OPEC bulletin

1/09

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151st Extraordinary Conference

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Coping with the challenges of a bleak outlook

Two thousand and nine has witnessed the darkest New Year for the global economy for at least a generation. Indeed, parallels are being drawn increasingly with the Great Depression of 1929 and the early 1930s. Let us hope that these extreme concerns turn out to be misplaced.

Nevertheless, the widespread pessimism is easily understood, in the light of the malaise that has affected industry, trade and commerce over the past half year, highlighted by the crisis in the world financial sector, the onset of recession in many countries, bankruptcies, falling house prices, car industries on the verge of collapse, rising unemployment, shelved or abandoned investment plans — and the pervasive feeling that the worst is yet to come.

Much midnight oil has been burnt, as desperate governments — individually and collectively — wrestle with the deteriorating situation, as it expands globally, to at least limit the damage in the near term, while accepting that more solid and durable measures are needed for the longer term.

Importantly, attitudes are changing, with Keynesian interventionalist policies for stimulating faltering economies being favoured increasingly over the free market monetarist approach, which has been so prevalent in industrialized countries over the past quarter of a century.

The outlook for the international oil market in 2009 and beyond is governed, to a great extent, by these events on the global economic stage.

However, things cannot get much worse for the market than they were in 2008, with the price of OPEC's Reference Basket falling by around $107/barrel in the second part of the year, after rising by nearly $50/b in the first part. Indeed, record levels were reached in early July. The unyielding volatility, which saw daily swings of as much as $16/b, was disturbing, disruptive and damaging for everything from day-to-day business to the investment that is so vital to the future of the industry.

As is well known, the main reason for that unacceptably high level of volatility was speculators treating crude oil futures as financial assets and increasing activity on futures markets by huge amounts, and then rapidly pulling out when the tide changed across the poorly regulated global financial sector.

As OPEC's Secretary General, Abdalla Salem El-Badri, told the London meeting of energy ministers in December 2008, there is now a sense of urgency to improve transparency and regulation in the world's financial markets. The hijacking of the oil-price mechanism by unruly, greedy elements of the financial community can never be allowed to happen again.

Thus, as we settle uneasily into 2009, we do so with apprehension about what awaits the oil industry during the year, at a time of much uncertainty about the market outlook and growing retrenchment in expenditure and resources across the board.

The dark cloud that hangs over the world economy is expected to continue having a dampening effect on oil demand this year. This, in turn, may put added downward pressure on oil prices, at a time when they are at about half the levels considered necessary to support investment in future production capacity. In short, sustained low oil prices today may mean volatile high prices not too far in the future.

There are no easy paths to follow, in handling the present situation, for parties like OPEC, which remain committed to sustained order and stability in a balanced, equitable international oil market, as well as the need for reasonable financial returns for its Member Countries, as would be expected for the owner of any economic resource.

Prioritizing is necessary. This is why, after careful and repeated consideration, backed-up by sound research, the Organization continues to focus on achieving sound market fundamentals, with secure, steady and adequate supply both today and in the future. This means, among other things, trying to handle, with vision, fairness and sustainability, the serious discrepancy between spot prices and the required investment-supportive prices of crude.

Nevertheless, despite this bleak start to the year, we remain confident about the ability of the oil industry to rise to the new challenges facing it, in support of an early return to sound world economic growth and the general enhancement of mankind. And here, we once again call upon the steadfast commitment of all parties in the market, to join OPEC in its efforts to achieve lasting order and stability.

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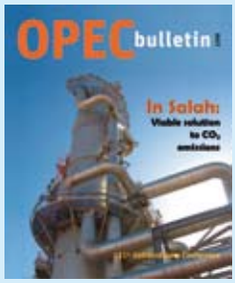

Cover
A gas separation unit at the In Salah carbon sequestration plant, Algeria (see feature on p30). Photo: Diana Golpashin.

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

Contributions

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

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Oran hosts 151st OPEC Conference

by Angela Ulumna Agoawike

The Meeting did not deviate from what has become OPEC's established style for Extraordinary meetings — a one agenda gathering focusing on the state of the oil market which, in recent times, has witnessed a high level of volatility.

There was tremendous build-up to the Conference and the market eagerly awaited the decision. Even with the heightened expectations, one thing was clear before the Ministers began to converge on Oran — there was going to be a production cut — one steep enough to bring about stability, but without harming the market.

But before the Conference proper, there were formalities to be taken care of: a welcome reception at the airport for each Head of Delegation; and a formal welcome dinner hosted by the Conference President, Algeria's Energy and Mines Minister, Dr Chakib Khelil at the

Left: President of the Republic of Algeria, Abdelaziz Bouteflika, addressing delegates to the 151st (Extraordinary) Conference.

towering Mediterranean seaside Sheraton Hotel and Towers Oran.

Welcoming the Ministers to Algeria, President of the Republic of Algeria, Abdelaziz Bouteflika, said his country was pleased to host its second OPEC Extraordinary Conference in four years. He noted that the Meeting was being held at a time when the world's economy was rife with uncertainty, a development which would reflect very strongly on the economies of OPEC Member Countries in both the short- and mid-terms. Already, he noted, an outcome of the prevailing situation was a slowdown in economic activities which had impacted growth and reduced demand for oil, thus contributing to a fall in income for Member Countries.

Above (l–r): Dr Falah J Alamri, Iraqi Governor for OPEC and then Chairman of the OPEC Board of Governors; Dr Chakib Khelil, Minister of Energy and Mines of Algeria, then President of the OPEC Conference; Abdalla Salem El-Badri, OPEC Secretary General.

Above: Hamid Dahmani (l), Algeria's Governor for OPEC; with Fayçal Abbas (c), Secretary General, Ministry of Energy and Mines; and Mohamed Meziane (r), President and CEO of the national oil company, Sonatrach.

Below: Gholamhossein Nozari, Minister of Petroleum, Islamic Republic of Iran.

According to the Algerian President, the year 2008 was characterized by a level of financial and economic crisis not witnessed in a long time, bringing back memories "of the crisis of 1929 and the incredible depression that followed." Despite all efforts made by OPEC to ensure oil market stability, he continued, the activities of speculators and economic policies that eventually led to the present financial crisis caused significant market fluctuations. Even then, he said, OPEC was still working hard to bring stability to a market that had lost 50 per cent of its value in two months. Bouteflika commended the earlier decision taken by the Conference in October 2008 which, he said, sought to correct the supply/demand balance, in order to stabilize the market.

Sacrifices made

Noting that volatility caused great damage to all economies, whether they were producers or consumers,

Above: Eng José Maria Botelho de Vasconcelos (c), Angolan Minister of Petroleum and OPEC Conference President for 2009; with Mateus Morais de Brito (r), Administrator of the national oil company, Sonangol; and José Paiva (l), Head of Sonangol, UK.

Left: Reda Hamesh, Head of the Organizing Committee of the Oran Conference; pictured with Hamid Dahmani, Algeria's Governor for OPEC.

Right: Yuli Mumpuni, Ambassador of Indonesia to Algeria, Head of the Indonesian Delegation.

Below: Eng Derlis Palacios Guerrero (l), Minister of Mines and Petroleum of Ecuador; with Eng Luis Cabrera (r), Assistant to the Minister of Mines and Petroleum.

Eng Mohammed A Al-Aleem (c), then Minister of Oil and Minister of Electricity and Water, Kuwait; with Siham Abdulrazzak Razzouqi (l), Kuwaiti Governor for OPEC and Chairperson of the OPEC Board of Governors for 2009; and Shukri Al Shraim (r), of the Kuwait Embassy in Algeria.

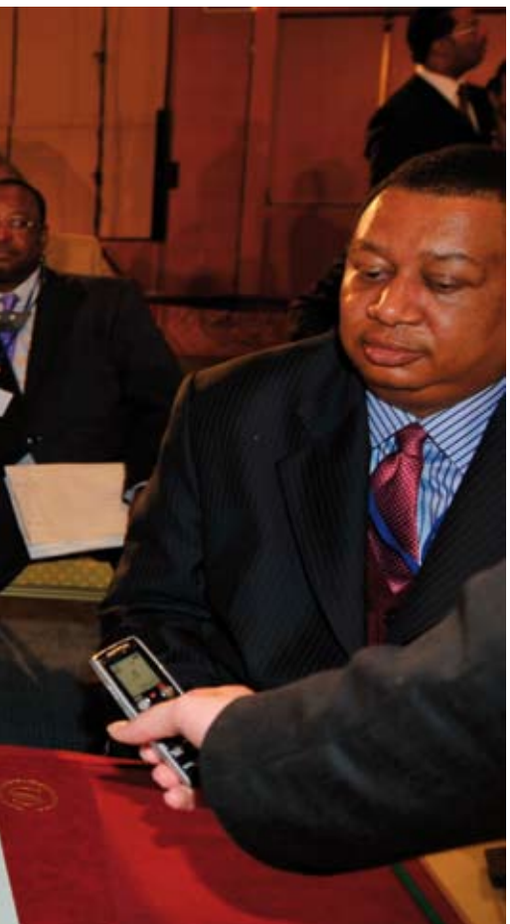
Bouteflika spoke of the importance of remembering the huge sacrifices that OPEC Member Countries were making in maintaining spare capacity — in order to satisfy any unexpected rise in demand, or make up for supply shortfalls, occasioned by natural disasters like those caused by the hurricanes that hit the Gulf of Mexico in 2008.

He warned that the present demand slowdown, which was an economic rather than energy crisis, would definitely lead to production adjustments. Bouteflika also questioned the rationale for continued flooding of the market with large quantities of fuel when there were no buyers. The rules of best practice, he reminded the gathering, "beholds on us to take decisions that are wise from the economic side and fair from the human side."

Right: Odein Ajumogobia (SAN) (l), Minister of State for Petroleum of Nigeria; and Mohammed Sanusi Barkindo (r), new Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), and newly appointed Governor for OPEC.

Far right: Dr Hussain Al-Shahristani (l), Minister of Oil, Iraq; with Dr Falah J Alamri (r), Iraqi Governor for OPEC and then Chairman of the Board of Governors.

Dr Shokri M Ghanem (c), Chairman of the Management Committee of the National Oil Corporation, SP Libyan AJ; with Dr Abdulmula Ghadban (l), Ambassador of the SP Libyan AJ to Algeria; and Dr Abdullah Ammar Ballut (r), SP Libyan AJ Governor for OPEC.




ifri
QATAR


UAE

Above: Ali I Naimi (c), Minister of Petroleum and Mineral Resources, Saudi Arabia; with Dr Majid A Al-Moneef (r), Saudi Arabia's Governor for OPEC; and Ali H Twairqi (l), Head of the Office of the Minister of Petroleum and Mineral Resources.

Above left: Abdullah bin Hamad Al Attiyah (c), Deputy Premier and Minister of Energy and Industry of Qatar; with Abdulla H Salatt (r), Senior Advisor to the Minister; and Ali Naimi (l), Qatar's Ambassador to Algeria.

Left: Mohamed Bin Dhaen Al Hamli (c), Minister of Energy of the United Arab Emirates; with Ali Obaid Al Yabhouni (r), UAE Governor for OPEC and National Representative; and Mohamad A N Al-Wali Al-Mazrouie, UAE Ambassador to Algeria.

He expressed confidence that the maturity of OPEC would ensure that whatever decisions were made at the Meeting would be in the best interest of the global economy. According to him, it was a measure of Algeria's commitment to such a goal that it had invited Member Countries to Oran to deliberate and come up with decisions that would prevent a total collapse of the oil market. He expressed the hope that the industrialized countries would take fair and solid actions in this regard.

In his opening address, Khelil noted that the overall purpose of the Meeting was to reassess the outlook for the international oil market, at a time when the turmoil in the world's financial sector had so severely and negatively impacted the price of oil. The development, he said, had led to the convening of two Extraordinary Meetings after the Organization's September Meeting in Vienna.

Khelil highlighted the various efforts the Organization had made in the wake of the financial crisis, particularly in the two months preceding the Extraordinary Meeting, in its bid to stabilize the market. He noted the decisions

Rafael Ramírez (c), Venezuelan Minister of Energy and Petroleum; with Dr Bernard Mommer (r), Venezuela's Governor for OPEC; and Hector Michel Mujica (l), Ambassador of Venezuela to Algeria.

of the October 24 Meeting, where the Conference cut production by 1.5 million barrels/day.

"As prices continued to fall, we held a Consultative Meeting in Cairo on November 29. There, after careful consideration of recent events, we decided to wait a little longer — that is, until today — before considering whether further action should be taken in the market. This would give us more time to monitor the effect of the October agreement," Khelil said.

Hard decisions

Despite the measures taken by OPEC to stabilize the market, oil prices continued to decline, bringing them to a level that, he said, was not sustainable for the long-term prospects of the oil industry. As had been widely agreed within the industry, such a situation was not conducive for investment in the sector.

"In the light of all this, decision-makers have had to rapidly reassess the viability of both existing and planned investments, and hard decisions have had to be made. This is bad news for the industry and for producers and consumers alike," commented Khelil.

"There is widespread agreement that, in spite of the short-term setbacks, such as those we are witnessing today, world oil demand will continue to rise for decades to come," since, according to him, "the world needs secure, regular supplies of oil to meet this demand in a timely and sufficient manner and OPEC, with more than three-quarters of the world's proven crude oil reserves, recognizes the big role it has to play ... and is committed to it." To achieve this, however, "a stable investment climate is needed to bring onstream new capacity. And, so, when oil prices are very low and there is continued volatility, as we are seeing now, there will be, inevitably, a scaling-back of investment plans.

"If this situation continues for too long, it will mean supply shortages in the future, as well as a new round of volatility and uncertainty from which all parties will suffer," Khelil pointed out.

Continuing, the Conference President noted that the world economic outlook was not expected to improve

over the winter and as the global economy was slowing down faster than expected, forecasters were increasingly suggesting that oil demand would fall next year.

Noting that OPEC had "a long-established record in meeting the challenges it faced, however tough they may be," Khelil said that OPEC would review the prevailing situation and respond appropriately. In this way, the Organization would continue to support market order and stability for the short-, medium- and long-term.

"The challenge facing the oil market today," said Khelil, "is clearly a formidable one. Notwithstanding this, we shall rise to this challenge — as in the past — and achieve our objective of stabilizing the oil market through collective discipline and adherence to our decisions. In doing so, we shall reinforce OPEC's credibility in the market, as an Organization that is prepared to act at all times, in the interests of sustainable order and stability."

OPEC recognizes that there is only so much that the Organization can do in the quest for stabilizing the global oil market. All stakeholders in the industry need to play a part in this regard.

Khelil called on "non-OPEC producers to contribute to our efforts to restore market stability and eliminate harmful and unnecessary price fluctuations."

In doing this, Khelil sounded a note of caution on the need to ensure that the world's least developed countries, which were most vulnerable to economic crisis, "are well-cushioned from the impact of the present global crisis. They should not end up as the biggest victims of the crisis — as is so often the case on global issues — as they continue their pursuit of the Millennium Development Goals."

Also present at the Oran Conference were observer countries, which included Azerbaijan, the Sultanate of Oman, Russia and Syria.

In a goodwill message to the Conference, Azerbaijan, represented by its Industry and Energy Minister, Natiq Aliyev, thanked the Conference President and the people of Algeria for providing an excellent working environment for the sharing of views and ideas on how to enhance global energy security. Aliyev noted that his country believed strongly that stability of supplies and security of

Natiq Aliyev, Minister of Industry and Energy of Azerbaijan.

Mohammed bin Hamad Al Rumhy, Oman's Minister of Oil and Gas (c); with Ali bin Abdulla Al-Alawi (l), Ambassador of Oman to Algeria; and Salah bin Salim Al Harthy, Member of the Omani Delegation.

transportation of energy products to the market were the most important and essential factors of sustainable development.

He also used the opportunity to enlighten the Conference on the outcome of a November 14, 2008, Energy Summit of heads of state, government and high-level representatives of 20 countries of the European Union. At the Summit, which took place in Baku, the EU representatives, he said, "expressed their adherence to the diversification of hydrocarbon sources, as well as the rules of transportation to consumers, on the basis of principles of market economy, transparency, freedom of competitiveness and mutual benefits." He added that the Summit acknowledged the Caspian region as one of the largest centres of production of hydrocarbon resources and transportation of energy to international markets and, therefore, represented a significant element in the system of the Euro-Asian oil transport corridor.

The Summit, therefore, considered the need for the diversification of routes of oil and gas supplies from the Caspian Basin to the world and European markets and expressed support for the establishment of the multi-sector transportation infrastructure to transport Azerbaijan's energy resources to regional and European markets. This, he said, was to enable it meet more fully the needs of these states.

Oman's Minister of Oil and Gas, Mohammed bin Hamad Al Rumhy, in his remarks, thanked OPEC for what he described as the Organization's "continuous support for Oman's role in the non-OPEC observer status."

The minister reminded the conference of how OPEC — and indeed, non-OPEC countries — had rallied together in the past to increase production when the need arose, noting that, at present, the scenario pointed to the opposite direction and there was, therefore, the need for producers and exporters to act in order not to "fail consumers, as well as ourselves — the producers and exporters."

In his remarks, Russia's Deputy Prime Minister, Igor Sechin, who led his country's delegation, observed that

the focus of the day's discussions was the analysis of the impact of the global economic crisis on the oil industry and the need to work out a package of measures aimed at preventing these challenges in the future, rather than simply looking for immediate answers to present challenges.

He recounted the volatility that had beset the oil market towards the end of 2008, a development that saw prices decline heavily between August and November, noting that it was the global oil and gas industry that was mostly hurt by the crisis.

Market manipulation

According to Sechin, in the period 2000–08, large-scale manipulation resulted in stock exchange derivative instruments becoming the most unstable segment of the financial system. He noted that current developments showed that "it was not oil-exporting countries that provoked the crisis and caused its escalation." On the contrary, he said, oil-exporting countries fell victim to decisions of others which, he said, significantly destabilized the market.

Sechin also spoke on how current low prices had affected Russia's daily oil production. He told the Conference that Russian companies had had to decrease their crude oil exports by 350,000 b/d and that if the current price trend remained on the global oil market, "the Russian oil industry will have to decrease supplies by 320,000 b/d next year [2009] and, as well, cut down investments." This, he said, may result in a more substantial decrease of production in the near future.

"In a highly inertial and capital consuming industry as the oil sector, such measures," he warned, "might have long-term negative consequences."

Continuing, Sechin said the Russian government was paying close attention to the country's oil industry with the aim of establishing a "mechanism that would reserve oil fields, volumes of produced oil and refined products, in order to prevent speculative market fluctuations and to be more flexible to changes in demand. Responsible oil market players should focus on potential ways of stabilization in the strategic perspective."

He also called for the diversification of the grades of oil for setting market prices, rather than the exclusive

Igor Sechin (c), Russia's Deputy Prime Minister; with Sergey Shmatko, Minister of Energy (l); and Vadim Vasskov, interpreter (r).

Eng Sufian Al-Alao (c), Minister of Petroleum and Mineral Resources of Syria; with Dr Numair Ghanem (l), Ambassador of Syria to Algeria; and Eng Ali Abbass (r), Member of the Syrian Delegation.

use of West Texas Intermediate (WTI) and Brent grades. He called for the use of grades produced in OPEC Member Countries and Russia, as, according to him, "we consider the current practice of applying differentials for the recalculation of oil prices based on WTI and Brent grades to be inappropriate and unfair."

Sechin also floated the idea that "objectively increasing costs of discovering and developing green fields should be reflected in the oil price and more importantly in the oil price forecasting," pointing out that the oil price should reflect these objectively growing costs, rather than speculation on commodity exchanges. Such an approach may form a basis for reliable long-term relations. This, he said, was important, not only for oil-producing countries, but also for any country concerned about a stable and predictable development of its economy.

He noted that the issue of pricing oil in just one currency was worth discussing, as there was an objective need to update the pricing mechanism, including potential use of a basket of regional currencies and the establishment of new trading floors geographically close to oil-producing regions like Saint Petersburg, Astana, Shanghai, Riyadh, London or Zurich, and consuming regions with a unified trading rule. According to Sechin, Russia had already started such work and the Saint Petersburg International Commodities Exchange had been established in accordance with the decision of the Russian government.

He noted that his country's energy policy was built on the "principles of predictability, responsibility and mutual trust in meeting the interests of producers, consumers and transit countries." In pursuing this policy, Russia was ready to boost dialogue with all partner countries and, certainly, with leading intergovernmental institutions such as OPEC. This, he said, was why his country "initiated a regular energy dialogue between Russia and OPEC, the main players on the global energy market."

Full support

Also speaking, Syrian Minister of Petroleum and Mineral Resources, Eng Sufian Al-Alao, conveyed to the Conference the "full support and cooperation" of the Syrian Arab Republic towards the realization of OPEC's goals and objectives of a fair, just and balanced stand between oil producers and consumers interests."

Thereafter, the Conference broke for lunch, hosted by President Bouteflika, after which delegates went into a closed session where they considered the recommendations of the OPEC Ministerial Monitoring Sub-Committee, as well as a submission from the Secretary General on oil market developments.

A communiqué after the Ministerial Meeting (see opposite), announced a decrease in production of 4.2m b/d from the actual September 2008 OPEC-11 output of 29.045m b/d, effective January 1, 2009.

Members of the OPEC Management team pictured with OPEC Secretary General, Abdalla Salem El-Badri (fourth from left), at the Oran Conference: (l–r) Abdullah Al-Shameri, Head, Office of the Secretary General; Dr Omar Farouk Ibrahim, Head, PR & Information Department; Mohamed Hamel, Head, Energy Studies Department; Dr Hasan M Qabazard, Director, Research Division; Fuad Al-Zayer, Head, Data Services Department. Below: (l–r) Alejandro Rodriguez Rivas, Head, Finance and Human Resources Department; Mohammad Alipour-Jeddi, Head, Petroleum Studies Department; and Dr Ibibia L Worika, General Legal Counsel.

Algerian President addresses Oran Conference

by Angela Ulumna Agoawike

The 151st (Extraordinary) Meeting of the OPEC Conference, which took place in the country's north-western port city of Oran on December 17, 2008, received a boost from Algeria's President, Abdelaziz Bouteflika, who not only declared the Conference open, but also hosted Conference delegates to a luncheon.

With the Meeting being held against a background of unprecedented financial and economic crisis, the President, in his welcome address, said the existing situation "reminded us of the 1929 crisis and the enormous stagnation that followed" and which "may have major consequences for our countries in both the short, as well as in the long term."

He also welcomed the decision of the Conference in October 2008 to adjust oil supply, in order to stabilize the market as, according to him, experience had shown that a lack of control of the oil market leads to price fluctuations that do not serve the interests of the producers, the consumers, or the oil industry in general.

Flashback

Going down memory lane, Bouteflika noted that it was to ensure market balance that OPEC was established almost 50 years ago. For the founding fathers, the fulfilment of this objective against a background of a fair price that generates revenues for the producing countries and ensures adequate supply to the industrialized consuming nations was vital.

Continuing, the President said it was Algeria's belief in these ideals that made it join OPEC in 1969 and since then it has worked very hard to help the Organization achieve its objectives. In this regard, Bouteflika noted the role his country played in initiating the first OPEC Summit of Heads of State and Government, which took place in Algiers in 1975, two years after the oil crisis of 1973. At the Summit, OPEC leaders committed themselves to the principle of sovereign control over their natural resources and expressed solidarity with developing countries through the establishment of an OPEC Special Fund (which later became the OPEC Fund for International Development, OFID), geared towards international development.

Since then, he said, OPEC Heads of State had met twice more — in Caracas, Venezuela in 2000 and in Riyadh, Saudi Arabia in 2007 where they took far-reaching decisions that reinforced the principles upon which the Organization was founded. These decisions were in areas with new challenges like environmental conservation, an area the Organization showed its willingness to contribute to, within the context of sustainable development.

Impact of the financial markets

The year 2008 was a "crazy" one for the world economy with its concomitant effect on the oil market and oil prices. This did not escape mention by Bouteflika, who noted that despite OPEC's huge investments in capacity expansion projects to ensure increased oil supply to the consumers, factors such as the unstable situation in the stock markets, led to prices being pushed up to record levels in 2008.

"This Organization repeatedly pointed out to consuming countries the consequences of the uncontrolled

trading in stock markets, which increased oil prices to levels that do not reflect a balance between supply and demand.

"The Organization increased its production after the Jeddah meeting, which was evidence of the commitment by producing countries to contributing to reducing prices to acceptable levels and to supply the market with sufficient quantities.

"Today, and notwithstanding the efforts of OPEC, oil markets still witness fluctuations as a result of irresponsible economic policies which led to the collapse of the financial sector and to the crisis the international economy experienced at the end of 2008," stressed the Algerian President.

Despite all these events, Bouteflika said, OPEC, whose share of the oil market "barely reaches 40 per cent of international production, seeks to meet the challenge of stabilizing the oil market", which, he observed, lost more than 50 per cent of its value within a space of two months.

Present situation

Speaking on the existing economic crisis and dwindling fortunes of the oil market, Bouteflika pointed out that the crisis was primarily a financial one and not an energy crisis, as it was caused by the dominant economic model.

Continuing, he said: "There is no need to remind you of the great sacrifices that OPEC Member Countries made in order to maintain their reserves, to be able to meet any urgent requirements, or to fill any sudden gap in supply," as happened when production in the Gulf of Mexico was halted because of the destructive effects of hurricanes there.

Presently, said Bouteflika, "the reduced demand, as a result of the international economic stagnation, should definitely lead to an adjustment of supply." He queried the sense in the continued flooding of the market with crude oil when there were no buyers, noting that "we are required to make decisions which are economically sound and, at the same time, fair."

OPEC's actions

It is a known fact that, for OPEC Member Countries, oil proceeds account for the larger part of their revenue. With this in mind, the Algerian President cautioned that "while it is legitimate for producing countries to defend their interests and maintain their share of development, they cannot assume a spectators' position, while their revenues diminish rapidly."


Reuters

Algeria's President, Abdelaziz Bouteflika.

Reuters

However, the loss of confidence as a consequence of the financial crisis, led the Organization to adopting decisions that differed from those reached at its September 2008 Meeting and "Algeria, which is the current President of the Organization, called for an emergency meeting to assess the consequences of the reduced demand, in order to combat the decrease in prices."

The OPEC Meeting on October 24, 2008, he said, demonstrated the potential of the Organization to respond to prevailing situations, while the decision to lower its production ceiling by 1.5 million barrels/day, confirmed the Organization's determination to combat the collapse in prices.

Bouteflika called on OPEC to continue working towards achieving market stability, in the interests of all parties — producers and consumers, alike.

Ending on a hopeful note, the Algerian President expressed full confidence in the maturity of OPEC and the ability of the Conference to take into consideration the impact of its decision on the international economy and expressed his wish that the industrialized countries "will manage to reform, in order to achieve sustainable economic growth to be shared by everyone."

Welcomed by the President ...

Abdelaziz Bouteflika, President of the Republic of Algeria, gave the welcoming address to the 151st (Extraordinary) Meeting of the OPEC Conference in Oran and also hosted a luncheon for the Ministers and delegates. Here the President is seen welcoming OPEC Ministers and Heads of Delegation.

He is pictured shaking hands with (from top to bottom, left to right): Eng Jose Maria Botelho de Vasconcelos, Angola's Minister of Petroleum and OPEC Conference President for 2009; Odein Ajumogobia (SAN), Nigeria's Minister of State for Petroleum; Abdullah bin Hamad Al Attiyah, Qatar's Deputy Premier, Minister of Energy and Industry; Eng Derlis Palacios Guerrero, Ecuador's Minister of Mines and Petroleum; Gholamhossein Nozari, Iran's Minister of Petroleum; Dr Hussain Al-Shahristani, Iraq's Minister of Oil; Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources; Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates (UAE); Yuli Mumpuni, Ambassador of Indonesia to Algeria and Head of the Indonesian Delegation; Eng Mohammed A Al-Aleem, Kuwait's Minister of Oil; Dr Shokri M Ghanem, SP Libyan AJ Chairman of the Management Committee of the National Oil Corporation; and Rafael Ramírez, Venezuela's Minister of Energy and Petroleum.

The final picture shows a group photograph of the President with the Ministers, Heads of Delegation and some delegates.


وزارة الطاقة و المناجم
Energy and Mines


وزارة الطاقة و المناجم
Ministry of Energy and Mines

Reducing stocks is OPEC's biggest hurdle

The following interviews were conducted during the 151st (Extraordinary) OPEC Conference in Oran, Algeria, by the OPEC Secretariat webcast team, led by moderator Eithne Treanor.

Stanley Reed
Bureau Chief, Business Week, London

Asked about OPEC's actions in the current oil market situation, **Stanley Reed, Bureau Chief of Business Week in London,** said that with the level of oil demand likely to keep falling and inventories set to build, the Ministers had no choice other than to cut production.

"No one realized just how quickly the world economy was cooling off and this situation has just killed demand," he observed.

He maintained that the world was most probably using 2.5 million barrels/day less oil that at the same time last year, which represented a massive drop in demand.

"We just do not know how bad things are going to get and I do not feel we are through the worst of it yet," he said.

Reed noted that if crude prices stayed low, the producer countries stood to be hurt very badly, especially countries like Iran and Venezuela that had to support large populations and needed the extra oil revenue to pay for imports and social services.

"The calculations are that Iran probably needs an oil price of around $80/b and Venezuela around $100/b. Even Russia needs about $100/b and that is why they are so enthusiastically supporting the OPEC Meeting," he stated.

"The caveat here is that if the world economy continues to worsen. A lot of people are expecting it to recover in the second half of 2009, but I do not think that is a given at all. We are maybe in for a longer haul than that," he added.

Stanley Reed

Catherine Dourian
Middle East Editor, Platts, UAE

Commenting on the OPEC Conference, **Catherine Dourian, Middle East Editor of Platts in the United Arab Emirates,** said that talk before the Meeting of a 2m b/d production cut showed the seriousness OPEC attached to the current market situation.

She said the problem with high stocks was not just the inventories in the consuming countries, but also the amount of floating storage.

Catherine Dourian

"They have to get rid of these excess barrels before they can even think about stabilizing the market. And then there are the effects of the unknown factors, like the economy and the financial crisis and the sharp fluctuations in the US dollar," she said.

Dourian said that Member Country compliance with the production cuts was going to be key for OPEC.

"Then there is the recession in Japan and the US and other OECD countries to consider. Added to that is a slowdown in demand in the non-OECD countries, such as the Middle East and China. It is a very uncertain situation."

Dourian maintained that the only option OPEC had at the moment was to keep cutting back and to wait and see if the market would stabilize and demand pick up.

"People are now talking about a supply crunch coming further down the line if investment in future supply falls as a result of the low oil price. There is the added problem of the financial crisis, which is preventing credit from becoming available.

"The potential is for a lot of projects to be delayed, postponed or scrapped altogether and further down the line, no one knows when, there is the potential for a supply crunch.

"In the past, we have seen oil shocks caused by one factor or another, but we have not seen a combination of everything coming together all at once. Some people have called it 'the perfect storm' — even before it escalated. That makes it very difficult to read what is going on — one has to consider so many things," she concluded.

Carola Hoyos
Chief Energy Correspondent, Financial Times, London

Asked to comment on what actions OPEC could take to improve the oil market situation, **Carola Hoyos, Chief Energy Correspondent at the Financial Times in London,** said the Ministers had to take action to remove the stock overhang in the market before they could get to the heart of the matter and prices moving again.

"They are very aware of this and the first quarter of any year is always critical when they will need a stockdraw and not a build. This is why they are acting now and this is what they have their eye on," she said.

Hoyos noted that there were some 57 days of forward demand cover at present and OPEC would like this to be down to 52 days.

"We are also seeing a lot of floating storage in tankers, which just goes to show that there is a lot of oil out there and just how important this meeting is."

Hoyos maintained that OPEC had a huge task in front of it. "The fact is that when oil prices go up, they take the stairs — and when they come down they take the elevator. We have seen a drop of over $100/b in just five months — that really is a dramatic fall," she said.

But she said that anything OPEC did now would not be reflected in the market straight away. Prices might go up by a dollar or two, but that would not really help.

"We are now in the $40/b range and OPEC Members are saying that $75/b is a fair price. I feel the Ministers just have to concentrate on the medium term and try and block out what the market is doing."

Carola Hoyos

Hoyos pointed out that the correlation between the oil price and the equities market was now at around 95 per cent. "Just a few months ago, it was at 12 per cent. What that is telling us is that the equities market is really driving the oil price and for the moment there is relatively little OPEC can do.

"But what they can do is work on the fundamentals and reduce the inventories going forward. They do not want to find themselves in the position they were in during 1997–98 and if it goes wrong and they do not make the cuts they are pledging, then they could find themselves back there," she professed.

Added Hoyos: "OPEC is still terribly important in what it is trying to do, whether or not it can work in this current maelstrom of economic problems."

Mohamed Meziane
President & CEO, Sonatrach, Algeria

Asked what impact the lower oil price was having on the Algerian national energy company, **Sonatrach, Mohamed Meziane, its President and Chief Executive Officer,** said the lower prices were affecting the company's revenues.

Sonatrach was initially projected to realize revenues of $80 billion in 2008, but that would now be $4bn, or $5bn lower than projected.

"And if the price continues to remain at the same low levels, the impact on Sonatrach will be higher in 2009," he pointed out.

Meziane said Sonatrach was committed to a five-year investment plan, which started in 2008. This included upstream, downstream and transportation projects. These schemes would be financed through Sonatrach's cash flow and were firm schemes that would be implemented through to 2012.

"The company's analysts have looked at the situation and until now they are sure the projects they are planning will be implemented," he said.

"We will not be so impacted by the current situation, unless the price goes a lot lower. If it goes down to $30/b, then we might have to review some of our future projects — but not the ones already planned," he explained.

Mohamed Meziane

Meziane noted that the Sonatrach group was extending its activities in response to the political orientation of the country.

"We are investing in the desalination of water with

Sonelgaz, with some 13 units under construction. And we are investing in mining, power generation, and petrochemicals though partnerships. All these schemes are listed on our current investment programme," he explained.

The Sonatrach head said that one of the strategies of his company was to work in partnership with other companies.

"We started this process at the end of the 1980s, for upstream activities. Now we are progressing and using these partnerships for other projects, such as the desalination schemes, power generation and petrochemicals.

"Most of our projects today are realized in partnership with other firms. In some we have the majority stake and in others the minority share."

Asked what he thought the biggest challenge for oil company executives would be in 2009, Meziane said that as far as Sontarch was concerned, this would entail developing its human resources, to prepare the systems and procedures that would enable the company to be more reactive in and proactive to the changing environment.

"The world is changing and we have to change with it, to adapt the company on all aspects, including economical and technical aspects. In 2009, we will have a budget of $80 million for developing our human resources," he added.

Igor Sechin
Deputy Prime Minister, Russian Federation

Speaking on the deliberations of the OPEC Meeting in Oran, **Igor Sechin, Deputy Prime Minister of the Russian Federation,** said Russia had proposed to the Conference for it to consider his country's status as a permanent observer to the Organization.

"We would like to develop the joint forecasting of the development of the oil market. It could look at the development of new price indicators that would take into account not only the well known reputable grades, such as WTI and Brent, but also Russian Urals crude and Siberia Light," he said.

Speaking on domestic issues, Sechin said that as a result of the fall in oil prices, Russia was planning to cut its crude output by about 320,000 b/d. He said if supply was more than demand, then it was difficult to increase production.

Asked about the possibility of Russia joining OPEC, he said the gap between Russia and OPEC should be closed and "we are making proposals towards that end. We support the current coordination with OPEC, which is the biggest organization of oil-exporting countries.

He noted that the Russian Federation shares similar production levels with Saudi Arabia, "so naturally the two sides need to develop cooperation."

Sechin continued: "At the moment, there are different formats of cooperation between Russia and OPEC, but most important for us is to have the physical volumes that are traded to be equivalent to the financial instruments. Together with OPEC we are aiming to develop objective parameters."

He stated that, in 2008, Russia produced 488 million tons of oil and in 2009, depending on market conditions, this would be reduced by 16m t.

"But if the oil price declines dramatically, the oil companies producing the oil in Russia will have to follow that trend. We can only increase production when prices are at a fair level," he said.

Sechin said a fair price today was considered as being between $70–$90/b. "We do believe that with our cooperation with OPEC, the market situation will be improved."

He pointed out that all oil companies operating in

Igor Sechin

Russia were facing losses right now — losses that were running into hundreds of millions of dollars.

"If the catastrophic situation we have now continues, then there is a risk that strategic investment programmes will be reduced, which will lead to a loss in production," he warned.

Russia's budget for this year was based on an average oil export price of $70/b. The current forecast was $50/b.

"The oil industry is the main locomotive for industry in Russia and provides not only jobs in the oil sector, but other sectors as well," added Sechin.

The sights and sounds of Algeria

by Angela Ulumna Agoawike

For OPEC Member Countries, oil is not the only thing they have in common. They are nations with varied cultural identities — and identities they are never shy to display. Part of what makes OPEC unique is the diversity of its membership. In fact, the cultural diversity of the Organization's Member Countries forms an added attraction and one that draws people closer and makes them want to explore.

The 151st (Extraordinary) Meeting of the OPEC Conference held in December, in Algeria was, therefore, for the country, another opportunity to showcase its culture. And for this, Algeria could not have offered a better setting than Oran, its second-largest city. Founded by Moorish Andalusian traders, its culture is a blend of Spanish, French and Ottoman influences.

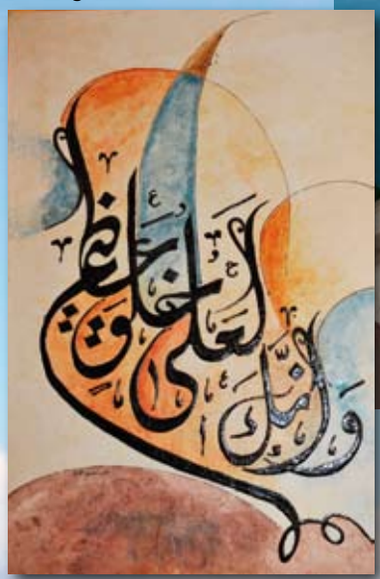
From the lobby of Oran's Sheraton Hotel and Towers, where young Algerian women, regal in their colourful traditional dresses, lined up to welcome the arriving ministers and guests, to the main conference hall, the route to which was littered with tents decorated with traditional crafts, art works and glass-cased displays of fashionable local dresses, and from the traditional Algerian music to the operatic on-stage display, it would not be wrong to say that Algerian culture is indeed a mix of cultural influences from different parts of the world.

At the pre-Conference dinner, hosted inside the spacious Salle Oran by Conference President and Algeria's Minister of Energy and Mines, Dr Chakib Khelil, guests were treated to mouth-watering dishes and traditional music. But this was a mere glimpse into what was to come at the post-Conference dinner, also held at the same venue on December 15. This dinner proved to be a classic display of the communalism of life of the Algerian and, indeed, African society. Virtual strangers found themselves eating from the same large dish of whole grilled lamb, or *Mechoui* ... and they did so without cutlery! And that for the Algerians is what makes it unique. If eaten with cutlery, then it is no longer *Mechoui*.

Above: OPEC Secretary General, Abdalla Salem El-Badri (immediate left), pictured with OPEC Ministers relaxing in a typical native tent.

Some of the musical groups and artists that performed at the dinners.

If the dinner was meant to put the delegates and guests in a relaxed mood that was bound to create a lasting impression, even after they had left Algeria, then, indeed, it worked. The delegates and guests laughed, giggled and passed around light-hearted comments as they tore into the *Mechoui*. And yes, it was also quite tasteful! For some people, it was a novelty that left them staring wide-eyed as the whole lamb was placed before them. But they could not resist the friendliness that pervaded the dinner hall and before they knew it, they too were tucking into the lamb, serenaded by the sonorous voices of the nine-man folk group that provided the music for the night.



The 16th century church of Our Lady of Santa Cruz (above) offers a breathtaking view over Oran port city. Also, the local artwork and dates are a major hit with tourists. Pictured below, delegates can be seen enjoying the Mechoui.

During their stay, the Secretariat delegation also took time out to drive around the picturesque port city of Oran and view the area from the highly-elevated fort of Santa Cruz (more than 1,000 feet above sea-level) — a legacy of colonial Spain — located on the Djebel Murtjadjo (the mountainous range which dominates the Oran skyline), Santa Cruz offers any tourist a breathtaking view of both the city and Mediterranean Ocean shoreline. The elevated location is also home to the renovated 16th century church of Our Lady of Santa Cruz, a major hit with tourists to Algeria and Oran in particular.

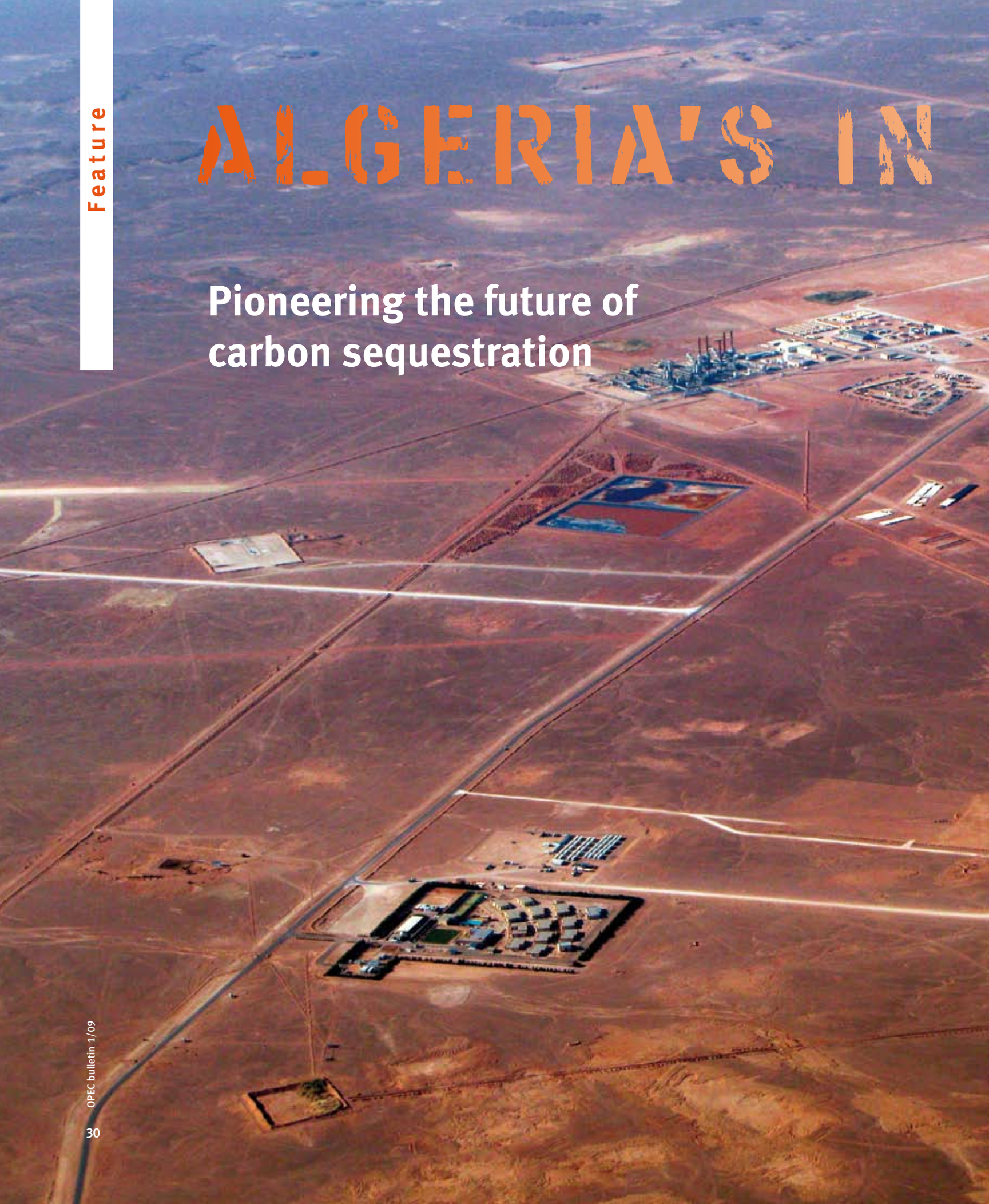
While the Conference lasted, dates, the sweet-tasting fruit usually eaten in their natural state, seemed to be part of every meal. Whether it was at the breakfast, lunch or dinner buffets, there were always plates of dates to savour. The Secretariat delegation also took the opportunity of its foray into the city at the end of the Conference to interact with the natives, especially the traders in the market in downtown Oran. At most stalls this delicate, sweet-tasting fruit was on display, attracting lots of customers — natives and foreigners alike.

Apart from eating them in their natural state, dates can be stuffed with ground almonds, pistachios, hazelnuts, or even fresh butter, accompanied by a glass of mint tea. So, on your next visit to Algeria, don't forget — make a date with dates!

Left: Resplendent colour of the traditional dress seen during the Conference. The group photograph shows the hostesses with Dr Najat Khelil, wife of OPEC Conference President, Dr Chakib Khelil, Algeria's Minister of Energy and Mines. She is seen talking to OPEC Webcast team moderator, Eithne Treanor.

ALGERIA'S IN

Pioneering the future of carbon sequestration



SALAH GAS

The In Salah gas (ISG) project in Algeria is a joint venture between the Algerian national oil company, Sonatrach, British Petroleum and Statoil of Norway. It involves the phased development of seven gas fields located in the Ahnet-Timimoun Basin of the country's Central Saharan region. Apart from making important gas resources available for domestic and European consumption, In Salah also operates one of the largest carbon capture and storage (CCS) schemes in the world, a pioneering technology that is demonstrating to stakeholders the viability of industrial-scale geological storage of carbon dioxide as a greenhouse gas mitigation option in the global environmental effort. The *OPEC Bulletin's* **Angela Agoawike,** recently visited Krechba, one of the gas fields of the ISG.

Aerial view of the ISG Krechba plant.

There is something about flying in to In Salah, in southern Algeria, that is eerily exciting. The sight of the remote area is somehow tantalizing, beckoning one to come on in and explore the loneliness engendered by the giant expanse of sand dunes stretching out over the horizon.

For a first-time visitor to the gas fields situated there, deep inside the Sahara Desert, there is an acute feeling of anticipation as the small aircraft, aided by the Saharan winds, approaches the landing strip at Krechba, the location of one of the gas fields at In Salah.

Once on the ground, the feelings experienced in the air become all the more understandable. The In Salah gas fields have acquired a larger-than-life image, especially regarding the CO_2 geological storage at Krechba, which is constantly being held up as one of the most innovative and promising ways oil-producing countries can process their petroleum reserves in an environmentally sound manner.

In Salah Gas (ISG) is a tripartite project of the Algerian National Oil Company (Sonatrach), with a 35 per cent share, British Petroleum (33 per cent) and Statoil (32 per cent). And it is as impressive as it is ambitious. The scheme was launched in December 1995 when BP and Sonatrach agreed to enter into a joint venture aimed at exploring, appraising, developing and marketing gas from the secluded In Salah region of the Sahara. Statoil bought into the project in 2003.

According to BP, ISG represents the largest dry gas joint-venture project in Algeria. It involves the development of seven proven gas fields in the southern Sahara, situated some 1,200 km south of the capital, Algiers. Onstream since July 2004, ISG produces around 9 billion cubic metres of gas a year. ISG also possesses the world's first full-scale and largest carbon capture and storage (CCS) project at a gas field and is one of the two existing large-scale CO_2 separation projects in the world. The other scheme is the Sleipner gas field, offshore Norway, which has been in operation since 1996. Many of the other projects exist as enhanced oil recovery schemes.

Located in the heart of the Sahara desert, about 150 km away from the nearest human habitation — In Salah, it is more easily accessible by air than by land.

And so, as the Bombardier Dash 8 aircraft, carrying local and international press and news journalists, OPEC Secretariat staff, and some officials of the Algerian Ministry of Energy and Mines and Sonatrach, proceeded on its scheduled two-hour flight into the midst of the desert, one had to marvel at the large expanse of land, with its pockets of water (oases) stretching endlessly into the distance. It seemed strangely befitting for In Salah that it was chosen to be the site of this pioneering and technologically ambitious CCS project.

The concept of ISG is based on the development of the seven core gas fields — namely Gour Mahmoud, In Salah, Hassi Moumene, Garet El Befinat, Krechba, REG and TEG. Presently, only three of the fields have been developed and are in production. They are Krechba, REG and TEG. The other four are slated for future development.

ARRIVAL AT KRECHBA

As the aircraft began its decent, the familiar clicking sound of the motor-drives of cameramen and photo-journalists

from Reuters, Bloomberg and OPEC's audio-visual unit, among others, became apparent as they hurriedly sought to capture some memorable aerial shots of the desert and the Krechba field, which lay just underneath, but with no distinguishing features, other than its plants — a mass of stainless steel drums and tangled network of pipe.

On touch-down, we were escorted into an air-conditioned bus, waiting to take us on the less than 800 metre journey to the offices of ISG, where the briefing was to take place. At the entrance, we were met by Krechba Field Manager, Paul Andrews, a BP employee with more than 25 years' experience in the industry.

During the journey, Andrews, a native of Washington DC, who has worked with BP at its oil operations in Alaska, Turkey, Georgia and Azerbaijan, among others, gave us a general overview of the ISG project and an outline of scheduled activities. Thereafter, we were ushered into the conference/meeting room, for what was slated to be the highlight of the trip — the briefing on the scheme — by the Vice President of ISG, Mohammed Keddam. Also present were other senior staff and specialists of the project, including the President, BP's Michael Mossman.

The importance to the energy industry of Algeria is not that it exports gas — even though it is ranked the third largest gas exporter in the world. Rather, what has stood the country out is the innovativeness of its ISG project, the major component of which is the inbuilt facility to take the CO_2 removed from the gas produced, and to re-inject it into an underground formation. According to Keddam, this ongoing process renders no harm whatsoever on either the environment or human life.

HERE'S HOW IT IS DONE

The CCS process used at In Salah is as simple as it is effective. When the gas is produced, CO_2 (with an average carbon content of between seven and ten per cent) is extracted from the produced gas using amine, a liquid with a discriminatory capability to attract CO_2 by absorbing it.

Above: BP President Michael Mossman (l) with Mohammed Keddam, Vice President of ISG at the briefing.

Left: Inside the control room of the central production facility.

Below: The OPEC Bulletin's, Angela Agoawike (l), with Isabelle Lindroos (r), who has worked with BP for 15 years.

The visitors listen intently to a briefing on the activities of the central production facility.

After the CO_2 is boiled out of the amine, it is transferred to the re-injection system, where two compressors operating in parallel with one another are used to compress the extracted CO_2 at a suction pressure of 0,15 to 0,30 bars and discharge pressure of 150 to 200 bars. The CO_2 is then piped to three dedicated CO_2 injection wells spaced around the Krechba field.

Natural gas sent to Europe has a specification limit of around two per cent of CO_2. ISG's specification for CO_2 is 0.3 per cent, which, when blended with other natural gas produced in Algeria, helps maintain a level below the two per cent limit.

There is no law or any financial incentive for ISG to reinject the removed CO_2, rather than vent it into the atmosphere.

Keddam insists that such consideration was not a deciding factor in the formulation of the carbon sequestration project.

In responding to a question on whether the carbon sequestration component of ISG was conceived as an economic or environmental project, he replied without hesitation: "It is purely an environmental project."

Continuing, Keddam said the excess CO_2 in the gas could have been vented into the atmosphere, like in other countries. But in deciding to make its own contribution to the worldwide effort of reducing the ozone-depleting CO_2, Algeria set about drawing up a programme for sequestering its carbon dioxide in depleted gas reservoirs. This it carries out at its own cost with no financial returns.

So far, ISG has been able to re-inject 0.7 billion cubic metres per year of its projected 20 million tons of CO_2 re-injection throughout the 15-year lifespan of the project into underground geological formations. It has also contributed to a 60 per cent reduction of the greenhouse gas effect.

In practical terms, this amount of CO_2 is the equivalent of 200,000 cars running 30,000 km a year and 200 square km of forest land. It has so far cost the country $100 million. At the moment, CCS does not earn any credits under the Kyoto Protocol.

Pictured on these two pages are different views of the Krechba gas treatment plant.

LOCATION

The location of ISG was not a spur-of-the moment decision. The experts realized they had to use reservoirs that had integrity and tightness, good and adequate storage capacity, good porosity and

moderate pressure, as well as the availability of seismic data. Also considered was whether the sequestration project site should be multiple or single.

When eventually it was decided to settle on using just one site, the Krechba gas field satisfied all the above conditions and was therefore seen as a unique facility for the ISG CO_2 extraction and sequestration project.

THE TOUR

With the briefing over, the ISG field manager had the task of taking us around the plant, answering questions and pointing out important components of the facility he thought we should be aware of. For example, he explained how, after the amine process was completed, the natural gas was run through a process vessel to remove water vapour. This uses a different liquid — triethylene glycol — which has the ability to absorb water from the gas. The dry, purified natural gas is then shipped north for export, he explained.

Flying into Krechba, one was aware of the lack of any electricity cables supplying power to the desert plant. We were therefore interested to know how Krechba satisfied its electric power needs. To some extent, the field could be described as an island unto itself. According to Andrews, the facility generates its own electricity, in pointing out the power plants situated nearby. It also takes care of its own water supply and manages industrial waste from "cradle to grave".

The plant at Krechba runs continuously, but as part of its upkeep, it is shut down for two weeks every three years for mandatory turn-around maintenance. This is part of the stipulated measures of ISG to ensure mechanical integrity and safety.

And talking about safety — that is taken very seriously at the Krechba field, especially on the plant's site where there is no smoking and no use of mobile phones. These can only be accommodated at designated points.

WORKFORCE

ISG is not only contributing to the reduction of CO_2 emissions, but has proved to be an avenue for the employment of highly skilled technical personnel from around the world. At a casual count, of the 2,000 personnel employed by ISG, some five nationalities are working and living together in the desert – comprising the countrymen of Algeria, the United Kingdom, the United States, Nigeria and Norway. Of these, about 800 people operate, maintain and support the daily operation of the gas plant. The staff work in shifts and for every management position occupied by an expatriate, there is an Algerian working the alternate shift.

The remoteness of the project, which makes it a non-family posting, means that recreation and relaxation facilities have to be provided for the staff. A green living area (oasis) has been established right there in the desert, with such facilities as satellite TV, communal catering, sporting

facilities of all kinds. Also in operation is a four-week on and four-week off system of working (just like on the oil rigs), which means that staff members have the necessary flexibility in a demanding environment.

Above: One of the gas installations at In Salah and (bottom left) part of the pipeline network.

THE WOMEN AT KRECHBA

From landing at Krechba to the briefing and tour, one thing was conspicuous in its absence — women. With the in-roads women have made in the petroleum and energy sector in recent years, one curious reporter wanted to know why there was no female representation at the gas field.

Were they perhaps being spared what many may consider a rough terrain and isolated existence at Krechba? Not so, said Andrews. Krechba, and indeed ISG, had highly-skilled women personnel, but at the time of the visit, it did not permit all the staff to attend the briefing.

Indeed, we then went on to meet one of the female workers — Isabelle Lindroos, an American who has put in 25 years in the oil industry, 15 years of which have been with BP. She has been at Krechba for one-and-a-half years as a Rotating Equipment Technical Authority. She has also worked in oil fields in Asia.

Asked about life at Krechba, Lindroos told the *OPEC Bulletin* that it was no different from being at any oil field. "If you have done it once or twice, you and the people around you get used to it," she said. But she had high praise for the rotating nature of staff at Krechba, which made the working environment easier and more stress free because it enabled her to travel home to America and spend time with her family every four weeks.

TIME UP!

As visitors, we did not have to wait four weeks to be able to fly out of Krechba. After a superb four-course meal and a couple of hours of listening and asking questions, we were ready to bid farewell to a wonderful group of hard-working men and women. Flying in to Krechba was calm, but going out — well, not so accommodating. The elements were not favourable to us and, in fact, the turbulence was quite acute as the rain and winds pounded the aircraft. But thanks to the professional expertise of our pilot, we were able to land at the El Senna International Airport in Oran — safely!

CONCLUSION

Unlike our flight back to Oran, there were no surprises about our trip to Krechba. Our experience of the ISG CO_2 extraction and storage process may be new, but what is impressive is that it does demonstrate the technical feasibility of CO_2 sequestration and that, geologically, it is a viable solution to combating CO_2 emissions. It is also acceptable economically just as the gas it treats evolves in a predictable and simulated pattern. ISG is a worthy initiative that is — and will surely continue to be — duplicated in other oil-producing countries.

In view of the consensus of the industry of the key role oil and hydrocarbons are going to continue to play in providing the world with the energy it needs in the coming decades — and recognizing that sufficient hydrocarbons will be available in the years ahead — one of the major concerns is the effect on the environment. In this regard, CCS offers a win-win solution — providing ample amounts of energy that are environmentally friendly.

Urgent need to improve regulation of global financial markets — El-Badri

by Jerry Haylins

There is a "sense of urgency" to improve transparency and regulation of the world's financial markets following the dramatic events of the past few months, which have seen the global economy dramatically slowing, with some countries entering deep recession.

That was the message OPEC Secretary General, Abdalla Salem El-Badri, had for the industrialized countries at a meeting of energy ministers, held in London in December last year.

Apart from the wide-ranging economic repercussions, he stressed that the current financial crisis was having real and far-reaching implications for the future outlook of the oil industry.

"It has a compounded, adverse impact on commodity-exporting countries, in particular those whose economies are highly dependent on petroleum export revenues," he told the meeting, called by British Prime Minister Gordon Brown.

The gathering was attended by some 40 oil and energy ministers from key oil-producing and consuming countries, together with representatives from OPEC, the International Energy Agency (IEA), the International Energy Forum (IEF), as well as national and international oil companies and finance-related organizations.

It was a follow-up to talks convened by Saudi Arabia in Jeddah in June last year to discuss the causes, consequences and remedies of oil price volatility.

El-Badri told the London meeting that the recent developments amplified the concerns expressed in Jeddah regarding the impact of unguided financial markets on the price of oil and its volatility.

"Now, there is a sense of urgency to the Jeddah Statement's call for improved transparency and regulation of financial markets," he affirmed.

The Jeddah meeting concluded with a joint statement from Saudi Arabia, OPEC the IEA and the IEF, identifying several areas for improving transparency in the oil market and bettering the environment for increased investment.

The broad aim of the London meeting was to enhance producer-consumer dialogue for improving the functioning of the oil market. The main area of discussion was the impact of the world financial crisis and global economic slowdown on energy markets.

"Today, the financial crisis, triggered by the sub-prime mortgage difficulties in the United States, is taking its toll. The extremely high volatility of the oil price during recent months has been well documented. In the summer, prices were driven to record highs by unlimited speculation, as the dollar weakened and investors sought cover in commodity markets. More recently, as the financial crisis deepened and the state of the real economy worsened, the price of crude oil has tumbled," observed El-Badri.

His comments over the acute price volatility were backed by data showing that in the six months between the Jeddah meeting and the London talks, the price of OPEC's Reference Basket fell by almost $100/barrel — from around $130/b in June to under $40/b in December. At the start of 2008, the Basket stood at just over $90/b, while one year before that it was lying at around $55/b.

"We have been through similar oil price cycles in the past. We all know that extreme oil prices, whether too high or too low, are as bad for producers as they are for oil-consuming countries," he noted.

The OPEC Secretary General said that as a result of the price fall and deteriorating economics, the industry was already hearing about cut-backs to spending on new projects. "The new-found difficulties in raising credit are also contributing to slowing investment across the whole industry," he explained.

"The oil industry is now faced with a severe reduction in oil demand, due to the financial crisis that has its roots in the industrialized world. This is happening at a time when large new capacities are being put onstream in OPEC Member Countries. They were built, or planned, at a time when costs were very high and they are now in danger of being left unused or delayed," he said.

Ali I Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources, told the meeting that the current low

oil prices, which he referred to as a testament to the worsening economic and financial conditions, were "wreaking havoc" on the global oil industry and threatening the investment needed to ensure future demand was met.

"When oil is priced lower, such as it is now, there will be less investment and less future supply," he stated.

Eventually, said Naimi, this scenario would be followed by a surge in prices, as supplies would not be sufficient to meet growth in consumption levels. The world, therefore, would see extreme swings in prices to the detriment of producers and consumers.

The Minister said Saudi Arabian King Abdullah's recent reference to a desired oil price of $75/b was "fair and reasonable", and was the price marginal producers needed to maintain investment and guarantee future supplies.

He said stability and predictability were essential to ensure that the oil industry was able to continue to contribute to world economic development and prosperity.

Saudi Arabian Minister of Petroleum and Mineral Resources, Ali I Naimi.

"Stability, of course, means the balance of supply and demand through the existence of reasonable spare production capacity. Stability also means oil prices maintained at a level that encourages investment, especially for alternative energy sources. It means a level that provides a reasonable return to producing countries and does not harm the global economy, particularly the economies of developing nations," he said.

OPEC Secretary General, Abdalla Salem El-Badri.

Naimi said Saudi Arabia was still committed to its various oil expansion projects. "We will proceed undeterred by the financial and economic conditions. We are committed to investing to help ensure an uninterrupted supply of energy to the world."

However, the Minister pointed to two energy-related concerns that, he said, could further dampen the global economic position — excessive energy taxation and what he termed "the fallacy of energy independence."

Excessive energy taxation created "a drag" on consumer spending and hampered economic growth, he said, while ground was lost when countries attempted to adopt energy policies to reduce oil consumption in a discriminatory fashion in the name of efficiency, conservation or environmental protection.

He added: "Such rhetoric is entirely contrary to the spirit of global cooperation on global concerns, which, in the case of energy, includes ensuring adequacy of future supplies and meeting the world's environmental challenges."

UK Premier Brown told the gathering that volatility was harmful to consumers in terms of rising prices and also to producers through the dampening of demand and lower revenues.

"Today, with prices falling, it is clear that our most pressing challenge now and for the future is oil price volatility. In the last 12 months alone, oil has risen from $60/b to a peak of $147/b before falling back to around $40/b today.

"Such volatility is in no one's interest: wild fluctuations in market prices harm nations all round the world, and damage producers and consumers alike," he said.

Reporting on the outcome of the talks, a UK chair report said it was clear that the economic downturn was having a significant impact on the oil market. Delegates pointed to the importance of understanding future trends in demand and investment, including the availability of finance.

Iraq puts on a show ... to help secure its oil future

At the end of December 2008, the Iraqi Oil Ministry gave notice of the second bidding round for the long-term development of 11 of the country's oil and gas fields. Following the first licensing round in October, the latest announcement was further evidence that the security situation in the country was continuing to improve day by day, allowing the planned exploitation of the nation's vast petroleum reserves to support the economy. Iraqi Oil Minister, **Dr Hussain Al-Shahristani**, said that within three to four years, from the contracts being completed by the end of 2009, Iraq's oil production could increase by up to 2.5 million barrels/day, almost equivalent to the country's output today. Much of the interest for this oil development was on show at Iraq's first postwar energy expo. Held at the Baghdad International Airport Convention Centre, the event went a long way in boosting the standing of the country's oil industry and attracting prospective partners. The OPEC Bulletin reports from the event.

Dr Hussain Al-Shahristani, Iraqi Oil Minister.

Major international oil companies made the trip to Baghdad in December 2008 to attend the country's first significant oil and gas exhibition. The Iraq Energy Expo and Conference, organized by the Iraqi American Chamber of Commerce and Industry, in cooperation with the Iraqi Oil Ministry, drew large crowds and aimed to attract companies to invest in one of the world's largest oil reserves.

Some 70 foreign firms and representatives of other companies took part in the three-day show. They included Russia's Lukoil, Gazprom Neft and Rosneft, ConocoPhillips of the United States, Japan's Nippon Oil Exploration, South Korea's SK Energy, Turkish Petroleum, state-owned giants, such as Indonesia's Pertamina, and many more.

Iraq's Oil Minister, Dr Hussain Al-Shahristani, opened the event by announcing an ambitious plan to produce up to six million barrels/day of oil by 2018, compared with about 2.5m b/d now.

"I hope this exhibition and conference will make a contribution to fulfilling this objective," he told participants at Baghdad International Airport's Convention Centre, where the event was held. He stressed that the development of the Iraqi oil sector would require the involvement of international oil firms.

"Oil represents an important part of Iraq's modern history and its future," Al-Shahristani pointed out, urging participating companies to help improve the country's oil industry, which has suffered destruction caused by decades of war and economic sanctions.

Iraq's Deputy Oil Minister, Dr Ahmed Alshama'a, said the show aimed to introduce "international oil companies [to] the needs of the Iraqi oil sector and [show] how they can render their services to improve it." The show was a step in the right direction, he added.

Impressive figures

Iraq, one of the five founding Members of OPEC, is dependent on oil for more than 93 per cent of its income.

However, even with the price of crude plunging by over 60 per cent from more than $140/barrel during July 2008, Al-Shahristani said Iraq had nothing to worry about.

The country possessed 115 billion barrels of reserves, he said in his speech. "This is a big number ... but I assure you that it is underestimated." Some Iraqi oil officials have said the country's crude reserves exceed 300bn b.

"We are really impressed," said Ryunsuke Onogi, Executive Officer and General Manager of Nippon Oil Exploration, with reference to the expo. "We are 100 per cent sure it is a good indication of Iraq's progress and the situation is getting better [in terms of] security and legal [issues]."

Iraq's Minister of Industry and Minerals, Fawzi Al Hariri, was similarly upbeat: "Judging from the giant companies that took part in the exhibition, I can say it was a success."

In line with such optimism, representatives of participating foreign companies said they were now likely to be considering opening offices in Iraq.

Alexander Byrikhin, a spokesman for Lukoil Overseas, said the company is looking to have a presence in Iraq and is already working on three projects with the Oil Ministry in technical training for Iraqi oil workers.

High hopes

Lukoil hopes to revive a deal it struck with Baghdad previously to develop the West Qurna-2 concession in southern Iraq, with an estimated reserve capacity of 6bn b of oil.

"Participation of Lukoil and other Russian companies in the Iraqi energy expo gives [more] evidence of the steady intention of Russian energy giants to take part in the restoration of the Iraqi economy, by making sizable investments in [the] oil and gas industry for the benefit of our friendly nations," said a statement issued by the firm.

Such intentions were echoed by Faisal Al-Thani, Head of Business Development at Maersk Oil's Qatar office. "We are all eager to get our foot in the door and establish a presence here," he said.

Takashi Kikuchi, of Japan's Oil, Gas and Metals National Corporation, was similarly enthusiastic: "This is probably going to be the hottest area in the world in oil and gas exploration."

According to Eric Dangler, whose company, Oklahoma's Taylor Industries, designs custom rigs suited to any oil extraction needs, Iraq had some of the lowest extraction costs in the industry — about 50¢/b. Dangler showed off photographs of shiny red contraptions that range in cost from $3m to tens of millions of dollars, depending on how deep they need to dig. In most of Iraq, he said, a relatively inexpensive model will do the job because the oil is accessible.

In Iraq, where outdated equipment is one of the biggest challenges facing the oil industry, officials have said that the workforce also needs to be modernized. With this in mind, several international oil companies have signed memoranda of understanding with the Iraqi Ministry of Oil to train workers. Such training is ongoing.

Striking deals

Some of the expo's participating companies had either signed joint-venture agreements, or started seriously negotiating with the Iraqi Ministry of Oil to sign deals.

For example, the UK oil and gas exploration and production company, Midmar, confirmed that its associate firm, Mesopotamia Petroleum, had reached a joint-venture accord with the Iraqi Drilling Company (IDC), an affiliate of the Ministry of Oil, during the event. IDC will have a 51 per cent stake in the venture, with Mesopotamia holding four per cent. It aims to bring technology, expertise and new-age drilling techniques to Iraq.

Idriss Muhsen Al-Yassiri, head of IDC, emphasized the need to improve Iraq's drilling capabilities, in order to enhance well recovery and contribute to the capabilities of his company. The agreement still needs the approval of the Iraqi cabinet before it becomes valid. Al-Yassiri said it would be ratified within weeks.

Thomas Redman, Managing Director of Midmar, was looking forward to receiving the go-ahead. "Close cooperation with the Iraqi government will contribute to the future development of the country's expertise in maximizing its oil and gas resources," he affirmed.

Al-Yassiri also said that he was looking for another foreign partner to upgrade IDC's expertise and develop its crew. In addition, he announced during the show that the Iraq-based Oil Serv, with offices in Baghdad and Erbil, would be awarded a service contract.

Oil Serv's Managing Director, Amjad Barzanji, said the multi-million dollar, long-tem contract covered logging and cementing services and that the company was chosen among five competing prequalified bidders.

Many companies looking to secure investment possibilities in Iraq's oil future had stands at the expo.

Two other firms were negotiating a joint venture and service contract, respectively, Al-Yassiri added, without providing further details.

Japan's Nippon Oil Exploration was also in talks with the Ministry of Oil to construct a refinery worth $5–10bn and make investments in oil exploration for the same amount, according to news reports.

Nippon's General Manager, Onogi, was quoted as saying during the show that his company had submitted a proposal to the Ministry and that discussions were still ongoing.

Well on its way

Not to be outdone, several international oil companies are competing for service contracts to develop six super-giant Iraqi producing oil fields and two non-producing gas fields.

Baghdad announced the first bidding round for these fields in June 2008 and it hopes to sign contracts by the end of June 2009. Oil majors, such as Royal Dutch Shell, BP, ExxonMobil, Chevron and Total, are among companies that have shown interest.

Iraqi Oil Ministry officials briefed international oil companies at a London road-show in October 2008 on the first licensing round for long-term contracts. At the end of December, the Ministry announced the second bidding round for long-term development contracts involving 11 other oil and gas fields.

Recent moves have seen the Ministry of Oil sign a $3bn contract with the China National Petroleum Corporation (CNPC) to develop the Al Ahdab field in central Iraq. The contract was signed during the previous regime, but it was renegotiated and changed from a production-sharing contract to a service deal.

Baghdad has also signed a preliminary agreement with Royal Dutch Shell to develop the domestic gas infrastructure in southern Iraq. The agreement, when finalized, could be worth up to $4bn, according to Iraqi oil officials.

While these new investments in the petroleum sector will add to Iraq's economy, they will also ensure adequate capacity for healthy oil supply in the future.

However, in the light of the prevailing climate of very low oil prices, investors and, indeed, the Iraqi government, may decide to re-think the cost-benefit effects of such investments and whether present and future realities support them.

Reflections on the gas forum

On November 24, 2008, the Hofburg Palace, Vienna, hosted the first IEF/IGU ministerial-level gas forum. It brought together energy ministers, delegates from gas-producing and gas-consuming countries, and industry executives for in-depth discussions on various aspects of the growing world gas industry. Held under Chatham House rules, the official theme was 'The world gas market: going from regional to global.' In an interview with the ***OPEC Bulletin's Alvino-Mario Fantini****, the IEF's Secretary General,* ***Noé van Hulst*** *(pictured), reflected on his time so far at the IEF, the historic nature of the gas forum and discussed some of the many challenges facing the gas industry.*

Question: How do you see this historic event, the Gas Forum, against the backdrop of all the other meetings that you have had? What is the importance of the Gas Forum in the context of the daunting agenda that you have had this week?

Answer: The importance of this Gas Forum — indeed, it is quite a historic event like you say — is that it is really the first time in history that we have had such a high-level event devoted to the challenges in the gas market and in the consumer-producer dialogue about gas. Historically, the IEF was created really as a dialogue between oil-producing and oil-consuming countries. But we have seen over the many years of the IEF ministerial meetings that gas has been sort of 'coming into the agenda' at these meetings. There was also a call to get more involved in gas issues. This Gas Forum at the Hofburg was actually the first big gas event that we have organized at a very high level, with ministers and representatives from countries, as well as top executives from the gas industry.

Would you then call the Gas Forum a 'spinoff' of the IEF?

Yes, you could call it that. Or you could call it an 'evolution' of our activities. We have started having separate meetings on particular important issues. Gas is one of these extremely important issues. But we will be organizing other events at the end of this year, and also next year, on separate issues like technology, human resources and cooperation between international oil companies and

national oil companies. This is sort of the development — and the 'growing up', if you will of the IEF.

In preparing for this Gas Forum, you worked closely with the IGU and you looked for common interests. I wonder if there were any particular challenges that you faced in trying to carry forward this first Forum? Were there any specific areas where there were divergent interests between the IEF and the IGU?

It is a very interesting sort of 'joint venture' that we have formed with the IGU. The IGU is an organization of industry — the gas industry on a global scale — and that is, of course, their big strength. They gather all the major gas companies all around the world, whereas the IEF is much more of an intergovernmental organization. It is actually a very interesting experiment to have this kind of 'joint venture'. Of course they have more of an industry point of view and we bring much more of a public policy approach — but it works wonderfully well. We understand each other.

This is also the reason why we have already decided to hold a second Ministerial Gas Forum in the autumn of 2010. The Qatari government has generously offered to host that meeting in Doha. So, in that sense, we already have a follow up to this first meeting which is guaranteed. We are very pleased with that.

The theme of this first Ministerial Gas Forum was 'going from regional to global'. Two trends were specifically mentioned: growth and globalization. Would you, for the benefit of those who may not have seen the Summary Statement [from the IEF-IGU], elaborate a bit on the conclusions of the Forum with regards to growth and globalization? What is needed for future growth? What are the major challenges still remaining? How does the gas industry go forward? What is the next step?

When it comes to growth, there is a general consensus that we detected in the entire meeting — both from industry, as well as from governments — that people see gas demand actually increasing quite rapidly. It is still a 'fuel of choice', particularly for power generation around the world, both in OECD countries but, increasingly, also in non-OECD countries and new emerging economies like China and India. This is where gas demand is growing really rapidly. At the same time, what has also been noted is a relatively new trend: very strong growth in demand in gas-producing countries themselves, as well as in the Middle East. If you look at the figures, it is remarkable that not only are we expecting the production of gas from gas-producing regions — and, in particular, from Russia, which has traditionally been a huge producer, and the Middle East, which has been emerging as a major exporting region to the rest of the world — but, at the same time, you see that production is expected to grow so much in these regions that the bulk of it will have to be consumed and will have to be devoted to domestic markets. These are the most important trends in terms of the demand side.

When it comes to globalization, it is actually very exciting. The trend is that liquefied natural gas (LNG) is providing the vehicle for this globalization trend. Basically, we now still have three major regional markets — the Asia-Pacific, Europe and the North American (Atlantic) market. But as you see LNG expanding rapidly by ships,

you begin to see that these regional markets are getting more and more interconnected. This is what is driving this globalization trend and, in that way, the gas market is starting to look more like the oil market (the oil market of course already being very much part of a global market). You could make the comparison that the gas market looks very much like the oil market looked maybe 30 years ago. This is really a very interesting and exciting trend in the market — that it is becoming more globalized and that we will see, for instance, more connectivity between price trends and even a trend toward more convergence of prices in these regional markets.

"In my position right now in the IEF, I really feel encouraged and strengthened by the support that we receive from OPEC."

Integrated gas pipeline networks in the United States are some of the most developed in the world and, for a while, some countries wanted to emulate that. But this is no longer necessary, as you have pointed out, because of the development of LNG, which is achieving that integration in another way. Is there a significant role left for these pipelines in the long-term? Will everything move towards LNG? What other trends are you aware of?

We have to put it in perspective. Of course, it is different in different parts of the world. As you rightly point out, pipeline and pipeline gas is still very dominant and very important, particularly in the North American markets and in the European markets. LNG is starting to enter into the European markets because it is increasing rapidly. That catches one's eye. It has all these dimensions that you mentioned. But, at the same time, pipeline gas will remain very important, particularly in the North American and European markets. So we should not lose sight of that.

There are even important pipeline projects planned and underway both in Europe and in North America. So it is not so much a question of either/or; rather, it is happening at the same time. Having said that, LNG is the most dynamic and the most rapidly expanding part of the gas industry. It will bring in all those dimensions that you mentioned — of globalization and also of developing spot markets.

I wanted to briefly mention developing countries that are not BRICs (Brazil, Russia, India, China). I am thinking of those with less robust growth or very little growth — places like Bolivia, which are gas-rich, but which still possibly lack certain requirements or institutional factors that are necessary to 'get that gas to market'. What role do you see for such countries? What role do you see for gas-rich developing countries around the world within the IGU or within the IEF? Some of them have been perhaps a bit reluctant to 'hitch their wagons to the engine of globalization' — so that is why I raise this question.

I think it is a fantastic challenge — to bring those countries 'in the game' so to speak. You mentioned Bolivia, or other countries in Latin America, but this is already, for instance, very much a trend in Africa where there are countries coming on board that have LNG, that have gas and which are joining the LNG game. So, yes, I think that you see really newly emerging countries coming into the gas game and I would not be surprised at all if the countries that you mentioned as well, at some point in time, also start joining. Of course, obviously for some of them there is a sensitive discussion in terms of domestic markets: how much do we need for our domestic markets and for the population? This is obviously a legitimate question. But, still, if they are able to really 'get going' in terms of exploration, then in many of these countries there is quite a substantial potential to also serve export markets. That does not have to be at the expense of the domestic market.

Looking at investment requirements, a figure mentioned during the Gas Forum was that of $5.5 trillion by 2030 — in order to develop and integrate the world's gas markets. Considering what's been going on in the global economy and the financial markets, is this not a bad time to be talking about this?

I do not think it is a bad time to talk about it because it needs to be pointed out that it is extremely important that we continue investments all across the value chain. We cannot underestimate the challenge for the global market of getting that investment underway. If we do not — if we do not succeed in getting this kind of investment going forward in the gas market (and actually this is true as well, of course, in the oil market but we are talking now about gas) — then we will really face bottlenecks in the next, say, two, three, four years and particularly if the world economy starts coming out of this recession. If that happens, demand would pick up very fast and we could

find ourselves faced with a situation where there has not been enough investment going forward — and then we would face bottlenecks, we would face price spikes and this may kill or throttle the recovery at a very premature stage. This is the last thing that the world needs.

I understand completely the kind of difficult situation all the companies find themselves in — both international oil companies and national oil companies — because there is so much uncertainty around. Nobody knows what is really happening. But, at the same time, they do have to make these investment decisions about large sums of money going forward. I found that there were some encouraging signals at the Gas Forum from companies saying, "well, we know that we find ourselves in a very difficult situation but we do need to keep up the momentum of investment or else we would not be behaving responsibly." A number of companies were sending the signal: we need to keep up the momentum of investment. Personally, I thought this was very hopeful.

You spoke with the Head of OPEC's Public Relations and Information Department, Dr Omar Farouk Ibrahim, back in April 2008 during the IEF meeting in Rome. At the time, you spoke about your goals over the next four years, mentioning such things as improving the dialogue process, stimulating investments and achieving concrete results. What do you think has been achieved since then? More importantly, what have you personally learned as someone who has gone from working for your central government to a multilateral organization? What have you learned about the many actors that are involved in the global energy markets and organizations like OPEC?

A lot of questions packaged in one! [laughter] Let's start with what I really have learned in moving from a central government ministry — my previous job as Director General for Competition and Energy (at the Ministry of Economic Affairs in the Netherlands) — and then moving to the International Energy Agency for four years and, now, to the IEF, to the multilateral world. That lesson is simply how big the world is and how many different perspectives there are if you leave the position of looking at it simply through the glasses and perspective and angle of a national government. There are so many more perspectives and so many more dimensions that you need to take into account and that you need to consider. This is extremely exciting, frankly speaking: to try and look at things in a global way. I mean, what does gas mean in a global perspective? What are the global trends? What do you need to look at and where are the real dynamics taking place?

Secondly, in terms of the organizations and the personalities, OPEC is a kind of an old friend for me because even when I was working in the Dutch national government, when I went abroad, I had a lot of contacts with OPEC and representatives from OPEC Countries. I have now seen them also operate in different contexts and they have always been extremely positive and constructive in working with me in the different jobs that I have held. In my position right now in the IEF, I really feel encouraged and strengthened by the support that we receive from OPEC. They might not always agree with us and we might not always agree with them, but we are all grown up people and we know that we all have different roles to play. There is always a very high mutual respect about what is going on and what the mutual positions are.

In terms of where I am going, or where the IEF is going since Rome, we have found a way of defining the

Noé van Hulst (c) pictured during a meeting of the IEF/ISG with Dr Hasan M Qabazard (l), Director of OPEC's Research Division, and Dr Aldo Flores (r), Director General of International Affairs at Mexico's Ministry of Energy.

Pictured at the first Ministerial Gas Forum are (l–r), Said Nachet, Director, Energy Division of the IEF; Noé van Hulst, IEF Secretary General; Ernesto Lopez Anadon, IGU President; and Torsten Indrebø, IGU Secretary General.

key issues that we need to tackle in the next couple of years. They range from the gas that we have talked about, to taking forward a dialogue on gas, to particular topics, including carbon capture and storage (CCS), to the human resources crunch (which is something that we in the industry all suffer from and which is causing concern), to cooperation between international oil companies and national oil companies. In all of these areas, what we try to do is have more and better analysis, in-depth analysis, and bring together experts in those fields to try to achieve concrete recommendations about concrete actions that can and should be taken in those areas.

What we want to do is basically draw these themes out through separate events and separate strands of work, pool them together and then basically bring them to the next IEF meeting in Mexico in 2010. Hopefully, that next Ministerial Meeting can be even more successful and more productive than the one in Rome. The Ministers themselves have pointed out that they would like to be able to go further on these matters and, hopefully, achieve some results. This is our ambition. Whether or how far we can achieve these things remains to be seen. But these are the areas on which the IEF and its staff is focused.

There are also our continuous efforts in trying to further improve the transparency in the oil market through the Joint Oil Data Initiative (JODI), which we are working hard to further improve — trying to get better data from more countries, more timely data. In addition, in response to the Jeddah Energy Meeting, we are trying to develop a database on annual data — for instance, on investments, expansion plans, both upstream and downstream. This basically summarizes where our activities are focused on and what we are trying to achieve in those areas.

There was talk at the Forum about developing a mechanism similar to JODI for gas. Could you elaborate on what was discussed and what commitments may have been made on the part of people attending the Gas Forum regarding the development of a joint gas data initiative?

This is something which was mentioned actually I think for the first time in 2006, at the IEF meeting in Doha, Qatar. Since then, we have been looking into several questions: Can this be done? How should it be done? We have been discussing this also with our Executive Board. Now, the call from Doha was basically repeated in Rome and I think that we are now at a stage where we can say, "Yes, we are going to try to pull that off." It is going to be very hard. It is going to be very painstaking, in a way, because the

Delegates and industry executives gathered at the OPEC Secretariat for an IEF/ISG meeting, held the day after the Gas Forum.

gas market is very different from the oil market, for many reasons, and the transparency in the gas market is much lower than it is in the oil market.

We are not starting from an easy position. But, as the Chinese say, "every long journey begins with a first step." So we need to begin with this first step and I am happy to say that we have also decided, in response to these calls and with the support of our Executive Board, to start a pilot in this area. It will be 'learning by doing' and we will have to talk to a lot of countries who are important players in this area — to see whether they are able to start providing this kind of data and if they cannot, what the barriers are. I think that the call, which was supported also by the IGU and the companies, is a hopeful sign because we need the industry to cooperate on that. In that sense, this is an encouraging sign. So, yes, we are going to start with a gas data initiative. But I have to warn the people that this is not going to be an easy thing to do — and I do not think we can expect quick, spectacular results from it. But we are going to do it and we are going to try to do our utmost to get it off the ground.

I think it is appropriate to end on that optimistic note. Thank you for your time.

Noé van Hulst (r) with the OPEC Bulletin's Editor, Alvino-Mario Fantini.


Ademola Akinlabi/TELL

Lukman appointed Nigerian Petroleum Resources Minister

Dr Rilwanu Lukman, OPEC's longest-serving Secretary General and Conference President, has been appointed Minister of Petroleum Resources of Nigeria by President Umaru Yar'Adua.

It is the second time in his career that Lukman, born in 1938, has headed his country's Petroleum Ministry — the first time being in 1986, when he held the position for three years.

Lukman was OPEC Secretary General from 1995 to 2000 and President of the OPEC Conference from 1986 to 1989 and then again in 2002.

In 1984, he was Nigeria's Minister of Mines, Power and Steel, and in 1989 became Minister of Foreign Affairs.

In 1993, Lukman was appointed Chairman of the Board of Directors of the National Electric Power Authority (NEPA).

From 1999 until November 2003, he was Presidential Adviser on Petroleum and Energy.

Lukman, who holds a Bachelor of Science degree in Engineering/Mining, attended the Imperial College of Science and Technology in London, where he also obtained a Postgraduate Certificate in Mining and Mineral Exploration. He was later awarded a Doctorate in Chemical Engineering from the University of Bologna.

A Commander of the Federal Republic of Nigeria (CFR), he was also made a Knight of the British Empire (KBE) in 1989 and an Officer of the Legion d'Honneur of France in 1990, as well as being conferred with the First Class rank of the Order of the Liberator from the Republic of Venezuela.

Lukman is a member of several professional bodies and was the first African ever to be honoured with the Fellowship of the Imperial College, University of London.

Barkindo chosen as Nigeria's new OPEC Governor, Head NNPC

Mohammed Sanusi Barkindo, a former Acting for the OPEC Secretary General and long-serving member of the Organization's Economic Commission Board (ECB), has been appointed Nigeria's new OPEC Governor. The position was announced just weeks after Barkindo was named as the new Group Managing Director of the Nigerian National Petroleum Corporation (NNPC).

His appointment as NNPC Chief took effect on January 12, 2009, and was announced by the country's new Petroleum Resources Minister, Dr Rilwanu Lukman. He succeeds Abubakar Lawal Yar'Adua, who was appointed Group Managing Director of the NNPC in an acting capacity in August 2007.

Barkindo, whose career in the NNPC has spanned more than 23 years, was formally

Kuwait appoints Acting Oil Minister

Sheikh Mohammed Sabah Al Salem Al Sabah, Kuwait's Deputy Prime Minister and Minister of Foreign Affairs, has been appointed Acting Oil Minister.

Born in October 1955, Sheikh Mohammed attended Claremont McKenna College in 1978 and then Harvard University in 1985. He attained a BA (Cum Laude) in Economics, a PhD in economics and Middle Eastern Studies and an MA in Economics.

Early in his career, he was an Associate Professor of Economics at Kuwait University, and in 1987 became Chairman of the Economic Committee of the High Planning Council.

One year later, he was appointed Vice Chairman of the Board of Directors of the government's investment arm, the Kuwait Foreign Trading Contracting and Investment Company.

During the Gulf conflict, Sheikh Mohammed worked to help his country overcome the problems associated with the occupation of his country and represented Kuwait at various international scientific and financial conferences. In 1993, he was appointed Kuwait's Ambassador to the United States, a position he held until 2001, when he became Minister of State for Foreign Affairs.

In January 2003, Sheikh Mohammed became Acting Minister of Finance and Acting Minister of Planning and in July of that year was appointed Minister of Foreign Affairs and Acting Minister of Social Affairs and Labour.

He was also appointed Chairman of the Board of the Kuwait Fund for Arab Economic Development (KFAED).

Coordinator of Special Duties, where he presided over major projects of the Corporation.

He served for a record 15 years on the OPEC ECB as Nigeria's National Representative to the Organization and in 2006 was appointed Acting for the OPEC Secretary General during the Conference Presidency of Dr Edmund Maduabebe Daukoru.

Barkindo is an advocate of the climate change initiative and has led Nigeria's technical delegation to the climate change negotiations that produced the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

He was Chairman of the OPEC Task Force set up to address the 15th Session of the United Nations Commission on Sustainable Development.

Elected Vice-President of the Conference of the Parties (COP-13) at the climate change talks in Bali, Indonesia, in December 2007, he was re-elected to the position at COP-14 in Poznan, Poland, in December 2008.

Born in April, 1959, in Yola, Adamawa State, Nigeria, Barkindo obtained a BSc degree in Political Science in 1981 from Ahmadu Bello University, Zaria, a Postgraduate Diploma in Petroleum Economics and Management in 1988 from the College of Petroleum Studies, Oxford University, in the United Kingdom, and a Masters degree in Business Administration from the South Eastern University, Washington DC.

Barkindo holds the traditional title Wasivin Musawa.

Austrian artist ...

— the story of Susan Wenger

By Kabir Alabi Garba

Her legacy to the art and spiritualism of the Yorubas of south-western Nigeria will remain evergreen in any discourse of contemporary cultural character of the country. This understanding of the role of Susan Wenger in modern Yoruba spiritualism perhaps informed the deluge of tributes that have trailed the sad news of her death on January 12, 2009, at the age of 94.

Born in Graz, in south-east Austria, to an Austrian father and Swiss mother during World War I, Wenger studied art in the Syrian capital and Vienna where she was part of the famous Vienna Art Club. After World War II, she travelled to Italy and also spent some time in Switzerland where she had exhibitions together with the most famous artists of the time at the gallery 'Des Eaux Vives' in Zurich.

In 1949, while on a trip to Paris, Wenger met and married Ulli Beier, a German linguist who accepted a teaching position at the University of Ibadan in south-western Nigeria. The couple arrived in Nigeria in 1950 and Wenger, then aged 35, was quickly attracted to the natural and spiritual side of her host country.

Relocation and initiation

Shortly before Nigeria gained its independence in 1960, Wenger and her husband relocated from Ibadan to Ede, a few kilometres away from Osogbo, capital of the present Osun State where Wenger did not only rediscover the unity of art, life and religion, but also lived out the rest of her life in tune with the nature she loved.

Speaking of that relocation and subsequent immersion in the Yoruba culture to Rolf Brockman and Gerd Hotter, American researchers, who authored her biography in 1991 — Adunni: a Portrait of Susanne Wenger, Susan had this to say: "We decided to leave Ibadan and the artificial university compound and landed in Ede where I became part of the local culture within four days. These old people, to whom I felt so greatly drawn, had already foreseen what I would accomplish in the future. This love between me and my first ritual mothers and fathers was simply there at once — and this is a phenomenon of the deepest significance. They remembered in advance what I could in no way know yet, namely what I would create within four years in Ede, within four years in Ilobu, and then later in Osogbo."

Wenger and Beier later separated and in 1959 she married a local Yoruba drummer, known as Chief Alarape. It was also in Ede that Wenger came in contact with an already disappearing generation of Yoruba priests, and was received and integrated into their cultic life as a priestess of the Yoruba goddess, Orisa.

Her actual initiation into the world of Orisa, which earned her the title, Adunni Olorisa, occurred in Ede. It was performed by a powerful Obatala priest called Ajagemo, who she met upon arrival in Ede. Obatala was also her personal guru.

It is instructive to note that water and the tree were two symbolic manifestations in Wenger's journey to the priesthood. "Here I am, one with the water: I think and feel like the river, my blood flows like the river, to the rhythm of its waves, otherwise the trees and the animals would not be such allies. I am here in the trees, in the river, in my creative phase, not only when I am here physically, but forever — even when I happen to be travelling — hidden beyond time and suffering, in the spiritual entities, which, because they are real in many ways, present ever new features. I feel sheltered by them — in them — because I am so very fond of trees and running water — and all the gods of the world are trees and animals long, long before they entrust their

... Nigerian priestess

sacrosanct magnificence to a human figure," she said in her biography.

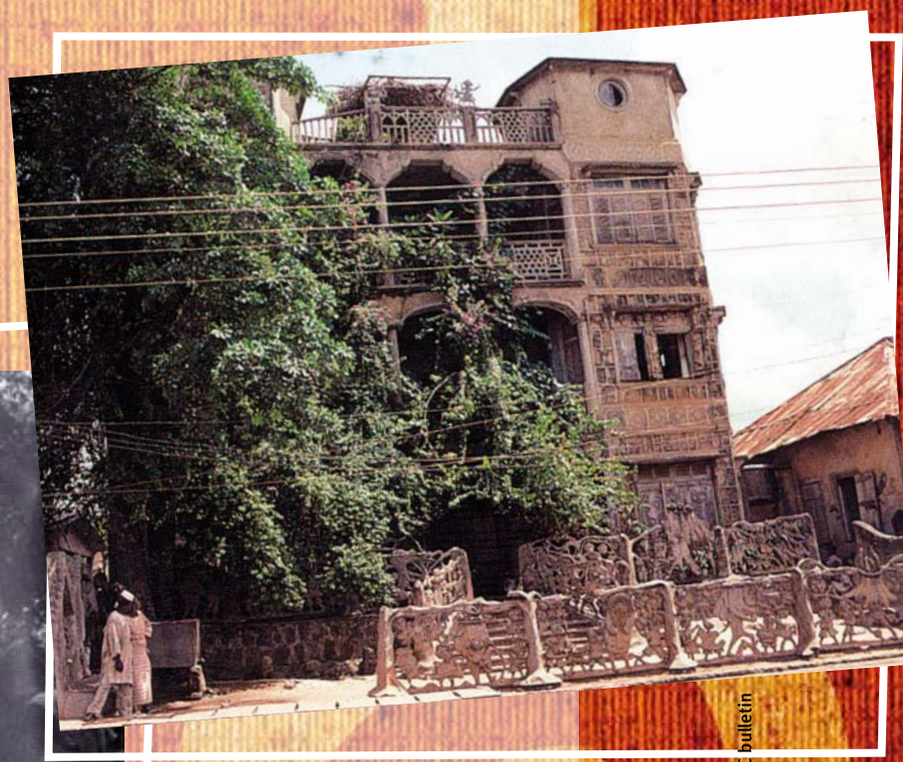
Wenger was also a faithful servant of the river goddess and would subsequently turn her attention to the Sacred Grove of Osun — the Goddess of the Waters — and through her New Sacred Art Movement, she would later devote the last six decades of her life to reactivating several aspects of Osun worship, transforming Osun's grove into a sculptured garden filled with her own art, modernist sculptures influenced by the Gesamtkunstwerk aesthetics of post-modern Viennese art, most famously concretized by the visionary artist, Friedensreich Hundertwasser.

Resurrecting the past

The impact of Wenger becoming the custodian of the Sacred Grove is the reconnection between Osogbo — the town, Osun Osogbo — the festival, the Osun grove, and of course, the Osun River.

The town of Osogbo is believed to have been founded over 400 years ago. Record has it that the earliest settlement in the town was in the Osogbo Grove where palaces and a market were created. But when the population expanded, the community moved outside the Grove and created a new town, which reflected spatially, the arrangements within the Grove.

In the 1840s, Osogbo became a refugee town for people fleeing the Fulani Jihad, as it moved south from what is now northern Nigeria. The Yorubas retreated further south into the forests and Osogbo, right at the northern edge of the forest, became an important centre for northern Yorubaland. The Fulani attacks on Osogbo were repelled and,



as a result, Osogbo became a symbol of pride for all the Yorubas.

From the mid-19th century to the first half of the 20th century, Osogbo underwent expansion and great change. By the 1950s, a combination of political, religious and social changes began to impact the Grove, some negatively. For instance, customary responsibilities to the Grove and sanctions on people who flouted its practices and norms began to weaken, the shrines were neglected, traditional priests began to disappear and people began to fish in the waters of the Osun River, an act previously forbidden. All this was compounded by a rise in the looting of statues and sculptures to feed a market thirsty for antiquities.

At around this time too, part of the Grove was acquired by the Department of Agriculture and Forestry for agricultural experiments. Trees were felled and tea plantations established.

It was at this crucial point in the history of the Grove that Susan Wenger moved from Ede to Osogbo in response to, according to her: "The cry of help from the priests of the sacred Osun River."

And with the encouragement of the Oba and support from local people, she formed the New Sacred Art movement, made up of her adopted children, who underwent artistic training, especially in sculpture, painting, as well as in the making of tye and dye materials, a local fabric called Adire.

The training also included learning how to challenge land speculators, repel poachers, protect shrines and begin the long process of bringing the sacred place back to life — restoring it once again as the sacred heart of Osogbo.

Traditionally, sacred trees, sacred stones, metal objects, together with mud and wood sculptures, defined the various deities in the Grove. As a mark of Wenger's faithfulness to the service of Orisa, in the last five decades she worked hard to create and erect new sculptures in the place of old ones, while giant and immovable works of art were created in threatened areas in the Grove.

These sculptures are made from a variety of materials — stone, wood, iron, and cement. Some are freestanding; others are attached to shrine buildings. There are also wall paintings and decorative roofs made from palm fronds.

Presently, there are 40 shrines scattered across the length and breadth of the Grove and, of these, 15 were reported to have been created partly, or wholly, by Wenger. These include the largest works — sculptures in the Obatala shrine complex, the arch of the flying tortoise, shrine of the goddess Iya Moopo, the Alajogun-Alajere-Obaluaye complex and the creative concept for the main Osun Osogbo shrine.

UNESCO recognition

While in the pursuit of her spiritual and artistic fulfillment, Wenger was not unmindful of the agitation at the global level for the preservation of the cultural and natural heritage of humanity.

The agitation gave birth to the ratification, in 1972, by the United Nations Educational, Scientific and Cultural Organization (UNESCO) of what is now known as the UNESCO Convention on the Protection of World Cultural and Natural Heritage.

The primary objective of the convention is to preserve the "outstanding universal value'' of those cultural and natural properties scattered all over the world. The convention came with the World Heritage List and any property (cultural or natural) so certified and endorsed would be proclaimed a World Heritage Site.

In 1991, during interaction with her biographers, Wenger expressed her desire to secure UNESCO recognition for the Osun Osogbo Grove to give her struggle continued relevance in a changing world. That desire materialized in July 2005, when the Organization, at its meeting in Durban, South Africa, declared the Osun Grove a World Heritage Site.

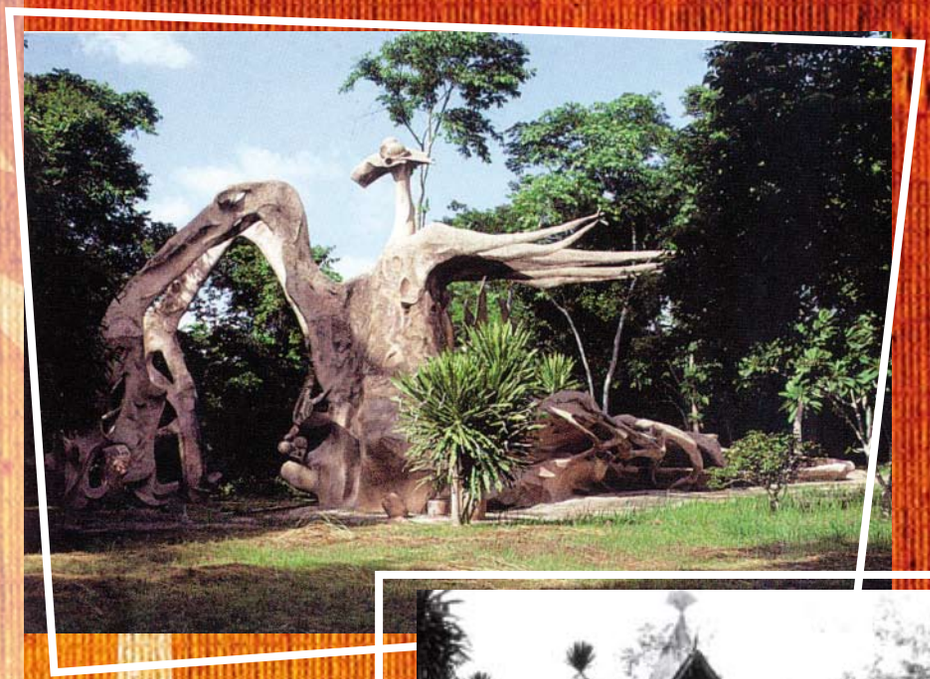
Wenger's immense contribution to the restoration and preservation of the cultural, spiritual and artistic identity of the Grove was singled out for mention.

And so, at 8.30 pm local time, on January 12, Susan Wenger was buried quietly in one of the sacred shrines inside the Osun Grove. That she was buried inside the Grove the same day she passed on was also an actualization of a wish she had expressed in 1991.

Then, she had noted how Europe, her birth-place, had become, for her, a very strange place and that she always quickly returned to Osogbo any time she travelled to her native Austria. This, she explained, was because of her conviction that she would die in Osogbo and be buried in the sacred Grove of Osun, among the sculptures that were her life's work.

Although her passing has been described as a "sad loss" by Osun State Governor, Olagunsoye Oyinlola, Nigeria, and indeed, Africa, the governor said: "We should took solace in the fact that she lived a fulfilled life and was recognized in her lifetime, having been conferred with the national award of Member of the Federal Republic (MFR)."

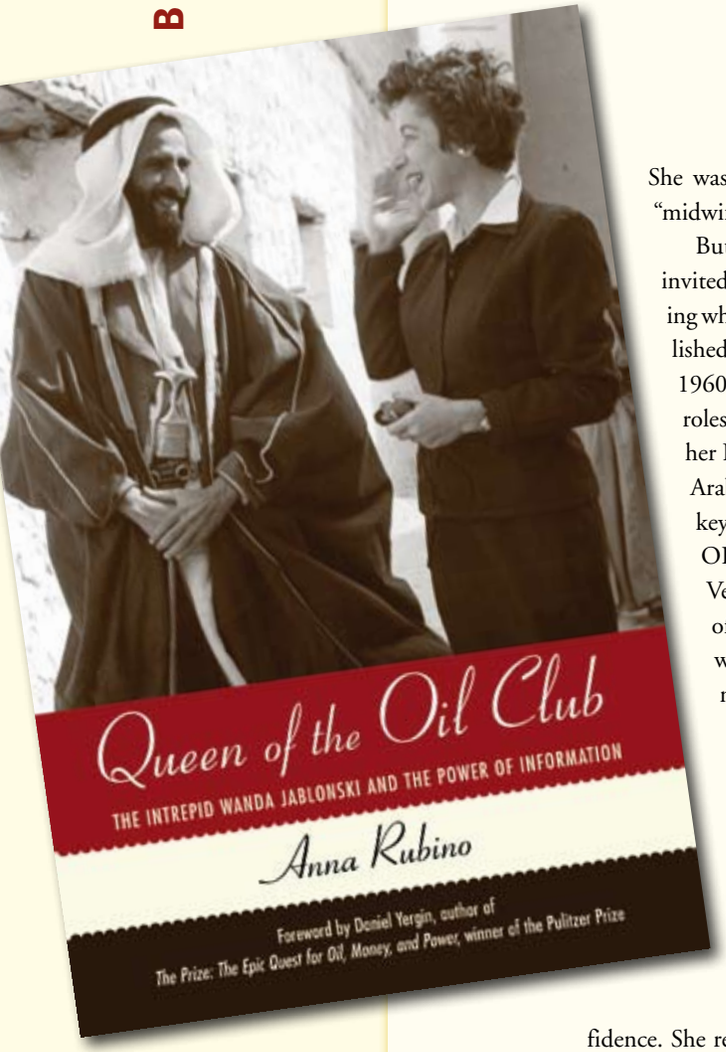
And for Africa's first Nobel laureate, Professor Wole Soyinka, Susan Wenger was the 'Abami Eda' (supernatural one) of the Nigerian art scene. "She came, saw, and was conquered."



Queen of the Oil Club

The intrepid **Wanda Jablonski** and the power of information

by Angela Ulumna Agoawike



She was affectionately known as the "midwife of OPEC".

But Wanda Jablonski was not invited to, nor was she at the meeting where OPEC was officially established in Baghdad on September 14, 1960. Yet, her behind-the-scenes roles, which brought together (in her Hilton hotel suite at the Cairo Arab Oil Congress in 1959), the key figures for the founding of OPEC — Jose Alfonso Perez of Venezuela and Abdullah Tariki of Saudi Arabia — was so overwhelming that it earned her the nickname.

She was also credited with having laid bare the secrecy that shrouded the oil industry through her reports. She was so knowledgeable about the industry that her rivals respected her, her colleagues admired her and the oil barons took her into their confidence. She revolutionized the reporting of the oil industry and, indeed, it would not be considered an overstatement to say that the story of Wanda Mary Jablonski is synonymous with that of the development of modern business journalism.

But who was Wanda Jablonski? What was her pedigree and what placed her in such an advantageous position that, today, some 16 years after her death, hails her as one of the most respected names in oil and business journalism?

To answer these questions, one has to read the book, Queen of the Oil Club — the intrepid Wanda Jablonski, by Anna Rubino, a journalist and historian. Well researched and superbly written, Rubino, through her in-depth research, brings to life and thrusts into the readers' consciousness, the picture of a woman who was well ahead of her time.

Trailblazer

Wanda came to the fore when society and the newsroom were not ready for a woman with her passion for energy journalism, a time when female reporting and analysis concerning business activities was not the norm.

But that was no deterrent to Wanda. Instead, she quietly, but steadfastly, marched on into the "men only" club and came out, not bloodied, but a trailblazer. She went in a woman who had to hide her identity through her initials, W M Jablonski, but came out unscathed as Wanda — friend of the influential and a power broker among the industry's 'big seven' and emerging Middle East and Venezuelan oil nationalists.

Through her incisive reports, Wanda gave voice to oil-producing countries in the Middle East and Venezuela, who wanted a stake in their natural resources, but were either ignored or not taken seriously by those who exploited their oil.

Queen of the Oil Club, which started as a PhD thesis for Anna Rubino, is a lesson in the history and complexities of the oil business and how one woman, a Slovakian immigrant to the United States, single-handedly changed business journalism and the traditional role of women in the newsroom.

It is said that journalism is history in a hurry. In reading Queen of the Oil Club, one is acutely aware of following the history of modern business journalism, even though that was not what Wanda set out to do initially. In fact, like most people, she just wanted to earn a living and take care of herself. But in so doing, she rose to become a reference point for career-minded women, not only of her time, but also of today.

Wanda started out on her career as a lowly paid messenger at the New York Journal of Commerce. But she rose quickly in her profession to become the publisher of the influential Petroleum Intelligence Weekly (PIW), which grew to be known as the 'bible of the oil industry'.

In her book, Rubino, who in the 1980s also worked for PIW, chronicles the audaciousness of Wanda Jablonski and the influence she wielded on the industry through her clear, punchy and comprehensive reports and analysis, as well as her ability to accurately predict future occurrences within the industry.

Naturally with her job, Wanda was well and widely travelled. She was not the type of journalist that waited for a story to come to her. Instead, she went looking for the news and could sometimes spend weeks and months reporting on developments in the industry from London, the Middle East and Venezuela.

Even in today's world, few journalists have the kind of insight Wanda had into the industry, an insight that stood her out among her peers. It was this excellence and reputation that led her to being consulted by high-ranking officials, governments and the industry she reported on.

Queen of the Oil Club seeks to elevate the positive attributes of a woman who gave herself and all she had (it caused strain in her marriage leading to eventual separation and divorce) to a profession she loved and cherished.

The author, through good understanding of her subject, manages to take us on a journey inside Wanda's head, bringing her to life. For anyone wishing to understand who Wanda Jablonski was, why she did what she did, what drove her to abandon everything in pursuit of her dreams, then this read is a must.

Rubino captures the delicate relationship that existed between Wanda and her itinerant parents as they moved from one part of the world to another, mostly in pursuit of her botanist-turned-geologist father's own personal dreams.

Such travels, which exposed Wanda to different cultures and conflicting lifestyles from a very young age, was to play a prominent role in shaping her career in journalism. Her exposure to oil also, in no small way, had a positive influence on her development as a journalist. She attained a good grasp of oil industry affairs at an early age. Some of the sources Wanda cultivated were actually her father's industry colleagues, who had no qualms about discussing oil matters with her.

While some describe Wanda's early and tough experiences as a "baptism of fire", for the aspiring journalist, it was "a baptism in oil" that proved to be her induction into the petroleum industry and all that went with it.

At one point in the book, the author recalls an incident whereby Wanda was said to have told people that, at the age of four, she was chased by an irate goat straight into a pool of oil. Although her mother cleaned her up, the oil literally stuck … on and with Wanda.

This was indeed Wanda's first experience with the famed 'black gold' that would eventually be the subject of her career in oil reporting — a career that spanned the four decades of the cold war.

It was also a career that encouraged the emergence of oil nationalism. Here Wanda could draw on her nationalist roots, going back to her grandfather, Karol Krcmery, a Slovak nationalist who later became a senator in Czechoslovakia in 1925. Wanda herself said of that influence on her view of the world: "In order to understand my background, you must start with an understanding of my grandfather."

Wanda Mary Jablonski, who lived in Manhattan, died of heart failure in a New York hospital at 71.

Scoops and more scoops

Author Rubino, who currently carries out investigative reporting for Off The Record Research, an investment news service, has succeeded in writing a book that is both biographical and historical.

She has had the credentials to do this by drawing from her academic background as a historian, having got her PhD in History from Yale University, and her reportorial capabilities, having worked for reputable publications like Business Week, the International Herald Tribune and PIW.

Written in simple third person narrative and published by Beacon Press, the 346-page Queen of the Oil Club is divided into nine chapters, each one smoothly flowing into the other.

The foreword is written by Professor Daniel Yergin of Cambridge Energy Research Associates, whose book The Prize: The epic quest for oil, money and power, won the Pulitzer Prize. In the prologue, the author gives the reader a glimpse into what to expect in the book as it takes the reader into what was a constant in the life of Wanda — scoops, scoops and more scoops — a gripping entry into, and an end to the incredible career of Wanda Mary Jablonski. It is aptly titled "The Last Scoop".

Queen of the Oil Club: The Intrepid Wanda Jablonski and the Power of Information, by Anna Rubino. Publisher: Beacon Press, illustrated, hardcover, 346pp.
ISBN: 978-0-8070-7277-6.

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

Algeria records 42 per cent rise in 2008 non-hydrocarbon exports

Algiers — Non-hydrocarbon exports in Algeria increased in value by 42.12 per cent in 2008, climbing to $1.89 billion, from $1.33bn in 2007, according to figures released by the National Data Processing and Statistics Centre. The report stated that despite the "relatively significant" rise, the country's non-hydrocarbon exports remained "marginal", accounting for only 2.42 per cent of global exports. The non-hydrocarbon exports were mostly made up of hydrocarbon by-products, such as cyclic hydrocarbons, which increased by more than 210 per cent — from $17.9 million to $55.7m, with oils and other products drawn from tar distillation increasing by 51.9 per cent to $534.8m from $351.9m in 2007. *APS*

Algeria expects eight per cent annual growth in agriculture in 2009–14

Algiers — Algeria's agriculture sector is banking on eight per cent average annual growth over the next six years, as a result of the performance agreements signed for agriculture and rural revival. This compared with the current growth rate of five to six per cent, according to Minister of Agriculture and Rural Development, Rachid Benaissa. "The agreements, which will run over the 2009–14 period, are mainly meant to reach 8–8.5 per cent average growth," the minister told a press conference on the margins of the quarterly meeting of the sector's executives. The meeting was devoted to the presentation of a mechanism for the follow-up and assessment of performance contracts for agricultural economic development and rural revival. *APS*

Angolan Finance Minister defends strong private sector

Huambo — Angolan Finance Minister, Severim de Morais, has spoken of the need for a strong private sector in the country, capable of meeting society's demands for goods and services. The Minister was speaking at the closing session of the first national conference on the private sector that took place in Huambo over two days. He justified the need for a strong private sector by saying that the stronger its capacity was in serving the demands of society, the lesser would be the action of the state on the economy. Severim de Morais stated that with the country's private sector still being ineffective, the government found it necessary to intervene, in order to strengthen operations as the only way to create a strong national economic and business basis, required for the sustainable development of the country. The Minister also spoke of the need for a mechanism for permanent and structured dialogue between the private sector and the government, coupled with a major involvement of the state in the solution to constraints that affect the good performance of the private sector. He stressed that the government was committed to the creation of an environment favouring political and macro-economic stability, the existence of basic and working infrastructure, know-how and capable institutions. *AngolaPress*

Indonesia to expedite power plant development to meet demand

Padang — Indonesia will speed up the development of new domestic power plants to overcome a shortage of electricity supply in the country. Vice President, Jusuf Kalla, said the government had already started to build new plants with a total capacity of up to 10,000 megawatts (MW) as of 2008. More new plants, with a total capacity of 10,000 MW, would be built in 2009. He said the decision was taken so that demand for electricity at any quantity could be met. Regarding the funding, the Minister said: "Money is number two. We can borrow." *AntaraNews*

Pertamina planning to export diesel oil

Jakarta — State-owned oil and gas company, PT Pertamina, plans to export diesel oil this year, following a decline in domestic demand for the product, the company's President Director, Ari Soemarn, said. "Domestic demand for diesel oil, especially from state electricity company, PLN, has dropped so that part of our diesel oil output will be exported," he said. PLN had reduced purchases of diesel oil for its power plants and switched to gas, Sumarno noted, adding that in 2008 PLN had bought a total of 11.4 million kilolitres of fuel oil, consisting of diesel oil and residue oil. But in 2009, PLN's need for fuel oils was expected to drop to 7.9m kl, about 70 per cent of which would be diesel oil and the remaining 30 per cent residue oil. *AntaraNews*

Iran records $40 billion in foreign investment — Minister

Tehran — Iranian Minister of Economic Affairs and Finance, Shamseddin Hosseini, has said that some $40bn in foreign investment had been made in the country in recent years. He said the current status of foreign investment in the country was "satisfactory". The volume of foreign investments in the country from 1994 to 2008, involving 384 projects, had been registered at $32bn. *IRNA*

Iranian trade team to visit UK

London — An Iranian private-sector trade delegation will visit London early next month to discuss upgrading trade ties with counterparts in the United Kingdom. Martin Johnston, Director General of the London-based British-Iranian Chamber of Commerce, said the Iranian team from the non-governmental Iran-British Chamber of Commerce, Mines and Industries would arrive in the first week of February to conduct trade talks with Iranian and British businessmen in Britain. He said the level of direct and indirect trade relations between Iran and Britain had increased remarkably in 2008. "According to statistics by the UK government, more than £360 million worth of British goods have been directly exported to Iran in 2008," he said, adding that the figure indicated one per cent growth over the previous year. Johnston said the level of indirect exports to Iran had also increased as UK exports to the United Arab Emirates exceeded £400m in 2008, registering record growth of 35 per cent. *IRNA*

Nigeria reassures on Niger Delta development

Vin Oliji — The Nigerian government has reiterated its determination to put an end to the problems facing the Niger Delta region. Minister of Niger Delta Affairs, Obong Ekaette, told stakeholders in Calabar, Cross River State that the creation of the new Ministry was part of the Nigerian President's measures to fast-track the development of the region. He said he was on a tour of the nine states in the Niger Delta region to seek the opinions and views of the people on how best to resolve their problems. Obong Ekaette said the government had adopted a development approach that would allow the real beneficiaries to decide their needs and actively participate in the process of developing the area. The creation of a separate ministry for the region demonstrated the government's desire to see a Niger Delta that was replete with facilities that would enhance the living standards of the people and make them feel the impact of facing oil in their environment, he stated. *VON*

EU sets aside €6 million For Nigeria's development

Abuja — The European Union (EU) has pledged to commit €600 million to the development of Nigeria. The amount is to be spent within five years in the areas of peace and security, good governance, human rights and political dialogue. The Czech Ambassador to Nigeria, Jaroslaw Siro, whose country presently holds the Presidency of the European Council, said the European Community would support development initiatives in the country. He said such development cooperation covered water and sanitation, and state, as well as local institutional, economic reforms, such as micro projects in the Niger Delta region. *VON*

Deputy Premier signs six water project contacts

Doha — Abdullah bin Hamad Al Attiyah, Qatar's Deputy Premier and Minister of Energy and Industry, who is also Chairman of the Qatar General Electricity and Water Corporation, has signed six contracts for water projects. The schemes are meant for the expansion of the water distribution mains in various areas, including West Bay, upgrading pumping stations and enhancing transmission networks, in order to meet the country's increasing demand for water in satisfying customers' current and future needs. *QNA*

Saudi Aramco, Total sign construction contract

Dhahran — Saudi Aramco and French oil major, Total, have awarded a construction contract for their $12 billion joint-venture refining and petrochemical facility in the Kingdom. The deal, which is required to support the construction phase of the complex at Jubail, is an indication of the companies' commitment to push the project. The contract was awarded to a Saudi Arabian-based contractor. Under the terms of the agreement, the construction firm will develop 600 hectares with basic infrastructure, allowing for the accommodation of 30,000 workers, temporary offices, and 3,000 personnel. Construction of all facilities is to be finished by the end of 2012, with commercial operations set for March 2013. *SPA*

Investment in Saudi Arabia "advantageous"

Riyadh — Prince Saud bin Abdullah bin Thinayyan Al Saud, Chairman of the Royal Commission for Jubail and Yanbu and Chairman of the Board of Directors of the Saudi Arabian Basic Industries Corporation (SABIC), has affirmed that investment in the Kingdom has advantages for foreign investors as the effect of the global financial crisis on the Kingdom has been less than other countries. In a statement issued on the sidelines of the Third Global Competitiveness Forum, he said: "This does not mean that the Kingdom of Saudi Arabia has not been affected, as the Kingdom is part of the world; but the damage has been relatively less." He added that the gathering of economic experts and presidents of major companies proved that the Saudi economy was well and that the Kingdom had been able to attract substantial investments, pointing out that investment would be increased as Saudi Arabia, compared with other countries, had been less affected by the global financial crisis. *SPA*

Banks use less than 15 per cent of facility provided by government — Al Suweidi

Abu Dhabi — Banks operating in the United Arab Emirates (UAE) used less than 15 per cent of a facility made available to them by the government in the light of the world financial crisis, according to Central Bank Governor, Sultan bin Nasser Al Suweidi. He stressed that this was an indication of the increasing liquidity seen with these banks. "The banks did not resort to the facility offered … and this underscores a sound position of liquidity and its adequate availability with these banks," Al Suweidi said following talks with a group of French financial officials. He said the apex bank had directed banks not to compel their clients to liquidate their assets-backed securities because of the negative situation the local stock market was facing. He termed the fall-out of the international financial crunch as just the "tip of the iceberg". He added: "Consolidation between banks may provide one of the most effective solutions to face the shocks of the crisis." *WAM*

ADCO awards EPC contracts for development of three fields

Abu Dhabi — The Abu Dhabi Company for Onshore Oil Operations (ADCO) has proceeded with its approved plans and has awarded two engineering, procurement and construction (EPC) contracts for the development of its Sahil, Asab and Shah fields. The Asab Field Development Project has been awarded to Petrofac International at a lump sum price of $2.3 billion, while the Sahil and Shah Fields Development Project has been awarded to a consortium of Tecnicas Reunidas and CCC at a lump sum price of $1.2bn. A company press release said the award was a clear sign that ADCO was proceeding with all its development plans. *WAM*

Argentina and Venezuela sign 21 cooperation agreements

Caracas — The governments of Argentina and Venezuela have signed 21 cooperation agreements, including accords covering health and industrial development. The accords were inked during an official visit to Venezuela by Argentinian President, Cristina Fernandez. The two sides initialled a memorandum of understanding to create an Argentina-Venezuela cooperation fund for industrial development, as well as a letter of intention to promote the innovation and productive chains of the aluminium industry. Other areas covered the air industry, agri-business services and an agreement to carry out joint studies on mature oil fields between the Venezuelan national oil company, Petroleos de Venezuela SA and Argentina's Empresa Nacional Energetica SA. *ABN*

OFID support helps development of vast river system

The Hidrovia highway

South America's Hidrovia river system is a vast natural highway that flows for some 4,000 km through Brazil, Bolivia, Paraguay, Argentina and Uruguay. After lying virtually dormant for almost a century, this key artery is today a bustling commercial waterway that has become as economically vital to the region as the Mississippi is to the United States and the Danube to Europe. Catalyst for this transformation is UABL, Paraguay's leading river transport operator and one of the newest private sector partners of the OPEC Fund for International Development (OFID). During a recent visit to OFID's headquarters in Vienna, UABL President, Felipe Menéndez, revealed just how his company has helped breathe new life into the region.

Made up of the Paraguay and Paraná rivers, the Hidrovia network extends from the Pantanal wetlands on the Brazilian-Bolivian border down to Buenos Aires on the Atlantic coast. On its journey, it cuts across some of the most productive agricultural land in South America.

Until recently, this landlocked region's potential as a bread basket and valuable source of iron ore was largely untapped, due to the logistical difficulties in trucking commodities overland to the coast.

Felipe Menéndez, whose family has been involved in the South American shipping business for over 100 years, explains: "Fifteen years ago, the only way to transport cargoes out of the region was by truck, either 1,900 km across Brazil to the eastern seaboard, or 400 km through Paraguay to a small river port south of Asunción, where they could be carried downriver in barges."

The associated costs were prohibitive and acted as a severe constraint on production. Paradoxically, few people seemed aware of the low-cost alternative right on their doorstep, an anomaly that continues to puzzle Menéndez.

"Here we had a gift of nature, a river system that was navigable all year round, and it was barely being used. It simply didn't make sense," he said.

From small beginnings

UABL was quick to see the potential of the two rivers as commercial waterways, especially after trips to Europe and the United States confirmed just how effectively modern river systems were being used in other parts of the world. It was

A bird's eye view of the vast Paraná River system.

to be a process, however, that would require considerable capital investment.

"When we first started in the early 1990s, the average navigation time from Buenos Aires to Asunción was 22 days," said Menéndez. "But by investing in modern navigation equipment and increasing the horsepower of our push-boats, we have managed to reduce this to just eight days."

Today, UABL has a total of 591 barges and 28 push-boats operating on the Hidrovia, carrying goods ranging from petroleum and minerals to agriculture and forest products. The vessels operate in huge 36-barge 'tows' that can carry up to 50,000 tons of cargo on a single journey. Just 15 years ago, the maximum tow was a mere 12 barges, so considerable progress has been made.

Cost benefits have also accrued. As fuel consumption and operational expenses have remained basically the same, the cost per ton of cargo is nowadays much less.

Menéndez was keen to highlight the cost-effectiveness of the river system, pointing out that it would take around 2,000 trucks to carry the equivalent of just one of UABL's convoys.

His claims are borne out by a study conducted by the US Corps of Engineers, which shows barge transport to be between seven and 32 times cheaper than truck or rail.

"The longer the distance, the less expensive it becomes," pointed out Menéndez. "There is a 250–300 km limit on the effectiveness of trucks. As soon as you go beyond that, the cost difference between truck and barge becomes enormous."

The soybean miracle

Around 70 per cent of the cargo transported by UABL originates in or is destined for Paraguay. The bulk of it is soybean, a commodity that has experienced production growth of about 12 per cent year-on-year for the past decade. About 67 per cent of this is destined for export, mostly through Argentina, where it is shipped to for processing.

This dramatic growth — the fastest in the world — has elevated Paraguay to the position of the fourth-largest soybean exporter globally, with soy and soy products now representing the country's top foreign currency earner.

A similar story applies to iron ore, which has been mined for over 100 years in Corumba, Brazil, right at the origin of the Paraguay River, some 2,700 km from the ocean. Recent years have seen annual production increase by a phenomenal 25-fold, from 200,000 tons in the mid-1990s to 4.9 million tons in 2007. All but a fraction of this is shipped out by barge.

"It is no coincidence that this unprecedented growth in commodities' production has gone hand-in-hand with the development of the Hidrovia as a commercial waterway," noted Menéndez.

"The mining companies, in particular, owe their increased volumes not to the exploitation of new mines, but to the efficiency of the transportation that is now in place."

Menéndez was reluctant, however, to accept a similar degree of credit for the increase in soybean production. Instead, he pointed to the development of new seeds and plantation techniques as the main drivers behind the rise in output.

He admitted, however, that "if there had not been an efficient means of transporting the crop, most of that effort would have been wasted."

Strategic infrastructure

In order to provide a complete service to customers, UABL has invested heavily in key infrastructure. In addition to storage facilities and strategically-located ports for cargo handling, the company owns a dry-dock and repair yard, as well as a floating trans-shipment terminal for the transfer of cargo from barges to ocean-going export vessels.

Also under construction is a shipyard in Argentina, which will build barges to a customized specification better suited to the Hidrovia. Until now, the company has been importing and adapting 35 foot wide barges that

were designed to fit through the Mississippi lock system. With no locks to navigate, the Paraguay and Paraná rivers have no such width restrictions. The new barges will thus be constructed as 2,500-ton units — two-thirds larger than their Mississippi counterparts, and a much more efficient module for the Hidrovia.

A UABL push-boat makes its way down the Paraná River with its impressive cargo.

Trunking

Menéndez attributes much of UABL's efficiency to the unique "trunking system" it is able to operate by virtue of the company's relatively large fleet size, which allows the push-boats to be constantly on the move, dropping off one tow before immediately picking up another.

Compared with the traditional convoy method, in which sets of push-boats and barges are together at all times, trunking minimizes the idle time push-boats spend waiting for cargo to be loaded or unloaded.

By trunking, UABL can also customize the convoy size for each river segment based on river conditions and achieve greater throughput than a traditional barge operator carrying only 16 barges along the entire journey.

"In trunking, we have developed a river transportation system that is very much like a railroad," said Menéndez. "A railroad company would never consider it good business to keep a locomotive waiting while the cars load or discharge. It would drop off the cars, pick up another lot and go off in the opposite direction. This is exactly what we are doing on the Hidrovia."

Menéndez said he believed the future of the river would be in small companies getting together and organizing their own trunking systems, so as to enjoy the resulting economies of scale.

Navigation technology

Another innovation UABL has introduced is a state-of-the-art navigation system, which allows tows to operate both day and night.

"Unlike the Mississippi, the governments in this area have not invested in the river at all," observed Menéndez. "Until ten years ago, vessels relied exclusively on landmarks to guide them and night navigation was almost impossible." As a result, vessels were able to operate only 50 per cent of the time.

UABL has made significant investments in navigational technologies to maximize operating efficiency and safety. The company uses a GPS system that continuously maps in real time the safest routes and marks the channel with electronic buoys.

One of UABL's river terminals called Tres Fronteras.

The system helps captains to navigate areas that are not signalized and optimizes vessels' operating time.

"With this system we have been able to navigate 75 per cent of the nights," said Menéndez, adding: "Not throughout the network, as there are still places where we are navigating only 50 per cent of the nights, but we have definitely made enormous improvements in terms of the efficiency and utilization of assets over the past decade."

To prepare crews for navigating the river, the company has also invested in the creation of a simulator.

"We brought a group of technicians from the US to film all the critical passes of the river and this is now on a simulator in Kentucky," explained Menéndez.

He revealed that plans were underway to install a simulator in Paraguay so that crews would no longer need to travel to the US for their training.

OFID loan

UABL continues to have big plans for the future and is implementing a multi-million dollar expansion programme that will help the company meet the ever-growing demands for its services by increasing the fleet capacity, reducing operating costs and improving efficiency.

"The $15 million loan from OFID will be used partly to grow our barge fleet and partly to upgrade the engine power of our pushboats so that we can increase our tow-size from 36 to 42 barges," stated Menéndez. "This would allow us to carry 60,000 tons of cargo in a single tow."

Forestry potential

Menéndez is confident that the investments are well justified given the rate at which both agricultural and forest production is predicted to grow. The latter, in particular, offers tremendous potential, and UABL has already taken steps to tap into the market in northern Argentina, where there is a vast forested area bordering some 700 km of river.

"We believe that this stretch of the river is potentially enormously rich in terms of production growth," said Menéndez, pointing out that forest production was projected to be about 2.5 m t a year over the next five years.

He also revealed that UABL had bought land to build ports in two locations to enable it to load and carry out forest products, such as wood pulp and sawn timber to the export market.

"Imagine the benefits of being able to load products just 20 to 30 km from where they are produced," said Menéndez. "We hope that if we can put in place a modern, efficient transport system, we will help develop production and bring prosperity to the area."

A vision realized

Menéndez cites UABL's vision and far-sightedness as the drivers behind the company's remarkable success.

"When we started investing heavily 15 years ago, many people said we were crazy and that there would never be enough cargo for the number of barges we were introducing.

"While other operators invested conservatively, based on the historical volumes, we believed that our investments would be justified by the volumes that would be there in the future," he affirmed.

Fortunately for UABL, their foresight proved well-founded, and volumes have continued to grow beyond all expectations, even as the company has introduced more capacity.

"Our success gives us a great deal of satisfaction, because it is not only about carrying the cargoes and doing it in a professional way," said Menéndez. "We actually laid out a plan and believed that if we put the logistics in place, production would follow and prosperity with it."

Menéndez said he was very proud of the impact his company's operations have had on the social and economic development of the Hidrovia region.

"Fifteen years ago, these landlocked areas were inhospitable cattle lands. Today, they are vibrant agricultural communities, whose small farmers are well-integrated into the modern world. This, more than anything else, is the true reward of our endeavours," he stated.

UABL operates a floating trans-shipment terminal for the transfer of cargo from the barges to ocean-going export vessels.

UABL

This section includes highlights from the OPEC Monthly Oil Market Reports (MOMR) for December 2008 and January 2009, published by the Petroleum Studies Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

December 2008

Crude oil price movements

In November, the OPEC Reference Basket[1] fell by $19.40/barrel, or 28 per cent, from the previous month, to stand at $49.76/b. The crude oil market saw a turbulent start to the month under review, amid weakening demand and a strengthening US dollar. The ongoing perception of a recession, due to the weakening economy, continued to dominate the bearish market sentiment. The OPEC Basket plunged during the first week of November by some seven per cent and the volatility continued into the second week when the price declined by a further 11 per cent. While lower allocations from the Middle East and China's bailout plan were seen to lend support, reports from the International Energy Agency (IEA) and the Energy Information Administration (EIA), revising down oil demand growth forecasts, heightened the market's bearishness. Speculation of a further OPEC production cut at a Consultative Meeting in Cairo lifted sentiment, although a plunge in equity markets revived fears that sustained economic weakness would dent petroleum demand. The outlook for the oil market worsened as the financial crisis spread globally with equity markets taking the lead. The Basket fell by another 10.5 per cent in the third week of November, but in the final week a stimulus plan to shore up the battered economy, as well as speculation over a potential OPEC supply cut, restored some market confidence and the Basket gained 1.4 per cent.

On the US market, benchmark crude WTI averaged November at $57.12/b, down by $19.50/b, or over 25 per cent, from the previous month.

In the North Sea crude market, Brent averaged November some $19.36/b, or 23 per cent, lower at $52.51/b.

In the Mediterranean market, Russia's Urals crude averaged the month at $51.79/b, lower by $18.72/b, or 26.5 per cent, from October.

In the Middle Eastern market, Dubai averaged November at $49.84/b for a loss of $17.98/b, or 26.5 per cent, from the previous month.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that commodity prices declined by 16.8 per cent in November after plummeting the previous month by 21.2 per cent.

"The monthly drop in the IMF commodity price index during October and November on a monthly basis were the largest since the publication of the index in 1992," said the report.

It maintained that the adoption of an urgent policy response in an attempt to stop a major economic recession had proved to be unsuccessful with the US government acknowledging that the economy was in recession and the whole set of economic and financial indicators continuing to show a poor performance for the global economy.

"Analysts are forecasting that the global economic recession will be deeper and longer than initially thought," commented the report. It noted that the downward revision to the economic growth forecast for China and Asia added to the bearish panorama for commodity prices as "lower demand seems to be the key factor in explaining the severe and rapid downtrend in commodity prices as the strong positive correlation between commodity prices and global GDP is well known."

Said the report: "In other words, the decline in commodity prices during November was due to a further weakening in global demand, credit constraints and the appreciation of the US dollar

1. An average of Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Minas (Indonesia), Iran Heavy (IR Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (SP Libyan AJ), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and BCF 17 (Bachaquero, Venezuela).

(it was up by four per cent against the euro)."

It noted that, in the first week of December, the contraction of employment in the US added to "this gloomy macroeconomic panorama and suggested that a sustainable recovery in commodity prices may not be possible in the near term."

However, the pace of decline in some commodities, such as metals and grains, has slowed significantly in monthly terms in November and early December.

"Some authorities as the World Bank argue that the commodity boom that began in 2003 until the first half of 2008 seems to have ended abruptly with the slowing of economic growth at the end of the cycle aggravated by the severe financial crisis.

"This commodity boom was unique in magnitude and duration compared with others since the beginning of the 20th century," said the OPEC report. It said that the decline in commodity demand in 2008 and 2009 was expected to lead to a gloomy outlook for commodities over the short term.

A milder fall in commodity prices during November could largely be explained by the halving of declining growth in non-energy commodity prices, as energy prices and especially crude prices continued declining at almost the same pace.

As in October, the energy commodity index (crude oil, natural gas and coal) was the worst performer in November (21.3 per cent). Crude oil prices (the average petroleum spot price) continued sinking dramatically by 25.7 per cent (40.8 per cent lower than a year earlier) with no visible and sustainable improvement in early December.

The Henry Hub gas price experienced a recovery compared with the previous month. It declined by only 0.6 per cent, which compared favourably with the drop of 11.6 per cent seen in October. However, the medium-term outlook for natural gas looked bearish, due to several factors, namely forecasts of lower consumption in 2009, due to economic recession.

Coal prices edged down by 14.6 per cent in November, driven by the same factors that led to a plunge in prices during the previous month, namely slow global demand, together with better supply conditions in major countries exporting the commodity.

Non-energy commodity prices dipped by 7.8 per cent in November from the previous month and were 19.5 per cent lower than a year ago.

The industrial metal price index recorded a drop of 12 per cent month-on-month in November to stand at 32.83 per cent lower than in the same month last year.

"The unprecedented decline in metal prices suggests that the market is pricing in a deterioration in market fundamentals that are even worse than that recorded during the Great Depression," the OPEC report observed.

Since October, it said, prices across the whole metal complex had been severally hit by the economic and financial turmoil that had led to a decline in production and weaker demand from the construction, transport and other sectors.

"The worsening of all macro, economic and financial indicators with the global recession already acknowledged, falling industrial production, depressed demand, amid considerable inventory builds and the US dollar's appreciation against the euro, have continued to exert pressure on industrial metals, which are the most closely linked commodities to the performance of industrial GDP," said the report.

Copper prices reported another dramatic and unprecedented 23.8 per cent m-o-m drop in November, with the downtrend in the two latest months seen as the worst since 1980.

Aluminum prices decreased by 12.5 per cent m-o-m in November and stood some 26 per cent below the level seen a year ago. There was a rapid slowdown in demand from the construction and transport sectors.

"Aluminum has been greatly affected by the worsening situation in the automotive industry that has reduced US demand for this metal," said the OPEC report.

Nickel prices lost 11.3 per cent m-o-m in November, which compared favourably with the near 32 per cent decline seen the previous month. However, nickel prices were 64.7 per cent lower than a year earlier.

The price of zinc posted a 10.3 per cent loss in November and stood 54.2 per cent lower than a year ago on rising inventories and weak demand, again from the automotive industry in Asia and OECD countries.

The World Bank's agricultural price index decreased by 7.2 per cent in November for a fifth consecutive monthly drop. The same factors continued to weigh on agricultural prices, including weakening demand, the severe fall in crude oil prices, investor risk aversion and a better supply outlook.

The decline in the IMF food price index slowed markedly from 20 per cent in October to 7.2 per cent in November, which was due to the relatively better performance of corn, wheat and soybeans.

"In general, the slower negative growth in November may suggest that some of the commodity prices have already reached the bottom, or are near to reaching it," said the OPEC report.

The price of soybean grew slightly by 0.7 per cent in November, after having fallen 19.7 per cent in October, while wheat prices dropped by four per cent, which compared favourably with the 20 per cent fall seen in October. Corn's negative price growth also more than halved in November (10.2 per cent), compared with 21.8 per cent in October. The worst performers in the agricultural spectrum in November were palm kernel oil and coconut oil (close substitutes), whose prices fell by 30 per cent and 15.9 per cent, respectively, while groundnut oil fell by 17.7 per cent. Cotton prices declined by 11.8 per cent in the month, due to weak demand from the important textile producers, such as China, India and Pakistan. Sugar prices also dropped.

The price of gold fell by a further 5.7 per cent m-o-m in November. The strengthening of the US dollar and weaker jewelry demand continued to weigh on prices.

World oil demand

In its review of the world oil market, the OPEC report stated that the worsening world economy was expected to have a large impact

on oil demand in 2009, especially in the OECD countries.

"Our forecast indicates a contraction in the first half of the year resulting from a huge decline in OECD oil demand," it stressed.

OECD oil demand is forecast to show an average decline of 1.3 million barrels/day year-on-year in the first half of 2009. However, this decline will shrink to half in the second part of the year as the world economy shows a better performance. The majority of the decline will be related to the decline in US oil demand. Although the picture will be enhanced in the second half of the year, the OECD will maintain its oil demand contraction showing a decline of 1.0m b/d in 2009.

For OPEC, the supply/demand balance for 2008 has been revised down to reflect the lower demand and supply expectations. Demand for OPEC crude in 2008 is now forecast at 31.63m b/d, a decline of 700,000 b/d from 2007, following a downward revision of 200,000 b/d. On a quarterly basis, demand for OPEC crude in the year is estimated at 32.51m b/d, 30.92m b/d, 31.53m b/d and 31.57m b/d, respectively. Required crude for the fourth quarter of 2008 was estimated to have been 500,000 b/d lower than the previous month's OPEC assessment.

For 2009, and based on a substantial downward revision in world oil demand, demand for OPEC crude is expected to average 30.22m b/d, a downward revision of around 700,000 b/d from the previous month's report. The quarterly distribution shows that demand for OPEC crude in 2009 is now expected to be 30.19m b/d, 29.71m b/d, 29.88m b/d and 31.08m b/d, respectively. Demand for OPEC crude in the first quarter of 2009 is estimated to show a strong decline of around 2.3m b/d, compared with the same period in 2008.

The OPEC report maintained that world oil demand growth will be boosted mainly by China, the Middle East, and Other Asia and is estimated at 600,000 b/d, or 78 per cent, of total non-OECD forecast oil demand growth in 2008.

The deteriorating economies in OECD countries are estimated to reduce total world oil demand by 150,000 b/d, or 0.2 per cent, for 2009 to average 85.7m b/d.

With the sharp downturn in the US, the report stated that in North America there will be two major products affected next year – transport and industrial fuel. Both products are highly elastic to economic activities.

Consumption of gasoline in the US, the highest consumed product in the OECD, is forecast to show a huge decline, resulting from a contraction in driving within the US.

"Another factor that is affecting gasoline demand is the nationwide movement to smaller, more efficient vehicles. The expected negative effect on gasoline will be to some degree reduced by low gasoline prices," said the report.

It noted that gasoline prices in the US have already reached a low not seen since 2004. These low prices are expected to cut the decline from the current 3.5 per cent in 2008 to only 0.5 per cent, presenting a rebound of 260,000 b/d.

Furthermore, a strong cut in industrial production will have a drastic negative impact on the use of naphtha, diesel and fuel oil. It is anticipated that industrial fuel demand will show a decline of around two per cent next year.

Given the negative GDP, total US oil consumption is forecast to decline by around 400,000 b/d in 2009.

North America's decline in oil demand is expected to bottom out at around 900,000 b/d in the first quarter of 2009 and then bounce back to 300,000 b/d in the last quarter.

The other two OECD regions are also expected to show a decline in oil demand next year, due to low economic activities. Like the US, transport and industrial fuel will be the major drivers behind contracting oil use in both regions. As a result of the shrinking economies, oil demand will be in the red for the whole year.

"However, as the economy improves in the second half, the decline in oil demand will shrink as well," said the report.

The 'Big Four' in Europe (the United Kingdom, Germany, France and Italy) are forecast to have most of the decline in oil use in Europe next year, which is estimated at 230,000 b/d.

In the OECD Pacific, Japan's oil demand is expected to continue its decline as a result of not only a slowing economy, but also an aging Japanese population and the movement to smaller and more efficient vehicles. It is anticipated that other countries in this region will, to a certain degree, accelerate the major decline in Japanese oil demand. The OECD Pacific's oil demand decline is forecast at 100,000 b/d, which represents half of the decline in European oil demand.

In 2009, the decline in total OECD oil demand is forecast at 800,000 b/d y-o-y to average 47m b/d.

In the non-OECD region, the depressed developed world economy will spill over to a certain degree into developing countries. Thus, the group of Developing Countries will see oil demand growth of 540,000 b/d in 2009, down by one-third from the growth seen in 2008.

Other Asia and Latin America are expected to show growth of only half of what was seen last year. Middle East oil demand growth is expected to lose 16 per cent of its annual average growth.

China's oil demand is expected to closely track its GDP in 2009. Slowing economic activities should see oil consumption ease, hence oil demand growth is forecast at 360,000 b/d.

Total non-OECD oil demand growth is forecast at 1.0m b/d in 2009. Should the world economic situation deteriorate further, then oil demand in this region could decline more sharply.

Looking at world oil demand in 2008, the OPEC report said that following the first half of the year, when high oil prices depressed petroleum product demand, the sharp downturn in the US economy reduced the country's oil demand by around 1.5m b/d in the second half of the year.

"The financial crisis spilled over into the rest of the world, which resulted in a strong decline in oil consumption."

With such a huge decline in US oil demand, OECD oil demand is forecast to have fallen by

1.5m b/d y-o-y in 2008. Furthermore, the economic problems have spilled over to non-OECD countries; hence, oil demand growth has shown a 16 per cent, or 250,000 b/d, decline in the second half of the year.

Thus, the world oil demand forecast for 2008 was revised down by 350,000 b/d to show a decline of 66,000 b/d to average 85.8m b/d.

In OECD Europe, demand for heating oil in Germany pushed the country's oil demand up by ten per cent, or 250,000 b/d, in October y-o-y to average 2.5m b/d. Cheap oil prices encouraged consumers to go ahead in preparation for winter products. This increased heating oil demand by 230,000 b/d, or 50 per cent, y-o-y.

"Germany's oil consumption is the highest in Europe and any changes make a considerable difference in Europe's total oil demand." Slow economic activity, along with warm weather, moved Italian oil demand to the opposite of Germany. As in other European countries, UK oil use has been on the decline and is expected to continue this was until the end of the year.

Although the winter so far required more oil use in the fourth quarter, especially in Germany, oil demand in OECD Europe was forecast to have declined by 80,000 b/d y-o-y to average 15.2m b/d in 2008.

In the OECD Pacific, falling oil prices are not expected to lead a large change in transport fuel demand within the region. However, due to poor economic activity in Japan, the OECD Pacific oil demand forecast was revised down by 0.07 per cent to show a decline of 190,000 b/d in 2008.

In the group of Developing Countries, as a result of firm demand in Other Asia, Latin America and the Middle East, oil demand growth was forecast to have reached 800,000 b/d in 2008 y-o-y to average 25m b/d.

In the Middle East, oil demand is forecast to achieve healthy growth of 340,000 b/d y-o-y in 2009 to average 6.8m b/d. Middle East oil demand growth is the second strongest after China worldwide.

Brazil, Venezuela and Argentina pushed Latin American oil demand to grow strongly in 2008, achieving growth of 230,000 b/d, or four per cent, y-o-y. Latin America is expected to have the third strongest regional growth worldwide.

Due to the world financial crisis, Other Asia's fourth quarter performance was forecast to be the weakest in 2008. However, because of the strong oil consumption seen in the first three quarters of the year, the region's oil demand stayed healthy to achieve growth of 220,000 b/d to average a total of 9.3m b/d.

World oil supply

Preliminary figures indicate that world oil supply averaged 85.79m b/d in November, a decline of 190,000 b/d from the previous month after a significant increase in October. The decline was mainly due to a drop in OPEC production, which outpaced growth in non-OPEC supply.

"This implies a drop in OPEC's share from 37 per cent in October to around 36.2 per cent in November," commented the OPEC report.

The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Meanwhile, non-OPEC supply is estimated to have increased by 110,000 b/d to average 49.6m b/d in 2008 over 2007, following a downward revision of around 110,000 b/d, compared with last month's OPEC assessment.

Downward revisions were made in the US, the UK, Mexico, Australia, Brazil, Russia and Azerbaijan. The fourth quarter witnessed a significant downward revision of around 500,000 b/d to reach 49.9m b/d, an increase of 1.1m b/d over the previous quarter with production estimated at 48.8m b/d.

On a quarterly basis, non-OPEC supply in 2008 was estimated at 49.7m b/d, 49.9m b/d, 48.8m b/d and 49.9m b/d, respectively.

Total OECD oil supply in 2008 was expected to have reached 19.8m b/d, a decline of almost 400,000 b/d, compared with the previous year, and a downward revision of 70,000 b/d from the previous OPEC report. The second quarter was revised slightly upwards, while the third and fourth quarters were revised lower by 77,000 b/d and 216,000 b/d, respectively.

Supply from North America was estimated to have fallen by around 190,000 b/d over the previous year to average 14.12m b/d in 2008. The OECD Pacific was also revised down by 18,000 b/d to a total of 640,000 b/d, an increase of 40,000 b/d. No revision occurred in Western Europe oil supply, which remained almost unchanged at 5.0m b/d for a drop of 200,000 b/d from 2007.

Oil supply in the US was expected to have reached 7.5m b/d in 2008, 20,000 b/d higher than the 2007 figure, with a downward revision of 26,000 b/d from the last OPEC assessment. Preliminary figures for November indicate that US oil supply averaged 7.6m b/d, 340,000 b/d higher than the October level.

Canadian oil supply for 2008 was estimated at 3.4m b/d, an increase of 90,000 b/d over 2007 and unchanged from the last OPEC assessment. On a quarterly basis, supply stands at 3.33m b/d, 3.45m b/d, 3.40m b/d and 3.44m b/d, respectively. The supply data available for November at 3.43m b/d is slightly higher than the October level.

Mexican oil supply in 2008 was expected to average 3.2m b/d, a decline of 300,000 b/d over the 2007 level, representing a downward revision of 19,000 b/d from the previous OPEC report. The latest production data available for November indicates that Mexican oil supply averaged 3.1m b/d, a slight increase from the October level.

Total oil supply in Western Europe was expected to average 5.0m b/d in 2008, a decline of 240,000 b/d over the previous year and unchanged from the previous month's OPEC assessment.

In Norway, oil production was expected to decline by 100,000 b/d, averaging 2.45m b/d in 2008, representing a 23,000 b/d upward revision from the previous OPEC assessment. The preliminary data for November indicates an increase of 30,000 b/d in supply to a total of 2.56m b/d.

Oil supply in the UK was expected to decline by 150,000 b/d in 2008 from the previous year to average 1.54m b/d, a 17,000 b/d downward revision from last month's OPEC estimate.

In the Asia Pacific, oil supply was estimated

to average 640,000 b/d in 2008, which represents an increase of 40,000 b/d over 2007 and a downward revision of 18,000 b/d compared with last month's OPEC assessment. On a quarterly basis, Asian Pacific oil supply is estimated at 580,000 b/d, 630,000 b/d, 640,000 b/d and 710,000 b/d, respectively.

Australia's oil supply was estimated to average at 530,000 b/d in 2008, representing a slight increase of 10,000 b/d over last year's figure and a downward revision of 18,000 b/d from OPEC's last assessment. On a quarterly basis, Australia's oil supply is estimated at 470,000 b/d, 530,000 b/d, 540,000 b/d and 590,000 b/d, respectively. The preliminary supply figure for November is put at 580,000 b/d, slightly above the October level.

New Zealand's oil supply in 2008 was expected to see an addition of around 30,000 b/d over the 2007 figure to reach 110,000 b/d, unchanged from the previous OPEC estimate.

In the group of Developing Countries, oil supply was expected to reach a level of 11.26m b/d in 2008, which represents growth of 300,000 b/d over last year's figure and an upward revision of 45,000 b/d compared with last month's OPEC assessment. On a quarterly basis, Developing Countries' oil supply in 2008 was expected to average 11.16m b/d, 11.17m b/d, 11.27m b/d and 11.45m b/d, respectively.

Other Asia's oil supply was forecast to reach 2.74m b/d in 2008, 20,000 b/d more than the 2007 figure. On a quarterly basis, Other Asian supply in 2008 is expected to average 2.76m b/d, 2.67m b/d, 2.70m b/d and 2.84m b/d, respectively.

Latin American oil supply was slated to average 4.1m b/d in 2008, an increase of 210,000 b/d over 2007 and unchanged from OPEC's last assessment. On a quarterly basis, supply for 2008 is put at 4.00m b/d, 4.06m b/d, 4.12m b/d and 4.17m b/d, respectively.

Middle East oil supply in 2008 was estimate to fall by 20,000 b/d over the 2007 figure to average 1.64m b/d, indicating a lower OPEC estimate by 33,000 b/d. On a quarterly basis, Middle East supply stands at 1.64m b/d, 1.65m b/d, 1.64m b/d and 1.63m b/d, respectively.

Oil supply in Africa in 2008 was expected to average 2.79m b/d, having increased by 80,000 b/d over the previous year. The quarterly distribution indicates supply of 2.77m b/d, 2.78m b/d, 2.81m b/d and 2.81m b/d, respectively.

Oil supply in the Former Soviet Union (FSU) was forecast to average 12.6m b/d in 2008, representing growth of 80,000 b/d over 2007 and a downward revision of 53,000 b/d from the last OPEC assessment. On a quarterly basis, FSU supply in 2008 is expected to average 12.62m b/d, 12.68m b/d, 12.42m b/d and 12.70m b/d, respectively.

Other Europe supply was expected to stay flat from 2007 at 140,000 b/d, while supply in China was estimated to grow by 90,000 b/d to reach a level of around 3.86m b/d, unchanged from the previous OPEC assessment.

Russia was expected to see its supply average 9.80m b/d, which represents a drop of 60,000 b/d from 2007 and a downward revision of 27,000 b/d from the last OPEC report.

In the Caspian region, oil supply in Kazakhstan was estimated to average 1.42m b/d, an increase of 70,000 b/d over 2007 and unchanged from the previous OPEC estimate. Preliminary data for November indicates supply growth of 100,000 b/d to reach 1.47m b/d, virtually in line with OPEC's forecast for the fourth quarter. On a quarterly basis, Kazakh supply is expected to stand at 1.42m b/d, 1.44m b/d, 1.33m b/d and 1.48m b/d, respectively.

Oil supply in Azerbaijan was estimated to average 870,000 b/d in 2008, an increase of 60,000 b/d over the previous year and a downward revision of 30,000 b/d from the previous OPEC assessment.

Non-OPEC supply in 2009 is expected to average 50.22m b/d, an increase of 600,000 b/d over 2008, following a downward revision of 100,000 b/d by OPEC. On a quarterly basis, non-OPEC supply is forecast at 50.65m b/d, 50.18m b/d, 49.82m b/d and 50.24m b/d, respectively.

In revisions to the 2009 forecast, the OPEC report said total OECD oil supply is seen to average 19.76m b/d, flat compared with the 2008 figure. North America, the US and Canada will contribute to the growth, while Mexico is expected to show a decline.

US supply is expected to average 7.76m b/d, an increase of 250,000 b/d over the previous year, while Canada's oil supply is expected to average 3.49m b/d, a rise of 100,000 b/d.

"However, this growth is likely to be revised down further as some projects in Alberta will not be economically beneficial in the face of lower crude oil prices," commented the OPEC report.

Mexico's oil supply in 2009 is slated to average 3.03m b/d, a drop of 160,000 b/d from the current year, due to the continued decline of the giant Cantarell field.

OECD Western Europe is projected to see its supply average 4.74m b/d in 2009, a decline of 260,000 b/d from the previous year and an upward revision of 35,000 b/d from the last OPEC assessment. Norwegian oil supply is forecast to average 2.34m b/d, a loss of 120,000 b/d, while UK oil supply is expected to average 1.38m b/d, a decline of 160,000 b/d from the previous year.

Oil supply in the OECD Pacific region is forecast to average 750,000 b/d in 2009, representing growth of 100,000 b/d over the previous year.

Oil supply in the group of Developing Countries is slated to average 11.60m b/d in 2009, representing a gain of 340,000 b/d.

"The main contributors to this growth are Latin America and Other Asia, which are expected to increase by 190,000 b/d and 110,000 b/d, respectively, while Africa and the Middle East are forecast to increase slightly by around 20,000 b/d. Brazil's oil supply is seen averaging 2.53m b/d, a gain of 240,000 b/d over 2008," said the OPEC report

The forecast for Developing Countries was broadly unchanged compared with the previous OPEC assessment as an upward revision to Africa offset a downward revision in Other Asia and Latin America.

Supply in the FSU is expected to average 12.83m b/d in 2009, an increase of 230,000 b/d over the previous year. The bulk of this increase should come from Azerbaijan, with 210,000 b/d, followed by Kazakhstan with 90,000 b/d, while Russian supply is expected to continue to fall by 80,000 b/d.

OPEC oil production

Total OPEC crude oil production in November averaged 31.10m b/d, representing a decline of 740,000 b/d over the previous month.

"This is in line with the decision taken to reduce production as of November 1," said the OPEC report.

OPEC production, excluding Iraq, averaged 28.78m b/d in November, a drop of 785,000 b/d from the previous month.

OPEC's production of NGLs and non-conventional oils were estimated to average 4.63m b/d in 2008, representing a gain of 420,000 b/d over the previous year. In 2009, output of OPEC NGLs and non-conventional oils are projected to increase by a further 620,000 b/d over the current year to average 5.24m b/d.

Oil trade

According to official data, US crude oil imports declined in November to average 9.97m b/d, which was similar to the level seen in June. US crude oil imports in November were 2.2 per cent, or 230,000 b/d, lower compared with the previous month and 30,000 b/d, or 0.3 per cent, lower than in the same month last year. Despite this decrease, average crude oil imports for the first 11 months of 2008 stood at 9.8m b/d, a drop of 2.5 per cent, or 249,000 b/d, from the same period of 2007.

"This decline can be attributed to the overall state and continuing slowing down of the US economy, which has affected the sales of almost all products," commented the OPEC report.

It said that, similar to crude oil imports, US product imports also declined in November – by 13.2 per cent to average 2.86m b/d. They were also 10.3 per cent lower than in November 2007.

Apart from residual fuel oil, almost all major product imports were lower in November than in the previous month. Finished motor gasoline imports dropped by 164,000 b/d, or 54 per cent, compared with October to stand at 140,000 b/d.

Average US gasoline imports for the first 11 months of 2008 dropped by 28 per cent, compared with the same period last year, to average 327,000 b/d. Distillate fuel oil imports decreased in November by 28,000 b/d, or 20 per cent, from October to average 143,000 b/d.

Average distillate fuel oil imports for the first 11 months of 2008 were put at 201,000 b/d, indicating a drop of 109,000 b/d, or 54 per cent, from the same period in 2007. In contrast, residual fuel oil imports increased in November by 66,000 b/d, or 23 per cent, compared with the previous month, reaching 359,000 b/d. In the first 11 months of 2008, the US imported 10 per cent less residual fuel oil than in the same period of 2007.

On average, US product imports declined by 354,000 b/d, or 10.2 per cent, in the first 11 months of 2008, compared with the same period of 2007.

On the export side, US product exports increased by 162,000 b/d, or 10.8 per cent, in November, from October, to average 1.67m b/d, representing a decrease of 80,000 b/d, or 4.6 per cent, from the level seen at the same time a year earlier.

Average US product exports for the first 11 months of 2008 were 1.79m b/d, indicating an increase of 393.000 b/d, or 28.2 per cent, over the same period the previous year.

As a result, US net oil imports declined by seven per cent in November, compared with the previous month, to stand at 11.14m b/d. The 826,000 b/d decrease in net oil imports in November came as a result of the 229,000 b/d drop in net crude oil imports and the 597,000 b/d decline in net product imports, compared with the previous month.

On a y-o-y basis, US net oil imports in November were 2.5 per cent lower than in the same month of 2007. Average net oil imports for the first 11 months of 2008 were 11.11m b/d, indicating a drop of 1.0 m/d, or 8.2 per cent, from the same period of 2007.

Stock movements

Concerning stock movements, the OPEC report noted that US commercial oil stocks surged by 16m b in November to stand at 1,014m b, their highest level since September 2007. The build was shared to some extent between crude oil and products.

The build in crude stocks was for the fourth consecutive month. They rose by 8.6m b, the same level as in the previous month, to move above 302m b for the first time since August 2007. More than 17m b of crude were added to stocks between the end of September and the end of November, whereas a year ago they lost more than 12m b during the same period.

"Now crude oil inventories are higher than a year ago and are displaying an overhang of more than 15m b over the average of the previous five years, while in June they were 27m b below the average," said the OPEC report.

The strong recovery in US crude oil stocks is attributed to the imbalance between supply and demand, resulting from weaker demand and rising supply.

Following the same trend, US product inventories increased by 7.3m b to stand at 694m b in November, the same level as a year earlier. Product components witnessed a mixed pattern with gasoline stocks increasing by 2.8m b, the second rise in a row, to stand at almost 199m b, but remained low compared with the seasonal trend.

In contrast to gasoline, distillate stocks lost 500,000 b to offset the gain of the previous month and stood at 127.4m b. The small build in gasoline stocks and a drop in distillates were attributed to lower imports, due to sluggish demand for gasoline and diesel, as well as expectations of lower heating oil demand.

"At these levels, both gasoline and distillate stocks are already comfortable relative to demand," said the report.

Jet fuel oil inventories recovered from their strong decline of the previous two months and increased by more than 2m b to approach 39m b, while residual fuel oil stocks lost 1.4m b to stand at 37.5m b.

Latest data shows that US commercial stocks continued their upward trend to surge by 6.7m b in the week-ending December 5. Supported by a jump in refinery runs, distillate

and gasoline were behind this build with 9.3m b, while other products retreated.

Distillate stocks rose by 5.6m b to stand at 130.6m b and gasoline stocks increased by 3.7m b to 202.7m b. Crude oil stocks also increased, but by a smaller rate of 300,000 b to stand at 320.8m b, keeping the overhang with the five-year average at 15m b, or five per cent.

In Europe (EU-15 plus Norway), total oil stocks continued to follow their seasonal trend, adding 3.3m b in November to stand at around 1,118m b, the highest level since last July.

"However, European total oil stocks are hovering around the five-year average and remained above last year's level for the second consecutive month," said the OPEC report.

At this level, inventories are very comfortable, representing an overhang of 16m b, compared with November 2007, and just 4m b below the average of the previous five years.

Crude oil inventories rose by 2.3m b to 477m b, the highest level since last June.

"This build, which took place despite an increase in refinery runs, was attributed to lower exports to US markets, due to limited arbitrage opportunities, as demand in the US is shrinking," said the report.

Additionally, ample supply within the region coming from North Sea and African crudes contributed to the build in European inventories.

"Despite the fact that crude oil inventories are 4m b below the 2007 level, lower current and expected demand left stocks very comfortable. With the exception of August, crude oil inventories have been moving alongside the five-year average since February," added the report.

It noted that, helped by increasing supply from refineries, product inventories are rising, albeit at a slow rate. Stocks rose by 1m b to stand at 461m b, with gasoline inventories inching up slightly to remain at around 120m b for the third consecutive month.

The minor build of 200,000 b was due to rising exports to the Middle East, West Africa and the US, rather than high domestic demand. At 120m b, European inventories are below the lower end of the five-year average and the November 2007 level, but, due to weaker demand, they remain comfortable in terms of forward demand cover.

On the distillate side, in addition to increasing production from refineries, imports from Russia, as well as the Asia Pacific, added 1.2m b, or the equivalent of 40,000 b/d, to European middle distillate stocks to stand at 376m b, which implied an overhang of 11m b with the five-year average and 20m b over November 2007.

However, contrary to the previous year, distillate stocks have been within the upper half of the five-year range for the second month in a row. Residual fuel oil stocks lost 500,000 b to stand at around 115m b, whereas naphtha stocks remained unchanged at nearly 30m b. However, they were both in a better position than their respective levels a year earlier.

In Japan, preliminary data shows that total Japanese commercial oil inventories retreated slightly in the month, with products dropping by around 6m b and crude oil increasing by 3m b as a result of lower refinery throughput and lower production from refineries.

"However, despite this drop, Japanese commercial oil inventories remained comfortable, particularly considering the expectations of lower future demand," said the OPEC report.

Downstream activity

Looking downstream, the OPEC report said that with the approach of the winter season, the bearish sentiment of the product market was expected to mitigate and provide support for product prices and refining economics.

However, it noted that the continued deterioration of world economic growth had further undermined product demand and prices, exerting pressure on refining margins.

"The current bearish sentiment of the product markets may continue over the next months, due to the fragile outlook for different products' demand, comfortable product stocks and idle refining capacity across the globe," it said.

"However, a possible cold snap in the Atlantic Basin may temporarily limit the further deterioration of product and crude prices in the short term, but will not be able to significantly change the present bearish market sentiment," it added.

In November, refining margins for WTI crude on the US Gulf Coast declined by $3.39/b to reach minus $1.18/b, compared with $2.21/b in October. The market in Europe followed suit and refining margins for Brent crude oil in Rotterdam fell to $4.35/b from $6.14/b the previous month.

In Asia, most refiners are seeking export opportunities to dispose of light product outputs as regional demand has slowed, adversely affecting the crack spreads of different products. With such bearish fundamental developments, refining margins for Dubai crude oil in Singapore slipped by $3.09/b to $2.61/b in November.

The report stated that following the completion of autumn maintenance schedules, refiners usually significantly increase their throughput levels in November, in order to build distillate stocks and meet increasing demand over the winter season.

"This year, due to poor refining margins and declining demand for various products, refiners have not followed typical patterns and their operation levels have yet to surge significantly," it observed.

US refinery utilization rates in November increased by 1.7 per cent to reach 86.8 per cent, compared with 85.1 per cent the previous month. However, they were still three per cent less than in the same month last year.

In Europe, refinery utilization rates rose by 2.1 per cent in November to 85.7 per cent from 83.6 per cent the previous month, while in Asia refinery throughputs declined in some countries, including China, but surged in Japan, compared with the previous month.

Refinery utilization rates in Japan soared by 5.7 per cent to 82.3 per cent in November from 76.6 per cent in October.

"Looking forward, given the deteriorating demand situation resulting from fragile world economic growth and poor refining margins, there is a risk that refinery runs will be trimmed further in the coming months. Potential discretionary cuts

by refiners could lead to higher crude inventories and a further weakening of fundamentals in the coming months," said the OPEC report.

January 2009

Crude oil price movements

The OPEC Reference Basket averaged December at $38.60/b, down by $11.16/b, or 22.4 per cent, from the previous month. The Basket averaged the whole of 2008 at $94.45/b, peaking in July at $131.22/b. In the first week of January, ongoing conflict in the Middle East and the Russia-Ukraine gas dispute revived some bullishness. However, fears remained that economic factors were denting petroleum demand. Year-to-date in 2009, the Basket averaged $42.38/b.

Volatility and turbulence continued to dominate market bearishness in the first week of December, when the basket fell by $5.26/b, or 11.4 per cent, to $40.77/b.

This downward trend continued into the second week amid growing signs of a demand contraction and a rise in US distillate stocks. However, a rebound in the US dollar against other major currencies prompted some investment in petroleum futures. The volatility continued on the back of industry forecasts for rising demand in 2009, along with the failure of an automaker bailout plan and expectations that crude oil prices would continue to fall. The Basket averaged the second week of December at $39.06/b, $1.71/b, or 4.2 per cent, lower than the previous week.

In the third week of the month, market sentiment revived on lower allocations for January barrels, while North Sea supply tightened. Agreement for a sharp cut in supply at the OPEC Meeting in Oran, Algeria, which was partly supported by major oil producers outside the Organization, supported the market, but economic woes and demand destruction continued to cap any substantial gains. The Basket averaged the third week at $40.28/b, $1.22/b, or over three per cent, higher than the previous week.

In the fourth week, the bearish sentiment resumed on mounting fears that the weakening economy would dent demand further. The Basket averaged this week at $34.92/b, down by $5.36/b, or 13.3 per cent, and the lowest weekly average since December 2004.

In the final week of the year, the market gained momentum on the back of the conflict in the Middle East, while China announced plans to accelerate the filling of its SPR. Weakness in the US dollar also lent support. The Basket firmed in the final week to average $35.07/b, 15¢ higher.

On the US market, benchmark WTI averaged the month at $41.45/b, down by $15.67/b, or 27 per cent, from November.

In the North Sea market, Brent averaged December at $40.35/b, down by $12.16/b, or 23 per cent, from the previous month.

In the Mediterranean market, Russia's Urals averaged the month at $40.03/b, $11.76/b, or nearly 23 per cent, lower than in November.

In the Middle Eastern market, Dubai averaged December at $40.46/b, down by $9.38/b, or almost 19 per cent, from the previous month.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that commodity prices in December declined by 14.1 per cent, following a decrease of 16.8 per cent the previous month.

As in the two previous months, the December drop in the IMF commodity price index was one of the largest since the publication of the index in 1992.

"The deeper deterioration in the financial and economic conditions continues being the determining factor behind the dramatic decline and volatility of commodity prices via the negative impact on demand," commented the report.

"Considering the dramatic fall of major economic indicators for the US and other OECD regions in the last quarter of 2008, it becomes clear that there is no possibility that the expected sharp deceleration in demand could be offset by the rest of the world," it added.

The report said there were also signs of deceleration in non-OECD major emerging countries such as China, India and Brazil.

"The same combinations of negative factors since the collapse of commodity prices last October persist, namely the weakening in global demand and credit constraints. A recovery of commodity prices in the near term is unlikely considering the disastrous macroeconomic panorama; a sustainable recovery in commodity prices would only be possible once the global economic recession will begin to recede, possibly in the second half of 2009," maintained the report.

It said that although prices had plummeted along the commodity spectrum, energy and especially crude oil and metals had been the major losers as they were strongly-correlated to the economic cycle. Agricultural products had performed better in relative terms, since these products were more isolated from the GDP cycles.

The trend in the IMF commodity prices index in December is explained by the plunge in energy and especially crude oil and metal prices. During the first week of January, an unexpected recovery, due to temporary factors, was seen in the commodity markets.

"There seems to be agreement among analysts on a negative outlook for commodities over the short term with a potential slight recovery only coming in the second half of 2009," said the report.

The energy commodity index (crude oil, natural gas and coal) posted the worst performance within the commodity spectrum for the third month in a row. Crude oil prices (the average petroleum spot price) have fallen dramatically by 23.2 per cent m-o-m (around 40 per cent lower than a year earlier) in December and despite the rise in geopolitical tensions, no visible and sustainable recovery is foreseen.

Henry Hub gas sank by 12.9 per cent in December. This was a reverse to the relative recovery experienced last November and ascribed to temporary factors. High production and economic turmoil exerted pressure on

natural gas through lower demand. The outlook for natural gas thus remains bearish, due to forecast lower consumption in 2009, as a result of the economic recession.

Coal prices fell 14.7 per cent in December on the same factors that weighed on prices in the previous months, namely lacklustre global demand, as well as a lack of liquidity, which hampered business.

Non-energy commodity prices plunged by 6.8 per cent in December m-o-m, down by 24.2 per cent from the year-ago level.

The industrial metal price index saw a fall of 10.9 per cent m-o-m in December for the eighth consecutive month, a 36.4 per cent yearly drop.

"The metal complex, together with the energy market, has been severely hit by the economic and financial turmoil because they are the sectors most closely-linked to the economic cycle," explained the report.

It said that the current economic recession translated into a plunge in production and weaker demand for raw materials emerging from construction, transport and other sectors.

Following the dramatic 22 per cent drop in copper prices in November, prices for this metal fell by a further 16.7 per cent in December.

Aluminum prices sank by 19 per cent in the month under review, while nickel prices were 8.6 per cent lower. The price of zinc declined by 4.8 per cent in December.

Meanwhile, the World Bank's agricultural price index continued to decrease in December – falling by four per cent, following the 5.7 per cent drop reported in the previous month.

The decline in the IMF food price index eased from 5.5 per cent in November to 2.7 per cent in December on a relatively better performance of corn, wheat and soybeans.

Following a decline of 5.7 per cent in November, gold prices reported a 7.3 per cent positive growth rate in December, influenced essentially by investor safe-haven buying in the face of the economic and financial crisis, although physical demand remained weak.

World oil demand

In its review of the market, the OPEC report said US oil consumption was considered to be the major factor behind the vanishing growth seen in oil demand in 2008. North America alone shaved 1.1m b/d from world oil demand growth in the year. For the whole OECD region, the decline reached 1.5m b/d, more than enough to offset the growth seen in other regions.

Recent data from the US indicated that oil demand in October was not as poor as initial estimates, leading to an upward revision of 600,000 b/d. Despite the easing in oil prices, world economic turbulence managed to reduce oil demand growth in the non-OECD region by a third, or 500,000 b/d, in the second half of 2008.

World oil demand was forecast to have shown a decline of 100,000 b/d in 2008 to average 85.8m b/d, basically unchanged from OPEC's previous assessment. "World oil demand has not seen negative growth since 1983. It has been growing on an average of 1.1m b/d, or 1.88 per cent, since then, adding 26.64m b/d to total world oil demand," said the report.

It continued: "Undoubtedly, 2008 has been quite a rough year for world oil consumption, showing for the first time since 1983 a decrease of 50,000 b/d, compared with 2007."

The report said a major distinction could be made between deteriorating OECD and increasing non-OECD oil consumption. The first half of 2008 still showed positive y-o-y growth, which became negative during the third and fourth quarters, resulting from an increasing decline in OECD oil demand, which was more than enough to offset the growth of oil demand elsewhere.

"Two major causes that negatively affected oil demand in 2008 were the high oil prices and the global financial crisis. The first adversely affected oil demand in the first half of the year, and the latter hammered world oil demand in the second half of 2008," said the report.

It said all OECD regions showed a growing consumption decline throughout the four quarters of the year, with the biggest drawbacks taking place in North America, and the US in particular. The financial crisis led to significant drawbacks in oil consumption in North America by 1.8m b/d and 1.1m b/d in the third and fourth quarters, respectively.

The bulk of the declines in North America are explained by consumption drawbacks in transport fuels, especially gasoline (down by 300,000 b/d) and jet fuel (lower by 100,000 b/d), due to high prices in the first half of the year, as well as the impact of the financial crisis after the beginning of the third quarter.

"As the financial crisis spread over to Europe and the Pacific, oil consumption experienced further reductions of 400,000 b/d during the second half of the year in the Pacific, as well as 100,000 b/d in Europe for the same time period, with transport fuels accounting for most of the reductions."

The report noted that although it was extremely cold in Europe, which led to higher consumption of heating and residual fuel oil, this did not offset the decline in other products.

"In general, 2008 was a very disappointing year for oil consumption in the OECD; with the financial crisis just ahead of us, fears of even more deteriorating OECD oil consumption in the near future become more eminent," it said.

The report pointed out that the situation for non-OECD regions was a different one. Although oil consumption in some Developing Country regions, such as Other Asia, Latin America and Africa, started showing weakening signals during the second half of the year, especially the fourth quarter, consumption showed an increase of 800,000 b/d in the third quarter and 600,000 b/d in the fourth quarter.

Middle East oil consumption remained robust throughout the year with average growth of 400,000 b/d, with Saudi Arabia and Iran being the major contributors.

Although some signs of fading Chinese oil consumption were observed during the last two months of 2008, China consumed an additional 400,000 b/d during the year, remaining one of the biggest contributors to oil consumption growth. The country's net oil imports in 2008 averaged 4.06m b/d, higher by 340,000 b/d, or nine per cent, over 2007.

"However, it did not reach the massive

growth of 20 per cent recorded in 2006," observed the OPEC report.

The estimate for North American oil demand in 2008 has been revised up by 100,000 b/d to show a decline of 1.2m b/d y-o-y, while in OECD Europe oil demand for 2008 was said to have declined by 60,000 b/d to average 15.2m b/d.

In the OECD Pacific, poorer performances by Japan and South Korea pushed the region's oil demand down by 300,000 b/d in the fourth quarter, leading to an average loss for the year of 230,000 b/d.

In the Developing Countries, as a result of strong oil demand in Other Asia, Latin America, and the Middle East, oil demand growth in this grouping reached 800,000 b/d in 2008.

Of note, the Middle East's fourth quarter oil demand was not affected by the global downturn.

"Contrary to most of the world, Middle East oil demand was stronger than expected; hence the fourth quarter was revised up by 80,000 b/d," said the report. It noted that controlled petroleum product retail prices, along with energy intensive projects, helped Middle East oil demand achieve healthy growth of 360,000 b/d in 2008 to average 5.7m b/d. Middle East oil demand growth is the second strongest worldwide, after China.

Concerning China, despite the high oil prices seen during the first half of 2008, the country's oil demand, especially transport fuel demand, grew strongly in the first 11 months of the year. Gasoline demand grew by 15 per cent y-o-y. Total Chinese oil demand scored 5.5 per cent in the same period, averaging 8m b/d. Despite negative net oil imports of 100,000 b/d, November apparent oil demand grew by 160,000 b/d y-o-y.

"China's oil demand has been negatively affected by the world economic downturn with November oil demand growth only one-third of October's increase," said the report.

"Gasoil, which is largely consumed in China not only as a transport fuel but by the industrial and agricultural sectors, has grown by 15 per cent in the first 11 months of 2008. Furthermore, strong travel activities during the Olympic Games pushed kerosene consumption up by more than 20 per cent in the same period. Industrial activities had a big impact on the use of fuel oil, leading to total growth of 20 per cent y-o-y."

Given the slow oil demand in the last two months of the year, China's oil demand growth was forecast at 400,000 b/d in 2008.

Turning to 2009, the OPEC report said that the year started with a very depressed world economy, which caused the year's oil demand forecast to show negative growth of 200,000 b/d.

"The huge decline in OECD oil demand is expected to more than offset the growth in non-OECD consumption, resulting in the projected annual decline," said the report.

It said that depressed world economy was expected to have a large impact on oil demand this year, especially in the OECD countries.

"It will result in a major contraction of OECD oil demand, mainly in the first half of the year, which is anticipated to average at 1.3m b/d y-o-y. However, this decline will shrink to half in the second part of the year as the world economy shows a better performance. The main contributor to the 1.0m b/d OECD oil demand decline in 2009 will be the US."

World oil demand growth in 2009 will come solely from non-OECD countries, mainly China, and those in the Middle East and Other Asia. Taken together, these countries are expected to see growth of 600,000 b/d, representing 78 per cent of total non-OECD demand growth.

In OECD North America, with US GDP estimated at minus 1.5 per cent, the country's oil consumption is expected to contract by 500,000 b/d in 2009 versus 1.2m b/d in 2008.

"Given the expectation of an improved economic situation in the US in the second half of the year and a more positive impact of oil prices on oil demand, the oil demand forecast is more optimistic," said the report.

It maintained that the consumption of two major products would be affected negatively next year – transport and industrial fuel. "Both products are highly elastic to economic activities."

Consumption of gasoline in the US, the highest consumed product in the OECD region, is forecast to show a sharp decline, resulting from a decrease in driving within the US.

"Another factor that is affecting gasoline demand is the movement to smaller, more efficient vehicles nationwide. This expected negative effect on gasoline will be to some degree reduced by cheap gasoline prices."

The decline in North American oil demand is expected to bottom out at around 900,000 b/d in the first quarter of 2009 and then bounce back to minus 300,000 b/d in the last quarter. North America oil demand is forecast to decline by 600,000 b/d in 2009 to average 23.8m b/d.

In OECD Europe, bitterly cold weather and the recent gas supply halt by Russia has led to an increase in European oil consumption so far this winter.

"It is anticipated that fuel and heating oil will show some growth resulting from power plants switching to liquids in some parts of Europe. Europe will not show a big difference from the rest of the OECD countries with respect to oil demand," said the OPEC report.

It stated that European oil demand would continue its downward slide in 2009.

"The loss in oil demand this year will be four times as large as last year. Most of the continent's oil demand decline will result from the big four and Spain."

The report said that both industrial fuel and transportation fuel, to a certain degree, would be the two main sectors that would cause oil demand to decline this year.

Given the retreat of 1.99 per cent in the European economy, OECD Europe oil demand is forecast to decline by 240,000 b/d y-o-y in 2009.

"It is expected that the situation will be enhanced due to a better economic performance in the last part of the year, leading to an upward oil consumption recovery by half."

In the OECD Pacific, the report said South Korea, the second largest oil-consuming country in the region, would see its total oil consumption growth experience a major decline in 2009 as a result of a slowing economy.

"Japan, on the other hand, is expected to reduce its oil demand by more than 150,000

b/d in 2009. Japanese declining oil use is nothing new and it is a result of not only the current economic crisis, but an overall downward trend for the past few years," said the report.

"Japan's ageing population is leading to a shift in consumption behaviour. People are buying smaller, more efficient cars and are driving less. Japan's economy is expected to be in a deep recession this year; hence, not only transport fuel, but industrial fuel will show a huge decline," it added.

Other OECD Pacific countries will show flat and stable oil demand behaviour. Due to the strong reduction in Japanese oil demand, OECD Pacific oil demand is forecast to decline by 160,000 b/d y-o-y in 2009, averaging 8.0m b/d.

Of the non-OECD countries, oil demand in Chinese is expected to grow in 2009 by 3.8 per cent y-o-y.

"Although low crude prices are going to increase domestic consumption, the slowing Chinese economy is expected to have a negative impact on energy demand," said the OPEC report.

Given the weakening GDP, China's oil demand is expected to follow the same behaviour, leading to oil demand growth of 300,000 b/d in 2009.

The report pointed out that the low oil prices seen of late came as a big relief to some developing countries, as far as fuel subsidies are concerned.

"These current crude prices have encouraged some countries to reduce domestic retail petroleum product prices. However, this is not expected to make a big difference in oil use this year," it noted.

Given the current world economic recession, Developing Countries' oil demand growth is forecast at 460,000 b/d y-o-y in 2009, down by almost half from the growth seen in 2008.

Other Asia and Latin America are expected to show growth of only half of what was seen last year, whereas Middle East oil demand is expected to lose one-third of its annual average growth.

Various sectors, such as industrial and agricultural activities, are expected to maintain diesel demand growth this year as seen in 2008. In total, non-OECD oil countries' oil demand is forecast at 800,000 b/d for 2009.

However, the OPEC report stressed that a combination of low oil prices and improved economic activities could result in positive growth of around 300,000 b/d in 2009.

"However, should the world economic situation show further deterioration and the weather become warmer, then oil demand might exhibit a further decline. In addition, should the upcoming summer show only mild heat, or should there be an active hurricane season, this would result in an even further decline in oil demand. These downward risk factors could result in a decline of around 400,000 b/d in 2009," added the report.

OPEC crude demand

Demand for OPEC crude was revised up slightly to reflect an estimation of lower non-OPEC supply. Demand for OPEC crude in 2008 was forecast at 30.8m b/d, a decline of 500,000 b/d from 2007. On a quarterly basis, demand for OPEC crude in the year was estimated at 31.6m b/d, 30.1m b/d, 30.6m b/d and 31.0m b/d, respectively.

For 2009, demand for OPEC crude is forecast to average 29.5m b/d, a decline of 1.4m b/d from the estimated figure for 2008. The quarterly distribution shows that demand for OPEC crude this year is now expected to be 29.6m b/d in the first quarter, 29.1m b/d in the second, 29.0m b/d in the third and 30.2m b/d in the fourth. Of note, demand for OPEC crude in the first quarter of 2009 is estimated to show a strong decline of around 2.0m b/d, compared with the same period in 2008.

World oil supply

Preliminary figures indicate that world oil supply declined by 620,000 b/d in December from the previous month to average 85.02m b/d. Non-OPEC supply saw an increase of over 200,000 b/d, while OPEC crude supply fell sharply.

OPEC's crude oil share in global production remained relatively steady at 36 per cent in December. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production stemming from secondary sources.

Meanwhile, non-OPEC supply for 2008 is expected to have averaged 50.57m b/d, an increase of 80,000 b/d over the previous year and a downward revision of 50,000 b/d from the previous OPEC assessment. The estimate includes Indonesia in the non-OPEC supply group for the first time, for comparison purposes. The country suspended its OPEC Membership on December 31, 2008.

Downward revisions were carried out for supply from Mexico, New Zealand, Malaysia, Vietnam, Brazil, Russia and Azerbaijan. There were upward revisions for the United States, Canada, the United Kingdom and Colombia, but these were not sufficient to offset the downward revisions made to the supply forecasts for other countries. The fourth quarter witnessed a significant downward revision of 250,000 b/d. The first and third quarters experienced upward revisions of 8,000 b/d and 43,000 b/d, respectively. On a quarterly basis, non-OPEC supply for 2008 now stands at 50.78m b/d, 50.91m b/d, 49.87m b/d and 50.70m b/d, respectively.

In 2008, the group of Developing Countries contributed the most to supply growth, based on the current estimate of 260,000 b/d, while OECD countries' supply showed a heavy decline of around 350,000 b/d.

Latin America experienced the highest growth on a regional basis, especially regarding Brazil and Colombia, followed by China, Africa, the OECD Pacific, the former Soviet Union (FSU) and Other Asia.

In 2008, Latin America saw growth of 200,000 b/d over the previous year as Brazil witnessed another year of strong performance with growth of around 130,000 b/d. China registered strong growth of 96,000 b/d in 2008, while the FSU saw an increase of around 30,000 b/d. The majority of this growth came from Kazakhstan, while only a minor increase came from Azerbaijan.

Western Europe supplies displayed the

heaviest drop among the other regions in 2008 – of around 200,000 b/d. The UK and Norway suffered declines of 120,000 b/d and 110,000 b/d, respectively. In North America, the heavy decline of 310,000 b/d by Mexico outpaced the significant growth seen in Canada of 100,000 b/d and US growth of 40,000 b/d.

Looking at 2009, the OPEC report said non-OPEC supply is expected to average around 51.15m b/d, an increase of 580,000 b/d over the 2008 figure and a downward revision of 70,000 b/d from the previous month's assessment. On a quarterly basis, non-OPEC supply in the year is expected to average 51.39m b/d, 50.99m b/d, 50.88m b/d, and 51.34m b/d, respectively.

Total OECD oil supply in 2009 is forecast to average 19.68m b/d, down by 110,000 b/d from the 2008 level, following a downward revision of 79,000 b/d from last month's OPEC figure. OECD production levels for the four quarters were revised down by 85,000 b/d, 80,000 b/d, 42,000 b/d, and 109,000 b/d, respectively.

Both North America and the OECD Pacific were revised down, while OECD Western Europe was revised up.

"The downward revisions were supported by the ongoing financial situation, in addition to the price developments and assuming a heavier decline for some mature fields," said the report.

Meanwhile, a better performance in the North Sea and a review of investment supported the upward revision for OECD Western Europe. On a quarterly basis, OECD oil supply is estimated to average 2009 at 19.99m b/d, 19.61m b/d, 19.45m b/d and 19.68m b/d, respectively. Preliminary data for December 2008 puts total OECD supply at around 20.04m b/d.

US oil supply in 2009 is expected to reach 7.72m b/d, an increase of 190,000 b/d over the current 2008 assessment and a downward revision of 36,000 b/d from the previous OPEC estimate. The supply forecast for the first three quarters of the year encountered downward revisions, while the fourth quarter was revised up. The report observed that US production from the Gulf of Mexico, which was curtailed on the back of hurricane effects, should continue to recover through 2009, despite the reported permanent loss of some minor volumes. Additionally, the strong ramp-up of the Thunder Horse project is expected to support growth in 2009.

On a quarterly basis, US oil supply in 2009 is expected to stand at 7.65m b/d, 7.68m b/d, 7.71m b/d and 7.72m b/d, respectively. Preliminary data puts US oil supply in December at 7.62m b/d, steady with the November level.

Oil supply from Canada is forecast to grow by around 50,000 b/d in 2009 over the current 2008 estimate to average 3.47m b/d, representing a downward revision of 23,000 b/d from the previous month's evaluation. On a quarterly basis, Canadian supply in the year stands at 3.46m b/d, 3.42m b/d, 3.46m b/d and 3.52m b/d, respectively. Preliminary data puts Canadian oil supply at 3.48m b/d in December, higher than the November level.

Mexico oil supply in 2009 is expected to average 2.98m b/d, a decline of 190,000 b/d over the previous year and a downward revision of 46,000 b/d from last month's OPEC assessment. On a quarterly basis, Mexico oil supply in 2009 is expected to average at 3.10m b/d, 2.96m b/d, 2.97m b/d and 2.90m b/d, respectively.

In Western Europe, oil supply in 2009 is anticipated to fall by 250,000 b/d over the current figure for 2008 to average 4.79m b/d, following an upward revision of 50,000 b/d from the previous month. A better-than-expected performance from the North Sea supported the upward revision. However, OECD Western Europe still represents the largest decline on a regional basis in 2009.

On a quarterly basis, OECD Western Europe supply in 2009 now stands at 5.03m b/d, 4.84m b/d, 4.57m b/d and 4.71m b/d, respectively. Preliminary December data suggests a production level of 5.09m b/d.

Norway oil supply in 2009 is estimated to average 2.34m b/d, a decline of 110,000 b/d from the current 2008 level and a minor upward revision of 6,000 b/d from last month's OPEC estimate. On a quarterly basis, Norway supply now stands at 2.48m b/d, 2.35m b/d, 2.20m b/d and 2.32m b/d, respectively.

Oil supply from the UK is forecast to decline by 140,000 b/d in 2009 over the current 2008 level to average 1.43m b/d, an upward revision of 50,000 b/d from last month's OPEC assessment. On a quarterly basis, UK oil supply stands at 1.51m b/d, 1.46m b/d, 1.38m b/d and 1.37m b/d, respectively.

Denmark oil supply is foreseen to decline slightly in 2009 from the current 2008 level to average 270,000 b/d, representing a downward revision of around 25,000 b/d from the previous month's level to reflect lower-than-expected supply in 2008.

OECD Asia Pacific oil supply in 2009 is expected to average 720,000 b/d, an increase of 80,000 b/d from the current 2008 level, which represents a downward revision of 25,000 b/d from the previous month's OPEC assessment. On a quarterly basis, total oil supply from this group of countries is estimated to average 740,000 b/d, 720,000 b/d, 730,000 b/d and 700,000 b/d, respectively.

Australian oil supply is anticipated to average 600,000 b/d in 2009, indicating an increase of 70,000 b/d over the 2008 figure and representing a minor downward revision of 5,000 b/d from OPEC's previous forecast. On a quarterly basis, supply for this country stands at 620,000 b/d, 600,000 b/d, 610,000 b/d, and 570,000 b/d, respectively.

New Zealand's oil supply forecast in 2009 was also revised down.

Oil supply in the group of Developing Countries is anticipated to average 12.71m b/d in 2009, an increase of 440,000 b/d from the current 2008 estimate and an upward revision of 60,000 b/d from OPEC's previous assessment.

Among the regions, Middle East supply has suffered a downward revision, while both Africa and Latin America were revised up. The forecast for Other Asia remained virtually unchanged. Brazil maintained its position on the top of the gainers' list, followed by Vietnam. On a quarterly basis, total oil supply from this group of nations in 2009 is expected to stand at 12.61m b/d, 12.58m b/d, 12.82m b/d and 12.84m b/d, respectively.

Looking at the breakdown, Other Asia

supply is forecast to increase by 150,000 b/d in 2009 over the current 2008 level to average 3.91m b/d, virtually unchanged from last month's OPEC assessment. Indonesia is now included in the Other Asia group.

There were upward and downward revisions to India and Vietnam, respectively. India's oil supply is now projected to increase by 30,000 b/d over the current 2008 level, while Vietnam's oil supply is estimated to average 360,000 b/d, representing growth of 50,000 b/d. Indonesia's oil supply is expected to increase in 2009 by 20,000 b/d from the 2008 level.

On a quarterly basis, Other Asia supply in 2009 is estimated to average 3.90m b/d, 3.83m b/d, 3.94m b/d and 3.96m b/d, respectively.

Oil supply from Latin America is projected to average 4.31m b/d in 2009, an increase of 230,000 b/d over the current 2008 level, indicating an upward revision of 37,000 b/d since last month's OPEC estimate. On a quarterly basis, Latin America supply in the year stands at 4.21m b/d, 4.28m b/d, 4.39m b/d and 4.36m b/d, respectively.

Total OPEC crude oil production averaged 30.28m b/d in December, 834,000 b/d lower than in November.

Middle East oil supply in 2009 is estimated to decline by 10,000 b/d over the current 2008 figure to average 1.63m b/d, representing a downward revision of 25,000 b/d from OPEC's last evaluation. The downward revision came from Oman on the expectation of lower project ramp-ups. On a quarterly basis, Middle East supply stands at 1.63m b/d for all four quarters.

The African region is forecast to see its supply increase by 70,000 b/d in 2009 over the current 2008 level to average 2.86m b/d, showing an upward revision of 47,000 b/d from the previous OPEC assessment. On a quarterly basis, this group's supply stands at 2.86m b/d, 2.84m b/d, 2.86m b/d and 2.89m b/d, respectively.

Oil supply from the FSU is expected to average 12.70m b/d in 2009, representing growth of 150,000 b/d over the current 2008 figure and a downward revision of 132,000 b/d from last month's OPEC estimate. Russia, Kazakhstan, and Azerbaijan supply forecasts experienced a downward revision. On a quarterly basis, total oil supply in the FSU is forecast to average 12.74m b/d, 12.73m b/d, 12.56m b/d and 12.78m b/d, respectively.

The Other Europe group of countries is expected to see its supply remain flat in 2009 over 2008 at 140,000 b/d.

Oil supply in Russia in 2009 is projected to decline by 110,000 b/d over the current 2008 figure to average 9.67m b/d and representing a downward revision of 54,000 b/d from last month's OPEC assessment.

"Despite expected new volumes from developments such as Verkhnechonsk, Uvat, and Yuzhno-Khlyuchu, as well as year-round production of Sakhalin II, the current oil price environment has pressured many operators to considerably cut their capex in 2009, which is going to have an effect on supply in 2009 and beyond," said the OPEC report.

On a quarterly basis, Russian oil supply in 2009 is now estimated to average 9.74m b/d, 9.66m b/d, 9.63m b/d and 9.66m b/d, respectively. Preliminary data indicates that December supply stood at 9.74m b/d.

In the Caspian region, Kazakhstan oil supply is forecast to average 1.48m b/d in 2009, indicating an increase of 70,000 b/d over the current 2008 level and a downward revision of 25,000 b/d compared with the previous OPEC estimate. On a quarterly basis, Kazakh supply in 2009 is expected to stand at 1.51m b/d, 1.51m b/d, 1.38m b/d and 1.52m b/d, respectively.

Oil supply from Azerbaijan is foreseen to grow by around 180,000 b/d in 2009 over the current 2008 level to average 1.08m b/d, which represents a downward revision of 53,000 b/d from last month's OPEC assessment. On a quarterly basis, Azerbaijan oil supply stands to average 1.03m b/d, 1.09m b/d, 1.08m b/d and 1.12m b/d, respectively.

Oil supply in China in 2009 is expected to average 3.93m b/d, representing growth of 60,000 b/d from the current 2008 level, following an upward revision of 30,000 b/d from OPEC's previous assessment. On a quarterly basis, China supply is expected to average 3.93m b/d, 3.94m b/d, 3.93m b/d and 3.91m b/d, respectively.

OPEC oil production

According to secondary sources, total OPEC crude oil production (including Indonesian output) averaged 30.28m b/d in December, 834,000 b/d lower than the November figure. Supply from most OPEC Member Countries declined, with Iran and Kuwait showing individual declines of more than 100,000 b/d, while Saudi Arabia showed a drop of more than 500,000 b/d. Production from Angola, Nigeria and Iraq experienced increases in December over the previous month. OPEC production, not including Iraq, in the month stood at 27.95m b/d, a decline of 846,000 b/d from the November level.

OPEC output of NGLs and non-conventional oils are estimated to have averaged 4.43m b/d in 2008, representing growth of 400,000 b/d over the previous year. In 2009, production is projected to increase by 590,000 b/d over the current 2008 level to average 5.03m b/d. For comparison reasons, Indonesia NGL and non-conventional oils were included in non-OPEC supply for all periods in this month's report.

Downstream activity

Looking downstream, the OPEC report said the combination of a cold snap across the western hemisphere, with unseasonable cuts by refiners and lower cost of crude, provided support for product prices and refining economics.

"However, the recent positive developments in the product markets may not last long as the recessionary outlook for the world economy may deteriorate product demand further and exert pressure on refining economics as soon as

the present weather impact has disappeared," it commented.

The report noted that, despite the recent improvements, refining margins still appeared unhealthy and would have a negative impact on downstream industry investment.

Refining margins for WTI crude on the US Gulf Coast rose to 65¢/b in December from minus $1.18/b in November. The market in Europe did not follow suit and margins for Brent crude oil in Rotterdam fell to $2.79/b from $4.35/b the previous month.

In Asia, positive developments in the naphtha and fuel oil market offset bearish movements in the middle of the barrel components, supporting refining economics. Following these developments, refining margins for Dubai crude oil in Singapore increased by about 8¢/b to $2.73/b in the month under review, from $2.61/b in November.

"Since over a million barrels of new refining capacity will come online in 2009, refining margins are expected to remain weak over the coming months," observed the OPEC report.

It pointed out that refiners usually maximized their throughputs during the driving and heating seasons. "However, due to a host of factors, namely slowing demand across all products, increasing non-petroleum liquids in the light and middle distillate product pool and unhealthy refining margins, refiners did not follow the same trend in December."

Refinery utilization rates in the US declined by one per cent in December, compared with the previous month, to reach 85.8 per cent. This represents a six per cent decline from the same month last year.

In Europe, refinery utilization rates fell by 0.6 per cent in December to 84.1 per cent from 84.7 per cent seen the previous month, while in Asia, refinery throughputs improved compared with the previous month, but were still far from typical seasonal levels. Refinery utilization rates in Japan rose by 4.1 per cent to reach 86.8 per cent from 82.7 per cent in November.

"Looking ahead, due to the prolonged economic recession and its adverse impacts on demand, along with increasing refining capacity, it is expected that the effective idle refining capacity will increase with the end of the winter season. There is also the risk of more discretionary cuts by refiners amid persisting weak demand. This would lead to higher crude inventories and weakness of market fundamentals in the future," professed the OPEC report.

On the US market, unseasonable cuts by refiners lifted product prices, but amid the continuation of slowing demand, product market sentiment appeared fundamentally weak. This situation has led to counter-seasonal stock-building for middle distillates, encouraging refiners to export diesel to Europe.

In Europe, slowing demand, in tandem with the recessionary outlook for the economy, further undermined product market sentiment and encouraged refiners to cut throughputs. Cold weather, along with the escalation of a gas supply dispute between Russia and the Ukraine, strengthened the very short-term outlook for fuel oil and middle distillates, but this was not expected to last long.

The European gasoline market remained lackluster, due to limited arbitrage opportunities to the US and declining demand.

On the Asian market, there were mixed signals in December. Market conditions improved for the top and bottom of the barrel components, but remained relatively weak for middle distillates.

Oil trade

According to official data, US crude oil imports in December declined for the second month in a row to average 9.65m b/d. Crude oil imports were 3.3 per cent, or 328,000 b/d, lower than in the previous month and 358,000 b/d, or 1.9 per cent, down from the same month in 2007.

Average crude oil imports for 2008 stood at 9.77m b/d, a decline of 2.5 per cent, or 252,000 b/d, from the previous year. This decline was attributable to the overall state of the slowing US economy, a situation that hit sales for all products, except gasoil.

However, contrary to crude oil imports, US product imports in December increased by 12 per cent, or 328,000 b/d, compared with the previous month to average 3.18m b/d. They were 4.9 per cent higher than in the previous year. All major product imports were higher in December than in the previous month.

Finished motor gasoline imports increased in December by 34,000 b/d, or 24 per cent, compared with the previous month to reach 174,000 b/d, while average US gasoline imports for the year dropped by 25 per cent compared with 2007 to average 308,000 b/d. Distillate fuel oil imports increased in December by 57,000 b/d, or 40 per cent, compared with the previous month to average 200,000 b/d.

Average distillate fuel oil imports for 2008 were 201,000 b/d, indicating a drop of 34 per cent, or 103,000 b/d, from the previous year. Residual fuel oil imports increased in December by 43,000 b/d, or 12 per cent, compared with the previous month, reaching 402,000 b/d. For 2008, the US imported five per cent less residual fuel oil than in 2007.

Jet fuel imports in December averaged 62,000 b/d, some five per cent higher than in the previous month and 53 per cent lower than in 2007, averaging 102,000 b/d.

On the export side, US product exports declined by 300,000 b/d, or 18 per cent, in December, compared with the previous month, to average 1.37m b/d, representing a decline of 155,000 b/d, or ten per cent, from the previous year. Average product exports for 2008 were put at 1.76m b/d, indicating an increase of 356,000 b/d, or 25 per cent, over 2007 figures.

As a result, US net oil imports increased in December by 2.7 per cent over the previous month to reach 11.44m b/d. The 299,000 b/d increase in net oil imports in December came as a result of the 329,000 b/d decline in net crude oil imports and the 628,000 b/d increase in net product imports, compared with the previous month. On a y-o-y basis, US net oil imports in December were 0.9 per cent higher than in 2007.

Stock movements

Concerning stock movements, the OPEC report said US commercial oil inventories increased further in December, the third build in a row,

representing a contra-seasonal build in the fourth quarter. Total inventories rose by 1.9m b to hit 1,016m b, the highest level since September 2007.

"However, if we consider just crude oil, gasoline and distillate stocks, the build would be much higher with more than 23m b, as other products witnessed a stock-draw," observed the report.

It said that over the previous five years (2003–07), US commercial oil stocks had dropped on average by 33m b during the fourth quarter. In 2008 they increased by more than 13m b.

"This contra-seasonal build is driven essentially by weaker demand and a steep contango in the futures markets. With the exception of September, due to the effect of hurricanes Gustav and Ike, US commercial oil inventories have increased since the end of the first quarter to gain more than 63m b against a typical seasonal build of 13m b," said the report.

It said a drop in crude imports did not prevent crude oil stocks from building. The rise was driven by a drop in refinery throughput, reflecting lower demand. In addition to weaker demand from refineries, low prices and steep contango also encouraged inventory gains.

Crude oil inventories added a further 4m b to move beyond 324m b, representing a gain of 38m b over a year ago and 30m b, or ten per cent, over the five-year average. This build was the fifth in a row and resulted in a contra-seasonal build of 21m b in the fourth quarter.

Following the same trend, gasoline and distillate stocks increased by 9.2m b and 10.2m b, respectively, to stand at 208.1m b and 137.6m b. "The build in those products was attributable to the increase in production, a surge in imports and a strong decline in exports."

Nevertheless, despite the upward trend, US gasoline stocks remained below the five-year average, but were considered very comfortable when expressed in terms of forward demand cover.

On the other hand, distillate inventories recovered and moved within the upper end of the five-year range. In contrast to gasoline and distillates, both residual and jet fuel oil stocks fell below their seasonal ranges after a drop of 3.3m b and 1.5m b, respectively. For January, the latest data shows that US commercial oil inventories had surged for the second week, adding 8.2m b to move beyond 1,025m b in the week ending January 9, the highest level since late August 2007.

Crude oil inventories rose by 1.2m b to stand at 326.6m b, widening the overhang with the five-year average to almost 30m b. However, the bulk of the build in US commercial oil stocks was attributable to distillates, which surged by 6.4m b, the sixth build in a row, to hit 144.2m b and move above the upper end of the five-year range. Gasoline stocks also increased – by 2.1m b – and were now in line with the five-year average of 214m b.

"At these levels, US commercial oil stocks are very comfortable, with crude oil representing more than three days of forward cover, better than the average of the previous five years, with distillates having 1.6 days, whereas gasoline stocks are in line with the five-year average," said the report.

In addition, inventories at the WTI delivery point of Cushing, Oklahoma, stood at a record level of 33m b, which was approaching maximum storage capacity and impacting the price of the US benchmark crude.

The US Department of Energy has announced that it would resume the purchase of crude oil to fill its Strategic Petroleum Reserve (SPR) as oil prices had fallen significantly. US Congress had passed a law to suspend the filling of the SPR in May until the end of December, 2008, due to the high crude prices at the time.

In Europe (EU-15 plus Norway), total oil stocks dropped by 2.5m b in December, in line with the seasonal decline to stand at 1,111.2m b, slightly below the five-year average. This led to a cumulative draw of 1.8m b over the fourth quarter, compared with a seasonal draw of 1.4m b.

Distillates were the main contributor to the draw, as demand rose on the back of cold weather in the region and a significant decline in exports.

Crude oil inventories also fell to stand at 473m b, down by 2.7m b from the previous month, but were still in line with the five-year average and last year's level.

"However, the drop in European crude oil inventories does not indicate a lack of supply as stocks at sea are increasing. A steep contango in the market with prompt prices well below those of forward deliveries encouraged some companies like Vitol, Shell and BP to turn to floating storage. Many vessels were reported to be used for storage in Europe," said the OPEC report.

In contrast to crude oil, product stocks inched up by 200,000 b, but the picture was mixed with distillates losing more than 6m b and other products increasing. In addition to strong demand for heating oil, due to the cold snap, lower production from refineries contributed to the sharp decline in distillate stocks which, at nearly 369m b, remained in line with the five-year average and higher than a year ago.

A surge in German heating oil stocks, following the decline in prices and combined with the drop in temperatures, also impacted European distillate stocks.

Gasoline inventories increased by 1.2m b to 120.6m b, but remained below the lower end of the five-year range. Following the same trend, residual fuel oil inventories jumped by 4.3m b to 118m b, the highest level seen in the last five months. The surge was supported by strong supplies from Russia.

Naphtha stocks gained almost 1m b to stand slightly below 31m b, while residual fuel oil inventories added a further 1.8m b to approach 30m b, the highest level since last April. Both residual fuel oil and naphtha stocks were 2m b above their respective levels a year ago.

In Japan, and according to preliminary data, total commercial oil inventories fell further in December. Both crude and products saw losses. Crude oil inventories declined by under 2m b, while products fell by around 2.5m b, with distillates contributing to the bulk of the draw. Despite the draw, Japanese commercial oil stocks remained at comfortable levels.

Table A: World crude oil demand/supply balance														*m b/d*
World demand	**2004**	**2005**	**2006**	**2007**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**2009**
OECD	49.4	49.8	49.6	49.2	48.9	47.2	46.6	48.1	47.7	47.4	46.1	45.8	47.6	46.7
North America	25.4	25.6	25.4	25.5	24.8	24.5	23.8	24.3	24.4	23.9	23.9	23.3	24.0	23.8
Western Europe	15.5	15.7	15.7	15.3	15.2	14.9	15.3	15.5	15.2	14.9	14.6	15.1	15.4	15.0
Pacific	8.5	8.6	8.5	8.3	8.9	7.8	7.5	8.3	8.1	8.6	7.6	7.4	8.2	8.0
Developing countries	21.8	22.6	23.3	24.2	24.8	25.2	25.1	25.2	25.1	25.2	25.6	25.6	25.7	25.5
FSU	3.8	3.9	3.9	4.0	4.0	3.9	4.2	4.4	4.1	4.0	3.9	4.3	4.5	4.2
Other Europe	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0	1.0	1.0	0.9	0.9	1.0
China	6.5	6.7	7.2	7.6	8.0	8.2	8.1	7.7	8.0	8.2	8.4	8.4	8.0	8.3
(a) Total world demand	**82.5**	**83.9**	**84.9**	**85.9**	**86.7**	**85.4**	**85.0**	**86.3**	**85.8**	**85.8**	**85.0**	**85.0**	**86.8**	**85.7**
Non-OPEC supply														
OECD	21.3	20.5	20.2	20.1	20.0	20.1	19.2	19.8	19.8	20.0	19.6	19.4	19.7	19.7
North America	14.6	14.1	14.2	14.3	14.3	14.4	13.8	14.0	14.1	14.2	14.1	14.1	14.3	14.2
Western Europe	6.2	5.7	5.4	5.2	5.2	5.0	4.8	5.1	5.0	5.0	4.8	4.6	4.7	4.8
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Developing countries	11.6	11.9	12.0	12.0	12.2	12.2	12.3	12.4	12.3	12.6	12.6	12.8	12.8	12.7
FSU	11.1	11.5	12.0	12.5	12.6	12.7	12.4	12.5	12.5	12.7	12.7	12.6	12.8	12.7
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	49.9	50.5	50.8	50.9	49.9	50.7	50.6	51.4	51.0	50.9	51.3	51.2
OPEC NGLS and non-conventionals	3.7	3.9	3.9	4.0	4.3	4.4	4.5	4.6	4.4	4.8	4.9	5.1	5.2	5.0
(b) Total non-OPEC supply and OPEC NGLS	**53.3**	**53.5**	**53.8**	**54.5**	**55.0**	**55.3**	**54.3**	**55.3**	**55.0**	**56.2**	**55.9**	**56.0**	**56.6**	**56.2**
OPEC crude supply and balance														
OPEC crude oil production[1]	29.6	30.7	30.5	30.1	31.2	31.2	31.5	30.2	31.0					
Total supply	82.9	84.2	84.4	84.6	86.3	86.6	85.8	85.5	86.0					
Balance[2]	0.4	0.3	-0.5	-1.2	-0.4	1.2	0.9	-0.8	0.2					
Stocks														
OECD closing stock level *m b*														
Commercial	2538	2585	2667	2566	2567	2603	2651	2689						
SPR	1450	1487	1499	1524	1530	1529	1522	1521						
Total	3988	4072	4165	4090	4097	4131	4173	4209						
Oil-on-water	905	958	916	943	936	929	895	*na*						
Days of forward consumption in OECD														
Commercial onland stocks	51	52	54	54	54	56	55	57						
SPR	29	30	30	32	32	33	32	32						
Total	80	82	85	86	87	89	87	89						
Memo items														
FSU net exports	7.3	7.7	8.1	8.5	8.7	8.8	8.2	8.0	8.4	8.7	8.8	8.3	8.3	8.5
[(a) – (b)]	**29.2**	**30.4**	**31.1**	**31.4**	**31.6**	**30.1**	**30.6**	**31.0**	**30.8**	**29.6**	**29.1**	**29.0**	**30.2**	**29.5**

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

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables One and Two*** *on page 82 while* ***Graphs One and Two*** *(on page 83 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 84–85 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services).*

Table 1: OPEC Reference Basket crude oil prices, 2007–2009

$/b

Crude/Member Country	2007 Dec	2008 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Weeks 49–1 (week ending) Dec 5	Dec 12	Dec 19	Dec 26	Jan 1
Arab Light – Saudi Arabia	86.29	88.75	91.26	99.23	106.05	120.59	129.35	132.75	113.69	97.57	69.14	50.09	38.82	41.17	39.43	40.00	34.85	37.33
Basrah Light – Iraq	82.79	85.21	88.80	97.19	103.28	116.35	124.46	127.00	109.16	94.84	67.99	49.11	37.27	39.31	38.28	38.38	32.79	36.14
BCF-17 – Venezuela	79.79	80.59	80.36	89.12	94.10	106.20	116.16	124.51	110.48	96.17	65.86	40.37	31.65	34.03	32.12	34.35	27.28	27.15
Bonny Light – Nigeria	93.55	94.85	96.98	106.68	112.52	126.55	136.44	137.64	116.93	100.48	74.57	56.11	43.10	45.36	43.94	45.02	38.63	39.88
Es Sider – SP Libyan AJ	90.75	91.40	94.28	103.03	108.42	122.50	131.69	132.14	111.98	97.28	71.22	51.86	39.60	41.86	40.44	41.52	35.13	36.58
Girassol – Angola	88.98	88.68	92.13	101.46	107.38	121.76	130.89	131.35	110.26	96.68	70.63	51.76	40.30	42.53	41.00	42.03	36.34	37.29
Iran Heavy – IR Iran	86.31	86.36	88.51	96.68	102.23	116.47	124.66	126.75	108.10	93.04	66.33	47.55	36.88	38.68	36.70	38.99	34.40	34.58
Kuwait Export – Kuwait	84.37	85.63	87.77	95.58	101.25	115.79	124.37	127.57	108.84	93.15	65.88	47.13	36.47	38.42	36.44	38.32	33.76	34.53
Marine – Qatar	87.54	88.35	90.12	97.67	104.30	119.27	129.25	132.73	113.53	97.78	68.94	50.58	41.24	43.30	40.86	43.26	39.12	38.80
Minas – Indonesia	94.53	95.33	95.55	104.62	109.02	126.50	136.49	139.76	119.07	101.63	76.80	56.48	41.80	44.21	42.60	43.71	38.58	37.78
Murban – UAE	90.72	92.04	94.25	102.15	109.44	124.84	134.56	137.94	119.50	101.32	71.52	53.05	43.15	45.43	42.86	45.16	40.72	40.49
Oriente – Ecuador	78.40	79.38	80.80	90.27	98.06	111.25	119.13	119.43	102.13	89.52	60.57	40.17	29.56	29.64	31.54	29.50	24.22	33.13
Saharan Blend – Algeria	93.15	93.60	96.73	105.68	111.57	125.15	133.94	134.49	114.33	99.48	73.02	53.86	41.35	43.61	42.19	43.27	36.88	38.18
OPEC Reference Basket	**87.05**	**88.35**	**90.64**	**99.03**	**105.16**	**119.39**	**128.33**	**131.22**	**112.41**	**96.85**	**69.16**	**49.76**	**38.60**	**40.77**	**39.06**	**40.28**	**34.92**	**36.29**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2007–2009

$/b

Crude/country	2007 Dec	2008 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Weeks 49–1 (week ending) Dec 5	Dec 12	Dec 19	Dec 26	Jan 1
Arab Heavy – Saudi Arabia	83.96	82.51	84.96	92.67	97.66	112.00	120.62	124.09	105.47	89.92	63.48	44.94	34.38	36.18	34.07	36.51	32.23	32.22
Brega – SP Libyan AJ	93.22	91.85	95.48	104.23	109.72	123.90	133.29	133.94	113.78	99.08	72.87	53.31	40.95	43.21	41.79	42.87	36.48	37.96
Brent – North Sea	92.62	91.25	94.98	103.58	108.97	123.05	132.44	133.19	113.03	98.13	71.87	52.51	40.35	42.61	41.19	42.27	35.88	37.36
Dubai – UAE	86.96	85.79	89.40	96.72	103.41	118.86	127.82	131.27	112.86	95.90	67.82	49.84	40.46	42.34	40.16	42.52	38.26	38.18
Ekofisk – North Sea	93.24	92.12	96.38	105.48	111.81	124.96	135.26	136.66	115.20	99.62	74.31	54.77	41.47	43.53	42.15	43.35	37.46	38.59
Iran Light – IR Iran	89.92	89.12	91.76	99.35	105.92	119.39	127.89	128.19	110.95	97.56	70.81	51.72	40.03	42.31	41.18	41.69	35.76	36.64
Isthmus – Mexico	88.59	87.53	90.28	99.79	106.60	120.43	129.90	130.98	112.63	100.15	71.96	49.77	37.27	39.42	39.56	36.77	31.04	38.40
Oman -Oman	87.16	86.82	90.12	97.82	104.09	119.15	128.32	132.81	113.28	96.13	68.34	50.04	40.91	42.62	40.58	43.10	38.80	38.62
Suez Mix – Egypt	87.60	85.80	88.49	95.81	102.44	115.40	124.58	126.68	109.32	94.76	67.57	48.86	36.66	38.59	36.91	38.80	32.96	33.98
Tia Juana Light[1] – Venez.	86.55	84.73	87.93	96.8	103.29	116.45	125.62	127.71	110.04	96.65	69.58	47.44	35.26	37.29	37.42	34.78	29.36	36.32
Urals – Russia	90.24	89.02	91.14	98.95	105.75	119.11	127.73	130.06	112.17	97.61	70.51	51.79	40.03	42.22	40.65	41.95	36.01	36.99
WTI – North America	94.91	91.69	95.32	105.41	112.64	125.66	133.93	133.82	116.58	104.15	76.62	57.12	41.45	45.51	44.72	39.73	32.34	42.51

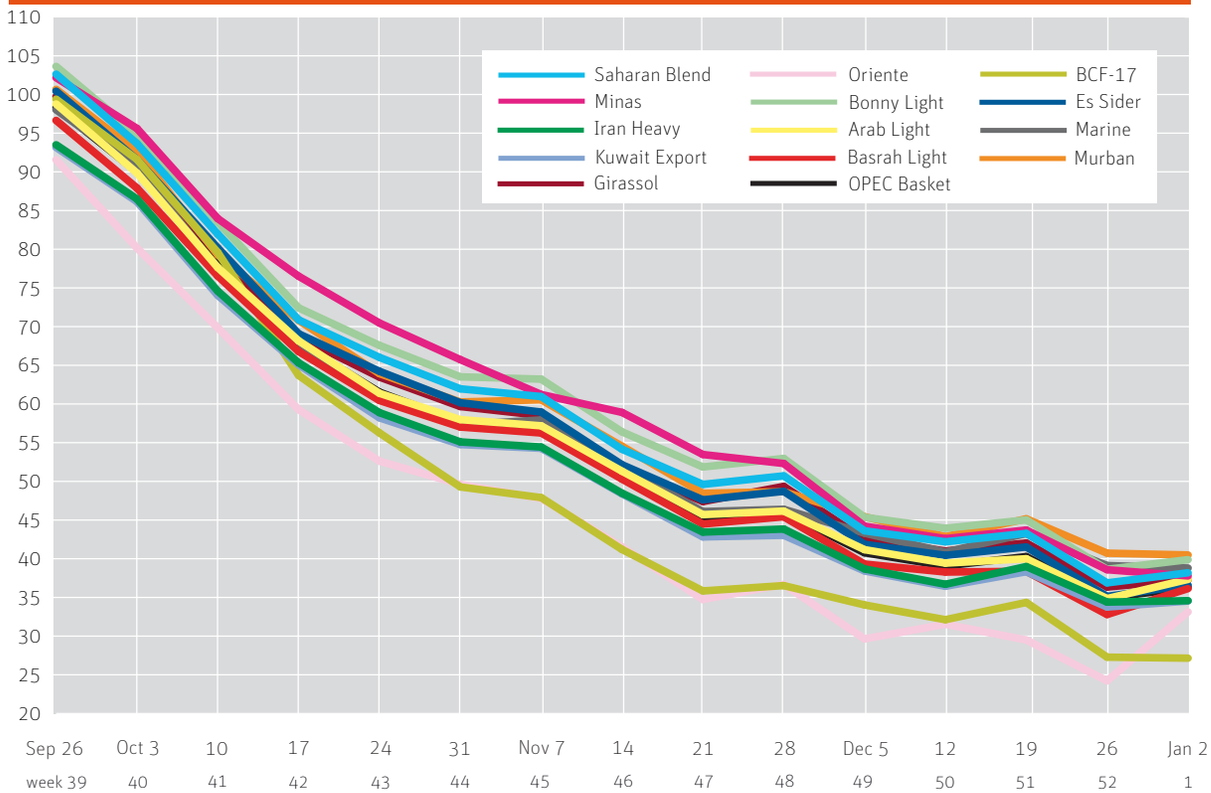
Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.

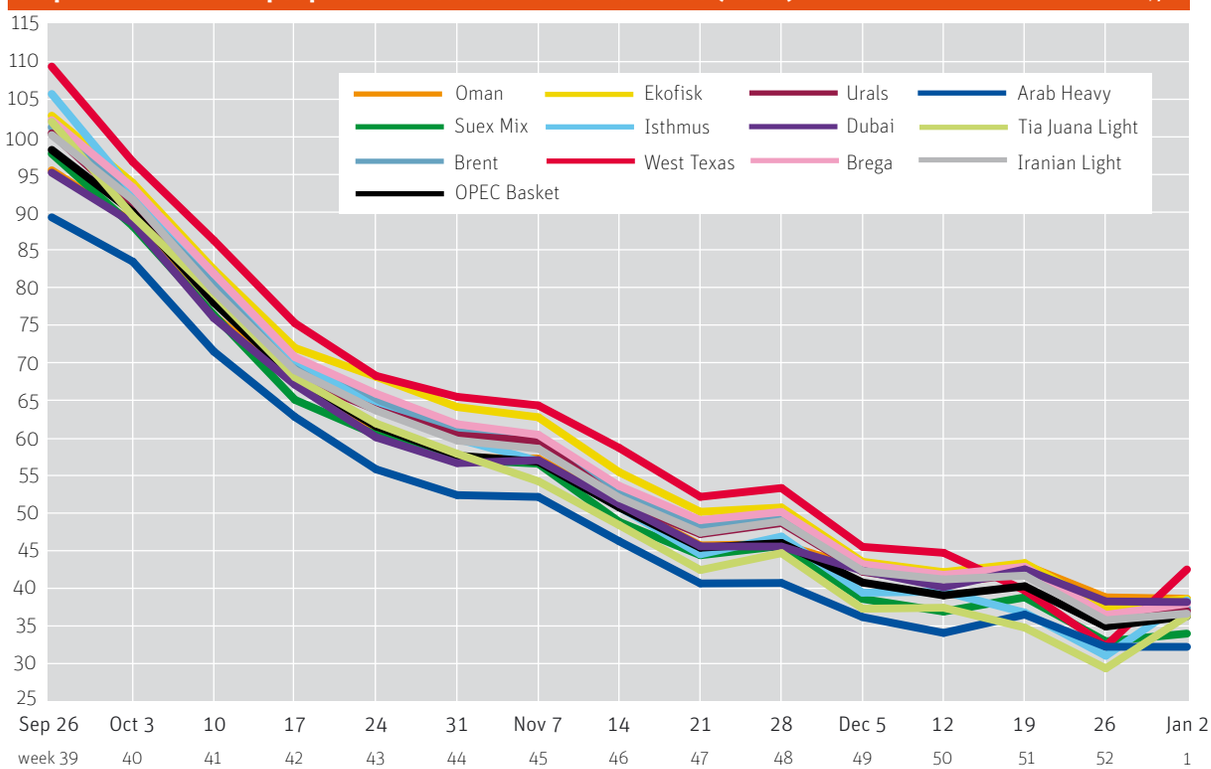
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes (2008) *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes (2008) *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

Table and Graph 3: North European market — spot barges, fob Rotterdam

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2007	December	110.06	94.04	105.68	109.94	111.11	75.17	66.06
2008	January	108.66	93.74	95.82	108.70	109.32	74.81	65.73
	February	109.36	98.52	100.30	115.98	116.97	73.26	64.89
	March	113.53	104.51	108.91	133.01	134.00	77.69	70.28
	April	118.58	114.11	127.26	142.66	145.05	85.16	73.57
	May	129.70	125.40	140.04	163.07	163.93	90.32	80.30
	June	143.54	134.53	150.09	166.80	166.50	101.66	89.47
	July	142.28	130.36	145.48	165.10	169.44	114.61	100.80
	August	125.53	116.45	129.93	138.28	142.59	101.99	92.38
	September	111.21	105.00	120.10	127.29	128.97	84.40	81.22
	October	69.23	73.36	82.48	100.15	98.63	65.67	54.12
	November	39.87	49.18	55.77	80.38	79.95	44.51	31.54
	December	33.53	39.21	46.33	62.38	59.70	32.67	26.78

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

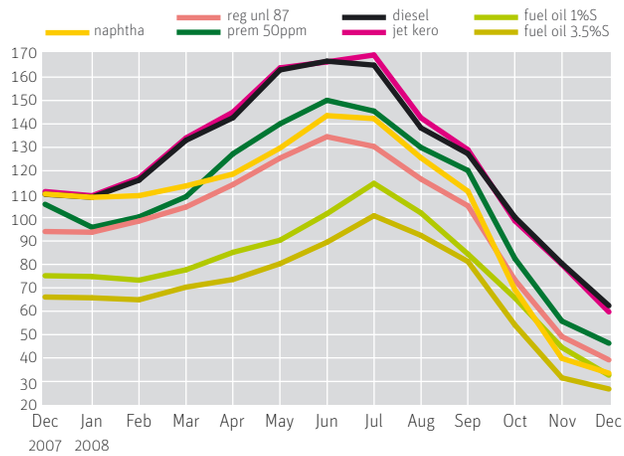


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2007	December	92.01	106.35	111.52	73.12	65.28
2008	January	91.81	107.01	109.47	73.04	63.97
	February	92.56	110.83	117.20	72.13	64.09
	March	95.98	117.31	134.27	77.08	70.84
	April	99.53	127.26	142.80	83.24	72.73
	May	108.72	141.69	162.71	91.49	80.43
	June	119.81	151.71	167.17	101.76	89.64
	July	119.76	146.11	166.44	111.35	100.95
	August	105.72	130.39	139.48	97.12	92.32
	September	92.57	119.15	126.54	83.12	81.69
	October	56.67	84.00	98.56	61.31	54.87
	November	31.86	56.96	78.67	43.64	29.70
	December	26.29	45.78	60.72	34.94	23.42

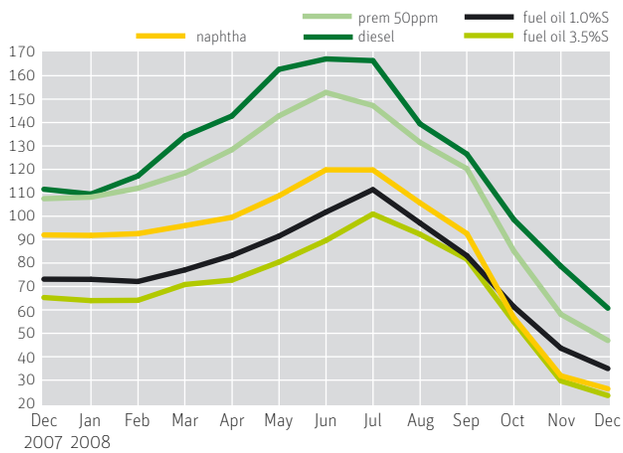
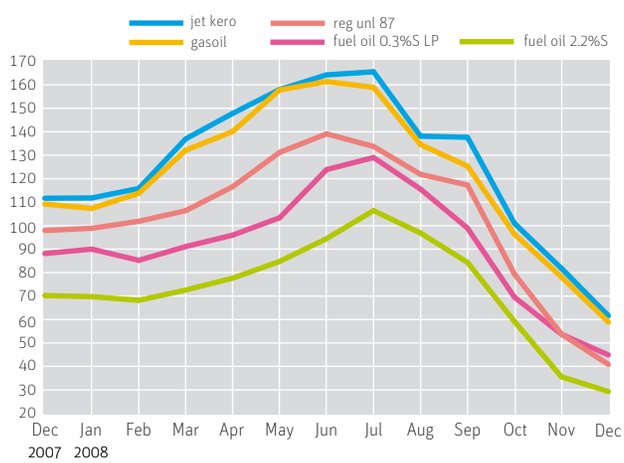


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2007	December	97.92	109.23	111.68	88.12	70.22
2008	January	98.88	107.35	111.81	89.99	69.75
	February	101.85	113.77	115.85	85.22	68.18
	March	106.38	132.13	136.96	91.08	72.57
	April	116.59	140.12	147.84	95.95	77.62
	May	131.22	157.82	157.99	103.38	84.76
	June	139.12	161.37	164.26	123.89	94.48
	July	133.75	158.93	165.57	129.03	106.40
	August	121.86	134.56	138.13	115.57	96.86
	September	117.30	125.38	137.65	98.95	84.37
	October	79.36	96.40	100.98	69.51	59.18
	November	53.81	78.19	81.82	53.73	35.62
	December	40.87	58.93	61.64	44.92	29.33



Source: Platts. Prices are average of available days.

Table and Graph 6: Caribbean market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2007	December	90.75	106.60	110.05	65.77	65.00
2008	January	94.38	110.58	110.12	65.23	65.00
	February	94.51	115.08	115.52	63.63	63.88
	March	104.32	128.77	131.98	68.09	72.57
	April	110.69	135.42	141.20	73.12	72.57
	May	154.44	154.44	156.32	79.31	79.60
	June	134.09	164.35	162.69	83.45	83.12
	July	130.10	162.05	164.78	95.24	94.52
	August	120.15	136.29	140.10	88.27	87.52
	September	119.02	125.11	141.76	76.28	75.40
	October	68.55	94.64	99.09	52.42	51.29
	November	45.60	77.88	81.69	29.85	27.83
	December	31.78	56.26	58.88	22.46	20.48

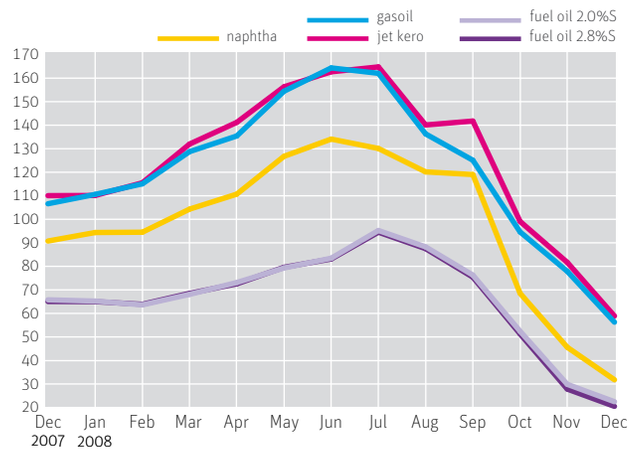


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2007	December	92.24	98.38	97.09	111.33	106.17	70.37	70.89
2008	January	93.12	100.49	99.56	108.94	106.17	70.04	70.56
	February	94.99	104.97	104.04	114.97	111.03	70.00	70.26
	March	97.54	109.66	109.12	130.49	138.44	74.57	73.86
	April	102.53	117.98	117.02	143.38	138.44	80.98	78.14
	May	113.63	131.07	130.01	161.86	159.47	91.15	87.62
	June	125.18	140.23	138.72	170.00	164.76	96.23	94.58
	July	125.41	135.19	134.60	168.64	167.21	109.53	108.05
	August	108.24	115.42	113.91	135.87	137.57	101.07	99.84
	September	91.89	107.02	104.75	121.57	121.42	88.23	87.77
	October	51.04	79.38	77.07	90.00	89.97	59.99	59.08
	November	28.98	48.29	47.38	75.13	75.01	36.14	35.13
	December	30.90	40.97	38.80	62.97	58.90	34.00	33.27

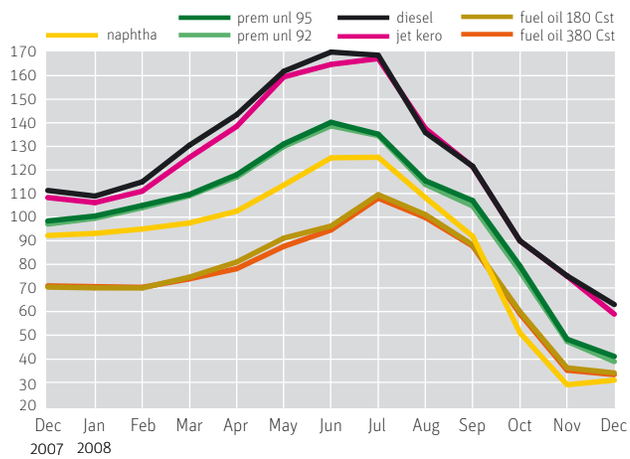
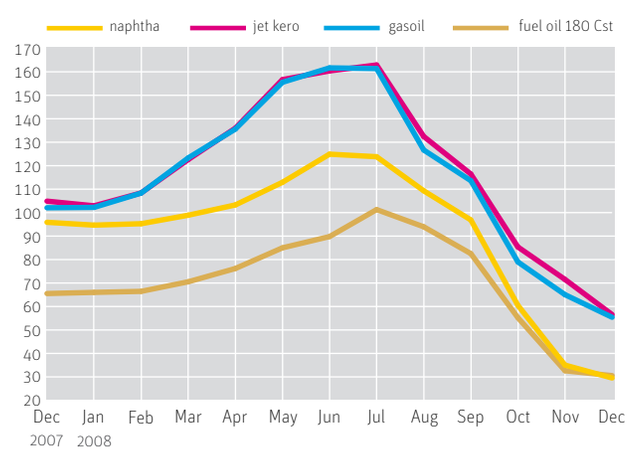


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2007	December	95.88	102.07	104.89	65.52
2008	January	94.67	102.23	102.90	66.01
	February	95.28	108.33	108.39	66.45
	March	98.90	123.32	122.63	70.53
	April	103.27	135.60	135.98	76.18
	May	112.91	155.54	156.68	85.00
	June	124.91	161.68	160.38	89.79
	July	123.82	161.39	162.92	101.29
	August	109.30	126.68	132.46	93.96
	September	96.88	113.61	116.44	82.53
	October	60.48	78.97	85.35	55.21
	November	35.03	65.03	71.52	32.62
	December	29.53	55.41	56.56	30.54



Source: Platts. Prices are average of available days.

Forthcoming events

The Petroleum Economist forum on CCS, February 10–11, 2009, London, UK. Details: The Petroleum Economist Ltd; 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

10th Southern Africa energy week, February 10–12, 2009, Johannesburg, South Africa. Details: Global Pacific and Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

Fuels blending technology and economics, February 10–12, 2009, Dubai, UAE. Details: The Conference Connection Administrators Pte Ltd, 105 Cecil Street, #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Biopower generation, February 12–13, 2009, Brussels, Belgium. Details: Green Power Conferences, Southbank House, Black Prince Road, London SE1 7SJ, UK. Tel: +44 207 099 0600; fax: +44 207 900 1853; e-mail: info@greenpower-conferences.com; website: www.greenpowerconferences.com.

11th International petrochemicals technology conference, February 16–17, 2009, London, UK. Details: Euro Petroleum Consultants Ltd [EPC], 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 20 7357 8394; fax: +44 20 7357 8395; e-mail: Enquiries@Europetro.com; website: www.europetro.com.

Fuels blending technology and economics, February 16–18, 2009, Singapore. Details: The Conference Connection Administrators Pte Ltd, 105 Cecil Street, #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

International petroleum week, February 16–19, 2009, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

FLNS 2009, February 17–18, 2009, London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

International downstream technology and catalyst conference, February 18–19, 2009, London, UK. Details: Euro Petroleum Consultants Ltd [EPC], 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 20 7357 8394; fax: +44 20 7357 8395; e-mail: Enquiries@Europetro.com; website: www.europetro.com.

ERTC FCC training, February 18–20, 2009, London, UK. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

Solar power generation, February 23–24, 2009, Barcelona, Spain. Details: Green Power Conferences, Southbank House, Black Prince Road, London SE1 7SJ, UK. Tel: +44 207 099 0600; fax: +44 207 900 1853; e-mail: info@greenpower-conferences.com; website: www.greenpowerconferences.com.

OPT 2009, February 24–25, 2009, Amsterdam, The Netherlands. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

14th Asia oil week 2009, February 24–27, 2009, Singapore. Details: Global Pacific and Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

Nigeria oil and gas 2009, February 25, 2009, Abuja, Nigeria. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

National oil companies – opportunities and challenges, March 2–6, 2009, London, UK. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

CO_2 capture, sequestration and utilization, March 5–6, 2009, Beijing, PR China. Details: Centre for Management Technology, 80 Marine Parade Road #13-02, Parkway Parade 449269 Singapore. Tel: +65 6345 7322 / 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

ARTC 12th annual meeting, March 10–12, 2009, Kuala Lumpur, Malaysia. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

Oil and gas satellite communications, March 11–12, 2009, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London, SE1 0HS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk.

8th Turkish international oil and gas conference, March 11–13, 2009, Ankara, Turkey. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com, website: ite-exhibitions.com.

Refining Economics, March 12–13, 2009, Kuala Lumpur, Malaysia. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

World Biofuels Markets, March 16–18, 2009, Brussels, Belgium. Details: Green Power Conferences, Southbank House, Black Prince Road, London SE1 7SJ, UK. Tel: +44 207 099 0600; fax: +44 207 900 1853; e-mail: info@greenpowerconferences.com; website: www.greenpower-conferences.com.

Bunkering and Fuel Management Conference, March 17–18, 2009, London, UK. Details: Lloyd's List Events, Informa Maritime and Transport Group, 69–77 Paul Street, London, EC2A 4LQ, UK. +44 207 017 5511; fax: +44 207 017 4981; e-mail: sarah-jane.adams@informa.com; website: www.lloydslistevents.com.

4th OPEC International OPEC Seminar, March 18–19, 2009, Vienna, Austria. Details: IBC Global Conferences, 69–77 Paul Street, EC2A 4LQ London, UK. Tel: +44 207 17 40 37; fax: +44 207 17 49 81; e-mail: monique.quant@informa.com; website: www.ibcenergy.com.

Vacancy announcements

Oil Price Analyst

Application deadline: February 12, 2009

Job description:
Studies and analyzes determinants of oil prices and price differentials between grades of crude oil as well as different market crude spreads with potential arbitrage flows. He/she analyzes factors affecting petroleum future markets and their interaction with spot price and forecasts short- and medium oil price movements and — on the basis of forecasts of oil demand and supply, as well as current stock movements — undertakes market assessments under different scenarios and report thereon.

Required competencies and qualifications:
University degree in Economics, Petroleum Economics, Marketing, Engineering or related fields. A minimum of eight years of experience in the oil industry sector (with university degree). A minimum of six years of experience in the oil industry sector (with advanced university degree). Training specialization in physical and future markets, supply/demand fundamentals, economics in the petroleum industry, trading tools, oil market and its fundamentals, in particular combination of all key factors influencing the oil market/prices.

The post is graded at E level and reports to the Head of Petroleum Studies Department. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Petroleum Analyst

Application deadline: February 28, 2009

Job description:
The Petroleum Analyst studies and analyzes developments in world petroleum markets, in particular short-term market impact of energy policies on oil supply/demand in major consuming and producing countries. He/she analyzes the effect of relative price developments and policies on inter-fuel substitution in the short-term. In addition, he/she monitors short-term energy supply/demand by fuel type and by sector in developed and emerging economies. Furthermore, he/she monitors developments in natural gas markets and their short-term impact on oil markets and drafts reports on these issues on a regular basis.

Required competencies and qualifications:
University degree in Economics, Energy Economics, International Relations, Energy Policy or Political Science (advanced degree preferred). A minimum of eight years (six years in case of an advanced degree) of applied experience in the national government and in international assignments. Training/specialization in Energy Economics and Energy Policy Analysis. Analytical, communication and presentation skills.
Status and benefits:

The post is graded at E level and reports to the Head of Petroleum Studies Department.

Environmental Policies Analyst

Application deadline: February 28, 2009

Job description:
The Environmental Policies Analyst, in collaboration with the International Relations Analyst, studies and analyzes national and multilateral environmental policies, and assesses their impact on energy developments, in particular on the medium- to long-term oil outlook and on OPEC. He/she studies and analyzes developments in the global and multilateral debate on climate change and evaluates the impact on OPEC. Furthermore, he/she contributes to the coordination of OPEC Member Country positions in international forums on issues pertaining to the environment in general and to the United Nations Framework Convention on Climate Change (UNFCCC) negotiations in particular.

Required competencies and qualifications:
University degree in Environmental Sciences or Economics, Engineering or other Sciences, preferably with specialization in environment (advanced degree preferred). A minimum of ten years (eight years in case of an advanced degree) of applied experience, four of which with managerial experience, preferably at large national, regional/international institutions. Training/specialization in Environmental policies; analysis of environmental issues related to energy and international debate on environment. Analytical, communication and presentation skills.

The post is graded at D level and reports to the Head of Multilateral Relations Department.

Status and benefits:
Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Applications:
For above positions, applicants must be nationals of Member Countries of OPEC and should not be above 58 years of age. OPEC has a policy of non-discrimination which encourages qualified men and women to apply. Applicants are requested to fill in a résumé and an application form which can be received from their country's Governor for OPEC (see www.opec.org/home/vacancies/index.htm).

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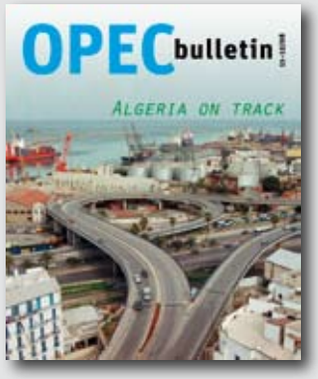

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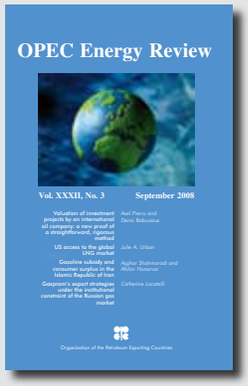

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