OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

December 2007

Feature Article:

Review of the oil market in 2007, outlook for 2008

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OPEC Monthly Oil Market Report

Publishing Schedule for 2008

Tuesday,	*22*	*January*
Friday,	*15*	*February*
Friday,	*14*	*March*
Tuesday,	*15*	*April*
Thursday,	*15*	*May*
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Wednesday,	*15*	*October*
Monday,	*17*	*November*
Tuesday,	*16*	*December*

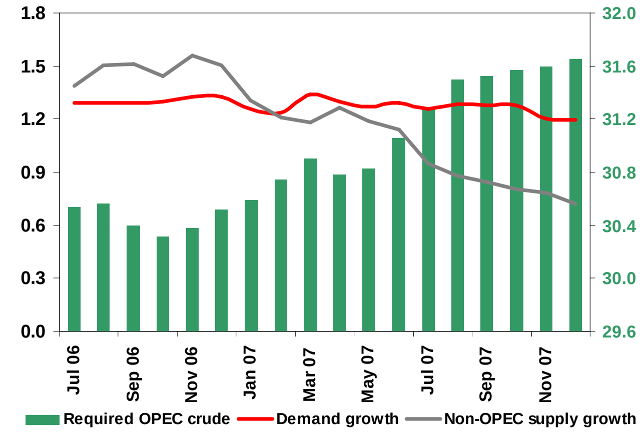
Oil Market Highlights

- The OPEC Reference Basket rose $9.63 or over 12% in November to reach $88.99/b. The weak US dollar dominated the market with increased speculative activity in the energy futures market. The expectation of higher OPEC output and downward revisions to demand growth forecasts helped ease the market toward the end of the month. The Basket drifted lower in December on a rebound in the US dollar, the easing geopolitical situation and expectations for slowing demand growth into the coming year. The Basket reached $88.35/b on 13 December.
- World economic growth in 2007 is unchanged at 5.2%, with slight upward revisions in the US and Germany offset by small downward revisions in Japan, France and Italy. For 2008, the outlook has worsened, particularly for the US where falling home prices, rising foreclosures and declining consumer confidence are expected to take their toll on consumer spending going forward. In recent weeks, conditions in financial markets have deteriorated, indicating rising pressure on banks' balance sheets and capital. As expected, the Fed moved to cut US interest rates again on 11 December and pledged, along with other central banks in Europe as well as Canada, to inject as much as $64 bn into the banking system, a measure aimed at restoring shaken confidence. World growth in 2008 was revised down by 0.1% to 4.8% with Developing Countries' forecast unchanged at 6.1%. Similarly, Chinese growth forecast of 9.9% remains unchanged from the previous month.
- The coming holiday season is keeping the kerosene jet fuel demand healthy worldwide. Winter oil demand has picked up following normal high seasonality pushing total world fourth quarter growth to 1.7 mb/d y-o-y. Total world oil demand growth in 2007 is forecast at 1.2 mb/d or 1.4% y-o-y to average 85.7 mb/d. Non-OECD countries are responsible for all of this year's demand growth, with OECD oil demand showing negative growth of 65 tb/d y-o-y for 2007. In 2008, world oil demand is forecast to grow by 1.3 mb/d to average 87.1 mb/d, unchanged from the previous estimate. Transport and industrial fuels are expected to see the largest demand growth next year. Non-OECD countries are expected to account for 1.1 mb/d or 80% of total world oil demand growth in 2008.
- Non-OPEC supply growth in 2007 has been revised down to stand at 0.7 mb/d over the previous year. The adjustments were due to in large part to downward revisions to Canada, UK, Australia, Brazil, Vietnam and Russia. For 2008, non-OPEC supply growth is expected to average 1.1 mb/d as some 2007 revisions have been extended into 2008 and more data become available for project startups and ramp-ups. Following its resumption of full membership in the Organization, Ecuador is now included in all OPEC figures. Growth in OPEC NGLs and non-conventional oils for 2007 and 2008 was left broadly unchanged at 0.3 mb/d and 0.5 mb/d respectively. In November, OPEC crude oil production averaged 31.5 mb/d, a decline of around 131 tb/d from the previous month, as production from Saudi Arabia and Angola witnessed a significant increase of 125 tb/d and 85 tb/d respectively, fully offset by a significant decline of around 481 tb/d in the UAE due to maintenance in the Zakum field with a minor decline in Iran.
- The perception of a tight distillate market along with an early cold snap in the Atlantic Basin caused product price increases to outstrip the sharp rise in crude oil prices, lifting refinery margins across the globe in recent weeks. However, this situation has eased as product stocks build, especially in the USA, mitigating the perception of market tightness and putting pressure on both the physical and futures product markets. The current circumstances of the product markets may change in the near term if faced with an extended cold winter particularly in the Western Hemisphere which could lift both product and crude prices.
- OPEC spot fixtures increased a considerable 3.1 mb/d to average 15.8 mb/d, the highest level since February 2005. Middle East spot fixtures to the West more than doubled in November on the back of increased tonnage demand for the winter season. OPEC sailings remained steady in November with only a minor rise, although increased chartering activities at the end of the month, which pushed up spot freight rates, point to a possible rise in OPEC sailings in the coming month. As a result of the increased tonnage demand supported by the OPEC output rise as well as winter requirements, the tanker market for crude oil rebounded in November from the low levels reached in previous months. VLCC spot freight rates from the Middle East increased 55% on average from the previous month, marking the highest level since March.
- Preliminary data show that OECD total net oil imports increased 590,000 b/d in October on the back of higher net crude oil and product imports, supported by rising Japanese and European crude oil imports and higher US product imports. Increased refinery utilization rates as well as preparation for winter demand supported US crude oil imports which increased by more than 0.3 mb/d in November over the previous month. Similarly, estimated data shows Japan's net oil imports rose 105,000 b/d driven by higher crude imports and lower product exports in November. In October, China's crude oil imports showed a sharp decline of 350,000 b/d, the lowest level so far in 2007, despite a 16.5% annual increase. India's crude oil and product imports increased in October to show a 5% rise in total net oil imports.
- US commercial oil stocks fell a further 12 mb to end November at 1,002 mb, but remained 4 mb above the five-year average. The drop was roughly split between crude oil and products. Crude oil stocks dropped 6.9 mb to show a surplus over the five-year average of just 2 mb compared with 40 mb in summer. Product stocks fell 5.2 mb, mainly due to distillates which declined 3.2 mb but remained above the five-year average. Gasoline stocks rose 5.5 mb to move above the five-year average for the first time since last July. In EU-15 plus Norway, total oil stocks fell a hefty 13.8 mb to hit 1,114 mb, almost the same level as the five-year average but a fourteen month low. Japan's commercial oil stocks recovered, rising 5 mb in October but remained below the five-year average. The build was driven by crude oil, which surged 7.2 mb.
- The demand for OPEC crude in 2007 is expected to average 31.7 mb/d, an increase of 0.1 mb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 31.4 mb/d, a decline of 0.3 mb/d.

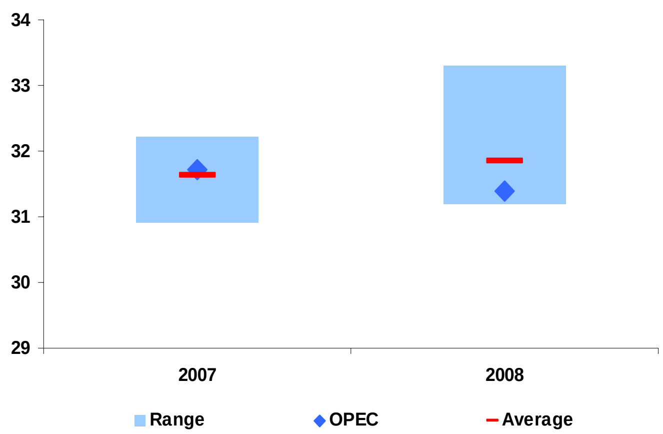
Review of the oil market in 2007, outlook for 2008

- The year 2007 has been characterized by the departure of the price from the normal seasonal trend in the second half of the year. Between the end of August and mid-November, prices jumped by almost $25/b and the OPEC Reference Basket reached a record high of $91.91/b on 21 November. In addition to geopolitics, the main factors behind the upward trend were the ongoing US dollar weakness which encouraged inflows of new money into the crude futures market, persistent refinery outages and weather-related supply disruptions as well as the market's shift into backwardation.
- Increasing downside risks have not affected the overall strong growth performance in the global economy in 2007, estimated to have achieved 5.2%. However, prospects for 2008 are increasingly clouded by the expected slowdown in the US economy and other OECD regions, and by continued turbulence in financial markets in the wake of the deepening subprime mortgage crisis. Monetary easing in the US along with attempts to ease the financial burden for subprime mortgage holders and plans to inject liquidity into the banking system may help avert a strong slowdown in the US economy.
- At present, the world economy is expected to slow to 4.8% in 2008 but considerable downside risks are attached to this figure. The US is forecast to achieve a below-potential growth of 2.0%. Developing Countries are expected to see more moderate growth in 2008, after another year of robust growth in 2007. The current cycle of growth has produced inflationary pressures, especially in food and energy sectors. Moreover, the expected slow-down in the US and Europe could reduce the fast pace of international trade, while environmental factors may constrain growth in some cases.

Graph 1: Forecast revisions for 2007, mb/d



Graph 2: Range of forecasts of demand for OPEC crude, mb/d



- World oil demand forecast for the year 2007 was based mainly on slightly lower but still robust world GDP growth, supported by Non-OECD economies. The removal of price subsidies in Asia, policy efforts in China and dampening effect of higher oil prices also influenced demand growth. So far, the initial forecast has proved to be broadly in line with current expectations for total world oil demand growth, which now stands only slightly lower at 1.2 mb/d or 1.5% y-o-y (***see Graph 1***). In 2008, world oil demand is currently forecast to grow by 1.3 mb/d. Transport and industrial fuel are the main growth sectors for next year. Non-OECD countries will account for 1.1 mb/d or 80% of total world oil demand growth, with Middle East and Other Asia expected to contribute 0.43 mb/d or 32% of total world growth. OECD countries oil demand is expected to come mostly from North America, which is forecast to grow by 0.3 mb/d due to an anticipated less active summer driving season in the US next year.
- Non-OPEC supply has been subject to many factors in 2007, due to project delays resulting from cost and technical problems, the impact of bad weather, damages to pipelines, increased export duties, as well as the implementation of strict safety regulations and heavy and extended maintenance in the North Sea. These factors have led to significant revisions to annual non-OPEC supply growth from an initial forecast of 1.4 mb/d to currently stand at 0.7 mb/d. However, in monthly terms, non-OPEC supply has shown a y-o-y average acceleration of 0.8 mb/d up to June, while from July onwards the growth slowed down significantly to 0.5 mb/d but is expected to recover in the fourth quarter. In 2008, non-OPEC supply is expected to reach 50.7 mb/d which represents growth of 1.1 mb/d over the current year. The main contributors are expected to be FSU, Brazil, US and Australia.
- Given the impact of downward revisions to the non-OPEC supply forecast, the demand for OPEC crude in 2007 has been revised up to 31.7 mb/d from an initial estimate of 30.5 mb/d. In 2008, the forecast for required OPEC crude currently stands at 31.4 mb/d, or 0.3 mb/d below the estimate for the current year. However, the range of forecasts for the demand for OPEC crude is much wider, between 31.2 mb/d and 33.3 mb/d, resulting in higher uncertainty for the coming year (***see Graph 2***).
- The decision taken by the Conference in Abu Dhabi to keep OPEC production steady came at a time when the crude oil price had declined more than 10% in just a few days while fundamentals remained unchanged. In addition, the improving geopolitical situation and slowing economic outlook should help to further ease the pressure on the market. However, in light of the considerable uncertainty about the demand growth in the coming quarters, the Conference agreed to meet again on 1 February to review the situation and expressed its determination to take the necessary measures to maintain supply and demand in balance.

Riyadh, Kingdom of Saudi Arabia 17-18 November 2007

Riyadh Declaration

The Third Summit of Heads of State and Government of OPEC Member Countries

We, the Heads of State and Government of Member Countries of the Organization of the Petroleum Exporting Countries (OPEC), continuing in the spirit of our First and Second Summits held in Algiers and Caracas in 1975 and 2000, respectively, have accepted the invitation extended by the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz, to meet for our Third Summit in Riyadh, the Kingdom of Saudi Arabia, from 17 to 18 November 2007.

Reaffirming the inalienable and permanent sovereign rights of our Countries over their natural resources;

Cognizant of our Countries' commitments to conserve, efficiently manage and prolong the exploitation of their exhaustible petroleum resources, in order to promote the sustainable development and the welfare of our future generations;

Recognizing our obligation to develop our Countries and raise the living standards of our peoples;

And emphasizing the role of our Organization and its contribution to global energy market stability and economic prosperity;

Have agreed to the following principles to guide our Organization and Member Countries' economic, energy and environmental endeavours, within the following three themes:

- Stability of global energy markets;
- Energy for sustainable development;
- Energy and environment.

Stability of Global Energy Markets

We recognize the importance of reliable, affordable and competitive energy supplies in ensuring global prosperity and the role of petroleum in world energy consumption. We also recognize the leading role of our Organization in meeting growing global energy needs, including those of developing economies, and our Organization's mission of securing the efficient, economic and regular supply of petroleum to consumers, with a steady and reasonable income to the petroleum resource-owning producers and a fair return on capital to those investing in the petroleum industry.

Globalization has expanded international trade and accelerated economic growth. It has also improved communications, interconnected financial markets, advanced technology and increased mobility. As a result, the world's energy trade has expanded and is projected to continue to be driven by global economic and energy demand growth. While globalization provides opportunities, it poses many challenges, such as income inequality, recurring market volatility and underlying uncertainties.

The central role that petroleum plays in the economies of our Countries, as well as the world, makes petroleum market stability essential, not only for resource conservation, but also to our economic and social development. Moreover, the role of energy, especially petroleum, in the economies of the consuming countries makes energy security essential for their sustained economic growth. While we endeavour to diversify our economies and improve the living standards of our peoples, we recognize that, with globalization, the economies of the world, as well as markets, including energy markets, are integrated and interdependent.

Our Organization is well-positioned to continue to meet a substantial share of the global petroleum need, and, while acknowledging the challenges of globalization and changing world energy market dynamics, we resolve to:

1. Reaffirm our commitment to the principles and objectives, as stated in the Organization's Statute, Algiers and Caracas Solemn Declarations of our Summits in 1975 and 2000, as well as the Long-Term Strategy of our Organization.
2. Continue providing adequate, timely, efficient, economic and reliable petroleum supplies to world markets.
3. Work with all parties to achieve balanced energy markets and stable and competitive petroleum prices.
4. Emphasize the importance of global peace in enhancing energy investment and market stability and predictability.
5. Undertake the necessary investments to increase upstream and downstream capacities in our Member Countries, and, at the same time, urge consuming nations to provide the environment conducive to petroleum investments in their countries.
6. Underscore the interrelationships between global security of petroleum supply and the security and predictability of demand.
7. Urge all parties to find ways and means to enhance the efficiency of financial petroleum markets with the aim of reducing short term price volatility that is harmful to producers and consumers.
8. Promote efficiency and sustainability of the production and consumption of petroleum resources, while recognizing the roles of technology and innovation.
9. Continue the process of coordination and consultation with other petroleum-exporting countries, in the interests of all petroleum producers.
10. Strengthen and broaden the dialogue between energy producers and consumers through the International Energy Forum and other international and regional fora, for the benefit of all, and note successful dialogues between OPEC, the European Union, the People's Republic of China, the Russian Federation, the International Energy Agency and others.
11. Reiterate that measures or legislation undermining the spirit of producer-consumer cooperation would jeopardize market stability and energy security.
12. Encourage cooperation and exchanges in the fields of technology and human resource development, among petroleum industries in OPEC Member Countries and with other stakeholders, to promote efficiency, innovation, governance and international best practices.
13. Urge consuming governments to adopt transparent, non-discriminatory and predictable trade, fiscal, environmental and energy policies and promote free access to markets and financial resources.
14. Work with other governments, international organizations and the international business community to facilitate investment in, and the transfer of technology to, our Member Countries, in order to diversify our economies and achieve social progress and sustainable development.

Energy for Sustainable Development

We recognize that energy is essential for poverty eradication, sustainable development and the achievement of the Millennium Development Goals and the Johannesburg Plan of Implementation. The world community has agreed, through different international initiatives, that access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services is crucial, particularly for developing countries. We associate our Countries with all global efforts aimed at bridging the development gap, making energy accessible to the world's poor, while protecting the environment.

Addressing the economic, social and environmental pillars of sustainable development requires a comprehensive approach to international trade, finance, energy and technology issues. Reaffirming the principle of sovereignty, it is important to continue working towards an early conclusion of the development-oriented Doha Round of trade negotiations, as well as mobilizing development assistance and foreign direct investment to developing countries. It is equally important, in this regard, to ensure that investment and trade policies are fair and structured to promote and facilitate technology transfer to developing countries on affordable and cost-effective terms, especially of environmentally-sound technologies.

The Member Countries of our Organization, while joining the international community in the efforts to achieve the Millennium Development Goals, take the interests of fellow developing countries into full account in our petroleum production and investment decisions, as well as our development assistance programmes and initiatives. It was during our First Summit in Algiers that the OPEC Fund for International Development was established to provide development assistance to developing countries. Our Member Countries, acknowledging the strong interrelationships between energy and development and the potential for their enhancement to achieve sustainable development, resolve to:

15. Emphasize that eradicating poverty should be the first and overriding global priority guiding local, regional and international efforts.
16. Continue working with the international community towards the advancement of the interdependent and mutually supportive pillars of sustainable development, namely economic development, social progress and environmental protection.
17. Highlight the importance for the global community to achieve its development goals, including those contained in Agenda 21, the United Nations Millennium Development Goals, the Johannesburg Plan of Implementation, the Monterrey Consensus and the New Partnership for African Development (NEPAD) initiative.
18. Urge developed countries to facilitate access to modern technologies by developing countries that are reliable, affordable, economically viable, socially acceptable and environmentally sound.
19. Reaffirm OPEC's continued commitment to development assistance through the OPEC Fund for International Development (OFID) and its Member Countries' bilateral, regional and multilateral development assistance channels.
20. Continue to align the programmes of our aid institutions, including those of the OPEC Fund for International Development, with the objective of achieving sustainable development and the eradication of energy poverty in the developing countries, and study ways and means of enhancing this endeavour, in association with the energy industry and other financial institutions.
21. Instruct our Petroleum/Energy and Finance Ministers to study ways and means of enhancing financial cooperation among OPEC Member Countries, including proposals by some of the Heads of State and Government in their statements to the Summit.

Energy and Environment

The process of production and consumption of energy resources poses different local, regional and global environmental challenges. Human ingenuity and technological development have long played pivotal roles in addressing such challenges and providing the world with clean, affordable and competitive petroleum resources for global prosperity.

Producers of petroleum are called upon to continue their central role in providing the world with its present and future energy needs, while addressing, along with the international community, global environmental concerns associated with their use.

We share the international community's concern that climate change is a long-term challenge, and recognize the interrelationships between addressing such concerns on the one hand, and ensuring secure and stable petroleum supplies to support global economic growth and development on the other. While addressing global environmental concerns, such as climate change, it is important to emphasize the roles of governments, as well as those of innovation, markets and technological development, in any local and global undertaking.

In the run-up to the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and the Third Meeting of the Parties to the Kyoto Protocol, in our Member Country, Indonesia — and beyond — we continue to collaborate with the international community in addressing the issues and challenges in a comprehensive, equitable and effective manner. Our Member Countries, acknowledging the interrelationships between energy production and consumption, environmental protection and preservation and economic growth and social development, resolve to:

22. Continue our Member Countries' response to global environmental challenges and support international efforts to address these issues in the most cost-effective manner.
23. Promote collaboration in research and development in the petroleum field among OPEC science and technology centres, as well as collaboration with other international centres and the industry, with the objective of increasing the petroleum resource base, producing it more efficiently and continue introducing cleaner fuels.
24. Acknowledge that forests play a crucial role in maintaining ecological balance, as sinks, sources and reservoirs of greenhouse gases. In this regard, we are committed to the promotion of the management, conservation and sustainable development of all types of forest. To this end, global cooperation is needed to intensify collective international efforts in this field.
25. Reaffirm the core principle of common but differentiated responsibilities and respective capabilities, in addressing climate change policies and measures, including the implementation of United Nations Framework Convention on Climate Change and the Kyoto Protocol.
26. Ensure that all policies and measures developed to address climate change concerns are both balanced and comprehensive, taking into account their impact on developing countries, including countries heavily dependent on the production and export of fossil fuels.
27. Emphasize the importance of a comprehensive approach to climate change that addresses all contributing greenhouse gases, their sources, sectors and sinks, and benefits from the relevant Kyoto Protocol mechanism.
28. Stress the importance of cleaner and more efficient petroleum technologies for the protection of the local, regional and global environment, and the importance of expediting the development of technologies that address climate change, such as carbon capture and storage.

Abu Dhabi, United Arab Emirates 5 December 2007

146th (Extraordinary) Meeting of the OPEC Conference

The 146th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Abu Dhabi, United Arab Emirates, on 5 December 2007, under the Chairmanship of its President, HE Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation, and its Alternate President, HE Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation.

The Conference congratulated Ecuador on its resumption of full Membership of the Organization, and extended a warm welcome to its Delegation, headed by HE Engineer Guillermo Granja, Undersecretary of Hydrocarbons, representing HE Galo Chiriboga Zambrano, Ecuador’s Minister of Mines and Petroleum.

The Conference also congratulated HE Gholamhossein Nozari on his appointment as Minister of Petroleum of the Islamic Republic of Iran.

Furthermore, the Conference welcomed the presence of the Minister of Petroleum of the Arab Republic of Egypt, the Minister of Oil and Gas of the Sultanate of Oman, the Deputy Minister of Industry and Energy of the Russian Federation, the Minister of Energy and Mining of Sudan and the Minister of Petroleum and Mineral Resources of Syria, attending the Meeting as Observers.

The Conference considered the report of the Ministerial Monitoring Sub-Committee, whose Members the Conference once again thanked for their untiring efforts on behalf of the Organization, as well as other presentations.

Having reviewed the oil market outlook, including the overall demand/supply projections for the year 2008, in particular the first and second quarters, the Conference observed that market fundamentals have essentially remained unchanged, with the market continuing to be well supplied and commercial crude/product stocks remaining at comfortable levels in terms of days of forward cover.

At the same time, however, the Conference observed, with concern, that world oil prices remained volatile, in major part due to the perception of market tightness by market players, exacerbated by non-fundamental factors, including the heavy influx of financial funds into commodities and speculative activity in the markets, while geopolitical developments have contributed to price volatility.

In view of the aforementioned, the Conference decided to leave OPEC production unchanged for the time being. The Conference again emphasized the Organization’s determination to take every measure deemed necessary to keep market stability through the maintenance of supply and demand in balance. Given the need for extreme vigilance in assessing the market during the coming months, the Conference decided to convene an Extraordinary Meeting in Vienna, Austria, on Friday, 1 February 2008. The Conference also confirmed that its next Ordinary Meeting will be held on 5 March 2008, in Vienna.

The Conference unanimously agreed that Members Angola and Ecuador should have a production allocation of 1.9 mb/d and 520,000 b/d, respectively.

The Conference approved the Budget of the Organization for the year 2008.

The Conference expressed its sincere gratitude to His Highness Sheikh Khalifa Bin Zayed Al-Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, as well as the Government and people of the United Arab Emirates, for having hosted the Meeting and for the friendly welcome extended to the Conference and all Delegates. In addition, the Conference recorded its special thanks to HE Al Hamli, Minister of Energy, and his Staff for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on 5 January 2008, after ratification by Member Countries.

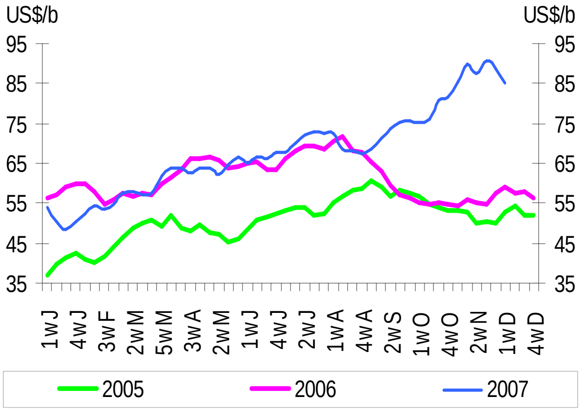
Crude Oil Price Movements

The weak US Dollar exchange rate dominated the petroleum marketplace

OPEC Reference Basket

In the early part of November, the market remained bullish with sharp volatility. While Mideast geopolitical developments calmed the market, unrest in Pakistan ignited fears over supply disruptions. Winter fuel demand and weakness in the US dollar exchange rate against major currencies prompted a flow of speculative funds in the energy market.

Graph 1: OPEC Reference Basket - weekly spot crude

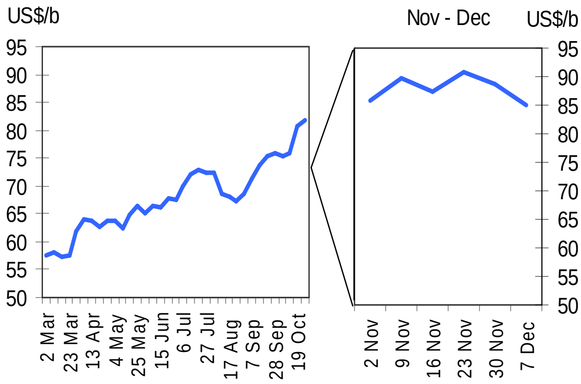


In the first week, the OPEC Reference Basket averaged $3.33 or 3.7% higher to settle at $89.68/b after peaking to a new record-high of $90.71/b. Nevertheless, volatility remained downward in the second week amid the perception of higher OPEC output, lower demand forecast by the IEA and a rebound in the US dollar. The second weekly Basket average declined by $2.33 or 2.6% to settle at $87.35/b.

The third week saw a reversal amid an improved US dollar exchange rate prompting healthy petroleum demand growth ahead of looming winter fuel requirements. The Basket averaged the week at $3.36 or nearly 4% higher reaching an all-time weekly record of $90.71/b. The upward trend continued into the early part of the fourth week with the Basket hitting a high of $91.91, but averaged $1.93 or over 2% lower at $88.78/b. The final week moved on speculations over higher OPEC output in its December meeting and weak economic growth.

The Basket averaged the month $9.63 or over 12% higher at $88.99/b, a monthly record-high. The weak US dollar dominated the market with speculative funds moving further into the energy market. Perception over higher OPEC output and lower IEA demand growth did not calm the market. Nevertheless, the Basket drifted lower in December on a rebound in the US dollar and lower demand growth into next year. The Basket emerged in December at a seven-week low of $84.20/b to reach $88.35/b on 13 December.

Graph 2: Weekly average Basket price, 2007

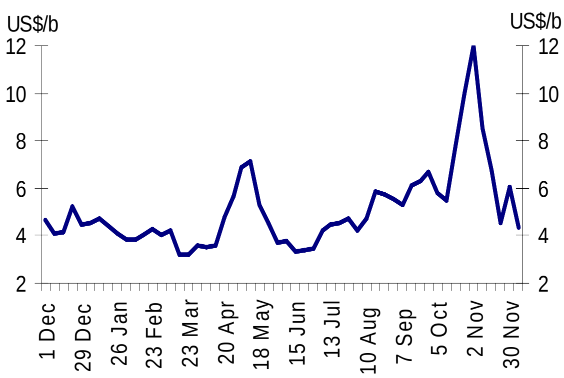


Closed transatlantic arbitrage supported light grades amid the return of some refineries from maintenance

US market

The sweet/sour spread narrowed from the last week in October reaching a peak of $10 to average $8.54/b in the first week in November. The return of ExxonMobil's Beaumont refinery to restart a catalytic cracker that had been down for unexpected maintenance supported the light sour grade. In the second week, the differential weakened further on demand for light-end products ahead of the seasonal build. Longer-than-expected maintenance at Mars and Ursa platforms lent support to sour crude. The WTI/WTS weekly average spread was $1.8 narrower at $6.74/b. In the third week, the average

Graph 3: WTI spread to WTS, 2006-2007



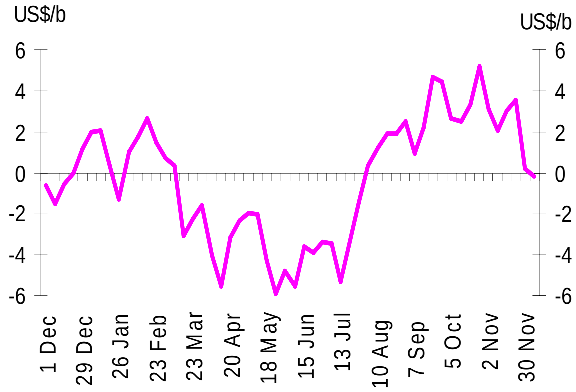
spread narrowed further to $4.53/b on falling light-end products. In the final week, poor refining margins and the prospect of higher OPEC output pressured sour crude. Closed transatlantic arbitrage supported sweet grades to firm. Moreover, the partial closure of the Enbridge pipeline system was supported by the narrowing WTI/Brent spread which closed the arbitrage window. The WTI/WTS spread averaged $1.54 wider at $6.07/b. WTI averaged the month at a record $94.90/b for a gain of $9 or a rally of over 10%. WTS discount to WTI narrowed 89¢ to $6.76/b.

North Sea market

Tight supply and improved refining margins supported North Sea crude to firm

The market emerged in November on a firmer note for the North Sea crude amid improved refining margins. A delay at France's largest refinery in Gonfreville added to the heating oil supply crunch. Storm in the North Sea and lower December output added to the market's bullish momentum. The average Brent discount to WTI was $1.09 lower at $2.02/b in the first week. In the second week, the sentiment became more bearish amid storm delay and loading obstacles which kept some November cargoes unsold while the emergence of the December-loading programme pressured the North Sea grades. WTI premium to Brent widened by $1.10 to $3.03/b. The sentiment fell further into the third week amid easing short-term swaps at the front end of the curve despite a gain in the crack spread. Thus, the weekly average Brent discount to WTI widened by 53¢ to $3.56/b. Sentiment turned firmer in the final week amid healthy refining margins prompting demand as the front end swap rose. Brent discount to WTI narrowed by $3.36 to average 20¢/b, the lowest level since July. Brent averaged the month at a record-high of $92.62/b for a gain of $10.12 or over 12% with the discount to WTI narrowed by $1.08 to $2.29/b, the lowest level in four months.

Graph 4: WTI premium to Dated Brent, 2006-2007



Mediterranean market

Healthy refining margins continued to balance higher output from northern Iraq and Russia

The Mediterranean market firmed in November amid tight supply and rising demand despite Iraq's sales of Kirkuk crude. Healthy refining margins supported regional grades. The Brent/Urals spread averaged the first week 14¢ narrower at $2.67/b. Healthy refining margins continued to support Russia's November Urals into the second week. In the second week, Urals average discount to Brent narrowed by another 54¢ to $2.13/b, a ten-week low. Continued healthy refining margins and skepticism over rival grades supported Urals to remain firm into the third week. Delay at the Turkish Strait supported market sentiment in spite of further Iraq Kirkuk outflow. Thus, the Brent/Urals spread narrowed by 40¢ to $1.73/b, a twelve-week low. Sentiment turned weaker in the last week as the December-loading programme revealed higher volumes. Despite delays due to weather conditions, weaker refining margins pressured Urals crude. Moreover, higher Russian exports and steady flows of Iraq's crude from its northern outlet continued to suppress the market. The monthly average Brent/Urals spread was 60¢ narrower at $3.38/b with Urals averaging $90.20/b.

Middle Eastern market

Wide Brent/Dubai spread limited the inbound arbitrage flow of Western barrels

The overhang of December stems pressured the Middle East market with some barrels traded at a discount to respective OSPs. The perception that a Mideast major might take stronger refining margins into account when adopting the monthly crude differentials contributed to further weakness in the spot market. High outright prices as Dubai approached the $90/b level with Western benchmarks close to the $100/b mark kept buyers on the sidelines awaiting the December allocation and as January spot cargoes emerged. The Brent/Dubai spread averaged 46¢ lower in the first week at $6.31/b. In the second week, lower Oman premium to Dubai and Japan's oil tender to buy sour crude in January added further support. Remaining late December Oman stems as rising volume of open interest on Dubai Mercantile Exchange prompted sellers to dispose cargoes lent support to the bearish note. However, improved refining margins prompted demand and kept balance in the marketplace. Dubai's discount to Brent was 92¢ narrower at $5.39/b. Continued demand from Northeast Asia to stock up for winter demand supported the

Mideast grade to regain momentum amid the prospect of opening arbitrage opportunity for the regional grade to move westward with the Brent/Dubai spread widening by 40¢ to $5.79/b. In the final week, clearing January barrels and solid Asian demand supported the Mideast crude to firm. The Brent/Dubai spread narrowed 93¢ to $4.86/b. Dubai averaged the month at $88.39/b, with the discount to Brent 28¢ wider at $5.66/b.

Graph 5: Dated Brent spread to Dubai, 2006-2007

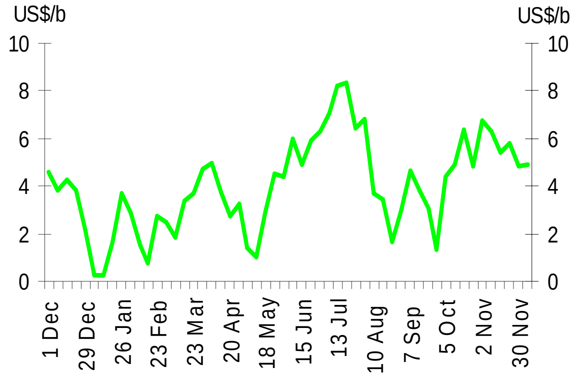


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Oct 07	Nov 07	Change Oct/Nov	Year-to-Date 2006	Year-to-Date 2007
OPEC Reference Basket*	**79.36**	**88.99**	**9.63**	**61.34**	**67.58**
Arab Light	79.31	89.02	9.71	61.39	67.27
Basrah Light	77.47	86.26	8.79	58.20	65.03
BCF-17	72.20	81.87	9.67	52.30	60.29
Bonny Light	85.60	95.32	9.72	67.05	73.59
Es Sider	81.80	91.92	10.12	63.57	69.79
Girassol	80.23	90.21	9.98	63.08	69.06
Iran Heavy	77.30	87.17	9.87	59.57	65.44
Kuwait Export	76.33	86.23	9.90	59.15	64.83
Marine	78.68	87.94	9.26	62.93	67.77
Minas	84.96	93.64	8.68	65.45	71.80
Murban	81.98	90.95	8.97	66.31	71.37
Saharan Blend	84.45	94.57	10.12	66.26	73.11
Other Crudes					
Dubai	77.12	86.96	9.84	61.79	66.92
Isthmus	78.79	88.59	9.80	60.13	65.90
T.J. Light	76.90	86.55	9.65	55.09	64.04
Brent	82.50	92.62	10.12	65.40	70.98
W Texas Intermediate	85.87	94.91	9.04	66.38	70.66
Differentials					
WTI/Brent	3.37	2.29	-1.08	0.98	-0.32
Brent/Dubai	5.38	5.66	0.28	3.61	4.06

* Effective 1 January 2007, Angola's Girassol crude has been incorporated in the OPEC Reference Basket.

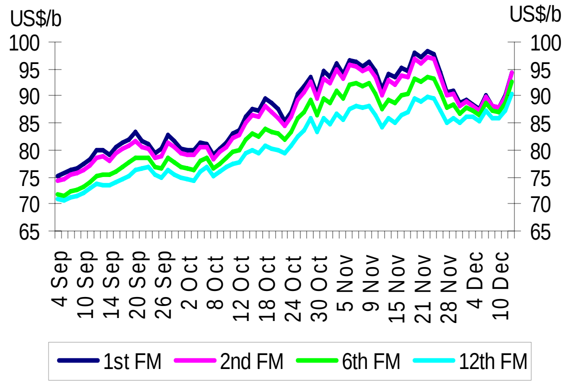
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

US dollar dominated the movement of speculative investors into the energy market

Lower interest rates and a drop in US crude oil stocks inspired speculative flows into the oil futures market at a time when the dollar exchange rate weakened. Geopolitical developments in the Mideast and the prospect of a healthy US economy maintained the bullish market sentiment. Nymex WTI front-month contracts averaged the first weekly period $4.26 or nearly 5% higher to settle at $94.93/b closing the week at $96.70/b. The CFTC reported for the first weekly period that non-commercials had reduced short positions and increased longs. As a result, net long positions increased 22,700 to 105,800 lots, the highest level since August. Moreover, open interest volume saw a build of 65,200 lots to 1.5 million contracts. With options included, open interest inflated a hefty 168,700 lots a record 2.8 million contracts.

Graph 6: Nymex WTI futures prices, 2007

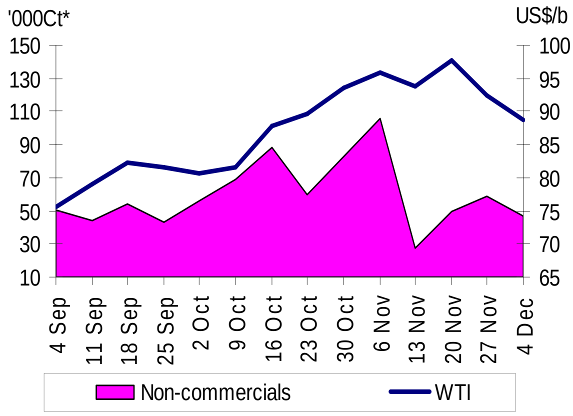


FM = future month

In the second weekly period, sentiment weakened with investors moving away from the energy market on fund sell-offs for profit-taking. Comments from the Federal Reserve that the US economy headed for slower growth and lower demand growth forecasts softened futures oil prices. Speculative perception that OPEC might raise output and as the US dollar exchange rate firmed lent further support to calmness in the marketplace. The Nymex WTI front-month contract averaged the second weekly period at $94.79/b for a marginal drop of 14¢ and closed $5.53 or 5.7% lower at $91.17/b. The CFTC second weekly period revealed that non-commercials net long volume dropped a hefty 78,250 lots to 27,600 contracts amid a reduction in the long positions while the short volume saw a heavy build. Moreover, open interest was down 68,200 lots to 1,445,200. Including options, open interest volume saw a significant draw of 342,660 lots to below 2.5 million contracts.

In the third weekly period, the CFTC reported that non-commercial net longs inflated by 22,300 lots to 49,800 contracts amid a drop in short positions while longs decreased. Nonetheless, open interest fell by 47,200 lots to less than 1.4 million contracts. Including options, open interest added a marginal 11,600 lots to stand above 2.5 million contracts. The weekly average for the Nymex WTI from-month contract was 27¢ firmer at $95.06/b, which closed the period at a record high $98.03/b for a rally of 44.86 or 7.6%. The strengthening US dollar exchange rate against major currencies inspired a healthier economic outlook to sustain demand, prompting some covering of short positions.

Graph 7: Non-commercial net long positions vs WTI, 2007

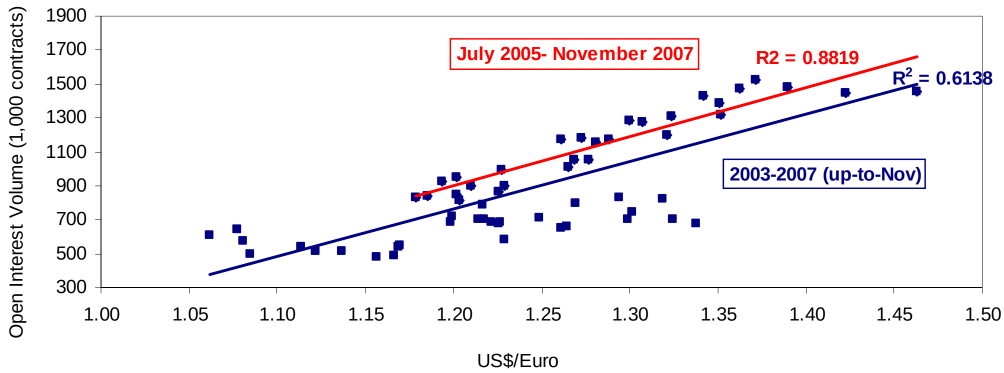


NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

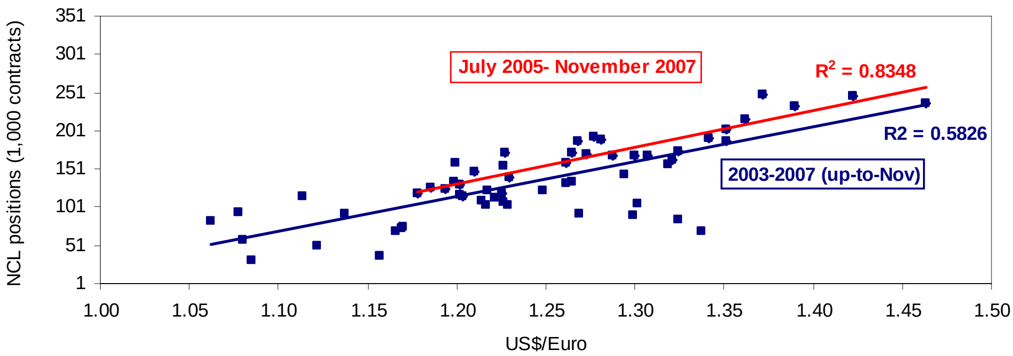
In the final weekly period, sentiment was more bearish amid speculations over OPEC output decisions at the Conference in Abu Dhabi. Crude stock-builds at Cushing, Oklahoma, also slowed the buying spree, pushing prices lower on profit-taking. CFTC data showed that non-commercials continued to exit the energy market. Net longs increased by 9,300 to 59,100 lots amid a larger draw on short positions than the longs. Open interest rose a marginal 6,444 lots to over 1.4 million contracts. Nonetheless, with options included, open interest inflated by a healthy 26,400 lots to well over 2.5 million contracts.

On a monthly basis, at some 60,600 lots, the weekly CFTC average volume for the non-commercials in November was some 10,800 lots lower than in the previous month, yet 51,400 higher than last year. Open interest averaged a marginal 2,200 lots narrower at 1,440,000 contracts, representing an increase of 263,600 lots over a year ago. With options included, non-commercial net long positions averaged 6,600 lots higher than in October and 98,500 contracts over last year to average 142,700 lots. Open interest was at a record of nearly 2.6 lots representing gains of 25,600 lots over the previous month and 677,000 lots more than last year. Nymex WTI front- month averaged the month at $94.63/b, an increase of $10.43 or more than 12%. In relation to major currencies, the US dollar exchange rate dominated the futures market, encouraging investors to move into the energy funds in recent months.

CFTC Open interest vs. US$/Euro exchange rate (monthly)



CFTC Non-commercial long positions vs. US$/Euro exchange rate

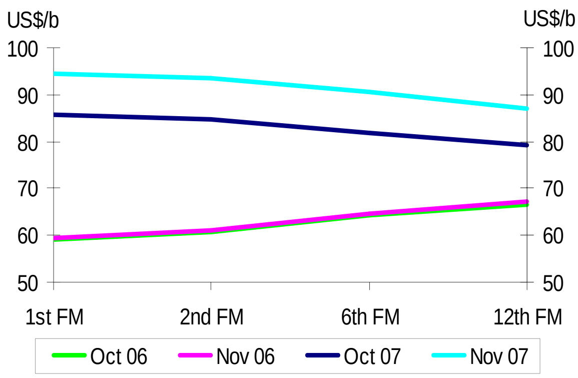


The Forward Structure

Continued lower procurement balanced by refinery maintenance narrowed the backwardation spread for the near months

The backwardation continued to narrow at the front end of the curve with the 1st/2nd month spread a marginal 4¢ narrower at 96¢/b, the farther month spreads were wider. The 1st/6th, 1st/12th and 1st/18th month spreads were $4.13, $7.70 and $10.20/b or 33¢, $1.50 and $2.39/b wider respectively. Nonetheless, US weekly crude oil stocks averaged 311.7 mb or 6.1 mb lower than in October and 26.4 mb lower than last year. Lower procurement as refineries underwent maintenance and high outright prices kept procurement low. The spread narrowed towards the end of the month amid depleting of stocks ahead of the end of the year.

Graph 8: Nymex WTI forward curve



FM = future month

Highlights of the World Economy

Economic growth rates 2007-2008, %							
	World	OECD	USA	Japan	Euro-zone	China	India
2007	5.2	2.6	2.2	1.9	2.5	11.2	8.5
2008	4.8	2.3	2.0	1.8	2.0	9.9	8.0

Industrialised countries

United States of America

Third-quarter US GDP revised up to 4.9% but prospects in next quarters worsened with unsettled financial markets, plunging consumer confidence and deepening housing recession

Despite an upward revision of third quarter annualized GDP growth rate to a strong 4.9% from an earlier 3.9% estimate, the prospects for the coming quarters have continued to darken. Rising foreclosures, falling home prices, declining consumer confidence and tighter credit are expected to take their toll on consumer spending in the coming holiday season and to restrain private consumption in 2008. Growth in the fourth quarter of 2007 and first quarter of 2008 are seen to be below 1%. The probability of a downright recession in 2008 — defined as two consecutive quarters of negative growth — has risen but the consensus for the average yearly growth in 2008, despite downward revisions, is still around 2%.

In recent weeks, conditions in financial markets have deteriorated as further disclosures of losses incurred by financial institutions are coming to light and as the ultimate losses from the mortgage crisis are revised up. The widening spreads in inter-bank rates indicate the rising pressures on banks' balance sheets and capital. A recent OECD estimate places ultimate losses from the subprime and other mortgages at $200-300 bn, well above the initial estimates of $50-100 bn a few months ago and above the Fed's recent estimate of $150 bn. Other estimates are even higher. So far, banks have disclosed losses amounting to around $66 bn but more will be revealed in coming months. The uncertainty concerning the extent and of the unveiled losses is a main cause of insecurity in the market.

To counteract the increasing strains in financial markets and their implications for credit availability and pricing as well as in response to emerging signs of softening in business and consumer spending in the US economy, the Fed lowered interest rates again on 11 December. As generally expected, the federal funds rate target rate and the discount rate were cut by 25 basis points each, lowering them to 4.25% and 4.75%, respectively. Moreover, the Fed signaled that more monetary easing may be forthcoming, if deemed necessary. In addition, the US Administration recently outlined a rescue plan aimed at relieving some of the financial burden for mortgage holders with resetting adjustable interest rates. However, initial financial market reactions to these moves were disappointing and they were soon followed by a pledge by the Fed and other Central Banks in Europe to inject as much as $64 bn into the banking system, a measure aimed at restoring the shaken confidence in the banking system.

In the real economy, there was no respite on the housing front, with problems on the supply side intensifying. The inventories of single-family homes on sale were sufficient to meet 10.5 months of supply, the highest reading since 1985. Six month stock levels are considered to represent a healthy demand/supply balance. Home prices dropped further in the third quarter falling by 4.5% y-o-y, the largest drop since records began according S&P/Case-Shiller report. It followed a 3.3% drop in the second quarter. Purchases of existing homes dropped 1.2% to an annual rate of 4.97 million, the lowest figure since the National Association of Realtors began keeping records in 1999. A large number of adjustable rate mortgages are scheduled to be reset to higher interest rates, indicating that the number of foreclosures may rise further.

Other US economic indicators continue to point to a slowing economy but there are little signs of recession except in the housing sector. The economy added 94,000 jobs in November and the unemployment rate remained unchanged at 4.7% from the previous month. Job gains since the middle of the year have averaged around 100,000 per month compared with the 134,000 average in the first half of 2007. The bulk the reduction is due to layoffs in the financial sector and in construction but not in the rest of the economy. Moreover, workers' average hourly earnings were up 3.8% from November 2006. Although consumer confidence is down, U.S. retail and food services sales for November, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, rose 1.2% from October, the strongest rise since May, and way above the 0.2% rise in October.

The ISM manufacturing index was almost unchanged at 50.8 in November from 50.9 in October, and only just above the 50 expansion/contraction mark. However, the sub-index for new orders rose to 52.6. The non-manufacturing services index, covering almost 90% of the economy, fell to 54.1 from 55.8 in October, is still indicating moderate growth. Services firms added jobs at the rate of 189,000 jobs, more than triple the amount anticipated, according to ADP Employer Services. Also on the positive side one notes the strong improvement in worker productivity reported by the Labour Department. Output per worker rose at an annual rate of 6.3% in Q3 from 2.2% in Q2, the highest increase since 2003.

Overall, our estimate for US growth in 2007 was revised up 0.1 percentage points to 2.2%, and down 0.2 pp to 2.0% for 2008.

Japan

The Japanese economy losing momentum but exports are still booming

Recent data point to a loss of momentum in the Japanese economy. The leading indicators index, a composite of 12 indicators including housing starts and stock prices, has been signaling a slowdown for three months. The Nikkei 225 Stock average fell 12% in the past six months. Housing starts have dropped for four consecutive months after the government tightened regulations, plunging 35% alone in October, and are not expected to recover until April. Domestic demand remains weak. These factors, coupled with the strong rise in the yen- by around 8% in the last six months, have aroused fears that exports, the mainstay of the economy, would be negatively impacted, especially given the weakening US economy.

Japanese economic growth in the third quarter was revised down to a 1.5% annualized rate from an initial estimate of 2.6%, after a survey indicated slower business investment growth, and a fall in inventories and profits. Consumer spending rose 0.3% from the second quarter, while net exports added 0.5 pp to growth, higher than the 0.4 initially estimated. The economy contracted a revised 1.8% in the second quarter from an earlier estimate of 1.6%.

Household confidence fell to the lowest level in almost four years in November as energy and food prices surged, while wage growth stagnated, suggesting that private consumption growth would remain subdued. Wages were unchanged in October after dropping in nine of the previous 10 months. The unemployment rate held at 4% but the ratio of jobs available to applicants fell. A separate report showed sentiment among Japanese merchants falling to a four-year low in November. The government is worried about the situation of small and medium sized firms where profits are being squeezed. Wholesale prices have been rising for some time- more lately by 2.3% y-o-y in November, after a 2.0% gain in October- but the ability of small firms to pass on these prices to clients is limited. The government announced measures to support small businesses hurt by higher oil prices, including postponing debt repayments. Nevertheless, some prices are rising, and the consumer price index moved into positive territory for the first time this year with a 0.3% increase in October.

Industrial production rose a seasonally adjusted 1.6% m-o-m in October after a drop of 1.4% in September, underlining the economy's reliance on exports, which rose 13.9% y-o-y. Shipments to Europe and China compensated for the 1.5% drop in exports to the US, following the 9.3% drop in September. This led to a rise in the trade surplus of 66.1% to $9.3 billion as imports gained 8.6%. Meanwhile, core machinery orders, a leading indictor of private capital expenditure, advanced for the first time in three months in October. Excluding the volatile power sector and ships, core orders rose by 12.7% m-o-m to US$9.7 billion, after dropping 7.6% in September and 7.7% in August. The Cabinet Office forecasts that core machinery orders will rise by 3.1% in Q4.

The Bank of Japan is closely monitoring developments in the US economy and its potential impact on the Japanese economy and exports. The uncertainty makes it difficult for the BoJ to time its next monetary tightening move, but it is generally believed that interest rates will remain on hold at the low level of 0.5% for some time to come.

Overall, Japanese economic growth was revised down by 0.1 pp to 1.9% in 2007 and by 0.2 pp for 2008 to 1.8%.

Euro-zone

ECB opts to keep interest rates on hold despite rising inflation in November

The European Central Bank (ECB) has cut its forecast for 2008 economic growth for the Euro-zone to about 2.0% from 2.3%, at the same time as raising its inflation forecast to 2.5% from 2.0%. With Euro-zone inflation rising to 3.0 % y-o-y in November – well above the ECB's ceiling of 2%, but growth slowing down in the past months in addition to the deepening worries about contagion from the financial sector, the ECB is faced with the dilemma of which monetary policy to pursue. For the time being, the ECB has opted again for a wait-and-see policy in its latest December 6 meeting but it is clearly concerned about the rise in inflation, mainly led by energy and food prices, especially if inflation were to spur wage increases. However, the euro's strong appreciation represents a form of monetary tightening but it is a source of much concern for the export industries, and has even been termed "life threatening" by the export-reliant Airbus company. However, the rising euro also served to cushion the increase in oil prices.

Recent economic indicators for the Euro-zone are mixed. New industrial orders in the Euro-zone disappointed in September, falling by 1.6% in September from August, but they rose 2.0% over the same month last year. The drop was led by falling orders for chemicals followed by orders for basic metals and fabricated metals products. In October, seasonally adjusted industrial production grew by 0.4% m-o-m after a fall of 0.8% in September. Compared to October 2006, industrial production rose by 3.8%. The RBS/NTC Flash Eurozone Composite Output Index fell from 54.7 in October to 53.8 in November, to a 27-month low. It remained, however, well above the threshold 50 level indicating continued reasonable growth levels. The final Royal Bank of Scotland Group's services PMI reported index fell to 54.1 in November from 55.8 in October, but the drop was offset by a surprising increase in the manufacturing PMI to 52.8 from 51.5. The upturn in manufacturing occurred despite the loss in competitiveness resulting from the stronger currency.

Meanwhile, Euro-zone labour markets continued to improve, despite the slowing growth momentum. Unemployment fell to 7.2% in October from 7.3% in September, the lowest since the Euro-zone was formed in 1999. The number of unemployed fell to 11.09 million, the lowest level since 2001.However, in the coming months, the improvement in the labour markets is expected to slow down.

Overall, our forecast 2008 for the Euro-zone growth has been revised down slightly to 2.5% in 2007 and is unchanged at 2.0% for 2008.

Former Soviet Union

Investment industry, construction and trade have boosted Russian growth in 2007

The State Statistics Services in Russia (Federal Statistics Agency) announced that GDP grew 7.8% in January-September 2007. The growth was fueled by a rise in manufacturing industry, trade and construction. According to the Statistics Agency, investments climbed 19.6% in October 2007 against the indicator in October 2006 and industrial production added 6.1%. Russia's economics ministry expects the domestic economy to grow 7.4% in 2007 compared with 6.7% in 2006. The World Bank noted that Russia as an oil exporter is growing at maximum capacity due to high global energy prices and a strong inflow of foreign capital.

The global credit crunch is forecast to impact Kazakhstan growth

Hit by the global credit crisis, Kazakhstan cut its 2008 economic growth forecast to 5-7% in a sign that a domestic liquidity squeeze may be impacting more than estimated. The government originally forecast that growth in 2008 will reach 9% and sees growth of 9.5% this year. The government is working with the banking sector to boost liquidity.

Developing Countries

Attempts to cool Chinese economy proving difficult, raising fears of overheating

2007 would be the fifth consecutive year of double digit growth in China. Slowing down the economy is a prime concern of the Chinese government especially after inflation started to get out of control in recent months. The People's Bank of China, China's central bank, raised its benchmark lending rate five times, to 7.29%. It also raised the minimum required capital reserves for commercial banks nine times to 13.5%, the highest level in its history. A series of administrative measures was introduced to limit bank lending, reduce price subsidies, redirect investment, and cool speculative and investment activities. The State Information Centre forecasts China's GDP growth in 2008 in the range of 10.8-11.3%. According to its prediction, the country's CPI will rise 4.7% this year, 2.9 percentage points higher than the previous year, and 4.5% next year. Exports in 2007 are estimated to increase by 25.7% and imports by 20% with the trade surplus forecast at $268 billion, $90 billion higher than the 2006 level.

Good monsoon season temporarily halted inflationary pressures on food prices in India

India's industrial production rose at an unexpectedly strong pace in October as the festive season boosted consumer demand. But the aggressive monetary tightening that has raised loan costs is expected to slow growth in the coming months. Output grew an annual 9.7% between April and October compared with 10.1% during the same period a year earlier. The central bank has forecast economic growth will slow to 8.5% in the financial year to 31 March 2008 from 9.4% the previous year, which is the same figure we have been forecasting. Industrial production represents about a fifth of India's GDP. OECD predicts India's economic growth will slow down to 8.4% by 2009 from 8.6% in 2008 and 8.8% in 2007, on the back of higher interest rates and rupee appreciation and that the country will need further reforms to secure sustainable growth. Improvements in public services are also needed to raise the quality of education and infrastructure, OECD noted. India's inflation unexpectedly eased in the third week of November as increased farm production boosted by monsoon rains helped contain food price rises. Inflation in India has now held below the central bank's 5% target for five months. The Indian government caps gasoline and diesel rates to help keep inflation down and protect the poor, who make up half the country's 1.1 billion people. Cooking gas prices have not been raised since November 2004 and kerosene not since April 2002.

Brazil central bank refrains from monetary easing

Brazil's central bank left the country's benchmark lending rate unchanged, opting not to renew its rate cutting amid strong economic growth and inflation concerns. Brazilian inflation decelerated for the second consecutive month through November driven by lower food prices to consumers.

OPEC Member Countries

Non-oil exports rose close to 25% in Saudi Arabia

Saudi Arabia's budget surplus decreased to $47.6 billion this year and the government is expecting economic growth to slow to 3.5%. The kingdom used last year's budget surplus of $70.6 billion to pay back debt. Therefore, government debt is expected to fall to 19% of gross domestic product by the end of 2007 compared with 28% of GDP in 2006 according to the Finance Ministry. The decline of government debt to GDP is notable but it is also related to the rise of the GDP. As the size of the economy grew, government debt in relation to GDP falls. In 2006, the economy grew 4.3%. Non-oil exports rose close to 25%, which is a positive step and indicative of the efforts to diversify the economy. In fact, non-oil exports in 2007 represented 12.4% of total exports whereas in 2006 it was slightly higher than 10%. At a time of mounting inflationary pressures in the economy the government had to make sure that it pays down some government debt without injecting more money supply into an over-supplied system.

Oil prices, the US dollar and inflation

The US dollar depreciation continued with new record lows reached versus the euro

The US dollar fell against all major currencies in November. It depreciated most versus the Swiss franc falling by 4.3% while it fell 3.2% versus the euro, bringing the cumulative loss to almost 13% since January 2007. The dollar further depreciated 3.9% against the Japanese yen. And 1.3% versus the pound sterling.

The dollar continued to lose ground versus the euro reaching new record lows of $1.4722 on 27 November, pressured by prospects of further cuts in US interest rates, amidst financial turbulence and gathering gloom surrounding US growth prospects. However, the dollar recovered somewhat from its lows in early December to $1.4554 on December 6 but dipped again to $1.4675 by December 12.

In November, the OPEC Reference Basket rose by $9.6/b or over 12% to $ 88.99/b from $79.36/b in October. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price increased by almost $5.3/b or 9.7% to $59.48/b from $54.21/b. The dollar depreciated by 2.1% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by 0.05%.*

* *The 'modified Geneva I+US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

World Oil Demand

Total world oil demand forecast to grow by 1.2 mb/d or 1.4% in 2007 to average 85.7 mb/d

World oil demand in 2007

The coming holiday season is keeping the kerosene jet fuel demand healthy worldwide. Winter oil demand has picked up following normal high seasonality pushing total world fourth-quarter growth by 1.7 mb/d y-o-y. **Total world oil demand growth is forecast at 1.2 mb/d or 1.4% y-o-y to average 85.74 mb/d**. Non-OECD countries accounted for all of 2007 oil demand growth, while OECD oil demand showed a minus of 65 tb/d y-o-y for 2007.

The late arrival of winter in most OECD countries caused fourth-quarter oil demand to grow moderately in the OECD reaching only 0.5 mb/d y-o-y.

Table 2: World oil demand forecast for 2007, mb/d

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.29	25.67	25.43	25.44	25.67	25.55	0.26	1.03
Western Europe	15.62	15.28	14.96	15.45	15.78	15.37	-0.25	-1.63
OECD Pacific	8.40	8.83	7.80	7.88	8.83	8.33	-0.07	-0.85
Total OECD	**49.32**	**49.77**	**48.20**	**48.77**	**50.27**	**49.25**	**-0.06**	**-0.13**
Other Asia	8.83	8.91	9.11	8.89	9.12	9.01	0.18	2.01
Latin America	5.26	5.22	5.38	5.55	5.45	5.40	0.14	2.74
Middle East	6.19	6.45	6.44	6.60	6.43	6.48	0.29	4.62
Africa	3.00	3.14	3.07	3.05	3.17	3.11	0.11	3.50
Total DCs	**23.28**	**23.71**	**23.99**	**24.09**	**24.17**	**23.99**	**0.71**	**3.06**
FSU	3.89	3.86	3.70	4.01	4.32	3.97	0.09	2.23
Other Europe	0.91	1.01	0.92	0.91	0.91	0.94	0.03	3.28
China	7.14	7.46	7.77	7.70	7.40	7.58	0.44	6.14
Total "Other Regions"	**11.93**	**12.33**	**12.39**	**12.61**	**12.62**	**12.49**	**0.56**	**4.65**
Total world	**84.53**	**85.81**	**84.59**	**85.47**	**87.07**	**85.74**	**1.20**	**1.42**
Previous estimate	84.50	85.81	84.59	85.38	87.00	85.70	1.20	1.42
Revision	0.03	0.00	0.00	0.09	0.07	0.04	0.00	0.00

Totals may not add due to independent rounding.

Table 3: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.22	25.67	0.44	1.76	25.06	25.43	0.37	1.48
Western Europe	15.96	15.28	-0.68	-4.25	15.22	14.96	-0.26	-1.71
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.42**	**49.77**	**-0.65**	**-1.29**	**48.10**	**48.20**	**0.09**	**0.20**
Other Asia	8.77	8.91	0.13	1.53	8.97	9.11	0.14	1.58
Latin America	5.07	5.22	0.16	3.07	5.24	5.38	0.13	2.57
Middle East	6.09	6.45	0.35	5.78	6.14	6.44	0.30	4.80
Africa	3.00	3.14	0.13	4.47	2.98	3.07	0.09	3.10
Total DCs	**22.94**	**23.71**	**0.78**	**3.38**	**23.33**	**23.99**	**0.66**	**2.84**
FSU	3.76	3.86	0.10	2.63	3.63	3.70	0.07	2.02
Other Europe	0.97	1.01	0.04	4.30	0.90	0.92	0.02	2.12
China	7.09	7.46	0.36	5.12	7.34	7.77	0.43	5.85
Total "Other Regions"	11.82	12.33	**0.50**	**4.26**	11.87	12.39	**0.52**	**4.40**
Total world	**85.18**	**85.81**	**0.63**	**0.74**	**83.31**	**84.59**	**1.28**	**1.54**

Totals may not add due to independent rounding.

Year 2007: Review of Oil Demand

Initial Forecast for 2007 Demand

- World oil demand forecast for the year 2007 was based on a 0.5% slower world GDP growth forecast than in the previous year. However, the non-OECD economies, considered the engine of world oil demand growth, showed healthy economic growth for 2007. China, Middle East, and India were forecast to show the highest growth in oil demand world-wide.
- Total world oil demand growth was estimated at 1.28 mb/d or 1.5% y-o-y. In addition to the expected slower world economy, this moderately forecast growth was based on a few variables such as the anticipation of the removal of price subsidies in Asia and the dampening effect of higher oil prices. Furthermore, China's government strategy to reduce the country's oil consumption via applying certain strategies was taken into consideration.

World Oil Demand Review in 2007

- Eighteen months after the initial forecast, OPEC's oil demand forecast is still accurately reflecting market reality. World oil demand started the year with weak growth in the first quarter because of the warm winter in both OECD Europe and Pacific. First-quarter oil demand growth lost more than half of its previous forecast.
- To some degree, the decline in OECD was offset by an increase in Non-OECD oil demand, leading to a total growth of 1.3 mb/d and 1.2 mb/d in the second and third quarters. As the winter is still mild in most of the Northern Hemisphere, oil demand is expected to grow by only 1.7 mb/d in the fourth quarter. Hence, total world oil demand is forecast to grow by 1.20 mb/d to average 85.74 mb/d in 2007.

OECD

- The weather returned to normal, especially in North America, after a warm year in 2006. The temperature dropped in the third week of January in the US Northeast. Oil demand in North America grew strongly in the first quarter by 0.34 mb/d. However, the rest of the OECD was warm and oil demand declined by more than 1 mb/d. Although Non-OECD countries' oil demand increased sharply in the first quarter, the OECD drop pushed total world oil demand growth down to show only 0.6 mb/d y-o-y.
- Retail product price increases have slowed the transport fuel consumption within the OECD since the summer peak demand. US gasoline demand growth lost two thirds of its usual annual growth which translated to around 100 tb/d. On the European side, gasoline demand declined by 3% in the first three quarters as a result not only of slower consumption but also due to the movement to diesel-powered vehicle engines within the continent. Because the fourth quarter has been mostly warm, the fourth-quarter oil demand is forecast to grow by only 0.5 mb/d y-o-y. As a result of the decline in the first three quarters, the total year OECD oil demand growth is estimated to show a minor decline of 0.07 mb/d to average 49.25 mb/d.

Developing Countries

- Developing Countries (DCs) maintained oil demand strength in 2007. DCs accounted for 59% of world oil demand growth.
- The Indian economic growth of 8.5% yielded a strong oil demand growth of 4.9% in 2007. Robust new car sales along with booming industrial and agricultural activities were the main drivers for oil demand growth.
- The Middle East is experiencing major economic growth and is to some degree immune to the negative effects of high oil prices. The Middle Eastern GDP grew at 5.0% in 2007 representing a slight decline of 0.3% from 2006. Gasoline demand has slightly slowed because of Iran's rationing which reduced the region's total oil demand by 25 tb/d in 2007. Oil demand in 2007 is expected to increase by 0.29 mb/d to average 6.48 mb/d.

Other Regions

- Among other concerns such as cutting pollution and increasing imported oil, China tried to achieve its pre-set goal, reducing the use of energy per capita by 4% for this year. However, China was only partially successful. In 2007 China's oil demand as expected attained strong growth exceeding 6.0%. Strong economic activities were theimpulse behind the strong demand for energy.

- On a different note, China's long-awaited strategic oil storage was finally in operation and responsible for some of the country's apparent demand for 2007. Other economic sectors which serve as major energy drivers — such as industrial production, in-land cargo, agriculture, construction and passenger transportation — showed healthy growth during the year. China increased its petroleum product retail prices by 10% in October; however, the prices are still below international levels and therefore this move did not dent the transport fuel demand significantly. China's oil demand growth for 2007 is expected to reach 0.44 mb/d to average 7.58 mb/d.

Alternative Fuels

- Natural gas (NG) has been the largest alternative energy to oil so far this year. The warm weather, which lessened the NG prices, made it feasible for power plants to switch from fuel oil. With regard to biofuel, the US geared up to further support the heavily subsidized bio-fuel in order to cut down on oil use. The country already has an ambitious plan to reduce gasoline consumption by 20% over 10 years via the use of alternative fuels such as cellulosic ethanol that is not made from food but non-food products such as grasses. The US has been pursuing this venture via collaboration with other countries with extensive experience in biofuels, such as Brazil. The US has been pushing for new alliances with various countries in the Americas to promote the use of biofuels. This new American venture is not limited to only biofuels, but also extends to other types of alternative fuel such as solar, wind, and nuclear.
- China’s demand for coal is increasing, according to officials, with coal demand in 2007 estimated at 2.5 billion tonnes. China’s coal consumption grew by around 10% y-o-y. However, due to the high pollution in China, the country closed up smaller coal-fueled power plants, which supply 10% of total electricity. Another part of China’s strategy to reduce the use of oil was to boost the production of biofuels. According to local media, China’s plan in 2007 was to develop the use of biofuel in the rural areas in order to replace 10 mb of oil products by 2020.
- In Europe, biofuel usage was on the rise. Swedish auto owners have received various benefits for using biofuel-operated vehicles. This special offer tripled the consumption of biofuel in Sweden in 2007. The EU revealed a plan which aims to increase biofuel usage by 10% by 2015.

Table 4: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.50	25.44	-0.06	-0.25	25.37	25.67	0.30	1.18
Western Europe	15.60	15.45	-0.15	-0.96	15.72	15.78	0.06	0.38
OECD Pacific	7.85	7.88	0.03	0.32	8.71	8.83	0.11	1.32
Total OECD	**48.95**	**48.77**	**-0.19**	**-0.38**	**49.80**	**50.27**	**0.47**	**0.95**
Other Asia	8.64	8.89	0.25	2.93	8.94	9.12	0.18	2.02
Latin America	5.38	5.55	0.17	3.07	5.33	5.45	0.12	2.28
Middle East	6.35	6.60	0.25	3.89	6.18	6.43	0.25	4.05
Africa	2.95	3.05	0.09	3.15	3.07	3.17	0.10	3.30
Total DCs	**23.33**	**24.09**	**0.76**	**3.25**	**23.52**	**24.17**	**0.65**	**2.78**
FSU	3.91	4.01	0.10	2.55	4.24	4.32	0.08	1.78
Other Europe	0.88	0.91	0.03	3.19	0.88	0.91	0.03	3.45
China	7.21	7.70	0.49	6.73	6.92	7.40	0.47	6.86
Total "Other Regions"	12.00	12.61	**0.61**	**5.11**	12.04	12.62	**0.58**	**4.82**
Total world	**84.29**	**85.47**	**1.18**	**1.40**	**85.36**	**87.07**	**1.71**	**2.00**

Totals may not add due to independent rounding.

OECD North America

Total OECD demand to decline by 65 tb/d in 2007

Low transport fuel demand in late summer caused a minor downward revision to total US oil demand for the year. Gasoline consumption in the summer was not as strong as it should have been, reducing the ten-month growth to only 61 tb/d y-o-y. **Winter in the US came late; therefore oil demand growth is forecast to reach only 0.2 mb/d y-o-y in the fourth quarter.** Canadian petroleum product sales grew strongly in October adding more than 76 tb/d or 4% to average 1.83 mb/d. Due to both transport and industrial fuel, diesel usage grew the most adding 50 tb/d to total oil demand. Furthermore, Mexican domestic petroleum product sales grew strongly by 8.3% adding 141 tb/d y-o-y to average 1.8 mb/d. As in September, October gasoline demand grew the most adding 70 tb/d to average 0.8 mb/d. The strong demand in both Mexico and Canada edged North America’s fourth- quarter oil demand to show growth of 0.3 mb/d. Given the weak oil demand during the summer, North American oil demand growth is forecast at only 0.1 mb/d y-o-y. Hence, **total OECD oil demand is forecast to show a y-o-y decline of 65 tb/d in 2007.**

Table 5: Canadian sales of refined petroleum products, tb/d

	Oct 07	Oct 06	Change from Oct 06	Change from Oct 06 (%)
Motor Gasoline	731	714	17	2.3
Aviation Fuels	135	126	9	7.5
Diesel Fuel Oil	533	484	50	10.2
Residual Fuel Oil	124	144	-20	-13.9
Other Products	301	281	20	7.1
Total Products	**1825**	**1749**	**76**	**4.3**

OECD Europe

High gasoline prices along with the shift toward diesel-powered engines caused Europe’s oil demand to show a strong decline during the summer. Gasoline demand in Germany, Italy, and France declined by 9%, 7%, and 5% y-o-y respectively in the first three quarters of 2007. In addition to the warm winter early in the year, this strong loss in transport fuel across Europe sharply depressed oil demand. Hence, Europe OECD oil demand was revised down by 0.03 mb/d for the year**. Europe OECD oil demand is forecast to show a decline of 0.3 mb/d y-o-y in 2007.**

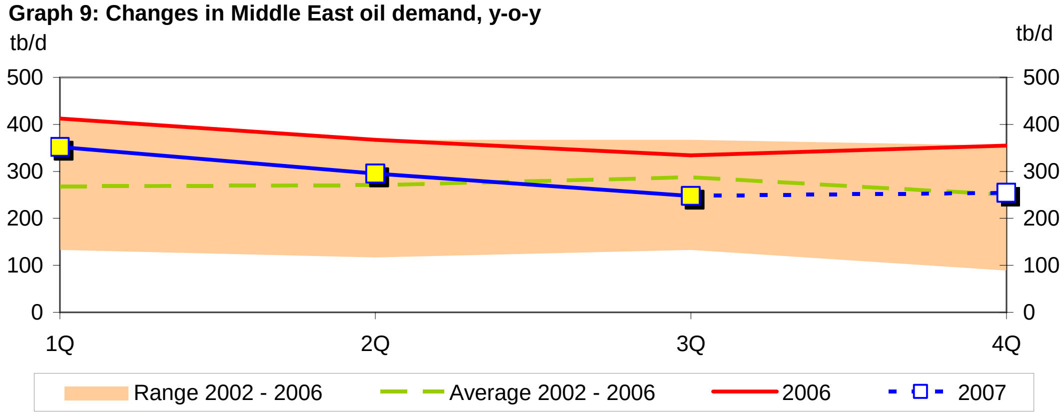
OECD Pacific

Japan’s oil imports increased by 6.5% y-o-y in October. Winter energy preparation pushed the sale of kerosene used for heating in Japan by a strong 23% adding 60 tb/d to total sales. Fuel oil usage increased due to the shutdown of nuclear plants early in the summer adding more than 70 tb/d to Japan’s October consumption. In total, Japan’s oil product sales increased by 2% y-o-y in October. Given the warm winter in 2007 in the Pacific along with the decline in transport fuel consumption, **OECD Pacific oil consumption is expected to show a decline of 70 tb/d y-o-y to average 8.33 mb/d.**

Alternative Fuels

The negative effect of biofuel on world food prices is impacting the biofuel industry. The commissioning of the Malaysian biodiesel plant with a capacity of 200 k mt/y was delayed because of the high feedstock prices. The biofuel industry has not only caused the food prices to increase but has also harmed the environment via massive deforestation.

Graph 9: Changes in Middle East oil demand, y-o-y

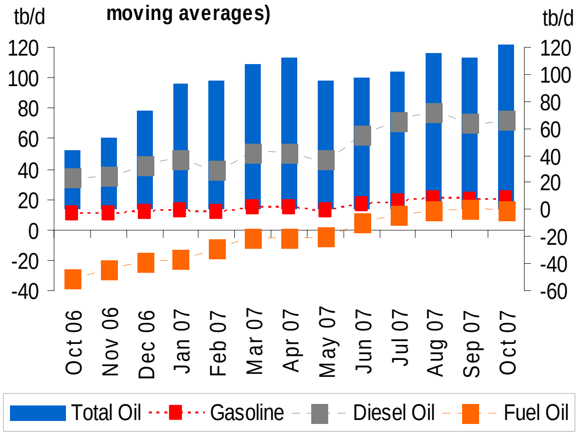


Developing Countries

Middle East demand expected to grow strongly at 250 tb/d; Indian demand increasing 130 tb/d

Asian countries have been slashing petroleum product subsidies since 2005 with the most recent move made by Vietnam. The country allowed importers to increase the pump price of gasoline and diesel by around 15%, kerosene by 17%, and fuel oil by 42%. This recent increase will reduce the importers' losses, although the government did not grant all the increases requested by retailers. Vietnam petroleum product demand will see some downward adjustment as the demand/price elasticity takes effect in the near future. Saudi Arabia's booming economy is pushing diesel demand up by more than 7%. Furthermore, gasoline demand is on the upsurge which is putting the region's oil demand growth second worldwide after China. Iran, which introduced the rationing of gasoline in 2007, is planning to boost the usage of CNG especially throughout public transportation. This move would benefit the country via reducing both the gasoline demand and pollution. **Middle East fourth-quarter oil demand is expected to grow by 250 tb/d y-o-y to average 6.43 mb/d.**

Graph 10: Yearly changes in Indian oil demand (12 month moving averages)



As in September, Indian oil demand grew by a strong 9.9% or 243 tb/d y-o-y in October to average 2.7 mb/d. This strong growth was boosted mainly by transport fuel and by both industrial and agricultural sectors. Having regulated transport retail prices, the country's new car sales are skyrocketing, causing both gasoline and diesel demand to grow strongly. According to some source, October's new car sales alone grew by more than 16%. Diesel grew the most by 55 tb/d and gasoline growth reached 25 tb/d y-o-y to in October average 0.9 mb/d and 0.2 mb/d respectively. Furthermore, holidays and business use pushed jet fuel to grow dramatically reaching 17% y-o-y in October. **India's oil demand growth for 2007 is forecast at 130 tb/d or 4.9% y-o-y. This strong Indian oil demand is boosting Other Asia demand to show growth of 180 tb/d y-o-y for 2007.**

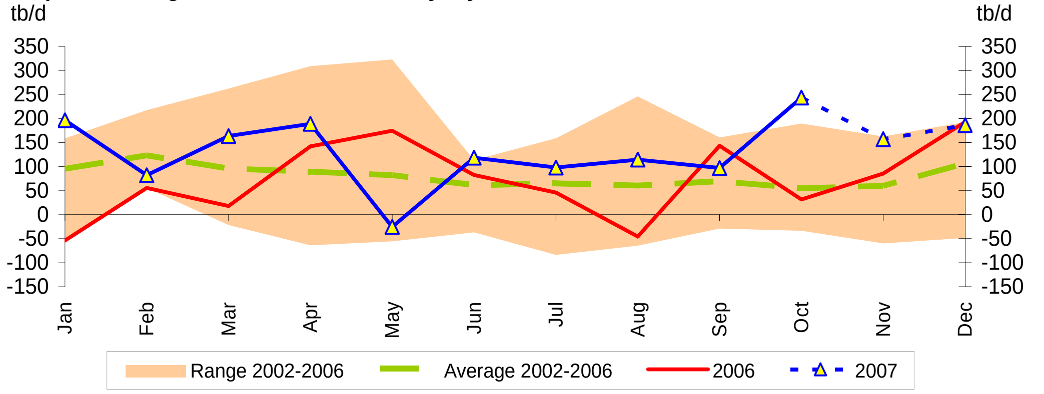
Table 6: Indian oil demand by main products, tb/d

	Oct 07	Sep 07	Jan 07 - Oct 07	Difference to Jan 06 - Oct 06	%
LPG	388	373	359	32	9.7
Motor Gasoline	234	229	233	23	10.7
Jet Kero	300	307	290	10	3.5
Gas Diesel Oil	898	882	958	69	7.8
Residual Fuel Oil	388	337	341	12	3.7
Other Products	493	540	554	-18	-3.1
Total Oil Demand	**2,700**	**2,669**	**2,734**	**128**	**4.9**

Sources: Direct Communication, Indian Ministry of Petroleum, Indianpetro, JODI plus OPEC Secretariat's estimates.

DC oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching growth of 0.7 mb/d to average 23.9 mb/d.

Graph 11: Changes in Indian oil demand, y-o-y



Other Regions

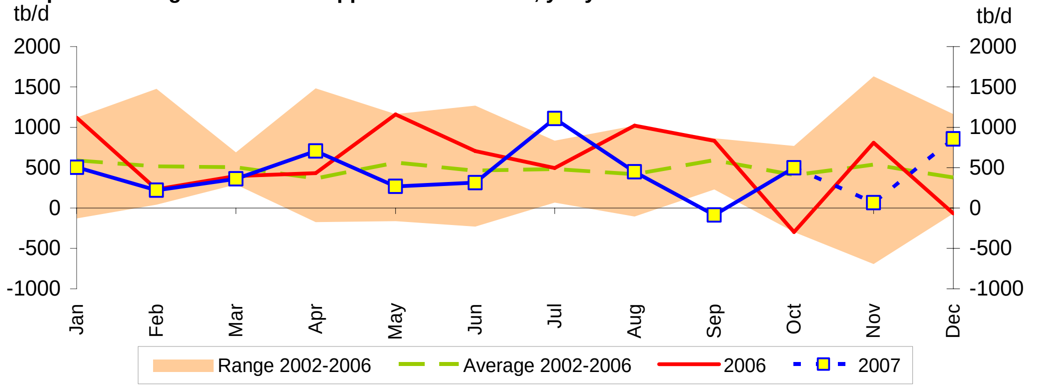
Demand growth in China expected at 440 tb/d

China's apparent oil demand in October grew strongly by 7.6% or 0.5 mb/d y-o-y, causing oil demand in the first 10 months of this year to grow by 6% or 0.43 mb/d y-o-y. Due to the recent retail price increase in China and due to a governmental policy to curb oil demand, 2007 apparent oil demand is forecast to grow by 6.1%, which is less than last year's growth. Even though China increased its retail petroleum products by 10% in October, the country's thirst for oil has pushed diesel demand to grow strongly, causing a shortage in some parts of the country leading to diesel rationing in the eastern and southern areas. Unlike last month, October oil imports grew by 11% taking advantage of the new price increase.

Given the country's strong transport fuel demand, **China's total oil demand growth is forecast to grow by 440 tb/d y-o-y to average 7.6 mb/d in 2007**.

Strong economic growth of 8% in the FSU caused its apparent oil demand to grow by 2.3% adding 90 tb/d y-o-y. Most of this demand growth is attributed to Russia.

Graph 12: Changes in Chinese apparent oil demand, y-o-y



World oil demand growth forecast for 2008 unchanged at 1.3 mb/d to average 87.1 mb/d

World oil demand in 2008

World oil demand is forecast to grow by 1.3 mb/d in 2008 to average 87.1 mb/d, unchanged from our last *MOMR* estimate. Due to the expected strong demand in Brazil, Latin America region was revised up a marginal 10 tb/d y-o-y to show total growth of 0.1 mb/d for 2008. Transport and industrial fuel are the sectors growing most in world oil demand in 2008. Non-OECD countries will account for 1.1 mb/d or 80% of total world oil demand growth in 2008. OECD countries oil demand growth next year will be mostly attributed to North America. **China's oil demand is forecast to grow by 0.4 mb/d y-o-y in 2008 to average 7.98 mb/d.**

Middle East and Other Asia are expected to contribute 0.42 mb/d or 32% to next year's world oil demand growth.

Table 7: World oil demand forecast for 2008, mb/d

							Change 2008/07	
	2007	1Q08	2Q08	3Q08	4Q08	2008	Volume	%
North America	25.55	26.00	25.62	25.58	26.05	25.81	0.26	1.02
Western Europe	15.37	15.45	14.91	15.37	15.92	15.41	0.05	0.30
OECD Pacific	8.33	8.89	7.68	7.72	8.86	8.29	-0.05	-0.56
Total OECD	**49.25**	**50.35**	**48.21**	**48.67**	**50.82**	**49.51**	**0.26**	**0.53**
Other Asia	9.01	9.03	9.24	9.06	9.27	9.15	0.15	1.62
Latin America	5.40	5.34	5.47	5.64	5.55	5.50	0.10	1.86
Middle East	6.48	6.71	6.72	6.88	6.70	6.75	0.27	4.24
Africa	3.11	3.19	3.12	3.12	3.23	3.16	0.06	1.82
Total DCs	**23.99**	**24.27**	**24.55**	**24.70**	**24.76**	**24.57**	**0.58**	**2.41**
FSU	3.97	3.91	3.76	4.07	4.37	4.03	0.05	1.38
Other Europe	0.94	1.04	0.96	0.93	0.93	0.96	0.03	2.90
China	7.58	7.80	8.13	8.18	7.82	7.98	0.40	5.28
Total "Other Regions"	**12.49**	**12.75**	**12.85**	**13.17**	**13.11**	**12.97**	**0.48**	**3.86**
Total world	**85.74**	**87.36**	**85.62**	**86.54**	**88.70**	**87.06**	**1.32**	**1.54**
Previous estimate	**85.70**	**87.34**	**85.61**	**86.44**	**88.63**	**87.01**	**1.31**	**1.53**
Revision	**0.04**	**0.01**	**0.01**	**0.10**	**0.07**	**0.05**	**0.01**	**0.01**

Totals may not add due to independent rounding.

Table 8: First and second quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	1Q07	1Q08	Volume	%	2Q07	2Q08	Volume	%
North America	25.67	26.00	0.33	1.29	25.43	25.62	0.19	0.75
Western Europe	15.28	15.45	0.18	1.15	14.96	14.91	-0.05	-0.34
OECD Pacific	8.83	8.89	0.07	0.77	7.80	7.68	-0.12	-1.56
Total OECD	**49.77**	**50.35**	**0.57**	**1.15**	**48.20**	**48.21**	**0.02**	**0.04**
Other Asia	8.91	9.03	0.13	1.40	9.11	9.24	0.14	1.48
Latin America	5.22	5.34	0.12	2.30	5.38	5.47	0.09	1.71
Middle East	6.45	6.71	0.26	4.03	6.44	6.72	0.28	4.35
Africa	3.14	3.19	0.05	1.59	3.07	3.12	0.05	1.63
Total DCs	**23.71**	**24.27**	**0.55**	**2.34**	**23.99**	**24.55**	**0.56**	**2.32**
FSU	3.86	3.91	0.05	1.31	3.70	3.76	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.46	7.80	0.34	4.56	7.77	8.13	0.36	4.63
Total "Other Regions"	**12.33**	**12.75**	**0.42**	**3.41**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.81**	**87.36**	**1.55**	**1.80**	**84.59**	**85.62**	**1.03**	**1.22**

Totals may not add due to independent rounding.

Table 9: Third and fourth quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	3Q07	3Q08	Volume	%	4Q07	4Q08	Volume	%
North America	25.44	25.58	0.14	0.55	25.67	26.05	0.38	1.48
Western Europe	15.45	15.37	-0.08	-0.50	15.78	15.92	0.14	0.89
OECD Pacific	7.88	7.72	-0.16	-2.03	8.83	8.86	0.03	0.34
Total OECD	**48.77**	**48.67**	**-0.10**	**-0.20**	**50.27**	**50.82**	**0.55**	**1.09**
Other Asia	8.89	9.06	0.17	1.91	9.12	9.27	0.15	1.68
Latin America	5.55	5.64	0.09	1.62	5.45	5.55	0.10	1.83
Middle East	6.60	6.88	0.28	4.24	6.43	6.70	0.28	4.34
Africa	3.05	3.12	0.07	2.30	3.17	3.23	0.06	1.77
Total DCs	**24.09**	**24.70**	**0.61**	**2.53**	**24.17**	**24.76**	**0.59**	**2.43**
FSU	4.01	4.07	0.06	1.46	4.32	4.37	0.05	1.16
Other Europe	0.91	0.93	0.02	2.06	0.91	0.93	0.02	2.20
China	7.70	8.18	0.48	6.24	7.40	7.82	0.42	5.68
Total "Other Regions"	**12.61**	**13.17**	**0.56**	**4.42**	**12.62**	**13.11**	**0.49**	**3.88**
Total world	**85.47**	**86.54**	**1.07**	**1.25**	**87.07**	**88.70**	**1.63**	**1.87**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth revised down slightly to 0.72 mb/d with Ecuador now incorporated into OPEC

Non-OPEC

Forecast for 2007

Non-OPEC supply in 2007 is expected to increase by 0.72 mb/d over the downward revised figure for 2006 to reach a level of 49.62 mb/d, following a downward revision of 103 tb/d compared with last month's assessment. Downward revisions were made to USA, Canada, UK, Australia, Vietnam, Brazil and Russia partially offset by minor upward revisions in other countries. The third and fourth quarters witnessed significant downward revisions of around 197 tb/d and 179 tb/d respectively, while the first and second quarters have been revised down by 24 tb/d and 10 tb/d respectively. On a quarterly basis, non-OPEC supply now stands at 49.79 mb/d, 49.52 mb/d, 49.08 mb/d and 50.08 mb/d. Figures for 2006 have been revised down slightly by around 11 tb/d to 48.9 mb/d.

Table 10: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.38	14.45	14.27	14.47	14.39	0.15
Western Europe	5.38	5.52	5.19	4.96	5.18	5.21	-0.17
OECD Pacific	0.56	0.57	0.61	0.62	0.71	0.63	0.07
Total OECD	**20.19**	**20.47**	**20.25**	**19.86**	**20.36**	**20.23**	**0.04**
Other Asia	0.26	0.27	0.27	0.27	0.27	0.27	0.01
Latin America	3.86	3.89	3.89	3.90	3.99	3.92	0.05
Middle East	1.76	1.68	1.67	1.67	1.68	1.68	-0.08
Africa	2.61	2.69	2.68	2.66	2.74	2.69	0.08
Total DCs	**10.94**	**10.98**	**10.94**	**10.94**	**11.12**	**10.99**	**0.05**
FSU	12.02	12.50	12.44	12.48	12.75	12.55	0.53
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.69	3.78	3.82	3.73	3.78	3.78	0.08
Total "Other regions"	**15.87**	**16.43**	**16.41**	**16.37**	**16.68**	**16.47**	**0.60**
Total Non-OPEC production	**47.00**	**47.87**	**47.60**	**47.16**	**48.15**	**47.70**	**0.70**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**48.90**	**49.79**	**49.52**	**49.08**	**50.08**	**49.62**	**0.72**
Previous estimate	48.91	49.82	49.53	49.28	50.26	49.72	0.81
Revision	-0.01	-0.02	-0.01	-0.20	-0.18	-0.10	-0.09

OECD

Total OECD growth now estimated at 43 tb/d

Total OECD oil supply in 2007 is expected to reach 20.23 mb/d, an increase of around 43 tb/d over the previous year. On a quarterly basis, OECD oil supply is expected to average 20.47 mb/d, 20.25 mb/d, 19.86 mb/d and 20.36 mb/d respectively. The North American Group's supply is estimated to grow by 149 tb/d over the previous year to reach a level of around 14.39 mb/d. The OECD Pacific is also estimated to grow by around 67 tb/d over 2006 to reach a level of 0.63 mb/d in 2007. However, the Western Europe group is expected to decline significantly by around 173 tb/d compared to last year reaching a level of 5.21 mb/d in 2007. Most of the supply loss in this group is attributed to Mexico, Norway and UK which are estimated to decline by around 162 tb/d, 221 tb/d and 57 tb/d respectively.

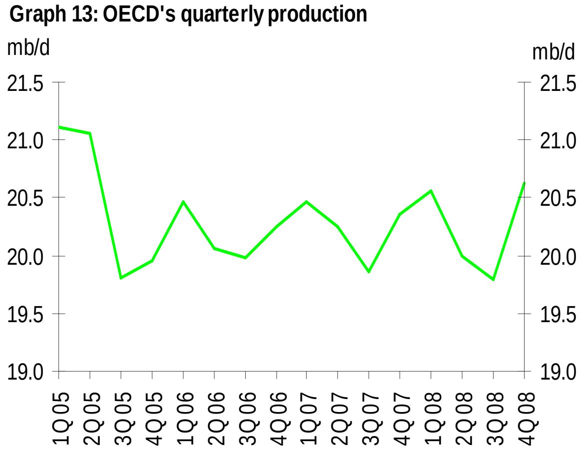
USA

Oil supply in the USA is expected to reach a level of 7.49 mb/d representing growth of 136 tb/d over 2006 and a minor downward revision of 12 tb/d from our last assessment. Minor third-quarter downward revision of 48 tb/d has been made due to the release of actual data. On a quarterly basis, supply figures stand at 7.46 mb/d, 7.58 mb/d, 7.45 mb/d and 7.47 mb/d respectively. The preliminary figure for November of 7.47 is in line with our current fourth-quarter forecast.

Mexico and Canada

Syncrude Unit out in December due to fire

Canadian oil supply for 2007 is expected to average 3.37 mb/d, an increase of around 174 tb/d over the previous year and a downward revision of 10 tb/d. The 2006 figures has been revised upward slightly by around 2 tb/d. The downward revision was due to a fire at one of Syncrude units which may take around 60 tb/d out of 350 tb/d from the December production. The fourth quarter has been revised downward by 22 tb/d and extended up to the end of the year 2008. On a quarterly basis, oil supply stands at 3.34 mb/d, 3.28 mb/d, 3.37 mb/d and 3.49 mb/d respectively. The preliminary November figure of 3.46 mb/d seems to be close to the current 4Q07 forecast of around 3.49 mb/d.



Mexico's oil supply is unchanged from last month's assessment of 3.53 mb/d which represents a decline of 162 tb/d below last year. On a quarterly basis, Mexican oil supply stands at 3.58 mb/d, 3.59 mb/d, 3.45 mb/d and 3.50 mb/d respectively.

Western Europe

Oil supply in this group is expected to reach a level of around 5.21 mb/d, representing a decline of 173 tb/d from the 2006 figure and an increase of 12 tb/d over last month's assessment. The upward revision, which was attributable to biofuel production in Western Europe, was partially offset by downward revisions to the UK and Denmark. On a quarterly basis, oil supply is expected at 5.52 mb/d, 5.19 mb/d, 4.96 mb/d and 5.18 mb/d respectively.

Norway

Norway's production level remains unchanged from last month's assessment, averaging around 2.56 mb/d which represents a significant decline of 221 tb/d below the 2006 figure. Shutdowns due to bad weather, precautionary measures and early, heavy and longer-than-normal maintenance, in addition to natural decline were behind the loss. The preliminary figure for November of 2.59 mb/d is almost at the same level as the current 4Q07 forecast of 2.58 mb/d.

UK's production level for 2007 is now expected at 1.65 mb/d, a decline of 57 tb/d from the previous year and 5 tb/d from last month's assessment. Quarterly figures now stand at 1.80 mb/d, 1.73 mb/d, 1.47 mb/d and 1.60 mb/d respectively. The preliminary figure for November is 1.70 mb/d, around 20 tb/d higher than the preliminary figure for October, while our current forecast for the fourth quarter stands at around 1.60 mb/d.

Asia Pacific

Oil supply in this group is expected to average 0.64 mb/d which represents an increase of 67 tb/d over the 2006 figure and a downward revision of 12 tb/d compared with last month's assessment. On a quarterly basis, Asia Pacific oil supply expected to average 0.57 mb/d, 0.61 mb/d, 0.62 mb/d and 0.71 mb/d respectively.

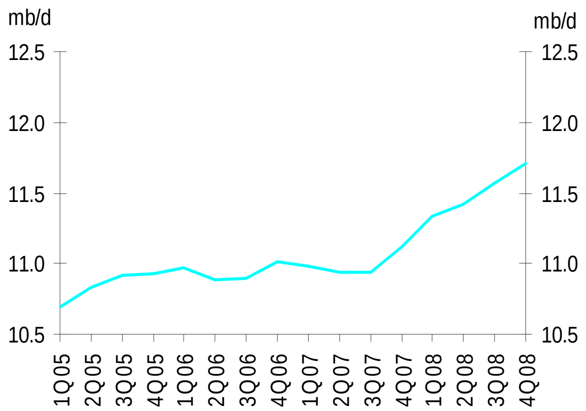
Australia's oil supply is expected to average 0.55 mb/d in 2007 which represents growth of 39 tb/d over last year's figure and a downward revision of 16 tb/d compared to last month's assessment. Downward revisions of around 45 tb/d and 20 tb/d respectively were made to the third and fourth quarters. A series of maintenance was behind the revisions which are partially offset by the early startup of Stybarrow field. The preliminary November figure for Australia's oil supply is 0.56 mb/d.

New Zealand's performance is expected to add 29 tb/d over 2006 figure to reach a level of around 80 tb/d. A minor upward revision of around 8 tb/d each has been made to the third and the fourth quarter resulting in an upward revision of 4 tb/d to the annual figure due to the improved performance of the Tui field.

Developing Countries

Oil supply in this group is expected to reach a production level of 10.99 mb/d which represents growth of 54 tb/d over last years' figure and a downward revision of 41 tb/d compared with last month's assessment. On a quarterly basis, DC oil supply is expected to average 10.98 mb/d, 10.94 mb/d, 10.94 mb/d and 11.12 mb/d respectively. (Please note that Ecuador production is now included in the OPEC figure).

Graph 14: Developing Countries' quarterly production



Other Asia group is expected to stay flat in 2007 at a level of around 2.71 mb/d, a downward revision of around 29 tb/d from last month's assessment. On a quarterly basis, Other Asia oil supply is expected to average 2.72 mb/d, 2.70 mb/d, 2.71 mb/d and 2.72 mb/d respectively. Adjustments to Vietnam's figures have been made throughout the year which resulted in a downward revision to the annual figure of around 43 tb/d. As more data have become available, the annual figure estimated to average around 0.35 mb/d. India and Malaysia witnessed some minor upward revisions of around 5 tb/d each.

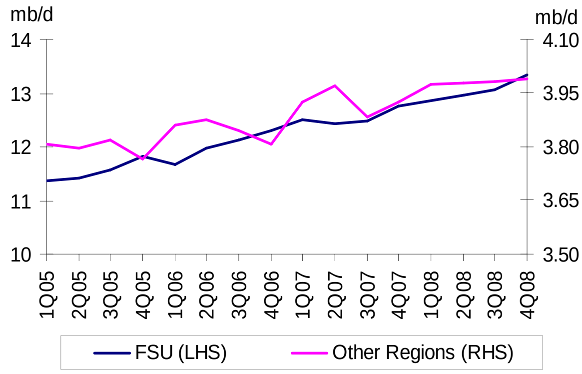
Latin American oil supply is expected to average around 3.92 mb/d in 2007, representing growth of around 53 tb/d over 2006 and a downward revision of 23 tb/d compared with last month's assessment. On a quarterly basis, output would average 3.89 mb/d, 3.89 mb/d, 3.90 mb/d and 3.99 mb/d respectively. Brazil is the only growth contributor with around 77 tb/d while other countries in the group partially offset this growth. In Brazil,the ramping up of Golfinho Mod-2 has been revised to match the latest data available, with a minor downward revision of around 11 tb/d being made to the annual figure. Trinidad & Tobago's annual figure witnessed a downward revision of 12 tb/d.

The **Africa** group is expected to average around 2.69 mb/d in 2007 with growth of around 84 tb/d over the previous year, representing an upward revision of 7 tb/d from last month's assessment. On a quarterly basis, oil supply from this group is expected to average 2.69 mb/d, 2.68 mb/d, 2.66 mb/d and 2.74 mb/d respectively.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.55 mb/d in 2007 which represents growth of around 0.53 mb/d over the previous year and a downward revision of around 11 tb/d from last month's assessment. On a quarterly basis, FSU supply is expected to average 12.50 mb/d, 12.44 mb/d, 12.48 mb/d and 12.75 mb/d respectively. Other Europe is expected to stay flat from 2006 at 0.15 mb/d, while China is grow by 82 tb/d to reach a level of around 3.78 mb/d in 2007, a downward revision of 28 tb/d from last month.

Graph 15: FSU and other region's quarterly production



Russia

Russian oil supply is expected to reach 9.88 mb/d in 2007 which represents growth of around 227 tb/d with a quarterly distribution of 9.87 mb/d, 9.83 mb/d, 9.89 mb/d and 9.91 mb/d respectively. Minor changes were made due to the earlier Sakhlin-2 winter shut-down including some technical problems in the project.

Caspian

Oil supply in **Kazakhstan** is expected to grow by around 56 tb/d to reach a level of 1.36 mb/d, unchanged compared with last month's assessment, with a quarterly distribution of 1.35 mb/d, 1.34 mb/d, 1.35 mb/d and 1.40 mb/d respectively.

Oil supply in **Azerbaijan** is expected to grow by around 238 tb/d to reach 0.89 mb/d in 2007, unchanged compared with last month's assessment.

China

Oil supply in China is expected to average 3.78 mb/d representing growth of 82 tb/d over 2006. Downward revisions of around 42 tb/d and 71 tb/d were made to the third and fourth quarters resulting a minor downward revision to the annual figure of 28 tb/d since last month, due to the release of the actual Peng Lai phase-2 startup date which has pushed back its ramp up through 2008 in addition to the release of actual data. On a quarterly basis, China's oil supply is expected to average 3.78 mb/d, 3.82 mb/d, 3.73 mb/d and 3.78 mb/d respectively.

Forecast for 2008

Non-OPEC supply growth in 2008 expected at 1.12 mb/d with Ecuador now included in OPEC figure

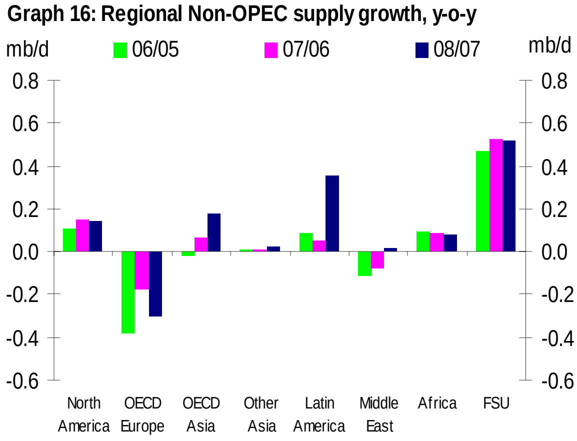
Non-OPEC supply is expected to average around 50.74 mb/d in 2008, an increase of 1.12 mb/d over last year and a downward revision of 15 tb/d from last month. On a quarterly basis, non-OPEC supply is expected to average 50.69 mb/d, 50.30 mb/d, 50.35 mb/d and 51.62 mb/d respectively.

Table 11: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.39	14.64	14.30	14.37	14.84	14.54	0.15
Western Europe	5.21	5.21	4.93	4.60	4.88	4.91	-0.31
OECD Pacific	0.63	0.71	0.76	0.83	0.90	0.80	0.17
Total OECD	**20.23**	**20.56**	**20.00**	**19.80**	**20.63**	**20.25**	**0.01**
Other Asia	2.71	2.73	2.72	2.81	2.88	2.78	0.07
Latin America	3.92	4.17	4.23	4.32	4.36	4.27	0.36
Middle East	1.68	1.69	1.69	1.69	1.69	1.69	0.01
Africa	2.69	2.76	2.77	2.76	2.77	2.76	0.08
Total DCs	**10.99**	**11.34**	**11.41**	**11.57**	**11.71**	**11.51**	**0.52**
FSU	12.55	12.87	12.97	13.06	13.34	13.06	0.52
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.78	3.83	3.83	3.84	3.84	3.83	0.06
Total "Other regions"	**16.47**	**16.84**	**16.95**	**17.04**	**17.33**	**17.04**	**0.57**
Total Non-OPEC production	**47.70**	**48.74**	**48.36**	**48.41**	**49.67**	**48.80**	**1.10**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**49.62**	**50.69**	**50.30**	**50.35**	**51.62**	**50.74**	**1.12**
Previous estimate	49.72	50.78	50.33	50.34	51.58	50.76	1.04
Revision	-0.10	-0.09	-0.03	0.02	0.03	-0.02	0.09

Revisions to the 2008 forecast

In the **USA,** the 2008 annual figure is forecast at 7.70 mb/d representing growth of 203 tb/d over the 2007 estimate, unchanged compared to last month.



Canada's oil supply level has been revised downward by 22 tb/d since last month as a result of extended downward revisions to the 2007 figure. The annual average now forecast at 3.39 mb/d representing growth of 15 tb/d over 2007.

Western Europe was revised upwardly by 5 tb/d to reach 4.91 mb/d representing a decline of 306 tb/d below 2007, as the revisions made to the current year have been extended through 2008.

Russia's oil production has been revised down by 41 tb/d due to revisions to the 2007 figure in addition to some slight changes in the ramping-up of some fields. Russia's oil supply is forecast to reach 10.10 mb/d in 2008 which represents growth of 222 tb/d over 2007.

In **China** production is forecast to reach 3.83 mb/d which is 56 tb/d over 2007 estimate, broadly unchanged from last month's assessment.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs to average 4.9 mb/d in 2008

OPEC NGLs and non-conventional oils are expected to average 4.39 mb/d in 2007, an increase of 0.33 mb/d over the previous year. In 2008, the annual figure may reach 4.91 mb/d, an increase of 0.52 mb/d over the forecast for the current year.

Table 12: OPEC NGL + non-conventional oils - 2005-2008

			Change						Change		Change
	2005	**2006**	06/05	1Q07	2Q07	3Q07	4Q07	**2007**	07/06	**2008**	08/07
Total OPEC	**4.08**	**4.06**	-0.02	4.22	4.35	4.40	4.61	**4.39**	0.33	**4.91**	0.52

OPEC crude oil production

OPEC production fell 131 tb/d in November due to heavy maintenance in the UAE

Total OPEC crude oil production averaged 31.45 mb/d in November, a decline of 131 tb/d from the October figure according to secondary sources. OPEC production (excluding Iraq) averaged 29.15 mb/d, representing a decline of 150 tb/d from the previous month. A significant decline of around 481 tb/d in the UAE due to announced maintenance in the Zakum field partially offset by significant increases of around 125 tb/d and 84 tb/d by Saudi Arabia and Angola with minor declines seen in Iran. Following its resumption of full membership in the Organization, Ecuador is now included in all OPEC figures.

Table 13: OPEC crude oil production based on secondary sources, 1,000 b/d

	2006	4Q06	1Q07	2Q07	3Q07	Sep 07	Oct 07	Nov 07	Nov/Oct
Algeria	1,365	1,359	1,335	1,352	1,366	1,378	1,385	1,417	*31.7*
Angola	1,385	1,404	1,554	1,628	1,678	1,715	1,720	1,804	*84.0*
Ecuador	536	517	502	507	503	505	508	530	*22.0*
Indonesia	895	862	855	844	836	835	837	843	*6.7*
Iran, I.R.	3,842	3,821	3,789	3,836	3,859	3,875	3,872	3,843	*-28.3*
Iraq	1,932	1,952	1,891	2,021	2,120	2,203	2,278	2,297	*18.7*
Kuwait	2,520	2,504	2,447	2,432	2,465	2,468	2,510	2,538	*27.9*
Libya, S.P.A.J.	1,702	1,709	1,686	1,695	1,716	1,723	1,733	1,737	*3.3*
Nigeria	2,235	2,248	2,153	2,051	2,155	2,179	2,140	2,183	*43.7*
Qatar	821	816	793	794	816	820	833	848	*15.8*
Saudi Arabia	9,112	8,792	8,571	8,537	8,590	8,654	8,779	8,904	*125.4*
UAE	2,540	2,524	2,487	2,524	2,568	2,578	2,598	2,117	*-480.8*
Venezuela	2,539	2,485	2,407	2,388	2,381	2,385	2,388	2,386	***-1.2***
Total OPEC	**31,426**	**30,993**	**30,471**	**30,610**	**31,054**	**31,315**	**31,578**	**31,447**	***-131.2***
OPEC excl. Iraq	**29,493**	**29,042**	**28,580**	**28,588**	**28,934**	**29,111**	**29,300**	**29,150**	***-149.8***

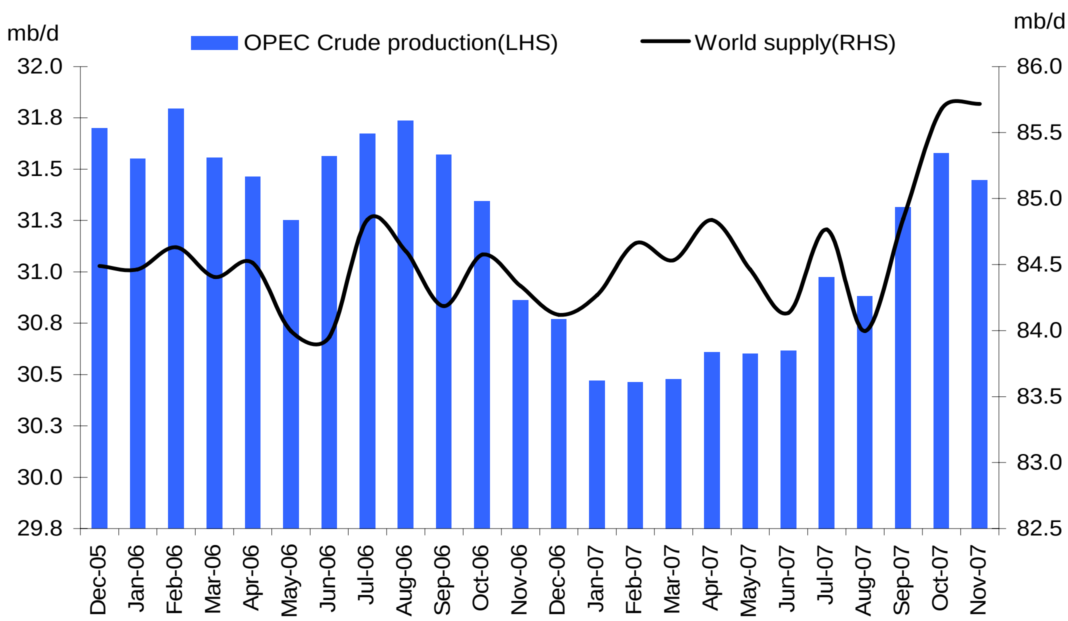
Totals may not add due to independent rounding.

World Oil Supply

World supply in November remained steady with the previous month

Preliminary figures for the month of November indicate that world oil supply averaged 85.72 mb/d, almost the same level as in the previous month, with OPEC's share at around 36.7%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 17: OPEC and World oil supply



FSU net oil exports rising 460 tb/d to reach 9.1 in 2008

FSU net exports of crude and products

Total FSU net oil exports are estimated to average 8.57 mb/d in 2007, an increase of 0.44 mb/d over the previous year. In 2008, total FSU net oil exports are forecast to reach 9.05 mb/d, an increase of 460 tb/d over the forecast for the previous year.

Current trends

Actual figures for September indicate that total crude exports from the FSU averaged 6.15 mb/d. The preliminary figures for October averaged 6.33 mb/d, a significant increase of 176 tb/d from the previous month. Russian pipeline exports in October declined by 114 tb/d. The CPC pipeline also witnessed an increase in exported volumes of 90 tb/d.

Table 14: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006	7.91	8.34	8.22	8.06	**8.13**	**0.44**
2007 (estimate)	**8.64**	**8.74**	**8.48**	**8.44**	**8.57**	**0.44**
2008 (forecast)	**8.96**	**9.21**	**9.00**	**8.97**	**9.03**	**0.46**

Table 15: Recent FSU exports of crude and products by source, mb/d

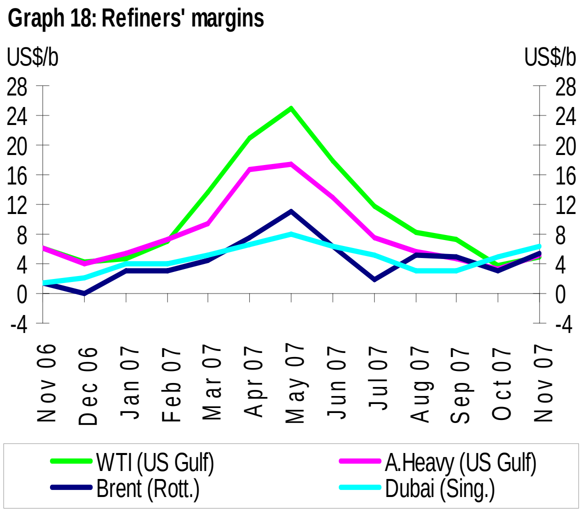
	2005	2006	1Q07	2Q07	3Q07	Sep 07	Oct 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,420	1,398	1,332	1,395	1,379
Baltic	1,462	1,553	1,601	1,647	1,647	1,689	1,655
Druzhba	1,315	1,288	1,138	1,134	1,091	1,168	1,105
Total	**4,112**	**4,129**	**4,158**	**4,180**	**4,071**	**4,252**	**4,138**
Other routes							
Russian rail	416	313	336	255	266	297	284
Russian - Far East	65	84	245	231	246	255	237
Kazak rail	17	31	18	13	12	18	17
CPC pipeline	648	661	709	712	673	640	730
Caspian	**295**	**396**	**332**	**250**	**196**	**189**	**205**
of which							
Supsa (AIOC) - Georgia	137	114	2	0	0	0	0
Batumi - Georgia	140	177	187	140	105	106	125
Total**	**1,441**	**1,702**	**2,233**	**2,298**	**2,143**	**1,899**	**2,189**
Total crude exports	**5,553**	**5,831**	**6,392**	**6,478**	**6,214**	**6,151**	**6,327**
Products							
All routes							
Fuel oil	836	861	877	786	789	798	1,021
Gasoil	759	841	696	601	597	577	767
Others	575	662	602	671	676	661	827
Total	**2,170**	**2,386**	**2,175**	**2,058**	**2,062**	**2,036**	**2,615**
Total oil exports	**7,723**	**8,217**	**8,567**	**8,536**	**8,275**	**8,187**	**8,942**

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Refinery margins improved across the board in November

The perception of a tight distillate market along with an early cold snap in the Atlantic Basin caused product price increases to outstrip the sharp rise in crude oil prices, lifting refinery margins across the globe in recent weeks. However, this situation has eased as product stocks build, especially in the USA, mitigating the perception of market tightness and putting pressure on both the physical and futures product markets. The current circumstances of the product markets may change in the near term if faced with an extended cold winter particularly in the Western Hemisphere which could lift both product and crude prices.



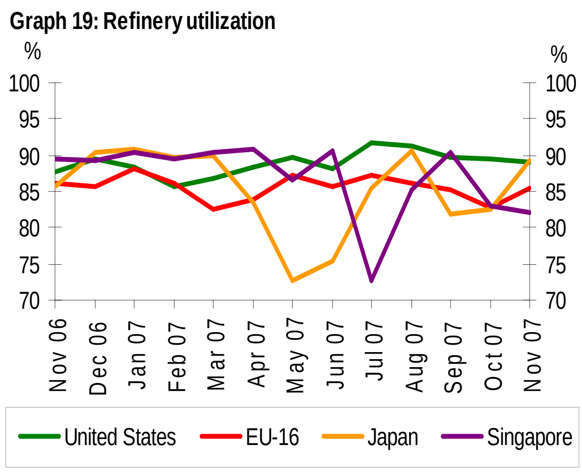
As **Graph 18** indicates, refinery margins for the benchmark WTI crude in the US Gulf Coast increased by $1.05/b to $4.85/b from $3.80/b in October. In Europe, refinery margins for Brent at Rotterdam surged by $2.26/b to reach $5.42 /b from $3.16/b last month.

In Asia, the market continued its previous upward trend, as local refiners benefited from robust regional demand and strong arbitrage opportunities for middle distillates to Europe. As **Graph 18** reveals, refinery margins for benchmark Dubai crude in the Singapore market rose by $1.38/b to $6.36/b in November from $4.98/b in the previous month.

Refinery Operations

Refinery throughputs increased recently across the globe

Refinery operations have been facing planned and unplanned outages over the first ten months of this year which have affected the entire petroleum complex over the same period. This situation has led to sharp product stock-draws especially in the Atlantic Basin area and compounded the perception of market tightness over the last months. As mentioned in the last *MOMR*, the number of refinery snags dropped in the last two months, but heavy seasonal turnarounds have undermined refinery throughputs across the board over the same period. Most autumn maintenance schedules have been completed in the latter part of November which led to higher utilization rates in the same month compared to previous months.



Although declining slightly from the previous month, refinery utilization rates in the USA increased by 2% in the last two weeks of November compared to the previous two weeks (see *Graph 19*). In Europe, refinery throughputs also surged with utilization rates rising by 3% to 85.4% in November from 82.4% in the previous month. Asian refineries saw similar trends, with refinery operations improving in most countries. In Japan, utilization rates jumped to 89.3% from 81.1% in October.

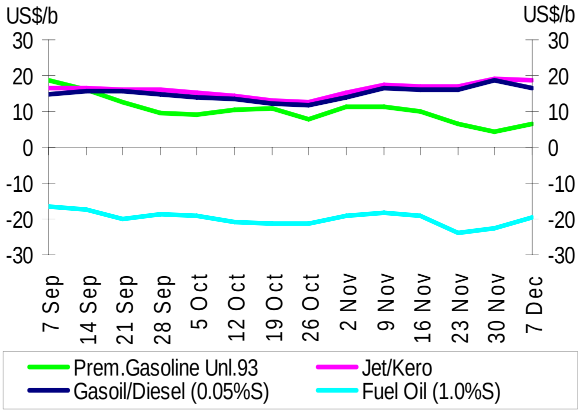
Due to higher demand for middle distillates and the need to build gasoline stocks prior to the spring maintenance schedule, refinery utilization rates are expected to increase significantly over the coming months.

US market

Product market sentiment in the USA lost part of its strength

A cold snap along with the tight distillate market boosted the US product market sentiment in early November. This situation has changed in the latter part of the same month amid higher domestic output and increasing imports of light products which resulted in product stock-builds and exerted pressure on product prices. Following these bearish developments, the gasoline market significantly lost ground and its crack spread versus benchmark WTI crude narrowed sharply (see *Graph 20*). This situation also triggered a technical sell-off in the futures market. Despite this bearish trend, the gasoline market can still not be characterized as well supplied.

Graph 20: US Gulf crack spread vs. WTI, 2007



Middle distillate prices also jumped in November, providing support for refinery economics. However, higher imports and more domestic production have led to distillate stock-builds of about 1.4 million barrels in the latter part of November, which eased the perceived tightness in the distillate market. Following these movements, market players liquidated positions in the Nymex futures market capping the upward trend in distillate prices. The current sentiment of the distillate market could regain strength if weather conditions turn and cold weather persists for an extended period. These circumstances could lift product and crude prices.

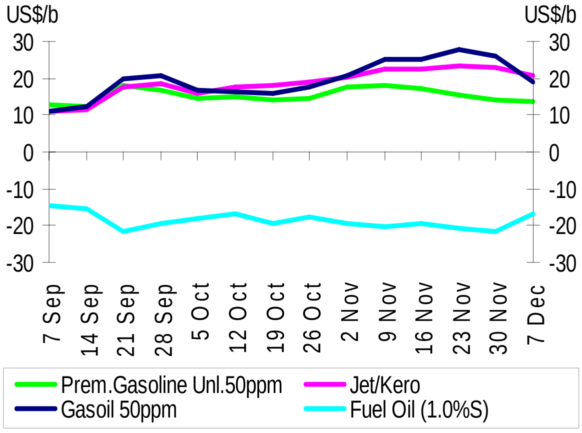
The US fuel oil market circumstances improved a little bit in early November, and its discounted value versus WTI crude narrowed. It lost momentum later in the month, as cheaper natural gas dampened fuel oil demand from the utility plants. Considering the present low prices of natural gas and its total storage which stands at around 32 bcf, or 9% above the five-year average, US fuel oil market conditions are not expected to improve significantly over the coming months.

European market

Increasing regional output and mild weather have mitigated the earlier tightness of the European distillate market

Tight supply of diesel has been the major concern for the European market over the last months which encouraged market players to export low-sulphur gasoil from across the world to Europe. These circumstances have widened both the jet/kero and low-sulphur gasoil crack spreads against benchmark Brent crude to over $24/b in November (see *Graph 21*). Upon completion of the maintenance schedule and increasing regional production, as well as mild weather, the previous bullish sentiment of the European distillate market has changed and undermined distillate prices sharply both in the physical and the paper markets in early December. By raising the risk of an economic slowdown which would have a negative impact on the distillate market, weather circumstances would remain the sole wild card of the market in the near future.

Graph 21: Rotterdam crack spreads vs. Brent, 2007



Apart from the distillate market, the lack of sufficient arbitrage economy to the USA has also exerted further pressure on the European gasoline market and narrowed the gasoline crack spread against Brent to about $13/b in the week ended 7 December from around $17/b in early November. The current sentiment of the European gasoline market may continue over the coming months. It is worth noting that, despite the bearish momentum in the gasoline market, the European naphtha market remained strong which was attributed to higher demand from regional petrochemical units and arbitrage opportunities to Asia.

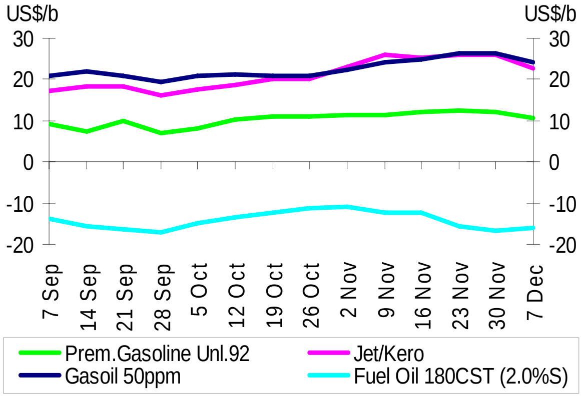
The European fuel oil market remained lacklustre and sluggish demand continued to undermine the high-sulphur crack spread versus Brent. However, recently the low-sulphur market gained some momentum. The low-sulphur fuel oil crack spread against Brent in Rotterdam recently narrowed to minus $17/b from about minus $20/b in early November.

Asian market

Asian naphtha market rebounded in November

With the exception of high-sulphur fuel oil, product market sentiment in Asia remained strong in November, as lower Chinese gasoline exports lent support to the light distillate market. These developments are reflected in Graph 22 which shows that the premium gasoline crack spread against benchmark Dubai crude in Singapore jumped to $12.16/b in the last week of November from $10.98/b in the same period of the previous month.

Graph 22: Singapore crack spreads vs. Dubai, 2007



The naphtha market has also switched from contango to steep backwardation, as lower exports from India together with robust demand from petrochemical units lifted naphtha prices in both the physical and paper markets. These circumstances prompted traders to send more arbitrage cargoes from Europe to Asia. The current sentiment of the naphtha market may persist over the coming months supporting light crude prices.

The performance of the middle of the barrel complex in Asia also continued its previous upward trend, as less supply from South Korea reinforced the persistent bullish sentiment and both kerosene and gasoil prices surged. The jet/kero crack spread versus Dubai jumped to over $26/b in the last week of November from about $20/b in the same period last month.

Similarly, sustained arbitrage opportunities to Europe and strong Chinese buying provided support for the gasoil market. In line with such movement, the low-sulphur gasoil crack spread against the corresponding Dubai crude reached over $26/b recently up from around $20/b in the last week of October (**see *Graph 22***).

The fuel oil market in Asia was undermined compared to the previous month amid weak demand from China and the arrival of huge arbitrage cargoes. This situation has been underpinned by aggressive selling in the swap market. These conditions have widened the high-sulphur fuel oil discount versus Dubai from around minus $11/b in the last week of October to nearly minus $16.60 in the same week of November.

Table 16: Refined product prices, US$/b

		Sep 07	Oct 07	Nov 07	Change Nov/Oct
US Gulf (Cargoes):					
Naphtha		85.76	87.60	97.14	9.54
Premium gasoline	*(unleaded 93)*	93.68	95.62	103.31	7.69
Regular gasoline	*(unleaded 87)*	88.95	89.41	99.30	9.89
Jet/Kerosene		95.68	99.72	112.30	12.58
Gasoil	*(0.05% S)*	94.56	98.72	111.40	12.68
Fuel oil	*(1.0% S)*	61.29	65.35	74.10	8.75
Fuel oil	*(3.0% S)*	57.01	63.68	72.17	8.49
Rotterdam (Barges FoB):					
Naphtha		91.24	97.94	108.46	10.52
Premium gasoline	*(unleaded 50 ppm)*	94.47	97.25	109.03	11.78
Premium gasoline	*(unleaded 95)*	84.23	86.50	97.05	10.55
Jet/Kerosene		93.42	100.40	115.45	15.05
Gasoil/Diesel	*(50 ppm)*	94.83	99.44	118.34	18.90
Fuel oil	*(1.0% S)*	54.49	64.34	72.16	7.82
Fuel oil	*(3.5% S)*	55.65	62.26	70.61	8.35
Mediterranean (Cargoes):					
Naphtha		77.52	82.97	90.71	7.74
Premium gasoline	*(50 ppm)*	93.63	96.73	109.76	13.03
Jet/Kerosene		92.08	99.00	112.90	13.90
Gasoil/Diesel	*(50 ppm)*	95.31	99.29	117.22	17.93
Fuel oil	*(1.0% S)*	58.55	64.04	74.37	10.33
Fuel oil	*(3.5% S)*	56.10	62.37	70.01	7.64
Singapore (Cargoes):					
Naphtha		75.28	81.18	91.38	10.20
Premium gasoline	*(unleaded 95)*	82.51	88.71	100.29	11.58
Regular gasoline	*(unleaded 92)*	81.35	87.46	98.94	11.48
Jet/Kerosene		90.44	96.62	112.77	16.15
Gasoil/Diesel	*(50 ppm)*	93.78	98.11	112.26	14.15
Fuel oil	*(180 cst 2.0% S)*	58.90	65.70	74.21	8.51
Fuel oil	*(380 cst 3.5% S)*	58.15	65.67	73.95	8.28

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Sep 07	Oct 07	Nov 07	Nov/Oct	Sep 07	Oct 07	Nov 07	Nov/Oct
USA	15.49	15.45 R	15.37	-0.08	89.7	89.4	89.0	-0.40
France	1.58	1.45	1.75	0.30	80.8	73.9	89.4	15.50
Germany	2.24 R	2.23 R	2.17	-0.06	92.6 R	92.0 R	89.6	-2.40
Italy	1.90	1.81 R	1.87	0.06	81.2	77.6 R	80.2	2.60
UK	1.53 R	1.53	1.56	0.03	81.2 R	81.1	82.5	1.40
Eur-16	11.96 R	11.57 R	11.99	0.42	85.1 R	82.4 R	85.4	3.00
Japan	3.82	3.79 R	4.17	0.38	81.8	81.1 R	89.3	8.20

R   *Revised since last issue.*
Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Tanker Market

OPEC spot fixtures rose in November on the back of increased tonnage demand

According to preliminary data, OPEC spot fixtures increased sharply in November to reach the highest level since February 2005. The rise of around 25% came mainly in the late part of November on the back of increased production as well as higher demand for the post-maintenance winter season. The level of OPEC spot fixtures indicated an annual increase of more than 36% compared to the same period last year. Global spot fixtures also increased in November by around 15% compared to a month earlier. Middle East spot fixtures increased in November for both west- and eastbound voyages. Eastbound fixtures increased by around 16% in November while westbound fixtures jumped by 137% to mark the highest level since August 2006. The decline in stocks in the west was one of the main reasons for the increase in Western spot fixtures in November as well as the preparation for the winter season. On an annual basis, Middle East to the West spot fixtures increased 84% in November.

OPEC sailings remained nearly steady in November according to preliminary data, with only a minor increase of less than 1% compared to a month earlier. Middle East sailings indicated a minor decline of less than 1% in November. However, sailings are expected to increase in the coming month as chartering activities for the coming period indicate more volumes which have partially resulted in the freight rate increase in the late part of November. Initial estimates show that US and Caribbean arrivals decreased 6% in November, while arrivals in North-West Europe rose by slightly more than 1%. On an annual basis, US arrivals displayed a y-o-y decline of 11%.

Table 18: Tanker chartering, sailings and arrivals, mb/d

	Sep 07	Oct 07	Nov 07	Change Nov/Oct
Spot Chartering				
All areas	18.72	19.48	22.37	2.89
OPEC	11.95	12.61	15.75	3.14
Middle East/east	4.81	5.92	6.86	0.94
Middle East/west	1.56	0.93	2.22	1.28
Sailings				
OPEC	23.19	23.14	23.30	0.16
Middle East	17.54	17.48	17.38	-0.10
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.87	8.80	8.29	0.35
North West Europe	7.96	8.44	8.54	0.37
Euromed	5.09	5.24	5.08	0.54

Source: "Oil Movements" and Lloyd's Marine Intelligence Unit.

Crude oil spot freight rates increased sharply on the back of higher tonnage demand

After several months the moment that ship owners were waiting for finally arrived in November. In almost all spot freight sectors, rates increased with the dirty spot freight market breaking out of the bearish position supported by various developments. November started with spot freight rates following in the foot steps of October, yet the second half of November brought the rebound that owners were craving for.

The VLCC sector started November with a reasonable amount of activities, yet ample tonnage halted any remarkable hike in freight rates. In the second week of the month, the activity level dropped, yet a thinning tonnage list countered the effect and rates rose slightly. During the second half of the month, the activity level rose sharply with bookings from the Middle East to the USA increasing to meet the rise in refinery utilization rates as well as to rebuild the stocks that had recently been on a decline. Furthermore, activity to the East also increased with consumers trying to sort out tonnage requirements for the coming winter demand. Additionally, the increase in OPEC output that had started in November supported the tanker market significantly. At one point during the last week of November, VLCC spot freight rates reached a 22-month high.

Spot freight rates for East of Suez VLCC long-haul from the Middle East to eastern destinations closed the month with an increase of 56% in November from the previous month, the highest increase so far in 2007. The increase in activities on the back of refineries returning from maintenance as well as the preparation for the coming winter season were seen as the reasons behind the increase. Additionally, low stock levels in major consuming countries in Asia as well as OPEC production increase to a large extent supported the freight market. Moreover, the increase in bookings from the Middle East to the West added to the bullish sentiments as vessels are kept out of the market for a longer period. Spot freight rates for VLCCs moving volume on the long-haul route of Middle East to Western destinations increased 54% in November from the previous month. In addition to the above-mentioned factors, the record-high bunker prices did not leave any choice for owners but to keep freight rate levels high or leave their ships idle which further added to the bullish momentum. On an annual basis, VLCC freight rates rose on average 20% in November.

Similarly, West of Suez VLCC spot freight rates increased in November following the same steps as the East of Suez market yet with a lesser magnitude. Spot freight rates for VLCCs trading from West Africa to the East rose 28% in November compared to a month earlier. While the general market momentum supported the increase in freight rates, Asian buyers' appetite for West African crude weakened with higher freight element. Accordingly, VLCC spot freight rates did not increase as much as in the Middle East as higher spot freight rates made the crude less attractive hence influencing tonnage demand.

The Suezmax sector increased in November compared to the previous month; however, the gains were not as sharp as in the VLCC sector. On average, Suezmax spot freight rates increased 25% in November from a month earlier. From West Africa, Suezmax spot freight rates in November remained at similar levels as in the previous month. Then towards the middle of the month rates declined on steady activity and ample supply. However, the rebound in VLCC rates at the end of the month influenced Suezmax rates as both sectors interact widely in the region. Accordingly, Suezmax spot freight rates increased 28% in November from the previous month with a steady position on an annual basis. Similarly, Suezmax availability affected the rates in the middle of November in the North-West Europe region before the rebound at the end of the month. Suezmax spot freight rates on the North-West Europe to the US route increased 21% in November from the previous month, with a 7% annual increase.

Table 19: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	**Sep 07**	**Oct 07**	**Nov 07**	**Change Nov/Oct**
Crude					
Middle East/east	230-280	60	61	96	35
Middle East/west	270-285	46	47	73	25
West Africa/east	260	53	61	78	17
West Africa/US Gulf Coast	130-135	78	95	121	26
NW Europe/USEC - USGC	130-135	79	98	119	21
Indonesia/US West Coast	80-85	124	117	148	31
Caribbean/US East Coast	50-55	119	141	154	14
Mediterranean/Mediterranean	80-85	100	149	151	2
Mediterranean/North-West Europe	80-85	98	145	147	3
Products					
Middle East/east	30-35	173	158	171	13
Singapore/east	30-35	219	195	190	-5
Caribbean/US Gulf Coast	38-40	181	186	223	36
NW Europe/USEC - USGC	33-37	171	194	236	42
Mediterranean/Mediterranean	30-35	142	166	269	102
Mediterranean/North-West Europe	30-35	151	177	279	102

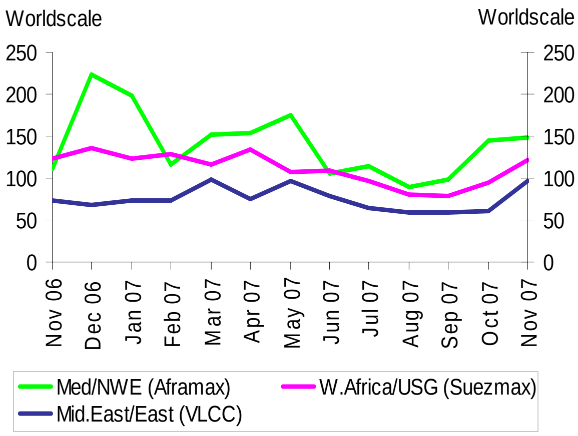
Source: Galbraith's Tanker Market Report and Platt's.

The Aframax sector was mixed in November with spot freight rates ranging from increasing to remaining steady. In East of Suez, the activity level increased gradually supporting a slow increase in spot freight rates with increased activity coming partially from China. The reported East of Suez route indicated a 27% increase in November from the previous month. West of Suez spot freight rates remained relatively steady in the Mediterranean, while Caribbean rates increased in November. The healthy tonnage list halted any rate increase in the Mediterranean, with the level of activity increasing toward the end of the month, however, not enough to move the monthly average to a positive position. However, in the Caribbean, a healthy level of activity upcoast supported spot freight rates which closed November with a 10% increase over the previous month.

Clean spot freight rates increased on most routes in November supported by tonnage tightness and increased activities

The clean tanker market gained some ground in November with winter demand — as a focal point — supporting the activity level and spot freight rates. Most of the reported routes registered increases in November from the previous month with West of Suez spot freight rate gains outpacing East of Suez. In the East, clean tanker spot freight rates from the Middle East to the East experienced a gradual increase throughout November. Despite the long tonnage list at the beginning of the month — driven by owners turning down long voyages due to high bunker prices — high bunker prices defined a bottom line that owners had no choice but to maintain.

Graph 23: Monthly averages of crude oil spot freight rates



As November progressed, the tonnage list thinned supported by healthy naphtha activities from India and the Middle East. Additionally, arbitrage opportunities to Europe, with distillate stocks declining, further supported the rapid shrinking of the position list which helped to drive rates up. Clean tanker spot freight rates from the Middle East to the East rose 8% in November from the previous month with a 10% annual rise. However, increased vessel availability impacted the Singapore to the East route and rates remained steady to declining during the first 20 days of November. For the last 10 days of the month, long awaited Chinese demand supported clean spot freight rates in addition to the increased trans-Pacific arbitrage to the US and Latin America. Accordingly, clean tanker spot freight rates closed November with a 2% decline from the previous month, but with a 13% increase annually.

The West of Suez clean tanker market increased on all reported routes in November compared to the previous month. Clean spot freight rates in the Caribbean started the month following October's trail. Thereafter, rates were supported by increased activities and tonnage tightness, due to delays in the New York Harbor and firm activities in West Africa as well as delays at the East Coast of Mexico. Caribbean clean spot freight rates upcoast increased 19% in November from a month earlier. From NW Europe to the US, clean spot freight rates increased 22% in November from the previous month supported by the partially open gasoline arbitrage and various delays. In the Mediterranean, clean spot freight rates experienced a gradual increase throughout November supported by delays in the Turkish Strait as well as the increase in tonnage demand on the back of increased cargo activities. Clean spot freight rates for tankers moving from the Mediterranean rose 60% in November from a month earlier, with an annual increase of around 21%.

Oil Trade

OECD net oil imports rose in October on the back of both net crude oil and product import increases

OECD

In October, OECD crude oil imports increased by more than 1% over the previous month, according to preliminary data, compared to a month earlier. The increase in Japan's crude oil imports in preparation for the end of the refinery maintenance season was the main contributor to the rise in OECD crude oil imports. The increase in OECD Europe's crude oil imports also supported the rise, while the decline in US crude oil imports capped any further increase. Despite the monthly rise, OECD crude oil imports experienced an annual decline of around 4%. Similarly, OECD product imports increased 2.6% in October from the previous month to mark the highest level since May 2007. The increase of Japan's and US product imports supported OECD total product imports in October. On an annual basis, OECD product imports experienced a decline of less than 5% in October.

On the export side, OECD crude oil exports increased by more than 2% in October supported by increased output from various OECD production locations. In contrast, OECD product exports declined in October by more than 1% on the back of various refinery turnarounds. Accordingly, OECD net oil imports increased 2.5% in October from the previous month supported by increases in both net crude oil and product imports. Compared to the same period of last year, OECD net oil imports indicated a decline of around 4% in October.

Table 20: OECD Crude and Product Net Imports/(Exports), tb/d

	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Crude oil	24,302	22,338	22,921	584
Total products	1,569	1,357	1,731	375
Total crude and products	**25,871**	**23,694**	**24,653**	**958**

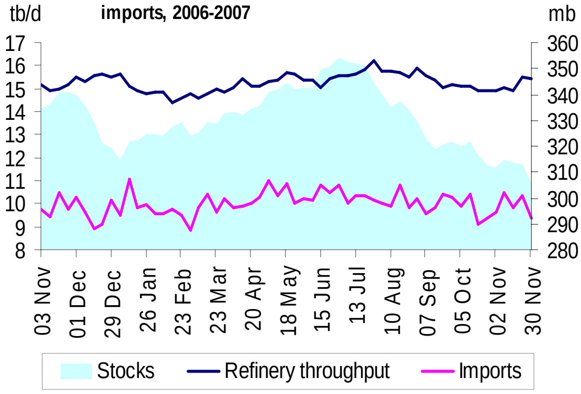
Saudi Arabia remained the largest supplier of OECD crude oil imports in October with around 14% followed by Russia with 13%. On the product side, Russia remained the top supplier of OECD products with around 10%.

US crude oil imports increased in November on the back of higher refinery runs

USA

US crude oil imports increased by more than 3% in November from the previous month as refinery utilization rates increased. Declining crude oil stocks also supported the rise in imports. However, continuing backwardation in the futures market as well as improved refinery throughput halted any significant stock-build in November compared to a month earlier. On an annual basis, US crude oil imports registered a 1.5% increase in November.

Graph 24: US weekly crude oil stocks, refinery throughput and imports, 2006-2007



US product imports declined sharply by around 6% in November compared to the previous month. The increased refinery throughput was attributed to the drop in US product imports. All major product imports declined in November with gasoline imports decreasing by around 6% from a month earlier. The partially closed gasoline arbitrage was one of the reasons behind the decline in addition to the slight drop in gasoline demand. Imports of kerosene and distillates also declined in November despite increased demand. The rise in distillate production in November was one of the main reasons for the decline in imports. US fuel oil imports fell in November from the previous month as both production increased and demand decreased.

On the export side, US crude oil exports remained relatively steady in November while product exports increased by more than 3% to reach the highest level since January. High price of diesel and jet fuel in North-West Europe opened the arbitrage from the USA. Additionally, increased refinery production supported the rise in exports. Compared to the same period last year, US product exports registered an 8% drop in November. As a result, US net oil imports increased slightly by less than 1% in November from the previous month but saw an annual increase of around 6%. The increase in net crude oil imports supported US total net oil imports offsetting the decline driven by net product imports.

Table 21: USA Crude and Product Net Imports/(Exports), tb/d

	Sep 07	Oct 07	Nov 07	Change Nov/Oct
Crude oil	9,991	9,642	9,960	318
Total products	2,109	2,407	2,159	-248
Total crude and products	**12,100**	**12,049**	**12,120**	**71**

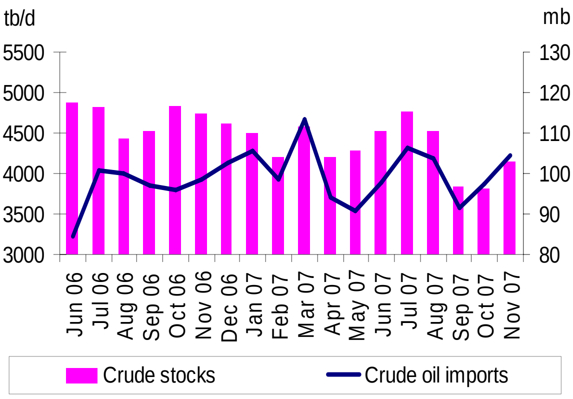
Canada remained the top crude oil supplier for the USA in September with around 19% followed by Saudi Arabia with around 14%. Mexico came next with less than 13% followed by Venezuela with more than 11%. Nigeria came fifth with 11%. OPEC Member Countries supplied more than 54% of US crude oil imports in September. For US product suppliers, Canada came first with more than 16% followed by the Virgin Islands with more than 11%. OPEC Member Countries supplied more than 18% of US product imports in September.

Japan

Japan's net oil imports increased in November supported by a rise in crude oil imports and a drop in product exports

According to estimated data, Japan's crude oil imports rose by around 2% in November from the previous month to mark the highest level since July 2007. The increase came on the back of higher refinery throughput as some refineries returned from maintenance. Refiners' efforts to rebuild kerosene stocks for heating during the winter season supported crude oil imports as did direct burning requirements for power generation. On an annual basis, Japan's crude oil imports registered an increase of more than 7% in November.

Graph 25: Japanese crude oil imports and crude stocks



In contrast, Japan's product imports fell by around 7% in November from the previous month. The increase in refinery throughput supported the decline of product imports. On the export side, Japan's product exports fell more than 14% in November compared to a month earlier. Limited arbitrage opportunities as well as Japanese refiners prioritizing supplying products to the local market over exports supported the decline. However, Japan's product exports increased a considerable 61% in November compared to the same period last year.

Therefore, Japan's net oil imports increased by more than 2% in November from the previous month supported by rises in both net crude oil and product imports. Despite the monthly increase, Japan's net oil imports indicated a decline of less than 1% in November compared to the same period last year. Net product imports indicated a sharp annual decline of more than 70% in November.

Table 22: Japan's Crude and Product Net Imports/(Exports), tb/d

	Sep 07	Oct 07	Nov 07	Change Nov/Oct
Crude oil	3,566	4,157	4,227	70
Total products	50	70	106	35
Total crude and products	**3,616**	**4,227**	**4,332**	**105**

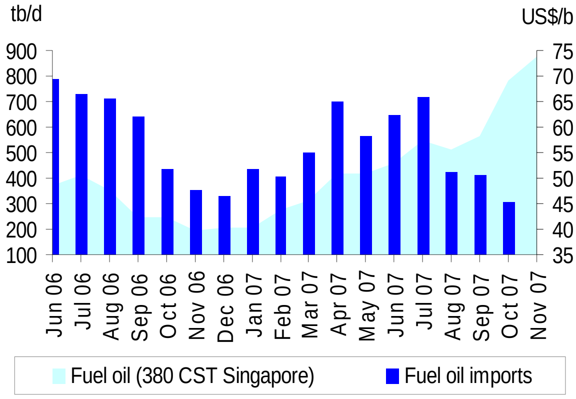
In October, Saudi Arabia was the main supplier of Japan's crude oil with 28% followed by the UAE with 25%. Qatar came next with 12% then Iran with 10% and Kuwait with 6%. OPEC Member Countries supplied around 89% of Japan's crude oil in October, 20% higher than in the previous month. For products, Japan imported 17% from Saudi Arabia followed by the UAE with 10%. Kuwait came third with 9% followed by Qatar with slightly less than 9%.

China

China's crude oil imports declined sharply in October to the lowest level this year

China's crude oil imports declined considerably in October from the previous month. The drop of around 11% in China's crude oil imports resulted in the lowest level since December 2006 and marked the only level below 3 mb/d so far in 2007. On an annual basis, China's crude oil imports indicated a 16% increase in October. The week-long holiday at the beginning of October, coupled with slightly lower refinery runs and soaring crude oil prices, was among the reasons behind the decline.

Graph 26: Chinese fuel oil imports and fuel oil prices



China's product imports decreased sharply by around 23% in October compared to a month earlier. Imports of gasoline declined considerably by around 60% in October as major producers reallocated resources for the domestic market with China's gasoline output increasing more than 4%. Additionally, the impact of high prices on import margins depressed China's gasoline imports in October. Imports of naphtha declined in October compared to the previous month. Gasoil imports increased in October by around 60% in order to meet domestic demand, with Taiwan as China's top supplier. China's product imports indicated a 16% decline in October compared to the same period last year.

China's fuel oil imports continued to decline in October reaching the lowest level since 2004. The drop of around 23% came on the back of sluggish demand caused by deteriorating import margins. Additionally, many users switched to other products such as LNG and local grades of fuel oil instead of importing. High oil prices dampened independent refiners' demand for imported fuel oil. With 29% South Korea was China's top supplier of fuel oil followed by Russia with 15% and Venezuela with 12%.

China's crude oil exports increased sharply in October to reach the highest level since May 2007. The rise of around 63,000 b/d in crude oil exports was partially due to the increase in China's crude oil output in addition to producers taking advantage of high international prices. China's product exports decreased around 30% in October from the previous month. China's gasoline exports declined by around 27% in October from a month earlier. The decline came as Chinese authorities requested major refiners to reduce exports to ensure that the domestic market was adequately supplied.

Gasoil exports declined by around 40% in October compared to the previous month, as output decreased slightly. China's fuel oil exports fell sharply in October by more than 56% compared to the previous month. The main reasons behind the drop in fuel oil exports were the decline in fuel oil imports as well as the decrease in fuel oil output. China's fuel oil output declined mainly due to refineries running lighter crude grades to produce more distillates in view of soaring gasoline and gasoil prices. China's jet fuel exports declined by around 15% in October compared to the previous month due to the low tourism season in Hong Kong and Macao. China's naphtha exports increased by around 22% in October from the previous month.

As a result, China's net oil imports declined a considerable 13% in October from the previous month, the lowest level since December 2006. The decrease in China's crude oil imports and the increase of crude oil exports were the main drivers behind the decline in net oil imports, with net crude oil imports falling 13% in October. Despite the monthly decline, China's annual net oil imports registered an increase of more than 11%.

Table 23: China's Crude and Product Net Imports/(Exports), tb/d

	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Crude oil	3,245	3,286	2,866	-420
Total products	424	446	376	-71
Total crude and products	**3,668**	**3,732**	**3,241**	**-491**

Saudi Arabia remained China's top crude oil supplier in October with around 18%, followed by Iran with 15% and Angola with 14%. China's crude oil imports from Russia stood at 8%, with rail transfer crude declining due to ongoing discussions regarding transport fees.

India

India's crude oil imports increased in October supporting net oil imports to increase 5% from the previous month

In October, India's crude oil imports jumped, considerably offsetting the previous month's decline. Crude oil imports totaled 10% higher in October from a month earlier. The increase in crude oil imports came on the back of the completion of some maintenance work on a few units during October. Additionally, the healthy level of demand supported crude oil imports in India. However, despite the monthly increase, India's crude oil imports indicated a 6% decline compared to the same period last year. On the other hand, India's product imports declined by 19% in October compared to the previous month. Imports of diesel declined sharply despite the increase of domestic sales in October. Other product imports remained relatively steady with minor increases. On an annual basis, India's product imports indicated a decline of around 3%.

On the export side, India's product exports increased by around 5% in October from the previous month, mainly driven by increases in naphtha and diesel exports. However, India's exports of fuel oil declined slightly in October from the previous month. Despite the monthly increase, India's product exports experienced a decline of around 2% compared to the same period last year.

Table 24: India's Crude and Product Net Imports/(Exports), tb/d

	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Crude oil	2,415	2,103	2,315	212
Total products	-387	-377	-497	-120
Total crude and products	**2,028**	**1,726**	**1,818**	**92**

Accordingly, India's net oil imports increased by around 5% in October from the previous month driven mainly by the increase in net crude oil imports while net product imports weighed down total net oil imports. However, India's net oil imports indicated a 7% decline compared to the same period last year.

Stock Movements

US crude oil stocks declined for the fifth month, narrowing the overhang with the five-year average to around 2 mb from 40 mb in summer

USA

US commercial oil stocks followed their seasonal trend falling a further 12 mb to stand at 1,002 mb at the end of November, around 4 mb above the five-year average. The drop was roughly split between crude oil and products.

Commercial crude oil stocks dropped for the fifth consecutive month to stand at 305 mb, a decline of 6.9 mb from the previous month. The bulk of the draw took place in the last week of the month when stocks lost almost 8 mb due to a massive decline of nearly 1 mb/d in imports. This was essentially the result of the disruption of Canadian supplies from the temporary closure of the Enbridge pipeline following a fire. With this drop, US crude oil stocks have lost some 50 mb since the end of June and the gap with the five-year average narrowed from around 40 mb at that time to just 2.3 mb at the end of November. The backwardation in the market, although narrowed, continued to contribute to the draw on stocks. In terms of forward cover, commercial crude oil stocks represented more than 20 days, which was above the five-year average.

Following the same trend, product inventories fell 5.2 mb as a result of an increase in gasoline and a draw on other products. Gasoline stocks surged 5.5 mb to offset the draw of the previous month standing above 200 mb for the first time since last July. This significant build was attributed to the combination of strong imports and lower demand. However, following this increase, it was the first time since mid-March where the deficit with the five-year average was offset as stocks reached the five-year average in the week ending 30 November and were also equivalent to the level of the corresponding week of the previous year. When expressed in terms of forward cover, gasoline stocks represented about 21 days, or one day below the five-year average.

In contrast, distillate stocks reversed the upward trend, falling 3.2 mb to stand at 132.2 mb. Despite this draw, distillate stocks remained above the five-year average and close to the upper end of the range. In terms of forward cover, they were 1 day lower than the five-year average. By product, the picture remained almost the same with diesel showing a surplus of around 20% from the five-year average while heating oil saw its deficit with the five-year average increase as stocks followed a downward trend along the month, helped by the cold in the US Northeast, the main consuming region. Similarly, residual fuel oil and jet fuel stocks fell 0.1 mb and 1.6 mb, respectively.

The Strategic Petroleum Reserve (SPR) increased a further 1.4 mb in November to hit 695.4 mb, the highest level in more than two years. Despite critics that filling SPR is contributing to higher crude oil prices, the Department of Energy is expected to continue its policy of filling the SPR with a programme of more than 12 mb of royalty-in-kind over a period of six months starting next January. Contracts to deliver crude oil have already been awarded to Shell, Sunoco, and BP.

Table 25: US onland commercial petroleum stocks, mb

	Sep 07	Oct 07	Nov 07	Change Nov 07 /Oct 07	Nov 06	07 Dec 07 *
Crude oil	315.3	312.0	305.1	-6.9	334.5	304.5
Gasoline	198.7	195.1	200.6	5.5	204.0	202.2
Distillate fuel	133.6	135.4	132.2	-3.2	140.6	131.5
Residual fuel oil	37.0	38.3	38.2	-0.1	43.4	39.5
Jet fuel	42.9	41.5	39.9	-1.6	37.7	39.9
Total	**1,026.1**	**1,013.9**	**1,001.8**	**-12.1**	**1,056.5**	**1,000.7**
SPR	692.8	694.0	695.4	1.4	688.6	695.5

**/ Latest available data at time of report's release.*

Source: US Department of Energy's Energy Information Administration.

Recent data show that US total commercial stocks continued to decline, falling a further 1.2 mb to stand around 1,001 mb in the week-ended 7 December. This corresponds to 36 mb below the year-ago level, but still 6 mb or 1% above the five-year average. Crude oil stocks dropped by just 0.7 mb against 8 mb in the previous week where arrivals where disrupted by bad weather. At almost 305 mb, crude oil stocks remained a slight 1 mb above the five-year average, compared with an overhang of more than 40 mb in mid-July. Similarly, distillate stocks dropped 0.8 mb to 132 mb, the same level as a year ago, but remained comfortable above the five-year average and close to the upper end of the five-year range. The draw on distillate stocks was attributed to heating oil and was driven by strong demand due to colder weather. In contrast to crude oil and distillates, gasoline inventories rose 1.6 mb to stand at 202 mb. With the recent builds, gasoline stocks moved above last year's level and were very close to the five-year average with a deficit of just 1 mb or 0.5% compared with 15 mb or 8% in mid-May.

Western Europe

In November, EU-16 oil inventories fell to a 31-month low to stand close to the five-year average as product stocks plunged

EU-16 (EU-15 plus Norway) total oil stocks continued their downward trend falling a hefty 13.8 mb or 1.2% in November to hit 1,114 mb, almost the same level as the five-year average but the lowest level since April 2005. The overhang with the five-year average narrowed rapidly over the previous six months, falling from 75 mb at the end of May to just 1 mb at the end of November. The drop was attributed to middle distillates, which accounted for more than 85% of the total draw.

The recovery in crude oil stocks, which took place in October after four consecutive declines, did not continue in November and stocks fell to 481 mb, but remained 9 mb or 2% above the five-year average. The surplus with the five-year average also narrowed after having reached 30 mb last May. The draw of 2.6 mb was driven by growing refinery runs as some refineries started to return from maintenance. In addition, arbitrage opportunities from WTI's premium to North Sea crudes and market backwardation contributed to the decline in stocks.

Table 26: Western Europe's oil stocks, mb

	Sep 07	Oct 07	Nov 07	Change Nov 07/Oct 07	Nov 06
Crude oil	479.0	483.3	480.8	-2.6	491.6
Mogas	122.1	123.4	122.5	-0.9	135.7
Naphtha	27.3	26.4	28.2	1.8	31.4
Middle distillates	390.5	381.8	370.0	-11.8	385.6
Fuel oils	115.9	113.0	112.7	-0.3	115.9
Total products	655.8	644.6	633.3	-11.3	668.7
Total	**1,134.7**	**1,127.9**	**1,114.1**	**-13.8**	**1,160.3**

Source: Argus, Euroilstock.

Product stocks fell a further 11 mb to stay below the five-year average for the first time this year. At 633 mb, product stocks showed a deficit of around 8 mb or 1% with the five-year average in November from a surplus of 56 mb or 10% at the end of the third quarter. Middle distillates, which fell a substantial 11.8 mb to 370 mb — the third decline in a row — were the main driver of the draw due to the combination of healthy demand and tight supply due to refinery shutdowns from the previous months. Gasoline stocks continued to decline, although at a slower pace, on the back of low production from refineries, to remain just below the lower end of the five-year range. They dropped by around 1 mb to 122.5 mb, leading to an increase the deficit to the five-year average, which now corresponds to 15 mb or 11%. Following the same trend, residual fuel inched down 0.3 mb to 112.7 mb, almost the same level as a year earlier. The only exception came from naphtha, which saw a stock-build of 1.8 mb or around 7% to 28.2 mb.

Japan

Japan's commercial oil stocks rose 5 mb in October — with crude jumping 7.2 mb — but remained at below the five-year average

In October, Japan's commercial oil stocks recovered from their strong decline of more than 16 mb witnessed in September and increased nearly 5 mb to stand at around 188 mb at the end of the month. However, despite the increase, stocks remained below last year's level and the five-year average. The build in stocks was driven by crude oil stocks, which rose 7.2 mb, the highest in the last seven months, to settle at around 104 mb but stayed slightly below the lower end of the five-year range and showed a deficit of 11 mb or 9% to the five-year average. The build in crude oil stocks took place despite a moderate recovery in refinery runs because it was driven by a surge in imports which rose to around 4.2 mb/d, more than 20% from September and more than 8% from a year ago.

In contrast to crude oil, total major products fell for the second consecutive month to stand at 84 mb, down 2.3 mb from the previous month, but remained 3 mb or 4% above the five-year average. It is worth noting that product inventories stood at the upper end of the five-year range at the beginning of the year before falling towards the five-year average in September and October. The draw on products was contributed by distillates, which dropped 2.3 mb to 40 mb, widening the deficit to the five-year average to 5 mb or 11%. Gasoline stocks recovered from very low levels in September rising 0.5 mb or 4% to 11.7 mb, implying a deficit to the five-year average of 1.5 mb or 12% while naphtha stocks increased 1.1 mb to 13 mb, the highest level in over a year.

Table 27: Japan's commercial oil stocks*, mb

	Aug 07	Sep 07	Oct 07	Change Oct 07/Sep 07	Oct 06
Crude oil	110.3	96.6	103.7	7.2	116.7
Gasoline	12.8	11.2	11.7	0.5	13.7
Naphtha	11.6	11.9	13.0	1.1	12.7
Middle distillates	43.7	42.6	40.3	-2.3	50.0
Residual fuel oil	20.8	20.3	18.8	-1.5	20.3
Total products	88.9	86.1	83.9	-2.3	96.7
Total**	**199.1**	**182.7**	**187.6**	**4.9**	**213.4**

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

Preliminary data from PAJ show that for November, Japan's commercial crude oil stocks remained almost unchanged whereas major products rose to around 90 mb at the end of the month.

Balance of Supply and Demand

Demand for OPEC crude in 2007 expected to increase by 140 tb/d to average 31.7 mb/d

Estimate for 2007

The demand for OPEC crude in 2007 is expected to average 31.71 mb/d, an increase of 140 tb/d over the 2006 figure. On a quarterly basis, demand for OPEC crude is expected to average 31.75 mb/d, 30.67 mb/d, 32.03 mb/d and 32.40 mb/d respectively. Ecuador figures are now included in OPEC supply.

Table 28: Summarized supply/demand balance for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.53**	**85.81**	**84.59**	**85.47**	**87.07**	**85.74**
Non-OPEC Supply	48.90	49.79	49.52	49.08	50.08	49.62
OPEC NGLs and non-conventionals	4.06	4.22	4.35	4.40	4.61	4.39
(b) Total Supply excluding OPEC Crude	**52.96**	**54.01**	**53.87**	**53.48**	**54.69**	**54.01**
Difference (a-b)	**31.57**	**31.80**	**30.72**	**31.99**	**32.38**	**31.72**
OPEC crude oil production (1)	31.43	30.47	30.61	31.05		
Balance	-0.15	-1.33	-0.11	-0.94		

(1) Selected secondary sources.
Totals may not add due to independent rounding.

Demand for OPEC crude in 2008 estimated to decline by 322 tb/d to average 31.4 mb/d

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 31.39 mb/d, a decline of around 322 tb/d compared with the 2007 figure. On a quarterly basis, demand for OPEC crude is expected to average 31.91 mb/d, 30.44 mb/d, 31.27 mb/d and 31.95 mb/d respectively.

Table 29: Summarized supply/demand balance for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.74**	**87.36**	**85.62**	**86.54**	**88.70**	**87.06**
Non-OPEC Supply	49.62	50.69	50.30	50.35	51.62	50.74
OPEC NGLs and non-conventionals	4.39	4.71	4.83	4.95	5.15	4.91
(b) Total Supply excluding OPEC Crude	**54.01**	**55.40**	**55.13**	**55.31**	**56.77**	**55.65**
Difference (a-b)	**31.72**	**31.96**	**30.49**	**31.23**	**31.93**	**31.40**

Graph 27: Balance of supply and demand

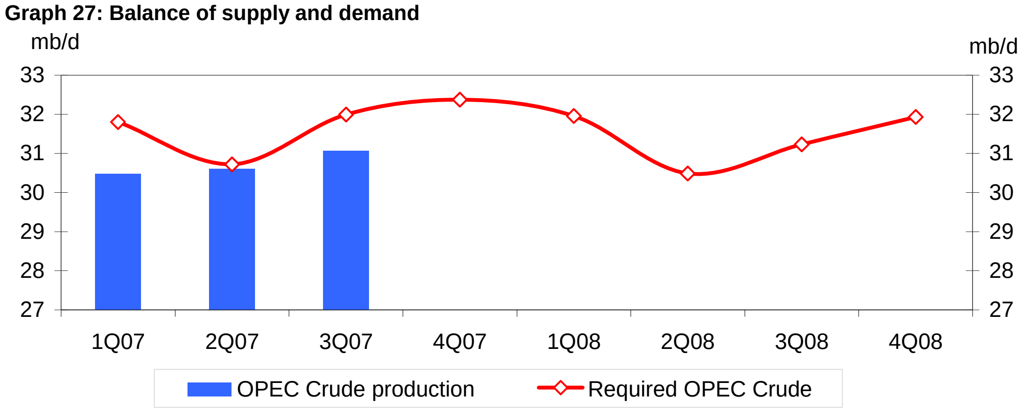


Table 30: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.3	49.8	48.2	48.8	50.3	49.3	50.3	48.2	48.7	50.8	49.5
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.4	25.7	25.6	26.0	25.6	25.6	26.0	25.8
Western Europe	15.4	15.5	15.6	15.6	15.3	15.0	15.4	15.8	15.4	15.5	14.9	15.4	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.9	8.8	8.3	8.9	7.7	7.7	8.9	8.3
DCs	20.6	21.8	22.5	23.3	23.7	24.0	24.1	24.2	24.0	24.3	24.6	24.7	24.8	24.6
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.5	7.1	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.3	83.5	84.5	85.8	84.6	85.5	87.1	85.7	87.4	85.6	86.5	88.7	87.1
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.3	19.9	20.4	20.2	20.6	20.0	19.8	20.6	20.2
North America	14.6	14.6	14.1	14.2	14.4	14.5	14.3	14.5	14.4	14.6	14.3	14.4	14.8	14.5
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.2	5.2	5.2	4.9	4.6	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.8	0.8	0.9	0.8
DCs	10.3	10.5	10.8	10.9	11.0	10.9	10.9	11.1	11.0	11.3	11.4	11.6	11.7	11.5
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.8	12.5	12.9	13.0	13.1	13.3	13.1
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.1	50.1	49.6	50.7	50.3	50.4	51.6	50.7
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.4	52.5	52.6	53.0	54.0	53.9	53.5	54.7	54.0	55.4	55.1	55.3	56.8	55.7
OPEC crude oil production (secondary sources)	28.3	30.6	31.6	31.4	30.5	30.6	31.1							
Total supply	79.7	83.1	84.3	84.4	84.5	84.5	84.5							
Balance (stock change and miscellaneous)	0.4	0.8	0.8	-0.1	-1.3	-0.1	-0.9							
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2679	2600	2669	2648							
SPR	1411	1450	1487	1499	1503	1504	1517							
Total	3928	3998	4083	4177	4103	4173	4165							
Oil-on-water	882	905	958	910	911	905	895							
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	55	53							
SPR	29	29	30	30	31	31	30							
Total	80	80	83	85	85	86	83							
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.4	8.6	9.0	9.2	9.0	9.0	9.0
(a) - (b)	27.9	29.8	30.9	31.6	31.8	30.7	32.0	32.4	31.7	32.0	30.5	31.2	31.9	31.4

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

Table 31: World oil demand/supply balance: changes from last month's table † , mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	0.1	-	-	-	0.1	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	0.1	0.1	-	-	-	0.1	0.1	-
Non-OPEC supply														
OECD	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-0.2	-0.2	-0.1	-0.1	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-0.2	-0.2	-0.1	-0.1	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-0.2							
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-0.3							
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-							
Oil-on-water	-	-	-	-	-	-	-							
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-							
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	0.3	0.2	0.1	0.1	-	0.1	-	0.1

† This compares Table 30 in this issue of the MOMR with Table 30 in the November 2007 issue.

This table shows only where changes have occurred.

Table 32: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	2006	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Closing stock levels *mb*																					
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,679	2,465	2,546	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,657	2,762	2,679	2,600	2,669	2,648
North America	1,262	1,175	1,161	1,193	1,257	1,275	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,345	1,275	1,233	1,291	1,291
Western Europe	925	895	922	924	945	975	919	933	945	924	952	925	952	945	949	945	958	975	951	952	934
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	426	423
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,503	1,504	1,517
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	415	426
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	397	397	397
OECD total	3,918	3,825	3,928	3,998	4,083	4,177	3,888	3,974	4,016	3,998	4,005	4,117	4,132	4,083	4,084	4,150	4,256	4,177	4,103	4,173	4,165
Oil-on-water	830	815	882	905	958	910	906	891	894	905	934	931	926	958	962	968	966	910	911	905	895
Days of forward consumption in OECD																					
OECD onland commercial	55	51	51	51	53	54	51	52	51	50	52	53	53	52	54	54	55	54	54	55	53
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	49	50	53	50	48	51	50
Western Europe	60	58	60	59	60	63	61	60	59	59	62	59	60	59	62	61	61	64	64	62	59
OECD Pacific	52	47	51	50	47	51	51	52	49	45	48	53	49	43	52	55	53	49	53	54	48
OECD SPR	27	28	29	29	30	30	30	29	28	29	30	30	30	29	31	31	30	30	31	31	30
North America	23	25	25	27	27	27	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	25	24	23	24	25	26	26	26	27	26	26	27	28	27	27
OECD Pacific	45	45	47	46	47	48	51	49	45	42	49	49	45	43	50	50	45	45	51	50	45
OECD total	82	79	80	80	83	85	81	81	80	79	82	84	83	81	85	85	85	84	85	86	83

n.a. Not available.

Table 33: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
USA	7.82	7.65	7.34	-0.32	7.24	7.40	7.37	7.40	7.36	0.02	7.46	7.58	7.45	7.47	7.49	0.14	7.67	7.62	7.63	7.85	7.70	0.20
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.34	3.20	0.17	3.34	3.28	3.37	3.49	3.37	0.17	3.48	3.30	3.32	3.44	3.39	0.02
Mexico	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.59	3.45	3.50	3.53	-0.16	3.49	3.37	3.41	3.55	3.46	-0.07
North America	14.60	14.56	14.14	-0.43	14.25	14.23	14.25	14.25	14.24	0.11	14.38	14.45	14.27	14.47	14.39	0.15	14.64	14.30	14.37	14.84	14.54	0.15
Norway	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.46	2.48	2.58	2.56	-0.22	2.61	2.46	2.33	2.53	2.48	-0.08
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.80	1.73	1.47	1.60	1.65	-0.06	1.58	1.47	1.31	1.37	1.43	-0.22
Denmark	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.31	0.30	0.26	0.29	0.29	-0.02
Other Western Europe	0.48	0.52	0.53	0.01	0.55	0.56	0.54	0.57	0.56	0.03	0.68	0.70	0.69	0.69	0.69	0.14	0.71	0.71	0.70	0.70	0.71	0.01
Western Europe	6.44	6.20	5.76	-0.44	5.73	5.34	5.09	5.39	5.38	-0.38	5.52	5.19	4.96	5.18	5.21	-0.17	5.21	4.93	4.60	4.88	4.91	-0.31
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.54	0.54	0.59	0.55	0.04	0.60	0.61	0.68	0.75	0.66	0.11
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.12	0.08	0.03	0.12	0.15	0.15	0.15	0.14	0.06
OECD Pacific	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.61	0.62	0.71	0.63	0.07	0.71	0.76	0.83	0.90	0.80	0.17
Total OECD	21.70	21.33	20.48	-0.86	20.46	20.07	19.98	20.25	20.19	-0.29	20.47	20.25	19.86	20.36	20.23	0.04	20.56	20.00	19.80	20.63	20.25	0.01
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.20	0.20	0.20	0.20	-0.02	0.19	0.19	0.19	0.19	0.19	-0.01
India	0.79	0.79	0.76	-0.03	0.79	0.79	0.76	0.81	0.79	0.03	0.82	0.80	0.81	0.80	0.81	0.02	0.81	0.82	0.83	0.82	0.82	0.01
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.74	0.76	0.78	0.76	0.00	0.78	0.76	0.78	0.81	0.78	0.03
Thailand	0.26	0.25	0.30	0.04	0.32	0.33	0.32	0.31	0.32	0.02	0.33	0.34	0.34	0.33	0.34	0.02	0.33	0.33	0.33	0.33	0.33	0.00
Vietnam	0.35	0.40	0.38	-0.02	0.38	0.37	0.36	0.36	0.37	-0.01	0.36	0.34	0.34	0.34	0.35	-0.02	0.33	0.32	0.37	0.43	0.36	0.02
Asia others	0.15	0.18	0.26	0.07	0.27	0.26	0.26	0.26	0.26	0.01	0.27	0.27	0.27	0.27	0.27	0.01	0.28	0.30	0.30	0.30	0.30	0.03
Other Asia	2.53	2.63	2.67	0.04	2.77	2.67	2.68	2.74	2.72	0.04	2.72	2.70	2.71	2.72	2.71	0.00	2.73	2.72	2.81	2.88	2.78	0.07
Argentina	0.84	0.80	0.77	-0.02	0.76	0.78	0.79	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.75	0.74	0.72	0.71	0.73	-0.03
Brazil	1.80	1.79	1.99	0.20	2.06	2.08	2.10	2.15	2.10	0.11	2.16	2.15	2.15	2.25	2.18	0.08	2.43	2.51	2.60	2.66	2.55	0.38
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.53	0.54	0.54	0.54	0.00	0.55	0.55	0.55	0.55	0.55	0.01
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.17	0.18	0.00	0.16	0.16	0.16	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.00
L. America others	0.24	0.27	0.30	0.04	0.26	0.27	0.28	0.27	0.27	-0.03	0.27	0.28	0.28	0.28	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.00
Latin America	3.59	3.55	3.78	0.23	3.81	3.86	3.88	3.89	3.86	0.08	3.89	3.89	3.90	3.99	3.92	0.05	4.17	4.23	4.32	4.36	4.27	0.36
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.75	0.74	0.74	0.75	-0.03	0.72	0.72	0.70	0.72	0.72	-0.03	0.74	0.76	0.78	0.80	0.77	0.05
Syria	0.53	0.50	0.46	-0.04	0.44	0.42	0.41	0.40	0.42	-0.04	0.40	0.39	0.38	0.37	0.39	-0.03	0.37	0.36	0.35	0.34	0.35	-0.03
Yemen	0.45	0.42	0.42	0.00	0.40	0.39	0.38	0.36	0.38	-0.03	0.36	0.36	0.38	0.38	0.37	-0.01	0.37	0.37	0.36	0.35	0.36	-0.01
Middle East	2.02	1.92	1.87	-0.05	1.82	1.77	1.73	1.71	1.76	-0.11	1.68	1.67	1.67	1.68	1.68	-0.08	1.69	1.69	1.69	1.69	1.69	0.01
Chad	0.02	0.16	0.18	0.02	0.16	0.15	0.16	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
Congo	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.23	0.24	0.24	0.24	-0.01	0.24	0.25	0.26	0.28	0.26	0.02
Egypt	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.64	0.66	0.65	0.64	0.65	0.01
Equatorial Guinea	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.35	0.36	0.01	0.37	0.38	0.37	0.38	0.37	0.01	0.39	0.39	0.38	0.38	0.38	0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.26	0.26	0.26	0.01
South Africa	0.17	0.20	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.50	0.40	0.07	0.50	0.50	0.48	0.51	0.50	0.09	0.50	0.49	0.48	0.48	0.48	-0.01
Africa other	0.20	0.21	0.25	0.04	0.31	0.34	0.32	0.32	0.32	0.07	0.34	0.34	0.34	0.39	0.35	0.03	0.40	0.40	0.41	0.41	0.41	0.05
Africa	2.16	2.40	2.51	0.11	2.57	2.58	2.59	2.68	2.61	0.09	2.69	2.68	2.66	2.74	2.69	0.08	2.76	2.77	2.76	2.77	2.76	0.08
Total DCs	10.30	10.50	10.83	0.33	10.97	10.89	10.89	11.02	10.94	0.11	10.98	10.94	10.94	11.12	10.99	0.05	11.34	11.41	11.57	11.71	11.51	0.52
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.50	12.44	12.48	12.75	12.55	0.53	12.87	12.97	13.06	13.34	13.06	0.52
Russia	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.83	9.89	9.91	9.88	0.23	9.98	10.03	10.13	10.24	10.10	0.22
Kazakhstan	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.34	1.35	1.40	1.36	0.06	1.42	1.44	1.41	1.53	1.45	0.09
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.86	0.82	1.02	0.89	0.24	1.04	1.08	1.10	1.15	1.09	0.20
FSU others	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.43	0.42	0.42	0.42	0.42	0.01	0.42	0.42	0.42	0.42	0.42	0.00
Other Europe	0.17	0.17	0.16	-0.01	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00
China	3.42	3.50	3.64	0.14	3.70	3.72	3.69	3.66	3.69	0.06	3.78	3.82	3.73	3.78	3.78	0.08	3.83	3.83	3.84	3.84	3.83	0.06
Non-OPEC production	45.87	46.65	46.65	0.00	46.96	46.80	46.84	47.38	47.00	0.34	47.87	47.60	47.16	48.15	47.70	0.70	48.74	48.36	48.41	49.67	48.80	1.10
Processing gains	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.94	1.94	1.95	1.95	0.02
Non-OPEC supply	47.66	48.48	48.52	0.04	48.88	48.69	48.72	49.30	48.90	0.38	49.79	49.52	49.08	50.08	49.62	0.72	50.69	50.30	50.35	51.62	50.74	1.12
OPEC NGL	3.58	3.86	3.93	0.07	3.85	3.92	4.01	3.90	3.92	-0.01	4.13	4.26	4.31	4.52	4.31	0.39	4.62	4.74	4.86	5.06	4.82	0.52
OPEC Non-conventional	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.09	0.09	0.09	-0.05	0.09	0.09	0.09	0.09	0.09	0.00
OPEC (NGL+NCF)	3.72	4.03	4.08	0.06	3.98	4.05	4.16	4.06	4.06	-0.02	4.22	4.35	4.40	4.61	4.39	0.33	4.71	4.83	4.95	5.15	4.91	0.52
Non-OPEC & OPEC (NGL+NCF)	51.38	52.51	52.60	0.09	52.86	52.73	52.88	53.35	52.96	0.36	54.01	53.87	53.48	54.69	54.01	1.06	55.40	55.13	55.31	56.77	55.65	1.64

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

Please note as of this month Ecuador is now included in OPEC supply, while Thailand has been broken out from "Asia others" group.

Table 34: World Rig Count

	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	Oct 07	Nov 07	Change Nov/Oct
USA	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,762	1,798	36
Canada	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	532	139	348	338	371	33
Mexico	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	90	88	96	99	83	-16
North America	1,496	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,199	2,252	53
Norway	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	19	18	17	14	-3
UK	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	29	27	27	17	-10
Western Europe	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	72	78	76	78	67	0
OECD Pacific	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	24	30	28	32	34	2
Total OECD	1,592	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,307	2,350	-11
Other Asia	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	157	151	155	151	-4
Latin America	116	126	10	133	138	141	151	141	15	149	162	164	165	160	19	195	188	184	184	187	3
Middle East	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	82	85	87	85	85	0
Africa	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	75	80	88	87	86	-1
Total DCs	346	376	30	390	405	411	431	409	33	433	453	470	479	459	50	510	510	509	511	509	-2
Non-OPEC Rig Count	1,938	2,131	193	2,483	2,192	2,560	2,667	2,477	346	2,806	2,560	2,861	2,818	2,761	284	2,963	2,603	2,852	2,821	2,862	41
Algeria	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	25	26	28	27	27	0
Angola	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	4	3	4	5	1
Indonesia	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	56	60	63	64	1
Iran	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	51	51	51	50	49	-1
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	5	10	5	12	13	11	14	12	2	12	13	14	15	14	2	14	13	13	9	12	3
Libya	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	12	14	14	14	0
Nigeria	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	7	8	10	10	0
Qatar	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	11	12	13	14	11	-3
Saudi Arabia	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	76	76	78	79	75	-4
UAE	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	14	15	15	14	14	0
Venezuela	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	76	80	77	72	70	-2
OPEC Rig Count	222	252	30	274	284	278	291	279	27	313	313	341	341	327	48	342	352	360	356	351	-5
Worldwid Rig Count*	2,160	2,383	223	2,757	2,476	2,838	2,958	2,756	373	3,119	2,873	3,202	3,159	3,088	332	3,305	2,955	3,212	3,177	3,213	36
of which:																					
Oil	816	877	61	961	870	990	1,015	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,279	1,276	-3
Gas	1,326	1,486	157	1,774	1,583	1,823	1,928	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,934	1,875	1,910	35
Others	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	20	19	20	23	27	4

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary December 2007

OPEC Basket average price

US$ per barrel

⬆ *up 9.63 in November*

November 2007	***88.99***
October 2007	*79.36*
Year-to-date	*67.58*

November OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.42*	*SP Libyan AJ*	*1.74*
Angola	*1.80*	*Nigeria*	*2.18*
Ecuador	*0.53*	*Qatar*	*0.85*
Indonesia	*0.84*	*Saudi Arabia*	*8.90*
IR Iran	*3.84*	*UAE*	*2.12*
Iraq	*2.30*	*Venezuela*	*2.39*
Kuwait	*2.54*	***TOTAL***	***31.45***

Supply and demand

in million barrels per day

2007		***2008***	
World demand	*85.7*	*World demand*	*87.1*
Non-OPEC supply	*54.0*	*Non-OPEC supply*	*55.7*
Difference	***31.7***	***Difference***	***31.4***

Non-OPEC supply includes OPEC NGLs and non-conventional oils.
Totals may not add due to independent rounding.

Stocks

Preliminary estimates show OECD commercial oil stocks fell 20 mb in October but remained close to the five-year average. US commercial oil stocks dropped to around 1,000 mb in the week-ending 7 December but remained above the five-year average.

World economy

World GDP for 2007 unchanged at 5.2% but revised down to 4.8% for 2008.

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Data cover period up to the end of November 2007 unless otherwise stated.