OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Prospects for refining margins

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Oil Market Highlights

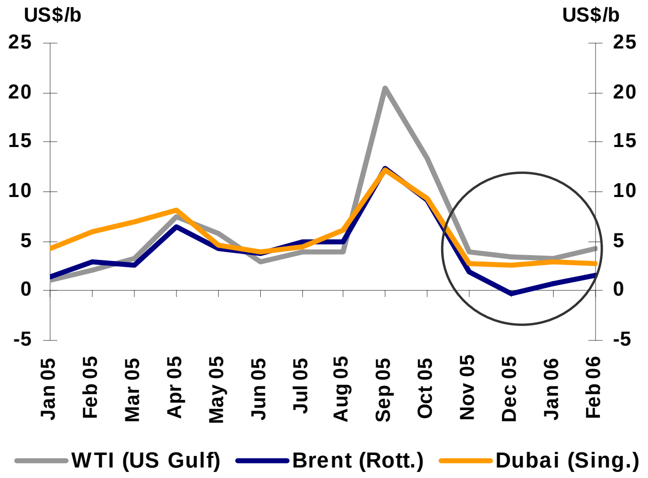
- Early indications suggest that the world economy has begun 2006 on a solid footing. Growth in the manufacturing sector has been particularly strong and economies in Asia achieved healthy increases in exports and output. In Europe, exporters including Germany and the Czech Republic also had a good start to the year although domestic demand in the region remains depressed. The performance of the US economy in 2006 may be volatile. The rebound from the poor fourth quarter of 2005 should ensure healthy growth in the first quarter but higher interest rates and a cooling housing market seem set to moderate growth into the spring.
- The US economy is expected to grow by 3.2% in 2006. Germany is experiencing a clear improvement in business sentiment and the growth forecast for 2006 has been increased to 1.5%. Expectations for the exporting economies of Eastern Europe have also improved. The 2006 forecast for Japan has been raised to 2.6% from 2.2% as a result of strengthening domestic demand which should be supported by continued growth in personal incomes. This upgrade for Japan is the main reason that the forecast for world GDP growth in 2006 has been raised to 4.4%.
- Expectations of higher growth in Europe and Japan have not gone unnoticed by central banks. As the global economy reaches levels of capacity utilization last seen in the late 1990s, policymakers are convinced that prudent risk management obliges monetary authorities to act. Tighter monetary policies are set to be a major theme for 2006, not least in Japan. The adjustment to more restrictive financial conditions will be one of many challenges facing the world economy this year. Other challenges include the need to maintain the momentum of world trade despite slower US growth and rising trade tensions, the struggle to reduce the fiscal deficits of the major economies, and the ongoing risks to financial stability posed by the high levels of equity and debt as well as the housing markets.
- Geopolitical concerns continued to pressure the market, but were outweighed by a host of downward factors such as high stock levels, a heavy maintenance schedule particularly in the USA and arbitrage opportunities for crude flows into Asia. As a result, the Basket fell $1.92 or over 3% to average $56.36/b for the month. The first half of March saw a revival of supply fears, although the upward trend was somewhat undercut by the OPEC decision to keep output unchanged. As a result, the daily Basket price reached $57.45/b on 16 March.
- Refinery maintenance in the USA, normal winter in the Northeast and a continued cold snap in Europe resulted in a rise in refinery margins in the Western Hemisphere. The situation in Asia was relatively different as the good performance of the barrel complex, particularly in the latter part of the month, failed to outpace the average monthly cost of Dubai benchmark crude, resulting in a $0.16/b decline in refinery margins in February over the previous month. Looking ahead, the heavy refinery maintenance schedule in the USA and Asia over the next few months, along with higher seasonal demand for gasoline and diesel, in tandem with robust economic growth, should support product prices and refinery margins. This bullish sentiment has been reflected in recent rise in the product futures markets in the USA and Europe.
- OPEC spot fixtures declined a significant 2.3 mb/d to 12.9 mb/d in February due to lower seasonal demand as well as disruptions in Nigerian supply, while sailings soared by 1.8 mb/d to 25.7 mb/d due partly to the high number of spot fixtures from the previous month. For the tanker market, crude oil spot freight rates for the VLCC and Suezmax sectors remained strong but fell sharply by the end of the month. However, rates for VLCCs moving from the Middle East to the East and the West were 10-15% lower than a year earlier. Product freight rates weakened considerably, especially on the Middle East/East route where they lost 156 points to average WS207, their lowest level since mid-2004. Similarly, rates for tankers trading across the Mediterranean basin and from there to North-West Europe lost around 110 points to settle around WS300.
- With preliminary data for OECD countries as well as many Developing Countries and China available for the entire 2005, global oil demand appears to have grown by almost 1 mb/d or 1.1 % to average 83.0 mb/d. The estimated growth is slightly lower than the previous figure and the difference can be traced back to a downward revision to growth in the last quarter of 2005. Global oil demand growth for the present year has been revised down by approximately 0.1 mb/d to account for a persistent y-o-y contraction in US demand during January and February as well as a more pessimistic view of growth in non-OECD Asia. Thus, world oil demand is forecast to grow by 1.5 mb/d or 1.8 % to average 84.5 mb/d, higher than last year's 1 mb/d but only half the exceptional growth seen in 2004.
- Non-OPEC supply in 2005 is estimated at 50.1 mb/d, representing an increase of 0.2 mb/d over 2004 and unchanged from last month. In 2006, non-OPEC oil supply is expected to average 51.5 mb/d, an increase of 1.4 mb/d over 2005, slightly lower that the last assessment. The impact of historical revisions, recent performance, unplanned shutdowns as well as minor adjustments to the outlook for Mexico, Norway, Australia, Brazil, Egypt, Sudan have resulted in some revisions on a quarterly basis, and a downward adjustment of 70,000 b/d to the full-year growth forecast. In February, total OPEC crude oil production averaged 29.7 mb/d, according to secondary sources, an increase of 160,000 b/d from last month.
- OECD net crude oil imports remained almost stable at 24.3 mb/d in February with US imports increasing by around 0.4 mb/d to average 10.0 mb/d and Japanese imports declining by around 0.2 mb/d to 4.0 mb/d. OECD net product imports increased by 62,000 b/d to nearly 3 mb/d with Japanese imports increasing by 0.2 mb/d and US imports dropping by almost the same level. China's net crude oil imports surged 0.7 mb/d or 28% to more than 3 mb/d, while product net imports fell by 170,000 b/d to 0.5 mb/d.

- Commercial crude oil stocks averaged 1,024.1 mb showing a mixed picture in February as the build in crude oil stocks was offset by the drop in products. The overall level indicated a y-o-y surplus of 4.6% and 10% above the last five-year average. Total oil stocks in the EUR-16 (EU-15 plus Norway) reversed the upward trend observed in the previous months, falling by almost 10 mb on the back of a huge decline in product stocks. However, inventories remained at comfortable levels of 5% above the same time last year and 9% over the five-year average. At the end of January, commercial oil inventories in Japan witnessed a drop of 9.5 mb, pushing the deficit down to 13% y-o-y and 8.5% below the five-year average. All draws came from crude oil with products showing a marginal build.
- The estimate for demand for OPEC crude in 2005 remains unchanged at 28.6 m/d, representing an increase of 0.5 mb/d from 2004. In 2006, the demand for OPEC crude is expected to average close to 28.4, representing a downward revision of 0.1 mb/d versus last month. On a quarterly basis, the new forecast shows that demand for OPEC crude is expected at 30 mb/d, 27.4 mb/d, 28.1 mb/d and 28.3 mb/d for the respective quarters, representing a downward revision of 0.2 mb/d in the first and second quarters, a positive revision in 0.2 mb/d in the third, and a downward revision of 0.1 mb/d in the fourth.

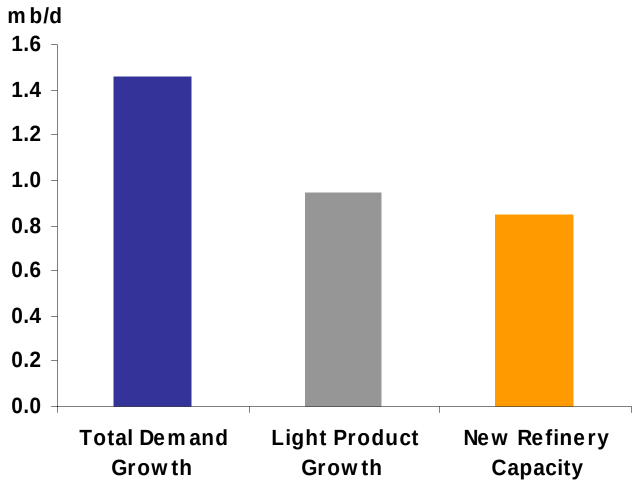
Prospects for refining margins

- Over the last two years, one of the key drivers in the market has been the persistent tightness in refinery capacity. This has given rise to fears of a shortfall in products and boosted refinery profits, particularly in the wake of Hurricane Katrina in late August 2005.
- In response to the improved outlook for refining, many national and international oil companies have revisited their investment policies and portfolios. As a result, many are considering ways to expand refinery capacity either by building new grass roots refineries or debottlenecking existing ones, which has led to the announcement of a growing number of plans and projects.
- As new projects require at least a three- to five-year lead time to come on-stream, the current tightness in refining capacity is not expected to change significantly in the next few years. However, refining margins have weakened since late last year (*see* ***Graph 1***). This surprising development has raised questions as to what is causing margins to narrow. Does it reflect a premature cyclical change or a shift in fundamentals? An equally important question is, will margins rebound in the near future?

Graph 1: Refining margins in key centres



Graph 2: Incremental product demand and new refinery capacity in 2006



- The current bearish sentiment in the product market is a result of the unusually warm weather in the USA which led to lower seasonal demand and a 7 mb build in distillate inventories in January — a month which historically sees an average stockdraw of 7 mb. This development has more than undermined any upward pressure from cold weather in Europe and Asia, and helped to weaken product prices and refinery margins across the globe. Margins have been further squeezed by the rally in crude prices triggered by escalating geopolitical fears. As a result, refinery margins in January declined to \$3.2/b for WTI, 65¢/b for Brent and \$2.9/b for Dubai, compared to the \$5.9/b, \$4.5/b and \$5.9/b averages seen in 2005.
- Despite comfortable product stock levels, a number of factors are expected to help product markets to regain momentum in the coming months. The first is the heavy refinery maintenance schedule this spring which is expected to take offline some 10% of US refinery capacity. Additionally, US refiners will also have to adjust to more stringent product specifications calling for the reduction of sulphur content of diesel to 15 PPM from the current 500 PPM as well as the phasing out of MTBE from the gasoline pool. Finally, the introduction of nationwide renewable fuel standards (RFS) in the USA, which require that gasoline should include 2.8% ethanol, could create logistical constraints especially during summer, possibly triggering gasoline supply fears.
- The Asian product market faces its own challenges as inventories have been drawn down considerably by the unusually cold winter and some 7% of capacity is expected to be out of operation due to maintenance. Seasonal agricultural demand in the second quarter and potential changes in the Chinese petroleum pricing mechanism are likely to also help increase consumption.
- Furthermore, as **Graph 2** shows, refinery capacity is expected to increase by 850,000 b/d in 2006, about half the expected incremental demand for the year, with most of the increase coming from Asia. Such a shortfall would only tighten capacity for complex refineries, boosting margins and returning products to the driver seat of the oil market. In light of this development, margins have improved in February and more recently US gasoline prices have seen a sharp increase in both the physical and futures markets.
- Alternately, if the present geopolitical concerns and their impact on crude prices were to continue, there remains a risk that refiners could face an extended period of soft margins. However, it is more likely that the weaker refinery margins seen over the last two months will prove to be a temporary phenomenon given the ongoing tightness in refinery capacity. Margins, however, are not expected to reach the lucrative levels seen over the past two years.

- The recent decision by the OPEC Conference to maintain the production ceiling in the face of very high OECD stocks and relative weakness in products market is a clear demonstration of the Organization's ongoing commitment to greater market stability. The continuing healthy outlook for crude supplies should help prices move closer to the level justified by fundamentals, which would contribute to global economic growth and allow refinery margins to return to more reasonable levels. This, in turn, should encourage the investments needed to meet the expected rise in product demand as well as ease persistent bottlenecks in the downstream.

Vienna, Austria **8 March 2006**

140th Meeting of the OPEC Conference
Vienna, Austria, 8 March 2006

The 140th (Ordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 8 March 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 congratulated HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah on his re-appointment as Minister of Energy of the State of Kuwait, and extended a warm welcome to HE Abdalla Salem El Badri as Head of Delegation of the Socialist People's Libyan Arab Jamahiriya to the 140th Meeting of the Conference.

The Conference also welcomed the Minister of Petroleum of Angola, the Minister of Petroleum of Egypt, the Minister of Oil and Gas of the Sultanate of Oman and a high-level representative from Mexico, whose presence at the Meeting is seen as reaffirmation of these oil-producing countries' continued support for the Organization's efforts to stabilize the oil market.

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

Having reviewed the oil market outlook, the Conference observed that world economic performance remains strong. The Conference also noted that, although all indicators show that the market is fundamentally well-supplied with crude oil and that commercial oil stocks in the OECD are at high levels, world crude oil prices remain volatile, these being driven by geopolitical factors and associated concerns regarding potential future supply disruptions, as well as downstream bottlenecks, exacerbated by more stringent US fuel quality standards. These factors are reflected in the increased activity observed in the futures market and the pattern of disconnect between prices and commercial stock levels, that has become apparent since 2004.

Despite the present supply/demand outlook and in view of the prevailing geopolitical concerns, the Conference decided to maintain the current OPEC production ceiling of 28.0 million barrels per day for the time being, in order to contribute further to market stability and robust global economic growth, as well as maintain prices at levels reasonable to both producers and consumers. In taking this decision, the Conference again confirmed the Organization's commitment to continuing to play its role in maintaining stability and ensuring that global markets remain adequately supplied at all times.

In view of the importance of continued vigilance, given the possible risks and uncertainties, including expected stock-build, the Conference further agreed to continue to closely monitor market developments and to take appropriate and swift action, as and when the need arises. For this purpose, the President of the Conference will consult closely with other Heads of Delegation, keeping them apprised of market developments. The Conference will convene an Extraordinary Meeting in Venezuela on Thursday, 1 June 2006.

The Conference renewed its call on all parties, including non-OPEC producers and consumers, to undertake joint efforts to address the challenges facing the oil industry, including bottlenecks affecting the downstream oil industry.

The Conference recorded its special thanks and appreciation to Dr. Adnan Shihab-Eldin for his valuable contribution to the Organization during his tenure as Director, Research Division.

The Conference passed Resolutions that will be published on 8 April 2006, after ratification by Member Countries.

The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on 11 September 2006, immediately preceding the 2006 OPEC International Seminar.

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.

Highlights of the World Economy

Economic growth rates 2005-2006, %	World	OECD	USA	Japan	Euro-zone
2005	4.6	2.7	3.5	2.8	1.3
2006	4.4	2.7	3.2	2.6	1.7

Industrialised countries

United States of America

2006 GDP growth may be volatile; housing market looks set for downturn

US fourth quarter growth was revised up to 1.6% from 1.1% reflecting improvements in both final sales and inventories. The equipment component of business investment was increased to 6.2% from 3.5% and the fall in defence spending was revised to show a smaller decline of 9%. The better performance in this period has not changed expectations of strong growth in the first quarter of 2006 although the monthly data will show volatility. 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 weather took a turn for the worse in February, however, and this factor probably affected employment growth. **Early indications of February consumer spending were weak and car sales fell by 6% below the level of January. Overall retail sales also probably fell in the month.** Forward-looking data also suggested a pause following the strong January. The expectations index of the Conference Board fell significantly and the Chicago Purchasing Managers Index of business conditions fell back to August levels. The construction sector has had a poor start to 2006 despite the warm weather in January. Sales of existing homes fell by 2.8% in January which was the fifth month of consecutive decline and mortgage applications are running at 17% below the peak levels of 2005. It seems that the US housing market has begun to feel the effect of rising interest rates.

These fluctuations in the monthly data have not dented overall expectations that the first quarter will see a strong recovery in growth. GDP and personal consumption are expected to grow by at least 4% in this period. Looking beyond this rebound much depends on the ongoing trend in energy costs. Although nominal incomes saw a solid recovery in the second half of 2005, much of these gains were eroded by higher fuel prices. Higher gasoline and energy costs may also absorb some of the increase in labour incomes this year 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. **The inflation data for January illustrated the sharp contrast between the overall rate of consumer price increase of 4% and the core rate (excluding energy and food costs) which rose by 2.1%.** Policymakers must take into account the possibility that an improving labour market may create pressure for higher wages. Higher wages and a weaker dollar may begin to impact the core rate of inflation later in the year. On balance the Committee may err on the side of caution – continuing to increase interest rates to at least 5%. **Since the rate of consumer price increase in 2006 is expected to be about 3%, real interest rates would be significantly positive in 2006 which should encourage consumers to use income gains to rebuild depleted savings.**

2006 may see an adjustment in US external imbalances depending on the tempo of global growth. Although the trade deficit worsened in January to $68.5 billion, the three month moving average suggests some stabilisation. **Thus far in 2006 there has been no significant movement in the dollar to help this process since the US economy continues to attract capital flows.** The resolution to the financial imbalances is rather to be found in changes in the pattern of regional demand growth. 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; in January inflation rose to 0.5%

Following a pause in growth in the third quarter, the Japanese economy grew by a remarkable 5.5% in the fourth quarter. **In 2005 the Japanese economy grew by 2.8% 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. Growth in spending was particularly strong for discretionary, high-ticket items. Residential investment was firm in the fourth quarter, rising by 7.6% at an annualized rate. Business 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 which rose by 7.2%. Public investment was the only demand item that declined amid continued budget cutbacks. This trend is likely to continue as the government aims to reduce public spending as a proportion of GDP.

In addition to the improvement in domestic demand, global economic growth remains important. In the fourth quarter real exports rose by 3% 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 0.3% month-on-month in January to record the sixth 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 4-5%. **Total domestic demand in 2006 is forecast to grow by about 2.5% and GDP is expected to grow by 2.6%.**

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. **In January the year-on-year rate of inflation rose to 0.5%, after gains of 0.1% in November and December.**

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. **On March 9 the Bank of Japan announced the end of the policy of quantitative easing but confirmed that short-term interest rates would remain close to zero.** The timing of the exit from the zero interest rate policy will continue 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 Japanese economy would suffer from any downward adjustment in the US or Chinese economies in 2006 and this remains a major risk factor. 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 ¥118 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; European Central Bank expected to continue to raise interest rates

The Euro zone continues to be characterized by improving data from surveys of industrial confidence which contrast with the sluggish performance of the real economy. According to the EU Commission survey, industrial confidence brightened in February. Improving order books and a gain in the assessment of the outlook for production boosted the confidence of manufacturing industry. Export orders are particularly firm. Consumer sentiment also improved slightly but this was a mixed picture. Consumers remain concerned about the prospects of unemployment and are reluctant to make major purchases. **Germany illustrates this pattern. Business confidence is very high in export-oriented companies, in domestic sectors there is a slight improvement in confidence from very low levels but in the service sector sentiment remains weak, consistent with lacklustre labour markets and very subdued wages.** In January most of the impetus to manufacturing orders came from exports. Foreign orders for German manufactures rose by 16%, year-on-year with most of the growth coming from outside the euro-zone. Domestic orders actually fell below the level of December.

Whilst Germany has the benefit of a strong export performance, Italy continues to suffer from declining market shares. The GDP data for 2005 confirmed that Italian GDP stagnated during the year. The rise in exports was outweighed by import growth whilst domestic consumption rose by only 0.1%. Data on the output side showed a large 2% drop in manufacturing activity – in these circumstances it is not surprising that fixed investment also fell during the year.

Although the evidence hardly points to a strong economic recovery in the Euro-zone in 2006, the ECB decide to raise euro interest rates to 2.5% on March 1. The Bank attaches great weight to the survey reports which suggest that an economic recovery is within sight. Interpretation of these reports is subject to much uncertainty. They are consistent with a range of GDP growth estimates for the first quarter of 1.5%-2.5% and it appears that the Bank expects growth to be near the top end of the range. Moreover, inflation remains a serious concern as the ECB staff raised the Bank's inflation projection for 2006 to 2.2%. The outlook for interest rates will also have to consider the pace of credit growth in the euro-zone. In January credit demand rose by 12% which might reflect the growing needs of companies for investment and merger and acquisition activity. **On balance interest rates are likely to rise further in Europe but the pace of increase should be steady. The peak for short-term interest rates may be 3%-3.5% which should be reached by the end of this year.**

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

Severe weather in January slowed growth in manufacturing

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-oriented 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%.

In January the rather poor performance of the manufacturing and resource extraction sectors continued, although severe weather had some effect on production. The very cold conditions boosted output of the utility sector to 12% above year ago levels but natural resource production rose by only 0.9%. The growth of manufacturing output was 4.1%, below the 6.1% rate achieved for 2005. 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. **Looking to 2006, these trends are expected to continue. Growth will be slow in the extractive sector as a result of the lack of incentives to export. Manufacturing will suffer from further currency appreciation and GDP growth will be held back by ever stronger competition from imports.**

Eastern Europe

Czech economy the clear growth leader in the region in 2005

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%.** Following another month of low inflation in January, the Monetary Policy Council decided to reduce interest rates to 4.25%. 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 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 was at least 6% 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 6.9% in the fourth quarter – driven mainly by exports which rose by 12.6% above 2004 levels. Industrial production rose by 7.1% in December – the fastest growing sector continues to be the motor industry which expanded production to 26% 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

Although below 2005 levels, growth prospects are good for China, India and Latin America

No major revisions have been made to the growth forecasts for the developing countries since the January report. 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 continued to move higher 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 have led to this outstanding figure, among them the slowing growth of imports, the revaluation of the yuan, higher international oil prices which have caused a rundown in domestic stocks, and the rise in domestic production. In 2006 the trade surplus is expected to narrow slightly as imports grow comparative to exports. According to the China's Academy of Macroeconomic Research, exports will decline from 28.4% in 2005 to just 15% in 2006, while imports will drop from 17.7% in 2005 to 15% in 2006 signalling that the divergence between exports and imports growth is narrowing.

Despite political obstacles the Indian economy is progressing fast. Structural changes in the Indian society are the main force behind this positive trend, mainly the expansion of the middle class which has driven demand growth. 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 target range of 5–5.5%.

The growth in Latin America is expected to continue in 2006 with healthy rates. Risks may emerge, mainly related to the threat of a slowdown in the USA or China which would reduce exports to these economies. The rise of protectionism in the USA and the EU is also sensitive to the Latin American economies.

OPEC Member Countries

Slowing inflation in Indonesia and strong growth in Qatar

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

Oil prices, the US dollar and inflation

US growth rebound supports the dollar

Fears of softer growth in the US economy at the end of 2005 led to dollar weakness in December and the New Year but the release of excellent economic data for January encouraged dollar buyers. Together with higher rates in Europe and talk of tightening in Japan, market participants considered the possibility that US rates might have the potential to exceed 5% during 2006. In February the dollar rose by 1.4% against the euro, 1.2% against the British pound and 1.7% against the Swiss franc. The dollar rose by 2.1% against the yen.

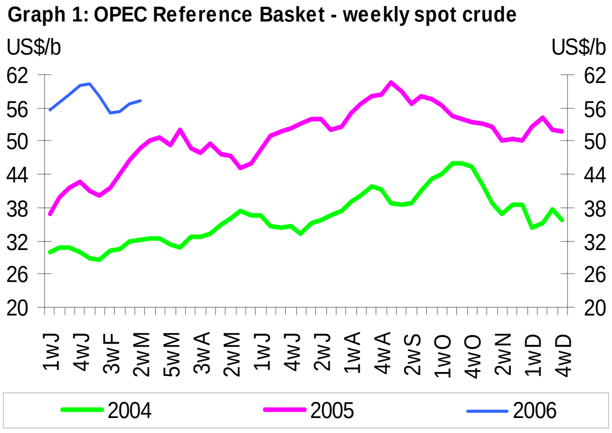
In February the OPEC Reference Basket fell to $56.36/b from $58.29/b in January. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 2.2% to $41.05/b from $41.97/b. The dollar rose by 1.1% as measured by the import-weighted modified Geneva 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.*

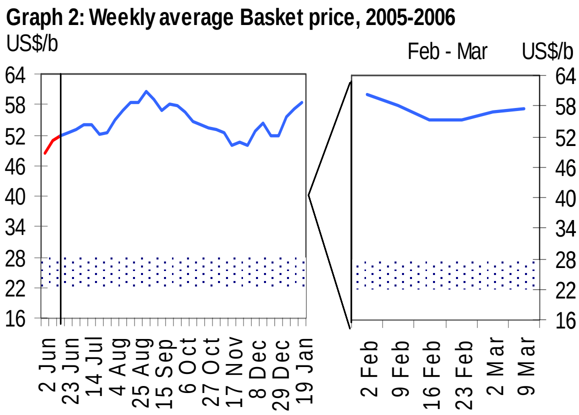
Crude Oil Price Movements

Prices declined for most of February on emerging second-quarter maintenance, although the fear premium sustained some strength on geopolitical tensions

OPEC Reference Basket



The market weakened at the start of February following the OPEC decision to keep output unchanged at the January Meeting of the Conference. Easing geopolitical tensions in the Mideast eroded some price support. The Basket slipped in the first two days of the week on average by 1.5%. Healthy supply from the Middle East amid falling refining margins underlined market bearishness. Heavy maintenance in the USA expected in the second quarter amid a healthy rise in gasoline stocks exerted further downward pressure on the petroleum complex. In the second week, the Basket lost on average 3.5%, slipping $2.11 to settle at $58.14/b. In the third week, the price slide continued on calming tensions in the Mideast amid ample supply as the arbitrage opportunities opened for the western crude to flow into Asia. Moreover, an IEA report showing global supply growth outpacing incremental demand this year added further to the downtrend. Healthy builds in US crude oil and gasoline supplies amid a widened sweet/sour spread kept the pressure on Mideast crude. In the third week, the Basket's average fell more than 5% or nearly $3 to average $55.18/b, the lowest level this year.



Bullish sentiment revived in the fourth week on rising geopolitical tensions in the Middle East at a time of supply disruptions from West Africa and an increasing market appetite for light sweet grades. The start of the refinery maintenance season helped to offset some of the uptrend. Hence, the Basket inched 18¢ or 0.3% higher to settle at $55.36/b. Prices soared even higher in the final week, following an attempt to disrupt operations at a key oil processing center in Saudi Arabia. As a result, the Basket gained 2% to close week at $56.77/b.

On a monthly basis, the Basket averaged $56.62/b in February, down $1.85 or more than 3% lower from the previous month.

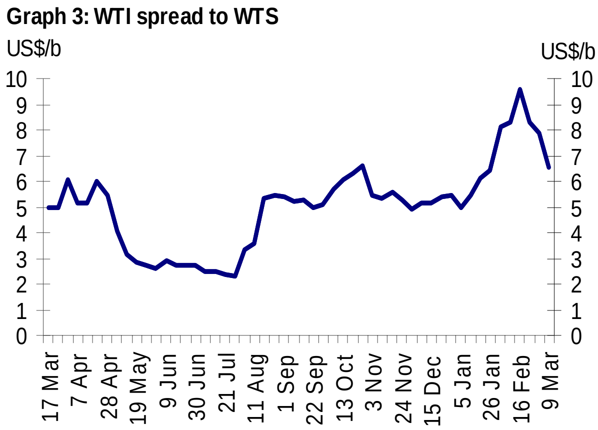
In the first week of March, concern that heavy maintenance might deplete refined product stocks revived supply concerns, escalating the fear premium. However, the rise was capped by OPEC's decision at its 140th Meeting of the Conference to keep current output unchanged. The Basket closed $2.29/b or over 4% higher at $58.30/b on 15 March from end of February, with the month-to-date average at $57.34/b.

Concern over the supply of light sweet crude amid plentiful sour grades widened the sweet/sour spread to record levels

US market

The US crude oil market remained aloft on geopolitical concerns while the sweet/sour spread reached record levels. WTI's first weekly average was nearly unchanged at $66.95/b. Nevertheless, increased imports of sour foreign crude amid a build in inventories widened the sweet/sour spread. The WTI/WTS spread expanded $1.75 to $8.15/b. In the second week, although outright prices slipped nearly 5% to $63.70/b, the sweet/sour differential widened slightly with the WTI/WTS spread at $8.29/b on ample supply of foreign crude, especially from

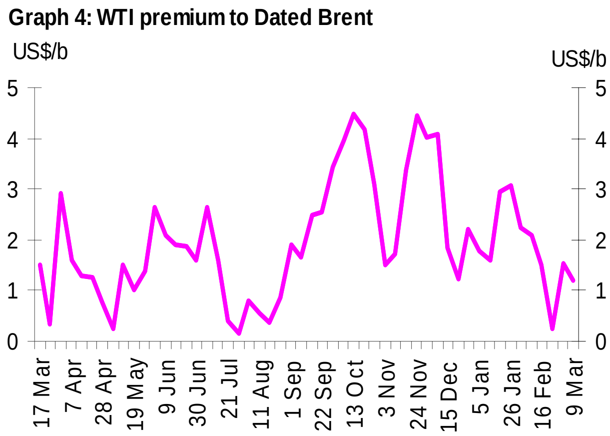
Canada. WTI continued to fall, dropping over 6% to $59.76/b on slowing demand ahead of an expected heavy maintenance schedule, due to delays caused by the hurricanes last year. Nevertheless, concern over tight sweet crudes continued to widen the sweet/sour spread further into record territory to reach $9.55/b before peaking at $10.90/b in the third week. The spread narrowed by 91¢ in the final week despite continued supply disruptions from Nigeria to stand at a still considerable $8.64/b. WTI's weekly average edged 41¢ lower to $59.35/b. The monthly average for WTI was $61.21/b, representing a drop of 6% or $4, while the WTI/WTS monthly spread averaged $8.58/b, the widest on record.



European market

North Sea differentials under pressure from poor refining margins

The North Sea differentials firmed in the first few days of February on a buying spree by a major seeking to cover short positions amid an unexpected shut-down of some 45,000 b/d in the Oseberg South platform. However, poor refining margins slowed refinery demand and kept some February barrels unsold. In the second week, the new March loading programmes revealed more volume, furthering the bearish trend into the third week. A combination of poor refining margins as the maintenance season emerges pushed North Sea differentials to their lowest levels in months. Tight Nigerian supply helped differentials to firm in the fourth week, although slow demand strengthened the bearish trend at month-end.

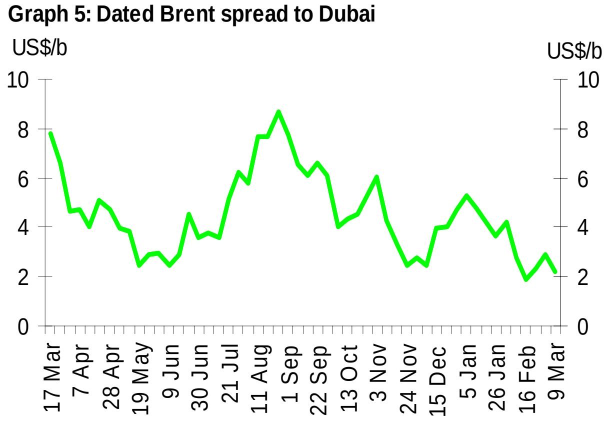


Ample supplies and low refining margins kept Urals under pressure prompting some refiners to resell cargoes. However, some barrels were cleared preventing Urals differentials from declining further with the reopening of the Lithuanian Butinge port in the second week. In the third week, refinery margins improved on the fuel oil crack spread in the Mediterranean amid declining supplies. Moreover, the opening of outbound arbitrage barrels supported the Urals differential. Nevertheless, sentiment weakened again on large exports from Russia for March programmes.

Far East market

Weak refining margins and arbitrage barrel flows kept Mideast crude under pressure

The Middle Eastern crude was discussed steadily in early February, with April Oman discussed at a 1-8¢/b premium to the MOG. However, an overhang of March programmes set a bearish tone amid record high OSP and weak refining margins. As a result, April Oman fell to a double-digit discount. The heavy maintenance schedule in Asia only enhanced the market's bearish sentiment. Furthermore, Abu Dhabi's Murban for March loading fell from a 14¢ discount to ADNOC's OSP to a



discount of 30-45¢/b, the lowest level transacted in almost three months amid opening Western arbitrage. Nevertheless, the improving fuel oil crack spread in the third week amid low Japanese crude oil stocks lent some firmness to the market. Chinese reselling of Oman barrels amid lower demand for distillate-rich crude pushed differentials lower. April Murban was assessed at a 15-30¢/b discount, yet disrupted supply from Nigeria kept some firmness in place. A continued resell of some Oman April barrels from an Asia major amid open arbitrage kept Mideast crude under pressure.

Asian market

Heavy maintenance schedule was offset by tight regional crude supplies with inventories at 30-year lows

The Asian market was bullish amid tight prompt supplies from Australia, which pushed premiums to two-year highs. However, declining refinery margins hindered any further bullish momentum. A cold snap in Japan revived demand for sweet crude by thermal power generation plants, helping premiums to remain firm. Indonesia's March Minas was assessed at a $2.50/b premium to the ICP with Malaysia's Luban assessed at a $3/b premium to Tapis APPI. Low crude inventories in Japan added to the bullish momentum amid tight supply and higher demand. Yet, high outright prices pressured the differentials lower with Indonesia's Duri heard traded at a $2/b premium to the ICP amid a narrowing Brent Dubai EFS, attracting more West African crude to flow eastward. Furthermore, the increased Australian loading programme for April set the premium lower. However, concern over lingering outages from West Africa encouraged refiners to concentrate on regional grades.

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

			Year-to-date average	
	Jan 06	Feb 06	2005	2006
OPEC Reference Basket	**58.47**	**56.62**	**41.34**	**57.57**
Arab Light[1]	58.42	56.54	39.43	57.50
Basrah Light	55.59	52.32	37.86	54.00
BCF-17	47.90	45.90	na	46.92
Bonny Light[1]	64.04	62.12	45.08	63.11
Es Sider	61.77	59.13	42.21	60.48
Iran Heavy	57.07	55.39	37.29	56.25
Kuwait Export	56.51	55.01	37.02	55.78
Marine	59.85	59.06	39.57	59.46
Minas[1]	63.35	61.35	43.91	62.38
Murban	62.71	61.77	43.06	62.25
Saharan Blend[1]	64.07	61.59	45.26	62.86
Other Crudes				
Dubai[1]	58.56	57.61	38.78	58.10
Isthmus[1]	58.54	53.87	40.11	56.27
T.J. Light[1]	54.61	49.98	36.81	52.35
Brent	63.05	60.12	44.79	61.62
W Texas Intermediate	65.39	61.49	47.43	63.49
Differentials				
WTI/Brent	2.35	1.37	2.64	1.87
Brent/Dubai	4.49	2.51	6.01	3.52

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.

As of January 2006, monthly and year-to-date average based on daily quotations.

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

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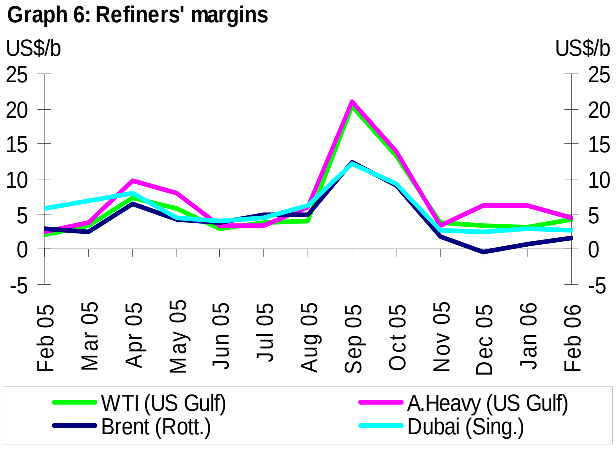
Product Markets and Refinery Operations

Refinery margins improved in the Atlantic Basin in February

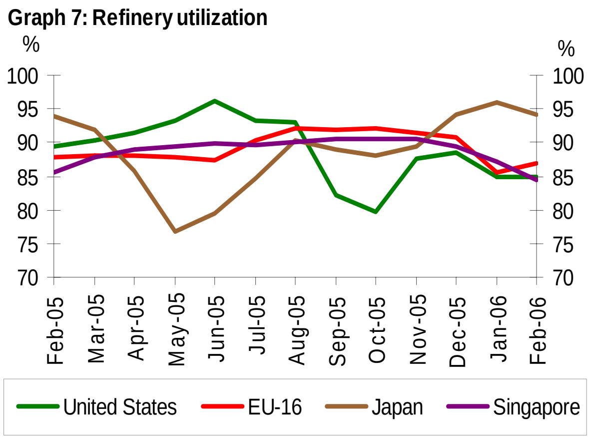
Refinery maintenance in the USA, normal winter in the Northeast and a continued cold snap in Europe resulted in a rise in refinery margins in the Western Hemisphere.



Margins for the WTI benchmark crude in the US Gulf rose 30% in February, recording $4.21/b versus $3.24/b in the previous month. In Europe, margins surged to $1.55/b from $0.67/b over the same period. **However, the situation in Asia was relatively different as the good performance of the barrel complex particularly in the latter part of the month failed to outpace the average monthly cost of Dubai benchmark crude, and refinery margins declined by $0.16/b versus last month** (*see* ***Graph 6***). **Looking ahead, the heavy refinery maintenance schedule in the USA and Asia over the next few months, along with higher seasonal demand for gasoline and diesel, in tandem with robust economic growth, should support product prices and refinery margins. This bullish sentiment was reflected in the recent rise in the product futures market in the USA and Europe.** A similar movement was seen over the last two weeks in Asia's swap market. Of course, market perception might change if demand growth fails to materialize as expected.

Following a cold snap, European refiners increased throughputs

While low margins in December and January forced European refiners to reduce refinery throughputs in January, the continuation of cold weather and improving margins helped to lift the utilization rate to 87% in February, a gain of 1.5% over the previous month *(see Graph 7*). In the USA, despite normal weather conditions, the refinery utilization rate remained unchanged at 84.9% as many refineries were closed due to maintenance, and product shortages were offset by imports. The maintenance schedule in the USA is expected to stay high in March and April.



In Asia, the Japanese refinery utilization rate fell by 1.8% to 94.2% versus 96% in January but rose 2.2% y-o-y.

US market

Gasoline prices rebounded due to supply concerns and tighter specifications

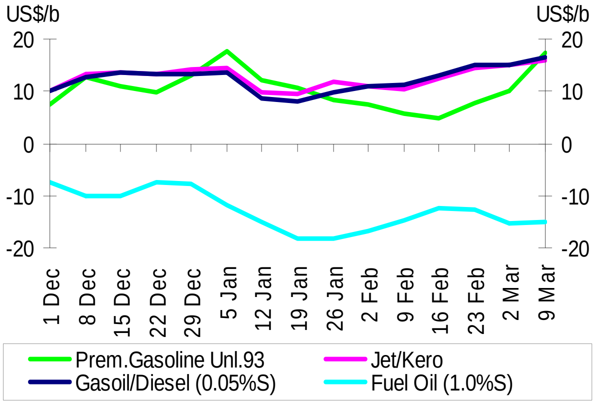
Over the last two weeks, a draw on gasoline stocks changed the bearish sentiment of the US gasoline market, triggering an upward price trend in both the cash and futures markets. A heavy maintenance schedule and tighter specifications for both light and clean products were the main drivers behind the renewed bullish trend. **Prices could see further support if unplanned outages occur either in the USA or Europe.**

Similarly, middle distillate product prices surged in February due to the cold weather and rising diesel demand in the industrial sector. As ***Graph 8*** shows, the low-sulphur gasoil spread against the corresponding WTI benchmark crude in the US Gulf has widened from $9.83/b in late January to $14.97/b in early March. The heavy maintenance schedule and lack of sufficient arbitrage cargoes have also lifted jet/fuel oil prices, with the crack spread surging to about $15/b from nearly $12/b last month.

The combination of positive developments in gasoline and distillate markets may continue to support refinery margins for these products.

Despite the bullish movements in the top and middle of the barrel complex, the US market for fuel oil, especially for low-sulphur, remained bearish as mild weather capped utility demand. However, high bunker demand has strengthened the market for high-sulphur fuel oil.

Graph 8: US Gulf crack spread vs. WTI

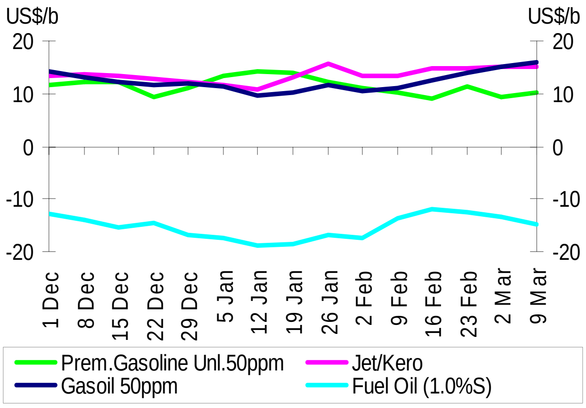


European market

Icy weather kept the middle distillate market strong

The bullish sentiment of the European distillate market rebounded due to a combination of a cold snap and stock-draw in February. Consequently, the crack spread of gasoil versus the Brent benchmark crude widened to over $15/b in the beginning of March from $10.64/b earlier in the previous month (*see **Graph 9***). The good performance of the middle of the barrel provided support for refinery margins for this product. With production increasing and barring a draw on distillate stocks, this movement could reverse in March.

Graph 9: Rotterdam crack spreads vs. Brent



Despite the strength of middle distillates, market sentiment for gasoline in North-West Europe remained weak, but due to strong demand from the Middle East and Africa, the Mediterranean area remained tight and refineries struggled to produce adequate supplies. **Following the recent rally of US gasoline futures and their subsequent impact on cash market prices, arbitrage opportunity might increase in the Atlantic Basin, and European refiners would benefit from this bullish movement.**

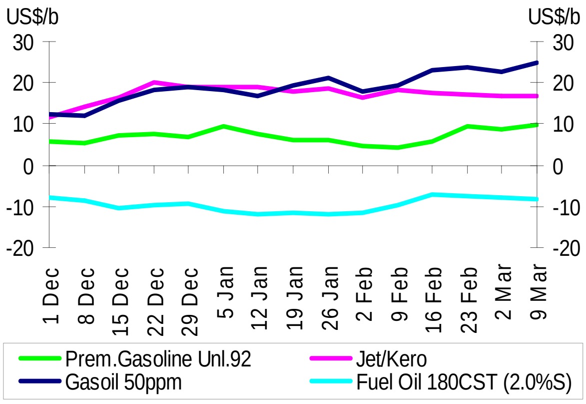
As far as the fuel oil market is concerned, low-sulphur grade prices benefited from the cold weather and higher utility plant demand. High-sulphur fuel oil prices were supported by a 200 kb/d drop in Russian exports. However, both fuel oil markets have lost ground recently due to the higher export programme from the Baltic Black Sea in March.

Asian market

Low-sulphur gasoil prices jumped in February

Lack of complex refinery capacity in Asia supported the low-sulphur gasoil price in Asia, and its crack spread against the Dubai benchmark crude surged to $22.70/b over the last few weeks (*see Graph 10*). However, the market for high-sulphur gasoil appeared weak. Kerosene seems to have already reached its seasonal peak as demand has slowed, narrowing its crack spread versus the corresponding benchmark crude. Looking ahead, rising demand from the agricultural sector should support middle distillates.

Graph 10: Singapore crack spreads vs. Dubai



In Asia, the naphtha market remained slow due to the chemical cracker maintenance schedule and ample supply from Indian refiners. In contrast, the gasoline market improved as declining Chinese, South Korean and Taiwanese exports triggered a rally in gasoline prices. If the Chinese government modifies the current product pricing mechanism, it may lead to a reduction of gasoline exports over the next few months and would further support gasoline prices.

During February, robust demand for bunkers and utility plants as well as fewer arbitrage cargoes have given support to the fuel oil market. As a result, the high-sulphur fuel oil crack spread versus the Dubai crude narrowed to minus $7.82/b from minus $11.51/b earlier that month. The fuel oil market might remain strong due over the second quarter due to the heavy refinery maintenance schedule in Asia.

Table 2: Refined product prices, US$/b

		Dec 05	Jan 06	Feb 06	Change Feb/Jan
US Gulf (Cargoes):					
Naphtha		64.51	69.29	61.88	-7.41
Premium gasoline	*(unleaded 93)*	71.30	76.63	67.98	-8.65
Regular gasoline	*(unleaded 87)*	66.03	72.01	64.89	-7.12
Jet/Kerosene		72.93	76.62	74.02	-2.60
Gasoil	*(0.05% S)*	72.57	75.30	74.54	-0.76
Fuel oil	*(1.0% S)*	50.51	49.00	47.67	-1.33
Fuel oil	*(3.0% S)*	41.12	46.01	46.67	0.66
Rotterdam (Barges FoB):					
Naphtha		65.20	73.50	68.79	-4.71
Premium gasoline	*(unleaded 50 ppm)*	68.24	76.37	70.12	-6.25
Premium gasoline	*(unleaded 95)*	61.04	68.13	62.65	-5.48
Jet/Kerosene		70.00	76.16	74.31	-1.85
Gasoil/Diesel	*(50 ppm)*	69.25	73.79	72.76	-1.03
Fuel oil	*(1.0% S)*	41.75	45.19	47.04	1.85
Fuel oil	*(3.5% S)*	37.54	42.21	44.03	1.82
Mediterranean (Cargoes):					
Naphtha		53.71	59.23	56.42	-2.81
Premium gasoline	*(50 ppm)*	67.95	75.71	68.48	-7.23
Jet/Kerosene		68.15	73.64	73.49	-0.15
Gasoil/Diesel	*(50 ppm)*	70.64	74.58	74.41	-0.17
Fuel oil	*(1.0% S)*	43.53	47.98	51.10	3.12
Fuel oil	*(3.5% S)*	35.02	39.62	42.56	2.94
Singapore (Cargoes):					
Naphtha		53.77	58.26	56.65	-1.61
Premium gasoline	*(unleaded 95)*	61.01	66.78	65.02	-1.76
Regular gasoline	*(unleaded 92)*	59.89	65.42	64.20	-1.22
Jet/Kerosene		70.37	77.02	74.96	-2.06
Gasoil/Diesel	*(50 ppm)*	69.10	77.61	79.36	1.75
Fuel oil	*(180 cst 2.0% S)*	43.68	46.72	49.18	2.46
Fuel oil	*(380 cst 3.5% S)*	42.48	45.33	47.95	2.62

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization %			
	Dec 05	Jan 06	Feb 06	Feb/Jan	Dec 05	Jan 06	Feb 06	Feb/Jan
USA	14.86	14.55	14.53	-0.02	88.6	84.9	84.9	0.00
France	1.79	1.73	1.56	-0.17	91.7	87.4	79.0	-8.40
Germany	2.36	2.20 R	2.24	0.04	101.4	90.7 R	92.3	1.60
Italy	1.92	1.88	1.98	0.10	82.7	81.1	85.2	4.10
UK	1.60	1.46 R	1.56	0.10	87.7	77.8 R	83.3	5.50
Eur-16	12.58 R	12.08 R	12.29	0.21	90.6 R	85.5 R	87.0	1.50
Japan	4.43 R	4.48 R	4.40	-0.08	94.1	96.0 R	94.2	-1.80

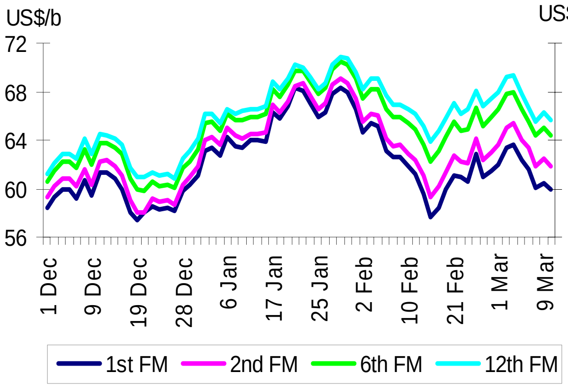
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Non-commercials in February built net short positions on rising inventories which outweighed geopolitical concerns

WTI futures on the Nymex fell below $60/b in February, down from a late January peak. The market began the month concerned about ongoing geopolitical trends amid cold weather. However, healthy builds in the US crude oil and gasoline stocks, along with lower demand expectations and high OPEC output, helped prices to drift lower. Hence, fund sell-offs for profit-taking added to the downtrend leaving prices at the $63/b level. The CFTC report for the first weekly period showed that non-commercials reversed the previous trend, heavily liquidating long positions to turn net short. Speculators reduced their net long positions by over 20,000 lots to stand marginally net short by 500 lots with open interest dropping by a moderate 10,000 lots to 941,000. In the second weekly period, bearishness continued with an IEA report showing global oil supply outpacing demand increases this year. Weak gasoline margins also exerted downward pressure on the petroleum complex. The Nymex WTI slipped below the $60/b level for the first time in the year to close the weekly period at $59.57/b. In the second weekly period, the CFTC report revealed that non-commercials reduced longs while increasing shorts. As a result, the net short position was inflated by a hefty 18,000 lots to 18,500 contracts with the open interest having decreased a further 15,000 lots to stand at 927,000 contracts.

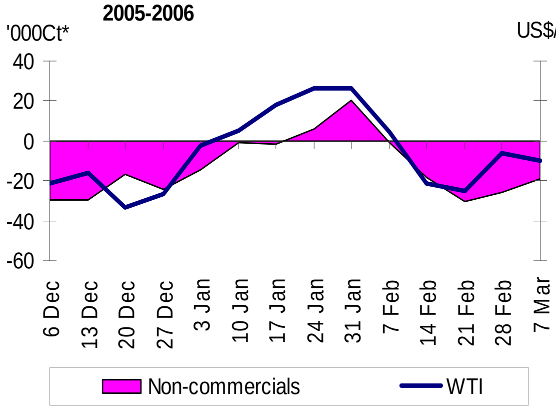
Graph 11: Nymex WTI futures prices, 2005-2006



FM = future month

In the third weekly period, the bearish market sentiment strengthened further on healthy supply of gasoline and crude oil in the USA which helped the Nymex WTI contract to fall to $57.65/b, the lowest level in two months. Nevertheless, revived concern in the geopolitical arena inflated the supply fear premium. An 8% rally in natural gas further supported the bullish market sentiment with an impending cold snap seen to result in higher demand. Hence, the Nymex WTI front-month hovered above the $60 level to close the weekly period at 61.10/b. However, heavy liquidation in the non-commercial longs at a faster rate than the shorts allowed net short positions to build by nearly 12,000 lots to 30,100 contracts with open interest dropping 37,200 lots to 889,300 lots. In the final weekly period, although crude oil and gasoline stock-builds kept calmness in the market place amid healthy supply, sustained geopolitical issues in the Middle East and West Africa gave the bulls an upper hand. Nymex WTI closed the final weekly period at $61.41/b. The CFTC reported that non-commercials reduced net short positions by 4,500 to 25,600 lots as builds in long positions outpaced shorts, while open interest jumped a hefty 52,300 lots to close at nearly 942,000 contracts. The Nymex WTI monthly average stood at $61.93/b, a decline of $3.41 or 5.5% from January, with the net positions averaging around 19,000 shorts, compared to almost 2,000 longs in the previous month. Open interest rose 22,000 lots over the previous month to reach 924,000 contracts.

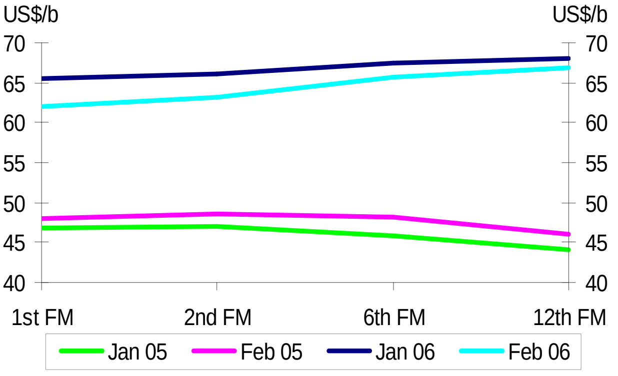
Graph 12: Non-commercial net long positions vs WTI, 2005-2006



The contango widened in February on eased supply fears and healthy petroleum stock

In February, despite geopolitical concerns in the Mideast and West Africa, healthy stock-builds and lower demand expectations helped the contango to steepen further. The 1st/2nd month average in February widened by 58¢ to $1.23, with the later months seeing greater expansion. The 1st/6th, 12th and 18th month average widened by $1.76, $2.50 and $2.82/b to $3.73/b, $5.01/b and $5.14/b respectively. Crude oil stocks in the USA averaged a healthy 325 mb in February, a gain of more than 5 mb over the previous month and 28.5 mb over same period last year, thus supporting the widening contango.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures dropped by 2.3 mb/d in February due to lower seasonal demand

Preliminary data shows that OPEC spot fixtures declined by 2.3 mb/d or 15% to 12.9 mb/d in February, offsetting to some extent the significant growth of 3.6 mb/d observed in the previous month. **With this sharp decline, which was the highest since December 2004, OPEC spot fixtures were almost 3 mb/d lower than a year earlier.** The drop in spot fixtures was driven by disruptions in Nigeria's production and lower activity from the Western hemisphere countries due to seasonal trends. OPEC spot fixtures accounted for 66% of total spot fixtures against 70% in the previous month and 62% a year earlier. Middle East/eastbound and westbound spot fixtures lost 1.1 mb/d or 13% to average 7.3 mb/d with westbound losing 22% to settle at 1.8 mb/d since some countries have cut purchases in anticipation of refining maintenance, especially in Europe. Despite the overall decline in spot fixtures, the Middle East/eastbound share in total spot fixtures remained stable at 28% and even higher than last year's 25%, meaning that purchases from Asian countries remained strong compared to other regions, while the westbound share fell from 11% to 9%. In contrast, non-OPEC spot fixtures increased slightly to 6.6 mb/d, resulting in an increase of their share in total spot fixtures from 30% to 34% in February. However, similarly to OPEC, non-OPEC spot fixtures have declined by 3 mb/d compared to a year earlier. **Preliminary data for sailings shows that OPEC's sailings jumped by 1.8 mb/d to hit 25.7 mb/d, reflecting the strong increase in OPEC's fixtures of the previous month.** Sailings from Middle Eastern countries surged by 1.4 mb/d to average 18.8 mb/d, reversing the continuous decline observed during the previous three months. Arrivals increased in all the main consuming regions except in North-West Europe with US Gulf/East Coasts and the Caribbean continuing their upward trend for the second consecutive month to average 11.1 mb/d, an increase of 0.7 mb/d or 7% over the previous month and 0.1 mb/d more than a year earlier. Arrivals in Japan reversed the downward trend displayed during the previous two months, increasing by 0.4 mb/d to reach 4.5 mb/d, a 24-month high, while arrivals at the Euro-Mediterranean region rose by almost 1 mb/d or 23% to 5.1 mb/d. In contrast, arrivals at North-West Europe dropped by 0.7 mb/d or 9% to average 7.51 mb/d, the lowest level since December 2004.

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

	Dec 05	Jan 06	Feb 06	Change Feb/Jan
Spot Chartering				
All areas	19.16	21.80	19.51	-2.29
OPEC	11.56	15.16	12.86	-2.31
Middle East/east	3.91	6.11	5.49	-0.62
Middle East/west	1.28	2.36	1.84	-0.52
Sailings				
OPEC	23.61	23.92	25.66	1.75
Middle East	17.69	17.38	18.82	1.43
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.98	10.42	11.11	0.69
North West Europe	8.23	8.21	7.51	-0.70
Euromed	4.64	4.12	5.07	0.95
Japan	4.15	4.04	4.48	0.44

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

Tanker market remained strong for VLCCs and Suezmax tankers, but continued to weaken for Aframax tankers

The tanker market for crude oil showed mixed patterns with **spot freight rates for VLCCs and Suezmax tankers remaining strong during the first three weeks of the month before falling sharply while Aframax tankers displayed an overall downward trend throughout the month to hit very low levels**. Freight rates lost between 20% and 27% during the last week of February to hover around WS100s for VLCCs moving from the Middle East to the East, compared to WS170 in the first week and WS90 for VLCCs moving to the West, while Suezmax tankers trading between West Africa or north-West Europe and the USA hovered around the WS130s. The weakness in freight rates, especially at the end of the month, was due to weakening trade activity in anticipation of lower seasonal demand and disruption in Nigeria's exports. On a monthly basis, VLCC spot freight rates on the Middle East/eastbound and westbound long-haul routes remained stable at WS131 and WS103, respectively, but compared to last year they were 10-15% lower. In the Suezmax sector, freight rates for tankers moving from West Africa to the US Gulf Coast and from North-West Europe to the US East and Gulf

Coasts increased by 11 and 16 points respectively to settle at around WS180. Compared to last year, Suezmax freight rates were 8 to 13% higher in February 2006. In contrast, the Aframax sector saw freight rates fall sharply on all routes with some exceptions for the Caribbean/US East Coast route, which edged down by just 7 points or 3% to average WS235. Rates on the Indonesia/US West Coast route lost more than 100 points or 37% to stand at a monthly average of WS170, the same level as a year earlier, but the lowest since September 2005. This substantial decline was attributed to ample tonnage on the back of very low activity. Rates in the Mediterranean basin and from there to North-West Europe showed the same trend but at a lower pace falling by around 20% to average WS154 and WS146, their lowest levels since May and September of last year. The ease in activity was due to lower demand ahead of refinery maintenance in Europe. On the Aframax sector, with the exception of the Mediterranean/Mediterranean and Mediterranean/North-West Europe routes which declined by 32% and 25% y-o-y, freight rates on the other routes remained higher compared to February 2005 levels.

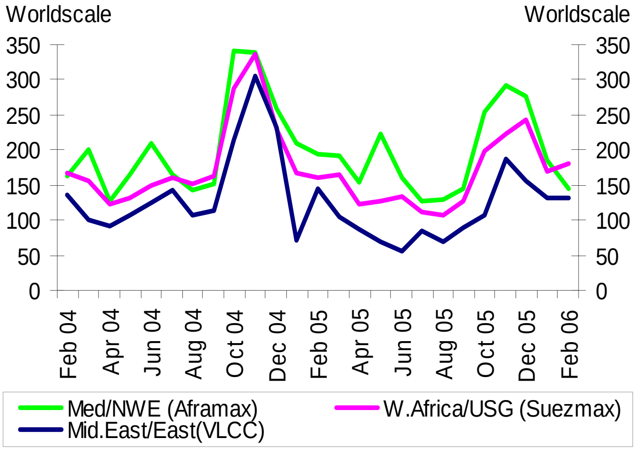
Table 5: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Dec 05	Jan 06	Feb 06	Change Feb/Jan
Crude					
Middle East/east	200–300	157	132	131	-1
Middle East/west	200–300	126	98	103	5
West Africa/US Gulf Coast	100–160	243	170	181	11
NW Europe/USEC - USGC	100–160	230	164	180	16
Indonesia/US West Coast	70–100	350	271	170	-101
Caribbean/US East Coast	40–70	270	242	235	-7
Mediterranean/Mediterranean	40–70	285	187	154	-33
Mediterranean/North-West Europe	70–100	277	184	146	-38
Products					
Middle East/east	30–50	337	363	207	-156
Singapore/east	25–30	391	394	352	-42
Caribbean/US Gulf Coast	25–30	308	375	327	-48
NW Europe/USEC - USGC	25–30	312	336	297	-39
Mediterranean/Mediterranean	25–30	308	410	300	-110
Mediterranean/North-West Europe	25–30	325	420	312	-108

Source: Galbraith's Tanker Market Report and others.

Freight rates for products fell sharply on all routes

Graph 14: Monthly averages of crude oil spot freight rates



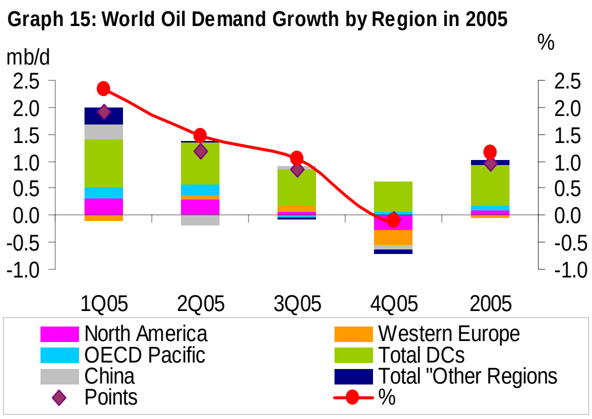
The product tanker market weakened substantially on all routes, especially on the Middle East to the East and within the Mediterranean Basin and from there to North-West Europe, where rates lost more than 100 points due to continued lower seasonal demand from Asian countries and weaker activity in Europe following heavy refinery maintenance in March. Spot freight rates for tankers of 30,000-50,000 dwt on the **Middle East/East route dropped by 156 points or 43% to average WS207, their lowest level since mid-2004**. Freight rates for cargoes moving between Singapore and Asia and from the Caribbean to the US Gulf Coast as well as for the transatlantic cargoes lost around 12% to average WS352, WS327 and WS297 respectively. However, **in the Mediterranean and from there to North-West Europe, freight rates lost around 110 points or 27%** to average a respective WS300 and WS312 amid lower demand. It is worth noting that rates on these routes lost 40% between the first and the last week of the month decreasing from an average of WS380s to WS230s.

World Oil Demand

2005 world oil demand growth marginally revised down to 0.96 mb/d resulting in a yearly average of 83 mb/d

Estimate for 2005

With preliminary data for OECD countries as well as many Developing Countries and China available for the entire 2005, global oil demand appears to have grown by 0.96 mb/d or 1.1% to average 83.0 mb/d. The estimated growth is slightly lower than the previous figure and the difference can be traced back to the revised lower growth in the last quarter of 2005. According to the latest figures, demand in the North American region during the last three months of 2005 was lower than previously estimated. Total product deliveries in the USA were 1.1% lower in October on a y-o-y basis, while demand in Mexico and Canada contracted by 0.8% and 1.9% respectively. In November, US petroleum product supplies recovered rising by 1% y-o-y but a sizable 10% drop in Canada's demand resulted in a marginal 0.3% rise for the region. US product demand rose in December but Canada's consumption posted another contraction of around 6%. Chinese apparent demand for the last quarter of 2005 was also revised down with growth for 2005 estimated at around 0.02 mb/d or 0.4%.



OECD

Oil demand in the OECD rose by 0.14 mb/d or 0.3% to average 49.6 mb/d during 2005. Gasoil/diesel was the product that posted the biggest volumetric gain with demand rising by 0.2 mb/d y-o-y to average 12.7 mb/d. Gasoil/diesel consumption rose a substantial 2% in Western Europe but also increased in the North American region by 1.8%. In relative terms, kerosene showed the largest y-o-y gain rising by 2.7% to average 4.2 mb/d. Kerosene demand was particularly strong in Western Europe with a nearly 6% y-o-y rise followed by a 3.5% increase in the OECD Pacific region. In contrast, LPG demand fell considerably during 2005 under pressure by record prices for natural gas. OECD's LPG consumption fell by nearly 0.2 mb/d or 4% with respect to 2004 to average 4.7 mb/d. Demand for LPG dropped considerably in both the North American and Western Europe regions falling by 5.5% and 3.7% y-o-y but rose 1.2% in the OECD Pacific region. Naphtha demand increased a marginal 0.2% as the huge 14% drop in the North American region was arrested by a 2.8% and 3% rise in Western Europe and OECD Pacific. Gasoline's slight 0.6% y-o-y rise was not sufficient to overcome the 4.2% drop in Western Europe's consumption, resulting in a 0.4% fall in demand for the entire OECD.

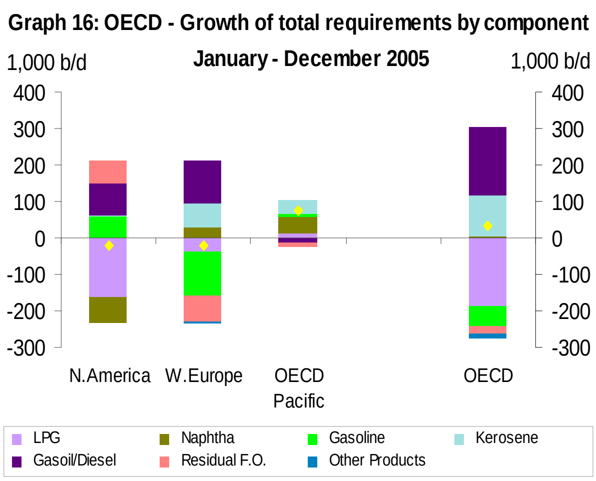


Table 6: World oil demand forecast for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.34	25.53	25.30	25.47	25.40	25.43	0.09	0.34
Western Europe	15.62	15.56	15.30	15.71	15.73	15.57	-0.05	-0.29
OECD Pacific	8.53	9.49	8.10	8.12	8.83	8.63	0.10	1.20
Total OECD	**49.49**	**50.57**	**48.70**	**49.29**	**49.97**	**49.63**	**0.14**	**0.29**
Other Asia	8.36	8.60	8.72	8.38	8.60	8.57	0.21	2.53
Latin America	4.89	4.83	4.98	5.13	5.08	5.00	0.12	2.41
Middle East	5.45	5.61	5.69	5.94	5.78	5.75	0.30	5.59
Africa	2.70	2.77	2.80	2.77	2.86	2.80	0.10	3.62
Total DCs	**21.40**	**21.80**	**22.19**	**22.21**	**22.32**	**22.13**	**0.73**	**3.42**
FSU	3.83	3.90	3.74	3.82	3.98	3.86	0.03	0.72
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	6.64	6.54	0.02	0.36
Total "Other Regions"	**11.21**	**11.35**	**11.19**	**11.12**	**11.48**	**11.29**	**0.08**	**0.72**
Total world	**82.09**	**83.72**	**82.08**	**82.63**	**83.77**	**83.05**	**0.96**	**1.16**
Previous estimate	82.09	83.72	82.06	82.60	83.89	83.07	0.97	1.19
Revision	0.00	0.00	0.02	0.03	-0.12	-0.02	-0.02	-0.02

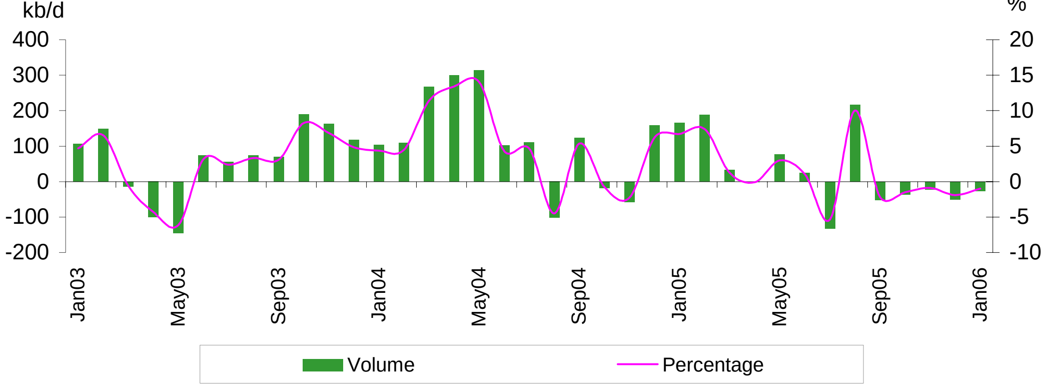
Totals may not add due to independent rounding.

Developing Countries

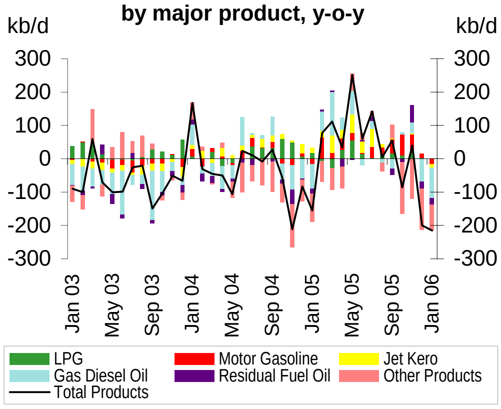
Developing Countries oil demand is estimated to have risen by 0.7 mb/d or 3.4% to average 22.1 mb/d in 2005.

Developing Countries remained the engine of growth accounting for more than three-fifths of total global demand growth, despite only accounting for less than one quarter of the total world's demand last year. Following a strong performance during the first half of 2005 when demand rose by 0.9 mb/d or 4.3% during the first quarter and by 0.8 mb/d or 3.7% in the second quarter, preliminary figures for the last two quarters of the year indicate a deceleration in the pace of growth. Thus, demand seems to have grown by 0.7 mb/d or 3.1% during the third quarter of last year and by less than 0.6 mb/d or 2.6% during the last three months of 2005. The slow-down in demand is especially noticeable in non-OECD Asian countries where demand growth of 0.4 mb/d and 0.3 mb/d in the first and second quarters of 2005 was followed by a mere 0.1 mb/d and 0.03 mb/d during the last two quarters. Since the middle of last year, governments have implemented a series of measures to diminish the impact of high international oil prices on their current accounts and national budgets. In a move to phase out subsidies, several Asian countries increased domestic retail petroleum product prices in the second half of last year, which had an immediate negative impact on demand. This was the case in Indonesia, where petroleum product prices increased some 126% in October resulting in a dramatic drop in consumption. Thailand ended diesel and gasoline subsidies in July and October of last year while the Philippines government introduced a four-day working week for government workers in June in an attempt to reduce its fuel bill.

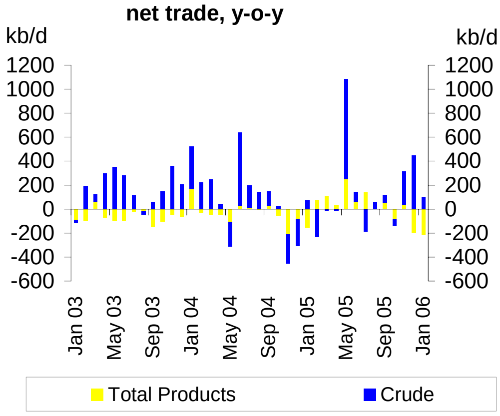
Graph 17: Changes in Indian oil demand, y-o-y



Graph 18: Changes in Indian oil net imports by major product, y-o-y



Graph 19: Changes in Indian oil and product net trade, y-o-y

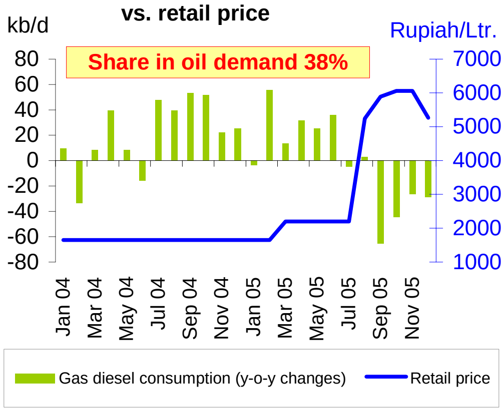


Apparent demand growth in the Other Regions group has been revised down to a meagre 0.08 mb/d for a yearly average of 11.3 mb/d

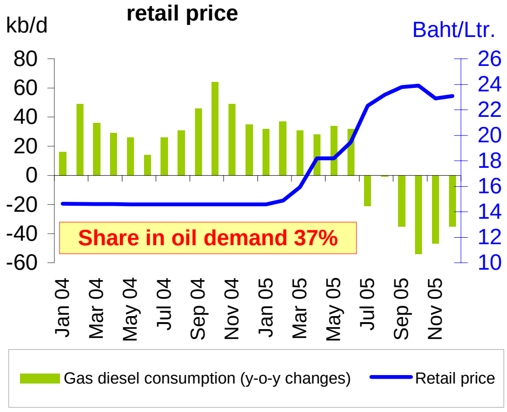
Other Regions

According to the latest production and trade data for the whole of 2005, Chinese apparent demand growth has seen almost a dozen consecutive downward revisions to now stand at 0.02 mb/d with a yearly average of 6.5 mb/d. The new lower estimate can be traced back to the decrease in Chinese net imports which declined by 3.6% during 2005. On the other hand, oil production — which accounts for the remaining component of the apparent demand equation — showed a growth of 3.8%, rising by 0.1 mb/d to 3.6 mb/d. Thus, apparent demand would have shown a larger drop if higher domestic oil production had not offset the sizeable fall in net imports. In the FSU, apparent demand is estimated to have risen a marginal 0.03 mb/d or 0.7% to average 3.9 mb/d.

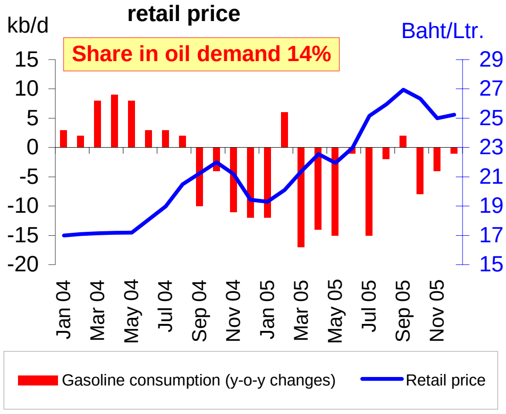
Graph 20: Indonesia gas diesel consumption vs. retail price



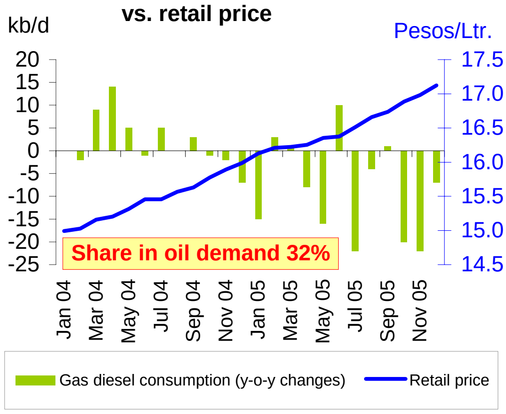
Graph 21: Thai gas diesel consumption vs. retail price

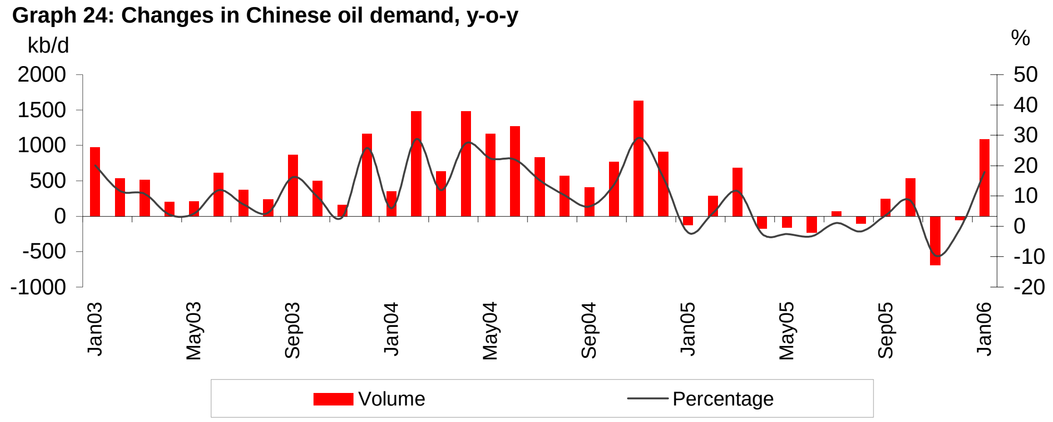


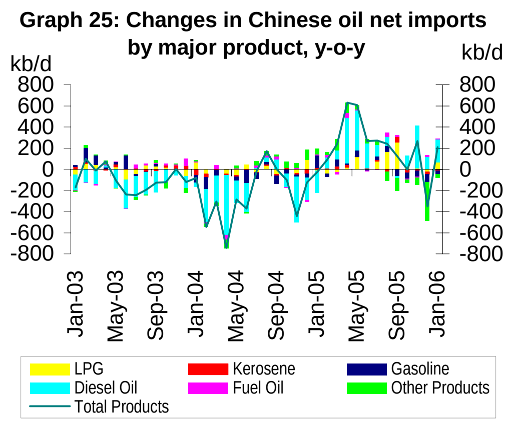
Graph 22: Thai gasoline consumption vs. retail price



Graph 23: Philippine gas diesel consumption vs. retail price







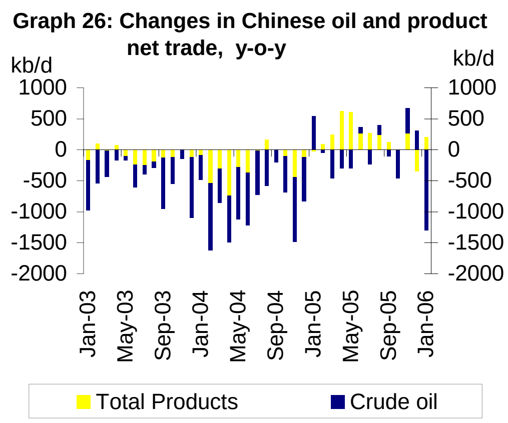


Table 7: First and second quarter world oil demand comparison for 2005, mb/d

			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	-0.69	15.20	15.30	0.10	0.64
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	3.53
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	5.40	5.69	0.28	5.20
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**	**21.39**	**22.19**	**0.79**	**3.71**
FSU	3.61	3.90	0.29	8.06	3.75	3.74	-0.01	-0.28
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	4.57	6.77	6.58	-0.19	-2.79
Total "Other Regions"	**10.75**	**11.35**	**0.60**	**5.63**	**11.37**	**11.19**	**-0.18**	**-1.56**
Total world	**81.82**	**83.72**	**1.90**	**2.32**	**80.90**	**82.08**	**1.19**	**1.47**

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	25.47	0.06	0.23	25.69	25.40	-0.28	-1.10
Western Europe	15.60	15.71	0.11	0.70	16.02	15.73	-0.28	-1.76
OECD Pacific	8.16	8.12	-0.04	-0.54	8.77	8.83	0.06	0.64
Total OECD	**49.17**	**49.29**	**0.12**	**0.25**	**50.48**	**49.97**	**-0.51**	**-1.01**
Other Asia	8.24	8.38	0.13	1.61	8.57	8.60	0.03	0.34
Latin America	5.02	5.13	0.11	2.21	4.95	5.08	0.13	2.60
Middle East	5.59	5.94	0.35	6.21	5.47	5.78	0.30	5.56
Africa	2.69	2.77	0.08	3.13	2.76	2.86	0.10	3.79
Total DCs	**21.54**	**22.21**	**0.68**	**3.13**	**21.75**	**22.32**	**0.57**	**2.60**
FSU	3.90	3.82	-0.08	-2.11	4.07	3.98	-0.08	-2.06
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	1.13	6.71	6.64	-0.07	-1.05
Total "Other Regions"	**11.08**	**11.12**	**0.04**	**0.40**	**11.62**	**11.48**	**-0.14**	**-1.22**
Total world	**81.79**	**82.63**	**0.84**	**1.03**	**83.85**	**83.77**	**-0.08**	**-0.10**

Totals may not add due to independent rounding.

Forecast for 2006

World oil demand is forecast to rise by 1.5 mb/d or 1.8% to average 84.5 mb/d in 2006, slightly below the previous estimate

Global oil demand growth for the current year has been revised down by approximately 0.1 mb/d to account for the persistent y-o-y contraction in US demand during January and February as well as a more pessimistic view for growth in non-OECD Asia growth. **Thus, world oil demand is forecast to rise by 1.5 mb/d or 1.8% to average 84.5 mb/d, which is higher than the nearly 1 mb/d seen in 2005 but only half of the growth observed in 2004.** According to the latest EIA Weekly Status Report figures — which remains subject to further revisions — total US petroleum supplies fell by 1.2% y-o-y during January of this year followed by a negligible rise 0.3% in February with a year- to-date drop of nearly 0.1 mb/d or 0.5%. It seems that, except for the brief rise in December and following several months of contractions in product supplies, petroleum product demand remains weak.

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

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.43	25.55	25.52	25.79	25.86	25.68	0.26	1.01
Western Europe	15.57	15.60	15.31	15.78	15.88	15.64	0.07	0.44
OECD Pacific	8.63	9.48	8.18	8.16	8.99	8.70	0.07	0.83
Total OECD	**49.63**	**50.63**	**49.01**	**49.73**	**50.74**	**50.03**	**0.40**	**0.80**
Other Asia	8.57	8.74	8.79	8.55	8.83	8.73	0.15	1.79
Latin America	5.00	4.99	5.11	5.24	5.14	5.12	0.11	2.30
Middle East	5.75	5.80	5.89	6.16	6.12	5.99	0.24	4.18
Africa	2.80	2.85	2.87	2.84	2.96	2.88	0.08	2.89
Total DCs	**22.13**	**22.38**	**22.65**	**22.79**	**23.04**	**22.72**	**0.59**	**2.66**
FSU	3.86	4.04	3.69	3.86	4.12	3.93	0.07	1.76
Other Europe	0.89	0.94	0.94	0.87	0.87	0.90	0.02	2.24
China	6.54	7.01	6.99	6.85	6.88	6.93	0.39	5.93
Total "Other Regions"	**11.29**	**11.99**	**11.63**	**11.57**	**11.87**	**11.76**	**0.48**	**4.22**
Total world	**83.05**	**85.00**	**83.29**	**84.10**	**85.65**	**84.51**	**1.46**	**1.76**
Previous estimate	83.07	85.35	83.41	84.01	85.81	84.64	1.57	1.89
Revision	-0.02	-0.34	-0.12	0.09	-0.16	-0.13	-0.11	-0.13

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	25.55	0.02	0.08	25.30	25.52	0.22	0.87
Western Europe	15.56	15.60	0.04	0.28	15.30	15.31	0.01	0.07
OECD Pacific	9.49	9.48	0.00	-0.05	8.10	8.18	0.08	1.00
Total OECD	**50.57**	**50.63**	**0.06**	**0.12**	**48.70**	**49.01**	**0.31**	**0.64**
Other Asia	8.60	8.74	0.15	1.71	8.72	8.79	0.07	0.81
Latin America	4.83	4.99	0.17	3.43	4.98	5.11	0.12	2.49
Middle East	5.61	5.80	0.19	3.34	5.69	5.89	0.20	3.54
Africa	2.77	2.85	0.09	3.15	2.80	2.87	0.07	2.39
Total DCs	**21.80**	**22.38**	**0.59**	**2.69**	**22.19**	**22.65**	**0.46**	**2.09**
FSU	3.90	4.04	0.13	3.38	3.74	3.69	-0.05	-1.26
Other Europe	0.93	0.94	0.01	0.84	0.88	0.94	0.07	7.50
China	6.51	7.01	0.50	7.63	6.58	6.99	0.41	6.29
Total "Other Regions"	**11.35**	**11.99**	**0.64**	**5.61**	**11.19**	**11.63**	**0.43**	**3.87**
Total world	**83.72**	**85.00**	**1.28**	**1.53**	**82.08**	**83.29**	**1.21**	**1.47**

Totals may not add due to independent rounding.

Demand growth in non-OECD Asia was largely revised down from the previous forecast. Growth is forecast at 0.15 mb/d or 1.8% for a yearly average of 8.7 mb/d – less than half the estimate presented in the previous *MOMR*. Despite evidence of a considerable slow-down in demand growth in several of the region's major economies towards the second half of last year as a result of the phasing out of product price subsidies, the healthy economic outlook for the region for the rest of the year of 5.8% should support some growth in oil demand.

China showed rebound from low growth in 2005

On a more positive note, China seems to have started 2006 with a sizeable rise in apparent demand following a year of disappointing growth in 2005. According to the latest trade and production figures, demand in January grew by more than 1 mb/d or 18%. The strong performance can be entirely attributed to a considerable 3.5 mb/d of net imports, a level not seen since November 2004. The forecast for OECD Pacific oil demand growth has also been revised up to 0.07 mb/d or 0.8% following higher January and February demand figures – especially from Japan where cold weather has boosted kerosene consumption. Finally, Middle Eastern demand growth was also revised up to 0.24 mb/d or 4.2% in line with forecast GDP growth of nearly 5% for the region this year as well as to take into account demographic and income effects.

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	25.47	25.79	0.33	1.28	25.40	25.86	0.46	1.80
Western Europe	15.71	15.78	0.07	0.42	15.73	15.88	0.15	0.96
OECD Pacific	8.12	8.16	0.05	0.57	8.83	8.99	0.16	1.82
Total OECD	**49.29**	**49.73**	**0.44**	**0.89**	**49.97**	**50.74**	**0.77**	**1.54**
Other Asia	8.38	8.55	0.17	2.01	8.60	8.83	0.23	2.63
Latin America	5.13	5.24	0.11	2.18	5.08	5.14	0.06	1.17
Middle East	5.94	6.16	0.23	3.85	5.78	6.12	0.34	5.91
Africa	2.77	2.84	0.07	2.57	2.86	2.96	0.10	3.46
Total DCs	**22.21**	**22.79**	**0.58**	**2.61**	**22.32**	**23.04**	**0.73**	**3.26**
FSU	3.82	3.86	0.04	1.16	3.98	4.12	0.14	3.57
Other Europe	0.87	0.87	0.00	-0.41	0.86	0.87	0.01	1.08
China	6.43	6.85	0.41	6.37	6.64	6.88	0.23	3.53
Total "Other Regions"	**11.12**	**11.57**	**0.45**	**4.06**	**11.48**	**11.87**	**0.39**	**3.36**
Total world	**82.63**	**84.10**	**1.47**	**1.78**	**83.77**	**85.65**	**1.88**	**2.25**

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 50.1 mb/d, representing an increase of 0.2 mb/d over 2004. Baseline revisions to the 2004 and 2005 estimates have resulted in a slight downward adjustment to the overall level, but not to growth.

Revisions to the 2004 and 2005 estimate

The full year estimate for 2004 has been revised down by 11,000 b/d as historical data for Peru and Bolivia indicates that the baseline for these countries was slightly lower than previously assessed. For 2005, the level of non-OPEC supply has also been revised down 32,000 b/d due to the impact of historical revisions as well as the inclusion of actual data for some countries for 2Q05, 3Q05 and 4Q05. Downward revisions to the full year estimate for the USA, Bolivia, and China have been implemented. The December figure for the USA was revised down 200,000 b/d and this provides the basis for the sharp revision to the 4Q05 estimate. On a quarterly basis, the first, third, and fourth quarters of 2005 have been revised down 6,000 b/d, 24,000 b/d and 126,000 b/d respectively, while the second quarter has seen an upward revision of 29,000 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	13.74	13.54	14.06	-0.50
Western Europe	6.14	5.99	5.72	5.45	5.54	5.67	-0.46
OECD Pacific	0.57	0.54	0.62	0.59	0.56	0.58	0.00
Total OECD	**21.27**	**20.93**	**20.90**	**19.78**	**19.65**	**20.31**	**-0.96**
Other Asia	2.61	2.71	2.70	2.65	2.68	2.68	0.08
Latin America	4.07	4.18	4.38	4.33	4.34	4.31	0.24
Middle East	1.91	1.85	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	**12.01**	**12.35**	**12.57**	**12.61**	**12.76**	**12.57**	**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	3.49	3.63	3.61	3.64	3.59	3.62	0.13
Total "Other regions"	**14.79**	**15.18**	**15.24**	**15.42**	**15.62**	**15.37**	**0.57**
Total Non-OPEC production	**48.07**	**48.45**	**48.71**	**47.81**	**48.03**	**48.25**	**0.18**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total Non-OPEC supply	**49.90**	**50.33**	**50.57**	**49.65**	**49.91**	**50.11**	**0.21**
Previous estimate	49.91	50.34	50.54	49.68	50.03	50.14	0.23
Revision	**-0.01**	**-0.01**	**0.03**	**-0.02**	**-0.13**	**-0.03**	**-0.02**

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, slightly lower that the last assessment. The impact of historical revisions, recent performance, unplanned shutdowns as well as minor adjustments to the outlook for Mexico, Norway, Australia, Brazil, Egypt and Sudan have resulted in some revisions on a quarterly basis and a downward adjustment of 60,000 b/d to the full year growth forecast.

On a quarterly basis, non-OPEC supply is expected to average 50.6 mb/d, 51.3 mb/d, 51.3 mb/d, and 52.6 mb/d in the first, second, third and fourth quarters, representing downward revisions of 129,000 b/d in the first, 153,000 b/d in the third, and 91,000 b/d in the fourth quarter and an upward revision of 108.000 b/d in the second. Major uncertainties remain the expected path of recovery for US Gulf of Mexico (GoM) production, and the impact of prolonged shutdowns in Norway and in a handful of other countries, as well as accidents.

Affected production in February is estimated at 0.5 mb/d, half the level of January

Preliminary data for January 2006 puts total non-OPEC supply at 50.3 mb/d, broadly unchanged from a revised December 2005 figure of 50.3 mb/d. During the month of January a total of 1 mb/d was affected due to extreme weather conditions, US GoM losses, and unplanned shutdowns, but in February this was reduced to 0.5 mb/d. During the first two weeks of March several unplanned shutdowns were announced, including 0.1 mb/d at Prudhoe Bay, 0.1 mb/d from the Terra Nova and Muskeg River fields in Canada, losses in Ecuador, the shutdown of 0.4 mboe/d in the Greater Ekofisk area and 0.1 mb/d at the Troll C field in Norway. The overall impact is not yet known, but these unplanned outages are likely to be short-lived and to be offset by new supplies elsewhere.

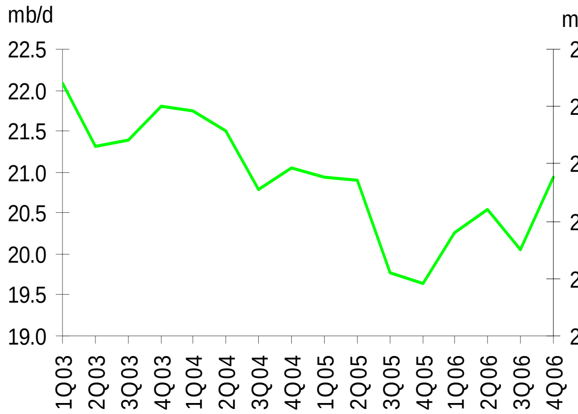
Table 13: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.06	14.15	14.40	14.38	14.94	14.47	0.41
Western Europe	5.67	5.57	5.58	5.02	5.36	5.38	-0.29
OECD Pacific	0.58	0.54	0.56	0.65	0.65	0.60	0.02
Total OECD	**20.31**	**20.26**	**20.55**	**20.05**	**20.95**	**20.45**	**0.14**
Other Asia	2.68	2.69	2.66	2.76	2.75	2.71	0.03
Latin America	4.31	4.40	4.48	4.63	4.68	4.55	0.24
Middle East	1.84	1.80	1.79	1.78	1.78	1.79	-0.05
Africa	3.74	4.02	4.21	4.29	4.54	4.27	0.52
Total DCs	**12.57**	**12.91**	**13.14**	**13.47**	**13.74**	**13.32**	**0.74**
FSU	11.59	11.74	11.93	12.07	12.17	11.98	0.39
Other Europe	0.16	0.17	0.17	0.17	0.17	0.17	0.01
China	3.62	3.62	3.65	3.68	3.66	3.65	0.03
Total "Other regions"	**15.37**	**15.53**	**15.75**	**15.92**	**16.00**	**15.80**	**0.44**
Total Non-OPEC production	**48.25**	**48.70**	**49.44**	**49.44**	**50.69**	**49.57**	**1.32**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total Non-OPEC supply	**50.11**	**50.58**	**51.31**	**51.31**	**52.62**	**51.46**	**1.35**
Previous estimate	50.14	50.70	51.20	51.47	52.71	51.53	1.38
Revision	**-0.03**	**-0.13**	**0.11**	**-0.15**	**-0.09**	**-0.07**	**-0.03**

OECD

OECD oil supply is expected to average 20.5 mb/d, representing an increase of 140,000 b/d versus the previous year and slightly lower than last month's report. The outlook for Mexico and Australia has been revised up, whilst unplanned shutdowns have led to downward revisions in Canada and Norway.

Graph 27: OECD's quarterly production



USA

Prudhoe Bay producing at reduced rates

US oil supply is expected to average 7.4 mb/d in 2006, an increase of 150,000 b/d versus 2005. GoM losses during February averaged 0.36 mb/d a slight improvement from January; at the time of writing shut-in production was 340,000 b/d. However, additional hurricane-related losses in onshore Louisiana took total losses higher.

Preliminary data indicates that US oil supply averaged 7.18 mb/d in January-February, slightly higher than the current forecast for 1Q06. However, the loss of around 100,000 b/d of production at Prudhoe Bay for up to 4 weeks is likely to affect total US production levels in March keeping total averaged US supply at current levels. The greatest uncertainty/risk remains the expected path of recovery of GoM production. GoM 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.

Assumed GoM losses 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; having said this, the assumptions are likely to be adjusted slightly next month given that actual losses for January through March are running slightly higher than previously thought and this is likely to have consequences on the estimate for 2Q06. However, as expected, high oil prices have resulted in small increases elsewhere partially offsetting some of the losses.

Mexico and Canada

Mexican oil supply is expected to average 3.8 mb/d in 2006, flat from last year. The last data available (January) indicates that total oil supply averaged 3.82 mb/d; we are now assuming that a similar level is expected to be maintained through March and, as a result, the estimate for Mexican oil supply in 2006 has been revised up slightly to reflect a better than expected near-term performance.

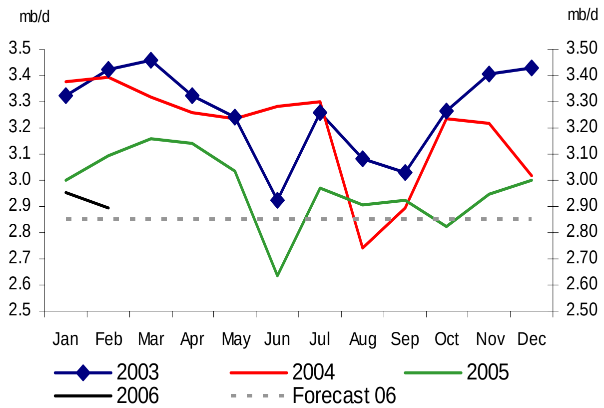
Unplanned shutdowns affect Canadian supply

Following a series of unplanned shutdowns, the outlook for Canada has been revised slightly down. Oil supply is now expected to average 3.3 mb/d in 2006, representing an increase of 230,000 b/d versus 2005, and a revision of 26,000 b/d. Major unplanned shutdowns include the 170,000 b/d Muskeg River mine and Scotford upgrading facility, which are both expected to operate at reduced levels in March before being completely shutdown for 15 days. Elsewhere, the Terra Nova field, which produces 125,000 b/d, is also facing some unanticipated technical problems and has been operating at reduced rates according to the operator. The expected repair time has prompted the operator to reduce the near-term production forecast of the field by 44,000 b/d in the first quarter and by 32,000 b/d in the second quarter at which time the field is expected to return to normal levels. Having said this, Canadian production levels have been running slightly ahead of forecasts. In addition to the obvious price incentives for over 300 small Canadian producers, heavy oil projects are ramping up in 2006, as well as the White Rose field which is expected to hit plateau in the middle of this year.

Western Europe

Total oil supply in Western Europe is now expected to average 5.4 mb/d in 2006, a drop of 290,000 b/d versus 2005. The three largest producers in the North Sea are expected to see their production drop this year. Norwegian oil supply has been revised down 55,000 b/d and is expected to average 2.8 to 2.9 mb/d in 2006, a drop of 120,000 b/d versus last year. Meanwhile, UK oil supply is expected to average 1.7 mb/d, which represents a drop of 160,000 b/d versus 2005, while Danish oil supply should average 360,000 b/d, a slight drop of 20,000 b/d from last year.

Graph 28: Norway Oil Supply and 2006



Outlook for Norway has been reduced following unexpected outages

A number of fields in Norway have been shut down for 3-4 days to make repairs, the impact of which is likely to curve output in the months ahead, and reduce the maintenance level later in the year. The latest repair will take place at the Ekofisk area, where the operator plans a 4-5 day shutdown of around 400,000 b/d of oil and gas production. An additional 100,000 b/d of oil will be shut in at the Troll C platform for a similar period. The latest forecasts take into account the impact of all recent events and production shutdowns, but further revisions cannot be ruled out. Preliminary data indicates that Norwegian output in the first two months of the year is close to the 1Q06 estimate, but the forecast for the quarters ahead is now expected to be slightly lower. Whilst no offshore or onshore oil operations are immune to unplanned shut-downs, their frequency in Norway appears to be relatively high over the last few months.

Australia's oil production recovered in February; Enfield project to start earlier than previously thought

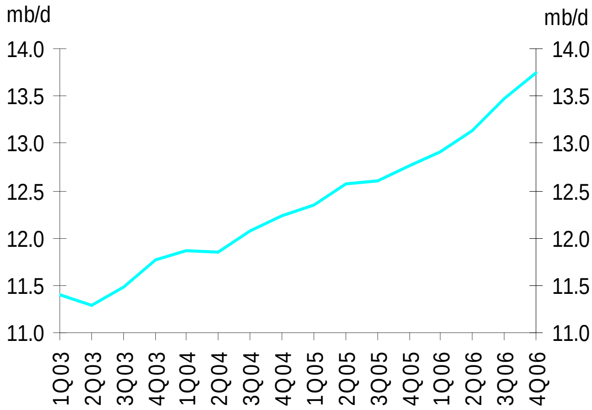
Asia Pacific

Oil supply in the Asia Pacific region is expected to average 600,000 b/d in 2006 or 22,000 b/d higher than previously thought. Australian oil supply is expected to average 540,000 b/d, an upward revision of 21,000 b/d versus last month. Australia's Enfield project (100,000 b/d) is now expected to start in 3Q06 instead of 4Q06. The project is one of the largest to enter into production in the last few years. As a result, the estimate for 3Q06 has been revised up, as well as the full year. January data indicates that Australian oil production averaged just below 400,000 b/d as the impact of cycle activity resulted in the shutdown of several fields for safety reasons. However, preliminary figures for February suggest that oil production has bounced back above 500,000 b/d.

Developing Countries

Oil supply in the Developing 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 Brazil, Egypt, and Sudan, has been revised to reflect recent changes in the start up schedule of some projects.

Graph 29: Developing Countries' quarterly production



Oil supply growth in Brazil may perform better than expected, despite a delay in the P 50 project and Jubarte field

In Brazil, recent announcements by Petrobras indicate a change in the start up of the Jubarte field (60,000 b/d) from February to September. The start of Albacora Leste P 50 (180,000 b/d) was already delayed last month from February to April/May. The Golfinho field (100,000 b/d) is still expected to start in June/July, but test production of 20,000 b/d has already begun. And the small Piranema field with 20,000 b/d of capacity is still expected to start in September. As a result, the forecast reflects a shift in barrels from 1Q06 to 4Q06. The growth rate remains unchanged at 230,000 b/d which represents a 10% increase versus 2005. Brazil's oil supply is expected to average 2.2 mb/d in 2006, with this month's data indicating that production is already just above 2 mb/d.

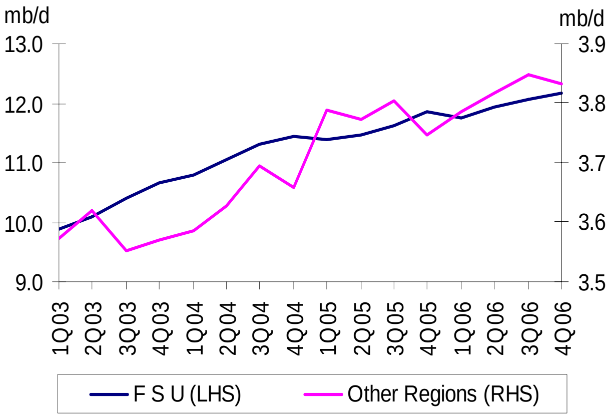
Egyptian oil production is now expected to average 680,000 b/d in 2006, broadly flat from 2005. The 4Q06 estimate has been adjusted upward primarily to reflect a new start date for the Saqqara project (50,000 b/d).

In Sudan, total oil supply is expected to average 490,000 b/d, representing an increase of 150,000 b/d from 2005 but a downward revision of 15,000 b/d. This revision (and previous ones) reflects a lack of information and moving targets for the Adar Yale, Palogue, and Thar Jath projects. The ramp up of the Adar Yale project has been affected by ongoing delays in the completion of Petrodar's export infrastructure. Sudan's oil production is expected to average 380,000 b/d in 1Q06, 460,000 b/d in 2Q06, 560,000 b/d in 3Q06 and 570,000 b/d in 4Q06. Current production is estimated at less than 400,000 b/d but even this is uncertain. Recent reports suggest that total production is likely to increase slowly rather than quickly, and that project delays at Petrodar's terminal are likely to extend into May/June, allowing for a partial increase in the country's oil production in the first half of 2006 using the current infrastructure. More revisions are likely to be made in the months ahead, the direction of which remains largely unknown.

FSU, Other Regions

FSU oil supply is expected to average 12 mb/d, an increase of 0.4 mb/d versus 2005, broadly unchanged from last month. The forecast for Other Regions (Other Europe and China) has been revised down slightly, with total oil supply expected at 3.7 mb/d in 2005 representing an increase of 40,000 b/d from 2005, but 21,000 b/d lower than the last assessment.

Graph 30: FSU and other region's quarterly production



Russia

The outlook for Russia remains unchanged. Oil supply is expected to average 9.6 mb/d in 2006, an increase of 180,000 b/d versus 2005. Cold weather unexpectedly curbed Russian output in January-February to 9.45 mb/d from a historical high in December. As a result, the 1Q06 forecast has been revised down slightly, but positive adjustments of a similar magnitude to the 3Q06 and 4Q06 forecast keep full-year growth unchanged.

A recent lawsuit could threaten Yukos production

Recent developments include an increase in crude export duties to a record level of $25.5/bbl effective 1 April. The increase is unlikely to impact the current forecast as it is part of the operating environment and its impact has already been factored in the assessment. Rising crude export duties combined with all other operating costs, particularly rail exports, have been responsible for a large portion in the slowdown of Russian growth over the last several months. Of more concern is the recent lawsuit against Yukos, which threatens to throw the company into bankruptcy. While last month's report indicated that Yukos was not likely to lose production in 2006 as capital investment was on the increase in core remaining assets, this recent development could likely create additional uncertainties in Yuko's investment programme and ultimately impact the production performance of the remaining assets, which produced 433,000 b/d in January.

Caspian, China

The outlook for Azerbaijan remains unchanged. 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 now expected to average 1.3 mb/d in 2006, an increase of 40,000 b/d over last year, but a 10,000 b/d downward revision from last month's estimate. During the first two months of this year, Kazak oil production averaged slightly less than estimated and this provides the basis for the revision. Oil production in other Caspian producers is estimated to have remained stable in January and February, despite the cold winter.

Elsewhere, the forecast for China has been revised down slightly to 3.7 mb/d, or 21,000 b/d. Total oil production averaged 3.6 mb/d in January and February, slightly below the 1Q06 forecast of 3.64 m/d, resulting in a downward revision to the outlook for the year.

OPEC NGLs is expected to average 4.6 mb/d in 2006

OPEC natural gas liquids and non-conventional oils

The estimate for 2005 and the forecast for 2006 remain unchanged. In 2005, OPEC NGLs averaged 4.3 mb/d, an increase of 200,000 b/d over the previous year. In 2006, the forecast sees OPEC NGLs gaining 0.3 mb/d versus 2005.

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

			Change						Change		Change
2002	2003	2004	04/03	1Q05	2Q05	3Q05	4Q05	2005	05/04	2006	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 February

OPEC crude oil production

Total crude oil production averaged 29.7 mb/d in February, according to secondary sources, an increase of 160,000 b/d from last month. Iraq's oil production recovered to 1.8 mb/d as loading and weather conditions improved. Nigerian oil production was affected by community disturbances in western parts of the Delta, but losses were partly offset by increases elsewhere.

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

	2004	2005	2Q05	3Q05	4Q05	Dec 05	Jan 06	Feb 06	*Feb/Jan*
Algeria	1,228	1,349	1,344	1,366	1,374	1,374	1,377	1,377	*0.3*
Indonesia	968	942	945	937	935	932	921	922	*0.7*
IR Iran	3,920	3,924	3,946	3,937	3,911	3,902	3,828	3,802	*-25.5*
Iraq	2,015	1,829	1,841	1,968	1,675	1,561	1,551	1,773	*222.3*
Kuwait	2,344	2,504	2,505	2,524	2,548	2,544	2,544	2,541	*-3.8*
SP Libyan AJ	1,537	1,642	1,634	1,654	1,665	1,668	1,668	1,678	*9.7*
Nigeria	2,352	2,413	2,423	2,423	2,471	2,463	2,384	2,319	*-65.0*
Qatar	777	795	794	796	806	810	811	807	*-3.5*
Saudi Arabia	8,982	9,404	9,456	9,498	9,439	9,426	9,398	9,394	*-4.8*
UAE	2,360	2,447	2,398	2,478	2,518	2,533	2,496	2,497	*1.2*
Venezuela	2,582	2,637	2,640	2,618	2,593	2,595	2,576	2,605	*28.8*
OPEC-10	**27,049**	**28,057**	**28,084**	**28,232**	**28,259**	**28,247**	**28,002**	**27,940**	***-61.9***
Total OPEC	**29,064**	**29,887**	**29,925**	**30,199**	**29,934**	**29,808**	**29,553**	**29,713**	***160.4***

Totals may not add due to independent rounding.

Total FSU net oil exports are expected to average 8.1 mb/d in 2006

FSU net oil exports (crude and products)

The forecast for 2006 shows FSU net oil exports averaging 8.1 mb/d, which represents an increase of 0.3 mb/d over 2005. In 2005, FSU net oil exports averaged 7.7 mb/d, or 0.4 mb/d higher than the previous year.

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

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
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**	**7.81**	**7.89**	**7.73**	**0.42**
2006 (forecast)	**7.70**	**8.24**	**8.21**	**8.05**	**8.05**	**0.32**

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

	2004	2005	2Q05	3Q05	4Q05	Dec 05	Jan 06
Crude							
Russian pipeline							
Black Sea	1,283	1,335	1,279	1,335	1,284	1,281	1,253
Baltic	1,396	1,462	1,469	1,456	1,486	1,550	1,391
Druzhba	1,256	1,315	1,258	1,320	1,397	1,441	1,323
Total	**3,935**	**4,112**	**4,006**	**4,111**	**4,167**	**4,272**	**3,967**
Other routes							
Russian rail	706	416	474	333	268	241	332
Russian - Far East	32	65	133	103	71	41	22
Kazak rail	24	17	16	13	19	37	45
CPC pipeline	490	648	635	629	669	652	595
Caspian	252	295	270	305	363	387	318
of which							
Supsa (AIOC) - Georgia	130	137	142	140	143	140	135
Batumi - Georgia	99	140	121	147	203	230	166
Total	**1,504**	**1,441**	**1,529**	**1,382**	**1,390**	**1,358**	**1,312**
Total crude exports	**5,439**	**5,553**	**5,535**	**5,493**	**5,557**	**5,630**	**5,279**
Products							
All routes							
Fuel oil	753	836	757	913	931	930	955
Gasoil	702	759	686	762	765	853	934
Others	413	575	753	638	633	632	696
Total	**1,868**	**2,170**	**2,196**	**2,312**	**2,330**	**2,415**	**2,585**
Total oil exports	**7,307**	**7,723**	**7,731**	**7,805**	**7,887**	**8,045**	**7,864**

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

Rig Count

Non-OPEC rig activity stood at 2,865 rigs in February

Non-OPEC

Non-OPEC rig count stood at 2,865 rigs in February, which represents an increase of 93 rigs compared to the previous month. Of the total, 265 rigs were operating offshore and 2,600 onshore. In terms of oil and gas split, 797 rigs were drilling for oil, while the rest was drilling for gas. Regionally, North America gained 102 rigs and Western Europe gained 4 rigs, while the Middle East, Africa, Latin America and other Asia lost 13 rigs.

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

	2004	2005	05/04	Jan 06	Feb 06	Change Feb/Jan
North America	1,669	1,975	306	2,225	2,327	102
Western Europe	65	65	0	76	80	4
OECD Pacific	22	25	3	24	24	0
OECD	**1,755**	**2,065**	**310**	**2,325**	**2,431**	**106**
Other Asia	126	142	16	157	149	-8
Latin America	126	141	15	156	151	-5
Middle East	70	72	2	73	71	-2
Africa	54	58	4	59	61	2
DCs	**376**	**412**	**36**	**445**	**432**	**-13**
FSU	na	na	na	na	na	na
Other Europe	2	3	1	2	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**2,132**	**2,479**	**347**	**2,772**	**2,865**	**93**

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

OPEC rig count stood at 307 in February

OPEC

OPEC rig count stood at 307 rigs in February, representing an increase of 3 rigs over the previous month. Gains took place in Kuwait (2), Qatar (1), Saudi Arabia (2) and Venezuela (4), which were partially offset by declines in other OPEC Countries. In terms of oil and gas split, there were 248 oil rigs operating in February and the rest was gas rigs.

Table 18: OPEC rig count in 2004-2005

	2004	2005	05/04	Jan 06	Feb-06	Change Feb/Jan
Algeria	19	21	2	21	21	0
Indonesia	49	54	5	60	54	-6
IR Iran	41	40	-1	39	39	0
Iraq	na	na	na	na	na	na
Kuwait	10	12	2	11	13	2
SP Libyan AJ	10	9	-1	9	9	0
Nigeria	8	9	1	9	9	0
Qatar	9	12	3	13	14	1
Saudi Arabia	32	36	4	50	52	2
UAE	16	16	0	17	17	0
Venezuela	55	67	12	75	79	4
Total OPEC	**249**	**276**	**27**	**304**	**307**	**3**

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

Oil Trade

OECD crude oil net imports grew by 19,000 b/d to 24.4 mb/d in February 2006

OECD

OECD crude oil imports continued to rise in February, gaining 53,000 b/d over the previous month to average 31.7 mb/d in February for a y-o-y increase of 195,000 b/d. Product imports increased by 73,000 b/d to reach almost 11 mb/d, a y-o-y rise of 9%. Combined, crude and product imports rose 126,000 b/d to total 42.7 mb/d.

On the export side, OECD countries saw an outflow of 7.4 mb/d of crude oil and 8.1 mb/d of products, representing increases over the previous month of 34,000 b/d and 10,000 b/d respectively. However, compared to the previous year, OECD crude oil and product exports were down 590,000 b/d and 236,000 b/d. As a result, OECD crude oil net imports grew by 19,000 b/d to 24.4 mb/d. This corresponds to a net y-o-y gain of 786,000 b/d for crude and a 1.1 mb/d net increase for products, while product net imports rose by 62,000 b/d to 2.9 mb/d. Total net imports of crude oil and products increased by 81,000 b/d to hit 27.2 mb/d, corresponding to a surge of 1.9 mb/d over the previous year.

In terms of crude oil suppliers**,** Saudi Arabia moved to the first position with 16.8% or 5.3 mb/d, overtaking the Former Soviet Union (FSU) with 16.4% or 5.2 mb/d. Venezuela remained the main supplier for products with 7%, followed by the Netherlands with 5.8% and the FSU with 5.3%.

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

	Dec 05	Jan 06	Feb 06	Change Feb/Jan
Crude Oil	23,976	24,328	24,347	19
Total Products	2,795	2,785	2,848	62
Total crude and products	26,771	27,113	27,195	81

US crude oil net imports increased by 377,000 b/d and product net imports dropped by 200,000 b/d

USA

After having dropped by 468,000 b/d in January, US crude oil imports rose 378,000 b/d or 3.9% in February to 10.0 mb/d, but were still 74,000 b/d lower than the same period last year. Product imports fell by 147,000 b/d to 3.6 mb/d, which was 230,000 b/d higher than a year earlier. The sharp decline in product imports was driven by residual fuel oil which fell by 187,000 b/d. Taken together, the rise in crude imports and the drop in products resulted in an increase of 1.7% or 231,000 b/d in total US oil imports, compared to a decline of 341,000 b/d in the previous month. However, compared to the same month last year, total US oil exports were up a slight 51,000 b/d as products gained 50,000 b/d to reach 0.94 mb/d and crude oil remained stable at 20,000 b/d.

Consequently, US net imports of crude oil and products rose by 180,000 b/d to 12.7 mb/d with crude oil increasing by 377,000 b/d to 10.0 mb/d and products losing almost 200,000 b/d to average 2.7 mb/d. Compared to a year earlier, US net crude oil imports were 72,000 b/d lower, while products were 426,000 b/d higher.

Canada and Mexico remained the main crude oil suppliers of the USA with 1.7 mb/d and 1.6 mb/d followed by Saudi Arabia with 1.5 mb/d and Nigeria with 1.3 mb/d. Nevertheless, Canada and Mexico saw their shares drop 2.8 and 2.4 percentage points respectively, partly due to gains by Nigeria, which pushed its share to 13%, against 11% in the previous month.

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

	Dec 05	Jan 06	Feb 06	Change Feb/Jan
Crude Oil	10,111	9,643	10,020	377
Total Products	2,759	2,865	2,668	-197
Total crude and products	12,870	12,508	12,688	180

Japan's crude oil imports fell to 4.0 mb/d, and product net imports rose 200,000 b/d to 0.2 mb/d

Japan

Japan's February crude oil imports dropped by 187,000 b/d or 4.4% to 4.0 mb/d. Compared to a year earlier, Japanese crude oil imports were 515,000 b/d or 11% lower. In contrast, product imports surged 150,000 b/d or 16.5% to average 1.0 mb/d, leading to total crude and product imports of almost 5.1 mb/d, an increase of only 38,000 b/d over the previous month, but a considerable 590,000 b/d or 10% in y-o-y terms.

Japan's total net oil imports edged up by 21,000 b/d to average 4.9 mb/d with crude oil standing at 4 mb/d and products averaging 0.8 mb/d. Compared to a year earlier, Japan's oil net imports were 725,000 b/d lower with crude oil down 515,000 b/d and products 210,000 b/d lower.

Saudi Arabia's share in Japanese crude oil imports moved down from 35% in January to 29%. UAE with 23% remained the second supplier followed by Iran with 12.6%. Qatar saw its share increase from less than 8% in January to more than 9%. On the product side, UAE and Saudi Arabia remained the main suppliers with 20% and 18%, followed by Korea with 11% and USA and Indonesia with 9% each.

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

	Dec 05	Jan 06	Feb 06	Change Feb/Jan
Crude Oil	4,204	4,225	4,038	-187
Total Products	606	602	809	208
Total crude and products	4,810	4,827	4,847	21

In January, China's crude oil net imports surged by 28% to 3.0 mb/d, and net product imports fell by 26% to 0.5 mb/d

China

China's crude oil imports continued to increase for the second consecutive month, jumping 463,000 b/d or 17.4% in January to hit 3.1 mb/d, representing a considerable gain of 70% over the previous year. The sharp increase in Chinese crude oil imports was driven by higher demand from refineries looking to build inventories ahead of the Lunar New Year. However, product imports moved down by more than 200,000 b/d to average 0.8 mb/d, driven by declines of 26% in fuel oil and 19% in gasoil.

Exports of crude oil fell by 205,000 b/d or 67% to 0.1 mb/d and product exports moved down by 36,000 b/d to 0.3 mb/d. The decline in Chinese product exports was essentially driven by gasoline, which lost 24%.

China's net crude oil imports increased by almost 670,000 b/d or 28% to average 3.0 mb/d compared to a growth of 3% in the previous month. Net product imports declined by 171,000 b/d to 0.5 mb/d, leading to total crude and product net imports of 3.5 mb/d, which corresponds to a growth of almost 500,000 b/d compared to the previous month and 1.0 mb/d or 45% from a year earlier.

Iran was the main supplier of China's crude oil with 14%, overtaking Saudi Arabia, which saw its share drop from 20% in January to 12%. Compared to a year earlier, China's imports increased by 205,000 b/d from Oman, 182,000 b/d from Iran, 158,000 b/d from Russia, 143,000 b/d from Angola and 100,000 b/d from Saudi Arabia. Worth noting is the 150,000 b/d or 5% increase from Venezuela.

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

	Nov 05	Dec 05	Jan 06	Change Jan/Dec
Crude Oil	2,290	2,352	3,021	669
Total Products	633	653	482	-171
Total crude and products	2,923	3,005	3,503	498

India's net crude and product imports increased by 52,000 b/d to 1.8 mb/d

India

India's crude oil import growth slowed from 210,000 b/d in December to just 45,000 b/d or 2% in January to average 2.2 mb/d, almost 100,000 b/d more than a year earlier. Product imports showed a marginal increase of 11,000 b/d to settle at 180,000 b/d. With exports of products remaining stable at 0.5 mb/d, India's product net exports averaged 0.4 mb/d, which led to total net crude and product imports of 1.8 mb/d, a rise of 52,000 b/d over the previous month, but 91,000 b/d or 4.8% lower than a year earlier.

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

	Nov 05	Dec 05	Jan 06	Change Jan/Dec
Crude Oil	1,912	2,120	2,165	45
Total Products	-244	-361	-353	8
Total crude and products	1,668	1,760	1,812	52

Stock Movements

USA

US commercial oil stocks at 1,024 mb stood 5% above a year ago despite a marginal seasonal draw in February

Total US commercial oil stocks presented a mixed picture in February. Commercial inventories declined a slight 0.2 mb or 0.01 mb/d to reach 1,024.1 mb for the month due to a drop in product stocks, which was somewhat offset by the build in crude oil inventories. Still, the overall level was 4.6% and 10% above the y-o-y surplus and the five-year average.

January's deficit in crude oil stocks turned into a surplus in February. In fact, crude oil stocks increased by a substantial 12.4 mb compared to the previous month, with the 335 mb level achieved in the first week of March representing the highest level since May 1999. The builds were attributed to the 2.1% decline in refinery runs coupled with a 3.9% surge in imports to reach 10.0 mb/d in February. Imports rose over the first two weeks of February before falling by 0.08 mb in the last week partly due to the two-day closure of the Houston Ship Channel, the major route for crude imports from the Gulf of Mexico into Houston. Following offshore production outages due to hurricanes, imports from the Middle East rose during the fourth quarter of last year. Nevertheless, since the start of this year, the arrival of Mideast imports has coincided with heavy refinery maintenance which further curbed demand for crude and led to a fall in the refinery utilization rate of 1.6% from 87% in January to 85.4% in February. As a result, commercial crude oil inventories stood at a comfortable level of 333.2 mb, an increase of 10% y-o-y and 14% above the five-year average, boosting forward cover to about 22 days. Thus, the only concern regarding crude would be the lack of storage capacity in some areas of the USA.

On the product side, gasoline inventories appeared comfortable at a first glance, increasing by 4.2 mb to 224.70 mb, around 7% above the five-year average but still around 1% below the level this time last year. This was only a modest build relative to the previous month's increase of 14.7 mb. In days of cover, gasoline stocks stood at about 25 days, only 2% above the five-year average, but 1% less than a year ago at this period. The slower pace in build was mainly due to a decline in production as refinery runs fell due to heavy maintenance, coupled with rising apparent demand in the first two weeks of the month. Tighter gasoline supplies are expected this summer on extended refinery maintenance, the elimination of MTBE in gasoline and the challenge of maintaining already high import levels from Europe. As a result, attention will continue to be focused on gasoline inventories as the winter season is about to end. Developments in gasoline stocks will rely heavily on the available supply from Europe and the expected trend in gasoline demand.

Concerning distillate inventories, the surplus of the previous month turned into a deficit of 3.8 mb in February to stand at 132.2 mb, prompted by a cold snap in the US major consuming areas. However, distillate stocks remained 13.6% higher than a year earlier, with forward cover at about 30.6 days, 4.8 days higher than last year and 3.1 days above the five-year norm. The bulk of this draw came from heating oil stocks, which declined by 4 mb in February from the previous month but remained 38% above the one-year average and 24% higher than the five-year average.

In the week ending 10 March, US commercial oil stocks declined by about 3 mb to 1,021.42 mb lifting the y-o-y surplus to a comfortable 45 mb or 5%. The drop came mainly from distillate and other product inventories, which outpaced the 4.8 mb build in crude oil stocks. With 340 mb, crude oil inventories grew last week to the highest level in nearly seven years. Additionally, inventories in the US Gulf Coast — the heart of the US oil industry — have grown to the highest level since 1990 and may be close to full capacity. The build took place despite unexpectedly high refinery runs which increased by 2.7% to 85.7% and lower crude oil imports which averaged over 9.9 mb/d last week, representing a drop of 205,000 b/d. With this build, forward cover also appears at a healthy level of 23.4 days, more than 3 days above a year ago and the five-year average. On the product side, the falling trend in distillate stocks continued with a drop of 3.9 mb to 127.5 mb on the back stronger implied demand combined with the decline in both imports and output. Even with this draw, middle distillate stocks remained at a comfortable 19% y-o-y surplus and 14% above the last five-year average. Heating oil fell by 2.9 mb to about 48.6 mb, which was still a healthy 31% above a year earlier and 12% higher than the five-year average. Gasoline stocks slipped

0.9 mb to 223.9 mb, but remained above the average range. In days of forward cover, gasoline inventories were at parity with a year earlier and one day above the average of the last year. Looking at the coming weeks, the bearish sentiment, which has been encouraged by continued stock-builds since the beginning of this year, could be eroded by last week's shut-down of a cracker at the 495,000 b/d St. Croix refinery in the Caribbean, which could last for two weeks and has already been reflected by soaring gasoline prices. Future developments in the gasoline market will be linked to the impact that the shut-down will have on the gasoline stocks, and how effectively these losses are balanced by imports, which are already at a very high level. As a result, the attention of the market continues to focus on gasoline.

Table 24: US onland commercial petroleum stocks*, mb

	Dec 05	Jan 06	Feb 06	Change Feb 06/Jan 06	Feb 05	10 Mar 06**
Crude oil	323.2	320.8	333.2	12.4	303.6	339.9
Gasoline	207.0	220.5	224.7	4.2	227.0	223.9
Distillate fuel	136.0	136.0	132.2	-3.8	116.4	127.5
Residual fuel oil	37.3	41.1	41.7	0.6	40.7	40.5
Jet fuel	41.8	44.9	43.3	-1.6	40.3	42.8
Total	**1011.3**	**1024.3**	**1024.1**	**-0.2**	**979.5**	**1021.4**
SPR	684.6	683.8	684.7	0.9	682	684.8

* *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 plunged by a considerable 9.8 mb in January

Contrary to the trend in the previous month, total oil stocks in Eur-16 (EU-15 plus Norway) fell in February by almost 10 mb or 0.3 mb/d to 1,144.2 mb fostered by a decline in product stocks and a small draw on crude oil stocks. Nevertheless, total inventories remained comfortably 5% higher than a year earlier and 9% above the five-year average.

Crude oil inventories dropped by 1.2 mb to 480.1 mb in February mainly due to the increase in refinery runs of 0.2 mb/d relative to January, which boosted the refinery utilization rate to 93.8%, up from 92.2% in January. The refinery run rate increased after profit margins rebounded in February. In addition, the draw on European crude oil inventories was encouraged by the eastward movement of cargoes from Russia and North Africa to meet growing Asian demand, which previously had been directed to Europe. Despite this draw, crude oil stocks are still 8% higher than the five-year average.

On the product side, gasoline stocks continued to show a rise of about 1 mb to 147 mb in February, cutting the y-o-y deficit to around 7.8 mb and leaving the five-year average at 4%. Colder weather, which boosted growth in local demand for distillate inventories (heating oil, diesel and jet fuel), combined with lower heating oil prices in Germany — which allowed consumers to fill more tertiary storage — were behind the 6.2 mb drop in February. Despite this draw, at 382.4 mb, distillate inventories remained 9.9% higher than a year ago and 13.8% up compared to the last five-year average. Some of February's losses will reverse in the next months as refinery throughput is expected to increase amid a projected slow-down in domestic demand due to the rise in temperature. Residual fuel oil fell by 4 mb to 108.7 mb driven by greater Russian demand, which reduced exports to Europe, combined with the move of VLCCs of high-sulphur fuel from Europe to Asia-Pacific, along with the stronger demand for low-sulphur grades in Europe as consequence of cold weather and a shortfall in natural gas supply.

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

	Dec 05	Jan 06	Feb 06	Change Feb 06/Jan 06	Feb 05
Crude oil	473.7	481.4	480.1	-1.2	477.3
Mogas	144.4	146.0	147.0	0.9	154.7
Naphtha	24.2	25.1	26.0	0.9	na
Middle distillates	382.6	388.7	382.4	-6.2	348.0
Fuel oils	111.5	112.8	108.7	-4.2	105.4
Total products	662.7	647.5	638.1	-9.4	608.2
Overall total	**1,136.4**	**1,154.0**	**1,144.2**	**-9.8**	**1,085.4**

** At end of month, with region consisting of the Eur–16.*
na: not available.
Source: Argus, Euroilstock.

Japan

Oil stocks in Japan recorded a drop of 9.7 mb in January

Commercial oil inventories in Japan witnessed a weaker drop in January than the hefty 22 mb one in December 2005, falling by 9.5 mb or 0.32 mb/d to 160.5 mb. This was 13% lower than a year ago and 8.5% below the five-year average. All the draws came from crude oil, with products showing a marginal build.

Total commercial stocks continued to experience a stronger downward trend for the third consecutive month. Crude oil inventories fell by 9.7 mb to stand at 95.1 mb, a level not seen in quite a while. This corresponds to sharp y-o-y declines of 18% and 11% below the one-year and the five-year averages. The draw was mainly due to a 3% fall in crude imports amid higher refinery runs, which were 1.1% above the previous month. Refineries were operating at a rate of 94% in order to meet the booming demand prompted by the ongoing cold weather during February. In fact, this has helped support demand for OPEC crude given the heavy maintenance in the Atlantic Basin. However, the trend may be reversed at the beginning of spring as maintenance refinery plans are scheduled from April to June. Compared to last month, total major product inventories — gasoline, middle distillates and residual fuel oil — dropped by 2.1 mb to 33.1 mb putting the y-o-y deficit at 5%. Despite reaching the highest rate in refinery utilization, product stocks were pulled down mainly due to healthy domestic demand. Kerosene stocks fell by 11% but remained at the same level as a year earlier. Nonetheless, the weekly data for March data from PAJ indicates a recovery of kerosene stocks which were 45% above a year ago. Likewise, jet fuel contributed to the decline in middle distillate stocks, falling by 14% compared to last month. The monthly deterioration in product inventories was counterbalanced by a recovery in gasoil, fuel oil and others, due to a slow-down in domestic demand for all but the Fuel Oil BC stocks which were supported by a higher production.

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

	Nov 05	Dec 05	Jan 06	Change Jan 06/Dec 05	Jan 05
Crude oil	111.0	104.8	**95.1**	-9.7	116.2
Gasoline	14.3	12.2	13.7	1.5	14.9
Middle distillates	47.6	35.2	33.1	-2.1	34.4
Residual fuel oil	19.9	18.0	18.6	0.6	19.4
Total products	81.8	65.4	65.4	0.0	68.7
Overall total**	**192.8**	**170.2**	**160.5**	**-9.7**	**184.9**

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

Balance of Supply and Demand

The estimate for demand for OPEC crude in 2005 remains unchanged at 28.6 mb/d

Estimate for 2005

The estimate for demand for OPEC crude in 2005 (a-b) remains unchanged at 28.6 m/d, representing an increase of 0.5 mb/d from last year. In the same year, OPEC crude production averaged 29.9 mb/d, and this contributed to the build in OECD inventories.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World Oil Demand	82.09	83.72	82.08	82.63	83.77	83.05
(b) Non-OPEC Supply	53.99	54.56	54.83	53.97	54.28	54.41
Difference (a-b)	28.10	29.16	27.25	28.65	29.49	28.64
OPEC crude oil production	29.06	29.48	29.93	30.20	29.93	29.89
Balance	0.96	0.32	2.68	1.54	0.44	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 by 0.1 mb/d to 28.4 mb/d

Forecast for 2006

In 2006, the demand for OPEC crude is expected to average 28.4 to 28.5 mb/d, representing a downward revision of 0.1 mb/d versus last month. On a quarterly basis, the new forecast shows that demand for OPEC crude is expected at 30 mb/d in the first, 27.4 mb/d in the second, 28.1 mb/d in the third and 28.3 mb/d in the fourth quarters, representing a downward revision of 0.2 mb/d in the first and second quarters, a positive revision of 0.2 mb/d in the third, and a downward revision of 0.1 mb/d in the fourth.

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

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	83.05	85.00	83.29	84.10	85.65	84.51
(b) Non-OPEC Supply	54.41	55.06	55.89	55.98	57.37	56.08
Difference (a-b)	28.64	29.95	27.40	28.12	28.28	28.43
OPEC crude oil production	29.89					
Balance	1.25					

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

Graph 31: Balance of supply and demand

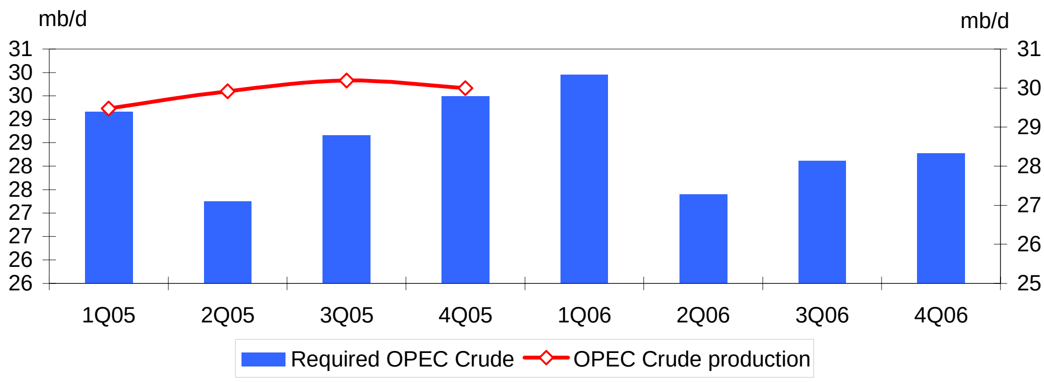


Table 29: World oil demand/supply balance, mb/d

	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	50.0	49.6	50.6	49.0	49.7	50.7	50.0
North America	24.0	24.1	24.5	25.3	25.5	25.3	25.5	25.4	25.4	25.6	25.5	25.8	25.9	25.7
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	9.5	8.2	8.2	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	23.0	22.7
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	0.9	0.9	0.9
China	4.7	5.0	5.6	6.5	6.5	6.6	6.4	6.6	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	83.8	83.0	85.0	83.3	84.1	85.6	84.5
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	20.9	20.9	19.8	19.6	20.3	20.3	20.5	20.1	20.9	20.5
North America	14.3	14.5	14.6	14.6	14.4	14.6	13.7	13.5	14.1	14.2	14.4	14.4	14.9	14.5
Western Europe	6.7	6.6	6.4	6.1	6.0	5.7	5.5	5.5	5.7	5.6	5.6	5.0	5.4	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	0.7	0.7	0.6
DCs	11.0	11.4	11.5	12.0	12.3	12.6	12.6	12.8	12.6	12.9	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	11.7	11.9	12.1	12.2	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	3.6	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	50.6	49.7	49.9	50.1	50.6	51.3	51.3	52.6	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	51.5	52.5	54.0	54.6	54.8	54.0	54.3	54.4	55.1	55.9	56.0	57.4	56.1
OPEC crude oil production (secondary sources)	27.2	25.4	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	84.8	84.2	84.2	84.3					
Balance (stock change and miscellaneous)	0.2	-0.8	0.2	1.0	0.3	2.7	1.5	0.4	1.2					
OECD closing stock levels (*mb*)														
Commercial	2630	2476	2517	2558	2546	2625	2646	2589	2589					
SPR	1288	1347	1411	1450	1462	1494	1494	1484	1484					
Total	3918	3823	3928	4008	4009	4120	4141	4074	4074					
Oil-on-water	830	816	883	904	927	928	925	965	965					
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	7.7	8.2	8.2	8.0	8.1
(a) - (b)	27.0	26.2	26.8	28.1	29.2	27.2	28.7	29.5	28.6	29.9	27.4	28.1	28.3	28.4

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	-	-	-	-	-	-	-	-0.1	-	-0.3	-0.1	0.1	-0.1	-0.1
North America	-	-	-	-	-	-	-	-0.1	-	-0.4	-0.1	0.1	-0.1	-0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-0.1	-	-0.3	-0.1	0.1	-0.2	-0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-0.1	-	-	0.1	-0.1	-0.2	-
North America	-	-	-	-	-	-	-	-0.1	-	-	-	-0.1	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	0.1	-0.1	-0.2	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
DCs	-	-	-	-	-	-	-	-	-	-0.1	-	-	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.1	-	-0.1	0.1	-0.2	-0.1	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.1	-	-0.1	0.1	-0.2	-0.1	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-0.1	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-	-					
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	5	-8	-8					
SPR	-	-	-	-	-	-	-	2	2					
Total	-	-	-	-	-	-	5	-6	-6					
Oil-on-water	-	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-					
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-0.2	-0.2	0.2	-0.1	-0.1

† *This compares Table 29 in this issue of the MOMR with Table 29 in the February 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 levels *mb*													
OECD onland commercial	2,630	2,476	2,517	2,558	2,589	2,465	2,545	2,581	2,558	2,546	2,625	2,646	2,589
North America	1,262	1,174	1,161	1,200	1245	1,145	1,193	1,206	1,200	1,200	1,275	1,257	1,245
Western Europe	925	895	922	927	949	919	933	945	927	957	929	957	949
OECD Pacific	443	408	435	430	396	400	420	430	430	389	422	432	396
OECD SPR	1,288	1,347	1,411	1,450	1,484	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,484
North America	552	601	640	678	687	654	664	672	678	690	698	696	687
Western Europe	356	357	374	377	407	371	366	367	377	377	401	405	407
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	4,074	3,888	3,974	4,016	4,008	4,009	4,120	4,141	4,074
Oil-on-water	830	816	883	904	965	901	886	890	904	927	928	925	965
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	48	46	47	47	47	47	50	49	49
Western Europe	61	58	59	60	61	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	27
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	45	41
OECD total	82	79	79	81	81	81	81	80	79	82	84	83	80

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	6.64	7.27	-0.38	7.16	7.42	7.44	7.69	7.43	0.15
Canada	2.73	2.84	2.98	3.07	0.09	2.94	2.95	3.00	3.17	3.02	-0.05	3.19	3.19	3.24	3.36	3.25	0.23
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.71	3.73	3.77	-0.07	3.80	3.79	3.71	3.88	3.80	0.03
North America	14.34	14.48	14.60	14.56	-0.04	14.40	14.57	13.74	13.54	14.06	-0.50	14.15	14.40	14.38	14.94	14.47	0.41
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	2.94	2.93	2.92	2.97	-0.22	2.93	2.95	2.75	2.77	2.85	-0.12
UK	2.54	2.52	2.33	2.09	-0.24	2.03	1.93	1.67	1.79	1.86	-0.23	1.79	1.80	1.45	1.74	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	5.99	5.72	5.45	5.54	5.67	-0.46	5.57	5.58	5.02	5.36	5.38	-0.29
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.57	0.54	0.51	0.53	0.01	0.49	0.49	0.59	0.58	0.54	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	0.56	0.58	0.00	0.54	0.56	0.65	0.65	0.60	0.02
Total OECD	21.81	21.89	21.65	21.27	-0.38	20.93	20.90	19.78	19.65	20.31	-0.96	20.26	20.55	20.05	20.95	20.45	0.14
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	0.54	0.54	0.51	0.04
Other Asia	2.26	2.35	2.40	2.61	0.21	2.71	2.70	2.65	2.68	2.68	0.08	2.69	2.66	2.76	2.75	2.71	0.03
Argentina	0.86	0.84	0.84	0.79	-0.05	0.77	0.77	0.75	0.73	0.75	-0.03	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	2.06	2.13	2.30	2.35	2.21	0.23
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	0.24	0.24	0.24	0.24	0.24	0.03
L. America others	0.24	0.25	0.26	0.27	0.01	0.29	0.30	0.29	0.29	0.29	0.02	0.30	0.31	0.31	0.31	0.31	0.01
Latin America	3.78	3.95	4.04	4.07	0.03	4.18	4.38	4.33	4.34	4.31	0.24	4.40	4.48	4.63	4.68	4.55	0.24
Bahrain	0.19	0.20	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	1.85	1.86	1.84	1.81	1.84	-0.07	1.80	1.79	1.78	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	1.45	1.63	1.48	0.26
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	0.71	0.68	-0.01
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	0.38	0.46	0.56	0.57	0.49	0.15
Africa other	0.20	0.20	0.20	0.21	0.01	0.23	0.22	0.27	0.27	0.25	0.04	0.32	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	4.02	4.21	4.29	4.54	4.27	0.52
Total DCs	10.98	11.41	11.49	12.01	0.52	12.35	12.57	12.61	12.76	12.57	0.57	12.91	13.14	13.47	13.74	13.32	0.74
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.47	11.62	11.87	11.59	0.44	11.74	11.93	12.07	12.17	11.98	0.39
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.50	9.60	9.44	0.25	9.48	9.60	9.67	9.70	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	1.22	1.25	1.28	1.31	1.27	0.04
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.35	0.42	0.47	0.54	0.44	0.13	0.57	0.61	0.65	0.69	0.63	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	3.49	0.08	3.63	3.61	3.64	3.59	3.62	0.13	3.62	3.65	3.68	3.66	3.65	0.03
Non-OPEC production	44.80	46.20	46.98	48.07	1.09	48.45	48.71	47.81	48.03	48.25	0.18	48.70	49.44	49.44	50.69	49.57	1.32
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	46.49	47.93	48.77	49.90	1.13	50.33	50.57	49.65	49.91	50.11	0.21	50.58	51.31	51.31	52.62	51.46	1.35
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)	50.07	51.54	52.48	53.99	1.51	54.56	54.83	53.97	54.28	54.41	0.42	55.06	55.89	55.98	57.37	56.08	1.67

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	4Q 05	2005	Change 05/04	Jan 06	Feb 06	Change Feb 06-Jan 06
USA	1156	831	1032	201	1,119	1164	1229	1249	1190	158	1279	1336	1419	1478	1378	188	1473	1533	60
Canada	342	266	372	106	528	202	326	420	369	-3	620	241	527	572	490	121	660	715	55
Mexico	54	65	92	27	107	113	111	108	110	18	114	116	104	93	107	-3	92	79	-13
North America	1552	1162	1496	334	1,754	1479	1665	1777	1669	173	2013	1693	2050	2143	1975	306	2225	2327	102
Norway	23	19	19	0	19	18	14	16	17	-2	15	18	19	17	17	0	19	19	0
UK	24	26	20	-6	15	19	14	15	16	-4	16	22	23	24	21	5	27	30	3
Denmark	4	4	4	0	4	4	3	4	4	0	2	3	2	2	2	-2	3	3	0
Other Western Europe	44	36	36	0	31	30	27	27	29	-7	23	24	25	24	24	-5	27	28	1
Western Europe	95	85	78	-7	69	70	57	62	65	-13	56	67	68	68	65	0	76	80	4
Australia	10	9	11	2	12	13	18	14	14	3	17	15	17	15	16	2	14	16	2
Other Pacific	9	8	7	-1	7	8	9	6	8	1	7	10	10	9	9	1	10	8	-2
OECD Pacific	20	17	18	1	19	22	26	20	22	4	24	25	27	24	25	3	24	24	0
Total OECD	1667	1264	1592	328	1,842	1570	1749	1859	1755	163	2093	1785	2146	2234	2065	310	2325	2431	106
Brunei	3	3	3	0	2	3	3	2	3	0	1	2	3	2	2	-1	4	3	-1
India	50	55	60	5	64	68	71	76	70	10	76	76	81	84	79	9	82	81	-1
Malaysia	11	14	14	0	15	15	13	13	14	0	12	14	14	13	13	-1	14	16	2
Papua New Guinea	1	1	2	1	3	2	0	1	2	0	1	2	2	2	2	0	3	3	0
Vietnam	8	9	9	0	8	9	8	7	8	-1	8	10	10	10	9	1	11	9	-2
Asia others	22	30	29	-1	27	31	31	31	30	1	35	36	36	37	36	6	43	37	-6
Other Asia	95	111	117	6	119	128	127	130	126	9	133	140	146	148	142	16	157	149	-8
Argentina	71	49	60	11	64	73	73	74	71	11	74	76	78	79	77	6	80	76	-4
Brazil	28	27	26	-1	24	26	26	26	26	0	26	27	28	27	27	1	34	32	-2
Colombia	15	11	11	0	8	9	9	11	9	-2	13	12	16	19	15	6	18	21	3
Ecuador	10	9	9	0	7	9	12	12	10	1	10	12	11	13	12	2	12	12	0
Peru	4	2	3	1	2	2	3	3	2	-1	3	4	3	3	4	2	3	2	-1
Trinidad & Tobago	5	4	3	-1	3	4	4	4	4	1	3	2	2	4	3	-1	3	2	-1
L. America others	7	5	4	-1	6	6	3	4	5	1	3	4	3	5	4	-1	6	6	0
Latin America	141	106	116	10	114	127	129	134	126	10	133	138	141	151	141	15	156	151	-5
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	35	34	-1	34	32	-2
Syria	19	22	24	2	24	24	23	23	24	0	21	20	22	23	22	-2	22	22	0
Yemen	6	9	9	0	7	8	9	11	9	0	10	11	13	14	12	3	14	14	0
Middle East	50	62	70	8	69	68	69	73	70	0	69	71	73	75	72	2	73	71	-2
Angola	5	5	4	-1	4	3	3	3	3	-1	3	3	3	2	3	0	3	4	1
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	2	2	0	0	0	0
Egypt	22	23	26	3	27	28	29	28	28	2	28	30	28	30	29	1	32	32	0
Gabon	2	2	3	1	2	2	2	2	2	-1	2	3	2	2	2	0	1	2	1
South Africa	1	1	0	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Africa other	4	12	13	1	15	18	20	22	19	6	23	21	19	23	21	2	23	22	-1
Africa	36	43	48	5	48	53	56	57	54	6	58	58	54	60	58	4	59	61	2
Total DCs	322	322	350	28	350	376	381	394	376	26	393	407	414	433	412	36	445	432	-13
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	3	1	2	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	2670	2479	347	2772	2865	93

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

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Data is provided by Data Services Department.

Data Summary — March 2006

OPEC Basket average price

US$ per barrel

↓ down 1.85 in February

February 2006	**56.62**
January 2006	58.47
Year-to-date	57.57

February OPEC production

in million barrels per day, according to secondary sources

Algeria	1.38	Kuwait	2.54	Saudi Arabia	9.39
Indonesia	0.92	SP Libyan AJ	1.68	UAE	2.50
IR Iran	3.80	Nigeria	2.32	Venezuela	2.60
Iraq	1.77	Qatar	0.81	**TOTAL**	**29.71**

Supply and demand

in million barrels per day

2005		**2006**	
World demand	83.0	World demand	84.5
Non-OPEC supply	54.4	Non-OPEC supply	56.1
Difference	**28.6**	**Difference**	**28.4**

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

Stocks

US commercial oil stocks at 1,024 mb stood 5% above a year ago despite a marginal seasonal draw in February

World economy

World GDP growth unchanged at 4.6% for 2005 and revised up to 4.4% for 2006

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Data covers period up to end of February 2006 unless otherwise stated