OPEC bulletin

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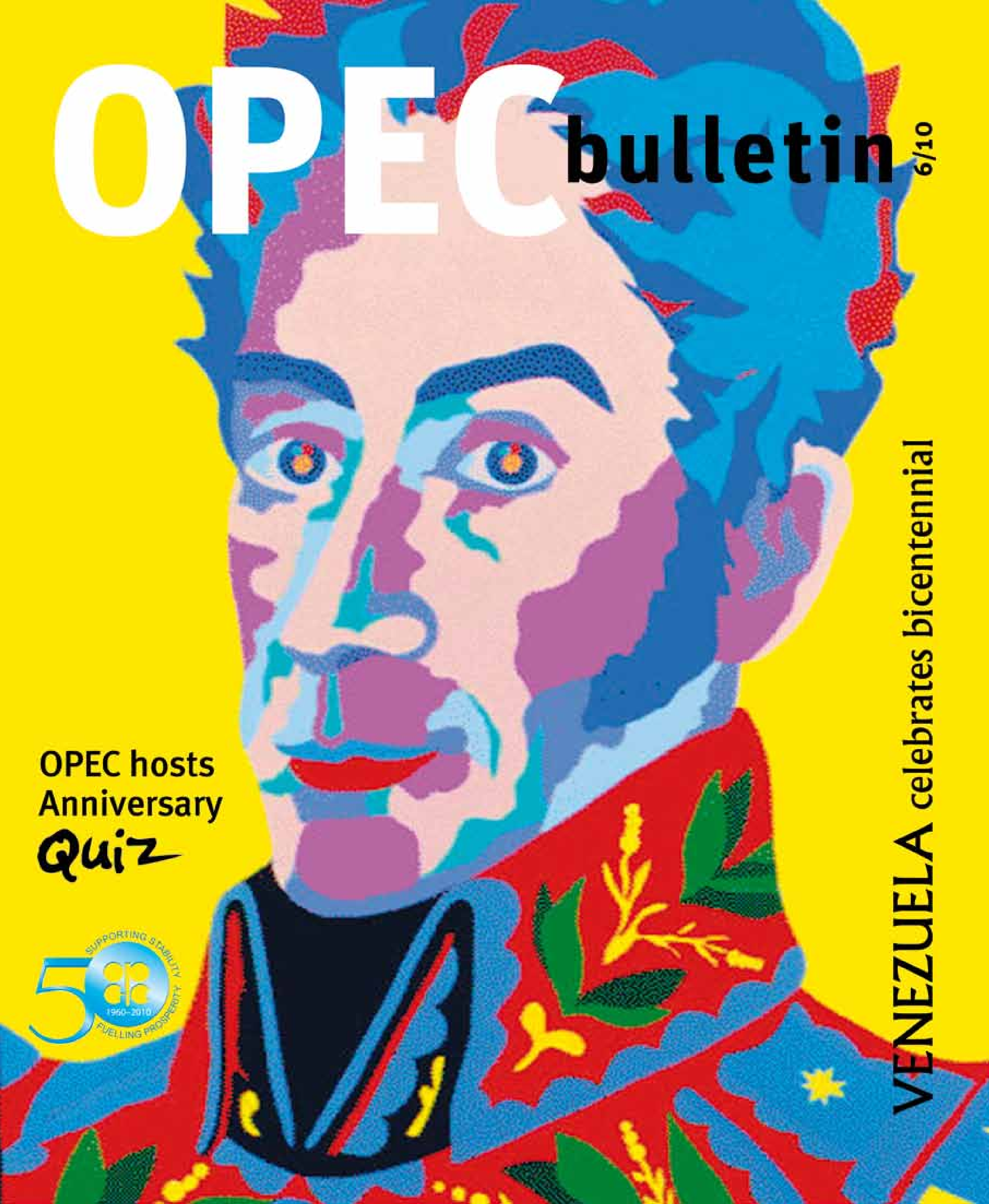

VENEZUELA celebrates bicentennial

OPEC hosts Anniversary Quiz

Why are nine out of ten appraisal wells drilled by OMV Exploration & Production GmbH successful? Just as the camel finds water where others see only sand, we find oil where others can't. But it's not only us to use the most advanced technology: our colleagues from OMV Gas & Power GmbH do so too when transporting the gas we have produced. OMV is not only a pioneer in the Nabucco Gas Pipeline project, but is also fully committed to being a progressive player in the LNG business. OMV places its competence and knowhow into action for a secured energy supply.

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2010 Mid-year report — 'cautious optimism'

There is an air of cautious optimism about the oil market outlook as we reach the middle of the year.

However, the robustness of the market during the third and fourth quarters is by no means guaranteed and the situation is finely balanced.

Since last autumn, the market has been enjoying a period of relative stability, particularly after the turmoil of 2007 and 2008. The $/barrel price of the Reference Basket remained in the 70s for half a year across the autumn and winter. But the market became more volatile in the spring, with the Basket settling in the 80s for a month before plunging 20 per cent in just three weeks to stay below $70/b for nearly a week. Finally, the price returned to its present 'lower 70s'.

What do we read into all of this?

Let us start with a brief rundown on the recent drivers. April's price rises were spurred by a new burst of optimism about the global economic recovery and higher oil demand expectations. However, the drop in oil prices in May seemed to reflect a shift in sentiment about the recovery, following the emergence of the sovereign debt crisis in the Eurozone and initial signs of moderation in the pace of economic growth in China, with the government seeking to prevent overheating. All this was happening at a time when crude oil fundamentals were sound, with the market well-supplied with crude and inventories well above five-year average levels. This highlighted the continuing impact of the financial sector on crude oil prices.

One is then led to ask what has actually happened since 2008 with regard to the reform of the financial sector. Much has been promised by consumer governments and other authorities, and the introduction of regulatory measures of one sort or another seems to be on the doorstep on both sides of the Atlantic.

As we stand on the crest of the second half of the year, we are faced with much uncertainty about the market outlook. While the world economy has experienced an encouraging level of growth so far, it is unclear about how this will pan out in the coming months, with, among other things, the Eurozone's sovereign debt problem, the ability of China to avoid overheating and the still-high levels of unemployment in OECD countries.

A moderation in the pace of the economic recovery will almost certainly reduce the rate of oil demand growth. But, on a brighter note, the forecast world economic growth rate has been revised up frequently since the start of the year, from 2.9 per cent to the present 3.8 per cent, and this in itself serves as a positive signal for the rest of the year.

Shifting to the other side of market economics, oversupply from increasing oil output at a time of already high stocks remains another downward risk. Gasoline inventories in the OECD are currently at a very comfortable level of five per cent above the five-year average. As a result, the gasoline sector is not expected to be strong enough to lead the market this summer. Also, spare refinery capacity across the globe appears sufficient to cope with any disruption in the United States, for example, as we enter the hurricane season.

Therefore, when we review the outlook for July–December 2010, we find ourselves asking: Which way is it going to go? What part will speculation play if there is a significant change in market trends? Answers to these questions are difficult, if not impossible, to provide at the present time.

However, what OPEC can say is that it will continue to monitor market developments very carefully and will respond accordingly in the interests of market stability, if changing conditions require this. Otherwise, we are content to adopt an approach of cautious optimism about the outlook for the rest of the year.

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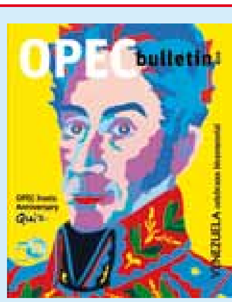

Cover

This month's cover shows an acrylic on canvas painting of Venezuelan independence hero, Simon Bolivar, by Stanley Bermúdez Moros (see story on Venezuela's 200th Anniversary of Independence on pages 12–15). *Photo courtesy of Stanley Bermúdez Moros (www.stanleybermudez.com).*

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OPEC Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, on September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective — to coordinate and unify petroleum policies among its Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. The Organization comprises 12 Members: Qatar joined in 1961; SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007). Ecuador joined OPEC in 1973, suspended its Membership in 1992, and rejoined in 2007. Gabon joined in 1975 and left in 1995. Indonesia joined in 1962 and suspended its Membership on December 31, 2008.

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

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OPEC's actions instil trust, confidence — El-Badri

OPEC Secretary General, ***Abdalla Salem El-Badri*** *(pictured left), attended the 9th Arab Energy Conference in the Qatari capital, Doha, in May. Speaking during a panel discussion, he outlined recent developments in the international petroleum market and highlighted the challenges faced by OPEC, which, he said, in celebrating its 50th year of existence in 2010, had taken on a new importance, especially since the onset of the global financial crisis. The following article is based on his intervention.*

A growing recognition within international circles of the positive role OPEC plays in the international oil market has boosted the Organization's credibility and importance over the years.

That was the message relayed by OPEC Secretary General, Abdalla Salem El-Badri, during a panel discussion at the 9th Arab Energy Conference, in Doha, Qatar, in May.

In an intervention on 'International developments in the oil and natural gas markets and their impact on Arab countries', he said there was also greater trust and confidence in the policy decisions and actions of the Organization, which this year celebrates its 50th year of existence.

And, in reference to OPEC's 'Golden Jubilee', El-Badri said: "Today, 50 years later, the Organization is even more important."

He noted that, since it was established in September 1960, OPEC had faced many crises and challenges.

"It has, however, always survived and has successfully overcome many challenges. It has not only learned from these, but it has also gained resilience," he affirmed.

El-Badri pointed out that when OPEC was born, the Middle East was already an important and growing crude

AP Photo

Abdulla Bin Hamad Al-Attiyah (r), Deputy Premier, Minister of Energy and Industry of Qatar; Abdul Latif Yousef Al Hamad, Director General and Board Chairman of the Arab Fund for Economic and Social Development, seen during the opening of the 9th Arab Energy Conference.

A general view of the 9th Arab Energy Conference.

supply region, while North Africa was in the early stages of developing its newly found oil reserves.

At that time, the five Founding Members of OPEC — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — held a total of around 200 billion barrels of crude oil reserves, or two-thirds of the global total.

Impressive

On average, they supplied eight million barrels/day of crude to world markets, representing more than one-third of total world production.

Today, pointed out El-Badri, OPEC's reserves had increased by a factor of five to reach one trillion barrels, while its daily production had multiplied by nearly four to reach 29m b/d. Its production capacity exceeded 35m b/d in 2009.

"Of course, this growth is partly due to the fact that OPEC went from having five to 12 Members. But, even if we limit the comparison to the five original Founding Members, the growth is still impressive," he stated.

Over the years, said El-Badri, OPEC had enhanced its global position through a series of measures, including broadening its dialogue with producers and consumers alike. It was an active partner in the producer-consumer initiative — the International Energy Forum — and it had established high-level cooperation with many international institutions.

"We firmly believe in genuine dialogue and cooperation between energy producers and consumers. This is key to ensuring a stable and predictable energy scene for the benefit of all," he stressed.

In turning to the current oil market situation, the OPEC Secretary General said the difficulties and challenges faced by the Organization and its Members over the past few years had been dramatic, but not new for OPEC.

They had stemmed from two main causes, he said — the global financial crisis and the subsequent economic downturn; and the inefficient functioning of oil markets in terms of price discovery.

He said the financial crisis, which began in the summer of 2007 and reached its height in September 2008 with the near collapse of the global financial system, had had a profound impact on the real economy.

"The world has faced its longest, deepest and most-widespread contraction in more than six decades," he reminded delegates.

This, in turn, adversely affected the energy sector. The years 2008 and 2009 were the first time since 1981 that global oil demand had declined in two successive years. The cumulative impact was a fall of 1.8m b/d.

In tandem with the slump, demand for OPEC crude fell sharply and the resulting supply adjustment by its Member Countries led to a significant increase in unused production capacity.

In addition to the demand contraction, the price of a barrel of crude lost almost $100 in less than six months from mid-2008.

El-Badri pointed out that, in this same period, natural gas demand also declined, at a time when conventional and unconventional gas supplies were increasing, which led to a sharp downward trend in gas prices.

"The financial crisis, the economic downturn and lower petroleum prices have had visible adverse effects on Arab countries. This has been through many channels, such as trade, declines in the value of stock markets and investment portfolios values and lower economic growth," he told delegates.

Saudi Arabia's Minister of Petroleum and Mineral Resources, Ali I Naimi (r), listens during the 9th Arab Energy Conference. Here seen with Dr Chakib Khelil, (then) Minister of Energy and Mines of Algeria.

Economic stimulus

"It has shown how deeply interconnected these economies are with the rest of the world. It underlines the need for even more diversified economies and the importance of policies to mitigate the effects of economic cycles and volatility in commodity markets.

"Yet, we should also remember that while there is a richness and diversity about the economic culture of the Arab world, in both the traditional and modern sectors, it is an undeniable fact that a viable petroleum industry provides an important economic stimulus for the area as a whole," he said.

Regarding oil export revenues, El-Badri said the financial crisis demonstrated once again the positive role OPEC played as a producer organization in contributing to stable oil markets, for the benefit of all.

"Today, thanks to massive monetary and fiscal stimulus packages, the global economic recovery is proceeding at a satisfactory pace, in particular in developing countries," he observed.

Oil demand, continued El-Badri, was growing again, albeit at an expected modest rate of 900,000 b/d for 2010. And prices were at a reasonable level that was satisfactory to both producers and consumers.

However, the OPEC Secretary General stressed that the risks remained high. These related to the high levels of public debt in some OECD countries; the unsustainable rates of unemployment in many places; credit tightness and the still fragile financial system; the shaky recovery in private demand that was not yet sufficient to fully support economic expansion; and the associated government support exit strategies.

"We therefore need to remain vigilant and avoid complacency," he said.

Regarding the inefficient functioning of oil markets, El-Badri said they had, over the past few years, been characterized by excessive volatility and large price swings.

Many recognized that the emergence of oil as a financial asset traded through a diversity of instruments in futures exchanges and over-the-counter markets may have helped fuel excessive speculation to drive price movements and stir up volatility.

That led to a situation where futures prices were, to a certain extent, detached from the supply and demand fundamentals of the underlying commodity.

"This was discussed in detail at the recent IEF meeting in Mexico and we welcome the Cancun Ministerial Declaration, which is a clear indication that nobody wants a repeat of 2008 — neither producers, nor consumers," said El-Badri.

He stated that, fortunately, the oil market situation had steadily improved over the past year.

"The more reasonable price levels we see today support investment to provide the much-needed future production capacity. Shelved projects are now being restarted, there is a noticeable rise in activity, and, in general, there is a more optimistic mood than a year ago. It means we can now return to focusing our attention on the important longer-term energy challenges," he contended.

El-Badri said economic growth, expanding populations and higher standards of living meant that energy demand was set to rise in the future, despite significant improvements in energy efficiency.

According to OPEC's *2009 World Oil Outlook* reference case, energy use was slated to increase by more than 40 per cent by 2030. Fossil fuels, and in particular, oil and natural gas, would continue to satisfy most of the world's energy needs.

"This means that the Arab world, with considerable petroleum resources, will continue to play a leading role in the energy scene, far into the future," observed El-Badri.

He said that no one should forget that the global need for modern energy services was huge.

"Here, I am thinking about the 1.5 billion people who do not have access to modern energy services and the 2.5 billion people who use solid fuels for cooking and heating, with severe health problems resulting from indoor pollution.

"In this regard, I wish to emphasize the extremely beneficial role played by Arab country aid institutions and by our sister organisation, The OPEC Fund for International Development (OFID), in contributing to the alleviation of poverty and an improvement in energy access in many developing countries," he said.

El-Badri said that even though energy was set to grow over the long term, the actual pace of the growth remained highly uncertain.

Daunting uncertainties

OPEC's *World Oil Outlook* showed that as early as 2020 demand for OPEC crude could be as low as 29m b/d, or as high as 37m b/d. This translated into an uncertainty gap for upstream investment in OPEC Member Countries of over $250 billion.

"There is, therefore, the very real possibility of wasting financial resources on unneeded capacity," he said.

El-Badri said the daunting uncertainties stemmed in part from consuming countries announcing policies that were geared towards reducing oil demand, subsidizing alternatives and putting heavy tax burdens on the use of oil.

Historical responsibility

"Inconsistent, unrealistic and wishful-thinking policy announcements can only provide the wrong signals to markets and investors, creating a lack of certainty and predictability that undermines the ability of the oil industry to invest to meet future energy demand," El-Badri maintained.

He noted that this had been epitomized in recent climate change negotiations, where fundamental principles that were enshrined in the United Nations Framework Convention on Climate Change (UNFCCC), such as the principle of equity and common but differentiated responsibilities, had run the risk of being watered down by some developed countries.

"These attempts should be resisted. Historical responsibility of developed countries regarding the state of the earth's atmosphere cannot be ignored, as the provision of the UNFCCC that the first and overriding priorities of developing countries are socio-economic development and poverty eradication," he said.

"Without the confidence that there will be additional demand for oil, there may be no incentives to invest. And if investments are not made in a timely manner, then future consumer needs might not be met," he added.

Returning to Arab countries, El-Badri said it was clearly evident that huge and successful efforts had been undertaken by many countries to diversify their economies.

This included investing in industries that brought more added-value energy-intensive products, developing tourism and creating logistical port hubs. Many had also recognized the importance of human capital and had invested in advanced universities and research centres, in cooperation with some of the best global institutions. This also included investing in other energy sources, such as solar and nuclear.

"All these efforts and achievements are to be praised," said El-Badri. "Nevertheless, these economies often remain highly sensitive to both price volatility and to the uncertainties surrounding future energy demand. This underscores the importance of continuing to push economic diversification, especially given the needs of a younger population and the ensuing huge need for job creation in many countries."

Doha Conference highlights importance of technology to oil's future

The Doha Conference called for expanding the use of advanced technologies in extraction methods and enhanced oil recovery to enhance proven crude oil reserves.

Ministers also encouraged Arab states to expand the use of environmentally-friendly natural gas in various areas, especially in the generation of electricity and as feedstock in the manufacture of fertilizers and petrochemicals.

A communiqué issued at the end of the four-day meeting urged the completion of the interconnection of gas networks between Arab countries to promote gas trade among individual countries and to support their common interests.

New refineries needed

The declaration praised the efforts being made by Arab countries to maximize the sources of fossil energy and applauded their determination to maintain their distinguished position in the petroleum industry, particularly with regard to stability of reserves, which had been enhanced through intensified prospecting and exploration activity.

The conference urged the implementation of projects for modernizing existing refineries and the construction of new plants, in order to strengthen their capacity and to produce oil product specifications compatible with the requirements of international standards.

Delegates stressed the need for empowering the Arab private sector and investors to play a greater role in the development of the upstream and downstream segments of the oil industry.

This also entailed promoting the integration of the oil refining and petrochemicals industries, and enhancing cooperation and coordination between oil refineries, in a bid to defend their interests and to improve their competitiveness in international markets.

The conference called for increasing awareness in the conservation of energy and rationalization of power consumption, as well as stressing the importance of promoting scientific research and technological development in more specialized areas.

In this way, the development of the petroleum industry and local technology innovation would be assisted, while supporting the use of advanced technologies in the areas of petroleum and various renewable energies.

The conference called for establishing more related investments, in order to achieve stability in global oil markets, and urged the provision of financial liquidity to promote Arab financial institutions so that they could, in turn, finance and support institutions involved in the development of the energy industry.

The 9th Arab Energy Conference was held under the patronage of the Emir of Qatar, Sheikh Hamad Bin Khalifa Al Thani, and was chaired by Abdullah bin Hamad Al Attiyah, Deputy Premier, Minister of Energy and Industry.

The first Arab Energy Conference was held in March 1977, in Abu Dhabi, the United Arab Emirates. The idea for convening such a gathering, which underscores the interrelationship between energy and development, followed a decision adopted by the Ministerial Council of the Organization of Arab Petroleum Exporting Countries (OAPEC) in May of that year.

Conference theme

Consultations between OAPEC and the Arab Fund for Economic and Social Development (AFESD) led to an agreement stipulating that the two organizations would jointly sponsor the conference, which would be attended by all Arab countries.

Other Conferences have been held in Doha (1982), Algiers, Algeria (1985), Baghdad, Iraq (1988), Amman, Jordan (1992), Cairo, Egypt (1994), Damascus, Syria (1998), Cairo again (2002), and Amman again in 2006. Since the Algiers meeting, the conference has used the theme 'Energy and Arab cooperation' and now convenes every four years.

New Nigerian Minister will be OPEC's first female Head of Delegation


NNPC

Nigeria has appointed Diezani Alison-Madueke as its new Minister of Petroleum Resources, replacing Dr Rilwanu Lukman.

The holder of two previous ministerial portfolios, Mrs Alison-Madueke, in taking up her new appointment, will become the first ever female Head of Delegation in OPEC.

Born in 1960, in Port-Harcourt, Rivers State, to the family of His Royal Majesty, the late Frederick Abiye and Chief Mrs Beatrice Agama from Yenaka, the Yenagoa Local Government Area of Bayelsa State, she previously held the posts of Federal Minister of Mines and Steel Development and Federal Minister of Transport.

She completed her early education in Nigeria before studying architecture in the United States. She attained her five-year professional Architectural degree at Howard University, Washington DC.

Mrs Alison-Madueke began her working career at Charles Szoradi Architects, moving on to American Interior Builders Incorporated as Project Engineer, both in Washington DC.

In 1988, she joined Furman Construction Management, Rockville, Maryland, as Design Coordinator, returning to Howard University as an in-house Project Manager and a member of the Planning and Development team responsible for the design and implementation of a master building and renovation plan for the University.

Returning to Nigeria, Mrs Alison-Madueke joined the Shell Petroleum Development Company (SPDC) in 1992 as Head of the Project Unit of the Estate Development Division in Lagos, supervising the refurbishing and maintenance of the company's real estate in Lagos, Abuja and Jos.

She later moved to the External Affairs Directorate as Head of the newly instituted Corporate Issues Identification and Management Department.

In 2002, Mrs Alison-Madueke was awarded the prestigious British Foreign and Commonwealth Chevening Scholarship and proceeded on sabbatical leave to Cambridge University, United Kingdom, where she obtained an MBA at the University's Judge Institute of Management in 2003.

On her return to her homeland, she was appointed Shell Nigeria's Senior Joint Venture Relations Adviser for Strategy and Planning and then Lead Ventures Relation Adviser, managing the company's relations and reputation among its joint-venture partners.

Ministerial appointments

In 2006, in recognition of her track record of excellence, she was appointed to the board of the SPDC Nigeria Limited, as External Affairs Director, making her the first female to be so appointed in the history of the company's business practice in Nigeria.

Mrs Alison-Madueke was appointed Minister of Transport of the Federal Republic of Nigeria in July, 2007. Following a cabinet reshuffle in December 2008, she was appointed Minister of Mines and Steel Development. She was appointed Minister of Petroleum Resources on April 6, 2010, making her the first woman to hold that office.

Mrs Alison-Madueke is married with children to Rear-Admiral Alison-Madueke (retired), a former Chief of Naval Staff of the Federal Republic of Nigeria.

Yousfi becomes Algeria's Energy Minister for second time

Dr Youcef Yousfi has been appointed Algeria's new Energy and Mines Minister, replacing Dr Chakib Khelil.

It is the second time Yousfi has held his country's Energy portfolio. He was also Minister in 1997–98. During that time, he was appointed OPEC Conference President (1998).

Born in 1941, Yousfi, who has a Diploma in Economics, received a PhD in Physics from the University of Nancy, France.

As a Chemical Engineer, he also attended the Ecole Nationale Supérieure des Industries Chimiques, in Nancy.

Looking at his career in detail, he was first a lecturer and then professor in chemical engineering at the University of Algiers, Algeria, in 1973, where he remained for five years. During the same period, he was Advisor to the Ministry of Energy and Industry.

In 1979, Yousfi was appointed Vice President, in Charge of Marketing, at Sonatrach, before, in 1985, becoming Director General (CEO) of the national oil company.

Three years later, he became President of the Board, State Holding for Mines, Hydrocarbons et Hydraulics, and, in 1996, was appointed Director of the Office of the President of the Republic.

The following year, Yousfi was elected as a Member of the National Popular Assembly (Parliament), and, after his first term as Energy and Mines Minister, took on the position of Minister of Foreign Affairs in 1999.

In 2000, he was appointed Minister Delegate in the Office of the Prime Minister, and, the following year, became his country's Ambassador to Canada, a position he held for five years.

In 2006, Yousfi moved to New York, where he became Permanent Representative of Algeria to the United Nations.

Two years later, he became Algeria's Ambassador to Tunisia, where he stayed until his appointment in June this year as Minister of Energy and Mines.

Ecuador appoints new Energy Minister

Wilson Pástor-Morris is the new Minister of Non-Renewable Natural Resources of Ecuador. He replaces Germánico Pinto.

The new incumbent also takes over the OPEC Conference Presidency, which Ecuador holds for 2010.

Born in January 1946, Pástor-Morris is a graduate of the School of Engineering Geology, Mines and Petroleum, of the Central University of Ecuador, which he attended both in 1964–68 and 1969–70.

He attained his Masters in Energy Economics at the University of Pierre Mendes France, Grenoble, in 1971, where he was the second highest graduate in his year.

Earlier, between 1968 and 1969, he was a prospector of radioactive minerals, at the Atomic Energy Commissariat, France.

Before taking up his ministerial post, Pástor-Morris was General Manager of Block 15 and Petroamazonas Ecuador SA, a position he held since February 2007.

Looking at his earlier appointments, he was Technical Director of the National Energy Institute in 1978, before becoming Planning Manager Assistant of the then Ecuadorean State Petroleum Corporation (CEPE) the following year.

In 1981, he was appointed Advisor to the Chairman of the National Congress, Petroleum and Mining, and two years later became Advisor to the General Controller of the State in Oil Contract and External Merchandising.

In 1984, Pástor-Morris was appointed General Coordinator of the Oil Contract Unit, before three years later taking on the post of Consultant at the World Bank.

In 1988, he was Chief Financial Officer of Texaco, operator of the ECE-Texaco Consortium, and in 1990 became General Manager of Petroamazonas, which became operator of the ECE-Texaco Consortium.

Pástor-Morris was General Coordinator of the Petroleum Procurement Unit for Ecuador's seventh bidding round in 1993 to 1995, after which he was appointed General Manager of Ecuador Triton Energy Incorporated.

In 1999, he was appointed Executive President of the national oil company, Petroecuador, a position he held until 2001, when he became Operations Manager of CPEB, a subsidiary of the China National Petroleum Corporation (CNPC). He was appointed Minister of Non-Renewable Natural Resources at the end of April this year.

Pástor-Morris, who speaks Spanish, French and English, has had many energy and economic papers published. He is married with four children.

Venezuelans celebrate 200 years of independence

By Nigel Cumberbatch

Above, a statue of Venezuela's independence hero, Simon Bolivar, and (right) Venezuelan President, Hugo Chávez Frías, who led the bicentennial celebrations.

Venezuelans' national pride blossomed more than ever on April 19, 2010, as the nation celebrated the 200th anniversary of their country's independence from Spain.

The bicentennial celebrations for the country, one of the five developing countries that set up OPEC in 1960, included a wide range of activities aimed at national and regional unity, integration and economic and political sovereignty.

Two centuries ago, the municipal council of Caracas led a successful movement to depose the Spanish governor in a string of events that culminated with the *Signing of the Act of Independence* on April 19, 1810. One year later, on July 5, 1811, Venezuela won its full independence as a free and sovereign state.

Those events triggered a wider war of independence in South America, led by Venezuela's independence hero, Simon Bolivar, who is also credited with liberating Colombia, Ecuador, Peru and Bolivia.

Venezuelan President, Hugo Chávez Frías, led the April 19 bicentennial celebrations, hosting the presidents of those four Bolivarian countries, as well as the presidents of Argentina, Cuba, Nicaragua and the Dominican Republic and the prime ministers of the Caribbean nations of Dominica, Antigua and Barbuda and St Vincent and the Grenadines.

Ever since taking office in February 1999, Chávez has been at the helm of his Socialist Bolivarian Revolution, on which he has often said is a continuation of Bolivar's revolutionary process.

The high point of Venezuela's bicentennial celebrations was a huge, colourful and unprecedented civil-military parade in Caracas. Many civilian groups depicting the country's rich cultural heritage participated in the event.

National unity

Additionally, military contingents from Algeria, Belarus, Bolivia, Brazil, China, Libya and Nicaragua marched alongside Venezuelan troops to mark the occasion.

During a speech delivered at the start of the parade, Chávez underlined the importance of national unity,

Reuters

Reuters

AP Photo

saying: "Here we are, the sons and daughters of Simon Bolivar, 200 years later, in this Caracas, always and forever the cradle of revolutionaries."

Noting that on April 19, 1810, "the great homeland was born," the Venezuelan leader said: "Here we are united again … today, we are one, civilians and military, united, its people and its armed forces, guaranteeing Venezuelan independence, the independence of the homeland."

Chávez continued: "Never again will Venezuela be a yankee colony, nor a colony of anyone. The time has come for our true independence, 200 years later."

He added: "Not only the independence of Venezuela, because the independence of Venezuela would not be possible without the independence of America, Latin America and the Caribbean and Central America."

Visiting presidents meet

Another key highlight of the bicentennial celebrations was the 9th Summit of the Bolivarian Alliance for the Peoples of Our America — known by its Spanish acronym, ALBA.

This regional trading group, launched in 2004 by Venezuela and Cuba, today also includes as its members Bolivia, Ecuador, Nicaragua, Antigua and Barbuda, and St Vincent and the Grenadines.

The meeting, chaired by Chávez, was attended by Presidents Raul Castro of Cuba, Evo Morales of Bolivia, Daniel Ortega of Nicaragua, Rafael Correa of Ecuador and Prime ministers Baldwin Spencer of Antigua and Barbuda, Roosevelt Skerrit of Dominica, and Ralph Gonsalves of St Vincent and the Grenadines.

Topics discussed at the ALBA summit included the global climate crisis, the negative impact of capitalism, defence and the threat of US imperialism.

Following extensive discussions, the ALBA leaders signed a document known as the *Caracas Manifesto Consolidating the New Independence*, which spells out a series of guidelines aimed at consolidating not only political independence, but also economic, technological and scientific independence.

The document noted that "from its birth in 2004, ALBA has played a fundamental part in the defeat of the disintegrating project of the Free Trade Area of the Americas (FTAA) and has constituted a space of response and effective protection in the presence of the energy, financial, food and social crisis unleashed by globalized capitalism that today threatens the existence of Mother Earth and the survival of humanity."

On the issue of unity and political sovereignty, ALBA leaders stated in the document that "two fundamental pillars" of a common foreign policy will be the construction of "a pluri-polar world" and the struggle against "all forms of interventionism and war".

The document also underlined the contentment expressed by ALBA members regarding the soon-to-be

Reuters

created Community of Latin American and Caribbean States, which is scheduled to hold its first summit in Caracas on July 5, 2011, commemorating the declaration of the independence of Venezuela.

Important gas producer

On economic matters, the ALBA document stated that the leaders of its member countries had instructed the economic council of the group to draft "a great map of economic sovereignty and independence in which strengths and weaknesses of our economies will be identified, main opportunities for complementary action will be analyzed and actions be established to develop the union of our economies in a socialist perspective."

In a separate bicentennial development linked to the joy and hope of the bicentennial celebrations, Chávez announced in early May that "200 years after" the declaration of independence Venezuela was on the threshold of becoming a world powerhouse as a gas producer.

According to the Venezuelan leader, the country could eventually count on the world's fourth-largest gas reserves with an estimated 500 trillion cubic feet of gas deposits located in fields offshore in the Caribbean Sea, in the northern plains on land and in the Orinoco Oil Belt in eastern Venezuela.

Chávez made the announcement as state oil company, Petróleos de Venezuela SA (PDVSA), carried out drilling activities in three offshore wells located in the Dragon Field of the Mariscal Sucre project in the Caribbean Sea.

This concession is believed to contain substantial reserves of gas and consists of four huge fields known as Dragon (180 square kilometers), Rio Caribe (206 sq km), Mejillones (278 sq km) and Patao (242 sq km).

"All those fields together hold some 14.7 trillion cu ft of proven gas reserves," said Chávez.

He noted that the reserves would be "very useful to produce thermoelectricity, for the development of industries, for petrochemicals, for domestic consumption and for vehicular consumption — in other words the integral development of Venezuela, a world energy powerhouse."

Prominent role

PDVSA plans to eventually produce around 1.2 billion cu ft/day of gas from the Mariscal Sucre scheme to supply the domestic market.

"In the four years from 2010 to 2014, we are going to increase gas production by 2.2bn cu ft/day, which represents almost 40 per cent of current production. That is a gigantic leap," observed Chávez.

With recent oil and gas achievements, as well as in the areas of regional integration and social and political development, Venezuela appears to be well on the way to playing a prominent role on the world stage as it continues to celebrate 200 years of independence.

OMV

A bite with the Bulletin …

Wolfgang Ruttenstorfer

OMV

*The third in a series of interviews with energy industry professionals based in Vienna, Austria, sees the OPEC Bulletin's **Steve Hughes** meet OMV's Chief Executive Officer, **Wolfgang Ruttenstorfer**, to talk about the big issues of the day.*

OMV

Wolfgang Ruttenstorfer does not let the spectacular view from his glass-walled office, atop OMV's new Austrian headquarters, distract him. The city of Vienna, with all its famous steeples and spires, sprawls out before him until it meets the green undulations of Klosterneuberg to the north and beyond. Rather, this view helps Ruttenstorfer to focus: "I look at the River Danube and I realize it crosses all our markets and finally flows into the Black Sea — another important area for us," he says. "It represents a kind of connection." Perhaps it is this ability to relate what goes on around him to his own work that has helped Ruttenstorfer transform OMV from a fairly provincial oil company with few international activities into a much larger, truly international firm, in just nine years as Chief Executive Officer.

Waiting to be collected by OMV's well-run press machine just moments before the interview, I had been surprised by the considerable hustle and bustle in the stylish new lobby. Business people of countless nationalities queued for visitor passes and scores of

The OMV headquarters in Vienna.

"How fast should we go into gas? How fast should we go from gas to power? How much should we be exposed to renewables in the next two or three decades?"

individuals shook hands and introduced one another. On the wall hangs a giant oil painting depicting what looks like a rugged coastline greeting an unruly sea. It is maybe ten metres high; a homage to mother nature perhaps, which has a habit of making the oil business treacherous, not to mention costly. The OMV building — located just metres from the Prater, Vienna's largest green space — is remarkable too; a convex, deep-blue tinted glass tower some 24 floors high adjoined by white, linier concrete and glass box-like structures. Constructed by Viennese architects Henke und Schreieck, it provides 44,000 square metres of space and was completed just last year. OMV appears to have weathered the economic storm well.

With this in mind, sitting around the large table in Ruttenstorfer's office (our lunch date has been reduced to morning coffee due to his schedule), I open with a question about the global economy; 2008 and 2009 must have been tough, I say. "May I differentiate a bit?" he asks, and says that because of record highs in the oil price and decent refining margins, 2008 turned out to be "the best year OMV ever had". Conversely, 2009 was difficult. But by reacting early — in 2008 Ruttenstorfer announced a major saving initiative that is set to trim some €300 million from costs by the end of 2010 — the company was able to limit the damage somewhat. "We were well prepared for 2009," he says. "Yes, our cash-flow has gone down by around about 40 per cent, but this had to be expected after the best year ever in 2008. And we were able to continue with our growth strategy in Central, South-East Europe and Turkey, our three main markets. And this is the most important aspect for us."

Gone global

OMV's busy lobby and its new office — combined with a second headquarters currently under construction in Bucharest, Romania — are testimony to Ruttenstorfer's achievements to date and his future ambitions. The acquisition of Romanian company Petrom in 2004 — something he alternately calls "a major shift in the history of our company" and "a company transforming transaction" — marked OMV's beginnings as a proper international player. These days, only some 3,000 of the company's total workforce of around 36,000 are based in Austria. OMV is active in 27 countries on four continents, runs a network of nearly 2,700 filling stations and operates five refineries.

Ruttenstorfer is Austrian by birth. In his youth, he says he hankered after an international career — something that OMV, in its early days, struggled to offer. But he has made up for it since. He now travels between two and three days per week: "I have seen places from Pakistan to Kazakhstan, from the Caspian Sea to the Middle East, from North Africa to the North Sea," he says. But presently he is focused on strengthening OMV's position in its three main regions, as well as keeping an eye on more distant areas. Last year saw the start of production from the Maari oil field in New Zealand; Australia is also on the agenda. Far-off boundaries and access to some of the world's most powerful people are two of the things that excite Ruttenstorfer. "Usually you have to talk to the top politicians, to the government of countries, because this is a very important industry for those countries," he says. "It gives you an insight into what's really happening around the world."

Although he is quick to point out that he did not grow up on the rigs — "I have to admit, I studied economics, so I am not what some would call a roughneck" — he thinks of himself as an oilman through and through. "I have always been exceptionally proud to be part of an organization involved in the primary search for oil and gas." When I ask what has kept him at OMV for so long — he joined in 1976 and worked his way through the company — he draws himself closer to the table and becomes animated: "I find the oil business very exciting — you really have to go to the sources, to the rigs, to very challenging areas of the world and you have to bring the oil to the market," he says. "Oil is a precondition to economic development. Energy is one of mankind's basic needs."

Special responsibilities

Ruttenstorfer also seems very conscious of OMV's environmental responsibilities: "We have a special [environmental] responsibility because we produce this oil and we bring it to the market," he says. "We feel that we should also contribute to the resolution of the CO_2 issue." While he is downbeat about recent environmental developments — "after Copenhagen, it is now quite clear that a global agreement is not within reach, to say the least," — he is more optimistic that regional agreements will continue, especially in Europe. He is excited by the opportunity to combine wind power with more flexible gas-fired power plants and sees carbon capture and storage technology as a good "transition technology". But he is not blind to its challenges, especially, he says, in heavily populated areas. What Ruttenstorfer appears to be a particular fan of, however, is capturing CO_2 not as an end in itself, but to use for enhanced oil recovery: "Such combinations make really good sense and we will definitely look at this possibility."

I ask if he thinks oil will continue to be important into the future. It will play a major role in the emerging markets, he says, and worldwide demand will grow "substantially" from today. But, as seems to be the developing consensus, he sees a less dynamic picture in more mature markets: "We have seen peak oil demand — or we will see it later this decade — in the US and Europe. But even in 2030, the majority of the world's energy demand will be covered by hydrocarbons; that is for sure. They will stay as the backbone of the energy supply." He believes that while renewables will come into the equation, their total contribution to the energy mix even by 2030 will be "very limited".

Ruttenstorfer has high hopes for another form of energy though: "On the gas side, even in Europe, we expect further growth," he says. This is one of the reasons OMV is expanding its gas infrastructure significantly over the next couple of years. One such project is the Nabucco pipeline which aims to connect the Caspian region and the Middle East with Austria and Central and Western European gas markets. At the mention of Nabucco, Ruttenstorfer becomes animated again. "It is a project that is very close to our heart," he explains. "We need additional gas from new sources, and this is what Nabucco is about." It is the only pipeline project for which the legal environment is "absolutely clear". What remains important though, says Ruttenstorfer, is that the gas supply for the pipeline is secured — something that still provides a challenge. He is hopeful that negotiations with Iraq and Azerbaijan will prove fruitful in this respect. "We are optimistic that a final investment decision for Nabucco will be taken at the end of this year, with the objective of seeing first gas in 2014."

At the moment, Ruttenstorfer is enjoying a period of relative stability in the oil market. "It is a good oil price, both for consumers and producers — high enough to justify major investments into the upstream, but on the other hand, low enough to not risk the growth in our consuming countries." And while there have been improvements, the world economy still faces "significant risks". He notes that Europe is struggling to emerge from recession. "Of course the big imbalance is the high indebtedness of [European] countries and this needs very prudent action during the coming years." It is a critical transition period for us all, he says, peering into his coffee and stirring it intently.

Head scratching

There is much to keep Ruttenstorfer scratching his head in the months and years ahead. "What keeps me awake at night is the further growth of the company," he says. It is a careful balancing act between jetting around the world to win new licenses and concessions from producing countries to keep reserve replacement rates up and branching out into new territory: "How fast should we go into gas? How fast should we go from gas to power? How much should we be exposed to renewables in the next two or three decades?"

And then there is the environment and the attempt to reduce CO_2 emissions — something that is likely to cost enormous amounts of money, he says. While Ruttenstorfer believes it is not a technically insurmountable challenge, he questions how much of the world's value creation people are really willing to allocate to the energy sector so that it can make a real difference. He also asks whether the world is ready for the true cost implications of moving headlong into "really sustainable" energy: "I would say for the next decade, we should really try to stay in the $80/barrel range for crude oil and not try to go a step further, which may really put world growth at risk. We have made such a step over the last decade from $25 to $80/b — let us now digest this level of energy prices."

It seems Ruttenstorfer loves facing such mind-bending challenges on a regular basis and that, for him, no other industry could offer such difficult conundrums so often. This is perhaps one of the reasons that he has spent his entire career with OMV. Apart from, that is, a stint spent as Austria's Deputy Minister of Finance, overseeing, among other things, nothing less than the introduction of the single European currency.

Ruttenstorfer does not seem one to shy away from a challenge. He admits that a while ago, he considered a move into the financial markets. But it is not difficult to imagine that it was a fleeting thought. "In the end," he says, "I realized energy was the only real industry for me."

Is there a bubble in China?

With the worst of the world financial crisis seemingly over, countries are coming out of recession and seeing their ailing economies re-establishing growth, albeit small, and manufacturing industries once again filling their order books. China, which has been an economic marvel for several years now and a country that figures prominently in the future of international oil demand growth, by all accounts largely escaped the destructive effects of the worst global recession in 70 years … or has it. While many commentators still predict a glowing economic future for the Asian powerhouse, Vienna-based analyst, ***Mohammed Al-Fathi****, feels that not everything in the Chinese garden is rosy.*

Since 2005, a number of property bubbles in different parts of the world have burst, causing untold damage to mortgage lending and misery to millions of householders. However, one property market — that operating in China — has been left largely unscathed.

Although there is currently a debate as to whether one can describe it in terms of a bubble, no one disagrees that there are serious imbalances in the Asian giant. There are also differences in opinion as to what effect it would have on Chinese commodity markets and the economy in general if a significant fall in property values was to occur.

Some of the countries that weathered the economic turbulence seen over the last couple of years relatively well rely on strong commodity prices, so a fall in demand by the Asian powerhouse, as a result of a slump in construction, is by no means solely a Chinese problem. In a situation like that, the psychological impact of a property market going bust must also be considered.

The Chinese government is actually stuck in a catch 22 situation because even though it is taking the problem seriously and trying to get it under control before property speculation becomes even greater, construction is now so essential to its policies that it cannot detach itself from the sector without causing damage.

Construction industry key

It is no secret that the government has made a sort of covenant with the people to accept the current political system, in return for stable economic growth and job creation. The steady migration of workers from rural areas to China's more prosperous large cities has added to the need to provide jobs and affordable housing.

It has done all it can to avoid social unrest and the construction industry has been key in that process. Since the financial crisis of 2008, when exports decreased and construction increased as a percentage of gross domestic product (GDP), the government has tried to compensate for the drop by putting even more emphasis on construction.

In the US, economic conditions are improving, but the country still has a long way to go before one can truly say it is out of the woods. And with things worsening by the day in Europe, any drop in activity in China, no matter how small, could have a significant impact on commodity markets, especially oil.

As we have seen in the past weeks, markets are increasingly jittery and far more vigilant than normal. This lack of confidence has already resulted in a drop in crude oil prices for the very simple reason that Europe is both the biggest trading partner of the US and China. According to the latest data, China's exports surged by 48.5 per cent in May, compared with a year earlier, but it is still too early to say for how long China can keep up such increases — and it should be noted they were measured from last year's low base after the drop following the financial crisis.

With current oil supply being more than sufficient to meet demand and oil stocks above their five-year average, it is difficult to make a case for stronger oil prices when faced with these kinds of economic conditions.

Billionaire trader, James Chanos.

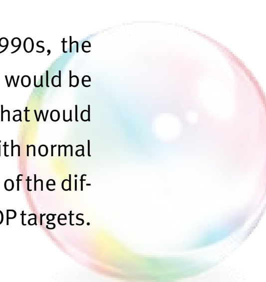
The precarious situation in the Chinese property market and the possible repercussions on the commodity markets recently featured prominently in the news with American billionaire short seller, James Chanos, warning of a possible bust in the country, where others were predicting a boom.

He referred to the Chinese problem as being a bubble. And this from the man who was proved right about the collapse of Enron and the problems experienced by medical supplies giant, Tyco. Naturally, with this reputation, his comments were widely reported. And, at the very least, it has brought the subject to the forefront of international attention once again.

Chanos explained his reasoning about China by merely pointing out the obvious — look carefully at the available data. His views have seemingly sent a shock wave through international circles, particularly in view of the fact that China has been very successful in cultivating an image of being completely immune to the business cycle and always able to meet its targets and global expectations.

Unfortunately, as Chanos so eloquently put it: "I don't understand how an economy that is supposed to be as dynamic as China's always manages to have such consistent GDP figures."

Let us look a little deeper. In the late 1990s, the Chinese government decided that GDP growth would be its main priority and that it was not something that would be simply calculated at the end of the year, as with normal market economies. It meant that the governors of the different regions in China had to deliver on their GDP targets.



The most spectacular example of what this policy produced in practice was the New South China Mall, built in Dongguan, in China's Guangdong province. Covering an area of 7.1 million square feet, about 99 per cent of the centre's 2,350 stores remained empty after it was finished in 2005. And even though the project proved to be a failure, it somehow was considered to be a success by the government because Guangdong met its GDP target for that year.

Of course, it is unfair to say that all the construction taking place in the country is unnecessary — the relevant infrastructure projects for the rail and electricity system are a case in point — but the shopping mall highlights just what can happen when decisions are driven by growth targets.

Another example is Ordos, in Mongolia — one of the richest cities in China. The local government there decided in its wisdom to build a new city, which was completed in five years and able to accommodate up to one million people. Today, the buildings stand empty. The old Ordos is some 30 kilometres away and the residents there just did not want to relocate because they would lose their existing businesses and jobs and many simply could not afford to move.

In fact, there are many examples in China of empty residential, office and factory space — especially now that exports have declined. That is why the discussion over a property bubble is slightly misleading because what we are actually talking about here is total fixed asset investment (FAI), which includes commercial, residential and other infrastructure and capital-related expenditure.

Total FAI in China in 2009 accounted for over 50 per cent of GDP and is expected to exceed 60 per cent in 2010, its 12th year above 30 per cent, which is a record that has been unmatched, even by Germany, Japan or the former Soviet Union, which had similar command economies, whereby large amounts of resources could be directed by the central government.

The main problem with consistently high FAI is that its marginal cost begins to rise the longer it continues, as we have seen by the ever-increasing empty space.

At the same time, the Chinese construction sector has been increasing, and property prices have skyrocketed in tandem. The government recently took steps to try to curb residential property speculation, but many feel it might be a case of too little, too late.

A minimum 30 per cent down payment is now required to purchase first homes larger than 90 square metres, up from 20 per cent previously. The minimum down payment on second homes was also raised — to 50 per cent from 40 per cent. The government is also looking at various tax policies it could introduce to curb home purchases.

Until now, there has not been a measured reaction to these stipulations, but this might be because it takes time for them to filter through. The most worrying thing about residential property speculation is that the Chinese people have been buying homes as a form of saving. This implies that they believe values will never drop and that they will hopefully go up every year.

Properties are also standing empty because it is easier to sell them again. One also has to consider the types of homes being built as a result of speculation. They are not what one would consider affordable housing for the average Chinese person — and even the government is demanding more accessible housing.

The danger here to people's finances if property values go down is obvious, but as we saw in the US, China's banks might end up holding a huge amount of bad debt and in need of assistance.

Illiquid assets

While the government might have significant savings, the average Chinese person does not. Property speculation has been financed by lending which is always fine until there is a correction in the market and the banks end up holding a lot of empty property.

The CEO of JP Morgan, Jamie Dimon, said about China and its lending: "It is too difficult to know what you are buying: many of them do not yet have integrated systems, possibly a meaningful amount of political loans."

It is important to note here that Dimon — and the cultural at the bank he runs — is known for always making diplomatic statements, unlike many of his counterparts on Wall Street.

In a downturn, it is also hard to turn a house into cash so one has to question the idea that the situation in China is different than what we saw in the US, due to the high down payments required to buy a home.

The fact is some people's savings are now tied up in these illiquid assets, which were partly financed by borrowing.

The Chinese government has acknowledged this problem and is asking its banks to raise capital reserves because it fears having to bail them out in case of a large number of defaults.

According to reliable reports, China has reserves of about $2.4 trillion, but this amount fails to take into

CEO of JP Morgan, Jamie Dimon.

account any of the government's liabilities. For example, the country's banks are all state-owned and their total lending makes China's reserves seem rather small.

Since the onset of the global financial crisis, China has been able to weather the storm, partly due to its $595 billion stimulus package, which is the equivalent of some 14 per cent of the country's GDP, the largest in percentage terms when compared with any other nation.

However, for the first time this year, the Chinese government is running a budget deficit of about $140bn, so now a lot depends on its drive to strengthen the domestic economy.

Unfortunately, any correction in property values will make this task harder as people will loose the confidence to spend and try to save more. The government's reserves can fall rapidly in a situation like that — as we have seen recently in other major economies — as it tries to make up for the shortfall in private-sector spending and lower exports.

Some experts believe there is no danger to property values because by 2020 around 500 million people will be expected to move to China's big cities in the most extensive urban migration ever to be seen. However, large numbers alone cannot always come to China's rescue and the devil is in the detail. There are currently many empty factories and it is unclear what the unemployment rate is because people are encouraged to resign when they lose their jobs.

In the medium term, there is at the very least a possibility of a reversal in the urban migration trend if enough jobs are not created. And, in the long term, anything is possible. The real question is what happens if construction continues at its current pace and much more is built than is needed to meet demand in 2010 and not 2020?

It is maybe more convenient not to use the word 'bubble' when talking about China and instead concentrate on the imbalances because even if the former does not exist, it does not mean that the country has some very serious readjusting to do.

A very elementary economics lesson seems to be missed by many people, which is that construction is the easiest of ways to produce GDP growth. So what happens when it has built all that the market can take? It has increased the down payment required to buy a home, but it has not cancelled a single construction project.

There is absolutely no let up in what the country is planning to build, or, as Chanos likes to point out in every interview: "There is currently 30 billion sq ft of Chinese real estate in the works, which would work out to be a 5 x 5 cubicle for every man, woman, and child in the country." With a population of 1.3 billion, only 300–400 million of which can be considered middle class, that is an impressive amount of space.

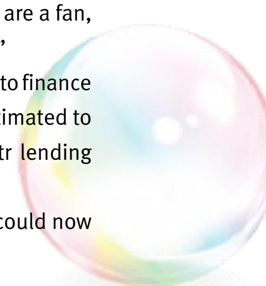
In 1998, the Japanese government wanted to achieve economic growth of one per cent and nearly went bankrupt by implementing construction projects that it believed would help it achieve its goal. We all remember the beautiful soccer stadiums when it co-hosted the football World Cup in 2002, some of which do not exist anymore. At the time, the government announced it had met its GDP target — unfortunately, the real figure, which took two years to calculate, later showed it had actually shrunk that year.

Putting the obvious lesson aside — that construction sometimes does not pay — data is a real issue when it comes to analyzing the Chinese economy because it is largely in control of the information flow and a lot of what is announced has to be accepted in good faith.

The *Wall Street Journal* describes it best: "China's economic data are a bit like sausages — if you are a fan, it is best not to scrutinize how they are made."

To understand where the money came from to finance the growth, loans to local governments are estimated to account for more than one-third of the $1.4tr lending spree made by Chinese banks last year.

There are some estimates that the banks could now



have up to $1.6tr in exposure to local governments. To obtain these loans, large blocks of empty land were used and now the government has asked the banks to demand tangible assets as collateral, such as buildings.

To make matters worse, not all the borrowing by local government went on infrastructure, or commercial projects — some went into property development, which helped fuel rising prices.

Private consumer debt

Should the government need to bail out banks, it would not be the first time it has had to do so — the last time was only a decade ago. At the time, China was fortunate enough to have strong worldwide economic growth to help its businesses get on their feet again. This time, the situation is very different and is another reason why the government is trying to strengthen the domestic economy.

As with all bailouts, it is the consumers that would end up having to pay and this raises an interesting point — how much worthless private consumer debt are Chinese banks holding? Estimates vary. As early as 2004, analysts were worried that as much as one-third was worth no more than the paper it was printed on.

If a situation were to materialize where a sizable chunk of defaults from both consumers and local governments were to force the government into another bailout phase, then this would surely restrict the administration's ability to manage the economy and potential economic growth.

This would, of course, have a substantial impact on commodity and industrial product imports. The latter would be particularly hard hit because China imports about $550bn worth of these types of goods annually.

As mentioned a number of times in this report, the key to China's fortunes in the next few years will be how successful it is in strengthening the domestic economy. The country is not only experiencing a shift where it cannot rely on exports to fuel growth, its traditional role as a contract manufacturer is also in danger.

There are many countries in the region that can boast lower production costs than in China. Here again, the Chinese government is well aware of this fact and is trying to take the next step in economic development and be a producer of new technologies, the same step that South Korea and Japan have taken.

For example, China has been investing heavily in its aviation industry. Unfortunately, to encourage research and development, it also needs to strengthen its intellectual property rights, as they are notoriously loose.

One of the untold stories of the past decade has been the predicament some foreign companies have found themselves in after setting up factories in China and having their technologies copied. So, for the time being, the domestic economy and how well the government can turn export-oriented infrastructure into catering for domestic consumption instead, will be the pivotal issue in the coming years.

It is difficult to give an accurate and fair assessment here because of the lack of information. There are just too many 'ifs' — if Chinese individuals are able and willing to consume, if the middle class continues its steady growth, if the existing factories can produce goods Chinese consumers want, if property values do not fall and confidence does not suffer.

The government enjoys a huge advantage compared with administrations in Europe because it can decide what needs to be done and order it. China's success is partly due to the government's ability to make available large numbers of people and resources without having to worry about any legal, environmental or human rights issues. Unfortunately, as we saw with the former Soviet Union, sooner or later, even in a command economy, the market steps in.

To put some of the excesses into perspective to help understand why there could be a major fall in GDP and commodity demand growth in China, or even an absolute decline, it is noteworthy to look at two products — cement and steel — and what was built with them.

Excess capacity in cement in China is greater than the combined consumption of the US, Japan and India. Similarly, idle production of steel is greater than the production of Japan and South Korea together. These are two of the six biggest steel producers in the world.

Looking at its most important cities, Chinese office vacancy levels are about 20 per cent in Beijing and 16 per cent in Shanghai — far above the levels seen in the US and Europe. Since the government has tried to control property speculation, developer share prices have taken a dive, a clear sign that the market is starting to believe the party is over.

This is particularly worrying and significant because China has been the main beneficiary of foreign direct investment (FDI) over the past ten years. Opportunities were limited in Europe, a lot of money was already being invested in the US, so China became the main alternative and the numbers speak for themselves.

FDI jumped from $40bn annually in 2000 to more than $150bn now. The world economic climate has actually helped China keep FDI at such high levels because it is seen as the last safe haven to invest in.

If the Chinese economy begins to stutter then we will also see a drop in FDI and even more pressure on the government to make up for the shortfall. The psychological impact on the other hand will be immediate and widely felt.

Therefore, given the above risks in construction, lower production from energy intensive industries, such as cement and steel, and the possibility of a huge reduction in FDI, oil consumption in China is likely to suffer as well, though this is not yet reflected in analysts' estimates.

World oil prices would surely be impacted as the nation's impressive growth expectations (and those of India) have brought the price of crude to a reasonable level after the precipitous decline seen in the second half of 2008.

While oil prices appreciated from the $30/b seen in December 2008 to around $80/b in April 2010, the real underlying fundamentals to support such a price level are low and perhaps the latest decline in prices to below $70/b is the correction analysts have been expecting for some time now, although this has been mostly attributed to the Greek financial crisis and its implications.

At the same time, both crude and oil product inventories are in excess of comfortable levels, as compared with the average of the last five years, and, therefore, as we saw in 2007–08, supply is more than sufficient to meet demand.

In this case, if the situation in China starts to impact the nation's oil imports, or oil stockpiling, then the general belief, or hope, of a sustained global economic recovery, with one of the main drivers being China, will be dashed. The recent domestic price increases in China of gasoline (4.5 per cent) and gasoil (five per cent) do not help either.

In the initial stages of the global financial crisis, it was hoped that China would pick up where the US left off after the Asian tiger announced the size of its stimulus package. But when it released details of what it would actually be spending the money on and how it would use the funds to strengthen the domestic economy there was a lot of disappointment.

Ratings downgraded

The Middle East and other commodity exporters, such as Russia and Brazil, ended up being the main beneficiaries. Even so, the combined demand from these emerging markets, especially China, has been the main source of optimism.

In case of a downturn in China, some countries would suffer more than others. In the Middle East, for example, nations that have saved a lot of their proceeds could accommodate a drop in crude prices relatively well.

The real problem is what kind of a drop would it be? A drop to $60/b is far less painful than that we saw in December 2008. Unfortunately, in the current economic climate, this has become much more of a possibility as we are now going through the latter stages of the crisis where major economies are having their ratings downgraded and their cost of borrowing increased.

Of course, this is a worst-case scenario and, as mentioned earlier, FDI in China might increase further, in spite of the circumstances, as people try to look for places to invest in.

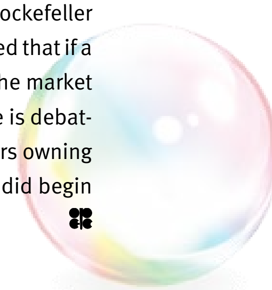
This could delay any problem indefinitely. But as the saying goes, "when in war, prepare for peace — and when in peace, prepare for war." It would be wise to prepare for a day when China experiences modest growth, rather than the annual nine per cent expansion regularly predicted.

In my opinion, it is unreasonable to believe that China can be relied upon to consistently expand and provide for oil and other commodity demand growth. This does not mean that China is not going to be the most important commodity market in the future, or that it is heading for some sort of economic disaster.

But it would be wise to err on the side of caution and temper expectations, so that we do not have the same experiences as we did with Japan and the US, both of which used to receive similar accolades for their economic performances, similar to what China is getting now.

There is no question that China's large population will need to be catered for as wages increase with continued economic development. However, economic development is not an ever-rising upward curve and every country in the world has experienced ups and downs on its way to the top. China is no exception and even if many people believe it is, it does not make it so.

Finally, to labour the point, there is a story about John D Rockefeller before the stock market crash in 1929 and how he was offered free advice about a stock by a young boy who was shining his shoes. Supposedly, Rockefeller told his broker to liquidate all his stocks, worried that if a shoe-shine boy is talking about stocks, then the market must be overbought. Whether this story is true is debatable, but when I read about Chinese taxi drivers owning multiple properties and giving free advice — I did begin to worry.



OPEC @ 50

Secretariat to host quiz as Anniversary celebrations move into full gear

Young national representatives from Member Countries will be tested on their knowledge of the Organization and the international oil industry when OPEC stages a quiz competition at the end of June as part of its 50th Anniversary celebrations.

High school students up to the age of 18 will travel to Vienna for the event, which will be held on June 30, at the new OPEC Secretariat, hosted by Secretary General, Abdalla Salem El-Badri. The City of Vienna has also been asked to submit a candidate in honour of Austria being the longstanding host country of the Organization. OPEC moved to Vienna from Geneva in 1965.

Competitions have been held among students in the various OPEC Member Countries to choose suitable candidates that will fly their national flags at the quiz, which will be conducted in English, the official working language of the Organization.

Impressive prizes

However, where necessary, translators will help contestants, who stand to win some impressive prizes. The winner of the competition will get the choice of either a full scholarship to do a degree programme in any university of his/her choice, or an all-expenses paid trip to an OPEC Member Country of his/her choice. Second prize is a cash stipend of €4,000 and third place will get a cash stipend of €3,000.

Contestants will be tested over three rounds. The first will be on OPEC, the second will field questions on Member Countries and those fortunate enough to make the final round will be asked about the oil industry in general. The competition will be disseminated live on the OPEC website.

OPEC has planned many activities this year to mark its half century of existence. The Organization was founded in Baghdad, Iraq, in September 1960, by an initial five Founding Members — IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Today, the Organization boasts 12 Member States.

It is planning to hold an Anniversary Symposium in Baghdad, most probably sometime in October, to mark the 50 years of its birth there.

OPEC's Ministers set the Golden Jubilee celebrations in motion during their 156th Meeting of the Conference in March, the first to be held at its Headquarters in the heart of the Austrian capital. They used the occasion to officially open the new Secretariat and launch a set of OPEC Anniversary postage stamps.

The Secretariat is also collaborating with the Austrian Post Office on the production of another special 50th Anniversary stamp, which is planned to be released on September 14, the day OPEC was established in 1960. Individual Member Countries are also releasing their own stamps.

In addition, a set of colourful postcards, depicting OPEC@50, have been produced by the Secretariat and are already in circulation.

Also at their March Meeting, the Ministers launched a new-look OPEC Website (www.opec.org), incorporating many new and user-friendly features. And specifically for the Anniversary, a special micro-site within the Website has been developed. This carries information specific to the milestone reached and activities being held.

The Website carries the official Anniversary logo of the Organization, which is appearing on all OPEC's publications and correspondence this year. The logo is also being used in the Organization's Member Countries.

Already in use since January, the logo was the subject of an exciting and popular competition, which was thrown open to all OPEC Member Countries. Over a period of two months, it attracted some 700 entries.

Choosing the winning entry was the subject of a rigorous four-stage process from short-listing the designs to final selection. This involved the staff of the OPEC Secretariat, the Organization's National Representatives and the OPEC Board of Governors.

The winning design was submitted by Lourdes 'Lula' Pilay Garcia of Ecuador, who holds a technical degree in graphic design from the Escuela Politecnica del Litoral, ESPOL. She has since completed her studies for a Licentiate (Bachelor's degree) in graphic design.

Her OPEC Anniversary logo was selected for its depiction of the spirit of the Golden Jubilee celebration, which is anchored on OPEC's achievement over the last 50 years and its vision for the future. The unique design incorporates the Anniversary slogan 'Supporting stability, fuelling prosperity'.

Ms Pilay Garcia, who has been invited to visit Vienna in September to formally receive her prize money, is no stranger to winning awards. In 2009, she came up with the winning logo for that year's Carnival of Guayaquil. Her design was also adjudged the best of all the entries for the Institutional logo of RADES — the Alumni Network of Sustainable Economy.

Other OPEC Anniversary activities still to come include a soccer match between OPEC and the Austrian Police (one game has already been held in February) and exhibitions, both in Vienna and Member Countries.

Arrangements for the Vienna exhibitions are already at an advanced stage. They will be held at the Kursalon, one of Austria's most beautiful historic buildings and strategically located near the famous recreational Stadtpark in Vienna's first district.

They will run from September 19–30 and feature daily displays from individual Member Countries, as well as an exhibition depicting OPEC as a whole.

And on October 14, a concert by the Qatar Philharmonic Orchestra will be staged in the Austrian capital.

A range of special publications is also planned, including a book offering a comprehensive history of OPEC, another book specifically for children and giving an illustrative history of oil, in addition to a special edition of the monthly OPEC Bulletin.

A public awareness initiative is being backed by advertising in the print and electronic media, as well as at the Vienna International Airport. And a diverse and wide range of Anniversary souvenirs have been made available, including pens, ties, scarves, pins, personalized mugs, luxury table clocks, silver sets, etc.

And staff — both present employees and those that have retired — will be invited to attend a Gala Dinner to mark the milestone.

OPEC Secretary General, Abdalla Salem El-Badri, who is spearheading the Anniversary events, recently met with Ambassadors from OPEC Member Countries in Vienna to discuss the Golden Jubilee and to inform them of all the activities planned.

The Ambassadors used the occasion to pledge their own support for the Anniversary celebrations and promised to do all they could to support the Secretariat in bringing all the planned activities to a successful conclusion.

Above: OPEC Secretary General, Abdalla Salem El-Badri, addressing the Ambassadors of OPEC Member Countries during their visit to the OPEC Secretariat.

Above: A presentation on the OPEC 50th Anniversary activities was made by Angela Agoawike (bottom right), Officer-in-Charge of the PR and Information Department.

Abdalla Salem El-Badri (sixth left), OPEC Secretary General, pictured with the Austrian Ambassadors from OPEC Member Countries, during their visit in June.

Quiz contestants ready to do battle for super prizes

Contestants from nine OPEC Member Countries will be at the OPEC Secretariat in Vienna for the Anniversary quiz. They will be representing their countries after successfully coming through their respective individual domestic quiz competitions. For some of the excited competitors, it will not only be their first trip to Vienna, but also anywhere abroad. The contestants, who will be in competition for some impressive prizes, are as follows:

Ecuador

José Andrés Yanchapaxi Novillo was born in Ecuador in January 1992. He studies at the Integral School and his best subject is social studies. José wants to be an environmental engineer when he completes his education. His hobbies include jogging, tennis, listening to music and reading. His only brother works as a mechanical engineer with Petroamazonas. The visit to Vienna will be José's first trip outside his country. In his free time, he likes to play sports and spend time with his friends. He also works for an organization that looks after the rights and development of children and teenagers in Ecuador. Asked what OPEC meant to him, he replied: "It is an Organization that takes care of the rights and economic well-being of its Member Countries and promotes a balance between producers and consumers of the oil economy for the development of countries that use the non-renewable energy resource." Asked what he would do to change the world and why, José replied: "I would like to change the mentality of people about energy conservation and making the optimum use of all non-renewable energy sources. I would also promote the use of renewable energy because that is the best way to avoid global warming and to care for the world."

Islamic Republic of Iran

Parasto Mohajer was born in the Iranian capital, Tehran, in July 1998. She is a pupil of the Narges Guidance School and her favourite subject is mathematics. When she completes her studies, Parasto would like to become an astronomer. She lists her hobbies as including painting and playing computer games. Parasto, who does not have any brothers or sisters, has already travelled to another OPEC Member Country — Saudi Arabia. Asked what OPEC meant to her, she replied: "In my opinion, OPEC monitors and controls the oil market." In her free time, apart from painting and playing computer games, Parasto likes to watch television. Asked what she would do to change the world and why, she said: "I would change human beings, because I believe you can change the world by changing human beings."

Iraq

Raghad Nazar Saudi, who was born in the Iraqi capital, Baghdad, in 1994, attends the Gifted Students' School in Baghdad. She says her best subject is mathematics. The profession she would like to pursue in the future is in the field of engineering. She lists her hobbies as drawing, reading and swimming. Raghad, who has two brothers and one sister, has not, as yet, travelled to another OPEC Member Country. Asked what OPEC meant to her, she replied: "It is one of the most successful and important organizations and I hope to be one of its employees in the future." In her free time, she likes to read and browse the internet. Asked what she would do to change the world and why, Raghad said: "I would like to see a world full of peace and cooperation between the different countries. I also hope the war and damage in my lovely country, Iraq, will end."

Kuwait

Mohammad Aref Ata Mohammad Mohammadi was born in the Kuwaiti capital, Kuwait, in August 1994. He attends the Abdallah Asaosy Secondary School. His best subject is mathematics. Mohammad, who has two sisters, would like to become a captain. He lists his hobbies as including soccer and swimming. He has already travelled to three OPEC Member Countries — Iran, Saudi Arabia, and the United Arab Emirates. Asked what he would do to change the world and why, Mohammad replied: "I hope that all wars will end and that peace will prevail throughout the world."

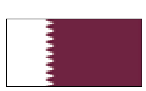
SP Libyan AJ

Esra Ahmed Mohamed Murad was born in the Libyan capital, Tripoli. She attends the Shaidat El Wajib high school. She is very keen on English and would like to major in the language. She lists her hobbies as including basketball, reading and surfing the internet. Esra, who has five brothers and one sister, has not, as yet, travelled to another OPEC Member Country. Asked what OPEC meant to her, she replied: "OPEC helped my country, as well as other countries, to gain control over oil production and oil prices." Asked what she would do to change the world and why, she said: "I would do more to prevent global warming which threatens to bring floods as a result of melting ice caps. Such action would lead to future generations enjoying a healthy environment and less disease."

Nigeria

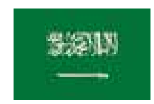
Kehinde Olatunde was born in May 1994 in Ibadan, Oyo State, Nigeria. He attends the Wesley College of Science, in Ibadan. His best subject is physics and he would like to become a petroleum engineer when his studies are completed. Kehinde, who has three brothers, lists his hobbies as including playing football and reading novels. As yet, he has not travelled to another OPEC Member Country. Asked what OPEC meant to him, he said: "The Organization is a strong unified body that ensures the stabilization of oil prices in the market and determines the best means of safeguarding the interests of Member Countries." In his free time, apart from football and reading, Kehinde likes to watch documentaries and Nigerian films. Asked what he would do to change the world and why, he replied: "I would want an improvement in the recognition of child development. This has become imperative because many children have been neglected, abused (with regards to child labour) and not catered for."

Qatar



Bashaer Awad Sh M Al-Saadi was born in the Qatari capital, Doha, in October 1993. She attends the Amna Bint Wahab Secondary school and lists her best subjects as being English, biology and history. When she finishes her education, she would like to pursue a career in the Media, or in the field of engineering. Bashaer, who has three brothers and one sister, has many hobbies. They include going to the cinema, watching movies and television shows, looking at YouTube, writing, listening to music, going out with friends, shopping and photography. She has already been to two OPEC Member Countries — Saudi Arabia and the United Arab Emirates. Asked what OPEC meant to her, she replied: "OPEC is an Organization that seeks to ensure a sense of fairness in the petroleum/gas industry in the world." In her free time, Bashaer likes to watch movies and write. Asked what she would do to change the world and why, she said: "I would change the selfishness that exists, because if every single person gave more than he or she took, then everyone would end up with more than they need."

Saudi Arabia



Bader Al-Mandeel was born in Saudi Arabia, in July 1992. He attends the Saudi School in Vienna, Austria. He would like to major in business administration. Bader, who has two sisters and one brother, lists his hobbies as including watching movies, keeping up with world news and swimming. He has not, as yet, travelled to another OPEC Member Country. Asked what OPEC meant to him, he replied: "OPEC is a group of oil countries that is working to promote dialogue between the oil-producing and oil-consuming countries." He has participated in many activities at his school in Vienna, including the Saudi book fair in the Austrian capital. Asked what he would do to change the world and why, he said: "I want to see world peace, because war only leads to death and sadness."

Venezuela

Luis de la Hoz was born in Punto Fijo, in Falcon State, Venezuela, in December 1992. He attends the UEA 'Simon Bolivar' School and would like to pursue a career in electrical engineering, or systems engineering. Luis, who has two siblings, lists his hobbies as including computers and playing soccer. He has not, as yet, travelled to another OPEC Member Country. Asked what OPEC meant to him, he stated: "It represents the past, present and future of a prosperous and stable world." Asked what he would do to change the world and why, Luis replied: "In a bipolar world, I do not want to see politics getting in the way of countries working together for a better future. In alleviating extreme poverty, I would like to see countries working together to achieve the United Nations Millennium Goals. As for wars, as former US President John F Kennedy said — 'mankind must put an end to war, or war will put an end to mankind'."

Jubilee jubilation

Ghana looking to be next oil-producing ‘tiger’

Ghana’s President, John Atta Mills.

Two thousand and ten promises to be a landmark year for Ghana, under the presidency of John Atta Mills, as it embarks on a new path that could lead to boom years and the transformation of its economy.

The West African nation, better known for its production of gold, diamonds, timber and cocoa, will venture into the lucrative world of ‘black gold’ when its Jubilee oil field begins output later this year.

Discovered in 2007, the field, estimated to contain at least 1.8 billion barrels of crude, is scheduled to be brought onstream in the second half of 2010, most likely towards the end of the year, bringing with it changing fortunes for the country and its people.

With a forecast production level of 120,000 b/d that would put it among the world’s top 50 oil producers, there is the likelihood that more discoveries will be made, bringing total reserves to around 10bn b.

John Kufuor, Ghana’s President at the time of the discovery in 2007, was delighted with the development, stating that it could turn the country into an ‘African tiger’.

“My joy is that I will go down in history as the President under whose watch oil was found to turn the economy of Ghana around for the better,” he was quoted as saying by the *BBC*.

“Even without oil, we are doing so well ... with oil as a shot in the arm, we are going to fly,” he effused.

Kufuor, who was succeeded in January 2009 by Mills, the current President, said the find would give a major boost to Ghana’s economy.

“Oil is money and we need money to do the schools, the roads, the hospitals. If you find oil, you manage it well, can you complain about that?” he told the *BBC’s Focus on Africa* programme.

The knock-on effect from the start of commercial production from Jubilee this year is that a significant amount of capital is expected to be injected into the economy, most likely beginning from the last quarter of 2010.

“In ten years’ time, Ghana will be a very prosperous nation,” the country’s Finance Minister, Kwabena Duffuor, was quoted as saying more recently. “We will be an oil exporter, doing very well in gold mining and with a strong financial sector. We will have a very buoyant economy,” he stated.

His deputy, Fifi Kwetey, was equally as optimistic. He announced that the country’s economy was in line to expand by 12–15 per cent next year, once the oil was flowing.

The economic landscape of the country has been potentially transformed in just a few years. No one imagined the extent of the discovery that would be made when newly established Dallas energy firm, Kosmos Energy, sent an oil exploration team to Ghana in 2004 to conduct an oil search in the deep waters offshore West Africa.

The initial exploration deal reached with the Ghanaian government covered an area of 483,600 acres. An additional 273,298 acres was added in 2006.

In June 2007, the Kosmos team discovered oil in the Tano Basin in the Gulf of Guinea, 11 km from Ghana’s coastline. Wells have subsequently been drilled to depths of over 6,700 feet.

The Jubilee field, so called because its discovery coincided with the 50th anniversary of the country’s independence, has the potential of producing over 300 million barrels in its first phase. Revenue from the concession could be as much as $1 billion a year.

The project remains on course to deliver first oil by the end of this year. Partners in the scheme, other than Kosmos, are Tullow Oil, Anadarko Petroleum, Sabre Oil and Gas and the Ghana National Petroleum Corporation (GNPC), which has secured a ten per cent interest.

To take full advantage of the oil find, the government has restructured the GNPC to make sure it can deal with the extra demands that will be placed on it.

The government is reportedly determined to make the most out of the discovery. Leading North Sea oil producer Norway has already offered Ghana advice on how to effectively handle the proceeds that will come from oil sales.

Although the oil reserves so far pinpointed are small compared with other African producers, such as Libya, Nigeria, Algeria, and Angola, the revenue from their export stand to make a considerable difference to Ghana's economic standing in the coming years.

Reuters

Workers tend to equipment at the Tema oil refinery near Ghana's capital Accra.

More job opportunities

Analysts claim the earnings could be put to good use in helping to bridge the budget deficit, or to provide funds for suitable development projects.

The oil operations, which will surely be expanded, will also bring more job opportunities to the country's people.

At the moment, agriculture is Ghana's main economic activity, a sector that employs almost 60 per cent of the country's workforce and contributes up to 40 per cent of Ghana's GDP.

Its natural resources are plentiful. They include gold, timber, industrial diamonds, bauxite, manganese, fish, rubber, hydropower, silver, salt and limestone.

According to the Ghana Statistical Service, the country's economy expanded by 7.3 per cent in 2009, but is expected to slip to 6.4 per cent this year — both sound performances considering the global economic upheaval witnessed over the past few years.

The government has already indicated that it wants to use the new income from Jubilee and any other subsequent finds to promote growth, in order for the country to meet its goal of becoming a middle-income country in the not-too-distant future.

And in addition to the oil, the Jubilee field is expected to flow generous amounts of natural gas that can be used for much-needed power generation. Plans are already underway to construct a domestic gas-processing plant.

Nana Boakye Asafu-Adjaye, Chief Executive Officer of the GNPC, said the plant would process gas from Jubilee for both the local and international market.

He said the government was committed to developing infrastructure that would enable the gas to be used as a fuel for the existing power plants at Effasu and Takoradi.

Ghana, he added, had already adopted a policy of zero gas flaring, in order to reap the maximum benefits from the gas industry.

Quoted on the official Ghanaian government website, Asafu-Adjaye stressed that with the Jubilee field's production of oil and gas, the government would have the opportunity to enhance Ghana's growth and development, adding that all sectors of the economy were positioning themselves for accelerated growth, driven by the newfound petroleum activities.

"The gas sales will also provide an additional source of income for the partners in the Jubilee project, as well as tax revenue for the government," he affirmed.

Reuters

Former Ghanaian President, John Kufuor.

Iran planning to boost gasoline output capacity

Iranian President, Mahmoud Ahmadinejad.

Iran is planning to boost its output capacity for gasoline to around 1.2 million barrels/day in four years' time. This will follow the completion of a number of development schemes costing some $27 billion.

At the moment, the country, which has already embarked on projects aimed at expanding its crude oil capability, has to import up to 40 per cent of its domestic gasoline needs, due to a lack of refining capacity.

Noureddin Shahnazizadeh, Iran's Deputy Petroleum Minister, disclosed that the country, which is the second-largest crude oil producer in OPEC, is planning to make an additional 157,000 b/d of gasoline production capacity available at the Bandar Abbas refinery. The scheme is slated for completion in 2011.

Shahnazizadeh, who is also Managing Director of the National Iranian Oil Refining and Distribution Company (NIORDC), told an industry conference that due to Iran's increasing demand for petroleum products, especially gasoline and gas oil, his firm had embarked on a long-term programme to overcome domestic shortages.

With the upgrade of the country's existing four refineries, he said the plan was to add 20 million litres of gasoline production a day with the goal of becoming self-sufficient in domestic gasoline production "within two years".

The country's 250,000 b/d Arak refinery, which would cost $3.47bn to complete, was scheduled to go onstream in 2011, added Shahnazizadeh.

He noted that around one-fifth of the cost of developing the refineries' capabilities would come from the government sector, while the private sector would fund the remainder of the investment required.

Such a move towards fuel self-sufficiency would also help Iran overcome any additional economic sanctions placed on the country over its nuclear power programme.

And even though the country still relies heavily on imports for a large part of its domestic gasoline consumption, it is becoming self-sufficient in the amounts of rationed, subsidized gasoline delivered locally.

Mohammad Rouyanian, Head of Iran's Transportation and Fuel Management Office, said the country was refining enough gasoline to supply all 45 million litres of the government-subsidized fuel sold domestically every day.

Quoted by the Mehr news agency, he noted that since the start of the Iranian year (March 21), Iran's average daily gasoline consumption had amounted to 62m l.

Under the present local rationing scheme, a motorist can buy 60 l of subsidized fuel per month for 1,000 Iranian rials per litre (around 11¢). After the set amount of fuel is reached, a part-subsidized price of 4,000 rials is payable on each additional litre of gasoline.

Meanwhile, in what is termed by Iranian President, Mahmoud Ahmadinejad, as representing the "biggest economic plan in the past 50 years" for the country, Iranian authorities will start implementing a plan in the second half of this year to reduce energy and food subsidies.

Speaking during a visit to the south of the country, Ahmadinejad was quoted by state television as saying that Iran's energy consumption — costing more than $100bn annually — was four times the world average.

He added that if consumption was cut by just one-third, with the subsequent saving Iran's development budget could be more than doubled.

The government is seeking to phase out costly subsidies over a five-year period. The authorities have already stipulated that those facing hardship as a result of the cuts would be compensated for the higher prices of basic goods with direct cash payments.

Iranian Telecommunications Minister, Reza Taqipur, has announced that the government planned to pay parents 10 million rials (about $1,000) for every newborn child.

The Mehr news agency quoted him as saying that the payments were not intended to encourage society to increase the population, but rather to support needy families.

Sonangol Chairman and Director-General, Manuel Vicente.

Angola set to explore its ultra-deep waters

Angola's already impressive oil sector operations are set to make another great stride when the country embarks on an exploration programme centering on the ultra-deep waters off the southern African OPEC Member Country.

The state-owned national oil company, Sonangol, is making preparations to develop Angola's ultra-deepwater oil exploration, known as pre-salt.

"We are in a stage of preparation and we will announce this at the right moment," Sonangol Chairman and Director-General, Manuel Vicente, was quoted as saying by the *Jornal de Angola*.

Brazilian assistance

The Angolan government has already indicated its desire to search for more oil offshore, where the potential for further discoveries is seen to be positive. Such an exploration programme as the pre-salt, if successful, could bring additional revenues to Angola, which is using its oil wealth to transform the country.

Brazil, which has expressed a keen interest in helping Angola develop its offshore areas, having a similar underwater rock formation, made a pre-salt discovery in 2007 of some eight billion barrels of crude in its Tupi field.

Brazil's state-run oil company, Petrobras, as well as Norway's StatoilHydro, have expressed an interest in exploring for oil in Angola's ultra-deep waters, even though the cost of drilling at such extreme depths is considerably more expensive.

And in a bid to secure more offshore acreage, the Angolan government has held talks with northern neighbour, the Democratic Republic of Congo, to extend its maritime border.

Angola, along with Nigeria, is Africa's biggest oil producer. It exports around 1.7 to 1.8 million barrels/day of crude.

Vicente also said that Sonangol was looking to invest in biofuels after Angola's parliament approved a new law to regulate the sector.

The goal, he said, was to help the country develop its farming sector, which was devastated during Angola's 27-year civil war, which ended in 2002.

"We are betting on this as a way to help the government solve the problem of poverty," Vicente was quoted as saying.

Last year, Sonangol, Brazilian construction firm, Odebrecht, and private Angolan group, Damer, started planting sugarcane in a 30,000 hectare site in Malange in the country's first ever biofuels project.

Saudi Arabia's Ghawar oil field still going strong after almost 60 years

The world's largest known oil field, which amazingly first produced oil in commercial quantities almost 60 years ago, is still going strong and providing its owner — Saudi Arabia — and the world with over five million barrels/day of light crude oil.

Located in the Kingdom's Eastern Province, 100 km west of the city of Dharan, the giant Ghawar field is by far the most important oil-producing formation in the world. Discovered in 1948, three years before going onstream, it has so far in its already prestigious lifetime produced more than 65 billion barrels of crude oil.

But as Saad Turaiki, Vice President of Southern Area Oil Operations at Saudi Aramco, told an oil conference recently that with over 100bn b of oil in place, "we can sustain production for many years to come."

He said that even though the field alone was accounting for over half of Saudi Arabia's daily oil production, it was not considered excessive compared with the mammoth extent of the field's capability.

"We are pampering Ghawar (with this output level)," he was quoted as saying.

Even though it was Ghawar that catapulted Saudi Arabia into its position as the world's leading oil producer, the physical size and potential of the field were not immediately apparent when the vast oil formation was first pinpointed.

It was only after the first exploration wells were made that the significance of the find became known. These wells are now referred to in the industry as the 'magnificent five'.

The wells — Ain Dar, Shedgum, Uthmaniyah, Hawiyah and Haradh — running from north to south, make up the super-giant field, which stretches 280 kilometres in length and is some 30 km at its widest point.

Ain Dar was the first well to produce in 1951 after oil was discovered in 1948. Today, as with the Haradh, Shedgum, Hawiyah and Haradh wells, it is still pumping out with the original well casings, such were their quality and durability.

In 1949, the Haradh wildcat well struck oil and the fact this was located some 180 km south of Ain Dar offered some indication of the possible expanse of the field, even though, at the time, no one really considered that the En Nala anticline, in which both wells are situated, would prove to be one continuous giant field.

The Haradh well was not actually brought onstream until 1964 and in the mid-1980s was temporarily shut down due to a slump in global oil demand. It resumed production in 1990.

The Uthmaniyah wildcat, which was drilled and tested in 1951, was an important excavation in that it confirmed the extent of the oil reservoir lying between Ain Dar and Haradh. It was brought onstream in 1956.

In 1952, the Shedgum discovery well was drilled, with the aim of delineating the En Nala anticline to the east of Ain Dar. The well was subsequently brought onstream in 1954.

The final discovery well of the magnificent five was Hawiyah, which confirmed that Ghawar also held oil between Uthmaniyah and Haradh. Drilling was completed in 1953 and the well went onstream in 1966.

Altogether, the magnificent five wells have produced more than 350m b/d of oil and are still producing today at a combined rate of 6,000 b/d, Turaiki told delegates at the conference. Ghawar also produces around two billion cubic feet of natural gas per day.

Apart from being the world's largest oil field, Ghawar is also considered the most remarkable from both a scientific and productive perspective. Its natural qualities make it the least-expensive, highest-quality oil reservoir ever to be found on the planet.

Ghawar has a rare level of permeability and is an example of an oil field that has shown extraordinary natural pressure, making bringing the oil to the surface easier and extremely cost-effective.

In addition, the quality of the oil the field produces is the light and sweet variety that is in big demand the world over. The crude is easier and less expensive to refine. At around 33° API, it is largely free of sulphur and other contaminants that make heavy oil more difficult to convert into products.

Reservoir pressure

Over the years, Saudi Aramco has employed cutting-edge exploitation methods and techniques at Ghawar to get the best out of its premier reservoir.

Since 1959, the company has used both gas and water in reinjection to sustain the reservoir pressure of the different wells, in order for the oil to be pushed to the surface. However, Saudi Aramco now has a plan to use carbon dioxide (CO_2) to enhance the secondary recovery process.

The company proposes injecting 40 million standard cubic feet per day of CO_2 into the field. In this way, the gas that would normally be used for such a purpose can be utilized domestically, both for industry and electricity generation.

"Saudi Aramco is not sparing any efforts to sustain production at Ghawar," Turaiki was quoted as saying by the Reuters news agency.

He pointed out that water injection was still sufficient for the time being, but the plan was to use CO_2 at the Uthmaniyah well, starting in 2013.

Saudi Arabia, holder of the world's largest oil reserves, has already completed a programme to boost its oil production capacity to 12.5m b/d, meaning that with current output of around eight million b/d, the Kingdom has the potential to boost supply by about 4.5m b/d, if required by the market.

SP Libyan AJ's first OPEC Secretary General dies

Omar El-Badri, the first OPEC Secretary General to come from the SP Libyan AJ, which joined the Organization in 1962, has died at the age of 73 after a short illness.

Born in 1937, in Libya, El-Badri acquired his Bachelor's degree in Economics and Political Science from the University of Dublin in 1961.

He worked in various posts during his career, including as a business consultant, as a correspondent for the specialized publication, the *Economist Intelligence Unit,* and as an economic researcher and contributor on economic matters to local newspapers in Libya.

El-Badri, who served as OPEC Secretary General from January to December 1970, was Director of Economic Affairs, at the Ministry of Oil, and worked as a Member of the Faculty at the University of Light, as well as the Arab Development Institute.

According to a tribute carried by Libyaonline.com, El-Badri was a life-long example of a man who enjoyed his work and participated, through numerous conferences and seminars, in the "march of the oil industry in Libya and the evolution of the Organization of the Petroleum Exporting Countries (OPEC) during the first years of the revolution."

In the course of his official duties, OPEC Secretary General, Abdalla Salem El-Badri, visits, receives and holds talks with numerous dignitaries.

This page is dedicated to capturing those visits in pictures.

Abdalla Salem El-Badri (r), OPEC Secretary General, with Dr Massimo Spinetti, the Italian Ambassador to Austria, who visited the OPEC Secretariat on June 9, 2010.

Abdalla Salem El-Badri (r), OPEC Secretary General, with the Mexican Ambassador to Austria, Alejandro Diaz Perez Duarte, who visited the OPEC Secretariat on May 5, 2010.

Abdalla Salem El-Badri (c), OPEC Secretary General; with Liv Monica Stubholt (l), Investment Director, responsible for Aker Clean Carbon AS; and Øyvind Eriksen (r), President and CEO, of Norway's Aker ASA, who visited the OPEC Secretariat on June 18.

EU Energy Commissioner, Günther Oettinger (l), visited Abdalla Salem El-Badri, OPEC Secretary General, on June 21, 2010.

Above: the 10th Special Meeting of the OPEC Economic Commission Board was held at the OPEC Secretariat on May 18–19, 2010.

Above: A working meeting of the organizations involved in the World Bank coordinated G20 Energy Subsidies Initiative was held at the OPEC Secretariat on May 17, 2010. The organizations comprised OPEC, the OECD and the IEA.

The 3rd Meeting of OPEC Deputy Ministers on the Organization's Long-Term Strategy was held at the OPEC Secretariat on May 28, 2010. It was chaired by OPEC's Venezuelan Governor, Dr Bernard Mommer (second left). Also pictured (l) is Dr Ibibia Worika, OPEC's Legal Counsel.

Students of the Gorizia branch of Italy's MSOI, who visited the OPEC Secretariat on May 19, 2010.

Students from the Evangel University in Springfield, Missouri, US, visited the OPEC Secretariat on May 26, 2010.

OPEC honours its long-serving employees


Layla Abdul-Hadi


Siham Alawami Abdalla Salem El-Badri


Diana Golpashin


Martha Fischer


Claude Clemenz


Elfie Plakolm


Mohamed Mahidi


Elisabeth Feix


Diana Lavnick


Dietmar Rudari


Oliva Steiner

30 years in 2009

Some 28 OPEC Secretariat staff members were honoured with long-service awards by the Organization's Secretary General, Abdalla Salem El-Badri, at a ceremony held at the new OPEC Headquarters in Vienna in early June.

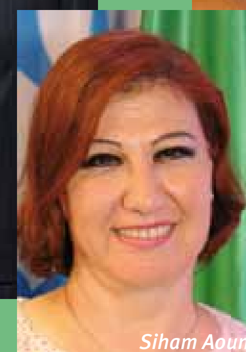
It was the first occasion that the awards covered two years — 2009 and 2010. This was due to the heightened pressure of work caused by the move in November last year to OPEC's new state-of-the-art Headquarters in the centre of the city from the former Secretariat, situated in the second district of the capital.

Also for the first time, the awards were divided into two functions — the official ceremony, where scrolls and

25 years in 2009


Ingrid Brahimi


Patricia Odiase


Siham Aoun

20 years in 2010


Above (l–r): Alejandro Rodriguez, Head of OPEC's Finance and Human Resources Department, with awardee Yolanda Bauer and OPEC's Secretary General, Abdalla Salem El-Badri.


Nona Schlegel


Gabriele Böhm


Adim Onwuka


Helmfried Spies


Ghada Sahab

30 years in 2010

10 years in 2009


Faissal Ayoub


Ruhul Amin


Ali Omar


Tahar Bouazizi


Samir Najjar


Zeineb Al-Yasiri

10 years in 2010


Daniela Nada


Mona Torabia

gifts were presented to those honoured, followed by a special gala evening, which was held at the Ana Grand Hotel, Vienna.

Before the official ceremony began, El-Badri used the occasion to conduct what he referred to as a ‘town hall’ style meeting with staff members. This was intended to draw feedback on their impressions concerning the move to the new building and any observations they had on their new working environment.

The ceremony was conducted by Layla Abdul-Hadi, Head of the Human Resources Section of the Secretariat’s Finance and Human Resources Department, who called up each recipient to receive their long service awards.

Many honoured

For 2009, ten staff members were recognized for 30 years’ service — Dr Dietmar Rudari and Oliva Steiner, both of the Data Services Department; Diana Lavnick, Diana Golpashin, Martha Fischer, Elfie Plakolm and Siham Alawami, all of the Public Relations and Information Department; Elisabeth Feix and Mohamed Mahidi, both of the Administration and IT Services Department; and Claude Clemenz of the Petroleum Studies Department.

Three staff members were awarded after 25 years’ service. They were Ingrid Brahimi and Patricia Odiase, both of the Administration and IT Services Department; and Siham Aoun of the Data Services Department.

And for ten years’ service, seven staff members were awarded. They were Faissal Ayoub, Tahar Bouazizi and Samir Najjar, all of the Administration and IT Services Department; Ruhul Amin of the Finance and Human Resources Department; Dr Ugochukwu Ugbor of the Data Services Department (left OPEC in November 2009); Zaineb Al-Yasiri of the Multilateral Relations Department; and Ali Omar of the Office of the Secretary General.

For 2010, four staff members were recognized for 30 years’ service — Gabriele Böhm, Adim Onwuka and Helmfried Spies, all of the Administration and IT Services Department; and Ghada Sahab of the Public Relations and Information Department.

Two staff members were awarded for 20 years’ service. They were Nona Schlegal of the Data Services Department and Yolanda Bauer of the Administration and IT Services Department.

For ten years’ service, two staff members were honoured — Daniela Nada and Mona Torabia, both of the Administration and IT Services Department.

Staff gathering in the conference room after the award ceremony.

May 2010

This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for May 2010, published by the Petroleum Studies 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.

Crude oil price movements

Optimism over the global economic recovery and higher oil demand expectations supported bullish sentiment in the oil market in April. The OPEC Reference Basket moved above $81/barrel on the second trading day of the month, surpassing the $80/b mark for the first time since January.

By the end of April, the Basket had made further ground to stand at $84.13/b, the highest level since early October 2008. In monthly terms, the Basket averaged April at $82.33/b, up by $5.12/b, or 6.6 per cent, over the previous month.

For the year-to-date, the Basket averaged $77.20/b, indicating a gain of $32.13/b, or 64 per cent, over the same period the previous year.

Basket component gains in April were led by Qatar Marine and Murban crudes, which rose by 8.1 per cent and 7.8 per cent, respectively, followed by Es Sider, Bonny Light, Arab Light and Kuwait Export, which each improved by around seven per cent. Iran Heavy and Saharan Blend gained around 6.6 per cent, while the remaining crudes rose by less than the average, with Merey increasing by just 3.5 per cent

The OPEC report noted that the strong gains made in Middle Eastern crudes, compared with other blends, was attributed to the expectations of tightness in the market with stronger demand coming from Asia, partly after the return of some refiners from their seasonal maintenance, compared with the rest of the world, and expected maintenance in the North Sea and Russia's Sakhalin 1 Soko oil field.

The surge in gasoil cracks also contributed to the strength of Middle Eastern crudes. However, weak fuel oil demand affected heavy sweet grades.

Although also increasing, Brent-related crude prices were under pressure relative to Dated Brent, due to the supply overhang, poor refining margins and limited arbitrage opportunities to US markets, amid relatively weak demand and high inventories.

The inverted WTI-Brent relationship, with Brent trading higher than WTI, limited arbitrage opportunities for Brent-related crudes, particularly Saharan Blend.

In early May, the OPEC Basket was seen continuing its upward trend to reach a price of $84.36/b on May 3.

"The oil market then turned bearish amid concerns about the economic crisis and ample oil inventories in the US. As a result, prices fell by more than $10/b over a three-day period, before recovering to stand at $78.08/b on May 10," observed the report.

In the US market, the Nymex WTI front-month crude contract increased for the third consecutive month to average $84.58/b. This was the highest monthly average since September 2008 and the first time the WTI front-month contract had settled constantly above $80/b during a whole month.

"The market continued to be supported by increasing optimism that the economic recovery would boost oil demand. This was despite current fundamentals remaining weak as oil inventories in OECD countries continued to hover at high levels," said the report.

"This could be seen in the US where

1. An average of Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), 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 (UAE) and Merey (Venezuela).

commercial inventories rose further to stand at extremely high levels, particularly at the Nymex delivery point in Cushing, Oklahoma. Futures prices also continued to move in tandem with equity markets, which rebounded significantly in April," it added.

It noted that the bullish sentiment in the market was attributed to expectations of an improving global economic recovery, with the International Monetary Fund (IMF) revising its growth forecast for 2010 from 3.9 per cent to 4.2 per cent, with Chinese and Indian performances remaining strong.

The bullishness was further underpinned by upward revisions to global oil demand by different institutions.

The Brent futures crude contract also increased for the third consecutive month, but at a higher pace than WTI. The North Sea marker crude averaged $85.75/b in April, up $5.82/b, or 7.3 per cent, compared with $3.29/b, or four per cent, for WTI.

The ICE Brent front-month contract ended the month at $87.44/b, but continued higher to settle slightly below $89/b on May 3.

Concerns that Greece's financial crisis might spread to other countries pressured the Nymex WTI front-month contract to drop to around $75/b on May 7, before it recovered somewhat to $76.80/b on May 10, supported by news of European Union (EU) and IMF rescue packages to stabilize the euro.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report noted that the World Bank non-energy commodity price index increased by 9.6 per cent month-on-month in April, up from 1.7 per cent in March. The index was supported by iron ore, agriculture and precious metals, while some industrial metals saw losses.

Energy prices also increased — by 5.8 per cent — in April, up from 4.8 per cent in the previous month.

Commodity prices reacted positively in the first half of April to encouraging macroeconomic news, especially in the US, Japan and China. The IMF raised its forecast for global economic growth in 2010 to 4.2 per cent, as against a projection of 3.9 per cent in January, but the institution warned of further problems if there was failure to control the growing level of public debt.

Except for gold, which was buoyed by safe-haven buying, commodity prices experienced a sharp drop in the last week of April, due to the risk reduction in the financial markets, following news of Greece's debt crisis and the possible spill-over effect to Portugal, Spain and even Italy.

Rating agencies' downgrades to Greece, Portugal and Spain's sovereign debt were reflected in heavy selling pressure, especially for industrial metals.

Meanwhile, China's third tightening of the monetary base in a year triggered an immediate negative reaction in the commodity markets. In addition, the flux in the foreign exchange markets and a stronger dollar added to the bearish market sentiment.

The World Bank energy price commodity index (crude oil, natural gas and coal) rose by 5.8 per cent m-o-m in April, compared with 4.9 per cent growth in March on a recovery in coal, natural gas and a rise in Dubai and ICE prices.

The Henry Hub (HH) spot gas price recovered slightly from the strong decline of 19.3 per cent reported in March, having fallen by 6.7 per cent m-o-m in April. HH natural gas prices have been equal to $4.82 per million British thermal units on average since the beginning of the year, 12 per cent higher than in the same period last year, but still 52 per cent lower than in 2008.

However, spot gas prices declined at the end of April, which was likely influenced by the onset of the debt crisis in Greece and concerns about possible repercussions.

"The milder spring temperatures may also have added to the decline at the end of April, as well as the bearish mood in the futures markets. Despite this, it must be noted that there was bullish movement in the futures prices, which may be explained by the remarkable drop in the active US gas rig count and a lower-than-expected build in US working gas inventories during the last days of April," commented the report.

It added that the development in futures markets may have also been responding to the forecast for a more active 2010 hurricane season.

"The World Bank energy price commodity index (crude oil, natural gas and coal) rose by 5.8 per cent m-o-m in April, compared with 4.9 per cent growth in March."

Metal prices came under pressure at the end of April. owing to concerns about the Greek debt crisis, sovereign risk and contagion, the flux in the foreign exchange markets and the dollar's appreciation.

Nickel prices jumped by 15.9 per cent m-o-m in April, compared with 18.4 per cent in March. The high prices were explained by supply disruptions and greater Chinese demand. Inventories at the LME dropped by 11,000 tonnes to 145,000 t.

Copper was one of the metals most strongly hit by the disappointing macroeconomic news. Prices increased by only 3.8 per cent m-o-m, compared with 8.9 per cent in March, on concerns about the prospects of the Greek and Portuguese public debt and the possible spill-over effects. LME inventories declined by 7,000 t to 505,500 t by the end of April, but stocks in Shanghai rose by 30 per cent to 189,000 t.

Aluminium prices saw a lower increase of five per cent m-o-m in April, which compared unfavourably with the 7.6 per cent growth seen in March, despite supportive demand figures. A decline of 53,000 t took place in aluminium inventories at the LME, but stocks rose by seven per cent m-o-m in Shanghai.

The price of gold increased by 3.2 per cent m-o-m in April, compared with 1.3 per cent in March, despite the stronger dollar, which was used as a safe-haven.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report said that the US economy's recovery was seen to be gaining momentum.

"The economic development in the US is continuing its positive trend, strongly supported by various government-led measures."

Recently released GDP numbers for the first quarter were at a solid level, while indicators and data from March and April seemed to underline the fact that this momentum might continue into the second quarter.

"While this is a promising development, it is still early in the year and one has to wait for more evidence of the trend in the second quarter. By the beginning of the third quarter, there will be some more evidence whether this is a substantiated trend, or if it can be expected to falter again," said the report.

"While these positive signs are encouraging, many challenges remain that might have a negative impact on growth for 2010," it added.

US GDP for the first quarter was recorded at 3.2 per cent. Personal consumption expenditure was seen contributing 80 per cent to this growth. This compared with only 30 per cent in the fourth quarter last year and to an average of 70 per cent before the recession.

Consumption had so far been relatively muted. It was in decline during 2008 and last year only started to become positive in the third quarter, when it was strongly supported by the stimulus measures that were targeting consumption, such as the 'cash for clunkers' programme.

Recent signals supported the possibility that the positive momentum might continue. The services sector, responsible for more than two-thirds of US GDP, had improved again. The Services-ISM stood at 55.4 in April, the same level as in March. In February it was recorded at 53.

ISM manufacturing has been increasing since January. In April, it stood at 60.4, the highest level since July 2004.

The Federal Reserve Board also acknowledged some improvement in the US economy in its end-of-April statement, but pointed out that economic activity, particularly household spending, remained constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. As a result, the Fed left its key interest rate at almost zero per cent.

The US housing sector was mixed in April. A continued positive signal was that pending home sales were higher again for the second consecutive month — by 5.3 per cent m-o-m in April.

This came after a minor increase in January of 0.8 per cent, a level of minus 7.6 per cent in February and an increase of 8.2 per cent m-o-m in March.

"The caveat might be that this could be due to the US administration's extension of first-time buyer credits in early November to cover deals signed by April 30 and closed by June 30. This might push potential homebuyers to become active now and pull sales forward, but could restrain demand in subsequent months, such as the second half of the year," said the report.

It continued: "The economic development in the US is continuing its positive trend, strongly supported by various government-led measures. In the light of this upward momentum, the forecast for 2010 was increased to 2.8 per cent from 2.6 per cent last month."

The OPEC report noted that due to national holidays at the end of April and the beginning of May, the news flow from Japan was relatively muted. But the numbers and information that were released supported the fact that the Japanese economy was continuing its recovery, while it continued to perform at low levels of growth.

The main support factor was still coming from Japan's success in exports, which climbed by 2.7 per cent on a monthly base in March, after a decline of 2.5 per cent in February. The February decline was the first drop in 12 months and came after growth of 6.7 per cent in January.

"This could be an indication that the peak in export growth might have been reached, but the first quarter growth is still solid at 9.7 per cent, compared with a similar level in the fourth quarter of 2009 of 9.8 per cent."

Shipments to Asia were again the main driving force. They increased by 2.3 per cent on a monthly basis, compared with only a 0.3 per cent increase to the European Union and minus 0.3 per cent to the US.

On a quarterly basis, Asian exports were the leading driver of growth for Japan at a rate of 11.5 per cent in the first quarter of 2010, the same level as in the previous three months.

Contrary to exports to Asia, the growth momentum in exports to the EU and the US declined significantly from quarter to quarter.

"With this strong growth in exports, it appears unlikely that the Japanese economy will experience a double-dip in 2010," commented the report.

It noted that while domestic demand in Japan was expected to face some slowdown after the second half of the year, when the main effects of the stimulus measures might come to an end, the country was holding up very well and appeared to still have a strong dynamic.

In March, retail sales picked up again strongly at 4.7 per cent year-on-year. This was the third consecutive month of improvement. On a monthly basis, retail sales maintained a strong growth momentum of 0.8 per cent in March after rising by 0.9 per cent in February and two per cent in January, leading to a 2.7

per cent quarter-on-quarter advance in the first three months of 2010.

The report pointed out that deflation remained a challenge for the Japanese economy. Both the headline and the so-called 'core-core' consumer price index (CPI), which excludes food and energy, fell by 1.1 per cent y-o-y.

The Bank of Japan (BoJ) forecast an end of deflation in 2011 and predicted that prices would rise by 0.1 per cent in the next fiscal year. Furthermore, the BoJ became more bullish on the growth of the economy. It increased its median forecast for the current fiscal year from 1.3 per cent to 1.8 per cent, but kept its overnight rate on hold at 0.1 per cent.

"While the economic situation in Japan has continued to recover, some uncertainties with regard to exports and domestic demand remain. The growth forecast, therefore, was kept unchanged at 1.5 per cent in 2010," said the OPEC report.

It stated that the challenges of the Euro-zone were currently the main market driver and they were indeed of historical relevance.

The Euro-zone had so far been in a difficult situation and the economic recovery was characterized by two different speeds. However, recent developments had underlined the fragility of the recovery and, even more so, developments had demonstrated that the European Monetary Union (EMU) had so far been a two-tier system.

"While that has been widely acknowledged, no mechanism has been put in place to cope with such an unforeseen event of a near bankruptcy of one of the Euro-zone's economies and it seems that there is certainly no other possibility than to bail out this failing economy, which than again puts significant pressure on the more solid countries. Germany and France, as the biggest shareholders in the Euro, have no other choice than to support those ailing economies," said the report.

Greece, as it turned out over the last few months, was in much worse shape than anticipated. Emergency support of €110bn was put in place over three years, with €30bn coming from the IMF and €80bn from the EU.

And even though Greece only contributes around three to four per cent of Euro-zone GDP, the crisis had the potential of impacting growth in the Euro-zone significantly.

The IMF announced a GDP growth estimate for Greece of minus two per cent in 2010, which was also reflected in the general consensus estimate. Taking into account the recent austerity measures, Greece itself now projected a decline of four per cent. This would result in a further decline of 0.1 per cent in the Euro-zone's growth.

"The consensus for Euro-zone growth, which at the beginning of the year stood at 1.3 per cent, has been revised down to 1.2 per cent and further revisions can be expected," the report observed.

It said that while the sovereign-debt crisis in the Euro-zone was overshadowing other developments in the real economy, there had been some slight positive elements.

Euro-zone PMIs reached new record levels. The Euro-zone Markit composite PMI stood at 57.3 for April, compared with 55.5 in March, while Euro-zone manufacturing PMI stood at 57.6 in April. Unemployment remained at ten per cent in March, the same level as February.

"The economic outlook in the Euro-zone remains relatively uncertain. Despite some encouraging signals, it depends mostly on the outcome of the current sovereign debt crisis. This will keep growth in the Euro-zone at relatively low levels. Consequently, the Euro-zone's GDP growth forecast was reduced by 0.1 per cent to 0.6 per cent," said the report.

It said Russia's real GDP was up by 4.9 per cent y-o-y and by 0.2 per cent m-o-m on a seasonally adjusted basis in March, according to a preliminary assessment by the Ministry of Economic Development.

Growth in the first quarter was estimated at 0.6 per cent q-o-q. This compared with two per cent in the third quarter of 2009 and 1.7 per cent in the last quarter.

While the quarterly growth trend was therefore declining, the Ministry currently expected the Russian economy to grow by 3.1 per cent in 2010.

Industrial production in March rose by 5.7 per cent y-o-y, higher than expected, while the mining sector was up by 6.6 per cent. Manufacturing rose by 5.1 per cent, after only growing by 1.9 per cent y-o-y in February.

Capital investments expanded by 0.7 per cent y-o-y in March, the first positive reading since October 2008 and a significant improvement over February, when they declined by 7.4 per cent.

"The economic outlook in the Euro-zone remains relatively uncertain. Despite some encouraging signals, it depends mostly on the outcome of the current sovereign debt crisis."

In line with this positive development, retail sales increase by 2.9 per cent y-o-y in March and by a strong 7.9 per cent on a monthly basis. The unemployment rate remained flat in March at 8.6 per cent, compared with February's level, according to the Federal Statistics Service. This compared with the recent peak of 9.2 per cent seen in December last year.

Economic growth in the Ukraine for the first quarter of 2010 was put at five per cent y-o-y, according to the National Bank of Ukraine (NBU).

Consumer and business confidence both continued to grow, backed by the improvement in economic expectations. The NBU business expectation index surged from 104.4 in the last three months of 2009 to 115.6 in the first quarter of this year as the share of producers expecting business conditions to improve over the next 12 months continued to grow.

The stabilization of the political situation and the financial markets created a base for the current improvement. Both producers and consumers expected inflation to remain on a declining trend this year, according to the NBU survey.

Despite the positive sentiment, the decline in the construction sector accelerated to minus 21.4 per cent y-o-y in the first quarter. Retail sales continued falling as well, shrinking by 3.1 per cent y-o-y. Household spending was again subdued as real incomes continued to decline.

The report said China was still trying to find the right balance between monetary tightening to avoid overheating and keeping the growth momentum.

The reserve requirements for major banks were raised for the third time this year by 50 basis points to a level of 17 per cent. This came after GDP growth for the first quarter was announced at 11.9 per cent.

China's trade balance moved back into surplus in April after recording a deficit in March. Although the surplus was only a modest $1.7bn, it was seen easing some of the pressure on Beijing to appreciate its currency.

"China's April exports were valued at $119.9bn, while its imports cost $118.2bn ... following an unexpected trade deficit in March of $7.6bn."

China's April exports were valued at $119.9bn, while its imports cost $118.2bn, according to the Chinese Customs Bureau. The figures followed an unexpected trade deficit in March of $7.6bn, which was the country's first deficit in almost six years.

The April surplus shrank by 87 per cent, compared with last year's level. Exports were up in March by 30.5 per cent y-o-y. The volume of commodity imports declined, but it was offset by price increases.

Headline PMI in China increased by 0.6 to a level of 55.7, a rise that was mainly driven by the jump in input prices, which increased by 7.5 to 72.6, while other key sub-indices remained flat.

Output and new domestic orders gained just 0.7 and 1.2, but new export orders stayed flat and finished goods inventories even lost 2.1. They dropped to 46.2 in April from 48.3 in March. Raw material inventories rose to 51.5 in April from 50.6 in March, suggesting demand for commodities was remaining at solid levels.

Meanwhile, Indian export growth in dollar terms accelerated to 54.1 per cent y-o-y in March, which likely reflected a low base effect and improved global demand. This compared with an increase of 34.8 per cent y-o-y in February.

In rupee terms, export growth picked up to 36.9 per cent y-o-y, compared with 26.7 per cent in February. Strong domestic demand was also reflected in impressive import growth of 67.1 per cent y-o-y in March, equally inflated by the base effect from last year. This compared with 66.4 per cent in February.

Again in rupee terms, import growth decelerated to 48.4 per cent y-o-y from 56.4 per cent in January.

While oil import growth in dollar terms remained high at 85.1 per cent y-o-y in March, compared with 97.4 per cent in February, non-oil import growth picked up further to 61 per cent in March.

The Reserve Bank of India (RBI) increased all its key policy rates by 25 basis points. With this move, the bank's lending rate or 'repo rate' stood at 5.25 per cent, its liquidity absorption rate or 'reverse-repo rate' was put at 3.75 per cent, while the cash reserve ratio (CRR) was listed at six per cent.

The rate hikes were largely in line with expectations. Since January, the RBI has taken several steps to exit from the exceptionally easy monetary conditions put in place during the 2008–09 global financial crisis. Between January and April, the CRR has been raised by 100 basis points, while the repo and reverse-repo rates have been raised by 50 basis points each.

"The central bank has clearly indicated that more interest rate increases and liquidity withdrawal measures are ahead as the economy's recovery firms up. The RBI expects the economy to grow by 8.0 per cent in the current fiscal year," said the report.

Looking at selective OPEC Member Countries, the report noted that real GDP growth in Qatar advanced by 8.6 per cent in 2009, according to data released by the Qatar Statistics Authority (QSA).

The 2009 growth figure was lower than the 11 per cent indicated by officials at the beginning of the year. The QSA released real GDP data for the 2005–09 period showing real GDP grew by 26.8 per cent in 2007 and 25.4 per cent in 2008, compared with the previously announced 5.3 per cent and 16 per cent.

"The data shows that the country's gas sector continues to contribute a significant share, growing by 14.7 per cent in 2009 and 36.4 per cent in 2008."

Trade and hospitality increased its growth pace by 21.7 per cent in 2009, compared with 13.8 per cent in 2008, and financial services turned positive, growing by 19.6 per cent last year, compared with a decline of 1.5 per cent in 2008. Government services also grew — by 43.2 per cent in 2009 — compared with 36.5 per cent in 2008.

The United Arab Emirates cut its growth forecast for this year. The Ministry of Economics announced that the economy would expand by up to 2.5 per cent in 2010. This compared with a previous forecast of 3.2 per cent.

In general, it was highlighted that the projections depended highly on the development of the oil price. Inflation was expected to remain at a level of up to two per cent this year. Inflation rose by 0.1 per cent m-o-m in March on higher food and housing costs, data released by the UAE Bureau of Statistics showed.

Dubai's economy reportedly contracted by 2.5 per cent in 2009. The drop in GDP followed a 5.7 per cent increase in 2008, according to Bloomberg.

Regarding currencies, the OPEC report said that the US dollar continued to strengthen in April against the euro, the Japanese yen and the Swiss franc, but declined against the British pound.

On an average monthly basis, the dollar rose by 1.2 per cent against the euro, appreciated 3.2 per cent versus the yen and gained 0.2 per cent against the Swiss franc. Against the pound, it declined by 1.8 per cent.

"The most dramatic move of the US dollar was recorded at the beginning of May, when it rose significantly against the euro to $1.2727/€, compared with the April closing level of $1.3315/€ and therefore managed a rise of 4.4 per cent within just four trading days," commented the report.

World oil demand

In its review of the market, the OPEC report said demand for the Organization's crude in 2010 was projected to average 28.8m b/d, following a slight upward revision of 40,000 b/d from the previous assessment.

Required OPEC crude was forecast to fall by 100,000 b/d from a year earlier, following two consecutive annual declines. The first quarter of the year was still showing a drop of 1m b/d, followed by a decline of 400,000 b/d in the second quarter, while both the third and the fourth quarters were estimated to see positive growth of around 500,000 b/d.

The report said that, last year, demand for OPEC crude had been revised up marginally by around 20,000 b/d to stand at 29m b/d. An upward revision in the first quarter had offset a downward revision in the fourth quarter, while the second and third quarters remained unchanged.

Demand for OPEC crude last year represented a considerable decline of 2.4m b/d from the previous year. The first half experienced negative growth of around 3m b/d, compared with the same period of 2008, while the decline was seen to narrow in the second half to show a loss of only 2.1m b/d in the third quarter, followed by a decline of 1.1m b/d in the fourth quarter.

The OPEC report said that the IMF's latest GDP increase projection for 2010 should imply higher oil consumption; however, the elasticity factor for oil demand was weakening.

The industrial sector, which accounts for a large portion of oil consumption, was not expected to recover fully this year. The service sector, and especially the financial sector, accounted for a larger portion of world GDP this year.

The transportation sector, which accounts for almost half of the oil used worldwide, was heading towards turbulence.

"This sector has been artificially revived, due to government stimulus plans. How long governments can afford to maintain such plans is a key challenge. Moreover, the transportation sector is highly sensitive to price increases. Any strong and lasting increase in pump prices will certainly dent demand, not only in the US, but also across the globe," the report maintained.

"Although the recent upward revision to GDP must be matched with oil demand, the increase in oil demand will be less as the factors mentioned above are likely to suppress it," it added.

It noted that the recent GDP revisions called for another 40,000 b/d in oil demand and most of this would be in the US. Asian countries were reducing their fuel price subsidies further, which would lead to a reduction in the continent's transport fuel needs.

The report stressed that China had been the main driver of oil demand and was expected to continue to be so for the rest of the year, despite the recent domestic price increase in retail gasoline and diesel of 4.5 per cent and five per cent, respectively.

It said the world oil demand forecast for 2010 would mostly depend on the US performance. Should US oil demand weaken slightly and perform less than expected during the peak summer consumption season, then total world oil demand would be less than the current estimate.

Apart from the US, all the expected growth in oil demand this year was taking place outside the OECD, led by Asia. Most of the growth would come from transport and petrochemical activities worldwide.

"Given the expected pace of the economic recovery, world oil demand growth in 2010 is forecast at 900,000 b/d, or 1.1 per cent," said the report. World oil demand declined by 1.46m b/d to average 84.4m b/d in 2009, mostly as a result of the massive contraction of 2.1m b/d in OECD demand.

"Given the expected pace of the economic recovery, world oil demand growth in 2010 is forecast at 900,000 b/d, or 1.1 per cent," said the report."

The economic downturn, along with relatively high retail transport fuel prices, had been suppressing the recovery in US oil demand. This was reflected in a major downward revision of first quarter oil demand, as reported by the Energy Information Administration.

Despite the 19 per cent increase in new auto sales in the US, the country's gasoline consumption experienced a decline of 0.7 per cent in the first quarter as opposed to the normal trend of 1.6 per cent growth.

Furthermore, the usage of diesel, which is used not only for transportation but also by the industrial sector, declined by 4.2 per cent in the first quarter y-o-y.

"However, the forecast for the rest of the year's oil demand is a bit more optimistic. Signs are already emerging indicating better economic performance and aiming towards higher future growth," the report observed.

It said that the recent upward revision in GDP pointed towards a further increase in US oil demand this year. The retail price of transport fuel had a strong elasticity to product sales. The risk lay in two sectors which were very important for total oil demand in the US.

"First, should the retail pump price strengthen further, then consumption would be dented in the summer driving season.

Second, should manufacturing and petrochemicals miss the growth forecast, this would substantially reduce the country's industrial fuel use."

The report noted that Mexican oil demand had maintained its February healthy trend. March data indicated 3.2 per cent growth in the country's domestic sales of petroleum products. Most of the growth was attributed to transport fuel, especially gasoline.

Given not only the sales of new cars, but

"India is the largest oil-consuming country in Other Asia and early forecasts indicate 135,000 b/d growth for the year."

also the miles driven in Mexico, gasoline and diesel demand grew by seven per cent and nine per cent y-o-y in March.

Higher demand for air travel boosted demand for jet fuel by an extra two per cent. Due to the steep decline in January, first quarter oil demand grew by only 0.8 per cent. It was forecast that Mexican oil demand would grow by 1.3 per cent in 2010.

Canada's petroleum product consumption in the first quarter was assessed at 60,000 b/d growth and was forecast to perform well all year long.

"However, there is a downward risk as the economy depends greatly on the US. Recent March data indicates a strong increase in transport fuel usage, due primarily to the low base last year. The country's March oil demand grew by 5.4 per cent, or 87,000 b/d, y-o-y to average 1.7m b/d."

North America's oil demand was expected to grow by 300,000 b/d y-o-y to average 23.6m b/d in 2010, with most of the increase taking place during the second half of the year.

In Europe, the picture was more dramatic, with declining oil consumption in almost every country, especially the 'Big Four'.

In Germany, the largest consuming country in Europe, despite a colder-than-normal winter, heating oil sales dropped by 41 per cent y-o-y in March, while lower manufacturing and petrochemical activities slowed down the use of distillates by 20 per cent.

The decline of those two products, along with a drop in residual fuel oil use, led to the country's total oil demand falling by 12.8 per cent, or 300,000 b/d in March.

For the first quarter of 2010, Germany's oil consumption declined by 200,000 b/d y-o-y. As in the rest of Europe, the oil demand picture for the country was gloomy for the entire year.

Preliminary UK data for March reported a reduction in oil consumption of about 300,000 b/d, with the transport and industrial fuel sectors being the most affected.

The country's first quarter oil demand experienced a strong decline of 19 per cent. It was forecast that oil demand in the rest of the year would also be under pressure, but to a lesser degree.

European countries' oil demand was anticipated to shrink further, not only due to slow economic activity, but also as a result of greater efficiency, which was being promoted by governments.

French and Italian oil consumption during March 2010 also decreased, but in lower volumes of around 100,000 b/d. While in France, heating fuel substitution accounted for most of the decrease, in Italy lower industrial production and a decline in the use of residual fuel in industry accounted for most of the reduction.

In total, oil demand in Europe's 'Big Four' dropped by nine per cent in the first quarter with a decline in all product use.

Due to worse-than-expected oil consumption, the OECD Europe demand forecast was revised down by 300,000 b/d, leading to a total decline of minus 1m b/d y-o-y in the first quarter. However, the decline in oil demand was expected to ease in the second half of the year.

The report said that Japanese oil consumption seemed to have stabilized during the first quarter, reaching growth of 70,000 b/d y-o-y, resulting from an extremely low base, combined with colder weather conditions.

As a result of the cold weather, naphtha used for electricity generation displayed a strong yearly increase of 200,000 b/d during the first quarter, although this was partly offset by reductions in all other products.

Furthermore, the Japanese power generation sector reduced its use of crude by more than one-third as a result of higher nuclear utilization in March.

Strong January oil consumption in South Korea was also counterbalanced by lower oil consumption in February, mainly due to lower demand for industrial fuels, such as distillate and fuel oil.

As a result of stabilized Japanese oil demand, OECD Pacific oil demand was revised up by 78,000 b/d for the year. This came about despite an initial forecast by the Japanese government for a decline of 4.5 per cent in 2010.

OECD Pacific oil demand was forecast to be flat in 2010, averaging 7.7m b/d.

The report said that Indian oil demand had been in slow motion since the start of the year. January oil demand was in the red by 50,000 b/d and February and March data indicated growth of 30,000 b/d for each month.

This left the country's first quarter oil demand flat versus a previous forecast of 150,000 b/d in oil demand growth.

Major fuel switching in the power plan sector had already cut the use of naphtha substantially.

"India is the largest oil-consuming country in Other Asia and early forecasts indicate 135,000 b/d growth for the year. Despite the low growth year-to-date, the rest of the year is expected to call for additional oil use, leading to around four per cent growth in 2010," the report stated. The transportation sector was predicted to contribute the most.

It said that the switch in cooking fuel in Indonesia had been a success. The government adopted a programme in 2007 to switch people from kerosene to LPG use in cooking across the country.

The use of other petroleum products, such as transport fuel, was expected to increase, given healthy economic growth this year. Economic growth across Asia was pushing the region's oil demand to achieve growth of 2.2 per cent in 2010.

Other countries within the region, such as Taiwan and Thailand, were using more oil this year than last. Taiwan alone was expected to use five per cent more oil and most of it would be in the industrial and transportation sectors.

Given the healthy economic growth in Other Asia, the region's oil demand growth for the year was forecast to exceed 220,000 b/d y-o-y.

March oil demand in the Middle East was, as predicted, reaching growth of 200,000 b/d y-o-y in the first quarter. Despite the decline in Iran's oil demand, Saudi Arabia's oil demand surpassed expectations and more than offset the decline.

"Two factors which have been pushing the region's oil demand up by 3.2 per cent are the strong economic activity and subsidized transport fuel," said the report.

Brazil's oil demand, along with Venezuela's oil consumption, were the engine behind the strong growth seen in Latin America this year. Subsidized transport fuel in some of the countries had encouraged consumption, leading to estimated growth of 2.2 per cent this year.

Developing Countries' oil demand growth was forecast at 600,000 b/d y-o-y in 2010 to average 26.7m b/d.

In China, almost all the huge increase in the country's March oil demand growth, which reached 800,000 b/d, was attributed to the industrial and agricultural sectors.

Double-digit GDP growth in the first quarter called for strong consumption in all energy sectors. Although March's huge increase was not anticipated to be repeated, it was forecast that China's oil demand growth would exceed 5.5 per cent this year.

China's March oil imports were high; however, not all of the imports ended up in the demand pool. At least one-third were destined for the country's strategic petroleum reserve (SPR).

Given the strong economic activities, China's oil demand growth was revised up by 50,000 b/d to reach annual growth of 450,000 b/d in 2010.

As for the Former Soviet Union (FSU) and Other Europe, the two regions' oil demand turned out as predicted; hence, the figures remained unchanged. The forecast for FSU oil demand switched from a decline last year to show growth of 0.9 per cent in 2010.

World oil supply

Preliminary figures indicate that global oil supply experienced a minor increase of 30,000 b/d in April, compared with the previous month. This resulted from an increase of 20,000 b/d in non-OPEC supply, as well as a 10,000 b/d rise in OPEC production.

The share of OPEC crude oil in global production remained steady at 34 per cent in April. The estimate was based on preliminary data from non-OPEC supply. Estimates for OPEC natural gas liquids (NGLs) and OPEC production were derived from secondary sources.

Meanwhile, non-OPEC supply was estimated to increase by 530,000 b/d over 2009 to average 51.67m b/d this year.

Non-OPEC supply growth remained relatively steady with the previous forecast experiencing only a minor increase of 30,000 b/d, while the absolute level saw a 140,000 b/d adjustment.

Healthy production figures in the first quarter by many non-OPEC producers supported the revision. The first quarter experienced the biggest revision of 300,000 b/d, which was partially carried over from 2009. Other quarters' supply expectations encountered upward revisions, with the second quarter seeing the next largest increase.

The overall supply forecast remained relatively stable with Developing Countries expected to have the highest growth, followed by the FSU and China, while OECD supply was slated to decline in 2010.

On a quarterly basis, non-OPEC supply in 2010 was seen averaging 52.04m b/d, 51.58m b/d, 51.32m b/d and 51.74m b/d, respectively.

Total OECD oil supply was expected to average 19.49m b/d in 2010, a decline of 150,000 b/d from the previous year and an upward revision of 100,000 b/d.

"Developing Countries' oil demand growth was forecast at 600,000 b/d y-o-y in 2010 to average 26.7m b/d."

"Despite the upward adjustment, the forecast decline remained unchanged as the revision was mainly due to historical adjustments, while the other revisions were offsetting," the report explained.

Among OECD regions, North America was expected to see the biggest growth in 2010, while the OECD Pacific was foreseen to remain relatively steady. OECD Western Europe was projected to continue to decline.

Compared with the previous assessment, supply forecasts for Canada, Mexico and the UK experienced upward revisions, while supply forecasts for Norway and Other Western Europe experienced minor downward revisions.

The highest upward adjustment was for Canada's supply, mainly due to historical revisions. The anticipated growth from North America was seen to offset part of the expected decline in OECD Western Europe.

On a quarterly basis, OECD oil supply in 2010 was expected to average 19.83m b/d, 19.45m b/d, 19.19m b/d and 19.48m b/d, respectively.

Total OECD supply stood at 19.83m b/d in the first quarter of 2010, according to the preliminary data, which indicated a decline of around 100,000 b/d, compared with the same period in 2009.

North America's oil supply was anticipated to average 14.40m b/d in 2010, representing growth of 110,000 b/d and an upward revision of 120,000 b/d. Mexico's oil supply was expected to continue its declining trend in 2010.

On a quarterly basis, North America's oil supply in 2010 was expected to average 14.53m b/d, 14.41m b/d, 14.41m b/d and 14.38m b/d, respectively.

US oil supply was forecast to increase by 160,000 b/d to average 8.23m b/d in 2010, flat from the previous assessment.

Despite the steady rate, US quarterly oil supply encountered some revisions, with the first quarter supply experiencing an upward adjustment. In contrast, the rest of the year's quarters were revised down slightly.

"Total Developing Countries' oil supply was estimated to average 12.84m b/d in 2010, representing growth of 260,000 b/d and a minor upward revision of 10,000 b/d."

On a quarterly basis, US oil supply in 2010 was seen averaging 8.28m b/d, 8.19m b/d, 8.19m b/d and 8.25m b/d, respectively. According to preliminary data, US oil production was estimated to have averaged 8.34m b/d in April, slightly higher than the average of the first quarter.

Canada's oil supply was projected to increase by 50,000 b/d to average 3.29m b/d in 2010, indicating an upward revision of 100,000 b/d from the previous month.

On a quarterly basis, Canada's oil supply in 2010 was anticipated averaging 3.26m b/d, 3.30m b/d, 3.27m b/d and 3.33m b/d, respectively.

Mexico's oil supply was seen averaging 2.88m b/d in 2010, a decline of 100,000 b/d over the 2009 figure, indicating an upward revision of 20,000 b/d

On a quarterly basis, Mexico's oil supply in 2010 was forecast averaging 2.99m b/d, 2.91m b/d, 2.83m b/d and 2.80m b/d, respectively. Preliminary data shows that Mexico's oil production averaged 2.99m b/d in March, steady compared with February. Average output during the first quarter was put at 2.99m b/d, lower by 1.6 per cent over the same period the previous year.

Total OECD Western Europe oil supply was foreseen declining by 280,000 b/d to average 4.43m b/d in 2010, a downward revision of 30,000 b/d, compared with the previous month.

On a quarterly basis, OECD Western Europe supply in 2010 was expected to average 4.67m b/d, 4.40m b/d, 4.22m b/d and 4.42m b/d, respectively. Preliminary first quarter estimates suggested a production level of 4.67m b/d, slightly lower than the fourth quarter of 2009.

Norwegian oil supply was anticipated to decline by 140,000 b/d to average 2.20m b/d in 2010, indicating a downward revision of 20,000 b/d, compared with the previous month.

On a quarterly basis, Norway's supply in 2010 was forecast averaging 2.31m b/d, 2.17m b/d, 2.08m b/d and 2.23m b/d, respectively. First quarter supply was estimated to have averaged 2.31m b/d, according to preliminary data, which indicated a y-o-y decline of 200,000 b/d.

The UK's oil supply was expected to decline by 90,000 b/d to average 1.39m b/d in 2010, an upward revision of 10,000 b/d, compared with the previous month.

On a quarterly basis, UK oil supply in 2010 was slated to average 1.50m b/d, 1.38m b/d, 1.32m b/d and 1.35m b/d, respectively. First quarter preliminary supply data indicated a y-o-y decline of 130,000 b/d, or eight per cent.

Danish oil supply was forecast to decline slightly by 20,000 b/d to average 240,000 b/d in 2010, flat from the previous month.

In the OECD Asia Pacific, supply was expected to increase slightly by 20,000 b/d to average 660,000 b/d in 2010, flat from the previous month.

On a quarterly basis, OECD Pacific oil supply in 2010 was seen averaging 630,000 b/d, 640,000 b/d, 670,000 b/d and 680,000 b/d, respectively.

Australia's oil supply was foreseen averaging 550,000 b/d in 2010, a minor increase of 10,000 b/d over the previous year and relatively unchanged from the last report.

On a quarterly basis, Australia's oil supply in 2010 was expected to average 530,000 b/d, 540,000 b/d, 570,000 b/d and 580,000 b/d, respectively.

New Zealand's oil supply was projected to remain relatively steady to average 100,000 b/d in 2010, a minor increase of 10,000 b/d and unchanged from the previous assessment.

Total Developing Countries' oil supply was estimated to average 12.84m b/d in 2010, representing growth of 260,000 b/d and a minor upward revision of 10,000 b/d from the last report.

Latin America supported the upward revision, while Other Asia and the Middle East remained steady. Africa experienced a downward revision. The revisions offset each other with the upward revision having slightly more weight than the downward corrections.

Expected supply from Latin America indicated the highest anticipated growth among all non-OPEC regions, supported by strong supply increases in Brazil and Colombia.

Other regions were expected to remain relatively steady in 2010, showing either minor growth, or declines.

On a quarterly basis, Developing Countries' total oil supply in 2010 was seen averaging 12.83m b/d, 12.78m b/d, 12.86m b/d and 12.89m b/d, respectively.

Other Asia's oil supply was forecast to average 3.75m b/d in 2010, an increase of 30,000 b/d over 2009 and flat from the previous month.

On a quarterly basis, Other Asia's oil supply in 2010 was projected to average 3.78m b/d, 3.74m b/d, 3.74m b/d and 3.73m b/d, respectively.

Latin America's oil supply was expected to average 4.68m b/d in 2010, showing significant growth of 270,000 b/d over the 2009 figure and representing an upward revision of 20,000 b/d over the previous month.

The upward revision came mainly from Brazil and Colombia. Supported by strong first-quarter production, Brazil's oil supply estimate experienced an upward revision in the first half. It was reported that Brazil's oil exports reached a record level in March.

On a quarterly basis, Latin America's oil supply in 2010 was expected to stand at 4.61m b/d, 4.64m b/d, 4.70m b/d and 4.76m b/d, respectively

The Middle East's oil supply was remaining steady from 2009 with a minor increase of 10,000 b/d to average 1.74m b/d in 2010, relatively flat from the previous assessment.

On a quarterly basis, the Middle East's oil supply in 2010 was expected to average 1.75m b/d, 1.74m b/d, 1.73m b/d and 1.72m b/d, respectively.

Africa's oil supply was expected to decline by 40,000 b/d to average 2.68m b/d in 2010, indicating a minor downward revision of 10,000 b/d, compared with the previous month.

On a quarterly basis, Africa's oil supply in 2010 was seen averaging 2.69m b/d, 2.66m b/d, 2.68m b/d and 2.68m b/d, respectively.

The FSU's oil supply was predicted to increase by 230,000 b/d to average 13.15m b/d in 2010, indicating a minor downward revision of less than 20,000 b/d, compared with the previous month.

On a quarterly basis, total oil supply in the FSU in 2010 was expected to stand at 13.12m b/d, 13.14m b/d, 13.10m b/d and 13.23m b/d, respectively.

Other Europe's oil supply was forecast to remain steady with a minor drop of 10,000 b/d to average 130,000 b/d in 2010, following a small upward revision of 10,000 b/d on healthier projections.

Russia's oil supply was anticipated to increase by 90,000 b/d to average 10.01m b/d in 2010, unchanged from the previous month.

On a quarterly basis, Russia's oil supply in 2010 was seen averaging 10.09m b/d, 10.03m b/d, 9.99m b/d and 9.95m b/d, respectively.

Kazakhstan's oil supply was projected to average 1.61m b/d in 2010, an increase of 70,000 b/d over 2009 and broadly unchanged from the previous report.

On a quarterly basis, Kazakhstan's oil supply in 2010 was expected to stand at 1.61m b/d, 1.62m b/d, 1.56m b/d and 1.65m b/d, respectively.

Azerbaijan's oil supply was forecast to average 1.07m b/d in 2010, an increase of 50,000 b/d over 2009 and a minor downward revision of less than 10,000 b/d from the previous month.

On a quarterly basis, Azerbaijan's oil supply in 2010 was estimated to average 980,000 b/d, 1.05m b/d, 1.10m b/d and 1.16m b/d, respectively.

China's oil supply was expected to increase by 120,000 b/d to average 3.97m b/d in 2010, indicating an upward revision of 30,000 b/d compared with the last report.

On a quarterly basis, China's oil supply in 2010 was forecast averaging 4.04m b/d, 3.98m b/d, 3.94m b/d and 3.90m b/d, respectively.

OPEC oil production

Total OPEC crude oil production averaged 29.25m b/d in April, indicating a minor increase of 10,000 b/d from the previous month, according to secondary sources. All OPEC Member Countries' crude production experienced a minor change in April, compared with the previous month, with Iraq indicating the highest decrease and Nigeria showing the largest increase.

OPEC crude oil production, excluding Iraq, stood at 26.91m b/d in April, up by 60,000 b/d from the previous month.

OPEC's output of natural gas liquids and non-conventional oils was forecast to increase by 520,000 b/d over the 2009 figure of 4.35m b/d to average 4.87m b/d in 2010.

Downstream activity

Looking downstream, the OPEC report said that better demand, in tandem with improving economic growth, overshadowed other bearish developments in the product markets, including the adverse effects of the volcano eruption in Iceland on the aviation industry and jet/fuel demand. This situation reinforced product market sentiment and lifted refining margins across the board, with the exception of Europe.

"Total OPEC crude oil production averaged 29.25m b/d in April, indicating a minor increase of 10,000 b/d from the previous month."

"Despite the recent improvement in refining margins and operations, it appears that increasing refinery throughputs may enhance the risk of inter-product imbalances, leading to a further deterioration in the crack spread for light products. This would encourage refiners to avoid their typical seasonal operation trend over the coming driving season, providing less support for crude market fundamentals over the coming months," the report said.

Refining margins for WTI crude oil on the US Gulf Coast gained 78¢ to reach $6.80/b in April from $6.02/b the previous month.

In Europe, refining economics did not follow suit, partly due to the higher cost of North Sea crude oil, versus other grades. Refining margins for Brent crude in Rotterdam fell by 11¢ to $1.77/b in April from $1.88/b in March.

In Asia, refining margins extended their gains, due to a better performance of light products and the lower cost of Dubai crude. The improving distillate crack spread contributed to the positive developments in Asian refining economics. Refining margins for Dubai crude oil in Singapore surged by $2.36/b to hit $3.69/b in April, from $1.33/b the previous month.

"Looking ahead, with the consolidation of economic growth, it appears that product market sentiment and demand may gain further in the future. However, amid the persistently large supply overhang and spare refinery capacity, as well as the bearish impact of recent developments in the European financial market, refining margins are not expected to be boosted sharply over the coming months," the report maintained.

It stated that the slowing recovery of demand and inter-product imbalances had dampened refinery operations in OECD countries in recent months.

Spring refinery maintenance had also contributed to bearish developments in refinery utilization rates in the major consuming areas. However, with improving economic growth, particularly in the US, refiners started to increase throughputs to meet product demand, especially during the high season.

"According to preliminary data, US crude oil imports averaged 9.53m b/d in April, a gain of 7.8 per cent over the previous month."

The refinery utilization rate in the US rose sharply by four per cent to reach 86.9 per cent in April from 82.9 per cent in March. In the week ending April 30, utilization rates soared to 89 per cent, the highest level since July 2008.

European refineries, still under maintenance, saw their utilization rates increase by one per cent to 79.9 per cent in April from 78.9 per cent in March.

The report noted that, in Asia, the maintenance schedule had begun and would continue until the end of June. The current maintenance schedule would affect Asian refinery runs in the next months. Refinery utilization rates in Japan fell marginally in April to 82.9 per cent.

"Looking ahead, considering the recent bearish developments in the European financial market and its negative impact on the market, as well as persistent inter-product imbalances, it appears that the scope of upward movement on refinery utilization rates would be limited during the upcoming driving season," the report pointed out.

It said that US gasoline demand soared to 9.26m b/d in the last week of April, compared with 8.63m b/d on February 12, while, according to the EIA, US distillate demand over a four-week average rose to 3.63m b/d in the week ended April 30, compared with 3.53m b/d a year ago.

The low sulphur fuel oil market in the US was lackluster, due to sluggish demand, and the increase in stocks to a record level.

The European gasoline market lost its earlier strength in the middle of April amid rising regional supplies and less export opportunities to the US and Nigeria. The volcano eruption in Iceland, which caused flight cancellations across Europe, led to higher demand for other products, including diesel and gasoline in the latter part of April.

The European naphtha market was weak, due to an increase in regional cracker maintenance and the replacement of naphtha with LPG as a feedstock by regional petrochemical units.

The European gasoil market lost part of its March strength and flipped from backwardation into contango, but the contango for the next months had narrowed considerably.

"Looking ahead, regional fundamentals appear weak. However, European arbitrage opportunities to Asia may provide some support for the European fuel oil market and prevent a further widening of the fuel oil crack spread in the future," commented the OPEC report.

Oil trade

According to preliminary data, US crude oil imports averaged 9.53m b/d in April, a gain of 7.8 per cent over the previous month. On an annual basis, April crude oil imports showed a small increase of 127,000 b/d, or 1.4 per cent, over the same period last year. Most of the increase in imports was due to higher refinery runs, due to the upcoming summer driving season, as well as increasing inventories.

Over the first four months of the year, US crude oil imports experienced a rising trend to average 8.90m b/d.

In April, US product imports increased by 17.2 per cent over the previous month to stand at 2.75m b/d, a gain of seven per cent, or 180,000 b/d, over the same month last year. During the first four months of the year, product imports reached 2.66m b/d, down by 10.7 per cent from a year ago.

Meanwhile, US product exports in April recovered by 0.7 per cent, or 12,000 b/d, from the previous month to average 1.67m b/d. On a yearly basis, US product exports fell by 11.9 per cent, or 227,000 b/d, compared with the same month last year.

With the 688,000 b/d increase in net crude oil imports and the growth of 392,000 b/d in net product imports, US net oil imports in April rose by 11.4 per cent, or 1.08m b/d, over the previous month to reach 10.57m b/d.

April net oil imports were 5.2 per cent, or 527,000 b/d, higher than in the same month a year ago.

According to the latest data, Canada remained the top supplier of crude to the US in February with 1.90m b/d, followed by Mexico (996,000 b/d), Venezuela (910,000 b/d), Nigeria (900,000 b/d) and Saudi Arabia (880,000 b/d). Together, OPEC Member Countries supplied the US with 4.22m b/d, or 51.4 per cent, of its oil imports in February, up by 16,000 b/d from the previous month, but 5.9 per cent lower than a year ago.

Canada was also the leading supplier of oil products to the US in February with 590,000 b/d, followed by Russia (210,000 b/d), the Virgin Islands (190,000 b/d), and

Algeria (180,000 b/d). OPEC Members supplied a total of 371,000 b/d of oil products to the US in the month, an increase of 22.85 per cent over January figures.

Mexico was the top importer of US oil products in February with 380,000 b/d, followed by Canada (230,000 b/d), Singapore (190,000 b/d) and Brazil (85,000 b/d). OPEC Member Countries imported a total of 66,000 b/d of US oil products in the month, representing a decline of 48.84 per cent from January.

According to preliminary official data, Japan's crude oil imports increased by 7.4 per cent, or 279,000 b/d, to stand at 4.04m b/d in March. This healthy increase was supported by growth in deliveries from the UAE, Oman, Algeria and Indonesia, which rose by 181,000 b/d, 61,000 b/d, 45,000 b/d and 29,000 b/d, respectively, over the same month last year.

Japan's crude oil imports in the first quarter remained virtually stable with a small drop of 14,000 b/d, or 0.4 per cent, over a year ago.

After four months of increase, Japan's oil product imports fell in March by 4.3 per cent, or almost 42,000 b/d, from the previous month to 918,000 b/d. From January to March, average oil product imports in Japan increased by 15.8 per cent, compared with the same period last year, to average of 945,700 b/d.

Most of the increase was due to naphtha imports, which increased by 10.1 per cent y-o-y to 436,000 b/d, while LPG deliveries decreased by 4.3 per cent to 391,000 b/d. Gasoline imports fell by 52.1 per cent to 9,900 b/d, while diesel imports increased by 165.5 per cent to 23,900 b/d.

Japan's oil product exports averaged 518,000 b/d in March, representing a gain of 1.5 per cent, or 7,800 b/d, over the previous month. They were 5.3 per cent higher than the same month a year ago.

Fuel oil and diesel exports declined by 36.4 per cent and 9.7 per cent, respectively, while gasoline exports increased by 54,000 b/d, compared with the same month a year ago.

"Japan exports have been sluggish as refineries have preferred selling their output in the higher-priced domestic market, which has impacted product imports. Run cuts have also played a role in reduced export activity," observed the OPEC report.

During the first quarter of 2010, Japan's oil product exports averaged 490,000 b/d, 6.8 per cent below the same period last year. Fuel oil and diesel exports decreased by 23.9 per cent and 19.7 per cent, respectively, but gasoline exports increased by 38,000 b/d. Poor margins encouraged the run cuts, which led to the decline in exports.

As result, Japan's net oil imports in March stood at 4.44m b/d, representing an increase of 229,000 b/d, or 5.4 per cent, over the February level and 305,000 b/d, or 7.4 per cent, more than in the same month a year ago.

On a quarterly basis, Japanese net oil imports averaged 4.42m b/d, 3.5 per cent higher than in the same period last year.

In March, Saudi Arabia maintained its position as top crude oil supplier to Japan, delivering 1.18m b/d, 0.33 per cent more than in the same month last year. The UAE was the second-largest supplier with 945,562 b/d, representing a y-o-y increase of 23.68 per cent. Deliveries from Qatar rose by 5.5 per cent to 497,784 b/d to maintain third place, while Iran's supplies fell by 6.4 per cent to 442,112 b/d. OPEC Member Countries together accounted for 85.17 per cent of total Japanese imports in March, in line with the year-ago figure.

China's crude oil imports rose by 28.9 per cent in March, over the same month last year, reaching 4.98m b/d, just below the record high of 5.03m b/d set in December 2009. Crude oil imports grew 2.76 per cent m-o-m, despite lower refinery throughputs and higher oil production.

In the first quarter of 2010, China's crude oil imports increased by 38.61 per cent to 4.62m b/d, compared with 3.33m b/d in the same period a year ago. Most of the expansion was attributed to increased crude processing capacity, combined with higher operating rates in January and February.

China's oil product imports grew by 2.4 per cent in March over the previous month to 971,200 b/d, but remained 6.8 per cent below the same month last year. On a quarterly basis, the country imported 901,100 b/d, or seven per cent, fewer oil products than in the first quarter of 2009, also due to increased refining capacity.

China's crude and product exports jumped by 37.75 per cent in March, compared with the previous month, and were up by 32.2 per cent from a year earlier, to stand at 770,000 b/d.

"China's crude oil imports rose by 28.9 per cent in March, over the same month last year, reaching 4.98m b/d, just below the record high of 5.03m b/d set in December 2009."

The country's crude oil exports experienced an increase of 13.6 per cent from February, while its product exports saw a significant jump of 40.5 per cent over the previous month.

On a quarterly basis, China registered 41.4 per cent growth in its oil product exports over the same period in 2009, to average 650,000 b/d, supported by the expansion in refining capacity.

China's net oil imports in March stood at around 5.19m b/d, representing an increase of 54,000 b/d, or one per cent, over the previous month. They were 859,000 b/d, or 19.8 per cent, higher than in the same month last year.

On a quarterly basis, China's net oil imports averaged 4.82m b/d for a gain of 29.8 per cent over the same period last year.

For March, Angola became the number one supplier of crude oil to China, delivering 1.08m b/d for an increase of 98.7 per cent over the same month last year. Saudi Arabia was the second-largest supplier with 761,000 b/d, representing an increase of 29.2 per cent. Iran delivered 525,000 b/d of crude oil to

China, representing a 14.9 per cent increase y-o-y. Imports from Russia rose by 18.9 per cent to 383,000 b/d. OPEC Member Countries together accounted for 3.16m b/d, or 63.45 per cent, of China's total crude oil imports in March.

India's crude oil imports in March declined by 420,000 b/d, or 15 per cent, from the previous month, according to preliminary data. Crude imports during March were gauged at 390,000 b/d, 14.1 per cent lower than in the same month a year ago. Reduced refinery throughput was the core reason for lower crude oil imports in March.

During the first three months of the year, India's crude oil imports averaged 2.69m b/d, 4.6 per cent higher than in the same period last year, to average 2.57m b/d. Growth in crude oil imports in January and February outweighed the decline in March.

"US commercial inventories at the end of April rose by a considerable 24.2m b, reversing the downward trend observed during the last two months."

In March, India's oil product imports fell by 12,000 b/d, or 3.7 per cent, from the previous month to stand at 310,000 b/d, 9.3 per cent higher than in the same month last year. After five months of continuous increases since October 2009, March was the first month to show a decline in oil product imports.

In the first quarter, India's oil product imports decreased by 13.1 per cent to an average of 300,000 b/d, compared with the same period last year.

India's product exports in the first quarter averaged 543,000 b/d, 22.6 per cent lower than in the same period of 2009, when average exports reached 701,000 b/d. The decline was driven by a reduction in diesel exports, due to increased domestic demand.

As a result, India's net product imports in March declined by 4.6 per cent, or 11,000 b/d, from the previous month. India's total net oil imports for March averaged 2.12m b/d, representing a decline of 16.9 per cent, or 430,000 b/d, from the previous month, as well as a decline of 6.9 per cent over the same period last year.

FSU crude oil exports to non-CIS destinations in March increased by 3.8 per cent from the previous month to 6.82m b/d, just 23,000 b/d below December's record high of 6.85m b/d. Compared with the same month a year ago, FSU crude oil exports rose by 3.4 per cent, or 225,000 b/d.

FSU crude oil exports averaged 6.71m b/d in the first quarter of 2010, up by 1.8 per cent from a year ago.

FSU oil product exports in March stood at 2.65m b/d, representing a decrease of 1.8 per cent from a year ago and a decline of 3.9 per cent, or 107,000 b/d, from the previous month.

Stock movements

Concerning stock movements, the OPEC report stated that US commercial inventories at the end of April rose by a considerable 24.2m b, reversing the downward trend observed during the last two months.

The build was nearly 10m b more than the average build seen over the last five years. At 1,072.7m b, US commercial oil inventories were at their highest level since November 2009 and represented an overhang of almost 90m b, or nine per cent, above the five-year average. However, they remained 20m b, or two per cent, below the same period a year ago.

Products saw the bulk of the build as they increased by nearly 20m b, while crude stocks rose by 4.7m b.

At the end of April, US crude commercial oil stocks showed no sign of slowing their rise, climbing for the fourth consecutive month to accumulate more than 35m b to reach 360.6m b, the highest level in nearly a year.

This build was mainly driven by strong crude oil imports, which rose to nearly 10m b/d in the week ending April 30.

US crude oil imports averaged 9.5m b/d in the month under review, around 260,000 b/d above the same period last year. The build came despite a further increase in crude runs, averaging 15m b/d, which corresponded to 87.5 per cent of refinery operation rates, seven per cent higher than in the previous month.

In the week ending April 30, US refineries operated at 89.6 per cent of capacity, the highest rate since July 2008.

"It is worth noting that at Cushing, Oklahoma, the delivery point for Nymex WTI, stocks continued to rise to new record highs of 36.2m b during the week ending April 30. This pressured WTI prices and pushed the front-month contract lower, leading to a steep contango of around $3/b, as well as a widening of WTI differentials with other benchmarks.

"It should also be highlighted that, so far, there has been no sign of any supply impact from BP's rig oil spill in the Gulf of Mexico. However, in the short term, further leakage could cause shipping delays and potentially impact crude deliveries to some refineries," the report stated.

US product stocks rose in April by almost 20m b, halting the draw observed over the last six months. All products experienced a stock-build, driven by higher refinery throughput, and reflecting some improved economics.

At 712.1m b, US product stocks showed a surplus of nearly 60m b, or nine per cent, with the seasonal norm, but remained 11m b, or two per cent, lower than at the same time last year.

US gasoline stocks rose by 2.5m b to 224.9m b, driven by higher imports reaching 1.15m b/d in the week ending April 30, 160,000 b/d more than in the previous week. This build came despite some improvement in US gasoline demand in the month of April, averaging 9.26m b/d, 200,000 b/d more than in March.

At the end of April, US gasoline stocks stood at 12m b, or six per cent, above a year ago and 18m b, or nine per cent, over the five-year average. This indicated a healthy level ahead of the upcoming driving season.

US distillate stocks also rose by a strong 6.9m b to 152.4m b after a fourth month of stock-draws, leaving them at a very comfortable level of 42m b, or 38 per cent, above the five-year average. This build could be attributed to the recent rise in refinery utilization rates, with distillate production reaching 4.1m b/d.

Lower apparent demand in April at 3.6m b, almost 100,000 b/d less than March levels, also contributed to the build.

The week ending April 30 saw an increase in distillate demand by almost 300,000 b/d, to 3.9m b/d.

"If this figure is not revised down, it would be the highest level since the end of 2007," said the OPEC report.

At the end of April, US residual fuel and jet fuel oil stocks rose by 5.1m b and 2.5m b to 46.1m b and 44.5m b, respectively, leaving them at healthy levels of 30 per cent and five per cent above the same period a year ago.

In Japan, commercial oil inventories in March reversed the huge decline observed the previous month to increase by 4.0m b to 159.6m b.

Despite the build, the deficit with a year ago and with the five-year average remained wide at ten per cent and seven per cent, respectively.

The build in total commercial oil inventories came from crude, which increased by 6.3m b, while product stocks continued to decline, dropping by 2.3m b.

At 93.1m b, Japan's crude oil inventories in March stood at their highest level since September 2009, reversing the draw experienced the previous month. The build came as a result of strong imports, which increased by 7.4 per cent to average 4.04m b/d.

Crude imports in Japan were 6.4 per cent above the same time a year ago. The decline of 3.9 per cent in crude runs to 3.8m b/d also contributed to the build in crude oil stocks.

In March, Japanese refiners were running at 79.2 per cent, 3.2 per cent less than in the previous month, but slightly above a year ago.

With the build in Japanese crude oil inventories, the deficit with a year ago narrowed significantly to ten per cent, compared with 19 per cent in February, while the deficit with the five-year average narrowed to 12.4 per cent from 15 per cent a month earlier.

Japan's oil product inventories in March continued their downward trend, declining by 2.3m b to 66.5m b. The draw was mainly attributed to a decline in refinery throughput, reflecting lower product demand, which fell for the seventh consecutive year amid a growing shift towards electricity and gas, particularly in the industrial sector, thus curbing sales of refined products.

Total Japanese oil products ended March at 7.6m b, 10.3 per cent below a year ago, but still in line with the seasonal norm.

Within products, the picture was mixed. Gasoline and distillate stocks saw a drop of 1.3m b and 2.9m b, respectively, while naphtha and residual fuel oil inventories saw a build of 1.5m b and 400,000 b, respectively.

At 13.2m b, gasoline stocks stood 14.8 per cent below a year ago and eight per cent below the seasonal norm. The decline in gasoline stocks could be attributed to higher demand, which edged up by 3.9 per cent from a month earlier, but remained 1.2 per cent below the year ago level.

The draw came despite an increase of 9.6 per cent in imports; however, gasoline imports remained at a low level, almost half compared with the same period the previous year.

Total distillate stocks declined to 26m b — a loss for the fourth consecutive month. All distillate components saw a drop, with kerosene stocks falling by 14 per cent, followed by gasoil with 8.7 per cent and jet fuel by 6.5 per cent.

The draw in kerosene came as output fell by 15 per cent amid a massive drop in imports. Higher exports by 44 per cent were behind the fall in jet fuel inventories, while the drop in gasoil inventories could be attributed to the increase of 10.5 per cent in gasoil domestic sales.

However, demand for gasoil fell by 2.5 per cent y-o-y, due to the decline in truck transport, reflecting the shrinkage in the trucking fleet.

"In Japan, commercial oil inventories in March reversed the huge decline observed the previous month to increase by 4.0m b to 159.6m b."

At the end of March, total distillate stocks represented a deficit of 2.9 per cent from a year earlier and 8.5 per cent from the average norm.

In contrast to distillates and gasoline, naphtha and fuel oil inventories saw a build. Naphtha rose to 11.3m b on the back of a seven per cent increase in output. This came despite a decline in naphtha sales over the previous month. However, naphtha consumption continued to increase from a year ago, reflecting robust Asian demand and the low level of a year ago when production was reduced sharply by the global economic slowdown.

In Singapore, product inventories in March rose by 1.6m b to 48.7m b — a rise for the second consecutive month to reach the highest level on record.

"At this level, Singapore products stocks were 6.6m b, or 16 per cent, above a year earlier at the same time," said the report.

Within products, light distillates and fuel oil stocks saw a build, while middle distillates fell. Singapore light distillates rose by 2.1m b to a record high of 12.3m b, driven by higher supply, especially from China, India and Japan, which outpaced lower regional gasoline demand.

Gasoline demand from Vietnam was disappointing, despite lower refinery runs. Fuel oil stocks rose by 600,000 b for the third consecutive month to 23.8m b, representing a surplus of 2.8m b above the same period a year ago. The build could be attributed to higher supplies from the West.

In contrast, middle distillate stocks in Singapore fell by 1.1m b to 12.6m b, but remained five per cent above a year earlier. The draw came on the back of lower supplies, following refinery maintenance in parts of Europe and Asia. Higher middle distillate demand from Vietnam also contributed to this draw.

Preliminary data for the end of April, based on weekly information, showed a further build of 1.0m b in Singapore product inventories, to a level of 49.7m b.

"Preliminary data for ARA at the end of April indicated a further build in total product stocks of 1.0m b to 38.4m b, versus the previous month."

At this level, inventories represented a surplus of almost 9m b over the same period a year ago. Middle distillates and fuel oil inventories indicated a build at the end of April of 700,000 b and 1.2m b, respectively, while light distillates saw a draw of 900,000 b.

At 13.3m b, middle distillate stocks fell to a four-week low as strong demand from India and Indonesia outpaced healthy exports from China and South Korea.

At 25m b, fuel oil stocks were considered to be at high levels, driven by heavier inflows to Asia, which kept supply higher. Light distillate stocks stood at 11.4m b at the end of April, the highest level in two weeks, driven by ample supply from South Korea and China, which outpaced gasoline demand for the two main importing countries, Indonesia and Vietnam, with demand for these two countries lower than the previous week.

Product stocks in ARA at the end of March reversed the downward trend seen over the previous two months and expanded by 1.0m b to 37.4m b to remain at a surplus of 4m b above a year ago in the same period.

With the exception of gasoil and jet fuel, the three other products indicated a build. At 16.4m b, gasoil stocks fell for the third consecutive month, while jet fuel oil stocks slipped by 600,000 b to 5.8m b, almost unchanged from a year ago. Fuel oil stocks rose by 2.2m b to 6.4m b and remained 2.4m b above the year earlier level.

Naphtha stocks at the end of April rose by 300,000 b to 650,000 b on the back of limited import opportunities, while gasoline stocks improved significantly by 1.6m b to 8.2m b, widening the surplus with a year ago to 1.2m b. This increase came as traders started building stocks ahead of the summer season.

Preliminary data for the end of April, based on weekly information, indicated a further build in total product stocks of 1.0m b to 38.4m b, versus the previous month, to remain at healthy levels with a surplus of 5m b above a year ago.

Gasoline stocks increased by 600,000 b to 8.7m b, due to heavy imports and also benefiting from the contango market structure, while gasoil inventories rose by 600,000 b to nearly 17m b, after falling the previous month.

Jet fuel inventories at the end of April rose by 300,000 b to 6.2m b, remaining almost at the same level as the previous year. This build came on the back of higher supply and lower demand for jet fuel, resulting from the disruption in air traffic. Fuel oil and naphtha inventories fell by 400,000 b and 100,000 b to 6.2m b and 500,000 b, respectively.

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

World demand	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.4	45.0	46.0	45.5	45.8	44.3	45.1	46.1	45.3
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	23.2	23.5	23.3	23.6	23.3	23.6	23.8	23.6
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.2	14.5	14.5	14.5	13.9	13.8	14.3	14.4	14.1
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.3	7.3	8.0	7.7	8.2	7.3	7.2	8.0	7.7
Developing countries	21.9	22.8	23.5	24.6	25.5	25.6	26.0	26.3	26.3	26.1	26.2	26.7	26.9	26.9	26.7
FSU	3.8	3.9	4.0	4.0	4.1	3.8	3.7	4.1	4.2	4.0	3.8	3.7	4.2	4.2	4.0
Other Europe	0.8	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	6.5	6.7	7.2	7.6	8.0	7.6	8.4	8.6	8.3	8.2	8.2	8.8	9.0	8.6	8.7
(a) Total world demand	**82.6**	**84.0**	**85.1**	**86.2**	**85.9**	**84.3**	**83.3**	**84.7**	**85.5**	**84.4**	**84.8**	**84.2**	**85.9**	**86.7**	**85.4**
Non-OPEC supply															
OECD	21.3	20.4	20.1	20.1	19.5	19.9	19.4	19.4	19.9	19.6	19.8	19.5	19.2	19.5	19.5
North America	14.6	14.1	14.2	14.3	13.9	14.2	14.1	14.3	14.6	14.3	14.5	14.4	14.3	14.4	14.4
Western Europe	6.2	5.7	5.3	5.2	5.0	5.1	4.7	4.4	4.7	4.7	4.7	4.4	4.2	4.4	4.4
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Developing countries	11.6	11.9	12.0	12.0	12.4	12.5	12.5	12.6	12.7	12.6	12.8	12.8	12.9	12.9	12.8
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	13.0	13.1	12.9	13.1	13.1	13.1	13.2	13.1
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.8	4.0	4.0	3.9	3.9	4.0
Processing gains	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	49.6	50.0	50.5	50.4	51.0	50.8	51.0	51.7	51.1	52.0	51.6	51.3	51.7	51.7
OPEC NGLS and non-conventionals	3.7	3.9	3.9	3.9	4.1	4.1	4.3	4.5	4.5	4.4	4.6	4.8	4.9	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLS	**53.3**	**53.5**	**53.9**	**54.5**	**54.5**	**55.2**	**55.1**	**55.5**	**56.2**	**55.5**	**56.6**	**56.4**	**56.2**	**56.9**	**56.5**
OPEC crude supply and balance															
OPEC crude oil production[1]	29.6	30.7	30.5	30.2	31.2	28.5	28.5	28.9	29.0	28.7	29.2				
Total supply	82.9	84.2	84.4	84.7	85.7	83.6	83.6	84.3	85.2	84.2	85.9				
Balance[2]	0.3	0.2	-0.7	-1.6	-0.2	-0.7	0.3	-0.3	-0.3	-0.2	1.1				
Stocks															
OECD closing stock level *m b*															
Commercial	2538	2587	2669	2567	2696	2740	2752	2773	2663	2663	2683				
SPR	1450	1487	1499	1524	1527	1547	1561	1564	1564	1564	1564				
Total	3988	4073	4167	4091	4223	4287	4313	4337	4228	4228	4247				
Oil-on-water	905	954	919	951	967	901	902	871	912	912	879				
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	62	61	60	58	59	61				
SPR	29	30	30	32	34	35	35	34	34	35	35				
Total	80	82	85	86	93	96	96	94	92	93	96				
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.9	8.9	9.0	9.3	9.4	8.9	9.0	9.2
[(a) — (b)]	**29.3**	**30.5**	**31.3**	**31.7**	**31.4**	**29.2**	**28.2**	**29.2**	**29.3**	**29.0**	**28.1**	**27.8**	**29.6**	**29.8**	**28.8**

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

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

Table 1 *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 62 while* ***Graphs 1 and 2*** *on page 63 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 64–65 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2009–10 $/b

	2009									2010				Weeks 13–17 (week ending)				
Crude/Member Country	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**Apr 2**	**Apr 9**	**Apr 16**	**Apr 23**	**Apr 30**
Arab Light – Saudi Arabia	50.91	57.45	69.01	64.92	71.42	67.64	73.36	76.54	74.38	76.46	73.32	77.24	82.75	78.74	82.45	82.96	82.38	83.75
Basrah Light – Iraq	51.18	56.47	68.18	64.32	70.73	67.30	72.63	75.55	73.03	75.74	72.25	77.17	81.35	78.60	81.08	81.54	80.97	82.27
Bonny Light – Nigeria	52.24	57.87	69.55	66.31	73.84	68.74	74.41	77.96	75.68	77.39	75.04	80.40	86.14	82.17	85.44	86.26	86.06	87.20
Es Sider – SP Libyan AJ	50.24	56.87	68.15	64.51	72.89	67.44	72.71	76.61	74.23	76.14	73.59	78.85	84.49	80.59	83.79	84.61	84.41	85.55
Girassol – Angola	49.72	57.36	68.92	65.02	72.66	67.69	72.97	76.89	74.53	76.78	73.95	79.45	84.38	81.28	84.14	84.55	83.85	85.26
Iran Heavy – IR Iran	50.10	56.02	68.16	64.79	71.53	66.43	72.54	76.72	74.34	75.72	72.54	76.93	82.09	78.29	81.70	82.27	81.78	83.18
Kuwait Export – Kuwait	50.16	57.93	68.73	64.74	70.97	66.45	72.50	76.54	74.03	75.69	72.27	76.29	81.64	77.56	81.24	81.88	81.35	82.73
Marine – Qatar	50.82	58.09	69.94	65.31	72.02	68.44	73.61	77.78	75.36	77.07	73.91	77.35	83.62	78.70	83.15	83.86	83.36	84.76
Merey* – Venezuela	43.73	52.95	61.81	60.11	65.78	62.88	66.90	70.09	68.63	71.27	68.47	70.65	73.12	71.27	72.92	73.04	72.85	73.94
Murban – UAE	52.33	59.58	71.50	66.80	73.51	69.79	75.06	79.00	76.84	78.19	75.22	79.18	85.38	80.54	85.00	85.61	85.14	86.47
Oriente – Ecuador	42.41	53.56	63.62	58.10	65.26	63.67	68.57	70.05	68.93	72.94	69.38	72.11	75.45	72.85	74.99	75.24	74.33	77.43
Saharan Blend – Algeria	51.69	57.27	69.15	65.21	72.94	67.84	73.36	77.16	74.98	76.79	74.54	79.70	84.99	81.35	84.29	85.11	84.91	86.05
OPEC Reference Basket	50.20	56.98	68.36	64.59	71.35	67.17	72.67	76.29	74.01	76.01	72.99	77.21	82.33	78.64	81.95	82.50	82.02	83.36

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2009–10 $/b

	2009									2010				Weeks 13–17 (week ending)				
Crude/country	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**Apr 2**	**Apr 9**	**Apr 16**	**Apr 23**	**Apr 30**
Minas – Indonesia[1]	54.11	61.69	72.71	67.23	75.88	70.25	76.43	80.51	78.67	79.82	76.12	81.60	90.24	85.84	90.19	90.59	89.85	90.96
Arab Heavy – Saudi Arabia	49.48	55.69	68.74	64.80	71.03	66.16	72.35	76.72	74.00	75.60	71.98	75.87	81.13	76.98	80.66	81.38	80.88	82.26
Brega – SP Libyan AJ	51.24	57.87	69.05	65.31	73.24	67.79	73.06	76.96	74.58	76.49	73.84	79.10	84.89	80.88	84.19	85.01	84.81	85.95
Brent – North Sea	50.44	57.27	68.55	64.61	72.84	67.39	72.76	76.66	74.28	76.19	73.64	78.90	84.79	80.70	84.09	84.91	84.71	85.85
Dubai – UAE	50.10	57.48	69.41	64.82	71.36	67.74	73.15	77.69	75.42	76.69	73.40	77.31	83.59	78.67	83.10	83.84	83.35	84.74
Ekofisk – North Sea	50.65	58.48	69.62	65.55	73.36	68.31	73.71	77.56	75.24	77.39	74.48	79.71	85.59	81.83	85.38	85.79	85.13	86.40
Iran Light – IR Iran	49.69	56.53	68.24	64.93	72.64	67.55	72.86	76.72	73.87	75.62	72.87	77.70	82.70	79.57	83.24	82.52	81.91	83.48
Isthmus – Mexico	50.38	58.51	68.52	63.70	71.04	67.16	72.91	75.99	73.05	76.10	74.06	79.00	83.42	80.96	83.62	83.60	82.55	84.10
Oman – Oman	50.16	57.59	69.47	65.08	71.59	68.27	73.34	77.85	75.48	77.01	73.85	77.72	83.67	79.01	83.21	83.93	83.41	84.78
Suez Mix – Egypt	46.26	54.33	65.35	62.15	69.53	64.35	69.83	73.42	70.83	73.12	70.04	74.00	79.70	75.66	79.35	79.86	79.39	80.57
Tia Juana Light[2] – Venez.	49.32	57.34	67.08	62.68	69.83	66.22	71.74	74.85	71.81	74.66	72.87	77.50	81.67	79.39	81.87	81.85	80.82	82.33
Urals – Russia	49.05	56.85	68.38	64.85	72.27	67.09	72.67	76.32	73.88	76.09	72.84	77.04	82.51	78.54	81.84	82.87	82.31	83.46
WTI – North America	49.82	59.21	69.68	64.23	71.05	69.34	75.73	77.84	74.41	78.30	76.34	81.25	84.44	83.37	85.96	84.60	82.97	84.11

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB 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 ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

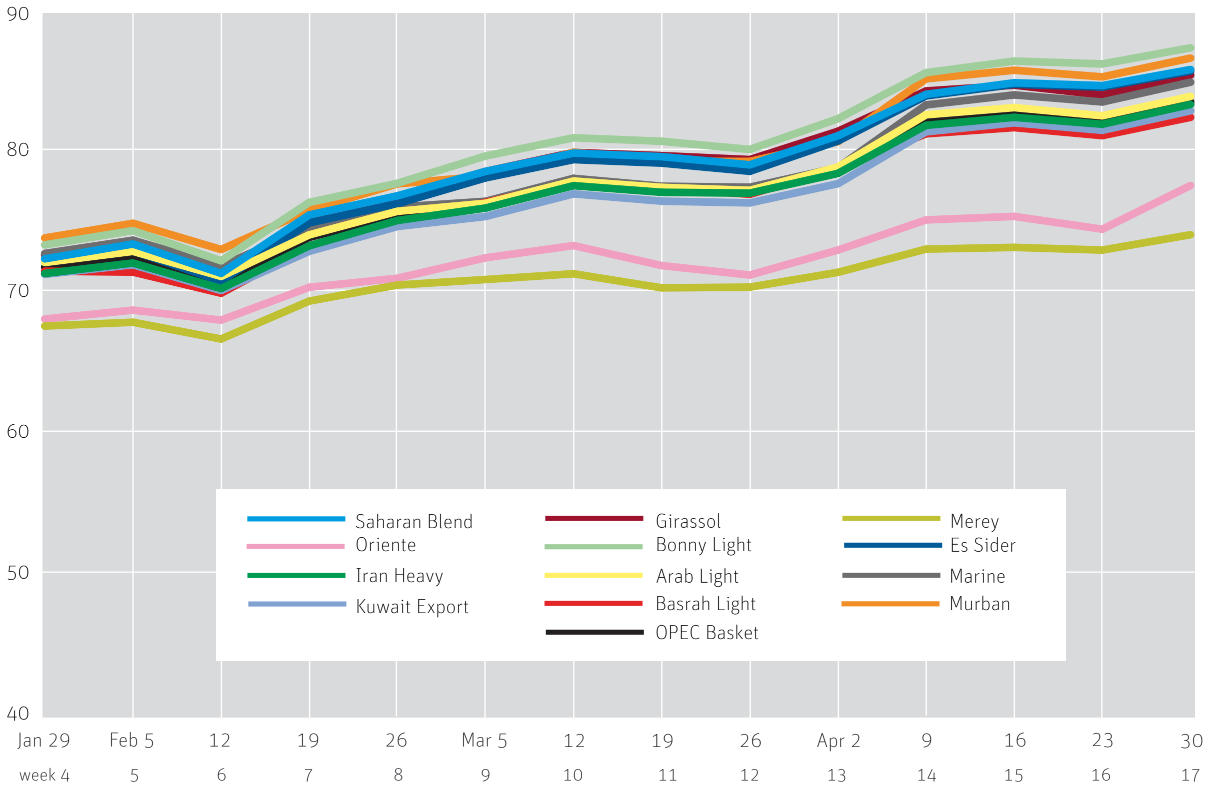
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

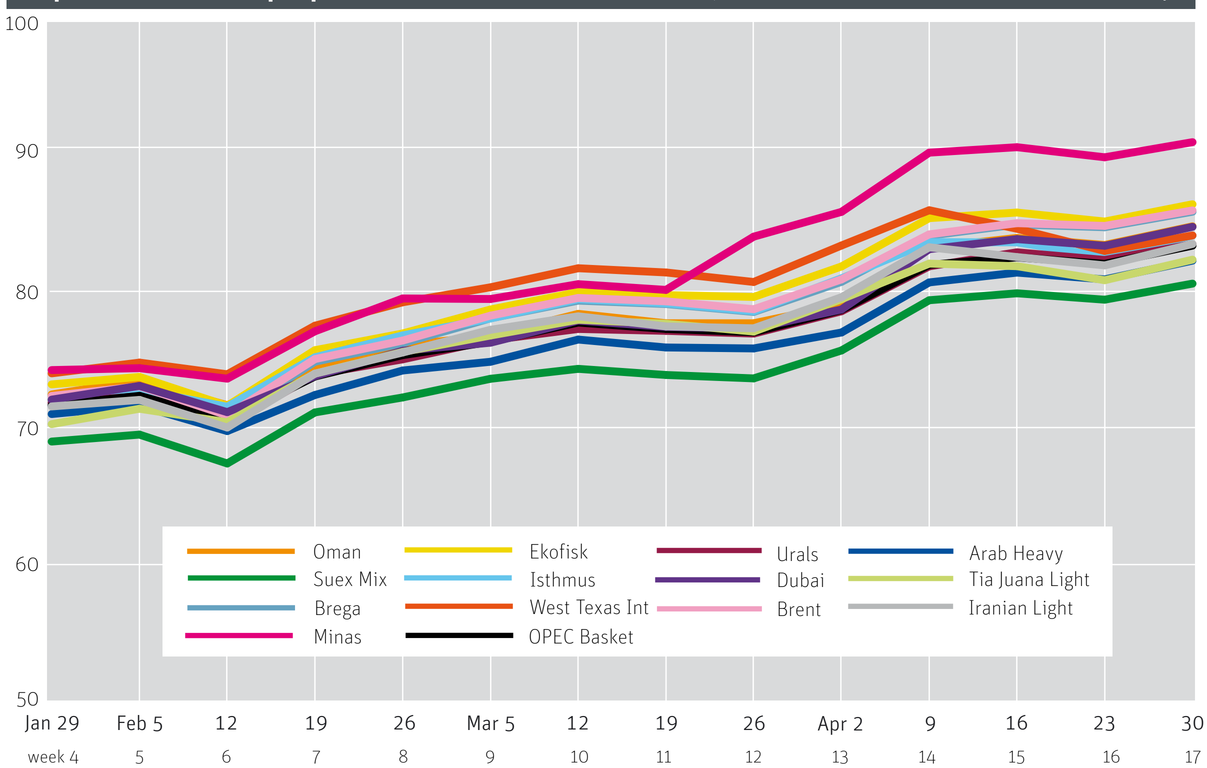
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, 2010 $/b



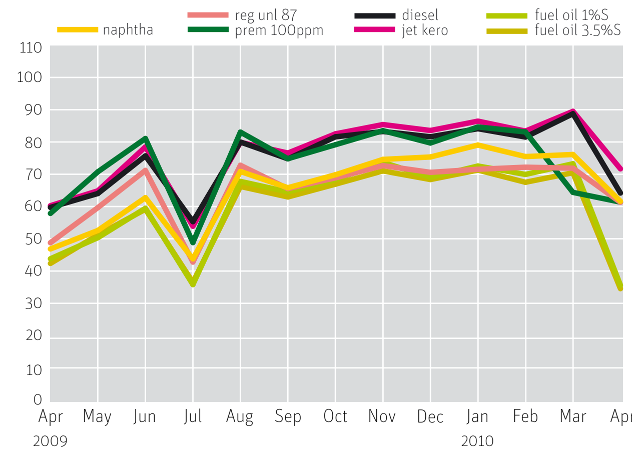
Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2010 $/b



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. 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 ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

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
2009	April	43.82	48.36	52.02	55.90	55.33	36.43	37.29
	May	52.58	59.66	70.76	64.03	64.87	50.34	51.19
	June	62.74	71.18	81.07	75.69	78.47	59.46	59.14
	July	43.75	42.79	48.83	55.32	53.89	35.81	36.50
	August	70.85	72.78	83.06	79.99	79.89	67.78	66.21
	September	65.82	65.55	74.81	74.77	76.57	64.52	62.96
	October	69.17	68.89	79.16	81.60	82.53	68.35	66.93
	November	74.60	72.67	83.50	83.25	85.40	73.68	71.03
	December	75.35	70.59	79.68	81.62	83.56	69.02	68.36
2010	January	79.05	71.54	84.65	84.11	86.46	72.55	71.29
	February	75.48	72.19	83.11	81.53	83.38	69.94	67.51
	March	76.12	71.87	64.38	88.75	89.50	73.25	70.47
	April	76.45	71.29	64.28	95.83	96.16	76.70	73.31



Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

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
2009	April	42.05	26.66	35.59	39.37	36.74
	May	50.74	32.51	42.25	52.93	50.93
	June	61.16	36.23	47.09	60.64	59.47
	July	41.92	24.42	31.74	38.63	35.42
	August	69.32	24.55	31.98	68.04	66.86
	September	64.30	22.77	29.66	64.92	63.10
	October	67.57	24.32	31.68	68.18	67.11
	November	72.83	26.21	34.15	72.97	71.00
	December	73.04	26.29	34.25	69.92	68.20
2010	January	76.30	27.10	35.18	72.10	70.82
	February	72.61	28.00	35.31	69.58	67.38
	March	78.63	27.55	35.24	72.39	68.79
	April	79.52	26.58	34.30	76.90	73.02

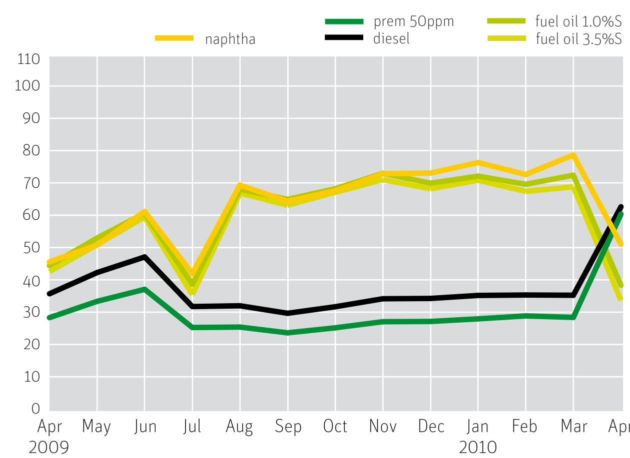
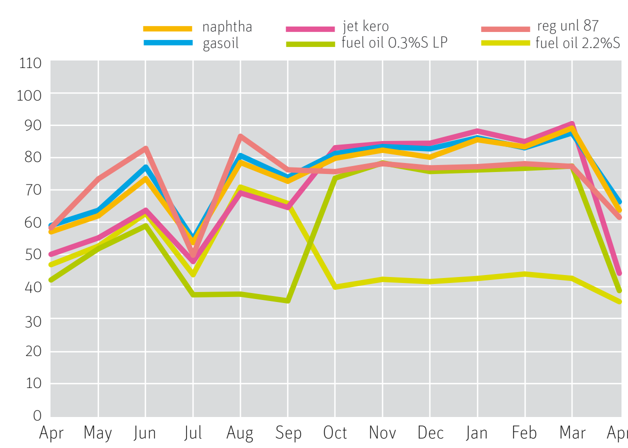


Table and Graph 5: US East Coast market — spot cargoes, New York $/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2009	April	51.79	53.83	53.69	55.86	48.64	37.70
	May	65.60	73.39	61.98	63.68	55.14	51.77
	June	74.77	82.83	73.45	77.05	63.67	58.85
	July	70.12	49.78	53.68	54.79	47.82	37.52
	August	75.27	86.58	78.49	80.62	69.05	37.71
	September	68.97	76.22	72.67	73.89	64.55	35.63
	October	75.66	79.71	81.17	82.95	73.56	39.80
	November	78.12	82.30	83.42	84.31	78.34	42.29
	December	76.81	80.13	82.73	84.44	75.70	43.29
2010	January	77.68	85.54	86.11	88.23	76.17	42.67
	February	78.10	83.34	83.05	84.96	76.68	42.74
	March	77.27	89.13	87.63	90.51	77.38	42.16
	April	77.59	94.96	92.79	95.13	79.53	42.63



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
2009	April	50.87	16.19	54.18	32.55	30.83
	May	64.97	19.75	64.62	46.72	45.02
	June	74.02	23.47	77.63	54.73	53.24
	July	46.49	15.95	54.21	31.66	62.76
	August	74.51	24.93	80.47	64.29	62.76
	September	68.22	23.20	74.72	60.96	59.45
	October	74.90	25.78	82.99	65.50	63.97
	November	77.85	26.46	84.70	70.04	68.39
	December	78.45	26.18	84.67	68.60	66.96
2010	January	82.37	27.12	87.67	70.31	68.83
	February	80.25	26.18	84.94	71.75	70.57
	March	85.40	27.63	89.96	74.99	73.99
	April	88.59	29.41	96.02	77.41	76.40

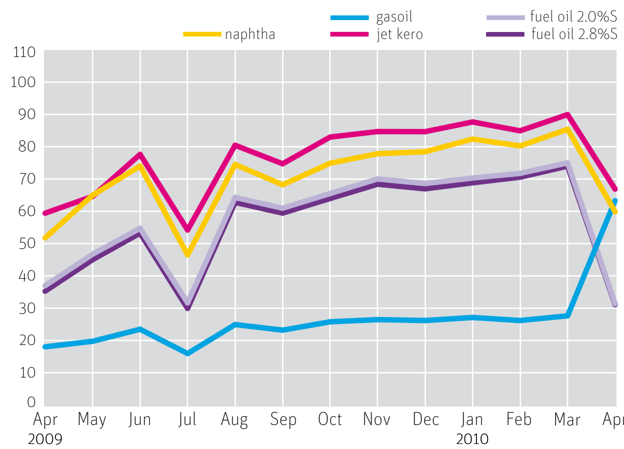


Table and Graph 7: Singapore market — spot cargoes, fob $/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2009	April	46.53	54.20	53.14	56.20	53.34	38.70	38.05
	May	54.01	68.50	65.48	66.29	64.07	54.53	53.90
	June	65.86	77.15	75.01	77.92	76.45	62.77	62.34
	July	46.84	57.97	55.42	54.59	78.67	40.66	39.76
	August	70.37	82.13	80.13	80.34	78.67	68.23	68.03
	September	66.80	75.63	73.84	75.80	74.58	66.36	66.30
	October	69.20	77.71	76.05	81.95	80.07	68.85	68.86
	November	76.21	81.89	79.88	85.29	84.95	72.84	72.90
	December	78.28	81.85	78.95	82.69	83.24	72.79	72.65
2010	January	80.66	88.01	84.87	85.89	85.87	75.55	75.11
	February	75.76	86.49	83.55	83.30	82.23	71.88	71.15
	March	80.84	90.86	88.48	88.63	87.49	73.04	71.89
	April	83.13	94.06	95.24	95.91	94.82	76.33	75.57

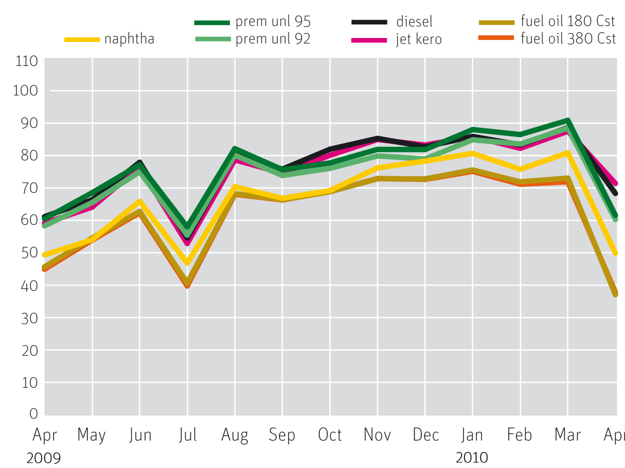
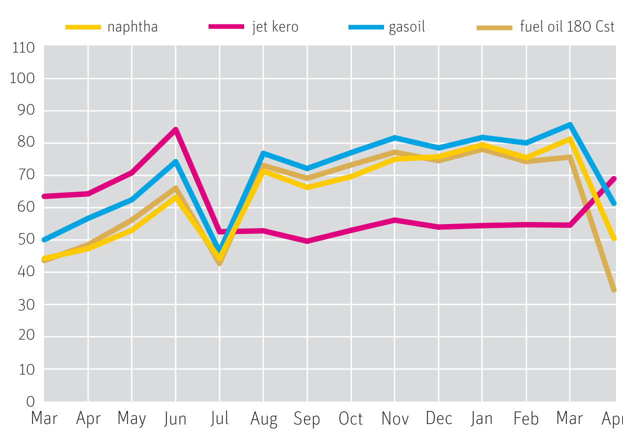


Table and Graph 8: Middle East Gulf market — spot cargoes, fob $/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2009	April	44.26	50.06	63.50	43.60
	May	53.02	62.46	70.83	56.19
	June	63.19	74.25	84.21	66.06
	July	44.19	46.34	52.55	42.73
	August	71.30	76.83	52.83	73.11
	September	66.26	72.14	49.61	69.12
	October	69.61	77.04	52.97	73.24
	November	75.04	81.66	56.15	77.20
	December	75.80	78.51	53.99	74.57
2010	January	79.49	81.77	54.45	78.10
	February	75.51	80.07	54.73	74.31
	March	81.27	85.71	54.59	75.66
	April	81.87	93.51	54.48	79.88



Source: Platts. Prices are average of available days.

Forthcoming events

Investing in emerging and developing markets, July 1, 2010, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710: e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

LNG forum, July 6, 2010, Madrid, Spain. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

CRC energy efficiency summit: best practice in energy and carbon savings, July 6–7, 2010, London, UK. Details: Green Power Conferences, Southbank House, Black Prince Road, London SE1 7SJ, UK. Tel: +44 207 099 0600; fax: +44 207 900 1853; e-mail: info@greenpowerconferences.com; website: www2.greenpowerconferences.co.uk/v8-12/Prospectus/Index.php?sEventCode=CS1007UK.

International conference on advances in renewable energy technologies, July 6–7, 2010, Putrajaya, Malaysia. 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.energyinst.org.uk.

Libya's energy future, July 20, 2010, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710; e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

Oil and gas accounting and financial reporting, July 21–23, 2010, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Maximizing value through intelligent wells, July 25–28, 2010, Miri, Malaysia. Details: Society of Petroleum Engineers, Suite B-11-11, Level 11, Block B, Plaza Mont'Kiara, Jalan Bukit Kiara, Mont'Kiara, 50480 Kuala Lumpur, Malaysia. Tel: +60 36201 2330; fax: +60 36201 3220; e-mail: spekl@spe.org; website: www.spe.org.

Africa mining congress 2010, July 26–28, 2010, Johannesburg, South Africa. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

Oil and gas accounting and financial reporting, July 26–28, 2010, Bangkok, Thailand. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

2010 Nigeria annual international conference and exhibition, July 31–August 7, 2010, Calabar, Nigeria. Details: Society of Petroleum Engineers, Suite B-11-11, Level 11, Block B, Plaza Mont'Kiara, Jalan Bukit Kiara, Mont'Kiara, 50480 Kuala Lumpur, Malaysia. Tel: +60 36201 2330; fax: +60 36201 3220; e-mail: spekl@spe.org; website: www.spe.org.

4th Australasian energy pacesetters, August 2, 2010, Perth, Australia. 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.

Advanced bunkering disputes, August 3–4, 2010, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Oil sands dialogue: role of technology, August 10, 2010, Calgary, AB, Canada. Details: IHS CERA Calgary, Stampede Station 200, 1331 MacLeod Trail SE, Calgary, AB, T2G 0K3 Canada. Tel: +1 403 770 4522; fax: +1 403 770 4464; e-mail: info@cera.com; website: www.cera.com.

Global shale gas summit, August 19–20, 2010, Warsaw, Poland. Details: American Business Conferences, 2300 M Street, NW Suite 800, Washington, DC 20037, USA. Tel: +1 800 721 3915; fax: +1 800 714 1359; e-mail: infor@american-business-conferences.com; website: www.global-shale-gas-summit-2010.com.

Offsore Northern Seas (ONS) 2010, August 24–27, 2010, Stavanger, Norway. Details: ONS, PO Box 175, NO 4001, Stavanger, Norway, Tel: +47 51 84 90 40; fax: +47 51 84 90 41; e-mail: info@ons.no; website: www.ons.no.

FLNG technical masterclass Rio 2010, September 2–3, 2010, Rio de Janeiro, Brazil. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

Oil and gas project finance, September 6–8, 2010, 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.

25th European photovoltaic conference and exhibition/5th world conference on photovoltaic energy conversion, September 6–10, 2010, Feria Valencia, Spain. Details: WIP-Renewable Energies, Sylvensteinstrasse 2, 81369 Munich, Germany. Tel: +49 89 720 12 735; fax: +49 89 720 12 791; e-mail: pv.conference@wip-munich.de; website: www.photovoltaic-conference.com.

The energy event 2010, September 8–9, 2010, Birmingham, UK. Details: Western Business Exhibitions, 33-35 Cantelupe Road, East Grinstead, West Sussex RH19 3BE, UK. Tel: +44 1342 316 390; website: www.theenergyevent.co.uk/Contact.asp.

FPSO Rio training course 2010, September 8–10, 2010, Rio de Janeiro, Brazil. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL, UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

17th annual India oil and gas summit and international exhibition, September 9–10, 2010, Mumbai, India. Details: Oil Asia Publications Pvt Ltd, 530, Laxmi Plaza, Laxmi Indutrial Estate, New Lonk Road, Andheri (W), Mumbai 400 053. Tel: +91 022 4050 4900; fax: +91 022 26367676; e-mail: oilasia@vsnl.com; website: www.oilasia.com.

4th annual HSE excellence Europe, September 13–14, 2010, Barcelona, Spain. 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.jacob-fleming.com.

Essentials of power training, September 13–14, 2010, 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.

Oil trading and risk management forum, September 13–14, 2010, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Mastering oil and gas commercial contracts, September 13–15, 2010, 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.

World energy congress, September 13–16, 2010, Montreal, Canada. 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.energyinst.org.uk.

Oil sands trade show and conference, September 14–15, 2010, Fort McMurray, AB, Canada. Details: DMG World Media, 302, 1333 8th Street SW, Calgary, AB, T2R 1M6 Canada. Tel: +1 403 209 35 55; fax: +1 403 245 8649; e-mail: michaelpeace@dmgworldmedia.com; website: www.dmgevents.com.

Gas infrastructure world Caspian 2010, September 14–16, 2010, Baku, Azerbaijan. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

World LNG series: Asia-Pacific summit, September 20, 2010, Singapore. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

Pacesetters energy conference, September 20–23, 2010, Greenwich, CT, USA. Details: IHS CERA Houston, 5333 Westheimer Road, Houston, TX, 77056 USA. Tel: +1 713 840 8282; fax: +1 713 599 9111; e-mail: info@cera.com; website: www.cera.com.

Bioten 2010, September 21–23, 2010, London, UK. Details: Bioten Conference Team, Bioenergy Research Group, Aston University, Birmingham, B4 7ET, UK. Tel: +44 121 204 3420; fax: +44 121 204 3680; e-mail: c.a.manhood@aston.ac.uk; website: www.energysolutionsexpo.co.uk.

Natural gas dynamics, September 22–23, 2010, Bangkok, Thailand. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Climate change 2010, September 23–24, 2010, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710: e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

5th annual pipeline development and expansion, September 23–24, 2010, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Unconventional gas, September 23–24, 2010, London, UK. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

World renewable energy congress and exhibition 2010, September 25–30, 2010, Abu Dhabi, UAE. Details: World Renewable Energy Congress/Network, c/o Prof A Sayigh, PO Box 362, Brighton BN2 1YH, UK. Tel: +44 1273 625643; fax: +44 1273 625768; e-mail: asayigh@wrenuk.co.uk; website: www.wrenuk.co.uk.

Atlantic ocean oil and gas, September 27–28, 2010, Lisbon, Portugal. 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.

4th annual European refining markets, September 27–28, 2010, Brussels, Belgium. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Iraq 2010: future energy, September 27–28, 2010, Istanbul, Turkey. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

Energy markets and energy derivatives, September 27–29, 2010, 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.

Global power forum summit, September 27–29, 2010, Scottsdale, AZ, USA. Details: IHS CERA Calgary, Stampede Station 200, 1331 MacLeod Trail SE, Calgary, AB, T2G 0K3 Canada. Tel: +1 403 770 4522; fax: +1 403 770 4464; e-mail: info@cera.com; website: www.cera.com.

10th annual conference on Italian energy, September 27–29, 2010, Milan, Italy. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

FPSO advanced technical course, September 27–October 1, 2010, Hampshire, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

International pipeline exposition, September 28–30, 2010, Calgary, AB, Canada. Details: DMG World Media, 302, 1333 8th Street SW, Calgary, AB, T2R 1M6 Canada. Tel: +1 403 209 35 55; fax: +1 403 245 8649; e-mail: michaelpeace@dmgworldmedia.com; website: www.internationalpipelineexposition.com/PDM/Events/Event.aspx?evesid=10&pgid=58.

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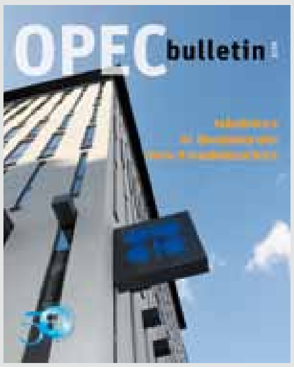

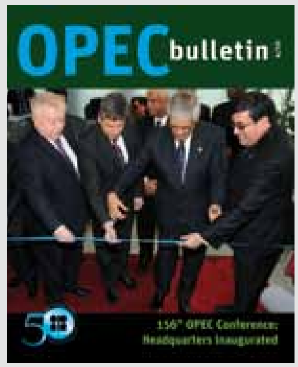

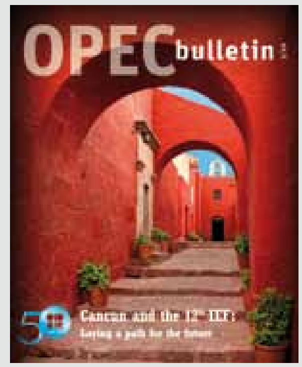

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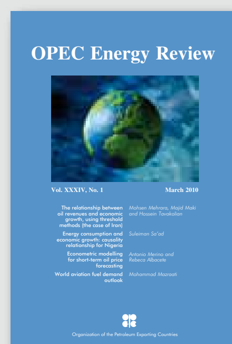

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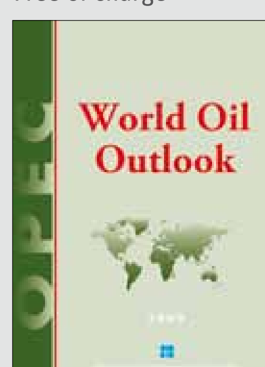

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