
OPEC bulletin
2/08
ECUADOR:
"Back to stay"

From winter to spring ...

In Europe, spring appears to be almost upon us. The shoots of early season flowers are shouldering their way up, and there is an expanding choir of chirping song birds. As spring unfolds, this is a time of the year when nature realigns its delicate balance and experiences much change.

The same is true for the international oil market. This transformational period has always been a critical juncture, and in 2008 alongside this yearly seasonal change there is also plenty more to analyze and ponder. For example, there are the prospects for the world economy; trends in non-OPEC supply; downstream bottlenecks, the weakness in the US dollar; and, speculation.

Bringing all these various strands together is not an easy task, but clarity is paramount for a balanced and stable oil market.

At OPEC's 147th (Extraordinary) Meeting of the Conference at the beginning of February, it was noted that OPEC production decisions had ensured that the market remained well supplied throughout 2007 and commercial stock levels remained within the five-year average, with the expectation that the first half of 2008 will witness a build. In addition, non-OPEC supply is expected to increase by just over one million barrels/day in 2008 and provide much of the incremental barrel during the year.

The clear message from the Meeting was that the world should not be concerned about the supply of oil. There is plenty available and OPEC Member Countries are also accelerating plans to bring on-stream new projects, so as to respond to future demand.

The Meeting added that it was the projected global economic slow-down and the significant uncertainties surrounding key oil market fundamentals that required vigilant attention from the global community.

It led to the Conference agreeing that, at the present time, the current level of OPEC oil output is sufficient to meet expected demand in the first quarter of 2008. The decision was taken in the face of calls from some quarters to raise supply, but given market activity since, OPEC's assessment appears to have been on the mark.

Supply has not been an issue. In fact, there have been significant stock-builds in many major consuming nations. The most recent data from the US stated that crude oil inventories were showing an upward trend, crude oil imports had increased and gasoline stocks had risen to their highest level since February 1999.

There has also been much talk about downward revisions to global economic growth, particularly in a number of major economies in the industrialized world. For example, recent data from the US has highlighted that the number of jobless has risen and big chain stores have also reported consumers pulling back on spending. For the OECD region, the latest figures from the OPEC Secretariat suggest two per cent growth in 2008, compared with 2.7 per cent in 2007.

We all want any slowdown to be as painless as possible, but it is important that we do not bury our heads in the sand. There is a high degree of uncertainty surrounding this issue, and it needs to be monitored closely.

Nature and springtime brings us much to wonder at, but for the oil market it is what to wonder about. And in turn, act upon. We cannot take our eyes off it. Day-by-day, week-by-week, the key for OPEC and all stakeholders is to take every measure deemed necessary to keep the market stable, so as to maintain the sustainability of the energy system on which the whole world depends.

The next OPEC Conference is March 5, just a month after the last one. Vienna in the early throes of springtime provides another opportunity to carefully review the market at such an important time of year.

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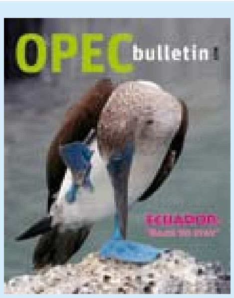

Cover
The cover shows the 'blue-footed booby', a seabird that can be found on the Ecuadorean Galapagos Islands *(see features on Ecuador on pp16–23)*.
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Membership and aims
OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to coordinate 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 13 Members: Qatar joined in 1961; Indonesia and SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007); and Ecuador (joined the Organization in 1973, suspended its Membership in 1992, and rejoined in 2007); Gabon joined in 1975 and left in 1995.

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As OPEC agrees to leave current production unchanged its Conference President tells consumers ...

Worry about the economy — not oil supply

By Jerry Haylins

The global community should be more concerned about what effects the financial crisis in the United States might have on world economic growth than the ability of producers to supply adequate amounts of crude oil to international markets.

That was the underlying message delivered by OPEC Conference President, Dr Chakib Khelil, at the end of the Organization's 147th (Extraordinary) Meeting of the Conference in Vienna at the beginning of February.

Speaking at a press conference after the one-day meeting, he stressed that based on reliable industry data there is more than enough crude oil available to meet consumers' needs worldwide.

Stock levels are good, OPEC's 13 Members are producing close to 32 million barrels/day of crude and increased supplies are coming from non-OPEC producers, who are meeting most of the 1.3 to 1.5 per cent increase in demand growth forecast for 2008, he said.

"The world economy should not be concerned about the supply of oil — there is plenty available. It should be more concerned about the ramifications within the banking system of the effects of the subprime crisis in the US," he affirmed.

Khelil, Algeria's Energy and Mines Minister, was speaking to media representatives and analysts assembled at the OPEC Secretariat after the Organization's Oil and Energy Ministers decided to maintain OPEC's current production policy into the first quarter.

The Conference, after reviewing the latest oil market developments and economic indicators, agreed that, at the present time, the current level of OPEC oil output is sufficient to meet expected demand in the first quarter of 2008.

"It observed that OPEC production decisions had ensured that the market remained well supplied throughout 2007. It also noted that the first half of 2008 was likely to witness a crude inventory build. Supply/demand forecasts indicate that commercial oil stocks are in line with the seasonal trend and are expected to remain within their five-year average during the traditionally lower-demand season in 2008," said a *communiqué* issued after the ministerial talks.

"In view of the current situation, coupled with the projected economic slow-down, the Conference agreed that current OPEC production is sufficient to meet expected demand for the first quarter of the year," it added.

However, at the same time, the Conference noted that the significant uncertainties associated with the projected downturn in the global economy call for “vigilant attention to their impact on key market fundamentals” until the next OPEC Meeting in early March.

The Ministers reiterated the Organization’s determination to take every measure deemed necessary to keep the oil market stable.

Khelil stressed at the news conference that if the demand for oil is there, then he is confident the supply will be there also.

He acknowledged that the financial problems being faced in the US, as a result of the mortgage crisis that erupted in August last year, are an ongoing concern for OPEC.

“We do not know the extent of that crisis … we will surely know more about it in the future. If there is an impact, it will result in lower demand for oil,” he stated.

Khelil stressed that OPEC has always been on hand to meet oil demand when there is a need for it. The Organization has supported the world economy in the past and even during its worst period — in 2003 — when OPEC lost some 4m b/d of oil from its Members, the Organization still met its supply obligations.

In meeting world demand, OPEC effectively helps economic growth and keeps inflation at low rates in the consuming countries, he affirmed.

Asked about OPEC’s concern over oversupply in the second quarter, when demand customarily drops, Khelil

Dr Galo Chiriboga Zambrano, Ecuador's Minister of Mines and Petroleum.

said stock levels, currently within the five-year average, will probably increase in the next few months because of higher OPEC production, which increased by 100,000 b/d in January, and the expectation of lower demand.

The unfortunate thing, he said, is that on some occasions in recent years, the downturn in demand expected in the second quarter has not occurred, meaning that OPEC has to be fully prepared for that eventuality.

"It is always a concern that we have to wait and see whether it (the downturn) happens or not," he explained.

Lowering uncertainty

But Khelil reiterated that, at the present time, supply is not a problem. Non-OPEC production is increasing and OPEC also has spare output capacity which it can bring online if required.

"All this goes towards lowering uncertainty in the marketplace over future supply meeting the expected demand levels," he said.

Asked how the extra oil from non-OPEC producers will fit into the supply and demand equation, Khelil said again that this situation is not a concern.

"It (the extra supplies) will be a welcome contribution to world oil supply. In the past that supply was simply not there. We would be more concerned if the supply was not available."

Dr Chakib Khelil, Algerian Minister of Energy and Mines, who is the OPEC Conference President for 2008.

Left: Desidério da Graça Veríssimo e Costa (l), Angolan Minister of Petroleum, who is the Alternate OPEC Conference President for 2008; Félix Manuel Ferreira (second r), Angolan Governor for OPEC; and Luís Neves (second l), Angolan National Representative.

Right: In discussion are (l–r) Abdalla Salem El-Badri, OPEC Secretary General; Ali I Naimi, Minister of Petroleum and Mineral Resources, Saudi Arabia; and Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates.

As for OPEC, he said, the Organization's Members are engaged in a $150 billion investment programme to increase capacity for the future. This also includes the construction of refineries "since there is no point in having the capacity to produce crude oil if the capacity to refine it is not there."

Asked whether the high oil prices seen of late have compounded the economic difficulties being experienced in the US, Khelil stressed that many financial authorities and central bank officials have categorically stated that high oil prices have not affected global economic growth or inflation levels.

This is because the physical demand for crude oil seen in the market has been real and the supply necessary for sustaining growth in the global economy.

"What has been important for the economy is to have that regular oil supply to sustain the growth," he said.

Speaking on the recent high oil prices, Khelil pointed out that they were not as a result of a shortage of supply. Prices really started to increase in September last year after the announcement of the subprime mortgage crisis.

Reuters

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

Left: Gholamhossein Nozari (l), Iranian Minister of Petroleum; and Hossein Kazempour Ardebili, Iranian Governor for OPEC.

"There was a definite impact from that announcement. And there are also other concerns, such as geopolitical developments," he added.

The OPEC Conference also had a message for consuming governments concerning the future of oil market stability.

Khelil maintained that many of the signals that are affecting oil price volatility are coming from the consuming countries — not the producing states.

"When one talks about bio-ethanol production, instead of gasoline, or switching to solar energy or nuclear and one calculates the netback from all this, one is not looking at $90/b oil," he said, in reference to the search for alternative energy sources to fossil fuels.

"By saying that you will be using other energy sources and not oil in the future, you are sending the wrong signals and creating a lot of uncertainty over the future. This is ultimately reflected in the level of prices.

"It (oil market stability) is not just an issue that concerns OPEC Member Countries — it involves the consuming countries also," he professed.

Above: HRH Prince Abdulaziz Bin Salman Bin Abdulaziz (front), Assistant Minister of Petroleum and Mineral Resources; and Abdulrahman Al Suhaibani, Chargé d'Affaires ad interim, Embassy of the Kingdom of Saudi Arabia to Austria.

Dr Chakib Khelil (l), Algerian Minister of Energy and Mines and OPEC Conference President; with Dr Shokri M Ghanem, Chairman of the People's Committee, The National Oil Corporation of the SP Libyan AJ.

Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates.

Below: Dr Hasan M Qabazard, Director of OPEC's Research Division.

Also at the press briefing, OPEC Secretary General, Abdalla Salem El-Badri, when asked what message OPEC wanted to send to the consuming countries against a background of possible recession in the US, said OPEC would like to see a balanced market and a stable world economy.

"OPEC is concerned … that is why we are meeting today. It is also why we carefully watch the market, supply and demand and stock levels. What we saw at our meeting today is that we have a balanced market and that there was not any need to take any further action.

"OPEC looks to the interests of its Members — but it also wants to see a balanced market. OPEC does not want to see any oil shortage and it will not hesitate to increase or decrease oil production if the market dictates such action," he stated.

El-Badri supported Khelil's view in stating that the financial problems in the US were not caused by high oil prices, as some people thought.

"It was caused by the subprime mortgage problems, which started about seven or eight months ago. And, as yet, we do not know how and when it will end. It has affected the US economy and we hope in OPEC that it will not spill over into other economies. We also hope it will only result in a slow downturn for two or three quarters, before there is a recovery. However, that recovery will take time," he said.

Asked whether there were fears that the impressive economic growth seen in India and China could be affected by the US financial crisis, El-Badri said: "We just have to wait and see."

He added: "Of course, we are all living in one world, but I don't personally think that the economies of India and China will be affected that much — at least not in 2008."

Threat of recession

The Director of OPEC's Research Division, Dr Hasan M Qabazard, also held the view that there should not be any spillover effect on other economies, as long as the US only experiences a small downturn in its economy.

"Again, the problem is we do not know the extent of the financial crisis in the US — it is still unfolding. But if there is a serious recession over a prolonged period of time, then the world will go into recession," he said in an interview with the OPEC web-cast.

Qabazard said that looking at the economic numbers for the US in the fourth quarter of 2007, growth was only put at 0.6 per cent — half of what was expected. Unemployment figures were up, although there were still "some signs of life" in the economy with the manufacturing sector's performance.

"No one knows the size of the problem yet, but it appears to be serious and it will definitely affect demand for crude oil in the world. We have already seen International Monetary Fund (IMF) growth figures being revised down in OECD countries and Japan.

"This will affect oil demand, but to what extent depends on the spillover effect with other emerging economies and developing countries," he said.

Qabazard said OPEC expects global oil demand to

Dr Hussain Al-Sharistani (l), Minister of Oil, Iraq; with Tariq Aqrawi, Iraq's Ambassador to Austria.

The Indonesian Delegation, headed by Dr Maizar Rahman (second l), Governor for OPEC; with l–r: Novian M Thaib, National Representative; Rainer Louhanapessy; and Saniman Notowerdoyo.

Front (l–r): The Saudi Arabian delegation headed by Ali I Naimi, Minister of Petroleum and Mineral Resources; Dr Majid A Al-Moneef, Governor for OPEC; HRH Prince Abdulaziz Bin Salman Bin Abdulaziz, Assistant Minister of Petroleum and Mineral Resources; Dr Ibrahim H Al-Muhanna, Adviser to the Minister of Petroleum and Mineral Resources. Back (l–r): Dr Ahmad Al-Ghamdi; Yasser M Mufti, National Representative to OPEC.

The Venezuelan delegation to the 147th Conference: Rafael Ramírez (c), Minister of Energy and Petroleum; Ing Iván A Orellana (l), Governor for OPEC; Fernando Valera (second r), National Representative; Dr Bernard Mommer (r), Vice-Minister of Hydrocarbons. Also pictured is Zoreli Figueroa (second l), who recently joined OPEC's PR & Information Department as Senior Public Relations Coordinator.

increase in 2008 by 1.3m b/d, "but with these circumstances now unfolding in the US, we expect to have to revise that figure down a little bit."

He continued: "But we still feel that, backed by demand in China, the Middle East, Africa and other developing countries, overall demand will remain robust. It might even increase due to factors such as the cold weather in China."

Qabazard said demand for oil in China is forecast to rise by about 400,000 b/d in 2008. "However, if the cold weather and the problems they are having with their domestic coal sector persist during the winter, we expect demand to rise even further. This might just compensate for any loss in the OECD and Japan."

Turning to supply, Qabazard said most analysts believe there is plenty of oil supply in the market. "We in OPEC think the market has been balanced for a while."

He said OPEC today is supplying around 32m b/d of crude to the market and the Organization has spare capacity of around 3m b/d.

Above: Odein Ajumogobia (SAN), Nigerian Minister of State for Energy (Petroleum).

Head of Kuwait's Delegation, Eng Mohammed A Al-Aleem, Acting Minister of Oil.


Pictured during the press conference are Dr Chakib Khelil (l), Algerian Minister of Energy and Mines and OPEC Conference President for 2008; and Abdalla Salem El-Badri, OPEC Secretary General.

"By 2010–11, we expect that, following the investments we are making now, OPEC's output capacity will be up to 38–40m b/d. We have enough capacity and we are working our way up to have a 15 per cent capacity cushion to help stabilize the market and put consumers at ease about us meeting their future oil requirements."

Qabazard noted that OPEC expects supplies from producers outside the Organization to increase by just over 1m b/d in 2008. The production of biofuels and OPEC natural gas liquids would account for another 700,000 b/d, so with global demand growth forecast at around 1.3m b/d, "there will be less demand for OPEC oil in the year. We see a substantial stock-build in the second quarter of around 1.4m b/d."

Qabazard said the Organization is also looking carefully at oil stock levels around the world. Although they came down last year, they are still comfortable at around the five-year average, with some products being above that level.

He stressed that with refining bottlenecks persisting, substantial investments have been made in new facilities, although they need long lead times to come to fruition.

"We see an easing of the bottlenecks in 2010–11. But the fact is the refining industry is exerting pressure on the entire petroleum complex at certain times of the year," he added.

Qabazard said speculation is adding a lot of volatility to the international oil market.

"We have seen since September last year just how volatile oil prices have been. There has been a big influx in funds that are hedging against the US dollar and this is coupled with losses suffered in the real estate business. This outpouring of funds into the oil market led to the strong volatility, with prices being artificially pushed upwards," he stated.

Concerning calls by consuming governments for OPEC to put extra barrels onto the market, Qabazard said there is no need for more oil at the moment.

"Such a move might have a psychological effect, but we don't know how it would physically affect the market because of the slowing of demand we are beginning to see. Such a move might be destructive for the price of oil and consequently investments.

"We hope the market will soon come back to the fundamentals of supply and demand, when we will see some moderation in the price," he stated.

147th (Extraordinary) Meeting of the OPEC Conference

Press Release No 2/2008, Vienna, Austria — February 1, 2008

The 147th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held at the OPEC Headquarters in Vienna on February 1, 2008, under the Chairmanship of its President, Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation, in order to review recent developments in world oil markets.

Prior to commencing the business of the day, the Conference extended a very warm welcome to Dr Galo Chiriboga Zambrano, Minister of Mines and Petroleum of Ecuador, who was attending a Meeting of the Conference as Head of his Country's Delegation for the first time.

The Conference extended its condolences to the Government and people of the Republic of Indonesia on the demise of Muhammad Soeharto, former President of the Republic.

The Conference then reviewed oil market developments since its Meeting in Abu Dhabi in December 2007, as well as short-term prospects. It observed that OPEC production decisions had ensured that the market remained well supplied throughout 2007. It also noted that the first half of 2008 was likely to witness a crude inventory build, and supply/demand forecasts indicate that commercial oil stocks are in line with the seasonal trend and are expected to remain within their five-year average during the traditionally lower-demand season in 2008.

In view of the current situation, coupled with the projected economic slow-down, the Conference agreed that current OPEC production is sufficient to meet expected demand for the first quarter of the year. At the same time, however, the Conference noted that the significant uncertainties associated with the projected downturn in the global economy called for vigilant attention to their impact on key market fundamentals until its next Meeting on March 5, 2008. The Conference reiterated the Organization's determination to take every measure deemed necessary to keep the market stable.

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.

After 15 years out of the Organization's limelight and with a new impetus …

Ecuador returns

Ecuador is back in OPEC to stay. That was the message from the country's top oil man, **Dr Galo Chiriboga Zambrano,** *when he and other Ecuadorean officials paid a courtesy call on OPEC Secretary General, Abdalla Salem El-Badri, at the Organization's Secretariat in Vienna in January. Jerry Haylins reports.*

to the OPEC fold

The visit to OPEC's headquarters in the Austrian capital followed Ecuador's decision in October last year to "come back to the OPEC fold" after suspending its Membership 15 years previously.

With output of just over 500,000 barrels/day, Ecuador is OPEC's smallest producer, but its return to the Organization's ranks has been viewed as a positive move, both within and outside OPEC.

Ecuador's return as the 13th Member of the Organization was endorsed when the country's President, Rafael Correa, was invited to attend OPEC's Third Summit of Heads of State and Government in Riyadh, Saudi Arabia.

"With the presence of our President at the OPEC Summit, our Membership is symbolically completed," Chiriboga Zambrano, Ecuador's Minister of Mines and Petroleum, said at the time.

Left: Dr Galo Chiriboga Zambrano (r), Ecuador's Minister of Mines and Petroleum, visiting Abdalla Salem El-Badri, OPEC Secretary General.

Members of the OPEC Management assembled with the Ecuadorian Delegation during the visit to the OPEC Secretariat on January 29, 2008.

Ecuadorean President, Rafael Correa.

The country's return to full Membership was then ratified at the 146th (Extraordinary) Meeting of the OPEC Conference in Abu Dhabi, the United Arab Emirates (UAE), in early December, where the Ecuadorean delegation, headed by Eng Guillermo Granja, Undersecretary of Hydrocarbons, fully participated in the meeting.

Production allocation

At the 147th (Extraordinary) Meeting of the OPEC Conference in Vienna on February 1, Ecuador was assigned an OPEC production allocation of 520,000 b/d.

"We asked for 530,000 b/d and we got a maximum of 520,000 b/d. That is a comfortable quota for us given next year's (2008) production target," Chiriboga Zambrano was quoted as saying at the talks.

Ecuador's daily domestic output is divided almost evenly between the state oil firm, Petroecuador, and private foreign companies working in the country.

Chiribioga Zambrano has since announced that Ecuador could increase its oil production by 100,000 b/d over the next three years.

According to latest figures issued by the Central Bank, the country's total oil production fell by 4.7 per cent to 186.547 million barrels in 2007. Petroecuador's output actually increased — by 4.3 per cent to 94.334m b — whereas production from the independent oil firms operating in the country declined by 12.4 per cent to 92.213m b.

As a result, Ecuadorean crude exports dropped by 9.2 per cent last year to 124.098m b. However, the value of these exports rose by 7.1 per cent to $7.428 billion, with the average price of Ecuador's crude in 2007 increasing by 18 per cent to $59.86/b.

Economy improving

The picture began to look much rosier in December last year when total oil production rose by 3.2 per cent to 16.483m b. Petroecuador produced 8.455m b that month, 3.1 per cent more than in the corresponding month of 2006, while the foreign oil companies produced 8.028m b, 3.2 per cent more than in the same period the previous year. And the average price of Ecuador's crude increased by 68.5 per cent to $77.21/b in the month, compared with $45.83/b in December 2006.

Oil exports, although only increasing by a marginal 0.4 per cent to 10.722m b in December, compared with the same month of 2006, were worth $827.822m, 69.2 per cent more than in December 2006.

And backed by the promise of higher oil output, Ecuador's economy is expected to improve even further in 2008. After securing growth of around 2.65 per cent in 2007, the Finance Ministry forecasts expansion in 2008 to surpass the 4.2 per cent gross domestic product (GDP) growth slated by the Central Bank.

President Correa, who assumed office in January 2007, has made no secret of the fact that he considers OPEC membership as a key asset of Ecuador's oil policy. A former Economy Minister, he has vowed to boost social spending during his four-year term. The country's non-oil economy is also set to improve.

However, the main thrust of his actions involves boosting state control over various important economic activities in the country, including mining.

He is on record as stating that he is determined to enhance the government's role in natural resource extraction and to better distribute the country's wealth to help the poorer segment of the population.

In his push for a better social awareness, President Correa has already called on the foreign oil firms work-

Top: A Petroecuador worker attends to a pumping station in La Belleza town in Ecuador's Amazon jungle.

Centre: A row of Christmas tree valves on an oil well in the Amazon.

Bottom: An Ecuadorean oil worker checks the control of an oil pump at the Central Sacha oil field close to Lago Agrio.

ing in the country to renegotiate their contracts and up their investment in the energy sector.

Ecuador, South America's fifth largest oil producer, has seen its oil output drop in recent years, due to a lack of investment in oil infrastructure.

Higher spending

The government has now entered into negotiations with five oil firms operating in the country to switch from contracts that allow the firms to keep part of the oil they extract to deals in which the state will keep all the crude in exchange for a service fee.

At the same time, the state firm, Petroecuador, has allocated $1.7bn from its overall budget of $4.8bn for capital expenditures in 2008. That allocation is up by 190 per cent from last year and will be used to fund increased drilling and to upgrade pipelines.

The higher spending forms the basis of an ambitious plan to increase oil output and modernize the nation's crude refineries.

In addition, the Mines and Petroleum Ministry has announced that it aims to drill 80 new oil wells in 2008, four times as many as in 2007, to reach a production level of 199,000 b/d.

Included in Petroecuador's budget is an allocation of over $350 million for the state firm's production unit, Petroproduccion, which it will use to purchase six drilling rigs and refurbish eight others. Around $160m will be spent on pipe, parts and lubricants.

The Ministry also said that $300m from a special government fund would be spent on developing three projects. The first will involve spending $187m to help improve efficiency at Petroecuador's Esmeraldas refinery, while the second scheme entails investment of $99m to refurbish Ecuador's system of secondary pipelines, which are over 30 years old. Finally, $15.4m will be used to install an automated system to better monitor and control oil flows.

Ecuador … back to stay

— Dr Galo Chiriboga Zambrano
Mines & Petroleum Minister

The following interview with Ecuador's Mines and Petroleum Minister, Dr Galo Chiriboga Zambrano, was conducted by Angela Agoawike, Senior Editorial Coordinator in the Secretariat's Public Relations and Information Department (PRID).

He comes across as a very busy person, a man with so much to do, yet with so little time to do it. On this particular day, the eve of the 147th (Extraordinary) Meeting of the OPEC Conference, he clearly had many people vying for his time, with several journalists, from both the print and electronic media, lined up to talk to him.

To any casual observer, the question might have been: "What is so interesting about this man that everyone wants to talk to him?" But to those in the know, the interest in Dr Galo Chiriboga Zambrano was understandable. As Minister of Mines and Petroleum of Ecuador, he was about to lead his country's delegation to its first OPEC Conference in 15 years.

Four months earlier, in October 2007, Ecuador resumed its Membership of the Organization. It had joined in 1973 and had voluntarily suspended its Membership in 1996.

The *OPEC Bulletin* was fortunate to get the Minister to squeeze out some valuable time for a short interview. The focus was straightforward. We just wanted to know why Ecuador's Membership of OPEC was, in the first place, suspended and what had changed to necessitate the country's return. We were also looking for his assessment of the performance of OPEC, as well as his impressions of the state of the current oil market situation.

On why Ecuador suspended its membership 15 years ago, the Minister attributes the move to a wrong political judgment on the part of the government of that time. According to him, OPEC is a very important Organization, whose main preoccupation is to supply the world oil market and, in so doing, enhance oil market stability.

Chiriboga Zambrano with Angela Agoawike, Senior Editorial Coordinator in OPEC's PR and Information Department.

That role, he stresses, is very important for the international oil industry, including producers and consumers from all corners of the globe.

Ecuador's resumption of its OPEC Membership, he argues, will strengthen the Organization as it pursues its noble objectives, which is why he would like to see other oil-producing countries in the Latin American region, including Mexico, which is a large oil producer, join the Organization.

Energy integration

Apart from providing a Latin American vision on oil issues, Ecuador, Chiriboga Zambrano says, although a small country, has a very strong relationship with the oil industry and, therefore, is very interested in energy integration through forums like OPEC.

With the oil market witnessing much volatility in recent time, we asked the Minister to assess the outlook for 2008 and the role OPEC will play in striving to keep it stable.

"Ecuador's resumption of its membership of OPEC will strengthen the Organization as it pursues its noble objectives ..."

"The main source of market volatility," he contends, "is the speculative forces at play. OPEC will continue to supply the market with the amount of oil it needs in a timely manner to support growth in the world economy and it will strive to do this in an environmentally sound way. But it is also important to control speculation because that is the main reason for market volatility."

OPEC has continuously assured consumers that it has the capacity to meet current demand and the expected rise in energy use in the future. This assurance is being backed by billions of dollars of investment, both in terms of projects on the ground and plans for upstream and downstream capacity expansions.

This is another area where Ecuador's return to the OPEC family will no doubt strengthen the Organization's capacity expansion programmes to ensure that it continues to meet future demand levels, since, according to the Minister, his country is looking to increase its petroleum production capability in the future — not only in the oil sector, but also in gas, through exploration, and the implementation of a gas project with Venezuela and Colombia.

Ecuador, he says, is also planning to build new refineries, adding that the capacity expansion plans represent a major programme for the Ecuadorean government and will focus on both qualitative and quantitative results.

Speaking about Ecuador's return to OPEC, the Minister says: "Ecuador believes OPEC is a functional Organization and we (Ecuador) have a positive vision for it. OPEC serves as a political forum in matters of oil worldwide and though Ecuador is a small country and its production is small compared with the other countries, it's a good place for cooperation, partnership and the creation of sound relationships with other countries and for technical advice."

Assuring the Organization that Ecuador has now come to stay for good, he reiterates that the suspension was a considerable political misjudgment that will not happen again.

Chiriboga Zambrano

Born in Cuenca, a small town in the south of Ecuador, Dr Galo Chiriboga Zambrano lived most of his life in Quito, the capital of Ecuador. He attended high school at the Military College, Quito, after which he went to the Catholic University, also in Quito, to read law. He obtained a PhD in Law from the Pontifical Catholic University of Ecuador in 1984. In 1999, he went to the Robert Schuman University in Strasbourg, France, for specialized training in human rights and later in advanced specialization in financial, stock exchange and insurance law from the Simon Bolivar Andean University in 2002.

He is a specialist in Labour Law and has a Master's Degree in Business Administration. In 2004, he went to the University of Salamanca, Spain, where he specialized in Contract Law. Before he was appointed Ecuador's Minister of Mines and Petroleum in July 2007, Chiriboga Zambrano held other very important positions in Ecuador. He was a member of the Academy of Constitutional Law of San Francisco de Quito University; Deputy Interior Minister in 2005; Minister of Labour (2005–06); Executive Vice President of Petroecuador (2006–07); and President of the Association of Lawyers.

Speaking about his childhood, the Minister told the *Bulletin* that with Ecuador being a beautiful and peaceful country his childhood was not different to any other child growing up in a happy environment. When he is not working, the outgoing Chiriboga Zambrano relaxes by dancing, swimming and spinning (cycling) in the gym. He is also a keen fan of bullfighting.

On the average Ecuadorean, and what he or she is like, the Minister describes that person as peaceful, hardworking, and very polite to guests. Describing his country as a beautiful place with warm weather, Ecuador is endowed with a varying ecological make-up, ranging from the tropical rain forests of the Amazon in the east, through the mountainous terrain familiar in other parts, to the coastal areas and islands.

In fact, the Minister warmly extends an invitation to anyone interested in visiting his country.

Energy security:

In early February, the annual Chatham House Conference in London looked at *Middle East Energy 2008 — Risk and responsibility: the new realities of energy supply*. Focussing on the Middle East's continued role as the dominant global energy supplier, it discussed how the region will tackle current and emerging challenges in the years ahead. One of those challenges involves international concern over energy security and the pressure being exerted on producing countries to increase communication about reserves and investment plans. However, as OPEC Secretary General, Abdalla Salem El-Badri (pictured), stressed in his speech to the gathering, energy security is a two-way street — with security of demand as important to the producers, as security of supply is to the consumers. The following is his address in its entirety.

Chatham House

A two-way street

Let me begin this afternoon by putting forward the question: what does energy security actually mean? Of course, at OPEC we appreciate the importance of energy security and supply, the theme of this session. This is clearly visible in OPEC's actions, something I will return to later. But I feel that when examining energy security we need to paint a more complete picture.

The reason is that globalization is bringing us all closer together and there is no avoiding the fact that we live in an increasingly interdependent world. From the energy perspective, there is a shift away from longstanding self-interested views of energy security to a greater appreciation of its broader, more universal nature.

So allow me to put forward a brief OPEC perspective focused on a number of energy security characteristics:

- energy security should be reciprocal. It is a two-way street. Security of demand is as important to producers, as security of supply is to consumers;
- it should be universal, applying to rich and poor nations alike, with the focus on the three pillars of sustainable development and in particular the eradication of poverty;
- it should focus on providing all consumers with modern energy services;
- it should apply to the entire supply chain. Downstream is as crucial as upstream;
- it should cover all foreseeable time-horizons. Security tomorrow is as important as security today;
- it should allow for the development and deployment of new technologies in a sustainable, economic and environmentally-sound manner; and
- it should benefit from enhanced dialogue and cooperation among stakeholders.

Turning to the title of this session — *Energy security and supply* — we appreciate that consuming countries' concerns focus on the secure and predictable flow of energy. With this in mind, and regarding oil, I would like to make two things clear. Firstly, the fact that conventional and non-conventional petroleum resources are plentiful and increasing. For OPEC Member Countries, these resource figures can be viewed in our *Annual Statistical Bulletin*. And secondly, from OPEC's perspective, we are ready, willing and able to supply oil — as we have always done.

Huge investments

Our Member Countries continue to increase their production capacity substantially and are accelerating plans to bring onstream new projects, so as to respond to future demand, both at home and abroad, while offering a comfortable cushion of spare capacity, for the benefit of the world at large. Overall, they have already committed more than $150 billion towards a crude oil capacity expansion of up to five million barrels/day by the end of 2012.

And, where possible, they have been increasing their presence downstream, at home and abroad, to ease some of the severe bottlenecks that have emerged in the refining sectors of consumer countries in recent years. For example, major crude distillation refinery projects in OPEC Member Countries are expected to add over 3m b/d of additional capacity by 2012, representing an investment of close to $50bn.

These are huge investments for OPEC Member Countries that have other pressing demands, such as the provision of health care, education and basic economic infrastructure.

It is also important to note that petroleum revenue plays a central role in the economic and social development of our Member Countries, with 75 per cent of OPEC's total export revenue coming from that source in 2006; for many of these countries, the figure even exceeded 90 per cent.

Chatham House

"The present rising oil prices are being driven largely by market speculators. Oil has become a financial asset, like other commodities."

This is why they need assurances of secure oil markets, predictable demand and stable prices, and why, in particular, they have gone to great lengths over the years to achieve these.

Today, the markets continue to be well supplied with crude, commercial crude and product stocks remain within the five-year average, and there has been no recent interruption in crude supplies. However, we do recognize that in terms of price, the current level is not supported by market fundamentals and OPEC is concerned about this situation … the reasons behind this divergence need to be examined.

What is clear is that it is not just about high price levels. It is also about price volatility.

In the near term, this creates a climate of nervousness and uncertainty, eroding confidence among stakeholders in the industry and making everyday transactions more complex and unpredictable. For the longer term, it makes it very difficult to devise and implement effective investment strategies.

The present rising oil prices are being driven largely by market speculators. Oil has become a financial asset, like other commodities. In addition, persistent refinery bottlenecks, ongoing geopolitical problems and fluctuations in the US dollar, also continue to play a role in pushing oil prices higher.

Clearly, nobody gains from such a situation. Volatility is damaging to all responsible parties in the industry, on both the producer and consumer sides. It is because of this that OPEC constantly monitors the market's activity and continues to seek a balance between supply and demand, as well as a fair, stable price that is acceptable to both consumers and producers.

OPEC attaches great importance to this, which can be viewed in the recent Riyadh Declaration that concluded the Third OPEC Summit of Heads of State and Government in the Saudi capital last November. The "stability of global energy markets" is one of the three principal themes of the Declaration, and the provision of "reliable, affordable and competitive energy supplies" is central to this.

The importance of stability is also clear when we look at energy security and demand. And what I should like to highlight here is that this goes hand-in-hand with energy security and supply. As the Riyadh Declaration also stated, there is a need to "underscore the interrelationships between global security of petroleum supply and the security and predictability of demand." This is the business we are in.

Demand uncertainties

Demand unpredictability can be viewed clearly when we look at the past. Here, I am talking about the price collapse and the halving of demand for OPEC oil in the 1980s. Many oil-producing countries were hit hard, leaving many heavily in debt and with much idle capacity. With vulnerable, single-product economies, it would take years for them to recover.

Thus, the huge investments OPEC Member Countries are making today, requires any demand uncertainties to be examined in detail. It is easy to see why.

To 2020, scenarios developed by the OPEC Secretariat highlight that the additional amount of oil required from OPEC ranges between 32m b/d and almost 41m b/d. In monetary terms, the corresponding range for Member Countries is somewhere between \$230bn and \$500bn, representing a huge uncertainty for Member Countries upstream investment requirements.

Existing policies and new initiatives that discriminate against oil, involving subsidies for other sources of energy, could impact oil demand in the short term but will not solve the overall production of energy security.

We welcome diversity in the overall energy mix, as well as the push to develop renewables. However, we need to give thought to how we proceed. For example, biofuels have recently been given impetus by fiscal and policy incentives, but the sustainability of large-scale supply and use of biofuels is becoming the subject of serious discussion, in terms of competition for land and scarce water resources, biodiversity and impacts on food prices. This I know is something being debated here in the UK.

The situation is also not helped, at the present time, by the low value of the US dollar, which means an erosion of purchasing power, and the uncertainties surrounding the global economy as the world continues to be impacted by the US subprime crisis. In addition, there are rising costs within the industry, as well as shortages of skilled labour.

What this means for producers is that there is a real prospect — in an industry with large upfront investment and long-lead times — of wasting precious resources on capacity that may not be needed. And on the other hand, without the confidence that additional demand for oil will emerge and the market signals that long-run prices are supportive, the incentive to invest can be reduced. This may lead to under investment and a situation where consumers' needs are not met.

It all underlines the fact security of supply and security of demand cannot be decoupled. It is in our best interests to work together, and share the responsibility for a healthy and stable energy interdependent world.

This statement also touches on one of the other major global issues of the day: the protection of the environment. OPEC has long been active in this area, with regard to both local pollution and climate change and this was also a principal theme of the Riyadh Declaration. Indeed at the Summit, four Member Countries — Saudi Arabia, Kuwait, Qatar and the UAE — announced that they would contribute a total of $750m towards funding research into energy, the environment and climate change.

Given that fossil fuels will continue to satisfy the overwhelming share of the world's commercial energy needs and that there are adequate resources, the challenge going forward is clear. It is making sure that the emphasis is placed on how to develop, produce, transport, refine and deliver oil to end-users in an efficient, timely, sustainable, economic, reliable and environmentally-sound manner.

Central to this is technological innovation. Technological progress and innovation have contributed much to the industry in the past, and will continue to do so in the future. Our Organization is an advocate of developing and deploying cleaner fossil fuel technologies, notably carbon capture and storage. It is a proven technology that will not only enhance energy security, but also significantly reduce net greenhouse gas emissions from conventional fossil fuels.

Technological development

In this regard, it is important to emphasise that developed countries having the technological and financial capabilities, should take the lead in the development and deployment of these technologies, as well as in its transfer to developing countries.

In this address, I have explained how OPEC and its Member Countries are proactively responding to international concern about energy security and supply. In doing so, I hope I have been able to convey to you that we remain committed to ensuring secure, stable, reasonably priced supplies of crude oil to the market at all times, in support of sound economic growth and the general welfare of mankind.

Though, what should also be recognized is that in today's world none of us can act alone. It is important that all stakeholders work together, and continually dialogue and cooperate. Those of us who are in the energy business have a responsibility to do everything we can to provide energy to those without, and at the same time maintain and enhance security and confidence in the sustainability of the energy system on which the whole world depends.

" ... security of supply and security of demand cannot be decoupled. It is in our best interests to work together, and share the responsibility for a healthy and stable energy interdependent world."

A selection of news stories on OPEC Member Countries taken from international media services

Indonesia enjoying boom in domestic car sales, exports

Reuters

Jakarta — Indonesia's exports of cars and automotive components are projected to increase in value by about 40 per cent in 2008, according to an Industry Ministry official.

Exports of completely-built-up (CBU) and completely-knocked-down (CKD) cars and automotive components this year are forecast to be worth $2.9 billion, compared with a value of $2.1bn in 2007, the Director General of Transportation Vehicle Industry and Telematics at the Industry Ministry, Budi Darmadi, said.

"This year, CBU car exports could reach 75,000 to 80,000 units, up from 55,000 units in 2007," he said.

Budi said he was optimistic the forecast value and volume of car and automotive component exports would increase as expected in 2008 as car-making procedures in the country were increasingly allowing the automotive industry in Indonesia to export vehicles.

Of the companies operating in the country, PT Daihatsu Astra Motor (ADM) has set a target of exporting 18,000 units of Grand Max minibus and pickup vehicles under the brand names Toyota Town Ace and Toyota Lite Ace to Japan in 2008. ADM will also export Daihatsu Terios cars.

PT Toyota Motor Manufacturing Indonesia (TMMIN) is planning to export Toyota Fortuners, Innovas and Avanzas to a few countries, while Indomobil will do the same with its Suzuki APV, as will other car-assembly companies with their respective products.

Budi said the existence of the newly built car port in Tanjung Priok is expected to greatly facilitate the automotive industry's production and export performance.

At present, the national automotive industry's production capacity stands at about 900,000 units a year, while the domestic market in 2008 is projected to absorb more than 500,000 units.

The figures for 2008 follow on from the dramatic increase in Indonesia's domestic car sales in 2007, when it was on course to see total sales of up to 420,000.

Figures show that around 41,000 cars were sold in Indonesia in September last year, 20 per cent more than the same month a year ago, according to Indonesian Automotive Industries Association (Gaikindo) Chairman Bambang Trisulo.

It is already widely accepted that the rise in global oil demand in the foreseeable future will be governed largely by an expansion of the transportation sector in Asian economies.

Data also shows that in the first nine months of 2007, Indonesia's domestic car sales reached about 318,000 units, said Trisulo.

In 2006, the country's car sales dropped by 40 per cent to 318,883. The automotive industry was hit hard in that year by the government's decision to increase fuel prices by an average of 126 per cent in the fourth quarter of 2005.

The move towards higher car sales was recently endorsed by the Director General of Transportation, Telecommunications, and Information Equipment Industries, Budi Dharmadi, who said he believes car sales in Indonesia will reach around 40,000 units a month.

He pointed out that this has been indicated by increasing demand under the nation's down-payment scheme, adding that this level of sales is in keeping with the increasing buying power of the people, coupled with declining key interest rates.

"Moreover, many producers are now offering new gimmicks and discounts," he noted, adding that car sales in the country are still being dominated by vehicles under 1,500 cc, MPVs and SUVs.

Dharmadi said many automotive companies are now becoming increasingly interested in building assembly plants in the country in view of the increasing sales.

"Some are considering it, while others have already sent teams to study such projects," he noted, referring, among others, to Fiat, which is considering such a scheme, while Daihatsu has already asked for an expansion permit.

He said many automotive firms are eyeing Indonesia because cars produced in this country are also being exported. Companies have already expressed confidence in the country's automotive industry's capability.

"Therefore, premium cars like Mercedes, BMW, Audi and Toyota, are assembled here," he added.

The promising situation with the Indonesian car industry has prompted Morgan Stanley to term as "bullish" its long-term outlook for the Indonesian automotive industry.

It said in a report recently that Indonesia is poised to benefit from a sizeable domestic market, low penetration rates and the country's attractiveness as a regional production base.

Other supporting factors include the return of political stability and a gradual acceleration of economic growth, which the brokerage said should strengthen consumer purchasing power and consumer confidence.

"We forecast domestic automobile and motorcycle sales volume compounded annual growth rates of 13 per cent and ten per cent for the next 15 years, respectively, versus 4.5 per cent and seven per cent in the previous ten years," it said.

It noted that Indonesia's automobile and motorcycle volume stood at 6.8 million and 19.8m units at the end of 2006, making the country the third-largest automobile market and second-largest motorcycle market in the Association of South East Asian Nations (ASEAN) region.

However, it noted that Indonesia remains one of the least-penetrated automotive markets in the region.

In 2006, Indonesia's automobile and motorcycle penetration rates were just three per cent and 8.7 per cent, as against 15.4 per cent and 34 per cent in Thailand and 28.3 per cent and 25 per cent in Malaysia.

"These market conditions present sound long-term prospects for the Indonesian automotive industry in our view," Morgan Stanley said.

The country's automotive market is dominated by Toyota automobiles and Honda motorcycles, which have had average market shares of 34 per cent and 52 per cent, respectively, in the past three years.

Both Toyota and Honda are distributed by Indonesia's biggest automotive company, PT Astra International.

Astra International saw its January car sales rise by 38 per cent from a year before, led by sales of its mainstay Toyota models, data released by the Indonesian Automotive Industries Association has shown.

Astra sold 20,789 vehicles in January, as against 15,016 in the same period a year before.

However, the company's market share dropped to 50 per cent from 56 per cent. The other makes of vehicles sold by Astra International include Daihatsu, Isuzu, Nissan Diesel and Peugeot. *AntaraNews*

Sanctions unable to affect investment in Iran — Nozari

Tehran — International companies are getting more interested in making investments in Iran and sanctions imposed by "bad tempered" countries have not had — and will not have — any effect on the process of investment in the country, according to Petroleum Minister, Gholamhossein Nozari.

Speaking at a signing ceremony for a contract covering exploration and exploitation of an oil block in the south of Iran, he said the country, with its huge hydrocarbons reserves, is one of the most important energy suppliers worldwide.

He said the continuing interest of Asian and European countries in making investments in Iran is a sign of the country's ability to meet world energy demand.

"The contracts signed in Iran's oil and gas sectors … show the growing willingness of international companies for investment in the country," he added.

Contracts are usually signed in line with national interests, "while the case is that we do not intend to compromise our national interests and always think about a win-win deal," said Nozari.

The Minister said that under the country's 20-year Vision Plan and the Fourth (2005–10) and Fifth (2010–15) Five-Year Economic Development Plans, 500 million barrels of recoverable oil and 120 billion cubic metres of gas will be explored annually.

He added that the country managed to meet its goals in the Third Five-Year Economic Development Plan (2000–05).

Nozari said the exploration project signed with the Italian power firm, Edison, covers all operations for discovering the country's overall potential in the hydrocarbons sector. He stressed that companies can help with the promotion of relations among countries.

Describing relations between Iran and Italy as being "at a very good level", Nozari said the ground has been prepared for activity of Italian companies in Iran and Tehran welcomes investment in the country.


Reuters

Gholamhossein Nozari, Iran's Minister of Petroleum.

"Some political gestures prevent companies from doing their business in countries. Many companies want to invest, not only in Iran, but also in other countries, but political issues deprive them of the chance. Political conditions should be such that would help companies have a healthy and logical competition on the market," he said.

Italian Ambassador Roberto Tuscano, who attended the ceremony, told the audience that Iran has always been important for Italian power company Edison. He stressed that Iran is a lucrative job market for Edison and the company has lots of projects in mind for business in the country.

Pointing to the impact of international political conditions on commercial activities, Tuscano said economic cooperation, in line with mutual interests, will positively influence general political conditions, adding that international relations are not just founded on politics and views of politicians — rather they can be based on commerce.

Edison Managing Director, Umberto Quadrino, told the meeting that the conclusion of the contract for exploration and development of the Dayyer oil block is only a starting point.

"In the next 15 years, gas will be the most important means for energy generation in Europe and, due to the same reason, not only equipment for gas imports should develop, but also new gas resources should be explored," he said, referring to the growing demand for gas in Europe by 2020 in order to generate power.

Meanwhile, Iran's Minister of Finance and Economic Affairs, Davoud Danesh-Jafari, has said that economic growth in the country has enjoyed remarkable stability despite the mounting pressures from the US against the country.

Addressing the 250th conference of the Islamic Development Bank (IDB) in Tehran, he said Tehran has moved towards sustainable economic growth and the promotion of national incomes by adopting proper policies and improving employment.

Danesh-Jafari stressed that one of the major priorities of Iranian President Mahmoud Ahmadinejad's government is the completion of the privatization trend in Iran which has currently become a national issue.

Referring to the rise in foreign investments in Iran last year (March 20, 2006–March 20, 2007), the minister said that during the period $10.27 billion in foreign investments were attracted to the country through 80 different economic projects. He announced that in the first nine months of the current Iranian year, Iran had signed documents on foreign investment worth $10.7bn.

Again, the minister reiterated that this growth has been observed in a period when the country has been under intense US pressures, adding that many foreign investors are willing to make investments in the Islamic Republic.

Speaking earlier at an international conference on "Investment Opportunities in Iran's Tourism Industry", Danesh-Jafari said Iran is now regarded as one of the safest countries for investments, so much so that there has been no case of legal arbitration in this respect.

The grounds are now very well-prepared for foreign investors to contribute to the country's economic projects, he affirmed. Iran attaches great importance to foreign investments in its development projects, he underlined. Foreign investment opportunities, he explained, are helping to rehabilitate Iran's private sector.

The minister noted that the government aims to attain a 40 per cent increase in foreign investments and generate a 12.2 per cent economic growth rate in its latest five-year development plan. *IRNA*

Khelil emphasizes AFREC as key role in Africa's development

Algiers — Algerian Energy and Mines Minister, Dr Chakib Khelil, has stated that the African Union Energy Ministers Conference, which marked the official launch of the African Energy Commission (AFREC), is devoted to "the setting up of an important institutional device" for Africa's economic development. In his address to the conference, he underlined that AFREC represents "a successful culmination" of a long process that sprang up during the African Heads of State and Government Summit held in Lagos, Nigeria in 1980. According to the Minister, Africa has been endowed, through AFREC, with "an institutional framework appropriate for enhancing energy cooperation on the African continent." AFREC is the culmination of up to three decades' of effort made by African countries for the implementation of an adequate energy cooperation and consultation structure on the continent. AFREC will be instrumental in developing, within bilateral and multilateral cooperation, Africa's huge energy potential. *APS*

Algeria foreign exchange reserves surge by 42 per cent

Algiers — Algeria's foreign exchange reserves surged by 42 per cent to $110 billion at the end of 2007, compared with a year earlier, giving some four years of import cover. "Algeria's foreign exchange reserves reached $110bn by the end of December 2007 compared with $77.78bn by the end of 2006," Finance Minister, Karim Djoudi, was quoted as saying. The increase of $32bn represented a rise of 42 per cent. "This level of reserves represents four years of imports." The report said the value of Algeria's imports in 2007 reached $27.43bn, while exports stood at $59.51bn. Algerian authorities last reported foreign exchange reserves at $90.96bn at the end of June 2007. Meanwhile, the country's hydrocarbons revenues were said to have reached $59bn in 2007, including $2bn "resulting from the exceptional tax on the profits of foreign companies," according to Energy and Mines Minister, Dr Chakib Khelil. *APS*

Algeria plans to refine half of its crude production locally

London — Algerian Energy and Mines Minister, Dr Chakib Khelil, announced here that his country plans to hike, in the short-term, its oil refining capacity to 800,000 barrels/day. Speaking at a news conference on the fringes of a meeting on energy in the Middle East and North Africa, he indicated that such a goal would be met by building a new oil refinery with a capacity of 300,000 b/d, which would enable Algeria to refine half its domestic crude production locally. *APS*

WHO salutes Angolan government for improved health system

Luanda — World Health Organization (WHO) representative to Angola, Fatoumata Diallo, has offered praise to the Angolan government on the improvements it has made to the national health system over the last three years. "Since I arrived, I have seen much change towards improving the health system and other sectors," commented Diallo, after an audience with National Assembly (Parliament) speaker, Roberto de Almeida. The diplomat, who is ending a three-year mission to Angola, said she is happy to have witnessed positive developments in various areas of the country's health sector. As an example, she mentioned progress made in the field of epidemiological surveillance and the fight against diseases like malaria, tuberculosis and HIV/AIDS. Improvements were also noted in the sectors of maternal-infants and environmental health, as well as the treatment of diseases like marburg, cholera and poliomyelitis. *AngolaPress*

Angolan Finance Minister elected 'Africa's best'

Luanda — Angolan Minister of Finance, José Pedro de Morais, has been voted Africa's best finance minister for 2007 by *The Banker,* an international observing group. In its assessment, the organization focused on transparency and government programmes. It also took into account issues such as the fight against corruption, tax evasion and the application of market economy principles. Pedro de Morais was appointed Minister of Finance in December 2002 by Angolan President, Dr Jose Eduardo DOS SANTOS, and is regarded as being the leading financial figure responsible for revitalizing the nation's economy, a process that started four years ago. Edward George, an analyst at *The Economist* magazine, is quoted by *The Banker* as saying that Pedro de Morais firmly commands a better relationship with international institutions. He has been credited with bringing about a drastic reduction in the country's inflation, currently set at around 11 per cent. The report said the economic growth that Angola has been enjoying over the last four years is a result of recommendations made by Pedro de Morais, who advised the government to halt its consultations with the International Monetary Fund (IMF) over its monitored programme. *AngolaPress*

World economic slowdown to have minimum impact on Indonesia

Jakarta — Indonesian President Susilo Bambang Yudhoyono has said that the expected slowdown in the world's economy in 2008 will have a minimum impact on Indonesia as its national economy is "running on the right track" and backed by strong fundamentals. "Reports on our stock exchange performance indicate many things. It is clear that our post-crisis economic development is already on the right track. Our economic fundamentals are getting better as they cushion external fluctuations, such as the subprime mortgage crisis and the world oil price hikes. We have better economic endurance to face world economic fluctuations," the President said after marking the first day of trading in 2008 on the Indonesian Stock Exchange (BEI). With such capabilities, the President said, the expected sluggishness in world economic growth would not have a significant impact on Indonesia's economy. "The expected world economic slowdown must be anticipated but don't be too worried about it because the prospects for the Indonesian economy in 2008 remain positive. The impact of the subprime mortgage crisis was nearly zero. And, as for the world oil price hikes, don't forget that Indonesia is also an oil producer. Yudhoyono said some of the challenges facing the nation in 2008 included how to keep current economic growth from being affected by inflation from food products and energy, how to continue the nation's reform, how to increase exports and industrial production, how to maintain budget accuracy, and how better to anticipate and deal with natural disasters. *Antara*

Pertamina asked to operate Natuna oil block

Jakarta — President Susilo Bambang Yudhoyono has asked state oil company PT Pertamina to be ready to exploit the natural gas reserves contained in the Block D Alpha Natuna area in Riau province. Energy and Mineral Resources Minister, Dr Purnomo Yusgiantoro, said Pertamina had been given three weeks to state its intentions to the President. "The President asked Pertamina to be ready after two years of negotiations with ExxonMobil (on operating the block) have failed to yield an agreement," Yusgiantoro told the press after attending a limited cabinet meeting. He said there had been eight major issues on which the government and ExxonMobil could not arrive at an agreement with three of them relating to the law. If Pertamina agrees to manage the exploitation of natural gas in the Block D-Alpha Natuna area, it would be operating the largest natural gas production site in the world with an investment of more than $30 billion. *Antara*

Bali wins best exotic destination award from English magazine

London — The Indonesian island of Bali has been named the 'Best Exotic Destination' by the Luxury Travel magazine. Bali managed to collect 17 per cent of the total votes of the magazine's readers, beating 13 other destinations that included such places as Mauritius and Thailand's Golden Triangle. The award was presented by the magazine's editor Alyson Cook to the Indonesian Embassy's Economic Counselor, Tumpal MH Hutagalung, and First Secretary, Mayuzar Adamy, in London. Mayuzar said Luxury Travel viewed the world of tourism from various aspects, especially concerning medium and upper class readers. The monthly magazine provides analyses and expert information on world tourism for both consumers and tour operators. Bali Island received 154,000 foreign tourists in January, an increase of 30 per cent percent from the 107,800 visits recorded in January 2007. "On average, Bali is visited by around 5,135 foreign tourists daily, an improvement compared with the days before the 2002 and 2005 bombings," the Head of the Bali Provincial Tourism Service, I Gede Nurjaya, said. "The image (of Bali) has various aspects, namely safety, comfort, cleanliness, and good service," he said. The Bali administration had set itself a target of attracting 1.9 million foreign tourists this year. In 2007, the island received a total of 1,664,047 foreign visitors. Bali is also planning to stage various tourism events to support its 'Visit Indonesia Year 2008'. *Antara*

Iran, Saudi Arabia determined to boost energy ties

Platts — Iran and Saudi Arabia, OPEC's top two oil producers, have vowed to strengthen energy ties as bilateral political relations between the two states grow stronger. "In the current period, relations between Iran and Saudi Arabia have entered a new stage," Saudi Arabian Minister of Petroleum and Mineral Resources, Ali I Naimi, was quoted as saying at a meeting with Iran's Ambassador to Riyadh, Mohammad Hosseini. The Iranian envoy noted that energy cooperation was one area where the two oil powers could expand cooperation. "Certainly, the area of oil, energy and mines is one of the most important chapters of these relations," Hosseini maintained. Naimi pointed to the December trip by Iranian President Mahmoud Ahmadinejad to Mecca to perform the Muslim Hajj pilgrimage at the invitation of Saudi King Abdullah as a sign of the expanding ties between the two countries. "Constant contacts between Saudi Arabian and Iranian officials, as well as the official invitation of King Abdullah for Ahmadinejad for the Hajj ceremony, all offer clear evidence that bilateral relations are growing and becoming deeper," Naimi was quoted as saying. *IRNA*

Iran's new oil bourse a gate to international oil business — Nozari

Tehran — Iran's Petroleum Minister, Gholamhossein Nozari, has said that Iran's oil bourse will open the gate of international oil business to Iran in the near future. The specialized bourse for oil derivatives and petrochemical products is regarded as a turning point in oil transactions, he maintained. Nozari made the remarks during a ceremony marking the inauguration of the bourse in the capital. Iran's share in international oil trade is very low and such a bourse will help it progress in this sector in the near future, the Minister stated. It is predicted that the opening of the bourse, which is situated in the Kish Free Trade Zone, will prepare the ground for the active presence of foreign investors in the Iranian oil industry and raise the country's share in global oil trade, said Nozari. He added that the oil bourse is among the most complicated and lucrative markets in the world, adding that, through it, Iran will get a bigger foothold in international markets. The bourse is part of a two-phase project approved by the Iranian cabinet. Based on its approval, products of the Petroleum

Ministry should be traded through the stock market in two forms — crude oil and oil and petrochemical products. The transactions will be made in Iranian rials. *IRNA*

Kuwait housing authority aims to distribute 70,000 units by 2014

Kuwait — Kuwait's Public Authority for Housing Care is aiming to distribute over 70,000 housing units by 2014 to accommodate applications. During a ceremony to handover the first batch of property in Jaber Al-Ahmad city, State Minister for Housing Affairs and State Minister for National Assembly Affairs, Abdulwahed Al-Awadhi, said the authority is committed to distributing 250 housing units per week to citizens awaiting proper housing. The first batch is being distributed two years after the laying of the city's cornerstone by Kuwaiti Emir, Sheikh Sabah Al-Ahmad Al-Sabah. The speed of the implementation reflects its keenness on completing housing projects as soon as possible, he explained. Attending the event was Jordan's Minister of Public Works and Housing, Sahl Majali, who lauded Kuwait's housing projects, noting that his country could benefit from sharing Kuwait's expertise. He noted that establishing residential cities away from Kuwait's central district has helped greatly in alleviating traffic congestion. Jabar Al-Ahmad city comprises some 7,000 housing units, including 5,700 houses and lots, as well as 1,300 apartments. Over 60,000 citizens are expected to reside in the city. *KUNA*

Kuwait and Russia establish business council

Kuwait — Kuwait is determined to widen the scope of its economic relations with Russia, according to Kuwait's Ambassador to the Russian Federation, Nasser Al-Muzayen. He said Kuwait intends to carry out mega-projects in different economic sectors in Russia, especially after the investment reforms that have been enacted there. Al-Muzayen said in a speech to the Russian-Kuwaiti Businessmen's Council that recent investment reforms engendered in Russia included a 15 per cent tax cut for foreign investment companies and 100 per cent property ownership of firms and assets, in addition to a ten-year tax exemption. Al-Muzayen said the sectors Kuwait is interested in investing are variable — from infrastructure to banking and insurance and from information and technology to paramedics and tourism. He noted that the most significant project Kuwait seeks Russian technical assistance with is a railroad linking Kuwait and the other member countries of the Gulf Cooperation Council (GCC), in addition to Iraq and Iran right up through Central Asia. Al-Muzayen stated that Kuwait plans to invest $51 billion in its oil sector over the next five years, noting that the country enjoys a convenient geographical location that would enable it to become a gateway for commerce in the region. For his part, the Chairman of the Russian Chamber of Commerce and Industry, Evgeny Primakov, said Kuwait has a major status in Russia's foreign policy, noting that the points of view of both countries are compatible on many regional and international events, especially developments in the Middle East. Economic relations between Moscow and Kuwait should be intensified, he said, adding that with Kuwait's financial potential and Russia's expertise in science and technology such matters would be accomplished. *KUNA*

Nigeria considered financial hub of West African financial services — Yar'Adua

Abuja — The reforms in Nigeria's solid minerals sector have repositioned the country as an attractive mining investment destination for both local and foreign investors, according to the country's President, Umaru Musa Yar'Adua. Addressing the West Africa Mining Investment Conference, he noted that hosting the first edition of the conference in Nigeria is a demonstration of his Administration's commitment to giving priority attention to the growth of solid mineral resources in Nigeria. The President, represented by Minister of Mines and Steel Development, Sarafa Tunji Isola, observed that his country is considered as the financial hub of West African financial services, stating that funds realized through such financial operations should be injected into the mining sector for the development of the West African sub-region. Yar'Adua disclosed that the federal government has earmarked financial resources to rehabilitate abandoned mine sites throughout the country, assuring that communities will benefit from mining activities. *NigeriaDirect*

We cannot afford to fail Nigerians — Minister

Abuja — Nigeria's Minister of State for Energy (Power), Fatima Balaraba Ibrahim, has charged all stakeholders in the power sector to ensure that Nigerians enjoy reliable and constant electricity supplies. "We all have a collective responsibility to ensure that Nigerians get stable, reliable and affordable electricity supply. Power is a catalyst for economic development — you hold the key to our economic development. We, therefore, cannot afford to fail Nigerians," she remarked. Addressing a meeting of the Permanent Secretary, directors in the Ministry of Energy (Power), chief executives and managing directors of parastatals and agencies in the power sector, she said the country's 'Vision 2020' and the seven-point agenda of the government are based on adequate power supplies. She urged the officials to set realistic action plans by identifying the challenges, achievements and projections for 2008 and beyond, as well as the *modus operandi* for achieving the set targets. Balaraba stressed the importance of maximizing the available resources for better results, with due emphasis on monitoring feedback. *NigeriaDirect*

Nigeria targets $20 billion annual budget for E&P — Minister

Abuja — The Nigerian government plans to spend about $20 billion annually over the next three years on oil exploration and production in order to expand its output capacity and reserves, Minister of State for Energy (Petroleum,) Odein Ajumogobia (SAN), has said. "Nigeria has an aggressive production capacity expansion plan that targets a robust portfolio of supply development plans from 2007 to 2010 that will grow capacity from about 3 million b/d currently to 4m b/d," Ajumogobia was quoted as saying at a ceremony marking 50 years of oil exploration in Nigeria. The funding plan, he said, puts Nigeria ahead of its fellow OPEC Members in terms of production capacity growth investments. "While the average forecast for OPEC capacity addition is estimated at about 3.3 per cent annually between 2005 and 2010, Nigeria's planned capacity growth translates to a growth rate of about 6.5 per cent annually," he maintained. *NAN*

Nigeria gets new pricing policy

Abuja — A new gas pricing and regulation policy that is expected to ensure short- and long-term availability and affordability of gas in Nigeria has been approved by the country's President, Umaru Musa Yar'Adua. Presidential spokesman, Olusegun Adeniyi, said in a statement that the policy, which has already taken effect, stipulates that: "All oil and gas developers in the country are to allocate a specified amount of gas from their reserves and annual production to the domestic market." Under the new pricing policy, Nigeria's gas will be supplied at the lowest commercially sustainable price to the strategic domestic sector, which provides electricity for residential and light commercial users. This aims at ensuring that all natural gas liquids (NGLs) in Nigeria are preferentially deployed for domestic use, rather than for export. Gas-reliant industries, such as fertilizer and methanol producers, are also to benefit from the policy. Said Adeniyi: "The plan underpins Yar'Adua's commitment to ensure that Nigeria develops its gas reserves for domestic use, focusing, in particular, on electric power generation. Industries such as fertilizer and methanol that require gas as feedstock will be able to compete with their counterparts in other low-cost gas-producing countries." Nigeria is the ninth largest gas producer in the world with reserves estimated at 184 trillion cubic feet. Gas flaring has reportedly accounted for some 3.5 billion barrels of oil equivalent over the past 26 years because the country does not have the infrastructure to distribute gas locally. *NigeriaDirect*

$100 billion needed for Nigeria's oil region master plan

Abuja — The Niger Delta Development Commission (NDDC), an agency for the main Nigerian oil-producing region, requires $100 billion to execute a master plan to ensure rapid development of the troubled region. NDDC Managing Director, Timi Alaibe, said the development plan has the potential to restore peace to the region. He urged stakeholders to mobilize the political will and funds to execute the plan. "For the first time, a holistic development plan is in place with (the) strong backing of relevant stakeholders. We are building on existing structures rather than the common tear-down-and-start-again (policies) which have bred mistrust and disillusionment among us," Alaibe said. The NDDC head said the plan contained the implementation of projects such as rail lines, road construction and industrial parks, as well as the provision of business clusters. *NigeriaDirect*

Norwegian oil minister praises Saudi Arabia over environment fund

Riyadh — Norway's Minister of Petroleum and Energy, Aslaug Haga, has welcomed the call by Saudi Arabia's King Abdullah to set up an international fund for conservation of the environment. She also expressed delight at the contribution of the Kingdom of Saudi Arabia of $300 million to establish the facility. Addressing a press conference in Riyadh after talks with Saudi Arabian officials, the minister said she had discussed the issue with Minister of Petroleum and Mineral Resources, Ali I Naimi. In response to a question, she said her country is now considering how to contribute to the proposed fund. "During my meeting with Minister Naimi, we discussed oil market issues and the challenges facing many countries, most important of which is climate change," she said. Haga expressed pleasure at the Kingdom's readiness to develop the technology relating to emissions abatement. "We also discussed the issue of the control of carbon dioxide and storing it, since both Norway and Saudi Arabia are energy exporters," she said. On the oil market situation, she said the viewpoints of her country and Saudi Arabia are similar. "We discussed matters relating to the oil situation in the light of our confusion as to where the US economy is heading," she said. But we know that demand for oil is on the increase and that definitely there will be no shortage of supplies in the producing countries," she said. *SPA*

Abu Dhabi sees foreign investment surge to $2.7 billion in 2007

Abu Dhabi — The Abu Dhabi Securities Market (ADSM) has witnessed a tangible increase in institutional investment, particularly foreign participation, with net overseas investment amounting to $2.7 billion in 2007, compared with $272 million in 2006, according to an overview of the market activities released by ADSM. The report also showed that the value of trading increased by 148 per cent — rising from $19.2bn in 2006 to $48bn in 2007. The daily average value of trading increased by 178 per cent from $68m to $190m a day. The number of traded shares increased by 361 per cent — from 11.3bn to 52.1bn shares. The daily average traded shares also rose by more than 415 per cent — from 40.1m to 206.6m traded shares per day. The Index increased by 51.7 per cent. During 2007, the ADSM held a series of road-shows in London and New York aimed at introducing listed companies to a number of the largest asset management funds, financial analysts, investment funds and institutions in the UK and the US to support investor relation activities, enhance transparency and promote the ADSM market. To strengthen its international exposure, the ADSM signed a number of memoranda of understanding with the Bahrain Securities Market, Singapore Exchange Limited (SGX), Hong Kong Exchanges and Clearing Limited (HKEx) and with the Taiwan Stock Exchange. These were aimed at enhancing and strengthening cooperation between the ADSM and the exchanges in question and to facilitate cross-listings and increase institutional participation. *WAM*

Ras Al Khaimah records nine per cent increase in foreign trade

Ras Al Khaimah — Foreign trade in the emirate of Ras Al Khaimah rose by 8.89 per cent during 2007 in comparison with the preceding year. The Director General of the emirate's Ports and Customs, Mohammed Abdullah Al Mahrazi, said the total value of imports stood at $1.7 billion, while exports were valued at $600 million. He added that Japan topped the list of exporting countries to the emirate, followed by Indonesia, China, Germany and India. *WAM*

Venezuela's PDVSA to put $15.6 billion into operations in 2008

Caracas — Venezuela's state oil company, PDVSA, is set to invest $15.6 billion in 2008, in order to meet its 2012 production goals, according to Energy and Petroleum Minister, Rafael Ramirez. He said the investment would allow Venezuela to increase its production to 5.8 million b/d within a period of five years. Ramirez also said that the investment figure was a "qualitative leap" from previous outlays, since, up until 2002, Venezuela had not invested more than $3.3bn in PDVSA operations. He noted that in 2006, PDVSA's investment totaled $5.8bn, while in 2007 it was $10bn. Ramirez made his remarks after a National Assembly event, during which President Hugo Chávez recounted the country's major political, social and economic accomplishments of 2007. *ABN*

Nicaragua receives 276,000 barrels of oil from Venezuela

Managua — Nicaragua has received 276,000 barrels of oil from Venezuela under the so-called Bolivarian Alternative for the Americas (ALBA) framework, which is a multilateral initiative of solidarity undersigned by both countries. The oil shipment, which is the first to be sent from Caracas to Managua, is valued at $20 million, the President of the state-run oil company, Petróleos de Nicaragua (Petronic), Francisco López, said. Venezuela will supply Nicaragua with 10 million barrels of oil a year at preferential rates. *ABN*

Chávez guarantees Argentinean energy supplies

Caracas — The President of the Bolivarian Republic of Venezuela, Hugo Chávez Frías, has told Argentina it does not have to worry about its energy resources since his country will supply it with all the oil it needs for human and industrial development. "There is oil in Venezuela for 100 years or more," said Chávez, speaking at a meeting with Argentinean businessmen. He stated that meetings like this one are essential for the geographic, political, economic, and cultural unity of South America. "An opportunity to build the path for unity appears again at the beginning of the 21st century because only united we will be free. We have made progress … but we still have a lot to do." The President stressed that it is necessary to define guidelines to boost relations between Venezuela and Argentina, especially in the four areas of energy and food supplies. "Therefore, we have to cooperate with each other to solve this situation." *ABN*

Strengthening the Mayangnas:

a sustainable future for an indigenous minority

"Our whole way of looking at things has changed. Before, we were just surviving, because we lacked opportunities. Now, because of the project, we take better care of our crops and our environment. We think about how to improve our living conditions and community, and about our children's future."

The comment below, made by one of the beneficiaries of a rural project part-funded by the OPEC Fund for International Development (OFID) in Nicaragua, sums up the difference that sustainable, targeted and participatory development programmes can make to the lives of the poor. People who were formerly marginalized and impoverished find their whole perspective on the world changes. Whereas before they were preoccupied with mere survival new opportunities open up before them. The beneficiaries of this project were the Mayangnas, one of Nicaragua's indigenous groups.

The present and future situation of the world's 300 million indigenous or traditional people is one of the key concerns in development policy today. Indigenous people, or those descended from the original inhabitants of a particular region or territory, have historically been among the poorest and most excluded populations in the world. The expansion of Western culture and economic activity has tended to marginalize such groups even further. In many places, their future as viable communities is threatened.

While it is essential to include indigenous peoples in poverty reduction activities, their specific lifestyle, background and experience needs to be taken into account when developing such activities. As with all communities, development projects and programmes aimed at indigenous groups should provide them with enabling conditions, technical skills and financial resources to participate actively in the planning and implementation of their own development. This notion of self-development tries to strike a balance between maintaining and strengthening the cultural identity of indigenous communities and improving their economic conditions.

Precarious livelihoods

Almost by definition, indigenous peoples usually live in remote and/or inhospitable regions, with precarious livelihoods and uncertain futures. They represent a rich heritage of knowledge and ideas, which may have been lost to the mainstream population, but is a potential resource to the entire planet. The forced assimilation or loss of indigenous groups is a tragedy not only for the groups themselves, but for all of mankind.

Drying the crops on mats.

Cacao pods after the harvest.


Project beneficiaries cultivating cacao shrubs.

The indigenous peoples of Latin and Central America face similar challenges to traditional peoples elsewhere, the most intractable of which is poverty. The Central American country of Nicaragua is one of the least developed in the region, with more than a quarter of its 5.4 million people living on less than $1 a day.

As with many developing countries, poverty is not uniform throughout the country, but higher in certain regions, most of them rural. Among the rural poor is Nicaragua's small indigenous population, which not only faces poverty but marginalization and multifaceted threats to its traditional way of life.

Many of Nicaragua's indigenous people live in the Autonomic North Atlantic Region (RAAN), the rugged but beautiful eastern part of the country. According to the World Bank, the Atlantic coast of Nicaragua contains the 'largest remaining area of pristine forest in South America."

RAAN comprises about 25 per cent of Nicaragua's total land area, but has a small population of just 160,000, many of them from the indigenous groups, known as the Miskitos and the Mayangnas. The Mayangnas are the oldest indigenous tribe in Nicaragua and are among the poorest people in the region.

OFID has been assisting the Austrian Relief Organization, a non-profit non-governmental organization (NGO), in a project aimed at strengthening the communal organization and productive capacities of the Mayangna, with the long-term aim of ensuring the sustainability of the tribe.

The RAAN territory has an abundance of natural resources, including minerals such as gold, silver, copper and lead, extensive stocks of fish and shellfish, pine forests and rainforests rich in valuable hardwood species, such as mahogany. Traditionally, the Mayangna have protected and managed the forest and other resources using traditional means, but exploitation operations are causing great damage to the living conditions of these groups, their culture and the environment.

In the 1990s, the Nicaraguan NGO, the Foundation for the Autonomy and Development of the Atlantic Coast of Nicaragua (FADCANIC), carried out a participatory study of the region's economic and cultural environment. The three-year 'Strengthening the Mayangnas' project was based on this research. In 2000, an external evaluation found:

- There was increasing intrusion of non-indigenous farmers in the Mayangna territory, posing a threat to one of the biggest protected areas in Central America.
- Food security for the local population could not be assured all year round.
- Health and educational facilities were 'disastrous'.
- Communal organizations needed to be strengthened to enable them to defend the group's basic rights effectively.
- There was a lack of female participation in decision-making processes.

The Austrian Relief Organization project was tailored to address some of these pressing problems. The project, which ran from 2003 to the end of 2007, had two components - agricultural production and organizational development. The funds provided by OFID were directed mainly at the first component. The project concentrated on 350 indigenous families from 13 villages in the Sauni territory along the River Tungky. Around 5,260 people in total stood to benefit directly from the activities.

Self-sufficiency the goal

As far as agriculture is concerned, the project's main aim was to help the Mayangna produce more food and become self-sufficient in basic foodstuffs. It also focused on finding and developing marketing channels to help the tribe sell any agricultural surpluses and thus generate much-needed income. Farmers were given a supply of basic seeds for a variety of crops and food plants, as well as natural fertilizers and training in improved agricultural methods, pest and disease control.

Among the many positive effects the project has had is a reduction in the use of the destructive slash-and-burn method of agriculture in primary forest areas. This is where patches of forest are cut and burned to clear them of foliage so that the ground can be cultivated. When the soil becomes too poor to grow crops, it is left fallow to recover. This practice is unsustainable in the long run and results in ever-decreasing yields, as the already fragile forest soils are depleted of nutrients.

Strides have been made in increasing the output of traditional crops such as beans, with 260 local farmers now producing organic beans. They are using organic fertilizer and new tools, and yields have risen by 15 per cent. Attempts have also been made to increase the output of cacao, by educating producers about subjects such as pest and disease control, and encouraging farmers to set up their own greenhouses to cultivate healthy seedlings. There has been an increase in the number of female cacao producers in particular.

Some 130 families are now combining agriculture with forestry and livestock rearing, planting crops such as bananas, cacao and various alternatives that can be grown in association with the forest. Many of them started with just a few cocoa shrubs, but they have all been able to double the number of plants they cultivate, thanks to the increased knowledge about controlling plant pests and diseases.

To assist in transportation and farm work, 92 horses and 13 donkeys were purchased for the farmers, with the understanding that the recipients pass on the foals to other families. In the case of small animals, hens and other fowls have been distributed to local people, also on the understanding that they share the eggs and chicks with other families, so increasing poultry ownership.

There has been a marked improvement in the health of the elderly and young children because of the availability of curdled milk from the cows, as well as eggs from the chickens. The farmers are now selling the surplus milk and eggs, bringing in money to help pay for their children's education and buy basic household essentials that they formerly found very difficult to afford.

They are using the manure from the animals to produce fertilizer for their crops, an excellent way of ensuring the sustainability of the project and also prevent pollution of the environment by animal wastes.

In November 2005, just two years after the start of the project, one of the farmers benefiting from the project told visitors: "Before, we did not participate, our rights were not taken into account, and our children did not study for lack of money. Now, our children go to school, and they go with full stomachs because we have some income. Right now my son is studying agronomy in Siuna. Before this project started we would never have dreamed that this would be possible."

Poultry rearing has strengthened the local diet, as well as making surplus money available.

Marketing activities

As the project neared its end, marketing efforts for surplus crops were being carried out at local and regional markets, and exchange visits undertaken so that communities could share in the successful experiences of others. Previously, goods for trade had to be transported to market either on people's backs or by canoe and it sometimes took several days. Often the produce was spoiled by the time it got to the selling point. Now that the people have horses they are able to get their products to market much faster and in better condition, thus raising more money from them. Confident that they have now reached the point where they can grow enough for their own needs, the farmers are very keen to produce more for the market.

A FADCANIC official noted: "Before, the people referred to this as FADCANIC's project - it was an outside project that they didn't know anything about. But now they know it's their project – it's a community project and it benefits the whole community.

"There are still many problems that have to be resolved, but the project has taught the people that they have the capability to solve them. They have gained in self-confidence."

With regard to the all-important area of capacity-building and organizational development, the project held workshops for community leaders and forest guards on essential topics to help them run their own reserves.

There is a strong emphasis on getting all the local people involved in decision-making, planning and problem-solving. Special efforts have been made to include women, who were formerly discouraged from taking an active part in community affairs.

The ultimate goal is to enable the Mayangna themselves to take charge of their own development activities so that long after the project has wound up its effects will be felt throughout their ancestral homeland.

All photographs: F Rivera/Hilfswerk Austria

January/February

This section includes highlights from the OPEC Monthly Oil Market Reports (MOMR) for January and February 2008 published by the Petroleum Market Analysis Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

January 2008

Crude oil price movements

The OPEC Reference Basket[1] continued to soften in the early part of December against a background of softening incremental demand and speculation over higher OPEC output. Easing geopolitical developments in the Middle East also lent support to market calm. Hence, in the first week of the month under review, the Basket average was down by $3.81/barrel, or 4.3 per cent, to $84.97/b. However, market sentiment reversed somewhat in the following weeks and the Basket averaged the month at $87.19/b, down by $1.80/b, or two per cent, from its close in November. However, the year-on-year average was over 50 per cent higher with the 2007 average at $69.10/b for a gain of $8.02, or over 13 per cent, over 2006.

"Volatility dominated the marketplace in 2007, as the market reacted to falling United States gasoline stocks amid persistent refinery outages, the weak US dollar and geopolitical developments triggering rallies, which drew increased speculation in the energy futures market," commented the OPEC report.

"However, high crude stocks at Cushing, Oklahoma, earlier last year, increasing OPEC output and the weaker economic outlook kept balance in the petroleum complex," it added.

On the US market, Nymex WTI recorded a December average of $91.70/b, a drop of $3.20, or 3.4 per cent, from November. For all of 2007, the US benchmark crude averaged $72.29/b, $6.25, or 9.5 per cent, higher than in 2006.

In the North Sea market, December Brent averaged $91.25/b, a decline of $1.37, or 1.5 per cent, from the previous month. For 2007 as a whole, Brent averaged $72.55/b, $7.39, or 11.3 per cent, higher than in 2006.

In the Mediterranean market, Russia's Urals crude averaged $89/b in December, $1.20 lower than the previous month, while, for the year, its average was $8.18, or 13.3 per cent, higher at $69.55/b.

In the Middle Eastern market, marker crude Dubai averaged $85.79/b in December, a decline of $1.17, or 1.3 per cent, from November, while, for the whole of 2007, it gained $6.84, or over 11 per cent, to reach $68.38/b.

World oil demand

In its review of the market, the OPEC report said data showed that temperatures in North America and Europe were colder than normal in December. This not only increased heating oil consumption, but also boosted natural gas prices.

Total world oil demand growth in the fourth quarter matched OPEC's previous forecast of 1.8 million barrels/day. For 2007, world oil demand growth was forecast at 1.2m b/d, or 1.4 per cent more than in the previous year.

"Non-OECD countries represented most of world oil demand growth (in 2007). However, North America's oil demand inched up by around one per cent. Transport fuel was hit by higher oil prices, especially in the OECD region.

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).

Gasoline and diesel did not grow as expected in 2007," said the report.

Demand for OPEC crude in 2007 is estimated to have averaged 31.82m b/d, an increase of 224,000 b/d over the 2006 figure. On a quarterly basis, demand for OPEC crude was out at 31.77m b/d, 30.70m b/d, 32.11m b/d and 32.70m b/d, respectively.

For 2008, demand for OPEC crude is expected to average 31.52m b/d, a decline of around 307,000 b/d compared with 2007. On a quarterly basis, demand for OPEC crude is expected to average 31.99m b/d, 30.54m b/d, 31.38m b/d and 32.17m b/d, respectively. Ecuador figures are now included in OPEC supply.

Concerning the OECD, North America's strong growth in the early winter months pushed the region's fourth-quarter oil demand higher to show an expansion of 500,000 b/d year-on-year to average 50.27m b/d.

However, slow economic activity, along with moderate transport fuel demand, contributed to the weak oil demand growth in the US for the whole of 2007. Oil demand grew by only 0.18 per cent y-o-y. Distillate fuel oil expanded the most, adding 79,000 b/d to total US oil demand growth last year.

In OECD Europe, and given the slow transport fuel demand, fourth-quarter oil demand was forecast to have expanded by 60,000 b/d y-o-y.

In the OECD Pacific, and given the mild growth in both Japan and South Korea, fourth-quarter oil demand growth was slated at 100,000m b/d y-o-y.

With strong oil demand in the Middle East and India, developing countries' oil demand is estimated to have contributed the most to total world oil demand growth in 2007, reaching an expansion level of 760,000 b/d to average 24.04m b/d.

Due to stronger-than-expected economic activity, other Asia fourth-quarter oil demand was revised up by 30,000 b/d, while for the whole of 2007, oil growth in this region was slated to have reached 200,000 b/d y-o-y.

Backed by strong transport fuel use, which represents 30 per cent of China's total oil demand, the country's apparent oil demand for the fourth quarter was expected to have grown by 500,000 b/d y-o-y to average 7.42m b/d.

Russian economic activity was also seen as keeping oil demand healthy in the Former Soviet Union (FSU), with fourth-quarter apparent oil demand forecast to have expanded by 70,000 b/d y-o-y to average 4.32m b/d.

For 2008, world oil demand is forecast to grow by 1.3m b/d to an average of 87.07m b/d, unchanged from OPEC's last assessment.

"The effect of high oil prices on consumers might have a moderate impact in the short run, especially in the OECD. Hence, transport fuel consumption, if not on the decline, will be flat. However, the same effect is diluted elsewhere, especially in regions that represent a large share of world oil demand this year because of price subsidies that shield consumers, such as in China, India, and OPEC Member Countries," said the report.

It said that, given the cold weather forecast for the first quarter, oil demand in North America is slated to expand by 330,000 b/d y-o-y to average 26m b/d.

Strong winter oil demand in the OECD is also expected to contribute to world oil demand growth reaching 1.5m b/d y o-y in the first quarter of 2008.

World oil supply

Preliminary figures indicate that world oil supply averaged 86.78m b/d in December, an increase of 1m b/d over the previous month, with OPEC's crude share put at around 36.9 per cent. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC natural gas liquids (NGLs) and OPEC crude production from secondary sources.

Non-OPEC supply in 2007 is estimated to have increased by around 640,000 b/d over the upwardly revised figure of 2006 to reach a level of 49.55m b/d, which represents a downward revision of 71,000 b/d compared with OPEC's last assessment. Downward revisions to Canada, Mexico, the United Kingdom, Australia and Brazil were partially offset by minor upward revisions to other countries.

The third and fourth quarters of last year witnessed significant downward revisions of 75,000 b/d and 247,000 b/d, respectively, while the first and second quarters were revised upwards by 22,000 b/d and 20,000 b/d, respectively.

On a quarterly basis, non-OPEC supply in 2007 is put at 49.82m b/d, 49.54m b/d, 49.01m b/d and 49.84m b/d, respectively.

The report said that preliminary data for December put total OECD supply at around 20.31m b/d.

It pointed out that the FSU region performed well in 2007, especially Russia and Azerbaijan, followed by North America, Africa, China, the Asia Pacific and Latin America.

The effect of high oil prices on consumers might have a moderate impact in the short run, especially in the OECD.

The FSU showed growth of 530,000 b/d, while Azerbaijan witnessed another year of strong performance with growth of around 240,000 b/d. Kazakhstan performed as in 2006 with modest growth of 60,000 b/d, while Russia's growth is estimated to have been 230,000 b/d.

Oil supply in the Latin American region was virtually flat over 2006, with only Brazil witnessing minor growth of around 50,000 b/d. North America's production increased by 110,000 b/d, driven by Canada and the US, while Mexico's output dropped a significant 190,000 b/d.

The African region recorded an increase in its performance of around 90,000 b/d, with most of the increase coming from Sudan.

China showed a modest gain from expansions and new projects, while, in OECD Pacific, both Australia and New Zealand managed modest gains over 2006.

Other Asia and the Middle East remained broadly flat, while OECD Europe recorded a decline of 190,000 b/d. The UK saw a decrease of 80,000 b/d, while Norway suffered a loss of 220,000 b/d.

For 2008, non-OPEC supply is expected to average 50.63m b/d, an increase of 1.08m b/d over the 2007 figure and a downward revision of 117,000 b/d from last month's OPEC assessment. On a quarterly basis, non-OPEC supply is expected to average 50.61m b/d, 50.21m b/d, 50.22m b/d and 51.45m b/d, respectively.

Total OECD oil supply is forecast to reach 20.06m b/d in 2008, a drop of around 90,000 b/d from the 2007 figure. On a quarterly basis, OECD oil supply is expected to average 20.39m b/d, 19.82m b/d, 19.61m b/d and 20.43m b/d, respectively.

Oil supply in the US in 2008 is expected to reach a level of 7.65m b/d, representing growth of 159,000 b/d over 2007 and a downward revision of 44,000 b/d from OPEC's last assessment.

Canada's oil supply for 2008 is slated to average 3.30m b/d, up by 28,000 b/d over 2007 and a minor upward revision of 3,000 b/d over the previous OPEC report.

With the massive use of food crops for biofuels, along with water shortages, food price inflation has become a worldwide problem.

Oil supply from Mexico in 2008 and now stands at around 3.35m b/d, representing a significant decline of 150,000 b/d compared with 2007.

In Western Europe, supply is expected to reach a level of around 4.90m b/d in 2008, down by 295,000 b/d from the 2007 figure and 13,000 b/d below last month's OPEC assessment.

Norway's output is estimated to average 2.48m b/d in 2008, which represents a decline of around 74,000 b/d from the 2007 figure, while UK supply is slated at 1.42m b/d, down by 212,000 b/d from 2007.

In the Asia Pacific, oil supply is forecast to average 780,000 b/d in 2008, which represents 166,000 b/d more than the 2007 figure.

Australia is expected to produce 630,000 b/d in 2008, up by 101,000 over the 2007 figure, while New Zealand is forecast to add 65,000 b/d to its 2008 production to hit a level of 150,000 b/d.

In the developing countries, oil supply is expected to reach 11.61m b/d in 2008, which represents growth of 607,000 b/d over 2007.

Other Asia is forecast to see an output level of 2.83m b/d in 2008, higher by 102,000 b/d over 2007. India, Malaysia, Vietnam, the Philippines and Thailand are expected to add some 22,000 b/d, 28,000 b/d, 27,000 b/d and 26,000 b/d, respectively.

Latin American oil supply is slated to average 4.30m b/d in 2008, significantly higher by 406,000 b/d over 2007. Brazil is the major contributor with around 409,000 b/d.

In Africa, supply is expected to average 2.78m b/d in 2008, representing growth of 84,000 b/d over 2007. Major contributors to the expansion are Congo, Egypt, Equatorial Guinea and Gabon, while Sudan and South Africa may see some minor declines.

The Middle East is the only group expected to see output stay almost flat in 2008, compared with 2007. Production in the year is expected to average 1.70m b/d.

Oil supply in the former Soviet Union in 2008 is forecast to average 13.02m b/d, up by 480,000 b/d over 2007.

Supply in other Europe is expected to remain flat in 2008 over 2007 at around 150,000 b/d. Russian oil supply in 2008 is slated to reach 10.06m b/d, which represents growth of 180,000 b/d over 2007, while, in the Caspian, oil supply in Kazakhstan is expected to grow by 90,000 b/d in 2008 to 1.45m b/d, compared with 2007.

Oil supply in Azerbaijan is forecast to expand by 203,000 b/d in 2008 to reach a level of 1.09m b/d.

China's oil supply in 2008 is forecast to average 3.84m b/d, representing growth of 65,000 b/d over 2007.

OPEC oil production

Total crude oil production averaged 31.99m b/d in December, an increase of 456,000 b/d from the November level, according to secondary sources. OPEC production, excluding Iraq, averaged 29.66m b/d, up by 453,000 b/d from November. There was a significant increase of 395,000 b/d from the United Arab Emirates, due to the return of fields from maintenance. OPEC Production for the fourth quarter of 2007 averaged 31.70m b/d, while the annual figure for 2007 stood at an average of 30.96m b/d.

In 2007, OPEC's production of NGLs and non-conventional oils is expected to have averaged 4.40m b/d, an increase of 340,000 b/d over the previous year. The annual figure for 2008 is forecast to reach 4.93m b/d, an increase of around 530,000 b/d over 2007.

Alternative fuels

Commenting on alternative fuels, the OPEC report said that high oil prices are helping the alternative fuel industry to become economically feasible and, in turn, supporting reduced governmental subsidies.

"It has also solved the industry over-supply problem as demand increased in the fourth quarter. The rise in power generation fuel costs also helped renewable energy, such as wind and solar, to become more feasible to use.

"However, the biofuels industry is being struck by setbacks. Increasing biofuels production has caused food prices to accelerate and led to massive deforestation worldwide. It has also become questionable as to whether ethanol can be considered 'green' since it may not cut carbon dioxide emissions as was believed.

"With the massive use of food crops for biofuels, along with water shortages, food price inflation has become a worldwide problem. During 2007, US producer prices for food increased by more than seven per cent," the report stated.

Downstream activity

Looking downstream, the OPEC report stated that a combination of higher global refinery operation rates and product output, along with relatively lower seasonal demand, especially for middle distillates, eased the perception of product market tightness and had an adverse effect on the economic performance of refineries across the globe.

"Higher crude oil prices also contributed to the weak performance of the downstream in December. The continuation of the recent product stock-builds, especially in the Atlantic Basin, could trigger the bearish sentiment of both the physical and the futures markets, capping the upward momentum of crude prices.

"However, with the start of spring refinery maintenance, the current situation of the product market may change, supporting crude and product prices in the coming weeks," said the report.

Refining margins for WTI crude on the US Gulf Coast declined by $1.12/b to $3.73/b from $4.85/b in November. In Europe, the market followed suit and margins for Brent crude at Rotterdam slid by $2.82/b to $2.60/b from $5.42/b the previous month.

In Asia, mild weather in the north and higher imports of the bottom of the barrel components undermined the bullish market sentiment, exerting significant pressure on refining margins.

Refining margins for Dubai crude oil in the Singapore market plummeted by $3.11/b to $3.25/b in December, from $6.36/b the previous month.

The report commented that, historically, the fourth quarter used to be the most profitable period of the year for refiners, who usually tried to maximize operations in the three months.

"Due to the shifting demand pattern in the market and diminishing fuel oil consumption in the power generation sector, refinery economics and consequently operation rates were adversely affected in the fourth quarter of 2007," it stated.

Due to planned and unplanned outages, refinery operations declined further in 2007, especially in the early part of the fourth quarter. Following the completion of the autumn maintenance schedule, unplanned outages were curtailed significantly leading to higher refinery operation rates across the board in December.

The refinery utilization rate in the United States surged by 2.8 per cent in December, compared with the previous month, to reach a level of 91.8 per cent. In Europe, the refinery utilization rate rose by 1.9 per cent to 87.2 per cent from 85.3 per cent the previous month. In Asia, refiners followed the same trend with the operation level improving in most countries. In Japan, the refinery utilization rate hit 95.6 per cent, up considerably from the 89.3 per cent recorded in November.

"Falling refining margins and higher product stock-builds, along with the scheduled spring refinery maintenance, may lead to lower refinery operation rates again in the near future," the OPEC report observed.

Oil trade

Regarding oil trade, US crude oil imports declined in December for the second consecutive month. The 2.5 per cent decline was partially due to the drop in Mexico's production, despite a rise in the refinery utilization rate.

Additionally, the high freight rates also affected arbitrage opportunities to the US, coupled with backwardation in the forward market that did not favour more imports. December figures for US crude oil imports reduced the 2007 average to stand at 0.5 per cent below 2006.

US crude oil stocks declined as a result of increased refinery runs and declining imports. US December product imports stood three per cent lower than the previous month. The lack of arbitrage opportunities, due to high freight rates, negatively affected imports, as did higher refinery runs.

US gasoline imports dropped by three per cent in December from the previous month, supported by higher domestic production, despite the increase in demand.

Kerosene imports experienced a 22 per cent decline in December, due to lower demand and a three per cent increase in production, while distillate imports declined by 13 per cent, which resulted in stocks dropping by 4.2m b at the end of December, compared with the previous month.

US fuel oil imports increased sharply by 30 per cent in December from the previous month, supporting the rise in demand.

US exports remained relatively steady in December with a minor decline in product exports, which decreased by 1.5 per cent (20,000 b/d) from the previous month and resulting in an annual average of 1.28m b/d in 2007.

Accordingly, US net oil imports declined by 2.7 per cent in December from the previous month. Both net crude oil and net product imports negatively influenced US total net oil imports with crude having more weight.

However, on an annual basis, US net oil imports saw an increase of 2.5 per cent in December with an annual average of 12.2m b/d in 2007, 0.5 per cent higher than the 2006 average.

According to estimated data, Japan's crude oil imports increased by five per cent in December from the previous month to reach the highest level seen in 2007. With the increase, Japan's average crude oil imports in 2007 remained steady compared with the 2006 average with a minor decline of 0.6 per cent.

The increase in crude oil imports came as refiners endeavoured to build product stocks with higher refinery utilization rates in December, as well as to meet the planned increase in throughput in the coming period.

Japan's crude oil imports experienced a 13 per cent increase compared with the same period last year, yet the low base of December 2006 can be attributed to the high annual rise.

In terms of products, Japan imported ten per cent more products in December, compared with the previous month. Winter demand, as well as power generation and petrochemical requirements, were among the reasons for the increase in product imports.

Japan's product exports increased sharply by 38 per cent in December from a month earlier, according to estimated data. The increase came as a result of higher refinery runs. On average, Japan exported around 30 per cent more products in 2007 than in 2006.

Japan's net oil imports increased in December by three per cent to mark the highest level since January 2007. The rise came as a result of increased crude oil and product imports.

The increase in product exports partially offset the gains, with Japan's net product imports declining by 80 per cent in December

The drop of some 620,000 b/d in crude oil stocks in December was a result of a combination of a sharp decline in imports and an increase in refinery throughput.

from the previous month. On an annual basis, Japan's net oil imports rose by one per cent in December, compared with a year earlier, for an average of 4.11m b/d, a decline of six per cent from the previous year.

Stock movements

Regarding stock movements, US total commercial oil stocks dropped significantly to 970m b in December — their lowest level in the last three years. The draw of around 32m b in December, the biggest in ten months, which is comparable to a typical draw seen at the end of the year, was largely motivated by tax considerations.

Over the previous five years (2002–06), the draw in December has always averaged around 30m b, except in 2004. In 2006, the draw was even higher at 40m b.

More than 60 per cent of the draw, corresponding to almost 20m b, was represented by crude oil stocks, which fell below 286m b for the first time since the end of 2004.

"Crude oil inventories have followed a downward trend in the second half of 2007 after having reached their all-time high of more than 354m b in June," observed the OPEC report.

At 286m b, US crude oil stocks fell below the five-year average for the first time in 2007, some 8m b or three per cent below the margin, compared with an overhang of 40m b or 13 per cent at the end of the first half of 2007.

The decline of stocks below the five-year average also translated into a drop in the forward cover below the five-year average. By the end of the year, US commercial crude oil stocks represented 19 days of forward cover, half a day below the five-year average, compared with a surplus of around three days at the end of June 2007.

The drop of some 620,000 b/d in crude oil stocks in December was a result of a combination of a sharp decline in imports and an increase in refinery throughput.

Product stocks also declined in December but the picture was mixed across the components. Gasoline stocks rose by a further 7.2m b to 207.8m b, the highest level since the end of February, but in line with the five-year average.

The recovery in gasoline stocks was driven by higher output from refineries and lower seasonal demand. Despite the recovery, days of forward cover for gasoline stocks remained at less than half a day below the five-year average at the end of the year, compared with the two-day deficit seen during the high demand summer season.

In contrast, due to strong demand spurred by cold weather, distillate inventories fell by 4.2m b, the biggest decline since February, to stand at nearly 128m b, widening the deficit with the five-year average in terms of forward cover to almost two days.

On the other hand, residual fuel oil and jet fuel inventories continued to hover around the 38m b and 40m b mark, respectively.

The Strategic Petroleum Reserve (SPR) continued its upward trend. With a build of 1.1m b — the fifth in a row — the reserve reached a level of 697m b at the end of December, the second highest level after the record 700.7m b seen in August 2005.

"Despite criticism of efforts to boost the SPR at a time when prices were approaching $100/b, the Department of Energy has a plan to add 1.9m b to the SPR as royalty-in-kind in January, around 1–1.4m b between February and April, and then a further 3m b in May and June to compensate for crude released in 2005, following hurricanes Katrina and Rita," said the OPEC report.

Total oil stocks in EU-16 (Eur-15 plus Norway) reversed their downward trend, increasing for the first time since last August to end the year at 1,115m b, or slightly above the five-year average.

The build of 4.8m b over November was attributed to products, which surged by 5.6m b to stand at 636m b, but remained 10m b below the five-year average, compared with an overhang of more than 40m b at the end of January 2007.

"The move from a significant overhang above the five-year average of product stocks from the beginning of the year to a deficit at the end of the year reflected the lower refinery utilization rate, due either to planned maintenance or particularly unplanned shutdowns," commented the OPEC report.

By product, distillate stocks led the build after a rise of 3.1m b to 370 amid increasing refinery runs, which kept the surplus over the five-year average at around 6m b for the third consecutive month, as against 56m b at the end of the first quarter. In addition, imports from the US, due to weaker diesel prices, helped European distillate stocks to build.

Following the same trend, gasoline stocks rose by 1.9m b to 124.4m b, the highest level seen in the second half of the year, due to declining arbitrage opportunities to US markets.

However, despite the build, European gasoline stocks remained largely below the lower end of the five-year range and showed a deficit with the five-year average of 17m b at the end of the year. Gasoline stocks actually hovered below the end of the five-year range throughout 2007.

Residual fuel oil inventories continued their downward trend, inching down by 300,000 b to 112.4m b in December, the lowest level since

August, whereas naphtha stocks continued their upward trend on the back of oversupply, rising by almost 1m b to 29m b, the highest level seen in the last ten months.

In contrast to products, crude oil inventories witnessed a minor draw of 800,000 b in December, offsetting the build of the previous month. At 479.3m b, EU-16 crude oil stocks remained comfortable at virtually the same level as a year earlier and 20m b above the five-year average.

The increase in refinery runs had a strong impact on crude oil stocks as arrivals of crude oil from Iraq increased. Additionally, closed transatlantic arbitrage contributed to help the healthy situation of stocks in the region.

According to preliminary data from the Petroleum Association of Japan (PAJ), both crude oil and product inventories dropped in December with crude oil slipping below 100m b again, the lowest level since the end of the third quarter, as a result of increasing refinery runs.

On the product side, middle distillate and gasoline stocks continued their mixed trends with the former drawing down 2.5m b and the latter increasing by 1.1m b.

February 2008

Crude oil price movements

The OPEC Reference Basket stood at an average of $88.50/b in January $1.31 or 1.5 per cent higher than the December 2007 figure. Prices experienced considerable volatility in the month, with the Basket reaching a record-high of $93.78/b on January 3, before declining to $83.84/b on January 22, the lowest level in three months. The market was affected by revived geopolitical concerns in the Middle East and West Africa, fears of a recession in the United States and a slowdown in the global economy. A US Federal Reserve interest rate cut, along with an economic stimulus plan, gave some support to the market. Market sentiment was also enhanced by a cold snap in the northern hemisphere, which prompted demand for winter fuels, while petroleum stocks experienced continued draws.

On the US market, the monthly average for WTI was recorded at $92.90/b, $1.2 or 1.3 per cent higher than the previous month. The US domestic market was supported by the narrowing transatlantic spread, while demand for winter fuels added to the market's bullishness.

In the North Sea, marker crude Brent averaged 75¢ higher in January at $92/b. Brent began the year backed by stronger demand for regional crude amid tight supply.

On the Mediterranean market, Russia's Urals crude ended 20¢ firmer in January at $89.20/b, while, in the Middle East, Dubai crude's monthly average was recorded at $87.35/b for a gain of $1.56 or 1.8 per cent over the previous month.

World oil demand

In its review of the market, the OPEC report noted that world oil demand growth for 2007 was gauged at 1.2m b/d, 1.4 per cent per cent higher than during the previous year.

Latest data showed that the weather in North America and Europe was colder than normal in December 2007, resulting in oil consumption growing strongly in the US to reach 470,000 b/d y-o-y. However, winter oil consumption was weaker in other OECD regions as a result of warmer weather. In non-OECD countries, Asia's oil demand turned out to be stronger than expected. As a result, the other Asia region saw its figure revised up by 100,000 b/d to reflect stronger oil demand in Taiwan, Singapore, and Malaysia.

World oil demand in the fourth quarter of 2007 followed the normal winter seasonal trend, growing by 1.7m b/d y-o-y.

Demand for OPEC crude in 2007 is estimated to have averaged 31.91m b/d, an increase of 289,000 b/d over the previous year. On a quarterly basis, demand for OPEC crude is estimated at 31.81m b/d, 30.73m b/d, 32.11m b/d and 32.97m b/d, respectively.

For 2008, demand for OPEC crude is expected to average 31.53m b/d, a decline of 375,000 b/d from 2007. On a quarterly basis, demand for OPEC crude is expected to average 32.07m b/d, 30.64m b/d, 31.38m b/d and 32.03m b/d, respectively.

In the US, high retail prices affected gasoline consumption growth, with no expansion seen in the fourth quarter. Overall, oil demand in the period was revised, down reflecting weaker consumption in both October and November.

Mexico's total oil demand for 2007 grew by a strong three per cent y-o-y, adding 53,000 b/d to total oil consumption. The engine behind this increase was mostly transport fuel.

Canada's oil demand also grew robustly in 2007, adding 61,000 b/d or 3.5 per cent to figures recorded the previous year. The report noted that high retail prices have had little effect on transport fuel consumption in both Canada and Mexico. Hence, gasoline consumption grew by 3.5 per cent and 5.8 per cent, respectively in the two countries.

For 2008, demand for OPEC crude is expected to average 31.53m b/d, a decline of 375,000 b/d from 2007.

As a result of the late arrival of winter in North America, fourth-quarter oil demand in this region was revised down by 50,000 b/d to show growth of 240,000 b/d y-o-y.

Given the higher-than-expected decline, total OECD fourth-quarter oil demand growth was revised down by 170,000 b/d to show y-o-y growth of 300,000 b/d.

In OECD Europe, fourth-quarter oil demand was forecast to have been almost flat y-o-y, down by 44,000 b/d from the last OPEC estimate.

In the OECD Pacific, despite the need for extra fuel oil to substitute for the damaged nuclear power plant in Japan, total demand was seen to be on the decline. Given the mild winter in the Pacific, the region's oil demand growth in the fourth quarter was revised down by 74,000 b/d to only 41,000 b/d y-o-y.

Looking at the developing countries, India's oil demand in December was strong, adding 154,000 b/d to total oil demand, which averaged the highest level for the whole year to stand at 3.0m b/d.

"Strong economic activities caused India's fourth-quarter oil demand to grow by 180,000 b/d or 6.8 per cent y-o-y to average 2.8m b/d. Transport fuel grew the most boosted by business and leisure travel and cargo," said the OPEC report.

The use of industrial and agricultural fuel was also an important factor for oil demand, with diesel and gasoline consumption growth adding a respective 87,000 b/d and 28,000 b/d in the fourth quarter. Hence, Indian oil demand grew by 130,000 b/d or five per cent to average 2.75m b/d in 2007.

Stronger economic activities in other Asian countries also called for more oil than expected. Oil demand in Taiwan, Singapore, and Malaysia was revised up by 100,000 b/d in total. Given the strong Asian oil demand, other Asia fourth-quarter oil demand was revised up by 100,000 b/d to exceed growth of 300,000 b/d y-o-y.

The expanding Saudi Arabian and Iranian economies caused a strong hike in oil consumption in the fourth quarter, with figures for the two OPEC members reaching 108,000 b/d and 54,000 b/d, respectively. Transport and industrial fuel grew the most reflecting low energy prices across the region. Hence, the Middle East's fourth-quarter oil demand growth was factored at 260,000 b/d to average 6.44m b/d y-o-y.

"Given the strong oil demand in the Middle East and other Asia, developing countries' oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching y-o-y growth of 800,000 b/d to average 24.08m b/d," said the report.

Of other regions, China's apparent oil demand in the fourth quarter was said to have grown by 440,000 b/d y-o-y to average 7.38m b/d, while Russian apparent oil demand kept its momentum with FSU oil demand growth forecast at 80,000 b/d y-o-y to average 4.32m b/d, unchanged from OPEC's previous estimate.

For 2008, world oil demand is forecast to grow by 1.2m b/d to average 86.99m b/d, slightly down from OPEC's last estimate.

"The slow world economy, a warm winter in the Pacific, along with weather-related disruptions in China over the New Year holiday, caused lower-than-expected oil consumption," commented the report.

It stated that a few variables will play a role in this year's oil demand. One is the weather.

"Warm weather will easily shave some of the anticipated oil demand, especially for fuel oil in OECD countries. Another variable is the oil prices. Although a big effect on oil demand is not anticipated, transport fuel would be slightly affected downward especially in the OECD. Another variable that might affect world oil demand is the slowdown in the US economy and its possible effect on non-OECD economies," it maintained.

In addition, it said, Europe has been pushing its policy for more fuel restrictions. The new plan would increase renewable energy use to 20 per cent of energy demand. The plan also touches on climate change, which calls for a 20 per cent cut in carbon dioxide emissions by 2020.

"Healthy demand from non-OECD countries, along with strong winter oil consumption, are expected to increase total world oil demand by 1.4m b/d y-o-y in the first quarter," said the report.

In the OECD region, US oil demand in January followed normal winter high seasonality, yielding growth of 350,000 b/d or 1.66 per cent y-o-y.

"Some factors, such as higher incomes, better fuel efficiency and the dependence on private transportation for travel, prevented January's gasoline demand y-o-y growth from declining," the report observed.

Gasoline grew the most — adding 190,000 b/d y-o-y. Jet fuel unexpectedly declined by a strong 4.75 per cent in January, while cold weather pushed natural gas prices up, which led to more usage of fuel oil among power plants. Winter products — heating and fuel oil — grew strongly in January.

North America's oil demand is forecast to grow by 240,000 b/d y-o-y in the first quarter to average 25.91m b/d, a decrease of 85,000 b/d from OPEC's previous estimate.

In Europe and the Pacific, the weather was not as cold as usual, leading to moderate consumption of winter products. OECD Europe and Pacific oil demand in the first quarter is forecast to grow by 100,000 b/d and 50,000 b/d, respectively.

Of the developing countries, the booming Middle East economies have boosted the region's demand for oil.

"Governmental investment in infrastructure and various industries will prolong the growth of oil consumption throughout 2008. Furthermore, regulated retail oil product prices resulted in strong growth in transport fuel consumption," said the report.

However, it is anticipated that oil demand growth in this region will not be as strong as last year, partially as a result of government efforts to curb oil demand growth.

The Middle East's first-quarter oil demand is forecast to expand by 260,000 b/d to average 6.71m b/d y-o-y.

Given that the first quarter is a low season for India's oil consumption, other Asia's oil demand growth is forecast to amount to 120,000 b/d y-o-y.

"India's transport fuel will be overwhelmed by the anticipated shift from motorcycles to small-efficient cars. This fact, along with fuel subsidies, will lead to strong growth in gasoline consumption in the near future," the OPEC report pointed out.

Anticipated economic growth in the FSU will lead to an increase in oil demand this year. Russia's recent announcement of higher duties for exported crude might lead to a mild increase in the FSU's apparent demand in the first quarter.

Of other regions, China has experienced a colder-than-usual winter. The weather paralyzed movement in the country during its most important holiday of the year. As a result, transport fuel lost its momentum, meaning that first-quarter oil demand will show weaker-than-anticipated growth.

Furthermore, due to a mass power shortage, industrial oil consumption was also affected.

The situation in China was further aggravated by a shortage in electricity supply which was caused by both droughts in hydroelectricity power plants and by a coal shortage.

The OPEC report observed that, in an effort to curb energy demand, China is planning to cut tax refunds on certain products in the future. This move is considered part of another mechanism to achieve the country's programme for energy efficiency.

In addition, China raised its jet fuel price for the first time since November 2007. The increase was as the result of rising international crude prices.

"Should this increase be passed on to final consumers, then it would affect air travel demand. In terms of other retail transport fuel prices, the government announced last month that it would freeze prices over the short term in order to curb the surge in inflation," said the report.

China's apparent first-quarter oil demand is forecast to grow by 320,000 b/d to average 7.80m b/d y-o-y.

World oil supply

Preliminary figures indicate that world oil supply averaged 86.59m b/d in January, an increase of 350,000 b/d over the December figure, with OPEC's crude share put at around 36.9 per cent. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Non-OPEC supply in 2007 is estimated to have increased by 560,000 b/d over the previous year to a level of 49.46m b/d. This represents a downward revision of 87,000 b/d from OPEC's last assessment.

Downward revisions made to the US, Mexico, Norway, Brunei and the FSU (Russia, Kazakhstan and Azerbaijan) were partially offset by upward revisions to the UK, Vietnam and Turkmenistan.

The fourth quarter witnessed a significant downward revision of around 296,000 b/d by OPEC, mainly due to the release of actual data.

On a quarterly basis, non-OPEC supply for 2007 is now put at 49.81m b/d, 49.51m b/d, 48.99m b/d and 49.54m b/d, respectively.

In 2007, the FSU showed growth of 500,000 b/d. Azerbaijan witnessed another year of strong performance with growth of around 210,000 b/d, whilst Kazakhstan performed as in 2006 with modest growth of 50,000 b/d. Russia's growth is estimated at around 220,000 b/d.

The Latin American region remained virtually flat with only Brazil witnessing minor growth of around 50,000 b/d, while other countries saw either no growth, or declines.

North America's supply increased by 90,000 b/d, driven by Canada and the US, while Mexico's production dropped by a significant 210,000 b/d.

The African region saw an increase in supply of around 90,000 b/d, with most of the increase coming from Sudan.

In the OECD Pacific, both Australia and New Zealand showed a modest increase in supply figures over last year.

Other Asia and the Middle East remained broadly flat, while supply in OECD Europe dropped by 190,000 b/d, with the UK experiencing a drop of 70,000 b/d, with Norway recording a loss of 220,000 b/d, due to field declines, heavy maintenance and unplanned shutdowns.

For 2008, non-OPEC supply is expected to average around 50.53m b/d, an increase of 1.07m b/d over 2007 and a downward revision of 96,000 b/d from last month's OPEC assessment. On a quarterly basis, non-OPEC supply is expected to average 50.39m b/d, 50.12m b/d, 50.18m b/d and 51.43m b/d, respectively.

Total OECD oil supply this year is forecast to reach 19.97m b/d, a drop of around 170,000 b/d from the 2007 average. On a quarterly basis, OECD oil supply is expected to average 20.24m b/d, 19.74m b/d, 19.55m b/d and 20.37m b/d, respectively.

US oil supply in 2008 is expected to reach a level of 7.64m b/d representing growth of 151,000 b/d over 2007 and a downward revision of 10,000 b/d from OPEC's last assessment.

Canadian oil supply for 2008 is expected to average 3.37m b/d, virtually flat compared with 2007 and a minor downward revision of 16,000 b/d from OPEC's last report.

Mexico's oil supply this year is expected to come in at 3.31m b/d, representing a decline of 178,000 b/d compared with the 2007 figure.

In Western Europe, oil supply is expected to reach a level of 4.88m b/d this year, representing a decline of 318,000 b/d from 2007 and 19,000 b/d less than last month's OPEC assessment.

Norway's production level is unchanged from the previous month's assessment of around 2.48m b/d, which represents a decline of 72,000 b/d from the 2007 figure.

The UK's production for 2008 is expected to average 1.42m b/d, a decline of 224,000 b/d from the previous year and unchanged from last month's OPEC assessment.

Oil supply in the developing countries is slated to reach 11.62m b/d this year, which represents growth of around 658,000 b/d over 2007.

Quarterly figures now stand at 1.57m b/d, 1.45m b/d, 1.29m b/d and 1.35m b/d, respectively.

Oil supply in the Asia Pacific is forecast to average 770,000 b/d, 168,000 b/d over the 2007 figure and broadly unchanged from last month's OPEC assessment.

Australia's oil supply is expected to average 630,000 b/d in 2008, which represents growth of 101,000 b/d over last year's figure and is unchanged from last month's OPEC assessment.

New Zealand's oil supply is forecast to rise by 66,000 b/d over the 2007 figure to reach a level of around 145,000 b/d.

Oil supply in the developing countries is slated to reach 11.62m b/d this year, which represents growth of around 658,000 b/d over 2007 and an upward revision of 18,000 b/d from last month's OPEC report.

Brazil and the other Asia group are the main contributors to the significant growth for this year. Other Asia is expected to see a supply average of 2.85m b/d this year, representing growth of 147,000 b/d over 2007, an upward revision of 26,000 b/d from last month's OPEC assessment.

Latin American oil supply is forecast to average 4.29m b/d in 2008, representing significant growth of 411,000 b/d over 2007 and a downward revision of 10,000 b/d compared with last month's OPEC assessment.

Brazil is the major contributor with around 409,000 b/d.

African oil supply is expected to average 2.78m b/d in 2008, which represents growth of 84,000 b/d over the 2007 figure and is unchanged from last month's OPEC assessment.

The Middle East is the only group expected to see its supply level remain almost flat compared with the 2007. The 2008 figure is expected to average 1.70m b/d.

Oil supply in the FSU is expected to average 12.96m b/d this year, up by 440,000 b/d over the 2007 figure and a downward revision of 64,000 b/d compared with last month's OPEC assessment.

Other Europe of supply is forecast to stay flat over 2007 at around 150,000 b/d. China is expected to see its supply average 3.88m b/d, representing growth of 112,000 b/d over last year and 39,000 b/d higher than last month's OPEC assessment.

Russian oil supply in 2008 is slated to reach 10.02m b/d, which represents growth of 151,000 b/d over 2007 and is a downward revision of 40,000 b/d compared with last month's OPEC assessment.

Oil supply in Kazakhstan is expected to grow by 99,000 b/d over 2007 to reach 1.45m b/d this year, which is unchanged from last month's OPEC assessment.

In Azerbaijan, oil supply is expected to grow by 200,000 b/d over 2007 to 1.06m b/d, a downward revision of 28,000 b/d compared with last month's OPEC assessment.

Oil supply in China is forecast to average 3.88m b/d this year, representing growth of 112,000 b/d over the 2007 figure and an upward revision of 39,000 b/d compared with last month's OPEC assessment.

OPEC oil production

Total crude oil production averaged 32.0m b/d in January, virtually unchanged from December, according to secondary sources. OPEC production (excluding Iraq) averaged 29.79m b/d, up by 136,000 b/d from December. Significant declines of 179,000 b/d and 74,000 b/d were recorded in Iraq and Nigeria.

OPEC output of NGLs and non-conventional oils are expected to have averaged around 4.40m b/d in 2007, an increase of around 340,000 b/d over 2006. The 2008 the annual figure is forecast to reach 4.93m b/d, an increase of 530,000 b/d over the 2007 estimate.

Alternative fuels

Commenting on alternative fuels, the OPEC report noted that as a result of international pressure, the European Union (EU) is proposing new strict rules to govern the biofuels industry.

"The EU has since long been accused that its mandate to have a minimum of 10 per cent of its energy use supplied from biofuels would harm the environment and lead to massive deforestation around the world. The new proposal is aimed at banning any use of biofuels that would damage the environment," OPEC commented.

Downstream activity

Looking downstream, the OPEC report stated that recent gasoline stock-builds across the globe, particularly in the US, along with the expected relatively light seasonal refinery maintenance schedule, have undermined product market sentiment, which may not see a significant boost in the coming months.

However, lower crude costs in the past few weeks helped refining margins in the Atlantic Basin to improve slightly in January over the previous month.

"The current bearish momentum in the product markets may change as peak seasonal refinery maintenance is approaching, which could lead to gasoline stock-draws. Additionally, technical restrictions for summer grade gasoline may also provide support for product and crude prices in the coming months," said the report.

Refining margins for WTI on the US Gulf Coast market increased by 29¢ to $4.02/b from $3.73/b in December. In Europe, the market followed suit with refining margins for Brent crude at Rotterdam soaring by $1.26 to $3.86/b, compared with $2.60/b last month.

In Asia, mild weather in the north and higher imports of the bottom of the barrel components undermined the bullish sentiment of the market, exerting pressure on refining margins.

Refining margins for Dubai crude in Singapore dropped by 21¢ to $3.04/b in January from $3.25/b in December.

"Despite the slight improvement in refining margins in the Atlantic Basin in January, product market momentum is not expected to see a significant upturn over the coming months, as was the case last year, as most of the long-idled US refinery capacity has returned to normal operations," commented the OPEC report.

Refinery runs in the US on average were recorded at just 15.6m b/d in 2007, the lowest annual figure since 2002. European refineries were also generally plagued by a series of unplanned shut-downs in the second and third quarters, as well as extended planned maintenance in the autumn.

In Asia, the refinery utilization rate fell by nearly three per cent in the second half of 2007 to 92.93 per cent from 95.82 per cent in the same period the previous year.

This situation in Japan intensified over the course of the year, as sluggish demand for different products encouraged Japanese refiners to reduce throughput levels.

In the last two months of 2007, refinery utilization rates surged across the board as refineries returned to normal operation.

The OPEC report noted that the recent bearish movement in product markets and refining margins, along with seasonal maintenance schedules, has adversely affected refinery utilization rates in different markets over the last couple of weeks.

The refinery utilization rate in the US declined by 4.7 per cent to 87.1 per cent in January from 91.8 per cent in December, while, in Europe, the rate declined by 1.7 per cent to 85.5 per cent from 87.2 per cent the previous month.

In Asia, refineries followed the same trend with operational levels declining especially in South Korea and Japan. In Japan, the refinery utilization rate dropped to 93.3 per cent from 95.6 per cent in December.

"Looking ahead, with the scheduled spring refinery maintenance and throughput cuts by most independent refiners, refinery utilization rates are expected to see a further drop across the board in the coming months," maintained the OPEC report.

Oil trade

Regarding oil trade, according to preliminary data, US crude oil imports in January recorded the highest level seen since July 2007, breaking the continuous declines seen over the previous months.

With an average of 10.2m b/d, crude oil imports rose by five per cent in the month over December levels, a gain of two per cent over the 2007 average and slightly above the year-ago level.

Similarly, US product imports increased in January — by 227,000 b/d to average 3.5m b/d. This was about seven per cent higher compared with the previous month and very close to the 2007 average. On a y-o-y basis, product imports were three per cent higher than in January a year ago.

The increases in both crude oil and product imports in January came at a time when US refiners usually turn to stock-building, a process which is expected to continue for the entire first quarter.

Crude oil stocks were about 14m b higher at the end of January compared with the level recorded at the end of the previous month.

Gasoline imports reached a new January high of slightly above 1m b/d as inventories continued to rise.

Total US oil imports reached 13.7m b/d in January, the highest level since August 2007. This volume of oil imports represents a five per cent increase over the previous month, two per cent over last year's average and one per cent over a year ago.

On the export side, product flows remained steady in January with a minor increase of 15,000 b/d, compared with the previous month. With about 1.3m b/d, product exports in January were three per cent above their 2007 average, yet 13 per cent lower than a year earlier.

As a result, US net oil imports in January averaged 12.5m b/d, an increase of 700,000 b/d or six per cent over the previous month, a slight one per cent increase over the 2007 average and a three per cent increase over a year ago. It represented a rebound for US net oil imports from the previous month and the highest level since August.

Again according to preliminary data, Japan's crude oil imports decreased by two per cent in January compared with the previous month. Given that crude oil imports in December were at their highest monthly rate for the while of 2007, Japan's crude oil imports in January were still nine per cent higher than their 2007 average and about four per cent more than their level a year ago.

"This is attributed to the continued endeavours by refiners to build product stocks with higher refinery utilization rates in January, in addition to meeting the planned increase in throughput in the coming months," said the OPEC report.

Japan's product imports dropped by about four per cent in January, compared with the previous month and were five per cent lower than the 2007 average.

Japan's product exports decreased by 23 per cent in January, compared with December 2007. However, they increased by 30 per cent compared with their level a year ago.

As a result, Japan's net oil imports remained steady in January with a slight drop of 0.3 per cent from December.

Japan's net oil imports in January showed an increase of 11 per cent compared with the country's average net oil imports in 2007. At the same time, Japan's net oil imports in January of 4.457m b/d represented a decline of two per cent from the year-ago level of 4.649m b/d, which was the highest monthly rate for the whole year.

Stock movements

Regarding stock movements, after having dropped by a considerable 23m b in December, due to tax considerations, US commercial oil stocks continued to follow their seasonal trend and rose by 11m b in January to reach a level of 981m b, returning to above the five-year average.

The build came after five consecutive monthly drops totaling more than 75m b, which sent total oil commercial stocks below the average of the previous five years.

> **"It was the first time since January 1980 that crude oil and gasoline stocks have increased by such a strong amount,"**

The increase in stocks was driven by gasoline and crude oil, which improved by a total of 34m b.

"It was the first time since January 1980 that crude oil and gasoline stocks have increased by such a strong amount," observed the OPEC report.

After six consecutive declines amounting to nearly 70m b, crude oil commercial stocks increased by 14.3m b in the month. The surge of 460,000 b/d in commercial crude oil stocks was driven by a cut in refinery runs, due to maintenance and a hike in imports, which jumped by 480,000 b/d to move above 10m b/d for the first time since September 2007.

At 300m b, commercial crude oil stocks are around 5m b above the five-year average, corresponding in terms of forward cover to half a day above the average of the previous five years.

Similarly, due to strong imports, gasoline stocks increased by 19.6m b in January — the highest monthly build in 14 years — to hit 228m b, their highest level since February 1999.

At this level, gasoline inventories corresponded to more than 20 days of forward demand cover, slightly above the five-year average.

"The current level of gasoline stocks appears to be sufficient to meet seasonal demand, particularly if demand weakens in the case of a recession in the US economy, although lower refining margins on top of the refining maintenance could return gasoline inventories to below the five-year average again during the driving season," said the OPEC report.

In contrast to crude oil and gasoline, distillate stocks dropped by 900,000 b to stand above 127m b, which corresponds to three per cent above the five-year average in absolute numbers and one day above the five-year average in terms of forward demand cover.

Within distillates, heating oil stocks remained well below the lower end of the five-year range. Nevertheless, contrary to the previous year or to the seasonal trend where stocks typically fall strongly, heating oil inventories have been almost stable during January, due to milder weather.

The tightness in heating oil could ease due to the expectations of weaker demand resulting from milder weather. In contrast to heating oil, diesel stocks at 91m b were more than 20 per cent above the five-year average. Residual fuel oil stocks fell 1.8m b to 36.5m b, their lowest level since last August, while jet fuel stocks rose by the same amount to 41.2m b after three consecutive declines.

Despite criticism, the US government continued to fill its SPR in accordance with the requirements of the Energy Policy Act of 2005, which aims to reach a capacity of 727m b.

However, 1.8m b or 600,000 b/d in the form of royalty-in-kind were added to the SPR in January, bringing the total SPR to 698.3m b, close to the level of pre-hurricanes Katrina and Rita in 2005.

Sour crudes now account for 60 per cent of the reserve, while the remaining 40 per cent corresponds to sweet crude.

The Bush administration's fiscal year budget applied in early February calls for spending $171.4m to double the capacity of the SPR to 1.5bn b. The capacity of 727m b is expected to be reached in the financial year 2009.

To achieve this objective, the Department of Energy (DOE) proposed to use money from the $584m in sales of stocks in 2005 to buy SPR stocks and continue to fill the SPR using royalty-in-kind.

The DOE had a plan to add 11m b to the SPR between February and July 2008, which corresponds to 60,000 b/d on average, before recently raising the objective to add 125,000 b/d between May and September.

"Many criticisms were raised against the project, arguing that filling the SPR when prices are high is contributing to the tightness in the market," said the OPEC report.

Democrats in the Senate introduced legislation to block the Energy Department from filling the SPR at current prices, but the Department contends that the amount is too small to affect the market. Nevertheless, the DOE plans to study the impact of the SPR refill on the market.

The latest data shows that US commercial stocks continued their upward trend and rose by 700,000 b in the week-ending February 8 to stand at 981.6m b, widening the surplus with the five-year average to 19m b, or two per cent.

The build in stocks was driven by crude oil and gasoline. Crude oil stocks rose by 1.1m b, the fifth consecutive weekly increase, to 301.1m b, while gasoline stocks rose for the 14th consecutive week to hit 229.2m b, the highest level since mid-February 1999 and corresponding to 11m b or five per cent above the five-year average.

The 1.7m b build in gasoline inventories was driven by an increase in production following the recovery of the refinery utilization rate.

In contrast to crude oil and gasoline, distillate stocks remained almost stable at 127m b, corresponding to four per cent above the five-year average. Within distillates, and due to mild weather, heating oil stocks continued to move against their seasonal trend. They rose by 600,000 b to around 37m b, narrowing the deficit with the five-year average to around 22 per cent, compared with more than 30 per cent the previous month. Despite a draw of around 800,000 b, diesel stocks remained very comfortable, more than 20 per cent above the five-year average.

In Western Europe, EU-16 (EU-15 plus Norway) total oil stocks increased by a further 16.5m b in January to stand at 1,124m b, remaining 9.5m b or one per cent above the five-year average.

The build of 16.5m b, the highest since January 2006, was driven by distillates, which rose for the second month, adding more than 12m b to reach a level of 374m b, returning to above the five-year average after having been below for two consecutive months.

The jump in middle distillate stocks came as a result of the combination of high diesel imports from the US and lower demand for heating oil because of the mild weather, particularly in Germany.

Crude oil stocks, almost unchanged from the previous month, remained comfortable. The minor build of 100,000 b came as a combination of a cut in refining runs and lower exports to US markets.

Due to sluggish demand and lower exports, gasoline inventories continued their upward trend, although slowly, rising by 2.5m b to stand at 127.4m b, the highest level since last May.

Despite this recovery, gasoline stocks were below the lower end of the five-year range, implying a deficit with the five-year average of 21m b, or 14 per cent, at the end of January.

Residual fuel oil inventories rose 1.2m b amid weak demand to 113.2m b, the highest level since the end of the third quarter, while naphtha stocks increased a further 900,000 b to nearly 31m b, a 14-month high.

In Japan, preliminary data indicates that the country's total commercial oil stocks dropped a further 7m b in January, widening the deficit with the five-year average to around 14 per cent. Both crude oil and product inventories fell. Crude oil stocks declined by more than 4m b, pushing the deficit with the five-year average to 19m b, or 18 per cent, while product inventories dropped by 3m b, but remained 16 per cent above the five-year average. More than 80 per cent of the draw on product stocks came from middle distillates.

Table A: World crude oil demand/supply balance														m b/d
World demand	**2003**	**2004**	**2005**	**2006**	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	50.1	49.2	50.1	48.2	48.6	50.6	49.4
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.6	25.9	25.6	25.6	25.9	25.8
Western Europe	15.4	15.5	15.6	15.6	15.2	15.0	15.4	15.7	15.3	15.3	14.9	15.3	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.8	8.3	8.9	7.7	7.7	8.8	8.2
Developing countries	20.6	21.8	22.5	23.3	23.8	24.0	24.1	24.4	24.1	24.3	24.6	24.8	25.0	24.7
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.3	83.7	84.6	85.8	84.6	85.5	87.1	85.8	87.2	85.6	86.5	88.6	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.3	19.8	20.1	20.1	20.2	19.7	19.5	20.4	20.0
North America	14.6	14.6	14.1	14.2	14.4	14.5	14.2	14.3	14.3	14.4	14.1	14.2	14.6	14.3
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	4.9	5.2	5.2	5.2	4.9	4.6	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.8
Developing countries	10.3	10.5	10.8	10.9	11.0	10.9	10.9	11.0	11.0	11.4	11.5	11.7	11.9	11.6
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.8	12.9	13.0	13.2	13.0
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.0	49.5	49.5	50.4	50.1	50.2	51.4	50.5
OPEC NGLS and non-conventionals	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLS	51.4	52.5	52.6	53.0	54.0	53.9	53.4	54.2	53.9	55.1	55.0	55.1	56.6	55.5
OPEC crude supply and balance														
OPEC crude oil production[1]	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0					
Total supply	79.7	83.1	84.2	84.4	84.5	84.5	84.4	85.9	84.8					
Balance[2]	0.3	0.7	0.6	–0.2	–1.3	–0.1	–1.1	–1.2	–0.9					
Stocks														
OECD closing stock level *m b*														
Commercial	2517	2547	2597	2679	2603	2675	2661	2555						
SPR	1411	1450	1487	1499	1507	1509	1523	1520						
Total	3928	3998	4083	4177	4110	4183	4184	4076						
Oil-on-water	882	905	958	910	912	909	929	na						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	55	53	51						
SPR	29	29	30	30	31	31	30	30						
Total	80	80	83	85	85	86	83	81						
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.9	9.1	8.9	8.8	8.9
[(a) — (b)]	27.9	29.8	31.1	31.6	31.8	30.7	32.1	33.0	31.9	32.1	30.6	31.4	32.0	31.5

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

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

Table A *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 50 while* ***Graphs One and Two*** *(on page 51 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 52–53 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, 2007–2008 — $/b

Crude/Member Country	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Jan	Weeks 1–5 (week ending) Jan 4	Jan 11	Jan 18	Jan 25	Feb 1
Arab Light – Saudi Arabia	50.86	54.29	58.08	62.83	64.15	65.92	71.05	68.76	74.28	79.31	89.02	86.29	88.75	92.25	90.98	87.57	85.45	88.28
Basrah Light – Iraq	47.64	51.19	55.99	59.74	61.79	64.09	70.53	66.83	72.14	77.47	86.26	82.79	85.21	89.49	87.31	83.80	81.87	84.67
BCF-17 – Venezuela	42.68	48.04	50.27	54.93	56.06	60.68	65.79	62.78	66.35	72.20	81.87	79.79	80.59	84.60	83.43	79.78	76.95	79.45
Bonny Light – Nigeria	56.18	59.58	64.59	70.01	70.03	74.45	79.21	73.34	79.87	85.60	95.32	93.55	94.85	99.77	97.14	92.98	91.16	94.88
Es Sider – SP Libyan AJ	52.08	55.83	60.60	66.06	66.03	70.25	75.81	69.84	76.07	81.80	91.92	90.75	91.40	96.48	93.69	89.53	87.71	91.43
Girassol – Angola	51.99	56.66	60.77	66.44	66.52	69.00	74.42	69.81	75.48	80.23	90.21	88.98	88.68	94.11	90.74	86.63	85.21	88.71
Iran Heavy – IR Iran	47.91	51.87	56.39	61.41	62.72	64.77	69.65	66.60	72.63	77.30	87.17	86.31	86.36	90.26	88.72	85.15	82.92	86.04
Kuwait Export – Kuwait	48.42	52.33	56.22	61.07	62.06	63.61	67.73	65.91	71.94	76.33	86.23	84.37	85.63	89.00	87.91	84.51	82.37	85.33
Marine – Qatar	52.58	55.86	59.39	64.79	65.34	66.15	70.20	69.43	73.78	78.68	87.94	87.54	88.35	92.08	90.81	87.29	84.90	87.72
Minas – Indonesia	55.39	58.44	62.83	68.74	68.12	68.41	76.88	73.67	76.98	84.96	93.64	94.53	95.33	99.06	98.16	94.41	91.49	94.62
Murban – UAE	56.42	59.58	63.19	68.39	69.21	70.74	74.40	71.80	77.16	81.98	90.95	90.72	92.04	95.50	94.80	91.15	88.44	91.26
Saharan Blend – Algeria	55.78	59.58	64.30	69.71	70.13	74.05	78.21	73.44	78.60	84.45	94.57	93.15	93.60	98.73	95.89	91.73	89.91	93.63
OPEC Reference Basket	**50.79**	**54.56**	**58.59**	**63.55**	**64.48**	**66.89**	**71.89**	**68.71**	**74.18**	**79.36**	**88.99**	**87.19**	**88.50**	**92.50**	**90.83**	**87.18**	**85.07**	**88.11**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2007–2008 — $/b

Crude/country	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Jan	Weeks 1–5 (week ending) Jan 4	Jan 11	Jan 18	Jan 25	Feb 1
Arab Heavy – Saudi Arabia	46.15	50.21	54.40	59.16	60.07	61.44	64.99	63.55	69.86	73.99	83.96	82.51	82.85	86.20	85.16	81.78	79.63	82.66
Brega – SP Libyan AJ	53.78	57.53	62.30	67.71	67.73	71.90	77.36	71.29	77.42	83.10	93.22	91.85	92.50	97.58	94.79	90.63	88.81	92.53
Brent – North Sea	53.78	57.43	62.15	67.51	67.38	71.55	77.01	70.74	76.87	82.50	92.62	91.25	92.00	97.05	94.29	90.13	88.31	92.03
Dubai – UAE	53.68	55.61	58.80	63.97	64.59	65.79	69.49	67.36	73.36	77.12	86.96	85.79	87.35	90.79	89.83	86.32	83.92	86.90
Ekofisk – North Sea	51.92	58.41	62.84	67.73	68.36	72.09	77.76	72.00	78.08	83.38	93.24	92.12	93.51	98.63	95.61	91.77	90.18	93.39
Iran Light – IR Iran	53.93	53.64	57.92	63.87	64.05	67.99	73.70	69.34	74.88	79.74	89.92	89.12	89.21	95.26	92.14	87.34	85.33	88.18
Isthmus – Mexico	49.12	53.48	56.78	60.60	60.60	65.40	71.11	66.60	72.65	78.79	88.59	87.53	88.07	93.72	90.38	86.56	84.18	87.17
Oman -Oman	48.90	55.82	59.19	64.45	65.04	66.08	70.09	68.34	73.56	77.55	87.16	86.82	88.54	91.15	90.69	87.44	85.54	88.61
Suez Mix – Egypt	52.38	51.38	56.16	61.27	61.34	65.42	71.44	66.94	71.41	76.90	87.60	85.80	86.38	91.76	88.61	84.45	82.89	86.33
Tia Juana Light[1] – Venez.	47.19	51.82	54.90	58.60	58.54	63.31	68.98	64.93	70.69	76.90	86.55	84.73	85.52	90.93	87.76	84.05	81.74	84.65
Urals – Russia	47.83	53.82	58.81	63.92	64.29	67.83	73.90	69.25	73.78	79.52	90.24	89.02	89.22	94.36	91.50	87.44	85.71	88.94
WTI – North America	50.13	59.21	60.63	63.85	63.46	67.44	73.98	72.37	79.69	85.87	94.91	91.69	92.87	98.18	94.72	91.54	89.70	91.66

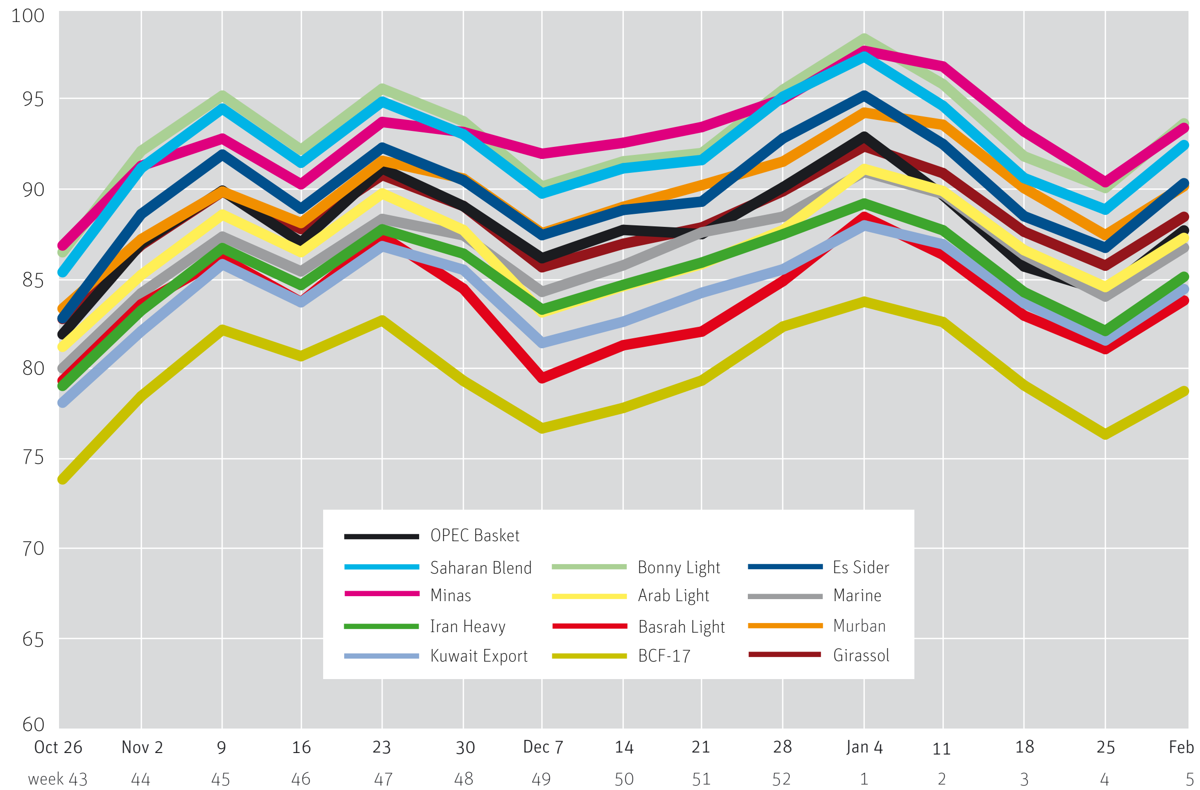
Note: As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the 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.

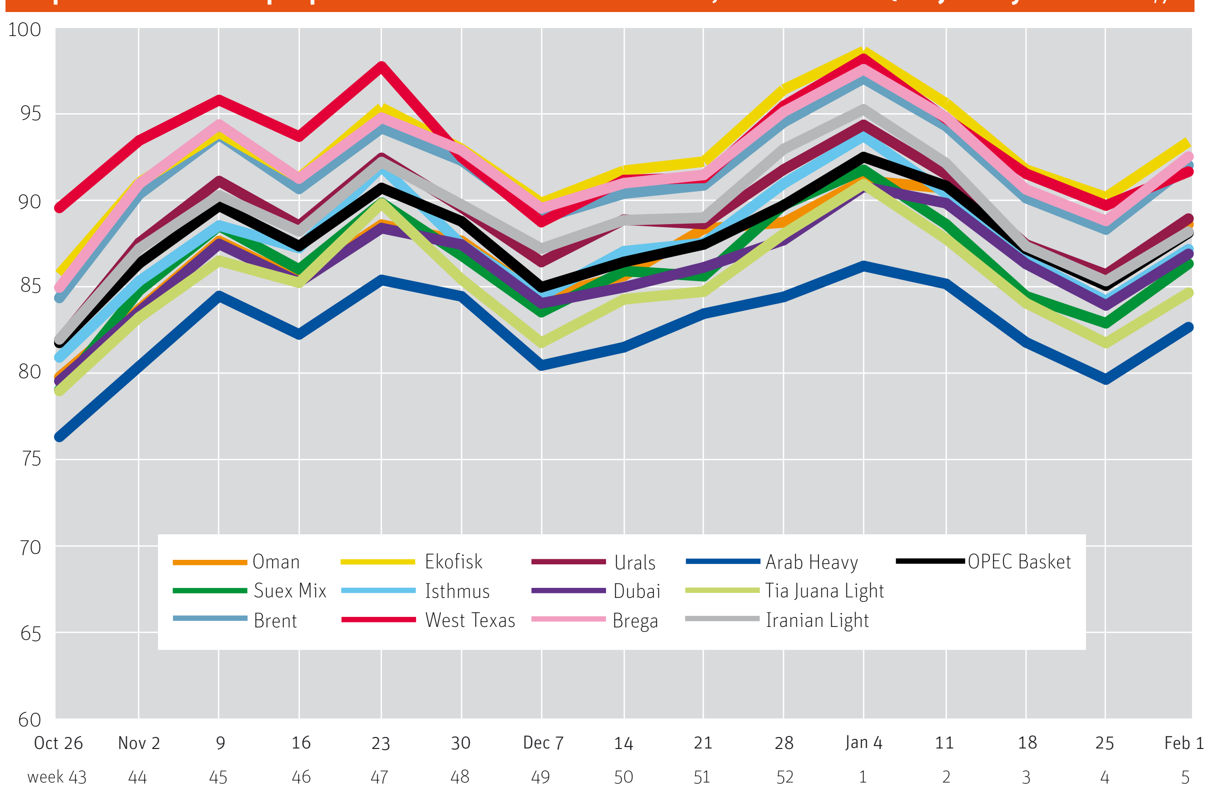
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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, December 2007 to January 2008 $/b



Graph 2: Evolution of spot prices for selected non-OPEC crudes, December 2007 to January 2008 $/b



Note: As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the 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
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
	March	79.22	73.41	82.57	76.23	76.82	39.24	40.35
	April	86.19	83.57	93.90	81.65	82.71	42.91	46.46
	May	90.03	89.81	100.00	81.72	83.79	45.66	47.33
	June	87.58	85.13	97.59	85.50	87.00	46.72	48.83
	July	89.84	84.15	96.78	89.12	90.01	52.66	54.01
	August	84.70	78.85	90.16	86.40	87.03	54.39	52.23
	September	91.24	84.36	94.47	94.83	93.42	54.49	55.65
	October	97.94	86.55	97.25	99.44	100.40	64.34	62.26
	November	108.46	97.79	109.03	118.34	115.45	72.16	70.61
	December	110.06	94.04	105.68	109.94	111.11	75.17	66.06
2008	January	108.66	93.74	95.82	108.70	109.32	74.81	65.73

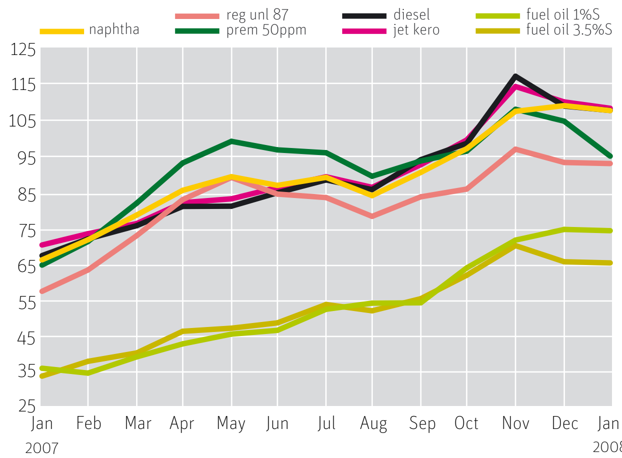


Table and Graph 4: South European market — spot cargoes, fob Italy $/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2007	January	54.77	64.62	66.93	34.63	34.49
	February	59.53	71.82	70.87	38.20	37.30
	March	65.29	82.23	74.98	41.45	40.93
	April	71.19	93.67	81.44	47.01	46.53
	May	74.42	101.00	82.85	49.97	46.49
	June	72.68	97.63	85.44	52.59	48.68
	July	75.51	96.51	89.63	58.29	53.68
	August	71.54	89.06	87.56	55.92	52.70
	September	77.52	93.63	95.31	58.59	56.10
	October	82.97	96.73	99.29	64.04	62.37
	November	90.71	109.76	117.22	74.37	70.01
	December	92.01	106.35	111.52	73.12	65.28
2008	January	91.81	107.01	109.47	73.04	63.97

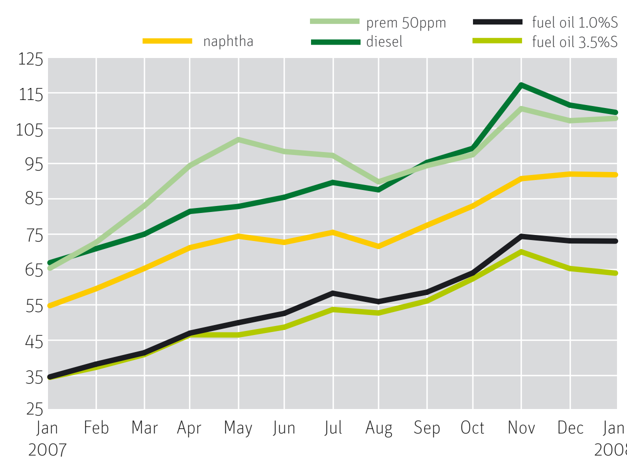
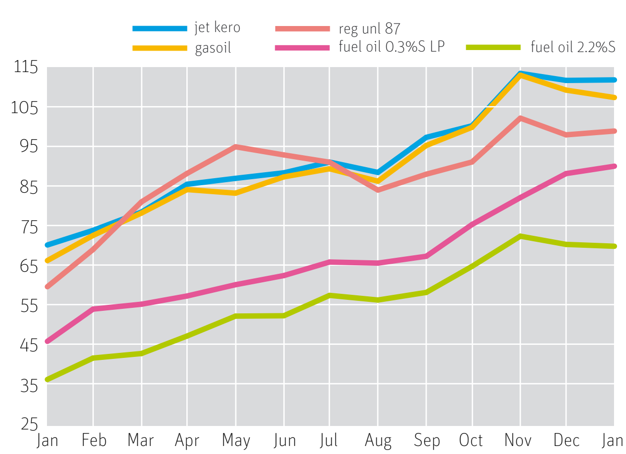


Table and Graph 5: US East Coast market — spot cargoes, New York *$/b, duties and fees included*

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2007	January	59.52	66.13	70.07	45.71	36.07
	February	68.93	72.49	73.77	53.86	41.49
	March	80.96	78.14	78.39	55.10	42.63
	April	88.17	84.08	85.43	57.18	47.06
	May	94.90	83.17	86.92	60.03	52.09
	June	92.84	87.29	88.32	62.34	52.18
	July	91.00	89.34	91.03	65.76	57.33
	August	83.95	86.19	88.42	65.49	56.16
	September	87.97	95.23	97.29	67.22	58.08
	October	91.05	99.82	100.20	75.24	64.66
	November	102.14	113.00	113.45	82.05	72.30
	December	97.92	109.23	111.68	88.12	70.22
2008	January	98.88	107.35	111.81	89.99	69.75



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
2007	January	57.18	63.61	70.10	32.07	32.02
	February	65.59	69.62	74.07	37.49	37.14
	March	75.60	72.12	78.27	38.63	38.22
	April	88.22	77.36	86.11	43.06	48.03
	May	81.49	81.02	87.42	48.09	48.03
	June	83.37	83.37	88.28	48.18	48.05
	July	77.87	86.29	90.57	53.33	53.28
	August	74.95	83.03	88.49	52.16	52.11
	September	84.08	91.46	96.31	54.06	54.03
	October	85.92	95.79	100.35	60.66	60.61
	November	95.46	108.38	112.97	68.30	68.09
	December	90.75	106.60	110.05	65.77	65.05
2008	January	94.38	110.58	110.12	65.23	65.00

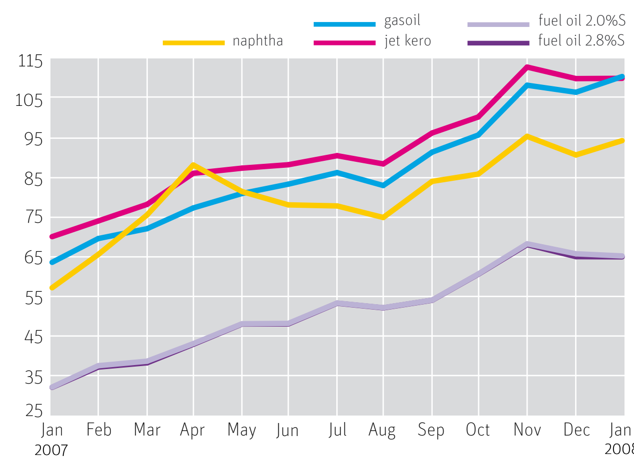


Table and Graph 7: Singapore market — spot cargoes, fob $/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
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
	March	70.56	76.62	75.52	75.94	75.02	46.26	45.48
	April	74.22	83.49	82.69	83.18	82.14	51.24	50.87
	May	76.73	88.77	87.96	84.47	82.14	51.34	50.82
	June	73.12	84.79	83.82	85.67	83.75	53.37	53.03
	July	75.10	85.35	84.36	89.57	87.16	57.53	57.39
	August	71.34	77.15	76.05	86.33	84.28	56.34	55.71
	September	75.28	82.51	81.35	93.78	90.44	58.90	58.15
	October	81.18	88.71	87.46	98.11	96.62	65.70	65.67
	November	91.38	100.29	98.94	112.26	112.77	74.21	73.95
	December	92.24	98.38	97.09	111.33	108.31	70.37	70.89
2008	January	93.12	100.49	99.56	108.94	106.17	70.04	70.56

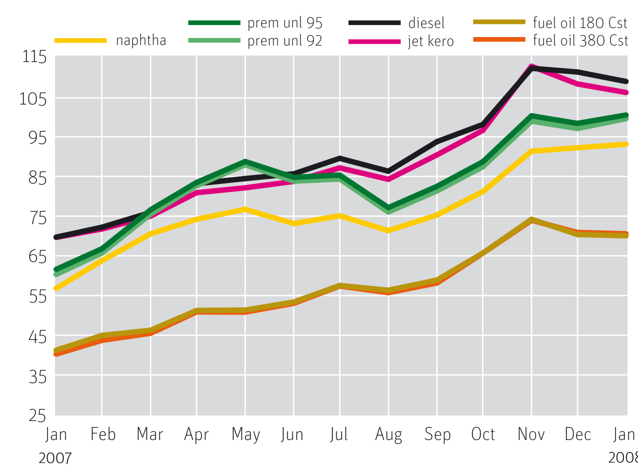
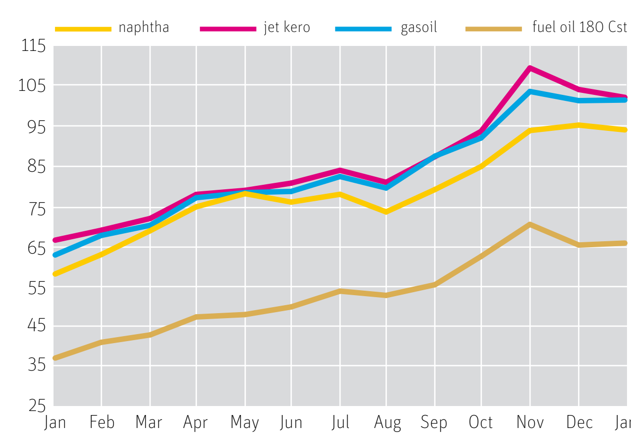


Table and Graph 8: Middle East Gulf market — spot cargoes, fob $/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2007	January	58.19	63.00	66.76	36.91
	February	63.11	67.96	69.27	40.90
	March	69.14	70.52	72.24	42.77
	April	75.19	77.50	78.33	47.32
	May	78.52	78.79	79.36	47.92
	June	76.39	79.09	81.19	49.86
	July	78.36	82.85	84.43	53.85
	August	73.90	79.95	81.40	52.78
	September	79.57	88.02	87.89	55.48
	October	85.38	92.62	94.29	62.64
	November	94.50	104.39	110.34	70.75
	December	95.88	102.07	104.89	65.52
2008	January	94.67	102.23	102.90	66.01



Source: Platts. Prices are average of available days.

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13th Asia upstream, February 28–29, 2008, Singapore. Details: 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: babette@glopac.com; website: www.petro21.com.

Introduction to emissions trading, February 29, 2008, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Emissions trading, March 3–4, 2008, Sydney, Australia. Details: Marcus Evans Conferences, 11 Connaught Place, London W2 2ET, UK. Tel: +44 203 002 3002; fax: +44 203 002 3003; e-mail: flaminiag@marcusevansuk.com; website: www.meenergy.com or www.marcusevans.com.

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Business development in the oil, gas and energy industries, March 10–11, 2008, London, UK. Details: The Petroleum Economist Ltd, 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

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Gastech 2008, March 10–13, 2008, Bangkok, Thailand. Details: DMG World Media (UK) Ltd, Westgate House, 120/130 Station Road, Redhill, Surrey, RH1 1ET, UK. Tel: +44 1737 855108; fax: +44 1737 855482; email: tonystephenson@dmgworldmedia.com; website: www.theeagc.com.

Gas storage and infrastructure forum, March 11–12, 2008, Vienna, Austria. Details: Jacob Fleming Group, Rossellon 174–176 Ent. 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

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Global natural gas developments and opportunities: contrasting roles for pipeline, LNG, GTL, gas-to-power and petrochemicals, March 12–14, 2008, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.ipweek.co.uk.

Latin petroleum strategy briefing, March 17, 2008, Rio de Janeiro, Brazil. Details: 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: babette@glopac.com; website: www.petro21.com.

Hunting for oil: exploration and production techniques, March 17–20, 2008, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.ipweek.co.uk.

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5th Annual China oil and gas summit, March 20–21, 2008, Beijing, China. Details: IBG Company Limited, Greater China, 19/F, BaoHua Mansion, No 1211, Chang De Road, Shanghai, PR China. Tel: +86 21 6232 6090; fax: +86 21 5106 2045; e-mail: marketing@ibgintl.com; website: www.ibgintl.com.

Acquisition and divestiture in oil and gas: North Sea summit, March 31–April 1, 2008, London, UK. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: + 44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

ERTC sustainable refining conference, March 31–April 2, 2008, Brussels, Belgium. Details: Centre for Management Technology, 80 Marine Parade Road #13–02, Parkway Parade 449269, Singapore. Tel: +65 6345 7322/6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

Understanding the natural gas and LNG industry, March 31–April 2, 2008, London, UK. Details: The Petroleum Economist Ltd; 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

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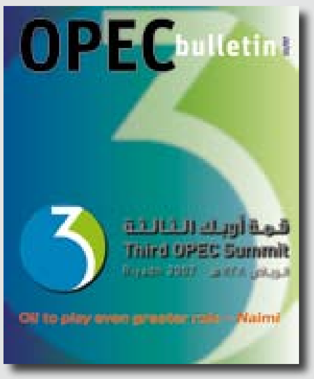

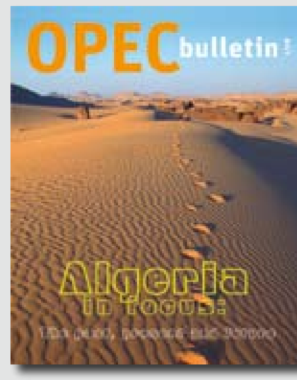

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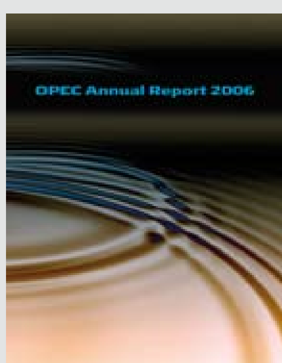

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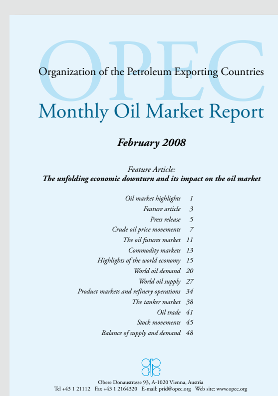

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