



OPEC bulletin

1-2/11

Quito
scores
Conference
success

Setting the record straight over prices

OPEC is committed to ensuring that an orderly oil market supports sound global growth, as the world recovers from the deep economic malaise of the past few years.

The latest studies from our Secretariat in Vienna provide insights into the recent spell of oil price volatility, as well as identifying areas of possible concern in the coming months.

After a relatively high degree of price stability in the first ten months of last year, with crude settling at levels which won wide acceptance among producers and consumers, there was a clear shift of trend in early November. This saw the price of our Reference Basket surge past \$80/barrel, slip back a bit and then rise strongly to the high 80s' at the start of December. By the final week of that month, it had topped \$90/b and then climbed past \$94/b in the second week of the New Year.

Some observers were quick to seek parallels with 2008 — when the Basket price on the first day of trading that year was only \$2/b above the \$89.81/b of January 3, 2011 — and express concern about a repeat of the troubling events of that year. An often-asked question is whether prices will persist at these higher levels or whether this is only a temporary phenomenon and there will be a suitable correction over the coming weeks.

Let us now address the underlying issues.

A key factor in the price surge has been the early onset of winter weather. This led to stronger heating oil demand, as well as a decline in crude oil stocks above the seasonal average. Some forecasts calling for a revival in crude oil demand and a perceived potential for market tightness over 2011 have also played a part. Additionally, bullish market sentiment and a surge in investment flows into major commodity markets, including crude, have pushed prices higher; this general increase in commodity prices has been due to expectations of a continued improvement in the global economy.

Turning to stocks, these point to a continued well-supplied global market. Despite a stronger-than-usual seasonal crude draw, US crude inventories remain comfortably above the five-year average; product stocks also show a surplus over the seasonal average. At the end of the year, other OECD regions, such as Europe and Japan, even experienced counter-seasonal builds. Some extra barrels also remained available in floating storage.

Encouragingly, in the event of a strong rise in demand or a sudden supply disruption, OPEC holds around 6 million barrels/day of spare capacity which could quickly be made available to the market. Indeed, expected demand for OPEC crude in the first half of the year will be slightly lower than its current output, which would result in a growing stock cushion.

All in all, with the overall economic situation becoming brighter over the past year, the expectations of a sustained improvement, particularly in such emerging economies as China and India, will continue to influence oil market direction.

Nevertheless, important risks remain which could affect crude oil prices over the coming months. These include: rising sovereign debt concerns in some OECD countries; weaker-than-expected oil demand growth; excess crude and product inventories, both onshore and offshore; and higher spare capacity in both the upstream and downstream sectors. We must be attentive to all these possibilities.

Quite clearly, however, while there are some significant uncertainties around, the overall picture is a positive one. And the position will become clearer with the end of the winter season, as the market heads into the lower-demand second quarter. Until then, there is an adequate cushion of supply in both inventories and spare capacity to meet the market's needs.

And so, as OPEC Secretary General, Abdalla Salem El-Badri, said on our website on January 18: "Any assumption that there is tightness in the market ... is incorrect." And he was emphatic in adding: "Supplying the world's media with unrealistic assumptions and forecasts will serve only to confuse matters and create unnecessary fear in the markets. Ultimately, this is adding to volatility in the oil market and destroying the stability that OPEC works so hard to support" (see story on page 4). 



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Oil fundamentals in balance, no need for more supplies
— El-Badri

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Cover
This month's cover depicts a colourful costume worn in Ecuador, which hosted the 158th (Extraordinary) Meeting of the OPEC Conference in December 2010 (see page 8).

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OPEC Membership and aims

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

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

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Secretary General defends OPEC's production policy

Oil fundamentals in balance, no need for more supplies

— El-Badri



ORGANIZATION OF THE PETROLEUM EX



OPEC Secretary General, Abdalla Salem El-Badri (*pictured above*), has refuted suggestions there is tightness in the international oil market, stating that fundamentals show there is more than enough oil available for consumers.

In a recent statement posted on the OPEC website, he said that crude oil prices in early January had been driven by technical matters.

In explaining their rise to a near \$100/b, El-Badri noted that such factors as the events in Alaska and the North Sea, coupled with the devaluation of the US dollar and speculation, had combined to push the price of crude higher.

“Any assumption that there is tightness in the market, however, is incorrect. In reality, commercial crude oil stocks remain well above the five-year average and forward cover stands at around 60 days,” El-Badri said in the statement.

The OPEC Secretary General noted that oil demand was improving, which was something that the Organization welcomed.

“This also indicates that the global economy is recovering — good news for us all,” he affirmed.

He stressed that, as always, OPEC was watching the market carefully. “We remain committed to oil market stability. If there is a need for us to act, we will do so,” said El-Badri.

At their last Ministerial talks, in Quito, Ecuador, in December 2010, OPEC's Oil and Energy Ministers decided to maintain the *status quo* and leave the Organization's production ceiling unchanged.

A *communiqué* issued at the end of the Meeting pointed out that the Ministers arrived at that decision after carefully scrutinizing oil market fundamentals, which they found to be in balance and requiring no corrective action.

In reiterating OPEC's readiness to address any imbalance in the market, El-Badri pointed out in his statement that OPEC Member Countries currently held more than six million barrels/day of spare production capacity, which could be used if necessary.

However, he alluded to the fact that, at the moment, there was no need for this extra capacity to be brought online since supply and demand fundamentals showed there was more than enough oil on the market.

El-Badri countered suggestions by the International Energy Agency (IEA) that the world would need more crude supplies from OPEC to prevent prices from reaching a level that would hurt the economic recovery.

The OECD energy watchdog maintained in its January monthly report that due to a surge in oil demand, sparked by a better-than-expected performance of the global economy, it had needed to hike its most recent forecast for global oil demand by 320,000 b/d over and above its December prediction.

The higher IEA demand projection was largely based on higher consumption from OECD countries, especially Euro-zone consumers like Germany.

The situation prompted the IEA's Executive Director, Nobuo Tanaka, to say that he likened current oil market conditions to those seen in 2008, when oil prices skyrocketed to almost \$150/b in the summer months.

In calling for more flexibility from OPEC, he said the Organization must be alarmed over the rise in crude prices, which, he inferred, could be cooled by an increase in OPEC output.

El-Badri, in his statement, said that supplying the world's media with unrealistic assumptions and forecasts would serve only to confuse matters and create unnecessary fear in the markets.

"Ultimately, this is adding to volatility in the oil market and destroying the stability that OPEC works so hard to support," he professed.

He went on to say that the IEA must be consistent in its remarks.

"Either they prefer a high oil price, as indicated in their new policies scenarios, which they claim would curb oil

consumption, or a lower oil price, which they claim would support economic growth," he said.

El-Badri stated that, in 2009, when the oil price was lower, the IEA had advised its members that they needed to increase petroleum taxes.

"So why, today, when they are complaining that oil prices are too high, are they not advising their members to reduce taxes?"

The subject of oil taxation in consuming countries, especially those within the OECD region, has been a bone of contention for many years.

As OPEC's recently updated pamphlet on 'Who Gets What From Imported Oil' clearly points out, the portion of a litre of petrol at the pump that goes to the government in taxation in the majority of G7 countries is far greater than the amount received by the producer of the crude.

In fact, looking at the breakdown over the period 2005–09, OPEC observes that the total level of oil taxes received by G7 governments during that time span stood at \$3,522 billion. This compared with \$3,459bn in revenues received by OPEC Member Countries.

In citing one example, that of the United Kingdom, OPEC notes that in 2009 over 64 per cent of the cost of a litre of fuel in the country was tax, with 29 per cent reflecting the actual price of the crude and another 16 per cent covering industry margins.

This meant that the UK government was making almost twice as much off a litre of petrol than the producer of the raw crude it was refined from.

The latest global oil demand forecasts from OPEC and the IEA for 2011 are quite far apart. The IEA now claims that oil demand in 2010 increased by 2.7m b/d to 87.7m b/d, while in 2011 it maintains demand will climb by another 1.4m b/d to 89.1m b/d.

The Agency said that, of the 2011 total, OPEC would be required to supply almost 30m b/d. It also claimed that the Organization's spare production capacity had fallen below 5m b/d for the first time in two years. It did concede that despite declining somewhat, global oil inventories still remained fairly high by historic standards.

In contrast, OPEC's January Oil Market Report estimated world oil demand in 2010 expanded by a far lower 1.6m b/d to 86.1m b/d. For 2011, it estimates demand coming in at 87.32m b/d, some 1.8m b/d below the IEA forecast. And it estimates the call on OPEC oil this year amounting to 29.4m b/d, over 500,000 b/d below that stipulated by the IEA.

In stressing that the world oil market remained well supplied with already high inventories likely to expand

further in the first half of the year, OPEC revised its latest forecast for global oil demand growth upwards by just 50,000 b/d to 1.23m b/d in 2011.

The report stated that demand for OPEC crude in the first half of 2011 would actually be lower than current OPEC production of 29.2m b/d, which would result in a growing stock cushion.

Well-supplied market

Concerning prices, it stated that the early onset of winter weather, an increase in investment flows into commodities and high speculative activity in the crude oil futures markets were among factors behind the surge in the price of crude.

“The recent surge in prices cannot be fully explained by a change in oil market fundamentals as global stocks point to a continued well supplied market,” it stressed.

The report noted that despite a stronger-than-usual seasonal crude oil draw, US crude inventories remained comfortably at 75m b above the five-year average. Oil product stocks also showed a surplus of 46m b over the seasonal norm.

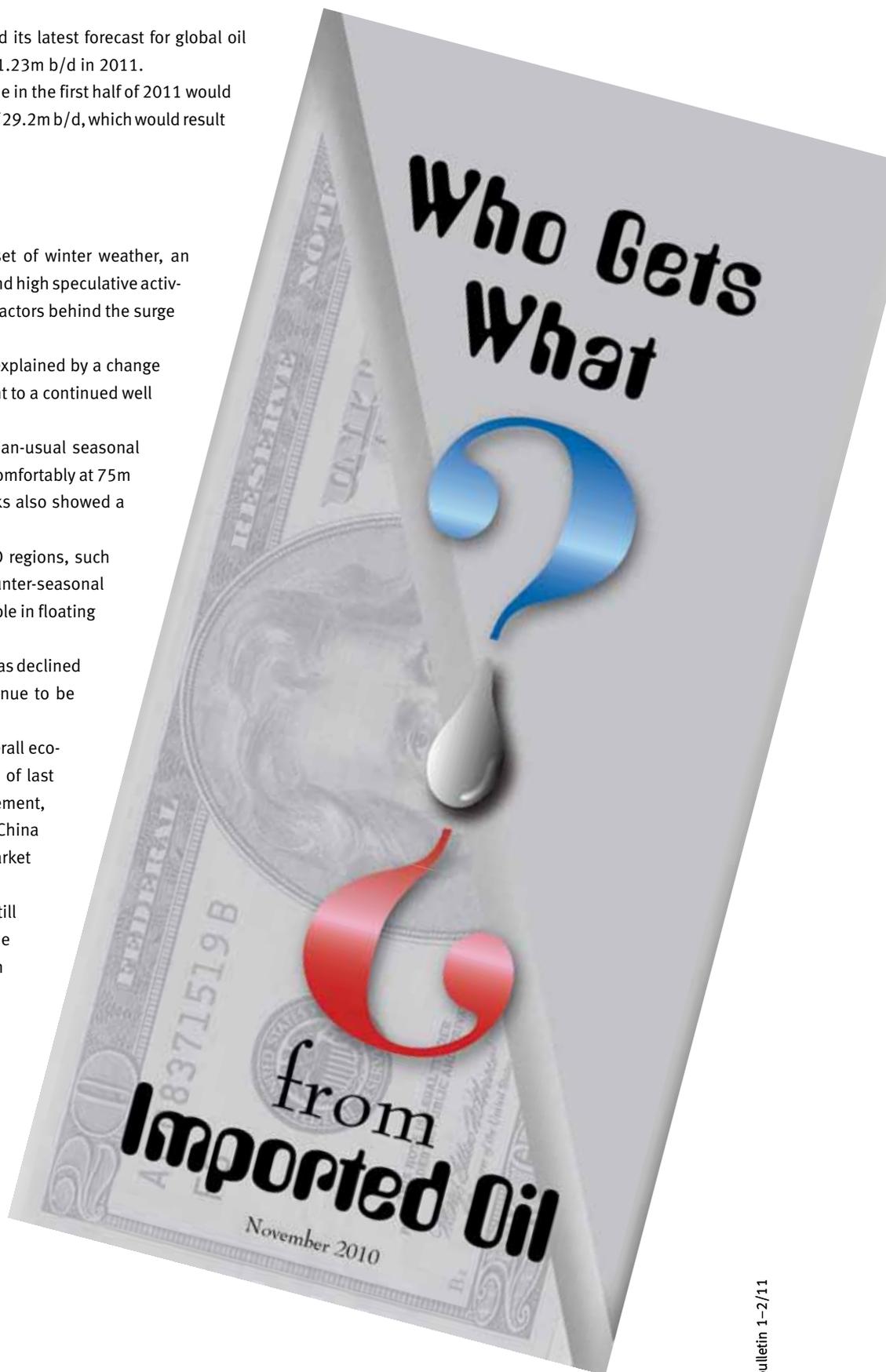
It said that, at the end of 2010, other OECD regions, such as Europe and Japan, had even experienced counter-seasonal builds. Some extra barrels also remained available in floating storage.

“So, while the total overhang in inventories has declined since August last year, global inventories continue to be high.”

The report observed that it was clear the overall economic situation had brightened since the start of last year and expectations for a sustained improvement, particularly in key emerging economies such as China and India, would continue to influence oil market direction.

However, it warned that important risks still remained that could impact crude oil prices over the coming months. These included rising sovereign debt concerns in some OECD countries; weaker-than-expected oil demand growth; excess crude and product inventories, both onshore and offshore; and higher spare capacity in both the upstream and downstream sectors.

“As this shows, the oil market continues to face significant uncertainties. A clearer picture will emerge with the end of the winter season and as the market heads into the lower demand second quarter. Until then, there is an adequate cushion of supply in both inventories and spare capacity to meet the supply needs of the market,” the report maintained. 



Ecuador steals the show

*158th (Extraordinary)
Conference keeps
OPEC policy unchanged
as expected, but Ecuador
surprises with its spectacular
scenery and rich culture.*



By Steve Hughes



As we descended into Quito airport, the three peaks of the Pichincha volcano — nearly 5,000 metres above sea level and looming large over the Ecuadorean capital — punctuated a great mass of clouds, appearing like rocky outcrops in a never ending sea of bright white. The city sprawled below as if it had been poured into in its Andean valley. But it is not just the scenery that is breathtaking. Nearly three kilometres above sea level, it is a lot harder to breathe in Quito than in most other capital cities. Only La Paz, the capital of fellow Latin American country Bolivia, is higher.

It is in Quito that OPEC officials and the world's media have gathered for the 158th (Extraordinary) OPEC Conference. But although the altitude caught some delegates off guard, there were no surprises when it



came to the Conference decision. After a short closed session at the city's Swissotel, where recent guests had included former US President Jimmy Carter and numerous celebrities, Member Country Ministers made a decision that was in line with what had been widely reported on the newswires in the lead up to the event. There is to be no change in OPEC's production policy.

There was good reason for this: "With the OECD still facing lower industrial output, lagging private consumption, as well as persistently high unemployment, and with ample spare capacity throughout the oil supply chain, the Conference agreed to maintain current oil production levels," read OPEC's Head of Public Relations and Information, Angela Agoawike, from the official *communiqué*.

The statement was delivered at a press conference headed-up by OPEC's President of the Conference, Wilson Pástor-Morris, Secretary General, Abdalla Salem El-Badri, and Director of the Research Division, Dr Hasan M Qabazard, immediately following the closed session.

Despite the location of the press conference — an airy room in the basement of the Swissotel opening onto a cloistered courtyard, replete with swimming pool and palm trees — the atmosphere remained charged, as photographers and camera crews jostled to get their shots.

With the *communiqué* delivered, the floor was opened to journalists. El-Badri took a number of questions amid popping flashguns and rolling video cameras. "OPEC is always ready to meet when there is an imbalance in the market," he said, in answer to a question about whether the Organization will meet again before the next scheduled meeting in June 2011. He also outlined this meeting's objectives: discussing the market situation and forecasts for 2011 — as well as approving the OPEC Secretariat's budget.

El-Badri underlined the challenge to market stability posed by excess speculation in answer to a question about prices: "If the fundamentals are okay ... and the price shoots to \$147/b as happened in 2008, this is not

Above: Ecuador's President, Rafael Correa (c); Wilson Pástor-Morris (second left), President of the OPEC Conference in 2010 and Ecuador's Minister of Non-Renewable Natural Resources; Ahmed Mohamed Elghaber (l), Chairman of the OPEC Board of Governors and Libya's Governor for OPEC; Abdalla Salem El-Badri (r), OPEC Secretary General.



Oswaldo Guayasamin was born in Quito in 1919. He graduated from the School of Fine Art in Quito as a painter and sculptor. His work has been shown in major galleries and museums throughout the world. He died on March 10, 1999, aged 79. See www.guayasamin.org for more.



our problem — this is a speculation problem.” He also reiterated that the current oil price (around \$87/b) did not damage world economic growth, adding that the weakness of the US dollar is a challenge for Member Countries selling crude in dollars and buying important materials and medicine, for example, in other currencies: “Who is hurting?” he asks. “It is our Member Countries.”

In answer to questions relating to Ecuador’s pioneering Yasuni ITT project — an initiative that aims to leave an important oil reserve untouched, in order to protect an important area of Amazonian forest, rich in biodiversity — El-Badri said that it is a project that OPEC supports. He explained that any decisions relating to whether to invest in such a project, however, should be made by individual Member Countries.

Earlier, Ecuadorean President, Raphael Correa Delgado, had highlighted the uniqueness of this initiative, and his South American country in general, as he addressed the OPEC Conference (*see page 16 for report on Correa’s address*). “The Yasuni ITT Initiative is the most specific proposal in history that goes from rhetoric to action in the struggle against climate change,” he explained. More generally, he highlighted the importance of the Amazon region in terms of its biodiversity, explaining that in the Amazon it is possible to find in one hectare “more species of trees than in all North America.”

Lonely Planet, one of the world’s leading travel guides, is another advocate of Ecuador’s extraordinary natural charms: “Ecuador is a dream, with exotic orchids and birds, bizarre jungle plants, strange insects, windswept páramo (Andean grasslands), dripping tropical forests and the fearless animals that hop, wobble and swim around the unique, unforgettable Galápagos Islands,” it exclaims. The latter, a unique ecosystem situated around 1,000km off the coast of Ecuador in the Pacific Ocean, is one of four sites in Ecuador on UNESCO’s World Heritage List*. The others are the city of Quito itself (which has the best-preserved, least altered, historic centre in Latin America, according to UNESCO), the historic centre of Santa Ana de los Ríos de Cuenca and the Sangay National Park.

Prior to President Correa’s arrival, there had been a tense buzz throughout the Swissotel, as staff and security services flitted about, in preparation. Sirens, flashing lights, and men in military fatigues finally signalled his presence, before, looking relaxed, he entered the lobby and engaged with OPEC and Member Country officials.

Correa’s lengthy, impassioned speech addressed everything from the diversity of Ecuador’s indigenous peoples and efforts to overcome underdevelopment and poverty,

to what he termed “the struggle” against CO₂ emissions. He also considered the importance of OPEC, arguing that the Organization “could set a unique precedent by offering effective solutions to the most important challenges of the 21st century.”

Wilson Pástor-Morris, Ecuador’s Minister of Non-Renewable Natural Resources and President of the Conference, was also on hand to welcome delegates to Quito (*see page 22 for the Minister’s address*). He took the opportunity to draw attention to his country’s recent moves to become “more assertive over its sovereign rights” in relation to its oil industry (Ecuador has recently negotiated new contracts with a number of international oil companies, giving the country greater control over its natural resources). Pástor-Morris said that such moves were “in the spirit of landmark declarations by OPEC”, such as the Organization’s three Solemn Declarations of Heads of State and Government of 1975, 2000 and 2007.

The Minister also addressed the oil market situation, explaining, in line with El-Badri’s comments at the press conference, that “there is a general feeling in the market that prices at today’s levels are comfortable for both producers and consumers, as well as for the global economy.” He added that the performance of the oil market, which remains well supplied with crude, “continues to be influenced heavily by the state of the world economy, and there are still many uncertainties here.”

After the more formal proceedings of the conference had been concluded, Pástor-Morris invited OPEC officials and staff, Member Country representatives and members of the media to a four-course luncheon which show-cased Ecuador’s cuisine and culminated in a spectacular, smouldering desert, thanks to some help from a little ‘dry ice’. The evening had a similar cultural bent, as the Minister hosted a dinner for press and delegates. The location, La Capilla Del Hombre, is a striking gallery/cultural complex overlooking the city. It houses the murals, sculptures and works of art of Oswaldo Guayasamin, one of Ecuador’s most famous artists (*see panel*).

Ecuador’s great outdoors took centre stage the day after the Conference, and many of those delegates remaining in Quito took the opportunity to visit Cotopaxi; one of the highest active volcanoes in the world at nearly 6,000 metres (*see page 28 for more on this story*). From the sprawling Cotopaxi National park, just a couple of hours south of Quito by coach through numerous fertile, steep-sided valleys, the peak of the volcano was briefly visible as the glowering cloud parted for just a few minutes.



Left: Abdalla Salem El-Badri, OPEC Secretary General, fielding questions from journalists.



Above: Abdalla Salem El-Badri (r), OPEC Secretary General; with the OPEC Conference President for 2011, Dr Masoud Mir-Kazemi, Minister of Petroleum of Iran.



Left: At the press conference (l-r): Dr Hasan M Qabazard, Director of OPEC's Research Division; Wilson Pástor-Morris, Ecuador's Minister of Non-Renewable Natural Resources and President of the Conference; Abdalla Salem El-Badri, OPEC Secretary General; Angela Agoawike, Head of OPEC's PR & Information Department.

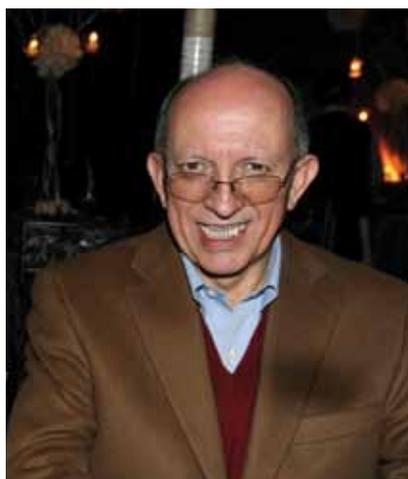
While the peaks and troughs of Ecuador's topography were a constant source of wonder throughout the trip (on a clear day, Cotopaxi was visible from the upper floors of the Swissotel) OPEC's 158th (Extraordinary) Conference decision was all about stability. By maintaining its output policy, OPEC is supporting the relative calm we have seen in the oil market for the past few months and helping to quell the extreme highs and lows that have troubled the market in the recent past.

But despite stability being the driving force behind proceedings in Ecuador, this spectacular South American country could not fail to excite. 

* *The World Heritage List includes 911 properties forming part of the cultural and natural heritage which the World Heritage Committee considers as having outstanding universal value.*



Ecuador's President Rafael Correa (c) pictured with (l-r) Ahmed Mohamed Elghaber, Libya's Governor for OPEC and Chairman of the OPEC Board of Governors for 2010; Yousef Abdulsamad, Ambassador of Kuwait to Ecuador; Abdulla Hussein Salatt, Senior Advisor to Qatar's Minister of Energy and Industry and head of the Qatari delegation; Eng Goni Musa Sheikh, Nigeria's Governor for OPEC and head of the Nigerian delegation; Mohamed Bin Dhaen Al Hamli, United Arab Emirates Minister of Energy; Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources;



Eng Diego Armijos-Hidalgo, Ecuador's Governor for OPEC, who was responsible for coordinating the OPEC Conference in Quito.



Above: Pictured before the official dinner are OPEC Conference President Wilson Pástor-Morris (l), Ecuador's Minister of Non-Renewable Natural Resources, with (l-r) Eng José Maria Botelho de Vasconcelos, Angola's Minister of Petroleum; Ahmed Mohamed Elghaber, Libya's Governor for OPEC and Chairman of the OPEC Board of Governors in 2010; Dr Shokri M Ghanem, Chairman of the Management Committee of the National Oil Corporation of Libya; Dr Mahmud Sadeg, Libya's OPEC National Representative; Dr Youcef Yousfi, Algeria's Minister of Energy and Mines; Abdulla Hussein Salatt, Senior Advisor to Qatar's Minister of Energy and Industry; Abdalla Salem El-Badri, OPEC's Secretary General.



Dr Shokri M Ghanem, Chairman of the Management Committee of the National Oil Corporation of Libya; Rafael Ramirez, Venezuela's Minister of Energy and Petroleum; Abdalla Salem El-Badri, OPEC's Secretary General; Dr Youcef Yousfi, Algeria's Minister of Energy and Mines; Eng José Maria Botelho de Vasconcelos, Angola's Minister of Petroleum; Dr Falah J Alamri, Iraq's Governor for OPEC and head of the Iraqi delegation; Dr Masoud Mir-Kazemi, Iran's Minister of Petroleum; Wilson Pástor-Morris, Ecuador's Minister of Non-Renewable Natural Resources, and OPEC Conference President in 2010.



Members of the OPEC Secretariat's delegation (l-r): Abdullah Al-Shameri, Head, Office of the OPEC Secretary General; Nadir Guerer, Senior Research Analyst; Dr Hojatollah Ghanimi Fard, Head, Petroleum Studies Department; Alejandro Rodriguez Rivas, Head, Finance and Human Resources Department; Dr Ibibia Lucky Worika, General Legal Counsel; Dr Hasan M Qabazard, Director of OPEC's Research Division; Fuad Al-Zayer, Head, Data Services Department; Oswaldo Tapia, Head, Energy Studies Department; Angela Agoawike, Head of OPEC's PR & Information Department.



The Algerian delegation: Dr Youcef Yousfi (c), Minister of Energy & Mines; Hamid Dahmani (r), Governor for OPEC; and Ali Hached (l).



The Angolan delegation: Eng José Maria Botelho de Vasconcelos (c), Minister of Petroleum; Eng Manuel Vicente (l), President of Sonangol, and Amadeu Azevedo.



Dr Falah J Alamri, head of the Iraqi delegation and Governor for OPEC.



The Kuwaiti delegation: Yousef Abdulsamad (c), Ambassador to Ecuador and head of delegation; Nawal Al-Fuzaia (l), National Representative; and Mohammed Al-Shatti.



The Qatari delegation: Abdulla Hussein Salatt (c), Senior Advisor to the Minister of Energy and Industry and head of delegation; Issa Shahin Al Ghanim (l), Governor for OPEC; Sultan K Al-Binali (r), National Representative.



The Saudi Arabian delegation: Ali I Naimi (c), Minister of Petroleum and Mineral Resources; Dr Majid A Al-Moneef (r), Governor for OPEC; Dr Ameen Ali Kurdi, former Saudi Ambassador to Kuwait.



Ecuador's delegation: Jorge Glas (c), Coordinator Minister of Strategic Sectors; Kintto Lucas (l), Vice Minister for Foreign Affairs; and Carlos Pareja (r), Vice Minister for Non-Renewable Natural Resources.



The delegation of IR Iran: Dr Masoud Mir-Kazemi (c), Minister of Petroleum; Seyn Emad Hasseini (r); Salehi (l), Ambassador of Iran to Ecuador.



The Libyan delegation: Dr Shokri M Ghanem (r), Chairman of the Management Committee of the National Oil Corporation; Dr Mahmud Sadeg (l), National Representative.



The Nigerian delegation: Eng Goni Musa Sheikh (c), Governor for OPEC and head of delegation; Suleman Ademola Raji (r), National Representative; and Mustapha Yusuf.



The delegation of the United Arab Emirates: Mohamed Bin Dhaen Al Hamli (c), Minister of Energy; Ali Obaid Al Yabhouni (r), Governor for OPEC; and Mohamed Ahmed Al-Hosani (l).



The Venezuelan delegation: Rafael Ramírez (c), Minister of Energy & Petroleum; Dr Bernard Mommer (r), Governor for OPEC; Fadi Kabboul (l), National Representative.

Ecuador's President confident OPEC can offer effective solutions to global challenges



Above: Ecuador's President, Rafael Correa (c); Abdalla Salem El-Badri (l), OPEC Secretary General; Wilson Pástor-Morris (second right), President of the OPEC Conference in 2010 and Ecuador's Minister of Non-Renewable Natural Resources.

OPEC could set a unique precedent by offering effective solutions to the most important challenges of the 21st century — poverty, climate change and sustainable development.

That was the view put forward by Ecuador's President, Rafael Correa, when he addressed the 158th

(Extraordinary) Meeting of the Conference in Quito, Ecuador, in December, last year.

He maintained that the power of OPEC “gives us great responsibility, but also huge opportunities to have a positive influence on the history of humanity.”

Correa said, for example, OPEC could become a great

world coordinator in the struggle against carbon dioxide (CO₂) emissions.

He pointed out that the United Nations Summit on Climate Change in Cancun, Mexico, was finishing with meagre results. But they could not expect much, due to power relations existing in the current world, where hegemonic countries were also polluting countries and the poor countries generated environmental goods.

“Just imagine the opposite scenario where environmental goods are generated by rich countries and pollution is caused by poor countries. Who can doubt that they, invoking the urgency to preserve the planet, the application of international law, moral grounds and ethics, and even legal stability, would have made us — even with the use of force — pay a ‘fair compensation’?”

“Unfortunately, just like Trasimaco said to Socrates more than 3,000 years ago — justice is only for the convenience of the strongest,” said Correa.

He stressed that, in the face of the resistance of the greenhouse-gas generating countries responsible for climate change, “OPEC can and must be the power that tips the balance in favour of the sustainability of the only planet we possess.”

The Ecuadorean President said it was an issue of power and OPEC had the strength to do it right and the historical opportunity to show global leadership on sustainability issues.

A first mechanism, he said, which had been proposed at the OPEC Summit in Riyadh, Saudi Arabia, in 2007, but which had not made progress, was the application of the so-called ‘Daly tax’.

Correa explained that following the Kyoto Protocol, current international climate change policies had been centred on market emissions, the application of Clean Development Mechanisms and the promotion of voluntary carbon markets.

This, he continued, was instead of confronting the true problem: the burning of fossil fuels. By applying a tax to CO₂ emissions at the source of those emissions — the oil exports — “we achieve certain aspects of economic



Ecuador's President, Rafael Correa, during his address to the Conference.

justice, since importing countries tax oil imports, thus affecting exports, but above all, we achieve climate justice when we make oil consumers pay more for the emissions they are going to produce.”

He added: “With the first world tax on carbon, OPEC will reach, in a more efficient and fair manner, what Kyoto has not accomplished: having the generators of CO₂ emissions assume responsibility for the effects of their actions.”

Correa said that this was just one part of the mechanism. “With the funds obtained, we could create the World

“OPEC can and must be the power that tips the balance in favour of the sustainability of the only planet we possess.”

President, Rafael Correa



Compensation, Mitigation and Adaptation Fund, which would first compensate the effects of taxes to poor oil-importing countries, basically by financing poverty reduction programmes and, secondly, finance a reduction of greenhouse gas effects via research and technological development, diversification of the energy matrix, etc.

“Thirdly, it would provide help to poor countries to solve the effects of climate change, such as flood control, risk management, etc.

“I insist that with the power of our organization, OPEC can do much more for the sustainability of the planet than Kyoto and the United Nations. With OPEC’s production and the current price of crude, a five per cent tax over the value of oil exports would generate more than \$40,000 million per year,” he maintained.

Correa said one of the biggest challenges facing OPEC Member Countries was the elimination of poverty. The use of oil, he said, had often been so misguided that in the case of Ecuador, after 40 years of being an exporter, the main poor areas were found where the oil was extracted.

“Only pollution and waste can be found there as the

multi-million revenues were sent to other regions and frequently outside the country. We are remedying this situation, but, I insist, we need financing,” he stated.

Other initiatives Ecuador supported included making world oil transactions with a stable currency. “Otherwise, the depreciation of the US dollar would transfer part of our wealth to countries with stronger currencies, that is, the richest countries of the world. This is an unresolved challenge for our Organization.”

In addition, said Correa, Ecuador had proposed the need for joint efforts and financial resources to create an OPEC bank, the biggest bank in the world, and an essential financing and development instrument for Member Countries and even for the poor countries of the planet.

“In spite of oil revenues, countries like Ecuador need financing to overcome under-development and this great opportunity can be offered by our Organization. We have payment capacity, we have extremely profitable projects, what we need as any other poor country, is financing,” he stated.

Looking back at the birth of OPEC, the Ecuadorean



Above: Ecuador's President, Rafael Correa (c); Abdalla Salem El-Badri (r), OPEC Secretary General; Wilson Pástor-Morris (l), Ecuador's Minister of Non-Renewable Natural Resources and President of the OPEC Conference in 2010.

President said that as an economist he was fascinated with the development since, for the first time in the history of humanity, with the strength brought by the union of oil-producing countries, “we were able to subdue the all-powerful design of transnational companies.”

He recalled that before the creation of OPEC, transnational companies — the famous ‘Seven Sisters’ — unilaterally imposed prices for the producing countries. And it was precisely the unilateral reduction of the Venezuelan oil price by the transnational companies in 1959, and a new unilateral generalized reduction in August 1960, that determined in September 1960 Iran’s invitation to Iraq, Kuwait, Saudi Arabia and Venezuela to meet in Baghdad to discuss the reduction of the oil price. This constituted the genesis of OPEC, which was established as a permanent intergovernmental institution.

Correa noted that what OPEC was able to achieve with its formation drastically changed the unfair prevalent power relations of that era.

“This is a path we should follow in many other aspects in developing countries, starting from bananas

up to mining, so that the interest of international capital should be subject to the needs of our people and not having our peoples and societies subdued by capital and the so-called entelechy of the market.

“To dominate the market — that is the challenge — and not having the market dominate us,” he said.

Correa said his country considered OPEC to be the result of the struggle of oil-producing countries from Latin America, Asia and Africa against the hegemonic domination applied by transnational companies to the production and pricing of oil, thus affecting the revenues received by exporting countries.

“We are talking about a unique situation in the world, in terms of its magnitude and a powerful instrument to make the world a fair and sustainable place.

“By properly coordinating our policies and using the power given to us by OPEC to eliminate poverty in our societies and re-establish the balance in power relationships worldwide for the common good of our people, we can leave a more sustainable and humane world for posterity,” he professed.

In giving a brief overview of his “fascinating” country, Correa told delegates that there were close to 13 million human inhabitants in Ecuador, with more than 14 indigenous nationalities, all of them inheritors of millenary cultures, with many aboriginal languages and an immense ancestral knowledge.

This, he said, was the reason why Ecuador, in its latest Constitution of 2008, was declared a multinational and multiethnic nation, “unique and beautiful, all skin colours present, one that opens its soul to our brothers and sisters of the earth; warm people, with a generous heart, that, through me, welcomes all of you and invites you to feel at home,” he said.

Covering an area of 256,370 square kilometres, the Ecuadorean President said that out of the 17 mega-diverse countries on the planet, Ecuador was the most compact mega-diverse country in the world, one of the most ethnically diverse and one of the few that still had non-contacted human groups.

“Without a doubt, due to its geographic diversity and location, Ecuador is the eco-centre of the world. By visiting Ecuador, you can get to know all Latin America: its beaches, mountains, jungle, islands, and most importantly, its people.

“We are a peaceful people. For us, the human being, its welfare, equitable development, its good way of living, the ‘Sumak Kawsay’ of our ancestral people, are the beginning and end objective of the actions of the government,” said Correa.

He noted that the country’s mountains were covered with endless snow and were very close to the sun as they stood in the equinox of the planet. In front of the Ecuadorean coasts were the enchanting Galapagos Islands, where Charles Darwin sustained his theory on the Evolution of the Species.

“One part of the Amazon region is the planet’s biggest lung and it is also part of Ecuador. There you will be able to find in one hectare more species of trees than in all of North America,” he informed the Meeting.

In pursuit of the furtherance of its environmental credentials, Correa pointed to Ecuador’s “unique” Yasuni-Ishpingo-Tambococha-Tiputini (ITT) Initiative.

This scheme, he explained, sought to keep underground 20 per cent of the existing oil reserves in one of the most biodiverse areas of the planet, in exchange for a contribution from developed countries which, in recognizing their co-responsibility, would contribute at least half of the revenues that Ecuador would otherwise receive from the extraction of the oil in question.

“... the Yasuni ITT Initiative is the most specific proposal in history that goes from rhetoric to action in the struggle against climate change; profits that at their present value and existing oil prices would be in excess of \$7 billion.”

Funds from the Daly tax

Correa said the funds generated by the ‘Daly tax’, if implemented, could also finance this kind of initiative and revolutionize international exchanges by allowing many countries, especially developing countries, to move from extraction-based economies to environmental service export economies.

Elaborating, Correa reiterated that it had been recognized that Kyoto Protocol incentives were insufficient, inefficient and unfair.

For example, he said, in reforestation issues the system rewarded reforesting countries, but prevented compensation to countries that did not deforest and whose forests had contributed to the absorption of CO₂.

“Therefore, currently the REDD (Reducing Emissions from Deforestation in Developing Countries) mechanism is being discussed to compensate developing countries for the carbon value stored in their forests, thus avoiding deforestation and offering a financial appeal to sustainable forest management.

“Even though these are important steps, which we fully support, this is still insufficient, inefficient and even inconsistent. These are just patch measures in the face of the absence of a concept that could clearly define what needs to be compensated.

“The idea to compensate the avoided deforestation, as well as forestation, the reduction of emissions due to the construction of a hydroelectric plant, etc, should be included in a global concept — that of Net Emissions Avoided (NEA),” maintained Correa.

The NEA, he said, referred to emissions that could be made by each country, but were not, or existing emissions within each country that were reduced.

“Thus, it is the net balance that is compensated. This concept allows the reconciliation of the initial Kyoto compensations, as well as the REDD mechanism. Nevertheless, the NEA goes much farther, since it is not restricted to a specific activity and takes into account economic activities that involve exploitation, use and consumption of renewable and non-renewable natural resources, as well as compensation, due to action and omission.”



Ecuador's President, Rafael Correa (second right), pictured during a meeting with OPEC Oil and Energy Ministers and the Organization's Secretary General, Abdalla Salem El-Badri.

“The Yasuni ITT Initiative, an emblematic proposal from our government, is based on the NEA concept. In spite of our legal right to exploit oil, leaving it underground would avoid the generation of more than 400 million tons of CO₂ into the atmosphere,” he said.

Correa stated that the resources obtained would be deposited in a trust fund managed by the United Nations Development Programme and would be used in mitigation and adaptation projects.

“It is also important to emphasize that the main contributing country will be Ecuador because, in financial terms, for us it is more convenient to exploit the oil and use those millions of dollars for our development. Let us remember that this is the most mega-diverse region on the planet,” he professed.

The Ecuadorean President stressed that non-renewable natural resources were the property of all Ecuadoreans, which the state legitimately represented by controlling oil resources and guaranteeing an equitable distribution of revenues.

He said that from this perspective, the government was carrying out a renegotiation and modification process of all oil participation contracts into the provision of services contracts for the exploration and/or exploitation of hydrocarbons.

In so doing, it was striving to achieve the best interests for the country, including new investments, net benefits and the participation of the state.

“With this, we are interested in new investments

which will increase production and the new reserves by conducting risky exploratory efforts on the one hand, and improve the participation of the state in oil revenues, on the other.

“We want to increase production. A relative fixed rate per barrel motivates oil companies to produce more, in order to increase their profits; in turn, an increased production will mainly benefit the state,” said the Ecuadorean President.

“We have achieved a higher participation of the state in oil revenues, since it has increased from 70 per cent to 80 per cent.”

Correa said another achievement was the higher availability of oil for the state. With the renegotiation, oil was now the 100 per cent property of all Ecuadoreans and the state.

The national oil company, PetroEcuador, would have available an additional 35,400 b/d for commercialization, while the state would receive 100 per cent of any increase in oil prices.

“Every increase in the international price of oil will represent a 100 per cent benefit for the state. For each increase of \$1/b in the international price, the state will earn an additional \$245m, since the estimated reserves to be produced according to the contracts signed will total 245 million barrels.

“All specialized international institutions estimate that oil prices will increase in the future,” said Correa. 

Cautious optimism over economic recovery

— Pástor-Morris



“There is a general feeling in the market that prices at today’s levels are comfortable for both producers and consumers, as well as for the global economy.”

— Wilson Pástor-Morris

*OPEC Conference
President and
Ecuadorian Minister
of Non-Renewable
Natural Resources,
Wilson Pástor-Morris,
fielding questions from
members of the media.*



The performance of the international oil market continues to be influenced heavily by the state of the world economy, in which many uncertainties remain, according to OPEC Conference President for 2010, Wilson Pástor-Morris.

Addressing the 158th (Extraordinary) Meeting of the OPEC Conference, in Quito, Ecuador, in December 2010, the Ecuadorian Minister of Non-Renewable Natural Resources stressed that the oil market remained well supplied with crude.

“Perhaps there is a little more cautious optimism around than there was when we last met in Vienna two months ago. But nothing can be taken for granted, and, as we have seen all-too-often in the recent past, the situation can change radically in a very short time and with little warning,” he told assembled delegates.

The Minister stressed that the OPEC Secretariat had been monitoring oil market developments. “We shall study its report and recommendations at today’s meeting, when we review the outlook for the winter months in the northern hemisphere and for 2011 as a whole.”

Pástor-Morris maintained that the Organization’s present production agreement had held out well since it was introduced at the 151st Meeting of the Conference in Algeria two years ago.

“Producers and consumers agree that it has lent valuable support to the improved level of market stability we have seen since then,” he pointed out.

The Minister noted that crude oil prices had strengthened since OPEC’s last Conference in Vienna, in October, with the price of the Organization’s Reference Basket reaching the high ’80s the previous week.

“Despite the brief price rises in April this year, we have to go back to early autumn 2008 to see such levels again, and that was just before prices began their steep decline to around \$33/b in late-December of that year, as a result of the financial crisis,” he said.

Pástor-Morris said the recent rise in the Basket price had been driven by bullish sentiment in the futures market, attributable mainly to the weaker US dollar.

“Nevertheless, there is a general feeling in the market that prices at today’s levels are comfortable for both producers and consumers, as well as for the global economy,” he affirmed.

In welcoming delegates to Quito, the Minister said it was the first time Ecuador had the honour of hosting a Meeting of the Conference since the country reactivated its Membership of the Organization three years ago.

Fundamental needs

“Previously, we had invited Their Excellencies, the distinguished Heads of Delegation, to Quito in 1974 and 1982. Much has changed in the meantime, of course, for the industry, for OPEC and for Ecuador,” he said.

“However, the fundamental needs of producers and consumers remain the same, namely stable markets, reasonable prices, secure supply and demand, and fair returns to investors.”

Pástor-Morris said that since rejoining the Organization, Ecuador had shared, once again, both the benefits and the responsibilities of Membership with its fellow oil-producing developing countries.

“During this period, we faced, and are continuing to face, many challenges as doubts and uncertainties remain about the outlook for the world economy in the coming year, and these will continue to have an impact on the oil sector.

“Ecuador’s ability to cope with the present situation has been reinforced by its Membership of OPEC and demonstrates the importance of dialogue and cooperation within the industry,” he stated.

The OPEC Conference President concluded his address by reiterating that oil market stability was the responsibility of all parties — OPEC and non-OPEC producers, consumers and other influential groups, such as the financial institutions.

“All parties stand to gain from stability and so all parties must contribute to achieving it and sustaining it,” he contended. 



**A taste of
the life and culture
in Ecuador,
host of OPEC's
December 2010
Conference.**





Hats, crafts and Panamas



The OPEC Bulletin's Steve Hughes discovers how a hat can be a work of art, an economic stimulus and a fashion accessory, all at the same time ...

When I ask Gaby Molina Ortega whether she owns an expensive hat herself, she gives me a wry smile and utters something in Spanish that sounds quite poetic. It's difficult to settle on a literal translation, but after a bit of help from a translator, it is clear that despite running one of Ecuador's most famous Panama hat businesses — even the Prince of Wales and actor Jeff Goldblum have an Homero Ortega hat — she prefers something a little

less fancy (and less costly) for her own head. 'All the chairs in the carpenter's house are broken' is the closest the translator and I get to deciphering her flowery language. I have come to meet Gaby in her Quito showroom; an elegant, modern, glass-fronted, marble-floored affair, set back from a busy but unprepossessing street, not far from the centre of Ecuador's bustling capital. She has promised not only to help me choose a suitable hat as a memento of my trip, but also to explain how one of Ecuador's most famous exports is produced. She will also try to shed some light on how a hat that has its origins in this South American country has come to be known as a Panama — a country situated around 800 kilometres to the north, separated from Ecuador by Colombia.

The first thing to note, explains Gaby, whose family has been involved in the production of the Panama for five generations, is the weave of the hat. She holds up two models to the light that floods in through the window from a typically expansive, December, Quito sky — puffy white and glowering grey clouds, peppered by sunbursts — to demonstrate. The one in her left hand (a \$20 model) lets in light as if it were a giant tea-bag. The one in her right hand, however, is as impermeable as a heavy, velvet curtain; its weave as fine as if it were cotton, rather than the 'toquilla straw' from the leaves of the *Carludovica palmata*, a native Ecuadorean palm. It costs a rather more substantial \$840.

Paying \$840 for a hat is perhaps rather easy to dismiss as a ridiculously extravagant way to part with money, particularly in today's economic climate. I'm not about to spend

anything like this amount, regardless of 'light-keeping-out' properties. But learning of the production process of such a hat makes the price tag easier

to accept. All authentic Panamas are hand woven, and this stage of production typically involves villagers from Carludovica palmate-growing areas. Top calibre hats may take an individual month to weave, explains Gaby, and even lesser quality examples may require ten hours or more of labour, just to weave. Thinking of a Panama as a work of art makes the sum of money I part with for a run-of-the-mill model a lot easier to swallow.

The shop's wooden shelves are lined by hats of all description — not only the classic, wide-brimmed, white Panama, but also modern takes on it. There are black and white numbers, hats with complex bows, a bell-shaped beige and brown model with a huge, flopping brim and even a flat-cap style straw hat — more Yorkshire, England than Quito, Ecuador. Since the 1940s, these hats have been exported all over the world and Gaby now sells around 50,000 per year.

Gaby is proud of her family's involvement with the Panama. Not only has it afforded her and her ancestors with a living, it has also, she says, provided an indispensable industry to great swathes of Ecuadoreans. Around 200 years ago, when the south of Ecuador experienced a serious economic depression, she explains, politicians of the time saw the potential to create jobs by teaching people to weave hats, and the geographically-specific industry remains to this day.

Although the majority of each hat is woven by a village craftsperson, a finished hat involves other sectors of Ecuadorean society too. The raw material needs to be cultivated and harvested, and then cooked in water and dried in the sun. After weaving comes the azocada, or the tightening of the hat, which involves tying-off the fibres of the brim. The hat is then washed, whitened or dyed, and dried in the sun, before



Gaby Molina Ortega

being reshaped in factories or the homes of town-dwellers.

According to Gaby, the Panama hat dates back to when the Spaniards disembarked in Ecuador centuries ago. The Europeans slowly adapted the 'strange woven article' worn by natives into brimless hats, or 'toquillas', and finally into the style of Panama we see today. "It is a mixture of two things," says Gaby, "the knowledge of the natives ... and the ideas of the Spanish."

Gaby says the 'Panama' bit of the Panama hat derives from the fact that construction workers employed to build the Panama Canal in the early 1900s wore the Ecuadorean creation in great numbers to stave off the sun. Some sources agree, whereas others put the name down to the fact that straw hats woven in Ecuador, like many other 19th century South American goods, were shipped to the Isthmus of Panama before sailing for their destinations in Asia, the rest of the Americas and Europe.

Given Gaby's credentials, I am not about to disagree with her explanation. Her grandmother opened Ecuador's very first Panama shop in the city of Cuenca back in the 1970s. Adding even more weight to her story is a certain Homero Ortega — Gaby's great grandfather and the founder of the family business. He was schooled in hat-making by his father, and together father and son trekked through the El Cajas mountain region, over the continental divide, to reach the Ecuadorean port of Guayaquil. There, they sold their hats to merchants who transported them to Panama. 🐼

See www.homeroortega.com for more.



The colossus Cotopaxi

A visit to Cotopaxi National Park highlights some of Ecuador's spectacular natural wonders.

Steve Hughes reports.



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“When we enter the area, we usually ask the boss if it is okay to have a look around,” says our guide as we drive around the Cotopaxi National Park. The boss, in this instance, is the 5,897 metre high Cotopaxi volcano; one of the highest active volcanoes in the world. Less than 50 kilometres south of Ecuador’s capital, we are told that should it erupt, the resulting mud slide would take just two hours to reach Quito. Asking permission to have a look around seems like a good idea.

Despite its proximity, it is a fairly lengthy bus ride from Quito. But the journey is worth every minute. After a short climb from the city’s central

business district, skirting past the ‘old town’ with its sixteenth century churches, historic squares and labyrinthine streets, the Virgin of Quito becomes visible — a towering aluminium statue standing proud over the city from El Panecillo Hill. A little further, past small village-like settlements and up into the drizzle and mist of the clouds, the view is spectacular; large swathes of Quito fan out in the valley below. Roads, houses, factories, cars and trucks take on toy-town proportions.

Just half an hour after setting off, we are already trundling along a major highway through the Avenue of the Volcanoes — a 325 km-long valley stretching from Quito to Cuenca. Colossal volcanic peaks are draped in cloud and the contrast

between them and the lush green valley below is striking.

A little further and we are passing great tracts of land covered by greenhouses — part of Ecuador’s important flower industry; one of the country’s main exports. This is one of the most important agricultural areas of the country. As well as the greenhouses, fields of crops stretch all about us. There are corn and cabbages, and a multitude of other plants I am unable to identify. The combination of the volcanic soil and abundant rainfall makes for super-fertile soil. “There is a local saying,” says our guide. “Plant a rock here and a house will grow.”

But it is Cotopaxi we have come to see. We pull off the main highway into the national park and our coach begins to bump and lurch over heavily rutted tracks, past eucalyptus and pine forests. After a brief stop-off to peruse the wares of the local craftspeople — alpaca hats and jumpers, as well as vivid artworks painted on animal skins — we begin the steady climb to Laguna Limpiopungo; a shallow lake on a plateau some 3,800 m above sea level. It is a good place to have a wander around.

The landscape up here has a moon-like quality. It is flat, wide and mostly barren — all muted browns and greens — and there are vast numbers of rocks strewn about; some the size of footballs, some the size of small cars. They were formerly masses of molten rock, fired into the air during previous eruptions. We are not far away from Cotopaxi now, but only its lower reaches are visible. Most of the mountain is covered by a mass of grey-white cloud.

Despite the seemingly inhospitable nature of much of this environment, this region of Ecuador supports a number of important species of flora and fauna. Our guide takes us through an exotic list, including the Andean wolf, which, according to him, looks more like a German shepherd than a wolf.

There are also spectacle bears in these parts. South America’s only species of bear faces an uncertain future due to habitat loss, but our guide has been lucky enough to spot one. “You need to spend a couple of days on horseback trekking in that direction to find them,” he says, motioning towards vast plains that seem to continue forever.

He has also sighted Andean Condors — one of the largest species of flying birds on the



planet — on more than one occasion: “In this area, I see a condor probably once every two or three years.” He explains that there are thought to be only 50 of the giant birds left in the wild in Ecuador. It is hoped that a number of reintroduction projects throughout the Andes will reverse a decline in numbers.

As we return toward the park gate, the clouds that have until now shrouded the top half of Cotopaxi suddenly part. For just a few minutes, we are able to see the full extent of its near 6,000 metres. There is much scrambling about as people try to bag a photograph. It is a text book volcano — hulking above us, almost perfectly cone-shaped and dusted in snow. It is a very special ending to our trip.

According to NASA, there have been more than 50 eruptions of Cotopaxi since 1738. And should something of this size blow its top, it is not difficult to imagine the possible consequences.

“Unfortunately, we are overdue an eruption by about four years,” says our guide, with a nervous laugh. ❄️

Members of the OPEC visiting team were thrilled with their visit to Cotopaxi.



Climate change meeting in Mexico



Can do in Cancun

by James Griffin

*In the build up to the recent United Nations (UN) climate change meeting in Cancun, Mexico, expectations were low in regards to parties reaching some sort of consensus that would allow for a deal to be reached. The final outcome, however, was somewhat different; a formal deal — albeit fairly broad and not tackling some of the more complex matters in great detail — and for many a restoration of faith in the multilateral process. The **OPEC Bulletin** reports on some of the key issues from the meeting.*



UNFCCC Executive Secretary, Christiana Figueres.

presidency's open and inclusive handling of the negotiation process allowed every voice to be heard. There was much talk of a rebuilding of trust in a process which needs to achieve common ground and consensus among 194 divergent nation states.

"Cancun has done its job. The beacon of hope has been reignited and faith in the multilateral climate change process to deliver results has been restored," said UN Framework Convention on Climate Change (UNFCCC) Executive Secretary Christiana Figueres. "Nations have shown they can work together under a common roof, to reach consensus on a common cause. They have shown that consensus in a transparent and inclusive process can create opportunity for all."

While it is clear there is still much to debate and negotiate, with complex and controversial issues still very much unresolved, it is hoped that the lead up to COP 17 in Durban, South Africa, will follow the open and inclusive path laid out in Cancun.

Key elements

It is important to recognize that the Cancun Agreements do not provide a new form of global climate change deal, or a means of formally extending the Kyoto Protocol. In this regard, although it sets some terms of reference for continuing the talks next year and aims to ensure there is no gap between the first and second commitment periods of the Protocol, a number of major discussions and decisions have been put off to next year and COP17.

What Cancun has done is provide a little more flesh to the bare bones that had formed the skeleton of the negotiating process over the past year.

Finance, adaptation and mitigation

One major development is the setting out of the architecture for delivering climate finance. The agreement underscores a total of \$30 billion in fast start finance from industrialized countries to support climate action in the developing world up to 2012 and the intention to raise \$100bn in long-term funds by 2020, although the term "intention" does not provide the certainty of finance to assist low carbon development and adaptation. Others have also questioned whether the figures mentioned are enough.

Moreover, a process to design a 'Green Climate Fund' under the COP, with a board encompassing equal

In contrast to the previous year's UN climate change meeting in Copenhagen, Denmark, there was little fanfare surrounding the meeting in Cancun, from November 29–December 10, which encompassed the 16th Conference of the Parties (COP) and the 6th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP). However, despite a slow start, and much early consternation as countries horse-traded and jockeyed for position in the negotiations, the final outcome, dubbed the 'Cancun Agreements' were formally adopted as COP decisions, unlike the 'Copenhagen Accord', which was only "taken note of".

The Agreements were in fact finally delivered in the early hours of December 11, with many negotiators having spent a number of sleepless nights hammering out the final texts. This seems now to be a tradition in the negotiations. Here, however, negotiators seemed to head to their beds in a much happier mood than they did a year earlier. The agreement should perhaps only be viewed as a small step forward, but a more positive feel could certainly be seen in comments from various parties in the days following the end of the meeting.

This may have been down to pre-event expectation levels, but it has also become clear that the Mexican

representation from developed and developing countries, has also been established. There is also an ‘Adaptation Framework’, established to allow better planning and implementation of adaptation projects in developing countries through increased financial and technical support. This includes a process for “continuing work on loss and damage”. And there is a ‘Technology Executive Committee’ and ‘Climate Technology Centre and Network’ to increase technology cooperation to support action on adaptation and mitigation. Collectively, these are expected to aid the transfer of technology, essential for low carbon development in developing countries, and oversee the financing to adapt to potentially dangerous climate change.

Deforestation and forest degradation

More specifically, there was an agreement to boost action to curb emissions from deforestation and forest degradation in developing countries with technological and financial support, although the full-scale implementation of this is not part of the agreements. This focuses on the REDD concept (The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries), which supports efforts to reduce emissions by financially supporting developing countries to stop cutting down their forests and avoiding forest degradation.

Carbon capture and storage

Another important outcome — and something pushed for by OPEC for many years — is the acceptance of carbon capture and storage (CCS) into the UN’s Clean Development Mechanism (CDM) offsetting scheme. Although the final text calls for the new rules governing how to measure the carbon savings from CCS projects to be finalized at COP 17, allowing the technology to be accepted to the CDM has the potential to kick-start the CCS industry.

Taking the CDM as a whole, the event’s final press release also underlines the strengthening of the mechanism to drive more major investments and technology into environmentally sound and sustainable emission reduction projects in the developing world.

Measuring, reporting and verification

The agreement also states that industrialized country emission targets are officially recognized under the

multilateral process and that these countries are to develop low-carbon development plans and strategies and assess how best to meet them, including through market mechanisms. The inventories of these are then reported annually.

From a developing country perspective, their actions to reduce emissions are officially recognized under the multilateral process and a registry is to be set up to record and match developing country mitigation actions to finance and technology support from industrialized countries. In this regard, developing countries are to publish progress reports every two years.

The road ahead

While the Cancun Agreements have provided some positive news for the UN’s multilateral climate change process, with consensus being reached in some areas and much talk of a renewal of a transparent and inclusive process, it is clear there is still much to be discussed and decided. This is particularly true in regard to specific commitments to limit emissions and the certainty of finance to assist low carbon development and adaptation.

Looking ahead it is essential to remember, as OPEC’s Secretary General, Abdalla Salem El-Badri, said in his statement to the Cancun meeting, “the principles and the provisions of the Convention” and that these are “fully taken into account and respected.” In particular, he stressed, “the principles of equity and common but differentiated responsibilities and respective capabilities, as well as the overriding priority of economic and social development and the eradication of poverty.”

In concluding, he emphasized the importance of win-win solutions that do not discriminate against one Party or another, the need to rely on all available cost effective abatement technologies and to satisfactorily address, including through funding, the issue of adaptation to climate change, as well as to the adverse impacts of response measures. This, he added, could be achieved “through a collective and cooperative process that allows us to reach a fair and equitable outcome for all.” It is hoped that this will be the spirit in which the negotiations progress in the lead up to next year’s COP17 in Durban.

A full version of the Secretary General’s statement that was distributed at the Cancun meeting can be found opposite.



OPEC seeks fair and equitable solution on climate change

*Statement by **Abdalla Salem El-Badri** (pictured), OPEC Secretary General, to the United Nations Climate Change Conference (COP16), Cancun, Mexico, December 2010.*

In Bali in 2007, we all agreed to urgently enhance and enable the full, effective and sustained implementation of the United Nations Framework Convention on Climate Change. And equally important is the objective of agreeing on further commitments for Annex-I Parties under the Kyoto Protocol.

Last year, in Copenhagen, little progress was achieved; a clear demonstration that a successful outcome can only be achieved through an open, inclusive, transparent and country-driven process.

I would like to thank the Mexican Presidency for its untiring efforts to ensure such transparency and openness.

OPEC Member Countries have positively and constructively engaged in these climate change negotiations, cognizant that the protection of the environment is an important pillar of sustainable development, along with economic growth and social progress.

Here in Cancun, they are actively engaged in efforts to reach a fair, comprehensive and equitable agreement under each of the negotiation tracks. We believe that collective efforts could lead to a successful outcome, provided that the principles and the provisions of the Convention are fully taken into account and respected. In particular, the principles of equity and common but differentiated responsibilities and respective capabilities, as well as the overriding priority of economic and social development and the eradication of poverty.

In this regard, it is important to underline the role of developed countries. They should take the lead in combating climate

change given their historical responsibility and in providing new, adequate and predictable financial resources and technology transfer to support developing country mitigation actions, as well as adaptation to both climate change and the adverse effects of response measures.

All of OPEC's Members are developing countries, all are Parties to the Convention, and all play a vital role in supplying energy that helps satisfy the world's needs. They invest huge financial resources to ensure security of supply to consumers, including investing in spare capacity. It is a responsibility we take very seriously.

However, OPEC Member Countries are also heavily dependent on the production and export of an exhaustible, non-renewable natural resource. They are highly vulnerable not only to climate change, but also to the adverse impacts of response measures on their economies and on their citizens.

OPEC Member Countries interests need to be safeguarded.

We need to remember the spirit in which we agreed the Convention and its Kyoto Protocol. It was a spirit that allowed for everyone's issues to be taken aboard. We must continue this process of inclusivity.

We need win-win solutions that do not discriminate against one Party or another.

We need to rely on all available cost effective abatement technologies, including cleaner fossil fuel technologies, such as carbon capture and storage.

We need to give more prominence to those means that allow for a satisfactory



balance between mitigation and development, such as the Clean Development Mechanism.

We need to satisfactorily address, including through funding, the issue of adaptation to climate change, as well as to the adverse impacts of response measures.

This is all possible. And we all know how it can be achieved.

It is through a collective and cooperative process that allows us to reach a fair and equitable outcome for all. If this is the way forward, then I feel we can together reach a balanced outcome here in Cancun and we can continue working constructively in the future to meet the challenge of climate change. And let us be assured that OPEC Member Countries will spare no effort in this regard.



Energy and the food chain



With world food prices remaining above long-term averages in many countries, the United Nations World Food Programme (WFP) has its work cut out. On a recent visit to the OPEC Secretariat, [Ambassador Sabas Pretelt de la Vega](#) (pictured), the WFP's Executive Board President, described how the world's largest humanitarian agency fighting hunger worldwide is stepping up to the challenge.

By Steve Hughes

"It is vital for humanity that the WFP raises awareness with all public and private leaders of the world of the tragedy that hunger represents," says Ambassador Sabas Pretelt de la Vega, in urgent, hushed tones. In his capacity as Executive Board President of the United Nations World Food Programme (WFP) Vega met with OPEC Secretary General, Abdalla Salem El-Badri, during a visit to Vienna.

Since he had a few moments before his next appointment at the OPEC Fund for International Development, he kindly agreed to speak with the *OPEC Bulletin* at short notice. Thus, we scuttled into the quietude of the OPEC Secretariat's library, and tried not to disturb others. But

it is hard to keep our voices down when we are talking about something as emotive as hunger.

Sometimes, when numbers become too large in relation to people — hundreds of thousands, say, or millions — they become difficult to comprehend; meaningless even.

Perhaps this is why Vega uses a stark example to illustrate the scale of problem that hunger represents. Between four and five million people die of hunger every year, he explains. "In five years, the same amount of people die as during all of World War II," he says. And perhaps more staggering still: "The world spent approximately 40 per

cent of its GDP on this war. Now we are asking for less than one per cent to save the same amount of people.”

Energy and food are interlinked. “For food, it is crucial that there is a stable energy market in the world for many reasons,” he explains. Not only is oil an important input in the agricultural process, but its price also has a bearing on the production of alternative fuels, which can have implications in terms of land and water resources that may otherwise be used for food production. “We see OPEC with a lot of satisfaction,” says Vega. “It puts order into one of the most important markets in the world.” Not only this, he explains, but it also works towards humanitarian ends, “for its own countries and the rest of the world.”



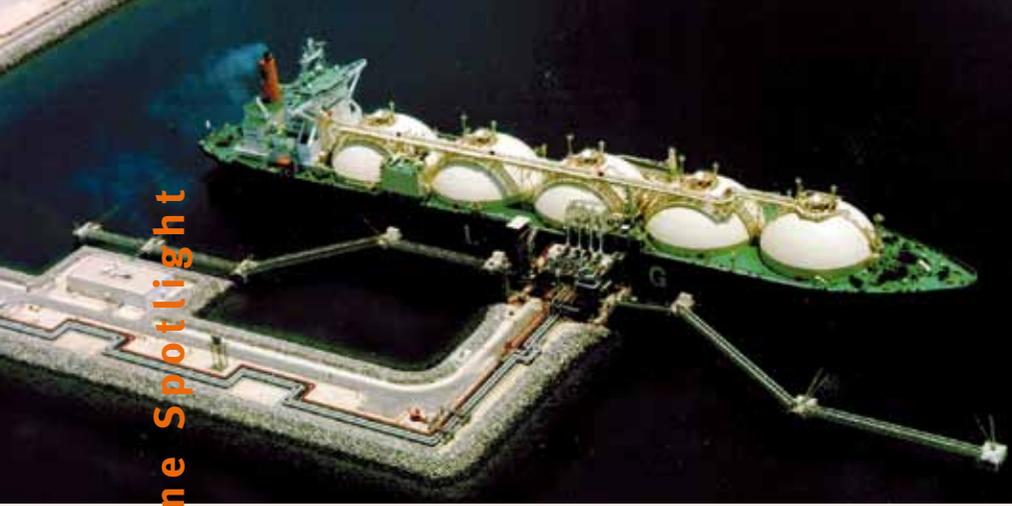
key issue here is to try to simultaneously bring energy for development and for local production of food,” he says.

The short interview is nearing an end — Vega needs to leave. A wrap-up quote would be good — something to inspire hope perhaps. But it is not forthcoming. The Millennium Development Goals planned to halve the proportion of hungry people in the world, he explains, from 800 million to 400 million between the years 2000 and 2015. “The stark reality today is that after ten years, we have gone from 800 million to 1.02 billion.”

OPEC has long attempted to raise awareness of energy poverty, an issue often related to hunger. Across the globe an estimated three billion people lack access to sustainable and affordable modern energy*, something that constrains key aspects of human development and growth. “Of course there is a link between poverty and energy especially for the poor ... because they cannot incorporate modern technologies to produce food and the modern technologies depend on energy,” says Vega. “The

Hunger is ‘everyone’s problem’ Vega says. “We are talking with the leaders of the world in the private sector, and especially political leaders, to find a solution.” Looking around, it is suddenly apparent that we have been talking loudly and others in the OPEC library have been listening. Perhaps this bodes well for Vega’s future meetings. 

* Figures according to the World Economic Forum (www.weforum.org)



Qatar to host first Summit of Gas Producers' Forum in November

The Gas Exporting Countries Forum (GECF) will hold its first ever Summit of Heads of State and Government in Qatar on November 11, 2011.

This was revealed by Qatar's Deputy Premier and then Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah (*pictured left*), at the end of the Forum's 11th Ministerial Meeting, held in the Qatari capital in early December 2010.

The Forum, established in 2001, represents and promotes the interests of global gas producers. It is officially regarded as an international organization and exchanges expertise in gas exploration and transportation. One of its overriding aims is to draw up a framework for international gas markets.

The Forum has made considerable progress since it was formed. It became a legal entity with the signing of the Gas Exporting Forum Functioning Agreement; it set up its permanent Secretariat in Qatar; and it appointed its first Secretary General, Leonid Bokhanovskiy, Vice-President of the Russian energy services firm, Stroytransgaz.

Its membership, which is already significant in representing around 70 per cent of global gas reserves, also looks set to expand in the near future.

The GECF currently has 11 full signatories — Algeria, Bolivia, Egypt, Equatorial Guinea, IR Iran, SP Libyan AJ, Nigeria, Qatar, Russia, Trinidad and Tobago and Venezuela.

At its latest meeting, which was attended by observers from Kazakhstan, the Netherlands and Norway, Ministers called for enhanced cooperation for shaping a stable and transparent gas market.

Delegates expressed concern that current gas prices threatened investment in new fields and gas infrastructure.

A *communiqué* issued at the end of the Meeting stated: "The ministers discussed the most effective ways and means of enhancing cooperation among the

GECF Member States aimed at providing necessary prerequisites for developing a stable and transparent gas market.

"The ministers expressed their concern about current gas prices threatening investments in new fields and gas infrastructure and stressed that prices should reflect parity with oil, taking into consideration the advantages of natural gas."

In also urging more cooperation with the European Union, the ministers said they believed that for the sake of ensuring a long-term balance of interests between suppliers and consumers, the EU's plans to introduce new gas market related legislation requires additional consultations with gas supplying countries.

The future of the gas industry indeed looks assured. Global gas reserves have almost doubled over the past two decades and currently stand at well over 180 trillion cubic metres, with OPEC Member Countries accounting for just over half of all known deposits. Russia possesses the largest gas reserves, followed by Iran and Qatar.

However, production of gas worldwide is not what one would expect, given the extent of the reserves. With annual production of around 3tr cu m, the industry is still perceived young with great potential for the future.

And with OPEC Member Countries currently accounting for under 20 per cent of global output, with production of some 545bn cu m of gas, their developing gas industries are seen as a valuable addition to the well-established oil operations.

One of the chief concerns of gas producers today is the price of the fuel, which has almost halved over the past few years.

Natural gas, which is traditionally sold under long-term contracts, has failed to realize the kind of price rebound registered over the past few months in the crude oil markets.

Gas producers maintain that securing higher prices is

essential for supporting the scale of investments needed to conduct exploration and production.

Iran's OPEC Governor, Seyed Mohammad Ali Khatibi Tabatabai, said he hoped the influence of the GECF would rise over the next decade to match that of OPEC.

In an interview with the Hamshahri daily, he was quoted as saying: "We should see how the (Gas Exporting Countries Forum) can start influencing the gas market. When OPEC was formed it took more than ten years for it to be influential in the oil market."

He said he saw the success of the Forum in being influential in the gas market in a shorter time than it took for OPEC to become influential in the oil market.

Tabatabai also said he saw a glut in gas supply ending over the next five to ten years and the gas price rising.

"Considering the growth of gas consumption in the world and its advantages I think in future the gas price should be around the same as the oil price," he said in the interview.

"If the gas surplus and the negative competition among producers ends, there is no reason that the gas price is less than the oil price, it could even be more than the oil price."

GECF Secretary General, Leonid Bokhanovsky, pointed out that the Forum was working on a five-year strategy, as well as a longer-term model for the global gas market.

It also sought to establish a data-reporting mechanism and develop a gas market model which would adhere to free market principles.

"At the same time, we are aware of the problems arising from the current situation in the global gas market," he said in a forward to the GECF newsletter, adding that it was therefore extremely important to build a common understanding among GECF Member Countries of the necessity to secure parity of gas and oil prices.

Bokhanovsky noted that, nowadays, the international gas market was influenced by many negative factors, including the consequences of the global economic crisis, which had resulted in a sales slowdown in the traditional markets and growing competition from non-conventional gas and renewable sources of energy.

"Under these circumstances, we consider it very important not to resort to non-market ways that may affect international gas trade," he said in the newsletter. He reiterated that long-term contracts, indexed to oil prices, should be preserved so as not to destabilize "the fragile and unique gas market."

The next GECF Ministerial Meeting will be held in Sharm el-Sheikh, Egypt, on June 2, 2011. 

PetroEcuador announces three per cent rise in 2011 budget

The national oil company of Ecuador has earmarked a three per cent increase in its budget spending for 2011 over 2010 to almost \$4 billion.

PetroEcuador announced in a statement that its planned budget for this year stood at \$3.97bn, compared with \$3.86bn in 2010. Expected investment was put at \$1.8bn for 2011, including \$550m for exploration and production and \$340m for the refining sector.

The company announced that its average oil production in 2010 amounted to around 186,500 b/d, some 2.4 per cent higher than in 2009.

Ecuador, OPEC's smallest Member Country, was expected to have recorded economic growth of 3.6 per cent in 2010. This was forecast to rise to 5.06 per cent in 2011. The economy expanded by just 0.4 per cent in 2009 as a result of the global financial crisis.

The Ecuadorean government, which, in its bid to promote the nation's oil capability, has drawn up new contracts with the oil companies operating in the country.

The deals, which increase Ecuador's revenue share from domestic oil concessions, are all part of the country's aim of maintaining control over its natural resources.

Repsol of Spain, Italy's Eni, Chinese firms Andes Petroleum and PetroOriental and Chile's state-owned energy company, ENAP, have all agreed to the new terms for operating in Ecuador. Brazil's Petrobras was the only company that rejected the new contract.

Ecuador's Minister of Non-Renewable Natural Resources, Wilson Pástor-Morris, pointed out that Petrobras would be paid market prices for its assets in the country and would turn its operations over to the state.

He added that the companies that had signed the new deals would invest \$1.2bn in the country.

Strategic Sectors Minister, Jorge Glas, said that since the new arrangements had been reached, many oil operators had shown an interest in working in Ecuador, which planned to launch an oil bidding round in April.

He was quoted as saying that the new contracts would encourage efficiency and production increases, as companies only stood to gain if they increased output.

"There is a stimulus to increase production that did not exist before," he stated. 

Iraq to hold bidding round for Nassiriya oil field this year



Dr Hussain Al-Shahristani, newly appointed Deputy Prime Minister for Energy Affairs.

Iraq intends to hold a bidding round for international oil companies for its Nassiriya oil field later this year as it continues with its development programme to boost the country's oil capability in the years ahead.

The announcement was made by Dr Hussain Al-Shahristani, Iraq's former Oil Minister, who has been appointed Deputy Prime Minister for Energy Affairs in the newly announced government of Prime Minister Nuri Al-Maliki.

"Iraq will announce a bidding round for the Nassiriya oil field in the coming period of this year and we will invite pre-qualified Japanese companies to compete with other international oil firms," Al-Shahristani said at a press conference.

Iraq had indicated in 2010 that it would develop the field on its own after discussions with a Japanese group led by Nippon Oil failed to find an agreement.

The undeveloped Nassiriya oil field is said to have crude reserves of around five billion barrels and the country wants to boost output to 50,000 b/d from 10,000 b/d last year.

Iraq has entered into several deals with foreign oil companies to develop the country's oil fields. Its plan is to boost the country's oil output capability to around 12m b/d in six to seven years' time.

Iraq's new government is determined to stabilize the country's economy and security after years of unrest. A top priority for the cabinet, headed for a second term by Al-Maliki, is to further Iraq's ambitious goal to become a top oil producer and exporter.

New Oil Minister, Dr Abdul-Kareem Luaibi Bahedh, announced recently that Iraq's oil production had exceeded 2.6m b/d, the highest level in 20 years.

He said the country aimed to raise oil production to

3m b/d by the end of 2011 and was still on track to attain its 12m b/d output goal.

Bahedh stressed that building infrastructure was one of his principal aims, in addition to continuing with the expansion of Basra's crude export facilities.

Meanwhile, Iraq's December oil exports were expected to have exceeded the 1.9m b/d recorded in November.

"For this month, we had some disruption in exports because of bad weather. If it was not for that, we would have reached 2m b/d," commented the Executive Director General of the State Oil Marketing Organization (SOMO), Dr Falah J Alamri.



Dr Falah J Alamri

He was quoted by Reuters as saying that he expected exports to exceed 2m b/d from January 2011. "I promise you that starting from the first month of 2011, exports will exceed 2m b/d."

Alamri, who is also Iraq's OPEC Governor noted that more than 60 per cent of Iraq's exports were destined for markets in Asia and Iraq was trying to increase that figure.

"We prefer that because both India and China have promising economies and a greater demand for oil," he said.





Saudi Arabia to increase public spending in 2011

Saudi Arabia has budgeted public spending of 580 billion riyals (\$1.6bn) in 2011, which is over seven per cent higher than that agreed in 2010.

A decree issued by the Kingdom's Crown Prince Sultan revealed a forecast budget deficit of 40bn riyals this year as public spending reaches new highs.

Around 150bn riyals of the total has been allocated for education and training, while health and social spending has been earmarked some 68bn riyals. Spending on other items, including defense and security, will amount to a near 214bn riyals.

According to estimates from local banks, Jadwa Investment and Banque Saudi Fransi, the 2011 budget was based on a crude oil price of around \$60/barrel, alongside production of up to 8.7 million b/d.

The Kingdom, in its 2010 budget, based its budget on an estimated oil price of \$44–50/b, but eventual higher prices meant that a forecast deficit of \$19bn actually resulted in a surplus.

Around \$68bn of the 2011 budget will be capital spending as the Saudi government continues to expand economic development under its Ninth Development Plan, covering 2010–14.

The economies of the Gulf region have been very encouraging in recent years, and even during the financial crisis they tended to be resilient. Saudi Finance Minister Ibrahim Al-Assaf has forecast nominal growth of 16.6 per cent in the Kingdom's gross domestic product this year, backed by higher oil prices.

One of the areas in which the Kingdom is set to expand its operations is petrochemicals.

Saudi Aramco President and Chief Executive Officer, Khalid Al-Falih, maintains that the next decade will be a "golden age" for the region in terms of economic conditions and commercial opportunities.

He said in an interview with the *Oil Daily* that he saw

potential for the Arab Gulf region being able to boost annual sales of petrochemicals and chemicals from the current \$40bn to as much as \$200bn by 2020.

Currently, the projection was for sales to double to reach \$80bn, but he felt that with the right industrialization push, the higher figure could be achieved.

Saudi Aramco and its joint-venture partners had already earmarked petrochemical projects worth some \$30bn and a final decision would be made on these schemes by September, said Al-Falih.

"In the third quarter, we should be making an investment decision. We are moving incrementally with those projects. We are committing money to finance engineering, procurement and construction activities," he was quoted as saying.

Planned giant integrated petrochemical ventures at Jubail and Rabigh would form the cornerstone of Saudi Aramco's strategic objective to produce a range of chemicals to support the Kingdom's industrial development and create jobs for Saudis.

"We want commercially successful ventures that will create profits for all investors, including us," Al-Falih said in the interview. "Our strategy in petrochemicals is to partner with leading international companies. We do not have the marketing or the technology to do it on our own," he added.

A knock-on effect of the pace of expansion in the Kingdom is being reflected in the domestic demand for gas.

Demand for the environmentally friendly fuel is growing by five to six per cent a year.

Ahmed Al-Sa'adi, Saudi Aramco's Vice President of Gas Operations, was quoted by Reuters as saying on the sidelines of an industry conference in Doha that this level of annual growth in gas demand was set to continue as things stood right now.

"There is a lot of effort in adopting energy-efficient programmes to curtail demand," he added.

The Kingdom is boosting gas production from non-associated gas fields to cater for rising domestic demand, which has been expanding by seven per cent annually in recent years, due to the economic boom.

Saudi Aramco is currently developing Karan, its first non-associated offshore gas field project, which is expected to be completed in 2013. It is also working on two new projects, the Wasit gas development programme and Shaybah natural gas liquids (NGL) which Al-Sa'adi said would be online by mid-2014.





UAE looking to embark on second giant solar project

Reuters

The “beam down” tower is reflected on solar panels in Masdar City.

The United Arab Emirates (UAE) is embarking on its second major solar power project aimed at satisfying domestic electricity demand in the years ahead.

The state-owned renewable energy firm, Masdar, has announced that it is in talks with Abu Dhabi authorities to build a 100 megawatt solar plant to be known as Noor.

Masdar is an Abu Dhabi-based multi-faceted initiative mandated to advance the development, commercialization and deployment of renewable and alternative energy technologies and solutions.

Masdar now needs to reach a power-purchase agreement with the Abu Dhabi Water and Electricity Company (ADWEC) that can guarantee the international shareholders in Noor, yet to be named.

An important part of the accord is the need to agree on a tariff the government will pay ADWEC to compensate it for purchasing solar electricity, which is more expensive than the power generated by Abu Dhabi’s gas-fired stations.

Noor will be the Emirate’s second major solar project after the 100 MW Shams-1 scheme, under which Masdar last year appointed the consortium of Total and Abengoa Solar as partners to build and operate what will be the

world’s largest concentrated solar power plant and the first of its kind in the Middle East.

Considered one of Masdar’s flagship projects, Shams-1 will directly contribute towards Abu Dhabi’s target of achieving seven per cent renewable energy power generation capacity by 2020.

The joint venture between Masdar (60 per cent), Total (20 per cent) and Abengoa Solar (20 per cent) will develop, build, operate and maintain the plant which will be located in Madinat Zayed, some 120 kilometres south-west of Abu Dhabi.

Shams-1 will extend over an area of 2.5 km with a solar field consisting of 768 parabolic trough collectors to be supplied by Abengoa. Construction, which began in the third quarter of last year, is expected to take approximately two years to complete.

Shams-1 is registered as a project under the United Nations Clean Development Mechanism (CDM) and is eligible for carbon credits. It is the first CSP plant registered under the CDM and the second project registered for Masdar.

The plant will displace some 175,000 tonnes of carbon dioxide per year, equivalent to planting 1.5 million trees or removing 15,000 cars from Abu Dhabi’s roads. ☀

First cargoes of Ghana's Jubilee crude oil bought by ExxonMobil

Ghana, which last year joined the club of African oil producers and exporters with the arrival of its Jubilee oil, sold its first crude cargoes in January.

Better known for its production of gold, diamonds, timber and cocoa, the West African nation entered the lucrative world of 'black gold' when its Jubilee oil field, discovered in 2007, began sustained output towards the end of last year.

According to oil traders close to the first transactions, cargoes of Jubilee crude oil were bought by ExxonMobil.

The Jubilee field, which promises to guarantee much-welcomed oil revenue for the West African nation, bringing with it the promise of changing fortunes for its people, produced its first sustained oil flow towards the end of last year.

The occasion was marked in a televised ceremony by the country's President, John Atta Mills, who, kitted out in overalls and safety gear, opened the taps at the 330-metre floating platform, located some 60 kilometres off the country's Atlantic coast.

"After a long wait, the day has come," Mills said. "But it means that we are assuming a very serious responsibility. And especially for those who are in leadership positions, we must ensure that it becomes a blessing not a curse."

Jubilee, with reserves estimated at 1.8 billion barrels, set to give 20 years of potential production, will have initial output of 120,000 barrels/day. Output is set to double within three years. It makes Ghana the seventh largest oil producer in sub-Saharan Africa.

The start of commercial production came just three years after the discovery of oil at the field.

Apart from the state-owned Ghana National Petroleum Corporation (GNPC), the major partners in Jubilee include Tullow Oil of the United Kingdom, Anadarko Petroleum of the United States and privately held US energy firm, Kosmos.

Ghana says it expects the revenues from Jubilee to help double the country's growth rate to over 12 per cent in 2011, funding new infrastructure and helping to promote the industrial sector.



Ghana's President John Atta Mills turns on the valve to allow the first barrel of crude to flow from the Jubilee offshore oil field.

The Jubilee field, so called because its discovery coincided with the 50th anniversary of the country's independence in 1957, has the potential of producing over 300 million barrels in its first phase. Revenue from the concession could be as much \$1 billion a year, depending on the level of crude oil prices.

At the moment, agriculture is Ghana's main economic activity, a sector that employs almost 60 per cent of the country's workforce and contributes up to 40 per cent of Ghana's GDP. But that could all change in the near future with the arrival of the oil.

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

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

This page is dedicated to capturing those visits in pictures.



Above: Balázs Csuday, Ambassador of Hungary, visited Abdalla Salem El-Badri, OPEC Secretary General, on January 18.



Erratum:

Shigeo Iwatani, the newly appointed Ambassador of Japan, visited Abdalla Salem El-Badri, OPEC Secretary General, on October 8, 2010. Unfortunately, in the November/December 2010 issue of the OPEC Bulletin on page 109, we mistakenly used a wrong name for the Ambassador. We apologize for any inconvenience caused.



Erratum:

In the November/December issue of the OPEC Bulletin on page 27, we mistakenly identified Dr Levi Ajuonoma (pictured right), Group General Manager of the Nigerian National Petroleum Corporation's Public Affairs Division, as being Nigeria's OPEC National Representative, Suleman Ademola Raji. Both attended the press conference given by Nigerian Petroleum Resources Minister, Diezani Alison-Madueke. We apologize for any inconvenience caused.

Secretariat activities



Pictured above is a group of students from the Paris School of International Affairs, who visited OPEC on January 19, 2011. Pictured below is a group of students from the Stanford University, who visited the OPEC Secretariat on December 21, 2010. Pictured at the bottom is a group of ONGC executives from the Indian Institute of Management.





Uniting against Poverty

An institution with a noble mission celebrates 35th Anniversary But with mountains to conquer OFID's work is far from done

On January 28, 2010, the Vienna-based OPEC Fund for International Development (OFID) celebrated its 35th Anniversary. Established in January 1976 with a mandate to reinforce development, learning and sharing among developing countries and help intensify ties between the Organization's Member Countries and other developing nations, the institution's primary aim is to provide development assistance to some of the world's poorest countries in pursuit of their social and economic advancement. This article is based on an Anniversary tribute to the Fund carried in the latest edition of the OFID Quarterly.

OFID's headquarters in Vienna.



Rana Wintersteiner

The OPEC Fund for International Development (OFID) is today as present and as engaged as ever and should take pride in the positive echoes reverberating across the world on its continuing accomplishments.

That was the message Jamal Nasser Lootah, Chairman of the OFID Governing Board, had for the Vienna-based institution on the occasion of its 35th Anniversary, which was celebrated in January 2011.

“We have come a long way since January 1976,” he said in a special interview marking the occasion with the *OPEC Quarterly* publication. “These have clearly been years of discovery and marked accomplishments.”

Lootah pointed out that when the Fund took off in 1976, it was only expected to be a temporary institution “a transient facility to disburse some \$800 million in voluntary contributions by OPEC Member States ... and then say goodbye.”

But, “we soon found out that the mission for which we were set up was of an enduring nature. We lifted off and have never looked back since,” he said.

Dependable partner

Thirty-five years later, said Lootah, OFID was involved with an impressive 129 countries, working with associates, peers and partners to move development forward.

“Our continued presence is evidently testimony to the vision of those who set up our institution and I dare say that we have managed to make them proud,” he affirmed.

Lootah said that, speaking on behalf of his colleagues on the OFID Governing Board, he could only but encourage the institution to continue with what it was doing well and to take advantage of all the lessons learned to move forward.

He said that to OFID’s partner institutions and cooperating countries, he could only reiterate the assurance that the Fund would continue to “be by their side as a dependable partner and support pillar.”

He added: “We have all done well, listening to one

another and cooperating to move our peoples out of poverty. As they say in Africa, South of the Sahara, the battle continues.”

The Governing Board Chairman said that the changes he had seen over the years were multiple, ranging from staff complement to policy development, rules and regulations.

“OFID has moved on with the times. Today, it has become an established development finance institution with its own legal personality and equipped, by Member Countries, to remain part of the global community of international finance institutions for years to come.”

He recalled the beginnings of the institution as initially being the OPEC Special Fund, a simple international financial account that extended balance of payments support to cooperating countries.

“We called them ‘beneficiary countries’ at the time and regarded what we did as development ‘assistance’.”

Usage, he said, had changed over time and in keeping with political correctness, “we ‘cooperate’ with these countries to mutual benefit.”

Said Lootah: “You do not sleep well and comfortably in your own country, if your neighbour is restless and helpless. This has been a guiding principle of our times. You extend a helping hand to mutual benefit.”

He noted that the Fund, over the years, had progressed from balance of payments support to



Jamal Nasser Lootah, Chairman of the OFID Governing Board.



Uniting against Poverty

projects and programme financing in the public sector, moving gradually to private sector financing and recently to trade financing.

“Now we have several facilities and financing windows. We also have been very much part of the development dialogue, backing issues of primary importance to developing countries and, indeed, helping to make the voices of our Member Countries heard in the corridors of development thinking and negotiations,” he stated.

As for the future, Lootah said OFID, as the Governing Board saw it, would continue to do what it did best — working with the many countries that sought close cooperation with OPEC Member Countries with regard to their development.

One area he and his Board colleagues would like to see improved was increased coverage by the international media of OFID’s activities and the successes it was recording.

“The world should see us as a group of countries, all of them developing countries themselves and by no means wealthy, extending hands of friendship and support to the less privileged, with a view to sharing that which we have and aiming at a more equitable and just world.

“We also would like to see many others emulate the example of OPEC Countries, especially as we all agree that it is all about one world and a global village,” he added.

Lootah stressed that the OFID Board and Management were in no doubt that whatever achievements the institution made they were, in large part, the result of the performance and the commitment and dedication of the institution’s staff.

“I have had the privilege of watching many of our staff at work and on mission and I could hardly be more impressed. If I have any message for OFID staff, it would simply be that the momentum should be maintained and morale kept as high as always.

“The Management is also in no doubt as to the appreciation of the Board *vis-à-vis* Management’s effort. We work well together. We have a fine institution. Let us keep it that way,” he said.

OFID’s Director-General, Suleiman J Al-Herbish, also in an interview with the Quarterly and reflecting on the

challenges and accomplishments of the institution, pointed out that OFID’s main challenge and core mandate — poverty — had not changed.

“And in order to tackle it we need resources ... for many reasons, including growing populations, (poverty) is deeper and more widespread than ever before. So there is mounting pressure on us to raise our level of support.”

Striking a balance

Al-Herbish said pressure to alleviate the situation had increased since the Third OPEC Summit in November 2007, when the Organization’s Heads of State had reaffirmed their expectations of OFID and called upon the institution to continue with its efforts — independently and with other organizations — towards poverty eradication and, moreover, to focus its attention on the elimination of energy poverty.

“So, today, we find ourselves in a situation where we are expected to do more, but with the same resources. This is a real — and growing — challenge, because the number of countries we work with has increased steadily.

“The dilemma we face, therefore, is how to strike a balance between executing our mission and protecting the long-term financial viability of the institution. We are thus discussing with our Member Countries how to enhance our resources so that we can live up to their expectations and deliver on our mandate. One solution we are considering is borrowing from the market to help finance our private-sector operations,” he said.

Al-Herbish pointed out that, sadly, despite the adoption of the Millennium Development Goals (MDGs) and other initiatives, the problem of poverty was increasing and the gap between the rich and the poor was widening.

He noted that the September 2010 United Nations meeting on the MDGs acknowledged as much. “There has been some progress, largely due to the improvement in the economies of China and India, but when you look at Africa, especially sub-Saharan Africa, you will find that the problem is in fact worsening,” he affirmed.

“So, for whatever reason, we have not really achieved very much, especially when you consider that 1.4 billion people globally are still living below the poverty line

on less than \$1.25/day, around 1.6bn people are still deprived of electricity, and 2bn households are still using biomass for cooking.

“These are not statistics to be proud of. Nor is the fact that the number of chronically undernourished people on our planet is close to 1bn. It is thus no coincidence that, for OFID, two of the most pressing concerns at the present time are food security and energy poverty,” he said.

Al-Herbish stressed that this was the challenging environment that OFID had been working in for three-and-a-half decades.

Over the years, he said, the way OFID carried out its work had evolved considerably. This was partly in response to the changing demands and priorities of the countries in which the Fund operated, but it also stemmed from a desire on the part of the institution to play an ever more proactive role in the international development arena.

For instance, he continued, in order to maintain its relevance and effectiveness, OFID had broadened its range of funding mechanisms to include private sector and trade financing, among others.

“These complement our traditional modes of financing and have enabled us to widen our geographical reach, while, at the same time, retaining our focus on the low-income countries, which sit at the heart of our mandate. The challenge of this development, however, is that we have an ever-growing constituency which is placing increasing pressure on our resources,” he said.

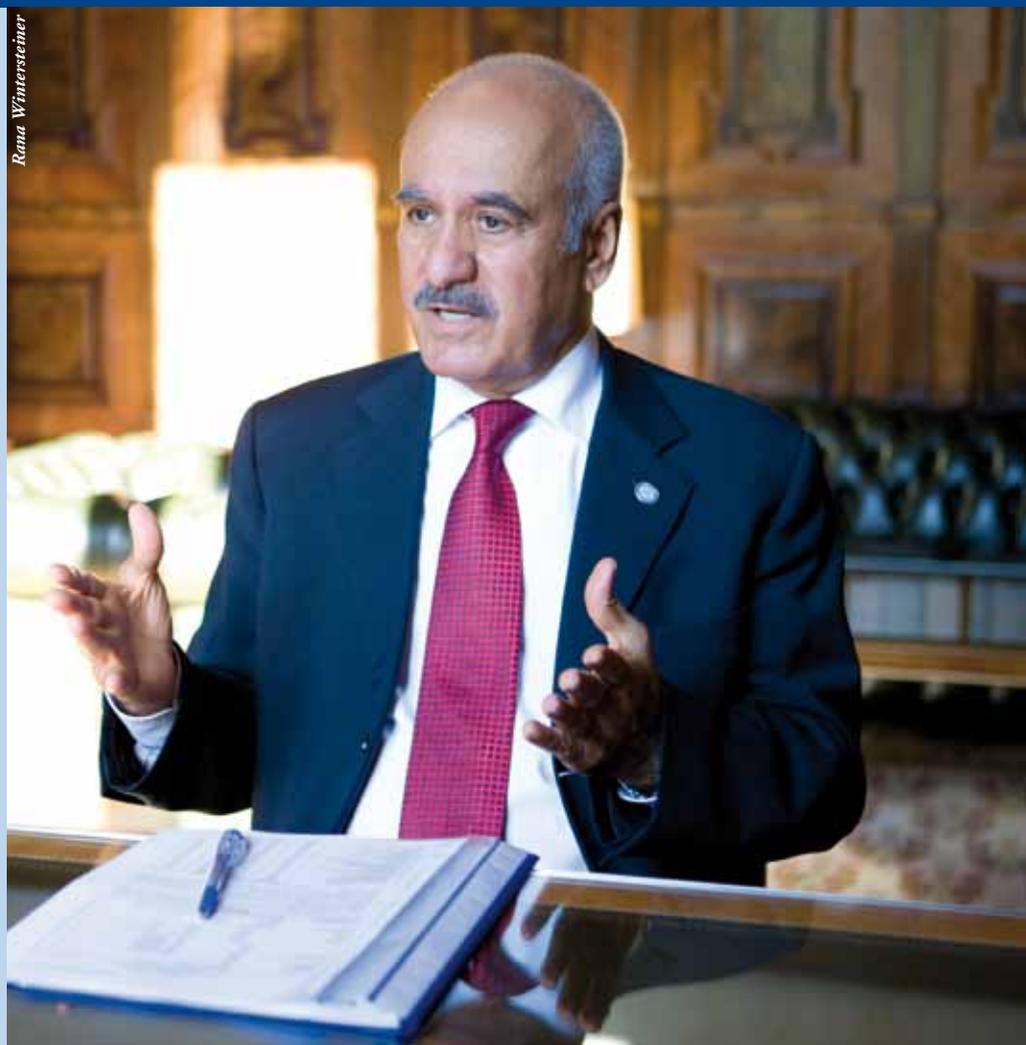
The OFID Director-General said that in terms of advocacy, the Fund’s voice had grown ever stronger, especially in recent years since it was granted ‘observer status’ to the UN General Assembly.

“Currently, we are working extremely hard to draw international attention to the issue of energy poverty, which unfortunately escaped being included in the MDGs, but is nevertheless a dire problem.

“I am pleased to say that our efforts are bearing fruit and that the ‘Energy for the Poor’ initiative is gaining a lot of respect and acceptance,” he said.

Elaborating, Al-Herbish said OFID initially got the ball rolling at a special workshop on Energy Poverty in Africa, which was convened in Abuja, Nigeria, in June 2008.

“Over the past 18 months or so, we have been



Suleiman J Al-Herbish, OFID's Director-General.

delighted to see the initiative receive the approval of bodies like the G8 and the G20, and then in March 2010, the International Energy Forum, which at its 12th meeting in Cancun, dubbed the eradication of energy poverty as the “ninth MDG”.

“Many of our partner institutions have also pledged their support, as have leading donor governments.

“So, the momentum is building and we are committed to continue doing everything within our power to push energy for the poor to the top of the international agenda,” said Al-Herbish.

He said that since the 2007 OPEC Summit, there

Rana Wintersteiner

Uniting against Poverty



Rana Wintersteiner

Moving on to new challenges — OFID's Governing Board, seen here during its 133rd session with l-r: Said Aissi, Assistant Director-General, Operations; Suleiman J Al-Herbish, Director-General; Jamal Nasser Lootah, Governing Board Chairman; Saeid Niazi, Assistant Director-General, Financial Operations.

had been additional calls on OFID, notably from King Abdullah Bin Abdulaziz Al Saud of Saudi Arabia, who in June 2008 launched the Energy for the Poor Initiative, with the request that OFID and the World Bank play a leading role in developing the \$1bn programme.

“It is worth pointing out that, actually, energy has always been an important sector for OFID, accounting for 20 per cent of cumulative commitments. However, since the Riyadh Summit, we have intensified our efforts and approved financing for around 30 new projects, some of which, like a geothermal power generation project in Djibouti, cater to non-conventional forms of energy.

“Indeed, we are open to supporting any project that will help the poor to solve their energy problem. What we have to bear in mind, though, is that large-scale infrastructure projects are very expensive and generally take a long time to come on-line.

“So, we have to identify short-cuts that will deliver energy faster to those in urgent need. For this purpose, we are already networking with the wider energy industry — including some major oil companies — to see if we can find simpler projects that we could support through grant financing,” Al-Herbish stated.

He said that OFID was obviously also concerned about the environment and the management of natural resources.

“I would say that OFID is very much pro-environment. So much so, in fact, that we make it a condition of our lending that we will only finance projects that take care not to cause any environmental damage.”

Al-Herbish said that in many instances OFID's projects actually helped improve the environment, for example, through reforestation, or other measures to prevent or reverse land degradation.

Much of this kind of work was financed through the Fund's grant programme and also included projects to improve water management, which was a very serious problem in the Middle East and some parts of Africa.

Another example of OFID's efforts in this area was the recent study it commissioned on the development and use of biofuels as an alternative to gasoline.

“One of the things we looked at was the possible negative impact of biofuels production on the environment and biodiversity. So, basically, we are doing everything we can to be responsible global citizens and protect the environment for future generations.

“I should point out that OFID's position on the environment is an extension of that of our Member Countries and, consequently, one that we share with the OPEC Secretariat,” added Al-Herbish.

Concerning the recent global economic crisis, he said that despite its own investments being hit by the volatility in financial markets, OFID had worked, both independently and with its co-financing partners, to

mitigate the impact of the crisis on the low-income countries.

“Indeed, we felt a moral obligation to do so. While the commercial banks tend to step back from lending in such circumstances, the development banks are expected to stand by their partners in times of crisis,” he explained.

“OFID thus collaborated with other major donors, including the World Bank, to devise joint strategies to support banking, trade, micro-finance, infrastructure, agribusiness and other key sectors. We even stood by countries whose credit rating dropped — in one particular case from B to CCC — sometimes actually increasing our involvement.”

Al-Herbish said that during 2009, when the crisis was at its height, OFID posted record commitments of \$1.4bn, compared with the \$815 million approved in 2008.

Moreover, looking forward, the Fund’s 18th Lending Programme, which was approved by the OFID Ministerial Council in June 2010 and covers the three-year period 2011–13, has been allocated resources of \$3bn — an increase of 30 per cent over the allocation of the previous programme.

“This is a very clear indication of our commitment to scaling-up rather than scaling-down our assistance,” said Al-Herbish.

He said another area OFID was concentrating on was building alliances with key financing partners, in order to strengthen its impact and influence.

In October last year, for example, the Fund signed a Memorandum of Understanding with the World Bank, which would further structure OFID’s cooperation with the Bank in priority areas, such as water supply, energy and other basic infrastructure.

Challenging times ahead

“I signed a similar agreement with the International Fund for Agricultural Development in December, which will support innovative and increased investment in agriculture. These and others — some already signed and others in the pipeline — will provide a strong strategic framework for OFID’s operations well into the future.

“Clearly, there are even more challenging times ahead for OFID, but I am confident that we will continue moving forward in the same way we have always done — with commitment, determination and, of course, the support of our Member Countries,” he added.

A Comment carried by the Quarterly stressed that the 35th Anniversary was a significant milestone by any reckoning, but even more so for an institution that was conceived with modest, short-term ambitions and a limited endowment.

“Today, OFID is a mature and respected international development organization with a solid record of achievement, built in no small part on its unique ties of solidarity with developing country partners. The once fledgling OPEC Special Fund has come a long, long way in three-and-a-half decades,” it noted.

“And, in many respects, so has the world we live in. But not all have prospered. Indeed, the gap between rich and poor countries continues to widen, even as the international community reaffirms its millennium pledge to reduce global poverty and hunger by half by 2015.

“It is in this complex and unpredictable environment that OFID has been working for 35 years. And if it has learned anything in this time, it is that development cooperation is about much more than just good intentions. In a landscape that is constantly shifting, it is about flexibility, innovation and, above all, an ability to respond to change.”

The Commentary pointed out that something that had never changed were OFID’s goals as originally set out when the institution was conceived at the First OPEC Summit in Algiers, in 1975.

“Today, these goals are summarized in a formal mission statement, which reads: ‘To foster South-South Partnership with fellow developing countries worldwide with the aim of eradicating poverty’.”

It continued: “It is to OFID’s great pride that, at the age of 35, it counts no fewer than 129 countries in its global partnership network ... with, to date, more than \$12.6bn in total approved commitments for some 2,800 operations.”



OPEC/OFID staff members take on challenging cycle trip for charity

Pedal power again proved to be the order of the day as OPEC's resident cycling enthusiasts geared up for their second 'Cycling4Gaza' charity challenge run in October last year — this time taking on the Italian hills.

Twenty-seven cyclists from all parts of the world converged on Pisa to make the run to Rome, a testing mix of stunning coastal highways, rolling hills littered with olive groves and vineyards and bustling city streets. The aim, as with the previous year's maiden run from London to Paris, was to raise money for child medical care in Gaza, as well as bring attention to the ongoing suffering of people in the region.

Following their successful 300 kilometre excursion in July 2009, the OPEC Secretariat's cycling duo of Fuad Al-Zayer and Faisal Ayoub were joined this year by three other members of the OPEC 'family' — Tareq Alnasser, Mahmoud Khene and Reem Aljarbou, all of the OPEC Fund for International Development (OFID).

In 2009, the charity cycling challenge was made over three days, reaching the Eiffel Tower on July 4, 2009. This year, one extra day was added to the itinerary to account for the extra 100 km required for the 'Italian connection'.

Established as an annual event, the idea for 'cycling in solidarity with the people of Gaza', came after a young couple, Seif Sammakieh and his wife, Lulu Sakka, saw the harrowing pictures on television of the plight of children during Israel's war on Gaza.

They felt compelled to do something to assist in the recovery effort and, along with a friend, Tamara Ben-Halim, they thought of a creative new way for fund-raising, while also shedding some light on the human tragedy in Gaza and attracting individuals who were willing to challenge themselves physically and sacrifice some of their time and money for a good cause. So, they contacted the British-based non-governmental organization (NGO), Medical Aid for Palestinians (MAP), which operates in the West Bank, the Gaza Strip and Lebanon, to discuss ways they could assist those affected by the humanitarian tragedy.

And Cycling4Gaza was born. The two-pronged purpose of the initiative is to raise awareness of the suffering in Gaza by bringing together a group of people from all over the world each year to cycle across continents and raise essential funds for reputable and reliable humanitarian

non-profit, non-political organizations working in health-care and education in Gaza.

In 2009, Cycling4Gaza raised an impressive \$150,000. Subsequently, MAP applied for a grant at OFID and was granted an additional \$150,000 towards 'protecting maternal and newborn health in Gaza'.

This year, Cycling4Gaza signed up with another NGO, the UK-based Welfare Association, that supports humanitarian and development projects for Palestinian communities in Gaza, the West Bank and in refugee camps in Lebanon. Its main area of action is education and it aims to provide the children of Gaza with some hope of a bright future by creating partnerships with local organizations whose work focuses on early childhood development.

Funds raised from the 2010 cycling challenge will be split between three of the Welfare's partner organizations — the Atfaluna Society for Deaf Children, Kanafani Kindergartens and the Gaza Community Mental Health Programme.

Early morning start

For 2010, it was possible to map the progress of riders by logging into Twitter, or Facebook. In addition, one of the team also kept a personal log of each day's events, which we have drawn on for this article.

The group set out from the Leaning Tower of Pisa early on September 29. The aim was to complete 90 km by evening. After a few setbacks, and a good deal of heavy traffic, busy roads, and testing Tuscan hills, the weary cyclists were delighted to make it to their coastal hotel in Campiglia Marittima, where, apart from an encounter with an angry jellyfish, the members enjoyed a well-earned meal under the setting sun before slumping exhausted into bed.

With limbs already aching from the previous day, day two of the run proved to be a real challenge. Completing 80 km was the target and, unfortunately, a great part of it was uphill. One of the hills stretched for 10 km! As members of the group said, there were "some real monsters" and they resorted to singing to find the will and determination to conquer the extreme gradients. It was then with even greater delight that having marveled at the



Left: The OPEC/OFID team members (l-r) Mahmoud Khene, Faisal Ayoub, Reem Aljarbou, Fuad Al-Zayer and Tareq Alnasser.

Far left: All cyclists in the charity challenge gather at the Leaning Tower of Pisa for the start of the run.

scenery at the topmost points of their climb the cyclists zoomed downhill to their next overnight stop, in the village of Fonteblanda, Magliano.

On day three, the group had to take a 20 km detour to avoid some difficult traffic conditions. This added to the targeted 70 km. The day went relatively smoothly, that is until the final few kilometres, when the road wound up steeply with one of the proverbial ‘monsters’ sapping every bit of strength the riders had. With burning muscles and pained smiles, they made it to their next hotel in the charming old town of Tarquinia, in the region of Lazio.

On their final day, the riders were amazingly up at 7 am and keen to go. But, as the day progressed, they would be forgiven for wishing they had stayed in bed! It proved to be a grueling last leg, which just happened to be the longest, at 95 km.

It started with the familiar hills, but then deteriorated quickly as rain set in, making conditions precarious. One cyclist developed acute back problems and had to sit out the rest of the leg, another four missed a turning and got lost, while the slippery cobbles caused a four-bike pile up with other members. Fortunately, there were no serious injuries, but the weather and delays meant the group was behind schedule and had to make Rome by nightfall.

After somehow recharging their batteries during a quick lunch break of energy-producing pasta, the convoy of wet, cold, but determined cyclists set off to complete the final 45 km. Luckily, the rain stopped and the ‘monster’ hills were no more — but then came the nightmare of the Italian city traffic.

No one had really reckoned on the experience of negotiating the streets of Rome on a summer Saturday evening.

What was needed was some careful and calculated cycling. Six cyclists were co-opted as ‘marshals’ with two at the front directing the route and setting a steady pace, two in the middle making sure each member stayed close, while two at the rear ensured that no one got left behind.

It proved to be an effective system and, assisted by

the vehicles that accompanied the cyclists the whole way, metre by metre the convoy drew ever nearer to the finish line.

However, when they reached the River Tiber, the cyclists had to proceed alone as their support vehicles were not allowed to venture any further into the capital.

Passing by the beautiful Piazza Venezia and peddling furiously across towards the Fori Imperiali, the brave group of 26 persevered until, in rounding yet another bend, the seemingly elusive Colosseum reared up in front of them. Everyone began whooping, screaming and shouting. Cycling4Gaza, the Italian connection, had been completed!

Pedal power wins the day

The group members, in reaching their destination three hours later than planned, literally threw their bikes to the ground and proceeded to hug and congratulate one another. They were greeted by family, friends, supporters and representatives of the Welfare Association, who held up a large banner recording their achievement. Pedal power had again won the day!

The run provided the five-member OPEC/OFID team with the opportunity to challenge themselves both physically and mentally. They sacrificed valuable time away from work and their families, as well as money, to accomplish the 2010 challenge by cycling 400 km in just four days, while also reaching their goal of raising awareness for a human tragedy.

The OPEC-OFID cyclists collected about \$25,000 from ‘private’ donations toward this good cause (this was part of a total donation of about \$210,000 collected by all riders). Fuad Al-Zayer, Faisal Ayoub, Tareq AlNasser, Mahmoud Khene and Reem Al-Jarbou appreciate all the support they received during the trip which made it sustainable, as well as the generous private donations they received from colleagues at OPEC and OFID and from friends and family members. ❀

Photographs courtesy Reem Al-Jarbou and Elyas Al-Gaseer.

This section includes highlights from the OPEC Monthly Oil Market Reports (MOMR) for December 2010 and January 2011, 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

Crude oil price movements

Supported by bullish sentiment in the crude futures market, the OPEC Reference Basket¹ increased further in November 2010 to move above \$80/barrel for the month to average \$82.83/b, the highest level since the \$96.85/b recorded in September 2008.

The Basket ended October below \$80/b before it rose over eight consecutive trading days to hit \$85.81/b on November 11, the highest since October 2008.

The gain of \$2.97/b, or 3.7 per cent, in November was attributed to all Basket components, particularly Kuwait Export, Arab Light and Iran Heavy, which improved by 4.5 per cent, 4.2 per cent and 4.1 per cent, respectively.

The Basket saw some correction before hitting a new 25-month high of \$86.14/b in early December.

In the United States, the Nymex WTI front-month contract started November at just below \$83/b amid the release of positive data on manufacturing growth in China and the US before hitting \$87.81/b during the second week of the month, the highest since early October 2008. For the month, it recorded an average of \$84.31/b, up by \$2.34/b from the previous

month and the second-highest monthly average in 2010.

Similarly, ICE Brent followed an upward trend, but continued to trade above Nymex WTI. The ICE Brent front-month contract hit \$88.96/b on November 10 before losing momentum and falling to \$83.25/b on November 23 on the back of the re-emergence of concerns about Euro-zone economic growth. For the month, ICE Brent averaged \$86.16/b, up by \$2.62/b from October and the highest level since the \$100.79/b recorded in September 2008.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that the World Bank energy commodity index (crude oil, natural gas and coal) rose by 3.6 per cent month-on-month in November, compared with 6.3 per cent in October, driven by lower growth in WTI and Brent prices, which offset the rebound in Henry Hub (HH) natural gas and coal prices.

HH natural gas recovered on cold weather, rising by 8.6 per cent m-o-m in November, compared with a hefty decline of 12 per cent in October. Nevertheless, this was seen as only

a temporary release and the outlook for the market remained bearish, due to weak fundamental factors, such as high production, weak demand, and larger-than-expected injections into already considerable stocks.

The World Bank non-energy commodity price index kept rising at the pace of around three per cent in November, compared with the previous month, sustained by beverages, fertilizers and raw materials, as the grain complex, as well as industrial metals, were disrupted by uncertainties surrounding global macroeconomics, Chinese inflation, a seven per cent US dollar appreciation and lower imports from China in October.

The World Bank industrial metal price index edged up by 0.8 per cent m-o-m in November, compared with a 7.9 per cent gain in October, with all the metal prices declining, except copper.

Copper prices increased by two per cent m-o-m in November, compared with 7.6 per cent in October, while aluminum prices declined by 0.6 per cent m-o-m in November, compared with 8.5 per cent in October.

Nickel prices decreased by 3.8 per cent m-o-m in November, compared with a five per cent gain in October, while the price of zinc

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

suffered a three per cent decline in November, compared with ten per cent growth in October.

Agricultural prices grew by 5.3 per cent m-o-m in November, slightly lower than the 5.7 per cent seen in October. The price of corn grew by one per cent m-o-m in November, following a 14.5 per cent increase in October.

Meanwhile, gold prices went up by two per cent m-o-m in November, compared with 5.6 per cent in October.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report said that the economic situation in the United States was continuing to improve, but it remained to be seen if the country was on its way towards self-sustaining growth.

Third quarter 2010 GDP growth was revised up in the second estimate from two per cent to 2.5 per cent, reflecting better-than-expected momentum.

“An encouraging signal is that personal consumption expenditures are again contributing a big share of the growth,” said the report.

However, although the recession officially ended in 2009, the US economy was seen experiencing a difficult recovery, considering the still very high unemployment levels.

“The economy seems to be still very much dependent on government-led stimulus and it is hard to say if the contribution of consumption to GDP is dependent on this stimulus, but it seems at least very likely that without the fiscal and the monetary stimulus, this rebound in consumption would most probably not have taken place,” the report noted.

The forecast for the US economy in 2010 was increased to 2.8 per cent from 2.7 per cent previously and remained at 2.4 per cent for 2011.

“This is not considering the most recently announced stimulus measures, which – if finalized – could have a significant impact on growth expectations,” said the OPEC report.

In Japan, the latest release of economic data confirmed the trend of deceleration. While the

expansion of exports on a yearly base continued to decline for the sixth consecutive month in October, retail sales turned negative for the first month.

Due to a bigger-than-expected impact of the stimulus in Japan in 2010, the growth forecast was increased to 3.5 per cent from 2.9 per cent.

“Taking the momentum into consideration, growth in 2011 should be lower than in the current year. The growth forecast for 2011 was increased from 1.3 per cent to 1.4 per cent,” said the report

It noted that the Euro-zone was currently facing three different stages of development. Firstly, it was continuing its recovery. Secondly, while the solid momentum could be observed for the Euro-zone as a total, there was a strong division between the weaker – mostly peripheral – Euro-zone economies and the stronger, bigger ones. Thirdly, the sovereign debt situation of – again mostly in the smaller peripheral economies – the Euro-zone that so far have had a surprisingly small effect on the underlying economy.

“Taking everything into consideration, the forecast for 2010 was slightly increased to 1.5 per cent from 1.4 per cent, taking into consideration the strong growth of the first three quarters. For 2011, the forecast remains unchanged at 1.1 per cent, expecting a slowdown compared with 2010,” said the report.

Of the emerging markets, the report said that Brazil had experienced rapid economic growth since mid-2009. A combination of expansionary policies and strong commodity prices had resulted in a robust recovery, which was forecast at 7.2 per cent for 2010 and four per cent in 2011.

In China, real GDP growth was expected to have accelerated in 2010. Economic growth in China was estimated at 9.7 per cent in 2010 and forecast to average 8.8 per cent in 2011.

“This strong economic performance has been driven by rising activities in all parts of the economy. The slower rate of GDP growth in 2011 is due to stimulus spending coming to an end along with policy tightening, leading to a downward trend in property investment growth,” said the report.

It pointed out that domestic demand in Asia continued to be an important source of strength in the global economy.

In South East Asian countries and India, domestic demand contributed more than three per cent to GDP growth on a semi-annual basis.

“Only in India did net trade make a larger contribution than domestic demand. Economic growth in the current fiscal year has exceeded expectations. The economy grew by 8.8 per cent year on year in April–June 2010, and the Central Bank (RBI) has announced that the expansion of the economy was close to its potential.”

The report said that Russia’s position as the second-largest oil exporter made it vulnerable to the sharp drop in oil prices in 2009, with the lower prices contributing to the 7.9 per cent contraction of the country’s economy last year.

“Subsequent rises in the price of oil have helped reverse the trend and the economy is forecast to have grown by 2.8 per cent in 2010. It is expected that the Russian economy will grow by about four to five per cent per annum over the next few years, aided by its strong export in oil, steel and gas.”

Economic growth in Russia was forecast at 3.8 per cent for 2011.

“Economic growth in China was estimated at 9.7 per cent in 2010 and forecast to average 8.8 per cent in 2011.”

The report stated that the economic performance of all OPEC Member Countries had been better in 2010 compared with 2009.

“Although higher rates of GDP growth in Member Countries have been to some extent due to the recovery of oil prices in 2010, compared with the previous year, a review of their economic performance suggests that in many

cases sound monetary and fiscal policies, together with timely actions taken by the economic authorities, have been effective in accelerating economic growth.”

In Qatar, with the economy having expanded by as much as nine per cent in 2009, the nation’s GDP surged ahead in 2010 by a significant growth rate of 15 per cent on the back of the recovery in oil and gas prices, as well as rising global trade and investment.

Qatar’s production of LNG almost doubled in 2010 and two more LNG super trains were expected to be onstream by the end of the first quarter of 2011.

“Although in recent years concerns have been growing regarding the impact of a global slump in demand for LNG on the economy, as production of shale gas has been rising significantly in the US and other countries, considering Qatar’s current position in the global gas market and its low cost of production, it is expected that the county will retain its position in the global gas market in the future,” the report maintained.

It said that preliminary estimates released

“Qatar’s production of LNG almost doubled in 2010 and two more LNG super trains were expected to be onstream by the end of the first quarter of 2011.”

by the Qatar Statistics Authority (QSA) revealed that nominal GDP grew by 20.4 per cent in the second quarter of 2010 to \$27bn, compared with the same period of 2009. The growth in the second quarter was mainly driven by a turnaround in oil and gas prices. The sector contributed 49.8 per cent to overall GDP, retaining its dominant position in the country’s economy.

Manufacturing (mainly petrochemicals) rose by 15.9 per cent year-on-year in the second quarter, while finance, insurance and real

estate operations contracted by 3.8 per cent y-o-y.

The report said that Nigeria’s GDP was expected to grow with rates higher than six per cent on average in 2010–12.

“However, to achieve the country’s goal of becoming one of the world’s 20 largest economies by 2020, Nigerian GDP needs to grow by double digit rates in the years to 2020. Despite obstacles in the expansion of the oil and gas industry, it is expected that oil and gas production will increase gradually, particularly in the deepwater fields.”

The report noted that the non-oil sector of the economy had been generating economic growth in Nigeria in recent years. It was expected that the service sector, particularly telecommunications and banking and the finance sector, would be a major contributor to economic growth.

The agricultural sector had also performed well in recent years, with food production increasing steadily. Agriculture was expected to remain an important sector of the Nigerian economy, not only because of its role in economic growth, but also for its contribution to employment of the country’s labour force.

World oil demand

In its review of the market, the OPEC report said that demand for OPEC crude for 2010 had been revised up by 100,000 b/d to stand at 28.9m b/d.

“This revision reflects upward adjustments in both world oil demand and non-OPEC supply. With respect to the quarters, the main revisions occurred in the third and the fourth quarter as up-to-date data became available.”

It noted that the current estimate represented a decline of 100,000 b/d from the previous year. The first quarter of the year was still showing a drop of 1m b/d, while the second quarter remained flat. The third quarter was estimated to have seen positive growth of 1.3m b/d, while the fourth quarter was projected to have returned to negative growth at 600,000 b/d.

Demand for OPEC crude in 2011 was

projected to average 29.2m b/d, broadly unchanged from the previous month.

However, the third quarter was revised up, reflecting the adjustment in the baseline.

Required OPEC crude was forecast to increase by 300,000 b/d, following three consecutive annual declines. The first half was expected to see average growth of around 300,000 b/d, while the third quarter was forecast to see slight growth of 100,000 b/d. The fourth quarter was projected to see higher growth of 500,000 b/d, compared with the same quarter in 2010.

The OPEC report said that following the financial crisis of 2009, which was marked by continuous economic deterioration in most OECD and many non-OECD countries, the year 2010 had turned out to be much stronger in terms of oil consumption than initially anticipated.

“The main factors behind this positive development are massive governmental stimulus plans around the world, especially in OECD countries, a faster-than-expected recovery in the world economy and the very low baseline in 2009.”

In the OECD, the US and North America were the main drivers of the oil consumption growth observed in 2010, followed by a smaller, but still surprising increase in the Pacific.

OECD Europe, however, was still showing a contraction in oil consumption.

All regions in developing countries displayed oil consumption growth in 2010, the most notable being in Other Asia, the Middle East and Latin America, while the growth on the African continent was only marginal.

“The unique structures in the Chinese economy, including numerous domestic economic stimuli, allowed China to be the biggest contributor to world oil consumption growth in 2010.”

The report said that industrial, petrochemical and transport fuels showed the largest increases during the year as a result of an improving economy and increased industrial activity.

The petrochemical industry, especially in Asia, marked substantial increases during the second half of 2010. In China, in addition to

strong oil consumption in 2010, considered the strongest in the past five years, significant quantities of crude and products had been used to fill the Chinese SPR, especially during the first quarter of 2010.

“While the first quarter of the year was disappointing for the OECD and rather slow for the non-OECD in terms of oil consumption, these have been followed by quite strong second and third quarters, which marked the peak in oil consumption during the year, before closing with a weaker fourth quarter,” said the report.

It said that in the US, as a result of various stimulus plans, North American oil demand was expected to have grown by 440,000 b/d y-o-y in 2010.

In OECD Europe, the total contraction in oil demand was expected to be less than earlier forecast and currently stood at 170,000 b/d for 2010.

OECD Pacific oil demand was forecast to show minor growth of 100,000 b/d in 2010, averaging 7.7m b/d, following a devastating decline the previous year.

Developing Country oil demand growth in 2010 was forecast at 540,000 b/d, averaging 26.6 mb/d, while in Other Regions, China’s oil demand was expected to have increased by 6.7 per cent in 2010, averaging 8.8m b/d.

Former Soviet Union (FSU) oil demand in 2010 was forecast to show growth of 700,000 b/d, or 1.7 per cent y-o-y.

Turning to 2011, the OPEC report said that the prospects for world economic growth next year were gaining some optimism.

“This better-than-expected picture of the world economy has called for more oil demand; however, this has been taken into consideration in the previous forecast. The 2011 world oil demand forecast is mainly affected by expectations for world economic growth.”

It said that one main factor suppressing the oil demand forecast was the higher baseline. Another factor was energy efficiency policies, along with the use of biofuels, which would put more downward pressure on oil consumption worldwide.

“Recovering OECD economies will yield 200,000 b/d growth in the region’s oil demand.

The non-OECD region is expected to stay at the previous year’s oil demand growth momentum, led by China and the Middle East. The non-OECD is expected to consume 1.0m b/d more oil than in the current year. Hence, world oil demand growth for 2011 is now forecast at 1.2m b/d to average 87.1m b/d.”

The petrochemicals and transport sectors were expected to be dominant in world oil demand growth in 2011.

World oil supply

Preliminary data indicates that global oil supply increased by 130,000 b/d in November to average 87.16m b/d. Non-OPEC supply experienced growth of 180,000 b/d, while OPEC crude oil supply decreased by 43,000 b/d.

The share of OPEC crude oil in global supply remained unchanged at 34 per cent in November. The estimate was based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude oil production from secondary sources.

Meanwhile, non-OPEC supply was expected to have grown by 1.09m b/d in 2010, averaging 52.21m b/d and representing a minor upward revision of 50,000 b/d compared with the previous month.

The supply profiles of the US, Other Western Europe, Malaysia, Syria, Russia and China experienced upward revisions, while the supply outlook for Mexico, the United Kingdom, Vietnam, Yemen and Other Africa encountered downward revisions.

“Solid capital investment in the upstream sector of the industry, which has been reported to exceed \$380bn, is among the main factors supporting the healthy growth.”

North America remained the region with the highest expected supply growth in 2010, followed by Latin America and the FSU, while OECD Western Europe remained the region with the highest expected decline.

The US was expected to show the highest production increase among all non-OPEC producers in 2010, followed by China, Brazil and Russia. Norway was estimated to encounter

the largest output drop in 2010 among all non-OPEC countries, followed by the UK.

According to preliminary actual and estimated data, total non-OPEC supply rose by 1.10m b/d during the first three quarters of 2010, compared with the same period of 2009.

On a quarterly basis, non-OPEC supply in 2010 was expected to average 52.10m

“The unique structures in the Chinese economy, including numerous domestic economic stimuli, allowed China to be the biggest contributor to world oil consumption growth in 2010.”

b/d, 52.10m b/d, 51.91m b/d and 52.74m b/d, respectively.

In the OECD region, total oil supply was anticipated to increase by 130,000 b/d in 2010 to average 19.86m b/d, indicating an upward revision of 40,000 b/d from the previous month.

Expected OECD growth in 2010 was seen as the second consecutive annual increase after the rise in 2009 that came following more than five years of recurring decline.

North America was the main driver behind the upward revision for this month, while OECD Western Europe’s negative adjustment partially offset some of the upward changes.

The overall supply profile of the OECD remained relatively unchanged, with strong supply growth projected from North America, steady output from the OECD Pacific and a heavy decline from OECD Western Europe.

According to preliminary data, total OECD oil supply stood at 20.13m b/d during October 2010, a rebound of 660,000 b/d from the maintenance- and shutdown-distressed output in September.

On a quarterly basis, OECD oil supply in 2010 was estimated to average 20.03m b/d, 19.86m b/d, 19.50m b/d and 20.06m b/d, respectively.

The outlook for North America's oil supply in 2010 continued to improve, moving from growth of only 70,000 b/d in the initial forecast to a current increase of 480,000 b/d.

The enhanced forecast for both the US and Mexico was the main reason behind the ongoing change. The persistent output increases in the US and Mexico required continual upward adjustment to the forecast throughout the year.

The region was currently on top of the list in term of growth among all non-OPEC regions. The assertive ramp-up of production in the US and a lack of production disruptions during the hurricane season, coupled with Mexico's fruitful efforts to arrest its production decline, were the main aspects of the projection upgrades.

On a quarterly basis, North America's oil supply in 2010 was expected to average 14.71m b/d, 14.86m b/d, 14.88m b/d and 14.92m b/d, respectively.

US oil supply was forecast to increase by 400,000 b/d in 2010 to average 8.54m b/d, representing an upward revision of 60,000 b/d from the previous month.

On a quarterly basis, US oil supply in 2010

b/d, 3.37m b/d, 3.37m b/d and 3.39m b/d, respectively.

Mexico's oil supply was expected to decline by 30,000 b/d in 2010 to average 2.95m b/d, representing a minor downward revision of 10,000 b/d compared with the previous month.

On a quarterly basis, Mexico's oil supply in 2010 was seen averaging 2.99m b/d, 2.97m b/d, 2.95m b/d and 2.90m b/d, respectively.

In Western Europe, total oil supply was expected to decrease by 320,000 b/d in 2010 to average 4.40m b/d, unchanged from the previous month.

During the first three quarters of the year, the region's oil supply dropped by 360,000 b/d over the same period of the previous year. The heaviest decline came in the third quarter, when OECD Western Europe supply experienced a decline of 450,000 b/d.

On a quarterly basis, OECD Western Europe's oil supply in 2010 was expected to stand at 4.70m b/d, 4.40m b/d, 4.02m b/d and 4.50m b/d, respectively.

Norway's oil supply was seen declining by 200,000 b/d in 2010 to average 2.16m b/d, flat from the previous month.

On a quarterly basis, Norway's oil supply in 2010 was expected to average 2.33m b/d, 2.12m b/d, 1.93m b/d and 2.27m b/d, respectively.

According to updated data, the UK's oil supply declined by 110,000 b/d during the first three quarters of 2010, compared with the same period of 2009. Oil supply from the UK was forecast to decline by 110,000 b/d in 2010 to average 1.37m b/d, indicating a downward revision of 20,000 b/d, compared with the previous month.

On a quarterly basis, UK oil supply in 2010 was expected to average 1.51m b/d, 1.40m b/d, 1.21m b/d and 1.37m b/d, respectively.

Other Western Europe oil supply was estimated to average 630,000 b/d in 2010, steady from the previous month, and indicating a minor upward revision of 10,000 b/d on updated data.

Total OECD Pacific oil supply was foreseen to decline by 20,000 b/d in 2010 to average 610,000 b/d, relatively unchanged from the previous month.

On a quarterly basis, total OECD Pacific oil

supply in 2010 was seen to stand at 610,000 b/d, 600,000 b/d, 600,000 b/d and 640,000 b/d, respectively.

According to updated data, Australia's oil supply declined by 30,000 b/d during the first three quarters of 2010, compared with the same period the previous year.

Australia's oil supply was anticipated to decline by 20,000 b/d in 2010 to average 520,000 b/d, steady from the previous assessment, despite a downward revision in the third quarter.

On a quarterly basis, Australia's oil supply in 2010 was seen averaging 510,000 b/d, 500,000 b/d, 500,000 b/d and 540,000 b/d, respectively.

New Zealand's oil supply was expected to remain steady in 2010 compared with the previous year, averaging 100,000 b/d, unchanged from the previous month's assessment.

Developing Countries' oil supply was forecast to grow by 320,000 b/d in 2010 to average 12.77m b/d, representing a downward revision of 50,000 b/d compared with the previous report.

The downward revision came mainly from revisions to Other Asia and the Africa group, largely on historical adjustment, while supply projections for Latin America and the Middle East remained relatively unchanged.

During the first three quarters of 2010, Developing Countries' oil supply increased by 330,000 b/d, compared with the same period of 2009.

On a quarterly basis, this group of countries oil supply in 2010 was seen averaging 12.72m b/d, 12.75m b/d, 12.80m b/d and 12.82m b/d, respectively.

Other Asia's oil supply was expected to remain relatively steady with a minor drop of 10,000 b/d in 2010 to average 3.69m b/d, indicating a downward revision of 30,000 b/d compared with the previous report.

Vietnam's oil supply was expected to decline by 30,000 b/d in 2010 to average 350,000 b/d. Reports indicate that Vietnamese supply experienced a decline of 12 per cent during the first 11 months of 2010, compared with the same period of 2009.

“Developing Countries’ oil supply was forecast to grow by 320,000 b/d in 2010 to average 12.77m b/d, representing a downward revision of 50,000 b/d.”

was seen at 8.44m b/d 8.52m b/d, 8.56m b/d and 8.63m b/d, respectively.

Canada's oil supply was expected to increase by 110,000 b/d in 2010 to average 3.35m b/d, flat from the previous month. During the first three quarters of 2010, Canadian oil supply increased by 110,000 b/d over the same period of 2009. Growth was supported mainly by non-conventional output.

On a quarterly basis, Canada's oil supply in 2010 was estimated to stand at 3.27m

Indonesia's oil supply was expected to remain steady in 2010, averaging 1.03m b/d and flat from the previous evaluation. During the first three quarters of 2010, Indonesia's oil supply increased by 10,000 b/d.

Thailand's oil supply was forecast to remain steady, while Malaysia's oil supply was expected to decline by 20,000 b/d in 2010 to average 700,000 b/d, indicating an upward revision of 10,000 b/d compared with the previous report.

On a quarterly basis, Other Asia's oil supply in 2010 was expected to average 3.68m b/d, 3.67m b/d, 3.72m b/d and 3.69m b/d, respectively.

Latin America's oil supply was anticipated to increase by 320,000 b/d in 2010 to average 4.73m b/d, flat from the previous report.

Brazil and Colombia's growth was seen to be the main driver of Latin America's oil supply growth in 2010. Brazil's oil supply was expected to increase by 220,000 b/d in 2010 to average 2.72m b/d, unchanged from the previous month's figure.

Colombia's oil supply was foreseen to increase by 110,000 b/d in 2010 to average 790,000 b/d, unchanged from the previous month's assessment.

In Argentina, the government was set to increase its biodiesel blend to ten per cent, instead of seven per cent, starting from 2011, while, in Bolivia, oil supply was expected to increase on the back of growth from the Sabalo and Alberto developments.

On a quarterly basis, Latin America's oil supply in 2010 was seen averaging 4.66m b/d, 4.74m b/d, 4.73m b/d and 4.79m b/d, respectively. The Middle East's oil supply was estimated to increase by 30,000 b/d in 2010 to average 1.76m b/d, flat compared with the previous report.

Syria's oil supply increased slightly during the first three quarters of 2010, compared with the same period of 2009, as against a previous expectation of a decline. Oil supply from Syria was expected to increase by 10,000 b/d in 2010 to average 420,000 b/d, an upward revision of 10,000 b/d from the previous report.

On a quarterly basis, the Middle East's oil supply in 2010 was estimated to average

1.77m b/d, 1.76m b/d, 1.76m b/d and 1.75m b/d, respectively.

Africa's oil supply was expected to decline by 20,000 b/d in 2010 to average 2.59m b/d, indicating a downward revision of 20,000 b/d from the previous report.

On a quarterly basis, Africa's oil supply in 2010 was seen to stand at 2.61m b/d, 2.58m b/d, 2.59m b/d and 2.59m b/d, respectively.

In the FSU, total oil supply was projected to increase by 290,000 b/d in 2010 to average 13.25m b/d, indicating an upward revision of 30,000 b/d compared with the previous report.

Russia, Kazakhstan and Azerbaijan remained the major drivers of growth in the FSU.

On a quarterly basis, total FSU oil supply in 2010 was estimated averaging 13.12m b/d, 13.18m b/d, 13.21m b/d and 13.46m b/d, respectively.

Russia's oil supply was forecast to increase by 210,000 b/d in 2010 to average 10.13m b/d, an upward revision of 30,000 b/d compared with the previous report.

On a quarterly basis, Russia's oil supply in 2010 was expected to average 10.09m b/d, 10.12m b/d, 10.13m b/d and 10.18m b/d, respectively. Russia's oil supply in November 2010 averaged 10.26m b/d.

In the Caspian region, Kazakhstan's oil supply was seen increasing by 60,000 b/d in 2010 to average 1.60m b/d, unchanged from the previous report.

Fourth-quarter 2010 oil supply was expected to increase by 90,000 b/d, compared with the third quarter.

On a quarterly basis, Kazakhstan's oil supply in 2010 was seen averaging 1.61m b/d, 1.56m b/d, 1.57m b/d and 1.66m b/d, respectively.

Azerbaijan's oil supply was expected to increase by 80,000 b/d during the fourth quarter of 2010, compared with the third quarter. The country's oil supply was expected to grow by 40,000 b/d in 2010 to average 1.10m b/d, unchanged from the previous month's assessment.

On a quarterly basis, Azerbaijan's oil supply in 2010 was estimated to average 1.01m b/d, 1.09m b/d, 1.10m b/d and 1.18m b/d, respectively.

China's oil supply was forecast to increase by 270,000 b/d in 2010 to average 4.12m b/d, representing an upward revision of 30,000 b/d compared with the last report.

On a quarterly basis, China's oil supply in 2010 was estimated at 4.03m b/d, 4.10m b/d, 4.18m b/d and 4.18m b/d, respectively.

“Looking at 2011, the OPEC report said that non-OPEC oil supply was forecast to grow by 410,000 b/d to average 52.62m b/d.”

Other Europe's oil supply was estimated to remain flat from 2009 to average 140,000 b/d in 2010.

Looking at 2011, the OPEC report said that non-OPEC oil supply was forecast to grow by 410,000 b/d to average 52.62m b/d.

“This represents an upward revision of 50,000 b/d to the growth figure and an upward adjustment of 100,000 b/d to the total level.”

There were various upward and downward revisions to the 2011 supply forecast, compared with the previous assessment. Additionally, some upward revisions were partially coming from historical changes in 2008, as well as revisions to 2010.

Non-OPEC supply was expected to decline in the second and third quarter of 2011 on maintenance and then rebound in the fourth quarter.

The growth was expected to come mainly from Brazil, Ghana, Canada, Azerbaijan, Kazakhstan and Colombia, while Norway, the UK and Mexico oil were forecast to see declines.

On a quarterly basis, non-OPEC supply in 2011 was expected to average 52.64m b/d, 52.46m b/d, 52.39m b/d and 52.99m b/d, respectively.

Of the revisions, Russia's oil supply in 2011 was expected to increase by 20,000 b/d to average 10.15m b/d, an upward revision of 70,000

b/d, while China's oil supply was forecast to increase by 10,000 b/d to average 4.13m b/d in 2011, indicating an upward revision of 70,000 b/d from the previous forecast.

OPEC oil production

Total OPEC crude oil production decreased by 43,000 b/d in November compared with the previous month to average 29.20m b/d, according to secondary sources.

Crude oil output experienced an increase of more than 20,000 b/d in Algeria, Iran, Libya and Saudi Arabia, while crude production from Angola, Nigeria, the United Arab Emirates and Venezuela decreased by more than 20,000 b/d in the month, compared with October.

OPEC crude oil production, not including Iraq, stood at 26.83m b/d in November, a decline of 29,000 b/d from the previous month.

OPEC output of natural gas liquids (NGLs) and non-conventional oils were expected to have increased by 440,000 b/d in 2010 to average 4.79m b/d.

“Total OPEC crude oil production decreased by 43,000 b/d in November compared with the previous month to average 29.20m b/d, according to secondary sources.”

In 2011, production of OPEC NGLs and non-conventional oils was forecast to grow by 450,000 b/d over 2010 to average 5.24m b/d.

Downstream operations

Looking downstream, the OPEC report said that American refiners had continued to keep refinery runs at moderate levels in an effort to protect margins.

During the last months, this supply restraint had allowed gasoline and distillate stocks to continue dropping, thus allowing the stronger distillate demand to protect US refining margins.

European refiners were seen returning from maintenance, but were keeping moderated throughputs after the French strike, while Japanese runs hit a nine-month high of 83 per cent and other Asian refiners, such as China and India, were on the rise to face the recent jump in distillate demand and run over 90 per cent.

“Looking ahead, the strong demand in the middle distillates sector and the colder weather forecast for this winter could encourage refiners to raise throughputs significantly during the coming months, which could lead to an unbalanced market mainly with higher gasoline supply, which is expected to once again pressure the market,” the report stated.

According to the EIA, US gasoline demand kept falling to reach a level of around 9m b/d, representing a six-month low.

Middle distillate demand increased in the US to 4.09m b/d in November versus 3.96m b/d in October, a high for the year and 491,000 b/d higher than the y-o-y average.

Stronger domestic diesel demand for the industrial sector and healthy heating oil demand ahead of the winter season, as well as additional export opportunities to Latin America, mainly to Colombia, kept sentiment positive in the distillates market.

Additional support came from the supply side due to moderated refinery runs, thus continuing the decreasing trend for distillate stocks.

Oil trade

US crude oil imports dropped for the fourth consecutive month to average around 8.47m b/d in November, according to preliminary weekly data. The drop of more than 230,000 b/d from October was attributed to the fact that refiners tend to use more stored supplies to keep inventories low for year-end tax considerations.

“Another reason for the decline in US crude oil imports comes from limited opportunities of arbitrage because of the weakness of WTI

relative to crudes. Furthermore, increasing freight rates contributed to the drop in crude oil imports,” said the report.

US November crude oil imports were around 2.7 per cent lower than in October and down 3.1 per cent from a year earlier.

However, US crude oil imports for the period January–November 2010 were 1.4 per cent higher than in the same period a year earlier.

Stronger imports compared with a year earlier were driven by higher refinery throughput in 2010, which rose sharply, particularly since the second quarter. Higher crude oil imports and refinery throughput also translated into higher demand for products in 2010, compared with the previous year.

US oil product imports fell for the third month in a row to average around 2.37m b/d, the lowest level since March. Again, the main reason for the drop of some 90,000 b/d was for year-end tax purposes.

Almost 80 per cent of the decline in US product imports came from gasoline.

“It is worth noting that the drop in US gasoline imports stood at 90,000 b/d in November, compared with a decline of 34,000 b/d in October. This explains the year-end tax effect on imports, particularly with a huge amount still in storage.”

Distillates and fuel oil imports rose by 11,000 b/d, the same as jet fuel/kerosene.

Over the first 11 months on 2010, US oil product imports amounted to around 2.59m b/d, down by 147,000 b/d from the same period the previous year.

US exports of refined products edged down to less than 2.1m b in November.

US net crude imports dropped by a further 235,000 b/d in November to average 8.43m b/d. Net product imports showed a drop of around 34,000 b/d from October.

As a result, total US net oil imports were 269,000 b/d lower than in October 2010 and 374,000 b/d down from October 2009.

Japan's crude oil imports fell to 3.39m b/d in October, down by 520,000 b/d, or 1.5 per cent, from the previous month. However, compared with a year ago, the decline was significant, up to 210,000 b/d, or 5.8 per cent.

Contrary to crude oil, Japanese oil product imports, excluding LPG, jumped by 128,000 b/d, or almost 26 per cent, in October to 622,000 b/d, the highest level since December 2007.

Japan's oil product exports, excluding LPG, fell by 68,000 b/d, or almost ten per cent, in October to 437,000 b/d, the second lowest level in 2010 after the 436,000 b/d seen in January. LPG exports remained marginal at less than 4,000 b/d.

However, Japan's total net oil imports, including LPG, recovered in October to 3.99m b/d, up by 294,000 b/d from the previous month. Nevertheless, crude oil net imports were down by 52,000 b/d to 3.39m b/d and products, including LPG, were at 590,000 b/d, up by 346,000 b/d.

China's crude oil imports fell sharply from a record high of 5.69m b/d in September to average 3.87m b/d in October. The decline of more than 1.8m b/d, or 32 per cent, from September came as a result of refiners already having huge levels of stocks and confirmed that most of the imported crude in September went into storage, misleading the picture of oil demand.

Another reason for the decline in crude oil imports was the cut in refinery throughputs in October.

China's October crude oil imports were almost 700,000 b/d, or 15 per cent, down from a year ago.

Chinese crude oil imports averaged more than 4.76m b/d in the first ten months of 2010, almost 20 per cent more than during the same period a year earlier.

Saudi Arabia remained the largest supplier of crude oil to China in 2010 with almost 20 per cent of the share, followed by Angola with 17 per cent and Iran with nine per cent.

However, while Angola saw its share gain 1.6 per cent, Iran's share lost more than 3.5 per cent in the first ten months of 2010.

China imported 860,000 b/d of petroleum products in October, 87,000 b/d, or 9.2 per cent, less than in September. Despite the decline, China's product imports remained almost 100,000 b/d, or 13 per cent, higher than a year earlier.

The country's oil product exports fell for the

third consecutive month to average 548,000 b/d in October, down by 72,000 b/d, or 12 per cent, from September and down 20 per cent from a year earlier.

However, for the period January–October 2010, China's oil product exports were some 100,000 b/d, or 18 per cent, higher than a year earlier.

The sharp decline of more than 1.8m b/d in crude oil pushed China's net oil imports to 4.13m b/d, the lowest since the 4.01m b/d seen in January 2010.

Compared with a year earlier, China's net oil imports were 12 per cent down in October 2010.

"Nevertheless, if we consider the period January–October 2010, China's net oil imports show y-o-y growth of 664,000 b/d, or more than 15 per cent, in 2010, reflecting growing demand in 2010, compared with 2009," the report pointed out.

India's crude oil imports fell by 275,000 b/d, or ten per cent, in October to around 2.4m b/d, the same level as August.

The decline in crude oil imports was attributed essentially to a move by Reliance Industries, which operates the largest refining complex in the world, to cut crude imports to 1.06m b/d, down by 11 per cent from a month earlier.

For the period January–October 2010, India's crude oil imports averaged 2.87m b/d, compared with 2.68m b/d a year earlier.

"The increase in crude oil imports reflects the growing demand from refiners to cover increasing demand for petroleum products and exports. Reliance Industries, the main refiner and exporter of products, increased its crude oil imports by almost 20 per cent over the same period," the report noted.

Oil product imports also dropped in October to average less than 300,000 b/d for the first time since April 2010, but were up 50 per cent over year-earlier levels.

Indian oil product exports, which fell in September to their lowest level of 548,000 b/d since January 2010, recovered in October to 727,000 b/d, up by almost 180,000 b/d.

However, despite the growth, the country's

oil product exports remained well below the 1.26m b/d seen in June–July.

"It is worth mentioning that, pushed by Reliance Industries, India's oil product exports rose beyond 1m b/d for the first time in April 2010," the report added.

As a result, India's oil trade showed total net crude oil and product imports falling by

“Saudi Arabia remained the largest supplier of crude oil to China in 2010 with almost 20 per cent of the share.”

almost 480,000 b/d, or 20 per cent, in October to move below 2m b/d for the first time since October 2009.

FSU crude oil exports recovered from their 22-month low of 6.36m b/d in September to return to around 6.75m b/d in October, almost the same level as a year earlier. Russian exports accounted for 63 per cent of FSU crude oil exports in October.

For the year to the end October, FSU exports stood at 6.73m b/d, around 114,000 b/d higher than a year earlier. The growth of 114,000 b/d was accounted for by Russia which saw its crude oil exports increase by more than 150,000 b/d over the same period.

FSU oil product exports also recovered in October to average 2.75m b/d, 79,000 b/d, or three per cent, more than in the previous month.

All in all, total FSU oil exports increased by 461,000 b/d, or 5.1 per cent, in October to 9.5m b/d, which corresponded to growth of 308,000 b/d, or 3.4 per cent, from a year earlier.

Stock movements

Concerning stock movements, the OPEC report stated that at the end of November, US

commercial inventories declined substantially by 21.2m b for the third consecutive month.

The drop was divided between crude and products, which declined by 8.5m b and 12.8m b, respectively.

With the drop, US commercial stocks stood at 1,106.1m b, the lowest level observed since June 2010. However, they still remained at comfortable levels, representing a surplus of 84.5m b, or 8.3 per cent, with the five-year average.

“It is worth noting that this is the first month that the deficit went below the cap of 100m b for the last five months.”

When compared with the previous year, US commercial stocks stood 18.3m b, or 1.7 per cent, above a year ago.

At the end of November, US commercial crude stocks declined by 8.5m b, reversing the build that occurred in the previous month, pushing levels to slightly below 360m b.

The drop was driven by higher utilization rates as US crude oil refinery input rose by almost 200,000 b/d to average 14.1m b/d, 270,000 b/d more than a year ago.

“Refiners were seen operating at their highest level for two months and were running at almost three per cent above a year earlier in the same period.”

The level corresponded to a refinery utilization rate of 82.6 per cent, 0.8 per cent higher than in the previous month.

Refiners were seen operating at their highest level for two months and were running at almost three per cent above a year earlier in the same period.

Refiners were expected to increase their runs in the coming weeks, supporting more crude stock-draws for year-end tax purposes.

The draw in US commercial crude stocks was also supported by lower crude imports,

which declined by 340,000 b/d to average 8.3m b/d.

This level was 300,000 b/d below the previous year’s figure over the same period.

US crude stocks stood 46.4m b above the five-year average, less than the 60m b surplus experienced in August 2010.

Total oil product stocks in the US fell even more than crude, reaching 746.4m b, the lowest level in six months.

The draw was driven by a fall in distillates and gasoline and to lesser extent to jet fuel, while residual fuel stocks saw a small build.

The draw narrowed the surplus with the seasonal norm to 38m b from 53m b a month earlier, but stood 0.6 per cent below a year ago.

“Distillate stocks have been falling since September, losing more than 12m b, with more than half of the decline occurring in November. This decline was supported by falling heating oil stocks, indicating that cold weather has pushed for more use of heating oil.”

US distillate demand in November rose by more than 300,000 b/d over the same period in 2009 to stand at 3.9m b/d. The draw was limited by relatively stronger distillate production reaching 4.3m b/d.

“With cold weather becoming more prevalent, it would be expected that demand would climb, leading to greater distillate stock-draws. However, the availability of adequate spare refining capacity, combined with ample distillate inventories, should temper rising prices,” said the report.

Distillate stocks in the US at the end of November stood at 24.4m b, 18.3 per cent above the five-year average.

US gasoline stocks dropped by 2.1m b to 210.2m b, reaching their lowest level for more than a year and reversing the surplus with a year ago from the previous month to a deficit of 4.3 per cent. However, they remained 2.1 per cent above the five-year average.

The draw could be attributed to lower gasoline output by nearly 200,000 b/d to an average of 8.8m b, allowing an increase in distillate production amid seasonal winter demand.

The drop in gasoline inventories came despite lower gasoline demand, which declined

by around 100,000 b/d to a total of 8.9m b/d.

“Gasoline demand remains weak, consistent with the season; however, it climbed slightly during the last week of the month due to the Thanksgiving holiday.”

Jet fuel oil stocks dropped by 900,000 b to 44.9m b, while residual fuel oil inventories rose by 200,000 b to 40.9m b, reflecting lower demand. Both products indicated a surplus of 0.3 per cent and 0.7 per cent, respectively, with the five-year average.

During the week ending December 3, the picture was mixed. US crude oil stocks fell, while refined products rose as refineries produced more products.

US crude oil stocks fell by 3.8m b to 355.9m b, the lowest in 15 weeks and leaving them six per cent above a year ago and 12.7 per cent more than the five-year average.

The drop was driven by a jump in US refinery crude runs as refineries boosted utilization rates to 87.5 per cent from 82.6 per cent the previous week. US crude oil refinery inputs averaged 14.9m b/d, 789,000 b/d more than a week earlier.

The drop in US crude oil stocks was limited by higher crude imports, which increased by 607,000 b/d to a total of 9.1m b/d.

Gasoline stocks rose by 3.8m b, driven by higher production reaching a new record high of 9.4m b/d. The build came despite a 300,000 b/d increase in demand.

Distillate stocks increased by 2.15m b against market expectations. At 160.2m b/d, distillate stocks remained four per cent below a year ago but indicated a surplus with the five-year average of around 25.5 per cent.

In Japan in October, commercial oil inventories reversed their downward trend for the last two consecutive months to rise by 4.7m b to stand at 165.6m b.

Despite the build, the deficit with the seasonal norm remained at 34m b, or 17 per cent, while the gap with a year ago over the same period stood at 4.4m b, or 2.6 per cent.

The build in October came from oil product inventories, which rose by 4.8m b, while crude oil stocks abated the build, declining by 200,000 b.

Crude oil stocks went down for the third consecutive month, accumulating more than a 17m b stock-draw and stood at 88.9m b, the lowest level since February.

The slight drop in Japanese crude oil stocks came as a result of a decline of 1.5 per cent in crude oil imports, which averaged 3.39m b, a level which was also 5.8 per cent below a year ago.

The draw came despite lower refinery runs by 4.3 per cent to 72.2 per cent, but remained 4.1 per cent above the previous year. With the draw, the deficit with the five-year average increased to 21.8 per cent from 17.7 per cent a month earlier.

At the same time, the surplus with a year ago that occurred the previous month was reversed to a deficit of 2.7 per cent in October.

Japanese oil product inventories in October reversed the decline observed the previous month to rise by 4.8m b to stand at 76.7m b, the highest level since December 2009.

The build could be attributed to a decline of 3.3 per cent in Japanese total oil product sales, 3.1 per cent down from a year ago and averaging 3.1m b/d, the lowest level for the month in 22 years.

However the decline in Japanese oil product sales in October marked the first decline in four months after the heat wave this summer pushed up oil demand.

The build in product stocks narrowed the deficit with the seasonal norm to 10.8 per cent from 15.6 per cent a month earlier, while the gap with a year ago was reduced significantly from 11.2 per cent to stand only at 2.4 per cent.

All product stocks experienced a build in October with the bulk of the increase coming from middle distillate stocks as they showed a build of 3.2m b.

Preliminary indications for November, based on weekly data published by PAJ, showed that commercial oil stocks in Japan rose by 8.8m b for the second consecutive month to stand at 174.4m b.

The build was driven mainly by a 7.2m b increase in crude, while product inventories rose by 1.6m b.

Despite the build, Japanese total commercial

oil stocks remained 11.7 per cent below the five-year average. However, the deficit with a year ago observed in October was reversed to a surplus of 3.8 per cent in November.

The build in crude oil stocks came despite an increase in crude runs as refineries ran at higher rates to meet the expected rise in demand for heating fuels.

In the week ending 27 November, refiners were running at 85.5 per cent, the highest in 21 months.

In Singapore at the end of October, oil product stocks fell by 800,000 b for the second consecutive month. At 46.71m b, Singapore product stocks stood at their lowest level since June 2010, but remained 500,000 b, or 1.1 per cent, above a year earlier during the same period.

The picture was mixed with both light distillates and fuel oil stocks falling by 1.3m b, while middle distillates rose by 1.8m b. Singapore light distillate stocks were at their lowest level since the beginning of this year to stand at 10.2m b, almost in line with the level observed a year earlier.

The fall in light distillate stocks came on the back of lower gasoline imports combined with firm demand from Indonesia.

Preliminary data for the end of November, based on weekly information, showed that product inventories in Singapore continued to fall, declining by 930,000 b to stand at 44.98m b, leaving them 3m b, or 6.3 per cent, below a year earlier in the same period.

“However, it should be noted that during the week ending November 25, product inventories in Singapore reached 49.33m b, the highest level since April.”

Oil product stocks in the Amsterdam–Rotterdam–Antwerp (ARA) region at the end of October continued falling for the second consecutive month, declining by nearly 2.56m b to stand at 35.7m b, the lowest level since August 2009.

The draw widened the deficit with a year earlier to 4.3 per cent from 3.7 per cent a month earlier.

Preliminary data for November on weekly information showed oil product stocks in ARA

reversing their decline over the last two months to increase by 530,000 b to stand at 36.25m b.

However, despite the build, the stocks remained 1.8m b, or 4.7 per cent, below the previous year.

“The sustained increase pushed the monthly average of the OPEC Basket to \$88.56/b in December, up by \$5.73, or 6.9 per cent, from a month earlier.”

January

Oil price movements

The OPEC Reference Basket continued to improve in December to move within a range of \$85–90/b.

The Basket followed an upward trend in December, in line with futures prices. It started the month at \$84.13/b to move beyond \$90/b at the beginning of the fourth week, supported by positive macroeconomic sentiment, signs of growing global oil demand and a surge in heating oil demand because of the cold weather in Europe and most parts of the United States.

The sustained increase pushed the monthly average of the OPEC Basket to \$88.56/b in December, up by \$5.73, or 6.9 per cent, from a month earlier. It represented the highest level for the Basket since the \$96.85/b recorded in September 2008.

Following the fifth increase in a row, the OPEC Basket average for the whole of 2010 stood at \$77.45/b, the second highest level ever after the \$94.45/b seen in 2008. Compared with a year earlier, 2010 saw the Basket increase by \$16.39/b, or 26.8 per cent.

All Basket components increased in December, particularly light crudes, as demand from the US and Europe strengthened, due to the cold weather. African light grades, along with Basrah Light, Arab Light and Ecuadorean crude, Oriente, gained around 7.2 per cent each. Medium to heavy Middle Eastern crude blends increased by around 6.8 per cent, while Venezuelan crude showed the lowest increase of 5.8 per cent.

“The World Bank energy index (crude oil, natural gas and coal) recovered from slower growth in November to rise by 6.5 per cent in December.”

In The US, front-month Nymex WTI crude averaged December at \$89.23/b, compared with \$84.31/b in November and \$74.60/b in December 2009. On an annual basis, WTI averaged \$79.53/b in 2010, up by 28.7 per cent from a year earlier.

In Europe, with the exception of the first day, ICE Brent moved within a higher range of nearly \$90-95/b in December to average \$92.65/b for the month, up by 7.1 per cent from November and 4.9 per cent higher than in December 2009.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that the World Bank energy index (crude oil, natural gas and coal) recovered from slower growth in November to rise by 6.5 per cent in December.

The increase was on the back of higher prices of Henry Hub natural gas, crude oil and coal. The flooding in Australia drove the price of coal up and gas prices too. Likewise, cold weather also contributed to a bullish energy market.

Natural gas prices continued recovering on the back of the cold weather. Despite weak fundamentals, prices jumped by 13.7 per cent m-o-m in December.

The World Bank non-energy commodity price index reported an increase of 4.8 per cent m-o-m in December, compared with three per cent the previous month, supported by considerable increases in the prices of industrial metals and the grain complex.

The World Bank industrial metal price index rose by six per cent m-o-m in December, compared with 0.8 per cent in November.

Agricultural prices grew by 5.4 per cent in December, compared with five per cent in November. Despite a drop in some commodities like sugar, others like grains increased at high rates due to weather-related supply constraints.

Gold prices slipped by 1.5 per cent in December, compared with two per cent in November, due to the strong US dollar, but the outlook for this metal and for silver remained positive.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report said a positive momentum was being observed in the US economy, although the trend was mainly being supported by government-led stimulus and the most recent round of quantitative easing of the Federal Reserve Board.

“While for the near-term growth pattern, this support should have a lifting effect on the economy it remains to be seen for how long this can be financed,” the report commented.

It said that despite the high unemployment rate, the recovery of consumption in the country continued. Retail sales grew in December by 0.6 per cent, a slight decline from the November number of 0.8 per cent. However, the Thomson Reuters/University of Michigan Index for consumer confidence in December fell from 74.5 to 72.7.

The US unemployment rate fell to 9.4 per cent in December from 9.8 per cent in

November, while the housing market continued to improve from.

The positive dynamic of the economy was reflected in the most recent ISM surveys. Both the manufacturing and the services sector were seen to be expanding, according to the latest ISM index numbers. The ISM for the services sector grew from 55.0 in November to 57.1 in December, while the manufacturing sector moved to 57, from 56.6.

Consequently, the expansion translated into further growth of industrial production, which grew by 0.8 per cent in December, after 0.4 per cent in November, while capacity utilization moved above 75 per cent to 76 per cent in December.

“In general, it should be highlighted that despite the recovery the US is experiencing, it is a recovery that is not yet been translated entirely into the labour market and still mainly supported by stimulus. An improvement in the labour market remains a key criteria for a self-sustaining economy. Therefore, the forecast for 2010 has remained unchanged, while the prospect for 2011 has been lifted slightly from 2.4 per cent to 2.6 per cent, reflecting the supportive momentum,” the report noted.

In Japan, it said that all of the 2010 numbers concerning the economy were better than the previously published level and higher than the most recent expectations, based on a consensus forecast.

“This is a further sign of the continuation of the Japanese recovery. However, it should be put into the perspective of the other revisions and the potential reasons for this better-than-expected growth in 2010.”

The report said that by analyzing the potential trend for the two main pillars of the government-inspired recovery – domestic demand and exports – it seemed that Japan would be able to grow, at least at a low level, in 2011.

Retail sales increased by 1.3 per cent y-o-y in November, resuming positive growth after a 0.2 per cent y-o-y drop in October, while unemployment remained nearly flat at 5.1 per cent.

Exports improved in November after a deceleration since February 2010. Shipments increased by 9.1 per cent in November from a

year earlier, compared with October's 7.8 per cent.

In addition, some positive momentum can also be traced in the development of the purchase manufacturing index (PMI) numbers. The most recently released number for the services sector showed an improvement from 48.3 to 50.17, signalling expansion of this sector that is responsible for more than 50 per cent of the Japanese economy.

The improvement complemented the rise in the manufacturing PMI, which rose from 47.3 to 48.3. Also in November, industrial production rose for the first time in six months – by 1.0 per cent m-o-m.

“Backed by the strong upward revisions of the first three quarters of 2010 and the downward revisions for 2009, the growth expectation for 2010 now stands at 4.3 per cent, compared with 3.5 per cent previously. Given the current dynamic – despite the expected negative growth in the fourth quarter of last year – the growth forecast for 2011 was increased to 1.5 per cent from 1.4 per cent,” the report said.

It said that the situation in the Euro-zone had not changed much. The main concern remained to be the sovereign debt situation. At the beginning of January, worries that Portugal was not able to handle its debt situation had highlighted again that the danger of a further deterioration of the Euro-zone's public debt had not gone away.

“The sovereign debt situation is having a significant impact on the economy in many areas. It is keeping the euro under pressure, which fell below the 1.29 level at the beginning of January for the first time since September 2010, it is keeping interest rates of sovereign debt in the highly indebted countries at very high, almost unbearable, levels and is, therefore, putting a lot of pressure on those countries to implement austerity measures, when actually the opposite would be probably necessary,” said the OPEC report.

It noted that contrary to the worries in the sovereign debt sphere, the underlying economy of the zone was continuing to expand.

Industrial production was up by 1.2 per cent m-o-m in November, higher than the 0.7

per cent seen in October. However, the momentum seemed not to be supported very much by household consumption and more by capital expenditure. The biggest contribution in industrial production came from intermediate goods and from energy products, which grew by 1.6 per cent and 1.5 per cent, respectively. Consumer goods, on the other side, were recorded with almost no growth at all.

The general momentum of the manufacturing sector was well captured and supported by the latest numbers of the purchase managers index (PMI). It rose to 57.1 in December, up from 55.3 in November. Industrial new orders in November – a front-running indicator – also indicated further growth in manufacturing with an increase of 1.4 per cent m-o-m.

Retail sales in December were down by 0.8 per cent, the lowest level since April 2009, while the unemployment rate remained at 10.1 per cent in November.

“So it seems that while the Euro-zone is fighting its current challenges of primarily the sovereign debt crisis and the high unemployment rate that leads to lower consumption levels, it keeps its low growth momentum, primarily supported by German expansion and the relative bigger growth contribution through exports. Therefore, the 2010 forecast remained at the same level of 1.5 per cent, while the 2011 forecast was slightly increased from 1.1 per cent to 1.2 per cent,” said the report.

It noted that the performance of most emerging economies in the fourth quarter of 2010 was better-than-expected and this contributed to a robust economic recovery in 2010 which was expected to continue in 2011.

In Brazil, although industrial production remained flat in November, some other main economic indicators, such as retail sales and credit expansion, income and employment suggested that the country's economy had resumed its growth at close to its potential capacity.

According to the Central Bank of Brazil, industrial production rose by 0.4 per cent in October, the fastest pace in three months. Unemployment declined to a historically low level of 5.7 per cent in November.

The report said that an economic concern

for Brazil, and indeed for some other Latin American countries, in the coming months would be the problem of their currency appreciation against the US dollar that negatively affected their foreign trade and encouraged inflow of capital.

Looking at China, the report said that after having increased for four consecutive months since August 2010, the country's manufactur-

“Looking ahead, solid upward momentum is expected in the Chinese economy in the coming months, driven by solid domestic and foreign demand and investment.”

ing PMI fell slightly in December, reflecting monetary tightening impacts of rising interest rates and bank reserve requirements.

Despite a slight easing of the Chinese NBS manufacturing PMI to 53.9 in December from 55.2 in November, the economy's momentum seemed to have improved since the third quarter, with domestic demand growing steadily and the trade balance improving.

“Looking ahead, solid upward momentum is expected in the Chinese economy in the coming months, driven by solid domestic and foreign demand and investment,” the OPEC report maintained.

It stated that the Indian economy maintained the rapid expansion seen in the third quarter of 2010 when the rate of growth approached 8.9 per cent y-o-y. The latest data and surveys suggested that demand in the Indian economy remained reassuringly robust.

“Following this strong performance of the economy in the first three quarters of 2010, the government has revised up its forecast for 2010 and 2011. However, acceleration of economic activity is likely to increase the chances of a further interest rate increase,” said the report.

Looking at OPEC Member Countries, the

report said that, in general, they had seen their economic activities accelerate in the second half of 2010, compared with the previous year.

According to available surveys and reports, the general pattern of economic recovery in this group of countries retained its upward trend in the fourth quarter of last year, thanks to a better performance of the global economy, solid demand for energy and upward movement of oil prices in third quarter of the year.

“It is expected that in most OPEC Member Countries, economic expansion will continue in 2011, although in some cases economic growth is expected to decelerate.”

Reviewing selected countries, it said that Algeria’s economic growth would be led by the state’s investment package as the government tried to lessen the economy’s reliance on hydrocarbons.

The economic growth rate was estimated at 4.2 per cent for 2010, but it was expected that the GDP growth rate would decline to 3.8 per cent in 2011 as the overall demand for energy and oil would grow by a lower rate in 2011, compared with the previous year. Domestic price

“It is expected that in most OPEC Member Countries, economic expansion will continue in 2011, although in some cases economic growth is expected to decelerate.”

pressures were likely to remain high at around 4.2 per cent in 2011, following the 4.4 per cent estimated for 2010, due to strong domestic demand and uncompetitive markets.

The report said that in Angola the main objective of government economic policy was to guide the country’s transition to sustained economic growth. Poverty reduction and infrastructure expansion without jeopardizing macroeconomic stability were the main pillars of government economic policies.

The national assembly had approved the 2011 budget, which envisioned total revenue equivalent to \$36.2bn, a 6.4 per cent increase over the revised budget of 2010. Last year, the revised budget added up to \$43bn following a 28 per cent rise, reflecting the oil price increase in the second half of the year.

“After a large deficit in 2009, it is expected that the government budget will have a modest surplus in 2010 and 2011,” the OPEC report observed.

It said that in recent years, Banco Nacional de Angola, the central bank, had tried to curb inflation through intervention in foreign exchange markets to keep the national currency (the kwanza) stable. However, inflation was still higher than its targeted level of ten per cent, estimated at 14.5 per cent for 2010 and 2011.

“A steady increase in oil output will drive real GDP growth in 2011 and beyond. However, economic expansion will remain capital intensive and import-dependent with few linkages to areas of the economy other than government-dominated sectors,” said the report.

Rising oil output and prices increased Angola’s exports from \$40bn in 2009 to an estimated \$52bn in 2010. Angola’s oil revenue was expected to rise to \$56.8bn in 2011.

“With government-led capital investment and growing domestic consumption, imports are also forecast to rise strongly, which might result in a sharp narrowing of the current account balance,” the report added.

World oil demand

In its review of the market, the OPEC report said demand for OPEC crude in 2010 had been revised up by 100,000 b/d to stand at 29.0m b/d.

The revision reflected mainly the upward adjustment in world oil demand. All quarters saw an upward revision with the bulk of the adjustment occurring in the third quarter, which was revised up by 200,000 b/d, reflecting up-to-date data.

With this adjustment, demand for OPEC crude stood at the same level as in 2009. The

first quarter of the year was still showing a drop of 900,000 b/d, while the second quarter was estimated to see slight growth of 100,000 b/d. The third quarter was estimated to see positive growth of 1.4m b/d, while the fourth quarter was projected to return to negative growth with 400,000 b/d.

Looking at 2011, the report said demand for OPEC crude this year was projected to average 29.4m b/d, showing an upward revision of 200,000 b/d from the previous assessment. This was mainly due to the adjustment of world oil demand, as total non-OPEC supply, including OPEC NGLs, remained almost unchanged.

The bulk of the revision came from the third and fourth quarters, which were revised up by 400,000 b/d and 300,000 b/d, respectively. Required OPEC crude was forecast to increase by 400,000 b/d this year.

The first quarter was expected to see growth of around 300,000 b/d, while the second quarter was forecast to see a slight increase of 100,000 b/d. The third quarter was projected to see a rise of 300,000 b/d. However, the fourth quarter was expected to see higher growth of 700,000 b/d, compared with the same period the previous year.

The report noted that, in 2010 and moving into 2011, a bitter winter in some parts of the OECD had affected energy demand. Extra consumption of heating and fuel oil made a mark on demand for December 2010 and more than offset the weak demand for transport fuel.

World economic activity was stronger-than-expected, leading to more oil usage; nevertheless, some of the increase was partially related to the low base line of 2009. The normal increase in driving distance in the US pushed gasoline consumption up, adding another 130,000 b/d to the country’s gasoline pool in the fourth quarter of last year. As usual, the holiday season positively affected transport fuel consumption in the northern hemisphere.

The report noted that world oil demand was forecast to have grown by 1.6m b/d in 2010, averaging 86.1m b/d.

December gasoline demand growth in the US was the highest since September 2009, expanding by almost three per cent and adding

another 266,000 b/d to the country's total gasoline demand pool.

The year 2010 ended with an upward trend for US oil consumption. However, the increase came after disappointing first-quarter oil consumption, resulting from the fragile economy.

This was reflected in declining gasoline and weak distillate consumption. In the following quarters, oil consumption was stronger than expected, due to an improved economy, several government stimulus plans and a low 2009 baseline. US oil consumption peaked during the third quarter, accommodating the traditional driving season and a sharp increase in industrial activity.

With data (monthly or weekly) for all months in 2010, and coming out of a low baseline, US oil consumption showed little growth of only two per cent, or 400,000 b/d, compared with the previous year.

As a result of various stimulus plans in the US, North American oil demand was expected to have grown by only 500,000 b/d y-o-y in 2010. However, fourth-quarter growth was lower than growth in the third and second quarters.

In OECD Europe, diesel demand was seen getting a boost from the transport sector. Not only was road cargo affecting diesel demand positively, but also the increase in diesel-operated passenger cars as well.

Unlike October, November European oil demand data denoted the third highest growth for the year. The European 'Big Four' oil demand increased by 367,000 b/d in November, compared with 245,000 b/d during the third quarter. Stronger distillate consumption in Germany and France resulted from the filling of heating oil tanks, increased industrial production, and a low baseline in 2009.

However, consumption of transportation fuels remained on the decline. During November, French and Italian oil consumption were up by four per cent and one per cent, respectively, while oil consumption in the UK increased by two per cent.

The OECD Europe's total contraction in oil demand was expected to be less than earlier forecast and currently stood at 130,000 b/d.

Japan's oil consumption for the first 11

months of 2010 indicated that the year evolved to become a recovery year, showing an increase of approximately 1.9 per cent, the first increase in oil consumption since 2005.

The petrochemical industry and thus naphtha, transportation fuels, direct crude burning and residual fuel oil usage in power plants, coupled with a very low baseline, were the main reasons behind the increase. Oil usage was boosted by the government stimulus plans during the year.

In South Korea, increases during the last quarter of 2010 were observed in the consumption of all products, especially industrial and transportation fuels.

OECD Pacific oil demand was therefore forecast to have shown minor growth of 100,000 b/d in 2010, averaging 7.8m b/d, following a devastating decline the previous year.

Indian oil demand was negatively affected by the massive fuel switching from liquid to gas. However, November oil usage managed to pull out of the negative trend which started in August. It was expected that total year oil demand growth in 2010 would be 50,000 b/d, half of what was estimated earlier.

Transport fuel usage pushed the country's total oil demand above the red line. Gasoline alone grew by 17 per cent in November y-o-y.

The report noted that the healthy Indonesian economy had been keeping the country's oil use on the growth side. Indonesian oil demand for 2010 was expected to have grown by 21,000 b/d y-o-y, averaging 1.2m b/d, double that seen in 2009.

Contrary to Indonesian oil demand, Taiwan's oil consumption was seen to be on the negative side for the fourth quarter of 2010. Fuel switching and usage of alternative fuel dented oil demand in the country.

Given the unexpected slowdown in oil demand in India, Other Asia oil demand growth was revised slightly down to show growth of 200,000 b/d, or 1.6 per cent, y-o-y, averaging 10m b/d.

In the Middle East, the report said that massive oil demand from the petrochemicals, power plant and transport sectors, which hiked Saudi Arabian oil demand by 19 per cent, or 340,000

b/d in October, slowed down in November as the weather cooled down and demand for electricity dropped strongly.

In fact, it stated, Saudi Arabian and Iranian oil demand in November dipped into the red. It was expected that Iranian transport fuel usage would slow down slightly, resulting from the partial removal of retail subsidies.

Due to the slowdown in Iran's oil demand

“Latin American oil demand growth was seen exceeding that of the Middle East as a result of strong demand in Brazil.”

in the second half of the year, the region's total oil demand for 2010 was revised down slightly to settle at y-o-y growth of 2.3 per cent, or 160,000 b/d.

Latin American oil demand growth was seen exceeding that of the Middle East as a result of strong demand in Brazil. Although Brazil's oil demand cooled down in the fourth quarter, the massive growth seen early in the year kept the country's oil consumption growth above five per cent y-o-y. Gasoline usage alone was expected to have achieved growth of 18 per cent in 2010; however the usage of alcohol energy was expected to have declined by 11 per cent in the same year.

Developing Countries' oil demand growth was forecast to have expanded by 510,000 b/d y-o-y in 2010, averaging 26.6m b/d.

The report said that the overheating Chinese economy was getting thirstier for oil which had translated into 8.8 per cent more oil consumption in November last year. China's oil imports reached 35 per cent growth in that month, a portion of which ended up in the country's commercial and strategic storage.

China's apparent oil demand reached 8.7m b/d in November. Economic and agricultural

activities, an increase in new car registrations and summertime high requirement for electricity were the factors behind the strong performance.

“China keeps surprising oil analysts on the magnitude of oil usage, leading to total oil consumption beating all expectations in 2010. China’s oil demand was expected to have increased by 600,000 b/d, or seven per cent, averaging 8.8m b/d in 2010,” said the report.

It pointed out that Russia’s oil demand continued its strong trend which was started early in the year.

“Due to a booming economy, the country’s oil demand is expected to grow more than earlier forecast. Hence, the FSU region’s oil demand was revised up in the third and fourth quarters of last year. The extra consumption occurred in both transport and industrial fuel. FSU oil demand was forecast to have shown positive growth in 2010 of 100,000 b/d, or 2.2 per cent, y-o-y.”

Turning to global oil demand in 2011, the OPEC report said that given the current level of petroleum product prices, expectations for

“The magnitude and speed of the world economic recovery will have a remarkable impact on world oil demand this year.”

world oil consumption would be dependent upon economic activities.

“The magnitude and speed of the world economic recovery will have a remarkable impact on world oil demand this year.”

It said that weather in the northern hemisphere was gaining momentum and had slightly affected heating and fuel oil demand. Nevertheless, fuel substitution to natural gas was reducing demand for fuel oil.

World oil demand for January was forecast

to grow by 1.5m b/d y-o-y, of which 1.0m b/d was related to the non-OECD region.

“Given the latest upward revision in world GDP, world oil demand growth is forecast at 1.2m b/d, averaging 87.3m b/d in 2011, only 50,000 b/d higher than last month’s estimate. The petrochemicals and transport sectors are dominant in world oil demand growth in 2011,” the report maintained.

It said that the continuous recovery in the OECD economy was expected to hike the region’s oil demand, adding another 200,000 b/d to total oil consumption this year.

“This is the second year in a row that OECD oil demand not only stopped its decline, but incurred extra oil usage. Nevertheless, debts in several European economies and continued application of rigorous state tax policies on oil are some of the factors which could impose future declines in European oil consumption during 2011.”

As for the OECD Pacific, it said that Japanese and South Korean oil demand was the engine behind the region’s growth this year. Despite the positive performance of 2010, further development of Japanese oil consumption was heavily dependent upon the implementation of an additional stimulus plan, which was expected to take place in the first half of 2011 and was part of a supplementary budget for the current Japanese fiscal year.

The report maintained that the non-OECD region was expected to contribute 85 per cent to the total forecast oil demand growth in 2011. China alone was forecast to bring in half of that amount.

World oil supply

Preliminary data indicates that global oil supply remained relatively steady in December 2010, compared with the previous month. The decline in non-OPEC supply in December offset the gains in OPEC crude oil production. The share of OPEC crude oil in global production remained steady at 34 per cent in December. 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 oil supply was estimated to have grown by 1.13m b/d in 2010 to average 52.26m b/d, indicating an upward revision of 40,000 b/d over the previous assessment.

The continued healthy output from various non-OPEC countries required the adjustment in this month’s report. Similar to the previous month, there was a minor upward revision that affected the outlook from the historical data in 2009.

In general, the non-OPEC supply profile remained steady with growth in 2010 coming mainly from North and Latin America, the FSU and China, while output from OECD Western Europe declined.

The revisions introduced to the supply outlook were mainly in the second half of the year to adjust for updated production data. Many non-OPEC countries’ supply profiles experienced an adjustment, with considerable revisions encountered in the US, Norway, Azerbaijan and China.

On a quarterly basis, non-OPEC supply in 2010 was estimated at 52.12m b/d, 52.11m b/d, 51.96m b/d and 52.82m b/d, respectively.

The estimated strong annual non-OPEC supply growth in 2010 of 1.13m b/d was the highest increase since 2002.

In the US, oil supply is now estimated to have averaged 8.58m b/d in 2010, an increase of 440,000 b/d over the previous year, indicating the largest growth among all non-OPEC countries.

In Europe, Norway’s oil supply was seen to have averaged 2.14m b/d in 2010, a decline of 220,000 b/d over 2009 and indicating a downward revision of 20,000 b/d over previous month.

China’s oil supply is estimated to have averaged 4.14m b/d in 2010, showing growth of 290,000 b/d over 2009 and indicating an upward revision of 20,000 b/d compared with the previous month.

Looking at 2011, the OPEC report noted that non-OPEC oil supply this year was forecast to grow by 410,000 b/d over the previous year to average 52.67m b/d, displaying an upward revision of 50,000 b/d from a month earlier.

The upward revision was due to various updates to countries' supply profiles, in addition to carrying over some of the revisions introduced to 2010 supply estimates.

On a quarterly basis, non-OPEC supply in 2011 is expected to average 52.74m b/d, 52.60m b/d, 52.35m b/d and 52.98m b/d, respectively.

Total OECD oil supply in 2011 is foreseen to average 19.81m b/d, a drop of 80,000 b/d compared with the previous year and an upward revision of 90,000 b/d from the previous report.

The upward revision came mainly from North America, while other regions within the OECD experienced minor revisions. Within the OECD, supply in the North American and Asia-Pacific regions were anticipated to show growth in 2011, while OECD Western Europe was expected to decline.

On a quarterly basis, total OECD supply in 2011 is seen to stand at 19.99m b/d, 19.81m b/d, 19.55m b/d and 19.90m b/d, respectively.

According to preliminary data, OECD oil supply in the fourth quarter of 2010 averaged 20.14m b/d, up by 210,000 b/d over the same period in 2009.

OECD North America oil output is projected to increase by 70,000 b/d in 2011 over the previous year to average 14.97m b/d, representing an upward revision of 100,000 b/d compared with the previous month.

Both the US and Canadian oil supply are expected to show growth in 2011, while Mexico is estimated to see a decline.

On a quarterly basis, North America's oil supply in 2011 is forecast to average 14.96m b/d, 15.01m b/d, 14.87m b/d and 15.06m b/d, respectively.

Total US oil supply is forecast to remain relatively steady in 2011 with a minor increase of 30,000 b/d over 2010 to average 8.61m b/d, indicating an upward revision of 70,000 b/d from the previous month.

The strong level of production seen in the fourth quarter of 2010 supported the upward revision. On a quarterly basis, US oil supply in 2011 is anticipated to stand at 8.67m b/d, 8.67m b/d, 8.52m b/d and 8.59m b/d, respectively.

Canada's oil supply is projected to average

3.47m b/d in 2011, showing growth of 110,000 b/d over the previous year and indicating an upward revision of 20,000 b/d over the previous month.

On a quarterly basis, Canada's oil supply this year is expected to average 3.39m b/d, 3.44m b/d, 3.47m b/d and 3.57m b/d, respectively.

Mexico's oil supply is expected to decline by 60,000 b/d in 2011, compared with the previous year, to average 2.90m b/d, broadly unchanged from the last report, with a minor upward revision.

On a quarterly basis, Mexico's oil supply in 2011 is seen to average 2.91m b/d, 2.90m b/d, 2.88m b/d and 2.90m b/d, respectively.

OECD Western Europe oil supply is anticipated to decline by 160,000 b/d over the previous year to average 4.23m b/d in 2011, relatively unchanged from the previous month's estimate.

OECD Western Europe is expected to have quarterly supply in 2011 of 4.42m b/d, 4.19m b/d, 4.07m b/d and 4.24m b/d, respectively.

Oil supply from Norway is foreseen to drop by 80,000 b/d from 2010 to average 2.06m b/d in 2011, representing a downward revision of 10,000 b/d from the previous month.

On a quarterly basis, Norway's oil supply in 2011 is seen to average 2.19m b/d, 2.01m b/d, 1.96m b/d and 2.07m b/d, respectively.

The UK's oil supply is anticipated to average 1.31m b/d in 2011, representing a decline of 70,000 b/d over the previous year and unchanged from the previous month.

On a quarterly basis, the UK's oil supply in 2011 is expected to average 1.35m b/d, 1.30m b/d, 1.26m b/d and 1.32m b/d, respectively.

Denmark's oil supply is forecast to average 230,000 b/d in 2011, a drop of 20,000 b/d over the previous year and representing an upward revision of 10,000 b/d over a month earlier.

Other Western Europe oil supply is expected to remain flat in 2011, averaging 640,000 b/d, indicating a minor upward revision that was due to the start of production at the Wijk field in the Netherlands.

The OECD Asia Pacific's oil supply is predicted to remain relatively flat in 2011 compared with the previous year, with a minor increase

of 10,000 b/d, indicating a downward revision of 25,000 b/d from the previous month.

The downward revision came mainly from Australia, while New Zealand's oil supply forecast remained unchanged from a month earlier.

On a quarterly basis, total OECD Asia Pacific oil supply in 2011 is expected to average 610,000 b/d, 620,000 b/d, 610,000 b/d and 600,000 b/d, respectively.

“Despite the unlucky 13 myth surrounding the average production figure, Developing Countries' supply is expected to be the jewel of non-OPEC supply growth in 2011.”

Australia's oil supply is projected to increase by 20,000 b/d in 2011 to average 530,000 b/d, indicating a downward revision of 25,000 b/d from the most recent assessment.

On a quarterly basis, Australia's oil supply in 2011 is seen to stand at 520,000 b/d, 530,000 b/d, 530,000 b/d and 520,000 b/d, respectively.

The Developing Countries' oil supply is forecast to grow by 340,000 b/d over the previous year to average 13.13m b/d in 2011, representing a minor upward revision of less than 10,000 b/d from the previous month.

“Despite the unlucky 13 myth surrounding the average production figure, Developing Countries' supply is expected to be the jewel of non-OPEC supply growth in 2011,” said the report.

All the regions within the group are anticipated to show supply growth in 2011, with Latin America and Africa heading the list and Middle East and Other Asia expected to remain relatively flat.

On a quarterly basis, total oil supply in the Developing Countries in 2011 is seen to average 12.93m b/d, 13.07m b/d, 13.15m b/d and 13.36m b/d, respectively.

Latin America's oil supply is expected to increase by 230,000 b/d in 2011 to average 4.94m b/d, the highest growth among all non-OPEC regions. The forecast indicates a downward revision of 35,000 b/d from the previous month.

On a quarterly basis, Latin America's oil supply in 2011 is expected to stand at 4.82m b/d, 4.93m b/d, 4.96m b/d and 5.07m b/d, respectively.

Brazil's oil supply is projected to average 2.87m b/d in 2011, an increase of 160,000 b/d over the previous year. The supply outlook shows a downward revision of 35,000 b/d compared with the previous month's assessment.

Colombia's oil supply is foreseen to increase by 80,000 b/d in 2011 to average 880,000 b/d, unchanged from the previous month's evaluation, while Argentina's oil supply is expected to decline by 20,000 b/d to average 740,000 b/d this year, indicating a downward revision of 10,000 b/d.

Oil supply from the Middle East is forecast to increase slightly by 20,000 b/d from the previous year to average 1.80m b/d in 2011,

“Latin America’s oil supply is expected to increase by 230,000 b/d in 2011 to average 4.94m b/d, the highest growth among all non-OPEC regions.”

indicating an upward revision of 20,000 b/d from the previous report.

On a quarterly basis, Middle East oil supply in 2011 is seen averaging 1.78m b/d, 1.79m b/d, 1.79m b/d and 1.81m b/d, respectively.

Africa's oil supply is foreseen to average 2.69m b/d in 2011, representing growth of 80,000 b/d over the previous year and an upward revision of 25,000 b/d from the previous month's assessment.

Ghana is expected to drive the growth in

Africa with the Jubilee field. The field started up in December and the first cargo has been offered.

The quarterly distribution for Africa's oil supply for 2011 stands at 2.63m b/d, 2.67m b/d, 2.70m b/d and 2.76m b/d, respectively.

Oil supply from Other Asia in 2011 is foreseen to remain relatively flat over the previous year to increase by 10,000 b/d to average 3.70m b/d, unchanged from the last OPEC assessment.

India is expected to show the largest growth in oil supply in 2011 among the Other Asia group. On a quarterly basis, Other Asia supply in 2011 is seen to average 3.69m b/d, 3.69m b/d, 3.70m b/d and 3.72m b/d, respectively.

India's supply is expected to increase by 40,000 b/d in 2011 to average 890,000 b/d, indicating a downward revision of less than 10,000 b/d from the previous report.

Vietnam's oil supply is expected to increase by 20,000 b/d in 2011 to average 380,000 b/d, indicating a minor upward revision compared with the previous month's assessment.

Indonesia's oil supply is expected to decline by 30,000 b/d in 2011 to average 1.00m b/d, unchanged from the previous evaluation, while oil supply from the Philippines is also slated to decline this year.

Total FSU oil supply is anticipated to grow by 110,000 b/d in 2011 to average 13.33m b/d, indicating a downward revision of 100,000 b/d compared with the previous month.

The FSU remains the region with the highest production volume among all non-OPEC regions. However, projected growth in 2011 is lower than the growth experienced in previous years. All the major producers in the FSU are expected to show oil supply growth in 2011, yet at a slower pace than in previous years.

On a quarterly basis, total oil supply from the FSU in 2011 is seen averaging 13.40m b/d, 13.34m b/d, 13.27m b/d and 13.32m b/d, respectively.

Oil supply from Russia, the world's largest producer in 2010, is projected to remain relatively flat in 2011 with a minor increase of 10,000 b/d, unchanged from the previous assessment. Russia's oil supply forecast in 2011 has the highest level of risk and uncertainty.

On a quarterly basis, Russia's oil supply in 2011 is foreseen to average 10.19m b/d, 10.17m b/d, 10.12m b/d and 10.12m b/d, respectively.

In the Caspian region, oil supply from Kazakhstan is forecast to increase by 70,000 b/d over the previous year to average 1.66m b/d in 2011, indicating a downward revision of 20,000 b/d from the previous month. Kazakh oil production is expected to remain relatively steady in 2011.

On a quarterly basis, Kazakhstan's oil supply in 2011 is expected to average 1.67m b/d, 1.64m b/d, 1.63m b/d and 1.69m b/d, respectively.

Azerbaijan's oil supply is forecast to increase by 40,000 b/d over the previous year to average 1.12m b/d in 2011, representing a downward revision of 65,000 b/d from the previous month.

Quarterly oil supply for Azerbaijan in 2011 is seen to stand at 1.13m b/d, 1.12m b/d, 1.11m b/d and 1.11m b/d, respectively.

China's oil supply is estimated to increase by 30,000 b/d over the previous year to average 4.18m b/d in 2011, indicating an upward revision of around 50,000 b/d from the previous month.

On a quarterly basis, China's oil supply in 2011 is seen averaging 4.21m b/d, 4.16m b/d, 4.16m b/d and 4.18m b/d, respectively.

OPEC oil production

According to secondary sources, total OPEC crude oil production averaged 29.23m b/d in December 2010, an increase of 170,000 b/d from the previous month. Crude oil output saw an increase in the UAE, Saudi Arabia, Iraq, Kuwait and Nigeria, while production fell in Angola.

According to secondary sources, OPEC crude production, not including Iraq, stood at 26.78m b/d in December, an increase of 130,000 b/d over the previous month.

OPEC's output of NGLs and non-conventional oils were estimated to have averaged 4.79m b/d in 2010, representing growth of 440,000 b/d over the previous year. In 2011,

OPEC's production of NGLs is projected to average 5.25m b/d, an increase of 460,000 b/d over 2010 figures.

Downstream activity

Looking downstream, the OPEC report said that the sustained momentum in the middle distillate market, created by inventories drawn in the Atlantic Basin during previous months, had received further support from stronger heating oil demand, due to colder weather, along with a surge in Chinese diesel demand.

The bullish sentiment and higher middle distillate demand across the world encouraged refiners in the US and Asia to increase throughputs.

"Looking ahead to the end of the refinery maintenance season, higher refinery runs could increase the unbalanced market conditions for light distillates and heavy fuel oil, keeping pressure on refinery margins in the coming months," the report maintained.

The performance of the refining industry improved during December. Margins for WTI crude on the US Gulf Coast recovered by \$1/b, supported by improved gasoline and distillate cracks and a lower WTI price during the build in inventories in Cushing, Oklahoma.

In Europe, the refining industry failed to protect the margins because product cracks were not able to follow the more expensive Brent crude (the WTI-Brent differential widened at the end of December) and the bad weather conditions dampened demand for transport fuels, causing the margin for Brent crude in Rotterdam to drop by \$1/b.

Refining margins for Dubai crude oil in Singapore were supported by the gains in light and middle distillate cracks – higher naphtha demand from the petrochemical sector and a recovery in the gasoline crack spreads – which, despite the loss in fuel oil, allowed refinery margins to keep rising during December.

American refiners boosted refinery runs during the first weeks of December by five per cent up to 15m b/d, which contributed to a sharp gasoline and middle distillate stock-build.

However, the stronger product demand protected refining margins.

European refiners kept moderated throughputs over the last months – around 85 per cent – in a failed effort to protect margins, while Asian refiners continued to increase runs to face higher distillate demand.

"Looking ahead, positive signals in the world economy can lead to strong product demand and boost refinery utilization. However, the unbalanced market will enforce moderated refinery runs," maintained the report.

According to the Energy Information Administration, US gasoline demand increased by 271,000 b/d in December – against the seasonal trend – to reach a level of 9.2m b/d, up by 266,000 b/d from a year earlier.

Middle distillate demand remained strong in the US in December, but lower than the previous month – 3.84m b/d in December versus 3.91m b/d in November – and 19,000 b/d lower than the y-o-y average.

In the European market, products from the bottom of the barrel became weaker, while distillate demand, although strong, was lower than expected because of bad weather.

European gasoline lost ground at the end of December because of limited demand within the region and limited arbitrage to the US, due to increasing US refinery runs and US gasoline stock-builds during the month.

In the Asian market, gasoline gained support from stronger regional demand, mainly from India and Indonesia. Additional support came from the supply side, as some refineries had been running in maximum gasoil mode.

Oil trade

In the US, crude oil imports remained almost stable at around 8.48m b/d in December last year. It was the third consecutive month that the country's imports stayed below 9m b/d. However, when compared with the previous year, US crude oil imports were 314,000 b/d, or 3.8 per cent, higher in December 2010.

Contrary to the previous years, when imports fell considerably in December because

of a stock-draw for end-year tax purposes, in December 2010 US crude oil imports did not experience the same trend.

Nevertheless, on a weekly basis, US crude oil imports did drop by 367,000 b/d in the last week of December, compared with the previous week, while in the first week of the month they averaged more than 9m b/d.

One of the main reasons imports did not

“According to secondary sources, total OPEC crude oil production averaged 29.23m b/d in December 2010, an increase of 170,000 b/d from the previous month.”

fall in December as usual was because of strong refinery activity.

For the whole of 2010, US crude oil imports averaged 9.14m b/d, 120,000 b/d, or 1.4 per cent, more than in the previous year. The increase reflected the growth in refinery throughput and the stock-build over 2009.

"It is worth noting that US crude oil imports have remained below 10m b/d over the last three years," said the report.

US oil product imports saw a stronger increase compared with crude oil. They increased by 81,000 b/d, or 3.4 per cent, to average around 2.5m b/d and showed y-o-y growth of 3.6 per cent.

The increase in product imports was driven by stronger seasonal demand because of very cold weather. Following the same trend as crude oil, product imports fell sharply in the last week of December to 1.7m b/d, compared with 2.6m b/d in the week ending December 3.

Among products, gasoline and distillate imports increased the most in December. Distillate and fuel oil imports rose by more than 100 per cent, supported by strong demand, due to cold weather. Gasoline showed the second largest increase of more than 81 per cent.

However, on an annual basis, US oil product imports dropped for the fourth consecutive year to average less than 2.5m b/d in 2010, compared with 3.6m b/d in 2006. The low level of imports reflected the decline in demand and high level of product inventories.

Crude oil exports remained stable at 33,000 b/d, but oil products rose to 2.2m b/d, up by 5.2 per cent from November and almost 30 per cent from a year ago. The rise in product exports was due to a combination of slowing demand, ample inventories and increasing products from refineries.

As a result, US total net imports stood at nearly 8.7m b/d in December, almost unchanged from the previous month and the same month a year ago.

Nevertheless, considering the whole year, US net oil imports remained affected by the economic crisis. Net oil imports fell further in 2010 to average less than 9.7m b/d, compared with nearly 9.9m b/d in 2009 and 11.1m b/d in 2008, while in 2005-06 net oil imports were hovering around 12.4m b/d.

In Japan, crude oil imports rebounded from their low level of 3.39m b/d a month earlier to

“US total net imports stood at nearly 8.7m b/d in December, almost unchanged from the previous month and the same month a year ago.”

average almost 4.07m b/d in November, the second highest level since the 4.08m b/d recorded in January 2010.

The surge by almost 20 per cent in November was attributed to strong seasonal demand from refiners ahead of the winter season, since stocks were very low.

For the period January-November 2010, Japan's crude oil imports showed marginal growth of 62,000 b/d, or 1.7 per cent, from the same period a year earlier.

“However, despite the increase, Japan's crude oil imports in 2010 will likely have remained below 4.0m b/d for the second year in a row. In 2008, Japan's crude oil imports averaged almost 4.2m b/d, before they dropped during the economic crisis,” commented the report.

Japan's oil product imports, excluding LPG, edged up by 1.1 per cent in November, the second increase in a row, resulting in a monthly average of 629,000 b/d, the highest in 2010. Including LPG, Japan's oil product imports fell by 21,000 b/d to 1.01m b/d in November, but were 130,000 b/d, or nearly 15 per cent, higher than a year earlier.

Japan's oil product exports rose by more than 70,000 b/d in November because of strong demand for middle distillates in the Asia-Pacific. Gasoil was the main contributor to the rise.

With product exports at 514,000 b/d, Japan's total net oil imports stood at almost 4.6m b/d in November, up by 581,000 b/d, or 14.6 per cent, from the previous month. Crude accounted for 4.07m b/d, following an increase of 676,000 b/d, and products accounted for almost 500,000 b/d, after having dropped by 94,000 b/d from a month earlier.

Japan's net oil imports averaged 4.1m b/d during the period January-November 2010, up by 180,000 b/d, or 4.7 per cent, from a year earlier.

China's crude oil imports rose sharply in November to average 5.11m b/d after having declined to a 19-month low of 3.87m b/d a month earlier, implying an increase of almost 32 per cent from October and 20 per cent from November a year earlier.

The surge in November imports came as a result of increasing refinery runs to almost full capacity, in order to respond to a diesel shortage as the government urged companies to increase domestic diesel supplies.

For the period January-November 2010, China's crude oil imports averaged almost 4.8m b/d, up by 788,000 b/d, or 20 per cent, over the same period in 2009, reflecting continued growing demand and increasing inventories. China's crude oil imports for the whole of 2010 will likely have hit a record high.

Following the same trend, China's oil product imports jumped by 331,000 b/d, or 36 per cent, in November to 1.17m b/d, the highest level since mid-2009, in response to the diesel shortage. Compared with a year earlier, oil product imports were more than 53 per cent higher in November 2010.

Altogether, China's November crude oil and product imports averaged 6.28m b/d, up by 1.54m b/d from October, but remained below the 6.6m b/d reached in September.

China's crude oil exports in November rose by 80,000 b/d to 141,000 b/d, while its oil product exports increased by 65,000 b/d to 613,000 b/d. However, exports of gasoline and distillates fell sharply. Gasoline imports fell by 11 per cent and light diesel oil imports plummeted by almost one-third, due to the diesel shortage.

The combination of imports and exports left China's total net oil imports at 5.52m b/d in November, implying an increase of almost 34 per cent from the previous month and 31 per cent from a year ago. For the first 11 months of 2010, China's net oil imports stood at around 5.0m b/d, compared with 4.3m b/d a year ago.

India's crude oil imports fell further in November to average 2.3m b/d, down by 96,000 b/d, or four per cent, from October and 1.1m b/d lower than in September. On an annual basis, the decline was significant at 29.5 per cent. The sharp drop in crude oil imports was due to lower refinery runs because of a shutdown at Reliance Industries' largest refinery for repairs.

During the period January-November 2010, India's crude oil imports averaged 2.96m b/d, 1.3 per cent down from the 3.0m b/d recorded in the same period of 2009. Lower crude oil imports during the last two months were the main reason behind the drop during the period.

A combination of the refinery shutdown and increasing domestic product consumption pushed India's oil product imports up by 14 per cent in November to average 338,000 b/d, the highest level since July 2010. Compared with a year earlier, growth amounted to 36 per cent.

Diesel imports rose by 3.3 per cent and gasoline imports jumped by 39.8 per cent,

supported by strong new vehicle purchases. Naphtha imports averaged 49,720 b/d, up by 59 per cent. Kerosene was the only product which saw declining imports in November.

India's oil product imports averaged 342,000 b/d during January-November 2010, slightly more than six per cent higher compared with the same period the previous year, as a result of stronger domestic consumption.

Refinery outage limited India's oil product exports, which fell sharply by 227,000 b/d, or 31 per cent, in November to average 500,000 b/d, the lowest level since the 501,000 b/d recorded in January 2010. Compared with November 2009, the decline was even higher – by 60 per cent.

India's November diesel and gasoline exports declined by 78.7 per cent and 28.8 per cent, respectively.

In the first 11 months of 2010, India's oil product exports averaged 905,000 b/d, 2.5 per cent less than in the same period the previous year. Increasing refining runs were not enough to boost exports during the period because of stronger domestic demand.

Naphtha exports in November amounted to 148,580 b/d, down by 16.3 per cent from October, while jet fuel exports dropped by 46.8 per cent to 44,710 b/d.

India's net oil imports stood at 2.14m b/d in November, up by 8.8 per cent from the previous month, but down 5.8 per cent from November a year earlier. During the period January-November 2010, India's net oil and product imports averaged 2.39m b/d, almost the same level seen in the same period the previous year.

In the FSU, crude oil exports dropped by 2.8 per cent in November to average 6.56m b/d after having increased by six per cent in October. Crude oil exports were down by 1.8 per cent, compared with a year earlier.

Russian crude exports, which fell sharply, were the main contributor to the region's export decline, which might be attributed to a higher export duty. Year-to-date, crude exports from the FSU region reached an average of 6.73m b/d, 1.5 per cent more than over the same period of 2009.

FSU oil product exports stood at 9.14m

b/d in November, down by 3.9 per cent from a month earlier. The decline was mostly attributed to the drop in shipment activity, due to the end of the river navigation season.

Fuel oil exports fell by 4.7 per cent to 1.19m b/d, reflecting the beginning of a cold winter in the region. Diesel exports showed a normal seasonal decline of 8.8 per cent, reflecting the end of agricultural activity in some consumer countries.

However, FSU gasoline exports increased by 3.7 per cent in the month, which reflected weakening domestic demand. Naphtha exports surged by 14.1 per cent to 259,000 b/d as demand expanded, particularly in Asia.

FSU jet fuel exports increased to 18,000 b/d in November from just 8,000 b/d in October.

For the period January-November 2010, oil product exports from the FSU averaged 2.82m b/d, virtually unchanged from the same period of 2009.

Stock movements

Concerning stock movements, the OPEC report said that at the end of December 2010, US commercial oil inventories fell for the fourth consecutive month, declining by 28.0m b, above the seasonal draw, to stand at 1,078.1m b.

The stock-draw was mainly driven by crude oil, which declined by 24.4m b, while oil product stocks dropped by only 3.6m b.

Despite the substantial reduction, US commercial oil stocks remained at 74.8m b, 7.5 per cent above the five-year average.

“However, it should be noted that the overhang has been reduced since August 2010 when it reached 110m b.”

Compared with the end of 2009, US commercial oil stocks stood at 28.3m b, 2.7 per cent above the same period a year earlier.

The fall in US commercial crude stocks to 335.3m b at the end of the year put them at their lowest level since January 2010. The draw came on the back of lower crude oil imports, which declined by 170,000 b/d to average 8.39m b/d.

Higher refinery runs also contributed to the drop in crude oil stocks. In fact, US crude oil

inputs to refiners averaged 15.0m b/d during December, 100,000 b/d more than a month earlier.

This corresponded to a utilization rate of 88 per cent, 0.5 per cent more than in the previous month. Additionally, year-end tax considerations were also behind the drop in crude.

Although falling considerably at the end of December, US crude oil stocks remained 10.1m

“In the first 11 months of 2010, India's oil product exports averaged 905,000 b/d, 2.5 per cent less than in the same period the previous year.”

b, or 3.1 per cent, above a year earlier at the same time and 28.5m b, or 9.3 per cent, above the five-year average.

US oil product stocks fell to end the month at 742.8m b, but the picture was mixed within components.

Gasoline stocks rose by 8.0m b to stand at 218.1m b, the highest level since September 2010. They were 4.3m b, or two per cent, above the five-year average, but remained 5.1m b, or 2.3 per cent, below a year earlier at the same time. The build occurred despite gasoline demand averaging 9.2m b/d, up by 2.8 per cent from the same period of 2009.

Distillate stocks rose by 4.1m b after three consecutive months of decline to stand at 162.1m b. This was owing to higher production, which reached 4.63m b/d, 170,000 b/d more than a month earlier.

Distillate demand in December stood at 3.89m b/d, 180,000 b/d more than in the previous month and 150,000 b/d higher than a year earlier, driven by an increase in heating oil demand, due to cold weather.

With the build, the surplus in middle distillates with regard to the five-year average remained higher by 25m b, or 18.2 per cent.

However, the deficit with a year earlier narrowed to 2.3 per cent from 7.6 a month earlier.

In contrast to the build in gasoline and middle distillate stocks, residual fuel oil and jet fuel oil inventories declined by 2.0m b and 900,000 b, respectively. At 38.9m b, residual fuel oil stocks stood 1.7 per cent above the previous year over the same period, but indicated a deficit of 1.5 per cent with the seasonal norm. Jet fuel stocks showed a surplus of 1.6 per cent with a year earlier and 11.1 per cent with the five-year average.

Data for the week ending January 7 showed US commercial stocks rose by 900,000 b to 1,064.6m b, representing an overhang of almost 50m b for the week.

Crude oil stocks declined by 2.2m b to 333.1m b. Over a six-week period, US commercial crude oil stocks lost almost 27m b, the biggest decline in such a period since January 2008.

However, in days of forward cover, they were above the historical norm. In absolute terms, they stood 19m b above the five-year average. The drop came despite a 450,000 b/d increase in crude oil imports to 8.9m b/d and lower refinery runs as plants operated at 86.4 per cent, 1.6 per cent less than in the previous week.

Cushing stocks dipped slightly by 100,000 b to 37.4m b, but remained near the all-time high, which put pressure on WTI crude prices, compared with other crudes.

In contrast to the drop in crude stocks, total oil product inventories went up by 3.1m b, leaving them 30.0m b above the five-year average.

Gasoline stocks rose by 5.1m b to 223.2m b, leaving them 9.2m b, or 4.1 per cent, above the seasonal average. This build came on the back of higher imports, which rebounded by 360,000 b/d to 900,000 b/d as gasoline demand remained unchanged at 8.8m b/d.

Distillate stocks rose by 2.7m b to 164.8m b, leaving them 23.2m b, or 16.4 per cent, above the five-year average. However within the distillate components, heating oil inventories declined by 800,000 b, the fifth consecutive week of decline, to 44.4m b, reflecting healthy heating oil demand.

“Winter demand will keep some bullishness in the heating oil market, leading to more stock-draws in the coming weeks,” the OPEC report observed.

In Japan, preliminary indications for December based on weekly data published by PAJ showed that commercial oil stocks rose by 1.6m b for the third consecutive month to stand at 176.3m b.

Crude and total oil products saw a mixed picture. Crude oil rose by 8.0m b, almost the same rate as the previous month, while product inventories declined by 6.4m b.

Despite the build, Japanese total commercial oil stocks remained 11.3 per cent below the five-year average. However, the surplus with a year ago observed in November widened to 7.4 per cent from 4.0 per cent a month earlier.

The build in crude oil stocks came mainly from robust imports as refineries were running at very high rates, much more than the average for the month of November.

At the end of the month, refinery operation rates stood at 87.9 per cent, 8.7 per cent above the rate seen for the same week the previous year.

The decline in total inventories was driven by distillates and naphtha and to a lesser extent by gasoline, while residual fuel was the only product experiencing a drop.

Distillate stocks fell by 5.0m b to stand at 30.0m b, widening the deficit with the five-year average to 9.8 per cent from 8.2 per cent a month earlier. The bulk of the decline came from kerosene products, driven by colder-than-normal weather.

Gasoline stocks fell by 800,000 b to 12.9m b on the back of stronger demand during the year-end period. Gasoline stocks stood 0.8 per cent above a year earlier over the same period and 6.3 per cent higher than the seasonal norm.

Residual fuel stocks went up by 1.1m b to end the month at 17.3m b, leaving them one above a year earlier at the same time and 6.3 per cent above the five-year average.

In Singapore, preliminary data for the end of December based on weekly information showed that product stocks fell by 610,000 b to stand at 44.38m b.

With the draw, total product stocks stood at 600,000 b, 1.4 per cent below a year earlier over the same period.

Light and middle distillate inventories also saw a drop, declining by 1.2m b and 600,000 b, respectively, while fuel oil stocks experienced a build of 600,000 b.

The drop in light distillates to 9.2m b came on the back of stronger demand from Indonesia and Vietnam, Asia’s two largest gasoline importers. It was reported that Indonesia’s Pertamina had imported 8.0–8.5m b of gasoline in the month, compared with just 6.8m b in November.

Light distillate stocks stood 1.9m b, or 1.7 per cent, below a year earlier at the same time. Middle distillate stocks dropped to 13.5m b, showing a deficit of 1.3m b, or 8.9 per cent, with a year earlier.

The fall in distillate stocks came on the back of higher imports from Malaysia. Middle distillate stocks were expected to decline further in the coming months as Vietnam was expected to buy more spot cargoes to feed growing demand.

In the Amsterdam-Rotterdam-Antwerp (ARA) area, preliminary data for December based on weekly information showed oil product stocks increasing by 300,000 b to 37.16m b, leaving them 4.9m b, or 11.7 per cent, below a year earlier over the same period.

The main build in products came from gasoline, fuel oil and jet fuel, while gasoil and naphtha experienced a drop.

Gasoline stocks rose by 500,000 b to 4.71m b, but remained 3.2m b, or 40 per cent, below a year earlier during the same period. This build was driven by higher gasoline imports, which outpaced exports, mainly to the US.

Fuel oil stocks rose by 100,000 b to 5.75m b. However despite the build, they remained 500,000 b, or 8.4 per cent, below a year earlier over the same period.

Gasoil stocks reversed the build seen the previous month to decline by 750,000 b and stand at 20.66m b. They remained 450,000 b, or 2.2 per cent, higher than a year earlier.

“The drop in gasoline inventories could be attributed to cold weather pushing demand higher, leading to more stock-draws,” the OPEC report stated.



Table A: World crude oil demand/supply balance															m b/d	
World demand	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	
OECD	49.9	49.6	49.3	47.6	45.5	45.8	45.2	46.6	46.2	46.0	46.1	45.3	46.7	46.4	46.1	
North America	25.6	25.4	25.5	24.2	23.3	23.5	23.7	24.2	23.8	23.8	23.8	23.9	24.4	24.1	24.1	
Western Europe	15.7	15.7	15.5	15.4	14.5	14.2	14.1	14.8	14.4	14.4	14.2	14.1	14.7	14.4	14.3	
Pacific	8.6	8.5	8.4	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.2	7.3	7.6	8.0	7.7	
Developing countries	22.7	23.5	24.6	25.5	26.1	26.2	26.6	26.7	26.7	26.6	26.8	27.1	27.3	27.3	27.1	
FSU	3.9	4.0	4.0	4.1	4.0	4.0	3.8	4.2	4.3	4.1	4.0	3.8	4.3	4.3	4.1	
Other Europe	0.8	0.9	0.8	0.8	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.6	
China	6.7	7.2	7.6	8.0	8.3	8.3	8.9	9.2	8.9	8.8	8.7	9.4	9.7	9.3	9.3	
(a) Total world demand	84.1	85.2	86.4	85.9	84.5	85.0	85.2	87.4	86.8	86.1	86.3	86.2	88.6	88.1	87.3	
Non-OPEC supply																
OECD	20.4	20.1	20.0	19.5	19.7	20.0	19.9	19.5	20.1	19.9	20.0	19.8	19.5	19.9	19.8	
North America	14.1	14.2	14.3	13.9	14.4	14.7	14.9	14.9	15.1	14.9	15.0	15.0	14.9	15.1	15.0	
Western Europe	5.7	5.3	5.2	5.0	4.7	4.7	4.4	4.0	4.4	4.4	4.4	4.2	4.1	4.2	4.2	
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
Developing countries	11.9	12.0	12.0	12.2	12.5	12.7	12.8	12.8	12.8	12.8	12.9	13.1	13.2	13.4	13.1	
FSU	11.5	12.0	12.5	12.6	13.0	13.1	13.2	13.2	13.4	13.2	13.4	13.3	13.3	13.3	13.3	
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	0.1	
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.3	4.1	4.2	4.2	4.2	4.2	4.2	
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	
Total non-OPEC supply	49.6	49.9	50.4	50.3	51.1	52.1	52.1	52.0	52.8	52.3	52.7	52.6	52.3	53.0	52.7	
OPEC NGLs and non-conventionals	3.9	3.9	3.9	4.1	4.3	4.6	4.8	4.8	5.0	4.8	5.1	5.2	5.3	5.4	5.3	
(b) Total non-OPEC supply and OPEC NGLs	53.5	53.8	54.4	54.5	55.5	56.7	56.9	56.8	57.8	57.0	57.8	57.8	57.7	58.4	57.9	
OPEC crude supply and balance																
OPEC crude oil production¹	30.7	30.5	30.2	31.2	28.7	29.2	29.1	29.2	29.2	29.1						
Total supply	84.2	84.4	84.6	85.7	84.2	85.9	85.9	85.9	86.9	86.2						
Balance²	0.1	-0.8	-1.9	-0.2	-0.3	0.9	0.8	-1.4	0.1	0.1						
Stocks																
OECD closing stock level^{m b}																
Commercial	2587	2668	2572	2697	2680	2680	2762	2744								
SPR	1487	1499	1524	1527	1567	1567	1563	1549								
Total	4073	4167	4096	4224	4247	4247	4325	4293								
Oil-on-water	954	919	948	969	873	873	876	905								
Days of forward consumption in OECD																
Commercial onland stocks	52	54	54	59	58	59	59	59								
SPR	30	30	32	34	34	35	34	34								
Total	82	84	86	93	92	94	93	93								
Memo items																
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.2	9.4	9.0	9.1	9.2	9.4	9.5	9.0	9.0	9.2	
[(a) – (b)]	30.6	31.4	32.0	31.4	29.0	28.3	28.3	30.6	29.0	29.0	28.5	28.4	30.9	29.7	29.4	

1. Secondary sources.

2. Stock change and miscellaneous.

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in **Tables 1 and 2** on page 74, while **Graphs 1 and 2** on page 75 show the evolution on a weekly basis. **Tables 3 to 8** and the corresponding graphs on pages 76–77 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, 2010

\$/b

Crude/Member Country	2010									Weeks 45-53 (week ending)								
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Nov 5	Nov 12	Nov 19	Nov 26	Dec 3	Dec 10	Dec 17	Dec 24	Dec 31
Arab Light – Saudi Arabia	82.75	75.50	73.84	72.63	74.21	74.55	79.93	83.32	89.24	83.07	85.36	82.67	81.92	85.31	88.66	89.18	90.45	90.50
Basrah Light – Iraq	81.35	73.15	72.09	72.14	73.39	73.70	79.36	82.14	88.09	82.23	84.29	81.12	80.64	84.38	87.36	87.93	89.24	89.44
Bonny Light – Nigeria	86.14	76.87	76.00	77.04	78.82	79.65	84.35	86.83	93.08	87.19	88.88	85.55	85.39	89.50	91.88	92.64	94.49	94.69
Es Sider – SP Libyan AJ	84.49	74.87	73.65	74.84	76.27	77.15	82.60	84.93	91.13	85.29	86.98	83.65	83.49	87.57	89.93	90.69	92.54	92.74
Girassol – Angola	84.38	75.53	74.85	74.78	76.55	77.25	82.55	85.80	91.36	86.01	87.82	84.56	84.50	88.16	90.43	90.89	92.63	92.82
Iran Heavy – IR Iran	82.09	74.09	71.83	71.07	73.20	73.58	78.99	82.24	87.81	81.79	84.15	81.84	80.95	83.89	87.20	87.72	89.14	89.09
Kuwait Export – Kuwait	81.64	74.23	72.03	70.69	72.42	72.92	78.10	81.59	87.25	81.08	83.52	81.21	80.30	83.29	86.72	87.27	88.55	88.43
Marine – Qatar	83.62	76.58	73.97	72.54	74.48	75.26	80.31	83.41	88.98	82.73	85.20	83.24	82.20	84.97	88.14	88.87	90.45	90.49
Merey* – Venezuela	73.12	65.86	65.10	65.99	67.19	66.91	71.21	73.07	77.30	73.47	75.37	71.72	71.34	75.24	76.67	77.07	78.06	78.13
Murban – UAE	85.38	78.57	75.90	74.42	76.12	76.93	82.20	85.36	91.06	84.83	87.21	85.05	84.10	86.91	90.24	91.07	92.56	92.53
Oriente – Ecuador	75.45	68.62	69.19	68.72	69.27	70.69	76.42	77.45	82.99	78.75	80.09	75.43	75.24	80.02	82.12	82.38	83.93	84.55
Saharan Blend – Algeria	84.99	75.67	75.05	76.49	78.22	78.95	83.90	86.28	92.46	86.64	88.33	85.00	84.84	88.90	91.26	92.02	93.87	94.07
OPEC Reference Basket	82.33	74.48	72.95	72.51	74.15	74.63	79.86	82.83	88.56	82.73	84.86	82.03	81.43	84.90	87.80	88.39	89.81	89.89

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2010

\$/b

Crude/country	2010									Weeks 45-53 (week ending)								
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Nov 5	Nov 12	Nov 19	Nov 26	Dec 3	Dec 10	Dec 17	Dec 24	Dec 31
Minas – Indonesia ¹	90.24	82.47	78.87	75.59	77.93	79.47	83.35	85.96	94.98	85.08	87.86	85.76	84.80	89.01	94.13	94.77	96.54	97.21
Arab Heavy – Saudi Arabia	81.13	73.72	71.19	69.59	71.42	71.88	76.98	80.62	86.11	79.94	82.47	80.41	79.39	82.12	85.60	86.17	87.46	87.24
Brega – SP Libyan AJ	84.89	75.37	74.35	75.49	77.12	77.95	83.00	85.58	91.78	85.94	87.63	84.30	84.14	88.22	90.58	91.34	93.19	93.39
Brent – North Sea	84.79	75.57	74.85	75.64	77.07	77.80	82.75	85.33	91.53	85.69	87.38	84.05	83.89	87.97	90.33	91.09	92.94	93.14
Dubai – UAE	83.59	76.49	73.99	72.49	74.28	75.13	80.22	83.72	89.17	83.04	85.57	83.50	82.52	85.22	88.69	89.24	90.53	90.26
Ekofisk – North Sea	85.59	75.96	76.15	76.75	78.22	78.87	83.68	86.33	92.72	86.30	88.22	85.26	85.15	89.12	91.87	92.80	94.16	94.06
Iran Light – IR Iran	82.70	73.21	73.13	73.39	75.06	76.82	82.32	84.38	90.60	84.89	86.55	83.09	82.79	86.49	89.52	90.76	92.33	92.27
Isthmus – Mexico	83.42	73.73	73.41	74.30	75.50	74.16	79.58	82.03	88.17	82.76	84.41	80.31	80.19	85.16	87.31	87.44	89.06	89.88
Oman – Oman	83.67	76.75	74.18	72.59	74.57	75.43	80.44	83.91	89.24	83.24	85.78	83.71	82.67	85.30	88.71	89.29	90.58	90.41
Suez Mix – Egypt	79.70	70.42	71.47	70.91	72.58	74.63	78.76	81.97	86.88	82.12	83.97	80.81	80.69	84.31	86.39	86.64	87.80	88.04
Tia Juana Light ² – Venez.	81.67	72.04	71.65	72.74	74.07	72.60	77.91	80.14	85.97	80.85	82.47	78.46	78.35	83.10	85.13	85.25	86.84	87.63
Urals – Russia	82.51	74.10	74.37	73.80	75.45	77.39	81.53	84.74	89.74	84.89	86.74	83.58	83.46	87.08	89.16	89.41	90.57	90.76
WTI – North America	84.44	73.65	75.29	76.11	76.62	75.14	81.89	84.08	89.15	84.99	86.81	82.10	82.09	86.75	88.51	88.14	89.83	90.82

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

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

1. Indonesia suspended its OPEC Membership on December 31, 2008.

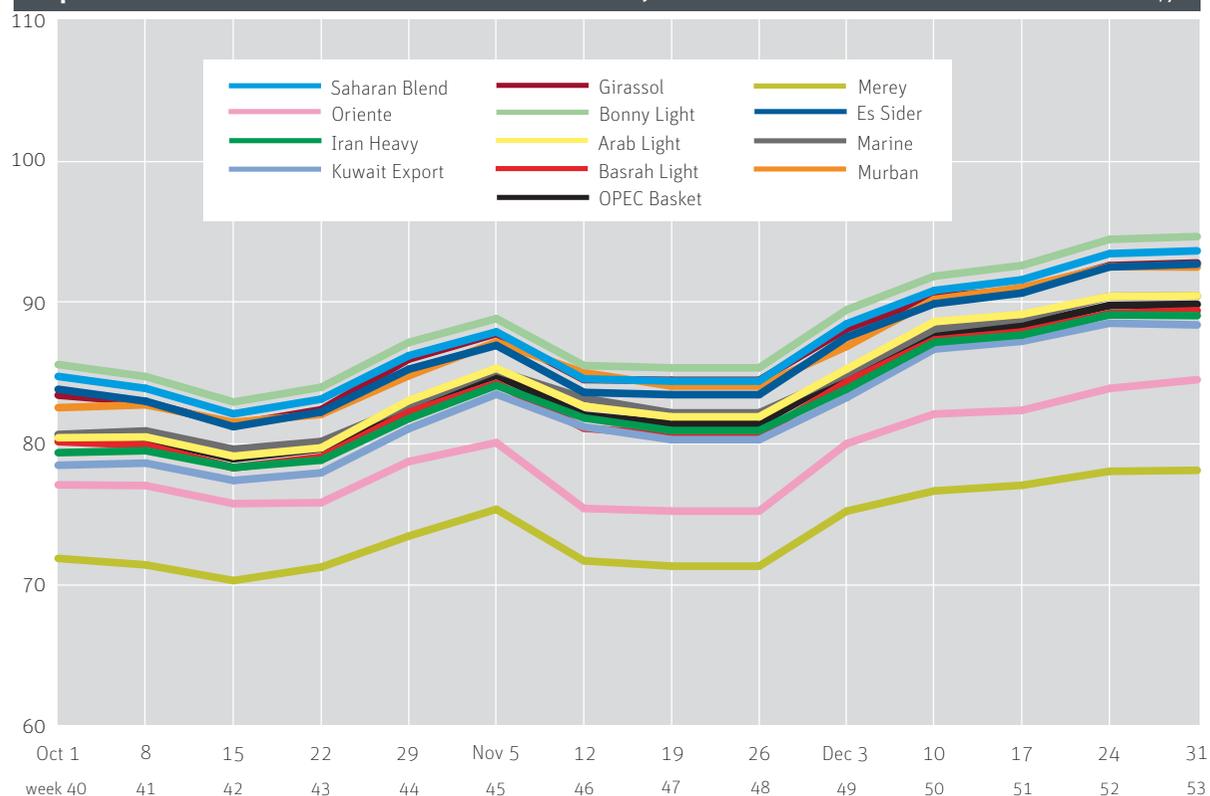
2. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.

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

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

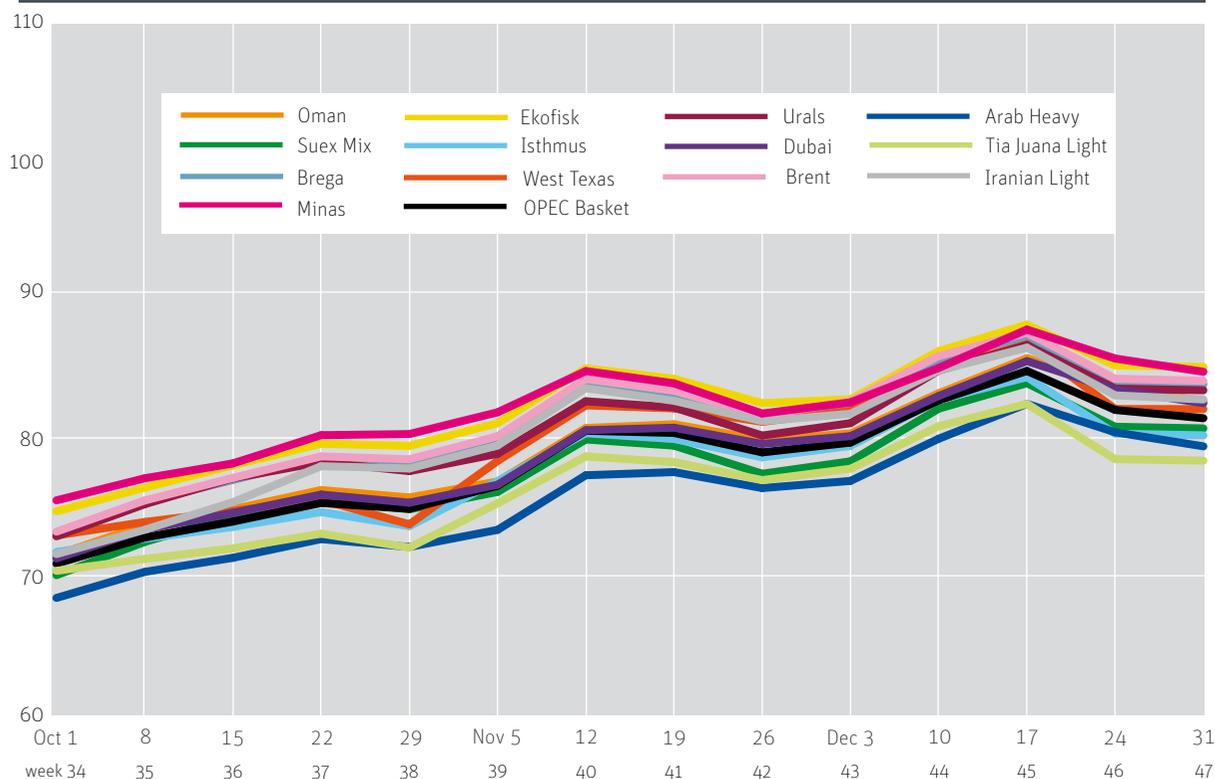
Graph 1: Evolution of the OPEC Reference Basket crudes, 2010

\$/b



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

\$/b

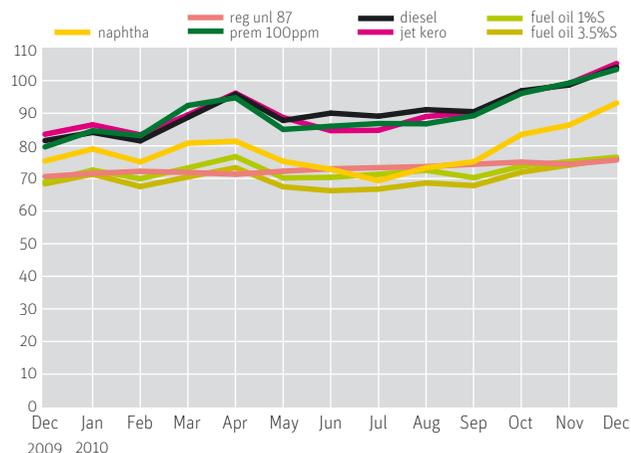


Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia). Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

Table and Graph 3: North European market – spot barges, fob Rotterdam

\$/b

	naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2009 December	75.35	68.89	79.68	81.62	83.56	68.35	66.93
2010 January	79.05	72.67	84.65	84.11	86.46	73.68	71.03
February	75.07	70.59	83.11	81.53	83.38	69.02	68.36
March	80.82	71.54	92.38	88.75	89.50	72.55	71.29
April	81.43	72.19	94.75	95.83	96.16	69.94	67.51
May	75.25	71.87	85.03	87.79	88.68	73.25	70.47
June	72.81	71.29	85.50	87.03	84.66	76.70	73.31
July	69.33	72.22	85.63	89.10	84.77	70.16	67.44
August	73.29	72.97	86.77	88.21	89.01	70.33	66.24
September	75.12	73.31	89.26	90.47	90.19	71.28	66.74
October	83.47	73.65	96.08	96.88	96.35	72.50	68.62
November	86.37	74.36	99.26	98.67	99.07	75.18	74.09
December	93.15	75.66	103.44	104.15	105.26	76.54	76.19



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

Table and Graph 4: South European market – spot cargoes, fob Italy

\$/b

	naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2009 December	73.04	56.29	64.25	69.92	68.20
2010 January	76.30	57.10	65.18	72.10	70.82
February	72.61	58.00	65.31	69.58	67.38
March	78.63	57.55	65.24	72.39	68.79
April	79.52	56.58	64.30	76.90	73.02
May	73.26	59.76	59.76	69.78	66.58
June	70.99	59.98	60.01	68.04	65.99
July	66.56	59.99	60.23	70.62	65.61
August	71.39	59.99	60.23	71.80	68.87
September	73.69	60.19	60.26	70.21	66.78
October	81.91	60.22	60.40	72.90	71.76
November	84.55	61.15	60.52	74.36	72.38
December	90.81	61.60	60.55	75.98	73.77

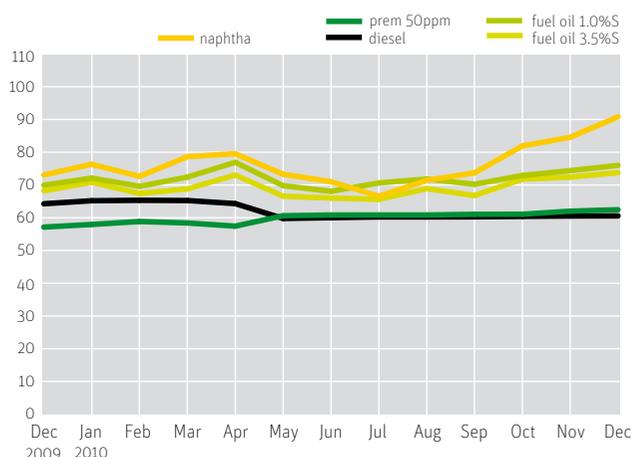
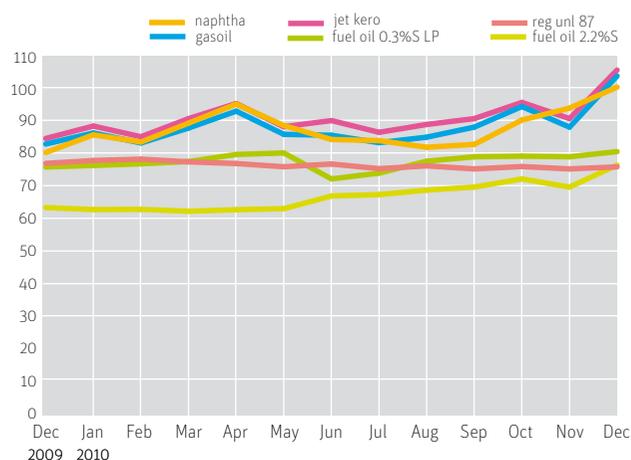


Table and Graph 5: US East Coast market – spot cargoes, New York

\$/b, duties and fees included

	naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2009 December	75.66	80.13	81.17	82.95	73.56	59.80
2010 January	78.12	85.54	83.42	84.31	78.34	62.29
February	76.81	83.34	82.73	84.44	75.70	63.29
March	77.68	89.13	86.11	88.23	76.17	62.67
April	78.10	94.96	83.05	84.96	76.68	62.74
May	77.27	88.39	87.63	90.51	77.38	62.16
June	76.76	84.12	92.79	95.13	79.53	62.63
July	75.77	83.78	85.69	88.03	80.00	62.95
August	76.62	81.74	85.41	89.91	72.06	66.84
September	75.19	82.62	83.14	86.31	73.83	67.26
October	76.05	90.07	84.83	88.71	77.47	68.63
November	75.12	93.72	87.90	90.51	78.83	69.56
December	75.74	100.15	103.55	105.38	80.41	76.28



Source: Platts. Prices are average of available days.

Table and Graph 6: Caribbean market – spot cargoes, fob

\$/b

	naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2009 December	78.45	56.18	84.67	68.60	66.96
2010 January	82.37	57.12	87.67	70.31	68.83
February	80.25	56.18	84.94	71.75	70.57
March	85.40	57.63	89.96	74.99	76.40
April	88.59	59.41	96.02	77.41	76.40
May	81.08	57.03	88.07	70.78	69.65
June	81.67	56.93	87.77	70.14	68.99
July	79.60	56.29	86.41	70.51	69.36
August	77.25	57.07	89.08	71.88	70.80
September	79.04	57.72	89.93	68.79	67.39
October	83.85	59.70	95.56	68.95	67.49
November	86.27	60.57	98.63	70.47	69.02
December	93.71	62.32	104.16	73.13	71.68

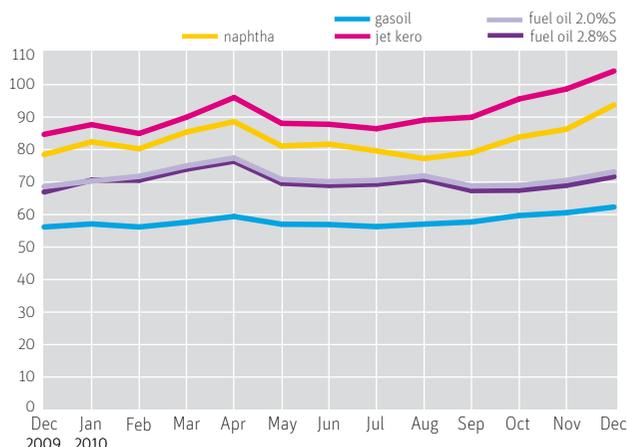


Table and Graph 7: Singapore market – spot cargoes, fob

\$/b

	naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2009 December	78.28	81.85	78.95	82.69	83.24	72.79	72.65
2010 January	80.66	88.01	84.87	85.89	85.87	75.55	75.11
February	75.76	86.49	83.55	83.30	82.23	71.88	71.15
March	80.84	90.86	88.48	88.63	94.82	73.04	71.89
April	83.13	94.06	95.24	95.91	94.82	76.33	75.57
May	77.43	85.12	88.30	89.24	88.12	71.10	71.15
June	72.42	83.26	81.54	87.36	86.64	71.45	68.31
July	68.57	82.42	81.99	86.32	85.32	69.68	68.46
August	73.31	82.52	80.83	88.10	87.23	71.32	69.58
September	74.52	82.55	80.58	88.53	87.81	70.07	68.92
October	82.97	89.71	87.66	94.97	94.30	74.42	73.05
November	87.26	93.21	91.15	98.59	97.87	77.71	75.85
December	93.83	102.09	100.02	104.40	103.53	80.20	78.57

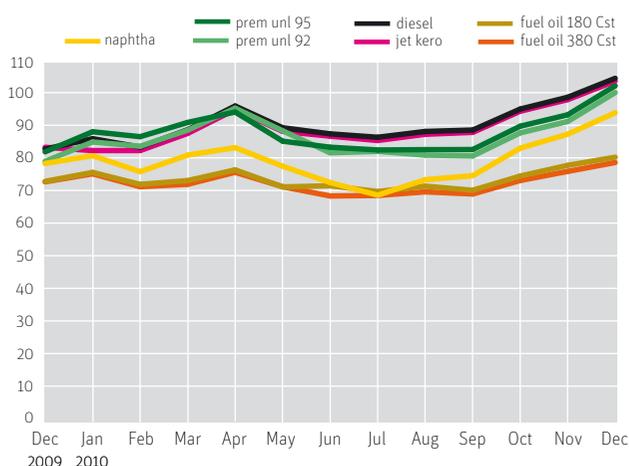
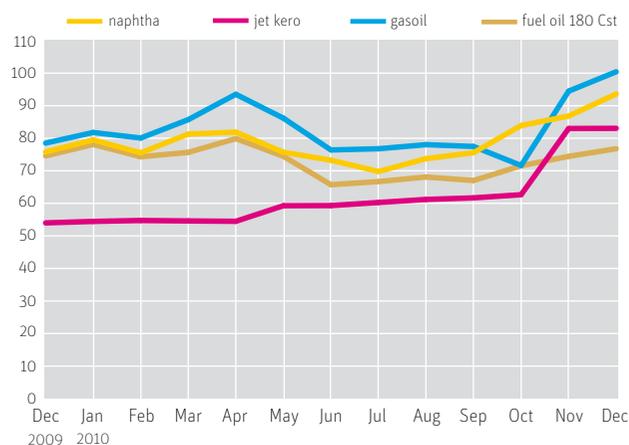


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

\$/b

	naphtha	gasoil	jet kero	fuel oil 180 Cst
2009 December	75.80	78.51	73.99	74.57
2010 January	79.49	81.77	74.45	78.10
February	75.51	80.07	74.73	74.31
March	81.27	85.71	74.59	75.66
April	81.87	92.71	74.48	79.88
May	75.69	85.51	79.27	74.46
June	73.25	83.59	79.31	65.72
July	69.77	82.60	80.26	66.69
August	73.73	84.53	81.20	68.10
September	75.56	84.73	81.68	67.01
October	83.91	90.99	82.65	71.55
November	86.82	94.47	82.99	74.43
December	93.59	100.43	83.05	76.78



Source: Platts. Prices are average of available days.

Forthcoming events

LNG: Fuel for shipping seminar, February 15–16, 2011, 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.

The European gas market summit 2011, February 15–16, 2011, London, UK. Details: FC Business Intelligence, 7–9 Fashion Street, London E1 6PX, UK. Tel: +44 207 375 72 27; fax: +44 207 375 75 76; e-mail: josh@eyeforenergy.com; website: www.eyeforenergy.com/gasmarkets.

6th Russia offshore, February 15–18, 2011, Moscow, Russia. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

The Arab African Forum, February 16–18, 2011, Brussels, Belgium. Details: Crans Montana Forum. Tel: +37 7 9770 70 00; fax: +37 7 9770 70 40; e-mail: info@cmf.ch; website: www.cmf.ch.

FPSO training courses Europe, February 16–18, 2011, Oslo, Norway. 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.

7th Annual nuclear energy, February 16–18, 2011, Bethesda, MD, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

4th Unconventional gas summit, February 17–18, 2011, Singapore. 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.

5th Annual European carbon capture and storage, February 17–18, 2011, London, UK. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Energy security and the economy, February 18, 2011, Brussels, Belgium. Details: Crans Montana Forum. Switzerland Tel: +37 7 9770 70 00; fax: +37 7 9770 70 40; e-mail: info@cmf.ch; website: www.cmf.ch.

Nigeria oil and gas 2011, February 21, 2011, 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.

International petroleum week, February 21–23, 2011, 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.

Production sharing contracts and international petroleum fiscal systems, February 21–23, 2011, Ghana. 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.

Reservoir simulations symposium, February 21–23, 2011, The Woodlands, TX, USA. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: +1 972 952 9435; e-mail: spedal@spe.org; website: www.spe.org.

European health, safety and environmental conference in oil and gas exploration and production, February 22–24, 2011, Vienna, Austria. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelom@spe.org; website: www.spe.org.

Offshore pipeline technology conference, February 23–24, 2011, 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.

Oil and gas pipelines, February 23–24, 2011, London, UK. Details: SMI Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 OHS, 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.

Shale gas Asia 2011, February 23–24, 2011, New Delhi, India. Details: American Business Conferences, 2300 M Street, NW Suite 800, Washington DC 20037, USA. Tel: +1 800 721 3915; fax: +1 800 714 1359; e-mail: info@american-business-conferences.com; website: www.shale-gas-asia.com.

3rd Annual power storage, February 23–24, 2011, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Biomass trade and power Americas, February 23–25, 2011, Atlanta, TX, USA. 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.

10th Annual LNG, February 24–25, 2011, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

LNG market fundamentals, February 28, 2011, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.



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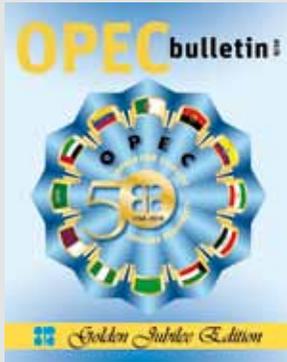
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