OPEC

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Feature Article:

Near-term outlook for non-OPEC crude supply

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Oil Market Highlights

- The final quarter of 2005 was a disappointing period for growth in major industrialized countries. The US economy grew by only 1.1% and the Euro-zone achieved a poor 1.2%. Japan is expected to be the exception as estimates for fourth quarter growth are in the region of 4%. Despite this soft end to the year, most commentators anticipate a rebound in 2006. The poor US performance in the fourth quarter was distorted by exceptional factors and strong growth is forecast as consumer and government spending recovers. The US economy is expected to grow by 3.2% in 2006. Germany is experiencing a clear improvement in business sentiment and its growth forecast for 2006 has been increased to 1.4%. The forecast for Japan has also been raised to 2.2% as a result of strengthening domestic demand. The forecast of world GDP growth for 2006 remains unchanged at 4.3%.

- A number of risks threaten the outlook, most of these reflecting the fact that the expansion will soon be entering its fourth year. Since 2003, world economy has grown by about 15%, stretching capacity in commodity and manufacturing industries. Inflation has risen as a result and 2006 will see further monetary tightening in the USA, Europe and even Japan. Financial and housing markets are at high levels and prices may adjust sharply if growth expectations are disappointed. The problem of global imbalances only worsened during 2005 and a significant adjustment in trade balances is needed to forestall disruptive volatility in currency markets. Europe and Asia have built up substantial reserves to weather any such storms but the USA is vulnerable. It will take a continued improvement in the labour market in 2006 to generate sufficient growth in real incomes to both rebuild depleted savings and sustain the rates of growth of consumer demand on which large parts of the world economy still depend.

- The OPEC Basket resumed upward movement in the New Year on a host of factors, including concern over rising tensions in the Middle East, a 120,000 b/d disruption in Nigerian supply and a cold snap in Europe, which iced in 250,000 b/d in Russian output. The Basket surged $5.64 or nearly 11% to settle at $58.29/b for the month. This was the largest one-month rise since the 17% seen in last March, although similar to the previous January's gain of 13%. In February, the Basket has trended lower due to easing geopolitical tensions and further stockbuilds reflecting ample supply. In daily terms, the Basket stood at $55.30/b on 14 February.

- Unseasonably warm weather in the USA and its adverse effect on distillate demand have overshadowed the bullish impact of a cold snap in Europe and Asia, and has capped the surge in product prices in those regions. This situation, along with higher crude oil prices which have been held aloft by rising geopolitical tensions, has exerted pressure on refinery margins particular in the USA. Looking ahead, middle distillate and gasoline stocks stand at comfortable levels. These product inventories are expected to recover in Asia as freezing weather in the north-east has dissipated. Additionally, demand for all products other than middle distillates is slow and it seems that it could not support crude prices in the short term. However, tighter product specifications and heavy refinery maintenance in the USA and Asia could switch the product market sentiment to bullish, lifting crude and product prices.

- After having dropped during two successive months, OPEC spot fixtures picked up sharply in January to reach their three-year high level of 17.5 mb/d, which corresponds to a spike of nearly 6 mb/d. Fixtures from the Middle East contributed 80% to the growth. The crude oil tanker market weakened in all sectors, especially for VLCCs and Aframax tankers, which saw rates decline for the second consecutive month. Spot rates for VLCCs moving from the Middle East to the east- and westbound dropped by 25 and 28 points, while Suezmax tankers lost almost 30%. The Aframax sector saw freight rates decline by as much as 34% in the Mediterranean Basin. Contrary to crude oil, freight rates for products strengthened to reach extremely high levels, especially in the Mediterranean.

- World oil demand growth in 2005 have been revised 0.1 mb/d downward to just under 1.0 mb/d due the release of data showing lower fourth quarter figures for many regions, which revealed weaker growth at the end of the year. This represents a y-o-y growth of 1.2 % to average 83.1 mb/d for the year. In 2006, world oil demand is projected to grow by 1.6 mb/d or 1.9% to average 84.6 mb/d, marginally lower than the previous assessment. Oil consumption is expected to rise in all major regions with the sole exception of Other Europe where demand is likely to only see a marginal contraction. However, the uncertainties surrounding demand growth, particularly in North America and Asia, could result a downward revision.

- Non-OPEC supply in 2005 is expected to average 50.1 mb/d, representing an increase of 0.2 mb/d over 2004. Base line revisions to the 2004 and 2005 estimate have resulted in slight upward adjustment to the overall level of non-OPEC supply, but the growth rates remains unchanged. In 2006, non-OPEC oil supply is expected to average 51.5 mb/d, an increase of 1.4 mb/d over 2005, and broadly unchanged versus the last assessment. The impact of historical revisions, unplanned shutdowns during January as well as minor adjustments to the outlook of some countries has resulted in a negligible revision to the overall growth forecast. Total OPEC crude oil production in January averaged 29.6 mb/d, a fall of 169,000 b/d from last month, according to secondary sources.

- In January 2006, net OECD crude oil imports increased by 352,000 b/d to reach 24.3 mb/d while product imports remained stable at 2.8 mb/d. For the whole of 2005, net OECD crude oil imports dropped by 1.4 mb/d to 21.7 mb/d and products increased by 223,000 b/d to 2.1 mb/d. China's crude oil imports grew by 3.5% in 2005, down from 35% in the previous year to average 2.55 mb/d.

- Total commercial oil stocks showed an increase of 12.6 mb to stand at 1,022 mb in January. This trend was prompted by a build in gasoline and middle distillate stocks, while crude oil inventories showed a slight decline. The build pushed the y-o-y surplus to around 7% above last year and 8% above the five-year average. Total oil stocks in Eur-16 (EU 15 plus Norway) experienced a substantial rise in January increasing by 10.0 mb to stand at 1,146 mb, which was 3% higher than a year earlier and 8% above last year's average. Crude oil stocks were the main contributor to this build. In Japan, commercial oil inventories witnessed a stronger drop at the end of December, falling by 22.5 mb to 170.0 mb. This level was 10% lower than a year ago. The lion's share of this draw came from middle distillates followed by crude oil.

- The demand for OPEC crude in 2005 has been revised down by 0.2 mb/d from last month to now stand at 28.6 mb/d, which still represents an increase of 0.6 mb/d from 2004. For 2006, the demand for OPEC crude is expected to average 28.5 mb/d, representing a downward revision of 0.2 mb/d versus last month. The new forecast shows that demand for OPEC crude is expected at 30.2 mb/d in the first quarter, 27.6 mb/d in the second, 27.9 mb/d in the third and 28.3 mb/d in the fourth.

Near-term outlook for non-OPEC crude supply

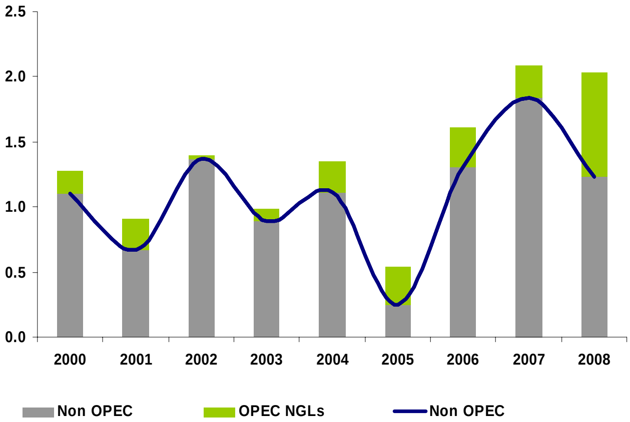
- Following a dismal year in 2005, non-OPEC oil supply is expected to see a sharp rise in growth of 1.4 mb/d in 2006. A key question for the market is whether this higher growth represents a short-lived rebound, or the start of a healthier trend that can be sustained in the coming years.

- There is no doubt that the period 2000 to 2005 has been one of the most challenging years for non-OPEC supply. Oil production was affected by exceptional events just before and after 2000 such as historic low oil prices and a sharp cut in E&P investment in mature regions amid industry restructuring (1998-99), the sinking of the world's largest production platform in Brazil (2001), two years with the most intense storms (2004-2005) in the US Gulf of Mexico (GoM) in the last 100 years, unplanned shutdowns, and project delays. Despite this, during the five-year period non-OPEC supply growth averaged 860,000 b/d and was one of the highest in twenty years. However, non-OPEC supply growth fell behind the increase in world demand growth in the period 2003-05, which reversed earlier trends of exceeding or nearly matching demand growth. This, combined with frequent downward revisions to the supply forecast, led analysts to under-appreciate non-OPEC's recent performance and to essentially write off its potential.

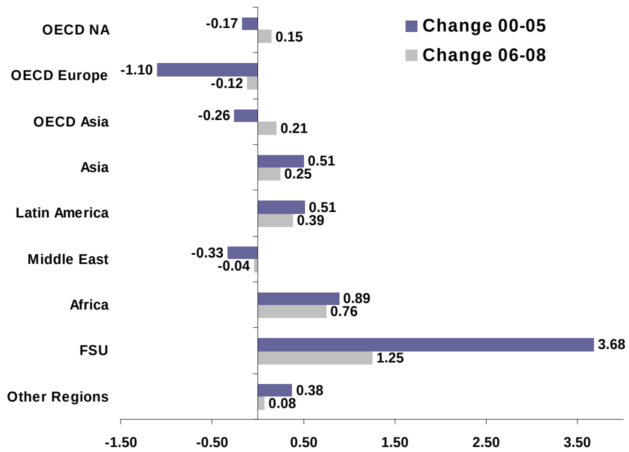
- This year's rebound reflects both the expected recovery path and the contribution of new projects in the US GoM as well as a strong performance in Canada, Latin America, Africa and the Former Soviet Union countries (FSU). In addition, the swing in US GoM production is expected to be significant with production increasing from 0.7 mb/d in 4Q05 up to 1.8 mb/d by the end of 4Q06 and this creates a distortion in the overall growth forecast. Nevertheless, if the unwinding effect is excluded, non-OPEC growth is likely to average a respectable 1.2 mb/d, which is similar to that seen in 2000, 2002, and 2004 of 1.2 mb/d, 1.3 mb/d, and 1.1 mb/d, respectively.

- Over the next few years, non-OPEC production is expected to grow at record rates, exceeding the 2000-05 annual increase. Production growth is expected to average during the 2006-2008 period 1.4 mb/d annually with a range between 1.2 - 1.7 mb/d. If this is combined with the expected yearly increases in processing gains and OPEC NGls (~400,000 b/d), world oil supply growth excluding OPEC crude is likely to increase at much higher rates than in the recent past.

Graph 1: Non-OPEC oil supply growth, 2000-2008 (mb/d)



Graph 2: Non OPEC oil cumulative change 2000-2008 (mb/d)



- Regionally, the FSU will lead non-OPEC growth, with the bulk of the increase coming from the Caspian region instead of Russia as had been the case in 2000-2004 period. Oil production in the FSU is forecast to increase to 13.2 mb/d by 2008 from 11.5 mb/d in 2005. Outside the FSU, production is expected to increase to 39.3 mb/d by 2008 from 36.7 mb/d in 2005 driven by Africa, Latin America, North America, and Asia. The Middle East and other regions are likely to show modest gains, whilst Western Europe (North Sea) is expected to continue to decline at rates similar to those in recent years. Overall, the cumulative increase in the three-year period 2006-08 is expected to be 4.3 mb/d, almost comparable to the cumulative increase of 5.1 mb/d during 2000-05.

- Production growth is underpinned by over 200 greenfield and brownfield developments, most of which are under construction or in the advanced planning stage. Looking at the profile of known developments and production trends by type of environment, it is expected that offshore production will account for most of the net cumulative increase, compared to the 2000-05 period when onshore production dominated non-OPEC growth. Key trends by type of environment are outlined below:

  - Deepwater production (500 metres or more) is expected to account for approximately 55% of the total net cumulative increase and has potential to reach 5.4 mb/d by 2008 from 3 mb/d in 2005 underpinned by projects in Angola, Australia, Brazil, Congo, Equatorial Guinea, Malaysia, Mauritania, and US GoM.

- New production from fields in shallow water is expected to account for 22% of the total net cumulative increase, or around 1 mb/d. Increases in Azerbaijan, Angola, China, Russia, Mexico and other countries will be partially offset by production declines in the North Sea. North Sea production is likely to decline to 4.8 mb/d by 2008 from 5.2 mb/d in 2005. Last year, total non-OPEC production from shallow water environments averaged 14 mb/d.
- Onshore production is expected to account for approximately 23% of the total net cumulative increase, or 1 mb/d, driven by new developments and expansions in Canada, as well as in Kazakhstan, Sudan, and Russia. Canadian oil sands production has potential to increase to 1.6 mb/d by 2008 versus 1 mb/d in 2005. Total non-OPEC onshore production averaged 31 mb/d in 2005.

▪ The short-term outlook assumes normal conditions and does not take into consideration exceptional events. Experience shows that weather-related shutdowns and longer-than-expected field maintenance can affect around 300,000 b/d of production growth in one year, but if a series of exceptional factors converge more may be affected. Risks include a steeper than expected drop in production in some regions primarily in the North Sea, as well as accidents, significant project delays or persistent lower oil prices than those currently assumed by operators.

▪ The main driver of oil production capacity growth in the near to medium term is investment in producing fields, new project start ups, technology, and exploration among other factors. In the last 20 years, global E&P capex (real terms, 2004 prices) rose almost each year except for a brief period in the early 1990's when demand stagnated and in 1998-99 after oil prices collapsed to historic lows and the industry cut capex by 30% in the period to $110 bn. However, according to leading surveys that track oil and gas investments in non-OPEC and OPEC countries, global E&P capex since 2000 has increased at a rate of more than 10% annually and in 2006 is expected to reach $220 bn underpinned by strong expectations for energy demand as well as the current oil and gas price environment. This combined with contribution from new developments that were planned in the last few years as well as the ongoing investments in Canada, Mexico, Caspian region, Russia, and deepwater provide an important basis for a strong non-OPEC growth to 2008.

▪ Between 2003 and 2005, due to the unexpected surge in demand and relative weak non-OPEC growth, OPEC producers met the growing needs of the market by using their spare capacity to increase production by more than 4 mb/d. At the same time, OPEC Members accelerated investment plans to expand capacity of crude and other liquids to meet the expected rise in demand for its crude. These efforts – consisting of over 100 projects totalling $100 bn of investment - have so far resulted in an increase of 1 mb/d in 2005 and are expected to result in an additional 1 mb/d in 2006. By the end of 2010, OPEC crude production capacity is forecast to reach approximately 38 mb/d, representing a gain of 5 mb/d from end-2005. Additionally, OPEC NGLs and other liquids are likely to expand to 6 mb/d from 4 mb/d in 2005. In combination with the non-OPEC growth described above, OPEC efforts should ensure that its supply capacity remains well above the demand for its oil, thus providing a sufficient cushion of spare capacity to help stabilize the market.

▪ The above confirms that in the short to medium term the main concern of the market stability is more related to demand outlook than to supply perspectives.

Vienna, Austria **31 January 2006**

139th (Extraordinary) Meeting of the OPEC Conference

Vienna, Austria, 31 January 2006

The 139th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 31 January 2006, under the Chairmanship of its President, HE Dr. Edmund Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation, and its Alternate President, HE Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation.

The Conference extended its condolences to the Government and people of the State of Kuwait on the sad demise of His Highness Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah, Emir of Kuwait.

The Conference also extended its condolences to the Government and people of the United Arab Emirates on the passing away of His Highness Sheikh Maktoum bin Rashid, Vice President and Prime Minister of the United Arab Emirates, and Ruler of Dubai.

The Conference considered the report of the 57th Meeting of the Ministerial Monitoring Sub-Committee (MMSC), held on 30 January 2006, and again voiced its thanks to the Members of the Sub-Committee for their constant efforts on the Organization's behalf.

The Conference further reviewed the oil market outlook, including the overall demand/supply expectations for the year 2006, in particular the first and second quarters, and observed that market fundamentals have remained in balance since its last Meeting, in Kuwait in December 2005, with comfortable stock levels. It also observed that the world economic performance continues to be resilient.

The Conference also noted that, although the market is well supplied with crude oil, and commercial oil stock levels in the OECD remain healthy, prices have continued to rise. This, however, is primarily a result of refining bottlenecks and other non-fundamental factors. Furthermore, the Conference observed that forecasts for supply and demand in recent years have tended to underestimate the requirements for OPEC oil, especially in the second quarter.

Recalling that OPEC is committed to continuing to play its role in maintaining a supply level conducive to economic growth, the Conference expressed its concern about the high degree of price volatility, and the impact this may have on the global economy, in particular for developing countries.

Consequently, the Conference decided to maintain the current OPEC-10 production level of 28.0 mb/d, as agreed during the 136th Meeting of the Conference in June 2005. At the same time, however, it called upon the Secretariat to continue exercising vigilance in monitoring the market, in view of the potential risks and uncertainties identified.

The Conference reconfirmed that its next Ordinary Meeting will be held on 8 March 2006, in Vienna, Austria.

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

Vienna, Austria **1 February 2006**

OPEC Conference President Dr Daukoru meets Austrian Federal Minister of Economics & Labour, Dr Bartenstein

OPEC Conference President and Secretary General, Dr Edmund Maduabebe Daukoru, met with Austria's Federal Minister of Economics and Labour, Dr Martin Bartenstein, in Vienna this morning.

The meeting, described as a continuation of the EU-OPEC Energy Dialogue, is the first to take place between the two sides since Austria assumed the Presidency of the European Union on 1 January 2006 and Dr Daukoru, who is Minister of State for Petroleum Resources of Nigeria, took over the Presidency of the OPEC Conference on the same day.

Dr Daukoru and Dr Bartenstein reflected upon the good progress made with the EU-OPEC Energy Dialogue, following the first and second meetings held at ministerial level in Brussels on 9 June 2005 and in Vienna on 2 December 2005. They particularly emphasized the importance of the first joint roundtable held in Vienna on 21 November 2005, which looked at oil market developments and future prospects.

They reaffirmed the decision taken at the second meeting of the EU-OPEC Energy Dialogue in December to hold the third round of the ministerial talks in Brussels in June 2006, with a view to institutionalizing annual meetings at this level.

In his meeting with Dr Daukoru, Dr Bartenstein stressed that Austria would continue and intensify "this valuable dialogue" during the period of his country's EU Presidency. "It is an honor and a pleasure for Austria to contribute to the organization of the meetings and workshops already agreed upon. Many of these will take place during Austria's six-month Presidency."

The Dialogue is seen by the EU as being part of a broader approach to strengthen energy relationships with the main oil and gas suppliers, and by OPEC as a significant further step in its continued efforts to enhance understanding and cooperation among oil producers and consumers.

Dr Daukoru stated that he was delighted to meet with Dr Bartenstein again on the important issue of the EU-OPEC Energy Dialogue, especially in the early days of Austria's Presidency of the EU.

"I would like to take this opportunity to wish the Federal Republic of Austria every success as it steers the affairs of the EU during the term of its Presidency. I firmly believe that this will be of great benefit to the ongoing Dialogue, as well as contributing to the very cordial longstanding relationship that OPEC has established with its host country," said Dr Daukoru.

He hoped the Dialogue, in the months and years ahead, would help to influence oil market stability and particularly global energy security. "Our meetings are an expression of the confidence we have in the Dialogue, as an instrument for oil market stability that will surely benefit the two sides and the global economy in general," he stated.

At today's meeting, Their Excellencies Dr Daukoru and Dr Bartenstein emphasized once again the importance of maintaining the Dialogue when prices are low, as well as high. Both sides recognized the importance of an effective framework enabling an exchange of views on energy issues of common interest, and the potential this has for contributing to stability, transparency and predictability in the international oil market.

While expressing concern about continued oil market volatility, they reiterated the importance of market stability and reasonable prices for both producers and consumers, for the world economy at large, and especially the economies of the developing countries. In this connection, they recognized that extreme prices, in either direction, over a sustained period were potentially damaging and, therefore, not desirable, for long-term investment commitments.

The EU-OPEC Energy Dialogue’s work programme for 2006 was discussed, in particular preparations for the ministerial talks in June, a meeting on energy technologies, which will focus on carbon capture and storage in conjunction with enhanced oil recovery, as well as a second roundtable, this time on the impact of energy policies on both demand and supply.

Highlights of the World Economy

Economic growth rates 2005-2006, %	World	OECD	USA	Japan	Euro-zone
2005	**4.6**	**2.7**	**3.6**	**2.6**	**1.3**
2006	**4.3**	**2.7**	**3.2**	**2.2**	**1.7**

Industrialised countries

United States of America

2006 GDP growth may be volatile. Retail sales for January suggest first quarter should be strong

The American economy was expected to slow in the fourth quarter but the size of the fall in the growth rate was a surprise. **Real GDP rose by only 1.1% in this period with growth in consumers' expenditure weak and government consumption actually falling below third quarter levels.** Investment growth also moderated and only a recovery in inventory building pushed the growth in total domestic demand above 2%. On the basis of these results it would be premature to predict a significant slowdown in the US economy. **A number of special factors impacted growth in the fourth quarter.** Weakness in consumer spending was concentrated in durables (which were down almost 18%); with most of the decline concentrated in autos. The auto market has been distorted by the timing of aggressive sales campaigns and a rebound seems likely in the first quarter. The spike in energy prices following the hurricanes affected consumer confidence. The most surprising shortfall was government consumption – in particular defence spending. Part of the decline was due to the timing of military pension payments and the high level of appropriations for 2006 suggests a recovery in defence spending starting in the first quarter. **The size of the bounce in GDP growth is expected to be substantial with first quarter growth in the region of 3.5-4.0%.** Retail sales data for January was encouraging as consumers responded to holiday sales and warm weather. Sales rose by 2.3% following a 0.4% increase in December. The Conference Board index of consumer confidence rose 2.5 points in January, mainly as a result of the improving labour market. Nonfarm payrolls rose less than expected in January but all other aspects of the report showed significant strength. The data for November and December was revised up and the unemployment rate fell to 4.7% which was the lowest rate since July 2001. Average hourly earnings also showed a good increase. Concerning business confidence, the Institute of Supply Managers' index fell slightly in January but the overall tone of the report was generally positive.

Although most commentators forecast a sharp recovery in the first quarter, this strength is not expected to persist through 2006. Construction activity in January benefited from good weather but the outlook for the residential sector is not encouraging. Inventories are increasing while the cost of financing is going up. Higher gasoline and energy costs may absorb some of the increase in labour incomes and consumer spending for 2006 as a whole is unlikely to rise by more than 3%. A major uncertainty here is the policy of the Federal Reserve. If growth were to fall back in the second quarter, the Federal Reserve could end the process of raising interest rates rather sooner than had been expected. This is the dilemma facing the new Chairman of the Federal Reserve. On balance the Committee may err on the side of caution – continuing to increase interest rates to 5%. **Since the rate of consumer price increase in 2006 is expected to be about 3%, real interest rates will be significantly positive in 2006 which will encourage consumers to use income gains to rebuild depleted savings.** Higher interest rates may also precipitate a decline in housing and stock market values. The strength of asset markets was a major factor in supporting American consumption in 2005.

2006 may see an adjustment in US external imbalances depending on the tempo of global growth. Although the trade deficit worsened in December to $65.7 billion, the three month moving average suggests some stabilisation. In January the US dollar fell by nearly 3% against the euro and the pound and if this trend continues a more competitive dollar should help to improve the trade performance by the middle of the year. The current strength of Asia and signs of recovery in Europe provide hope that this year will see genuine progress in the direction of global rebalancing provided that domestic demand in these regions is sustained if the US stimulus falters later in the year. Certainly domestic demand has improved markedly in Japan in recent quarters. Korean consumption growth has also been stronger in the second half of 2005 whilst Chinese exports have decelerated since the summer – reflecting lower demand from the USA. **2006 may be a transition year in which the engine of global demand (and global liquidity) is no longer the USA.**

Japan

Strong start to 2006 in all sectors of Japanese economy

Following a pause in growth in the third quarter, estimates for Japanese growth in the final quarter have been revised up. **In 2005 the Japanese economy grew by at least 2.6% and most of the stimulus towards the end of the year came from domestic demand.** Personal consumption was strong as a result of an improvement in nominal incomes and growing consumer confidence. Capital expenditure benefited from the pent-up demand for replacement equipment, particularly in the non-manufacturing sector. Declining excess capacity, coupled with solid profit growth continues to support investment. In addition to the improvement in domestic demand, global economic growth remains important. In the fourth quarter real exports rose by nearly 4% following solid gains earlier in the year. Looking at the export detail, a rebound in high-tech related goods and an uptrend in motor vehicles was evident. Exports rose strongly to Asia. **Industrial production increased by 1.4% month-on-month in December to record the fifth successive month of positive growth.** Production of in high-tech sectors and capital investment-related sectors is especially robust. The importance of domestic demand was highlighted by the release of current account data for 2005. The current account surplus fell by 3.1% below the level of 2004 as a result of strong demand for energy and also consumer and intermediate goods from Asia.

Looking forward, growth is expected to continue at a moderate pace in 2006. Steady growth in household real incomes of about 1.5% should keep personal consumption growing by a similar rate whilst the excellent growth performance of 2004/2005 should generate the need for faster investment spending to ease capacity constraints. Growth in fixed capital expenditure is forecast to be the most dynamic component of domestic demand in 2006, growing by about 6-7%. **Total domestic demand in 2006 is forecast to grow by about 2.5% but slowing growth in exports and rising imports imply that GDP may expand by only 2.2%.**

The rate of core inflation in Japan is expected to be slightly positive in 2006 but there is the possibility that the price level may yet fall as a result of fluctuations in energy prices and reductions in social services fees. The price of domestic output is more likely to rise as wages and profits have already increased in 2005 and the GDP deflator may turn sustainably positive for the first time in 12 years.

Economic policy will be affected by this good performance – indeed the primary balance of the central government has already improved in response to the growth in nominal activity. Income tax payments have been rising and more companies have begun to make corporate tax payments following the expiry of carried-over losses from previous years. **The expected deficit for FY2006 has been cut dramatically since 2004 and a rise in the consumption tax before 2007/2008 is now very unlikely. Monetary policy is entering a period of uncertainty.** Changes to monetary policy will reflect a political compromise between the Bank of Japan and the ruling coalition. Although the Bank is most likely to reverse the policy of quantitative easing in the first half of the year, the timing of the exit from the zero interest rate policy continues to perplex the markets. Later in 2006 the continued expansion of the economy will probably allow the Bank to tighten. **Financial markets anticipate that short term interest rates will remain below 0.5% for the whole of 2006.**

Despite the revival of domestic demand the economy would suffer from any downward adjustment in the US or Chinese economies in 2006 and this remains a major risk factor for the Japanese economy. A further risk is a turnaround in the fortunes of the US dollar which rose by 15% against the yen in 2005. So far in 2006 dollar/yen is little changed on balance at ¥117 and the consensus expects the Japanese yen to rise towards ¥110 during 2006. **In the near term, however, the combination of negative real interest rates and a competitive currency should keep the economy growing at better than trend growth rates provided that the international environment remains healthy.**

Euro-zone

Euro-zone growth disappointing in fourth quarter. Surveys remain optimistic but lack support of hard data

The growth of the Euro-zone in the final quarter of 2005 did not match the excellent performance of the third quarter. GDP growth in the zone was only 1.2%. French GDP growth slowed to **0.8%** in the fourth quarter after 2.8% in the previous period. This result was well below expectations and probably was the result of weaker domestic demand and a reduction in inventories. December industrial production fell by 0.3% and manufacturing fell by 0.7% - thus the scope for a rebound in the first quarter is limited. It appears that French companies are losing competitiveness in comparison to Germany which has benefited from aggressive restructuring and lower wage costs. German industrial production fell by 0.5% in December following a 0.4% decline in November. This setback followed two strong months in September and October and was due to weakness in the manufacturing sector, particularly capital goods production. Good weather in December boosted construction output. **Consumers in Germany remain anxious. Retail sales fell by 4.4% in the fourth quarter which meant that German GDP did not grow in this period despite a good contribution from construction and exports.**

Despite the disappointing end to 2005, sentiment indicators project an improvement in January. Retail sentiment showed a better picture in Germany and the EU Commission retail survey reached its highest level for over 4 years. The January service sector Purchasing Manager Index (PMI) for the Euro-zone rose slightly in January although the manufacturing index edged down by 0.1 point. The shift from improved consumer confidence to higher spending in the shops depends largely on the labour market. Euro-zone unemployment rose to 8.4% in December as companies remain reluctant to increase labour costs. **Overall the PMI survey evidence is positive although highly dependent on Germany.** German consumers are happy with the Merkel government but this improvement in political sentiment has yet to affect spending plans. The Italian index also showed an improvement in the second half of 2005 whilst the more domestic orientated economies such as France and Spain showed hardly any gains. **The surveys suggest a moderate increase in Euro-zone growth to about 1.8-2.0% by mid-year.**

Although the evidence hardly points to a strong economic recovery in the Euro-zone in 2006, the ECB statement on February 2 confirmed that euro interest rates will probably be increased further in March to 2½%. The President, M. Trichet, endorsed market expectations of a ¼% increase, saying that the market was reasonably priced for the short term rate outlook. The Bank considered the increase in the rate of inflation in the Euro-zone from 2.2% in December to 2.4% in January and stressed the upside risks to price stability. The Bank appears more confident that consumer confidence is now improving and seems to give this more weight than the "volatile" GDP data. Overall the Council of the ECB finds that the risks to price stability are "progressively augmenting".

Euro-zone fiscal policy may also turn restrictive – but rather in 2007. The expected increase of 3% in the German rate of VAT in January 2007 may actually increase consumer spending this year with a payback in 2007. Both France and Italy may also need to tighten fiscal conditions towards the end of 2006. **The outlook for the Euro-zone in 2006 remains dependent on the domestic sector.** Exporters may no longer have the advantage of a weakening currency and growth in world trade is expected to be lower. Euro-zone GDP began 2006 at a depressed level, following the poor performance of the fourth quarter. **Unless the survey results quickly translate into higher domestic spending, it seems unlikely that GDP growth in the Euro-zone will exceed 1.7% this year.**

Former Soviet Union

Importers benefit from strong growth in consumers' expenditure

Latest data confirms that the Russian economy grew by 6.4% in 2005 – better than most expectations although down on the 7.2% achieved in 2004. The trade sector (which includes retail sales) grew by 12.3%, followed by construction with a growth rate of 9.7% and real estate with growth of 9.6%. The export-orientated natural resources sector grew by only 1.8% whilst manufacturing also disappointed, achieving 4.4%. Overall the economic expansion continued to be based on energy revenues which stimulated consumption to the benefit of the retail and real estate sectors. Investment growth remained moderate, at only 10.5%.

The GDP data for 2005 illustrated the gradual change in the composition of Russian GDP growth. There has been a clear shift towards consumption and away from net exports, investment and the extractive sector. The non-oil sector has been growing slowly since 2004 as the unchecked rise in the real value of the rouble has had a severe effect on the competitiveness of Russian light industry. This despite a clear acceleration in consumers' real incomes which rose by 8.8%. Importers have been the main beneficiary of the rise in Russian purchasing power and their market shares have continued to rise**. In 2005 imports rose by 19%, well above the increase of 9.3% in consumers' expenditure.**

In contrast to the problems facing the manufacturing sector, state finances continue to prosper. The budget will reach a record surplus in 2005 as a result of the Yuganskneftegas receipts and the high level of oil prices**. For the full year the budget surplus should reach at least 8% of**

GDP. 2006 will be a more difficult year as spending pressures continue to mount and oil prices may stabilize. According to the government, the budget surplus will fall to 3.2% this year.

Eastern Europe

Region set for solid growth in 2006

The Polish economy performed better than expected in the fourth quarter as GDP rose by about 4%, ahead of the 3.7% achieved in the previous period. **Fixed investment rose sharply in the quarter taking the GDP growth rate for 2005 as a whole GDP to 3.2%.** Household consumption was also strong although exports disappointed. **This year should see significantly higher growth in GDP of at least 4%.** Private consumption should perform better than last year as lower inflation supports higher real wage growth and the momentum of investment should continue as Polish companies have a strong competitive position. As ever, much depends on the strength of demand from the Euro-zone since 80% of Poland's exports are destined for EU markets. The good fundamentals continue to support the Polish currency which has risen to above €/PLN 3.85. The Hungarian economy is achieving much higher growth than Poland but at the cost of higher inflation and a poor fiscal situation. GDP rose by 4.5% in the third quarter as a result of strong growth in exports and fixed capital expenditure. The main problem facing the government is the very high budget deficit which reached 7.4% of GDP in 2005. **The outlook for 2006 is for little improvement as planned tax cuts and increased spending may keep the deficit over 6% of GDP.** As a result of this fiscal weakness the ratings agency Fitch decided to downgrade Hungary's long term debt rating from "A-" to "BBB+". **The performance of the Czech economy continues to impress.** GDP grew by 4.9% in the third quarter – driven mainly by exports which rose by 10.9% above 2004 levels. Industrial production rose by 7.2% in November – the fastest growing sector continues to be the motor industry which expanded production to 28% above 2004 levels. The rate of inflation fell to 1.9% in 2005 despite higher energy costs. No change in Czech interest rates is expected until later in the year. The Czech trade balance continues to improve and the public finance deficit was lower than expected at only 2.8% of GDP in 2005.

Developing Countries

Growth prospects are good for China, India and Latin American nations, although below 2005 levels

China's growth looks more reliant on consumption and less on investment as a result of the December revision of the GDP. The trade surplus changed again in 2005 according to the General Administration of Custom (GAC) in Beijing. The GAC estimated that China's trade surplus for the year 2005 is more than $102 billion. Several factors may have led to this outstanding figure: slowing growth of imports, the revaluation of the yuan, the soaring of international oil prices which caused a run-down in domestic stocks, and lastly the rise in domestic production. In 2006, trade surplus is expected to shrink slightly as imports grow compared to exports. According to China's Academy of Macroeconomic Research, exports will decline from 28.4% in 2005 to just 15% in 2006 while imports will decline from 17.7% in 2005 to 15% in 2006 signalling that the divergence between export and import growth is narrowing. Despite political obstacles, the Indian economy is progressing rapidly. Structural changes in India are the main force behind this positive trend, especially the expansion of the middle class which is driving the growth of demand in the economy. The Reserve Bank of India raised the short-term interest rate by 25 basis points to 5.5% on 24 January in order to contain inflation within the 5-5.5% target range. Growth in Latin America is expected to continue in 2006 at healthy rates. Risks might emerge, mainly related to the threat of a slow-down in the USA or China which would reduce exports to these economies. The rise of protectionism in the USA and the EU also poses a risk to the Latin American economies.

OPEC Member Countries

The Indonesian Statistical Bureau states that consumer price inflation in Indonesia slowed in December from 18.4% to 17.1%. Foreign Direct Investment (FDI) projects rose by 30% on a y-o-y basis according to the Investment Coordinating Board. In Qatar, the Economist Intelligence Unit forecasts that real economic growth will exceed 9% in 2006, as the expansion of output from the country's LNG facilities continues. In other developments, Venezuela became a member of the Southern Common Market (Mercosur) in December 2005.

Oil prices, the US dollar and inflation

Tough ECB statements support the euro

The second week of December saw a clear change in sentiment concerning the US dollar which continued into January. The disappointing US GDP growth rate in the fourth quarter of 2005 unnerved some investors and market participants questioned whether US interest rates would continue to increase. In contrast euro interest rates seem set to rise further in March. In January the dollar fell by 2.1% against the euro, 1.2% against the British pound and 1.7% against the Swiss franc. The dollar fell by 2.6% against the yen after a period of yen weakness which began in September.

In January the OPEC Reference Basket rose to $58.29/b from $52.65/b in December. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by 8.9% to $41.81/b from $38.40/b. The dollar fell by 1.5% as measured by the import-weighted modified Geneva I +US dollar basket*.

* *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.*

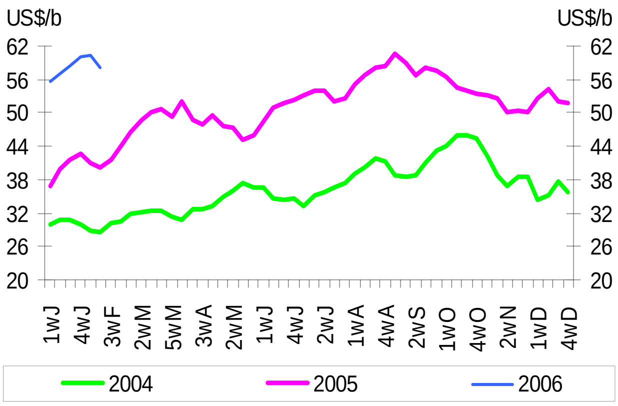
Crude Oil Price Movements

The upward trend remained throughout January on geopolitical concerns amid supply disruptions in West Africa and a cold snap which halted some Russian oil output

OPEC Reference Basket

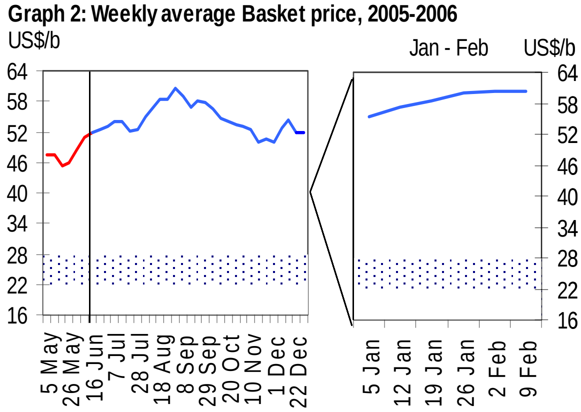
The Basket escalated in January to record-highs after slipping in late December on warmer weather in North America. The year started strong following the disruption of Russian natural gas supplies to Europe. The Basket surged over 7% in the first week to close $3.68 higher at $55.51/b. Despite warmer weather in the Western hemisphere, rising tensions in the geopolitical arena in the Middle East amid a supply disruption from West Africa revived market bullishness into the second week. The forecast for warmer weather amid a healthy rise in distillate stocks in the USA and weak refining margins in Europe prevented prices from rallying further. The Basket closed $1.62 higher for a rally of nearly 3% to settle at $57.13/b. The third week continued on the same ongoing concern over possible supply disruptions from the Middle East with the stride capped by the forecast of warmer weather in the Northern hemisphere amid a widened sweet/sour spread, continued weak refining margins and bearish US petroleum data. The Basket closed the third week at $58.43/b for a gain of $1.30 or more than 2% higher.

Graph 1: OPEC Reference Basket - weekly spot crude



The rally sustained into the fourth week in January on escalating tensions in the Middle Eastern geopolitical arena at a time when extremely cold weather also trimmed Russian oil production for the second week amid continued production losses from Nigeria. In the fourth week, the Basket was up $1.69 or 2.8% to settle at $60.12/b. In the final days of January, the market was inspired by the cold snap across Europe amid ongoing tensions in the Middle East. However, assurances from OPEC Member Countries to keep the supply flow steady along with low seasonal demand as US refineries enter the heavy maintenance season after last September's hurricanes, prevented the market from a further surge.

Graph 2: Weekly average Basket price, 2005-2006



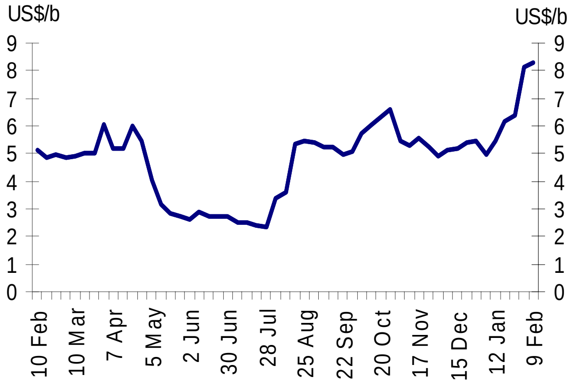
On a monthly basis, the above events helped the Basket to surge by $5.64 or nearly 11% to settle at $58.29/b in January, the largest rise since March last year, yet similar to the previous January's rise of nearly 13% to $40.24/b. In the first decade in February, the Basket retreated from a late January peak of over $60/b to average $58.71/b on easing tensions in the geopolitical arena and ample supply.

Concern over the supply of light sweet crude amid a lack of transatlantic opportunities sent the sweet/sour spread to record high

US market

The cash crude market in the USA rose on concern over possible supply disruptions from the Middle East amid actual supply losses of light sweet Nigerian crude. Although the weekly US petroleum data revealed a comfortable winter fuel supply amid a forecast for warmer weather, fear of a supply shortfall sent crude oil prices to peak once again well over the $60/b level. In the first week in January, WTI's weekly average stood $3.52 or some 6% higher at $62.58/b. The WTI/WTS spread narrowed by 48¢ to $4.99/b on fear of lower light sweet crude supply. The sentiment continued into the second week as WTI's average surged $1.17 or nearly 2% to settle at $63.75/b. The WTI/WTS spread widened by 48¢ to $5.47/b In the third week, escalating tensions in the Middle East along with the halt of some production out of Nigeria sent alertness in the US cash crude market. WTI cash crude surged $1.62 or 2.5% higher to settle at $65.37/b with the WTI/WTS spread widening to $6.04/b. Closed transatlantic arbitrage opportunities continued to support the light sweet market in the USA amid tight supplies. The WTI/WTS spread widened 36¢ to $6.40/b as WTI crude settled in the fourth week at $66.93/b for a gain of 2.4% or $1.56. Despite assurance that OPEC would keep supply flowing at a steady level and the forecast for warm weather in the Northern hemisphere during January amid rising underground natural gas storage, market jitteriness continued in the geopolitical arena adding to the fear premium. The WTI/WTS spread widened in January to $6.26 or nearly $1/b on fear of light sweet crude supply. WTI's monthly average was at $65.22/b for a gain of $5.85 or nearly 10%.

Graph 3: WTI spread to WTS

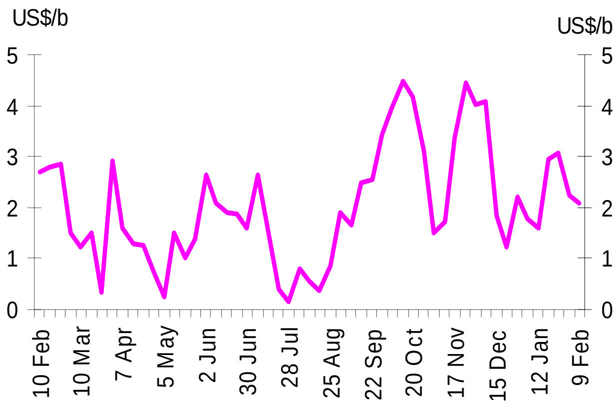


European market

Lingering January cargoes pressured North Sea differentials

The North Sea benchmark BFO differentials emerged in the New Year on a firmer note amid healthier refining margins as traders began snapping remaining January cargoes. Falling freight rates also added to the bullish market sentiment in the first week. However, some cargoes remained unsold into the second week. Moreover, plentiful stocks made refiners hesitant to procure further barrels, although improved transatlantic arbitrage kept a cap on falling differentials. The weak sentiment continued in the third week on remaining January cargoes. Moreover, mild weather in the USA discouraged arbitrage barrels across the Atlantic. In the fourth week, the drop in the North Sea differentials opened arbitrage opportunities. In the final days of the month, differentials firmed on a cold snap across Europe amid disrupted Russian supplies due to the cold weather. Dated Brent rose in January well over 10% or $6 over December to settle at $62.95/b.

Graph 4: WTI premium to Dated Brent



Persistent delays in Urals delivery prompted alternative buying amid weak refining margins

Poor refining margins saw a weaker market in the Mediterranean. Lingering January cargoes added to the burden by keeping differentials under Brent at a wide level with the first weekly average at a discount of $4.22/b. Nevertheless, cheap Urals attracted some buying interest amid delays for a round-trip voyage into the Black Sea. However, concern over the delay made the grade less attractive amid continued thin refining margins. In the second week, Urals averaged $4.02/b below Brent. The narrowing differential was due to the attractiveness to move barrels out of the region as a batch of late January cargoes began to move. The third week saw a firmer spread as cargoes began moving west. The spread narrowed to $3.07/b below Dated Brent. Bad weather disrupting supply boosted market sentiment for Urals differentials to improve into the fourth week with the Brent/Urals spread at $2.82/b. In the final days of the month, Urals was under pressure by weak refining margins and constant shipping delays which disrupted logistics plans and prompted refiners to stick to alternative grades. Urals averaged the last three days in January at $3.50/b below Dated Brent.

Far East market

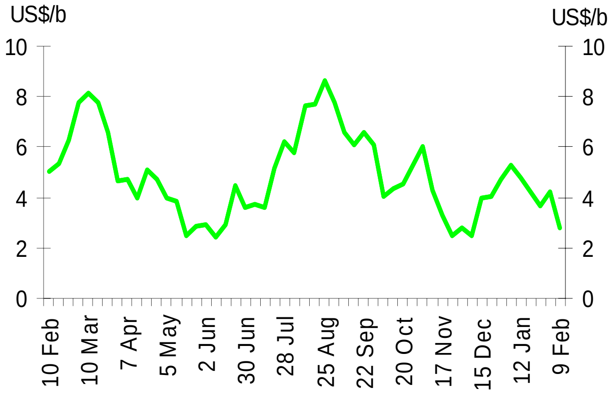
Improved fuel oil prices supported the sour grade, while reselling of Oman

The Middle Eastern crude emerged on a healthy note on rising demand from Asia especially for middle-distillate grades with March Oman trading at a slight premium to parity. The sentiment was split in the second week. While the sour grade was under pressure due to weaker fuel oil, March Oman traded at a 5¢ discount to the MOG. Abu Dhabi Murban was

pressured the market for the Middle Eastern crude

on offer at an 8¢ premium compared to a 25¢ premium for February loading. Waning demand for kerosene-rich crude also pressured the market amid high outright prices due to tensions in the geopolitical arena. Nonetheless, fuel oil prices improved in the third week on emerging demand and recovering refining margins which supported the Middle Eastern crude. March Oman was trading at stronger levels of a 15-18¢ premium to MOG. In the fourth week, the Mideast sour crude saw a double digit premium following a Chinese buying spree ahead of the New Lunar Year in Asia. In contrast, Murban was selling at a discount amid additional supply in April. A reselling of Oman by Chinese traders pressured the grade to sell from a lower premium of 3¢ to a discount of 3¢/b to the MOG.

Graph 5: Dated Brent spread to Dubai



Asian market

The market in Asia appeared strong as February cargoes cleared rapidly at strong premiums. Demand remained healthy for both heavy and medium to heavy sweet grades. Malaysia's Petronas was selling February Luban at a nearly two-year high premium of $2.65/b. In the second week, falling freight rates amid the flow of some West African crude prevented the premium from rising further. The first cyclone in Western Australia, which forced producers to shut in production, helped to keep the bullish momentum intact. Moreover, strong buying from Indonesia supported the market. In the third week, the prolonged closure of the Australian Cossack oilfield along with delays on the Mutineer-Exeter, Griffin and Legendre fields as well as the disruption in Nigerian crude output boosted sweet grades to firm further with their strong differentials as Malaysian grades continued to trade at strong premiums. March Luban traded at a stronger premium of $3.07/b to Tapis APPI. Furthermore, despite the weak naphtha cracking spread, increased demand from Asian electricity producers for thermal power generation helped to balance the market.

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

			Year-to-date average	
	Dec 05	Jan 06	2005	2006
OPEC Reference Basket	**52.65**	**58.29**	**40.24**	**58.29**
Arab Light[1]	52.84	58.22	38.26	58.22
Basrah Light	49.15	55.35	38.58	55.35
BCF-17	42.34	47.85	na	47.85
Bonny Light[1]	57.91	63.80	44.01	63.80
Es Sider	57.14	61.51	41.75	61.51
Iran Heavy	50.88	56.89	37.51	56.89
Kuwait Export	50.83	56.35	38.55	56.35
Marine	54.72	59.72	38.44	59.72
Minas[1]	54.43	63.04	42.55	63.04
Murban	57.47	62.58	42.08	62.58
Saharan Blend[1]	57.65	63.82	44.39	63.82
Other Crudes				
Dubai[1]	53.22	58.43	37.78	58.43
Isthmus[1]	52.77	58.31	38.89	58.31
T.J. Light[1]	49.23	54.06	35.75	54.06
Brent	57.02	62.86	44.01	62.86
W Texas Intermediate	59.36	65.19	46.64	65.19
Differentials				
WTI/Brent	2.34	2.32	2.63	2.32
Brent/Dubai	3.80	4.44	6.23	4.44

Note: As of the 3W of June 2005, the price is calculated according the current Basket methodology that came into effect on June 16, 2005. BCF-17 data available only as of March 1, 2005.

[1] Previous Basket Components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T.J. Light.

na not available.

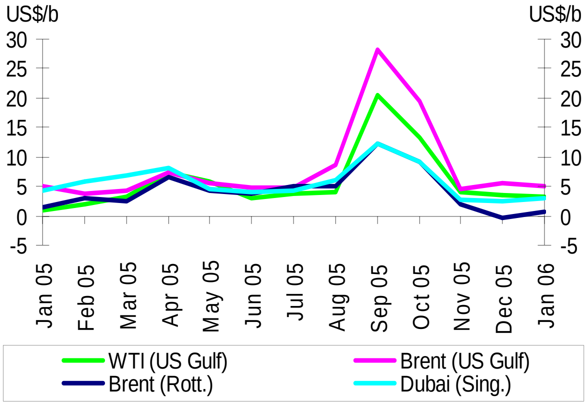
Source: Platt's, Direct Communication and Secretariat's assessments.

Product Markets and Refinery Operations

Product markets were strongly impacted by the mild winter in the USA

Unseasonably warm weather in the USA and its adverse effect on distillate demand have overshadowed the bullish impacts of a cold snap in Europe and Asia and capped the surge in product prices in those areas. This situation, along with higher crude oil prices due to rising geopolitical tensions in the market, has exerted pressure on refinery margins particularly in the USA.

Graph 6: Refiners' margins

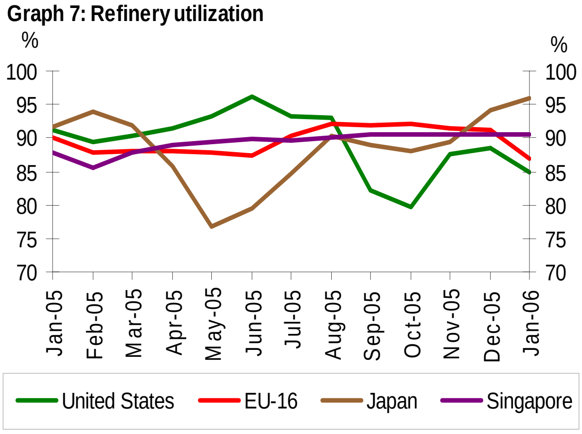


As **Graph 6** shows, refinery margins for the WTI benchmark in the US Gulf Coast fell by 12¢/b in January compared to the previous month. In the same month, despite the cold weather and huge draws on distillate stocks in Japan and South Korea, refinery margins for the Dubai benchmark in Singapore rose by just 39¢ to $2.93/b. Similarly, the European refinery margins rebounded sharply and reached 67¢/b from -33¢/b last month. Looking ahead, middle distillate and gasoline stocks are at comfortable levels. Stocks for these products are expected to recover in Asia as freezing weather in the north-east has dissipated. Additionally, demand for all products other than middle distillates is slow and it seems that it will not support crude prices in the short term. However, tighter product specifications and heavy refinery maintenance in the USA and Asia could switch the product market sentiment to bullish and lift crude and product prices.

The refinery utilization rate declined in the Atlantic Basin

Lower refinery margins in Europe have forced refiners to reduce their throughput in January. As **Graph 7** reveals, the refinery utilization rate in Europe declined by 4.7% to 86.9% in January from 91.6% in the previous month. The same trend was followed by US refiners but at a slower pace. In the USA, the refinery utilization rate dropped to 84.9% from 88.6% in December 2005**.** Despite the slide in refinery utilization rates in Europe, Japanese rates extended their upward movement rising to 96% from 94.1% last month.

Graph 7: Refinery utilization

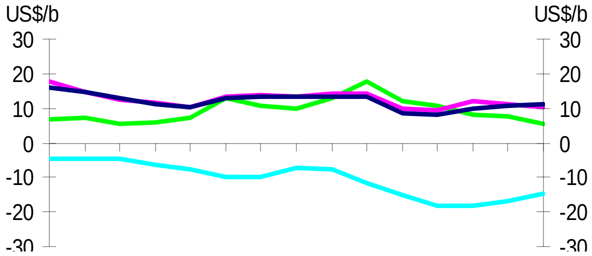


US market

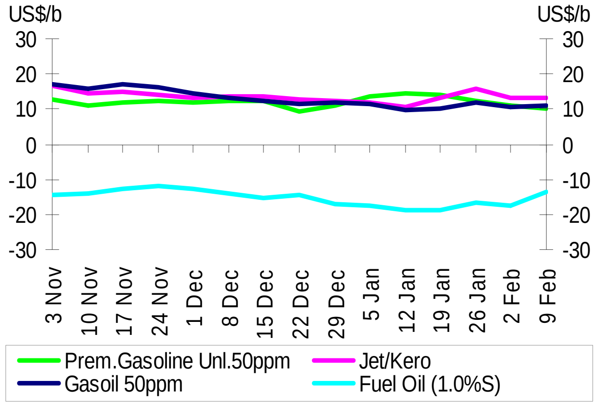
Contra-seasonal build in middle distillates slowed US market momentum

Over the last three months, crude, gas and product markets were mainly driven by low distillate stocks and the expectation of colder-than-normal weather in the USA. In the last couple of weeks, unseasonably warm weather in the north-east of the USA and its impact on gas and middle distillate stocks changed market players' perception significantly. As a result, they squared out their long position in the products futures market, which, in turn, exerted pressure on product prices. As Graph 8 shows, the crack spread of gasoil against the WTI benchmark in the US Gulf dropped from $13.44/b in early January to $9.83/b late in the same month. A similar trend was followed by jet/kero. In the middle of last month, some of the market players shifted their attention to the gasoline market developments, but gasoline stock-builds in the last two weeks have weakened gasoline's physical and futures prices and narrowed the crack spread of gasoline versus WTI crude. Despite these bearish developments, most market analysts are still optimistic about the turn of market sentiment due to the heavy refinery maintenance schedule in the next two to three months and the phasing out of MTBE reformulated gasoline, which may have an adverse impact on gasoline supply. Furthermore, higher-than-normal winter temperatures have also further deteriorated the low-sulphur fuel oil discount against WTI crude oil, and it has dropped to minus $17.30/b from minus $14/b in the latter part of December.

Graph 8: US Gulf crack spread vs. WTI



Graph 9: Rotterdam crack spreads vs. Brent



European market

The bullish impacts of icy weather in Europe have been pared by unusually warm weather in the USA

Following the freezing weather, slowing gas and fuel oil supply from Russia and lower middle distillate arbitrage cargoes from the Middle East, many market players had expected European product prices to surge significantly in January. The bearish developments in the US market have undermined the European product market. As Graph 9 shows, gasoline prices rose in mid-January because of higher exports to the USA, but they declined later and reduced the gasoline crack spread to $11.8/b from $14.30/b in early January. In the same month, naphtha was the weakest product category due to sluggish demand from the petrochemical industry.

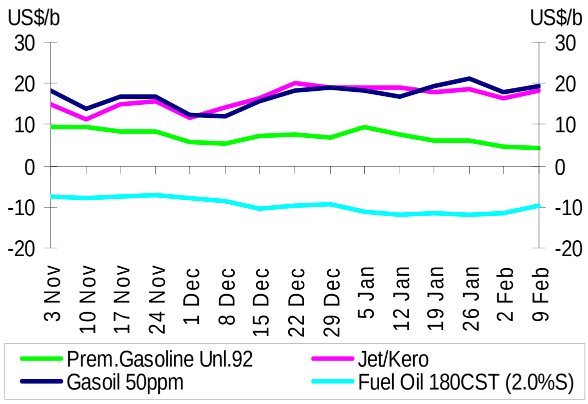
Middle distillate prices, which were lifted by a cold snap, failed to consolidate themselves, and the recent sliding of gasoil prices was mainly attributed to bearish developments in the US distillate stocks and falling futures markets. Despite the weakness in gasoil, the jet fuel market looks promising due to refinery maintenance and fear of a supply shortage in the next months. The crack spread of jet/kero against the Brent benchmark is still above $13/b.

As far as the fuel oil market is concerned, low-sulphur fuel oil was supported by European utility company's demand, which switched to fuel oil from gas due to a cut in Russian natural gas supply. High-sulphur fuel oil was also supported by reduced FSU exports via Baltic and Black Sea ports due to higher domestic demand in Russia and other FSU states amid sub-zero temperatures there.

Asian market

Crack spreads for light and heavy products deteriorated further due to sluggish regional demand

Graph 10: Singapore crack spreads vs. Dubai



The Asian product market lost its strength in the latter part of January as the freezing weather in north-east Asia dissipated and arbitrage opportunity to the west remained closed. In that month, due to ample supply from India and the Middle East as well as the unplanned shut-down of ethylene units in Taiwan and Korea, the naphtha crack spread against the Dubai benchmark fell into negative territory. The crack spread might be able to recover in the short term, and as arbitrage cargoes returning from the west deteriorated the bearish outlook further. Similarly, the seasonal fall in gasoline demand eroded the gasoline crack spread versus Dubai crude oil in January. As **Graph 10** indicates, the gasoline crack spread slipped from $9.39b in early January to $4.54/b in early February. Due to reduced Chinese exports and unplanned refinery shut-downs, the Asian gasoline market sentiment may improve in the next months. The middle of the barrel complex prices, which were lifted by cold weather in North-East Asia, and a draw on kerosene stocks in Japan, have lost their strength recently. This situation could weaken further, especially for gasoil, as Pertamina slashed its diesel import for February by half to parity 3 million barrels and has not yet announced its import plans for March.

With regard to the bottom of the barrel component, high demand by Japanese utility plants helped low-sulphur waxy residue prices, but due to an inflow of more than 2.5 million tonnes of Western cargoes, high-sulphur fuel oil is under pressure, and its crack spread versus the Dubai crude dropped to minus $11.5/b. Heavy refinery maintenance in Asia may provide support in the second quarter.

Table 2: Refined product prices, US$/b

		Nov 05	Dec 05	Jan 06	Change Jan/Dec
US Gulf (Cargoes):					
Naphtha		59.84	64.51	69.29	4.78
Premium gasoline	*(unleaded 93)*	64.38	71.30	76.63	5.33
Regular gasoline	*(unleaded 87)*	61.02	66.03	72.01	5.98
Jet/Kerosene		71.23	72.93	76.62	3.69
Gasoil	*(0.05% S)*	71.14	72.57	75.30	2.73
Fuel oil	*(1.0% S)*	52.99	50.51	49.00	-1.51
Fuel oil	*(3.0% S)*	38.42	41.12	46.01	4.89
Rotterdam (Barges FoB):					
Naphtha		62.65	65.20	73.50	8.30
Premium gasoline	*(unleaded 50 ppm)*	67.03	68.24	76.37	8.13
Premium gasoline	*(unleaded 95)*	60.02	61.04	68.13	7.09
Jet/Kerosene		69.50	70.00	76.16	6.16
Gasoil/Diesel	*(50 ppm)*	71.05	69.25	73.79	4.54
Fuel oil	*(1.0% S)*	42.01	41.75	45.19	3.44
Fuel oil	*(3.5% S)*	37.50	37.54	42.21	4.67
Mediterranean (Cargoes):					
Naphtha		51.20	53.71	59.23	5.52
Premium gasoline	*(50 ppm)*	64.69	67.95	75.71	7.76
Jet/Kerosene		67.90	68.15	73.64	5.49
Gasoil/Diesel	*(50 ppm)*	69.80	70.64	74.58	3.94
Fuel oil	*(1.0% S)*	41.91	43.53	47.98	4.45
Fuel oil	*(3.5% S)*	35.57	35.02	39.62	4.60
Singapore (Cargoes):					
Naphtha		53.19	53.77	58.26	4.49
Premium gasoline	*(unleaded 95)*	60.87	61.01	66.78	5.77
Regular gasoline	*(unleaded 92)*	59.48	59.89	65.42	5.53
Jet/Kerosene		64.78	70.37	77.02	6.65
Gasoil/Diesel	*(50 ppm)*	66.50	69.10	77.61	8.51
Fuel oil	*(180 cst 2.0% S)*	43.80	43.68	46.72	3.04
Fuel oil	*(380 cst 3.5% S)*	42.91	42.48	45.33	2.85

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Nov 05	Dec 05	Jan 06	Jan/Dec	Nov 05	Dec 05	Jan 06	Jan/Dec
USA	14.70	14.86	14.55	-0.31	87.6	88.6	84.9	-3.70
France	1.83	1.79	1.73	-0.06	93.5	91.7	87.4	-4.30
Germany	2.34	2.36 R	2.19	-0.17	100.6 R	101.4 R	90.2	-11.20
Italy	1.95	1.92	1.88	-0.04	83.9	82.7	81.1	-1.60
UK	1.61	1.60	1.63	0.03	88.0	87.7	86.6	-1.10
Eur-16	12.70 R	12.67 R	12.28	-0.39	91.5 R	91.3 R	86.9	-4.40
Japan	4.21	4.42	4.40	-0.02	89.4	94.1	96.0	1.90

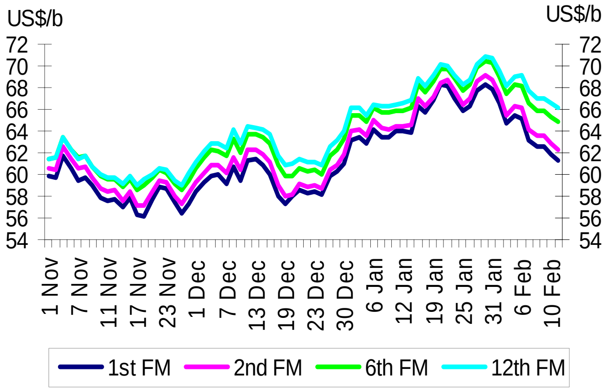
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Non-commercials net positions flipped into net long for the first time since September on rising tensions in the geopolitical arena

The crude oil futures contract closed the final days of last year on a bullish note. Concern over possible supply disruptions from Nigeria along with outages of natural gas supply from Russia into some parts of Europe supported the bullish market sentiment.

Graph 11: Nymex WTI futures contracts, 2005-2006



FM = future month

Hence, the Nymex WTI front-month closed the first weekly period at $63.14/b for a gain of 8.5%. The CFTC reported that non-commercials boosted long positions by a hefty 11,200 lots to narrow the net short positions to 14,400 lots from the 24,400 the week before, with the open interest building up by a healthy 31,000 lots.

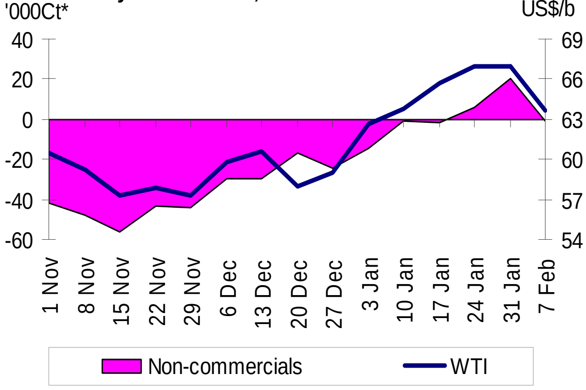
The bullishness continued into the second week on rising tensions in the Mideast geopolitical arena amid a supply drop from Nigeria and continuing draws on crude oil stocks in the USA. The Nymex prompt futures contract closed the second weekly period at $63.37/b for a marginal gain of 23¢. Nonetheless, the CFTC's second weekly period reported that non-commercial funds have increased longs by another significant volume of 13,000 lots, narrowing the net short gap to over 700 contracts amid a hefty rise in open interest which was inflated by a considerable 43,000 lots.

In the third weekly period, Nymex WTI front-month contracts soared to close at $66.31/b on rising tensions in the geopolitical arena and continued draws on crude oil stocks. However, yet fund-sell offs for profit-taking inspired by the forecast for mild US weather kept some balance in the futures market. The CFTC report showed non-commercials widened net-shorts by a marginal 950 to over 1,600 lots. Open interest was inflated by 16,600 lots to nearly 910,000 contracts.

The stride continued into the fourth week on rising tensions in the Middle East which made the Nymex WTI futures contracts surge to $67.06/b on unseasonably warm weather in most parts of the USA amid a hefty one-day drop in natural gas futures of nearly 8%. However, the CFTC reported that non-commercial contracts increased long positions while reducing shorts to flip into net long for the first time since September. Open interest edged insignificantly lower to 908,000 lots.

In the final weekly period, the Nymex WTI front-month surged 86¢ to close the last day in January at $67.92/b. The perception that OPEC would keep supply flowing at 25-year high levels, amid bearish US weekly data, balanced the upward trend inspired by tensions in the geopolitical arena amid rising fear of supply disruptions from the Middle East and West Africa. The CFTC reported that non-commercials moved deeper into net longs reaching nearly 20,000 lots on a moderate rise in the long and a significant drop in the short positions. Open interest climbed further to reach 950,000 after a gain of nearly 43,000 lots.

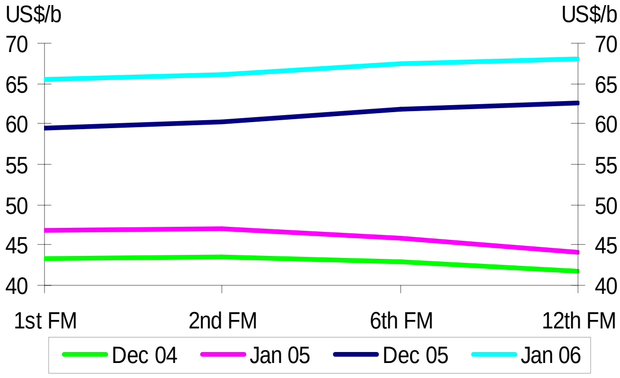
Graph 12: Futures Commitment of traders report Nymex crude oil, 2005-2006



The contango narrowed during January on fear of a supply shortfall inspired by geopolitical tensions

In January 2006, concern in the geopolitical arena amid supply disruptions from Nigeria and cold weather halting some Russian exports narrowed the contango. The 1st/2nd month average in January 2006 narrowed by 14¢ to 65¢/b with the later months narrowing further. The 1st/6th, 12th and 18th month average slipped by 29¢, 56¢, and 77¢/b, despite healthy crude oil stocks in the USA at a weekly average of 320 mb, or some 27 mb over January 2005. Moreover, the contango remained as US refineries scheduled heavy maintenance in the second quarter which had been delayed to boost supplies to ease disruptions caused by the devastating hurricanes.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures surged sharply in the second half of January

After falling for the second consecutive month to hit a 24-month low in December, OPEC spot fixtures picked up sharply in the third week of January to touch a three-year high. Reported OPEC spot fixtures increased from an average of 12 mb/d in the first half to more than 22 mb/d in the second, resulting in a monthly average of 17.5 mb/d, almost 6 mb/d or 52% higher than the previous month. The significant jump in OPEC spot fixtures in the third week contributed largely to the tightness of the tanker market. Almost 80% or 4.6 mb/d of the growth in OPEC spot fixtures was driven by the Middle East with eastbound leading the growth with 3.3 mb/d to average 7.2 mb/d and westbound doubling to 2.6 mb/d. The surge in eastbound fixtures is attributed essentially to Japan, which experienced a severe winter, and to increasing purchases from China. Consequently, OPEC's share of global spot fixtures moved from 60% in November-December to 72% in January. In contrast, Non-OPEC spot fixtures showed a decline of 0.7 mb/d or 9% to stand at nearly 6.9 mb/d, the lowest level in the last two years. Following the significant spike in the OPEC area, global OPEC and non-OPEC spot fixtures increased by 5.3 mb/d or 28% to average 24.5 mb/d, the highest level since March 2005. Preliminary estimates show that sailings from the OPEC area increased by 1.1 mb/d or 5% to 24.16 mb/d with the Middle East accounting for 17.9 mb/d, which corresponds to a growth of 0.4 mb/d or 2% over the previous month. Compared to the corresponding month of last year, sailings from the Middle East were unchanged. Arrivals in the US Gulf and US East Coasts and the Caribbean as well as in North-West Europe inched up by 0.3 mb/d or 3% to average 10.9 mb/d and 8.2 mb/d, respectively. However, arrivals at the Euro-Mediterranean region and Japan continued to fall for the second consecutive month to stand at around 4 mb/d each, which corresponds to a drop of 0.4 mb/d and 0.2, respectively. In the case of North-West Europe, the size of the decline was almost equivalent to the increase of the previous month.

Table 4: Tanker chartering, sailings and arrivals, mb/d

	Nov 05	Dec 05	Jan 06	Change Jan/Dec
Spot Chartering				
All areas	22.57	19.16	24.47	5.31
OPEC	13.68	11.56	17.52	5.96
Middle East/east	5.32	3.91	7.20	3.29
Middle East/west	1.96	1.28	2.58	1.30
Sailings				
OPEC	23.92	23.08	24.16	1.08
Middle East	18.09	17.55	17.93	0.38
Arrivals				
US Gulf Coast, US East Coast, Caribbean	11.20	10.58	10.88	0.30
North West Europe	8.13	7.90	8.17	0.27
Euromed	4.69	4.46	4.06	-0.40
Japan	4.42	4.12	3.90	-0.22

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

Freight rates for crude oil rebounded after a significant decline in the first half of the month

The tanker market weakened significantly in the first half of the month due to negligible activity since many charterers were still out of the market after the New Year holidays. As a result, there was a plentiful supply, with the 30-day availability of VLCCs in the Middle East reaching 85 units in the first two weeks. Freight rates for cargoes moving from the Middle East plummeted to WS90s for eastbound and westbound long-haul voyages. Nevertheless, an exceptionally active market in the third week saw freight rates surge, especially for tankers moving from the Middle East to the east, to double by the end of the month from the four-month low hit on 12 January, following a brisk surge in bookings before the Chinese New Year as charterers began to cover early February stems. Westbound VLCC freight rates also improved but at a lower pace compared to eastbound. On a monthly basis, VLCC rates on both routes averaged WS132 and WS98 respectively, which corresponds to a drop of 25 and 28 points compared to December 2005 levels. The fall in the VLCC sector led to reduced profits of Suezmax and Aframax owners, with Suezmax rates following the same movement and declining by 30% to stand at WS170 for tankers trading between West Africa and the US Gulf Coast and WS164 for transatlantic cargoes. Contrary to VLCCs, Suezmax rates began to firm almost one week later as many charterers started to switch to Suezmax due to the high rates for VLCCs.

However, despite the drop in the VLCC and Suezmax sector, freight rates remained higher than the January 2005 levels, especially in the VLCCs which rose 86% on the Middle East/eastbound route and 40% on the Middle East/westbound route. Similarly, the Aframax sector softened with rates losing 34% in the Mediterranean Basin and from there to North-West Europe to average WS187 and WS184 respectively, as Bosporus Strait delays began to ease. Due to limited activity, the Caribbean and Indonesia/US West Coast routes saw rates slide by nearly 80 and 28 points to hit respectively WS271 and WS242 respectively. In contrast to the VLCC and Suezmax sectors, the sharp decline in Aframax rates made January 2006 averages lower than those of the previous year, except for the Indonesia/US East Coast route.

Table 5: Spot tanker freight rates, Worldscale

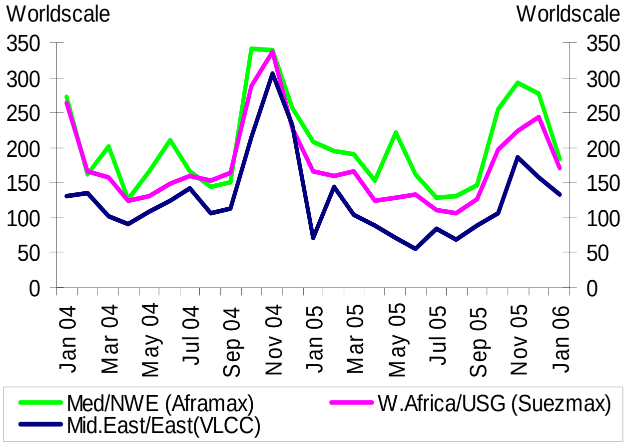
	Size *1,000 DWT*	Nov 05	Dec 05	Jan 06	Change Jan/Dec
Crude					
Middle East/east	200–300	187	157	132	-25
Middle East/west	200–300	142	126	98	-28
West Africa/US Gulf Coast	100–160	224	243	170	-73
NW Europe/USEC - USGC	100–160	207	230	164	-66
Indonesia/US West Coast	70–100	326	350	271	-79
Caribbean/US East Coast	40–70	314	270	242	-28
Mediterranean/Mediterranean	40–70	297	285	187	-98
Mediterranean/North-West Europe	70–100	292	277	184	-93
Products					
Middle East/east	30–50	391	337	363	26
Singapore/east	25–30	449	391	394	3
Caribbean/US Gulf Coast	25–30	331	308	375	67
NW Europe/USEC - USGC	25–30	306	312	336	24
Mediterranean/Mediterranean	25–30	337	308	410	102
Mediterranean/North-West Europe	25–30	347	325	420	95

Source: Galbraith's Tanker Market Report and others.

Rates for products firmed, improving from last year

Contrary to crude oil, the tanker market for products was very active with rates supported by cold winter weather rebounding in January 2006. Rates for cargoes of 30,000-50,000 dwt on the Middle East/east route increased by 26 points to average WS363, while on the Singapore/east route, rates gained 3 points to reach an all-time high of WS394, driven by high demand, especially from Japan, which experienced very low temperatures. The strong demand for electricity substantially increased fuel oil demand in Asia-Pacific and led to a growth in imports following a severe winter in North-East Asia. Tankers moving from the Caribbean and North-West Europe to the USA enjoyed gains of 67 and 24 points respectively to average WS375 and WS336, thanks to strong imports from the USA, especially for distillates, which reached a five-year record of 0.7 mb/d. The highest increase in freight rates was displayed across the Mediterranean and from there to North-West Europe on the back of the tightness in tonnage supply as a result of high demand in combination with bad weather in the Baltic and delays in the Bosporus Strait. Rates on both routes increased by around 100 points to hit all-time high averages of WS410 and WS420 respectively. Compared to January 2005, freight rates for products were higher, except for tankers trading between North-West Europe and US East and Gulf Coasts.

Graph 14: Monthly averages of crude oil spot freight rates



World Oil Demand

World oil demand growth for 2005 revised down to 0.97 mb/d resulting in a yearly average of 83.1 mb/d

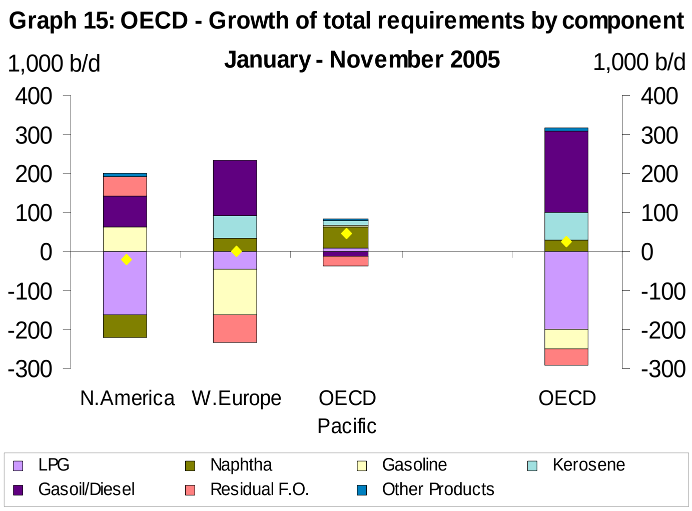
Estimate for 2005

World oil demand growth in 2005 has been revised down by 0.1 mb/d to just below 1 mb/d, due to the release of data showing lower fourth-quarter figures for many regions, which reveal weaker growth at the end of the year. This represents a 1.2% y-o-y rise and a yearly average of 83.1 mb/d. As mentioned before, the source of the revision can be almost entirely traced back to the lower demand figures of the last quarter of last year when revisions to OECD as well as non-OECD regions resulted in a sizeable 0.6 mb/d downward correction that wiped off all growth for the quarter. On a regional basis, demand estimates for OECD North America and Western Europe were lowered by approximately 0.2 mb/d each, while for non-OECD Asia, the Middle East and China demand estimates were revised down by approximately 0.2 mb/d, 0.1 mb/d and 0.1 mb/d, respectively.

According to the latest inventory report by the EIA, total petroleum deliveries to the USA fell by 0.06 mb/d or 0.3% during 2005. Even though there was a marked drop in product deliveries in the months following Hurricanes Katrina and Rita, weak demand was already present in the first half of the year as product supplies contracted during February, April, May and July showing below-average growth rates in January and March of last year. The latest data shows that demand recovered in December rising an estimated 1.4% y-o-y; however, very preliminary figures indicate another contraction of 1.2% in January 2006. If the estimated contraction in US demand for the whole of 2005 materializes, which would account for more than 80% of total North American growth, the region could actually show a negative demand growth rate as the increase in Mexico's consumption will be offset by the drop in demand for the USA and Canada. In Western Europe latest figures show a y-o-y drop in demand for the final months of 2005, especially in December, despite the harsh winter temperatures. With the freezing temperatures, many waterways used for the transportation of petroleum products via barge have been frozen disrupting the normal flow of supplies and enforcing the use of onsite inventories. Thus, we estimate that demand should pick up in the next months in order to replenish depleted stocks. Oil demand in China estimated from "apparent demand" for oil — i.e. production of crude plus net trade of crude and products, under the assumption of zero stock changes — indicates only a marginal 0.5 y-o-y gain with the latest available data pointing to a contraction during the last three months of 2005. With production levels fairly stable, the meagre rise in Chinese demand last year can be traced back to the trade side. For the first eleven months of 2005, product exports increased, on average nearly 0.2 mb/d. while net crude imports showed only a marginal 400,000 b/d increase over 2004.

OECD

Oil demand in OECD countries was revised down by around 0.1 mb/d with respect to the last assessment and is estimated to have grown by 0.2 mb/d or 0.3% to average 49.7 mb/d in 2005. Nonetheless there is an increased chance that the region will experience a contraction in demand for the whole of 2005 as preliminary data on the USA and Western Europe, which is not yet incorporated in this report, indicates a y-o-y contraction. According to the latest figures, OECD inland deliveries of petroleum products for the period January-November 2005 rose by a slight 0.02 mb/d which translates into a y-o-y change of 0.1% and a period average of 45.7 mb/d. Not surprisingly, gasoil/diesel requirements rose by 0.21 mb/d or 1.7% during the eleven-month period with a large share of the increase originating in Western Europe followed by North America. Kerosene and naphtha requirements grew by 0.07 mb/d or 1.8% and 0.03 mb/d or 1% during the period. Gasoline requirements showed a surprising decline as the modest rise in North



American consumption of 0.6% was offset by the continued and sizeable 4.1% fall in demand in Western Europe. LPG consumption shrank by 0.2 mb/d or 4.1% as high gas prices encouraged substitution wherever possible. LPG consumption suffered the biggest relative decline in North America, dropping 5.6%; however, consumption also fell a considerable 4.4% in Western Europe but rose by 1% in the OECD Pacific. Residual fuel oil requirements for the period January-November fell by 1.3% as the 4.6% rise in consumption in North America was offset by a 6.4% and 3.1% drop in Western Europe and OECD Pacific.

Table 6: World oil demand forecast for 2005, mb/d

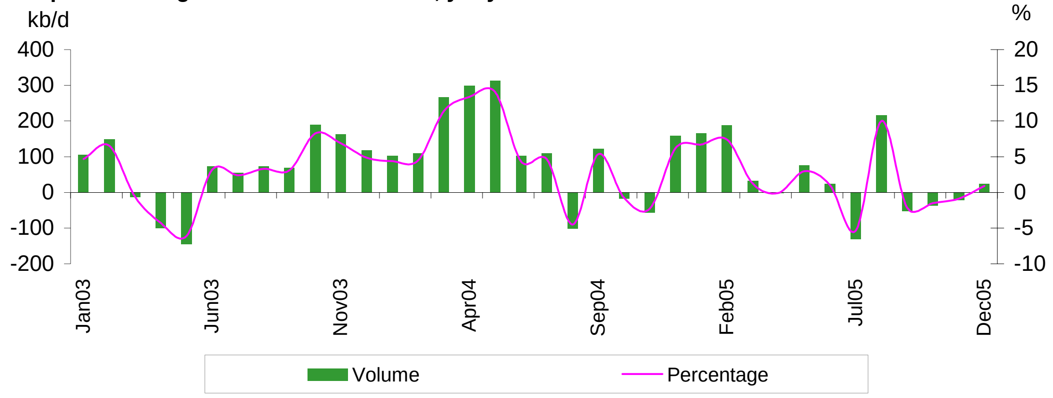
							Change 2005/04	
	2004	1Q05	2Q05	3Q05	4Q05	2005	Volume	%
North America	25.34	25.53	25.30	25.48	25.51	25.46	0.12	0.46
Western Europe	15.62	15.56	15.30	15.71	15.73	15.57	-0.05	-0.31
OECD Pacific	8.53	9.49	8.10	8.10	8.84	8.63	0.10	1.20
Total OECD	**49.49**	**50.57**	**48.70**	**49.29**	**50.08**	**49.66**	**0.17**	**0.34**
Other Asia	8.36	8.60	8.72	8.38	8.62	8.58	0.22	2.59
Latin America	4.89	4.83	4.98	5.12	5.05	4.99	0.11	2.20
Middle East	5.44	5.61	5.67	5.92	5.75	5.74	0.30	5.57
Africa	2.70	2.77	2.80	2.77	2.86	2.80	0.10	3.59
Total DCs	**21.39**	**21.80**	**22.17**	**22.19**	**22.28**	**22.11**	**0.72**	**3.39**
FSU	3.85	3.90	3.74	3.82	4.00	3.86	0.02	0.49
Other Europe	0.86	0.93	0.88	0.87	0.86	0.89	0.03	3.47
China	6.52	6.51	6.58	6.43	6.68	6.55	0.03	0.48
Total "Other Regions"	**11.22**	**11.35**	**11.19**	**11.12**	**11.54**	**11.30**	**0.08**	**0.71**
Total world	**82.09**	**83.72**	**82.06**	**82.60**	**83.89**	**83.07**	**0.97**	**1.19**
Previous estimate	82.09	83.71	82.06	82.58	84.50	83.21	1.12	1.36
Revision	0.00	0.01	0.00	0.03	-0.61	-0.14	-0.14	-0.18

Totals may not add due to independent rounding.

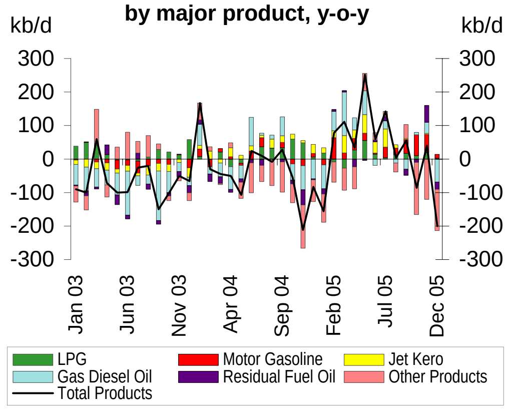
Developing Countries

Developing Countries oil demand is forecast to rise by 0.7 mb/d or 3.4% to average 22.1 mb/d for the whole of 2005. Developing Countries contribution to total world oil demand growth is estimated at approximately three quarters — higher in relative terms than the 34% share in 2004 but lower compared to the nearly 1 mb/d growth seen in the group last year. Therefore, it is so essential that the assessment on developing countries captures as much as possible real demand patterns, despite the difficulties posed by the reliability, timeliness and availability of the data. Preliminary data continues to come in strong for the first half of the year with first-quarter y-o-y growth assessed at 0.9 mb/d or 4.3% followed by another 0.8 mb/d or 3.7% during the second quarter. Latest third-quarter demand figures, subject to sizeable revisions, show a deceleration in growth to 0.7 mb/d or 3%; however, estimates for the last three months of the year indicate a considerably lower growth of 2.5% as preliminary figures indicate a sizeable lower fourth-quarter demand in Asia and to a lesser extent in the Middle East. Yet, the lion's share of demand growth in this group will originate in non-OECD Asia and the Middle Eastern countries where consumption is projected to rise by 0.2 mb/d or 2.6% and 0.3 mb/d or 5.6%, respectively. In South-East Asia, reductions in subsidies seem to have slashed consumption in several countries, and this might be one of the reasons for the observed drop in demand growth during the third and fourth quarter when consumption rose by only 1.6% and 0.6% y-o-y. Oil demand in Latin America and Africa is projected to increase by around 0.1 mb/d each; however, in relative terms demand growth in Latin America is estimated at only 2.2% while in Africa consumption will increase by almost 3.6%.

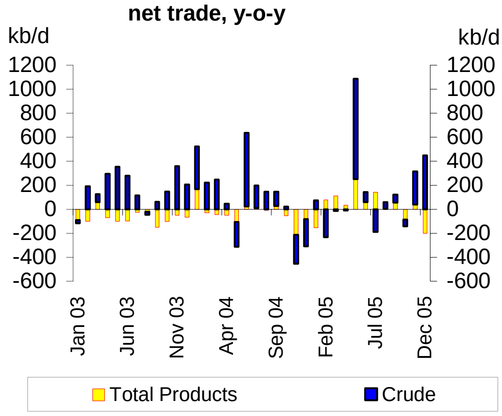
Graph 16: Changes in Indian oil demand, y-o-y



Graph 17: Changes in Indian oil net imports by major product, y-o-y



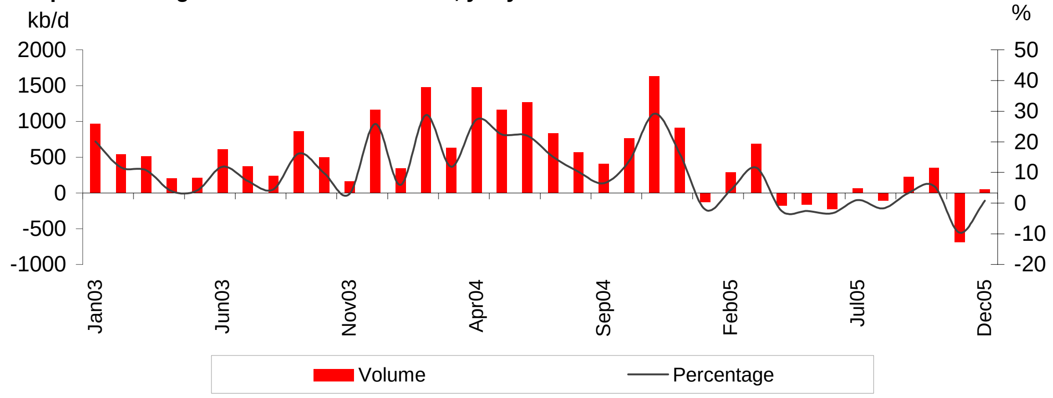
Graph 18: Changes in Indian oil and product net trade, y-o-y



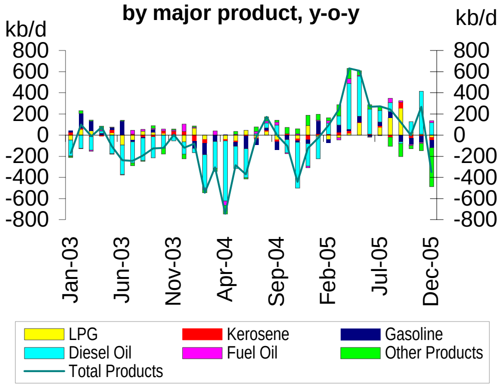
Other Regions

Other regions total oil demand growth is projected at a mere 0.08 mb/d or 0.7% to average 11.3 mb/d for the year. Chinese apparent demand growth has been revised down many times in a row and now stands at 0.03 mb/d or 0.5% for a yearly average of 6.6 mb/d. According to the latest production and trade data, apparent demand in China seems to have fallen marginally. The fall can be traced back to the 5.6% decline in Chinese net imports during 2005. Disaggregating the data into crude and products shows that net petroleum product imports fell by nearly 40% or 0.2 mb/d while crude oil imports decreased by only 1.3% y-o-y. On the other hand, oil production, the other component of the apparent demand equation, shows a growth of 4.2%, rising by 0.15 mb/d to 3.63 mb/d. FSU's apparent demand has been revised up slightly for the fourth quarter following declines of 0.6% and 3.1% in the second and third quarters that offset a promising 8.1% y-o-y rise during the first quarter of 2005. The upward revision came on the back of the freezing temperatures that boosted demand for electricity generation and the switching to fuel oil as an alternative fuel. Apparent oil demand growth estimate for Other Europe (a group consisting of several Central European states) remains unchanged at 0.03 mb/d or 3.5%.

Graph 19: Changes in Chinese oil demand, y-o-y



Graph 20: Changes in Chinese oil net imports by major product, y-o-y



Graph 21: Changes in Chinese oil and product net trade, y-o-y

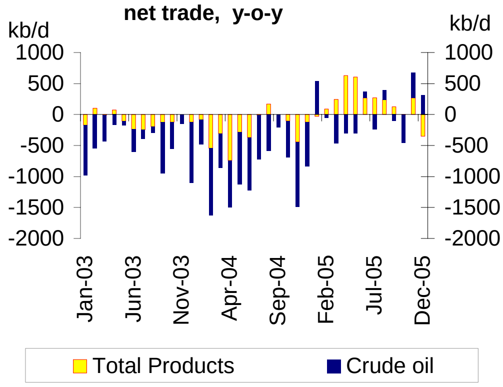


Table 7: First and second quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.23	25.53	0.31	1.21	25.03	25.30	0.27	1.09
Western Europe	15.66	15.56	-0.11	-0.70	15.20	15.30	0.10	0.63
OECD Pacific	9.28	9.49	0.20	2.19	7.90	8.10	0.20	2.51
Total OECD	**50.17**	**50.57**	**0.40**	**0.80**	**48.13**	**48.70**	**0.57**	**1.18**
Other Asia	8.20	8.60	0.39	4.79	8.42	8.72	0.30	3.52
Latin America	4.69	4.83	0.13	2.85	4.88	4.98	0.10	2.00
Middle East	5.32	5.61	0.29	5.35	5.39	5.67	0.28	5.21
Africa	2.68	2.77	0.08	3.14	2.69	2.80	0.12	4.40
Total DCs	**20.90**	**21.80**	**0.90**	**4.29**	**21.38**	**22.17**	**0.79**	**3.71**
FSU	3.61	3.90	0.29	8.06	3.76	3.74	-0.02	-0.57
Other Europe	0.91	0.93	0.03	3.14	0.86	0.88	0.02	2.58
China	6.23	6.51	0.28	4.58	6.77	6.58	-0.19	-2.80
Total "Other Regions"	**10.75**	**11.35**	**0.60**	**5.63**	**11.38**	**11.19**	**-0.19**	**-1.66**
Total world	**81.82**	**83.72**	**1.90**	**2.32**	**80.89**	**82.06**	**1.17**	**1.45**

Totals may not add due to independent rounding.

Table 8: Third and fourth quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	3Q04	3Q05	Volume	%	4Q04	4Q05	Volume	%
North America	25.41	25.48	0.08	0.30	25.69	25.51	-0.18	-0.70
Western Europe	15.60	15.71	0.11	0.69	16.02	15.73	-0.29	-1.81
OECD Pacific	8.16	8.10	-0.06	-0.71	8.77	8.84	0.07	0.79
Total OECD	**49.17**	**49.29**	**0.13**	**0.25**	**50.48**	**50.08**	**-0.40**	**-0.79**
Other Asia	8.24	8.38	0.13	1.61	8.57	8.62	0.05	0.58
Latin America	5.02	5.12	0.10	1.99	4.95	5.05	0.10	2.01
Middle East	5.58	5.92	0.35	6.22	5.45	5.75	0.30	5.47
Africa	2.69	2.77	0.08	3.13	2.76	2.86	0.10	3.68
Total DCs	**21.53**	**22.19**	**0.66**	**3.08**	**21.73**	**22.28**	**0.55**	**2.53**
FSU	3.94	3.82	-0.12	-3.13	4.07	4.00	-0.07	-1.62
Other Europe	0.82	0.87	0.06	6.74	0.84	0.86	0.01	1.54
China	6.36	6.43	0.07	1.02	6.71	6.68	-0.03	-0.50
Total "Other Regions"	**11.12**	**11.12**	**0.00**	**-0.03**	**11.62**	**11.54**	**-0.09**	**-0.74**
Total world	**81.82**	**82.60**	**0.79**	**0.96**	**83.83**	**83.89**	**0.06**	**0.08**

Totals may not add due to independent rounding.

World oil demand is estimated to average 84.6 mb/d in 2006, rising by 1.6 mb/d or 1.9% over 2005

Forecast for 2006

Average world oil demand is projected to grow by 1.6 mb/d or 1.9% to average 84.6 mb/d for 2006, marginally lower than the last assessment. Oil consumption is expected to rise in all major regions with the sole exception of Other Europe where demand is expected to contract marginally. North America will contribute the bulk of consumption growth within the OECD countries where demand is projected to rise by 0.5 mb/d or slightly less than 1% to average 50.1 mb/d over the entire year. Demand for oil in the North American region is estimated to rise by 0.35 mb/d or 1.4% y-o-y to average 25.8 mb/d accounting for more than three-fourths of the total OECD growth. The remaining one-fourth of the growth will originate in Western Europe and OECD Pacific with estimates indicating y-o-y demand growth of 0.4% and 0.5% respectively. Developing countries demand — slightly lower than in 2005 but still in line with the trend of the last decade — is projected to grow by 0.6 mb/d or 2.9% to average 22.8 mb/d. Within Developing Countries, non-OECD Asia's oil demand growth of 0.32 mb/d or 3.8% will account for half of the total growth, with the remaining half shared by Middle East, Latin America and Africa where forecasts show a y-o-y rise of 2.5%, 2.1% and 2.8% respectively. China's apparent demand growth of 0.4 mb/d or 6% will make up about one-fourth of total world oil demand growth in 2006 and nearly 85% of the projected Other Regions' growth of 0.46 mb/d.

On a quarterly basis, world oil demand will average 85.4 mb/d during the first quarter of 2006 — higher than the preceding quarter (83.9 mb/d) as well as the following (2Q06) when demand is projected to see a seasonal drop of more than 1.9 mb/d to 83.4 mb/d. As for the third quarter of 2006, the forecast calls for a rise of 0.6 mb/d with respect to the previous quarter to average 84 mb/d. This should be followed by another 1.8 mb/d increase in demand in the last quarter of the year with total demand estimated at 85.8 mb/d.

Table 9: World oil demand forecast for 2006, mb/d

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.46	25.95	25.61	25.70	25.96	25.81	0.35	1.38
Western Europe	15.57	15.60	15.31	15.77	15.88	15.64	0.07	0.43
OECD Pacific	8.63	9.39	8.18	8.14	9.00	8.67	0.04	0.51
Total OECD	**49.66**	**50.93**	**49.10**	**49.62**	**50.84**	**50.12**	**0.46**	**0.93**
Other Asia	8.58	8.91	8.96	8.72	9.02	8.90	0.32	3.77
Latin America	4.99	4.98	5.10	5.22	5.10	5.10	0.11	2.14
Middle East	5.74	5.70	5.77	6.06	6.00	5.88	0.14	2.48
Africa	2.80	2.85	2.87	2.84	2.96	2.88	0.08	2.79
Total DCs	**22.11**	**22.44**	**22.70**	**22.83**	**23.07**	**22.76**	**0.65**	**2.94**
FSU	3.86	4.04	3.69	3.86	4.14	3.93	0.07	1.76
Other Europe	0.89	0.92	0.92	0.85	0.85	0.88	0.00	-0.03
China	6.55	7.02	7.00	6.84	6.92	6.94	0.39	6.00
Total "Other Regions"	**11.30**	**11.97**	**11.61**	**11.55**	**11.91**	**11.76**	**0.46**	**4.08**
Total world	**83.07**	**85.35**	**83.41**	**84.01**	**85.81**	**84.64**	**1.57**	**1.89**
Previous estimate	83.21	85.46	83.57	84.20	86.09	84.83	1.62	1.94
Revision	-0.14	-0.11	-0.17	-0.19	-0.28	-0.19	-0.04	-0.05

Totals may not add due to independent rounding.

Table 10: First and second quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	1Q05	**1Q06**	Volume	%	**2Q05**	**2Q06**	Volume	%
North America	25.53	25.95	0.42	1.63	25.30	25.61	0.31	1.24
Western Europe	15.56	15.60	0.04	0.27	15.30	15.31	0.01	0.06
OECD Pacific	9.49	9.39	-0.10	-1.05	8.10	8.18	0.08	0.95
Total OECD	**50.57**	**50.93**	**0.36**	**0.71**	**48.70**	**49.10**	**0.40**	**0.82**
Other Asia	8.60	8.91	0.32	3.69	8.72	8.96	0.24	2.76
Latin America	4.83	4.98	0.16	3.26	4.98	5.10	0.12	2.32
Middle East	5.61	5.70	0.09	1.60	5.67	5.77	0.10	1.83
Africa	2.77	2.85	0.08	3.04	2.80	2.87	0.06	2.29
Total DCs	**21.80**	**22.44**	**0.65**	**2.98**	**22.17**	**22.70**	**0.52**	**2.37**
FSU	3.90	4.04	0.13	3.38	3.74	3.69	-0.05	-1.26
Other Europe	0.93	0.92	-0.01	-1.30	0.88	0.92	0.05	5.22
China	6.51	7.02	0.50	7.70	6.58	7.00	0.42	6.37
Total "Other Regions"	**11.35**	**11.97**	**0.62**	**5.48**	**11.19**	**11.61**	**0.42**	**3.73**
Total world	**83.72**	**85.35**	**1.63**	**1.95**	**82.06**	**83.41**	**1.34**	**1.64**

Totals may not add due to independent rounding.

Table 11: Third and fourth quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	3Q05	**3Q06**	Volume	%	**4Q05**	**4Q06**	Volume	%
North America	25.48	25.70	0.22	0.87	25.51	25.96	0.45	1.77
Western Europe	15.71	15.77	0.07	0.42	15.73	15.88	0.15	0.95
OECD Pacific	8.10	8.14	0.04	0.51	8.84	9.00	0.16	1.76
Total OECD	**49.29**	**49.62**	**0.33**	**0.66**	**50.08**	**50.84**	**0.76**	**1.51**
Other Asia	8.38	8.72	0.34	4.05	8.62	9.02	0.40	4.60
Latin America	5.12	5.22	0.10	2.02	5.05	5.10	0.05	1.01
Middle East	5.92	6.06	0.13	2.21	5.75	6.00	0.24	4.24
Africa	2.77	2.84	0.07	2.46	2.86	2.96	0.10	3.36
Total DCs	**22.19**	**22.83**	**0.64**	**2.89**	**22.28**	**23.07**	**0.79**	**3.54**
FSU	3.82	3.86	0.04	1.16	4.00	4.14	0.14	3.56
Other Europe	0.87	0.85	-0.02	-2.71	0.86	0.85	-0.01	-1.26
China	6.43	6.84	0.42	6.46	6.68	6.92	0.24	3.58
Total "Other Regions"	**11.12**	**11.55**	**0.44**	**3.92**	**11.54**	**11.91**	**0.37**	**3.21**
Total world	**82.60**	**84.01**	**1.41**	**1.70**	**83.89**	**85.81**	**1.92**	**2.29**

Totals may not add due to independent rounding.

World Oil Supply

The estimate for non-OPEC supply growth in 2005 remains broadly unchanged at 0.2 mb/d

Non-OPEC

Estimate for 2005

Non-OPEC supply in 2005 is expected to average 50.2 mb/d, representing an increase of 0.2 mb/d over 2004. Baseline revisions to the 2004 and 2005 estimate have resulted in a slight upward adjustment to the overall level of non-OPEC supply.

Revisions to the 2004 and 2005 estimate

The full year estimate for 2004 has been revised up 70,000 b/d as recent historical data for Malaysia, Argentina, and Oman indicates that baseline oil supply in these countries was slightly higher than previously assessed. For 2005, the level of non-OPEC supply has also been revised up 56,000 b/d due to the impact of historical revisions as well as actual data for some countries for 3Q05 and 4Q05. Upward revisions in Brazil, Colombia, Ecuador, Cuba, Suriname, Oman, and Kazakhstan have been partially offset by downward revisions in the USA, Norway, Denmark, Australia, and Malaysia. The first, second, and third quarters of 2005 have been revised up by 77,000, 75,000, and 97,000 b/d respectively, whilst the fourth quarter has been revised down 25,000 b/d.

Table 12: Non-OPEC oil supply in 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.56	14.40	14.57	13.75	13.60	14.08	-0.48
Western Europe	6.14	5.98	5.68	5.45	5.57	5.67	-0.47
OECD Pacific	0.57	0.54	0.62	0.59	0.55	0.57	0.00
Total OECD	**21.27**	**20.93**	**20.86**	**19.79**	**19.73**	**20.32**	**-0.95**
Other Asia	2.61	2.71	2.70	2.66	2.68	2.69	0.08
Latin America	4.08	4.19	4.39	4.35	4.35	4.32	0.24
Middle East	1.91	1.86	1.86	1.84	1.81	1.84	-0.07
Africa	3.42	3.60	3.64	3.79	3.93	3.74	0.32
Total DCs	**12.02**	**12.36**	**12.58**	**12.63**	**12.78**	**12.59**	**0.57**
FSU	11.15	11.39	11.47	11.62	11.87	11.59	0.44
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.61	3.64	3.62	3.63	0.14
Total "Other regions"	**14.79**	**15.18**	**15.24**	**15.42**	**15.65**	**15.37**	**0.58**
Total Non-OPEC production	**48.08**	**48.46**	**48.69**	**47.84**	**48.15**	**48.28**	**0.20**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total Non-OPEC supply	**49.91**	**50.34**	**50.54**	**49.68**	**50.03**	**50.15**	**0.23**
Previous estimate	49.84	50.26	50.46	49.58	50.06	50.09	0.25
Revision	**0.07**	**0.08**	**0.08**	**0.10**	**-0.03**	**0.06**	**-0.01**

Non-OPEC supply growth forecast for 2006 is estimated at 1.4 mb/d; including OPEC NGLs, total growth is estimated at 1.7 mb/d

Forecast for 2006

Non-OPEC oil supply in 2006 is expected to average 51.5 mb/d, an increase of 1.4 mb/d over 2005, and broadly unchanged versus the last assessment. The impact of historical revisions, unplanned shutdowns during January as well as minor adjustments to the outlook for Norway, Australia, India, Malaysia, Argentina, Brazil, Colombia, Ecuador, and Sudan have resulted in a negligible revision to the overall growth forecast. On a quarterly basis, non-OPEC supply is expected to average 50.7 mb/d, 51.2 mb/d, 52.7 mb/d and 51.5 mb/d, in the first, second, third and fourth quarter respectively, representing a downward revision of 131,000 b/d and 48,000 b/d in the first and second quarters, and an upward revision of 92,000 b/d and 109,000 b/d in the third and fourth quarters, respectively. The greatest uncertainty remains the expected path of recovery for US Gulf of Mexico (GoM) production.

December 2005 non-OPEC supply is estimated at 50.7 mb/d. In January 2006, a total of 0.5 mb/d of oil production was affected due to extreme weather conditions in Russia, technical faults in some fields in Norway and Kazakhstan, cyclone activity in Australia, and a brief oil workers' strike in Argentina. An additional 0.4 mb/d were shut in the US GoM. These losses, however, are expected to be partially offset by new supplies from other countries, and most of them will return in February and March.

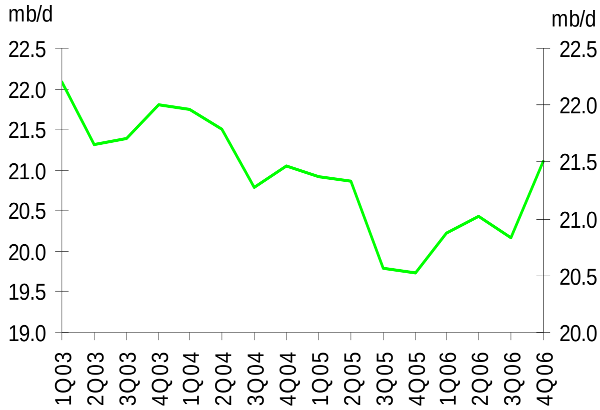
Table 13: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.08	14.11	14.36	14.49	14.95	14.48	0.40
Western Europe	5.67	5.58	5.51	5.11	5.51	5.43	-0.24
OECD Pacific	0.57	0.54	0.56	0.57	0.65	0.58	0.01
Total OECD	**20.32**	**20.22**	**20.43**	**20.18**	**21.11**	**20.49**	**0.17**
Other Asia	2.69	2.69	2.66	2.75	2.74	2.71	0.02
Latin America	4.32	4.43	4.46	4.65	4.62	4.54	0.22
Middle East	1.84	1.80	1.79	1.79	1.78	1.79	-0.05
Africa	3.74	4.06	4.20	4.31	4.53	4.28	0.53
Total DCs	**12.59**	**12.98**	**13.12**	**13.49**	**13.66**	**13.32**	**0.73**
FSU	11.59	11.81	11.95	12.07	12.15	11.99	0.41
Other Europe	0.16	0.17	0.17	0.17	0.17	0.17	0.01
China	3.63	3.64	3.66	3.69	3.69	3.67	0.05
Total "Other regions"	**15.37**	**15.62**	**15.78**	**15.93**	**16.01**	**15.84**	**0.46**
Total Non-OPEC production	**48.28**	**48.83**	**49.33**	**49.60**	**50.78**	**49.64**	**1.36**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total Non-OPEC supply	**50.15**	**50.71**	**51.20**	**51.47**	**52.71**	**51.53**	**1.38**
Previous estimate	50.09	50.84	51.25	51.38	52.60	51.52	1.43
Revision	**0.06**	**-0.13**	**-0.05**	**0.09**	**0.11**	**0.01**	**-0.05**

OECD

OECD oil supply is expected to average 20.5 mb/d, representing an increase of 170,000 b/d versus the previous year, but slightly lower versus last month's report. The outlook for Norway has been revised down primarily due to the impact of recent unplanned shut-downs, whilst the outlook for Australia has been revised due to recent losses related to cyclone activity.

Graph 22: OECD's quarterly production



USA

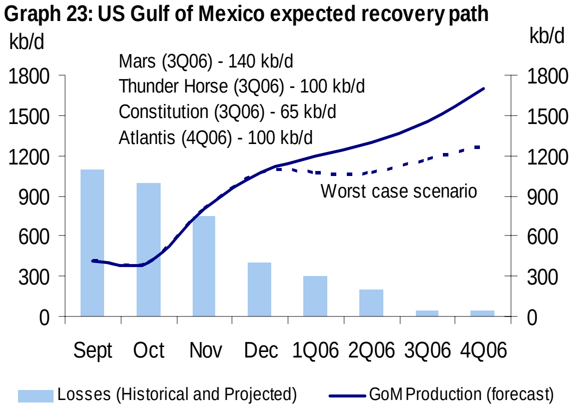
US oil supply is expected to average 7.4 mb/d in 2006, an increase of 140,000 b/d versus 2005. GoM losses during the month of January averaged 390,000 b/d, a slight improvement from December; at the time of writing shut-in production was 364,000 b/d. However, additional hurricane losses in NGL and onshore crude bring total US losses closer to 550,000 b/d in January. The last production data available (January) indicates that total US oil supply averaged 7.2 mb/d, or 170,000 b/d higher than in December 2005. This level is also the same as our forecast for 1Q06.

The greatest uncertainty/risk remains the expected path of recovery of US GoM production. Production is expected to increase from 1.1 mb/d at present to 1.7 - 1.8 mb/d by the end of 2006 once current shut-in oil is brought back on stream and new projects start. Our assumptions for losses in the GoM in 1Q06 and 2Q06 remain unchanged at 300,000 b/d and 200,000 b/d respectively, as well as 50,000 b/d of permanent losses, but these are likely to be adjusted in the coming months. Three important Gulf projects are expected to start: Thunder Horse (3Q06), Constitution (3Q06) and Atlantis (4Q06). Recent announcements by operators suggest that all of these are on schedule including the restart of Mars (3Q06), but as always the timing is subject to revisions in both directions.

Mexico and Canada

Mexican oil supply is expected to average 3.8 mb/d in 2006, flat from 2005. The last production data available (December) indicates that Mexican oil supply averaged 3.8 mb/d. A number of reports indicate that a sharp decline is expected imminently at the Cantarell field, which produces around 54% of total Mexican oil supply. Whilst it is true that the field has reached an inflection point, its decline, which actually may have started last year, is likely to be gradual and on average partly compensated by increases in other fields (see last *MOMR*). In May last year, the short-term outlook for Mexican oil supply was downgraded, precisely to reflect declining production at Cantarell in the foreseeable future.

Graph 23: US Gulf of Mexico expected recovery path



The outlook for Canada remains unchanged, with oil supply expected to average 3.3 mb/d in 2006, representing an increase of 250,000 b/d versus 2005. However, monthly production levels have been running ahead of forecasts, which may end up taking the 2006 estimate slightly higher.

Unplanned shutdowns impacted Norwegian production in January and February

Western Europe

Total oil supply in Western Europe is expected to average 5.43 mb/d in 2006, a drop of 240,000 b/d versus 2005. Last year was disappointing for Norwegian production due to accidents, prolonged shut-downs, deeper maintenance, and project delays; however, 2006 has not started any differently. Norwegian oil supply is expected to average 2.9 mb/d this year, a drop of 50,000 b/d versus 2005. Since the start of 2006, a number of unplanned shut-downs at several fields have been announced, including the Visund field (35 kb/d – 19 January) which is expected to take until April to be resolved. The latest shut-downs include Kvitebjorn field (60,000 b/d – 9 February) and Heidrun (140,000 b/d – 15 February) both of which are expected to be down for a few days. As a result, the growth forecast has been revised down a slight 12,000 b/d based on preliminary estimates. A total of 3 mb of oil and condensate production may be deferred from January to February.

UK oil supply is expected to average 1.7 mb/d, which represents a drop of 160,000 b/d versus 2005. The growth forecast was revised down last month on the basis of observed production declines and the potential impact of reduced investment, particularly in marginal fields following the recent tax hike. Having said this, it remains uncertain what the ultimate impact of the new fiscal system on production will be this year and next. Danish oil supply is expected to average 360,000 b/d in 2006, a drop of 20,000 b/d versus 2005.

Australian cyclone activity shuts down 100,000 b/d or production in January

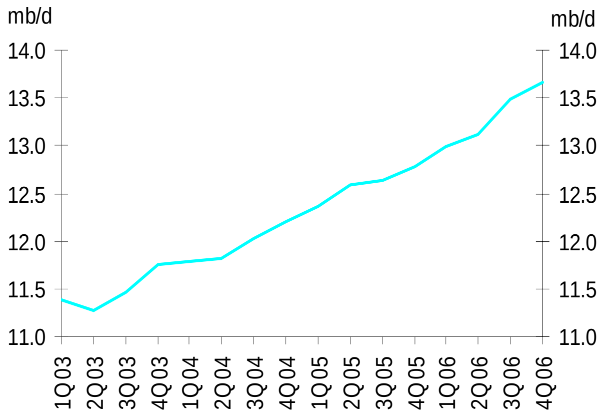
Asia Pacific

Oil supply in the Asia Pacific region is expected to average 580,000 b/d in 2006, or 10,000 b/d higher than in 2005. Australian oil supply is expected to average 520,000 b/d, unchanged from last year but a downward revision of 26,000 b/d versus last month. During January, Australian oil supply was affected by cyclone activity prompting the shut-down of Mutineer and Cossack fields affecting 100,000 b/d of production during the entire month.

Developing Countries

Oil supply in the Developing Countries (DCs) is expected to average 13.3 mb/d, an increase of 0.7 mb/d over 2005. The outlook for India, Malaysia, Argentina, and Sudan has been revised slightly down, the impact of which has been offset by upward revisions to the outlook of Brazil, Colombia, and Ecuador.

Graph 24: Developing Countries' quarterly production



Malaysian oil supply is expected to drop in 2006 following recent underperformance

The most recent monthly production data for India shows an unusual performance following the fire at the Bombay High development hub last year. It is clear that some production has been recovered, but the data still shows production averaging significantly less than expected, the cause of which remains unknown. As a result we may have to err on the conservative side for the outlook for 2006, and so have revised down the outlook for growth by 18,000 b/d leaving Indian oil supply growth in 2006 broadly unchanged from 2005. Oil supply in Malaysia averaged 0.9 mb/d in 4Q05, or 43,000 b/d lower than expected and this has resulted in a lower base for 2006. Malaysian oil supply has remained at 0.7-0.8 mb/d for the last 10 years; its performance has been fairly consistent and has tended to fluctuate according to the timing of new projects as well as the maintenance at existing developments, among others. Going forward, oil supply is expected to drop slightly in 2006 versus 2005 and then recuperate in 2007 and beyond, driven by several deepwater projects, starting with Kikeh (120,000 b/d in 4Q07).

The outlook for Argentina has been revised down due to a lower base in 4Q05, the impact of production losses resulting from the recent strike, and a higher assumption for the decline rate in mature fields. Argentina's oil supply is now expected to average 0.71 mb/d, representing a drop of 50,000 b/d versus 2005 and a revision of 20,000 b/d versus last month. In Sudan, oil supply is expected to average 510,000 b/d, an increase of 170,000 b/d from 2005 but a downward revision of 10,000 b/d. The revision reflects additional information of the ramp up of the Adar Yale project in the first half of 2006. By the end of 2006, total oil production should reach 600,000 b/d.

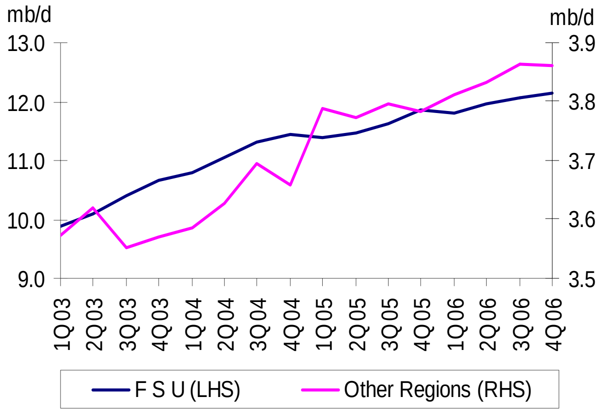
Brazil's oil supply growth may perform better than expected, despite a slight delay in the P 50 project

On the positive side, Colombian oil production has been performing slightly better than expected for several months as local producers benefit from reduced fiscal take, marginal opportunities, and current prices. Oil supply is now expected to average around 530,000 b/d in 2006, unchanged versus 2005. In Brazil, baseline revision to the 2005 estimate has led to a positive adjustment of 39,000 b/d in 2006. Having said this, recent news indicate that the start up of the P 50 (1Q06) platform is now planned for April, slightly later than previously assumed. However, its ramp up as well as that of the Jubarte P 34 (1Q06) and Golfinho (2Q06) fields through the next 6 months is still expected to contribute to a growth rate of 220,000 b/d versus last year, and possibly more, taking Brazilian supply to 2.21 mb/d in 2006.

Other Regions

Total FSU oil supply is expected to average just under 12 mb/d, an increase of 0.4 mb/d versus 2005. The forecast for Other Regions (Other Europe and China) remains broadly unchanged, with total oil supply expected to 3.7 mb/d in 2005 representing an increase of 60,000 b/d from 2005.

Graph 25: FSU and other region's quarterly production



January's decline of 0.2 mb/d versus December is in line with seasonal trend, but the magnitude of the drop highlight the lack of growth in the industry

Russia

Russian oil supply is expected to average 9.6 mb/d in 2006, an increase of 180,000 b/d versus 2005 and broadly unchanged from last month. January data shows that cold weather reduced Russian output by 0.18 mb/d versus December 2005. As a result, the 1Q06 forecast has been revised down a slight 20,000 b/d to 9.52 mb/d. The direction of the drop is inline with the seasonal trend, but the absolute level of the drop was much higher than expected which reflects a weaker underlying production base and lack of momentum compared to previous years. In prior years, many oil producers were growing production even under adverse conditions by exporting via rail, or other non-water channels during the winter period. In January 2006 the situation proved to be different as only a handful of producers are delivering limited growth. Interestingly, there are widely contrasting views about Russian growth in 2006: based on the estimated average growth of major Russian companies and Sakhalin, y-o-y growth could be higher than 4%, while the Ministry's forecast puts total growth at 1-2%, and some think it could be negative. On the one hand, the government now controls some 3 mb/d of production and their plan is to maintain modest production growth. On the other, private Russian companies are benefiting from the positive price environment, most are not short of opportunities and are able to make corporate profits. However, the current fiscal regime for export duties as well as the sub-soil law are unlikely to improve in 2006 limiting some upstream investments and large scale developments, as well as developments that depend on high costs rail exports. Finally, Yukos and Sibneft are not likely to lose production in 2006 — capital investment is expected to increase in the core remaining assets.

Caspian, China

Azeri oil production is expected to average 0.6 mb/d in 2006, an increase of 180,000 b/d versus 2005. Kazak oil production is expected to average 1.28 mb/d in 2006, an increase of 50,000 b/d over last year and broadly unchanged from the previous month. January data shows Kazak production averaging 1.2 mb/d, down from December levels primary due to lower production at Karachaganak and Tengiz fields. Elsewhere, oil production in China is forecast to average 3.7 mb/d in 2006, an increase of 50,000 b/d versus 2005.

OPEC NGLs are expected to increase 330,000 b/d in 2006

OPEC natural gas liquids and non-conventional oils

The growth forecasts for OPEC NGL production in 2005 and 2006 remain unchanged at 200,000 b/d and 330,000 b/d, respectively. This increase should result in average production of 4.3 mb/d in 2005 and 4.62 mb/d in 2006.

Table 14: OPEC NGL + non-conventional oils - 2002-2006

2002	2003	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	2006	Change 06/05
3.62	**3.71**	**4.09**	**0.38**	4.22	4.27	4.32	4.37	**4.30**	0.20	**4.62**	0.33

OPEC output averaged 29.7 mb/d in January 2005

OPEC crude oil production

Total OPEC crude oil production averaged 29.7 mb/d in January, a fall of 170,000 b/d from last month, according to secondary sources.

Table 15: OPEC crude oil production based on secondary sources, 1,000 b/d

	2004	2005	2Q05	3Q05	4Q05	Nov 05	Dec 05	Jan 06	*Jan/ Dec*
Algeria	1,228	1,350	1,343	1,366	1,375	1,375	1,376	1,372	*-4.2*
Indonesia	968	941	944	933	935	938	932	923	*-9.2*
IR Iran	3,920	3,924	3,946	3,937	3,914	3,900	3,910	3,890	*-20.0*
Iraq	2,015	1,831	1,841	1,968	1,681	1,713	1,578	1,546	*-31.3*
Kuwait	2,344	2,505	2,506	2,527	2,547	2,543	2,542	2,565	*23.5*
SP Libyan AJ	1,537	1,642	1,634	1,654	1,665	1,665	1,668	1,667	*-1.7*
Nigeria	2,352	2,414	2,423	2,423	2,475	2,496	2,475	2,438	*-37.2*
Qatar	777	795	793	796	805	808	808	808	*0.7*
Saudi Arabia	8,982	9,404	9,456	9,498	9,438	9,458	9,423	9,400	*-22.7*
UAE	2,360	2,445	2,398	2,476	2,511	2,510	2,514	2,500	*-14.2*
Venezuela	2,576	2,631	2,633	2,611	2,589	2,585	2,597	2,543	*-53.7*
OPEC-10	**27,043**	**28,050**	**28,077**	**28,222**	**28,253**	**28,278**	**28,244**	**28,105**	***-138.5***
Total OPEC	**29,058**	**29,881**	**29,918**	**30,189**	**29,935**	**29,990**	**29,822**	**29,652**	***-169.8***

Totals may not add due to independent rounding.

FSU net oil exports are expected to average 8 mb/d in 2006

FSU net oil exports (crude and products)

In 2005, FSU net oil exports are expected to average 7.7 mb/d, an increase of 430,000 b/d versus 2005. The forecast for 2006 shows net exports averaging 8.1 mb/d, which represents an increase of 340,000 b/d over 2005.

Table 16: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (YoY)
2002	5.14	5.84	5.85	5.49	**5.58**	**0.99**
2003	5.87	6.75	6.72	6.61	**6.49**	**0.91**
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	**7.49**	**7.73**	**7.80**	**7.87**	**7.72**	**0.41**
2006 (forecast)	**7.77**	**8.26**	**8.21**	**8.01**	**8.06**	**0.34**

Recent exports of crude and products by source, mb/d

	2004	2005	2Q2005	3Q2005	4Q2005	Nov 05	Dec 05
Crude							
Russian pipeline							
Black Sea	1283	1335	1279	1335	1284	1317	1281
Baltic	1396	1462	1469	1456	1486	1489	1550
Druzhba	1256	1315	1258	1320	1397	1436	1441
Total	**3935**	**4112**	**4006**	**4111**	**4167**	**4242**	**4272**
Other routes							
Russian rail	706	416	474	333	268	260	241
Russian - Far East	32	65	133	103	71	71	41
Kazak rail	24	17	16	13	19	10	37
CPC pipeline	490	648	635	629	669	728	652
Caspian	252	295	270	305	363	374	387
of which							
Supsa (AIOC) - Georgia	130	137	142	140	143	141	140
Batumi - Georgia	99	140	121	147	203	215	230
Total	**1504**	**1441**	**1529**	**1382**	**1390**	**1442**	**1358**
Total Crude Exports	**5439**	**5553**	**5535**	**5493**	**5557**	**5684**	**5630**
Products							
All routes							
Fuel oil	753	836	757	913	931	989	930
Gasoil	702	759	686	762	765	671	853
Others	413	575	753	638	633	581	632
Total	**1868**	**2170**	**2196**	**2312**	**2330**	**2241**	**2415**
Total Oil Exports	**7307**	**7723**	**7731**	**7805**	**7887**	**7925**	**8045**

Source: Neft Transport, Global Markets, Argust Fundamentals, Argus FSU, OPEC.

Rig Count

Non-OPEC

Non-OPEC rig activity averaged 2,772 in January

Non-OPEC rig count stood at 2,772 rigs in January, which represents an increase of 97 rigs compared to the previous month. Of the total, 265 rigs were operating offshore and 2,507 onshore. In terms of oil and gas split, 840 rigs were drilling for oil, an increase of 7 from the previous month, while the rest was drilling for gas. Regionally, North America gained 86 rigs and Western Europe gained 7 rigs, while the Middle East, Africa, Latin America and rest of Asia gained 3 rigs. The average rig count in 2005 was 2,479 rigs, one of the highest levels in 20 years.

Table 17: Non-OPEC rig count in 2004-2005

	2004	Dec 06	2005	Change 05/04	Jan 06	Change Jan 06 /Dec 05
North America	1,669	2,139	1975	306	2,225	86
Western Europe	65	69	65	0	76	7
OECD Pacific	22	23	25	3	24	1
OECD	**1,755**	**2,231**	**2065**	**310**	**2,325**	**94**
Other Asia	126	147	142	16	157	10
Latin America	126	158	141	15	156	-2
Middle East	70	76	72	2	73	-3
Africa	54	61	58	4	59	-2
DCs	**376**	**442**	**412**	**36**	**445**	**3**
FSU	na	na	na	na	na	na
Other Europe	2	2	3	1	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**2,132**	**2,675**	**2479**	**347**	**2,772**	**97**

Totals may not add due to independent rounding.
na: not available.
Source: Baker Hughes International.

OPEC

OPEC rig count stood at 304 in January

OPEC rig count was 304 in January, representing an increase of 6 rigs over the previous month. Gains took place in Saudi Arabia (6) and UAE (2), which were partially offset by declines in other OPEC Countries. In terms of oil and gas split, there were 245 oil rigs operating in January and the rest was gas rigs.

Table 18: OPEC rig count in 2004-2005

	2004	Dec-06	Jun-05	Change 05/04	Jan 06	Change Jan 06 /Dec 05
Algeria	19	21	21	2	21	0
Indonesia	49	60	54	5	60	0
IR Iran	41	38	40	-1	39	1
Iraq	na	na	na	na	na	na
Kuwait	10	13	12	2	11	-2
SP Libyan AJ	10	9	9	-1	9	0
Nigeria	8	9	9	1	9	0
Qatar	9	14	12	3	13	-1
Saudi Arabia	32	44	36	4	50	6
UAE	16	15	16	0	17	2
Venezuela	55	75	67	12	75	0
Total OPEC	**249**	**298**	**276**	**27**	**304**	**6**

Totals may not add due to independent rounding.
na: not available.
Source: Baker Hughes International.

Oil Trade

Net OECD crude oil imports grew by 352,000 b/d to 24.3 mb/d in January

OECD

Preliminary data shows that crude oil imports by OECD countries in January increased by 390,000 b/d or 1.2% over the previous month to reach 31.7 mb/d, but remained unchanged compared to a year earlier. In the same period, product imports saw a marginal growth of 14,000 b/d to hit 10.9 mb/d. All together, crude oil and products increased by 1% to 42.6 mb/d. Exports edged up by 0.4% to 15.4 m/d divided roughly into equal parts of crude oil and products. Compared to the previous January, total exports were almost 900,000 b/d lower. As a result, net OECD crude oil net imports grew by 352,000 b/d or 1.5% over December to average 24.3 mb/d in January, whilst products remained almost stable at 2.79 b/d. However, compared to the same month last year, crude oil and product net imports were respectively 590,000 b/d and 160,000 b/d higher.

OECD crude oil imports dropped 2.8 mb/d to 28.3 mb/d in 2005

For the whole of 2005, OECD crude oil imports dropped 2.8 mb/d or 9% to average 28.3 mb/d and products stayed at 9.8 mb/d. With crude exports declining by 1.3 mb/d or 17% and products by 0.2 mb/d or 2.5%, total OECD net imports in 2005 fell to 14.3 mb/d.

In terms of crude oil suppliers**,** the Former Soviet Union (FSU) came out on top in January with more than 17%, followed by Saudi Arabia with 16%, compared to a respective 13.4% and 13% in the previous January. On a yearly basis, Saudi Arabia's share stood at 14.4% and FSU's at 15.3% followed by Norway with 7.2% and Mexico with 6.8%. Venezuela remained the main supplier of products with more than 7% in January 2006, followed by the Netherlands and FSU with 5.4% each.

Table 19: OECD Crude and Product Net Imports/(Exports), tb/d

	Nov 05	**Dec 05**	**Jan 06**	**Change Jan/Dec**
Crude Oil	23,771	23,976	24,328	352
Total Products	2,743	2,795	2,785	-9
Total crude and products	26,514	26,771	27,113	343

Source: IEA and other secondary sources.

US crude oil imports fell by 580,000 b/d in January

USA

In January, US crude oil imports fell by 580,000 b/d or 5.7% to average 9.6 mb/d, while products increased by 251,000 b/d or 7% to 3.8 mb/d, leading to total oil imports of 13.4 mb/d. Compared to a year earlier, crude oil imports declined by 200,000 b/d while product imports surged by almost 1 mb/d or 35%. With exports of crude oil and products remaining stable at 0.9 mb/d, US net imports fell by 340,000 b/d to 12.6 mb/d with crude oil at 9.6 mb/d and products at 2.9 mb/d.

For the whole year 2005, crude oil net imports showed a minor slide of 83,000 b/d to remain at 10 mb/d compared to 2004 and products moved up by 220,000 or 10% to 2.37 mb/d, resulting in total net imports of 12.37 mb/d.

Canada and Mexico were the main suppliers in January with 43%

Canada with 22% and Mexico with 21% remained the main suppliers of US crude oil followed by Saudi Arabia with 14% and Nigeria with 13%. It is worth noting that Canada's and Mexico's share went up from 34% to 43% between December and January. On a yearly basis, among the main suppliers, only Canada saw its share increase to 20% in 2005 from 16% in 2004, while Mexico, Saudi Arabia and Nigeria saw their shares stable at 18%, 14% and 13%, respectively.

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

	Nov 05	**Dec 05**	**Jan 06**	**Change Jan/Dec**
Crude Oil	10,029	10,203	9,622	-581
Total Products	3,185	2,686	2,927	241
Total crude and products	13,214	12,889	12,549	-340

Source: DoE/EIA and other secondary sources.

Japan

In January Japan's crude oil imports were 150,000 b/d higher than a year earlier

Japan's crude oil and product imports remained almost stable at 4.2 mb/d and 0.9 mb/d, respectively, in January. Nevertheless, compared to a year earlier, Japan's crude oil imports displayed a growth of 150,000 or 3.7% y-o-y. Despite the growth in crude oil, total oil imports were 45,000 b/d lower than in the previous year as product imports declined by 195,000 b/d in one year. With total oil exports remaining stable at 0.3 mb/d, Japan's oil net imports stayed almost unchanged at 4.82 mb/d in January compared to the previous month. However, when compared to a year earlier, Japan's oil net imports were 250,000 b/d or 5% lower as a result of a sharp decline of 400,000 b/d in products.

In 2005 Japan's crude oil imports increased by 2%

On average, Japan's crude oil net imports increased by 80,000 b/d or 2% in 2005 to average 4.1 mb/d and products dropped by 110,000 b/d to 0.6 mb/d, leading to total net oil imports of 4.70 mb/d against 4.73 mb/d in 2004.

Middle Eastern countries remained the main suppliers of Japan's crude oil in 2005, with Saudi Arabia accounting for 28%, UAE for 26%, Iran for 12%, Qatar for 9%, Kuwait for 8% and Oman for 5%. In December 2005, Saudi Arabia's share reached 35%. Similarly to crude oil, UAE and Saudi Arabia remained Japan's main product suppliers with 20% and 17% respectively followed by Korea with 10% and USA with 8%.

Table 21: Japan's Crude and Product Net Imports/(Exports), tb/d

	Nov 05	Dec 05	Jan 06	Change Jan/Dec
Crude Oil	4,144	4,204	4,225	21
Total Products	609	606	602	-5
Total crude and products	4,753	4,810	4,827	16

Source: IEA and other secondary sources.

China

In 2005, China's crude oil imports grew by 3.5%, down from 35% in 2004

In December, China's crude oil imports increased by almost 140,000 b/d or 5.5% to average 2.66 mb/d, offsetting the drop of nearly the same size displayed in November. When compared to the same month last year, crude oil imports were 200,000 b/d or 7% lower. Product imports continued to increase to reach 0.97 mb/d, 48,000 b/d higher than the previous month but 2.5% lower than a year earlier. China's exports continued to increase, averaging 0.64 mb/d with 73% crude oil and 27% products. As a result, China's total net imports of crude oil and products together grew by 82,000 b/d to average 3.0 mb/d.

On a yearly basis, China's crude oil imports growth fell from 35% in 2004 to just 3.5% in 2005, resulting in average imports of 2.6 mb/d. Product imports declined by almost 13% to average 0.9 mb/d as result of the almost zero growth in the demand Consequently, China's net crude oil imports increased by just 1.4% or 34,000 b/d to average 2.4 mb/d, while products decreased by 27% or 195,000 b/d to 0.5 mb/d in 2005, resulting in a drop of 5.2% or 160,000 b/d to 2.9 mb/d in total net crude oil and product imports.

In December 2005, Saudi Arabia was the main supplier of China's crude oil with 20% followed by Angola with 16%, Russia with 13% and Iran with 11%. For the whole 2005, Saudi Arabia saw its share rising from 14% in 2004 to almost 18% in 2005, with the volume climbing by 30%. Most of the countries saw their shares increasing, especially Congo, which emerged as one of the main suppliers with nearly 5% of China's total crude oil imports. In contrast, Oman's share fell from more than 13% in 2004 to less than 9% in 2005, corresponding to a decline of 31% in volume, leaving the second position of main supplier to Angola.

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

	Oct 05	Nov 05	Dec 05	Change Dec/Nov
Crude Oil	2,575	2,290	2,352	62
Total Products	653	633	653	20
Total crude and products	3,227	2,923	3,005	82

Source: China Petroleum Data monthly and other secondary sources.

In 2005, India's crude oil imports increased by 4.7% to 2.0 mb/d

India

After increasing by 48,000 b/d in November, India's crude oil imports continued to increase by almost the same rate to reach almost 2.0 mb/d in December, while products remained roughly unchanged at around 0.2 mb/d, which led to total crude and product imports of 2.2 mb/d, 2% higher than the previous month. On the export side, India exported 0.4 mb/d of products in December, which was 17,000 b/d lower than the previous month, making India a net exporter of products. With net crude oil imports just below 2 mb/d and net product exports of 0.2 mb/d, India's total net oil imports increased by 58,000 b/d to 1.7 mb/d.

For the whole of 2005, India's crude oil imports averaged 2.0 mb/d against 1.9 mb/d, which corresponds to an increase of 4.7%, while product exports fell from almost 200,000 b/d mb/d 150,000 b/d, a drop of 25%. Consequently, total crude and product net imports increased by 140,000 b/d to stand at 1.9 mb/d.

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

	Oct 05	Nov 05	Dec 05	Change Dec/Nov
Crude Oil	1,864	1,912	1,955	43
Total Products	-267	-244	-230	14
Total crude and products	1,597	1,668	1,725	58

Source: JODI database and other secondary sources.

Stock Movements

US commercial oil stocks registered a build of 12 mb in January

USA

The deficit in total commercial oil stocks in the USA in December turned into a surplus in January, increasing by 12.6 mb or 0.4 mb/d to stand at 1,022.2 mb. This trend was prompted by considerable gasoline and middle distillate stock-builds pushing the y-o-y surplus to around 7% and 8% above the five-year average. Crude oil stocks registered a slight decline.

Crude oil inventories fell a slight 0.6 mb to 321.0 mb in January versus the previous month. This development occurred amid a dip in refinery throughput, which was offset by a reduction in crude oil imports. Refineries operated at a utilization rate of 87%, a drop of 2% from December. Crude oil imports fell from an average 10.1 mb/d in December to just 9.7 mb/d in January on lower spot arbitrage shipments and a fall in refinery capacity due to the maintenance. Commercial crude oil stocks still show a healthy level of 26 mb or 8.7 % higher than this time in the previous years and 30 mb or 11% above the last five-year average. Days of forward cover remained almost unchanged at 22 days, but two days higher when compared to a year earlier as well as the 2000-2004 average. As a larger than typical level of refinery capacity is forecast to be offline in the first quarter of this year, the outlook for crude stocks continues to look rosy.

On the product side, the focus of the market has changed from heating oil to gasoline as inventories were below the previous year. But last week showed a strong stock build adding around 15 mb since the beginning of this year. In early January, gasoline inventories stood at worrisome levels indicating a y-o-y deficit of 3%, but now have reached 219.0 mb, an increase of 7.4 mb or 2% above last year and 4% more than the last five-year average. This increase was mainly due to continued high imports as gasoline production fell in line with lower refinery runs. Total imports were 603,000 b/d in January, up by 23% compared to last year as Europe continued to send its cargoes across the Atlantic. Although the picture looked healthy when considering the absolute level, the forward cover was below the last five-year average. Moreover, gasoline yields remained at a high 58% leaving little room for refiners to switch production from distillate. At the same time, domestic output is expected to fall in the coming weeks as spring maintenance is estimated to be heavier than normal. Several refineries have postponed their maintenance in autumn after the hurricane to benefit from the higher margins. In the coming weeks, gasoline stocks should be carefully monitored, with a lot depending on the ability of Europe to supply the US market as well as any sudden surge in gasoline demand.

Regarding distillate stocks, they remained at comfortable levels from the previous month. In fact, distillate inventories are currently at 136.3 mb, a surplus of 7.4 mb or 15% above the previous year and 10% higher than the last five-year average. Heating oil showed an even healthier picture with a y-o-y surplus of 33% and 19% above the last five-year average. This counter-seasonal movement was due to shrinking demand as a result of the mild winter in the USA. Warmer-than-normal weather allowed distillate demand to fall by around 100,000 b/d from January 2004. The healthy picture is not likely to change much in the coming weeks as the winter season is about to end and refiners will direct their focus on gasoline.

US commercial oil stocks in the week ended 3 February 2006 witnessed a further build of 2.6 mb to stand at 1,025.0 mb on the back of a strong 4.3 mb build in gasoline inventories, while crude oil and middle distillates experienced a marginal draw of 0.3 mb. At 320.7 mb, US commercial crude oil stocks remained well above the upper end of the range for this time of year by some 30 mb. Crude inputs averaged 14.5 mb/d, down 203,000 b/d from the previous week as some refineries continues to undergo maintenance. This corresponds to a refinery utilization of 85.8 %, a drop of 1.2%. Gasoline inventories jumped to 223.4 mb, a rise of 6.6 mb from a year ago and 13.2 mb above last year's average. This increase was mainly due to high imports which reached 1.13 mb, 32% above this time last year. Distillate stocks inched lower to 136.0 mb, but are still at a comfortable level of 18% and 14% above last year and the last five-year average. An increase in low-sulphur distillate fuel (diesel fuel) inventories was more than compensated by a larger decline in high-sulphur distillate fuel (heating oil).

Table 24: US onland commercial petroleum stocks*, mb

	02 Dec 05	30 Dec 05	27 Jan 06	Change Jan/Dec	27 Jan 05	3 Feb 06**
Crude oil	320.3	321.6	321.0	-0.6	288.2	320.7
Gasoline	202.6	204.3	219.0	14.7	218.7	223.3
Distillate fuel	130.6	128.9	136.3	7.4	122.2	136.0
Residual fuel oil	39.6	38.3	40.9	2.6	41.3	41.2
Jet fuel	42.8	43.5	44.6	1.1	42.4	45.0
Total	**1025.7**	**1009.6**	**1022.2**	**12.6**	**967.5**	**1025.0**
SPR	685.6	684.6	683.7	-0.9	679.0	683.9

* *At end of month, unless otherwise stated.*

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

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

Western Europe

Eur-16 oil stocks witnessed a significant build of 10 mb in January

Total oil stocks in Eur-16 (EU-15 plus Norway) experienced a build in January increasing by 10.0 mb or 0.3 mb/d to stand at 1,146.4 mb, reversing the down-trend of the last two months. This level was 30.6 mb or 3% higher than that registered a year ago and 9% higher than the last five-year average. The bulk of this build came from crude oil which increased by 8.4 mb.

Lower refinery runs, which were at 12.3 mb/d or 0.4 mb/d below the previous month's level, combined with plentiful availability of crude from Russia and the Middle East, was behind this build. Refineries were operating at a utilization rate of 93.7%, up from the 96.7% experienced in December 2005. Several refineries had slowed runs in recent weeks after margins slumped compared with the level registered during the second quarter of last year. With this build, crude oil stocks are currently about 16 mb or 3% higher than this time a year ago and 9% above the last five-year average. This trend should continue to rise in the coming months as crude runs are likely to remain lower and West African production should recover.

On the product side, gasoline stocks rose a slight 800,000 barrels to 145.4 mb after climbing by 4.5 mb in December 2005, leaving them at a y-o-y deficit of about 8.0 mb. Usually, gasoline stocks build at the beginning of the year, but high exports to the USA have left inventories well below year-ago level. Distillate stocks, which include heating oil, diesel and jet fuel, fell only 700,000 barrels to 381.9 mb mainly due to stronger heating oil demand caused by the severe cold weather across most of Europe. This slight draw does not appear bullish as the surplus over the same period a year earlier remains higher at 20.1 mb or 5.6%, and 10% higher than the five-year average.

Table 25: Western Europe's oil stocks*, mb

	Nov 05	Dec 05	Jan 06	Change Jan 06/Dec 05	Jan 05
Crude oil	472.5	473.7	482.1	8.4	466.3
Mogas	140.4	144.4	145.2	0.8	152.4
Naphtha	26.8	24.2	25.1	0.9	26.5
Middle distillates	389.3	382.6	381.9	-0.7	361.8
Fuel oils	115.4	111.5	112.2	0.6	108.8
Total products	645.0	638.5	639.3	0.7	623.0
Overall total	**1,144.3**	**1,136.4**	**1,146.4**	**10.0**	**1,115.8**

** At end of month, with region consisting of the Eur–16.*

Source: Argus, Euroilstock.

Oil stocks in Japan experienced a massive draw of 22.5 mb in December

Japan

Oil inventories in Japan witnessed a stronger drop in December than in the same month last year, falling by 22.5 mb or 0.8 mb/d to 170.2 mb. This was 10% lower than a year ago and 3% lower than the last five-year average. The bulk of this draw came from middle distillates followed by crude oil.

Total commercial oil inventories continued to experience a seasonal drop for the second consecutive month. Crude oil stocks contributed to this draw decreasing by 6.2 mb to stand at 104.8 mb. This corresponds to a significant y-o-y decline of nearly 11%, and around 2% less than the 2000-2004 average. In spite of a boost in imports by 10% and 7.1 % on a monthly and y-o-y basis, crude oil stocks slumped due mainly to higher refinery runs which inched up by 4.6% in order to meet the growing demand resulting from the hard winter in Northern Asia. The use of crude for direct burning by Japanese power generators doubled in December to 0.19 mb/d.

Total major product inventories (gasoline, middle distillates and residual fuel oil) witnessed a substantial draw of nearly 16 mb over November to stand at 65.4 mb, a decline of 9.6% relative to December 2004, despite the fact that the refinery utilization capacity jumped from 88.2 % in October to 93.5 % in December. The sharp stock-draw was driven by to stand 12% lower than the same month last year. The prolonged severe winter in Japan boosted the demand for kerosene and heating fuels. Kerosene stocks were slashed by 32.4% compared to the previous month to stand at 20.63 mb, with sales reaching the highest level in 50 years. However, middle distillates remained about 2% above the five-year average. Improved refinery utilization and higher output were not enough to counterbalance the impact of increased demand. Gasoline and residual fuel oil showed a more moderate drop of around 2 mb from the previous month to stand at 12.2 mb and 18.0 mb respectively.

Table 26: Japan's commercial oil stocks*, mb

	Oct 05	Nov 05	Dec 05	Change Dec 05/Nov 05	Dec 04
Crude oil	114.0	111.0	**104.8**	-6.2	117.5
Gasoline	14.2	14.3	12.2	-2.1	12.9
Middle distillates	49.5	47.6	35.2	-12.4	40.0
Residual fuel oil	21.2	19.9	18.0	-1.9	19.5
Total products	84.9	81.8	65.4	-16.4	72.3
Overall total**	**198.9**	**192.8**	**170.2**	**-22.5**	**189.8**

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

Balance of Supply and Demand

The demand for OPEC crude production in 2005 has been revised down to 28.6 mb/d

Estimate for 2005

The demand for OPEC crude in 2005 (a-b) has been revised down to 28.6 mb/d from 28.8 mb/d last month, but still represents an increase of 0.6 mb/d from 2004. In particular, the required crude for the fourth quarter has been revised down by 0.6 mb/d to 29.5 mb/d, compared with average OPEC production during the quarter of 29.9 mb/d.

Table 27: Summarized supply/demand balance for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World Oil Demand	82.09	83.72	82.06	82.60	83.89	83.07
(b) Non-OPEC Supply	54.00	54.56	54.81	54.00	54.40	54.44
Difference (a-b)	28.09	29.16	27.26	28.60	29.49	28.63
OPEC crude oil production	29.06	29.47	29.92	30.19	29.93	29.88
Balance	0.97	0.32	2.66	1.59	0.45	1.25

(1) Including OPEC NGLs + non-conventional oils.
(2) Selected secondary sources.
Totals may not add due to independent rounding.

The estimated demand for OPEC crude in 2006 has been revised down 0.2 mb/d

Forecast for 2006

For 2006, the demand for OPEC crude is expected to average 28.5 mb/d, representing a downward revision of 0.2 mb/d versus last month. The new forecast shows that demand for OPEC crude is expected at 30.2 mb/d in the first quarter, 27.6 mb/d in the second, 27.9 mb/d in the third and 28.3 mb/d in the fourth, representing a downward revision of 0.1 mb/d in the second, 0.3 mb/d in the third, and 0.4 in the fourth quarter, respectively.

Table 28: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	83.07	85.35	83.41	84.01	85.81	84.64
(b) Non-OPEC Supply	54.44	55.19	55.78	56.14	57.46	56.15
Difference (a-b)	28.63	30.16	27.62	27.87	28.34	28.49
OPEC crude oil production	29.88					
Balance	1.25					

(1) Including OPEC NGLs + non-conventional oils.
(2) Selected secondary sources.
Totals may not add due to independent rounding.

Graph 26: Balance of supply and demand

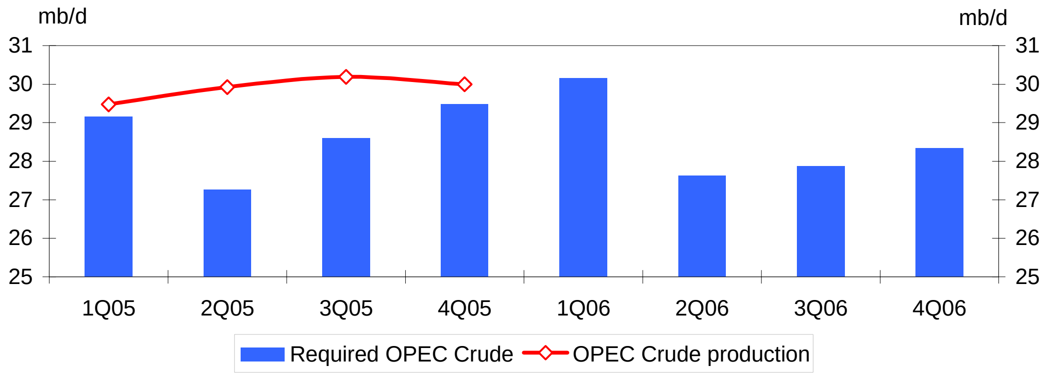


Table 29: World oil demand/supply balance, mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	48.0	48.0	48.6	49.5	50.6	48.7	49.3	50.1	49.7	50.9	49.1	49.6	50.8	50.1
North America	24.0	24.1	24.5	25.3	25.5	25.3	25.5	25.5	25.5	25.9	25.6	25.7	26.0	25.8
Western Europe	15.3	15.3	15.4	15.6	15.6	15.3	15.7	15.7	15.6	15.6	15.3	15.8	15.9	15.6
Pacific	8.6	8.6	8.7	8.5	9.5	8.1	8.1	8.8	8.6	9.4	8.2	8.1	9.0	8.7
DCs	19.7	20.2	20.4	21.4	21.8	22.2	22.2	22.3	22.1	22.4	22.7	22.8	23.1	22.8
FSU	3.9	3.7	3.8	3.8	3.9	3.7	3.8	4.0	3.9	4.0	3.7	3.9	4.1	3.9
Other Europe	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.9
China	4.7	5.0	5.6	6.5	6.5	6.6	6.4	6.7	6.5	7.0	7.0	6.8	6.9	6.9
(a) Total world demand	77.1	77.7	79.2	82.1	83.7	82.1	82.6	83.9	83.1	85.3	83.4	84.0	85.8	84.6
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	20.9	20.9	19.8	19.7	20.3	20.2	20.4	20.2	21.1	20.5
North America	14.3	14.5	14.6	14.6	14.4	14.6	13.7	13.6	14.1	14.1	14.4	14.5	15.0	14.5
Western Europe	6.7	6.6	6.4	6.1	6.0	5.7	5.5	5.6	5.7	5.6	5.5	5.1	5.5	5.4
Pacific	0.8	0.8	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6
DCs	11.0	11.4	11.5	12.0	12.4	12.6	12.6	12.8	12.6	13.0	13.1	13.5	13.7	13.3
FSU	8.5	9.3	10.3	11.2	11.4	11.5	11.6	11.9	11.6	11.8	11.9	12.1	12.1	12.0
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7
Processing gains	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	46.5	47.9	48.8	49.9	50.3	50.5	49.7	50.0	50.1	50.7	51.2	51.5	52.7	51.5
OPEC NGLs + non-conventional oils	3.6	3.6	3.7	4.1	4.2	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.8	4.6
(b) Total non-OPEC supply and OPEC NGLs	50.1	51.6	52.5	54.0	54.6	54.8	54.0	54.4	54.4	55.2	55.8	56.1	57.5	56.1
OPEC crude oil production (secondary sources)	27.2	25.3	27.0	29.1	29.5	29.9	30.2	29.9	29.9					
Total supply	77.3	76.9	79.5	83.1	84.0	84.7	84.2	84.3	84.3					
Balance (stock change and miscellaneous)	0.2	-0.8	0.2	1.0	0.3	2.7	1.6	0.4	1.3					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2630	2476	2517	2558	2546	2626	2642	2597	2597					
OECD SPR	1288	1347	1411	1450	1462	1494	1494	1483	1483					
OECD total	3918	3823	3928	4008	4009	4120	4136	4080	4080					
Oil-on-water	830	816	883	904	927	928	922	956*	956*					
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	52	52	53	53	51	52					
SPR	27	28	29	29	30	30	30	29	30					
Total	82	79	79	81	82	84	83	80	81					
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.7	7.8	7.9	7.7	7.8	8.3	8.2	8.0	8.1
(a) - (b)	27.0	26.2	26.7	28.1	29.2	27.3	28.6	29.5	28.6	30.2	27.6	27.9	28.3	28.5

* *Estimated.*

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

Table 30: World oil demand/supply balance: changes from last month's table † , mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	-	-	-	-	-	-	-	-0.4	-0.1	-	-0.1	-0.2	-0.1	-0.1
North America	-	-	-	-	-	-	-	-0.2	-	-	-	-0.1	-	-
Western Europe	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.1	-0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.1	-	-	-	0.1	-0.2	-
(a) Total world demand	-	-	-	-	-	-	-	-0.6	-0.1	-0.1	-0.2	-0.2	-0.3	-0.2
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1	-	-	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1	-0.1	-	0.1	0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1	-0.1	-	0.1	0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1					
Balance (stock change and miscellaneous)	0.1	0.1	-	0.1	0.1	0.1	0.1	0.6	0.2					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	-	-	-	-8	-	-					
OECD SPR	-	-	-	-	-	-	-	-	-					
OECD total	-	-	-	-	-	-	-8	-	-					
Oil on water	-	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-					
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
(a) - (b)	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.6	-0.2	-	-0.1	-0.3	-0.4	-0.2

† *This compares Table 29 in this issue of the MOMR with Table 24 in January 2006 issue.*

This table shows only where changes have occurred.

Table 31: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
Closing stock level *mb*													
OECD onland commercial	2,630	2,476	2,517	2,558	2,597	2,465	2,545	2,584	2,558	2,546	2,626	2,642	2,597
North America	1,262	1,174	1,161	1,200	1259	1,145	1,193	1,209	1,200	1,200	1,275	1,252	1,259
Western Europe	925	895	922	927	944	919	933	945	927	957	929	957	944
OECD Pacific	443	408	435	430	394	400	420	430	430	389	422	432	394
OECD SPR	1,288	1,347	1,411	1,450	1,483	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,483
North America	552	601	640	678	687	654	664	672	678	690	698	696	687
Western Europe	356	357	374	377	405	371	366	367	377	377	401	405	405
OECD Pacific	380	389	396	396	391	398	398	396	396	396	395	393	391
OECD total	3,918	3,823	3,928	4,008	4,080	3,888	3,974	4,019	4,008	4,009	4,120	4,136	4,080
Oil-on-water	830	816	883	904	956 *	901	886	890	904	927	928	922	956 *
Days of forward consumption in OECD													
OECD onland commercial	55	51	51	52	52	51	52	51	51	52	53	53	51
North America	52	48	46	47	49	46	47	47	47	47	50	49	49
Western Europe	61	58	59	60	60	60	60	59	60	63	59	61	61
OECD Pacific	52	47	51	50	45	51	51	49	45	48	52	49	42
OECD SPR	27	28	29	29	30	30	29	28	29	30	30	30	29
North America	23	25	25	27	27	26	26	26	27	27	27	27	26
Western Europe	23	23	24	24	26	24	23	23	24	25	26	26	26
OECD Pacific	44	45	46	46	45	50	49	45	42	49	49	44	42
OECD total	82	79	79	81	81	81	81	80	79	82	84	83	80

** Estimated*

Table 32: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2001	2002	2003	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
USA	8.05	8.04	7.82	7.65	-0.17	7.71	7.74	7.02	6.70	7.29	-0.36	7.17	7.36	7.43	7.75	7.43	0.14
Canada	2.73	2.84	2.98	3.07	0.09	2.94	2.95	3.02	3.17	3.02	-0.05	3.23	3.23	3.27	3.36	3.27	0.25
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.71	3.73	3.77	-0.07	3.71	3.77	3.79	3.85	3.78	0.01
North America	14.34	14.48	14.60	14.56	-0.04	14.40	14.57	13.75	13.60	14.08	-0.48	14.11	14.36	14.49	14.95	14.48	0.40
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	2.94	2.93	2.92	2.97	-0.22	2.95	2.97	2.77	2.93	2.91	-0.06
UK	2.54	2.52	2.33	2.09	-0.24	2.03	1.89	1.67	1.82	1.85	-0.23	1.78	1.71	1.52	1.73	1.69	-0.16
Denmark	0.35	0.37	0.37	0.39	0.02	0.39	0.38	0.37	0.36	0.38	-0.01	0.38	0.36	0.34	0.35	0.36	-0.02
Other Western Europe	0.38	0.42	0.43	0.47	0.04	0.48	0.46	0.47	0.47	0.47	0.00	0.47	0.47	0.47	0.49	0.48	0.00
Western Europe	6.68	6.65	6.39	6.14	-0.26	5.98	5.68	5.45	5.57	5.67	-0.47	5.58	5.51	5.11	5.51	5.43	-0.24
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.57	0.54	0.51	0.52	0.00	0.49	0.49	0.50	0.58	0.52	-0.01
Other Pacific	0.07	0.06	0.06	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.07	0.07	0.07	0.06	0.01
OECD Pacific	0.78	0.77	0.65	0.57	-0.08	0.54	0.62	0.59	0.55	0.57	0.00	0.54	0.56	0.57	0.65	0.58	0.01
Total OECD	21.81	21.89	21.65	21.27	-0.38	20.93	20.86	19.79	19.73	20.32	-0.95	20.22	20.43	20.18	21.11	20.49	0.17
Brunei	0.20	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.22	0.22	0.22	0.22	0.22	0.01
India	0.73	0.78	0.79	0.80	0.01	0.80	0.80	0.73	0.74	0.77	-0.03	0.76	0.76	0.80	0.80	0.78	0.01
Malaysia	0.68	0.71	0.75	0.83	0.08	0.86	0.84	0.86	0.85	0.85	0.02	0.85	0.83	0.84	0.83	0.84	-0.01
Vietnam	0.34	0.34	0.35	0.40	0.04	0.38	0.38	0.37	0.40	0.38	-0.01	0.37	0.35	0.36	0.35	0.36	-0.03
Asia others	0.31	0.31	0.30	0.37	0.07	0.46	0.47	0.48	0.48	0.47	0.10	0.48	0.49	0.53	0.53	0.51	0.04
Other Asia	2.26	2.35	2.40	2.61	0.21	2.71	2.70	2.66	2.68	2.69	0.08	2.69	2.66	2.75	2.74	2.71	0.02
Argentina	0.86	0.84	0.84	0.79	-0.05	0.77	0.77	0.75	0.73	0.75	-0.04	0.72	0.71	0.70	0.69	0.71	-0.05
Brazil	1.53	1.72	1.80	1.79	-0.01	1.85	2.03	2.02	2.03	1.98	0.19	2.10	2.12	2.32	2.29	2.21	0.22
Colombia	0.61	0.58	0.55	0.53	-0.01	0.52	0.53	0.53	0.52	0.53	-0.01	0.53	0.53	0.53	0.53	0.53	0.00
Ecuador	0.41	0.40	0.43	0.53	0.10	0.55	0.54	0.53	0.55	0.54	0.01	0.56	0.56	0.56	0.56	0.56	0.02
Trinidad & Tobago	0.13	0.15	0.16	0.16	-0.01	0.20	0.21	0.22	0.22	0.21	0.05	0.23	0.23	0.24	0.24	0.23	0.02
L. America others	0.26	0.27	0.28	0.28	0.01	0.30	0.31	0.31	0.31	0.31	0.02	0.31	0.31	0.31	0.31	0.31	0.00
Latin America	3.79	3.97	4.05	4.08	0.03	4.19	4.39	4.35	4.35	4.32	0.24	4.43	4.46	4.65	4.62	4.54	0.22
Bahrain	0.19	0.19	0.20	0.20	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	0.96	0.90	0.82	0.79	-0.03	0.77	0.78	0.78	0.76	0.77	-0.02	0.75	0.75	0.75	0.75	0.75	-0.02
Syria	0.54	0.55	0.53	0.50	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03	0.45	0.45	0.44	0.43	0.44	-0.03
Yemen	0.47	0.46	0.44	0.42	-0.03	0.40	0.40	0.40	0.39	0.40	-0.02	0.40	0.40	0.40	0.40	0.40	0.00
Middle East	2.15	2.10	2.00	1.91	-0.09	1.86	1.86	1.84	1.81	1.84	-0.07	1.80	1.79	1.79	1.78	1.79	-0.05
Angola	0.74	0.89	0.87	0.99	0.11	1.13	1.16	1.23	1.38	1.23	0.24	1.40	1.45	1.44	1.63	1.48	0.25
Chad	0.00	0.00	0.02	0.16	0.13	0.18	0.18	0.18	0.18	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00
Congo	0.27	0.25	0.24	0.24	0.00	0.24	0.24	0.24	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01
Egypt	0.76	0.75	0.75	0.71	-0.04	0.70	0.69	0.69	0.70	0.70	-0.01	0.69	0.68	0.67	0.67	0.68	-0.02
Equatorial Guinea	0.14	0.20	0.24	0.34	0.10	0.35	0.36	0.36	0.36	0.36	0.02	0.35	0.35	0.35	0.35	0.35	0.00
Gabon	0.30	0.29	0.25	0.25	0.00	0.25	0.25	0.26	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00
South Africa	0.18	0.19	0.20	0.22	0.02	0.21	0.20	0.20	0.20	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	0.00
Sudan	0.21	0.24	0.27	0.30	0.04	0.31	0.33	0.36	0.35	0.34	0.04	0.40	0.45	0.57	0.60	0.51	0.17
Africa other	0.20	0.20	0.20	0.21	0.01	0.23	0.22	0.27	0.27	0.25	0.04	0.34	0.39	0.39	0.40	0.38	0.13
Africa	2.79	3.01	3.05	3.42	0.37	3.60	3.64	3.79	3.93	3.74	0.32	4.06	4.20	4.31	4.53	4.28	0.53
Total DCs	10.99	11.43	11.50	12.02	0.52	12.36	12.58	12.63	12.78	12.59	0.57	12.98	13.12	13.49	13.66	13.32	0.73
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.47	11.62	11.87	11.59	0.44	11.81	11.95	12.07	12.15	11.99	0.41
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.50	9.60	9.44	0.25	9.52	9.60	9.65	9.68	9.61	0.18
Kazakhstan	0.80	0.94	1.03	1.18	0.15	1.26	1.22	1.17	1.27	1.23	0.05	1.25	1.27	1.30	1.31	1.28	0.05
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.35	0.42	0.47	0.54	0.44	0.13	0.56	0.60	0.64	0.68	0.62	0.18
FSU others	0.45	0.45	0.47	0.47	0.01	0.47	0.48	0.49	0.47	0.48	0.00	0.48	0.48	0.48	0.48	0.48	0.00
Other Europe	0.18	0.18	0.17	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00	0.17	0.17	0.17	0.17	0.17	0.01
China	3.30	3.39	3.41	3.48	0.08	3.63	3.61	3.64	3.62	3.63	0.14	3.64	3.66	3.69	3.69	3.67	0.05
Non-OPEC production	44.81	46.21	46.99	48.08	1.10	48.46	48.69	47.84	48.15	48.28	0.20	48.83	49.33	49.60	50.78	49.64	1.36
Processing gains	1.69	1.73	1.80	1.83	0.03	1.88	1.85	1.84	1.88	1.86	0.03	1.88	1.87	1.87	1.93	1.89	0.02
Non-OPEC supply	46.50	47.94	48.78	49.91	1.13	50.34	50.54	49.68	50.03	50.15	0.23	50.71	51.20	51.47	52.71	51.53	1.38
OPEC NGL	3.40	3.42	3.57	3.85	0.28	3.96	4.01	4.06	4.11	4.04	0.19	4.20	4.30	4.39	4.47	4.34	0.31
OPEC Non-conventional	0.18	0.20	0.14	0.25	0.11	0.26	0.26	0.26	0.26	0.26	0.01	0.28	0.28	0.28	0.28	0.28	0.02
OPEC (NGL+NCF)	3.58	3.62	3.71	4.09	0.38	4.22	4.27	4.32	4.37	4.30	0.20	4.48	4.58	4.67	4.75	4.62	0.33
Non-OPEC & OPEC (NGL+NCF)	50.08	51.56	52.49	54.00	1.51	54.56	54.81	54.00	54.40	54.44	0.44	55.19	55.78	56.14	57.46	56.15	1.71

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

Table 33: Non-OPEC Rig Count

	2001	2002	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	1Q 05	2Q 05	3Q 05	Dec 05	4Q 05	2005	Change 05/04	Jan 06	Change Jan 06- Dec 05
USA	1156	831	1032	201	1,119	1164	1229	1249	1190	158	1279	1336	1419	1470	1478	1378	188	1473	3
Canada	342	266	372	106	528	202	326	420	369	-3	620	241	527	575	572	490	121	660	85
Mexico	54	65	92	27	107	113	111	108	110	18	114	116	104	94	93	107	-3	92	-2
North America	1552	1162	1496	334	1,754	1479	1665	1777	1669	173	2013	1693	2050	2139	2143	1975	306	2225	86
Norway	23	19	19	0	19	18	14	16	17	-2	15	18	19	15	17	17	0	19	4
UK	24	26	20	-6	15	19	14	15	16	-4	16	22	23	27	24	21	5	27	0
Denmark	4	4	4	0	4	4	3	4	4	0	2	3	2	2	2	2	-2	3	1
Other Western Europe	44	36	36	0	31	30	27	27	29	-7	23	24	25	25	24	24	-5	27	2
Western Europe	95	85	78	-7	69	70	57	62	65	-13	56	67	68	69	68	65	0	76	7
Australia	10	9	11	2	12	13	18	14	14	3	17	15	17	14	15	16	2	14	0
Other Pacific	9	8	7	-1	7	8	9	6	8	1	7	10	10	9	9	9	1	10	1
OECD Pacific	20	17	18	1	19	22	26	20	22	4	24	25	27	23	24	25	3	24	1
Total OECD	1667	1264	1592	328	1,842	1570	1749	1859	1755	163	2093	1785	2146	2231	2234	2065	310	2325	94
Brunei	3	3	3	0	2	3	3	2	3	0	1	2	3	2	2	2	-1	4	2
India	50	55	60	5	64	68	71	76	70	10	76	76	81	83	84	79	9	82	-1
Malaysia	11	14	14	0	15	15	13	13	14	0	12	14	14	12	13	13	-1	14	2
Papua New Guinea	1	1	2	1	3	2	0	1	2	0	1	2	2	3	2	2	0	3	0
Vietnam	8	9	9	0	8	9	8	7	8	-1	8	10	10	10	10	9	1	11	1
Asia others	22	30	29	-1	27	31	31	31	30	1	35	36	36	37	37	36	6	43	6
Other Asia	95	111	117	6	119	128	127	130	126	9	133	140	146	147	148	142	16	157	10
Argentina	71	49	60	11	64	73	73	74	71	11	74	76	78	81	79	77	6	80	-1
Brazil	28	27	26	-1	24	26	26	26	26	0	26	27	28	28	27	27	1	34	6
Colombia	15	11	11	0	8	9	9	11	9	-2	13	12	16	21	19	15	6	18	-3
Ecuador	10	9	9	0	7	9	12	12	10	1	10	12	11	14	13	12	2	12	-2
Peru	4	2	3	1	2	2	3	3	2	-1	3	4	3	3	3	4	2	3	0
Trinidad & Tobago	5	4	3	-1	3	4	4	4	4	1	3	2	2	5	4	3	-1	3	-2
L. America others	7	5	4	-1	6	6	3	4	5	1	3	4	3	6	5	4	-1	6	0
Latin America	141	106	116	10	114	127	129	134	126	10	133	138	141	158	151	141	15	156	-2
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	35	6	36	35	34	36	35	0	34	35	34	36	35	34	-1	34	-2
Syria	19	22	24	2	24	24	23	23	24	0	21	20	22	23	23	22	-2	22	-1
Yemen	6	9	9	0	7	8	9	11	9	0	10	11	13	14	14	12	3	14	0
Middle East	50	62	70	8	69	68	69	73	70	0	69	71	73	76	75	72	2	73	-3
Angola	5	5	4	-1	4	3	3	3	3	-1	3	3	3	3	2	3	0	3	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	1	0	2	2	3	2	2	1	3	2	2	1	2	2	0	0	-1
Egypt	22	23	26	3	27	28	29	28	28	2	28	30	28	32	30	29	1	32	0
Gabon	2	2	3	1	2	2	2	2	2	-1	2	3	2	3	2	2	0	1	-2
South Africa	1	1	0	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Africa other	4	12	13	1	15	18	20	22	19	6	23	21	19	22	23	21	2	23	1
Africa	36	43	48	5	48	53	56	57	54	6	58	58	54	61	60	58	4	59	-2
Total DCs	322	322	350	28	350	376	381	394	376	26	393	407	414	442	433	412	36	445	3
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	2	0	2	2	2	2	2	0	3	2	3	2	2	3	1	2	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1992	1588	1944	356	2,194	1949	2132	2255	2132	188	2489	2194	2562	2675	2670	2479	347	2772	97

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

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Data is provided by Data Services Department.

Data Summary February 2006

OPEC Basket average price

US$ per barrel

↑ *up 5.6 in January*

January 2006	***58.29***
December 2005	*52.65*
2006 (year-to-date)	*58.26*

December OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.37*	*Kuwait*	*2.57*	*Saudi Arabia*	*9.40*
Indonesia	*0.92*	*SP Libyan AJ*	*1.67*	*UAE*	*2.50*
IR Iran	*3.89*	*Nigeria*	*2.44*	*Venezuela*	*2.54*
Iraq	*1.55*	*Qatar*	*0.81*	***TOTAL***	***29.65***

Supply and demand

in million barrels per day

2005		***2006***	
World demand	*83.1*	*World demand*	*84.6*
Non-OPEC supply	*54.4*	*Non-OPEC supply*	*56.1*
Difference	***28.6***	***Difference***	***28.5***

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

Stocks

US commercial crude oil stocks showed a build of of 12.6 mb in January

World economy

World GDP growth revised up to 4.6% for 2005 and to 4.3% for 2006

Issued 15 February 2006 *Data covers period up to end of January 2006 unless otherwise stated*
Next report to be issued on 17 March 2006