in the true spirit of the Johannesburg Plan of Implementation, which makes it clear that access to modern energy services can make a major contribution



Abdalla Salem El-Badri, OPEC Secretary General (l), with OPEC Conference President Al Hamli.



Attending their first OPEC Conference, Members of the Delegation from Angola (front row l-r): Fidelino Loy de Figueiredo, Ambassador to Austria; Desidério da Graça Veríssimo e Costa, Minister of Petroleum; Eng Manuel Vicente, Chairman and CEO of Sonangol; (top row l-r): José Miguel da Conceição, a consultant; Luís Correia Neves, Angola's National Representative to OPEC; Amadeu Azevedo, National Director of Ministry of Petroleum; José Paiva, Director, Sonangol; Félix Manuel Ferreira, Governor for OPEC.

to sustainable development and the eradication of poverty,” he added.

At the press conference, the Conference President was asked if the Organization was concerned about the recent decision by the European Union to cut carbon dioxide emissions and instigate other efforts to combat climate change, which might eat into future oil demand. He replied that with both oil and gas demand set to rise in the years ahead, “what we need is to have transparency in what the major consuming countries are doing, in order to make sure that we align our investment requirements”.

He said: “We are committing ourselves to huge investments in expanding our production capacities. We naturally need to know what the consuming countries are doing.”

OPEC membership

One of the main topics to come out of the press conference was the possible further expansion of OPEC’s membership, which now comprises 12 Countries following the addition of Angola on January 1, 2007.

The Conference President made his feelings clear by stating that he would like to see the number of the Organization’s Members increase in the future.

The subject was broached when Al Hamli answered a question concerning press reports that Ecuador is keen

to resume its full membership in the Organization.

The South American producer, which joined OPEC in 1973, suspended its membership in 1992. Its President, Rafael Correa, has now been quoted as stating that he wants to enact his country’s membership again. Today, Ecuador produces over 500,000 b/d of crude oil.

Said Al Hamli: “Ecuador is still a Member of OPEC — its membership was suspended. So, in fact it can come back at any time.”

He went on: “We welcome new Members in OPEC and we would like to see our membership expanded.”

The President was in fact, echoing what has long been an OPEC principle: to open its doors to new Members who meet the criteria for membership.

Sudan is another country that has reportedly been knocking on OPEC’s door. When asked about its possible membership to the Organization, Al Hamli said the African nation has been attending OPEC Conferences as an Observer “but we have had no official communication from them with regards to join OPEC”.

The Conference President was also asked whether Angola has been asked to comply with the Organization’s production quota regime.

He replied: “We are very happy to have Angola join OPEC, but I think we need to be a little bit patient and give the country time to settle in. But I can assure you that we have only one rule for all Members and we all pull together. It is simply a question of time.”

Observers stress support for OPEC

As is usual with OPEC Conferences, several Observers attended the March Meeting and pledged their continuing support for the Organization's market stabilization efforts and policy decisions.

In remarks to the plenary session of the Conference, Egyptian Minister of Petroleum, Eng. Sameh Fahmy, said



Eng Sameh Fahmy, Egyptian Minister of Petroleum (l), and Raul Cardoso Maycotte, representing the Mexican Energy Minister.

it is well recognized that the Organization's Meetings are one of the most important tools in maintaining stability in the world energy market.

"Through its balanced policies and prompt actions, it actively responds to the challenges raised due to international changes."

He said Egypt, as an Observer, shares OPEC's vision of maintaining market stability through reasonable and fair prices for both producers and consumers, while ensuring security of supply and demand, which is needed to support development plans all over the world.

"Egypt will continue, as it always has, to support OPEC efforts and decisions to overcome all challenges and achieve the objective of fair prices and balanced energy markets," he added.

Raul Cardoso Maycotte, who represented the Mexican

Energy Minister Georgina Kessel at the Meeting, said OPEC Meetings are essential in furthering communication between oil-producing countries.

Noting that the Meetings are also useful for making accurate assessments of the oil market situation, Cardoso added that it is "in this regard, (that) Mexico commits itself to closely evaluating the dynamics of the market, in order to undertake responsible and informed actions."



Suleiman J Al-Herbish, Director-General, OPEC Fund for International Development.

He reiterated his country's commitment to undertaking, alongside OPEC and other non-OPEC countries, actions to cope with global energy needs. According to him, the new Mexican administration of President Felipe Calderón is committed to investing strongly in the energy sector, in particular the oil industry. The country considers that energy dialogue and continuous joint evaluation of the international oil market, including short-term factors, will enhance its medium and long-term stability.

Also addressing the opening session, Nasser bin Khamis Al Jashmi, Undersecretary at the Omani Ministry of Oil and Gas, stressed that Oman is confident OPEC will pave the way for secure supplies to consumers at sustainable prices, as well as reasonable returns to investors and the producing community.



Nasser bin Khamis Al Jashmi, Undersecretary at the Omani Ministry of Oil and Gas.



Andrey G Reus, Russia's Deputy Minister of Industry and Energy.

Long-term perspective

“Oman is committed to its cooperation with OPEC and all other stakeholders in the oil industry to achieve market stability,” he stressed.

Al Jashmi maintained that all the factors affecting the modern-day international oil market call for massive investment in maintaining and upgrading existing petroleum facilities, as well as in new, clean and green technologies.

The industry requires a long-term perspective to ensure that investments being made will yield benefits to both producers and consumers.

Andrey G. Reus, Russia's Deputy Minister of Industry and Energy, speaking on energy security, said his country has called on the international community to coordinate the respective steps necessary for putting in place a predictable and well-functioning energy market.

He highlighted Russia's energy security initiative, which it launched last year at the G8 Summit, while holding the presidency of the Group.

International cooperation in this area is aimed at securing sufficient energy supplies at acceptable prices to meet the needs of the people and the global economy, while having a minimal impact on the environment, he stated.

“We take the energy security problem, not as a domestic issue, but rather as a problem that can only be addressed in a systematic way through the joint efforts of the international community,” said Reus.

He said energy-related international organizations should also be actively involved in the process. From Moscow's extensive studies, the country has concluded that in the forthcoming decades the situation with energy security will be determined by two factors.


Firstly, said Reus, the world economy will need more and more energy supplies for sustainable development, while, secondly, hydrocarbons will maintain their dominant position in the world energy mix up until 2030.

“This is the way the energy sector's development will follow in the next decades, despite all the efforts undertaken by many countries to develop alternative and renewable energies,” he said.

The only institutional Observer to the Conference, the OPEC Fund for International Development (OFID), was represented by its Director-General, Suleiman J Al-Herbish, who took the opportunity at the Meeting to invite new OPEC Member Angola to join the financial institution, which is also based in Vienna.

Al-Herbish, formerly Saudi Arabia's Governor for OPEC, congratulated Angola on its membership of OPEC, which he described as a “big gain” for the Organization.

“I would like to extend a warm invitation to Angola to join OFID,” he told the Angolan delegation, headed by its Minister of Petroleum, Desidério da Graça Veríssimo e Costa.

Angola, which officially joined OPEC on January 1, 2007, was accepted as a full Member by the 143rd (Extraordinary) Meeting of the OPEC Conference, in Abuja, Nigeria in December 2006. 

144th Meeting of the OPEC Conference

The 144th (Ordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on March 15, 2007, under the Chairmanship of its President, HE Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation.

The Conference extended a warm welcome to HE Desidério da Graça Veríssimo e Costa, Minister of Petroleum of the Republic of Angola, attending a Meeting of the Conference for the first time as Head of the Delegation of a Full Member of the Organization; congratu-


The Conference also warmly welcomed the Minister of Petroleum of Egypt and high-level representatives from Mexico, Oman and Russia, whose presence at the Meeting is seen as reaffirmation of these oil-producing countries' continued support for the Organization's efforts to achieve an oil market balance. Also present was the Director-General of the OPEC Fund for International Development.

The Conference reviewed the Secretary General's report, the report of the Economic Commission Board, the report of the Ministerial Monitoring Sub-Committee — whose Members the Conference once again thanked for their continued efforts on OPEC's behalf — and various administrative matters.

Having reviewed the oil market outlook, the Conference observed that the world economic performance in 2007 is expected to remain relatively firm, albeit slightly lower than in 2006, reflecting, *inter alia*, the impact of higher interest rates. The Conference also noted that, although all indicators clearly show that the market remains well-supplied with crude oil and that OECD commercial oil stocks are healthy, overall oil market volatility is likely to continue.

In light of this volatility, the Conference decided to continue closely monitoring market developments to ascertain that oil market stability is achieved and that global economic growth is sustained.

The Conference passed Resolutions that will be published on April 15, 2007, after ratification by Member Countries. The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on September 11, 2007. The Conference also accepted an invitation from the United Arab Emirates to convene an Extraordinary Meeting in Abu Dhabi on December 5, 2007.

The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting. 



lated HE Dr Edmund M. Daukoru, Head of the Delegation of Nigeria, on his appointment as his Country's Minister of Energy; and welcomed HE Abdalla Salem El-Badri, also attending a Meeting of the Conference for the first time in his capacity as OPEC Secretary General.



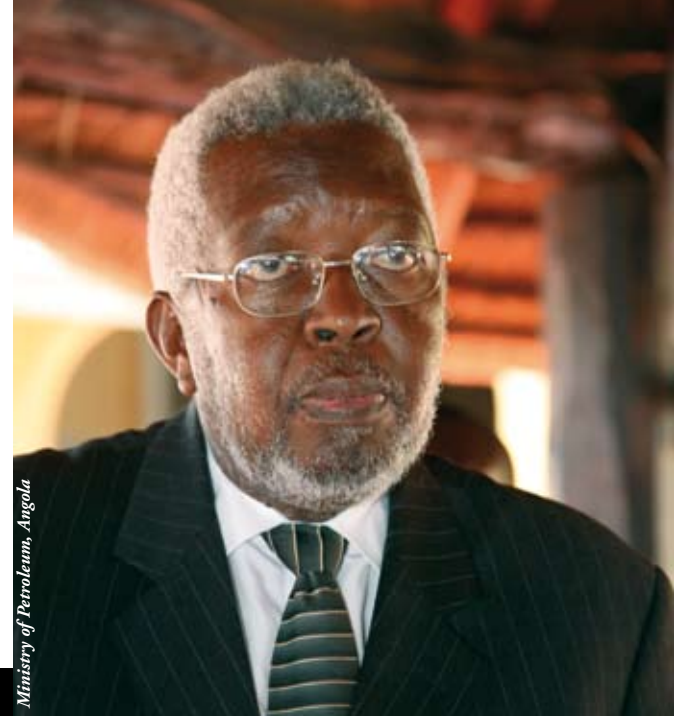
Pictured at the press conference (l-r): Dr Hasan M Qabazard, Director, Research Division, Abdalla Salem El-Badri, OPEC Secretary General, Mohamed Bin Dhaen Al Hamli, OPEC Conference President, and UAE Minister of Energy, and Dr Omar Farouk Ibrahim, Head of the Secretariat's Public Relations and Information Department.

Above: A journalist asks a question during the press conference, while pictured right is Eithne Treanor, who conducts the live streaming for OPEC.



Angola

With Angola a few months into its membership of OPEC, James Griffin took the opportunity to visit the country and talk to Desidério da Graça Veríssimo e Costa, Angola's Minister of Petroleum, about the decision to join the Organization.



Ministry of Petroleum, Angola

ANGOLA: the journey to OPEC



Ministry of Petroleum, Angola

When Angola announced its intention to join OPEC in November last year and submitted its application to the 143rd (Extraordinary) Meeting of the OPEC Conference in December in Abuja, Nigeria, it was widely expected that the Organization would wait until its March 2007 Meeting before formally announcing whether it would accept a new member. To the surprise of many analysts and journalists, however, the Conference unanimously admitted Angola as the twelfth Full Member of the Organization at the 143rd Meeting, with effect from January 1, 2007. It was the speed of the process that caught many unawares, but as the country's Minister of Petroleum, Desidério da Graça Veríssimo e Costa stresses, for Angola this has been a lengthy and evolutionary process that can be traced back as far as the country's independence in 1975. "We have wanted this for a long time," says Costa, who has been part of the country's energy sector since independence. It has been a period of much transformation and provides many interesting insights into how Angola became an OPEC Member.

Angolan independence

The historical context is something Costa is keen to elaborate on. On the threshold of Angola's independence, a working group was set up in the oil industry to support the industry and to mobilize Angolans working in the business. Costa says the main objective was to devise a strategy for the oil industry after the proclamation of independence.

In November 1975, after nearly five centuries as a Portuguese colony, Angola became an independent state. "At this time," says Costa, "we had some oil production. The main producer was Gulf Oil, but Texaco and Fina were also present." Total production in 1975 was approximately 150,000 barrels per day. Following independence, however, "Gulf Oil abandoned all its fields and closed its wells

in late 1975. Several other oil companies also abandoned Angola for one reason or another, leaving behind their infrastructure and former employees. Production fell to almost zero", says Costa. He adds, quoting the country's first President, Agostinho Neto, that this amounted to a declaration of war since Angola depended heavily on its oil production.

"In view of this situation, some measures had to be taken. The first was to ask for assistance from Nigeria and Algeria, because these two countries had experience in oil production," notes Costa. The countries both sent government officials to talk to the Angolan Government and advised it to "invite Gulf Oil to come and sit down with us so that they would fully understand the situation and the fact that we were not looking to nationalize". A follow-up meeting in Paris was proposed, but at the last minute it was cancelled. The first meeting with Gulf Oil eventually took place in Lagos, Nigeria.

"We received political and technical support from Nigeria and Algeria and, given that Gulf Oil was also heavily present in Nigeria, we were able to change the company's attitude towards Angola. They were also surprised to hear that we were not imposing the nationalization of the country's oil activities," says Costa.

Following this first meeting, the Angolan Government set dates for further negotiations, all of which took place in Angola. "Initially, the talks focused on reviewing the percentage that Gulf Oil had from production. We then gave it six months to bring production back to 90,000 b/d. Only after they had reached half this figure did we continue with the negotiations, all of which proved relatively easy," he says.

In 1976, two companies were also formed: Sonangol UEE, which was set up to manage hydrocarbon resource exploration in Angola, and Direcção Nacional de Petróleos, which directed petroleum activities. After the incorporation of Sonangol, a management committee was established to create the necessary infrastructure for the company to start developing its business activities. The



Ministry of Petroleum, Angola

management committee was later converted into a board of directors. In 1978, the government authorized Sonangol to acquire a 51 per cent interest in all oil companies operating in Angola, although the management of operations remained under the control of foreign companies. In the same year, Angola's offshore area (except for Cabinda) was divided into 13 blocks of approximately 4,000 square kilometers each. By 1981, exploratory drilling had been conducted in Blocks 1 and 4, and production began in Blocks 2 and 3 in 1985.

The road to OPEC

Interestingly, Angola's oil industry was already collaborating with OPEC Member Countries during the country's formative years as an independent country. This was to continue. In 1979, Costa says, he and the then Minister of Petroleum visited OPEC in Vienna.

"We went to apply for Observer status," he says, "but as far as I can remember we only had general discussions, because at the time, our production was only 90,000 b/d." He appreciates the difficulty OPEC had in considering the request, due to Angola's production level at the time and the fact that it had only recently become

an independent country. Costa underscores, however, that at this point there was a vision for joining OPEC. The way it could be achieved was by expanding Angola's oil industry, which is precisely what happened. The country's production began rising, it received more media coverage and there was an increasing recognition that Angola could contribute significantly to the region's oil production. Eventually, all this activity led OPEC to invite Angola to be a Conference Observer. Costa became the first Angolan to sit at an OPEC Meeting. As time passed and Angola's oil industry developed further, Costa says, the invitations became more frequent.

In due course, Angola started informal consultations about joining OPEC. During this period, Costa states, he was also "preparing the conditions and helping to develop the psychological morale of the Angolan people concerning the advantages of OPEC membership, because I never had any doubt that joining OPEC would be beneficial for our country".

In June 2006, developments gathered pace. "We had a surprise visit from Dr Edmund M Daukoru, Nigeria's Minister of Petroleum and then OPEC President," says Costa, "and he had only one item on his agenda: to convince Angola to become an OPEC Member."

Daukoru also met Angola's Head of State, José Eduardo Dos Santos, who "was very open-minded", says Costa. "I was also able to talk to our President about the benefits of membership." What followed was a period of internal preparation, adds Costa, "to ready ourselves to submit a proposal for OPEC membership to Angola's Council of Ministers. The proposal was submitted in December last year and, following much discussion, it was agreed that the country should apply for membership".

The rest has been well documented. Costa took his seat, with Angola as a Full Member of the Organization, at the 144th Meeting of the OPEC Conference on March 15. The journey to Full Member status was not short, but the country's long-term desire to join has now become a reality. Angola is the second country from sub-Saharan Africa and the first new member since Nigeria joined in 1971.

Benefits all round

Costa says that "our production and future as an African oil producer will be brighter with OPEC membership" and "we are ready to share the benefits of OPEC, as well as shoulder the responsibility that comes with this".

The advantages for Africa's second-largest oil producer, Costa says, are that the country will now be further exposed to the rich international oil market experiences of OPEC Members and be part of a strong organization that helps stabilize prices, in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital to those investing. He is keen to underline that any OPEC production changes, whether up or down, "are not made haphazardly and are always taken after much detailed analysis". He points to OPEC production decisions made at the end of 2006, which have more or less rebalanced the market. "We see much more stability in the market today, in terms of supply, demand and price.


"Unity brings strength," he stresses, "so it makes sense to join OPEC to exchange knowledge and experiences on a common platform. The Organization has a solid foundation and has grown in stature over the years, even though it has faced a lot of pressures." Costa remembers the 1980s, when prices fell to as low as \$6/b. At that time, Angola was still in the midst of a civil war and Costa says the sudden price fall not only aggravated the situation, but also severely damaged the Angolan economy. With this in mind, he appreciates the benefits that market stability can bring.



Optimism abounds

Angola currently has a daily oil production of around 1.4 million b/d and aims to raise this figure to 2m b/d in 2008. Alongside the vast developments in Angola's offshore that will ensure the country plays a major role in Africa and the international oil industry, there are now also plans to return to onshore oil production. These developments will be through Sonangol and other major international oil companies operating in Angola today, such as US-based companies Chevron and ExxonMobil, France's Total, UK groups BP and Shell, and Italy's Eni.

The Angolan oil industry is witnessing significant growth and Costa sees the industry as a catalyst for national economic and social development. He is optimistic for its prospects: for the scientific and engineering breakthroughs involved with the exploration and construction to access deepwater; for the development of new projects; and for Angola's role within OPEC.

Costa has seen much change since he first started to help Angola's oil industry evolve after independence. There is still much work to be done, but Costa can be pleased with how the industry has developed and with the fact that the country has finally achieved its aim of OPEC membership. 



Sonangol and Angola: developing together



In this exclusive interview, **James Griffin** speaks with **Manuel Vicente, Chairman and CEO of Sonangol**, about the development of Angola's hydrocarbon reserves, the company he heads and its ambitious expansion plans.

Much oil is expected to be found in Africa over the coming years with Angola set to play a prominent role. The country already has large offshore fields, such as Girassol, Dalia and Kizomba, and the hunt is on for more. At the same time, there are plans to revitalize onshore exploration and production. With production slated to increase from approximately 1.4 million barrels a day to 2m b/d by 2008, the country is on a rapid oil industry development curve.

Angola's national oil company, Sonangol, headed by Manuel Vicente, is at the forefront of the industry's development. The company, which celebrated its thirtieth anniversary last year, has built a solid reputation, both at home and abroad. Vicente says: "We started out as a small unit, but today we have our headquarters in Luanda and offices in Brazzaville, Hong Kong, Houston and London. We also have more than 30 subsidiaries, a host of joint ventures at home and a number of investments overseas."

At home, Sonangol's core business is granting the rights for the exploration of oil and natural gas production in Angola, both on land and offshore. The areas to be explored are normally delimited in blocks of about 5,000 square kilometers and each oil concession is granted for a period of 20 years.

There has also been a recent focus on creating a diversified business underpinned by oil, prioritizing the management of hydrocarbons, environmental protection and industrial safety, as well as promoting the social development of the country. Vicente explains: "As is usual with a company like ours, you cannot put all your eggs in one basket. That is why once we consolidated internally, we decided the goal was to try and diversify our investments. We have been doing this carefully".

Sonangol's overseas offices give the company 24-hour global coverage and Vicente stresses that "whenever there is an opportunity that seems viable to us, we will be there. We are an oil and gas company. We want to acquire and increase reserves, wherever they are". This could be in partnership, he explains, "or if an opportunity arises where we could do it alone (following preliminary studies), then that might also be a way forward."

Partnering with international majors

To date, Sonangol has a healthy mix of its own projects and joint ventures with major international oil companies such as BP, Chevron, ExxonMobil and Total. Its longstanding willingness to work with international oil groups has helped pave the way for the discovery of many new fields, as well as allowed Sonangol to draw on a worldwide pool of expertise. Vicente says the major benefits of this cooperation "are firstly technology transfer, secondly risk-sharing, and thirdly the bringing together of cultures".

Technology transfer

On the issue of technology transfer, Vicente says that "this, as well as the transfer of experience, has been extremely valuable". The benefits have certainly helped the Angolan oil industry develop into what it is today. However, it is also important to recognize that this transfer now works both ways, says Vicente. "We are happy that people are

now learning from us and we are keen to continue promoting the exchange of knowledge and views."

In fact, Angola's deepwater has long been the stage on which Sonangol and the oil majors have deployed cutting-edge solutions to the requirements of oil exploration and extraction. "In terms of offshore deepwater development, Angola is right up there with anywhere else in the world," says Vicente. "It is a given, the results are there. We are talking about rates of success — in terms of exploration — of around 75–80 per cent." The experience not only stands it in good stead at home, but also potentially for future offshore developments globally. Vicente adds that some of the country's successes will be highlighted at the Second Regional Deepwater Offshore West Africa Exploration and Production Conference and Exhibition, scheduled to take place in Luanda later this year.

Continuing on the theme of transferring knowledge and experience, Vicente also refers to Sonamet, a joint venture between Sonangol, Acergy (then Stolt Offshore) and Wapo International. Sonamet, a sprawling fabrication yard just outside the Angolan port at Lobito, was conceived with the prime purpose of facilitating the transfer of engineering expertise, in order to strengthen basic know-how among Angolans, and to build a trained local workforce. Sonamet is today home to many important projects for Sonangol and all the oil majors, which are carried out by contractors, such as Cameron, FMC, Technip Kvaerner and other specialists.

"Investing in the Angolan human resource is a priority for Sonangol. It is essential to develop industries and talent," says Vicente. The on-site academy accepts beginners, as well as qualified personnel, who come to acquire an ever-broader range of skills. This includes Duplex and super-Duplex welding required for chrome steel, special alloys and the pre-clad materials destined for the demanding deepwater environment and, not least, to learn how to supervise and train other welders. Today, Sonamet employs approximately 75 Angolans for every 25 international workers.

The goal is to expand the boundaries of knowledge and create the bedrock of skills and provide stable employment to develop local industry over time. What is considered paramount is that the activity is sustainable

and Vicente stresses that it is important for Sonangol to help private entrepreneurs to enter into many of these associated industries. “This is the trend we envisage, as our main company focus is on exploring, producing and distributing.”

Sharing risks and cultures

From the risk perspective, Vicente points out that “offshore is expensive, it is high risk, but it is a reality. In fact, if you look at our history we had no choice. Because of the troubles we had for over 30 years, our strategy had to be offshore”. The move offshore and the establishment of partnerships with international oil majors have certainly paid off, but Vicente appreciates that “there is no getting away from the fact that this is a highly capital-intensive industry. What needs to be recognized is that there are failures, as well as successes. Thus, risk needs to be continually mitigated and efficiencies achieved”.

He stresses that this will be supported by further advances in technology. “We have to make use of more technologies to continually improve our company and reduce operational costs. Year-on-year costs are coming down, but we cannot rest on our laurels.” The demands of offshore exploration and production will mean that ventures with international partners will continue to be an integral part of the risk-sharing mechanism.

Vicente is also keen to highlight the cultural benefits of these partnerships. “There are Americans, Asians from countries such as China, South Korea and Malaysia, Europeans and many others. These cultural ties allow us to share and learn from a wide variety of people.”

Angola and China

One partner that has garnered much media coverage is China. For some years, China has been a growing buyer of crude from Angola and other producers in Africa. Today, the country is now the second-largest lifter of Angolan crude, after the United States. Vicente sees the US and China, along with other Asian countries, such as India, as the main markets for future demand growth.

There are certainly many Chinese active in Angola, but according to him, “this is not a one-way business. China extends us financing facilities, some of them based on oil, some not. The Chinese also want to buy a lot of oil, so why not sell it to them? Business only makes sense when both parties gain, otherwise it is not good business”.

He stresses that, “it is all about partnerships, there

are no donations. For example, the Chinese are participating in construction projects, with a labour force, cheaper prices, and are completing projects in an extremely timely manner”. The country’s experiences with Chinese companies have been positive, but Vicente says that this does not mean that Sonangol will not look to other partners, as it always has. “It depends on the activity under consideration, as well as on discipline, costs, efficiencies; Sonangol will go with whichever partnership makes the most sense.”

Future plans

Over the next six years or so, Angola expects to receive US\$50 billion in investments in its oil industry. Vicente sees significant opportunities for national suppliers and providers of services and stresses that Angolan companies will be encouraged to take advantage of the industry’s growth. Sonangol will continue in its role as the concessionary.

Offshore, the Dalia field was discovered in September 1997 and only recently inaugurated by Angola’s Minister of Petroleum, Desidério da Graça Veríssimo e Costa. The field is located about 135 km away from the coast and in 1,200–1,500 m of water. It contains around one billion barrels of recoverable reserves and might produce up to 240,000 b/d, which makes it the biggest deepwater development brought on stream in late 2006 and one of the largest in the world. This supports the large Kizomba and Girassol fields, with several other promising basins currently being explored in and around Angola.

Future growth in the near-term will come primarily from current and new deep and ultra-deepwater blocks, but there are also plans to revitalize onshore exploration and production. The three main areas of onshore production are the Cabinda South Block in the province of Cabinda, the Kwanza Basin close to Luanda, and the Lower Congo Basin in the north of the country around Soyo, the oil port and terminal.

Onshore oil production in Angola started more than 90 years ago, but was severely impacted by the Civil War. Activity in some regions is still hampered by landmines, but progress is being made in redeveloping the oilfield infrastructure. Initial estimates for onshore reserves are 367m b from the Kwanza Basin and 274m b in the Lower Congo Basin. Cabinda South Block reserves are currently being assessed.

Vicente says that, “work will continue to estimate onshore potential. We will then look to divide it into con-



Manuel Vicente, Chairman and CEO of Sonangol in his office in Luanda, with the OPEC Bulletin's, James Griffin.

cessions and, once this is complete and the legal framework is in place, we will have a better idea of how these onshore developments will progress”.

There are also plans to develop a liquefied natural gas (LNG) industry, with Angola LNG, a joint project involving Sonangol, Chevron, BP, ExxonMobil and Total, which has been set up to commercialize the LNG project. There has also been much talk about the proposal for a new 240,000 b/d refinery project known as Sonaref, to be built 20 km north of Lobito. Vicente says the project will go ahead, with Sonangol either going it alone or looking for international consultants for the \$3.7bn development. Earlier this year, China's largest refiner, Sinopec, pulled out of talks about investing in the development.

A happy balance

On the international oil scene, Vicente is happy with the current balance. Firstly, with regard to supply and demand, and secondly when talk turns to price. He stresses that

prices in the \$50–60/b range, or even a touch higher, are reasonable when future investments are taken into account. In the context of prices, he is also keen to highlight that in many consuming countries the price paid at the pump includes high taxes imposed by the government. He appreciates that this is a sensitive point, but reiterates “that high prices are not caused by producing countries, when so much tax is being levied”.

At home, he says the vision is for Sonangol to “be a company of choice for the global oil market. We would like to be listed on the New York Stock Exchange, to be an investors' choice and to be ranked alongside some of today's major oil companies”. Vicente, who has been at Sonangol since 1991 and its Chairman and CEO since 1999, has seen a lot of industry changes. Historically, the company's tendency has been to accept and meet the challenges put before it. It has not been an easy development, but these experiences have strengthened its ability to develop a healthy future for both Sonangol and Angola. 



Angola: the land, the economy, the people

Geography

- Angola is one of Africa's largest countries. It covers an area of 1,246,700 square kilometers and extends for over 1,600 km along the South Atlantic in southwest Africa.
- Luanda is the capital city. Other major cities are Benguela, Huambo, Lobito and Namibe.
- The country has a population of just over 12 million.
- It borders the Democratic Republic of the Congo, the Republic of Congo, Zambia and Namibia.
- Angola's coastal plain rises to a high plateau averaging 1,829 m above sea level.
- Nearly all the land is desert or savannah, with hardwood forests in the northeast.
- The principal rivers are the Cuanza and the Cunene.
- The climate is tropical and varies according to altitude.
- The National Parks in Angola are Bicuari, Cameia, Cangandala, Lona, Mupa and Quissama.

Economic diversification

Angolan Petroleum Minister, Desidério da Graça Veríssimo e Costa, states that another major problem in Angola is unemployment. “We need to generate jobs”, he says, “and in turn this will help more families advance their standard of living.” Obviously, the oil industry will remain a key sector for job creation, but Costa recognizes the importance of diversification, which is why the possibility of developing a liquefied natural gas (LNG) industry is being explored. Angola has proven gas resources to supply a nominal five million tonnes/year (6.8 billion cubic metres/year) through an LNG plant for over 20 years. According to the Angola LNG partnership, it is “likely that natural gas resources of 10.5 trillion cubic feet (297 billion cubic meters) have been identified”. Angola LNG, a joint project involving Sonangol, Chevron, BP, ExxonMobil and Total, has been set up to commercialize an LNG project.

Costa says that, in the past, most of the associated gas from oil production was flared. “This meant we wasted gas while also harming the environment.” The goal is for a safe, efficient and environmentally responsible development, focused on building an LNG plant in Soyo, Zaire Province, for exports to the Atlantic Basin markets and to provide natural gas for use in the Angolan domestic market.

The project has been approved by Angola’s Council of Ministers and Costa views the development as an extremely positive step. He does add, however, that “studies are still ongoing because we have to find ways of streamlining these projects so that they bring additional benefits to the country”.

There have also been developments to help small- and medium-sized Angolan companies build capacity and develop business links. CAE-Apoio Empresarial, a

business centre, has been established with the sponsorship of Sonangol and private oil companies such as BP, Chevron, Esso and Total.

The centre is managed by Citizens Development Corps, a non-governmental organization (NGO) based in the United States that trains local businesses in quality control, bidding, and in how to secure and manage contracts in the oil sector with the aim of creating a more vibrant business community. Currently, more than 300 enterprises are on its books. CAE has already helped 15 Angolan firms secure contracts worth a total of around \$1.25 million to provide the oil industry with goods such as pumps, overalls and stationery, and services like cleaning and catering. The ultimate goal of these activities is to lay the foundation for phase two: the implementation of a long-term sustainable development strategy that will stimulate local economic growth and increase local procurement.

The Angolan Government is also looking to reinvent the country as a holiday destination. Angola certainly has a great deal of natural beauty, including 1,600 km of Atlantic coastline, varied landscapes and a rich cultural heritage. A host of tourism projects is already afoot, including hotels, a game park, safaris, fishing lodges and casinos. The Government is keen to get investors — local and foreign — on board to help develop the industry. There is recognition, however, that at present many visitors are actually here to look for investment opportunities.

The difficulties in attracting traditional tourists lies in a lack of infrastructure, a supply of good quality water, electricity and communications, as well as good roads and a solid health structure. These are areas that top the list for the social development of the country’s population. If these can be improved for local residents while also bringing tourists in greater numbers, then it looks like a win-win situation.

Social progress

The Angolan Civil War, Africa’s longest running conflict, ended after 27 years in 2002. The war left Angola devastated with most social and economic infrastructure damaged or destroyed. Petroleum Minister, Desidério da Graça Veríssimo e Costa, says the war “significantly impacted on the education and the health of the people, communications and infrastructure became almost non-existent and agriculture was severely affected by the use of land mines. In many respects, the war brought the country to a standstill”.

He says that it was only in 2002 that the country started breathing new oxygen again. “For those of us who are religious,” he adds, “the story of the creation of the world is a reference. We have the sky, we have the earth, we have water and we have light. We start with the basics: clean drinking water and then electricity.”

Costa stresses, however, that “the country must aim for more. We need to continually push to improve the overall standard of living of our population”.

One such project is being initiated by Sonangol, the national oil company. In its annual budget, the group regularly sets aside a percentage for investment in community projects. This includes supporting projects in public health, education, the arts, sports, science and the environment. The overall project is called ‘Together with the Community’. Over 35 projects have been implemented in Cabinda, the province that has benefited most.



Languages

Portuguese is the official language, although six of the Bantu languages spoken by the large majority of the population have been selected as national languages. These are Chokwe, Kikongo, Kimbundo, Mbunda, Oxikuanyama and Umbundu. Fewer than 6,000 people speak a Khoisan language. Portuguese remains important, because it is the language of government, national media and international relations, and because it sets Angola apart from its neighboring countries, thus strengthening national identity. Since independence in 1975, African languages have been taught in schools.



Food

Traditional dishes in Angola are fish and meat calulu (layers of fish or meat and vegetables) and palm oil beans. Funge, made with corn flour, is served with fish and meat sauces. Farofa, prepared with manioc (cassava) flour, also accompanies meals. Vegetables include okra, onions, tomatoes, spinach, sweet potatoes and zucchini. Specialty dishes include mwamba de galinha, a palm-nut paste sauce cooked with chicken, spices and peanut butter, creating a delightful aroma.



Music

Music is everywhere in Angola. On weekends and festivals especially, Angolans love to dance until the early hours of the morning. The music of Angola has been shaped both by wider musical trends and by the political history of the country.

One of the most popular forms of music is Kizomba, a fusion of Semba (the predecessor of Samba) and musical styles from the French islands of the Caribbean. Today, it has a very distinct style that younger Angolan musicians are developing into Kuduro, a fast-beat mixture of Kizomba and Techno. Famous musicians from the past include Carlos Vieira Dias and Bonga Kuenda, while today's generation is led by artists like Don Kikas and Paulo Flores.

Sports

Soccer is the most popular participant and spectator sport, and is played by both girls and boys. Angola's national team, nicknamed the Palancas Negras (the Black Antelopes), qualified for the 2006 World Cup and finished third in their group behind Portugal and Mexico. Angola will host the 2010 African Nations Cup.

In the 1990s, basketball gained popularity after the Angolan men's national basketball team won three consecutive All-African championships. Backboards and baskets are now seen on street corners in most villages, towns and cities.



Arts and crafts

Angola's great cultural diversity has fostered creative expression in literature and the arts. Angolan literature, whose origins go back to the mid-nineteenth century, is marked by a local press that is traditionally combative and satirical, and that has rapidly stood out among other forms of literature in Portuguese.

Famous poets and authors include: Henrique Abranches, Arlindo Barbeitos, Ruy Duarte de Carvalho, Lopito Feijóó, João Maimona, João Melo, José Luís Mendonca, David Mestre, Manuel Rui Monteiro, Pepetela, Paula Tavares, Arnaldo Santos and Botelho de Vasconcelos.

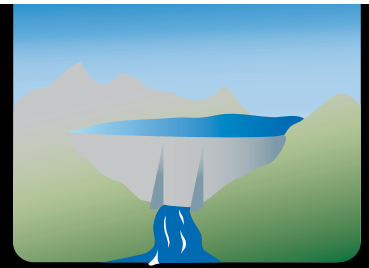
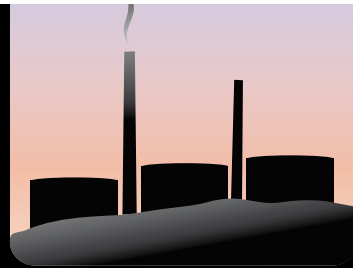
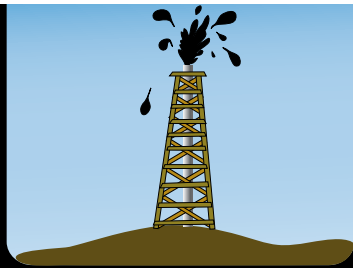
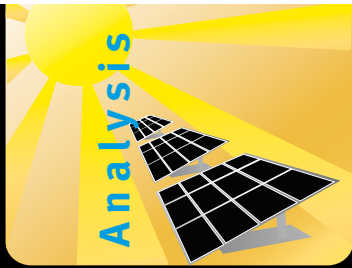
To support the development of literature in Angola, in 1992 the national oil company, Sonangol, instituted the Sonangol Literature Award in collaboration with the Angolan Writers Union. It is a

social project whose objective is to support and distinguish Angolan writers. Despite its short existence, this contest is already considered very prestigious by the Angolan writing community.

Art plays a very important role in the country. Each ethno-linguistic group has its own distinct artistic style and creates beautiful works of art that are heavily influenced by the use of various indigenous raw materials, such as wood, clay, bronze and malachite. These objects have in turn promoted commerce by becoming popular with tourists.

As with most African art, however, many of the wooden masks and sculptures of Angola are not merely aesthetic creations. They are used in cultural rituals to represent life and death, the passage from childhood to adulthood, the celebration of a new harvest and the start of the hunting season.





Energy security in an

By Susannah Maio

For many decades, societies have sought oil to develop and improve their quality of life, be it to light offices and homes, to power life-saving hospital machinery, or to improve transport and communications. And at the pace the world population is expanding, the thirst for oil will only grow. It is understandable then that all countries, but especially the great energy-consuming nations of our time — the 30 countries of the Organization for Economic Cooperation and Development (OECD) — are concerned about receiving affordable, stable and predictable supplies.

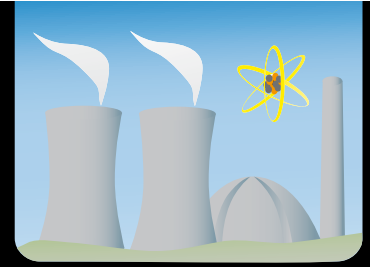
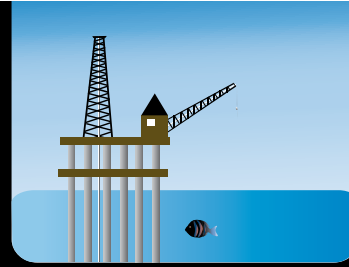
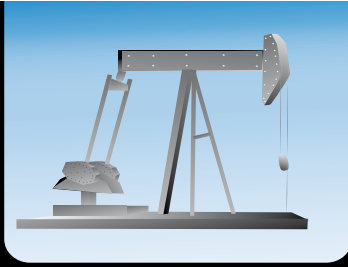
Producing countries are ready to supply oil, of which there are still plentiful reserves, but they too need to operate in a climate of stability and predictability. They need to have security of demand so that they may invest in the infrastructure needed to carry out costly exploration, drilling, extraction and transportation activities. Without such confidence in how the market is going to behave in the short, medium and long term, it is not always easy for OPEC Member Countries, among others, to plan ahead and ensure regular supplies of oil.

At the moment, the discourse on energy security policies is somewhat contradictory. There appears to be consensus on the fact that dependence on imported fossil fuels will increase, which is why industrialized countries and emerging markets are expressing concerns about secure supplies. At the same time, the policy-makers and government leaders of Western countries keep talking about moving away from conventional sources of energy and increasing the use of alternatives that they hope will make them more energy secure. But, as Dr Edmund Maduabebe Daukoru, Nigeria's Energy Minister and immediate past Conference President, said on occasion of the Third Meeting of the EU-OPEC Energy

Dialogue in July last year, "the more they talk about getting away from oil ... the more worried we get that our investments in spare capacity might be investments in vain". This inconsistency is likely to increase insecurity and contribute to market volatility.

According to OPEC's reference scenario, which assumes a continuation of current trends, demand for energy will grow over the next 20 years and fossil fuels will continue to provide more than 90 per cent of the world's total commercial energy needs. Oil is expected to account for close to 40 per cent of energy demand during the same time-frame. These projections are in line with those of the *2006 World Energy Outlook* published by the International Energy Agency (IEA), the Paris-based OECD energy watchdog, which also point to growing energy demand, the continued importance of fossil fuels and oil's dominance in the energy mix. Moreover, the IEA expects that oil will be supplied by just a few major producers, with OPEC's share of global supply growing from 40 per cent at present to 48 per cent by 2030. Clearly, then, the vast majority of countries will be dependent on imports for much of their energy needs.

In official documents, the United States and the European Union, the world's largest energy consumers, appear to accept these assumptions. According to the US Department of Energy, "it is likely that the nation's reliance on fossil fuels ... will actually increase over at least the next two decades". The same source reports that fossil fuels "currently provide more than 85 per cent of all the energy consumed in the US", two-thirds of which are imported. Demand for energy is also expected to rise in the EU, with the share of imports likely to go from 50 per cent today to 70 per cent by 2030. Eighty per cent of the Union's energy comes from fossil fuels,



interdependent world

with Russia and the Middle East supplying 70 per cent of European energy needs.

A broad mix of policies has been adopted by consuming nations in their quest for greater energy security, ranging from investments in efficiency, renewables, nuclear power and clean fossil fuel technology to the promotion of greater self-reliance. Out of this mixed bag of approaches, however, two main policy trends have emerged: the first aims at achieving energy independence, while the second prefers energy interdependence.

The US has voiced its preference for independence, a choice based largely on a view of energy security as a matter of national security. In his State of the Union Address, on January 23, 2007, President George W. Bush said that “for too long our nation has been dependent on foreign oil. And this dependence leaves us more vulnerable to hostile regimes and to terrorists”. Since then, Bush has made this point many times. While in Brazil on March 9, for example, he lauded President Inácio Lula da Silva’s promotion of ethanol-based fuel, stressing that “if you’re dependent upon oil from overseas you have a national security issue”. Dependence on foreign oil might be seen to compromise national security, but many other factors contribute to a country’s vulnerability to external (and internal) threats. Even if a country were to become totally energy self-sufficient in the foreseeable future, this would not necessarily guarantee or even increase its citizens’ security. The nation would still remain vulnerable to attacks on crucial infrastructure and be affected by global price fluctuations, the whims of the weather and numerous other unpredictable elements.

Like the US, Europe is seeking to decrease its use of

fossil fuels. It is investing in technologies that reduce the carbon footprint of oil, while exploring renewable sources of energy. However, Europe also realizes that domestic sources cannot provide enough energy for its 450 million inhabitants and so has opted for energy interdependence. For example, it calls for greater coordination among its member states through the establishment of an internal energy market and the diversification of its providers. By taking part in the EU-Mediterranean Energy Partnership and structured talks with the Gulf Cooperation Council (GCC) Countries and OPEC, among others, the EU acknowledges the essential interdependence of nations in a globalized economy. As Daniel Yergin, the Pulitzer Prize winning author of *The Prize: The Epic Quest for Oil, Money and Power*, wrote in the March/April 2006 issue of *Foreign Affairs*, “energy security does not stand by itself but is lodged in the larger relations among nations and how they interact with one another”.

Given the reality that fossil fuels (and oil in particular) are going to continue playing a central role in the world economy, consumers and suppliers should increase cooperation and coordination, instead of rejecting one another. A contradictory public discourse that focuses on moving away from oil without acknowledging the enormous benefits that it brings is unhelpful. It merely demonizes producing countries for supplying an essential good for which there continues to be no commercially viable alternative. Most importantly, however, this “we want it, but we don’t want it” attitude further destabilizes the market in the medium to long term as producing countries, unsure of future demand, reduce investments and review capacity expansion plans. Ultimately, all players share the same goal: to ensure current and future stability at home and abroad.



Special Debate on Energy Security

On February 22–23, 2007, some 250 parliamentarians from 52 participating states of the Organization for Security and Cooperation in Europe (OSCE) met in Vienna for the Winter Meeting, the Parliamentary Assembly's second most important regular event after the July Annual Session. The OPEC Bulletin attended the "Special Debate on Energy Security in the OSCE Area" that took place on Friday, February 23.

Göran Lennmarker, President of the OSCE Parliamentary Assembly, briefly introduced the debate and then opened the floor to the national delegations. Most parliamentarians who made use of the four minutes available to them were clearly concerned about security of supply. In order to increase such security, speakers repeatedly called for efforts to reduce energy consumption in general and dependence on fossil fuels in particular. It was widely agreed that OSCE countries should invest in the development of technologies such as carbon capture and storage (CCS) and explore alternative resources, including biofuels and hydro, solar and nuclear power.

Global warming was a widespread worry, with several speakers referring to the likelihood of catastrophic weather events taking place in the future and Hilda Solis from the United States wishing to talk "not only about oil rigs and pipelines but also about the atmosphere and ice caps". In his closing remarks, Lennmarker recommended that all delegates read the Fourth Assessment Report of the UN Intergovernmental Panel on Climate Change, which he qualified as "alarming but optimistic".

From the demand side, the Head of the Norwegian Delegation, Morten Høglund, reminded participants that "producers also need security" if they are to keep providing reliable supplies of energy. After all, substantial investments are made by oil-producing and exporting countries to meet rapidly growing global needs and "security of demand is an important element in making investment decisions". In essence, great care should go into devising policies that ensure that consumers, as much as suppliers, operate in a way that is "stable, predictable and secure".



Göran Lennmarker, President of the OSCE Parliamentary Assembly.



Hilda Solis delegate from the United States.



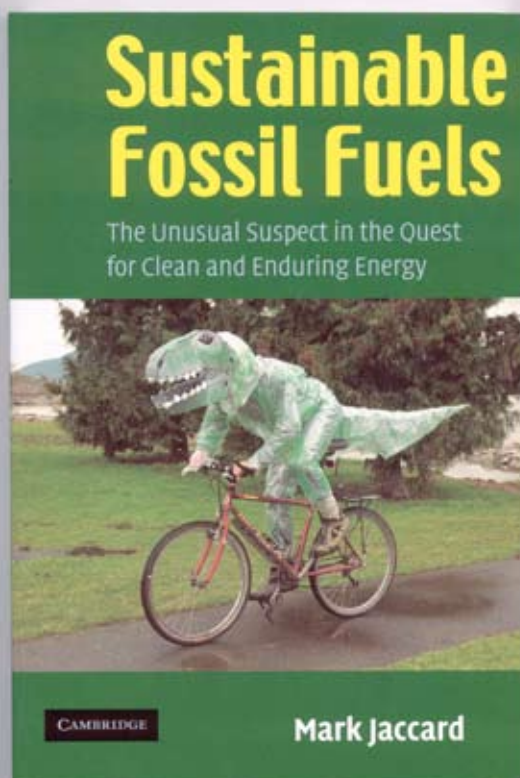
The Head of the Norwegian Delegation Morten Høglund.

Given the recent spate of books on the petroleum industry with titles like *The End of Oil*, *Beyond Oil*, *Twilight in the Desert*, *Half Gone*, *Energy Beyond Oil* and *Party's Over: Oil, War and the Fate of Industrial Societies* (the cover of one edition of this last title shows a man in a suit holding a petrol pump to his head), readers interested in the issue would be forgiven for feeling a little depressed. Mark Jaccard's book, *Sustainable fossil fuels*, is a welcome contrast to these overwhelmingly negative scenarios. It is made all the more unique by its curious mix of committed environmentalism and refusal to accept drastic answers. As one would expect from an expert on climate change, Jaccard bases his book on the premise of "the unsustainability of the current path of our system" but then proceeds to question two widespread beliefs: that a shift to a sustainable energy system means transiting away from fossil fuels, and that this transition will take place soon, well before the end of the current century.

The idea that we need to stop relying on fossil fuels is based primarily on the belief that we will soon deplete all the oil, coal and natural gas available. In other words, that we have reached a peak and that our energy future will largely be defined by scarcity. While acknowledging the controversies on how long known and predicted reserves will last, Jaccard's calculations lead him to conclude that "we are not facing the imminent demise of the fossil fuel era". The other main argument for seeking alternatives is that fossil fuels are harmful to the environment and, by extension, to humans. Jaccard agrees with this position but does not see it as inevitable in the future. He also argues convincingly that, in assessing whether we should continue to rely on fossil fuels or not, we must take into account the negative consequences of using the alternatives currently available. These are what he calls the "usual suspects": energy efficiency, renewables and nuclear power. In examining each of these, Jaccard presents the difficulties of verifying the actual contribution made by efficiency, the downsides of

renewables, as well as the political and ethical barriers that cause many to object to a dependence on nuclear power. Jaccard also keeps in mind the costs of changing over to another system, especially for poorer countries, and the improvements made by constantly-developing technology.

Policymakers and readers more interested in Jaccard's conclusions than in how he reaches them can refer to the ten-page *Synopsis and chapter reading guide* provided at the back of the book. Whatever the preconceptions that readers bring with them before starting the book and well before they have reached the last page, the concept of



By Mark Jaccard, Cambridge University Press, 2006, 398 pp. £14.99.



About the author

Mark Jaccard is a Professor in the School of Resource and Environmental Management at Simon Fraser University in Vancouver, Canada. He is responsible for the Canadian Industrial Energy Efficiency Data and Analysis Centre, funded by the Canadian Government and other agencies. He has chaired the British Columbia Utilities Commission (1992–1997), served on the United Nations International Panel on Climate Change (1993–1996), and served on the China Council for International Cooperation on Environment and Development (1996–2003).
www.rem.sfu.ca/faculty/jaccard.htm

"sustainable fossil fuels" is likely to sound less like an oxymoron and more like a different, possible way of looking at the future. Most importantly, perhaps everyone should take the time to consider the following question: "If we want to stop using fossil fuels, we can. But should we want to?"

Reviewed by Susannah Maio



Nigeria launches Master Plan for the Niger Delta



Abuja – Nigerian President Olusegun Obasanjo has launched a Master Plan designed to fast-track sustainable development in the country’s Niger Delta region.

The blueprint follows a series of meetings held under the auspices of the Council on Socio-Economic Development of Coastal States of Nigeria, which Obasanjo has been presiding over for the last 15 months.

Underscoring the importance of the Plan, he said: “It is the duty of all Nigerians to work for enduring peace in the country, both before and after the elections.”

Obasanjo appealed to the people of the Niger Delta “to embrace peace, which was needed to engender the right kind of atmosphere ... for sustained growth and development”.

He stated: “As we launch the Master Plan, it is my abiding belief that we are also launching the commencement of a voyage of hope that will sail the Niger Delta

region past a legacy of turbulence, neglect and poverty into an assured future as our nation’s most peaceful, most prosperous and most ecologically regenerative region by 2020.”

The President explained that the Master Plan was prepared after due consultation with all the stakeholders in the Niger Delta. If all the various interests cooperate and buy into it, the region will be totally transformed within a 15-year period, he affirmed.

The Plan has afforded the government the opportunity of having short, medium and long-term development plans for the region, and steps have been taken to provide jobs for the youths of the area.

Obasanjo expressed a strong conviction that the Niger Delta will soon move from an area of neglect, under-development and despair to a well-developed region with great hope.

Major goals for the region include providing adequate infrastructure to support industrialization and economic growth, as well as human and community welfare, while institutional development targets will aim at building adequate human capacity at all levels of society to drive the growth process in all sectors.

It is equally expected to build adequate institutional capacity that will guarantee the efficient and effective delivery of services in both the public and private sectors.

Local councils in the Niger Delta region are expected to finance the Master Plan through increased capital outlay and curtailed recurrent spending, improved internally-generated revenue and increased public-private sector partnerships.

The Federal Government, for its part, is expected to ensure improved revenue generation, as well as encourage public-private sector partnerships and special projects.

The major development goals listed under the Plan are divided into separate areas. Under Economic Growth, wealth is expected to be generated to reduce and or alleviate poverty, support better living standards, defuse social tensions and engage in urban regeneration.

Iran, Venezuela step up bilateral cooperation

Tehran – Two of OPEC's Founding Members, Iran and Venezuela, have signed 20 new agreements covering the expansion of bilateral industrial cooperation.

The accords were reached at the fourth meeting of the countries' Economic Commission, held recently.

Venezuelan Minister of Basic Industry and Mining, José Khan, in expressing his satisfaction with the progress made in implementing the agreements, said Iranian companies had the advantage of importing high-quality products from Venezuela, while, for his country, the measure was a step towards self-sufficiency, independence, freedom and sovereignty.

Out of 152 agreements in force between the two sides, 27 accords are associated with agriculture and cattle breeding, 26 cover oil and energy schemes, and 22 concern economic cooperation.

Khan noted that apart from being an energy exporter, his country is a producer of rice, coffee, corn, sugar and

Human and Community Needs will address the welfare of individuals within their social and physical environment, while Natural Environment is aimed at protecting and conserving the biodiversity resources of the region. It will also see to the remediation and restoration of environmentally impacted sites, in addition to setting appropriate standards for environmental regulation and control in the region.

Obasanjo has asked the Niger Delta Development Commission (NNDC) to work out a coordinated and harmonized skills acquisition programme for the region by the end of April.

He commended the NNDC for its efforts at addressing the under-development of the area, pointing out that although it had not achieved all its set goals, it nonetheless had made a difference in the region.

The President expressed regret that insecurity in the Niger Delta was costing the nation a great deal in terms of the extra funding needed for projects, as well as the delay of much-needed infrastructural development.

"It costs us 50 per cent more to award contracts in the Niger Delta. So, instead of doing three kilometers of roads, we can only do one. So, who is the loser? The Niger Delta," he added. *Voice of Nigeria*



various tropical fruits. Underlining the need for broadening tripartite cooperation among Iran, Venezuela and Cuba, he said the proposed establishment of a cement factory by the three states is the first step towards this end.

The minister said Iran-Venezuela-Cuba cooperation should be expanded to include Bolivia, Ecuador and Nicaragua.



Iran and Venezuela have also given the green light to setting up a joint cooperation headquarters.

A report released by the Secretariat of the Iranian Government's High Council on Information Dissemination said the headquarters would be headed by First Vice President, Parviz Davoudi. The facility would specifically look at the allocation of funds and credits, the export of technical and engineering services, as well as assess decision-making on mutual economic and trade relations.

Headquarters members from the Iranian side would include the Vice President for Executive Affairs, the Ministers of Foreign Affairs, Interior, Information, Economic Affairs and Finance, Oil, Roads and Transportation, Energy, Commerce, Communications and Information Technology, as well as the Head of the Management and Planning Organization and the Governor of the Central Bank of Iran.

Iran and Venezuela are also determined to establish a joint venture, under which various goods would be jointly produced for domestic consumption and export to other countries. A proposal for the establishment of such a company has been made by Iranian Minister of Industries and Mines, Alireza Tahmasbi. The move has been welcomed by Venezuelan President Hugo Chávez.

Commenting on the venture, Venezuelan Minister of Light Industry and Commerce María Cristina Iglesias said both sides have agreed to assess the export capacities of their respective countries. "At the beginning, the enterprise would be administered jointly, but it would also be open to all countries willing to become members."

"The joint venture would decide about which plants should be established with the objective of exporting value-added products, rather than just exporting preliminary materials," she added. [IRNA/ABN](#)

Sonatrach marketed over 171 million tons of oil equivalent of hydrocarbons in 2006

Algiers – Algeria's national hydrocarbons company, Sonatrach, marketed 171.5 million tons of oil equivalent (toe) of hydrocarbons in 2006, 35.2 million toe of which went to the domestic market, according to the firm's marketing management. In a Market News report, Sonatrach pointed out that the attainment of its annual planning goals for 2006 reached an impressive 99 per cent. Annual turnover amounted to US\$55 billion, including \$53.6 from exports and the remainder from the domestic market. [APS](#)

Angola to invest \$50 billion in its oil industry

Luanda – A total of US\$50 billion will be invested in the Angolan oil sector between 2007 and 2013 with the aim of reaching daily production of 2 million barrels. The Chairman and CEO of the Angolan national oil company, Sonangol, Manuel Vicente, in speaking on the 'Angolanization of the Oil Industry', said the amount to be invested could also be used in the gradual increment of the country's production capacity. He said the investments will open up new business opportunities in the establishment of oil infrastructure, the manufacture of equipment, as well as maintenance operations. Vicente stressed that the Angolanization of the country's oil industry is a reality and represented an annual business volume estimated at around \$300m. "Opportunities for national suppliers and providers of services are there and the concessionary (Sonangol) will continue promoting the integration of these initiatives in the oil industry," he added. [AngolaPress](#)

Ahmadinejad calls for greater private sector participation in oil sector

Assalouyeh, Bushehr Province – Iranian President Mahmoud Ahmadinejad has called for more active participation of the private sector in the oil industry. Speaking at an inaugural ceremony for a newly established methanol production line at the Zagros petrochemical facility in this southern province, he urged proper planning for the maximization of benefits derived from the exploitation, exploration and production of the country's oil and oil products, and to make Iran an example for the region in the next 20 years. He stressed that Iran should be a world leader in the export of technical and engineering oil services, adding that Tehran welcomes oil cooperation with foreign countries. Underscoring the need for further development of the country's petrochemical industry, he pointed to the necessity of establishing a petrochemical complex in each province. The President said all obstacles to greater participation of the private sector and the people as a whole in various development projects should be removed. [IRNA](#)

Iran's non-oil exports up by 47 per cent

Tehran – Iran's non-oil exports increased to a value of \$16.3 billion in the Iranian year that ended March 20, 2007, up by 47.2 per cent from the previous year. According to Iran's Customs Administration, the total volume of non-oil exports amounted to 33.13 million tons, 48.2 per cent more than the previous year. The bulk of non-oil exports pertained to petrochemical products, followed by the industrial sector, agriculture, minerals, and handicrafts. The major export commodities comprised gas liquids (propane, butane), ironware and steel, pistachio, and hand-woven carpets. These were

followed by copper products, polyethylene, grease, as well as plastics and melamine. During the year, Iran exported the bulk of its non-oil exports to the United Arab Emirates (UAE), which imported 5.2m t of Iranian-made goods worth \$2.54bn. China ranked second with Iranian commodities worth \$1.72bn. [IRNA](#)

Kuwait set to increase airport fuel storage

Kuwait City – The Kuwait Aviation Fueling Company (KAFCO) is in the process of constructing a new jet fuel storage facility at Kuwait International Airport that will boost capacity from 27 million to 56 million litres. Slated for completion by May 2008, the new facility is aimed at allowing Kuwait to meet aviation fuel requirements, in order to become a member of the Open Skies Treaty, which would bring more traffic to the airport, according to KAFCO Chairman Adel Al-Sarhan. The \$142m project is being carried out by India's Larson Toubro Ltd. The jet fuel scheme is running in tandem with the proposed expansion of the airport, which can currently fuel around 75 aircraft per day during peak times. [KUNA](#)

Nigeria establishes National Nutrition Council

Lagos – The Administration of Nigerian President Olusegun Obasanjo has established a National Nutrition Council. The Council is mandated to identify problems associated with the status of the nation's nutrition and examine past strategies and their results. It should also identify further actions at the household, community, local government, state, institutional, national and international levels, as well as coordinate all activities regarding nutrition, resource mobilization, advocacy and sensitization, and monitoring and evaluation. The President is Chairman of the Council, while its government members include the Ministers of Agriculture and Water Resources, Health, Education, Science and Technology, Information, Women, Youth, Finance and National Planning Commission. [NigeriaDirect](#)

SABIC clinches A1 stable outlook currency rating

Riyadh – Moody's Investors Service has assigned a long-term foreign and local currency rating (A1) with a stable outlook to the Saudi Basic Industries Corporation (SABIC), highlighting the company's leading worldwide market positions in petrochemicals, fertilizers and steel products. Moody's said SABIC's rating reflects the strong global position it has built over the past three decades. The Corporation enjoys a highly competitive cost position reflecting the significant economies of scale afforded by its world-scale vertically integrated facilities, ready access to feedstock, and its proximity to strategic end-markets. Notably, SABIC benefits from its proximity to the fast-growing Asian markets, while it is also able to serve its European-based customers through its wholly-owned subsidiary SABIC Europe. Moody's has also highlighted SABIC's instrumental role in supporting the diversification of Saudi Arabia's economy and job creation within the Kingdom through the development of the industrial sector. [SABIC Website](#)

Abu Dhabi tourism sector achieves 19 per cent growth in 2006

Berlin – The tourism Sector in the emirate of Abu Dhabi achieved 19 per cent growth in 2006, posting a profit of \$540m, compared with \$450m in 2005. According to Mubarak Hamad Al Mahairi, Director General of the Abu Dhabi Tourism Authority, the tourism boom in the emirate reflected positively on the hotel occupancy rate, which stood at around 84.4 per cent throughout 2006, as against 78.4 per cent the previous year. Quoting official hotel records, he said some 1.4m visitors were booked into Abu Dhabi hotels last year. He added that the steady rise in tourism in the emirate will prompt the hospitality sector to expand its capacity by about 12,000 rooms during 2007 and by more than 20,000 rooms by 2015, when an estimated 3 million visitors are expected to visit the emirate. [WAM](#)

Chavez urges action now on forecast rise in energy demand

Caracas – Oil consumption in Latin America will rise by a forecast 47 per cent by 2020, meaning that the region will need 11 million barrels a day of crude, according to Venezuelan President Hugo Chávez. Speaking during the laying of the foundation stone for an olefins and polypropylene plant at the José Petrochemical Complex, in Anzoátegui State, he stated that the expected increase in oil demand meant that decisions are required today for the necessary agreements between countries and oil companies. In this sense, Chávez said it is essential to start working right now. He said Venezuela has a strategic plan to confront the crisis, but he asked his South American counterparts at the South American Energy Summit, held on Margarita Island, Venezuela, to be ready to respond to the situation. Chávez pointed out that the South American region has all it needs to confront the crisis if all the countries add their potential. [ABN](#)

Venezuela, Argentina create Oppegasur

Caracas – Venezuelan President Hugo Chávez has announced the creation of the Organization of Gas Exporting and Producing Countries (Oppegasur), which he said will strengthen hydrocarbons unity among member countries. He made the announcement along with his Argentinean counterpart, Néstor Kirchner. He said he also expects Bolivia to join the new organization. He announced that Venezuela and Argentina were committed to three bilateral agreements in the gas sector. Schemes included the construction of a plant to manufacture gas-fuelled buses, an agribusiness project and an agricultural plant. In February, the two sides signed an agreement to create the Bank of the South, a proposal launched by the Venezuelan government which is aimed at financing social projects in the region. [ABN](#)



The fight against



In just six years
OFID has channelled
over \$50m to help
ease the suffering

A child takes part in a World AIDS Day ceremony in Cape Town, South Africa, in December 2006. High rates of AIDS mortality are likely to persist in the country for at least the next decade. Much depends on the provision of adequate treatment.

In the 25 years since HIV/AIDS first came to light, the illness has grown to become one of the greatest threats to human health and the socio-economic welfare of millions throughout the world, particularly in the developing countries. The OPEC Fund for International Development (OFID) became involved in the fight against the scourge in the 1990s when the international community sought to mobilize a unified global response to dealing with the virus. With little progress made in defeating the spread of HIV/AIDS, the contribution to the fight by institutions such as OFID is seen as essential in helping to ease the plight of those affected. OFID launched its dedicated HIV/AIDS Special Account in June 2001 and, in just six years, the initiative has already proven to be a resounding success.

At the 118th Session of the Governing Board of the OPEC Fund for International Development (OFID), in Vienna in March, two new proposals were approved in connection with the Account. Under the latest grant package,

AP Photo



HIV / AIDS

ten countries in Africa stand to benefit from initiatives aimed at easing the suffering caused by the disease. The first project, to be implemented in conjunction with the Clinton Foundation's 'Care in Africa' initiative, will see OFID extending a grant of US\$4 million to help with the care and treatment of children at risk and exposed to HIV/AIDS in Benin, Burkina Faso, Burundi, Mali, Mozambique, Namibia, Senegal and Tanzania. The second scheme, in cooperation with the Office of the United Nations High Commissioner for Refugees (UNHCR), involves an OFID grant of \$1.5m for Côte d'Ivoire and Liberia. The financing will help refugees, returnees and internally displaced people who are considered to be at a higher risk of HIV/AIDS infection. Once implemented, the two projects will bring the number of operations administered under the OFID HIV/AIDS Account to 22 and total financial commitments to over \$54m.

OFID launched the Account with an initial endowment of \$15m. Such was the initial response to the initiative that two years later, another \$15m was pledged in the Account's first replenishment. The second replenishment in 2004 saw another \$5m earmarked for ongoing operations, while in 2005 the third replenishment consisted of another \$15m.

In this issue of the OPEC Bulletin, we look at a typical HIV/AIDS case study on fighting the disease in the Asia-Pacific, which was taken from OFID's Making a Difference publication, published in 2006.



IFRC



IFRC



Reuters

One of the many projects funded by grants from the Special HIV/AIDS Account is a joint effort with the International Federation of Red Cross and Red Crescent Societies (IFRC) to combat the disease in the Asia-Pacific region. The partnership, formally sealed in November 2002 at a signature ceremony at IFRC headquarters in Geneva, Switzerland, pledged a joint \$4 million towards reducing household vulnerability to HIV/AIDS.

The project was launched to coincide with World Aids Day on December 1, 2002 and was fully implemented by July 2004.

The Asia-Pacific region has witnessed one of the highest increases in HIV/AIDS prevalence rates in the world. Some 1.2 million people in the region became infected in 2004 alone and an estimated 8.2 million Asians are now living with HIV.

Survival rates are poor: around half a million people in the region are believed to have died of AIDS in 2003. There have been sharp increases in HIV infections in China, Indonesia and Vietnam in particular. And both China and India will soon surpass South Africa's status as the country with the highest number of people living with AIDS.

Besides the enormous human toll it is taking, HIV/AIDS threatens to reduce, halt and even reverse gains made in education, health and infrastructural development, as well as disrupt economic growth. From a human point of view, if strenuous efforts are not made to fight the disease, it threatens to tear apart Asia's social fabric, much as it has done in parts of Sub-Saharan Africa.

Educating men, women and children is seen as vitally important in preventing the AIDS epidemic from spreading to many more people in Africa.



And just like Sub-Saharan Africa, it is likely to be the poorest and most vulnerable members of society, including children and women, who will suffer the most.

Under the OFID/IFRC *Reducing household vulnerability to HIV/AIDS* initiative, funds were allocated to support programmes in Cambodia, Laos, Nepal, Papua New Guinea, Sri Lanka, Vietnam and 22 other countries in the Asia-Pacific region.

While the actual activities undertaken varied country-by-country, the project had three main aims: prevention, the reduction of stigma and discrimination against people living with HIV/AIDS, and the care and treatment of HIV/AIDS sufferers and their families.

One far-reaching aspect of the project was a peer education programme, in which vulnerable groups were taught about the pandemic and how they, as individuals, could avoid catching and transmitting the disease.

The programme also focused on capacity-building in the national IFRC branches involved, through measures such as staff and volunteer training and strengthening the links between the various bodies involved in HIV/AIDS prevention and mitigation.

This has created a momentum that has allowed these branches to take their work forward and expand the scope and depth of their HIV/AIDS campaign, which now extends from the most isolated corner of Micronesia to the highly populated development hotspots of Asia.


The IFRC is very well represented throughout the Asia-Pacific region, with over 60 million volunteers, and in many countries it is the only humanitarian non-governmental organization (NGO) present. It is therefore well placed to help mobilize governments and civil society to join the battle against HIV/AIDS.

The IFRC has been involved in the fight against the spread of HIV/AIDS infection since the mid-1980s, and this project is just one of many that it has carried out around the world.

The project is a good example of OFID's commitment to cooperating with other development assistance bodies; without this there is little hope of making meaningful inroads into solving the problems caused by disasters, of which HIV/AIDS is but one example.

An important part of such partnerships is to encourage the participation of local communities, and this project places heavy emphasis on involving the communities affected at household level.

As well as the IFRC, in the field of AIDS/HIV mitigation, OFID also collaborates closely with many other leading international agencies. These include the Joint United Nations Programme on HIV and AIDS (UNAIDS), the World Health Organization (WHO), the United Nations Population Fund (UNFPA), the International Labour Organization (ILO), the UN Educational, Scientific and Cultural Organization (UNESCO) and the UN Children's Fund (UNICEF).

In fact, more than 90 countries are currently benefiting from these joint efforts, and to date, OFID's Special Account for HIV/AIDS has allocated \$50m to fight the disease. 



Administering the right medicines to ease HIV/AIDS suffering.

Red Cross workers mark World AIDS Day in Jakarta in December 2006.



This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for March published by the Petroleum Market Analysis Department of the Secretariat, containing up-to-date analysis, additional information, graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

Crude oil price movements

OPEC Reference Basket¹

The market continued its positive stride into February amidst cold weather in the United States and delays at Russia's Black Sea outlet. The implementation of OPEC's most recent production cut strengthened market bullishness. However, the decline in fuel demand in Asia prevented prices from escalating any further. Nonetheless, revived geopolitical tensions in the Middle East sustained market volatility.

In the first week of the month, the OPEC Reference Basket (ORB) rallied by an average of \$2.1/barrel, or by over four per cent, to settle at \$54.38/b, the highest weekly average so far this year. In the second week, an assurance from OPEC Member Countries of steady supply amid a balanced market contributed to the renewed bearish market sentiment as the cold weather in the US began to fade. An upward revision to the world demand forecast at a time of cargo deferral from a West African nation balanced market sentiment. The phasing-out of winter fuel demand inspired fund sell-offs in

the paper market, which kept prices in check. The ORB closed the second week at an average of \$53.45/b, representing a drop of 93¢, or 1.7 per cent. Mild weather in the western hemisphere exerted further downward pressure on winter fuel demand. At the same time, supply upstream and downstream disruption in the northern hemisphere, along with the geopolitical developments, extended market volatility amid a narrowing arbitrage window for western crude to flow eastward. The ORB closed the week with an average rise of \$1.02, or 1.9 per cent, to settle at \$54.47/b. A late cold snap in the US revived concern over winter fuels; however, the colder weather proved to be short-lived. Moreover, a sharp correction in China's main equity market, which was echoed around global markets, appeared to indicate weaker confidence in continued strong global economic growth, which could limit energy consumption. The ORB closed the final days of the month at an average of \$56.87/b, after peaking at \$57.09.

The ORB's monthly average rallied by \$3.72, or over seven per cent, in February, after a drop of nearly 13 per cent in January.

While the cold snap in the US revived market bullishness, geopolitical concerns kept volatility intact. In the first half of March, refinery problems in the US, amid a draw on petroleum product stocks, kept alertness in place. Improved refining margins in Europe were also seen lending support to the market's strength as summer fuel stockpiling began.

Nonetheless, turbulence in the Asian and European stock markets sparked concern over potential slower global economic growth, which could eat into demand. However, the prospect of stronger gasoline consumption in the US kept the marketplace somewhat balanced. The ORB averaged \$57.78/b in the first half of March, after peaking at \$58.64/b earlier in the month.

United States market

US light domestic crude firmed on a drop in heating fuels use, amid a planned strike in Nigeria, which tightened light crude supply. Market sentiment was enhanced by the announcement that Canada's largest offshore oil field would be shut for unplanned maintenance at a time of rising winter fuel demand.

1. An average of Saharan Blend (Algeria), Minas (Indonesia), Iran Heavy (IR Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (SP Libyan AJ), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (United Arab Emirates) and BCF-17 (Bachaquero, Venezuela).

The WTI/WTS spread averaged \$3.84/b in the first week of the month. Nevertheless, sentiment eased in the second week amid the prospect of OPEC maintaining steady output when it met in March, keeping the differential wider. Healthy stocks at US Gulf Coast refineries added pressure to the sour crude market.

The WTI/WTS spread widened to peak at \$4.22/b in the second week to average \$4.01/b. In the third week, an unexpectedly hefty draw on distillate stocks, combined with a draw on gasoline inventories and downstream disruptions, widened sweet/sour differentials. The WTI/WTS spread peaked at \$4.75/b with the third-week spread average at \$4.31/b, 30¢ wider than the previous week. A further draw on refined products supported light crude amid demand for light-end products and seasonal stockpiling. The WTI/WTS spread narrowed in the final days of February to average \$4.05/b. WTI's monthly average was \$59.21/b for a gain of \$4.81, or nearly nine per cent, from the previous month with the spread over WTS narrowing by 31¢ to \$4.03/b.

North Sea market

The North Sea market began the month with leftover prompt barrels for February loading. Hence, sellers continued to lower offers to dispose of unsold barrels. Sentiment was even weaker on Forties amid the injection of lower quality crude from the new Buzzard field into the stream. Warm European weather amid healthy supply for March also added to the market's weak momentum. In the second week, while most participants were involved in a London industry event, questions continued regarding quality issues regarding the Forties grade, which kept crude under pressure as refiners sought alternatives. However, healthy demand for March barrels amid improving refinery margins added support to North Sea crude in the third week.

Healthy refinery demand in meeting seasonal fuel stock-builds supported market sentiment amid a drop in US petroleum products, prompting firmer price differentials. In the final days of the month, demand fulfillment for March barrels amid weak Forties quality

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

	Jan 07	Feb 07	Feb/Jan	2006	2007
OPEC Reference Basket	50.73	54.45	3.72	57.57	52.50
Arab Light ¹	50.85	54.29	3.43	57.52	52.49
Basrah Light	47.63	51.19	3.56	53.99	49.33
BCF-17	42.68	48.04	5.36	46.92	45.23
Bonny Light ¹	56.18	59.58	3.40	63.10	57.80
Es Sider	52.08	55.83	3.75	60.48	53.86
Iran Heavy	47.90	51.87	3.97	56.28	49.79
Kuwait Export	48.42	52.33	3.90	55.79	50.28
Marine	52.58	55.86	3.28	59.46	54.14
Minas ¹	55.39	58.44	3.04	62.38	56.84
Murban	56.42	59.58	3.17	62.25	57.92
Saharan Blend ¹	55.78	59.58	3.80	62.86	57.59
Other crudes					
Cabinda	50.65	55.72	5.08	59.25	53.06
Dubai ¹	51.92	55.61	3.69	58.10	53.67
Isthmus ¹	48.90	53.48	4.57	56.27	51.08
Tia Juana Light ¹	47.83	51.82	3.99	52.66	49.73
Brent	53.68	57.43	3.75	61.62	55.46
West Texas Intermediate	54.40	59.21	4.81	63.49	56.69
Differentials					
WTI/Brent	0.72	1.78	1.06	1.87	1.23
Brent/Dubai	1.76	1.82	0.06	3.52	1.79

Note: As of the third week of June 2005, the price is calculated according to the current Basket methodology that came into effect as of June 16, 2005. BCF-17 data available as of March 1, 2005.

1. Old Basket components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T J Light.

Source: Platt's, direct communication and Secretariat's assessments.

was somewhat balanced by improving refining margins. Dated Brent closed the month at an average of \$57.43/b for a gain of \$3.75, or almost seven per cent.

Mediterranean market

Urals crude emerged in February on a stronger note amid continued weather-related delays at the Black Sea outlet, prompting worries over tighter supply. However, prices eased on the resumption of loadings at the Novorossiysk outlet that had been closed due to high winds, prompting late February loading. However, volatility continued on shipping delays, while buyers looked for alternative grades.

Competing refining margins for sour crude kept market sentiment firm. The Urals discount to Brent was 73¢ firmer at \$3.47/b in the first week of the month. Tight supply from the Ceyhan pipeline lent support to the

bullish momentum amid strengthening refining margins. The Dated Brent to Urals spread firmed to \$3.38/b in the second week. A drop in Primorsk exports was seen as potentially supporting the value of Urals, although ample Caspian CPC pipeline supply kept the market

Healthy refinery demand in meeting seasonal fuel stock-builds supported market sentiment.

balanced. Hence, the Brent/Urals spread was 49¢ wider at \$3.87/b in the third week. In the final days of February, refining margins remained strong. The Urals discount to Brent was a marginal 17¢ firmer to \$3.70/b. The Urals monthly average was \$53.81/b, with the spread under Brent 6¢ wider at \$3.62/b.

Middle Eastern market

The market for Mideast crude started with on a bearish note on refinery run cuts in Japan amid mild winter demand. Unsold March barrels amid a weak crack spread for fuel oil pushed Oman to trade at a \$50–60/b discount to MOG. The bearishness continued on the emerging maintenance season in Asia amid refinery upgrades in Oman. Hence, the Brent/Dubai spread narrowed by a significant \$1.31 to \$1.55/b. In the second week of the month, ample Mideast supply poised weaker retroactive OSP. April Oman and Abu Dhabi light crude were discussed at a 10¢/b and 15¢/b discount to MOG and ADNOC's OSP, respectively.

The weakness was enhanced by the opening arbitrage opportunity for rival Russian Urals to flow eastward. The Brent/Dubai spread narrowed by a hefty 80¢ to 75¢, the narrowest weekly average since early January when it was around 24¢. However, the improved fuel oil crack spreads lent support to Mideast medium/sour grades. In the third week, the Brent/Dubai spread widened to \$2.73/b, narrowing the arbitrage window and also adding to the market's momentum for Middle East crude.

Moreover, some spot sellers of Mideast crude kept stems for their own system, adding some strength to the differentials. In the final days of the month, increasing demand from India balanced the market as Taiwan's purchase of Oman in its buy-tender was limited. Slower refinery maintenance capacity than last year saw the firmness in the marketplace maintained. The commissioning of Oman's 116,400 b/d Sohar refinery was also seen as lending support to the grade amid lower supply, with April Oman trading between parity and a 10¢ discount to MOG.

The oil futures market

The Nymex futures market weakened at the start of the month. Non-commercial positions fell into net short as long positions were liquidated at a faster rate than the shorts. Speculator net short positions widened by nearly 7,000 lots to 21,300 contracts. Moreover, open interest was 8,500 narrower at 1,298,500 contracts. With options included, open interest was 17,200 lots wider at 2,362,400. The Nymex WTI front-month contract closed the first week at \$58.88/b to average \$58.42/b on weather-related and geopolitical issues.

In the second week, the WTI front-month contract closed at \$59.06/b, averaging \$58.84/b on continued weather-related and geopolitical concerns and boosted by an upward revision to global demand expectations. Non-commercial net positions were 14,100 lots firmer, but remained net short by 7,200 contracts. The rise was on the back of gains in both sectors of contracts. Thus, open interest rose by 24,300 to 1,322,800 lots, a record-high. Including options, open interest stood at a record-high of 2,412,000 contracts, or 49,600 lots more.

In the third week, non-commercial net positions were furthered by another increase of 15,100 lots to turn net long by nearly 7,900 lots, with short positions falling at a faster rate than longs in both sectors. Hence, open interest fell by 95,300 lots to 1,227,500. With options included, open interest plunged by a hefty 203,500 to 2,208,500 lots. The Nymex WTI prompt month closed the third week down at \$58.07/b to average \$58.36/b on the forecast of warmer weather amid slowing demand for winter fuels.

In the final week, sentiment firmed on revived geopolitics and depleting gasoline and heating fuels amid refinery outages in the US. Nymex WTI rallied in the final week of February to \$61.49/b to average \$61/b. Non-commercial net positions were some 18,200 lots wider at 26,000 contracts net long. The rise in net volume was attributed to non-commercial long positions, while shorts were liq-

uidated. However, open interest widened by nearly 42,000 lots to 1,269,200 contracts. With options included, open interest was more than 59,000 lots firmer at 2,267,500 contracts.

On a monthly basis, net non-commercial averaged 1,340 net long in February versus 9,000 net short the month before and 18,700 lots net short last year. Commercial long and short positions set record-highs of over 800,000 lots to stand net long by 14,500 lots. Open interest averaged 1,279,500 lots for the month, some 700 lots below the previous month and 355,000 over the same period last year. With options included, open interest averaged 78,500 lots wider at 2,312,600 contracts, or 760,800 higher than last year. The Nymex WTI front-month average was \$5.04, or over nine per cent, higher at \$59.39/b, yet four per cent lower than last year.

The forward structure

The forward structure was firmer and remained below the \$1 spread in contango for the second month. The 1st/2nd month contango spread was at 81¢, or 18¢ narrower, the narrowest since June. The 1st/6th, /12th and /18th spreads were \$3.20/b, \$4.98/b and \$5.51/b, or 45¢, 89¢ and \$1.17/b narrower, respectively. When comparing the contango spread to last year, the 1st/2nd month spread was 42¢ firmer, while the 1st/6th and /12th month spreads were 53¢ and 3¢ narrower with no change against the 18th month.

US crude oil stocks averaged 326.2m b in February, 5.4m b higher than in the previous month and 900,000 barrels more than last year. Despite the higher crude oil inventory levels, a hefty draw on distillate and gasoline stocks prompted the narrowing of the forward structure.

World oil demand

World oil demand in 2006

Warm weather in the first and fourth quarters of last year negatively affected global oil demand. The product declining the most was

fuel oil, mainly in the OECD countries, as a result of fuel switching to natural gas. Total world oil demand growth for 2006 is estimated at 800,000 b/d, or 1.0 per cent, a slight downward revision from the last report. Last year's oil demand growth came solely from the developing countries, with China and the Middle East as the main contributors.

OECD

Warm weather in North America affected oil demand growth in the OECD region. Due to fuel switching among power plants, US fourth-quarter oil demand declined by 125,000 b/d, or 0.06 per cent, year-on-year. The product declining the most was residual oil, which fell by 370,000 b/d, due to fuel switching.

Motor gasoline demand grew by 0.8 per cent, which was half the average normal growth of 1.6 per cent. As a result, North America's fourth-quarter oil demand growth was revised down by 100,000 b/d to show a y-o-y decline of 160,000 b/d. For the whole year, US oil demand fell by 300,000 b/d.

OECD Europe

Although crude imports rose by four per cent, oil demand for Spain fell by the same percentage y-o-y in December. Most of the December oil imports went into strategic oil storage. Liquefied petroleum gas (LPG) declined the most, at 17 per cent, followed by fuel oil with 14.2 per cent. Due to the unusually warm winter, OECD Europe oil demand growth for the fourth quarter was revised down by 160,000 b/d to show a y-o-y decline of 200,000 b/d. For the year, oil demand growth in OECD Europe declined by 80,000 b/d y-o-y.

OECD Pacific

Consumption of kerosene, mostly used in Japan for heating purposes, was low due to the warm winter in the Pacific region, causing fourth-quarter oil demand growth to be almost flat. In total, OECD oil demand growth for the fourth quarter declined by 380,000 b/d y-o-y to average 49.62m b/d.

Developing countries

Middle East and Indian oil demand was as strong as expected in the fourth quarter. Fourth-quarter oil demand growth in the Middle East is estimated at 360,000 b/d y-o-y to an average 6.17m b/d. Saudi Arabia and Iran were the biggest consumers in the region at 1.9m b/d and 1.7m b/d in the fourth quarter y-o-y, respectively.

Oil demand in India grew by 2.9 per cent in 2006 to average 2.6m b/d. A boom in car sales helped gasoline demand to reach its highest growth of 5.7 per cent y-o-y.

Other regions

Both the former Soviet Union (FSU) and Chinese apparent oil demand for the fourth quarter turned out to be stronger than expected; hence, oil demand growth in the fourth quarter was revised up by 100,000 b/d for each. China's oil demand growth is estimated at 630,000 b/d to average 7.2m b/d in 2006. Some 12m b of Chinese oil imports in December were used for filling the country's first strategic petroleum reserve (SPR), which was commissioned in the late summer of 2006.

Forecast for 2007 demand

Oil demand in North America has picked up, due to a normal winter. Fuel demand was strong, which affected total world oil demand. World oil demand growth for 2007 is forecast to see growth of 1.3m b/d, or 1.5 per cent, an upward revision of 100,000 b/d from the previous estimate.

OECD

According to the Energy Information Administration (EIA) weekly report, US February demand skyrocketed by 1.4m b/d y-o-y. Motor gasoline grew by 3.5 per cent y-o-y in February, slightly lower than in January. Distillate fuel oil, the key product for oil demand, grew by a stunning 350,000 b/d, or 8.1 per cent. This compares with last year when distillate fuel oil demand was affected badly by the warm winter, growing at a poor rate of 1.3 per cent. The cold winter in North

America pushed demand for petroleum products in Canada by five per cent in January y-o-y. Canadian diesel consumption grew by 30,000 b/d y-o-y in the month. As a result of higher-than-expected demand, oil demand growth in North America in the first quarter of 2007 was revised up by 100,000 b/d y-o-y to show growth of 300,000 b/d to average 25.45m b/d. In total, OECD countries' oil demand growth is forecast at 200,000 b/d to average 50.35m b/d in the first quarter of 2007.

OECD Europe

In addition to low transport fuel demand, the warm winter in Europe negatively impacted

Oil demand in North America has picked up, due to a normal winter.

on oil demand. As a result, oil demand in OECD Europe is expected to decline by 150,000 b/d in the first quarter of 2007.

OECD Pacific

The Pacific region is still experiencing a warmer-than-average winter. According to the Japanese Meteorological Agency, the February average was 8.6°C, which is 2.4° above the 30-year average. The weather directly affects demand for kerosene and fuel oil. Japanese kerosene sales fell by 300,000 b/d in January y-o-y. Furthermore, Japanese power plants have increased the utilization of nuclear generation to over 70 per cent, which in turn affected the consumption of fuel oil. In total, Japan's domestic petroleum product sales for January fell by 650,000 b/d, or 14 per

	1Q	2Q	3Q	4Q	Year	Growth y-o-y
2003	5.87	6.75	6.72	6.61	6.49	0.91
2004	7.17	7.30	7.38	7.37	7.31	0.82
2005	7.45	7.69	7.76	7.85	7.69	0.38
2006 ¹	7.98	8.41	8.31	8.15	8.21	0.52
2007 ¹	8.65	9.11	8.92	8.65	8.84	0.62

1. Forecast.

cent, y-o-y. Due to the decline in fuel oil and kerosene consumption in the OECD Pacific, oil demand consumption in the first quarter declined by a minor 20,000 b/d to average 9.28m b/d y-o-y.

Alternative fuels

Three new biodiesel plants with a capacity of 1.05m t will be commissioned this year in Indonesia, further expanding the Asian bio-fuel industry. Although Asia is following the US lead in the biofuel industry, this is negatively affecting grain prices and impacting on the environment worldwide. The biofuel industry is facing a financial problem caused by declining oil prices and a worldwide increase in feedstock prices.

The European Union (EU) is encouraging members to provide incentives to motivate this industry. Starting in April 2008, the UK will mandate minimum biofuel sales of at least 2.5 per cent of oil companies' sales. The fall in diesel prices in Germany has so far reduced biodiesel consumption this year by almost 30 per cent. Biofuel tax incentive lost its advantage, which, in turn, affected biofuel demand for the first time.

Developing countries

In other Asia, led by India and Indonesia, oil demand showed strong growth in January. Indian oil demand for January grew by 200,000 b/d, or 7.5 per cent, y-o-y to average 2.8m b/d. Taiwan's January oil demand increased by almost two per cent y-o-y, halting a seven-month decline. Due to fuel switching, Taiwan's fuel oil demand fell by 11 per cent,

2004	2005	05/04	
4.02	4.04	0.02	
1Q06	2Q06	3Q06	4Q06
4.18	4.22	4.33	4.33
2006	06/05	2007	07/06
4.27	0.22	4.44	0.17

although jet fuel increased by 3.5 per cent to meet growing travel demand over the New Year holiday.

Strong economic activities in the Middle East are leading to healthy oil demand as expected. Middle East first-quarter oil demand growth is forecast at 300,000 b/d to average 6.34m b/d. Developing countries' oil demand is forecast to grow by 530,000 b/d y-o-y in the first quarter.

Other regions

China's apparent oil demand is expected to achieve strong growth, exceeding 4.8 per cent in January y-o-y. China's net crude imports grew by 140,000 b/d, or 4.7 per cent, in January y-o-y. Strong economic activities, along with an increase in new car sales, have boosted demand for petroleum products. China's first-quarter oil demand growth is forecast at 340,000 b/d to average 7.44m b/d y-o-y. FSU apparent demand is expected to exceed previous estimates; hence, 2007 oil demand was revised up by 50,000 b/d. Oil demand in other regions is forecast to grow by 500,000 b/d in the first quarter to average 12.27m b/d.

World oil supply

Non-OPEC

Estimate for 2006

Non-OPEC oil supply is estimated to average 49.46m b/d in 2006, an increase of 520,000 b/d over 2005 and a downward revision

of 17,000 b/d from the last assessment. A 67,000 b/d downward revision to the fourth quarter of 2006 was behind the lower level for the year.

Revisions to the 2006 estimate, other historical

Revisions have been made to the 4Q06 estimate, resulting in an overall downward adjustment of around 67,000 b/d. The estimate for the 4Q06 for the US has been adjusted downwards by 34,000 b/d, while Mexico was reduced by 5,000 b/d. In the North Sea, a minor upward revision of 4,000 b/d was made to 4Q06 oil production in Denmark. In Colombia and Ecuador, 4Q06 has been revised down by 7,000 b/d each. The 4Q06 estimate for China's production was revised down by around 19,000 b/d. Most of the above revisions were made upon receipt of actual data. As a result, the annual 2006 average estimate was revised down by around 17,000 b/d.

On a regional basis, the FSU performed well in 2006, with annual growth of around 470,000 b/d. Total developing countries, mainly Latin America and Africa, witnessed growth of around 170,000 b/d and 140,000 b/d, respectively, and the group's total annual growth was 280,000 b/d. Developing country growth was partially offset by a decline in the North Sea of around 410,000 b/d. North America increased by 110,000 b/d, mainly as a result of Canada.

Forecast for 2007

Non-OPEC oil supply is expected to average 50.64m b/d in 2007, an increase of 1.18m b/d over 2006 and a downward revision of 46,000 b/d from the last assessment. On a quarterly basis, non-OPEC supply is expected to average 50.3m b/d, 50.3m b/d, 50.5m b/d, and 51.5m b/d. The revision to the outlook is principally due to the downward revision to the fourth quarter 2006 baseline of around 67,000 b/d and the receipt of actual data for some countries. Most of the revisions were made in the second and fourth quarters, with lower amounts in the other two quarters.

Table D: OPEC crude oil production, based on secondary sources

1,000 b/d

	2005	2006	2Q06	3Q06	4Q06	Dec 06	Jan 07	Feb 07	Feb/Jan
Algeria	1,349	1,366	1,368	1,361	1,359	1,352	1,345	1,332	-13.0
Angola	1,256	1,415	1,355	1,439	1,440	1,474	1,515	1,531	16.0
Indonesia	942	896	914	882	866	864	865	858	-7.0
IR Iran	3,924	3,845	3,800	3,910	3,821	3,800	3,802	3,759	-42.7
Iraq	1,830	1,932	2,001	2,061	1,949	1,899	1,698	1,991	292.7
Kuwait	2,504	2,504	2,513	2,506	2,465	2,442	2,448	2,412	-36.4
SP Libyan AJ	1,642	1,702	1,699	1,719	1,709	1,698	1,688	1,676	-12.3
Nigeria	2,412	2,235	2,213	2,220	2,251	2,259	2,225	2,218	-7.3
Qatar	792	822	820	834	816	808	803	792	-10.5
Saudi Arabia	9,390	9,116	9,133	9,135	8,787	8,680	8,657	8,538	-118.8
UAE	2,447	2,538	2,535	2,573	2,517	2,483	2,491	2,457	-33.8
Venezuela	2,633	2,539	2,574	2,504	2,485	2,474	2,416	2,401	-15.0
OPEC excl Iraq	29,291	28,979	28,926	29,084	28,516	28,333	28,254	27,974	-280.9
OPEC excl Angola & Iraq	28,035	27,564	27,570	27,645	27,076	26,858	26,739	26,443	-296.9
Total OPEC	31,121	30,910	30,927	31,145	30,465	30,232	29,953	29,965	11.8

Totals may not add, due to independent rounding.

OECD

Total OECD oil supply is expected to average 20.35m b/d, 38,000 b/d lower than the last assessment, but an increase of 190,000 b/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.37m b/d, 20.25m b/d, 20.14m b/d, and 20.65m b/d. February data puts OECD oil supply at 20.41m b/d, an increase of 20,000 b/d over the January figure.

United States

Oil supply in the US is expected to average 7.55m b/d in 2007. This represents an increase of 160,000 b/d versus last year and a downward revision of 42,000 b/d from last month. Revisions made to the 4Q07, including the downward revision of 34,000 b/d to the baseline (4Q06), were implemented for all quarters in 2007.

The Genghis Khan field is expected to start up in the 3Q07 and ramp up in the 4Q07. Also, Atlantis South was delayed to late 2007 and this is expected to affect the 2008 outlook. Neptune will start up in the 4Q07 and some other small satellite fields may add some barrels to the US outlook in 2007. The February

figure was 7.61m b/d, around 20,000 b/d more than the January figure.

Mexico and Canada

The outlook for Mexico has been revised down slightly by around 5,000 b/d which represents the baseline revision from the 4Q06. Total Mexican oil supply is expected to average 3.6m b/d in 2007; the third quarter at 3.7m b/d represents the best performance of the year, due to the expected increase in projects in the KMZ complex. However, according to latest news, this could be shifted to the 2Q07, or even earlier, and thus requires further monitoring. Last month's production of 3.56m b/d was almost the same level as in January.

Canadian oil supply is expected to average 3.3m b/d in 2007, an increase of 140,000 b/d over 2006 and around 12,000 b/d higher than last month's assessment. Upward revisions were made to the first, third and fourth quarters, while the second quarter was revised down, due to some shifting in the maintenance schedules in the database. The Hibernia crude field, with output of 180,000 b/d, which was shut down on February 15, due to technical problems, returned to operations ahead of

schedule on March 7. February figures showed a level of around 3.25m b/d, or 10,000 b/d over the January level.

Western Europe

Oil supply in OECD Europe is expected to average 5.2m b/d in 2007, a drop of 150,000 b/d from the 2006 figure, but practically the same as last month's assessment. On a quarterly basis, total oil supply is expected to average 5.3m b/d, 5.2m b/d, 5.0m b/d, and 5.3m b/d.

Norwegian oil supply is expected to average 2.7m b/d in 2007, 100,000 b/d less than last year and a downward revision of 5,000 b/d from last month. The contributions of the Vilje, Alveheim and Volve projects are expected to offset the expected decline in other fields. February figures show a level of around 2.79m b/d, unchanged from the January level.

United Kingdom oil supply is expected to average 1.65m b/d, a drop of 40,000 b/d versus last year, but a 40,000 b/d increase from last month's assessment. February production stood at 1.7m b/d.

Oil supply in Denmark is expected to average 310,000 b/d, around 30,000 b/d below

the 2006 level and unchanged from last month's assessment. In February, Denmark produced around 340,000 b/d, unchanged from the January production level.

Asia Pacific

Oil supply in the OECD Asia Pacific region is expected to average 670,000 b/d in 2007, representing growth of 110,000 b/d compared with last year. On a quarterly basis, total oil supply is expected to average 630,000 b/d, 640,000 b/d, 710,000 b/d and 700,000 b/d. Shutdowns in the Carnavon Basin in north-western Australia, due to cyclone activity (George and Jacob), affected the first-quarter figure, which ended down by around 10,000 b/d. The total shutdown was around 170,000 b/d for around one week.

Other revisions were due to changes in the baseline.

FSU, other regions

Oil supply in the FSU in 2007 is expected to average 12.7m b/d, an increase of 680,000 b/d compared with 2006, 2,000 b/d less than last month's assessment. Minor downward revisions were made to the 4Q07 for Kazakhstan. China was revised up slightly by 9,000 b/d. On a quarterly basis, total oil supply in the FSU is expected to average 12.48m b/d, 12.66m b/d, 12.74m b/d and 12.90m b/d. Other Europe remains unchanged at 150,000 b/d, compared with the 2006 figure.

Russia

Russian oil supply is expected to average 9.97m b/d in 2007, an increase of 320,000 b/d over 2006 and unchanged from last month's estimate. Crude export tariffs are to witness another cut by April - down by 13 per cent to \$21.37/b, another incentive for producers to increase exports.

Caspian

Azeri oil supply is expected to average 910,000 b/d in 2007, representing an increase of 280,000 b/d over last year. The latest production estimate puts total oil supply at 780,000 b/d in February.

Kazak oil production is expected to average 1.4m b/d in 2007, an increase of 100,000 b/d over last year and down 2,000 b/d from last month. Data for February puts Kazak oil supply at 1.38m b/d, around 70,000 b/d above the January figure.

China

China's total oil supply is expected to average 3.71m b/d in 2007, an increase of 30,000 b/d over last year and an upward revision of 9,000 b/d from last month's report. Figures for February averaged 3.77m b/d. Growth of around 28,000 b/d in Changqing oil already started to come on stream in February. Minor upward revisions to the annual average were contributed to by the removal of production constraints from the Zhao Dong field.

OPEC natural gas liquids (NGLs) and non-conventional oils

In 2006, output of OPEC NGLs and non-conventional oils averaged 4.27m b/d, an increase of 220,000 b/d over the previous year. In 2007, OPEC NGLs are expected to grow by 170,000 b/d to average 4.44m b/d.

OPEC crude oil production

Total crude oil production averaged 29.96m b/d in February, virtually unchanged from January, according to secondary sources. OPEC-10 production averaged 26.44m b/d, 300,000 b/d lower than in January. Iraq's oil production averaged 1.99m b/d, around 290,000 b/d above the January figure, while Angola's oil production stood at 1.53m b/d. Total OPEC production in 2006 was 30.91m b/d.

World oil supply

Figures for the month of February indicate that world oil supply averaged 84.65m b/d. The main factors affecting supply have been discussed in previous sections. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

FSU net exports of crude and products

Total FSU net oil exports averaged 8.21m b/d in 2006, an increase of 520,000 b/d over the previous year. In 2007, total net oil exports are expected to average 8.84m b/d, 620,000 b/d over 2006. The forecast has been revised down slightly from the last assessment.

Current trends

Actual figures for the month of January indicate that total crude exports from the FSU amounted to 6.14m b/d, around 118,000 b/d above the December figure. Russian pipeline exports increased by around 83,000 b/d, all of which was transported via the Black Sea pipeline. This increase was partially offset by the Baltic and Druzhba pipelines. Russian rail and Russian Far-East added around 133,000 b/d, partially offset by the pipeline which declined by around 35,000 b/d from the December

Total OPEC crude oil production averaged 29.96m b/d in February, virtually unchanged from January.

Developing countries

Oil supply in developing countries is expected to average 11.84m b/d in 2007, an increase of 270,000 b/d over 2006 and 15,000 b/d less than last month's figure. On a quarterly basis, total oil supply in this region is expected to average 11.67m b/d, 11.66m b/d, 11.86m b/d and 12.10m b/d. Downward revisions to the base of 13,000 b/d and slight adjustments in both directions in Brazil, Colombia, Ecuador and Mauritania, account for the bulk of the revision.

Downward revisions made to the outlook of Malaysia (8,000 b/d less) and Brazil (6,000 b/d less) have been offset by upward revisions to Africa (from Mauritania the Chinguetti field) by 6,000 b/d and Syria by 2,000 b/d.

2006 figure. However, the plan to build a new pipeline with a 1m b/d capacity to bypass Belarus is awaiting government approval.

Product markets and refinery operations

Continued cold weather in the US, along with refinery snags and pipeline problems, provided support for product and crude prices, although product prices in the US and Asia failed to keep up with crude prices, leading to marginally lower refining margins in those markets compared with January rates.

Refining margins for WTI crude oil on the US Gulf Coast fell to \$4.22/b in February from \$4.52/b the previous month. In Asia, refining margins followed the same trend, dropping to \$4.12/b from \$4.47b in January. In Europe, the product market's performance was better than in the crude market, resulting in a rise in Brent crude oil refining margins to \$3.86/b in February, up from \$2.80/b the previous month.

A draw on product stocks in the US over the last few weeks, along with planned and unplanned refinery outages and higher demand from the agricultural sector, may lend support to crude and product prices in the next few weeks. However, with the completion of the refinery maintenance schedule, product markets are expected to lose some of their current strength and exert pressure on refining margins and crude oil prices.

Due to the continuation of cold weather in the US North-East, the refinery utilization rate was expected to increase in the US during February, but unplanned refinery snags, along with the seasonal maintenance schedule, have negatively affected the refinery operation level in the US and led to a drop in the utilization rate of 2.2 per cent to 83.4 per cent from 85.6 per cent the previous month.

In Europe, refinery throughput was also adversely affected by the continuation of the warm winter and sluggish demand for various components of the barrel complex. The

European utilization rate dropped to 85.7 per cent in February from 86.5 per cent the previous month.

In Asia, refinery operations dropped sharply, compared with the same month last year, but only fell a slight 0.7 per cent from the previous month. With the continuation of the seasonal maintenance schedule, the refinery utilization rate is expected to remain at a relatively low level across the globe in the next few weeks.

US market

US product market sentiment has turned bullish since the middle of January, due to a cold snap in the North-East, which triggered higher demand for the middle and the bottom of the barrel complex.

The new momentum for the US product market has also been strengthened by higher gasoline demand and refinery outages, which resulted in gasoline stock-draws over the last weeks. This situation lifted gasoline prices and the crack spread versus benchmark WTI crude on the US Gulf Coast. The gasoline crack spread surged to \$19.55/b in early March from \$10.40/b in early February. Due to increasing arbitrage cargoes, US gasoline market sentiment may ease over the next weeks, but it might remain relatively strong upon the completion of the seasonal refinery maintenance schedule.

Refinery snags and a winter storm further supported the US distillate market, with the US gasoil crack spread versus WTI rising to \$17.57/b recently from \$14.41/b in early February. With the end of winter approaching, heating oil may lose part of its current strength, but demand from the industrial and agricultural sectors might lend support to diesel, which is the major share of middle distillates.

With regard to fuel oil, the US market lost ground in the latter part of February as lower natural gas prices exerted more pressure on fuel oil demand and prices. With the approaching shoulder season for utility plants, fuel oil demand and prices may drop further in the next months.

European market

The warm winter in Europe has dampened product demand in Europe, but the continued cold weather in the US, along with gasoline stock-draws over the last few weeks, has produced support for European products, especially gasoline.

The gasoline crack spread against benchmark Brent crude in Rotterdam surged to \$20.39/b in early March from about \$10.80/b early in the previous month. Apart from gasoline, the European naphtha market was also

In Europe, refinery throughput was also adversely affected by the continuation of the warm winter.

supported by strong regional demand and arbitrage opportunities to Asia. The continuation of these circumstances might provide further support for the European light product market in the coming months.

The recent bullish developments in the US product and refinery sectors have also lifted the physical and futures gasoil markets in Europe, but due to higher availability of gasoil from Russia and lower regional demand, distillate prices are not expected to surge drastically. With the shift of market players' attention to the gasoline market, the European distillate market may lose part of its current strength, but since the European market is structurally short of gasoil, it should remain relatively strong over the next months.

As far as the fuel oil market is concerned, arbitrage opportunities to Asia supported high-sulphur fuel oil, but due to sluggish demand by regional utility plants, the low-sulphur fuel oil market remained under pressure, and

its crack spread versus Brent plummeted to minus \$23.47/b from minus \$21.31/b in early February.

Asian market

In the first half of February, Asian gasoline market sentiment was very weak and its crack spread against benchmark Dubai crude reached \$8/b. In the second half of the month, arbitrage opportunities to the US West Coast, combined with lower-than-expected Chinese exports, underpinned the Singapore gasoline market and lifted its crack spread against Dubai to \$14.31/b.

Despite the relative weakness of the Asian gasoline market, regional naphtha prices have been strong since the beginning of this year, due to lower Indian exports and increasing demand from petrochemical units. With new cracker units coming online in Asia over the next months, the Asian naphtha market is expected to remain relatively healthy compared with last year.

Sailings from the OPEC area moved up by 350,000 b/d to settle at 22.27m b/d.

Meanwhile, unseasonably warm weather in north-east Asia adversely affected the middle distillate market in February and, due to seasonal factors, distillate demand is expected to fall further in the next months and to exert more pressure on the gasoil crack spread, which currently stands around \$15.70/b.

With regard to fuel oil, the Asian market lost its earlier strength in the latter part of February as the arrival of huge arbitrage cargoes led to higher regional stocks and put downward pressure on the high-sulphur fuel oil

market. The Asian fuel oil spread versus Dubai plunged in early March to minus \$15.44/b from about minus \$8.80/b in early February.

The tanker market

Following the increase seen the previous month, OPEC spot fixtures fell in February. However, the decrease did not totally offset the rise, causing levels to remain above December levels. A decline of 1.09m b/d, or eight per cent, was partially due to fewer activities in February as some participants were out of the market, either attending the International Petroleum Week or the Chinese New Year holiday. Non-OPEC spot fixtures declined by around ten per cent to average 6.88m b/d in February. OPEC's share of total spot chartering remained steady at 65 per cent, while Middle East/eastbound long-haul spot fixtures declined by 15 per cent.

Preliminary data shows that sailings from the OPEC area moved up by 350,000 b/d to settle at 22.27m b/d. OPEC sailings increased in February by around 10m b in total, and Middle Eastern sailings rose by around one per cent, or 250,000 b/d. According to preliminary estimates, arrivals in the US and the Caribbean fell by eight per cent on the back of lower imports from the US. The decrease in US arrivals in February represents an annual decline of around seven per cent.

The crude oil tanker spot market remained bearish in February. Winter demand in February failed to spur a bullish sentiment and lift the market, which has remained mostly in decline since October 2006. All major reported crude routes were either flat or declining on the different sectors except for cargoes from West Africa and the Caribbean. The VLCC sector remained steady in February, a position maintained since October 2006. While owners had hoped that rates would surge, they now fear that the rates achieved in February will be the highest for the year.

The VLCC market started February with a steady movement and then declined in the middle of the month, before recovering in the last

week to remain steady. VLCCs trading on the Middle East/eastbound long-haul route averaged Worldscale 73, unchanged from the previous month, but representing a y-o-y decline of 44 per cent.

The situation was similar with VLCCs trading on the Middle East/westbound route, where rates averaged W52, down two points from the previous month and the lowest level since 2003, as well as an annual decline of around 50 per cent. From West Africa to the East, VLCCs averaged W79, around seven points higher than the previous month. The slightly better rates in West Africa persuaded a few owners to remove their vessels from the Middle East Gulf to the West Africa region in favour of securing better rates where some charterers combined Suezmax cargoes and utilized VLCCs instead, taking advantage of lower rates compared with Suezmax. Reduced activities characterized the VLCC sector in February as many market participants were absent, due to the IP week and/or the Chinese New Year holiday.

As a result, only 96 VLCC fixtures were reported in February, compared with 134 in January. Additionally, lower demand for tonnage, coupled with the OPEC cut and high inventory levels, continued to dampen sentiment for the crude oil tanker spot market.

In February, the Suezmax market showed a mixed pattern with rates from West Africa experiencing a minor increase, while North-West Europe rates fell slightly. Suezmax rates for the West Africa/US Gulf Coast route rose five points to average W129 in February. Despite a minor increase over the previous month – which mainly came at the beginning of February – rates indicated a decline of around 52 points, or 30 per cent, compared with the previous year. Limited activity is the main factor contributing to continued soft Suezmax rates with the number of reported fixtures averaging around 125 in February, down by around 45 fixtures from the previous month.

In West Africa, the total reported number of fixtures declined by around 13 and the number of vessels available for the next 30

days averaged around eight vessels lower in February. Suezmax trading on the North-West Europe to the US route averaged W139, ten points lower than in January, indicating a y-o-y decline of 40 points, or 23 per cent. The easing of delays in the Turkish Straits, due to longer daylight hours, along with the thin trade situation, helped push rates lower.

The Aframax sector came under pressure, except for the Caribbean/US East Coast route where vessel tightness, partially created by increased VLCC activities in the US, helped raise rates to average W213, an increase of 35 points over the previous month. On an annual basis, rates in February improved for Aframax vessels trading on the Caribbean/US East Coast route, displaying a y-o-y decline of 22 points, or ten per cent. On the other hand, the rest of the Aframax routes declined, with voyages from the Mediterranean experiencing sharp decreases.

The improved situation in the Bosphorus and Dardanelles Straits helped reduce voyage time, thus increasing vessel availability. Additionally, the effect of the late winter on Russian seaborne exports, which dropped by around 100,000 b/d, reduced tonnage demand. Aframax rates averaged W113 and W117 on the intra-Mediterranean and Mediterranean to North-West Europe routes, respectively. Similarly, limited activities on the Indonesia/US West Coast route in February indicated a 50 per cent decrease in fixture numbers compared with the previous month, resulting in a 35 point decline in spot freight rates to average W136.

Unlike the crude oil tanker market, the product tanker market enjoyed some improvement on all West of Suez routes, while East routes remained under pressure. US shipping delays in mid-February supported clean freight rates in the West by creating tonnage tightness that was furthered by product arbitrage opportunities to the East. The trans-Atlantic rates for 33,000–37,000 dwt tankers reversed the downward trend displayed last month, increasing by 28 points to average W267.

Despite these gains, February rates indicated an annual decline of 30 points, or ten

per cent. In the Mediterranean, clean spot freight rates increased at the end of February after having remained relatively steady in the first half of the month, as tonnage tightness prevailed. Intra-Mediterranean and Mediterranean/North-West Europe clean spot freight rates increased by 16 points from last month to average W261 and W271, respectively. Similarly, clean freight rates from the Caribbean to the US rose by 22 points to average W285 with an annual decline of around 13 per cent.

In the East, the clean tanker market sentiment remained bearish in February. One of the main reasons for this was the weak tonnage demand as a result of high product stocks, mainly in Japan, especially for kerosene, as sluggish winter demand did little to trim inventories. Despite the slight increase in trans-Pacific activities, high stocks in the East, coupled with lower naphtha exports from India, had more weight on tonnage demand. The holiday season in particular negatively influenced tonnage demand.

Accordingly, clean spot freight rates declined by 27 and 80 points on voyages to the East from the Middle East and Singapore, respectively. Middle East clean freight rates averaged W162 in February. Rates began declining at the beginning of the month before recovering at the end on the back of increased middle distillate activity. February rates for the East indicated a y-o-y decline of 22 per cent and 48 per cent from the Middle East and Singapore, respectively.

Oil trade

OECD

OECD crude oil imports increased by 323,000 b/d in January to average around 30.7m b/d, supported by the rise in US crude oil imports. Product imports stood at 12.6m b/d, a gain of 400,000 b/d from the previous month. Similarly, crude oil and product exports rose by around 30,000 b/d and 200,000 to average 6.9m b/d and 10.2m b/d, respectively. Consequently, OECD net crude oil and product

imports increased by 480,000 b/d to average 26.3m b/d in January.

However, it is worth noting that OECD trade saw considerable changes compared with the same month last year with crude oil imports showing a decline of 136,000 b/d and prod-

OECD crude oil imports increased by 323,000 b/d in January to average around 30.7m b/d.

uct imports decreasing by around 500,000 b/d. At the same time, crude oil exports fell by 455,000 b/d, while product exports increased a significant 1.3m b/d. As a result, OECD net crude oil imports displayed y-o-y growth of around 300,000 b/d, or 1.4 per cent, whereas net product imports fell significantly by around 1.8m b/d, or 40 per cent.

Saudi Arabia remained the OECD's top crude supplier with around 20 per cent, while Russia came next with around 17 per cent, followed by Iran, the UAE and Venezuela with around eight per cent each. On the product supply side, Russia was on top of the list with 19 per cent, followed by Saudi Arabia with around ten per cent.

United States

US crude oil imports decreased by around 580,000 b/d from the previous month, averaging 9.5m b/d in February, according to preliminary data. Product imports also declined, falling by 200,000 b/d to nearly 3.2m b/d. As a result, total US oil imports averaged 12.6m b/d, indicating an annual decline of 650,000 b/d, or five per cent. On the export side, US crude oil and product exports remained steady. Total US oil exports averaged 1.2m b/d, down

by around five per cent from the same month last year. Lower refinery throughput, due to shutdowns/outages in February, and the OPEC cut, were the main reasons for the decline in crude oil imports. Similarly, low refinery throughput, together with decreased product imports, partially due to bad weather, affected product stocks, which experienced a decline in February, according to preliminary data, as the cold weather increased US demand.

China's January crude oil imports continued their volatile trend, rebounding with an increase of around 500,000 b/d.

US net oil imports fell by around 800,000 b/d, or six per cent, from the previous month to average 11.4m b/d in February. Compared with the same month last year, US net oil imports experienced a drop of five per cent, or 580,000 b/d.

Canada remained the main supplier of US crude oil imports with more than 20 per cent, followed by Mexico and Saudi Arabia with more than 16 per cent each. Nigeria and Venezuela came next with around 13 per cent each. Algeria, Angola, and Iraq were the other top crude oil suppliers with five to eight per cent each. On the product side, Canada maintained first position on the list with around 25 per cent, followed by the Virgin Islands, Algeria, and Venezuela.

Japan

According to preliminary estimated data, Japan's crude oil imports fell by 120,000 b/d in February to average 4.2m b/d. The decrease of around three per cent came on the back of reduced crude throughput by different refiners. Japan's February product imports remained

steady, averaging at 630,000 b/d, an increase of around 20,000 b/d, or four per cent, over the previous month.

However, average product imports in February represented a y-o-y decline of around seven per cent. Accordingly, total oil imports in February averaged 4.8m b/d, around 100,000 b/d, or two per cent, lower than the previous month. On the export side, Japan's product exports increased by a significant 177,000 b/d, or 60 per cent, to average 470,000 b/d, a gain of 224,000 b/d y-o-y.

The decline in crude oil imports, which indicated an annual drop of 12 per cent, came as a result of lower winter demand, mainly for kerosene for heating purposes, which resulted in high product stock levels, which, in turn, spurred refiners to reduce their crude throughput. Accordingly, product exports increased in order to ease the stock position; hence, a lot of gasoil and gasoline barrels found their way to the US West Coast market taking advantage of arbitrage opportunities there. As a result, Japan's net oil imports decreased by around 270,000 b/d in February to average 4.3m b/d. Despite the decrease, the y-o-y decline reached 16 per cent, compared with the same month last year.

For the source of imports, the UAE with 28 per cent and Saudi Arabia with 22 per cent were the largest crude oil suppliers, accounting for around 50 per cent of Japan's total crude oil imports. Iran followed with around 11 per cent, Kuwait and Qatar came next with some nine per cent each. On the product side, the UAE and Saudi Arabia remained the top suppliers, together providing around 25 per cent of Japan's product imports, followed by Korea and the US.

China

In January, China's crude oil imports continued their volatile trend, rebounding with an increase of around 500,000 b/d, according to preliminary data. However, the increase in January failed to offset the previous month's decline of 70,000 b/d, thus averaging lower than the record crude oil imports

seen in November 2006. Despite the 18 per cent increase in January, annual growth in crude oil imports in January marked a one per cent increase over the same month last year. Similarly, China's total product imports soared by around 240,000 b/d in January to average 960,000 b/d. China's increase in product imports came mainly from the rise in kerosene and gasoil imports of around 70 per cent and 50 per cent, respectively. Additionally, as Chinese refiners slashed fuel oil exports, fuel oil imports declined in January.

On the export side, China's crude oil exports fell to 70,000 b/d, a drop of 140,000 b/d. Similarly, China's total product exports declined by 90,000 b/d to average 280,000 b/d in January. The reduction in exports came as China tried to retain energy resources for domestic consumption; hence total exports in January averaged only 350,000 b/d.

As a result, China's net crude oil imports increased by 645,000 b/d, or 26 per cent, in January to average 3.16m b/d, slightly less than the record-high achieved in September 2006. Net product imports almost doubled in January to average 680,000 b/d, leading to total net oil imports of 3.84m b/d, a gain of around 1.0m b/d from the previous month and 11 per cent more than in the same month last year.

Once again, Angola and Iran were the top crude suppliers with 12 per cent each. Saudi Arabia and Russia followed with 11 per cent each, while Sudan, Kazakhstan and Oman supplied around five per cent each.

India

Preliminary data shows that India's crude oil imports continued to hover around 2.3m b/d in January. While steady, India's crude oil imports experienced a minor fall of 34,000 b/d to average 2.36m b/d. Despite the decline in January, India's crude oil imports showed annual growth of five per cent. Similarly, India's product imports remained steady and close to the December figure. As a result, India's total oil imports reached 2.7m b/d in January, a loss of 40,000 b/d from the previous month.

Correspondingly, India's exports remained steady in January with a minor decline in product exports, averaging 790,000 b/d and indicating a drop of 20,000 b/d, mainly due to the decline in naphtha exports on the back of higher petrochemical margins. However, India's product exports in January indicated growth of around 240,000 b/d, or 40 per cent.

Consequently, India's net oil imports in January remained steady with a minor decline of around 18,000 b/d, compared with the previous month, to average 1.9m b/d, representing growth of around two per cent from the same month last year. Although India's crude oil and product imports both increased on an annual basis, the increase in product exports offset the rise in oil imports.

Stock movements

United States

US total commercial crude and product stocks dropped by 46m b, or 1.6m b/d, to stand below 990m b at the end of February for the first time since April 2006. The decline was more pronounced during the last week of the month, when stocks decreased by around 16m b, or 2.2m b/d. Despite this strong decline, total stocks remained 16m b above the five-year average. The drop, which was attributed to products, was due to strong demand for products, in combination with a decline in refinery runs, which fell by almost two per cent during February. Low refining margins could also have contributed to the draw on product inventories, as refiners generally refrain from holding high stocks, in order to avoid a negative impact on the price.

Crude oil stocks increased by 300,000 b, or 11,000 b/d, to around 325m b, helped by a decline in refining throughput, but showed a deficit of around 17m b from a year earlier. It is worth noting that crude oil stocks reached 329m b in the week ending February 23, the highest level since mid-December 2006, before retreating. However, when compared

with the five-year average, at the end of the month crude oil stocks remained at a comfortable level, with a surplus of 30m b.

Contrary to crude oil, product stocks dropped by 46.6m b, or 1.67m b/d, ending the month at 662m b, the lowest level since June 2004. They were 36m b, or five per cent, lower than a year earlier. In addition to strong demand and lower refining runs, lower imports added more pressure on product stocks. Products saw a mixed pattern with gasoline stocks continuing to increase for the fourth consecutive month, while the rest of the products declined. Gasoline stocks displayed a build of 4.8m b, or 171,000 b/d, due to weak demand, to stand at 223.7m b, comfortably above the five-year average of 6m b.

Distillates were the main contributor to the decline in product stocks, falling by 13.5m b, due to increasing demand for heating oil and residual fuel because of cold weather and lower imports. This strong decline in distillates, which was in line with normal seasonal trends, left distillate stocks at 123.4m b, almost similar to the five-year average. Residual fuel oil stocks dropped by almost 7m b, or 16 per cent, to hit 35.7m b, the lowest level since October 2005, due to strong demand, which was helped by electric utilities switching back from natural gas. Jet fuel stocks remained stable at around 40m b, but both residual fuel and jet fuel stocks were close to their five-year averages.

In the week ending March 9, 2007, US commercial oil stocks fell by 2.6m b to 982.0m b, compared with the previous week. Crude oil inventories rose in line with expectations, gaining 1.1m b to 325.3m b. This build could be attributed to the rebound in crude oil imports from the previous week, which increased by 900,000 b/d to 9.8m b/d, combined with lower refinery runs, due to planned refinery shutdowns for seasonal maintenance. Indeed, the refinery utilization rate dropped by 0.2 per cent to 85.7 per cent. On the product side, gasoline stocks fell by 2.5m b to 213.9m b, 4.4 per cent below the same time last year, but remained around one per cent above the five-year average.

The gasoline stock-draw – the fifth consecutive weekly decline – occurred as refiners slowed down their rates, despite higher imports, which increased by 120,000 b/d to average 970,000 b/d. The market is closely

US total commercial crude and product stocks dropped by 46m b, or 1.6m b/d, to stand below 990m b at the end of February.

monitoring the development of gasoline inventories ahead of the driving season. Distillate stocks dropped by 2.8m b to 120.4m b. Heating oil stocks accounted for 2.0m b of the decline. It was the seventh consecutive weekly decline in distillate inventories, which now stand six per cent below last year, but five per cent higher than the five-year average. The drop in heating oil inventories was attributed to persistent cold weather in the US North East as well as to refiners switching to focus on gasoline production.

Western Europe

Total commercial oil stocks in EU-16 (Eur-15 plus Norway) dropped by 11.2m b, or 400,000 b/d, to stand at 1,143m b at the end of February, their lowest level in 11 months. Products accounted for two-thirds of the draw, which left stocks 16m b, or 1.4 per cent, below a year earlier. This strong decline came as a result of a drop in refinery runs, due to seasonal maintenance and unplanned shutdowns. When compared with the five-year average, commercial oil stocks showed a surplus of 51m b, or five per cent.

Lower OPEC production and increasing opportunities for transatlantic arbitrage left crude oil stocks down for the third consecu-

tive month, albeit at a lower rate than in the previous month. Crude oil stocks declined by 3.9m b, or 140,000 b/d, to stand at nearly 471m b, showing a y-o-y deficit of 18m b, or four per cent, and a surplus of 10m b over the five-year average.

Following the same trend, product stocks, which showed a substantial build of 13m b, or 420,000 b/d, in January, dropped by 7.3m b, or 260,000 b/d, in February to 673m b, putting an end to the build trend displayed since last November. Nevertheless, when compared with the corresponding month last year, product

decline since last October, to stand at 137m b, down by 13m b from a year ago. In contrast, middle distillate stocks displayed a marginal build of 800,000 b, or 30,000 b/d, helped by mild weather in the region, to settle at around 395m b, which corresponds to 9m b above the level of February 2006. Residual fuel oil stocks dropped by 5m b, or 180,000 b/d, to 112.4m b, but remained 4m b above a year earlier. This strong decline was driven by wide arbitrage to the Asia-Pacific. Naphtha stocks dropped by 900,000 b to 29.0m b, but showed y-o-y growth of almost four per cent.

Japan

In Japan, total commercial oil stocks recovered from their previous two consecutive declines and increased by 2m b, or 70,000 b/d, in January to settle at 200m b, up by 28m b, or 16 per cent, from a year earlier and the five-year average. The build was driven by products which increased by 4m b. Crude oil inventories dropped for the third month to stand at 110m b, but remained 15m b, or 16 per cent, above a year earlier and the five-year average.

All products increased except naphtha which saw its stocks decline due to strong demand and the tightening market in the Asia-Pacific. Gasoline stocks rose by 2.4m b, or 20 per cent, at the end of the month to reach 15.0m b, while middle distillate stocks increased by 2.6m b to 44.3m b. Residual fuel stocks remained stable at around 21m b. Strong demand from petrochemical plants left naphtha stocks continuing their downward trend to

drop by 1.1m b, or 10 per cent, to stand below 10m b.

Preliminary data from PAJ showed that total oil stocks declined to under 200m b during February and hit nearly 187m b in the week ending March 3, which corresponds to a draw of 10m b, compared with a month earlier. The drop was driven essentially by middle distillates, which fell by 9.0m b, or 21 per cent, while gasoline declined by 900,000 b. The main contributor to the drop in middle distillates was kerosene, which is used in Japan as heating fuel. In contrast, crude oil stocks declined by less than 1.0m b.

Demand for OPEC crude in 2007 is expected to average 30.40m b/d, broadly unchanged from the 2006 figure.

stocks were 2m b higher and also 40m b above the five-year average.

The decline of 260,000 b/d from the previous month was essentially due to lower refining throughput which declined by 120,000 b/d. In addition to lower production from refineries, higher exports to West Africa led to gasoline stocks falling by 2m b, the first

Balance of supply/demand

Estimate for 2006

Demand for OPEC crude in 2006 is estimated to average 30.4m b/d. On a quarterly basis, the estimate shows that demand for OPEC crude was 31.3m b/d, 29.6m b/d, 30.2m b/d and 30.6m b/d. According to secondary sources, total OPEC crude capacity was 34.8m b/d at the end of 2006, up from 33.8m b/d at the end of 2005.

Forecast for 2007


Demand for OPEC crude in 2007 is expected to average 30.40m b/d, broadly unchanged from the 2006 figure. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 31.27m b/d, 29.37m b/d, 30.45m b/d and 30.51m b/d. 

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

World demand	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
OECD	47.9	48.6	49.3	49.6	50.2	48.0	48.8	49.6	49.1	50.3	48.1	49.0	50.0	49.4
North America	24.1	24.5	25.4	25.5	25.1	25.1	25.5	25.3	25.3	25.5	25.2	25.6	25.6	25.5
Western Europe	15.3	15.4	15.5	15.5	15.8	15.0	15.4	15.5	15.4	15.6	15.1	15.5	15.6	15.5
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	7.9	8.8	8.5	9.3	7.8	7.9	8.8	8.4
Developing countries	20.3	20.6	21.7	22.4	22.7	23.2	23.2	23.3	23.1	23.2	23.7	23.9	24.0	23.7
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.1	3.8	3.8	3.5	3.8	4.3	3.9
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	1.0	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	7.2	7.0	7.2	7.4	7.9	7.8	7.4	7.6
(a) Total world demand	77.8	79.4	82.3	83.3	84.7	83.0	83.9	85.0	84.1	85.9	84.0	85.4	86.6	85.5
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.3	20.0	20.0	20.3	20.2	20.4	20.3	20.1	20.7	20.4
North America	14.5	14.6	14.6	14.1	14.1	14.1	14.3	14.4	14.2	14.4	14.4	14.4	14.7	14.5
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.1	5.3	5.4	5.3	5.2	5.0	5.3	5.2
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Developing countries	10.6	10.7	11.0	11.3	11.4	11.5	11.6	11.7	11.6	11.7	11.7	11.9	12.1	11.8
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.3	12.0	12.5	12.7	12.7	12.9	12.7
Other Europe	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	47.2	48.1	49.0	48.9	49.2	49.2	49.4	50.0	49.5	50.3	50.3	50.5	51.5	50.6
OPEC NGLS and non-conventionals	3.6	3.7	4.0	4.0	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLS	50.8	51.8	53.0	53.0	53.4	53.4	53.8	54.3	53.7	54.6	54.7	55.0	56.1	55.1
OPEC crude supply and balance														
OPEC crude oil production¹	26.2	27.8	30.0	31.1	31.1	30.9	31.1	30.5	30.9					
Total supply	77.0	79.6	83.0	84.1	84.5	84.3	84.9	84.8	84.6					
Balance²	-0.8	0.3	0.7	0.8	-0.2	1.4	1.0	-0.2	0.5					
Stocks														
OECD closing stock level m b														
Commercial	2478	2517	2547	2597	2596	2655	2763	2677						
SPR	1347	1411	1450	1487	1487	1493	1495	1498						
Total	3825	3928	3997	4083	4083	4148	4258	4175						
Oil-on-water	815	882	905	961	963	975	968	909						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	56	53						
SPR	28	29	29	30	31	31	30	30						
Total	79	80	81	83	85	85	86	83						
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.1	8.2	8.7	9.1	8.9	8.7	8.8
[(a) – (b)]	27.0	27.6	29.3	30.3	31.3	29.6	30.2	30.6	30.4	31.3	29.4	30.4	30.5	30.4

1. Secondary sources.

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

2. Stock change and miscellaneous.

Table E above, prepared by the Secretariat's Petroleum Market Analysis 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 54 while **Graphs One and Two** (on page 55) show the evolution on a weekly basis. **Tables Three to Eight**, and the corresponding graphs on pages 56–57, 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).

Table 1: OPEC Reference Basket crude oil prices, 2006–2007

\$/b

Crude/Member Country	2006											2007		Weeks 5–9 (week ending)				
	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Feb 2	Feb 9	Feb 16	Feb 23	Mar 2
Arab Light – Saudi Arabia	56.56	57.54	63.85	64.83	65.03	69.06	68.76	59.72	55.64	55.53	57.70	50.85	54.29	52.18	54.25	53.45	54.17	57.29
Basrah Light – Iraq	52.32	54.01	61.18	62.32	62.38	66.49	65.42	56.40	51.53	52.31	55.23	47.63	51.19	49.62	50.93	50.02	51.40	54.76
BCF-17 – Venezuela	45.90	49.52	56.01	56.62	55.01	58.72	60.29	50.96	46.99	46.86	48.56	42.68	48.04	44.92	48.05	47.52	48.18	49.90
Bonny Light – Nigeria	62.12	63.80	71.80	71.75	70.22	75.49	75.29	63.87	58.75	60.32	64.28	56.18	59.58	58.37	59.40	57.82	60.09	62.99
Es Sider – SP Libyan AJ	59.12	60.22	67.03	67.25	66.62	71.42	70.72	61.54	56.20	57.32	60.73	52.08	55.83	54.41	55.65	54.07	56.34	59.20
Iran Heavy – IR Iran	55.43	56.56	63.09	63.27	62.24	66.59	66.42	57.14	53.27	53.97	55.75	47.90	51.87	49.27	51.81	50.91	51.90	55.09
Kuwait Export – Kuwait	55.01	55.80	62.20	62.80	62.37	66.35	66.02	56.75	53.02	53.56	55.69	48.42	52.33	49.77	52.37	51.57	52.03	55.33
Marine – Qatar	59.06	59.39	65.62	66.29	66.16	70.21	70.05	60.90	57.15	57.33	59.25	52.58	55.86	53.73	55.89	55.10	55.46	58.69
Minas – Indonesia	61.35	62.30	69.17	70.47	68.49	74.13	75.42	63.32	54.87	56.93	62.55	55.39	58.44	55.42	58.30	57.81	58.37	61.44
Murban – UAE	61.77	62.33	68.46	69.84	69.66	73.70	73.66	65.01	61.04	60.94	63.12	56.42	59.58	57.23	59.62	58.84	59.08	62.59
Saharan Blend – Algeria	61.59	62.98	70.21	70.31	69.15	74.37	74.50	63.27	58.55	59.77	63.55	55.78	59.58	58.13	59.40	57.82	60.09	62.93
OPEC Reference Basket	56.62	57.87	64.44	65.11	64.60	68.89	68.81	59.34	54.97	55.42	57.95	50.73	54.45	52.28	54.38	53.45	54.47	57.50

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2006–2007

\$/b

Crude/country	2006											2007		Weeks 5–9 (week ending)				
	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Feb 2	Feb 9	Feb 16	Feb 23	Mar 2
Arab Heavy – Saudi Arabia	53.52	54.08	60.74	60.88	59.84	63.74	63.57	54.56	50.49	51.54	53.71	46.15	50.21	47.47	50.30	49.50	49.82	53.31
Brent – North Sea	60.12	62.08	70.35	69.83	68.69	73.66	73.11	61.71	57.80	58.92	62.33	53.68	57.43	56.01	57.25	55.67	57.94	60.78
Dubai – UAE	57.61	57.82	64.14	65.07	65.22	69.17	68.92	59.82	56.36	56.72	58.69	51.92	55.61	53.15	55.70	54.92	55.21	58.32
Ekofisk – North Sea	60.36	62.53	70.32	69.88	68.45	73.74	73.09	62.24	58.17	59.14	62.17	53.93	58.41	56.17	58.11	56.94	58.92	61.80
Iran Light – IR Iran	57.00	58.77	65.14	64.67	64.30	68.81	68.49	58.56	55.42	55.39	56.98	49.12	53.64	50.73	52.69	52.64	54.37	57.20
Isthmus – Mexico	53.87	56.85	64.51	64.82	63.88	68.30	67.47	57.18	52.46	53.34	56.82	48.90	53.48	51.64	53.44	52.33	53.53	56.16
Oman – Oman	58.61	59.19	65.54	66.39	66.17	70.22	70.12	61.01	57.32	57.36	59.34	52.38	55.82	53.39	55.90	55.08	55.42	58.58
Suez Mix – Egypt	54.54	55.54	62.43	62.46	61.95	66.51	65.78	56.96	52.91	53.60	55.05	47.19	51.38	49.29	51.29	49.83	51.66	54.74
Tia Juana Light ¹ – Venez.	50.97	52.32	58.77	58.66	56.98	60.93	60.99	52.35	48.05	51.63	54.89	47.83	51.82	50.32	51.79	50.71	51.87	54.42
Urals – Russia	57.06	58.11	64.95	65.09	64.51	69.20	68.49	59.47	55.68	55.95	57.95	50.12	53.81	51.81	53.78	52.29	54.07	57.08
WTI – North America	61.49	62.82	69.46	70.89	70.88	74.33	73.01	64.00	58.82	58.94	61.96	54.40	59.21	57.03	58.99	58.35	59.37	61.51

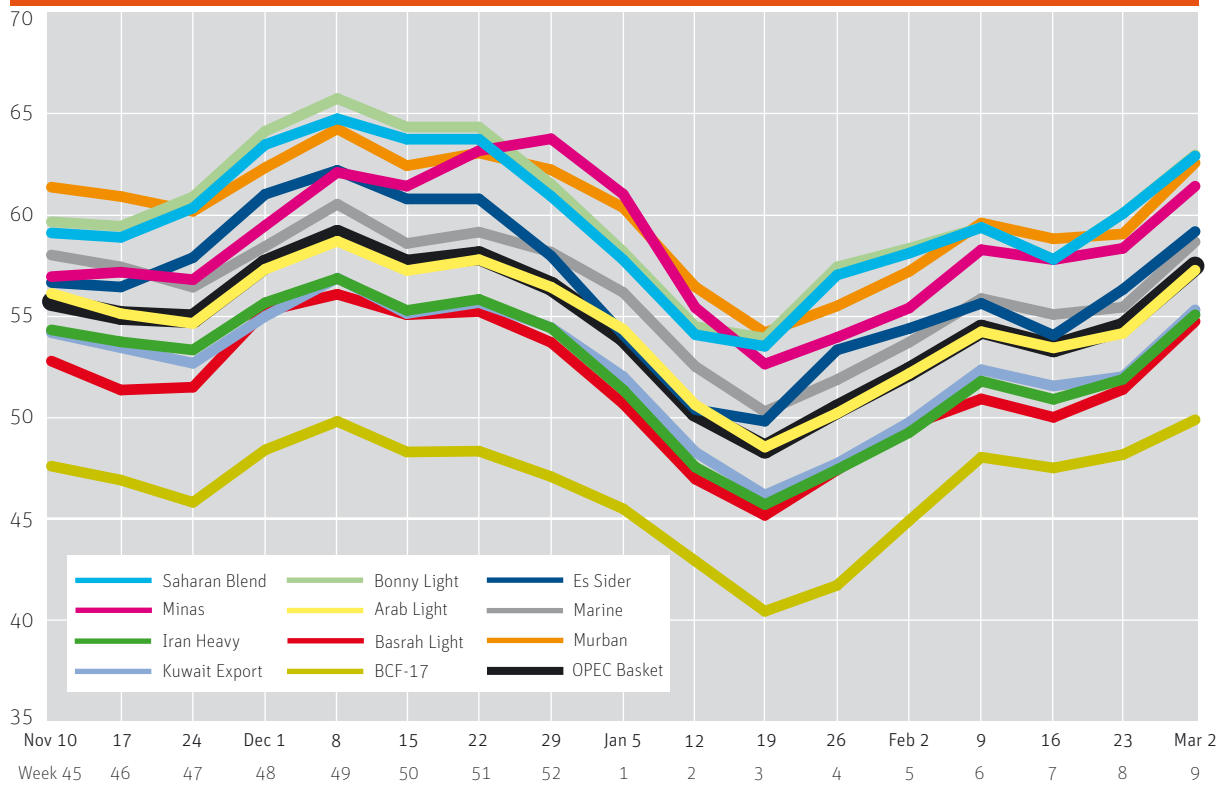
Note: As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

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

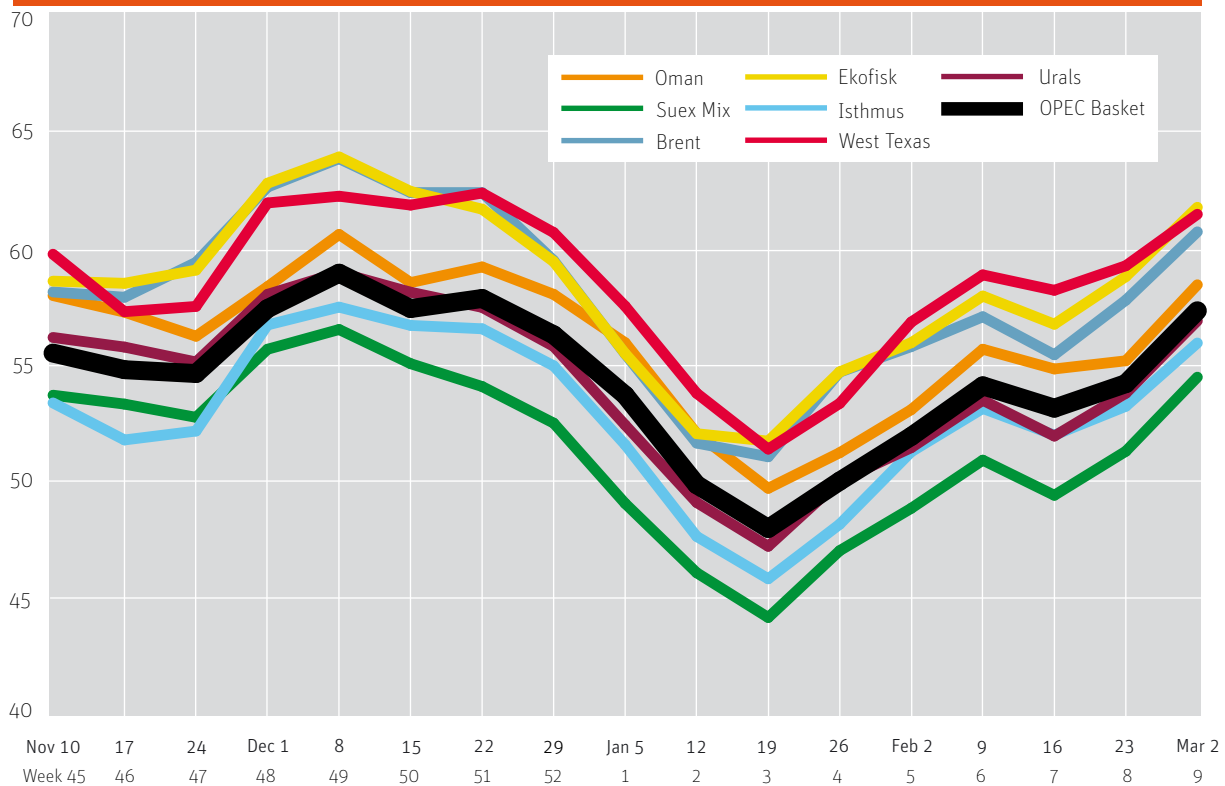
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, November 2006 to February 2007 \$/b



Graph 2: Evolution of spot prices for selected non-OPEC crudes, November 2006 to February 2007 \$/b



Note: As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

Table and Graph 3: North European market – spot barges, fob Rotterdam

\$/b

	naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2006							
February	68.79	62.43	70.12	72.76	74.31	47.04	44.03
March	69.12	68.03	76.53	77.42	76.52	45.37	44.02
April	77.49	80.84	90.97	84.69	84.70	47.77	47.67
May	78.73	83.24	93.84	86.03	87.00	47.14	48.13
June	80.63	84.91	95.72	86.13	87.06	44.65	44.60
July	84.43	91.03	102.17	87.80	89.69	46.10	46.79
August	81.35	82.74	93.21	89.75	91.68	46.38	46.41
September	68.51	64.54	72.69	77.31	79.71	42.04	40.67
October	66.51	59.57	67.12	74.92	73.68	37.91	39.25
November	67.40	61.17	69.11	74.53	73.81	38.69	38.70
December	71.49	64.58	72.94	75.60	78.27	37.32	37.82
2007							
January	66.59	57.72	65.11	67.79	70.78	36.04	33.81
February	72.25	63.74	71.76	72.51	73.96	34.67	37.99

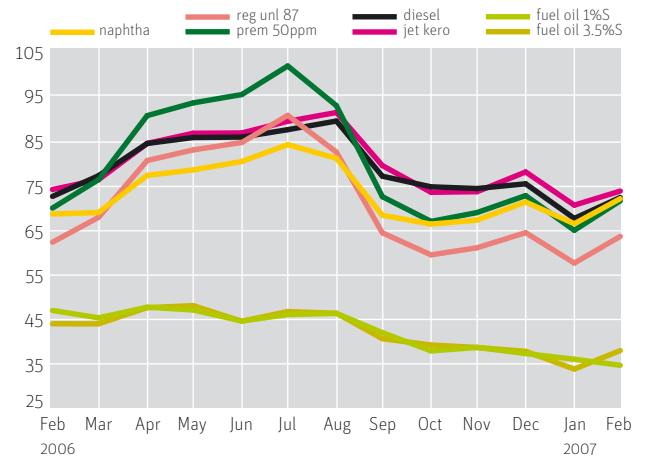


Table and Graph 4: South European market – spot cargoes, fob Italy

\$/b

	naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2006					
February	56.42	68.48	74.41	51.10	42.56
March	57.70	77.70	77.59	47.73	43.29
April	64.78	90.10	84.93	47.66	46.28
May	65.85	94.46	87.09	48.89	46.44
June	67.45	95.00	85.85	46.95	44.47
July	70.21	102.69	88.92	49.59	46.80
August	67.81	93.24	89.83	49.86	44.99
September	56.94	71.74	77.33	40.94	39.72
October	55.46	67.91	73.68	38.41	37.96
November	56.16	70.33	74.31	38.29	37.49
December	59.44	73.54	75.64	38.42	37.37
2007					
January	54.77	64.62	66.93	34.63	34.49
February	59.53	71.82	70.87	38.20	37.30

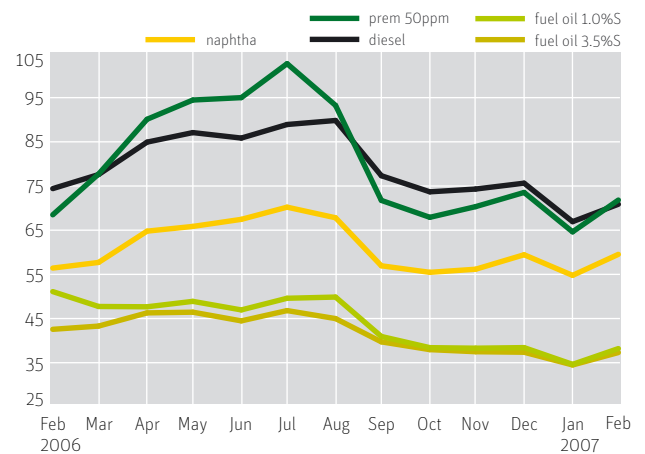
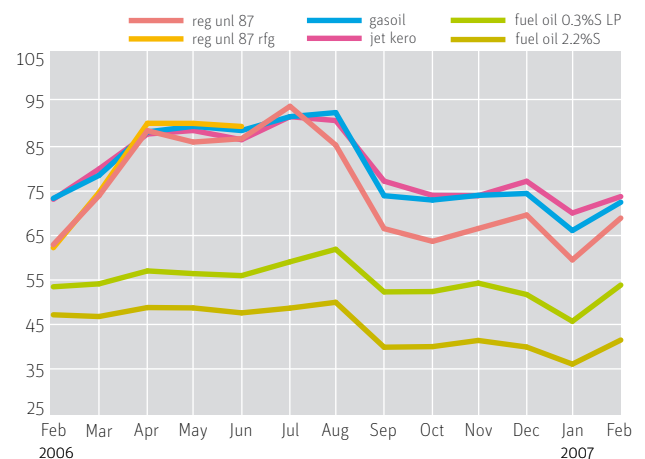


Table and Graph 5: US East Coast market – spot cargoes, New York

\$/b, duties and fees included

	regular gasoline unleaded 87	regular gasoline unt 87 rfg	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2006						
February	62.95	62.25	73.36	73.15	53.47	47.17
March	73.97	74.67	78.53	79.97	54.13	46.78
April	88.59	90.25	88.32	87.84	57.04	48.80
May	86.03	90.23	89.57	88.63	56.44	48.72
June	86.79	89.54	88.62	86.56	55.98	47.60
July	94.07	na	91.74	91.74	59.09	48.67
August	85.35	na	92.66	90.87	61.91	49.98
September	66.56	na	73.96	77.24	52.32	39.88
October	63.69	na	72.98	74.03	52.40	40.01
November	66.58	na	74.04	73.96	54.29	41.40
December	69.62	na	74.46	77.21	51.73	39.92
2007						
January	59.52	na	66.13	70.07	45.71	36.07
February	68.93	na	72.49	73.77	53.86	41.49



na not available.

Source: Platts. Prices are average of available days.

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

\$/b

	naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2006					
February	60.19	69.56	74.65	43.17	42.44
March	71.08	74.98	79.53	42.78	42.56
April	79.53	83.72	88.06	44.80	44.72
May	72.61	83.50	87.84	44.72	43.37
June	78.88	81.20	88.22	43.60	43.37
July	82.39	82.39	91.23	44.67	44.55
August	71.17	85.12	90.20	46.00	45.51
September	61.91	72.46	76.92	35.88	35.81
October	61.31	69.90	73.81	36.01	35.93
November	62.44	69.83	73.86	37.40	37.24
December	63.97	70.72	76.90	35.92	34.92
2007					
January	57.18	63.61	70.10	32.07	32.02
February	65.59	69.62	74.07	37.49	37.14

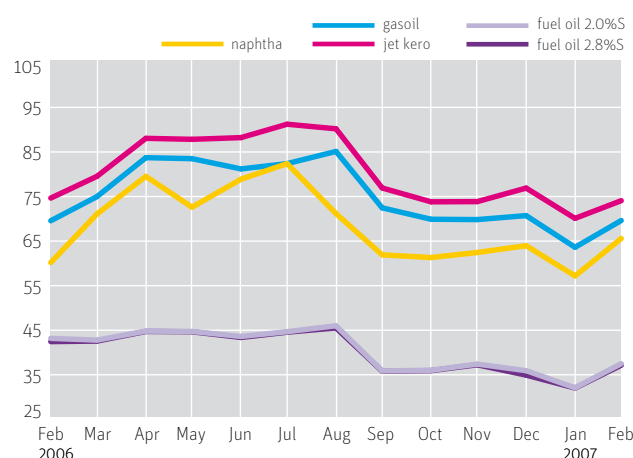


Table and Graph 7: Singapore market – spot cargoes, fob

\$/b

	naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2006							
February	56.65	65.02	64.20	79.36	74.96	49.18	47.95
March	59.82	69.64	69.05	82.11	75.66	49.43	48.89
April	64.45	81.13	80.15	90.68	84.77	51.81	51.32
May	65.59	86.80	86.17	92.78	86.18	52.02	51.32
June	68.06	82.76	82.21	89.13	86.18	49.68	48.46
July	70.55	85.50	84.47	88.17	87.57	52.28	50.72
August	66.59	81.22	80.36	88.19	89.47	50.16	47.61
September	57.32	65.86	65.18	77.75	80.55	43.25	42.24
October	56.03	61.83	61.21	73.12	74.02	42.46	42.40
November	57.66	62.89	62.14	72.04	73.63	40.53	39.84
December	60.54	68.16	67.03	74.14	77.42	41.47	40.34
2007							
January	56.79	61.59	60.31	69.71	69.66	41.23	40.24
February	63.81	66.80	65.73	72.22	71.77	44.95	43.70

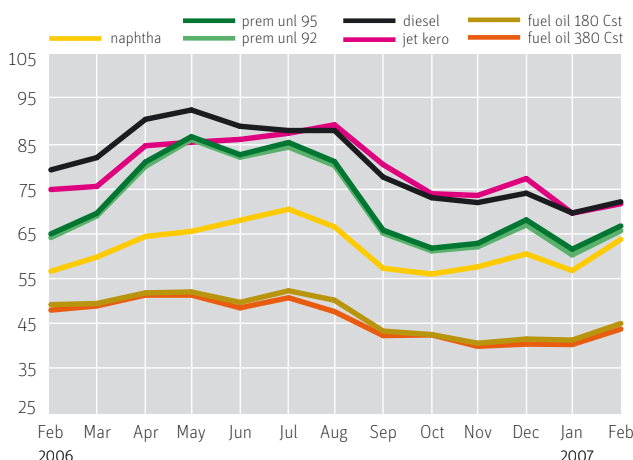
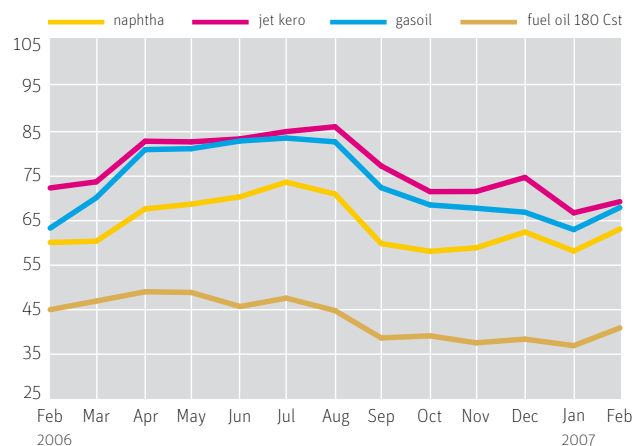


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

\$/b

	naphtha	gasoil	jet kero	fuel oil 180 Cst
2006				
February	60.10	63.33	72.36	45.01
March	60.39	70.17	73.73	46.93
April	67.65	80.97	82.86	49.03
May	68.72	81.18	82.71	48.87
June	70.37	82.91	83.38	45.71
July	73.66	83.57	85.02	47.60
August	70.99	82.72	86.11	44.79
September	59.86	72.42	77.31	38.65
October	58.12	68.54	71.53	39.12
November	58.90	67.80	71.56	37.55
December	62.45	66.90	74.72	38.38
2007				
January	58.19	63.00	66.76	36.91
February	63.11	67.96	69.27	40.90



na not available.

Source: Platts. Prices are average of available days.

Forthcoming events

Saudi Arabia section technical symposium, May 7–8, 2007, Dhahran, Saudi Arabia. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 20 7299 3300; fax: +44 20 7299 3309; e-mail: spelon@spe.org; website: www.spe.org.

2nd Maghreb oil and gas: briefing, May 8, 2007, Marrakech, Morocco. Details: Global Pacific & Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 20 7589 7804; fax: +44 20 7589 7814; e-mail: duncan@glopac.com; website: www.petro21.com.

Gulf of Guinea oil & gas (GOG 10), May 8–10, 2007, London, UK. Details: CWC Associates, Regent House, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 20 7978 0075 fax: +44 20 7978 0099; e-mail: jleonard@thecwcgroup.com; website: www.thecwcgroup.com.

Fundamentals of petroleum refining processes, May 8–11, 2007, London, UK. Details: Energy Institute, 61 New Cavendish Street London W1G 7AR, UK. Tel: +44 20 7467 7100; fax: +44 20 7255 1472; e-mail: info@energyinst.org.uk; website: www.energyinst.org.uk.

5th Maghreb and Mediterranean, May 9–10, 2007, Marrakech, Morocco, Global Pacific & Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: duncan@glopac.com; website: www.petro21.com.

ERTC olefins production training course 2007, May 9–11, 2007, Brussels, Belgium. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

International gas trading, May 14–17, 2007, London, UK. Details: The Petroleum Economist, 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 20 7779 8800; fax: +44 20 7779 8899; e-mail: amsmith@petroleum-economist.com; website: www.petroleum-economist.com.

Intergas IV, May 15–17, 2007, Cairo, Egypt. Details: CWC Associates, Regent House, 16-18 Lombard Road, London SW11 3RF, UK. Tel: +44 20 7978 0070; fax: +44 20 7978 0099; e-mail: nhoward@thecwcgroup.com; website: www.thecwcgroup.com.

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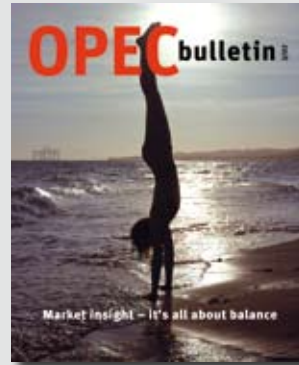
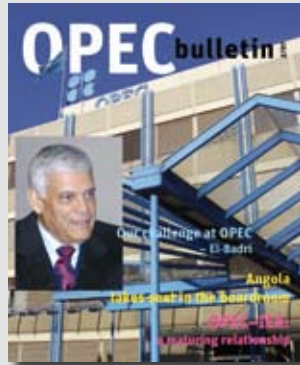
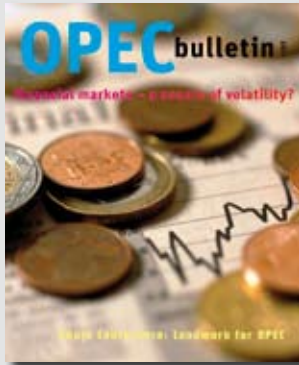
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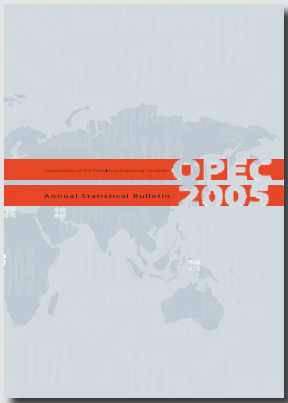


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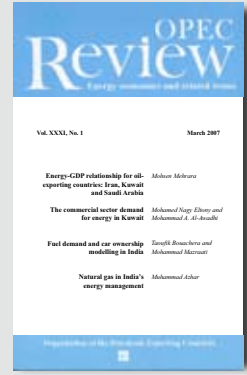


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